Mission Statement

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

Executive Summary

FY 2013 President's Budget by Function

Dollars in thousands

	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Request	FY 2013 Increase/ Decrease	Percent Change
Management & Financial	$1,406,568	$1,373,497	$1,346,631	$1,310,700	(35,931)	-2.67%
Departmental Offices Salaries and Expenses	304,888	306,388	308,388	301,216	(7,172)	-2.33%
Department-wide Systems and Capital Investments Program	9,544	3,992	0	7,108	7,108	N/A
Office of Inspector General	29,700	29,641	29,641	28,593	(1,048)	-3.54%
Treasury IG for Tax Administration	152,000	151,696	151,696	153,834	2,138	1.41%
Special IG for TARP	23,300	36,227	41,800	40,225	(1,575)	-3.77%
Community Development Financial Institutions Fund	246,750	226,546	221,000	221,000	0	0.00%
Financial Crimes Enforcement Network	111,010	110,788	110,788	102,407	(8,381)	-7.56%
Alcohol and Tobacco Tax and Trade Bureau	103,000	100,798	99,878	96,786	(3,092)	-3.10%
Fiscal Service Operations	436,376	417,421	391,440	360,531	(30,909)	-7.90%
Legacy Treasury Direct User Fees	(10,000)	(10,000)	(8,000)	(1,000)	7,000	-87.50%
Net, Fiscal Service	426,376	407,421	383,440	359,531	(23,909)	-6.24%
Tax Administration	$12,146,123	$12,121,830	$11,816,696	$12,761,213	$944,517	7.99%
IRS Taxpayer Services	2,278,830	2,274,272	2,239,703	2,253,133	13,430	0.60%
IRS Enforcement	5,504,000	5,492,992	5,299,367	5,701,670	402,303	7.59%
IRS Operations Support	4,083,884	4,075,716	3,947,416	4,476,200	528,784	13.40%
IRS Business Systems Modernization	263,897	263,369	330,210	330,210	0	0.00%
IRS Health Insurance Tax Credit Administration	15,512	15,481	0	0	0	0.00%
Subtotal, Treasury Appropriations Committee						
Treasury Forfeiture Fund	(90,000)	(422,600)	(950,000)	(830,000)	120,000	-12.63%
Total, Treasury Appropriations Committee	**$13,462,691**	**$13,072,727**	**$12,213,327**	**$13,241,913**	**$1,028,586**	**8.42%**
Treasury International Programs	**$2,128,670**	**$2,023,529**	**$2,661,388**	**$2,900,792**	**$239,404**	**9.00%**
Poverty Reduction and Economic Growth (MDBs)	1,552,170	1,494,591	1,958,538	2,096,944	138,406	7.07%
Food Security	30,000	129,240	165,000	164,000	(1,000)	-0.61%
Environmental Trust Funds	461,500	324,350	324,350	364,400	40,050	12.35%
Debt Relief	60,000	49,900	186,500	250,000	63,500	34.05%
Technical Assistance	25,000	25,448	27,000	25,448	(1,552)	-5.75%
Total	**$15,591,361**	**$15,096,256**	**$14,874,715**	**$16,142,705**	**$1,267,990**	**8.52%**

Overview

The Department of the Treasury is working to fund and finance the operation of the federal government; establish a policy framework that promotes economic growth and job creation; and protect our financial system and prevent its illicit use. The FY 2013 President's Budget reflects our imperative to both continue moving forward on these key priorities while also finding new, more efficient ways of carrying out the business of government.

Funding to meet Treasury's international development commitments and investments to improve enforcement of the nation's tax code are balanced with reductions and efficiency savings identified across the breadth of Treasury's programs. The Budget proposes an increase of $239 million to Treasury International Programs, to a total of $2.9 billion, to promote national security, support economic growth, and address key global challenges. The Budget provides $14 billion in total budgetary resources for Treasury's operating bureaus. The Budget also proposes an $830 million permanent cancellation from the Forfeiture Fund, making the total Appropriations request $13.2 billion. The Internal Revenue Service's (IRS) request includes $691 million provided through a program integrity cap adjustment to improve enforcement of the nation's tax code. This critical investment in tax administration will generate $1.5 billion in additional annual enforcement revenue once the new hires reach full potential in FY 2015 and approximately $40 billion in additional revenue over the budget window.

The Budget reflects the Department's commitment to continuous improvement in the efficacy and efficiency of Treasury programs.[1] Several innovative ideas were developed through the Department's quarterly performance review process, including the consolidation of the Bureau of the Public Debt (BPD) and the Financial Management Service (FMS) (saving $36 million over five years, starting in FY 2014) and the suspension of $1 coin production (reducing costs by $50 million annually).

The FY 2013 Budget request for Treasury's operating bureaus is 2.7 percent below the FY 2012 enacted level, and 6.8 percent below the FY 2010 enacted, excluding the IRS. The Budget identifies $286 million in efficiency savings and program reductions.

The Budget was developed to make progress toward the Department's new *FY 2012 to 2015 Strategic Plan*, Agency Priority Goals, and Federal Priority Goals.[2] This submission also serves as the Department's Annual Performance Report and provides a summary of Treasury's key achievements in FY 2011.

Treasury Strategic Goal: Repair and Reform the Financial System and Support Recovery in the Housing Market

Since the fall of 2008, Treasury has established a range of new programs to help repair the credit and housing markets, and promote economic recovery and a return to balanced growth.

Supporting Small Businesses

The Small Business Jobs Act of 2010 created the Small Business Lending Fund (SBLF) and the State Small Business Credit Initiative (SSBCI). Treasury is charged with implementing both programs. The SBLF helps increase the availability of credit to small businesses by providing capital to community banks and community development loan funds with assets under $10 billion. The SSBCI program supports state-level, small-business lending programs. In FY 2011, SBLF provided more than $4 billion to 332 community banks, and SSBCI approved $435 million for disbursement to states. By the end of FY 2013, SSBCI will provide $1.5

[1] The 2013 Cuts, Consolidations, and Savings (CCS) Volume of the President's Budget identifies the lower-priority program activities under the GPRA Modernization Act, 31 U.S.C. 1115(b)(10). The public can access the volume at: http://www.whitehouse.gov/omb/budget.

[2] Per the GPRA Modernization Act, P.L. 111-352, requirement to address Federal Goals in the agency Strategic Plan and Annual Performance Plan, please refer to Performance.gov for information on Federal Priority Goals and the agency's contributions to those goals, where applicable.

billion of funding to state programs that support lending to small businesses.

Implementing Financial Reform

During FY 2011, Treasury continued to play a central role in implementing the comprehensive financial reforms included in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). These reforms make the financial system more stable and help protect the American taxpayer by putting in place stronger protections for consumers and tougher limits on risk-taking by the financial sector.

Specifically, Treasury helped stand up a number of the new financial regulatory and oversight entities established by the Dodd-Frank Act, including the Consumer Financial Protection Bureau (CFPB), the Financial Stability Oversight Council (FSOC), the Federal Insurance Office (FIO), the Office of Financial Research (OFR), and the Office of Minority and Women Inclusion (OMWI). CFPB became fully independent from the Treasury Department with the appointment of its director on January 4, 2012.

The FSOC will identify threats to financial stability, promote market discipline, and respond to emerging risks to the stability of the U.S. financial system.

The FIO will monitor the insurance industry for economically-significant gaps in regulation. In addition, FIO will provide guidance and recommendations to the FSOC regarding insurers that may pose a systemic risk to the financial system, monitor the extent to which underserved communities have access to affordable insurance, consult with state regulators, and manage the Terrorism Risk Insurance Program.

The OFR will conduct and sponsor research designed to improve the quality and transparency of financial information and promote best practices in risk management among financial firms.

The OMWI is charged with ensuring racial, ethnic, and gender diversity throughout the Treasury Departmental Offices workforce and business activities.

Winding Down the Troubled Asset Relief Program and Mortgage-Backed Securities Portfolio

Over the past three years, the emergency actions Treasury has taken through the Troubled Asset Relief Program (TARP) and other financial stability initiatives have limited the duration and severity of the economic downturn resulting from the 2008 financial crisis. TARP provided temporary support to banks, the credit market, the auto industry, and homeowners. While the government is no longer making new investments in these programs, Treasury continues to work to recover outstanding investments in the financial sector and auto industry in a manner that maximizes the return for taxpayers. Treasury will also continue to assist homeowners seeking to avoid foreclosure. As a result of improved financial conditions and careful stewardship of the program, the ultimate cost to the taxpayer of TARP investments is significantly lower than initially expected. In FY 2009, the program was projected to cost $341 billion, but as of November 2011, it was estimated to cost only $67.8 billion – a fraction of the $700 billion originally authorized.

In FY 2011, Treasury commenced the orderly wind down of its mortgage-backed securities (MBS) portfolio acquired in response to the financial crisis. Treasury has authorized the sale of up to $10 billion in MBS (principal) per month, subject to market conditions. As of December 2011, Taxpayers have received cumulative total proceeds of $217.5 billion from Treasury's MBS portfolio – more than 96 percent of the original $225 billion investment. Based on current market conditions, Treasury expects to make a profit for taxpayers on its MBS portfolio.

Stabilizing the Housing Government Sponsored Enterprise (GSE) Programs

Using authority granted under the Housing and Economic Recovery Act of 2008 (HERA), the Department has stabilized the two largest GSEs, the Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac), as well as the Federal Home Loan Banks. Under the Preferred Stock Purchase Agreements (PSPA), Treasury has helped to ensure the viability of the GSEs by providing $146.4 billion of investment, net of dividends the GSEs paid to Treasury, as of December 31, 2011. That support has been essential to preserving access to mortgage credit for Americans in the wake of the financial crisis.

Treasury Strategic Goal: Enhance U.S. Competitiveness and Promote International Financial Stability and Balanced Global Growth

Supporting Economic Growth and Opportunity

In FY 2011, Treasury focused on spurring economic growth for local communities and American small businesses through funding for projects that would encourage job creation and further investment. The FY 2013 Budget request of $221 million for the Community Development Financial Institutions (CDFI) Fund provides funding to promote economic development investments in underserved and distressed communities. Of the total request, up to $25 million for the Healthy Food Financing Initiative will support increased availability of affordable, healthy food alternatives in underserved communities. In addition, the request includes $15 million for the Bank Enterprise Award, which provides funding to federally-insured banks to invest in CDFIs to increase their lending and financial services in economically distressed communities. Within the total funding for the CDFI fund, up to $20 million is requested for the Bank on USA Program, which promotes access to affordable and appropriate financial services and basic consumer credit products for individuals without access to such products and services (the "unbanked"). Finally, the CDFI Fund will promote economic growth and opportunity through non-monetary award programs. These include the Bond Guarantee Program, which will support CDFI lending and investment activities by providing a source of long-term, patient capital, and the New Markets Tax Credit Program, which includes $7 billion in allocation authority, including $2 billion to support qualified equity investment in communities affected by military base closures or mass layoffs.

Encouraging International Economic Growth and Stability

The Budget includes funding for Treasury to continue working bilaterally and multilaterally to foster strong, sustainable, and balanced global growth; to promote stable international financial markets; to encourage foreign investment in the United States while protecting national security; to promote a level playing field for U.S. financial institutions; and to enhance U.S. competitiveness.

For example, in 2011, concerns about financial stability in the eurozone have posed a risk to both the strength of the U.S. and global recoveries. Treasury encouraged its European counterparts to put in place a robust policy framework to stem the contagion to the larger economies in Europe and restore confidence in the European banking system.

In 2011, Treasury also worked through the Group of Twenty (G-20) to promote strong, sustainable, and balanced growth, including through efforts to foster more flexible, market-determined exchanges rates and to boost domestic demand in surplus economies, notably China.

In addition, Treasury played a lead role in international discussions with other major and emerging financial centers to lead a “race to the top” on financial regulation. Our objective are a level playing field for U.S. firms and financial stability in an interconnected global financial system.

The FY 2013 Budget request of $2.9 billion for Treasury’s International Programs provides cost-effective development assistance that advances our national security interests in fragile and war-torn countries, supports the growth of emerging markets that will provide enhanced export opportunities for American firms, and addresses key global challenges, such as food security and the environment.

Of the total, $2.1 billion is requested for a continuation of funding for the General Capital Increases (GCI) at the Multilateral Development Banks (MDB) and funding for the concessional windows at the MDBs, which are the most important sources of financing for development in the world’s poorest countries. Our investments in these institutions represent outstanding value and advance key U.S. objectives. In 2011, for example, we obtained the support of the MDBs in leveraging economic reform in the Middle East and North Africa and continued to look to the MDBs to develop the open and transparent markets that will become the next generation of U.S. export markets and trading partners.

The FY 2013 request also includes funding to address complex global challenges with $134 million for the Global Agriculture and Food Security Program (GAFSP) and $364 million requested for the Environmental Trust Funds administered by the World Bank.

Finally, the FY 2013 request includes $25 million for the Office of Technical Assistance (OTA) to maintain its current global footprint of technical assistance programs. OTA helps finance ministries and central banks of developing countries strengthen their capacity to manage public finances, which encourages stability abroad, supports broad U.S. government goals, such as reducing corruption, and ultimately, reduces these countries’ reliance on development assistance.

Treasury Strategic Goal: Protect Our National Security through Targeted Financial Actions

The Department’s financial intelligence and enforcement activities have had a significant impact in combating money laundering and terrorist financing. The Budget maintains investments in Treasury’s national security mission in FY 2013.

Continued Success of Iranian Sanctions

Under authorities granted by Executive Orders and statute, Treasury continued to target individuals and entities facilitating Iran’s illicit activities – its nuclear proliferation, its support for terrorism, and its abuse of human rights. The Department developed and increased the number and variety of sanction designations and blocked property identifications under these authorities. Twenty-three Iranian-linked financial institutions, including all of Iran’s largest state-owned banks, have been sanctioned by the United States based on their involvement in Iran’s illicit activities. Most recently, in January 2012, Treasury designated Iran’s third-largest bank, Bank Tejarat, for providing financial services to several Iranian banks and firms already subject to international sanctions for their involvement in Iran's weapons of mass destruction (WMD) proliferation activities. Treasury officials also have actively engaged foreign partners to encourage them to increase pressure on Iran through the implementation of existing United Nations and autonomous measures and through the adoption of new measures in order to convince Iran to change its strategic calculus regarding its illicit nuclear activities and to bring about a diplomatic resolution.

Successful Implementation of Libyan Sanctions

The often unpredictable and shifting nature of threats to our security and the security of the financial system from non-state actors, hostile regimes, and terror and organized crime networks require flexibility and the ability to quickly adjust to changes on the ground. In response to recent unrest in the Middle East and North Africa, the Department tracked the assets of regimes that violently suppressed protestors, and imposed sanctions on the Syrian and Libyan governments for human rights violations. In the case of Libya, the Department's primary goal was not to prevent an ousted regime from looting the nation's coffers, but rather to deprive a sitting regime of the resources it needed to sustain a campaign of violent repression. The Department worked to increase financial pressure on the Qadhafi regime and hasten its downfall. Just three days after the President issued the Executive Order, more than $30 billion of Libyan assets had been frozen. The combination of speed, coordination, and comprehensiveness led to the implementation of one of the most successful sanctions regimes ever put in place.

Collection of Major Asset Forfeitures Supports Deficit Reduction

The Treasury Forfeiture Fund received close to $1 billion in forfeitures and recoveries in FY 2011 and is projected to have another year of robust collections in FY 2012. The success of Treasury's asset forfeiture program allows the Department to make priority investments in law enforcement and national security, without requesting additional resources from taxpayers. Further, it enables Treasury to contribute to deficit reduction with a proposed permanent cancellation of $830 million from the Forfeiture Fund's unobligated balances.

Treasury Strategic Goal: Pursue Comprehensive Tax and Fiscal Reform

Agency Priority Goal: Increase Voluntary Tax Compliance

Treasury continues to work to increase voluntary tax compliance through the fair and uniform application of the tax code. The FY 2013 Budget maintains resources and services available to the public and provides targeted investments for additional tax law enforcement and implementation of recent tax legislation.

Enforcement of the Tax Code

The Budget includes an additional $907 million to implement new tax changes, including the Affordable Care Act; to restore a portion of the personnel lost to FY 2012 budget reductions; and to augment the IRS enforcement activities. This increase includes a program integrity cap adjustment proposal of $691 million. Investments in enforcement activities will contribute significantly to increasing voluntary compliance and reducing the nation's tax gap. The tax gap results in $385 billion in lost revenue each year, even after IRS intervention. Investing in new enforcement initiatives funded out of this cap adjustment will generate $1.5 billion in additional annual enforcement revenue once the new hires reach full potential in FY 2015, and approximately $40 billion over the budget window.

Taxpayer Services

The FY 2013 Budget provides $2.3 billion to continue delivering services to taxpayers using a variety of in-person, telephone, and web-based methods to help taxpayers understand their tax obligations, correctly file their returns, and pay taxes due in a timely manner. Taxpayer Services play a key role in lowering the tax gap. Activities in IRS Taxpayer Services appropriation support voluntary compliance by addressing millions of taxpayers' questions in their efforts to comply with the law and are an integral component of IRS's enforcement activities. For example, IRS taxpayer service representatives answered over 34 million phone calls in FY 2011. Of these, 9.5 million were from taxpayers attempting to resolve balance-due issues or to set up installment agreements to resolve their outstanding tax obligations.

Legislative Proposals to Reduce the Tax Gap

The FY 2013 Budget Request includes legislative proposals intended to improve tax compliance with minimal taxpayer burden through expanding information reporting, improving compliance by businesses, and strengthening tax administration. These changes are expected to generate $12 billion in returns over the next ten years. The Budget also proposes to amend the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended by the Budget Control Act (BCA) of 2011, to allow adjustments to the 9-year (FYs 2013-2021) discretionary caps to permit program integrity cap adjustments in support of additional IRS investments.

Treasury Strategic Goal: Manage the Government's Finances in a Fiscally Responsible Manner

In FY 2013, Treasury will implement a number of initiatives to improve operational efficiency and effectiveness within its fiscal service.

Agency Priority Goal: Increase Electronic Transactions with the Public to Improve Service, Prevent Fraud, and Reduce Costs

Treasury has implemented a multi-pronged effort to expand the use of electronic transactions in conducting the business of government, including through electronic payroll savings bonds, electronic benefit payments, and electronic tax collection. These efforts have resulted in reduced costs, improved customer service, and decreased susceptibility to fraud. The payroll sale of paper savings bonds and the sale of paper savings bonds at financial institutions have already been discontinued, and businesses are now required to pay taxes electronically rather than by paper coupon. The Department will continue to make progress toward its "Paperless Treasury" initiative by paying benefits electronically and working to increase the electronic filing (e-file) rate. Treasury's paperless initiatives are estimated to save $500 million over five years from FY 2011 to FY 2015.

The Fiscal Service

In FY 2013, Treasury plans to consolidate BPD and FMS. The consolidation will enable Treasury to leverage the expertise and resources of the two bureaus to better address the financial management needs of the federal government and to deliver value to the American public at reduced cost. The Fiscal Service will retain core federal financial management responsibilities essential to the successful operation of the federal government while eliminating overlap and duplication. The consolidation will save an estimated $36 million government-wide over from 2014 to 2018 due to management, administrative, and support services savings.

Preventing Improper Payments: GOVerify Business Center Initiative

In accordance with the June 2010 Presidential Memorandum on *Enhancing Payment Accuracy Through a "Do Not Pay List"* Treasury is working to prevent ineligible recipients from receiving payments from the federal government. The GOVerify Business Center provides a one-stop shop for verifying eligibility and employing fraud detection tools and data analytics to help prevent and reduce improper payments. GOVerify supports the Administration's efforts to aggressively address the substantial government-wide improper payments problem. The initiatives and legislative proposals to prevent, identify, and recoup improper payments, and other monies owed to the government will strengthen the nation's finances.

Improving Debt Collection Capabilities

The Budget incorporates legislative proposals and administrative improvements that will enable the Department to maximize collection of delinquent debt owed to the government. Proposals include increasing levy authority for payments to Medicare providers with delinquent tax debt, and allowing Treasury to offset federal income tax refunds to collect delinquent state tax obligations for debtors who currently reside in other states. These legislative changes are projected to generate an additional $2 billion in debt collection over the next ten years, a substantial portion of which are returned to states.

Ongoing administrative improvements include improving the Treasury Offset Program match process, expanding analytical capabilities, increasing call center capacity, and expanding the Administrative Wage Garnishment program.

Suspending Production of $1 Coins

Treasury suspended the production of $1 coins for circulation, as nearly 1.4 billion excess dollar coins sat unused in Federal Reserve Bank vaults at the end of FY 2011 – enough to meet demand for more than a decade. Halting production of $1 coins for circulation will reduce costs by at least $50 million per year.

Producing Coins More Efficiently

The Budget proposes legislation to provide the Secretary flexibility to change the composition of coins to more cost-effective materials. Currently, the cost of making the penny and the nickel is over twice the face value of each coin. Treasury also is working to improve the efficiency of the coin and currency production efforts, including more than $75 million in savings proposed in the Budget through efforts such as improved manufacturing practices and aggressive administrative overhead cost reduction.

Achieving Small Business Procurement Goals

In FY 2013, the Department plans to build on its success in achieving small business contracting goals. In FY 2011, Treasury met all of its small business contracting goals and exceeded its overall Small Business contracting goal by six percent. The Department achieved more than double its contracting goals for Women Owned Small Businesses and for Small Disadvantaged Businesses. During FY 2011, Treasury spent $770 million or approximately 35 percent of its $2.2 billion contracting budget on purchases of goods and services from small businesses.

Securing Americans Value and Efficiency (SAVE)

The Administration held its third SAVE Award contest for federal employees to submit ideas to improve the operations of government. One Treasury employee, Kevin Korzeniewski, was chosen as a finalist for his suggestion that the government stop automatically buying hard copies of U.S. code books each year, since the information is available online. The Department has incorporated Korzeniewski's suggestion, as well as additional suggestions on fleet management, utilizing online training, and energy efficiency into the Budget.

Additional Savings

Treasury's FY 2013 Budget includes efficiency savings of $111.5 million in discretionary funding and additional savings in mandatory programs. Treasury's bureaus have found savings from: reducing the Materials Loss Review workload for the Office of the Inspector General, reducing reporting requirements for the Treasury Inspector General for Tax Administration, eliminating IT legacy systems at the Financial Crimes Enforcement Network, increasing e-filing with the IRS, utilizing the Alcohol and Tobacco Tax and Trade Bureau's Permits Online e-filing system, manufacturing efficiencies in Bureau of Engraving Printing, and data center consolidation and administrative efficiencies in multiple bureaus.

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

Direct and Reimbursable

	2011 Actual			2012 Enacted			2013 President's Budget		
Departmental Offices - S & E	1,180	147	1,327	1,199	172	1,371	1,187	172	1,359
Administrative Expenses, Recovery Act	81	0	81	0	0	0	0	0	0
Office of Inspector General	163	19	182	172	19	191	172	19	191
Inspector General for Tax Administration	822	1	823	835	2	837	864	2	866
Special IG for TARP	140	0	140	192	0	192	192	0	192
Community Development Financial Institutions Fund	65	0	65	79	0	79	79	0	79
Financial Crimes Enforcement Network	314	1	315	327	1	328	322	1	323
Alcohol and Tobacco Tax and Trade Bureau	482	10	492	496	15	511	482	15	497
FSO total*	2,378	256	2,634	2,077	561	2,638	1,954	619	2,573
Internal Revenue Service**	94,127	782	94,909	90,907	743	91,650	95,453	743	96,196
Subtotal, Treasury Appropriated Level									
Office of Financial Stability	209	0	209	207	0	207	165	0	165
Small Business Lending Fund	23	0	23	30	0	30	28	0	28
State Small Business Credit Initiative	5	0	5	12	0	12	12	0	12
Office of Financial Research	12	7	19	153	26	179	282	30	312
Working Capital Fund	0	185	185	0	246	246	0	244	244
Treasury Franchise Fund	0	1,026	1,026	0	1,237	1,237	0	1,256	1,256
Bureau of Engraving and Printing	0	1,895	1,895	0	1,925	1,925	0	1,862	1,862
United States Mint	0	1,787	1,787	0	1,847	1,847	0	1,772	1,772
Office of Thrift Supervision	0	804	804	0	0	0	0	0	0
Office of Comptroller of the Currency	0	3,150	3,150	0	3,822	3,822	0	3,898	3,898
Terrorism Insurance Program	7	0	7	10	0	10	10	0	10
Total	**100,008**	**10,070**	**110,078**	**96,696**	**10,616**	**107,312**	**101,202**	**10,633**	**111,835**

*A portion of the Offsetting Collections/Reimbursable/Fee FTE is funded by fee revenue as authorized by the Debt Collection Improvement Act (DCIA) of 1996.

**IRS FY 2011 Actuals do not include 575 FTE from the Health Insurance Reform Implementation Fund, 7 FTE from the Federal Highway Transportation Authority Account and 10 FTE from Therapeutic Discovery Grants and Administration; IRS FY 2012 Enacted does not include 856 FTE from the Health Insurance Reform Implementation Fund and 7 FTE from the Federal Highway Transportation Authority Account; FY 2013 Request does not include 7 FTE from the Federal Highway Transportation Authority Account.

Summary of FY 2013 Increases and Decreases

(Dollars in Thousands)

	DO	DSCIP	OIG	TIGTA	SIGTARP	CDFI	FinCEN	TTB	FSO	IRS	Subotal	Offsetting Fees/ Cancellations/ Rescissions	Total, Treasury Appropriations Committee*
FY 2012 Enacted	**308,388**	**0**	**29,641**	**151,696**	**41,800**	**221,000**	**110,788**	**99,878**	**391,440**	**11,816,696**	**13,171,327**	**(958,000)**	**12,213,327**
Non-pay Inflation, Benefit Annualization and other adjustments	2,544	0	144	1,092	258	237	759	782	2,613	77,357	**85,786**	**0**	85,786
Pay Inflation Adjustment (0.5%)	661	0	81	430	75	32	171	205	926	31,066	**33,647**	**0**	33,647
Maintaining Current Levels, Net	**3,205**	**0**	**225**	**1,522**	**333**	**269**	**930**	**987**	**3,539**	**108,423**	**119,433**	**0**	**119,433**
Non-Recurring Costs	(1,650)	0	(784)	0	0	(300)	0	(2,000)	(5,582)	0	(10,316)	0	(10,316)
Efficiency Savings	(6,610)	0	0	(3,828)	(1,992)	(780)	(6,232)	(1,079)	(20,110)	(70,850)	(111,481)	0	(111,481)
Subtotal, Adjustments to Base	(5,055)	0	(559)	(2,306)	(1,659)	(811)	(5,302)	(2,092)	(22,153)	37,573	(2,364)	0	(2,364)
FY 2013 Base	**303,333**	**0**	**29,082**	**149,390**	**40,141**	**220,189**	**105,486**	**97,786**	**369,287**	**11,854,269**	**13,168,963**	**(958,000)**	**12,210,963**
Program Decreases	(2,117)	0	(549)	(56)	0	(22,189)	(9,871)	(1,000)	(10,296)	0	(46,078)	0	(46,078)
Restoration of Lost Revenue from FY 2012 Reductions	0	0	0	0	0	0	0	0	0	200,481	200,481	0	200,481
Program Reinvestments	0	0	0	0	0	0	6,792	0	0	0	6,792	0	6,792
Program Increases	0	7,108	60	4,500	84	23,000	0	0	1,540	706,463	742,755	0	742,755
Subtotal, Program Changes	(2,117)	7,108	(489)	4,444	84	811	(3,079)	(1,000)	(8,756)	906,944	903,950	0	903,950
Change to Offsetting Fees/Cancellations/Rescissions	0	0	0	0	0	0	0	0	0	0	0	127,000	127,000
FY 2013 President's Budget	**301,216**	**7,108**	**28,593**	**153,834**	**40,225**	**221,000**	**102,407**	**96,786**	**360,531**	**12,761,213**	**14,072,913**	**(831,000)**	**13,241,913**

* Total resources for FY 2012 include $8 million in projected Legacy Treasury Direct user fee collections and a $950 million Forfeiture Fund rescission: total resources for FY 2013 include $1 million in projected Legacy Treasury Direct User Fee collections and an $830 million Forfeiture Fund cancelllation.

The Department of the Treasury

FY 2012 Organizational Chart[1]

[1] Treasury is planning to consolidate the Bureau of Public Debt (BPD0 and the Financial Management Service (FMS), the operational arms of Treasury's Fiscal Service, beginning in FY 2013.

ORGANIZATION

The Department of the Treasury is the executive agency responsible for promoting economic prosperity and ensuring the financial security of the United States. Treasury is organized into the Departmental Offices, eight operating bureaus, and three independent inspectors general. The Departmental Offices are primarily responsible for policy formulation, while the bureaus are chiefly the operating units of the organization.

DEPARTMENTAL OFFICES

The Departmental Offices (DO) are the headquarters component of the Department of the Treasury. DO is comprised of 11 separate policy management units. These are:

Domestic Finance promotes economic growth and stability by developing and executing policies and guidance in the areas of financial institutions, federal debt finance, financial regulation, capital markets, financial management, fiscal policy, and cash management. Domestic Finance also includes the Federal Insurance Office, created by the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the Office of Financial Stability, which is responsible for overseeing the Troubled Asset Relief Program (TARP). The office supports the work of the Financial Stability Oversight Council (FSOC), with a dedicated policy office that functions as a secretariat for the FSOC, and the Office of Financial Research.

International Affairs protects and supports U.S. economic prosperity by strengthening the external environment for U.S. growth, preventing and mitigating global financial instability, and managing key global challenges. In addition, International Affairs manages the U.S. positions in the Groups of Seven (G-7) and Twenty (G-20), the Multilateral Development Banks, the International Monetary Fund, the Strategic & Economic Dialogue with China, and numerous other international and bilateral fora.

Terrorism and Financial Intelligence (TFI) marshals the Department's intelligence and enforcement functions with the dual aims of safeguarding the financial system against illicit use and combating intransigent regimes, terrorist facilitators, money launderers, drug kingpins, and other national security threats.

Economic Policy reports on current and prospective economic developments and plays a critical role in the determination of appropriate economic policies. The office is responsible for the review and analysis of domestic economic issues as well as changes and trends in the financial and housing markets. Economic Policy also plays an important role in the development of the President's Budget each year.

Tax Policy develops and implements tax policies and programs; reviews regulations, guidance, and rulings to administer the Internal Revenue Code; negotiates tax treaties; and provides economic and legal analysis for domestic and international tax policy decisions. Tax Policy also provides revenue estimates for the President's Budget.

Treasurer of the United States has oversight over the U.S. Mint and the Bureau of Engraving and Printing, and is a key liaison with the Board of Governors of the Federal Reserve System.

Community Development Financial Institutions (CDFI) Fund expands the capacity of community development financial institutions and community development entities to provide credit, capital, tax credit allocations, and financial services to underserved domestic populations and communities.

Management/CFO is responsible for managing the Department's financial resources and oversees Treasury-wide programs, including human capital, information technology, and acquisition management. The Assistant Secretary for Management also serves as the Director of the Office of Small and Disadvantaged Business Utilization (OSDBU).

Other Offices
Other support programs include Executive Direction, which is largely comprised of the Offices of General Counsel, Legislative Affairs, and Public Affairs.

INSPECTORS GENERAL

There are three independent offices of inspectors general: the *Treasury Inspector General*, the *Treasury Inspector General for Tax Administration (TIGTA)*, and the *Special Inspector General for the Troubled Asset Relief Program (SIGTARP).* They provide independent audits, investigations, and oversight of the Department of the Treasury and its programs.

BUREAUS

Treasury's bureaus employ 98 percent of the Department's workforce and are responsible for carrying out specific operations assigned to the Department.

The Internal Revenue Service (IRS) is the largest of the Department's bureaus and determines, assesses, and collects tax revenue for the Federal Government while assisting taxpayers in complying with their obligations.

The Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises national banks and federal savings institutions to ensure compliance with consumer laws and regulations and a safe, sound, and competitive banking system that supports citizens, communities, and the economy.

The Financial Management Service (FMS)[1] provides central payment services to federal program agencies, operates the Federal Government's collections and deposit systems, provides government-wide accounting and reporting services, and manages the collection of non-tax delinquent debt owed to the Federal Government.

[1] Treasury is planning to consolidate the Bureau of Public (BPD) and the Financial Management Service (FMS), the operational arms of Treasury's Fiscal Service, beginning in FY 2013.

The Bureau of the Public Debt (BPD)[1] borrows the money needed to operate the Federal Government through the sale of marketable, savings, and special purpose U.S. Treasury securities. In addition, it accounts for and services the public debt and provides reimbursable administrative support services to federal agencies.

The United States Mint designs, produces, and issues circulating and bullion coins, numismatic coins and other items, Congressional gold medals, and other medals of national significance. The United States Mint maintains physical custody and protection of most of the nation's gold and silver.

The Bureau of Engraving and Printing (BEP) designs and manufactures high-quality currency notes and other financial documents that deter counterfeiting and meet customer requirements for quality, quantity, performance, and accessibility.

The Financial Crimes Enforcement Network (FinCEN) safeguards the financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity by administering the Bank Secrecy Act and maintaining the BSA data system.

The Alcohol and Tobacco Tax and Trade Bureau (TTB) collects federal excise taxes on alcohol, tobacco, firearms, and ammunition and assures compliance with tobacco permitting and alcohol permitting, labeling, and marketing requirements to protect consumers.

Strategic Goals of the Department of the Treasury

To help achieve our mission, and fulfill our responsibilities to the American public, the Treasury Department has five strategic goals. These goals support Treasury's efforts to strengthen the economic recovery as we emerge from the worst financial crisis since the Great Depression, help ensure that our Nation is on a strong fiscal footing, and use all tools at our disposal to protect Americans from terrorism and other threats to our national security. We also have described indicators and measures that help evaluate our success in achieving our strategic goals.

Goals	Strategies
Goal 1: **Repair and Reform the Financial System and Support the Recovery of the Housing Market**	• Lead the Administration's efforts to continue to implement comprehensive regulatory reform to increase stability and strengthen accountability in the financial system • Effectively manage and exit emergency programs • Reform and strengthen the housing finance system • Help prevent avoidable foreclosures and support the availability of affordable mortgage credit
Goal 2: **Enhance U.S. Competitiveness and Promote International Financial Stability and Balanced Global Growth**	• Protect global economic and financial stability and encourage market-determined exchange rates • Promote strong international financial standards and a level playing field for U.S. financial institutions • Pursue free trade and open markets • Encourage foreign investment in the U.S. economy • Enter into bilateral and multilateral tax agreements that encourage cross-border trade and investment • Use leadership positions in the multilateral development banks and the International Monetary Fund to advance U.S. national security and economic interests • Provide direct assistance to developing countries working to improve public financial management and strengthen their financial systems

Goal 3: **Protect our National Security through Targeted Financial Actions**	• Collect, analyze, and disseminate financial and other information concerning illicit financing and national security threats • Disrupt and dismantle the financial networks of those who threaten national security or engage in illicit financing • Shape policy, laws, and regulations to safeguard the U.S. and international financial systems • Coordinate with partners, both at home and abroad, including the foreign policy, law enforcement, and intelligence communities, to combat illicit finance • Assist partner countries in developing and implementing anti-money laundering and counter terrorist financing regimes compliant with international standards
Goal 4: **Pursue Comprehensive Tax and Fiscal Reform**	• Develop comprehensive proposals to reform and simplify the tax code • Increase voluntary tax compliance • Promote policies to ensure a sound fiscal footing over the medium term
Goal 5: **Manage the Government's Finances in a Fiscally Responsible Manner**	• Optimize the cash and debt portfolio to manage the Government's borrowing costs effectively • Expand the use of electronic transactions • Modernize financial systems and standardize accounting practices • Continuously improve our operations and processes to generate efficiency savings • Attract and retain an exceptional workforce

TREASURY'S FISCAL YEAR 2010-2011 PRIORITY PERFORMANCE GOALS

GOAL #1: REPAIR AND REFORM THE FINANCIAL SYSTEM

KEY STRATEGIES:

- Implement strong, comprehensive regulatory reform
- Restore stability and accountability to the financial system
- Manage and exit emergency financial crisis intervention programs
- Support recovery in the housing market and reduce avoidable foreclosures
- Devise long-term, solutions for our nation's system of housing finance

In fiscal year 2011, the Department coordinated with the appropriate regulators to implement additional protections passed in the Dodd-Frank Act, including writing new rules that create heightened standards for non-bank financial firms if their material financial distress could threaten financial stability; improve alignment of interests between mortgage originators, securitizers, and investors; and restrict banks' speculative activity. The financial recovery bank programs under the investment portion of the TARP have provided a substantial positive return to the taxpayer. Moving forward, Treasury is working to exit the remaining investments and continue recovering tax payer dollars. Figure 1 depicts the income received from the TARP investments since June 2009.

In February 2011, Treasury delivered a report to Congress that provides a path forward for reforming America's housing finance market. The Administration's plan would wind down Fannie Mae and Freddie Mac and shrink the government's current footprint in housing finance on a responsible timeline. The plan also recommended reforms to continue fixing the fundamental flaws in the mortgage market through stronger consumer protection, increased transparency for investors, improved underwriting standards, and other critical measures.

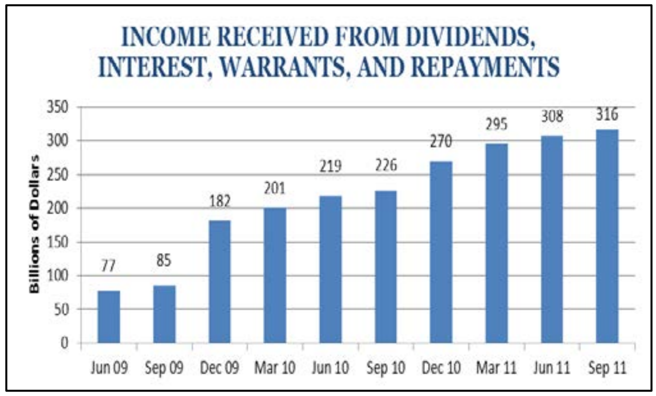

Figure 1

GOAL #2: INCREASE VOLUNTARY TAX COMPLIANCE

KEY STRATEGIES:

- Simplify the tax code by providing and improving taxpayer services to enable taxpayers to understand and meet their tax obligations
- Provide and improve enforcement to ensure that all businesses and individuals pay the tax they owe

A voluntary compliance tax system requires effective services so that taxpayers understand and meet their tax obligations. It also requires effective enforcement to ensure that all businesses and individuals pay the tax that they owe. During fiscal year 2011, the IRS continued to develop and improve on products and services such as updating forms to help taxpayers comply with filing requirements, converting forms for visually impaired taxpayers, translating more tax products into multilingual forms, reducing taxpayer telephone wait time, expanding information on IRS.gov and social media sites, and working with banks so that taxpayers without bank accounts could receive refunds on prepaid debit cards in the 2011 filing season.

In the 2011 filing season, the IRS processed more than 100 million individual tax returns electronically and completed 76.5 million phone calls through its live assistors and automated prompts and partnered with state taxing authorities, volunteer groups, and other organizations to enhance taxpayer outreach and education. The IRS and its partners continued to provide free tax assistance to the elderly, disabled, and limited English proficient individuals and families at Volunteer Income Tax Assistance and Tax Counseling for the Elderly sites. These two programs, along with the IRS walk-in sites at the Taxpayer Assistance Centers (TACs), helped more than five million taxpayers complete their tax returns.

IRS enforcement activities, such as examination and collection, continued to remain a high priority. The IRS also expanded its enforcement presence in the international field, continued to pursue high net-worth noncompliant taxpayers, and initiated action to better leverage the tax return preparer community. During fiscal year 2011, as part of an overall strategy to improve offshore compliance, the IRS opened a second Offshore Voluntary Disclosure Program to encourage taxpayers with hidden offshore assets and income to voluntarily disclose. The program resulted in approximately 30,000 voluntary disclosures and resulted in approximately $2.2 billion in additional tax, interest, and penalties.

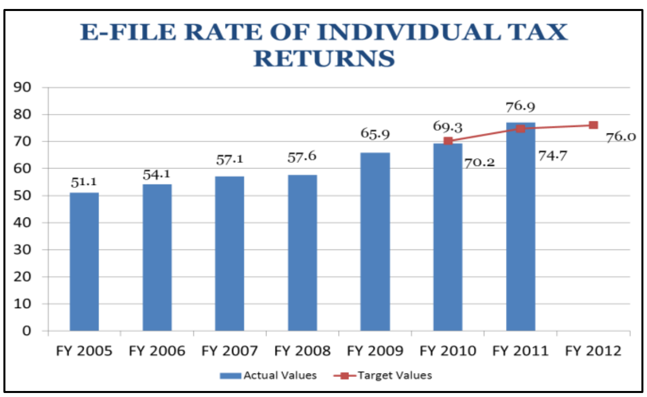

Figure 2

Goal #3: Significantly Increase the Number of Paperless Transactions with the Public

Key Strategies:

- Improve effectiveness and efficiency through greater use of electronic processing of documents including payments, collections, saving bonds transactions, and e-file tax returns
- Contribute to the Department's environmental sustainability

Recognizing that paper processes are often slow, inaccurate, expensive, and wasteful, Treasury continues to reduce paper transactions with the public. The Secretary approved several initiatives to move toward electronic transactions: electronic payroll savings bonds, electronic payments to federal beneficiaries, and electronic tax collections. Treasury's initiative to increase the number of paperless transactions it conducts with the public is expected to save more than $500 million and 12 million pounds of paper over its first five years alone. These efforts also contribute to the Department's environmental sustainability. In fiscal year 2011, Treasury implemented many of the planned changes to reduce paper-based transactions. Treasury ended the issuance of all paper payroll savings bonds in January 2011, and announced that the issuance of paper savings bonds sold over-the-counter at financial institutions would end by December 31, 2011. In 2011, the IRS expanded its electronic filing program to allow businesses to pay taxes electronically. The Department also made progress moving to electronic payments, by requiring all new recipients of benefit payments to receive their payments electronically starting May 1, 2011. Treasury will continue to make progress toward electronic transactions and find opportunities to reduce costs, improve efficiency, and operate sustainably.

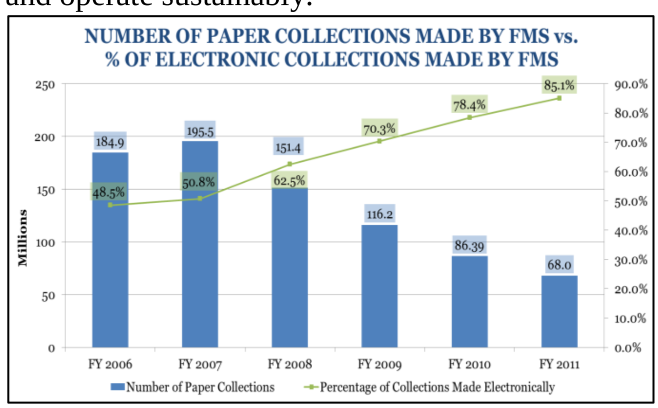

Figure 3

High-Risk Areas – As Identified by GAO

Enforcement of the Tax Laws

Issue: IRS enforcement of the tax laws is vital to ensuring that all owed taxes are paid, which in turn can promote voluntary compliance by giving taxpayers confidence that others are paying their fair share. GAO's high-risk area includes IRS's efforts to ensure payment both of unpaid taxes known to IRS and unpaid taxes IRS has not detected.

Performance Goal: Increase voluntary tax compliance to 86 percent by September 30, 2013.

Responsible Agency Official: Doug Shulman, IRS Commissioner

Actions Taken in 2011

- Updated forms to help taxpayers comply with filing requirements, and expanded the information available on IRS.gov.
- Completed testing an enhanced Automated Underreporter (AUR) case identification and selection analytics tool to be used in selection of tax year 2010 returns.
- Continued testing soft notices as alternatives to conducting examinations, issuing 27,000 AUR soft notices.
- Expanded enforcement presence in the international field, including opening a second Offshore Voluntary Disclosure Program to encourage taxpayers with hidden offshore assets and income to voluntarily disclose. Through mid-December 2011, these two programs resulted in the collection of $4.4 billion from 33,000 people.
- Implemented Phase 1 of the Return Preparer Initiative (RPI), which required paid return preparers to register with the IRS and use a Preparer Tax Identification Number (PTIN) to sign returns; over 735,000 paid preparers registered in the first year.
- Rolled out a series of "fresh start" programs specifically designed to assist business and individual taxpayers struggling with outstanding tax liabilities.

Future milestones

- Simplify the tax code by providing and improving taxpayer services to enable taxpayers to understand and meet their tax obligations.
- Continue to modify examination case selection and modeling.
- Continue to test soft notices as alternatives to conducting examinations in AUR
- Continue to promote the Compliance Assurance Process (CAP) as a model for how IRS and corporate taxpayers should interact
- Implement Phase 2 of the RPI requiring paid return preparers to pass a competency test and complete continuing professional education of 15 hours per year.

IRS Business Systems Modernization

Issue: The Business Systems Modernization (BSM) program is developing and delivering a number of modernized systems to replace the aging business and tax processing systems currently in use. This effort is highly complex and scheduled to be carried out over a number of years, ultimately creating a more efficient and effective IRS. Though the IRS experienced delays and cost overruns in the early years of the effort, improved practices and oversight are now contributing to better delivery outcomes.

Performance Goal: Meet all BSM project milestones within a cost and schedule variance of 10 percent of the initial estimate.

Responsible Agency Official: Doug Shulman, IRS Commissioner

Actions Taken in 2011

- Deployed current Customer Account Data Engine (CADE) Release 6.2 to deliver the

2011 filing season tax law changes affecting individual taxpayers, and provided technical improvements to the infrastructure and availability of the current system.

- Delivered modernized e-File system (MeF), to ensure that electronic tax returns were processed in a timely and accurate fashion.
- Implemented a system to allow paper checks to be converted into electronic transactions, processing nearly 3.6 million checks, totaling $7.8 billion.
- Implemented an automated transcript process through IRS.gov, eliminating the need to contact the IRS to process transcripts.
- Successfully met cost variance measures for five out of the seven BSM project releases, with two of the five projects coming in under cost.

Future milestones

- Significantly expand online services and transactions.
- Upgrade from weekly to daily processing capability for individual taxpayers to enable faster refunds for millions of individual taxpayers and faster payment postings, account updates, and taxpayer notices.
- Implement CADE 2 Data Model and Relational Database, initialized with 270 million taxpayer accounts in production, which supports an enterprise-wide data access strategy. Once reliability of data in the initialized database has been validated, daily updates to the database and database feeds to downstream systems (i.e. IDRS, on-line viewing) functionality will be deployed.

Modernizing the Outdated U.S. Financial Regulatory System

Issue/Performance Goal: Efficiently and effectively implement financial regulatory reform legislation.

Responsible Agency Official: Cyrus Amir-Mokri, Assistant Secretary for Financial Institutions

Actions Taken in 2011

- Continued to implement financial regulatory reform legislation including the establishment of the Financial Stability Oversight Council (FSOC), the Office of Financial Research (OFR), the Consumer Financial Protection Bureau (CFPB), and the Federal Insurance Office (FIO).
- Delivered a report to Congress that provides a path forward on reforming America's housing finance market.
- FSOC laid the groundwork for determining which nonbank financial companies will be supervised by the Federal Reserve and subject to heightened prudential standards, and for designating systematically important financial market utilities—which manage or operate multilateral systems for the purpose of transferring, clearing, or settling financial transactions—that will be subject to risk management standards.

Future milestones

- The OFR will produce and submit to Congress its first annual report on financial stability in July 2012.
- The FIO will issue a report addressing modernization of the insurance industry.
- Finalize the Volcker Rule, prohibiting banking entities from engaging in proprietary trading and from investing in or sponsoring hedge funds and private equity funds, subject to certain exceptions, in order to reduce risk in the financial system.
- Provide refined guidance on the future of the housing finance system.