

Bureau of Engraving and Printing

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2019	FY 2020	FY 2021	FY 2020 to FY 2021
	Actual	Estimate	Estimate	% Change
Manufacturing	\$955,212	\$819,701	\$887,400	8.26%
Total Cost of Operations	\$955,212	\$819,701	\$887,400	8.26%
FTE	1,727	1,804	1,863	3.27%

Summary

The mission of the Bureau of Engraving and Printing (BEP) is to develop and produce United States currency notes trusted worldwide. BEP supports Treasury's Strategic Goal 1 (Boost U.S. Economic Growth) and Strategic Goal 5 (Achieve Operational Excellence).

BEP's FY 2021 budget funds the following projects:

Replacement Production Facility: In FY 2019, BEP received legislative authority to acquire land and fund construction of a more efficient production facility to replace BEP's current aging Washington, D.C. facility. In addition, a provision of the 2019 Farm Bill authorizes the transfer of a US Department of Agriculture (USDA) land parcel in Beltsville, Maryland to the Department of the Treasury to be the site for BEP's replacement production facility. BEP has been conducting suitability assessment of the site with the support from the U.S. Army Corps of Engineers. The formal transfer from USDA to Treasury is anticipated in early 2020. A replacement facility will save an estimated \$579 million over 10 years, as compared to the cost of the renovation of the existing facility. In addition, BEP will be able to reduce its annual operating costs by at least \$38 million. In FY 2020, the budget includes about \$5 million for remaining site evaluation tasks and relocation of several onsite USDA facilities that must be removed prior to the initiation of onsite BEP construction activities. Also anticipated in FY 2021 is the initiation of early site development construction activities estimated at \$30 million to include site grading, roadway improvements and utility system relocation to support the BEP development.

Western Currency Facility Expansion: Producing the next family of updated notes requires that BEP purchase and install new production equipment to support the new designs. The expansion will provide the space and infrastructure necessary to successfully meet the production requirements of the next family of U.S. currency banknotes that focus on the integration of strong, new security features. Unforeseen weather-related delays caused the project to fall 4 to 6 months behind schedule. The expansion work is expected to be completed in FY 2021 with contract close out occurring in FY 2022. The FY 2021 projected cost for the WCF is \$5 million.

Banknote Design and Development: In FY 2021, BEP will continue working with the Federal Government's Advanced Counterfeit Deterrent (ACD) Steering Committee to research and develop improved security features for the next family of updated notes. 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 Federal Reserve Board (FRB). The updated

notes will focus on innovative banknote security and anti-counterfeit technology that will enhance and ensure the security and integrity of U.S. currency. While many factors are taken into consideration when updating currency, the primary purpose for updating notes is to improve the security of U.S. banknotes and ensure they maintain their position as being trusted worldwide.

Retooling: BEP is conducting 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 annual currency order, the FRB and BEP developed and established short, medium, and long-term strategic equipment replacement plans for the U.S. Currency Program. Successful implementation of advanced technology improves productivity, reduces environmental impact, and enhances counterfeit deterrence of U.S. currency notes.

Human Capital/Talent Management: BEP will continue its designated talent management initiatives, while filling personnel gaps in needed STEM and cybersecurity skill sets. Throughout FY 2021, BEP will continue to develop, execute, and communicate the results of Employee Engagement Plans and the annual Federal Employee Viewpoint Survey (FEVS) results.

Budget Highlights

Dollars in Thousands

	FTE	Materials	Operating & Capital	Total
FY 2020 Original Estimate	1,863	\$244,051	\$642,836	\$886,887
Program Changes				
Program Decreases:	(59)	(\$50,000)	(\$53,236)	(\$103,236)
Currency Program decrease (7.0B to 5.2B)	0	(\$50,000)	\$0	(\$50,000)
Washington D.C. Replacement Facility	0	\$0	(\$44,950)	(\$44,950)
Hiring Lag	(59)	\$0	(\$8,286)	(\$8,286)
Program Increases:	0	0	\$36,050	\$36,050
R&D (New Note Features)	0	\$0	\$19,000	\$19,000
Support Services Contract	0	\$0	\$3,500	\$3,500
Pay Raise (3.1% average pay raise)	0	\$0	\$7,700	\$7,700
WCF Expansion	0	\$0	\$5,850	\$5,850
Subtotal Program Changes	(59)	(50,000)	(\$17,186)	(\$67,186)
FY 2020 Revised Estimate	1,804	\$194,051	\$625,650	\$819,701
Changes to Base				
Maintaining Current Levels (MCLs)	0	\$0	\$14,686	\$14,686
Pay Annualization (2020 3.1% average pay raise)	0	\$0	\$1,998	\$1,998
Pay Raise (1.0% average pay raise)	0	\$0	\$1,948	\$1,948
FERS Contribution Increase	0	\$0	\$3,383	\$3,383
Non-Pay	0	\$0	\$7,357	\$7,357
Efficiency Savings	0	\$0	(\$5,000)	(\$5,000)
Overtime Reduction	0	\$0	(\$5,000)	(\$5,000)
Subtotal Changes to Base	0	\$0	\$9,686	\$9,686
FY 2021 Current Services	1,804	\$194,051	\$635,336	\$829,387
Program Changes				
Program Decreases:	0	\$0	(\$51,400)	(\$51,400)
Retooling	0	\$0	(\$33,000)	(\$33,000)
New Equipment Initiatives	0	\$0	(\$15,000)	(\$15,000)
WCF Expansion	0	\$0	(\$3,400)	(\$3,400)
Program Increases:	59	\$53,237	\$56,176	\$109,413
Washington D.C. Replacement Facility	0	\$0	\$24,890	\$24,890
Hot Foil Equipment (WCF)	0	\$0	\$24,000	\$24,000
Estimated Currency Program increase (6.8B)	0	\$53,237	\$0	\$53,237
Complete Hiring Plan	59	\$0	\$7,286	\$7,286
Subtotal Program Changes	59	\$53,237	\$4,776	\$58,013
FY 2021 Estimate	1,863	\$247,288	\$640,112	\$887,400

Budget Adjustments

Adjustments to Estimates

Program Decreases..... -\$103,236,000 / -59 FTE

Currency Note Program -\$50,000,000 / -0 FTE

This decrease reflects the FY 2020 order of notes from the FRB. The order decreased from 7.0 billion notes in FY 2019 to 5.2 billion notes in FY 2020.

Washington D.C. Replacement Facility -\$44,950,000 /-0 FTE

In FY 2019, BEP received legislative authority to acquire land and build a more efficient facility in the Washington, D.C. area. As a result of the new authority, BEP will not undertake the previously planned renovation to the existing facility in D.C.

Hiring Lag -\$8,286,000/ -59 FTE

This adjustment is to reflect the impact of the hiring lag.

Program Increases..... +\$36,050,000 / +0 FTE

Research and Development +\$19,000,000/ +0 FTE

To continue the research and development of the new security features for the new family of notes.

Support Service Contracts +\$3,500,000/ +0 FTE

To mitigate the risks associated with the growing hiring backlog, the funding would be used to acquire support services to provide business continuity.

Pay Raise (3.1% in 2020) +\$7,700,000/ +0 FTE

Funds are required for the 3.1% average pay raise in January 2020.

WCF Expansion +\$5,850,000/ +0 FTE

The funding would be used for unforeseen construction issues.

FY 2021 Maintaining Current Levels (MCLs)..... +\$14,686,000 / +0 FTE

Pay Annualization (3.1%) +\$1,998,000 / +0 FTE:

Funds are required for annualization of the January 2020 3.1% average pay raise.

Pay Raise (1.0% in 2021) +\$1,948,000 / +0 FTE:

Funds are required for the proposed 1.0% average pay raise in January 2021.

FERS Contribution Increase +\$3,383,000 / +0 FTE:

Funds are required for the Federal Employee Retirement System (FERS) contribution rates effective FY 2021.

Non-Pay +\$7,357,000 / +0 FTE

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

FY 2021 Efficiency Savings..... -\$5,000,000 / -0 FTE

Overtime Reduction -\$5,000,000 / -0 FTE

The new production technologies would yield more efficiencies resulting in less overtime.

Program Decreases..... -\$51,400,000 / -0 FTE

Retooling -\$33,000,000 / -0 FTE

The FY 2020 estimate is \$33 million higher than the FY 2021 anticipated requirements.

New Equipment Initiatives -\$15,000,000 / -0 FTE

Requested funding supports the acquisition of new technology/equipment to be used in the testing of new design features.

WCF Expansion -\$3,400,000/ -0 FTE

The FY 2020 estimate is \$3.4 million higher than the FY 2021 anticipated requirements.

Program Increases..... +\$109,413,000 / +59 FTE

Washington D.C. Replacement Facility +\$24,890,000 / +0 FTE

Funds are requested to reflect the increase from FY 2020 to FY 2021 to support the pre-construction activities.

New Security Feature Equipment (WCF) +\$24,000,000 / +0 FTE

Currency Redesign efforts require investment in new application equipment which is to be installed in WCF in FY2021 and subsequently installed at the replacement DC Facility.

Currency Note Program +\$53,237,000 / +0 FTE

Early indications suggest that the yearly currency order placed by the Federal Reserve Board will return to average order levels in FY 2021.

Complete Hiring Plan +\$7,286,000 / +59 FTE

BEP has been experiencing a hiring lag the last several years. BEP anticipates reducing the backlog of hiring actions in FY 2021 and plans are to execute and complete proposed hiring actions and on board FTEs.

Legislative Proposals

As proposed previously, BEP requests the authority to print security documents such as birth, marriage, and death certificates for state governments. 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.

Performance Highlights

Budget Activity	Performance Measure	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Target	FY 2021 Target
Manufacturing	Currency Notes Delivered Returned Due to Defects (Parts per Million)	N/A	0.0031ppm	0.09ppm	<1ppm	<1ppm
Manufacturing	Improved FEVS Satisfaction	68%	70%	68%	65%	65%
Manufacturing	Lost Time Accident Rate per 100 Employees	1.6	0.9	1.05	1.8	1.8
Manufacturing	Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced)	\$43.58	\$47.41	\$51.01	\$56.00	\$56.00
Manufacturing	Yearly Currency Order (percent of order completed versus planned)	N/A	N/A	100%	100%	100%

Description of Performance

(\$887,400,000 from reimbursable sources)

The BEP has one budget activity: Manufacturing. This budget activity supports all of BEP's strategic goals as well as supporting Treasury's Strategic Goals Boosting U.S. Economic Growth and Achieving Operational Excellence.

Description of Performance:

Currency Notes Returned Due to Defects (parts per million (ppm)) is an indicator of BEP's ability to provide a quality product. The target for this performance metric is <1 ppm. BEP was able to exceed the established target in FY 2019 due to improved quality assurance processes with an actual result of 0.09 ppm notes returned due to a defect. BEP's target for this performance metric will be held constant at <1 ppm for FY 2020 and FY 2021.

The Federal Employees Viewpoint Survey (FEVS) allows employees to share their opinion on what matters most to them. Based on the results of the survey, BEP can target areas for improvement or additional employee engagement. The measure uses the Department's standard FEVS Employee Engagement Index with a target of 65 percent. In FY 2020 and 2021, BEP will continue to strive for improvements in overall employee satisfaction.

The Lost Time Accident Rate per 100 employees measures the BEP's ability to reduce injuries and illnesses in the workplace. BEP's FY 2019 Lost Time Accident rate was at 1.05 cases per 100 employees, 42 percent lower than the target of 1.80 cases per 100 employees. This performance resulted from increased focus on following safe work practices, avoiding hazards, and being a Director's priority. For FY 2021, BEP remains committed to maintaining and improving the safety of its employees. BEP will continue to perform analysis to determine the root causes of any injury and to identify best practices in safety. BEP's target will be held at 1.80 cases per 100 employees for FY 2020 and FY 2021.

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 2019, the cost of manufacturing was lower than anticipated due to operational efficiencies. The FY 2019 cost was \$51.01 per 1,000 notes produced, compared to a target of \$51.66. BEP's target for this performance metric in FY 2020 and FY

2021 is set at \$56.00 per 1,000 notes produced. Per unit cost for currency is projected to increase because of significant reduction to the currency order for 2020 and higher labor rates and material price increases.

The Yearly Currency Order measures BEP's success in delivering the total number of currency notes ordered by the Federal Reserve Board annually. In FY 2019, BEP met its target of delivering 100 percent of the currency notes ordered. In FY 2020 and FY 2021, BEP will continue to target delivering 100 percent of the FRB's currency order.