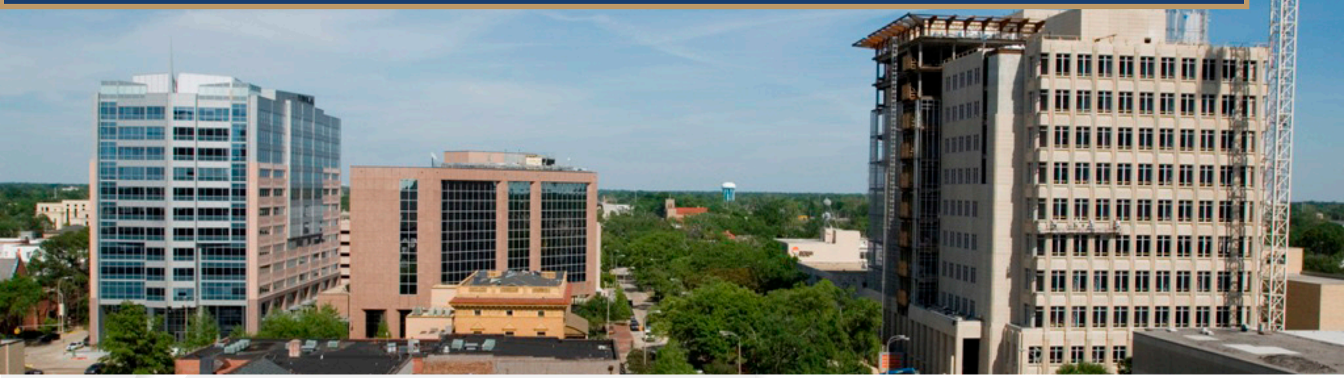
The Louisiana Public Facilities Authority:
40 Years of Impact on the Louisiana Economy
(1974 - 2014)



Prepared for the LPFA by:

Dr. James A. Richardson

Alumni Professor of Economics,
Louisiana State University

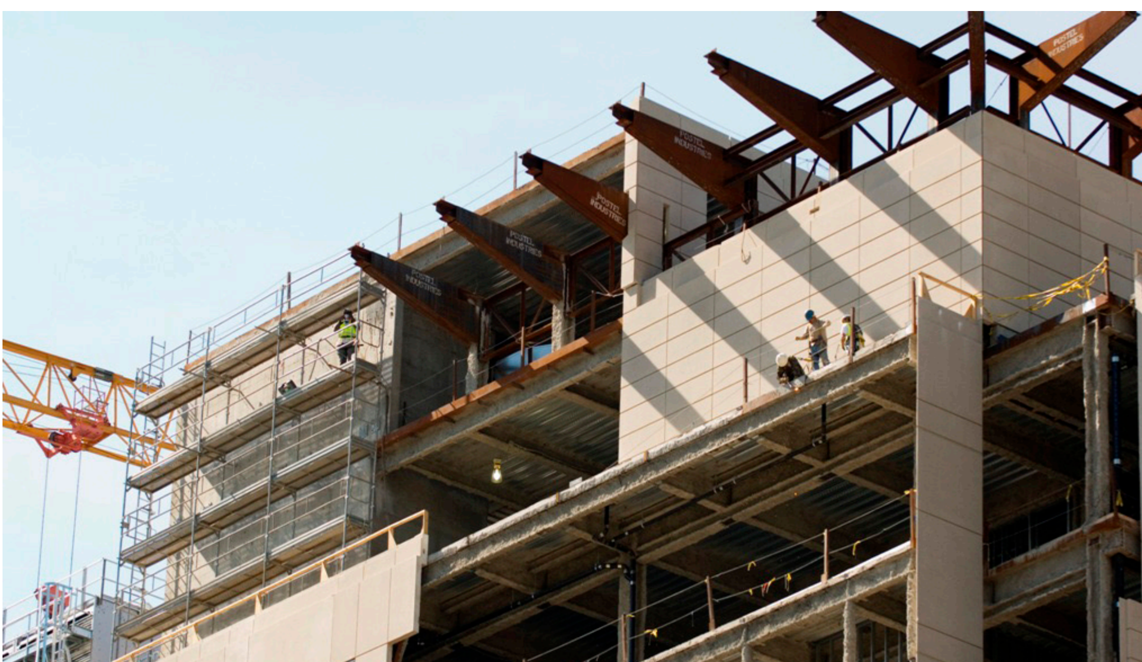
August 2014

Dr. James A. Richardson is solely responsible for the analysis and findings contained in this report

Printing and Production Disclaimer:

The public document was published at a total cost of **$3,665**. **3,000** copies of this public document was published in this first printing at a cost of **$3,665**. The total cost of all printings of this document, including reprints, is $3,665. This document was published for the Louisiana Public Facilities Authority, 2237 S. Acadian Thruway, Suite 650, Baton Rouge, LA 70808 by **Baton Rouge Printing, Inc.**, to promote public awareness of the programs and services provided by the LPFA to Louisiana and its citizens and to keep the public informed about the operations of the LPFA under Authority of Title 9, Chapter 2-A of the Louisiana Revised Statues. Printing of this material was purchased in accordance with the provision of Title 9, Chapter 2-A of the Louisiana Revised Statutes.

For more information about printing, the design and content contained within this document, or public information requests, contact Emily C. S. Spears at spears@lpfa.com.



Preface:

In 2014, the LPFA completed 40 years of dedicated service to Louisiana, its people, institutions, and governmental entities.

To determine the economic impact of the Authority on the state during its 40 years of service, the LPFA commissioned an impact study by Dr. James A. Richardson, the distinguished economist with the E.J. Ourso College of Business at Louisiana State University. The following study, Louisiana Public Facilities Authority: 40 Years of Impact on the Louisiana Economy, supplements three of Dr. Richardson's previous studies including his 1974-1999 study, 1999-2003 and his 2003 -2009 study in connection with the LPFA's 40th anniversary.

For copies of the 1974-1999 study, 1999-2003 study or the 2003-2009 study, please contact the LPFA or visit lpfa.com.

LPFA INTRODUCTION

The Louisiana Public Facilities Authority (LPFA) was created as a public trust and public corporation in 1974 with the authority and responsibility to issue taxable and tax-exempt bonds to finance projects and programs in the best interest of the citizens of Louisiana. LPFA serves as a financial intermediary between public and private entities in Louisiana and the national and international financial markets for the financing of educational and medical facilities, industrial and economic development projects, state and local programs, and other projects and programs considered to be in the best interest of the state. As a financial intermediary, LPFA directly affects state and local governments, agencies, companies, and individuals who borrow money through the LPFA. In a broader sense, LPFA, along with the entities borrowing the funds, influences the entire Louisiana economy in terms of supporting jobs associated with construction activity related to the issuing of bonds, providing an infrastructure to support on-going and permanent economic activity, and reducing interest payments associated with financing debt of governments and private entities.

This study identifies the various financial transactions undertaken by LPFA during its 40 years of financial service in Louisiana. We focus on the 40 years from 1974 through 2013 and give special attention to the financial activities from 2009 to 2013 and the subsequent impact of these financial transactions on the state's economy. The economic impact of providing capital, as the LPFA does, includes promoting additional business activity, new job opportunities, and added earnings in addition to reduced interest expenses for governmental subdivisions and private entities.

This study identifies the various financial transactions undertaken by LPFA during its 40 years of financial service in Louisiana. We focus on the 40 years from 1974 through 2013 and give special attention to the financial activities from 2009 to 2013 and the subsequent impact of these financial transactions on the state's economy. The economic impact of providing capital, as the LPFA does, includes promoting additional business activity, new job opportunities, and added earnings in addition to reduced interest expenses for governmental subdivisions and private entities.

Economic Benefits Related to LPFA Financial Transactions

LPFA financial transactions influence the performance and direction of the Louisiana economy. For example, in providing funding for a construction project, the LPFA indirectly contributes to the economic activity, jobs, and personal earnings from the construction project, which is sustained for at least the duration of that one project. Nevertheless, the real long-term benefits of construction projects to the state of Louisiana occur after completion once the project begins providing the intended benefits, whether it is a medical facility, a university structure, residential housing, or a public service that cannot easily be monetized. Benefits related to the construction of the various facilities are easily computed and aggregated on a yearly basis. The report provides estimates of the economy-wide benefits due to the various construction projects financed by LPFA. Benefits accruing to the state because of the use of the new or renovated facility are just as real as benefits related to the construction activity but more difficult to explicitly measure.

LPFA also provides financial services to specific programs that may not involve direct creation or expansion of a facility and subsequently increased revenues or services but instead provide cost savings. The LPFA serves as an alternative lending institution and can produce reduced interest expenses for state and local governments as well as an opportunity to restructure a state program that was in jeopardy or a chance to provide cash flow flexibility to local governments at reduced costs.

Finally, LPFA does, on occasion, serve as a primary lender by facilitating funding for initiatives, such as funding for major repairs after catastrophes.

These activities do not reflect the traditional services provided by a financial intermediary, but LPFA can provide the financial impetus needed to move the project forward or make the project feasible from the state's perspective. Benefits from these financial transactions are best computed by examining the specific LPFA project or projects.

Entrepreneurship and business expansion rarely occur without some type of capital facilitation. Although this capital, in an abstract sense, is not the initial cause of growth, it is an elemental part of economic expansion. The LPFA does not in itself create growth, earnings, or business activity, but it serves as a crucial part of the process by which this happens in the socioeconomic arena. The facilitation of these financial transactions is, without a doubt, a key and necessary ingredient in promoting and stimulating economic growth in Louisiana. Individuals, small and large companies, public organizations, and nonprofit institutions initiate the process with new ideas or enhanced construction plans. But these ideas and construction activities must be financed. At this point, the LPFA becomes a key ingredient in the actualization of the economic development and growth.

LPFA Bond Issuances, 1974 to 2013

LPFA, during its forty years of operations, has issued over $23.9 billion of bonds or an average of just over $595 million per year; in real dollars (all bond issuances being measured in 2013 dollars) the agency has issued nearly $35 billion in bonds or about $872 million per year. These bonds were issued (1) on behalf of specific public and private universities for buildings and equipment, (2) on behalf of state and local governmental bodies in handling cash flow problems, (3) on behalf of individual projects such as the construction of housing developments, (4) in support of student loans for college students, (5) on behalf of major healthcare providers within the state for construction and the purchase of equipment, and (6) for economic development endeavors, among others.

LPFA Financial Activity: Magnitude and Purpose

This study marks the fourth analysis of the LPFA, its activity, and its impact. Figure 1 depicts the trend in LPFA bond issuances from 1974 through 2013, as well as being divided into four periods reflecting the four studies: 1974-1998, 1999-2003, 2004-2009 and 2010-2013. The study highlights 40 years of activity in Louisiana as well as noting the past four years. In order to put the period into context, it is useful to explore how the LPFA has interacted with the state's economy over time. From 1974-1998, the LPFA issued over $13 billion in bonds, or about $22.8 billion in 2013 dollars (approximately $524 million per annum over this 25 years time period in nominal dollars or approximately $912 million per annum over this period in 2013 dollars). However, it is noteworthy that the five years from 1983-1987 accounted for over 65% of the lending over the entire twenty-five year period.

The Louisiana economy was marred in a major economic downturn during the 1980s and the state's private financial institutions were struggling to maintain themselves. LPFA's financial services became essential to providing support and rejuvenation for the Louisiana economy. The LPFA, working with the state in 1987, rescued the Unemployment Insurance Trust Fund and initiated a recovery of the unemployment trust fund that is today one of the healthiest unemployment trust funds in the nation. Another important spike of almost $1.7 billion in 2013 dollars occurred in 1992, a product of a Louisiana economy and state government that was just beginning its full recovery from the 1980s downturn. This spike, however, paled in comparison to the $3.4 billion (in 2013 dollars) that LPFA bond issuances averaged from1985 through 1987.

The following period, from 1999-2003, the LPFA issued about $2.3 billion of bonds in nominal dollars or just over $2.9 billion in 2013 dollars, or approximately $460 million per year in nominal dollars and approximately $588 million per annum (2013 dollars), roughly half of that spent in the previous period. The period, 2004 to 2009, saw nearly $5.4 billion of bonds issued in nominal dollars or approximately $1.074 billion per year and $6.6 billion in bonds issued in 2013 dollars or just over $1.1 billion dollars per year. From 2010 to 2013 the LFPA issued $2.394 billion in bonds or approximately $$598 million per year, all in nominal terms. In 2013 dollars the LPFA issued $2.467 billion in bonds or approximately $617 million per year.

The overall spending by the LPFA is important, but equally and perhaps more important is what types of projects the agency funds and the significance of the LPFA at critical junctures in the state's economic history. For example, from 1974 to 2009, roughly one-third of the funds were allocated to projects involving healthcare providers; however, in the last four years (2010-2013), the LPFA has allocated less than 20 percent of their bond issuances to healthcare activities. LPFA issued fewer bonds proportionately on healthcare projects from 2010 through 2013, but it still issued just over $460 million for healthcare projects or approximately $115 million per year. Healthcare projects have been consistently supported over time because of the demand for healthcare facilities and the continued growth in healthcare services within Louisiana, as well as throughout the United States.

1. Dr. Richardson completed a study for the time period of 1974 to 1998, The Louisiana Public Facilities Authority: Its Impact on the Louisiana Economy, a study for the time period of 1999 through 2003, The Louisiana Public Facilities Authority: Impact on the Louisiana Economy, 1999-2003, a study for the 35th anniversary of LPFA and special attention to the time period 2004 through 2009.

2. Illustrating both nominal and real dollars is important since a dollar in 1974 is not equivalent to a dollar in 2013. All real dollars are measured in 2013 dollars.

3. LPFA's activities in the student loan market depend on federal policies.

Funding for higher education has been fairly consistent over the time period with higher education getting about 17 percent of all bond issuances in the time period 1974 to 1998, 18 percent from 1999 to 2003, 12 percent from 2004 to 2009, and 18 percent from 2010 to 2013. Higher education support includes funding for public and private institutions.

The LPFA provides funds that allow state and local governments to restructure their debts or acquire more affordable capital for projects. To this end, the agency lent just over $2.0 billion in nominal dollars or approximately $3.3 billion (2013 dollars) to state and local governments during the 2004 to 2013 time period. Affordable capital becomes an essential ingredient in the ability of state and local governments providing necessary services to their constituents. State and local government accounted for 10 percent of all LPFA bond issuances from 1974 to 1998, 7 percent from 1999 to 2003, 9 percent from 2004 to 2009, and just less than 2 percent from 2010 to 2013.

Other projects have varied given the demands of the economy. For example, in the period from 1974-1998, about 7 percent of the funds were allocated to projects pertaining to housing. The next period, from 1999-2003, there was little change – approximately 6.5% of the funds allocated were issued to housing related projects. From 2003-2009 less than one percent of all funds were allocated to housing market-related projects. This has continued into 2010 to 2013, a period in which less than 2 percent of LPFA's projects can be classified as housing-related.

Economic development accounted for nearly 40 percent of the allocated funds from 2004-2009 and from 2010-2013, but economic development projects or projects that were specifically labeled as economic development projects accounted for approximately 12 percent of funds in the previous period and about 15 percent from 1974-1998. Since 1984, the agency has participated in student loan programs, another form of economic development, allocating nineteen percent of all funds from 1999-2003 to the program, eight percent for 2004 trough 2009, and 8 percent from 2010 through 2013.

LPFA deals with the economic problems at hand and the projects that are in demand. It is not surprising that certain types of LPFA bond issuances have remained relatively constant over time and other types of LPFA bond issuances have varied substantially from year to year and from time period to time period.

The LPFA was the financial intermediary that allowed the state to reclaim its unemployment insurance programs after watching the fund go into debt to the federal government in the 1980s because of the increasing unemployment in the state and the loss of business contributions because of the severe and sustained economic downturn in the 1980s.

LPFA borrowed enough dollars to pay off the federal government and to provide sufficient cushion in the fund so that it was economically viable. Workers shared in this endeavor by accepting lower unemployment benefits of as much as 12 percent if they were laid off and businesses shared in the reclamation of the unemployment insurance trust fund by accepting an increase in the taxable wage base of 21 percent and a surcharge on their contributions to the trust fund of 1.4 percent of the first $15,000 wage base. In the end, the LPFA, along with the sacrifices of workers and businesses, was critical in ensuring the solvency of the program.

It is noteworthy that the Louisiana Unemployment Trust Fund has been solvent since the 1980s and not having to borrow any money from the federal government to pay weekly unemployment insurance benefits. The Louisiana Unemployment Trust Fund as of 2014 has approximately $800 million in reserves despite the reduction in employment during the Great Recession with the accompanying higher unemployment Insurance benefits to be paid out and the reduction in taxes being collected from businesses.

In the time period, 2004 through 2009, LPFA became involved in assisting the state in its recovery from Hurricanes Katrina and Rita by providing financial support to the utilities to reduce the capital costs of rebuilding the damaged power system in the state and providing financial support to communities as they worked with the federal government to restore their infrastructure to its pre-hurricane status. This is what makes an organization such as the LPFA so valuable—it has flexibility in its delivery of financial support for a variety of needs. In the 1980s it was the lingering oil bust and all of its implications for the state's economy (a loss of almost 5,000 jobs per year) and the necessary restructuring of the unemployment trust fund. From 2005 through 2007 it was disaster recovery and then from 2008 through 2010 it was the state's recovery from the credit meltdown in 2008 and the national recession that began in December 2007.

And, for the last several years, the LPFA's role has been to accommodate the state's recovery from the Great Recession. There, fortunately, has not been a single event that has dominated the state's economy. LPFA's flexibility allows it to adjust from focusing on an event to providing service across the economy.

At its creation, LPFA was not given specific goals, but rather the general assignment of providing financial services in the best interest of the citizens of Louisiana. . LPFA was not specifically instructed to be a contra-cyclical financial force within the state, nor was it assigned the specific duty of alleviating the state's cash flow problems or the related problems for local governments. Nor was the LPFA assigned the responsibility to assist the state in its recovery from a natural disaster. The LPFA was not assigned to assist local governments in reducing interest rate expenses if movement in the interest rates permitted such an opportunity. Nevertheless, economic demands and conditions, changes in federal tax provisions, other economic factors, and financial foresight led the LPFA to assume such roles in the Louisiana economy. It is projected that the financial structure of LPFA over the next five years will be determined by market and economic conditions, federal laws regarding taxation and other items, the demand of the various government and nonprofit units in the state, and the imagination of Louisiana businesses, public entities, and nonprofit organizations.

Economic Significance of LPFA-Associated Construction Projects

Financial activity obviously affects the private or public agencies seeking to borrow funds for the construction of a new facility, the purchase of equipment, or the refinancing of debt. LPFA financial activity also affects the overall economy by supporting additional business activity, additional jobs, and additional personal earnings that would not have occurred absent these financial transactions. We can view the economic impact in two parts: (1) construction activities create new business activity, new jobs, and additional household earnings for the duration of the project and (2) after construction, the new facility supports permanent activity which provides economic benefits to the economy as long as the facility is able to support the production of a good and\or service.

Economic Impact of Construction Projects Related to LPFA, 1974 to 2013

LPFA provides the financial wherewithal to support the construction of facilities and to purchase the necessary equipment to make the facility operational. The financial transactions by LPFA lead to increased business activity, new jobs, and additional personal earnings. Although each financial transaction affects the overall economy for only a short duration, the LPFA is nevertheless continuously financing construction projects, so the overall impact of LPFA on the economy is more constant than just one construction project. From 1974 to 2013 LPFA financed approximately $427 million of construction projects each year. Estimates of net new jobs created, as well as the average earnings associated with each of these jobs, and supported by LPFA financial transactions are summarized in Figure 2 for various time periods.   This does not indicate the Louisiana economy is gaining new jobs each and every year, but the LPFA activities will supplement or offset other activities occurring in the Louisiana economy.

LPFA has a sustainable impact on the Louisiana economy by consistently and continuously providing financial backing to a variety of construction projects. During the mid-1980s the LPFA created and supported over 15,000 jobs annually, while in from 2004 to 2009 the LPFA created and supported over 12,000 jobs a year. The mid-1980s represented a very difficult economic period for Louisiana, while the period from 2004 through 2009 marked the statewide challenges wrought by Hurricanes Katrina and Rita. During each of these trying times for the state, LPFA provided financial support and played a prominent role in supporting and sustaining the Louisiana economy.

LPFA has a sustainable impact on the Louisiana economy by consistently and continuously providing financial backing to a variety of construction projects. During the mid-1980s the LPFA created and supported over 15,000 jobs annually, while in from 2004 to 2009 the LPFA created and supported over 12,000 jobs a year. The mid-1980s represented a very difficult economic period for Louisiana, while the period from 2004 through 2009 marked the statewide challenges wrought by Hurricanes Katrina and Rita. During each of these trying times for the state, LPFA provided financial support and played a prominent role in supporting and sustaining the Louisiana economy.

The financial activities of LPFA supported an average of over 8,000 jobs per year from 1980 to 1984, over 15,000 jobs per year from 1985 to 1989, over 7,500 jobs per year from 1990 to 1994, and over 4,000 jobs per year from 1995 to 1998, over 7,500 jobs from 1999 to 2003, over 12,000 jobs from 2004 to 2009, and over 7,500 jobs from 2010 to 2013. These jobs supported approximately $221 million of personal earnings annually and approximately $596 million in business transactions per year.

From 1999 to 2003, the financial activities created over $651 million of business activity annually, personal earnings of over to $200 million, and nearly 7,500 jobs per year throughout the economy. Because the purpose of the transactions are construction projects, it is not surprising that over 4,400 of these jobs are in the construction sector, about 3 percent of all construction jobs in the state during this time period. However, from this construction over 3,300 jobs will be created in the manufacturing sector, wholesale and retail trade, personal and business services, and other sectors of the economy.
From 2004 to 2009 LPFA financial activities supported 12,250 jobs per year with personal earnings of approximately $440 million per year. Overall business transactions will amount to roughly $1.4 billion per year from 2004 to 2009. Again, it is not surprising that just over 7,000 of these jobs were in the construction sector, or about 5 percent of all construction jobs in the state. The construction activity also leads to about 6,000 jobs being developed throughout the rest of the economy, including the manufacturing sector, wholesale and retail trade, personal and business services, healthcare services, and others.

From 2010 to 2013 LPFA's financial support of projects created and supported just over 7,500 jobs per year with personal earnings of almost $285 million each year. Overall business transactions amounted to almost $900 million annually. Over half of these jobs will be in the construction sector and the rest will be distributed throughout other business sectors ranging from wholesale and retail trade to manufacturing to personal and business services.

These estimates of additional business transactions, personal earnings, and new jobs include the direct effects of the construction projects requiring workers to build the facility, the indirect effects from spending on materials necessary to build the facility as well as the positive effects on businesses producing these materials, and the induced effects of spending by employees of all involved businesses on everyday purchases such as groceries, gas, cosmetics, and entertainment.

These impacts have a way of spreading throughout the economy and affecting, for example, a person working at the convenience store or drug store though that person may not realize exactly why the convenience store or drug store for which he or she works is successful.

Economists use an Input-Output Model , an inter-industry computer model of transactions among various industries within the economy, to estimate the impact of an increase in various construction projects on overall business activity in the state, additional personal earnings, and the number of new jobs created. This model indicates the change in overall business transactions, the change in personal earnings, and the change in employment due to a change in purchases from a specific industry. These estimates take into account the direct, indirect, and induced effects on economic activity described above.

Jobs and personal earnings are the baseline for defining economic progress. During its first 25 years (1974 through 1998), LPFA facilitated economic activities that led, on average, to an additional 8,333 jobs per year and $158.6 million per year in personal earnings for the Louisiana economy. From 1999 through 2003 LPFA facilitated economic activities that led to an average of 7,745 jobs per year and additional personal earnings of $202.3 million per year. From 2004 through 2009, LPFA facilitated economic activities that led to nearly twice as many jobs, an average of 12,827 jobs per year, and more than double the personal earnings at $439.7 million per year. In the most recent period of analysis, 2010 through 2013, LPFA facilitated economic activities leading to 7,512 jobs per year with annual personal earnings of almost $285 million.

In order to match the impact of the LPFA and the entities that have requested the financial assistance of the LPFA on the Louisiana economy during the last six years, the state would need to replace the new construction activity of over $430 million per year facilitated by the LPFA or attract and retain a new manufacturing facility with sales of more than $1 billion per year. LPFA allows smaller entities, when aggregated, to stimulate the state's economy just as the state may focus on attracting a large manufacturing enterprise.

The Input-Output Model used in this analysis was the Regional Input-Output Model Systems that is constructed and is updated by the Bureau of Economic Analysis, a division of the U.S. Department of Commerce.

4. The Input-Output Model used in this analysis was the Regional Input-Output Model Systems that is constructed and is updated by the Bureau of Economic Analysis, a division of the U.S. Department of Commerce.

Louisiana Economy and LPFA Activities, 1980 to 2013

Another way of evaluating the impact of the LPFA-associated construction projects on the Louisiana economy is to examine the increase or decrease in jobs in Louisiana with and without the financial transactions facilitated by LPFA. From 1980-84 the Louisiana economy created 16,800 jobs per year, including the impact of LPFA financial transactions. Without the LPFA financial transactions, the Louisiana economy would have created half of that, roughly 8,500 jobs per year. From 1985 to 1989 the Louisiana economy actually lost an average of 12,600 jobs per year, including the impact of LPFA financial transactions.

However, without the financial activities of LPFA during this time period, the Louisiana economy would have averaged a loss of over 28,000 jobs per year. LPFA was particularly important to the Louisiana economy during the oil patch collapse in the 1980s and the financial weakness of many of the other financial institutions within the state.

From 1990 to 1994 the Louisiana economy created 36,700 jobs each year including the impact of LPFA through its financial transactions. The state would have generated an average of 7,500 fewer jobs annually had LPFA not facilitated the construction projects. During the time period of 1995 through 1998, the Louisiana economy created 35,400 jobs per year, including the LPFA impact on the state's economy. Again, without the LPFA financial transactions Louisiana would have created 4,000 fewer jobs per year.

From 1999 to 2003 the Louisiana economy created about 1,800 jobs per year, including the impact of LPFA through its financial transactions. In this case, LPFA assisted in maintaining growth throughout the state: Louisiana would have experienced a loss of about 6,000 jobs per year if it had not been for financial intermediation by LPFA on behalf of businesses and governments in Louisiana. From 2004 to 2009 the Louisiana economy incurred up to a loss of almost 7,000 jobs per year with LPFA's activities and assistance; and, if the LPFA activities had not occurred, the state is projected to have diminished the state's economy by almost 14,000 jobs per year. In 2010 to 2013 the Louisiana economy initiated its recovery by adding back about 22,000 jobs per year with LPFA's activity in the Louisiana economy. It is estimated that, without LPFA's participation in the bond markets, the Louisiana economy would have only seen its employment increase by about 14,500 jobs per year.

Figure 3 illustrates the comparative change in employment in Louisiana with and without the financial services provided by LPFA thereby illustrating the impact of the agency. During periods of economic growth, such as the 1990s, LPFA adds to the total. When the economy is reeling as in the 1980s, activities facilitated by the LPFA mute the effects of the downturn. And in the period of 1999 to 2003, when job growth was relatively weak even with LPFA, it is projected that, without LPFA activity in the market, the Louisiana economy would have suffered a loss of jobs as opposed to a small increase.

5. We start with 1980, since the LPFA was just getting its feet on the ground during the 1970s and the state was going through a major oil boom leading to over 50,000 net new jobs being created each and every year.

6. In the analysis of the influence of LPFA, it is assumed that no other financial institution would have fulfilled the services provided by LPFA in its absence.

The time periods of 2004-2009 and 2010 to 2013 will be examined in further detail since major disruptions in the state's economy occurred in the 2004-2009 period and then the overall recovery of the national economy was more restrained than most previous recoveries of the national economy after the nation had incurred a recession.

Louisiana Economy and LPFA Activities, 2004 to 2013

Louisiana endured from 2004 to 2009 a very turbulent economic period illustrated by the trends in employment in Figure 4. Employment jumped modestly from 2003 to 2004 by about 15,000 jobs and then fell by approximately 120,000 jobs by the end of 2005 due to the displacement of people and jobs by Hurricanes Katrina and Rita. Employment recovered roughly 135,000 jobs in 2006 and 2007. However, the national recession beginning in December 2007 stifled this recovery, yet the state still managed to gain about 8,000 jobs in 2008. In 2009 Louisiana employment fell by almost 60,000 jobs according to the Louisiana Workforce Commission from 1.904 million in 2008 to 1.844 million in 2009. Starting in 2010 the Louisiana gradually started its recovery, gaining about 3,500 jobs in 2010, 20,000 jobs in 2011, 21,000 jobs in 2012, and 24,000 jobs in 2013.

The change in employment with and without LPFA activity is illustrated in Figure 5. LPFA financial activity significantly augmented growth in employment in 2004, 2006, and 2007, and the agency managed to mute the loss in jobs during the catastrophes of 2005 and the recent recession. In fact, the state would likely have lost jobs in 2008 had the LPFA activity not been available. LPFA activities also accelerated the employment growth of the Louisiana economy from 2010 through 2013. In fact, in 2010, without LPFA's activities, it is estimated that the state would have endured three straight years of employment declines, 2008, 2009, and 2010. LPFA cannot extinguish a major downturn; it can ameliorate such a downturn.

Just as the LPFA provided support to the Louisiana economy in the economic depression of the 1980s, the LPFA provided support during the recovery and rebuilding of the Louisiana economy after Hurricanes Katrina and Rita, during the Great Recession, and during the recovery from the national recessional.

Concluding Remarks on Construction Activities Financed by LPFA

Construction activities for a single project are temporary, but continuous construction activities serve as a repeated influence upon the economy. From this perspective it is reasonable to project that the LPFA will continue to make substantial contributions to the Louisiana economy because it will finance a variety of economic projects, including healthcare facilities, higher education buildings and other structures, projects for economic development purposes, and state and local facilities. It is also reasonable to anticipate that LPFA will be instrumental in providing assistance to the state's economy if a major problem develops such as the severe downturn in the 1980s that affected Louisiana especially or the natural disasters of 2005 that created special issues for Louisiana or the national recession that affected all states.

The On-Going Impact of LPFA Financial Transactions, 40 Years of Financial Services Across the State

The on-going impact of LPFA Financial Transactions is best described by focusing on individual LPFA programs and projects as well as the geography of the activities. Construction projects, once they are completed, lead to ongoing economic activity in Louisiana that provides a long-term benefit to the state. These activities can be highlighted by focusing on individual projects related to certain themes: (1) financial services provided for higher education; (2) financial transactions encouraging economic development, (3) financial support for healthcare providers, (4) student loan programs for college students, and (5) general programs assigned to assist cash management.

LPFA has issued almost $24 billion in bonds. These bonds have been related to a number of activities and across the state. The activities supported are illustrated in Figure 6 and the geographic distribution of the issuances is illustrated in Figure 7. Both ingredients are important in terms of understanding what role LPFA plays in the state. The most dollars over the years have gone to health and hospitals with the second largest allocation going to Economic Development projects and then to higher education and student loans.

Statewide Healthcare Financing

LPFA has issued over $7.7 billion of bonds for healthcare projects with almost $0.5 billion being issued from 2010 through 2013 and approximately $2 billion in bonds being issued to finance healthcare construction and equipment purchases from 2004 through 2009. A variety of healthcare providers throughout the state, including Lafayette General Medical Center, Christus Health, Ochsner Health System, the Baton Rouge Medical Center, Southwest Louisiana Health System, the Franciscan Missionaries of Our Lady Health System, and CommCare, have utilized the financial services of the LPFA to enhance their medical facilities.

Approximately 33 percent of the increased personal earnings and new jobs result from the construction and enhancement of healthcare facilities. LPFA financing of healthcare projects has contributed, on average, over 4,220 jobs per year. But these benefits are just the beginning of the ongoing benefits associated with the healthcare facilities. Businesses associated with the provision of healthcare are located throughout the state and employ over 285,000 persons statewide and hospitals employ around 100,000 persons statewide.

The first and most obvious benefit to the citizens of Louisiana will be the improved healthcare available to persons throughout the state. New facilities and equipment lead to improved quality and wider availability. As noted, over 285,000 persons in Louisiana are employed in the healthcare industry growing from roughly 80,000 in 1980. LPFA did not create the need for the expansion in healthcare facilities, nor did LPFA create the new technology that contributed to the improvement in the quality of healthcare possible for Louisiana citizens; however, LPFA enabled businesses in the healthcare industry to expand and sustain growth.

The financing provided by LPFA sustained the construction related jobs, but more importantly, the healthcare infrastructure created the possibility of healthcare improvements and accessibility for citizens.

Economic Development and LPFA Financial Activities

From 1974 through 2013 the LPFA has issued over $5 billion in bonds to support a variety of business enterprises in their expansion in Louisiana. From 2003 through 2009 the LPFA issued just over $2.23 billion, representing over 37.5 percent of all LPFA financial activities during the time period, for economic development projects. Economic development became a major issue given the dramatic decline in employment because of Hurricanes Katrina and Rita. As noted above, state employment fell dramatically from 2004 to the end of 2005. In 2008 the LPFA issued over $1.9 billion in new bonds; over $1.6 billion, including the $687.5 million for the Louisiana Utilities Restoration Corporation, were designated for economic development projects. From 2010 through 2013 the LPFA has issued almost $1 billion in economic development or approximately $600 million per year.

LPFA served as the financial intermediary in creating a mechanism for low cost capital for utilities in Louisiana following the severe damage wrought to the infrastructure by Hurricanes Katrina and Rita on the state's major utilities, especially Entergy Gulf States, Inc. and Entergy Louisiana, LLC. Recognizing the importance of maintaining a reliable and reasonable priced source of electricity to enable the State's economic recovery, the Louisiana Legislature enacted Act No. 55 of the Louisiana Regular Session of 2007, the "Louisiana Utilities Restoration Corporation Act" (the "Restoration Law"). The law created a new financing structure to provide utilities with low cost capital. The project would involve the issuance of bonds to finance a non-shareholder capital contribution to Entergy Louisiana, related to the storm costs endured by Entergy in Louisiana from Hurricanes Katrina and Rita, carrying costs on such storm reserves, and issuance costs of the bonds, pursuant to the Restoration Law. LPFA financed $687.5 million in this endeavor for Entergy and other utilities.

From 2010 through 2013 the LPFA has financed further utility restoration, petro-chemical expansions, waste disposal operations, and warehousing developments. LPFA is able to work with the market to secure appropriate financing with a variety of enterprises.

Financial Services for Higher Education

During the last 40 years LPFA has provided almost $3.8 billion in bond financing for higher education institutions. From 2010 through 2013 higher education institutions borrowed $422.8 million for improvements in university facilities (including athletic facilities). The institutions making use of LPFA's financial services were Tulane University, Louisiana State University, Loyola University, and Centenary College.

The LPFA also supports student loans beginning in 1986. Since that time LPFA has issued just over $1.4 billion in bonds to support student loans for students in Louisiana. Student loan programs are very helpful in making college available to students in all income categories. Other financial institutions offer student loan support, but the LPFA provides certain incentive programs providing students advantages upfront and during the repayment of the loans.

These projects enhanced the educational, residential, and athletic facilities of these universities and research centers and strengthened the related economic development functions. LPFA facilitated the financial requirements of these institutions enabling them to improve their infrastructure and enhance ongoing educational and economic development services.

Cash Management Programs

Local governments have expenditure streams modeled according to equal monthly expenditures. However, revenue streams are not evenly spread throughout the year – sales tax receipts are received monthly with seasonal variation and property tax receipts are paid the beginning of the calendar year. Local governmental subdivisions that make extensive use of the property tax to support their operations will always have an intra-fiscal year imbalance between expenditures and revenues. This imbalance is not any different from, say, a retail establishment that makes 60 to 70 percent of its sales during the months of November and December. Expenses will occur more evenly over the course of the year, but receipts are concentrated in two months. In 1982, the LPFA instituted an advanced funding program permitting local governments, law enforcement agencies, and school districts to borrow from the LPFA for cash flow purposes. LPFA is assisting local political subdivisions in carrying out their public responsibilities as the lowest possible cost.

Geographic Distribution of LPFA Funding

LPFA funds are allocated throughout the state with the majority of the funds going to the population zones of New Orleans and Baton Rouge. Estimates of the geographic distribution of LPFA funds are illustrated in Figure 7. New Orleans, a labor market with 9 parishes and with a population of almost 30 percent of the state, received approximately 39 percent of LPFA funds from 1974 to 2013. Baton Rouge, a labor market area defined with 10 parishes, has about 19 percent of the state's population and received about 23 percent of the LPFA funding for capital projects. Shreveport-Bossier, a labor market area in the northwestern part of the state and with 10 parishes included, has about 12 percent of the state's population and about 9 percent of the LPFA bond projects. LPFA projects are located throughout the state though there is a relative concentration of funding in the New Orleans and Baton Rouge areas with just over 60 percent of all LPFA bond issuances, but noting that these two regional labor markets have just about 48 percent of the state's population.

Summary and Conclusions

The Louisiana Public Facilities Authority (LPFA) was created as a public trust and public corporation in 1974. The law grants the agency the authority and responsibility to issue taxable and tax-exempt bonds to finance projects and programs in the best interest of the citizens of Louisiana. LPFA serves as a financial intermediary between public and private entities in Louisiana and the national and international financial markets for the financing of educational and medical facilities, industrial and economic development projects, state and local programs, and other projects and programs in the best interest of the state.

As a financial intermediary, LPFA directly affects state and local governments, agencies, companies, and individuals who borrow money through the LPFA. In a broader sense, LPFA, along with the entities borrowing the funds, influences the entire Louisiana economy in terms of supporting jobs associated with construction activity related to the issuing of bonds, providing an infrastructure to support on-going and permanent economic activity, and reducing interest payments associated with financing debt of governments and private entities.

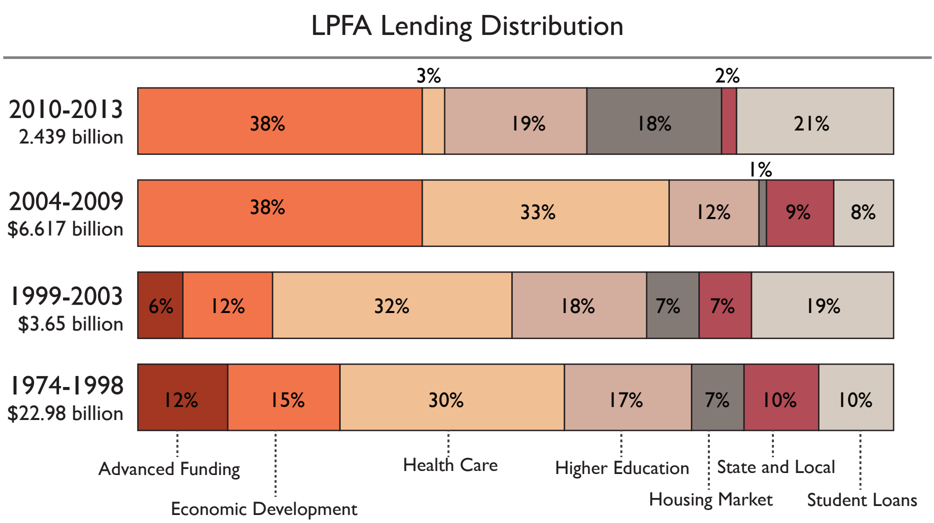
LPFA does not independently create wealth, but it helps other entities do so; likewise, LPFA does not directly create additional business activity, new jobs, and additional personal earnings for citizens of the state, but it helps others create this economic impact; finally, LPFA does not create the need to borrow, but LPFA facilitates these financial transactions so as to reduce the burden of servicing the debt. The facilitation of these financial transactions is, without a doubt, a key and necessary ingredient in promoting and stimulating economic growth in Louisiana.

The role of LPFA as a financial intermediary across its 40-year history is illustrated by its activity. LPFA has issued from 1974 to 2013 an average of $594 million in bonds per year in terms of current or nominal dollars, but in 2013 dollars LPFA issued during this time period approximately $871 million in bonds each year.

LPFA provides the financial wherewithal with which to construct a facility and purchase the necessary equipment to make the facility operational. Financial transactions facilitated by LPFA enabling the construction of facilities lead to increased business activity, new jobs, and additional personal earnings. Although single construction projects financed with the help of LPFA are only ephemeral in their influence, because the LPFA continuously funds such projects, the related effects in terms of increased jobs and personal earnings are not. Overall the financial activities of LPFA from 1980 to 2013 have created and supported almost 9,000 jobs per year with an average salary as of 2013 of almost $38,000. Over 5,500 of these jobs are in the construction sector since the purpose of the financial transaction is primarily to finance a construction project. This represents about 4 percent of all construction jobs in the state as of 2013.

Perhaps most importantly, over its 40 years history, LPFA has been able to assist the state in its very difficult moments: the oil bust of the 1980s and the almost collapse of the Louisiana Unemployment Insurance Trust Fund and the critical needs associated with state’s recovery from Hurricanes Katrina and Rita. LPFA uses its financial support to assist the state in developing workable solutions to unexpected economic pressures such as the economic stress of the 1980s or the economic fragility of the last five years due to natural disasters. Presently, the LPFA is facilitating the state’s recovery from its share of the national recession as it provides and will continue to provide a steady source of capital funding for ongoing activities such as healthcare, higher education, and economic development projects.

Figure 1. Overview of LPFA Lending Activity



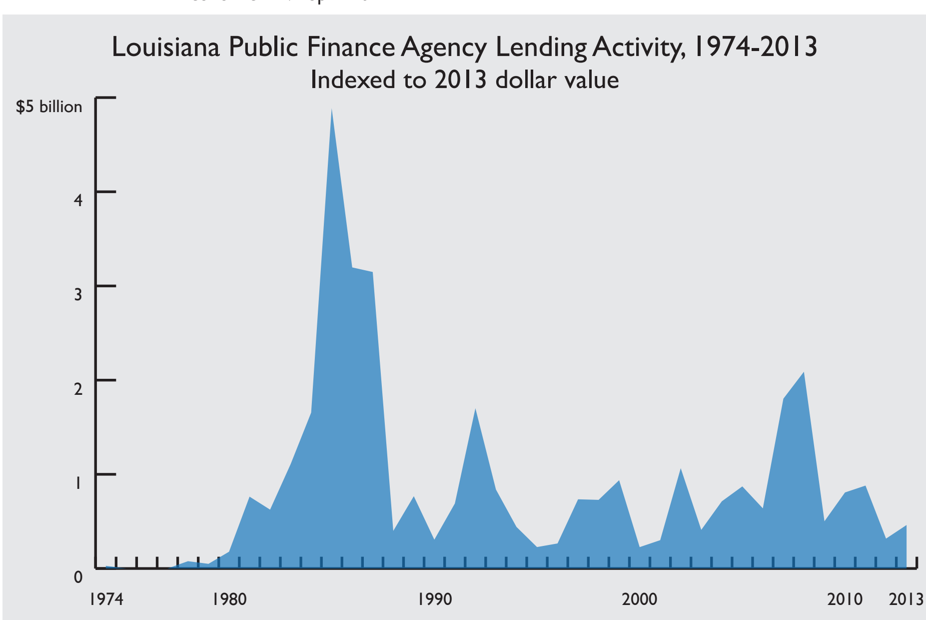


Figure 2. Jobs and Annual Personal Earnings per Worker
Created and Supported by LPFA Activities

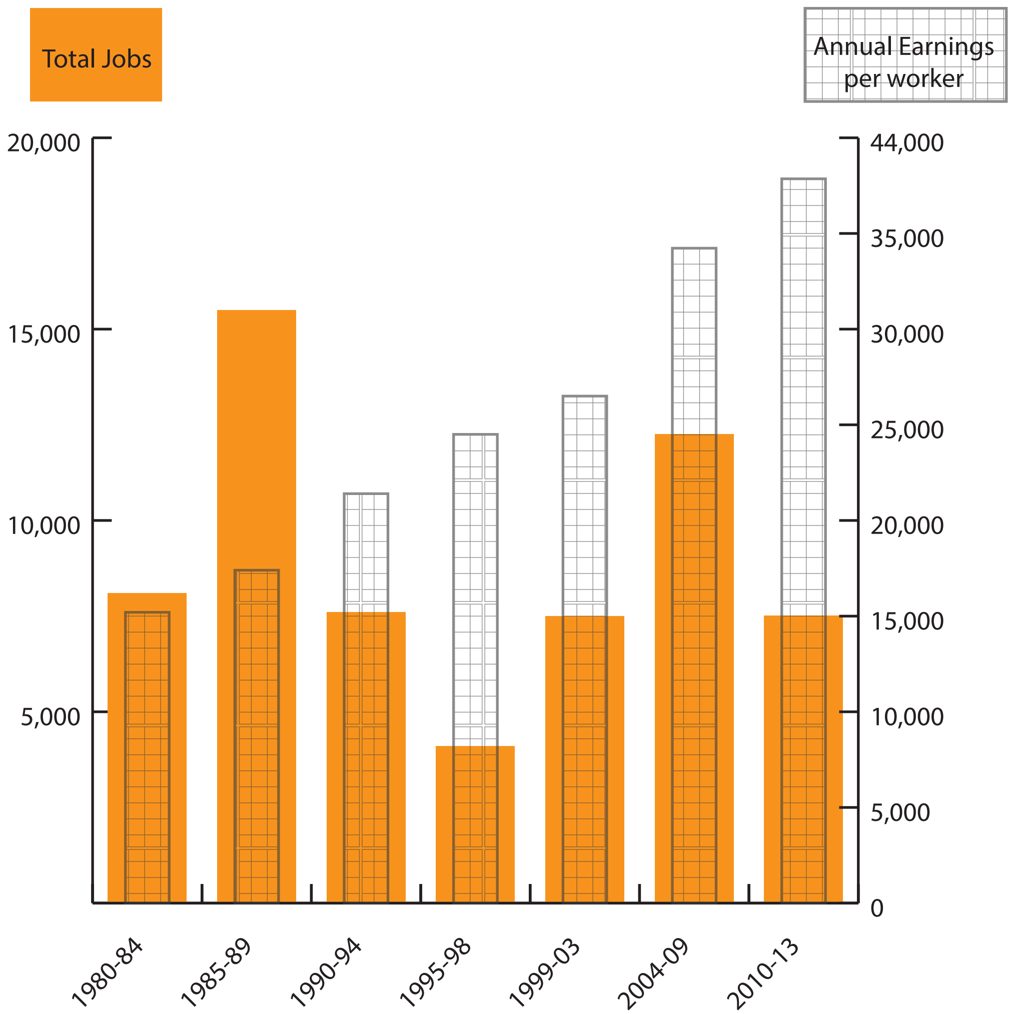


Figure 3. Change in Employment with and without LPFA Activity
select economic periods

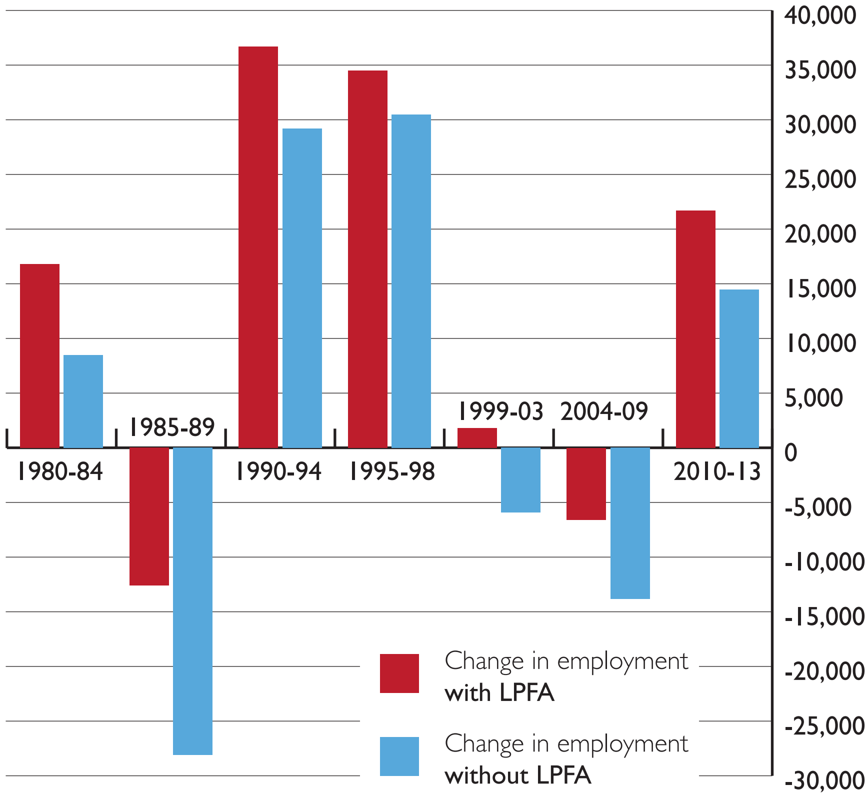
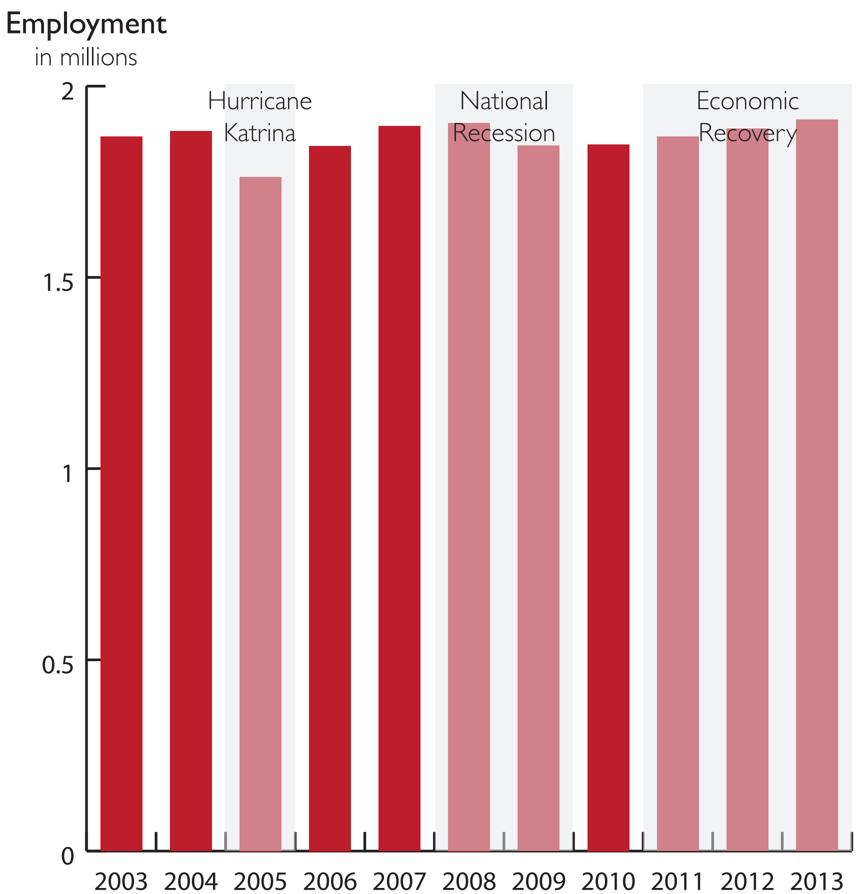


Figure 4. Total Employment in Louisiana
2003-2013



19

Figure 5. Change in Employment
with and without LPFA-facilitated Transactions

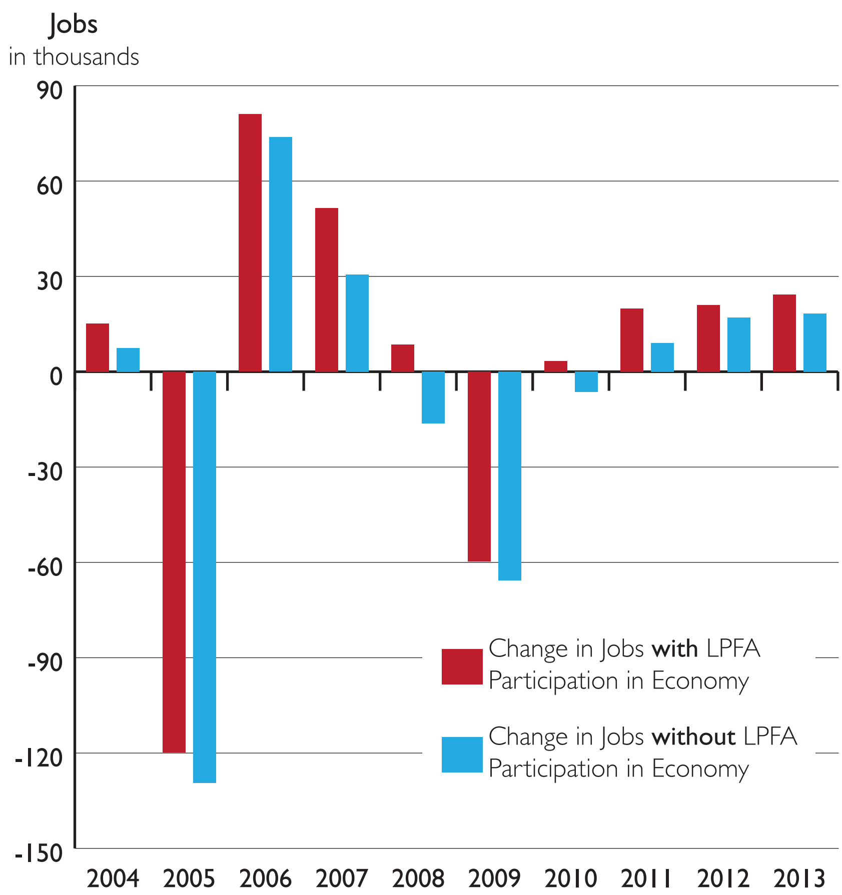


Figure 6. Project Types Supported by LPFA
in billions of dollars

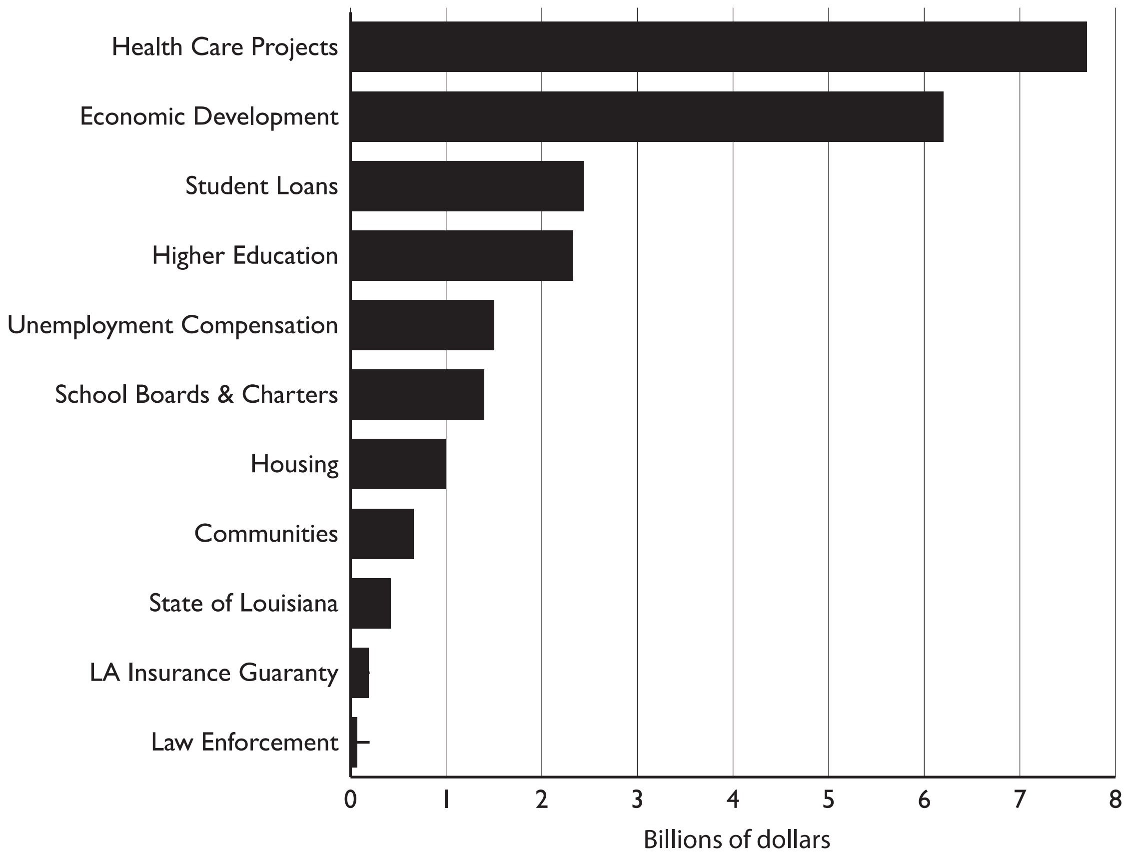


Figure 7. Estimated Bond Issuances by Regional Labor Markets, From 1974 to 2013