

Office of the Governor
State of Louisiana

JOHN BEL EDWARDS
GOVERNOR



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September 23, 2020

The Honorable Page Cortez
President
Louisiana State Senate
Post Office Box 94183
Baton Rouge, LA 70804

The Honorable Clay J. Schexnayder
Speaker of the House
Louisiana House of Representatives
Post Office Box 94062
Baton Rouge, LA 70804

Dear Mr. President and Mr. Speaker:

As you know, I have significant concerns about the Main Street program that was allocated \$275 million dollars by the Legislature. While I do not receive updates from the Treasurer on this program, by the information publicly available on their website, the Treasurer has only been able to pay out or obligate \$58.4 million to date. Even with the massive and expensive public relations campaign by the Treasurer to advertise this program (and his office), Main Street is simply not working. This was not unexpected, and it was the reason why I was vocal in my objection to the way this program was created and funded.

One of the most important things the Legislature can do in this upcoming session is to fix the Main Street program and to re-allocate the CARES Act funding to where it is needed. While a session is not necessary for this re-allocation, I propose that the Legislature quickly act to spend these federal funds instead of having them sit, unused, in a Treasury account. It is clear now that the Treasurer will not be able to spend anywhere near the \$275 million in appropriated funds for this program. Thus, I propose that the Legislature move at least \$175 million in funds and distribute them accordingly:

\$75 million to local governments most affected by COVID-19

\$75 million for the Unemployment Trust Fund

\$25 million in direct grants for businesses closed to the public during Phase 2 and Phase 3
(per my September 14th letter to you and attached to this letter)

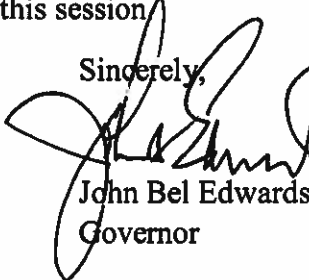
While this re-allocation will not meet all of the needs that we have for local governments and the Unemployment Trust Fund, it will go a long way towards providing for stability in the local governments most affected by COVID-19 and helping to prevent crippling tax increases on businesses because of the likely insolvency of the trust fund.

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In addition to the effort to shore up local governments and the Unemployment Trust Fund, I want you to be aware that I am temporarily suspending the solvency tax levied by *La. R.S. 23:1536(E)(1)* pursuant to my emergency authority under *La. R.S. 29:766(D)(1)*. I am further directing that Secretary Dejoie not impose the solvency tax at this time. While we will have to work together and with our Congressional delegation to address the long-term need to replenish our trust fund balance, I am confident that we can all agree that we need additional time to recover from this emergency before there should be any consideration of the solvency tax.

I am asking that the Main Street re-allocation be given the highest level of priority in this session. While I understand that the motivations behind the Main Street program were well-intended, it was simply not set up in a way to be successful. Repurposing these funds to meet the significant needs I propose in this letter would go much further to assisting all of the people of Louisiana in recovering from the effects of COVID-19.

I look forward to working with both of you in this session

Sincerely,

John Bel Edwards
Governor

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Mr. President and Mr. Speaker:

It was just six months ago, on the opening day of Regular Session, that the first positive case of COVID-19 in the State was reported. Without a road map to navigate our State's response to the pandemic, I have continued to rely heavily on guidance from the White House Coronavirus Taskforce, the president's Open Up America Again plan, the CDC, the OPH, and countless other medical doctors and disease specialists, including Drs. Birx and Fauci. After the Stay at Home order was lifted, the State saw a spike in reported cases following the Memorial Day weekend, with numbers climbing exponentially after the Fourth of July. On July 11, 2020, I implemented additional mitigation measures to address the sharp rise in cases the State was experiencing. While these measures are working, the State's position is very precarious in terms of the spread of COVID-19 and reopening has to be thoughtful and measured to ensure that the State does not backslide in to more restrictive mitigation measures.

Although the State moved into Phase 3 on September 11, 2020, there are still certain sectors of our economy that are required to remain closed until certain conditions are met, including bars in parishes with greater than five percent positivity. These closures are based on the recommendations I received both personally from Dr. Birx, and also generally from the State Report issued by the White House Coronavirus Taskforce. As you know, the CARES Act funding can be used to provide economic support for those suffering from business interruptions due to COVID-19 related business closures. U.S. Treasury guidance issued September 2, 2020 provides that such programs should be narrowly tailored to assist small businesses that have been required to be closed during the pandemic with the costs of business interruption. Until Congress acts and provides more financial support to our businesses that are affected by required closures, the State's small businesses required to be closed to the public are at great risk of permanent closure.

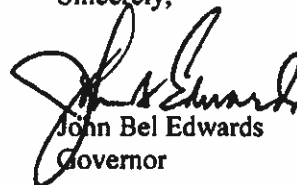
In an attempt to provide financial relief to businesses that had COVID-19 related expenses, the legislature created the Louisiana Main Street Recovery Fund and Program during the 2020 Regular Session. Although well intentioned, the program has not been as widely utilized by businesses as expected and there is still nearly \$250 million dollars available in the Fund that have to be obligated by the end of the calendar year. I am asking you, now, to reallocate a portion of the remaining CARES Act monies in the Louisiana Main Street Fund as expeditiously as possible via the BA-7 process to provide monies for a grant program for small businesses that were required, and continue to be required, to be closed to members of the public during Phase 2 and Phase 3 of recovery, including our small "mom-and-pop" bars that have been required

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to be closed to the public for most of the last six months. Any such grant program should follow the U.S. Treasury Guidance and be narrowly tailored to maximize assistance to small businesses with business interruption costs associated businesses that were actually required to be closed, and were actually closed, as non-essential businesses as proscribed in the Phase 2 and Phase 3 proclamations. Whether the grant program is structured as a one-time, capped grant program for businesses able to demonstrate their closure was related to non-essential business restrictions in Phase 2 and Phase 3, or whether, as some businesses will be able to open to the public in varying stages in Phase 3, there is a rolling monthly grant distribution based on both the business being able to demonstrate their closure was related to non-essential business restrictions in Phase 2 and Phase 3, and the business demonstrating the associated costs compared to the same costs from the corresponding month in the last calendar year, there are opportunities for the State to use existing CARES Act funding to provide grants to these qualifying businesses.

As always, I appreciate your continued efforts in managing the COVID-19 pandemic and I look forward to discussion on this request moving forward.

Sincerely,



John Bel Edwards
Governor