

Bureau of Engraving and Printing

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016	FY 2017	FY 2018	FY 2017 TO FY 2018	
	Actual	Estimated	Estimated	\$ Change	% Change
Manufacturing	\$648,035	\$806,355	\$839,484	\$33,149	4.11%
Total Cost of Operations	\$648,035	\$806,355	\$839,484	\$33,149	4.11%
FTE	1,818	1,842	1,842	0	NA

Summary

The mission of the Bureau of Engraving and Printing (BEP) is to develop and produce United States currency notes, trusted worldwide.

The BEP's FY 2018 request funds the following projects:

Banknote Design and Development: In 2018, BEP will continue working with the government's Advanced Counterfeit Deterrent Steering Committee to research and develop future currency designs for the next family of redesigned notes that will enhance and ensure the security and integrity of U.S. currency.

Meaningful Access: Work continues in FY 2018 on the goal of redesigning currency to better assist domestic and international users, including the blind and visually impaired, with denominating U.S. currency notes.

Retooling: BEP is in the process of a multi-year effort to retool BEP's manufacturing processes with state-of-the-art intaglio printing presses, electronic inspection systems, and finishing equipment. In order to ensure that the BEP will meet the yearly currency order, the Federal Reserve Board (FRB) and BEP developed and established short, medium, and long-term strategic equipment replacement plan for the U.S. Currency Program.

BEP Workforce: Throughout 2018, the Bureau will continue to develop, execute, and communicate the results of Employee Engagement Plans and the Federal Employee Viewpoint Survey annual results. In addition

to implementing BEP Human Capital Plan initiatives, efforts will continue to fill gaps in needed Science, Technology, Engineering and Mathematics skill sets to support our Currency Quality Assurance efforts in addition to adding resources in technology development and feature testing areas.

Currency Quality Assurance (CQA) Program: BEP has partnered with the FRB to reinvent its quality management program based on the best practices of leading manufacturers. The BEP, in collaboration with its stakeholders, developed a robust CQA program that began in 2014 and will continue to mature in 2018. This reinvention has moved BEP to a proactive approach of building quality into production processes.

New International Organization for Standardization (ISO) requirements: ISO has published updated standards that the BEP must adhere to in order to maintain certification. In order to pass recertification, BEP must align its Quality Management System to the ISO 9001:2015 standard and its Environment Management System to the ISO 14001:2015 standard no later than September 2018.

Replacement DC Production Facility (DCF): BEP's current Washington, DC facility has an aging and outdated infrastructure with multiple floors and wings, which drives up costs and adversely impacts quality. For 2018, BEP is requesting statutory authority to purchase land and construct a new more efficient currency production facility in the National Capital Region. The FRB, which

would pay for the construction of a new National Capital Region production facility, supports this project. Alternately, BEP must begin the renovation of the existing Main and Annex Buildings to ensure its ability to meet its mission. Renovation will cost \$1.8 billion,

approximately \$700 million more than the purchase and construction of a new facility and with none of the projected efficiencies (28 percent less space and a \$38 million reduction in annual operating costs).

BEP FY 2018 Budget Highlights

Dollars in Thousands

Bureau Name	FTE	Materials	Operating & Capital	Total
FY 2017 Estimated	1,842	\$300,000	\$506,335	\$806,335
Changes to Base:				
Maintaining Current Levels (MCLs):			\$10,823	\$10,823
Pay-Raise			3,528	3,528
Pay Annualization			1,293	1,293
Non-Pay			6,002	6,002
Subtotal Changes to Base			\$10,823	\$10,823
Total FY 2018 Base	1,842	\$300,000	\$517,158	\$817,158
Program Changes:				
Program Decreases:		(\$10,851)	(\$30,823)	(\$41,674)
Production Efficiency			(10,823)	(10,823)
Currency Readers			(20,000)	(20,000)
Materials		(10,851)		(10,851)
Program Increases		\$0	\$64,000	\$64,000
DCF Production Facility Replacement			64,000	64,000
Total FY 2018 Estimated	1,842	\$289,149	\$550,335	\$839,484

FY 2018 Budget Adjustments

Adjustment to Estimates

Maintaining Current Level (MCLs)

Pay-Raise +\$3,528,000

Funds are required for the proposed January 2018 pay-raise.

Pay Annualization +\$1,293,000 / +0 FTE

Funds are required for the annualization of the 2017 pay-raise.

Non-Pay +\$6,002,000

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

Production Efficiency -\$10,823,000 / -0 FTE

BEP will strategically prioritize and perform critical mission requirements to lower production costs to offset increases in MCLs.

Program Decreases

Currency Reader -\$20,000,000 / - 0 FTE

As the Currency Reader distribution program matures and downloadable applications and

image recognition technology becomes more commonplace, BEP expects demand for currency readers to decline in FY 2018.

Materials -\$10,851,000 / -0 FTE

Materials reduction: Reduction in materials due to program reduction, increased 50 subject printing coupled with anticipated reduction in spoilage.

Program Increase

DCF Production Facility Replacement

+\$64,000,000 / +0 FTE

Funding is requested in FY 2018 to award replacement facility build design service contracts. Absent legislative authority to purchase land and construct a new, smaller, more efficient currency production facility, an additional \$15 million would be required in FY 2018 to award needed renovation contracts in order to ensure BEP's ability to meet its mission.

Legislative Proposals

In 2018 BEP requests statutory authority to purchase land and construct a new more efficient currency production facility in the National Capital Region.

The FRB supports this project. Alternatively, BEP must begin the renovation of the existing

DC Main and Annex Buildings in FY 2018. Renovation will cost approximately \$1.8 billion, \$700 million more than the cost of purchasing and constructing a new facility, and would have none of the projected efficiencies (28 percent less space and a \$38 million reduction in annual operating costs).

BEP Performance Highlights

Budget Activity	Performance Measure	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014 – FY 2016
		Actual	Actual	Actual	Target	Target	Trend
Manufacturing	Percent of Currency Notes Delivered Returned Due to Defects	0.00001	.0000003	.0000003	0.0001	0.0001	
Manufacturing	Best Places to Work in Federal Government Ranking	51	74	97	99	99	
Manufacturing	Lost Time Accident Rate per 100 Employees	1.73	1.65	1.77	1.80	1.80	
Manufacturing	Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced)	44.22	42.35	44.25	50.0	50.0	

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 2016 the cost of manufacturing was lower than anticipated; the actual result was \$44.25 per 1,000 notes produced compared to a target of \$50.00. BEP's target for this performance metric in both 2017 and 2018 is set at \$50.00 per 1,000 notes produced.

The Percent of Currency Notes Returned Due to Defects is an indicator of the BEP's ability to provide a quality product. BEP's FY 2016 target was .0001 percent, and the actual result was .0000003 percent. BEP's target for this performance metric will be held constant at .0001 percent for both FY 2017 and 2018.

BEP's ranking in the Best Place to Work in the Federal Government ranking is based on the Partnership for Public Service data on three questions in the Federal Employee Viewpoint Survey. BEP's 2016 rank was 97 out of 305. BEP will continue to target improving its ranking and strives to be in the upper quartile of Federal agencies.

The Lost Time Accident Rate per 100 Employees measures the Bureau's ability to reduce injuries and illnesses in the workplace. BEP's 2016 lost time accident rate was 1.77 cases compared to the target of 1.80 cases. 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 will be held constant at 1.80 per 100 employees for FY 2017 and FY 2018.