Departmental Summary

FY 2009 President's Budget by Function

(Dollars in Thousands)

Appropriation	FY 2007 Enacted	FY 2008 Enacted	FY 2009 President's Budget	FY 2009 Increase/ Decrease	FY 2009 Percent Change
Management & Financial	$614,774	$699,412	$682,817	-$16,595	-2.4%
Departmental Offices Salaries and Expenses	216,348	248,360	273,895	25,535	10.3%
Dept-wide Systems & Capital Invest. Program	30,268	18,710	26,975	8,265	44.2%
Office of Inspector General	16,957	18,450	19,356	906	4.9%
Treasury IG for Tax Administration	132,861	140,533	145,736	5,203	3.7%
Community Development Financial Institutions Fund	54,506	94,000	28,620	(65,380)	-69.6%
Financial Crimes Enforcement Network	73,216	85,844	91,335	5,491	6.4%
Alcohol & Tobacco Tax and Trade Bureau	90,618	93,515	96,900	3,385	3.6%
Fiscal Service Operations	$414,235	$417,294	$426,398	$9,104	2.2%
Financial Management Service	235,381	234,423	239,344	4,921	2.1%
Bureau of the Public Debt*	178,854	182,871	187,054	4,183	2.3%
Tax Administration**	$10,597,065	$10,892,384	$11,361,509	$469,125	4.3%
IRS Taxpayer Services	2,138,238	2,150,000	2,150,000	0	0.0%
IRS Enforcement	4,686,477	4,780,000	5,117,267	337,267	7.1%
IRS Operations Support	3,544,835	3,680,059	3,856,172	176,113	4.8%
IRS Business Systems Modernization	212,659	267,090	222,664	(44,426)	-16.6%
IRS Health Insurance Tax Credit Administration	14,856	15,235	15,406	171	1.1%
Total, Treasury Appropriations Committee	$11,626,074	$12,009,090	$12,470,724	$461,634	3.8%
Treasury International Programs	$1,357,369	$1,327,579	$2,241,305	$913,726	68.8%
International Financial Institutions	1,273,219	1,277,289	2,071,305	794,016	62.2%
Technical Assistance	19,800	20,235	29,000	8,765	43.3%
Debt Restructuring	64,350	30,055	141,000	110,945	369.1%
Total	**$12,983,443**	**$13,336,669**	**$14,712,029**	**$1,375,360**	**10.3%**

* Does not include estimated user fee offset.

** FY 2007 Enacted represents the approved Operating Plan.

Overview

The U.S. Department of the Treasury's budget priorities reflect the Department's dedication to promoting economic growth and opportunity, strengthening national security, and exercising fiscal discipline while steadily improving the Department's operations to ensure it remains a world-class organization.

The FY 2009 President's Budget request identifies the resources required to support the Treasury Department's role as the steward of U.S. economic and financial systems, and as an influential participant in the international economy. The FY 2009 President's Budget emphasizes initiatives that directly support the Department's four strategic goals:

- Effectively manage U.S. government finances
- Ensure U.S. and world economies perform at full economic potential
- Prevent terrorism and promote the nation's security through strengthened international financial systems
- Dedicate to management and organizational excellence

The Department of the Treasury performs a critical role in U.S. and global economies, continually evolving to meet the ever-changing needs of the nation. The Department provides cash management for the federal government, produces currency and coin, administers the tax code, oversees the financial sector, and plays an integral role in combating the financing of terrorism, the proliferation of weapons of mass destruction, and other threats to our national security.

This chapter will highlight how Treasury's FY 2009 budget request supports each of these priorities and discuss the Department's progress toward meeting the goals of the President's Management Agenda. Detailed information on how each bureau supports these goals is provided in its respective chapter.

FY 2009 President's Budget by Strategic Goal

(Dollars in Thousands)

Treasury Goal/Objective	Effectively Managed US Government Finances		U.S. and World Economies Perform at Full Economic Potential		Prevented Terrorism & Promoted Nation's Security		Management and Organizational Excellence		Total	
	Direct $	Reimb. $	Direct $	Reimb. $	Direct $	Reimb. $	Direct $	Reimb. $	Direct $	Reimb. $
Management & Financial	$108,571	$2,399	$150,903	$8,609	$197,285	$12,238	$226,058	$10,573	$682,817	$33,819
Departmental Offices Salaries and Expenses	59,151	936	74,803	7,204	105,950	6,987	33,991	3,373	273,895	18,500
Dept-wide Systems & Capital Invest. Program							26,975		26,975	0
Office of Inspector General							19,356	6,300	19,356	6,300
Treasury IG for Tax Administration							145,736	900	145,736	900
Community Development Financial Institutions Fund			28,620						28,620	0
Financial Crimes Enforcement Network					91,335	5,251			91,335	5,251
Alcohol & Tobacco Tax and Trade Bureau	49,420	1,463	47,480	1,405					96,900	2,868
Fiscal Service Operations	$426,398	$243,017	$0	$0	$0	$0	$0	$0	$426,398	$243,017
Financial Management Service	239,344	228,010							239,344	228,010
Bureau of the Public Debt	187,054	15,007							187,054	15,007
Tax Administration	$11,091,461	$96,285	$0	$0	$270,048	$11,619	$0	$0	$11,361,509	$107,904
IRS Taxpayer Services	2,150,000	22,454							2,150,000	22,454
IRS Enforcement	4,909,071	32,081			208,196	11,619			5,117,267	43,700
IRS Operations Support	3,794,320	41,750			61,852				3,856,172	41,750
Business Systems Modernization	222,664								222,664	0
Health Insurance Tax Credit Administration	15,406								15,406	0
Total, Treasury Appropriations Committee	$11,626,430	$341,701	$150,903	$8,609	$467,333	$23,857	$226,058	$10,573	$12,470,724	$384,740
Treasury International Programs	2,241,305								2,241,305	0
Total, Appropriated Level	$13,867,735	$341,701	$150,903	$8,609	$467,333	$23,857	$226,058	$10,573	$14,712,029	$384,740
Non Appropriated Bureaus	$0	$0	$0	$3,747,826	$0	$0	$0	$136,011	$0	$3,747,826
Treasury Franchise Fund								136,011	0	136,011
Bureau of Engraving and Printing				559,500					0	559,500
U.S. Mint				2,125,816					0	2,125,816
Office of the Comptroller of the Currency				810,872					0	810,872
Office of Thrift Supervision				251,638					0	251,638
Subtotal, Direct $	$13,867,735		$150,903		$467,333		$226,058		$14,712,029	
Subtotal, Reimbursable $		$341,701		$3,756,435		$23,857		$146,584		$4,268,577
Total, Treasury Level		**$14,209,436**		**$3,907,338**		**$491,190**		**$372,642**		**$18,980,606**

FY 2009 President's Budget Request

The FY 2009 President's Budget request of $12.4 billion for the Treasury Department identifies the resources necessary to effectively manage the government's finances, promote economic opportunity through sound fiscal policy, work towards entitlement reform, strengthen trade and investment policies, and maximize voluntary tax compliance. The request, which is $461 million above the FY 2008 enacted level (an increase of 3.8 percent), reflects the growing need for the Treasury Department to advance an economic system that promotes an improved global quality of life while supporting the national security strategy, and ensuring the safety and integrity of our financial systems against the abuse of terrorist financiers, money launderers, and other criminals. While the majority of the Department's budget is funded through the Department of the Treasury Appropriations Act, an additional $2.2 billion is funded through the State, Foreign Operations, and Related Programs Appropriations Act for international assistance, including $400 million as the first installment of a $2 billion U.S. commitment to a newly created international clean technology fund to address the growing problem of accelerating greenhouse gas emissions growth in major developing countries.

Effectively Manage the Nation's Finances

The FY 2009 budget request funds the Department's priorities in managing the nation's finances effectively, which includes collecting money due to the United States by maximizing voluntary compliance with tax laws and regulations, making payments, and financing the federal government by continually improving financial management processes. Key priorities also include overseeing, accounting for, and reporting on government expenditures and collections, particularly delinquent debt owed the government; accurately forecasting receipts and payments; determining borrowing needs; and executing the borrowing strategy to meet the financial demands of the federal government at the lowest possible cost over time.

Discourage and Deter Non-Compliance

Collecting federal taxes and other revenue through a fair and uniform application of the law is integral to the Department of the Treasury's core mission. The Department's priority is to efficiently and effectively enforce the nation's tax laws, minimize taxpayer burden, and deliver appropriate levels of service to maximize voluntary compliance, thereby reducing the tax gap. The FY 2009 budget request includes $11.362 billion for the IRS, which is an increase of $469 million above the FY 2008 enacted level. Highlights include:

- $287 million for new enforcement initiatives aimed at improving compliance and reducing the tax gap. The IRS will enhance coverage of high-risk compliance areas and expand document matching efforts. It will target the tax gap associated with large corporate and small business taxpayers, high-income taxpayers, and domestic taxpayer offshore activities of U.S. taxpayers. Enforcement will focus on critical reporting, filing, and payment compliance programs and highlight abusive tax avoidance transactions. These initiatives (including the research investment noted below) will generate $2 billion per year in new enforcement revenue once the new hires reach full potential in FY 2011.
- $51 million for enhanced research to allow the IRS to improve the targeting of its enforcement resources to specific areas of non-compliance, thus reducing the burden on compliant taxpayers, improving the fairness of the tax system, and increasing revenue.
- $23 million to implement legislative proposals that would improve compliance with minimum impact on taxpayer burden. It is estimated that these proposals will generate $36 billion in revenue over the next ten years.
- $223 million for the Business Systems Modernization program to continue progress on modernizing tax administration systems that improve both service and enforcement programs.

The Treasury Department also regulates the manufacture and sale of alcohol, tobacco, firearms, and ammunition, and collects excise taxes on the sale of these products. In FY 2007, the Alcohol and Tobacco Tax and Trade Bureau collected $14.7 billion in excise taxes, interest, and other revenues.

Optimize Cash and Debt Portfolio and Expand Electronic Transactions

The FY 2009 budget request provides the funds necessary for Treasury to meet its responsibilities as the federal government's financial manager.

Treasury's management of the federal government's finances includes disbursing payments, collecting revenue, issuing debt, and preparing public financial statements through the Financial Management Service. The Department plays an important role in providing critical services to millions of U.S. taxpayers as it issues timely and accurate government payments such as Social Security benefits, IRS tax refunds, and veterans' benefits. As the government's financial manager, Treasury oversees a daily cash flow of nearly $60 billion, disbursing 85 percent of the federal government's payments. The Department continues to leverage technological advancements to achieve all-electronic cash management, issuing over 981 million non-Defense payments worth $1.6 trillion to a wide variety of recipients, including special payments such as Federal Emergency Management Agency payments and the 2007 telephone excise tax refund. Seventy-eight percent of all payments disbursed were via direct deposit, representing a cost savings to the taxpayer of over 80 cents per transaction.

The Department determines and executes the federal borrowing strategy to meet the monetary needs of the government at the lowest possible cost. Each year, Treasury manages more than $9 trillion of public debt through its Bureau of Public Debt. Public debt includes marketable securities, savings bonds, and other instruments held by state and local governments, federal agencies, foreign governments, corporations, and individuals. The Department of the Treasury's activities minimize the interest paid on the national debt over time and enhance market liquidity. To improve debt management the Department will invest resources in system modernization creating redundancy and enhanced functionality. In order to provide better customer service, Treasury offers Treasury Direct, an electronic, web-based system that electronically issues securities to retail customers and enables investors to manage their accounts on-line.

Ensure Full Performance of U.S. and World Economies

The Secretary of the Treasury is the President's leading policy advisor on a broad range of domestic and international economic issues. Treasury's Departmental Offices, including the Offices of International Affairs, Tax Policy, Economic Policy, and Domestic Finance, support the Secretary in this role through the provision of technical analysis, economic forecasting, and policy guidance on issues ranging from federal financing to responding to international financial crises. The Department supports policies that stimulate U.S. economic growth, strengthen and modernize entitlement programs, and minimize regulatory burdens while ensuring the safety and soundness of financial institutions.

Stimulate U.S. Economic Growth

U.S. capital markets make a vital contribution to the nation's wealth and prosperity by directing investments toward innovation, promoting economic growth, and ensuring that the allocation of resources is directed toward the most efficient use. Vibrant capital markets enable investors to seed new companies, leading to job creation and economic prosperity. American consumers and investors benefit from a vibrant and healthy financial services sector that provides opportunities to access credit, save and invest for the future, and insure against risks. It is important, therefore, that our capital markets remain the best in the world.

Accordingly, the Treasury Department has undertaken a competitiveness-related initiative to examine the regulatory structure of our financial institutions to evaluate and propose solutions that achieve the right balance. The regulatory policies in place for financial institutions must effectively protect consumers and investors, while at the same time promote entrepreneurialism and capitalism that is the foundation of our national economic success. The Treasury Department plans to release its report early in 2008.

In addition, by participating in the negotiation and implementation of international agreements, the Treasury Department removes trade and investment barriers, stimulates domestic and global growth, and creates employment opportunities for Americans.

Additionally, the Department supports trade liberalization and budget discipline through its role in negotiating, implementing, and policing international agreements to reduce official export subsidies. By negotiating agreements in the Organization for Economic Cooperation and Development, the Treasury Department drastically reduced the subsidies that member governments can provide when financing national exports. The volume of this financing activity is approximately $70 billion annually. These agreements open markets and level the playing field for U.S. exporters, and save U.S. taxpayers about $800 million each year. Cumulative budget savings from these agreements are estimated to be over $12 billion.

Maintaining Healthy Markets

Treasury is committed to supporting healthy financial markets and to addressing weaknesses when they do arise. In FY 2009, the Department will continue its industry-wide effort to respond to the downturn in the housing and mortgage markets. By preventing avoidable foreclosures, the Department will help to safeguard neighborhoods and communities, and fulfill our primary responsibility of protecting the broader U.S. economy.

After convening a diverse group of market participants through the HOPE NOW Alliance, in FY 2008 the Treasury Department implemented a three point plan to avoid preventable foreclosures and to minimize the impact of the housing downturn on the U.S. economy:

- Increasing efforts to reach able homeowners who are struggling with their mortgages
- Working to increase the availability of affordable mortgage solutions for these borrowers
- Leading the industry to develop a systematic means of efficiently moving able homeowners into sustainable mortgages

In its first three months, the HOPE NOW Alliance sent over 450,000 letters to at-risk borrowers encouraging them to contact their servicer or a non-profit credit counselor at 888-995-HOPE. The Department has also coordinated with the Department of Housing and Urban Development to implement FHASecure, allowing over 67,000 families to refinance into FHA insured loans, while also supporting additional reforms to the tax code that were signed by the President.

The FY 2009 budget request also includes $28.6 million for the Community Development Financial Institutions Fund (CDFI Fund). The CDFI Fund's mission is to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the United States.

Strengthen Financial Institutions

One of the principal objectives of the Treasury Department is to enable commerce. The Department is responsible for the safety and soundness of national banks and federally-chartered savings associations. The Treasury Department also produces the coins and currency needed for commerce, and guards against counterfeiting and other misuse of our money.

The Department, through the Office of the Comptroller of the Currency (OCC) and Office of Thrift Supervision (OTS), works with other federal banking regulators to issue guidance on subprime mortgage lending and non-traditional mortgage products, and to encourage financial institutions to work with residential borrowers that are unable to meet their contractual home loan obligations. Additionally, these agencies work with the Conference of State Bank Supervisors and American Association of Residential Mortgage Regulators to encourage individual states to adopt the guidelines for mortgage brokers under their supervision. As of September 2007, OCC oversaw financial assets held by national bank charters and federal branches of foreign banks totaling $7.2 trillion. As of September 2007, OTS supervised holding company enterprises with approximately $8.5 trillion in U.S. domiciled consolidated assets, and regulated savings associations with total assets of $1.57 trillion.

The U.S. Mint (Mint) and the Bureau of Engraving and Printing (BEP) are responsible for producing the nation's coins and currency. In FY 2007, the Mint and BEP produced 15.4 billion coins and 9.1 billion paper currency notes, respectively. The Mint successfully issued the first three circulating Presidential $1 coins and the first three First Spouse gold coins. BEP also completed its redesign of the new five dollar note, which is scheduled to enter circulation on March 13, 2008. Also, due to continued improvement in operating results and profits from FY 2007, the Mint returned $825 million to the Treasury General Fund.

Funding for the OCC, OTS, Mint, and BEP is not included in the Department's annual budget requests because these bureaus have non-appropriated funding sources. OCC's operations are funded primarily by semi-annual assessments levied on national banks. Revenue from licensing, other fees, and investments in U.S. Treasury securities provides the remaining revenue. OTS's operations are funded from assessments on thrifts and savings and loan holding companies; examination, application, and security filing fees; interest on investments in U.S. government obligations; and rent and other sources. The U.S. Mint's operations are financed by proceeds from the sales of circulating coins to the Federal Reserve Bank System and numismatic items to the public. BEP operations are financed primarily by the printing of currency for the Federal Reserve Bank System. Other BEP revenues are derived from the printing of securities for the Public Debt and commissions, certificates, and invitations for various Government agencies, as well as space rental fees.

Prevent Terrorism and Promote the Nation's Security

The sponsorship of terrorism and the potential acquisition of weapons of mass destruction by rogue regimes and non-state entities represent a grave threat to U.S. national security and all free and open societies. The Treasury Department leverages financial and all-source intelligence to identify the financial underpinnings of criminal, terrorist and weapons proliferation networks, and utilizes the Department's unique regulatory and law enforcement authorities to combat national security threats and safeguard the financial system. The Department protects the integrity of the financial system through administration of the Bank Secrecy Act and implements targeted financial measures and other forms of sanctions in support of U.S. government policy goals, which include stopping the flow of money and support to terrorist groups, state sponsors of terrorism, proliferators of weapons of mass destruction, drug traffickers, money launderers, and regimes that constitute a threat to the United States.

Pre-Empted and Neutralized Threats

The Office of Terrorism and Financial Intelligence (TFI) marshals the Treasury Department's intelligence and enforcement functions, aimed at safeguarding the financial system against illicit use and combating rogue nations, terrorist facilitators, proliferators of weapons of mass destruction, money launderers, drug traffickers, and other national security threats.

TFI extracts financial and other source intelligence to effectively utilize the Department's unique authorities to combat national security threats and safeguard the financial system. Confidence in the integrity of the U.S. and international financial systems fosters economic growth and improves national security. Transparency in the financial sector denies terrorist, drug traffickers, WMD proliferators, and other criminals the ability to conceal their illicit activities. The security of the United States is enhanced when financial systems are safeguarded from criminal abuse. Treasury's actions include:

- Freezing the assets of terrorists, proliferators, drug kingpins, and other criminals and shutting down the channels through which they raise and move money,
- Cutting off corrupt foreign jurisdictions and financial institutions from the U.S. financial system,
- Developing and enforcing regulations to reduce terrorist financing and money laundering,
- Tracing and repatriating assets looted by corrupt foreign officials, and
- Promoting a meaningful exchange of information with the private financial sector to help detect and address threats to the financial system

In the FY 2009 President's Budget, Treasury requests $11 million above the FY 2008 enacted level to combat state sponsored terrorism, establish the capability to coordinate financial intelligence across the intelligence community, and to enhance security operations.

- To enable the Department to more effectively target state sponsors of terrorism, such as Iran and Sudan, as well as terrorists and their support networks, the budget request includes funds to hire additional sanctions investigators, enforcement and compliance officers, and other resources to administer sanctions programs.

- The absence of a coordinated, Intelligence Community (IC)-wide effort in the collection and analysis of financial intelligence around the world has been noted as a critical capacity gap by Congress and the national security community. The President's Budget request for Treasury includes additional resources to support this coordinating role in the identification of finance-related intelligence collection priorities and analysis. Demonstrating the high priority the Department places on this initiative, in addition to the requested new resources, Treasury will realign funds internally to support these activities.

- As Treasury's national security mission increases, Treasury becomes a greater target of foreign adversaries. Building on the Treasury Counter Intelligence Assessment undertaken in FY 2007, the Budget includes additional resources to strengthen Treasury's defensive capabilities to identify and mitigate threats to the Department's personnel and systems.

The Financial Crimes Enforcement Network (FinCEN), a bureau within TFI, is responsible for administering the Bank Secrecy Act (BSA). The FY 2009 President's Budget request for FinCEN includes resources to strengthen global anti-money laundering efforts, streamline business processes, reduce the cost of compliance to industry, and enhance BSA data collection, management and analysis through improved information technology management.

Dedicate to Management and Organizational Excellence

The Department of the Treasury strives to maintain public trust and confidence in U.S. and international economic and financial systems through exemplary leadership, best-in-class processes, and a culture of excellence, integrity, and teamwork. The Treasury Department realizes its strategic goals by building a strong institution that is citizen-centered, results-oriented, and efficient, while actively promoting innovation.

Enable an Effective Treasury Department

Management's primary role and responsibility in the Department is to create the conditions that allow all programs and activities to perform efficiently and effectively. The Department's priorities are to drive improved results through performance and cost-based decision-making, strategically align its resources to deliver outcomes, secure its information technology infrastructure and leverage technology investments, close skill gaps in mission critical occupations, and develop leadership capacity.

Requested funding seeks to build a strong management infrastructure, ensuring that Treasury remains a world-class organization that meets the President's standard of a citizen-centered, results-oriented government.

The Department is committed to organizational excellence. Funding is included in this request for an Operations Center which will provide 24/7 continuity and oversight of the world financial markets. The center will include representatives from key Treasury Department policy offices facilitating a rapid response to events around the globe.

The Treasury Department's request will fund infrastructure and technology investments to modernize business processes throughout Treasury to improve efficiency. In FY 2009, Treasury requests $26.98 million for infrastructure improvements, ongoing modernization and critical information technology projects, and investments in other new technologies that will improve efficiency and service to the American people. The budget request includes:

- $12 million to address critical building deficiencies in the Treasury Annex Building, which will ensure the safety and health of the occupants.

- $6 million to continue the implementation of a Treasury-wide Enterprise Content Management System. The system will result in increased efficiencies, enhanced mission effectiveness, reduced total cost of ownership, and the orderly retirement of legacy systems.

- $4 million necessary to stabilize and modernize the Treasury Secure Data Network, the Department's collateral classified communication system, enabling reliable and secure connectivity.

- $5 million to improve Treasury's FISMA performance and strengthen the Department's overall security posture; and completing required milestones as part of Treasury's Presidential E-Government Implementation Plan.

Additionally, this budget request includes funding for the Treasury Department's Inspectors General. The Office of the Inspector General and the Treasury Inspector General for Tax Administration play an important oversight role in the overall management of the Department and the fair administration of the nation's tax laws.

President's Management Agenda

Initiative	Status FY 2004	Status FY 2005	Status FY 2006	Status FY 2007	FY 2007 Progress Q4
Human Capital	Y	Y	G	G	G
Competitive Sourcing	Y	G	G	Y	Y
Financial Performance	R	R	R	Y	G
E-Government	R	R	Y	Y	Y
Performance Improvement	Y	Y	Y	Y	G
Improper Payments	N/A	R	R	R	Y
Credit Management	N/A	N/A	N/A	Y	G

Green for Success | Yellow for Mixed Results | Red for Unsatisfactory

President's Management Agenda (PMA)

The Department of the Treasury is committed to the principles of the President's Management Agenda (PMA). The PMA is designed to improve management practices across the federal government and transform it into a results-oriented, efficient, and citizen-centered enterprise. Executing the PMA involves lowering the cost of doing business through competition, strengthening the Department's workforce, improving financial performance, increasing the use of information technology and e-government capabilities, and integrating budget decisions with performance data.

The President holds each agency accountable for its performance in carrying out the PMA, and performance results are demonstrated through quarterly scorecards issued by OMB. The Treasury Department is responsible for reporting on seven initiatives; five are standard government-wide and two apply to select groups of federal agencies of which Treasury is a part.

In FY 2007, the Department continued to be successful in its Human Capital initiative. The Performance Improvement, Competitive Sourcing, Financial Performance, and E-Government initiatives each had mixed results during the year while the Improper Payments initiative remains unsatisfactory. In its first year as a PMA initiative, the Credit Management initiative received a mixed result rating.

Human Capital: In FY 2007, the Department used succession planning to develop emerging leaders, specially-targeted development and training to close skill gaps, and human capital flexibilities to attract and retain a diverse talent pool. In addition, management recognized and rewarded its employees for their contributions toward achieving the Department's priorities and outcomes.

FY 2007 highlights included:

- Reduced the time-to-hire by leveraging web-based hiring solutions and providing improved job announcements,

- Achieved diversity hiring success through the employment of women and Hispanics, and

- Addressed the Department's diversity need by developing a strategy for improving the recruitment of individuals with disabilities, promoting the use of the Department of Labor's Workforce Recruitment Program, and training managers on providing reasonable accommodations to individuals with disabilities.

Performance Improvement: In FY 2007, the Department of the Treasury's progress to achieve improved performance was successful. During this past year, the Department completed and issued its updated strategic plan for FYs 2007–2012. By June 2007, the Office of Strategic Planning and Performance Management had conducted strategic planning workshops with all of the bureaus to develop and align their performance goals to the mission and the strategic goals and objectives of the Department. Additionally, the updated strategic plan introduces the Integrated Management System, which is based on a model of continuous improvement and integrates performance and budgeting. By integrating performance and budgeting, the Department will be able to determine the funding level necessary to achieve intended results, and options will be executed to produce increased value for stakeholders.

Competitive Sourcing: Through Competitive Sourcing, the Department of the Treasury utilizes public-private competition to effectively deliver services at the lowest possible cost to the American taxpayer. Competitive Sourcing allows the Department to look internally and externally for the most efficient way to achieve its mission. During FY 2007, the Treasury Department, in the spirit of the A-76 Circular, made the decision to develop a competitiveness plan. This plan will continually review positions and activities to ensure the Department is competitive, effective, and efficient, but will also surface potential public-private competitions. The Treasury Department has received mixed results in its PMA rating, but is committed to working with OMB to develop a plan to achieve success by improving performance and lowering costs.

Improved Financial Performance: During FY 2007, the Treasury Department continued working towards full compliance with the Federal Managers' Financial Integrity Act (FMFIA) and Federal Financial Management Improvement Act (FFMIA), and improved financial management processes to produce accurate and timely information that supports operating, budget, and policy decisions. In addition, the Department continued to emphasize the resolution of material weaknesses and completed the vast majority of the planned corrective actions. For 2007, the Department again received a clean audit opinion on its financial statements. A three day close at the end of each month and the continuous enhancement of the Department's Financial Analysis and Reporting System helped to ensure a successful audit. The Department continued to review its financial reporting process and perform variance analyses on the quarterly financial statements to ensure its financial data integrity. The Department worked closely with OMB, GAO, FMS, and the Federal Accounting Standards Advisory Board on policy guidance and accounting standards and practices to improve financial reporting and performance. This initiative improved its overall status rating during FY 2007 from "red" to "yellow," and it received "green" progress results on a quarter-by-quarter basis for all four quarters of FY 2007.

Expanded E-Government: The focus for the Department's E-Government organization is to collaborate government-wide and identify opportunities for participating in solutions that deliver significant productivity and performance gains. One example of these efforts is the Treasury Department's active involvement in the Budget Formulation and Execution Line of Business and its efforts to make its Budget Formulation and Execution Manager (BFEM) available on a multi-agency basis. Over the course of the past year, six agencies have used the BFEM service to modernize their budget formulation processes. By building on the work of the Treasury Department, these agencies avoided the software development costs typically incurred in any modernization effort while simultaneously lowering their marginal operational expenses by disbursing expenses across several agencies. In addition, the Treasury Department developed a BFEM Performance Module, which will allow agencies to manage its performance measures. Over the next year, the Department will share this solution with other agencies and work to implement it across the government.

Eliminating Improper Payments: In FY 2007, the IRS continued its effort to reduce improper payments for the Earned Income Tax Credit (EITC) program, which is the only high risk program in the Treasury

Department due to erroneous payments. The IRS continued to evaluate new ways of reducing erroneous EITC payments while maintaining participation by eligible taxpayers, in addition to pursuing base compliance activities and redesign efforts.

By detecting and correcting errors during return processing, the IRS prevented incorrect refunds in the amounts of $460 million and $400 million, respectively for the 2006 and 2007 filing seasons. This decreasing trend in errors is attributable to education, return preparation assistance, and electronic filing.

Improving Credit Management: During FY 2007, the Treasury Department participated, with the government's five major creditor agencies in an initiative to improve the management of federal credit programs. FMS's Debt Management Services group specifically addressed delinquent debt collection issues in the areas of agency compliance with Debt Collection Improvement Act (DCIA) of 1996, program effectiveness and goals for improvement, effective management information reporting, controlling and measuring costs, and customer satisfaction. To address and improve agency compliance, Performance Expectation Agreements are currently being negotiated between FMS and the five major credit agencies.

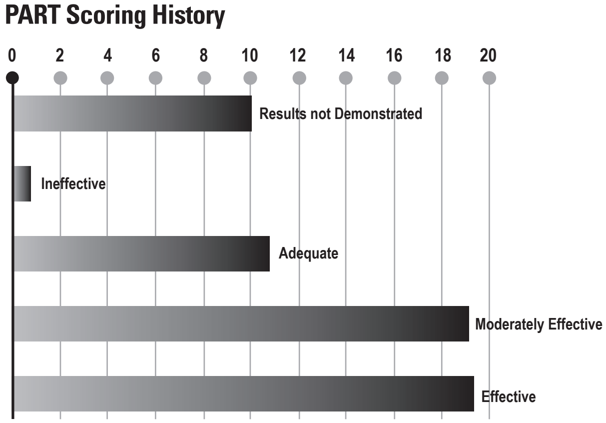
During FY 2007, the Department took the following actions:

- Established a performance measure for debt collection as a percentage of delinquent debt referred to the Treasury Department,
- Assessed agency progress toward use of administrative wage garnishment, centralized offset of federal salary payments, and debtor bar provisions of the DCIA,
- Established benchmarks and goals for controlling costs and determining customer satisfaction, and
- Utilized receivable reporting to improve program management.

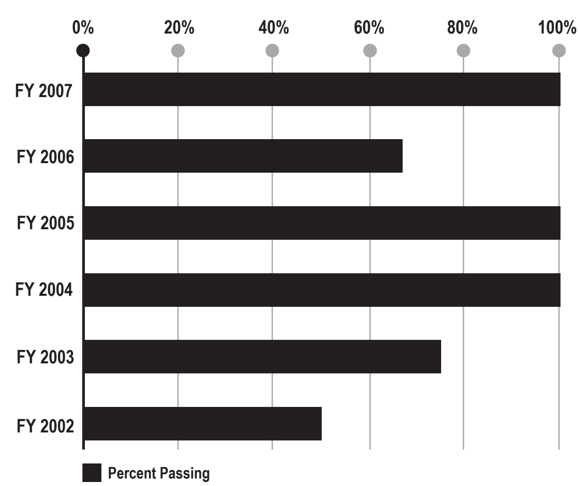
Program Assessment and Rating Tool (PART) Summary

Program evaluation is a core management tool used to allocate resources and promote efficiency and effectiveness. In addition to regular independent program evaluations conducted by the Treasury Department's bureaus, the Department works with OMB to select programs each year that will be evaluated or re-evaluated through the PART process. Programs are evaluated every five years through this process by the OMB. In FY 2007, two international programs went through the PART process; both received moderately effective ratings. As of the end of FY 2007, all Department programs have gone through the PART process; based on the number of programs, 31 percent are rated effective, 22 percent are rated moderately effective, 22 percent are rated adequate, 3 percent are rated ineffective, and the remaining 22 percent received a rating of results not demonstrated.

PART Scoring History



Percentage Treasury Programs Passing PART Evaluations (adequate or better score)



Fiscal Year Comparison of Full-Time Equivalent (FTE) Staffing

(Direct and Reimbursable)

Appropriation	FY 2007 Actual			FY 2008 Estimated			FY 2009 President's Budget		
	Direct	Reimb.	Total	Direct	Reimb.	Total	Direct	Reimb.	Total
Departmental Offices Salaries and Expenses	1,055	86	1,141	1,133	90	1,223	1,200	90	1,290
Office of Inspector General	111	3	114	112	0	112	115	0	115
Treasury IG for Tax Administration	792	3	795	835	3	838	835	3	838
Community Development Financial Institutions Fund	53	0	53	75	0	75	75	0	75
Financial Crimes Enforcement Network	302	0	302	334	1	335	343	1	344
Alcohol & Tobacco Tax and Trade Bureau	523	10	533	544	15	559	525	15	540
Financial Management Service	1,483	408	1,891	1,692	428	2,120	1,500	441	1,941
Bureau of the Public Debt	1,303	16	1,319	1,371	17	1,388	1,371	17	1,388
Internal Revenue Service	92,017	698	92,715	91,123	623	91,746	92,922	650	93,572
Subtotal, Treasury Appropriated Level	97,639	1,224	98,863	97,219	1,177	98,396	98,886	1,217	100,103
Working Capital Fund	0	201	201	0	223	223	0	233	233
Treasury Franchise Fund	0	769	769	0	830	830	0	793	793
Bureau of Engraving and Printing	0	2,109	2,109	0	2,200	2,200	0	2,150	2,150
U.S. Mint	0	1,944	1,944	0	2,071	2,071	0	2,065	2,065
Office of the Comptroller of the Currency	0	2,954	2,954	0	3,078	3,078	0	3,139	3,139
Office of Thrift Supervision	0	974	974	0	1,104	1,104	0	1,104	1,104
Terrorism Insurance Program	10	0	10	10	0	10	10	0	10
Total	**97,649**	**10,175**	**107,824**	**97,229**	**10,683**	**107,912**	**98,896**	**10,701**	**109,597**

Summary of FY 2009 Increases and Decreases

(Dollars in Thousands)

	DO	DSCIP	OIG	TIGTA	CDFI	FINCEN	TTB	FMS	BPD	IRS	Total
FY 2008 Enacted	$248,360	$18,710	$18,450	$140,533	$94,000	$85,844	$93,515	$234,423	$182,871	$10,892,384	$12,009,090
Non-Pay Inflation Adjustments	2,396	0	87	615	119	300	752	553	1,497	54,828	61,147
Pay Annualization Adjustments	837	0	101	799	48	861	402	1,080	769	57,854	62,751
Pay Inflation Adjustments	2,849	0	318	2,419	111	981	1,075	3,288	2,445	152,303	165,789
Maintaining Current Levels	$6,082	$0	$506	$3,833	$278	$2,142	$2,229	$4,921	$4,711	$264,985	$289,687
Base Realignment	0	0	0	0	0	0	(1,149)	0	0	0	(1,149)
Non-Recurring Costs	(1,500)	(16,986)	0	0	0	0	0	0	0	(12,593)	(31,079)
Initiative Annualizations	4,433	0	0	0	0	1,337	0	0	0	0	5,770
Transfers	1,724	(1,724)	0	1,370	0	1,000	0	0	0	(2,370)	0
Efficiencies/Savings	0	0	0	0	0	0	0	0	0	(81,656)	(81,656)
Base Reinvestments	0	0	0	0	0	0	0	0	0	32,604	32,604
Adjustments to Base	$4,657	($18,710)	$0	$1,370	$0	$2,337	($1,149)	$0	$0	($64,015)	($75,510)
FY 2009 Base	$259,099	$0	$18,956	$145,736	$94,278	$90,323	$94,595	$239,344	$187,582	$11,093,354	$12,223,267
Program Decreases	0	0	0	0	(65,658)	(4,146)	(685)	(958)	(528)	(92,691)	(164,666)
Program Reinvestments	0	0	0	0	0	2,897	0	958	0	0	3,855
Program Increases	14,796	26,975	400	0	0	2,261	2,990	0	0	360,846	408,268
FY 2009 President's Budget	$273,895	$26,975	$19,356	$145,736	$28,620	$91,335	$96,900	$239,344	$187,054	$11,361,509	$12,470,724
Offsetting Fees	0	0	0	0	0	0	0	0	(10,000)	0	(10,000)
FY 2009 President's Budget less Offsetting Fees	$273,895	$26,975	$19,356	$145,736	$28,620	$91,335	$96,900	$239,344	$177,054	$11,361,509	$12,460,724