

Departmental Offices - S & E

FY 2014

President's Budget

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Section 1 – Purpose

1A – Mission Statement

The mission of the Departmental Offices (DO) is to 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.

1.1 – Appropriations Detail Table

Dollars in Thousands

| Departmental Offices - S & E Resources | FY 2012 | | FY 2013 | | FY 2014 | | FY 2012 to FY 2014 | | | |
|--|--------------|------------------|-----------------------|------------------|--------------|------------------|--------------------|----------------|----------------|--------------|
| | Enacted | | Annualized CR Rate | | Request | | \$ Change | | % Change | |
| | FTE | AMOUNT | FTE | AMOUNT | FTE | AMOUNT | FTE | AMOUNT | FTE | AMOUNT |
| New Appropriated Resources: | | | | | | | | | | |
| Executive Direction | 151 | 37,219 | 151 | 37,450 | 148 | 36,244 | (3) | (975) | -1.99% | -2.62% |
| International Affairs and Economic Policy | 235 | 59,277 | 235 | 59,645 | 231 | 55,475 | (4) | (3,802) | -1.70% | -6.41% |
| Domestic Finance and Tax Policy | 261 | 71,451 | 261 | 71,892 | 257 | 86,052 | (4) | 14,601 | -1.53% | 20.43% |
| Terrorism and Financial Intelligence | 418 | 100,000 | 418 | 100,601 | 411 | 97,738 | (7) | (2,262) | -1.67% | -2.26% |
| Treasury-wide Management and Programs | 134 | 40,441 | 134 | 40,687 | 124 | 36,266 | (10) | (4,175) | -7.46% | -10.32% |
| Subtotal New Appropriated Resources | 1,199 | \$308,388 | 1,199 | \$310,275 | 1,171 | \$311,775 | (28) | \$3,387 | -2.34% | 1.10% |
| Other Resources: | | | | | | | | | | |
| Reimbursables | 172 | 69,502 | 172 | 69,502 | 132 | 69,502 | (40) | 0 | -23.26% | 0.00% |
| Subtotal Other Resources | 172 | \$69,502 | 172 | \$69,502 | 132 | \$69,502 | (40) | \$0 | -23.26% | 0.00% |
| Total Budgetary Resources | 1,371 | \$377,890 | 1,371 | \$379,777 | 1,303 | \$381,277 | (68) | \$3,387 | -4.96% | 0.90% |

1B – Vision, Priorities and Context

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, by promoting the stability of the nation's financial markets, and by ensuring the government's ability to collect revenue and fund its operations.

FY 2012 Key Accomplishments, FY 2013 and 2014 Priorities:

The Department's Strategic Plan for FY 2012-2015 guides program and budget decisions for the Departmental Offices (DO). The FY 2014 budget request supports DO's leading role in accomplishing the Treasury strategic goals:

- Repair and Reform the Financial System and Support the Recovery of the Housing Market
- Enhance U.S. Competitiveness and Promote International Financial Stability and Balanced Global Growth
- Protect our National Security through Targeted Financial Actions
- Pursue Comprehensive Tax and Fiscal Reform
- Manage the Government's Finances in a Fiscally Responsible Manner

DO also provides critical support and leadership to both of the Department's near term priority goals:

- Increase voluntary tax compliance
- Increase electronic transactions with the public to improve service, prevent fraud, and reduce costs

Office of Terrorism and Financial Intelligence (TFI)

In FY 2012, the Office of Terrorism and Financial Intelligence supported Treasury's strategic and priority goals by implementing sanctions (via Executive Order and legislation); these serve as both comprehensive and selective tools to accomplish U.S. foreign policy and national security goals, by blocking assets or imposing trade restrictions. In FY 2012, TFI implemented targeted sanctions blocking property of Iran, and restricting activity with Iranian financial institutions, individuals using technology to abuse human rights in Iran and Syria, foreign sanctions evaders, persons threatening the peace and stability of Yemen, and parties which were threatening the peace and stability of Burma.

Furthermore, Treasury's Office of Foreign Assets Control (OFAC) designated 137 individuals and entities under the Foreign Narcotics Kingpin Designation Act, including key leaders, operatives, and fronts of Mexico's Sinaloa and Los Zetas cartels; the Barakzai network in Afghanistan; an Iranian Qods Force general overseeing Afghan heroin trafficking through Iran and the Parti Karkerani Kurdistan (PKK) in Turkey; the Chacon Rossell drug trafficking organization in Guatemala and Central America; the John Zabaneh drug trafficking organization in Belize; and the Cheaitelly drug trafficking organization in Panama, Lebanon, and South America.

Each of these actions was supported by critical analysis of intelligence by Treasury's Office of Intelligence and Analysis (OIA). In FY 2012, OIA also provided intelligence analysis of regional and specific country economies, the impact of U.S. and multilateral sanctions, and targeted organizations and individuals that would threaten the United States.

Treasury also worked to strengthen global standards to combat and prevent financial crimes and terrorist financing. TFI participated in or reviewed 27 mutual evaluations of various countries' compliance with international anti-money laundering, terrorist financing, and counter-terrorist financing (AML/CFT) standards. TFI also provided training and technical assistance to its counterparts abroad, which focused on creating effective AML/CFT frameworks and financial regulations capable of combating terrorist financing.

FY 2013 and 2014 priorities for the Office of Terrorism and Financial Intelligence include:

- Increasing focus on Transnational Criminal Organizations (TCO) and illegal activities including arms and narcotics trafficking, human smuggling, and weapons proliferation;
- Collecting, analyzing, and disseminating information concerning illicit financing and national security threats;
- Disrupting and dismantling the financial networks of those who threaten national security or engage in illicit financing including drug cartels and money laundering networks;

- Assisting partner countries in the development and implementation of AML/CFT regimes compliant with international standards;
- Maintaining economic sanctions against rogue regimes to encourage governments to renounce WMD programs, cease sponsorship of terrorist activities, and respect and protect the human rights of their citizens; and
- Identifying opportunities for Treasury to use its authorities to combat and counter terrorist financing in Africa, the Middle East, Afghanistan, and Pakistan.

Domestic Finance (DF) and Tax Policy (TP)

Domestic Finance

In FY 2012, the Office of Domestic Finance supported Treasury's strategic and priority goals, by working to preserve confidence in the US Treasury market by effectively managing federal fiscal operations, strengthening financial institutions and markets, and promoting access to credit, and improving financial access and education in service of America's long-term economic strength and stability.

In FY 2012, Office of Financial Innovation and Transformation (FIT) coordinated the issuance of a new intra-governmental transactions policy and agency scorecard to address a long-standing material weakness on the government's consolidated financial statements. FIT also began to centralize the servicing of agency accounts receivable, and led the effort to revise the government's policy for federal financial management system requirements and associated compliance framework for the Federal Financial Management Improvement Act of 1996.

FIT works to transform federal financial management by facilitating the development and government-wide deployment of innovative, common, cost effective solutions that improve data quality and create efficiencies. Treasury is proposing to transfer FIT from DO to the Bureau of the Fiscal Service (Fiscal Service) in FY 2014. For 2013 and 2014 priorities, please refer to the Fiscal Service chapter.

From October 1, 2011 through August 10, 2012, the Office of Debt Management conducted 224 auctions, issuing over \$6.5 trillion in marketable securities, and raising more than \$985 billion in new cash to fund U.S. Government's operations.

In FY 2012, Treasury auctions continued to see strong demand across the yield curve as evidenced by above average bid-to-cover ratios. Nevertheless, Treasury borrowing remained elevated by historical standards and yields reached historic lows.

The Federal Insurance Office, housed within DF administers the Terrorism Risk Insurance Program (TRIP). Authorized through December, 2014, TRIP provides for a transparent system of shared public and private compensation for insured losses resulting from acts of terrorism.

FY 2013 and 2014 priorities for the Office of Domestic Finance include:

- Providing Treasury's programmatic oversight and administrative responsibilities under the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act).

- Administering and advising on new initiatives to improve financial education and access.
- Administering a new Pay for Success Incentive Fund, which will support nonprofit and other investors, via credit enhancements and direct grants, who finance preventive social programs when those programs prove that they can post savings to the Federal government and achieve the goal for their target population. The Pay for Success Incentive Fund will ensure that taxpayers get the best possible returns for funds expended, protect government assets, and minimize losses in relation to social benefits provided.
- Issuing required annual reports, such as a study on how to modernize and improve the system of insurance regulation in the United States. These reports will be completed by the Federal Insurance Office.
- Building on the Office of Debt Management's 2012 debt issuance modeling efforts to enhance a recently developed short-term debt issuance optimization model and a long-term stochastic simulation model. FY 2013 efforts include incorporating floating rate notes and mark-to-market in both the short- and long-term optimization models. The Office will also develop a quantitative high-frequency database for monitoring and analyzing Treasury market liquidity, trading activity, and term structure.

Tax Policy

Tax Policy supports the Department's strategic goal of managing the government's finances in a fiscally responsible manner. Tax Policy works with the IRS in support of Treasury's priority goal to Increase Voluntary Tax Compliance by promulgating regulations and proposing legislation that seeks to streamline and modernize existing rules and procedures. The office also supports Treasury's strategic goal to Enhance U.S. Competitiveness and Promote International Financial Stability and Balanced Global Growth by negotiating and entering into tax agreements that encourage cross-border trade and investment.

In FY 2012, The Office of Tax Policy continued to support the implementation of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (ACA). In FY 2012, the Office released guidance on over a dozen tax provisions of the ACA, including tax credits, revenue provisions, and insurance market reforms.

The Office of Tax Policy published proposed regulations on the Foreign Account Tax Compliance Act (FATCA), requiring foreign banks to report and disclose U.S. accounts in foreign financial institutions. During FY 2012, the Office published a model intergovernmental agreement to implement FATCA on a government-to-government basis in jurisdictions where there are legal impediments to having local financial institutions report directly to the Internal Revenue Service. The model agreement was developed in consultation with European nations. The Office of Tax Policy issued guidance on implementing the registered return preparer initiative; temporary and proposed regulations regarding the deduction and capitalization of expenditures related to tangible property; and procedures governing the treatment of property acquired from a decedent after December 31, 2009 as well as the portability of the gift and estate tax exclusion.

FY 2013 and 2014 priorities for the Office of Tax Policy include:

- Developing a comprehensive proposal for corporate tax reform in support of the Administration's efforts to create a simpler, fairer, and more robust tax system.
- Finalizing regulations to implement the FATCA and concluding bilateral agreements with foreign governments to implement FATCA.
- Continuing implementation of the Affordable Care Act provisions, the majority of which go into effect in 2014.
- Issuing guidance to streamline the standards for written tax advice under Circular 230, which is anticipated to remove unnecessary costs for taxpayers who obtain tax advice.
- Issuing guidance on the tax treatment of relief provided by the Principal Reduction Alternative of the Home Affordable Modification Program and the National Mortgage Settlement. This supports the Secretary's efforts to ease the burden on homeowners affected by the housing crisis.

Office of International Affairs (IA) and Economic Policy (EP)
Economic Policy

During FY 2012, Economic Policy staff provided substantial support to the Secretary in developing the FY 2013 Federal Budget. Economic Policy continued to participate in the development and implementation of housing policy, including the Making Home Affordable program. Economic Policy continued to produce the corporate bond yield curve, used by pension plans to discount their pension liabilities. In FY 2014, Economic Policy will focus on computing the yield curve back in history to allow the calculation of 25-year average segment rates.

International Affairs

IA supports Treasury's strategic goal to Enhance U.S. Competitiveness and Promote International Financial Stability and Balanced Global Growth. IA also supports President Obama's cross-agency priority goal of doubling exports within five years. In FY 2012, IA focused on six priority themes:

Trade and Investment: IA promotes free trade and open markets to increase opportunities for U.S. exporters. At the Strategic & Economic Dialogue (S&ED) the U.S. and China agreed to intensify negotiations for a bilateral investment treaty. In 2012, U.S. exports reached historic highs, increasing nearly 36 percent over the 2009 levels.

Global Rebalancing and Global Growth: Large, persistent imbalances between countries threaten economic growth, so Treasury advocates for policies like market-determined exchange rates. In FY 2012, in the aggregate, G-20 surpluses and deficits declined, most notably in China, where trade and current account surpluses both have fallen to 2.6 percent from a peak of 8.8 and 10.1 percent of GDP, respectively.

European Financial Crisis: Treasury worked with its European counterparts to encourage the establishment of the European Stability Mechanism and the Outright Monetary Transactions loan facility, two powerful tools intended to help protect the economies in Europe and safeguard domestic economic growth. Recent turmoil in Cyprus, however, demonstrates the need to remain vigilant.

International Financial Policy Coordination: Treasury promotes international financial regulatory policies that complement those in the U.S. such as recent Financial Stability Board work identifying Global Systemically Important Financial Institutions. In FY 2012, the St. Louis Federal Reserve Bank's Financial Stress Index declined from 0.9 to -0.3.

Transitions in the Arab Spring Countries: Treasury's leadership role in the Deauville Partnership successfully launched the Transition Fund and the Capital Markets Access Initiative. By working to expand economic opportunity abroad, Treasury helps to protect U.S. national security by alleviating the root causes of extremism, and promotes U.S. economic growth by laying foundations for new export markets.

Development: Similarly, Treasury manages U.S. investments in the Multilateral Development Banks (MDBs) to advance our national security and economic policy priorities around the world. In FY 2012 Treasury launched the Development Impact Awards to highlight and incentivize strong performance; monitored and reported on General Capital Increase reforms; and continued support of the Global Agriculture and Food Security Program (GAFSP) as five impact evaluation baseline studies were completed and \$180 million in funding was awarded.

In FY 2013 and 2014, Treasury expects to focus on the same priority themes. Expected work includes efforts to:

- Develop and promote metrics to evaluate progress toward balanced global growth;
- Promote international financial stability by advocating for a European banking and fiscal union;
- Work to identify and resolve cross-border inconsistencies in derivatives regulation;
- Continue working to implement G-8 initiatives in the Middle East and North Africa region in order to promote our national security and domestic economic growth; and
- Leverage the U.S. presidency of the G-8 to focus on and mobilize additional pledges for GAFSP and other development efforts.

Consistent with the Cross-Agency Priority Goal of doubling U.S. exports by the end of 2014. Treasury will continue to place special emphasis on work promoting free trade and open markets. Treasury will work to expand export opportunities for U.S. businesses, particularly in the Asia and Pacific region, through multiple activities, including: negotiating financial services commitments in the Trans-Pacific Partnership, working with the Office of the United States Trade Representative to complete a dialogue with the European Union on whether to launch comprehensive trade negotiations; and advancing export credit negotiations with China and all other major providers of official export financing.

Treasury-wide Management and Programs

The Department exceeded its FY 2012 goal for acquisition savings and achieved its FY 2012 procurement goals for all socio-economic categories (including small, small disadvantaged, woman-owned, service disabled veteran-owned, and Historically Underutilized Business Zone (HUBZone) businesses), as well as goals for reduction in high risk contracts.

During FY 2012, DO Operations continued its efforts to reduce leased space and increase occupant density in existing space. This consolidation cut across Treasury bureaus and included the relocation of DO warehouse inventory into a Bureau of Engraving and Printing (BEP) leased warehouse with available space.

In FY 2012, the Office of the Chief Information Officer (OCIO) focused its efforts on several overarching initiatives including updating its strategic framework which is the basis for Treasury IT initiatives for the next several years; enhancing the governance structure and processes to target proper oversight and priority-setting for IT initiatives; and developing a plan for the redesign and consolidation of Treasury infrastructure.

FY 2013 and 2014 priorities for Treasury-Wide Management include:

- Consolidating certain warehouses used by the Bureau of the Fiscal Service, the Internal Revenue Service, and the Office of the Comptroller of the Currency into a BEP warehouse which is already shared with the U.S. Mint and DO.
- Continuing to redesign DO office space to increase the number of workstations and consolidate leases.
- Continue working to enable Treasury to provide mobile computing, capacity to address big data needs, and support for multiple federal CIO/OMB initiatives including Digital Government, Data Center Consolidation, and Shared First.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

| Departmental Offices - S & E | FTE | Amount |
|---|--------------|------------------|
| FY 2012 Enacted | 1,199 | \$308,388 |
| FY 2013 Annualized CR Rate | 1,199 | \$310,275 |
| Changes to Base: | | |
| Adjustment to Request | (12) | (\$9,059) |
| Non-recur CR Adjustment | - | (\$1,887) |
| 2013 One-time Office moves and Building Maintenance | - | (\$1,650) |
| 2013 Treasury-wide Management Savings | (5) | (\$1,374) |
| 2013 Administrative and Management Savings | (4) | (\$2,031) |
| 2013 International Affairs Program Reductions | (3) | (\$2,117) |
| Maintaining Current Levels (MCLs): | - | \$3,663 |
| Pay-Raise | - | \$1,678 |
| Non-Pay | - | \$1,985 |
| Non-Recurring Costs: | - | (\$1,380) |
| One-time contract costs | - | (\$1,380) |
| Efficiency Savings: | (13) | (\$5,889) |
| Policy Office savings and staff reductions | (14) | (\$2,306) |
| Management and Administrative savings and staff reductions | (6) | (\$1,915) |
| Non-salary reductions | - | (\$806) |
| Contract support cuts | 7 | (\$630) |
| Rationalize cost sharing across functions | - | (\$232) |
| Transfers: | (8) | (\$1,800) |
| Office of Financial Innovation and Transformation | (8) | (\$1,800) |
| Other Adjustments: | - | - |
| Subtotal Changes to Base | (33) | (\$14,465) |
| Total FY 2014 Base | 1,166 | \$295,810 |
| Program Changes: | | |
| Program Decreases: | - | (\$1,435) |
| Terrorism and Financial Intelligence contract reductions | - | (\$821) |
| Training/Background investigation contract reductions | - | (\$69) |
| International Affairs travel reductions | - | (\$225) |
| International Affairs contract reductions | - | (\$320) |
| Program Increases: | 5 | \$17,400 |
| Financial Capability Innovation Fund | 1 | \$5,000 |
| Gulf Coast Restoration Trust Fund | 3 | \$2,400 |
| Gulf Coast Restoration Trust Fund Direct Component | - | \$5,000 |
| State Small Business Credit Initiative | - | \$2,000 |
| Treasury-wide Audit | - | \$1,500 |
| Treasury Evidence and Evaluation (incl. Intl Affairs Evaluator) | 1 | \$1,500 |
| Total FY 2014 Request | 1,171 | \$311,775 |

2A – Budget Increases and Decreases Description

Adjustment to Request -\$9,059,000 / -12 FTE

Non-recur CR Adjustment -\$1,887,000 / +0 FTE

The across-the-board 0.612 percent increase provided in the CR through March 27, 2013 is non-recurred.

2013 One-time Office moves and Building Maintenance -\$1,650,000 / +0 FTE

One-time FY 2012 funding supported repairs of the electrical transformer vaults and the reallocation and reconfiguration of office space in support of DO's leased office space reduction effort.

2013 Treasury-wide Management Savings -\$1,374,000 / -5 FTE

Savings will be achieved through the elimination of positions and the reduction of management program activities. These include eliminating the following positions: one from the Office of the Deputy Assistant Secretary for Management and Budget; one from the Office of the Deputy Assistant Secretary for Human Resources; and three from the Office of the Deputy Chief Financial Officer. In addition, the following offices will reduce their non-salary program budgets: the Office of Emergency Programs, the Treasury Operations Center, the Deputy Assistant Secretary for Management and Budget, and the Chief Information Officer.

2013 Administrative and Management Savings -\$2,031,000 / -4 FTE

Savings will be achieved through the elimination of positions and more efficient use of administrative activities. These include eliminating the following positions: one from the Office of Human Resources (OHR), one from the Office of Financial Management (OFM), and two from DO Operations. The Office of the Chief Information Officer will make reductions in the following areas of its administrative support budget: DO applications support; laptop purchases; subscriptions; e-catalog purchases; additional purchase of Microsoft Visio and Project software; and developer workstations. In addition, DO IT will reduce staffing under its contract supporting the help desk by six positions. The following offices will reduce their non-salary administrative budgets: OHR, OFM, Operations, and the DO Office of Privacy, Transparency, and Records. DO will reduce the cost of utilities by converting the Treasury building from steam to gas heat.

2013 International Affairs Program Reductions -\$2,117,000 / -3 FTE

The Office of International Affairs (IA) will achieve savings by streamlining operations and seeking reduced reporting requirements. This reduction includes a reallocation of 2 FTE for the Treasury attaché program. Beginning in FY 2013, costs for the Treasury attaché program will be aligned between the Office of International Affairs and the Office of Terrorism and Financial Intelligence, based on the Office's respective allocation of work.

Maintaining Current Levels (MCLs) +\$3,663,000 / +0 FTE

Pay-Raise +\$1,678,000 / +0 FTE

The President's Budget proposes a one percent pay-raise for federal employees in 2014.

Non-Pay +\$1,985,000 / +0 FTE

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

Non-Recurring Costs -\$1,380,000 / +0 FTE

One-time contract costs -\$1,380,000 / +0 FTE

Reductions include: \$1,000,000 for FY 2013 contract transition requirements for DO IT infrastructure; \$350,000 for Office of Emergency Programs contracts that supported Treasury-wide and DO standards for operations performance planning and a Workforce Preparedness Initiative; and \$30,000 for personally identifiable information compliance software.

Efficiency Savings -\$5,889,000 / -13 FTE

Policy Office savings and staff reductions -\$2,306,000 / -14 FTE

DO policy offices propose the following efficiencies: Domestic Finance will cut spending by \$658,000 including elimination of three positions. The Office of Foreign Assets Control will eliminate six positions totaling \$930,000. The Office of International Affairs will eliminate two administrative positions for savings of \$150,000. The Office of the Secretary will eliminate two positions as well as reduce non-salary expenses for a savings of \$324,000. The Office of the General Counsel will eliminate one position and delay hiring for savings of \$244,000. The proposed savings do not impact the direct mission of DO.

Management and Administrative savings and staff reductions -\$1,915,000 / -6 FTE

Savings of \$175,000 will be achieved through the elimination of one position in the Office of Strategic Planning and Performance Improvement and delayed hiring in the Office of the Chief Human Capital Officer. Savings of \$1,298,000 will be achieved through utility savings, eliminating the employee-parking subsidy, and reducing support for contracted services. Savings of \$442,000 will be achieved by not backfilling four positions within the DO Operations organization, and one position in the Office of Privacy, Transparency, and Records.

Non-salary reductions -\$806,000 / +0 FTE

The Office of Terrorism and Financial Intelligence will generate savings of \$419,000 through the reduction of travel, training, and subscriptions. The Treasurer of the United States will reduce travel by \$21,000, and management and administrative offices will take various non-salary reductions, totaling \$366,000.

Contract support cuts -\$630,000 / +7 FTE

DO will achieve contract efficiencies without any impact on mission by reducing its shipping contracts by \$50,000, converting an emergency management program assistant contractor position to a federal position for savings of \$150,000, converting six contractor positions in DO Operations to federal positions for a savings of \$180,000, and rationalizing the cost sharing between DO S&E and Working Capital Fund (WCF) for the Treasury Operations Center, saving \$250,000.

Rationalize cost sharing across functions -\$232,000 / +0 FTE

The Office of International Affairs (IA) will consolidate and renegotiate contracts for services such as private financial market information subscriptions to achieve \$157,000 in savings. IA will also achieve \$75,000 in savings by rationalizing costs and functions between the DO Salaries and Expenses (DO S&E) and the Office of Technical Assistance (OTA), which is funded by the International Affairs budget and allocated through the Department of State, Foreign Operations, and Related Agencies appropriation.

Transfer -\$1,800,000 / -8 FTE

Office of Financial Innovation and Transformation -\$1,800,000 / -8 FTE

Treasury proposes to realign the Office of Financial Innovation and Transformation (FIT) from the Office of the Fiscal Assistant Secretary in DO to the Bureau of the Fiscal Service (Fiscal Service). This proposed realignment would transfer eight FTE and \$1.8 million in appropriated resources from the DO S&E base to the Fiscal Service S&E base. Placing FIT within the Fiscal

Service will improve the planning and implementation of FIT's initiatives by more closely aligning strategic direction with operational implementation which is performed by Fiscal Service. The Fiscal Assistant Secretary will continue to provide high-level policy guidance and oversight of FIT under this structure.

Program Decreases-\$1,435,000 / +0 FTE

Terrorism and Financial Intelligence contract reductions -\$821,000 / +0 FTE

TFI will reduce contractor support by \$121,000. An additional \$700,000 reduction will affect intelligence analysis and related services. This decrease reduces TFI reliance on contractor personnel, thereby saving taxpayer dollars. TFI staff will be realigned when necessary to address surge workload requirements.

Training/Background investigation contract reductions -\$69,000 / +0 FTE

TFI will reduce non-salary expenses in the area of training and the administration of background investigations. Treasury will eliminate 10-15 investigations annually by reviewing the requirements for previously cleared personnel to maintain access to classified information prior to commencing security clearance renewal investigations. Depending upon the type of clearance, the costs vary greatly.

International Affairs travel reductions -\$225,000 / +0 FTE

IA will evaluate alternatives to some travel, in order to achieve the same programmatic output at a lower cost. For example, IA will assess when longer duration travel that covers multiple objectives is more cost effective than shorter duration travel that covers a single objective. IA established a staff-led Travel Working Group with a mandate to develop recommendations for reducing travel spending while minimizing the impact on programmatic outcomes.

International Affairs contract reductions -\$320,000 / +0 FTE

IA will save \$185,000 by terminating two personnel contracts that provide several policy offices access to surge administrative capacity. Additionally, IA will not backfill departing, non-mission critical locally employed staff working with Treasury Attachés at select posts around the world, generating approximately \$135,000 in savings.

Program Increases+\$17,400,000 / +5 FTE

Financial Capability Innovation Fund +\$5,000,000 / +1 FTE

Treasury requests \$5,000,000 and one FTE to administer a Financial Capability Innovation initiative that will support development of financial access and financial capability tools targeted to low- and moderate income persons, to encourage savings and improve their financial management capabilities.

Gulf Coast Restoration Trust Fund +\$2,400,000 / +3 FTE

The Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) established the Gulf Coast Restoration Trust Fund (Trust Fund) to hold 80 percent of the civil and administrative penalties collected from parties responsible for the *Deepwater Horizon* oil spill. The newly established Gulf Coast Restoration Council and Treasury will administer the penalties supporting environmental and economic restoration of the Gulf Coast region. The RESTORE Act gives Treasury significant

new programmatic responsibilities relating to expenditures from the Trust Fund, including: performing certain ministerial duties regarding the investment, deposit, and disbursement of funds; establishing compliance and auditing procedures; and providing independent oversight of the states to ensure that amounts in the Trust Fund are expended as intended.

Gulf Coast Restoration Trust Fund Direct Component +\$5,000,000 / +0 FTE

Funds are requested for administration of the components of the Gulf Coast Restoration Trust Fund; these include the Direct component and Centers of Excellence Research Grant Program. In administering these components, Treasury will stand up all of the functions of a grant program and hire contractors with subject matter expertise to review grant applications, issue grants, and administer awarded grants.

State Small Business Credit Initiative +\$2,000,000 / +0 FTE

Recipients of federal transfers under the State Small Business Credit Initiative (SSBCI) manage programs that improve access to capital for small businesses. The SSBCI will expand individualized technical assistance to state-level program managers in order to increase the effectiveness and rate of deployment of SSBCI funds. Since the SSBCI ends in 2017, some states may not find it worthwhile to independently invest in key staff to build capacity. This expansion of current efforts will provide individualized technical assistance to an additional 10 states that received transfers under SSBCI of approximately \$13 million each. Technical assistance services will include training and support for program design, operations, and outreach to financial institutions provided by field staff. State-level programs are designed to catalyze private lending or investing to small businesses at a ratio of \$10 in private funds to \$1 in SSBCI funds. Enabling an additional 10 states to fully deploy credit support under SSBCI could result in up to \$1.3 billion in private loans to or investment in small business.

Treasury-wide Audit +\$1,500,000 / +0 FTE

Treasury anticipates the current audit fees will increase by \$1,500,000 beginning with the FY 2013 audit period and continue at the increased rate through FY 2017. The previous fixed-price contract contained five option years ending in FY 2012. A new contract containing multiple option years is being competed and will be executed commencing with the FY 2013 audit period.

Treasury Evidence and Evaluation (incl. Intl Affairs Evaluator) +\$1,500,000 / +1 FTE

Financial Education: Treasury requests \$1,335,000 for the Office of Consumer Policy to conduct research and evaluation in the areas of financial education and financial access in an effort to identify scalable, effective, evidence-based policy interventions. Efforts will include research and demonstrations to test the efficacy of policy interventions designed to increase the financial readiness and strengthen the financial knowledge of young people. This initiative is in line with the stated focus of the Financial Literacy and Education Commission (FLEC), a 21-member interagency working group of which Treasury serves as chair, and recommendations from the President's Advisory Council on Financial Capability. Treasury will also conduct research to identify barriers to financial access, particularly among low- to moderate-income households, and potentially implement pilot demonstrations to test strategies for increasing access to high quality financial products.

International Affairs: The Office of International Affairs requests \$165,000 and 1 FTE to build capacity in the use of evidence and evaluation to help shape resource allocations and improve performance across IA's portfolio. Initial projects for IA's program evaluator will leverage data from the Multilateral Development Banks to better mitigate threats to national security, expand export opportunities for American businesses, and address global challenges in areas like food security and the environment. The Program Evaluator would work closely with programmatic and operational staff to identify and develop sources of performance data across the portfolio to be integrated into the budgeting process.

2.2 – Operating Levels Table

Dollars in Thousands

| Departmental Offices - S & E | FY 2012 | FY 2013 | FY 2014 |
|--|------------------|-----------------------|------------------|
| Object Classification | Actual | Annualized CR Rate | Request |
| 11.1 - Full-time permanent | 145,897 | 151,599 | 152,359 |
| 11.3 - Other than full-time permanent | 2,378 | 3,025 | 2,962 |
| 11.5 - Other personnel compensation | 4,338 | 4,809 | 4,766 |
| 11.9 - Personnel Compensation (Total) | 152,613 | 159,433 | 160,087 |
| 12.0 - Personnel benefits | 43,528 | 45,182 | 45,550 |
| 13.0 - Benefits for former personnel | 860 | 837 | 911 |
| Total Personnel and Compensation Benefits | \$197,001 | \$205,452 | \$206,548 |
| 21.0 - Travel and transportation of persons | 6,740 | 6,956 | 6,748 |
| 22.0 - Transportation of things | 467 | 512 | 512 |
| 23.1 - Rental payments to GSA | 22,354 | 22,611 | 23,763 |
| 23.2 - Rental payments to others | 1,071 | 1,150 | 1,010 |
| 23.3 - Communication, utilities, and misc charges | 4,519 | 4,781 | 4,481 |
| 24.0 - Printing and reproduction | 341 | 379 | 379 |
| 25.1 - Advisory and assistance services | 32,558 | 28,150 | 28,150 |
| 25.2 - Other services | 31,312 | 33,528 | 33,528 |
| 25.3 - Other purchases of goods & serv frm Govt accounts | 54,619 | 53,200 | 53,200 |
| 25.4 - Operation and maintenance of facilities | 435 | 431 | 431 |
| 25.5 - Research and development contracts | 588 | 588 | 588 |
| 25.6 - Medical care | 3 | 3 | 3 |
| 25.7 - Operation and maintenance of equip | 1,786 | 1,921 | 1,921 |
| 25.8 - Subsistence and support of persons | 99 | 112 | 112 |
| 26.0 - Supplies and materials | 7,169 | 7,532 | 7,432 |
| 31.0 - Equipment | 12,285 | 8,431 | 8,431 |
| 32.0 - Land and structures | 3,647 | 3,811 | 3,811 |
| 41.0 - Grants, subsidies, and contributions | 225 | 225 | 225 |
| 42.0 - Insurance claims and indemnities | 1 | 1 | 1 |
| 43.0 - Interest and dividends | 3 | 3 | 3 |
| Total Non-Personnel | 180,222 | 174,325 | 174,729 |
| Total Budgetary Resources | \$377,223 | \$379,777 | \$381,277 |
| Budget Activities: | | | |
| Executive Direction | 39,586 | 42,224 | 41,018 |
| International Affairs and Economic Policy | 63,703 | 61,003 | 56,833 |
| Domestic Finance and Tax Policy | 82,267 | 84,107 | 98,267 |
| Terrorism and Financial Intelligence | 130,224 | 133,398 | 130,535 |
| Treasury-wide Management and Programs | 61,443 | 59,045 | 54,624 |
| Total Budgetary Resources | \$377,223 | \$379,777 | \$381,277 |
| FTE | 1,310 | 1,371 | 1,303 |

This table includes all available resources, including annual and available multi-year appropriations, reimbursable resources, offsetting collections and user fees.

2B – Appropriations Language and Explanation of Changes

| Appropriations Language | Explanation of Changes |
|--|------------------------|
| <p style="text-align: center;">DEPARTMENT OF THE TREASURY DEPARTMENTAL OFFICES</p> <p style="text-align: center;">Federal Funds SALARIES AND EXPENSES (INCLUDING TRANSFERS OF FUNDS)</p> <p><i>For necessary expenses of the Departmental Offices including operation and maintenance of the Treasury Building and Annex; hire of passenger motor vehicles; maintenance, repairs, and improvements of, and purchase of commercial insurance policies for, real properties leased or owned overseas, when necessary for the performance of official business; terrorism and financial intelligence activities; executive direction program activities; international affairs and economic policy activities; domestic finance and tax policy activities; and Treasury-wide management policies and programs activities, \$311,775,000: Provided, That of the amount appropriated under this heading, not to exceed \$3,000,000, to remain available until September 30, 2015, is for information technology modernization requirements; not to exceed \$350,000 is for official reception and representation expenses; and not to exceed \$258,000 is for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Secretary of the Treasury and to be accounted for solely on his certificate: Provided further, That of the amount appropriated under this heading, \$8,287,000, to remain available until September 30, 2015, is for the Treasury-wide Financial Statement Audit and Internal Control Program: Provided further, That of the amount appropriated under this heading, \$500,000, to remain available until September 30, 2015, is for secure space requirements: Provided further, That of the amount appropriated under this heading, up to \$2,000,000, to remain available until September 30, 2015, is for State Small Business Credit Initiative technical assistance and shall be in addition to any other amounts available for this purpose: Provided further, That of the amount appropriated under this heading, up to \$7,400,000, to remain available until September 30, 2015, is for audit, oversight, and administration of the Gulf Coast Restoration Trust Fund: Provided further, That of the amount appropriated under this heading, up to \$3,400,000, to remain available until September 30, 2016, is to develop and implement programs within the Office of Critical Infrastructure Protection and Compliance Policy, including entering into cooperative agreements: Provided further, That notwithstanding any other provision of law, of the amount appropriated under this heading, up to \$1,000,000 may be contributed to the Organization for Economic Cooperation and Development for the Department's participation in programs related to global tax administration.</i></p> | |

2C – Legislative Proposals

DO does not have any legislative proposals.

Section 3 – Budget and Performance Plan

3A – Executive Direction

(\$36,244,000 from direct appropriations, and \$4,774,000 from reimbursable resources):
 The Executive Direction program area provides direction and policy formulation to the Department and Departmental Offices and interacts with Congress and the public on Departmental policy matters.

No specific performance goals/measures are presented for this budget activity as the work of the offices within this budget activity is captured within the other budget activities.

3.1.1 – Executive Direction Budget and Performance Plan

Dollars in Thousands

Executive Direction Budget Activity

| Resource Level | FY 2007 Enacted | FY 2008 Enacted | FY 2009 Enacted | FY 2010 Enacted | FY 2011 Enacted | FY 2012 Enacted | FY 2013 Annualized CR Rate | FY 2014 Request |
|------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------------------|--------------------|
| Appropriated Resources | \$19,094 | \$20,273 | \$21,170 | \$24,709 | \$37,272 | \$37,219 | \$37,450 | \$36,244 |
| Reimbursable Resources | \$660 | \$599 | \$1,188 | \$1,656 | \$3,494 | \$3,587 | \$4,774 | \$4,774 |
| Budget Activity Total | \$19,754 | \$20,872 | \$22,358 | \$26,365 | \$40,766 | \$40,806 | \$42,224 | \$41,018 |

3B – International Affairs and Economic Policy

(\$55,475,000 from direct appropriations, and \$1,358,000 from reimbursable resources):
 The offices in this budget activity promote economic growth in the U.S. by producing technical economic analyses for the Secretary and advancing U.S. economic and financial policy priorities around the world.

Office of Economic Policy (EP)

This office provides technical analysis, economic forecasting, and policy guidance on issues relating to economic and fiscal policy. EP monitors economic developments and trends in the United States and assists in the formulation of policies to stimulate economic growth and job creation. Analysis performed by EP staff enhances policymakers' understanding of key economic issues so that they are better able to formulate policies that will benefit the U.S. economy. The office also supports the Secretary of the Treasury in his roles as Chairman and Managing Trustee of the Social Security and Medicare Boards of Trustees. Finally, EP produces the corporate bond yield curve mandated by the Pension Protection Act of 2006. EP provides policy makers with timely information on economic developments and robust analysis to support policies that foster economic growth.

Description of Performance:

Economic Policy continues to devote resources to fiscal, housing, and health care policy development and implementation. The office has also provided expertise on policy development in the areas of climate change, energy, education, small business lending, and infrastructure.

During the past year, EP staff began work to extend the corporate bond yield curve back 25 years, to the mid-1980s, as required by the Moving Ahead for Progress in the 21st Century Act (MAP-21) passed in mid-2012. EP issued a joint report with the U.S. Department of Education that analyzes the economics of higher education, and another report with the Council of Economic Advisers that analyzes public spending on infrastructure. Finally, EP produced an estimate of state Total Taxable Resources, which estimates the relative fiscal capacity of states, and is used in determining the allocation of funds for the Community Mental Health Service and Substance Abuse Prevention and Treatment block grant programs.

Office of International Affairs (IA)

The office's mission is to help ensure the most favorable external environment for sustained jobs and economic growth in the United States. To that end, IA works to enhance U.S. competitiveness while protecting national security and to promote international financial stability and balanced global growth. IA economists produce international economic and financial policy analysis to support policymaking and to inform the office's diverse but interrelated set of activities. These activities, most of which impact the Cross-Agency Priority Goal of doubling U.S. exports by the end of 2014, include promoting policy positions, securing commitments, and negotiating agreements around the world. The office engages with groups of countries on a multilateral basis at venues like the G-7/8, the G-20, and the International Monetary Fund (IMF) and in bilateral engagements either directly with counterparts in foreign ministries of finance or through structured forums like the U.S.-India Economic and Financial Partnership. The office places special emphasis on export-related work in Asia, which includes promoting free trade and open markets by co-leading the Trans-Pacific Partnership Agreement's financial services negotiations; encouraging market-determined exchange rates through our leadership role in the U.S. - China Strategic & Economic Dialogue (S&ED); and promoting complementary financial standards and a level playing field for U.S. financial institutions by leading several work streams at the Financial Stability Board.

Description of Performance:

IA's core programs include the Committee on Foreign Investment in the United States (CFIUS), the International Financial Institutions (IFIs), and the Office of Technical Assistance (OTA), as well as management of certain statutory responsibilities. As Chair of CFIUS, Treasury coordinates an interagency process to review certain foreign investments for national security risks in accordance with the procedures and deadlines specified in law and regulation. CFIUS continues to encourage foreign investment in the U.S. economy by completing the reviews in a timely fashion.

Treasury also manages the U.S. government's interests in the IFIs. The IMF helps protect global economic and financial stability and encourage market-determined exchange rates. Treasury's leadership positions in the Multilateral Development Banks (MDBs): the World Bank, the Asian Development Bank, the African Development Bank, the European Bank of Reconstruction and Development, and the Inter-American Bank, help these institutions continue to promote economic growth, reduce poverty, support international trade and investment, mitigate emerging threats to the U.S. and global economies, and reinforce national security interests in key countries around the world.

Finance ministries and central banks of developing countries that have demonstrated strong commitments to reforming their financial systems or public financial management can receive direct assistance from OTA through its cadre of expert advisors. The technical assistance team leverages its funding to increase transparency and accountability, reduce corruption, and strengthen the development of market-based policies and practices in these economies. In time, these countries can develop into new markets for U.S. exporters, thus promoting jobs and economic growth at home. IA's performance metrics are:

- Timely Review of CFIUS Cases: This measure tracks compliance with statutory deadlines for completing national security reviews of transactions notified to the CFIUS to ensure that the CFIUS process is timely and efficient. In 2014, IA's target for this measure is 100 percent.
- Percentage of MDB Grant and Loan Proposals Containing Satisfactory Framework for Results Measurement: This monitors the percentage of project proposals containing satisfactory performance measures in order to help ensure accountability in the lending and grant making of the MDBs. In FY 2012, 94 percent of proposals had performance measures, which met Treasury's target of 90 percent. IA's target for this measure is 92 percent in FY 2013 and 94 percent in FY 2014.
- Office of Technical Assistance (OTA): OTA uses measures it developed to assess the level of counterparty engagement (Traction) and the degree of positive change in achieving project objectives (Impact). These measures, scored on a 5-point scale, are averaged across all projects to provide one overall measure of OTA's performance. Program results for FY 2012 were 3.9 for Traction (.3 above the 3.6 goal) and 3.1 for Impact (meeting the goal) - the highest scores the program has earned since the evaluation process began. In FY 2013 and 2014, IA's target for Traction is 3.6 and its target for Impact is 3.1.
- 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. IA met its performance target in FY 2012 (100 percent of IA staff reviews completed prior to the IMF Board meeting) compared with actual performance of 100 percent in FY 2011. In FY 2013 and 2014, IA's target for this measure remains 100 percent.
- Monitor Quality and Enhance Effectiveness of MDB Lending through Review of MDB Grant and Loan Proposals: IA reviews MDB loan and grant proposals to ensure that funded projects meet several key goals, including having a measurable development impact, supporting long-term U.S. objectives, and being consistent with congressional mandates. In FY 2014, IA aims to review 100 percent of MDB loan and grant proposals prior to the date of the relevant Executive Board meeting.

3.1.2 – International Affairs and Economic Policy Budget and Performance Plan

Dollars in Thousands

| International Affairs and Economic Policy Budget Activity | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------|-----------------|
| Resource Level | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
| | Enacted | Enacted | Enacted | Enacted | Enacted | Enacted | Annualized CR Rate | Request |
| Appropriated Resources | \$35,801 | \$41,852 | \$42,714 | \$47,539 | \$62,798 | \$59,277 | \$59,645 | \$55,475 |
| Reimbursable Resources | \$3,195 | \$4,073 | \$5,277 | \$5,233 | \$1,261 | \$1,317 | \$1,358 | \$1,358 |
| Budget Activity Total | \$38,996 | \$45,925 | \$47,991 | \$52,772 | \$64,059 | \$60,594 | \$61,003 | \$56,833 |

| Measure | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| | Actual | Actual | Actual | Actual | Actual | Actual | Target | Target |
| Monitor Quality and Enhance Effectiveness of International Monetary Fund (IMF) Lending Through Review of IMF Country Programs | N/A | N/A | N/A | 97.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Monitor Quality and Enhance Effectiveness of MDB Lending Through Review of MDB Grant and Loan Proposals | N/A | N/A | N/A | N/A | N/A | N/A | B | 100 |
| OTA: Changes that Result from Project Engagement (Impact) | N/A | 3.1 | 3.1 | 3 | 3.2 | 3.1 | 3.1 | 3.1 |
| Percentage of MDB Grant and Loan Proposals Containing Satisfactory Frameworks for Results Measurement | 92.0 | 94.0 | 94.0 | 92.5 | 94.0 | 94.0 | 92.0 | 100.0 |
| Scope and Intensity of Engagement Traction | N/A | 3.6 | 3.7 | 3.5 | 3.7 | 3.9 | 3.6 | 3.6 |
| Timely Reviews of the Committee on Foreign Investment in the United States (CFIUS) Cases | N/A | N/A | N/A | N/A | N/A | N/A | B | 100 |

Key: N/A - Not in Effect; DISC - Discontinued; B - Baseline

3C – Domestic Finance and Tax Policy

(\$86,052,000 from direct appropriations, and \$12,215,000 from reimbursable resources):

The offices within Domestic Finance and Tax Policy monitor and provide advice and assistance to the Secretary in their respective areas, as well as on financial markets and the regulation of financial institutions.

Office of Tax Policy

This office provides legal advice, technical analysis, economic forecasting, and policy guidance regarding the development and implementation of the Department's tax policies, including proposals for legislation. The office's Tax Analysis division provides economic analysis of the official Administration forecasts and estimates, of proposed tax legislation, and conducts research regarding how tax policies affect businesses and individuals.

Office of Domestic Finance (DF)

Domestic Finance works to preserve confidence in the U.S. Treasury 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. DF is responsible for overseeing implementation of the Dodd-Frank Act, financing the federal government at the lowest cost over time, and developing comprehensive long-term solutions for the nation’s housing finance system.

Description of Performance:

Implementation of Dodd-Frank continued to be an important priority of the office in FY 2012. DF’s FY 2012 priorities also focused on financial markets and institutions, housing market finance, and debt management issues; execution of Treasury’s small business initiatives; and modernization of operations and financial systems. In conjunction with these policy objectives, Domestic Finance focused on coordinating with the Financial Stability Oversight Council, standing up the Office of Financial Research, and winding down the Office of Financial Stability’s investments.

Domestic Finance is making significant changes to increase the use of electronic transactions in Treasury operations. This initiative will save taxpayers more than \$500 million over five years. Treasury’s FY 2013 target of 93 percent of collections done electronically has already been exceeded: 97 percent of the dollar amount collected in FY 2012 was collected electronically. DF’s performance metrics are:

- Variance between estimated and actual receipts (annual forecast) (%): As part of managing the government’s central operating account and cash position, the Office of Fiscal Projections (OFP) forecasts federal receipts, outlays, and debt transactions to ensure that adequate funds are available daily to cover federal payments. To determine its overall effectiveness, OFP measures the variance between actual and projected government receipts and outlays. The actual variance for FY 2012 was 3.8 percent for receipts, significantly lower than the 5.0 percent target for FY 2012, and a 0.6 percentage improvement over FY 2011. The target for FY 2013 and FY 2014 is 4.5 percent.

3.1.3 – Domestic Finance and Tax Policy Budget and Performance Plan

Dollars in Thousands

| Domestic Finance and Tax Policy Budget Activity | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|--------------------|-----------------|
| Resource Level | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
| | Enacted | Enacted | Enacted | Enacted | Enacted | Enacted | Annualized CR Rate | Request |
| Appropriated Resources | \$24,878 | \$29,134 | \$29,942 | \$44,373 | \$64,201 | \$71,451 | \$71,892 | \$86,052 |
| Reimbursable Resources | \$4,304 | \$4,261 | \$4,204 | \$10,889 | \$30,940 | \$31,415 | \$12,215 | \$12,215 |
| Budget Activity Total | \$29,182 | \$33,395 | \$34,146 | \$55,262 | \$95,141 | \$102,866 | \$84,107 | \$98,267 |

| Measure | FY 2007 Actual | FY 2008 Actual | FY 2009 Actual | FY 2010 Actual | FY 2011 Actual | FY 2012 Actual | FY 2013 Target | FY 2014 Target |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Variance between estimated and actual receipts (annual forecast)(%) | 2.1 | 4.6 | 5.5 | 5.8 | 4.4 | 3.8 | 4.5 | 4.5 |

Key: N/A - Not in Effect; DISC - Discontinued; B - Baseline

3D – Terrorism and Financial Intelligence

(\$97,738,000 from direct appropriations, and \$32,797,000 from reimbursable resources):

The Office of Terrorism and Financial Intelligence (TFI) oversees and marshals the Department’s intelligence, enforcement, and economic sanctions functions that strengthen national security with the goal of safeguarding financial systems against illicit use and combating rogue nations, terrorist facilitators, money launderers, drug kingpins, proliferators of weapons of mass destruction, and other national security threats.

TFI deploys its full range of financial authorities to track, degrade, and disrupt threats to national security from state and non-state actors, and has become a center of excellence in tracking and targeting the conduits through which illicit money is moved. TFI’s unique capabilities leverage intelligence, law enforcement, sanctions, regulatory, and diplomatic tools in service of this mission. The tools TFI uses span a wide range and include the following activities:

- Collection, analysis, and dissemination of financial and other information concerning illicit financing and national security threats;
- Disruption and dismantling of financial networks of those who threaten national security or engage in illicit financing;
- Development of policy, laws, and regulations to safeguard the U.S. and international financial systems;
- Coordination with partners, both at home and abroad, including the foreign policy, law enforcement and intelligence communities, to support anti-illicit finance efforts; and
- Assistance to partner countries in developing and implementing anti-money laundering and counter terrorist financing regimes compliant with international standards.

Description of Performance

In FY 2012, in keeping with its efforts to strengthen national security and protect the world’s financial systems, TFI continued to conduct effective anti-money laundering and combating the financing of terrorism (AML/CFT) actions to protect the integrity of markets and the global financial framework. TFI provided AML/CFT policy development, coordination, and coalition-building and ensured unique access to valuable financial information. TFI also conducted all-source analysis on financial and other illicit support. TFI administers and enforces economic and trade sanctions based on U.S. foreign policy and national security under Treasury authorities.

- 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 of intelligence products, and implementing IT modernization projects. TFI exceeded its performance target on this composite measure. The FY 2014 goal for this metric is 8.5.

3.1.4 – Terrorism and Financial Intelligence Budget and Performance Plan

Dollars in Thousands

| Terrorism and Financial Intelligence Budget Activity | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|------------------|------------------|--------------------|------------------|
| Resource Level | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
| | Enacted | Enacted | Enacted | Enacted | Enacted | Enacted | Annualized CR Rate | Request |
| Appropriated Resources | \$43,815 | \$51,904 | \$59,222 | \$63,601 | \$99,532 | \$100,000 | \$100,601 | \$97,738 |
| Reimbursable Resources | \$3,934 | \$3,866 | \$4,684 | \$6,209 | \$18,620 | \$18,873 | \$32,797 | \$32,797 |
| Budget Activity Total | \$47,749 | \$55,770 | \$63,906 | \$69,810 | \$118,152 | \$118,873 | \$133,398 | \$130,535 |

| Measure | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Actual | Actual | Actual | Actual | Actual | Actual | Target | Target |
| Impact of TFI programs and activities | N/A | B | 7.81 | 7.4 | 7.6 | 8.1 | 8 | 8.5 |

Key: N/A - Not in Effect; DISC - Discontinued; B - Baseline

3E – Treasury-wide Management and Programs

(\$36,266,000 from direct appropriations, and \$18,358,000 from reimbursable resources):

This budget activity includes offices that are responsible for the internal management and policy of the Department: the Office of the Chief Information Officer; the Office of Privacy, Transparency, and Records; the Office of the Procurement Executive; the Office of Human Capital Officer; the Office of Emergency Programs; the Office of the Deputy Chief Financial Officer; and the office of the Deputy Assistant Secretary for Management and Budget.

Description of Performance:

In FY 2012, Treasury made significant progress in promoting racial, ethnic, and gender diversity, as well as improving disabled and veteran inclusion. For example, Treasury hiring consisted of 18 percent veterans, thereby exceeding the Treasury’s veteran hiring goal of 14 percent and increased the percentage of veterans in the Treasury workforce from nine percent in FY 2011 to 11 percent in FY 2012. Treasury also met its FY 2012 disability hiring goal of 10 percent. To promote racial, ethnic, and gender diversity and inclusion, as well as to increase the representation of minorities and women in senior management positions, Treasury began executive diversity training and has issued a leadership statement on Diversity and Inclusion in support of the Department’s recruitment strategy. Additionally, Treasury achieved an average time-to-hire of 69 days, exceeding the 80-day government-wide goal.

To reduce the Department real property footprint and maximize the use of existing real property assets, the Department identified new real property cost savings and more efficiently used space by consolidating expiring leases. The co-location of Community Development Financial Institutions Fund into the existing Departmental Office space, for example, is projected to save \$24 million in real property costs.

To comply with the contractor diversity mandates of the Dodd-Frank Act, the Department focused on small business contracting and improved outreach to Minority and Women-Owned

Businesses. In FY 2012, Treasury conducted two high level small business outreach events, and hosted vendor outreach sessions which were attended by 181 small businesses.

For FY 2012, the Department received its thirteenth consecutive unqualified audit opinion on its Treasury-wide financial statements and an unqualified audit opinion on the Office of Financial Stability/TARP financial statements. Treasury is making great progress toward resolving the three remaining material weaknesses and exceeded the “percentage of timely completed planned corrective actions” goal for FY 2012 of 90 percent.

- Treasury-wide FOIA Backlog: This metric shows the total number of Freedom of Information Act (FOIA) requests that are pending at Treasury at the end of the fiscal year that are beyond the statutory time period for a response. Treasury reduced its FOIA backlog by 15% between FY11 and FY12. The number of requests received, the complexity of a request, and the number of requests with voluminous responsive documents directly impacts the FOIA Backlog, especially for DO and IRS. FY 2012 ended with a backlog of 282, reduced from 333 in FY 2011. The FY 2013 target is 93, and the FY 2014 target has not yet been set.
- Treasury-wide Footprint (Square Footage): This goal measures the total square footage occupied by Treasury’s owned and leased buildings. Management aims to generally reduce the total square footage over the course of several years, in order to use space more efficiently and consume fewer resources.
- Treasury-wide Procurement savings: This goal measures percentage saved based on contract spending (excluding metals). The metric supports Treasury’s goal to advance efficiency and cost-effectiveness in the Department’s acquisition activities. In FY 2012, Treasury realized \$243.6 million in acquisition savings versus its \$92 million goal. The FY 2013 target is \$95 million and the FY 2014 target is projected to be similar.
- Treasury-wide Percentage of Procurement Dollars Spent on Small Business: This goal measures the percentage of procurement dollars obligated toward small businesses (or Treasury’s overall small business goal) and highlights Treasury’s efforts to ensure that small businesses have the maximum practicable opportunity to provide goods and services to the federal government. Preliminary data shows that Treasury achieved 38.52 percent on its overall small business goal, exceeding its FY 2012 overall small business goal by over six percentage points. Treasury will continue to employ the successful strategies of targeted outreach, enhanced leadership accountability, new policies, new tools and resources, and increased intra-agency communication to achieve its overall small business goal in FY 2013 of 32 percent. The FY 2014 goal has not yet been set.

- Treasury-wide Results-oriented Performance Culture Scores (Index of the Federal Employee Viewpoint Survey [FEVS]): This goal measures Treasury's FEVS Results-Oriented Performance Culture Index Score. This year the results-oriented performance culture index score decreased by two percent, going from 59 percent positive responses in 2011 to only 57 percent positive responses in 2012. Performance for this goal is achieved by ensuring through Treasury's HR STAT process that bureaus are monitoring and working to improve performance in bureau-level FEVS action plans. In FY 2013, Treasury's target is to improve its results-oriented performance culture index by two percent as indicated in the Treasury-wide FEVS Action Plan.

3.1.5 – Treasury-wide Management and Programs Budget and Performance Plan

Dollars in Thousands

| Treasury-wide Management and Programs Budget Activity | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------|-----------------|
| Resource Level | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
| | Enacted | Enacted | Enacted | Enacted | Enacted | Enacted | Annualized CR Rate | Request |
| Appropriated Resources | \$16,696 | \$18,944 | \$20,157 | \$27,193 | \$43,670 | \$40,441 | \$40,687 | \$36,266 |
| Reimbursable Resources | \$2,696 | \$4,295 | \$13,838 | \$18,653 | \$14,087 | \$14,310 | \$18,358 | \$18,358 |
| Budget Activity Total | \$19,392 | \$23,239 | \$33,995 | \$45,846 | \$57,757 | \$54,751 | \$59,045 | \$54,624 |

| Measure | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| | Actual | Actual | Actual | Actual | Actual | Actual | Target | Target |
| Percent of Procurement Dollars Spent on Small Business | N/A | 27.5 | 26.19 | 29.62 | 34.51 | 38.52 | 32.0 | N/A |
| Percentage of timely completed Planned Corrective Actions (PCAs) | 71.7 | 82.5 | 85.6 | 88.4 | 92.0 | N/A | 90.0 | 90.0 |
| Procurement Savings (\$ mil.) | N/A | N/A | N/A | 236.7 | 325.9 | 243.6 | 95.0 | TBA |
| Treasury-wide FOIA Backlog | N/A | 718 | 585 | 419 | 333 | 282 | 93 | N/A |
| Treasury-wide Footprint (Square Footage) | N/A | 35,792 | 36,559 | 37,088 | 37,596 | 37,998 | N/A | N/A |
| Treasury-wide Results-oriented Performance Culture Scores (Index of the Federal Employee Viewpoint Survey [FEVS]) | N/A | 56.0 | N/A | 57.0 | 59.0 | 57.0 | N/A | N/A |

Key: N/A - Not in Effect; DISC - Discontinued; B - Baseline

Section 4 – Supplemental Information

4A – Summary of Capital Investments

Information Technology Capital Investments

DO supports the Department's Mobile Treasury strategy and is focused on leveraging Treasury enterprise data centers to provide flexible, customized information technology support for its customers. The strategy will securely facilitate enterprise mobile applications and will drive long term cost-savings through data center consolidation and expanded implementation of shared services.

DO continues to strengthen its governance through DO and enterprise-wide investment review boards (IRBs). The IRBs are comprised of both senior business and technology leaders who help to ensure that all technology investment decisions align with the mission and goals of the Department. The IRBs help the CIO drive commodity IT cost-savings and other priorities.

Total FY 2014 anticipated IT investment for DO is \$110.487 million. For further detail on DO's capital investments refer to the DO Capital Investment Strategy.

Non-Information Technology Capital Investments

The Main Treasury Building and Treasury Annex are the recipients of DO's major non-IT capital investments. The Treasury Building is the oldest departmental building, and the third oldest federally occupied building in Washington, preceded only by the Capitol and the White House. The Main Treasury Building covers five stories and a raised basement and sits on five acres of ground. It was dedicated as a National Historic Landmark on October 18, 1972. The Treasury Annex building, owned by the Department, is part of the Lafayette Square National Register Historic District.

A summary of capital investment resources, including major information technology and non-technololgy investments can be viewed/downloaded here:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>