

Bureau of Engraving and Printing

Program Summary by Budget Activity

Dollars in thousands

Budget Activity	FY 2011	FY 2012	FY 2013	FY 2012 TO FY 2013	
	Actual	Estimated	Estimated	\$ Change	% Change
Manufacturing	\$517,750	\$630,000	\$665,973	\$35,973	5.71%
Protection and Accountability of Assets	\$61,000	\$0	\$0	\$0	NA
Total Cost of Operations	\$578,750	\$630,000	\$665,973	\$35,973	5.71%
FTE	1,895	1,925	1,862	(63)	-3.27%

Summary

In support of Treasury’s strategic goal of “Enhance U.S. Competitiveness and Promote International Financial Stability and Balanced Global Growth”, the mission of the Bureau of Engraving and Printing (BEP) is to develop and produce United States currency notes, trusted worldwide.

FY 2013 Priorities

- Achieve BEP’s strategic goals - Produce U.S. currency that functions flawlessly in commerce; create innovative currency designs to provide effective counterfeit deterrence and meaningful access to currency note usage for all; organizational excellence and customer satisfaction through balanced investment in people, processes, facilities, and technology.
- Product quality - Produce and deliver currency notes ordered by the Federal Reserve Board that consistently meet the customer’s high quality standards.
- Counterfeit Deterrence – Conduct research and development, collaborate with key stakeholders, in order to deter counterfeiting and maintain public trust in the security and reliability of U.S. currency notes.

- Meaningful Access – Assist users of U.S. currency, including the blind and visually impaired, with the use and denomination of currency.

The Bureau of Engraving and Printing operates on the basis of authority conferred upon the Secretary of the Treasury by 31 U.S.C. 321(a) (4) to engrave and print currency and other security documents. Operations are financed through a revolving fund established in 1950 in accordance with Public Law 81-656. The fund is reimbursed for direct and indirect costs of operations, including administrative expenses, through product sales. In 1977, Public Law 95-81 authorized the Bureau to include an amount sufficient to fund capital investment and to meet working capital requirements in the prices charged for products, eliminating the need for appropriations from Congress.

BEP’s strategic goals are to produce U.S. currency that function flawlessly in commerce by creating innovative currency designs that provide effective counterfeit deterrence and meaningful access to currency note usage for all; achieve organizational excellence and customer satisfaction through balanced investment in people, processes, facilities, and technology. The Bureau also provides technical assistance and advice to other Federal agencies in the design and production

of documents which require counterfeit deterrent features, due to their innate value or other characteristics.

The Bureau produces the paper currency notes ordered by the Federal Reserve Board. During FY 2013, BEP estimates that it will produce and deliver 7.0 billion notes to the Federal Reserve Board to meet currency demand. This represents an approximate 20 percent reduction in the number of notes produced from the 8.4 billion note program expected to be delivered in the FY 2012 program. However, in order to meet international demand, the anticipated denominations ordered will be the more costly higher denominated notes.

BEP supports a comprehensive anti-counterfeiting program built around aggressive law enforcement, effective note design, and public education. The Bureau will continue its work in 2013 with the Advanced Counterfeit Deterrent (ACD) Steering Committee to research and develop future currency designs that will enhance and protect U.S. currency notes. The ACD Committee includes representatives from BEP, the Department of the Treasury, the U.S. Secret Service, and the Federal Reserve Board.

Over the last decade, research and development of new technologies for use in currency note production has become a priority at the Bureau as more sophisticated counterfeit deterrent features are needed to protect future generations of currency notes. Via its website www.bep.gov, BEP seeks information about obtaining, testing and evaluating technologies or materials that may have potential application in the development of new counterfeit deterrent features in currency notes.

The importance of producing and delivering currency of consistently high quality, note

after note, cannot be overstated, especially for the redesigned \$100 note. The prevalent use of the \$100 note as a store of value throughout the world and its global reputation requires the production of the new \$100 note to continue at increased levels through 2013. It is estimated by the Federal Reserve that as many as two-thirds of all \$100 notes circulate outside the United States.

In 2013 BEP will continue its efforts to research and develop tactile features that will enhance future note designs. Testing and refinement of features will continue to determine which processes and features work best at the production volumes needed for U.S. currency. In addition, work continues on the goal of enabling the Nation's currency to better serve all currency users, including the blind and visually impaired. The Bureau will be incorporating features into the next redesign of currency that will assist every user to better denominate currency. While no timetable has been set for the introduction of this currency, the next redesign will incorporate changes to make U.S. currency more accessible to those who are blind and visually impaired. As discussed below, the Bureau is also seeking legislative authority to facilitate a currency reader program designed to provide meaningful access to US currency prior to the introduction of a tactile feature.

The FY 2013 Budget proposes to authorize the Bureau to implement a coupon program to distribute currency readers as a cheaper and more efficient alternative to the agency's existing authority to loan the readers. Currently, BEP can loan currency readers to the blind and visually impaired public under its general authorities. However, BEP has data suggesting that the cost of administrative resources needed to implement such a loan program would be significant and that, alternatively, a coupon program that would fund public purchases of readers would be

much more cost-efficient. Under a coupon program, United States citizens and legal residents who are blind or visually impaired could apply for coupons that would be credited toward the cost of a currency reader purchased directly from a commercial vendor and paid for through the BEP's revolving fund. Initial discussions with the Federal Reserve Board Staff indicate that the Board supports the coupon program as the most cost effective method. Implementation of a coupon program, however, would require BEP to be granted specific statutory authority to do so.

BEP FY 2013 Budget Highlights

Dollars in thousands

Bureau of Engraving and Printing	FTE	Amount
FY 2012 Estimated	1,925	\$630,000
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$7,553
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Efficiency Savings:	(65)	(\$46,037)
Reduced Labor and Benefits Costs Due to Attrition Without Backfill	(25)	(\$3,855)
Manufacturing Support Suite/Lean Six Sigma	-	(\$2,500)
Spoilage Reduction Savings	-	(\$1,000)
Productivity Improvements/Overtime Reduction	-	(\$1,000)
Energy Savings	-	(\$250)
Reduce \$1 Currency Note Cost of Production	-	(\$15,000)
Defer Selected Capital Improvements	-	(\$13,000)
Separation Incentives	(40)	(\$2,800)
Contract Savings	-	(\$2,800)
Reduce Non-Critical Travel and Training	-	(\$2,000)
Reduction in Public Tour Hours and Related Contractor Costs	-	(\$1,832)
Subtotal FY 2013 Changes to Base	(65)	(\$38,484)
Total FY 2013 Base	1,860	\$591,516
Program Increases:	2	\$74,457
Expected increase in Next Generation \$100 Currency Note Production	-	\$5,100
Currency Reader Coupon Program	2	\$69,357
Total FY 2013 Estimated	1,862	\$665,973

FY 2013 Budget Adjustments

Maintaining Current Levels (MCLs)

Maintaining Current Levels +\$7,553,000 / +0 FTE

Funds are requested for inflation adjustments (1.7 percent) in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment and health benefits and the increase in Federal Employees Retirement System participation. Funds are also requested for the proposed 2013 pay raise (0.5 percent).

Efficiency Savings

Reduced Labor and Benefits Costs Due to Attrition Without Backfill -\$3,855,000 / -25 FTE

By not backfilling certain targeted employee vacancies, BEP plans for cost savings in Labor and Benefits, without any loss in production capability.

Manufacturing Support Suite/Lean Six Sigma -\$2,500,000 / +0 FTE

Savings as a result of improved business practices enabled by new management and financial systems as well as targeted Lean Six Sigma projects.

Spoilage Reduction Savings -\$1,000,000 / +0 FTE

BEP and the paper supplier have a better understanding of the operating parameters necessary to optimize the quality of currency notes. Lessons learned from paper optimization trials for the NexGen \$100 creasing challenges will be applied to the production of other currency denominations. This should result in improved operational performance and reduce spoilage across all denominations.

Productivity Improvements /Overtime Reduction -\$1,000,000 / +0 FTE

By employing new production technologies BEP plans for increased productivity requiring less overtime worked.

Energy Savings -\$250,000 / +0 FTE

Energy Savings will be gained by employing new production technologies. BEP's retooling efforts have replaced older and less efficient equipment with newer energy efficient, safer, and more productive/reliable equipment.

Reduce \$1 Currency Note Cost of Production -\$15,000,000 / +0 FTE

BEP will be moving to 50 subject note processing which will cut production costs for the \$1 note program. In addition, the Federal Reserve Board (FRB) implemented a new policy which resulted in increased circulation life of the note which will translate into a reduction of the FRB's annual order. This cut assumes that the impact of the FRB policy will enable the FRB to reduce its annual order for the \$1 note for 2013. Underutilized production equipment capacity may result depending on the FRB's 2013 order for higher denominations.

Defer Selected Capital Improvements -\$13,000,000 / +0 FTE

Deferring selected capital improvements for BEP's Washington DC facility pending the outcome of the BEP facility study will likely have little or no impact on BEP's primary mission.

Separation Incentives -\$2,800,000 / -40 FTE

By making the Voluntary Separation Incentive Program (VSIP) or Voluntary Early Retirement Authority (VERA) available to employees BEP hopes to accelerate current right-sizing efforts.

Contract Savings -\$2,800,000 / +0 FTE

A value based decision, reducing the level of service of certain contracts would result in cost savings.

Reduce Non-Critical Travel and Training -\$2,000,000 / +0 FTE

Cost savings will be achieved by leveraging on-line training and reducing temporary duty travel to support only mission critical requirements.

Reduction in Public Tour Hours and Related Contractor Costs -\$1,832,000 / +0 FTE

Reducing the number of operational hours at BEP's public tour in Fort Worth, Texas will result in cost savings with limited impact to the visiting public. The public tour hours in Washington DC will remain unchanged. This scheduling change has no impact on BEP's primary mission of developing and producing United States currency notes, trusted worldwide.

Program Increases

Currency Reader Coupon Program +\$69,357,000 / +2 FTE

The FY2013 Budget funds the implementation of the BEP legislative proposal – "Currency Reader Coupon Program". The program will be managed in-house and it is estimated that 40 percent of the blind population and 10 percent of the visually impaired population will request a coupon for a free currency reader. Without this legislative authority, the program is expected to cost \$122 million in FY 2013.

Expected increase in Next Generation \$100 Currency Note Production +\$5,100,000 / +0 FTE

In order to meet increased international demand for \$100 notes, the FY 2013 order is expected to include a higher number of these costly notes than previously anticipated.

Explanation of Budget Activities

Manufacturing (\$665,973,000 from revenue/offsetting collections)

BEP manufactures high quality security documents that deter counterfeiting. These manufactured products are grouped into two programs: Federal Reserve notes, and other security documents. The manufacturing of state-of-the-art currency deters counterfeiting, contributes to public confidence, and facilitates daily commerce ensuring seamless, “business as usual” transactions as new currency designs are introduced to the public.

Legislative Proposals

Remove *Sec. 113*. For FY 2013, Treasury proposes to remove section 113 from the FY 2012 bill which requires approval of Congressional committees prior to implementing cooperative arrangements between the United States Mint and the Bureau of Engraving and Printing (BEP). This change would increase Treasury’s flexibility to use the Economy Act to implement potential cooperative efforts such as shared administrative services that could reduce unnecessary duplication of effort and thus improve cost efficiency at the BEP and at the United States Mint. Treasury would still consult with the Committees on any major reorganization as required by section 608.

In October 2008 the United States District Court ruled that the Department of the Treasury and BEP must provide meaningful access to the denomination of U.S. currency notes for blind and visually impaired persons. The FY 2013 Budget proposes to authorize the Bureau to implement a coupon program to

distribute currency readers as a cheaper alternative to the agency’s existing authority to loan these readers to the blind and visually impaired. BEP can currently loan readers to the public under its general authorities but the cost to implement a loan program would be significant. A coupon program to fund public purchases of readers would be much more cost-efficient; BEP anticipates a coupon program could be approximately half as expensive as the loan program. The Federal Reserve has indicated it would support the coupon program as the most cost effective method; however, implementation of a coupon program would require BEP to be granted specific statutory authority to do so. Without this legislative authority, the program is expected to cost \$122 million in FY 2013.

Sec. 121. Subchapter IV of chapter 51 of Title 31, United States Code, is hereby amended by adding after section 5144 the following:

Sec. 5145 Currency Reader Program

The Secretary of the Treasury may implement and administer a Currency Reader Program through which a United States resident, who is blind or visually impaired, may obtain a coupon that can be applied toward the purchase of a device to denominate United States currency. Amounts in the Bureau of Engraving and Printing Fund described in section 5142 of title 31, United States Code, shall be available to pay for expenses of this program. The Secretary shall include these expenses in the cost charged to the Board of Governors of the Federal Reserve System for the services of meeting the Board’s order for new notes.

BEP Performance by Budget Activity

Budget Activity	Performance Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Target	FY 2013 Target
Manufacturing	Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced) (\$)	32.77	44.85	34.6	48.0	50.0

Key: DISC - Discontinued and B - Baseline

Description of Performance

The BEP has one budget activity: Manufacturing. This budget activity supports all of BEP's strategic goals. The goal owner for the Manufacturing budget activity is BEP's Deputy Director, Pamela Gardiner.

Manufacturing Costs for Currency (dollar cost per 1,000 notes produced) has performed at or better than its annual targets for the past seven years. In 2011 the cost of manufacturing was lower than anticipated as the actual for this measure was \$34.60 per 1,000 notes produced

against a goal of \$39.00. This was primarily due to the suspension of production on the new \$100 Note, pending the outcome of collaboration with major stakeholders. As production of these notes resume, the overall cost of manufacturing will increase. The performance goals for both 2012 and 2013 reflect the increased production of high cost redesigned \$100 notes as a proportion of the total annual order, and are set at \$48.00 in 2012 and at \$50.00 per 1,000 notes produced in 2013.