

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

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TELEPHONIC BRIEFING BY JOSH BOLTEN
ON THE SUPPLEMENTAL REQUEST FOR FEDERAL RESPONSE EFFORTS
RELATED TO HURRICANE KATRINA

5:30 P.M. EDT

DIRECTOR BOLTEN: (In progress) -- request, but to ensure that there are -- (inaudible) -- no disruptions and no uncertainty about funding, which even if the funding was actually there, sometimes the uncertainty can slow down relief efforts. To ensure that there was no uncertainty about funding availability, the President made the judgment today to proceed to ask the Congress to act now, before they formally return from -- they were planning to return from the August break -- ask them to act now to provide this stop-gap measure.

The \$10.5 billion is, indeed, a stop-gap measure. We do not have a good sense of the numbers at this point, of how much the recovery from this disaster is likely, ultimately, to cost. But we believe that that \$10.5 billion will be sufficient to carry FEMA and the agencies that are working under the direction of FEMA now, and the Defense Department, to carry them through at least the next few weeks, and that is a period during which we believe that we will be able to get enough additional information to make a realistic assessment about what the total cost of responding to this disaster to the federal government is likely to be.

So this \$10.5 billion request that the President is making today is an initial measure to ensure that there is no disruption in funding for the relief efforts. We do anticipate going forward to the Congress again within the next few weeks to make an additional request that will be better informed about the likely scope and cost of the disaster, all of which is just beginning to unfold now.

Scott, let me leave it at that very, very general introduction, and be happy to take specific questions.

Q Just to be clear, has the uncertainty to date hindered any efforts? Have they had to spend less money off the bat because there is so little money left in the account? Or is this more the concern of the next few weeks that is being responded to here?

DIRECTOR BOLTEN: This is a concern going forward. I'm not aware of any of our efforts being -- having been impeded so far by a concern about funding, but we wanted to be sure that that situation did not arise, which is why the President is making the request he has made today, and I believe why the leadership has responded so positively to it.

Q Mr. Bolten, can you give us any further breakdown on that \$10 billion that will be going to FEMA? And what about the Corps of Engineers? Are they going to need any money themselves?

DIRECTOR BOLTEN: First of all, the request goes into the general emergency account of FEMA. And it usefully goes there because that gives them a lot of flexibility about applying it to the

most urgent needs. I do anticipate that the Corps will be among those who will be drawing on it, but there are a lot of -- a lot of different agencies are going to draw on the money to purchase housing, to get electricity back up and running, all sorts of response activities, generators. We're going to be needing to make payments to individuals. So there are a whole lot of activities going on.

The request to the Congress is necessarily undifferentiated. And it gives the FEMA Director and the Secretary an opportunity to apply it to the most urgent needs.

Q Would this include capital repairs such as levee repair?

DIRECTOR BOLTEN: I don't know whether they're going to be looking immediately at levee repair at this moment. I think they're still now just trying to get the flooding under control.

But the Corps is doing work there. The Corps has its own operations and maintenance account, which they are -- I assume they are spending down, which we understand are okay for now. But they will need replenishment, they will need help.

And so whether it comes out of this \$10 billion immediately or whether it comes out of the next tranche to come, I couldn't tell you, but there -- but I'm sure there will be substantial additional money available to the Corps of Engineers through this supplemental or the future supplemental that we anticipate.

I'm sorry I can't be more specific than that, but I think the folks on the ground just don't know.

Q Yes, I think a lot of people are wondering about the fiscal situation, that this is going to leave the federal budget deficit in after, you know, what are sure to be more supplementals after this. Is there any thought being given to not going ahead with some of the tax cuts that are scheduled to be voted on in the coming session? I believe the estate tax is up, supposed to come up fairly soon. Or is the administration's position that it's full speed ahead on tax cuts?

DIRECTOR BOLTON: Well, first of all, there -- tax cuts that are in place are the current law. I don't believe there's any substantial amount of that current law that's expiring in the near term. So any activity that the Congress did and that the administration proposed or the Congress did with respect to the tax law would be something that would be taking effect several years hence.

I think there are small parts of the original tax proposals that expire in the next couple of years, but I don't think there's anything -- any large part that expires until 2008 and 2009 and some of it in 2010. And I think the estate tax, actually, kicks back in in 2011. So the taxes are a longer-term issue.

I think from the standpoint of our budget situation, about which I worry every day, or is my preoccupation every day, this is a short-term situation. This is an urgent need to respond to a disaster that I believe is one of the essential responsibilities of government. And I think there's broad bipartisan support for that.

And it will undoubtedly have some effect on our deficit position in the short run, but I don't think it -- this disaster, either in the money that the government will have to spend out to respond to the disaster, or in the reduced receipts that might come as a result of, for example, fewer people being employed, that kind of thing, I think the latter effects are likely to be particularly modest overall in the economy. And so while we want to -- we need to keep a close eye on all of our spending in government, this spending is essential. And I don't think it will fundamentally undermine our ability to hit the deficit targets that the President has set for the country.

Does that answer what you were looking for?

Q Well, it does, Josh, although I think people are just looking at the increasing costs in Iraq and what it's taking to stabilize the security situation there, and this, and they're shaking their heads, and just find it hard to fathom that this is not going to throw the deficit out of whack.

DIRECTOR BOLTEN: Right now we see ourselves on a continuing declining path in the deficit out over the next several years toward the 2009 goal that the President talked about. This kind of spending adds a challenge to us in meeting those goals, but I don't think it's a long-term challenge. I think the kind of spending we're talking about here is something that will be a concern in the next year or two, and not long run for the economy -- certainly not if we handle the recovery properly, just as, I think, was done with 9/11, which was an enormous blow to the economy, but I think the government and especially the country handled that recovery beautifully, and brought the economy back to strength. And the most important part about making sure our budget is healthy is making sure that our economy is healthy.

Q Can you tell me, please, or specify at all what the \$500 million for the Department of Defense represents?

DIRECTOR BOLTEN: I can a little bit. There's a document I have here that talks about costs of evacuation, emergency repairs, deployment of personnel, other costs resulting from immediate relief efforts. And I know that they -- that DOD has undertaken a wide variety of support efforts to FEMA that have included sending in some helicopters, they've got some ships on their way to be offshore there, they've got National Guard deployments. It runs the whole gamut. I think if you need more specifics on that, I think, Scott, you can follow up and get a lot more detail from DOD about exactly all the individual items that they're doing. But they're doing quite a bit.

Q I want to follow up on what Mark was just asking, and ask you to clarify one thing, and then I have another question. Explain why DOD has a separate category of request if you're talking about the big pool of money that FEMA draws from, why isn't DOD's requests in that big pool?

DIRECTOR BOLTEN: The money that we give to FEMA is under the Stafford Act, which is a very broad authority to respond in an emergency. But I think a number of the things that DOD does are -- like deployment of the National Guard -- don't necessarily fall within the ambit of the Stafford Act. So we use their own authorities for that.

Q And is it fair to say that the executive departments did "back of the envelope estimates" to get the math together to \$10 billion?

DIRECTOR BOLTEN: Candidly, no. That was -- the \$10 billion was a rough calculation by our people, based on what FEMA is spending day by day now, of what would be needed to take us out a few weeks, and the few week calculation is, how much time we think we will need before we can make any kind of informed assessment about what the true long-term need might be.

For example -- there's something that our folks on the ground have told us is that it's almost impossible to gauge what would be necessary to achieve recovery in New Orleans until it's basically drained out. And so we need -- the money we are asking for today is to support all of the relief efforts for the next few weeks, during which time we can make that assessment and come back with a more informed request to Congress. Right now we're making, as you can tell, a relatively undifferentiated request to Congress.

Q And the last thing I wanted to ask was, when you're referring to what FEMA is obligating by day, and looking at what they had left before September 3rd, would it be right that they were within a day of depleting their FY budget?

DIRECTOR BOLTON: I don't think so. Hang on a second. I'm going to ask one of my associate directors who's here about that. Oh, he's drawing a distinction between allocating and obligating, that they were actually allocating a lot of the money. In other words, they were setting it aside saying, okay, we're going to need this much for trailers, this much for food and water, so they were allocating it that way. But we don't think that they were up to that line in terms of actual obligations -- the obligation occurring when you sign a contract with a supplier.

The next step being actually spending the money, but we -- in the budget world, we usually count the money as soon as it's obligated.

Q Hi Mr. Bolton. I have a question regarding the defense industry vision. There's a number of defense contractors down there along the Gulf Coast who sustained some significant damage. Could any of these funds eventually be given to them? Some of these contractors make equipment that's in high demand in Iraq right now.

DIRECTOR BOLTON: That's -- George, I can't -- I can tell you that that doesn't sound right to me, that the FEMA money is not typically used to -- for business recovery other than small businesses to help them get back on their feet. Normally, you would find a large business being insured and having its own resources for recovery. So I would be surprised if emergency FEMA relief money was used to put a defense contractor back on its feet. That's not the kind of thing that I've heard of it being used for before. We can check into it a little further and see if there's any precedent, but that -- it sounds off target to me.

Q I just didn't know, especially because some of the stuff was being built for Iraq, some of the armored vehicles and things like that.

DIRECTOR BOLTON: Well, and it may be that the Defense Department would then want to step in as they would with any of their valuable contractors that had suffered a blow. They may want to step and advance money or do something on a normal business contractual relationship. But that's not the kind of thing that typically this emergency relief money is for. The emergency relief money is to help ordinary citizens and the infrastructure recover from a disaster.

Q Okay, good. And last thing I just want to clarify, is the top line \$10 billion or \$10.5 billion? There's been a couple numbers floating around.

DIRECTOR BOLTON: Ten-point-five billion dollars. And the confusion may arise because we've designated \$10 billion for the FEMA account and \$500 million for the DOD O&M account, the operations and maintenance account. So the total is \$10.5 billion that the President will be requesting sometime later today.

Q Okay. Thanks, Mr. Bolton.

Q Two quick questions. One, some former federal officials have made estimates that when all is said and done, this could end up costing the federal government about \$30 billion. And I wonder if you would want to comment on that.

And secondly, some members of Congress, notably Senator Coburn, have said that this emergency money ought to be offset with cuts in other appropriations bills. And I'm wondering what you think of that idea.

DIRECTOR BOLTEN: With respect to the first question, no, I don't want to speculate on what the total cost will be. I do feel fairly confident that the \$10.5 billion we are asking for today is only going to be a stopgap measure and that there will be substantial additional costs beyond this. But exactly how much they will be, I don't want to speculate about.

As to offsetting, I am very much in sympathy with the perspective that Senator Coburn brings to this, but particularly with a disaster of this magnitude, it's just not realistic to expect that we can offset in other portions of the budget such large amounts and expect not to cause very deep disruptions in other portions of the budget.

So while I applaud the sentiment, I think it's not likely to be practically realistic to plan to try to offset in other places of the budget the large emergency relief that's needed in this case.

Q You mentioned, Mr. Bolten, that the President spoke this afternoon with congressional leaders. I have two related questions. One, who were those leaders? And was there -- and secondly, was there any discussion of Speaker Hastert's point that he mentioned, apparently in an interview yesterday, that he's not certain that it makes sense to spend money for reconstruction?

MR. BOLTEN: On the latter point, no, that did not come up. On the former point, the President had on the line with him the bipartisan leadership, which is -- which constitutes the Speaker and Majority Leader in the House and the Minority Leader in the House, and on the Senate side, the Majority and Minority Leaders. All were on the telephone. And by the way, each one of them, in turn, expressed a strong sentiment that this should be handled on a cooperative bipartisan basis.

Q So you didn't have any of the appropriators?

DIRECTOR BOLTEN: No, we've been in touch with the appropriators. I've spoken myself with both Chairman Lewis and Chairman Cochran. And so they've been apprised of everything that's been going on.

But this -- but I think it's common practice in this sort of situation for the President to consult with the elected -- with the key elected leadership.

Q Thank you.

DIRECTOR BOLTEN: Thank you all very much.

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5:51 P.M. EDT