Bureau of the Fiscal Service

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2022 Operating Plan	FY 2023 Operating Plan	FY 2024 Request	FY 2023 to FY 2024 $ Change	FY 2023 to FY 2024 % Change
Accounting and Reporting	$94,942	$96,956	$104,783	$7,827	8.07%
Collections	$45,808	$47,804	$52,276	$4,472	9.35%
Payments	$122,833	$133,328	$141,787	$8,459	6.34%
Retail Securities Services	$66,957	$68,759	$72,899	$4,140	6.02%
Wholesale Securities Services	$25,396	$25,638	$27,518	$1,880	7.33%
Subtotal, Fiscal Service's New Appropriated Resources	**$355,936**	**$372,485**	**$399,263**	**$26,778**	7.19%
Offsetting Collections - Reimbursable	$206,266	$214,000	$218,322	$4,322	2.02%
Debt Collections Fund	$180,670	$204,581	$210,205	$5,624	2.75%
Unobligated Balances Brought Forward	$220,497	$205,976	$154,625	-$51,351	-24.93%
Subtotal, Other Resources	**$607,433**	**$624,557**	**$583,152**	**-$41,405**	-6.63%
Total Budgetary Resources	**$963,369**	**$997,042**	**$982,415**	**-$14,627**	**-1.47%**
Direct FTE	1,854	1,832	1,852	20	1.09%
Reimbursable FTE	11	9	9	0	0.00%
Total Full-time Equivalents (FTE)	**1,865**	**1,841**	**1,861**	**20**	**1.09%**

Note: FY 2022 Other Resources and Full-time Equivalents (FTE) reflect actuals.

Summary

The FY 2024 request for the Fiscal Service Salaries and Expenses is $399.3 million, an increase of $26.8 million above the FY 2023 enacted level. The Budget includes resources to maintain current operations for the Government's National Financial Critical Infrastructure (NFCI) that finances Federal programs and services, collects revenue, disburses payments, and reports on the Government's financial position. Because of Fiscal Service's central role in Government-wide financial operations, the Budget also makes modest investments to support Treasury's leadership in transforming Federal financial management to become more efficient, more accurate and deliver better service to citizens. In addition to the direct request for Fiscal Service Salaries and Expenses, the Treasury budget request also includes $42.4 million as part of the Cybersecurity Enhancement Account (CEA) to support cloud adoption, zero trust implementation, security logging, and compliance with other mandates to bolster overall cybersecurity protections.

The Budget provides resources to maintain current service levels for our accounting, financing, collections, and disbursements operations and supports ongoing work to deliver modern and innovative financial management operations and services, increase the value, availability, and quality of our data, improve the customer experience throughout the journey with Fiscal Service, and recruit, retain, develop, and engage a diverse, high-performing workforce. Approximately three-fourths of the Fiscal Service appropriation funds staff and related facilities expenses including rent, utilities, and security. The request includes an additional $14.6 million to meet growing pay and non-pay inflationary costs and allows the bureau to maintain staffing at the levels needed to continue delivering accurate, timely, and reliable financial services.

The Budget supports Fiscal Service's Cybersecurity and Cloud Migration Initiative by providing an additional $5.8 million and 10 FTE for mission-specific cybersecurity investments for bureau systems supporting disbursements, collections, accounting, and financing activities. This aligns with Fiscal Service's implementation of Executive Order 14028, *Improving the Nation's Cybersecurity* and OMB Memo M-22-09, *Federal Zero Trust Strategy*, and also supports Treasury's Strategic Plan Objective 2.1: *Cyber Resiliency of Financial Systems and Institutions*. The Budget also supports ongoing operations related to cybersecurity for High Value Assets (HVAs) and other systems that support the NFCI. Fiscal Service will continue to partner with the Department, leveraging the $42.4 million provided through the CEA, to implement modern solutions that will support the security, resiliency, and agility of these critical systems and continue to maintain the financial integrity and efficiency of our operations. Additionally, the Budget provides $4 million to support Fiscal's need for secure space to enable the bureau to properly assist national security programs in meeting their missions.

The Budget also supports Fiscal Service's Evidence Building and Performance Data Initiative by requesting an additional $2.5 million and 10 FTE to strengthen a broad complement of analytical-support activities including enterprise-strategic planning, program evaluation, data-collection, and performance analytics to improve the overall capability to assess progress against outcomes. This initiative supports Treasury Strategic Plan Objective 5.3, *Better Use of Data*, as well as Treasury's Enterprise Learning Agenda.

These priorities will advance Treasury's Strategic Plan FY 2022-2026, promote Fiscal Service's mission to transform Federal financial management, and result in improved service for the American public.

Budget Highlights

Dollars in Thousands

Bureau of the Fiscal Service	FTE	Amount
FY 2023 Operating Plan	**1,517**	**$372,485**
Changes to Base:		
Maintaining Current Levels (MCLs):	**0**	**$14,559**
Pay Annualization (2023 4.6% average pay raise)	0	$2,642
Pay Raise (5.2% average pay raise)	0	$9,062
Non-Pay	0	$2,855
Subtotal Changes to Base	0	$14,559
FY 2024 Current Services	**1,517**	**$387,044**
Program Changes:		
Program Increases:	20	$12,219
Cyber & Cloud Initiative	10	$5,719
Secure Space	0	$4,000
Evidence & Data Initiative	10	$2,500
Subtotal Program Changes	**20**	**$12,219**
FY 2024 President's Budget Request	**1,537**	**$399,263**

Note: In addition to the amounts requested above for Fiscal Cybersecurity & Cloud Migration Initiative, a total of $42.44 million from the Cybersecurity Enhancement Account will be allocated to support Fiscal's IT modernization and compliance with Cybersecurity Executive Orders.

Budget Adjustments

Maintaining Current Levels (MCLs)..+$14,559,000 / +0 FTE

<u>Pay Annualization (4.6%) +2,642,000 / +0 FTE</u>

Funds are requested for annualization of the January 2023 4.6 percent average pay raise.

<u>Pay Raise (5.2% in 2024) +$9,062,000 / +0 FTE</u>

Funds are requested for a 5.2 percent average pay raise in January 2024.

<u>Non-Pay (2.0% in FY 2024) +$2,855,000 / +0 FTE</u>

Funds are requested for non-labor expenses such as travel, contracts, rent supplies, and equipment.

Program Increases...+$12,219,000 / +20 FTE

<u>Cybersecurity & Cloud Migration Initiative +$5,719,000 / +10 FTE</u>

Fiscal Service is responsible for 62 FISMA systems containing over 55 billion PII records, including eight HVAs that support the Financial Services Sector of the Federal Government's Critical Infrastructure. Protecting the information and technology resources that support the bureau's multi-faceted mission is essential to maintaining the Nation's economy and stable Federal financial operations.

Fiscal Service's cybersecurity request will focus resources on transforming and securing the delivery of mission critical functions and services to enhance, strengthen, and ensure resiliency across the bureau's programs and the government's financial operations in alignment with federal mandates, including Executive Order 14028, and customer expectations. This request will bolster IT security staff and provide training to these employees on advanced cybersecurity tools and techniques, thereby expanding Treasury's threat monitoring. By maximizing our ability to identify, protect against, detect, respond to, and recover from threats and malicious activity, the bureau can more effectively protect the highly interconnected technology resources that support our mission essential functions, and by extension, the NFCI.

In concert with initiatives funded by the CEA, this funding will also support the implementation of cybersecurity enhancements to Fiscal Service applications and infrastructure, including agile DevSecOps capabilities and a scalable continuous integration and deployment pipeline for software and infrastructure that aligns with the bureau's adoption of cloud services and solutions. These activities to accelerate cloud adoption complement the Treasury implementation of zero trust architecture and will further support Fiscal's effort to transition from aging and costly on-premises platforms to secure modern platforms that protect federal agencies and the public that access Fiscal Service systems.

<u>Secure Space +$4,000,000 / +0 FTE</u>

To support national security programs, Fiscal Service has a significant need to strengthen its ability to communicate effectively in classified settings. Investments would fund space reconfigurations and technology needed to carry out this work.

<u>Evidence Building & Performance Data Initiative +$2,500,000 / +10 FTE</u>

Treasury's Implementation of the Foundations for Evidence-Based Policymaking Act requires agencies to strengthen a broad complement of analytical-support activities including enterprise-strategic planning, program evaluation, data-collection, and performance analytics to improve the overall capability to assess progress against outcomes. In FY 2024, Fiscal Service will increase its capacity for enterprise planning, collection and analysis of performance data, and program evaluations. Increasing Fiscal's capacity to conduct more evaluations, such as the recent effort to assess the delivery of government payments to hard-to-reach populations, would enhance the capacity to analyze performance data. This will enable the bureau to better assess the effectiveness and efficiency of programs, policies, and services. Increasing evaluation activities will drive evidence-building in areas such as organizational efficiency, program effectiveness, diversity and inclusion, customer experience and research, emerging technology, and data quality.

Legislative Proposals

1. Ensure the Treasury Do Not Pay Business Center (DNP) has full access to complete state death data.
The proposal would include DNP consulting with State Vital Records Offices, National Association for Public Health Statistics and Information Systems, and the Social Security Administration to determine the appropriate process for accessing complete state death data for its purposes after the evaluation of death data sharing has concluded and full compensation provisions for costs of access and distribution are in place as intended by the Consolidated Appropriations Act, 2021.

2. Expand Treasury's access to the National Directory of New Hires (NDNH).
This proposal would authorize DNP to facilitate data exchange with paying agencies that are currently authorized by the Social Security Act to access NDNH regarding persons receiving Federal payments while identifying individuals who are ineligible to receive payments or who are receiving erroneous payments.

3. Modify the Fair Credit Reporting Act (FCRA) to allow the DNP to utilize consumer data for the purpose of identifying and preventing improper payments and minimizing fraud, waste, and abuse. *Estimated Savings/Cost Avoidance: Estimated incremental increase of $1.45B in improper payments identified over 10-year period.*

This proposal amends language in the FCRA, 15 U.S.C. § 1681a and authorizes DNP to partner with data aggregators such as credit reporting agencies to validate several payee attributes. This authority would help agencies identify, prevent, and recover improper payments based on income eligibility and location. DNP's ability to use FCRA data as a source to proxy residency data will add substantial value for work identifying improper payments in federally funded, state administered programs such as SNAP and Medicaid.

4. Expand Treasury's authority to require bank account verification, pre-certification.
Estimated Savings/Cost Avoidance: Cost avoidance over a 10-year period is estimated at $11.6B in improper payments identified.

This proposal would provide Treasury the authority to require Federal paying agencies to confirm the accuracy of their payees' bank account information prior to certification to identify potentially erroneous or fraudulent transactions and improve payment accuracy. Bank account verification(s) would compare pre-certification payment information with commercially available data, such as the information available through the Fiscal Service's Account

Verification Services (AVS), to confirm the existence of an account, its status, standing, and ownership, prior to initiating payments to that account. While the prior proposal (third legislative proposal) focuses on providing the certifying agency the opportunity to update payment information (in accordance with applicable law and industry rules), this initiative is focused on providing agencies with additional tools to verify the accuracy of their proposed payments before certifying them for disbursement. This change would assist in combating financial loss caused by fraud and ensure that payment account verification is conducted on all Federal payments disbursed by Treasury.

5. Expand Treasury's authority to require bank account comparison (matching), pre-certification. *Estimated Savings/Cost Avoidance: Cost avoidance over a 10-year period is estimated at $152 million in labor and material associated with printing approximately 200 million checks*.

This proposal seeks discretionary authority for Treasury to require agencies to compare the payee bank account information they have on file with other sources of bank account information available to (or through) Treasury, to reduce the number of improper payments and increase electronic payments. Bank account matching would help decrease the number of checks issued which would result in cost savings from the processing of the payments. Expanding flexibilities pre-certification is preferable to post-certification to avoid the added responsibility on the disbursing officer. Treasury could implement this proposal in stages to achieve the desired policy goals.

6. Simplify Debt Management Services (DMS) Fees.
Current Process: DMS must separately account for the costs of its Cross-Servicing Programs and the five TOP programs. However, these programs have many complementary and overlapping functions and processes, making determination of separate fees an administratively difficult and inefficient process.

This proposal authorizes DMS to consolidate Treasury Offset Program (TOP) and Cross-Servicing fees. DMS would utilize combined fees to cover overlapping functions evenly as overhead across the TOP and Cross Servicing Programs. This change would increase the efficiency of Fiscal Service's debt collection operations by simplifying the cost-accounting and fee-setting processes. It would also reduce volatility in year-to-year fee adjustments and assist Fiscal Service in assessing fees (which are generally passed on to debtors as costs) in an equitable manner.

7. Make Technical Corrections Regarding Calculation of Current Value of Fund Rate.
Federal agencies are required to assess interest on nontax debts that are not timely paid. This proposal would make technical changes to the statute to expressly authorize the use of the current value of funds rate (CVR) to establish the applicable interest rate, which is consistent with current practice.

Performance Highlights

Budget Activity	Performance Measure	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Target	FY 2024 Target
Accounting and Reporting	Percentage of Government-wide Accounting Reports Issued Timely (%)	100	100	100	99	99
Accounting and Reporting	Number of High Value Analytics Use Cases Deployed [NEW]	-	3	3	5	8
Collections	Percentage of Total Federal Government Receipts Settled Electronically (%)	99	99.6	99.8	DISC	DISC
Collections	Percentage of total federal government receipts initiated electronically (in dollars) [%] [NEW]	84.1	83	83.2	83.1	83.4
Payments	Percentage of Treasury Payments Disbursed Electronically (%)	96.04	96.19	96.4	96.56	96.91
Payments	Count of Improper Payments Identified or Stopped (# Thousands) [DISC]	22,773	23,801	17,115	DISC	DISC
Payments	Dollar Amount of Improper Payments Identified or Stopped ($ Millions) [DISC]	43.5	47.61	35.83	DISC	DISC
Payments	Potential improper payments identified, stopped, or recovered [New]	-	-	-	-	B
Payments	Percentage of payments screened by Do Not Pay [New]	-	-	-	-	B
Retail Securities Services	Percentage of Unassisted Retail Securities Transactions (%)	70	63	77	73	73
Wholesale Securities Services	Percentage of Auction Results Released Accurately (%)	100	100	100	100	100
Wholesale Securities Services	Percentage of Auctions Successfully Completed by the Scheduled Close Date (%)	100	100	99.75	100	100
Debt Collection	Count of Improper Payments identified or stopped FYTD [#] [DISC]	22,773	23,801	17,115	DISC	DISC
Debt Collection	Dollar amount of Improper payments identified or stopped during the fiscal year [$ Millions] [DISC]	43.5	47.61	35.83	DISC	DISC
Debt Collection	Amount of delinquent debt collected through all available tools [$ Billion] [DISC]	10.68	5.04	5.52	DISC	DISC
Debt Collection	All delinquent debt collected FYTD as a percentage of all delinquent debt referred FYTD [%]	15.7	15.9	16.58	13.9	13
Debt Collection	Percentage of the active delinquent debt portfolio collected FYTD [%]	9.2	7.3	6.26	6.5	6

Key: DISC - Discontinued; B - Baseline

Description of Performance

Accounting and Reporting: Fiscal Service collects, analyzes, and publishes Government-wide financial information to provide transparency on the Government's financial status. In FY 2022, Fiscal Service accounted for and reported on the financial activity related to the $30.9 trillion public debt and managed an average daily cash flow of $185 billion. Fiscal Service continued to issue 100 percent of Government-wide accounting reports on time, including the annual Financial Report of the U.S. Government. Fiscal Service continued progress on implementing G-Invoicing, which is a key driver to reducing buy/sell intragovernmental differences. In FY 2022, agencies completed over $4 billion in transactions in G-Invoicing, and in FY 2023 and FY 2024, Fiscal Service will continue partnering with agencies to implement G-Invoicing government-wide. The bureau made significant advancements on its Fiscal Data website during FY 2022, with a total of 39 datasets and 82 data tables onboarded to the site, and in FY 2023 and FY 2024, Fiscal Service will continue to migrate datasets to Fiscal Data, with a goal to migrate

70 by FY 2024. *Your Guide to America's Finances* was also released on Fiscal Data, the latest step to becoming a one-stop-shop for questions about federal finances.

Collections: Fiscal Service administers the world's largest Government collections system through a network of Fiscal and Financial Agents. In FY 2022, Fiscal Service collected nearly $5.76 trillion in federal revenue and settled 99.8 percent of total federal government receipts electronically, exceeding its target of 99 percent. Fiscal Service's emphasis on streamlining lockbox operations and automating manual processes has resulted in consistent year-over-year improvements to this measure. Fiscal Service continues to drive paper out of its collection channels by increasing adoption of e-commerce digital solutions, including online bill payment, digital wallets, and mobile applications. In FY 2022, the average number of federal agencies using the e-commerce suite grew from 76 to 85; 13 agencies were added to digital wallets and 11 agencies were added to mobile applications. Fiscal Service currently offers the ability to pay through PayPal and Amazon Pay and plans to expand its digital wallet offerings to include Apple Pay and Google Pay by FY 2025, providing the public with modern options and an improved customer experience.

Payments: Fiscal Service delivers Federal payments on behalf of more than 250 Federal entities through disbursement mechanisms such as paper checks, Electronic Fund Transfers (EFT), debit cards, and other digital payment mechanisms. Fiscal Service continues to increase the percentage of Federal payments which are Treasury-disbursed, to 90.5 percent of all Federal payments in FY 2022. In FY 2022, Fiscal Service disbursed 96.4 percent of payments electronically, which continued the steady increase toward our electronic payments targets and advanced the Agency Priority Goal (APG) to Improve the Payment Experience. Supporting Executive Order 14058, *Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government*, Treasury's designation as a High-Impact Service Provider, and the Administration's climate and equity priorities, Fiscal Service continues to promote and increase the delivery of payments through EFT, with an emphasis on tax refunds, vendor payments, benefit payments, and other miscellaneous payments. This is especially notable, as historically, check payments are 16 times more likely to have exceptions (e.g., lost, stolen, returned, etc.) than payments made via direct deposit.

Fiscal Service advanced its payment integrity efforts through its DNP and Payment Integrity Center of Excellence (PICOE) Programs. In FY 2022, DNP screened $2.87 trillion payments to assess whether the payment may be fraudulent or incorrect prior to disbursement. DNP also implemented two new data sources, which are available in the DNP portal and for analytics use. Additionally, DNP onboarded 28 new federal programs and 6 new state programs. In total, DNP identified $35.83 million in potential improper payments during FY 2022. Fiscal Service also supported the Federal Emergency Management Agency (FEMA) and the Internal Revenue Service (IRS) with payment integrity capabilities such as account verification services and cross-government data analytics. The bureau supported the IRS Taxpayer Protection Program and identified 6 million tax returns as potential identify theft. Of those, 1.4 million returns valued at $7.3 billion were verified and became eligible for expedited release and approximately 14,000 tax returns valued at $117 million were confirmed as identity theft. In FY 2023 and FY 2024, Fiscal Service will continue expanding its government-wide payment integrity services and solutions and will formally integrate DNP and PICOE to establish the Office of Payment Integrity.

Retail Securities Services: Fiscal Service provides simple, safe, and affordable ways for investors to directly interact with the Department of the Treasury to save for their future by investing in Treasury securities. In FY 2022, increasing interest rates on Series I savings bonds drove a historic increase in demand, resulting in unprecedented volumes of both sales and new customers. Sales of Series I bonds surpassed $28 billion in FY 2022, an increase of 27 times over FY 2021 volumes, and more than 2.8 million new TreasuryDirect accounts were created in FY 2022, bringing the total customers holding savings bonds to approximately 27 million. Fiscal Service also saw an extended influx of redemption requests leading to a surge in call and case volumes. Inbound case volume increased by 36 percent over prior year averages, and we expect similar levels in 2023 and 2024. In total, during FY 2022 Fiscal Service electronically issued $119.8 billion in Treasury retail securities, serviced customers in redeeming $85.4 billion Treasury securities, and made $25.5 billion in retail payments.

Fiscal Service continues to work to improve the customer online experience and encourage self-service. In FY 2022, Fiscal Service saw the percentage of unassisted retail customer service transactions increase from 63 percent to 77 percent, exceeding the FY 2022 target. To assist with customer demand, Fiscal Service added resources to the call center and made enhancements to the TreasuryDirect website to enable customers to complete transactions independently. This increased demand along with increased redemption requests resulted in significant workload increases, and the average number of retail securities cases in inventory grew from 14.8 thousand in FY 2021 to 33.1 thousand in FY 2022. While Fiscal Service anticipates Series I savings bond sales to decline in FY 2023, the bureau still expects the sales and workloads to remain elevated compared to historical levels.

In FY 2022, Fiscal Service continued to make progress on the Matured Unredeemed Debt (MUD) initiative aimed at assisting bond holders to identify and claim savings bonds that have reached final maturity and are no longer earning interest. Of the approximately 7 billion savings bonds issued in paper form, approximately 88.9 million pieces, totaling $35.4 billion, had matured but remained unredeemed by the end of FY 2022. Fiscal Service has begun digitizing its savings bond records, recently completing the digitization of approximately 2 billion images of savings bond records associated with bonds issued from 1974 to 1993. Collectively, these years represent more than 91 percent of the current MUD balance. Digitization efforts are now also underway for records associated with savings bonds issued 1957–1973. Over FY 2023 and FY 2024, the Fiscal Service will be making improvements to Treasury Hunt, an online search tool to find matured savings bonds. The bureau will also be working to fulfill the requirements enacted in the SECURE 2.0 Act of 2022 associated with providing savings bond information to states.

Wholesale Securities Services: Fiscal Service finances daily Government operations by overseeing the announcement, auction, and issuance of marketable Treasury bills, notes, bonds, floating rate notes, and inflation-protected securities through reliable, accurate, and secure electronic systems. In FY 2022, Fiscal Service met its target to release 100 percent of auction results accurately. In addition, 99.75 percent of auctions were successfully held by the scheduled close date, which was slightly below the target of 100 percent due to technical issues that have been resolved. Fiscal Service continued the Financing Modernization effort, a multi-year initiative to modernize the financing system to support operations, meet customer expectations, become current with existing technologies, manage technical debt, and improve the delivery of secure, flexible, and resilient financing services. In FY 2022, Fiscal Service also increased automated testing and successfully deployed fourteen enhancement releases to the current auction system.

Debt Collection: Fiscal Service is the Government's central debt collection agency and funds its delinquent debt collection operations through fees charged to agencies that refer debts for collection. In FY 2022, Fiscal Service collected a total of $5.52 billion in delinquent debt, a slight increase from the prior year as some agencies began to resume debt collection activities after being suspended in response to economic concerns related to the pandemic. In FY 2023 and FY 2024, Fiscal Service anticipates continued constraints will continue to negatively impact debt collections. The amount of delinquent debt collected as a percentage of all delinquent debt referred increased from 15.9 percent in FY 2021 to 16.58 percent in FY 2022. This increase is also attributed to the debt collection suspensions ending. However, overall debt collection activities are still below historical levels. The percentage of the active delinquent debt portfolio collected did not meet the target in FY 2022, as 6.26 percent of the active delinquent debt portfolio was collected compared with the 6.7 percent target. Fiscal Service recently completed an independent review of its debt collection programs to assess its cost structure and provide recommendations on more sustainable models capable of evolving with future government needs. This review generated recommendations around fee setting, workforce optimization, business process improvements, data segmentation and analytics, and other strategies that the bureau is assessing and implementing to ensure the long-term sustainability of these programs.