

Treasury Franchise Fund

Program Summary by Budget Activity

Dollars in Thousands

Budgetary Resources	FY 2023	FY 2024	FY 2025	FY 2024 to FY 2025	
	Actual	Revised Estimate	Estimate	\$ Change	% Change
Treasury Shared Services Program	\$565,021	\$561,498	\$570,423	\$8,925	1.6%
Centralized Treasury Administrative Services	\$145,653	\$166,068	\$175,414	\$9,346	5.6%
Administrative Support Services	\$230,846	\$260,146	\$266,958	\$6,812	2.6%
Information Technology Services	\$258,974	\$252,795	\$267,953	\$15,158	6.0%
Subtotal, Treasury Franchise Fund	\$1,200,495	\$1,240,507	\$1,280,748	\$40,241	3.2%
Recoveries from Prior Years	\$18,890	\$11,805	\$12,405	\$600	5.1%
Unobligated Balances from Prior Years	\$153,222	\$199,000	\$213,000	\$14,000	7.0%
Subtotal, Other Resources	\$172,112	\$210,805	\$225,405	\$14,600	6.9%
Total Program Operating Level	\$1,372,606	\$1,451,312	\$1,506,153	\$54,841	3.8%
Reimbursable FTE	2,062	2,252	2,263	11	3.8%
Total Full-time Equivalents (FTE)	2,062	2,252	2,263	11	3.8%

Summary

The Treasury Franchise Fund (TFF) supports effective administrative and information technology services through commitment to service, efficient operations, openness to change, and values-based behavior. The TFF achieves cost savings by leveraging economies of scale which promote efficient use of resources by shared service providers.

The TFF providers include Departmental Offices' Treasury Shared Services Programs (TSSP), Departmental Offices' Centralized Treasury Administrative Services (CTAS), and the Bureau of the Fiscal Service's Administrative Resource Center (ARC). TFF shared service providers offer financial management, procurement, travel, human resources, information technology, and other administrative services to federal customers on a fully cost recoverable, fee-for-service basis.

The TFF FY 2025 Congressional Budget Justification reflects revised estimates for 2024 along with funding estimates for FY 2025. The revised estimates in FY 2024 for ARC Administration (Admin) and ARC Information Technology (IT) include increases in resources to support customer projects, system investments and non-pay increases. Additionally, the FY 2024 revised estimates include increases in TSSP to reflect customer specific costs requested by customers for additional services that are outside of the standard shared offerings such as the Human Resource Information Technology (HRIT) transformation from the Internal Revenue Services (IRS) to Departmental Offices OCIO in support of the Inflation Reduction Act (IRA) implementation effort. This initiative will facilitate modernization of the IRS HRIT systems and improve employee experience aligned with delivery of commodity applications through Treasury's enterprise centralized/shared service offerings. The FY 2024 revised estimate also supports the centralization and adoption of cloud services offered through the shared services program. The platform offers common management and security services built on top of Commercial Cloud Service Providers.

In FY 2025, TSSP will continue to make investments critical to strengthen the cyber posture across the shared services platform and resources to support increase adoption of enterprise

Information Technology (IT) applications.

The Departmental Offices continues to work on improving hiring and recruitment in FY 2025, so the CTAS budget submission reflects making investment in technology to improve the onboarding process for federal and contracting resources.

In FY 2025, ARC Admin is preparing to expand its leadership role through Treasury’s Future of Federal Financial Management vision (FM Vision) and the Financial Management Quality Service Management Office (FM QSMO) marketplace. ARC Admin will continue to support the marketplace for scalable growth by simplifying the delivery of complex financial management services. ARC Admin’s FY 2025 request includes a balance of continuous improvement, strategic investments in solutions of the future in the FM QSMO marketplace and continuing to increase adoption to federal agencies.

ARC IT’s objectives are centered around consistently implementing, optimizing, securing, and scaling technology and services from end-to-end in alignment with federal technology priorities, including Executive Order 14028 Improving the Nation’s Cybersecurity and subsequent OMB Memoranda.

Budget Highlights

Dollars in Thousands

	FTE	Amount
FY 2024 President's Budget	2,233	\$1,010,200
Program Changes:		
Program Increases	19	230,307
Centralization of IT Commodity Applications and Services (TSSP)	20	181,714
IRS Human Resources Information Technology Modernization (TSSP)	9	20,000
Support Customer Projects and System Investments (ARC Admin)		12,150
Revised Estimates and Operating Costs (ARC Admin)	(13)	9,332
Revised Estimates and IT Maintenance (ARC IT)		5,978
Treasury Recruitment Services Program (TSSP)	3	1,133
FY 2024 Revised Estimate	2,252	\$1,240,507
Changes to Base:		
Maintaining Current Levels (MCLs):		22,796
Pay Annualization (2024 5.2% average pay raise)		3,786
Pay Raise (2025 2.0% average pay raise)		4,425
Non-Pay (2025 2.2% non-pay inflation)		14,585
Subtotal Changes to Base		22,796
FY 2025 Current Services	2,252	\$1,263,303
Program Changes:		
Program Increases:	11	16,119
Existing Program Growth (ARC IT)		9,337
IT Systems Modernization and Program Support (CTAS)	1	5,382
Existing and New Customer Growth (ARC Admin)	10	850
Centralization of IT Commodity Applications and Services (TSSP)		550
Subtotal Program Changes	11	\$16,119
FY 2025 Estimate	2,263	\$1,279,422

Budget Adjustments

Adjustments to FY 2024 Original Estimate +\$230,307,000/ +19 FTE

Centralization of IT Commodity Applications and Services (TSSP) +\$181,714,000 / +20 FTE

The updated TSSP FY 2024 includes adjustments to support customer specific projects requested by customers for additional services that are outside of the standard shared offerings. Majority of the increase in customer specific costs are related to the centralization of costs for IT initiatives such as an enterprise contract for cloud services, centralization of Continuous Diagnostics and Mitigation (CDM) investments, investments in the Treasury Enterprise Network Services (TENS) task orders that includes the core services enabling the enterprise offerings for TENS-Wide Area Network (WAN) and TENS-Voice with built-in security that allows the bureaus to comply with enterprise standards. This is not an increase in costs to the TFF customers, instead Treasury and its customers can achieve better pricing through centralized procurement. The increase in spending to support the centralization of IT initiatives to include:

- Cloud Enterprise Services: \$67.7 million
- CDM: \$64.1 million
- WANS: \$49.9 million

IRS Human Resources Information Technology Modernization (TSSP) +\$20,000,000 / +9 FTE

The revised estimate includes the continue support to modernize the IRS HRIT system and improve employee experience aligned with delivery of commodity applications through TSSP. The IRS HRIT portfolio includes approximately 100 applications, 100 workflows and multiple supplemental Excel and Access-based processes. This initiative is a multi-year effort over a 9-year period which started in late FY 2023. The initial phase of this multi-year project includes working with the IRS to conduct a rationalization exercise to assess all legacy HR technology and underlying the gaps to determine the best technology solutions.

Support Customer Projects and Investments (ARC Admin) +\$12,150,000 / +0 FTE

The updated ARC Admin revised estimate includes adjustment to support customer projects and system investments to meet demands of customers. Without these resources, customers will experience delays in projects, impacting mission success and other federal priorities.

Revised Estimates and Operating Costs (ARC Admin) +\$9,332,000 / -13 FTE

FY 2024 revised estimate includes adjustments to reflect updated pay estimates and increased cost pressures in non-labor related to ongoing maintenance costs of applications supporting the Admin services (Financial Management, Human Resources, Procurement and Travel).

Revised Estimates and IT Maintenance (ARC IT) +\$5,978,000 / +0 FT

ARC IT revised estimate includes adjustments to reflect updated pay estimates accounting for increasing payroll costs and increased cost pressures in non-labor related to ongoing maintenance cost of computing solutions.

Treasury Recruitment Service Program (TSSP) +\$1,133,000 / +3 FTE

To support the Workforce Priority of the President's Management Agenda, a new shared services program was developed to improve the hiring and recruitment efforts across the Department. The Treasury Recruitment Service Program will amplify bureau-level recruitment efforts by

leveraging Departmental resources and brand. Also, the program is designed to build coalitions with interagency and external stakeholders regarding talent outreach and recruitment.

Maintaining Current Levels (MCLs)..... +\$22,796,000 / +0 FTE

Pay Annualization (5.2% in 2024) +\$3,786,000 / +0 FTE:

Funds are required for annualization of the January 2024 5.2 percent average pay raise.

Pay Raise (2.0% in FY 2025) +\$4,425,000 / +0 FTE:

Funds are required for a 2.0 percent average pay raise in January 2024.

Non-Pay (2.2% in FY 2025) +\$14,585,000 / +0 FTE

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

Program Increases..... +\$16,119,000 / +11 FTE

Existing Program Growth (ARC IT), +\$9,337,000 / +0 FTE

FY 2025 estimates for ARC IT include additional funding to support the growing systems costs to operate IT programs, including contracts, supplies, and equipment growth. Growth drivers include modernization costs related to transition from legacy platforms and services to more modern, cloud-based solutions, as well as costs associated with compliance with Executive Order 14028, Improving the Nation's Cybersecurity.

IT Systems Modernization and Program Support (CTAS), +\$5,382,000 / +1 FTE

Within the Centralized Treasury Administrative Services (CTAS) program, funding in FY 2025 is needed for additional information technology costs (e.g., licenses, hardware) for onboard staff and contractors. Funding is also needed for contractual adjustments (above standard inflation) for building security and a new fleet manager information system to comply with regulatory requirements, and staffing for the Privacy, Transparency, and Records office that supports Departmental Offices.

Existing and New Customer Growth (ARC Admin) +\$850,000 / +10 FTE

FY 2025 estimates for ARC Admin include strategic investments in solutions and continuous improvements offered by the Financial Management Marketplace. These investments will position ARC to leverage the marketplace to support customer growth and advance the Financial Management Quality Service Management Office's (FM QSMO) goal to increase the number of agency subcomponents using common financial management solutions.

Centralization of IT Commodity Applications and Services (TSSP) +\$550,000 / +0 FTE

Treasury will continue to pursue centralization of IT Commodity Applications and enterprise solutions across the Department. Investing in enterprise solutions and implementing best practices can significantly improve the Department's security posture and reduce the risk of security incidents.

Legislative Proposals

The TFF has no legislative proposals.

Performance Highlights

Budget Activity	Performance Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
		Actual	Actual	Actual	Target	Target
Treasury Shared Services	Average Cost Per FTE	1,580	1,951	1,960	DISC	DISC
Treasury Shared Services	Annual Effective Spend Rate [%}	96	93	99	96	96
Treasury Shared Services	Customer Satisfaction [%]	80	73	83	80	80
Centralized Treasury Administrative Services	Annual Effective Spend Rate [%]	96	96	97	96	96
Centralized Treasury Administrative Services	Customer Satisfaction [%]	80	78	72	80	80
Administrative Support Services	Customer Unmodified Audit Opinions [%]	100	100	100	100	100
Administrative Support Services	Percentage of shared service level agreement performance metrics met or exceeded [%]	94	97	91	94	94
Administrative Support Services	Customer Satisfaction with ARC Admin Services [%]	93	90	85	80	80
Information Technology Services	% of IT Portfolio (TFF) Software and Hardware Currency	B	76	85	85	95
Information Technology Services	% of On-Premises Target Service Level Agreements	B	94	97	80	80

Key: B – Baseline; DISC: Discontinued

Description of Performance

The TSSP annual effective spend rate provides insight to the financial management and oversight of the TSSP programs. It measures how much of the resources collected from customers are being obligated for service delivery in the fiscal year. This measure captures the efficient use of resources by the service providers. In FY 2023, 95 percent of the funds collected from customers for the shared services was obligated, which was slightly below the 96 percent target rate set for the fiscal year. The target will remain at 96 percent for FY 2024 and FY 2025.

In FY 2023, the TSSP survey results yielded an 83 percent overall customer satisfaction rating, which is above the 80 percent target. Strategic partnerships with TSSP governance councils, meeting monthly with Treasury budget directors and the use of the TSSP Roadshows provides expanded customer engagement opportunities to the various stakeholders to better communicate the expected changes to program budgets and the impact to their upcoming service level agreements. Treasury will continue to build on these transparency initiatives to maintain and improve the customer satisfaction scores. The target for this measure is set at 80 percent for both FY 2024 and 2025.

The CTAS FY 2023, the annual effective spend and customer satisfaction rates were 97 and 72 percent respectively. The annual effective spend target was met however the customer satisfaction score was slightly below the FY 2023 target score of 80. The targets set for the annual effective spend rate and customer satisfaction measures are mirrored after the TSSP target to maintain consistency in overall financial management of the two shared services providers within Departmental Offices. The targets set in both FY 2024 and 2025 is 96 and 80 percent, for the annual effective spend rate and customer satisfaction measures respectively.

In FY 2023, ARC Admin received an unmodified opinion on franchise operations for the 21st consecutive year and met its performance target of 100 percent of customer unmodified audit opinions (33). By meeting this metric consistently year after year, ARC has improved public confidence in federal stewardship, operations, and reporting.

In FY 2023, ARC IT established a baseline for software/hardware currency and on-premises target service level agreements met. The goal of these new measures is to reduce the use of End of Life technology, which in turn further minimizes technical debt and risk for our customers, and measure how well technical teams are performing and closing out the requests and incidents. The FY 2024 and 2025 targets reflect operational commitments to customers and allows room for improvement.

This year, TFF is working to align budget activities and performance measures to the new objectives in the Treasury FY 2023 – 2027 Strategic Plan. This work will include benchmarking performance and may result in changes to performance measures in the FY 2025 budget.