

Bureau of Engraving and Printing

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2015	FY 2016	FY 2017	FY 2016 TO FY 2017	
	Actual	Estimated	Estimated	\$ Change	% Change
Manufacturing	\$636,489	\$863,940	\$846,335	(\$17,605)	-2.04%
Total Cost of Operations	\$636,489	\$863,940	\$846,335	(\$17,605)	-2.04%
FTE	1,800	1,924	1,924	0	0.00%

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 2017 Priorities

Produce and deliver U.S. currency notes ordered by the Federal Reserve Board that consistently meet the customer's high quality standards. Create innovative currency designs to provide effective counterfeit deterrence and meaningful access to currency note usage for all; achieve organizational excellence and customer satisfaction through balance investment in people, processes, facilities, and technology.

Banknote Design and Development – There are two main components of currency redesign: Technical and Aesthetic. The primary technical goals in the redesign of U.S. currency are to: Ensure that U.S. currency employs unique and technologically advanced features to deter counterfeiting; facilitate the public's use and authentication; provide accessibility and usability and maintain public confidence. The aesthetic goals in the redesign of U.S. currency are to institutionalize our American history by depicting people, monuments, symbols, and concepts that reflect the past and reinforce a

theme for that particular era of currency design.

Meaningful Access – Assist users of U.S. currency, including the blind and visually impaired, with a means to denominate currency. BEP is following two project paths to provide meaningful access, a Currency Reader (an electronic assistive device that can identify a note's value and communicate it to the user) as well as a Raised Tactile Feature (RTF) that will be on future notes.

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.

The Bureau produces the paper currency notes ordered by the Federal Reserve Board (FRB). During FY 2017, BEP expects to produce and deliver 8.0 billion notes to the FRB to meet currency demand. The FY 2017 order represents a slight decrease in the number of

notes expected to be delivered in the FY 2016 program.

Research and development of new technologies for use in currency note production is a priority at the Bureau as more sophisticated counterfeit deterrent features are needed to protect future generations of currency notes. In 2017, BEP will continue its efforts to research and develop security features working with the National Research Labs to expand our outreach to identify new technologies that may be used. In addition, via its website, www.bep.gov, BEP seeks information on technologies that would enhance the longevity and durability of currency notes in circulation and new technologies or materials that could be developed for future use in counterfeit deterrence.

BEP supports a comprehensive anti-counterfeiting program built around effective note design, public education, and aggressive law enforcement. The Bureau will continue its work in 2017 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 FRB. It was with guidance from the ACD Committee, that the \$10 note was selected as the first denomination for redesign. While many factors are taken into consideration, the primary reason for redesigning currency is to address current and potential counterfeiting threats.

Work will continue in FY 2017 on the goal of enabling the Nation's currency to better serve domestic and international users, including the blind and visually impaired. BEP will continue its efforts to research, develop, and test 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.

The FY 2017 Budget requests funding to continue the BEP Currency Reader distribution program in coordination with the Library of Congress' National Library Service. Under this program, United States citizens and legal residents who are blind or visually impaired are provided a currency reader to aid in the denomination of US currency.

In addition, funding is requested to continue the Currency Quality Assurance (CQA) Program. The Bureau, in collaboration with its stakeholders, developed a robust CQA Program that began in 2014 and will continue to mature in 2017. Every BEP work activity was aligned and will be resourced to support this integrated, collaborative, and rigorous quality assurance program that focuses on every step of the supply chain from raw material, through the manufacturing process steps to final packaging and delivery. CQA reaches into nearly every "corner" of the BEP organization and its effectiveness depends on a strong cadre of process and production engineers, quality assurance specialists and other specialists in related science and engineering disciplines.

In 2017, the Bureau will continue to implement BEP Human Capital Plan initiatives; efforts will continue to fill gaps in needed STEM skill sets to support our CQA efforts in addition to adding resources in technology development and feature testing areas.

2017 funding is requested to support BEP's Phase II of a retooling equipment project which includes an equipment replacement plan, tactile feature testing equipment, labor

relations/staffing strategy and alternatives for material handling.

BEP's current Washington, DC facility has an aging and outdated infrastructure which drives up costs and adversely impacts quality. Work on a replacement production facility is going forward; in May 2015 a site selection evaluation contract was awarded. In 2016 BEP will award a construction management administrative support contract and facility design programming contract. Efforts are also

underway in 2016 to narrow down the possible site selections to the top 3 for further evaluation. The new production facility is projected to be completed in the 2022 timeframe, with the new facility fully operational by 2025; however this is subject to change as the project evolves. The Federal Reserve Board, which would pay for a replacement of the Washington, DC facility, supports this project.

BEP FY 2017 Budget Highlights

Dollars in Thousands

Bureau of Engraving and Printing	FTE	Materials	Operating & Capital	Total
FY 2016 Estimated	1,924	\$292,250	\$571,690	\$863,940
Changes to Base:				
Maintaining Current Levels (MCLs):	-	-	\$9,395	\$9,395
Pay-Raise	-	-	\$2,404	\$2,404
Pay Annualization	-	-	\$799	\$799
Non-Pay	-	-	\$6,192	\$6,192
Efficiency Savings:	-	-	(\$2,000)	(\$2,000)
Reduction in Overtime	-	-	(\$2,000)	(\$2,000)
Subtotal Changes to Base	-	-	\$7,395	\$7,395
Total FY 2017 Base	1,924	\$292,250	\$579,085	\$871,335
Program Changes:				
Program Decreases:	-	-	(\$25,000)	(\$25,000)
Currency Reader	-	-	(\$5,000)	(\$5,000)
DCF Production Facility Replacement	-	-	(\$10,000)	(\$10,000)
Reduction in Retooling	-	-	(\$10,000)	(\$10,000)
Total FY 2017 Estimated	1,924	\$292,250	\$554,085	\$846,335

FY 2017 Budget Adjustments

Adjustment to Estimates

Maintaining Current Level (MCLs)

Pay-Raise +\$2,404,000 / +0 FTE

Funds are required for the proposed January 2017 pay-raise.

Pay Annualization +\$799,000 / +0 FTE

Funds are required for and the annualization of the 2016 pay-raise.

Non-Pay +\$6,192,000 / +0 FTE

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

Efficiency Savings

Reduction in Overtime -\$2,000,000 / +0 FTE

As a result of CQA driven improvements, BEP anticipates better production yields which will in turn reduce overtime costs.

Program Decreases

Currency Reader -\$5,000,000 / +0 FTE

As currency readers are released to the public, fewer devices will be needed to fulfill customers' orders.

DCF Production Facility Replacement

-\$10,000,000 / +0 FTE

The Project Management contract for BEP's new facility investment was funded in

FY 2016, therefore funding is not needed in FY 2017.

Legislative Proposals

BEP has no legislative proposals.

Reduction in Retooling -\$10,000,000 / +0 FTE

BEP’s retooling needs for FY 2017 are not as large as FY 2016; therefore funding is not needed in FY 2017.

Explanation of Budget Activities

Manufacturing (\$846,335,000 from revenue/offsetting collections)

The BEP has one budget activity: Manufacturing. This budget activity supports all of BEP’s strategic goals.

BEP Performance by Budget Activity

Budget Activity	Performance Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2017 Target
Manufacturing	Best Places to Work in Federal Government Ranking	47	51	74	99	99
Manufacturing	Lost Time Accident Rate per 100 Employees	1.63	1.73	1.65	1.8	1.8
Manufacturing	Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced)	50.45	44.22	42.35	50.0	50.0
Manufacturing	Percent of Currency Notes Delivered Returned Due to Defects	.466	.00001	.0000003	.0001	.0001

Description of Performance

Manufacturing Costs for Currency (dollar cost per 1,000 notes produced) is an indicator of manufacturing efficiency and effectiveness of program management. The measure is based on contracted price factors, productivity improvements, as well as the mix of denominations ordered. Actual performance against standard cost depends on BEP’s ability to meet spoilage, efficiency, and capacity utilization goals. In 2015 the cost of manufacturing was lower than anticipated; the actual result realized was \$42.35 per 1,000 notes produced against

a target of \$54.00. BEP target for this performance metric in both 2016 and 2017 is set at \$50.00 per 1,000 notes produced.

Percent of currency notes returned due to defects is an indicator of the Bureau’s ability to provide a quality product. BEP’s FY 2015 target for this performance metric was .0001 percent, and the actual result realized for this measure was .0000003 percent. BEP’s target for this performance metric will be held constant at .0001 percent for both FY 2016 and 2017.

BEP's Best Places to Work in Federal Government Ranking is based on the results of the Partnership for Public Service data on three questions in the Federal Employee Viewpoint Survey. BEP's 2015 rank was 74 out of 320. BEP will continue to target achievement of an improvement in rank.

Reduction in Regulated Waste (Pounds of waste per 1000 notes delivered of regulated air emissions, wastewater, and solid waste combined) is a quantitative indicator of the effectiveness of BEP environmental programs, which are assessed through the BEP ISO 14001 certified Environmental Management System (EMS). BEP's FY 2015 performance of 27.3 pounds of regulated waste for this metric was against a target of 30 pounds per 1000 notes delivered.

Lost Time Accident Rate per 100 Employees measures the Bureau's ability to reduce injuries and illnesses in the workplace. BEP's 2015 lost time case rate was favorable during the fiscal year at 1.65 against a target of 1.8 cases per 100 employees. The Bureau remains committed to improving the safety of its employees and has undertaken analysis to determine the root causes of injury and to identify best practices in safety. BEP's target for this performance metric will be held constant at 1.8 per 100 employees for FY 2016 and FY 2017.

