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,

Steven T. Mnuchin

Steven T. Mnuchin

FY 2018 EXECUTIVE SUMMARY

CONGRESSIONAL JUSTIFICATION FOR APPROPRIATIONS AND ANNUAL PERFORMANCE REPORT AND PLAN

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	FY 2017 CR to FY 2018 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%
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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 Administration[1]	$11,235,000	$11,213,642	$10,975,000	($238,642)	-2.13%
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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%
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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)

	2016 Actual			2017 Annualized CR Rate			2018 President's Budget		
Appropriation	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.

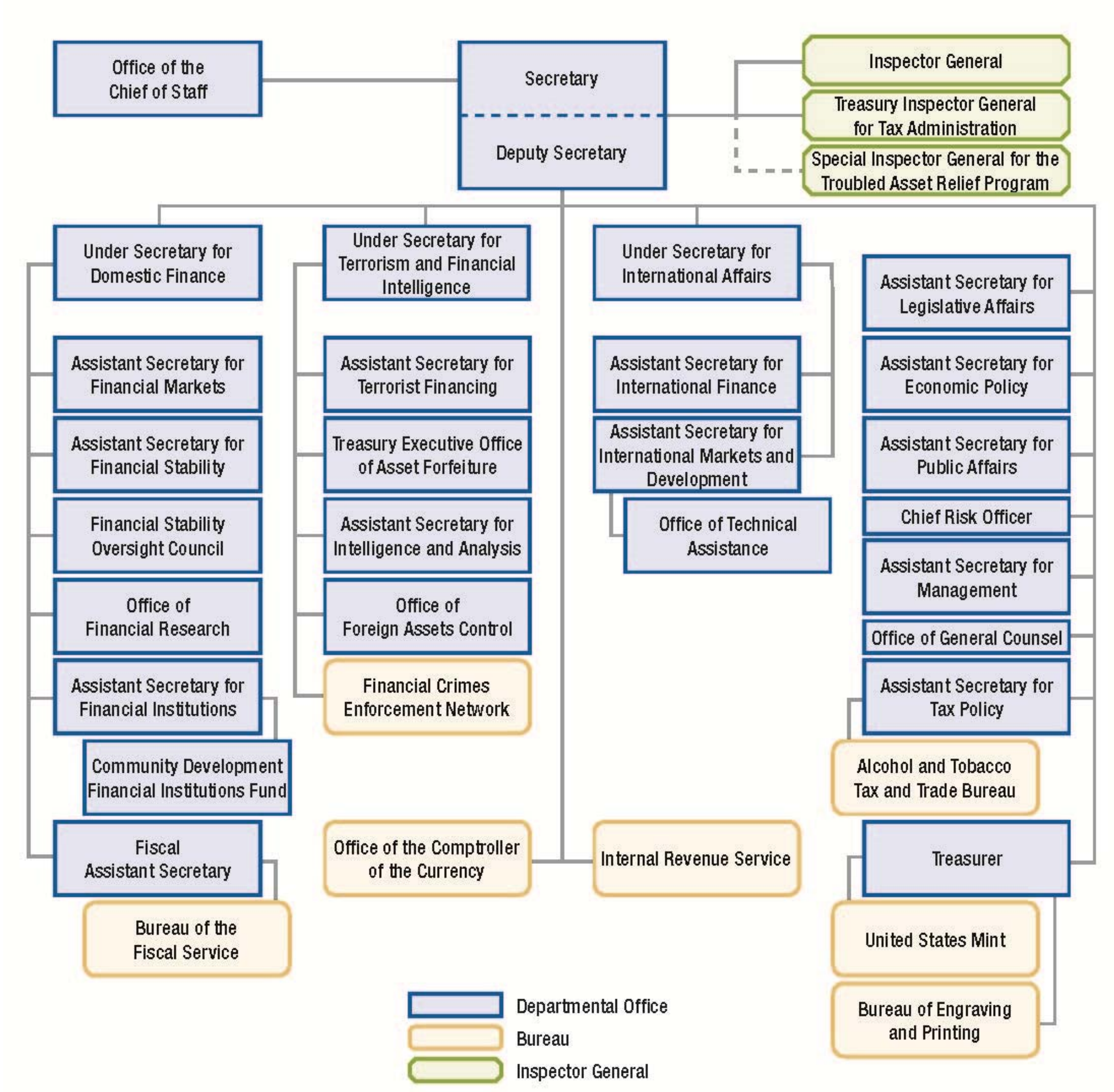
Summary of FY 2018 Increases and Decreases

(Dollars in Thousands)

	DO	TFI	Cyber	DSCIP	OIG	TIGTA	SIGTARP	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	$2,315	-	-	$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	-	($2,315)	-	-	-	-	-	-	($1,206)	($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)	($219,079)	($1,070)	($9,111)	($22,467)	($638,126)	($946,714)	-	($946,714)
Program Increases	-	-	$27,264	$4,426	-	-	-	-	-	-	-	$179,449	$211,139	-	$211,139
Subtotal, Program Changes	**($24,610)**	**$0**	**$27,264**	**$4,426**	**($1,966)**	**($9,179)**	**($21,106)**	**($219,079)**	**($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**	**$14,000**	**$112,764**	**$98,658**	**$330,837**	**$10,975,000**	**$12,097,000**	**($876,000)**	**$11,221,000**

Organization

Treasury is organized into the Departmental Offices, seven bureaus, and three inspectors general. The Department Offices are primarily responsible for policy formulation, while the bureaus are the operating units of the organization.



***D*EPARTMENTAL *O*FFICES**

- Domestic Finance works to preserve confidence in the U.S. Treasury securities market, effectively manage federal fiscal operations, strengthen financial institutions and markets, promote access to credit, and improve financial access and education in service of America's long-term economic strength and stability.

- Terrorism and Financial Intelligence (TFI) uses Treasury's unique financial intelligence, expertise, and authorities to disrupt and disable terrorists, criminals, and other national security and foreign policy threats to the United States and to protect the U.S. and international financial systems from abuse.

- International Affairs protects and supports U.S. economic prosperity and national security by working to foster the most favorable external environment for sustained employment and economic growth.

- Tax Policy develops and implements tax policies and programs, reviews regulations and rulings to administer the Internal Revenue Code, negotiates tax treaties, and provides economic and legal policy analysis for domestic and international tax policy decisions. Tax Policy also provides revenue estimates for the President's Budget.

- Economic Policy reports on current and prospective economic developments and assists in the determination of appropriate economic policies. The office is responsible for the review and analysis of domestic economic issues and developments in the financial markets.

- The Treasurer of the United States oversees the U.S. Mint and Bureau of Engraving and Printing, chairs the Advanced Counterfeit Deterrence Steering Committee, and is a key liaison with the Federal Reserve. In addition, the Treasurer serves as a senior advisor to the Secretary in the areas of community development and public engagement.

- The Office of Management, including the Chief Financial Officer (CFO), manages the Department's financial resources and oversees Treasury-wide programs, including human capital, information technology, acquisition, and diversity and inclusion.

- Other offices within Departmental Offices include General Counsel, Legislative Affairs, and Public Affairs.

- Three Inspectors General – the Office of Inspector General (OIG), the Treasury Inspector General for Tax Administration (TIGTA), and the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) – provide independent audits, investigations, and oversight of Treasury and its programs.

Bureaus

- The Alcohol and Tobacco Tax and Trade Bureau (TTB) collects federal excise taxes on alcohol, tobacco, firearms, and ammunition and is responsible for enforcing and administering laws covering the production, use, and distribution of alcohol products.

- The Bureau of Engraving and Printing (BEP) develops and produces U.S. currency notes that are trusted worldwide.

- The Financial Crimes Enforcement Network (FinCEN) safeguards the financial system from illicit use, combats money laundering, and promotes national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

- The Bureau of the Fiscal Service (Fiscal Service) provides central payment services to federal program agencies, operates the U.S. government's collections and deposit systems, delivers administrative shared services to federal agencies, provides government-wide accounting and reporting services, manages the collection of delinquent debt owed to the U.S. government, borrows the money needed to operate the U.S. government through the sale of marketable, savings, and special-purpose U.S. Treasury securities (including the state and local government series), and accounts for and services the public debt.

- The Internal Revenue Service (IRS) is the largest of our bureaus and determines, assesses, and collects tax revenue in the United States.

- The United States Mint (U.S. Mint) designs, mints, and issues U.S. circulating and bullion coins; prepares and distributes numismatic coins and other items; and strikes Congressional Gold Medals and other medals of national significance. The U.S. Mint maintains physical custody and protection of most of the Nation's gold and all of its silver assets.

- The Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises national banks and federal savings associations (thrifts) to ensure that they operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations. The OCC also supervises federal branches and agencies of foreign banks and has rule-making authority for all savings associations.

Treasury Strategic Framework

The Government Performance and Results Act (GPRA) of 1993 and the *GPRA Modernization Act of 2010* require federal agencies to publish strategic plans every four years, aligning to the Administration transition, and establish the need for agencies to identify performance goals, report progress against targets, and conduct data-driven reviews. When done well, these practices serve two key purposes for stakeholders within and outside of the organization: to assess the organization's health and impact and to inform decision-making and strategy, including effective resource allocation. In this spirit, we developed a strategic framework supported by using best-in-class organizational performance practices to ultimately help achieve its strategic goals. Currently, we are developing Treasury's FY 2018-2022 Strategic Plan.

Treasury Organizational Performance Review Cycle

Treasury's organizational performance reviews provide a regular forum for open dialogue and coordination between Department and bureau and office leadership, bringing together different perspectives to set and align priorities, identify and solve problems, review agency performance goals and drive results. The cycle integrates statutory requirements to conduct quarterly performance reviews of agency goals and a Strategic Objective Annual Review (SOAR), which analyzes cross-cutting performance and designates a set of strategic objectives as making "Noteworthy Progress" or as "Focus Area for Improvement."

	Fall	Winter	Spring	Summer
Focus	**Performance**	**Strategic Objective Annual Review (SOAR)**	**Performance**	**Budget**
Goals/Outcomes	• Gain a shared understanding of prior year's performance at the bureau/office level • Set priorities for current year • Recognize successes	• Evaluate cross-agency progress toward strategic objectives • Identify strategic shifts/ validate Treasury priorities • Outline potential topics for annual FedStat meeting with OMB	• Introduction of bureau/office to new leadership • Assess progress on priorities • Surface problems or assistance needed • Recognize successes	• Connect priorities to future funding • Explore performance impacts • Strengthen IT acquisition budgeting accountability

To close out the FY 2014-2017 strategic plan, we used the FY 2017 SOAR to identify focus areas that will likely become priorities in the FY 2018-2022 strategic plan (including tax reform, financial transparency, and data-driven decision-making). In addition, we completed a scan of Treasury's internal and external environment to identify proposed goals and objectives. The annual performance plan will be updated in FY 2019 to reflect the final strategic plan.

In addition to these department-level reviews, bureaus and offices validate performance data each quarter and many run their own internal performance reviews.[1]

1 The FY 2016 Verification and Validation Report is available at: https://www.treasury.gov/about/budget-performance/Pages/index.aspx

Summary of Management and Performance Challenges

OIG and TIGTA have identified the most significant management and performance challenges facing the Department, in accordance with the *Reports Consolidation Act of 2000*. These challenges do not necessarily indicate deficiencies in performance; some represent inherent risks that require continuous monitoring. Refer to Section D of *Part 3, Other Information*, in the FY 2016 Treasury Agency Financial Report (AFR) for a detailed discussion of these challenges, including our progress toward addressing them.[2] GAO releases a government –wide high-risk list every two years. Treasury has shared responsibility for one risk area and lead responsibility in another.

- **OIG- IDENTIFIED MANAGEMENT CHALLENGES**
- Cyber Threats
- Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments
- Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement
- Management of Treasury's Authorities Intended to Support and Improve the Economy
- **TIGTA- IDENTIFIED MANAGEMENT CHALLENGES**
- Security Over Taxpayer Data and Protection of IRS Resources
- Identity Theft and Impersonation Fraud
- Implementing the Affordable Care Act and Other Tax Law Changes
- Improving Tax Compliance
- Reducing Fraudulent Claims and Improper Payments
- Improving Tax Systems and Expanding Online Services
- Providing Quality Taxpayer Services Operations
- Impact of Global Economy on Tax Administration
- Protecting Taxpayer Rights
- Achieving Program Efficiencies and Cost Savings
- **GAO- IDENTIFIED HIGH-RISK AREAS**
- Modernizing the U.S. Financial Regulatory System and the Federal Role in Housing Finance
- Enforcement of Tax Laws

[2] The FY 2016 Annual Financial Report is available at: https://www.treasury.gov/about/budget-performance/annual-performance-plan/Documents/FY16%20AFR%20(508)_FINAL.pdf

FY 2017 Enacted Levels

Dollars in Thousands

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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%
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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 Ominibus, total includes ($187,000,000) of the DHS Rescission (temporary).

Department of the Treasury
Internal Revenue Service

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

1A – Mission Statement

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

1.1 – Appropriations Detail Table

Dollars in Thousands

Internal Revenue Service Appropriated Resources	FY 2016 Enacted[1]		FY 2017 Annualized CR[2]		FY 2018 Request		Change FY 2017 to FY 2018 Request		% Change FY 2017 to FY 2018 Request	
New Appropriated Resources:	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Taxpayer Services	**28,316**	**$2,333,376**	**28,455**	**$2,328,940**	**24,392**	**$2,212,311**	**(4,063)**	**($116,629)**	**-14.28%**	**-5.01%**
Pre-Filing Taxpayer Assistance and Education	5,009	620,338	4,978	625,829	4,458	600,717	(520)	(25,112)	-10.45%	-4.01%
Filing and Account Services	23,307	1,713,038	23,477	1,703,111	19,934	1,611,594	(3,543)	(91,517)	-15.09%	-5.37%
Enforcement	**37,564**	**$4,714,936**	**36,349**	**$4,855,688**	**35,049**	**$4,706,500**	**(1,300)**	**($149,188)**	**-3.58%**	**-3.07%**
Investigations	3,184	596,417	3,126	624,462	2,893	606,747	(233)	(17,715)	-7.45%	-2.84%
Exam and Collections	33,426	3,981,257	32,251	4,083,908	31,199	3,967,808	(1,052)	(116,100)	-3.26%	-2.84%
Regulatory	954	137,262	972	147,318	957	131,945	(15)	(15,373)	-1.54%	-10.44%
Operations Support	**11,078**	**$3,896,688**	**11,441**	**$3,739,565**	**11,365**	**$3,946,189**	**(76)**	**$206,624**	**-0.66%**	**5.53%**
Infrastructure	-	848,191	-	861,229	-	860,643	-	(586)	N/A	-0.07%
Shared Services and Support	4,861	1,110,811	4,981	1,014,139	4,871	1,011,411	(110)	(2,728)	-2.21%	-0.27%
Information Services	6,217	1,937,686	6,460	1,864,197	6,494	2,074,135	34	209,938	0.53%	11.26%
Business Systems Modernization	**442**	**$290,000**	**593**	**$289,449**	**229**	**$110,000**	**(364)**	**($179,449)**	**-61.38%**	**-62.00%**
Subtotal New Appropriated Resources	**77,400**	**$11,235,000**	**76,838**	**$11,213,642**	**71,035**	**$10,975,000**	**(5,803)**	**($238,642)**	**-7.55%**	**-2.13%**
Other Resources:										
Reimbursables	640	104,358	684	116,286	711	122,099	27	5,813	3.95%	5.00%
Offsetting Collections - Non Reimbursables	-	19,212	-	28,134	-	29,541	-	1,407	N/A	5.00%
User Fees	524	343,642	170	503,076	164	525,650	(6)	22,574	-3.53%	4.49%
Recovery from Prior Years	-	27,751	-	4,773	-	-	-	(4,773)	N/A	-100.00%
Unobligated Balances from Prior Years	-	451,869	-	374,465	-	268,875	-	(105,590)	N/A	-28.20%
Transfers In/Out[3]	-	126	-	-	-	-	-	-	N/A	N/A
Resources from Other Accounts[4]	2	-	-	-	-	-	-	-	N/A	N/A
Subtotal Other Resources	**1,166**	**$946,958**	**854**	**$1,026,734**	**875**	**$946,165**	**21**	**($80,569)**	**2.46%**	**-7.85%**
Total Budgetary Resources	**78,566**	**$12,181,958**	**77,692**	**$12,240,376**	**71,910**	**$11,921,165**	**(5,782)**	**($319,211)**	**-7.44%**	**-2.61%**

[1]FY 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.

[2]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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution. FY 2017 Annualized CR 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.

[3]Resources 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 of $7,000).

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

1B – Summary of the Request

FY 2018 Budget Request

The IRS FY 2018 President's Budget request is $10.975 billion, $239.6 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 will:

- Assist taxpayers with tax questions before they file to prevent inadvertent noncompliance and reduce burdensome post-filing notices and other correspondence from the IRS.
- Print forms and publications, process tax returns, offer filing and account services, ensure the availability of taxpayer assistance, and provide taxpayer advocacy services.
- Review tax returns, both domestic and international. Leverage data and behavioral analytics to target the most effective non-compliance work in collection and enforcement while delivering a compressed, efficient enforcement cycle with early, upfront error detection and resolution.
- Address the increasing number of cybersecurity threats by modernizing systems to protect taxpayer information.
- Refresh aged IT infrastructure to ensure the integrity and continued operation of the tax administration system.
- Recruit top talent and retain our most valuable resource, our people, using tools like the requested streamlined critical pay authority (see section 1E – Legislative Proposals).

The Budget includes resources to retain key personnel and align the IRS workforce for the future. There is no more critical challenge at the IRS than delivering a smooth filing season. This is achieved each year because of the dedication, talent, and experience of IRS employees.

The Budget invests in IT infrastructure modernization. With the growing reliance on IT as an integral part of the solution to provide improved taxpayer services and enforcement, the IRS must continue to modernize to harness new information delivery models and manage data. Infrastructure modernization is necessary to increase agility, efficiency, and service quality, ultimately reducing operational cost.

The IRS will strive to modernize infrastructure using business process reengineering, system virtualization, data center consolidation, and adherence to hardware and software standards. The long-term dividends of upgrading the infrastructure and systems include: reducing the number of computer rooms by replacing old servers with new, energy efficient, more compact servers; advancing IT hardware and software development for creating a web-based, digital communications channel that allows taxpayers and the IRS to communicate directly via secure messages and secure live capabilities; allowing the IRS to improve the management and tracking of records; allowing real time access to records for quicker response times; improving security and safeguard records from loss; providing reliable disaster recovery capabilities through automation; and allowing the IRS to keep pace with new industry standards.

Strategic Plan

The Department of the Treasury is in the process of developing a new strategic plan for fiscal years 2018 – 2022 in accordance with the Government Performance and Results Act (GPRA) Modernization Act of 2010. The IRS will publish its FY 2018 - FY 2022 Strategic Plan by June 2018. The IRS is soliciting input on the plan from its employees as well as from external stakeholders. The plan will serve as a roadmap to guide its operations to meet the changing needs and expectations of taxpayers and those in the tax community who serve them.

Return on Investment

The IRS remains one of the most cost-effective investments in the federal government and resources invested in the IRS increase revenue collections. This unique and critical role is vital to the functioning of the U.S. Government and to keeping the nation and economy strong. In 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.

As collections continue to increase, the IRS remains one of the most efficient tax administrators in the world. For every $100 collected in taxes, the IRS spends only thirty-five cents. The IRS enforcement programs collected more than $54.3 billion in FY 2016, a return on investment (ROI) of about $5 to $1. The ROI estimate does not include the revenue effect of the deterrence value of these investments and other IRS enforcement programs

2016 Filing Season

Through months of planning and collaboration with key stakeholders, the IRS delivered a successful 2016 filing season and opened on time on January 19, 2016. The IRS increased its staffing for taxpayer telephone service operations to address demand and provide a higher level of service (LOS) during the filing season. To prepare for the 2016 filing season, during the summer and fall of 2015, the IRS revised 635 tax products, including the tax provisions in Protecting Americans from Tax Hikes (PATH) Act of 2015, and implemented more than 400 changes to more than 150 different tax products.

FY 2016 Tax Stats At-A-Glance	
Total Returns Processed	202 million
Total Returns and Other Forms Processed	244.9 million
Total Revenue Collected	$3.3 trillion
Enforcement Revenue Collected	$54.3 billion
Total Refunds and Outlays	$426 billion
Average Individual Refund	$2,795
E-File Rate – Individual	86.4%
E-File Rate – Business	50.0%
IRS.gov Page Views	1.9 billion
"*Where's My Refund?*" Usage	299.6 million
Number of Downloads from IRS.gov	121.5 million

Other highlights from the 2016 filing season include:

- Delivered a filing season telephone LOS of 72.1 percent, a substantial improvement over the 37.4 percent delivered during the 2015 filing season.
- Answered more than 13.1 million calls, 5.3 million more calls than in 2015. The average speed of answer was 11 minutes, compared to 23 minutes in the 2015.
- Received more than 136.5 million individual returns, 1.7 percent more than last year. Electronically filed returns increased by 2.6 percent and accounted for 89.8 percent of the returns filed.
- Received more than 29.9 million business returns, 3.2 percent more than in 2015.
- Filed more than 17.5 million business returns electronically, an increase of 7.6 percent from 2015.
- Issued more than 97 million refunds for a total of $263 billion, with an average refund of $2,711, of which 83.7 percent were direct-deposit.
- Worked with our Security Summit partners from state tax agencies and the broader tax community to add extra layers of security protection for the filing season.
- Launched *Finding Out How Much You Owe* on IRS.gov, which provides information to taxpayers with straightforward balance inquiries in a secure, easy, and convenient way. In the first month after its launch in late 2016, taxpayers checked their account balance nearly 54,000 times, and made more than 6,700 tax payments, worth more than $21 million, through *Direct Pay*.
- Released the 100th IRS eBook for mobile devices in the ePub format.
- Expanded appointment services to all IRS Taxpayer Assistance Centers (TAC). Before 2015, TACs served taxpayers face to-face on a first-come, first-served model resulting in long lines of taxpayers waiting for service, especially during tax filing season. The IRS initiated an appointment-service by expanding appointments to 376 TAC sites and 28 virtual sites located in external partner offices. This expansion resulted in fewer on-site contacts and shorter wait times with more than 91 percent of

taxpayers receiving help within 30 minutes. In addition, more than half of the taxpayers who called to make an appointment were able to resolve their issue immediately, thereby saving a visit to the assistance center.

- Launched new online tools allowing taxpayers and third parties to communicate and transact with the IRS securely and faster.
- Stopped $4 billion in fraudulent refunds claimed by identity thieves on 787,000 tax returns through new screening criteria.
- Registered nearly 190,000 financial institutions in compliance with the Foreign Account Tax Compliance Act (FATCA), while more than 5,000 financial institutions have enrolled in the International Data Exchange Service to submit FATCA returns to the IRS.

2017 Filing Season

The IRS recently completed a successful 2017 filing season on April 22, 2017. During this 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. The IRS.gov web site was visited more than 312 million times and taxpayers used the *Where's My Refund?* tool over 246 million times. Filing season LOS reached 79 percent, its highest level since 2007. Assistors answered nearly 10 million calls, and another 18 million calls were answered through automated systems.

1.2 – Budget Adjustments Table

Dollars in Thousands

Internal Revenue Service	FTE	Amount
FY 2017 Annualized CR	**76,838**	**$11,213,642**
Changes to Base:		
Maintaining Current Levels (MCLs)	**-**	**$220,035**
Pay Raise	-	122,449
Pay Annualization	-	44,877
Non-Pay Inflation Adjustment	-	52,709
Resource Adjustments	**-**	**-**
Base Realignment for Support Services	-	-
Adjustments for Administrative Provision Section 113	-	-
Subtotal Changes to Base	**-**	**$220,035**
Total FY 2018 Base	**76,838**	**$11,433,677**
Program Changes:		
Program Increase:		
Realignment to Support Aging IT Infrastructure	266	179,449
Program Decreases:		
Realignment to Support Aging IT Infrastructure	(355)	(179,449)
Actions to Achieve Workforce Management Goals	(5,714)	(458,677)
Subtotal Program Changes	**(5,803)**	**($458,677)**
Total FY 2018 Request	**71,035**	**$10,975,000**

1C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs)……………………………….+$220,035,000 / 0 FTE

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 Adjustment

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 Provisions 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 Increase………………………………………………...+$179,449,000 / +266 FTE

Aging IT Infrastructure +$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. Aging IRS infrastructure was elevated by the IRS Enterprise Risk Council has elevated aging IRS infrastructure to the highest priority corporate risk.

Program Decreases……………………………………………-$638,126,000 / -6,069 FTE

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 by $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.

1.3 – Operating Levels Table

Dollars in Thousands

Internal Revenue Service Object Classification	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
11.1 Full-Time Permanent Positions	5,818,431	5,825,793	5,721,269
11.3 Other than Full-Time Permanent Positions	75,720	79,141	50,034
11.5 Other Personnel Compensation	210,281	197,772	196,652
11.8 Special Personal Services Payments	26,219	24,603	24,698
11.9 Personnel Compensation (Total)	**6,130,651**	**6,127,309**	**5,992,653**
12.1 Personnel Benefits	2,097,850	2,177,172	2,108,974
13.0 Benefits to Former Personnel	46,199	50,344	51,357
Total Personnel and Compensation Benefits	**$8,274,700**	**$8,354,825**	**$8,152,984**
21.0 Travel	75,292	90,506	91,394
22.0 Transportation of Things	19,131	21,735	21,954
23.1 Rental Payments to GSA	592,529	587,370	597,175
23.2 Rent Payments to Others	12,323	12,495	12,679
23.3 Communications, Utilities, & Misc	296,236	350,714	352,957
24.0 Printing & Reproduction	28,353	27,866	28,380
25.1 Advisory & Assistance Services	785,522	913,116	732,898
25.2 Other Services	94,161	102,607	103,440
25.3 Purchase of Goods & Services from Govt. Accounts	172,185	180,423	176,548
25.4 Operation & Maintenance of Facilities	174,913	190,134	188,971
25.6 Medical Care	14,095	14,213	13,310
25.7 Operation & Maintenance of Equipment	70,418	75,298	75,995
26.0 Supplies and Materials	34,827	34,946	35,303
31.0 Equipment	313,749	206,399	347,309
32.0 Land and Structures	6,164	9,840	2,038
41.0 Grants, Subsidies	28,502	33,502	34,001
42.0 Insurance Claims & Indemnities	1,496	1,381	1,392
91.0 Unvouchered	2,484	6,272	6,272
Total Non-Personnel	**$2,724,380**	**$2,858,817**	**$2,822,016**
New Appropriated Resources	**$10,999,080**	**$11,213,642**	**$10,975,000**
Appropriations:			
Taxpayer Services	2,321,956	2,328,940	2,212,311
Enforcement	4,674,272	4,855,688	4,706,500
Operations Support	3,811,907	3,739,565	3,946,189
Business Systems Modernization	190,945	289,449	110,000
New Appropriated Resources	**$10,999,080**	**$11,213,642**	**$10,975,000**
FTE	**77,400**	**76,838**	**71,035**

This table includes total annually appropriated funding (actuals for FY 2016 and estimates for FY 2017 Annualized CR and FY 2018).

1D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY 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.* Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.	The IRS proposes a change in the Taxpayer Services appropriation language to allow some additional support costs to be incurred in the Taxpayer Services appropriations account so that the more accurate cost of providing taxpayer services is accurately reflected in the account.
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*	To help improve cost accounting the IRS proposes a change in the Enforcement appropriation language to allow some additional support costs for

$60,257,000 shall be for the Interagency Crime and Drug Enforcement program. Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.	enforcement to be incurred in the Enforcement appropriations account so that the more accurate cost of providing enforcement activities is accurately reflected in the account.
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*	The IRS proposes a change in the Operations Support appropriation language to allow to allow some additional support costs to be funded in the Taxpayer Services and Enforcement accounts.
$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.*	An increase of $50 million to $100 million in two-year authority is requested to correspond with the availability of the closely-linked BSM appropriation; to provide sufficient time for a robust IT lifecycle process including vision, strategy, solution, design, and development, thereby improving contracting outcomes; and to comply with a recent recommendation from the Treasury Inspector General for Tax Administration, "While Improvements Continue in Contract Negotiation Methods and Management Practices, Inconsistencies Need to Be Addressed."

Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

BUSINESS SYSTEMS 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.*

Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

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 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".***	The IRS requests Streamlined Critical Pay authority through September 30, 2021 to ensure the IRS is able to quickly recruit and retain IT professionals who can help protect taxpayer data from cyberattacks and modernize the IRS's IT infrastructure.

1E – Legislative Proposals

Streamlined Critical Pay Authority

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."

Section II – Budget and Performance Plan

Taxpayer Services

Appropriation Description

The Taxpayer Services appropriation provides funding for taxpayer service activities and programs. This includes printing forms and publications, processing tax returns and related documents, offering filing and account services, taxpayer assistance, and providing taxpayer advocacy services.

The Taxpayer Services budget request for FY 2018 is $2,212,311,000 in direct appropriations and 24,392 FTE. This is a decrease of $116,629,000, or 5 percent, and 4,063 fewer FTE than the FY 2017 Annualized Continuing Resolution level of $2,328,940,000 and 28,455 FTE.

The Department of the Treasury is developing a new strategic plan for FYs 2018 – 2022 in accordance with the GPRA Modernization Act of 2010. The plan is scheduled for publication in 2018. The Annual Performance Plan will be updated in the FY 2019 President's Budget to reflect new departmental strategic goals and objectives. The IRS will publish a component plan by summer 2018.

2.1 – Budget Adjustments Table

Dollars in Thousands

Taxpayer Services	FTE	Amount
FY 2017 Annualized CR	**28,455**	**$2,328,940**
Changes to Base:		
Maintaining Current Levels (MCLs)	**-**	**$46,342**
Pay Raise	-	31,005
Pay Annualization	-	11,363
Non-Pay Inflation Adjustment	-	3,974
Resource Adjustments	**-**	**$122,378**
Base Realignment for Support Services	-	90,000
Adjustments for Administrative Provision Section 113	-	32,378
Subtotal FY 2018 Changes to Base	**-**	**$168,720**
Total FY 2018 Base	**28,455**	**$2,497,660**
Program Changes:		
Program Decrease		
Actions to Achieve Workforce Management Goals	(4,063)	(285,349)
Subtotal Program Changes	**(4,063)**	**($285,349)**
Total FY 2018 Request	**24,392**	**$2,212,311**

2.2 – Operating Levels Table

Dollars in Thousands

Taxpayer Services Object Classification	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
11.1 Full-Time Permanent Positions	1,514,435	1,485,932	1,433,368
11.3 Other than Full-Time Permanent Positions	39,271	42,311	12,760
11.5 Other Personnel Compensation	84,246	67,128	68,444
11.8 Special Personal Services Payments	57	-	-
11.9 Personnel Compensation (Total)	**1,638,009**	**1,595,371**	**1,514,572**
12.1 Personnel Benefits	529,434	562,795	526,482
13.0 Benefits to Former Personnel	517	344	350
Total Personnel and Compensation Benefits	**$2,167,960**	**$2,158,510**	**$2,041,404**
21.0 Travel	8,751	12,464	12,335
22.0 Transportation of Things	713	621	635
23.3 Communications, Utilities, & Misc	1,204	1,246	1,275
24.0 Printing & Reproduction	9,114	8,158	8,285
25.1 Advisory & Assistance Services	32,459	32,802	32,961
25.2 Other Services	6,796	13,676	13,869
25.3 Purchase of Goods & Services from Govt. Accounts	61,262	61,903	61,497
25.4 Operation & Maintenance of Facilities	6	7	7
25.7 Operation & Maintenance of Equipment	75	211	216
26.0 Supplies and Materials	4,726	5,136	5,106
31.0 Equipment	94	428	438
32.0 Land and Structures	1	-	-
41.0 Grants, Subsidies	28,502	33,502	34,001
42.0 Insurance Claims & Indemnities	293	276	282
Total Non-Personnel	**$153,996**	**$170,430**	**$170,907**
New Appropriated Resources	**$2,321,956**	**$2,328,940**	**$2,212,311**
Budget Activities:			
Pre-filing Taxpayer Assistance & Education	609,445	625,829	600,717
Filing & Account Services	1,712,511	1,703,111	1,611,594
New Appropriated Resources	**$2,321,956**	**$2,328,940**	**$2,212,311**
FTE	**28,316**	**28,455**	**24,392**

2.3 – Appropriation Detail Table

Dollars in Thousands

Taxpayer Services Appropriated Resources	FY 2016 Enacted		FY 2017 Annualized CR		FY 2018 Request		Change FY 2017 to FY 2018 Request		% Change FY 2017 to FY 2018 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Pre-Filing Taxpayer Assistance and Education	5,009	$620,338	4,978	625,829	4,458	600,717	(520)	(25,112)	-10.45%	-4.01%
Filing and Account Services	23,307	1,713,038	23,477	1,703,111	19,934	1,611,594	(3,543)	(91,517)	-15.09%	-5.37%
Subtotal New Appropriated Resources	**28,316**	**$2,333,376**	**28,455**	**$2,328,940**	**24,392**	**$2,212,311**	**(4,063)**	**($116,629)**	**-14.28%**	**-5.01%**
Other Resources:										
Reimbursables	488	34,918	507	36,664	527	38,497	20	1,833	3.94%	5.00%
User Fees	360	69,987	77	43,900	71	67,600	(6)	23,700	-7.79%	53.99%
Recovery from Prior Years	-	-	-	8	-	-	-	(8)	N/A	-100.00%
Unobligated Balances from Prior Years	-	13,914	-	8,596	-	15,000	-	6,404	N/A	74.50%
Subtotal Other Resources	**848**	**$118,819**	**584**	**$89,168**	**598**	**$121,097**	**14**	**$31,929**	**2.40%**	**35.81%**
Total Budgetary Resources	**29,164**	**$2,452,195**	**29,039**	**$2,418,108**	**24,990**	**$2,333,408**	**(4,049)**	**($84,700)**	**-13.94%**	**-3.50%**

2A – Pre-Filing Taxpayer Assistance and Education *($600,717,000 in direct appropriations, and an estimated $15,000 from reimbursable programs).* This budget activity funds direct labor and non-labor expenses to assist with tax return preparation, including tax law interpretation, publication, production, and advocate services. The program activities include:

- *Pre-Filing Services Management* supports headquarters staffing and support for Taxpayer Advocate Service and Customer Assistance Relationship and Education (CARE) program activities. CARE provides pre-filing taxpayer assistance and education.
- *Taxpayer Communication and Education* researches customer needs; develops and manages educational programs; establishes partnerships with stakeholder groups; and disseminates tax information to taxpayers and the general public through a variety of media, including publications and mailings, websites, broadcasting, and advertising.
- *Media and Publications* develops and produces notices, forms, and publications for printed and electronic tax materials, and provides media production services to taxpayers.
- *Taxpayer Advocacy* provides advocate services to taxpayers by identifying the underlying causes of taxpayer problems and participating in the development of systematic and/or procedural remedies.
- *Account Management and Assistance – Field Assistance* provides face-to-face assistance, education, and compliance services to taxpayers. It includes return preparation, answering tax questions, resolving account and notice inquiries, and supplying forms and publications to taxpayers.

  Taxpayer Advocate Case Processing provides advocate services to taxpayers to resolve taxpayer problems through prompt identification, referral, and settlement.

- *W&I HQ Management and Administration* provides staffing, training, and direct support for Wage and Investment management activities of strategic planning, communications and liaison, finance, human resources, equity, diversity and inclusion, business modernization, and embedded training.

Description of Performance

In FY 2016, the IRS delivered 92.5 percent (98 out of 106) of the Critical Individual Filing Season Tax Products to the public by the fifth workday of January. After the PATH Act, the IRS implemented planned actions to ensure the availability of tax products for the start of Filing Season 2016. The immediate focus was aimed at completing the required analysis of the legislation and development and finalization of affected forms, instructions and publications. In all, more than 400 changes were required for more than 150 different tax products. In FY 2017 and FY 2018, the target is set at 89 percent but significant changes in tax law late in the year could affect this target.

In FY 2016, the IRS Timeliness of Critical Tax Exempt and Government Entities (TEGE) and Business Filing Season Tax products to the Public was 98 percent (99 of 101). The IRS exceeded its FY 2016 target of 87 percent by more than 12 percent due to the exceptional planning and employee efforts in anticipation of the PATH Act. For FY 2017 and FY 2018 the target is set at 91 percent but significant changes in tax law late in the year could affect this target as tax products for multiple years are developed concurrently.

The Taxpayer Self-Assistance Rate reached 89 percent in FY 2016, slightly below the 90 percent target. This may be due in part to the disabling of the Electronic Filing PIN (EFP) in mid-June 2016 and a significant decline in the use of the Interactive Tax Assistant. Beginning in FY 2017, the IRS changed the Taxpayer Self-Assistance Rate to the Enterprise Taxpayer Self-Assistance Rate. The revised metric now includes additional applications including *Get Transcript* and payment applications, such as *Direct Pay* and *Online Payment Agreement.* This demonstrates IRS's progress toward providing expanded service options and taxpayers' increased adoption of self-assistance options.

FY 2018 Changes by Budget Activity

Dollars in Thousands

Pre-Filing Taxpayer Assistance & Education	FTE	Amount
FY 2017 Annualized CR Level	**4,978**	**$625,829**
Changes to Base:		
Maintaining Current Levels (MCLs)	**-**	**$12,553**
Pay Raise	-	7,940
Pay Annualization	-	2,910
Non-Pay	-	1,703
Resource Adjustments		
Base Realignment for Support Services	-	-
Adjustments for Administrative Provision Section 113	-	-
Subtotal Changes to Base	**-**	**$12,553**
Total FY 2018 Base	**4,978**	**$638,382**
Program Changes:		
Program Decreases		
Actions to Achieve Workforce Management Goals	(520)	(37,665)
Subtotal Program Changes	**(520)**	**($37,665)**
Total FY 2018 Request	**4,458**	**$600,717**
Dollar/FTE Change FY 2018 Budget Request over FY 2017 Annualized CR	(520)	($25,112)
Percent Change FY 2018 Budget Request over FY 2017 Annualized CR	-10.45%	-4.01%

2.1.1 – Budget and Performance Report and Plan

Dollars in Thousands

Pre-Filing Taxpayer Assistance & Education Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources[1]	$611,653	$586,896	$595,168	$609,196	$609,445	$625,829	$600,717
Reimbursable Resources[2]	96		45	51	13	14	15
User Fees[2]	22,460	6,400	22,400	4,141	-	-	-
Budget Activity Total	**$634,209**	**$593,296**	**$617,613**	**$613,388**	**$609,458**	**$625,843**	**$600,732**

[1]The FY 2012 - FY 2016 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2012 - FY 2016 columns represent realized resources for reimbursables and user fees.

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Timeliness of Critical Individual Filing Season Tax Products to the Public (%)	97.2	58.9	99.1	89.0	92.5	87.0	89.0	89.0	
Timeliness of Critical TE/GE and Business Tax Products to the Public (%)	94.5	83.6	98.7	92.6	98.0	87.0	91.0	91.0	
Enterprise Taxpayer Self-Assistance Rate [1]	78.5	83.3	84.7	88.7	89.0	90.0	Indicator	N/A	N/A

[1]Starting in FY 2017, the IRS modified the Taxpayer Self Assistance Rate measure to include additional self-service channels. As new self-assistance applications are provided to the public, they will be added to the methodology.

2B – Filing and Account Services *($1,611,594,000 in direct appropriations, an estimated $38,482,000 from reimbursable programs, and an estimated $67,600,000 from user fees)*: This budget activity funds direct labor and non-labor expenses 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 (with more than 90 percent of individual returns being filed electronically during the FY 2017 filing season) and increasing the use of electronic filing and payment methods. The program activities include:

- *Filing and Account Services Management* administers filing and account services programs.
- *Submission Processing* processes paper and electronically submitted tax returns and supplemental documents, accounts for tax revenue, processes information documents, and issues refunds and tax notices.
- *Account Management and Assistance – Electronic/Correspondence Assistance* provides education and assistance to taxpayers and resolves accounts and notice inquiries through telephone, paper, and internet correspondence.
- *Electronic Products and Services Support (EPSS)* provides centralized operations and support capabilities for the IRS suite of electronic products, including e-help desk, technology support, and operations support.
- *Electronic Tax Administration (ETA)* markets and administers electronic tax administration products and services.
- *Business Performance Lab* initiates, recommends, and manages systemic solutions for the detection and treatment of improper refunds while ensuring effective treatment for payment of valid refund claims leads the development of innovative business processes and technology solutions and represents Return Integrity & Compliance Services (RICS) interest in support of the service-wide revenue protection strategy.
- *Joint Operations Center (JOC)* provides service, support, and technology for telephone, correspondence, and electronic media inquiries; real time monitoring and routing of inbound calls; monitoring of Customer Service Representative accuracy; and management of the enterprise telephone database.

Description of Performance

Millions of individual and business taxpayers file their returns electronically. In FY 2016, the IRS achieved an 86.4 percent individual e-file rate and a 50 percent business e-file rate. Both the individual and business e-file rates exceed the FY 2016 targets. The overall benefits of e-file (i.e. faster refunds, greater accuracy, secure and confidential submission, and quick confirmation) continue to drive performance. The IRS also is using social media to promote the benefits of e-filing. The IRS will increase the individual e-filing target to 87 percent for FY 2017 and 88 percent for FY 2018. The business e-filing target will increase to 51 percent for FY 2017 and 53 percent for FY 2018.

In FY 2016, Customer Accuracy – Tax Law was 96.4 percent, exceeding the target of 92 percent. For FY 2017 and FY 2018, the IRS will increase the tax law accuracy targets to 95 percent, even though responding to legislative changes in tax laws will continue to be a challenge.

In FY 2016, the IRS correctly answered 96.1 percent of account questions over the telephone, exceeding the target of 94 percent. The IRS expects to maintain high performance on the Customer Accuracy – Accounts (Phones) and plans to achieve the FY 2017 and FY 2018 target of 95 percent through product reviews and by providing training to managers and employees to ensure quality service.

In FY 2016, the IRS Customer Contacts Resolved Per Staff Year measure reached 28,497, exceeding the FY 2016 target of 28,000. This measure includes activities such as automated calls answered, assistor calls answered, and web services completed. The increase is attributed to a 24 percent increase in web usage, including an increase in *Where's My Refund?* Due to modifications made to the Taxpayer Self-Assistance measure for FY 2017, several components of the Customer Contacts Resolved Per Staff Year measure changed, including (1) the way IRS counts transcripts, from "requested" to now counting "delivered"; (2) the addition of *Get Transcript* (Online & Mail); and (3) the discontinuation of Electronic Interactions. Because of these changes, the IRS will baseline the measure in FY 2017 and use the results to determine an FY 2018 target.

In FY 2016, the LOS was 53.4 percent, exceeding the FY 2016 target of 47 percent. The 2016 filing season LOS was 72.1 percent. In 2016, the IRS received additional funding for taxpayer services, which allowed the IRS to focus resources on LOS and reduce paper correspondence inventories. This inventory totaled more than 850,000 pieces of correspondence with a 48 percent overage at the end of FY 2015, and is currently down to approximately 660,000 pieces of correspondence as of May 2017, with a 22 percent overage. The IRS has created and continues to create new web-based applications for taxpayers. The increase in self-assistance web applications, along with the high level of telephone service should reduce paper correspondence receipts. Due to decreased telephone demand, the IRS shifted available resources to processing paper, resulting in closing significantly more paper correspondence cases compared to FY 2015. The FY 2017 LOS target is 64 percent. This target includes funding from direct appropriations including $209 million from the administrative provision and $40 million from user fees. The FY 2018 target is 39 percent and assumes $58 million from user fees.

Refund timeliness is defined as the percentage of paper refunds issued within 40 days. In FY 2016, Refund Timeliness reached 98.7 percent, exceeding the FY 2016 target of 97 percent as the number of paper refunds continued to decline. There was a 7 percent decrease in the number of paper refunds compared to the same period in 2015. For FY 2017 and FY 2018, the IRS expects to achieve a target of 97 percent.

FY 2018 Changes by Budget Activity

Dollars in Thousands

Filing and Account Services	FTE	Amount
FY 2017 Annualized CR	**23,477**	**$1,703,111**
Changes to Base:		
Maintaining Current Levels (MCLs)	**-**	**$33,789**
Pay Raise	-	23,065
Pay Annualization	-	8,453
Non-Pay	-	2,271
Resource Adjustments		**$122,378**
Base Realignment for Support Services	-	90,000
Adjustments for Administrative Provision Section 113	-	32,378
Subtotal Changes to Base	**-**	**$156,167**
Total FY 2018 Base	**23,477**	**$1,859,278**
Program Changes:		
Program Decreases		
Actions to Achieve Workforce Management Goals	(3,543)	(247,684)
Subtotal Program Changes	**(3,543)**	**($247,684)**
Total FY 2018 Request	**19,934**	**$1,611,594**
Dollar/FTE Change FY 2018 Budget Request over FY 2017 Annualized CR	(3,543)	($91,517)
Percent Change FY 2018 Budget Request over FY 2017 Annualized CR	-15.09%	-5.37%

2.1.2 – Budget and Performance Report and Plan

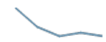
Dollars in Thousands

Filing and Account Services Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources[1]	$1,610,904	$1,532,963	$1,550,027	$1,564,488	$1,712,511	$1,703,111	$1,611,594
Reimbursable Resources[2]	20,759	37,535	28,555	30,147	34,905	36,650	38,482
User Fees[2]	152,136	184,599	160,342	40,553	69,987	43,900	67,600
Budget Activity Total	**$1,783,799**	**$1,755,097**	**$1,738,924**	**$1,635,188**	**$1,817,403**	**$1,783,661**	**$1,717,676**

[1]The FY 2012 - FY 2016 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2012 - FY 2016 columns represent realized resources for reimbursables and user fees.

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Percent Individual Returns Processed Electronically (%)	80.5	82.5	84.1	85.3	86.4	86.0	87.0	88.0	
Percent of Business Returns Processed Electronically	36.7	40.2	43.1	47.0	50.0	48.0	51.0	53.0	
Customer Accuracy - Tax Law Phones (%)	93.2	95.7	95.0	95.0	96.4	92.0	95.0	95.0	
Customer Accuracy - Accounts (Phones)	95.6	96.0	96.2	95.5	96.1	94.0	95.0	95.0	
Customer Contacts Resolved Per Staff Year[1]	16,320	20,767	21,018	26,245	28,497	28,000	Baseline	TBD	
Customer Service Representative (CSR) Level of Service (LOS) (%)[2]	67.6	60.5	64.4	38.1	53.4	47.0	64.0	39.0	

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Refund Timeliness - Individual (Paper)	99.7	99.0	98.7	98.8	98.7	97.0	97.0	97.0	

[1]Due to modifications made to the Taxpayer Self-Assistance Rate measure for FY 2017, several components of the Customer Contacts Resolved Per Staff measure will change. As a result of these changes, the measure will be baselined in FY 2017.

[2]Beginning in FY 2013, targets include an increase in base user fees.

Enforcement

Appropriation Description

The Enforcement appropriation provides funding for the examination of tax returns, both domestic and international; administrative and judicial settlement of taxpayer appeals of examination findings; technical rulings; monitoring of employee pension plans; determination of qualifications of organizations seeking tax-exempt status; examination of tax returns of exempt organizations; enforcement of statutes relating to detection and investigation of criminal violations of the internal revenue laws; identification of underreporting of tax obligations; securing of unfiled tax returns; and collection of unpaid accounts.

The Enforcement budget request for FY 2018 is $4,706,500,000 in direct appropriations and 35,049 FTE. This is a decrease of $149,188,000 (3.1 percent) and 1,300 fewer FTE than the FY 2017 Annualized Continuing Resolution level of $4,855,688,000 and 36,349 FTE.

The Department of the Treasury is developing a new strategic plan for FYs 2018 – 2022 in accordance with the GPRA Modernization Act of 2010. The plan is scheduled for publication in 2018. The Annual Performance Plan will be updated in the FY 2019 President's Budget to reflect new departmental strategic goals and objectives. The IRS will publish a component plan by summer 2018.

2.1 – Budget Adjustments Table

Dollars in Thousands

Enforcement	FTE	Amount
FY 2017 Annualized CR	**36,349**	**$4,855,688**
Changes to Base:		
Maintaining Current Levels (MCLs)	**-**	**$96,845**
Pay Raise	-	65,828
Pay Annualization	-	24,126
Non-Pay Inflation Adjustment	-	6,891
Resource Adjustments	**-**	**($149,936)**
Base Realignment for Support Services	-	(145,000)
Adjustments for Administrative Provision Section 113	-	(4,936)
Subtotal Changes to Base	**-**	**($53,091)**
Total FY 2018 Base	**36,349**	**$4,802,597**
Program Changes:		
Program Decrease:		
Actions to Achieve Workforce Management Goals	(1,300)	(96,097)
Subtotal FY 2018 Program Changes	**(1,300)**	**($96,097)**
Total FY 2018 Request	**35,049**	**$4,706,500**

2.2 – Operating Levels Table

Dollars in Thousands

Enforcement Object Classification	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
11.1 Full-Time Permanent Positions	3,141,237	3,168,939	3,137,409
11.3 Other than Full-Time Permanent Positions	29,922	30,904	31,369
11.5 Other Personnel Compensation	105,714	108,971	106,876
11.8 Special Personal Services Payments	25,486	24,201	24,288
11.9 Personnel Compensation (Total)	**3,302,359**	**3,333,015**	**3,299,942**
12.1 Personnel Benefits	1,136,662	1,159,565	1,128,398
Total Personnel and Compensation Benefits	**$4,439,021**	**$4,492,580**	**$4,428,340**
21.0 Travel	55,662	69,941	70,965
22.0 Transportation of Things	7,914	9,909	9,921
23.1 Rental Payments to GSA	3	4	4
23.2 Rent Payments to Others	302	402	405
23.3 Communications, Utilities, & Misc	2,644	2,156	2,158
24.0 Printing & Reproduction	1,875	2,188	2,223
25.1 Advisory & Assistance Services	75,380	168,969	85,217
25.2 Other Services	28,047	35,647	36,461
25.3 Purchase of Goods & Services from Govt. Accounts	34,286	37,163	33,782
25.4 Operation & Maintenance of Facilities	15	2	2
25.5 Research & Development Contracts	2,000	-	-
25.6 Medical Care	8	47	48
25.7 Operation & Maintenance of Equipment	1,470	1,400	1,404
26.0 Supplies and Materials	15,071	23,190	23,462
31.0 Equipment	7,198	4,917	4,919
32.0 Land and Structures	2	4	4
42.0 Insurance Claims & Indemnities	890	897	913
91.0 Unvouchered	2,484	6,272	6,272
Total Non-Personnel	**$235,251**	**$363,108**	**$278,160**
New Appropriated Resources	**$4,674,272**	**$4,855,688**	**$4,706,500**
Budget Activities:			
Investigations	591,449	624,462	606,747
Exam & Collections	3,945,578	4,083,908	3,967,808
Regulatory	137,245	147,318	131,945
New Appropriated Resources	**$4,674,272**	**$4,855,688**	**$4,706,500**
FTE	**37,564**	**36,349**	**35,049**

2.3 – Appropriation Detail Table

Dollars in Thousands

Enforcement Appropriated Resources	FY 2016 Enacted		FY 2017 Annualized CR		FY 2018 Request		Change FY 2017 to FY 2018 Request		% Change FY 2017 to FY 2018 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Investigations	3,184	$596,417	3,126	624,462	2,893	606,747	(233)	(17,715)	-7.45%	-2.84%
Exam and Collections	33,426	3,981,257	32,251	4,083,908	31,199	3,967,808	(1,052)	(116,100)	-3.26%	-2.84%
Regulatory	954	137,262	972	147,318	957	131,945	(15)	(15,373)	-1.54%	-10.44%
Subtotal New Appropriated Resources	**37,564**	**$4,714,936**	**36,349**	**$4,855,688**	**35,049**	**$4,706,500**	**(1,300)**	**($149,188)**	**-3.58%**	**-3.07%**
Other Resources:										
Reimbursables	54	29,711	75	41,636	78	43,717	3	2,081	4.00%	5.00%
Offsetting Collections - Non Reimbursables	-	19,212	-	28,134	-	29,541	-	1,407	N/A	5.00%
User Fees	81	9,405	93	13,452	93	16,150	-	2,698	-	20.06%
Recovery from Prior Years	-	2,150	-	1,977	-	-	-	(1,977)	N/A	-100.00%
Years	-	20,306	-	52,789	-	18,321	-	(34,468)	N/A	-65.29%
Transfers In/Out		126	-	-	-		-	-	N/A	N/A
Resources from Other Accounts	2	-	-	-	-	-	-	-	N/A	N/A
Subtotal Other Resources	**137**	**$80,910**	**168**	**$137,988**	**171**	**$107,729**	**3**	**($30,259)**	**1.79%**	**-21.93%**
Total Budgetary Resources	**37,701**	**$4,795,846**	**36,517**	**$4,993,676**	**35,220**	**$4,814,229**	**(1,297)**	**($179,447)**	**-3.55%**	**-3.59%**

2C – Investigations *($606,747,000 in direct appropriations, and an estimated $42,993,000 from reimbursable programs):* 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 as warranted. The program activities include:

- *General Management and Administration* supports the headquarters management activities of strategic planning, communications, finance, and human resources for CI activities.
- *Criminal Investigations* supports the enforcement of criminal statutes relating to violations of internal revenue laws and other financial crimes. CI investigates cases of suspected intent to defraud that involve both legal and illegal sources of income and recommends prosecution as warranted. This activity includes the investigation and prosecution of tax and money-laundering violations associated with narcotics organizations.
- *Criminal Tax Legal Support* provides legal advice and support from IRS Counsel to CI.
- *International Investigations* supports international investigations involving U.S. citizens residing abroad, non-resident aliens, expatriates, and investigations involving other international issues, including legal support (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion, Corporations, Non-Profits, Pension Plans, etc.).

Description of Performance

Criminal Investigations (CI) serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law. Criminal Investigations is the only federal law enforcement organization with jurisdiction over federal tax crimes. The following measures are used to evaluate the success of achieving its mission. CI utilized its performance projection model to establish its FY 2017 and FY 2018 year-end targets.

In FY 2016, the number of criminal investigations completed was 3,720, 2.1 percent below the year-end target (3,800) and a 17.1 percent decrease compared to FY 2015. Overall performance in FY 2016 was affected by a significant decline in the number of Special Agents; the decision to focus on more complex tax cases, which take longer to complete; and working inventory still in the judicial process. The number of Cases of a Legal, Illegal and Narcotics nature completed in FY 2016 decreased (21.8 percent, 4.2 percent and 24.9 percent, respectively) compared to FY 2015. Criminal Investigations will continue to utilize proven case development strategies, expand case development efforts, and leverage interagency partnerships to identify, initiate, and complete criminal investigations in all program areas to meet the FY 2017 criminal investigation completed target of 3,100 and the FY 2018 target of 3,000.

In FY 2016, the numbers of convictions (2,672) were 6.9 percent above the year-end target (2,500) but reflected a 7.2 percent decrease compared to FY 2015. The results exceeded the year-end target due to a higher- than- expected number of multi-defendant Narcotics related investigations. The number of Narcotics related cases convicted in FY 2016 increased 13.7 percent compared to FY 2015. Overall quality investigations initiated and completed in previous years continue to be recommended for prosecution and processed by the Department of Justice (DOJ). CI management will continue to ensure appropriate and consistent contact with the DOJ Tax Division and U.S. Attorney Offices regarding prosecutorial priorities and appropriate movement of pipeline investigations to meet the FY 2017 number of convictions target of 2,100 and the FY 2018 target of 2,000.

In FY 2016, the conviction rate was 92.1 percent, exceeding the FY 2016 target of 92 percent. Appropriate case selection and effective field performance continue to increase the number of cases that result in convictions. Since CI does not prosecute its own cases, it must depend on DOJ to accept its cases for prosecution and move such cases through the courts. CI management will continue its current efforts of appropriate and consistent contact with the DOJ Tax Division and U.S. Attorney Offices about prosecutorial priorities and appropriate movement of pipeline investigations, to ensure a high conviction rate and to meet the FY 2017 and FY 2018 targets of 92 percent.

The Conviction Efficiency Rate is determined by dividing the cost of the CI program by the number of convictions. The FY 2016 rate ($250,563) improved by 7.9 percent over the year-end target ($272,000) and by 4 percent compared to FY 2015, primarily due to an increase in the number of convictions. In FY 2017, the Conviction Efficiency Rate measure was discontinued for reporting purposes. The IRS will continue to report on Criminal Investigations Completed, Number of Convictions, and Conviction Rate.

FY 2018 Changes by Budget Activity

Dollars in Thousands

Investigations	FTE	Amount
FY 2017 Annualized CR Level	**3,126**	**$624,462**
Changes to Base:		
Maintaining Current Levels (MCLs)	**-**	**$12,439**
Pay Raise	-	8,142
Pay Annualization	-	2,984
Non-Pay	-	1,313
Resource Adjustments	**-**	**($18,160)**
Adjustments for Administrative Provision Section 113	-	(18,160)
Subtotal Changes to Base	-	**($5,721)**
Total FY 2018 Base	**3,126**	**$618,741**
Program Changes:		
Program Decrease:		
Actions to Achieve Workforce Management Goals	(233)	(11,994)
Subtotal Program Changes	**(233)**	**($11,994)**
Total FY 2018 Request	**2,893**	**$606,747**
Dollar/FTE Change FY 2018 Budget Request over FY 2017 Annualized CR Level	(233)	($17,715)
Percent Change FY 2018 Budget Request over FY 2017 Annualized CR Level	-7.45%	-2.84%

2.1.3 – Budget and Performance Report and Plan

Dollars in Thousands

Investigations Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources[1]	$637,846	$587,932	$601,740	$601,665	$591,449	$624,462	$606,747
Reimbursable Resources[2]	56,895	28,582	27,133	29,957	29,053	40,946	42,993
User Fees[2]	6,935	2,979	-	-	-	-	-
Budget Activity Total	**$701,676**	**$619,493**	**$628,873**	**$631,622**	**$620,502**	**$665,408**	**$649,740**

[1]The FY 2012 - FY 2016 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2012 - FY 2016 columns represent realized resources for reimbursables and user fees.

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Criminal Investigations Completed	4,937	5,557	4,606	4,486	3,721	3,800	3,100	3,000	
Number of Convictions	2,634	3,311	3,110	2,879	2,672	2,500	2,100	2,000	
Conviction Rate (%)	93.0	93.1	93.4	93.2	92.1	92.0	92.0	92.0	

2D – Exam and Collections *($3,967,808,000) in direct appropriations, and an estimated $502,000 from reimbursable programs)*: This budget activity funds programs that enforce the tax laws and increase compliance through examination and collection programs that ensure proper payment and tax reporting. This budget activity also includes campus support of the Questionable Refund program and appeals and litigation activities associated with exam and collection. The program activities include:

- *Compliance Services Management* supports management associated with exam and collection program activities.

- *Payment Compliance – Correspondence Collection* supports IRS collection activities by initiating contact and collecting delinquent taxpayer liabilities through written notices and other means.
- *Automated Collections and Support* initiates contact and collects delinquent taxpayer liabilities through the centralized Automated Collection System (ACS).
- *Payment Compliance – Field Collection* conducts field investigations and collection efforts associated with delinquent taxpayer and business entity liabilities, including direct taxpayer contact and outreach programs to protect the interest of the federal government in delinquent tax liability situations.
- *Tax Reporting Compliance – Document Matching* supports the Automated Underreporter (AUR), Combined Annual Wage Reporting (CAWR), Federal Unemployment Tax Act (FUTA), and other Document Matching Programs.
- *Tax Reporting Compliance – Electronic/Correspondence Exam* initiates written correspondence with taxpayers related to tax issues arising from claims on their tax returns.
- *Tax Reporting Compliance – Field Exam* compares taxpayer income levels and corresponding tax liabilities to ensure the accuracy of taxpayer returns.
- *Fraud/Bank Secrecy Act* enforces the anti-money laundering provisions of the Bank Secrecy Act of 1970 (BSA) and the USA Patriot Act of 2001. It examines non-bank financial institutions for compliance with these laws, receives and processes more than 15 million financial reports annually, and manages a centralized database of that information for the Financial Crimes Enforcement Network. The Fraud program follows the "money trail" to support the criminal investigation of tax evasion operations. Fraud technical advisors and revenue agents provide investigative leads and referrals to federal, state, and local law enforcement agencies.
- *Appeals* provides an administrative review process that provides a channel for impartial case settlement before a case is docketed in a court of law.
- *Litigation* provides legal support for the IRS in litigation of cases, including interpretation of the tax law.
- *Specialty Programs – Exams* examines federal tax returns of businesses and individuals responsible for the filing and payment of employment, excise, estate, and gift taxes.
- *International Collection* supports international field collection efforts associated with delinquent taxpayer and business entity liabilities from U.S. Citizens residing abroad, non-resident aliens, expatriates, and those involving other international issues (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion).
- *International Exams* supports the international exam program involving U.S. citizens residing abroad, non-resident aliens, expatriates, and other examinations involving other international issues including legal support (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion, Corporations, Non-Profits, Pension Plans, etc.).

- *Unit General Management and Administration* provides staffing, training, and direct support for headquarters management activities of strategic planning, communication and liaison, finance, human resources, equity, diversity and inclusion, business system planning, and embedded training.
- *EITC Management and Administration* supports headquarters management associated with administering the Earned Income Tax Credit (EITC) program IRS-wide.
- *Integrity & Verification Operations* supports civil fraud detection and prevention efforts in a pre-refund environment including monitoring program performance and developing policy and procedures and guidance for processing civil revenue protection program(s).
- *ID Theft Victim Assistance* has end-to-end responsibility and accountability for IDT victim assistance policy and operations, which will include paper inventories from tax-related ID theft, the Identity Theft Protection Specialized Unit (IPSU), and Return Preparer Misconduct.
- *Whistleblower Office* provides staffing, training, and direct support to process, assess, and analyze tips from individuals who identify potential tax problems.
- *Communications and Liaison* coordinates local government and liaison relationships; manages congressional, state, and national stakeholder relationships and issues; coordinates crosscutting issues, including audit management and legislative implementation; manages national media contacts and local media relationships; and ensures IRS compliance with disclosure and privacy laws.

Description of Performance – Exam

The Examination program helps taxpayers understand and meet their tax responsibilities and applies the tax law with integrity and fairness. Enforcement of the tax laws is an integral component of the IRS's effort to enhance voluntary compliance. During FY 2016, the IRS maintained its international enforcement presence, continued actions to leverage the tax return preparer community, and continued prioritizing the prevention of refund fraud.

The IRS met its FY 2016 Individual Exam Coverage target of 0.7 percent. In FY 2016, the IRS audited about 193,000 fewer individuals, a 15.8 percent decrease compared to FY 2015. Examination sets its individual exam coverage rate by ensuring resources are appropriately planned for, proper inventory levels are maintained, and efficiencies are monitored to achieve planned targets. The IRS has reduced the coverage rate target for FY 2017 to 0.6 percent and FY 2018 to 0.5 percent, because the new hiring done in FY 2017 and changes in the mix of work affect productivity. In order to mitigate this decrease, Examination will increase its monitoring of starts and the mix of discretionary inventory in FY 2017.

In FY 2016, the Field Exam National Quality Review Score (NQRS) was 86.8 percent, exceeding the target of 86.7 percent. The IRS expects to achieve a quality score of 86.7 percent in FY 2017 and FY 2018.

In FY 2016, Office Exam Quality was 88.4 percent, exceeding the target of 88.3 percent. The IRS expects to achieve a target of 86.7 percent in FY 2017 and 88.3 percent in FY 2018.

In FY 2016, Examination Quality – Large Business was 83 percent, 7 percentage points below the target of 90 percent. The decline in the quality score is a result of low scores in the Planning and Execution technical standards. The measure is calculated through a review of a statistically valid random sample of closed Large Business Return cases. Case scores are based on the percentage of elements passed within each of the three audit standards (Planning, Executing, and Resolving). In FY 2016, Large Business &International (LB&I) reduced the number of audit standard categories from four to three. The FY 2017 and FY 2018 targets were set at 90 percent.

In FY 2016, Examination Coverage – Business (Assets > $10 million) was 3 percent, falling short of the target of 3.5 percent. The measure is calculated by taking the total number of LB&I returns with assets of more than $10 million (including all partnerships) examined and closed by LB&I during the current fiscal year, divided by total filings for the preceding calendar year. The FY 2017 and FY 2018 targets were lowered to 2.7 percent, based on fewer staff and a projected increase in business returns filed.

The Automated Underreporter (AUR) Efficiency rate was 2,196 through FY 2016, above the target of 2,032. The measure is calculated by taking the total number of Wage & Investment and SB/SE contact closures divided by the total FTEs, including overtime. SB/SE Campus Automated Underreporter realized efficiency gains in FY 2016 from new processes that allowed work to close more quickly. The inclusion of the Premium Tax Credit (PTC) in FY 2016 required manual calculations for a significant number of cases, resulting in fewer closures compared to FY 2015 (2,196 vs. 2,209). Based on the most recent operational data, the IRS set the FY 2017 and FY 2018 Automated Underreporter Efficiency targets at 2,133.

In FY 2016, AUR Coverage was 2.3 percent, exceeding the target of 2.2 percent. The measure is calculated by taking the total number of contact closures divided by total prior calendar year individual filings. A 10 percent decrease in FTE and a 1 percent increase in filings over the last two years resulted in an AUR Coverage rate of 2.3 percent for FY 2016 and FY 2015. The IRS expects to achieve an FY 2017 and FY 2018 target of 2.0 percent.

In 2016, Individual Exam Efficiency - Individual was 143, exceeding the target of 122. Individual closures decreased 18 percent compared to FY 2015. The measure is calculated by taking the sum of all individual 1040 return examinations and audit reconsideration cases divided by the total staff years expended. Examination will continue to monitor the operating plan and adjust resources accordingly to ensure the planned target is met. The FY 2017 Individual Exam Efficiency target is set at 118 and the FY 2018 target is set at 126 as the IRS expects new staff to require time for training before reaching full efficiency.

Description of Performance – Collection

The Collection program collects delinquent taxes, secures delinquent tax returns through the fair and equitable application of tax laws, and provides education to promote future compliance, thereby protecting and instilling public confidence in the American tax system. The performance goals that the IRS uses to gauge collection program performance are discussed below.

In FY 2016, Collection Coverage was 43.4 percent, exceeding the target of 41.8 percent. For FY 2016, total net dispositions decreased 8 percent, while FTE were 1 percent lower compared to FY 2015. The Collection Coverage measure is calculated by taking the total volume of collection work disposed divided by total collection work available. The Collection Coverage FY 2017 target is 37.5 percent and the FY 2018 target is 34.2 percent.

In FY 2016, Collection Efficiency was 2,266, exceeding the target of 2,208. The Collection Efficiency measure is calculated by dividing total collection case closures by the total number of FTEs devoted to working the closures. The IRS has improved Collection Efficiency over the past five years while FTEs have declined by 25 percent and collection closures declined by only 14 percent. The IRS expects to achieve the Collection Efficiency FY 2017 target of 2,117 and the FY 2018 target of 2,147, as the FY 2016 and 2017 new hires are trained.

In FY 2016, the Field Collection National Quality Review Score (NQRS) was 79.2 percent, below the target of 79.7 percent. The Field Collection Quality measure is the percentage of quality attributes reviewed by an independent quality reviewer that are determined to be correct. The IRS expects to achieve an FY 2017 and FY 2018 Field Collection National Quality Review Score target of 79.7 percent.

In FY 2016, Automated Collection System (ACS) Accuracy was 95.4 percent, above the target of 95 percent. The ACS Accuracy measure reflects the percentage of correct responses from a weighted random sampling of calls selected for quality review by the Centralized Quality Review System (CQRS). Periodic performance reviews were conducted on the campus program and communicated to the sites. IRS has set the FY 2017 and FY 2018 Automated Collection System Accuracy targets at 95 percent.

FY 2018 Changes by Budget Activity

Dollars in Thousands

Exam and Collections	FTE	Amount
FY 2017 Annualized CR Level	**32,251**	**$4,083,908**
Changes to Base:		
Maintaining Current Levels (MCLs)	**-**	**$81,466**
Pay Raise	-	55,635
Pay Annualization	-	20,390
Non-Pay	-	5,441
Resource Adjustments	**-**	**($116,077)**
Base Realignment for Support Services	-	(111,141)
Adjustments for Administrative Provision Section 113	-	(4,936)
Subtotal Changes to Base	-	**($34,611)**
Total FY 2018 Base	**32,251**	**$4,049,297**
Program Changes:		
Program Decreases		
Actions to Achieve Workforce Management Goals	(1,052)	(81,489)
Subtotal Program Changes	**(1,052)**	**($81,489)**
Total FY 2018 Request	**31,199**	**$3,967,808**
Dollar/FTE Change FY 2018 Budget Request over FY 2017 Annualized CR Level	(1,052)	($116,100)
Percent Change FY 2018 Budget Request over FY 2017 Annualized CR Level	-3.26%	-2.84%

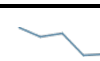
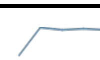
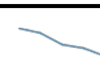
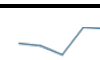
2.1.4 – Budget and Performance Report and Plan

Dollars in Thousands

Exam and Collections Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources[1]	$4,482,881	$4,188,328	$4,154,342	$4,018,292	$3,945,578	$4,083,908	$3,967,808
Reimbursable Resources[2]	6,385	804		640	456	478	502
User Fees[2]	-	-	-	-	36	-	
Budget Activity Total	**$4,489,266**	**$4,189,132**	**$4,154,342**	**$4,018,932**	**$3,946,070**	**$4,084,386**	**$3,968,310**

[1]The FY 2012 - FY 2016 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2012 - FY 2016 columns represent realized resources for reimbursables and user fees.

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Examination Coverage - Individual (1040)	1.0	1.0	0.9	0.8	0.7	0.6	0.6	0.5	
Field Examination National Quality Review Score	87.4	89.2	88.4	86.7	86.8	86.7	86.7	86.7	
Office Examination National Quality Review Score	91.3	90.3	90.6	88.3	88.4	88.3	86.7	88.3	
Examination Quality - LB&I - Large Business[1]	N/A	92.0	83.0	86.0	83.0	90.0	90.0	90.0	
Examination Coverage - Business Assets >$10 million (%)	6.2	5.6	4.3	3.9	3.0	3.5	2.7	2.7	
Automated Underreporter (AUR) Efficiency	2,041	2,025	1,935	2,209	2,196	2,036	2,133	2,133	

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Automated Underreporter (AUR) Coverage (%)	3.2	2.8	2.6	2.3	2.3	2.2	2.0	2.0	
Examination Efficiency - Individual (1040)	142	142	138	148	143	122	118	126	
Collection Coverage (Units)	48.1	47.0	45.9	46.3	43.4	41.8	37.5	34.2	
Collection Efficiency (Units)	1,997	2,057	2,051	2,448	2,266	2,208	2,117	2,147	
Field Collection National Quality Review Score	80.4	81.4	81.6	79.2	79.2	79.7	79.7	79.7	
Automated Collection System (ACS) Accuracy (%)	94.7	94.4	95.2	95.3	95.4	95.0	95.0	95.0	

1. As a result of program changes that occurred in the Large Business and International (LB&I) organization, starting in FY 2013, a new Examination Quality - Large Business measure will replace the two previous LB&I quality measures - Examination Quality - Industry and Coordinated Industry.

2E – Regulatory *($131,945,000 in direct appropriations, an estimated $222,000 from reimbursable programs, and an estimated $16,150,000 from user fees):* This budget activity funds the development of published IRS guidance materials; interpretation of tax laws; internal advice to IRS on general non-tax legal issues; enforcement of regulatory rules, laws, and approved business practices; and support for taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The program activities include:

- *Tax Law Interpretation and Published Guidance* interpret tax law through published guidance, technical advice, and other technical legal services.
- *General Legal Services* provides advice to the IRS on non-tax legal issues, including procurement, personnel, labor relations, equal employment opportunity, fiscal law, tort claims and damages, ethics, and conflict of interest.
- *Rulings and Agreements* applies the tax law to specific taxpayers in the form of pre-filing agreements, determination letters, advance pricing agreements, and other pre-filing determinations and advice.
- *International Regulatory Legal Support* supports Counsel's work in tax law interpretation and rulings and agreements related to international issues.
- *Return Preparer Strategy* provides staffing, training, and direct support associated with the Return Preparer Strategy.
- *Office of Professional Responsibility* identifies, communicates, and enforces Treasury Circular 230 standards of competence, integrity, and conduct of those who represent taxpayers before the IRS, including attorneys, Certified Public Accountants (CPAs), enrolled agents, enrolled actuaries and appraisers, and other professionals.

<u>*Description of Performance*</u>

Tax Exempt and Government Entities (TEGE) Determination Closures includes both applications for tax-exempt status for employee retirement plans (EP) and applications from various charitable entities seeking tax-exempt status (EO). The IRS reviews applications to determine eligibility and closes them upon approval or disapproval.

Total determination closures in FY 2016 completed was 99,973 below the target of 103,852. While TEGE exceeded the closure goal for applications from organizations seeking tax-exempt status by more than 1,200 cases, employee plan determination application closures were about 5,100 cases short of the fiscal year goal because fewer applications were received than planned, and EO case processing to improve timeliness and maintain consistent case treatment. The IRS lowered the FY 2017 Determination Closures target to 95,791 to reflect the employee plan determination changes, but will increase the FY 2018 target to 99,840 for the anticipated increase in applications.

FY 2018 Changes by Budget Activity

Dollars in Thousands

Regulatory	FTE	Amount
FY 2017 Annualized CR	**972**	**$147,318**
Changes to Base:		
Maintaining Current Levels (MCLs)	**-**	**$2,940**
Pay Raise	-	2,051
Pay Annualization	-	752
Non-Pay	-	137
Resource Adjustments	**-**	**($15,699)**
Adjustments for Administrative Provision Section 113	-	(15,699)
Subtotal Changes to Base	-	**($12,759)**
Total FY 2018 Base	**972**	**$134,559**
Program Changes:		
Program Decreases:		
Actions to Achieve Workforce Management Goals	(15)	(2,614)
Subtotal Program Changes	**(15)**	**($2,614)**
Total FY 2018 Request	**957**	**$131,945**
Dollar/FTE Change FY 2018 Budget Request over FY 2017 Annualized CR Level	(15)	($15,373)
Percent Change FY 2018 Budget Request over FY 2017 Annualized CR Level	-1.54%	-10.44%

2.1.5 – Budget and Performance Report and Plan

Dollars in Thousands

Regulatory Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources[1]	150,903	147,411	158,415	147,605	137,245	147,318	131,945
Reimbursable Resources[2]	660	631	792	363	202	212	222
User Fees[2]	12,482	14,521	13,241	18,485	9,233	13,452	16,150
Budget Activity Total	**$164,045**	**$162,563**	**$172,448**	**$166,453**	**$146,680**	**$160,982**	**$148,317**

[1]The FY 2012 - FY 2016 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2012 - FY 2016 columns represent realized resources for reimbursables and user fees.

Measure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2016	FY 2017	FY 2018	FY 2012 -

	Actual	Actual	Actual	Actual	Actual	Target	Target	Target	FY 2016 Trend
TE/GE Determination Case Closures	87,000	65,877	136,746	111,940	99,973	103,852	95,791	99,840	

Operations Support

Appropriation Description

The Operations Support appropriation provides funding for overall planning, direction, and support for the IRS, including shared service support related to facilities services, rent payments, printing, postage, and security. This appropriation funds headquarters policy and management activities such as corporate support for strategic planning; communications and liaison; finance; human resources; equity, diversity and inclusion; research and statistics of income; and necessary expenses for information systems and telecommunication support, including development, security, and maintenance of the IRS's information systems.

The Operations Support budget request for FY 2018 is $3,946,189,000 in direct appropriations and 11,365 FTE. This is an increase of $206,624,000, or 5.5 percent, and 76 fewer FTE than the FY 2017 Annualized Continuing Resolution of $3,739,565,000 and 11,441 FTE.

The Department of the Treasury is developing a new strategic plan for FYs 2018 – 2022 in accordance with the GPRA Modernization Act of 2010. The plan is scheduled for publication in 2018. The Annual Performance Plan will be updated in the FY 2019 President's Budget to reflect new departmental strategic goals and objectives. The IRS will publish a component plan in summer 2018.

2.1 – Budget Adjustments Table

Dollars in Thousands

Operations Support	FTE	Amount
FY 2017 Annualized CR	**11,441**	**$3,739,565**
Changes to Base:		
Maintaining Current Levels (MCLs)	**-**	**$75,423**
Pay Raise	-	24,573
Pay Annualization	-	9,006
Non-Pay Inflation Adjustment	-	41,844
Resource Adjustments	**-**	**$27,558**
Base Realignment for Support Services	-	55,000
Adjustments for Administrative Provision Section 113	-	(27,442)
Subtotal Changes to Base	**-**	**$102,981**
Total FY 2018 Base	**11,441**	**$3,842,546**
Program Changes:		
Program Increase:		
Realignment to Support Aging IT Infrastructure	266	179,449
Subtotal Program Increase	**266**	**$179,449**
Program Decreases		
Actions to Achieve Workforce Management Goals	(342)	(75,806)
Subtotal Program Changes	**(76)**	**$103,643**
Total FY 2018 Request	**11,365**	**$3,946,189**

2.2 – Operating Levels Table

Dollars in Thousands

Operations Support Object Classification	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
11.1 Full-Time Permanent Positions	1,109,315	1,099,853	1,122,911
11.3 Other than Full-Time Permanent Positions	6,102	5,733	5,843
11.5 Other Personnel Compensation	19,754	20,669	21,033
11.8 Special Personal Services Payments	676	402	410
11.9 Personnel Compensation (Total)	**1,135,847**	**1,126,657**	**1,150,197**
12.1 Personnel Benefits	415,262	432,951	445,736
13.0 Benefits to Former Personnel	45,682	50,000	51,007
Total Personnel and Compensation Benefits	**$1,596,791**	**$1,609,608**	**$1,646,940**
21.0 Travel	10,709	7,910	7,982
22.0 Transportation of Things	10,504	11,205	11,398
23.1 Rental Payments to GSA	592,526	587,366	597,171
23.2 Rent Payments to Others	12,021	12,093	12,274
23.3 Communications, Utilities, & Misc	292,388	347,312	349,524
24.0 Printing & Reproduction	17,364	17,520	17,872
25.1 Advisory & Assistance Services	567,856	539,118	550,534
25.2 Other Services	59,309	53,125	53,052
25.3 Purchase of Goods & Services from Govt. Accounts	76,637	81,345	81,263
25.4 Operation & Maintenance of Facilities	174,892	190,125	188,962
25.6 Medical Care	14,087	14,166	13,262
25.7 Operation & Maintenance of Equipment	66,241	72,253	73,711
26.0 Supplies and Materials	15,028	6,599	6,726
31.0 Equipment	299,080	179,776	333,287
32.0 Land and Structures	6,161	9,836	2,034
42.0 Insurance Claims & Indemnities	313	208	197
Total Non-Personnel	**$2,215,116**	**$2,129,957**	**$2,299,249**
New Appropriated Resources	**$3,811,907**	**$3,739,565**	**$3,946,189**
Budget Activities:			
Infrastructure	838,048	861,229	860,643
Shared Services & Support	1,090,192	1,014,139	1,011,411
Information Services	1,883,667	1,864,197	2,074,135
New Appropriated Resources	**$3,811,907**	**$3,739,565**	**$3,946,189**
FTE	**11,078**	**11,441**	**11,365**

2.3 – Appropriation Detail Table

Dollars in Thousands

Operations Support Appropriated Resources	FY 2016 Enacted		FY 2017 Annualized CR		FY 2018 Request		Change FY 2017 to FY 2018 Request		% Change FY 2017 to FY 2018 Request	
New Appropriated Resources:	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Infrastructure	-	$848,191	-	861,229	-	860,643	-	(586)	N/A	-0.07%
Shared Services and Support	4,861	1,110,811	4,981	1,014,139	4,871	1,011,411	(110)	(2,728)	-2.21%	-0.27%
Information Services	6,217	1,937,686	6,460	1,864,197	6,494	2,074,135	34	209,938	0.53%	11.26%
Subtotal New Appropriated Resources	**11,078**	**$3,896,688**	**11,441**	**$3,739,565**	**11,365**	**$3,946,189**	**(76)**	**$206,624**	**-0.66%**	**5.53%**
Other Resources:										
Reimbursables	98	39,729	102	37,986	106	39,885	4	1,899	3.92%	5.00%
User Fees	83	264,250	-	409,724	-	441,900	-	32,176	N/A	7.85%
Recovery from Prior Years	-	21,318	-	2,022	-		-	(2,022)	N/A	-100.00%
Unobligated Balances from Prior Years	-	141,205	-	126,898	-	49,970	-	(76,928)	N/A	-60.62%
Subtotal Other Resources	**181**	**$466,502**	**102**	**$576,630**	**106**	**$531,755**	**4**	**($44,875)**	**3.92%**	**-7.78%**
Total Budgetary Resources	**11,259**	**$4,363,190**	**11,543**	**$4,316,195**	**11,471**	**$4,477,944**	**(72)**	**$161,749**	**-0.62%**	**3.75%**

2F – Infrastructure *($860,643,000 in direct appropriations and an estimated $690,000 from reimbursable programs):* These budget activity funds administrative services related to space and housing, rent and space alterations, building services, maintenance, guard services, and non-IT equipment. The program activities include:

- *Building Delegation* oversees and manages the IRS GSA-delegated buildings, including cleaning, maintenance, utilities, protection, administrative, and recurring and one-time repair costs.
- *Rent* provides resources for all IRS rent needs.
- *Space and Housing/Non-IT Equipment* provides management of all IRS building services, maintenance, space alterations, guard services, custodial overtime, utility service needs, and non-IT equipment.
- *Security* covers building security costs related to contract guard services.

Description of Performance

The IRS continued efforts to realize operational efficiencies and manage costs effectively by improving enterprise-wide resources and streamlining processes.

Other than payroll, rent is the IRS's largest operating expense. IRS has identified opportunities to reduce the high cost of rent and improve usage of office space across the country. In FY 2016, the IRS completed 61 projects to release more than 558,000 square feet of rented space from inventory for an annual rent reduction of about $16 million. In order to contain costs and improve space usage, the IRS is developing Strategic Facility Plan process that focuses on closing or consolidating workspace at the time of lease expiration.

FY 2018 Changes by Budget Activity

Dollars in Thousands

Infrastructure	FTE	Amount
FY 2017 Annualized CR		**$861,229**
Changes to Base:		
Maintaining Current Levels (MCLs)	-	**$17,383**
Non-Pay	-	17,383
Subtotal Changes to Base	-	**$17,383**
Total FY 2018 Base	-	**$878,612**
Program Changes:		
Program Decrease:		
Actions to Achieve Workforce Management Goals	-	(17,969)
Subtotal Program Changes	-	**($17,969)**
Total FY 2018 Request	-	**$860,643**
Dollar/FTE Change FY 2018 Budget Request over FY 2017 Annualized CR Level		($586)
Percent Change FY 2018 Budget Request over FY 2017 Annualized CR Level		-0.07%

2.1.6 – Budget and Performance Report and Plan

Dollars in Thousands

Infrastructure Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources[1]	894,365	874,627	845,558	833,846	838,048	861,229	860,643
Reimbursable Resources[2]	1,016	701	16,694	928	626	657	690
User Fees[2]	57,477	5,414	17,137	-	-	-	-
Budget Activity Total	**$952,858**	**$880,742**	**$879,389**	**$834,774**	**$838,674**	**$861,886**	**$861,333**

[1]The FY 2012 - FY 2016 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2012 - FY 2016 columns represent realized resources for reimbursables and user fees.

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Rentable Square Feet Per Person (new for FY 2017)							Indicator	N/A	

2G – Shared Services and Support *($1,011,411,000 in direct appropriations, an estimated $17,520,000 from reimbursable programs, 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. The program activities include:

- *National Headquarters Management and Administration* directs the management activities of strategic planning, communications and liaison, finance, human resources, equity, diversity and inclusion programs, business systems planning, embedded training, and the Treasury Franchise Fund. It sets policies and goals, provides leadership and direction for the IRS, and builds partner relationships with key stakeholders (Congress, GAO, and OMB). It provides policy guidance for conducting planning and budgeting strategies, conducting analyses of programs and investments to support strategic decision-making, and developing and managing human resources. It also includes official reception and representation expenses.

- *Facilities Management & Security Services* provides facilities and security services to deliver a safe, secure and optimal work environment to IRS customers and employees.
- *Procurement* supports the procurement function of the IRS and Treasury's Departmental Offices.
- *Equity, Diversity and Inclusion Field Services* provides staffing, training, and direct support to plan and manage the IRS's Equity, Diversity and Inclusion program.
- *Communications and Liaison* handles congressional, national, and local stakeholder relationships and issues; coordinates and addresses crosscutting issues, including legislative implementation; works with representatives of the national and local tax community; communicates with individual and business taxpayers by developing information on IRS.gov and providing other taxpayer-facing content; handles national and local media contacts and relationships; and oversees internal employee communications.
- *Employee Support Services* plans and manages financial services, including relocation, travel, purchase cards, corporate express, and employee clearances.
- *Treasury Complaint Centers* plan and manage the Treasury Complaint Centers.
- *Shared Support not provided by Agency-Wide Shared Services* provides resources for shared cross-functional support, such as postage meters, shredders, courier services, and post office boxes.
- *Printing and Postage – Media and Publications* provides operating divisions with printing and postage, including shipping of taxpayer and internal use materials.
- *Statistics of Income* provides resources for researching annual income, financial, and tax data from tax returns filed by individuals, corporations, and tax-exempt organizations.
- *Research* provides resources for market-based research to identify compliance issues, for conducting tests of treatments to address noncompliance, and for the implementation of successful strategies to address taxpayer noncompliance.
- *Security Administration and Management* manages and oversees the staffing, training, equipment, and direct support for the protection of IRS employees, facilities, and assets, and the protection and proper use of identity information.
- *Wage and Investment (W&I) Business Modernization Support* provides staffing, training, and direct support for W&I's enterprise-wide business modernization efforts, including CADE 2, and Account Management Services (AMS) technology solutions, and re-engineered business processes.
- *Shared Services* provides support services for all IRS employees, including Treasury Franchise Fund, Indemnity payments, Mailrooms, Logistics, Shredding and Uninterrupted Power Systems.

Description of Performance

Through support activities that include management and administration of human resources, security, and research, Operations Support continues to provide shared services to all IRS programs.

Human Capital

The IRS workforce is our most important resource. By providing improved training and tools to all employees and developing future leaders, the IRS helps its workforce better serve taxpayer needs and guide the next generation of IRS employees.

Security

Security of taxpayer data and providing a secure environment for employees are of utmost importance to the IRS. In FY 2016, the IRS:

- Continued efforts to protect the integrity of taxpayer data, minimize opportunities for fraud, and protect employees and facilities.
- Engaged in activities with external stakeholders to promote data protection and minimize the potential mistreatment of taxpayers. The IRS expanded the Suspicious Filer Exchange to include 43 states and 6 municipalities, whereby the states and the IRS share information for confirmed identity theft and questionable returns through secure data transfers, for use with filter and authentication processes. The IRS also established a process to expedite the sharing of significant tax incidents or threats amongst Security Summit partners.
- Refined and developed new identity theft filters based on analytical models and data validation. As a result, the IRS stopped potentially fraudulent returns much earlier in processing, allowing it to resolve cases for ID theft victims more quickly.

Research

The IRS gains further understanding of compliance through its National Research Program (NRP). The NRP analyzes reporting compliance data for various taxpayer populations, including Individual Income Tax, Corporate Income Tax, Employment Taxes, and Fuel Excise Taxes. Using data from the NRP individual income tax reporting compliance study, the IRS updated and implemented IRS Discriminant Function (DIF) models. The updates implemented for processing year 2016 were the latest in a series of updates to DIF models made possible because of new data available annually from NRP. The IRS expects that these improved models will reduce the selection of compliant taxpayers for audit, thereby focusing limited examination resources on returns with noncompliance, particularly returns with larger expected tax changes. The result will be a reduction in the number of audits for fully compliant taxpayers, while ensuring that problematic returns receive the necessary scrutiny.

The IRS conducts research studies and analytics on behavioral responses to IRS taxpayer service operations and enforcement activities and provides measures of taxpayer compliance and the tax gap.

FY 2018 Changes by Budget Activity

Dollars in Thousands

Shared Services and Support	FTE	Amount
FY 2017 Annualized CR	**4,981**	**$1,014,139**
Changes to Base:		
Maintaining Current Levels (MCLs)	**-**	**$20,629**
Pay Raise	-	9,383
Pay Annualization	-	3,439
Non-Pay	-	7,807
Subtotal Changes to Base	**-**	**$20,629**
Total FY 2018 Base	**4,981**	**$1,034,768**
Program Changes:		
Program Decrease:		
Actions to Achieve Workforce Management Goals	(110)	(23,357)
Subtotal Program Changes	**(110)**	**($23,357)**
Total FY 2018 Request	**4,871**	**$1,011,411**
Dollar/FTE Change FY 2018 Budget Request over FY 2017 Annualized CR Level	(110)	($2,728)
Percent Change FY 2018 Budget Request over FY 2017 Annualized CR Level	-2.21%	-0.27%

2.1.7 – Budget and Performance Report and Plan

Dollars in Thousands

Shared Services and Support Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources[1]	$1,187,959	$1,097,565	$1,127,931	$1,126,230	$1,090,192	$1,014,139	$1,011,411
Reimbursable Resources[2]	31,486	17,175	19,886	17,126	19,443	16,686	17,520
User Fees[2]	14,938	31,644	7,819	1,768	1,000	1,000	11,900
Budget Activity Total	**$1,234,383**	**$1,146,384**	**$1,155,636**	**$1,145,124**	**$1,110,635**	**$1,031,825**	**$1,040,831**

[1]The FY 2012 - FY 2016 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2012 - FY 2016 columns represent realized resources for reimbursables and user fees.

2H – Information Services *($2,074,135,000 in direct appropriations, $21,675,000 in 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 the tax administration programs. This includes the design and operation of Information Technology (IT) 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. IT systems and data are key to all IRS functions.

IT is responsible for information systems and technology, ranging from cyber security and networks to applications development and end user equipment and services. The program activities include:

- *Application Development* performs the analysis, design, development, testing, and implementation of about 550 applications supporting critical tax processing, management information reporting, and financial management support systems. This program supports external trading partner data exchanges with federal government agencies, state and local governments, and other third party entities. The program controls application source code and deploys applications to the production environment.

- *Cybersecurity* delivers IT security services to ensure IRS compliance with federal statutory and regulatory requirements governing confidentiality, integrity, and availability of IRS electronic systems, services, and data. Cybersecurity tracks compliance, continuously monitors risk, and provides remediation to manage the IRS's IT Security Program in accordance with the Federal Information Security Management Act.

- *Enterprise Operations* designs, develops, and maintains IT that supports critical tax processing, management information reporting, and financial management support systems for the IRS. It supports data exchanges with external organizations, such as other federal agencies, state and local governments, and external entities (e.g., employers and banks), and includes a comprehensive disaster recovery capability to ensure continued operations in the event of a major interruption of service.

- *Enterprise Program Management Office (EPMO)* is responsible for the delivery of integrated solutions for several of the IRS's large-scale programs. It plays a key role in establishing change, configuration, and release plans and implementing new information system functional capabilities. The EPMO is the primary partner with the business for programs under their purview and works with IT delivery partners (AD, ES, EOPS and the other ACIO areas) to deliver required capabilities. This structure positions each organization to maintain a strong core function to optimize their operations.

- *Enterprise Services* plans and manages service and delivery methods used across the IT organization, including demand analysis, enterprise architecture, configuration management, project reporting, enterprise life cycle management, release management, systems engineering, dashboard reporting, and internal management.

- *IT Executive Oversight* supports the continued transformation of the IT organization while helping drive the successful implementation of multiple initiatives and is responsible for overseeing day-to-day operations of the organization and providing strategic and operational oversight for many functions within IT.

- *IT Infrastructure* provides a centrally managed investment program for the replacement of IRS IT infrastructure that has reached or surpassed its useful life cycle.

- *Strategy and Planning* collaborates with IT leadership to provide policy, direction, and administration of essential programs, including strategy and capital planning, strategic planning and performance measurement, financial management services, vendor and contract management, requirements and demand management, and risk management. The organization partners with IRS leadership and external stakeholders to ensure selection, planning and management of an IT investment portfolio that is driven by the strategic priorities of the IRS and demonstrates business value.

- *Treasury Franchise Fund (TFF)* is a centralized functional area that pays for services provided through the Treasury Franchise Fund.

- *User and Network Services (UNS)* provides end-user support in accordance with negotiated service level agreements, strategic direction, forecasting, planning and oversight of IT business needs, and ensures compliance with government security regulations. UNS supplies and maintains all desk-side technology, equips the Volunteer Income Tax Assistance Program; establishes and provides oversight of hardware and software standards; and manages the architecture, design, and engineering of the IRS network infrastructure.

<u>*Description of Performance*</u>

The IRS taxpayer service and enforcement programs rely heavily on information systems funded in this account. These systems process tax and information returns, account for tax revenues collected, send bills for taxes owed, issue refunds, assist in the selection of tax returns for audit, and provide telecommunication services for all business activities. It also funds the disaster recovery activities to ensure continued operations in the event of a major interruption of service.

In FY 2016, the IRS:

- Processed more than 126,000 Forms 1094-B, *Transmittal of Health Coverage Information Returns* and more than 108 million Forms 1095-C, *Employer-Provided Health Insurance Offer and Coverage Insurance*, through the ACA Information Returns (AIR) system.
- Continued to deliver new capabilities and enhancements to the Foreign Account Tax Compliance Act (FATCA) system. The IRS deployed the FATCA registration system releases 3.0, 4.0, and 4.1, and updated the FATCA Compliance Roadmap with activities for identifying noncompliance by foreign financial institutions. Nearly 190,000 financial institutions registered with the IRS, while more than 5,000 financial institutions enrolled in the International Data Exchange Service to submit FATCA returns to the IRS.
- Worked with Security Summit partners from state tax agencies and the broader tax community to add extra layers of security protection for the filing season; processed more than 200 million returns and billions of dollars in tax refunds with these security protections in place.
- Conducted continuity of operations exercises testing organizational readiness in response to emergency events. These exercises allow the IRS to test its ability to support and render services to taxpayers by ensuring the three mission essential functions, Processing Tax Returns, Processing Remittances, and Processing Refunds, remain operational during an emergency event. Exercises centered not only on natural disasters (hurricanes, tornadoes, earthquakes, wild fires, etc.) but also on man-made disasters (bombs, biohazard situations, riots, etc.) that could affect IRS operations. The continuity exercises required extensive coordination with IRS leadership and assessed continuity readiness at all levels of the organization.
- Continued to build robust cybersecurity programs to improve the identification and prevention of refund fraud and identity theft and to enhance cybersecurity to safeguard taxpayer data.

- Identified and mitigated 678 cyber incidents and blocked the transmission of 66,378 unencrypted emails from leaving the IRS network, preventing the possible inadvertent disclosure of sensitive data such as social security numbers and passwords. The IRS also completed the first release of its Short Messaging Service Platform (SMSP), which allowed for the issuance of a one-time password to a taxpayer via text messaging services, paving the way for two-factor authentication for taxpayers trying to access their tax records.

FY 2018 Changes by Budget Activity

Dollars in Thousands

Information Services	FTE	Amount
FY 2017 Annualized CR	**6,460**	**$1,864,197**
Changes to Base:		
Maintaining Current Levels (MCLs)	**-**	**$37,411**
Pay Raise	-	15,190
Pay Annualization	-	5,567
Non-Pay	-	16,654
Resource Adjustments	**-**	**$27,558**
Base Realignment for Support Services	-	55,000
Adjustments for Administrative Provision Section 113	-	(27,442)
Subtotal FY 2018 Changes to Base	-	**$64,969**
FY 2018 Current Services	**6,460**	**$1,929,166**
Program Changes:		
Program Increase:		
Realignment to Support Aging IT Infrastructure	266	179,449
Program Decrease:		
Actions to Achieve Workforce Management Goals	(232)	(34,480)
Subtotal FY 2018 Program Changes	**34**	**$144,969**
Total FY 2018 Budget Request	**6,494**	**$2,074,135**
Dollar/FTE Change FY 2018 Budget Request over FY 2017 Annualized CR Level	34	$209,938
Percent Change FY 2018 Budget Request over FY 2017 Annualized CR Level	0.53%	11.26%

2.1.8 – Budget and Performance Report and Plan

Dollars in Thousands

Information Services Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources[1]	1,681,195	1,722,172	1,749,110	1,641,360	1,883,667	1,864,197	2,074,135
Reimbursable Resources[2]	5,154	8,850	4,734	24,262	19,660	20,643	21,675
User Fees[2]	59,824	145,027	198,206	373,610	263,250	408,724	430,000
Budget Activity Total	**$1,746,173**	**$1,876,049**	**$1,952,050**	**$2,039,232**	**$2,166,577**	**$2,293,564**	**$2,525,810**

[1]The FY 2012 - FY 2016 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2012 - FY 2016 columns represent realized resources for reimbursables and user fees.

Business Systems Modernization

Appropriation Description

The Business Systems Modernization (BSM) appropriation provides resources for the planning and capital asset acquisition of IT to modernize the IRS business systems.

The BSM budget request for FY 2018 is $110,000,000 in direct appropriations and 229 FTE. This is a decrease of $179,449,000, or 62 percent, and 364 fewer FTE than the FY 2017 Annualized Continuing Resolution level of $289,449,000 and 593 FTE.

The IRS is moving $179,449,000 and 266 FTE from BSM to Operations Support to fund operations and maintenance for the existing infrastructure, including addressing a backlog of infrastructure past its useful life. As of right now, 63 percent of 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. Additionally, the increasing number of cybersecurity threats and the need to modernize systems to protect one of the world's most valuable data caches cannot be overstated. These funds and FTE will be used to replace about 20 percent of the inventory.

BSM will continue to operate the Return Review Program (RRP), which has significantly enhanced fraud detection capabilities; Web Applications, which has provided increased and secure Internet-based services to taxpayers; CADE2, which has provided the foundation for a more efficient and effective tax administration; Architecture, Integration and Management (AI&M), which has provided management abilities essential to IRS systems strategy, architecture, and engineering capabilities for the major modernization projects across all technology platforms; and Core Infrastructure which has provided shared infrastructure that leverages reusable engineering design patterns and best practices for standardized, virtual, and secure environments.

The Department of the Treasury is developing a new strategic plan for FYs 2018 – 2022 in accordance with the GPRA Modernization Act of 2010. The plan is scheduled for publication in 2018. The Annual Performance Plan will be updated in the FY 2019 President's Budget to reflect new departmental strategic goals and objectives. The IRS will publish a component plan by summer 2018.

2.1 – Budget Adjustments Table

Dollars in Thousands

Business Systems Modernization	FTE	Amount
FY 2017 Annualized CR	**593**	**$289,449**
Changes to Base:		
Maintaining Current Levels (MCLs)	**-**	**$1,425**
Pay Raise	-	1,043
Pay Annualization	-	382
Subtotal Changes to Base	**-**	**$1,425**
Total FY 2018 Base	**593**	**$290,874**
Program Changes:		
Program Decreases:		
Realignment to Support Aging IT Infrastructure	(355)	(179,449)
Actions to Achieve Workforce Management Goals	(9)	(1,425)
Subtotal Program Changes	**(364)**	**($180,874)**
Total FY 2018 Request	**229**	**$110,000**

2.2 – Operating Levels Table

Dollars in Thousands

Business Systems Modernization Object Classification	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
11.1 Full-Time Permanent Positions	53,444	71,069	27,581
11.3 Other than Full-Time Permanent Positions	425	193	62
11.5 Other Personnel Compensation	567	1,004	299
11.9 Personnel Compensation (Total)	**54,436**	**72,266**	**27,942**
12.1 Personnel Benefits	16,492	21,861	8,358
Total Personnel and Compensation Benefits	**$70,928**	**$94,127**	**$36,300**
21.0 Travel	170	191	112
25.1 Advisory & Assistance Services	109,827	172,227	64,186
25.2 Other Services	9	159	58
25.3 Purchase of Goods & Services from Govt. Accounts		12	6
25.7 Operation & Maintenance of Equipment	2,632	1,434	664
26.0 Supplies and Materials	2	21	9
31.0 Equipment	7,377	21,278	8,665
Total Non-Personnel	**$120,017**	**$195,322**	**$73,700**
New Appropriated Resources	**$190,945**	**$289,449**	**$110,000**
Budget Activities:			
IT Investments	190,945	289,449	110,000
New Appropriated Resources	**$190,945**	**$289,449**	**$110,000**
FTE	**442**	**593**	**229**

2.3 – Appropriation Detail Table

Dollars in Thousands

Business Systems Modernization Appropriated Resources	FY 2016 Enacted		FY 2017 Annualized CR		FY 2018 Request		Change FY 2017 to FY 2018 Request		% Change FY 2017 to FY 2018 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Business Systems Modernization	442	$290,000	593	289,449	229	110,000	(364)	(179,449)	-61.38%	-62.00%
Subtotal New Appropriated Resources	**442**	**$290,000**	**593**	**$289,449**	**229**	**$110,000**	**(364)**	**($179,449)**	**-61.38%**	**-62.00%**
Other Resources:										
User Fees	-		-	36,000	-	-	-	(36,000)	N/A	-100.00%
Recovery from Prior Years	-	4,283	-	766	-	-	-	(766)	N/A	-100.00%
Unobligated Balances from Prior Years	-	276,444	-	186,182	-	185,584	-	(598)	N/A	-0.32%
Subtotal Other Resources	**-**	**$280,727**	**-**	**$222,948**	**-**	**$185,584**	**-**	**($37,364)**	**N/A**	**-16.76%**
Total Budgetary Resources	**442**	**$570,727**	**593**	**$512,397**	**229**	**$295,584**	**(364)**	**($216,813)**	**-61.38%**	**-42.31%**

2I – Business Systems Modernization (BSM) *($110,000,000 in direct appropriations)*: This budget activity funds the planning and capital asset acquisition of information technology (IT) to modernize IRS business systems, including labor and related contractual costs.

BSM uses best practices and expertise in business solutions and internal management to develop a world-class tax administration system. The following projects are supported by the FY 2018 BSM request of $110 million:

Customer Account Data Engine 2 (CADE2) (+$30 million / +102 FTE): These funds will be used to re-engineer components of the Individual Master File (IMF) by applying modern programming languages and establish CADE 2 as the legal and financial authoritative source of individual taxpayer data.

Return Review Program (RRP) (+$36 million / +41 FTE): The RRP system became the system of record in October, 2016 for tax return fraud and anomaly detection. The current focus is on individual tax return data. Investment in RRP will continue to improve and expand analytical capabilities, that protect increasing levels of revenue from individual and business tax return fraud, non-compliance, and other enterprise anomaly detection. IRS will implement value-driven enhancements based on Business priorities, enabling additional business customers to explore and use RRP for anomaly detection business processes. In FY 2018, RRP will make a wider array of data available to other systems, for expanded anomaly detection throughout the processing pipeline. RRP will also increase the amount of revenue protected by improving existing screening rules and models for individual returns and by developing and implementing new rules and models for emerging schemes for business returns. RRP will upgrade hardware and analytics software and other infrastructure capabilities, to enable superior processing performance and reliability

Web Applications (+$24 million / +49 FTE) will simplify the taxpayer's online experience, provide secure digital communications, and add more interactive capabilities to existing web self-service products. This will allow taxpayers to resolve more issues online, requiring fewer direct interactions with the IRS over the telephone and in person.

In early FY 2018, Web Applications will substantially complete development of initial Online Account capabilities. These initial capabilities will allow a taxpayer to check if they have a balance due, make a payment, and see prior payments and other tax records. Additionally, Web Apps will start to plan, develop and deploy new capabilities selected by the Web Apps product prioritization process. Anticipated functionalities include: allowing third parties (i.e., tax preparers and tax software companies) to interface with IRS systems to directly provide refund data to their customers; allowing taxpayers to validate their identity for questionable tax returns to enhance identity protection and reduce fraud; allowing taxpayers access to self-service their public determination applications and return filings; and allowing taxpayers to initiate and modify installment agreements in the Account application.

Architecture, Integration and Management (AI&M) (+$10 million / +16 FTE) will provide engineering management capabilities essential to delivering a program of BSM's magnitude and complexity. It will also deliver essential IRS systems strategy, architecture, and engineering capabilities for the major modernization projects across all technology platforms-IT Infrastructure, Business Applications, Data Management, and IT Security. The AI&M program translates enterprise and project objectives into targeted, actionable investments to provide the necessary framework and direction for a cohesive, successful modernization.

Core Infrastructure (+$10 million / +21 FTE) provides mission-critical services for designing, engineering, testing, and deploying standardized, consolidated, virtual, and secure modernized development and production environments for use by BSM projects. This support effort scales with the development projects in the BSM portfolio.

The IRS is modernizing taxpayer applications to use of web-based technologies that allow taxpayers to communicate with the IRS using commercially available technology. The modernized infrastructure provides a complete environment (hardware, software, processes, and management) for developing, testing, deploying, operating, and monitoring both customer and internal applications in support of business practices. This includes continuing to update the web portal environment and standardizing services, security, and operations management.

This approach facilitates the IRS's ability to develop a shared infrastructure and common business service solutions that are usable across multiple BSM projects.

Dollars in thousands

Business Systems Modernization		FY 2016 Operating Plan	FY 2017 CR Level	FY 2018 Budget Request	Difference 2017 to 2018
CADE 2		**92,231**	**121,846**	**30,000**	**(91,846)**
Ensuring Taxpayer data is secure. CADE2 will re-engineer components of the Individual Master File (IMF) by applying modern programming languages and establish CADE 2 as the legal and financial authoritative source of individual taxpayer data.	Capital[1]	62,854	90,000	15,000	(75,000)
	Support[2]	2,372	150		(150)
	Labor	27,005	31,696	15,000	(16,696)
	FTE	*183*	*202*	*102*	*(100)*
Enterprise Case Management		**38,517**	**46,324**		**(46,324)**
Working the right cases so taxpayer burden is lessened requires an implementation strategy to consolidate and retire legacy systems. Funding ECM will: provide an enterprise-wide strategic approach to case management that will implement standard case management functions, an infrastructure platform, and common services that a case management application will leverage. The anticipated results are to streamline processes, reduce the number of duplicative applications and improve data accessibility and usability.	Capital	28,991	7,100		(7,100)
	Support	154	32		(32)
	Labor	9,372	14,192		(14,192)
	U. Fees		25,000		(25,000)
	FTE	*32*	*92*		*(92)*
Enterprise Case Selection		**1,492**	**23,707**		**(23,707)**
Funding ECS will: provide the main integration point between the Return Review Program (RRP) and Enterprise Case Management (ECM). The ECS program will implement an enterprise solution for performing case selection functions using a common infrastructure platform and common services that will be leveraged across the IRS. The ECS program will increase operational efficiencies by consolidating separate case selection functions and by identifying the best cases allowing the IRS to utilize resources more effectively.	Capital	1,492	10,000		(10,000)
	Support		25		(25)
	Labor		8,682		(8,682)
	U. Fees		5,000		(5,000)
	FTE		*54*		*(54)*
Event Driven Architecture		**8,962**	**4,766**		**(4,766)**
Enabling online account self-service, including self correction. Funding EDA allows: a framework that processes the tax return immediately upon arrival. Just-in-time processing will allow each individual return to flow independently through the system at its own pace. This will allow the IRS to move away from batch processing, view returns dynamically, and understand the status of a return as it is processed.	Capital	7,500	2,000		(2,000)
	Support	39	5		(5)
	Labor	1,423	2,761		(2,761)
	FTE	*11*	*17*		*(17)*
Modernized e-File		**11,014**	**3,507**		**(3,507)**
Ensuring faster, more efficient tax processing. Providing labor funding to complete MeF Release 10, enables e-filing of Form 1040-NR (U.S. Nonresident Alien Income Tax Return) and Form 1040-NR-EZ (U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents).	Capital	7,700			
	Support	39			
	Labor	3,275	3,507		(3,507)
	FTE	*12*			
Return Review Program		**40,402**	**40,215**	**36,000**	**(4,215)**
Providing leading-edge technologies to advance the IRS effectiveness in detecting, addressing, and preventing tax refund fraud and protecting U.S. Treasury revenue. The RRP fraud framework is critical for IRS' success in tackling ever-evolving tax schemes in a sophisticated, scalable and adaptable manner. Funding will: provide leading-edge technologies to advance IRS effectiveness in detecting, addressing, and preventing tax refund fraud and protecting US Treasury revenue. The RRP system contains multiple data sources combined with sophisticated modeling and business rule analytics to support pre-refund revenue protection, compliance and post-refund criminal investigation and prosecution.	Capital	32,000	32,000	29,030	(2,970)
	Support	201	55	70	15
	Labor	8,201	8,160	6,900	(1,260)
	FTE	*56*	*50*	*41*	*(9)*
Web Applications		**22,160**	**29,253**	**24,000**	**(5,253)**
Providing easy access to taxpayer information via digital channels. Funding will: drive the IRS transition to digital government and supports the long-term vision of migrating services from expensive traditional channels to the internet. To keep pace with the ever changing state of web technology and increasing taxpayer demand for IRS service, the IRS must create and enhance online self-service capabilities for taxpayers, tax practitioners, and internal IRS stakeholders. Web Applications will continue to enhance the taxpayer's experience by providing additional self-service options within a	Capital	16,272	14,000	15,625	1,625
	Support	124	30	75	45
	Labor	5,764	9,223	8,300	(923)
	U. Fees		6,000		(6,000)
	FTE	*36*	*58*	*49*	*(9)*
Architecture, Integration, and Management		**31,560**	**19,679**	**10,000**	**(9,679)**
Provide system engineering management capabilities, including systems strategy, architecture, and engineering capabilities, across IT Infrastructure, Business Applications, Data Management, and IT Security. Provide portfolio control and management processes and tools, including governance, enterprise lifecycle support, tiered program management, and configuration/change management.	Capital	25,400	15,000	7,380	(7,620)
	Support	180	26	20	(6)
	Labor	5,980	4,653	2,600	(2,053)
	FTE	*33*	*27*	*16*	*(11)*
Core Infrastructure		**26,171**	**33,450**	**10,000**	**(23,450)**
Provide shared infrastructure that leverages reusable engineering design patterns and best practices for standardized, virtual, and secure environments. These environments allow multiple BSM projects to develop, test, deploy, operate, and monitor in a common approach.	Capital	15,000	22,000	6,480	(15,520)
	Support	258	60	20	(40)
	Labor	10,913	11,390	3,500	(7,890)
	FTE	*73*	*70*	*21*	*(49)*
Management Reserve		17,491	2,702		
Total BSM		**$290,000**	**$325,449**	**$110,000**	**($212,747)**
Total FTE		436	570	229	(341)

[1] Capital Investments funding consists of capital and labor costs.

[2] Support funding consists of training, travel, supplies, etc.

Description of Performance

The IRS's modernization efforts focus on building and deploying advanced information technology systems, processes, and tools to improve efficiency and productivity. IRS performance metrics are described quarterly and in greater detail in the BSM IT Modernization report.

Major IT (BSM and Non-BSM) Investments		
Fiscal Year	Percent within +/- 10% Cost Variance	Percent within +/- 10% Schedule Variance
2016	76.2%	85.7%

IRS IT will continue to monitor program activities closely and address any issues associated with cost/schedule on a timely basis to meet the FY 2017 and FY 2018 target of 90 percent.

FY 2018 Changes by Budget Activity

Dollars in Thousands

Business Systems Modernization	FTE	Amount
FY 2017 Annualized CR	**593**	**$289,449**
Changes to Base:		
Maintaining Current Levels (MCLs)	**-**	**$1,425**
Pay Raise	-	1,043
Pay Annualization	-	382
Subtotal Changes to Base	**-**	**$1,425**
Total FY 2018 Base	**593**	**$290,874**
Program Changes:		
Program Decreases		
Realignment to Support Aging IT Infrastructure	(355)	(179,449)
Actions to Achieve Workforce Management Goals	(9)	(1,425)
Subtotal Program Changes	**(364)**	**($180,874)**
Total FY 2018 Request	**229**	**$110,000**
Dollar/FTE Change FY 2018 Budget Request over FY 2017 Annualized CR Level	(364)	($179,449)
Percent Change FY 2018 Budget Request over FY 2017 Annualized CR Level	-61.38%	-62.00%

2.1.9 – Budget and Performance Report and Plan

Dollars in Thousands

Business Systems Modernization Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources[1]	250,537	198,205	145,235	107,746	190,945	289,449	110,000
Reimbursable Resources[2]	0	0	0	0	0	0	0
User Fees	0	0	0	0	0	36,000	0
Budget Activity Total	**$250,537**	**$198,205**	**$145,235**	**$107,746**	**$190,945**	**$325,449**	**$110,000**

[1]The FY 2012 - FY 2016 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2012 - FY 2016 columns represent realized resources for reimbursable resources and user fees.

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Percent of Major IT Investments within +/-10% Cost Variance at the Investment Level	50.0	.0	66.7	73.7	76.2	90.0	90.0	90.0	
Percent of Major IT Investments within +/-10% Schedule Variance at the Investment Level[1]	90.0	83.3	100.0	89.5	85.7	90.0	90.0	90.0	

1. Starting in FY 2015, the measure includes all major investments (BSM and non-BSM).

Section III

3.1 – Summary of Capital Investments

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed/downloaded at:

http://www.treasury.gov/about/budget-performance/pages/summary-of-capital-investments.aspx.

This website also contains a digital copy of this document.

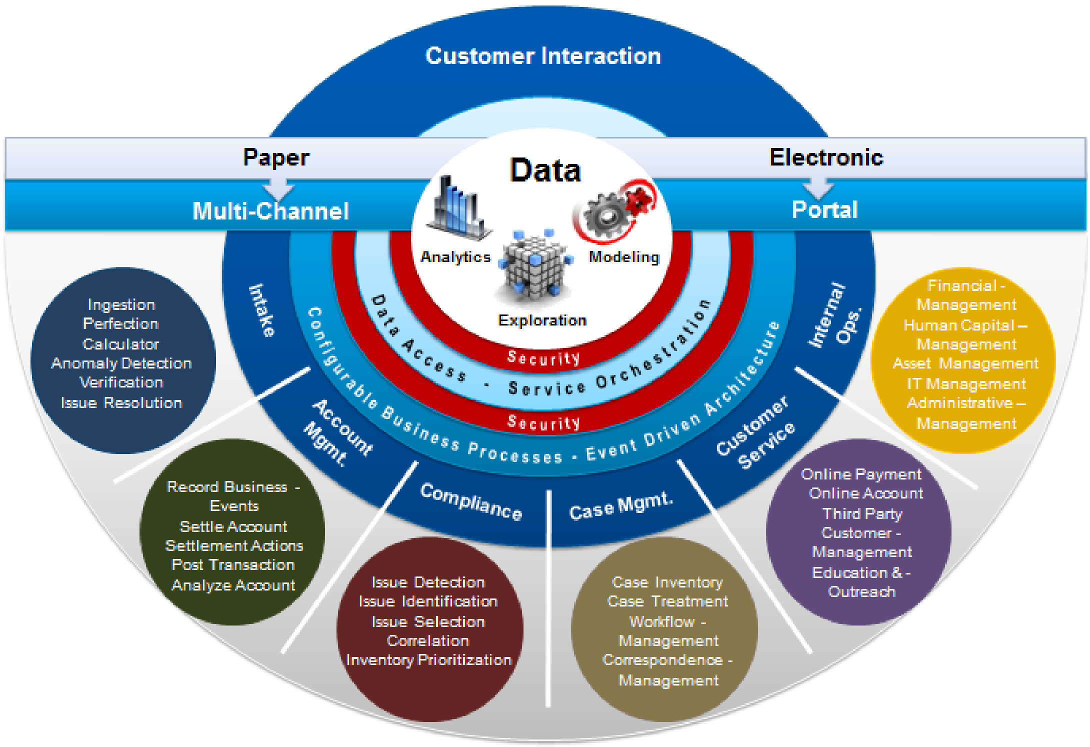
3A – Capital Investment Strategy

The Information Technology (IT) office is a key facilitator of efficient and effective tax administration. IT continues to provide critical support as the IRS faces increasingly complex tax administration, evolving taxpayer expectations, greater media scrutiny, and growing challenges in combating refund fraud and identity theft. In FY 2018, the IRS plans to strengthen its IT infrastructure.

The IRS needs new technologies to deliver comprehensive IT solutions that improve electronic tax filing returns, enhance services to taxpayers and third party practitioners, and strengthen criminal enforcement of tax laws. With increases in electronic data, online interactions, and related security risks, the IRS must make significant investments to secure infrastructure, data, and applications. To ensure the IRS invests wisely in new technology, it implemented a collaborative Capital Investment Strategy with the business units. The collaboration includes translating business vision and strategy into effective enterprise change by creating, communicating, and improving the key requirements, principles, and models that describe the IRS's future and enable its evolution.

The outcome of this collaboration is the Technology Roadmap, which creates a visual depiction of the future of IT and promotes dialogue between IT and business leaders on the priorities, direction and alignment of investments and resources. The roadmap provides conceptual, logical, technical, transitional, and detailed multi-level views of business requirements that provide increased granularity with each subsequent level. The transitional view demonstrates the current, transition, and next state for major business concepts, including the Intake, Account Management, Compliance, Case Management, and Internal Operations processes**.**

The IRS uses the Technology Roadmap to guide its capital investment strategy. It is a living document that is continuously reviewed and updated as appropriate. Below is the conceptual, top-level view of the Technology Roadmap, identifying the major services that support each core business area along with the major architectural principles and structures.


Customer Interaction
Paper
Electronic
Multi-Channel
Portal
Data
Analytics
Modeling
Exploration
Security
Data Access - Service Orchestration
Security
Configurable Business Processes - Event Driven Architecture
Intake
Account Mgmt.
Compliance
Case Mgmt.
Customer Service
Internal Ops.
Ingestion
Perfection
Calculator
Anomaly Detection
Verification
Issue Resolution
Record Business - Events
Settle Account
Settlement Actions
Post Transaction
Analyze Account
Issue Detection
Issue Identification
Issue Selection
Correlation
Inventory Prioritization
Case Inventory
Case Treatment
Workflow - Management
Correspondence - Management
Online Payment
Online Account
Third Party
Customer - Management
Education & - Outreach
Financial - Management
Human Capital – Management
Asset Management
IT Management
Administrative – Management

3.2 – Return on Investment (ROI) for IRS Major Enforcement Programs

The actual cost and actual revenue collected for FY 2012 through FY 2016 for the three major enforcement programs, Examination, Collection, and Automated Underreporter (AUR) are provided below. The activities included in these programs include:

Examination Program conducts examinations of tax returns of individual taxpayers, businesses, and other types of organizations to verify that the tax reported is correct. This includes examinations of individuals, small business, self-employed, large corporate business, partnerships, international, estate and gift, excise tax and employment tax, and tax-exempt, qualified pension benefit plans, and Government entities. The examination costs include the cost of the Field Exam, Correspondence Exam, IRS Chief Counsel, and Appeals functions.

Collection Program collects delinquent taxes and secures delinquent tax returns through the appropriate use of enforcement tools, such as lien, levy, seizure of assets, installment agreement, offer in compromise, substitute for return, summons, and IRC 6020(b) (which allows the IRS to prepare returns if a taxpayer neglects or refuses to file), and provides education to taxpayers to enable future compliance. The cost of the Collection program includes Automated Collection System (ACS), Field Collection, and Payment Compliance/Correspondence Collection.

Automated Underreporter (AUR) Program matches payer information returns (Forms 1099, W-2, etc.) against data reported to the IRS on individual tax returns. The information is verified to identify any discrepancies. If a discrepancy is found, the case is given to a tax examiner for research and analysis. If the tax examiner is unable to resolve the discrepancy, the IRS issues a proposed notice and generates a proposed assessment.

ROI is calculated by dividing revenue by cost. This information provides an indication of the ROI for the three major enforcement programs over time, but it is important to note that enforcement revenue collected in a fiscal year includes tax, interest, and penalties from multiple tax years. Some enforcement activities can take more than a year to close and may generate revenue over several years, so it is generally inappropriate to compare revenue collected in a given fiscal year to the staffing available for that same year.

In addition, it is important to note that these data reflect the average return on investment for these programs and do not include indirect effects of IRS enforcement activities on voluntary compliance. As such, they are not intended to be used to allocate resources or maximize revenue. Net revenue is maximized only when resources are allocated according to *marginal direct <u>and</u> indirect* return on investment, but those ratios are much more challenging to estimate than the average ROI shown here. As a result, the IRS will continue to allocate enforcement resources across a range of enforcement activities to ensure taxpayers pay the taxes they owe.

Return on Investment for IRS Major Enforcement Programs

Dollars in millions

	FY 2012			FY 2013			FY 2014			FY 2015			FY 2016		
Enforcement Program	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI
IRS Total	$6,242	$50,187	8.0	$5,883	$53,345	9.1	$5,839	$57,146	9.8	$5,644	$54,203	9.6	$5,592	$54,291	9.7
Examination	4,232	14,476	3.4	3,965	16,662	4.2	3,965	18,983	4.8	3,974	13,320	3.4	3,782	12,023	3.2
Collection	1,742	30,442	17.5	1,660	31,396	18.9	1,618	33,198	20.5	1,419	35,740	25.2	1,576	37,259	23.6
Automated Underreporter (AUR)	267	5,269	19.7	258	5,287	20.5	256	4,965	19.4	251	5,143	20.5	234	5,009	21.4

[1]The cost of the enforcement programs was calculated using budget data from the IRS Integrated Financial System (IFS) and includes direct dollars and FTE from the Enforcement appropriation, Exam and Collections budget activity, and dollars from the Operations Support appropriation prorated using actual FTE realized for each major

3.3 – IRS Performance Measure Table

Changes in Performance Measures

The following are changes in performance measures or indicators from the FY 2017 Annualized CR level.

Performance Measure or Indicator	Proposed Change and Justification
1. Conviction Efficiency Rate – discontinue	The budget component of the measure – which makes up the numerator to calculate this rate – fluctuates year to year and Criminal Investigation has limited control over funding. CI will continue to report three measures in the budget submission.
2. Enterprise Taxpayer Self-Assistance Rate (ETSAR) – modify	Starting in FY 2017, the IRS modified the Taxpayer Self Assistance Rate measures to include additional self-assistance applications, including Get Transcripts and payment applications, such as Direct Pay and Online Payment Agreements. As new self-assistance applications are provided to the public, they will be added to the methodology. Because of these changes, IRS will use ETSAR as an indicator in FY 2017.
3. Customer Contacts Resolved per Staff Year (CCRPSY) – modify	Due to the modifications made to the Taxpayer Self-Assistance Rate measure for FY 2017, several components of the Customer Contacts Resolved Per Staff Year measure changed including: the way IRS counts transcripts, from "requested" to now counting "delivered"; the addition of Get Transcripts (Online & Mail); the discontinuation of Electronic Interactions; and, the moving of balance due calls to SB/SE. IRS will baseline CCRPSY in FY 2017.
4. Rentable Square Feet per Person (RSFPP) – new measure for FY 2017	A new measure was added to support the Operations Support Appropriation. This indicator will help IRS better manage rental costs. IRS will use RSFPP as an indicator in FY 2017.

3.3 – IRS Performance Measure Table (Continued)

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Timeliness of Critical Individual Filing Season Tax Products to the Public (%)	97.2	58.9	99.1	89.0	92.5	87.0	89.0	89.0	
Timeliness of Critical TE/GE and Business Tax Products to the Public (%)	94.5	83.6	98.7	92.6	98.0	87.0	91.0	91.0	
Enterprise Taxpayer Self-Assistance Rate [1]	78.5	83.3	84.7	88.7	89.0	90.0	Indicator	N/A	N/A
Percent Individual Returns Processed Electronically (%)	80.5	82.5	84.1	85.3	86.4	86.0	87.0	88.0	
Percent of Business Returns Processed Electronically	36.7	40.2	43.1	47.0	50.0	48.0	51.0	53.0	
Customer Accuracy - Tax Law Phones (%)	93.2	95.7	95.0	95.0	96.4	92.0	95.0	95.0	
Customer Accuracy - Accounts (Phones)	95.6	96.0	96.2	95.5	96.1	94.0	95.0	95.0	
Customer Contacts Resolved Per Staff Year[2]	16,320	20,767	21,018	26,245	28,497	28,000	Baseline	TBD	
Customer Service Representative (CSR) Level of Service (LOS) (%)[3]	67.6	60.5	64.4	38.1	53.4	47.0	64.0	39.0	
Refund Timeliness - Individual (Paper)	99.7	99.0	98.7	98.8	98.7	97.0	97.0	97.0	
Criminal Investigations Completed	4,937	5,557	4,606	4,486	3,721	3,800	3,100	3,000	
Number of Convictions	2,634	3,311	3,110	2,879	2,672	2,500	2,100	2,000	
Conviction Rate (%)	93.0	93.1	93.4	93.2	92.1	92.0	92.0	92.0	
Examination Coverage - Individual (1040)	1.0	1.0	0.9	0.8	0.7	0.6	0.6	0.5	
Field Examination National Quality Review Score	87.4	89.2	88.4	86.7	86.8	86.7	86.7	86.7	
Office Examination National Quality Review Score	91.3	90.3	90.6	88.3	88.4	88.3	86.7	88.3	
Examination Quality - LB&I - Large Business	N/A	92.0	83.0	86.0	83.0	90.0	90.0	90.0	
Examination Coverage - Business Assets >$10 million (%)	6.2	5.6	4.3	3.9	3.0	3.5	2.7	2.7	
Automated Underreporter (AUR) Efficiency	2,041	2,025	1,935	2,209	2,196	2,036	2,133	2,133	

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Automated Underreporter (AUR) Coverage (%)	3.2	2.8	2.6	2.3	2.3	2.2	2.0	2.0	
Examination Efficiency - Individual (1040)	142	142	138	148	143	122	118	126	
Collection Coverage (Units)	48.1	47.0	45.9	46.3	43.4	41.8	37.5	34.2	
Collection Efficiency (Units)	1,997	2,057	2,051	2,448	2,266	2,208	2,117	2,147	
Field Collection National Quality Review Score	80.4	81.4	81.6	79.2	79.2	79.7	79.7	79.7	
Automated Collection System (ACS) Accuracy (%)	94.7	94.4	95.2	95.3	95.4	95.0	95.0	95.0	
TE/GE Determination Case Closures	87,000	65,877	136,746	111,940	99,973	103,852	95,791	99,840	
Rentable Square Feet Per Person (new for FY 2017)							Indicator	N/A	
Percent of Major IT Investments within +/-10% Cost Variance at the Investment Level	50.0	.0	66.7	73.7	76.2	90.0	90.0	90.0	
Percent of Major IT Investments within +/-10% Schedule Variance at the Investment Level[4]	90.0	83.3	100.0	89.5	85.7	90.0	90.0	90.0	

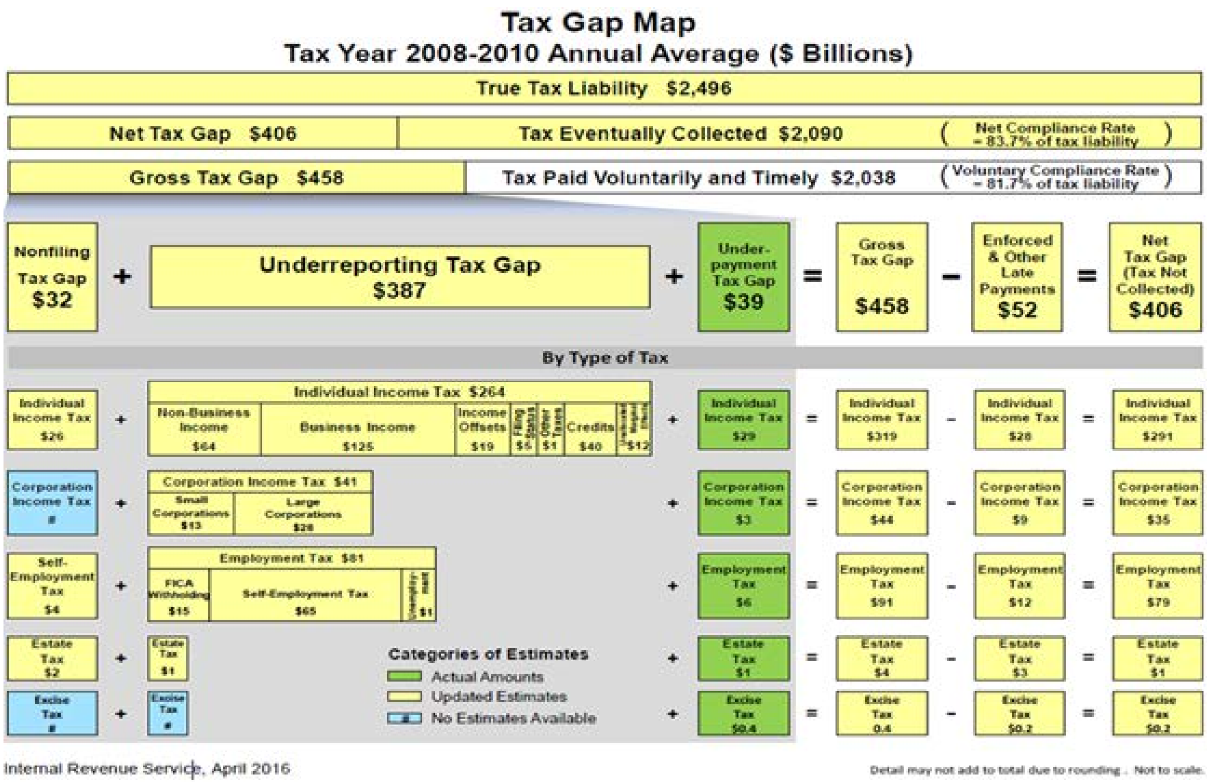
1. Starting in FY 2017, the IRS modified the Taxpayer Self Assistance Rate measure to include additional self-service channels. As new self-assistance applications are provided to the public, they will be added to the methodology.
2. Beginning in FY 2013, targets include an increase in base user fees.
3. As a result of program changes that occurred in the Large Business and International (LB&I) organization, starting in FY 2013, a new Examination Quality - Large Business measure will replace the two previous LB&I quality measures - Examination Quality - Industry and Coordinated Industry.
4. Starting in FY 2015, the measure includes all major investments (BSM and non-BSM).

3.3 – IRS Performance Measure Table (Continued)

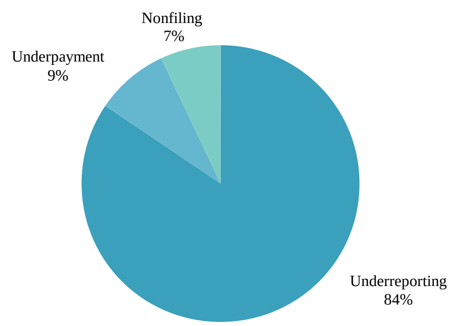
Budget Level Performance Measure Descriptions	
Customer Service Representative (CSR) Level of Service	The number of toll free callers that either speak to a Customer Service Representative or receive informational messages divided by the total number of attempted calls.
Customer Contacts Resolved per Staff Year	The number of Customer Contacts resolved in relation to staff years expended.
Customer Accuracy – Tax Law Phones	The percentage of correct answers given by a live assistor on Toll-free tax law inquiries.
Customer Accuracy – Customer Accounts (Phones)	The percentage of correct answers given by a live assistor on Toll-free account inquiries.
Timeliness of Critical Individual Filing Season Tax Products to the Public	The percentage of critical individual filing season tax products (tax forms, schedules, instructions, publications, tax packages, and certain notices required by a large number of filers to prepare a complete and accurate tax return) available to the public in a timely fashion.
Timeliness of Critical TE/GE & Business Tax Products to the Public	Percentage of critical other tax products, paper and electronic, available to the public in a timely fashion.
Percent Individual Returns Processed Electronically	The percentage of electronically filed individual tax returns divided by the total individual returns filed.
Percent Business Returns Processed Electronically	The percentage of electronically filed business tax returns divided by the total business returns filed.
Refund Timeliness – Individual (Paper)	The percentage of refunds resulting from processing Individual Master File paper returns issued within 40 days or less.
Enterprise Taxpayer Self Assistance Rate	The percentage of taxpayer assistance requests resolved using self-assisted automated services. IRS will use this as an indicator for FY 2017.
Examination Coverage – Individual (1040)	The sum of all individual 1040 returns closed by Small Business/Self Employed (SB/SE), Wage & Investment (W&I), Tax Exempt and Government Entities (TE/GE), and Large Business and International (LB&I) (Field Exam and Correspondence Exam programs) divided by the total individual return filings for the prior calendar year.
Field Exam Nat'l Quality Review Score	The score awarded to a reviewed field examination case by a Quality Reviewer using the National Quality Review System (NQRS) quality attributes.
Office Exam Nat'l Quality Review Score	The score awarded to a reviewed office examination case by a Quality Reviewer using the NQRS quality attributes.
Examination Quality – Large Business	Average of the scores of the Large Business Return (LBR) cases reviewed by LB&I Quality Measurement System (LQMS). Case scores are based on the percentage of elements passed within each of the four auditing standard.
Examination Coverage – Business Assets >$10 Million)	The number of LB&I returns (C and S Corporations with assets over $10 million and all partnerships) examined and closed by LB&I during the current fiscal year divided by the number of filings for the preceding calendar year.
Examination Efficiency – Individual (1040)	The sum of all individual 1040 returns closed by SB/SE, W&I, TE/GE, and LB&I (Field Exam and Correspondence Exam programs) divided by the total Full-Time Equivalent (FTE) expended in relation to those individual returns.
Automated Underreporter (AUR) Efficiency	The total number of W&I and SB/SE contact closures (a closure resulting from a case where we made contact) divided by the total FTE, including overtime.
Automated Underreporter (AUR) Coverage	A percentage representing the total number of W&I and SB/SE contact closures (a closure resulting from a case where SBSE and W&I made contact) divided by the total return filings for the prior year.
Collection Coverage – Units	The volume of collection work disposed compared to the volume of collection work available.
Collection Efficiency – Units	The volume of collection work disposed divided by total collection FTE.
Field Collection Nat'l Quality Review Score	The score awarded to a reviewed collection cases by a Quality Reviewer using the NQRS quality attributes.
Automated Collection System (ACS) Accuracy	The percent of taxpayers who receive the correct answer to their ACS question.
Criminal Investigations Completed	The total number of subject criminal investigations completed during the fiscal year, including those that resulted in prosecution recommendations to the Department of Justice as well as those discontinued due to a lack of prosecution potential.
Number of Convictions	The number of criminal convictions.
Conviction Rate	The percent of adjudicated criminal cases that result in convictions.
TE/GE Determination Case Closures	The number of cases closed in the Employee Plans or Exempt Organizations Determination programs, regardless of type of case or type of closing.
Rentable Square Feet per Person	The amount of Rentable Square Feet the IRS maintains per Personnel requiring space. IRS will use this as an indicator for FY 2017.
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned total cost and projected/actual cost within a fiscal year divided by the total number of major IT investments in that fiscal year.
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned days and projected/actual days within a fiscal year divided by the total number of major IT investments in that fiscal year.

3.4 – Reducing the Tax Gap

The IRS remains committed to increasing compliance and reducing the tax gap, while minimizing the burden on the vast majority of taxpayers who pay their taxes accurately and on time. The tax gap represents the difference between taxes owed and taxes paid on time. In FY 2016, the IRS released updated tax gap estimates for tax years 2008 through 2010 and found that the annual average gross tax gap was an estimated $458 billion.



The current estimated voluntary compliance rate is 81.7 percent. There are three components of the $458 billion gross tax gap: Underreporting tax liability ($387 billion), which comprises 84 percent of the gross tax gap, and nonfiling ($32 billion, 7 percent) and underpaying ($39 billion, 9 percent).



3.5 – Summary of IRS FY 2018 Budget Request

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**
Dollar/FTE Change FY 2018 Request over FY 2017 Annualized CR	($116,629)	(4,063)	($149,188)	(1,300)	$206,624	(76)	($179,449)	(364)	($238,642)	(5,803)
Percent Change FY 2018 Request over FY 2017 Annualized CR	-5.01%	-14.28%	-3.07%	-3.58%	5.53%	-0.66%	-62.00%	-61.38%	-2.13%	-7.55%

Department of the Treasury
Departmental Offices
Salaries and Expenses

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

A – 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 and manage the U.S. Government's finances and resources effectively.

B – Summary of the Request

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.

1.1 – Appropriations Detail Table

Dollars in Thousands

DO Salaries and Expenses Appropriated Resources	FY 2016 Enacted		FY 2017 Annualized CR		FY 2018 Request		FY 2017 to FY 2018 Change		FY 2017 to FY 2018 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources										
Executive Direction	151	$37,943	159	38,102	143	34,578	(16)	($3,524)	-10.06%	-9.25%
Domestic Finance and Tax Policy	299	$84,591	331	81,215	301	73,804	(30)	($7,411)	-9.06%	-9.13%
International Affairs and Economic Policy	247	$58,520	241	57,951	227	52,875	(14)	($5,076)	-5.81%	-8.76%
Treasury-wide Management and Programs	117	$41,446	160	44,809	140	40,494	(20)	($4,315)	-12.50%	-9.63%
Subtotal New Appropriated Resources	**814**	**$222,500**	**891**	**$222,077**	**811**	**$201,751**	**(80)**	**($20,326)**	**-8.98%**	**-9.15%**
Other Resources:										
Offsetting Collections - Reimbursables	189	$102,882	107	$102,882	107	$102,882	0	$0	0.00%	0.00%
Subtotal Other Resources	**189**	**$102,882**	**107**	**$102,882**	**107**	**$102,882**	**0**	**$0**	**0.00%**	**0.00%**
Total Budgetary Resources	**1,003**	**$325,382**	**998**	**$324,959**	**918**	**$304,633**	**(80)**	**($20,326)**	**-8.02%**	**-6.25%**

Note: Due to a change in accounting methodology, FTE providing administrative support to the Office of Terrorism and Financial Intelligence (TFI) were realigned from reimbursable to direct resources in FY 2017. This change did not affect the level of support to TFI.
FY 2016 FTE and Other Resources are Actual.

1.2 – Budget Adjustments Table

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**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$4,284,000 / +0 FTE

Pay Raise +$2,129,000 / +0 FTE

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

Pay Annualization +$780,000 / +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, Departmental Offices is implementing a staffing streamlining effort to ensure appropriate levels for meeting Treasury's mission and objectives, and maximum 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.

1.3 – Operating Levels Table

Dollars in Thousands

DO Salaries and Expenses Object Classification	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
11.1 - Full-time permanent	100,821	113,165	104,519
11.3 - Other than full-time permanent	1,850	2,077	1,918
11.5 - Other personnel compensation	2,301	2,583	2,385
11.9 - Total personnel compensation	**104,972**	**117,824**	**108,822**
12.0 - Personnel benefits	32,490	36,468	33,682
Total Personnel and Compensation Benefits	**$137,462**	**$154,292**	**$142,504**
21.0 - Travel and transportation of persons	4,156	4,239	4,059
22.0 - Transportation of things	360	367	265
23.1 - Rental payments to GSA	840	850	618
23.2 - Rental payments to others	875	893	644
23.3 - Communication, utilities, and misc charges	399	407	294
24.0 - Printing and reproduction	132	135	97
25.1 - Advisory and assistance services	23,057	19,076	16,962
25.2 - Other services from non-Federal sources	10,516	8,676	7,736
25.3 - Other goods and services from Federal sources	27,020	22,500	19,877
25.4 - Operation and maintenance of facilities	78	80	57
25.7 - Operation and maintenance of equipment	601	613	442
26.0 - Supplies and materials	3,742	3,817	3,253
31.0 - Equipment	6,012	6,132	4,943
32.0 - Land and structures	2,746	0	0
43.0 - Interest and dividends	2	0	0
Total Non-Personnel	**$80,536**	**$67,785**	**$59,247**
Total Budgetary Resources	**$217,998**	**$222,077**	**$201,751**
FTE	**814**	**891**	**811**

Note: This table includes total annually appropriated funding (actuals for FY 2016, FY 2017 Annualized CR and FY 2018).

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY DEPARTMENTAL OFFICES *Federal Funds* **SALARIES AND EXPENSES** (INCLUDING TRANSFER OF FUNDS)	
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. Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.	The Administration proposes “state and local entities” because Treasury needs broad authority to provide technical assistance. The Administration requests two-year funding for the operations and maintenance of facilities to allow the ability to execute multi-year contracts. The Administration requests two-year funding for international operations to facilitate invoicing, receipt of reimbursements, and obligation of funds for staff assigned to overseas posts including at international financial institutions pursuant to 5 U.S.C. § 3343.

E – Legislative Proposals

Treasury has no legislative proposals for DO Salaries and Expenses.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

Departmental Offices (DO) is the headquarters bureau for the Department of the Treasury. It provides leadership in economic and financial policy, financial intelligence and enforcement, and general management. Treasury utilizes effective management, policies, and leadership to protect our national security through targeted financial actions, to promote the stability of the nation's financial markets, and to ensure the Government's ability to collect revenue and fund its operations.

The FY 2018–2022 strategic plan is currently under development. The annual performance plan will be updated in the FY 2019 budget to reflect the new priorities.

B – Budget and Performance by Budget Activity

2.1.1 Executive Direction Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$37,219	$35,763	$34,588	$35,313	$37,778	$38,102	$34,578
Other Resources	$4,545	$4,691	$15,137	$21,677	$29,632	$29,632	$29,632
Budget Activity Total	$41,764	$40,454	$49,725	$56,990	$67,410	$67,734	$64,210
FTE	**160**	**156**	**162**	**189**	**209**	**193**	**177**

Executive Direction Budget and Performance
($34,578,000 from direct appropriation, $29,632,000 from reimbursable resources):
The Executive Direction program area provides direction and policy formulation to the Department and DO and interacts with Congress and the public on Departmental policy matters.

No specific performance goals/measures are presented for this budget activity as the work of these offices is captured within the other budget activities.

2.1.2 International Affairs and Economic Policy Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$59,277	$56,804	$56,265	$57,362	$59,061	$57,951	$52,875
Other Resources	$1,293	$2,275	$4,891	$5,896	$14,680	$14,680	$14,680
Budget Activity Total	$60,570	$59,079	$61,156	$63,258	$73,741	$72,631	$67,555
FTE	**237**	**232**	**226**	**259**	**272**	**255**	**241**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
IA - Monitor Quality and Enhance Effectiveness of International Monetary Fund (IMF) Lending Through Review of IMF Country Programs	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
IA - Monitor Quality and Enhance Effectiveness of MDB Lending Through Review of MDB Grant and Loan Proposals	N/A	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
IA - Percentage of MDB Grant and Loan Proposals Containing Satisfactory Frameworks for Results Measurement	94.0	92.0	93.0	93.0	89.0	94.0	94.0	95.0	
IA - Timely Review of CFIUS Cases	N/A	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
OTA - Program Engagement	3.9	3.8	3.7	3.8	3.9	3.6	3.6	3.6	

International Affairs and Economic Policy Budget and Performance
($52,875,000 from direct appropriation, $14,680,000 from reimbursable resources):
The offices in this budget activity promote 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.

During the past year, Economic Policy staff in the Office of Macroeconomic Analysis closely monitored U.S. economic performance, producing many hundreds of succinct, quick-turn reports on more than 50 recurring economic indicators. The office's high-quality analytic updates served as DO's main internal source of information on U.S. macroeconomic developments and informed a wide range of high-level engagements and official publications. The office also served as Treasury's lead in the "Troika" process, a semi-annual exercise in which Treasury, the Office of Management and Budget (OMB), and the Council of Economic Advisers (CEA) develop the economic assumptions that drive the Administration's ten-year forecast and directly determines the Administration's annual budget proposals. Finally, the office continued to deliver the High-Quality Market Corporate Yield Curve (a set of daily rates issued on a monthly basis) as mandated under the Pension Protection Act and to produce a Treasury Real Coupon-Issue Yield Curve, a companion to the Treasury Nominal Coupon-Issue Yield Curve, and several other yield curves. These yield curve data are used by federal agencies that administer federal pension programs and other future payment programs to calculate their annual liabilities.

Economic Policy staff in the Office of Microeconomic Analysis also produced an estimate of state Total Taxable Resources, which estimates the relative fiscal capacity of states and is used in determining the allocation of funds for the Community Mental Health Services and Substance Abuse Prevention and Treatment block grant programs. The Office of Microeconomic Analysis has been actively engaged in helping the public and policymakers understand important economic policy issues through several white papers:

- A series of Economic Security issue briefs, covering earnings and income, young adults, older women, and the safety net.
- A framework for comparing public-private partnerships and conventional procurement in infrastructure finance.
- An examination of the economic effects of non-compete contracts.

These white papers complemented the office's contributions to intra-agency and inter-agency policy development on these subjects.

In FY 2016, the Office of International Affairs (IA) helped ensure a favorable external environment for sustained job growth and financial stability in the U.S. by prioritizing its work around five themes: Trade and Investment; Global Rebalancing; International Financial Stability; Management; and International Development.

In its role as lead for international negotiations on non-insurance financial services and transfers, Treasury pursued critical financial services commitments and robust transfers provisions of trade and investment negotiations. Treasury developed a new provision prohibiting data localization measures in the financial services sector and negotiated provisions to address unfair currency practices by promoting transparency and accountability. Treasury will continue working with our trading partners to promote the Administrations' trade agenda in all these areas. Treasury also plays an important U.S. Government role on broader trade issues such as State Owned Enterprises, Customs, and other trade related disciplines that impact Treasury equities. Treasury is playing a lead role in analyzing the implications of the United Kingdom's exit from the European Union for U.S. financial services firms. In addition, as the U.S. lead in negotiating reductions of export finance subsidies, Treasury continues to press China and other major providers of export finance to agree to disciplines on government support, so that U.S. exporters can compete globally on a level playing field. These efforts serve not only to enhance U.S. competitiveness but also move export credit financing to a more market basis consistent with Congressional mandates.

Treasury works to address the large and persistent global imbalances and unfair currency practices that threaten strong and sustainable U.S. economic growth. Treasury does this through multilateral and bilateral activities working through the International Monetary Fund (IMF), the G-20, and the U.S.-China Comprehensive Economic Dialogue (CED). Treasury has successfully gotten other G-20 Finance Ministers to agree to a new IMF report that will regularly assess the G-20's progress toward achieving strong, sustainable, and balanced growth, as well as regularly assess potential for policy development and policy issues related to achieving faster and more sustainable adjustment of external imbalances. Treasury is focused on combatting unfair currency practices that disadvantage U.S. industry and workers, and to this end, has strengthened the semi-annual surveillance of the exchange rate practices of U.S. major trading partners. Treasury also continues to press for stronger exchange rate surveillance in the IMF.

In the 2016 bilateral economic dialogue with China, Treasury secured new and strengthened commitments that will ensure that China's economic growth continues to deliver concrete benefits for the American people, including addressing excess industrial capacity; promoting non-discriminatory trade and investment measures; improving economic transparency; and advancing policies to shift China's growth model to one driven by household consumption rather than investment and exports.

In FY 2016, Treasury continued to support the U.S. economy's recovery by mitigating the threat from weak growth in the euro area and working to limit negative economic and financial spillovers from the crisis in Greece and the conflict in Ukraine. Specific activities included: working with European counterparts to help maintain long-term sustainability of the euro; advancing the establishment of a centralized European banking union; working with the IMF and others to monitor progress towards economic stabilization in vulnerable, strategically important countries; and implementing technical assistance and loan guarantee programs for Ukraine.

Treasury leverages multilateral mechanisms to advance inclusive economic growth worldwide through IA's work in support of the Multilateral Development Banks' (MDBs) financing in developing countries; G-20 initiatives on financial inclusion and infrastructure finance; and the Paris Club's targeted debt treatments. In FY 2015, Treasury led the U.S. negotiating team for the Addis Ababa Action Agenda (AAAA), the outcome document of the Third International Conference on Financing for Development. The AAAA serves as the foundational document to guide the financing and implementation of the "Sustainable Development Goals"; this shifted the focus for development financing to a greater attention on developing countries' own domestic resource mobilization efforts and private sector investment, in addition to official bilateral and multilateral development assistance.

Treasury also enhanced its oversight of the MDBs' policies and programs, including completing negotiations for replenishments of the World Bank's International Development Association (IDA), the African Development Fund, and the Inter-American Development Bank Group's Multilateral Investment Fund; monitoring implementation of the World Bank's new environmental and social safeguards framework; and continuing reviews of the World Bank's shareholding and capital. Treasury also worked with the MDBs to make more optimal use of their balance sheets, including IDA's plans to leverage its equity by borrowing from the markets for the first time and implementation of the merger of concessional and non-concessional lending windows at the Asian Development Bank and Inter-American Development Bank.

IA rebalanced resource allocations to reflect changing mission requirements. Areas addressed in the reallocation include the increasing demands associated with coordinating international financial regulatory reform and chairing the Committee on Foreign Investment in the United States (CFIUS). IA continued implementation of the results of a strategic review to improve CFIUS's ability to timely identify, assess, and resolve any national security concerns that may be posed by foreign acquisitions of U.S. businesses. At the same time, IA began to direct additional staffing resources to increase its capacity to manage a record-breaking caseload in terms of volume and complexity.

Treasury, as chair of CFIUS, coordinates an interagency process to review certain foreign investments for national security risks in accordance with the procedures and tight deadlines specified in law and regulation.

- 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. Office of International Affairs' target for this measure in FY 2017 and FY 2018 is 100 percent.

Treasury promotes economic growth by managing U.S. participation and leveraging U.S. leadership positions in the International Financial Institutions in order to mitigate emerging threats to the U.S. and global economies; support international trade and investment; and reinforce U.S. national security interests in key countries around the world.

- Monitor Quality and Enhance Effectiveness of International Monetary Fund (IMF) Lending through Review of IMF Country Programs: This measure tracks efforts by IA staff to monitor the quality of IMF country programs and ensure the application of appropriately high standards for the use of IMF resources. The target (100 percent) was met in FY 2016. In FY 2017 and FY 2018, IA's target for this measure remains 100 percent.
- Monitor Quality and Enhance Effectiveness of MDB Lending through Timely Review of MDB Grant and Loan Proposals: IA reviews MDB loan and grant proposals to ensure that funded projects meet several key goals, which include supporting long-term U.S. objectives, having a measurable development impact, and being consistent with congressional mandates. The target (100 percent) was met in FY 2016. In FY 2017 and FY 2018, IA aims to continue its review of 100 percent of MDB loan and grant proposals prior to the date of the relevant Executive Board meeting and increase its oversight of projects during implementation.
- Percentage of MDB Grant and Loan Proposals Containing Satisfactory Frameworks for Results Measurement: This measure tracks the percentage of grant and loan project proposals that contain a satisfactory framework for measuring project results (such as outcome indicators, quantifiable and time-bound targets, etc.) This information is measured on an annual basis. In FY 2016, 89 percent of MDB grant and loan project proposals had excellent or satisfactory ratings for the results matrices. The decrease in the MDB results frameworks ratings is attributed to a slight increase in large complex MDB projects where the results targets were not adequately robust based on our analysis. To address this going forward, Treasury continues to engage with MDBs to improve their focus on stronger investment outcomes. The FY 2017 target is 94 percent and the FY 2018 target is 95 percent.

Treasury's Office of Technical Assistance (OTA) complements Treasury's international economic and terrorist financing policy work. Treasury's offices of International Affairs and Terrorism and Financial Intelligence advocate for improvements in economic and terrorist financing policies internationally. OTA helps the governments of developing and transition countries build the human and institutional capacity to implement such policy improvements. Finance ministries and central banks of developing countries that have demonstrated a strong commitment to reforming their financial systems or public financial management can receive direct assistance from OTA through its cadre of expert advisors. The technical assistance team leverages its funding to increase transparency and accountability, reduce corruption, and strengthen the development of market-based policies and practices in these economies.

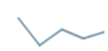
OTA support promotes more effective use of a country's own resources and helps reduce dependency on foreign aid. This work also supports stabilization of financial sectors in national security/foreign policy priority countries (e.g., Ukraine), more transparent and accountable financial sectors for U.S. investors overseas, and the expansion of markets for U.S. exporters, thus promoting jobs and economic growth at home.

- Office of Technical Assistance (OTA) Program Engagement (Traction): measures the degree to which foreign counterparts are engaging proactively and constructively with OTA advisors, at the working and policy levels. Counterpart engagement is both a key outcome of OTA efforts to structure and execute effective technical assistance projects that support host country ownership as well as the most crucial input to the successful achievement of the intermediate goals and ultimate outcomes described in the project's terms of reference and work plan during the fiscal year – such as passage of law or regulation, an increase in government revenues, an improvement in a government's credit rating, or a reduction in economic crimes. The measure is scored on a 5-point scale and averaged across all projects to provide one overall measure of OTA's performance. In FY 2016, the Traction score was 3.9, exceeding the target of 3.6. In FY 2017 and FY 2018, IA's target for Traction is 3.6.

2.1.3 Domestic Finance and Tax Policy Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$71,451	$68,351	$81,783	$76,520	$79,748	$81,215	$73,804
Other Resources	$11,629	$12,804	$24,977	$40,240	$55,231	$55,231	$55,231
Budget Activity Total	$83,080	$81,155	$106,760	$116,760	$134,979	$136,446	$129,035
FTE	**288**	**326**	**339**	**364**	**398**	**386**	**356**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
DF-Variance Between Estimated and Actual Receipts (Annual Forecast)(%)	3.8	2.5	3.25	2.8	3.1	4.25	4.25	4.25	

Domestic Finance and Tax Policy Budget and Performance

($73,804,000 from direct appropriation, $55,231,000 from reimbursable resources):

The Offices of Domestic Finance and Tax Policy monitor and provide advice and assistance to the Secretary in their respective areas, including about financial markets and the regulation of financial institutions.

In FY 2016, the Office of Tax Policy (OTP) developed proposals for tax reform and budget proposals to streamline and modernize existing tax laws and procedures. The office also developed and implemented regulations and procedures for new programs established by Congress, including guidance relating to the Kline-Miller Multiemployer Pension Reform Act (MPRA), new centralized partnership audit rules, and State-sponsored and federally tax-free

Achieving a Better Life Experience (ABLE) Act accounts. OTP also led interagency and intergovernmental efforts for coordination and cooperation regarding tax policy. This includes:

- Work with the Organization for Economic Co-operation and Development (OECD) and the United Nations that led to adoption by both bodies of new tax treaty policies;
- Coordination with the Department of Education in modeling student loan defaults.

OTP continued to provide leadership for the OECD, Global Forum, and G-20, advocating for the interests of U.S. based businesses. Further, the office published a new U.S. model tax treaty that contains technical improvements to protect against abuse. In FY 2017 and FY 2018, OTP plans to continue engaging in bilateral tax treaty negotiations to modernize existing treaties, establish key new treaty relationships, and actively engage international organizations to protect the fiscal and business interests of the U.S.

The Office of Domestic Finance (DF) continued working in FY 2016 to promote America's long-term economic strength and stability by preserving confidence in the U.S. Treasury securities market, managing federal fiscal operations and the U.S. government's debt, advising state and local governments about their finances, supporting small businesses, strengthening financial institutions and markets, promoting access to credit, and improving financial access and financial independence.

During FY 2016, DF led 10 cybersecurity exercises involving government and private-sector participants. The exercises explored a variety of threat scenarios, how the participants would respond, and developed after action reports for future improvement. Also in 2016, Treasury, as chair of the Financial and Banking Information Infrastructure Committee (FBIIC), coordinated among the FBIIC to reach agreements to permit the sharing of cybersecurity information among its member financial regulatory agencies. This information-sharing is augmented with monthly briefings from Treasury and its partners to regulators and the financial sector on cyber threats and actionable information. Taken together, these actions help organizations prevent security incidents, respond faster when they occur, and strengthen overall network resilience and defense.

The DF Office of Debt Management (ODM) seeks to fund the federal government at the least cost over time by working to maintain predictable issuance of Treasury debt, minimizing the amount of interest the government must pay, and managing debt maturity over time. In FY 2016, ODM determined for more than 260 auctions the amount and maturity of debt that the Bureau of the Fiscal Service issued. These debt issuances totaled $8.0 trillion and raised $795 billion in new cash to fund the U.S. government.

In May 2017, DF launched the new USAspending.gov website. It allows taxpayers to examine nearly $4 trillion in annual federal spending and see how this money flows from congressional and presidential actions to local communities and businesses. The new site is the culmination of a nearly three-year collaborative effort led by the Treasury Department and the Office of Management and Budget. The data is compiled from federal agencies and published quarterly.

The DF Office of Financial Stability (OFS) continued to wind down investments in the Troubled Asset Relief Program (TARP) while continuing its housing programs. OFS has made significant progress towards winding down TARP investment programs and continues to implement housing programs to help struggling families avoid foreclosure. As of March 31, 2017, OFS had recovered nearly 98 percent of the $435.9 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 $6.6 billion.

DF has one performance measure:

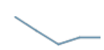
- Variance between estimated and actual receipts (annual forecast) (percent): As part of managing the federal government's central operating account and cash position, the DF Office of Fiscal Projections (OFP) forecasts net cash flows (e.g., federal receipts, outlays, and other miscellaneous flows) to 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.

2.1.4 Treasury-wide Management and Programs Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$40,441	$35,223	$31,802	$35,971	$41,112	$44,809	$40,494
Other Resources	$17,478	$15,320	$30,858	$55,213	$3,339	$3,339	$3,339
Budget Activity Total	$57,919	$50,543	$62,660	$91,184	$44,451	$48,148	$43,833
FTE	**151**	**123**	**139**	**171**	**124**	**164**	**144**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Percent of Procurement Dollars Spent on Small Business	38.52	39.15	36.91	35.11	36.17	37.0	35.0	35.0	
Treasury-wide Engagement Index of the FEVS	70.0	68.0	66.0	67.0	67.0	67.0	67.0	68.0	
Treasury-wide Footprint (Square Footage)	37,998	37,320	36,411	35,439	34,894	34,927	34,310	33,650	
Treasury-wide Leaders Lead Index of the Federal Employee Viewpoint Survey (FEVS)	N/A	N/A	53.0	54.0	55.0	55.0	55.0	56.0	

Treasury-wide Management and Programs Budget and Performance
($40,494,000 from direct appropriation, $3,339,000 from reimbursable resources):
This budget activity includes offices that are responsible for the internal management and policy of the Department: the Office of the Assistant Secretary for Management; the Office of the Chief Information Officer; the Office of Privacy, Transparency, and Records; the Office of the Senior Procurement Executive; the Office of the Chief Human Capital Officer; the Office of Emergency Programs; the Office of the Deputy Chief Financial Officer; the Office of Civil Rights and Diversity; the Office of Minority and Women Inclusion; and the Office of the Deputy Assistant Secretary for Management and Budget.

Treasury-wide Management and Program's performance metrics are:

- <u>Percentage of Procurement Dollars Spent on Small Business</u>: In FY 2016, Treasury aimed to meet or exceed all small business contracting goals. While Treasury did not meet its overall small business goal of 37 percent, missing the mark by 0.83 percent, it met or exceeded all other prime-contract small business goals. The following Treasury bureaus were included in the goaling report, with no exclusions: Office of the Comptroller of the Currency, Office of Thrift Supervision, and the Bureau of Engraving and Printing (BEP). The preponderance of the negative impact, on the goals, lies with BEP, which continues to face unique challenges. Because of the highly specialized nature of BEP in producing U.S. banknotes and the fixed costs associated with creating currency, there are a limited number of vendors globally who are able to supply key raw materials and highly specialized printing equipment to perform the work. Unless a waiver can be granted or the exclusions are considered in the goaling report, both the small business prime and subcontracting goals will continue to be a challenge. Treasury attended and conducted outreach activities to provide small business (SB), small and disadvantaged business (SDB), women-owned small business (WOSB), HUBZone small business (HZ), and service-disabled veteran-owned small business (SDVOSB) with information about specific contract opportunities and technical assistance about conducting business with Treasury. This outreach work will continue in FY 2017 and FY 2018. Particularly noteworthy is that Treasury far exceeded the contracting goals for the following socioeconomic groups: SDB at five percent, WOSB at five percent, HZ at three percent, and SDVOSB at three percent. Contract obligations tripled for SDB to 15.29 percent, 11.59 percent for WOSB, 4.49 percent for HZ, 4.17 percent for SDVOSB. Throughout FY 2017, Treasury will continue to employ the successful strategies of targeted outreach, enhanced leadership accountability, policies, tools and resources, and increased intra-agency communication with the expectation of achieving its goals. The FY 2017 overall small business goal has been set at 35 percent. Treasury's FY 2016 small business contract achievements are expected to be announced by the Small Business Administration in the spring or early summer 2017.
- <u>Treasury-wide "Engagement" Index of Federal Employee Viewpoint Survey (FEVS)</u>: Treasury's strategy focused on improving employee engagement in a number of areas, thereby creating an opportunity to improve the effectiveness of our workforce while improving our ranking among other Federal Agencies. Strategic efforts were focused on Overall Satisfaction, Leaders Lead, and the Inclusion Quotient – Fairness. Treasury conducted two Treasury-wide Engagement review sessions for high-level leadership during FY 2016 in addition to bureau-level reviews. Treasury's scores for the Engagement Index increased from 66 percent for FY 2015 to 67 percent for FY 2016.
- <u>Treasury-wide Footprint (Square Footage)</u>: This goal measures the total square footage occupied by Treasury's owned and leased buildings. To reduce the Department's real

property footprint and maximize the use of existing real property assets, the Department maximized space utilization by undertaking space realignments, consolidations, and improved work station standards.

- Treasury-wide "Leaders Lead" Index of Federal Employee Viewpoint Survey (FEVS): Treasury also 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.

Office of the Chief Human Capital Officer

In FY 2016, Treasury continued execution of its FY 2014 – FY 2017 Human Capital Strategic Plan, focusing efforts on improving quality in the delivery of human capital services and increasing workforce engagement, performance, development, and diversity. The Department obtained the 2302(c) Compliance Certification from the Office of the Special Counsel, becoming the second largest federal agency to achieve certification for strengthening awareness of the Merit System Principles and Prohibited Personnel Practices with supervisors, managers, and executives. Treasury successfully converted to the government-wide executive performance management framework and achieved full Office of Personnel Management (OPM) certification of the Treasury Executive Performance Management System. The Treasury Executive Institute (TEI) increased its subscriber base by a total of eight additional agencies/components and reduced the TEI member assessment fee for the second year in a row. TEI nearly tripled the number of its remotely accessible programs (from 62 to 171) and more than doubled (from 2,057 to 4,276) total attendance over FY 2015. The Department also improved the hiring process at Departmental Offices, resulting in a decrease in average Time-to-Hire from 119 days in FY 2015 to 98 days in FY 2016. In FY 2017, Treasury will continue to focus on building workforce planning capabilities in support of federal efforts to expand the strategic management of federal human capital and close skills gaps in Federal and Treasury mission-critical occupations. Treasury will also begin implementation of an enterprise Integrated Talent Management system that will, when fully deployed at the end of FY 2018, provide employees a single, modern system for learning, performance, and career planning; give leadership a consolidated view of the Department's human capital; and consolidate 24 stand-alone legacy systems into a single, cloud-based system.

Office of Civil Rights and Diversity

In FY 2017, Treasury developed a new Diversity and Inclusion Strategic Plan, which mapped to both the Department's Strategic Plan and the Human Capital Plan. The bureaus have developed implementation plans specific to each bureau. The Office of Civil Rights and Diversity (OCRD) coordinated with the Human Resources Engagement Strategy to improve the morale of the workforce as reflected in the Federal Employee Viewpoint Survey (FEVS), with a specific focus on the new Inclusion Quotient portion of the survey. Treasury's scores in the Diversity and Inclusion portion of the FEVS have remained stable, but the scores in the area of Fairness have declined. Focus groups will be held to determine what is driving those numbers. OCRD also coordinated a number of major studies, including a barrier analysis of the Senior Executive Service at Treasury and a gender pay equity study. Additionally, this office continues to work with the Treasury Executive Institute to develop programming for executives and senior level staff in the areas of diversity and inclusion.

Office of the Deputy Chief Financial Officer

For FY 2016, the Department received its seventeenth consecutive unmodified audit opinion on its Treasury-wide financial statements. Treasury anticipates unmodified audit opinions for the consolidated audit for FY 2017 and FY 2018. Overall, the Department has made strong progress in enhancing its internal control environment and remains committed to ensuring high standards of integrity and transparency in reporting its financial performance.

Office of Small and Disadvantaged Business Utilization

The Department is proud of the collective effort that led to the outstanding achievement of exceeding four out of five small business prime goals and three out of five subcontracting goals. The "A" score is a testament to the hard work and professionalism of the procurement and acquisition teams across Treasury's bureaus and the serious commitment to utilizing small businesses that emanates from Treasury's leadership. To comply with Section 15 (k), Small Business Act, the Department focused on small business prime and subcontracting goal achievements.

Office of the Senior Procurement Executive

In FY 2016, Treasury initiated a comprehensive acquisition transformation strategy designed to facilitate innovation, strategic management, efficiency, and effective mission outcomes. Central to the strategy is early planning and broad stakeholder participation as well as accelerated transition to strategic acquisition vehicles. In support of the Federal Information Technology Acquisition Reform Act (FITARA), the Department has placed significant focus on IT acquisition across all procurement programs.

In FY 2016 and FY 2017, Treasury continued successful execution of its Major Acquisition Program (MAP) reviews in which primary and senior stakeholders (to include procurement, customer, program management, and legal representatives) jointly and periodically review procurement strategy and progress for critical acquisitions. These reviews provide a forum for development of effective acquisition strategies; early identification and resolution of problems; and sharing of experience and expertise among various stakeholder personnel. FY 2016 reviews focused on pre-award actions and were designed to facilitate successful award of critical contracts. To help ensure successful contract performance outcomes, FY 2017 MAP reviews were expanded to include existing critical contracts. In FY 2016, Treasury reviewed 40 acquisitions, valued at $3.8 billion; reviews included 21 IT acquisitions valued at $1.5 billion. The Department anticipates a similar level of oversight and collaboration in FY 2017 and FY 2018.

Treasury has achieved both savings and efficiencies through aggregating requirements and leveraging its purchasing power via enterprise-level management of common spend categories. By fully utilizing category management, Treasury seeks to save the federal government money through smarter purchasing and greater collaboration across stakeholder organizations and to achieve greater efficiency with fewer resources. For example, Treasury's enterprise contract vehicles for wireless services and devices, awarded in April 2016, provide pricing more advantageous than available via General Services Administration (GSA) contracts, saving the Department over $4 million (21 percent) annually. In June 2016, Treasury awarded an agency-wide, mandatory use ordering vehicle for Adobe Enterprise Licenses anticipated to achieve savings of approximately 10 percent over GSA published prices. In FY 2015 – FY 2016, Treasury achieved total savings of $6.3 million on its Domestic Delivery contracts against

GSA's government-wide ordering vehicle. FY 2017 and FY 2018 strategy extends and expands Treasury's transition to government-wide Best In Class contract vehicles, reducing the need to establish department level contracts and freeing associated resources for focus on other acquisition priorities.

In FY 2016, Treasury implemented an initiative to reduce non-value added and/or conflicting procurement policy within the Department's operational contracting organizations. Treasury's strategy to reduce procurement policy resulted in an overall 17.9 percent reduction of policy as measured by pages of policy eliminated within a defined timeline in FY 2016. The reductions were made by four of five primary contracting offices; a significant policy reduction by the fifth and largest contracting organization within Treasury (Internal Revenue Service) is anticipated in FY 2017. The policy reduction initiative will continue through FY 2017 and FY 2018.

Section III – Additional Information

A – Summary of Capital Investments

Information Technology Capital Investments

DO is focused on leveraging Treasury enterprise data centers to provide flexible, customized information technology support for its customers. At the same time, a hybrid cloud strategy is being pursued to provide a secure alternative to traditional data centers. This strategy will securely facilitate enterprise mobile applications, increase support for telework, and drive long-term cost efficiencies through data center consolidation.

DO continues to strengthen its governance through DO and an enterprise-wide investment review process. The investment review process is comprised of both senior business and technology leaders who help to ensure that all technology investment decisions align with the mission and goals of the Department. The investment review process helps the CIO prioritize opportunities for commodity IT and improved mission outcomes.

Non-Information Technology Capital Investments

The Main Treasury Building and Freedman's Bank Building, formerly the Treasury Annex, are the recipients of DO's major non-IT capital investments. The Treasury Building is the oldest departmental building and the third oldest federally occupied building in Washington, preceded only by the Capitol and the White House. The Main Treasury Building covers five stories and a raised basement and sits on five acres of ground. It was dedicated as a National Historic Landmark on October 18, 1972. The Freedman's Bank Building, also owned by the Department, is part of the Lafayette Square National Register Historic District. On January 7, 2016, the Treasury Department renamed the Treasury Annex building to mark the 150th anniversary of the Freedman's Savings and Trust Company (Freedman's Bank).

A summary of capital investment resources, including major information technology and non-technology investments can be found at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

Department of the Treasury Cybersecurity Enhancement Account

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

A – Mission Statement
Bolster the Department's cybersecurity posture and mitigate cybersecurity threats to the U.S. financial infrastructure.

B – Summary of the Request
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 cybersecurity 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.

1.1 – Appropriations Detail Table
Dollars in Thousands

Cybersecurity Enhancement Account Appropriated Resources	FY 2016 Enacted		FY 2017 Annualized CR		FY 2018 Request		FY 2017 to FY 2018 Change		FY 2017 to FY 2018 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources										
Cybersecurity Enhancement Account	0	$0	0	$0	19	$27,264	19	$27,264	NA	NA
Subtotal New Appropriated Resources	**0**	**$0**	**0**	**$0**	**19**	**$27,264**	**19**	**$27,264**	**NA**	**NA**
Other Resources:										
Offsetting Collections - Reimbursables	0	$0	0	$0	0	$0	0	$0	NA	NA
Subtotal Other Resources	**0**	**$0**	**0**	**$0**	**0**	**$0**	**0**	**$0**	**NA**	**NA**
Total Budgetary Resources	**0**	**$0**	**0**	**$0**	**19**	**$27,264**	**19**	**$27,264**	**NA**	**NA**

FY 2016 FTE and Other Resources are Actual

1.2 – Budget Adjustments Table

Dollars in Thousands

Cybersecurity Enhancement Account	FTE	Amount
FY 2017 Annualized CR	**0**	**$0**
FY 2018 Base	**0**	**$0**
Program Changes:		
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
Subtotal Program Changes	19	$27,264
Total FY 2018 Request	**19**	**$27,264**

C – Budget Increases and Decreases Description

Program Increases .... +$27,264,000 / +19 FTE

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.

1.3 – Operating Levels Table

Dollars in Thousands

Cybersecurity Enhancement Account Object Classification	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
11.1 - Full-time permanent	0	0	2,480
11.5 - Other personnel compensation	0	0	38
11.9 - Total personnel compensation	**0**	**0**	**2,518**
12.0 - Personnel benefits	0	0	727
Total Personnel and Compensation Benefits	**$0**	**$0**	**$3,245**
21.0 - Travel and transportation of persons	0	0	24
23.3 - Communication, utilities, and misc charges	0	0	55
25.1 - Advisory and assistance services	0	0	6,271
25.2 - Other services from non-Federal sources	0	0	1,836
25.3 - Other goods and services from Federal sources	0	0	2,503
25.7 - Operation and maintenance of equipment	0	0	500
26.0 - Supplies and materials	0	0	173
31.0 - Equipment	0	0	12,657
Total Non-Personnel	**$0**	**$0**	**$24,019**
Total Budgetary Resources	**$0**	**$0**	**$27,264**
FTE	**0**	**0**	**19**

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY DEPARTMENTAL OFFICES *Federal Funds* **CYBERSECURITY ENHANCEMENT ACCOUNT** (INCLUDING TRANSFER OF FUNDS) *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.*	

E – Legislative Proposals

The Cybersecurity Enhancement Account has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The FY 2018-2022 strategic plan is currently under development. The annual performance plan will be updated in the FY 2019 budget to reflect the new priorities.

B – Budget and Performance by Budget Activity

2.1 Cybersecurity Enhancement Account Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	0	0	0	0	0	0	$27,264
Budget Activity Total	0	0	0	0	0	0	$27,264
FTE	**0**	**0**	**0**	**0**	**0**	**0**	**19**

Cybersecurity Enhancement Account (CEA) Budget and Performance
($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.

Section III – Additional Information

A – Summary of Capital Investments

A summary of capital investment resources, including major information technology and non-technology investments can be found at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

Department of the Treasury

Department-wide Systems and Capital Investments Program

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

A – Mission Statement

Improve infrastructure, modernize business processes, and increase efficiency through capital investments that support the missions of all Treasury bureaus and programs.

B – Summary of the Request

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.

1.1 – Appropriations Detail Table

Dollars in Thousands

Department-wide Systems and Capital Investments Program Appropriated Resources	FY 2016 Enacted		FY 2017 Annualized CR		FY 2018 Request		FY 2017 to FY 2018 Change		FY 2017 to FY 2018 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources										
Department-wide Systems and Capital Investments Program	0	$5,000	0	$4,990	0	$4,426	0	($564)	NA	-11.30%
Total Budgetary Resources	**0**	**$5,000**	**0**	**$4,990**	**0**	**$4,426**	**0**	**($564)**	**NA**	**-11.30%**

1.2 – Budget Adjustments Table

Dollars in Thousands

Department-wide Systems and Capital Investments Program	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**

C – Budget Increases and Decreases Description

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.

1.3 – Operating Levels Table

Dollars in Thousands

Department-wide Systems and Capital Investments Program - Object Classification	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
25.1 - Advisory and assistance services	639	0	0
25.2 - Other services from non-Federal sources	401	2,995	0
31.0 - Equipment	210	0	0
32.0 - Land and structures	0	1,995	4,426
Total Non-Personnel	**$1,250**	**$4,990**	**$4,426**
Total Budgetary Resources	**$1,250**	**$4,990**	**$4,426**

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY DEPARTMENTAL OFFICES *Federal Funds* **DEPARTMENT-WIDE SYSTEMS AND CAPITAL INVESTMENTS PROGRAM** (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".* Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

The DSCIP has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The FY 2018-2022 strategic plan is currently under development. The annual performance plan will be updated in the FY 2019 budget to reflect the new priorities.

B – Budget and Performance by Budget Activity

2.1.1 Department-wide Systems and Capital Investments Program Resources and Measures

Dollars in Thousands

Department-wide Systems and Capital Investments Program Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	0	0	$2,725	$2,725	$1,250	$4,990	$4,426
Budget Activity Total	**0**	**0**	**$2,725**	**$2,725**	**$1,250**	**$4,990**	**$4,426**
FTE	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Department-wide Systems and Capital Investments Program
($4,426,000 from direct appropriations):
Department-wide Systems and Capital Investments Program (DSCIP) enables the Department to make investments in capital improvements that support the missions of all Treasury bureaus and programs.
Department-wide Information Technology Systems. The FY 2016 Consolidated Appropriations Act provided $4,350,000 to support mission-critical Treasury functions by investing in computing resources and security infrastructure. Investments were geared to meet the demand from multiple entities for the architecture needed to support big data.
Treasury Building - Repairs and Renovations. The Main Treasury Building and the Freedman's Bank Building are owned by the Department and are Departmental Offices' capital investments. The age and historical significance of the buildings create special conditions that do not exist in many other Federal office facilities. Continual upkeep, with close attention to historic preservation, is necessary in order to continue occupying these buildings. Funds in the amount of $650,000 were provided in the FY 2016 Consolidated Appropriations Act to repair the South Plaza paver stones and underlying setting bed that were causing an unstable walking surface and a hazard to employees. FY 2017 funds will be used for continued repair and renovations. The FY 2018 request focuses on life safety, improved electrical service, and roof replacement.

Section III – Additional Information

A – Summary of Capital Investments

A summary of capital investment resources, including major information technology and non-technology investments can be found at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

Department of the Treasury
Office of Terrorism and Financial Intelligence

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

A – Mission Statement

Strengthen national security by using targeted financial measures to combat threats and protect the integrity of the financial system.

B – Summary of the Request

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.

1.1 – Appropriations Detail Table

Dollars in Thousands

Salaries and Expenses Appropriated Resources	FY 2016 Enacted		FY 2017 Annualized CR		FY 2018 Request		FY 2017 to FY 2018 Change		FY 2017 to FY 2018 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources										
Terrorism and Financial Intelligence	383	$117,000	391	$116,778	386	$116,778	(5)	$0	-1.28%	0.00%
Subtotal New Appropriated Resources	**383**	**$117,000**	**391**	**$116,778**	**386**	**$116,778**	**(5)**	**$0**	**-1.28%**	**0.00%**
Other Resources:										
Offsetting Collections - Reimbursables	31	$6,329	31	$6,329	31	$6,329	0	$0	0.00%	0.00%
Subtotal Other Resources	**31**	**$6,329**	**31**	**$6,329**	**31**	**$6,329**	**0**	**$0**	**0.00%**	**0.00%**
Total Budgetary Resources	**414**	**$123,329**	**422**	**$123,107**	**417**	**$123,107**	**(5)**	**$0**	**-1.18%**	**0.00%**

FY 2016 FTE and Other Resources are Actual

1.2 – Budget Adjustments Table

Dollars in Thousands

Terrorism and Financial Intelligence	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**

C – Budget Increases and Decreases Description

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.

1.3 – Operating Levels Table

Dollars in Thousands

Salaries and Expenses Object Classification	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
11.1 - Full-time permanent	42,734	43,906	44,500
11.3 - Other than full-time permanent	159	200	200
11.5 - Other personnel compensation	660	800	800
11.9 - Total personnel compensation	**43,553**	**44,906**	**45,500**
12.0 - Personnel benefits	13,626	14,368	14,337
Total Personnel and Compensation Benefits	**$57,179**	**$59,274**	**$59,837**
21.0 - Travel and transportation of persons	2,010	2,200	2,100
22.0 - Transportation of things	20	22	20
23.1 - Rental payments to GSA	71	73	73
23.2 - Rental payments to others	13	14	14
24.0 - Printing and reproduction	102	110	100
25.1 - Advisory and assistance services	8,085	8,125	8,125
25.2 - Other services from non-Federal sources	7,812	7,950	7,950
25.3 - Other goods and services from Federal sources	33,910	35,000	34,799
25.7 - Operation and maintenance of equipment	351	360	360
26.0 - Supplies and materials	1,840	2,200	2,000
31.0 - Equipment	1,361	1,450	1,400
Total Non-Personnel	**$55,575**	**$57,504**	**$56,941**
Total Budgetary Resources	**$112,754**	**$116,778**	**$116,778**
FTE	**383**	**391**	**386**

Note: This table includes total annually appropriated funding (actuals for FY 2016, estimates for FY 2017 Annualized CR and FY 2018).

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY OFFICE OF TERRORISM AND FINANCIAL INTELLIGENCE *Federal Funds* 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. Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.	DO proposes to remove the cap on administrative support for TFI and changing the multi-year language to provide TFI maximum spending flexibility.

E – Legislative Proposals

The Office of Terrorism and Financial Intelligence has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The FY 2018-2022 strategic plan is currently under development. The annual performance plan will be updated in the FY 2019 budget to reflect the new priorities.

B – Budget and Performance by Budget Activity

2.1 Terrorism and Financial Intelligence Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$100,000	$96,116	$101,305	$112,160	$112,754	$116,778	$116,778
Other Resources	$31,225	$30,832	$31,293	$6,966	$6,329	$6,329	$6,329
Budget Activity Total	**$131,225**	**$126,948**	**$132,598**	**$119,126**	**$119,083**	**$123,107**	**$123,107**
FTE	**391**	**388**	**376**	**385**	**414**	**422**	**417**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Actual
Impact of TFI Programs and Activities	8.1	8.3	8.5	8.8	8.7	8.5	8.5	8.5	

Terrorism and Financial Intelligence Budget and Performance

($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 implementing specific sanctions tailored to block assets or impose trade restrictions.

<u>Office of Terrorist Financing and Financial Crimes (TFFC)</u>
In FY 2016, TFFC facilitated the Financial Action Task Force (FATF) Mutual Evaluation of the United States and participated in or reviewed approximately 14 mutual assessment reports of FATF countries’ compliance with international AML/CFT standards, often leading to substantive changes in some countries’ AML/CFT standards and laws. TFFC also provided training to its counterparts abroad, which focused on creating effective AML/CFT frameworks and financial regulations capable of combating terrorist financing. In FY 2017, TFFC designed and implemented strategies to combat national security concerns such as ISIS, North Korea, Iran, and Russia. TFFC also worked to increase global financial transparency by strengthening global standards to combat and prevent broad illicit finance. For FY 2018, TFFC will continue efforts to develop conduct-based sanctions and executive orders targeting illicit actors that support narco-traffickers, weapons of mass destruction proliferators, and transnational criminal organizations. TFFC will also develop regulatory AML/CFT initiatives and collaborate with

Federal law enforcement on financial crime investigations and third party money laundering coordination and efforts. Additionally, TFFC will participate in or review mutual assessment reports conducted to evaluate FATF members' adoption of international AML/CFT standards.

Office of Intelligence and Analysis (OIA)
The Office of Intelligence and Analysis is responsible for the receipt, analysis, collation, and dissemination of foreign intelligence and foreign counterintelligence information related to the operation and responsibilities of the Department of the Treasury. OIA's mission is to support the formulation of policy and execution of Treasury authorities. OIA executes this mission by producing expert intelligence analysis and driving collection on support networks of terrorists, weapons of mass destruction weapons proliferators, and other key national security threats and by providing timely, accurate, and focused intelligence on the full range of economic, political, and security issues. OIA also leads Treasury's Insider Threat Program on the classified network system.

Office of Foreign Assets Control (OFAC)
The Office of Foreign Assets Control administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against over 30 targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States. OFAC acts under Presidential national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under US jurisdiction. Many of the sanctions are based on United Nations and other international mandates, are multilateral in scope, and involve close cooperation with allied governments.

In FY 2016, TFI maintained unified cross-organizational priorities and successfully increased intelligence reports production on the Democratic People's Republic of Korea (North Korea), Russia, Iran, and the Islamic State of Iraq and Syria (ISIS). Further, TFI produced numerous quick turnaround analyses on Iran nuclear negotiations for Treasury and the Administration. Throughout FY 2017 and FY 2018, TFI will continue to focus on assessing and improving internal clearance processes, developing new performance measures that align to the new TFI strategic plan published in FY 2016 Q2, and clarifying roles and responsibilities to better coordinate within the organization.

FY 2017 and FY 2018 priorities for TFI include:

- Increasing focus on targeted financial measures that address threats from ISIS, North Korea, Iran, and Russia.
- Increasing focus on Cybersecurity and Intellectual Property activities.
- Increasing focus on promoting financial transparency.
- Collecting, analyzing, and disseminating information concerning illicit financing and national security threats.
- Assisting partner countries in the development and implementation of anti-money laundering and counter-terrorist financing (AML/CFT) standards. TFI provides direct support and assistance, ensuring compliance with these internationally approved standards.

- Identifying opportunities for Treasury to use its authorities to combat and counter terrorist financing in Africa and the Middle East.
- Increasing the capabilities of Treasury's program for deterring, detecting, and mitigating insider threats by leveraging counterintelligence, security, information assurance, and other relevant resources.

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.

Section III – Additional Information

A – Summary of Capital Investments

TFI capital investment resources are part of the Departmental Offices.

A summary of capital investment resources, including major information technology and non-technology investments can be found at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

Department of the Treasury
Office of Inspector General

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

A – Mission Statement

To promote the integrity, efficiency, and effectiveness of Treasury programs and operations.

B – Summary of the Request

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 depositary 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, and (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

Office of Inspector General’s FY 2018 Budget Request

In accordance with the requirements of Section 6(f)(1) of the Inspector General Act of 1978, the Treasury Inspector General submits the following information relating to the OIG’s requested budget for FY 2018:

- The aggregate budget request for the operations of the OIG is $44,112,000 comprised of $34,112,000 from direct appropriations, and $10,000,000 from reimbursable collections;
- The portion of this amount needed for OIG training is $400,000; and
- The portion of this amount needed to support the Council of Inspectors General on Integrity and Efficiency (CIGIE) is $68,224.

The amount requested for training satisfies all OIG training needs for FY 2018.
It must be noted that meeting the FY 2018 funding level will mean a reduction in audits conducted (down from 86 to 74), and an impact on OIG’s ability to meet investigative needs. OIG will look at all possible operational and personnel options to meet the OIG mission in FY 2018.

1.1 – Appropriations Detail Table

Dollars in Thousands

OIG Appropriated Resources	FY 2016 Enacted		FY 2017 Annualized CR		FY 2018 Request		FY 2017 to FY 2018 Change		FY 2017 to FY 2018 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources										
Audit	131	$28,304	151	$27,219	132	$26,266	(19)	($953)	-12.58%	-3.50%
Investigations	33	$7,112	43	$8,130	43	$7,846	0	($284)	0.00%	-3.49%
Subtotal New Appropriated Resources	**164**	**$35,416**	**194**	**$35,349**	**175**	**$34,112**	**(19)**	**($1,237)**	**-9.79%**	**-3.50%**
Other Resources:										
Reimbursables	6	$6,726	19	$10,500	5	$10,000	(14)	($500)	-73.68%	-4.76%
Subtotal Other Resources	**6**	**$6,726**	**19**	**$10,500**	**5**	**$10,000**	**(14)**	**($500)**	**-73.68%**	**-4.76%**
Total Budgetary Resources	**170**	**$42,142**	**213**	**$45,849**	**180**	**$44,112**	**(33)**	**($1,737)**	**-15.49%**	**-3.79%**

Note: FY 2016 FTE and Other Resources are Actual

1.2 – Budget Adjustments Table

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	-	-
Total FY 2018 Base	**194**	**$36,078**
Program Changes:		
Program Decreases:	(19)	($1,966)
Reduce Audit Staffing	(19)	($1,966)
Subtotal Program Decreases	(19)	($1,966)
Total FY 2018 Request	**175**	**$34,112**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$729,000 / +0 FTE
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 non-labor expenses such as travel, contracts, rent, supplies, and equipment.

Program Decreases .... ($1,966,000) / (19) FTE
Reduce Audit Staffing ($1,966,000 / (19) FTE
Reduce Audit Staffing.

1.3 – Operating Levels Table

Dollars in Thousands

Office of Inspector General Object Classification	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
11.1 - Full-time permanent	17025	20,500	17,955
11.3 - Other than full-time permanent	13	10	10
11.5 - Other personnel compensation	940	675	750
11.9 - Personnel Compensation (Total)	**17,978**	**21,185**	**18,715**
12.0 - Personnel benefits	6,584	6,834	6,000
13.0 - Benefits for former personnel	12	15	15
Total Personnel and Compensation Benefits	**$24,562**	**$28,034**	**$24,730**
21.0 - Travel and transportation of persons	602	1,025	700
23.1 - Rental payments to GSA	1,375	500	3,002
23.3 - Communication, utilities, and misc charges	189	200	200
24.0 - Printing and reproduction	2	7	5
25.0 - Other contractual Services	1,960	2,500	2,500
25.3 - Other purchases of goods & serv frm Govt accounts	3,108	2,200	2,500
25.6 - Medical care	55	58	60
25.7 - Operation and maintenance of equip	35	35	35
26.0 - Supplies and materials	166	170	160
31.0 - Equipment	453	600	200
91.2 - Unvouchered Expenditures	11	20	20
Total Non-Personnel	**$7,956**	**$7,315**	**$9,382**
Subtotal New Budgetary Resources	**$32,518**	**$35,349**	**$34,112**
FTE	**170**	**194**	**175**

Note: This table includes total annually appropriated funding (actuals for FY 2016, FY 2017 Annualized CR and FY 2018).

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY OFFICE OF INSPECTOR GENERAL *Federal Funds* 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.* Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

The OIG has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment
The FY 2018 - 2022 strategic plan is currently under development. The annual performance plan will be updated in the FY 2019 budget to reflect the new priorities. The FY 2018 requested resources will enable the OIG to perform audits and investigations of Treasury programs and operations under its jurisdiction, except for those of the Internal Revenue Service (IRS) and the Troubled Asset Relief Program (TARP), and keeps the Secretary of the Treasury and Congress fully informed of problems, deficiencies, and the need for corrective action. By statute, the OIG also performs oversight of the Gulf Coast Ecosystem Restoration Council, an independent Federal agency. Major Treasury programs and related risks and challenges include:

Cyber Threats
Cybersecurity represents one of the most serious challenges facing the Nation today. A reliable critical infrastructure, including information systems and networks, is vital to our national security and economic stability. Cyber threats are a persistent concern as Treasury's information systems are critical to the core functions of government and the Nation's financial infrastructure. As cyber threats continue to evolve and become more sophisticated and subtle, they pose an ongoing challenge for Treasury to fortify and safeguard its internal systems and operations and the financial sector it oversees, and investigate exploitations of those systems and operations.

Attackers frequently exploit vulnerable networks in a string of trusted connections to gain access to government systems. Cyber-attacks against Federal agencies are increasing in frequency and severity. Effective public-private coordination continues to be required to address the cyber threat against the Nation's critical infrastructure. In this regard, Treasury is looked upon to provide effective leadership to financial institutions in particular, and the financial sector in general, to strengthen awareness and preparedness against cyber threats.

Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments
The Digital Accountability and Transparency Act of 2014 (DATA Act) requires the Federal Government to provide consistent, reliable, and useful online data about how it spends taxpayer dollars.

To fulfill its purpose, the DATA Act imposed certain requirements on the Treasury Secretary, the Director of the Office of Management and Budget (OMB), the Inspectors General of each Federal agency, and the Comptroller General of the United States. In brief, the DATA Act required Treasury and OMB to (1) establish Government-wide financial data standards for reporting spending by Federal agencies and entities receiving Federal funds by May 2015; (2) by May 2017, ensure this financial data is accurately posted and displayed on USASpending.gov, or a successor system; and (3) by May 2018, ensure the data standards established are applied to the data made available on the website. Implementing the DATA Act is a complex undertaking requiring a significant level of interagency coordination and cooperation to develop, establish, and apply new financial data standards and to develop new data handling methodologies within a short timeframe.

In light of the continuing problem with improper payments (estimated at $136.77 billion, or 4.8 percent of all program outlays, for fiscal year 2015), the Federal Government has intensified efforts to reduce improper payments in major Federal programs. The Do Not Pay Initiative, and the Treasury Bureau of the Fiscal Service's (Fiscal Service) Do Not Pay Business Center, are chief components of efforts designed to prevent and detect improper payments to individuals and entities. With its potential to reduce improper payments, the Do Not Pay Program is a major and important undertaking by Fiscal Service and Treasury.

Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement
Preventing criminals and terrorists from using financial networks to sustain their operations and/or launch attacks against the U.S. continues to be a challenge. Treasury's Office of Terrorism and Financial Intelligence (TFI) is dedicated to disrupting the ability of terrorist organizations to fund their operations. TFI brings together intelligence gathering and analysis, economic sanctions, international cooperation, and private-sector cooperation to identify donors, financiers, and facilitators supporting terrorist organizations, and disrupt their ability to fund such organizations. Enhancing the transparency of the financial system is one of the cornerstones of this effort. Treasury carries out its responsibilities to enhance financial transparency through the laws collectively known as the Bank Secrecy Act (BSA). The Financial Crimes Enforcement Network is the Treasury bureau responsible for administering BSA, while the Office of the Comptroller of the Currency has oversight responsibility for the BSA/AML programs for Nationally Chartered Banks, and Treasury's Office of Foreign Assets Control administers U.S. foreign sanction programs. Given the criticality of this challenge to the Department's mission, and notwithstanding the efforts described above, we continue to consider anti-money laundering and combating terrorist financing programs and operations as inherently high-risk.

Management of Treasury's Authorities Intended to Support and Improve the Economy
Congress provided Treasury with broad authorities to address the financial crisis under the Housing and Economic Recovery Act (HERA) and the Emergency Economic Stabilization Act enacted in 2008, the American Recovery and Reinvestment Act of 2009 (Recovery Act), and the Small Business Jobs Act of 2010. In response to the call for further financial reform, Congress passed Dodd-Frank in July 2010. To address the more specific economic and environmental damage caused by the *Deepwater Horizon* oil spill in the Gulf Coast, Treasury was given authority to administer the Gulf Coast Restoration Trust Fund established by the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act. While Treasury's program administration under these acts has, for the most part matured, challenges remain in managing these programs and their investments.

This challenge focuses on the administration of the following broad authorities given to Treasury:

- Dodd-Frank established the Financial Stability Oversight Council (FSOC), which is chaired by the Treasury Secretary. FSOC's mission is to identify risks to financial stability that could arise from the activities of large, interconnected financial companies; promote market discipline; and respond to any emerging threats to the financial system.
- The Small Business Jobs Act of 2010 created the Small Business Lending Fund (SBLF) within Treasury through which $4 billion was invested in financial institutions intended to increase the availability of credit to small businesses.
- The Small Business Jobs Act also provided Treasury with authority to guarantee bonds issued for eligible community and economic development activities. As the program administrator, Treasury's Community Development Financial Institutions (CDFI) Fund

experienced challenges in standing up the program, which was eventually established in June 2013. CDFI Fund oversees the issuance of the bonds and the use of the bond proceeds by eligible CDFIs to make financing more accessible in underserved communities.

- Under the HERA, Treasury supports the financial solvency of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) which are under the conservatorship of the Federal Housing Finance Agency. To maintain the positive net worth of these two government sponsored enterprises (GSE), Treasury has invested approximately $187 billion in senior preferred stock in the two enterprises. While the GSEs have not required additional support since fiscal year 2012, their futures remain uncertain and further assistance may be required. If such support is needed, the current funding capacity available to Fannie Mae is $117.6 billion and available to Freddie Mac is $140.5 billion
- The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided Treasury with approximately $30 billion in non-Internal Revenue Service funding for low-income housing and specified energy properties for which OIG provides oversight. The level of risk involved in this program is evidenced by the fact that the Office of Investigations has successfully investigated several matters leading to prosecution and has several additional open matters involving program participants.
- In response to the 2010 *Deepwater Horizon* oil spill, Congress enacted the RESTORE Act. This law established within Treasury the Gulf Coast Restoration Trust Fund (Trust Fund) and requires Treasury to deposit into the Trust Fund 80 percent of administrative and civil penalties paid by responsible parties pursuant to the Federal Water Pollution Control Act (Clean Water Act). The funds are to be distributed for environmental and economic restoration activities affecting the Gulf Coast States (Alabama, Florida, Louisiana, Mississippi, and Texas). As of December 2016, the Trust Fund received approximately $947 million from the Federal Government's settlement with the Transocean and Anadarko defendants as well as interest payments. In July 2015, BP Exploration & Production Inc. , agreed to settle with the Federal Government and the Gulf Coast States resulting in approximately $4.4 billion plus interest expected to be deposited into the Trust Fund over a 15-year period. Going forward it is expected that demands for technical assistance from the Office of Gulf Coast Restoration will increase now that several Direct Component Multiyear Implementation Plans have been accepted by Treasury and a number of Direct Component planning assistance and construction greants have been awarded.

In the Investigations operational area, OIG has established four priorities for FY 2017:

Criminal and Serious Employee Misconduct

The OIG Office of Investigation's highest priority is investigating complaints involving alleged criminal and other serious misconduct by Treasury employees. OIG investigates allegations of the general crimes enumerated in Title 18 of the U.S. Code, other federal crimes, alleged violations of the Ethics in Government Act, and allegations of serious misconduct prohibited by the Standards of Ethical Conduct for Employees of the Executive Branch. Several Treasury bureaus and offices have additional rules and regulations relating to ethical standards for their own employees, and OIG also investigates complaints of alleged violations of these rules and regulations.

Fraud Involving Contracts, Grants, Guarantees, and Funds
The OIG Office of Investigations conducts investigations into allegations of fraud and other crimes involving Treasury contracts, grants, loan guarantees, and federal funds, including investigations made in accordance with Sections 1602 and 1603 of the Recovery Act. Such allegations often involve contractors, entities, and individuals who are providing or seeking to provide goods or services to the Department. The Office of Investigations receives complaints alleging criminal or other misconduct from employees, contractors, members of the public, and the Congress.

Financial Programs and Operations Crime
Investigations relating to Treasury financial programs and operations that involve Tresaury bureaus issuing licenses, providing benefits, and exercising oversight of U.S. financial institutions; frauds involving improper Federal payments such as those involving stolen, counterfeit, altered or fraudulently obtained Treasury checks and ACH payments; frauds involving improper Federal payments such as those involving Treasury checks and the *Check Forgery Insurance Fund*; crimes involving the improperly-redirected benefits of federal government payees; and false claims of any kind that generate inappropriate Federal payments, including federal income tax refunds, Social Security benefits, and Veterans' Administration payments. These problems, particularly the production of counterfeit and altered Treasury checks, have significantly increased in the last few years. These matters require prompt attention to protect the public and the integrity of the department.

Threats Against Treasury Employees and Facilities
Investigative efforts into threats against Treasury employees and facilities are critical in ensuring safety for the Department. These matters require prompt attention and coordination with federal, state, and local authorities in order to protect those involved.

Treasury Employee and Bureau Impersonation Scams
Investigations relating to scammers who represent themselves as Treasury employees in order to defraud the citizens of the U.S. and other countries by the impersonation of Treasury employees and/or the fraudulent use of the Treasury and Bureau seals. This is a problem that has significantly increased in the last few years. These matters require prompt attention to protect the public and the integrity of the Department.

B – Budget and Performance by Budget Activity

2.1.1 Audit Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$22,327	$21,801	$24,947	$27,653	$26,014	$27,219	$26,266
Other Resources (Reimbursables)	$10,870	$8,671	$8,525	$7,299	$6,726	$10,500	$10,000
Budget Activity Total	$33,197	$30,472	$33,472	$34,952	$32,740	$37,719	**$36,266**
FTE	**136**	**139**	**135**	**133**	**137**	**151**	**132**

Note: FY 2016 Appropriated Resources are Actual

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Number of Completed Audit Products	91	72	75	86	98	77	86	74	
Percent of Statutory Audits Completed by the Required Date	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

Key: DISC - Discontinued, B - Baseline

Audit Budget and Performance

($26,266,000 from direct appropriations, and $10,000,000 from reimbursable resources):
The Office of Audit conducts audits intended to ensure the accountability of resources, protect information, and provide recommendations for improving the integrity, economy, efficiency, effectiveness, and integrity of programs and operations under its jurisdiction, which include those of Treasury and the Gulf Coast Ecosystem Restoration Council. The requested funding for FY 2018 is necessary to perform mandated work and maintain an appropriate level of oversight of these programs and operations consistent with the OIG's responsibilities under the Inspector General Act of 1978. In FY 2018, OIG will also continue to provide oversight of Treasury's government-wide role and responsibilities under the DATA Act. Reimbursable funding agreements support financial audits of Treasury and oversight of SBLF. The SBLF program oversight and expected performance is detailed in the SBLF Program Office budget submission.

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 target by 21, and met all statutory audit timelines. Audit products include audit reports, evaluation reports, the Inspector General's Semi-Annual Reports to the Congress, and the Inspector General's annual memoranda to the Secretary of the Treasury and the Secretary of Agriculture, as the designated Chairperson of the Gulf Coast Ecosystem Restoration Council, on the most significant management and performance challenges facing the Department and Gulf Coast Ecosystem Restoration Council, respectively. Audit products can also include responses to specific information requests by the Congress. By completing independent and timely assessments of programs and operations under

its jurisdiction, the Office supports the OIG's mission of promoting efficiency, effectiveness, and integrity of those programs and operations. The recommendations for improvement in programs and operations noted through OIG's assessments directly support the Treasury Department in achieving its strategic goals and the Gulf Coast Ecosystem Restoration Council in meeting its mission.

The OIG has a mature audit operation that uses historical performance to estimate future performance. It has, over time, demonstrated agility at redirecting resources as necessary to address new challenges and mandates of its stakeholders.

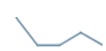
In keeping with the OIG's strategy to maintain a highly skilled and motivated workforce, the OIG plans and executes a meaningful body of work designed to help ensure the integrity and effectiveness of programs and operations across its jurisdiction while looking for opportunities to improve them.

2.1.2 Investigations Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$5,582	$5,451	$6,237	$6,913	$6,504	$8,130	$7,846
Other Resources	0	0	0	0	0	0	0
Budget Activity Total	**$5,582**	**$5,451**	**$6,237**	**$6,913**	**$6,504**	**$8,130**	**$7,846**
FTE	**34**	**35**	**34**	**33**	**33**	**43**	**43**

Note: FY 2016 Appropriated Resources are Actual

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Percentage (%) of All Cases Closed During Fiscal Year that were Referred for Criminal/Civil Prosecution or Treasury Administrative Action	91.0	84.0	84.0	87.0	84.0	80.0	80.0	80.0	

Key: DISC - Discontinued, B - Baseline

Investigations Budget and Performance

($7,846,000 from direct appropriations, and none from reimbursable resources):
The Office of Investigations prevents, detects, and investigates complaints of fraud, waste, and abuse impacting Treasury programs and operations. 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. In addition, with the establishment of Gulf Coast Restoration Trust Fund outreach

efforts are being made in an effort to prepare for future investigative referrals and complaints aimed at suspected fraud involving the funds with this program.
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 Office of Investigations has seen substantial increases in improper payment fraud including redirected benefit fraud and stolen, altered and counterfeit Treasury checks and payments.

Additionally, the Office of Investigations remains committed to investigating benefit, improper payment and other monetary fraud associated with the programs and operations of the Treasury Department.

Description of Performance:
In FY 2016 the Office of Investigations exceeded the Investigative Performance Measure target (Target – 80 percent; Actual – 84 percent), and 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 Investigative Performance Measure is a percentage of all cases closed by Office of Investigations during the fiscal year referred to Department Bureaus for administrative action or for criminal or civil prosecution by Federal or local prosecutors. The goal for Office of Investigations is that at least 80 percent of closed cases meet the aforementioned criteria of closed cases in this fiscal year. Meeting or exceeding this goal demonstrates that Office of Investigations is responsive to allegations and complaints referred to Office of Investigations and that when these referrals require investigation, the cases are timely, thoroughly and accurately reported to assist the Department in maintaining the integrity of its programs and operations, subsequently ferreting out fraud, waste, and abuse. The Office is working to meet or exceed this measure in both FY 2017 and FY 2018.

Section III – Additional Information

A – Summary of Capital Investments

OIG has no capital investments. Capital investments that support OIG are included in the Departmental Offices plan

A summary of capital investment resources, including major information technology and non-technology investments can be found at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

Office of the Special Inspector General for TARP (SIGTARP)

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

A – Mission Statement:
The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is a federal law enforcement agency and is an independent watchdog protecting taxpayer dollars that fund TARP.

B – Summary of the Request
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 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.

[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.

1.1 – Appropriations Detail Table
Dollars in Thousands

Special Inspector General for TARP	FY 2016		FY 2017		FY 2018		FY 2017 to FY 2018			
Appropriated Resources	Enacted		Annualized CR		Request		Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources										
Investigations	101	31,801	136	32,069	73	16,441	(63)	(15,628)	-46.32%	-48.73%
Audit	34	8,870	48	8,525	19	3,856	(29)	(4,669)	-60.42%	-54.77%
Subtotal New Appropriated Resources	**135**	**$40,671**	**184**	**$40,594**	**92**	**$20,297**	**(92)**	**$(20,297)**	**-50.00%**	**-50.00%**
Other Resources										
Unobligated Balances from Prior Years	0	0	0	4,000	0	11,090	0	7,090	N/A	177.25%
Resources from Other Accounts	2	475	8	1,548	8	1,613	0	65	N/A	4.20%
Subtotal Other Resources	**2**	**$475**	**8**	**$5,548**	**8**	**$12,703**	**0**	**$ 7,155**	**N/A**	**128.97%**
Total Budgetary Resources	**137**	**$41,146**	**192**	**$46,142**	**100**	**$33,000**	**(92)**	**$(13,142)**	**-47.92%**	**-28.48%**

Note: FY 2016 Appropriated Resources are Actual

1.2 – Budget Adjustments Table
Dollars in Thousands

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**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$809,000 / +0 FTE

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.

Program Decreases .... -$21,106,000 / -92 FTE

Technical FTE Adjustment -$14,600,000 / -92 FTE
The technical FTE adjustment reduces the appropriated FTE level.

Reduce Support Services -$6,506,000 / -0 FTE
SIGTARP will also seek to reduce non-personnel costs.

Quantifiable Results: SIGTARP's Return on Investment & Government Cost Savings
With $10 billion in recoveries from SIGTARP investigations (nearly $9 billion of which was recovered last year), SIGTARP has a 40 times return on investment compared to its annual appropriations through FY 2016.[4] In FY 2017, SIGTARP's investigation in one case alone already resulted in the Government recovering $52 million, which is more than the $41 million FY 2017 Annualized CR level. Recoveries from SIGTARP's investigations can be used for other Government spending or to reduce the federal budget deficit. Government recoveries resulting from SIGTARP investigations help offset losses that taxpayers suffered on certain TARP investments. SIGTARP auditors save the Government money, and have identified $2 billion in cost savings. SIGTARP is currently auditing how 19 state housing finance agencies spent nearly $700 million. In September 2016, SIGTARP caught and exposed $8.2 million in waste by a Nevada state agency contractor who spent federal dollars earmarked for homeowners on parties, a cocktail bar, employee gifts, a Mercedes Benz for the CEO, and more. SIGTARP also achieves additional Government cost savings by deterring fraud and waste. SIGTARP's exposure of waste in Nevada, and our publicly-announced audit, serve to deter waste and fraud for the approximately $30 million per quarter that Treasury pays to state housing finance agencies for their expenses in administering TARP.

Countering Threats to Public Safety & Government Interests
SIGTARP brings accountability through law enforcement, as Congress authorized SIGTARP with the power to arrest. With concurrent responsibility with the Federal Bureau of Investigation (FBI) over TARP-related crime, SIGTARP saves FBI resources. SIGTARP counters threats to public safety and Government interests by investigating criminal actors, and neutralizing the threat they pose. With more than 200 people sentenced to prison, at an average of a nearly five-year prison sentence, the threat these crimes pose is significant.

Public corruption: State and local officials award contracts under various HFA blight elimination programs using TARP dollars. The corruption of local officials threatens public safety.

Antitrust violations: Unfair competitive practices for demolition contracts, like bid rigging and contract steering, threatens the quality of work, harming public safety, and threatens competition, harming the Government's interests.

Contract fraud: Fraud in charges for demolition, expenses by state housing finance agencies, or by HAMP servicers harms Government interests.

Financial institution fraud: SIGTARP investigates fraud in current TARP banks and banks where taxpayers suffered a loss in TARP. Our record reflects 96 bankers charged with a crime, including 75 who have already been convicted while others await trial. A recent SIGTARP

[4] Includes fines, restitution, forfeiture, and full homeowner relief by a large financial institution.

investigation into a bank still in TARP resulted in the Department of Justice (DOJ) indicting the former bank CEO for allegedly orchestrating a money laundering scheme for international narcotics trafficking involving a drug cartel. Charges are not evidence of guilt and trial is scheduled for FY 2018. In FY 2017, a jury found the CEO of a failed TARP bank guilty of bank fraud and the vice president pled guilty. When the bank failed, taxpayers lost $7.5 million in TARP. Also in FY 2017, DOJ criminally charged a senior officer of another failed TARP bank with deceiving regulators about bank losses. Taxpayers lost $30 million in TARP when that bank failed.[5]

Mortgage fraud: Mortgage fraud cases typically involve false representations to homeowners and/or Treasury. We are prioritizing investigations of mortgage servicers.

Proactive Investigative Efforts to Speed Up the Identification of Crime

With TARP currently spending $1 billion each quarter, SIGTARP is mining data to find crime quickly, including in the HFA blight elimination programs. SIGTARP looks for anomalies that, when paired with red flags identified in its ongoing investigations, speed up investigative efforts to identify persons of interest and potential corruption, antitrust violations, and fraud.

[5] Criminal charges contain an allegation that a defendant committed a crime. Every defendant is presumed innocent until and unless proven guilty.

1.3 – Operating Levels Table

Dollars in Thousands

Special Inspector General for TARP Object Classification	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
11.1 - Full-time permanent	15,408	21,788	11,761
11.3 - Other than full-time permanent	1,526	1,799	942
11.5 - Other personnel compensation	1,646	2,120	1,207
11.9 - Total personnel compensation	**18,580**	**25,707**	**13,910**
12.0 - Personnel benefits	6,013	8,184	4,790
Total Personnel and Compensation Benefits	**$24,593**	**$33,891**	**$18,700**
21.0 - Travel and transportation of persons	838	1,000	1,000
23.2 - Rental payments to others	262	272	330
23.3 - Communication, utilities, and misc charges	93	103	87
24.0 - Printing and reproduction	201	162	0
25.1 - Advisory and assistance services	2,726	2,676	1,391
25.2 - Other services from non-Federal sources	130	68	121
25.3 - Other goods and services from Federal sources	10,796	7,044	10,534
25.6 - Medical care	100	100	100
25.7 - Operation and maintenance of equipment	50	48	43
26.0 - Supplies and materials	472	448	347
31.0 - Equipment	276	260	277
42.0 - Insurance claims and indemnities	34	60	60
91.0 - Unvouchered	0	10	10
Total Non-Personnel	**$15,978**	**$12,251**	**$14,300**
Total Budgetary Resources	**$40,571**	**$46,142**	**$33,000**
FTE	**135**	**184**	**92**

Note: This table includes total annually appropriated funding (actuals for FY 2016, FY 2017 Annualized CR and FY 2018).

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY **SPECIAL INSPECTOR GENERAL FOR THE TROUBLED** ASSET RELIEF PROGRAM *Federal funds* 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.* Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

PPIP Funds

The Public-Private Investment Program (PPIP) Improvement and Oversight Act of 2009 (12 U.S.C. § 5231a) provided $15 million in no-year appropriations to SIGTARP for the purpose of providing oversight to PPIP and the Term Asset-Backed Securities Loan Facility. As both programs have closed, SIGTARP is currently using these funds to support limited investigative activities where taxpayers suffered a loss in PPIP. SIGTARP is requesting that these PPIP funds be made available to also support SIGTARP's oversight of ongoing TARP programs.

PROPOSED LANGUAGE

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.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The Investigations budget activity supports SIGTARP's priority of law enforcement of crimes related to TARP. The Audit budget activity supports SIGTARP's priority of being an independent watchdog over TARP dollars. 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.

The FY 2018-2022 Strategic Plan is currently under development. The Annual Performance Plan will be updated in the FY 2019 Budget to reflect the new priorities.

B – Budget and Performance by Budget Activity

2.1.1 – Investigations Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$25,618	$29,230	$27,382	$27,295	$32,478	$32,069	$16,441
Other Resources	920	1,516	5,656	6,354	376	4,701	10,289
Budget Activity Total	$26,538	$30,746	$33,038	$33,649	$32,854	$36,770	$26,730
FTE	**102**	**110**	**119**	**115**	**103**	**144**	**81**

Note: FY 2016 Appropriated Resources are Actual

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome	N/A	N/A	N/A	N/A	77.0	60.0	70.0	70.0	N/A
Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of the Case Being Opened	N/A	N/A	N/A	N/A	80.0	70.0	70.0	50.0	N/A
Percentage of Cases That are Joint Agency/Task Force Investigations	65.0	79.0	75.5	69.65	71.0	70.0	70.0	50.0	
Percentage of Preliminary Investigations Converted to Full Investigations within 180 Days	77.0	82.0	95.75	100.0	99.0	80.0	80.0	60.0	

Key: DISC - Discontinued; B - Baseline

Investigations Budget and Performance

($16,441,000 from direct appropriations)

SIGTARP exceeded all metrics in FY 2016. The "Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome" in FY 2016 was 77 percent, exceeding the 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. 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.

2.1.2 – Audit Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$13,789	$10,376	$7,219	$6,824	$7,618	$8,525	$3,856
Other Resources			1,947	1,069	99	847	2,414
Budget Activity Total	$13,789	$10,376	$9,166	$7,893	$7,717	$9,372	$6,270
FTE	**60**	**57**	**45**	**35**	**34**	**48**	**19**

Note: FY 2016 Appropriated Resources are Actual

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Number of Completed Audit Products including Referral to Investigations Division (Units)	N/A	N/A	N/A	N/A	11	7	7	3	N/A
Percentage of Congressional Inquiries Responded to within 45 Days of Receipt	N/A	N/A	N/A	85.0	100.0	85.0	85.0	85.0	

Key: DISC - Discontinued; B - Baseline

Audit Budget and Performance

($3,856,000 from direct appropriations)

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.

Section III – Additional Information

A – Summary of Capital Investments
SIGTARP has limited non-major IT investments that allow for routine updates, modifications, maintenance, and equipment refreshment of its existing systems.

A summary of capital investment resources can be found at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

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 2017Annualized CR 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.

Department of the Treasury
Treasury Inspector General for Tax Administration

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

A – Mission Statement
Provide quality professional audit, investigative, and inspection and evaluation services that promote integrity, economy, and efficiency in the administration of the Nation's tax system.

B – Summary of the Request
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. Funding TIGTA's FY 2018 budget request will enable TIGTA to attempt to address its expansive workload of emerging Internal Revenue Service (IRS) challenges and congressional requests while conducting its oversight responsibilities. These resources will fund critical audit, investigative, and inspection and evaluation services to protect the integrity of the Nation's system of tax administration. In accordance with the requirements of Section 6(f)(1) of the Inspector General Act of 1978 (as amended),[1] TIGTA submits the following information related to its FY 2018 budget request:

- The aggregate budget request for TIGTA operations is $161,113,000;
- The portion of the request needed for TIGTA training is $1,800,000; and
- The portion of the request needed to support the Council of the Inspectors General on Integrity and Efficiency is $491,000.

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. TIGTA's strategic goals and activities support its vision.

TIGTA's Strategic Goals:

- Promote the economy, efficiency, and effectiveness of tax administration;
- Protect the integrity of tax administration; and
- Be an organization that values its people.

TIGTA's audit, investigative, and inspection and evaluation activities 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 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;

[1] 5 U.S.C. app. 3 § 6(f)(1).

- 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.

1.1 – Appropriations Detail Table

Dollars in Thousands

Treasury Inspector General for Tax Administration	FY 2016		FY 2017		FY 2018		FY 2017 to FY 2018			
Appropriated Resources	Enacted		Annualized CR		Request		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Audit	331	$65,100	358	$64,976	341	$62,704	(17)	($2,272)	-4.75%	-3.50%
Investigations	456	$102,175	501	$101,981	478	$98,409	(23)	($3,572)	-4.59%	-3.50%
Subtotal New Appropriated Resources	**787**	**$167,275**	**859**	**$166,957**	**819**	**$161,113**	**(40)**	**($5,844)**	**-4.66%**	**-3.50%**
Other Resources:										
Reimbursables	2	$535	2	$1,500	2	$600	0	($900)	0.00%	-60.00%
Subtotal Other Resources	2	**$535**	2	**$1,500**	2	**$600**	**0**	**($900)**	**0.00%**	**-60.00%**
Total Budgetary Resources	**789**	**$167,810**	**861**	**$168,457**	**821**	**$161,713**	**(40)**	**($6,744)**	**-4.65%**	**-4.00%**

Note: FY 2016 FTE & Other Resources are Actual

1.2 – Budget Adjustments Table

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**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$3,335,000 / +0 FTE
Pay-Raise +$1,951,000 / +0 FTE
Funds are requested for the proposed January 2018 pay-raise.

Pay Annualization +$715,000 / +0 FTE
Funds are requested 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 .... -$9,179,000 / -40 FTE
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.

1.3 – Operating Levels Table

Dollars in Thousands

Treasury Inspector General for Tax Administration Object Classification	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
11.1 - Full-time permanent	85,481	87,619	85,060
11.3 - Other than full-time permanent	378	399	385
11.5 - Other personnel compensation	8,326	8,534	8,158
11.9 - Total personnel compensation	**94,185**	**96,552**	**93,603**
12.0 - Personnel benefits	36,944	37,856	36,876
Total Personnel and Compensation Benefits	**$131,129**	**$134,408**	**$130,479**
21.0 - Travel and transportation of persons	4,839	3,135	2,662
22.0 - Transportation of things	14	15	15
23.1 - Rental payments to GSA	8,881	9,400	9,400
23.2 - Rental payments to others	182	200	200
23.3 - Communication, utilities, and misc charges	472	500	400
24.0 - Printing and reproduction	11	7	7
25.1 - Advisory and assistance services	2,042	1,900	1,800
25.2 - Other services from non-Federal sources	1,359	1,100	1,000
25.3 - Other goods and services from Federal sources	9,603	9,200	9,100
25.4 - Operation and maintenance of facilities	6	15	15
25.7 - Operation and maintenance of equipment	2,657	2,000	1,730
26.0 - Supplies and materials	1,221	1,000	700
31.0 - Equipment	5,326	4,000	3,500
42.0 - Insurance claims and indemnities	1	52	5
91.0 - Unvouchered	115	25	100
Total Non-Personnel	**$36,729**	**$32,549**	**$30,634**
New Budgetary Resources	**$167,858**	**$166,957**	**$161,113**
FTE	**787**	**859**	**819**

Note: This table includes total annually appropriated funding (actuals for FY 2016, FY 2017 Annualized CR and FY 2018).

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION *Federal funds* 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.* Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

TIGTA has no legislative proposals.

Section II – Annual Performance Report and Plan

A – Strategic Alignment

TIGTA, an independent office within the Department of the Treasury, was created by Congress as a part of the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98).[2] It provides independent oversight of IRS activities by conducting independent audits, investigations, and inspections and evaluations necessary to prevent and detect waste, fraud, and abuse in IRS programs and operations. TIGTA makes recommendations designed to improve the administration of the Federal tax system; conducts administrative and criminal investigations of allegations of waste, fraud, and abuse; and helps to ensure that the IRS protects and secures taxpayers' data. TIGTA also has the unique responsibility of protecting the IRS and its employees. TIGTA's role is important, given the current economic environment and the increased emphasis by the Administration, Congress, and the American people on the Federal Government's accountability and efficient use of resources. TIGTA's budget activities align with its vision and goals.

The FY 2018 - 2022 strategic plan is currently under development. The annual performance plan will be updated in the FY 2019 budget to reflect the new priorities.

[2] Pub. L. No. 105-206, 112 Stat. 685.

B – Budget and Performance by Budget Activity

2.1.1 – Audit Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$57,306	$54,309	$53,763	$57,463	$59,752	$64,976	$62,704
Reimbursable Resources	0	$500	$600	$382	$60	$600	$0
Budget Activity Total	**$57,306**	**$54,809**	**$54,363**	**$57,845**	**$59,812**	**$65,576**	**$62,704**
FTE	**337**	**323**	**309**	**316**	**331**	**358**	**341**

Note: FY 2016 Appropriated and Reimbursable Resources are Actual

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Percentage of Audit Products Delivered when Promised to Stakeholders	71.0	84.0	65.0	80.0	75.0	68.0	68.0	68.0	
Percentage of Recommendations Made that Have Been Implemented	94.0	87.0	89.0	92.0	97.0	85.0	85.0	85.0	

Key: DISC - Discontinued, B – Baseline

Audit Budget and Performance

($62,704,000 from direct appropriations):

TIGTA's OA identifies opportunities to improve the administration of the Nation's tax laws by completing comprehensive and independent performance and financial audits of IRS programs and operations. TIGTA's audit program incorporates both statutory audit requirements and specific audits identified through TIGTA's risk assessment process. TIGTA's audit work is concentrated on high-risk areas and on the IRS's progress in achieving its strategic goals. TIGTA strategically evaluates IRS programs, activities, and functions, so that resources are spent in the areas of highest vulnerability to the Nation's system of tax administration. In FY 2016, OA issued 89 final audit reports that included potential financial benefits totaling approximately $14.6 billion and affected approximately 1 million taxpayer accounts.

TIGTA's Annual Audit Plan communicates audit priorities to the IRS, Congress, and other interested parties. Many of the activities described in the Annual Audit Plan address the fundamental goals related to the IRS's mission to administer its programs effectively and efficiently. Audits address a variety of high-risk issues, such as identity-theft detection and prevention, security of taxpayer data, tax compliance, tax law changes, fraudulent claims and improper payments, tax systems and online services, and globalization. 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.

By focusing on the most critical areas, TIGTA's recommendations not only result in cost savings, but also have other quantifiable impacts, such as the protection of existing revenue, increased revenue, and reduction of the number of fraudulent refunds and improper payments.

TIGTA's reports for FY 2016, addressed issues that included:

- ***Offset Refunds to Liquidate Existing Tax Debt* –** TIGTA identified 53,672 individual taxpayers who received approximately $74.5 million in tax refunds in Tax Year 2013 that the IRS could have offset against outstanding tax debts on the taxpayers' associated business tax accounts. In addition, TIGTA identified 487 individual and 29 business taxpayers that received more than $2.9 million in tax refunds for TY 2013 that should have been offset to pay their outstanding tax debts.
- ***Authentication Process* –** In FY 2016, TIGTA reported that its analysis of the e-Authentication processes used to authenticate users of the IRS online "Get Transcript" and "Identity Protection Personal Identification Number" applications found that these authentication methods provide only single-factor authentication, despite Government standards requiring multifactor authentication for such high-risk applications. As a result, unscrupulous individuals have gained unauthorized access to tax account information.
- ***Federal Unemployment Tax* –** During FY 2016, TIGTA identified some discrepancies with the State Federal Unemployment Tax Act certification data files, as well as the IRS's process related to multi-State employer accounts. Changes could potentially increase revenue by almost $92 million.

<u>Description of Performance:</u>
TIGTA uses two performance measures to gauge the success of the audit program. The first measure, Percentage of Audit Products Delivered when Promised to Stakeholder (see Table 2.1.1 on page 9), indicates that TIGTA's products are more likely to be used if they are delivered when needed to support congressional and IRS decision making. To determine whether products are timely, TIGTA tracks the percentage of products that are delivered on or before the date promised (contract date).

The second measure, Percentage of Recommendations Made that Have Been Implemented (see Table 2.1.1 on page 9), assesses TIGTA's effect on improving the IRS's accountability, operations, and services. TIGTA makes recommendations designed to improve the administration of the Federal tax system. The IRS must implement these recommendations to realize the financial or non-financial benefits. Since the IRS needs time to act on recommendations, TIGTA uses the Department of the Treasury's Joint Audit Management Enterprise System to track the percentage of four-year-old recommendations that have been implemented, rather than the results of the activities during the fiscal year in which the recommendations are made. TIGTA tracks recommendations that have not been implemented by the IRS and has a formal process with the IRS to close out unimplemented recommendations in situations in which circumstances may have changed or when the IRS has taken alternative corrective measures to address TIGTA's audit findings.

In 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. In FY 2016, the actual Percentage of Recommendations Made that Have Been Implemented was 97 percent, which exceeded the full-year target of 85 percent. TIGTA exceeded its target because of continuous discussions with the IRS throughout the audit process concerning both the findings and potential recommended solutions to ensure that feasible alternatives were identified. For FY 2018, the target for Percentage of Audit Products Delivered when Promised to Stakeholders will remain 68 percent. The target for Percentage of Recommendations Made that Have Been Implemented will remain at 85 percent.

2.1.2 – Investigations Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$94,390	$89,452	$95,748	$101,476	$108,106	$101,981	$98,409
Reimbursable Resources	0	$400	$1,100	$429	$475	$900	$600
Budget Activity Total	**$94,390**	**$89,852**	**$96,848**	**$101,905**	**$108,581**	**$102,881**	**$99,009**
FTE	**470**	**451**	**433**	**442**	**456**	**501**	**478**

Note: FY 2016 Appropriated and Reimbursable Resources are Actual

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Percentage of Results from Investigative Activities	89.0	90.0	92.0	93.0	90.0	81.0	81.0	81.0	

Key: DISC - Discontinued, B - Baseline

Investigations Budget and Performance

($98,409,000 from direct appropriations, and $600,000 from reimbursable resources):
In addition to protecting the IRS's ability to collect the majority of the revenue for the Federal Government's operations, TIGTA, through its OI, has the statutory responsibility of protecting the integrity of tax administration, as well as the IRS's employees.

TIGTA's investigative resources are allocated based upon a performance model that focuses on three primary areas of investigation:

- Employee integrity;
- Employee and infrastructure security; and
- External attempts to corrupt tax administration.

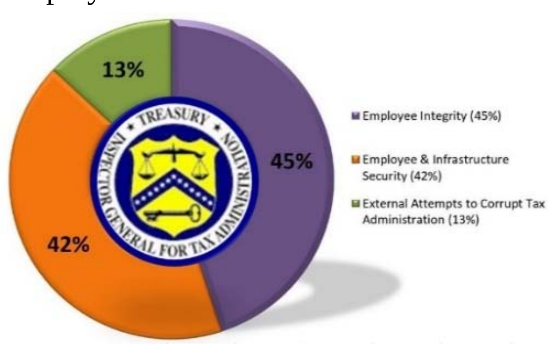


Figure 1: Investigative Performance Model

The performance model (Figure 1) uses a ratio of those investigations that have the greatest impact on IRS operations or the protection of Federal tax administration to the total number of investigations conducted. These performance measures guide OI's activities and help to demonstrate the value of investigative accomplishments to TIGTA's external stakeholders.

Employee Integrity: IRS employee misconduct, real or perceived, erodes public trust and impedes the IRS's ability to enforce tax laws effectively. In FY 2016, 45 percent of TIGTA's investigative body of work involved alleged employee misconduct. TIGTA's investigative results convey a message to IRS employees that these types of activities will not go unchecked.

TIGTA processed 14,499 complaints, opened 2,879 investigations, and closed 2,887 investigations in FY 2016. During this period, 122 cases of all types of investigations were accepted for criminal prosecution, and TIGTA referred for IRS action 1,032 cases of employee misconduct. As a result of one of TIGTA's investigations into employee misconduct, a former IRS special agent was sentenced to more than five years in prison for his role in a stolen identity refund fraud scheme.[3] In another case, a former IRS revenue agent in Seattle, Washington, was found guilty by a jury of receiving a bribe and an illegal gratuity in his official capacity.[4]

Employee and Infrastructure Security: In FY 2016, TIGTA responded to 949 threat-related incidents. TIGTA has a statutory responsibility to identify, investigate, and respond to threats against IRS personnel and physical infrastructure. TIGTA also believes that through its investigations of threat-related incidents, it is creating a safe and secure environment for taxpayers who need to conduct business with the IRS. From FY 2011 through the end of FY 2016, TIGTA has processed more than 13,125 threat-related complaints and investigated more than 6,515 threats against IRS employees.

External Attempts to Corrupt Tax Administration: TIGTA is statutorily mandated to investigate external attempts to corrupt tax administration, which include criminal misconduct by nonemployees, such as impersonation of the IRS, attempted bribery of IRS employees, international cybercrime and identity theft, and procurement fraud.

Impersonation Scam: Since summer 2013, a significant part of TIGTA's workload has consisted of investigating a telephone impersonation scam in which a victim receives an unsolicited telephone call from a person claiming to be an IRS agent. The caller, using a fake name, provides a "badge number" and claims the victim owes taxes and is criminally liable for the amount owed. The victim is threatened that if he or she fails to pay the tax immediately, the victim will be arrested, a suit will be filed, or some other form of adverse action will be taken. As of March 31, 2017, more than 1.9 million Americans reported that they have received one of these calls, and 10,300 victims have reported that they paid a total of more than $55 million to the scammers. As a direct result of TIGTA's investigative efforts, in October 2016, 56 individuals and five call centers located in India were indicted for the scam. Since the indictment, reports of impersonation calls have dropped by more than 90 percent.

International Cybercrime and Identity Theft: By the end of Calendar Year 2013, the IRS had reported nearly 2.9 million identity-theft cases, 13 percent of which were reported by taxpayers, and 87 percent of which were detected by the IRS. The Office of Investigation's highly specialized group of criminal investigators with technical expertise in investigating electronic

[3] N.D. Ala. Judgment filed Nov. 16, 2015.
[4] W.D. Wash. Verdict Form filed Feb. 12, 2016.

crimes, including computer intrusions and Internet-based fraud schemes, will continue to combat cybercriminals.

Procurement Fraud: In fiscal year 2016, the IRS awarded over $2.2 billion in contracts and grants involving over 11,000 contract transactions. The 2016 Association of Certified Fraud Examiners Report to the Nations on Occupational Fraud and Abuse estimates that on average, five percent of an organization's revenue is lost as a result of fraud on an annual basis. In the case of the IRS, this projection translates to over $112 million lost to fraud in fiscal year 2016.

Description of Performance:
TIGTA's OI has adopted one performance measure, Percentage of Results from Investigative Activities (see Table 2.1.2 on page 11), that identifies the percentage of results derived from investigative activities that most accurately align with the strategic goals of the organization and provide the greatest impact on the protection of the integrity of Federal tax administration. In 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. With the FY 2018 budget request, TIGTA will attempt to maintain its special agents' skills and abilities in order to be able to respond to its mission requirements. For FY 2018, OI's performance target is 79 Percent of Results from Investigative Activities. For FY 2018, TIGTA is anticipating a high rate of turnover of its management team due to retirements. In addition, based on reduced resources, TIGTA is anticipating the inability to backfill special agent positions. As experienced special agents retire or transfer from the agency, it is anticipated that TIGTA's ability to effectively produce results will decrease in FY 2018.

Key Accomplishments and Budget Savings
While the scope, complexity, and magnitude of the Nation's economy and deficit continue to present significant challenges, TIGTA remains one of the best investments in the Federal Government. In FY 2016, through targeted and vigorous oversight efforts that addressed congressional concerns and its own audit and investigative priorities, TIGTA generated overall potential financial accomplishments of over $15 billion.

During FY 2016, these financial accomplishments included:
- Increased and/or protected revenue in the amount of $14.6 billion;
- Cost savings of $40.8 million; and
- Significant investigative accomplishments of $487 million.

Funding for TIGTA allows its oversight efforts to continue, and in FY 2016 these efforts produced a return on investment of $90 for every $1 invested (Figure 2). During that period, TIGTA issued audit reports with recommendations that potentially increased and/or protected revenue of $14.6 billion. TIGTA also issued audit reports with recommendations that identified a potential cost savings of $40.8 million. The phrase "cost savings"

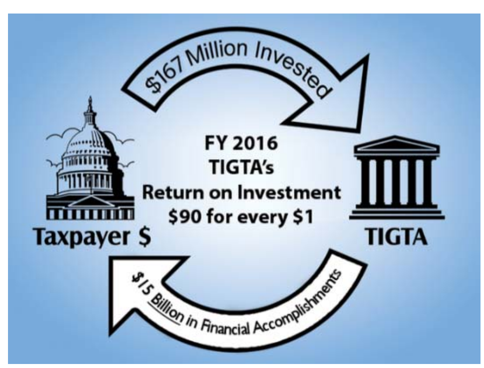


Figure 2: TIGTA's Return on Investment

includes questioned costs and funds put to better use.

Questioned costs are:

- Costs that cannot be reimbursed because they represent a violation of law, regulation, or contract;
- Expenditures that are not reasonable or necessary to accomplish the intended purpose; and
- Costs that are appropriate, but for which the vendor cannot provide proof that the cost was incurred.

Funds put to better use are funds that could be used more efficiently or effectively if management took actions to implement the recommendation(s), including but not limited to:

- Reductions in outlays;
- Avoidance of unnecessary expenditures noted in pre-award contract reviews; and
- Prevention of erroneous payment of refundable tax credits.

In addition to funds that could be put to better use, TIGTA's investigative efforts resulted in over $25.5 million in court-ordered fines, penalties, and restitution.

Office of Inspections and Evaluations Highlights

The Office of Inspections and Evaluations (I&E) identifies opportunities for improvement in IRS and TIGTA programs by performing inspections and evaluations that report timely, useful, and reliable information to decision makers and stakeholders.

The Office of Inspections and Evaluations provides a range of specialized services and products, including quick reaction reviews, on-site office inspections, and in-depth evaluations of major functions, activities, or programs. These activities provide TIGTA with additional flexibility, capacity, and capability to improve tax administration. Inspections serve to:

- Provide factual and analytical information;
- Monitor compliance;
- Measure performance;
- Assess the effectiveness of programs and operations;
- Share best practices; and
- Inquire into allegations of waste, fraud, abuse, and mismanagement.

Evaluations often result in recommendations to streamline IRS operations, enhance data quality, and minimize inefficient and ineffective procedures. In FY 2016, I&E produced 11 reports, including reviews of: the IRS taxpayer assistance centers, IRS reasonable accommodation requests for adaptive technology, and procedures to protect taxpayer information at offer in compromise public inspection file locations.

Section III – Additional Information

A – Summary of Capital Investments

Technology Investments – TIGTA has no major IT investments; however, non-major investments include:

- **IT Applications and Collaboration –** This investment represents an enterprise view of TIGTA's applications development which includes system design, development, testing, deployment, and maintenance of information applications systems.
- **IT Infrastructure End-User Systems and Support –** This investment is an enterprise view of TIGTA's end-user hardware, peripherals and software, and the helpdesk.
- **IT Infrastructure Mainframe and Servers Services and Support –** This investment represents an enterprise view of TIGTA's servers, including hardware and software operations, licensing, maintenance, back-up, continuity of operations, disaster recovery, virtualization, and data center consolidation.
- **IT Infrastructure Telecommunications –** This investment represents an enterprise view of TIGTA's data networks and telecommunications hardware and software operations, licenses, maintenance, back-up, continuity of operations, and disaster recovery.
- **IT Security Systems and Enterprise Architecture –** This investment represents TIGTA's IT investments responsible for enterprise architecture services.

The Office of Information Technology provides cost-effective and timely IT products and services that permit successful completion of TIGTA's business goals, while at the same time meeting legislative and other executive mandates. The following are TIGTA's FY 2018 prioritized information technology requirements that directly support TIGTA operations:

- **Continuous Diagnostics and Mitigation (CDM) –** CDM is a program sponsored by the Department of Homeland Security to meet the standard requirements set by the National Institutes of Standards and Technology. The program is intended to provide Federal agencies with the capabilities and tools to identify and address cybersecurity risks.
- **Server and Storage Area Network Refresh 2018 –** TIGTA's infrastructure equipment will be eligible for refresh in FY 2018.
- **Increased Bandwidth –** The bandwidth for TIGTA's field offices must be upgraded to support the increased demand for improved transmission of data.

Law Enforcement Vehicles – Effective FY 2014, TIGTA acquires its vehicles by lease through the General Services Administration. However, TIGTA will maintain ownership of approximately 8 surveillance/communications vehicles. These vehicles will remain part of TIGTA's capital asset strategy. The vehicles will be used to support TIGTA's investigations and must meet the mission-critical need to conduct criminal law enforcement activities. TIGTA communications vehicles also are used in support of its Continuity of Operations (COOP) Plan. COOP provides a mechanism for the organization to recover full operational capability following a critical incident, including the capability to communicate during a local or national emergency.

A summary of capital investment resources, including major IT and non-technology investments, can be viewed and downloaded at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

Department of the Treasury
Community Development Financial Institutions Fund

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

A – Mission Statement
To expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors and financial service providers.

B – Summary of the Request
The Community Development Financial Intuitions Fund (CDFI Fund) requests the following for FY 2018:

- $14 million in administrative funding to support:
  - Management of the Community Development Financial Intuitions (CDFI) Bond Guarantee (BG) Program and the New Markets Tax Credit (NMTC) Program; and
  - Ongoing certification and compliance monitoring for all programs, including the Bank Enterprise Award (BEA) Program, CDFI Program, Native American CDFI Assistance (NACA) Program and Healthy Food Financing Initiative (HFFI).
- The Budget eliminates funding for the Fund's four discretionary grant and direct loan programs (i.e. the CDFI Program, the BEA Program, the NACA Program, and HFFI) and proposes to extend the CDFI BG Program, which offers CDFIs low-cost, long-term financing at no cost to taxpayers, as the program requires no credit subsidy.
  - The CDFI BG Program provides CDFIs access to a significant source of capital. The CDFI BG Program injects new and substantial capital into our nation's most distressed communities by providing guarantees of bonds issued by Qualified Issuers. CDFIs benefit from the potential scale of the CDFI BG Program, which offers long-term credit at below-market interest rates. The BG Program incentivizes and empowers CDFIs to execute large-scale projects, including the development of charter schools, commercial real estate, rental housing, senior living, daycare or healthcare centers, small businesses, and rural infrastructure, among others. These benefits will be realized at no cost to taxpayers because the program requires no credit subsidy.
  - The Budget proposes an annual commitment authority of $500 million and program changes to (i) reduce the minimum bond issue size from $100 million to $50 million; and (ii) to correct a technical drafting error related to the calculation of the relending account maximum.

1.1 – Appropriations Detail Table

Dollars in Thousands

Community Development Fund Appropriated Resources	FY 2016 Enacted		FY 2017 Annualized		FY 2018 Request		FY 2017 to FY 2018 $ Change		FY 2017 to FY 2018 % 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*:									NA	NA
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%**

* FY 2016 Other Resources are actual

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

1.3 – Operating Levels Table

Dollars in Thousands

Community Development Financial Institutions Fund Object Classification	FY 2016 Actual*	FY 2017 Annualized CR	FY 2018 Request
11.1 - Full-time permanent	$8,748	$9,311	$4,589
11.9 - Total personnel compensation	**$8,748**	**$9,311**	**$4,589**
12.0 - Personnel benefits	$2,866	$3,120	$2,160
Total Personnel and Compensation Benefits	**$11,614**	**$12,431**	**$6,749**
21.0 - Travel and transportation of persons	$72	$103	$37
22.0 - Transportation of things	$0	$3	$1
24.0 - Printing and reproduction	$5	$5	$2
25.1 - Advisory and assistance services	$4,999	$3,355	$0
25.2 - Other services from non-Federal sources	$170	$118	$63
25.3 - Other goods and services from Federal sources	$5,726	$4,546	$5,518
25.7 - Operation and maintenance of equipment	$523	$0	$1,603
26.0 - Supplies and materials	$61	$59	$27
31.0 - Equipment	$383	$2,935	$0
33.0 - Investments and loans	$499	$0	$0
41.0 - Grants, subsidies, and contributions	$188,466	$209,524	$0
Total Non-Personnel	**$200,904**	**$220,648**	**$7,251**
Subtotal New Budgetary Resources	**$212,518**	**$233,079**	**$14,000**
Budget Activities:**			
Community Development Financial Instituitions Program	$156,798	$156,531	$3,400
Bank Enterprise Award Program**	$24,500	$40,509	$18,964
Native American CDFI Assistance Program	$15,500	$15,471	$0
Administration	$23,820	$23,917	$14,619
Healthy Food Financing Program	$22,000	$21,958	$0
Total Budgetary Resources	**$242,618**	**$258,386**	**$36,983**
FTE	**77**	**77**	**42**

* FY 2016 actual includes FY 2015 awards made in FY 2016.

** All but Administration are funded with two-year appropriations.

*** The FY 2017 Bank Enterprise Award Program budget resource includes FY 2016 grant funding of $19 million to be awarded in FY 2017. The FY 2018 amount represents the FY 2017 grant funding that will be awarded in FY 2018.

C – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND	
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. Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.	Extension of the Bond Guarantee Program through FY 2018.

D – Legislative Proposals

The Budget requests extension of the CDFI Bond Guarantee Program through FY 2018 and elimination of new allocations into the Capital Magnet Fund effective in FY 2018.

<u>Suggested Legislative Language</u>

SEC. 126. 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".

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The CDFI Fund's mission is to expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers. The FY 2018-2022 Strategic Plan is currently under development. The Annual Performance Plan will be updated in the FY 2019 Budget to reflect the new Treasury priorities.

The CDFI Fund's award recipients include Community Development Financial Institutions (CDFIs), Community Development Entities (CDEs), Federal Deposit Insurance Corporation (FDIC)-insured banks, and nonprofit housing organizations that together and in partnership with traditional banks and other community organizations provide loans, investments, business counseling, basic banking services, and financial literacy training in some of the most distressed communities in the nation. These are the communities where job opportunities remain stagnant and that otherwise lack access to more mainstream forms of capital – the places and communities in the United States that are feeling "left behind" as other parts of our economy have improved. CDFI Fund award recipients use their awards to increase access to capital and help to improve the quality of life and the local economy in these communities.

The primary goal of the CDFI Fund's Strategic Plan is to "increase the impact of the CDFI Fund network by supporting the growth, reach, and performance of CDFI Fund awardees." The requested budget will advance this goal by allowing the CDFI Fund to administer and fully staff the CDFI Fund's programs that are authorized by Congress but do not require appropriated funds to make awards, i.e., the NMTC Program and CDFI BG Program. In addition, the CDFI Fund will continue to conduct ongoing program compliance for prior-year award recipients.

The budget request is also intended to cover the cost to administer certification of CDFIs, as required by the Riegle Act, and of CDEs. CDFI certification is a prerequisite for eligibility for the BG Program and the Capital Magnet Fund (CMF), as well as other federal programs outside the CDFI Fund. CDE certification is a prerequisite for eligibility for NMTC.

B – Budget and Performance by Budget Activity

2.1.1 Administration- Resources and Measures

Dollars in Thousands

Administration Budget Activity							
Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$21,965	$21,764	$24,636	$23,100	$23,544	$23,555	$14,000
Budget Activity Total	**$21,965**	**$21,764**	**$24,636**	**$23,100**	**$23,544**	**$23,555**	**$14,000**
FTE	**79**	**76**	**76**	**79**	**77**	**77**	**42**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
ALL - Award Cycle Time (Months)	6.5	6.8	7.9	8.3	7.6	7.0	7.0	7.0	
All - Time to Initial Disbursement (# Months)	N/A	N/A	N/A	N/A	B	4.5	4.5	4.5	N/A
ALL - Number of Affordable Housing Units Developed or Produced	27,433	26,391	32,621	27,004	35,251	29,000	27,433	28,000	

Key: B - Baseline

2A - Administration

($14,000,000 from direct appropriations):

This budget activity encompasses the CDFI Fund's operational support and management activities for each of its ongoing award programs. This includes, among other activities, developing notices of award availability and application materials; reviewing and evaluating certification and award applications; selecting awardees; finalizing the terms of award agreements; making disbursements; collecting and evaluating performance data; monitoring awardees' compliance; and award closeout processes.

Description of Performance:

The CDFI Fund's two administrative measures are organization-wide efficiency measures based on how quickly awards are made and funds are disbursed.

- 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 an average across all programs). In FY 2016, the cycle time was 7.6 months, missing the target of 7 months as a result of higher-than-expected application volume and the combining of the 2015 and 2016 allocation rounds of the New Markets Tax Credit Program. In FY 2018, as a result of implementation of the CDFI Fund's Award Management Information System, it is expected that processing of applications for ongoing programs (i.e., NMTC, CMF, and BG Programs) will take 7 months from intake to award announcement.

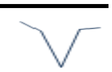
- The *Time to Initial Disbursement* is a new measure that indicates in months how quickly the CDFI Fund completes award agreements and makes the first disbursement of funds or issues tax credits. In FY 2016, the CDFI Fund developed new baseline data and targets for FY 2017 and FY 2018, consistent with the award disbursement processes required by the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Requirements or UAR).

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.

2.1.2 – Community Development Financial Institutions Program Resources and Measures

Dollars in Thousands

CDFI Program Budget Activity							
Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$146,035	$138,397	$146,364	$152,400	$153,423	$153,131	$0
Budget Activity Total	**$146,035**	**$138,397**	**$146,364**	**$152,400**	**$153,423**	**$153,131**	**$0**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
CDFI - Percentage of Loans & Investments Originated in Eligible Distressed or Underserved Communities by Dollar Amount of Loans (Annual %)	84.9	77.1	70.8	80.1	80.9	60.0	60.0	N/A	
CDFI - Percentage of Loans & Investments Originated in Eligible Distressed or Underserved Communities by Number of Loans	84.9	79.6	60.7	80.5	81.5	60.0	60.0	N/A	

2B - Community Development Financial Institutions Program

($0 from direct appropriations):

The CDFI Program makes Financial Assistance (FA) awards to CDFIs that have comprehensive business plans for creating community development impact and that demonstrate the ability to leverage private sector sources of financing, as well as Technical Assistance (TA) grants to CDFIs and entities proposing to become CDFIs. CDFIs use FA awards to further goals such as:

- Economic development (job creation, business development, and commercial real estate development);
- Affordable housing (housing development and homeownership); and
- Financial services (provision of basic banking services and financial literacy training to underserved people and communities).

Description of Performance:

The CDFI Program has two measures: (1) percentage of loans and investments originated in eligible distressed communities or made to underserved populations, as measured against the total dollar amount of loans originated by awardees; and (2) the percentage of loans and investments originated in eligible distressed communities or to underserved populations, as measured against the total number of loans originated by awardees.

Certification criteria require that all certified CDFIs originate at least 60 percent of their loans and investments in eligible distressed census tracts or to underserved populations. The target is set at a level that allows CDFIs to balance their mission to service distressed communities and underserved populations with their safety and soundness considerations.

In FY 2016 the CDFI Program surpassed the 60 percent threshold for the percentage of both the dollar amount (80.9 percent) and the number (81.5 percent) of CDFI loans made to eligible distressed communities and underserved populations.

For FY 2018 no target will be set for the program, although outcomes may still be reported for prior year awardees.

2.1.3 – New Markets Tax Credit Program Resources and Measures

Dollars in Thousands

New Market Tax Credit Program Budget Activity							
Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$0	$0	$0	$0	$0	$0	$0
Budget Activity Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2011 - FY 2016 Trend
NMTC - Percentage of Loans and Investments That Went Into Severely Distressed Communities	70.4	78.5	73.8	75.2	74.5	72.0	74.0	N/A	

Key: DISC - Discontinued, B - Baseline

2C – New Markets Tax Credit Program

($0 from direct program appropriations):

The NMTC Program stimulates capital investment in low-income communities nationwide by permitting individual and corporate taxpayers to receive a non-refundable tax credit against federal income taxes for making equity investments in vehicles known as CDEs. CDEs that receive the tax credit allocation authority under the program are domestic corporations or partnerships that provide loans, investments, or financial counseling in low-income urban and rural communities.

On December 18, 2015, Congress extended the authorization of the NMTC Program for $3.5 billion per year through 2019.

Description of Performance:
The CY 2015 and CY 2016 NMTC investment authority was allocated in November 2016 as a combined round, in which the NMTC Program awarded $7 billion in NMTC investment authority to 120 CDEs, out of a pool of 238 applicants requesting $17.6 billion.

In FY 2016, 74.5 percent of NMTC investments were made in severely distressed communities exceeding the target by more than two percentage points. This performance indicates that CDEs continue to meet their commitments in severely distressed communities.

2.1.4 – Bank Enterprise Award Program Performance and Measures

Dollars in Thousands

Bank Enterprise Award Program Budget Activity							
Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$18,000	$17,058	$18,000	$18,000	$19,000	$18,964	$0
Budget Activity Total	**$18,000**	**$17,058**	**$18,000**	**$18,000**	**$19,000**	**$18,964**	**$0**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
BEA - Increase in Community Development Activities Over Prior Year For All BEA Program Applicants ($ million)	432	493	571	460	460	450	450	N/A	

2D – Bank Enterprise Award Program

($0 from direct appropriations):
The BEA Program provides monetary awards to regulated banks and thrifts for increasing their investments in CDFIs through grants, stock purchases, loans, deposits, and other forms of financial and technical assistance, and for increasing their lending, investment, and service activities in economically distressed communities where at least 30 percent of residents have incomes less than the national poverty level and where the unemployment rate is at least 1.5 times the national unemployment rate.

Description of Performance:
The BEA Program measures applicants' increase in qualified community development activities over the prior year. The CDFI Fund expects to award up to $19 million in appropriated BEA Program funds in the award round for FY 2016, which was deferred to FY 2017. The award round for FY 2017 is currently scheduled to open in late September 2017 with award announcements to be made in February 2018.

The performance target for the FY 2016 round is set at $450 million in increased qualified community development activities.

In FY 2017 the CDFI Fund also expects to publish a third-party evaluation of the BEA Program and its effectiveness in increasing FDIC-insured bank investments in the nation's most distressed communities.

2.1.5 – Native American CDFI Assistance Program Performance and Measures

Dollars in Thousands

Native American CDFI Assistance Program Budget Activity							
Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$12,000	$11,372	$15,000	$15,000	$15,000	$15,471	$0
Budget Activity Total	**$12,000**	**$11,372**	**$15,000**	**$15,000**	**$15,000**	**$15,471**	**$0**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
NACA - Percentage of NACA Loans and Investments in Native Areas ($ Amount of Loans)	N/A	75.5	57.9	65.0	48.4	50.0	50.0	N/A	
NACA - Percentage of NACA Loans and Investments in Native Areas (# of Loans %)	N/A	93.3	87.0	95.9	94.9	50.0	50.0	N/A	

2E – Native American CDFI Assistance Program

($0 from direct appropriations):

Through the NACA Program, the CDFI Fund assists entities in overcoming barriers that prevent access to credit, capital, and financial services in American Indian, Alaska Native, and Native Hawaiian communities. The NACA Program makes monetary awards to increase the number and capacity of existing or new Native CDFIs (i.e., CDFIs that serve Native communities). In addition, the NACA Program provides training to help strengthen and develop Native CDFIs. Native CDFIs lend where other mainstream financial institutions have not, and serve the poorest individuals, families, and businesses in Native communities.

Description of Performance:

The CDFI Fund had created two new measures of performance for the NACA Program: the percentage of the number and the dollar amount of loans made in tribal lands based on Federal Designations of Tribal areas, or to Native people. In accordance with their Financial Assistance agreements, NACA awardees are required to originate 50 percent or more of their loans and investments in native areas or to native populations. As such, the target is a threshold that must be met or exceeded. The level of this threshold is set to allow the awardees to balance their mission of serving native areas and populations with safety and soundness considerations; hence this is not an increasing target.

For FY 2018 no target will be set for the program because no funding is being requested, although outcomes still may be reported for prior year awardees.

2.1.6 - Healthy Food Financing Initiative Performance and Measures

Dollars in Thousands

Healthy Food Financing Initiative Budget Activity							
Resource Level	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources	$22,000	$20,849	$35,000	$22,000	$22,000	$21,958	$0
Budget Activity Total	**$22,000**	**$20,849**	**$35,000**	**$22,000**	**$22,000**	**$21,958**	**$0**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
HFFI - Retail Outlets Created/Preserved	0	31	33	35	19	32	20	N/A	

2F – Healthy Food Financing Initiative

($0 from direct appropriations):

The Healthy Food Financing Initiative (HFFI) aims to eliminate "food deserts" – low-income urban and rural areas in the United States with limited access to affordable and nutritious food – by financing interventions that expand the supply of and demand for nutritious foods. This includes increasing the distribution of agricultural products, developing and equipping grocery stores, and strengthening producer-to-consumer relationships.

Through the HFFI, the CDFI Fund awards CDFI Program funds to certified CDFIs to help address the need for healthy food in underserved and low-income communities. These organizations use federal grants, below market-rate loans, loan guarantees, and tax credits to attract private sector financing for projects that increase access to healthy food options.

Description of Performance:

The primary HFFI performance measure is the number of healthy food retail stores created and maintained in low-income areas that have been identified through detailed census tract analysis as having limited access to healthy food options. In FY 2016, the number of HFFI Retail outlets created was 19, which fell short of the target of 32 outlets. There is considerable variation in both size and type of HFFI retail outlet investments, making accurate targeting difficult.

For FY 2018 no target will be set for the program because no funding is being requested, although outcomes still may be reported for prior year awardees.

2.1.7 - Capital Magnet Fund Program Resource Detail Table

Dollars in Thousands

Capital Magnet Fund Program Budget Activity							
Resource Level	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
GSE Distribution	NA	NA	NA	NA	$100,292	$119,413	NA
Budget Activity Total	**NA**	**NA**	**NA**	**NA**	**$100,292**	**$119,413**	**NA**
FTE	**0**	**0**	**0**	**0**	**0**	**7**	**6**

2G - Capital Magnet Fund Program

($0 from direct appropriations):

The CMF program was authorized by the Housing and Economic Recovery Act of 2008 (HERA), which calls for recurrent funding of the CMF through allocations from the Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac. Through CMF, the CDFI Fund provides grants to CDFIs and qualified non-profit housing organizations to finance affordable housing, community service facilities, and economic development. Award recipients can use funds to create financing tools such as loan loss reserves, revolving loan funds, risk-sharing loans, and loan guarantees. The Budget proposes to suspend the new allocations into the CMF effective in FY 2018.

2.1.8 - Bond Guarantee Program Resource Detail Table

Dollars in Thousands

Bond Guarantee Program							
Resource Level	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Actual	Actual	Actual	Actual	Actual	Annualized CR	Reqest
Obligations	$0	$325,000	$200,000	$327,000	$265,000	$432,000	$500,000
Loan Limitation Obligation Authority	$0	$0	$750,000	$750,000	$750,000	$750,000	$500,000

2.1.9 - Financing Accounts – Non-Budgetary Summary

Dollars in Thousands

Bond Guarantee Program							
Resource Level	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Obligations	$0	$325,000	$200,000	$327,000	$265,000	$432,000	$500,000
Collections	$0	$0	$356	$2,966	$9,377	$29,813	$40,247

Includes the principal and interest repayments and a 10 basis point fee for administrative expenses pursuant to Section 1134 of the Small Business Jobs Act of 2010. These amounts assume a zero subsidy rate with bond loan disbursement of $121 million and $160 million, in FY 2017 and FY 2018, respectively.

2H - CDFI Bond Guarantee Program

Through the CDFI Bond Guarantee Program, Treasury provides a 100 percent guarantee of bonds (including principal, interest, and call premiums) issued by Qualified Issuers. Bonds issued through the program support CDFI lending and investment activity in underserved communities by providing a source of long-term capital. Qualified Issuers use bond proceeds to finance loans to eligible CDFIs for community and economic development purposes.

Since the inception of the program, the total amount of bonds guaranteed is $1.1 billion. A total of 17 Eligible CDFIs and three Qualified Issuers participate in the CDFI Bond Guarantee Program. Upon the closing of each bond, the eligible CDFIs have five years to lend or disburse the bond proceeds.

The table below provides the year-to-date (YTD) and proposed disbursement for the top eight asset classes.

Asset Class	YTD Disbursements ($ millions)	YTD Disbursements (%)	Proposed Disbursements ($millions)	Proposed Disbursements (%)
Charter schools	$150.2	35.8%	$321.6	28.8%
Rental housing	$131.3	31.3%	$270.5	24.2%
Commercial real estate	$ 86.5	20.6%	$253.9	22.7%
Not-for-profits	$ 23.7	5.7%	$ 92.7	8.3%
Healthcare facilities	$ 12.6	3.0%	$ 68.4	6.1%
Small business	$ 7.7	1.8%	$ 28.5	2.6%
CDFI to financing entity	$ 5.1	1.2%	$ 15.6	1.4%
Daycare centers	$2.7	0.6%	$ 28.5	2.6%

C – Changes in Performance Measures

Performance Measure or Indicator	Proposed Changes and Justification
1. All – Disbursement Cycle Time measured in months. (Discontinue)	This measure of the efficiency of the grant disbursement process has been replaced by the Uniform Administrative Requirements (UAR) which limits award disbursements to the amount that can be expended by recipients for allowable uses during the year.
2. Time to Initial Disbursement measured in months. (New measure)	The new measure evaluates the amount of time between award announcements and the initial disbursement of funds, thereby measuring disbursement efficiency as defined by the UAR. Reported in Congressional Justification (CJ) and Quarterly Performance Review (QPR).
3. Bank Enterprise Award (BEA) Program – Increase in community development activities over prior year for all Program Applicants measured in $ millions. (Change to indicator)	The BEA Program measure is an indicator rather than an output measure. Office of Performance Budgeting will work with the CDFI Fund to develop an output or outcome measure. Continue reporting in CJ and QPR.
4. Native American CDFI Award (NACA) – Amount of loans/investments	The current measure is volatile and does not effectively measure program performance.

originated measured in $ millions. (Discontinue)	
5. NACA – Number of loans/investments originated measure by number of loans. (Discontinue)	The current measure is volatile and does not effectively measure program performance.
6. Percentage of NACA loans and investments in Native Areas measured by dollar amount of loans. (New Measure)	The new measure will quantify the extent to which eligible areas are being served by NACA awardees in relation to annual total dollar loan/investment amount. Report new measure in CJ and QPR.
7. Percentage of NACA loans and investments in Native Areas measured by number of loans. (New measure)	The new measure will quantify the extent to which eligible areas are being served by NACA awardees in relation to annual total number of loan/investment activity. Report new measure in CJ and QPR.
8. New Market Tax Credit – Community Development Entities' annual qualified equity investments in low income communities ($billions). (Change to indicator)	Targets are largely dependent on the annual tax allocation levels authorized by Congress.
9. Healthy Food Financing Initiative – Number of Retail outlets created/preserved. (Change to indicator)	The variation in the size and scope of retail projects is considerable, making it difficult to forecast targets. Continue reporting in CJ and QPR.

Section III – Additional Information

A – Summary of Capital Investments

As part of its FY 2018 capital investment strategy, the CDFI Fund plans to spend approximately $4 million for operations and maintenance of its Information Technology (IT). The CDFI Fund has no major IT investments, nor any capital investments other than IT.

Non-Major IT Investments

For FY 2018, the CDFI Fund has identified three non-major IT investments: Awards Management Information System (AMIS); Community Investment Impact System (CIIS); and the CDFI Fund public website. AMIS is an enterprise, commercial, cloud-based solution that supports the CDFI Fund certification, tax credit allocation, bond guarantee, and grant programs. The first AMIS deployment went live in September 2015 with full deployment planned for September 2017. CIIS is a web-based data collection system that provides CDFI Fund program performance and outcome reporting to the Administration, Congress and the public. The CDFI Fund public website, which is another cloud-based solution, provides access to general information about CDFI Fund and is used to ensure the public can obtain answers and guidance regarding CDFI Fund programs. For FY 2018, the CDFI Fund plans to provide Operations and Maintenance (O&M) support for these three IT investments.

IT Infrastructure Investments

The CDFI Fund's IT infrastructure is managed via an Interagency Agreement with the Alcohol and Tobacco Tax and Trade Bureau (TTB). Treasury has seen numerous benefits from the CDFI Fund/TTB arrangement. It increases utilization of Treasury data centers and enables the CDFI Fund to leverage existing Disaster Recovery and Continuity of Operations capabilities. The CDFI Fund avoids software upgrade costs by using TTB's enterprise software licenses. This stops duplicative services (such as Web monitoring and filtering) and eliminates contracts used to maintain the CDFI Fund's IT infrastructure.

A summary of capital investment resources, including major information technology and non-technology investments can be found at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

Department of the Treasury Financial Crimes Enforcement Network

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

A – Mission Statement
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.

B – Summary of the Request
In carrying out its mission, FinCEN has numerous statutory areas of responsibility:
- Developing and issuing regulations under the Bank Secrecy Act (BSA);
- Enforcing compliance with the BSA in partnership with law enforcement and other regulatory partners;
- Serving as the U.S. Financial Intelligence Unit (FIU) and maintaining a network of information sharing with FIUs in 151 partner countries;
- Receiving millions of new financial reports each year;
- Securing and maintaining a database of over 190 million reports;
- Analyzing and disseminating financial intelligence to federal, state, and local law enforcement, federal and state regulators, foreign FIUs, and industry;
- Bringing together the disparate interests of law enforcement, FIUs, regulatory partners, and industry.

1.1 – Appropriations Detail Table
Dollars in Thousands

Financial Crimes Enforcement Network	FY 2016		FY 2017		FY 2018		FY 2017 to FY 2018			
Appropriated Resources	Enacted		Annualized CR		Request		Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
BSA Administration and Analysis	278	$112,979	338	$112,764	332	$112,764	(6)	$0	-1.78%	0.00%
Subtotal New Appropriated Resources	**278**	**$112,979**	**338**	**$112,764**	**332**	**$112,764**	**(6)**	**$0**	**-1.78%**	**0.00%**
Other Resources:										
Reimbursables	1	$3,000	1	$3,000	1	$3,000	0	$0	0.00%	-0.00%
Recovery from Prior Years	0	$500	0	$500	0	$500	0	$0	0.00%	-0.00%
Subtotal Other Resources	1	**$3,500**	1	**$3,500**	1	**$3,500**	**0**	**$0**	**0.00%**	**-0.00%**
Total Budgetary Resources	**279**	**$116,479**	**339**	**$116,264**	**333**	**$116,264**	**(6)**	**$0**	**1.77%**	**-0.00%**

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.

1.2 – Budget Adjustments Table

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**
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**

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.

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$2,276,000 / +0 FTE

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 .... -$1,206,000 / +0 FTE

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 .... -$1,070,000 / -6 FTE

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.

1.3 – Operating Levels Table

Dollars in Thousands

Financial Crimes Enforcement Network (FinCEN) Object Classification	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request
11.1 - Full-time permanent	41,115	41,817	42,136
11.3 - Other than full-time permanent	408	408	408
11.5 - Other personnel compensation	205	205	205
11.9 - Total personnel compensation	**41,728**	**42,430**	**42,749**
12.0 - Personnel benefits	12,259	12,260	11,941
Total Personnel and Compensation Benefits	**$53,987**	**$54,690**	**$54,690**
21.0 - Travel and transportation of persons	607	615	628
23.1 - Rental payments to GSA	4,380	4,130	4,151
23.2 - Rental payments to others	31	32	32
23.3 - Communication, utilities, and misc charges	1,649	1,670	1,705
24.0 - Printing and reproduction	200	207	172
25.1 - Advisory and assistance services	1,097	1,097	1,097
25.2 - Other services from non-Federal sources	14,864	15,873	15,778
25.3 - Other goods and services from Federal sources	9,132	9,496	9,698
25.4 - Operation and maintenance of facilities	740	0	0
25.6 - Medical care	171	174	174
25.7 - Operation and maintenance of equipment	18,629	17,979	17,811
26.0 - Supplies and materials	319	326	333
31.0 - Equipment	7,173	6,475	6,495
Total Non-Personnel	**$58,992**	**$58,074**	**$58,074**
Subtotal New Budgetary Resources	**$112,979**	**$112,764**	**$112,764**

FTE	**279**	**338**	**332**

This table includes total annually appropriated funding (enacted for FY 2016, FY 2017 Annualized CR and FY 2018 request).

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY **FINANCIAL CRIMES ENFORCEMENT NETWORK** Federal Funds 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.* Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

FinCEN has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

FinCEN develops and issues regulations under the BSA; enforces compliance with the BSA in partnership with regulatory partners and as the sole BSA regulator across numerous industries; receives BSA reports and maintains a database; analyzes and disseminates financial intelligence to federal, state, and local law enforcement, federal and state regulators, foreign FIUs, and industry; and serves as the U.S. FIU and maintains a network of information sharing with FIUs in partner countries. The FY 2018-2022 Treasury strategic plan is under development, and the FY 2019 annual performance report and plan will update FinCEN alignment to Treasury priorities.

In FY 2016 FinCEN had several noteworthy accomplishments. Some highlights are FinCEN: used financial intelligence to identify foreign terrorist fighters facilitation networks; proactively supported efforts to counter terror financing by supporting Paris and Brussels terrorist attack investigations and the Orlando shooting investigation; assisted DOJ in recovering $1.3 billion in tax-evasion penalties that started in 2014 and these recoveries lead to 78 non-prosecution agreements with 80 Swiss banks; launched a geographic targeting order in Florida that contributed to the arrests and pending arrests of 22 alleged co-conspirators in a complex money laundering scheme with ties to the Mexican Sinaloa drug cartel; issued final rule under section 311 of the Patriot Act to further restrict North Korea's access to the U.S. financial system; issued two Financial Action Task Force enhanced advisories that identified jurisdictions with anti-money laundering/countering the financing of terrorism (AML/CFT) deficiencies and two cyber-threat related advisories to financial institutions regarding e-mail compromise fraud schemes; produced the Customer Due Diligence final rule that requires identification of beneficial owners; and issued six penalties totaling $8,660,000.

FinCEN's FY 2017 and FY 2018 priorities include target examination and enforcement efforts to high risk and priority areas, with increased focus on money services businesses; expand understanding and analysis of illicit networks, institutions, jurisdictions, and schemes, with emphasis on national security threats and terrorist groups such as ISIS; ensure the BSA regulatory structure effectively and efficiently targets illicit financing risks; manage the efficient collection, processing, and retrieval of BSA data; and foster strong public-private partnerships with the financial industry.

B – Budget and Performance by Budget Activity

2.1.1 BSA Administration and Analysis Resources and Measures

Dollars in Thousands

BSA Administration and Analysis Budget Activity							
Resource Level	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$110,788	$104,993	$112,000	$112,000	$112,979	$112,764	$112,764
Reimbursables Resources	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Budget Activity Total	**$113,788**	**$107,993**	**$115,000**	**$115,000**	**$115,979**	**$115,764**	**$115,764**
FTE (Actual)	**301**	**302**	**279**	**276**	**279**	**339**	**333**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Percentage of Users Finding That the Financial Intelligence Collected by FinCEN Pursuant its Regulations Provides Valuable Information to Safeguard the Financial System, Combat Money Laundering, and Counter Terrorist Financing	90.0	80.0	81.0	83.0	84.0	84.0	85.0	86.0	
Percentage of AML/CFT Supervisors Who Indicate That FinCEN's Enforcement Actions Have Resulted in Increased Compliance by Covered Financial Institutions	N/A	N/A	81.0	88.0	94.0	89.0	94.0	95.0	
Percentage of Customers Finding that FinCEN's Analytic Products and Advanced Research Positively Affected Investigations, Operations, or Understanding of Threats to the Financial System	N/A	N/A	N/A	95.0	95.0	95.0	95.0	95.0	
Percentage of Stakeholders Finding FinCEN's Information Sharing Has Contributed to Their Organization's Responsibilities	N/A	N/A	89.0	91.0	91.0	92.0	92.0	92.0	
Percentage of Users Satisfied with FinCEN Information Sharing Systems	N/A	N/A	78.0	80.0	83.0	80.0	84.0	84.0	

BSA Administration and Analysis Budget and Performance
($112,764,000 from direct appropriations, $3,000,000 from reimbursable resources):
<u>*Description of Performance:*</u>
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 AML/CFT supervisors who indicate that FinCEN's enforcement actions have resulted in increased compliance by covered financial institutions. This measure supports FinCEN Strategic Objective 1.2 to implement and enforce AML/CFT regulatory authorities and employ targeted financial measures against priority threats. In FY 2016, FinCEN surpassed its target of 89 percent with 94 percent finding enforcement actions have resulted in increased compliance. FinCEN was able to achieve this by successfully pursuing enforcement actions and outreach. The target is 94 percent in FY 2017 and increases to 95 percent in FY 2018.

This new measure is the percentage of customers finding FinCEN's analytic products and advanced research positively affected investigations, operations, or understanding of threats to the financial system. This measure supports FinCEN Strategic Objective 1.3 to use research, analysis, and advanced analytics to identify and explain priority threats to the financial system. In FY 2015 and FY 2016, 95 percent of respondents found the analytic products and research had a positive impact. The FY 2017 and FY 2018 targets are set at 95 percent.

FinCEN measures the percentage of stakeholders finding FinCEN's information sharing has contributed to their organization's responsibilities. This supports FinCEN Strategic Objective 2.1 to implement and manage programs to effectively network, coordinate, and share financial intelligence between FinCEN and its domestic and foreign partners in government and private industry. In FY 2016, FinCEN narrowly missed its target of 92 percent with 91 percent finding the information sharing helpful. FinCEN will maximize the sharing of financial intelligence between FinCEN and its domestic and foreign partners in government and private industry to attain future targets. The FY 2017 and FY 2018 targets are 92.

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 is based on survey responses and 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 it provides, as well as knowledgeable and courteous user support. In FY 2017 and FY 2018 targets are set at 84.

C – Changes in Performance Measures

Performance Measure or Indicator	**Proposed Change and Justification**
1. Percentage of customers finding that FinCEN's research, analysis, and advanced analytics contribute to the safeguarding of the financial system, combating money laundering, and counter terrorist financing (discontinue)	Propose to stop reporting this metric because FinCEN refined the measure name and methodology to more accurately reflect what the analytics products are intended to do, i.e. be useful to a wide range of customers and have impact, such as identify new leads or provide previously unknown information. The discontinued measure will be replaced by the percentage of customers finding FinCEN's analytic products and advanced research positively affected investigations, operations, or understanding of threats to the financial system.

Section III – Additional Information

A – Summary of Capital Investments

As the administrator of the BSA, FinCEN receives valuable information reported and collected under BSA requirements, which totaled approximately 18.5 million filings in FY 2016. To successfully fulfill its mission, FinCEN relies on secure, advanced IT to manage the collection, processing, storage, and dissemination of BSA information that contributes to the soundness and confidence in America's financial system.

FinCEN's IT strategy takes into account the growing need for financial institutions to meet obligations as efficiently as possible, while ensuring that FinCEN and law enforcement agencies receive accurate, timely, and reliable BSA information to track money trails, identify money laundering, and unravel terrorist financing networks. FinCEN's IT strategy focuses on the critical need to improve the quality and accessibility of its data and increase responsiveness to stakeholders by maintaining and building upon flexible and innovative technical solutions. The BSA IT Modernization investment entire lifecycle cost, which includes the year the investment started (2010) through BY+4 (2021), is $332 million (including FTE) and the FY 2018 cost is $27.58 million (including FTE).

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed/downloaded at: http://www.treasury.gov/about/budget-performance/pages/summary-of-capital-investments.aspx.
This website also contains a digital copy of this document.

Department of the Treasury Alcohol and Tobacco Tax and Trade Bureau (TTB)

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

A – Mission Statement

To collect the taxes on alcohol, tobacco, firearms, and ammunition; protect the consumer by ensuring the integrity of alcohol products; and prevent unfair and unlawful market activity for alcohol and tobacco products.

B – Summary of the Request

Supporting the nation's economic vitality is at the core of the work performed by the Alcohol and Tobacco Tax and Trade Bureau (TTB). The Bureau's role in permitting, regulating, and taxing the alcohol, tobacco, and firearms industries facilitates a compliant and fair marketplace for those engaged in the manufacture and trade of these commodities, and ensures that the Federal Government has the resources needed to fund national priorities. TTB administers its mission according to two core strategic goals—"Collect the Revenue" and "Protect the Public"—both of which support Treasury in promoting economic growth and stability and in fairly and effectively reforming and modernizing Federal tax systems.

TTB is the third largest tax collection agency in the U.S. Government, after the Internal Revenue Service and U.S. Customs and Border Protection, collecting more than $22 billion in excise tax revenues annually. As the most efficient means of tax administration, facilitating voluntary compliance will remain a priority for TTB in FY 2018. To this end, TTB will enhance its guidance related to Federal alcohol, tobacco, firearms, and ammunition laws and regulations, and explore opportunities to streamline regulations and requirements to reduce compliance burden. TTB will also focus on improving internal processes to contribute to continued positive returns on the investment in TTB.

Alcohol and tobacco diversion remain long-term tax enforcement challenges given the high profits to be gained from illegal activity, the relative ease of diversion, and the substantial revenue loss that it represents. Failure to address illicit trade not only deprives governments of revenue, but also gives non-compliant actors an unfair competitive advantage over their lawful counterparts. Given this, TTB will maintain its efforts to employ risk modeling to target its audits and investigationsto remain focused on the highest risk activity. TTB will also prioritize its enforcement cases to most effectively deploy its criminal agents to detect and deter illicit trade.

As demand for TTB services has grown in line with the expanding alcohol industries, TTB has responded through updated policies to reduce burden, systems modernization, and streamlined processes to ensure the timely turnaround of applications for new and existing wineries, breweries, and distilleries. Delays can cause financial hardships for these businesses and create a barrier to compliant commerce. In FY 2018, TTB will revise its service standards in line with anticipated staffing levels and ensure the new standards are clearly communicated to industry in order to manage expectations and allow appropriate operational planning. TTB will further adjust its strategy for systems modernization to align with resource levels, continuing to focus on clear and consistent guidance to industry to facilitate the submission of compliant applications.

1.1 – Appropriations Detail Table

Dollars in Thousands

TTB Appropriated Resources	FY 2016 Enacted		FY 2017 Annualized CR		FY 2018 Request		FY 2017 to FY 2018 $ Change		FY 2017 to FY 2018 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Collect the Revenue	229	$52,785	242	$53,458	223	$49,425	(19)	($4,034)	-7.85%	-7.55%
Protect the Public	241	$53,654	252	$52,779	233	$49,233	(19)	($3,545)	-7.54%	-6.72%
Subtotal New Appropriated Resources	**470**	**$106,439**	**494**	**$106,237**	**456**	**$98,658**	**(38)**	**($7,579)**	**-7.69%**	**-7.13%**
Other Resources:										
Reimbursables	10	$6,992	10	$6,972	10	$6,972	0	$0	0.00%	-00.00%
Subtotal Other Resources	10	**$6,992**	10	**$6,972**	10	**$6,972**	**0**	**$0**	**0.00%**	**-00.00%**
Total Budgetary Resources	**480**	**$113,431**	**504**	**$113,209**	**466**	**$105,630**	**(38)**	**($7,579)**	**-7.54%**	**-6.69%**

Note: FY 2016 FTE and Other Resources are Actual

1.2 – Budget Adjustments Table

Dollars in Thousands

TTB	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)
Subtotal Program Changes	(38)	(9,111)
Total FY 2018 Request	**456**	**98,658**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$2,102,000 / +0 FTE

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 ....-$570,000 / -0 FTE
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 Deceases ....-$9,111,000 / -38 FTE
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, which equates to 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 reflect anticipated 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 essential maintenance of existing systems. Planned system enhancements targeted at reducing compliance errors on permit, label, and formula applications and in tax filings will be postponed, which will impact timely service delivery and efficient tax enforcement.

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. These reductions will require reprioritization of the criminal case pipeline to ensure effective case management and resolution.

1.3 – Operating Levels Table

Dollars in Thousands

TTB Object Classification	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
11.1 - Full-time permanent	46,047	49,280	47,556
11.5 - Other personnel compensation	801	1,060	500
11.9 - Total personnel compensation	**46,848**	**50,340**	**48,056**
12.0 - Personnel benefits	14,976	14,720	13,981
13.0 - Benefits for former personnel	5	5	5
Total Personnel and Compensation Benefits	**$61,829**	**$65,065**	**$62,042**
21.0 - Travel and transportation of persons	1,688	1,746	1,700
22.0 - Transportation of things	20	33	30
23.1 - Rental payments to GSA	3,941	4,303	4,053
23.3 - Communication, utilities, and misc charges	1,337	1,732	1,732
24.0 - Printing and reproduction	215	268	268
25.2 - Other services from non-Federal sources	27,728	23,880	20,136
25.3 - Other goods and services from Federal sources	6,892	7,129	6,616
26.0 - Supplies and materials	432	456	456
31.0 - Equipment	2,012	1,625	1,625
Total Non-Personnel	**$44,265**	**$41,172**	**$36,616**
New Budgetary Resources	**$106,094**	**$106,237**	**$98,658**
FTE	**470**	**494**	**456**

Note: This table includes total annually appropriated funding (actuals for FY 2016 and estimates for FY 2017 Annualized CR and FY 2018).

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY ALCOHOL AND TOBACCO TAX AND TRADE BUREAU *Federal Funds*	
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.* Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.	The 2018 Budget proposes to remove the $5 million earmark for accelerating the processing of formula and label applications.

E – Legislative Proposals

TTB has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

TTB is responsible for administering and enforcing the sections of the Internal Revenue Code associated with the collection of excise taxes on alcohol, tobacco, firearms, and ammunition, and the Federal Alcohol Administration Act, which provides for the regulation of the alcohol beverage industry for the protection of U.S. consumers. TTB administers its jurisdiction according to two strategic goals—“Collect the Revenue” and “Protect the Public”—both of which serve to support economic growth and stability. TTB’s strategic goal to collect the revenue ensures that the Federal Government has the resources needed to fund national priorities and supports Treasury in improving the execution of the tax code. TTB’s strategic goal to protect the public ensures that lawful U.S. alcohol businesses are competitive and thriving in the global marketplace.

The FY 2018 - 2022 strategic plan is currently under development. The annual performance plan will be updated in the FY 2019 Budget to reflect the new priorities.

B – Budget and Performance by Budget Activity

2.1.1 Collect the Revenue Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$50,939	$48,927	$51,721	$50,976	$53,385	$53,458	$49,425
Reimbursable Resources	$2,464	$3,277	$3,506	$3,681	$3,143	$3,835	$3,835
Transfer from TEOAF-Super Surplus Fund	$0	$0	$468	$0	$0	$0	$0
Budget Activity Total	**$53,403**	**$52,204**	**$55,695**	**$54,657**	**$56,528**	**$57,293**	**$53,260**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Activity of Revenue Collected Per Program Dollar	449.0	457.0	457.0	437.0	414.0	400.0	400.0	400.0	
Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Payments Timely and Accurately (In Terms of Revenue)	92.0	92.0	90.0	88.0	87.0	92.0	90.0	90.0	

Key: DISC - Discontinued, B - Baseline

Collect the Revenue Budget and Performance

($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 tax code for alcohol, tobacco, firearms, and ammunition products. TTB collects approximately $22 billion in Federal tax revenue annually from nearly 13,000 businesses. TTB’s tax base includes distilleries, breweries, and wineries, which have boomed in recent years, as well as manufacturers and importers of tobacco and firearms. TTB extends the reach of its enforcement resources through advanced analytics and risk-based audits and investigations. To ensure 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 to ensure all products sold in the marketplace are properly taxpaid.

Other Resources (Offsetting Collections/Reimbursables)……………………………… $3,835,000
Other resources that fund this budget activity include reimbursement for the operating costs of the TTB Puerto Rico field office, which are offset against the roughly $400 million in taxes collected on the alcohol beverage products that are manufactured in Puerto Rico and imported to the United States (cover-over payments); reimbursement by the Community Development Financial Institutions Fund (CDFI) for TTB's IT services; and funding from the Department of the Treasury's Executive Office for Asset Forfeiture (TEOAF) mandatory account to cover investigative expenses, data systems, and training.

Description of Performance – Collect the Revenue:
TTB's measures of the Amount of Revenue Collected per Program Dollar and the Percent of Voluntary Compliance from Large Taxpayers in Filing Payments Timely demonstrate the effectiveness and efficiency with which TTB operates its revenue collection function. TTB's strategies for achieving results for both measures include applying technology to streamline internal and external processes and leveraging data sources to direct our outreach and enforcement efforts. At the FY 2018 funding level, TTB will review these strategies and their timelines to ensure continued effectiveness in tax administration and to ensure resources are deployed efficiently to maximize the deterrent effect.

Improve Efficiency of Tax Collection
In FY 2016, TTB met this performance measure. The Amount of Revenue Collected per Program Dollar measure uses annual collections figures and the actual expenditures and obligations for collection activities to quantify the efficiency of the TTB tax collection program. In FY 2016, TTB achieved a return on investment of $414 for every program dollar spent on collection activities, which exceeded its annual performance target of $400. Tobacco revenues have steadily declined in line with shifts in consumption patterns, product manufacturing, and trade. There was a significant increase in FY 2010 due to the tax increases in 2009, but the long-term trend is downward.

In setting its FY 2018 performance target, TTB examined historical collections trends across each of its regulated commodities, as well as other predictors that influence consumer behaviors. As illustrated by the below table, the 2009 changes to the Federal tax rates saw increases tobacco tax collections in dollar terms but even at the higher tax rate, these collections have generally declined each year since then. Accounting for these types of marketplace shifts, TTB established a targeted performance level of 400:1 for fiscal years 2017 – 2018.

Excise Tax and Other Collections by Fiscal Year

Dollars in Thousands

Fiscal Year	Alcohol	Tobacco	FAET	SOT	FST	Other	Total
2007	$ 7,232,138	$ 7,194,081	$287,835	$ 2,808	$ -	$ 32	$ 14,716,894
2008	7,420,576	6,851,705	312,622	448	-	634	14,585,985
2009	7,424,292	11,548,504	452,693	272	1,192,375	970	20,619,106
2010	7,476,789	15,913,479	360,813	300	8,558	180	23,760,119
2011	7,594,330	15,515,073	344,262	268	5,220	2,257	23,461,410
2012	7,856,391	15,002,616	514,622	249	5,942	61	23,379,881
2013	7,851,953	14,321,017	762,836	280	1,521	38	22,937,645
2014	7,924,951	13,552,711	768,927	332	465	2	22,247,388
2015	7,997,467	13,620,497	638,518	288	2,444	7	22,259,221
2016	8,075,476	13,274,371	749,789	258	245	505	22,100,644
Average	$ 7,685,436	$ 12,679,405	$519,292	$ 550	$ 121,677	$ 469	$ 21,006,829

FAET – Firearms and Ammunition Excise Tax; SOT – Special Occupational Tax; FST – Floor Stocks Tax

In FY 2018, to meet its performance target of $400, TTB will continue to improve efficiencies and results in its tax enforcement program through process improvements related to tax verification. On the front end, TTB will evaluate and develop options to increase automation in the detection, notification, assessment, and collection of excise taxes due to preserve staff time for substantive tax analysis. On the back end, TTB will continue to use data analytics and other intelligence to efficiently deploy its enforcement resources.

A primary focus for TTB tax enforcement continues to be exported alcohol and tobacco products. In FY 2016, TTB made significant inroads into identifying tax evasion schemes that involve the diversion of non-taxpaid products intended for export. In just over two years, TTB's enforcement efforts into the export trade, including tobacco export warehouses that are permitted by TTB, have identified over $50 million in additional liabilities to date as well as numerous criminal cases.

In future years, TTB will develop a plan to modernize TTB's tax systems to increase automation and improve tax verification and improve its capacity to develop and build risk models that support the identification of high-risk activity for audit, investigation, and criminal prosecution.

Increase Voluntary Compliance from Taxpayers

Fostering voluntary compliance among taxpayers is a primary tax administration strategy for TTB. The Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Payments Timely metric shows the rate of compliance by large taxpayers (i.e., those that pay more than $50,000 in annual taxes) in voluntarily filing their tax payments on or before the scheduled due date. In FY 2016, TTB achieved a compliance rate of 87 percent from its large taxpayers, which fell below the performance target of 92 percent. The declining compliance rate in recent years is due to improvements in TTB's tax reconciliation and enforcement functions related to identifying late, missing, and erroneous tax returns and payments. These efforts often result in identifying taxpayers who have not filed returns and have not previously been included in the compliance rate calculations. Including these taxpayers reduces the calculated compliance rate even when TTB succeeds in obtaining overdue returns. TTB anticipates that taxpayers targeted by enforcement efforts will begin filing timely returns in future years, and that, combined with planned enhancements to online guidance, will increase voluntary compliance rates going forward.

For FY 2018, TTB has set a performance target of a 90 percent voluntary compliance rate for its large taxpayers. TTB will focus on promoting electronic filing options to enable taxpayers to file complete, accurate, and timely tax returns and payments; improving online guidance, particularly for the large number of newly permitted industry members; and maintaining an enforcement presence to encourage voluntary compliance. Moving forward on all three fronts is required to ensure that TTB strikes the appropriate balance between supporting new businesses in establishing compliant operations while ensuring adequate coverage of the high-risk activity that undermines lawful business activity.

A reduced enforcement presence may diminish the deterrent effect that results in voluntary compliance. In addition to fewer audits and investigations, TTB will need to curtail its criminal investigations. Since TTB commenced its criminal enforcement program in FY 2011, these investigations have resulted in nearly $600 million in tax liabilities (a 4:1 return on investment achieved with just a handful of agents) and criminal convictions, which are an essential component of tax enforcement.

2.1.2 Protect the Public Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$48,939	$45,727	$47,279	$47,451	$52,709	$52,779	$49,233
Reimbursable Resources	$2,464	$2,670	$3,236	$2,451	$2,577	$3,137	$3,137
Transfer from TEOAF-Super Surplus Fund	$0	$0	$432	$0	$0	$0	$0
Budget Activity Total	**$51,403**	**$48,397**	**$50,947**	**$49,902**	**$55,286**	**$55,916**	**$52,370**
FTE	**245**	**241**	**246**	**243**	**246**	**257**	**238**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Percent of Electronically Filed Permit Applications (Note 1)	59.0	73.0	80.0	81.0	81.0	87.0	82.0	85.0	
Percentage of Permit Applications Processed within Service Standards	61.0	50.0	58.0	47.0	32.0	85.0	85.0	85.0	
Customer Satisfaction Rate with TTB Permitting Process	N/A	N/A	N/A	76.0	71.0	80.0	80.0	80.0	
Percent of Electronically Filed Label and Formula Applications	88.0	90.0	93.0	94.0	97.0	95.0	95.0	95.0	
Percentage of Alcohol Beverage Label and Formula Applications Processed within Service Standards	83.0	49.0	67.0	75.0	75.0	85.0	85.0	85.0	

Key: DISC - Discontiued, B - Baseline

Note 1: Reported results revised for FY12–FY15 due to an error identified in the source data for paper-filed original permit applications.

Protect the Public Budget and Performance
($49,233,000 from direct appropriations, and $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; promote compliance with Federal laws and regulations by the approximately 82,000 businesses that TTB regulates; facilitate fair and lawful domestic and international trade in the alcohol and tobacco commodities; and provide full and accurate alcohol beverage product information to the public as a means to prevent consumer deception.

Other Resources (Offsetting Collections/Reimbursables)……………………………… $3,137,000
Other resources that support this budget activity include reimbursement for the operating costs of the TTB Puerto Rico field office, which are offset against the roughly $400 million in taxes collected on the alcohol beverage products that are manufactured in Puerto Rico and imported into the United States (cover-over payments); reimbursement by the Community Development Financial Institutions Fund (CDFI) for TTB's IT services; and funding from the Department of the Treasury's Executive Office for Asset Forfeiture (TEOAF) mandatory account to cover investigative expenses, data systems and training.

Description of Performance – Protect the Public:
TTB has five principal performance measures of its public protection activities. These measures help TTB monitor the degree to which it is meeting the service standards it establishes for permit, label, and formula applications; the impact that electronic filing initiatives are having on improved service delivery; and the level of satisfaction that prospective industry members have with TTB's permitting process. TTB's strategies to achieve its performance targets include streamlining internal processes, implementing enhancements to online filing systems, modernizing filing requirements, and providing clearer guidance to industry members. At the FY 2018 funding level, TTB will review these strategies and their timelines, as well as adjust service standards, to set realistic expectations for the businesses that rely on TTB approvals.

Improve Efficiency and Effectiveness of Permitting Process
TTB protects consumers by screening permit applicants to ensure only qualified persons engage in the alcohol, tobacco, firearms, and ammunition industries. In FY 2016, TTB processed more than 8,500 original permit applications, performing investigations into high-risk applicants to meet TTB's business integrity objective. TTB monitors its timeliness in processing permit applications through its measure of the Percentage of Permit Applications Processed within Service Standards. As businesses rely on accurate information related to TTB service delivery in their operational planning, this measure provides important data related to a key outcome for TTB and its stakeholders. In FY 2016, TTB met its 75-day service standard for 32 percent of original permit applications, a significant year-to-year decline and well below the 85 percent performance target. The increased volume of submissions, particularly in the more complex alcohol manufacturing application types, has caused processing times to increase.

Processing times are expected to worsen as the backlog of applications continues to grow, with particular challenges resulting from resource levels that have not kept up with industry expansion. In FY 2018, TTB will establish a new service standard of 130 days to represent its current and projected processing times based on staffing levels. TTB will strive to meet this new standard for 85 percent of permit applications through internal workflow changes and industry education efforts to improve submission compliance and, therefore, reduce reprocessing work.

According to its measure of the Percent of Electronically Filed Permit Applications, which tracks the e-filing rate for new business applications, TTB has generally reached a plateau in performance, with approximately 81 percent of permit applications received via Permits Online. Although trending up slightly, this rate reflects marginal gains achieved over the past three years. TTB is reviewing its strategies to increase the benefits associated with electronic filing, including faster processing times and improved application compliance, and expects improvement on both fronts as a result of a major system release planned for the end of FY 2017. These system changes, combined with effective online guidance and training, will support TTB in achieving its targeted electronic filing rate of 85 percent in FY 2018.

Increase Customer Satisfaction with TTB Service Delivery
TTB also measures its performance in its permitting function by surveying the businesses that apply for a TTB permit. TTB monitors the Customer Satisfaction Rate with TTB's Permitting Process by using an e-mail survey to assess how satisfied businesses are when applying for a permit through Permits Online. Satisfaction rates in FY 2016 were below the annual target of 80 percent, with 71 percent of applicants filing for an original permit satisfied with the application process, including the level of service received and timeliness of TTB's response. Satisfaction rates have declined year-to-year as processing times have lengthened, and they are expected to remain below target until timely service improves. In FY 2018, to achieve its performance target of 80 percent, TTB will continue to implement internal workflow improvements to reduce processing times. Further, TTB expects the release of a new version of Permits Online to increase satisfaction rates by improving system-based guidance as well as overall customer experience with the system. TTB will also aim to improve the level of service provided to customers seeking live assistance with the permit application process via TTB's call center, although wait times may increase at the FY 2018 staffing levels.

Improve Efficiency and Effectiveness of Alcohol Beverage Label Processing
TTB protects U.S. consumers by ensuring that the alcohol beverage products sold at retail outlets are properly labeled and comply with federal production standards. In FY 2016, TTB received more than 161,000 label applications and more than 14,500 formula applications, an increase in submissions that reflects the ongoing expansion of the alcohol beverage industry. Given the importance of timely TTB approvals and the negative impact that delays have on U.S. businesses, TTB monitors its ability to provide timely and consistent service through its measure of the Percentage of Alcohol Beverage Label and Formula Applications Processed within Service Standards. TTB combines label and formula applications in this measure given the interdependent nature of these approvals. TTB set a service standard for a label approval at 30 days and 45 days for a formula approval.

In FY 2016, TTB met its service standards of 30 days and 45 days approximately 75 percent of the time. At these service levels, the majority of wineries, breweries, and distilleries waited three months on average from the time they filed for a formula approval to being able to bottle, label, and distribute a new product. Performance in labeling declined slightly to 76 percent of label approvals meeting the 30-day service standard compared to the 80 percent achieved last year.

TTB met its 45-day service standard for formula applications 63 percent of the time, compared to just 15 percent in FY 2015. TTB was able to lift certain filing requirements in areas deemed low-risk to consumers and the revenue, but industry growth combined with market trends toward formulated products have resulted in increased submissions that have offset these reductions.

TTB has begun to make significant progress to accelerate label and formula processing, and remains on track to achieve its performance goal of a 10-day turnaround for label and formula applications by the end of FY 2017. This progress was achieved through revised filing requirements, updated guidance, and system enhancements, as well as additional staff hired in FY 2016 to support performance improvements in the labeling program.

For FY 2018, TTB will maintain its established target of 85 percent for the percentage of label and formula applications that meet the established service standards. However, TTB expects to adjust its service standards for both labels and formulas to a 30-day turnaround for FY 2018, rather than 10-day turnaround projected for FY 2017, based on projected staffing and the projected growth in submissions. To meet the performance target, TTB will focus on facilitating compliance of initial applications, thus reducing the workload associated with processing resubmissions. In FY 2018, TTB will focus exclusively on online guidance to improve compliant label and formula applications. This strategy is critical to managing the total workload associated with label and formula applications, which will be necessary to achieve the performance target. TTB also intends to proceed with its labeling modernization project, which will update and streamline the labeling regulations to reflect current TTB policy and modern industry practices.

Further, TTB will continue to employ its strategy to increase electronic filing to manage workloads and ensure service standards are met. These efforts include improving online and system guidance to help industry in filing label and formula applications, focusing on streamlining and clarifying communications between TTB and industry members each time a label or formula is returned due to application errors or other compliance issues. In FY 2016, TTB exceeded its target by achieving a combined electronic filing rate of 97 percent, as tracked by its measure of Percent of Electronically Filed Label and Formula Applications. TTB expects that these planned improvements will help TTB continue to attract new industry members to its online systems and maintain performance above its 95 percent target in FY 2018.

Section III – Additional Information

A – Summary of Capital Investments

Information Technology

TTB's Strategic Plan establishes the vision and objectives for the bureau. TTB's Information Technology (IT) Strategic Plan is a five-year plan based on its business strategy, which includes the bureau's mission, vision, goals, and objectives from an IT perspective. This plan charts the course the bureau will follow in the coming years to develop and implement IT solutions that are aimed at streamlining the collection of data, leveraging web technologies, and making the Internet the method of choice for the reporting and exchanging of information. By aligning business and technical strategy, TTB is able to leverage technology to enable the bureau to meet its objectives in the most efficient and cost-effective manner while identifying ways to minimize system redundancy.

TTB has no major IT investments based on the OMB and the Department of Treasury criteria. Several non-major investments, however, directly support the mission, strategy, and day-to-day operations of the bureau. These include:

TTB Tax System: This investment consists of several component applications that ensure fair and proper collection of revenue from the industry members for alcohol, tobacco, firearms, and ammunition excise taxes and to ensure compliance with the excise tax regulations.

TTB Regulatory System: This investment includes applications that streamline the beverage and nonbeverage alcohol formula approval process and COLA issuance for tax and regulatory compliance.

TTB General Support Services: This investment provides TTB users with the infrastructure applications necessary to conduct daily business.

TTB Enterprise Architecture: This investment supports strategic management of IT operations (e.g., business process redesign efforts not part of an individual investment, enterprise architecture development, capital planning and investment control processes, procurement management, and IT policy development and implementation) and costs for Chief Information Officer functions.

In addition to leveraging IT to support the mission, strategy, and day-to-day operations of the bureau, TTB supports and maintains strategy alignment with OMB and Treasury through enterprise-wide IT initiatives. These include: Cyber Security; IT Infrastructure; Electronic Identity and Access Management (HSPD-12); Enterprise-wide Contracts and Services; and Program Metrics and Milestones.

Scientific Equipment for Laboratories

This investment will enable chemists to provide accurate and reproducible scientific data and laboratory results to support regulatory compliance, tax enforcement, tax classification, rulemaking, and investigations for both the alcohol and tobacco commodities. Laboratory instruments require periodic replacement, as they have finite lifecycles due to use and as scientific advances continue to evolve. Technologies applied at these laboratories eventually become obsolete and the instruments are not serviceable as vendors stop carrying parts and software. Periodic replacement of the existing technologies is essential for TTB laboratories to remain state-of-the-art and effective to support the bureau's mission, strategy, and day-to-day operations.

A summary of capital investment resources, including major information technology and non-technology investments can be found at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

Department of the Treasury
Bureau of the Fiscal Service

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

A – Mission Statement
Promote the financial integrity and operational efficiency of the Federal Government through exceptional accounting, financing, collections, payments, and shared services.

B – Summary of the Request
Fiscal Service's 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. Fiscal Service regularly interacts with businesses and private citizens, through our payment, collection and debt collection programs; this relationship drives us to continually review our customer service guidelines to ensure our support is second to none in the Federal Government.

Fiscal Service works with the federal financial community to identify improvements to core programs and streamline operations government-wide and is looked to as a leader in financial management. In addition, Fiscal Service supports the Department of Defense's (DoD) financial management requirements in austere and other unique environments at bases around the world and on Navy ships supporting the needs of service members.

Fiscal Service, through efficient and effective management of these critical programs, demonstrates high performance and achieves outcomes and results that includes:
- Making available $8 trillion to fund critical daily Federal Government operations and activities by hosting 269 auctions of marketable Treasury securities through our Wholesale Securities Program.
- Supporting key government agencies by securely and timely disbursing 85 percent of all federal payments (1.2 billion payments, totaling more than $3.3 trillion per year in over 100 currencies in over 170 countries).
- Financing federal operations by collecting $4 trillion in revenues including, for example, Internal Revenue Service (IRS) tax revenues, National Park Service entrance fees, student loan debt, U.S. passport fees, and Customs and Immigration Service fees.

All of these accomplishments support Fiscal Service's vision to "transform financial management and the delivery of shared services in the Federal Government" as well as the following bureau strategic goals:
- Serve as a catalyst for effective government through initiative and innovation
- Cultivate an engaged, highly effective and skilled workforce
- Deliver exceptional programs and services
- Promote data transparency and usefulness as a public good
- Move federal financial management and administrative services to an affordable, sustainable service provider

1.1 – Appropriations Detail Table

Dollars in Thousands

Fiscal Service Appropriated Resources	FY 2016 Enacted		FY 2017 Annualized CR		FY 2018 Request		FY 2017 to FY 2018 $ Change		FY 2017 to FY 2018 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources										
Accounting and Reporting	423	$125,752	441	$124,352	437	$109,379	(4)	($14,973)	-0.91%	-12.04%
Collections	152	$38,798	159	$38,598	158	$33,951	(1)	($4,647)	-0.63%	-12.04%
Payments	537	$118,454	561	$117,362	556	$108,517	(5)	($8,845)	-0.89%	-7.54%
Retail Securities Services	436	$70,038	454	$69,038	451	$65,712	(3)	($3,326)	-0.66%	-4.82%
Wholesale Securities Services	78	$10,808	78	$13,808	78	$13,278	0	($530)	0.00%	-3.84%
Subtotal New Appropriated Resources	**1,626**	**$363,850**	**1,693**	**$363,158**	**1,680**	**$330,837**	**(13)**	**($32,321)**	**-0.77%**	**-8.90%**
Other Resources:										
Reimbursables	417	$349,801	427	$368,000	427	$377,980	0	$9,980	0.00%	2.71%
Subtotal Other Resources	**417**	**$349,801**	**427**	**$368,000**	**427**	**$377,980**	**0**	**$9,980**	**0.00%**	**2.71%**
Total Budgetary Resources	**2,043**	**$713,651**	**2,120**	**$731,158**	**2,107**	**$708,817**	**(13)**	**($22,341)**	**-0.61%**	**-3.06%**

Note: FY 2016 Appropriated Resources and Actual Other Resources

1.2 – Budget Adjustments Table

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**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$6,971,000 / +0 FTE
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 .... -$16,825,000 / -30 FTE
The Digital Accountability and Transparency Act of 2014 (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 reduced programmatic and FTE requirements to align with operating levels.

Program Decreases .... -$22,467,000 / -13 FTE
Accounting and Reporting -$3,066,000 / +0 FTE
Delay the remediation of non-DoD 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
Improvements to retail securities customer services will be postponed.

Support Services -$8,323,000 / +0 FTE
Fiscal Service will be unable to implement planned space efficiencies designed to maximize the bureau's use of space within its D.C. facility. Additionally, plans to elevate the physical security threshold and increase security measures in several facilities will be cancelled.

Streamlining Staff/Other Efficiencies -$4,087,000 / -13 FTE
Anticipated savings as a result of streamlining staff and realizing any associated efficiencies.

1.3 – Operating Levels Table

Fiscal Service Object Classification	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
11.1 - Full-time permanent	142,818	146,927	139,894
11.3 - Other than full-time permanent	411	514	524
11.5 - Other personnel compensation	3,655	4,754	5,853
11.8 - Special personal services payments	0	23,434	23,879
11.9 - Personnel Compensation Total	**146,884**	**175,629**	**170,150**
12.0 - Personnel benefits	48,800	50,170	48,181
13.0 - Benefits for former personnel	107	100	100
Total Personnel and Compensation Benefits	**$195,791**	**$225,899**	**$218,431**
21.0 - Travel and transportation of persons	1,947	1,976	2,021
22.0 - Transportation of things	133	150	121
23.1 - Rental payments to GSA	26,254	22,214	21,418
23.2 - Rental payments to others	583	519	445
23.3 - Communication, utilities, and misc charges	8,069	8,089	7,555
24.0 - Printing and reproduction	132	245	237
25.1 - Advisory and assistance services	23,905	21,515	15,218
25.2 - Other services from non-Federal sources	23,558	18,848	12,622
25.3 - Other goods and services from Federal sources	59,946	54,016	45,664
25.4 - Operation and maintenance of facilities	2,124	1,041	950
25.7 - Operation and maintenance of equipment	4,043	2,100	1,603
26.0 - Supplies and materials	3,273	2,763	2,708
31.0 - Equipment	13,876	2,769	1,234
32.0 - Land and structures	215	1,014	610
43.0 - Interest and dividends	1	0	0
Total Non-Personnel	**$168,059**	**$137,259**	**$112,406**
Total Budgetary Resources	**$363,850**	**$363,158**	**$330,837**
FTE	**2,043**	**2,120**	**2,107**

Note: This table includes total annually appropriated funding (actuals for FY 2016, FY 2017 Annualized CR and FY 2018).

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY **BUREAU OF THE FISCAL SERVICE** *Federal Funds* 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.* Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.	

<u>Federal Reserve Bank Permanent, Indefinite Appropriation</u>

The Federal Reserve Banks (FRBs) act as fiscal agents of the United States when directed by the Secretary of the Treasury in accordance with 12 U.S.C. 391. Under this account, the FRBs support fiscal operations unrelated to the administration of the public debt and provide banking and financial services on behalf of the Treasury of the United States. Specifically, this account supports the accounting and reporting, collections, and payments programs. These and other programs are vital to Fiscal Service's strategic goals, the National Financial Critical Infrastructure and the expanding of e-government efforts to reduce costs, improve accuracy and increase options available to citizens to conduct transactions with the Federal Government. Fiscal Service estimates that the cost of FRB services for FY 2018 will be approximately $585.8 million.

<u>Reimbursements to the Federal Reserve Banks</u>

Public Law 101-509, 104 Stat. 1389, 1394 (1990), established a permanent, indefinite appropriation to pay such sums as necessary to reimburse the FRBs for acting as fiscal agents. This account was further defined in FY 1992 to solely support those activities related to the administration of the public debt. Claims for reimbursements are closely monitored for compliance with the Instructions for Filing Reimbursement Claims for Fiscal Agent Services Provided to Fiscal Service. Funding for FY 2018 is estimated at $149.5 million.

<u>Financial Agent Services Permanent, Indefinite Appropriation</u>

Congress has given the Secretary of the Treasury broad discretion to deposit money in financial institutions and obtain banking services by designating financial institutions to act/serve as

Financial Agents (FA) of the United States. The services support many Fiscal Service programs, such as collections, payments, securities and accounting and reporting. These and other programs are vital to Fiscal Service's strategic goals, the National Financial Critical Infrastructure and the expanding of e-government efforts to reduce costs, improve accuracy and increase options available to citizens to conduct transactions with the Federal Government. The services provided by the FAs are authorized under numerous statutes including, but not limited to, 12 U.S.C. 90 and 265.

Fiscal Service estimates that the cost of FA services for FY 2018 will be approximately $801.9 million, which includes $2 million for Government Sponsored Enterprise - Mortgage Backed Securities administrative costs.

Government Losses in Shipment

Public Law 103-329 established a permanent, indefinite appropriation to pay such sums as necessary to make payments for the replacement of valuables, or the value thereof, lost, destroyed, or damaged in the course of United States Government shipments. The Government Losses in Shipment Act was enacted July 8, 1937 to dispense with the necessity for insurance by the government against loss or damage to valuables in shipment and for other purposes. The Act was amended in 1943 to cover losses resulting from the redemption of savings bonds (for example, stolen bonds, which were fraudulently negotiated even though the paying agent followed identification guidelines established by the Treasury). All authority of the Treasury under the Act has been delegated to the Commissioner of Fiscal Service. In FY 2018, the funding estimated to support payments for the replacement of valuables is $1.2 million.

1.4 – Permanent, Indefinite Appropriations Table

Dollars in Thousands

Permanent, Indefinite Appropriation	FY 2016 Actuals	FY 2017 Requested	FY 2018 Requested
Federal Reserve Bank [1]	$495,866	$580,200	$585,800
Reimbursements to the Federal Reserve Banks	$129,062	$147,550	$149,480
Financial Agent Services [1, 2]	$728,549	$794,698	$801,920
Government Losses in Shipment	$502	$1,123	$1,200

[1] Approximately $75M is reimbursed from other government agencies and deposited into the General Fund each year.
[2] FY 2016 and FY 2017 include $3M and FY 2018 includes $2M for the Government Sponsored Enterprise - Mortgage Backed Securities administrative costs.

E – Legislative Proposals

Fiscal Service has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

Fiscal Service fulfills its mission and vision through five annually appropriated budget activities and one mandatory budget activity, funded through debt revenue.

The FY 2018-2022 strategic plan is currently under development. The annual performance plan will be updated in the FY 2019 budget to reflect the new priorities.

Enterprise Priorities

Government-wide Shared Services

- Create efficient and effective government-wide best practices by bringing together the federal financial management community to develop a set of standard use cases that describe the fundamental financial work processes of all agencies.
- Continue to support and advance the adoption of shared services by coordinating input from the financial marketplace, managing financial business processes and expanding lessons learned into other lines of business.
- Improve delivery of services, stabilize shared ecosystems and identify additional opportunities for agency collaboration by supporting the GSA's Unified Shared Services Management.

Accounting and Reporting

Fiscal Service accomplished the following during FY 2016:

- Accounted for and reported on all financial activity related to the $19.6 trillion public debt, managed a daily cash flow of $96.6 billion and issued and serviced nearly $5.6 trillion in Treasury securities invested by 79 federal agencies in over 247 Federal Government trust and investment accounts, including $3.2 trillion in 22 Treasury managed trust funds.
- Continued to implement corrective actions outlined in the material weakness remediation plan for the Financial Report of the U.S. Government including preparation of the General Fund reporting entity to undergo an independent external audit.
- Continued the remediation of the non-DoD material weaknesses included in the independent auditor's report to the Financial Report of the U.S. Government in conjunction with the Office of Management and Budget (OMB).
- Increased the public accessibility and visibility into the financial health of the Federal Government by enhancing the Financial Information Repository (FIR).
- Continued implementation of the DATA Act to include necessary government-wide financial system enhancements and providing assistance to agencies. This included developing the technical platform/architecture to collect data across disparate systems in the Federal Government.

FY 2017

- Implement DATA Act and develop a publication platform that provides consistent, reliable, and searchable government-wide spending data to the American public.
- Enable Treasury to monitor and manage its cash position in near real time by modifying payment, collection, and accounting systems.

FY 2018

- Implement necessary data transparency enhancements to further improve consistency, reliability, and searchability of government-wide spending data available to the public.
- Maintain the accounting and reporting of financial activities related to the public debt, daily cash flows, Treasury securities and Treasury managed trust funds.

Collections

Fiscal Service accomplished the following during FY 2016:

- Collected over $3.96 trillion in federal revenue, settled over $3.89 trillion (98.2 percent of total revenue collected) through EFT and processed over 175 million transactions worth over $152 billion through Pay.Gov.
- Increase options available to citizens to conduct transactions with the Federal Government by advancing Treasury's E-Commerce initiative to have non-tax collections and remittances submitted electronically.

FY 2017

- Continue to increase convenience and accessibility for customers to conduct transactions with the Federal Government by implementing a variety of mobile apps and increasing agency implementation of digital wallet providers and offering online bill payment.

FY 2018

- Maximize the collection of federal revenue by continuing to expand the adoption of Online Bill Payment, Digital Wallets, and Mobile Applications.
- Complete the review and update of 31 CFR Part 206 to include mandate of electronic funds transfer for the collection of federal funds from business entities and individuals.

Payments

Fiscal Service accomplished the following during FY 2016:

- Facilitated the payment of Social Security and Veterans' benefits, income tax refunds and other payments by disbursing 1.2 billion Federal payments, totaling $3.3 trillion.
- Continued to support and expand the DirectExpress prepaid card program, which provided more than 4.4 million cardholders, most of whom do not have a bank accounts, with a safe, secure, convenient, low-cost way to receive payments electronically and allows cardholders to, among other things, check their account balance.
- Took steps to ensure payee claims of non-receipt were processed, stale uncashed checks were cancelled, misdirected electronic payments were returned, monies erroneously paid to deceased individuals were recovered, checks returned in the mail were properly safeguarded and funds redirected to the right payee or held safely in the U.S. Treasury.
- Supported the Inspector General, Assistant U.S. Attorneys, and state and local law enforcement agencies in the investigation and prosecution of criminals engaged in fraud related to the Treasury payment system, which resulted in 107 arrests, 83 convictions, and $24 million recovered through fines, restitution, and seizures.
- Supported the U.S. Military by expanding the Stored Value Card program replacing more than $8 billion in cash and checks by issuing over 3.5 million cards to servicemen and women in austere environments, on U.S. Navy ships, and on military bases around the world in 15 countries.

- Provided Government vendors with a self-service portal to view transaction and payment statuses across multiple agencies totaling more than 400,000 vendor invoices valued at $17 billion through Fiscal Service's centralized E-invoicing system.

FY 2017

- Eliminate redundancies in the Federal Government by centralizing all Federal payment disbursements by continuing to work with the DoD and other agencies that disburse their own payments.
- Improve Do Not Pay analytics capabilities through the use of new algorithms and predictive modeling; acquire income, expanded death, and credit data; and implement authorities to work with Federal legislative and judicial programs and federally funded state-administered programs.
- Continue to increase the percentage of payments disbursed electronically, and decrease the number of payments disbursed by checks.

FY 2018

- Centralize the payment activities of a large portion of the DoD and other non-Treasury disbursing agencies at Fiscal Service.
- Support industry "faster payments" solutions by implementing Same Day Automated Clearing House (ACH) capability allowing for settlement of electronic payments on the same day.
- Continue to increase the percentage of payments disbursed electronically, and decrease the number of payments disbursed by checks.

Retail Securities Services

Fiscal Service accomplished the following during FY 2016:

- Issued and serviced $28.7 billion in savings and marketable securities held by 592,000 investors in TreasuryDirect.
- Timely and accurately made 2.6 million retail payments worth $13.5 billion.
- Identified the future customer base and clarified the most effective channels for interacting with customers by completing a review of the Retail Securities Services program to refocus program direction and solidify the mission and long-term vision.
- Enhanced the capability for customers to purchase, reinvest, redeem, transfer, and hold securities electronically, through the development of a new retail securities system and web interface.
- Improved the customer experience though process automation and creating a virtual contact center in addition to the development of virtual case files allowing financial institutions to electronically stamp bond images.

FY 2017

- Continue enhancing the capability for customers to purchase, reinvest, redeem, transfer, and hold securities electronically, through the development of a new retail securities system and web interface.

FY 2018
- Continue to support investors by servicing and issuing savings and marketable securities through TreasuryDirect.

Wholesale Securities Services
Fiscal Service accomplished the following during FY 2016:
- Made available $8 trillion to fund critical daily Federal Government operations and activities by hosting 269 auctions of marketable Treasury securities.
- Continue to develop and deploy plans to improve and modernize the TAAPS application software and technology components.

FY 2017
- Make funds available for critical daily Federal Government operations and activities by hosting auctions of marketable Treasury securities.
- Continue the stabilization, modernization, and migration of TAAPS.

FY 2018
- Make funds available for critical daily Federal Government operations and activities by hosting auctions of marketable Treasury securities.
- Complete the stabilization, modernization, and migration of TAAPS to a new technical platform and continue to modernize the software components.
- Continue to develop and deploy plans to improve and modernize the TAAPS application software and technology components to strengthen operational resiliency.

Debt Collection
Fiscal Service accomplished the following during FY 2016:
- Collected $7.41 billion through all offset programs and $269.9 million through cross-servicing tools. Expanded Treasury Offset Program (TOP) State Income Tax Program to service a total of 41 states, the TOP State Reciprocal Program to service a total of 11 states and D.C. and expanded TOP Unemployment Insurance (UI) Program to service a total of 43 states and D.C.
- Serviced a total of 53 agencies, processed 48,192 cases and collected nearly $30 million through the Centralized Receivables program.
- Facilitated repayment or resolution of defaulted student loans by continuing a Cross-Servicing debt collection pilot program with the Department of Education.

FY 2017
- Maximize the collection of delinquent debt by expanding the use of state-of-the-art debt collection mechanisms and strategies.
- Achieve greater efficiency with government resources by finalizing the results of the Department of Education Student Loan Pilot and making recommendations for future servicing of Education debts.

FY 2018
- Increase collection and resolution of delinquent debt through excellent operations and addition of new customer agencies and payment streams.

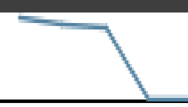
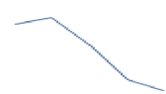
B – Budget and Performance by Budget Activity

2.1.1 – Accounting and Reporting Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$88,629	$86,628	$102,661	$104,600	$113,413	$124,352	$109,379
Reimbursable Resources	$7,416	$6,517	$6,699	$10,256	$24,155	$25,395	$27,399
Budget Activity Total	$96,045	$93,145	$109,360	$114,856	$137,568	$149,747	$136,778
FTE	**490**	**464**	**357**	**374**	**425**	**443**	**439**

Note: FY 2016 Appropriated Resources are Actual

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016
Cost Per Government Agency Investment Services Transaction ($)	33.48	35.2	35.99	56.38	57.16	56.38	56.38	56.38	
Cost Per Summary Debt Accounting Transaction ($)	22.47	19.86	16.36	19.26	15.67	19.26	19.26	19.26	
Percentage Summary Debt Accounting Reports Submitted Timely and Accurately	N/A	N/A	N/A	N/A	N/A	N/A	100.0	100.0	N/A
Percentage of Government-Wide Accounting Reports Issued Timely	99.86	100.0	100.0	99.5	100.0	100.0	100.0	100.0	
Collect and Disburse Interest/Principal Payment Amounts for Government Agency Investment Services Investments/Borrowings Timely and Accurately	N/A	N/A	N/A	N/A	N/A	N/A	98	98	N/A
Percent of Respondents Selecting the Highest Rating of Customer Satisfaction with Government Agency Investment Services (%)	60	61	57	52	50.4	59	DISC	DISC	

Key: DISC - Discontinued; B – Baseline

2.1.1 – Accounting and Reporting Budget and Performance

($109,379,000 from direct appropriations, and $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 (GAIS) program issues, services, and redeems Government Account Series (GAS) securities for federal agencies that have legislative authority to invest; administers State and Local Government Series (SLGS) 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 including accounting for and reporting on loans made to other federal agencies with legislative authority to borrow. The strategic goal of GAIS is to strengthen and streamline controls for government investments GAIS is committed to positioning government agency customers to more effectively manage their investments.

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).

Fiscal Service is taking significant steps to address the material weaknesses found in the compilation process of the FR that include:

- Requesting federal entities to provide root cause analysis and corrective action plans for any recurring intragovernmental differences;
- Expanding feedback by providing scorecards to additional federal entities to ensure coverage over the material intragovernmental differences;
- Collecting data from all identified reporting entities and/or demonstrating their data is immaterial;
- Ensuring engagement with federal entities and that adequate support is gathered for all journal vouchers;
- Ensuring appropriate information regarding litigation is included in the Financial Report;
- Implementing a process to work in a more collaborative manner with key federal entity personnel in the preparation of complex areas in the Financial Report;
- Providing reasonable assurance that new or substantially revised federal accounting standards are consistently implemented among federal entities;
- Determining the significance of data contained in the Financial Report that does not have audit assurance;
- Performing an analysis of the variances for all financial statement lines and disclosures;

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.

Description of Performance:
The 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. The timeliness standard of each report is as follows:

- DTS target to be published by 4:00 pm (Eastern Time) each business day.
- MTS target to be published by the eighth business day each month.
- Consolidated Financial Report must be published annually.

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.

2.1.2 – Collections Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$21,166	$20,851	$30,469	$34,982	$37,394	$38,598	$33,951
Reimbursable Resources	$1,419	$176	0	$3,898	$8,265	$8,690	$10,033
Budget Activity Total	$22,585	$21,027	$30,469	$38,880	$45,659	$47,288	$43,984
FTE	**122**	**120**	**139**	**144**	**152**	**159**	**158**

Note: FY 2016 Appropriated Resources are Actual

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Percentage of Total Federal Government Receipts Settled Electronically (in dollars)	97.0	97.0	98.0	98.0	98.2	98.0	98.0	98.0	

Key: DISC - Discontinued; B – Baseline

2.1.2 – Collections Budget and Performance

($33,951,000 from direct appropriations, and $10,033,000 from reimbursable resources): 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, Fiscal Service establishes and implements collection policies, regulations, standards, and procedures for the Federal Government. These efforts also support the following Fiscal Service strategic goals:

- Serve as a catalyst for effective government through initiative and innovation.
- Deliver exceptional programs and services.
- Promote data transparency and usefulness as a public good.

Fiscal Service continues to promote the use of electronic systems in the collections process and to assist agencies in converting collections from paper to electronic media with programs such as:

- Electronic Federal Tax Payment System (EFTPS): Fiscal Service communicates the benefits of EFTPS – accuracy, security, simplicity, and flexibility – to financial institutions, small businesses, and tax practitioners. The goal is to continue to require businesses to pay their federal taxes electronically and focus efforts on increasing the number of individuals that pay taxes electronically.
- Pay.gov: Pay.gov is a system allowing individuals and businesses to make non-tax payments to federal agencies over the internet. Recent developments have focused on a mobile-friendly user interface; incorporation of a new digital wallet providers, Amazon Payments, in addition to PayPal and Dwolla; and enhanced functionality in the areas of electronic billing and electronic forms.
- Check Conversion and Truncation: Fiscal Service is employing strategies to reduce the number of paper checks it receives and to ensure that those it does receive are converted for electronic processing. The Over the Counter Channel Application (OTCnet) and Electronic Check Processing (ECP) are programs that provide a complete electronic record of all check images and related financial data that is accessible by agencies and eliminate the costly and time-consuming need to photocopy checks, safeguard checks, or process paper.

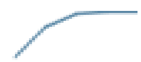
Description of Performance:
The measure, *Percentage of Total Federal Government Receipts Settled Electronically,* reflects the dollar value of collections received (settled) electronically. In FY 2016, Fiscal Service's commitment to agency outreach efforts resulted in 98.2 percent of all Federal Government 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.

2.1.3 – Payments Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$142,265	$130,570	$114,650	$120,769	$127,943	$117,362	$108,517
Reimbursable Resources	$131,165	$102,401	$78,625	$81,953	$111,088	$116,792	$119,408
Budget Activity Total	$273,430	$232,971	$193,275	$202,722	$239,031	$234,154	$227,925
FTE	**730**	**711**	**577**	**521**	**562**	**569**	**564**

Note: FY 2016 Appropriated Resources are Actual

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Percentage of Treasury Payments and Associated Information Made Electronically	88.0	92.5	94.4	94.7	94.9	95.0	95.2	96.0	

Key: DISC - Discontinued; B - Baseline

2.1.3 – Payments Budget and Performance

($108,517,000 from direct appropriations, and $119,408,000 from reimbursable resources): The Payments budget activity supports the National Financial Critical Infrastructure in addition to the strategic objective "to improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. Government." Major payments include Social Security Benefits, Supplemental Security Income, Federal Pension Benefits, Veterans' Compensation and Pension, Railroad Retirement Pensions, and tax refunds.

Through the Payments budget activity, Fiscal Service is also responsible for controlling and providing financial integrity to the payment process through reconciliation, accounting, and claims activities. The claims activities settle claims against the United States resulting from Federal Government checks that have been forged, lost, stolen, or destroyed, as well as claims and reclamations of EFT payments. Fiscal Service also collects monies from those parties liable for fraudulent or otherwise improper negotiation of government checks.

In addition, Fiscal Service actively encourages recipients to convert to electronic payment methods through a nationwide public education campaign, called Go Direct®, as well as offering the unbanked and those beneficiaries who prefer a prepaid debit card the Direct Express® card, which enables benefit payments to be deposited into the recipient's card account on the payment date. As a result, 98.1 percent of benefit payments were disbursed electronically in FY 2016. Electronic payments provide timely, accurate, and efficient disbursement of Federal Government payments; eliminate the costs associated with postage and the re-issuance of lost or stolen checks; and help protect against fraud and identity theft.

Fiscal Service has undertaken considerable efforts to modernize its payment systems, incorporating new technologies and the internet. Some programs that continue to be in focus are:

- <u>Stored Value Card (SVC)</u>: SVCs streamline financial requirements during initial entry into training of military personnel, remove physical cash from government locations overseas as well as from ships at sea, and provide a safe and secure means for government personnel stationed overseas to access and safeguard their personal funds in locations with limited or no internet connectivity. SVCs effectively reduce the high costs of securing, transporting, and accounting for physical currency. The program also provides a safe and convenient payment method for government, military, and support personnel. Currently, SVCs replace cash, checks, and coins at over 60 military bases and installations in 15 countries (including the U.S.) and on 130 Naval ships. Meeting this global demand necessitates the deployment of over 8,700 pieces of equipment including kiosks (cashless ATMs), point-of-sale terminals, laptops, and other related hardware.

- Invoice Processing Platform (IPP): IPP is a government-wide, secure, web-based electronic invoice exchange network connecting federal agencies and their vendors. IPP promotes the efficient use of resources by enabling federal agencies to receive invoices electronically from their vendors, transforming existing paper-based invoice processes into a streamlined electronic process that integrates with existing agency core financial systems. IPP's single point of entry allows vendors to invoice multiple IPP enrolled agencies via online or batch invoice submission. Vendors can view and receive notification of payments (including debt offsets) associated with their invoices via IPP. In addition, IPP supports the Financial Innovation and Transformation initiative to develop a standard for electronic invoicing government-wide.
- Payment Application Modernization (PAM): The PAM investment supports the production and delivery of over 1.2 billion federal payments on behalf of more than 200 agencies with a single application. PAM replaced 30 legacy Fiscal Service payment applications that generated check, ACH, International ACH Transaction (IAT), and wire transfer payments, thus modernizing the distribution of domestic payments. PAM also automatically interfaces with core Treasury systems such as the Do Not Pay Business Center and the Treasury Offset Program (TOP) in order to prevent improper payments and collect delinquent debt owed to the Federal Government, respectively, and allows FPAs to comply with the Government-wide Accounting mandate to submit valid data components on all payments when originated.
- Post Payment System (PPS) Consolidation: Fiscal Service is investing in the consolidation of several post payment systems into a single, centralized system that will unify disparate business processes, eliminate data redundancy across systems, and provide a customer portal to be leveraged by FPAs and financial institutions for post-payment processing and reporting. By consolidating all post payment processing into one comprehensive application, Fiscal Service will be able to decommission five legacy systems resulting in one authoritative data source for all payment and post payment data – the official System of Record. PPS will include functionality to support: payment matching and verification, returns and cancellations, inquiries, calls and claims, funds receipt/funds management, reclamations, reconciliation, fraud detection, integrity analysis, and reporting and integrated customer engagement. PPS will provide Fiscal Service and post-payment stakeholders with enhanced reconciliation activities, improved information exchange, reduced reliance on paper, and more robust fraud detection. In addition, it will use standardized Common Government-wide Accounting Classification (CGAC) reporting structure and leverage commercial off-the-shelf software solutions, when appropriate, to provide common, best practice functionality and proven implementation methodologies.

Fiscal Service's Do Not Pay provides a single, centralized point of access to timely, accurate, and actionable data for informed decision making and can help identify, prevent, detect, and recover improper payments throughout the payment life cycle while protecting individuals' privacy. In addition, Do Not Pay provides real-time matching at the time of payment, resulting in more timely access to potential improper payments that may require further investigation; more actionable results and fewer false positive matches.

In FY 2016, Do Not Pay deployed a robust state-of-the-art analytics tool to support advanced analytics methodologies to include not only descriptive and diagnostic analytics, but predictive and prescriptive analytics as well. Do Not Pay continued offering Business Process Mapping services in order to improve customer agencies' internal controls and to increase efficiency in identifying improper payments while focusing engagement efforts on targeted high-risk improper payment issues within specific agencies.

Through FY 2018, Do Not Pay will continue pursuing valuable data sources to provide timely, accurate, and actionable results by enhancing the Do Not Pay portal through user-defined feedback. In addition, Do Not Pay analytics will mature to include the creation and execution of predictive models, which will provide customer agencies with much needed additional tools to identify potential improper payments before payment in addition to at the time of payment or post-payment.

Description of Performance:

The measure *Percentage of Treasury Payments and Associated Information Made Electronically* supports efforts to fairly and effectively reform and modernize the federal financial management, accounting, and tax 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 benefit payments and 94.9 percent of its total payments via EFT in FY 2016. Fiscal Service expects to achieve its targets in the out years by expanding electronic conversion efforts to additional benefit agencies and payment types, such as other vendor miscellaneous payments and federal tax refunds.

2.1.4 – Retail Securities Services Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$116,260	$110,876	$95,249	$76,711	$71,252	$69,038	$65,712
Reimbursable Resources	$17,166	$16,841	$17,400	$6,006	$16,026	$16,849	$17,515
Budget Activity Total	$133,426	$127,717	$112,649	$82,717	$87,278	$85,887	$83,227
FTE	**676**	**605**	**491**	**442**	**436**	**454**	**451**

Note: FY 2016 Appropriated Resources are Actual

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Cost Per Electronic Transaction ($)	N/A	N/A	N/A	N/A	N/A	N/A	B	4	N/A
Cost Per Customer Service ($)	N/A	N/A	N/A	N/A	N/A	N/A	B	115.29	N/A
Cost Per TreasuryDirect Assisted Transaction ($)	4.58	7.3	7.18	9.55	15.25	9.55	DISC	DISC	
Cost Per TreasuryDirect Online Transaction ($)	2.28	1.72	1.84	1.49	1.14	1.49	DISC	DISC	
Increase the Number of Customers Who Buy Treasury Retail Securities Electronically	301,737	269,180	222,790	193,120	189,790	185,000	DISC	DISC	

Key: DISC - Discontinued; B - Baseline

2.1.4 – Retail Securities Services Budget and Performance

($65,712,000 from direct appropriations, and $17,515,000 from reimbursable resources): Fiscal Service's 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.

The RSS program encourages customers to buy securities, access their accounts, and conduct transactions electronically. The program plans to implement a new securities investment management system that will enhance capabilities for customers to purchase, reinvest, redeem, transfer, and hold securities electronically. Investors will be able to learn about retail products and services, make informed decisions about buying Treasury securities, and manage their Treasury investments more efficiently.

Focused efforts to enhance the retail customer experience, increase opportunities for self-service capabilities and expand customer interactions include the implementation of an automated process to notify customers when the status of their case files change. To reduce the burden on customer service representatives and to expedite case file processing, the program will also begin to develop web applications designed to assist the customer in perfecting their case before submitting documentation and evidence. These are just two examples of improvements to customer interactions that will be implemented while the program simultaneously refines requirements for future system changes and explores new technology platforms.

Description of Performance:
The Cost per TreasuryDirect Online Transaction and Cost per TreasuryDirect Assisted Transaction measures have been discontinued to allow Fiscal Service to measure performance for securities transactions regardless of the system used and for the incorporation of future offerings.

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.

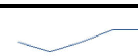
The Cost per Customer Service Transaction demonstrates the efficiency of customer service operations for all retail securities currently offered. The RSS customer service staff handles phone and email inquiries, offline authentications, paper savings bond conversions, changes in bank information, and transactions requiring legal evidence. The Cost per Customer Service Transaction is projected to be $120.53 in FY 2017 and $115.29 in FY 2018.

2.1.5 – Wholesale Securities Services Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$23,120	$22,092	$12,840	$10,676	$13,848	$13,808	$13,278
Reimbursable Resources	$3,051	$3,000	$2,346	$927	$3,115	$3,275	$3,404
Budget Activity Total	$26,171	$25,092	$15,186	$11,603	$16,963	$17,083	$16,682
FTE	**124**	**113**	**121**	**109**	**78**	**78**	**78**

Note: FY 2016 Appropriated Resources are Actuals

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Cost Per Debt Financing Operation ($)	159,449	141,115	137,888	174,998	211,397	165,716	DISC	DISC	
Percent of Auction Results Releases Accurately (%)	100	99.6	99.3	99.6	100	100	100	100	

Key: DISC - Discontinued; B - Baseline

2.1.5 – Wholesale Securities Services Budget and Performance

($13,278,000 from direct appropriations, and $3,404,000 from reimbursable resources):
The Wholesale Securities Services (WSS) program supports the National Financial Critical Infrastructure by managing a critical Treasury High Value Asset (HVA) that enables the Federal Government to finance daily operations. WSS ensures that communications, systems, processes, and contingency plans provide for high-level performance and business continuity for wholesale

auction operations. In addition, WSS is responsible for the announcement, auction, issuance, and settlement of marketable Treasury bills, notes, bonds, Treasury Inflation-Protected Securities and Floating Rate Notes. The program also oversees the portion of the federal infrastructure that provides for the transfer, custody, and redemption of all Treasury marketable securities, purchased mostly by commercial market participants.

In an effort to ensure the system used to finance daily operations remains fully functional, Fiscal Service began a multi-year effort to stabilize, modernize, and migrate the system to a new technical platform in FY 2017. The bureau has also begun another multi-year initiative to modernize the system's application software and technology components by FY 2019.

Description of Performance:
Fiscal Service strives to efficiently deliver its debt financing operations, including auctions and buybacks, at the lowest possible cost. The Cost per Debt Financing Operation in FY 2016 was $211,397, above the target of $165,716, principally as a result of the migration of TAAPS to a new technical infrastructure. Also impacting this measure is the change in Fiscal Service's cost accounting methodology. This measure is discontinued in FY 2017 as Fiscal Service assesses how to better measure operational efficiency of debt operations given that the number of auctions is outside the control of the bureau. Fiscal Service plans to implement a new outcome measure in FY 2019.

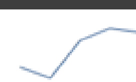
The accurate and timely release of auction results, with an emphasis on accuracy, is critical to the success of the WSS program. An emphasis on accuracy ensures preservation of public confidence in Treasury securities and stability of the financial market. Therefore, in FY 2015, Fiscal Service modified its performance measure from Percent of Auction Results Released in Two Minutes +/- 30 Seconds to Percent of Auction Results Released Accurately, with a target of 100 percent. Released accurately is defined as auction results released to the public without any subsequent revisions. Fiscal Service met this target in FY 2016 and anticipates continuing to meet its target through ongoing business process reviews and regularly scheduled contingency planning and mock auction exercises.

2.1.6 – Debt Collection Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Request
Reimbursable Resources	$133,257	$153,667	$139,377	$174,634	$187,152	$197,000	$200,221
Budget Activity Total	$133,257	$153,667	$139,377	$174,634	$187,152	$197,000	$200,221
FTE	**496**	**560**	**363**	**406**	**390**	**417**	**417**

Note: FY 2016 Appropriated Resources are Actual

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Amount of Delinquent Debt Collected Through All Available Tools ($ billions)	$6.17	$7.02	$6.91	$7.28	$7.41	$7.36	$7.54	$7.57	

Key: DISC - Discontinued; B - Baseline

2.1.6 – Debt Collection Budget and Performance

($200,221,000 from reimbursable resources):
The Debt Collection program supports the goal to improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. Government. Fiscal Service collects delinquent government, state, and child support debt by providing centralized debt collection, oversight, and operational services to FPAs and states pursuant to the Debt Collection Improvement Act of 1996 (DCIA) and related legislation. Fiscal Service uses two debt collection programs: Treasury Offset Program (TOP) and Cross-Servicing.

Fiscal Service acquired a new Cross-Servicing collection system (Cross-Servicing Next Generation [CSNG]), a commercial off the shelf product, which enables optimized, cost-effective collection and resolution approaches. CSNG, implemented during the second quarter of FY 2017, permits greater automation, improved functionality and reliable data. The Debt collection program continues to optimize the call center, as necessary; expand the use of highly productive debt collection approaches, such as wage garnishment; and transition to a data-driven, analytical approach.

Also, in close partnership with the Department of Education, the Cross-Servicing program conducted a 24-month pilot program to service a total of 12,000 student loan debts. This began in February 2015 and ended in January 2017. The results of that pilot are being analyzed to determine applicable next steps to be taken in the future. Furthermore, Fiscal Service continues to help agencies implement Section 5 of the DATA Act, which amended the DCIA to require agencies to refer to TOP eligible debt at 120 days delinquent, rather than 180 days, and requires Treasury to report non-compliance to Congress. Fiscal Service continues to work with OMB and agencies on the new requirements and tools developed for tracking compliance, as required.

Description of Performance:
Fiscal Service's goals for FY 2017 and FY 2018 are to collect $7.54 billion and $7.57 billion, respectively, in delinquent debt by expanding the use of the administrative wage garnishment collection tool and enhancing the use of analytics. In FY 2019, Fiscal Service hopes to 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.

Section III – Additional Information

A – Summary of Capital Investments

Fiscal Service leads the way for responsible, effective government through commitment to cutting-edge technologies, service, efficient operations, sharing of best practices, and openness to change in order to meet the operating needs of the Federal Government. Fiscal Service systematically analyzes the demand for its services, considers effective methods for delivery, and identifies the broad asset implications through sound governance and investment management.

Effective Investment Governance

Fiscal Service Governance and Capital Planning and Investment Control programs ensure the selection/re-selection, comparison, and prioritization of the most effective Information Technology (IT) investments to support the mission and long range plans for Fiscal Service and Treasury. These programs also ensure the IT investment portfolio is well managed, cost effective, and achieving intended results through monthly tracking and progress reports. A monthly investment health assessment of cost, schedule, and operational performance is in place in addition to a formal TechStat process that engages appropriate senior level officials for insight and successful remediation of significant issues or risks.

Effective Project Execution

Fiscal Service has a disciplined and consistent approach to project management (PM) as facilitated through a bureau-wide project management program that manages PM standards, procedures, and training. In addition, a standing monthly project management community of practice is in place providing practitioners the opportunity for collaboration and continuous learning of creative problem solving/solution design related to practical lessons learned. Each IT investment has a dedicated program manager and a fully staffed integrated program team. The systems that support each investment are enhanced using iterative development techniques.

Enterprise Architecture Services

Enterprise Architecture (EA) services ensure that Fiscal Service applies a common language and framework to describe and analyze investments. Fiscal Service EA program is designed to facilitate cross-agency analysis of capabilities, knowledge, processes, and relationships to apply evidence-based techniques, to identify duplicative investments, to discover goals and opportunities for collaboration with other agencies, and to establish a line-of-sight from the highest level strategic goals to the infrastructure that enables the achievement of those goals. The value of EA services is to facilitate planning by documenting where Fiscal Service is currently and determining what the bureau should look like in the future so that it can make plans to transition from current state to future state. The planning is enabled by a holistic suite of integrated services that incorporates architecture perspectives from business, data, technical, and security.

Risk Management

The nature of Fiscal Service's work requires effective risk management and high levels of performance to ensure the bureau maintains operational excellence while seeking innovative solutions to improve efficiencies and transform financial management and the delivery of shared services in the Federal Government. As such, Fiscal Service has established an Enterprise Risk

Management (ERM) office to promote a common understanding and approach to risk management. Through the development and issuance of an ERM framework, the bureau incorporates risk management practices in decision making processes such as strategic and tactical planning, workforce planning, capital investment planning, and budget formulation. Fiscal Service will continue to communicate the importance of effective risk management to all employees.

Cybersecurity
Fiscal Service protects the enterprise architecture and infrastructure to ensure the confidentiality, integrity, and availability of information technology resources. This is accomplished by monitoring the network for both internal and external information attacks, proactive vulnerability assessment, effective patch management, and expedient incident response. In addition, Enterprise Cybersecurity ensures Fiscal Service information technology resources are in compliance with National Institute of Standards and Technology security standards and fulfills annual security audit requirements. Furthermore, as the bureau responsible for a number of Treasury's High Value Assets, Fiscal Service will work with the Treasury Chief Information Office to identify appropriate cybersecurity initiatives that most effectively leverage the funds requested in the Cybersecurity Enhancement Account.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded here:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

Department of the Treasury
Office of Financial Stability

Congressional Justification for Appropriations and Annual Performance Report and Plan
FY 2018

Table of Contents

Section 1 – Purpose

1A – Mission Statement

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 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.

1.1 – Program Account Summary

Dollars in Thousands

	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated	FY 2017 to FY 2018 $ Change	FY 2017 to FY 2018 % Change
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Obligations					
Equity Program Account	125,031	5,596	0	(5,596)	-100.00%
Housing Account	2,000,225	0	0	0	NA
TARP Account	547,588	9,656	0	(9,656)	-100.00%
TARP Administrative Account	133,759	106,976	83,080	(23,896)	-22.34%
TARP Negative Downward Reestimate Receipt Account	(855,038)	(90,377)	0	90,377	-100.00%
TARP Negative Subsidy Receipt Account	0	0	0	0	0.00%
Total Obligations	**$1,951,565**	**$31,851**	**$83,080**	**$51,229**	**160.84%**
Budget Authority					
Equity Program Account	125,031	5,596	0	(5,596)	-100.00%
Housing Account	225	0	0	0	NA
TARP Account	547,588	9,656	0	(9,656)	-100.00%
TARP Administrative Account	152,572	106,976	83,080	(23,896)	-22.34%
TARP Negative Downward Reestimate Receipt Account	(855,038)	(90,377)	0	90,377	-100.00%
TARP Negative Subsidy Receipt Account	0	0	0	0	0.00%
Total Budget Authority	**($29,622)**	**$31,851**	**$83,080**	**$51,229**	**160.84%**
Outlays					
Equity Program Account	125,031	5,596	0	(5,596)	-100.00%
Housing Account	4,288,359	3,735,682	2,646,511	(1,089,171)	-29.16%
TARP Account	547,588	9,656	0	(9,656)	-100.00%
TARP Administrative Account	139,527	161,580	87,859	(73,721)	-45.63%
TARP Negative Downward Reestimate Receipt Account	(855,038)	(90,377)	0	90,377	-100.00%
TARP Negative Subsidy Receipt Account	0	0	0	0	NA
Total Outlays	**$4,245,467**	**$3,822,137**	**$2,734,370**	**($1,087,767)**	**-28.46%**

1.2 – Financing Account Summary
Dollars in Thousands

	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated	Change FY 2017 to FY 2018	% Change FY 2017 to FY 2018
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
TARP Direct Loans					
Obligations	669,264	2,360	0	(2,360)	-100.00%
Collections	552,877	15,036	0	(15,036)	-100.00%
Financing Authority (net)	12,750	(12,750)	0	12,750	-100.00%
Financing Disbursements (net)	116,387	(12,676)	0	12,676	-100.00%
Equity Purchases					
Obligations	213,191	125,947	17,311	(108,636)	-86.26%
Collections	189,289	380,096	56,480	(323,616)	-85.14%
Financing Authority (net)	39,003	(274,870)	(39,169)	235,701	-85.75%
Financing Disbursements (net)	23,902	(254,149)	(39,169)	214,980	-84.59%
Housing					
Obligations	2,627	4,685	1,501	(3,184)	-67.96%
Collections	367	1,761	32	(1,729)	-98.18%
Financing Authority (net)	0	0	0	0	0.00%
Financing Disbursements (net)	2,270	2,924	1,469	(1,455)	-49.76%

1.3 – Program Disbursement, Repayments, and Cost/Savings
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				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**	

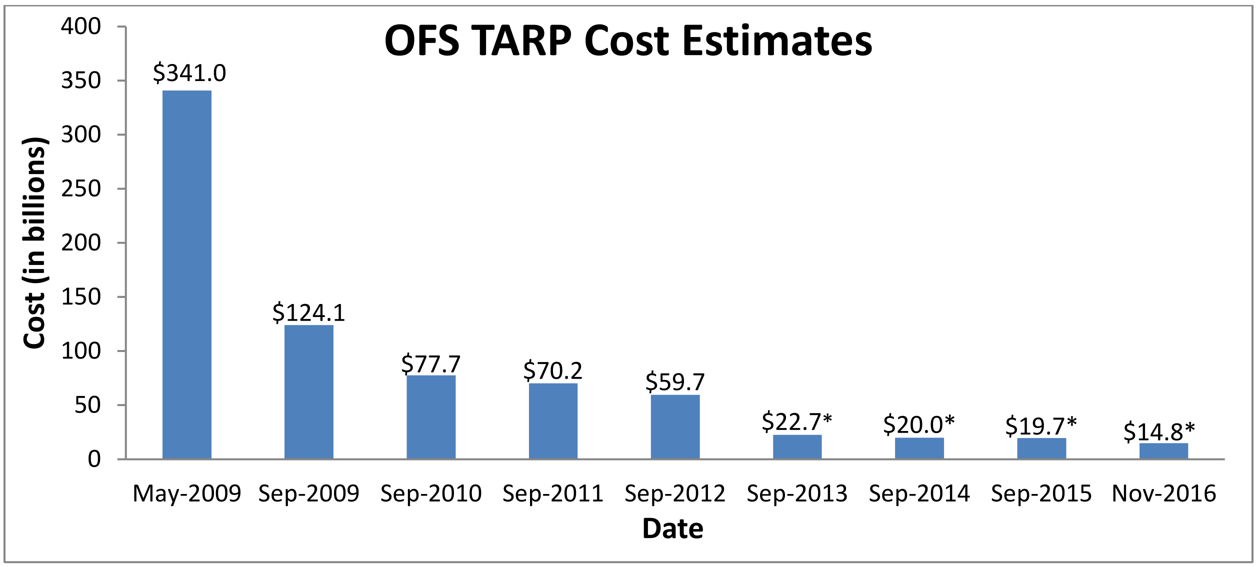
**If all Treasury AIG Investments are combined, it would result in a net gain of nearly $2.4 billion on those shares.*
***Totals may not foot due to rounding.*
****Making Home Affordable (MHA) and Hardest Hit Fund (HHF) Estimated Lifetime Costs are as of 3/31/17.*

1B – Vision, Priorities and Context
TARP was created by EESA in October 2008 as part of a broad-based federal response to the financial crisis. The purposes of EESA were —
(1) to immediately provide authority and facilities that the Secretary of the Treasury can use to restore liquidity and stability to the financial system of the United States; and
(2) to ensure that such authority and such facilities were are in a manner that —

(A) protects home values, college funds, retirement accounts, and life savings;
(B) preserves homeownership and promotes jobs and economic growth;
(C) maximizes overall returns to the taxpayers of the United States; and
(D) provides public accountability for the exercise of such authority.

EESA vested authority in the Secretary of the Treasury to "purchase, and to make and fund commitments to purchase, troubled assets from any financial institution, on such terms and conditions as are determined by the Secretary."

As a result of improved financial conditions and careful stewardship of the program, the ultimate cost to taxpayers of TARP investments is estimated to be significantly lower than initially expected. In Fiscal Year (FY) 2009, the program was projected to cost $341 billion, but it is now estimated to cost only $32.4 billion (of which -$0.2 billion relates to investments and $32.6 billion relates to housing programs that do not require repayments by recipients) as of November 30, 2016[1]. Lifetime costs are projected at $14.8 billion with the inclusion of receipts from Treasury's sale of additional AIG common stock.



*Includes $17.6 billion in proceeds from additional Treasury AIG shares

During FY 2017 and FY 2018, OFS priorities will be to continue winding down TARP's bank investment programs subject to market conditions and continue helping struggling homeowners find solutions to avoid foreclosure by administering TARP housing programs. OFS will also begin to wind-down TARP's largest housing program, the Making Home Affordable (MHA) program, as the application period terminated on December 31, 2016, as required by the Consolidated Appropriations Act, 2016 (the Act) (P.L. 114-113).

OFS Administrative Expenses

The authority for OFS's administrative funding is provided in section 118 of EESA. In FY 2017, OFS plans to obligate no more than $107 million and use no more than 52.5 FTEs. These levels are less than previously estimated due to the faster than anticipated wind-down of TARP's investment programs and the MHA program application deadline of December 2016, established in the Act. In FY 2018, OFS plans to obligate $83 million and use no more than 42.5 FTEs, a decrease of approximately $24 million and 10 FTEs from the current FY 2017 estimates,

[1] MHA and HHF Estimated Lifetime Costs are as of 3/31/17.

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

1C - Credit Reform and Administrative Accounts

Section 123 of EESA requires the cost of TARP programs to be calculated using the methods required by the Federal Credit Reform Act of 1990 ("credit reform"). In addition to the OFS Administrative Account, the organization manages six accounts to comply with the credit reform accounting requirements: TARP Equity Purchase Program Account, TARP Equity Purchase Financing Account (EPFA), TARP Housing Programs Account, TARP Housing Programs, Letter of Credit (LOC) Financing Account, TARP Program Account, and TARP Direct Loan Financing Account (DLFA).

Account Descriptions

TARP Equity Purchase Program Account: The TARP Equity Purchase Program Account records the subsidy costs (cost to the Government) associated with federal equity injections into qualifying financial institutions. Subsidy costs are calculated on a net present value basis.

TARP EPFA: The TARP EPFA is a non-budgetary account that records all financial transactions to and from the Government resulting from equity purchases. The EPFA primarily tracks each cohort year's purchase activity (dividend payments, the exercise of warrants, Treasury borrowings, interest paid to or received from Treasury, etc.) and is not included in the Budget totals when calculating total Government spending.

TARP Housing Programs Account: The TARP Housing Programs Account records the subsidy costs and cash outlays associated with Treasury's housing programs under TARP. The Making Home Affordable (MHA) and Hardest Hit Fund housing programs are recorded on a cash basis, and the Federal Housing Administration (FHA)-Refinance Program is subject to the Federal Credit Reform Act of 1990 whereby its subsidy cost is calculated on a net present value basis.

TARP Housing Programs, LOC Financing Account: The TARP Housing Programs, LOC Financing Account is a non-budgetary account that records all financial transactions to and from the Government resulting from OFS's FHA-Refinance Program. Like other financing accounts, its primary purpose is the financial tracking of each cohort year's loan activity and is not included in the Budget totals.

TARP Program Account: The TARP Program Account records the subsidy costs associated with direct loans obligated to qualifying institutions. Subsidy costs are calculated on a net present value basis.

TARP DLFA: The TARP DLFA is a non-budgetary account that records all financial transactions to and from the Government resulting from direct loans. Like EPFA, its primary purpose is the financial tracking of each cohort year's loan activity and is not included in the Budget totals.

OFS Administrative Account: This account provides for the administrative costs of OFS.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Office of Financial Stability	FTE	Amount
FY 2017 Estimated	**52.5**	**$106,976**
Maintaining Current Levels (MCLs):	-	2,136
Pay-Raise	-	126
Pay Annualization	-	46
Non-Pay	-	1,964
Total FY 2018 Base	**52.5**	**109,112**
Program Changes:		
Program Decreases:	(10)	(26,032)
Housing Program Support	-	(19,005)
Maintenance and Disposition of Assets	-	(440)
OFS Salaries and Benefits	(10)	(1,681)
Organizational Support	-	(4,906)
Total FY 2018 Estimated	**42.5**	**83,080**

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$2,136,000 / +0 FTE

Pay-Raise +$126,000 / +0 FTE

Funds are required for the proposed January 2018 pay raise.

Pay Annualization +$46,000 / +0 FTE

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

Non-Pay +$1,964,000 / +0 FTE

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

Program Decreases .... -$26,032,000 / -10 FTE

Housing Program Support -$19,005,000 / +0 FTE

MHA administrative functions and compliance will decline sharply from FY 2017 to FY 2018 as the program's application deadline expired as of December 30, 2016. Administrative and compliance functions will continue to wind-down over time as the application pipeline decreases and commitments are paid.

Maintenance and Disposition of Assets -$440,000 / +0 FTE

During FY 2017, OFS will continue the disposition of its position in the remaining Capital Purchase Program (CPP) banks and complete the execution of the Community Development Capital Initiative (CDCI) Early Repurchase Option, announced by Treasury on August 1, 2016. In FY 2018, OFS expects its portfolio to be composed mostly of CDCI institutions with a handful of CPP institutions.

OFS Salaries and Benefits -$1,681,000 / -10 FTE
Savings resulted from natural attrition and expiration of term appointments due to the wind-down of various TARP programs.

Organizational Support -$4,906,000/ +0 FTE
Administrative costs associated with managing OFS's portfolio will decline over time as TARP winds down. However, many duties and responsibilities will remain and are not directly correlated to the volume of assets held by OFS. Many of these organizational support functions will be run in-house and relate to legislative and oversight-mandated reporting functions, as well as the management and maintenance of TARP's housing programs.

2.2 – Operating Levels Table

Dollars in Thousands

Office of Financial Stability Object Classification	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
11.1 - Full-time permanent	8,281	6,675	5,506
11.5 - Other Personnel Compensation	89	67	55
11.9 - Personnel Compensation (Total)	**$8,370**	**$6,742**	**$5,561**
12.0 - Personnel benefits	2,505	2,053	1,725
Total Personnel Compensation and Benefits	**$10,875**	**$8,795**	**$7,286**
21.0 - Travel and transportation of persons	147	188	141
23.0 - Rent, communications and utilities	6	5	4
25.1 - Advisory and assistance services	10,335	11,777	9,386
25.2 - Other services from non-Federal sources	98,448	73,453	55,425
25.3 - Other goods and services from Federal sources	13,500	12,348	10,500
26.0 - Supplies and materials	374	402	330
31.0 - Equipment	74	8	8
Total Non-Personnel	**$122,884**	**$98,181**	**$75,794**
Total Budgetary Resources	**$133,759**	**$106,976**	**$83,080**
Budget Activities:			
TARP Administrative Account	133,759	106,976	83,080
Total Budgetary Resources	**$133,759**	**$106,976**	**$83,080**
FTE	**66.5**	**52.5**	**42.5**

Table includes direct FTEs.
Totals may not foot due to rounding.

2B – Appropriations Language and Explanation of Changes

OFS does not receive discretionary appropriations from Congress. Therefore, no appropriations language is proposed.

2C – Legislative Proposals

OFS has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – EESA Program Descriptions

The FY 2018-2022 Strategic Plan is currently under development. The Annual Performance Plan will be updated in the FY 2019 Budget to reflect the new priorities.

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 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 Act, 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 Fund (HHF): 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 to state HFAs. The $7.6 billion initiative encompassed 18 states and the District of Columbia (D.C.). 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.

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.

3B – EESA Administration

The authority for the OFS's administrative funding is provided in section 118 of EESA. The administrative budget consists primarily of contracting and financial agent support costs associated with OFS's ongoing implementation and management of the TARP housing programs and the management and disposition of OFS's remaining investments. In addition, continuing organizational support, including information technology, facilities, legal, compliance, accounting, and human resources, will be needed to manage these ongoing OFS initiatives. OFS's senior management is responsible for performance against its operational goals.

3C – Operational Goals

Complete the wind-down of TARP investment programs

The first operational goal for OFS is to complete the wind-down of TARP investment programs. Only two investment programs remain: CPP and CDCI. OFS is focused on recovering TARP funds in a manner that continues to promote the Nation's financial stability while maximizing returns on behalf of the taxpayers. For CPP institutions, participating financial institutions may repay the funds they received at any time, with the approval of their regulators. However, since the majority of the institutions currently in the CPP portfolio remain a going concern, OFS continues to work with CPP institutions to restructure certain investments that will allow them to exit TARP. As of April 30, 2017, OFS had $191 million in outstanding CPP investments and $98 million in outstanding CDCI investments.

Continue to help struggling homeowners avoid foreclosure

OFS's second operational goal is to continue helping struggling homeowners avoid foreclosure. MHA statutorily sunset in December 2016. Under this program more than 1.7 million homeowners have had their mortgages modified permanently through March 2017. HAMP has also set new standards and changed practices throughout the mortgage servicing industry. In addition, HHF provides funding to 18 states and D.C. to assist struggling homeowners. In FY 2016, state HFAs continued to adapt their programs to best meet borrower needs in evolving economic and housing markets. The Act included a provision that allowed OFS to commit an additional $2.0 billion in TARP funds to current HHF program participants.

Performance Metrics and Indicators[1] ***(includes GSE and non-GSE)***	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Actual**	**FY 2016 Actual**
Reduction in median payment for homeowners in permanent modifications (assist homeowners) program-to-date.	$541	$547	$540	$481	$472
Number of modifications entered into (assist homeowners)					
Trial	213,613	181,505	137,550	122,496	108,721
Permanent	233,622	178,039	148,070	125,338	112,279
12-month re-default rate for Permanent Modifications (90+ days delinquency rate for loans seasoned 12 months)	14.5 %	13.6%	13.4%	13.1%	13.1%

[1]Items in *italics* are indicators.

Minimize cost to taxpayers

The third operational goal of OFS is to minimize the cost of TARP to taxpayers by carefully managing the timely exit of these investments to reduce taxpayers' exposure, returning TARP funds to reduce the federal debt, and continuing to replace government assistance with private capital in the financial system. OFS has taken a number of steps to dispose of outstanding investments in a manner that balances the need to exit these investments as quickly as practicable while maximizing taxpayer returns. OFS also takes steps to ensure that TARP recipients comply with any TARP-related statutory or contractual obligations such as executive compensation requirements and restrictions on dividend payments.

Performance Metrics and Indicators[1]	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Actual**	**FY 2016 Actual**
Proceeds from warrant repurchases as percent of aggregate CPP preferred investment amount (plus median for the selected banks)	1.9%	3.3%	4.2%	9.0%	NA

[1]Items in *italics* are indicators.

Continue to operate with highest standards of transparency, accountability, and integrity

OFS's final goal is to continue to operate with the highest standards of transparency, accountability, and integrity. OFS posts a variety of reports online that provide taxpayers with regular and comprehensive information about how TARP funds are spent, who received them and on what terms, and how much has been recovered to date. OFS also publishes the annual audited Agency Financial Report and continues to maintain productive working relationships with three oversight bodies charged with auditing and reviewing TARP activities.

Performance Metrics and Indicators[1]	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Percentage of Statutorily-Mandated Reports Submitted On-Time (ensure transparency of operations to the public)	100.0	80.0	80.0	99.0	94.7	100.0	100.0	100.0	
Percentage of Customers Satisfied with FinancialStability.gov (Self Selected Respondents) (ensure transparency of operations to the public)	67.0	67.0	70.0	66.5	73.0	75.0	75.0	75.0	
Average days to close a FOIA case[2]	98	90	21	NA	NA	NA	NA	NA	
Percentage of FOIA Assignments On-Time or Less Than 30-Days Overdue (ensure transparency within the government)	N/A	N/A	15.0	13.03	56.56	33.0	33.0	33.0	
Percentage of Congressional Constituent Correspondence Responses Completed within 10 Business Days of Receipt	99.0	100.0	92.0	50.0	66.75	100.0	100.0	100.0	
Clean Audit Opinion on TARP Financial Statements (ensure transparency of operations to the public) (1.0 = Yes)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
Percentage of SIGTARP and GAO Oversight Recommendations Responded to On-Time (ensure transparency of operations to the public)	82.0	80.0	100.0	100.0	100.0	100.0	100.0	100.0	

[1] Items underlined are measures. Targets are provided only for measures.

[2] The 'Average days to close a FOIA case' measure was discontinued in third quarter FY 2014 to best reflect available reporting data. OFS now reports 'Percentage of FOIA requests on-time or less than 30-days overdue'.

Section 4 – Supplemental Information

4A – Summary of Capital Investments
OFS uses Departmental Offices' (DO) system and is part of DO's capital investment strategy.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

Office of Financial Research

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

A – Mission Statement

Promote financial stability by delivering high-quality financial data, standards, and analysis for the Financial Stability Oversight Council (FSOC or Council) and public.

B – Summary of the Request

The Office of Financial Research (OFR) is estimating an FY 2018 funding level of $76.056 million, which is 25 percent below its Fiscal Year (FY) 2017 operating level. To align with the Administration's initiative to improve government efficiency and effectiveness, OFR is implementing a staffing streamlining effort to ensure appropriate levels for maximum efficiency.

1.1 – Resource Detail Table

Dollars in Thousands

Office of Financial Research	FY 2016		FY 2017		FY 2018		FY 2017 to FY 2018			
Budgetary Resources	Actual		Estimated		Estimated		Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Assessments[1]		$91,926		$75,935		$54,560		($21,375)	NA	-28.15%
Interest		$169		$189		$176		($13)	NA	-6.88%
Recovery of Prior Year Paid Obligations		$231		$220		$132		($88)	NA	-40.00%
Recovery of Prior Year Unpaid Obligations		$4,638		$6,380		$3,740		($2,640)	NA	-41.38%
Restoration of Sequestration Rescission		$5,945		$6,262		$5,253		($1,009)	NA	-16.11%
Unobligated Balances from Prior Years[2]		$70,175		$71,947		$54,274		($17,673)	NA	-24.56%
Total Revenue/Offsetting Collections		**$173,084**		**$160,933**		**$118,135**		**($42,798)**	**NA**	**-26.59%**
Expenses/Obligations										
Data Center	37	$16,477	45	$19,157	43	$16,865	(2)	($2,292)	-4.44%	-11.96%
Technology Center	61	$32,132	65	$35,562	36	$27,281	(29)	($8,281)	-44.62%	-23.29%
Research and Analysis Center	54	$14,239	55	$17,719	38	$11,573	(17)	($6,146)	-30.91%	-34.69%
Operations and Support Services	56	$32,026	58	$28,969	22	$20,337	(36)	($8,632)	-62.07%	-29.80%
Total Expenses/Obligations	**208**	**$94,874**	**223**	**$101,407**	**139**	**$76,056**	**(84)**	**($25,351)**	**-37.67%**	**-25.00%**
Sequestration Rescission		**($6,262)**		**($5,253)**		**$0**		**$5,253**		
Net Results		**$71,948**		**$54,273**		**$42,079**		**($12,194)**		**-22.47%**

1) The OFR is financed through assessments on certain bank holding companies and nonbank financial companies. See Treasury's final rule and interim final rule governing the Assessments process: https://financialresearch.gov/strategy-budget/files/final_rule_interim_final_rule.pdf

2) The funding for the first six months of operating expenses and 12 months of capital expenses are reflected in the unobligated balance line. This is because the first assessment covering the fiscal year beginning October 1 is actually collected on September 15 of the prior fiscal year. This makes it appear as though large amounts of unobligated balances went unused, when in fact very little, if any, of those balances were from under execution. For instance: the entire $71,947M carried forward from FY 2016 was to cover the estimated need of $73,718M for the first assessment period of FY 2017. The remaining need was covered by the return of the FY 2016 sequestration reduction.

C – Vision, Priorities, and Context

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. Although the OFR was created within Treasury, the work of the OFR is independent from the Council and the Treasury. This independence provides the Office with an objective position to evaluate macroprudential policies, advocate for needed data initiatives, help the regulatory community enhance its peripheral vision, and produce work that may have previously been beyond the reach of individual regulatory agencies.

In the OFR *Strategic Plan for Fiscal Years 2015–2019*, the OFR established three strategic goals that reflect its primary functions in data and analysis, data standardization, and research.[1] The plan will continue to guide the Office's work through FY 2019 and will support the decisions made about resources needed to implement those strategies. The three goals are:

1. **The OFR is an essential source of data and analysis for monitoring threats to financial stability.**
   Key objectives of this goal include:
   - The OFR's monitoring tools and analyses are widely used and critical to assessing financial stability.
   - Data used to monitor financial stability are comprehensive, reliable, and accessible to policy makers and the public through the OFR.
   - Data providers and the public trust, acknowledge, and recognize that OFR data are protected and secure.

2. **Standards that improve the quality and utility of financial data are identified and adopted.**
   Key objectives of this goal include:
   - Recognition of the need for standards by policy makers and industry.
   - The OFR is the source of expert knowledge needed to develop and implement types and formats of data reported and collected.
   - Financial data standards that create efficiencies and facilitate analysis are widely used.

3. **Leading edge research improves financial stability monitoring and the scope and quality of financial data, and informs policy and risk management.**
   Key objectives of this goal include:
   - The OFR is the recognized center for objective, innovative research on financial stability.

[1] See the OFR *Strategic Plan for Fiscal Years 2015–2019*:
http://financialresearch.gov/strategy-budget/files/Office-of-Financial-Research-Strategic-Plan-2015-2019.pdf.

- OFR research is widely cited and used to improve policy making, risk management, financial stability, and the scope and quality of financial data.

OFR research priorities include:

- Broadening the market monitoring framework, including continued publication of a Financial Markets Monitor;
- Developing a suite of additional monitors and dashboards to assess and monitor risks in money market funds, hedge funds, and credit default swap markets;
- Publishing descriptions of the methodology behind the Financial Stability Monitor and Financial Stress Index, as well as other publications on significant threats to financial stability;
- Understanding and analyzing the conflicts and complementarities among macroprudential policy tools;
- Developing and executing a research program to examine factors behind market liquidity;
- Developing and executing a research and data program to examine risks in central counterparty clearinghouses;
- Expanding the evaluation of stress tests and other macroprudential policy tools; and
- Publishing research on financial stability, risk management, and related topics.

OFR data priorities include:

- Advocating for continued global implementation of the Legal Entity Identifier (LEI) in regulation and market practice;
- Promoting the use of data standards in derivatives markets, in collaboration with the Commodity Futures Trading Commission;
- Leading or contributing to the development and implementation of new standards for financial data;
- Filling data gaps, particularly in secured funding markets and asset management;
- Collecting data on the repo market, in collaboration with the Federal Reserve;
- Promoting and developing protocols for secure data sharing among regulatory agencies; and
- Creating a prototype financial instrument reference database to promote market transparency.

1.2 – Budget Adjustments Table

Dollars in Thousands

Office of Financial Research	FTE	Amount
FY 2017 Estimated	**223**	**$101,407**
Changes to Base:		
Total FY 2018 Base	**223**	**$101,407**
Program Changes:		
Program Decreases	(84)	($25,351)
Personnel	(84)	($17,824)
Non-Personnel	0	($7,527)
Total FY 2018 Estimated	**139**	**$76,056**

D – Budget Increases and Decreases Description

Program Decreases……………………………………………………………-$25,351,000

Personnel -$17,824,000 / -84 FTE

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

Non-Personnel -$7,527,000 / 0 FTE

The office proposes to decrease administrative costs, reduce supplies and equipment purchases, and re-organize management functions.

1.3 – Operating Levels Table

Dollars in Thousands

Office of Financial Research Object Classification	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
11.1 - Full-time permanent	31,622	34,371	21,760
11.3 - Other than full-time permanent	497	535	495
11.5 - Other personnel compensation	366	775	450
11.9 - Total personnel compensation	**32,485**	**35,681**	**22,705**
12.0 - Personnel benefits	11,322	11,849	7,001
Total Personnel and Compensation Benefits	**$43,807**	**$47,530**	**$29,706**
21.0 - Travel and transportation of persons	556	623	246
23.1 - Rental payments to GSA	59	0	0
23.3 - Communication, utilities, and misc charges	3	3	5
24.0 - Printing and reproduction	26	24	25
25.1 - Advisory and assistance services	10,338	17,541	12,887
25.2 - Other services from non-Federal sources	967	1,235	1,212
25.3 - Other goods and services from Federal sources	24,489	18,185	18,265
26.0 - Supplies and materials	8,312	7,513	7,135
31.0 - Equipment	5,997	8,753	6,575
41.0 - Grants, subsidies, and contributions	320	0	0
Total Non-Personnel	**$51,067**	**$53,877**	**$46,350**
New Budgetary Resources	**$94,874**	**$101,407**	**$76,056**

FTE	**208**	**223**	**139**

1) Personnel compensation and benefits include direct OFR staff members only. Object Classification 25, "Other contractual services," and expenditures of "Operations and Support Services" include reimbursable support received from 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 human resource services, procurement services, travel, and financial management services.

E – Appropriations Language and Explanation of Changes

The OFR receives no appropriations from Congress.

F – Legislative Proposals

The OFR has no legislative proposals.

Section II – Annual Performance Plan and Report

The Department of the Treasury's FY 2018 - 2022 Strategic Plan, in which the OFR is included, is currently under development. The Annual Performance Plan will be updated in the FY 2019 budget to reflect the new priorities.

A – 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.

Data Standards

One of the OFR's strategic goals is to identify and adopt standards that improve the quality and utility of financial data. Standards for financial data will benefit regulators and financial market participants by making data aggregation easier, improving analysis, and reducing data collection costs. The OFR monitors progress through the following key performance indicators:

- Number of LEIs issued cumulatively in the United States and internationally – This indicator tracks the progress over time in the industry use of the LEI.
- Number of times that financial data standards are incorporated in rules and regulations – This data point serves as an indicator of regulators' awareness of the importance of data standards and the extent to which data standards are being adopted in rules and regulations.

2.1.1 – Data Center Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expense/Obligations	$19,303	$37,619	$46,940	$17,240	$16,477	$19,157	$16,865
Budget Activity Total	**$19,303**	**$37,619**	**$46,940**	**$17,240**	**$16,477**	**$19,157**	**$16,865**
FTE	**24**	**66**	**90**	**51**	**37**	**45**	**43**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2018 Trend
Number of LEIs Issued Cumulatively in the United States and Internationally	N/A	N/A	N/A	395,861	464,412	I	I	I	
Number of Times That Financial Data Standards Related are Incorporated in Rules and Regulations	N/A	N/A	N/A	2	9	I	I	I	

Key: DISC - Discontinued; B - Baseline, I - Indicator
Indicator: a metric that has no established target and is used for contextual purposes only; a direction for improvement may be associated with an indicator, but not a specific target.

B – 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.

2.1.2 – Technology Center Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expense/Obligations	$0	$0	$0	$30,970	$32,132	$35,562	$27,281
Budget Activity Total	**$0**	**$0**	**$0**	**$30,970**	**$32,132**	**$35,562**	**$27,281**
FTE	**0**	**0**	**0**	**51**	**61**	**65**	**36**

C – Research and Analysis Center
($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.

Leading Edge Research and Monitoring Threats to Financial Stability
The Research and Analysis Center contributes to the achievement of two of the OFR's three strategic goals: (1) Leading edge research improves financial stability monitoring and the scope and quality of financial data, and informs policy and risk management; and (2) The OFR is an essential source of data and analysis for monitoring threats to financial stability. The OFR has one measure linked to the achievement of each of these two goals:

- <u>Number of research and analysis publications (working papers, briefs, staff discussion papers, and reports) made public</u> – This measure tracks the OFR's progress in increasing the size of its research portfolio available to policy makers, regulators, industry, academics, and the public. The measure includes a wide range of published research products, from the OFR's comprehensive annual reports to the more frequently issued working papers. This measure was formerly called, "Number of research and analysis products made public."
- <u>Number of monitor editions, policy analyses, and dashboards produced for monitoring threats to financial stability</u> – This measure tracks the OFR's output of monitoring tools and other analyses of threats to financial stability. It includes tools and information made available to the general public, as well as those produced for the Council or Council member agencies.

2.1.3 – Research and Analysis Center Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expense/Obligations	$3,398	$4,733	$7,700	$10,396	$14,239	$17,719	$11,573
Budget Activity Total	**$3,398**	**$4,733**	**$7,700**	**$10,396**	**$14,239**	**$17,719**	**$11,573**
FTE	**11**	**26**	**33**	**43**	**54**	**55**	**38**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Number of Research and Analysis Publications Made Public Year-to-Date	N/A	10	15	34	24	25	28	35	
Number of monitors editions, policy analysis, and dashboards produced for monitoring threats to financial stability	N/A	N/A	N/A	21	34	12	34	TBD	

Key: DISC - Discontinued; B – Baseline, I - Indicator

1) Research and Analysis Center includes only staffing, outside work arrangements, and contracting related to annual report production. Costs associated with data, information systems, and analytical tools are under the Data and Technology Centers.

D – Operations and Support Services

($20,337,000 from Assessments):

The category “Operations and Support Services” 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.

2.1.4 – Operations and Support Services Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expense/Obligations	$16,873	$22,953	$28,626	$26,110	$32,026	$28,969	$20,337
Budget Activity Total	**$16,873**	**$22,953**	**$28,626**	**$26,110**	**$32,026**	**$28,969**	**$20,337**
FTE	**9**	**35**	**43**	**49**	**56**	**58**	**22**

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

http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website contains a digital copy of this document.

Financial Stability Oversight Council

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

A – Mission Statement

To identify risks to the financial stability of the United States, to promote market discipline, and to respond to emerging threats to the stability of the U.S. financial system.

B – Summary of the Request

The Financial Stability Oversight Council (FSOC or Council) is estimating an FY 2018 operating level of $12.247 million, which is 7.79 percent below its FY 2017 operating level. This request includes $7.748 million for the FSOC Secretariat and the Office of the Independent Member with Insurance Expertise, and $4.499 million to reimburse the Federal Deposit Insurance Corporation (FDIC) for certain expenses as required by law.

1.1 – Resource Detail Table

Dollars in Thousands

Financial Stability Oversight Council	FY 2016		FY 2017		FY 2018		FY 2017 to FY 2018			
Budgetary Resources	Actual		Estimated		Estimated		Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Assessments		$12,535		$10,355		$7,440		($2,915)	NA	-28.15%
Interest		$23		$26		$24		($2)	NA	-7.69%
Recovery of Prior Year Paid Obligations		$31		$30		$18		($12)	NA	-40.00%
Recovery of Prior Year Unpaid Obligations		$632		$870		$510		($360)	NA	-41.38%
Restoration of Sequestration Rescission		$811		$854		$716		($138)	NA	-16.16%
Unobligated Balances from Prior Years		$9,569		$9,020		$7,157		($1,863)	NA	-20.65%
Total Revenue/Offsetting Collections		**$23,601**		**$21,155**		**$15,865**		**($5,290)**	**NA**	**-25.01%**
Expenses/Obligations										
FSOC	22	$7,157	23	$8,156	21	$7,748	(2)	($408)	-8.70%	-5.00%
FDIC	0	$6,571	0	$5,126	0	$4,499	0	($627)	NA	-12.23%
Total Expenses/Obligations	**22**	**$13,728**	**23**	**$13,282**	**21**	**$12,247**	**(2)**	**($1,035)**	**-8.70%**	**-7.79%**
Sequestration Rescission		**($854)**		**($716)**		**$0**		**$716**		
Net Results		**$9,019**		**$7,157**		**$3,618**		**($3,539)**		**-49.45%**

1) The FSOC and FDIC reimbursements are financed through assessments on certain bank holding companies and nonbank financial companies. See Treasury's final rule and interim final rule governing the Assessments process: https://www.financialresearch.gov/strategy-budget/files/final_rule_interim_final_rule.pdf

2) The funding for the first six months of operating expenses and 12 months of capital expenses are reflected in the unobligated balance line. This is because the first assessment covering the fiscal year beginning October 1 is actually collected on September 15 of the prior fiscal year. This makes it appear as though large amounts of unobligated balances went unused, when in fact very little, if any, of those balances were from under execution.

C – Vision, Priorities, and Context

The 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.

The Council has a statutory duty to facilitate information sharing and coordination among the member agencies regarding domestic financial services policy development, rulemaking, examinations, reporting requirements, and enforcement actions. Over the next year, the Council will continue to monitor the financial system for emerging risks and facilitate interagency cooperation to identify and analyze emerging threats. The Council will also continue to facilitate information sharing and interagency coordination with respect to various regulatory initiatives.

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 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.

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 continue to 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 with the public about Council activities and decisions.

The Council is an executive agency and is not an office or bureau of the Department of the Treasury. However, by law, the Council's expenses (and, indirectly, FDIC reimbursements) are considered expenses of the Office of Financial Research (OFR), an office within the Department of the Treasury.

FDIC Reimbursement

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.

1.2 – Budget Adjustments Table

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)
Personeel	(2)	($222)
Non-Personeel		($186)
FDIC Reimbursement		($627)
Total FY 2018 Estimated	**21**	**12,247**

D – Budget Increases and Decreases Description

Program Decreases…………………………………………………………...-$1,035,000 / -2 FTE

Personnel -$222,000 / -2 FTE

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.

Non-Personnel -$186,000 / 0 FTE

The Council proposes to reduce administrative costs and eliminate previously-planned construction and renovation costs.

FDIC Reimbursement -$627,000 / 0 FTE

The FDIC estimates its reimbursable expenses for FY 2018 at $4,499,000.

1.3 – Operating Levels Table

Dollars in Thousands

Financial Stability Oversight Council Object Classification	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
11.1 - Full-time permanent	2,862	3,027	2,975
11.3 - Other than full-time permanent	233	235	230
11.5 - Other personnel compensation	34	35	34
11.9 - Total personnel compensation	**3,129**	**3,297**	**3,239**
12.0 - Personnel benefits	824	1,099	935
Total Personnel and Compensation Benefits	**$3,953**	**$4,396**	**$4,174**
21.0 - Travel and transportation of persons	40	50	65
23.1 - Rental payments to GSA	(10)	0	0
25.1 - Advisory and assistance services	250	350	395
25.2 - Other services from non-Federal sources	85	75	80
25.3 - Other goods and services from Federal sources [1]	8,857	7,851	6,951
26.0 - Supplies and materials	521	515	499
31.0 - Equipment	32	45	83
Total Non-Personnel	**$9,775**	**$8,886**	**$8,073**
Subtotal New Budgetary Resources	**$13,728**	**$13,282**	**$12,247**
FTE	**22**	**23**	**21**

[1] Includes FDIC reimbursement.

[2] Regarding object class 23.1, beginning in FY 2016, rental payments were no longer a direct charge to the Financial Research Fund. In FY 2016, there was a refund of prior-year activity, causing there to be an overall negative for the year.

E – Appropriations Language and Explanation of Changes

The FSOC receives no appropriations from Congress.

F – Legislative Proposals

The FSOC has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Financial Stability Oversight Council
($7,748,000 from Assessments):
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.

The FY 2018 - 2022 Strategic Plan is currently under development. The Annual Performance Plan will be updated in the FY 2019 Budget to reflect the new priorities.

2.1.1 – Financial Stability Oversight Council Annual Performance and Report
Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expense/Obligations	$5,428	$5,679	$7,660	$6,236	$7,157	$8,156	$7,748
Budget Activity Total	**$5,428**	**$5,679**	**$7,660**	**$6,236**	**$7,157**	**$8,156**	**$7,748**
FTE	**16**	**23**	**23**	**22**	**22**	**23**	**21**

B – FDIC Reimbursement
($4,499,000 from Assessments):
Certain FDIC expenses are treated as expenses of the Council. For additional detail, see above.

2.1.2 – FDIC Reimbursement Annual Performance Plan and Report
Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expense/Obligations	$4,716	$6,327	$11,592	$7,628	$6,571	$5,126	$4,499
Budget Activity Total	**$4,716**	**$6,327**	**$11,592**	**$7,628**	**$6,571**	**$5,126**	**$4,499**

Department of the Treasury
Treasury Franchise Fund

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

A – Mission Statement
To assist customer agencies in meeting their mission by providing responsive, customer-focused, cost-effective administrative and information technology support services.

B – Summary of the Request
The Treasury Franchise Fund (TFF) is a leader in providing effective administrative and information technology services through commitment to service, efficient operations, openness to change, and values-based behavior. The TFF achieves cost savings, promotes economies of scale, and increases productivity and efficiency in the use of resources by providing centralized services.

The TFF includes Departmental Offices' Shared Services Programs (SSP) and the Fiscal Service's Administrative Resource Center (ARC). SSP and ARC provide financial management, HR, IT, and other administrative services to federal customers on a fully cost recoverable, fee-for-service basis.

In FY 2018, the TFF will continue to be an integral federal partner to customer agencies. We will provide responsive, high quality and cost effective shared services to federal agencies through our commitment to streamlined processes to ensure compliance and eliminate redundancy, and focus on maximizing cost sharing opportunities that take advantage of economies of scale.

FY 2018 Treasury Franchise Fund Priorities

- Maintain service levels and achieve cost efficiencies wherever possible.
- Expand shared services opportunities throughout Treasury and to federal agencies, thus maximizing cost sharing opportunities.
- Meet internal and external customers' changing demands.
- Establish service rates and ensure price transparency for all business lines, including details of service components, cost drivers and how they result in cost sharing across the customer base.
- Protect our systems and data through strengthening cybersecurity and enhance operations to promote resiliency and operational effectiveness in critical Information Technology infrastructure and systems.

1.1 – Appropriations Detail Table

Dollars in Thousands

Treasury Franchise Fund Budgetary Resources	FY 2016 Actual		FY 2017 Estimated		FY 2018 Estimated		FY 2017 to FY 2018 Change		FY 2017 to FY 2018 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Reimbursable										
Shared Services Program (SSP)		$229,871		$232,731		$225,198		($7,533)		-3.24%
Administrative Support Services		$167,374		$156,070		$173,713		$17,643		11.30%
Information Technology Services		$189,625		$174,531		$174,376		($155)		-0.09%
Recovery from Prior Years		$7,140		$15,882		$24,114		$8,232		51.83%
Unobligated Balances from Prior Years		$112,395		$127,589		$100,399		($27,190)		-21.31%
Total Revenue/Offsetting Collections		**$706,405**		**$706,803**		**$697,800**		**($9,003)**		**-1.27%**
Expenses/Obligations										
Shared Services Program (SSP)	228	$229,070	265	$236,290	255	$225,198	(10)	($11,092)	-3.77%	-4.69%
Administrative Support Services	988	$156,869	1,025	$163,151	1,087	$173,713	62	$10,562	6.05%	6.47%
Information Technology Services	499	$192,877	504	$206,963	506	$190,185	2	($16,778)	0.40%	-8.11%
Total Expenses/Obligations	**1,715**	**$578,816**	**1,794**	**$606,404**	**1,848**	**$589,096**	**54**	**($17,308)**	**3.01%**	**-2.85%**
Net Results		**$127,589**		**$100,399**		**$108,704**		**$8,305**		**8.27%**

Note: FY 2016 Other Resources are Actual

1.2 – Budget Adjustments Table

Dollars in Thousands

Treasury Franchise Fund	FTE	Amount
FY 2017 Estimated	**1,794**	**$606,404**
Changes to Base:		
Maintaining Current Levels (MCLs):	0	$11,371
Pay-Raise	0	$2,922
Pay Annualization	0	$1,071
Non-Pay	0	$7,378
Subtotal Changes to Base	0	11,371
Total FY 2018 Base	**1,794**	**$617,775**
Program Changes:		
Program Increases:	64	$7,938
Customer Growth (ARC)	64	$7,938
Program Decreases:	(10)	($36,617)
Operational Support (ARC)	0	($21,465)
Systems Reductions (SSP)	(10)	($15,152)
Subtotal Program Changes	54	(28,679)
Total FY 2018 Estimated	**1,848**	**589,096**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$11,371,000 / +0 FTE

Pay Raise +$2,922,000 / +0 FTE

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

Pay Annualization +$1,071,000 / +0 FTE
Funds are required for annualization of the January 2017 pay-raise.

Non-Pay +$7,378,000 / +0 FTE
Funds are requested for non-labor expenses such as travel, contracts, rent, supplies, and equipment.

Program Increases .... +$7,938,000 / +64 FTE
Customer Growth (ARC) +$7,938,000 / +64 FTE
Increased demand and customer growth of 6 percent is anticipated within the Administrative Service budget activity due to our high performance and cost effectiveness, continuing federal initiatives to expand the use of shared services by the Office of Management and Budget (OMB) and the Unified Shared Services Management (USSM) Office. Additional costs as a result of this growth will be covered by an increase in offsetting collections.

The Administration's priorities may provide more growth opportunities for administrative shared services and the additional FTE will help to support the increased customer demand for human resources, financial management, procurement and travel services.

Two FTE for the IT business line are in direct support of two of the Department's priorities: protection of data and assets through emerging cybersecurity requirements and the protection of high value assets (HVAs) for resiliency, failover capability, and network encryption.

Program Decreases .... -$21,465,000 / + 0 FTE
Operational Support (ARC) -$21,465,000 / +0 FTE
The operational support decrease is attributable to one-time infrastructure purchases and IT support of Fiscal Service's physical location move, as well as, anticipated decreases in operational support contracts.

Program Decreases .... -$-15,152,000 / - 10 FTE
Systems Reductions (SSP) -$15,152,000 / -10 FTE
Shared Services plans to reduce or delay systems enhancements and upgrades. FTE and contractor support will be reduced to coincide with program decreases.

1.3 – Operating Levels Table

Dollars in Thousands

Treasury Franchise Fund Object Classification	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
11.1 - Full-time permanent	132,484	145,493	150,447
11.3 - Other than full-time permanent	705	739	796
11.5 - Other personnel compensation	4,087	4,389	4,683
11.9 - Total personnel compensation	**137,276**	**150,621**	**155,926**
12.0 - Personnel benefits	45,811	52,375	54,287
Total Personnel and Compensation Benefits	**$183,087**	**$202,996**	**$210,213**
21.0 - Travel and transportation of persons	1,398	1,822	2,056
22.0 - Transportation of things	23	11	10
23.1 - Rental payments to GSA	0	4,641	4,752
23.2 - Rental payments to others	56	270	270
23.3 - Communication, utilities, and misc charges	65,545	69,407	67,011
24.0 - Printing and reproduction	6	2	0
25.1 - Advisory and assistance services	66,762	38,954	29,193
25.2 - Other services from non-Federal sources	40,128	19,900	26,381
25.3 - Other goods and services from Federal sources	89,713	117,836	120,186
25.4 - Operation and maintenance of facilities	4,302	30	20
25.7 - Operation and maintenance of equipment	73,578	106,396	97,118
26.0 - Supplies and materials	1,245	4,037	946
31.0 - Equipment	52,973	40,102	30,940
Total Non-Personnel	**$395,729**	**$403,408**	**$378,883**
Total Budgetary Resources	$578,816	$606,404	$589,096
FTE	**1,715**	**1,794**	**1,848**

D – Appropriations Language and Explanation of Changes

The Treasury Franchise Fund receives no annually appropriated resources from Congress.

E – Legislative Proposals

The Treasury Franchise Fund does not have legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

Treasury Franchise Fund Strategic Goals

- Establish a level of transparency and a governance process that sets the standard for government service providers.
- Maintain status as a Financial Management Federal Shared Service Provider (FSSP).
- Commitment to continual improvement of operational service levels and process improvement efforts that reduce service costs.
- Prioritize resiliency, security (including cybersecurity), and data integrity of all IT systems and services.
- Promote and maximize shared services benefits in support of Treasury and government-wide initiatives.
- Continue to assess and report TFF's performance and provide timely feedback to customers.

In FY 2018, TFF will maintain its commitment to excellence and continue to meet all strategic goals, financial goals and benchmarks. TFF continues to strive for growth opportunities to expand existing service lines and provide other valuable in-demand administrative and information technology services in an era of fiscal constraint and increasing performance expectations. In order to meet the goal of reducing costs to customers, TFF will maximize shared service value and continue to look for opportunities to improve the efficiencies in business processes and technologies used in service delivery. TFF strives to incorporate the customer perspective into the decision-making process. Customer involvement and input provide an opportunity to obtain constructive and directed feedback which allows customer concerns to be addressed and services to meet customer demand.

B – Budget and Performance by Budget Activity

2.1 Shared Services Programs Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expense/Obligations	$175,258	$187,498	$165,419	$225,024	$229,070	$236,290	$225,198
Budget Activity Total	**$175,258**	**$187,498**	**$165,419**	**$225,024**	**$229,070**	**$236,290**	**$225,198**
FTE	**187**	**202**	**211**	**205**	**228**	**265**	**255**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Customer Satisfaction with Financial Planning Staff %	N/A	57.2	59.09	63.0	69.0	70.0	62.0	62.0	
ECM/Web Solutions Response Time to Resolve ECM and Web Solutions Non-Critical Issues/Help Desk Tickets within 10-15 Business Days	92.8	96.8	95.0	82.0	82.0	90.0	90.0	85.0	
HR Connect Customer Satisfaction %	90.0	90.0	90.1	83.0	82.0	85.0	91.0	83.0	
HR Connect Employee Update Files-Transmission of Employee Update Files Made to the Specified External Benefit Provider Within Established Timeframes	98.3	96.8	100.0	97.33	100.0	90.0	90.0	90.0	
HR Connect Number of Tickets Escalated to Tier 3	303	212	242	128	N/A	200	200	200	

Key: DISC - Discontinued; B - Baseline

Shared Services Programs Budget and Performance
($53,560,000 from direct appropriations, $3,594,000 from reimbursable resources):
The service providers under the SSP are organizational components of the Assistant Secretary for Management within the Departmental Offices (DO). SSP supports the goals of shared services by offering administrative and information technology services on a competitive basis, as well as delivering outstanding customer service.

Description of Performance:

- *Customer Satisfaction with Financial Planning Staff Survey Results* – The Office of Shared Services established a customer satisfaction measure starting in FY 2014. Results reflect the percentage of customers that rate their communication experience with the SSD Financial Planning staff as either “Good” or “Excellent” on a 5-point scale. The SSD will continue to push for a high score on this measure through customer outreach on billing, pricing, financial management and the performance of each of the SSPs. SSD is also implementing a plan in FY 2018 that includes an improved governance structure and updated charter.

- *Enterprise Content Management (ECM)/Web Solutions* – Response time to resolve ECM and Web Solutions non-critical issues/helpdesk tickets is targeted to be within 10 - 15 business days.

- *HR Connect: Customer Satisfaction Annual Survey Results* – Enterprise Business Solutions continues to improve and strives to maintain the level of customer satisfaction for HR Connect as customer expectations are rising.

- *HR Connect: Employee Update Files* – Transmission of employee update files were made to the specified external benefit provider within established timeframes. EBS continues to improve and stay in its acceptable range, which is relatively wide due to the limited number of transmitted files. EBS's targets are consistent with the targets used use for quarterly Capital Planning and Investment Control process and OPM reporting for HR Connect.

- *HR Connect: Number of Tickets Escalated to Tier 3* – EBS continues to maintain its current target levels. This target is based on implementing process improvements in the Design Documents and Quality Assurance environments.

2.2 Administrative Services Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expense/Obligations	$116,571	$127,747	$128,904	$146,282	$156,869	$163,151	$173,713
Budget Activity Total	**$116,571**	**$127,747**	**$128,904**	**$146,282**	**$156,869**	**$163,151**	**$173,713**
FTE	**723**	**766**	**816**	**936**	**988**	**1,025**	**1,087**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Direct Cost as a Percentage of Award Dollars	N/A	N/A	.41	.1	.2	.5	.5	.5	
Direct Cost per AP Transaction	N/A	N/A	65.4	47.22	59.07	73.0	65.0	64.0	
Direct Cost per FTE in Core HR Services	N/A	N/A	976.25	963.0	1,070.29	1,075.0	1,050.0	1040.0	
Direct Cost per System User - Oracle	N/A	N/A	18,261.0	21,724.0	16,241.0	18,300.0	22,160.0	22,380.0	
Direct Cost per Travel Voucher	N/A	N/A	24.75	21.1	19.81	27.0	26.0	26.0	
First Call Resolution - Oracle %	N/A	N/A	61.0	57.0	50.34	50.0	50.0	50.0	
Hiring Timeliness %	N/A	N/A	89.0	87.0	84.76	85.0	85.0	85.0	
Indirect Cost Admin Services %	24.0	23.48	27.1	27.5	21.96	25.0	25.0	25.0	
Timely Contract Issuance	N/A	N/A	N/A	N/A	89.26	90.0	90.0	90.0	
Travel Voucher Payments Timeliness %	N/A	N/A	99.0	99.0	99.87	98.0	98.0	98.0	
Unqualified Audit Opinions %	N/A	N/A	96.0	100.0	100.0	100.0	100.0	100.0	

Key: DISC - Discontinued; B - Baseline

Administrative Services Budget and Performance

($173,713,000 from assessments revenue/offsetting collections):

TFF's administrative services activity supports OMB's and the Department of the Treasury's shared services initiatives, furthering "good government" through standardized administrative financial systems and processes required of federal agencies. Value is provided through cost sharing opportunities in systems capital investments, as well as, reduced operating costs through standardized, compliant and streamlined, high quality, value added services.

Within the Department of the Treasury, the Administrative Services Activity fills three important roles:

- OMB designated Federal Shared Service Provider (FSSP) for the Financial Management Line of Business.
- Support organization for Treasury's Human Resources Line of Business.
- Designated provider for the Budget Formulation and Execution Line of Business.

We support these designations through administrative services in the areas of financial management, procurement, travel and relocation, and human resources. The Administrative Services Activity's success is demonstrated by our growing customer base, increasing demand for services, meeting or exceeding our performance measures, high customer satisfaction results and commitment to cost effective and stable customer prices.

Description of Performance:

For FY 2016, the Administrative Services Activity met or exceeded all performance measures except the new Timely Contract Issuance Metric. Through meeting greater than 90 percent of our quality and cost effectiveness performance standards, we've demonstrated an overall achievement of customer value. Although we did not achieve the 90 percent quality metric for Timely Contract Issuance (89.3 percent) in year one of the metric, we are confident we can achieve our goal in future years.

2.3 Information Technology Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expense/Obligations	$149,581	$152,050	$149,992	$162,895	$192,877	$206,963	$190,185
Budget Activity Total	**$149,581**	**$152,050**	**$149,992**	**$162,895**	**$192,877**	**$206,963**	**$190,185**
FTE	**442**	**457**	**459**	**459**	**499**	**504**	**506**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Fiscal IT Hosting - Percentage of Time Service is Operational (Up Time Excluding Planned Maint.)	N/A	N/A	N/A	N/A	99.8	99.0	99.0	99.0	
Number of Engagements in Strategic Sourcing or "Service Provider" or Other Shared Services Opportunity	N/A	N/A	N/A	N/A	1	2	2	2	
Percentage of POA&Ms Scheduled for Closure in Last 30 Days - Closed Early or On Time	N/A	N/A	N/A	N/A	69.6	90.0	90.0	90.0	

Key: DISC - Discontinued; B - Baseline

Information Technology Services Budget and Performance
($190,185,000 from assessments revenue/offsetting collections):
TFF's Information Technology Services Activity provides shared services to a variety of federal customers. Value is provided through IT infrastructure consolidation and standardized IT service delivery in a modern, technically innovative, and secure environment. Customers avoid costly, long-term development projects when they take advantage of TFF's shared services and environments. TFF's Information Technology Services Activity, designated by the OMB as a Shared Service Center for Information Systems Security Line of Business, provides agencies with proven Security Assessment and Authorization (SA&A) and Continuous Monitoring services. The TFF also is one of two Treasury trusted internet connection providers and hosts Treasury's public domain name system. TFF provides key services such as SA&A, Continuous Monitoring, Hosting services and Software Development.

Description of Performance:
For FY 2016, Information Technology Services exceeded its performance measure for system uptime, thus ensuring that mission critical and other administrative systems were available to enable customer agencies to meet their missions. We were unable to achieve the targets for closure of Plan of Action and Milestones (POA&M) (90 percent) and the number of engagements for strategic sourcing (2).

The POA&M metric was impacted by a security review that resulted in an extraordinary number of invalid exceptions resulting from the application of new testing techniques. A significant level of effort was applied to prioritize with competing priorities and to research and document each exception, causing adverse affects on the POA&M metric. The strategic sourcing metric was not achieved due to resource constraints related to supporting other critical Bureau activities, such as cybersecurity enhancements and enhancing failover capabilities of High Value Assets. For FY 2017 and FY 2018 we continue to challenge ourselves with high performance targets for all three of our performance measures and are using targeted efforts with regular reviews to monitor our progress.

Section III – Additional Information

A – Summary of Capital Investments

TFF's planned investments enhance the capabilities and capacity of our financial management shared services. Investing in Service Oriented Architecture will allow customers to streamline application connections resulting in benefits that include reducing development time, using industry development best practices for coding efforts, allowing real time processing of transactional data between systems, and independent communication between systems. This effort will also reduce redundancy, providing more flexibility and more efficient interfaces with customers' third-party applications.

TFF also plans to expand the use of an enterprise-wide financial statement reporting tool and update operational (transactional) reporting and analytical tools in order to provide a more efficient interpretation of large volumes of data, long-term stability, and improved presentation and distribution capabilities.

The Administrative Resource Center capital investments are contained within the Fiscal Service capital investment summary. The Shared Service Programs capital investments are contained within the Departmental Offices capital investment summary.

A summary of capital investment resources, including major information technology and non-technology investments can be found at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

B – Treasury Franchise Fund Program Costs

This information is provided to fulfill requirements of Section 125, Public Law 114-113, Consolidated Appropriations Act, 2016.

Treasury Franchise Fund – Shared Services Programs, FY 2016 Total Charges by Customer

FY 2016 SSP Customers	Enterprise Business Solutions	Infrastructure Operations	Cyber Security	IT Strategy And Technology Management	Non-Information Technology Services	Total
Architect of the Capitol	208,514	-	-	-	10,404	
Alcohol, Tobacco, Firearms and Explosives	1,622,017	30,997		-	110,966	1,763,980
Alcohol and Tobacco Tax and Trade Bureau	264,730	597,052	79,896	19,613	267,523	1,228,814
Bureau of Engraving and Printing	2,217,765	3,489,600	172,736	78,979	928,696	6,887,775
Bureau of the Fiscal Service	6,113,422	753,817	208,807	95,472	1,368,385	8,539,903
Consumer Financial Protection Bureau	1,215,194	6,091	1,312	-	414,437	1,637,035
Commodities Futures Trading Commission	-	-	-	-	55,199	55,199
DHS Customs - and Immigration Service	-	-	-	-	58,511	58,511
DHS - Headquarters	-	-	-	-	169,930	169,930
DHS - U.S. Secret Service	1,527,408	25,455	-	-	64,325	1,617,187
Community Development Financial Institutions Fund	191,455	34,058	6,647	3,039	107,056	342,256
DC Pensions	18,761	92,271	1,684	770	59,065	172,551
Federal Financing Bank	33,362	155,322	2,836	1,297	63,179	255,997
Financial Stability Oversight Council	524,554	137,830	2,393	1,094	42,694	708,566
Treasury Office of Financial Research	212,669	5,695,983	201,291	10,455	405,020	6,525,418
Treasury Office of Financial Stability	864,497	595,463	9,483	161,312	308,865	1,939,619
Treasury Office of Technical Assistance	46,260	125,094	1,595	729	35,939	209,618
Small Business Lending Fund Administration	19,789	92,275	1,684	770	47,865	162,383
Treasury Departmental Offices	3,068,501	6,840,452	804,321	53,612	2,881,358	13,648,243
State Small Business Credit Initiative Administration	22,388	53,484	975	446	40,506	117,798
Treasury Executive Office for Asset Forfeiture	961,733	194,245	2,659	1,216	102,736	1,262,589
Treasury Terrorism Risk Insurance Program	4,301	48,530	886	405	26,440	80,563
Department of Commerce	14,587,684	135,540	-	-	294,000	15,017,224
Department of Education	-	-	-	-	7,280	7,280
Department of the Interior	92,700	-	-	-	8,733	101,433
Department of Justice - Antitrust	-	-	-	-	33,119	33,119
Department of Justice - Headquarters	-	-	-	-	72,391	72,391
Department of Labor	4,940,145	63,881	-	-	202,814	5,206,841
Department of Transportation Federal Transit Agency	-	-	-	-	21,728	21,728
Department of Education	-	-	-	-	104,225	104,225
Export Import Bank Office of the Inspector General	-	-	-	-	4,416	4,416

Treasury Franchise Fund – Shared Services Programs, FY 2016 Total Charges by Customer (Continued)

FY 2016 SSP Customers	Enterprise Business Solutions	Infrastructure Operations	Cyber Security	IT Strategy And Technology Management	Non-Information Technology Services	Total
Environmental Protection Agency	-	-	-	-	354,091	354,091
Federal Communications Commission	44,797	-	-	-	2,175	46,972
Federal Deposit Insurance Corporation	90,294	-	-	-	17,112	107,406
FDIC Office of the Inspector General	-	-	-	-	4,346	4,346
Federal Emergency Management Agency	388,335	-	-	-	94,075	482,410
Federal Housing Finance Agency	-	-	-	-	54,320	54,320
Financial Crimes Enforcement Network	239,836	624,899	30,754	14,061	223,807	1,133,358
Federal Reserve Board	-	-	-	-	4,416	4,416
General Accountability Office	652,485	12,387	-	-	26,838	691,710
General Services Administration	-	-	-	-	102,492	102,492
Department of Housing and Urban Development	3,468,535	30,869	-	-	279,188	3,778,592
Internal Revenue Service	42,014,846	65,217,524	7,305,321	3,285,170	14,692,325	132,515,185
U.S. Mint	1,471,142	1,463,278	166,532	76,142	1,024,983	4,202,077
National Archives and Records Administration	-	-	-	-	21,185	21,185
Office of the Comptroller of the Currency	2,617,592	1,339,684	351,852	160,875	918,747	5,388,752
Office of Government Ethics	-	-	-	-	5,461	5,461
Treasury Office of Inspector General	122,237	584,631	18,966	8,672	103,178	837,685
Overseas Private Investment Corporation	-	-	-	-	9,936	9,936
Peace Corps	110,668	-	-	-	26,943	137,611
Small Business Administration	548,528	-	-	-	21,000	569,528
Special Inspector General for TARP	226,240	861,497	17,105	7,821	144,984	1,257,648
Smithsonian Institute	-	-	-	-	127,653	127,653
Smithsonian National Gallery of Art	-	-	-	-	14,666	14,666
TFF Administrative Resource Center/1	1,493,165	2,044,053	121,952	55,759	391,896	4,106,825
Treasury Inspector General for Tax Administration	486,001	2,196,880	74,359	33,999	285,324	3,076,562
United States Agency for International Development	2,530,342	18,899	-	-	84,373	2,633,614
Department of Veterans Affairs	-	-	-	-	68,269	68,269
Grand Total	**95,262,892**	**93,562,042**	**9,586,045**	**4,071,708**	**27,421,591**	**229,904,278**

1/SSP bills all customers for services, including ARC. SSP costs collected from ARC are initially billed and collected from the ARC customers.

Treasury Franchise Fund – Administrative Resource Center, FY 2016 Total Charges by Customer

FY 2016 ARC Customers	Financial Management Services	FMLoB FEES	Human Resource Services	Procurement Services	Travel Services	Information Technology Services	Grand Total
ACCESS BOARD	227,259		79,789	56,861	40,263		404,172
ADMIN OFFICES OF THE US COURTS	144,127						144,127
ADMINISTRATION FOR CHILDREN AND FAMILIES	98,546				2,330		100,876
ADMINISTRATIVE RESOURCE CENTER - ADMIN/1						12,685,346	12,685,346
AFRICAN DEVELOPMENT FOUNDATION	1,098,383			438,331	39,412		1,576,126
AGENCY FOR INTERNATIONAL DEVELOPMENT	87,212	95,819					183,031
AGENCY FOR INTERNATIONAL DEVELOPMENT - OIG	108,056						108,056
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU	812,801		957,191	709,016	225,285		2,704,293
ALCOHOL TOBACCO FIREARMS AND EXPLOSIVES					1,186,465		1,186,465
ARMED FORCES RETIREMENT HOME	857,713		1,179,882	822,685	23,943		2,884,224
BUREAU OF ENGRAVING AND PRINTING			710,374		104,793		815,167
BUREAU OF THE FISCAL SERVICE	17,628,015		4,451,026	5,305,251	441,229	161,638,076	189,463,597
CDFI PROGRAM FUND	887,780		143,716	277,867	17,919		1,327,282
CENTER FOR DISEASE CONTROL					2,252,328		2,252,328
CHEMICAL SAFETY AND HAZARD BOARD	255,021			21,222	26,831		303,074
COMPTROLLER OF THE CURRENCY				124,732			124,732
CONSUMER FINANCIAL PROTECTION BUREAU	1,577,200		4,142,378	1,634,469	1,414,834	4,225	8,773,105
CONSUMER PRODUCT SAFETY COMMISSION					2,228		2,228
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	93,423						93,423
DC PENSIONS PROJECT OFFICE	1,747,626		57,137	26,580	1,478	1,879,164	3,711,985
DEFENSE HEALTH AGENCY					67,950		67,950
DEFENSE NUCLEAR FACILITIES SAFETY BOARD			81,969				81,969
DENALI COMMISSION	359,909		62,126	99,018	21,990		543,043
DEPARTMENT OF AGRICULTURE		167,510					167,510
DEPARTMENT OF AGRICULTURE - OIG			8,596				8,596
DEPARTMENT OF COMMERCE						262,700	262,700
DEPARTMENT OF DEFENSE		187,342					187,342
DEPARTMENT OF EDUCATION	316,979	230,616					547,595
DEPARTMENT OF ENERGY	142,921	124,236					267,157
DEPARTMENT OF HEALTH & HUMAN SERVICES		230,616			90,245		320,861
DEPARTMENT OF HEALTH & HUMAN SERVICES - OIG					8,086		8,086
DEPARTMENT OF HOMELAND SECURITY	246,442	187,342				521,798	955,582
DEPARTMENT OF HOMELAND SECURITY - CIS					468,067		468,067
DEPARTMENT OF HOMELAND SECURITY - OIG	735,404				246,435		981,839

1/ARC-IT bills all customers for services, including ARC-Admin. ARC-IT costs collected from ARC-Admin are initially billed and collected from the ARC-Admin customers.

Treasury Franchise Fund – Administrative Resource Center, FY 2016 Total Charges by Customer

FY 2016 ARC Customers	Financial Management Services	FMLoB FEES	Human Resource Services	Procurement Services	Travel Services	Information Technology Services	Grand Total
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	30,093,802	230,616	11,873,842	851,837	3,287,996		46,338,094
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - OIG			1,655,719	381,907	14,815		2,052,441
DEPARTMENT OF JUSTICE	150,116	124,236					274,352
DEPARTMENT OF LABOR	267,285	141,399					408,684
DEPARTMENT OF STATE	572,886	95,892					668,778
DEPARTMENT OF THE INTERIOR	1,670,750	124,236					1,794,986
DEPARTMENT OF TRANSPORTATION		230,616					230,616
DEPARTMENT OF VETERANS AFFAIRS	446,333	158,998					605,331
DEPARTMENT OF VETERANS AFFAIRS - OIG			1,969,043				1,969,043
DEPARTMENT OF VETERANS AFFAIRS - TAC						597,916	597,916
ELECTION ASSISTANCE COMMISSION	359,730			136,172	21,837		517,739
ENVIRONMENTAL PROTECTION AGENCY		95,819				93,000	188,819
FARM CREDIT ADMINISTRATION	335,620			53,747	225,780		615,147
FARM CREDIT SYSTEM INSURANCE CORPORATION	173,950			1,432	4,521		179,903
FEDERAL EMERGENCY MANAGEMENT AGENCY					28,573		28,573
FEDERAL HOUSING FINANCE AGENCY	1,047,929		119,160	452,651	377,922		1,997,662
FEDERAL HOUSING FINANCE AGENCY - OIG	147,440		238,320	328,326	36,948		751,034
FEDERAL LABOR RELATIONS AUTHORITY	435,023			48,352	32,129		515,504
FEDERAL MARITIME COMMISSION	279,244			76,879	23,164		379,287
FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION	322,600		154,085	24,789	46,289		547,763
FINANCIAL CRIMES ENFORCEMENT NETWORK	610,502		146,066	654,024	65,914	2,556,977	4,033,483
FOOD AND DRUG ADMINISTRATION					609,196		609,196
GENERAL SERVICE ADMINISTRATION		41,332					41,332
GULF COAST ECOSYSTEM RESTORATION COUNCIL	250,944			10,533	5,792		267,269
INTER AMERICAN FOUNDATION	802,453			612,426	30,647		1,445,526
INTERIOR BUSINESS CENTER	42,210						42,210
IRS CRIMINAL INVESTIGATION DIVISION						957,698	957,698
MERIT SYSTEMS PROTECTION BOARD	397,301			26,862	65,005		489,168
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	145,263	124,236				473,164	742,663
NATIONAL ARCHIVES & RECORDS ADMINISTRATION	3,816,946			519,551	269,761		4,606,258
NATIONAL MEDIATION BOARD	328,835			231,674	72,485	108,300	741,294
NATIONAL SCIENCE FOUNDATION		139,094			91,850		230,944
NUCLEAR REGULATORY COMMISSION		41,332					41,332
OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION	231,492			18,682	23,445		273,619

Treasury Franchise Fund – Administrative Resource Center, FY 2016 Total Charges by Customer (Continued)

FY 2016 ARC Customers	Financial Management Services	FMLoB FEES	Human Resource Services	Procurement Services	Travel Services	Information Technology Services	Grand Total
OFFICE OF ADMINISTRATION, EXEC OFF OF THE PRES	1,254,784			291,354	335,053		1,881,191
OFFICE OF FINANCIAL STABILITY	270,743		207,813	49,778	18,780		547,114
OFFICE OF GOVERNMENT ETHICS	304,350		213,300	212,482	14,661		744,793
OFFICE OF PERSONNEL MANAGEMENT		41,332					41,332
OFFICE OF PERSONNEL MANAGEMENT - OIG						149,325	149,325
OFFICE OF TECHNICAL ASSISTANCE (OTA)	892,126		35,406	54,234	161,222		1,142,988
OFFICE OF THE INSPECTOR GENERAL	313,420		606,071	159,546	64,950		1,143,987
PENSION BENEFIT GUARANTY CORPORATION						125,126	125,126
RAILROAD RETIREMENT BOARD					4,715		4,715
SECURITIES AND EXCHANGE COMMISSION	328,044						328,044
SMALL BUSINESS ADMINISTRATION		67,475					67,475
SOCIAL SECURITY ADMINISTRATION		67,475				762,484	829,959
SPECIAL INSPECTOR GENERAL - TARP	301,488		391,117	211,557	111,553		1,015,715
TREASURY DEPARTMENTAL OFFICES	3,423,502		4,321,021	1,310,005	705,146	157,778	9,917,452
TREASURY FRANCHISE FUND/INFORMATION TECHNOLOGY/1	781,654		932,761	1,374,592	102,674		3,191,681
TREASURY FRANCHISE FUND/SHARED SERVICES PROGRAM/2	581,190	95,892	1,424,460	366,603	20,204	4,078,769	6,567,118
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION	654,825		1,311,741	620,636	297,197		2,884,399
TRUST FUND - BLACK LUNG DISABILITY	186,602						186,602
TRUST FUND - FEDERAL DISABILITY	483,469						483,469
TRUST FUND - FEDERAL HOSPITAL INSURANCE	541,374						541,374
TRUST FUND - FEDERAL OLD AGE & SURVIVORS	483,469						483,469
TRUST FUND - FEDERAL SUPPLEMENT INSURANCE	548,262						548,262
TRUST FUND - OIL SPILL LIABILITY	127,749						127,749
TRUST FUND - UNEMPLOYMENT	789,782						789,782
UNITED STATES AIR FORCE	-134,488						-134,488
UNITED STATES MARSHALS SERVICE					2,409		2,409
UNITED STATES MINT	7,824,940		2,681,459	2,258,175	194,781		12,959,355
US COURT OF APPEALS FOR VETERANS	231,982			8,345	11,828		252,155
USDA FOOD AND NUTRITION						831,744	831,744
USDA FOREST SERVICE	116,445						116,445
USDA OCIO INTERNATIONAL TECHNOLOGY SERVICES			1,247,684				1,247,684
USDA OFFICE OF INSPECTOR GENERAL			42,979				42,979
Grand Total	**90,659,182**	**3,043,461**	**41,446,229**	**20,863,184**	**14,061,353**	**187,883,590**	**357,956,999**

1/ARC-Admin bills all customers for services, including ARC-IT. ARC-Admin costs collected from ARC-IT are initially billed and collected from the ARC-Admin customers.

2/ARC-IT and ARC-Admin bill all customers for services, including SSP. ARC-IT and ARC-Admin costs collected from SSP are initially billed and collected from the SSP customers.

Department of the Treasury
Treasury Forfeiture Fund

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Purpose

A – Mission Statement

To affirmatively influence the consistent and strategic use of asset forfeiture by law enforcement bureaus that participate in the Treasury Forfeiture Fund (the Fund) to disrupt and dismantle criminal enterprises.

B – Summary of the Request

The Treasury Executive Office for Asset Forfeiture (TEOAF) administers the Treasury Forfeiture Fund. The Fund is the receipt account for proceeds from 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 the Customs Forfeiture Fund.

The Treasury Forfeiture Fund is a special fund. Special funds are federal fund accounts for receipts earmarked by law for specific purposes and the expenditure of these receipts. In addition to the agencies listed below, the funds can be allocated to other law enforcement entities that do not have forfeiture authority, such as the Financial Crimes Enforcement Network, Federal Law Enforcement Training Center, and Alcohol and Tobacco Tax and Trade Bureau.

The principal revenue-producing member bureaus include Internal Revenue Service Criminal Investigation, Customs and Border Protection (CBP), Immigration and Customs Enforcement (ICE), and the U.S. Secret Service. The latter three bureaus are part of the Department of Homeland Security, transferred from other agencies as part of the Homeland Security Act of 2002. These member bureaus are joined by the U.S. Coast Guard, Department of Homeland Security, as the result of a longstanding close law enforcement relationship with CBP and ICE.

As the administrator for the Fund, TEOAF performs the following functions:

- Promotes the use of proceeds from asset forfeitures to fund programs and activities aimed at disrupting criminal enterprises and enhancing forfeiture capabilities;
- Manages the Fund's revenues to cover the cost of the asset forfeiture program;
- Promotes financial stability and vitality of the Fund; and
- Identifies and addresses program risks.

TEOAF intends to maintain a dynamic and evolving asset seizure and forfeiture program that is responsive to the needs of member law enforcement bureaus. The Fund estimates $416 million in revenue from forfeiture deposits, reverse asset sharing, and interest in FY 2018.

1.1 – Appropriations Detail Table

Dollars in Thousands

Treasury Forfeiture Fund Budgetary Resources	FY 2016 Actual		FY 2017 Estimated[5]		FY 2018 Estimated		FY 2017 to FY 2018 $ Change		FY 2017 to FY 2018 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Interest	0	$7,644	0	$8,000	0	$3,000	0	($5,000)	0	-62.50%
Restored Temporary Rescission	0	$944,000	0	$876,000	0	$876,000	0	$0	0	0.00%
Restored Sequestration	0	$399,291	0	$124,328	0	$93,783	0	($30,545)	0	-24.57%
Forfeiture Revenue	0	$876,702	0	$475,177	0	$413,000	0	($62,177)	0	-13.09%
Recovery from Prior Years	0	$4,057,885	0	$30,000	0	$30,000	0	$0	0	0.00%
Unobligated Balances from Prior Years	0	$97,184	0	$1,034,832	0	$835,000	0	($199,832)	0	-19.31%
Total Revenue/Offsetting Collections		**$6,382,706**		**$2,548,337**		**$2,250,783**		**($297,554)**		**-11.68%**
Expenses/Obligations										
Asset Forfeiture										
Mandatory Obligations [1]	25	$451,581	25	$621,232	25	$450,000	0	($171,232)	0	-27.56%
Secretary's Enforcement Fund	0	$57,165	0	$7,075	0	$30,000	0	$22,925	0	324.03%
Super Surplus Obligations [2]	0	$0	0	$114,634	0	$100,000	0	($14,634)	0	-12.77%
Total Expenses/Obligations	**25**	**$508,746**	**25**	**$742,941**	**25**	**$580,000**	**0**	**($162,941)**	**0**	**-21.93%**
Rescissions/Cancellations										
Sequestration Reduction [3]	0	($124,328)	0	($93,783)	0		0	$93,783	0	-100.00%
Temporary Rescission	0	($876,000)	0	($876,000)	0		0	$876,000	0	-100.00%
Permanent Cancellation	0	($3,800,000)	0	$0	0	($876,000)	0	($876,000)	0	NA
Appropriation Precluded from Obligation [4]	0	($38,800)	0	$0	0		0	$0	0	NA
Total Rescissions/Cancellations		**($4,839,128)**		**($969,783)**		**($876,000)**		**$93,783**		**-9.67%**
Net Results		**$1,034,832**		**$835,613**		**$794,783**		**($40,830)**		**-4.89%**
Contingent Liabilities		**$485,421**		**$352,054**		**$300,000**		**($52,054)**	**0**	**-14.79%**

[1] The 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.

[3] Treasury reestimated the forfeiture revenue after OMB's A-11 MAX deadline; therefore, the FY 2017 sequestration reduction is slightly higher than the amount in the Budget. Treasury will compute the FY 2018 sequestration reduction once the OMB Report to Congress on the Joint Committee Sequestration for Fiscal Year 2018 is released.

[4] 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.

[5] 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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

1.2 – Operating Levels Table

Dollars in Thousands

Treasury Forfeiture Fund Object Classification	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
25.2 - Other services from non-Federal sources	$62,647	$78,022	$40,600
25.3 - Other goods and services from Federal sources	$165,897	$222,905	$115,985
26.0 - Supplies and materials	$14	$15	$15
41.0 - Grants, subsidies, and contributions	$188,677	$372,349	$373,390
43.0 - Interests and dividends	$5	$5	$5
44.0 - Refunds	$34,348	$69,640	$50,000
94.0 - Financial transfers	$57,157	$5	$5
Total Non-Personnel	**$508,746**	**$742,941**	**$580,000**
Total Budgetary Resources	**$508,746**	**$742,941**	**$580,000**
Budget Activities:			
Asset Forfeiture Fund	$508,746	$742,941	$580,000
Total Budgetary Resources	**$508,746**	**$742,941**	**$580,000**
FTE	**25**	**25**	**25**

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY 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.* Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.	The addition of “not later than September 30, 2018” to the cancellation language will allow Treasury to manage the timing of the reduction and help prevent disruptions to cash flow. Treasury is also proposing to permanently cancel these balances. P.L. 114-113 rescinded $3,800,000,000 of the $3,838,800,000 forfeited by BNP Paribas in 2015 and prohibited Treasury from obligating the remaining balance. However, the remaining balance will remain in the Fund unless returned 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.

E – Legislative Proposals

The Fund has no legislative proposals for FY 2018.

Section II – Annual Performance Plan and Report

A – Strategic Alignment
The function of the Fund is to ensure resources are managed to cover the costs of an effective asset seizure and forfeiture program, including the costs of seizure or the proceedings of forfeiture and sale, including the expenses of detention, inventory, security, maintenance, advertisement, or disposal of the property. Additionally, the Fund is used to support law enforcement priorities, financial investigative capabilities and the seizure of physical and financial resources to disrupt and dismantle criminal enterprises. The FY 2018-2022 Strategic Plan is currently under development. The Annual Performance Plan will be updated in the FY 2019 Budget to reflect the new priorities.

Summary of the Fund's Authorities: The enabling legislation for the Fund (31 U.S.C. § 9705) defines the purposes for which the Fund's revenue may be used. Revenues deposited to the Fund can be allocated and used as the result of a permanent indefinite appropriation provided by Congress.

A forfeiture process begins once currency or property is seized. Seized currency is deposited into a suspense account (holding account) until forfeited. At that time, the forfeited amount is transferred (deposited) to the Fund as revenue. Forfeited properties are usually sold and the proceeds are also deposited into the Fund as revenue. This revenue represents budget authority for meeting obligations and expenses of the program.

Expenses of the Fund are set in a relative priority so that operating costs are met first and may not exceed revenues.

Uses of the Fund:

Mandatory items represent 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 (SEF) represents revenue from equitable shares received from Department of Justice (DOJ) or U.S. Postal Service (USPS) forfeitures. These shares are proportionate 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 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.

B – Budget and Performance by Budget Activity

2.1.1 - Treasury Forfeiture Fund Resources and Measures

Dollars in Thousands

Treasury Forfeiture Fund Budget Activity								
Resource Level	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Revenue/Offsetting Collections	$590,415	$527,417	$908,113	$787,849	$4,360,617	$508,746	$742,941	$580,000
Budget Activity Total	**$590,415**	**$527,417**	**$908,113**	**$787,849**	**$4,360,617**	**$508,746**	**$742,941**	**$580,000**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Percent of Forfeited Cash Proceeds Resulting from High-Impact Cases	76.38	95.09	86.73	98.25	89.09	80.0	80.0	80.0	

Treasury Forfeiture Fund Budget and Performance
($580,000,000 in obligations from revenue/offsetting collections):
Description of Performance
The Fund 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.

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 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.

Section III – Additional Information

A – Summary of Capital Investments

A summary of capital investment resources, including major information technology and non-technology investments can be found at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

Department of the Treasury
Bureau of Engraving and Printing

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Purpose

A – Mission Statement
To develop and produce United States currency notes trusted worldwide.

B – Summary of the Request
The Bureau of Engraving and Printing (BEP) produces and delivers U.S. currency notes for the Federal Reserve System ordered by the Board of Governors of the Federal Reserve (FRB) and other security products for the federal government. The Bureau began printing currency in 1862 and operates on the basis of authority conferred upon the Secretary of the Treasury by 31 U.S.C. 321(a) (4) to engrave and print currency and other security documents. Operations are financed through a revolving fund established in 1950 in accordance with Public Law 81-656. The fund is reimbursed for direct and indirect costs of operations, including administrative expenses, through product sales. In 1977, Public Law 95-81 authorized the Bureau to include an amount sufficient to fund capital investment and to meet working capital requirements in the prices charged for products, eliminating the need for appropriations from Congress.

The Bureau provides technical assistance, advice, and some production services to other Federal agencies in the development of security documents that require counterfeit deterrent features due to their innate value or other characteristics. Other activities at the BEP include engraving plates and dies; manufacturing inks used to print security products; purchasing materials, supplies and equipment; and storing and delivering products in accordance with customer requirements.

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

1. **Banknote Design and Development**: In 2018, BEP will continue working with the Federal Government's Advanced Counterfeit Deterrent (ACD) 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. The ACD Committee is an inter-agency group established to monitor and explore existing and emerging technologies to deter the counterfeiting of U.S. currency; it includes representatives from BEP, the Department of the Treasury, the U.S. Secret Service, and the FRB. While many factors are taken into consideration, the primary purpose for redesigning currency is to address current and potential counterfeiting threats.

2. **Meaningful Access**: Work continues in FY 2018 on redesigning currency to better assist domestic and international users, including the blind and visually impaired, with denominating U.S. currency notes. The three approved methods BEP is pursuing include the continued use of large, high-contrast numerals and different colors on currency notes; implementation of a U.S. Currency Reader Program that distributes iBill® currency readers (electronic assistive devices that identify a note's value and communicates it to the user) at no cost to those individuals; and the pursuit of a Raised Tactile Feature for future currency notes. In 2013, the ACD recommended that the $10 note be the first denomination redesigned based on current and potential counterfeiting threats, amongst other factors. Throughout 2018, the testing and refinement of features will continue to determine and shape which processes and potential features work best at the high production volumes needed for U.S. currency.

3. **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 FRB and BEP developed and established short, medium, and long-term strategic equipment replacement plan for the U.S. Currency Program. The successful implementation of this advanced technology will improve productivity, reduce environmental impact, and enhance counterfeit deterrence of U.S. currency.

4. **BEP Workforce**: In 2015, the BEP developed a FY 2016 – 2020 Human Capital Strategic Plan outlined priority goals and initiatives to assess and drive meaningful workforce improvements in leadership and career development, knowledge management, training, and STEM (Science, Technology, Engineering and Mathematics) hiring and development over the next five years. Throughout 2018, BEP will continue to develop, execute, and communicate the results of Employee Engagement Plans and the FEVS annual survey results. In addition to implementing BEP Human Capital Plan initiatives, efforts will continue to fill gaps in needed STEM skill sets to support our Currency Quality Assurance (CQA) efforts in addition to adding resources in technology development and feature testing areas.

5. **Currency Quality Assurance 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. BEP now builds quality into production processes. Every BEP work activity is aligned and will be resourced to support this program that focuses on every step of the supply chain from raw material, through the manufacturing process, to final packaging and delivery. CQA reaches into nearly every "corner" of the organization and its effectiveness depends on a strong cadre of process and production engineers, quality assurance specialists and other specialists in related science and engineering disciplines.

6. **New International Organization for Standardization (ISO) requirements**: ISO has published updated standards that the BEP must follow to maintain certification. The updated ISO 14001:2015 requirements will allow BEP to manage an integrated and proactive Environment Management System (EMS) that will better manage the activities on the environment and demonstrate sound environmental management. In order to pass recertification, BEP must align its Quality Management System (QMS) to the ISO 9001:2015 standard and its EMS to the ISO 14001:2015 standard no later than September 2018. The updated ISO 9001:2015 requirements include a significant expansion of the BEP QMS, with the inclusion of business processes that support currency manufacturing. This includes processes that affect people, infrastructure, as well as the operational environment of currency manufacturing. The updated ISO 14001:2015 requirements will allow BEP to manage an integrated and proactive EMS that will better manage the effects of BEP activities on the environment and demonstrate sound environmental management.

7. **Replacement Production Facility**: 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. BEP needs to move forward to upgrade its facility in FY 2018, in order to be prepared to issue redesigned banknotes. BEP could renovate the existing facility, which would be very costly and inefficient ($15M more in FY 2018 alone), or could purchase land and construct a new facility, which would a more efficient with less costs. However, under current law, BEP does not have the authority to purchase land or a new facility. For 2018, BEP is requesting legislative authority to purchase land and construct a new more efficient currency production facility in the National Capital Region with a goal of reducing the Federal footprint. The FRB supports the construction of a new facility. Renovation will cost approximately $1.8 billion, $700 million more than the cost of purchasing and constructing a new facility and would not achieve any of the projected efficiencies (28 percent less space and a $38 million reduction in annual operating costs). With the new authority, construction of the new production facility would be completed by 2022 and the new facility fully operational by the end of 2026.

1.1 – Appropriations Detail Table

Dollars in Thousands

Bureau of Engraving and Printing Offsetting Colections	FY 2016 Actual		FY 2017 Estimated		FY 2018 Estimted		FY 2017 to FY 2018 $ Change		FY 2017 to FY 2018 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/ Offsetting Collections:										
Federal Reserve Notes		$644,035		$801,335		$834,484		$33,149		4.14%
Other Security Products		4,000		5,000		5,000		-		0.00%
Total Revenue/Offsetting Collections		**$648,035**		**$806,335**		**$839,484**		**$33,149**		**4.11%**
Expenses/Obligations:										
Direct Manufacturing	754	$446,840	724	$486,840	724	$462,266	0	($24,574)	0.00%	-5.05%
Indirect Manufacturing	1,064	201,195	1,118	319,495	1,118	377,218	0	57,723	0.00%	18.07%
Total Expenses/Obligations	**1,818**	**$648,035**	**1,842**	**$806,335**	**1,842**	**$839,484**	**0**	**$33,149**	**0.00%**	**4.11%**
Net Results		**0**		**0**		**0**		**0**		**NA**

1.2 – Budget Adjustments Table

Dollar in Thousands

Bereau of Engraving and Printing	FTE	Materials	Operating & Capital	Total
FY 2017 Estimated	**1,842**	**$300,000**	**$506,335**	**$806,335**
Changes to Base:				
Maintaining Current Levels (MCLs):				
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 Decrease		**($10,851)**	**($30,823)**	**($41,674)**
Production Efficiency			(10,823)	(10,823)
Currency Readers			(20,000)	(20,000)
Materials		(10,851)		(10,851)
Program Increase		**$0**	**$64,000**	**$64,000**
DCF Production Facility Replacement			64,000	64,000
Total FY 2018 Estimated	**1,842**	**$289,149**	**$550,335**	**$839,484**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$10,823,000 / +0 FTE

Pay-Raise +$3,528,000 / +0 FTE

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

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

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

Non-Pay +$6,002,000 / +0 FTE

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

Program Decreases .... -$41,674,000 / -0 FTE

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.

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

As the U.S. Currency Reader Program matures and downloadable applications and image recognition technology becomes more commonplace, the BEP expects the demand for currency readers to be reduced in FY 2018.

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

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

Program Increases .... +$64,000,000 / +0 FTE

Production Facility Replacement +$64,000,000 / +0 FTE

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

1.3 – Operating Levels Table

Dollars in Thousands

Bureau of Engraving and Printing Object Classification	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
11.1 - Full-time permanent	$176,236	$177,560	$181,256
11.3 – Other than Full-time Permanent Positions	0	150	150
11.5 - Other personnel compensation	19,117	2,050	2,093
11.6 - Overtime	0	15,000	15,000
11.9 - Personnel Compensation (Total)	**$195,353**	**$194,760**	**$198,499**
12.0 - Personnel benefits	51,396	52,000	53,082
Total Personnel and Compensation Benefits	**$246,749**	**$246,760**	**$251,581**
21.0 - Travel and transportation of persons	$1,311	$1,350	$1,800
22.0 - Transportation of things	189	250	250
23.1 - Rental payments to GSA	1,398	2,000	2,000
23.2 Rent Payments to Others	0	1,000	1,000
23.3 - Communication, utilities, and misc charges	10,313	14,000	14,000
24.0 - Printing and reproduction	350	250	250
25.1 - Advisory and assistance services	2,272	3,500	4,150
25.2 - Other services	47,827	90,865	133,078
25.3 - Other purchaes of goods and services from Government Accounts	241	0	0
25.4 - Operation & Maintenance of Facilities	0	8,100	8,950
25.5 - Research & Development Contracts	0	7,000	15,000
25.7 - Operation & Mantenance of Equipment	0	11,900	12,000
26.0 - Supplies and materials	295,259	300,000	249,815
31.0 – Equipment	41,951	119,200	145,450
41.0 – Insurance claims and indemnities	0	160	160
42.0 – Insurance claims and indemnities	175	0	0
Total Non-Personnel	**$401,286**	**$559,575**	**$587,903**
Total Budgetary Resources	**$648,035**	**$806,335**	**$839,484**
FTE	**1,818**	**1,842**	**1,842**

D – Appropriations Language and Explanation of Changes

The BEP receives no appropriated funds from Congress.

E – Legislative Proposals

In 2018 BEP requests statutory authority to purchase land and construct a new and 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).

Section II – Annual Performance Plan and Report

A – Strategic Alignment

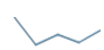
To develop and produce United States currency notes, trusted worldwide. BEP's vision is to be the world standard securities printer providing its customers and the public with superior products through excellence in manufacturing and innovation. The FY 2018-2022 Strategic Plan is currently under development and BEP will updated its Annual Performance Plan in the FY 2019 Budget.

U.S. currency is used globally and as its designer and manufacturer, BEP needs to achieve and maintain best-in-class practices for U.S. currency to be accepted worldwide. Working closely with our partners in the U.S. Currency Program, BEP looks forward to developing the next series of secure notes. BEP continues to make every effort to meet its mission to manufacture sophisticated and technologically advanced notes that are dependable in commerce. This achievement requires the focus and determination of the entire agency since BEP faces challenges and has committed to stay ahead of increasingly sophisticated counterfeiters.

B – Budget and Performance by Budget Activity

2.1 Manufacturing Resources and Measures

Manufacturing Activity							
Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expense/Obligations	$630,000	$624,243	$733,208	$778,592	$648,035	$806,355	$839,484
Budget Activity Total	$630,000	$624,243	$733,208	$778,592	$648,035	$806,355	$839,484
FTE	**1,872**	**1,890**	**1,845**	**1,780**	**1,818**	**1,842**	**1,842**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2011 - FY 2016 Trend
Best Places to Work in Federal Government Ranking	178	47	51	74	97	99	99	99	
Lost Time Accident Rate per 100 Employees	1.9	1.63	1.73	1.65	1.77	1.80	1.80	1.80	
Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced)	43.34	50.45	44.22	42.35	44.25	50.0	50.0	50.0	
Percent of Currency Notes Delivered Returned Due to Defects	.0001	.466	.00001	.0000003	.0000003	.00001	.00001	.00001	

Key: DISC - Discontinued, B - Baseline

Manufacturing Budget and Performance
($839,484,000 from reimbursable resources):
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 costs 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 against 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 for this performance metric was .0001 percent, and the actual result realized for this measure was .0000003 percent. BEP's target for this performance metric will be held constant at .0001 percent for both FY 2017 and 2018.

BEP's ranking in the government-wide Best Place to Work in the Federal Government is based on the results of the Partnership for Public Service data on three questions in the Federal Employee Viewpoint Survey (FEVS). 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 BEP's ability to reduce injuries and illnesses in the workplace. BEP's 2016 Lost Time Accident rate was at 1.77 cases per 100 employees, surpassing the target of 1.80 cases per 100 employees. The BEP 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 cases per 100 employees for FY 2017 and FY 2018.

Section III – Additional Information

A – Summary of Capital Investments

The BEP capital investment strategy is comprised of several broad investment categories, with more specific smaller projects in each category.

The BEP's mission to develop and produce U.S. currency notes, trusted worldwide, demands that BEP continually update and improve its manufacturing processes by investing in new technologies and innovations. BEP's retooling project replaces older, fully depreciated production equipment. Replacing out of date equipment allows BEP to be more quality driven and cost effective and efficient in meeting customer requirements for the production of currency notes. In addition, the BEP is focused on building the capability to produce new currency designs with tactile features to provide meaningful access to currency for the blind and visually impaired.

BEP participates as a partner in significant Treasury-wide, enterprise-level investments such as Homeland Security's Presidential Directive-12, HRConnect (a Human Resources Line of Business service provider), and the Treasury Learning Management System.

BEP's IT portfolio includes a "cloud first" approach to implementing business systems. The Oracle eBusiness Suite is an integrated manufacturing suite which runs at the Oracle Corporation's "Federal on Demand" Shared Service Center in Austin, Texas.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed/downloaded here:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document

Department of the Treasury
United States Mint

Congressional Justification
and
Annual Performance
Report and Plan

FY 2018

Table of Contents

Section I – Purpose

A – Mission Statement

Enable America's economic growth and stability by protecting assets entrusted to us and manufacturing coins and medals to facilitate national commerce.

B – Summary of the Request

In FY 2018, the United States Mint's (Mint) total estimated budgetary requirements for operating, metal, and capital investments are $2.7 billion. This budget will support the production of 16 billion circulating coins, as well as the production of bullion and other numismatic products sufficient to meet customer demand.

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

The Mint's vision is to be the finest mint in the world, through excellence in its people, products customer service and workplace. The Mint has three strategic objectives to help fulfill its vision and mission: 1) foster a safe, flexible, diverse, and engaged workforce; 2) improve enterprise management and governance; and 3) integrate technology into operations and support lines.

Mint operations are funded through the Mint Public Enterprise Fund (PEF), 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.

Circulating

Circulating coin production projections are based on current economic data and forecasts of FRB coin orders. Circulating coin production for FY 2017 and FY 2018 is forecasted at 16.0 billion coins. This level reflects a 1.9 percent decrease in all coin denomination shipments as compared to 16.3 billion in FY 2016.

Circulating financial performance continues to be affected by the costs of the inputs for producing the coinage. Since FY 2006, commodity prices for copper, nickel, and zinc have been at levels at which costs of the one-cent coins (pennies) and 5-cent coins (nickels) have exceeded their face value. The Mint expects the costs of these commodities to remain at levels that result in continued losses from issuing pennies and nickels to the FRB at face value. Positive seigniorage from minting and issuing dime and quarter-dollar coins has fully offset the losses the Mint incurs from minting and issuing pennies and nickels.

Numismatic Program
The numismatic program, which includes bullion coins, is designed to prepare and distribute premium products to collectors and those who desire quality versions of coinage. Numismatic products are priced to cover metal and production costs.

Bullion Coins
The bullion coin program provides the public a means to acquire precious metal coins as part of an investment portfolio from authorized purchasers. Investors purchase bullion coins not only for their intrinsic metal value, but also because the United States guarantees each coin's metal weight, content, and purity. The main objective of the bullion coin program is to meet demand and ensure that the program recovers its costs.

In FY 2016, bullion demand declined to 45.2 million ounces from the 49.7 million ounces sold in FY 2015. Demand for bullion is forecasted to decline in FY 2017 to 43.8 million ounces and to 41.7 million ounces in FY 2018. As a result, bullion revenue is forecasted to be $1.9 and $1.8 billion in FY 2017 and FY 2018, respectively.

Numismatic (Collector Coins and Medals)
The numismatic (collector coins and medals) program provides high-quality versions of circulating coinage, precious metal coins, commemorative coins, and medals for sale to the public. Most of the Mint's recurring products, such as the uncirculated coin sets and proof sets, are required by Federal statute. Others, such as commemorative coins and Congressional Gold Medals, are required by individual public laws.

Numismatic revenue decreased by nine percent from $453 million in FY 2015 to $413 million in FY 2016. The decrease was driven primarily by lower customer demand for numismatic products. Total units decreased by 22 percent from 5.4 million in FY 2015 down to 4.2 million in FY 2016. FY 2017 and FY 2018 numismatic revenues are projected to be $391 million and $273 million, respectively, as demand for numismatic products is projected to continue to decrease.

1.1 – Resource Detail Table

Dollars in Thousands

United States Mint Budgetary Resources	FY 2016 Actual		FY 2017 Estimated		FY 2018 Estimated		FY 2017 to FY 2018 $ Change		FY 2017 to FY 2018 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Other Income										
Circulating	0	1,104,156	0	1,046,400	0	1,046,400	0	0	N/A	0.0%
Bullion/Numismatic	0	2,498,317	0	2,242,034	0	2,051,826	0	-190,208	N/A	-8.5%
Total Revenue/Offsetting Collections	**0**	**3,602,473**	**0**	**3,288,434**	**0**	**3,098,226**	**0**	**-190,208**	**N/A**	**-5.8%**
Expenses/Obligations										
Manufacturing										
Circulating	964	525,535	1,042	729,548	1,042	700,644	0	-28,904	0.0	-4.0%
Bullion/Numismatic	728	2,746,571	759	2,076,404	759	1,994,140	0	-82,264	0.0	-4.0%
Total Expenses/Obligations	**1,692**	**3,272,106**	**1,801**	**2,805,952**	**1,801**	**2,694,784**	**0**	**-111,168**	**0.0**	**-4.0%**
Net Results		**330,367**		**482,482**		**403,442**		**-79,040**		**-16.4%**

Coin Shipments (Units In Millions/Coins)	FY 2016	FY 2017	FY 2018	% Change
Circulating:				
One Cent	9,114	9,440	9,440	0.0%
5-Cent	1,578	1,280	1,280	0.0%
Dime	3,134	2,880	2,880	0.0%
Quarter	2,482	2,400	2,400	0.0%
Half-Dollar	-	-	-	0.0%
Dollar	-	-	-	0.0%
Total Circulating	**16,308**	**16,000**	**16,000**	0.0%

Budget Category	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated	% Change
Administrative Operating Costs	376,089	$405,452	$414,284	2.18%
Capital Investments	$29,415	$40,500	$40,500	0.0%
Metals and Materials Costs	$2,866,602	$2,360,000	$2,240,000	-5.1%
Total Resources	**$3,272,106**	**$2,805,952**	**$2,694,784**	-4.0%

1.2 – Budget Adjustments Table

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**

C – Budget Increases and Decreases Description

FY 2017 Revised Estimated Resources ....-$150,255,000 / -73 FTE

Cyber Security Enhancements, +$8,577,000 / +10 FTE
In support of the Government-wide cyber security initiative, the Mint's FY 2017 budget includes 10 additional FTEs, as well as funding to enhance the bureau's cyber security infrastructure to meet new standards. The additional funds are for a new cyber security contract that will support security engineering and compliance activities ($5M), capital equipment ($2.1M), and personnel ($1.5M).

Metal due to forecasted decrease in circulating coin metal prices, -$100,000,000 / -0 FTE
Current metal price forecasts show a significant decrease in FY 2017. Copper, zinc, and nickel prices have all declined when compared to the original forecast. This lower cost for metal, coupled with a forecasted decrease in demand, results in a $100 million decrease in base metal purchases.

Metal due to forecasted decrease in numismatic/bullion coin production, -$50,000,000 / -0 FTE
FY 2017 numismatic/bullion costs have decreased due to a forecasted decline in numismatic and bullion demand, coupled with an anticipated reduction in metal prices. Demand for bullion is forecasted to decline primarily because interest rates are expected to continue to increase.

Staffing Streamline, -$8,832,000 / -83 FTE
To align with the Administration's initiative to improve government efficiency and effectiveness, the Mint is implementing a staffing streamlining effort to ensure it has the appropriate staffing levels for maximum efficiency.

FY 2018 Budget Increases and Decreases Description.......................... -$111,168,000/ -0 FTE

Maintaining Current Levels (MCLs) ....+$8,832,000 / +0 FTE
Pay-Raise +$3,100,000 / +0 FTE
Funds are required for the proposed January 2018 pay-raise.

Pay Annualization +$1,136,000 / +0 FTE
Funds are required for the annualization of the January 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 Decreases ....-$140,000,000 / -0 FTE
Metal due to forecasted 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.

Program Increases .... +$20,000,000 / +0 FTE
Metal due to forecasted 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.

1.3 – Operating Levels Table

Dollars in Thousands

Dollars in Thousands

US Mint Object Classification	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
11.1 - Full-time permanent	131,831	143,068	147,165
11.3 - Other than full-time permanent	930	161	161
11.5 - Other personnel compensation	13,397	12,729	12,729
11.9 - Personnel Compensation (Total)	**146,159**	**155,958**	**160,055**
12.1 - Personnel benefits	49,952	50,564	51,729
13.0 - Benefits for former personnel	53	1,019	1,019
Total Personnel and Compensation Benefits	**$196,164**	**$207,541**	**212,803**
21.0 - Travel and transportation of persons	1,653	2,649	2,703
22.0 - Transportation of things	32,101	28,702	28,702
23.2 - Rental payments to others	14,508	14,445	14,445
23.3 - Communication, utilities, and misc charges	13,825	17,358	17,358
24.0 - Printing and reproduction	962	1,050	1,550
25.1 - Advisory and assistance services	40,392	42,340	52,810
25.2 - Other services	21,740	37,574	28,797
25.3 - Other purchases of goods & serv frm Govt accounts	18,004	20,372	21,372
25.4 - Operation and maintenance of facilities	5,438	3,185	3,185
25.5 - Research and development contracts	1,201	1,913	1,913
25.6 - Medical care	758	460	460
25.7 - Operation and maintenance of equip	6,807	7,887	7,887
26.0 - Supplies and materials	2,886,027	2,377,928	2,257,928
31.0 - Equipment	25,088	30,734	31,057
32.0 - Land and structures	7,438	11,815	11,814
Total Non-Personnel	**3,075,942**	**2,598,411**	**2,481,981**
Total Budgetary Resources	**$3,272,106**	**$2,805,952**	**2,694,784**
FTE	**1,692**	**1,801**	**1,801**

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY **UNITED STATES MINT PUBLIC ENTERPRISE FUND** Federal Funds	
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. Note.—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). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.	The increased capital limit will allow the Mint to execute a comprehensive capital strategy that focuses on safety, equipment replacements, protection, and facility improvements.

E – Legislative Proposals

The Mint's investments in capital are a critical part of regular manufacturing operations. As coin demand from the FRB increases, the Mint's need for capital investments becomes more critical. The current limitation of $20 million for circulating and protection capital is below the amount needed to meet capital investment requirements.

The legislative limit is linked to the annual depreciation level, which has been the unofficial baseline since 2002. Because the capital limit is linked to depreciation, the limit has decreased over time as the depreciation level declines. Fewer capital purchases were made in prior years due to cost savings efforts during times of low coin demand (2007 – 2010). This in turn caused lower depreciation levels for capital spending authority. As a result, capital needs during a period of high FRB demand are not able to be fully met.

The bureau has identified an urgent need to increase its legislative limit by $10 million. This will raise the current limit from $20 million to $30 million beginning in FY 2018. The increased capital limit will allow the Mint to execute a comprehensive capital investment strategy that focuses on safety, equipment replacements, protection, and facility improvements.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The Department of the Treasury FY 2018-2022 strategic plan is under development and the Annual Performance Report will be updated in the FY 2019 Budget to reflect the new priorities. This budget activity 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. These financial institutions then meet the coinage needs of retailers and the public. 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 Coins

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. The authorized purchasers agree to maintain an open, two-way market for these coins, ensuring their availability for consumers who desire them for investment portfolios. 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). The Presidential $1 Coin Program ended in 2016.

Commemorative coins are authorized by law to recognize and honor people, places, events, institutions, and other subjects of historic or national significance. Each coin is minted and issued by the Mint in a limited quantity and is available only for a limited time. Included in the price is a surcharge that is authorized to be paid to the designated recipient organizations, assuming all legal requirements have been met. Recipient organizations must use the proceeds for the purposes specified in the enabling legislation. In FY 2017, the Mint is scheduled to mint commemorative coins for two programs: the Lions Club International Commemorative Coin (Public Law 112-181) and the Boys Town Centennial Commemorative Coins (Public Law 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 (Public Law 113-212) and the Breast Cancer Awareness Commemorative Coin (Public Law 114-148).

B – Budget and Performance by Budget Activity

2.1 Manufacturing Resources and Measures

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expenses/Obligations	$3,806,838	$3,525,178	$2,861,632	$2,937,553	3,272,106	$2,805,952	$2,694,784
Budget Activity Total	**$3,806,838**	**$3,525,178**	**$2,861,632**	**$2,937,553**	**$3,272,106**	**$2,805,952**	**$2,694,784**
FTE	**1,788**	**1,705**	**1,661**	**1,657**	**1,692**	**1,801**	**1,801**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Customer Satisfaction Index (%)	90.0	92.6	89.8	89.5	91.0	90.0	90.0	90.0	
Numismatic Sales Units (Million Units)	5.6	5.51	5.7	5.4	4.2	4.6	4.4	3.5	
Safety Incident Recordable Rate	3.5	2.9	3.31	3.42	2.53	2.96	2.83	2.75	
Seigniorage per Dollar Issued ($)	.21	.24	.37	.49	.52	.47	.48	.49	

Key: DISC - Discontinued; B - Baseline

Manufacturing Budget and Performance

($3,098,226,000 from offsetting collections) The Mint will mint and issue circulating coins and produce numismatic, including bullion, products to meet demand.

Description of Performance:
Several key performance measures are used to gauge the bureau's progress in achieving its strategic goals and to assess its Manufacturing Budget Activity 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. The Mint's strategic plan goal for this performance measure is "Improve enterprise management and governance."

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. The Mint's strategic plan goal for this performance measure is "Improve enterprise management and governance."

In FY 2016, the Mint sold 4.2 million units, nine percent below the fiscal year target of 4.6 million units. The primary drivers were lower customer demand for silver coin products and a decline 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). This Act included the stipulation that proof and uncirculated versions of the AE coins issued in 2016 "shall have a smooth-edge incused with a designation that notes the 30th anniversary of the first issue of the coins." Due to this provision, during calendar year 2016, the Mint could not issue or sell any proof or uncirculated AE coins that had their usual reeded edge.

Lower unit sales were also seen in the Presidential and First Spouse Coin product category. Demand for commemorative coin products and annual recurring sets also dropped during FY 2016.

Accordingly, numismatic unit sales performance targets have been established at 4.4 million units for FY 2017 and 3.5 million units for FY 2018. The Mint will continue its efforts in the areas of products, promotion, distribution, and systems to achieve responsible growth in numismatic product sales while ensuring the program remains profitable.

Safety Incident Recordable Rate
The 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. It measures the occurrence of work-related incidents involving death, lost time and restricted work, loss of consciousness, and medical treatment. This measure supports the Mint's strategic goal, "Foster a safe, flexible, diverse, and engaged workforce."

By the end of FY 2016, the total recordable case rate reached 2.53, which is below the 2.91 FY 2016 target and significantly below the industry average rate of 5.9 for metal forging and stamping manufacturers. During FY 2016, the Mint continued implementing and updating risk management guidelines to prioritize resources, mitigating risks in advance of injuries or catastrophic events at each plant. Mint plant leadership and employees continue to interact on a daily basis on the importance of safety.

The performance targets for the safety incident recordable rate 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.

At the end of FY 2016, seigniorage per dollar issued was $0.52, above the FY 2016 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.

Section III – Additional Information

A – Summary of Capital Investments

The Mint's capital investment requirements are predominantly for manufacturing-type equipment. Capital investments, along with its operating expenses, are paid out of the Mint's PEF. Legislative language caps the aggregate amount of new liabilities and obligations incurred during a fiscal year for capital investments in circulating coinage operations and protective service.

The Mint's manufacturing capital investment projects focus on safety, equipment replacement, protection, and facility improvements.

In addition, the Mint's capital investments encompass a robust information technology (IT) portfolio. This IT portfolio focuses on the optimization of formal governance structures to manage IT investments and programs in an effort to emphasize reductions in system redundancy and to modernize the IT system infrastructure. Enterprise architecture reviews ensure alignment of IT investments to the bureau's strategic plan and the strategic enterprise direction of the Department of the Treasury. IT investments are closely monitored for cost, schedule, and performance to ensure expected results and benefits are achieved.

In accordance with the Statement of Federal Financial Accounting Standard (SFFAS) No. 6, the Condition Index and the Deferred Maintenance assessments for purposes of Federal Real Property Profile, the Mint has no deferred maintenance for its equipment. Maintenance is scheduled and performed regularly to keep the manufacturing equipment operating at optimal levels.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at https://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

Office of the Comptroller of the Currency

Congressional Budget Justification
and
Annual Performance Report and Plan

FY 2018

Table of Contents

Section 1 – Purpose

A – Mission Statement
To ensure that national banks and federal savings associations operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.

B – Summary of the Request
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.

Goals
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 priorities focus on strengthening the resiliency of the institutions subject to its jurisdiction through its supervisory and regulatory programs and activities.

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.

FY 2017 and 2018 Priorities

A major focus of the OCC's supervisory, regulatory, and administrative programs for FY 2017 will involve reviews of existing regulations to consider changes consistent with safety and soundness and fair treatment of bank customers with the goal of enhanced regulatory coordination, reducing unnecessary regulatory burden, and increasing examination efficiency.

The OCC is observing signs that credit risk is building, including erosion in the underwriting standards for commercial real estate, and auto lending. Therefore, the OCC will continue to closely evaluate current underwriting standards by conducting targeted underwriting examinations and using the credit underwriting assessment tool. The OCC will be working to complete the implementation of recommended actions arising out of the Large and Midsize Supervision Peer Review project and will also continue efforts to implement its strategic initiatives to make the OCC a stronger and more effective organization.

The OCC will conduct examinations based on the risk profile of individual national banks and federal savings associations to ensure they are safe and sound, sufficiently capitalized, and comply with consumer protection laws and regulations. Priorities and activities will include supervisory reviews related to corporate governance and oversight, credit underwriting, compliance, cyber threats, operational risk, BSA/AML, and fair access. Examiners will work to resolve problem national banks' and federal savings associations' situations effectively by identifying problems at the earliest possible stage, clearly communicating concerns and expectations to bank management through appropriate enforcement actions, and ensuring timely follow-up on needed corrective actions.

1.1 – Resource Detail Table

Dollars in Thousands

Office of the Comptroller of the Currency	FY 2016		FY 2017		FY 2018		FY 2017 to FY 2018			
Budgetary Resources	Actual		Estimated		Estimated		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Assessments		1,135,000		1,087,000		1,182,000		95,000		8.74%
Interest		18,000		23,000		23,000		0		0.00%
Other Income		17,000		23,000		23,000		0		0.00%
Unobligated Balances from Prior Years		1,302,000		1,400,000		1,351,000		(49,000)		-3.50%
Total Revenue/Offsetting Collections		**2,472,000**		**2,533,000**		**2,579,000**		**46,000**		**-1.82%**
Expenses/Obligations										
Supervise	3,441	975,477	3,525	1,057,980	3,617	1,099,477	92	41,497	2.61%	3.92%
Regulate	319	90,463	326	98,114	335	101,963	9	3,849	2.76%	3.92%
Charter	85	23,978	87	26,006	89	27,026	2	1,020	2.30%	3.92%
Total Expenses/Obligations	**3,845**	**1,089,918**	**3,938**	**1,182,100**	**4,041**	**1,228,466**	**103**	**46,366**	2.62%	**3.92%**
Net Results		**1,382,082**		**1,350,900**		**1,350,534**		**(366)**		**-0.03%**

1.3 – Operating Levels Table

Dollars in Thousands

Office of the Comptroller of the Currency Object Classification	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
11.1 - Full-time permanent	524,417	561,585	601,926
11.3 - Other than full-time permanent	7,772	7,615	8,624
11.5 - Other personnel compensation	2,628	3,365	3,585
11.9 - Personnel Compensation (Total)	**534,817**	**572,565**	**614,135**
12.0 - Personnel benefits	250,661	276,567	297,994
Total Personnel and Compensation Benefits	**$785,478**	**$849,132**	**$912,130**
21.0 - Travel and transportation of persons	56,382	61,792	63,473
22.0 - Transportation of things	2,726	2,809	2,715
23.2 - Rental payments to others	63,735	66,072	64,663
23.3 - Communication, utilities, and misc charges	15,188	17,837	18,067
24.0 - Printing and reproduction	619	734	734
25.1 - Advisory and assistance services	29,009	26,250	23,086
25.2 - Other services	21,220	22,388	21,264
25.3 - Other purchases of goods & serv frm Govt accounts	13,777	14,236	13,959
25.4 - Operation and maintenance of facilities	6,926	5,730	5,814
25.7 - Operation and maintenance of equip	56,682	68,833	65,887
26.0 - Supplies and materials	6,436	8,070	8,474
31.0 - Equipment	24,682	27,688	26,869
32.0 - Land and structures	1,171	10,076	875
42.0 - Insurance claims and indemnities	5,887	395	398
Total Non-Personnel	**304,440**	**332,968**	**316,336**
Total Budgetary Resources	**$1,089,918**	**$1,182,100**	**$1,228,466**
FTE	**3,845**	**3,938**	**4,041**

D – Appropriations Language and Explanation of Changes

The OCC receives no appropriations from Congress.

E – Legislative Proposals

The OCC has no legislative proposals.

Section II – Annual Performance Plan and Report

A Strategic Alignment

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 addition, under the bank supervision program, the OCC will also:

- 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.

Given that Treasury is developing the FY 2018-2022 strategic plan, the OCC's annual performance plan will be updated in the FY 2019 budget to reflect any new and relevant priorities.

B – Budget and Performance by Budget Activity

2.1.1 Supervise Resources and Measures Table

Dollars in Thousands

Supervise Budget Activity Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expenses/Obligations	$924,417	$873,942	$889,111	$873,414	$975,477	$1,057,980	$1,099,477
Budget Activity Total	**$924,417**	**$873,942**	**$889,111**	**$873,414**	**$975,477**	**$1,057,980**	**$1,099,477**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Percentage of National Banks and Federal Savings Associations That Are Categorized As Well Capitalized	92.0	94.0	93.0	95.0	96.0	95.0	95.0	95.0	
Percentage of National Banks and Federal Savings Associations With Consumer Compliance Rating of 1 or 2	93.0	94.0	95.0	96.0	98.0	94.0	90.0	90.0	
Percentage of National Banks and Federal Savings Associations with Composite CAMELS Rating 1 or 2	76.0	80.0	87.0	91.0	93.0	90.0	90.0	90.0	
Rehabilitated National Banks And Federal Savings Associations As A Percentage Of Problem National Banks One Year Ago (CAMEL 3,4, or 5)	27.0	34.0	39.0	39.0	43.0	40.0	40.0	40.0	
Total OCC Costs Relative To Every $100,000 in Bank And Federal Savings Associations Assets Regulated ($)	10.51	9.99	9.75	9.37	9.65	10.2	10.2	10.2	

Key: DISC - Discontinued; B – Baseline

Supervise Budget and Performance

($1,057,980,000 from reimbursable resources):

An effective supervision program is the cornerstone of the OCC's activities that support its strategic goals. Specifically, the Supervise Program consists of ongoing supervision and enforcement activities that directly support the OCC's core activities to 1) ensure that each national bank and federal savings association 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, and 2) provide fair access to financial services and fair treatment of customers. The OCC has terminated several mortgage servicing-related consent orders, involving Civil Money Penalties, and took enforcement actions to address unfair billing practices, unsafe and unsound sales practices, violations of the Service Members Civil Relief Act, and violations of the Bank Secrecy Act.

Description of Performance:

Percentage of National Banks and Federal Savings Associations with Composite CAMELS Rating of 1 or 2:

The composite Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Sensitivity (CAMELS) rating reflects the overall condition of a national bank or federal savings association. 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 national bank or federal savings association. The rating scale is 1 through 5 of which 1 is the highest rating granted. These CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a change in CAMELS.

The OCC has established a target outcome measure that 90 percent of the institutions under its supervision have a composite CAMELS rating of 1 or 2. Such a rating is consistent with the strategic goal of a safe and sound banking system, that banks maintain adequate capital and liquidity and have strong risk management practices. As of September 30, 2016, 93 percent of national banks and federal savings associations earned the top two composite CAMELS ratings. Degradation in CAMELS can reflect weaknesses in risk management systems that need corrective action. The OCC, consistent with Treasury's goal of repairing and reforming the financial system and supporting the recovery of the housing market, has instructed bank examiners to identify and seek corrective action at an earlier stage to address potential problems or weaknesses. The OCC's primary focus is to ensure that CAMELS ratings are an accurate reflection of each institution's current financial position, and thus the OCC would not take action to prematurely restore a favorable CAMELS rating.

Percentage of National Banks and Federal Savings Associations that are Considered Well-Capitalized:

The Federal Deposit Insurance Act established a system that classifies insured depository institutions into five categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) based on their capital levels relative to their risks. The OCC has established a target outcome measure that 95 percent of national banks and federal savings associations will meet or exceed the well-capitalized threshold.

The OCC works closely with problem national banks and federal savings associations to develop rehabilitation plans. Such plans typically include directives to improve or restore capital levels. These efforts, combined with a more stable operating environment, have resulted in improvement in this performance goal since FY 2009. As of September 30, 2016, 96 percent of national banks and federal savings associations were classified as well capitalized.

Percentage of National Banks and Federal Savings Associations with Consumer Compliance Rating of 1 or 2:
To ensure fair access to financial services and fair treatment of national bank and federal savings association customers, the OCC evaluates an institution's compliance with consumer laws and regulations. Bank regulatory agencies use the Uniform Financial Institutions Rating System and the Interagency Consumer Compliance Rating, to provide a general framework for evaluating significant consumer compliance factors inherent in an institution. Each 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 of which 1 is the highest rating granted. The target for FY 2016 and FY 2017 will currently remain unchanged at 94 percent. As of September 30, 2016, 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. Under the Dodd-Frank Act, the OCC has enforcement and supervisory authority for those institutions with total assets of no more than $10 billion.

Rehabilitated National Banks and Federal Savings Associations as a Percentage of Problem National Banks and Federal Savings Associations One Year Ago:
The OCC's early identification and intervention with problem financial institutions can lead to a successful rehabilitation. As of September 30, 2016, 43 percent of national banks and federal savings associations with composite CAMELS ratings of 3, 4, or 5 one year ago have improved their ratings to either 1 or 2 this year. This is aligns with the target of 40 percent for FY 2016. The OCC continues to focus on the early identification and rehabilitation of problem institutions. As previously noted, the OCC continuously takes steps through its Supervise and Regulate programs to make national banks and federal savings associations more resilient to financial stresses and to identify and obtain corrective action at an earlier stage, when problems can be addressed most successfully. These efforts include heightened capital and liquidity standards and increased emphasis on the need for stress testing, designed to provide financial institutions with stronger capital buffers to withstand unforeseen events. These are multi-year efforts that will continue in FY 2016 and beyond.

Total OCC Costs Relative to Every $100,000 in National Bank and Federal Savings Association Assets Regulated:
Beginning in FY 2006, the OCC implemented a performance measure that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex federal banking system.
The OCC costs are those reported as total program costs on the annual audited Statement of Net Cost. National bank and federal savings association assets are those reported quarterly by national banks and federal savings associations on the Reports of Condition and Income. Total national bank and federal savings association assets represent the growth and complexity of the financial institutions under the jurisdiction of the OCC. 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. As of September 30, 2016, total OCC cost relative to every $100,000 in assets regulated was $9.65 compared to the FY 2016 target of

$10.26. The OCC continues to meet its efforts to ensure that resources are used prudently and that programs are carried out in a cost effective manner.

2.1.2 – Regulate Resources and Measure Table

Dollars in Thousands

Regulate Budget Activity							
Resource Level	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	$125,416	$111,783	$105,436	$103,574	$90,463	$98,114	$101,963
Budget Activity Total	**$125,416**	**$111,783**	**$105,436**	**$103,574**	**$90,463**	**$98,114**	**$101,963**

Regulate Budget and Performance

($98,114,000 from reimbursable resources):

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.

Description of Performance:

OCC undertook a number of activities in FY 2016 to reduce regulatory burden on and support responsible innovation by regulated institutions. The agency issued a Framework for Responsible Innovation and sponsored a forum on the topic. OCC completed its schedule of Economic Growth and Regulatory Paperwork Reduction Act outreach meetings, and proposed a number of rule changes to reduce regulatory burden. The 18-month examination cycle was expanded to cover a larger population of regulated institutions. The agency completed a Framework for Receivership of Uninsured Federally Chartered National Banks, and completed a number of rules and guidance issuances, covering such topics as swaps margin, bank reserve ratios, bank stress test scenarios, large bank recovery plans, and an accounting standard on financial instrument credit losses. The OCC continued to support operations of the Financial Stability Oversight Council, and participate in the Federal Financial Institutions Examination Council and other national and international financial service regulation and policy bodies.

2.1.3 – Charter Budget and Performance Plan

Dollars in Thousands

Charter Budget Activity							
Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expenses/Obligations	$27,338	$30,486	$19,262	$18,922	$23,978	$26,006	$27,026
Budget Activity Total	**$27,338**	**$30,486**	**$19,262**	**$18,922**	**$23,978**	**$26,006**	**$27,026**

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Percentage of Licensing Applications and Notices Completed within Established Timeframes	98.0	97.0	98.0	97.0	98.0	95.0	95.0	95.0	

Key: DISC - Discontinued; B - Baseline

Charter

($26,006,000 from reimbursable resources):

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.

<u>*Description of Performance:*</u>

Percentage of Licensing Applications and Notices Completed within Established Time Frames:

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 national bank or federal savings association 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. As of September 30, 2016, the OCC completed 98 percent of national bank and federal savings association applications and notices within the required time frame, above the target of 95 percent. The OCC will continue to meet its Charter Program goals by providing staff training, coordination between charter and supervisory staff on safety and soundness and compliance matters, issuance of updated procedures, and maintaining an emphasis on accessibility and early consultation with national bank and federal savings association organizers and others proposing national bank and federal savings association structure changes.

Section III – Additional Information

A – Summary of Capital Investments

The OCC's IT strategic plan aligns information technology initiatives and investments to the OCC's core mission, including the development of new or enhanced applications and services and the disposition of redundant or "end-of-lifecycle" applications, capabilities, and services.

The IT strategic plan is implemented through the budget formulation and the Capital Planning and Investment Control processes. These processes ensure that all IT investments are aligned with the OCC's mission, goals, objectives, and target enterprise architecture before a project is funded. The OCC IT strategy ensures adequate funding and staff resources to address IT investment priorities, and considers risk mitigation strategies for IT investments that are not meeting stated cost, time, and performance goals. Performance metrics are linked to the delivery, alignment, and achievement of the OCC's strategic program objectives. Cost effectiveness for each investment is evaluated through regular benchmarking studies, featuring peer group organizations. Key metrics used to evaluate infrastructure include availability, reliability, utilization, defects, and customer satisfaction.

FY 2017 and 2018 Plans

The OCC has 4 major IT initiatives in FY 2017 and 2018:

Servers Support Services (SSS) - The SSS supports the OCC's server Operations and Maintenance. The infrastructure staff continues to build out additional capacity at the co-location facility to support the server technology refresh, business resiliency, and increases in enterprise storage capacity. In addition, a managed Enterprise Disaster Recovery (eDR) contract has been awarded to implement a proven, highly reliable, secure, expandable, and cost-effective eDR solution for OCC's critical business systems.

Telecommunications Services and Support (TSS) - TSS includes telecommunications Wide Area Network (WAN) and Local Area Network (LAN) infrastructure. Remote access to the OCC systems is facilitated via a virtual private network, dial-in, and cellular wireless access using two-factor authentication. This also includes messaging services supporting highly mobile bank examiners and the OCC staff. In FY 2017, the OCC will continue an on-going effort to upgrade the headquarters and field office phone systems and telecom infrastructure including LAN/WAN hardware, Video Tele-Conferencing and Voice over Internet Protocol.

End User Services and Support (EUSS) - EUSS includes help desk/customer service support, personal computer hardware and software operations and maintenance, asset management, and desktop engineering and image management. New computers and peripherals will be deployed to the workforce in FY 2017.

Cyber Security (CS) – CS includes technologies, processes and practices aligned to protect networks, computers, programs and data from attack, damage or unauthorized access. The OCC has awarded a Cyber Security Defense Center (CDC) contract that provides 24 x 7 computer-incident response support, along with monitoring of security appliances and applications.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

International Programs

The Department of the Treasury’s FY 2018 budget request for International Programs is included in the State, Foreign Operations, and Other Related Programs Appropriation.