

Statement for the Record

Michael Chertoff

Secretary

United States Department of Homeland Security

Before the

**United States Senate
Committee on Homeland Security
and Governmental Affairs**

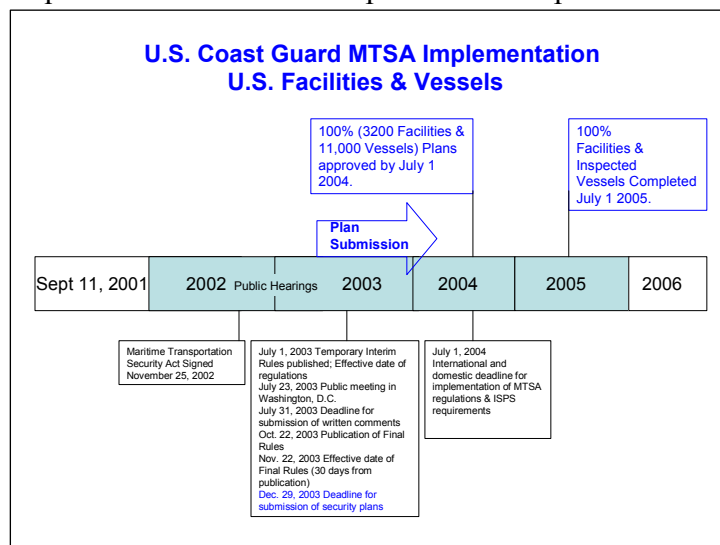
March 1, 2006

Madame Chairman, Senator Lieberman, and Members of the Committee:

Before beginning to outline our FY 2007 budget request, I want to thank you for the strong support you showed for the Department in the two full budget cycles since it was fully established in March 2003. This is my first full budget cycle and I am honored and pleased to appear before the Committee to present President Bush's FY 2007 budget for the Department of Homeland Security (DHS).

I would like to begin by assuring Members of this Committee and the public of the Department's efforts to secure the Nation's seaports. The Department continues to implement a multi-layered defense strategy to keep our ports safe and secure. Utilizing the expertise of our bureaus – particularly the United States Coast Guard and U.S. Customs and Border Protection – the private sector, and state and local authorities, we have made great strides since 9/11 to ensure that there are protective measures in place from one end of a sea based journey to the other. With the President's FY 2007 Budget request, total DHS funding for port security activities since FY 2004 total nearly \$10 billion.

As the lead federal agency for maritime security, the Coast Guard routinely inspects and assesses the security of 3,200 regulated facilities in more than 360 U.S. ports at least annually in accordance with the Maritime Transportation and Security Act (MTSA) and the Ports and Waterways Safety Act (PWSA). Every regulated U.S. port facility, regardless of owner/operator, is required to establish and implement a comprehensive Facility Security Plan (FSP) that



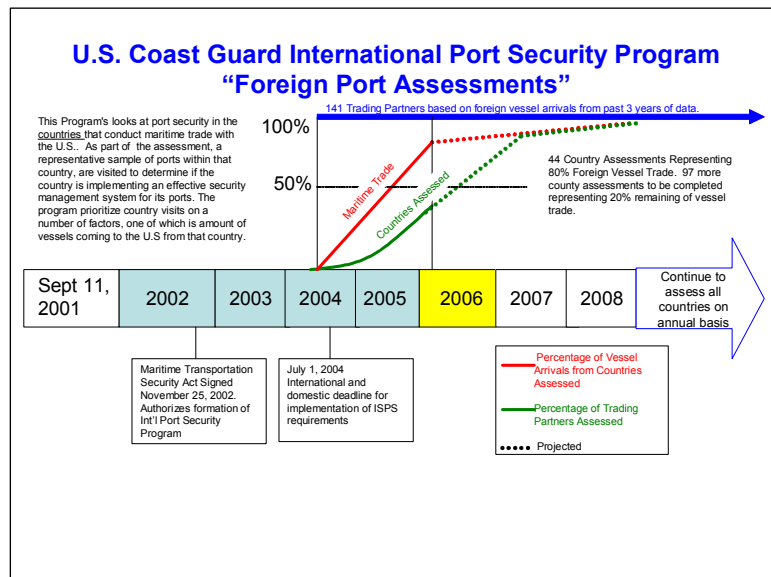
specifically addresses the vulnerabilities identified in the facility security assessment and details measures and procedures for controlling access to the facility, including screening, designating employees with key security responsibilities, verifying credentials of port workers, inspecting cargo for tampering, designating security responsibilities, quarterly training, drills and annual exercises, and reporting of all breaches of security or suspicious activity, among other security measures.

Working closely with local port authorities and law enforcement agencies, the Coast Guard regularly reviews, approves, assesses and inspects these plans and facilities to ensure compliance.

In accordance with MTSA, the Coast Guard has completed verification of security plans for U.S. port and facilities and vessels operating in U.S. waters. Specifically:

- Port Threat Assessments for all 55 militarily or economically critical ports have been completed. The Coast Guard has developed 44 Area Maritime Security Plans covering 361 ports, the Great Lakes, the Inland and Western Rivers and the Outer Continental Shelf region.
- The Coast Guard completed initial security plan verification exams on all 6,200 U.S. flag inspected vessels on July 1, 2005.
- The Coast Guard has completed 2,400 verification examinations on uninspected vessels regulated under the MTSA, and is on track to complete all 4,800 by December 31, 2006.
- Reviewed and approved 3,200 facility security plans.
- Approved 60 offshore facility security plans.

In addition to the Coast Guard's broad authorities for ensuring the security of U.S. port facilities and operations, the Coast Guard worked through the International Maritime Organization to develop the International Ship and Port Security (ISPS) Code. Through the International Port Security Program, the Coast Guard has partnered with other nations worldwide to ensure compliance with ISPS. The Coast Guard has assessed 44 countries, which are responsible for 80% of the maritime trade to the United States. Of those 44 countries, 37 have been found to be in substantial compliance with the ISPS Code. The seven countries that are not in substantial compliance have been or will soon be notified to take corrective actions or risk being placed on a Port Security Advisory and have Conditions of Entry imposed on vessels arriving from their ports. The Coast Guard is on track to assess approximately 36 countries per year.



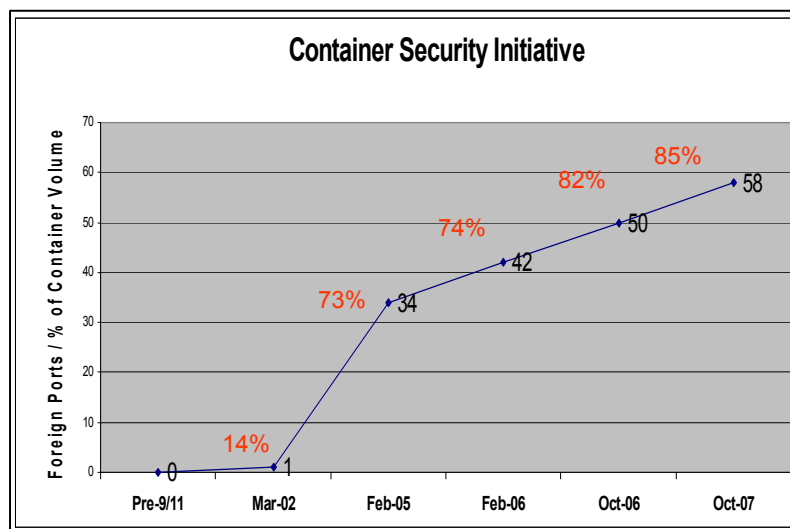
The Coast Guard has also taken multiple steps to enhance our awareness in the maritime domain. Publication of the 96-hour Notice of Arrival regulation allows sufficient time to vet the crew, passengers, cargo and vessel information of all vessels prior to their entering the US from foreign ports. The Coast Guard also has expansive authority to exercise positive control over a vessel intending to enter a port or place subject to the jurisdiction of the United States. Since July 2004, the Coast Guard has boarded 16,000 foreign flag vessels for security compliance with the ISPS Code and the MTSA. Out of those 16,000 boardings, the Coast Guard imposed 143 detentions, expulsions or denials of entry. In addition, the Automatic Identification System (AIS) has been fielded at 9 ports with Vessel Traffic Service systems and allows the Coast Guard to identify and track vessels in the coastal environment. Long range tracking, currently in development, will enable the Coast Guard to identify and track vessels thousands of miles at sea, well before they

reach our coastal zones. Likewise, the Inland River Vessel Movement Center provides critical information about the movement of hazardous cargoes along our Nation's inland rivers.

The Coast Guard has increased its operational presence through a number of other initiatives. For example, the Coast Guard has established processes to identify, target, and have conducted 3,400 security boardings on High Interest Vessels. These boardings included 1,500 positive control vessel escorts to ensure these vessels cannot be used as weapons of mass destruction. The Coast Guard has also established 12 Maritime Safety and Security Teams and enforced hundreds of fixed and moving security zones to protect Maritime Critical Infrastructure and Key Assets (MCI/KA) and Naval Vessel Protection Zones (NVPZ) to protect U.S. Navy and Maritime Administration vessels. Further, the Coast Guard is developing a Risk-Based Decision Making System, to be implemented this year, which will help prioritize High Capacity Passenger Vessels (HCPV) escorts. Although initially developed for high capacity ferries, its application is being expanded to enhance current security measures for other HCPVs: ferries, cruise ships, and excursion vessels carrying 500 or more passengers.

The Coast Guard is also working closely with various other agencies to implement the National Strategy for Maritime Security, and its eight supporting plans. Together, the plans provide the road map for the integration of national efforts in supporting the four primary pillars of maritime security: Awareness, Prevention, Protection, and Response and Recovery. As DHS's executive agent for implementing and updating plans related to Maritime Domain Awareness (Awareness), Global Maritime Intelligence Integration (Prevention), Maritime Transportation System Security (Protection), and Maritime Operational Threat Response (Response/Recovery), the Coast Guard, in cooperation with other stakeholders, is leading efforts to increase the coordination, effectiveness and efficiency of existing government-wide initiatives.

In close coordination with the Coast Guard, U.S. Customs and Border Protection (CBP) mission is to prevent terrorists and terrorist weapons from entering the United States by eliminating potential threats before they arrive at our borders and ports. For example, through a program administered by CBP, the Department has implemented the 24-Hour Advanced Manifest Rule, requiring all sea carriers, with the exception of bulk carriers and approved break bulk cargo, to provide proper cargo descriptions and valid consignee addresses 24 hours before cargo is loaded at the foreign port for shipment to the United States. Failure to meet the 24 hour advanced manifest rule results in a "do not load" message and other penalties. This program gives the Department greater awareness of what is being loaded onto ships bound



meet the 24 hour advanced manifest rule results in a "do not load" message and other penalties. This program gives the Department greater awareness of what is being loaded onto ships bound

for the United States and the advance information enables DHS to evaluate the terrorist risk from sea containers.

Similarly, the Container Security Initiative (CSI) and the Customs-Trade Partnership Against Terrorism (C-TPAT) initiatives bolster port security. Through CSI, CBP works with host government Customs Services to examine high-risk maritime containerized cargo at foreign seaports, before they are loaded on board vessels destined for the United States. In addition to the current 42 foreign ports participating in CSI, many more ports are in the planning stages. By the end of 2006, we expect that 50 ports, covering 82% of maritime containerized cargo shipped to the U.S., will participate in CSI. The table above shows the Department's substantial progress in expanding the CSI program since September 11, 2001.

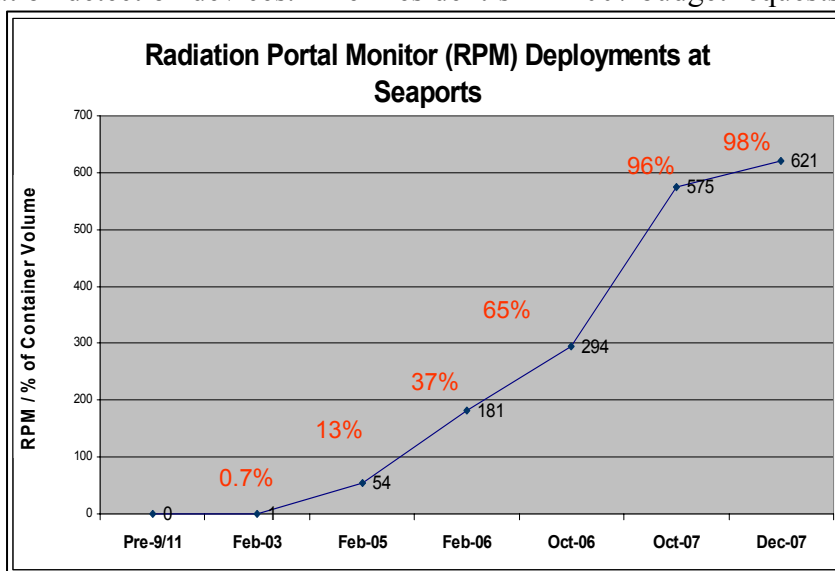
Through C-TPAT, CBP has created a public-private and international partnership with nearly 5,800 businesses (over 10,000 have applied), including most of the largest U.S. importers. C-TPAT, CBP and partner companies are working together to improve baseline security standards for supply chain and container security. CBP reviews the security practices of not only the company shipping the goods, but also the companies that provided them with any services.

At present, the C-TPAT program has completed validations on 27 percent (1,545 validations completed) of the certified membership, up from 8 percent (403 validations completed) a year ago. Additionally, validations are in progress on another 39 percent (2,262 in progress) of certified members, and these validations will be completed throughout 2006, bringing the total percentage of certified members to 65 percent by years' end. In 2007, the C-TPAT program validations will continue. And we will have validated 100 percent by the end of CY 2007.

CBP also uses cutting-edge technology, including large-scale X-ray and gamma ray machines and radiation detection devices to screen cargo. Presently, CBP operates over 680 radiation portal monitors at our nation's ports, including 181 radiation portal monitors at seaports. CBP also utilizes over 170 large scale non-intrusive inspection devices to examine cargo and has issued 12,400 hand-held radiation detection devices. The President's FY 2007 budget requests \$157 million to secure

current and next-generation detection equipment at our ports of entry through the DHS Domestic Nuclear Detection Office (DNDO).

Over 600 canine detection teams, capable of identifying narcotics, bulk currency, human beings, explosives, agricultural pests, and chemical weapons, are deployed at our ports of entry. As reflected in the Radiation Portal Monitor Deployment



at Seaports table, 621 RPMs will be deployed to our Nation's top seaports, which will allow us to screen approximately 98 percent of inbound containers by December 2007.

CBP's National Targeting Center (NTC) is also a critical component of our layered port security efforts. The NTC provides tactical targeting and analytical research support for CBP anti-terrorism efforts. Experts in passenger and cargo targeting at the NTC operate around the clock using tools like the Automated Targeting System (ATS) to identify tactical targets and support intra-departmental and inter-agency anti-terrorist operations. The ATS serves as the premier tool for performing transactional risk assessments and evaluating potential national security risks posed by cargo and passengers arriving by sea, air, truck, and rail. Using pre-arrival information and input from the intelligence community, this rules-based system identifies high-risk targets before they arrive in the United States. The Department's Science & Technology Directorate (S&T) is supporting the introduction of advanced intelligent algorithms to further improve these risk assessment capabilities.

A key responsibility of the NTC is the support that it provides to the field, including tactical targeting and research support for the CSI personnel stationed at critical foreign ports throughout the world. The NTC, combined with CSI, C-TPAT, the 24-hour rule, and ATS ensures that all containers on-board vessels destined for the United States are risk scored using all available information; and that all cargo determined to be of high risk are examined. The NTC, working closely with the Coast Guard, also vets and risk scores all cargo and cruise-ship passengers and crew prior to arrival. This ensures that DHS has full port security awareness for international maritime activity.

Further, DNDO's FY 2007 budget request of nearly \$536 million, a 70% increase from FY 2006, includes \$157 million which will allow for the acquisition and deployment of nearly 300 current and next-generation radiation detection systems at our ports of entry. These systems will be deployed and operated by CBP. In addition, DNDO's FY 2007 budget also includes \$30.3 million for the development of enhanced cargo radiography screening systems for our ports of entry. These enhanced screening efforts will compliment the many information based programs, such as C-TPAT, the Department already has in place for enhanced port security.

In addition to increased screening efforts at our own ports of entry for radioactive and nuclear materials, the Department fully endorses the concept of increased active and passive detection at foreign ports of departure. The systems DNDO are acquiring and developing can also be used by foreign ports with a CSI presence, as well as the Department of Energy's Megaports program. We must continue to stress the need for increased screening at foreign ports of departure, while at the same time have a robust screening effort at our own ports of entry.

In order for the Department to increase its visibility into the security of our international supply chains, S&T is developing technology solutions that can be applied across the supply chain. Part of this effort is the development of a new class of security devices that will monitor the integrity of intermodal shipping containers and enable CBP Officers, CSI personnel and the NTC to gather information on the status of a container to improve risk assessment and data collection. When coupled with the broad supply chain security architectural framework currently under

development by S&T, the Department will have the capability to bridge data and information between container security devices, shippers, and the National Targeting Center (NTC).

Finally, in addition to the work of the Coast Guard, CBP, S&T and the DNDO, the Port Security Grant program has awarded over \$700 million to owners and operators of ports, terminals, U.S. inspected passenger vessels and ferries, as well as port authorities and State and local agencies to improve security for operators and passengers through physical security enhancements. The mission of the Port Security Grant program is to create a sustainable, risk-based effort for the protection of ports from terrorism, especially explosives and non-conventional threats that would cause major disruption to commerce and significant loss of life.

The Preparedness Directorate will also announce the application process for an additional \$168 million in port security grants in the coming weeks, bringing total funding to over \$870 million since 9/11. In addition, the FY 2007 President's Budget bolsters funding for infrastructure protection, including ports, through the \$600 million Targeted Infrastructure Protection grant program. The FY 2007 request consolidates existing infrastructure grant programs into a single program with a 55 percent increase in funding.

With all of the layered efforts already in place, and the ongoing efforts that are supported in the 2007 budget request, port security has substantially improved since 9/11, and since the creation of the Department of Homeland Security.

Other Key Accomplishments

I would like to now address some of our other major accomplishments to date. As DHS approaches its third anniversary on March 1, 2006, creating one national integrated strategy to fight the war on terror, through awareness, prevention, protection, response, and recovery remains the key focus of its vision and mission. Since its inception, the Department has steadily progressed in its efforts to vigorously protect America's homeland. Since 2001, the Administration:

- Has increased annual spending on Government-wide non-defense homeland security by 350 percent, more than tripling spending devoted to homeland security;
- Created the Department of Homeland Security by merging 22 separate agencies and programs into a cohesive department;
- Restructured the agencies that handle immigration and border security issues. Customs and Border Protection (CBP) has Port of Entry officers and Border Patrol agents along the border. Immigration and Customs Enforcement (ICE) enforces immigration laws and detains those aliens here illegally. U.S. Citizenship and Immigration Services (USCIS) administers a wide variety of immigration benefits and services within the United States;
- Established the Transportation Security Administration (TSA) to improve aviation security and other modes of transportation security nationwide. TSA hired a screener

workforce and deployed sufficient technology to electronically screen 100 percent of passenger and checked baggage;

- Created a Domestic Nuclear Detection Office (DNDO) to detect, identify, and track down the origins of nuclear and radiological materials; and
- Provided the Department nearly \$18 billion for State, local, and tribal governments to enhance their preparedness for a range of hazards, including \$14 billion for terrorism and other catastrophic events.

When I arrived at the Department in 2005, I initiated a Second Stage Review (2SR) to assess whether DHS' policies, operations, and organizational structure were properly aligned to maximize mission performance. The implementation of 2SR instituted a fundamental reform of policies and procedures critical to achieving the mission of the Department. The Department also conquered many unique challenges, making significant strides protecting vital infrastructure and assets; preventing security breaches; ensuring safe travel and trade across our borders; protecting privacy and civil liberties; and expanding critical partnerships at every level.

In the last year, we have made great strides in the area of prevention and preparedness. Our key accomplishments include:

Revamping the Port Security Grant Program. As part of the FY 2005 Office of Grants and Training (G&T) Port Security Grant Program (PSGP), significant changes have been introduced to make the program more risk based. Changes include limiting eligibility to the Nation's most at-risk seaports and distributing funding based on risk, needs and national priorities for port security. Additional rigor was added to the evaluation process for applications and a communications strategy was implemented to ensure consistent guidance was provided throughout.

The program is being further refined in FY 2006, and will soon link distribution of funds to participation in a port-wide risk management planning process. The intent of this process, which combines the USCG's Maritime Security Risk Assessment Methodology (MSRAM) with the Office of Grant's and Training's own Special Needs Jurisdiction Toolkit, is to allow port areas to develop risk management strategies that will assist them in identifying the most cost effective projects - essentially allowing them to "buy down" the risk in their areas. This program, known as the Maritime Assessment and Strategy Toolkit (MAST), is an essential step in prioritizing risks and facilitating a port-wide risk management planning process. Ultimately, MAST will serve to further enhance the existing Area Maritime Security Plans and also allow for ports to better integrate their security efforts into the broader planning construct that forms the core of the Urban Areas Security Initiative (UASI).

TSA Moves to a Risk-Based, Threat-Managed Security Approach. Employing TSA-certified explosives detection canine teams, piloting behavioral pattern recognition analysis at 10 airports, and through a nation-wide modification of the prohibited items list, TSA has increased its ability to identify and prevent terrorist threats to the nation and enhance aviation security.

Over \$3 Billion Awarded to State and Local Governments. DHS awarded more than \$3 billion in grants, training, and technical assistance to state and local governments to support various prevention, protection and response initiatives.

Standard First Responder Training Developed. DHS established a National Incident Management System (NIMS) standard curriculum to ensure first responder training is widely available and consistent among all training providers. More than 725,000 first responders completed NIMS training nationwide.

Counterterrorism Training. DHS provided counterterrorism training to more than 1.2 million emergency response personnel from across the country on a range of incident response issues, including incident management, unified command, and public works protection/response, and training on weapons of mass destruction.

Sharing Intelligence Information. The Office of Intelligence and Analysis provided state and local governments and the private sector with more than 1,260 intelligence information products on threat information and suggested protective measures.

Secret Service Operation Taps Network to Arrest 28 Globally. U.S. Secret Service conducted “Operation Firewall,” in which the Secret Service became the first agency ever to execute a Title III wire tap on an entire computer network. This global operation resulted in 28 arrests in eight states and six foreign countries. These suspects stole nearly 1.7 million credit card numbers.

The hurricanes last fall stretched our nation’s resources and forced us to reexamine our processes. We still however, saw our first responders and relief personnel do remarkable things to assist our fellow citizens.

Over 40,000 Rescued by U.S. Coast Guard and FEMA. In the wake of Hurricanes Katrina and Rita, the Coast Guard and FEMA rescued over 40,000 people in search and rescue operations. Coast Guard men and women employed their Continuity of Operations Plans and demonstrated deep commitment to the missions of search and rescue, protection of natural resources, and restoration of a safe, efficient marine transportation system.

More than 23,000 Victims Airlifted from New Orleans Airport. More than 700 transportation security officers and federal air marshals helped evacuate more than 23,000 victims at Louis Armstrong New Orleans International Airport.

\$5.7 Billion in Federal Aid Distributed. FEMA distributed over \$5.7 billion in federal aid to more than 1.4 million households to help pay for housing assistance, food, clothing, home repair and other essentials.

\$12 Billion in Claims Distributed. FEMA’s National Flood Insurance program paid over \$12 billion in claims from Hurricanes Katrina, Rita, and Wilma, with an estimated \$10 billion in additional claims to be paid over the next few months.

In the past year, we have also strengthened our borders and interior enforcement of our immigration laws, expanded partnerships with our neighbors, and increased our use of emerging technologies to assist our efforts.

Secure Border Initiative Success. In support of a comprehensive strategy to control the border and enforce immigration laws, DHS adopted a policy to replace the practice of catching and releasing aliens with a “Catch and Return” policy. Expedited Removal (ER) has been expanded along our entire land border as well as the number of countries with nationals subject to ER. DHS adopted a goal to cut ER detention time in half to speed alien removals, and the frequency of deportation flights has increased. Litigation barriers preventing San Diego fence completion have been removed. A process is also well underway to seek and select a contract integrator to implement a comprehensive border protection program plan using technology, staff, and other assets.

Successful Counter Drug Operations. Efforts by CBP, USCG and ICE to secure the nation’s borders have yielded significant positive results in stopping the flow of illegal drugs into the United States. In the most recently completed fiscal year, CBP reported seizing nearly 42,800 lbs of cocaine and more than 531,700 pounds of marijuana. In addition, United States Coast Guard and CBP Air and Marine Operations' counter drug operations exceeded results from previous years by removing over 338,000 lbs of cocaine from the Caribbean Sea and Eastern Pacific Ocean transit zones.

Arizona Border Control Initiative Bolstered Resources in Tucson Corridor. The second phase of this successful initiative included an additional 534 Border Patrol agents permanently assigned to the Arizona border, a 25 percent increase. These agents were supplemented by 200 agents and 23 aircraft temporarily assigned to the Tucson sector. The initiative coupled with Operation ICE Storm, a human smuggling initiative, resulted in more than 350 smugglers prosecuted in total, millions in illicit profits seized and a significant decrease in homicides according to local authorities.

Security and Prosperity Partnership Creates Common Security Approach. The United States, Canada and Mexico entered into this trilateral partnership to establish common approaches to emergency response, improving aviation, maritime, and border security, enhancing intelligence sharing, and facilitating the legitimate flow of people and cargo at our shared borders.

Immigration Processing Backlog Cut by 2.8 million. USCIS reduced the backlog of applications for immigration services and benefits from 3.8 million cases in January 2004 to fewer than one million in December 2005.

US-VISIT Biometric Entry System Expanded. US-VISIT implemented the biometric entry portion of the US-VISIT system at 115 airports, 14 seaports and 154 land ports of entry. As of December 31, 2005, US-VISIT processed more than 44 million foreign visitors and detected 950 individuals with a criminal history or immigration violations.

Passport Requirements Strengthened. As part of a multi-layered approach to increasing the security of our citizens and visitors by helping to ensure the integrity of their travel documents, DHS imposed requirements establishing that all Visa Waiver Program travelers must have a

machine-readable passport to enter the United States. Visa Waiver Program countries are now also required to produce new passports with digital photographs.

Implemented Coast Guard Sectors. The Coast Guard has reorganized its field infrastructure by unifying previous Groups and Marine Safety Offices into “Sector” commands. Within the new Sector construct, the inclusion of Field Intelligence Support Teams to support port-level commanders, as well as the establishment of Maritime Intelligence Fusion Centers, serves to enhance Maritime Domain Awareness at all levels of the chain of command. This restructuring unifies effort and command, strengthens maritime border security, and improves information sharing by providing a single point of Coast Guard service at the port level. The largest Coast Guard reorganization in a decade, the establishment of Sectors will be complete in 2006, significantly improving maritime preparedness and response without requiring any additional resources.

FY 2007 Budget Request

In accordance with the premise of 2SR and to build on the Department’s accomplishments, the FY 2007 budget proposal for the Department is driven by a mission and risk-based approach to allocating the Department’s resources, requesting \$42.7 billion in funding, an increase of 6 percent over FY 2006. The Department’s FY 2007 gross discretionary budget is \$35.4 billion, also an increase of 6 percent over FY 2006. Gross discretionary funding includes appropriated budget authority and discretionary fee collections such as funding for the Federal Protective Service; aviation security passenger and carrier fees; and premium collections. It does not include funding such as Coast Guard’s retirement pay accounts and fees paid for immigration benefits. The Department’s FY 2007 net discretionary budget is \$30.9 billion, an increase of 1% over FY 2006.

Central to the Department’s budget are five themes to ensure that all resource allocations correspond with its integral mission and vision. Key enhancements in the Budget for these five areas will allow the Department to execute the initiatives of the Administration and effectively secure our nation.

INCREASE OVERALL PREPAREDNESS, PARTICULARLY FOR CATASTROPHIC EVENTS EITHER NATURAL OR MANMADE AND STRENGTHEN FEMA

Preparedness addresses the Department’s full range of responsibilities to prevent, protect against, and respond to acts of terror or other disasters.

The Budget includes an increase of \$294.6 million for the Targeted Capability Grants, for a total of \$1.4 billion. This builds upon the \$5.5 billion already in the grant pipeline to assist our states and localities in increasing their preparedness and furthers the Department’s National Preparedness Goals. This funding includes an \$80.65 million increase for Urban Area Security Initiative (UASI) to provide a second layer of protection for urban areas based on risk. It also includes a \$213.9 million increase over comparable programs, for a total of \$600 million, for the Targeted Infrastructure Protection Program (TIPP). This will provide states with maximum

flexibility to target resources to protect our Nation's ports, transit facilities, chemical facilities, and other critical infrastructure.

The Budget also includes \$50 million dollars National Preparedness Integration Program (NPIP) as a new initiative in the Preparedness Directorate. NPIP will improve preparedness by executing Medical Preparedness Coordination, Catastrophic Planning, Emergency Communications Improvements, and Command and Control Alignment.

This budget enhances our ability to respond to and recover from disasters. Indeed, last year's Gulf Coast hurricanes demonstrated the need to strengthen FEMA's planning and response capabilities. While funding was increased for these core activities in 2005 and 2006, the FY 2007 budget proposes a more significant investment to further strengthen FEMA. FEMA's budget represents a 10 percent increase over the 2006 fiscal year, including \$44.7M to strengthen support functions. We will add resources to critical areas such as procurement, information technology, and planning and amounts.

The Budget includes a \$29 million increase and 92 FTE to support FEMA's Strengthen Operational Capability initiative and reinforce its essential support functions within its programs of Readiness, Mitigation, Response, Recovery, and National Security. This program increase will allow FEMA to fill critical positions, and upgrade capital infrastructure and information technology support services.

A \$5 million increase in the FEMA Procurement Staff supports the Department's initiative to strengthen procurement capability across the board. These additional 41 FTE will enhance FEMA's ability to effectively deliver disaster response and recovery services by efficiently and properly processing procurement requests during both routine and extraordinary operating periods.

An additional 40 FTE and \$10.7 million is requested for FEMA financial and acquisition management. The funding requested will build on the positions provided in the FY 2006 supplemental appropriation to operate the Gulf Region Acquisition Center to support the billions of dollars in contracts necessary to meet the unprecedented recovery needs of Hurricane Katrina and to bolster the FEMA's financial management capabilities to meet the demands of current and future catastrophic disasters.

An additional \$5.3 million is requested for National Response Plan (NRP) Support to help FEMA coordinate the response to all types and magnitudes of threats or hazards. It will allow FEMA to support shortened response times and provide more effective assistance during incidents of national significance.

The FY 2007 Budget seeks an increase of \$100 million and 40 FTE for the pre-disaster mitigation grant program. This program is designed to reduce the risk to populations, structures, and critical infrastructure from natural disasters. These funds will provide for the protection of: over 600 additional properties from flood damage through acquisition, elevation, relocation, and/or flood proofing; 250 additional critical facilities from flood damage through drainage, infrastructure, and utilities projects; 240 additional properties from hurricane wind damage; 92

additional storm shelters to save lives from tornadoes; and 154 additional critical public facilities against seismic damage.

Finally, an additional \$5 million is proposed for upgrade of the Emergency Alert System (EAS). The EAS, which uses commercial radio and television broadcast services to send Presidential messages, provides a readily available and reliable means of emergency communications with the American people when catastrophic events occur and other national communications resources have been damaged or compromised. Building on the supplemental funding provided in FY 2006, this funding will be used to improve system coverage, reliability, survivability, and security by providing a two-way, national-level EAS satellite backbone/path that will effectively link all Federal, State, and U. S. Territory Emergency Operations Centers (EOCs).

The budget also proposes:

- A total of \$62.4 million in funding for the Coast Guard's National Capital Region Air Defense (NCRAD) program. This funding is needed to provide an air intercept response to potential threats in the National Capital Region airspace, helping to protect Washington, DC, from airborne attack.
- A total of \$17.7 million in funding to support the Radiological and Nuclear Attribution and Forensics initiative. The request will enable the Department to combine information on potential capabilities of terrorist organizations to develop and deploy threat agents with laboratory-based forensics techniques that determine the source of any nuclear and radiological materials or devices.
- An increase of \$3 million for the Office of the Chief Medical Officer to further strengthen cutting-edge science, technology, and intelligence within the Department's policy-making process. This request, more than doubling resources for this office, will be used to develop policy driven initiatives to ensure that the Nation and its critical infrastructures are medically prepared for catastrophic events.
- An increase of \$10 million to establish an office to oversee chemical site security. DHS will classify facilities into risk-based tiers, establish security standards for each tier, and ensure strong safeguards are in place to protect the public disclosure of any sensitive information gathered by the office.

STRENGTHEN BORDER SECURITY AND INTERIOR ENFORCEMENT AND REFORM IMMIGRATION PROCESSES

Securing our Borders

One of the key elements in fulfilling the Department's mission is securing the border, both land and maritime, from terrorist threats and the flow of illegal migration and drugs. Under the Secure Border Initiative (SBI) DHS will focus on controlling the border, building a robust interior enforcement program, and establishing a Temporary Worker Program. SBI, a performance-driven, department-wide enterprise will make dramatic changes in the border security system. It will cover every facet of how we sanction, manage, adjudicate, and remove

persons caught crossing the border; deter illegal migration overall; manage immigration violators currently in the country; and interact with States and localities at the front lines of immigration and drug trafficking problems.

Funding dedicated to SBI efforts facilitates a complete program encompassing many administrative, legal, and regulatory actions. Substantial resource enhancements provided in 2005 and 2006 will pave the way for an effective SBI program, and 2007 will be a turning point towards meeting long-term border security objectives.

Among the key investments in the President's Budget for SBI is \$458.9 million to increase the Border Patrol Agent workforce by 1,500 agents, bringing the total of new agents added since 2005 to 3,000 and the overall total number of agents to nearly 14,000. This increases the size of our Border Patrol Agent workforce to 42% above the level prior to the September 11th attacks.

To enhance our ability to protect the Nation's borders, the Budget includes \$100 million for border technology to improve electronic surveillance and operational response. In 2006, DHS will solicit and award a contract to complete the transition from the current, limited-scope technology plan to one that addresses the Department's comprehensive and integrated technological needs to secure our borders. Funding requested in the 2007 President's Budget will provide significant procurement investments needed to begin an aggressive deployment plan.

To fund the continued construction of the San Diego Border Infrastructure System (BIS), we are requesting \$30 million. The project includes multiple fences and patrol roads enabling quick enforcement response and will give the United States full operational control of the most urbanized corridor of our border with Mexico.

The Tactical Infrastructure Western Arizona (TIWAZ) is a critical multi-year project that will deploy approximately 84 miles of vehicle barriers and improve 150 miles of access and maintenance roads. The Budget includes \$51 million for the deployment of this tactical infrastructure in Arizona which will enable the construction of 39 miles of permanent vehicle barriers.

To support the detention and removal of at least another 100,000 apprehended persons annually, the budget includes over \$400 million for an additional 6,700 detention beds and associated staffing and other expenses. This would bring the total number of beds to 27,500 in 2007. A key element of SBI is replacing a "catch and release" protocol for captured aliens with a "catch and return" process, requiring a substantial expansion of bed space. In addition, new bed space will be used to return criminal aliens upon release from State and local prisons, and address the problem of alien absconders defying orders of removal.

The budget also includes \$41.7 million for ICE worksite enforcement, to add 206 agents and support staff for this effort. A strong worksite enforcement program that continues to expand will send a strong deterrence message to employers who knowingly hire illegal workers; reduce economic incentive for illegal immigration; and help restore the integrity of employment laws.

An additional \$60 million is requested for ICE Fugitive Operations apprehension teams, adding a total of 18 teams, to a planned level of 70 teams nationwide. In addition to shoring up our borders and improving workplace oversight, the Department will continue to increase efforts to catch the estimated 450,000 absconders around the country – a level that is growing every year.

Outside of core SBI programs, the request level includes funding for other vital border security programs to include:

- An increase of \$62.9 million over FY 2006 for total funding of \$399.5 million is requested for US-VISIT, a critical element in the screening and border security system towards ensuring better border security in a post-September 11th environment. Included in the US-VISIT initiative is \$60 million in new resources to improve connection of information between DHS IDENT system and DOJ IAFIS fingerprint system.
- CSI & C-TPAT. The request continues to support the Container Security Initiative (CSI) and the Customs Trade Partnership Against Terrorism (C-TPAT), which are critical in the prevention and deterrence of Weapons of Mass Destruction (WMD) and other dangerous or illegal material importation. The Budget requests \$139 million for CSI to pre-screen inbound cargo at over forty foreign ports and \$55 million for C-TPAT to review and improve the security of partner organizations throughout the cargo supply-chain.

Reform and Modernization of Immigration Management

As Congress and the Administration collaborate to reform the immigration system in addition to improving border security, it is critical that the Department is ready to effectively manage any reform and implement a sustainable immigration management system.

Among other things, the Budget includes resource initiatives for worksite enforcement, fugitive operations, employment verification, and U.S. Citizenship and Immigration Services (USCIS) business transformation efforts.

The request includes \$135 million for the operation and expansion of the USCIS Systematic Verification for Entitlements (SAVE) program which provides immigration verification services to State Departments of Motor Vehicles and other Federal and State agencies, and to expand and enhance the current Basic Pilot program to be ready to support a mandatory national electronic employment authorization verification system. The current Basic Pilot program is a voluntary electronic verification program enabling an employer to confirm the employment eligibility of newly hired employees.

The President's Budget seeks a total of \$112 million in fee and discretionary resources within USCIS to accelerate comprehensive reform and automation of existing business processes, including the modernization of critically needed information technology and actions to sustain improvements achieved in reducing the immigration processing backlog.

Finally, as USCIS transforms its business processes, redesigns its forms, and improves service delivery and value to its customers, the agency will reform its fee structure to ensure the recovery of operational costs in line with Federal fee guidelines. Currently, application fees are not optimally aligned with the cost of each application, and improvements must be made for the long term to more effectively link regular and premium fees to specific service levels. This effort becomes even more important as USCIS operations are automated, forms are reduced and simplified, and USCIS prepares to take on substantial new activities including a Temporary Worker Program. The Department will continue to assess business model options for implementation of the TWP as consideration of the proposal moves forward in the Congress.

IMPROVE MARITIME SECURITY AND CREATE BETTER TRANSPORTATION SECURITY SYSTEMS TO MOVE PEOPLE AND CARGO MORE SECURELY AND EFFICIENTLY.

A core objective in establishing the Department was to strengthen the overall security capability of the nation's transit systems and maritime security. Terrorist attacks on international transit and national maritime systems have driven the Department to implement rigorous security measures for the nation's systems. The 2007 President's Budget request includes initiatives that continue to support the objectives of the Aviation and Transportation Security Act, which was enacted to strengthen the transportation system and ensure the freedom of movement for people and commerce, by securing America's transit system from terrorists, criminal threats and attack; and the Maritime Transportation Security Act (MTSA) of 2002, which was enacted to secure U.S. ports and waterways from a terrorist attack.

A total of \$4.7 billion is requested to support TSA's Aviation Security efforts. Of this amount, \$692 million will continue support the deployment and maintenance of Explosive Detection and Electronic Trace Detection Systems which provide a higher probability to detect a wider range of explosives, and are critical to finding threats in transportation venues and eliminating their destructiveness.

The President's 2007 Budget also proposes to replace the two-tiered aviation passenger fee with a single, flat security fee of \$5.00 for a one-way trip with no change in the overall fee that may be charged on a one-way ticket. This is consistent with the screening process whereby you only pass through security once. The Budget also proposes to collect \$644 million in air carrier fees (\$448 million for FY 2007 plus \$196 million owed from FYs 2005 and 2006). This is based on a General Accountability Office (GAO) estimate of what is reasonable.

The Budget also seeks resources for the Domestic Nuclear Detection Office (DNDO) to support next generation technology to secure our transportation system. For example, a total of \$30.3 million is requested to fund the Cargo Advanced Automated Radiography Systems (CAARS) Development initiative. The DNDO will execute the program developing advanced active-imaging radiography systems for cargo inspection at the Nation's ports of entry. The CAARS program will significantly improve throughput rates of imaging systems specifically designed to identify concealed nuclear materials threats.

Funding of \$157 million for the Radiation Portal Monitor Acquisition initiative will secure next-generation passive detection portals for deployment at official ports-of-entry to expose attempts to import, assemble, or transport a nuclear explosive device, fissile material, or radiological material concealed within cargo or conveyances and intended for illicit use. Consistent with the global nuclear detection architecture, the deployment strategy will be mutually developed by the DNDO and CBP.

The Budget also seeks an increase of \$12 million to support staffing needed by CBP to support the deployment of weapons of mass destruction systems deployed through DHS procurement programs. This increase will fund 106 positions and ensure CBP will have dedicated personal to resolve alarms from RPMs to conduct radiological examinations at our Nation's busiest seaports.

For the U.S. Coast Guard, the President's FY 2007 Budget requests a total of \$934.4 million for the Coast Guard's Integrated Deepwater System (IDS), which is \$10.7 million above the FY 2006 funding level. The Deepwater funding will continue the IDS acquisition of: the fourth national security Cutter (High Endurance Cutter replacement); the first Fast Response Cutter (Patrol Boat replacement); and additional Maritime Patrol Aircraft (MPA). In addition, it will establish a second MPA-equipped air station; complete the re-engineering of the HH-65 helicopter, and significantly enhance legacy fixed and rotary wing aircraft capabilities. IDS Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) upgrades to the USCG cutters, boats and aircraft will enhance maritime domain awareness and are critical to the achievement of an integrated, interoperable border and port security system.

In addition to the C4ISR upgrades as part of IDS, \$6.4 million is requested to support a number of initiatives to enhance Maritime Domain Awareness, including the necessary field infrastructure to expand SIPRNET capability support, which will protect Coast Guard systems from exploitation, and also provide prototype Sector Command Centers (SCC) and Joint Harbor Operation Center (JHOC) operations support. \$11.2 million is requested to continue implementation of Nationwide AIS to significantly enhance the ability to identify, track and exchange information with vessels. The FY 2007 budget requests \$10.6 million to build off prior years' efforts to improve MDA, including operation and maintenance of the Maritime Awareness Global Network, as well as the deployment of 80 Nationwide AIS receivers and transmitters. Additionally, the \$39.6 million requested for Rescue 21 will continue deployment throughout the country, providing a state of the art distress and response communications system.

Finally, the Department seeks a total of \$4.8 million for the Coast Guard's Maritime Security Response Teams (MSRT). Established to deter, protect against and rapidly respond to threats of maritime terrorism, the MSRT initiative expands upon the prototype Enhanced Maritime Safety and Security Team that was established by re-allocating base resources in FY 2006. The unit will be capable of maintaining response readiness in the event of domestic maritime terrorism incidents.

ENHANCE INFORMATION SHARING WITH OUR PARTNERS

The ability to share information with state and local partners, the private sector, law enforcement, and first responders is critical to the Department's success, and promotes greater situational awareness. DHS is prepared to enhance and maintain interoperability for information sharing purposes to ensure a seamless capacity to share information during national emergencies and to execute its daily mission of detecting and preventing potential terrorist activity.

In support of this effort the Budget includes an increase of \$45.7 million, 18.1% over FY 2006 funding, for activities of the Analysis and Operations Account to fund the Office of Intelligence and Analysis (I&A) and the Directorate of Operations. I&A leads the Department's intelligence and information gathering and sharing capabilities by ensuring that information is collected from relevant field operations and critical participants in the intelligence community; analyzed with a mission-oriented focus; and disseminated to the appropriate federal, state, local, and private sector partners.

The Directorate of Operations distributes threat information ensuring operational coordination Department wide; coordinates incident management activities; uses all resources within the Department to translate intelligence and policy into immediate action; and provides oversight of the Homeland Security Operations Center, the Nation's nerve center for information sharing and domestic incident management on a 24/7/365 basis.

To support the Infrastructure Transformation Program (ITP), the Budget proposes an increase of \$36.3 million. This increase will provide a highly reliable, secure, and survivable network infrastructure and data center environment to improve information sharing, more effectively securing the homeland while reducing redundant investments. ITP will integrate the IT infrastructures of the 22 legacy components of the Department into "One Infrastructure" which includes the creation of one secure network; the establishment of common and reliable email communication; the restructuring of helpdesks and related services; the reduction in number and transformation of the data centers; the standardization and modernization of the desktop workstation and site services environment; and voice, video and wireless infrastructure modernization.

The Budget also includes an increase of \$9 million for Data Center Development. The Department will continue the integration of its IT infrastructure "Dual Active/Active Data Centers" that provide a foundation for information sharing and agile responses to threats against the homeland. The Data Center Development activity plays a central role within the ITP, supporting the Department's strategic planning priority of "Stronger Information Sharing and Infrastructure Protection."

STRENGTHEN THE DHS ORGANIZATION TO MAXIMIZE MISSION PERFORMANCE

Sound financial management of the nation's resources is critical to maximizing mission performance for the Department. The President's Budget aligns the Department's request according to a risk-based allocation method, channeling the nation's resources into the areas that will most effectively accomplish the mission of the Department. Successful mission performance is driven by developing human capital, executing efficient procurement operations, and possessing state-of-the-art information technology resources.

A key enhancement to the Budget includes an increase of \$12.6 million to improve financial management department-wide. This includes funding to improve DHS' internal controls over financial reporting, as required by Public Law 108-330, the *Department of Homeland Security Financial Accountability Act*; analyze opportunities for further functional consolidation of segments of Departmental financial management; support the Department's plan to achieve an unqualified audit opinion with no material weaknesses; produce financial data that is timely, reliable, and useful for decision-makers in their mission to properly allocate resources to protect the nation; and help protect against waste, fraud, and abuse.

A total of \$18 Million is requested for the eMerge2 (electronically Managing enterprise resources for government efficiency and effectiveness) program. eMerge2 will continue to consolidate accounting providers and systems in the Department by matching components positioned to become service providers with those in need of new systems. eMerge2 will invest in system enhancements, integrate systems, and build tools to consolidate financial data, ensure accountability, and provide timely, reliable information for decision making.

In addition, we propose an increase of \$41.8 million for the Office of the Chief Human Capital Officer to continue implementation of the Human Resources System Initiative - MAX^{HR}, a market and performance-based compensation system that rewards employees for their contributions to the mission of the Department, not longevity.

The Department has identified organizational performance deficiencies in the current procurement process and will implement comprehensive modifications to prevent fraud and misuse; and ensure effective delivery of services and proper procurement and contracting procedures. For this effort, we propose an increase of \$27 million throughout the Department to improve acquisition operations.

Finally, the Office of Policy requests an increase of \$8.1 million to provide funding to support DHS participation on the Committee on Foreign Owned Investments in the U.S. under the Policy office; expand duties of the International Affairs office; enhance capabilities of the Homeland Security Advisory Committee (HSAC) to work with private sector stakeholders; and increase efforts to oversee immigration and border security related initiatives.

Conclusion

The FY 2007 budget proposal reflects this Administration's ongoing commitment to protecting the homeland and the American people while ensuring the Department has the resources we need to achieve our critical mission. The budget builds upon past success and accomplishments, reflects risk-based, outcome-driven priorities, and supports the key imperatives under our Second Stage Review.

We will continue to work with Congress to ensure that our short and long term priorities are adequately funded – including border security, preparedness, strengthening FEMA, and enhancing chemical security. I look forward to continuing our partnership with you to ensure

funding priorities are met so that we can continue to protect the homeland and the American people.

Thank you for inviting me to appear before you today. I look forward to answering your questions and to working with you on the FY 2007 budget and other issues.