THE LOUISIANA PUBLIC FACILITIES AUTHORITY

# 50 YEARS

## OF IMPACT ON THE LOUISIANA ECONOMY: 1974–2024


**An Impact Study by Dr. James A. Richardson** *Professor Emeritus, Louisiana State University*


PREPARED FOR

Louisiana Public
Facilities Authority

**August 2024**

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

## THE LOUISIANA PUBLIC FACILITIES AUTHORITY

In 2024, the LPFA completed **50 years of dedicated service to Louisiana**, its people, institutions and government entities. To determine the economic impact of the Authority on the state during this half-century of financial service, the LPFA commissioned an impact study by Dr. James A. Richardson, Professor Emeritus and distinguished economist with the E.J. Ourso College of Business Administration at Louisiana State University. We present to you the Executive Summary of Dr. Richardson's study. For copies of the complete report, *The Louisiana Public Facilities Authority: 50 Years of Impact on the Louisiana Economy 1974–2024*, please contact the LPFA at info@lpfa.com.


**Printing and Production Disclaimer:**

The public document was published at a total cost of $12,600. 2,000 copies of this public document were published in this first printing at a cost of $12,600. The total cost of all printings of this document, including reprints, is $12,600. 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 Statutes.

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 the printing, the content of this document, or public information requests, contact Emily C. S. Spears at spears@lpfa.com.

# I. Introduction

## 50 YEARS OF ECONOMIC IMPACT ON THE LOUISIANA ECONOMY

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 has served the role of providing financial assistance for education, healthcare, industrial, state and local entities, and other public and private projects for 50 years.

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. LPFA, as a financial intermediary, directly assists state and local governments, educational institutions, healthcare entities, and other such private and public organizations who must finance multi-year projects. In a broader sense, LPFA, along with the entities borrowing the funds, influences the Louisiana economy in terms of supporting jobs associated with any 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 50 years of financial service in Louisiana. We focus on the LPFA's activity from 1974 through 2023 with special attention to the financial activities over the last ten years of the report's scope 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. Additionally, LPFA's financial activities assist the state in its long-term economic development efforts.

# II. Economic Benefits Related to LPFA Financial Transactions

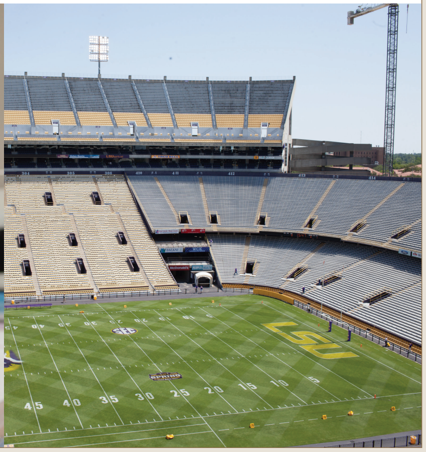
LPFA financial transactions influence the short and long-term performance of the Louisiana economy. As an example, LPFA's funding or financial support for a construction project indirectly contributes to current economic activity, jobs, and personal earnings associated with the construction project, which is sustained for the duration of the capital project. The long-term benefits of a construction project 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, improvements in public infrastructure or public services, or any public service that cannot easily be monetized.

Benefits related to the construction of the various facilities or repair/upgrading of existing facilities are easily identified, 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 measure explicitly.

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 with the ability to issue tax-exempt bonds thereby producing 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. LPFA does not create economic growth, earnings, or business activity, but it serves as a crucial and necessary 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. These ideas and construction activities must be financed. At this point, LPFA becomes a key and necessary ingredient in the actualization of the economic development and growth.



# III. LPFA Bond Issuances, 1974 to 2023

LPFA, during its fifty years of operations, has issued almost $30 billion of bonds or an average of almost $600 million per year; in real dollars (that is, all bond issuances being measured in 2023 dollars) the agency has issued approximately $57 billion in bonds or over $1.125 billion per year. These bonds were issued (1) on behalf of major healthcare providers within the state for construction and the purchase of equipment, (2) on behalf of public and private universities for buildings and equipment, (3) on behalf of state and local governmental bodies in supporting capital expenditures and handling cash flow problems, (4) on behalf of individual projects such as the construction of housing developments, (5) in support of student loans for college students, (6) and for economic development endeavors.

## LPFA Financial Activity: Magnitude and Purpose

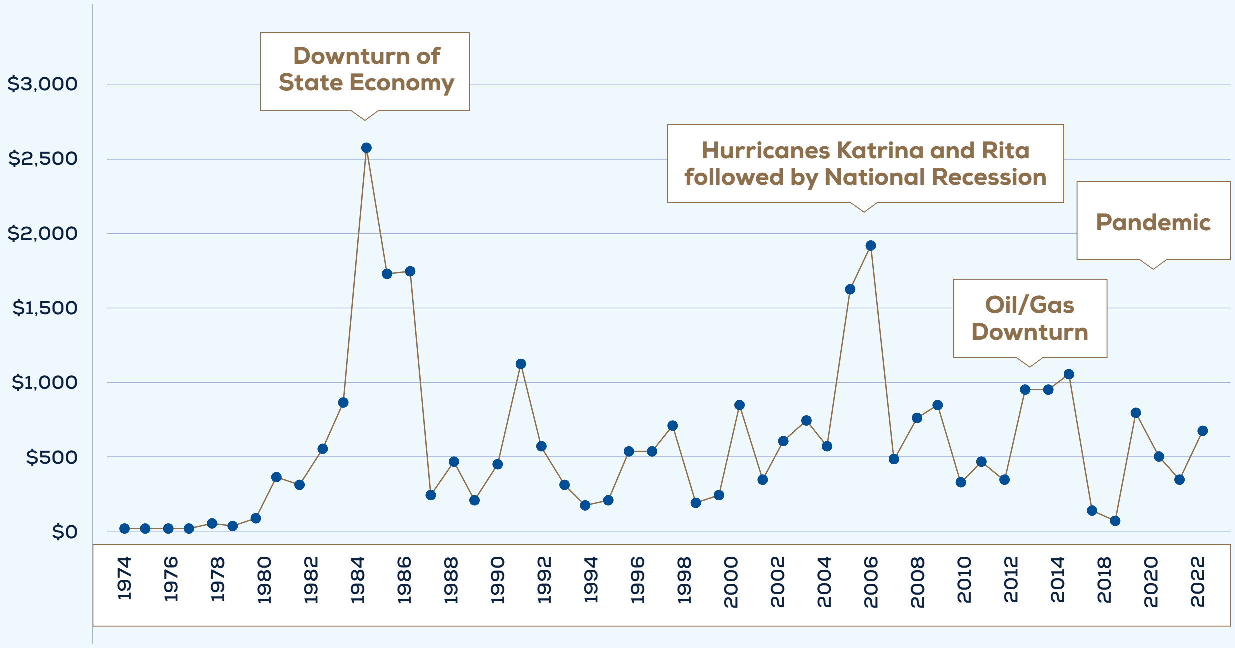
This study marks the fifth economic analysis of the LPFA, its activity, and its economic role in the Louisiana economy[1]. Figure 1 depicts the trend in LPFA bond issuances from 1974 through 2023. This study highlights 50 years of LPFA activity in Louisiana as well as highlighting years 2014 through 2023. 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.

[1] Dr. Richardson has 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 (*The Louisiana Public Facilities Authority: Impact on the Louisiana Economy*), and, a study for the time period from 2009 through 2013 recognizing LPFA's 40 years of financial assistance to the Louisiana economy (*The Louisiana Public Facilities Authority: Impact on the Louisiana Economy*).



FIGURE 1:

LPFA Bonds Issued in Support of Louisiana Economy, 1974–2023
(millions of dollars)



From 1974–1998, the LPFA issued over $13 billion in bonds in nominal dollars, or approximately $34.0 billion in 2023 dollars (approximately $524 million per annum over this 25 years time period in nominal dollars or approximately $1.3 billion per annum over this period in 2023 dollars[2]). This first twenty-five years of LPFA existence included exploding energy markets in the 1970s and an accompanying robust Louisiana economy, a collapse of the energy markets in the 1980s with a major decline in the Louisiana economy, and a growing national and Louisiana economy in the 1990s.

It is noteworthy that the five years from 1983–1987 accounted for over 65% of the lending over this entire twenty-five-year period and this period illustrates the ability of LPFA to provide essential financial assistance to the Louisiana economy that cannot be provided by other financial institutions. The Louisiana economy was marred in a major economic downturn during the 1980s due to the collapse of the energy markets and the state's private financial institutions were struggling to survive. LPFA's financial services became essential in providing support and rejuvenation for the Louisiana economy. The LPFA, working with the state in 1987, rescued the Louisiana Unemployment Insurance Trust Fund and initiated a recovery of the unemployment trust fund that has shown resiliency since that time period. Even before 1987 LPFA had provided over $4 billion to public institutions to provide some relief to the Louisiana economy and to allow public facilities to operate efficiently and prepare for the future.

Another important spike of $1.2 billion in 1992 dollars and almost $2.4 billion in 2023 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 $17.0 billion (in 2023 dollars) that LPFA bond issuances averaged from1985 through 1987.

From 1999 through 2003, a time period which included a national recession, the LPFA issued about $2.3 billion of bonds in nominal dollars or just over $3.9 billion in 2023 dollars, or approximately $460 million per year in nominal dollars and approximately $790 million per annum in 2023 dollars.

The period 2004 to 2009, which included Hurricanes Katrina and Rita in 2005 and a national financial crisis in 2008-2009, saw nearly $6.0 billion of bonds issued in nominal dollars or approximately $1.0 billion per year and $8.8 billion in bonds issued in 2023 dollars or about $1.5 billion dollars per year.

From 2010 to 2013, the LPFA issued $2.394 billion in bonds or approximately $598 million per year, all in nominal terms. In 2023 dollars the LPFA issued $3.2 billion in bonds or approximately $808 million per year. From 2010 through 2013 the national and Louisiana economies were recovering from the national downturn in 2008-2009.

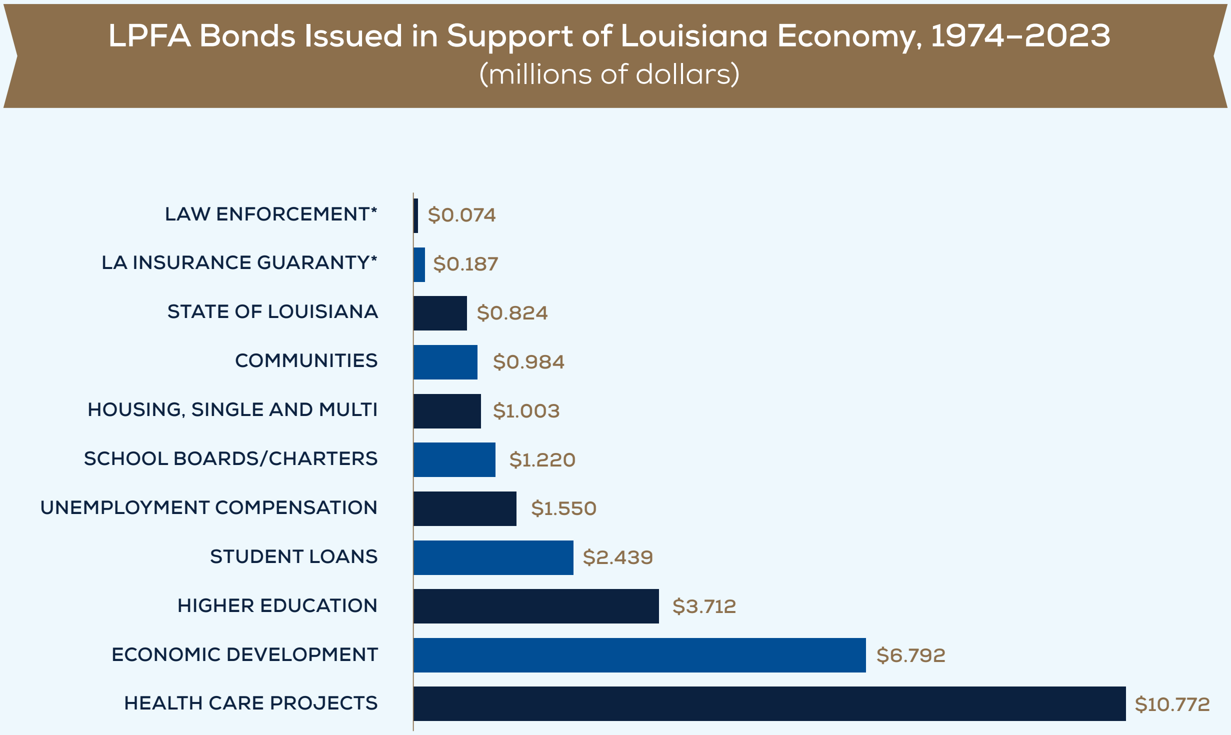
From 2014 through 2023, the past ten years, LPFA has issued just over $5.7 billion in bonds for Louisiana entities or just over $575 million per year. In 2023 dollars, this amounts to over $6.8 billion or approximately $680 million per year. These years have seen a downturn in the state's economy due to the decline in energy prices in 2014–2016, several major weather disasters covering the entire state, and the pandemic which led to the shutdown of many sectors of the national economy for about 12 months and then a gradual return to a more "normal" economic structure.

Figure 1 (page 4) provides information on the overall financial activity by LPFA over its first 50 years of financial activity. It illustrates that LPFA's role in Louisiana's economy was especially visible during the most difficult times for the state. The overall spending by the LPFA over its 50-year history in Louisiana is important, but equally and, perhaps even more important, is the types of projects the agency funds and the significance of the LPFA at critical junctures in the state's economic history. LPFA financial support for various types of projects from 1974 through 2023 is illustrated in Figure 2 (page 6).

From 1974 to 2023, roughly one-third of LPFA funding has been allocated to projects involving healthcare providers, but over the last ten years, just over 54% of LPFA funding has been focused on healthcare providers. 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.

[2] Noting both nominal and real dollars is important since a dollar in 1974 is not equivalent to a dollar in 2023. All real dollars are measured in 2023 dollars.

FIGURE 2:




*Funds for LA Insurance Guaranty $0.187 billion and for Law Enforcement $0.074 billion.



Over 25% of LPFA funding has been focused on projects specifically labelled economic development projects over the past fifty years but over the last ten years economic development projects represented just over 10% of LPFA funding. Student loans represented 10% of LPFA funding over the past 50 years but LPFA has not provided any funding for student loans for the past ten years since there have been major changes in student loan financing at the national level. LPFA's financing of student loans all occurred before 2014. Higher education activities have represented about 10% of LPFA activities over its 50 years but during the past ten years higher education represented almost 25% of LPFA's financial activities with this funding focusing on both public and private educational 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 around $600 million in nominal dollars or approximately $675 million in 2023 dollars to state and local governments during the 2014 to 2023 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% of all LPFA bond issuances from 1974 to 1998, 7% from 1999 to 2003, 9% from 2004 to 2009, and just less than 2% from 2010 to 2013. From 2014 through 2023 just over 10% of LPFA's financial activities have focused on state and local governments.

LPFA has specific programs for assisting governments in handling short and long-term issues. Early on, the LPFA Revolving Loan Programs provided zero-interest for a portion of outstanding debt while the remainder of the debt was financed by private financial institutions. Local expenditures range from purchasing fire trucks to constructing a parish-wide data communication system to rebuilding and resurfacing public roads. LPFA's Revolving Loan Programs have saved local governments close to $5 million in interest payments. LPFA has a Rural Development Low-Interest Program that provides local governments and non-profits with interim financing until permanent financing is obtained from the U.S. Department of Agriculture's Rural Development Program. Currently, the LPFA also has a Low Interest Local Government Bond Bank Program that charges locals an interest equal to one-half of the local bank's interest rate.

Other projects have varied given the demands of the economy. For example, in the period from 1974–1998, about 7% 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 trend continued from 2010 to 2023. Housing-related investments represented less than 2% of LPFA's projects from 2010 to 2013 and less than 0.5% of LPFA's projects from 2014 through 2023.




## Unique LPFA Financial Assistance to Louisiana

LPFA deals with the economic problems at hand and the projects that are in demand. LPFA can provide economic assistance to the state during economic crises, a time in which other financial entities are not able to provide such assistance.

As one major example, LPFA was the financial intermediary that allowed the state to rebuild its unemployment insurance program 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 due to the severe and sustained economic downturn in the 1980s. LPFA borrowed enough dollars to pay off the federal government for what the state had borrowed to pay unemployment compensation to its workers who had lost their jobs and to provide sufficient financial cushion in the fund so that it was economically viable over the long-term. LPFA was able to borrow the necessary dollars to pull the Louisiana Unemployment Trust Fund out of debt. Workers and businesses shared in this endeavor with workers accepting lower unemployment benefits of as much as 12 percent if they were laid off and businesses 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. Workers and businesses had to pay off the debt, but only LPFA could have borrowed the dollars to make the Unemployment Insurance Trust Fund operational.

> “LPFA was the financial intermediary that allowed the state to rebuild its unemployment insurance program after watching the fund go into debt to the federal government in the 1980s”

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 no longer has to borrow any money from the federal government to pay weekly unemployment insurance benefits. The state passed laws in 1995 lowering benefits for unemployed workers and raising business contributions to the trust fund if the trust fund balance falls below certain levels. These laws have been revised since 1995 but again with the same purpose—that is, to maintain the solvency of the Unemployment Trust Fund. The Louisiana Unemployment Trust Fund, just as unemployment trust funds in other states, took a hit during the pandemic and now has around $250 million in reserves with the federal government as of 2023. As the economy grows this reserve balance will increase.

In the time period, 2004 through 2009, LPFA became involved in assisting the state in its recovery from Hurricanes Katrina and Rita by providing almost $1 billion in financial support to the utilities thereby reducing 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. LPFA's bond issuances lowered the cost of these utilities to Louisiana citizens.

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. From 2014 through 2023 LPFA has assisted the state in getting through the energy turndown in 2014 and 2015, the weather-related disasters from 2016 through 2020, and recovering from the pandemic shutdown starting in 2021 and continuing through 2023.

LPFA, at its creation, 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.

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. The financial input of LPFA over the next fifty years will be determined by changing 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. LPFA responds to the demands of the state and local governments, healthcare entities, public and private higher education institutions, economic development projects, and other such organizations. Flexibility is key to LPFA's long-term contribution to the Louisiana economy.

# IV. 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, both short and long-term**, 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 2023

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. Each financial transaction regarding the financing of new capital projects 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.

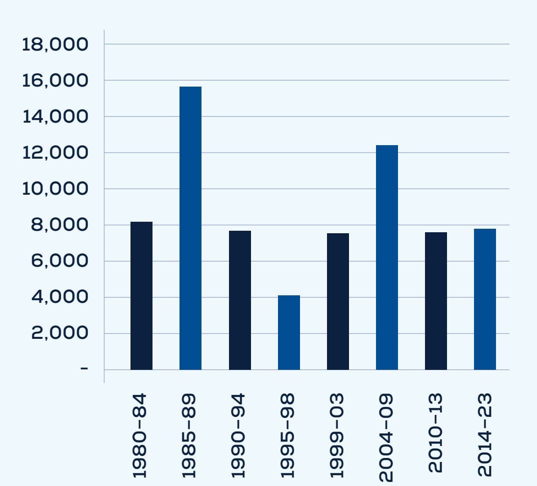
From 1974 to 2023, LPFA financed approximately $450 million of construction projects each year. Estimates of net new jobs created, as well as the average earnings associated with each of these jobs, and supported by LPFA financial transactions are summarized in Figure 3 for various time periods. This 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.



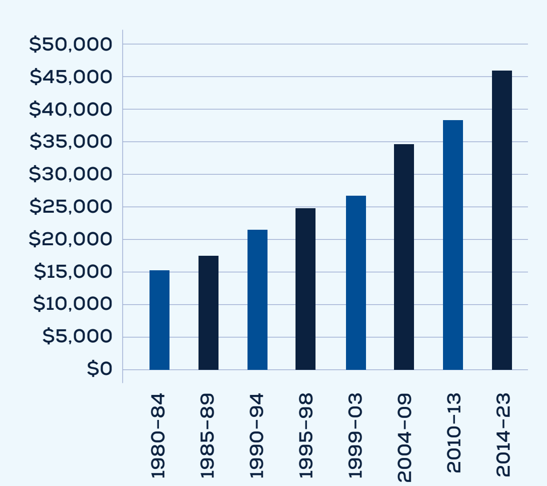
FIGURE 3:

### Jobs Supported and Average Wages Associated with Jobs Supported by LPFA Transactions

Jobs Supported by LPFA Transactions




Average Wages With Jobs Supported by LPFA



> “LPFA financial activity also affects the overall economy by supporting additional business activity, additional jobs, and additional personal earnings”

LPFA has a sustainable impact on the Louisiana economy by consistently and continuously providing financial backing to a variety of construction projects. LPFA's economic impact is identified by significant time periods: 1980–84 the beginning of the decline in oil prices; 1985–89 the continued decline in oil prices and the need to shore up the Unemployment Trust Fund; the beginning of the 1990s when the Louisiana economy began its recovery; 1995-98 the continuation of Louisiana's recovery and its growth being in line with the U.S. economy; 1999–2003 the Louisiana economy being affected by the national slowdown; 2004–2009 the Louisiana economy incurring major hurricane damage as well as the national downturn as of 2008–2009; 2010–2013 the gradual recovery from the national downturn; and, 2014–2023 the last ten years in which there has been a drop in oil prices, continued national economic growth, and a number of weather-related events creating major damage across the state.

During the mid-1980s, the LPFA supported over 15,000 jobs annually, while in from 2004 to 2009 the LPFA supported over 12,000 jobs per 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 as well as the national recession in 2007–2009[3]. During each of these trying times for the state, LPFA[3] 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, over 7,500 jobs from 2010 to 2013, and over 7,750 jobs from 2014 through 2023.

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.

From 2014 to 2023, over the last 10 years, LPFA's financial activities supported on average 7,750 jobs per year with earnings of $352 million each year and business transactions of over $1 billion. Many of these jobs created from 2014–2023 were in the construction sector and or jobs distributed throughout the economy in support of these construction activities.

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

[3]The National Bureau of Economic Research (NBER) determined that the national recession started in December 2007.

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. 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. From 2010 through 2013, LPFA facilitated economic activities leading to 7,512 jobs per year with annual personal earnings of almost $285 million. And, from 2014 through 2023 LPFA facilitated economic activities that supported 7,750 jobs per year with annual earnings of $352 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 $450 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.



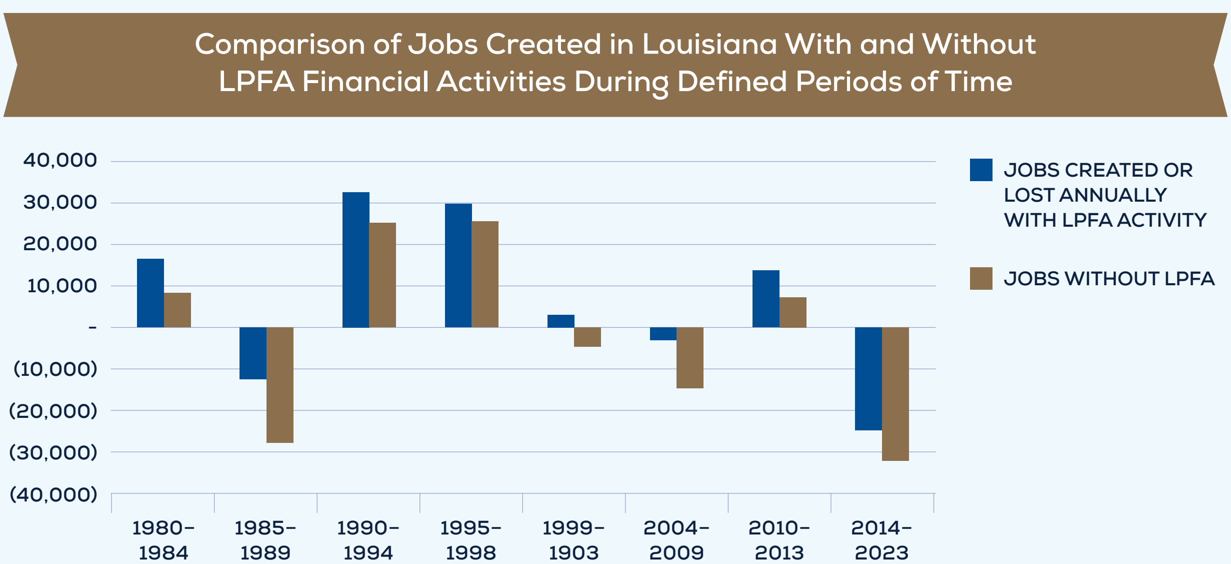
[4] The Input-Output Model used in this analysis was the Regional Input-Output Model Systems that is constructed and is updated by the Bureau of Economic Analysis, a division of the U.S. Department of Commerce.

## Louisiana Economy and LPFA Activities, 1980 to 2023

Another way of evaluating the impact of the LPFA-associated 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 as illustrated in Figure 4[5].

[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.

FIGURE 4:



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[6]. 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 over 33,000 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 around 30,000 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 2,900 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 4,600 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 just over 3,200 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 just over 15,000 jobs per year. In 2010 to 2013 the Louisiana economy initiated its recovery by adding back about 14,000 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 7,500 jobs per year. From 2014 through 2023 Louisiana's employment fell by just over 25,000 jobs with LPFA activities. Without the LPFA activities Louisiana could have lost over 32,000 jobs per year.

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.

The time periods of 2004–2009, 2010–2013, and 2014–2023 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. And, from 2014 to 2023 Louisiana incurred the economic effects of a downturn in the energy markets starting in 2014 and then suffered through the pandemic starting in 2020.

## Louisiana Economy and LPFA Activities, 2004 to 2023

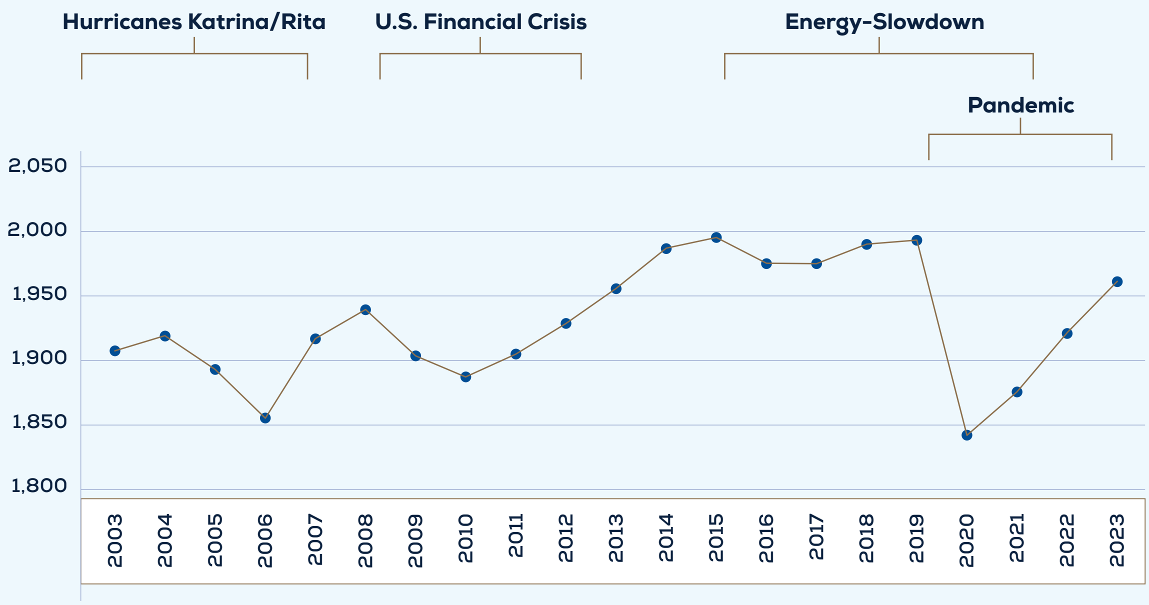
From 2004 to 2023, the Louisiana economy went through a variety of economic ups and downs and some major events that created an impact on the development and growth of the Louisiana economy. LPFA throughout this time period continued its activities for assisting in the funding of major projects throughout Louisiana.

Louisiana endured from 2004 to 2023 very turbulent economic periods illustrated by the trends in employment in Figure 5 (page 13). Employment jumped modestly from 2003 to 2004 by about 12,000 jobs and then fell by approximately 70,000 jobs by the end of 2006 due to the displacement of people and jobs by Hurricanes Katrina and Rita. Employment recovered by roughly 85,000 jobs in 2007 and 2008. Katrina and Rita affected Louisiana primarily though other nearby states also incurred economic damages as well. However, the national recession beginning in December 2007 stifled this recovery. In 2010 Louisiana employment fell by about 53,000 jobs according to the U.S. Bureau of Labor Statistics from 1.94 million in 2008 to 1.88 million in 2010. Starting in 2011 Louisiana gradually started its recovery, gaining about 12,000 jobs in 2011, 24,000 jobs in 2012, and 26,000 jobs in 2013.

[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.

FIGURE 5:

## Trends in Louisiana Employment, 2003–2023






Louisiana employment gained just over 25,000 jobs in 2014 and then just over 8,000 jobs in 2015. The energy slowdown generated a reduction in the state's employment though the state's employment was also held up by major construction activities with respect to chemical facilities and LNG facilities being constructed especially in the Lake Charles Regional Labor Market. Employment in Louisiana declined from 1.996 million in 2015 to 1.975 million in 2016 and 2017. Energy markets affect Louisiana differently from other states.

Employment in Louisiana increased to 1.991 million in 2018 and 1.993 million in 2019; and fell to 1.843 million in 2020 due to the pandemic. The Louisiana economy has now climbed back to over 1.961 million as of 2023.

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, during the recovery from oil and gas slowdown in Louisiana, and during the pandemic.

LPFA provides support to the Louisiana economy during stressful economic conditions, but it also provides support during growth times in the state's economy as well.

# V. 50 Years of LPFA Financial Services Across the State

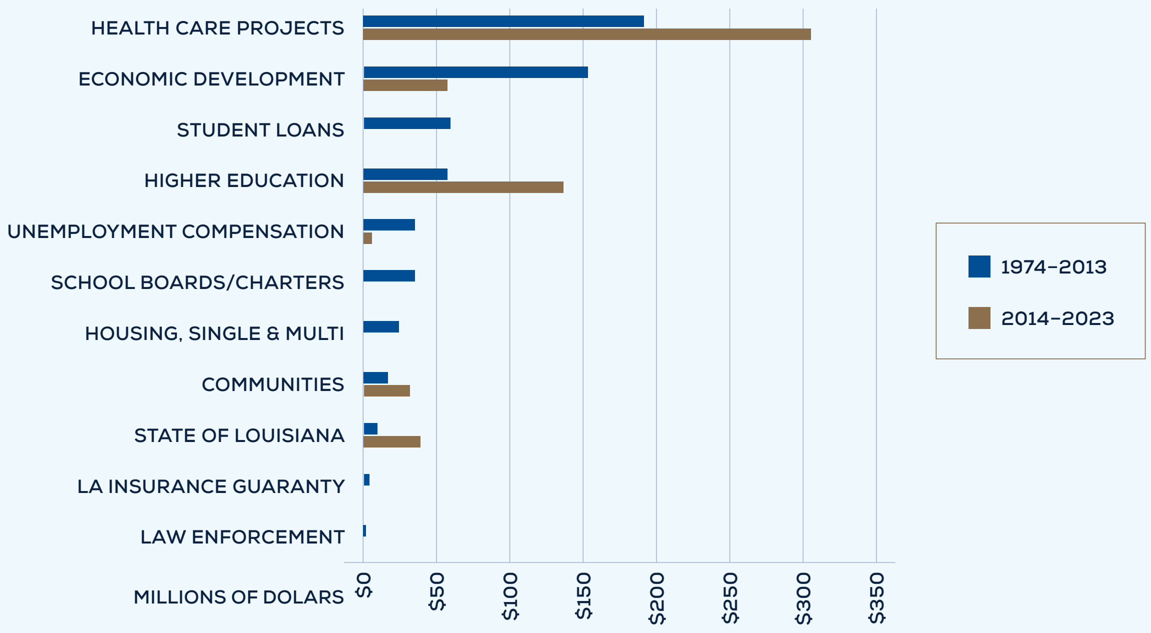
The on-going impact of LPFA Financial Transactions is best described by focusing on individual LPFA programs and projects as well as the geography of the activities. Short-term and long-term construction projects, once they are completed, lead to ongoing economic activity in Louisiana that provides a long-term benefit to the state. These activities can be highlighted by focusing on individual projects related to certain themes: (1) financial support for **healthcare** providers, (2) financial services provided for **higher education**; (3) financial transactions encouraging **economic development**, (4) financial support for **state and local projects**, (5) assistance for special programs such as **student loans** when that was necessary, (6) general programs assigned to assist **cash management**, and (7) other programs that may become significant at a point in time.

LPFA has issued through its 50-year history nearly $30 billion in bonds. These bonds have been related to a number of activities across the state. The activities supported by LPFA from 1974 through 2013 and from 2014 through 2023 are illustrated in Figure 6. 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. However, we note that the LPFA dollars in the past ten years have focused on healthcare (over 50% as compared to 32% from 1974 to 2013), higher education (almost 25% as compared to 10.2% from 1974 to 2013), and communities and state government (about 13% as compared to 4.5% from 1974 to 2013).



FIGURE 6:

Financial Activities by LPFA Across Different Types of Projects, Average from 2014–2023 compared to 1974-2013 (average annual financing per year) *




*LPFA has not provided any additional funding for school boards and charter schools for the past ten years.

### Statewide Healthcare Financing

LPFA has issued almost $10.8 billion of bonds for healthcare projects with over $3.0 billion being provided from 2014 through 2023 as compared to approximately $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% of the increased personal earnings and new jobs result from the construction and enhancement of healthcare facilities over the past 50 years. Over the past ten years, over 50% of LPFA financing has focused on healthcare projects. 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 healthcare facilities. Businesses associated with the provision of healthcare are located throughout the state and employ close to 300,000 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 300,000 people 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.

**Over 50%**

of LPFA financing has focused on healthcare projects

## Economic Development and LPFA Financial Activities

From 1974 through 2023, the LPFA issued almost $7 billion in bonds to support a variety of business enterprises in their expansion in Louisiana. From 2014 through 2023, LPFA issued about $600 million in economic developments or about $60 million per year as opposed to about $155 million per year from 1974 through 2013.

LPFA responds to the needs of the Louisiana economy and the need for financial assistance for economic purposes occurred in the 2003-2013 time period. LPFA responded to a major disaster affecting Louisiana in the time period of 2003 through 2013. 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. In 2008 the LPFA issued over $1.9 billion in new bonds; over $1.6 billion, including $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 $250 million per year. 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. LPFA was responding to a major disaster affecting Louisiana.

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 financed utility restoration, petrochemical expansions, waste disposal operations, and warehousing developments. LPFA worked with the market to secure appropriate financing with a variety of enterprises.

Over the last ten years, LPFA has not needed to focus on activities associated with utility restoration or other economic development needs. This role may come again if a major weather-related disaster occurs or if utility investments made years ago need to be rebuilt.



## Financial Services for Higher Education

During the last 50 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) and from 2014 through 2023 higher education institutions have borrowed over $1.4 billion for higher education improvements. Institutions making use of LPFA's financial services, among others, have been Tulane University, Louisiana State University, Loyola University, and Centenary College.

The LPFA supported 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 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 up front and during the repayment of the loans. Student loans have not been a LPFA priority since 2014 due to additional federal involvement.

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.


## LPFA Revolving Loan Programs

Early on, LPFA provided a Revolving Loan Program with a zero-interest local government bond bank program and a Rural Development Zero Interest Loan Program and currently, a Rural Development Low Interest Loan Program. LPFA participates with commercial banks in financing local projects such as purchasing fire trucks, constructing a police station, upgrading streets, and other capital projects. LPFA provides a low-interest bond for a portion of the total borrowing by the local governmental unit at one half of the interest rate secured for the remaining amount of the borrowing. Savings to local governments from the beginning of this program through 2023 amounts to just over $4.7 million with savings from 2014 through 2023 equally just over $3.2 million. Savings in 2023 amounted to just over $758,000 for local governments allowing them to use these dollars for other local needs. These savings are spread across the states for smaller towns such as Tallulah and smaller parishes such as St. Helena and also for larger parishes such as Caddo and St. Tammany.

## Other LPFA 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 at 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 assisted local political subdivisions in carrying out their public responsibilities at the lowest possible cost.

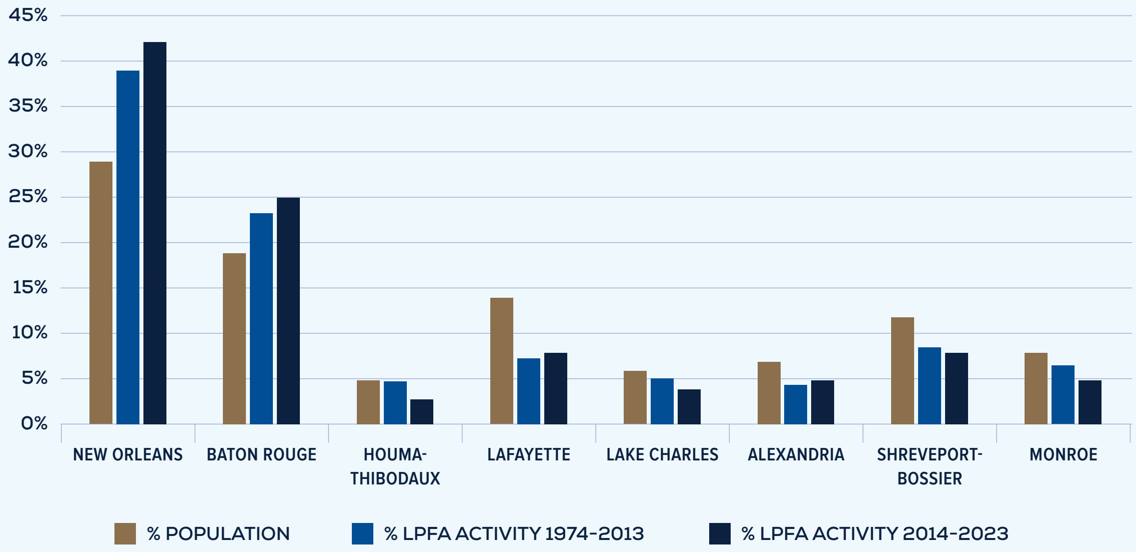
## Geographic Distribution of LPFA Funding

LPFA funds are allocated throughout the state with the majority of the funds going to the population zones of New Orleans and Baton Rouge[7]. Estimates of the geographic distribution of LPFA funds are illustrated in Figure 7.

[7] The estimate of the geographic distribution of LPFA funding is based on the 2013 annual report of the LPFA an assumption that the a number of projects were spread across the eight regional labor markets.

FIGURE 7:

Distribution of LPFA Funds by Regional Labor Markets: Population, LPFA Distribution (1974–2013) and LPFA Distribution (2014–2023)






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 1974–2013 and about 42% from 2014–2023. 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 from 1974–2013 and 25% from 2014–2023. 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 from 1974-2013 and 8% from 2014–2023. Lafayette, with 14% of the state's population, had 8% of LPFA projects from 1974–2013 and 2014–2023. 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.



# VI. 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 50-year history is illustrated by its activity. LPFA has issued from 1974 to 2023 an average of $591 million in bonds per year in terms of current or nominal dollars, but in 2023 dollars LPFA issued during this time period approximately $1.138 billion 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 2023 have created and supported, on average, 9,000 jobs per year with an average salary as of 2023 of $45,500.** 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.

Perhaps most importantly, over its 50 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, the critical needs associated with state's recovery from Hurricanes Katrina and Rita, and the state's responses to the weather-related issues in 2016 through 2019 and the pandemic in 2020. 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 due to natural disasters or unexpected events such as the pandemic.

Presently, the LPFA is providing a steady source of capital funding for ongoing activities such as healthcare, higher education, and economic development projects, all critical components of Louisiana's long-term future.


The Louisiana Public Facilities Authority




2237 SOUTH ACADIAN THRUWAY • SUITE 650 • BATON ROUGE, LA 70808 • PHONE: 225-923-0020

TOLL-FREE: 800-228-4755 • FAX: 225-923-0021 • EMAIL: INFO@LPFA.COM • INFO@LELA.ORG