

GAO

Report to the Chairman, Committee on  
Homeland Security, House of  
Representatives

May 2008

# BORDER SECURITY

## State Department Should Plan for Potentially Significant Staffing and Facilities Shortfalls Caused by Changes in the Visa Waiver Program





Highlights of [GAO-08-623](#), a report to the Chairman, Committee on Homeland Security, House of Representatives

## Why GAO Did This Study

Under the Visa Waiver Program (VWP), citizens from 27 countries can travel to the United States visa free. Terrorism concerns involving VWP country citizens have led some to suggest eliminating or suspending the program, while the executive branch is considering adding countries to it. Legislation passed in 2007 led the Department of Homeland Security (DHS) to develop its Electronic System for Travel Authorization (ESTA), to screen VWP country citizens before they travel to the United States; if found ineligible, travelers will need to apply for a visa. GAO reviewed how (1) program elimination or suspension, (2) program expansion, and (3) ESTA could affect visa demand, resource needs, and revenues. We collected traveler, staffing, facilities, and cost data from the Department of State (State), DHS, and embassy officials and developed estimates related to the three scenarios above.

## What GAO Recommends

GAO recommends: (1) State and U.S. embassies in VWP countries develop contingency plans in the event of program elimination; and (2) DHS and State develop estimates of increased visa demand resulting from ESTA, and State develops plans to manage the increased workload. State said it would ask embassies to discuss plans to manage possible program elimination, but did not note whether it fully concurred with our recommendation. State agreed with the need to plan for ESTA, but noted its ability to plan was limited because DHS had not yet resolved critical details about ESTA. DHS agreed with our recommendation. To view the full product, including the scope and methodology, click on [GAO-08-623](#). For more information, contact Jess Ford at (202) 512-4128 or [fordj@gao.gov](mailto:fordj@gao.gov).

## BORDER SECURITY

### State Department Should Plan for Potentially Significant Staffing and Facilities Shortfalls Caused by Changes in the Visa Waiver Program

#### What GAO Found

The potential elimination or suspension of the Visa Waiver Program could cause dramatic increases in visa demand—from around 500,000 (the average number of people from VWP countries who obtain a U.S. visa each year) to as much as 12.6 million (the average number of people who travel to the United States from VWP countries each year)—that could overwhelm visa operations in the near term. To meet visa demand, State officials said they could need approximately 45 new facilities, which we estimate could cost \$3.8 billion to \$5.7 billion. We estimate State would also need substantially more staff—around 540 new Foreign Service officers at a cost of around \$185 million to \$201 million per year, and 1,350 local Foreign Service national staff at around \$168 million to \$190 million per year, as well as additional management and support positions for a total annual cost of \$447 million to \$486 million. Because VWP elimination would increase the number of travelers needing a visa, we estimate annual visa fee revenues would increase substantially, by \$1.7 billion to \$1.8 billion, and would offset the year-to-year recurring staffing costs. State has done limited planning for how it would address increased visa demand if the program were suspended or eliminated.

Adding countries to the Visa Waiver Program would reduce visa demand in those countries, but likely have a relatively limited effect overall on resources needed to meet visa demand and on State's visa fee revenues. The volume of visa applications is relatively small in most of the 13 "Road Map" countries the executive branch is considering for expansion. If all 13 Road Map countries were to join the program, and if all of those countries' citizens who previously traveled with visas were to travel to the United States without visas, the reduction in workload would, we estimate, permit State to move about 21 to 31 Foreign Service officers to other posts in need, and to cut 52 to 77 Foreign Service national positions. In addition, though program expansion would result in less space needed for visa operations, this would likely result in little or no building or lease savings because any resulting excess consular space is in government-owned facilities, and could not be sold. If all 13 Road Map countries were admitted to the Visa Waiver Program, we estimate that State would lose approximately \$74 million to \$83 million each year in collected visa fees, offsetting any savings in personnel costs.

State and DHS officials acknowledged that the implementation of ESTA could increase visa demand in VWP countries, though neither State nor DHS has developed estimates of the increase. DHS is currently developing ESTA, and DHS officials told us the ESTA rejection rate could be between 1 percent and 3 percent, but they currently do not know. In addition, State and embassy officials believe some travelers might choose to apply for a visa rather than face potential, unexpected travel disruptions due to ESTA. Neither DHS nor State has attempted to estimate how these two factors would affect visa demand, and, as a result, State has not estimated what additional resources would be needed to manage the demand, and what additional visa fees would be received. However, State officials told us that, if 1 percent to 3 percent of current VWP travelers came to embassies in VWP countries for visas, it could greatly increase visa demand at some locations, which could significantly disrupt visa operations.

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## Abbreviations

9/11 Act	Implementing Recommendations of the 9/11 Commission Act of 2007
CBP	U.S. Customs and Border Protection
DHS	Department of Homeland Security
ESTA	Electronic System for Travel Authorization
OBO	Bureau of Overseas Buildings Operations
State	Department of State
VWP	Visa Waiver Program

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United States Government Accountability Office  
Washington, DC 20548

May 22, 2008

The Honorable Bennie G. Thompson  
Chairman  
Committee on Homeland Security  
House of Representatives

Dear Chairman Thompson:

Under the Visa Waiver Program (VWP), citizens from 27 select countries can travel to the United States for business or pleasure trips of up to 90 days without first obtaining a visa and paying a visa fee.<sup>1</sup> The program has many benefits, including facilitating international travel for millions of foreign nationals seeking to visit the United States each year,<sup>2</sup> creating substantial economic benefits to the United States, and allowing the Department of State (State) to allocate resources to visa-issuing posts in countries with higher-risk applicant pools. However, the program also poses inherent security, law enforcement, and illegal immigration risks to the United States.<sup>3</sup> In particular, VWP travelers are not subject to the same degree of screening prior to their travel to the United States as travelers with visas because they are not interviewed by a State consular officer before arriving at a U.S. port of entry. Therefore, there is a greater risk that some VWP travelers could exploit the program to gain entry into the United States with the intent to violate U.S. immigration or other laws.

Terrorist acts and plots involving citizens of VWP countries have led some critics of the program to suggest that it be eliminated or suspended because of the security risks it could present. In September 2007, the Director of National Intelligence testified that Al Qaeda is recruiting Europeans because many of them do not require a visa to enter the United

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<sup>1</sup>The visa application fee, which is \$131, is meant to offset some of the costs associated with processing visa applications, interviewing applicants, and issuing or denying the visa. The Department of State raised the visa fee to \$131 on Jan. 1, 2008. The fee had been \$100 since 2002.

<sup>2</sup>The program also requires reciprocity from VWP countries, allowing U.S. citizens to travel without visas to VWP countries under certain circumstances.

<sup>3</sup>See GAO, *Border Security: Stronger Actions Needed to Assess and Mitigate Risks of the Visa Waiver Program*, GAO-06-854 (Washington, D.C.: July 28, 2006).

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States. Department of Homeland Security (DHS) and State officials have acknowledged that the program could be eliminated or suspended in the event of a major terrorist attack emanating from a VWP country. At the same time, however, some proponents of the Visa Waiver Program have called for expansion of the program. In fact, the executive branch established in 2005 a “Road Map” initiative to clarify the statutory requirements for designation as a participating VWP member and has been consulting with 13 countries as part of the initiative. In August 2007, the Implementing Recommendations of the 9/11 Commission Act of 2007 (9/11 Act)<sup>4</sup> established more flexible criteria for participation in the program, and the executive branch is now considering adding several countries to the program later this year. In order to mitigate some of the security risks of the program while permitting program expansion, the August 2007 legislation required the implementation of an electronic travel authorization system, which DHS has named the Electronic System for Travel Authorization (ESTA). ESTA would require citizens from all VWP countries intending to travel to the United States under the Visa Waiver Program to apply for and receive electronic authorization prior to embarking on their travel to the United States. In the event that DHS concludes, based on the ESTA application, that a traveler is ineligible to travel under the Visa Waiver Program, or that the traveler poses a law enforcement or security risk, ESTA authorization will be denied and the traveler may not travel under the Visa Waiver Program. Travelers denied ESTA authorization would need to apply for a visa if they want to travel to the United States. DHS has announced that it intends for all visa waiver travelers to use ESTA by mid 2009 and told us travelers from some VWP countries could be using it by the summer of 2008.

In order to understand the potential impact on State visa operations as a result of significant changes to the Visa Waiver Program, such as (1) program elimination or suspension, (2) program expansion, and (3) implementation of ESTA, you asked us to examine how each of these three different changes could affect the demand for visas, and how changes in demand could affect the resources that State needs to maintain its consular operations and the amount of visa revenue that State receives. We did not assess the security, trade, commerce, tourism, diplomatic,

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<sup>4</sup>Pub. L. No. 110-53, § 711 (c), 121 Stat. 266, 339.

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reciprocity, or other potential effects of changes to the Visa Waiver Program.<sup>5</sup>

To address these three objectives, we analyzed DHS/U.S. Customs and Border Protection (CBP) data on the number of travelers to the United States from each VWP and Road Map country annually from 2001 to 2007 and reviewed State's data from 2001 to 2007 on the numbers and types of visas issued in each VWP country as well as on the number of staff involved in processing visas in VWP and Road Map countries. With State, we developed costs for each Foreign Service officer and Foreign Service national staff position. In addition, we met with officials in State's Bureau of Consular Affairs, the Bureau of Overseas Buildings Operations (OBO), and at embassies in three VWP countries—Japan, France, and Spain—and in four Road Map countries—South Korea, Greece, Czech Republic, and Hungary—to determine the extent of possible visa demand and staffing and facilities needs in those countries. We chose these countries primarily due to the size of their traveler or visa volume and their geographic diversity. We also analyzed relevant laws regarding the program and its requirements, and met with State's Bureau of Consular Affairs to discuss the fee that State charges for visa applications, what visa processing costs the fee is intended to cover, and how much new revenue State would generate in the event of program elimination. We also reviewed State's Performance Plan for the Bureau of Consular Affairs to determine State's goals and objectives regarding visa issuance, as well as any planning State had done for these scenarios. Finally, we reviewed standards for internal controls in the federal government, including those addressing the importance of identifying risks to achieving program goals and planning ways to mitigate those risks in order to continue to meet program objectives.

To assess the staffing and resource costs associated with each scenario, we developed our own high-level cost estimates, using data from State, DHS, and embassies we visited. CBP provided us with data on the number of travelers from each VWP and Road Map country. State's Bureau of Consular Affairs provided us with information on the number of visas processed in VWP and Road Map countries as well as estimates on the number of visas that could be expected to be processed by a Foreign

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<sup>5</sup>In GAO, *Border Security: Implications of Eliminating the Visa Waiver Program*, [GAO-03-38](#) (Washington, D.C.: Nov. 22, 2002), we reported that eliminating the program could have significant negative effects on tourism, trade, and commerce, as well as on U.S. relationships with VWP countries.

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Service officer, the number of Foreign Service national staff that could be expected to support Foreign Service officers, and—for the elimination scenario—estimates of the number of new facilities that could be needed. OBO provided data on the cost, type, and size of recently completed U.S. government construction projects overseas, the costs and sizes of overseas leased facilities used for visa processing, and estimates of operations and maintenance costs for U.S. embassy facilities. State's Bureau of Resource Management provided information on the costs of Foreign Service officers and Foreign Service national staff. In addition, we collected post-specific data on the above costs when we traveled overseas. We determined that the data provided to us were sufficiently reliable for the purposes of the report. We prepared the cost estimates using fiscal year 2007 constant dollars. Appendix I provides a detailed description of our scope and methodology.

We recognize that there could be other implications of major changes in the program, particularly if the program were eliminated. For instance, major changes could affect security, tourism, commerce, business, trade, diplomacy, and reciprocity regarding visa-free travel. However, we limited the scope of our review to the impact on visa demand, visa resources—including staffing and facilities—and visa revenues. We conducted this performance audit from May 2007 to April 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Results in Brief

The potential elimination or suspension of the Visa Waiver Program could cause dramatic increases in the demand for nonimmigrant visas that could overwhelm visa operations in the near term. To meet visa demand, State would need substantially more staff and facilities. Based on current visa fee rates, the additional visa fee revenue collected would offset the costs for staff, but not of additional facilities. We estimate that, given recent travel patterns, the demand for visas at all VWP posts combined could



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jump from around 500,000 to around 12.6 million,<sup>6</sup> a level of demand that would overwhelm existing staffing and facility resources. State officials have not fully analyzed the extent to which demand increases would impact resources. However, in response to our request, State officials provided us with information indicating they could need approximately 45 new facilities to handle an increased visa demand of over 12 million. State did not estimate the cost of constructing new facilities, though we estimate the cost could range from \$3.8 billion to \$5.7 billion; moreover, State officials told us this construction effort could take around 7 years. In addition, we estimate State would need substantial numbers of additional staff to process visas to meet the increased workload—approximately 540 new Foreign Service officers at a cost of around \$185 million to \$201 million per year, and 1,350 local Foreign Service national staff at a cost of around \$168 million to \$190 million per year, as well as additional management and support positions overseas and in Washington, at a cost of around \$93 million to \$111 million per year. Because VWP elimination would increase the number of travelers needing a visa, we estimate annual visa fee revenues would increase substantially, by about \$1.7 billion to \$1.8 billion, and would offset the year-to-year recurring staffing costs.<sup>7</sup> State has done limited planning for how it would address the increased visa demand if the Visa Waiver Program were suspended or eliminated. Although State periodically estimates global growth in visa demand, it has not developed estimates on what growth in visa demand could result from the elimination of the program in order to plan for that scenario. In addition, State has not evaluated all of the options for how to meet the facility and staffing needs described previously. Moreover, posts we visited had not prepared contingency plans. Embassy officials in the three VWP countries we visited told us that State had not instructed them to undertake planning for this scenario and that our visits there had fostered their first thinking on the matter. State said that it had not developed plans or tasked posts with contingency planning because it did not see program suspension or elimination as in line with current U.S. government policy.

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<sup>6</sup>12.6 million is the average traveler volume from VWP countries between 2001 and 2007. This number specifically represents the number of travelers from VWP countries—not the number of entries under the Visa Waiver Program, which, for example, was around 16 million in 2006.

<sup>7</sup>However, there would be a lag between when State would have to fund the staff increases in the first year and when it would receive the offsetting increases in visa fees in the second year.

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Adding countries to the Visa Waiver Program would reduce visa demand in those countries, but would likely have a relatively limited effect overall on resources needed to meet visa demand and on State's visa fee revenues. Visa volume is relatively small in most of the Road Map countries; for instance, the recent visa volume in Estonia and the Czech Republic, two countries currently being considered for expansion, is only around 6,000 visas and 32,500 visas per year, respectively. Further, even if all 13 Road Map countries were to join the program, and if all of those countries' citizens who previously traveled with visas now were to travel to the United States without visas, the total reduction in visa demand would be only around 710,000—and over 400,000 of this reduction would be in South Korea alone. Such a reduction in workload would, we estimate, permit State to move about 21 to 31 Foreign Service officers to other posts in need, and to cut 52 to 77 Foreign Service national positions overall. U.S. consular management officials at locations we visited stated that, if their posts were added to the Visa Waiver Program, they would nonetheless need to retain a certain number of staff for several reasons—primarily to address projected growth in other types of visas—and therefore would be reluctant to lose more than 50 percent of their Foreign Service officers processing visas until they better understood their new staffing needs. In addition, though program expansion would result in less space being needed for visa operations, this would likely result in little or no building or lease savings because any resulting excess consular space is in government-owned facilities, with other U.S. government offices, and could not be sold. If all 13 Road Map countries were admitted to the Visa Waiver Program, we estimate that State would lose approximately \$74 million to \$83 million each year in collected visa fees, offsetting any savings in personnel costs. State would likely be able to accommodate program expansion with minimal disruption because of the limited impact expected on staffing and facilities.

State and DHS officials have stated that the implementation of ESTA could increase visa demand in current VWP countries, though neither State nor DHS has developed estimates of the increase. As a result, State has not yet developed plans to manage the increased demand, which officials agreed would have the greatest impact in VWP countries with the highest numbers of travelers to the United States. DHS is currently developing ESTA and is uncertain how many applicants would likely be rejected through the ESTA screening process and therefore required to apply for a visa. DHS officials told us they believed that, when ESTA is fully implemented, less than 1 percent of all VWP country travelers would be rejected by the ESTA screening. However, DHS officials also told us the rejection rate could be 2 percent to 3 percent in early years, eventually

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tapering off to 1 percent, as the system became more established and travelers became more acclimated to using it. In addition, State and embassy officials believe that some travelers might choose to apply for a visa rather than face potential, unexpected travel disruptions due to ESTA. Neither DHS nor State has attempted to estimate how ESTA would affect visa demand, and, as a result, State has not estimated what additional resources would be needed to manage the demand, and what additional visa fees would be received. However, State officials told us that, if 1 percent to 3 percent of current VWP travelers came to embassies in VWP countries for visas, it could greatly increase visa demand at some locations, which could significantly disrupt visa operations. For example, if 1 percent of the United Kingdom citizens who currently travel to the United States without visas needed to or chose to apply for a visa, visa demand there could increase by 35,000 per year, or around a 31 percent increase in visa workload. Embassy officials in the three VWP countries we visited told us that if 3 percent of current visa waiver travelers applied for visas, it would result in visa demand that would overwhelm their current staffing and facilities. DHS officials told us that DHS has not determined what tests, if any, it will conduct to study ESTA rejection rates and determine ESTA's impact on visa demand. Furthermore, State has no plans to study how implementation of ESTA might affect the number of travelers who would choose to apply for a visa rather than using ESTA. State indicated that it has not developed plans for how it will manage the expected increase in visa demand, citing lack of information from DHS on the anticipated rejection rates of ESTA.

To ensure that State is prepared to address the possible huge increases in visa demand that could result from elimination of the Visa Waiver Program, we are recommending that the Secretary of State develop contingency plans for VWP countries, which would include identifying what options State has for providing additional resources and taking actions that could be needed, as well as the extent to which increased visa fees would cover the cost of these resources.

In addition, to ensure that State is prepared to manage a potential increase in visa demand resulting from the implementation of ESTA, we are recommending that DHS and State develop estimates of increased visa demand in VWP countries. Based on these estimates, we recommend that State develop plans for how it will manage the increased workload.

We requested comments on this draft from State and DHS. Their comments are reprinted in appendixes II and III, respectively.

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State said it would ask U.S. embassies to discuss management plans in the event that the Visa Waiver Program were eliminated, but did not indicate whether it concurred with our recommendation that State conduct contingency planning. State agreed it was crucial to plan for the impact that ESTA may have on the 27 VWP countries. However, State said its ability to plan for the implementation of ESTA was limited by the fact that DHS had not resolved a significant number of crucial details about ESTA.

DHS agreed with our recommendation that it work with State to develop estimates of the impact of ESTA implementation on visa demand. DHS said that it has been coordinating with State as DHS develops ESTA and plans its implementation.

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## Background

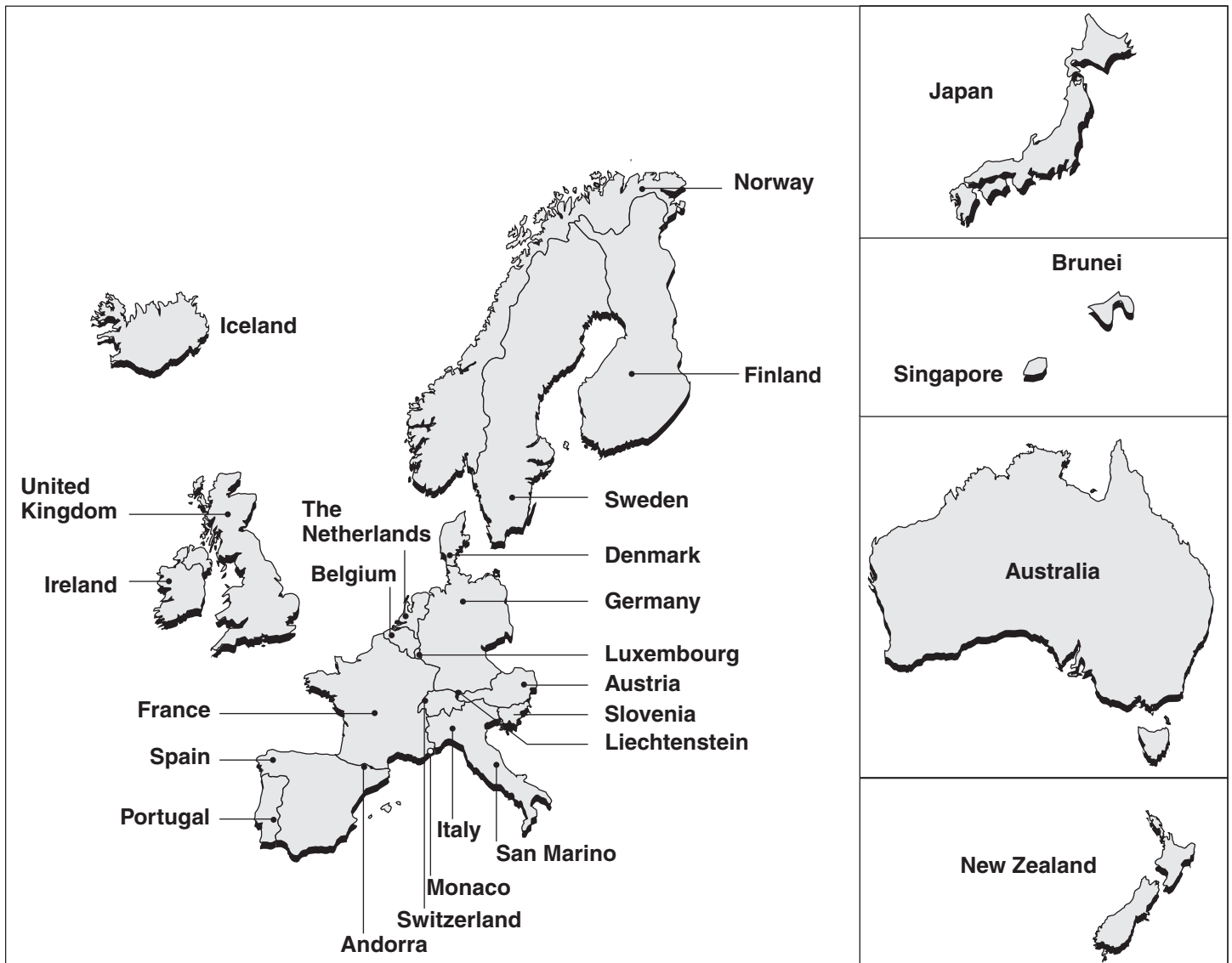
The Visa Waiver Program was created by legislation<sup>8</sup> in 1986 to allow visa-free travel in some instances to citizens of select countries. According to State, the program facilitates international travel for foreign nationals seeking to visit the United States each year and allows State to allocate resources to visa-issuing posts in countries with higher-risk applicant pools. The program accepted its first participant country—the United Kingdom—in 1988. Currently 27 countries participate in the program.<sup>9</sup> See figure 1 for a map of the VWP countries.

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<sup>8</sup>The Immigration Reform and Control Act of 1986, Pub. L. No. 99-603, § 313, 100 Stat. 3359, 3435-39 created the Visa Waiver Program as a pilot in 1986. It became a permanent program in 2000 under the Visa Waiver Permanent Program Act, Pub. L. No. 106-396, 114 Stat. 1637 (2000).

<sup>9</sup>Two countries—Argentina and Uruguay—have been removed from the program after failing to meet several program criteria. In 2003, the Attorney General removed Uruguay from the Visa Waiver Program, stating that Uruguay's participation in the program was inconsistent with U.S. interests. According to a 2003 *Federal Register* notice on the subject, Uruguayan nationals were, on average, 2 to 3 times more likely than all nonimmigrants to have been denied admission at the border. See *Attorney General's Evaluations of the Designations of Belgium, Italy, Portugal, and Uruguay as Participants under the Visa Waiver Program*, 68 Fed. Reg. 10954 (Mar. 7, 2003). Uruguayan air entries had an apparent overstay rate more than twice that of the average apparent overstay rate for all nonimmigrant air entries. In addition, Argentina was removed from the program in 2002, following an economic crisis in that country and an increase in the number of Argentinean nationals attempting to use the Visa Waiver Program to live and work illegally in the United States. See *Termination of the Designation of Argentina as a Participant Under the Visa Waiver Program*, 67 Fed. Reg. 7943 (Feb. 21, 2002).

**Figure 1: Current Visa Waiver Program Countries**



Sources: GAO; Map Resources (image).

See table 1 for a list of current VWP countries and the average number of travelers to the United States and average number of visas issued from 2001 to 2007. This table demonstrates that most citizens from these countries who travel to the United States do so through the Visa Waiver Program, rather than by obtaining a visa.

**Table 1: Current VWP Countries and Average Number of Travelers and Average Number of Visas Issued from 2001 to 2007**

<b>Country</b>	<b>Average Number of Travelers to the United States</b>	<b>Average Number of Visas Issued</b>
Andorra	645	29
Australia	501,477	30,439
Austria	119,790	6,194
Belgium	153,544	6,215
Brunei	1,050	175
Denmark	146,217	8,028
Finland	79,802	5,029
France	869,331	47,690
Germany	1,296,681	64,043
Iceland	33,859	1,512
Ireland	266,969	16,462
Italy	555,126	26,029
Japan	3,261,747	94,064
Liechtenstein	1,764	54
Luxembourg	7,005	311
Monaco	711	24
The Netherlands	451,505	15,304
New Zealand	155,792	9,359
Norway	125,156	8,656
Portugal	90,928	4,831
San Marino	495	19
Singapore	98,911	8,703
Slovenia	10,994	1,171
Spain	397,028	18,740
Sweden	247,809	13,254
Switzerland	214,781	10,822
United Kingdom	3,543,984	113,534
<b>Total</b>	<b>12,633,101</b>	<b>510,693</b>

Source: GAO analysis of State and DHS data.

The Visa Waiver Program affects U.S. security, trade, commerce, tourism, diplomatic, and other interests. Our previous work has found that eliminating the program could have significant negative effects on these interests, as well as on U.S. relationships with VWP countries. For

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example, if the United States decided to eliminate the program, those eliminated countries would likely reciprocate and require Americans to obtain visas before visiting their countries.

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## Visa Fee

State has the authority, by law,<sup>10</sup> to charge a fee for visas it issues to foreign nationals. According to State, State attempts to recover its costs for processing a visa with its fee, but the fee does not cover all associated processing costs.<sup>11</sup> Consular Affairs officials said this cost recovery includes the direct costs of the activity, such as the costs of biometric information, conducting name checks, interviewing applicants, conducting follow-up investigations if necessary, and printing the visa. It also includes what Consular Affairs officials called the indirect costs of whatever percentage of a visa-processing staff position overseas is spent processing visas. The visa fee is neither meant, nor used, for covering the costs of facilities used to process visas, according to State.

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## State's Efforts to Address Growing Visa Demand

The global demand for U.S. visas has grown substantially in recent years, and State expects it to continue to grow in the foreseeable future. In 2006, according to State, U.S. embassies processed over 8 million visa applications and issued 5.84 million visas worldwide, which includes the more than 700,000 visas issued in Road Map countries. This included short-term business and tourism visas, as well as visas for students, temporary workers, foreign exchange visitors, and other visa types. As we reported in July of 2007, State has had difficulty meeting growing visa demand over the long term, which has led to operational challenges,

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<sup>10</sup>8 U.S.C. § 1351. Also, by law, State shall charge the higher of \$65 or the cost of the machine-readable visa service. *See* 8 U.S.C. § 1713(b).

<sup>11</sup>State adjusts the visa fee periodically, following cost of service studies conducted by independent contractors under the supervision of State, in order to ensure that State recovers its costs of processing visas. The visa fee increased from \$65 to \$100 in 2002, and to \$131 January 1, 2008. The 2004 cost of service study found that the \$100 fee State was charging did not cover the full cost of processing a visa application and issuing a visa, and the actual cost in 2004 was calculated to be \$107.32. However, State did not increase the fee until 2008. State officials told us the fee was increased \$31 due to \$13.75 of increases in State's direct costs and to a new per-visa fee cost to State of \$17.25 for the Federal Bureau of Investigation to conduct its applicant screening for State. State officials told us that when the current cost of service study is completed in 2008, the visa fee could change again, based on the study's findings.

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including long wait times.<sup>12</sup> We found that, though State has attempted to address this demand by adding and reallocating staff worldwide, even with the increased staffing, State has not been able to keep pace with visa demand. In addition, we testified in August of 2007<sup>13</sup> that State's initiative to address its staffing shortages did not fully meet its goals and staffing shortfalls remained a problem.

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## Security Threats Related to the Visa Waiver Program

Some members of Congress have stated and agency officials have acknowledged that the Visa Waiver Program presents security risks, citing terrorist attacks and plots involving VWP travelers. One of the terrorists involved in the attack against the United States on September 11, 2001, Zacarias Moussaoui, entered the country under the program.<sup>14</sup> In addition, since the 9/11 attacks, there have been some high-profile terrorist plots emanating from VWP countries. In December of 2001, British citizen Richard Reid, flying to the United States under the Visa Waiver Program from France, attempted to detonate explosives midflight, but was prevented from doing so by flight attendants and passengers. In August of 2006, U.S. and British security officials announced the disruption of a plot by British citizens to use liquid explosives to blow up multiple airliners during flights to the United States. Finally, as noted earlier, in September of 2007, the Director of National Intelligence testified that Al Qaeda is recruiting Europeans because many of them do not require a visa to enter the United States. The director noted that this recruiting tactic provides Al Qaeda with an "extra edge in getting an operative or two or three into the country with the ability to carry out an attack that might be reminiscent of 9/11."

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<sup>12</sup>See GAO, *Border Security: Long-term Strategy Needed to Keep Pace with Increasing Demand for Visas*, [GAO-07-847](#) (Washington, D.C.: July 13, 2007). We reported that State had difficulty in reducing visa wait times, but had made progress.

<sup>13</sup>See GAO, *State Department: Staffing and Foreign Language Shortfalls Persist Despite Initiatives to Address Gaps*, [GAO-07-1154T](#) (Washington, D.C.: Aug. 1, 2007) and GAO, *State Department: Staffing and Foreign Language Shortfalls Persist Despite Initiatives to Address Gaps*, [GAO-06-894](#) (Washington, D.C.: Aug. 4, 2006).

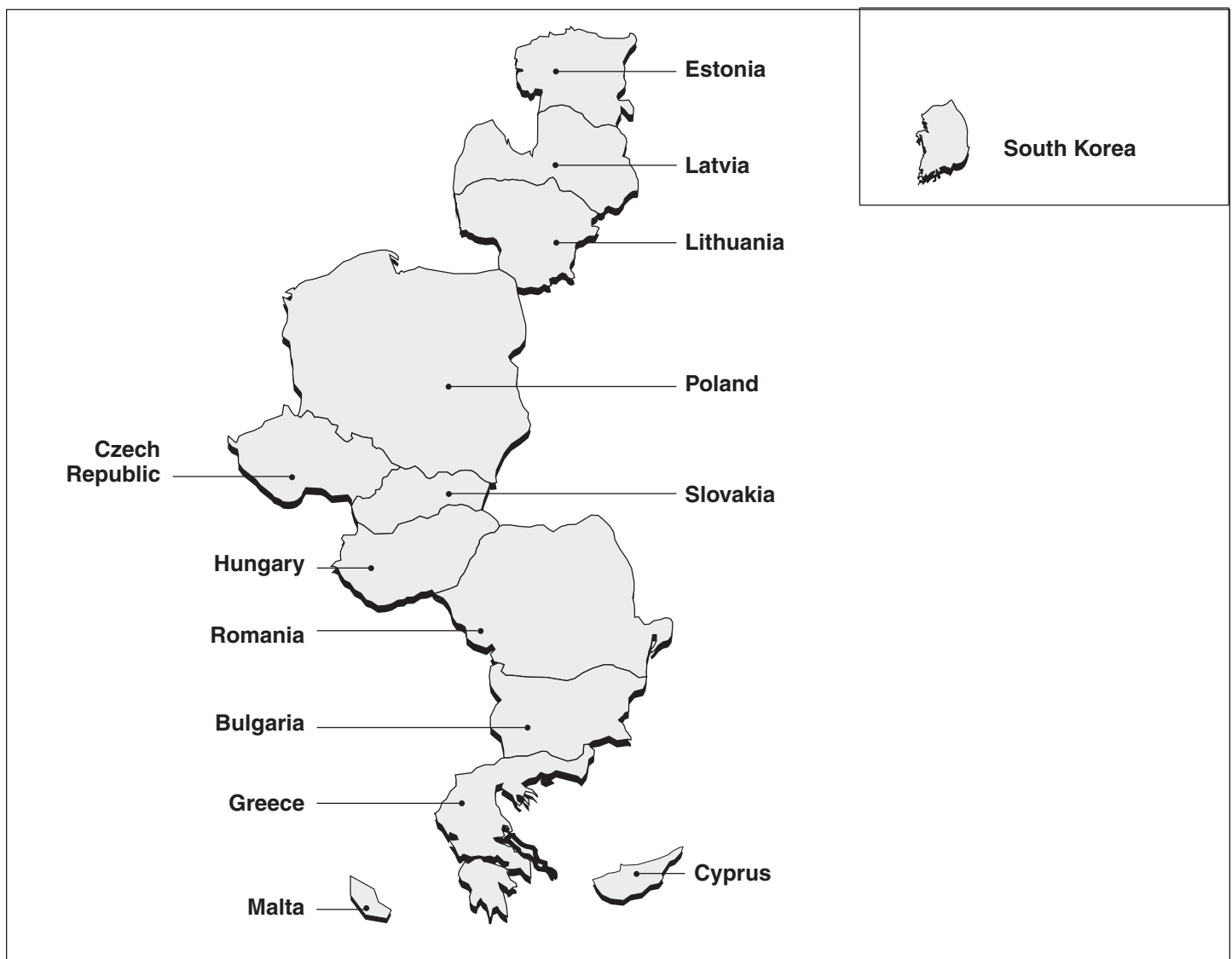
<sup>14</sup>See GAO, *Border Security: Stronger Actions Needed to Assess and Mitigate Risks of the Visa Waiver Program*, [GAO-06-854](#) (Washington, D.C.: July 28, 2006).



## Flexibility to Expand Visa Waiver Program

In 2005, President Bush announced plans to work with 13 Road Map countries to facilitate their eventual entry into the Visa Waiver Program. Figure 2 shows the 13 Road Map Initiative countries.

**Figure 2: Road Map Initiative Countries**



Sources: GAO; Map Resources (image).

See table 2 for a list of current Road Map Initiative countries and those countries' average number of travelers to the United States and average number of visas issued from 2001 to 2007. This table shows the number of travelers from Road Map countries to be around 1 million per year.

**Table 2: Road Map Initiative Countries and Average Number of Travelers and Average Number of Visas Issued from 2001 to 2007**

Country	Average Number of Travelers to the United States	Average Number of Visas Issued <sup>a</sup>
Bulgaria	32,229	25,295
Cyprus	8,028	4,911
Czech Republic	18,908	32,534
Estonia	6,145	6,053
Greece	52,044	34,146
Hungary	38,828	22,925
Latvia	8,703	7,648
Lithuania	13,028	10,995
Malta	3,780	3,021
Poland	160,089	106,823
Romania	46,347	37,754
Slovakia	17,551	18,253
South Korea	693,175	401,594
<b>Total</b>	<b>1,098,855</b>	<b>711,952</b>

Source: GAO analysis of State and DHS data.

<sup>a</sup>According to State officials, the number of visas issued in a country could exceed the number of travelers from the same country due to several factors. For instance, individuals issued visas may not travel in that year, and visas may be issued there to citizens from other countries (third country nationals).

In August of 2007, Congress passed the 9/11 Act,<sup>15</sup> which authorizes the Secretary of Homeland Security, in consultation with the Secretary of State, to waive the low, nonimmigrant visa-refusal rate requirement<sup>16</sup> for

<sup>15</sup>Pub. L. No. 110-53, § 711 (c).

<sup>16</sup>Before the 9/11 Act, the program was open only to countries whose applications for nonimmigrant visas were refused less than 3 percent of the time in the prior fiscal year, among other requirements. The 9/11 Act provides the Secretary of Homeland Security with the authority to waive this rule, in consultation with the Secretary of State, for countries whose applications for nonimmigrant visas were refused between 3 percent and 10 percent of the time in the prior fiscal year, as long as other prescribed conditions are met.

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countries that meet certain conditions enumerated in the act, including law enforcement and intelligence conditions. For example, countries must cooperate with the United States on counterterrorism initiatives. However, before the Secretary of Homeland Security can exercise this new authority, the 9/11 Act requires that the department complete certain actions aimed at enhancing the security of the program.

One of these required actions is that the Secretary of Homeland Security must develop and certify the implementation of ESTA in VWP countries.<sup>17</sup> According to DHS, ESTA will allow DHS to screen citizens from VWP countries who wish to travel to the United States before they depart for U.S. ports of entry.<sup>18</sup> Officials told us that DHS will advise applicants to go online at least 72 hours before the date they plan to depart for the United States in order to complete the ESTA application, which will collect electronically information similar to the information collected in paper form by CBP,<sup>19</sup> which all VWP travelers present to CBP officers upon arrival at a port of entry. According to DHS, after submitting the application,<sup>20</sup> DHS determines the applicant's eligibility to travel under the Visa Waiver Program and whether there exists a law enforcement or security risk in permitting the applicant to travel to the country under the program. To the extent possible, DHS says, applicants will find out almost immediately whether their travel has been authorized, in which case they are free to travel to the United States, or if their application has been rejected, in which case they are ineligible to travel to the United States under the Visa Waiver Program. Those found ineligible to travel under the Visa Waiver Program must apply for a visa at a U.S. embassy in order to travel to the United States. At the embassy, foreign citizens whose ESTA applications were rejected apply for a visa and pay the visa fee and are either approved to travel to the United States or denied. Figure 3 demonstrates how ESTA will work, according to DHS and State.

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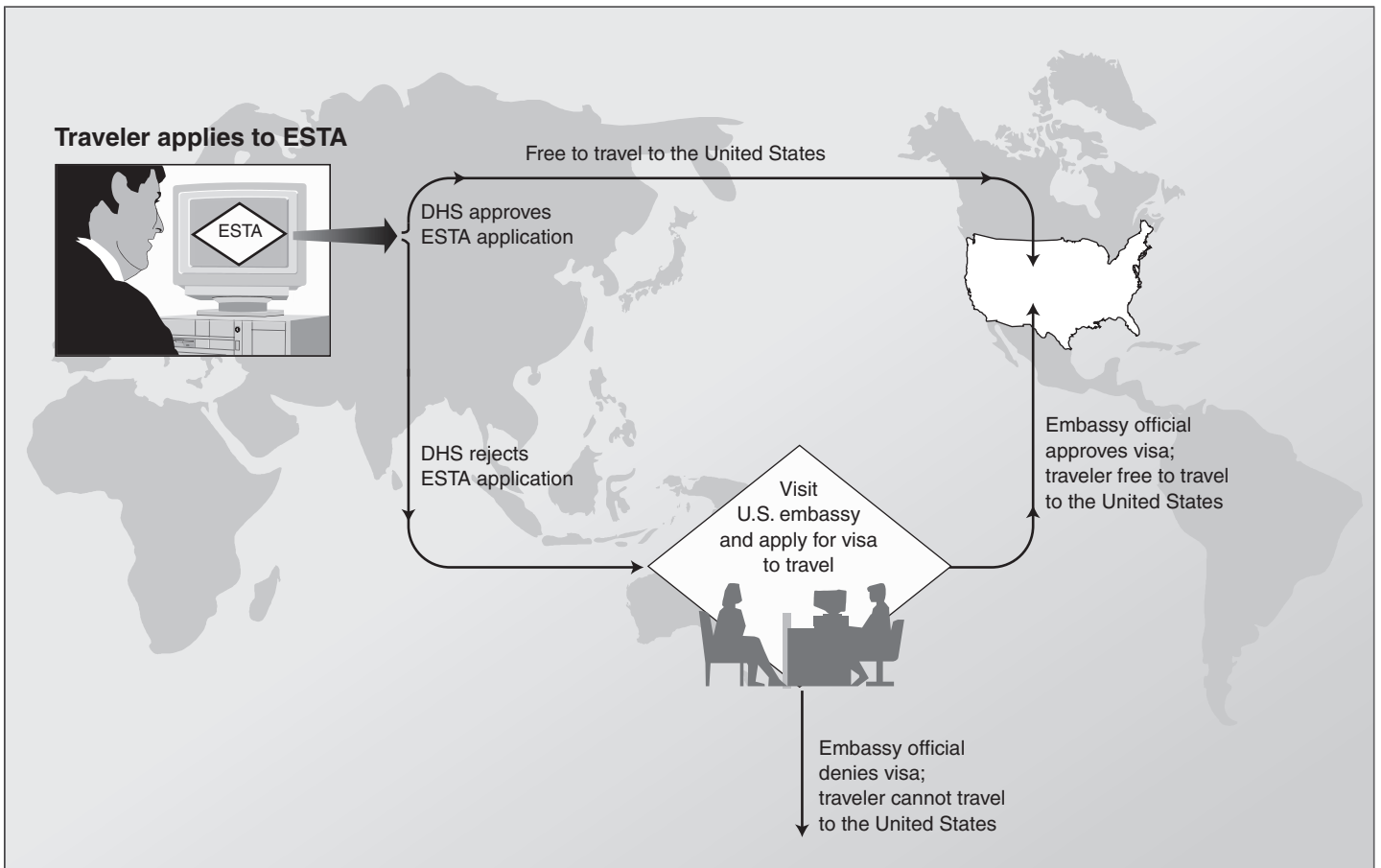
<sup>17</sup>Pub. L. No. 110-53, § 711 (d)(1)(E).

<sup>18</sup>CBP officials told us that initially ESTA will apply to travelers arriving by air and sea, but not at land border crossings.

<sup>19</sup>This form is CBP's I-94W Nonimmigrant Visa Waiver Arrival/Departure Form.

<sup>20</sup>DHS and CBP officials told us that, while DHS has the statutory authority to charge a fee to recover its ESTA costs, DHS currently does not plan to do so initially, because DHS received enough funding for ESTA from Congress in the 2008 Appropriations. However, DHS will continue to assess the issue and may charge a fee in the future.

**Figure 3: Foreign Citizens Apply through ESTA for Travel to the United States**



Sources: GAO analysis of DHS and State information; Nova development (clip art).

Note: In addition to the process described above, CBP officers screen travelers at U.S. ports of entry and can deny admission if the traveler is determined for any reason to be inadmissible under U.S. law.

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**Elimination of Visa Waiver Program Could Dramatically Increase Visa Demand and Overwhelm Visa Operations in the Near Term, but State Has Not Developed Contingency Plans**

Elimination or suspension of the Visa Waiver Program could cause dramatic increases in the demand for visas that could overwhelm visa operations in the near term. To meet visa demand, State would need substantially more staff and facilities. State also would receive large increases in the amount of visa fees collected, which would offset the costs for staff, but not the cost of additional facilities. State has conducted limited planning to address the potential impact of Visa Waiver Program elimination or suspension.

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**Visa Demand Would Increase Dramatically if the Program Were Eliminated or Suspended**

Elimination or suspension of the Visa Waiver Program could cause dramatic increases in the demand for visas. We estimate that, given existing travel patterns, the annual demand for visas at all VWP posts combined could jump from over 500,000 to as much as around 12.6 million,<sup>21</sup> a level of demand that would overwhelm existing staffing and facility resources. For example, the U.S. mission in Japan, a post that is accustomed to processing around 94,000 visas per year, could find 3.3 million potential travelers seeking visas if the program were eliminated. Even countries that have smaller numbers of annual travelers to the United States could see substantial demand increases. For example, in Singapore, the U.S. embassy—accustomed to processing around 9,000 visas per year—could see visa demand grow almost 11-fold to nearly 100,000.

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**State Would Need Substantial Increases in Staff to Meet Increased Visa Demand**

If the Visa Waiver Program were eliminated or suspended, State officials told us that existing visa staffing resources would be unable to meet the new visa demand. As a result, State would need a substantial increase in staff to process visas to meet the increased workload. State officials told us that, over the long term, they would likely hire Foreign Service officers and Foreign Service national staff to support those Foreign Service

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<sup>21</sup>The average traveler volume to the United States from VWP countries was 12.6 million from 2001 to 2007.

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officers, though these officials acknowledged they have not evaluated all of the options for meeting their staffing needs for this purpose. At three U.S. embassies we visited in VWP countries—Japan, France, and Spain—embassy officials told us they would need hundreds of new Foreign Service officers to perform visa interviews and adjudicate visa applications for the millions of new visa applicants arriving at the embassies. In Japan, for instance, we estimate the embassy would need at least 134 new Foreign Service officers (an increase of 515 percent above the current visa Foreign Service officer workforce of 26) to meet the expected increased visa demand of over 3.3 million new applicants, as well as around 334 new Foreign Service nationals (an increase of 451 percent over the existing Foreign Service national workforce of 74). We estimate that State would have to hire around 540 new Foreign Service officers worldwide, at an estimated cost of between \$185 million and \$201 million per year. In addition, State would have to hire around 1,350 new Foreign Service national staff worldwide, which would cost around \$168 million to \$190 million per year. Finally, State told us these new overseas positions would need the management and support of additional staff overseas and in Washington; we estimated these costs at \$93 million to \$111 million per year. Over a 10-year period after the elimination of the program, these costs would total between \$4.4 billion and \$4.9 billion.<sup>22</sup>

State officials told us that a hiring effort of this kind would be historic in its scope and very difficult to undertake. Both Consular Affairs and embassy officials told us they were unsure exactly how State would accomplish a hiring increase of this magnitude, given current staffing and funding levels. Consular and embassy officials told us in the event that only one of the larger current VWP countries were dropped from the program, State may be able to provide a surge of staff on temporary duty to cope with the immediate spike in visa demand in that country, though State had not developed any plans on how to do so. However, these officials noted, with all 27 countries, or even several of the larger VWP countries dropped from the program, it would be impossible to meet new demand with existing staff. Moreover, consular officials stated that it could be very difficult for State to hire and for its Foreign Service Institute to train the number of staff that would be needed in a short period of time.

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<sup>22</sup>State officials told us that, while it is impossible to predict visa demand with any precision, they would expect an initial surge of visa applicants in the first few years following program elimination, and another surge 10 years later, when those visas expire. State officials told us that, given projections on future travel to the United States, visa demand would generally remain strong in all years for the foreseeable future.

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For instance, from fiscal year 2005 to 2007, State produced around 300 to 400 new Foreign Service officers per year for all global State needs. As many as 200 to 300 of these officers entered into consular functions upon their initial deployment overseas to enable State to meet recent year-to-year visa demand. State, however, would need around 2 to 3 times this number to meet the new demand for visas in the event of VWP elimination.

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### State Could Need Dozens of New Facilities Costing Billions of Dollars to Accommodate Increased Visa Demand

Though Consular Affairs officials told us they have not fully analyzed the extent to which demand increases would impact resources in the event of program elimination, they provided us with information indicating they could need approximately 45 new buildings to handle the increased visa demand. OBO officials said this estimate was generally realistic, based on the potential increases in staffing that could be needed in the event of program elimination and the capacity of buildings to absorb those levels of new staff. However, both OBO and Consular Affairs officials indicated that it was impossible to predict the exact number of facilities that would be needed. OBO, Consular Affairs, and embassy officials told us it would be challenging to build these facilities in a timely and cost-effective manner or, alternatively, to find enough suitable space that could be leased for this purpose. State officials told us they would immediately outgrow their current visa processing space in dozens of posts, and embassy officials in all three VWP countries we visited said they would need new buildings to accommodate visa demand. In fact, these embassy officials noted that a relatively small increase in visa demand would cramp visa waiting rooms and consular adjudicating officer workspace. In addition, embassy officials told us it would be extremely difficult to find suitable land that would provide the space and the setting necessary for building, or leasing, according to State's building and security standards. Embassy officials in these countries added that land, facility construction costs, and leasing costs in their host countries would be extremely expensive—among the most expensive in the world. OBO officials confirmed that VWP countries' real estate markets did not offer easy or inexpensive opportunities for building new embassy or separate annex buildings for consular use. OBO officials further stated that finding appropriate sites and negotiating sales in this type of environment would not only cost more, but also would likely take longer to accomplish, tying up OBO resources and potentially delaying the point at which visa operations could resume within a U.S. mission. Until long-term arrangements are made to meet facility needs, OBO officials said, the embassy would likely be forced to lease space to accommodate increased visa demand.

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We calculated that it would cost between \$3.8 billion and \$5.7 billion to construct 45 new facilities in these countries. This total cost of \$3.8 billion to \$5.7 billion would include: (1) new building construction costs, (2) the costs of leasing temporary facilities to accommodate visa operations while new facilities are constructed, (3) facility operations and maintenance costs, and (4) the cost of additional OBO staff. OBO officials told us that if these 45 buildings supplanted those already scheduled to be constructed, it could take around 7 years to finish the design, planning, and construction so that visa operations could be conducted there. However, if OBO were to proceed with its existing building schedule in addition to the 45 new facilities, it would require an increase of approximately 400, or around 40 percent more, full-time permanent or temporary contractor staff. If OBO hired a mix of around 400 full-time and contractor staff, it would cost between \$648 million and \$897 million over the roughly 7 years. OBO officials told us it would be difficult to find that many staff without using contractors. In addition, OBO noted that since the staff would be employed for only that 7-year period of time and phased out at the end of this period, there would be an advantage to hiring contractors since OBO would not have to provide them with benefits or severance pay. In addition, we estimated the cost of leasing facilities to accommodate dramatically increased visa operations over this 7-year construction period would be between \$226 million and \$416 million.

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**State Would See Significant Increases in Visa Revenues, Offsetting New Staffing Costs**

While staffing and facilities needs would increase if the Visa Waiver Program were eliminated, this scenario also would increase the number of travelers needing a visa; as a result, we estimate visa fee revenues would increase substantially. Using the current fee of \$131 per application, we calculated the increase in State's visa revenue to be \$1.7 billion to \$1.8 billion per year. We estimate that this increased revenue would offset the year-to-year recurring costs associated with new staff. However, since visa fees would not be collected until the end of the first year, the initial annual staffing costs of \$447 million to \$486 million would not be offset by visa fees. In addition, visa fee revenues would be far less than the costs for facility construction and, further, are not used for the purpose of offsetting facility construction costs—the largest portion of the initial costs—or the year-to-year facility maintenance costs on those facilities.



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## State Has Done Limited Planning to Address the Impact of Visa Waiver Program Elimination

Though State has made efforts to address long-term growth in visa demand, as noted earlier, the department has conducted limited planning to address the significant operational challenges that could result from the potential elimination of the Visa Waiver Program. State Department and federal guidelines have highlighted the importance of planning for potential program changes that could impact operations. This is particularly important given that any significant disruptions to U.S. visa operations could have severe repercussions on U.S. travel, trade, business, tourism, and diplomatic interests. State's Performance Plan for the Bureau of Consular Affairs for 2007 sets a performance goal of "Proper Visa Adjudication" and acknowledges challenges that could seriously impede progress would include "an extended disruption of international travel and any significant change in participation in [the Visa Waiver Program]." State and embassy officials told us during our review that the elimination of the Visa Waiver Program could cause such disruptions of international travel. According to internal control standards for the federal government,<sup>23</sup> once an agency has set its objectives and identified the risks that could impede the efficient and effective achievement of those objectives at the entity level and the activity level, the agency should analyze those risks for their possible effect. Management then should formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations.

Although State has identified risks, it has not developed a plan for how it would deal with these risks. State has conducted limited planning to prepare for the possibility of Visa Waiver Program elimination, though such a scenario could create significant operational challenges for State, as visa demand would dramatically increase. Specifically, several years ago, State undertook some preliminary thinking about the scenario—including the general magnitude of the resource challenges that would be involved—and acknowledged the importance of doing so; we reviewed the documentation provided and found that the limited planning was general in nature, largely outdated, and does not address the full range of the challenges that would arise, particularly how to provide the additional staffing resources and facilities needed. For instance, a memo from Consular Affairs to OBO requests that OBO identify the space requirements that might be needed in the event of VWP elimination.

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<sup>23</sup>See GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

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However, there is no information about how OBO would acquire the substantial amount of additional space needed if the program were eliminated. State officials told us they did not think planning for program elimination or suspension was appropriate, given that current U.S. government policy does not support program elimination. However, in September 2007, the Director of National Intelligence testified that Al Qaeda is recruiting Europeans because many of them do not require a visa to enter the United States, which, he noted, provides Al Qaeda with an “extra edge in getting an operative or two or three into the country with the ability to carry out an attack that might be reminiscent of 9/11.” Moreover, DHS, State, and embassy officials have acknowledged the program could be suspended or eliminated in the event of a major attack emanating from a VWP country.

If State does not develop contingency plans and the program is eliminated, State could face tremendous challenges addressing staffing and facilities shortfalls. State has had problems dealing with large demand increases in the past. In 2007, when new passport requirements were implemented, State faced substantial increases in demand for passports. However, because State had not adequately planned for the implications of these new requirements, it faced shortages in staffing and other resources that led to tremendous backlogs that were only addressed when State redeployed domestic and overseas staff and took other emergency measures to address the surge in demand.<sup>24</sup> Consular officials in Washington told us that the impact of the new passport requirements on that process and the resource shortages that State faced in 2007 would be minor compared to the challenges State would face in meeting visa demand in the event that the Visa Waiver Program were eliminated. For instance, given the potential historic level of visa demand that program elimination could bring about and State’s inadequate resources to address this demand, State officials told us they would need to find creative staffing and facility solutions in the short term and, moreover, may need to make choices regarding changes in resource allocation, visa policies, and other considerations to ensure the right balance between security and facilitating legitimate travel. However, State has not developed a plan that identifies its options for meeting the facility and staffing needs described above, or how it would go about making any such changes.

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<sup>24</sup>We are currently reviewing this issue and plan on issuing a report on this later this year.

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State officials at posts we visited in existing VWP countries told us they had not been contacted by their headquarters about undertaking any contingency planning in the event of program elimination. In addition, they said they had not been asked for data or post thinking on the issue, or been provided any information on how post activities, programs, or resources might change given such a scenario. Embassy officials in all three VWP countries we visited told us that our visit and questions had fostered their first real consideration of what was involved in these issues. Consular officials in these posts expressed concern to us that, in the absence of planning for this scenario, visa operations at their posts could be severely disrupted as existing staffing and facilities resources would be overwhelmed.

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## Expansion of the Visa Waiver Program Would Reduce Visa Demand, but Likely Have Limited Effect on State's Visa Costs and Resources

Expansion of the Visa Waiver Program would reduce visa demand in Road Map countries, but have a limited effect on the costs and resources needed to meet the reduced demand and the amount of visa fees received.<sup>25</sup> Expansion would only modestly reduce overall staffing needs. Further, expansion would not bring about significant cost savings from facilities, in part because Road Map countries lack consular or other embassy space that could be sold. If all 13 countries were admitted to the program, we estimate that State would stand to lose approximately \$74 million to \$83 million each year in collected visa fee revenues. State would likely be able to accommodate program expansion with relatively minimal disruption, therefore requiring limited planning because of the minimal impact expected on staffing and facilities.

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## Expansion of the Visa Waiver Program Would Reduce Visa Demand in Road Map Countries

Visa demand in any Road Map country would decline after the country's admission to the program. However, visa volume is relatively small in most of the Road Map countries. For instance, the recent visa volume in Estonia and the Czech Republic, two countries currently being considered for expansion, is only around 6,000 visas and 32,500 visas per year, respectively. Even if all 13 Road Map countries were to join the program,

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<sup>25</sup>DHS would incur some costs associated with expansion of the program—among them, the costs of developing and implementing ESTA and conducting the initial and recurring reviews to determine a country's suitability to join or continue in the program. DHS officials told us that the cost of developing ESTA would exceed \$20 million, and recurring ESTA costs at this point are unknown; however, they noted that in the future, DHS ESTA costs could be recovered by user fees. We estimate recurring annual costs to conduct reviews for all Road Map countries would be between \$132,000 and \$251,000.

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and if all of those countries' citizens who previously traveled with visas were to travel to the United States without visas, the total reduction in visa demand would be only around 710,000; more than 400,000 of this reduction would be in South Korea alone. In addition, these posts, many of which already issue relatively small numbers of visas, would continue to experience some demand for tourism and business visas and continued growth in student, long-term work, and other types of visas. Officials told us they generally expect continued visa travel as some percentage of VWP travelers will be rejected by ESTA and directed to apply for a visa at the embassy. Further, consular officials told us they expect that some travelers may choose to obtain a visa rather than travel via the Visa Waiver Program due to the risk of being rejected by ESTA, as well as the greater flexibility a visa offers. For instance, travelers with a 10-year visa can choose to travel at any time during that 10-year period, and also can decide to extend the length of their visit for longer than the 90 days allowed under the program. In addition, consular officials in South Korea stated that they continue to have large increases year to year in other types of visas issued there. So, even if most demand for short-term business and tourism visas were to decrease following acceptance into the program, there could still be significant growth in demand for other types of visas. Consular officials in the Road Map countries we visited stated they expected that their visa volume in the near term would likely be between 20 percent and 40 percent of recent numbers of travelers—between 220,000 visas and 440,000 visas. Given all of these factors that could affect visa demand, consular management officials at locations we visited stated that, if their posts were added to the Visa Waiver Program, they would be reluctant in the near term to lose more than 50 percent of their Foreign Service officers processing visas until they better understand their new staffing needs.

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### Expansion of the Visa Waiver Program Would Modestly Impact Overall Staffing Needs

Expansion of the Visa Waiver Program would modestly impact overall staffing needs in Road Map countries. Although consular conditions in Road Map countries vary, consular officials in the Road Map countries we visited expect modest reductions in their visa processing staff needs as these countries gain acceptance to the program. For example, in the three Road Map country posts of Athens, Prague, and Budapest, the combined annual visa workload of around 90,000 is relatively small, and consular management there told us that eliminating this workload would result in only around four fewer Foreign Service officer staff among the three countries. In the Czech Republic, where consular officials process around 32,500 visas per year, officials expect they will need only one fewer Foreign Service officer when accepted into the program, and only two to

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three fewer Foreign Service nationals. Similarly, consular officials expected relatively modest staff reductions for South Korea, where consular staff process around 402,000 visas per year—the highest number of U.S. visas issued among Road Map countries. If South Korea is admitted to the program, consular officials expect to need 6 to 9 fewer Foreign Service officers and 15 to 20 fewer Foreign Service nationals.<sup>26</sup> In total, if all 13 Road Map countries joined the program, we estimate that about 21 to 31 Foreign Service officers could be moved to other posts in need of staff and 52 to 77 Foreign Service national positions could be cut.

Beyond its limited impact on staffing in VWP Road Map countries, expansion of the program would have even less of an effect on State's overall worldwide staffing needs and costs. First, for fiscal year 2006, Consular Affairs reported that posts in Road Map countries represented a small portion of total U.S. visa operations; these countries employed 105 Foreign Service officers and 301 other consular employees, less than 10 percent of the over 4,500 consular employees overseas in 2006. Moreover, officials in State's Consular Affairs Bureau said that Foreign Service officers no longer needed at new VWP posts will not be eliminated but rather transferred to other posts, thereby shifting, not eliminating, costs and revenues generated by those staff. Consular officials noted there is a need for additional staff in other countries with large backlogs of visa applications, such as China, India, and Mexico, and consular officials in South Korea noted that, if the country were accepted into the program, Foreign Service officers not needed would likely be transferred to such posts at the end of their regular tour of duty.

Although acceptance into the Visa Waiver Program would reduce total visa processing costs for Road Map countries, State and embassy officials expect increases in some short-term costs, such as severance pay to the displaced Foreign Service national workforce and the costs of hiring new Foreign Service national staff to support the transferred Foreign Service officer staff at their new posts.<sup>27</sup> State and embassy officials noted that

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<sup>26</sup>Consular officials in Seoul stated that, if the program were expanded to South Korea, they could attempt to mitigate the costs of severance payments and the impact on Foreign Service national staff, when possible, by finding other non-visa-related positions for these staff within the embassy, using attrition to reduce Foreign Service national staff levels, and hiring Foreign Service national workers to temporary positions or short-term contracts.

<sup>27</sup>Consular Affairs officials told us they believed that most transfers of Foreign Service officers to new posts would occur at the time of their already-scheduled rotations, meaning that transferring these officers out of new VWP countries would add no additional cost to the overall costs associated with the normal rotation cycle.

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short-term costs for severance payments to displaced Foreign Service national employees would vary depending on the laws of individual countries.<sup>28</sup> We estimate that nonrecurring costs of expanding the program to Road Map countries would be between \$3.7 million and \$4.3 million—with around \$3.3 million to \$3.9 million to cover severance costs and approximately \$385,000 to \$476,000 for the costs to hire and train additional supporting Foreign Service nationals in the Foreign Service officers' new locations.

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**Little or No Consular Facilities Savings Anticipated as Road Map Countries Transition to the Visa Waiver Program**

Embassy officials in Road Map countries we visited did not expect dollar savings from reduced facility usage after the countries are accepted into the Visa Waiver Program. In the countries we visited, the visa operations generally occupy a portion of embassy facilities. None of U.S. embassy visa operations in Road Map countries are currently housed in leased space, and therefore no lease savings will accompany reduced visa operations. Visa operations in South Korea, the Road Map country processing the greatest number of visas, are based in an embassy operating above normal capacity, and U.S. embassy officials there stated that any space freed as a result of gaining acceptance to the Visa Waiver Program would simply allow the existing consular space, which currently requires a waiver since it does not meet fire code, to operate under less cramped and strained conditions. Similarly, U.S. embassies in Road Map countries we visited in Eastern Europe do not expect to gain any facility cost savings as a result of joining the program.

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**Reduced Visa Revenues Anticipated as Road Map Countries Transition to the Visa Waiver Program**

Acceptance of Road Map countries into the program would significantly reduce the amount of visa fee revenues collected in those countries.<sup>29</sup> While embassy officials in all four Road Map countries we visited told us they expected to retain some visa demand in the event their host country entered into the program, they agreed most business and tourism visa demands would significantly decrease. Assuming all 13 Road Map

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<sup>28</sup> Consular Affairs officials observed that some Road Map countries, such as Poland, may not require severance payments while others, such as South Korea, may require substantial severance payments. Embassy management officials told us that South Korean law generally requires severance payment of 1 month's salary for each year of work for an employer.

<sup>29</sup> Transfer of Foreign Service officers from Road Map countries to other countries likely will result in increased visa fee revenue at the new posts receiving the transferred Foreign Service officers, as the Foreign Service officers will process additional visa applications.

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countries were admitted to the program and that most eligible foreign citizens traveled under the program, we estimate that State would lose approximately \$74 million to \$83 million each year in collected visa fees, generally offsetting any savings from reduced personnel costs.

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### State Is Prepared to Adjust to Meet Program Expansion

State likely would be able to accommodate program expansion with minimal disruption because of the limited impact expected on staffing and facilities. As a result, preparing for potential program expansion would require little additional advanced planning by State. For example, as noted above, even in South Korea—the Road Map country issuing the highest number of U.S. visas, about 56 percent of all visas issued in Road Map countries—consular officials expected relatively modest staff reductions. Embassy officials in the four Road Map countries we visited told us that, were their host countries' entries into the program confirmed, they could take steps at the posts to adjust to and accommodate decreased visa demand and its impact on staffing and facility resources. In one Road Map country we visited, embassy officials told us that if they were instructed by State officials in Washington to prepare for immediate admission of the host country into the program, the embassy would make decisions about how to handle the repercussions of decreased visa demand on staffing and on current visa processing facility space. For example, given the decreases in the number of Foreign Service national staff positions needed at post under program expansion, embassy officials said they would try to find other positions for these staff, if possible, to ease the impact on the Foreign Service national workforce and mitigate potential severance costs. In addition, as discussed previously, while embassy officials in all four Road Map countries we visited said they did not think program expansion would significantly impact their mission's facilities, they noted that any freed space would be easily used by other consular or embassy functions, and such a transition would be planned and implemented by the embassy.

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### ESTA Implementation Could Increase Visa Demand, but State and DHS Have Not Planned How to Manage an Increase

ESTA implementation could increase visa demand in existing VWP countries. However, State and DHS are uncertain how many applicants would likely be rejected through the ESTA screening process and therefore required to apply for a visa, and they also are unsure how many potential travelers would choose to get a visa rather than participate in the ESTA screening. State has not developed contingency plans for how it will manage the expected increase in visa demand, citing lack of information from DHS on the effect of ESTA.

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## ESTA Implementation May Increase Visa Demand and Resource Needs, but Full Extent of Increase Remains Unknown

ESTA implementation will increase visa demand in VWP countries, though the full extent to which it will do so remains uncertain. DHS officials told us that, given CBP's operational experience administering the Visa Waiver Program as it currently exists, they currently believed that when ESTA is fully implemented, less than 1 percent of all VWP country travelers would be rejected by the ESTA screening. DHS officials also told us the rejection rate could be 2 percent to 3 percent in early years, eventually tapering off to 1 percent as the system became more established and travelers became more acclimated to using it, while some officials said it could range as high as 5 percent. However, DHS officials told us they can not yet determine the rate of rejection from ESTA, because DHS has not yet decided what databases it will use to screen names of ESTA applicants. In addition, given ESTA's potential for causing last-minute travel disruptions, consular staff at the posts we visited told us they believe an additional unknown number of travelers from VWP countries would choose instead to proactively apply for visas at embassies. For example, around 14 percent of annual entries to the United States from VWP countries are made by repeat travelers; one senior consular official estimated that these travelers who visit the United States multiple times a year may prefer to travel using a visa rather than through the program. Most officials predicted that the percentage of travelers who choose to obtain a visa could exceed potential ESTA rejection rates of 1 percent to 3 percent.<sup>30</sup> State officials told us that the influx of even a small percentage of current travelers in larger VWP countries to obtain visas could significantly disrupt visa operations at U.S. embassies.<sup>31</sup> For example, if 1 percent of the United Kingdom citizens who currently travel to the United States without visas needed to or chose to apply for a visa, visa demand there could increase by 35,000 per year, or around a 31 percent increase in visa workload. Further, embassy officials in the three VWP countries we visited told us that if 3 percent of current visa waiver travelers applied for visas, it would result in visa demand that would overwhelm their current staffing and facilities. However, DHS acknowledges that it does not know how many travelers may prefer to directly seek a visa rather than participate in ESTA-approved travel, and it

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<sup>30</sup>State officials in Washington told us that because this visa demand is driven by choice, it could be partly managed, for example, through its visa application interview appointment system or, over time, through embassies conveying information to the public in VWP countries encouraging the use of ESTA.

<sup>31</sup>Further, State and DHS officials stated that visa approval for travelers rejected by ESTA may be more difficult and time consuming because of the need to resolve the issue identified by the ESTA rejection.



acknowledges that ESTA rejection rates and the rate of voluntary visa travelers may vary by country.

We developed a series of estimates of ESTA’s potential impact on demand and consular staffing needs, as well as on visa fees. Though State officials provided us with data to support these estimates, they did not provide data on ESTA’s impact on facility costs. A State official told us that predicting ESTA’s impact was very difficult, particularly for facilities, and that developing such data for facilities would require an extensive analytical effort involving multiple offices within State, particularly OBO, as well as extensive management involvement—and, moreover, would take a long time. Our estimates in table 3 include scenarios where 1, 2, 3, 5, or 10 percent of travelers who currently travel under the Visa Waiver Program come to U.S. embassies for a visa, and they take into account increases in visa applications due to ESTA rejections as well as from travelers choosing voluntarily to apply for visas. Further, table 3 represents estimates of the potential increases in visa demand globally and for the largest VWP countries, as a result of the implementation of ESTA, assuming 1, 2, 3, 5, or 10 percent of current VWP travelers went to the embassies to apply for a visa.

**Table 3: Potential Effects of ESTA on Visa Demand**

Country	Average number of visas issued annually	Average number of travelers annually	If extra 1% of travelers, number of visas issued increases by	If extra 1% of travelers, number of visas issued increases by			
				If 2%	If 3%	If 5%	If 10%
United Kingdom	113,534	3.54 million	35,440	70,880	106,320	177,200	354,400
Japan	94,064	3.26 million	32,617	65,235	97,852	163,087	326,175
Germany	64,043	1.3 million	12,967	25,934	38,900	64,834	129,668
France	47,690	869,000	8,693	17,387	26,080	43,467	86,933
Italy	26,029	555,000	5,551	11,103	16,654	27,756	55,513
Australia	30,439	501,000	5,015	10,030	15,044	25,074	50,148
Netherlands	15,304	451,000	4,515	9,030	13,545	22,575	45,151
Remaining 20 VWP members	119,590	2.15 million	21,532	43,065	64,598	107,663	215,325
<b>Total</b>	<b>510,693</b>	<b>12.6 million</b>	<b>126,331</b>	<b>252,662</b>	<b>378,993</b>	<b>631,655</b>	<b>1.26 million</b>

Source: GAO analysis of State Department and DHS data.

All of these scenarios would place a strain on existing embassy staffing, particularly in larger VWP countries, while even small rates of increase in larger VWP countries could strain consular facilities, necessitating the

construction of new facilities in some countries at potentially significant costs, according to State and embassy officials. As noted earlier, State has had a difficult time meeting recent staffing needs globally; State and embassy officials told us they could find it difficult to meet staffing needs in high-volume VWP posts in the near term if higher percentages of current travelers come to the embassies for visas. Furthermore, while we did not develop estimates of the number of facilities that would be needed, State and embassy officials agreed that the costs of new facilities could potentially be significant<sup>32</sup> and that such facilities would most likely be needed in high-traveler-volume countries where existing facilities are more likely to become strained. Table 4 shows the impact, on all VWP countries combined, that such increases in visa demand—of 1, 2, 3, 5, or 10 percent—would have on staffing needs and visa revenues; the table does not include potentially significant facility costs. We estimate annual visa fee revenues would increase and offset the year-to-year recurring staffing costs. However, there would be a lag between when State would have to fund the staffing increases in the first year and when it would receive the offsetting increases in visa fees in the second year. Moreover, visa fee revenues would be less than the costs for facility construction, and, according to State, visa fee revenue is not used to offset the costs for constructing new facilities to process visas.

**Table 4: Estimated ESTA Impacts and Costs in Different Scenarios**

% of current VWP travelers who could instead apply for a visa	Estimated increase in visa demand in current VWP countries	Estimated increased number of FSO <sup>a</sup> staff needed	Estimated cost of increased number of FSO staff	Estimated increased number of FSN <sup>b</sup> staff needed	Estimated cost of increased number of FSN staff	Estimated increased amount of visa revenues collected
1%	126,331	11	\$4.2 million	28	\$4.2 million	\$16.55 million
2%	252,662	23	\$8.3 million	56	\$8.5 million	\$33.1 million
3%	378,993	44	\$16.2 million	110	\$16.5 million	\$49.65 million
5%	631,655	67	\$24.7 million	167	\$25.1 million	\$82.75 million
10%	1.26 million	123	\$45.3 million	307	\$46.0 million	\$165.5 million

Source: GAO analysis of State Department and DHS data.

<sup>a</sup>FSO = Foreign Service officer.

<sup>b</sup>FSN = Foreign Service national.

<sup>32</sup>We determined the average cost of constructing a facility to be between \$63 million and \$101 million. This number includes only the construction cost and not the recurring cost of operating and maintaining the facility year to year.

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Two high-traveler-volume VWP countries we visited in particular would be challenged to address the likely increased visa demand resulting from ESTA. In Japan, with around 3.26 million travelers to the United States each year, embassy officials told us that if visa demand increased by 1 percent of Japan's current VWP travelers, it would present significant challenges for their existing staff and a workload level that could not be sustained over the long term. An increase of 2 percent would increase visa demand by about 70 percent over current levels; as a result, existing staff could not meet the demand, and current facility space would become crowded and strained to capacity. Any increase over 2 percent, embassy officials said, would overwhelm existing staff and facilities; more staff would be needed, and new facilities for processing visas would need to be obtained or constructed. In France, where about 870,000 citizens travel to the United States each year, embassy officials told us that if visa demand increased by 1 percent of France's current VWP travelers, their existing staff would be greatly challenged to meet the demand. They said that existing staff could handle this increase only for a temporary period of time without additional staff. An increase of 2 percent could not be accommodated with existing staff, and visa waiting rooms and processing space, which are already crowded, would be strained, embassy officials said. However, if more staff were added, embassy officials told us the embassy could develop creative ways to work within the existing space, for example, by adding another shift for visa processing every day. An increase of 3 percent, embassy officials told us, would require acquiring or constructing a new visa processing facility. Figure 4 shows that the visa waiting room space in the U.S. embassy in Paris is already crowded.

**Figure 4: Crowded Visa Waiting Room in U.S. Embassy, Paris, April 2008**



Source: U.S. Embassy, Paris.

## State Has Not Developed Plans to Manage Increased Visa Demand Resulting from Implementation of ESTA

Though State has attempted to address general long-term growth in visa demand, the department has done little planning to address the increased visa demand that could result from implementation of ESTA, citing lack of information from DHS on the effect of ESTA. State Department and federal guidelines, as noted previously, have highlighted the importance of planning for potential program changes that could impact operations. Despite the fact that DHS officials have said they plan to have ESTA operational for all countries by mid-2009 and for some countries by the summer of 2008, DHS officials told us the department has not determined what tests, if any, it will conduct to study ESTA rejection rates and determine ESTA's impact on visa demand. In addition, as noted earlier, State has not developed data on ESTA's likely impact on facility needs and costs, despite the fact that ESTA could be implemented by the summer of 2008 and that State officials have acknowledged that developing such data would be a complex and time-consuming process. Furthermore, embassy officials we met with in three VWP countries told us that they have neither prepared plans to address visa demand upon ESTA implementation, nor has State headquarters communicated with them in order to plan for this new requirement. For example, in one VWP country we visited, we found

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that State had begun plans for a new embassy facility, but no additional space had been included to accommodate additional visa demand, including demand resulting from ESTA implementation. Consular and management section officials there told us they had never heard of ESTA and that OBO had not raised the issue of additional demand with them or considered new visa demand in their initial design of the new facility. Officials told us that our visit and questions had fostered their first real consideration of what was involved in planning for the impact of ESTA. In addition, consular officials in the three VWP countries we visited expressed concern that, without information regarding the likely impact of ESTA on visa demand, they are not able to plan at the embassy level to address the staffing shortfalls and space limitations that could result from ESTA implementation.

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## Conclusions

Many important factors need to be considered regarding potential changes to the Visa Waiver Program, given its impacts on U.S. security, trade, commerce, tourism, diplomatic, and other interests. Ensuring that the proper resources are in place to handle visa demand globally is essential for State to meet its mission to facilitate legitimate travel to the United States while screening out possible threats. Elimination of the Visa Waiver Program has the potential to dramatically increase visa demand, severely disrupting U.S. visa operations in the short term and costing billions of dollars. And, while State would likely be able to accommodate program expansion with minimal disruption, U.S. embassies soon will have to deal with the impact of the ESTA requirement, which could result in a substantial number of new travelers needing or choosing to obtain a visa, potentially creating significant resource gaps and affecting the ability of the United States to conduct visa operations globally. State has done limited planning in headquarters or the field for any such changes in the program. Given the resource and cost implications involved, it is imperative that State work with posts to plan for imminent as well as potential program changes. Though the likelihood of program elimination is unknown, having a comprehensive understanding of how staffing and facilities would be impacted will enable State to help Congress make informed decisions on the fate of the Visa Waiver Program and to devise broad measures to address the immense challenges that would follow elimination of the program, should it occur. In addition, the development of estimates of the increases in visa demand in high traveler volume countries likely to result from ESTA implementation would give State's headquarters and embassy officials the necessary information to make decisions on allocations of staff among posts and also would give State's

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Bureau of Overseas Buildings Operations the information it needs to construct any needed new facilities.

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## Recommendations for Executive Action

We recommend that the Secretary of State develop contingency plans for U.S. embassies in Visa Waiver Program countries to address the potential increases in visa demand that could result from program elimination. These plans would include identifying what options State has for providing additional resources and taking actions that could be needed, as well as the extent to which increased visa fee revenues would cover the cost of these resources.

In addition, we recommend that the Secretaries of Homeland Security and State develop estimates of increased visa demand in Visa Waiver Program countries resulting from ESTA implementation. These estimates would include information on how many applicants can be expected to be rejected from ESTA and how many potential travelers can be expected to choose to come to the embassy for a visa. Based on these estimates, we recommend that the Secretary of State develop plans for how the department will manage the increased workload in the existing 27 Visa Waiver Program countries.

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## Agency Comments and Our Evaluation

State and DHS provided written comments on a draft of this report, which are reproduced in appendixes II and III, respectively. We also received technical comments from State and DHS, which we have incorporated throughout the report where appropriate.

State said it would ask embassies to discuss management plans in the event that the program were eliminated, but did not indicate whether it fully concurred with our recommendation that State conduct contingency planning. State said that it has responded to situations that presented challenges to its workforce, during which it has considered and used several tools that could be helpful in addressing some of the challenges presented by program elimination. We believe that asking posts to discuss their management plans in the event the program were eliminated, as State said it would do, is a good step. In addition, we believe that State needs to develop contingency plans that include options for addressing program elimination so that State is better prepared to cope with the dramatic increases in workload that would result from the elimination of the program.

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State agreed with our recommendation that it develop estimates of, and conduct planning for, the impact of ESTA implementation, but said that its ability to do so was limited by the fact that DHS had not resolved a significant number of crucial details about ESTA and, as a result, had not provided State with key information it would need to conduct related planning. For example, according to State, CBP has provided data suggesting how many names might be rejected by ESTA by considering the rate of name rejections from CBP's Advance Passenger Information System (APIS) database. However, according to State and DHS, DHS and CBP have not decided which databases ESTA will screen against, and it is therefore unclear what the ESTA rejection rate will be. We believe it is important for DHS to determine which databases it will use for ESTA screening, so that it can develop accurate estimates of the number of people whose ESTA applications might be rejected, which is essential information for State's planning purposes. Moreover, State said there is no data on how many people would choose to obtain a visa to avoid the uncertainty associated with ESTA, and State believes that number could be significant. State said that the lack of such data is another factor complicating its planning for ESTA implementation. We agree that this is an important factor and that is why we recommend that DHS and State should develop a method for producing accurate information on the number of potential travelers who could be expected to choose to come to the embassy for a visa, rather than applying through ESTA.

DHS agreed with our recommendation that it work with State to develop estimates of the impact of ESTA implementation on visa demand. DHS said that it has been coordinating with State as DHS develops ESTA and plans its implementation. However, as noted previously, DHS and State have not yet developed estimates of the changes in visa demand that could result from implementation of ESTA. For example, DHS has not determined how many VWP travelers would not be approved to travel under the program and would have to obtain visas. Without this information, it is difficult for State to plan for how it will meet changes in visa demand.

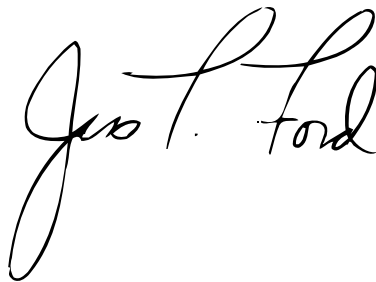
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As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to interested congressional committees and to the Secretaries of State and Homeland Security. We will also make copies of this report available to others upon request. We will also make copies available at no charge on the GAO Web site at <http://www.gao.gov>.

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If you or your staffs have any questions about this report, please contact me at (202) 512-4128 or [fordj@gao.gov](mailto:fordj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.

Sincerely yours,

A handwritten signature in black ink that reads "Jess T. Ford". The signature is written in a cursive style with a large, looping initial "J".

Jess T. Ford  
Director, International Affairs and Trade



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# Appendix I: Scope and Methodology

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We examined how three changes—Visa Waiver Program (VWP) elimination, program expansion, and implementation of the Electronic System for Travel Authorization (ESTA)—would affect the demand for visas, and how changes in demand would affect the resources the Department of State (State) needs and the amount of visa fee revenue that State receives. We recognized that there could be other implications of major changes in the program, particularly if the program were eliminated. These implications—for security, tourism, commerce, business, trade, diplomacy, and reciprocity regarding visa-free travel, for example—could potentially be significant. However, we limited the scope of our review to the impact on visa demand, visa resources—including staffing and facilities—and the associated costs and revenues.

We undertook the following methodologies for all three of these objectives. We analyzed relevant law regarding the program and its requirements, and documentation, including State’s most recent cost of consular services study from 2004, and met with State’s Bureau of Consular Affairs to discuss the fee that State charges for visa applications, what costs of processing a visa the fee is intended to cover, and how much new revenue State would generate in the event of program elimination. To assess the staffing and resource costs to State under these scenarios, we developed our own high-level cost estimates, using State and Department of Homeland Security (DHS) data. DHS/U.S. Customs and Border Protection (CBP) provided us with data on the number of travelers from each VWP and Road Map country. State’s Bureau of Consular Affairs provided us with information on the number of visas processed in VWP and Road Map countries as well as estimates on the number of visas that could be expected to be processed by a Foreign Service officer, the number of Foreign Service national staff that could be expected to support Foreign Service officers, and—for the elimination scenario—estimates of the number of new facilities that could be needed. State’s Bureau of Overseas Buildings Operations (OBO) provided data on the cost, type, and size of recently completed U.S. government construction projects overseas, the costs and sizes of overseas leased facilities used for visa processing, and estimates of operations and maintenance costs for U.S. embassy facilities. State’s Bureau of Resource Management provided information on the costs of Foreign Service officer and Foreign Service national staff. In addition, we collected post-specific data on the above costs when we traveled to selected U.S. embassies. We determined that the data provided to us were sufficiently reliable for the purposes of the report. We met with State officials to determine the sources of the data provided to us. For instance, State’s data on the costs of putting a Foreign Service officer overseas came from Resource Management’s database of

actual expenditures, which they use to input costs and for budget purposes. In addition, we collected data from other sources to cross-check State data whenever possible. For instance, we collected data on the actual costs of Foreign Service officers and Foreign Service nationals in the specific countries we visited. Similarly, we cross-checked the costs of facility operations and maintenance against Department of Defense facilities pricing guide data to ensure reasonableness. Finally, the uncertainty analysis we conducted provided us with a level of confidence in our estimates, because we took into account and stated a range of possible costs spanning our point estimates. This analysis provided us with sufficient confidence for the high-level type of estimates we are presenting. We prepared the cost estimates using fiscal year 2007 constant dollars. For purposes of estimating State's costs, we assumed numbers of travelers to remain constant, as State officials told us and State documentation stated that its goal is to accommodate changes in visa demand and avoid disruptions of travel to the United States. In addition, we performed uncertainty analyses<sup>1</sup> on cost models we developed for each scenario, using a Monte Carlo simulation tool called Crystal Ball to analyze the effects of varying inputs and outputs of the modeled scenarios. Monte Carlo simulation uses a random number generator to simulate the possible variance of designated inputs, such as estimates of the number of additional Foreign Service officers needed in the VWP elimination scenario, and calculates the subsequent possible ranges of the outputs. This allowed us to try multiple hypothetical scenarios with our spreadsheet cost model values. We used the results of these analyses to provide a probability value for our point estimates, as well as to provide a range of cost estimates for these scenarios. In addition to these activities, we undertook methodologies specific to each of the three objectives, which are described below.

To determine how program elimination in particular would affect the demand for visas, and how changes in demand would affect the resources State needs and the amount of visa fee revenue that State receives, we analyzed CBP data on the number of travelers to the United States from each VWP country annually from 2001 to 2007, and reviewed State's data from 2001 to 2007 on the numbers and types of visas issued in each VWP country. We used 2001 to 2007 data from the number of travelers to the

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<sup>1</sup>Uncertainty analysis is an important tool that establishes a confidence interval for a range of possible costs—as opposed to a single-point estimate—and facilitates good management decisions and oversight. Such analysis is a best practice in GAO's Cost Assessment Guide.

United States from each VWP country, rather than the number of travelers coming to the United States under the program. We did not use data on the number of travelers coming to the United States under the program because (1) data from 2001 to 2007 on the number of travelers coming to the United States under the program were not available; (2) available data from 2004 to 2007 averaged 12.5 million travelers, a difference of less than 1 percent from the 12.6 million calculated using the number of travelers to the United States from each VWP country; and (3) we could not independently calculate the number of travelers coming to the United States under the program by subtracting the number of visas issued in each country annually, because not all of those people who received visas necessarily traveled in that year. We also reviewed data State provided on the current number of Foreign Service officer and Foreign Service national staff involved in visa processing in each VWP country. We analyzed information provided by State on the number of visas that could be expected to be processed by a Foreign Service officer and the number of Foreign Service national staff that could be expected to support Foreign Service officers. We also analyzed State's rough order estimates of the number of new facilities that could be needed in the event of program elimination. Consular Affairs projected the possible number of facilities that could be needed based on information on the conditions of existing consular space in these countries, as well as assumptions of the number of people that would be seeking visas if the program were eliminated, and the subsequent increases in Foreign Service officer and Foreign Service national staff necessary to accommodate the new visa demand. OBO officials said Consular Affairs's rough order estimate was generally realistic, based on the potential increases in staffing that could be needed in the event of program elimination and the capacity of buildings to absorb those new staff. However, both Consular Affairs and OBO officials agreed that it was impossible to predict the exact number of facilities that would be needed. We met with officials in Consular Affairs, OBO, and at embassies in three VWP countries—Japan, France, and Spain—to determine the extent that embassy officials expected increases in visa demand and the number of additional staff and facilities that would be needed to meet those increases in those countries and to confirm information that we had collected from State officials in Washington. We selected U.S. embassies in Japan, France, and Spain for field work for several reasons. First, we selected these embassies because they are in VWP countries with high numbers of people traveling to the United States each year. Specifically, Japan represents the VWP country with the second-largest number of travelers to the United States each year, while France represents the fourth-largest number, and Spain the eighth. Further, of the countries we visited, differences in the sizes of traveler

volumes provided us with information on differences in the extent of potential impacts among VWP posts in the event of program elimination. Second, we selected these countries for purposes of assessing the different potential aspects of program elimination for countries in different regions of the world. Lastly, we selected these countries because, in the case of France and Spain, there have been terrorist plots or attacks in those countries in recent years, contrasting with Japan, where this has not been the case. We met with officials in Consular Affairs and OBO and with officials in State's Bureau of Resource Management and the Office of Rightsizing to gain data for constructing our cost estimates on the staffing and facilities that would be needed to support increases in visa demand in VWP countries. Using the data provided by State and DHS, we created cost models to estimate the costs and savings due to changes in the number of consular and overseas buildings operations personnel; the construction, leasing, and operations and sustainment of consular facilities; and visa application fee revenue. For this scenario, we estimated two sets of nonrecurring cost elements: costs for the construction of new consular facilities, and the costs for the temporary staffing increase to manage the construction of those facilities. Also, we estimated four sets of recurring cost elements: costs of additional consular personnel, costs to operate and sustain new consular facilities, costs to lease consular facilities until the completion of new construction, and visa application fee revenue. We then performed the uncertainty analysis described above to generate cost estimate ranges for each of the scenarios. To determine the extent to which State had prepared for the possibility of program elimination, we reviewed State's Performance Plan for the Bureau of Consular Affairs to determine State's goals and objectives regarding visa issuance, as well as any planning that State had done. We also reviewed standards for internal controls in the federal government, including those addressing the importance of identifying risks to achieving program goals and planning ways to mitigate those risks in order to continue to meet program objectives.

To assess how program expansion in particular would affect the demand for visas, and how changes in demand would affect State's resource need and the amount of visa fees that State receives, we analyzed CBP data on the number of travelers to the United States from each Road Map country annually from 2001 to 2007. We also reviewed data that State provided on the number of Foreign Service officer and Foreign Service national staff involved in visa processing in each Road Map country. We met with officials in State's Bureau of Consular Affairs, OBO, and at embassies in four Road Map countries—South Korea, Greece, Czech Republic, and Hungary—to determine the extent to which embassy officials expected

decreases in visa demand, the number of staff that could potentially be freed and any associated costs or savings, and the number of facilities, if any, that could either be sold or where the embassy could relinquish lease commitments. We selected U.S. embassies in these countries for several reasons. First, these countries represent four of the seven highest visa-issuing Road Map countries. The U.S. embassy in Seoul processes by far the most visas in the Road Map countries, while the embassies in Athens, Prague, and Budapest, while much smaller, process among the highest number of the remaining 12 Road Map countries. In addition, we selected these countries for purposes of assessing the different potential aspects of program expansion for countries in different regions of the world.

Consular Affairs provided data on the number of Foreign Service officers, Foreign Service nationals, and visas processed in each Road Map country. We used that data to estimate the number of Foreign Service officers that could be moved to other posts from Road Map countries once they enter the Visa Waiver Program, as well as the number of possible Foreign Service national positions that could be terminated. We met with officials in State's Bureau of Consular Affairs, OBO, Bureau of Resource Management, and the Office of Rightsizing to gain data for constructing cost estimates on any costs and savings that may result regarding staffing and facilities in Road Map countries. For the VWP expansion scenario, we created cost models to estimate the costs and savings due to changes in the number of consular personnel, ESTA development, initial and recurring reviews by DHS of candidate countries' suitability for the program, and visa application fee revenue. We reported on two sets of nonrecurring cost elements: estimated costs for the termination and hiring of Foreign Service nationals, and the cost of development of ESTA, as provided by DHS. We estimated two sets of recurring cost elements: costs of DHS's reviews of VWP countries, and visa application fee revenue. We then performed the uncertainty analysis described above on these models

To assess how implementation of the new ESTA requirement in particular would affect the demand for visas, and how changes in demand would affect the resources State needs and the amount of visa fees that State receives, we analyzed CBP data on the number of travelers to the United States from each VWP country annually from 2001 to 2007, and reviewed State's data from 2001 to 2007 on the numbers and types of visas issued in each VWP country. We also reviewed data State provided on the number of Foreign Service officer and Foreign Service national staff involved in visa processing in each VWP country. We met with officials in Consular Affairs and OBO and at embassies in three VWP countries—Japan, France, and Spain—to determine the extent to which embassy officials expected increases in visa demand and the number of additional staff and facilities

that could be needed to meet those increases. We selected these three countries for our field work for similar reasons as the VWP elimination scenario—for reasons of size, geographical diversity, and recent history, or lack thereof, of terrorist plots or attacks. We met with Consular Affairs and OBO officials and with officials in State’s Bureau of Resource Management and the Office of Rightsizing to gain data for constructing our cost estimates on the staffing and facilities that would be needed to support increases in visa demand in VWP countries. We also reviewed relevant law, including the August 2007 Implementing 9/11 Commission Recommendations Act of 2007. For the five ESTA scenarios to demonstrate the effects of different possible percentages of travelers coming to U.S. embassies for visas, we created cost models to estimate the costs and savings due to changes in the number of consular and overseas buildings operations personnel and visa application fee revenue. We estimated two recurring cost elements: costs of additional consular personnel and visa application fee revenue. We then performed the uncertainty analysis described above to generate cost estimate ranges for each of the scenarios. To determine the extent to which State had prepared for the effects of the implementation of ESTA, we reviewed the fiscal year 2007 Consular Affairs Bureau Performance Plan to determine State’s goals and objectives regarding visa issuance, as well as any planning that State had done. We also reviewed standards for internal controls in the federal government, including those addressing the importance of identifying risks to achieving program goals and planning ways to mitigate those risks in order to continue to meet program objectives.

We conducted this performance audit from May 2007 to April 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: Comments from the Department of State



**United States Department of State**

*Assistant Secretary for Resource Management  
and Chief Financial Officer*

*Washington, D.C. 20520*

Ms. Jacquelyn Williams-Bridgers  
Managing Director  
International Affairs and Trade  
Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548-0001

MAY - 1 2008

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "BORDER SECURITY: State Department Should Plan for Potentially Significant Staffing and Facilities Shortfalls Caused by Changes in the Visa Waiver Program," GAO Job Code 320475.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Jennifer Savage, Management Analyst, Bureau of Consular Affairs, at (202) 663-2505.

Sincerely,

A handwritten signature in black ink, appearing to read "Bradford R. Higgins".

Bradford R. Higgins

cc: GAO – John Brummet  
CA – Janice Jacobs  
State/OIG – Mark Duda

**Department of State Comments on GAO Draft Report**

**BORDER SECURITY: State Department Should Plan for Potentially  
Significant Staffing and Facilities Shortfalls Caused by Changes in the  
Visa Waiver Program**  
(GAO-08-623, GAO Code 320475)

The Department of State welcomes the opportunity to comment on the GAO's draft report, "*Border Security: State Department Should Plan for Potentially Significant Staffing and Facilities Shortfalls Caused by Changes in the Visa Waiver Program*" and offers the following comments.

The current policy of this administration is to expand the Visa Waiver Program (VWP). State is very actively planning for the addition of new member countries and has considered broadly the budgetary, staffing, and facility impacts of expansion both under the current rules, and under Electronic Systems for Travel Authorization (ESTA). More specifically, State is developing individual action plans for each road map country.

***Recommendation 1:*** *We recommend that the Secretary of State develop contingency plans for Visa Waiver Program countries to address the potential increases in visa demand that could result from program elimination. These plans would include identifying what options State has for providing additional resources and taking actions that could be needed, as well as the extent to which increased visa fees would cover the cost of these resources.*

**Response:** The Bureau of Consular Affairs (CA) has consistently demonstrated flexibility and quick response in its workforce planning. Through the annual consular repositioning exercise, CA has developed experience in shifting positions to locations where they are needed most. CA also maintains an active temporary duty (TDY) program to quickly send staff to posts to either fill anticipated staffing gaps or react to unexpected and urgent staffing crises. CA has very aggressively recruited retired officers through the When Actually Employed (WAE) program and has maximized hiring to the greatest extent possible. This has given us a relatively robust pool of available officers to address staffing issues. CA also uses Eligible Family Members (EFMs) as a staffing resource, with EFMs working as Consular Assistants and as Consular Associates in most consular sections abroad. Finally, CA makes full use of alternate staffing mechanisms, such as internship and fellowship programs. CA continually looks at possibilities for new staffing



mechanisms and in fact, recently announced pilot programs for new roles of Professional Adjudication Specialists (EFMs who have authority to adjudicate based on their high level of qualifications, training, and experience), and Roving Adjudication Specialists (those with non-competitive eligibility – EFMs, returned Peace Corps Volunteers, and members of the National Security Education Program - who will have authority to adjudicate at a variety of posts in Mexico based on their high level of qualifications, training, and experience).

CA also constantly explores ways to gain efficiencies in the visa adjudication process and limit reliance on overseas staff and facilities as much as possible. For example, CA is currently piloting an offsite data collection program that places some of the visa data collection in the hands of an offsite contractor. The data collected is verified by a consular officer, and the initiative promises significant savings by keeping the need for consular workspace from growing as fast as currently projected, along with savings in time. In addition, CA is piloting a fully web-based Non Immigrant Visa (NIV) application form which, when expanded worldwide, will remove the data entry workload from posts and allow for some domestic pre-screening of applications, which will increase efficiency overseas. CA has reviewed but not implemented options such as interview via digital video conferencing (reduced reliance on USG facilities), expanding the pool of applicants who are eligible for visa adjudication without an interview (reduced reliance on USG facilities), and putting NIV software on a portable laptop (reduced reliance on USG facilities, but significantly decreased officer efficiency and increased travel costs).

While facilities cannot quickly be modified (and facilities do present the most significant obstacle to expanding workload capacity), the programs described above could provide CA with the ability to respond to a VWP elimination scenario. Any response would be fully reliant on significant levels of additional funding and staffing, and would reflect the circumstances that brought about elimination. We also note that, in any scenario, any blanket suspension or elimination of VWP would be very expensive, and would have a serious impact on international travel and the economy, with the travel plans of many individuals being seriously disrupted for a significant period of time. A major requirement for dealing with any elimination would likely be a request to increase the number of Foreign Service Officers entering the Service. State has not received funds to increase intake above replacement of attrition for some time, with the exception of increases funded by visa fees.

We engage posts in workload planning on a regular basis as part of our ongoing contingency planning, and will also ask them to discuss their management plans if VWP were to be eliminated.

***Recommendation 2:** In addition, we recommend that the Secretaries of Homeland Security and State develop estimates of increased visa demand in Visa Waiver Program countries resulting from ESTA implementation. These estimates would include information on how many applicants can be expected to be rejected from ESTA and how many potential travelers can be expected to choose to come into the embassy for a visa. Based on these estimates, we recommend that the Secretary of State develop plans for how the department will manage the increased workload in the existing 27 VWP countries.*

**Response:** The State Department agrees that it is crucial to plan, as accurately as possible, for the impact that ESTA implementation may have on the 27 VWP countries, as well as the aspirant VWP countries. We have been working closely with Department of Homeland Security (DHS) and Customs and Border Protection (CBP) to obtain as much information as possible on the development, work plan, rollout schedule, and impact of ESTA. However, a significant number of crucial details have not been resolved, which limits our planning.

We recently received an estimate of ESTA denial rates from CBP, based on APIS passenger information that was run against the currently planned set of ESTA screening databases. This data indicates that ESTA denial rates would range from 0 percent to 0.86 percent, with denial rates for the highest-volume VWP countries, the United Kingdom and Japan, at .05 percent and .02 percent respectively. While DHS and CBP have stated that the choice of databases they plan to use for ESTA screening is not yet final, using this preliminary data allows us to project some workload increases and plan some responses. Until any new positions required to address ESTA workload are authorized and created, and people are hired, trained and placed on the payroll, additional staffing requirements can be filled through the existing TDY program. France, Japan, and the United Kingdom would require modifications to existing facilities, but no post would require entirely new facilities.

However, there are a number of other factors that, without additional data, we cannot add into our workload planning. For instance, we have not yet received clear guidance as to what the National Targeting Center (NTC) secondary screening procedure of ESTA near matches will entail, and how the result of that

process will be communicated to posts and ports of entry. It is also not yet finalized how ESTA denials will be noted in the Treasury Enforcement Communications System (TECS), which will affect the length of time posts will need to resolve these denials when that traveler applies for a visa. We are working with DHS on detailed outreach and press guidance information so that our posts can alert the travel industry and business organizations, as well as the travelers and host governments.

All of these factors contribute to another element of our workload planning, which is the number of applicants we can expect to apply for visas in advance of ESTA “just in case.” In light of the uncertainty surrounding ESTA implementation, we would anticipate this number to be significant.

# Appendix III: Comments from the Department of Homeland Security

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

U.S. Department of Homeland Security  
Washington, DC 20528

US GAO

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Homeland  
Security

April 30, 2008

Mr. Jess Ford  
Director, International Affairs and Trade  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Ford:

RE: Draft Report GAO-08-623, Border Security: State Department Should Plan for Potentially Significant Staffing and Facilities Shortfalls Caused by Changes in the Visa Waiver Program (Job Code 320475)

The Department of Homeland Security (DHS) appreciates the opportunity to review and comment on the draft report referenced above. The United States Government Accountability Office (GAO) makes two recommendations, one of which involves the DHS. The GAO recommends that the Secretaries of Homeland Security and State develop estimates of increased visa demand in Visa Waiver Program (VWP) countries resulting from implementation of the Electronic System for Travel Authorization (ESTA). These estimates would include information on how many applicants can be expected to be rejected from ESTA and how many potential travelers can be expected to choose to come into the embassy for a visa. We agree with the recommendation and have been working with the Department of State to meet the intent of this recommendation.

Pursuant to Section 711 of the "Implementing the 9/11 Commission Recommendations Act of 2007" (9/11 Act), DHS is required to develop and implement an Electronic System for Travel Authorization to determine the eligibility of aliens to travel to the United States under the VWP and whether such travel poses a law enforcement or security risk prior to the aliens boarding a carrier en route to the United States. ESTA is a cornerstone security enhancement from the 9/11 Act that supports transforming the VWP from a program that addresses security threats on a country-by-country basis into one that can screen for risks on a passenger-by-passenger basis.

DHS has been coordinating the development of the ESTA program with the Department of State (DOS) since March 2007, before the program was statutorily required under the 9/11 Act. Since the early stages of ESTA program development, DHS has discussed ESTA screening methodologies with DOS, and shared analysis of the number of anticipated travelers to the United States under the VWP, together with projections on how many ESTA applications may result in positive matches against law enforcement databases that have been considered for ESTA screening. DOS has also been an active participant in the ESTA Integrated Project Team that was formally established in December 2007 by the U.S. Customs and Border Protection (CBP) ESTA Program Management Office.

[www.dhs.gov](http://www.dhs.gov)

See comment 1.

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of Homeland Security

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See comment 1.

DHS considers DOS to be a partner in the development of the ESTA program, and will continue to coordinate closely with DOS as we mutually work to address concerns and issues that evolve as the ESTA program is designed and implemented. DHS and DOS officials have previously reviewed anticipated volumes of VWP travel and potential rates for positive database matches against ESTA applications that may result in an ESTA applicant's referral to a United States Embassy or Consulate to apply for a non-immigrant visa. DHS is already coordinating with DOS, and providing them with updated statistics that will support the development of estimates for the potential increase in visa demand in VWP countries resulting from ESTA program implementation.

See comment 2.

As a baseline for estimating potential visa applications that may result from ESTA applications that are not approved, DHS has provided DOS with the number of aliens that were refused admission into the United States by CBP at the ports of entry during fiscal years 2006 and 2007. These statistics are broken out by both the existing and Roadmap VWP countries. This number of refusals, particularly for the existing VWP countries, presents a reasonable baseline for potential visa applications as these individuals would no longer be eligible to travel under the VWP and would be required to apply for a non-immigrant visa to travel to the United States.

See comment 3.

Additionally, DHS is providing DOS with the results of a CBP Advance Passenger Information System query for all existing VWP and Roadmap travelers from July through September 2007 against the databases that DHS is currently planning to screen ESTA applications. This simulated query is designed to provide DOS with estimates that accurately reflect the anticipated number of ESTA applications that may not be approved during a peak period of travel.

See comment 4.

The draft as written suggests that DHS has not shared information with DOS officials. As previously mentioned, DOS is a partner in the implementation of the ESTA program. Both parties are working together to identify technical solutions for the transmission of data, and are involved weekly in dissemination of ESTA information through the Integrated Project Teams and working groups with DOS and CBP.

See comments 3, 4.

GAO states that DHS has not developed estimates on the potential increase in visa demand that may result from ESTA implementation, and further implies that DHS has not been coordinating with DOS to address that issue. In fact, CBP has invited and welcomed DOS participation to all meetings and shared all data that was developed since March 2007 when the ESTA program was initially being discussed. A project plan was developed in conjunction with DOS. The plan outlined the total number of VWP applicants that travel to the United States and also provided an overview of options that CBP proposed for screening ESTA applications against appropriate law enforcement databases to determine the eligibility of an applicant to travel to the United States under the VWP and whether such travel poses a law enforcement or security risk.

See comment 5.

The report states that DHS has not attempted to estimate what additional resources would be needed to manage the potential increase in visa demand and the anticipated additional fees received as a result of that potential increase. Since the visa application, denial, and issuance process is within the purview of DOS, DHS should not be held responsible for calculating anticipated visa revenue and resources. As previously stated, DHS is already coordinating with DOS, and providing them with updated statistics that will support the development of estimates for the potential increase in visa demand in VWP countries resulting from ESTA program implementation.

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of Homeland Security

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See comment 4.

GAO states that DOS lacks information on the effect of ESTA from DHS. The final report should mention that, to CBP's knowledge, officials are unaware of any request for information from DOS that has gone unanswered. DOS has been invited to participate in CBP's program development from the beginning stages and has always been able to request any information that DOS felt was necessary to prepare for ESTA implementation.

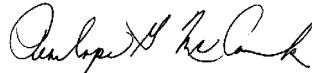
See comment 6.

GAO accurately states that DHS does not know how many travelers would prefer to apply for a visa instead of using ESTA. While DHS cannot predict the mindset of potential VWP travelers that may seek to visit the United States, DHS believes that since initial implementation and use of ESTA is expected to be free for applicants, prospective VWP travelers are more likely to try to meet the requirement for an authorization via the ESTA website that is currently under development by CBP, rather than interview at a U.S. Embassy or Consulate to apply for a visa and pay the accompanying visa application fee.

DHS and CBP officials look forward to continuing the working relationship that has been established with DOS as we move toward implementing ESTA which will serve to enhance the security of the Visa Waiver Program.

Technical comments have been provided under separate cover.

Sincerely,



Penelope G. McCormack  
Acting Director  
Departmental GAO/OIG Liaison Office

MMcP

The following are GAO's comments on the Department of Homeland Security's letter dated April 30, 2008.

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## GAO Comments

1. DHS has indicated that it will begin implementing ESTA in the summer of 2008. As of May 1, 2008, State had not received data from DHS indicating how many VWP travelers would likely not be approved for travel by ESTA and would therefore need to obtain a visa in order to travel to the United States. It is important that DHS provide data to State that will help State (1) determine how ESTA will affect visa demand and (2) formulate plans to meet the demand.
2. Under ESTA there would be some foreign citizens whose ESTA application would not be approved and would therefore be required to obtain a visa, and some who would choose proactively to obtain a visa for the increased flexibility and travel convenience that a visa could offer. DHS and State need to develop estimates of the total possible increase in visa demand due to both outcomes brought about by ESTA. DHS and State have asserted that there are existing data that could be helpful in developing these estimates. We agree. However, until DHS determines which databases it plans to use for screening ESTA applications, DHS officials told us they will not be able to determine how many VWP travelers would likely not be approved for travel by ESTA. In addition, DHS officials told us that it was unclear at this point what testing, if any, DHS would do to determine how many foreign citizens would choose to obtain a visa, rather than use ESTA.
3. We believe that sharing of this type of information between DHS and State is a first step toward implementing our recommendation that DHS and State estimate how ESTA will affect visa demand in existing VWP countries, but we believe much more needs to be done.
4. We did not intend to suggest that DHS is not sharing information with State. Our point is that DHS has not made a final decision on what databases it will use to screen ESTA applications; as a result, neither DHS nor State can estimate the number of VWP citizens who would not be approved to travel under the program. Without this information, it is difficult for State to plan for how it will meet changes in visa demand.
5. We do not believe that DHS should estimate the resources that State would need to manage increased visa demand or how ESTA could affect visa fee revenues collected by State as a result of the implementation of ESTA. These are actions that State needs to take.

However, State has not yet performed this analysis and planning largely due to, according to State officials, the lack of information from DHS on the number of foreign citizens whose ESTA application might be rejected and might seek a visa from U.S. embassies.

6. We agree that it is difficult to predict how many travelers would prefer to apply for a visa instead of using ESTA. Consular officials in Washington and overseas said that the number of travelers choosing to do this could be significant. Some DHS, State, and embassy officials suggested that an actual test or pilot use of ESTA in one or more existing VWP countries could provide information on the number of foreign citizens who choose to obtain a visa rather than use ESTA and the number of foreign citizens whose ESTA applications are not approved by ESTA. However, as noted previously, DHS told us it is unclear what tests, if any, it will undertake to better understand ESTA's impact, even though DHS stated it plans to implement ESTA in the summer of 2008.



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# Appendix IV: GAO Contact and Staff Acknowledgments

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## GAO Contact

Jess T. Ford, Director, International Affairs and Trade, (202) 512-4128 or [fordj@gao.gov](mailto:fordj@gao.gov)

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## Staff Acknowledgments

In addition to the individual named above, John Brummet, Assistant Director; J. Addison Ricks; Brian Bothwell; Joe Carney; Carmen Donohue; Jennifer Echard; Tim Fairbanks; Grace Lui; and Karen Richey made key contributions to this report.

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