

Press Briefing by OMB Director Josh Bolten

Via Conference Call

4:14 P.M. EDT

DIRECTOR BOLTEN: Thank you, and my apologies, as well, for the delay. So I will keep opening remarks very brief and go straight to your questions.

The President is transmitting today an emergency supplemental package request to the Congress totaling \$51.8 billion. Of that, \$50 billion is for the FEMA disaster relief fund; \$1.4 billion is for the Department of Defense; and \$400 million is for the Army Corps of Engineers.

The request follows on the Congress' very prompt enactment of the President's request last week for \$10.5 billion. This is in addition to that. Like last week's request, this one is in the nature of an immediate infusion of money to ensure that FEMA and all the other agencies that are working on the relief and recovery in the Gulf area, that all of those agencies do have sufficient funding to perform their necessary tasks. This is consistent with the President's commitment to ensure that everything that the federal government can do at this point to ensure as effective and rapid response and recovery as possible will be done.

This will not be the last request for the response to the disaster there. We anticipate that there will be a need for additional supplemental spending, especially in the process of recovery there in the Gulf area. But we believe that this request will provide the ample funds to carry out the current activities and ensure that at least for the next few weeks, all of the relevant agencies have sufficient funds to perform their functions.

With that, I will open it to questions.

Q Mr. Bolten, how are you, sir?

DIRECTOR BOLTEN: Very well.

Q You all had the President sign some bills of late -- highway bill, energy bill -- that has excessive spending in it. People are -- some people have expressed concern that these appropriations may have spending in it that isn't targeted the right way and might be excessive. What do you plan to do to ensure that that doesn't happen?

DIRECTOR BOLTEN: Well, I've given assurance to several members, including the leadership in both Houses and the chairs of the Appropriations Committees, that these requests are directed exclusively toward the response and recovery from Katrina. The bulk of the money is in FEMA's disaster relief fund, which is, fortunately, a very flexible account that can be directed toward wherever the immediate need is. But we have put in place mechanisms to ensure that the money is not used for some other purpose. That's true also of the money for the Defense Department and the Army Corps of Engineers.

So I don't think members of Congress will have any serious concern about this money being used somehow for some purpose other than Katrina. My expectation is that we will, in fact, need substantially more than the \$51.8 billion that the President is requesting today, but this at least puts everybody on very solid footing to perform their tasks in the several weeks ahead.

Mark, does that answer what you were looking for?

Q Well, I guess the question is, if, in future, appropriations, or even in this one, if they put in things that don't go towards -- directly towards disaster relief for the affected areas only, will you suggest they be

vetoed, or do you see this as an opportunity, as some members seem to, to spend money in other parts of the country that are affected, like agriculture in the Midwest?

DIRECTOR BOLTEN: Well, certainly for this supplemental, we've targeted exclusively for Katrina, and we will be working with the leadership to ensure that members don't take advantage of this opportunity to try to plus-up funding elsewhere. The focus is on the hurricane response and recovery, and that's where I expect it will remain.

Q Hi, Director Bolten. I want to ask you, I guess repeat what I had asked last week when you sent up the \$10 billion supplemental -- now that these numbers are getting much bigger --

DIRECTOR BOLTEN: Yes, are you one of the quickest with the *1 here?

Q I'm quick with the *1, yes --

DIRECTOR BOLTEN: I need you next time I call in on one of those radio winning -- (laughter.)

Q Okay, now you've got me worried. But do you really think this will not have an effect -- much of an effect on the deficit picture? And there's been some talk among some Republicans about trying to get some of the pork that was in -- or special projects that was in -- that were in the highway bill last time restored, and having some of that money directed towards disaster recovery. It's just -- what about those things?

DIRECTOR BOLTEN: On the first part, my answer does remain the same as it was last week, which is that I do not anticipate that the additional burden on the federal budget occasioned by this disaster in the medium to long run will undermine our efforts at deficit reduction. We will obviously have larger deficits. My guess is reflected mostly in the coming fiscal year. There's relatively little of this that will actually be reflected in fiscal '05, but I think you can anticipate that we will have a larger deficit in 2006 than we would otherwise have anticipated. And I think we just have to recognize that.

But with respect to the trajectory that I think the federal budget picture is on, that is steadily declining out over the next five years plus, toward the President's goal of cutting the deficit in half from its 2004 estimated peak, I think -- I feel confident that we will remain on that path as long as we have continued good economic growth in this country, and as long as we continue to pursue spending discipline, particularly -- which I think does become increasingly important when we have emergencies like this that come up that simply require to dig into the federal treasury for emergency spending.

On the second point of members' attempts to go back in and retrieve funding from previous bills, I don't really know exactly how that might be accomplished, reopening previously passed legislation. Right now our focus is on getting this supplemental adopted and making sure that the responders who are out there today have the resources they need to do their job.

Q Hi, I'm with The Baltimore Sun. I wonder if you could update us on the daily spending -- they said it was a half a billion daily out of FEMA, in a call last week, and wondered if you could say what the updated number is, and whether you can also add DOD and the Army Corps to that? And then, also, I wonder if you could give any sort of ballpark estimate of what the long-term spending number is going to be, since you said that this is just for, again, immediate needs and relief and recovery, and nothing for rebuilding.

DIRECTOR BOLTEN: Let me take the last part first, and that is, no, I won't be speculating about how much additional might be needed. We think we're asking for ample money now to cover the next few weeks of the immediate response and recovery effort, which will, I think, absorb a great deal of the spending. But I don't want to speculate about what might be needed beyond that.

As to the spending rate, when we spoke last week, in the first several days of this disaster, FEMA was spending at a rate slightly above half a billion dollars a day. Over the weekend, the FEMA spending ramped up dramatically. In some respects, that was one-time allocations of money -- for example, to go out and direct their contractors to contract for a great deal of temporary housing, which isn't a recurring

expense once they've entered into the contract. But the rate of spending per day over the weekend went up over \$2 billion a day. We don't expect that rate to be sustained, but we do expect to see some substantial funding going forward, and the \$51.8 billion that the President is asking today we believe will take us several weeks along in the response and recovery effort.

Q Is Senator Reid's estimate of topping \$150 billion ultimately out of the realm of possibility, as far as you're concerned?

DIRECTOR BOLTEN: I don't want to -- since I don't want to speculate, myself, I don't want to comment on other people's speculations.

Q Josh, quick question on the debit cards program going into place later, the \$2,000 debit cards. How much money is there, total, in that, and where is that money coming from?

DIRECTOR BOLTEN: I'm looking at my sheets here, Ken. Well, I can certainly answer the last part, which is that that money does come through FEMA. It is part of the supplemental funding that we've asked for in last week's bill and in the proposal that the President sent forward this week. So it is included in the emergency supplemental request that we have sent forward and it is part of what FEMA can use the disaster relief fund for, and, in fact, has been using it for.

As of this morning, I think that FEMA had allocated just over \$100 million for the purposes of these cards so far, but I don't think that's -- that's certainly not going to be the end of it, because -- I'll let you do the math, but \$100 million divided by \$2,000 is --

Q Do not let us do the math. (Laughter.)

DIRECTOR BOLTEN: Okay, then don't do the math. (Laughter.) But, basically, if you just -- these cards, by the way, go to, I think, households. I do not, off the top of my head, know how many households are actually contemplated as possibly being eligible for this. But it could -- I mean, it could well run up toward a million households before it's all done.

Q Can you recall the government ever doing anything like this in these debit card immediate appropriations?

DIRECTOR BOLTEN: I'm not expert on that, but I understand that FEMA has done similar things before. I don't know whether they've actually, technically, done it with debit cards, so that may be some newer technology that's applied. But I know they have -- has been common in past disasters for FEMA to step in and provide immediate cash assistance to those who basically lost everything and don't -- and maybe even have money in a bank account, but they can't even access their bank accounts.

What I might do, though, is ask Scott, if anybody wants to follow up with him, to get information from FEMA, and Scott is saying he, in fact, may have some information from FEMA that would provide more detail on these cards and their history.

Q Okay, thanks Josh.

Q Okay, thank you. Director Bolten, just to follow up on what might be in the longer-term package. Growers and shippers are saying that they need some relief because they were affected by the storm. Is that the type of the thing -- I know you talked about wanting the aid to go to survivors, but would that be the type of thing that you think would be legitimate in a follow-up package?

DIRECTOR BOLTEN: I'm not sure. I'd want to know specifically what people were talking about. There has been some damage to agriculture in the region. And it would be consistent with past practice, as, for example, occurred in the four hurricanes that hit Florida last season, to provide some emergency supplemental relief for folks involved in the agriculture community. But before I said something was in or out, I'd want to know what they were talking about.

Q Well, what if they're talking about states that ship to that region, or that are involved in the network from that region?

DIRECTOR BOLTEN: I'd want to take a look at it. That sounds like it's out of -- it might be out of the realm of what's ordinarily contemplated in emergency supplemental disaster relief.

Q The other thing that's being talked about is adding some drought relief for the Midwest. And is that far afield of what you're envisioning, too?

DIRECTOR BOLTEN: Well, right now we're focused on getting relief for the people in the area who have been affected by Katrina. So that's our focus for the time being and where I expect it will stay for some time.

Q And how long do you think it's going to be before you'll have a broader package?

DIRECTOR BOLTEN: I would think that as we expect this money to last at least several weeks, what we want to be sure we have time to do over the next several weeks is make sure that we can make a more informed assessment of exactly what the needs are, how bad the damage is, what the recovery needs are, and get farther along in the planning of how evacuees can be supported. So I would expect it will be several weeks before we come back with a more detailed proposal for the Congress.

But in the meantime, I should emphasize that we'll be working with Congress, I expect, on a daily basis out over the next month on what the needs are and actions that may need to be taken promptly to smooth the relief process. So I think it will be an ongoing iterative process, even if the administration doesn't come forward for a few weeks with additional large funding requests.

Q Director Bolten, so if I heard you right, correctly, answering Julie's question, it sounds like going forward, the burn rate is going to be more than a billion dollars a day if this \$50 billion is going to last until -- for a few weeks. Is that --

DIRECTOR BOLTEN: You know, I don't think I can say with any specificity. I do not -- let me put it this way, I do not expect the burn rate to be as high as it was over the weekend when there were a number of very large one-time expenses. But it could easily be above the half-billion dollars a day that we were experiencing in the first few days of the disaster. But my expectation is that that -- the number will bounce around on a daily basis as FEMA makes decisions about major projects to undertake.

So I wouldn't necessarily look at the daily burn rate; I would look more at what the likely need is out of over a period of several weeks. And we've calibrated out over the course of the next several weeks that \$50 billion -- \$51.8 billion will be ample to get us there.

Q And can you break down that -- I know there's a lot of flexibility, but can you break down, at least in this -- some chunks, as to what your expectations are at least as to how the FEMA funds will be allocated?

DIRECTOR BOLTEN: I can in very broad categories, and we've had more detailed conversations with key staff on the Hill, and I've also had a chance, by the way, to speak directly with the leaders on both sides and the Chair of the Appropriations Committees. But our expectation is that about half of the \$50 billion in FEMA money will go -- well, first, let me say, for the DOD and the Corps money, those I can say will go to what the Defense Department is doing in many respects in taking care of its own facilities, because a lot of what DOD is doing to help in the recovery and in securing New Orleans is being reimbursed through FEMA -- through FEMA money. And then the \$400 million for the Corps is for their activities that you can see on your television screen today.

Of the \$50 billion that FEMA is operating under, about half is designed -- will be directed, we anticipate, for what we would call, on the human resources side, that is payments directly to some of the victims, assistance with housing, unemployment insurance, beginning the damage assessment of their houses, providing temporary housing, that sort of thing.

A large chunk of the remaining half will be assignments that FEMA makes to other agencies, like the Corps of Engineers for debris removal from the affected areas -- that's a very substantial portion and it is part of FEMA's -- within FEMA's mission to get the debris out of there. And so they basically subcontract with the Corps to run that. That's a substantial chunk of money -- money to DOD, money to other agencies like HHS, to provide medical support. So of the remaining half, about half of that is in assignments to other agencies. And then some of the balance includes some of the operations and logistics on the ground, some of the public infrastructure that we're going to be working to try to restore immediately and so on.

I should say one of the strengths of this funding stream is that it is flexible. We are confident that this \$50 billion for FEMA will be needed, will be spent. We can't say with any precision exactly how long it will be, but we think it will be a few weeks. But one of the strengths of this funding mechanism is that there is a great deal of flexibility so that as needs arise, FEMA can direct them appropriately and rapidly.

Thanks, all, very much. I appreciate your patience, and talk to you soon.

END 4:38 P.M. EDT