Transportation Security Administration
TSA Alternative Identity Verification
Fee Development Report

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INTRODUCTION

Purpose

The purpose of this document is to provide an overview of the information used to establish the Transportation Security Administration's (TSA) fee required for individuals who voluntarily use TSA's modernized alternative identity verification program as part of processing through checkpoints at federalized airports in the United States (U.S.).

The report provides detailed information that was used to set the rate for the government program outlined in the TSA Modernized Alternative Identity Verification Fee Notice published in the Federal Register. The report outlines specific cost and population data used for the equitable imposition of a fee that will facilitate full cost recovery of this unique program from individuals that participate in and derive benefit from it.

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 modernized alternative identity verification program is being implemented to provide the individuals with an updated and modernized alternative identity verification process when an individual is unable to present an acceptable form of identification (AFOID) at federalized airports in the U.S. The program is being implemented pursuant to authority in Section 540 of the Department of Homeland Security Appropriations Act, 2006, Pub. L. No. 109-90, 119 (Stat. 2064, 2088–89 (Oct. 18, 2005)) and codified at 49 U.S.C. § 114 note.

Pursuant to the Chief Financial Officers Act of 1990[2], TSA is required to review fees no less than every 2 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 public notice of such a change in the fee.

Applicability

The TSA modernized alternative identity verification program fee will be required when an individual voluntarily seeks to register for and use an alternative method to verify their identity at a federalized airport checkpoint. With successful verification, an individual may enter the checkpoint and be screened for entry into the sterile area. Individuals who seek to use the

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[1] *See* 49 U.S.C. § 44901(a).

[2] *See* 31 U.S.C. § 3512.

modernized alternative identity verification program multiple times within a 10-day period will not be required to pay an additional fee. However, individuals must successfully verify their identity on each use.

AUTHORITIES

Applicable Legislation and Guidance
The following laws, regulations, and guidance were consulted and followed in the development of the modernized alternative identity verification 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

METHODOLOGY

To ensure fee consistency and equity in the imposition of the fee across the entire population of service recipients, TSA prepared estimates for both costs and population for a 5-year period. This approach apportions program costs evenly among all expected users during that period and, therefore, results in an equitable fee that is common for all users. The following methodology was employed to establish the fee:

1. Determine costs by fiscal year — Utilizing the appropriate guidelines[3], TSA first estimated service costs for the purpose of fee determination. TSA considered all associated costs related to the alternative processes TSA uses to verify an air traveler's identity; data storage and management; and ongoing operations and maintenance. These costs are accumulated by fiscal year over a 5-year period to help ensure an equitable and consistent fee is implemented over the near term.

2. Estimate the number of users — The estimate of total users by fiscal year, over the 5-year period, is a forecast based on historical alternative identity verification data, and general estimates of the number of individuals seeking entry at checkpoints. Unlike other TSA vetting programs established for defined populations (such as U.S. flight school students), this program is voluntary, which creates extra challenges in forecasting populations that may opt to register for this unique security service. Additionally, there are other means that an air traveler may verify identity at a checkpoint that complicate forecasting the expected number of potential users of the TSA's modernized alternative identity verification program.

3. Fee Calculation—In order to determine the fee, TSA apportioned estimated costs over a 5-year period across the estimated number users for that same period. Thus, the fee has been designed to recover all TSA service costs from the users that gain a benefit from this unique security service over the 5-year period.

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[3] Office of Management and Budget Circular A-25 User Charges provides direction on determining and implementing user charges.

COSTS

The modernized alternative identity verification program fee has been determined by using cost estimates developed in accordance with the statutory language, section 540 of the DHS Appropriations Act, 2006[4], and Office of Management and Budget Circular A-25. Costs have been estimated for a 5-year period to impose a consistent fee that equitably recovers the cost of the program from all users that benefit from the program.

Costs include establishing an information technology infrastructure to collect user information, process identity verification, communicate results, conduct maintenance and innovative enhancements to provide a better alternative identity verification experience, customer support services, and provide overall program management and oversight. Costs include estimates for personnel, information technology platform development and modifications, identification platforms, system redundancy, system integration, customer service, and general program management. These costs have been estimated by various line items for the 5-year period. While there are both fixed and variable costs in this component, each line item can be somewhat scaled to meet actual demand. Table 1 provides further detail of the items that comprise this component and total approximately $1.12 billion over 5 years of the program. Table 2 provides a detailed description of each line item estimated for the TSA fee component.

TABLE 1: Line Item Cost Estimates

Cost Category	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IT Infrastructure	$95,000,000	$45,305,500	$33,979,125	$33,979,125	$33,979,125	$242,242,875
Cloud Services	$33,000,000	$15,737,700	$11,803,275	$11,803,275	$11,803,275	$84,147,525
Software Development	$45,000,000	$21,460,500	$16,095,375	$16,095,375	$16,095,375	$114,746,625
Identity Verification and Validation	$35,000,000	$16,691,500	$12,518,625	$12,518,625	$12,518,625	$89,247,375
Mobile Computing	$35,000,000	$16,691,500	$12,518,625	$12,518,625	$12,518,625	$89,247,375
IT Data Infrastructure	$65,000,000	$30,998,500	$23,248,875	$23,248,875	$23,248,875	$165,745,125
IT Integration	$50,000,000	$23,845,000	$17,883,750	$17,883,750	$17,883,750	$127,496,250
Security and Compliance	$18,000,000	$8,584,200	$6,438,150	$6,438,150	$6,438,150	$45,898,650
Project Management	$6,000,000	$6,000,000	$4,500,000	$4,500,000	$4,500,000	$25,500,000
Customer Support and Maintenance	$11,000,000	$11,000,000	$8,250,000	$8,250,000	$8,250,000	$46,750,000
Training and Change Management	$10,000,000	$4,769,000	$3,576,750	$3,576,750	$3,576,750	$25,499,250
Branding, Marketing, Public Awareness	$26,000,000	$12,399,400	$9,299,550	$9,299,550	$9,299,550	$66,298,050
Total	**$429,000,000**	**$213,482,800**	**$160,112,100**	**$160,112,100**	**$160,112,100**	**$1,122,819,100**

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[4] Pub. L. 109-90 (119 Stat. 2064, 2088-89, Oct. 18, 2005).

TABLE 2: Operations Segment Line Item Descriptions

Cost Line Item	Description
IT Infrastructure	Cost associated with acquiring, maintaining, and managing foundational hardware, software, networks, and services required to support TSA's information technology operations.
IT Cloud Services	Costs related to on-demand computing resources, applications, and services delivered over the internet by cloud providers enabling individuals to access these services remotely, enabling scalability, flexibility, and cost-efficiency.
Software Development	Costs related to the process of designing, creating, testing, deploying, and maintaining software applications or systems to meet specific user needs and to solve unique problems via a series of structured steps and methodologies to ensure the software is functional, reliable, and secure.
Identity Verification and Validation	Costs incurred to compile and process user data through various workflows to accomplish identity verification. Activities include review of data integrity, matching of data records, analysis of data results, data flow across the platform, and communication of results to the user.
Mobile Computing	Cost to access, transmit, and process data and perform computing tasks wirelessly using portable devices, regardless of location. Enables users connection and performance of various functions without being confined to a fixed physical location using wireless networks, mobile devices, and cloud computing.
Data Infrastructure	Costs incurred for hardware, software, personnel, and facilities that are required to store, process, and manage data. Some infrastructure costs are variable and are incurred based on the level of usage, including compute, storage, data transfer, networking, and managed services. Other data infrastructure costs are fixed and do not vary with usage.

Cost Line Item	Description
Integration	Costs related to combining different information technology systems, applications, and processes within an organization to work together seamlessly as a unified system. IT Integration improves efficiency, streamlines workflows, enhances data sharing, and ensures interoperability between various technologies and platforms.
Security and Compliance	Costs related to the measures implemented to protect an organization's information systems, data, and infrastructure from unauthorized access, cyberattacks, data breaches, and other security threats. Costs related to adhering to laws, regulations, standards, and policies that govern the use, storage, and management of information technology and data that help to ensure that an organization meets legal and industry requirements. Additional costs related to ensuring operational requirements with the service are satisfied by the aviation sector.
Program Management	Costs related to oversight and management of personnel and resources including functions for program policy, budgeting, scheduling, evaluation, revenue processing, legal services, best practices, supervision and other management activities as necessary.
Customer Support and Maintenance	Cost to assist customers in completing processing, resolving issues, answering questions, and ensuring satisfaction with products or services via various channels like in-person, phone, email, chat, or self-service portals. Additionally, costs related to satisfaction with the service via ongoing support, communication, and engagement to meet customer needs and expectations while maintaining a positive customer experience.
Training and Change Management	Costs related to developing specific skills, knowledge, and competencies to improve performance, productivity, and understanding. Additional costs related to structured approach for individuals, teams, and organizations to transitioning from a current state to a desired future state.
Branding, Marketing and Public Awareness	Costs related to promoting and distributing products, services and unique identities to customers including advertising, branding, signage, and public relations. Additional cost related to

	promoting general public knowledge, education and attention related to the service through engagement to increase awareness and understanding of matters that impact the aviation sector as a whole.

POPULATION

TSA conducted analysis of historical alternative identity verification process volume at TSA checkpoints as well as compilation of estimates for future usage of the modernized alternative identity verification program over the next 5 years. These analyses consisted of a review of the most up-to-date historical data and environment characteristics.

Population Factors

The are two factors that will influence the number of air travelers that opt to utilize the modernized alternative identity verification program. Foremost, the TSA modernized alternative identity verification program is offered as a voluntary service. Unlike other TSA security services where a regulated population may be required to complete security verification, this program is voluntary and by definition, the population can vary depending on consumer demand. Air travelers will face an economic decision point as they contemplate usage and will decide whether or not the cost of usage is worth the benefit of the verification services.

Second, air travelers can obtain and present an AFOID to verify their identity. The ability of travelers to present an AFOID and eliminate the need for any alternative identity verification processes add complexity in forecasting a precise number of air travelers that opt to utilize the service. For example, an air traveler that presents a United States Passport at the checkpoint can verify identity using that document and would not need to use the TSA modernized alternative identity verification program. An individual that pays a fee to use the TSA modernized alternative identity verification program may be motivated to obtain an AFOID in the future to present during future air travel. Thus, an air traveler makes an economic decision when choosing to continue seeking to use the TSA modernized alternative identity verification program rather than presenting an AFOID.

Estimate

The total user population estimate consists of two parts, daily users and surge users. In total, TSA forecasts that approximately 65.3 million air travelers will opt to use the TSA modernized alternative identify verification service over the first 5 years of the program.

The Daily Users portion of the population estimate considers the historical average number of air travelers that do not have an AFOID and will likely not obtain one. Historically, about one percent (25,102) of air travelers per day are in this grouping. TSA is assuming that all of this grouping will opt to use the TSA modernized alternative identity verification program over the first 5 years. However, because the individuals will not be required to pay a subsequent fee for 10 days, TSA is assuming that only half (12,551) will pay for the service[5] which generates a forecast of 4,581,120 users annually for this grouping.

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[5] This accounts for the number of individuals who will not need to pay a subsequent fee because they are traveling by air multiple times within the 10-day period.

The Surge Users portion of the population estimate considers the number of air travelers that arrive at a checkpoint without an AFOID but either currently have an AFOID or will likely obtain and use and AFOID in the near future. TSA assumes that that 7 percent of daily air travelers (175,712) are a part of this grouping. Again, because the fee is valid for 10 days, TSA is assuming that only half (87,856) will pay for the service which generates a forecast of approximately 25.6 million air travelers in this grouping opting to use an alternative identification service in year 1. Additionally, TSA is assuming that this surge grouping of the population will decrease by 8.1% each month over 2 years and then level with daily users for years 3-5. Table 3 provides further detail regarding the 5-year population estimate.

TABLE 3: Population Estimate

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Daily Users	4,581,120	4,581,120	4,581,120	4,581,120	4,581,120	22,905,600
Surge Users	21,018,715	7,627,677	4,581,120	4,581,120	4,581,120	42,389,752
Total	**25,599,835**	**12,208,797**	**9,162,240**	**9,162,240**	**9,162,240**	**65,295,352**

FEE CALCULATION

TSA developed a cost and population model to determine the TSA modernized alternative identity verification program fee that would generate sufficient revenue over a 5-year period to satisfy TSA expenses over the same 5-year period. The model also considered the TSA resource balance at the conclusion of the 5-year period. TSA seeks to maintain a resource balance to ensure program stability by carrying a sufficient resource balance in the next fiscal year to address unforeseen changes or interruptions in service operations[6]. TSA estimates costs of $1.12 billion over the 5-year period, and TSA desires to have $50-$60 million in resources remaining at the conclusion of the 5-year period. Thus, TSA needs to generate approximately $1.18 billion in revenue over the 5-year period. To achieve revenue collections of approximately $1.18 billion over the 5-year period, TSA is required to impose a fee of $18.00 for each chargeable modernized alternative identity verification program usage over the 5-year period ($1.12 billion forecasted total cost / 65,295,352 expected chargeable uses over 5 years = $18.00 per user). See Table 4 for calculation details.

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[6] Unforeseen circumstances such as a lapse in Federal Government Appropriations could curtail revenue recognition and cause an inability to satisfy financial obligations. Unexpected changes in program cost structures or enrollment behavior could create sudden financial impacts that require financial reserves to remediate.

TABLE 4: TSA Verify Fee 5-Year Resource Calculation

Component	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Beginning Year Revenue Balance	$ -	$ 31,797,028	$ 38,072,574	$ 42,880,794	$ 47,689,014	
Annual Costs	$ 429,000,000	$ 213,482,800	$ 160,112,100	$ 160,112,100	$ 160,112,100	$ 1,122,819,100
Annual Revenue	$ 460,797,028	$ 219,758,346	$ 164,920,320	$ 164,920,320	$ 164,920,320	$ 1,175,316,334
End of Year Revenue Balance	**$ 31,797,028**	**$ 38,072,574**	**$ 42,880,794**	**$ 47,689,014**	**$ 52,497,234**	**$ 52,497,234**

In summary, the TSA modernized alternative identity verification program fee is set at $18.00 to recover approximately $1.18 billion in total revenue from users over the next 5 years. This collection rate will recover the full cost to provide the TSA modernized alternative identity verification program services to individuals that utilize this unique security service over the next 5 years. This collection rate will also allow TSA to carry sufficient resources forward to continue to ensure future program sustainability.

CONCLUSION

The information and data captured in this report was gathered through research and discussion with subject matter experts. While this data and information represents the most accurate and current analysis of the estimated costs and estimated population at the time of publication, further adjustments may be necessary to consider changed or newly identified factors within this dynamic environment. TSA will review this fee not less than every two years. Any modifications to the modernized alternative identity verification program fee will be published for public notice.