

**“TSA’s 2017 Budget – A Commitment to Security”
Testimony of TSA Administrator Peter Neffenger
Before the United States House Committee on Homeland Security
Subcommittee on Transportation Security
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Introduction

Good morning Chairman Katko, Ranking Member Rice, and distinguished members of the Committee. Thank you for the opportunity to testify today on behalf of the President’s Fiscal Year (FY) 2017 Budget, which includes \$7.6 billion for the Transportation Security Administration (TSA).

The FY 2017 Budget provides funding to sustain and strengthen the critical mission of TSA – protecting the Nation’s transportation system and ensuring the freedom of movement of people and commerce. Transportation, as you know, underpins the entire economic health of this country. We all depend on it, and protecting it is one of the most important services our government provides the American People.

Created two months after 9/11, TSA, and the underlying rationale for its existence remain as compelling today as in 2001. We are challenged by a complex and dynamic threat environment, one in which the global terrorist threat has evolved from a world of terrorist-directed attacks to a world that includes the threat of terrorist-inspired attacks.

In addition to expanding threats with a number of groups with whom to contend, these groups have mastered social media to recruit members, and inspire action against vulnerable and high profile objectives. Aviation remains a prime target for terrorist groups, as demonstrated with the destruction of Metrojet Flight 9268 above the northern Sinai on October 31, 2015, and most recently on February 2, 2016 during an attack on Daallo Airlines, where explosives detonated during its ascent from Adde International Airport in Mogadishu.

A National Imperative

The security and economic prosperity of the United States depends significantly on the effective and efficient operation of its transportation system. We know terrorists, criminals, and hostile nation-states have long viewed transportation sectors, particularly aviation, as a leading target for attack or exploitation. Thus, our mission remains a national imperative.

Our officers, inspectors, air marshals, canine handlers, and other security professionals here in the United States and around the globe are committed to our mission, and they are our most important resource. While operating in the present, we also must envision the future, seeking new ways to enhance our effectiveness across a diverse transportation enterprise, challenged by a persistent threat.

The FY 2017 President's Budget

The FY 2017 Budget of \$7.6 billion will allow TSA the opportunity to more fully address the additional requirements identified last year in response to findings from covert testing of screening processes and procedures by the Department of Homeland Security's (DHS) Office of the Inspector General (OIG). Specifically:

- \$3.0 billion to support 42,848 FTE Transportation Security Officers (TSOs), an increase of \$72.1 million and 323 FTE over FY 2016, to ensure effective screening operations while minimizing wait times. This funding will help to ensure that TSA maintains an appropriate staffing level at our checkpoints.
- \$200 million for transportation screening technology, enabling TSA to continue improving the capabilities of its checkpoint screening equipment throughout nearly 430 airports. This amount continues the additional \$15 million provided in FY 2016, and adds another \$5 million for new capabilities to enhance the checkpoint x-ray units, thus increasing the TSOs' ability to find prohibited items in carry-on bags.
- \$116.6 million to provide training for TSA frontline employees, including new basic training initiated in January 2016 at the TSA Academy located at the Federal Law Enforcement Training Center in Glynco, Georgia. To date, 541 new hires have graduated from this program, and TSA will train another 4,835 frontline employees this year. In FY 2017 TSA will complete construction of modular facilities to house this effort, expanding capacity to 7,300 TSOs annually.
- \$83.5 million for TSA's intelligence operations, an increase of \$2.0 million to continue the expansion of intelligence officers in frontline facilities to improve information sharing.
- \$10 million to replace IT infrastructure, including network components and outdated operating systems, that has not only reached its end-of-life, but more critically has become vulnerable to cybersecurity threats.

The FY 2017 Budget continues and builds on the investments made in FY 2016. As you understand from your review of last year's budget, FY 2016 was an austere budget year for the agency and on behalf of TSA I would like to thank this Committee for its commitment to the DHS transportation security mission.

Addressing Immediate Challenges

When I took office on July 4, 2015, the disturbing results of covert testing of passenger screening operations conducted by the OIG required immediate attention. Upon learning of these results, Secretary Johnson directed TSA to implement a series of steps constituting a 10-point plan to address the issues raised by the covert testing. These included steps to ensure leadership accountability, improve alarm resolution, increase effectiveness and deterrence, increase threat testing to sharpen officer performance, strengthen operating procedures and technology, and enhance training.

All of the actions directed in the Secretary's 10-point plan are currently underway or have been completed.

As Secretary Johnson has stated, we must continually and comprehensively evaluate and re-evaluate what is best for aviation security. To ensure that we do not repeat past failures, determining root causes of the problems has been our utmost concern. We have concluded that strong drivers of the problem included leadership's focus on efficiency, environmental influences that created stress in checkpoint operations, and gaps in system design and processes. A disproportionate focus on efficiency and speed in screening operations rather than security effectiveness powerfully influenced organizational culture and officer performance. As a result, there was significant pressure to clear passengers quickly at the risk of not resolving alarms properly. Our analysis also revealed that our screeners did not fully understand the capabilities and limitations of the equipment they were using, and several procedures were inadequate to resolve alarms. We have addressed this by continuing the Mission Essentials training initiated in FY 2016 so that our TSOs can more effectively use their equipment as threats evolve.

Systematic solutions to these challenges require a number of steps: a renewed focus on TSA's security mission; revised procedures; investments in technology; realistic and standardized training; a new balance between effectiveness and efficiency; and support for our frontline officers. We must also continue to partner with airlines, airport operators, and the trade and travel industry to reduce the stress on checkpoints. Further, we must right-size and appropriately resource TSA and halt further reductions in officer staffing.

We have refocused TSA on its primary mission, re-trained our entire workforce, corrected certain processes and procedures, improved our technology, and analyzed systemic issues. I am confident that we have corrected the immediate problems revealed by the covert testing. I am also confident that TSA is able to deter, detect, and disrupt threats against our aviation system.

We have renewed our focus on the fundamentals of security by asking our officers and leaders to strike a new balance between security effectiveness and line efficiency while also diligently performing appropriate resolution procedures. Moreover, we have directed our managers and supervisors to support our officers in performing their difficult mission. Moving forward, we are guided by a principled approach, with specific projects already underway to ensure we achieve our mission goals.

We are in the process of ensuring our focus on security effectiveness is well-defined and applied across the entire workforce. We are aligning TSA around this renewed focus on security effectiveness. From late July to early October 2015, we provided new and enhanced training for every officer and leader in our screening workforce, more than 42,000 in total. We have followed the initial effort with a range of initiatives to convey these priorities to leaders and officers, including a statement of the Administrator's Intent, the National Training Plan, and our workforce messaging.

Refocusing on threat mitigation and improving TSO awareness and knowledge of threats will provide a new and acute mission focus. We are emphasizing the value of discipline, competence, and professionalism in resolving every alarm. From my field visits, I can report that our officers are hearing, understanding, and applying this new approach.

TSA will continue to partner with the airlines, airport operators, and the trade and travel industry to identify solutions that can reduce the stress on the checkpoint, and we must right-size and resource TSA appropriately.

Environment and Objectives

Our operating environment presents broad national security challenges that require highly effective security measures now and in the future. We will certainly face new challenges as our adversaries continue to evolve their means to attack. Over the next several years, estimates indicate adversaries will likely use variants of previously seen tactics, employing improvised explosive devices or firearms, and could even resort to ground based or inflight attacks.

Our national strategy for combatting terrorism sets our objective as stopping terrorist groups, hostile nation-states, and criminals before they can threaten or engage in attacks against the United States and its international partners, and TSA's aviation security mission is part of DHS's contribution to achieving this objective.

TSA Risk Methodology

The current environment requires that TSA employ an intelligence-driven, risk-based approach to secure U.S. transportation systems. Risk-based security strives to deter, detect, and disrupt attacks on the nation's transportation systems and critical transportation infrastructure, while facilitating the movement of legitimate travel and commerce. The vast majority of people, goods and services moving through our transportation systems are legitimate and pose minimal risk. Thus, appropriately managing risk is essential in all areas of security responsibility. To do this, we must understand intelligence, as it drives our comprehension and assessment of that risk. As we make decisions on policy, operations, and countermeasures across TSA, we will apply risk-based methods to use our resources in ways that minimize risk and ensure system resiliency. We cannot do this alone; we must work closely with stakeholders in aviation, rail, transit, highway, and pipeline sectors, as well as our partners in the law enforcement and intelligence community.

To support our risk-based approach, it is critical to continue to grow the population of fully vetted travelers. At the same time, TSA will continue to apply appropriate measures to address known threats, unknown threats, and low risk or trusted populations.

Securing the National Aviation Domain

To protect the aviation domain, our strategy nests with the National Strategy for Aviation Security, forming the foundation of TSA's mission. The strategy sets three national objectives:

- First, the Nation must use the full range of its assets and capabilities to prevent the aviation sector from being exploited by terrorist groups, hostile nation-states, and criminals to commit acts against the United States, and its people, infrastructure, and other interests;
- Second, the Nation must ensure the safe and efficient use of the Air Domain;
- Third, the Nation must continue to facilitate travel and commerce.

TSA is committed to advancing the following strategic initiatives:

Maintain a strategic, intelligence-driven focus that allows TSA to continuously adapt counterterrorism and security operations to a persistent, evolving threat

We will employ risk-based operations tailored to each environment and transportation mode and will leverage intelligence, technology, the experience of our front-line operators and our private sector and international partners to ensure we employ effective and constantly-evolving systems and capabilities.

Proper application of a risk-based approach requires strong cross-modal domain awareness. TSA must integrate surveillance data, all-source intelligence, law enforcement information, and relevant open-source data from public and private sectors to accomplish this objective. We will pay particular attention to the insider threat. In addition, we will strengthen our capability to conduct deliberate and crisis action operational planning, adjusting to new threats based on mission analysis, intelligence-driven testing of existing systems, and application of proven best practices and principles in the conduct of operations.

Employing historically proven practices and principles enhances consistency and performance of operations. Common tasks for mission success in screening, inspections, special mission coverage, and other operations should be practiced in realistic conditions and rehearsed frequently under the supervision of qualified and trained supervisors or subject matter experts. Frequent rehearsals reinforce tactics, muscle memory, and sustain sharpness of perishable skills.

Invest in our workforce to ensure it is mission-ready, expertly trained, deliberately developed, and led by mission-focused and value-based leaders

The single greatest strength of TSA is its committed, professional workforce. We must continue to recruit and retain highly capable individuals whose talents and acuties are uniquely tailored to our operating environments. Of particular value are experienced specialists – such as explosives experts, air marshals, and canine handlers – whose capabilities are invaluable to our mission success. For them and for all our employees,

we must invest in training and provide a career path for growth and development.

I am committed to creating an environment where employees and leaders can develop, employees have the tools to be successful, and the workforce is motivated by TSA's mission, vision, and strategic imperatives. To provide the most effective transportation security, the workforce must be consistently learning and improving. I will strive to ensure that each of us at TSA Headquarters serves and supports all of the officers, inspectors, marshals, employees, and private sector partners who are on the front lines each and every day and in whom we entrust so much.

My expectations include a strong emphasis on values, performance, customer service, and accountability. The traveling public expects efficient and effective screening and to be treated with dignity and respect, and we must ingrain these principles in agency culture by continually reinforcing this message of dignity and respect in training for our frontline workforce and management alike. I am confident each of the men and women at TSA will achieve my expectations.

The TSA Academy, established at FLETC Glynco in January 2016, offers all new TSO hires a common basic training program and an environment to set foundational culture for TSA. Moreover, this investment will serve to improve performance and morale, foster an environment of growth and development, and develop future leaders.

Pursue advanced capabilities through continuous innovation and adaptation to ensure our agency deters, detects, and disrupts the adversaries of the United States

Central to TSA's mission is deterring a rapidly evolving global terror threat, with persistent adversaries who adapt their methods and plans for attack. Given this dynamic threat landscape, we must employ a strategic, systems-focused approach to ensure we evolve our ability to detect and disrupt the latest threat streams. As our adversaries adapt, so must we.

We will continue to invest in national aviation intelligence systems, transportation sector vetting processes, enhanced explosives detection equipment and improved checkpoint technologies. We will continue to train and develop our officers on technological and procedural limitations to enhance system knowledge and improve the human – machine interface.

We will make a concerted effort to strategically develop and sustain a strong partnership with the homeland security enterprise industrial base and work with them to deliberately develop and validate capabilities. Every effort will be made to enhance the array of TSA's security capabilities to ensure an increased likelihood of exposure and experience to the traveling public. In the aviation sector, we will pursue a system design that identifies a mission essential level of capability that ensures deterrence as well as effective detection and disruption of items on the prohibited items list.

The success of our core aviation security mission requires a continuous cycle of operational evolution. We will work to develop a system focused on identifying and addressing existing vulnerabilities. The global transportation threat requires TSA to employ a systems-of-systems strategy that will enable us to stay proactively informed and connected to our industry partners.

To field and sustain an integrated requirements and acquisition capability, I am committed to creating an efficient, effective, and dynamic resource planning/deployment process for our agency. TSA is focusing on building an acquisition strategy designed to counter evolving threats while concentrating on prioritizing advanced capabilities that are cutting edge and adaptive.

Imperatives for Change

Our critical examination of our screening operations also gave us valuable insight into imperatives for change – how TSA must evolve to meet the security and customer service challenges ahead.

What do we do next? If we were rebuilding TSA from scratch today, would we do everything the same, or is there a better way, given not only the evolution of the threats we face but also the tremendous pace at which the aviation industry is growing? Last year alone, passenger growth was approximately four percent, nearly twice as much as anticipated.

We have no choice but to explore different and innovative ways of doing business, of delivering the safety and security that is crucial to the operation of our transportation system. We have reached a critical turning point in TSA, both in terms of addressing the problems we have encountered and to begin our investment in a more strategic approach to securing the transportation sector.

TSA and Counterterrorism

One of my key objectives is to continue to position TSA as a counterterrorism organization. In pursuing this objective, we have met with key partners from the Intelligence Community and have repeatedly met with officials from a number of our industry partners including each of the major U.S. airlines, cargo carriers, and the key aviation and transportation sector associations. The transportation security system we are moving toward will require a collaborative, cooperative effort among government and industry partners.

We have met with our counterparts in other countries for thorough discussions on aviation, surface, and rail security from a global perspective. TSA maintains a strong relationship with the transportation stakeholders in other countries, and a significant part of our engagement has dealt with their concerns, priorities, and opportunities to pursue further collaboration.

Risk-Based Assessment

Over the last four years, we have made a significant shift to risk-based security procedures. On January 12, 2016, TSA reached two million total enrollments for the TSA Pre✓® Application Program. More than six million travelers are enrolled in a DHS trusted traveler program, such as Customs and Border Protection's Global Entry, and are eligible for TSA Pre✓®. TSA is working aggressively to expand the number of enrolled travelers, with the goal over the next three years of enrolling 25 million travelers in the TSA Pre✓® Application Program or a DHS trusted traveler program. This is a four-fold increase from today. This is an important security component for TSA as it shifts to a model where "low-risk" individuals are either directly enrolled or part of an eligible low-risk population that is known to TSA.

Even more promising in terms of risk-based security procedures is the work we are doing on developing the Dynamic Aviation Risk Management Solution, or DARMS. The objective of DARMS is to unify, quantify, and integrate information across the aviation sector in order to comprehensively assess risk on an individual, on a per flight basis. DARMS will integrate information on passengers, checked baggage and cargo, aircraft operators and airports and airport perimeters.

This kind of system-side application of risk-based principles will allow greater screening segmentation and a more efficient, effective and agile reallocation of resources.

Early this year, TSA will finish the initial proof of concept of DARMS for passenger screening. Within the next one to three years we plan to finish the design and create a prototype that incorporates the complete aviation security ecosystem and which tests and evaluates the approach at a few select airports. And within four to 10 years, we plan to gradually introduce DARMS at airports. We look forward to sharing these plans in more detail with Congress.

We have actively worked with industry throughout the process to leverage their knowledge and expertise, solicit their feedback and refine the approach. TSA is committed to continuing that collaboration and strengthening those partnerships.

Training and Mission Capabilities

As mentioned previously, and thanks to help from Congress in our appropriations last year, we started conducting new hire training for TSOs at the TSA Academy. Previously this training was decentralized and conducted at individual airports.

The TSA Academy connects TSA's front line workforce with other DHS partners and provides a consistent training experience that improves performance and professionalizes the officer workforce. Delivered in a dedicated, high-quality environment conducive to realistic, scenario-based learning, the Academy will help instill a common culture and esprit de corps at the beginning of an officer's career, and

enable us to instill core values and raise performance standards across the screening workforce.

The dividends are already apparent. Training in this manner ties the individual to mission. It ties the employee to the larger organization with a critical mission – to something bigger than themselves – and it ties them to a sense of what the oath they took to protect this country really means.

Technology and Acquisition Innovation

We also are rethinking how we invest in technology to better ensure that our investments are driven by threat and not by lifecycle.

While we continue to improve detection capabilities on our existing equipment, our investment in new technologies must exceed the speed of the enemies' ability to evolve. Our recently published *Strategic Five-Year Technology Investment Plan for Aviation Security* is an example of thoughtful planning toward these ends. Interaction with industry in developing the report was insightful, and we are optimistic that this increased collaboration will prove beneficial.

The Defense Acquisition University is conducting an independent analysis of our acquisition management processes, programs, and organizations to address this challenge, which will inform future adaptations to our acquisition governance. This effort is complete and TSA is reviewing and developing an implementation strategy.

In addition, TSA is partnering with the DHS Science and Technology Directorate (S&T) to further align research and development (R&D) projects to acquisition needs. Improving this critical process will better enable us to identify capability gaps and to coordinate R&D to close those gaps.

The Transportation Security Acquisition Reform Act (P.L. 113-245), signed into law in 2014, has helped us by mandating increased transparency and the use of best practices for security technology acquisitions. The law also allows TSA to advance small business contracting goals and expand our partnership with industry and aviation security stakeholders.

TSA is also partnering with S&T and several private entities to develop the potential future of passenger screening models. Future private – public collaboration in curb-to-gate security systems may offer the leap forward in aviation security that can absorb system growth, increase effectiveness, provide operational resiliency, and improve the passenger experience.

Staffing Models and Rightsizing TSA

Rightsizing our staffing, training, and equipment needs are critically vital investments, and sets a firm foundation for the continuing evolution of TSA. I appreciated the Committee's support and funding for each of these important priorities as part of the FY 2016 Consolidated Appropriations Act (P.L. 114-113) – and request continued support in our FY 2017 Budget. As traveler traffic volume grows, it is crucial we re-examine our assumptions and models for future fiscal years, which is underway now.

We are a smaller organization than we were four years ago, with about 6,000 fewer TSOs in the screening workforce. The fact is we cannot build a workforce indefinitely. We have a limited geographic footprint in every airport – some large, some small. Only continuous innovation at the checkpoint will meet the challenges posed by passenger volume growth. Eventually, we will reach capacity, and in some places we already exceed capacity during peak travel periods.

TSA Senior Leadership

Good leadership requires good people who are committed to the mission. Last September, I convened a meeting of TSA's executive leadership. The meeting allowed me to lay out my vision for evolving TSA into the counterterrorism organization our mission demands. The dialogue at this two-day event was spirited, and we wrapped up with a work list of items that will move our agency forward.

In addition to the range of projects supporting screening operations improvements, we are examining discipline, empowerment of frontline leaders, expanding information sharing, improving training and exploring ways of consolidating operations and support activities in TSA Headquarters. We have also changed the metrics that leadership collects and uses to focus more on effectiveness than efficiency at the checkpoint.

In addition to the standardized training for our frontline employees, I am also committed to continued development of our agency's leaders. I have begun a Leadership Speaker's Series for senior leadership that covers topics such as ethical leadership, leadership in action, and leading effective operations. We will be sending senior leaders to leadership courses to strengthen their skills. Additionally, I have reformed guidelines regarding SES special act awards.

Administrator's Intent

Mission success is built on a shared understanding of objectives, unity of purpose, and alignment of values and principles. In January 2016, I published my *Administrator's Intent*, an effort to articulate those objectives, the approach we will pursue in accomplishing our essential counterterrorism mission, and the values and principles that define TSA.

Central to our success is a commitment to a common set of values. We will operate with the core values that define us as an agency – integrity, innovation, and team spirit. Building on these, my *Intent* outlines the principles we care about as an agency.

Simply stated: we will *Focus on Mission, Invest in People, and Commit to Excellence.*

- *Focus on Mission:* Since my first day at TSA, I have stressed the importance of putting our mission first. Focusing on our mission helps us prioritize our resources and operations to meet the threat. It also informs how we must invest in our workforce to achieve mission success.
- *Invest in People:* Our culture, effectiveness, and mission readiness are a direct result of consistent and career-long investment in people and set the foundation for agency success. Our people are our most important resource, and I am committed to ensuring they have the tools and resources to succeed. Value-based leadership, a foundation of training, recruiting and retaining talent, and appropriate recognition are core elements of our approach.
- *Commit to Excellence:* Our standard is excellence in all mission areas. We operate in a global environment where the threat remains persistent and evolving. As we pursue our counterterrorism mission, we will relentlessly pursue excellence, through a culture of constant improvement, organizational adaptation, and a disciplined pursuit of professionalism.

Of the many positive impressions from my early tenure as TSA Administrator, the most profound is the one I have gleaned from our workforce. They are incredibly patriotic and passionate about our counterterrorism mission and will perform well if properly trained, equipped and led.

Many profound and important tasks lay ahead for TSA, and we are committed to leading this agency guided by these values and principles. It is a noble mission for which the men and women of TSA are prepared. Thank you for the opportunity to appear before you today. I look forward to your questions.