

Bureau of Engraving and Printing

Program Summary by Budget Activity

(Dollars in thousands)

Budget Activity	FY 2009	FY 2010	FY 2011		
	Actual	Estimated	Estimated	\$ Change	% Change
Manufacturing	\$469,000	\$530,000	\$527,000	(\$3,000)	(0.6%)
Protection and Accountability of Assets	\$62,000	\$61,000	\$61,000	\$0	0%
Total Cost of Operations	\$531,000	\$591,000	\$588,000	(\$3,000)	(0.5%)

Explanation of Budget Estimate

The Bureau of Engraving and Printing (BEP) began printing currency in 1862. It 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 at BEP are financed by a revolving fund established in 1950 in accordance with Public Law 81-656. This fund is reimbursed through product sales for direct and indirect costs of operations including administrative expenses. In 1977, Public Law 95-81 authorized the Bureau to include an amount sufficient to fund capital investments and to meet working capital requirements in the prices charged for products. This funding mechanism eliminated the need for appropriations from Congress.

BEP's key priorities for FY 2011 include:

- The continued production of the redesigned \$100 note. Final developments of the redesigned note will occur in early FY 2010. The Federal Reserve will determine when the redesigned \$100 note is issued to the public. The redesign of the \$100 note will mark the completion of the current multi-year initiative to implement the most ambitious currency redesign in United States history.
- Continue re-tooling and retrofitting of the currency production process. Successful implementation of new technology will allow BEP to improve productivity, reduce its environmental impact and provide the needed capabilities to produce increasingly

more complex currency note designs. This new equipment will ensure that BEP continues to operate in an efficient and cost-effective manner.

- Continued training of the workforce for increasingly sophisticated technology integrated into 21st century manufacturing processes.
- Improve the Nation's currency to better serve the needs of Americans and others around the world, including the blind and visually impaired. To this end, BEP, in coordination with the Department of Treasury, announced the results of a study analyzing options to assist the blind and visually impaired in denominating U.S. currency. While no timetable has been set for future redesigned currency, the next redesign will incorporate changes to make U.S. currency more accessible to those who are blind and visually impaired. The information gathered in the study will be used to help establish a direction for the Department of the Treasury in providing access to U.S. currency for all cash users.
- Continue process improvements as required of an ISO 9001 certified organization, a designation that indicates to current and prospective customers that the Bureau employs a rigorous quality management program.
- Work in concert with the Advanced Counterfeit Deterrent Committee, and other Government agencies to research and develop state-of-the-art counterfeit deterrent features and systems for use in currency notes that will enhance and protect future notes.

Purpose of Program

The mission of the Bureau of Engraving and Printing is to design and manufacture high quality security documents that deter counterfeiting and meet customer requirements for quality, quantity and performance.

BEP's vision is to maintain its position as a world-class securities printer providing its customers and the public superior products through excellence in manufacturing and technological innovation. It strives to produce U.S. currency of the highest quality, as well as many other security documents issued by the Federal Government. 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 the requirements of customers. In addition, the Bureau provides technical assistance and advice to other Federal agencies in the design and production of documents, which, because of their innate value or other characteristics, require counterfeit deterrence.

The Bureau's top priorities for FY 2011 include the continued re-tooling and retrofitting of the currency production process which will allow BEP to improve productivity, reduce its environmental impact and provide the needed capabilities to produce increasingly more complex currency note designs. This new equipment will ensure that BEP continues to operate in an efficient and cost-effective manner. Another top priority for FY 2011 is the continued production of the redesigned \$100 note. Final developments of the redesigned note will occur in early FY 2010. The Federal Reserve will determine when the redesigned \$100 note is issued to the public.

Another initiative for FY 2011 will include taking steps to identify, refine and create

meaningful access to currency for the blind and visually impaired. While no timetable has been set for future redesigned currency, the next step in currency redesign will include improvements to the Nation's currency to better serve the needs of Americans and others around the world, including the blind and visually impaired. To this end, the Bureau, in coordination with the Department of Treasury, announced the results of a study analyzing options to assist the blind and visually impaired in denominating U.S. currency. The information gathered in the study will be used to help establish a direction for the Department of the Treasury in providing access to U.S. currency for all cash users. In addition, because aggressive law enforcement, effective design, and public education are all essential components of a concerted anti-counterfeiting program, the Bureau will continue its work in 2011 with the Advanced Counterfeit Deterrent Committee to research and develop future currency designs that will enhance and protect future notes.

Explanation of Budget Activities

Manufacturing (\$527,000,000 from reimbursable programs)

BEP manufactures high quality security documents that deter counterfeiting. These manufactured products are grouped into two programs: Federal Reserve notes and other security documents. The manufacturing of state-of-the-art currency deters counterfeiting, contributes to public confidence, and facilitates daily commerce ensuring seamless, "business as usual" transactions as new currency designs are introduced to the public.

Protection and Accountability of Assets (\$61,000,000 from reimbursable programs)

BEP protects and accounts for its assets by providing effective and efficient product security and accountability during the manufacture and delivery of currency notes to

the Federal Reserve which preserves the integrity of the nation's currency. Protection and Accountability of Assets includes the protection of thousands of BEP employees and contractors, facilities and equipment.

leaving the U.S. with a single source provider of currency paper.

Legislative Proposals

Treasury's legislative proposal would repeal the portion of 31 USC Sec. 5114(c) that limits a contract term for the manufacture of distinctive currency paper to four years, and open up the supply of U.S. currency paper to increased competition. Potential suppliers consider four years too short of a payback period for production of this product thus

Capital Investments Summary

Major Investments: BEP has no new planned independent major investments for 2011. BEP participates as a partner in significant Treasury-wide enterprise level investments such as T/Net (Treasury's implementation of General Services Administration's (GSA) Network), Homeland Security Presidential Directive -12 (again through Treasury's partnership with GSA), HRConnect (an Human Resources Line of Business service provider) and Internet Protocol version 6.

BEP Performance by Budget Activity

Budget Activity	Performance Measure	FY 2007 Actual	FY 2008 Actual	FY 2009			FY 2010 Target	FY 2011 Target
				Target	Actual	Met?		
Manufacturing for BEP	Manufacturing costs for currency per one thousand notes delivered (E)	\$30.25	\$29.47	\$37.00	\$32.77	Yes	\$37.00	\$37.00
Manufacturing for BEP	Percent of currency notes delivered to the Federal Reserve that meet customer quality requirements. (M)	100.00%	100.00%	99.90%	99.90%	Yes	99.90%	99.90%
Protection and Accountability of Assets	Currency shipment discrepancies (per million notes delivered) (Oe)	0.01%	0.01%	0.01%	0.00%	Yes	0.01%	0.01%
Protection and Accountability of Assets	Security costs per 1000 notes delivered (E)	\$5.92	\$5.63	\$5.65	\$5.76	No	\$5.60	\$5.60

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

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. Actual performance against standard depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals. Performance against

this measure has been favorable for the past seven years.

Percent of currency notes delivered to the Federal Reserve that meet customer quality and requirements is a qualitative indicator reflecting the Bureaus' ability to provide a quality product. All notes delivered to the Federal Reserve go through rigorous quality inspections. These inspections ensure that all counterfeit deterrent features, both overt and covert are functioning as designed.

Currency Shipment Discrepancies is an indicator of the Bureau's ability to provide effective product security and accountability. This measure refers to product overages or underages of as little as a single currency note in shipments of finished notes to the Federal Reserve Banks expressed as a percentage of total program. For several years, this measure has had an annual target of .01 percent. The Bureau has been able to meet or do better than this target on a regular basis. BEP continually strives to meet its long term goal of 0 percent, and has been able to do so several times.

The measure security cost per 1000 notes delivered reflects the cost of providing product security. The measure is kept at the lowest level possible without compromising the security posture of the Bureau.

BEP strives to reduce the target on an annual basis through a combination of leveraging of the best practices of other federal law enforcement agencies, targeted system investments, and improvements in facility design that incorporate security attributes. In 2009 BEP was unable to meet its target for cost of security. During the last quarter of the fiscal year, BEP responded to the Federal Reserve's need to change the 2009 currency production order due to worldwide changes in the demand for currency. BEP delivered a reduced program as well as a different mix of currency denomination notes; the timing of the reduction did not allow the Bureau to modify security costs in enough time to meet the targeted costs per 1000 notes delivered for the fiscal year. Guarding against theft is the top priority of the BEP security program; in 2010, BEP will produce and deliver the 2010 currency order while continuing to monitor the cost of providing effective and efficient product security and accountability.