

Bureau of Engraving and Printing

Program Summary by Budget Activity

(Dollars in thousands)

| Budget Activity | FY 2008 | FY 2009 | FY 2010 | | |
|---|------------------|------------------|------------------|-----------------|-------------|
| | Obligated | Estimated | Estimated | \$ Change | % Change |
| Manufacturing | \$476,700 | \$519,650 | \$530,000 | \$10,350 | 2.0% |
| Protection and Accountability of Assets | \$61,500 | \$61,000 | \$61,000 | \$0 | 0.0% |
| Total Cost of Operations | \$538,200 | \$580,650 | \$591,000 | \$10,350 | 1.8% |

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 2010 include:

- Redesign the \$100 note. Development of a redesigned \$100 note is currently in process. BEP expects to gain design approval by the Secretary of Treasury and to begin production in the 2009/2010 time frame. 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 improve productivity, reduce BEP's environmental impact, and provide needed capabilities to produce increasingly more complex currency note designs.
- Train and prepare 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, The Bureau, in coordination with the Department of Treasury, commissioned a study that began in 2008 to assess improved methods for denominating currency for the blind and visually impaired; the results of the study will be released for public comment in 2009.
- Install a new wastewater recycling system that will recycle approximately 95% of water used in the printing process. This investment is indicative of the Bureau's commitment to keeping the greenback and the environment "green".
- 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. The Bureau 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.

In line with BEP's vision, the Bureau's top priorities for FY 2010 include the continued re-tooling and retrofitting of the currency production process which will allow the BEP to improve productivity and reduce its environmental impact. This initiative will also provide the needed capabilities to produce increasingly more complex currency note designs which would improve the nation's currency to better serve the needs of Americans and others, including the blind and

visually impaired. The new equipment will also ensure that the BEP continues to operate in an efficient and cost-effective manner. Another top priority for FY 2010 is the redesign the \$100 note. Development of a redesigned \$100 note is currently in process. BEP expects to gain design approval by the Secretary of Treasury and begin production in the 2009/2010 time frame. The Federal Reserve will determine when the new note is issued to the public. 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 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 (\$530,000,000 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.

Legislative Proposals

Representation Funds - This legislative proposal would authorize the Bureau of Engraving and Printing to expend up to \$5,000 per fiscal year from its revolving fund for official reception and representation expenses.

The Bureau's head will use these funds to pay for expenses associated with official Bureau events, characterized by a mix of social and/or business purpose when hosting foreign dignitaries involved in the security printing and banking industries.

Capital Investments Summary

Major Investments: BEP has no planned independent major investments for 2010. 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) Networx), 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 2006 | FY 2007 | FY 2008 | | FY 2009 | FY 2010 |
|---|---|---------|---------|---------|-------------|---------|---------|
| | | Actual | Actual | Actual | Target Met? | Target | Target |
| Manufacturing for BEP | Manufacturing costs for currency (dollar costs per thousand notes produced) (\$) (E) | 27.49 | 28.71 | 29.47 | Yes | 34 | 37 |
| Manufacturing for BEP | Percent of currency notes delivered to the Federal Reserve that meet customer quality requirements (%) (Oe) | 99.90 | 100.00 | 100.00 | Yes | 99.90 | 99.90 |
| Protection and Accountability of Assets | Currency shipment discrepancies per million notes (%) (Oe) | 0.01 | 0.01 | 0.01 | Yes | 0.01 | 0.01 |
| Protection and Accountability of Assets | Security costs per 1000 notes delivered (\$) (E) | 6.25 | 6.00 | 5.65 | No | 5.65 | 5.10 |

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.

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.