35 YEARS OF IMPACT ON THE LOUISIANA ECONOMY

Prepared for the LPFA by:

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LPFA
LOUISIANA PUBLIC FACILITIES AUTHORITY

"FROM 2004 TO 2009, LPFA FINANCIAL ACTIVITIES SUPPORTED ALMOST 13,000 JOBS PER YEAR WITH PERSONAL EARNINGS OF APPROXIMATELY $440 MILLION PER YEAR."

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

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Preface

In 2009, the LPFA completed 35 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 35 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, *The Louisiana Public Facilities Authority: 35 Years of Impact on the Louisiana Economy,* supplements both Dr. Richardson's 1974-1999 study and his 1999-2003 study in connection with the LPFA's 35th anniversary.

For copies of either the 1974-1999 study or the 1999-2003 study, please contact the LPFA or visit www.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 ongoing 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 from 1974 through 2009 with special attention to the financial activities from 2004 to 2009 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, creating new job opportunities, and adding earnings in addition to reducing 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, or residential housing.

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 provides the 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 2009

LPFA, during its 35 years of operation, has issued over $21.4 billion in bonds or an average of just over $610 million per year; in real dollars (all bond issuances being measured in 2009 dollars), the agency has issued nearly $33 billion in bonds or about $940 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 health care 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 third analysis of the LPFA, its activity, and its impact[1]. Figure 1 depicts the trend in LPFA bond issuances from 1974 through 2009, but it is divided into three periods reflecting the three studies: 1974-1998, 1999-2003, and 2004-2009. This study focuses mainly upon the past six years, but 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 to 1998, the LPFA issued over $13 billion in bonds, or about $23.9 billion in 2009 dollars (approximately $524 million per annum over this 25-year time period in nominal dollars or approximately $955 million per annum over this period in 2009 dollars)[2]. However, it is noteworthy that the five years from 1983-1987 accounted for over 65 percent of the lending over the entire 25-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.

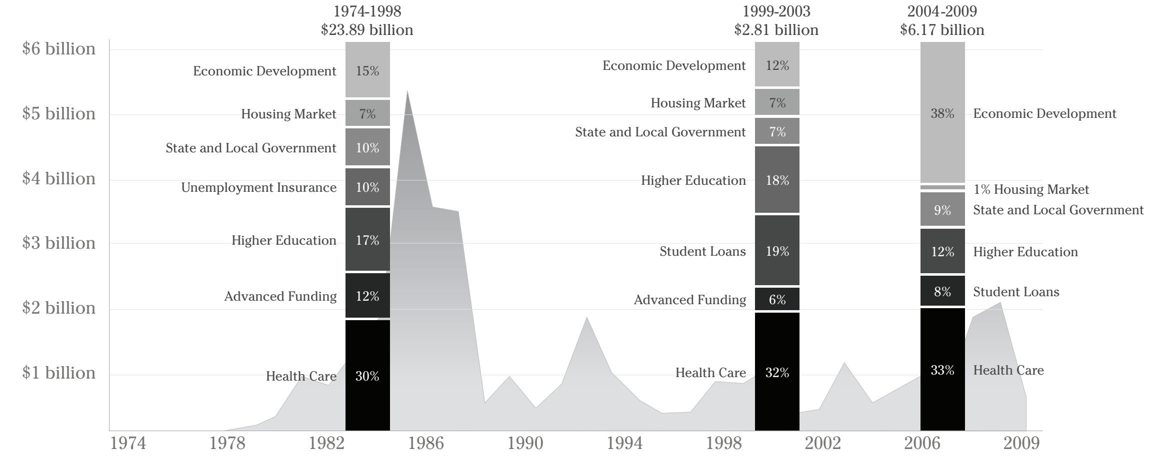
Another important spike occurred in the early nineties, a product of a Louisiana economy and state government that was just beginning its full recovery from the 1980s downturn. During the following period, 1999 to 2003, the LPFA issued about $2.3 billion of bonds in nominal dollars or just over $2.8 billion in 2009 dollars, or approximately $460 million per year in nominal dollars and approximately $560 million per annum (2009 dollars), roughly half of that spent in the previous period. The most recent period, 2004 to 2009, saw nearly $5.95 billion in bonds issued in nominal dollars or approximately $991 million per year and $6.2 billion in bonds issued in 2009 dollars, or over $1.0 billion dollars per year.

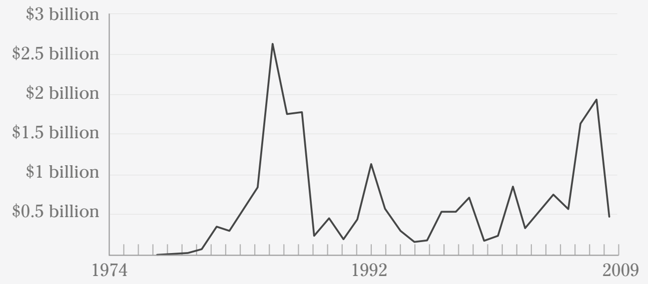
1 Dr. Richardson completed a study for the time period of 1974 to 1998, *The Louisiana Public Facilities Authority: Its Impact on the Louisiana Economy*, and a study for the time period of 1999 through 2003, *The Louisiana Public Facilities Authority: Impact on the Louisiana Economy, 1999-2003*.

2 Illustrating both nominal and real dollars is important since a dollar in 1974 is not equivalent to a dollar in 2009. All real dollars are measured in 2009 dollars.

Figure 1

Louisiana Public Facilities Authority Lending Activity, 1974-2009 | Indexed to 2009 USD





Current Dollar Trend 1974-2009

The chart to the left depicts the lending activity in actual year dollars. The trend itself is very similar but the range is far more restricted and the differences appear more pronounced. In nominal terms, the recent lending activity since 2005 appears pronounced but in real terms it is not out of the ordinary and is actually within the normal range, excluding the extreme activity in the mid-1980s.

The overall spending by the LPFA is important, but equally and perhaps more important is what types of projects the agency funds. For example, over all three periods, roughly one-third of the funds were allocated to projects involving health care providers. Health care projects have been consistently supported over time because of the demand for health care facilities and the continued growth in health care services within Louisiana, as well as throughout the United States. 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, and 12 percent for the last six years[3].

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 over $2.0 billion in nominal dollars or approximately $3.2 billion (2009 dollars) to state and local governments during the 2004 to 2009 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, seven percent from 1999 to 2003, and nine percent from 2004 to 2009.

Other projects have varied given the demands of the economy. For example, in the period from 1974-1998, about seven percent of the funds were allocated to projects pertaining to housing. The next period, from 1999-2003, there was little change – approximately 6.5 percent of the funds allocated were issued to housing related projects. In the most recent period, less than one percent of all funds were allocated to housing market-related projects.

Economic development accounted for nearly 40 percent of the allocated funds from 2004-2009, 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 allocating 19 percent of all funds from 1999-2003 to the program and eight percent in the period of the last six years.

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.

Additionally, 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 in response to 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 reclaiming 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.

In the more recent 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.

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, and 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.

3 Given the recent change in federal legislation relating to student loan programs, it is anticipated that the LPFA will not be active in student loans in the forthcoming years.

ECONOMIC SIGNIFICANCE OF LPFA-ASSOCIATED CONSTRUCTION PROJECTS

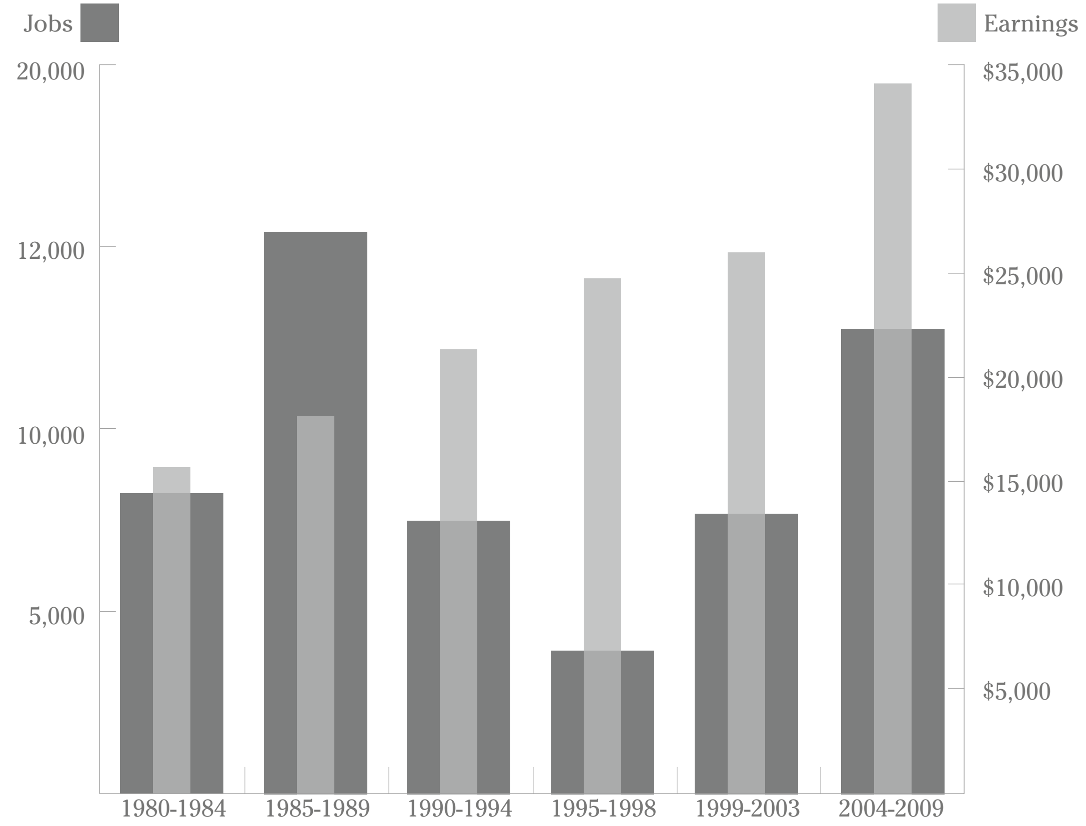
Financial activity obviously affects the private and public agencies seeking to borrow funds for the construction of a new facility, the purchase of equipment, and the refinancing of debt. LPFA financial activity also affects the overall economy by supporting additional business activity, jobs, and personal earnings that would not have occurred without 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 2009

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 2009, LPFA financed approximately $426 million of construction projects each year. Estimates of net new jobs created and supported by LPFA financial transactions are summarized in Figure 2 for various time periods. The figure includes the average earnings associated with each of these jobs.

Figure 2

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



LPFA has a continuous 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 from 2004 to 2009 the LPFA created and supported over 12,000 jobs a year. The former period, during the mid-1980s, represented a very difficult economic period for Louisiana while the latter, 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 role in supporting and sustaining the Louisiana economy.

To summarize, 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. These jobs supported approximately $171 million of personal earnings annually and approximately $557 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 $200 million, and nearly 8,000 jobs per year throughout the economy. Because the purpose of the transactions is construction projects, it is not surprising that over 4,400 of these jobs are in the construction sector, about three 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 almost 13,000 jobs per year with personal earnings of approximately $440 million per year. Overall business transactions 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 five 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, health care services, and others.

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[4], 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. During the most recent period of study 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 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 $425 million per year facilitated by the LPFA or attract and retain a new manufacturing facility with sales of $1 billion per year. LPFA allows smaller entities, when aggregated, to serve as the large manufacturing enterprise.

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

5 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.

LOUISIANA ECONOMY AND LPFA ACTIVITIES 1980 TO 2003

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 1980-1984, 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, or roughly 8,500 jobs per year[5]. 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.

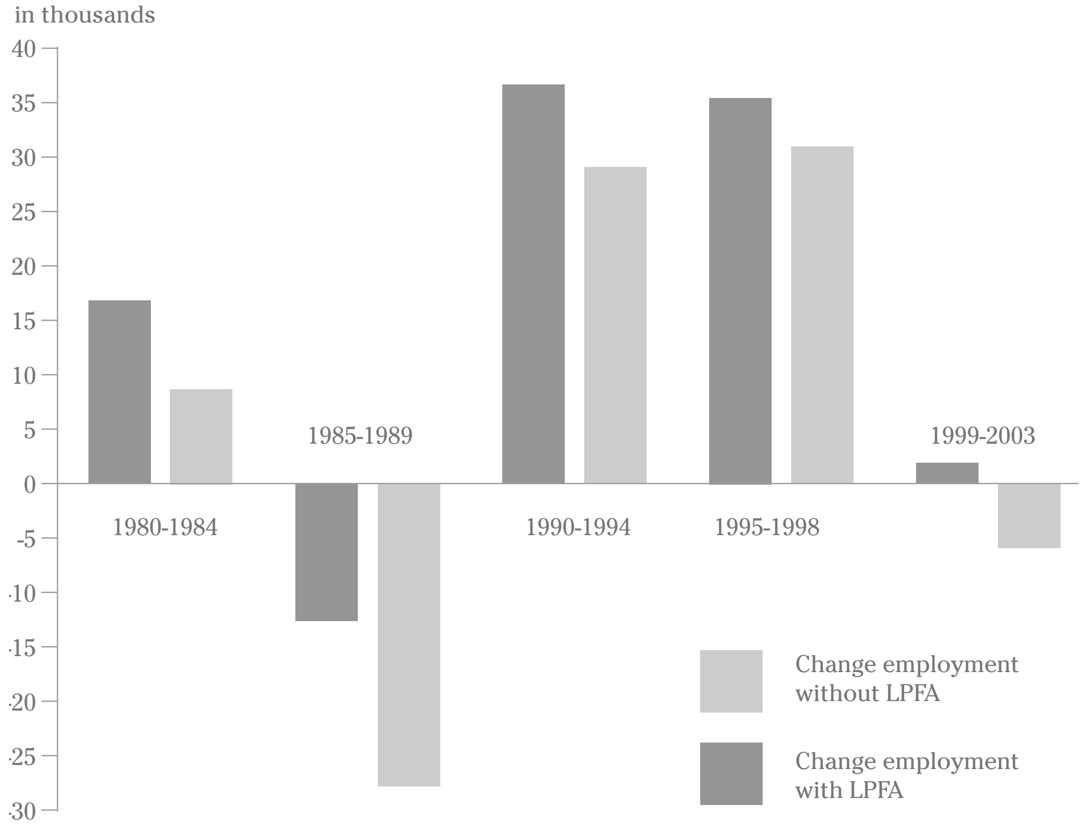
From 1999-2003, the Louisiana economy created about 1,800 jobs per year including the impact of LPFA through its financial transactions. In this case, LPFA assisted in maintaining growth throughout the state: Louisiana would have experienced a loss of about 6,000 jobs per year if it had not been for financial intermediation by LPFA on behalf of businesses and governments in Louisiana.

Figure 3 illustrates the comparative change in employment in Louisiana with and without the services provided by LPFA thereby illustrating the impact of the agency. During periods of economic growth, such as in 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. 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 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.

Figure 3

Change in Employment With and Without LPFA Activity | 1980–2003



LOUISIANA ECONOMY AND LPFA ACTIVITIES 2004 TO 2009

From 2004 to 2009, Louisiana endured a very turbulent economic period, illustrated by the trends in employment in Figure 4. Employment jumped modestly from 2003 to 2004 by about 9,000 jobs and then fell by over 100,000 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. Although the national recession beginning in December 2007 stifled this recovery, the state still managed to gain about 3,000 jobs in 2008. In 2009, Louisiana employment fell by over 55,000 jobs according to the United States Bureau of Labor Statistics from 1.937 million in 2008 to 1.879 million.

The change in employment with and without LPFA activity is illustrated in Figure 5 (page 19). 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.

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.

Figure 4

Total Employment in Louisiana | 2003-2009

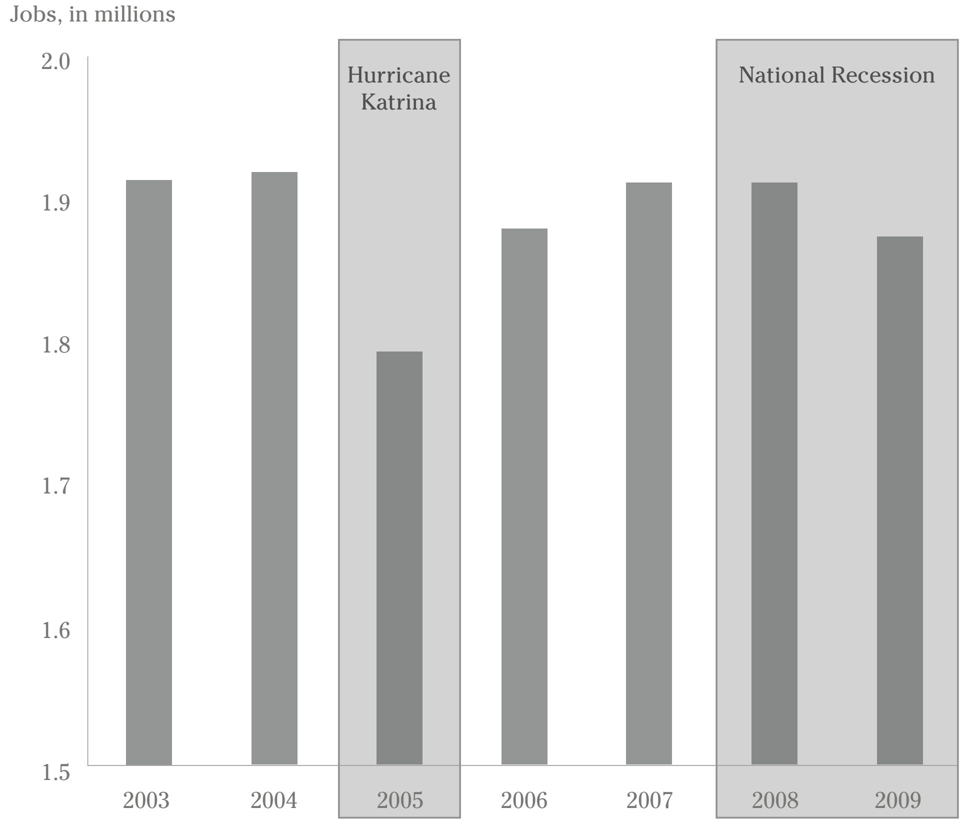
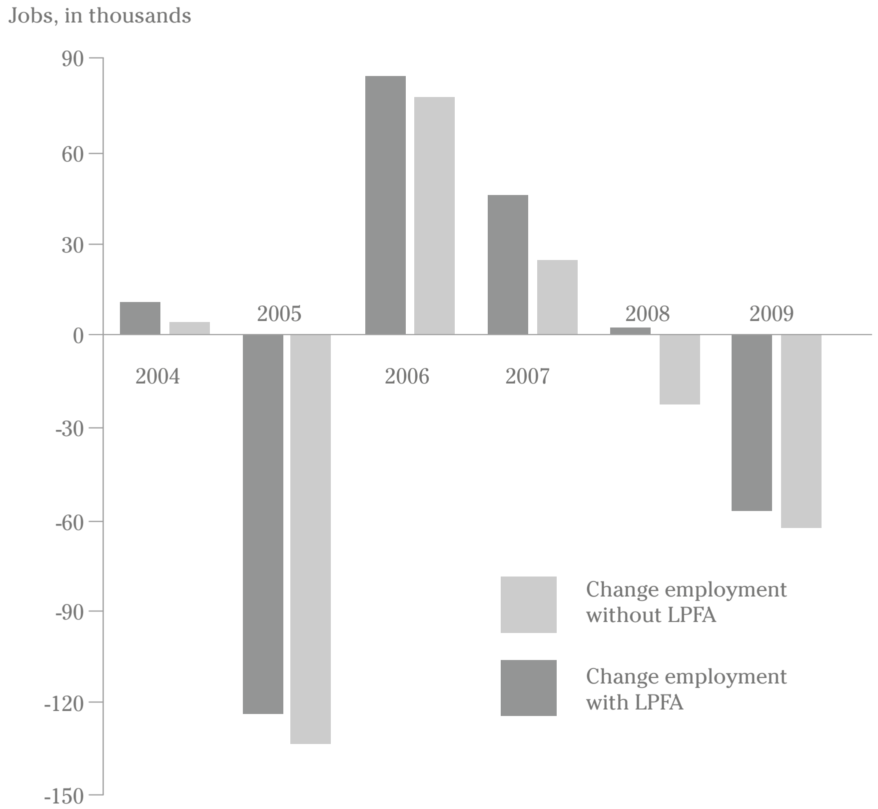


Figure 5

Change in Employment With and Without LPFA Facilitated Transactions | 1980-2003



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 make substantial contributions to the Louisiana economy because it will finance a variety of economic projects including health care 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 or the natural disasters of 2005.

THE ONGOING IMPACT OF LPFA FINANCIAL TRANSACTIONS 2004 TO 2009

The ongoing impact of LPFA Financial Transactions is best described by focusing on individual LPFA programs and projects. Construction projects, once they are completed, lead to ongoing economic activity in Louisiana that 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 health care providers, (4) financial assistance to local governments trying to even their expenditures with their revenue stream, and (5) student loan programs for college students.

ONGOING IMPACTS ASSOCIATED WITH LPFA FINANCIAL ACTIVITIES

Financial Services for Higher Education

From 2004 through 2009, higher education institutions borrowed $717.3 million for improvements in university facilities (including athletic facilities), including:

- Tulane University
- Loyola University
- The Tiger Athletic Foundation at LSU
- LSU at Alexandria
- The University of New Orleans Research and Technology Foundation
- Biomedical Foundation of Northwest Louisiana
- The Pennington Medical Foundation
- The Southern University Foundation
- Southern University at Shreveport
- Grambling State University
- The Medical Center of Louisiana at New Orleans.

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.

ECONOMIC DEVELOPMENT AND LPFA FINANCIAL ACTIVITIES

From 2004 to 2009, the LPFA issued over $2.23 billion in bonds to support a variety of business enterprises in their expansion in Louisiana. This $2.23 billion represented over 37.5 percent of all LPFA financial activities during the time period of 2004 to 2009. 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.

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.

Communities

In 2007, the LPFA issued over $1.6 billion in new bonds: $383 million distributed to communities needing assistance from the damage caused by Hurricanes Katrina and Rita, almost $700 million for health care facilities, and just over $200 million for economic development projects.

The LPFA worked to establish the Hurricane Recovery Program to provide funds for rebuilding the physical infrastructure in the City of New Orleans. The LPFA provided the funding for the City of New Orleans and the Sewerage and Water Board of New Orleans to rebuild the city's water and sewer systems and restore public facilities ranging from police stations to playgrounds. FEMA may ultimately pay for these projects, but the City of New Orleans needed to get the work done immediately.

Statewide Health Care Financing

LPFA issued $1.956 billion in bonds to finance health care construction and equipment purchases from 2004 through 2009. A variety of healthcare providers throughout the state, including Christus Health, Ochsner Health System, the Baton Rouge Medical Center, Southwest Louisiana Health System, the Franciscan Missionaries of Our Lady Health System, and Comm-Care, 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 health care facilities. LPFA financing of health care projects has contributed, on average, over 4,220 jobs per year. These benefits are just the beginning of the ongoing benefits associated with the health care facilities. Businesses associated with the provision of health care are located throughout the state and employ over 250,000 persons statewide.

The first and most obvious benefit to the citizens of Louisiana will be the improved health care available to persons throughout the state. New facilities and equipment lead to improved quality and wider availability. As noted, over 250,000 persons in Louisiana are employed in the health care industry, growing from roughly 80,000 in 1980. LPFA did not create the need for the expansion in health care facilities, nor did LPFA create the new technology that contributed to the improvement in the quality of health care possible for Louisiana citizens. However, LPFA enabled businesses in the health care industry to expand and sustain growth. The financing provided by LPFA sustained the construction related jobs but, more importantly, the health care infrastructure created the possibility of health care improvements and accessibility for citizens.

These four programs focus on improving the state's infrastructure in higher education and health care facilities, assisting communities recovering from catastrophes and providing financial assistance to economic development projects. The construction projects produce jobs and then, once completed, provide a facility that will promote and support an activity that leads to a more productive Louisiana economy. LPFA plays a prominent role in this activity by being the financial intermediary that enables public and private entities to fund expansion and sustain growth.

ONGOING IMPACTS ASSOCIATED WITH COMPETITIVE FINANCIAL PROGRAM

Advanced Funding for School Districts

School districts 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.

School districts borrow in the first part of the fiscal year and then repay the loans in the latter part of the fiscal year. Low interest rates are important because the higher the interest rate, the fewer funds available for providing critical public services. 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 provided over $73 million in advanced funding for local school districts from 2004 to 2005 or approximately $36.5 million per year.

Student Loan Assistance

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 that provide students advantages during the repayment of the loans. These advantages have included a three percent interest rate reduction to borrowers who make their initial 36 monthly payments on time and an interest rate reduction of 0.25 percent for those borrowers who have their monthly repayments automatically debited from their bank accounts. In 2000, the LPFA began paying the federal origination fee on all Title IV Stafford Loans, providing students with an upfront savings in the loan proceeds totaling over $22.3 million. In addition, students staying in Louisiana can receive rebates up to six percent of the principal for living and working in Louisiana. From 2004 to 2009, the LPFA provided about $700 million in student loans assisting young persons to attend college and improve their long-term earning capacity.

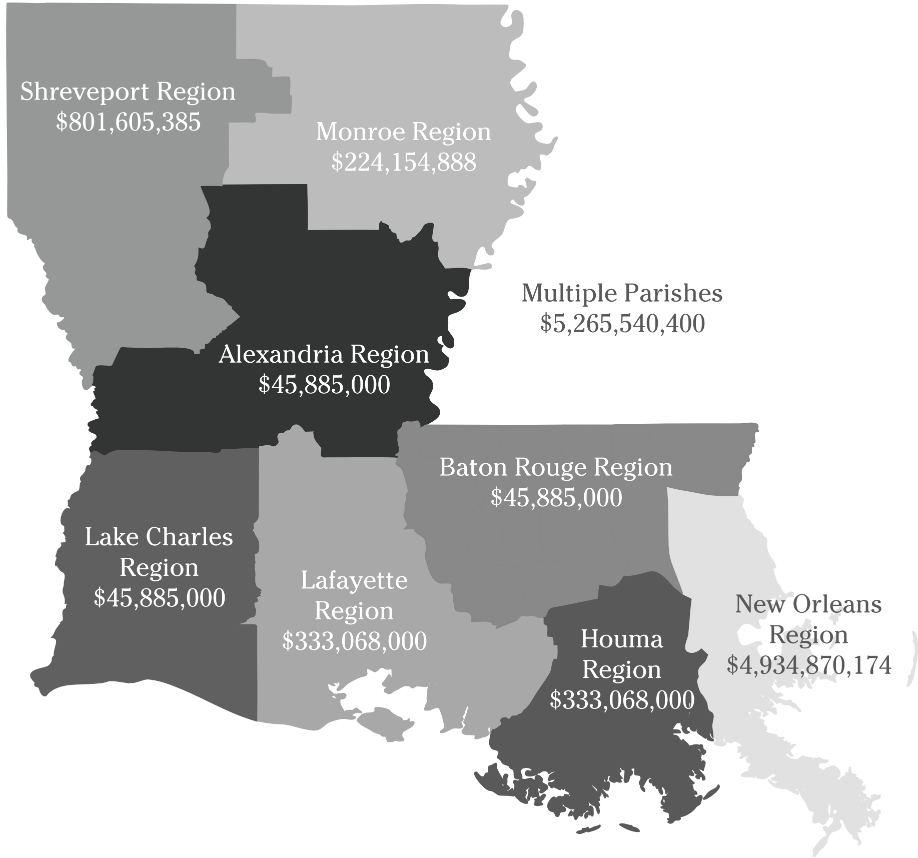
The advanced funding program for school districts and the student loan assistance program, as established by LPFA, provide interest relief for school districts and student loan participants. This enhances the purchasing power of school revenues and of student incomes while in college and once the students are in the workforce.

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, Baton Rouge, and Shreveport-Bossier. The geographic distribution of LPFA funds is illustrated in Figure 6. New Orleans, a labor market with nine parishes and with a population of almost 30 percent of the state, received approximately 34 percent of LPFA funds from 1974 to 2008. Baton Rouge, a labor market area defined with 10 parishes, has about 19 percent of the state's population and received about 19 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 13 percent of the state's population about 5.5 percent of the LPFA bond projects. The largest category of LPFA funding was in multiple parish projects – this category received over 36 percent of all LPFA bond issuances. LPFA projects are located throughout the state, although there is a relative concentration of funding in the New Orleans and Baton Rouge areas.

Figure 6

Bond Issuances to Regional Labor Market Areas | 1974-2008



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. In addition, 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 ongoing 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 is illustrated by its activity. LPFA issued, from 1974-1998, an average of $523.8 million in bonds per year in terms of current or nominal dollars but, in 2009 dollars, LPFA issued during this time period approximately $955.5 million in bonds each year. From 1999-2003, LPFA issued $459.9 million of bonds per year or, in 2009 dollars, $561.2 million in bonds per year. From 2004-2009 LPFA issued $991.4 million in bonds per year, approximately $1.026 billion in 2009 dollars.

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, the related effects in terms of increased jobs and personal earnings are not temporary because the LPFA continuously funds such projects. Overall, the financial activities of LPFA from 2004 to 2009 regarding construction projects created over 12,000 jobs per year with an average salary of almost $35,000. Over 5,400 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 four percent of all construction jobs in the state during the time period of 2004 through 2009.

In addition, LPFA provided programs that reduce the financing costs to school districts, thereby allowing school districts to use more of their resources on public services. LPFA also lowered the financing costs for student loans, allowing students more use of their income while in school and once they have graduated from college. LPFA also provided an incentive for students to work in Louisiana.

Perhaps most importantly, from 2004 to 2009, LPFA provided the financial services necessary to assist the state's recovery from Hurricanes Katrina and Rita. LPFA provided a source of low-cost capital for the state's utilities as they repaired the damage from the storms and provided a source of funds for communities as they worked with the federal government to get their infrastructure up and running again.

LPFA provides and will continue to provide a steady source of capital funding for ongoing activities such as health care, higher education, and economic development projects. LPFA also 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.