

**U.S. Customs and Border Protection  
Airport and Seaport Inspections User Fee Advisory Committee (UFAC)**

**Executive Summary**

**1:03 p.m. to 1:29 p.m.  
Wednesday, October 22, 2014**

**Committee Welcome and Committee Roll Call**

Maria Luisa Boyce welcomed everyone to the meeting and began the committee roll call. The committee members present are as follows: Adam Schless, Ajith (A.J.) Pillai, Andres Hirschfeld, Barbara Kostuk, Bradley Rubinstein, Darrell Bryan, Matt Cornelius, Jim Phillips, Gina Marie Lindsey, Byford Treanor, Lisa Schimmelpfenning, Norm Schenk, and Saba Absahawl. John Grella, Miguel Perez, and Rosemarie Andolino were not present.

Ms. Boyce then asked for opening remarks from Acting Deputy Commissioner, Kevin McAleenan.

**Opening Remarks by Kevin McAleenan for CBP**

Mr. McAleenan welcomed colleagues to Washington, D.C. and the first UFAC Public meeting. He complimented the group for their knowledge of CBP operations and procedures and expressed his appreciation for all their hard work.

He thanked Maria Luisa Boyce for her helpful coordination efforts and recognized and welcomed John Wagner, Acting Assistant Commissioner of Field Operations; Eugene Scheid, Assistant Commissioner for the Office of Administration; and Michael Yeager, Assistant Commissioner, Office of Congressional Affairs.

Mr. McAleenan then praised the UFAC co-chairpersons, Andrew Hirschfeld and Lisa Schimmelpfenning, and said they are working quickly and efficiently and have developed a plan for a study that will help inform the efforts of this group.

**Opening Remarks by Lisa Schimmelpfenning for UFAC**

Lisa Schimmelpfenning, the other UFAC Co-Chair, told the group she was excited to be invited to participate in the UFAC committee. She reported that she was excited about some of the preliminary discussions and the work ahead. She expressed appreciation for the committee members and the open dialog that has taken place.

## **Opening Remarks by Andres Hirschfeld for UFAC**

Mr. Hirschfeld expressed his thanks and appreciation to Mr. McAleenan and Mr. Wagner for their support and documentation. He said he looks forward to the collaborative relationship that has already been established.

### **Financial Assessment and Options Subcommittee**

Matthew Cornelius, a co-chair of the subcommittee, reported that he looks forward to making advice and recommendations on the financial performance of the agency as it pertains to user fees, incomes, and the agency's operation. He said the group has some very fruitful projects under way.

He said that the inventory of user fees in the global environment has been split into two groups: one for the aviation side, the other for land and trade. Another endeavor the subcommittee has taken on is a mapping of the collection and transmission fees. He explained that this is at an early stage of looking at the actual process in order to understand how money gets from the users to the agency and how the agency uses the money. This will be undertaken on the aviation side and the land and trade side.

Mr. Cornelius reported they had identified the impact of user fees on the industry as being critical to everyone who is a user of the Customs environment. This task has been folded into the last section of work that has been worked on which is a user fee study.

He continued to say that the subcommittee has been busy working on a scope of work for the proposed study. They brought this to the full committee today for a vote. Next, he walked through the seven elements of the scope of work that were being recommended for the vote.

First, they would take a look at costs of operations at ports of entry, particularly by mode but looking at both appropriations and user fee collections and how they are reimbursed and the technical financial operations. A report chart was drafted to include the scope of work.

Another piece of the scope of work that was discussed was the evaluation of the concept and intent of cost recovery for each fee and reimbursable account, the costs intended to be covered by each account, and including an accounting of indirect costs by mode and activity.

They recognized a need to evaluate economic impact of fees. He said they want to have an accounting for the economic impact for importers and travelers as it relates to impact fees. This would be part of the scope of work proposed.

Another piece of the scope would be an evaluation of the current processes that CBP uses to allocate funding from appropriations and fees. He expected the cost monolith developed through the scope of work should produce a cost of inspection for each mode and type of inspection.

He explained that the last two pieces were the financial mechanisms for how the fees are allocated - the collection of expense data and how that is reported throughout the CBP system. They would also want an understanding of the phasing of the deliverables to make sure the work can be delivered in a timely manner and to ensure they get the results quickly so evaluation can begin soon.

Mr. Cornelius read the formal recommendation to conduct the user fee study of the agency's financial management of user fees that would begin within 90 days. The study should produce outcomes to include a study of the costs at ports of entry that are eligible for reimbursement by user fees, an evaluation of the concept and intent of cost recovery for each fee or reimbursable account, an evaluation of the economic impact of fees, and an evaluation of the current processes that CBP uses to allocate fees, an identification of how collections and expense data would be reported on an individual port level.

Maria Luisa Boyce called for a second; the motion was seconded; and Ms. Boyce asked for discussion.

Mr. Wagner wondered whether the study should include a look at how fees are collected, transmitted, remitted to CBP and the processes on how this happens. Mr. Cornelius agreed that this should be included.

Ms. Boyce called for comments from the public, and there were none. After a vote, the motion was passed unanimously.

Sean Mildrew, spoke and recognized the Financial Assessment and Option Subcommittee and complimented them on their hard work. He said work would continue on assessing current user fee collections both nationally and internationally and recommendations for improvement would be developed.

Matthew Pickens echoed Mr. Mildrew's comments and said he thought the study would increase the transparency in the public of the fee collection and remittal processes. He said he believed it would help evaluate the economic impact of people paying the fees and then the economic benefit of the services provided as they come across the border would be known. He said they have been mapping how the process works. He said they have worked on the air environment most so far and he looks forward to expanding to the sea and land arenas.

Mr. McAleenan asked if they intended to benchmark against other departments and agencies that have cost-recovery models in order to assess how that impacts the services we provide and the perception of the services provided.

Matthew Cornelius responded and said it is a great idea and said they would add in the benchmarking component.

Matt Pickens added that he thought looking across the government at other executive agencies would be a good thing, but he said they should look at what the legislative intent of cost recovery was when the fee was established as well as what the OMB rules and regulations or GAO rules and regulations that define what cost recovery means and what expenses could be included to be reimbursed.

Ms. Boyce chimed in and emphasized the importance of getting this done quickly. She asked Mr. Mildrew to assure the group they would be triaging as fast as possible. She asked for further comments and public comments. There were none.

### **Process Improvements Subcommittee**

Jim Phillips reported that the purpose of this subcommittee is to make recommendations on process improvements in CBP operations to reduce costs and improve efficiency at our ports of entry without reducing security. He said the UFAC members have vast knowledge to help with this task. He explained that they have looked at the ACE finalization, the elimination of paper, and the reduction of transaction based costs that are costly to CBP and to the trade. He said they have looked at Beyond the Border and the 21st Century Border Initiative.

Mr. Phillips said people don't understand the economic impact of what Single Window will mean to trade and to CBP. He said the plan is to sharply reduce product holds at the borders and increase releases at point of entry. Interagency cooperation has been looked at, and he commended the Interagency Executive Committee Council and said that it has some real teeth.

He said that cross designation will come from interagency cooperation, and added that 726 full-time equivalent personnel have been eliminated; these personnel will not have to be hired due to efficiencies that have been made. He said 16 or 18 specific projects have been completed that have eliminated these positions and won't have to be hired in the future. Airline operations and relationships are being looked at and maritime and land will follow.

Matt Pickens stated that they strive to be relentlessly self-critical at CBP. With the celebration of the 225th anniversary, they have realized that things can't be done the same as 225 years ago. He emphasized that some paper transactions can be eliminated. He said he looks forward to working with the committee members.

Kevin McAleenan said he thought they might have exhausted the national interest in user fees with the members of the committee and the CBP team in the room and got a laugh from the members.

Ms. Boyce assured Mr. McAleenan that the work will continue and added that they have looked at the possibility of adding in the cruise-line perspective from the land ports of entry perspective. She said she was amazed at the lack of comments at this meeting.

John Wagner thanked everyone for their time and input and complimented them on knowing their businesses so well. He thanked everyone for their input and candor.

Kevin McAleenan thanked everyone and said he looks forward to further dialog when the whole group is together. He expressed his gratitude to everyone for attending today's meeting.

Maria Luisa Boyce adjourned the public meeting at 1:29 p.m.