



November 11, 2019

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Thank you for your interest in Louisiana's coast and for your questions regarding the vital fiscal issues related to our State's coastal protection and restoration efforts. Protecting and restoring our coast has been one of my top priorities since taking office. Though coastal land loss is not new to Louisiana, we now have a deeper understanding of Louisiana's current coastal environment and the changes expected over the next 50 years. The State's Coastal Master Plan sets an ambitious path to respond to the loss of our coastal land and the threats from storm surge events. It also incorporates a Flood Risk and Resilience Program that focuses on proactive investments to make our communities more resilient. It is a 50 year, \$50 billion plan to implement meaningful restoration and protection projects that account for the different stakeholders who use our coast in different ways.

Our coast is rich in ecological abundance that supports world-class commercial and recreational fisheries. It is also a working coast that maintains and supports five of the top 12 ports (by cargo volume) in the United States; thousands of miles of an integrated system of pipelines that crisscross major Louisiana highways, railroads, and navigable waterways; and the infrastructure needed to make Louisiana a major energy supplier of our nation's oil and natural gas. Ensuring that Louisiana has a consistent, annually recurring stream of revenue to tackle our coastal issues is critical to the restoration of our coast, which in turn will spark economic development across our State and the nation. Each of your specific fiscal issues are addressed in detail below.

## **1. Hurricane Storm Damage Risk Reduction System (“HSDRRS”) Payback**

- **Do you feel that the Capital Outlay budget is the appropriate funding stream to fulfill this debt?**
- **How would your administration seek to resolve this debt?**

The first important point I need to make is that the HSDRRS debt is the State of Louisiana’s debt. It does not belong to the coastal program, nor does it belong to the Greater New Orleans region. This means we will not fulfill this debt obligation at the expense of new investments in coastal protection and restoration. It also means that this is not a cost that is fair to pass along to the people living inside the HSDRRS.

It is our fundamental belief that the projects outlined in the Coastal Master Plan represent state-led investments that will fortify and protect the federal HSDRRS investment. By rebuilding the ecosystem in the surrounding basins, we are fortifying and extending the lifespan of the HSDRRS. It would be absolutely counterproductive to rob the coastal program and reduce our ability to make proactive investments in coastal protection and restoration by paying down a debt that belongs to the State of Louisiana. When the HSDRRS system is handed over to the State and after all other reasonable efforts are made to work with USACE and our federal congressional delegation to guarantee that Louisiana is not paying for the cost of delays and system repairs not under our control, I will work with the Louisiana Legislature to ensure that our fair share of the debt is paid back without jeopardizing the coastal program.

Second, we have been extremely active in Washington to try to alleviate this debt obligation in any way possible. Since the beginning of my term, we have coordinated with the Louisiana Congressional delegation to keep them apprised of the terms of the HSDRRS agreement signed under the previous administration, particularly emphasizing the amount of interest that is to be paid over the 30-year payback.

The State’s total cost-share on HSDRRS is approximately \$1.155 billion in construction costs related to upgrading the HSDRRS to meet certification requirements for the National Flood Insurance Program. Congress appropriated funds to USACE to cover the State’s 35% cost-share, and the State agreed to a deferred payback, with interest, over a 30-year period to begin upon completion of the work. Construction on the system started in 2008, and the original completion date was June 2011. Here we are in 2019, and a complete system has still not yet been turned over to the State. This has resulted in a severe interest penalty to the tune of almost \$600 million. When construction is officially complete and the system is handed over to the State, the approximately \$1.6 billion owed (principle plus construction interest) will be paid out with interest over 30 years. Because



of this agreement the total owed by the State is just over \$3 billion. Almost 60% of the total payback amount is interest.

We understand our obligation to pay our 35% cost share of the HSDRRS system. However, it is inequitable to expect the State to bear the burden of increased costs associated with construction delays and additional construction costs needed to address system deficiencies. Over the course of several meetings with the delegation, USACE Headquarters, and the Office of Management and Budget (OMB), we have made good progress addressing these issues. We will continue to work hard to convince OMB that we can negotiate a better deal on these interest payments. It makes absolutely no sense that Louisiana has to pay an additional \$2 billion in interest to the federal government. We will also continue to invest billions of dollars in ecosystem restoration projects in areas that will benefit the HSDRRS and protect the federal investment. It is hard to imagine where our state would be today without the federal government's swift commitment to building back a stronger hurricane protection system for the Greater New Orleans Area. Louisiana is committed to covering our fair share of those costs, but not to overpaying on interest.

## **2. State Mineral Revenues**

- **Do you believe the State should invest more in coastal funding and are you willing to advocate for additional state dollars to the Coastal Trust Fund?**
- **Where would you secure this funding?**

The entire state was affected by the downturn in oil and gas that has contributed to reduced funding for the Coastal Trust Fund over the past several years. The good news is that forecasts for the upcoming fiscal year show us creeping back up into the \$25 million range for the coastal program which will help us get back on solid footing.

I do believe the State should invest more in coastal funding, and thankfully, I was able to allocate a portion of the budget surplus from 2018 to the coastal program. The \$55 million I directed to coastal restoration and protection was used to pay back \$12 million that was swept from the Coastal Trust Fund under the previous administration; and \$30 million was dedicated to securing the land, easements, rights-of-way, relocation, and disposal areas for the West Shore Lake Pontchartrain hurricane protection project, an 18 mile hurricane protection levee that will protect St. John the Baptist, St. James, and St. Charles Parishes from storm surge in Lake Pontchartrain. The \$760 million federal investment for this project would not have been able to move forward without upfront state funds. Another \$13 million in surplus funds was split for projects across five

different restoration priorities. As more surplus funds become available, I am committed to applying as much of them as practical to the coastal program—extremely important projects that reduce the risk we face in times of disaster and improve the sustainability of our ecosystems so that future generations can enjoy all that they have to offer.

Looking ahead, it is becoming more and more clear that the mineral revenues that were dedicated to the coastal program are having a hard time keeping up with today's needs. When the funding stream was established, it was enough to fund the administration of the department and to serve as the match to CWPPRA. But while \$30 million in the 1990s covered 100% of the costs of the coastal program, today that same \$30 million is only about 2% of what we are expending in a given year. Not only has this funding stream not been revised in almost 30 years, it is also prone to volatility as you pointed out. I think it is important that we look into ways we can stabilize the revenues the coastal program receives from the State and to increase them as well.

I believe it is extremely important for Louisiana to take the lead when it comes to the protection and restoration of its coast. We have done this in the organizations we have established on the governance side and we have done this when it comes to the development of the science and technical expertise required to execute a program of this scale, but I think we can do a better job in terms of providing financial support. It is something we need to work on so that we are prepared when some of today's existing revenue streams expire.

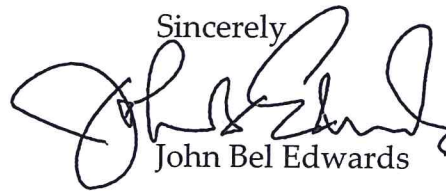
### **3. How will we deal with the challenges of the BP shortfall?**

Finally, we are cognizant that the revenue streams we are employing today to address the coastal crisis are not all going to be here for the long term. After 2032, there will be a significant change in the income that is available to construct coastal restoration projects in particular. However, there are some bright spots. The GOMESA revenue stream has finally entered Phase II, and we have begun receiving sizeable checks that we have dedicated to the coastal program. We have every expectation that each coming year will bring us closer to the cap so that in the next few years we will be seeing regular payments of \$165 million for the CPRA and our coastal parishes.

This year there is also an opportunity in Washington to reform parts of GOMESA in conjunction with updates to other popular OCS revenue programs. The CPRA has spearheaded a cross sector and cross border coalition to strenuously push for greater fairness (and more funds) under GOMESA.

We hope that these efforts are successful, but we are also not putting all of our eggs into this one basket. CPRA is studying other opportunities to increase investments in Coastal Master Plan projects. Some of these ideas will be easier to implement than others, and some will take more time to mature than others. Our goal is to start these investigations in the near term so that these new revenues will have time to gear up before 2032 so that we are able to continue to maintain the excellent momentum we have today for implementing projects.

Sincerely

A handwritten signature in black ink, appearing to read "John Bel Edwards". The signature is fluid and cursive, with a large initial "J" and "E".

John Bel Edwards