TSA Pre✓ Application Program Fee Development Report

October 25, 2013

U.S. Department of Homeland Security
Transportation Security Administration
Office of Revenue
601 South 12th Street
Arlington, VA 20598-6014
tsa-fees@dhs.gov
(571) 227-2323

TSA Pre✓®

Transportation Security Administration

INTRODUCTION

Purpose

The purpose of this document is to provide an overview of the information used to establish the Transportation Security Administration (TSA) Pre✓™ Application Program fee that will be required for those individuals who voluntarily apply and provide biometric and biographic information to become eligible to receive expedited checkpoint screening at participating airports in the United States (U.S.).

The report provides both general information that is used to establish user charges for government services and detailed information in the establishment of the Pre✓™ Application Program fee. The report outlines specific cost and population data that was used to determine the equitable imposition of a fee that will facilitate cost recovery of this unique security service from individuals that derive benefit from the service.

The information in this report was gathered from various sources and represents the most accurate analysis of estimated cost and population figures at the time of publication. Future fee adjustments may be necessary to incorporate newly identified factors within this dynamic environment. TSA will review this fee on a regular basis and will communicate any changes to the public.

Justification

TSA is required to provide for the screening of all passengers and property in air transportation.[1] The TSA Pre✓™ Application Program, among other TSA risk-based efforts, establishes a means for individuals to become eligible for expedited screening at participating airports in the U.S. and is being implemented pursuant to authority under the Aviation and Transportation Security Act (Public Law 107-71), section 109(a)(3).

The TSA Pre✓™ Application Program fee is being implemented pursuant to authority under Section 540 of the Department of Homeland Security (DHS) Appropriations Act, 2006, Public Law 109-90. This authority stipulates that a fee shall be imposed for registered traveler programs undertaken by the DHS and such fees shall not exceed the costs associated with the program.

[1] See 49 U.S.C. 44901(a).

Pursuant to the Chief Financial Officers Act of 1990[2], DHS/TSA is required to review fees no less than every two years. Upon review, if it is found that a fee is either too high (total fees exceed the total cost to provide the services) or too low (total fees do not cover the total costs to provide the services), the fee will be adjusted. If TSA increases or decreases the fees for this reason, TSA will publish a Notice in the Federal Register notifying the public of the change.

Applicability

The TSA Pre✓™ Application Program fee will be required for those individuals that voluntarily apply for the TSA Pre✓™ Application Program. With a successful application, program eligibility and the underlying security threat assessment are valid for a maximum of five years or until a disqualification occurs. Individuals have the option to renew enrollment in the program at the conclusion of five years by submitting the necessary application and paying the fee.

AUTHORITIES

Applicable Legislation and Guidance

The following laws, regulations, and guidance were consulted and followed in the development of the TSA Pre✓™ Application Program fee:

- Office of Management and Budget Circular A-25: User Charges
- Government Accountability Office Report (GAO-08-386SP): Federal User Fees - A Design Guide
- Aviation and Transportation Security Act, Public Law 107-71
- Department of Homeland Security Appropriations Act, 2006, Public Law 109-90
- Chief Financial Officers Act of 1990

[2] See 31 U.S.C. 3512.

METHODOLOGY

To ensure fee consistency and equity across the entire population of program applicants, TSA prepared estimates for both costs and population for a five-year period. This approach apportions program costs evenly among all applicants during that period and, therefore, results in an equitable fee that is common for all applicants. The following methodology was employed in determining the TSA Pre✓™ Application Program fee:

1. Determine costs by fiscal year — Utilizing the appropriate accounting standards, TSA first estimated program costs for the purpose of fee determination. TSA considered all associated program costs related to enrolling, processing, managing and notifying applicants as estimated by the TSA Office Finance and Administration, Office Intelligence and Analysis, and other TSA stakeholder organizations. These costs are accumulated by fiscal year over a five-year period to equate with the duration of service benefit. The TSA Pre✓™ Application Program fee is composed of defined cost subsets, or cost segments. Each cost segment represents a service that is provided to the applicant.

2. Estimate the number of applicants — The estimate of total applicants by fiscal year, over the five-year period, is a forecast based on application data from similar DHS programs, operational factors, and other constraints. Because this is a new and unique service not previously offered by TSA, there is little historical information available to draw upon to predict a future population for this particular program. Unlike other TSA programs that have been previously established for defined populations (such as port workers or flight school students), this program is voluntary which creates additional challenges in pinpointing expected populations without the benefit of stakeholder input regarding the volume of individuals required to apply for such a service.

3. Fee Calculation—In order to determine the TSA Pre✓™ Application Program fee, TSA utilized two methodologies. First, unit cost rates were utilized for vetting functions that were clearly defined and established via contract or published by another federal agency. Second, TSA apportioned estimated costs across the estimated number applicants to determine a per-applicant charge that would equitably recover the cost of services. Thus, the fee has been designed to recover all program costs from the applicants that gain benefits from this security service over the first five years of the program.

COSTS

The TSA Pre✓™ Application Program fee has been established using cost estimates developed in accordance with the applicable statutory language, section 540 of the DHS Appropriations Act, 2006[3], and Office of Management and Budget Circular A-25. Costs were estimated for a five-year period to match the lifecycle of the program benefit. Costs have been grouped by distinct line items within each fee component. The fee components are as follows:

1. **TSA Fee Component**: Covers the full cost to enroll applicants, process applications including any necessary redress, communicate results, monitor for potential disqualifications that could affect participant's status as approved enrollees in the program and provide overall program management and oversight. Cost estimates were developed for personnel, modifications to various information technology systems, system redundancy, system integration, helpdesk services, mailings, and general program office management. The TSA Fee component consists of two distinct segments.
    a. Enrollment Segment – covers the full cost to establish and operate physical enrollment locations throughout the United States. Such costs include rent, utilities, and personnel. This variable unit cost was estimated at a unit rate of $37.00 and will be imposed on each applicant. The unit rate is the effective cost of the enrollment service as indicated in the agreement with a third party vendor that is under contract with TSA to provide enrollment services.
    b. Operations Segment – covers the full cost for personnel, information technology platform modifications, system redundancy, system integration, application processing, helpdesk services, mailings and general program management. These costs are mostly variable and have been estimated by various line items for a five-year period. While there are some fixed costs in this segment, each line item can be somewhat scaled to satisfy actual demand. By dividing the total operations cost by the number of applicants expected to apply for the service, TSA has calculated the operations segment per-applicant rate at $33.50 per applicant. Table 1 provides further detail, by year, for each line item that comprises the total cost estimate of $65,298,000 for the operations segment over the first five years of the program. Table 2 provides a detailed description of each line item estimated for the operations segment.

2. **FBI Fee Component:** Covers the cost of the fee established by the Federal Bureau of Investigations (FBI) to conduct a criminal history records check (CHRC). As part of the security threat assessment for this program, TSA submits fingerprints to the FBI to obtain any criminal history records that correspond to the applicant. This variable unit cost is currently set at $14.50 by the FBI. See Notice, FBI Criminal Justice Information Services Division; Revised User Fee Schedule, 76 FR 78950 (December 20, 2011). If the FBI increases or decreases its charge to complete the CHRC, the increase or decrease

[3] Public Law 109-90 (119 Stat. 2064, 2088-89, Oct. 18, 2005).

will apply to this program fee component and the total TSA Pre✓™ Application Program fee on the date that the new FBI fee becomes effective.

TABLE 1: Operations Segment Line Item Cost Estimates

Personnel Costs	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Vetting – Initial	276,400	276,400	276,400	276,400	276,400	1,382,000
Vetting - Case Management	1,369,500	1,369,500	1,369,500	1,369,500	1,369,500	6,847,500
Vetting - Analysis	122,100	122,100	122,100	122,100	122,100	610,500
Program Management	783,300	783,300	783,300	783,300	783,300	3,916,500
Vetting – Requirements	276,400	276,400	276,400	276,400	276,400	1,382,000
Technology	552,800	552,800	552,800	552,800	552,800	2,764,000
Acquisitions Support	276,400	276,400	276,400	276,400	276,400	1,382,000
Revenue Support	96,400	96,400	96,400	96,400	96,400	482,000
Chief Counsel Support	346,300	346,300	346,300	346,300	346,300	1,731,500
Personnel Total	**$4,099,600**	**$4,099,600**	**$4,099,600**	**$4,099,600**	**$4,099,600**	**$20,498,000**
Non-Personnel Costs						
Enrollment Platform and Site Operations	800,000	340,000	340,000	340,000	340,000	2,160,000
Vetting Platform	1,150,000	950,000	950,000	950,000	950,000	4,950,000
Eligibility - Customer Notification	4,130,000	410,000	410,000	410,000	410,000	5,770,000
Vetting Operations	1,850,000	1,900,000	1,950,000	2,000,000	2,050,000	9,750,000
Hardware, Software, License, and Integration	650,000	650,000	650,000	650,000	650,000	3,250,000
Redundancy and Technical Refresh	600,000	270,000	270,000	270,000	270,000	1,680,000
Case Management Application Support	1,080,000	1,231,000	1,170,000	1,181,000	1,193,000	5,855,000
Systems Total	**$10,260,000**	**$5,751,000**	**$5,740,000**	**$5,801,000**	**$5,863,000**	**$33,415,000**
Office Cost						
Digitization and Mailings	1,240,000	1,240,000	1,240,000	1,240,000	1,240,000	6,200,000
Escalated Customer Service and Communications	400,000	400,000	400,000	400,000	400,000	2,000,000
Space	440,000	440,000	440,000	440,000	440,000	2,200,000
Travel	245,000	185,000	185,000	185,000	185,000	985,000
Office Total	**$2,325,000**	**$2,265,000**	**$2,265,000**	**$2,265,000**	**$2,265,000**	**$11,385,000**
Grand Total Costs	**$16,684,600**	**$12,115,600**	**$12,104,600**	**$12,165,600**	**$12,227,600**	**$65,298,000**

TABLE 2: Operations Segment Line Item Descriptions

Cost Line Item	Description
Personnel Costs	
Vetting – Initial	Responsible for taking steps to negate invalid matches and referring valid matches for further action. Apprises on-duty Vetting Operations supervisors of any significant threat.
Vetting – Case Management	Responsible for analyzing individual applicant's vetting results (biographic vetting of security threat assessments applicants against applicable terrorism, criminal, and/or immigration-related databases) in order to identify possible threats to national security or transportation. Also coordinates review of correction of record requests, ensures data integrity and conducts quality assurance related to the security threat assessment activities.
Vetting – Analysis	Responsible for collecting and analyzing data related to security threat assessments, including the creation/generation of related reports, conducting research, identifying trends/problems, and making recommendations to the program manager and leadership based on the analysis.
Program Management	Provide leadership and oversight through the management of teams consisting of both Federal personnel and contractors (operational and administrative) including the evaluation and determination of best practices for the program, and supervising the development and execution of all aspects of effective operation of the program including, but not limited to, the following: enrollment, customer service and quality assurance, budgeting, communication and reporting, acquisition, security threat assessments, staffing, technology, and planning/scheduling.

Cost Line Item	Description
Vetting - Requirements	Responsible for managing data ingest, processing, and reporting of results for security threat assessments. This entails definition/revision of vetting program architecture, relating program requirements to the overall architecture for vetting programs, overseeing applications development, and managing related data processing/operations.
Technology	Responsible for managing technology systems and system integration activities required to conduct vetting and security threat assessment case management activities. Oversees the information security/information assurances policies, principles and practices, while conducting risk and vulnerability assessments of planned and installed information systems to identify vulnerabilities, risks and protection needs.
Acquisitions Support	Responsible for ensuring proper acquisition oversight, participate in programmatic tracking and reviews, provide contractual advice and input, participate in customer meetings, agency reviews, departmental reviews and other initiatives related to enrollment, customer service, technology, mailing services and program operations.
Revenue Support	Responsible for processing, allocating and reporting of all revenue collections, revenue reconciliations, and assists in the development and maintenance of fee remittance platforms.
Chief Counsel Support	Responsible for providing legal guidance in the development and implementation of federal documents, program policy and requirements, privacy and information collection requirements, applicant redress process, analyzing applicant waivers, and program contracts.

Cost Line Item	Description
Non-Personnel Costs	
Enrollment Platform and Site Operations	Enhancements and increased capacity to the enrollment platform and enrollment sites necessary to support a new population of applicants including software development, testing, data maintenance, hardware and software maintenance, technical refresh, and operations and maintenance. The provision of certain equipment and infrastructure to facilitate the capture of biographic and biometric information at each enrollment facility pursuant to the Universal Enrollment Services contract facilities costs.
Vetting Platform	Development of the processing platform that is necessary to properly manage applicant information which includes; updates to the case management and vetting systems, environment configuration to receive applications from the enrollment sites and systems, associated vetting system hardware, software licenses, establishment of application ingest and associated technical and security controls, and testing and monitoring of the vetting systems.
Eligibility – Customer Notification	Development and technical support of a new automated capability that is necessary to provide applicants information regarding application status and responses to queries regarding Known Traveler Numbers (KTN). Further, the capability will establish and automated interface with the Secure Flight system.
Vetting Operations	Operations and maintenance of vetting engine systems and infrastructure that are used to conduct checks of individuals for ties to terrorism.
Hardware, Software, License and Integration	Support related to security threat assessment/vetting system hardware and software licenses, system equipment as well system integration and interface/network connectivity.
Cost Line Item	**Description**

Cost Line Item	Description
Redundancy and Technical Refresh	Continuity of Operations Plan to establish redundant/backup infrastructure in a different location thereby ensuring high availability and reliability and preventing a "single point of failure". The cost includes facilities costs, hardware, software licenses, and associated services to stand-up and operates a redundant infrastructure to ensure continuity of operations. Additionally the cost includes hardware and software refresh to ensure ongoing support and prevent technical obsolescence.
Case Management Application Support	Establishing and operating an information technology platform that enables case management analyst to view an applicant's entire application and associated documents to facilitate case management tracking and development of further actions during the application review process.
Office Cost	
Digitization and Mailings	Electronic capture of all applicant documents and TSA communications including, result notification, and correction of record correspondence between TSA and applicants.
Escalated Customer Service and Communications	Establishment of help desk services that provide for communication and coordination of an applicant's vetting progress throughout the vetting process.
Space	Office space for federal personnel including program management and technology support.
Travel	Travel to facilitate proper integration between technology locations, program management locations and operational enrollment sites.

POPULATION

TSA conducted an analysis to estimate the number of TSA Pre✓™ Application Program applicants during the first five years of the program. This analysis consisted of a review of similar aviation passenger programs as well as discussion with subject matter experts.

U.S. Customs and Border Protection Global Entry Program

Given that the TSA Pre✓™ Application Program offers a new and unique service, TSA does not have historical enrollment figures that would be useful in predicting a future population for this new program. TSA turned to similar Federal programs outside of TSA to help develop an estimated population.

U.S. Customs and Border Protection (CBP) offers three voluntary trusted travel programs. One of these programs, Global Entry, operates in the aviation sector. Global Entry allows pre-screened low risk travelers expedited CBP processing at designated airports using automated kiosks. Further, successful applicants of Global Entry are provided reciprocity into TSA Pre✓™ at no additional costs. This reciprocity provides Global Entry members eligibility to receive expedited TSA checkpoint screening services at designated airports through TSA Pre✓™.

CBP estimates that, on average, nearly one million applicants will enroll in the Global Entry Program each year for the next several years. Further, CBP analysis indicates that approximately 40% of Global Entry members do not utilize the expedited CBP processing offered under this program. One conclusion that may be drawn from this analysis is that some travelers that enroll in the CBP Global Entry Program may be doing so to gain the specific benefit of TSA Pre✓™ services. This conclusion is further supported by the fact that CBP estimates there was a 30,000 to 40,000 spike in monthly Global Entry applicants once reciprocity was provided for TSA Pre✓™.

Unknown Factors

There at least two unknown factors that will influence the ultimate number of applicants to the TSA Pre✓™ Application Program. Foremost, the program is offered as a voluntary program. This program is purely voluntary unlike other TSA vetting programs where a regulated population may be required to complete vetting. Individuals will face an economic decision point as they contemplate enrollment. Applicants will decide whether or not the cost of enrollment is worth the benefit of being eligible for TSA expedited screening services. Until information from the pilot of this program can be gathered and analyzed, the specific demand for this service remains elusive. Second, applicants will have options. As mentioned previously, there are multiple ways a traveler may become eligible to receive expedited TSA Pre✓™ screening services. For instance, an air traveler could become eligible for TSA Pre✓™ through successful enrollment in Global Entry. The current Global Entry enrollment fee is $100 and in addition to becoming eligible for TSA Pre✓™ services, the applicant may also derive benefit

from the services offered by CBP. As such, further information is necessary to better determine a detailed factor to account for the public response to product options.

Estimate

Until public demand can be measured and further data is gathered on actual enrollment behavior, the TSA population estimate will be based on the known information that is most relevant. The population estimate considers three main factors. First, approximately one million annual aviation travelers desire some form of expedited screening services and that approximately 40% of those travelers seem to specifically desire eligibility for TSA expedited screening services (1,000,000 * 40% = 400,000). Second, monthly Global Entry enrollments spiked by an average of 35,000 once reciprocity was provided between Global Entry and TSA Pre✓™ (35,000 * 12 = 420,000). Third, TSA plans to initially offer program enrollment at a limited number of locations and steadily expand to over 300 enrollment locations within six to twelve months from the start of the program. To account for this initial scaled capacity, an accommodation has been made to the overall population estimate to incorporate a gradual annual enrollment increase. Table 3 below details the population estimate.

TABLE 2: Population Estimate

	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Total**
Applicants	370,000	380,000	390,000	400,000	410,000	1,950,000

FEE CALCULATION

TSA used two methodologies to establish an equitable TSA Pre✓™ Application Program fee that will be consistent for all program applicants. Where available, TSA utilized unit cost rates for clearly defined functions for which unit cost rates were available through contract or published by another federal agency. This methodology was used for both the enrollment segment of $37.00 and the FBI segment of $14.50. Where unit cost rates were not available, TSA developed cost estimates over the first five years of the program and apportioned them across the expected number of applicants over the same five-year period. This methodology was used for the operations segment. See Table 3 for a detailed fee calculation.

TABLE 3: TSA Pre✓™ Application Program Fee Calculation

	Fee Component		**Methodology**		**Dollars**	
	Enrollment Segment		Unit Rate per Applicant		$37.00	
	Operations Segment		$65,298,000 Operations Cost Divided by 1,950,000 Applicants		$33.50	
	TSA Fee		Enrollment Segment plus Operations Segment		$70.50	
	FBI Fee		Unit Rate per Applicant		$14.50	
	TSA Pre✓™ Application Program Fee				**$85.00**	

CONCLUSION

The information and data captured in this report was gathered through research and extensive discussion with subject matter experts. While this data and information represents the most accurate and current analysis of the estimated costs and estimated population, further adjustments may be necessary to incorporate newly identified factors within this dynamic environment. TSA will review this fee not less than every two years. Any modifications to this fee will be published in the *Federal Register*.