

Bureau of Engraving and Printing

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2012	FY 2013	FY 2014	FY 2012 TO FY 2014	
	Actual	Estimated	Estimated	\$ Change	% Change
Manufacturing	\$704,980	\$645,150	\$661,755	(\$43,225)	-6.13%
Total Cost of Operations	\$704,980	\$645,150	\$661,755	(\$43,225)	-6.13%
FTE	1,872	1,880	1,880	8	0.43%

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 2014 Priorities

- Achieve BEP's strategic goals.
- 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 BEP 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 (FRB). During FY 2014, BEP expects to produce and deliver 8.0 billion notes to the FRB to meet currency demand. This represents a small increase in the number of notes produced from the 7.7 billion note program expected to be delivered in the FY 2013 program. In order to meet continued 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 2014 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.

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.

Work will continue in FY 2014 on the goal of enabling the Nation's currency to better serve domestic and international users, including the blind and visually impaired. The Bureau will be incorporating features into the next redesign of currency that will assist every American to better use and denominate currency. 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. 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.

The FY 2014 Budget request funds an implementation of a BEP Currency reader distribution pilot program. 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. The FY 2014 request is based on an initial state rollout program which will run for approximately six months giving BEP time to assess response levels and program effectiveness before a planned national rollout in FY 2015.

BEP FY 2014 Budget Highlights

Dollars in Thousands

Bureau of Engraving and Printing	FTE	Materials	Operating & Capital	Total
FY 2012 Actual	1,872	\$704,980	-	\$704,980
FY 2013 Estimated	1,880	\$274,644	\$370,506	\$645,150
Changes to Base:				
Maintaining Current Levels (MCLs):	-	-	\$4,605	\$4,605
Pay-Raise	-	-	\$1,979	\$1,979
Non-Pay	-	-	\$2,626	\$2,626
Efficiency Savings:	-	-	(\$15,000)	(\$15,000)
IT Savings due to Implementation of Manufacturing Support System	-	-	(\$3,500)	(\$3,500)
Reduced Labor costs due to spoilage reductions	-	-	(\$1,500)	(\$1,500)
Leverage Technology Investments - WCF Public Tour	-	-	(\$1,000)	(\$1,000)
Offer separation incentives (VERA/VSIP)	-	-	(\$400)	(\$400)
Strategic Alignment Initiative with US Mint and other Treasury bureaus	-	-	(\$1,000)	(\$1,000)
Defer Targeted Facility Improvements in Washington DC	-	-	(\$5,600)	(\$5,600)
Close DC Public Tour during safety renovations	-	-	(\$2,000)	(\$2,000)
Subtotal Changes to Base	-	-	(\$10,395)	(\$10,395)
Total FY 2014 Base	1,880	\$274,644	\$360,111	\$634,755
Program Changes:				
Program Increases:	-	\$12,000	\$15,000	\$27,000
Anticipated changes in FY 2014 Currency Manufacturing Program	-	\$12,000	-	\$12,000
Install Screen Press for Tactile Features	-	-	\$10,000	\$10,000
Continue Currency Reader Loan Program Pilot Implementation	-	-	\$5,000	\$5,000
Total FY 2014 Estimated	1,880	\$286,644	\$375,111	\$661,755

FY 2014 Budget Adjustments

Maintaining Current Level (MCLs)

Pay-Raise +\$1,979,000 / +0 FTE

The President's Budget proposes a 1 percent pay-raise for federal employees in 2014.

Non-Pay +\$2,626,000 / +0 FTE

Funds are required for inflation adjustments in in non-labor costs such as travel, contracts, rent, supplies, and equipment.

Efficiency Savings

IT Savings due to Implementation of Manufacturing Support System -\$3,500,000 / +0 FTE

BEP's implementation of a modern IT platform has enabled the transition to cloud hosting, eliminated costly legacy systems and has reduced overall operating and maintenance costs.

Reduced Labor costs due to spoilage reductions -\$1,500,000 / +0 FTE

As a result of spoilage reduction efforts, BEP anticipates better production yields which will in turn reduce overtime costs.

Leverage Technology Investments - WCF Public Tour -\$1,000,000 / +0 FTE

By expanding the use of hand held and other interactive devices, BEP would convert the Western Currency Facility Public tour into a more self-guided tour, reducing the need for contracted tour guide services.

Offer separation incentives (VERA/VSIP) -\$400,000 / +0 FTE

BEP plans to continue current right-sizing efforts by offering separation incentives (VERA/VSIP). Staff reductions in General

and Administrative areas will enable BEP to fill gaps in direct manufacturing and quality assurance positions. Savings reflect the net budget impact of reductions of high salary positions being replaced by, on average, more junior, lower salary staff.

Strategic Alignment Initiative with US Mint and other Treasury bureaus -\$1,000,000 / +0 FTE

BEP plans to leverage cost savings initiatives as a result of the Strategic Alignment Initiative with the United States Mint and other bureaus.

Defer Targeted Facility Improvements in Washington DC -\$5,600,000 / +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.

Close DC Public Tour during safety renovations -\$2,000,000 / +0 FTE

BEP proposes closing the public tour in Washington DC for renovations that will increase safety for our visitors. By closing the tour during the renovation period, construction upgrades can occur unimpeded and be completed in a shorter time frame. After completion of the renovations, the tour will reopen and tours will resume at a normal tour schedule. This temporary closing of the tour will decrease contract costs while having no impact on BEP's primary mission of developing and producing United States currency notes, trusted worldwide.

Program Increases

Continue Currency Reader Loan Program Pilot Implementation +\$5,000,000 / +0 FTE

The FY 2014 Budget increase funds the implementation of the BEP Currency reader distribution program. The funding request is based on an initial five-state rollout program which will run for approximately six months,

giving BEP time to assess response levels and program effectiveness before a planned national rollout in FY 2015.

Anticipated changes in FY 2014 Currency Manufacturing Program +\$12,000,000 / +0 FTE

Program increases in FY 2014 are based on expected increases in FRB currency note orders and accelerated development of tactile features for meaningful access.

Install Screen Press for Tactile Features +\$10,000,000 / +0 FTE

The Bureau is focused on building the capability to produce new currency designs with tactile features to provide meaningful access to US currency for the blind and visually impaired. Extensive market research identified potential methods of giving meaningful access and additional security features to U.S. banknotes; it was determined that a screen printing press provided the needed flexibility in developing new banknote features for the future.

Explanation of Budget Activities

Manufacturing (\$661,755,000 from revenue/offsetting collections)

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 Leonard Olijar.

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 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.

[SEC. 113. None of the funds appropriated or otherwise made available by this or any other Act or source to the Department of the Treasury, the Bureau of Engraving and

Printing, and the United States Mint, individually or collectively, may be used to consolidate any or all functions of the Bureau of Engraving and Printing and the United States Mint without the explicit approval of the House Committee on Financial Services; the Senate Committee on Banking, Housing, and Urban Affairs; and the Committees on Appropriations of the House of Representatives and the Senate.]

BEP Performance by Budget Activity

Budget Activity	Performance Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
		Actual	Actual	Actual	Target	Target
Manufacturing	Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced) (\$)	44.85	34.6	43.34	55.0	55.0

Key: DISC - Discontinued and B - Baseline

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. This measure is based on contracted price factors and anticipated productivity improvements, as well as the mix of denominations ordered year to year. As more sophisticated counterfeit deterrent design features are produced, paper and ink costs increase, resulting in increased total manufacturing costs. Actual performance against standard cost depends on BEP’s ability to meet annual spoilage, efficiency, and capacity utilization goals. In order to meet this measure, costs and other standard manufacturing performance metrics are tracked at each stage of production and corrections are made on the shop floor. In addition, production and quality metrics are discussed on a monthly basis at the executive level and corrective action plans are developed. The manufacturing cost of currency metric has performed at or better than its annual targets for the past seven years. In

2012 the cost of manufacturing was lower than anticipated, as the actual result realized for this measure was \$42.00 per 1,000 notes produced against a target of \$48.00. The performance goals for both 2013 and 2014 reflect the increased production of high cost redesigned \$100 notes as a proportion of the total annual order, and are set at \$55.00 in both 2013 and 2014.

Percent of currency notes returned due to defects is an indicator of the Bureau’s ability to provide a quality product. All notes delivered to the Federal Reserve go through rigorous quality inspections during the manufacturing process. In addition, notes are inspected a final time using the same inspection systems used at the Federal Reserve Banks. These inspections ensure that all counterfeit deterrent features, both overt and covert, are functioning as designed. BEP’s FY 2012 target for this performance metric was .0001 percent and BEP was able to meet the target. An infinitesimal number of notes are returned due to defects; In FY 2012 only 1500

notes were returned out of the 8.4 billion notes produced. BEP anticipates similar results in the future, and BEP's target for this performance metric will be held constant at .0001 percent for FY 2013 and FY 2014.

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. This survey is sent annually to all Federal employees seeking their opinion on their organization's leadership and programs relating to fairness, employee empowerment and recognition. BEP's performance plan for this metric was to improve its previous ranking of 174 out of 240. BEP's 2012 ranking was 178 out of 292, increasing from the 28th percentile to the 39th percentile. BEP's overall index score (which measures BEP's performance related to employee job satisfaction and commitment) rose to 60.7 in 2012 from 60.0 in 2011 and the Bureau's Best Places to Work scores improved in 10 out of 13 categories this year. The Bureau will continue to sponsor activities and encourage employee engagement by contributing ideas and participation in events which are aimed at improving the work environment for all employees. The Bureau will continue these efforts and is confident that this positive direction will continue. BEP will continue to target achievement of an improvement in rank by getting into the top 100.

Reduction in Regulated Waste (Millions of pounds 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). This reflects the maturation of the EMS as well as the Bureau's commitment to continually improve its Environmental Health and Safety (EHS) performance, as both of the

Bureau's two manufacturing facilities received unconditional recertification to the ISO 14001 standard in FY 2012. BEP's FY 2012 performance of 32 million pounds of regulated waste for this metric was against a target of 32.7 million pounds.

Lost Time Accident Rate per 100 Employees measures the Bureau's ability to reduce injuries and illnesses in the workplace. BEP's key performance indicator is the annual Occupational Safety and Health Administration's (OSHA) reportable lost time case rate and number of lost workdays. In 2012 BEP's lost time case rate decreased favorably by more than 25 percent during the fiscal year to 1.4 against a target of 1.7 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 will continue to allocate resources to have the greatest impact on preventing future injuries. BEP's target for this performance metric will be held constant at 1.7 per 100 employees for FY 2013 and FY 2014.