

FY 2018 EXECUTIVE SUMMARY

CONGRESSIONAL JUSTIFICATION FOR APPROPRIATIONS AND ANNUAL PERFORMANCE REPORT AND PLAN

Mission Statement

Maintain a strong economy and create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad; strengthen national security by combating threats and protecting the integrity of the financial system; and manage the U.S. government's finances and resources effectively.

Executive Summary

FY 2018 President's Budget by Function

Dollars in Thousands

	FY 2016 Enacted	FY 2017 Annualized CR Rate	FY 2018 Request	FY 2017 CR to FY 2018 Increase/ Decrease	Percent Change
Management & Financial	\$1,404,653	\$1,401,983	\$1,122,000	(\$279,983)	-19.97%
Departmental Offices Salaries and Expenses	\$222,500	\$222,077	\$201,751	(\$20,326)	-9.15%
Terrorism and Financial Intelligence (TFI)	\$117,000	\$116,778	\$116,778	\$0	0.00%
Cybersecurity Enhancement	\$0	\$0	\$27,264	\$27,264	100.00%
Department-wide Systems and Capital Investments Program	\$5,000	\$4,990	\$4,426	(\$564)	-11.30%
Office of Inspector General	\$35,416	\$35,349	\$34,112	(\$1,237)	-3.50%
Treasury IG for Tax Administration	\$167,275	\$166,957	\$161,113	(\$5,844)	-3.50%
Special Inspector General for TARP	\$40,671	\$40,594	\$20,297	(\$20,297)	-50.00%
Community Development Financial Institutions Fund	\$233,523	\$233,079	\$14,000	(\$219,079)	-93.99%
Financial Crimes Enforcement Network	\$112,979	\$112,764	\$112,764	\$0	0.00%
Alcohol and Tobacco Tax and Trade Bureau	\$106,439	\$106,237	\$98,658	(\$7,579)	-7.13%
Bureau of the Fiscal Service	\$363,850	\$363,158	\$330,837	(\$32,321)	-8.90%
Tax Administration¹	\$11,235,000	\$11,213,642	\$10,975,000	(\$238,642)	-2.13%
IRS Taxpayer Services	\$2,333,376	\$2,328,940	\$2,212,311	(\$116,629)	-5.01%
IRS Enforcement	\$4,714,936	\$4,855,688	\$4,706,500	(\$149,188)	-3.07%
IRS Operations Support	\$3,896,688	\$3,739,565	\$3,946,189	\$206,624	5.53%
IRS Business Systems Modernization	\$290,000	\$289,449	\$110,000	(\$179,449)	-62.00%
Subtotal, Treasury Appropriations excluding TEOAF	\$12,639,653	\$12,615,625	\$12,097,000	(\$518,625)	-4.11%
Treasury Forfeiture Fund Total ²	(\$876,000)	(\$876,000)	(\$876,000)	\$0	0.00%
Temporary Rescission	(\$876,000)	(\$876,000)		\$876,000	-100.00%
Permanent Rescission			(\$876,000)	(\$876,000)	0.00%
Subtotal, Treasury Appropriations including TEOAF	\$11,763,653	\$11,739,625	\$11,221,000	(\$518,625)	-4.42%
Treasury International Programs	\$2,313,470	\$2,309,072	\$1,505,953	(\$803,119)	-34.78%
Multilateral Development Banks	\$1,816,477	\$1,813,024	\$1,348,123	(\$464,901)	-25.64%
Food Security	\$74,930	\$74,787	\$30,000	(\$44,787)	-59.89%
Environmental Trust Funds	\$398,563	\$397,806	\$102,375	(\$295,431)	-74.27%
Office of Technical Assistance (OTA)	\$23,500	\$23,455	\$25,455	\$2,000	8.53%
Total, Treasury Appropriations	\$14,077,123	\$14,048,697	\$12,726,953	(\$1,321,744)	-9.41%

1/ The IRS was provided with \$290 million in funding in its administrative provisions. This table shows that funding as allocated. FY 2016/2017: \$176.8 million Taxpayer Services, \$4.9 million Enforcement, and \$108.2 million Operations Support.

2/ In FY 2016 and FY 2017, total includes (\$176,000,000) of the DHS Rescission (temporary).

Funding Highlights

The President's Fiscal Year 2018 Budget provides \$11.2 billion in discretionary funding (a 4 percent reduction from FY 2017 annualized continuing resolution (CR) levels) for Treasury's operating accounts and \$1.5 billion for Treasury's international assistance programs. This includes:

- Investing in core administration functions at IRS, modernizing legacy systems and platforms for interacting with taxpayers. IRS will utilize technology, training, and internal efficiencies to achieve a modest \$239 million (two percent) reduction, in support of the President's commitment to deficit reduction.
- Eliminating funding for Community Development Financial Institutions (CDFI) Fund grants, a savings of \$210 million from the 2017 annualized CR level.
- Prioritizing investments in cybersecurity through a Department-wide plan to strategically enhance existing security systems and preempt fragmentation of information technology management across the bureaus and financial sector.
- Maintaining funding for Treasury's array of economic enforcement tools and key programs that freeze the accounts of terrorists and proliferators, implement sanctions on rogue nations, and link law enforcement agencies with financial institutions are critical to the continued safety and financial stability of the Nation.
- Preserving top donor status with international financial institutions while reducing Treasury International Programs funding by \$803 million, a 35 percent reduction from the FY 2017 annualized CR level.
- Targeted savings in nearly every Treasury program.

Key Initiatives and Reforms

- On February 3, 2017, the Administration issued the *Executive Order on Core Principles for Regulating the United States Financial System*. The Secretary of the Treasury, with the heads of the member agencies of the Financial Stability Oversight Council, is conducting a thorough review of the extent to which existing laws, regulations, and other Government policies promote (or inhibit) these Core Principles. The President's Budget includes \$35 billion in savings to be realized through reforms that prevent bailouts and reverse burdensome regulations that hinder financial innovation and reduce access to credit for hardworking American families.
- Treasury is developing a plan for responding to the *Executive Order on a Comprehensive Plan for Reorganizing the Executive Branch* which will:
 - identify activities and functions that should be eliminated or consolidated because they are not core to our mission, are redundant, or are ineffective;
 - guide Treasury's efforts to reshape its workforce;
 - determine processes and organizational structures that can be streamlined for greater efficiencies; and
 - align reform proposals with the priorities, including goals and objectives, under development for the FY 2018-2022 Strategic Plan and the FY 2018 and 2019 budgets.
- The Budget requests statutory authority for BEP to begin construction of a new currency production facility in the vicinity of Washington, D.C.
The Budget includes reauthorization and reforms to the CDFI Bond Guarantee Program to encourage provision of community development capital without requiring taxpayer subsidies.

Fiscal Year Comparison of Full-Time Equivalent (FTE) Staffing (Direct and Reimbursable)

Appropriation	2016 Actual			2017 Annualized CR Rate			2018 President's Budget		
	Direct	Reimb.	Total	Direct	Reimb.	Total	Direct	Reimb.	Total
Departmental Offices Salaries and Expenses	814	189	1,003	891	107	998	811	107	918
Terrorism and Financial Intelligence	383	31	414	391	31	422	386	31	417
Cybersecurity Enhancement	0	0	0	0	0	0	19	0	19
Office of Inspector General	164	6	170	194	19	213	175	5	180
Treasury Inspector General for Tax Administration	787	2	789	859	2	861	819	2	821
Special Inspector General for TARP	137	0	137	192	0	192	100	0	100
Community Development Financial Institutions Fund	77	0	77	77	0	77	42	0	42
Financial Crimes Enforcement Network	278	1	279	338	1	339	332	1	333
Alcohol and Tobacco Tax and Trade Bureau	470	10	480	494	10	504	456	10	466
Bureau of the Fiscal Service	1,626	417	2,043	1,693	427	2,120	1,680	427	2,107
Internal Revenue Service	77,925	640	78,565	77,008	684	77,692	71,199	711	71,910
Subtotal, Treasury Appropriated Level	82,661	1,296	83,957	82,137	1,281	83,418	76,019	1,294	77,313
Office of Financial Stability (Administrative Account)	67	0	67	53	0	53	43	0	43
Small Business Lending Fund Program	11	0	11	7	0	7	8	0	8
State Small Business Credit Initiative	10		10	9		9			0
Capital Magnet Fund				7		7	6		6
Office of Financial Research	208	0	208	223	0	223	139	0	139
Financial Stability Oversight Council	22		22	23		23	21		21
Treasury Franchise Fund	0	1,715	1,715	0	1,794	1,794	0	1,848	1,848
Bureau of Engraving and Printing	1,818	0	1,818	1,842	0	1,842	1,842	0	1,842
United States Mint	1,692	0	1,692	1,801	0	1,801	1,801	0	1,801
Office of the Comptroller of the Currency	0	3,845	3,845	0	3,938	3,938	0	4,041	4,041
Terrorism Insurance Program	3	0	3	10	0	10	10	0	10
IRS Private Collection Agent Program	5		5	17		17	84		84
Subtotal, Treasury Non-Appropriated Level	3,836	5,560	9,396	3,992	5,732	9,724	3,954	5,889	9,843
Total, Treasury	86,497	6,856	93,353	86,129	7,013	93,142	79,973	7,183	87,156

1/ A portion of Fiscal Service's Reimbursable/Fee FTE is funded by fee revenue as authorized by the Debt Collection Improvement Act (DCIA) of 1996.

2/ IRS FY 2018 Total FTE is overstated in the President's Budget Appendix by 102 FTE as a result of a reporting error in the Business Systems Modernization account.

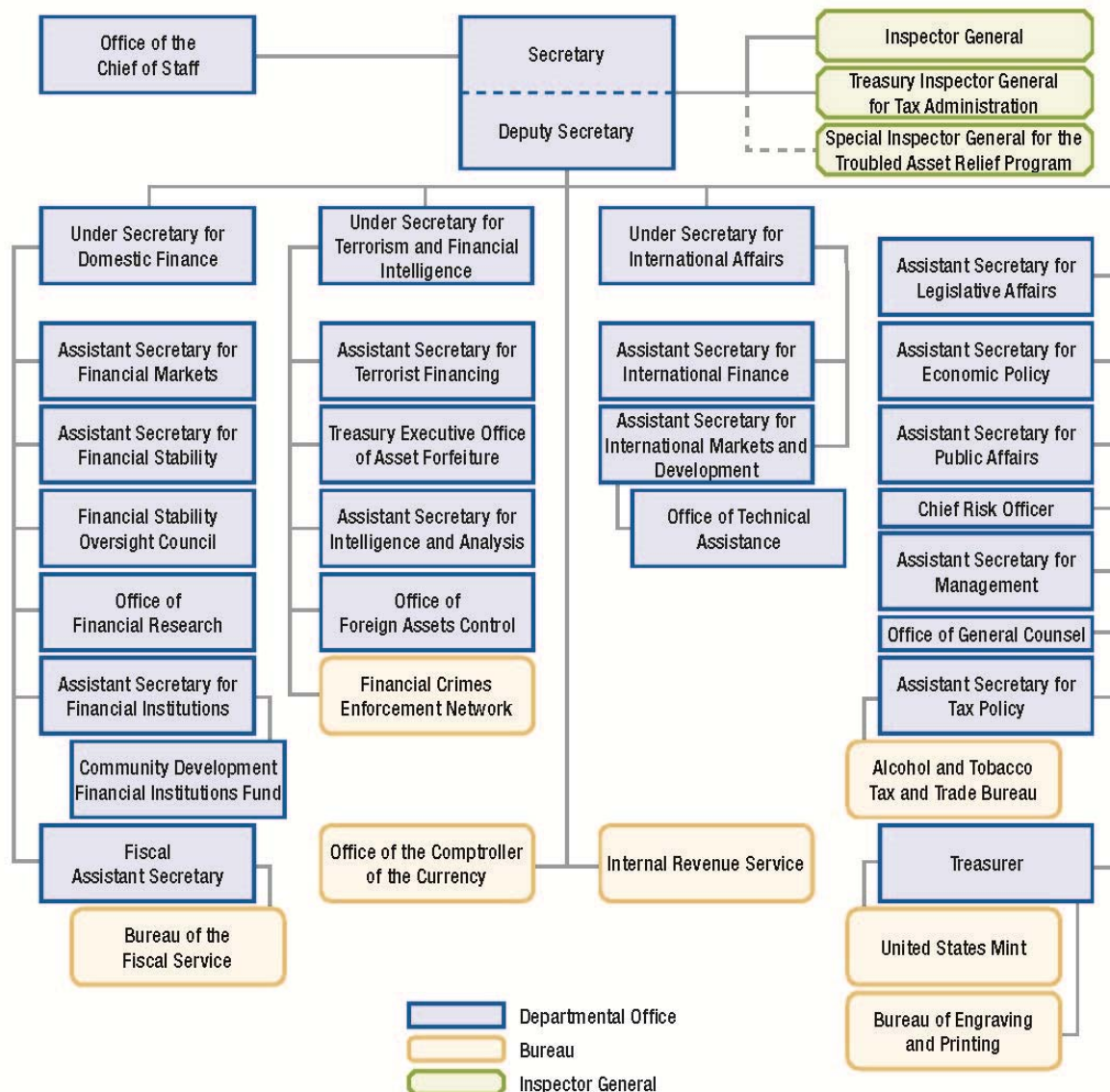
Summary of FY 2018 Increases and Decreases

(Dollars in Thousands)

	DO	TFI	Cyber	DSCIP	OIG	TIGTA	SIGTAR P	CDFI	FINCEN	TTB	FS	IRS	Subtotal	TEOAF	Total
FY 2017 Annualized CR Rate	\$222,077	\$116,778	\$0	\$4,990	\$35,349	\$166,957	\$40,594	\$233,079	\$112,764	\$106,237	\$363,158	\$11,213,642	\$12,615,625	(\$876,000)	\$11,739,625
Maintaining Current Levels (MCLs)	\$4,284	\$2,315	-	-	\$729	\$3,335	\$809	-	\$2,276	\$2,102	\$6,971	\$220,035	\$242,856	-	\$242,856
Non-Recurring Costs	-	-	-	(\$4,990)	-	-	-	-	-	-	(\$14,880)	-	(\$19,880)	-	(\$19,880)
Efficiency Savings	-	(\$2,315)	-	-	-	-	-	-	(\$1,206)	(\$570)	(\$1,935)	-	(\$6,026)	-	(\$6,026)
Adjustments to Base	\$4,284	\$0	\$0	(\$4,990)	\$729	\$3,335	\$809	\$0	\$1,070	\$1,532	(\$9,854)	\$220,035	\$216,950	\$0	\$216,950
FY 2018 Base	\$226,361	\$116,778	\$0	\$0	\$36,078	\$170,292	\$41,403	\$233,079	\$113,834	\$107,769	\$353,304	\$11,433,677	\$12,832,575	(\$876,000)	\$11,956,575
Program Decreases	(\$24,610)	-	-	-	(\$1,966)	(\$6,179)	(\$21,103)	(\$28,079)	(\$1,070)	(\$9,111)	(\$22,467)	(\$638,126)	(\$946,714)	-	(\$946,714)
Program Increases	-	-	\$27,264	\$4,426	-	-	-	-	-	-	-	\$179,449	\$211,139	-	\$211,139
Subtotal, Program Changes	(\$24,610)	\$0	\$27,264	\$4,426	(\$1,966)	(\$9,179)	(\$21,106)	(\$219,079)	(\$1,070)	(\$9,111)	(\$22,467)	(\$458,677)	(\$735,575)	\$0	(\$735,575)
FY 2018 President's Budget	\$201,751	\$116,778	\$27,264	\$4,426	\$34,112	\$161,113	\$20,297	\$14,000	\$112,764	\$98,658	\$330,837	\$10,975,000	\$12,097,000	(\$876,000)	\$11,221,000

Organization

Treasury is organized into the Departmental Offices, seven bureaus, and three inspectors general. The Department Offices are primarily responsible for policy formulation, while the bureaus are the operating units of the organization.



DEPARTMENTAL OFFICES

- Domestic Finance works to preserve confidence in the U.S. Treasury securities market, effectively manage federal fiscal operations, strengthen financial institutions and markets, promote access to credit, and improve financial access and education in service of America's long-term economic strength and stability.
- Terrorism and Financial Intelligence (TFI) uses Treasury's unique financial intelligence, expertise, and authorities to disrupt and disable terrorists, criminals, and other national security and foreign policy threats to the United States and to protect the U.S. and international financial systems from abuse.
- International Affairs protects and supports U.S. economic prosperity and national security by working to foster the most favorable external environment for sustained employment and economic growth.
- Tax Policy develops and implements tax policies and programs, reviews regulations and rulings to administer the Internal Revenue Code, negotiates tax treaties, and provides economic and legal policy analysis for domestic and international tax policy decisions. Tax Policy also provides revenue estimates for the President's Budget.
- Economic Policy reports on current and prospective economic developments and assists in the determination of appropriate economic policies. The office is responsible for the review and analysis of domestic economic issues and developments in the financial markets.
- The Treasurer of the United States oversees the U.S. Mint and Bureau of Engraving and Printing, chairs the Advanced Counterfeit Deterrence Steering Committee, and is a key liaison with the Federal Reserve. In addition, the Treasurer serves as a senior advisor to the Secretary in the areas of community development and public engagement.
- The Office of Management, including the Chief Financial Officer (CFO), manages the Department's financial resources and oversees Treasury-wide programs, including human capital, information technology, acquisition, and diversity and inclusion.
- Other offices within Departmental Offices include General Counsel, Legislative Affairs, and Public Affairs.
- Three Inspectors General – the Office of Inspector General (OIG), the Treasury Inspector General for Tax Administration (TIGTA), and the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) – provide independent audits, investigations, and oversight of Treasury and its programs.

BUREAUS

- The Alcohol and Tobacco Tax and Trade Bureau (TTB) collects federal excise taxes on alcohol, tobacco, firearms, and ammunition and is responsible for enforcing and administering laws covering the production, use, and distribution of alcohol products.
- The Bureau of Engraving and Printing (BEP) develops and produces U.S. currency notes that are trusted worldwide.
- The Financial Crimes Enforcement Network (FinCEN) safeguards the financial system from illicit use, combats money laundering, and promotes national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.
- The Bureau of the Fiscal Service (Fiscal Service) provides central payment services to federal program agencies, operates the U.S. government's collections and deposit systems, delivers administrative shared services to federal agencies, provides government-wide accounting and reporting services, manages the collection of delinquent debt owed to the U.S. government, borrows the money needed to operate the U.S. government through the sale of marketable, savings, and special-purpose U.S. Treasury securities (including the state and local government series), and accounts for and services the public debt.
- The Internal Revenue Service (IRS) is the largest of our bureaus and determines, assesses, and collects tax revenue in the United States.
- The United States Mint (U.S. Mint) designs, mints, and issues U.S. circulating and bullion coins; prepares and distributes numismatic coins and other items; and strikes Congressional Gold Medals and other medals of national significance. The U.S. Mint maintains physical custody and protection of most of the Nation's gold and all of its silver assets.
- The Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises national banks and federal savings associations (thrifts) to ensure that they operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations. The OCC also supervises federal branches and agencies of foreign banks and has rule-making authority for all savings associations.

Treasury Strategic Framework

The Government Performance and Results Act (GPRA) of 1993 and the GPRA Modernization Act of 2010 require federal agencies to publish strategic plans every four years, aligning to the Administration transition, and establish the need for agencies to identify performance goals, report progress against targets, and conduct data-driven reviews. When done well, these practices serve two key purposes for stakeholders within and outside of the organization: to assess the organization's health and impact and to inform decision-making and strategy, including effective resource allocation. In this spirit, we developed a strategic framework supported by using best-in-class organizational performance practices

to ultimately help achieve its strategic goals. Currently, we are developing Treasury’s FY 2018-2022 Strategic Plan.

Treasury Organizational Performance Review Cycle

Treasury’s organizational performance reviews provide a regular forum for open dialogue and coordination between Department and bureau and office leadership, bringing together different perspectives to set and align priorities, identify and solve problems, review agency performance goals and drive results. The cycle integrates statutory requirements to conduct quarterly performance reviews of agency goals and a Strategic Objective Annual Review (SOAR), which analyzes cross-cutting performance and designates a set of strategic objectives as making “Noteworthy Progress” or as “Focus Area for Improvement.”

	Fall	Winter	Spring	Summer
Focus	Performance	Strategic Objective Annual Review (SOAR)	Performance	Budget
Goals/Outcomes	<ul style="list-style-type: none"> • Gain a shared understanding of prior year’s performance at the bureau/office level • Set priorities for current year • Recognize successes 	<ul style="list-style-type: none"> • Evaluate cross-agency progress toward strategic objectives • Identify strategic shifts/ validate Treasury priorities • Outline potential topics for annual FedStat meeting with OMB 	<ul style="list-style-type: none"> • Introduction of bureau/office to new leadership • Assess progress on priorities • Surface problems or assistance needed • Recognize successes 	<ul style="list-style-type: none"> • Connect priorities to future funding • Explore performance impacts • Strengthen IT acquisition budgeting accountability

To close out the FY 2014-2017 strategic plan, we used the FY 2017 SOAR to identify focus areas that will likely become priorities in the FY 2018-2022 strategic plan (including tax reform, financial transparency, and data-driven decision-making). In addition, we completed a scan of Treasury’s internal and external environment to identify proposed goals and objectives. The annual performance plan will be updated in FY 2019 to reflect the final strategic plan.

In addition to these department-level reviews, bureaus and offices validate performance data each quarter and many run their own internal performance reviews.¹

¹ The FY 2016 Verification and Validation Report is available at: <https://www.treasury.gov/about/budget-performance/Pages/index.aspx>

Summary of Management and Performance Challenges

OIG and TIGTA have identified the most significant management and performance challenges facing the Department, in accordance with the *Reports Consolidation Act of 2000*. These challenges do not necessarily indicate deficiencies in performance; some represent inherent risks that require continuous monitoring. Refer to Section D of *Part 3, Other Information*, in the FY 2016 Treasury Agency Financial Report (AFR) for a detailed discussion of these challenges, including our progress toward addressing them.² GAO releases a government –wide high-risk list every two years. Treasury has shared responsibility for one risk area and lead responsibility in another.

- **OIG- IDENTIFIED MANAGEMENT CHALLENGES**

- Cyber Threats
- Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments
- Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement
- Management of Treasury’s Authorities Intended to Support and Improve the Economy

- **TIGTA- IDENTIFIED MANAGEMENT CHALLENGES**

- Security Over Taxpayer Data and Protection of IRS Resources
- Identity Theft and Impersonation Fraud
- Implementing the Affordable Care Act and Other Tax Law Changes
- Improving Tax Compliance
- Reducing Fraudulent Claims and Improper Payments
- Improving Tax Systems and Expanding Online Services
- Providing Quality Taxpayer Services Operations
- Impact of Global Economy on Tax Administration
- Protecting Taxpayer Rights
- Achieving Program Efficiencies and Cost Savings

- **GAO- IDENTIFIED HIGH-RISK AREAS**

- Modernizing the U.S. Financial Regulatory System and the Federal Role in Housing Finance
- Enforcement of Tax Laws

² The FY 2016 Annual Financial Report is available at: [https://www.treasury.gov/about/budget-performance/annual-performance-plan/Documents/FY16%20AFR%20\(508\)_FINAL.pdf](https://www.treasury.gov/about/budget-performance/annual-performance-plan/Documents/FY16%20AFR%20(508)_FINAL.pdf)

FY 2017 Enacted Levels

Dollars in Thousands

	FY 2016 Enacted	FY 2017 Annualized CR Rate	FY 2017 Omnibus ¹	FY 2018 Request	FY 2017 CR to FY 2018 Increase/ Decrease	Percent Change
Management & Financial	\$1,404,653	\$1,401,983	\$1,473,456	\$1,122,000	(\$279,983)	-19.97%
Departmental Offices Salaries and Expenses	\$222,500	\$222,077	\$224,376	\$201,751	(\$20,326)	-9.15%
Terrorism and Financial Intelligence (TFI)	\$117,000	\$116,778	\$123,000	\$116,778	\$0	0.00%
Cybersecurity Enhancement	\$0	\$0	\$47,743	\$27,264	\$27,264	100.00%
Department-wide Systems and Capital Investments Program	\$5,000	\$4,990	\$3,000	\$4,426	(\$564)	-11.30%
Office of Inspector General	\$35,416	\$35,349	\$37,044	\$34,112	(\$1,237)	-3.50%
Treasury IG for Tax Administration	\$167,275	\$166,957	\$169,634	\$161,113	(\$5,844)	-3.50%
Special Inspector General for TARP	\$40,671	\$40,594	\$41,160	\$20,297	(\$20,297)	-50.00%
Community Development Financial Institutions Fund	\$233,523	\$233,079	\$248,000	\$14,000	(\$219,079)	-93.99%
Financial Crimes Enforcement Network	\$112,979	\$112,764	\$115,003	\$112,764	\$0	0.00%
Alcohol and Tobacco Tax and Trade Bureau	\$106,439	\$106,237	\$111,439	\$98,658	(\$7,579)	-7.13%
Bureau of the Fiscal Service	\$363,850	\$363,158	\$353,057	\$330,837	(\$32,321)	-8.90%
Tax Administration²	\$11,235,000	\$11,213,642	\$11,235,000	\$10,975,000	(\$238,642)	-2.13%
IRS Taxpayer Services	\$2,333,376	\$2,328,940	\$2,333,376	\$2,212,311	(\$116,629)	-5.01%
IRS Enforcement	\$4,714,936	\$4,855,688	\$4,864,936	\$4,706,500	(\$149,188)	-3.07%
IRS Operations Support	\$3,896,688	\$3,739,565	\$3,746,688	\$3,946,189	\$206,624	5.53%
IRS Business Systems Modernization	\$290,000	\$289,449	\$290,000	\$110,000	(\$179,449)	-62.00%
Subtotal, Treasury Appropriations excluding TEOAF	\$12,639,653	\$12,615,625	\$12,708,456	\$12,097,000	(\$518,625)	-4.11%
Treasury Forfeiture Fund Total ³	(\$876,000)	(\$876,000)	(\$1,302,000)	(\$876,000)	\$0	0.00%
Temporary Rescission	(\$876,000)	(\$876,000)	(\$988,000)		\$876,000	-100.00%
Permanent Rescission			(\$314,000)	(\$876,000)	(\$876,000)	0.00%
Subtotal, Treasury Appropriations including TEOAF	\$11,763,653	\$11,739,625	\$11,406,456	\$11,221,000	(\$518,625)	-4.42%
Treasury International Programs	\$2,313,470	\$2,309,072	\$1,800,577	\$1,505,953	(\$803,119)	-34.78%
Multilateral Development Banks	\$1,816,477	\$1,813,024	\$1,571,014	\$1,348,123	(\$464,901)	-25.64%
Food Security	\$74,930	\$74,787	\$53,000	\$30,000	(\$44,787)	-59.89%
Environmental Trust Funds	\$398,563	\$397,806	\$146,563	\$102,375	(\$295,431)	-74.27%
Office of Technical Assistance (OTA)	\$23,500	\$23,455	\$30,000	\$25,455	\$2,000	8.53%
Total, Treasury Appropriations	\$14,077,123	\$14,048,697	\$13,207,033	\$12,726,953	(\$1,321,744)	-9.41%

1/ The omnibus was passed after the budget was completed. It is presented here for the readers' convenience.

2/ The IRS was provided with \$290 million in funding in its administrative provisions. This table shows that funding as allocated. FY 2016/2017: \$176.8 million Taxpayer Services, \$4.9 million Enforcement, and \$108.2 million Operations Support.

3/ In FY 2016 and FY 2017 CR, total includes (\$176,000,000) of the DHS Rescission (temporary). FY 2017 Omnibus, total includes (\$187,000,000) of the DHS Rescission (temporary).