

# Bureau of the Public Debt

## Mission Statement

To borrow the money needed to operate the federal government, account for the resulting debt and provide reimbursable support services to federal agencies.

## Program Summary by Budget Activity

Dollars in Thousands

Appropriation	FY 2007	FY 2008	FY 2009		
	Enacted	Enacted	Request	\$ Change	% Change
Administering the Public Debt					
Wholesale Securities Services	\$19,996	\$20,518	\$21,047	\$529	2.58%
Government Agency Investment Services	14,594	14,648	14,497	(151)	-1.03%
Retail Securities Services	137,020	140,573	144,194	3,621	2.58%
Summary Debt Accounting	7,244	7,132	7,316	184	2.58%
<b>Total Appropriated Resources</b>	<b>\$178,854</b>	<b>\$182,871</b>	<b>\$187,054</b>	<b>\$4,183</b>	<b>2.29%</b>
<b>Total FTE</b>	<b>1,390</b>	<b>1,371</b>	<b>1,371</b>	<b>0</b>	<b>0.00%</b>

Note: FY 2007 Total Appropriated Resources include \$3,000,000 in projected user fee collections. FY 2008 and FY 2009 Total Appropriated Resources include \$10,000,000 in projected user fee collections.

## FY 2009 Priorities

- Ensure that the most efficient systems are in place to conduct borrowing operations and deliver securities services to investors.
- Continue to adopt technological advances to ensure that Public Debt's various information technology systems remain secure.
- Encourage investors to convert their marketable securities and paper savings bonds to TreasuryDirect.
- Communicate with customers about the benefits of dealing directly with Treasury to purchase securities and manage their holdings online.

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## **Section 1 – Purpose**

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### **1A – Description of Bureau Vision and Priorities**

The Bureau of the Public Debt's vision is to lead the way for responsible, effective government through commitment to service, efficient operations, openness to change and values-based behavior. In carrying out its mission and vision, Public Debt annually auctions and issues more than \$4 trillion in Treasury bills, notes, bonds and Treasury Inflation-Protected Securities (TIPS); effectively administers the regulation of the primary and secondary Treasury securities markets; ensures that reliable systems and processes are in place for issuing, transferring, paying interest on and redeeming Treasury securities; issues and redeems more than 78 million paper savings bonds each year; administers in excess of \$4 trillion in investments for some 230 federal trust funds; and provides timely and accurate information on the public debt.

In support of Treasury's strategic outcome of financing the government at the lowest possible cost over time, Public Debt's top priority is to ensure that the most efficient systems are in place to conduct borrowing operations and deliver securities services to investors. To that end, Public Debt continues to enhance its TreasuryDirect system where retail customers can purchase and manage their holdings of Treasury securities over the internet and will, in the first quarter of calendar year 2008, replace its aging auction system. As it increasingly relies on conducting business electronically, Public Debt also places a high priority on adopting technological advances to ensure that its systems remain secure.

Public Debt's major operational initiative is to consolidate all Government Agency Investment Services functions into one automated system by FY 2012 to reduce costs and facilitate future enhancements. To date, the Government Account Series (GAS) and borrowings functions are operating from the same automated platform and the effort to merge the State and Local Government Series (SLGS) program is underway.

Issuing all Treasury securities electronically is a long-term goal for the retail program; however, the timetable for achieving that goal depends on several factors. A key challenge is to communicate with customers about the benefits of dealing directly with Treasury to purchase securities and manage their holdings online. As the public becomes increasingly comfortable with conducting financial business online, Public Debt believes more customers will take advantage of these benefits.

With its resources, Public Debt:

- Conducts more than 200 marketable securities auctions annually, resulting in the issuance of more than \$4 trillion in Treasury bills, notes, bonds and TIPS;
- Administers in excess of \$4 trillion in GAS investments, which amount to 45 percent of the public debt;
- Manages some 6,900 active SLGS securities accounts valued at \$297 billion;
- Serves more than 50 million retail customers holding marketable and savings securities, including nearly 300,000 investor accounts in the internet-accessed TreasuryDirect system;

- Accounts for and reports on \$219 billion in federal agency borrowings from Treasury in 78 funds;
- Accounts for and reports on the balance and composition of the nearly \$9 trillion in public debt, the single largest liability on the federal government's balance sheet, and reconciles more than \$77 trillion in securities transactions reported from numerous systems to cash flowing in and out of the federal government each year; and
- Annually receives unqualified audit opinions on the *Schedules of Federal Debt*.

The total resources required to support Public Debt activities in FY 2009 are \$202,061,000, including \$187,054,000 from direct appropriations, of which \$10,000,000 are user fees, and \$15,007,000 from offsetting collections and reimbursable programs.

### **1B – Program History and Future Outlook**

Public Debt continues to enhance the mechanisms for participation by a wide range of investors in its wholesale, government agency investment services and retail programs.

Over the years, Public Debt has dramatically reduced the time required to complete marketable securities auctions. Results are now consistently released within two minutes, plus or minus 30 seconds, of closing. By reducing the time bidders are exposed to the risk of adverse market movements, auction participants are likely to bid at more favorable rates and yields to the federal government.

In the first quarter of calendar year 2008, Public Debt will replace its aging auction system to fully automate the announcement, auction and issuance of marketable securities and, at the same time, provide greater speed and flexibility to Treasury debt managers in bringing new types of securities to market. By eliminating manual processes, the new Treasury Automated Auction Processing System (TAAPS) will help ensure error-free auction results. Going forward, Public Debt will upgrade TAAPS to keep pace with changes in technology to ensure financing operations are conducted timely and with 100 percent accuracy.

Public Debt continues its commitment to providing efficient mechanisms for federal, state and local government entities to purchase GAS and SLGS securities and borrow from Treasury. Public Debt will also continue to work with the Financial Management Service and federal agency customers to simplify financial reporting and streamline the reconciliation processes associated with producing government-wide financial statements.

Public Debt will continue to enhance and support TreasuryDirect. To take advantage of the efficiencies of electronic processing, Public Debt will encourage investors to convert their marketable securities and paper savings bonds to TreasuryDirect. In FY 2009, TreasuryDirect will be expanded to enable fiduciaries, trusts and other organizations to open and maintain accounts. Also in FY 2009, Public Debt will streamline gift purchases in TreasuryDirect.

Public Debt continues to work to improve the clarity, utility and availability of federal debt information. Public Debt began producing daily public debt financial statements in June 2007. This effort supports the President's Management Agenda goal of providing accurate and timely financial information. Going forward, Public Debt will work to modernize its system used for public debt accounting by migrating common summary debt accounting financial information to a shared service provider. This will potentially reduce operational risks and costs, while standardizing system, business and data elements.

Although not supported by appropriated funding, Public Debt has made its franchise operations, the Administrative Resource Center and Information Technology Group, a significant part of what it does. As a recognized Shared Service Provider (SSP), Public Debt's Administrative Resource Center supplies reimbursable support services to federal agencies, generating revenue to pay all organizational expenses. This designation fosters customer growth, as the Office of Management and Budget and the General Services Administration encourage agencies to use the efficiencies offered by SSPs, thus allowing customers to focus on mission-related activities. Public Debt's Information Technology Group offers a combination of experience and know-how that allows it to effectively plan and execute government IT solutions. Additional information technology services, such as application hosting, are also provided to customers through the Information Technology Group. For FY 2009, Public Debt's Administrative Resource Center and Information Technology Group plan to serve 78 customers with \$103 million in revenue.

## Section 2 – Budget Adjustments and Appropriation Language

### 2.1 – Budget Adjustments Table

Dollars in Thousands

Administering the Public Debt	FTE	Amount
FY 2008 Enacted	1,371	\$182,871
Maintaining Current Levels (MCLs)		
Non-Pay Inflation Adjustment		1,497
Pay Annualization		769
Pay Inflation Adjustment		2,445
<b>Total FY 2009 Base</b>	<b>1,371</b>	<b>187,582</b>
Program Decreases:		
Government Agency Investment Services System (GAISS) Savings		(528)
<b>Subtotal FY 2009 Program Changes</b>	<b>0</b>	<b>(528)</b>
<b>Total FY 2009 Request</b>	<b>0</b>	<b>\$187,054</b>
Adjustments to Request User Fees:		
User Fees		(10,000)
<b>Subtotal FY 2009 Offsetting Fees and Rescissions</b>	<b>0</b>	<b>(10,000)</b>
<b>Total FY 2009</b>	<b>0</b>	<b>\$177,054</b>

### 2A – Budget Increases and Decreases Description

**Maintaining Current Levels (MCLs) ..... +\$4,711,000 / +0 FTE**

Non-Pay Inflation Adjustment +\$1,497,000 / +0 FTE

Funds are requested for other non-labor related items such as contracts, travel, supplies, equipment and GSA rent.

Pay Annualization +\$769,000 / +0 FTE

Funds are requested for the FY 2009 cost of the January 2008 pay raise.

Pay Inflation Adjustment +\$2,445,000 / +0 FTE

Funds are requested for the proposed January 2009 pay raise.

**Program Decreases ..... -\$528,000 / +0 FTE**

Government Agency Investment Services System (GAISS) Savings -\$528,000 / +0 FTE

Due to the consolidation of Public Debt's Special Purpose Security and InvestOne systems, Public Debt projects a \$528,000 savings for its GAISS. The decrease is the result of a 20 percent savings due to the consolidation, offset by inflation and a 10 percent increase for contract expenses. Through consolidation, Public Debt will streamline the technology used for supporting this business line and standardize its internal control of processes common to all Government Agency Investment Services programs.

**Adjustments to Request User Fee .....-\$10,000,000 / +0 FTE**  
User Fees -\$10,000,000 / +0 FTE

For \$100 account maintenance fees that Public Debt charges to account holders in the Legacy Treasury Direct system with an account balance of more than \$100,000 in par value.

## 2.2 – Operating Levels Table

Bureau: Bureau of the Public Debt	FY 2007 Enacted	FY 2008 President's Budget	Cong. Action including Rescission	FY 2008 Enacted Level	Proposed Reprogra mmings	FY 2008 Proposed Operating Level	FY 2009 Requested Level
<b>FTE</b>	<b>1,390</b>	<b>1,390</b>		<b>1,371</b>		<b>1,371</b>	<b>1,371</b>
<b>Object Classification:</b>							
11.1 Full-Time Permanent Positions.....	\$83,937	\$89,149	-	81,920	-	81,920	\$84,003
11.3 Other than Full-Time Permanent Positions....	201	213	-	213	-	213	218
11.5 Other Personnel Compensation.....	4,310	2,989	-	2,989	-	2,989	3,065
11.8 Special Personal Services Payments.....	-	-	-	-	-	-	-
<b>11.9 Personnel Compensation (Total).....</b>	<b>\$88,448</b>	<b>\$92,351</b>	<b>\$0</b>	<b>\$85,122</b>	<b>\$0</b>	<b>\$85,122</b>	<b>\$87,286</b>
12.0 Personnel Benefits.....	22,534	23,403	-	23,403	-	23,403	24,453
13.0 Benefits to Former Personnel.....	30	28	-	50	-	50	50
21.0 Travel.....	1,842	1,732	-	1,661	-	1,661	1,673
22.0 Transportation of Things.....	90	85	-	90	-	90	91
23.1 Rental Payments to GSA.....	6,217	6,393	-	6,762	-	6,762	7,262
23.2 Rent Payments to Others.....	5	5	-	2	-	2	2
23.3 Communications, Utilities, & Misc.....	15,845	15,384	-	14,240	-	14,240	14,339
24.0 Printing and Reproduction.....	1,956	1,837	-	1,735	-	1,735	1,747
25.1 Advisory & Assistance Services.....	502	472	-	344	-	344	346
25.2 Other Services.....	24,914	25,402	-	26,069	-	26,069	26,249
25.3 Purchase of Goods/Serv. from Govt. Accts..	7,869	7,392	-	10,376	-	10,376	10,448
25.4 Operation & Maintenance of Facilities.....	557	742	-	868	-	868	874
25.5 Research & Development Contracts.....	-	-	-	-	-	-	-
25.6 Medical Care.....	19	18	-	22	-	22	22
25.7 Operation & Maintenance of Equipment.....	2,420	2,273	-	3,906	-	3,906	3,933
25.8 Subsistence & Support of Persons.....	10	-	-	-	-	-	-
26.0 Supplies and Materials.....	2,365	2,222	-	2,247	-	2,247	2,263
31.0 Equipment.....	3,134	3,030	-	5,752	-	5,752	5,792
32.0 Lands and Structures.....	95	89	-	220	-	220	222
33.0 Investments & Loans.....	-	-	-	-	-	-	-
41.0 Grants, Subsidies.....	-	-	-	-	-	-	-
42.0 Insurance Claims & Indemn.....	2	2	-	2	-	2	2
43.0 Interest and Dividends.....	-	11	-	-	-	-	-
44.0 Refunds.....	-	-	-	-	-	-	-
<b>Total Budget Authority.....</b>	<b>\$178,854</b>	<b>\$182,871</b>	<b>\$0</b>	<b>\$182,871</b>	<b>\$0</b>	<b>\$182,871</b>	<b>\$187,054</b>
<b>Budget Activities:</b>							
Wholesale Securities Services.....	19,996	12,474	-	\$20,518	-	20,518	21,047
Government Agency Investment Services.....	14,594	13,239	-	\$14,648	-	14,648	14,497
Retail Securities Services.....	137,020	151,359	-	\$140,573	-	140,573	144,194
Summary Debt Accounting.....	7,244	5,799	-	\$7,132	-	7,132	7,316
<b>Total Budget Authority.....</b>	<b>\$178,854</b>	<b>\$182,871</b>	<b>\$0</b>	<b>\$182,871</b>	<b>\$0</b>	<b>\$182,871</b>	<b>\$187,054</b>



## 2.3 – Appropriations Detail Table

Dollars in Thousands

Resources Available for Obligation	FY 2007 Obligations		FY 2007 Enacted 1/		FY 2008 Enacted 2/		FY 2009 Request 2/		% Change FY 2008 to FY 2009	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>New Appropriated Resources:</b>										
Wholesale Securities Services	146	\$19,475	155	\$19,996	154	\$20,518	154	\$21,047	0.00%	2.58%
Government Agency Investment Services	104	13,903	113	\$14,594	110	\$14,648	110	\$14,497	0.00%	-1.03%
Retail Securities Services	1,002	133,425	1,066	\$137,020	1,054	\$140,573	1,054	\$144,194	0.00%	2.58%
Summary Debt Accounting	51	6,769	56	\$7,244	53	\$7,132	53	\$7,316	0.00%	2.58%
<b>Subtotal New Appropriated Resources</b>	<b>1,303</b>	<b>\$173,572</b>	<b>1,390</b>	<b>\$178,854</b>	<b>1,371</b>	<b>\$182,871</b>	<b>1,371</b>	<b>\$187,054</b>	<b>0.00%</b>	<b>2.29%</b>
<b>Other Resources:</b>										
Offsetting Collections - Reimbursable	16	13,970	17	14,058	17	14,565	17	15,007	0.00%	3.03%
Available multi-year/no-year funds		3,299		5,311		3,658				
User Fees		2,797								
Recoveries				12		70				
<b>Subtotal Other Resources</b>	<b>16</b>	<b>20,066</b>	<b>17</b>	<b>19,381</b>	<b>17</b>	<b>18,293</b>	<b>17</b>	<b>15,007</b>	<b>0.00%</b>	<b>-17.96%</b>
<b>Total Resources Available for Obligation</b>	<b>1,319</b>	<b>\$193,638</b>	<b>1,407</b>	<b>\$198,235</b>	<b>1,388</b>	<b>\$201,164</b>	<b>1,388</b>	<b>\$202,061</b>	<b>0.00%</b>	<b>0.45%</b>

1/ Subtotal New Appropriated Resources include \$3,000,000 in projected user fee collections.

2/ Subtotal New Appropriated Resources include \$10,000,000 in projected user fee collections.

**2B – Appropriations Language and Explanation of Changes**

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY BUREAU OF THE PUBLIC DEBT</p> <p style="text-align: center;">Federal Funds</p> <p>Administering the Public Debt For necessary expenses connected with any public-debt issues of the United States, [<del>\$182,871,000</del>]<i>\$187,054,000</i>, of which not to exceed \$2,500 shall be available for official reception and representation expenses, and of which not to exceed \$2,000,000 shall remain available until September 30, [<del>2010</del>]<i>2011</i>, for systems modernization: <i>Provided</i>, That the sum appropriated herein from the general fund for fiscal year [<del>2008</del>]<i>2009</i> shall be reduced by not more than \$10,000,000 as definitive security issue fees and Legacy Treasury Direct Investor Account Maintenance fees are collected, so as to result in a final fiscal year [<del>2008</del>]<i>2009</i> appropriation from the general fund estimated at [<del>\$172,871,000</del>]<i>\$177,054,000</i>. In addition, [<del>\$70,000</del>]<i>\$90,000</i> to be derived from the Oil Spill Liability Trust Fund to reimburse the Bureau for administrative and personnel expenses for financial management of the Fund, as authorized by section 1012 of Public Law 101-380. (<i>Department of the Treasury Appropriations Act, 2008.</i>)</p>	<p>The \$10,000,000 in user fees associated with the Legacy Treasury Direct system was enacted in FY 2008. Legacy Treasury Direct is a book-entry system that has been in operation since 1986.</p>

**2B – Permanent, Indefinite Appropriations**

**Reimbursements to the Federal Reserve Banks**

Public Law 101-509, 104 Stat. 1389, 1394 (1990), established a permanent indefinite appropriation to pay such sums as necessary to reimburse the Federal Reserve Banks for acting as fiscal agents. A permanent indefinite account was established in FY 1992. Claims for reimbursements are closely monitored for compliance with the Instructions for Filing Reimbursement Claims for Fiscal Agency Services Provided to the Bureau of the Public Debt (current edition). Funding for FY 2009 is estimated at \$130,170,000.

**Government Losses in Shipment**

Public Law 103-329 established a permanent indefinite appropriation to pay such sums as necessary to make payments for the replacement of valuables, or the value thereof, lost, destroyed, or damaged in the course of United States government shipments. The Government

Losses in Shipment Act was approved July 8, 1937, to dispense with the necessity for insurance by the government against loss or damage to valuables in shipment and for other purposes. The Act was amended in 1943 to cover losses resulting from the redemption of savings bonds (for example, stolen bonds which were fraudulently negotiated even though the paying agent followed identification guidelines established by the Treasury). All authority of the Treasury under the Act has been delegated to the Commissioner of the Bureau of the Public Debt. In FY 2009, the funding estimated to support payments for the replacement of valuables is \$500,000.

## **2C – Legislative Proposals**

Public Debt has no legislative proposals for FY 2009.

## Section 3 – Budget and Performance Plan

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This table lists all FY 2009 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan is a corporate level plan for the Department that provides a description of what the agency intends to accomplish over the next five years.

For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to: <http://www.treas.gov/offices/management/budget/strategic-plan/>

### 3.1 – Budget by Strategic Outcome

Dollars in Thousands

TREASURY Strategic Outcome	FY 2008 Enacted AMOUNT	FY 2009 Request AMOUNT	Percent Change AMOUNT
Financial information	7,585	\$7,783	2.6%
Government financing	189,851	194,278	2.3%
<b>Total</b>	<b>\$197,436</b>	<b>\$202,061</b>	<b>2.3%</b>

Note: FY 2008 and FY 2009 totals include \$10,000,000 in projected user fee collections.

**3A – Wholesale Securities Services** (*\$21,047,000 from direct appropriations and \$1,343,000 from reimbursable programs*): The Wholesale Securities Services activity involves the announcement, auction, issuance and settlement of marketable Treasury bills, notes, bonds and TIPS. It also provides an efficient infrastructure for the transfer, custody and redemption of these securities. Large market participants buy most of Treasury's marketable securities at auction. In FY 2007, Public Debt conducted more than 200 marketable securities auctions resulting in the issuance of more than \$4 trillion in securities. Treasury's commercial book-entry system holds approximately \$4.3 trillion, or 98 percent, of Treasury marketable securities. Treasury uses this system to issue most of its marketable debt, make principal and interest payments and support the active secondary market in Treasury securities. It is estimated that about \$1.23 trillion per day in Treasury securities are transferred among account holders in the commercial book-entry system.

This activity directly supports the Department of the Treasury's strategic outcome of financing the government at the lowest possible cost over time. To help meet this outcome, in the first quarter of calendar year 2008, Public Debt will replace its auction system to fully integrate the automated announcement, auction and issuance of marketable securities and provide greater speed and flexibility to Treasury debt managers in bringing new types of securities to market. Public Debt will continue to seek opportunities in U.S. and global markets to listen and learn from holders of its securities and share information. The Bureau will also educate current and potential investors about Treasury's debt financing policies, the auction process and its securities. —

Public Debt also has the responsibility of regulating the government securities market. Public Debt administers Treasury's regulations that provide investor protection and maintain the integrity, liquidity and efficiency in the government securities market under the Government Securities Act of 1986, as amended. Public Debt also administers the rules for Treasury's securities auctions and buybacks and prescribes provisions for Treasury's Fiscal Service collateral programs, including collateral eligibility and valuation. Fiscal Service collateral programs ensure that government funds on deposit or invested at commercial banks are secured.

*Other Resources:*

Reimbursements totaling \$1,343,000 are allocated to this program for providing administrative support to Public Debt's franchise operation.

**3.2.1 – Wholesale Securities Services Budget and Performance Plan**

Wholesale Securities Services Budget Activity					
Resource Level	FY 2005 Obligated	FY 2006 Obligated	FY 2007 Obligated	FY 2008 Enacted	FY 2009 Request
Appropriated Resources	\$13,290	\$17,987	\$19,475	\$20,518	\$21,047
Reimbursable Resources	408	1,594	1,301	1,302	1,343
<b>Total Resources</b>	<b>\$13,698</b>	<b>\$19,581</b>	<b>\$20,776</b>	<b>\$21,820</b>	<b>\$22,390</b>

Wholesale Securities Services Budget Activity					
Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Target	FY 2009 Target
Cost per debt financing operation (\$) (E)	\$126,828	\$148,926	\$235,172	\$263,306	\$275,610
Percent of auction results released in 2 minutes +/- 30 seconds (%) (Oe)	95.00%	100.00%	99.10%	95.00%	95.00%

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

*Description of Performance:* Public Debt established an efficiency measure for its cost per debt financing operation, which is incurred in Public Debt's annual appropriation as well as in its permanent indefinite fund established to reimburse Federal Reserve Banks that act as Treasury's fiscal agents. In FY 2007, the actual cost per debt financing operation was \$235,172, which exceeded Public Debt's target by \$6,763. Contributing to the increased costs were one fewer auction than anticipated and a delay in implementing the new auction system. Increased necessary testing of the new system resulted in a delayed implementation and the need to also run the existing auction system longer than originally anticipated.

The cost per debt financing operation is estimated at \$263,306 in FY 2008 and \$275,610 in FY 2009. Increases in the cost per debt financing operation are due to the implementation of a new auction system requiring a complete replacement of the existing network, hardware and software. This new system will provide enhanced back-up and recovery capability, ease and flexibility in placing bids in Treasury securities auctions and improved information sharing to Public Debt's customers and stakeholders.

In FY 2007, Public Debt surpassed its performance target of releasing auction results within two minutes, plus or minus 30 seconds, 95 percent of the time. Reductions in requested FY 2009 funding would risk decreases in staffing levels and the ability to provide contingency processing.

**3B – Government Agency Investment Services** (*\$14,497,000 from direct appropriations and \$3,827,000 from reimbursable programs*): The Government Agency Investment Services (GAIS) program supports federal, state and local government agency investments in non-marketable Treasury securities as well as federal agency borrowing from Treasury.

Public Debt offers two major non-marketable special purpose investment programs to government agencies. Government Account Series (GAS) securities are issued only to federal agencies with statutory investment authority. There are some 230 trust and investment funds held by federal agencies. For 18 of the funds, Public Debt also maintains the investment accounts and performs additional administrative functions on behalf of the Secretary of the Treasury. These additional functions include processing receipts into and transfers out of the funds to the related federal program agencies for the purpose of administering the underlying programs that are supported by the trust funds. Some of the more recognizable federal trust funds are the four Social Security and Medicare Funds, as well as the Unemployment and Highway Trust Funds. With more than \$4 trillion in investments, federal government and other entities' holdings of GAS securities make up 45 percent of the public debt outstanding.

State and Local Government Series (SLGS) securities are issued to state and local government entities across the nation. At approximately \$297 billion outstanding, the SLGS program is important to over 6,900 state and local government entities that use these securities to help comply with provisions of the Internal Revenue Code.

Public Debt also accounts for and reports on the principal borrowings from and repayments to Treasury for 78 funds managed by other federal agencies, as well as the related interest due to Treasury. These agencies are statutorily authorized to borrow from Treasury to make loans for a broad range of purposes, such as education, housing, farming, and small business support. The funds hold about \$219 billion in loans and loan guarantees.

At the federal level, Public Debt's services in this activity directly help customers produce timely and accurate financial information that contributes to the reliability and usefulness of the government-wide financial statements. Instant access to account information has significantly simplified reconciliation and audit confirmation efforts across the country and assisted SLGS purchasers in complying with Internal Revenue Service requirements related to the issuance of tax exempt securities.

*Other Resources:*

Reimbursements totaling \$3,827,000 are allocated to this program for providing administrative support to Public Debt's franchise operation and investment accounting on behalf of the Secretary of the Treasury.

### 3.2.2 – Government Agency Investment Services Budget and Performance Plan

Government Agency Investment Services Budget Activity					
Resource Level	FY 2005 Obligated	FY 2006 Obligated	FY 2007 Obligated	FY 2008 Enacted	FY 2009 Request
Appropriated Resources	\$13,825	\$14,599	\$13,903	\$14,648	\$14,497
Reimbursable Resources	\$2,641	\$3,418	\$3,170	\$3,744	\$3,827
<b>Total Resources</b>	<b>\$16,466</b>	<b>\$18,017</b>	<b>\$17,073</b>	<b>\$18,392</b>	<b>\$18,324</b>
<b>Budget Activity Total</b>	<b>\$16,466</b>	<b>\$18,017</b>	<b>\$17,073</b>	<b>\$18,392</b>	<b>\$18,324</b>

Government Agency Investment Services Budget Activity					
Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Target	FY 2009 Target
Number of Government Agency Investment Services control processes consolidated	N/A	N/A	3	3	2
Cost per federal funds investment transaction (\$) (E)	\$88.74	\$62.64	\$68.53	\$77.10	\$77.70
Percentage of Government Agency customer initiated transactions conducted online (%) (Oe)	72.70%	97.03%	97.31%	Discontinued	Discontinued

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

*Description of Performance:* In the GAIS budget activity, Public Debt has an efficiency measure to track the cost per federal funds investment transaction. Federal investments are special-purpose securities issued only to federal agencies that manage trust, deposit and other special funds. Public Debt handles issuing, paying interest on and redeeming the securities held by each fund, as well as handling all of the debt-related accounting and reporting for the securities on the consolidated financial statement of the federal government. Public Debt projects the cost per federal funds investment transaction to be \$77.10 for FY 2008 and \$77.70 for FY 2009. The projected cost per federal funds investment transaction is increasing each year due to inflationary cost increases and transaction volumes that are projected to remain constant.

Public Debt established a long-term goal to reduce the number of systems used to support GAIS. Through systems reduction, Public Debt will streamline the diversity of technology involved in supporting this business line. Additionally, this effort will allow the Bureau to consolidate and standardize the internal controls over processes common to all GAIS programs. The control environment consists of 18 processes that will be transformed into six standardized processes. Consolidating the three systems that house GAIS data into a single, integrated control environment will provide one location for all investment activities. This will reduce operational risks, while standardizing system, business and data elements.

**3C – Retail Securities Services** (\$144,194,000 from direct appropriations, including \$10,000,000 from user fee collections and \$9,370,000 from offsetting collections and reimbursable programs): Public Debt’s Retail Securities program serves more than 50 million retail customers who have invested in marketable and savings securities directly with Treasury. Investors may hold these securities in book-entry or paper form.

The goal of the retail program is to migrate products and services to the internet-accessed TreasuryDirect system so that eventually all retail securities are issued and maintained in book-entry form. TreasuryDirect enables Public Debt to serve customers more effectively and

manage resources more efficiently since investors are able to purchase securities online and self-manage their holdings. To accelerate these efficiencies, Public Debt encourages customers to convert holdings to TreasuryDirect. The potential for conversions is significant since there are over 700 million paper savings bonds and nearly 400,000 accounts in the Legacy Treasury Direct marketable securities system. While moving to all-electronic processing, Public Debt remains committed to supporting its legacy systems.

*Other Resources:*

Offsetting collections totaling \$10,000,000 are collected for definitive securities issue and Legacy Treasury Direct Investor Account maintenance fees. In addition, \$9,370,000 in reimbursements are collected for providing computer matching for the Social Security Administration and administrative support to Public Debt’s franchise operation.

**3.2.3 – Retail Securities Services Budget and Performance Plan**

Retail Securities Services Budget Activity					
Resource Level	FY 2005 Obligated	FY 2006 Obligated	FY 2007 Obligated	FY 2008 Enacted	FY 2009 Request
Appropriated Resources	\$140,084	\$132,939	\$133,425	\$140,573	\$144,194
Reimbursable Resources	4,348	11,873	9,047	9,066	9,370
<b>Total Resources</b>	<b>\$144,432</b>	<b>\$144,812</b>	<b>\$142,472</b>	<b>\$149,639</b>	<b>\$153,564</b>

Retail Securities Services Budget Activity Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Target	FY 2009 Target
Cost per TreasuryDirect assisted transaction (\$) (E)	\$8.51	\$4.97	\$6.65	\$10.83	\$12.58
Cost per TreasuryDirect online transaction (\$) (E)	\$3.43	\$3.06	\$3.24	\$3.88	\$3.93
Percentage of retail customer service transactions completed within 12 business days (%) (Oe)	88.70%	98.00%	99.43%	90.00%	90.00%

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

*Description of Performance:* Public Debt has three performance measures for Retail Securities Services that include two efficiency and one outcome measure.

The first efficiency measure is the cost per TreasuryDirect assisted transaction. Although TreasuryDirect promotes self-sufficiency, there are times when assistance from a customer service representative is necessary. Representatives handle phone and email inquiries, offline authentication forms processing, conversions, changes in bank information, and transactions requiring legal evidence. The FY 2007 unit cost of \$6.65 exceeded the projected unit cost of \$6.16 due to an increase in costs to handle more complex transactions. Public Debt projects unit costs of \$10.83 in FY 2008 and \$12.58 in FY 2009 for TreasuryDirect assisted transactions. While BPD expects the workload to remain steady or increase slightly, Retail workload is sensitive to changes in market rates. When market rates are low, TreasuryDirect accounts are



not likely to grow at the pace seen in prior years. Cost increases reflect additional direct and support costs to handle a continuing increase in more complex work.

The second efficiency measure is the cost per TreasuryDirect online transaction. In Public Debt's internet-accessed system, investors set up accounts, purchase electronic securities and manage their holdings. Since investors have this self-service capability, Public Debt tracks the cost of online transactions, including establishing accounts, purchasing and redemption of securities and changing account information online. The FY 2007 unit cost of \$3.24 exceeded BPD's projected unit cost by \$0.28 due to its refinement of IT cost allocations among Public Debt programs and a lower volume of online transactions. Public Debt projects unit costs of \$3.88 in FY 2008 and \$3.93 in FY 2009 for TreasuryDirect online transactions since Retail workload is sensitive to changes in market rates. When market rates are low, TreasuryDirect accounts are not likely to grow at the pace seen in prior years. BPD expects workload to remain steady, while costs to operate the TreasuryDirect system should remain relatively constant.

The third measure includes the timeliness of processing retail customer service transactions, including answering phone and email inquiries, processing payments or changes to payment instructions and handling TreasuryDirect assisted transactions. For FY 2007, Public Debt processed 99.43 percent of retail customer service transactions within 12 business days, surpassing its target of 90 percent. Future goals are to complete 90 percent of transactions within 11 business days in FY 2009 and within 10 business days in FY 2010. Reaching a ten-day turnaround for retail customer service transactions represents the culmination of a long-term goal for expedited quality service set by Public Debt in FY 2004. Sufficient funding, efficiencies gained from improved work processes and an increase in electronic transactions will allow Public Debt to meet these goals.

**3D – Summary Debt Accounting** (*\$7,316,000 from direct appropriations and \$467,000 from reimbursable programs*): The Summary Debt Accounting program accurately accounts for and reports timely on the outstanding public debt and related interest expenses. The program provides daily information on the balance and composition of the public debt, and summary level accounts represent the control totals for dozens of subordinate investment systems.

Each year, Public Debt reconciles more than \$77 trillion in securities transactions reported from numerous systems to cash flowing in and out of the federal government. Public Debt's summary level accounting system provides detailed financial information on the nearly \$9 trillion in public debt and associated interest expense for publication in the annual *Financial Report of the United States Government*, Treasury's *Performance and Accountability Report*, and the *Schedules of Federal Debt Managed by the Bureau of the Public Debt*.

The Bureau publishes information on the balance and composition of the public debt in the *Monthly Statement of the Public Debt of the United States* on its website. In June 2007, Public Debt began producing daily public debt financial statements.

Public Debt has always been committed to maintaining strong accounting controls to ensure the integrity of operations and the accuracy of the information provided to the public. The Bureau has consistently received unqualified audit opinions on the *Schedules of Federal Debt*, which

presents details supporting the largest single liability on the government-wide financial statement.

*Other Resources:*

Reimbursements totaling \$467,000 are allocated to this program for providing administrative support to Public Debt’s franchise operation.

**3.2.4 – Summary Debt Accounting Budget and Performance Plan**

Summary Debt Accounting Budget Activity					
Resource Level	FY 2005 Obligated	FY 2006 Obligated	FY 2007 Obligated	FY 2008 Enacted	FY 2009 Request
Appropriated Resources	\$5,402	\$6,431	\$6,769	\$7,132	\$7,316
Reimbursable Resources	166	570	452	453	467
<b>Total Resources</b>	<b>\$5,568</b>	<b>\$7,001</b>	<b>\$7,221</b>	<b>\$7,585</b>	<b>\$7,783</b>

Summary Debt Accounting Budget Activity					
Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Target	FY 2009 Target
Cost per summary debt accounting transaction (\$) (E)	\$12.62	\$10.96	\$9.29	\$9.74	\$9.97

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

*Description of Performance:* Public Debt has an efficiency measure to track the cost per transaction of performing summary debt accounting, which includes reporting all financial activity related to the public debt of the United States. Issues, redemptions and interest payments on the public debt must be accounted for to calculate the amount of debt outstanding and interest paid. Public Debt projects the cost per summary debt accounting transaction to be \$9.74 in FY 2008 and \$9.97 in FY 2009. The projected cost per summary debt accounting transaction is increasing each year due to inflationary cost increases and transaction volumes that are projected to remain constant.

For detailed information about each performance measure, including definition, verification and validation, please go to:

<http://www.treasury.gov/offices/management/dcfo/accountability-reports/2007-par.shtml>

## **Section 4 – Supporting Materials**

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### **4A – Human Capital Strategy Description**

Public Debt's strategic management of human capital is consistent with its mission, vision and priorities and supports not only the President's Management Agenda, but also Treasury's strategic goal of *Effectively Managed U.S. Government Finances*.

Public Debt has developed a comprehensive recruitment program to attract candidates with the necessary competencies to minimize skill gaps. As a part of its program, Public Debt attends approximately 25 career fairs per year and solicits applications through diversity specific magazines and websites to identify and hire a talented and diverse workforce. Extensive work is done with management before and during the recruitment process to identify staffing needs and pinpoint the particular characteristics and skills necessary for Public Debt to succeed.

A prime component of Public Debt's human capital strategy is operating as a values-based organization. Public Debt is known in the local and surrounding communities as a values-based organization where candidates want to work and employees want to stay. Public Debt's recognition of the need for a balanced family and work life makes it an attractive employer. In fact, according to the report, *Best Places to Work in the Federal Government 2007*, Public Debt is ranked in the top 11 percent of federal agencies. This ranking is based on results from the Office of Personnel Management's 2006 Human Capital Survey.

Public Debt uses the full range of pay flexibilities to recruit and retain high quality candidates with the skills necessary to accomplish its mission. Specifically, Public Debt uses superior qualifications appointments, student loan repayments and recruitment and retention incentives. Public Debt also uses special employment programs to hire quality candidates. The Bureau has been very successful using the Federal Career Intern Program, Student Career Experience Program, and Veterans' Recruitment Act to provide a source of highly qualified applicants.

Public Debt fosters a learning culture that provides employees at all levels with opportunities for continuous development. Management invests in education, training and other developmental opportunities to help employees build mission-critical competencies, both leadership and technical, that are beneficial to the Bureau. The readiness of Public Debt's workforce, including its Mission Critical Occupations, is determined through skills gap assessments. Public Debt works with focus groups to assess the training needs necessary to keep employee skills current and develop the future training opportunities needed to prevent skills gaps. These focus groups ensure that Public Debt employees are among the best trained in the government and remain abreast of new technologies affecting their work.

Public Debt has identified three Mission Critical Occupations (MCOs): Customer Service Specialist (CSS), Accountant, and Financial Systems Analyst. Workforce analysis indicates that retirement eligibility among the CSS positions is relatively high compared to the other MCOs. To offset the potential retirement issue among the CSS positions, Public Debt recruits applicants with basic communication and customer service skills. Once on board, these basic skills, coupled with specific training, ensure a ready source of qualified employees. Public Debt's

workforce analysis indicates that as employees retire, it will continue to have a sufficient pool of internal candidates to fill CSS positions.

Human capital initiatives, including succession planning, are another important part of Public Debt's strategic plan. Public Debt is very successful in filling senior-level positions internally. This success can be attributed, in part, to leadership development programs and knowledge transfer techniques. To cultivate leadership and management skills, Public Debt uses programs such as Management Candidate Development, Senior Executive Service Candidate Development, and Supervisory Excellence. Of the GS-13 level and above workforce, 42 percent of employees are eligible to retire by December 31, 2012. Public Debt will continue to use these types of programs to fill future vacancies.

### 4.1 – Summary of IT Resources Table

Dollars in Thousands

Information Technology Investments		FY 2006 & Earlier Enacted 1/	FY 2007 Enacted	FY 2008 President's Budget	% Change from FY07 to FY08	FY 2009 Requested	% Change from FY08 to FY09
Major IT Investments / Funding Source	Budget Activity						
Government Agency Investment Services System (GAISS) <sup>2/</sup>	Government Agency Investment Services	\$0	\$4,447	\$3,790	-14.8%	\$3,262	-13.9%
Public Debt Accounting and Reporting System (PARS)	Summary Debt Accounting	\$2,038	\$1,914	\$1,971	3.0%	\$2,030	3.0%
SaBRe	Retail Securities Services	\$4,344	\$4,873	\$4,640	-4.8%	\$4,795	3.3%
Treasury Automated Auction Processing System (TAAPS)	Wholesale Securities Services	\$44,900	\$47,080	\$31,623	-32.8%	\$32,024	1.3%
Subtotal: TAAPS Appropriated Funding		\$2,996	\$10,570	\$11,332	7.2%	\$11,783	4.0%
Subtotal: TAAPS Permanent Indefinite Funding		\$41,904	\$36,510	\$20,291	-44.4%	\$20,241	-0.2%
TreasuryDirect	Retail Securities Services	\$5,013	\$5,191	\$5,389	3.8%	\$5,579	3.5%
<b>Subtotal, Major IT Investments</b>		<b>\$56,295</b>	<b>\$63,505</b>	<b>\$47,413</b>	<b>-25.3%</b>	<b>\$47,690</b>	<b>0.6%</b>
<b>Non-Major IT Investments</b>		<b>\$9,456</b>	<b>\$9,581</b>	<b>\$9,793</b>	<b>2.2%</b>	<b>\$10,008</b>	<b>2.2%</b>
<b>Infrastructure Investments</b>		<b>\$24,563</b>	<b>\$15,553</b>	<b>\$15,895</b>	<b>2.2%</b>	<b>\$16,245</b>	<b>2.2%</b>
<b>Enterprise Architecture</b>		<b>\$200</b>	<b>\$321</b>	<b>\$342</b>	<b>6.5%</b>	<b>\$352</b>	<b>2.9%</b>
<b>Total IT Investments</b>		<b>\$90,514</b>	<b>\$88,960</b>	<b>\$73,443</b>	<b>-17.4%</b>	<b>\$74,295</b>	<b>1.2%</b>

1/ This column reflects appropriated resources provided to a project in FY 2006 and any previous years.

2/ SPSS and InvestOne merged into GAISS beginning FY07.

#### **4B – Information Technology Strategy**

The Bureau of the Public Debt operates systems that process a wide range of customer service transactions, initiate trillions of dollars in customer payments and account for the public debt at both the detail and summary accounting levels. By delivering services to customers online and automating work processes, these major IT investments are the most cost-effective means to conduct borrowing and deliver securities services to investors.

Public Debt's Capital Planning and Investment Control program is a disciplined, integrated process that addresses system prioritization of new and existing IT investments, risk management, long-range planning, business objectives, alternative analysis and governance. Public Debt's quarterly enterprise architecture reviews ensure alignment of its IT investments to the strategic enterprise direction of Treasury and identify potential duplication of systems. By tracking and reporting the progress of each investment and the performance measures achieved each quarter, Public Debt ensures its IT system portfolio is well managed, cost effective and supports the strategic goal of *Effectively Managed U.S. Government Finances*. Through Public Debt's management of its IT system portfolio, the government's critical financing needs are met while maintaining the integrity of primary and secondary markets for Treasury securities. Public Debt's IT system portfolio is comprised of certified and accredited applications, ensuring financially secure E-Government systems.

For example, the new Treasury Automated Auction Processing System (TAAPS), designed to fully automate the announcement, auction and issuance of marketable debt, is scheduled for implementation in the first quarter of calendar year 2008 and will replace a number of aging legacy systems. The new system is also designed to provide Treasury debt managers with the ability to bring new types of securities to market with greater speed. TAAPS is being developed to meet the Bureau's performance goal to consistently release auction results within two minutes, plus or minus 30 seconds, of closing. Shorter, accurate and consistent auction releases reduce the time auction bidders are exposed to the risk of adverse market movements, thereby reducing the cost of borrowing for Treasury.

The TreasuryDirect system is another example of Public Debt ensuring that project management methods are used to meet cost, schedule and performance goals. This system is an internet-accessed application that offers all retail Treasury securities available to the public at one convenient location. The system is designed to maximize customer self-sufficiency and minimize off-line transaction processing by customer service personnel. By enabling investors to manage their Treasury securities holdings online, Public Debt better serves retail customers and, at the same time, manages resources more efficiently. The TreasuryDirect system continues to be enhanced using Rapid Application Development techniques that give the program manager the flexibility to quickly incorporate new functionality into the system.

## 4.2 – PART Evaluation Table

**PART Name:** Administering the Public Debt

**Year PARTed:** 2003

**Rating:** Effective

### OMB Major Findings/Recommendations

1. The Bureau of the Public Debt has a clear purpose and is well designed and managed.
2. The program meets its annual performance goals and continues to improve targets for subsequent fiscal years.
3. The Bureau of the Public Debt identifies new long-term goals to improve efficiency and effectiveness.

### Bureau Actions Planned or Underway

1. By 2012, 90% of Primary Dealers demonstrate the ability to participate in a live auction from their disaster recovery sites.
2. Consolidate Government Agency Investment Services into a single, integrated control environment by FY 2012.
3. Migrate Summary Debt Accounting to a shared service solution by FY 2013.

For a complete list of PART results visit the following website:

<http://www.whitehouse.gov/omb/expectmore/all.html>