COASTAL PROTECTION AND RESTORATION AUTHORITY BOARD
STATE OF LOUISIANA
SEPTEMBER 21, 2016

RESOLUTION NO. 2016-09-21

A Resolution Supporting Efforts To Obtain a Waiver or Reduction of Louisiana's Cost-Share Obligation for the Hurricane and Storm Damage Risk Reduction System in the Greater New Orleans and Surrounding Areas

WHEREAS, the Hurricane and Storm Damage Risk Reduction System ("HSDRRS") includes 5 parishes and consists of 350 miles of levees and floodwalls; 73 non-Federal pumping stations; 3 canal closure structures with pumps; and 4 gated outlets. The HSDRRS consists of several previously authorized projects which were further modified pursuant to post-Katrina legislation that authorized and funded 100-year level flood protection in the greater New Orleans and surrounding area; and

WHEREAS, Section 103(k) of WRDA 1986 authorizes the non-Federal sponsor to defer payment of the required non-Federal contribution for up to 30 years from the date of completion of the project and to pay back the contribution with interest; and

WHEREAS, in January 2009, the Coastal Protection and Restoration Authority ("CPRA") entered into Deferred Payment Agreements ("DPAs") with the Department of the Army deferring payment on the State's contribution for 30 years from the date of completion of the Lake Pontchartrain & Vicinity ("LPV") and Westbank & Vicinity ("WBV"). Under the agreements, the United States Army Corps of Engineers ("USACE") draws down from the funds appropriated by Congress for the State's cost-share to match the federal share as funds are needed for construction of the Cost-Shared Work. Interest begins to run on the amount drawn down for the State's cost-share. When the DPAs were executed, the expected completion date of these projects was 2011; and

WHEREAS, due to delays, the new construction completion date is 2019, causing significantly increased accumulation of interest over the period of construction than originally intended; and

WHEREAS, currently, the State's projected total cost-share for the LPV and WBV projects is approximately $1.6 billion, which includes approximately $1.155 billion in original principal and approximately $519 million in accumulated interest over the life of the construction; and

WHEREAS, the original principal and accumulated interest are added together to establish the final principal amount to be paid back over 30 years, and the rate of interest to be applied under Section 106 of WRDA 1986 is added on to the final principal amount and amortized. Therefore, assuming projection completion in 2019, CPRA's annual payment is expected to be close to $100 million through 2048, resulting in a total cost share to the State over the life of the payback of approximately $3 billion. More than 60 percent of this total cost is attributed to the interest payments.

WHEREAS, CPRA's 2012 Master Plan contains coastal protection and restoration projects at an estimated $50 billion price tag over 50 years, and the updated 2017 Master Plan is likely to show an increase in that cost. Given the limited source of funding that can be used for the HSDRRS payback, this $100 million price tag could cripple the State's coastal program; and

WHEREAS, it is critical to the success of Louisiana's coastal program that the State obtain a waiver or reduction of the cost-share requirements for the Cost-Shared Work (principal plus interest) of the HSDRRS; and

WHEREAS, there is precedent in the forgiveness of federal funds expended as a result of the 2005 hurricane season, including forgiveness of the State and local cost-shares for FEMA funds expended in Louisiana as a result of Hurricanes Katrina and Rita. Certain cost-share requirements were also waived for supplemental appropriations related to ongoing construction projects, but not new projects, after Hurricane Sandy; and

WHEREAS, at the time the State entered into the partnership agreements and DPAs for the LPV and WBV projects in 2008, the USACE made assurances that the system would be completed by June 2, 2011. However, the completion date has now been pushed back to at least 2019 as a result of USACE delays, resulting in an additional eight years of interest running on the original principal amounts and delaying the start of the State's payback. The result is a severe interest penalty to the State of Louisiana by factors entirely within the control of the USACE as the sole construction entity on the project; and

WHEREAS, according to analysis performed by CPRA, if we do nothing more than what we have done to date, our expected annual damages from flooding by 2061 would be almost ten times greater than they are today, from a coast wide total of approximately $2.4 billion to a coast wide total of $23.4 billion. The Master Plan's investment in increased levels of protection could prevent $100 billion to $220 billion in direct asset damages to individuals, communities, and industry by Year 50; and

WHEREAS, coastal restoration goes hand in hand with hurricane protection, and if the State's request for waiver or reduction of its cost-share obligation is granted, Louisiana commits to using the funds directed for payback on ecosystem restoration projects that will add resiliency and protection to the HSDRRS, thereby reducing direct asset damages resulting from coastal flooding; and

WHEREAS, the Master Plan actually includes more than 40 projects that support the HSDRRS and other hurricane protection structures in Southeast Louisiana. These projects represent CPRA's commitment and investment of more than $21 billion in projects to protect the federal investment. More importantly, these projects will create or benefit 272,000 acres of lands (including wetlands). This investment in ecosystem restoration should be considered as a contribution toward the federal cost-share for the HSDRRS.

THEREFORE, BE IT RESOLVED, that the Coastal Protection and Restoration Board supports any and all efforts to obtain a waiver or reduction in Louisiana's cost-share obligation for the Hurricane and Storm Damage Risk Reduction System in the Greater New Orleans and Surrounding Areas. The Board further commits to using funds directed for payback on ecosystem restoration projects that will add resiliency and protection to the HSDRRS and the federal investment therein.

This Resolution was declared adopted this 21st day of September, 2016.

I hereby certify that the above is a true and correct copy of a resolution duly adopted by the Coastal Protection and Restoration Authority Board at its meeting of September 21, 2016, Baton Rouge, Louisiana, at which a quorum was present.

JOHNNY B. BRADBERRY, CHAIR
COASTAL PROTECTION AND RESTORATION
AUTHORITY BOARD OF LOUISIANA

This 21st day of September 2016 at Baton Rouge, Louisiana.