

Message from the Secretary of the Treasury

Dear Member:

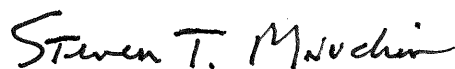
In the Fiscal Year (FY) 2018 Budget Blueprint, the President challenged every agency to realize greater efficiencies and savings in order to contribute to the priorities promised to the American people. I am proud to submit a budget that achieves this goal. The FY 2018 President's Budget requests \$11.2 billion for Treasury's operating bureaus and \$1.5 billion for our International Programs.

Consistent with the Administration's priorities, Treasury's request prioritizes national security and cyber security programs while requiring nearly every other program to find savings through efficiencies. The Budget funds core tax administration functions at the Internal Revenue Service (IRS), and promotes modernizing and securing legacy systems and platforms for interacting with taxpayers. IRS will utilize technology, training, and internal efficiencies to achieve a two percent reduction. The Budget also eliminates funding for Community Development Financial Institutions (CDFI) Fund grants, a savings of \$210 million from the FY 2017 continuing resolution level. The CDFI Fund was created more than 20 years ago to jump-start a now mature industry in which private institutions have ready access to the capital needed to extend credit and provide financial services to underserved communities.

As directed in the *Executive Order on Core Principles for Regulating the United States Financial System*, I am conducting a thorough review of the extent to which existing laws, regulations, and other Government policies promote (or inhibit) the Administration's priorities for financial regulation. The President's Budget includes \$35 billion in savings to be realized through reforms that protect taxpayers and reverse burdensome regulations that hinder financial innovation and reduce access to credit for hardworking American families. Treasury is also reviewing its programs as directed by the *Executive Order on a Comprehensive Plan for Reorganizing the Executive Branch*, which presents an additional opportunity to more effectively achieve our mission.

The FY 2018 Congressional Budget Justification includes the information required for the Annual Performance Report. I have validated the accuracy, completeness, and reliability of the performance data in this report.

Sincerely,

A handwritten signature in black ink that reads "Steven T. Mnuchin". The signature is written in a cursive, flowing style.

Steven T. Mnuchin

U.S. Department of the Treasury

FY 2018 Budget in Brief

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The information presented in the FY 2018 Budget in Brief is accurate and complete as of May 23, 2017. Any updates will be reflected in the budget available on the Department of the Treasury website, www.Treasury.gov.

Mission Statement

Maintain a strong economy and create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad; strengthen national security by combating threats and protecting the integrity of the financial system; and manage the U.S. government's finances and resources effectively.

Executive Summary

FY 2018 President's Budget by Function

Dollars in Thousands

	FY 2016 Enacted	FY 2017 Annualized CR Rate	FY 2018 Request	FY 2017 CR to FY 2018 Increase/ Decrease	Percent Change
Management & Financial	\$1,404,653	\$1,401,983	\$1,122,000	(\$279,983)	-19.97%
Departmental Offices Salaries and Expenses	\$222,500	\$222,077	\$201,751	(\$20,326)	-9.15%
Terrorism and Financial Intelligence (TFI)	\$117,000	\$116,778	\$116,778	\$0	0.00%
Cybersecurity Enhancement	\$0	\$0	\$27,264	\$27,264	100.00%
Department-wide Systems and Capital Investments Program	\$5,000	\$4,990	\$4,426	(\$564)	-11.30%
Office of Inspector General	\$35,416	\$35,349	\$34,112	(\$1,237)	-3.50%
Treasury IG for Tax Administration	\$167,275	\$166,957	\$161,113	(\$5,844)	-3.50%
Special Inspector General for TARP	\$40,671	\$40,594	\$20,297	(\$20,297)	-50.00%
Community Development Financial Institutions Fund	\$233,523	\$233,079	\$14,000	(\$219,079)	-93.99%
Financial Crimes Enforcement Network	\$112,979	\$112,764	\$112,764	\$0	0.00%
Alcohol and Tobacco Tax and Trade Bureau	\$106,439	\$106,237	\$98,658	(\$7,579)	-7.13%
Bureau of the Fiscal Service	\$363,850	\$363,158	\$330,837	(\$32,321)	-8.90%
Tax Administration¹	\$11,235,000	\$11,213,642	\$10,975,000	(\$238,642)	-2.13%
IRS Taxpayer Services	\$2,333,376	\$2,328,940	\$2,212,311	(\$116,629)	-5.01%
IRS Enforcement	\$4,714,936	\$4,855,688	\$4,706,500	(\$149,188)	-3.07%
IRS Operations Support	\$3,896,688	\$3,739,565	\$3,946,189	\$206,624	5.53%
IRS Business Systems Modernization	\$290,000	\$289,449	\$110,000	(\$179,449)	-62.00%
Subtotal, Treasury Appropriations excluding TEOAF	\$12,639,653	\$12,615,625	\$12,097,000	(\$518,625)	-4.11%
Treasury Forfeiture Fund Total ²	(\$876,000)	(\$876,000)	(\$876,000)	\$0	0.00%
Temporary Rescission	(\$876,000)	(\$876,000)		\$876,000	-100.00%
Permanent Rescission			(\$876,000)	(\$876,000)	0.00%
Subtotal, Treasury Appropriations including TEOAF	\$11,763,653	\$11,739,625	\$11,221,000	(\$518,625)	-4.42%
Treasury International Programs	\$2,313,470	\$2,309,072	\$1,505,953	(\$803,119)	-34.78%
Multilateral Development Banks	\$1,816,477	\$1,813,024	\$1,348,123	(\$464,901)	-25.64%
Food Security	\$74,930	\$74,787	\$30,000	(\$44,787)	-59.89%
Environmental Trust Funds	\$398,563	\$397,806	\$102,375	(\$295,431)	-74.27%
Office of Technical Assistance (OTA)	\$23,500	\$23,455	\$25,455	\$2,000	8.53%
Total, Treasury Appropriations	\$14,077,123	\$14,048,697	\$12,726,953	(\$1,321,744)	-9.41%

1/ The IRS was provided with \$290 million in funding in its administrative provisions. This table shows that funding as allocated. FY 2016/2017: \$176.8 million Taxpayer Services, \$4.9 million Enforcement, and \$108.2 million Operations Support.

2/ In FY 2016 and FY 2017, total includes (\$176,000,000) of the DHS Rescission (temporary).

Funding Highlights

The President's Fiscal Year 2018 Budget provides \$11.2 billion in discretionary funding (a 4 percent reduction from FY 2017 annualized continuing resolution (CR) levels) for Treasury's operating accounts and \$1.5 billion for Treasury's international assistance programs. This includes:

- Investing in core administration functions at IRS, modernizing legacy systems and platforms for interacting with taxpayers. IRS will utilize technology, training, and internal efficiencies to achieve a modest \$239 million (two percent) reduction, in support of the President's commitment to deficit reduction.
- Eliminating funding for Community Development Financial Institutions (CDFI) Fund grants, a savings of \$210 million from the 2017 annualized CR level.
- Prioritizing investments in cybersecurity through a Department-wide plan to strategically enhance existing security systems and preempt fragmentation of information technology management across the bureaus and financial sector.
- Maintaining funding for Treasury's array of economic enforcement tools and key programs that freeze the accounts of terrorists and proliferators, implement sanctions on rogue nations, and link law enforcement agencies with financial institutions are critical to the continued safety and financial stability of the Nation.
- Preserving top donor status with international financial institutions while reducing Treasury International Programs funding by \$803 million, a 35 percent reduction from the FY 2017 annualized CR level.
- Targeted savings in nearly every Treasury program.

Key Initiatives and Reforms

- On February 3, 2017, the Administration issued the *Executive Order on Core Principles for Regulating the United States Financial System*. The Secretary of the Treasury, with the heads of the member agencies of the Financial Stability Oversight Council, is conducting a thorough review of the extent to which existing laws, regulations, and other Government policies promote (or inhibit) these Core Principles. The President's Budget includes \$35 billion in savings to be realized through reforms that prevent bailouts and reverse burdensome regulations that hinder financial innovation and reduce access to credit for hardworking American families.
- Treasury is developing a plan for responding to the *Executive Order on a Comprehensive Plan for Reorganizing the Executive Branch* which will:
 - identify activities and functions that should be eliminated or consolidated because they are not core to our mission, are redundant, or are ineffective;
 - guide Treasury's efforts to reshape its workforce;
 - determine processes and organizational structures that can be streamlined for greater efficiencies; and
 - align reform proposals with the priorities, including goals and objectives, under development for the FY 2018-2022 Strategic Plan and the FY 2018 and 2019 budgets.
- The Budget requests statutory authority for BEP to begin construction of a new currency production facility in the vicinity of Washington, D.C.
The Budget includes reauthorization and reforms to the CDFI Bond Guarantee Program to encourage provision of community development capital without requiring taxpayer subsidies.

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

Appropriation	2016 Actual			2017 Annualized CR Rate			2018 President's Budget		
	Direct	Reimb.	Total	Direct	Reimb.	Total	Direct	Reimb.	Total
Departmental Offices Salaries and Expenses	814	189	1,003	891	107	998	811	107	918
Terrorism and Financial Intelligence	383	31	414	391	31	422	386	31	417
Cybersecurity Enhancement	0	0	0	0	0	0	19	0	19
Office of Inspector General	164	6	170	194	19	213	175	5	180
Treasury Inspector General for Tax Administration	787	2	789	859	2	861	819	2	821
Special Inspector General for TARP	137	0	137	192	0	192	100	0	100
Community Development Financial Institutions Fund	77	0	77	77	0	77	42	0	42
Financial Crimes Enforcement Network	278	1	279	338	1	339	332	1	333
Alcohol and Tobacco Tax and Trade Bureau	470	10	480	494	10	504	456	10	466
Bureau of the Fiscal Service	1,626	417	2,043	1,693	427	2,120	1,680	427	2,107
Internal Revenue Service	77,925	640	78,565	77,008	684	77,692	71,199	711	71,910
Subtotal, Treasury Appropriated Level	82,661	1,296	83,957	82,137	1,281	83,418	76,019	1,294	77,313
Office of Financial Stability (Administrative Account)	67	0	67	53	0	53	43	0	43
Small Business Lending Fund Program	11	0	11	7	0	7	8	0	8
State Small Business Credit Initiative	10		10	9		9			0
Capital Magnet Fund				7		7	6		6
Office of Financial Research	208	0	208	223	0	223	139	0	139
Financial Stability Oversight Council	22		22	23		23	21		21
Treasury Franchise Fund	0	1,715	1,715	0	1,794	1,794	0	1,848	1,848
Bureau of Engraving and Printing	1,818	0	1,818	1,842	0	1,842	1,842	0	1,842
United States Mint	1,692	0	1,692	1,801	0	1,801	1,801	0	1,801
Office of the Comptroller of the Currency	0	3,845	3,845	0	3,938	3,938	0	4,041	4,041
Terrorism Insurance Program	3	0	3	10	0	10	10	0	10
IRS Private Collection Agent Program	5		5	17		17	84		84
Subtotal, Treasury Non-Appropriated Level	3,836	5,560	9,396	3,992	5,732	9,724	3,954	5,889	9,843
Total, Treasury	86,497	6,856	93,353	86,129	7,013	93,142	79,973	7,183	87,156

1/ A portion of Fiscal Service's Reimbursable/Fee FTE is funded by fee revenue as authorized by the Debt Collection Improvement Act (DCIA) of 1996.

2/ IRS FY 2018 Total FTE is overstated in the President's Budget Appendix by 102 FTE as a result of a reporting error in the Business Systems Modernization account.

Summary of FY 2018 Increases and Decreases

(Dollars in Thousands)

	DO	TFI	Cyber	DSCIP	OIG	TIGTA	SIGTAR P	CDFI	FINCEN	TTB	FS	IRS	Subtotal	TEOAF	Total
FY 2017 Annualized CR Rate	\$222,077	\$116,778	\$0	\$4,990	\$35,349	\$166,957	\$40,594	\$233,079	\$112,764	\$106,237	\$363,158	\$11,213,642	\$12,615,625	(\$876,000)	\$11,739,625
Maintaining Current Levels (MCLs)	\$4,284	\$2,35	-	-	\$729	\$3,335	\$809	-	\$2,276	\$2,102	\$6,971	\$220,035	\$242,856	-	\$242,856
Non-Recurring Costs	-	-	-	(\$4,990)	-	-	-	-	-	-	(\$14,890)	-	(\$19,880)	-	(\$19,880)
Efficiency Savings	-	(\$2,35)	-	-	-	-	-	-	(\$1206)	(\$570)	(\$1,935)	-	(\$6,026)	-	(\$6,026)
Adjustments to Base	\$4,284	\$0	\$0 (\$4,990)	\$729	\$3,335	\$809	\$0	\$1,070	\$1,532	(\$9,854)	\$220,035	\$216,950	\$0	\$216,950	
FY 2018 Base	\$226,361	\$116,778	\$0	\$0	\$36,078	\$170,292	\$41,403	\$233,079	\$113,834	\$107,769	\$353,304	\$11,433,677	\$12,832,575	(\$876,000)	\$11,956,575
Program Decreases	(\$24,610)	-	-	-	(\$1,966)	(\$9,179)	(\$21,106)	(\$28,079)	(\$1,070)	(\$9,111)	(\$22,467)	(\$688,126)	(\$946,714)	-	(\$946,714)
Program Increases	-	-	\$27,264	\$4,426	-	-	-	-	-	-	-	\$79,449	\$211,139	-	\$211,139
Subtotal, Program Changes	(\$24,610)	\$0	\$27,264	\$4,426	(\$1,966)	(\$9,179)	(\$21,106)	(\$28,079)	(\$1,070)	(\$9,111)	(\$22,467)	(\$458,677)	(\$735,575)	\$0	(\$735,575)
FY 2018 President's Budget	\$201,751	\$116,778	\$27,264	\$4,426	\$34,112	\$161,113	\$20,297	\$44,000	\$112,764	\$98,658	\$330,837	\$10,975,000	\$12,097,000	(\$876,000)	\$11,221,000

Departmental Offices Salaries and Expenses

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016	FY 2017	FY 2018	FY 2017 TO FY 2018	
	Enacted	Annualized CR	Request	\$ Change	% Change
Executive Direction	\$37,943	\$38,102	\$34,578	(\$3,524)	-9.25%
Domestic Finance and Tax Policy	\$84,591	\$81,215	\$73,804	(\$7,411)	-9.13%
International Affairs and Economic Policy	\$58,520	\$57,951	\$52,875	(\$5,076)	-8.76%
Treasury-wide Management and Program	\$41,446	\$44,809	\$40,494	(\$4,315)	-9.63%
Subtotal	\$222,500	\$222,077	\$201,751	(\$20,326)	-9.15%
Offsetting Collections - Reimbursables	\$102,882	\$102,882	\$102,882	\$0	0.00%
Total Program Operating Level	\$325,382	\$324,959	\$304,633	(\$20,326)	-6.25%
Direct FTE	814	891	811	(80)	-8.98%
Reimbursable FTE	189	107	107	0	0.00%
Total FTE	1,003	998	918	(80)	-8.02%

Summary

By streamlining its workforce and finding more efficient ways to manage its programs, Departmental Offices (DO) will achieve savings of \$20,326,000 in FY 2018. This budget request supports the Presidential Executive Order on a comprehensive plan for reorganizing the Executive Branch to improve the efficiency, effectiveness, and accountability of federal agencies. Within the reduced funding level, DO will maintain its commitments to tax reform, cybersecurity, and critical infrastructure protection for both Treasury information technology systems and the U.S. financial sector, while promoting economic growth in the U.S., advancing U.S. economic and financial policy priorities around the world, enhancing U.S. competitiveness and job creation, and promoting international financial stability. DO also expects to maintain effective managerial and administrative support to DO offices and the Department of the Treasury.

FY 2018 Budget Highlights

Dollars in Thousands

DO Salaries and Expenses	FTE	Amount
FY 2017 Annualized CR	891	\$222,077
Changes to Base:		
Maintaining Current Levels (MCLs):	0	\$4,284
Pay-Raise	0	\$2,129
Pay Annualization	0	\$780
Non-Pay	0	\$1,375
Subtotal Changes to Base	0	4,284
Total FY 2018 Base	891	\$226,361
Program Changes:		
Program Decreases	(80)	(\$24,610)
Streamline Staffing	(80)	(\$14,697)
Reduce Contracts, Supplies, and Equipment	0	(\$9,913)
Subtotal Program Changes	(80)	(24,610)
Total FY 2018 Request	811	201,751

FY 2018 Budget Adjustments

Adjustments to Request Maintaining Current Level (MCLs) Pay-Raise +\$2,129 / +0 FTE

Funds are requested for the proposed January 2018 pay-raise.

Pay Annualization +\$780 / +0 FTE

Funds are requested for annualization of the January 2017 pay-raise.

Non-Pay +\$1,375,000 / +0 FTE

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

Program Decreases -\$24,610,000 / -80 FTE Streamline Staffing -\$14,697,000 / -80 FTE

To align with the Administration's initiative to improve government efficiency and effectiveness, DO is implementing a staffing streamlining effort to ensure appropriate levels for meeting Treasury's mission and objectives, and to maximize effectiveness and efficiency.

Reduce Contracts, Supplies, and Equipment -\$9,913,000 / +0 FTE

Departmental Offices will achieve savings through reductions to non-labor activities, such as service contracts, equipment, and supplies. These include potential reductions in advisory services, electronic data and periodical subscriptions, warehouse footprint, janitorial and landscaping services, FOIA assistance, internal controls support and contractual support to the American Recovery and Reinvestment Act.

Explanation of Budget Activities

Executive Direction (\$34,578,000 from direct appropriation, \$29,632,000 from reimbursable resources)

Provides direction and policy guidance to the Department, and interacts with Congress and the public on departmental policy matters.

International Affairs and Economic Policy (\$52,875,000 from direct appropriation, \$14,680,000 from reimbursable resources)

Promotes economic growth in the U.S. by producing technical economic analyses for the Secretary and advancing U.S. economic and financial policy priorities around the world.

Domestic Finance and Tax Policy (\$73,804,000 from direct appropriation, \$55,231,000 from reimbursable resources)

Monitors and provides economic and financial policy expertise to the Secretary in the areas of domestic finance and tax policy, including financial markets and the regulation of financial institutions.




Treasury-wide Management and Programs (\$40,494,000 from direct appropriation, \$3,339,000 from reimbursable resources)

Provides strategic plans and policy direction in management fields including, but not limited to: human resources, information technology security, and financial administration, including the formulation and management of the budget.

Legislative Proposals

Treasury has no legislative proposals for DO Salaries and Expenses.

Performance Highlights

Budget Activity	Performance Measures	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014 – FY 2016
		Actual	Actual	Actual	Target	Target	Trend
Domestic Finance and Tax Policy	Variance Between Estimated and Actual Receipts (Annual Forecast)(%)	3.25	2.8	3.1	4.25	4.25	
International Affairs	IA - Timely Review of CFIUS Cases	100.0	100.0	100.0	100.0	100.0	
Treasury-wide Management and Programs	Treasury-wide Leaders Lead Index of the Federal Employee Viewpoint Survey (FEVS)	53.0	54.0	55.0	55.0	56.0	

Description of Performance

The following performance measures provide a snapshot of DO performance:

Variance between estimated and actual receipts (annual forecast) (percent): As part of managing the federal government’s central operating account and cash position, the Office of Fiscal Projections (OFP) in the Office of Domestic Finance forecasts net cash flows (e.g., federal receipts, outlays, and other miscellaneous flows) to ensure that adequate funds are available daily to cover federal payments. To determine its overall effectiveness, one of OFP’s metrics is to measure the variance between actual and projected federal receipts. A lower variance is better.

The actual variance for FY 2016 was 3.1 percent, which is significantly lower than the 4.25 percent target for FY 2016. The target for both FY 2017 and FY 2018 is 4.25 percent.

Timely Review of CFIUS Cases: This measure tracks compliance with statutory deadlines for completing national security reviews of transactions notified to the Committee on Foreign Investment in the United States (CFIUS) to ensure that the CFIUS process is timely and efficient. The target (100 percent) was met in FY 2016. The Office of International Affairs’ target for this measure in FY 2017 and FY 2018 is 100 percent.

Treasury-wide “Leaders Lead” Index of Federal Employee Viewpoint Survey (FEVS): Treasury set the goal to increase the “Leaders Lead” index above FY 2015 results. Treasury’s score for the Leaders Lead Index increased from 54 percent in FY 2015 to 55 percent in FY 2016, and Treasury’s score led the government-wide average by two percentage points.

Cybersecurity Enhancement Account

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016	FY 2017	FY 2018	FY 2017 TO FY 2018	
	Enacted	Annualized CR	Request	\$ Change	% Change
Cybersecurity Enhancement Account	\$0	\$0	\$27,264	\$27,264	NA
Total Program Operating Level	\$0	\$0	\$0	\$0	NA
Direct FTE	0	0	19	19	NA
Total FTE	0	0	19	19	NA

Summary

Trillions of dollars are accounted for and processed by the Department of the Treasury's information technology (IT) systems and therefore, they are a constant target for sophisticated threat actors. To more proactively and strategically protect Treasury systems against cybersecurity threats, the Budget requests \$27.264 million for the Cybersecurity Enhancement Account (CEA). The account identifies and supports Department-wide investments for critical IT improvements including the systems identified as High Value Assets (HVAs). Furthermore, the centralization of funds allows Treasury to more nimbly respond in the event of a cybersecurity incident as well as leverage enterprise-wide services and capabilities across the components of the Department.

By managing CEA centrally, Treasury elevates the importance of such initiatives and provides Treasury leadership, OMB, and Congress with better transparency into cyber activities across the Department. Enhanced transparency also improves Department-wide coordination of cybersecurity efforts and improves the Department's response and recovery capabilities. With high-level support, the program provides a platform to enhance efficiency, communication, transparency, and accountability around the mission.

The CEA strengthens cybersecurity at Treasury and the nation's financial sector.

This request is in addition to current bureau-level cybersecurity activities which remain in the base budgets of each Treasury bureau. As the CEA matures, Treasury will continue to look for targeted opportunities to provide shared and cost-effective enterprise solutions to improve cybersecurity defenses of Treasury and the U.S. financial sector.

FY 2018 Budget Highlights

Dollars in Thousands

Cybersecurity Enhancement Account		FTE	Amount
FY 2017 Annualized CR		0	\$0
Program Increases:		19	\$27,264
Malware Content Filter		0	\$2,474
Data Loss Protection at the Fiscal Service Trusted Internet Connections (TIC)		0	\$2,135
Enhanced Incident Response and Recovery Capabilities		4	\$5,046
Cybersecurity Enhancements for Classified Networks		3	\$1,050
Encrypted Traffic Inspection at the Fiscal Service Trusted Internet Connections (TIC)		0	\$805
Enhancements to the Treasury Secure Data Network		0	\$5,000
Proactive Cyber Risk and Threat Identification		3	\$1,948
Improving the Cybersecurity of High Value Assets (HVA)		1	\$3,537
Enhancements to Cybersecurity Infrastructure		0	\$3,618
Mitigation of Cyber Threats to United States Financial Services Sector		8	\$1,651
Total FY 2018 Request		19	\$27,264

FY 2018 Budget Adjustments

Adjustments to Request

Malware Content Filter +\$2,474,000 / +0 FTE

Treasury will fund web and email traffic inspection in virtual environments at the Treasury Enterprise Trusted Internet Connections. This allows dynamic analysis of potentially harmful email and web traffic in a controlled environment, enabling the Treasury enterprise security operations center to identify and remove malicious attachments and links before they reach the Treasury network. This will reduce the risk of compromise for the entire Treasury network, as well as systems housed on that network, including High Value Assets.

Data Loss Protection at the Fiscal Service Trusted Internet Connections (TIC) +\$2,135,000 / +0 FTE

Funds will expand and accelerate implementation of Data Loss Protection at Treasury's Enterprise TICs and at select High Value Assets, enabling Treasury to detect the exfiltration of sensitive information by either threat actors or malicious insiders. This will allow Treasury to directly counter the threat of data loss through episodic/coordinated exfiltration. This will enhance Treasury's ability to detect, investigate, and respond to unauthorized attempts to access and remove sensitive taxpayer and financial data from the Treasury and bureau networks.

Enhanced Incident Response and Recovery Capabilities +\$5,046,000 / +4 FTE

This request funds enhancements to response and recovery capabilities at Treasury's enterprise security operations center (SOC), the lead entity for Department-wide cybersecurity incident response and recovery actions, resulting in a faster response and recovery time. Traditionally this entails: retroactive examination of network traffic; assessment of adversarial movement within

the network; determination of the level of information compromise; implementation of mitigations and countermeasures; and reconstitution/resurrection of damaged systems. This request also includes funding for deployment of an endpoint incident response capability, giving the enterprise SOC the ability to respond to incidents at the workstation level throughout the Department in a matter of minutes and hours rather than days and weeks.

Cybersecurity Enhancements for Classified Networks +\$1,050,000 / +3 FTE

This request supports enhanced monitoring for the Treasury-wide collateral classified network, including security controls testing, monitoring of system security to include detection of and response to unauthorized user or anomalous network activity, as well as the secure implementation of identity and credential access management that provides a more secure environment for processing highly sensitive information. Funding also improves Treasury's ability to continuously monitor the network and detect and remediate security vulnerabilities, thereby reducing the risk of security incidents.

Encrypted Traffic Inspection at the Fiscal Service Trusted Internet Connections (TIC) +\$805,000 / +0 FTE

Encryption is required to protect the confidentiality of sensitive network transactions. However, adversaries use encryption to conceal their command/control traffic and exfiltration activity. Treasury must be able to inspect encrypted network traffic for these threats. Enterprise TICs, housed at Fiscal Service, enhance Treasury's ability to detect, investigate, and respond to unauthorized attempts to access and remove sensitive data from the enterprise-wide Treasury network.

Enhancements to the Treasury Secure Data Network +\$5,000,000 / +0 FTE

Funding will be allocated to the Treasury-wide SECRET collateral network to: increase overall stability; increase the timeliness of incident response and recovery; enhance security monitoring by the Government Security Operations Center; and provide advanced toolsets for automated monitoring, as well as analyst review of outputs from these toolsets.

Proactive Cyber Risk and Threat Identification +\$1,948,000 / +3 FTE

The foundation of a strong cybersecurity program is proper identification of risk and threat vectors, and appropriate documentation of those risks and threats to enable decision making. This will be accomplished in part through strong security assessment and authorization of enterprise systems. Treasury will also establish a dedicated group of security experts to validate that systems across Treasury have been engineered and developed securely from the outset. Additionally, this group will carry out penetration tests to uncover vulnerabilities in systems throughout Treasury, including High Value Assets, before they are discovered or exploited by adversaries.

Improving the Cybersecurity of High Value Assets (HVA) +\$3,537,000 / + 1 FTE

HVAs are information systems that Treasury has systematically designated as mission-critical and are the most common targets for computer network attacks. Cybersecurity improvements include the implementation of encryption for data in-transit—including public-facing web traffic in accordance with OMB M-15-13— and data at-rest. For FY 2018, this request includes funding to increase the resiliency of Treasury's HVA population through Risk and Vulnerability Assessments and Security Architecture Reviews. Funding will also be used to validate that, in the event of an intrusion, the affected

HVAs have been properly cleaned and secured.

Enhancements to Cybersecurity Infrastructure +\$3,618,000 / +0 FTE

Treasury will implement user access controls for sensitive applications and High Value Assets, including greater use of multi-factor authentication through Personal Identity Verification (PIV) cards. This funds operation and maintenance for those activities, and includes funding for improved security architecture design in conjunction with the Department of Homeland Security's Continuous Diagnostics and Mitigation program, Phase II. This design will result in enhanced security for privileged users across the Department, as well as identify and reduce operational risks in Treasury's access control architecture.

Mitigation of Cyber Threats to United States Financial Services Sector +\$1,651,000 / +8 FTE

Increasing cyber-attacks against financial institutions could lead to a loss in confidence in these institutions and to significant economic impacts. As the government agency charged with coordinating with the financial sector on cybersecurity issues, Treasury seeks to expand its role as the Sector Specific Agency for the financial services sector under Executive Order 13636 Improving Critical Infrastructure Cybersecurity. The goal is to improve the public-private sharing of cybersecurity information, promote the use of best practices, and respond to cybersecurity incidents. In contrast with other initiatives in this budget request that support cybersecurity enhancements to Treasury Information Technology systems, this initiative seeks to mitigate cybersecurity threats to the U.S. financial infrastructure.

Explanation of Budget Activities

Cybersecurity Enhancement Account (\$27,264,000 from direct appropriations)

The purpose of CEA is to strategically mitigate cybersecurity risks through a centralized program with Department-wide impact. Due to the increasing number and sophistication of cyberattacks, Treasury leadership has prioritized cybersecurity and supports the centralization of department-wide cybersecurity initiatives through the CEA account and budget activity. Current bureau-level cybersecurity spending remains in the base budgets of each bureau.

With the exception of the project to mitigate cybersecurity threats to the U.S. financial infrastructure, all projects have the common

purpose of strengthening the security of Treasury's IT assets. Additionally, these projects will ensure compliance with both OMB and Executive Orders involving the security of government IT assets. To achieve these objectives, Treasury is deploying a multi-pronged approach of strategically procuring hardware and software, streamlining business processes while expanding security monitoring, and ensuring accountability at all levels. Treasury will work with OMB to select performance measures.

Legislative Proposals

The Cybersecurity Enhancement Account has no legislative proposals.

Department-wide Systems and Capital Investments Program

Program Summary by Budget Activity

Dollars in Thousands

Department-wide Systems and Capital Investments Program	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	FY 2017 TO FY 2018 \$ Change	% Change
Appropriated Resources	\$5,000	\$4,990	\$4,426	(\$564)	-11.30%
Total, DSCIP	\$5,000	\$4,990	\$4,426	(\$564)	-11.30%

Summary

Treasury owns and operates two historic office buildings in downtown Washington, D.C. – the Main Treasury Building and the Freedman’s Bank Building. Annually, the Department completes a condition assessment review of the infrastructure of these buildings. This year’s assessment highlights elements and infrastructure that has exceeded its expected life and has become too costly to continually repair. The Department plans to work through these accumulated needs over time. The FY 2018 request of \$4.426 million begins this process by focusing on life safety renovations, improved electrical service, and roof replacement to address systemic and mechanical failure, and building modernization, while preserving the historic fabric of the buildings.

FY 2018 Budget Highlights

Dollars in Thousands

Department-wide Systems and Capital Investments Program (DSCIP)	FTE	Amount
FY 2017 Annualized CR	0	\$4,990
Changes to Base:		
Non-Recurring Costs	0	(\$4,990)
Zero based budget	0	(\$4,990)
Subtotal Changes to Base	0	(\$4,990)
Total FY 2018 Base	0	\$0
Program Changes:		
Program Increases:	0	\$4,426
Add smoke evacuation to stairwells in the Freedman's Bank Building	0	\$350
Complete delivery of new electric service to tenant spaces in Freedman's Bank Building	0	\$1,000
Phase I Main Treasury Roof Replacement	0	\$3,076
Subtotal Program Changes	0	\$4,426
Total FY 2018 Request	0	\$4,426

FY 2018 Budget Adjustments

Adjustments to Request

Non-Recurring Costs -\$4,990,000 / +0 FTE

Zero-Based Budget -\$4,990,000 / +0 FTE

In the FY 2017 Annualized Continuing Resolution, \$2,995,000 is provided for Digital Accountability and Transparency Act implementation, and \$1,995,000 is provided for renovation of Treasury buildings.

Program Increases +\$4,426,000 / +0 FTE

Add Smoke Evacuation to Freedman's Bank Building Stairwells +\$350,000 / +0 FTE

The Freedman’s Bank Building has two existing stairwells for emergency egress.

Neither stairwell is properly pressurized in order to deter smoke infiltration in the case of a fire.

Complete Delivery of New Electric Service to Freedman's Bank Building +\$1,000,000 / +0 FTE

A renovation project in 2013 provided new electrical feeders to the building and replaced the main switchgear. The project resulted in more efficient building service, however, further renovations are required to fully take advantage of this service within the secondary electrical distribution. The building also possesses some older aluminum branch wiring that needs to be replaced to meet current codes, and there is a unit that supplies uninterrupted power to the network which is approximately 15 years old and needs to be replaced. A new primary distribution system was installed in 2013, but older transformers and distribution panels from the older service still exist and will need to be removed as the secondary distribution systems are updated as part of floor-by-floor renovation. Finally, the typical lighting fixtures do not meet current federal energy standards and will need to be replaced with LED lighting.

Phase 1 Main Treasury Roof Replacement +\$3,076,000 / +0 FTE

The Main Treasury Building roof has reached its normal life expectancy and routine maintenance can no longer prevent leaks. New roofing options are being explored including removal and replacement of the existing roof. Preliminary research suggests that a newer technology may have advantages that outweigh the current roofing system. The new technology can be applied directly over the existing roofing system at a fraction of the cost and offer the same warranty period as conventional systems. In addition to lower costs and similar warranty periods, these systems also offer shorter installation periods, reduced odors, a UL fire rating, and manageable maintenance programs.

Explanation of Budget Activities

Department-wide Systems and Capital Investments Program (\$4,426,000 from direct appropriations)

The purpose of DSCIP funds is to modernize business processes and increase efficiencies within Treasury and across the government through capital investment.

Legislative Proposals

DSCIP has no legislative proposals.

Terrorism and Financial Intelligence

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016	FY 2017	FY 2018	FY 2017 TO FY 2018	
	Enacted	Annualized CR	Request	\$ Change	% Change
Terrorism and Financial Intelligence	\$117,000	\$116,778	\$116,778	\$0	0.00%
Subtotal	\$117,000	\$116,778	\$116,778	\$0	0%
Offsetting Collections - Reimbursables	\$6,329	\$6,329	\$6,329	\$0	0.00%
Total Program Operating Level	\$6,329	\$6,329	\$6,329	\$0	0.00%
Direct FTE	383	391	386	(5)	-1.28%
Reimbursable FTE	31	31	31	0	0.00%
Total FTE	414	422	417	(5)	-1.18%

Summary

The Office of Terrorism and Financial Intelligence (TFI) requests \$116.778 million, which is level with the FY 2017 Annualized Continuing Resolution funding level. The budget prioritizes funding for Treasury's array of targeted financial tools. Key Treasury programs that freeze the accounts of terrorists and proliferators, implement sanctions on rogue nations, and link law enforcement agencies with financial institutions are critical to the continued safety and financial stability of the Nation.

FY 2018 Budget Highlights

Dollars in Thousands

Salaries and Expenses	FTE	Amount
FY 2017 Annualized CR	391	\$116,778
Changes to Base:		
Maintaining Current Levels (MCLs):	0	\$2,315
Pay-Raise	0	\$851
Pay Annualization	0	\$312
Non-Pay	0	\$1,152
Efficiency Savings	(5)	(\$2,315)
Streamline Staffing	(5)	(\$574)
Consolidations and Travel, Supplies, and Equipment Savings	0	(\$1,741)
Subtotal Changes to Base	(5)	0
Total FY 2018 Base	386	\$116,778
Total FY 2018 Request	386	116,778

FY 2018 Budget Adjustments

Adjustments to Request

Maintaining Current Levels (MCLs)
2,315,000 / +0 FTE

Pay Raise +\$851,000 / +0 FTE

Funds are requested for the proposed January 2018 pay-raise.

Pay Annualization +\$312,000 / +0 FTE

Funds are requested for annualization of the January 2017 pay-raise.

Non-Pay +\$1,152,000 / +0 FTE

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

Efficiency Savings -\$2,315,000 / -5 FTE

Streamline Staffing -\$574,000 / 5 FTE

To align with the administration's initiative to improve government efficiency and effectiveness, the Office of Terrorism and Financial Intelligence is implementing a staffing streamlining effort to ensure appropriate levels for maximum efficiency.

Consolidations and Travel, Supplies, and Equipment Savings -\$1,741,000 / +0 FTE

The office proposes to decrease foreign travel, reduce supplies and equipment purchases, consolidate FOIA contracts, and re-organize management functions.

Explanation of Budget Activities

Terrorism and Financial Intelligence (\$116,778,000 from direct appropriations, \$6,329,000 from reimbursable resources)


The Office of Terrorism and Financial Intelligence (TFI) marshals the Department's intelligence and enforcement functions with the twin aims of safeguarding the financial system against illicit use and combating rogue nations, terrorist facilitators, weapons of mass destruction proliferators, money launderers,

drug kingpins, and other national security threats. Under Executive Order and legislation umbrellas, TFI supports Treasury's strategic and priority goals by the implementation of specific sanctions tailored to block assets or impose trade restrictions.

Legislative Proposals

TFI has no legislative proposals.

Performance Highlights

Budget Activity	Performance Measures	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014 – FY 2016
		Actual	Actual	Actual	Target	Target	Trend
Terrorism and Financial Intelligence	Impact of TFI Programs and Activities	8.5	8.8	8.7	8.5	8.5	

Description of Performance

Impact of TFI Programs and Activities: In order to gauge its performance, TFI created a composite measure consisting of three program office focus areas related to its mission and strategic goals, including customer outreach, increasing production and dissemination of intelligence products, and implementing IT modernization projects. In FY 2016, TFI exceeded its performance goal of 8.5 with a score of 8.7 and expects to achieve its FY 2017 and FY 2018 target of 8.5. TFI and Treasury will work with OMB on developing new performance measures that align to the new TFI Strategic Plan.

Office of Inspector General

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016	FY 2017	FY 2018	FY 2017 TO FY 2018	
	Enacted	Annualized CR	Request	\$ Change	% Change
Audit	\$28,304	\$27,219	\$26,266	(\$953)	-3.50%
Investigations	\$7,112	\$8,130	\$7,846	(\$284)	-3.49%
Subtotal, OIG	\$35,416	\$35,349	\$34,112	(\$1,237)	-3.50%
Offsetting Collections - Reimbursables	\$6,726	\$10,500	\$10,000	(\$500)	-4.76%
Total Program Operating Level	\$42,142	\$45,849	\$44,112	(\$1,737)	-3.79%
Direct FTE	164	194	175	(19)	-9.79%
Reimbursable FTE	6	19	5	(14)	-73.68%
Total FTE	170	213	180	(33)	-15.49%

Note: FY 2016 FTE and Other Resources are Actual

Summary

The FY 2018 request for \$34,112,000 for the OIG will be used to fund critical audit, investigative, and mission support activities to meet the requirements of the Inspector General Act of 1978, and other statutes including, but not limited: to the Cybersecurity Act of 2015; Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank); Federal Information Security Modernization Act (FISMA); Government Management Reform Act; Improper Payments Elimination and Recovery Act; Digital Accountability and Transparency Act of 2014 (DATA Act); Federal Deposit Insurance Act; Small Business Jobs Act of 2010; and Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). Specific mandates include audits of the Department's financial statements, the Department's compliance with FISMA, the Department's actions in implementing cyber security information sharing, failed insured depository institutions regulated by Treasury, and spending data submitted by the Department to USASpending.gov. With the resources available after mandated requirements are met, the OIG will conduct audits of the Department's highest risk programs and operations, and respond to

stakeholder requests for specific work as appropriate. Some of the Department's highest risk programs and operations include: (1) Cyber Threats, (2) Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments, (3) Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement, (4) Management of Treasury's Authorities Intended to Support and Improve the Economy, including administration of the Gulf Coast Restoration Trust Fund.

In support of Treasury's mission, the OIG established the following strategic goals.

- Promote the integrity, efficiency, and effectiveness of programs and operations across Treasury OIG's jurisdictional boundaries through audits and investigations
- Proactively support and strengthen the ability of programs across Treasury OIG's jurisdictional boundaries to identify challenges and manage risks
- Fully and currently inform stakeholders of Treasury OIG findings, recommendations, investigative results, and priorities
- Enhance, support, and sustain a workforce and strengthen internal operations to

achieve the Treasury OIG mission, vision, and strategic goals

OIG FY 2018 Budget Highlights

Dollars in Thousands

Office of Inspector General	FTE	Amount
FY 2017 Annualized CR	194	\$35,349

Changes to Base:

Maintaining Current Levels (MCLs):	-	\$729
Pay-Raise	-	\$401
Pay Annualization	-	\$147
Non-Pay	-	\$180
Subtotal Changes to Base	-	\$729
Total FY 2018 Base	194	\$36,078

Program Changes:

Program Decreases:	-	(\$1,966)
Reduce Audit Staffing	-19	(1,966)
Total FY 2018 Request	175	\$34,112

FY 2018 Budget Adjustments

Adjustments to Request

Maintaining Current Level (MCLs)

Pay-Raise +\$401,000/ +0 FTE

Funds are requested for the proposed January 2018 pay-raise.

Pay Annualization +\$147,000 / +0 FTE

Funds are requested for annualization of the January 2017 pay-raise.

Non-Pay +\$180,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments postage, supplies, and equipment.

Program Decreases

Reduce Audit Staffing -\$1,966,000 / -19 FTE

Reduce Audit Staffing.

Explanation of Budget Activities

Audit 26,266,000 from direct appropriations, \$10,000,000 from reimbursable resources

The Office of Audit conducts audits to ensure the accountability of resources, protect information, and provide recommendations for improving the economy, efficiency, effectiveness, and integrity of Treasury

programs and operations under its jurisdiction, which include those of Treasury and the Gulf Coast Ecosystem Restoration Council (Council). The requested funding for FY 2018 is necessary to perform mandated work and maintain an appropriate level of oversight of Treasury and Council programs and operations consistent with its responsibilities under the Inspector General Act. The OIG also responds to requests by Treasury and Council officials and the Congress for specific work. Reimbursable funding supports agreements for contracted audits as well as oversight of the Small Business Lending Fund (SBLF) programs. SBLF program oversight and expected performance is detailed in the SBLF Program Office budget submission.

Investigations \$7,846,000 from direct appropriations

The Office of Investigations (OI) prevents, detects, and investigates complaints of fraud, waste, and abuse. This includes the detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury. The Office of Investigations refers its cases to the Department of Justice, State, or local prosecutors for criminal prosecution or civil litigation, or to agency officials for corrective administrative action.

With the increased risk of the Recovery Act grant programs for low-income housing and specific energy properties, the Office of Investigations faces greater challenges and anticipated increases in grant fraud. Investigative efforts are being directed towards those that subvert bank examination processes, and/or perpetrate fraud impacting the Bank Secrecy Act oversight responsibilities of Treasury Bureaus, subsequently defrauding the nation's financial infrastructure and eroding the public's trust.

In addition to the grant programs listed above, the Office of Investigations has seen a noted increase in fraud impacting other significant

Treasury programs and operations including fraud impacting the myRA program, Treasury Direct program, and the Treasury payment processing service operated by the Bureau of Fiscal Service.




The OIG has substantially increased its focus on the investigation of Treasury related

improper payment fraud and scams targeting U.S. citizens where Treasury employees are being impersonated and Treasury seals are being used to defraud victims.

Legislative Proposals

The OIG has no legislative proposals.

OIG Performance Highlights

Budget Activity	Performance Measure	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014 – FY 2016
		Actual	Actual	Actual	Target	Target	Trend
Audit	Number of Completed Audit Products	75.0	86.0	98.0	86.0	74.0	
Audit	Percent of Statutory Audits Completed by the Required Date	100.0	100.0	100.0	100.0	100.0	
Investigations	Percentage (%) of All Cases Closed During Fiscal Year that were Referred for Criminal/Civil Prosecution or Treasury Administrative Action	84.0	87.0	84.0	80.0	80.0	

Key: DISC - Discontinued, B – Baseline

Description of Performance

The Office plans to complete 86 audit products in FY 2017 and 74 in FY 2018. The reduced number of audit products in FY 2018 is the result of a significant rent increase in FY 2018 that will consume resources that would otherwise be used to fully staff the Office of Audit. In FY 2016, the Office of Audit completed 98 audit products, exceeding the planned target of 77. In FY 2016, the Office met its mandated audit requirements and identified \$1.8 million in monetary benefits.

In keeping with the OIG's strategy to maintain a highly skilled and motivated workforce, the OIG plans and executes a meaningful body of work designed to help ensure the integrity, efficiency, and effectiveness of programs and operations across OIG's jurisdiction while looking for opportunities to improve them.

In FY 2016 the OIG exceeded the Investigative Performance Measure target

(Target-80 percent; Actual 84 percent) opened 144 new investigations, and closed 72 investigations. The OIG also referred 43 investigations that substantiated administrative violations against a Treasury employee to the appropriate regulated bureau for action. In addition, the OIG referred 159 investigations for criminal prosecution and 46 investigations for civil prosecution. The OIG received investigative referrals regarding potential criminal misconduct that occurred prior to or during bank failures, and has worked criminal investigations with the Federal Deposit Insurance Corporation Office of Inspector General and the OIG Office of Audit regarding potential prosecution of acts which may have contributed to the bank failures.

Special Inspector General for TARP

Program Summary by Budget Activity

Dollars in thousands

Budget Activity	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	FY 2018 to FY 2017 Change	% Change
Investigations	31,801	32,069	16,441	(15,628)	-48.73%
Audit	8,870	8,525	3,856	(4,669)	-54.77%
Subtotal Appropriated Resources	\$ 40,671	\$ 40,594	\$ 20,297	\$ (20,297)	-50.00%
Unobligated Balances Brought Forward	-	4,000	11,090	7,090	177.25%
Available PPIP Funds	475	1,548	1,613	65	4.20%
Total Program Operating Level	\$ 41,146	\$ 46,142	\$ 33,000	\$ (13,142)	-28.48%

Budget Activity	FY 2016 Enacted	FY 2017 Enacted	FY 2018 Request	FY 2016 to FY 2017 Change	% Change
Investigations	32,276	36,770	26,730	(10,040)	-27.30%
Audit	8,870	9,372	6,270	(3,102)	-33.10%
Total SIGTARP by Budget Activity	\$ 41,146	\$ 46,142	\$ 33,000	\$ (13,142)	-28.48%
Total FTE	192	192	100	(92)	-47.92%

Note: FY 2016 Other resources reflect actual obligations.

Summary

The FY 2018 Budget proposes \$20,297,000, which is 50 percent below the FY 2017 Annualized CR level.¹ Treasury has committed \$38 billion for TARP housing programs, of which more than \$8 billion remains outstanding for payments scheduled to occur through FY 2023.² Currently, TARP spending is approximately \$1 billion per quarter. Of the amount proposed, 81 percent is for investigations and 19 percent is for audits.

SIGTARP's criminal investigations of TARP recipients counter threats to public safety and Government interests, including public corruption, antitrust (unfair competition), contract fraud, financial institution fraud, and mortgage fraud. SIGTARP's audits identify costly waste, abuse, risk of fraud, and inefficiency. SIGTARP has ongoing criminal investigations into TARP recipients, and

ongoing audits requested by members of Congress. Under TARP's Hardest Hit Fund, which was scheduled to end in FY 2018, but was extended and expanded by \$2 billion in the Consolidated Appropriations Act, 2016 (P.L. 114-113), recipients of TARP dollars include 19 state housing finance agencies, 38 cities/counties, 147 individuals, eight for-profit companies, 158 non-profits, 39 land banks, hundreds of demolition contractors, homebuyers, and homeowners. Separately, recipients of TARP dollars through the Making Home Affordable Program include Ocwen Loan Servicing, Wells Fargo Bank, JPMorgan Chase Bank, Bank of America, Nationstar Mortgage, Select Portfolio Servicing, CitiMortgage, and more than 130 other mortgage servicers.

SIGTARP's investigations have recovered \$10 billion, which translates to a 40-times return on investment from its annual appropriations through FY 2016.³ This is in addition to \$2

¹ Including \$200,000 for training and \$40,000 to the Council of the Inspectors General on Integrity and Efficiency.

² Of this amount, \$7.01 billion is obligated to be paid and \$3.93 billion committed in the Making Home Affordable Program and \$3.2 billion is obligated to be paid in the Hardest Hit Fund program.

³ Includes fines, restitution, forfeiture, and full homeowner relief by a large financial institution.

billion in cost-saving audit recommendations, including \$161 million in savings that will be realized from implemented recommendations this year. For the last three fiscal years, recoveries to the Government exceeded SIGTARP's budget proposal and offset taxpayer losses. SIGTARP has developed a deep expertise in identifying crime in TARP, with 394 defendants criminally charged, nearly 100 of which were charged in FY 2016-2017. SIGTARP investigations have also resulted in significant Department of Justice enforcement actions against TARP recipients Bank of America, JPMorgan Chase Bank, Goldman Sachs, Morgan Stanley, Ally Financial, SunTrust Bank, Fifth Third Bank, and General Motors. SIGTARP audits in FY 2016-2017 identified costly waste, abuse, and risk of criminal behavior in ongoing TARP programs.

SIGTARP FY 2018 Budget Highlights

Special Inspector General for TARP	FTE	Amount
FY 2017 Annualized CR	184	\$40,594
Changes to Base:		
Maintaining Current Levels (MCLs):		\$809
Pay raise		465
Pay annualization		170
Non-pay		174
Program Reductions	(92)	(21,106)
Technical FTE Adjustment	(92)	(14,600)
Reduce Support Services		(6,506)
Subtotal Changes to Base	(92)	(20,297)
Total FY 2018 Base	92	\$20,297
Total FY 2018 Request	92	\$20,297

FY 2018 Budget Adjustments

Pay Raise +\$465,000 / +0 FTE

Funds are requested for the proposed January 2018 pay-raise.

Pay Annualization +\$170,000 / +0 FTE

Funds are requested for annualization of the January 2017 pay-raise.

Non-Pay +\$174,000 / +0 FTE

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

Technical FTE Adjustment

-\$14,600,000 / -92 FTE

The technical adjustment reduces the appropriated FTE level.

Reduce Support Services -\$6,506,000 / -0 FTE

SIGTARP will also seek to reduce non-personnel costs.

Explanation of Budget Activities

Investigations (\$16,441,000 from direct appropriations)

The Investigations budget activity supports SIGTARP's priority of law enforcement of crimes related to TARP.

Audit (\$3,856,000 from direct appropriations)

The Audit budget activity supports SIGTARP's priority of being an independent watchdog over the billions of TARP dollars being disbursed.



Both activities support and complement Treasury's efforts to safeguard and protect the integrity of the financial system. SIGTARP coordinates with other law enforcement agencies, leveraging its unique position and expertise by forming law enforcement partnerships.

Public-Private Investment Program (PPIP)

SIGTARP is requesting that PPIP funds be made available to support SIGTARP's oversight of ongoing TARP programs.

Please refer to the Summary of FY 2018 Appropriations Language later in this document or SIGTARP's Congressional Justification for proposed language.

SIGTARP Performance Highlights

Budget Activity	Performance Measures	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014 – FY 2016
		Actual	Actual	Actual	Target	Target	Trend
Investigations	Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome	N/A	N/A	77.0	70.0	70.0	N/A
Investigations	Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of the Case Being Opened	N/A	N/A	80.0	70.0	50.0	N/A
Investigations	Percentage of Cases That are Joint Agency/Task Force Investigations	75.5	69.65	71.0	70.0	50.0	
Investigations	Percentage of Preliminary Investigations Converted to Full Investigations within 180 Days	95.75	100.0	99.0	80.0	60.0	
Audit	Number of Completed Audit Products including Referral to Investigations Division (Units)	N/A	N/A	11	7.0	3.0	N/A

Key: DISC - Discontinued, B - Baseline

Description of Performance

SIGTARP exceeded all metrics in FY 2016. In FY 2016, the “Percentage of Cases That are Joint Agency/Task Force Investigations” with other law enforcement agencies was 71 percent. In FY 2016, “Percentage of Preliminary Investigations Converted to Full Investigations within 180 days” was 99 percent, exceeding the target of 80 percent. The “Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome” in FY 2016 was 77 percent success rate, exceeded its target of 60 percent. During FY 2016, the “Percentage of Cases Presented

to Civil or Criminal Authorities within Eight Months of the Case Being Opened,” was 80 percent, exceeding the target of 70 percent.

SIGTARP exceeded its performance measure “Number of Completed Audit Products including Referrals to Investigations Division” of seven in FY 2016, with 11 products. SIGTARP exceeded its 85 percent goal of “Percentage of Congressional Inquiries Responded to within 45 Days of Receipt,” at 100 percent.

**Comments of the Honorable Christy Goldsmith Romero
Special Inspector General Troubled Asset Relief Program
on the FY 2018 Proposed Funding Level**

Under the provisions of section 6(f)(3)(E) of the Inspector General Act of 1978, as amended, as applied through the Emergency Economic Stabilization Act of 2008, the Special Inspector General has provided the following comments regarding FY 2018 proposed funding:

The FY 2018 budget request substantially inhibits the Office of the Special Inspector General (OIG) for TARP from performing the duties of the office, including audits and criminal investigations. The proposed funding represents a 50% reduction (\$20 million) from the FY 2017 level enacted by the Congress, despite the Federal Government's continued ownership or control of troubled assets in TARP housing programs that are \$38 billion in size – the same size as last year. This year alone (FY 2018), Treasury will spend \$4 billion in TARP. This spending is in two programs: (1) the recently expanded and extended Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (Hardest Hit Fund or HHF); and (2) TARP's Making Home Affordable Program (MHA), which has spent just over half (60%) of obligated/committed TARP dollars.

In the Consolidated Appropriations Act of 2016, the Congress authorized an extension and an additional \$2 billion in the Hardest Hit Fund. With that authorization, Treasury extended the spending of Federal dollars in HHF from FY 2018 to FY 2022. There are \$3.2 billion in unspent Federal dollars in HHF. Recipients of these Federal TARP dollars are 19 state agencies, 38 cities/counties, 147 individuals, 8 for-profit companies, 158 non-profits, 39 land banks, hundreds of demolition contractors and subcontractors (including asbestos, inspection and removal, waste disposal, fill dirt, grading, greening, site inspection, maintenance), homebuyers, and homeowners.

The OIG's investigations and audits have revealed risks of criminal behavior, fraud, waste, and abuse in the Hardest Hit Fund program. The OIG's FY 2016 audit revealed that the HHF blight demolition program is significantly vulnerable to the substantial risk of unfair competitive practices, including favoritism, undue influence, contract steering, bid-rigging, and other closed-door contracting processes, as well as fraudulent overcharging. Only two of 20 recommendations in that audit have been implemented. Other FY 2016 audits revealed abuse related to evicting people out of their homes to qualify for TARP-funded demolition, and \$8.2 million in waste of TARP dollars by a state agency contractor.

Additionally, in the Consolidated Appropriations Act of 2016, the Congress terminated MHA, but exempted homeowners who applied before December 31, 2016. Just over half (60%) of these federal dollars have been paid to Ocwen, Wells Fargo, JPMorgan Chase, Bank of America, Nationstar, SPS, CitiMortgage, and more than 130 mortgage servicers, investors and homeowners. Treasury is obligated or committed to pay a remaining \$10.94 billion through FY 2023. Program participation has remained steady at about one million homeowners in FY 2015, FY 2016 and FY 2017. The OIG's investigations with the Justice Department, and audits, have revealed a track record of violations of TARP rules and the

law by some servicers in MHA and warned of risk of fraud, waste, and abuse to the Federal Government and homeowners.

The OIG has a significant number of ongoing criminal investigations of recipients of Federal dollars in TARP, in addition to audits of TARP recipients. The proposed budget effectively removes the resources necessary for the OIG to: (1) identify costly waste and abuse, as well as cost savings through ongoing and future audits, and (2) conduct ongoing and future criminal investigations that (a) counter threats, including public corruption, antitrust (unfair competition), contract fraud, financial institution fraud, and mortgage fraud, and (b) lead to indictments, convictions, prison sentences, and recoveries. This places critical Federal Government interests at risk, and substantially inhibits the OIG in carrying out its duties and responsibilities.

Treasury Inspector General for Tax Administration

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	FY 2017 TO FY 2018 \$ Change	% Change
Audit	\$65,100	\$64,976	\$62,704	(\$2,272)	-3.50%
Investigations	\$102,175	\$101,981	\$98,409	(\$3,572)	-3.50%
Subtotal, TIGTA	\$167,275	\$166,957	\$161,113	(\$5,844)	-3.50%
Offsetting Collections - Reimbursables	\$535	\$1,500	\$600	(\$900)	-60.00%
Total Program Operating Level	\$167,810	\$168,457	\$161,713	(\$6,744)	-4.00%
Direct FTE	787	859	819	(40)	-4.66%
Reimbursable FTE	2	2	2	0	0.00%
Total FTE	789	861	821	0	-4.65%

Note: FY 2016 FTE & Other Resources are Actual

Summary

The Treasury Inspector General for Tax Administration's (TIGTA) Fiscal Year (FY) 2018 budget request of \$161,113,000 represents a decrease of 3.5 percent below its FY 2017 Annualized Continuing Resolution (CR) amount. These resources will fund critical audit, investigative, and inspection and evaluation services to protect the integrity of the Nation's system of tax administration.

TIGTA's vision is to "maintain a highly skilled, proactive, and diverse Inspector General organization dedicated to working in a collaborative environment with key stakeholders to foster and promote fair tax administration." While there are a number of critical areas where TIGTA will provide oversight, its FY 2018 priorities include:

- Identifying opportunities to improve the administration of the Nation's tax laws, improve tax compliance, and achieve program efficiencies and cost savings;
- Mitigating security risks affecting taxpayer data, tax systems, and Internal Revenue Service (IRS) employees;
- Protecting the integrity of the IRS by effectively investigating the international IRS impersonation scam that has impacted more than 1.9 million Americans;

- Conducting criminal investigations of individuals and groups who impersonate the IRS in order to victimize senior citizens and other vulnerable Americans;
- Developing advanced analytics and innovative approaches to help prevent and detect the flow of dollars fraudulently obtained by criminals and IRS employees;
- Providing the IRS with the investigative coverage and the information necessary to mitigate domestic and foreign threats against its employees, facilities, and data systems;
- Improving the integrity of IRS operations by detecting and deterring waste, fraud, abuse, and misconduct, including the unauthorized disclosure of confidential taxpayer information by IRS employees;
- Conducting comprehensive audits and inspections and evaluations that provide recommendations for achieving monetary benefits, addressing erroneous and improper payments, and enhancing the service the IRS provides to taxpayers;
- Rapidly and effectively responding to attempts to impersonate the IRS for fraudulent purposes;
- Overseeing the IRS's efforts to administer tax law changes related to health care; and

- Overseeing the IRS's efforts to increase international tax compliance.

TIGTA was created by Congress as a part of the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98). TIGTA's audits, investigations, inspections, and evaluations protect and promote the fair administration of the U.S. tax system. TIGTA conducts audits that advise the public, Congress, the Secretary of the Treasury, and IRS management of high-risk issues, problems, and deficiencies related to the administration of IRS programs and operations. TIGTA's audit recommendations improve the administration of the Federal tax system. TIGTA's administrative and criminal investigations ensure the integrity of IRS employees, protect the IRS and its employees, and help the IRS protect and secure taxpayers' data. TIGTA's inspections and evaluations provides responsive, timely, and cost-effective inspections and evaluations of challenging areas in IRS programs. TIGTA's oversight is essential to the efficiency and equity of the IRS's tax administration system. TIGTA ensures that taxpayers can have confidence that the IRS collects more than \$3.1 trillion in tax revenue in an effective and efficient manner.

TIGTA FY 2018 Budget Highlights

Dollars in Thousands

Treasury Inspector General for Tax Administration	FTE	Amount
FY 2017 Annualized CR	859	\$166,957

Changes to Base:

Maintaining Current Levels (MCLs):	-	\$3,335
Pay-Raise	-	\$1,951
Pay Annualization	-	\$715
Non-Pay	-	\$669
Subtotal Changes to Base	-	\$3,335
Total FY 2018 Base	859	\$170,292

Program Changes:

Program Decreases:	(40)	(\$9,179)
Reduce Audit and Investigation Activity Levels for Labor Costs and Staffing	(40)	(\$6,595)
Operating Cost Reductions	-	(\$2,584)
Total FY 2018 Request	819	\$161,113

FY 2018 Budget Adjustments

Adjustments to Request

Maintaining Current Level (MCLs)

Pay-Raise +\$1,951,000 / +0 FTE

Funds are required for the proposed January 2018 pay-raise.

Pay Annualization +\$715,000 / +0 FTE

Funds are required for annualization of the January 2017 pay-raise.

Non-Pay +\$669,000 / +0 FTE

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

Program Decreases

Reduce Audit and Investigation Activity Levels for Labor Costs and Staffing -\$6,595,000 / -40 FTE

Audit and Investigations Activity levels will be reduced for labor costs and FTE. Reaching this savings target without impacting the quality of TIGTA's programs will require a combination of actions to include balancing mission and workload with available FTE. The reduction of 40 FTE will result in a reduced number of investigations and audits in FY 2018. Since FY 2015, the number of mandated audits increased from 17 to 22.

Therefore, for the Office of Audit (OA), a reduction of FTE will result in a higher percentage of resources being devoted to mandated audits versus the high-risk audits that are more likely to result in quantifiable outcomes, such as cost savings, revenue protection, and taxpayer privacy and security. For the Office of Investigations (OI), staffing reductions will limit TIGTA's ability to respond to every allegation of IRS employee misconduct, and it will extend the amount of time it takes to investigate all of the allegations received by TIGTA.

Operating Cost Reductions -\$2,584,000 / +0 FTE

TIGTA has closely scrutinized its operational requirements for the impact of budget reductions. With the reduction in FTE levels in Audit and Investigations Activities, there will be a corresponding reduction in operational costs. TIGTA continues to identify cost-savings in travel, training, and contracts. Further cuts will be made in these areas to reduce budget impact on TIGTA's staffing levels. TIGTA will look for contract efficiencies from continued evaluation of contracts for strategic sourcing and negotiation of more advantageous contract terms. Additionally, TIGTA has aggressively implemented its telework program in order to reduce its footprint.

Explanation of Budget Activities

Audit \$62,704,000 from direct appropriations

TIGTA's audit work is concentrated on high-risk areas and the IRS's progress in achieving its strategic goals. TIGTA strategically evaluates IRS programs, activities, and functions so that resources are expended in the areas of highest vulnerability of the Nation's system of tax administration. TIGTA's audit program includes both statutory audit requirements and specific audits identified through TIGTA's risk-assessment process. By

focusing on the most critical areas, TIGTA identifies and recommends improvements that add value while addressing high-risk tax administration issues. TIGTA's audits and recommendations help promote the economy, efficiency, and effectiveness of IRS programs; ensure the fair and equitable treatment of taxpayers; and detect and deter waste, fraud, and abuse.

During FY 2016, OA issued 89 audit reports that included potential financial benefits of approximately \$14.6 billion and affected approximately 1 million taxpayer accounts. In FY 2014, several key Affordable Care Act (ACA) provisions became effective. Beginning in Calendar Year 2014, most individuals were required to maintain minimum essential coverage, and some low to middle-income individuals are eligible to receive the Premium Tax Credit. As such, FY 2015 and FY 2016 were significant years for oversight of ACA provisions. TIGTA's independent oversight plays a key role in ensuring that these provisions are implemented and administered in accordance with the law and the intent of Congress.

Investigations \$98,409,000 from direct appropriations, \$600,000 from reimbursable resources

TIGTA has a statutory responsibility to protect the integrity of tax administration and to protect the ability of the IRS to collect revenue for the Federal Government. To accomplish this, TIGTA investigates allegations of serious administrative and criminal misconduct committed by IRS employees. TIGTA's investigative resources focus on three primary areas of investigation: Employee Integrity; Employee and Infrastructure Security; and External Attempts to Corrupt Tax Administration.

Employee Integrity: IRS employee misconduct, real or perceived, can erode public trust and impede the IRS's ability to

enforce tax laws effectively. This misconduct manifests itself in a variety of ways, including misuse of IRS resources or authority; theft; fraud; extortion; taxpayer abuses; and unauthorized access to, and disclosure of, tax return information. During FY 2016, 45 percent of TIGTA's investigative body of work involved alleged employee misconduct. TIGTA's special agents possess the knowledge, skills, and expertise to investigate such matters. TIGTA's investigation of employee misconduct conveys a message to IRS employees that these types of activities will not go unchecked. TIGTA promotes employee integrity by conducting proactive investigative initiatives to detect criminal activity and other serious misconduct in the administration of IRS programs.

Employee and Infrastructure Security: Physical violence, harassment, and intimidation of IRS employees pose some of the most significant challenges to the implementation of a fair and effective system of tax administration. TIGTA's investigative efforts place high priority on its oversight of IRS employee safety and physical security, protecting approximately 85,000 employees and 540 facilities throughout the country. TIGTA maintains IRS employee and infrastructure security by conducting investigations into incidents that threaten IRS employees, facilities, and infrastructure. The Inspector General Reform Act of 2008 authorizes TIGTA to provide physical security to protect IRS employees against external threats. TIGTA works aggressively and takes swift action to protect IRS employees, including providing armed escorts to IRS employees in dangerous situations.

External Attempts to Corrupt Tax Administration: TIGTA is statutorily mandated to investigate external attempts to corrupt tax administration, including criminal misconduct by nonemployees, such as

impersonation of the IRS, attempted bribery of IRS employees, international cybercrime and identity theft, and procurement fraud.

Many IRS employees are in direct contact with taxpayers and encounter situations in which a taxpayer may challenge the employee's integrity with a bribe. Bribery or attempted bribery of a public official is a criminal offense and a threat to the integrity of the IRS and the Nation's system of tax administration.

Additionally, TIGTA is investigating nationwide IRS impersonation schemes, in which criminals are pretending to be IRS employees and are attempting to collect phantom tax liabilities from innocent taxpayers. As of March 31, 2017, TIGTA received more than 1.9 million reports related to this type of contact; and more than 10,300 taxpayers have been defrauded out of more than \$55 million as a result of impersonation scams.

In May 2015, the IRS reported to TIGTA that criminals used taxpayer-specific data acquired from non-IRS sources to successfully gain unauthorized access to more than 100,000 tax accounts through IRS's "Get Transcript" application. In August 2015, as a result of TIGTA's investigative findings, the IRS conducted a deeper analysis in which it identified an additional 220,000 successful attempts to clear the "Get Transcript" verification process by individuals with taxpayer-specific sensitive data. The updated review also identified an additional 170,000 suspected attempts that failed to clear the authentication processes. Following TIGTA's advice, the IRS disabled the "Get Transcript" application until this matter was investigated. On June 2016, after an extensive review, the IRS turned both the "Get Transcript" application and the associated E-Authentication gateway back on. However, the security of these two systems continues to




be of great concern and OI is currently conducting investigations of recent breaches of the “new systems.”

As part of its overall investigation into the data breach, OI is conducting an in-depth forensic review of more than 300,000 accounts to determine if they were used for any other type of identity theft. The investigation will also identify the vulnerabilities that allowed the accounts to be stolen and will generate the evidence necessary to bring the responsible individuals to justice.

Legislative Proposals

TIGTA has no legislative proposals.

TIGTA Performance Highlights

Budget Activity	Performance Measures	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014 – FY 2016
		Actual	Actual	Actual	Target	Target	Trend
Audit	Percentage of Audit Products Delivered when Promised to Stakeholders	65.0	80.0	75.0	68.0	68.0	
Audit	Percentage of Recommendations Made that Have Been Implemented	89.0	92.0	97.0	85.0	85.0	
Investigations	Percentage of Results from Investigative Activities	92.0	93.0	90.0	81.0	81.0	

Key: DISC - Discontinued, B – Baseline

Description of Performance

- For FY 2016, OA issued 89 final audit reports identifying approximately \$14.6 billion in potential financial benefits.
- For FY 2016, the actual Percentage of Audit Products Delivered when Promised to Stakeholders was 75 percent, which exceeded the full-year target of 68 percent. TIGTA exceeded this target as a result of ongoing supervisory monitoring of the execution of audits to ensure timely audit products to stakeholders.
- The FY 2016 actual Percentage of Recommendations Made that Have Been Implemented was 97 percent. TIGTA exceeded its target as a result of continuous discussions with the IRS throughout the audit process, both on the findings and on the potential recommended solutions, to ensure that feasible alternatives were identified.
- For FY 2018, OA’s performance targets are 68 percent of Audit Products Delivered when Promised to Stakeholders and 85 percent of Recommendations Made that Have Been Implemented.
- During FY 2016, TIGTA initiated 16 proactive investigative initiatives to detect systemic weaknesses or potential IRS

program vulnerabilities. TIGTA processed 14,499 complaints, opened 2,879 investigations, and closed 2,887 investigations in FY 2016. During this period, TIGTA referred for IRS action 1,032 cases of employee misconduct, and 122 cases of all types of investigations were accepted for criminal prosecution.

- For FY 2016, the Percentage of Results from Investigative Activities was 90 percent, which exceeded the full-year target of 81 percent. OI exceeded the FY 2016 performance measure as a result of the hard work of experienced executives, managers, and special agents.
- For FY 2018, OI's performance target is 79 percent of Results from Investigative Activities. This number is adjusted to reflect the fewer number of experienced FTE which will decrease the total number of results OI will achieve as a result of its investigative activities.

Community Development Financial Institutions Fund

Program Summary by Budget Activity

Dollars in Thousands

Community Development Fund Institutions Fund Appropriated Resources	FY 2016		FY 2017		FY 2018		FY 2017 to FY 2018			
	Actual		Annualized		Request		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Community Development Fund Institutions Program	0	\$153,423	0	\$153,131	0		0	(\$153,131)	NA	-100%
Bank Enterprise Award Program	0	\$19,000	0	\$18,964	0		0	(\$18,964)	NA	-100.00%
Native American CDFI Assistance Program	0	\$15,500	0	\$15,471	0		0	(\$15,471)	NA	-100.00%
Administration	77	\$23,600	77	\$23,555	42	\$14,000	(35)	(\$9,555)	-45.45%	-40.56%
Healthy Food Financing Program	0	\$22,000	0	\$21,958	0		0	(\$21,958)	NA	-100.00%
Subtotal New Appropriated Resources	77	\$233,523	77	\$233,079	42	\$14,000	(35)	(\$219,079)	-45.45%	-93.99%
Other Resources:										
User Fees*	0	\$220	0	\$362	0	\$619	0	\$257	NA	70.99%
Recoveries from Prior Years	0	\$3,375	0	\$3,400	0	\$3,400	0	\$0	NA	0.00%
Unobligated Balances Brought Forward	0	\$5,500	0	\$21,545	0	\$18,964	0	(\$2,581)	NA	-11.98%
Subtotal Other Resources	0	\$9,095	0	\$25,307	0	\$22,983	0	(\$2,324)	NA	-9.18%
Total Budgetary Resources	77	\$242,618	77	\$258,386	42	\$36,983	(35)	(\$221,403)	-45.45%	-85.69%

*This request reflects authorization of the Bond Guarantee Program in FY 2016

Summary

The FY 2018 Budget requests an appropriation of \$14,000,000 for the Community Development Financial Institutions Fund (CDFI Fund) to maintain the existing portfolio of loans and grants and to administer the Bond Guarantee (BG) Program and the New Markets Tax Credit (NMTC) Program.

Explanation of Budget Activities

Administration \$14,000,000 from direct appropriations

Administration encompasses the CDFI Fund's operational support and management activities for the CDFI BG Program, the NMTC Program, and ongoing certification and compliance monitoring for all programs including the Bank Enterprise Award (BEA) Program, Community Development Financial Institutions (CDFI) Program, Native American CDFI Assistance (NACA) Program and Healthy Food Financing Initiative (HFFI).

Legislative Proposals

The Budget requests extension of the CDFI BG Program through FY 2018.

By providing guarantees of bonds issued by Qualified Issuers, the CDFI BG Program injects new capital into our nation's most distressed communities. CDFIs can gain from the potential scale of the CDFI BG Program, which offers low-cost, long-term credit for the development of commercial real estate, rental housing, senior living, daycare or healthcare centers, small businesses, and rural infrastructure, among others. The benefits of the program are realized at no cost to taxpayers as the program requires no credit subsidy.

The Budget proposes the following legislative changes to the BG Program: (i) to reduce the minimum bond issue size from \$100 million to \$50 million; and (ii) to revise the relending account language to correct a technical drafting error.

The Budget proposes to eliminate new allocations into the Capital Magnet Fund (CMF) effective in FY 2018. This would eliminate recurrent funding of the CMF through allocations from the Government-Sponsored Enterprises, Fannie Mae and Freddie Mac.

Description of Performance

In the FY 2016 funding round of the CDFI Program, the CDFI Fund received applications from 423 organizations, requesting over \$554 million in financial and technical assistance awards. In addition, 34 qualified organizations applied for the HFFI requesting over \$121 million. In September 2016, the CDFI Fund awarded more than \$148 million in grants and loans to 158 CDFIs. Additionally 9 organizations were awarded \$22 million for HFFI. In the FY 2016 funding round of the NACA Program, the CDFI Fund received applications from 61 organizations, requesting \$38 million in financial and technical assistance awards. In September 2016, the CDFI Fund awarded \$15.5 million in grants to 38 CDFIs. This activity shows the continued strong growth in demand for CDFI Fund Programs.

In FY 2016, CDFI Program awardees reported that over 81.5 percent of loans were originated in distressed communities and to underserved populations. By regulation, CDFIs must originate 60 percent or more of their loans and investments in eligible distressed census tracts or to underserved populations. The threshold is set at 60 percent in recognition that CDFIs may need to address safety and soundness by maintaining a diversified portfolio. Loans in highly distressed areas may be higher risk and more costly to underwrite and originate. The trend for FY 2012-2015 indicates that CDFI awardees have been successful in meeting their mission of serving distressed communities and underserved populations while maintaining sound investment portfolio performance.

In FY 2016, 23 prior HFFI awardees reported 261 HFFI investments totaling \$137.9 million. There were 131 retail investments totaling over \$115 million that developed 1,581,243 square feet of new retail space for projects ranging from small green grocers to large

supermarkets that served low-income, low-access census tracts. In addition, there were 130 non-retail investments totaling over \$23 million in projects involving production and distribution, which developed 1,718,088 square feet of space for eligible healthy food activities.

The All-application-award Cycle Time measures the average time from the date when applications are received to the date of award announcement (calculated in months as a weighted average). In FY 2016, the cycle time was 7.6 months, missing the target of 7 months as a result of additional application volume and implementation of the reestablished CMF Program.

The All-Affordable Housing measure captures the number of affordable housing units developed or produced as a result of CDFI Fund awards, as reported by CDFI, NMTC and CMF program awardees and allocatees. In FY 2016, the actual results of 35,251 affordable housing units exceeded the target of 29,000 units. For FY 2018, a target is set that includes expected outcomes for the CMF and NMTC programs as well as measureable outputs from prior year CDFI and NACA program awardees.

The calendar year 2015 and 2016 NMTC investment authority was allocated in November 2016 as a combined round. The NMTC Program awarded \$7 billion in NMTC investment authority to 120 Community Development Entities from a pool of 238 applicants

Financial Crimes Enforcement Network

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	FY 2017 TO FY 2018 \$ Change	% Change
BSA Administration and Analysis	\$112,979	\$112,764	\$112,764	\$0	0.00%
Subtotal, FINCEN	\$112,979	\$112,764	\$112,764	\$0	0%
Offsetting Collections - Reimbursables	\$3,000	\$3,000	\$3,000	\$0	0.00%
Recovery from Prior Years	\$500	\$500	\$500	\$0	0.00%
Total Program Operating Level	\$116,500	\$116,264	\$116,264	\$0	0.00%
Direct FTE	278	338	332	(6)	-1.78%
Reimbursable FTE	1	1	1	0	0.00%
Total FTE	279	339	333	(6)	-1.77%

Note: FY 2016 is showing actual FTE usage. The 338 Direct FTE in FY 2017 is a reduction from 343 enacted in FY 2016 due to the absorption of the 2017 pay raise and 2016 pay annualization.

Summary

FinCEN is a bureau in the U.S. Department of the Treasury. The Director of FinCEN reports to the Under Secretary for Terrorism and Financial Intelligence. FinCEN's mission is to safeguard the financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

FinCEN FY 2018 Budget Highlights

Dollars in Thousands

Financial Crimes Enforcement Network (FINCEN)	FTE	Amount
FY 2017 Annualized CR	338	\$112,764

Changes to Base:

Maintaining Current Levels (MCLs):	-	\$2,276
Pay-Raise	-	\$783
Pay Annualization	-	\$287
Non-Pay	-	\$1,206
Efficiency Savings	-	(\$1,206)
Efficiency Savings	-	(\$1,206)
Subtotal Changes to Base	-	\$1,070

Total FY 2018 Base	338	\$113,834
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Program Changes:

Program Decreases	(6)	(\$1,070)
Program Staffing Reductions	(6)	(\$1,070)
Subtotal Program Changes	(6)	(\$1,070)

Total FY 2018 Request	332	\$112,764
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Note: The 338 FTE in FY 2017 is a reduction from 343 enacted in FY 2016 due to the absorption of the 2017 pay raise and 2016 pay annualization.

FY 2018 Budget Adjustments

Adjustments to Request

Maintaining Current Level (MCLs)

Pay-Raise +\$783,000 / +0 FTE

Funds are requested for the proposed January 2018 pay-raise.

Pay Annualization +\$287,000 / +0 FTE

Funds are requested for annualization of the January 2017 pay-raise.

Non-Pay +\$1,206,000 / +0 FTE

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

Efficiency Savings

Efficiency Savings -\$1,206,000 / +0 FTE

These efficiencies are a result of reductions in printing and savings realized through re-evaluated or negotiated contracts.

Program Decreases

Program Staffing Reductions -\$1,070,000 /

-6 FTE This reduction will be taken across several FinCEN program areas. FinCEN will evaluate open positions for possible absorption of workload associated with positions lost through attrition.

Explanation of Budget Activities

BSA Administration and Analysis (\$112,764,000 from direct appropriations, \$3,000,000 from reimbursable resources)



This activity comprises FinCEN's efforts to develop and issue regulations under the Bank Secrecy Act (BSA); enforce compliance with the BSA in partnership with regulatory partners and as the sole BSA regulator across numerous industries; receive BSA reports and maintain a database; analyze and disseminate

financial intelligence to federal, state, and local law enforcement, federal and state regulators, foreign financial intelligence units (FIU), and industry; and serve as the U.S. FIU and maintain a network of information sharing with FIUs in partner countries.

Legislative Proposals

FinCEN has no legislative proposals.

FinCEN Performance Highlights

Budget Activity	Performance Measures	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014 – FY 2016
		Actual	Actual	Actual	Target	Target	Trend
BSA Administration and Analysis	Percentage of Users Finding That the Financial Intelligence Collected by FinCEN Pursuant to its Regulations Provides Valuable Information to Safeguard the Financial System, Combat Money Laundering, and Counter Terrorist Financing	81.0	83.0	84.0	85.0	86.0	
BSA Administration and Analysis	Percentage of Users Satisfied with FinCEN Information Sharing Systems	78.0	80.0	83.0	84.0	84.0	

Key: DISC - Discontinued, B - Baseline

Description of Performance

FinCEN conducts annual surveys of users on the utility and value of FinCEN's information, analysis, and systems. The results provide valuable feedback on FinCEN's performance safeguarding the financial system from illicit use, combatting money laundering and promoting national security.

FinCEN tracks the percentage of users finding that financial intelligence collected by FinCEN pursuant to its regulations provides valuable information to safeguard the financial system, combat money laundering, and counter terrorist financing. This measure supports FinCEN Strategic Objective 1.1 to adopt strong AML/CFT regulatory safeguards. In FY 2016, FinCEN met its target of 84 percent, with 84 percent finding value. FinCEN

attained this result by continued emphasis on on-line training for users of the FinCEN Query tool for their unique cases and situations. The target increases to 85 percent and 86 percent in FY 2017 and FY 2018.

FinCEN tracks the percentage of users satisfied with FinCEN information sharing systems. This measure supports FinCEN Strategic Objective 2.2 to develop and support effective technology systems to collect and analyze financial intelligence from private industry and share it with domestic and foreign government partners. The measure represents user satisfaction with the BSA E-Filing System, FinCEN Query, and the Egmont Secure Web. In FY 2016, FinCEN exceeded its target of 80 percent with 83 percent of the users satisfied with information sharing

systems. FinCEN strives to provide systems with fast response times. FinCEN also continues to receive positive feedback on the usefulness of the data, and for knowledgeable and courteous user support. In FY 2017 and FY 2018 targets are set at 84.

Alcohol and Tobacco Tax and Trade Bureau

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016	FY 2017	FY 2018	FY 2017 TO FY 2018	
	Enacted	Annualized CR	Request	\$ Change	% Change
Collect the Revenue	\$52,785	\$53,458	\$49,425	(\$4,034)	-7.55%
Protect the Public	\$53,654	\$52,779	\$49,233	(\$3,545)	-6.72%
Subtotal, TTB	\$106,439	\$106,237	\$98,658	(\$7,579)	-7.13%
Offsetting Collections - Reimbursables	\$6,992	\$6,972	\$6,972	(\$0)	-00.00%
Total Program Operating Level	\$113,431	\$113,209	\$105,630	(\$7,579)	-6.69%
Direct FTE	470	494	456	(38)	-7.69%
Reimbursable FTE	10	10	10	0	0.00%
Total FTE	480	504	466	(38)	-7.54%

Summary

The Alcohol and Tobacco Tax and Trade Bureau (TTB) serves as the Nation's primary Federal authority in the taxation and regulation of the alcohol and tobacco industries. TTB is responsible for the administration and enforcement of the Internal Revenue Code associated with the collection of excise taxes on alcohol, tobacco, firearms, and ammunition, and the Federal Alcohol Administration (FAA) Act, which provides for the regulation of the alcohol beverage industry to protect U.S. consumers and ensure a fair and competitive marketplace for U.S. businesses.

In FY 2018, TTB will continue to focus its efforts on enforcing compliance with alcohol, tobacco, firearms, and ammunition laws and regulations in the interest of collecting all appropriate excise taxes and promoting a marketplace for alcohol beverages that complies fully with Federal production, labeling, advertising, and marketing standards. The FY 2018 President's Budget request enables TTB to continue the programs and activities necessary to meet its strategic goals of collecting revenue and protecting the public.

Total resources required to support TTB activities for FY 2018 are \$105,630,000, including \$98,658,000 from direct appropriations, and \$6,972,000 from other offsetting collections and reimbursable programs.

TTB FY 2018 Budget Highlights

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau	FTE	Amount
FY 2017 Annualized CR	494	\$106,237
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$2,102
Pay-Raise	-	\$909
Pay Annualization	-	\$333
Non-Pay	-	\$860
Efficiency Savings:	-	(\$570)
Reduce Infrastructure Footprint	-	(\$250)
Reduce Support Services	-	(\$320)
Subtotal Changes to Base	-	\$1,532
Total FY 2018 Base	494	\$107,769
Program Changes:		
Program Decreases:	(38)	(\$9,111)
Program Staff Attrition and Incentives	(38)	(\$4,150)
IT Development and Modernization	-	(\$2,500)
Program Contract Reductions	-	(\$2,461)
Total FY 2018 Request	456	\$98,658

FY 2018 Budget Adjustments

Adjustments to Request Maintaining Current Level (MCLs) Pay-Raise +\$909,000 / +0 FTE

Funds are requested for the proposed January 2018 pay-raise.

Pay Annualization +\$333,000 / +0 FTE

Funds are requested for annualization of the January 2017 pay-raise.

Non-Pay +\$860,000 / +0 FTE

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

Efficiency Savings

Reduce Infrastructure Footprint -\$250,000 / -0 FTE

TTB has implemented an aggressive telework program that has enabled the bureau to close half of its field offices, with the remaining field offices being vital to TTB's mission. TTB has also reconfigured and reduced the amount of office space needed to operate its headquarters in Washington, D.C., and the National Revenue Center in Cincinnati. In an ongoing effort to improve space utilization, TTB has identified additional opportunities to reduce leased space, resulting in additional savings of \$250,000.

Reduce Support Services -\$320,000 / -0 FTE

TTB will reduce its operating costs through savings in administrative overhead and decreased program support operations in line with anticipated program staff attrition.

Program Decreases

Program Staff Attrition and Incentives -\$4,150,000 / -38 FTE

TTB will implement a hiring freeze to achieve a workforce reduction of 38 FTE. This reduction, 8 percent of TTB's full-time positions, will be taken across multiple program areas. TTB will continuously evaluate the capacity of its workforce to

absorb the workload associated with those positions lost through attrition and, as necessary, adjust its service standards to coincide with staffing levels. This reduction also reduces performance incentives recognizing special acts and high-performing employees in order to minimize staffing losses.

IT Development and Modernization -\$2,500,000 / -0 FTE

TTB will cut IT development and modernization investments in its core business systems and focus on the essential maintenance of existing systems.

Program Contract Reductions -\$2,461,000 / -0 FTE

TTB will reduce its contract services by reducing or re-scoping contracts for both its commercial vendors and government suppliers. TTB will prioritize the criminal case pipeline to ensure effective case management and resolution.

Explanation of Budget Activities

Collect the Revenue (\$49,425,000 from direct appropriations, \$3,835,000 from reimbursable resources)

This budget activity includes all tax processing, verification, enforcement, and outreach efforts related to administering the Federal excise tax on alcohol, tobacco, firearms, and ammunition products. TTB regulates and collects taxes from distilleries, breweries, bonded wineries, bonded wine cellars, manufacturers of cigarette papers and tubes, manufacturers of tobacco products, and manufacturers and importers of firearms and ammunition. In ensuring a level playing field for all those engaged in the trade of these strictly regulated commodities, TTB also takes appropriate enforcement action to detect and address diversion activity and ensure all products sold in the marketplace are properly taxpaid. In FY 2016, TTB collected excise taxes totaling \$13 billion for tobacco products,

\$8 billion for alcohol beverage products, and \$750 million for firearms and ammunition.

Protect the Public (\$49,233,000 from direct appropriations, \$3,137,000 from reimbursable resources)

This budget activity funds the programs that ensure the integrity of the products and industry members in the marketplace by promoting compliance with Federal alcohol and tobacco laws and regulations by the approximately 82,000 businesses that hold a

TTB permit or registration. This budget activity supports TTB's strategic goal of ensuring that alcohol and tobacco industry operators meet permit qualifications, and alcohol beverage products comply with Federal production, labeling, and marketing requirements.

Legislative Proposals

TTB has no legislative proposals.

TTB Performance Highlights

Budget Activity	Performance Measures	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014 – FY 2016
		Actual	Actual	Actual	Target	Target	Trend
Collect the Revenue	Activity of Revenue Collected Per Program Dollar	457.0	437.0	414.0*	400.0	400.0	
Collect the Revenue	Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Payments Timely and Accurately (In Terms of Revenue)	90.0	88.0	87.0	90.0	90.0	
Protect the Public	Percent of Electronically Filed Permit Applications (Note 1)	80.0	81.0	81.0	82.0	85.0	
Protect the Public	Percentage of Permit Applications Processed within Service Standards	58.0	47.0	32.0	85.0	85.0	
Protect the Public	Customer Satisfaction Rate with TTB Permitting Process	B	76.0	71.0	80.0	80.0	
Protect the Public	Percent of Electronically Filed Label and Formula Applications	93.0	94.0	97.0*	95.0	95.0	
Protect the Public	Percentage of Alcohol Beverage Label and Formula Applications Processed within Service Standards	67.0	75.0	75.0	85.0	85.0	

Key: DISC - Discontinued, B - Baseline

*Exceeded FY16 target

Note1: Reported results revised for FY14–FY15 due to an error identified in the source data for paper-filed original permit applications.

Description of Performance

The bureau continues to collect the Federal excise taxes due on its regulated commodities in a highly efficient manner, and continues to enforce compliance with alcohol and tobacco laws and regulations. During FY 2016, TTB met two out of seven of its targeted performance goals, and made substantial

progress in its initiatives intended to improve performance in all other performance metrics. The bureau will continue to monitor its annual business plan and use performance information to improve the effectiveness of its programs.

The investments in the Collect the Revenue activity resulted in the following performance highlights and accomplishments during FY 2016:

- TTB collected \$22 billion in excise taxes and other revenues from nearly 13,000 taxpayers in the alcohol, tobacco, firearms, and ammunitions industries. The return on investment for the Collect the Revenue program was \$414 for every \$1 expended on collection activities, exceeding the 2016 target of \$400.
- Since 2011, TTB's criminal enforcement program has opened a total of 105 cases, with identified liabilities of over \$591 million in estimated alcohol, tobacco, firearms, and ammunition excise taxes and approximately \$124 million in criminal seizures. Further, TTB has maintained a 100 percent conviction rate on cases fully resolved through the legal system.
- TTB completed approximately 400 audits, examinations, and revenue investigations, which contributed to the identification of additional tax revenue of more than \$85 million.
- TTB processed \$425 million in cover-over payments to Puerto Rico and the U.S. Virgin Islands. Federal excise taxes collected on rum produced in Puerto Rico and the Virgin Islands that are subsequently imported into the United States are "covered-over," or paid into the treasuries of Puerto Rico and the U.S. Virgin Islands.
- TTB processed \$356 million in drawback claims. Under current law, persons who use nonbeverage alcohol in the manufacture of medicines, food products, flavors, extracts, or perfume and other non-potable products may be eligible to claim drawback of excise taxes paid on distilled spirits used in their products.

The investments in the Protect the Public Activity resulted in the following performance highlights and accomplishments during FY 2016:

- TTB processed more than 161,000 Certificate of Label Approvals (COLAs) to ensure compliance with the FAA Act provisions that prevent consumer deception. TTB also achieved a 97 percent electronic filing rate for alcohol beverage label and formula applications above the target of 95 percent. Federal law prohibits the import or domestic bottling of an alcohol beverage without an approved COLA, making this TTB service integral to U.S. business operations.
- TTB issued approximately 6,250 Federal permits, primarily to new alcohol beverage producers, importers, and wholesalers. A TTB permit or registration is required before a business can lawfully operate in the alcohol and tobacco industries. TTB ensures a fair and lawful marketplace and protects consumers by screening permit applicants to ensure only qualified persons engage in operations in the alcohol and tobacco industries.
- TTB completed more than 430 field investigations of industry members in the areas of permit qualification, consumer complaints, trade practice violations, and product integrity verifications, all of which serve the bureau's dual mission of revenue collection and consumer protection.

Fiscal Service

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016	FY 2017	FY 2018	FY 2017 TO FY 2018	
	Enacted	Annualized CR	Request	\$ Change	% Change
Accounting and Reporting	\$125,752	\$124,352	\$109,379	(\$14,973)	-12.04%
Collections	\$38,798	\$38,598	\$33,951	(\$4,647)	-12.04%
Payments	\$118,454	\$117,362	\$108,517	(\$8,845)	-7.54%
Retail Securities Services	\$70,038	\$69,038	\$65,712	(\$3,326)	-4.82%
Wholesale Securities Services	\$10,808	\$13,808	\$13,278	(\$530)	-3.84%
Subtotal, Fiscal Service	\$363,850	\$363,158	\$330,837	(\$32,321)	-8.90%
Reimbursable	\$349,801	\$368,000	\$377,980	\$9,980	2.71%
Total Program Operating Level	\$349,801	\$368,000	\$377,980	\$9,980	2.71%
Direct FTE	1,626	1,693	1,680	(13)	-0.77%
Reimbursable FTE	417	427	427	0	0.00%
Total FTE	2,043	2,120	2,107	(13)	-0.61%

Summary

The Bureau of Fiscal Service's (Fiscal Service) multi-faceted mission supports the National Critical Financial Infrastructure of the Federal Government. Specifically, Fiscal Service provides central payment services to Federal Program Agencies (FPAs); operates the Federal Government's collections and deposit systems; provides government-wide accounting and reporting services; conducts all Treasury debt financing operations; issues, services, and accounts for all Treasury marketable securities and non-marketable securities, including U.S. savings bonds; delivers reimbursable support services to FPAs; and manages the collection of delinquent debt. The Fiscal Service is focused on maximizing efficiencies, transparency, and accountability with the goal of transforming government-wide financial management and the delivery of shared services.

Fiscal Service FY 2018 Budget Highlights

Dollars in Thousands

Fiscal Service	FTE	Amount
FY 2017 Annualized CR	1,723	\$363,158

Changes to Base:

Maintaining Current Levels (MCLs):	-	\$6,971
Pay-Raise	-	\$3,027
Pay Annualization	-	\$1,109
Non-Pay	-	\$2,835
Non-Recurring Costs	-	(\$14,890)
DATA Act	-	(\$10,780)
Rent Savings	-	(\$4,110)
Efficiency Savings	(30)	(\$1,935)
Program Efficiencies	(30)	(\$1,935)
Subtotal Changes to Base	(30)	(9,854)
Total FY 2018 Base	1,693	\$353,304

Program Changes:

Program Decreases	(13)	(\$22,467)
Accounting and Reporting	-	(\$3,066)
Collections	-	(\$2,788)
Payments	-	(\$2,603)
Retail Securities Services	-	(\$1,600)
Support Services	-	(\$8,323)
Streamlining Staff / Other Efficiencies	(13)	(\$4,087)
Subtotal Program Changes	(13)	(22,467)
Total FY 2018 Request	1,680	\$330,837

FY 2018 Budget Adjustments

Adjustments to Request Maintaining Current Level (MCLs)

Pay-Raise +\$3,027,000 / +0 FTE

Funds are requested for the proposed January 2018 pay-raise.

Pay Annualization +\$1,109,000 / +0 FTE

Funds are requested for annualization of the January 2017 pay-raise.

Non-Pay +\$2,835,000 / +0 FTE

Funds are requested for inflationary adjustments to non-labor costs such as travel, contracts, rent, supplies, and equipment.

Non-recurring Costs and Efficiency Savings

DATA Act -\$10,780,000 / +0 FTE

With the implementation of the DATA Act anticipated to be well underway, it is expected that Fiscal Service will be able to decrease the funding needed to complete the balance of the government-wide legislative requirements.

Rent Savings -\$4,110,000 / +0 FTE

With the final closeout of the Emeryville, California lease, Fiscal Service is realizing the last portion of the Payment Center Closure savings.

Program Efficiencies -\$1,935,000 / -30 FTE

Anticipated savings from programmatic and FTE requirements to align with operating levels.

Program Decreases

Accounting and Reporting -\$3,066,000 / +0 FTE

Delay the remediation of non-Department of Defense material weaknesses related to the Financial Report of the U.S. Government and the implementation of critical updates to systems.

Collections -\$2,788,000 / +0 FTE

Reductions to contractor support and security assessments associated with the expansion of electronic collections and settlement activities.

Payments -\$2,603,000 / +0 FTE

System modernization efforts related to improved customer agency support and the ability to decommission costly antiquated legacy systems will be delayed.

Retail Securities Services -\$1,600,000 / +0 FTE

Lower the service level to retail securities customers by increasing inquiry response time.

Support Services -\$8,323,000 / +0 FTE

Cancel plans to elevate the physical security threshold and plans to increase security measures in several facilities, resulting in the acceptance of a moderate level of risk while still maintaining compliance with current General Services Administration (GSA) and Department of Homeland Security (DHS) Federal Protective Service (FPS) requirements. Additionally, Fiscal Service will be unable to implement planned space efficiencies designed to maximize the bureau's use of space within its D.C. facility.

Streamlining Staff and Other Efficiencies - \$4,087,000 / -13 FTE

Anticipated savings as a result of streamlining staff and realizing any associated efficiencies.

Explanation of Budget Activities

Accounting and Reporting (\$109,379,000 from direct appropriations, \$27,399,000 from reimbursable resources)

The Accounting and Reporting activity consists of three programs: Government Agency Investment Services, Government-wide Accounting and Reporting, and Summary Debt Accounting.

The Government Agency Investment Services program issues, services, and redeems Government Account Series securities for federal agencies that have legislative authority to invest, administers State and Local Government Series securities and offers a flexible investment alternative for state and local governments to refinance their outstanding tax-exempt debt, and represents Treasury's role in the federal loan program.

The Government-wide Accounting (GWA) program produces timely and accurate financial information that contributes to the improved quality of financial decisions made by operating and overseeing the government's Central Accounting Reporting System and implementing the data transparency requirements included in the DATA Act. Fiscal Service collects, analyzes, and publishes government-wide financial information made available to both the public and private sectors to provide transparency on the government's financial status. GWA publications include the Daily Treasury Statement, the Monthly Treasury Statement, the Treasury Bulletin, the Combined Statement of the United States Government, and the Financial Report of the United States Government (FR).

The Summary Debt Accounting (SDA) program reports daily on the balances and composition of the public debt, publishes the Monthly Statement of the Public Debt, and issues the annual, audited Schedules of Federal Debt (Schedules). The Schedules report on the single largest liability in Treasury's Agency Financial Report and received an unmodified opinion for each of the past 19 years.

Collections (\$33,951,000 from direct appropriations, and \$10,033,000 from reimbursable resources)

The Collections program supports the objective to improve the disbursement and collection of federal funds and reduce improper payments made by the U.S.

Government. The Fiscal Service manages the collection of federal revenues such as individual and corporate income tax deposits, customs duties, loan repayments, fines, and proceeds from leases. In addition, the Fiscal Service establishes and implements collection policies, regulations, standards, and procedures for the Federal Government.

Payments (\$108,517,000 from direct appropriations, and \$119,408,000 from reimbursable resources)

The Payments activity issues and distributes payments, develops and implements federal payment policy and procedures, promotes the use of electronics in the payment process, and assists agencies in converting payments from paper checks to Electronic Funds Transfer (EFT). This activity also includes controlling and providing financial integrity to the payments process through reconciliation, accounting, and claims activities. In addition, Fiscal Service collects monies from those parties liable for fraudulent or otherwise improper negotiation of government checks.

The Do Not Pay Business Center (DNP) provides a single centralized point of entry to access timely, reliable, and actionable data and information that can help identify, prevent, detect, and recover improper payments throughout the payment life cycle while protecting individuals' privacy. DNP provides agencies insights and analytics based on reviews of multiple payment streams. Additionally, the DNP working system is integrated into the Treasury payment stream, enabling real-time at payment matching with selected data sources.

Retail Securities Services (\$65,712,000 from direct appropriations, and \$17,515,000 from reimbursable resources)

Retail Securities Services (RSS) program offers simple, safe, and affordable Treasury investment choices that enable Americans to invest and save for their future. The RSS

program continues to examine the saving and investing needs of customers by researching new Treasury retail securities and services that will promote savings and appeal to the American public.

Wholesale Securities Services (\$13,278,000 from direct appropriations, and \$3,404,000 from reimbursable resources)



The Wholesale Securities Services program is responsible for the announcement, auction,

issuance, and settlement of marketable Treasury bills, notes, bonds and Treasury Inflation-Protected Securities. It also oversees an infrastructure that provides for the transfer, custody, and redemption of all Treasury marketable securities that are purchased mostly by commercial market participants.

Legislative Proposals

Fiscal Service has no legislative proposals.

Fiscal Service Performance Highlights

Budget Activity	Performance Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Target	FY 2018 Target	FY 2014 – FY 2016 Trend
Government-wide Accounting and Reporting	Percentage of Government-Wide Accounting Reports Issued Timely	100.0	99.5	100.0	100.0	100.0	
Collections	Percentage of Total Federal Government Receipts Settled Electronically (in dollars)	98.0	98.0	98.2	98.0	98.0	
Payments	Percentage of Treasury Payments and Associated Information Made Electronically	94.4	94.68	94.9	94.9	95.2	
Retail Securities Services	Cost Per Customer Assisted Transaction (\$)	N/A	N/A	N/A	N/A	B	N/A
Retail Securities Services	Cost Per Electronic Transaction (\$)	N/A	N/A	N/A	N/A	B	N/A
Wholesale Securities Services	Percent of Auction Results Released Accurately	99.3	97.0	100.0	100.0	100.0	
Debt Collection	Amount of Delinquent Debt Collected Through All Available Tools (\$ billions)	6.91	7.28	N/A	7.32	7.54	

Key: DISC - Discontinued, B - Baseline

Description of Performance

Accounting and Reporting: The Government Agency Investment Services (GAIS) program strives to provide high-quality customer service, reliable transaction processing, and accurate and timely payment distribution. To aid in measuring performance, the organization conducted an annual customer survey with the intent to increase the percentage of customers rating GAIS as "Excellent." Fiscal Service streamlined the

customer service surveys by integrating all individual surveys into a single annual survey. A new efficiency measure to ensure timely and accurate reporting of investment and borrowing activity is now used to measure the success of the GAIS program. The FY 2017 and FY 2018 reporting targets for the new measure are 98 percent. In FY 2016, Fiscal Service established and met a target of 100 percent for the Percentage of Government-wide Accounting Reports, which include the

Daily Treasury Statement (DTS), Monthly Treasury Statement (MTS), and consolidated Financial Report, issued on time measure for FY 2016. Fiscal Service continues to achieve its targets by maintaining the established process of validating and reconciling data with reporting sources such as FPAs and various electronic deposit and payment applications. The bureau will continue modernization efforts to ensure the timeliness of these reports and anticipates it will continue to achieve the 100 percent target for FY 2017 and FY 2018. In FY 2017, SDA eliminated unnecessary and/or duplicative business processes and replaced them with a new measure, *Percentage of Summary Debt Accounting reports submitted timely*, with a target of 100 percent.

Collections: The measure, *Percentage of Total Federal Government Receipts Settled Electronically*, reflects the dollar value of collections received (settled) electronically. In FY 2016, Fiscal Service's commitment to agency outreach efforts resulted in 98.2 percent of all Federal Government receipts settled electronically, exceeding the 98 percent target. Fiscal Service will continue agency outreach and offer new products, such as mobile applications, online bill presentment, and expand the use of digital wallets to further demonstrate the cost efficiency realized through the use of electronic transactions. Fiscal Service expects to maintain an annual electronic collections rate of at least 98 percent through FY 2018.

Payments: The measure, *Percentage of Treasury Payments and Associated Information Made Electronically*, supports efforts to reform and modernize the federal financial management systems. Due to the continued success of the Go Direct® and Direct Express® programs and implementation of the All Electronic Treasury priority, Fiscal Service issued 98.1 percent of its benefits payments and 94.9 percent of its

total payments via EFT in FY 2016. Fiscal Service expects to achieve its targets in

FY 2017 and FY 2018, by continuing to expand electronic conversion efforts to additional benefits agencies and payment types such as vendor miscellaneous payments and federal tax refunds.

Retail Securities Services: Fiscal Service created new baseline performance measures in FY 2017 to support the bureau's goal to serve as a catalyst for effective government through initiative and innovation. The Cost per Electronic Transaction demonstrates the efficiency of investor self-service for all retail securities currently offered. Customers are able to conduct several transactions independently of customer service representatives, including creating online accounts to purchase and hold securities, updating account information, purchasing and redeeming securities, etc.

Wholesale Securities Services: The accurate release of auction results is critical to the success of the Wholesale Securities Services Program. An emphasis on accuracy ensures preservation of public confidence in Treasury securities and stability of the financial market. Therefore, in FY 2016, Fiscal Service released 100 percent of auction results accurately. Fiscal Service anticipates meeting its future year targets of 100 percent through ongoing business process reviews and regularly scheduled contingency planning and mock auction exercises.

Debt Collection: In FY 2016, the Fiscal Service collected \$7.41 billion in delinquent debt. The goal for FY 2017 and FY 2018 is to collect \$7.54 billion and \$7.57 billion, respectively, in delinquent debt by expanding the use of the administrative wage garnishment collection tool, enhancing the use of analytics. In FY 2019, Fiscal Service will propose legislative changes such as authorizing

Treasury to offset federal income tax refunds
to collect delinquent state tax obligations
regardless of where the debtor resides.

Internal Revenue Service

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016 Enacted ¹	FY 2017 Annualized CR ²	FY 2018 Request	FY 2017 TO FY 2018 \$ Change	% Change
Taxpayer Services	\$2,333,376	\$2,328,940	\$2,212,311	(\$116,629)	-5.01%
Pre-filing Taxpayer Assistance and Education	620,338	625,829	600,717	(25,112)	-4.01%
Filing and Account Services	1,713,038	1,703,111	1,611,594	(91,517)	-5.37%
Enforcement	\$4,714,936	\$4,855,688	\$4,706,500	(\$149,188)	-3.07%
Investigations	596,417	624,462	606,747	(17,715)	-2.84%
Exam and Collections	3,981,257	4,083,908	3,967,808	(116,100)	-2.84%
Regulatory	137,262	147,318	131,945	(15,373)	-10.44%
Operations Support	\$3,896,688	\$3,739,565	\$3,946,189	\$206,624	5.53%
Infrastructure	848,191	861,229	860,643	(586)	-0.07%
Shared Services and Support	1,110,811	1,014,139	1,011,411	(2,728)	-0.27%
Information Services	1,937,686	1,864,197	2,074,135	209,938	11.26%
Business Systems Modernization	\$290,000	\$289,449	\$110,000	(\$179,449)	-62.00%
Subtotal Internal Revenue Service	\$11,235,000	\$11,213,642	\$10,975,000	(\$238,642)	-2.13%
Reimbursables	104,358	116,286	122,099	5,813	5.00%
Offsetting Collections - Non Reimbursables	19,212	28,134	29,541	1,407	5.00%
User Fees	343,642	503,076	525,650	22,574	4.49%
Recovery from Prior Years	27,751	4,773	-	(4,773)	-100.00%
Unobligated Balances from Prior Years	451,869	374,465	268,875	(105,590)	-28.20%
Transfers In/Out ³	126	-	-	-	N/A
Total Program Operating Level	\$12,181,958	\$12,240,376	\$11,921,165	(\$319,211)	-2.61%
Direct FTE	77,400	76,838	71,035	(5,803)	-7.55%
Reimbursable FTE	640	684	711	27	3.95%
Offsetting Collections - Non Reimbursables	-	-	-	-	N/A
User Fee FTE	524	170	164	(6)	-3.53%
Unobligated Balances from Prior Years	-	-	-	-	N/A
Resources from Other Accounts ⁴	2	-	-	-	N/A
Total FTE	78,566	77,692	71,910	(5,782)	-7.44%

¹FY 2016 Enacted includes \$290 million in Section 113 Administrative Provision funding in the following amounts: \$176.8 million in Taxpayer Services, \$4.9 million in Enforcement, and \$108.2 million in Operations Support. FY 2016 Enacted includes the approved inter-appropriation transfer of \$150 million from Enforcement to Operations Support.

²A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114-254). The amounts included reflect the annualized level provided by the continuing resolution. FY 2017 Annualized CR also includes \$289.5 million in Section 113 Administrative Provision funding in the following amounts: \$208.9 million in Taxpayer Services and \$80.6 million in Operations Support.

³Resources from Transfers In/Out include a FY 2016 transfers between IRS and the Office of National Drug Control Policy (ONDCP) High Intensity Drug Trafficking Area (HIDTA) Program (obligations \$7000).

⁴Resources from Other Accounts include Other Direct FTE funded by the Federal Highway Administration (2 FTE in FY 2016).

Summary

The IRS FY 2018 President's Budget request is \$10.975 billion, \$239 million or 2.1 percent below the FY 2017 Annualized Continuing Resolution level. The IRS will continue to seek less costly ways of delivering taxpayer service and maintaining enforcement using technology, training, and internal efficiencies.

The IRS collects revenue to fund the government and administers the nation's tax laws. During FY 2016, the IRS collected more than \$3.3 trillion in tax revenue, processed more than 244 million tax returns and other forms, and issued more than \$426 billion in tax refunds and outlays, equating to 93 percent of total federal government receipts. The IRS vision is to uphold the integrity of the nation's tax system and preserve the public trust. Even with the increasing complexity of tax laws, changing business models, expanding use of electronic data and the related security risks, accelerating growth in international tax activities, and growing human capital challenges, the IRS remains focused on serving and helping the taxpayer understand and meet their tax responsibility with integrity and fairness in order to close the nation's estimated \$458 billion tax gap through voluntary compliance.

The IRS remains committed to strengthening the public's confidence by protecting the privacy rights of all taxpayers. While many of these rights are stated in law, the IRS recognizes that compliance with legal requirements alone is not enough.

The Department of the Treasury is in the process of developing a new strategic plan for FYs 2018 – 2022. The IRS will publish its FY 2018 – FY 2022 strategic plan by June of 2018. The IRS is soliciting extensive input on the plan from its employees as well as from external stakeholders. The plan will serve as a roadmap to guide IRS operations to meet the changing needs and expectations of the nation's taxpayers and those in the tax community who serve them.

In FY 2016, the IRS delivered a successful filing season and opened on time on January 19, 2016. Increased funding in enabled the IRS to provide a higher level of service (LOS) during the filing season. During the summer and fall of 2015, the IRS revised 635 tax products, including the tax provisions associated with the Protecting Americans from Tax Hikes (PATH) Act of 2015, and implemented more than 400 changes. During the 2016 filing season, the IRS:

- Received more than 29.9 million business returns, 3.2 percent more than in 2015;
- Processed more than 17.5 million electronically-filed business returns, 7.6 percent more than in 2015; and
- Issued more than 97 million refunds in total, with an average value of \$2,711.

During the FY 2017 filing season, the IRS received more than 135 million individual tax returns and issued over 97 million refunds totaling over \$268 billion. Over 90 percent of individual returns received were filed electronically. Filing season LOS reached 79 percent, its highest level since 2007.

IRS FY 2018 Budget Highlights

Dollars in Thousands

Internal Revenue Service	Taxpayer Services		Enforcement		Operations Support		Business Systems Modernization		Total	
	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE
FY 2017 Annualized CR	\$2,328,940	28,455	\$4,855,688	36,349	\$3,739,565	11,441	\$289,449	593	\$11,213,642	76,838
Changes to Base:										
Maintaining Current Levels (MCLs)	\$46,342	-	\$96,845	-	\$75,423	-	\$1,425	-	\$220,035	-
Pay Raise	31,005	-	65,828	-	24,573	-	1,043	-	122,449	-
Pay Annualization	11,363	-	24,126	-	9,006	-	382	-	44,877	-
Non-Pay Inflation Adjustment	3,974	-	6,891	-	41,844	-	-	-	52,709	-
Resource Adjustments	\$122,378	-	(\$149,936)	-	\$27,558	-	-	-	-	-
Base Realignment for Support Services	90,000	-	(145,000)	-	55,000	-	-	-	-	-
Adjustments for Administrative Provision Section 113	32,378	-	(4,936)	-	(27,442)	-	-	-	-	-
Subtotal Changes to Base	\$168,720	-	(\$53,091)	-	\$102,981	-	\$1,425	-	\$220,035	-
Total FY 2018 Base	\$2,497,660	28,455	\$4,802,597	36,349	\$3,842,546	11,441	\$290,874	593	\$11,433,677	76,838
Program Changes:										
Program Increase:										
Realignment to Support Aging IT Infrastructure	-	-	-	-	179,449	266	-	-	179,449	266
Program Decreases:										
Actions to Achieve Workforce Management Goals	(285,349)	(4,063)	(96,097)	(1,300)	(75,806)	(342)	(1,425)	(9)	(458,677)	(5,714)
Realignment to Support Aging IT Infrastructure	-	-	-	-	-	-	(179,449)	(355)	(179,449)	(355)
Subtotal Program Changes	(\$285,349)	(4,063)	(\$96,097)	(1,300)	\$103,643	(76)	(\$180,874)	(364)	(\$458,677)	(5,803)
Total FY 2018 Request	\$2,212,311	24,392	\$4,706,500	35,049	\$3,946,189	11,365	\$110,000	229	\$10,975,000	71,035

FY 2018 Budget Adjustments

Adjustments to Request

Maintaining Current Level (MCLs)

Pay-Raise +\$122,449,000 / +0 FTE

Funds are requested for the proposed January 2018 pay-raise.

Pay Annualization +\$44,877,000 / +0 FTE

Funds are requested for annualization of the January 2017 pay-raise.

Non-Pay +\$52,709,000 / +0 FTE

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

Resource Adjustments

Base Realignment for Support Services \$0 / 0 FTE

In recent years, the IRS has relied on transfers of resources from the Enforcement appropriations account to maintain core functions, information technology, and related support services. These transfers have enabled

the IRS to provide front-line employees with the tools, equipment, analytics, secure facilities, and technology support necessary to serve taxpayers and to maintain taxpayer customer service. In lieu of a similar transfer in FY 2018, the IRS proposes to permanently realign \$145 million from Enforcement to Operations Support (\$55 million) and Taxpayer Services (\$90 million).

Adjustment for Administrative Provision Section 113 \$0 / 0 FTE

Section 113 of the Consolidated Appropriations Act, 2016 at the FY 2017 annualized continuing resolution level provides \$289.5 million to improve the customer service representative LOS rate, improve the identification and prevention of refund fraud and identity theft, and enhance cybersecurity to safeguard taxpayer data. This funding is assumed in the FY 2018 base and includes \$208.9 million in Taxpayer Services (an increase of \$32.1 million over FY 2016)

and \$80.6 million in Operations Support (a decrease of \$27.6 million) for customer service.

Program Changes

Program Increases +\$179,449,000 / +266 FTE

The IRS will make progress towards decreasing the backlog of deferred software and hardware updates by realigning \$179 million and 266 FTE from the BSM appropriation to the Operations Support appropriation in FY 2018. 63 percent of IRS IT hardware systems are aged and out of warranty and 32 percent of software products are two or more releases behind the industry standard, with 15 percent more than four releases behind. Every year, another 20 percent of hardware moves to a status of aged beyond the manufacturers recommended useful life, if not replaced. This aging infrastructure puts the American tax system at risk of failure. Such conditions introduce security risks, excessive system downtime, systems and hardware no longer supported by the vendor, and incompatibilities across systems and programs.

Program Decreases

Realignment to Support Aging IT Infrastructure -\$179,449,000 / -355 FTE

An estimated \$179 million will be realigned to the Operations Support appropriation to decrease the backlog of deferred software and hardware updates, which are a critical priority and must be prioritized before development and modernization of new systems. With the FY 2018 request, the IRS will pause the development of Enterprise Case Selection, Event Driven Architecture, and Modernized eFile. The IRS will continue development of Customer Account Data Engine 2, Return Review Program and Web Applications, supported by Architecture Integration and Management, Core Infrastructure. In addition, IRS will continue to explore alternative Enterprise Case Management solutions.

Actions to Achieve Workforce Management Goals -\$458,677,000 / -5,714 FTE

The IRS will realize reductions in Taxpayer Services, Enforcement, Operations Support, and Business Systems Modernization (BSM) by reducing costs and streamlining operations. The IRS will mitigate the effect of this reduction by allocating funding from user fees to critical performance areas. The IRS will reduce staffing, supply, and contractual cost in all four accounts by an estimated \$220 million. Additionally, Taxpayer Services seasonal staffing costs will be reduced by an estimated \$239 million. The IRS will continue to provide service to taxpayers via a range of channels from the internet to telephones to face-to-face field assistance. The use and delivery of more online tools and other improved service channels, such as virtual tax assistance sites, will help the IRS operate in a cost effective manner.

Explanation of Budget Activities

Taxpayer Services

The FY 2018 President's Budget request is \$2,212,311,000 in direct appropriations, an estimated \$38,497,000 from reimbursable programs, an estimated \$67,600,000 from user fees, and an estimated \$15,000,000 from unobligated balances from prior years for a total operating level of \$2,333,408,000. This appropriation funds the following budget activities:

Pre-filing Taxpayer Assistance & Education (\$600,717,000 from direct appropriations, an estimated \$15,000 from reimbursable resources)

This budget activity funds services to assist taxpayers with understanding and meeting their tax obligations, including tax law interpretation, publication, production, and advocate services.

Filing & Account Services (\$1,611,594,000 from direct appropriations, an estimated \$38,482,000 from reimbursable resources,

and an estimated \$67,600,000 from user fees)

This budget activity funds programs that provide filing and account services to taxpayers, process paper and electronically submitted tax returns, issue refunds, and maintain taxpayer accounts. The IRS continues to make progress in decreasing paper returns and increasing the use of electronic filing and payment methods.

Enforcement

The FY 2018 President's Budget request is \$4,706,500,000 in direct appropriations, an estimated \$43,717,000 from reimbursable programs, an estimated \$29,541,000 from offsetting collections – non-reimbursables, an estimated \$16,150,000 from user fees, and an estimated \$18,321,000 from unobligated balances from prior years for a total operating level of \$4,814,229,000. This appropriation funds the following budget activities:

Investigations (\$606,747,000 from direct appropriations and an estimated \$42,993,000 from reimbursable resources)

This budget activity funds the Criminal Investigation (CI) programs that explore potential criminal and civil violations of tax laws, enforce criminal statutes relating to violations of tax laws and other financial crimes, and recommend prosecution when warranted. These programs identify and document the movement of legal and illegal sources of income and instances of suspected intent to defraud. This budget activity also provides resources for international investigations involving U.S. citizens residing abroad, non-resident aliens, and expatriates, and includes investigation and prosecution of tax and money laundering violations associated with narcotics organizations.

Exam & Collections (\$3,967,808,000 from direct appropriations and an estimated \$502,000 from reimbursable resources)

This budget activity funds programs that enforce the tax laws, increase compliance through examination and collection, and ensure proper payment and tax reporting. It also includes campus support of the Questionable Refund program and appeals and litigation activities associated with exam and collection.

Regulatory (\$131,945,000 from direct appropriations, an estimated \$222,000 from reimbursable resources, and an estimated \$16,150,000 from user fees)

This budget activity funds the development and printing of published IRS guidance materials; interpretation of tax laws; internal advice to the IRS on general non-tax legal issues such as procurement, personnel, and labor relations; enforcement of regulatory rules, laws, and approved business practices; and support of taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The Return Preparer Program is funded within this activity, as is the Office of Professional Responsibility, which identifies, communicates, and enforces Treasury Circular 230 standards of competence, integrity, and conduct of professionals representing taxpayers before the IRS.

Operations Support

The FY 2018 President's Budget request is \$3,946,189,000 in direct appropriations, an estimated \$39,885,000 from reimbursable programs, an estimated \$441,900,000 from user fees, and an estimated \$49,970,000 from unobligated balances from prior years for a total operating level of \$4,477,944,000. This appropriation funds the following budget activities:

Infrastructure (\$860,643,000 from direct appropriations and an estimated \$690,000 from reimbursable resources)

This budget activity funds administrative services related to space and housing, rent and

space alterations, building services, maintenance, guard services, and non-IT equipment.

Shared Services & Support (\$1,011,411,000 from direct appropriations, an estimated \$17,520,000 from reimbursable resources, and an estimated \$11,900,000 from user fees)

This budget activity funds policy management, IRS-wide support for research, strategic planning, communications and liaison, protection of sensitive information and the privacy of taxpayers and employees, finance, human resources, and equity, diversity, and inclusion programs. It also funds printing and postage, business systems planning, physical security, corporate training, legal services, procurement, and employee benefits programs.

Information Services (\$2,074,135,000 from direct appropriations, an estimated \$21,675,000 from reimbursable resources, and an estimated \$430,000,000 from user fees)

This budget activity funds staffing, equipment, and related costs to manage, maintain, and operate the information systems critical to the support of tax administration programs. This includes the design and operation of security controls and disaster recovery planning. This budget activity funds the development and maintenance of the millions of lines of programming code that support all aspects and phases of tax processing and the operation and administration of mainframes, servers, personal computers, networks, and a variety of management information systems.

Business Systems Modernization

The FY 2018 President's Budget request is \$110,000,000 in direct appropriations and an estimated \$185,584,000 from unobligated balances from prior years for a total operating

level of \$295,584,000. This appropriation funds the following budget activity:

Business Systems Modernization (\$110,000,000 in direct appropriations)

This budget activity funds the planning and capital asset acquisition of IT to modernize IRS business systems, including labor and related contractual costs. It funds investments in systems that enhance the IRS's capability to detect, resolve, and prevent tax refund fraud and protect U.S. Treasury revenue, simplify the taxpayer's online experience, provide secure digital communications, and add more interactive capabilities to existing web self-service products.

Legislative Proposals

The IRS requests Streamlined Critical Pay (SCP) authority through September 30, 2021. This authority allowed the IRS to recruit and retain IT and other senior professionals and limited this authority to 40 positions. The authority to make new SCP appointments expired September 30, 2013. Currently there are seven senior employees under SCP appointments, down from a high of 30. If the SCP is not renewed, the IRS will face additional challenges recruiting and retaining top level talent as the remaining SCP term appointments expire, especially IT professionals who can help protect taxpayer data from cyberattacks and who can assist with modernizing the IRS's IT infrastructure. According to Treasury Inspector General for Tax Administration report 2015 IE-R001, The Internal Revenue Service's Use of Its Streamlined Critical Pay Authority, "private sector expertise had been crucial to introducing new leadership to supplement in house expertise, and the IRS had taken advantage of the private sector expertise by retaining the critical pay appointees whenever feasible."

IRS Performance Highlights

Budget Activity	Performance Measure	FY 2014	FY 2015	FY 2016	FY 2016	FY 2017	FY 2018
		Actual	Actual	Actual	Target	Target	Target
Filing and Account Services	Customer Accuracy - Accounts (Phones)	96.2	95.5	96.1	94.0	95.0	95.0
Filing and Account Services	Customer Service Representative (CSR) Level of Service (%)	64.4	38.1	53.4	47.0	64.0	39.0
Filing and Account Services	Percent of Individual Returns Processed Electronically (%)	84.1	85.3	86.4	86.0	87.0	88.0
Exam and Collections	Automated Collection System (ACS) Accuracy (%)	95.2	95.3	95.4	95.0	95.0	95.0
Exam and Collections	Automated Underreporter (AUR) Coverage (%)	2.6	2.3	2.3	2.2	2.0	2.0
Exam and Collections	Examination Efficiency - Individual (Form 1040)	138	148	143	122	118	126

Description of Performance

In FY 2016, the IRS continued to provide quality service to taxpayers and enforce the law with integrity and fairness but was unable to maintain some performance levels due to resource constraints. Nevertheless, the IRS continued to deliver in key areas, including international, tax exempt, refund fraud, and identity theft.

Taxpayer Services

Providing high quality service and helping taxpayers understand and meet their tax obligations remain priorities for the IRS. During FY 2016, the IRS collected more than \$3.3 trillion in tax revenue, processed more than 244 million tax returns and other forms, and issued more than \$426 billion in tax refunds. Other highlights include:

- Achieved an 86.4 percent individual e-file rate and a 50 percent business e-file rate;
- Delivered a telephone LOS of 53.4 percent;

- Answered more than 13.1 million calls, 5.3 million more calls than in 2015; and
- Correctly answered 96.1 percent of account questions over the telephone.

The IRS continues to improve and expand its outreach and educational services through partnerships with state taxing authorities, volunteer groups, and other organizations. Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites provided free tax assistance for the elderly, disabled, and limited English proficient individuals and families.

The IRS made steady progress on a number of efforts that will deliver service efficiently and effectively, such as:

- Launching *Finding Out How Much You Owe* on IRS.gov, which provides taxpayers with straightforward balance inquiries in a secure, easy, and convenient way. In nearly four weeks after launch in late 2016,

taxpayers checked their account balance nearly 54,000 times, and made more than 6,700 tax payments, for more than \$21 million, through *Direct Pay*; and

- Releasing the 100th eBook for mobile devices in the ePub format.

Enforcement

In FY 2016, the IRS collected more than \$54.3 billion, for a total ROI of \$5 to \$1. The ROI estimate does not include the revenue effect of the indirect deterrence value of these investments and other IRS enforcement programs, which is conservatively estimated to be at least three times the direct revenue effect.

The IRS CI program investigates potential criminal violations of the Internal Revenue Code and related financial crimes, such as money laundering, currency violations, tax-related identity theft fraud, and terrorist financing that adversely affect tax administration.

In FY 2016, results for criminal investigation completions are 2.1 percent below the year-end target and reflect a 17.1 percent decrease compared to FY 2015. Overall performance in FY 2016 was affected by a significant decrease in the number of Special Agents in recent years and a focus on more complex tax cases, which take longer to complete, and a working inventory still in the judicial process. CI obtained 2,672 convictions.

During the past year, the IRS maintained its international enforcement presence, continued actions to leverage the tax return preparer community, and continued prioritizing refund fraud prevention. The IRS stopped \$4 billion in fraudulent refunds claimed by identity thieves on 787,000 tax returns through new screening criteria. In addition, the IRS worked

with its Security Summit partners from state tax agencies and the broader tax community to add extra layers of security protection for the filing season.

Business Systems Modernization

IRS modernization efforts continued in FY 2016. Protecting IRS systems and taxpayer data is essential for maintaining high-quality taxpayer service programs. In FY 2016, the IRS:

- Deployed several CADE 2 Transition State 2 projects for filing season 2016, which allowed a more effective way to record and retain taxpayer history, corrected automated failure to pay calculations for the adjusted refundable credits, and aggregated and provided taxpayer data to downstream systems across the IRS; and
- Deployed maintenance and enhancements for the Return Review Program in preparation for the 2016 filing season, which allowed for receipt of Forms W-2, *Wage and Tax Statement*, directly from reporting agents and other Form W-2 issuers earlier in the filing season to verify income and reduce fraud and anomalies. Receiving the Form W-2 information earlier allowed the IRS to release good returns sooner in the fraud detection process, which reduced taxpayer burden.

Office of Financial Stability

Program Summary

Dollars in Billions

	Cumulative Obligated	Cumulative Disbursed (as of 4/30/17)	Cumulative Outstanding (as of 4/30/17)	Total Cumulative Income (as of 4/30/17)	Total Cash Back (as of 4/30/17)	Total Estimated Lifetime Costs (as of 11/30/16)
Bank Support Programs	250	245	0	36	275	-24
Credit Market Programs	19	19	0	5	24	-3
AIG Investment Program (AIG)	68	68	0	1	55	15 *
Automotive Industry Financing Program	80	80	0	7	71	12
Treasury Housing Programs	38	25			0	33 ***
Total**	\$455	\$437	\$0	\$49	\$425	\$32
Additional AIG Common Shares Held by Treasury	0	0	0	18	18	-18 *
Total for Programs and Shares**	\$455	\$437	\$0	\$66	\$442	\$15

* If all Treasury AIG Investments are combined, it results in a net gain of nearly \$2.4 billion on those shares.

**Totals may not foot due to rounding.

***Making Home Affordable (MHA) and Hardest Hit Fund (HHF) Estimated Lifetime Costs are as of 3/31/17.

Administrative Account Summary

Dollars in Thousands

	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated	FY 17 – FY 18 Change	FY 17 – FY 18 %Change
TARP Administrative Account	133,759	106,976	83,080	-23,896	-22.34%
Total Obligations	\$133,759	\$106,976	\$83,080	-\$23,896	-22.34%
FTE	66.5	52.5	42.5	-10	-19.05%

Summary and Explanation of Programs

A central part of the response to the 2008 financial crisis was the implementation of the Troubled Asset Relief Program (TARP), which was established in the fall of 2008 under the Emergency Economic Stabilization Act of 2008 (EESA) (P.L. 110-343) within the Office of Domestic Finance at the U.S. Department of the Treasury (Treasury). TARP was created to restore the liquidity and stability of the financial system and is administered by the Office of Financial Stability (OFS) established within Treasury. Since late 2010, OFS has focused on carefully winding down TARP's

investment programs, recovering the OFS's outstanding investments, and continuing to implement the various housing programs under TARP. OFS has made significant progress in winding down TARP investment programs and continues to administer housing programs to help struggling families avoid foreclosure. As of April 30, 2017, OFS has recovered more than 97 percent of the \$436.9 billion in total program funds disbursed under TARP, as well as an additional \$17.6 billion from Treasury's equity in AIG. When all of Treasury's AIG investments are included, the

amount recovered is greater than the funds disbursed by \$5.5 billion.

In FY 2018, OFS plans to obligate \$83 million and use 42.5 FTEs, a decrease of almost \$24 million and 10 FTEs from the updated FY

Legislative Proposals

OFS has no legislative proposals for FY 2018.

Description of Performance

Bank Support Programs

Capital Purchase Program (CPP)

OFS created CPP, its largest program, in October 2008. OFS provided a total of \$204.9 billion in capital to 707 institutions in 48 states. During FY 2016, OFS continued to wind down remaining CPP investments through repayments by those institutions that were able to do so and restructuring investments in limited cases. As of April 30, 2017, CPP has generated \$226.7 billion in recoveries for taxpayers with nine institutions remaining in the program for a total of \$191 million in investments outstanding.

Community Development Capital Initiative (CDCI)

OFS created CDCI on February 3, 2010, to provide investments of capital to certified Community Development Financial Institutions banks, thrifts, and credit unions. The initial dividend or interest rate was two percent. To encourage repayment, the dividend rate increases to nine percent after eight years. On August 1, 2016, Treasury, as part of its ongoing effort to wind down TARP, offered participating CDCI institutions an opportunity to repurchase their outstanding securities owned by Treasury at fair value ahead of the dividend rate step-ups set to take place in 2018. OFS invested \$570 million in 84 CDFIs, of which 28 institutions converted \$363 million (including warrants) from CPP to CDCI. As of April 30, 2017, CDCI has generated \$508 million in recoveries for

2017 estimates, to fund the management of the TARP housing programs and the continuing disposition of OFS's remaining investments. The decrease in FTEs and outside contracts reflects the continued wind-down of TARP.

taxpayers with 27 institutions remaining in the program for a total of \$98 million in investments outstanding.

Housing Programs

OFS established several TARP housing programs, assisting millions of homeowners and introducing reforms for the mortgage servicing industry to facilitate mortgage modifications.

Making Home Affordable Program (MHA)

In 2009, OFS launched MHA to help homeowners prevent avoidable foreclosures and strengthen the housing market. The cornerstone of MHA is the Home Affordable Modification Program (HAMP), which provides eligible homeowners the opportunity to reduce their monthly mortgage payments. In accordance with provisions of the Consolidated Appropriations Act, 2016 (the Act) (P.L. 114-113), MHA terminated on December 31, 2016, except with respect to certain applications made before such date. As of April 30, 2017, OFS had disbursed \$17.0 billion out of a possible \$27.8 billion under MHA.

Housing Finance Agency (HFA) Hardest Hit (HHF) Fund

HHF was established in 2010 to provide targeted aid to homeowners in states hit hardest by the economic and housing market downturn by providing funding to state HFAs. The \$7.6 billion initiative encompassed 18 states and the District of Columbia. In December 2015, the Act granted Treasury authority to make an additional \$2.0 billion in commitments through the HHF. As of April 30, 2017, OFS had disbursed \$8.1 billion out

of a possible \$9.6 billion under the HFA Hardest Hit Fund.

Federal Housing Administration (FHA) - Short Refinance Program

OFS continues to support the FHA Short Refinance Program, designed to assist borrowers with negative equity. The program has seen limited participation. As such, OFS has reduced the LOC facility supporting this program from \$8.0 billion to \$100 million. On December 31, 2016, the FHA Short Refinance Program ended; therefore, OFS plans to lower the LOC in FY 2017 to the total amount of OFS coverage for the loans in the program. As of November 30, 2016, the revised lifetime cost estimate for the program was \$18 million for outstanding refinanced loans.

Other Programs

Automotive Industry Financing Program (AIFP)

OFS fully wound down AIFP during FY 2015, selling its remaining stake in Ally Financial.

OFS disbursed \$79.7 billion in loans and equity investments to the auto industry through the AIFP. As of April 30, 2017 OFS has collected \$70.5 billion through sales, repayments, dividends, interest, recoveries, and other income. Recoveries from the bankruptcy liquidation of Old Chrysler and Old GM remain possible.

All other TARP programs closed prior to FY 2016, including the Targeted Investment Program, Asset Guarantee Program, Public-Private Investment Program, Term Asset-Backed Securities Loan Facility, Small Business Administration 7(a) Securities Purchase Program, and American International Group, Inc. Investment Program.

For more details, please see the Budgetary Effects of the Troubled Asset Relief Program chapter in the Analytical Perspectives volume of the 2018 Budget.

Office of Financial Research

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated	FY 2017 TO FY 2018 \$ Change	FY 2017 TO FY 2018 % Change
Data Center	\$16,477	\$19,157	\$16,865	(\$2,292)	-11.96%
Technology Center	\$32,132	\$35,562	\$27,281	(\$8,281)	-23.29%
Research and Analysis Center	\$14,239	\$17,719	\$11,573	(\$6,146)	-34.69%
Operations and Support Services	\$32,026	\$28,969	\$20,337	(\$8,632)	-29.80%
Total Cost of Operations	\$94,874	\$101,407	\$76,056	(\$25,351)	-25.00%
FTE	208	223	139	(84)	-37.67%

Summary

The Office of Financial Research (OFR or Office) resides within the Department of the Treasury. In carrying out its mission, the OFR seeks to achieve its vision of a transparent, efficient, and stable financial system. The OFR's work contributes to making informed and comprehensive policies and taking actions that will strengthen the financial system. The Office monitors the financial environment for the emergence of new vulnerabilities and migration of financial activity that could threaten financial stability.

To align with the Administration's initiative to improve government efficiency and effectiveness, the OFR is implementing a staffing streamlining effort to ensure appropriate levels for maximum efficiency.

OFR FY 2018 Budget Highlights

Dollars in Thousands

Office of Financial Research	FTE	Amount
FY 2017 Estimated	223	\$101,407
Changes to Base:		
Program Changes		
Program Decreases	(84)	(\$25,351)
Personnel	(84)	(\$17,824)
Non-Personnel		(\$7,527)
FY 2018 Base	139	\$76,056
FY 2018 Estimated	139	\$76,056

Explanation of Budget Activities

Data Center (\$16,865,000 from Assessments)

As required by statute, the Data Center, on behalf of the Council, collects, validates, and maintains all data necessary to carry out the Center's duties. Under this mandate, the Data Center works to increase efficiency in data acquisition and management; reduce redundant reporting requirements across the regulatory system (including through more effective data-sharing arrangements); and to ensure the security of sensitive data.

Technology Center (\$27,281,000 from Assessments)

The Technology Center provides mission-critical analytic services to support the OFR's work with complex, sensitive financial data and the Office's research and analysis activities. In addition, the Technology Center is responsible for safeguarding data and systems, and managing all IT capabilities within the OFR. These responsibilities include computing and analytic platforms, software, telecommunications, client applications, and office automation solutions.

Research and Analysis (\$11,573,000 from Assessments)

Through its Working Paper Series, Brief Series, Staff Discussion Papers Series, and OFR annual reports, the OFR publishes results of its analysis to be transparent in its



operations and promote public understanding of threats to financial stability. In addition, the OFR's Research Seminar Series allows the OFR's research staff opportunities to collaborate with external experts and seek feedback from them. The OFR is establishing forums and networks to bring together experts from within and outside the regulatory system.

Operations and Support Services (\$20,337,000 from Assessments)

This category contains the activities of the Director's Office, Operations, External

Affairs, and Chief Counsel. The category includes support provided through a shared services model and reimbursable arrangements with Treasury's Departmental Offices; personnel benefits services from the Office of the Comptroller of the Currency; and services from Treasury's Bureau of the Fiscal Service Administrative Resource Center, including services related to human resources, procurement, travel, and financial management.

OFR Performance by Budget Activity

Budget Activity	Performance Measures	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014 – FY 2016
		Actual	Actual	Actual	Target	Target	Trend
Data Center	Number of LEIs Issued Cumulatively in the United States and Internationally	N/A	395,861	464,412	I	I	N/A
Data Center	Number of Times That Financial Data Standards Related are Incorporated in Rules and Regulations	N/A	2	9	I	I	N/A
Research and Analysis Center	Number of Research and Analysis Publications Made Public Year-to-Date	15	34	24	28	35	
Research and Analysis Center	Number of monitor editions, policy analysis, and dashboards produced for monitoring threats to financial stability	N/A	21	34	12	34	

Key: I – Indicator

Description of Performance

The OFR assesses its performance measures annually and revises them, if appropriate, to ensure their continued usefulness for management decision-making and improved results.

Financial Stability Oversight Council

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016	FY 2017	FY 2018	FY 2017 TO FY 2018	
	Actual	Estimated	Estimated	\$ Change	% Change
FSOC	\$7,157	\$8,156	\$7,748	(\$408)	-5.00%
FDIC	\$6,571	\$5,126	\$4,499	(\$627)	-12.23%
Total Cost of Operations	\$13,728	\$13,282	\$12,247	(\$1,035)	-7.79%
FTE	22	23	21	(2)	-8.70%

Summary

The Financial Stability Oversight Council (Council) is chaired by the Secretary of the Treasury and consists of 10 voting members and five nonvoting members who serve in an advisory capacity. The Council brings together the expertise of the federal financial regulators, an insurance expert appointed by the President, and state regulators.

The Council's three statutory purposes are:

1. to identify risks to the financial stability of the United States that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace;
2. to promote market discipline, by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the Government will shield them from losses in the event of failure; and
3. to respond to emerging threats to the stability of the U.S. financial system.

Over the last year, the Council continued to identify and monitor potential risks to U.S. financial stability; fulfilled its statutory requirements, including transmission of its sixth annual report to Congress; and served as a forum for discussion and coordination among member agencies.

The Council continues to evaluate its nonbank financial company determinations and financial market utility designations. In FY 2016, the Council rescinded one nonbank financial company determination.

Over the next year, the Council will continue to monitor the financial system for emerging risks and facilitate interagency cooperation to identify and analyze potential emerging threats. The Council will also continue to facilitate information sharing and interagency coordination with respect to various regulatory initiatives.

By law, the Council is required to convene no less than quarterly, but the Council has convened on a more frequent basis to share information on key financial developments, coordinate regulatory implementation, and monitor progress on recommendations from the Council's annual reports. In FY 2016, the Council convened 10 times. The Council will remain focused on identifying near-term threats and addressing structural vulnerabilities in the financial system. Transparency into Council work has routinely been provided through an annual report to Congress, periodic Congressional testimony on Council activities and emerging threats to financial stability, and regular communications to the public about Council activities and decisions.

FSOC FY 2018 Budget Highlights

Dollars in Thousands

Financial Stability Oversight Council	FTE	Amount
FY 2017 Estimated	23	\$13,282
Changes to Base:		
Total FY 2018 Base	23	\$13,282
Program Changes:		
Program Decreases	(2)	(\$1,035)
Personnel	(2)	(\$222)
Non-Personnel		(\$186)
FDIC Reimbursement		(\$627)
Total FY 2018 Estimated	21	12,247

To align with the Administration's initiative to improve government efficiency and effectiveness, the FSOC is implementing a staffing streamlining effort to ensure appropriate levels for maximum efficiency.

Explanation of Budget Activities

Financial Stability Oversight Council (\$7,748,000 from Assessments)

The Council has a statutory duty to facilitate information sharing and coordination among member agencies. The Council will continue to monitor the financial system for emerging risks and facilitate interagency cooperation to identify and analyze emerging threats. The Council is not an office or bureau of the Department of the Treasury. However, by law, the Council's expenses (and, indirectly, Federal Deposit Insurance Corporation (FDIC) reimbursements) are considered expenses of the Office of Financial Research, an office within the Department of the Treasury.

FDIC Reimbursement (\$4,499,000 from Assessments)

By law, the Council's expenses also include reimbursement of certain reasonable implementation expenses incurred by the FDIC in implementing Orderly Liquidation Authority. The FDIC must periodically

submit requests for reimbursement to the Chairperson of the Council, who shall arrange for prompt reimbursement to the FDIC. FDIC expenses are for rule writing and resolution planning.

Description of Performance

There are no measures specified for managing Council performance at this time. Information on the Council is provided on www.treasury.gov, www.fsoc.gov, and member agency websites to provide transparency and accountability.

Treasury Forfeiture Fund

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016 Actual	FY 2017 Estimated ³	FY 2018 Estimated	FY 2017 TO FY 2018	
				\$ Change	% Change
Mandatory Obligations ¹	\$451,581	\$621,232	\$450,000	(\$171,232)	-27.56%
Secretary's Enforcement Fund	\$57,165	\$7,075	\$30,000	\$22,925	324.03%
Super Surplus Obligations ²	\$0	\$114,634	\$100,000	(\$14,634)	-12.77%
Total Cost of Operations	\$508,746	\$742,941	\$580,000	(\$162,941)	-21.93%

Rescissions/Cancellations⁴	(\$4,839,128)	(\$969,783)	(\$876,000)	\$93,783	-9.67%
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Contingent Liabilities	\$485,421	\$352,054	\$300,000	(\$52,054)	-14.79%
Total FTE	25	25	25	0.00%	

¹The Treasury Forfeiture Fund is staffed by Departmental Offices employees and positions are funded via reimbursable agreement. The FTE are shown here for clarity, but are also reflected in the Departmental Offices chapter in the reimbursable FTE total.

² Treasury will revise the FY 2017 Super Surplus plan based on the *Consolidated Appropriations Act, 2017*, and resubmit the FY 2017 Super Surplus plan to Congress. For FY 2018, Treasury will submit a spending plan to Congress for the FY 2018 Super Surplus amount.

³A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

⁴ FY 2017 rescissions/cancellations include sequestration.

Summary

The Treasury Executive Office for Asset Forfeiture (TEOAF) administers the Treasury Forfeiture Fund. The Treasury Forfeiture Fund (the Fund) is the receipt account for deposit of non-tax forfeitures made pursuant to laws enforced or administered by participating Treasury and Department of Homeland Security agencies. The Fund was established in 1992 as the successor to what was then the Customs Forfeiture Fund.

The enabling legislation for the Treasury Forfeiture Fund (Title 31 U.S.C. 9705) defines the purposes for which Treasury forfeiture revenue may be used.

Explanation of Budget Activities

Mandatory Obligations (\$450,000,000 from revenue/offsetting collections)

Mandatory Obligations are incurred to meet the operating costs of the Fund, including expenses of storing and maintaining seized and forfeited assets, valid liens and mortgages,

investigative expenses incurred in pursuing a seizure, information and inventory systems, remissions, victim restoration, and certain costs of local police agencies incurred in joint law enforcement operations. Following seizure, equitable shares may be paid to state and local law enforcement agencies that contributed to the seizure activity at a level proportionate to their involvement.

Secretary's Enforcement Fund (\$30,000,000 from revenue/offsetting collections)

Secretary's Enforcement Fund represents revenue from equitable shares received from Department of Justice (DOJ) or U.S. Postal Service (USPS) forfeitures. These shares are proportional to Treasury's participation in the overall investigative effort that led to a DOJ or USPS forfeiture. SEF revenue is available for federal law enforcement related purposes of any law enforcement organization participating in the Fund.

Super Surplus Obligations (\$100,000,000 from revenue/offsetting collections)

Super Surplus authority, established by Congress in 31 U.S.C. § 9705 (g)(4)(B), allows TEOAF to fund priority law enforcement initiatives with remaining unobligated balances at the close of the fiscal year after an amount is reserved for the next fiscal year's operations. This balance can be used for any federal law enforcement purpose.


Contingent Liabilities (\$300,000 from revenue/offsetting collections)

Contingent liabilities represent the known future remission, refund, and mitigation payments.

Legislative Proposals

P.L. 114-113 permanently rescinded \$3,800,000,000 of the \$3,838,800,000 forfeited in *United States v. BNPP*, No.14 Cr. 460 (S.D.N.Y.). Treasury is unable to obligate the remaining \$38,800,000 due to a provision in section 405, Title IV limiting the use of these funds. Treasury proposes to return the remaining \$38,800,000 to the General Fund. Return of these funds to Treasury is being done solely to remove them from the Fund's account, but will not count as savings because the funds are already precluded from obligation.

TEOAF Performance Highlights

Budget Activity	Performance Measures	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014 – FY 2016
		Actual	Actual	Actual	Target	Target	Trend
Treasury Forfeiture Fund	Percent of Forfeited Cash Proceeds Resulting from High-Impact Cases	86.73	98.25	89.09	80.0	80.0	

Description of Performance

(\$580,000,000 in obligations from revenue/offsetting collections):

The TEOAF continues to measure the performance of the participating law enforcement bureaus through the use of the performance measure: percent of forfeited cash proceeds resulting from high impact cases. This measures the percentage of forfeited cash proceeds resulting from high impact cases, which are cases resulting in a cash forfeiture deposit equal to or greater than \$100,000.

Fund maintains a target of 80 percent because some cases may be important to pursue, even if they are not high-impact cases and result in deposits of less than \$100,000.

The member bureaus exceeded the target 80 percent by 9.09 percent for FY 2016. For FY 2017 and FY 2018, the target will remain at 80 percent.

Focusing on strategic cases and investigations that result in high impact forfeitures will do the greatest damage to criminal organizations while accomplishing the ultimate objective, which is to disrupt and dismantle criminal activity. Member law enforcement bureaus participating in the Fund have met or exceeded the performance target since FY 2013. The

Bureau of Engraving and Printing

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016	FY 2017	FY 2018	FY 2017 TO FY 2018	
	Actual	Estimated	Estimated	\$ Change	% Change
Manufacturing	\$648,035	\$806,355	\$839,484	\$33,149	4.11%
Total Cost of Operations	\$648,035	\$806,355	\$839,484	\$33,149	4.11%
FTE	1,818	1,842	1,842	0	NA

Summary

The mission of the Bureau of Engraving and Printing (BEP) is to develop and produce United States currency notes, trusted worldwide.

The BEP's FY 2018 request funds the following projects:

Banknote Design and Development: In 2018, BEP will continue working with the government's Advanced Counterfeit Deterrent Steering Committee to research and develop future currency designs for the next family of redesigned notes that will enhance and ensure the security and integrity of U.S. currency.

Meaningful Access: Work continues in FY 2018 on the goal of redesigning currency to better assist domestic and international users, including the blind and visually impaired, with denominating U.S. currency notes.

Retooling: BEP is in the process of a multi-year effort to retool BEP's manufacturing processes with state-of-the-art intaglio printing presses, electronic inspection systems, and finishing equipment. In order to ensure that the BEP will meet the yearly currency order, the Federal Reserve Board (FRB) and BEP developed and established short, medium, and long-term strategic equipment replacement plan for the U.S. Currency Program.

BEP Workforce: Throughout 2018, the Bureau will continue to develop, execute, and communicate the results of Employee Engagement Plans and the Federal Employee Viewpoint Survey annual results. In addition

to implementing BEP Human Capital Plan initiatives, efforts will continue to fill gaps in needed Science, Technology, Engineering and Mathematics skill sets to support our Currency Quality Assurance efforts in addition to adding resources in technology development and feature testing areas.

Currency Quality Assurance (CQA)

Program: BEP has partnered with the FRB to reinvent its quality management program based on the best practices of leading manufacturers. The BEP, in collaboration with its stakeholders, developed a robust CQA program that began in 2014 and will continue to mature in 2018. This reinvention has moved BEP to a proactive approach of building quality into production processes.

New International Organization for Standardization (ISO) requirements: ISO has published updated standards that the BEP must adhere to in order to maintain certification. In order to pass recertification, BEP must align its Quality Management System to the ISO 9001:2015 standard and its Environment Management System to the ISO 14001:2015 standard no later than September 2018.

Replacement DC Production Facility (DCF)

Program: BEP's current Washington, DC facility has an aging and outdated infrastructure with multiple floors and wings, which drives up costs and adversely impacts quality. For 2018, BEP is requesting statutory authority to purchase land and construct a new more efficient currency production facility in the National Capital Region. The FRB, which

would pay for the construction of a new National Capital Region production facility, supports this project. Alternately, BEP must begin the renovation of the existing Main and Annex Buildings to ensure its ability to meet its mission. Renovation will cost \$1.8 billion,

approximately \$700 million more than the purchase and construction of a new facility and with none of the projected efficiencies (28 percent less space and a \$38 million reduction in annual operating costs).

BEP FY 2018 Budget Highlights

Dollars in Thousands

Bureau Name	FTE	Materials	Operating & Capital	Total
FY 2017 Estimated	1,842	\$300,000	\$506,335	\$806,335
Changes to Base:				
Maintaining Current Levels (MCLs):			\$10,823	\$10,823
Pay-Raise			3,528	3,528
Pay Annualization			1,293	1,293
Non-Pay			6,002	6,002
Subtotal Changes to Base			\$10,823	\$10,823
Total FY 2018 Base	1,842	\$300,000	\$517,158	\$817,158
Program Changes:				
Program Decreases:				
Production Efficiency		(\$10,851)	(\$30,823)	(\$41,674)
Currency Readers			(10,823)	(10,823)
Materials		(10,851)	(20,000)	(20,000)
Program Increases				
DCF Production Facility Replacement		\$0	\$64,000	\$64,000
			64,000	64,000
Total FY 2018 Estimated	1,842	\$289,149	\$550,335	\$839,484

FY 2018 Budget Adjustments

Adjustment to Estimates

Maintaining Current Level (MCLs)

Pay-Raise +\$3,528,000

Funds are required for the proposed January 2018 pay-raise.

Pay Annualization +\$1,293,000 / +0 FTE

Funds are required for the annualization of the 2017 pay-raise.

Non-Pay +\$6,002,000

Funds are required for inflation adjustments in non-labor expenses such as GSA rent adjustments postage, supplies, and equipment.

Production Efficiency -\$10,823,000 / -0 FTE

BEP will strategically prioritize and perform critical mission requirements to lower production costs to offset increases in MCLs.

Program Decreases

Currency Reader -\$20,000,000 / - 0 FTE

As the Currency Reader distribution program matures and downloadable applications and

image recognition technology becomes more commonplace, BEP expects demand for currency readers to decline in FY 2018.

Materials -\$10,851,000 / -0 FTE

Materials reduction: Reduction in materials due to program reduction, increased 50 subject printing coupled with anticipated reduction in spoilage.

Program Increase

DCF Production Facility Replacement

+\$64,000,000 / +0 FTE

Funding is requested in FY 2018 to award replacement facility build design service contracts. Absent legislative authority to purchase land and construct a new, smaller, more efficient currency production facility, an additional \$15 million would be required in FY 2018 to award needed renovation contracts in order to ensure BEP's ability to meet its mission.





Legislative Proposals

In 2018 BEP requests statutory authority to purchase land and construct a new more efficient currency production facility in the National Capital Region.

The FRB supports this project. Alternatively, BEP must begin the renovation of the existing

DC Main and Annex Buildings in FY 2018. Renovation will cost approximately \$1.8 billion, \$700 million more than the cost of purchasing and constructing a new facility, and would have none of the projected efficiencies (28 percent less space and a \$38 million reduction in annual operating costs).

BEP Performance Highlights

Budget Activity	Performance Measure	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014 – FY 2016
		Actual	Actual	Actual	Target	Target	Trend
Manufacturing	Percent of Currency Notes Delivered Returned Due to Defects	0.00001	.0000003	.0000003	0.0001	0.0001	
Manufacturing	Best Places to Work in Federal Government Ranking	51	74	97	99	99	
Manufacturing	Lost Time Accident Rate per 100 Employees	1.73	1.65	1.77	1.80	1.80	
Manufacturing	Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced)	44.22	42.35	44.25	50.0	50.0	

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. The measure is based on contracted price factors, productivity improvements, as well as the mix of denominations ordered. Actual performance against standard cost depends on BEP's ability to meet spoilage, efficiency, and capacity utilization goals. In 2016 the cost of manufacturing was lower than anticipated; the actual result was \$44.25 per 1,000 notes produced compared to a target of \$50.00. BEP's target for this performance metric in both 2017 and 2018 is set at \$50.00 per 1,000 notes produced.

The Percent of Currency Notes Returned Due to Defects is an indicator of the BEP's ability to provide a quality product. BEP's FY 2016 target was .0001 percent, and the actual result was .0000003 percent. BEP's target for this performance metric will be held constant at .0001 percent for both FY 2017 and FY 2018.

BEP's ranking in the Best Place to Work in the Federal Government ranking is based on the Partnership for Public Service data on three questions in the Federal Employee Viewpoint Survey. BEP's 2016 rank was 97 out of 305. BEP will continue to target improving its ranking and strives to be in the upper quartile of Federal agencies.

The Lost Time Accident Rate per 100 Employees measures the Bureau's ability to reduce injuries and illnesses in the workplace. BEP's 2016 lost time accident rate was 1.77 cases compared to the target of 1.80 cases. The Bureau remains committed to improving the safety of its employees and has undertaken analysis to determine the root causes of injury and to identify best practices in safety. BEP's target will be held constant at 1.80 per 100 employees for FY 2017 and FY 2018.

United States Mint

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016	FY 2017	FY 2018	FY 2017 to FY 2018	
	Actual	Estimated	Estimated	\$ Change	% Change
Manufacturing	\$3,272,106	\$2,805,952	\$2,694,784	(\$120,000)	-3.96%
Total Resources	\$3,272,106	\$2,805,952	\$2,694,784	(\$120,000)	-3.96%
FTE	1,692	1,801	1,801	0	0.00%

Summary

The Mint operates under the United States Mint's Public Enterprise Fund (PEF), as codified at 31 U.S.C. § 5136. The Mint generates revenue through the sale of circulating coins to the Federal Reserve Banks (FRB), numismatic products to the public, and bullion coins to authorized purchasers. All circulating and numismatic operating expenses along with capital investments incurred for the Mint's operations and programs are paid out of the PEF. By law, all funds in the PEF are available without fiscal year limitation. Revenues determined to be in excess of the amount required by the PEF are transferred to the United States Treasury General Fund. The Mint's key priorities for FY 2018 include:

- Circulating - Efficiently and effectively mint and issue approximately 16.0 billion circulating coins in FY 2018 to meet the needs of commerce.
- Numismatic Program Bullion Products - Mint and issue bullion coins to meet customer demand efficiently and effectively.

- Other Numismatic Products - Produce and distribute numismatic products in sufficient quantities, through appropriate channels, to make them accessible, available, and affordable to people who choose to purchase them. Design, strike, and prepare for presentation Congressional Gold Medals.

FY 2018 United States Mint estimated total revenues are \$3,098,226,000, total expenses are \$2,694,784,000 of which \$40,500,000 are for capital investments, and net results are \$403,442,000 in earnings.

US Mint FY 2018 Budget Highlights

Dollars in Thousands

United States Mint	FTE	Materials	Operating & Capital	Total
FY 2017 Original Estimate	1,874	\$2,510,000	\$446,207	\$2,956,207
Adjustment to Estimate - Cyber Security Initiative	10		\$8,577	\$8,577
Adjustment to Estimate - Metal due to forecasted decrease in circulating coin production		(\$100,000)		(\$100,000)
Adjustment to Estimate - Metal due to forecasted decrease in numismatic/bullion production		(\$50,000)		(\$50,000)
Adjustment to Estimate - Staffing Streamline	(83)		(\$8,832)	(\$8,832)
Revised - FY 2017 Estimated Resources	1,801	2,360,000	445,952	2,805,952
Changes to Base:				
Maintain Current Levels (MCLs)			\$8,832	\$8,832
Pay-Raise			3,100	3,100
Pay Annualization			1,136	1,136
Non-Pay			4,597	4,597
Subtotal, Changes to the Base			\$8,832	\$8,832
Total FY 2018 Base	1,801	2,360,000	454,784	2,814,784
Program Changes				
Program Decreases:				
Metals due to forecasted decrease in bullion production		(\$140,000)		(\$140,000)
Program Increases:				
Metals due to forecasted increase in circulating coin metals prices		\$20,000		\$20,000
Subtotal FY 2018 Program Changes		(\$120,000)		(\$120,000)
Total FY 2018 Estimate	1,801	2,240,000	454,784	2,694,784

FY 2018 Budget Adjustments

Adjustment to Estimates

Maintaining Current Level (MCLs)

Pay Raise +\$3,100,000 / +0 FTE

Funds are required for the January 2018 pay-raise.

Pay Annualization +\$1,136,000 / +0 FTE

Funds are required for and the annualization of the 2017 pay-raise.

Non-Pay +\$4,597,000 / +0 FTE

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

Program Increases

Metal Due to Forecast Increase in Circulating Coin Metal Prices +\$20,000,000 / +0 FTE

FRB demand for circulating coins will remain flat in FY 2018 at 16.0 billion coins; however, metal prices are forecasted to rise modestly, causing an increase in overall production costs for the circulating program. Increases in metals prices result in a \$20 million increase for metal purchases.

Program Decreases

Metal Due to Forecast Decrease in Numismatic/Bullion Coin Production -\$140,000,000 / -0 FTE

Forecasted demand for the numismatic program continues to decrease in FY 2018. The Presidential \$1 Coin Program ended in 2016, and the first full-year impact will be in FY 2018.

Explanation of Budget Activities

Manufacturing \$3,098,226,000 from revenue/offsetting collections

The Mint has one budget activity: Manufacturing. This encompasses the bureau's two major programs: circulating coinage and numismatic products, including bullion coins, collector coins, and national medals.

Circulating Coinage Program Circulating coinage includes the minting and issuing of pennies, nickels, dimes, and quarter-dollars. The Mint delivers circulating coinage to the FRBs in quantities to support their service to commercial banks and other financial

institutions. The Mint recognizes revenues from the sale of circulating coins at face value when they are shipped to the FRBs.

The Mint will continue to mint and issue circulating quarter-dollar coins honoring America's national parks and other national sites, in accordance with the America's Beautiful National Parks Quarter Dollar Coin Act of 2008 (Public Law 110-456). In 2017, the Mint will release quarters honoring Effigy Mounds National Monument (Iowa), Frederick Douglass National Historic Site (District of Columbia), Ozark National Scenic Riverways (Missouri), Ellis Island (Statue of Liberty National Monument) (New Jersey), and George Rogers Clark National Historical Park (Indiana). In FY 2018, the Mint will release quarters honoring Pictured Rocks National Lakeshore (Michigan), Apostle Islands National Lakeshore (Wisconsin), Voyageurs National Park (Minnesota), Cumberland Island National Seashore (Georgia), and Block Island National Wildlife Refuge (Rhode Island).

Numismatic Program

Bullion Coin Program

The Mint produces and issues gold, silver, and platinum bullion coins to authorized purchasers through the American Eagle, American Buffalo, and America the Beautiful Silver Bullion Coin Programs to fulfill investor demand. Demand for bullion coins is greatly influenced by the performance of other investment options, such as equities or currency markets, and therefore is highly unpredictable. The content and purity of the precious metal in the bullion coins are backed by the United States Government.

Other Numismatic Products

The Mint's numismatic program provides high-quality versions of circulating coinage,

precious metal coins, commemorative coins, and medals for sale directly to the public. For some numismatic products, authorizing legislation specifies program requirements, such as design theme, mintage level, and duration of product availability. Other programs are structured by law to grant the Secretary of the Treasury discretion in determining product specifications.



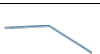

The Mint will continue to mint and issue \$1 coins commemorating the important contributions made by Indian tribes and individual Native Americans to the development and history of the United States in accordance with the Native American \$1 Coin Act (Public Law 110-82).

Commemorative coins are authorized by law to recognize and honor people, places, events, institutions, and other subjects of historic or national significance. In FY 2017, the Mint is scheduled to mint commemorative coins for two programs: the Lions Club International Commemorative Coin (P.L. 112-181) and the Boys Town Centennial Commemorative Coins (P.L. 114-30). In FY 2018, the Mint has authorization to mint commemorative coins for two programs: the World War I American Veterans Centennial Commemorative Coin (P.L. 113-212) and the Breast Cancer Awareness Commemorative Coin (P.L. 114-148).

Appropriation Change Proposal

The Mint proposes to increase the limit on circulating coinage and protective service capital from \$20 million to \$30 million to execute a comprehensive capital strategy that focuses on safety, equipment replacements, protection, and facility improvements.

Mint Performance Highlights

Budget Activity	Performance Measure	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014 – FY 2016
		Actual	Actual	Actual	Target	Target	Trend
Manufacturing	Customer Satisfaction Index (%)	89.8	89.5	91.0	90.0	90.0	
Manufacturing	Seigniorage per Dollar Issued (\$)	0.37	0.49	0.52	0.48	0.49	
Manufacturing	Safety Incident Recordable Rate	3.31	3.42	2.53	2.83	2.75	
Manufacturing	Numismatic Sales Units (Million Units)	5.7	5.4	4.2	4.4	3.5	

Key: DISC - Discontinued, B - Baseline

Description of Performance

Customer Satisfaction Index (CSI)

The Mint conducts a quarterly survey of a random sample of active numismatic customers. The survey is intended to capture customer satisfaction with the Mint's service performance as a coin products supplier and with the quality of specific products. The CSI is a single quantitative score of the survey results. By the end of FY 2016, the CSI reached 91.0 percent, exceeding its 90.0 percent target. The Mint anticipates the FY 2017 and 2018 CSI ratings will remain steady. The performance target for CSI is 90.0 percent for both FY 2017 and FY 2018.

Numismatic Sales Units

The numismatic sales unit metric measures public demand for coin products sold from numismatic operations. Numismatic sales units totaled 4.2 million in FY 2016, falling short of the 4.6 million target. The primary drivers for this shortfall were lower customer demand for silver coin products and a loss in unit sales of the American Eagle Silver (AE) dollar coin due to legislative restrictions on the design of coins sold during 2016 (Public Law 114-94). Numismatic sales performance targets have been established at 4.4 million units for FY 2017 and 3.5 million for FY 2018.

Safety Incident Recordable Rate

Safety incident recordable rate is the number of injuries and illnesses meeting the Occupational Safety and Health Administration (OSHA) recording criteria per 100 full-time workers. The safety incident recordable rate was 2.53 recordable injuries and illnesses per 100 full-time workers in FY 2016, which is below the 2.91 target and significantly below the industry average rate of 5.9 for metal forging and stamping manufacturers. The performance targets for this measure are 2.83 for FY 2017 and 2.75 for FY 2018.

Seigniorage per Dollar Issued

Seigniorage per dollar issued is the financial return on circulating operations, calculated as seigniorage divided by the total face value of circulating coins shipped to the FRBs. It measures the cost effectiveness of minting and issuing the United States' circulating coinage. Seigniorage per dollar issued was \$0.52 in FY 2016, above the performance target of \$0.47. FY 2016 results exceeded the target as a result of a one percent increase in circulating shipment volumes combined with a 10 percent decrease in cost of goods sold. FY 2017 and FY 2018 seigniorage per dollar issued performance targets are set at \$0.48 and \$0.49, respectively.

Office of Comptroller of the Currency

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2016	FY 2017	FY 2018	FY 2017 TO FY 2018	
	Actual	Estimated	Estimated	\$ Change	% Change
Supervise	\$975,477	\$1,057,980	\$1,099,477	\$41,497	3.92%
Regulate	\$90,463	\$98,114	\$101,963	\$3,849	3.92%
Charter	\$23,978	\$26,006	\$27,026	\$1,020	3.92%
Total Cost of Operations	\$1,089,918	\$1,182,100	\$1,228,466	\$46,366	3.92%
FTE	3,845	3,938	4,041	103	2.62%

Summary

The Office of the Comptroller of the Currency (OCC) was created by Congress in 1863 to charter national banks; oversee a nationwide system of banking institutions; and ensure national banks are safe and sound, competitive and profitable, and capable of serving in the best possible manner the banking needs of their customers.

As of March 31, 2017, the OCC supervised 973 national bank charters and 48 federal branches of foreign banks in the United States with total assets of approximately \$11.0 trillion, and 373 federal savings associations with total assets of approximately \$738 billion. In total, the OCC supervises approximately \$11.7 trillion in financial institution assets.

The OCC has established three goals outlined in its strategic plan that help support a strong economy for the American public: 1) A vibrant and diverse system of national banks and federal savings associations that supports a robust U.S. economy; 2) “One OCC” focused on collaboration, innovation, coordination, and process efficiency; 3) An OCC that is firmly positioned to continue to operate independently and effectively into the future. To achieve its goals and objectives, the OCC organizes its programs under three activities: 1) Supervise, 2) Regulate, and 3) Charter. Effective supervision and a comprehensive regulatory framework are the key tools that the

OCC uses to ensure that national banks and federal savings associations operate in a safe and sound manner and that they provide fair access to financial services and fair treatment of their customers. A robust chartering program allows new entrants into the financial services sector while ensuring that they have the necessary capital, managerial, and risk management processes to conduct activities in a safe and sound manner.

The OCC’s nationwide staff of bank examiners conducts on-site reviews of banks and provides sustained supervision of these institutions’ operations. Examiners analyze asset quality, capital adequacy, earnings, liquidity, and sensitivity to market risk for all banks, and assess compliance with federal consumer protection laws and regulations. Examiners also evaluate management’s ability to identify and control risk, and assess banks’ performance in meeting the credit needs of the communities in which they operate, pursuant to the Community Reinvestment Act (CRA). In supervising banks, the OCC has the power to:

- Approve or deny applications for new charters, branches, capital, or other changes in corporate or banking structure;
- Take supervisory and enforcement actions against banks that do not comply with laws and regulations or that otherwise engage in unsafe or unsound practices;

- Remove and prohibit officers and directors, negotiate agreements—both formal (i.e., public) and informal (i.e., non-public)—to change banking practices, and issue cease-and-desist orders as well as Civil Money Penalties (CMP); and
- Issue rules and regulations, legal interpretations, supervisory guidance, and corporate decisions governing investments, lending, and other practices.

Operations are funded primarily (approximately 97 percent) from semiannual assessments levied on national banks and federal savings associations. Revenue from investments in Treasury securities and other income comprise the remaining three percent of the OCC's funding. The OCC does not receive congressional appropriations to fund any portion of its operations.

Explanation of Budget Activities

Supervise (\$1,057,980 from revenue/offsetting collections)

The Supervise program consists of ongoing supervision and enforcement activities undertaken to ensure that each national bank and federal savings institution is operating in a safe and sound manner and is complying with applicable laws, rules, and regulations relative to the financial institution and the customers and communities it serves. Included are examinations and enforcement activities; resolution of disputes through a formal appeals process; ongoing monitoring of national banks and federal savings associations; and analysis of systemic risks and market trends in the federal banking system, the financial services industry, and the economic and regulatory environment.

Regulate (\$98,114,000 from revenue/offsetting collections)

The Regulate Program supports the OCC's strategic goal of a vibrant and diverse system of national banks and federal savings associations that supports a robust U.S.

economy. Specifically, the Regulate Program consists of ongoing activities that result in the establishment of regulations, policies, operating guidance, and interpretations of general applicability to national banks and federal savings associations. These regulations, policies, and interpretations may establish system-wide standards, define acceptable national banking and federal savings association practices, provide guidance on risks and responsibilities facing national banks and federal savings associations, or prohibit (or restrict) national banking or federal savings association practices deemed to be imprudent or unsafe. They also establish standards for ensuring fair access to financial services and fair treatment of national bank and federal savings association customers. This program includes establishing examination policies and handbooks; interpreting administrative, judicial, and congressional proceedings; and establishing the applicable legal and supervisory framework for new financial services and products.

Charter (\$26,006,000 from revenue/offsetting collections)







The Charter Program consists of ongoing activities that result in the chartering of national banks and federal savings associations and the evaluation of the permissibility of structures and activities of national banks and federal savings associations and their subsidiaries. This includes the review and approval of national bank and federal savings association charters, federal branches and agencies, mergers, acquisitions, conversions, business combinations, corporate reorganizations, changes in control, operating subsidiaries, branches, relocations, and subordinated debt issuances. By supporting the entry of new products and institutions into the financial system in a manner consistent with safety and soundness, the Charter Program supports the OCC's strategic goals of

assuring safety and soundness while allowing national banks and federal savings associations to offer a full competitive array of financial services.

Legislative Proposals

OCC has no legislative proposals.

OCC Performance Highlights

Budget Activity	Performance Measures	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014 – FY 2016
		Actual	Actual	Actual	Target	Target	Trend
Charter	Percentage of Licensing Applications and Notices Completed within Established Timeframes	98.0	97.0	98.0	95.0	95.0	
Supervise	Percentage of National Banks and Federal Savings Associations with Composite CAMELS Rating 1 or 2	87.0	91.0	93.0	90.0	90.0	
Supervise	Rehabilitated National Banks And Federal Savings Associations As A Percentage Of Problem National Banks One Year Ago (CAMEL 3,4, or 5)	39.0	39.0	43.0	40.0	40.0	
Supervise	Percentage of National Banks and Federal Savings Associations With Consumer Compliance Rating of 1 or 2	95.0	96.0	98.0	90.0	90.0	
Supervise	Total OCC Costs Relative To Every \$100,000 in Bank And Federal Savings Associations Assets Regulated (\$)	9.75	9.37	9.65	10.2	10.2	
Supervise	Percentage of National Banks and Federal Savings Associations That Are Categorized As Well Capitalized (Oe)	93.0	95.0	96.0	95.0	95.0	

Key: DISC - Discontinued, B - Baseline

Description of Performance

The OCC charters, regulates and supervises all national banks and federal savings associations, as well as supervises federal branches and agencies of foreign banks. The primary goal of the OCC's Supervision Program is to ensure that these institutions operate in a safe and sound manner and in compliance with laws requiring fair treatment of their customers and fair access to credit and financial products. The OCC also monitors risks and threats to the stability of the federal banking system through its regular examinations of the institutions it supervises and other monitoring.

The overall objective of the OCC's Supervision Program supports facilitating commerce through the goal of ensuring the safety and soundness of the federal banking system. Through its Supervision Program the OCC supports facilitating commerce through the goal of ensuring the safety and soundness of the federal banking system. The OCC has taken a number of steps to improve the cybersecurity of the nation's financial sector critical infrastructure including organizing webinars for community bankers. The agency continues to update examiner handbooks, procedures, and training materials to ensure that, as threats evolve, all national banks and federal savings associations can identify cyber risks and strengthen their risk management and control systems. The OCC is an active member of the Financial Services Information Sharing and Analysis Center, which provides greater real-time insight into a broad range of potential threats to the industry and the ability to assist, when appropriate, in a coordinated response with other government agencies. Finally, the OCC supports protecting the integrity of the financial system through its examinations of compliance with BSA/AML and through the initiation of enforcement actions for non-compliance with BSA/AML laws and regulations.

The composite CAMELS (Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk) rating reflects the overall condition of a bank. Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for evaluating all significant financial, operational, and compliance factors inherent in a bank. The rating scale is 1 through 5 of which 1 is the highest rating granted. CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a change in CAMELS. Through September 30, 2016, 93 percent of national banks and federal savings associations earned composite CAMELS rating of either 1 or 2.

To ensure fair access to financial services and fair treatment of bank customers, the OCC evaluates a bank's compliance with consumer laws and regulations. Bank regulatory agencies use the Uniform Financial Institutions Rating System, Interagency Consumer Compliance Rating, to provide a general framework for assimilating and evaluating significant consumer compliance factors inherent in a bank. Each financial institution is assigned a consumer compliance rating based on an evaluation of its present compliance with consumer protection and civil rights statutes and regulations, and the adequacy of its operating systems designed to ensure continuing compliance. Ratings are on a scale of 1 through 5 in increasing order of supervisory concern. National banks and federal savings associations continue to show strong compliance with consumer protection regulations with 98 percent earning a consumer compliance rating of either 1 or 2 through September 30, 2016.

The OCC's timely and effective approval of corporate applications contributes to the nation's economy by enabling national banks

and federal savings associations to complete various corporate transactions and introduce new financial products and services. Delays in providing prompt decisions on applications and notices can deprive a bank of a competitive or business opportunity, create business uncertainties, or diminish financial results. Time frames have been established for completing each type of application and notice. The OCC completed 98 percent of applications and notices within the time standard through September 30, 2016.

The OCC monitors the efficient use of its resources by measuring Total OCC Costs Relative to Every \$100,000 in Bank Assets Regulated. This measure reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex financial system. This measure supports the OCC's strategic goal of efficient use of agency resources. The OCC's ability to control its costs while ensuring the safety and soundness of national banks and federal savings associations benefits all national bank and federal savings association customers. The OCC will continue its efforts to ensure that resources are used prudently and that programs are carried out in a cost effective manner.

International Programs

Program Summary

Dollars in Thousands

	FY 2016 Enacted	FY 2017 Annualized CR Rate 1/	FY 2018 Request	FY 2017 to FY 2018	
				\$ Change	% Change
Multilateral Development Banks (MDBs)	\$1,816,477	\$1,813,024	\$1,348,123	(\$464,901)	-25.64%
International Development Association (IDA)	\$1,197,128	\$1,194,852	\$1,097,010	(\$97,842)	-8.19%
Int'l Bank for Reconstruction and Development (IBRD)	\$186,957	\$186,602	\$0	(\$186,602)	-100.00%
Inter-American Development Bank (IDB)	\$102,020	\$101,827	\$0	(\$101,827)	-100.00%
African Development Fund (AfDF)	\$175,668	\$175,334	\$171,300	(\$4,034)	-2.30%
African Development Bank (AfDB)	\$34,118	\$34,053	\$32,418	(\$1,635)	-4.80%
Asian Development Bank (AsDB)	\$5,608	\$5,598	\$0	(\$5,598)	-100.00%
Asian Development Fund (AsDF)	\$104,977	\$104,777	\$47,395	(\$57,382)	-54.77%
North American Development (NADB)	\$10,000	\$9,981	\$0	(\$9,981)	-100.00%
Food Security	\$74,930	\$74,787	\$30,000	(\$44,788)	-59.89%
Global Agriculture and Food Security Program (GAFSP)	\$43,000	\$42,918	\$0	(\$42,918)	-100.00%
Int'l Fund for Agricultural Development (IFAD)	\$31,930	\$31,869	\$30,000	(\$1,869)	-5.87%
Environmental Trust Funds	\$398,563	\$397,806	\$102,375	(\$295,430)	-74.27%
Clean Technology Fund (CTF)	\$170,680	\$170,356	\$0	(\$170,356)	-100.00%
Strategic Climate Fund (SCF) 2/	\$59,620	\$59,507	\$0	(\$59,507)	-100.00%
Global Environment Facility (GEF)	\$168,263	\$167,943	\$102,375	(\$65,568)	-39.04%
Treasury Office of Technical Assistance (OTA)	\$23,500	\$23,455	\$25,455	\$2,000	8.53%
TOTAL	\$2,313,470	\$2,309,072	\$1,505,953	(\$803,119)	-34.78%

1/ The FY 2018 President's Budget references the FY 2017 Annualized Continuing Resolution (CR) rate levels for Treasury 150 programs, since full-year FY 2017 appropriations for these accounts were not enacted at the time the Budget was prepared.

2/ Includes transfer from the Economic Support Fund, as required by sec. 7060(c)(5) of the Consolidated Appropriations Act, 2016.

Summary

The Treasury Department requests \$1.5 billion for International Programs in FY 2018. To help move the Nation toward fiscal responsibility, prioritize our military and domestic needs here at home, and focus on critical strategic objectives internationally, we will support the most critical investments in multilateral development institutions that provide strong benefits for taxpayers, while ensuring that U.S. contributions are set at an appropriate level relative to our partner countries. These investments by Treasury's International Programs strengthen U.S. national security by advancing a more secure, economically prosperous, and democratic world.

Multilateral Development Banks

Our request includes \$1.3 billion for the multilateral development banks (MDBs). The MDBs play key roles in the effort to increase global economic growth and reduce poverty, which advances U.S. foreign policy objectives of sustaining peace and stability, promoting security, and combatting terrorism.

The request also includes \$1.6 billion to fully meet annual replenishment commitments to the World Bank's International Development Association (IDA), the African Development Fund (AfDF), and the Asian Development Fund (AsDF).

International Development Association (IDA): \$1,097 million in support of IDA programs over the eighteenth replenishment (IDA-18; FY 2018 – FY 2020), including towards the first of three installments to IDA-18.

African Development Fund (AfDF): \$171.3 million in support of AfDF programs over the fourteenth replenishment (AfDF-14; FY 2018 – FY 2020), including towards the first of three installments to AfDF-14. Together,

these IDA and AfDF levels reduce the U.S. commitment by approximately \$650 million over three years compared to the previous Administration's pledges, while retaining the U.S. current status as a top donor at these institutions.

African Development Bank (AfDB): \$32.4 million for the purchase of 2,170 shares towards the seventh of eight installments under the AfDB's Sixth General Capital Increase (GCI-6).

Asian Development Fund (AsDF): \$47.4 million in support of AsDF programs over the eleventh replenishment (AsDF-12; FY 2018 – FY 2021), including towards the first of four installments to AsDF-12.

North American Development Bank (NADB): Treasury is not requesting funding for NADB due to budget constraints, and in recognition that Congress has not provided authorization for NADB for the current general capital increase.

Food Security

International Fund for Agricultural Development (IFAD): \$30.0 million for the third of three installments towards IFAD's tenth replenishment (IFAD-10).

Global Agriculture and Food Security Program (GAFSP): Treasury is not requesting funding for GAFSP as no new funding is required in FY 2018, since the 2012 pledge period is over, the United States has sufficient funding to meet its pledge, and other donors' support has been limited.

Environmental Trust Funds

Global Environment Facility (GEF): \$102.4 million toward the fourth of four installments to the sixth replenishment of the Global Environment Facility (GEF-6).

Green Climate Fund (GCF): Treasury's request eliminates U.S. funding for GCF in FY 2018, in alignment with ending the Global Climate Change Initiative (GCCII) and with the President's promise to cease payments to the United Nations' climate change programs.

Clean Technology Fund (CTF): Treasury is not requesting funding for the Climate Investment Funds (CIFs), including the CTF, reflecting the completion of the \$2 billion U.S. commitment to the CIFs in FY 2016 and the intention not to provide any further U.S. contributions, in alignment with eliminating the GCCII.

Strategic Climate Fund (SCF): Treasury is not requesting funding for the CIFs, including the SCF, reflecting the completion of the \$2 billion U.S. commitment to the CIFs in FY 2016 and the intention not to provide any further U.S. contributions, in alignment with eliminating the GCCII.

Treasury Office of Technical Assistance

Treasury Office of Technical Assistance (OTA): \$25.5 million to support OTA's work to provide developing and transitional countries with the knowledge and skills required to strengthen revenue collection, plan and execute budgets, manage debt, build sound banking systems, and develop strong controls to combat economic crimes and terrorist financing regimes.

Summary of FY 2018 Appropriations Language

A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114–254).

DEPARTMENTAL OFFICES

SALARIES AND EXPENSES

For necessary expenses of the Departmental Offices including operation and maintenance of the Treasury Building and Freedman's Bank Building; hire of passenger motor vehicles; maintenance, repairs, and improvements of, and purchase of commercial insurance policies for, real properties leased or owned overseas, when necessary for the performance of official business; executive direction program activities; international affairs and economic policy activities; domestic finance and tax policy activities, including technical assistance to state and local entities; and Treasury-wide management policies and programs activities, \$201,751,000: Provided, That of the amount appropriated under this heading— (1) not to exceed \$350,000 is for official reception and representation expenses;

(2) not to exceed \$258,000 is for unforeseen emergencies of a confidential nature to be allocated and expended under the direction of the Secretary of the Treasury and to be accounted for solely on the Secretary's certificate; and (3) not to exceed \$24,000,000 shall remain available until September 30, 2019, for—(A) the Treasury-wide Financial Statement Audit and Internal Control Program;(B) information technology modernization requirements;(C) the audit, oversight, and administration of the Gulf Coast Restoration Trust Fund; (D) the development and implementation of programs within the Office of Critical Infrastructure Protection and Compliance Policy, including

entering into cooperative agreements;(E) operations and maintenance of facilities; and (F) international operations.

OFFICE OF TERRORISM AND FINANCIAL INTELLIGENCE

SALARIES AND EXPENSES

For the necessary expenses of the Office of Terrorism and Financial Intelligence to safeguard the financial system against illicit use and to combat rogue nations, terrorist facilitators, weapons of mass destruction proliferators, money launderers, drug kingpins, and other national security threats, \$116,778,000: Provided, That of the amounts appropriated under this heading, up to \$5,000,000 shall remain available until September 30, 2019.

CYBERSECURITY ENHANCEMENT ACCOUNT

SALARIES AND EXPENSES

For salaries and expenses for enhanced cybersecurity for systems operated by the Department of the Treasury, \$27,264,000, to remain available until September 30, 2020: Provided, That amounts made available under this heading shall be in addition to other amounts available to Treasury offices and bureaus for cybersecurity.

DEPARTMENT-WIDE SYSTEMS AND CAPITAL INVESTMENTS PROGRAMS (INCLUDING TRANSFER OF FUNDS)

For development and acquisition of automatic data processing equipment, software, and services and for repairs and renovations to buildings owned by the Department of the Treasury, \$4,426,000, to remain available until September 30, 2020: Provided, That these funds shall be transferred to accounts and in amounts as necessary to satisfy the requirements of the Department's offices, bureaus, and other organizations: Provided

further, That this transfer authority shall be in addition to any other transfer authority provided in this Act: Provided further, That none of the funds appropriated under this heading shall be used to support or supplement "Internal Revenue Service, Operations Support" or "Internal Revenue Service, Business Systems Modernization".

OFFICE OF THE INSPECTOR GENERAL

SALARIES AND EXPENSES

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, \$34,112,000, including hire of passenger motor vehicles; of which not to exceed \$100,000 shall be available for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General of the Treasury; of which up to \$2,800,000 to remain available until September 30, 2019, shall be for audits and investigations conducted pursuant to section 1608 of the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (33 U.S.C. 1321 note); and of which not to exceed \$1,000 shall be available for official reception and representation expenses.

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

SALARIES AND EXPENSES

For necessary expenses of the Treasury Inspector General for Tax Administration in carrying out the Inspector General Act of 1978, as amended, including purchase and hire of passenger motor vehicles (31 U.S.C. 1343(b)); and services authorized by 5 U.S.C. 3109, at such rates as may be determined by the Inspector General for Tax Administration; \$161,113,000, of which \$5,000,000 shall remain available until September 30, 2019; of which not to exceed \$6,000,000 shall be

available for official travel expenses; of which not to exceed \$500,000 shall be available for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General for Tax Administration; and of which not to exceed \$1,500 shall be available for official reception and representation expenses.

TREASURY FORFEITURE FUND

(CANCELLATION)

Of the unobligated balances available under this heading, \$876,000,000 are hereby permanently cancelled not later than September 30, 2018.

(INCLUDING RETURN OF FUNDS)

In addition, of amounts in the Treasury Forfeiture Fund, \$38,800,000 from funds paid to the United States Government by BNP Paribas S.A. as part of, or related to, a plea agreement dated June 27, 2014, entered into between the Department of Justice and BNP Paribas S.A., and subject to a consent order entered by the United States District Court for the Southern District of New York on May 1, 2015, in United States v. BNPP, No. 14 Cr. 460 (S.D.N.Y.), are hereby returned to the General Fund of the Treasury.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND PROGRAM ACCOUNT

To carry out the Riegle Community Development and Regulatory Improvements Act of 1994 (subtitle A of title I of Public Law 103–325), including services authorized by section 3109 of title 5, United States Code, but at rates for individuals not to exceed the per diem rate equivalent to the rate for EX-3, \$14,000,000, to be used for administrative expenses, including administration of CDFI fund programs and the New Markets Tax Credit Program: Provided, That during fiscal year 2018, none of the funds available under this heading are available for the cost, as

defined in section 502 of the Congressional Budget Act of 1974, of commitments to guarantee bonds and notes under section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4713a): Provided further, That commitments to guarantee bonds and notes under such section 114A shall not exceed \$500,000,000: Provided further, That such section 114A shall remain in effect until September 30, 2018.

SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM

SALARIES AND EXPENSES

For necessary expenses of the Office of the Special Inspector General in carrying out the provisions of the Emergency Economic Stabilization Act of 2008 (Public Law 110–343), \$20,297,000.

FINANCIAL CRIMES ENFORCEMENT NETWORK

SALARIES AND EXPENSES

For necessary expenses of the Financial Crimes Enforcement Network, including hire of passenger motor vehicles; travel and training expenses of non-Federal and foreign government personnel to attend meetings and training concerned with domestic and foreign financial intelligence activities, law enforcement, and financial regulation; services authorized by 5 U.S.C. 3109; not to exceed \$10,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, \$112,764,000, of which not to exceed \$34,335,000 shall remain available until September 30, 2020.

BUREAU OF THE FISCAL SERVICE

SALARIES AND EXPENSES

For necessary expenses of operations of the Bureau of the Fiscal Service, \$330,837,000; of which not to exceed \$4,210,000, to remain

available until September 30, 2020, is for information systems modernization initiatives; and of which \$5,000 shall be available for official reception and representation expenses. In addition, \$165,000, to be derived from the Oil Spill Liability Trust Fund to reimburse administrative and personnel expenses for financial management of the Fund, as authorized by section 1012 of Public Law 101–380.

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

SALARIES AND EXPENSES

For necessary expenses of carrying out section 1111 of the Homeland Security Act of 2002, including hire of passenger motor vehicles, \$98,658,000; of which not to exceed \$6,000 for official reception and representation expenses; not to exceed \$50,000 for cooperative research and development programs for laboratory services; and provision of laboratory assistance to State and local agencies with or without reimbursement.

UNITED STATES MINT PUBLIC ENTERPRISE FUND

Pursuant to section 5136 of title 31, United States Code, the United States Mint is provided funding through the United States Mint Public Enterprise Fund for costs associated with the production of circulating coins, numismatic coins, and protective services, including both operating expenses and capital investments: Provided, That the aggregate amount of new liabilities and obligations incurred during fiscal year 2018 under such section 5136 for circulating coinage and protective service capital investments of the United States Mint shall not exceed \$30,000,000.

INTERNAL REVENUE SERVICE

TAXPAYER SERVICES

For necessary expenses of the Internal Revenue Service to provide taxpayer services, including pre-filing assistance and education, filing and account services, taxpayer advocacy services, associated support costs, and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, \$2,212,311,000, of which not less than \$6,500,000 shall be for the Tax Counseling for the Elderly Program, of which not less than \$12,000,000 shall be available for low-income taxpayer clinic grants, and of which not less than \$15,000,000, to remain available until September 30, 2019, shall be available for a Community Volunteer Income Tax Assistance matching grants program for tax return preparation assistance, of which not less than \$206,000,000 shall be available for operating expenses of the Taxpayer Advocate Service: Provided, That of the amounts made available for the Taxpayer Advocate Service, not less than \$5,000,000 shall be for identity theft casework.

ENFORCEMENT

For necessary expenses for tax enforcement activities of the Internal Revenue Service to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investigations, to enforce criminal statutes related to violations of internal revenue laws and other financial crimes, to purchase and hire passenger motor vehicles (31 U.S.C. 1343(b)), associated support costs, and to provide other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, \$4,706,500,000, of which not to exceed \$50,000,000 shall remain available until September 30, 2019, and of which not less than \$60,257,000 shall be for the Interagency Crime and Drug Enforcement program.

OPERATIONS SUPPORT

For necessary expenses of operating the Internal Revenue Service, including rent payments; facilities services; printing; postage; physical security; oversight and management of IRS-wide activities; research and statistics of income; telecommunications; information technology development, enhancement, operations, maintenance, and security; the hire of passenger motor vehicles (31 U.S.C. 1343(b)); the operations of the Internal Revenue Service Oversight Board; and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner; \$3,946,189,000, of which not to exceed \$100,000,000 shall remain available until September 30, 2019; of which not to exceed \$10,000,000 shall remain available until expended for acquisition of equipment and construction, repair and renovation of facilities; of which not to exceed \$1,000,000 shall remain available until September 30, 2020, for research; of which not to exceed \$20,000 shall be for official reception and representation expenses: Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing the cost and schedule performance for its major information technology investments, including the purpose and life-cycle stages of the investments; the reasons for any cost and schedule variances; the risks of such investments and strategies the Internal Revenue Service is using to mitigate such risks; and the expected developmental milestones to be achieved and costs to be incurred in the next quarter: Provided further, That the Internal Revenue Service shall include, in its budget justification for fiscal year 2019, a summary of cost and schedule performance information for its major information technology systems.

BUSINESS MODERNIZATION

For necessary expenses of the Internal Revenue Service's business systems modernization program, \$110,000,000, to remain available until September 30, 2020, for the capital asset acquisition of information technology systems, including management and related contractual costs of said acquisitions, including related Internal Revenue Service labor costs, and contractual costs associated with operations authorized by 5 U.S.C. 3109: Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing the cost and schedule performance for CADE 2 and Modernized e-File information technology investments, including the purposes and life-cycle stages of the investments; the reasons for any cost and schedule variances; the risks of such investments and the strategies the Internal Revenue Service is using to mitigate such risks; and the expected developmental milestones to be achieved and costs to be incurred in the next quarter.

ADMINISTRATIVE PROVISIONS— INTERNAL REVENUE SERVICE

(INCLUDING TRANSFER OF FUNDS)

SEC. 101. *Not to exceed 5 percent of any appropriation made available in this Act to the Internal Revenue Service may be transferred to any other Internal Revenue Service appropriation upon the advance notification of the Committees on Appropriations.*

SEC. 102. *The Internal Revenue Service shall maintain an employee training program, which shall include the following topics: taxpayers' rights, dealing courteously with*

SYSTEMS

taxpayers, cross-cultural relations, ethics, and the impartial application of tax law.

SEC. 103. *The Internal Revenue Service shall institute and enforce policies and procedures that will safeguard the confidentiality of taxpayer information and protect taxpayers against identity theft.*

SEC. 104. *Funds made available by this or any other Act to the Internal Revenue Service shall be available for improved facilities and increased staffing to provide sufficient and effective 1–800 help line service for taxpayers. The Commissioner shall continue to make improvements to the Internal Revenue Service 1–800 help line service a priority and allocate resources necessary to enhance the response time to taxpayer communications, particularly with regard to victims of tax-related crimes.*

SEC. 105. *The Internal Revenue Service shall issue a notice of confirmation of any address change relating to an employer making employment tax payments, and such notice shall be sent to both the employer's former and new address and an officer or employee of the Internal Revenue Service shall give special consideration to an offer-in-compromise from a taxpayer who has been the victim of fraud by a third party payroll tax preparer.*

SEC. 106. *None of the funds made available under this Act may be used by the Internal Revenue Service to target citizens of the United States for exercising any right guaranteed under the First Amendment to the Constitution of the United States.*

SEC. 107. *None of the funds made available in this Act may be used by the Internal Revenue Service to target groups for regulatory scrutiny based on their ideological beliefs.*

SEC. 108. *Section 9503(a) of title 5, United States Code, is amended by striking the clause "Before September 30, 2013" and inserting "before September 30, 2021".*

SEC. 109. *Section 9503(a)(5) of title 5, United States Code, is amended by inserting before*

the semicolon the following: ", but are renewable for an additional two years, based on a critical organizational need".

**ADMINISTRATIVE PROVISIONS—
DEPARTMENT OF THE TREASURY**
(INCLUDING TRANSFERS OF FUNDS)

SEC. 114. *Appropriations to the Department of the Treasury in this Act shall be available for uniforms or allowances therefor, as authorized by law (5 U.S.C. 5901), including maintenance, repairs, and cleaning; purchase of insurance for official motor vehicles operated in foreign countries; purchase of motor vehicles without regard to the general purchase price limitations for vehicles purchased and used overseas for the current fiscal year; entering into contracts with the Department of State for the furnishing of health and medical services to employees and their dependents serving in foreign countries; and services authorized by 5 U.S.C. 3109.*

SEC. 115. *Not to exceed 2 percent of any appropriations in this title made available under the headings "Departmental Offices—Salaries and Expenses", "Community Development Financial Institutions Fund", "Office of Terrorism and Financial Intelligence", "Office of Inspector General", "Special Inspector General for the Troubled Asset Relief Program", "Financial Crimes Enforcement Network", "Bureau of the Fiscal Service", and "Alcohol and Tobacco Tax and Trade Bureau" may be transferred between such appropriations upon the advance notification of the Committees on Appropriations of the House of Representatives and the Senate: Provided, That no transfer under this section may increase or decrease any such appropriation by more than 2 percent.*

SEC. 116. *Not to exceed 2 percent of any appropriation made available in this Act to the Internal Revenue Service may be transferred to the Treasury Inspector General for Tax Administration's appropriation upon*

the advance notification of the Committees on Appropriations of the House of Representatives and the Senate: Provided, That no transfer may increase or decrease any such appropriation by more than 2 percent.

SEC. 117. *None of the funds appropriated in this Act or otherwise available to the Department of the Treasury or the Bureau of Engraving and Printing may be used to redesign the \$1 Federal Reserve note.*

SEC. 118. *The Secretary of the Treasury may transfer funds from the "Bureau of the Fiscal Service-Salaries and Expenses" to the Debt Collection Fund as necessary to cover the costs of debt collection: Provided, That such amounts shall be reimbursed to such salaries and expenses account from debt collections received in the Debt Collection Fund.*

SEC. 119. *None of the funds appropriated or otherwise made available by this or any other Act may be used by the United States Mint to construct or operate any museum without the prior notification of the Committees on Appropriations of the House of Representatives and the Senate, the House Committee on Financial Services, and the Senate Committee on Banking, Housing, and Urban Affairs.*

SEC. 120. *None of the funds appropriated or otherwise made available by this or any other Act or source to the Department of the Treasury, the Bureau of Engraving and Printing, and the United States Mint, individually or collectively, may be used to consolidate any or all functions of the Bureau of Engraving and Printing and the United States Mint without the advance notification of the House Committee on Financial Services; the Senate Committee on Banking, Housing, and Urban Affairs; and the Committees on Appropriations of the House of Representatives and the Senate.*

SEC. 121. *Funds appropriated by this Act, or made available by the transfer of funds in this Act, for the Department of the Treasury's intelligence or intelligence related activities*

are deemed to be specifically authorized by the Congress for purposes of section 504 of the National Security Act of 1947 (50 U.S.C. 414) during fiscal year 2018 until the enactment of the Intelligence Authorization Act for Fiscal Year 2018.

SEC. 122. Not to exceed \$5,000 shall be made available from the Bureau of Engraving and Printing's Industrial Revolving Fund for necessary official reception and representation expenses.

SEC. 123. The Secretary of the Treasury shall submit a Capital Investment Plan to the Committees on Appropriations of the Senate and the House of Representatives not later than 30 days following the submission of the annual budget submitted by the President: *Provided, That such Capital Investment Plan shall include capital investment spending from all accounts within the Department of the Treasury, including but not limited to the Department-wide Systems and Capital Investment Programs account, Treasury Franchise Fund account, and the Treasury Forfeiture Fund account: Provided further, That such Capital Investment Plan shall include expenditures occurring in previous fiscal years for each capital investment project that has not been fully completed.*

SEC. 124. (a) Not later than 60 days after the end of each quarter, the Office of Financial Stability and the Office of Financial Research shall submit reports on their activities to the Committees on Appropriations of the House of Representatives and the Senate, the Committee on Financial Services of the House of Representatives and the Senate Committee on Banking, Housing, and Urban Affairs.

(b) The reports required under subsection (a) shall include—

- (1) the obligations made during the previous quarter by object class, office, and activity;
- (2) the estimated obligations for the remainder of the fiscal year by object class, office, and activity;

(3) the number of full-time equivalents within each office during the previous quarter;

(4) the estimated number of full-time equivalents within each office for the remainder of the fiscal year; and

(5) actions taken to achieve the goals, objectives, and performance measures of each office.

(c) At the request of any such Committees specified in subsection (a), the Office of Financial Stability and the Office of Financial Research shall make officials available to testify on the contents of the reports required under subsection (a).

SEC. 125. Within 45 days after the date of enactment of this Act, the Secretary of the Treasury shall submit an itemized report to the Committees on Appropriations of the House of Representatives and the Senate on the amount of total funds charged to each office by the Franchise Fund including the amount charged for each service provided by the Franchise Fund to each office, a detailed description of the services, a detailed explanation of how each charge for each service is calculated, and a description of the role customers have in governing in the Franchise Fund.

SEC. 126. During fiscal year 2018—

(1) none of the funds made available in this or any other Act may be used by the Department of the Treasury, including the Internal Revenue Service, to issue, revise, or finalize any regulation, revenue ruling, or other guidance not limited to a particular taxpayer relating to the standard which is used to determine whether an organization is operated exclusively for the promotion of social welfare for purposes of section 501(c)(4) of the Internal Revenue Code of 1986 (including the proposed regulations published at 78 Fed. Reg. 71535 (November 29, 2013)); and

(2) the standard and definitions as in effect on January 1, 2010, which are used to make such determinations shall apply after the date of the

enactment of this Act for purposes of determining status under section 501(c)(4) of such Code of organizations created on, before, or after such date.

SEC. 127. *Amendments to Community Development Financial Institutions Bond Program. Section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4713a) is amended—*

(a) in subsection (c)(2) by striking ", multiplied by an amount equal to the outstanding principal balance of issued notes or bonds"; and

(b) in subsection (e)(2)(B) by striking "\$100,000,000" and inserting "\$50,000,000".

SEC. 128. *Notwithstanding paragraph (2) of section 402(c) of the Helping Families Save their Homes Act of 2009, in utilizing funds made available by paragraph (1) of section 402(c) of such Act, the Special Inspector General for the Troubled Asset Relief Program shall prioritize the performance of audits or investigations of any program that is funded in whole or in part by funds appropriated under the Emergency Economic Stabilization Act of 2008, to the extent that such priority is consistent with other aspects of the mission of the Special Inspector General.*

Mandatory Funding Levels for the FY 2018 President's Budget – Treasury Chapter

(Dollars in Millions, Includes Legislative Proposals)

Appropriations (Dollars in Millions)	FY 2016 Actual	FY 2017 Estimated	Estimated	FY 2018 \$ Change	% Change
Payment to the Resolution Funding Corporation	2,628	2,628	2,628	0	0.0%
Interest on Uninvested Funds	3	12	12	0	0.0%
Restitution of Forgone Interest	2,687	0	0	0	0.0%
Federal Interest Liabilities to States	0	1	1	0	0.0%
Interest Paid to Credit Financing Accounts	7,377	10,608	11,152	544	5.1%
Refunding Internal Revenue Collections, Interest	1,530	1,424	1,996	572	40.2%
Interest on Public Debt	429,963	474,506	505,577	31,071	6.5%
Other Interest	(45,197)	(47,267)	(49,206)	(1,939)	4.1%
INTEREST PAYMENTS	\$398,991	\$441,912	\$472,160	\$30,248	6.8%
MANDATORY ACCOUNTS					
Build America Bond Payments, Recovery Act	3,646	3,634	3,903	269	7.4%
Capital Magnet Fund, Community Development Financial Institutions	93	118	8	(110)	-93.2%
Check Forgery Insurance Fund	9	10	10	0	0.0%
Cheyenne River Sioux Tribe Terrestrial Wildlife Habitat Restoration Trust Fund	1	1	1	0	0.0%
Claims, Judgments, and Relief Acts	4,795	2,255	2,255	0	0.0%
Community Development Financial Institutions Fund Program Account	5	1	0	(1)	-100.0%
Comptroller of the Currency	1,170	1,133	1,228	95	8.4%
Continued Dumping and Subsidy Offset	53	40	40	0	0.0%
Exchange Stabilization Fund	55	57	80	23	40.4%
Federal Financing Bank	1,905	1,954	2,388	434	22.2%
Federal Reserve Bank Reimbursement Fund	496	580	586	6	1.0%
Financial Agent Services	726	792	800	8	1.0%
Financial Research Fund	104	87	68	(19)	-21.8%
Fiscal Service	141	172	176	4	2.3%
Grants for Specified Energy Property in Lieu of Tax Credits, Recovery Act	126	978	300	(678)	-69.3%
GSE Mortgage-backed Securities Purchase Program Account	3	3	2	(1)	-33.3%
Gulf Coast Restoration Trust Fund	133	295	177	(118)	-40.0%
Hope Reserve Fund	50	114	0	(114)	-100.0%
Informant Payments	42	50	54	4	8.0%
Internal Revenue Collections for Puerto Rico	417	384	369	(15)	-3.9%
IRS Miscellaneous Retained Fees	380	431	497	66	15.3%
Office of Financial Stability	153	107	83	(24)	-22.4%
Payment of Government Losses in Shipment	1	1	1	0	0.0%
Payment to Issuer of New Clean Renewable Energy Bonds	38	37	40	3	8.1%
Payment to Issuer of Qualified Energy Conservation Bonds	36	36	39	3	8.3%
Payment to Issuer of Qualified School Construction Bonds	746	740	795	55	7.4%
Payment to Issuer of Qualified Zone Academy Bonds	58	58	62	4	6.9%
Payment Where Alternative Minimum Tax Credit Exceeds Liability for Tax	2	0	0	0	0.0%
Payment Where American Opportunity Credit Exceeds Liability for Tax	3,993	4,021	4,042	21	0.5%
Payment Where Certain Tax Credits Exceed Liability for Corporate Tax	108	857	856	(1)	-0.1%
Payment Where Child Tax Credit Exceeds Liability for Tax	20,188	20,193	19,894	(299)	-1.5%
Payment Where Earned Income Credit Exceeds Liability for Tax	60,580	60,943	61,083	140	0.2%
Payment Where Health Coverage Tax Credit Exceeds Liability for Tax	12	21	32	11	52.4%
Payment Where Small Business Health Insurance Tax Credit Exceeds Liability for Tax	15	16	14	(2)	-12.5%
Presidential Election Campaign Fund	29	49	53	4	8.2%
Private Collection Agent Program	0	15	60	45	300.0%
Refundable Premium Tax Credit and Cost Sharing Reductions	30,827	40,129	42,930	2,801	7.0%
Reimbursements to Federal Reserve Banks	129	148	149	1	0.7%
Small Business Lending Fund Program Account	6	12	13	1	8.3%
Terrorism Insurance Program	2	48	133	85	177.1%
Travel Promotion Fund	93	93	0	(93)	-100.0%
Treasury Forfeiture Fund	(2,612)	1,390	1,385	(5)	-0.4%
Troubled Asset Relief Program Account	548	10	0	(10)	-100.0%
Troubled Asset Relief Program Equity Purchase Program	125	6	0	(6)	-100.0%
Subtotal, MANDATORY ACCOUNTS	\$129,427	\$142,019	\$144,606	\$2,587	1.8%
<i>Offsets:</i>					
Treasury Mandatory Offsetting Receipts	(17,649)	(29,454)	(23,413)	6,041	-20.5%
TOTAL, DEPARTMENT OF THE TREASURY	\$510,769	\$554,477	\$593,353	\$38,876	7.0%

Total Treasury Department Mandatory Budget

The Treasury Department Mandatory Budget includes \$593 billion dollars in interest payments, mandatory accounts, and offsetting receipts (offsets). These accounts and the estimated budget authority are summarized above. Account totals include the effects of FY 2018 policy proposals. For more detailed descriptions of each account, please see the Department of the Treasury chapter in the FY 2018 Appendix, Budget of the U.S. Government at:

<http://www.whitehouse.gov/omb/budget>.

Interest Payments - \$472 billion

These are permanent, indefinite funds for interest payments. This includes Interest on the Public Debt, which consists of all interest paid on Treasury securities and sold to the public and to Federal Government trust Funds, revolving funds and deposit funds. Treasury interest payment accounts also consist of Refunds on Internal Revenue Collections interest, Interest on Uninvested Funds, Interest paid to Credit Financing Accounts, Federal Interest Liabilities to the States, and Payments to the Resolution Funding Corporation.

Mandatory Accounts - \$145 billion

These are accounts for which the Congress has given the Department of Treasury permanent authority to expend funds as appropriations. These include appropriations that fund a number of programs under Treasury jurisdiction such as the Terrorism Risk Insurance Program and the Treasury Forfeiture Fund. Other accounts that fall under mandatory programs include all Internal Revenue Service refundable tax credit accounts, certain user fees, and informant payments, as well as Grants for Specified Energy Property. The Department is also a custodian for a number of government accounts and funds listed in this section and further detailed in the FY 2018 Appendix, Budget of the U.S. Government.

Offsetting Receipts - \$23 billion

Offsets include payments to the Government that are not credited directly to expenditure accounts. These receipts offset gross budget authority and outlays at the agency or bureau level.

Treasury's offsetting receipts accounts include the non-budgetary accounts that record all cash flows to and from the Government resulting from direct loans obligated in 2008 and beyond (including modifications of direct loans that resulted from obligations in any year).

FY 2017 Enacted Levels

Dollars in Thousands

	FY 2016	FY 2017	FY 2017	FY 2018	FY 2017 CR to FY 2018	
	Enacted	Annualized CR Rate	Omnibus ¹	Request	Increase/ Decrease	Percent Change
Management & Financial	\$1,404,653	\$1,401,983	\$1,473,456	\$1,122,000	(\$279,983)	-19.97%
Departmental Offices Salaries and Expenses	\$222,500	\$222,077	\$224,376	\$201,751	(\$20,326)	-9.15%
Terrorism and Financial Intelligence (TFI)	\$117,000	\$116,778	\$123,000	\$116,778	\$0	0.00%
Cybersecurity Enhancement	\$0	\$0	\$47,743	\$27,264	\$27,264	100.00%
Department-wide Systems and Capital Investments Program	\$5,000	\$4,990	\$3,000	\$4,426	(\$564)	-11.30%
Office of Inspector General	\$35,416	\$35,349	\$37,044	\$34,112	(\$1,237)	-3.50%
Treasury IG for Tax Administration	\$167,275	\$166,957	\$169,634	\$161,113	(\$5,844)	-3.50%
Special Inspector General for TARP	\$40,671	\$40,594	\$41,160	\$20,297	(\$20,297)	-50.00%
Community Development Financial Institutions Fund	\$233,523	\$233,079	\$248,000	\$14,000	(\$219,079)	-93.99%
Financial Crimes Enforcement Network	\$112,979	\$112,764	\$115,003	\$112,764	\$0	0.00%
Alcohol and Tobacco Tax and Trade Bureau	\$106,439	\$106,237	\$111,439	\$98,658	(\$7,579)	-7.13%
Bureau of the Fiscal Service	\$363,850	\$363,158	\$353,057	\$330,837	(\$32,321)	-8.90%
Tax Administration²	\$11,235,000	\$11,213,642	\$11,235,000	\$10,975,000	(\$238,642)	-2.13%
IRS Taxpayer Services	\$2,333,376	\$2,328,940	\$2,333,376	\$2,212,311	(\$116,629)	-5.01%
IRS Enforcement	\$4,714,936	\$4,855,688	\$4,864,936	\$4,706,500	(\$149,188)	-3.07%
IRS Operations Support	\$3,896,688	\$3,739,565	\$3,746,688	\$3,946,189	\$206,624	5.53%
IRS Business Systems Modernization	\$290,000	\$289,449	\$290,000	\$110,000	(\$179,449)	-62.00%
Subtotal, Treasury Appropriations excluding TEOAF	\$12,639,653	\$12,615,625	\$12,708,456	\$12,097,000	(\$518,625)	-4.11%
Treasury Forfeiture Fund Total ³	(\$876,000)	(\$876,000)	(\$1,302,000)	(\$876,000)	\$0	0.00%
Temporary Rescission	(\$876,000)	(\$876,000)	(\$988,000)		\$876,000	-100.00%
Permanent Rescission			(\$314,000)	(\$876,000)	(\$876,000)	0.00%
Subtotal, Treasury Appropriations including TEOAF	\$11,763,653	\$11,739,625	\$11,406,456	\$11,221,000	(\$518,625)	-4.42%
Treasury International Programs	\$2,313,470	\$2,309,072	\$1,800,577	\$1,505,953	(\$803,119)	-34.78%
Multilateral Development Banks	\$1,816,477	\$1,813,024	\$1,571,014	\$1,348,123	(\$464,901)	-25.64%
Food Security	\$74,930	\$74,787	\$53,000	\$30,000	(\$44,787)	-59.89%
Environmental Trust Funds	\$398,563	\$397,806	\$146,563	\$102,375	(\$295,431)	-74.27%
Office of Technical Assistance (OTA)	\$23,500	\$23,455	\$30,000	\$25,455	\$2,000	8.53%
Total, Treasury Appropriations	\$14,077,123	\$14,048,697	\$13,207,033	\$12,726,953	(\$1,321,744)	-9.41%

1/ The omnibus was passed after the budget was completed. It is presented here for the readers' convenience.

2/ The IRS was provided with \$290 million in funding in its administrative provisions. This table shows that funding as allocated.

FY 2016/2017: \$176.8 million Taxpayer Services, \$4.9 million Enforcement, and \$108.2 million Operations Support.

3/ In FY 2016 and FY 2017 CR, total includes (\$176,000,000) of the DHS Rescission (temporary). FY 2017 Omnibus, total includes (\$187,000,000) of the DHS Rescission (temporary).