

U.S. DEPARTMENT OF HOMELAND SECURITY
TRANSPORTATION SECURITY ADMINISTRATION
STATEMENT OF ADMIRAL JAMES M. LOY, ADMINISTRATOR

Before the

SENATE APPROPRIATIONS SUBCOMMITTEE ON
HOMELAND SECURITY

May 13, 2003

Good morning, Chairman Cochran, Senator Byrd, distinguished Members of the Subcommittee. I am pleased to testify before the Subcommittee on the FY 2004 Budget request for the Transportation Security Administration (TSA). I join you today representing TSA as part of the new Department of Homeland Security (DHS). Our inclusion in this new department is both fitting and natural, because our mission is completely aligned with the mission of DHS. Secretary Ridge is deeply engaged in fusing together the 22 agencies contained in DHS, and TSA is proud to be a part of the DHS team working to find efficiencies, make management improvements, and coordinate the necessary protection of our homeland.

In a little over a year of existence, TSA has achieved much. We have met 100% of the aviation screening mandates and all of the other statutory deadlines set by Congress. We have focused on getting the job done and done well. Although we are off to a great start, there is still more to do to successfully accomplish our transportation security mission. Much of this additional work is about understanding the bigger picture of our national

transportation security system, which is intermodal, interdependent, and international in scope.

We wish to thank you for addressing TSA's critical needs with additional funding in the War Supplemental. This funding represents much needed relief in continuing to achieve results that are critical to our mission. We appreciate the additional resources and are taking action to fulfill the direction set in the legislation. We are working with your staff to explain our revised FY 2003 TSA spending plan. As I recently announced, TSA will be reducing its workforce – 3000 by May 31, 2003, and an additional 3000 by September 30, 2003 -- in the months ahead. In addition, TSA will reduce the cost for law enforcement and move away from fixed point stationing of officers, all the while maintaining appropriate security requirements. TSA also is working rapidly to implement the provisions of the supplemental legislation providing assistance to airlines for strengthening cockpit doors and for TSA-mandated aviation security costs and foregone revenue. We fully intend to make these disbursements within 30 days as Congress directed.

Now I would like to speak to you about where TSA is going and how our FY 2004 budget will get us there. I urge you first to consider TSA's critical budget needs in the context of where we have been. We have had to use available resources to build our organization from the ground up at the same time we have been focused on accomplishing our mission.

I can report to you today that TSA has produced significant results during its short existence:

- On Saturday, April 19, 2003 the inaugural class of volunteer commercial pilots graduated from TSA's Federal Flight Deck Officer (FFDO) training. After 48 hours of intensive training, these pilots were sworn in as federal law enforcement officers, with jurisdiction limited to the flight deck, or cockpit. These officers add another layer of security to the skies.
- We have identified, intercepted, and therefore kept off aircraft more than 4.8 million dangerous items, including 1,101 firearms; nearly 1.4 million knives; 39,842 box cutters; 125,273 incendiary or flammable objects; and 15,666 clubs.
- We have put in place a Federalized passenger and baggage screener workforce, which has been widely complimented as professional, courteous, and competent.
- We have recruited, trained, and deployed a professional cadre of Federal Air Marshals, who protect passengers and provide security on aircraft.
- We have implemented 100 percent screening of checked baggage through EDS or Congressionally approved alternative means.

I am personally committed to making TSA a model workplace as we achieve these and even greater results. This means building and maintaining carefully a professional culture across the organization to form a foundation for future success. This culture includes:

- Aligning our operational programs with DHS and TSA threat-based risk management plan;

- Close and constant communication with the entire TSA workforce and our stakeholders about our mission, vision, values, and goals and objectives;
- A commitment to rigorous performance management, both at the organizational and individual levels;
- Creating a diverse and inclusive workplace culture based on mutual respect, fairness, optimal communication, cooperative problem solving and teamwork, and enabling all TSA employees to perform at the highest level;
- Continued targeted investments in critical training and information technology to reduce the size of the workforce while maximizing its impact;
- Creating a streamlined and effective administrative infrastructure to support all our operations.

A key aspect of a true learning organization is to learn from past mistakes. We had some missteps last fall as we moved rapidly to hire screeners to meet the Congressionally mandated deadlines for Federalizing passenger screening checkpoints and complete 100 percent checked baggage screening. We have learned from these challenges and will continue to improve in this fiscal year and FY 2004. Over the past several months, we have implemented several acquisition, financial, and other management initiatives that address FY 2002 concerns raised by the Subcommittee.

As we build our culture and the organization, we must constantly focus on our mission. TSA's mission is to protect the Nation's transportation systems to ensure the freedom of movement for people and commerce. Our vision is to continuously set the standard for

excellence in transportation security through TSA's people, processes, and technologies. We have embraced the values of integrity, innovation, and teamwork as we pursue excellence in public service. TSA also strives to be efficient and effective in its use of resources.

Our strategic goals provide a clear understanding of our security responsibilities, including awareness of the full scope of potential risks; deployment of comprehensive prevention, protection and response activities; and organizational mandates to optimize performance and stewardship requirements. We are building a system of performance and accountability that incorporates a clear line of sight linking every employee's role and responsibility to the central TSA mission and strategic goals.

In establishing and communicating our mission, vision and values, and in identifying our strategic goals, we have given all TSA employees and the stakeholders we serve a clear agenda of purpose and excellence. Our budget identifies the programs and resources required to most effectively achieve TSA's goals.

In accomplishing our mission, we are also acutely aware of the challenge of maintaining balance—between freedom and security, and between security and customer service.

Our mission is to ensure freedom of movement for people and commerce, and our process is to meet the needs and expectations of the American people with the greatest consideration for their privacy and the least disruption to their routine behavior. Our top priority is providing maximum security with minimum intrusion.

TSA's FY 2004 Budget of \$4.812 billion is dedicated to stabilizing and strengthening our essential mission. Our FY 2002 and FY 2003 budgets included many large start-up costs, including the purchase and installation of necessary explosives detection equipment. Although these costs will not recur in FY 2004, savings are partially offset by recurring costs for maintenance and administration.

Before I summarize the key elements of our FY 2004 Budget request, I would like to highlight several programs that I know are items of interest to Members of the Subcommittee.

- Computer Assisted Passenger Pre-screening System: Funding in the amount of \$35 million is requested for development of the second generation Computer Assisted Passenger Pre-Screening System (CAPPS II). CAPPS II is an automated threat assessment tool for airline passengers that can be modified based on new intelligence information and changing threat priorities. It will enhance aviation security, refine the passenger secondary screening selection process, and improve airport passenger flow. We are aware of privacy concerns with this system and are building strong privacy protections into the system to address those concerns. We will continue to work with key stakeholders as development of this system moves forward. As Secretary Ridge has committed to Congress, we will work closely with the Department's newly appointed Privacy Officer to ensure that CAPPS II respects the privacy rights of Americans. We have also held several briefings, both in closed and

open session, for Members of Congress and their staffs and will work with Congress to create a better understanding of what CAPPS II is and is not.

- **Federal Flight Deck Officers:** A request of \$25 million will support the first full year of implementation of federal flight deck officer training, which supports the recently passed legislation authorizing the arming of pilots. These pilots will complement the Federal Air Marshals deployed within the aircraft and will be authorized to act only if the cockpit is threatened. TSA has established an initial program for participant qualification and is planning for requalification certification. Our prototype class just graduated April 19, and it is expected that the training program will be ready for full deployment in late FY 2003 and FY 2004.
- **Transportation Worker Identification Credential:** This initiative focuses on developing identification standards for documents to identify individuals for access purposes. Multiple types of technology are being evaluated to determine the best approach.
- **Registered Traveler:** TSA requests \$5 million to develop a registered traveler program that will pre-screen low risk travelers so that available resources can focus on unknown and high-risk individuals.
- **Air Cargo Security:** The TSA budget requests \$20 million to design and develop a random, threat-based, risk-managed freight screening process and continue the development of an automated and enhanced “known” shipper program. It is estimated that there are 12.5 million tons of cargo transported per year, 2.8 million tons of which is now secured on passenger planes and 9.7 million tons on cargo planes.

- Explosives Detection System (EDS) Installation: TSA is continuing to work with airports to install remaining EDS systems and will continue to ensure that all checked baggage is screened. As part of our effort to utilize letters of intent (LOI) to optimize these installations, TSA expects to amend its FY 2004 request within the proposed funding level to finance LOI costs. We will do so in the near future.

The five major components of the TSA budget are Aviation Security, Maritime and Land Security, Research and Development, Intelligence, and Administration.

Aviation Security

The majority of TSA's budget is centered on securing the air transportation system, as provided in the Aviation and Transportation Security Act. The September 11 terrorist attacks highlighted the need for vigilant aviation security, and there is every indication that aviation will continue to be an attractive target for terrorist groups.

Our first priority is to protect air travelers by continuing to build on the aviation security measures now in place at all of the Nation's more than 400 commercial airports, maintaining a balance between world-class security and outstanding customer service. TSA has set into place a system of reinforcing rings of security to mitigate the risk of future terrorist or criminal acts. These security measures cover air traffic from curbside to cockpit, supported overall by intelligence and threat analysis.

In full compliance with Congressional deadlines and mandates, passenger and baggage screening operations are federalized and meet established standards of screening 100 percent of checked and unchecked baggage. The screeners we have trained and deployed put a face on TSA and provide to the American public the most visible expression of our efforts. Their thoroughness, professionalism, and courtesy are key elements in restoring and maintaining the traveling public's confidence in the safety of aviation. We have also deployed state-of-the-art metal detectors and explosives detection machines.

TSA has selected 158 Federal Security Directors to oversee air transportation security, and worked with state and local officials to post law enforcement personnel at passenger-screening checkpoints. I appreciate the authority provided by Congress for flexible stationing of law enforcement officers where we feel it is appropriate. TSA both performs background checks for TSA airport personnel, and also undertakes regulatory inspection and enforcement of agency security directives. We are providing these security measures with a workforce that is proud of its important work and that has won the respect of the traveling public.

The \$4.2 billion request for aviation security activities for FY 2004 includes approximately \$1.8 billion for passenger screening, \$944 million for baggage screening, and \$1.5 billion for airport support and enforcement.

Fully funding the FY 2004 funding request will allow TSA to ensure the safety of the traveling public in secure airport terminals and aboard aircraft. TSA will continue to

implement efficiencies in screening operations, including both technological enhancements and cross training of passenger and baggage screeners, to further reduce the reliance on personnel. As a result, our 2004 request represents a staffing decrease of 3,000 screeners as compared to 2003 levels.

We are requesting \$27 million to expand deployment of technologies to improve physical security at the passenger and baggage screening checkpoints. We will be augmenting existing surveillance systems currently in use or planned at many airports, sharing cost and information with airports.

The President is requesting a total of \$45 million for risk management initiatives to increase the effectiveness and efficiencies of the passenger screening process. This includes the \$35 million for the CAPPS II project already described above, plus \$5 million to support the creation of a registered traveler program to increase security while decreasing the hassle factor for travelers. The goal of such a program is to better utilize available resources by focusing on unknown and high-risk individuals.

Another \$5 million is requested to continue background checks for airport personnel and vendors operating in secure terminals of an airport to streamline the gate screening process.

To provide baggage-screening security, TSA uses a combination of EDS; explosives trace detection machines (ETD), and where necessary other congressionally approved alternative methods of screening, such as passenger-bag match, canine teams, and

physical search. EDS is deployed as a cost-effective screening process at many of the higher volume and high-risk airports, and ETD is deployed as a comparable screening system of acceptable effectiveness at those airports where operational factors do not warrant EDS deployment.

In 2004, TSA will continue to improve the efficiency and effectiveness of baggage and cargo screening. We expect “on-screen” resolution procedures to reduce many false alarms. We request \$100 million for in-service upgrades and maintenance of approximately 8,000 explosives trace and detection devices at more than 400 commercial airports. TSA will continue to develop information on EDS performance to assure that our baggage screening equipment and procedures represent the most effective and reliable operations available.

Consistent with our multi-layered approach, TSA requests \$900 million to provide strong security direction and enforcement presence on-site at the Nation’s commercial airports. This funding will support a number of different activities. This includes the 158 Federal Security Directors and support staff, the required leasing of airport space and the development of IT infrastructure to support those offices. These funds will provide resources for working with State and local law enforcement personnel, where appropriate, to ensure passenger safety and national security. This funding will also continue the regulatory screening and enforcement program to monitor security measures performed by airport operators and air carriers. It is imperative that a standardized approach to physical aviation security measures be implemented at the nation’s airports.

TSA field inspectors across the country will perform the regulatory screening and enforcement activities, which were previously administered by the Federal Aviation Administration's Civil Aviation Security program. Finally, this funding includes funds requested to expand the Federal Flight Deck Officer program to train and arm volunteer pilots.

A request of \$600 million will support the full complement of officer and support staff assigned to the Federal Air Marshal Service (FAMS). The Federal Air Marshals are an integral part of our layered rings of security for aviation, defending against on-board passengers intending to harm an aircraft and our aviation system.

Maritime & Land Security

As the prospect of further terrorist attack continues to loom, the security of maritime and land transportation systems merits additional consideration. TSA, as part of the Border and Transportation Security Directorate, is partnering with other DHS organizations, such as the Coast Guard, the Bureau of Customs and Border Protection, the Information Analysis and Infrastructure Protection (IAIP) Directorate and the Science and Technology Directorate of DHS, to address other surface and maritime transportation security responsibilities.

The Memorandum of Agreement I have signed with the Federal Aviation Administration and correspondence I have exchanged with Secretary Mineta establish the framework for continued cooperation with the Department of Transportation. We continue to partner

with the operating administrations of the Department of Transportation, that provide a vital link with the transportation providers to ensure that there is neither duplication nor are there gaps in critical federal transportation security initiatives. The framework provides a vehicle for continuing cooperation and collaboration, and paves the way for further security-related legislation, rulemaking, resource utilization, and administration of transportation security grants.

TSA is proceeding on a number of fronts, including: (1) awarding grants to improve the security of ports and cargo, (2) working with the IAIP Directorate and the Coast Guard to design a terrorism risk assessment tool tailored specifically to maritime and surface transportation facilities, and (3) working with our other federal partners to ensure intermodal consistency, where appropriate, in security regulations for the national transportation system, including requirements that will facilitate assessing and improving the security of transportation facilities and infrastructure.

TSA's Maritime and Land operations are continuing to work with IAIP, the Coast Guard, and the Bureau of Customs and Border Protection to develop security standards and regulations for all non-aviation modes of transportation. These efforts will include benchmarking to establish best practices, industry outreach, and extensive collaboration with Department of Transportation (DOT) agencies in order to leverage these agencies stakeholder contacts and transportation expertise. These standards will not displace or conflict with the security standards being developed by other federal agencies. Rather,

they will complement the efforts of other federal agencies to ensure there are no gaps in the security of the national transportation system.

Specific project funding included in the FY 2004 President's request includes \$55 million for the Transportation Worker Identification Credential (TWIC), a sophisticated access control credential, and \$2.5 million to complete work on our Operation Safe Commerce pilot program, to continue to learn the best approach to dealing with the container vulnerability threat.

Research & Development

TSA is requesting \$20 million for aviation related research and development initiatives in 2004. This request includes initiatives related to Next Generation EDS (\$10.0 million), and Air Cargo (\$10.0 million). The Next Generation EDS initiative aims to increase throughput and lower false alarm rates at equivalent or better detection performance capability. This program will perform simulation and modeling of alternative checked baggage-screening technologies, and expand systems testing of off-airport screening capability. This research will also explore EDS screening capabilities for small airports.

The request of \$10 million for the Air Cargo Pilot will support research and development of new performance methodologies in detecting threats to air cargo. The 2004 effort will continue to address how existing devices and procedures can best be applied to air cargo, and to investigate new air technology security concepts, including advanced sensors for effective cargo screening.

Intelligence

TSA is requesting \$13,600,000 to continue to support 100 TSA intelligence positions in 2004. Included in the base funding request are base salaries and benefits, including locality pay, and data base access and equipment maintenance requirements. As part of DHS, TSA will work to integrate its analysis and products with other intelligence components of DHS while continuing to support its transportation customer base with analysis on transportation security and intelligence. DHS will disseminate information on possible threats as rapidly as possible to our Federal Security Directors, airport staff, and airline personnel, current and strategic warnings will be provided regarding threats to U.S. transportation modes, and trends and changes in targeting will be identified. TSA is working with IAIP to increase its intelligence capabilities increase in other transportation areas and to disseminate information to other key officials.

Administration

Funding in the amount of \$421.2 million is requested for essential administrative support of program activities. This amount represents less than 10 percent of TSA's total budget request, and provides financial and human resources support; information technology support; policy development and oversight; performance management and e-government;

communication, public information and legislative affairs; training and quality performance; internal conduct and audit; legal advice; and overall headquarters administration.

Effective use of information technology (IT) is key to TSA's success, and \$145.2 million of the administrative request supports information technology core requirements, which are being provided through a managed service contract.

As a new organization, we have used the opportunity of our "clean slate" to create a lean administrative infrastructure that can serve as a model for other agencies. We have outsourced high volume administrative activities to streamline Government operations.

TSA's management structure and business processes are fully aligned with the **President's Management Agenda**, and we are establishing a culture of management efficiency through initiative and innovation.

In the **human capital** area, training and performance assessment will continue to receive high priority focus and resources, and in FY 2004, TSA will address human capital planning, standards for internal accountability systems, and organizational development. We have stood up a large organization and now must concentrate on building the infrastructure to support that workforce.

Competitive sourcing has been a key component of TSA since its inception, and TSA will continue to use the private sector to perform commercial functions whenever possible and appropriate. For example, TSA has outsourced the hiring, training, and servicing of screeners; the design and installation of explosives detection equipment; and the redesign and reconfiguration of passenger checkpoints. In FY 2004, TSA will continue to pursue contracting opportunities, particularly in the areas of equipment deployment and financial management, incorporating robust contract oversight into this process.

Financial management is identified as a fundamental element of improving management of government programs. At its standup, TSA implemented the Department of Transportation's Delphi financial management system. Under the Department of Homeland Security, we are migrating to Oracle Financials, and exploring the use of Oracle and other financial systems to meet all Joint Financial Management Improvement Program requirements and to give managers budget and performance information on their program operations.

The TSA budget request includes funding to continue to implement and maintain a comprehensive, enterprise-wide architecture to support TSA's mission and the President's **E-Government** initiative. This architecture will be the transport mechanism for data and will provide the necessary support services to TSA's major programs. TSA will also continue its e-government efforts through the implementation of the TSAWeb to

provide public information as well as shared services and all mission-critical, operational and administrative applications for internal and external stakeholders.

We will adopt **budget and performance integration** as the fundamental structure of TSA's program planning and execution to make sure we support and fund those programs that make American transportation systems more secure. We will establish accountability by linking how much we're spending with what we're achieving. TSA intends to implement full integration of cost accounting that links costs to performance goals and therefore to performance results.

I have initiated a rightsizing project that will enable us to reduce the screener workforce as called for in both the FY 2003 and FY 2004 budgets. Obviously, this will be done in a manner that is consistent with maintaining the security paradigm. We will use a risk-based approach to rightsize our workforce and demonstrate to the President and Congress that we are obtaining the maximum security and protection for the traveling public from the resources provided. That is our challenge and I intend to meet it.

Mr. Chairman, Senator Byrd, Members of the Subcommittee, we intend to meet our responsibility for providing security for the Nation's transportation systems with both sensitivity and common sense, by meeting core statutory requirements, by developing and implementing supplementary programs, and by partnering with Federal, State, and local agencies, and with private industry and other stakeholders, to advance the mission of protecting our homeland.

The role of the Transportation Security Administration in meeting this challenge is unmistakable. The nine stars and eleven stripes that appear behind the American eagle on the TSA logo are a daily visual reminder of the “Why” of our organization. The programs and resources I have talked about today represent the “How”. I appreciate the support TSA has received from this Subcommittee and look forward to working with you as we continue this important effort. I will be pleased to answer your questions.