

Departmental Offices

Program Summary by Budget Activity

Dollars in thousands

Budget Activity	FY 2014	FY 2015	FY 2016	FY 2015 TO FY 2016	
	Enacted	Enacted	Request 2/	\$ Change	% Change
DO S&E					
Executive Direction	\$36,738	\$36,002	\$37,899	\$1,897	5.27%
International Affairs and Economic Policy	\$56,113	\$56,266	\$58,706	\$2,440	4.34%
Domestic Finance and Tax Policy	\$80,956	\$78,589	\$75,948	(\$2,641)	-3.36%
Treasury-wide Management and Programs	\$36,593	\$39,143	\$49,675	\$10,532	26.91%
Terrorism and Financial Intelligence	\$102,000	\$0	\$109,609	\$109,609	NA
TFI					
Terrorism and Financial Intelligence 1/	\$0	\$112,500	\$0	(\$112,500)	-100.00%
Subtotal, Departmental Offices - S & E	\$312,400	\$322,500	\$331,837	\$9,337	2.90%
DO S&E – Reimbursables 1/	\$69,502	\$130,032	\$121,474	(\$8,558)	-6.58%
TFI Reimbursables	\$0	\$18,442	\$0	(\$18,442)	-100.00%
Total Program Operating Level 3/	\$381,902	\$470,974	\$453,311	(\$17,663)	-3.75%
DO S&E - Direct FTE	1,171	781	1,312	531	67.99%
TFI - Direct FTE	0	377	0	(377)	-100.00%
DO S&E - Reimbursable FTE	132	184	163	(21)	-11.41%
TFI - Reimbursable FTE	0	39	0	(39)	-100.00%
Total FTE	1,303	1,381	1,475	94	6.81%

1/ In FY 2015, the Office of Terrorism and Financial Intelligence (TFI) was funded through a separate appropriation of \$112.5 million, which includes \$27 million for administrative support. To support the financing of TFI's administrative program, the Departmental Offices Salaries & Expenses (S&E) Reimbursable program of \$130.032 million was increased by \$27 million.

2/ The FY 2016 Budget includes TFI activities in the DO S&E appropriation, where it has been each year except FY 2015.

3/ The Budget also proposes to transfer \$7 million from the Gulf Coast Restoration Trust Fund for DO's administration and oversight responsibilities for this program. This funding is not included above.

Summary

Departmental Offices (DO) is the headquarters bureau for the Department of the Treasury. It provides leadership in economic and financial policy, financial intelligence and enforcement, and general management. Treasury utilizes effective management, policies, and leadership to protect our national security through targeted financial actions, to promote the stability of the nation's financial markets, and to ensure the Government's ability to collect revenue and fund its operations.

The Department's strategic plan for FY 2014-2017 guides program and budget decisions for DO. The FY 2016 Budget request supports

DO's leading role in accomplishing the following Treasury strategic goals:

- Promote domestic economic growth and stability while continuing reforms of the financial system;
- Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth;
- Fairly and effectively reform and modernize Federal financial management, accounting, and tax systems;
- Safeguard the financial system and use financial measures to counter national security threats; and

- Create a 21st-Century approach to government by improving efficiency, effectiveness and customer interaction.

Total resources requested to support DO activities for FY 2016 are \$453,311,000 including \$331,837,000 from direct appropriations and \$121,474,000 from offsetting collections and reimbursable programs.

DO FY 2016 Budget Highlights

Dollars in Thousands

Departmental Offices - S & E	FTE	Amount
FY 2015 Enacted	1,158	\$322,500
DO S&E	781	\$210,000
TFI	377	\$112,500

Changes to Base:

Adjustment to Request	(14)	(\$13,522)
Fund RESTORE Act Administrative Expenses from Trust Fund	(14)	(\$9,500)
Sanctions-related workload, TFI contract support, and secure space requirements	-	(\$4,022)
Maintaining Current Levels (MCLs):	-	\$5,251
FERS Contribution Increase	-	\$670
Pay-Raise	-	\$1,868
Pay Annualization	-	\$478
Non-Pay	-	\$2,235
Non-Recurring Costs:	-	(\$3,255)
ARRA 1603/NREL Contract	-	(\$800)
Government Security Operations Center	-	(\$2,200)
DO Local Area Network Enhancements	-	(\$255)
Efficiency Savings:	(2)	(\$395)
TFI FOIA Contract Consolidation	-	(\$221)
Management Savings	(2)	(\$174)
Other Adjustments	103	-
Technical FTE Adjustment	103	-
Subtotal Changes to Base	87	(\$11,921)
Total FY 2016 Base	1,245	\$310,579

Program Changes:

Reinvestments:	4	\$700
International Affairs G20 Financial Stability Board Staff	4	\$700
Program Increases:	63	\$20,558
Digital Service Team	41	\$10,000
Financial Innovation Lab	1	\$2,000
International Financial Regulatory Reform	2	\$400
Multiemployer Pension Reform	6	\$3,000
Office of the General Counsel Staffing	4	\$955
Office of Tax Policy Staffing	7	\$2,409
Embassy Security Improvements	-	\$744
DO Cybersecurity Enhancements	2	\$1,050
Total FY 2016 Request	1,312	\$331,837

FY 2016 Budget Adjustments

Adjustments to Request

Fund RESTORE Act Administrative Expenses from Trust Fund -\$9,500,000 / -14 FTE

Treasury proposes legislative language in FY 2016 to allow Treasury to draw \$7,000,000 from the Gulf Coast Restoration Trust Fund for management of the fund, including administering the civil and administrative penalties arising from the Deep Water Horizon oil spill, supporting environmental and economic restoration of the Gulf Coast region, and standing up grants, compliance, and audit programs.

Sanctions-related workload, TFI contract support, and secure space requirements - \$4,022,000 / +0 FTE

Non-recur one-time costs associated with the increase provided in the FY 2015 Consolidated Appropriations Act. Reductions of \$3,332,000 will be achieved by non-recurring one-time sanctions-related contracts in various Terrorism and Financial Intelligence (TFI) offices: Office of the Under Secretary; Office of Terrorist Financing and Financial Crimes; and the Office of Foreign Assets Control. TFI will also non-recur \$190,000 in contract services that support personnel security. Funding for TFI secure space requirements will be reduced by \$500,000 to return to the program's base funding level.

Maintaining Current Levels (MCLs)

FERS Contribution Increase +\$670,000 / +0 FTE

Funds are requested for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Pay-Raise +\$1,868,000 / +0 FTE

Funds are requested for the proposed January 2016 pay-raise.

Pay Annualization +\$478,000 / +0 FTE

Funds are requested for annualization of the January 2015 pay-raise.

Non-Pay +\$2,235,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies, and equipment.

Non-Recurring Costs

ARRA 1603/NREL Contract -\$800,000 / +0 FTE

The Department of the Treasury received funds as authorized by the American Recovery and Reinvestment Act (ARRA) (P.L. 111–5), commonly referred to as the Stimulus or The Recovery Act, for an interagency agreement between the National Renewable Energy Research Lab (NREL) and Treasury to review applications for the Cash Payments for Specified Energy Property in Lieu of Tax Credits (1603 program). The contract that supports the 1603 program is winding down in FY 2016.

Government Security Operations Center

-\$2,200,000 / +0 FTE

Non-recur \$2,200,000 of the FY 2015 appropriation of \$3,500,000 for the Government Security Operations Center.

DO Local Area Network Enhancements

-\$255,000 / +0 FTE

Non-recur \$255,000 of the FY 2015 appropriation of \$2,600,000 for DO Local Area Network Enhancements.

Efficiency Savings

TFI FOIA Contract Consolidation -\$221,000 / +0 FTE

The Under Secretary's office proposes efficiency savings of \$221,000 through the elimination of a contract that supports the processing of Freedom of Information Act requests.

Management Savings -\$174,000 / -2 FTE

Management proposes efficiency savings of \$174,000 by re-organizing the DO mailroom and reducing equipment purchases.

Other Adjustments

Technical FTE Adjustment +\$0 / +103 FTE

In order to estimate the FTE levels for the FY 2016 Budget, DO reviewed prior year FTE usage relative to previously projected FTE levels. The FY 2016 Budget reflects a +43 FTE technical adjustment based on actual execution. In addition, 60 reimbursable FTE, supporting the TFI in FY 2015 will be converted to direct FTEs in FY 2016—their mission remains the same, full administrative support of the TFI program.

Reinvestments

International Affairs G20 Financial Stability Board Staff +\$700,000 / +4 FTE

The Office of International Affairs will reinvest funds within its base budget to better support Treasury's roles: coordinating international financial regulatory reform; chairing the Committee on Foreign Investment in the United States; and analyzing the potential economic and financial impacts of proposed sanctions.

Program Increases

Digital Service Team +\$10,000,000 / +41 FTE

The FY 2016 Budget requests resources to develop a Digital Service Team to transform Treasury's digital services. Treasury will prioritize services with the greatest impact to citizens and businesses so they are more cost-effective to build and maintain as well as easier to use. The digital service experts on the team will bring the private sector's best practices in the disciplines of design, software engineering, and product management to bear on the agency's most important services. The positions will be term-limited to encourage a continuous influx of up-to-date design and

technology skills into Treasury. The digital service experts will be recruited from America's leading technology enterprises and startups and will join with Treasury's top technical and policy leaders to deliver meaningful and lasting improvements to the services the agency provides to citizens and businesses.

Financial Innovation Lab +\$2,000,000 / +1 FTE

The request of \$2,000,000 will fund a Treasury Financial Innovation Lab to identify, develop, and pilot promising strategies to support national priorities in financial services. The Treasury Lab is modeled on the Idea Lab at the Department of Health and Human Services (HHS), which has successfully brought forward and incubated new ideas from agency staff and external innovators. To start, projects may include strategic topics, such as data-driven approaches to help consumers access safe and affordable mortgages, refinancing, and foreclosure prevention programs; technology-based solutions to streamline annual recertification for student loan repayment plans; and the development of a planning blueprint and toolkits for using Pay for Success financing at the Federal level. The Lab will cultivate and tap the considerable existing staff expertise throughout the Department in this work by providing time, resources, and methodological training to develop new tools and approaches. Similarly, it will collaborate with a broad range of stakeholders, including federal, state and local agencies and private sector partners, to catalyze action and achieve shared goals. Finally, the Lab will bring external talent with new skills and ideas into the organization on a temporary basis to solve high-priority, complex problems.

International Financial Regulatory Reform +\$400,000 / +2 FTE

The Office of International Affairs (IA) requests two additional international capital markets experts to manage derivatives and other capital market issues to help ensure U.S. firms are not at a competitive disadvantage when providing financial services or accessing financial markets. Without this additional staffing, constraints on resources will impinge on IA's capacity to protect and promote U.S. interests at international financial regulatory forums.

Multiemployer Pension Reform +\$3,000,000 / +6 FTE

Departmental Offices requests \$3,000,000 to support six positions, contractual support, travel, and other administrative expenses for Treasury's Multiemployer Pension Reform Act (MPRA) responsibilities. The MPRA represents the first time plan trustees have been permitted to make substantial cuts to vested benefits (including retirees in pay status) under the Employee Retirement Income Security Act of 1974. Under the MPRA, Treasury's largest responsibility relates to the "suspension of benefits," the temporary or permanent reduction of any current or future payment obligation of a multiemployer plan in critical and declining status to any participant or beneficiary under the plan. In order to suspend benefits, the sponsor of a plan must submit an application to the Secretary of the Treasury seeking approval of the proposed suspension of benefits. Treasury, in consultation with the Pension Benefit Guaranty Corporation and the Department of the Labor, must: (1) approve the application upon finding that the plan is eligible for suspension and has satisfied certain criteria; (2) publish a notice in the Federal Register within 30 days after receipt of the application soliciting comments on the application, which must be posted on Treasury's website; (3) approve or deny the application for the

suspension of benefits within 225 days after its submission; and (4) administer a vote of plan participants and beneficiaries within 30 days after approving an application.

Office of the General Counsel Staffing +\$955,000 / +4 FTE

The Office of the General Counsel requires four additional attorneys to handle significant increased workload in two areas. This workload demand is expected to continue and has significantly strained existing resources, requiring the diversion of staff from other important work.

International - One additional attorney is needed to meet critical needs in supporting the Department's international affairs function as demand continues to increase. Specifically, IA's Committee on Foreign Investment in the United States case load has increased significantly in number as well as in complexity of financial transactions and related legal issues. In 2009, the office handled 70 cases, in 2012, it had 119, and the office now is at an annualized rate of 148 cases a year. As the economy improves, this rate will increase.

Oversight and litigation - Three additional attorneys are required to meet the significant increase in litigation and oversight matters. These matters necessitate substantial coordination with the Department of Justice to represent the interests of the United States in lawsuits pending in all levels of federal courts, and with Congressional Committees, Inspectors General, and the US Government Accountability Office to respond to a wide variety of inquiries concerning departmental programs and activities. Additional resources will facilitate the collection, review, and production of documents; drafting and review of pleadings, motions, and memoranda of law; witness preparation; and monitoring of reports and pretrial and trial proceedings.

Office of Tax Policy Staffing +\$2,409,000 / +7 FTE

Rationalization of the Tax Code - The Office of Tax Policy requests \$1,221,000 and three additional staff to meet the Department's ongoing needs for analyses of tax proposals, including fundamental reform of the tax system. The exponential growth, availability, and variety of data from multiple sources have rapidly changed expectations regarding the Office of Tax Policy's analytical capabilities. To continue meeting the analytical requests of the Secretary and the Administration, the Office of Tax Policy must upgrade the existing computing platform. The current platform is at risk due to lack of commercially available resources, so the office must migrate to more current operating systems commonly used for high-compute analytic services. Additional staff are required to properly construct, maintain, and access complex, large databases, which require regular maintenance and adjustment to remain accessible. This work requires a detailed knowledge of relational database design and system programming, as well as practical experience in tuning a large database along with a deep understanding of public economics and taxation.

International Tax Workload - The Office of Tax Policy requests \$1,188,000 and four additional staff to address the office's increased international tax workload. The portfolio of the international tax issues handled by the Office of Tax Policy has expanded significantly over the last ten years due to globalization and the increased prominence of international tax issues. Since 2010, this expansion has been significant due to enactment of the Foreign Account Tax Compliance Act in 2010, as well as increased efforts by the G-20, Organization for Economic Cooperation and Development, and United Nations to set international tax standards and focus on business tax reform. U.S. interests must be represented at the OECD as the organization increases its focus

on international tax. As the lead country in shaping the Base Erosion and Profit Shifting initiative for the OECD, the U.S. is pushing for reforming international standards to prevent foreign countries from inappropriately taxing the profits of U.S. companies. Failure to participate would be detrimental to U.S. business interests. In addition, U.S. tax reform discussions increasingly focus on reforming U.S. international tax rules, and the Office of Tax Policy staff must provide increasing expertise in support of the Administration's efforts. Without additional staff, the office could not appropriately support reform.

Embassy Security Improvements +\$744,000 / +0 FTE

As a result of recent steps taken by the State Department to bolster the Capital Security Cost Sharing (CSCS) program, the estimated cost to Treasury is expected to increase from \$1,201,000 in FY 2015 to \$1,944,000 in FY 2016. To avoid reducing the Department's international footprint, DO is requesting \$744,000 to fully fund the projected FY 2016 CSCS invoice.

DO Cybersecurity Enhancements +\$1,050,000 / +2 FTE

Security Enhancements for Classified Networks - Two additional positions and \$550,000 are requested to build out DO's nascent Continuous Diagnostics and Monitoring program, including security controls testing, monitoring of system security to include detection of and response to unauthorized user or anomalous network activity, as well as the secure implementation of identity and credential access management on DO's collateral classified network. The network serves a significant purpose for its users and the mission of DO. Besides classified data transmission, it also provides an alternative, more secure environment for processing highly sensitive information, since the network is isolated from the

Internet. Funding also provides incident response capabilities consisting of forensics equipment as well as penetration testing software. These improvements will increase DO's ability to continuously monitor the network and detect and remediate security vulnerabilities, thereby reducing the risk of security incidents. Additionally, the project will help find the source and location of security incidents and respond more timely when security events arise.

DO Wireless Intrusion Prevention System Expansion - An additional \$500,000 is required to continue to roll out wireless intrusion prevention in DO buildings and areas that are currently unmonitored. Over half of the DO buildings (often leased floors in commercial office space) are unmonitored. The additional areas are relatively small compared to the Main Treasury complex, but any one area poses a potential unauthorized vulnerability to the network if not appropriately secured and monitored, as required by federal and Department requirements. These unmonitored areas often neighbor buildings and adjacent office space with public Wi-Fi networks and significant wireless activity. The monitoring software will reduce Treasury's exposure to these risks.

Explanation of Budget Activities

Executive Direction (\$37,899,000 from direct appropriations, \$13,292,000 from reimbursable resources)

Provides direction and policy guidance to the Department, and interacts with Congress and the public on departmental policy matters.

International Affairs and Economic Policy (\$58,706,000 from direct appropriations, \$4,148,000 from reimbursable resources)

Monitors domestic and international economic conditions and collects and analyzes financial data.

Domestic Finance and Tax Policy
(\$75,948,000 from direct appropriations,
\$22,114,000 from reimbursable resources)

Monitors and provides economic and financial policy expertise in the areas of domestic finance and tax policy.

Terrorism and Financial Intelligence
(\$109,609,000 from direct appropriations,
\$56,626,000 from reimbursable resources)

Develops and implements strategies to counter terrorist financing and money laundering.

Treasury-wide Management and Programs
(\$49,675,000 from direct appropriations,
\$25,294,000 from reimbursable resources)

Provides strategic plans and policy direction in the fields of human resources, information technology security, and financial

administration that include the formulation and management of the budget.

Legislative Proposals

Departmental Offices has no legislative proposals.

Mandatory Proposals

As in FY 2015, Treasury proposes legislative language in FY 2016 to allow Treasury to draw \$7,000,000 from the Gulf Coast Restoration Trust Fund for management of the fund, including administering the civil and administrative penalties arising from the *Deep Water Horizon* oil spill, supporting environmental and economic restoration of the Gulf Coast region, and standing up grants, compliance, and audit programs.

DO Performance by Budget Activity

Budget Activity	Performance Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
International Affairs and Economic Policy	Monitor Quality and Enhance Effectiveness of International Monetary Fund (IMF) Lending Through Review of IMF Country Programs	100	100	100	100	100
Domestic Finance and Tax Policy	Variance Between Estimated and Actual Receipts (Annual Forecast)(%)	3.8	2.5	N/A	4.25	N/A*
Terrorism and Financial Intelligence	Impact of TFI Programs and Activities	8.1	8.3	8.5	8.5	8.5

Key: DISC - Discontinued and B – Baseline

*The performance metric for FY 2016 will be based upon the median error of preceding years, including FY 2015, and will be calculated after the MTS for September 2015 is released.

Description of Performance

The following performance measures provide a snapshot of the FY 2015 DO performance plan:

Monitor Quality and Enhance Effectiveness of International Monetary Fund (IMF) Lending through Review of IMF Country Programs:

This measure tracks efforts by IA staff to monitor the quality of IMF country programs and ensure the application of appropriately high standards for the use of IMF resources. The target (100 percent) was met in FY 2014. In FY 2015 and FY 2016, IA's target for this measure remains 100 percent.

Variance between estimated and actual receipts (annual forecast) (percent):

As part of managing the Government's central operating account and cash position, the Office of Fiscal Projections (OFP) forecasts net cash flows (e.g., Federal receipts, outlays, and other miscellaneous flows) to ensure that adequate funds are available daily to cover federal payments. To determine its overall effectiveness, one of OFP's metrics is to measure the variance between actual and projected Federal receipts.

The actual variance for FY 2014 through July 2014 was 3.8 percent, significantly lower than the 4.25 percent target for FY 2014. The actual variance for all of FY 2013 was 2.5 percent. The target for FY 2015 is 4.25 percent.

Impact of TFI Programs and Activities: In order to gauge its performance, TFI created a composite measure consisting of three program office focus areas related to its mission and strategic goals, including customer outreach, increasing budget production and dissemination of intelligence products, and implementing IT modernization projects. In FY 2014, TFI met its performance goal of 8.5 and expects to achieve its FY 2015 and FY 2016 target of 8.5.