

Department of the Treasury
Bureau of Engraving and
Printing

Congressional Justification
for Appropriations and
Annual Performance
Report and Plan

FY 2018

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Section I – Purpose

A – Mission Statement

To develop and produce United States currency notes trusted worldwide.

B – Summary of the Request

The Bureau of Engraving and Printing (BEP) produces and delivers U.S. currency notes for the Federal Reserve System ordered by the Board of Governors of the Federal Reserve (FRB) and other security products for the federal government. The Bureau began printing currency in 1862 and 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 provides technical assistance, advice, and some production services to other Federal agencies in the development of security documents that require counterfeit deterrent features due to their innate value or other characteristics. Other activities at the BEP include engraving plates and dies; manufacturing inks used to print security products; purchasing materials, supplies and equipment; and storing and delivering products in accordance with customer requirements.

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

1. **Banknote Design and Development:** In 2018, BEP will continue working with the Federal Government's Advanced Counterfeit Deterrent (ACD) 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. The ACD Committee is an inter-agency group established to monitor and explore existing and emerging technologies to deter the counterfeiting of U.S. currency; it includes representatives from BEP, the Department of the Treasury, the U.S. Secret Service, and the FRB. While many factors are taken into consideration, the primary purpose for redesigning currency is to address current and potential counterfeiting threats.
2. **Meaningful Access:** Work continues in FY 2018 on redesigning currency to better assist domestic and international users, including the blind and visually impaired, with denominating U.S. currency notes. The three approved methods BEP is pursuing include the continued use of large, high-contrast numerals and different colors on currency notes; implementation of a U.S. Currency Reader Program that distributes iBill® currency readers (electronic assistive devices that identify a note's value and communicates it to the user) at no cost to those individuals; and the pursuit of a Raised Tactile Feature for future currency notes. In 2013, the ACD recommended that the \$10 note be the first denomination redesigned based on current and potential counterfeiting threats, amongst other factors. Throughout 2018, the testing and refinement of features will continue to determine and shape which processes and potential features work best at the high production volumes needed for U.S. currency.

3. **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 FRB and BEP developed and established short, medium, and long-term strategic equipment replacement plan for the U.S. Currency Program. The successful implementation of this advanced technology will improve productivity, reduce environmental impact, and enhance counterfeit deterrence of U.S. currency.
4. **BEP Workforce:** In 2015, the BEP developed a FY 2016 – 2020 Human Capital Strategic Plan outlined priority goals and initiatives to assess and drive meaningful workforce improvements in leadership and career development, knowledge management, training, and STEM (Science, Technology, Engineering and Mathematics) hiring and development over the next five years. Throughout 2018, BEP will continue to develop, execute, and communicate the results of Employee Engagement Plans and the FEVS annual survey results. In addition to implementing BEP Human Capital Plan initiatives, efforts will continue to fill gaps in needed STEM skill sets to support our Currency Quality Assurance (CQA) efforts in addition to adding resources in technology development and feature testing areas.
5. **Currency Quality Assurance 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. BEP now builds quality into production processes. Every BEP work activity is aligned and will be resourced to support this program that focuses on every step of the supply chain from raw material, through the manufacturing process, to final packaging and delivery. CQA reaches into nearly every "corner" of the 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.
6. **New International Organization for Standardization (ISO) requirements:** ISO has published updated standards that the BEP must follow to maintain certification. The updated ISO 14001:2015 requirements will allow BEP to manage an integrated and proactive Environment Management System (EMS) that will better manage the activities on the environment and demonstrate sound environmental management. In order to pass recertification, BEP must align its Quality Management System (QMS) to the ISO 9001:2015 standard and its EMS to the ISO 14001:2015 standard no later than September 2018. The updated ISO 9001:2015 requirements include a significant expansion of the BEP QMS, with the inclusion of business processes that support currency manufacturing. This includes processes that affect people, infrastructure, as well as the operational environment of currency manufacturing. The updated ISO 14001:2015 requirements will allow BEP to manage an integrated and proactive EMS that will better manage the effects of BEP activities on the environment and demonstrate sound environmental management.

7. **Replacement Production Facility:** 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. BEP needs to move forward to upgrade its facility in FY 2018, in order to be prepared to issue redesigned banknotes. BEP could renovate the existing facility, which would be very costly and inefficient (\$15M more in FY 2018 alone), or could purchase land and construct a new facility, which would be more efficient with less costs. However, under current law, BEP does not have the authority to purchase land or a new facility. For 2018, BEP is requesting legislative authority to purchase land and construct a new more efficient currency production facility in the National Capital Region with a goal of reducing the Federal footprint. The FRB supports the construction of a new facility. Renovation will cost approximately \$1.8 billion, \$700 million more than the cost of purchasing and constructing a new facility and would not achieve any of the projected efficiencies (28 percent less space and a \$38 million reduction in annual operating costs). With the new authority, construction of the new production facility would be completed by 2022 and the new facility fully operational by the end of 2026.

1.1 – Appropriations Detail Table

Dollars in Thousands

Bureau of Engraving and Printing Offsetting Collections	FY 2016		FY 2017		FY 2018		FY 2017 to FY 2018			
	Actual		Estimated		Estimated		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/ Offsetting Collections:										
Federal Reserve Notes		\$644,035		\$801,335		\$834,484		\$33,149		4.14%
Other Security Products		4,000		5,000		5,000		-		0.00%
Total Revenue/Offsetting Collections		\$648,035		\$806,335		\$839,484		\$33,149		4.11%
Expenses/Obligations:										
Direct Manufacturing	754	\$446,840	724	\$486,840	724	\$462,266	0	(\$24,574)	0.00%	-5.05%
Indirect Manufacturing	1,064	201,195	1,118	319,495	1,118	377,218	0	57,723	0.00%	18.07%
Total Expenses/Obligations	1,818	\$648,035	1,842	\$806,335	1,842	\$839,484	0	\$33,149	0.00%	4.11%
Net Results		0		0		0		0		NA

1.2 – Budget Adjustments Table

Dollar in Thousands

Bureau of Engraving and Printing	FTE	Materials	Operating & Capital	Total
FY 2017 Estimated	1,842	\$300,000	\$506,335	\$806,335
Changes to Base:				
Maintaining Current Levels (MCLs):				
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 Decrease		(\$10,851)	(\$30,823)	(\$41,674)
Production Efficiency			(10,823)	(10,823)
Currency Readers			(20,000)	(20,000)
Materials		(10,851)		(10,851)
Program Increase		\$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

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$10,823,000 / +0 FTE

Pay-Raise +\$3,528,000 / +0 FTE

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

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

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

Non-Pay +\$6,002,000 / +0 FTE

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

Program Decreases -\$41,674,000 / -0 FTE

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.

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

As the U.S. Currency Reader Program matures and downloadable applications and image recognition technology becomes more commonplace, the BEP expects the demand for currency readers to be reduced in FY 2018.

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

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

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

Production Facility Replacement +\$64,000,000 / +0 FTE

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

1.3 – Operating Levels Table

Dollars in Thousands

Bureau of Engraving and Printing	FY 2016	FY 2017	FY 2018
Object Classification	Actual	Estimated	Estimated
11.1 - Full-time permanent	\$176,236	\$177,560	\$181,256
11.3 – Other than Full-time Permanent Positions	0	150	150
11.5 - Other personnel compensation	19,117	2,050	2,093
11.6 - Overtime	0	15,000	15,000
11.9 - Personnel Compensation (Total)	\$195,353	\$194,760	\$198,499
12.0 - Personnel benefits	51,396	52,000	53,082
Total Personnel and Compensation Benefits	\$246,749	\$246,760	\$251,581
21.0 - Travel and transportation of persons	\$1,311	\$1,350	\$1,800
22.0 - Transportation of things	189	250	250
23.1 - Rental payments to GSA	1,398	2,000	2,000
23.2 Rent Payments to Others	0	1,000	1,000
23.3 - Communication, utilities, and misc charges	10,313	14,000	14,000
24.0 - Printing and reproduction	350	250	250
25.1 - Advisory and assistance services	2,272	3,500	4,150
25.2 - Other services	47,827	90,865	133,078
25.3 - Other purchaes of goods and services from Government Accounts	241	0	0
25.4 - Operation & Maintenance of Facilities	0	8,100	8,950
25.5 - Research & Development Contracts	0	7,000	15,000
25.7 - Operation & Maintenance of Equipment	0	11,900	12,000
26.0 - Supplies and materials	295,259	300,000	249,815
31.0 – Equipment	41,951	119,200	145,450
41.0 – Insurance claims and indemnities	0	160	160
42.0 – Insurance claims and indemnities	175	0	0
Total Non-Personnel	\$401,286	\$559,575	\$587,903
Total Budgetary Resources	\$648,035	\$806,335	\$839,484
FTE	1,818	1,842	1,842

D – Appropriations Language and Explanation of Changes

The BEP receives no appropriated funds from Congress.

E – Legislative Proposals

In 2018 BEP requests statutory authority to purchase land and construct a new and 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).

Section II – Annual Performance Plan and Report

A – Strategic Alignment

To develop and produce United States currency notes, trusted worldwide. BEP's vision is to be the world standard securities printer providing its customers and the public with superior products through excellence in manufacturing and innovation. The FY 2018-2022 Strategic Plan is currently under development and BEP will update its Annual Performance Plan in the FY 2019 Budget.

U.S. currency is used globally and as its designer and manufacturer, BEP needs to achieve and maintain best-in-class practices for U.S. currency to be accepted worldwide. Working closely with our partners in the U.S. Currency Program, BEP looks forward to developing the next series of secure notes. BEP continues to make every effort to meet its mission to manufacture sophisticated and technologically advanced notes that are dependable in commerce. This achievement requires the focus and determination of the entire agency since BEP faces challenges and has committed to stay ahead of increasingly sophisticated counterfeiters.

B – Budget and Performance by Budget Activity

2.1 Manufacturing Resources and Measures

Manufacturing Activity							
Resource Level	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expense/Obligations	\$630,000	\$624,243	\$733,208	\$778,592	\$648,035	\$806,355	\$839,484
Budget Activity Total	\$630,000	\$624,243	\$733,208	\$778,592	\$648,035	\$806,355	\$839,484
FTE	1,872	1,890	1,845	1,780	1,818	1,842	1,842

Measure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2016	FY 2017	FY 2018	FY 2011 -
	Actual	Actual	Actual	Actual	Actual	Target	Target	Target	FY 2016
	Trend								
Best Places to Work in Federal Government Ranking	178	47	51	74	97	99	99	99	
Lost Time Accident Rate per 100 Employees	1.9	1.63	1.73	1.65	1.77	1.80	1.80	1.80	
Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced)	43.34	50.45	44.22	42.35	44.25	50.0	50.0	50.0	
Percent of Currency Notes Delivered Returned Due to Defects	.0001	.466	.00001	.0000003	.0000003	.00001	.00001	.00001	

Key: DISC - Discontinued, B - Baseline

Manufacturing Budget and Performance

(\$839,484,000 from reimbursable resources):

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 costs 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 against 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 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 2017 and 2018.

BEP's ranking in the government-wide Best Place to Work in the Federal Government is based on the results of the Partnership for Public Service data on three questions in the Federal Employee Viewpoint Survey (FEVS). 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 BEP's ability to reduce injuries and illnesses in the workplace. BEP's 2016 Lost Time Accident rate was at 1.77 cases per 100 employees, surpassing the target of 1.80 cases per 100 employees. The BEP 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 cases per 100 employees for FY 2017 and FY 2018.

Section III – Additional Information

A – Summary of Capital Investments

The BEP capital investment strategy is comprised of several broad investment categories, with more specific smaller projects in each category.

The BEP's mission to develop and produce U.S. currency notes, trusted worldwide, demands that BEP continually update and improve its manufacturing processes by investing in new technologies and innovations. BEP's retooling project replaces older, fully depreciated production equipment. Replacing out of date equipment allows BEP to be more quality driven and cost effective and efficient in meeting customer requirements for the production of currency notes. In addition, the BEP is focused on building the capability to produce new currency designs with tactile features to provide meaningful access to currency for the blind and visually impaired.

BEP participates as a partner in significant Treasury-wide, enterprise-level investments such as Homeland Security's Presidential Directive-12, HRConnect (a Human Resources Line of Business service provider), and the Treasury Learning Management System.

BEP's IT portfolio includes a "cloud first" approach to implementing business systems. The Oracle eBusiness Suite is an integrated manufacturing suite which runs at the Oracle Corporation's "Federal on Demand" Shared Service Center in Austin, Texas.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed/downloaded here:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document