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Levee budget decision puts state in pinch

Paying $1.8 billion share of tab will leave little for other projects

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By Mark Schleifstein
Staff writer

The $1.8 billion that Louisiana will have to pay over the next three years as its share of the $14.8 billion in approved levee construction will cripple other coastal projects, the governor's adviser on coastal issues said.

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The expense could further force draconian cuts in the rest of the state's operating budget, said Garret Graves, chairman of the Coastal Protection and Restoration Authority and director of the Governor's Office of Coastal Activities.

His comments came in the wake of Congress' denial last week of a state-sponsored plan to reduce the state's share of the cost and spread the payments over 30 years.

"The bottom line is there is no way possible for the state of Louisiana to come up with the amount of money that Washington is asking of us" without harming recovery and eating into regular government services, Graves said.

The huge payment -- the state's share of the cost to strengthen levees to protect against so-called 100-year storms -- would soak up all the money needed to pay the state's share of 17 major coastal restoration projects authorized by Congress last year. Neither could the state finance the proposed 72-mile Morganza-to-the-Gulf 100-year levee that would protect the Houma area, Graves said.

The state cost-sharing requirement was included in the final version of a supplemental Iraq war financing bill signed by President Bush on Monday, which includes $5.8 billion in federal money to complete the 100-year-storm protection by 2011. About $1.3 billion of the federal money -- matched by state dollars -- would pay for drainage projects inside the levee system.

An earlier Senate version would have required the state to pay only about $1.5 billion and also would have allowed the money to be paid over 30 years. But the provision was stripped out of a House-approved version of the bill with a smaller overall price tag acceptable to Bush, which the Senate approved last week.

Graves still hopes that Congress will approve both changes in the state payment requirements this year.

Mayor Ray Nagin's spokeswoman issued a statement of support on his behalf, recalling the president's Jackson Square pledge after the flood.

"This is all a part of President Bush's pledge to do whatever it takes to rebuild New Orleans better and safer," the statement said.

U.S. Sen. Mary Landrieu, D-La., has received assurances from Sen. Robert Byrd Jr., D-W.Va., chairman of the influential Appropriations Committee, and Senate Majority Leader Harry Reid, D-Nev., that the provisions will be included in another emergency supplemental appropriations bill aimed at addressing flooding in the Midwest. Meanwhile, U.S. Sen. David Vitter, R-La., has already submitted stand-alone legislation calling for the changes.

But time is running out. "If you look at the calendar, and this being an election year and Congress leaving on the 9th of August, and then being on recess with a full-scale election campaign in the fall, there's not a lot of time," said Stephanie Allen, spokeswoman for Landrieu.

Graves expects to see a bill from the corps for between $550 million and $600 million by year's end, with $1.1 billion needed through 2009.

The Legislature set aside $300 million from the state's 2007 budget surplus for the Coastal Protection and Restoration Authority to split up among coastal restoration and levee projects this year. The authority has delayed action on those expenditures, awaiting action by Congress on the state share. Graves said the state might have to revisit its proposed use of the state's share of about $550 million in Coastal Impact Assistance Program money, the majority of which was supposed to be set aside for wetlands restoration projects or for infrastructure along the coast. Under federal law, only 23 percent of that money can be used for levees.

The state also has the option of issuing bonds that would be redeemed with revenue from the state's future share of offshore oil revenue, Graves said. Congress approved a new offshore revenue sharing scheme last year under which the state will receive about $20 million a year until 2017. After that, the state will receive as much as $600 million a year that can be used only for coastal restoration and levee projects. Those bonds, however, might not secure the needed money, or come at a high debt cost, because of the uncertainty of future revenue streams.

Local levee districts also could be called on to raise property tax millages, but the districts face similar restrictions. The two Southeast Louisiana Flood Protection Authorities can adjust millage upward by only 10 percent without a vote by district residents.

"We could increase it somewhere in the order of $5 million to $10 million a year," said Tim Doody, president of the east bank authority.

Another alternative is to sell the nonlevee assets of the Orleans Levee District, which were transferred to the state Division of Administration by the Legislature after Hurricane Katrina. Those assets include the Lakefront Airport and South Shore Harbor.

The state already is negotiating with the corps over how to maximize the value of other property and services it can use in offsetting the construction costs. For instance, the Orleans Parish School Board owns land in the path of a proposed barrier that will be built across the V-shaped area between eastern New Orleans and St. Bernard Parish.

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Mark Schleifstein can be reached at mschleifstein@timespicayune.com or 504.826.3327.