



State of Louisiana

JOHN BEL EDWARDS
GOVERNOR

June 1, 2017

House Majority Whip Steve Scalise
2338 Rayburn HOB
Washington, D.C. 20515

Dear House Majority Whip Scalise:

Since the very early days of the Edwards Administration we have been working to elevate and address a significant issue looming over the State's coastal program. It is the intention of this letter to both re-visit and summarize the issue of the payback of Louisiana's debt for its portion of the Greater New Orleans Hurricane Storm Damage Risk Reduction System (HSDRRS) and to once again solicit the entire delegation's active assistance in finding solutions to this concern.

The State of Louisiana's coastal program is poised to enact landscape scale projects capable of improving the trajectory of coastal Louisiana through the implementation of *Deepwater Horizon* funds in accordance with the newly revised 2017 edition of the *Comprehensive Master Plan for a Sustainable Coast* (Coastal Master Plan). These positive developments are placed at serious risk by the impending payment of obligations acquired in the aftermath of Hurricane Katrina. While the federal investment in the HSDRRS around Greater New Orleans paved the way for the region's miraculous comeback, the State will soon be expected to begin repaying \$3 billion on \$1.1 billion in expenses related to its construction. This obligation poses a significant threat to the continued progress being made to restore and protect our coast and I hereby urge and request any assistance you can offer toward its resolution.

As you are aware, the HSDRRS extends across 5 parishes and includes 350 miles of levees and floodwalls; 73 non-Federal pumping stations; 3 canal closure structures with pumps; and 4 gated outlets. More than anything else, this federal investment to rebuild and enhance the levee protection around the New Orleans metropolitan area laid the foundation for the tremendous economic and cultural rebirth that has occurred over the past decade. It sent a strong message to displaced residents and businesses that it was safe to return and rebuild.

HSDRRS construction efforts after Hurricane Katrina included three major components: 1) portions of the system that existed prior to Katrina that needed to be *rebuilt*; 2) aspects of the system authorized in 1965 that remained incomplete at the time of Katrina that required *completion*; and 3) those elements of the system that needed to be *upgraded* in order to meet the 100 year protection standard required for certification under the National Flood Insurance Program. Only the third "upgrade" portion of this work was to be completed at a federal-state cost share of 65:35.

In January, 2009, the Coastal Protection and Restoration Authority (CPRA), on behalf of the State of Louisiana, entered into a Deferred Payment Agreement with the U.S. Department of the Army allowing the Corps of Engineers to draw down funds appropriated by Congress to cover the State's cost-share as

needed to complete construction of the upgrade work. According to this agreement interest began to accumulate on the amount drawn down for construction and the State would have 30 years from the date of completion to repay its portion of the cost-share.

The State's share of construction costs to upgrade portions of the HSDRRS is \$1.155 billion and at the time of the execution of this agreement the expected completion date for the system was 2011. The estimated completion date is now 2019 or 2020 which has added eight to nine years of construction interest and delayed the start of the State's payback. In both cases the State is incurring an interest penalty because of Corps delays.

In addition to the \$1.155 billion in original principle, CPRA estimates that another \$519 million in interest has accumulated over the life of construction. Once construction is complete the \$1.6 billion in original principle and construction interest will be paid back with additional interest over 30 years. CPRA estimates that the State will end up paying \$3 billion in total payback through annual payments of \$100 million until 2048. In this scenario over 62% of the amount owed is the result of accumulated interest.

Like many other states around the nation, Louisiana is several years into a budget crisis that has resulted in aggressive budget cuts followed by additional mid-year cuts. The 2017 Regular Session of the Louisiana Legislature is today working through proposals to eliminate a \$1.3 billion shortfall. As the consequence of this budget crisis, many state leaders have looked to the CPRA's impending Gulf of Mexico Energy Security Act (GOMESA) Phase II payments as the only viable source of revenue able to cover the \$100 million annual bill on the HSDRRS payback.

GOMESA was established in the aftermath of Katrina to be the foundation upon which Louisiana's integrated coastal protection and restoration program was built. It also represents a critical first step in creating a reliable, recurring, and proactive approach to addressing Louisiana's coastal vulnerability as opposed to the long-standing reactionary and exceedingly expensive disaster recovery approach. Of the funding currently identified to implement the Coastal Master Plan, GOMESA Phase II payments represent around 30% of the total money. Once payments associated with the *Deepwater Horizon* oil spill are exhausted, GOMESA funds will make up more than 60% of CPRA's total revenues. GOMESA Phase II payments to Louisiana are split with 80% constitutionally dedicated to the CPRA Trust Fund and 20% divided by formula among the coastal parishes. When the cap is met, CPRA could receive a maximum annual payment of \$140 million (with an additional \$36 million split according to formula among the coastal parishes) depending on the final calculations by the Office of Natural Resources Revenue.

Sacrificing \$100 million of GOMESA payments each year for 30 years for HSDRRS debt service would severely limit the State's efforts to achieve the goals of the Coastal Master Plan. Losing this level of funding would not only directly impact new projects, but it would also jeopardize our ability to effectively mobilize the nearly \$1 billion available to Louisiana through the RESTORE Act. GOMESA funds are planned to cover the upfront payments for the two large-scale saltwater intrusion control projects in southwest and southeastern Louisiana. Without GOMESA funds to begin construction of these projects,

the slow payout schedule established by the RESTORE Act would delay implementation of these critical projects for 15 years.

Diverting GOMESA funds away from new coastal protection and restoration projects will also hamper the State's ability to implement projects that can help further protect the people of the Greater New Orleans area and the federal investment in the HSDRRS system. On September 21, 2016 the CPRA Board passed 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*. This resolution offers a commitment by the CPRA to utilize any funds that would have gone to HSDRRS debt payments toward projects that will add resiliency and protection to the HSDRRS investment itself. This re-investment in the ecosystem surrounding the Greater New Orleans area and the enhancement of other hurricane protection measures would reduce direct asset damages resulting from coastal flooding. Projects in the Coastal Master Plan that could help fortify and lengthen the effective life of the HSDRRS represent a state investment of \$21 billion that would benefit over 272,000 acres of land--an investment which should be counted as a contribution toward the federal cost-share for the HSDRRS.

The CPRA 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." It also, "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." In keeping with that resolution, and as a continuation of conversations and meetings held in Washington, D.C. since 2016, I am again asking for any and all support from the Congressional Delegation to remedy this situation.

As seen in Hurricane Isaac, the HSDRRS is already providing the people and businesses in the Greater New Orleans area with the best flood protection they have ever experienced. A 2015 economic analysis by the RAND Corporation and LSU showed that after 50 years of moderate land loss, the HSDRRS system would still prove effective against a hurricane similar to Katrina. However, after 50 years of more severe land loss conditions, the HSDRRS system could be breached resulting in \$133 billion in additional flood damages to assets and \$51 billion in lost economic activity. CPRA is committed to a program of fully integrated coastal protection and coastal restoration, but without the ability to utilize GOMESA funds for new investments in that resilience we are once again putting lives at risk and opening the door to hundreds of billions of dollars in storm damages.

Some may feel as though the *Deepwater Horizon* settlement has left Louisiana's coastal program in good financial shape but I would remind you that those dollars are intended only to return the environment to its pre-spill conditions. They do not address the underlying threats to our coast that predated the spill nor extend to cover future risk. If the CPRA is to maintain its current forward momentum, the agency cannot afford to redirect \$100 million toward the repayment of the HSDRRS cost-share and it cannot afford to sacrifice \$100 million of GOMESA payments. The State urges and requests any assistance you can give toward the resolution of the HSDRRS debt, the interest payments, or the advancement of a

proposal to consider ecosystem investments that would prolong the life of the federal investment as "payment."

Please don't hesitate to call me should you wish to discuss further.

With high regard,



Johnny B. Bradberry, Chair
Louisiana Coastal Protection and Restoration Authority

cc:

Sen. William Cassidy, M.D.
Sen. John Kennedy
Rep. Ralph Abraham
Rep. Garret Graves
Rep. Clay Higgins
Rep. Mike Johnson
Rep. Cedric Richmond

John Bel Edwards, Governor
Mark Cooper, Chief of Staff
Jay Dardenne, Commissioner of Administration, Division of Administration
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Sen. Page Cortez, Chairman, Senate Transportation, Highways, and Public Works Committee
Michael Ellis, Executive Director, CPRA
Janice Lansing, Chief Financial Officer, CPRA
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Coastal Protection and Restoration Authority Board Members