



**The Louisiana Port Construction
and Development Priority
Program History and Economic
Impact**

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Email: [candaceatpal@gmail.com]

Phone: [225.334.9040]

Website: [portsoflouisiana.org]

Address: [P.O. Box 82880, Baton Rouge, LA 70884]

SUMMARY

The Louisiana State legislature created the Port Priority Program in 1989 as a new source of funding for Louisiana Ports. However, this funding came with a caveat; individual ports had to demonstrate the economic viability of new projects when applying for funding through the Port Priority Program. It is difficult to overstate the importance of ports to the state of Louisiana. One in every five jobs in Louisiana is port related and the ports make up almost 23% of the dollar amount for the state's goods and services. The ports also account for 5% of the entire personal wealth of individuals residing in-state. At their most basic level, projects seeking funding from the Port Priority Program must be shown to both generate new revenue and meet considerations such as jobs created and/or retained, and benefits to the state will need to be explained.

PORT PRIORITY PROGRAM

Legislation

The Port Construction and Development Priority Program (PCDPP or PPP) was created by Act 452 of the 1989 regular legislative session. In 1989 the citizens of Louisiana approved a constitutional amendment establishing a Transportation Trust Fund (TTF) to ensure a stable and dedicated source of revenue for the construction and maintenance of transportation infrastructure. The TTF Act provides broad guidelines regarding allocation of revenues to different transportation modes and activities including highways, ports, mass transit, statewide flood control, airports, and state police traffic control. Its major sources of revenue are state taxes on gasoline and other fuels, and revenues from state motor vehicle license taxes. The TTF provided a funding source for the Port Construction and Development Priority Program. The main purpose of the PPP is to provide state participation in the construction of port infrastructure, thereby creating and/or maintaining jobs and reducing transportation costs to improve the quality of life for Louisiana's citizens.

One of the main components of the program is legislative authorization. This ensures that state funds will be equitably distributed and duplication of port infrastructure will be avoided by emphasizing justification of project need. Also, because Louisiana's ports are such dynamic entities, the Port Construction and Development Priority Program conducts a rigorous analysis of forecasted project benefits in order to ensure the overall impact of the project on the state will be positive. The program also stipulates strict procedures for the planning and the construction of funded projects as well as the operation and maintenance of the completed project. The legislative act provided that the sponsoring port provide a minimum of 25 percent of the project cost (construction and engineering), but this requirement was later changed to 10 percent of project construction costs, in addition to the engineering fees. This change took place in order to allow construction of port infrastructure to occur sooner. Only projects that have the greatest probability of success as determined by objective standards such as technical and financial feasibility, and overall impacts are funded.

Department of Transportation and Development

The same act that created the Port Construction and Development Priority Program in 1989, also authorized the Louisiana Department of Transportation and Development (DOTD) to contract with the Louisiana State University National Ports and Waterways Institute to assist in developing a methodology for evaluating and priority rating proposed port projects.¹ This program operates under Louisiana Port Construction and Development Priority Program rules and regulations. The PPP is housed in the Office of Multimodal Commerce inside the DOTD. From the outset, enhancement of productivity and competitiveness of ports through rational investment of public funds was the primary goal of the program. The DOTD is an integral part of the Port Construction and Development Priority Program because the multifaceted role of public ports, both commercial enterprises in the transportation business and as agents for economic development, differs from that of other public transportation providers by requiring appropriate response in the project appraisal methodology. Also, competitive and cooperative relationships between public and private port terminals raise policy dilemmas for the public intervention in the market. Several structural characteristics specific to the maritime industry greatly determined the content and form of the PPP. The three major characteristics are the diversity of port size and operations, the diversity of port missions and goals, and private sector participation in waterborne commerce. These characteristics made development of standard project evaluation procedures quite difficult. A program formulated within the current industry framework and evolving as an outgrowth of the existing system was considered critical to the program's success. The positive effects created by the ports included in this program are undisputable.

¹ Jayawardana, J. & Webre, D. J., "Louisiana Port Priority Program: An Application of Benefit-Cost Analysis to Project Appraisal," 1997.

Economic Impact

The economic impact of ports in the Louisiana economy is significant considering they have created nearly 77,000 jobs, approximately 1.5 times as many jobs as the oil and gas industry. The ports provide a necessary transmission service that leads to the fundamental businesses that provide a great deal of the wealth of Louisiana. The ports also provide the transfer of goods from other states to the global market as well as bringing goods from foreign markets to the United States for further development or for consumption by people in the United States.

The jobs and earnings supported by the ports and the companies that work with them do not show up in one category such as the jobs associated with the oil and gas industry. Rather these jobs are scattered over a number of various business sectors including transportation and warehousing, personal and business services, leisure and hospitality, and several other business sectors. It is estimated that the majority of the jobs will be in the personal and business services sector. This does not diminish the importance of the ports. It merely makes it more difficult to identify the economic significance of the ports in terms of contributing to the economic development of the state's economy.

The economic impact associated with the Louisiana ports can be divided among the deep draft ports, the coastal ports, and the inland ports as illustrated in Table 1. The deep draft ports account for approximately 54% of the economic activity associated with the Louisiana ports; the coastal ports account for about 38.5% of the overall economic activity; and the inland ports account for about 7.5% of the overall economic activity.

It is recognized that the economic impact is felt throughout the state though there is no doubt that it is concentrated along the Mississippi River and along the coastal parishes. The deep draft ports are important because they connect the state and the country to the global markets; the coastal ports are especially important because they are key players in the oil and gas industry and the petrochemical industry as well as the agricultural industry. The inland ports are typically more focused on the region of the state in which they operate; however, this is not always true. For example, the Northeast Louisiana ports have capability to connect with ports on the east coast via their rail connections. These multimodal connections that are inherent to ports provide for the creation of new industries in and around ports that can then initiate new industries in the state.

Table 1: Economic Impact of Port Activity in Louisiana According to Types of Ports (*Update on the Economic Impact of the Ports of Louisiana*, Richardson, 2016)

Activities	Jobs Created & Supported	Personal Earnings	State Tax Collections	Local Tax Collections
	Dollar Amounts Are In Millions			
Deep Draft Ports	41,404	\$2,005.9	\$155.4	\$122.4
Coastal Ports	29,686	\$1,652.8	\$120.4	\$94.9
Inland Ports	5,703	\$317.6	\$23.1	\$18.2

Economic Impact of Ongoing Activities

The impact of Louisiana ports on the state's economy is the initial spending by the ports themselves, the spending by tenants on port properties and those tenants providing services to the ports or tenants working with the ports, and, finally, the spending by visitors on the cruise ships. The direct spending from the ports, tenants working with the ports, and visitors on the cruise ships and the economic impact of this spending is illustrated in Table 2. Ports, tenants working with ports, and cruise ships boarding at the Port of New Orleans generate almost 77,000 jobs in the Louisiana economy with personal earnings of just over \$4 billion and state and local tax collections of approximately \$533 million each and every year. The expenditures by the ports are straightforward with the ports making expenditures necessary to maintain the degree of cargo business they are now doing. The cruise shipping business is also straightforward given that New Orleans is now one of the top 6 spots for cruise ships boarding and in 2014 had over 1,000,000 persons coming to New Orleans to board a cruise ship. The firms providing services to the ports, their customers and tenants are less definable. This group of businesses includes stevedores that specialize in cargo handling (ex. Associated Terminals), service companies that provide supplies and equipment to the offshore oil and gas industry (Port of Iberia, Terrebonne Port, Port Fourchon, etc.), and businesses that engage in a variety of activities that range from moving steel or other alloys, aggregate, or sand for fracking (Port NOLA, Caddo-Bossier Port, Red River Port, etc.). These companies all have an economic impact on the Louisiana economy as quantified in Table 2.

Table 2: Total Estimated Economic Impact of Ports in Louisiana
(Update on the Economic Impact of the Ports of Louisiana, Richardson, 2016)

Activities	Jobs	Personal Earnings	State Tax Collections	Local Tax Collections
	Dollar Amounts Are In Millions			
Ongoing Operations of Ports	1,105	\$61.80	\$4.52	\$3.51
Firms on Port Property	70,050	\$3,900.0	\$284.0	\$224.0
Cruise Ships	5,639	\$141.5	\$10.4	\$8.0
Total Port Activity	76,794	\$4,103.3	\$298.9	\$235.5

Purpose of PPP Program

The Louisiana Port Construction and Development Priority Program is designed to allocate state funds, with incentives for participation by public ports and the private sector. In order to ensure maximum participation by stakeholders, several measures were adopted at the program's formulation stage, and continuing outreach efforts were made to assist ports throughout implementation of the program.

All program requirements are directed to ensure maximum economic impacts to the state with limited program funds. These requirements target three specific policy areas: first, that the program funds be invested in specific types of maritime projects to ensure maximum sectorial impact; second, that cost sharing be encouraged to ensure maximum leverage of program funds; and third, that high standards of credible project data be provided by port sponsors,

both for project evaluation purposes and to ensure the quality of decision making by the port sponsors themselves. The PPP funds a wide array of projects, ranging from construction and improvement, to expansions and capital rehabilitation endeavors. This includes maritime-related industrial parks, intermodal facilities, and port infrastructure such as wharves, storage facilities, cargo handling capital equipment, utilities, railroads, and primary access roads. However, the program does have a few exclusions; these would include state sponsorship of new construction and/or maintenance of federally authorized navigable waterways, and land acquisition by ports for speculative reasons. Land acquisitions are only eligible for funding when they are an integral component of a project, and necessary for the project benefits to be derived. These requirements were set in place to avoid large outlays in areas marginal to the maritime sector and to concentrate funds specifically for the development of infrastructure that serves port objectives.

The PPP includes four main sources of project financing: program funds, port funds, federal funds, and private sector funds. To encourage higher funding participation levels from ports and the private sector, an additional benefit-cost ratio was calculated—all project benefits were divided by the program investment. This ratio is then utilized in the final evaluation and ranking. By utilizing program investment in the calculation, projects with higher levels of port and private sector funding will rank higher and possibly be funded sooner.

Process for Awarding

The PPP has created a set of rules and regulations that sponsoring ports must abide by. These rules have been set in place so that sponsoring ports can consistently and accurately submit information requirements and project proposals to the Port Construction and

Development Priority Program for consideration. These rules help govern which projects will be accepted for evaluation. The wide diversity of port projects as well as the range of technical capabilities available to the various ports had to be dealt with in framing the program's regulations. Also, due to project benefits being closely related to future market developments, certain guidelines had to be incorporated with regards to market forecasts. The information requested from sponsoring ports on proposed projects can be divided into eight major categories. Table 3 explains these categories.

Table 3: Program Requirements and Guidelines for Port Participants²

Information Requirements	Guidelines Provided
1. Project Description	Focus on physical and financial parameters of project.
Nature and Goals	To convey the purpose, design and components of the project.
Funds Requested	Indicate total funds needed and funding sources.
Alternatives	Indicate which alternatives were considered and explain why the project was selected over alternatives.
Adequacy of Components	Establish that all the components necessary to derive the benefits are available.
2. Demonstration of Immediate Need	Focus on marketing potential of the project.
Cargo History	Establish the level of utilization of existing facilities.
Market Analyses	Forecast the cargo that will use the project for 10 years.
Industrial Development	Indicate what new industrial development with the project.
Letters of Commitment	Submit letters of commitment from industrial tenants.
3. Preliminary Plans and Cost	Focus on engineering aspects of the project.
Design Criteria	List Criteria needed for design
Design Calculations	Provide conceptual design calculations
Preliminary Construction Plans	Sufficient detail to conceptually convey project components and requirements.

² Louisiana Port Construction and Development Priority Program Rules and Regulations, Louisiana Department of Transportation & Development. June 2008.

Cost Estimate	Detailed cost estimates of project components and recurring maintenance cost.
Progress Schedule	Provided an anticipated implementation schedule.
4. Determination of Benefits to the State	Focus on the economic returns of the project.
Revenues and Expenses	Estimate the port revenues for both with and without project conditions.
Number of Jobs	Indicted the number of jobs created / saved.
Payroll Benefits	Estimate payroll benefits in order to equitably evaluate application.
Spin-off Benefits of Payroll	Estimate new payroll generated by the project result in spin-off benefits in the local economy.
Shipping Costs	Identify shipping costs with and without project
Other Benefits	Identify any other benefits that would result from project.
Benefits-Cost Tabulation	Tabulate the project benefits and cost over the project life.
5. Description of Project Area	Provided a narrative description of the project area.
6. Impacts of Implementing Proposed Project	Focus on positive and Negative externalities of the project.
7. Master Plan for Port	Discuss how the project complies with the port's master plan.
8. Other Information	Identify all sources and amounts of funding.
Multi-Year Projects	Provided construction and funding schedule.
Permits	List all necessary permits.

The section regarding *project description* is designed to focus on defining the physical and financial parameters of the project. According to the nature of the project, sponsoring ports are required to provide the program with a narrative description of the project with enough detail to sufficiently convey the purpose, design, and major components of the project. This allows the proposed project to be considered objectively. The adequacy of component requirements guides port planners into evaluating port operations, to identify possible setbacks, and to plan corrective action. The *demonstration of immediate need* for the project

is one of the most critical factors when deciding on whether or not a project should be funded. If the *need* cannot be adequately justified, the project is rejected in its early stages of evaluation. A majority of the information required in this process is used to support market forecasts and estimates. Port authorities are encouraged to justify market projections through market analyses and cooperation with port users to utilize the expanded project facilities. Ports are also required to divulge the level of utilization of existing facilities by providing data on cargo throughput for the last five years. Furthermore, ports are advised to extrapolate past trends and/or follow national projections of waterborne commerce as estimated by the U.S. Army Corps of Engineers. Any deviations from these growth rates are expected to be justified as either diverted cargo from other facilities or as cargo generated by new industrial developments. If such a situation should occur, the sources, origins, and destinations of the cargo need to be analyzed and justified. *Preliminary plans and costs* are included in the program requirements to further detail the proposed port projects. These proposals must incorporate enough detail to indicate that sufficient thought and planning has been accomplished to provide for the needed infrastructure and to satisfy a real and definable market need. *Benefits* from the proposed projects are evaluated from the state's point of view, and must demonstrate a boost in efficiency when it comes to the state's port system—mainly through cost savings regarding transportation. If claimed benefits are not justifiable, or do not conform to industry standards they are adjusted before evaluation. *Description of the project area* is included in the evaluation to determine that the location has suitable infrastructure to support the project. In *Impacts of implementing proposed project* the proposal must contain enough information to determine if the project has an impact on water quality, habitat modification, fish and wildlife resources and cultural, historical and archeological features. The *Port master plan* is the last main criteria in the evaluation.

While the criteria listed above are the main requirements being analyzed to determine project funding, the ability of a project to create future jobs is also taken into consideration. The PPP considers creation of new jobs, or retention of existing jobs in the local community to be a major project benefit, and for evaluation purposes has enacted several guidelines to help predict the number of jobs that could be created by a prospective port project. The number is then used to determine whether or not the prospective project will be advantageous to the surrounding community. When applying for funding, ports must make sure that their proposals meet the minimum requirements for the program. The program follows a project priority rating system, and if proposed projects do not meet the minimum threshold requirements (Table 4) they will no longer be considered for funding.

Table 4: Project Criteria: Minimum Threshold Requirements³

Minimum Requirements	Guidelines
Completeness	If application incomplete, advise applicant of missing data.
Project Need	The need has to be real and verifiable for the application to be considered.
Location	Ports should provide adequacy of highway, rail and waterway access to support increased activity with project.
Return on Investment	All acceptable projects must generate a rate of return equal to the interest rate paid on 20-year U.S. treasury Inflation Protected Securities.
Benefit-Cost Ratio	B-C ratio of the total project must be 1 or > 1.

If an application is incomplete in any way or doesn't meet the program's standards, it is rejected. If the program establishes a *need* for the project in terms of market developments or operational requirements, the port will provide the basic foundation for project benefits.

³ Louisiana Port Construction and Development Priority Program Rules and Regulations, Louisiana Department of Transportation & Development. June 2008.

Furthermore, a minimum rate of return on investment for net port revenues is included to ensure that public port tariffs cover reasonable costs, including a return on investment. Jayawardana (1997) says, “Since public ports generally act as landlord ports leasing basic infrastructure to private operators, the final tariff rates at public terminals are expected to be competitive with private sector tariff rates. A benefit-to-total cost (B-C) ratio of 1 is considered a minimum threshold for the proposed project.”⁴ When calculating this B-C ratio, the costs include the total investment needed to implement the total project and derive the benefits.

In the final stage of project analysis, the PPP requires the department to prepare a list of projects in priority order to be submitted to the state legislature for funding consideration. The scoring criteria for the ranking of projects are shown in Table 5.

Table 5: Project Ranking: Scoring Criteria⁵

Feasible Measure	Feasibility Indicator	Maximum Points	Scoring Method
Technical Feasibility	Capable of being built Geotechnical report is required	60	To qualify must score 40 or more.
Economic Feasibility	Benefit-Cost ratio	150	Project with the highest B-C score 150 other are prorated.
Economic Impacts	Number of jobs created or saved	20	Project with the highest job potential score 20; other prorated.
Management of Port	Return on Investment	20	Port with the highest ROI for the last five years scores 20; other prorated.

⁴ Jayawardana, J. & Webre, D. J., “Louisiana Port Priority Program: An Application of Benefit-Cost Analysis to Project Appraisal,” 1997, pg. 31.

⁵ Louisiana Port Construction and Development Priority Program Rules and Regulations, Louisiana Department of Transportation & Development. June 2008.

Total Points Possible		250	
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For a project to qualify under *technical feasibility* it must score a minimum of 40 points. Some examples of technical feasibility are: completeness of project design, appropriate consideration of alternatives, compatibility of the project with the port's master plan, level of detail of preliminary plans, and a cost estimate sufficiently detailed to allow verification.

Projects with the highest benefit-cost ratios receive the maximum 150 points. The cost used in *economic feasibility* and *economic impacts* is the amount of program funds required for the success of the project. For the purpose of B-C evaluation, investments are divided into two categories: total project and project. The "total project" includes all improvements that are necessary by both the public and private sectors in order to derive the benefits identified in the application for funding. "Project" refers to the part of the total project for which the port is seeking program funds. The "project" includes all necessary components to be built or acquired by the public port within the program's limit of two consecutive years for implementation. This requirement encourages ports to contribute a higher amount of matching funds, and maximum leverage of program funds. The benefits and cost of a project will only be evaluated for a maximum of ten years. If the project life exceeds this maximum evaluation period, the salvage value of the project will be calculated and the project would be abandoned (project life for structures is 20 years; project life for equipment is 10 years). The criteria also require that no adverse *environmental impacts* be created by prospective projects. The more beneficial the project is to the environment, the more of a chance it has to be funded. *Port management* is also an important scoring factor. The ports with the highest ROIs receive more points than less successful entities. All projects are scored on a scale with a maximum of 250 points. The projects that are awarded the highest number of points receive the highest priority.

Monitoring of Awards

If a project receives funding from the PPP, the port authority is required to submit a report for each of the five years immediately following completion of the project. The port must develop and submit a report comparing actual benefits derived from the project with the projected benefits as stated in the application.

Impact of Program

Since its inception in 1989, the Port Construction and Development Priority Program has allocated over \$757 million worth of funds. These funds have allowed 212 port projects to be brought to fruition, with benefits in excess of \$6 billion as well as creating or retaining over 14,000 jobs (Table 6).

Table 6: Summary of PPP Participation through April 2019⁶

Port Authority	Number of Projects Funded	Funds Committed Less Funds Withdrawn	Benefits	Jobs Created or Saved
Mermentau River	1	\$764,363	\$6,522,409	21
Avoyelles Parish	2	\$500,000	\$10,592,778	18

⁶ “A STATUS REPORT ON THE PORT CONSTRUCTION AND DEVELOPMENT PRIORITY PROGRAM: 26TH ANNUAL REPORT, “ prepared by the Port Priority Program LaDOTD, Office of Multimodal Commerce. April 2019.

Caddo Bossier	14	\$37,426,092	\$252,414,705	1,577
Lake Charles	18	\$83,637,958	\$612,178,985	964
West Calcasieu	5	\$7,716,893	\$68,620,213	100
Vinton	1	\$665,250	\$6,417,666	42
Columbia	3	\$1,015,453	\$2,504,587	13
Lake Providence	10	\$13,489,950	\$94,492,215	150
Twin Parish	2	\$462,169	\$8,808,206	105
Iberia	18	\$41,777,827	\$1,256,514,191	2,575
Greater Lafourche	14	\$98,469,428	\$670,904,008	1,899
Madison	3	\$322,350	\$6,991,366	51
Natchitoches	5	\$14,822,801	\$81,832,349	116
New Orleans	16	\$86,402,848	\$569,036,140	735
Greater Ouachita	1	\$3,542,533	\$7,314,809	30
Plaquemines	3	\$2,546,250	\$46,248,647	148
Central Louisiana Regional	7	\$18,271,966	\$106,599,046	176
Red River Parish	2	\$5,065,207	\$56,754,794	38
Point Coupee	1	\$857,250	\$14,684,919	18
St. Bernard	12	\$65,807,057	\$410,475,140	708

South Louisiana	18	\$76,783,065	\$497,927,711	1189
Greater Krotz Springs	2	\$2,460,918	\$19,178,751	161
West St. Mary	9	\$3,159,023	\$57,665,198	268
Morgan City	9	\$14,747,300	\$188,089,177	449
South Tangipahoa	9	\$8,608,193	\$56,541,759	145
Terrebonne	4	\$37,446,249	\$407,958,956	1150
Greater Baton Rouge	21	\$46,369,843	\$345,881,112	1078
Program Total	212	\$681,480,124	\$6,394,587,284	14,353

The most common projects funded by the program are ship berths, warehouses, access roads, rail spurs, and rehabilitation of existing port infrastructure. The funding of these projects is important, but the PPP's investments have a broader impact on local resource development, the leverage of private capital, and entrepreneurship for the development of maritime facilities. A large percent of port projects undertaken are private and public sector partnerships. This provides incentives to local resource based industries, which generate cargo for the public port. For example, the construction of warehouses for new industries on port premises—direct rail and waterway access to port tenants which may lead to transportation cost savings and business expansions.

Conclusion

The creation of the Port Construction and Development Priority Program has resulted in several structural adjustments in the Louisiana maritime industry. First, it provides a dedicated source of funding for construction and maintenance of port infrastructure. Second, it established an objective methodology for project evaluation and ranking for funding purposes. Third, and perhaps most importantly, in many ways the program encourages public and private sector alliances in building maritime transportation infrastructure for accelerated economic development. The most common types of projects funded by the program are cargo and infrastructure improvements. Each year the program increases its economic footprint by helping to aid in the development and rehabilitation of ports in need. Without the creation of the Port Construction and Development Priority Program none of these advances would have occurred.