

Bureau of Engraving and
Printing

FY 2016
President's Budget

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Table of Contents

Section 1 – Purpose	3
1A – Mission Statement.....	3
1.1 – Resource Detail Table.....	3
1B – Vision, Priorities and Context	3
Section 2 – Budget Adjustments and Appropriation Language.....	7
2.1 – Budget Adjustments Table.....	7
2A – Budget Increases and Decreases Description.....	7
2.2 – Operating Levels Table.....	9
2C – Legislative Proposals.....	9
Section 3 – Manufacturing Budget and Performance Plan	10
3A – Manufacturing.....	10
3.1.1 – Manufacturing Budget and Performance Plan.....	11
Section 4 – Supplemental Information.....	12
4A – Summary of Capital Investments	12

Section 1 – Purpose

1A – Mission Statement

To develop and produce United States currency notes trusted worldwide.

1.1 – Resource Detail Table

Dollars in Thousands

Bureau of Engraving and Printing Budgetary Resources	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
	Actual		Estimated		Estimated		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Other Income										
Federal Reserve Notes	0	690,801	0	727,467	0	848,940	0	121,473	.00	16.69%
Other Security Products	0	5,000	0	5,000	0	5,000	0	0	.00	N/A
Currency Reader Program	0	5,000	0	46,125	0	10,000	0	(36,125)	.00	-78.32%
Total Revenue/Offsetting Collections		700,801		778,592		863,940		85,348		10.96%
Expenses/Obligations										
Manufacturing										
Direct Manufacturing	747	324,500	774	474,092	764	521,624	(10)	47,532	-1.30%	10.00%
Indirect Manufacturing	1,178	408,708	1,170	304,500	1,160	342,316	(10)	37,816	-0.85%	12.42%
Total Expenses/Obligations	1,925	733,208	1,944	778,592	1,924	863,940	(20)	85,348	-1.03%	10.96%
Net Results		(32,407)¹		0		0		0		N/A

¹ Pop-up budget authority from sequestration

1B – Vision, Priorities and Context

The Bureau of Engraving and Printing produces US currency notes ordered by the Federal Reserve Board. 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. This 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 also provides technical assistance and advice to other Federal agencies in the design and production of documents that require counterfeit deterrent features, due to their innate value or other characteristics. Other activities at the Bureau 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 mission of the Bureau of Engraving and Printing (BEP) is to develop and produce United States currency notes, trusted worldwide, in support of Treasury’s strategic objective of “Facilitate commerce by providing trusted U.S. currency, services, and products for the American public and enterprises.”

United States currency is used globally and, as its designer and manufacturer, BEP needs to achieve and maintain best in class practices in order for U.S. currency to be accepted worldwide. After years of research and development of cutting edge technologies, BEP is producing a new \$100 note that includes some of the most advanced counterfeit design features found anywhere in the world. This achievement requires the focus and determination of the entire agency and is indicative of the challenges that lie ahead of BEP in its commitment to continuous redesign of US currency to stay ahead of increasingly sophisticated counterfeiters.

FY 2016 Priorities

Achieve BEP's strategic goals - Produce U.S. currency that functions flawlessly in commerce; create innovative currency designs to 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.

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, and collaborate with key stakeholders in order to deter counterfeiting and maintain the public's 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.

During FY 2016, BEP expects to produce and deliver 8.3 billion notes to the Federal Reserve Board to meet currency demand. The FY 2016 order represents a 13 percent increase over the number of notes expected to be delivered in the FY 2015 program. In order to meet continued international demand, the FY 2015 order includes a large proportion of the more costly, higher denomination notes. We expect a similar portion of higher denomination notes in the FY 2016 order.

Over the last decade, research and development of new technologies for possible use in currency production have been 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 and other Federal business opportunity websites, 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. Technologies or materials submitted for consideration are reviewed for inherent and relative effectiveness as potential new security features. In addition, they are reviewed for compatibility with design, potential production factors, durability and environmental acceptability. After obtaining submitter approval, BEP may also request experts working under government contracts to provide technical evaluation and adversarial analysis of possible counterfeit deterrent features. Features of interest include ink (intaglio, typographic and off-set) and ink additives, alternate and traditional substrates (paper or other media), substrate additives, design elements or techniques, diffractive, reflective, or other optically variable materials, laminated materials, hot-stamped materials, and others.

BEP supports a comprehensive anti-counterfeiting program built around effective note design, public education and aggressive law enforcement. The Bureau will continue its work in 2016 with the Advanced Counterfeit Deterrent (ACD) Steering Committee to research and develop future currency designs for the next family of redesigned notes 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 Federal Reserve Board.

Work will continue in FY 2016 on the goal of enabling the Nation's currency to better serve domestic and international users. The Bureau will be incorporating features into the next redesign of currency that will assist every American to better use and denominate currency. In addition, 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 potential 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.

Treasury is continuing its comprehensive review of U.S. currency including a review of both the production and use of coins, in order to efficiently promote commerce in the 21st Century. Treasury expects to announce the results of its review this fiscal year.

The Bureau's FY 2016 Budget requests funding to continue the BEP Currency reader distribution program in coordination with the Library of Congress' National Library Service. Under this program, United States citizens and legal residents who are blind or visually impaired are provided a currency reader free of charge to aid in the denomination of US currency.

In addition, funding is requested to continue the Currency Quality Assurance (CQA) Program. The Bureau, in collaboration with the Federal Reserve Board and other stakeholders, developed a robust Currency Quality Assurance (CQA) Program that began in 2014. This re-invention is moving BEP from a reliance on a reactive approach of quality control of inspecting to remove poor quality notes to a pro-active approach of building quality in. Throughout FY 2015 and FY 2016, the Bureau will continue to fill skill gaps with respect to production engineers, quality assurance specialists and other specialists in related science and engineering disciplines, while reorganizing to become quality focused and customer driven, leaner, flexible and nimble, and accountable for results. The completion of this aggressive change management process will improve the work place and engage employees to drive continuous improvement throughout the organization.

Funding is also requested to support BEP's Phase II of a retooling equipment project which includes an equipment replacement plan, tactile feature testing equipment, labor relations/staffing strategy and alternatives for material handling.

BEP also requests FY 2016 funds to support the acquisition of architecture & engineering services and a construction management contractor to perform architectural, environmental, and related services in support of a new facility project. The Federal Reserve Board supports and will pay for a replacement of the Washington, DC facility with a new, smaller more efficient

facility in the Washington metro area. BEP's current facility has an aging and outdated infrastructure, which drives up costs and adversely impacts quality. In addition, future production equipment upgrades and production processes (i.e. the application of tactile features, new counterfeit deterrent features) will soon exceed the support capacity of the current Washington, DC facility. It is estimated that the process of putting a new facility into production will take 10 years.

FY 2015 Priorities

The importance of producing and delivering currency of consistently high quality, note after note, cannot be overstated. The prevalent use of the \$100 note throughout the world and its global reputation as a store of value requires the production of the new \$100 note to continue at increased levels through FY 2015. Increased production of the redesigned \$100 note is in support of the transition from old note designs to new designs and to meet demand in the U.S. and abroad. The Federal Reserve estimates that as many as two-thirds of all \$100 notes circulate outside the United States. This provides a significant economic benefit to the United States.

BEP is in the process of acquiring equipment that will enable the addition of tactile features to U.S. currency as well as continue the multi-year effort to retool BEP's manufacturing processes with state-of-the-art intaglio printing presses, electronic inspection systems, and finishing equipment. The successful implementation of this advanced technology will improve productivity, reduce the environmental impact, and enhance counterfeit deterrence of U.S. currency.

Key Accomplishments

In 2014, as part of its launch of the U.S. Currency Reader Program, the Bureau of Engraving and Printing distributed currency reader devices to eligible American Council of the Blind members at their convention in July. Additional readers were also disseminated at several other conferences for the blind and visually impaired during August 2014.

A broader launch of the U.S. Currency Reader Program will be in two phases, a four month pilot program followed by a national rollout. The pilot program began on September 2, 2014, in partnership with the National Library Service for the Blind and Physically Handicapped, Library of Congress (NLS). During the pilot NLS patrons were able to pre-order a currency reader; to date, almost 6,000 currency readers have been pre-ordered. The pilot program allowed the Bureau to test its ordering and distribution processes and gauge demand for currency readers.

A national rollout of the iBill Talking Money Identifier currency reader began on January 2, 2015. Currency Readers are widely available to all U.S. citizens, or persons legally residing in the U.S. who are blind or visually impaired. To request a currency reader, individuals must submit an application, signed by a competent authority certifying eligibility. It is estimated that 120,000 readers will be distributed in 2015. It is also assumed that the majority of Currency Readers will be distributed in 2015, however readers will continue to be distributed in 2016 and beyond in numbers necessary to meet public demand.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Bureau of Engraving and Printing	FTE	Materials	Operating & Capital	Total
FY 2015 Revised Estimate	1,944	\$292,250	\$486,342	\$778,592
Changes to Base:				
Maintaining Current Levels (MCLs):	-	-	\$7,848	\$7,848
Pay-Raise	-	-	\$2,418	\$2,418
Pay Annualization	-	-	\$618	\$618
FERS Contribution Increase	-	-	\$842	\$842
Non-Pay	-	-	\$3,970	\$3,970
Efficiency Savings:	-	-	(\$1,500)	(\$1,500)
Reduced Labor Costs Due to Spoilage Reductions	-	-	(\$1,500)	(\$1,500)
Subtotal Changes to Base	-	-	\$6,348	\$6,348
Total FY 2016 Base	1,944	\$292,250	\$492,690	\$784,940
Program Changes:				
Program Decreases:	(20)	-	(\$11,000)	(\$11,000)
Attrition Without Backfill (Goal 20 FTE)	(20)	-	(\$2,500)	(\$2,500)
Reduced Lease Parking Spaces	-	-	(\$250)	(\$250)
Water Usage Reduction/Recycling	-	-	(\$750)	(\$750)
Defer Targeted Facilities Investments	-	-	(\$7,500)	(\$7,500)
Program Increases:	-	-	\$90,000	\$90,000
New Facility	-	-	\$40,000	\$40,000
Phase II - Retooling (Scheduled Replacement of Obsolete Production Equipment)	-	-	\$50,000	\$50,000
Total FY 2016 Estimated	1,924	\$292,250	\$571,690	\$863,940

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$7,848,000 / +0 FTE

Pay-Raise +\$2,418,000 / +0 FTE

Funds are required for the proposed January 2016 pay-raise.

Pay Annualization +\$618,000 / +0 FTE

Funds are required for the annualization of the January 2015 pay raise.

FERS Contribution Increase +\$842,000 / +0 FTE

Funds are required for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +\$3,970,000 / +0 FTE

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

Efficiency Savings -\$1,500,000 / +0 FTE

Reduced Labor Costs Due to Spoilage Reductions -\$1,500,000 / +0 FTE

As a result of CQA driven improvements, BEP anticipates better production yields which will in turn reduce overtime costs.

Program Decreases -\$11,000,000 / -20 FTE

Defer Targeted Facilities Investments -\$7,500,000 / +0 FTE

Continue to defer facility improvements to the DC facility pending the building replacement proposal.

Attrition Without Backfill (Goal 20 FTE) -\$2,500,000 / -20 FTE

By not backfilling targeted employee vacancies, BEP plans for cost savings in Labor and Benefits

Water Usage Reduction/Recycling -\$750,000 / +0 FTE

Reduction in water and chemical usage in processing waste water/wiping solution recycling from new waste water recycling plant.

Reduced Lease Parking Spaces -\$250,000 / +0 FTE

BEP will reduce leased parking space costs

Program Increases +\$90,000,000 / +0 FTE

New Facility +\$40,000,000 / +0 FTE

Architecture & engineering services and a construction management contractor to perform architectural, environmental, and related services

Phase II - Retooling (Scheduled Replacement of Obsolete Production Equipment) +\$50,000,000 / +0 FTE

Replacement of fully depreciated production equipment at both BEP facilities.

2.2 – Operating Levels Table

Dollars in Thousands

Bureau of Engraving and Printing Object Classification	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
11.1 - Full-time permanent	166,850	173,523	175,357
11.3 - Other than full-time permanent	1,000	200	200
11.5 - Other personnel compensation	2,250	2,250	2,250
11.6 - Overtime	17,000	16,500	17,000
11.9 - Personnel Compensation (Total)	187,100	192,473	194,807
12.0 - Personnel benefits	53,000	54,922	51,000
Total Personnel and Compensation Benefits	\$240,100	\$247,395	\$245,807
21.0 - Travel and transportation of persons	1,300	1,300	1,450
22.0 - Transportation of things	250	250	250
23.1 - Rental payments to GSA	2,000	2,000	2,000
23.2 - Rental payments to others	1,000	1,000	1,000
23.3 - Communication, utilities, and misc charges	13,500	14,050	14,350
24.0 - Printing and reproduction	500	250	250
25.1 - Advisory and assistance services	3,500	3,250	3,500
25.2 - Other services	61,211	70,222	121,673
25.4 - Operation and maintenance of facilities	8,250	8,500	8,500
25.5 - Research and development contracts	5,000	7,000	7,000
25.7 - Operation and maintenance of equip	9,250	10,000	11,900
26.0 - Supplies and materials	307,097	293,000	292,250
31.0 - Equipment	80,000	120,125	153,750
42.0 - Insurance claims and indemnities	250	250	260
Total Non-Personnel	493,108	531,197	618,133
Total Budgetary Resources	\$733,208	\$778,592	\$863,940
Budget Activities:			
Manufacturing	733,208	778,592	863,940
Total Budgetary Resources	\$733,208	\$778,592	\$863,940
FTE	1,925	1,944	1,924

2B – Appropriations Language and Explanation of Changes

The Bureau of Engraving and Printing receives no appropriated funds from Congress.

2C – Legislative Proposals

BEP has no legislative proposals.

Section 3 – Manufacturing Budget and Performance Plan

3A – Manufacturing

(\$863,940,000 from expenses/obligations):

The BEP has one budget activity: Manufacturing. This budget activity supports all of BEP's strategic goals.

Description of Performance:

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. In FY 2014 BEP's ranking improved to 47 out of 300. The Bureau continues 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.

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 FY 2014 BEP's lost time case rate increased unfavorably during the fiscal year to 2.08 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 2015 and FY 2016.

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. In FY 2014, the cost of manufacturing was lower than anticipated, as the actual result realized for this measure was \$44.22 per 1,000 notes produced against a target of \$55.00. The performance goals for both FY 2015 and FY 2016 reflect the continued increased production of high cost redesigned \$100 notes as a proportion of the total annual order, and are set at \$55.00 in both FY 2015 and FY 2016.

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 2014 target for this performance metric is 0.0001 percent, and the actual result realized for this measure was 0.00001 percent. BEP's target for this performance metric will be held constant at 0.0001 percent for FY 2015 and FY 2016.

Reduction in Regulated Waste (Pounds of waste per 1000 notes delivered 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 2013. BEP's FY 2014 performance of 29.4 pounds of regulated waste for this metric was against a target of 31 pounds per 1000 notes delivered.

3.1.1 – Manufacturing Budget and Performance Plan

Dollars in Thousands

Manufacturing Budget Activity								
Resource Level	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	Actual	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$469,000	\$555,000	\$517,750	\$630,000	\$645,150	\$733,208	\$778,592	\$863,940
Budget Activity Total	\$469,000	\$555,000	\$517,750	\$630,000	\$645,150	\$733,208	\$778,592	\$863,940

Measure	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
Best Places to Work in Federal Government Ranking	N/A	N/A	174	178	47	N/A	99	99
Lost Time Accident Rate per 100 Employees	N/A	N/A	1.4	1.9	1.63	N/A	1.6	1.6
Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced)	32.77	44.85	34.6	43.34	50.45	44.22	55.0	55.0
Percent of Currency Notes Delivered Returned Due to Defects	N/A	N/A	.0	.0	.466	.0	.0	.0
Reduction to BEP's Three Major Regulated Waste Streams (Air Emissions, Waste water, and Solid Waste)	N/A	N/A	32.7	31.2	31.2	29.1	N/A	N/A

Key: DISC - Discontinued and B - Baseline

Section 4 – Supplemental Information

4A – Summary of Capital Investments

The Bureau of Engraving and Printing's (BEP) capital investment strategy is comprised of several broad investment categories with more specific smaller projects in each category.

The Bureau'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. 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.

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

The Bureau'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 at:

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

This website also contains a digital copy of this document.