

Department of the Treasury  
Bureau of Engraving and  
Printing

Congressional Budget  
Justification and Annual  
Performance Report and Plan

FY 2019

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## **Section I – Purpose**

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### **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. BEP 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 BEP 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 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 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. BEP supports the Treasury goals to Boost U.S. Economic Growth and Achieve Operational Excellence.

BEP's FY 2019 request funds the following projects:

- 1. Increasing the Department of the Treasury's Efficiency and Effectiveness by Streamlining Operations:** BEP and the United States Mint will streamline certain functions by migrating BEP's online numismatic sales and marketing presence to the Mint's recently modernized E-Commerce infrastructure and services platform, and centrally coordinating non-IT procurements, creating economies of scale and reducing expenses. In addition, the Budget requests the authority for BEP to print security documents for states. Many states are unable to find an American printing firm to produce the documents. These states are turning to foreign companies or lowering their security standards.
- 2. Banknote Design and Development:** In FY 2019, 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. Although many factors are taken into consideration, the primary purpose for redesigning currency is to address current and potential counterfeiting threats.

3. **Meaningful Access:** BEP continues its work in FY 2019 on redesigning currency to ensure that U.S. currency notes are accessible for domestic and international users, including the blind and visually impaired, with denominating U.S. currency notes. The three 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. Throughout FY 2019, 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.
4. **Retooling:** BEP is in the process of a multi-year effort to retool its manufacturing processes with state-of-the-art intaglio printing presses, electronic inspection systems, and finishing equipment. To ensure that BEP will meet the yearly currency order, the FRB and BEP developed and established short, medium, and long-term strategic equipment replacement plans 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.
5. **BEP Workforce:** BEP will continue its efforts to fill personnel gaps in needed STEM skill sets in FY 2019. In addition throughout FY 2019, BEP will continue to develop, execute, and communicate the results of Employee Engagement Plans and the Federal Employee Viewpoint Survey (FEVS) annual survey results.
6. **Currency Quality Assurance (CQA) Program:** BEP has partnered with the FRB to improve its quality management program based on the best practices of leading manufacturers. In collaboration with its stakeholders, BEP developed a robust CQA program that began in 2014 and will continue to mature in 2019. BEP builds quality into production processes. Every BEP work activity is aligned and will be resourced to support the CQA 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.
7. **New International Organization for Standardization (ISO) Requirements:** ISO has published updated standards that 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 BEP's QMS, with the inclusion of business processes that support currency manufacturing. This includes processes that affect people, infrastructure and 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.

8. **Replacement Production Facility:** BEP’s current Washington, D.C. facility has an aging and outdated infrastructure which drives up costs and adversely impacts quality of the currency. In 2019, BEP requests legislative authority to purchase land and construct a new, smaller, more efficient currency production facility in the National Capital Region. The FRB supports this project. The proposal would save \$579 million over 10 years, but with an additional \$22 million in savings in 2029, 2020 and 2031. With a new facility, BEP would be able to reduce its space by 28 percent and reduce its annual operating costs by \$38 million. Alternatively, BEP would need to renovate the existing Main and Annex Buildings to ensure its ability to meet its mission.
  
9. **Western Currency Facility Expansion:** Producing the next family of redesigned notes requires that BEP purchase and install new equipment to support the new designs. The expansion will provide the space and infrastructure necessary to successfully meet the new production requirements.

### 1.1 – Appropriations Detail Table

Dollars in Thousands

Bureau of Engraving and Printing Offsetting Collections	FY 2017		FY 2018		FY 2019		FY 2018 to FY 2019			
	FTE	Actual	FTE	Estimated	FTE	Estimated	FTE	\$ Change	FTE	% Change
<b>Revenue/ Offsetting Collections:</b>										
Federal Reserve Notes		\$706,420		\$770,484		\$874,610		\$104,126		13.51%
Other Security Products		4,000		5,000		5,000		0		0.00%
Currency Reader Program		2,500		0		0		0		NA
New Production Facility		0		64,000		16,820		(47,180)		-73.72%
<b>Total Revenue/Offsetting Collections</b>		<b>\$712,920</b>		<b>\$839,484</b>		<b>\$896,430</b>		<b>\$56,946</b>		<b>6.78%</b>
<b>Expenses/Obligations:</b>										
Direct Manufacturing	721	393,425	724	492,539	724	544,446	0	51,907	0.00%	10.54%
Indirect Manufacturing	1,097	319,495	1,118	346,945	1,112	351,984	(6)	5,039	-0.54%	1.45%
<b>Total Expenses/Obligations</b>	<b>1,818</b>	<b>712,920</b>	<b>1,842</b>	<b>839,484</b>	<b>1,836</b>	<b>896,430</b>	<b>(6)</b>	<b>56,946</b>	<b>-0.33%</b>	<b>6.78%</b>
<b>Net Results</b>		<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>		<b>NA</b>

## 1.2 – Budget Adjustments Table

Dollar in Thousands

Bureau of Engraving and Printing	FTE	Materials	Operating & Capital	Total
<b>FY 2018 Estimated</b>	<b>1,842</b>	<b>\$289,149</b>	<b>\$550,335</b>	<b>\$839,484</b>
<b>Changes to Base</b>				
Maintaining Current Levels (MCLs)			\$7,957	\$7,957
Pay Annualization			1,195	1,195
Non-Pay			6,762	6,762
Subtotal Changes to Base			7,957	7,957
<b>Total FY 2019 Base</b>	<b>1,842</b>	<b>\$289,149</b>	<b>\$558,292</b>	<b>\$847,441</b>
<b>Program Changes</b>				
Program Decrease	(6)	(\$9,667)	(\$5,140)	(\$14,807)
Implement Single Note Inspection for \$100 and \$20 notes		(9,667)	(533)	(10,200)
50-subject \$5 note production begins			(3,707)	(3,707)
Authorize and Implement Phased Retirement	(5)		(700)	(700)
Consolidate Transactional HR Services	(1)		(200)	(200)
Program Increase			63,796	63,796
DC Production Facility Replacement			16,820	16,820
Western Currency Facility Expansion			46,976	46,976
Subtotal Program Changes	(6)	(9,667)	58,656	48,989
<b>Total FY 2018 Estimated</b>	<b>1,836</b>	<b>\$279,482</b>	<b>\$616,948</b>	<b>\$896,430</b>

### C – Budget Increases and Decreases Description

**Maintaining Current Levels (MCLs) ..... +\$7,957,000 / +0 FTE**

Pay Annualization +\$1,195,000 / +0 FTE

Funds are required for annualization of the January 2018 pay-raise.

Non-Pay +\$6,762,000 / +0 FTE

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

**Program Decreases ..... -\$14,807,000 / -0 FTE**

Implement Single Note Inspection - \$10,200,000 / -0 FTE

BEP is implementing this additional production process that will increase manufacturing efficiencies.

50 Subject \$5 Note Production Begins -\$3,707,000 / -0 FTE

Implementing 50 Subject \$5 note production will improve manufacturing efficiencies and increase productivity.

Authorize and Implement Phased Retirement -\$700,000 / -5 FTE

Offering a Phased Retirement program at BEP will allow managers to provide mentoring opportunities for employees while increasing access to the decades of institutional knowledge and experience that these experienced employees can provide.

Consolidate Transactional HR Services -\$200,000 / -1 FTE

BEP will provide employees with standardized and centralized human resources (HR) processes by consolidating transactional HR services with a Shared Service Provider.

**Program Increases** ..... +\$63,796,000 / +0 FTE  
DCF Production Facility Replacement +\$16,820,000 / +0 FTE

These funds will be used to develop the requirements to support the new facility project.

Western Currency Facility Expansion +\$46,976,000 / +0 FTE

Expansion of the Western Currency Facility is needed to meet redesign currency program requirements.

### 1.3 – Operating Levels Table

Dollars in Thousands

Bureau of Engraving and Printing	FY 2017	FY 2018	FY 2019
Object Classification	Actual	Estimated	Estimated
11.1 - Full-time permanent	\$165,271	\$162,180	\$186,268
11.3 – Other than Full-time Permanent Positions	0	150	155
11.5 - Other personnel compensation	19,781	2,100	2,642
11.6 - Overtime	0	15,000	17,000
<b>11.9 - Personnel Compensation (Total)</b>	<b>\$185,052</b>	<b>\$179,430</b>	<b>\$206,065</b>
12.0 - Personnel benefits	47,046	47,744	66,633
<b>Total Personnel and Compensation Benefits</b>	<b>\$232,098</b>	<b>\$227,174</b>	<b>\$272,698</b>
21.0 - Travel and transportation of persons	\$1,293	\$1,800	\$1,800
22.0 - Transportation of things	286	250	250
23.1 - Rental payments to GSA	2,121	2,000	2,000
23.2 Rent Payments to Others	0	1,000	1,000
23.3 - Communication, utilities, and misc charges	15,758	14,000	14,000
24.0 - Printing and reproduction	530	750	750
25.1 - Advisory and assistance services	3,446	4,000	5,000
25.2 - Other services	75,180	133,000	145,422
25.3 - Other purchaes of goods and services from Government Acco	9	0	0
25.4 - Operation & Maintenance of Facilities	24	8,900	10,000
25.5 - Research & Development Contracts	0	15,000	17,350
25.7 - Operation & Maintenance of Equipment	0	12,000	12,000
26.0 - Supplies and materials	315,452	274,000	260,000
31.0 – Equipment	65,613	145,450	154,000
42.0 – Insurance claims and indemnities	265	160	160
<b>Total Non-Personnel</b>	<b>\$479,977</b>	<b>\$612,310</b>	<b>\$623,732</b>
<b>Total Budgetary Resources</b>	<b>\$712,074</b>	<b>\$839,484</b>	<b>\$896,430</b>
<b>Budget Activities:</b>			
Manufacturing	\$712,074	\$839,484	\$896,430
<b>Total Budgetary Resources</b>	<b>\$712,074</b>	<b>\$839,484</b>	<b>\$896,430</b>
<b>FTE</b>	<b>1,818</b>	<b>1,842</b>	<b>1,836</b>

### D – Appropriations Language and Explanation of Changes

The BEP receives no appropriated funds from Congress.

## **E – Legislative Proposals**

BEP requests the authority to print security documents such as birth, marriage, and death certificates for states. Many states are unable to find an American printing firm to produce the documents. These states are turning to foreign companies or lowering their security standards. In 2019, BEP requests legislative authority to purchase land and construct a new, smaller, more efficient currency production facility in the National Capital Region. The FRB supports this project. Alternatively, BEP would need to use existing legislative authorities to renovate the existing Main and Annex Buildings to ensure its ability to meet its mission.

## **Section II – Annual Performance Plan and Report**

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### **A – Strategic Alignment**

BEP's vision is to be the world's standard securities printer providing its customers and the public with superior products through excellence in manufacturing and innovation. BEP supports the following Department of the Treasury FY 2018-2022 strategic goals:

- Goal 1: Boost U.S. Economic Growth
  - 1.3 Trusted Currency and Services
- Goal 5: Achieve Operational Excellence
  - 5.1 Workforce Management
  - 5.2 Treasury Infrastructure
  - 5.3 Delivering Customer Value

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 its 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

Dollars in Thousands

Manufacturing Activity	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Actual	Actual	Actual	Actual	Estimated	Estimated	Estimated
Expenses/Obligations	\$624,243	\$733,208	\$778,592	\$648,365	\$712,920	\$839,484	\$896,460
<b>Budget Activity Total</b>	<b>\$624,243</b>	<b>\$733,208</b>	<b>\$778,592</b>	<b>\$648,365</b>	<b>\$712,920</b>	<b>\$839,484</b>	<b>\$896,460</b>
<b>FTE</b>	<b>1,890</b>	<b>1,845</b>	<b>1,781</b>	<b>1,790</b>	<b>1,818</b>	<b>1,842</b>	<b>1,836</b>

Measure	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2017	FY 2018	FY 2019
	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced)	50.45	41.96	42.35	44.25	43.58	50.00	48.00	48.00
Percent of Currency Notes Delivered Returned Due to Defects	0.4655	0.00001	0.0000003	0.0000003	0.0000008	0.0001	0.0001	DISC
Currency Notes Delivered Returned Due to Defects (parts per million)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	<1 ppm
Best Places to Work in Federal Government Ranking	47	51	74	97	38	99	Upper Quartile	Upper Quartile
Lost Time Accident Rate per 100 Employees	1.63	1.73	1.65	1.77	1.60	1.80	1.80	1.90

Key: DISC - Discontinued

### Manufacturing Budget and Performance

(\$896,430,000 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 and the mix of denominations ordered. Actual performance against standard costs depends on BEP's ability to meet spoilage, efficiency, and capacity utilization goals. In FY 2017 the cost of manufacturing was lower than anticipated due to the success of the \$100 Single Note Inspection program; the actual result was \$43.58 per 1,000 notes produced against a target of \$48.00. BEP's target for this performance metric in FY 2018 and FY 2019 is set at \$48.00 per 1,000 notes produced.

The Percent of Currency Notes Returned Due to Defects is an indicator of BEP's ability to provide a quality product. BEP's FY 2017 target for this performance metric was 0.0001 percent, and the actual result realized for this measure was 0.0000008 percent. This performance indicator will be replaced in FY 2019 with Currency Notes Returned Due to Defects (parts per million (ppm)). BEP's target for this performance metric will be held constant at <1 ppm for FY 2018 and FY 2019.

BEP's Best Places to Work in the Federal Government ranking is based on the results of the Partnership for Public Service data on three questions in FEVS. BEP's final FY 2017 ranking was 38 out of 150. The Partnership will issue updated rankings early in 2018 including more agency components. BEP will continue to target an improvement and strives to be in the upper quartile in rank.

The Lost Time Accident Rate per 100 employees measures the BEP's ability to reduce injuries and illnesses in the workplace. BEP's FY 2017 Lost Time Accident rate was at 1.60 cases per

100 employees, lower than the target of 1.80 cases per 100 employees. 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 at 1.80 cases per 100 employees for FY 2018 and will increase to 1.90 cases per 100 employees in FY 2019.

**C – Change in Performance Measures**

<b>Performance Measure or Indicator</b>	<b>Change and Justification</b>
1. Percent of Currency Notes Delivered Returned Due to Defects - discontinued	BEP will replace this indicator with Currency Notes Delivered Returned Due to Defects (parts per million).
2. Currency Notes Delivered Returned Due to Defects (parts per million) - new	Currency Notes Delivered Returned Due to Defects (parts per million) is an indicator of the BEP's ability to provide a quality product. The data will come from BEP's internal management information system and will be reported internally to BEP leadership on a monthly basis and annually to the Department.

With the publication of the Treasury Strategic Plan for FY 2018-2022, BEP will work in FY 2018 to baseline its performance against the new strategic objectives. This could result in additional changes to performance measures in the FY 2020 budget.

## **Section III – Additional Information**

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### **A – Summary of Capital Investments**

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

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, cost effective and efficient in meeting customer requirements for the production of currency notes. In addition, BEP is 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 Treasury Enterprise Identity, Credential and Access Management, 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 FY 2018 capital investment resources, including major information technology and non-technology investments, can be found at:

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

This website also contains a digital copy of this document.