

**Before the Committee on Appropriations
Subcommittee on Transportation
United States House of Representatives**

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**Key Budget Issues
Facing the
Transportation
Security
Administration**

**Statement of
The Honorable Kenneth M. Mead
Inspector General
U.S. Department of Transportation**



Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to testify today on key issues concerning financing the Transportation Security Administration (TSA). The focus of our testimony will be on costs relating to aviation security. In February, we testified before this Committee that the cost of good security would be substantially greater than most had anticipated. Today, those requirements are becoming clearer and the numbers are sobering.

We all recognize that the mission of ensuring that our transportation system is secure is a tremendous task. The task is one that has never been undertaken before on a scale of this magnitude, with very little experience to draw on, and even less time to make judgements on what might be more cost effective or what will be available a year or two from now.

The deadlines established by the Aviation and Transportation Security Act are daunting, and TSA and the Department are working very hard to meet these requirements. We are encouraged, in most respects, with the manner in which TSA and the Department are moving forward.

The number of staff and the costs associated with implementing the law will be enormous - exceeding prior estimates. TSA estimates that, in addition to the \$2.4 billion already funded, the agency will need about \$4.4 billion in supplemental funding for fiscal year (FY) 2002. This will bring TSA's total funding requirements for this year to about \$6.8 billion - which is not a full year's costs. The estimated size of TSA's workforce has climbed from 30,000 to 40,000 to 60,000 and now could exceed 70,000.

Security Fee Revenues Will Not Cover Expected Costs. It is evident that revenues from the new passenger security fee will pay for only a fraction of TSA's costs. Current estimates are that the fee will generate only about \$1 billion this year, which falls far short of the \$6.8 billion the agency says it needs. Given the amount consumers already pay in aviation taxes, it is doubtful that the fee could be raised enough in the immediate future to cover TSA's costs without impacting the aviation industry's attempts to improve yields and return to profitability.

Clearly, TSA will require a large infusion of cash from the General Fund. These additional requirements come at a time when the General Fund is already strained to pay for vastly increased fiscal needs throughout the Federal Government. *Thus, the overriding goal for TSA must be to provide tight and effective security in a manner that avoids waste and ensures cost-effective use of taxpayer dollars.*

Pace of Security Act Implementation Is About to Pick Up. After much planning, the pace is about to pick up substantially in terms of the number of staff on board, acquisition of security machines, accretion of overhead, and outlay of dollars. Currently TSA has about 600 screeners onboard in addition to 1,034 former Civil Aviation Security employees from the Federal Aviation Administration (FAA). At the end of last September, there were 142 certified explosives detection system (EDS) machines installed at 47 airports. As of April 4th, there were 178 EDS machines at 54 airports. At the end of September, there were 789 explosives trace detection (trace) machines at airports. As of April 4th, there were 1,122 trace machines, but the majority of these are for screening carry-on bags.

Consultants for TSA estimate that the agency will need 4,500 more trace machines and 1,670 additional EDS machines to screen 100 percent of checked baggage using a combination of EDS and trace equipment. TSA has issued letter contracts to purchase up to 1,350 more EDS machines and has ordered 484 trace machines.

Clarification of Budget Requirements. An important issue for this hearing, Mr. Chairman, is that by the end of May, it is likely that TSA will be out of money. TSA has not yet fully clarified its budgetary requirements for FY 2002, particularly in the areas of equipment, personnel, and start-up contracts.

Given the uncertainty, and the need to control costs, this Committee may wish to consider making \$2 to \$2.25 billion of TSA's supplemental request contingent upon the agency submitting periodic detailed budget justifications. Mr. Chairman, in order to respond to your March 28th request, we will continue to review and apprise the Department and this Committee as TSA submits its justifications. Although there are significant uncertainties, there are cost saving opportunities that TSA should consider now, especially in terms of TSA's staffing, pay, benefits, and overhead.

Security Act Deadlines Are Driving Costs. A significant cost driver has been meeting the December 31st deadline to screen 100 percent of checked baggage. TSA's request includes over \$1.9 billion for baggage screening equipment and personnel, which does not include what may be well over \$2 billion in costs to integrate the machines at airports. The requirement has even more significant implications in terms of staffing.

When the Aviation and Transportation Security Act was passed, there were no credible estimates of the number of screening staff that would be required. Initial estimates were based on air carrier estimates of a current screening workforce of about 30,000 screeners. However, air carrier estimates did not reflect the huge number of staff required to screen 100 percent of checked baggage. At the time, air carriers were woefully underutilizing the limited EDS machines deployed,

screening less than 10 percent of the checked baggage – let alone 100 percent. In addition, the idea to screen some checked baggage using trace equipment was not even being discussed, and where trace was used it was predominantly at screening check points.

Even today the number of staff needed to screen 100 percent of checked baggage is still unknown, but this should become clear in the months ahead as airport pilot projects are completed. It is estimated that around 25,000 to 30,000 additional staff, in addition to passenger screeners, will be needed to perform this task. That would bring the total number of screeners to nearly 60,000.

At this point, TSA is trying to estimate staffing levels without large-scale prior operational experience. There is experience in other countries with screening 100 percent of checked baggage using EDS, but these are primarily integrated EDS in aviation systems much smaller than ours. There is even less experience using trace to screen checked baggage.

TSA's Efforts Have Largely Been Driven by Deadlines of the Act

Mr. Chairman, it is increasingly clear that it will not be possible to produce enough EDS machines to screen 100 percent of checked bags by the December 31st deadline. Even if manufacturers could produce enough EDS machines, integrating them into baggage handling systems requires extensive construction and renovation to terminal areas and baggage systems, and that cannot be accomplished by yearend. In addition, it is not clear how these construction and renovation costs will be paid. TSA is budgeting only \$175,000 per machine for installation and the costs to integrate them into airports could be significantly more. For example, at one location alone, costs to integrate EDS equipment are estimated to be as high as \$193 million.

One airport, Dallas/Fort Worth International (DFW), has developed a comprehensive plan with five alternatives to screen all checked baggage, and initially agreed to pay required construction and renovation costs. However, DFW stated that by mid-April it needed TSA to approve the plan and commit that the required equipment (EDS and trace) and staff will be provided when needed. To date, DFW has not received a commitment from TSA.

Since EDS cannot be integrated into all or substantially all of the baggage handling systems by the end of the year and there is not enough room in most airport lobbies, TSA is planning a two-phase approach. The wild card at this point is the mix of EDS and trace machines that will be used to screen checked baggage and the associated staffing requirements. Initially, some airports will use EDS with trace machines used only for resolving alarms, others will use trace machines

exclusively, and some will use a mix of EDS and trace machines to screen checked baggage to meet the December 31st deadline. At a future date, TSA will move the EDS machines into baggage systems at the largest airports. At this point, we are uncertain whether some airports will have to continue relying exclusively on trace machines to screen checked baggage.

Using Trace Machines to Screen Checked Bags Will Have a Significant Impact on Staffing

Some differences between EDS and trace are more appropriately discussed in the closed session of this hearing. However, the trade-off most affecting the budget is the amount of time and staff it takes to screen one bag using trace versus a certified EDS. Integrating EDS units into the baggage handling system takes substantially more upfront capital, but requires substantially fewer screeners to operate.

According to TSA's contractor, a lobby-installed EDS that can be used in-line at a later date, costs about \$1 million (\$900,000 for equipment and \$120,000 for lobby installation). A trace machine costs about \$45,000 (\$40,000 for the equipment and \$5,000 to install). TSA's contractor estimates 100 percent EDS screening would require 22,670 full-time equivalent (FTE) screeners. In contrast, it would take around 50,480 FTEs to screen 100 percent of the checked baggage using the open bag directed trace method of screening. This number is based on the contractor's estimated number of screeners required to screen 100 percent of checked baggage using trace machines, adjusted based on TSA's current higher estimate of 2 ½ minutes per bag.

TSA is starting a pilot to determine how long it will actually take to perform open bag directed trace of checked baggage. This pilot should help TSA meet the December deadline more cost-effectively and better judge the amount of staff actually required. Until the actual time it takes to trace checked baggage and the mix of EDS and trace machines is known, TSA cannot accurately estimate the number of screeners needed to screen 100 percent of checked baggage.

New Technology Could Reduce Staffing Numbers in the Future

Congress, the Department, and TSA face an important challenge – meeting the December deadline, while at the same time maintaining enough flexibility to adapt to changes in circumstances and technology. For example, a manufacturer of EDS equipment claims its equipment has a higher throughput and lower false alarm rate than current certified machines. If this equipment gets certified this fall, TSA will have an option not available at this time and the agency will have to consider whether its acquisition plans and costs will have to be adjusted.

Another example is the magnetometers currently installed at many airports to screen passengers, including Baltimore Washington International (the model pilot airport). This equipment, in most cases, is old and we understand that manufacturers now have next generation models that are capable of detecting more and differentiating between items. TSA should investigate whether this equipment could result in lower staffing requirements.

There Are Numerous Cost Saving Opportunities to Consider Now

There are opportunities for cost control that TSA should consider now, while the agency is building from the ground up. However, TSA's budget is unclear about how the agency plans to use certain flexibilities and best practices to help keep costs down. The following are some examples of cost saving opportunities that are not specifically addressed in TSA's supplemental request for FY 2002. While this is not meant to be an exhaustive list, these are issues that TSA needs to spell out in subsequent budget justifications.

- ***Part-time Positions.*** TSA's budget does not address how the agency plans to make use of part-time positions for screeners. TSA's salary costs are based on an assumption of one full time position for each FTE. While it is likely that most positions will be full-time, part-time positions will be important for matching screener staffing to traffic patterns at many locations. For example, at those airports with distinct morning and evening rush hours, part-timers could be used to supplement a smaller full-time workforce during peak periods, thus ensuring maximum staffing when its needed and minimizing down time during all other hours.

Greater use of part-time employees would also allow TSA to reduce benefits costs (which average about 28 percent of an employee's gross salary). Instead of offering a complete benefit package for part-time employees, TSA could use a "cafeteria" benefit package for part-timers. This approach (which is used in the private sector) provides part-time employees with a total dollar amount of benefits that the agency will provide. Using the total dollar amount, employees can then "pick and choose" which benefits are most important to them (i.e. health insurance versus life insurance, vacation time versus retirement, etc.).

- ***Premium Pay.*** TSA's budget request also does not specifically address how the agency plans to use premium pay, such as night and weekend differentials. Given the fact that screeners will work nights, weekends, and holidays, these costs could be significant. For example, in FY 2001, air traffic controllers, who work similar schedules, were paid over \$230 millions in premium pay. Since decisions regarding premium pay will lie primarily with the agency, TSA

needs to clarify its position regarding paying premiums, and show in subsequent justifications, the potential cost impact these premiums will have on its budget.

- **Former FAA Positions.** It is unclear how TSA plans to integrate the 1,034 former FAA Civil Aviation Security personnel into its workforce. The former FAA staff includes security specialists, dangerous goods specialists, and federal security managers who were previously responsible for internal and external security oversight of airports and air carriers. Given TSA will have Federal Security Directors and supplemental staff who will assume many of these functions, TSA needs to determine what place these employees will fill in the new organization. For FY 2002, the costs associated with this workforce are over \$330 million.
- **Law Enforcement Positions.** TSA's FY 2002 budget includes funding for 1,000 TSA law enforcement officers, as well as funding for local law enforcement at screening checkpoints. The Act calls for law enforcement officers at each checkpoint. However, in addition to the basic law enforcement at screening checkpoints, we have seen proposals for law enforcement functions that will include a Criminal Investigations Division, an Internal Affairs Division, and a contingent of criminal investigators stationed at airports. It is unclear what the role of these investigators will be and how this group will interface with other law enforcement agencies, such as the Federal Bureau of Investigation and local airport police, who also have jurisdiction.

TSA also needs to ensure that salaries for its law enforcement positions are matched to the responsibilities and duties. We have seen proposals that would classify law enforcement officers stationed at screening checkpoints as criminal investigators, which would be considerably more expensive than positions classified within the Police Officer job series. Classifying law enforcement officers as criminal investigators would result in journeyman level positions earning a median salary of over \$95,000 in the Washington D.C. area. In contrast, the Defense Protective Service, which provides security and police services at the Pentagon, classifies the vast majority of its employees in the Police Officer series with a median journeyman salary of \$56,500. This option represents nearly \$40,000 in savings between the criminal investigator and police officer job series.

- **Defining Missions.** TSA must also avoid extending itself beyond the basic tenets of the Act's requirements. For example, TSA recently assumed responsibility for FAA's dangerous goods inspectors, even though the mission of dangerous goods inspections is usually associated with safety issues not security, and is generally considered a regulatory function. This regulatory

function also requires significant overhead, such as a legal staff and administrative law procedures that will require additional resources as well as assuming responsibility for shipper education. Given the enormous tasks TSA faces in implementing requirements of the Act, the agency should focus its resources on security issues such as terrorist acts, and leave regulatory issues to FAA. It is also unclear how TSA will define its role regarding hazardous materials in other modes of transportation.

- **Other Costs.** TSA's budget request includes considerable start up costs for items such as vehicles, uniforms, communication equipment, furniture, etc. In some cases, we found that the requests did not appear to be realistic or reasonable. For example, TSA's budget request includes a cost of \$2,500 per employee for background checks on screeners. This amount reflects the costs of background checks for full security clearances and, in our opinion, far exceed the requirements necessary for screeners. A more cost-effective approach could be to initially provide background checks for screeners similar to the checks that airport and airline employees receive in order to have unrestricted access to secure areas in airports.

TSA's operating request also includes a significant amount of funding for renting space at airports. For example, TSA is budgeting 400 square feet (at \$75 per square foot) for a screener break room for every security checkpoint at every airport. TSA is also assuming that each of the Federal Security Directors at the 81 largest airports will have office space of 2,700 square feet (at an average of \$85 per square foot). It is highly unlikely TSA could arrange to rent and refurbish this amount of space during the balance of FY 2002 and it may not even be feasible given the limited space available at many commercial airports. In subsequent justifications, space requirements should be more accurately depicted and reflect costs both on and off airport property.

Clearly, there are many opportunities to build cost efficiencies into the new organization and it is important that TSA address these kind of issues during its formative stages before many operating cost issues are "set in stone."

TSA Must Build In Controls to Guard Against Waste, Fraud, And Abuse.

An immediate concern that needs to be addressed is the existing screening contracts. TSA estimates these contracts could cost as much as \$1.6 billion through November 19th – the date TSA's screener workforce must be deployed. Despite the large dollar implications, controls over these contracts appear to be woefully lacking. For example, when TSA took over, there were about 50 contracts; in April that number had grown to 71 and continues to climb.

According to the contracting office, they receive bills from many companies that have no contracts, and we were told that no one knows the exact number of companies actually providing services. We were also told bills are being paid as they come in and that no one verifies that the amounts being charged are actual costs. Given the large dollars involved, TSA needs to quickly establish control mechanisms over this process.

That concludes my statement, Mr.Chairman, I would be happy to address any questions you or other members of the Subcommittee might have.

Transportation Security Administration
Number of FY 2002 Positions*

Job Category	Number
Former FAA security employees	1,034
Passenger Screeners	25,950
Passenger Screener Supervisors	2,494
Gate Screeners	5,306
Cargo Inspectors	208
Law Enforcement Officers	900
Law Enforcement Officer Supervisors	100
Federal Security Directors	429
Airport Management & Staff	2,165
Headquarters Staff	937
Total FY 2002 TSA Positions	39,523

*Numbers do not include Federal Air Marshals or Checked Baggage Screeners.

Transportation Security Administration
FY 2002 Funding and Supplemental Request
(Dollars in Millions)

Item	FY2002 Funded	Supplemental Request	FY2002 Total Cost
Personnel Costs			
Former FAA security employees	\$241	\$92	\$333
Passenger Screeners	\$66	\$445	\$511
TSA Cargo Inspectors	\$0	\$14	\$14
Law Enforcement Officers	\$549	\$137	\$686
Federal Security Directors & Staff	\$70	\$120	\$190
Headquarters	\$111	\$78	\$188
Personnel Costs, Total	\$1,037	\$886	\$1,922
Start-up Contracts			
TSA Hiring Contract	\$48	\$60	\$108
Screeners Training Contract	\$25	\$91	\$116
Planning & Deployment	\$12	\$175	\$187
Equipment Implementation	\$0	\$350	\$350
Start-up Contracts	\$8	\$0	\$8
Other Start-up Costs	\$104	\$40	\$143
Start-up Contracts, Total	\$196	\$716	\$912
Screening Contracts			
	\$750	\$891	\$1,641
Baggage Screening Equipment & Personnel			
	\$442	\$1,905	\$2,347
FY 2002 TOTALS	\$2,422	\$4,400	\$6,822

Current Pilot Airports for Screening Checked Baggage

Airport	Equipment Type
Norfolk International, Virginia	100 Percent trace
Grand Rapids Gerald R. Ford, Michigan	100 Percent EDS
Hagerstown, Maryland	100 Percent trace
Dallas Love Field, Texas	Both EDS and trace