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Press Gaggle by Gordon Johndroe and Paul Conway, Chief of Staff to Gulf Coast Coordinator

Aboard Air Force One
En Route Orlando, Florida

8:50 A.M. CDT

MR. JOHNDROE: Good morning. We're on our way to Orlando, Florida, and then to New Orleans, Louisiana and Gulfport, Mississippi. You have the excerpts of the President's remarks for the VFW, and I know you have the remarks for his speech in New Orleans. I've got one statement to make, and then I'm going to introduce Paul Conway, who is the Chief of Staff to General O'Dell, the Gulf Coast Coordinator. He's going to run you through a little bit of the day in New Orleans and in Gulfport, and then talk about the Gulf Coast recovery effort.

The United States condemns the recent terrorist attacks in Algeria, the most recent ones today and yesterday. We will continue to stand with the people of Algeria. The President offers his sincere condolences to the families who lost loved ones, and to the people of Algeria. These criminals and thugs must be stopped, and the United States will continue working with Algeria in close cooperation on counterterrorism measures.

Okay, I will be back for your questions once Mr. Conway is done. Okay?

MR. CONWAY: Good morning, folks. How are you? Nice to meet you. A couple things right off the top by way of background. The Office of the Federal Coordinator that's headed up by General Douglas O'Dell was started by executive order by President Bush in November of 2005. Recently here, in April, President Bush extended that office so that the office will go beyond November of 2008 and will actually go into February of 2009. The reason why he did that is to provide continuity during a period of transition for the next President.

We see the Gulf Coast redevelopment issue as one that will go on clearly into the next presidency; that will allow the next President time to decide how they want to operate the office.

In our office we have two political appointees, General Douglas O'Dell, the Federal Coordinator, and myself, the Chief of Staff. The rest of our staff is comprised of career staff from the federal government that's detailed in, some contractors and detailees from FEMA that come into our office.

I'll hit you with two major points here to start with on strategic issues: first, on overall spending in the Gulf Coast region. On overall spending for the Gulf Coast, since 2005, that spending has been \$126 billion of U.S. taxpayer funds.

Q That's \$126 million?

MR. CONWAY: -- \$126 billion. If you add in tax credits, overall it's \$140 billion. But let me concentrate on the \$126 billion that's been authorized by the Congress and approved by the President.

Of that \$126 billion that's been authorized, \$102 billion of that has been obligated; and of that, \$80 billion has been actually expended. So when you look at the number of \$126 billion, at this point roughly 81 percent of that has been obligated, meaning it's actually designated to go to a certain project. This is important because the delta between authorization and obligation usually involves an actual plan being presented by a state or the federal government, like the Corps of Engineers, and that's what triggers the money flow.

The actual expenditure is then an approved contract where the money actually gets spent. And I outline that for you because there are oftentimes questions about how much has actually been authorized, what's been spent, where is the money? So you have an idea of that.

One of the things that people often ask is, with all this money being spent, who's looking out for the money? And I want to make a very serious point here, that Congress has oversight responsibility for the spending in the Gulf Coast region, and they exercise that quite well. The Government Accounting Office has done a very good job, doing a series of reports, looking at different things like nonprofit organizations, public assistance. We use a tremendous amount of their work for our daily activity.

But there's another side of this story on the federal side that should be told, and this is the extensive work of the U.S. Attorneys, David Dugas of Baton Rouge, who is head of the Katrina Fraud Task Force, and Jim Letten, who is the U.S. attorney down in New Orleans. Those two U.S. attorneys have been driving very hard on the prevention side of fraud and public corruption. They have been joined at the federal level by the Offices of Inspector General, at the federal Cabinet level.

The Offices of Inspector General work together really under the leadership of the OIG at HUD, Ken Donahue -- he's also been supported by other OIGs, including the OIG at the U.S. Department of Labor, which has a lot of funds that flow into that area. The OIGs work very closely with the Inspector General for the state of Louisiana, who is backed very strongly by the Governor. His name is Mr. Street, John Street. They also have a very aggressive legislative office in Louisiana that we work with very closely, that keeps an eye on how state funds are spent.

Supporting this continuum is the Inspector General for the city of New Orleans -- new officeholder; it was a position that was created a number of years ago and never funded. This gentleman's name is Robert Cerasoli. Mr. Cerasoli has been extremely aggressive in looking at city funding, where the money is being spent at the federal, state dollars come into the city and how the city is administering funds.

When the American taxpayer says, where is my money going, why am I being asked to spend more, what they need to know is there is a continuum of professional career civil servants that are working diligently to keep an eye on the money and to prevent fraud, and to prosecute those who are basically victimizing people a second time. David Dugas, under his leadership alone, over 890 convictions since the Katrina Fraud Task Force was stood up.

The other point I want to make here is on transparency. When folks ask, where is the money, there's a very significant portion of this money, over \$13 billion, that FEMA spends on public assistance. Public assistance money is usually the money that becomes the most visible for people down in the Gulf Coast region. That means the schools, the hospitals, all these types of things. What FEMA has done is they've been very creative, starting with the school funding, and basically created a website that you can access on the FEMA website, that actually goes in and maps where the dollars are in public assistance that are going into the schools.

The reason why this was created is because of great interest among press, tremendous interest among community activists and teachers on when schools would be reopened, but really, where are the dollars that are coming into the schools at the local level. So FEMA went ahead and did this website; they've worked on it with our office. We've vetted it with GAO, a number of stakeholders. Next week they'll be rolling out additions to this website that include police stations and fire stations, a huge development for the community who wants to know, A, is it safe to move back; is there going to be a police station there soon; what's the status of it? Our office has been driving that with FEMA. We see this as a significant development for showing people where the dollars are.

At this point, three years into rebuilding, I'd characterize the rebuilding effort with three words: one of intense civic engagement, ongoing volunteerism, and a true spirit of reform in every single policy sector.

Let me highlight some of those issues. On the volunteerism side, as of last year 1.1 million people had gone into the Gulf Coast region to volunteer their time. It has gotten to be so complex to try to track volunteerism that it's become difficult for us to get hard count numbers. But we know that the level of effort has been sustained there. We see it every day. We talk to many, many people down there. Church groups around the country are doing this.

One of the most interesting developments is schools, colleges and universities that have sent down a class in 2005 and 2006. It's almost now in a lot of universities become a university tradition to go down to New Orleans, go down to the Mississippi Gulf Coast, and volunteer. I had somebody in my office the other day; we were interviewing for our team. He goes to The Citadel; he had graduated. He wanted to come to our office and work because two classes before him, his class had gone down to Alabama to help people out. We hear this all the time down in Louisiana, and all the time down in Mississippi; the schools are returning with full classes.

On the civic engagement side, the President, in 2005, said, ultimately the success of the rebuilding effort will depend upon the involvement of local officials. And this is the one thing that I think at this point is probably the unheralded story of what's really going down in New Orleans and Mississippi. You have every single sector -- the business sector, the non-profit sector, private enterprises, entrepreneurs -- all banding together in different organizations to drive change. They really do believe in the motto, "If it is to be, it is up to me." And they get very, very engaged at the federal, state and local level to find out where is the money, or what's the next thing that's going to be done.

In terms of the spirit of reform -- and I'll tick through some of these issues -- health care reform, education reform, reform in terms of public housing, how housing services are delivered, all of these are being driven very, very aggressively by folks that are non-governmental. You have the government involved, but very much you have chambers of commerce, New Orleans Business Council. In Mississippi you have business councils and chambers of commerce, all of them holding people accountable and demanding action. It's a good thing for us. It makes our job easier in the Federal Coordinator's Office.

On the levee front, this is the second strategic issue in addition to federal funding. Several major developments on the levee front. About a week and a half ago, the President and Governor Jindal came to an agreement. General Douglas O'Dell was the President's representative in negotiations with the Governor that began in May, to extend to the state of Louisiana 30 years for them to repay the non-federal share of levee construction. That cost is about \$1.8 billion.

The agreement was 30 years to repay, and keep the cost share at 65-35. There had been a lot of debate about trying to change the cost share, bring it back to historic levels, but that's what the agreement was. To the state of Louisiana, what this represents is it represents their opportunity to get more economic stability in their budget, and also to dedicate funds to things that are critical to long-term protection such as wetlands restoration. It also means they don't have to make a choice

between health care funding, education and that type of thing; they can go ahead and plan out their repayments. Very significant.

One point I absolutely want to emphasize: This conversation began in May -- began with General O'Dell, began with the Governor. There have been some recent reports that this was all in a reaction to a congressional visit about a month ago. That's just not accurate. They just chose not to have a public dialogue in the press about it.

One other major thing that's going on, on the levee front which is significant, right now we're in the midst of negotiations with the Corps of Engineers and the state on a project partnership agreement on Lake Pontchartrain and Vicinity. It's called LPV. This project partnership agreement will trigger a large series of PPA agreements through January of next year, and amendments that basically take the entire hurricane protection system, stand it up, get it under contract, and get it underway. From the federal standpoint, we are absolutely on target for the 2011 deadline. And we're working very closely with the state. Governor Jinal has been an excellent partner in that effort.

Q What year do you think that the reconstruction is basically going to be finished?

MR. CONWAY: Well, the target date for the reconstruction is 2011.

Q For everything? I'm talking the Gulf Coast.

MR. CONWAY: Well, actually, let me -- I'm talking about levees, so let me be perfectly clear. The levee protection system for Greater New Orleans, that target date is 2011. If you're asking overall --

Q I'm asking overall.

MR. CONWAY: Ma'am, to be quite honest with you, it's hard for me to estimate that as a federal official, because so much of this depends on how local government and state government and the feds work.

Q So what percentage of the Gulf Coast has been rebuilt in the past three years?

MR. CONWAY: Well, you would literally have to look at sectors, okay. For example, on education, if you look in the city of New Orleans, education is going along quite well.

Q Do you have overall numbers for the whole Gulf Coast?

MR. CONWAY: Well, you would have to look at it by sector, ma'am. If you're talking schools, libraries, that type of thing?

Q What about housing?

MR. CONWAY: Housing? I can go ahead and start in on that. On the housing issue, everybody knows that there were several different delays on the Road Home program in the state of Louisiana. Now, you have -- \$7 billion has been transferred in the hands of homeowners; 115,000 -- \$7 billion -- 115,000 homeowners now have received the benefits of the Road Home program. In addition to that, the state is using \$1.4 billion in CDBG funds for rental houses.

Q Right, but people don't understand all this stuff. They want to know what percentage of what was taken away by Katrina has actually been rebuilt in the past three years?

MR. CONWAY: I would say there are significant portions, but literally, literally, it's not honest to say -- you know, pull out a figure out of the sky and say, X amount is done. You literally have to look by sector.

Q We're talking about a sector. Let's talk about housing.

MR. CONWAY: Okay, in the housing area, you have just about 85 percent of the pre-Katrina population estimate coming back into the city. And in terms of the actual housing itself, there's a lot of work that needs to be done still, remaining.

Q There's no way to quantify it?

MR. CONWAY: It's difficult to quantify. You have to go neighborhood by neighborhood and take a look at it, okay.

Q Can you quantify how much more federal money is going to be needed? You mentioned the \$126 billion. How much more? State and local officials clearly believe more federal money is needed to get everything done.

MR. CONWAY: In terms of additional federal money, General O'Dell would tell you that he believes that there are enough resources that are in the pipeline, enough funds in the pipeline, to get the mission done. When you take a look at the money that has not been spent yet -- for example, in the city of New Orleans, \$411 million in CDBG funds that could be used for housing has not been spent yet. And part of the reason why is there's a very comprehensive planning process that the city has gone through involving stakeholders and others where they have just recently come out with 17 targeted redevelopment zones. Now, that process took a very long time, and it helps determine where housing will be.

Q But I don't understand why you cannot say what the status of housing in the Gulf Coast is three years after Hurricane Katrina hit. I mean, this should be a concrete -- there should be some concrete way to quantify it for the public that has spent this taxpayer money.

MR. CONWAY: Well, let me be really clear about this. You went through one of the largest natural disasters, okay.

Q We all know that.

MR. CONWAY: Well, let me just finish me answer; I appreciate it. You went through one of the largest natural disasters in U.S. history. And then you had folks that were out of housing. They moved into temporary housing; some of them moved away. So as your population starts to come back, we've gone through a tremendous amount of expenditure on temporary housing, trailers -- and we know about that -- but the transition of people from trailers into temporary housing and then into permanent housing, it is very difficult to tell you a concrete number in permanent housing, when people will be back into permanent homes, by what date. This is contingent upon your people moving back, how fast the market can actually build homes, what your availability of labor is, what your availability of supplies is to do it.

Q Going back to the money -- so are you saying \$126 billion is a cap? There's no more federal money, or --

MR. CONWAY: No, I'm not saying it's a cap. We can't predict what Congress will do. Congress may see fit to authorize additional funds.

Q But does the administration view \$126 billion as enough for Gulf Coast recovery?

MR. CONWAY: From the perspective of the Federal Coordinator, absolutely. There's enough money in the pipeline to get the mission done when you look across these different sectors.

Q -- to restore all these sectors -- housing, schools, everything?

MR. CONWAY: Well, the important point here is, restore them to be commensurate with the population that returns.

I'll give you an example. On Monday, the state of Louisiana released its master plan for schools. Before Katrina, the schools in New Orleans had an estimated \$1 billion in deferred maintenance. This is before the storm. After the storm, the state of Louisiana would tell you that the impact and devastation on the schools was an additional billion dollars.

Now, you've had a large decrease in the student population. Going back to the 1970s, you see the numbers come down from over 100,000 to about 33,000 now. But that deferred maintenance was an important point, because as the school system sat back and they worked with stakeholders to figure out what would a new education system look like, what they've done is they put forward a plan that Paul Pastorak, the Superintendent of Schools for the state of Louisiana, says represents the potential for the greatest change in 100 years. What's in the plan? The plan calls for the potential shutdown or reuse, new use, of 50 different school facilities.

Now, when we talk about bringing New Orleans back to what it was before, the real relevant question was, what was it before? And it was a city that was marked by high crime, poor school performance, lack of choice for parents in the school systems. So on the reform agenda, what you see are all these sectors trying to come out to meet where they think the population will be and what the population will demand on schools -- especially parents. Parents want more choice.

You have -- over the half the schools in the city of New Orleans now are charter schools. That's an important thing. It's the most unique number in the country, okay? That shows you that there is a market; it's consumer-driven. Parents are very interested in educational excellence, and that's what they want. They don't necessarily want to go back to what was. That didn't help anybody. It was low expectations, neighborhoods with very poor school populations and not enough money to keep books on the shelves.

MR. JOHNDROE: Thank you.

MR. CONWAY: Thanks a lot, you guys.

Q Thank you.

MR. JOHNDROE: Okay.

Q Georgia and Russia. You know, you guys have spent a week, basically, telling Russia that they need to move their forces out immediately. They haven't. They're saying now that maybe by the end of this week they'll start pulling more out. I mean, is there anything else that the United States can do? Russia has already blocked that U.N. resolution that you guys were aiming for. So what else can the United States do?

MR. JOHNDROE: Well, I think we are beginning to see the early signs of some withdrawal. It is not significant and it needs to increase; both the size and pace of the withdrawal needs to increase, and needs to increase sooner rather than later.

I don't think they need any more additional time or need to set -- continue to set additional dates in the future, whether it's two or three days or whatever it is. They just need to withdraw.

Q How will it affect today's missile defense signing with Poland? It is a thorn in the side of the Russians. Is this -- do you think this is part of their reason for stalling now or taking their time on their terms?

MR. JOHNDROE: I think the repercussions of Russia's action in Georgia have already been felt. And you see it in things like that we now have a missile defense agreement that Secretary Rice can

sign in Warsaw today. Countries in Central and Eastern Europe do not want to go back to the way things used to be. They cherish their freedom and are not interested in a neighbor invading them.

Q Just one quick follow-up, Gordon. The Russian Foreign Minister said essentially that the United States needs to choose between Russia and Georgia -- which one it wants to have a long-term relationship with. What's the White House's reaction to that?

MR. JOHNDROE: I think Foreign Minister Lavrov is speaking quite often these days and is saying a number of things, but I don't think the United States, nor anyone has to make a choice between Russia or Georgia. Western Europe, the United States, the free world has made a choice, and that is we sought to integrate Russia into a Europe that is whole, free and at peace. We sought to work with them in the NATO-Russia Council. We sought to work with them on WTO or OECD. We have wanted Russia to be a part of the greater international community. That is in everyone's interest.

Russia is making a decision, and we certainly hope that it's not a long-term strategic decision, but Russia is making a decision that is only isolating itself. So they are the ones that have made a choice, and let's hope it's not a permanent strategic choice to continue acting in this manner.

Q Do you have anything -- aside from this issue -- Secretary Bodman apparently is in a Boston hospital; had accelerated heartbeat problems. Do you have any update on his condition?

MR. JOHNDROE: No, I think the Department of Energy has issued a statement on that, so I don't have an --

Q I saw that, I've seen the statement.

MR. JOHNDROE: I don't have an update. I understand that he's being -- they're looking after him now, and I think he's hopeful to be able to leave in a couple of days. But I would check with the Department of Energy for any updates.

Okay, great. Thank you all.

END 9:14 A.M. CDT