



Transcript of Background Call with Senior DHS Officials on the Department's Fiscal Year 2011 Budget Proposal

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Moderator: I'm going to turn the conference call over to Mr. Bobby Whithorne. Mr. Whithorne, please go ahead.

Mr. Whithorne: Thank you very much. I'd like to welcome everybody to the background briefing for the DHS fiscal year 2011 budget request. I'm joined by our Acting Chief Financial Officer, Peggy Sherry, and other senior DHS officials. Peggy will be on the record and everybody else will be attributed to a DHS official. We will have the transcript out shortly after the call, and with that, I'll turn it over to Peggy.

Ms. Sherry: Thank you. Good afternoon. I'm Peggy Sherry, the Acting Chief Financial Officer for the Department of Homeland Security [DHS], and thank you for participating in this call.

The fiscal year 2011 DHS budget will strengthen efforts that are critical to the nation's security, bolster the Department's ability to combat terrorism, respond to emergencies and potential threats, and allow DHS to tackle its responsibilities to protect the nation and keep Americans safe.

DHS secures the United States against all threats through five main missions, specifically, these mission areas are preventing terrorism and enhancing security; guarding against terrorism was the sounding mission of DHS and remains our top priority today.

Securing and managing our borders. DHS monitors our air, land and sea borders to prevent illegal trafficking that threatens our country while facilitating lawful travel and trade.

Enforcing and administering our immigration laws. DHS is responsible for enforcing the nation's immigration laws while streamlining and facilitating the legal immigration process.

Safeguarding and securing cyber space. The Department defends against and responds to attacks on its cyber networks through which Americans communicate with each other, do business and manage infrastructure, and ensuring resilience to disasters.

The Department provides a coordinated comprehensive response in the event of a terrorist attack, natural disaster or other large scale emergency while working with Federal, state, local and private sector partners to ensure a swift and effective recovery effort.

The total fiscal year 2011 budget request for DHS, including fee funded and mandatory spending, is \$56.3 billion, a two percent increase over the fiscal year 2010 enacted level.

The Department's fiscal year 2011 net discretionary or appropriated funding request is \$43.6 billion, an increase of three percent over the fiscal year 2010 enacted level.

Some highlights of the fiscal year 2011 budget request pertaining to the five main mission areas are as follows: to prevent terrorism and enhance security, the DHS budget request includes an additional \$214.7 million to put in place 500 more advance imaging technology machines at airport check points to detect dangerous materials, including non-metallic materials.

Combined with the 500 deployments that are already planned through 2010, this appropriation will place this technology in 75

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percent of the country's largest airports. This budget also includes an additional \$218.9 million for personnel to operate those machines.

The request also includes an increase of \$85 million for additional Federal air marshals to increase international flight coverage, an increase of \$60 million to purchase approximately 800 additional explosive trace detection machines, and a \$71 million increase to fund an additional 275 explosive detection K-9 teams at airline check points.

To secure and manage our borders, the proposed budget fully funds the existing cadre of approximately 20,000 Border Patrol agents. This budget also asks for \$44.8 million to maintain staffing levels for Customs and Border Patrol officers within the Office of Field Operations.

This budget includes \$10 million in additional funding to expand the Border Enforcement Security Task Force model that has played an important role in increasing seizures of contraband in every major category last year.

Additionally, a total of \$1.4 billion is requested to recapitalize the Coast Guard's aging fleet. This is a step we have to take in order to secure our country's vast maritime borders into the future.

This budget also strengthens last year's successes in the area of enforcing and administering our immigration laws. A total of \$103.4 million is requested to strengthen the E-verify program, a critical tool to ensure a legal workforce. This funding will provide resources to move forward with important improvements already planned for the E-verify program and its online system.

Total funding of \$146.9 million is also requested to continue the expansion of the secured community program which focuses enforcement efforts on aliens already incarcerated in state prisons and local jails. This program is the cornerstone of our efforts to keep criminal aliens off the streets and remove them from the country.

To safeguard and secure cyber space, we requested \$379 million to develop the National Cyber Security Division, which will work both within the dot.gov and dot.com domains, to limit our vulnerabilities to attacks and to mitigate the damage of any attacks.

To ensure resilience to disasters, the Department seeks funding of \$1.95 billion, an increase of \$350 million for the Disaster Relief Fund. Total funding of \$100 million is requested for pre-disaster mitigation, grant support and technical assistance to state, local and tribal governments, to reduce the risks associated with disasters.

A total of \$194 million is requested to modernize flood maps and communicate flood hazard risks.

All these efforts depend on maturing and strengthening the DHS enterprise. A critical step in this process is consolidating the Department's headquarters at the St. Elizabeth's campus. This budget contains \$287.8 million for that purpose.

Finally, a total of \$4 billion is requested for grant programs to support our nation's first responders.

At this time, we will be happy to take questions from you on the budget.

Moderator: Thank you. At this time, if you would like to ask a question, you may do so by pressing "*" and "1" on your touchtone phone. "*" and "2" will withdraw your name from the list. Again, pressing "*" and "1" allows you to ask a question, and "*" then "2" withdraws your question. Please wait a moment while we hold for questions.

Moderator: The first question comes from Eileen Sullivan with AP.

Moderator: Hi. I was wondering if you could talk about whether there is a reduction called for the Coast Guard active duty members, and if so, how much of a reduction, and also if you could talk about the reduction in Border Patrol agents by 180 or whatever the number is?

DHS Official: The Coast Guard active duty reduction is slightly over 1,100 people.

Question: How do you justify that?

DHS Official: As was stated, recapitalization is a critical element of the future of the Coast Guard. We have several assets that were scheduled for de-commissioning, as we are bringing new assets on line as part of the Deep Water Acquisition Program.

In addition, we are looking to reorganize and restructure certain elements of the Coast Guard to create greater efficiency, and there are obviously tradeoffs made as part of that to ensure we could continue to recapitalize the Coast Guard.

ALLA InfoNet Doc. 10020526. (Posted 02/03/10).

Question: Okay. And the Border Patrol?

DHS Official: Yes, the budget includes an 180 personnel reduction for Border Patrol, as you mentioned, and the explanation there or the thinking behind that is we do not believe the 180 personnel reduction will in any way reduce the overall operating effectiveness of the Border Patrol because over the past five years, the Border Patrol has doubled in size. A lot of the agent workforce, the substantial portion of it, has only a couple of years experience. As they become more seasoned and more mature in their jobs, their effectiveness will increase, and because we are not doing the extensive hiring of 2,000 to 3,000 new agents a year, we can afford to put less into training improvement because obviously with this budget we are really only looking at maintaining the current workforce.

Question: How will the positions be reduced? Is it by attrition?

DHS Official: Yes. Each year, the Border Patrol staff is somewhere on the order of 1,500 to 1,700 agents per year who leave because of retirement or just otherwise leave the service. That 180 reduction is well within the amount that would typically leave during the course of a year. We will just fill a few less positions next year.

Question: Okay. Thanks.

Mr. Whithorne: Thanks, Eileen. The next question comes from Tom Frank with USA Today.

Question: Thanks. A question about the body scanners. First, what is the number of CAT-X airports?

DHS Official: Twenty-eight.

Question: You had mentioned the total deployments will be 1,000. I just wanted to see where you are getting that number. When you talk about 50 deployments planned for 2010, you are talking about the 40 that are presently in airports plus 450 to be deployed this year, that would bring you to 490 or roughly 500?

DHS Official: That's correct.

Question: The budget briefing talks about having AIT coverage at 75 percent of the CAT-X airports and then 60 percent of the total lanes at the CAT-X-II airports. Why would you be putting these machines in CAT-II airports but not in 25 percent of the CAT-X airports?

DHS Official: I think the decisions on final deployment take into account the fact that anybody entering into an airport is entering into the total aviation security system.

Question: As I understand CAT-X, that is by definition the highest risk. I would think you would want to have these machines in all the CAT-X airports before you go down to CAT-I and CAT-II.

DHS Official: The highest risk plus largest. As we know, once you enter the sterile area in the airport, you're in the system.

Question: Do you know what the total number of lanes is in the CAT-X through CAT-II airports?

DHS Official: I do not have that total number.

Mr. Whithorne: We will follow up with you after the call. I will ask you to limit your questions to one question per caller since we have a lot of folks to get to.

Question: That was one very important question. Just kidding. Go ahead.

Moderator: The next question comes from Mickey McCarter from Homeland Security Today.

Question: There was a lot of talk last year about actually proposing cuts in the DHS budget this year and in future years. I'm kind of thinking some of the reasons that didn't happen is the Christmas Day bombing attempt.

Is anybody talking about proposed budget cuts in future years if not this year?

DHS Official: The out years for the President's budget for DHS grow at roughly the rate of inflation.

Question: There had been talk as recently as November, I believe, of putting in a budget that was going to be a little less this year. I guess I'm wondering was there any reversal on that in recent months?

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DHS Official: As part of the budget process, we examined different scenarios and options. Those are discussions that are internal to the Administration and what you see in the budget release today is the end product of all those budget deliberations, which is a three percent increase for fiscal year 2011 and continues roughly modest growth roughly at the rate of inflation in the outer years.

Question: Okay. Thanks.

Mr. Whithorne: The next question comes from Rob Margatta from Professional Quarterly.

Question: Hi. I was just wondering, given the number of people in acting positions, there has been criticism from Congress that without permanent leadership, DHS is going to have a lot of trouble determining budget priorities and operations priorities.

I was wondering how DHS is looking at that with this budget with some key positions still unfilled.

DHS Official: This is something that the Administration, the former Administration as well as this one has made a very top priority. We have had many of the people who were in an acting position positioned in order to be able to develop this budget based on the current Administration's priorities. This was something that we planned for several years.

Question: Thank you.

Mr. Whithorne: Thank you. The next question comes from Joan Turro from Government Executive Magazine.

Question: Hi. I was actually hoping to get a clarification on the Border initiatives. It appears from the actual budget numbers that effort was going to see about a 25 percent cut in funding, from \$800 million to \$574 million, approximately.

I was hoping perhaps to get a clarification on those cuts, on where cuts are being made and whether I'm reading that correctly.

DHS Official: You are reading that correctly. There is no reduction to the secure Border initiative funding. It basically comes about because the deployment roll out schedule for the project is taking longer than anticipated. The Secretary also recently announced a review of that program.

The funding that was originally programmed into the fiscal year 2011 baseline that is being reduced puts forth further deployments in different geographic areas along the Border, assuming it is rolling along the previously projected path. The funding, what is in there, continues what we call block one of the project, basically future releases are not funded in this budget.

Question: The future remains to be seen?

DHS Official: Yes. I think when the Secretary announced her review, she indicated she was going to take a look at the status of the project and where it was ultimately going to go, and I think the reduction reflects that.

Question: Thanks.

Mr. Whithorne: Thank you. The next question comes from Russell Rommer from AOL News.

Question: Hi. Thanks for having the call. I was wondering if you could talk about the state and city grant programs, specifically if you are asking for any other funding, and whether that is an increase or a decrease from previous years? This is always a big issue in New York, Chicago and L.A., and there has also been questions about the funding formula and whether it's spread too thin across the country.

Can you talk about whether there will be any changes to that?

DHS Official: Let me take those two separately. On the state programs for this year, you will notice we have bumped that up by \$100 million. The plan is also to consolidate some of the smaller programs into that pot. One of the things we have heard for many years -- many of the things, for example, that were eligible under the Citizen Corps or the NMRS are eligible under the state program anyway.

Our consolidation of these programs allows the states and territories to really have more flexibility on what they want to fund. Again, we are increasing the money by \$100 million and also giving them some flexibility on how they spend that.

Question: Is that consolidated -- what is the umbrella sort of name for it now?

DHS Official: The name is the same, it is still the state homeland security program, so for example, under the state homeland security program, you can use it for Citizen Corps activities. That used to be a separate grant program. You can do metropolitan medical responses or medical planning, mass fatalities management. You can do that under the state program.

Again, this idea that we have heard from stakeholders of consolidating on the state level, those activities are under a larger umbrella program.

On the other program, that is a very targeted program that seeks to protect the highest risk cities. We are adding additional funding in that pot this year as well. As you probably know, the list changes from year to year. It's unclear who will participate in that for 2011, but certainly the Department seeks to use that for their highest risk cities across the nation.

Many of the same activities that I mentioned in the state program are also allowable there. For example, you can do metropolitan medical responses and planning there. You can do Citizen Corps activities.

In both of those programs, again, we have added additional money, and for the state one in particular, we really fought to consolidate that to give the states more flexibility.

Question: How much was the additional funding? You said \$100 million for the state.

DHS Official: It was increased by \$213 million this year over last year.

Question: Okay; great. Thank you.

Moderator: Thank you. The next question is from Stu Leggeson from National Defense Magazine.

Question: Hi. I was hoping you could give me some details of the National Cyber Security Center, where is that going to be, when is that going to get up and running, and how is it different from what you are already doing.

DHS Official: The National Cyber Security Center is still in its infancy. There is \$5 million -- there is an increase of \$5 million in the fiscal year 2011 budget. Right now, the Director of the National Cyber Security Center is the Deputy Under Secretary for the National Protection of Programs Directorate, that's Phil Rodner.

It is proposed that it will increase its staffing to 40 people in the coming fiscal year 2011 year, and it is developing its knowledge on line basis and its procedures in order to integrate with the other cyber centers through the Federal Government.

Question: The amount for this year was only \$5 million?

DHS Official: \$5 million. The amount for 2011 is \$10 million.

Question: That will be located where?

DHS Official: Currently, it is going to be located at the Glebe Watch Center.

Question: Okay. Thank you.

Moderator: Thank you. The next question comes from Chris Strom with Congress Daily.

Question: Hi. I'm wondering about the \$200 million for the 9/11 trials, for security. Obviously, Mayor Bloomberg has said if it's going to be done in New York, the cost could be \$1 billion. Are you all considering any kind of a contingency in which the amount of money that would have to be available would be increased, and how would that money -- I know it's under UASCI, how would that money actually be distributed to -- would people apply for it and then have to go through a complication in order to get access to that money?

DHS Official: As with any grant program, folks always have to apply and make known their intentions for that money. That is something we do in all of our programs. We envision the same thing with this money. We feel that \$200 million is an appropriate amount, even though it's in the UASCI program, of course, that money goes to the state as well, so there is flexibility, and again, we feel that we wanted to put something in the budget for that and we have a mechanism to make that grant, so we will use those mechanisms that we already have.

Question: As far as the estimates for the security of the trials that it could be \$1 billion, how do you reconcile the difference in

the estimate?

DHS Official: Again, I think if you went to any person on any given day, you would get a different estimate. The Department took a look at it and we think the \$200 million is really our best estimate of the costs.

Question: Just on the whole body scanners at the airports, are these scanners going to be put in primary screening and will they be mandatory?

DHS Official: The final decision on other places has not been made. I think the intention is principally in primary, but there is no final decision. Right now, the process is that if you are directed to an AIT, you have an option of going through a walk through metal detector and having a full pat down.

Question: Okay. Thanks.

Moderator: Thank you. The next question comes from Jeff Bliss with Bloomberg News.

Question: Hi. I just wanted to double check, there is a restriction saying CBP funding can't be used to prevent people from re-importing drugs from Canada. I just wanted to double check. Is that something you guys have been doing over the years or is this a change just for this year?

DHS Official: I believe that's been in past appropriation language in the general provision. I don't believe that is new language this year.

Question: Okay. That's what I assumed. I just wanted to double check. Thank you.

Moderator: The next question comes from Secretary of Defense Daily.

Question: Hi. If you could break out the TSA funding a little more by line here. I see the AIT money and the ETD money. Could you give us like x-ray and explosive detection systems for checked baggage and that ETD money, is that liquid scanners, is that hand held devices or is that the traditional bench top explosive detectors? Any comment will be appreciated. Thanks.

DHS Official: On the ETD, actually, I think we are looking at a portable ETD, which is different slightly. I don't have the information immediately available --

Question: You were cutting out there, sir. You don't have the information available on checked baggage?

DHS Official: The amount in the 2011 budget for EDS equipment for the checked baggage is \$374 million.

Question: How about --

DHS Official: I don't have that one broken out separately.

Question: That portable EDT the gentleman is referring to, he said that is different. Is that something TSA is currently buying or is that going to be a new procurement?

DHS Official: I believe that's a new procurement.

Question: Okay; appreciate that.

Moderator: Thank you. The next question comes from Paul Kirby with TR Daily.

Question: You answered the question I was going to ask about the interoperability funds and other programs. I guess I have one other question. In looking at the state and local money, you are asking for \$4 billion, the budget indicates that the current fiscal year is \$3.015, but the Congress when they passed their conference report said it was \$4.17 billion.

Are you guys saying this is an increase from the current fiscal year, what you're asking for for state and local grant programs or a reduction?

DHS Official: A net reduction of \$164 million.

Question: Thank you.

Moderator: The next question is from Logan Young.

Question: Hello. Thank you very much for taking my question. The money you are requesting for immigration related verification programs, how much will specifically go to community --

DHS Official: \$103 million would go to verify and \$34 million is targeted -- some of that \$34 million could be used for the verify programs as well.

Question: Thank you.

Moderator: We have a question from Matt Coray from Congressional Quarterly.

Question: Hi. I have a question on the obligated funds. I see there grants have decreased substantially. I was wondering about the justification for that.

My other question relates to the other funds within FEMA, for example, the pre-disaster mitigation fund would be decreased by about \$100 million, emergency food and shelter also of \$100 million. That is about a third of that budget. Disaster relief by about \$670 million. Management itself for FEMA also has a proposed reduction of about \$124 million. I was just wondering what some of the rationale is for some of these proposed reductions.

DHS Official: Yes. Let me take the AFG one. Our ask this year is \$610 million, which is down I think \$200 million from enacted. Again, when we look at the grant numbers, we do have the stakeholders first of all, and in talking with the fire service community, that number was where they thought we should be at frankly, and also there is a fair amount of money in the pipeline already with 2009 and also some of the 2010 grants that we are just now starting to make.

In terms of the job bill, nothing has been passed on that. We are certainly aware of some possible funding for SAFER, half a billion dollars, that could be coming down the pike as well. Again, that hasn't been passed so that wasn't necessarily taken into consideration.

We do feel like the number of 610 is appropriate, again given where the communities feel they are and the money that will be granted for the 2010 cycle.

Question: Okay.

DHS Official: With regard to the FEMA budget at large, the Federal budget this year, the proposal was \$10.5 billion relative to \$10.359 enacted last year. Pretty much level from last year. To get to some of those specific appropriations you mentioned, starting with the Disaster Relief Fund, the amount appropriated last year was \$1.6 billion, but what we are requesting in fiscal year 2011 is actually higher than that. It is \$1.95 billion with an increase of about \$350 million.

For management and administration, that one was enacted last year at \$797,650,000, and what is not reflected there is the transfer from the DRF, but this year we are reflecting \$902 million. It is pretty much the same amount. Actually, there is a slight increase in there for facilities of about \$23 million. There is no reduction there.

You also mentioned PDM, that one last year was enacted at \$100 million and what we are proposing for 2011 is \$100 million as well.

Question: Okay. Great. Thanks very much.

Moderator: Thank you. We have a follow up question from Defense Daily.

Question: Hi. I guess this would maybe be for Peggy. Along the lines of the acquisition reform, I guess, the Administration has been moving towards more in sourcing, and I wonder if that trend will continue with fiscal year 2011, and I think the Secretary said we will see more of that in fiscal year 2011 than before just because you have been gaining momentum there.

Could you provide any color or more specific metrics along those lines about what we can expect to see in fiscal year 2011 regarding more moving to Government work versus Federal contract work, and also, sort of how things are changing in the fixed price versus cost plus contract environment in fiscal year 2011.

Ms. Sherry: In terms of re-balancing the workforce, there are multiple areas in the DHS budget in 2011 where we are doing workforce balancing, and that is bringing more Feds on board to do work that today is done by contractors.

Question: Do you have an example?

ALA InfoNet Doc. 10020326. (Posted 02/03/10).

Ms. Sherry: You have heard about our major initiative in cyber security where we are hiring substantial numbers of people. A significant number of those hire's will be performing work currently performed by contractors. Also, in our analysis and operations activity, we have a major increase in the number of Feds doing intelligence type work. Those are two big examples.

Question: I know DHS is talking about having to better define requirements in order to move more of its contracting to fixed price versus cost plus, if you are able to enlighten us on what's going on there and what progress is being made, that would be helpful.

Ms. Sherry: There is no specific initiatives in the budget for that. As you noticed, we have an initiative to enhance the acquisition workforce across the Department. I think we'd have to get back to you in terms of specific acquisition plans, where we are transitioning from one type of contract to another.

Question: Thanks.

Mr. Whithorne: There are no more questions at the present time. I appreciate you guys taking the time, and we will conclude the conference call.

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