Message from the Secretary of the Treasury

Dear Member:

The Fiscal Year (FY) 2019 President's Budget capitalizes on Treasury's ongoing drive for efficiencies and improves stewardship of taxpayer dollars by focusing on the Department's core financial responsibilities. The Budget requests $12.3 billion for Treasury's operating bureaus and $1.4 billion for our international programs.

Consistent with the Administration's priorities, the Budget provides increased resources for the Office of Terrorism and Financial Intelligence and the Financial Crimes Enforcement Network to combat terrorist financing, proliferation financing, and other forms of illicit finance. These additional resources will be deployed to economically isolate North Korea, stand up the Terrorist Financing Targeting Center in Saudi Arabia, implement the Countering America's Adversaries Through Sanctions Act, and counter the financial networks that support terrorists, organized transnational crime, weapons of mass destruction proliferators, and other threats. As Chair of the Committee on Foreign Investment in the United States (CFIUS), I also look forward to working with Congress to strengthen national security by bolstering the CFIUS review process.

The Budget includes $11.1 billion for the Internal Revenue Service from base discretionary appropriations to collect more than $3 trillion in revenue and continue administering the first comprehensive tax reform legislation in over 30 years, which delivers tax cuts to families, makes the tax code simpler and fairer for everyone, and makes American businesses more competitive. In addition, the Budget requests new and continuing investments funded through a program integrity cap adjustment to strengthen the enforcement of tax law, returning $28.8 billion to taxpayers over ten years.

The Budget includes reform proposals that were identified as directed in the Executive Order on a Comprehensive Plan for Reorganizing the Executive Branch. Treasury's reform plan includes proposals that will drive efficiency and effectiveness within the Department and across government. Reflecting the significant breadth and depth of the Department's mission, Treasury's reform plan aims to consolidate overlapping functions within Treasury and with other agencies, modernize program administration, and streamline organizational structures and management layers.

The FY 2019 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

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 2019 President's Budget Discretionary Appropriation Request

Dollars in Thousands

	FY 2017 Enacted	FY 2018 Annualized CR Rate	FY 2019 Request	FY 2017 Enacted to FY 2019 Increase/ Decrease	FY 2017 Enacted to FY 2019 Percent Change
Management & Financial	$1,473,456	$1,463,449	$1,181,636	($291,820)	-19.81%
Departmental Offices Salaries and Expenses	$224,376	$222,852	$201,751	($22,625)	-10.08%
Terrorism and Financial Intelligence	$123,000	$122,165	$159,000	$36,000	29.27%
Cybersecurity Enhancement	$47,743	$47,419	$25,208	($22,535)	-47.20%
Department-wide Systems and Capital Investments Program	$3,000	$2,980	$4,000	$1,000	33.33%
Office of Inspector General	$37,044	$36,792	$36,000	($1,044)	-2.82%
Treasury IG for Tax Administration	$169,634	$168,482	$161,113	($8,521)	-5.02%
Special Inspector General for TARP	$41,160	$40,880	$17,500	($23,660)	-57.48%
Community Development Financial Institutions Fund	$248,000	$246,316	$14,000	($234,000)	-94.35%
Financial Crimes Enforcement Network	$115,003	$114,222	$117,800	$2,797	2.43%
Alcohol and Tobacco Tax and Trade Bureau	$111,439	$110,682	$114,427	$2,988	2.68%
Bureau of the Fiscal Service	$353,057	$350,659	$330,837	($22,220)	-6.29%
Tax Administration[1]	$11,235,000	$11,158,703	$11,135,000	($100,000)	-0.89%
IRS Taxpayer Services	$2,455,754	$2,349,688	$2,241,000	($214,754)	-8.74%
IRS Enforcement	$4,640,000	$4,606,996	$4,628,204	($11,796)	-0.25%
IRS Operations Support	$3,849,246	$3,913,988	$4,155,796	$306,550	7.96%
IRS Business Systems Modernization	$290,000	$288,031	$110,000	($180,000)	-62.07%
IRS Cap Adjustment[2]	*$0*	*$0*	*$361,571*	*$361,571*	*NA*
IRS Total, Including Cap Adjustment	***$11,235,000***	***$11,158,703***	***$11,496,571***	***$261,571***	*2.33%*
Subtotal, Treasury Appropriations excluding Cap Adjustment and TEOAF	**$12,708,456**	**$12,622,152**	**$12,316,636**	**($391,820)**	**-3.08%**
Treasury Forfeiture Fund Total[3]	($1,302,000)	($1,302,000)	($400,000)	$902,000	-69.28%
Temporary Rescission	($988,000)	($988,000)		$988,000	-100.00%
Permanent Rescission	($314,000)	($314,000)	($400,000)	($86,000)	27.39%
Subtotal, Treasury Appropriations including TEOAF	**$11,406,456**	**$11,320,152**	**$11,916,636**	**$510,180**	**4.47%**
Treasury International Programs	$1,800,577	$1,788,349	$1,446,422	($354,155)	-19.67%
Multilateral Development Banks	$1,571,014	$1,560,345	$1,348,122	($222,892)	-14.19%
Food Security	$53,000	$52,640	$0	($53,000)	-100.00%
Environmental Trust Funds	$146,563	$145,568	$68,300	($78,263)	-53.40%
Office of Technical Assistance	$30,000	$29,796	$30,000	$0	0.00%
Total, Treasury Appropriations	**$13,207,033**	**$13,108,501**	***$13,363,058***	**$156,025**	**1.18%**

1/ IRS FY 2017 Enacted levels include $220 million transfer from Enforcement to Taxpayer Services ($90 million) and Operations Support ($130 million). IRS FY 2018 Annualized CR levels include notional $220 million transfer from Enforcement to Operations Support.

2/ IRS Program Integrity Cap Adjustment includes $205 million for Enforcement and $157 million for Operations Support.

3/ In FY 2017 and FY 2018, it includes ($187,000,000) of the DHS Rescission (temporary).

OVERVIEW OF REQUEST

The Budget requests $12.3 billion in base discretionary resources for the Department of the Treasury's domestic programs, a $392 million or 3 percent decrease from the FY 2017 enacted level. It also requests $1.4 billion for Treasury's international programs, a $354 million or 19.7 percent decrease from the FY 2017 enacted level. The Budget:

- Provides $159 million for Treasury's Office of Terrorism and Financial Intelligence (TFI), a $36 million increase over the FY 2017 enacted level; and $118 million for the Financial Crimes Enforcement Network (FinCEN), a $3 million increase over the FY 2017 enacted level. These increases will allow TFI and FinCEN to continue their critical work safeguarding the financial system from abuse and combating other national security threats using non-kinetic economic tools. These additional resources will be deployed to economically isolate North Korea, stand up the Terrorist Financing Targeting Center in Saudi Arabia, implement the Countering America's Adversaries Through Sanctions Act, and counter the financial networks that support terrorists, organized transnational crime, weapons of mass destruction proliferators, and other threats.

- Provides $11.1 billion for the Internal Revenue Service (IRS) from base discretionary appropriations to collect more than $3 trillion in revenue and continue administering the first comprehensive tax reform legislation in over 30 years. This funding includes $199 million to further invest in cybersecurity safeguards for taxpayer data and empower taxpayers with modern customer service options.

    - In addition to base discretionary resources, the Budget proposes a program integrity initiative to support deficit reduction and narrow the gap between taxes owed and taxes paid. The FY 2019 Budget investment is $362 million. Additional resources will be provided in later years. These investments will generate approximately $43.8 billion in additional revenue and will cost approximately $15 billion, yielding estimated net savings of $28.8 billion over ten years.

- Provides $25 million to proactively and strategically protect the Treasury information technology (IT) systems that carry out these activities as well as those that account for, and process, trillions of dollars in revenue and payments from cybersecurity threats.

- Proposes to impose appropriate Congressional oversight of the Treasury Financial Stability Oversight Council and Office of Financial Research (OFR) by subjecting their activities to the normal appropriations process. The Budget reflects continued reductions in OFR spending commensurate with the renewed fiscal discipline being applied across the Federal Government.

- Eliminates funding for the Community Development Financial Institutions (CDFI) Fund's discretionary grant and direct loan programs, a savings of $234 million from the FY 2017 enacted level. The CDFI Fund was created more than 20 years ago to increase access to capital and financial services in communities characterized by high rates of poverty and unemployment, low incomes, and other economic challenges. The Budget assumes that CDFIs have access to other sources of capital. However, the Budget maintains funding for administrative expenses to support ongoing CDFI Fund program activities, including the New Markets Tax Credit program, and proposes to extend the CDFI Bond Guarantee Program, which offers CDFIs low-cost, long-term financing at no cost to taxpayers, because the program requires no credit subsidy.

- Proposes to provide the Bureau of Engraving and Printing (BEP) with the authority to vacate its aging production facility, purchase land, and construct a new facility in the National Capital Region, which would result in an estimated 10-year savings of $579 million in lower project costs, ultimately lowering operating costs.

- Provides $1.4 billion for Treasury's International Programs to support the most critical investments in multilateral development institutions, while ensuring that U.S. contributions are set at an appropriate level relative to our partner countries. The proposed funding level meets current year U.S. commitments to international financial institutions and maintains funding for the Office of Technical Assistance.

REFORM PROPOSALS

Treasury's reform plan includes proposals that will drive efficiency and effectiveness within the Department and across government.

- Treasury proposes consolidating coordination of the federal government's financial education programs, which are currently spread across more than 20 executive agencies.

- In coordination with the Department of Justice's Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF), Treasury's Alcohol and Tobacco Tax and Trade Bureau (TTB) proposes to assume responsibility for federal tobacco and alcohol tax jurisdiction.

- Treasury proposes to merge certain functions currently performed by both BEP and United States Mint, such as the sales and marketing of collectible products and non-IT procurement.

- In light of a declining number of private American printing firms providing secure printing for official documents (birth, marriage, and death certificates), Treasury will offer intaglio printing services to states and local governments using BEP's secure printing technology.

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

	2017 Actual			2018 Annualized CR Rate			2019 President's Budget		
Appropriation	Direct	Reimb.	Total	Direct	Reimb.	Total	Direct	Reimb.	Total
Departmental Offices Salaries and Expenses	856	99	**955**	856	100	**956**	646	58	**704**
Terrorism and Financial Intelligence	395	33	**428**	421	36	**457**	518	36	**554**
Cybersecurity Enhancement	-	-	**-**	19	-	**19**	19	-	**19**
Office of Inspector General	158	7	**165**	175	5	**180**	175	5	**180**
Treasury Inspector General for Tax Administration	800	2	**802**	800	2	**802**	800	2	**802**
Special Inspector General for TARP	139	-	**139**	140	-	**140**	85	-	**85**
Community Development Financial Institutions Fund	74	-	**74**	74	-	**74**	42	-	**42**
Financial Crimes Enforcement Network	274	1	**275**	304	1	**305**	332	1	**333**
Alcohol and Tobacco Tax and Trade Bureau	478	10	**488**	507	10	**517**	492	10	**502**
Bureau of the Fiscal Service	2,084	10	**2,094**	2,110	10	**2,120**	2,089	10	**2,099**
Internal Revenue Service funded from regular appropriations	76,831	854	**77,685**	73,870	1,034	**74,904**	70,876	553	**71,429**
Internal Revenue Service funded from proposed program integrity cap adjustment							1,691		**1,691**
Subtotal, Treasury Appropriated Level	**82,089**	**1,016**	**83,105**	**79,276**	**1,198**	**80,474**	**77,765**	**675**	**78,440**
Office of Financial Stability (Administrative Account)	52	-	**52**	34	-	**34**	24	-	**24**
Small Business Lending Fund Program	8	-	**8**	8	-	**8**	6	-	**6**
State Small Business Credit Initiative	9	-	**9**	-	-	**-**	-	-	**-**
Capital Magnet Fund	4	-	**4**	5	-	**5**	5	-	**5**
Office of Financial Research	236	-	**236**	208	-	**208**	158	-	**158**
Financial Stability Oversight Council	-	-	**-**			**-**			**-**
Treasury Franchise Fund	-	1,702	**1,702**	-	1,770	**1,770**	-	1,977	**1,977**
Bureau of Engraving and Printing	-	1,818	**1,818**	-	1,842	**1,842**	-	1,836	**1,836**
United States Mint	-	1,645	**1,645**	-	1,705	**1,705**	-	1,705	**1,705**
Office of the Comptroller of the Currency	-	3,908	**3,908**	-	3,945	**3,945**	-	3,987	**3,987**
Terrorism Insurance Program	5	-	**5**	9	-	**9**	9	-	**9**
IRS Private Collection Agent Program	-	-	**-**	10	-	**10**	110	-	**110**
Subtotal, Treasury Non-Appropriated Level	**314**	**9,073**	**9,387**	**274**	**9,262**	**9,536**	**312**	**9,505**	**9,817**
Total, Treasury	**82,403**	**10,089**	**92,492**	**79,550**	**10,460**	**90,010**	**78,077**	**10,180**	**88,257**

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.

FY 2019 President's Budget by Strategic Goal
(Dollars in Thousands)

Treasury Goal/Objective	Boost U.S. Economic Growth	Promote Financial Stability	Enhance National Security	Transform Government-wide Financial Stewardship	Achieve Operational Excellence	Total
Management & Financial	$372,755	$21,926	$300,347	$410,146	$76,462	$1,181,636
Departmental Offices Salaries and Expenses	$84,615	$20,275	$23,547	$24,409	$48,905	$201,751
Terrorism and Financial Intelligence			$159,000			$159,000
Cybersecurity Enhancement		$1,651			$23,557	$25,208
Department-wide Systems and Capital Investments Program					$4,000	$4,000
Office of Inspector General				$36,000		$36,000
Treasury Inspector General for Tax Administration	$161,113					$161,113
Special Inspector General for TARP				$17,500		$17,500
Community Development Financial Institutions Fund	$12,600			$1,400		$14,000
Financial Crimes Enforcement Network			$117,800			$117,800
Alcohol and Tobacco Tax and Trade Bureau	$114,427					$114,427
Bureau of the Fiscal Service				$330,837		$330,837
Tax Administration	$11,135,000					$11,135,000
IRS Taxpayer Services	$2,241,000					$2,241,000
IRS Enforcement	$4,628,204					$4,628,204
IRS Operations Support	$4,155,796					$4,155,796
Business Systems Modernization	$110,000					$110,000
IRS Cap Adjustment[2]	*$361,571*					*$361,571*
IRS Total, Including Cap Adjustment	*$11,496,571*	*$0*	*$0*	*$0*	*$0*	*$11,496,571*
Total, Treasury Appropriations Committee Excluding Cap Adjustment and TEOAF	**$11,507,755**	**$21,926**	**$300,347**	**$410,146**	**$76,462**	**$12,316,636**
Treasury International Programs		$30,000		$1,416,423		$1,446,423
Total, Appropriated Level[1]	**$11,507,755**	**$51,926**	**$300,347**	**$1,826,569**	**$76,462**	**$13,763,059**
Non-Appropriated Accounts						
Office of Financial Stability (Administrative Account)				$63,065		$63,065
Terrorism Risk Insurance (Administrative)			$3,000			$3,000
Financial Stability Oversight Council	$5,527	$5,527				$11,054
Office of Financial Research	$37,636	$37,636				$75,271
Bureau of Engraving and Printing	$896,430					$896,430
United States Mint	$2,970,276					$2,970,276
Office of the Comptroller of the Currency	$1,004,977	$251,244				$1,256,221
Federal Reserve Bank				$608,000		$608,000
Reimbursable to the Federal Reserve Banks				$157,500		$157,500
Financial Agent Services				$832,500		$832,500
Total, Non-Appropriated Level	**$4,914,845**	**$294,407**	**$3,000**	**$1,661,065**	**$0**	**$6,873,317**
Grand Total	**$16,422,600**	**$346,333**	**$303,347**	**$3,487,634**	**$76,462**	**$20,636,376**

1/ Total does not include the proposed $400 million Forfeiture Fund permanent cancellation.

2/ IRS Program Integrity Cap Adjustment includes $205 million for Enforcement and $157 million for Operations Support which would be added to the Economic Growth goal.

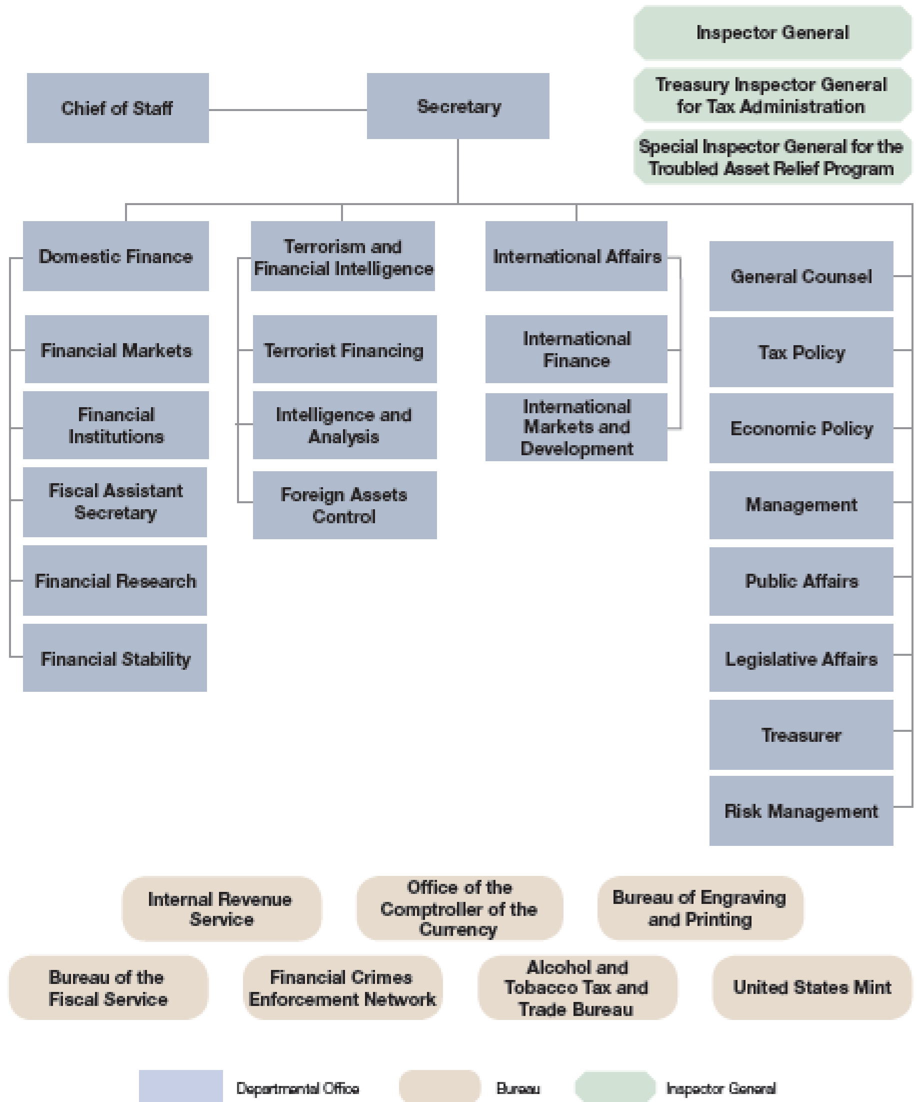
Summary of FY 2019 Increases and Decreases

(Dollars in Thousands)

	DO	TFI	Cyber	DSCIP	OIG	TIGTA	SIGTARP	CDFI	FinCEN	TTB	FS	IRS	Subtotal	TEOAF	Total
FY 2018 Annualized CR Rate	**$222,852**	**$122,165**	**$47,419**	**$2,980**	**$36,792**	**$168,482**	**$40,880**	**$246,316**	**$114,222**	**$110,682**	**$350,659**	**$11,158,703**	**$12,622,152**	**($1,302,000)**	**$11,320,152**
Maintaining Current Levels (MCLs)	$1,862	$1423			$305	$1233	$23	$177	$1421	$1027	$3286	$93,693	$104,640		$104,640
Non-Recurring Costs			(22,629)	($2,980)							($19,822)		($45,431)	$902,000	$856,569
Efficiency Savings/Reinvestment	($22,963)						($14,093)			($450)			($37,506)		($37,506)
Adjustments to Base	**($21,101)**	**$1,423**	**($22,629)**	**($2,980)**	**$305**	**$1,233**	**($13,880)**	**$177**	**$1,421**	**$577**	**($16,536)**	**$93,693**	**$21,703**	**$902,000**	**$923,703**
FY 2019 Base	**$201,751**	**$123,588**	**$24,790**	**$0**	**$37,097**	**$169,716**	**$27,000**	**$246,493**	**$115,643**	**$111,259**	**$334,123**	**$11,252,396**	**$12,643,855**	**($400,000)**	**$12,243,855**
Program Decreases					($1,097)	($8,602)	($9,500)	($232,493)	($1,161)	($7,632)	($3,286)	($316,727)	($580,498)		($580,498)
Program Increases		35,412	$418	$4,000					3,318	10,800		$199,331	$253,279		$253,279
Subtotal, Program Changes	**$0**	**$35,412**	**$418**	**$4,000**	**($1,097)**	**($8,602)**	**($9,500)**	**($232,493)**	**$2,157**	**$3,168**	**($3,286)**	**($117,396)**	**($327,219)**	**$0**	**($327,219)**
FY 2019 President's Budget funded from discretionary resources	**$201,751**	**$159,000**	**$25,208**	**$4,000**	**$36,000**	**$161,113**	**$17,500**	**$14,000**	**$117,800**	**$114,427**	**$330,837**	**$11,135,000**	**$12,316,636**	**($400,000)**	**$11,916,636**
Program Integrity Cap Adjustment												*$361,571*	*$361,571*		*$361,571*
FY 2019 President's Budget including program integrity cap adjustment	***$201,751***	***$159,000***	***$25,208***	***$4,000***	***$36,000***	***$161,113***	***$17,500***	***$14,000***	***$117,800***	***$114,427***	***$330,837***	***$11,496,571***	***$12,678,207***	***($400,000)***	***$12,278,207***

Organization

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



Departmental Offices

Domestic Finance works to preserve confidence in the U.S. Treasury securities market, strengthen financial institutions and markets, and promote access to credit, in service to long-term economic strength and stability.

Terrorism and Financial Intelligence (TFI) uses unique policy, intelligence, enforcement and regulatory tools and authorities to disrupt and disable terrorists, criminals, and other national security threats while also safeguarding the financial system against abuse by illicit actors.

International Affairs protects economic prosperity and national security by working to foster a most favorable external environment for sustained jobs and economic growth.

Tax Policy develops and implements tax policies and programs, reviews regulations and rulings to administer the Internal Revenue Code, and provides revenue estimates for the President's Budget.

Economic Policy reports on economic developments and assists in the determination of appropriate economic policies. Reviews and analyzes domestic economic issues and financial market developments.

The **Treasurer of the United States** serves as a principal advisor to the Secretary and leads the Office of Consumer Policy, which provides policy leadership, research, and analysis in the areas of fostering economic growth and financial security for American families in a robust consumer marketplace. The Treasurer also oversees the U.S. Mint, including advising the Secretary on coinage matters and liaising with the Federal Reserve.

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

The **Office of Risk Management** oversees the development and implementation of an integrated risk management framework for the Department, advising Treasury leaders on managing credit, market, liquidity, fraud, operational, and reputational risks.

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

INSPECTORS GENERAL

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 our programs.

The **Alcohol and Tobacco Tax and Trade Bureau (TTB)** collects federal excise taxes on alcohol, tobacco, firearms, and ammunition. Enforces and administers laws covering production, use, and distribution of alcohol and tobacco products.

The **Bureau of Engraving and Printing (BEP)** develops and produces U.S. currency notes, as well as secure documents for government use.

The **Financial Crimes Enforcement Network (FinCEN)** safeguards the financial system from illicit use and combats money laundering. 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 agencies, operates the U.S. government's collections and deposit systems, and delivers administrative shared services to federal agencies. Provides government-wide accounting and reporting, and manages the collection of delinquent debt. Borrows money needed to operate the U.S. government through the sale of marketable, savings, and special purpose U.S. Treasury securities. Accounts for and services the public debt.

The **Internal Revenue Service (IRS)** determines, assesses, and collects U.S. tax revenue. Helps taxpayers understand their tax responsibilities and combats tax-related fraud.

The **United States Mint (U.S. Mint)** designs, mints, and issues U.S. circulating numismatic and bullion coins. Strikes Congressional gold medals and other medals of national significance. 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)** ensures that the federal banking system operates safely and soundly, provides fair access to financial services, treats customers fairly, and complies with applicable laws and regulations. The OCC charters, regulates, and supervises national banks and federal savings associations, and licenses and supervises federal branches and agencies of foreign banks.**Treasury Strategic Framework**

The Government Performance and Results Act Modernization Act of 2010 (GPRAMA) requires federal agencies to publish new strategic plans one year after each presidential inauguration. Treasury's Strategic Plan for Fiscal Years (FY) 2018 - 2022 (Strategic Plan) describes long-term goals the Department aims to achieve during this administration and provides an internal guide for decision-making. Within the Strategic Plan, "goals" articulate larger outcomes or societal impacts that Treasury aims to achieve, while "objectives" support goals and reflect more focused policy or operational areas where Treasury plans to make significant improvements. Accountable officials are designated for each strategic objective. Concentrating on a focused set of objectives strengthens accountability, while allowing the Department to emphasize critical areas and meaningfully manage for results.

Treasury's FY 2018-2019 Agency Priority Goals, each supporting the achievement of a specific strategic objective, will be published concurrent with the Strategic Plan on www.performance.gov.

FY 2018-2019 Agency Priority Goal: Reducing Refund Fraud

In response to significant increases in refund fraud schemes and identity theft, the IRS increased its prevention efforts. One such effort is the Security Summit initiative, a public-private sector partnership started in 2015 between the IRS, state revenue departments, software developers, tax professionals, and financial services groups.

This effort led to a sharp decline in identity theft and related refund fraud by 2017, with several indicators dropping by more than 50 percent since the Summit began.

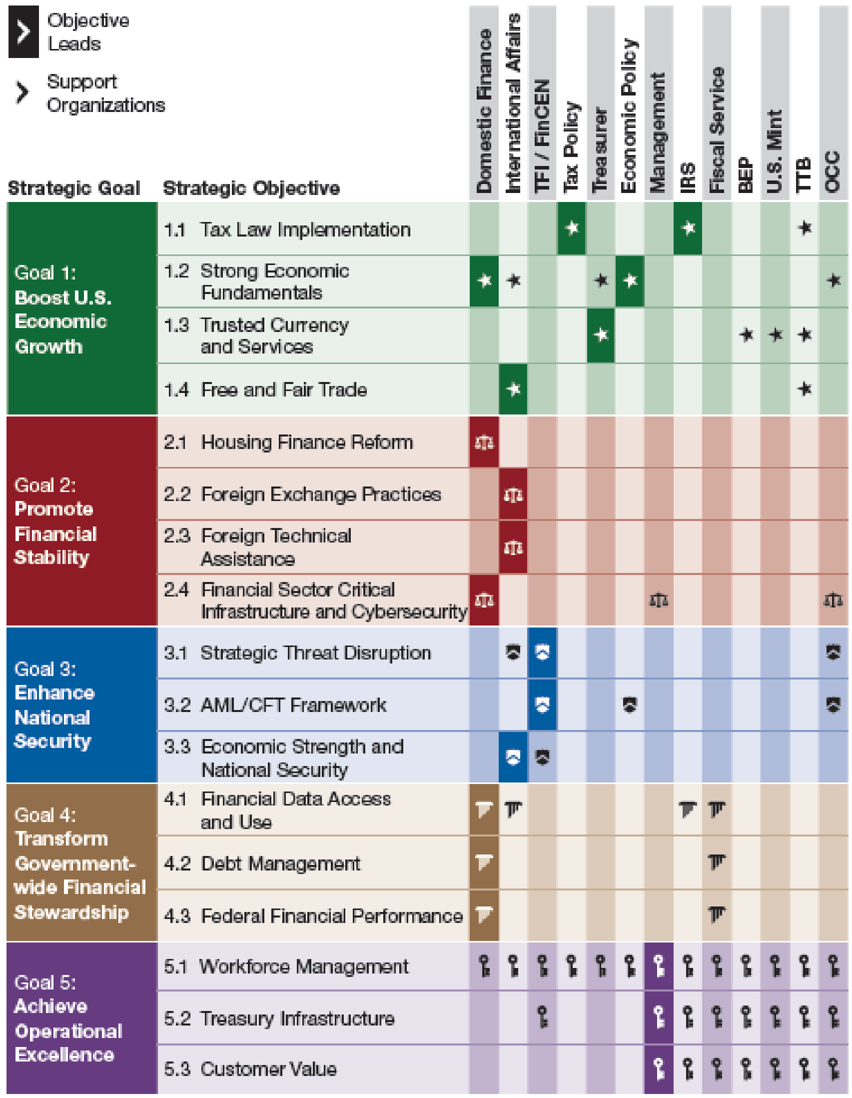
- In 2012, there was a 226 percent increase in new identity theft cases from the prior year.
- In 2016, there was a 46 percent decrease in new identity theft cases from the prior year.

FY 2018-2019 Agency Priority Goal: Improved Business Qualification Process

Ongoing growth in the alcohol beverage industry in recent years has resulted in an increased volume in permit applications for new alcohol producers. This growth in workload has contributed to delayed permit approvals that exceed TTB's service standards. In FY 2017, TTB reviewed its current processes, applications, and online systems to identify ways to streamline the process for prospective industry members. In FY 2018 and 2019, TTB will work to implement these improvements and reduce average approval times for business permits.

FY 2018-2019 Agency Priority Goal: International Collaboration

We must focus our combined efforts on disrupting illicit financial networks and protecting the U.S. and international financial system by expanding information sharing and collaboration with international partners to address risks from rogue regimes, terrorist financiers, transnational criminal organizations, human rights abusers, and proliferators of weapons of mass destruction.



The Government Performance and Results Act (GPRA) and the GPRAMA established the need for agencies to identify performance goals, report progress against targets, and conduct data-driven reviews. 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 best-in-class organizational performance practices to help achieve the Department's strategic objectives.

Our organizational performance reviews provide a regular forum for open dialogue and coordination among Department, bureau, and office leadership and 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 performance reviews of agency strategic objectives, agency priority goals, and cross-agency priority goals.

Treasury's Annual Organizational Performance Review Cycle

	Fall (October – November)	Winter (February – March)	Spring (April – May)	Summer (June – July)
Focus	Organizational Performance	Strategic Objective Annual Review (SOAR)	Organizational Performance	Budget
Chair	Chief Operating Officer/ Assistant Secretary for Management (ASM) – Performance Improvement Officer (PIO)	ASM – PIO/ Deputy PIO	Chief Operating Officer/ ASM – PIO	ASM – PIO
Goals/Outcomes	• Review prior year's performance at the bureau/office level • Set priorities for year ahead • Recognize successes	• Evaluate cross-agency progress toward strategic objectives • Identify strategic shifts/validate Treasury priorities • Outline potential topics for annual review with OMB	• Assess progress on priorities • Identify necessary adjustments/near-term improvements • Surface problems or assistance needed • Recognize successes	• Connect priorities to future funding • Explore performance impacts • Strengthen IT acquisition, budgeting, and accountability

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

Human Capital Plan Implementation

In FY 2019, Treasury's Human Capital Community will continue its efforts towards a competency-based management approach. In alignment with these efforts, below are some of the strategies that are the focus for FY 2019:

- Continued implementation of the Integrated Talent Management System (DASHR-CHCO)
- Validate the competency management approach developed in FY2018 and continue the development competency assessment tools (DASHR-CHCO)
- Continue to integrate Workforce Planning with other business processes (DASHR-CHCO)
- Develop evaluation process to determine the effectiveness of D&I Strategies (OCRD)
- Begin/Continue implementing succession planning program (TTB)
- Continue designing experienced leaders program (Mint)
- Continue laying the foundation for the implementation of the Service-wide Workforce Planning process (IRS)
- Evaluate the effectiveness of local Engagement plans and adjust approach if necessary (FINCEN)
- Continue to close identified competency gaps (DO)
- Utilized centralized recruitment and diversity plan (BFS)

1/ The FY 2017 Verification and Validation Report is available at: https://www.treasury.gov/about/budget-performance/annual-performance-plan/Documents/FY17_AFR_508_FINAL.pdf

- Assess the effectiveness of the Bureau-wide Workforce Planning efforts and adjust as necessary (BEP)

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 C of *Part 3, Other Information*, in the FY 2017 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:
- Operating in an Uncertain Environment (New Challenge)
- Cyber Threats
- Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement
- Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments

TIGTA - Identified Management Challenges:
- Security Over Taxpayer Data and Protection of IRS Resources
- Identity Theft and Impersonation Fraud
- Providing Quality Taxpayer Service and Expanding Online Services
- Upgrading Tax Systems
- Implementing Tax Law Changes
- Improving Tax Compliance
- Reducing Fraudulent Claims and Improper Payments
- Impact of Global Economy on Tax Administration
- Protecting Taxpayer Rights
- Achieving Program Efficiencies and Cost Savings

GAO - Identified High-Risk Areas:
- Improvements needed in internal control over unpaid tax assessments
- Improvements needed in controls over the processes used to prepare the *U.S. Consolidated Financial Statements*

[2] The FY 2017 AFR is available at https://www.treasury.gov/about/budget-performance/annual-performance-plan/Documents/FY17_AFR_508_FINAL.pdf. The response letters are on pages 164-169.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

FY 2019 PRESIDENT'S BUDGET INFORMATION TECHNOLOGY RESOURCE STATEMENTS

We affirm that:

A. The Chief Information Officer (CIO) has reviewed and had significant input in approving the Treasury major IT investments portion this budget request*;
B. The CIO has had a significant role in reviewing planned IT support for major program objectives and significant increases and decreases in IT resources reflected in this budget request*;
C. The Department has fully implemented its plan for the Federal IT Acquisition Reform Act (FITARA) Common Baseline element "D" described in OMB M-15-14; and,
D. The Department adequately implements incremental development practices.

Signature: ______________________
Treasury Assistant Secretary for Management (ASM)**

Signature: ______________________
Treasury Deputy Assistant Secretary for Information Systems and CIO

**Neither the Office of the Comptroller of the Currency (OCC) nor the Special Inspector General for the Troubled Assets Relief Program (SIGTARP) participated in an IT/IRM portfolio review with the CIO for Budget Year 2019 Planning and are excluded from these statements.*

***The Assistant Secretary for Management (ASM) oversees budget formulation and execution for the Department. The Office of Performance Budgeting (OPB) reports to the ASM through the Deputy Assistant Secretary for Management and Budget. The Director, OPB, serves as the Departmental Budget Director and has responsibility for the formulation and execution of the Department's budget. The ASM is executing this document as the official who is accountable for ensuring budget compliance with the Federal IT Acquisition Reform Act (FITARA).*

Department of the Treasury
Internal Revenue Service

Congressional Budget Justification and Annual Performance Report and Plan

FY 2019

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 (IRS) Appropriated Resources	FY 2017 Enacted[1]		FY 2018 Annualized CR[2]		FY 2019 Request[3]		Change FY 2018 to FY 2019 Request		% Change FY 2018 to FY 2019 Request	
New Appropriated Resources:	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Taxpayer Services	**28,692**	**$2,455,754**	**26,977**	**$2,349,688**	**24,668**	**$2,241,000**	**(2,309)**	**($108,688)**	**-8.56%**	**-4.63%**
Pre-Filing Taxpayer Assistance and Education	4,700	607,043	4,451	603,424	4,460	607,753	9	4,329	0.20%	0.72%
Filing and Account Services	23,992	1,848,711	22,526	1,746,264	20,208	1,633,247	(2,318)	(113,017)	-10.29%	-6.47%
Enforcement	**36,550**	**$4,640,000**	**34,662**	**$4,606,996**	**34,662**	**$4,628,204**		**$21,208**		**0.46%**
Investigations	3,079	595,206	2,913	576,802	2,913	578,949		2,147		0.37%
Exam and Collections	32,602	3,914,546	30,811	3,874,918	30,811	3,893,373		18,455		0.48%
Regulatory	869	130,248	938	155,276	938	155,882		606		0.39%
Operations Support	**10,835**	**$3,849,246**	**10,813**	**$3,913,988**	**10,959**	**$4,155,796**	**146**	**$241,808**	**1.35%**	**6.18%**
Infrastructure		869,732		847,444		860,058		12,614		1.49%
Shared Services and Support	4,777	991,504	4,588	994,559	4,588	1,005,911		11,352		1.14%
Information Services	6,058	1,988,010	6,225	2,071,985	6,371	2,289,827	146	217,842	2.35%	10.51%
Business Systems Modernization	**557**	**$290,000**	**516**	**$288,031**	**516**	**$110,000**		**($178,031)**		**-61.81%**
Subtotal New Appropriated Resources	**76,634**	**$11,235,000**	**72,968**	**$11,158,703**	**70,805**	**$11,135,000**	**(2,163)**	**($23,703)**	**-2.96%**	**-0.21%**
Other Resources:										
Reimbursables	853	152,161	1,033	173,557	552	113,535	(481)	(60,022)	-46.56%	-34.58%
Offsetting Collections - Non Reimbursables		16,407		16,407		17,227		820		5.00%
User Fees	161	241,485	75	499,100	71	498,900	(4)	(200)	-5.33%	-0.04%
Recovery from Prior Years		2,497		18,351		18,331		(20)		-0.11%
Unobligated Balances from Prior Years	36	297,310	827	351,715		353,222	(827)	1,507	-100%	0.43%
Transfers In/Out		17								
Resources from Other Accounts	1		1		1					
Subtotal Other Resources	**1,051**	**$709,877**	**1,936**	**$1,059,130**	**624**	**$1,001,215**	**(1,312)**	**($57,915)**	**-67.77%**	**-5.47%**
Total Budgetary Resources	**77,685**	**$11,944,877**	**74,904**	**$12,217,833**	**71,429**	**$12,136,215**	**(3,475)**	**($81,618)**	**-4.64%**	**-0.67%**

[1]FY 2017 Enacted reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources, see the 2019 Budget *Appendix* chapter for the Department of the Treasury. Includes $220 million interappropriation transfer from Enforcement to Taxpayer Services ($90 million) and Operations Support ($130 million). FY 2017 Enacted also includes $290 million in Section 113 Administrative Provision funding allocated in the following amounts: $209.2 million in Taxpayer Services and $80.8 million in Operations Support. FY 2017 full-time equivalent (FTE) are actuals and reconcile to the final FY 2017 Obligations and Expenses report, which included the 36 FTE funded from prior year balances shown in the table above. Other Resources are actuals. Resources from Other Accounts include other direct FTE funded by the Federal Highway Administration.

[2]FY 2018 Annualized Continuing Resolution (CR) reflects a rescission of 0.6791 percent applied to the FY 2017 Enacted levels. FY 2018 Annualized CR also includes a notional $220 million interappropriation transfer from Enforcement to Operations Support to cover anticipated operations and maintenance requirements in FY 2018. The IRS will submit a formal transfer to request to Congress as part of the IRS FY 2018 operating plan upon enactment of a final appropriations bill. FY 2018 Annualized CR includes $288 million in Section 113 Administrative Provision funding in the following amounts: $208 million in Taxpayer Services and $80 million in Operations Support. FY 2018 Annualized CR does not include resources to implement new requirements under the Tax Cuts and Jobs Act (Public Law 115-97).

[3]FY 2019 Request in this table excludes the proposed $362 million discretionary program integrity investment in FY 2019: $205 million for Enforcement and $157 million for Operations Support. More information about the program integrity cap adjustment can be found in Section 4.1.

1B – Summary of the Request

FY 2019 Budget Request

The IRS FY 2019 base budget request of $11.135 billion provides funding to administer the nation's tax system, generate more than $3 trillion in revenue to fund critical defense and general program requirements, meet demand from hundreds of millions of taxpayers, issue more than $400 billion in tax refunds and outlays, protect billions of taxpayer records, and strengthen tax compliance.

The Budget invests in high-priority programs that will allow the IRS to administer the new tax law and to become more efficient and effective and ultimately assist more taxpayers. These investments include modernizing taxpayer services and expanding opportunities for taxpayers and their representatives to complete certain service and compliance interactions through their preferred channel, be it online, by telephone, or in-person at one of the IRS's 365 Taxpayer Assistance Centers (TACs). Modernizing taxpayer services will help simplify filing returns for the vast majority of taxpayers and result in more resources for taxpayers who use traditional service channels, all of which will increase voluntary compliance and improve tax administration. The Budget invests in technology and analytics to take advantage of the most effective tax enforcement strategies and protect taxpayers' refunds from fraudulent schemes. The Budget also increases funding for security and replacing obsolete hardware to protect taxpayer-sensitive data from ever-increasing cyber threats.

The Budget will allow the IRS to help all taxpayers to meet their tax obligations by simplifying the process of filing and amending returns and payment; protect the integrity of the tax system by reviewing and enforcing tax code; partner with key stakeholders in the state and local tax administration, tax preparation, and international communities; cultivate and retain a well-equipped, diverse, flexible, and engaged workforce; advance data access, usability, and analytics to inform decision making; and drive increased agility, efficiency, effectiveness, and security in operations.

Strategic Plan 2018 - 2022

Treasury's new strategic plan and the forthcoming IRS Strategic Plan for FY 2018–2022 (Plan) guide the IRS's resource decisions, programs, and operations to meet the changing needs and expectations of taxpayers and members of the tax community who serve taxpayers. The Plan aligns with the goals and objectives in Treasury's strategic plan, namely increasing U.S. economic growth by administering tax laws to better enable all taxpayers to meet their obligations while protecting the integrity of the tax system; transforming government-wide financial stewardship by increasing access to and usage of data; and achieving operational excellence. The Plan reflects the IRS's critical role in tax administration. By focusing on combatting the increased prevalence of refund fraud and identity theft, transforming taxpayer services to meet taxpayer expectations, maintaining a skilled and talented workforce, increasing operational efficiency and effectiveness, and meeting the tax needs of a diverse U.S. population, the Plan is a guide to successfully accomplishing the IRS mission and vision.

Tax Reform

The Tax Cuts and Jobs Act (Public Law 115-97) is the most significant revision of the U.S. tax code in over 30 years. Containing hundreds of provisions intended to provide relief to American families and make America's businesses more competitive, implementing the new law will require extensive administrative work in calendar years 2018 and 2019.

Implementing this new legislation is one of the IRS's highest priorities. The IRS has established a Tax Reform Implementation Office, led by senior leaders, to ensure successful implementation. Efforts to implement the new legislation are already underway and two important pieces of guidance have been issued addressing certain provisions in the new law. On December 29, 2017, the IRS and the Department of the Treasury issued notices on amended Internal Revenue Code (IRC) section 965, providing guidance for computing the "transition tax" on untaxed foreign earnings of foreign subsidiaries of U.S. companies, and the new IRC section 1446(f). In addition, on January 11, 2018, the IRS and the Department released a notice updating income tax withholding tables for 2018 based on the new law. These early notices provide taxpayers and practitioners with information to timely and accurately address new tax compliance obligations. Additional published guidance is expected as the IRS continues to analyze the new law's impact on tax administration.

The IRS will need additional resources in FY 2018 to implement the new law in a way that adequately serves taxpayers, facilitates tax compliance, and protects sensitive taxpayer data. Resources are needed to address the following areas:

- Create new and revised taxpayer forms, instructions, and publications.
- Provide technical support to taxpayers on issues involving interpretations of the law and of related published guidance. Preliminary estimates suggest assistors may need to answer four million additional phone calls. This represents a potential 17 percent increase over the 23 million assisted calls answered by the IRS in FY 2017.
- Train IRS employees on the new law and help the public, tax professionals, and other industry partners understand how the law applies to them.
- Reprogram information technology systems, with special focus on return processing and compliance systems (the backbone of the tax system).

Reducing Regulatory Burden

The IRS and the Department continue to work to identify overly burdensome tax regulations for modification or repeal consistent with law and Executive Order 13789 (*Identifying and Reducing Tax Regulatory Burdens*). In October of 2017, the Department released a report recommending actions to eliminate or mitigate the burdens imposed on taxpayers by eight regulations. These recommendations include withdrawing proposed regulations under Section 2704 that would have hurt family-owned and operated businesses by limiting valuation discounts. The regulations also would have made it difficult and costly for a family to transfer their businesses to the next generation. In addition, the IRS and the Department have initiated a comprehensive review, coordinated by the Treasury Regulatory Reform Task Force, of all tax regulations, regardless of when they were issued. This review will identify tax regulations that are unnecessary, create undue complexity, impose excessive burdens, or fail to provide clarity and useful guidance, and the Department and the IRS will pursue reform or revocation of those regulations. As part of this process, the IRS Office of Chief Counsel has already identified over 200 regulations for potential revocation, most of which have been outstanding for many years.

Modernizing Tax Administration

The IRS must balance three competing priorities when allocating resources: basic tax administration (i.e., filing season), maintaining infrastructure, and modernizing legacy systems and procedures. The IRS has to prioritize filing season needs with other important but less visible activities such as infrastructure, support staffing, and strategic enforcement. This prioritization may potentially result in lower tax compliance and long-term risk for the voluntary compliance-based U.S. tax system. A one percent drop in the voluntary compliance rate is estimated to cost the government tax revenue of $30 billion each year. The Budget balances these competing priorities by investing in mission-critical areas including taxpayer applications, enforcement, essential infrastructure, and security.

Staffing: The IRS is committed to providing taxpayers and their representatives with high quality, secure service through all available channels. Taxpayer preferences are changing. More taxpayers prefer to interact with the IRS using digital tools at the time and place of their choosing. The Budget invests to ensure the IRS is meeting taxpayers' needs. For example, the Budget proposes an investment of $18 million and 126 FTE to assist more taxpayers with account management and online authentication issues and help taxpayers navigate submission processing and collection issues.

Information Technology Infrastructure: The IRS must continue efforts to replace obsolete hardware and software and provide a stable foundation for delivering technology services required for day-to-day operations, transforming the tax experience, and modernizing operations. At the end of FY 2017, more than 59 percent of IRS hardware was past its useful life and 26 percent of software was two or more releases behind the most current commercially available version. The Budget provides additional resources to reduce the aged inventory backlog with the goal of reaching 54 percent of hardware in FY 2019 and an industry standard of 20 to 25 percent by FY 2023. This investment will improve employee productivity and enhance taxpayer service by reducing equipment outages and system failures. Operating on the latest hardware and software also will help the IRS better protect taxpayer information by facilitating faster, more comprehensive patching and by limiting exposure to security flaws.

Modernizing Operations: IRS systems need to be modernized to gain efficiencies, protect data, and reduce long-term maintenance costs. The IRS's modernization efforts will standardize business processes, expand the digital conversion of paper case files and documentation, automate repetitive manual processes, leverage existing data to detect non-compliance earlier, and enable a strong and secure systems platform to create taxpayer-facing applications. The Budget proposes $110 million for system modernization. This funding will support, for example, the Enterprise Case Management (ECM) system. ECM will allow the IRS to retire more than 60 legacy case applications with similar functions that were setup over many years to meet various legislative and business requirements. Retiring these applications will help standardize workflows, allow IRS employees to provide more consistent service to taxpayers, and achieve operations and maintenance efficiencies. Investing in ECM will directly benefit taxpayers by facilitating a seamless customer service experience. In the future when a taxpayer seeks assistance over the phone or online, IRS customer service representatives will have tailored access to a centralized case file that contains a history of all relevant prior interactions and a holistic package of reference materials to support taxpayers. Cases will be routed seamlessly from one business unit to another without manual workarounds that burden both taxpayers and employees. The IRS plans to begin transitioning to this new platform in FY 2019. More information about ECM and other modernization investments can be found in section 2I – Business Systems Modernization and section 3.1 – Summary of Capital Investments.

Program Integrity Cap Adjustment

In addition to the base appropriations request of $11.135 billion, the Budget proposes a $362 million discretionary program integrity cap adjustment in FY 2019 to fund new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS's overall tax enforcement program. The Budget proposes $205 million for the Enforcement account and $157 million for the Operations Support account. Additional adjustments are provided in future years to fund new initiatives and inflation. These investments will generate approximately $44 billion in new revenue over 10 years and will cost about $15 billion for net savings of $29 billion. Notably, this return on investment (ROI) is likely understated because it does not reflect the effect that enhanced enforcement has on deterring non-compliance. The deterrent effect helps to ensure the continued payment of over $3 trillion in taxes voluntarily paid each year. More information about the cap adjustment is found in section 4.1 – Appropriations Detail Table with Program Integrity Cap Adjustment of the Appendix and in the Budget Process Chapter of the FY 2019 President's Budget.

2017 Filing Season

The IRS delivered a successful 2017 filing season that opened on January 23, 2017. The Taxpayer Assistance Center Appointment Service, which is now available nationwide, significantly improved in-person assistance and ensured taxpayers did not have to wait in long lines to receive assistance. The appointment service is one of many examples of the IRS harnessing technology to improve the taxpayer experience.

Other highlights from the 2017 filing season include:

- Stopped $5.2 billion in fraudulent refunds claimed by identity thieves on 567,000 tax returns through improved screening criteria from January 2017 through October 2017.
- Delivered a filing season telephone Level of Service (LOS) – the relative success rate of taxpayers who call the IRS toll-free number seeking assistance from a customer service representative – of 79.1 percent, the highest level since 2007 and a substantial improvement over the 72.1 percent delivered during the 2016 filing season.

- Reduced the backlog of taxpayer correspondence cases by 100,000, allowing the IRS to shift resources to help taxpayers during peak call times and more promptly resolve taxpayer issues.
- Answered almost 10 million phone calls and addressed another 18 million calls through automated systems. The average speed of answer was seven minutes, compared to 11 minutes in the 2016 filing season, allowing the IRS to resolve taxpayer issues faster.
- Received approximately 136 million individual returns, with more than 90 percent filed electronically.
- Received almost 30.9 million business returns, an increase of 3.3 percent from the 2016 filing season.
- Received almost 19.3 million business returns electronically, an increase of almost 10 percent from the 2016 filing season.
- Issued 97 million refunds totaling $268 billion, with an average individual refund of $2,862.
- Continued to work with Security Summit partners from state tax agencies and the broader tax community to add extra layers of security protection for the filing season. Throughout the year, the IRS issued news releases about scams and tax tips to bring awareness to taxpayers and tax professionals.
- Registered nearly 290,000 foreign financial institutions (FFIs) with the IRS and assigned a global intermediary identification number (GIIN) via the FFI Registration application. More than 6,500 financial institutions and 97 host country tax authorities enrolled in the International Data Exchange Service (IDES) to submit information returns required under the Foreign Account Tax Compliance Act (FATCA) to the IRS, and more than 550 qualified intermediaries (QIs) completed their online application via the QI application.

Return on Investment

The IRS remains one of the most cost-effective investments in the Federal Government. Financing the IRS supports an increase in revenue for the country. This unique and critical role is vital for the functioning of the U.S. Government and in keeping the nation and economy strong. In FY 2017, the IRS collected $3.4 trillion in tax revenue.

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. Congress appropriated a total of $11.2 billion for the IRS in FY 2017 and IRS enforcement programs collected $56.9 billion, for a return on investment (ROI) of about $5.1 for every $1 invested in the IRS. This ROI estimate is likely understated because it does not include the revenue effect of the deterrence value of these investments and other IRS enforcement programs or the effect of education and outreach on voluntary tax compliance.

Investment Labor Costing Methodology

The IRS uses a variety of methods to calculate the cost of its investments. Costs for investments that require labor funding are calculated by converting the workload to the number and type of staff (e.g., Revenue Agents, Revenue Officers, or Special Agents) needed to deliver targeted performance goals. Once the number of full-time equivalents (FTE) and type of staff are determined, the cost of the FTE is estimated using a Unit Cost Rate (UCR) calculator, a tool for projecting FTE salary and non-salary support costs and/or savings. The UCR calculator fully covers the salary, benefits, and support costs needed for each FTE.

Proposed FTE increases in the FY 2019 Budget assume an April 1 hire date, with the exception of front-line positions in Submission Processing and Account Management and Assistance - Electronic/Correspondence Assistance, which assume an October 1 hire date because they provide service to taxpayers during the filing season and can be brought on board faster than most other positions. These programs are not as dependent on the traditional hiring and training process as other IRS programs because they have a large existing seasonal workforce available to work additional hours to meet work demand. To fund the FTE requested in the Budget for a full year in FY 2020, including the program integrity investment, the IRS would need an additional $193 million and 1,792 FTE.

1.2 – Budget Adjustments Table

Dollars in thousands

Bureau: Internal Revenue Service		
Summary of Proposed FY 2019 Request	FTE	Amount
FY 2018 Annualized CR Level	**72,968**	**$11,158,703**
Changes to Base		
Maintaining Current Levels (MCLs)		**93,693**
Pay Annualization		38,727
Non-Pay Inflation Adjustment		54,966
Efficiencies/Savings	**(128)**	**(12,798)**
Increase e-File Savings	(128)	(6,797)
Space Optimization		(6,001)
Reinvestment		**12,798**
Support Aging IT Infrastructure		12,798
Subtotal FY 2019 Changes to Base	**(128)**	**$93,693**
FY 2019 Current Services	**72,840**	**$11,252,396**
Program Changes		
Program Decreases		
Actions to Achieve Workforce Management Goals	(2,307)	(138,524)
Realignment from BSM to Operations Support		(178,203)
Subtotal FY 2019 Program Decreases	**(2,307)**	**($316,727)**
Program Increases		
Stabilize, Secure and Transform IT Operations	**146**	**$181,305**
Strengthen Cyber Security	10	40,000
Identity Assurance - e-Authentication Enhancements and Authorization Integration	21	24,300
Aging Technology Infrastructure		39,000
Migration to Cloud Services		20,000
Stabilize IT Operations	115	58,005
Support Taxpayer Services and Online Account Activities	**126**	**$18,026**
Subtotal FY 2019 Program Increases	**272**	**$199,331**
Total FY 2019 Budget Request	**70,805**	**$11,135,000**

See footnotes in 1.1 – Appropriations Detail Table

1C – Base Adjustment and Program Changes Description

Resource Adjustment

Base Realignment for Support Services $0 / 0 FTE

The FY 2018 Annualized CR level of $11.159 billion assumes $220 million will be transferred from Enforcement to Operations Support in FY 2018 to cover recurring operations and maintenance costs. The IRS will submit a formal notification to Congress in its FY 2018 operating plan. In recognition of the recurring nature of these expenses, the Budget includes the $220 million in the FY 2019 current services or base estimate for Operations Support. The base captures the amount of resources needed to maintain services at FY 2018 levels.

In recent years, the IRS has relied on transfers from Enforcement to Operations Support to maintain core functions, information technology, and related support services for all IRS employees. These transfers have provided front-line employees with the tools, equipment, analytics, secure facilities, and technology support necessary to serve taxpayers.

Maintaining Current Levels (MCLs)……………………………. +$93,693,000 / 0 FTE

Pay Annualization +$38,727,000 / 0 FTE

Funds are requested for annualization of the January 2018 pay-raise.

Non-Pay +$54,966,000 / 0 FTE

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

Efficiencies and Savings…………………………………………-$12,798,000 / -128 FTE

Increase e-File Savings -$6,797,000 / -128 FTE

Over the past five years, with an increased focus on taxpayers filing electronically, the IRS saved about $14 million and 274 FTE from reduced paper returns and the corresponding FTE needed to work submission processing. The IRS projects the receipt of 1,902,000 fewer returns filed on paper in FY 2019 (1,301,700 individual and 600,300 business returns) than in FY 2018, saving approximately 128 FTE and $6.8 million.

Space Optimization -$6,001,000 / 0 FTE

The IRS will reduce expenditures on rent and improve usage of office space across the country. The IRS plans to reduce its real estate footprint by approximately 500,000 square feet by closing or consolidating space for estimated rent savings of $6 million in FY 2019.

Reinvestment…………………………………………………+$12,798,000 / 0 FTE

Supporting Aging IT Infrastructure +$12,798,000 / 0 FTE

Funding will be applied to refresh and replace critical IT infrastructure that has aged three to four times beyond industry standards for replacement. The IRS requires about $136 million to replace assets that have aged in the past fiscal year, and estimates every $10 million spent above $136 million will result in a one percent reduction of the aged assets. Thus, $12.8 million in addition to $136 million in planned spending within the base should allow for replacement of about 1.3 percent of aged assets. At the end of FY 2017 more than 59 percent of IRS hardware was past its useful life, compared to 64 percent at the end of FY 2016, and 32 percent of software was two or more releases behind the most current commercially available version. The reduction in FY 2017 is attributable to the availability and application of user fee funding and prior year expired balances. The management, maintenance, and ongoing enhancement of the IRS's information technology are central to the reliability of its operations, and to the successful accomplishment of its mission.

Program Decreases …………………………………...........-$316,727,000 / -2,307 FTE

Action to Achieve Workforce Management Goals -$138,524,000 / -2,307 FTE

This decrease is expected to lower the telephone Level of Service from an estimated 75 percent in FY 2018 to 47 percent in FY 2019. This decrease may delay the sorting and shipping of incoming mail within normal mail; delay responses to transcript requests and other paper receipts from taxpayers; and result in seasonal employees being placed into non-work status. Proposed investments in systems and online services will mitigate these effects to some extent.

Realignment from BSM to Operations Support -$178,203,000 / 0 FTE

The IRS will continue investing in modernizing systems with the proposed $110 million request for Business Systems Modernization. This decrease takes into account the projected $237 million in unobligated balances brought forward estimated to be available to support modernization in FY 2019 and the need to continue investing in IT infrastructure, security, and web services within Operations Support.

Program Increases..…..………….............................+$199,331,000 / +272 FTE

Stabilize, Secure and Transform IT Operations *+$181,305,000 / +146 FTE*

<u>Strengthen Cyber Security +$40,000,000 / +10 FTE</u>

Position Type/Other Costs	FTE	$000
Strengthen Cyber Security	10.00	$40,000
IT Specialist	10.00	1,712
Software & Hardware		10,329
Contractual Services		27,959
Total	10.00	$40,000

The IRS protects against more than one million cyber-attacks each day and operates strong network perimeter defenses to mitigate threats, detect vulnerabilities, and monitor network security. Sustained investments are required to protect against increasingly sophisticated adversaries while meeting taxpayer expectations for online services. The IRS will enhance network security via cyber-threat forensics, implementation of a comprehensive patch management system, and the adoption of government-wide information security continuous monitoring tools as part of a layered defense.

This investment will fund continued efforts to protect sensitive data by executing a multi-year plan to enhance security standards, configurations, and controls across the IRS's largely customized application portfolio and expansive inventory of end-of-life infrastructure assets. The IRS will leverage these funds to meet or exceed federal requirements governing confidentiality, integrity, and the availability of IRS systems, services, and data. In addition, the IRS will reduce security risks associated with aged cybersecurity infrastructure and enhance the effectiveness of cybersecurity in the following areas:

- **IT Security Safeguards**: Enables expanded capabilities and improved execution for the identification and mitigation of vulnerabilities across the disparate, geographically dispersed IRS technology infrastructure. These expanded safeguards are aimed at preventing inappropriate access to IRS systems, eliminating vulnerabilities that may be exploited internally or externally, and protecting sensitive information.
- **Continuous Monitoring and Advanced Threat Detection, Defense, and Response:** Improves threat detection, activity auditing, anomaly detection, forensic analytics, 24x7 monitoring, and technology solutions for voluminous data consumption, encrypted transport, storage, aggregation, correlation, and visualization.
- **Cybersecurity Infrastructure:** Replaces and updates cybersecurity infrastructure to provide a scalable architecture platform that addresses increased data demands to store, manage, and analyze significantly larger volumes of structured and unstructured data. This infrastructure platform is the foundation for cybersecurity data captured across the IRS used to secure the enterprise and prevent fraudulent activity.

Identity Assurance - e-Authentication Enhancements and Authorization Integration +$24,300,000 / +21 FTE

Position Type/Other Costs	FTE	$000
Identity Assurance - e-Authentication Enhancements and Authorization Integration	**21.00**	**$24,300**
IT Specialist	21.00	3,931
Software & Hardware		3,067
Contractual Services		17,302
Total	**21.00**	**$24,300**

Nearly all of the IRS's online services are dependent upon secure authentication and authorization processes: ensuring customers are who they say they are, and ensuring they are given the appropriate access to specific services or data. The IRS is facing a backlog of enhancements and defect fixes that are needed to ensure compliance and functionality. Secure Access (e-A3) is the registration and log-in mechanism (the front door) for taxpayers to access most online applications and is a critical cyber defense that prevents inappropriate access to taxpayer data. e-A3 helps taxpayers register for a Secure Access account and enables more taxpayers to use online applications.

This investment will continue efforts to make the log-in process more secure, user-friendly, and compliant with federal identity and security standards, and to develop new authorization capabilities to manage permissions to access customer data and information. This effort supports secure customer access through an integrated suite of capabilities, applied consistently across channels. Specific capabilities include:

- Enhanced ID proofing and authentication technology that will utilize internal IRS data (e.g., tax and information return data), third party trusted sources, and risk-based authentication (e.g., real-time decisions).
- Reporting capabilities will provide the tools and infrastructure to track and manage real time business performance metrics, fraud analytics, system performance results, and application usage information.
- Integration of e-Authentication data with data from other channels, such as phones, to perform analytics on the customer experience and fraud detection.
- Authorization capabilities to perform attribute-based access controls for third parties and tax professionals.
- e-Signature solution to provide the ability for authenticated taxpayers to electronically sign and submit returns, statements, and other documentation.
- Response and recovery capabilities and processes to respond to data breaches and fraud incidents.

Aging Technology Infrastructure +$39,000,000 / 0 FTE

Position Type/Other Costs	FTE	$000
Aging Technology Infrastructure		**$39,000**
Software & Hardware		37,050
Contractual Services		1,950
Total		**$39,000**

The IRS will use this funding to refresh and replace critical IT infrastructure. Regular maintenance and replacement reduces outages, expensive manual workarounds, support costs, security vulnerabilities, and dependency on contractors. The IRS's large infrastructure (hardware, software, and middleware) has aged three to four times beyond industry standards. Interrelated and interdependent infrastructure and systems often create a ripple effect of unpredictable outages and failures, which can undermine operations and core tax-administration responsibilities and put a valuable data cache at risk. This investment along with the proposed $12.8 million reinvestment of efficiency savings and base funding of $136 million will allow the IRS to reduce the percentage of hardware past its useful life from an estimated 59 percent in FY 2018 to 54 percent in FY 2019.

Migration to Cloud Services +$20,000,000 / 0 FTE

Position Type/Other Costs	FTE	$000
Migration to Cloud Services		**$20,000**
Contractual Services		20,000
Total		**$20,000**

Migrating to cloud computing service delivery models offers the promise of improved resource utilization and reduced costs, while streamlining IT operations. Allocating additional resources will enable the IRS to make progress on migrating to cloud computing service delivery models such as Software as a Service (SaaS), providing end users with the capability to utilize provider applications running on a cloud infrastructure; platform as a Service (PaaS), providing IRS end users with the capability to deploy onto the cloud infrastructure end user-created applications using programming languages and tools supported by the provider (e.g., java, python, .Net); infrastructure as a Service (IaaS), providing IRS end users with the capability to provision processing, storage, networks, and other fundamental computing resources where the end user is able to deploy and run arbitrary software, which can include operating systems (kernel) and software applications.

Stabilize IT Operations +$58,005,000 / +115 FTE

Position Type/Other Costs	FTE	$000
Stabilize IT Operations	**115.00**	**$58,005**
IT Specialist	115.00	58,005
Total	**115.00**	**$58,005**

The rapid, reliable production of IT capabilities is essential to taxpayers and stakeholders. To ensure both short and long-term success for both the IRS and taxpayers, the IRS must follow an operating model that focuses on developing innovative technology solutions in anticipation of ever-changing business drivers (taxpayer needs, legislative mandates, security threats, etc.).

This funding will be used in part to establish a new IT training and development program that will help the IRS assess employee skill sets, identify skill gaps, and train new and existing employees to fill those gaps and respond more quickly to new legislative requirements, the latest security practices, and new technology. Funding will also be used to establish communities of practice that will identify and promote best practices across IRS organizations and establish an immersive IT learning environment with on-the-job training, job shadowing, and employee coaching. These programs will be essential to addressing the

IT skills gap faced by the IRS and other federal agencies. Developing a resilient and talented IT workforce is essential to protecting IRS systems in the future.

Funding will be used to launch automated testing and continuous delivery systems. These systems will standardize the deployment and testing of new code throughout the IT ecosystem, which contains more than 400 applications; eliminate existing manual code transmittal processes that are costly and prone to human error; increase delivery quality and delivery speed; and establish automated rollbacks that would be triggered when testing fails.

Funding will be used to develop a comprehensive analytics strategy that will drive objective, data-driven decisions and improve performance measurement in IT; integrate disparate data sets from several isolated systems into a comprehensive platform that will allow the IRS to examine operational data in a broader context and provide valuable insights to improve IT operations; and setup an enterprise monitoring project that will allow systems administrators to identify potential performance problems before catastrophic failure occurs.

Support Taxpayer Services and Online Account Activities

Support Taxpayer Services and Enforcement through Account Management Support and Online Service Help Desk Activities (+$18,026,000 / +126 FTE)

The investment of $18 million and 126 FTE will support Taxpayer Service and Enforcement programs. Additional customer service representatives will help taxpayers troubleshoot collection, account management, and submission processing issues. These funds also will be used to hire additional Taxpayer Advocate Service (TAS) specialists to help taxpayers navigate issues and protect taxpayer rights.

Position Type/Other Costs	FTE	$000
Account Management Support for Audit and Collection Coverage	**57.00**	**$3,555**
Customer Service Representatives	31.00	2,096
Seasonal	24.00	1,308
Managers	2.00	151
Taxpayer Advocacy - Case Coverage	**9.00**	**$1,069**
TAS Specialist	9.00	1,069
Help Desk for Improve Identity Assurance Activities	**60.00**	**$13,402**
Program Analyst	15.00	2,246
Customer Service Representatives	45.00	3,203
Contractual Services		7,953
Total	**126.00**	**$18,026**

While the IRS has made significant strides in implementing Secure Access, there are many enhancements needed to improve success rates for taxpayers, reduce technical errors, refine business rules, improve monitoring capabilities, and integrate additional applications with the Secure Access process. This investment will include support for the e-Authentication Help Desk to assist taxpayers with establishing or accessing their online accounts.

1.3 – Operating Levels Table

Dollars in thousands

Internal Revenue Service Object Classification	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
11.1 Full-Time Permanent Positions	5,799,023	5,714,923	5,664,220
11.3 Other than Full-Time Permanent Positions	80,219	69,801	70,107
11.5 Other Personnel Compensation	196,095	208,697	207,397
11.8 Special Personal Services Payments	20,829	22,821	22,931
11.9 Personnel Compensation (Total)	**6,096,166**	**6,016,242**	**5,964,655**
12.1 Personnel Benefits	2,159,138	2,091,006	2,067,223
13.0 Benefits to Former Personnel	29,460	27,408	27,539
Total Personnel and Compensation Benefits	**$8,284,764**	**$8,134,656**	**$8,059,417**
21.0 Travel	77,431	88,619	90,644
22.0 Transportation of Things	18,666	23,916	24,381
23.1 Rental Payments to GSA	592,636	593,184	599,002
23.2 Rent Payments to Others	12,203	12,728	12,973
23.3 Communications, Utilities, & Misc	302,230	340,721	347,869
24.0 Printing & Reproduction	28,591	30,182	30,807
25.1 Advisory & Assistance Services	993,184	900,571	877,029
25.2 Other Services	88,616	95,667	96,897
25.3 Purchase of Goods & Services from Govt. Accounts	158,171	168,619	172,820
25.4 Operation & Maintenance of Facilities	195,912	180,602	184,511
25.5 Research & Development Contracts	21		
25.6 Medical Care	14,652	13,872	14,199
25.7 Operation & Maintenance of Equipment	37,919	78,741	79,586
26.0 Supplies and Materials	33,085	38,883	39,645
31.0 Equipment	333,784	407,293	454,143
32.0 Land and Structures	17,355	12,097	12,682
41.0 Grants, Subsidies	35,890	35,990	35,990
42.0 Insurance Claims & Indemnities	2,485	2,362	2,405
44.0 Refunds	6		
91.0 Unvouchered	7,399		
Total Non-Personnel	**$2,950,236**	**$3,024,047**	**$3,075,583**
New Appropriated Resources	**$11,235,000**	**$11,158,703**	**$11,135,000**
Appropriations			
Taxpayer Services	2,455,754	2,349,688	2,241,000
Enforcement	4,640,000	4,606,996	4,628,204
Operations Support	3,849,246	3,913,988	4,155,796
Business Systems Modernization	290,000	288,031	110,000
New Appropriated Resources	**$11,235,000**	**$11,158,703**	**$11,135,000**
FTE	**76,634**	**72,968**	**70,805**

See footnotes in 1.1 – Appropriations Detail Table

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, and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner,* ***$2,241,000,000****; of which not less than* ***$8,890,000*** *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; of which not less than $15,000,000, to remain available until September 30,* ***2020****, shall be available for a Community Volunteer Income Tax Assistance matching grants program for tax return preparation assistance;* **and** *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 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution. 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*	Making funding for the Tax Counseling for the Elderly Program equal to the FY 2017 enacted level.

U.S.C. 1343(b)), and to provide other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, ***$4,628,204,000****, of which not to exceed $50,000,000 shall remain available until September 30,* ***2020****, and of which not less than $60,257,000 shall be for the Interagency Crime and Drug Enforcement program:* ***Provided, That of the funds provided under this paragraph, $4,628,204,000 is provided to meet the terms of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.*** ***In addition, not less than $204,643,000 for tax activities under this heading, including tax compliance to address the Federal tax gap: Provided, That such amount is additional new budget authority for tax activities, including tax compliance to address the Federal tax gap, as specified for purposes of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.*** Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.	Language required for the proposed program integrity cap adjustment. More information about the cap adjustment can be found in section 4.1 – Appropriations Detail Table with Program Integrity Cap Adjustment of the Appendix and Budget Process Chapter of the FY 2019 President's Budget.
OPERATIONS SUPPORT *For necessary expenses of the Internal Revenue Service* ***to support taxpayer services and enforcement programs****, including rent payments; facilities services; printing; postage; physical security;* ***headquarters and other*** *IRS-wide* ***administration*** *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*	Revised to reflect the FY 2017 enacted language.

Commissioner; ***$4,155,796,000****, of which not to exceed* ***$250,000,000*** *shall remain available until September 30,* ***2020****; 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,* ***2021****, 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:* ***Provided further, That of the funds provided under this paragraph, $4,155,796,000 is provided to meet the terms of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.***	Increasing two-year authority from the $50 million cap in FY 2017 to $250 million 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; consistent with a recent recommendation from the Treasury Inspector General for Tax Administration (TIGTA), "While Improvements Continue in Contract Negotiation Methods and Management Practices, Inconsistencies Need to Be Addressed." Language required for the proposed program integrity cap adjustment. More information about the cap adjustment can be found in section 4.1 – Appropriations Detail Table with Program Integrity Cap Adjustment of the Appendix and Budget Process Chapter of the FY 2019 President's Budget.
In addition, not less than $156,928,000 for tax activities under this heading, including tax compliance to address the Federal tax gap: Provided, That such amount is additional new budget authority for tax activities, including tax compliance to address the Federal tax gap, as specified for purposes of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.	
Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account	

is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 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,* ***2021****, 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 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution. ADMINISTRATIVE PROVISIONS – INTERNAL REVENUE SERVICE (INCLUDING TRANSFER OF FUNDS) *SEC. 101. Not to exceed* ***10*** *percent of any appropriation made available in this Act to the Internal Revenue Service may be transferred to any*	Increasing transfer authority between IRS appropriations accounts from 5 percent to 10 percent, consistent with

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.*	recent recommendations from TIGTA (Audit #201620014).
*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, **2022**".*	Restoring Streamlined Critical Pay authority through September 30, 2022.

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".*	
SEC. 110. Notwithstanding any Congressional notification requirements for a reprogramming of funds in this Act, funds provided in this Act for the Internal Revenue Service shall be available for obligation and expenditure through a reprogramming of funds that augments or reduces existing programs, projects, or activities by up to $10,000,000 without prior Congressional notification of such action.	Providing authority to reprogram up to $10 million within appropriations accounts without formal notification procedures. This increase will allow the IRS to allocate funds to highest priority needs at end of fiscal year, including infrastructure, and respond to late-breaking workload and program demand changes.

1E – Legislative Proposals

Program Integrity Cap Adjustment

In addition to the base appropriations request of $11.135 billion, the Budget proposes a $362 million discretionary program integrity cap adjustment in FY 2019 to fund new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS's overall tax enforcement program. The Budget proposes $205 million for the Enforcement account and $157 million for the Operations Support account. It also proposes additional adjustments in future years to fund new initiatives and inflation. The proposed investments will generate approximately $44 billion in additional revenue over 10 years and will cost about $15 billion for net savings of $29 billion. Notably, this ROI is likely understated because it does not reflect the effect that enhanced enforcement has on deterring non-compliance. The deterrent effect helps to ensure the continued payment of over $3 trillion in taxes voluntarily paid each year. More information about the cap adjustment is found in section 4.1 – Appropriations Detail Table with Program Integrity Cap Adjustment of the Appendix and in the Budget Process Chapter of the FY 2019 President's Budget.

Streamlined Critical Pay Authority

The Budget proposes to reinstate Streamlined Critical Pay (SCP) authority for the IRS through September 30, 2022. The authority to make new SCP appointments expired September 30, 2013. This authority allowed the IRS to recruit and retain IT and other senior professionals and was limited to 40 positions. The IRS no longer employs any SCP appointees. The last SCP appointment expired on September 29, 2017. Without the renewal of SCP the IRS will continue to face challenges recruiting and retaining top talent in FY 2019, especially IT professionals who can help protect taxpayer data from cyber-attacks and who can assist with modernizing the IRS's IT infrastructure. To mitigate this issue, the IRS has carefully considered the Office of Personnel Management (OPM) existing government-wide Critical Position Pay (CPP) authority as an alternative to SCP. However, the CPP structure is limited.

Key benefits of SCP are:

- **Shortened Approval Timeline:** SCP appointments approved by the IRS Commissioner had an approval timeline of four to six weeks compared to the CPP approval process, which requires concurrence at the Secretary of the Treasury level and approval by OPM and has an approval timeline of four to six months.
- **Streamlined Justification Process:** The justification process is less extensive for SCP appointments, decreasing the amount of time an SES position is vacant. Currently, CPP SES positions can be vacant for several months to a year before being able to justify obtaining a CPP designation.
- **Expanded Salary Cap:** Under SCP authority, the IRS could pay up to the Vice President's salary ($240,100 in 2017). Under the CPP authority, the EX-I salary would cap at $207,800 in 2017.

According to TIGTA report 2015-IE-R001, *The Internal Revenue Service's Use of Its Streamlined Critical Pay Authority*, the IRS ran the SCP program effectively.

Correctable Error Authority

The Budget proposes to provide the IRS with greater flexibility to address errors on taxpayer returns. Under current law, when the IRS identifies certain mathematical and clerical errors or other specific irregularities on returns during processing, it automatically adjusts the return for the taxpayer. At various times, Congress has expanded this authority on a case-by-case basis. The IRS would be able to use its resources more effectively and efficiently through reducing improper payments and cutting down on the need for costly audits if Congress were to expand this authority to allow the IRS to correct returns for specific errors. The Administration's Budget proposes to permit the IRS to correct a taxpayer's return in cases where (1) the information provided by the taxpayer does not match the information contained in government databases; (2) the taxpayer has exceeded the lifetime limit for claiming a deduction or credit; or (3) the taxpayer has failed to include with his or her return certain documentation that is required by statute.

Increase Oversight of Paid Tax Return Preparers

Since 2011, the IRS has been blocked from enforcing regulations on the grounds that the IRS's authority to regulate practitioners is insufficient to permit regulation of tax return preparers who do not practice or represent taxpayers before an office of the Department of the Treasury. The Budget requests that the IRS be granted the authority to require minimum standards for an estimated 400,000 paid tax return preparers currently without credentials. Incompetent and dishonest return preparers increase collection costs, reduce revenues, disadvantage taxpayers by potentially subjecting them to penalties and interest as a result of incorrect returns, and undermine confidence in the tax system. The proposal would explicitly provide that the Secretary of the Treasury has the authority to regulate all paid tax return preparers.

More information about these proposals, outlay effects, and other tax policy issues can be found in the Federal Receipts and Budget Process chapters of the President's Budget.

1F - IRS Use of Evidence and Evaluation

The IRS continues to improve program performance by applying existing evidence about what works and by using research and innovation to improve program delivery.

Significant Accomplishments

Reducing Taxpayer Burden and Improving Compliance

- Post-Filing Model: The IRS has developed a model of the post-filing interactions between taxpayers and the IRS, accounting for various post-filing treatment streams with a focus on taxpayer burden, IRS costs, cycle time, and compliance outcomes. The IRS uses the model to inform the campus exam plan along with the design and analysis of non-filer outreach and enforcement treatments. The IRS is updating the underlying research study based on more recent taxpayer experience and is extending it to include corporate and partnership taxpayers.
- Behavioral Economics Research: The IRS is engaged in a set of pilots and research studies to improve its understanding of taxpayer behavior. These studies include outreach programs encouraging compliant participation in the Earned Income Tax Credit and the American Opportunities Tax Credit, filing compliance, and payment compliance.

Highest Priorities

Improving the Effectiveness of the IRS

- Evaluation of Statistics of Income (SOI) Major Programs: The IRS SOI office will continue evaluations of its income tax products, determine projected future needs, and identify areas of potential cost savings. Cost-saving measures include replacing or supplementing statistical files with information from IRS administrative records as well as identifying statistical files that could be discontinued.
- Creating More Accessible Statistics: SOI will continue to implement its comprehensive plan to modernize its public communications efforts. Completed initiatives include extensive data visualizations, social media outreach, and redesigned Tax Stats web pages. These efforts will provide more accessible data to the public and assist SOI in leading OMB data dissemination requirements.
- Redesign of Business Publications: SOI will complete a redesign of its business tax publications, which include data published for corporations and partnerships. The redesign will ensure compliance with new disclosure guidelines set forth in *Tax Information Security Guidelines for Federal, State and Local Agencies* (Publication 1075). SOI is working with customers, through public meetings, to ensure that the redesigned publications provide useful, comprehensive statistical data on businesses to the public while protecting taxpayer privacy. Researchers use this data extensively in evaluating current and proposed tax policy and estimating revenue. Additionally, the data is used by businesses for a wide range of analytics that support planning and marketing.

- Comprehensive Taxpayer Attitude Survey: SOI assumed responsibility for the Annual Comprehensive Taxpayer Attitude Survey, formerly conducted by the IRS Oversight Board. The survey collects information from a sample of taxpayers to gain insight into taxpayer views on voluntary compliance and IRS enforcement and taxpayer services.
- Submission Processing Center Realignment: In conjunction with the closure of select IRS Submission Processing Centers, SOI is leading a Research, Applied Analytics & Statistics (RAAS)-wide effort to realign the processing of its statistical samples among the remaining centers. This includes a comprehensive effort to realize cost savings while still maintaining the quality and integrity of data collected for SOI's statistical samples.
- SOI Releases: In FY 2017, SOI released more than 200 additional tables containing detailed information on a wide range of topics. These included the Tax Year 2014 Individual Income Tax Percentile tables. The percentile tables present the number of returns, adjusted gross income, selected income items, credits, total income tax, and average tax rates tabulated by selected percentile classes and provide useful information on individual taxpayers to the public. For Tax Year 2014, the percentile tables include a new classification at the .001 percentile level – which in 2014 represented the top 1,396 returns. SOI's other releases include updated statistical tables for sole proprietorships, estates, tax-exempt organizations and bonds, and international taxpayers and entities.

Section II – Budget and Performance Plan

Treasury Strategic Objectives and Agency Priority Goals

The Budget supports the following Department of the Treasury Strategic Objectives for FY 2018 – 2022 and Agency Priority Goals for FY 2018 – 2019 for all appropriations:

- **Strategic Goal 1:** Boost U.S. Economic Growth, Strategic Objective 1.1: Tax Law Implementation: Administer tax law to better enable all taxpayers to meet their obligations, while protecting the integrity of the tax system.
- **Strategic Goal 4:** Transform Government-wide Financial Stewardship, Strategic Objective 4.1: Financial Data Access/Use: Increase the access and use of federal financial data to strengthen government-wide decision-making, transparency, and accountability.
- **Strategic Goal 5:** Achieve Operational Excellence, Strategic Objectives 5.1 – 5.3:
    - 5.1 Workforce Management: Foster a culture of innovation to hire, engage, develop, and optimize a diverse workforce with the competencies necessary to accomplish our mission.
    - 5.2 Treasury Infrastructure: Better enable mission delivery by improving the reliability, security, and resiliency of Treasury's infrastructure.
    - 5.3 Customer Value: Improve customer value by increasing the quality and lowering the cost of Treasury's products and services.
- **Agency Priority Goal (aligned to strategic objective 1.1):** Reduce the amount of unprotected identity theft tax refunds paid by two percent by December 21, 2019.

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 2019 is $2,241,000,000 in direct appropriations and 24,668 FTE. This is a decrease of $108,688,000, or 4.63 percent, and 2,309 fewer or 8.56 percent FTE than the FY 2018 Annualized Continuing Resolution level of $2,349,688,000 and 26,977 FTE.

2.1 – Budget Adjustments Table

Dollars in thousands

Taxpayer Services Summary of Proposed FY 2019 Request	FTE	Amount
FY 2018 Annualized CR Level	**26,977**	**$2,349,688**
Changes to Base		
Maintaining Current Levels (MCLs)		**$13,115**
Pay Annualization		9,697
Non-Pay Inflation Adjustment		3,418
Efficiencies/Savings	**(128)**	**(6,695)**
Increase e-File Savings	(128)	(6,695)
Space Optimization		
Subtotal FY 2019 Changes to Base	**(128)**	**$6,420**
FY 2019 Current Services	**26,849**	**$2,356,108**
Program Changes		
Program Decreases		
Actions to Achieve Workforce Management Goals	(2,307)	(133,134)
Subtotal FY 2019 Program Decreases	**(2,307)**	**($133,134)**
Program Increases		
Support Taxpayer Services and Online Account Activities	126	$18,026
Subtotal FY 2019 Program Increases	**126**	**$18,026**
Total FY 2019 Budget Request	**24,668**	**$2,241,000**

See footnotes in 1.1 – Appropriations Detail Table

2.2 – Operating Levels Table

Dollars in thousands

Taxpayer Services Object Classification	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
11.1 Full-Time Permanent Positions	1,550,096	1,489,599	1,404,152
11.3 Other than Full-Time Permanent Positions	42,746	31,576	31,727
11.5 Other Personnel Compensation	64,728	71,928	72,297
11.8 Special Personal Services Payments	1		
11.9 Personnel Compensation (Total)	**1,657,571**	**1,593,103**	**1,508,176**
12.1 Personnel Benefits	605,966	550,994	515,458
13.0 Benefits to Former Personnel	28,829	26,818	26,946
Total Personnel and Compensation Benefits	**$2,292,366**	**$2,170,915**	**$2,050,580**
21.0 Travel	9,332	11,204	11,727
22.0 Transportation of Things	678	633	648
23.3 Communications, Utilities, & Misc	1,254	1,187	1,216
24.0 Printing & Reproduction	8,964	9,410	9,610
25.1 Advisory & Assistance Services	37,073	40,590	49,514
25.2 Other Services	7,369	13,568	13,943
25.3 Purchase of Goods & Services from Govt. Accounts	57,389	59,051	60,483
25.4 Operation & Maintenance of Facilities	62	50	51
25.7 Operation & Maintenance of Equipment	83	234	240
26.0 Supplies and Materials	4,643	6,249	6,378
31.0 Equipment	281	119	121
32.0 Land and Structures			
41.0 Grants, Subsidies	35,890	35,990	35,990
42.0 Insurance Claims & Indemnities	370	488	499
Total Non-Personnel	**$163,388**	**$178,773**	**$190,420**
New Appropriated Resources	**$2,455,754**	**$2,349,688**	**$2,241,000**
Budget Activities			
Pre-filing Taxpayer Assistance & Education	607,043	603,424	607,753
Filing & Account Services	1,848,711	1,746,264	1,633,247
New Appropriated Resources	**$2,455,754**	**$2,349,688**	**$2,241,000**
FTE	**28,692**	**26,977**	**24,668**

See footnotes in 1.1 – Appropriations Detail Table

2.3 – Appropriation Detail Table

Dollars in thousands

Taxpayer Services Appropriated Resources	FY 2017 Enacted		FY 2018 Annualized CR		FY 2019 Request		Change FY 2018 to FY 2019 Request		% Change FY 2018 to FY 2019 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Pre-Filing Taxpayer Assistance and Education	4,700	$607,043	4,451	603,424	4,460	607,753	9	4,329	0.20%	0.72%
Filing and Account Services	23,992	1,848,711	22,526	1,746,264	20,208	1,633,247	(2,318)	(113,017)	-10.29%	-6.47%
Subtotal New Appropriated Resources	**28,692**	**$2,455,754**	**26,977**	**$2,349,688**	**24,668**	**$2,241,000**	**(2,309)**	**($108,688)**	**-8.56%**	**-4.63%**
Other Resources:										
Reimbursables	708	62,798	895	74,359	423	36,756	(472)	(37,603)	-52.74%	-50.57%
User Fees	71	3,900	75	68,100	71	67,900	(4)	(200)	-5.33%	-0.29%
Recovery from Prior Years		1								
Unobligated Balances from Prior Years		10,250	827	45,900		5,000	(827)	(40,900)	-100.00%	-89.11%
Subtotal Other Resources	**779**	**$76,949**	**1,797**	**$188,359**	**494**	**$109,656**	**(1,303)**	**($78,703)**	**-72.51%**	**-41.78%**
Total Budgetary Resources	**29,471**	**$2,532,703**	**28,774**	**$2,538,047**	**25,162**	**$2,350,656**	**(3,612)**	**($187,391)**	**-12.55%**	**-7.38%**

[1]See footnotes in 11– Appropriations Detail Table

2A – Pre-Filing Taxpayer Assistance and Education *($607,753,000 in direct appropriations, and an estimated $1,237,000 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 2017, the IRS delivered 93.1 percent of the Critical Individual Filing Season Tax Products to the public timely (defined as no later than the fifth workday of January) exceeding the target of 89 percent. There were no expired provisions for this year as there had been the preceding year and the IRS did not have to implement new tax legislation, which allowed Media & Publications (M&P) to finish products earlier than anticipated. M&P prioritized critical tax products to ensure they would be available to taxpayers by the start of filing season. For FY 2018 and FY 2019, the IRS will maintain a target of 89 percent because of the significant workload resulting from the Tax Cuts and Jobs Act (Public Law 115-97).

In FY 2017, the IRS Timeliness of Critical TE/GE and Business Filing Season Tax products to the Public was 96.7 percent, exceeding the target of 91 percent. To meet future targets, the IRS will plan, monitor, and coordinate all product development and delivery activities. The IRS also will continue to evaluate processes so that mitigation strategies can be implemented. In FY 2018 and FY 2019, the IRS expects to achieve a target of 91 percent for Critical Tax Exempt & Government Entities and Business Tax Products to the Public. For FY 2018 and FY 2019, the IRS will maintain a target of 91 percent because of the significant workload resulting from the Tax Cuts and Jobs Act (Public Law 115-97).

Beginning in FY 2017, the Taxpayer Self Assistance Rate was replaced with a revised metric, the Enterprise Self Assistance Participation Rate. This metric reports the percentage of taxpayer requests resolved using self-assisted automated services. The new measure reached 79 percent and was used as an indicator for FY 2017. The revised metric now includes additional applications including *Get Transcript* and payment applications such as *Direct Pay* and *Online Payment Agreement*. As the IRS provides new self-service applications to the public, they will be added to the list of applications included in the Enterprise Self Assistance Participation Rate. The metric will continue as an indicator in FY 2018 and FY 2019.

FY 2019 Changes by Budget Activity

Dollars in thousands

Pre-Filing Taxpayer Assistance & Education	FTE	Amount
FY 2018 Annualized CR Level	**4,451**	**$603,424**
Changes to Base		
Maintaining Current Levels (MCLs)		**$3,260**
Pay Annualization		2,568
Non-Pay		692
Subtotal FY 2019 Changes to Base		**$3,260**
FY 2019 Current Services	**4,451**	**$606,684**
Program Changes		
Program Increases		
Support Taxpayer Services and Online Account Activities	9	1,069
Subtotal FY 2019 Program Increases	**9**	**$1,069**
Total FY 2019 Request	**4,460**	**$607,753**

See footnotes in 1.1 – Appropriations Detail Table

2.1.1 – Budget and Performance Report and Plan

Dollars in thousands

Pre-Filing Taxpayer Assistance & Education Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources[1]	$586,896	$595,168	$609,196	$609,445	$607,043	$603,424	$607,753
Reimbursable Resources[2]		45	51	13	4	1,178	1,237
User Fees[2]	6,400	22,400	4,141				
Budget Activity Total	**$593,296**	**$617,613**	**$613,388**	**$609,458**	**$607,047**	**$604,602**	**$608,990**

[1]The FY 2013 - FY 2017 appropriated resources line represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2013 - FY 2017 columns represent realized resources for reimbursables and user fees.

Pre-Filing Taxpayer Assistance & Education Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Timeliness of Critical Filing Season Tax Products to the Public (Ot)	58.9%	99.1%	89.0%	92.5%	93.1%	89.0%	89.0%	89.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public (Ot)	83.6%	98.7%	92.6%	98.0%	96.7%	91.0%	91.0%	91.0%
Enterprise Taxpayer Self-Assistance Rate (E) (L)[1]	83.3%	84.7%	88.7%	89.0%	79.0%	Indicator	Indicator	Indicator

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and L - Long Term Goal

[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. The IRS saw taxpayer behavior changes in 2017 due to the PATH Act (re: refund hold) and expects to see additional impacts in 2018 due to tax reform; in addition, the IRS continues to evaluate the impact of changes to the web services measure.

2B – Filing and Account Services *($1,633,247,000 in direct appropriations, an estimated $35,519,000 from reimbursable programs, and an estimated $67,900,000 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 (more than 90 percent of individual returns were filed electronically during the 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) interests 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 2017, the IRS achieved an 86.9 percent individual e-file rate and a 52.9 percent business e-file rate, falling slightly short of 87 percent individual e-file rate target and exceeding the 51 percent target for business returns. 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 promoting the benefits of e-filing via social media. The IRS will increase the individual e-file rate target to 88 percent and 89 percent for FY 2018 and FY 2019, respectively. The business e-file rate target will be increased to 54 percent for FY 2018 and 56 percent for FY 2019.

In FY 2017, Customer Accuracy – Tax Law was 96.7 percent, exceeding the target of 95 percent. This measure reflects the percentage of correct answers given by a live assistor on toll-free tax law inquiries. The IRS will continue to monitor results through data driven analysis of reports obtained from the Embedded Quality Review System (EQRS). The IRS will continue to hold weekly conference calls throughout the year to discuss quality defects/errors and procedures to ensure the target is met. For FY 2018 and FY 2019, the IRS will keep the tax law accuracy target at 95 percent, although the Tax Cut and Jobs Act (Public Law 115-97) may affect performance.

In FY 2017, the IRS correctly answered 96 percent of account questions over the telephone, exceeding the target of 95 percent. The IRS expects to maintain high performance on the

Customer Accuracy – Accounts (Phones) and achieve the FY 2018 and FY 2019 target of 95 percent.

In FY 2017, the IRS Customer Contacts Resolved per Staff Year reached 25,535. This measure includes activities such as automated and assistor calls answered and web services completed. 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: the way IRS counts transcripts, from "requested" to now counting "delivered;" the addition of *Get Transcript*; and the discontinuation of Electronic Interactions. Taxpayer behavior changes were observed in 2017 following the PATH Act (re: refund hold), and the IRS expects to see additional effects in 2018 and in 2019 due to tax reform. The IRS also continues to evaluate the impact of changes to the web services measure in FY 2017. The measure will be rebaselined for FY 2018.

In FY 2017, the Customer Service Representative Level of Service (LOS) was 77.1 percent, exceeding the target of 64 percent. Level of Service was better than expected because fewer taxpayers called the IRS. Overall, the volume of callers to IRS toll free customer service was 29 percent lower compared to FY 2016. IRS attributes the reduction in volume to the "Get Ready" communication campaign delivered throughout the fall of 2016. The IRS is using this approach in FY 2018. The IRS will continue to create detailed forecasts of expected telephone and correspondence demand and will monitor those projections against actual results. Staff will be shifted between telephones and paper processing as needed to achieve the planned goals. The FY 2018 LOS target is 75 percent. This target includes funding from discretionary base appropriations and $58 million from user fees. The FY 2019 target is 47 percent and assumes at least $58 million from user fees. The 2019 filing season LOS is projected to be 55 percent. These targets take into account the potential impact of the Tax Cuts and Jobs Act (Public Law 115-97) on demand, which is still being evaluated. The IRS will develop more detailed user fee spend plans in FY 2018 and FY 2019 to address enacted funding levels and respond to changes in requirements.

In FY 2017, Refund Timeliness reached 98.4 percent, exceeding the target of 97 percent as the number of paper refunds continued to decline as more taxpayers file electronically. During FY 2017, the IRS received 201 million tax returns and issued refunds and outlays totaling $467 billion. The IRS will continue to monitor individual return cycles and inventories to ensure targets are met. For FY 2018 and FY 2019, the IRS expects to achieve a target of 97 percent.

FY 2019 Changes by Budget Activity

Dollars in thousands

Filing and Account Services	FTE	Amount
FY 2018 Annualized CR Level	**22,526**	**$1,746,264**
Changes to Base		
Maintaining Current Levels (MCLs)		**$9,855**
Pay Annualization		7,129
Non-Pay		2,726
Efficiency/Savings	**(128)**	**($6,695)**
Increase e-File Savings	(128)	(6,695)
Subtotal FY 2019 Changes to Base	**(128)**	**$3,160**
FY 2019 Current Services	**22,398**	**$1,749,424**
Program Changes		
Program Decreases		
Actions to Achieve Workforce Management Goals	(2,307)	(133,134)
Subtotal FY 2019 Program Decreases	**(2,307)**	**($133,134)**
Program Increases		
Support Taxpayer Services and Online Account Activities	117	16,957
Subtotal FY 2019 Program Increases	**117**	**$16,957**
Total FY 2019 Request	**20,208**	**$1,633,247**

See footnotes in 1.1 – Appropriations Detail Table

2.1.2 – Budget and Performance Report and Plan

Dollars in thousands

Filing and Account Services Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources[1]	$1,532,963	$1,550,027	$1,564,488	$1,712,511	$1,848,711	$1,746,264	$1,633,247
Reimbursable Resources[2]	37,535	28,555	30,147	34,905	62,794	73,181	35,519
User Fees[2]	184,599	160,342	40,553	69,987	3,900	68,100	67,900
Budget Activity Total	**$1,755,097**	**$1,738,924**	**$1,635,188**	**$1,817,403**	**$1,915,405**	**$1,887,545**	**$1,736,666**

[1]The FY 2013 - FY 2017 appropriated resources line represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2013 - FY 2017 columns represent realized resources for reimbursables and user fees.

Filing and Account Services Measures	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Percent Individual Returns Processed Electronically (Oe) (L)	82.5%	84.1%	85.3%	86.4%	86.9%	87.0%	88.0%	89.0%
Percent of Business Returns Processed Electronically (Oe) (L)	40.2%	43.1%	47.0%	50.0%	52.9%	51.0%	54.0%	56.0%
Customer Accuracy - Tax Law (Phones) (Ot)	95.7%	95.0%	95.0%	96.4%	96.7%	95.0%	95.0%	95.0%
Customer Accuracy - Accounts (Phones) (Ot)	96.0%	96.2%	95.5%	96.1%	96.0%	95.0%	95.0%	95.0%
Customer Contacts Resolved per Staff Year (E)[12]	20,767	21,018	26,245	28,497	25,535	Baseline	Baseline	TBD
Customer Service Representative Level of Service (Oe) (L)[34]	60.5%	64.4%	38.1%	53.4%	77.1%	64.0%	75.0%	47.0%
Refund Timeliness - Individual (Paper) (Ot)	99.0%	98.7%	98.8%	98.7%	98.4%	97.0%	97.0%	97.0%

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and L - Long Term Goal

[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]Starting in FY 2017, the IRS modified the Customer Contacts Resolved per Staff Year (CCRPSY) measure to include additional self-service channels. As new self-assistance applications are provided to the public, they will be added to the methodology. The IRS saw taxpayer behavior changes in 2017 due to the PATH Act (re: refund hold) and expects to see additional impacts in 2018 due to tax reform; in addition, the IRS continues to evaluate the impact of changes to the web services measure. CCRPSY will be rebaselined for FY 2018.

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

[4]Based on an updated assumption of IRS's FY 2018 funding level, expected LOS is 75%.

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 2019 is $4,628,204,000 in direct appropriations and 34,662 FTE, excluding the proposed program integrity cap adjustment. This is an increase of $21,208,000, or 0.46 percent above the FY 2018 Annualized Continuing Resolution level of $4,606,996,000 and 34,662 FTE.

2.1 – Budget Adjustments Table

Dollars in thousands

Enforcement Summary of Proposed FY 2019 Request	FTE	Amount
FY 2018 Annualized CR Level	**34,662**	**$4,606,996**
Changes to Base		
Maintaining Current Levels (MCLs)		**$26,598**
Pay Annualization		21,035
Non-Pay Inflation Adjustment		5,563
Subtotal FY 2019 Changes to Base		**$26,598**
FY 2019 Current Services	**34,662**	**$4,633,594**
Program Changes		
Program Decreases		
Actions to Achieve Workforce Management Goals		(5,390)
Subtotal FY 2019 Program Decreases		**($5,390)**
Total FY 2019 Budget Request	**34,662**	**$4,628,204**

See footnotes in 1.1 – Appropriations Detail Table

2.2 – Operating Levels Table

Dollars in thousands

Enforcement Object Classification	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
11.1 Full-Time Permanent Positions	3,087,675	3,008,283	3,022,409
11.3 Other than Full-Time Permanent Positions	30,293	30,585	30,732
11.5 Other Personnel Compensation	109,767	112,910	110,611
11.8 Special Personal Services Payments	20,604	22,591	22,700
11.9 Personnel Compensation (Total)	**3,248,339**	**3,174,369**	**3,186,452**
12.1 Personnel Benefits	1,167,137	1,137,487	1,142,824
13.0 Benefits to Former Personnel	572	534	537
Total Personnel and Compensation Benefits	**$4,416,048**	**$4,312,390**	**$4,329,813**
21.0 Travel	56,428	60,170	61,124
22.0 Transportation of Things	7,838	8,314	8,445
23.1 Rental Payments to GSA	4	9	9
23.2 Rent Payments to Others	298	361	367
23.3 Communications, Utilities, & Misc	2,523	2,294	2,330
24.0 Printing & Reproduction	1,951	2,237	2,273
25.1 Advisory & Assistance Services	59,335	113,903	115,838
25.2 Other Services	31,556	39,437	39,047
25.3 Purchase of Goods & Services from Govt. Accounts	24,780	33,007	33,531
25.4 Operation & Maintenance of Facilities	13	13	13
25.6 Medical Care	49	7	7
25.7 Operation & Maintenance of Equipment	1,500	2,761	2,805
26.0 Supplies and Materials	20,210	23,354	23,725
31.0 Equipment	8,408	7,532	7,651
32.0 Land and Structures	449	3	3
42.0 Insurance Claims & Indemnities	1,205	1,204	1,223
44.0 Refunds	6		
91.0 Unvouchered	7,399		
Total Non-Personnel	**$223,952**	**$294,606**	**$298,391**
New Appropriated Resources	**$4,640,000**	**$4,606,996**	**$4,628,204**
Budget Activities			
Investigations	595,206	576,802	578,949
Exam & Collections	3,914,546	3,874,918	3,893,373
Regulatory	130,248	155,276	155,882
New Appropriated Resources	**$4,640,000**	**$4,606,996**	**$4,628,204**
FTE	**36,550**	**34,662**	**34,662**

See footnotes in 1.1 – Appropriations Detail Table

2.3 – Appropriation Detail Table

Dollars in thousands

Enforcement Appropriated Resources	FY 2017 Enacted		FY 2018 Annualized CR		FY 2019 Request		Change FY 2018 to FY 2019 Request		% Change FY 2018 to FY 2019 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Investigations	3,079	$595,206	2,913	576,802	2,913	578,949		2,147		0.37%
Exam and Collections	32,602	3,914,546	30,811	3,874,918	30,811	3,893,373		18,455		0.48%
Regulatory	869	130,248	938	155,276	938	155,882		606		0.39%
Subtotal New Appropriated Resources	**36,550**	**$4,640,000**	**34,662**	**$4,606,996**	**34,662**	**$4,628,204**		**$21,208**		**0.46%**
Other Resources:										
Reimbursables	59	34,228	53	33,566	55	33,932	2	366	3.77%	1.09%
Offsetting Collections - Non Reimbursables		16,407		16,407		17,227		820		5.00%
User Fees	90	9,537								
Recovery from Prior Years		77		2,983		2,964		(19)		-0.64%
Unobligated Balances from Prior Years	2	47,900		26,577		30,607		4,030		15.16%
Transfers In/Out		17								
Resources from Other Accounts[7]	1		1		1					
Subtotal Other Resources	**152**	**$108,166**	**54**	**$79,533**	**56**	**$84,730**	**2**	**$5,197**	**3.70%**	**6.53%**
Total Budgetary Resources	**36,702**	**$4,748,166**	**34,716**	**$4,686,529**	**34,718**	**$4,712,934**	**2**	**$26,405**	**0.01%**	**0.56%**

[1]See footnotes in 1.1– Appropriations Detail Table

2C – Investigations *($578,949,000 in direct appropriations, and an estimated $32,769,000 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.
- *Identity Theft* supports the Stolen Identity Refund Fraud (SIRF) inherent risks while focusing on high impact tax investigations, prosecutions to maximize deterrence, and stopping fraudulent refunds from being issued through CI's collaboration with internal and external business partners.
- *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 involving both legal and illegal sources of income and recommends prosecution as warranted. This includes the investigation and prosecution of tax and money-laundering violations associated with narcotics organizations.
- *Criminal Tax Legal Support* provides legal advice and support.
- *International Investigations* supports international investigations involving U.S. citizens residing abroad, non-resident aliens, expatriates (U.S. citizens living abroad who have renounced their citizenship), 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.).
- *Cybersecurity* supports CI's cyber-efforts around inherent risks to IRS networks and systems while focusing enforcement and investigative actions on the criminals that

pose those threats. This activity also supports security program management that protects the safeguarding of all data and systems within CI while adhering to all federal regulatory security compliance mandates and local security policies.

Description of Performance

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. The following measures are used to evaluate the success of achieving its mission.

In FY 2017, CI completed 3,089 criminal investigations, missing the year-end target by 0.4 percent. The number of completions decreased 17 percent from FY 2016. CI has experienced a steady decrease in the number of special agents available to work cases (due to attrition and limited hiring) as well as a continued focus on existing judicial process inventory and traditional tax case programs, which tend to have a higher cycle time. Consequently, cases of Legal, Illegal and Narcotics nature completed decreased (22.5 percent, 13.2 percent and 12.3 percent, respectively) compared to the same period in FY 2016. Due to staffing, the IRS lowered its FY 2018 target to 3,000 completed investigations and 2,900 for FY 2019.

In FY 2017, the target of 2,100 was achieved but the number of convictions was 13.9 percent lower than FY 2016 (2,300 vs. 2,672) due to attrition and limited hiring. 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 work with the DOJ Tax Division and U.S. Attorney Offices regarding prosecutorial priorities and the appropriate movement of pipeline investigations. The IRS expects to achieve its target of 1,900 convictions for FY 2018 and 1,800 for FY 2019.

The FY 2017 conviction rate was slightly lower than FY 2016 (91.5 percent vs. 92.1 percent), and below the year-end target of 92 percent due to attrition in upstream investigative positions, case complexity, and bandwidth at partner agencies. Nevertheless, appropriate case selection and effective field performance continue to positively affect the number of cases resulting in convictions and likely prevented a greater decrease in the rate. Acquittals and dismissals decreased by 20 percent and 5.7 percent, respectively, compared to FY 2016. Since CI does not prosecute its own cases, it must depend on the ability of the DOJ to accept its cases for prosecution and to move such cases through the courts. CI management will continue its current efforts of appropriate and consistent contact with DOJ Tax Division and U.S. Attorney Offices regarding prosecutorial priorities and the appropriate movement of pipeline investigations to ensure a high rate of conviction and to meet the FY 2018 and FY 2019 targets of 92 percent.

FY 2019 Changes by Budget Activity

Dollars in thousands

Investigations	FTE	Amount
FY 2018 Annualized CR Level	**2,913**	**$576,802**
Changes to Base		
Maintaining Current Levels (MCLs)		**$3,494**
Pay Annualization		2,575
Non-Pay		919
Subtotal FY 2019 Changes to Base		**$3,494**
FY 2019 Current Services	**2,913**	**$580,296**
Program Changes		
Program Decreases		
Actions to Achieve Workforce Management Goals		(1,347)
Subtotal FY 2019 Program Decreases		**($1,347)**
Total FY 2019 Request	**2,913**	**$578,949**

See footnotes in 1.1 – Appropriations Detail Table

2.1.3 – Budget and Performance Report and Plan

Dollars in thousands

Investigations Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources[1]	$587,932	$601,740	$601,665	$591,449	$595,206	$576,802	$578,949
Reimbursable Resources[2]	28,582	27,133	29,957	29,053	33,618	31,209	32,769
User Fees[2]	2,979						
Budget Activity Total	**$619,493**	**$628,873**	**$631,622**	**$620,502**	**$628,824**	**$608,011**	**$611,718**

[1] 1The FY 2013 - FY 2017 appropriated resources line represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2] The FY 2013 - FY 2017 columns represent realized resources for reimbursables and user fees.

Investigations Measures	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Criminal Investigations Completed (Ot) (L)	5,557	4,606	4,486	3,721	3,089	3,100	3,000	2,900
Number of Convictions (Oe) (L)	3,311	3,110	2,879	2,672	2,300	2,100	1,900	1,800
Conviction Rate (Oe) (L)	93.1%	93.4%	93.2%	92.1%	91.5%	92.0%	92.0%	92.0%

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot -

2D – Exam and Collections *($3,893,373,000 in direct appropriations and an estimated $986,000 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 (U.S. citizens living abroad who have renounced their citizenship), 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.

- *Integrity & Verification Operations* supports civil fraud detection and prevention efforts in a pre-refund environment including monitoring performance and developing policy, procedures, and guidance for processing civil revenue protection programs.
- *ID Theft Victim Assistance* has end-to-end responsibility and accountability for identity theft 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 compliance with disclosure and privacy laws.

Description of Performance – Exam

The Examination program provides taxpayers service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness. The performance goals the IRS uses to gauge the Examination program's performance are:

Individual Exam Coverage: target of 0.6 percent was met in FY 2017. About 120,000 fewer individual audits were completed, an 11.6 percent decrease compared to FY 2016. 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 will maintain a target of 0.6 percent for FY 2018 and FY 2019.

Field Exam National Quality Review Score: 85 percent in FY 2017, below the target of 86.7 percent. The loss of experienced employees, cases transferred from examiner to examiner when employees leave their position, and the loss of permanent front-line managers are all factors that create quality challenges. To facilitate improvement in FY 2018, Exam is forming a joint quality team to analyze quality data trends and the influence of organization changes on quality scores. FY 2018 commitments proposed for Territory and Group Managers include refresher training on both Exam Technical Time Reports and Exam Process Reviews, as well as focused exam quality narratives on the lowest scoring attributes. The Small Business Self Employed (SB/SE) division also plans to implement an area-wide risk assessment to determine appropriate actions (i.e., close/reassign) upon case reassignment. It is expected that developing and communicating guidance at the group level will improve quality and customer satisfaction. Based on the most recent data and staffing, the IRS will set the FY 2018 target at 84.4 percent and the FY 2019 target at 86.7 percent.

Office Exam Quality: 87.9 percent in FY 2017, above the target of 86.7. Improvement efforts included delivery of educational workshops, completion of case closing check sheets and the use of job aids. The IRS will maintain the FY 2018 target of 86.7 percent and will increase the FY 2019 target to 88.3 percent.

The Examination Quality – Large Business: 78 percent in FY 2017, 12 percentage points below the target of 90 percent. The 78 percent was a result of low scores in all three audit standards. The Large Business & International (LB&I) Quality Review and Analysis (QRA) division established a core team to develop and implement an action plan to assist the field examination operations in preparing quality case work in accordance with the Internal Revenue Manual. Many of the actions in the plan have already been implemented, including briefing all directors of Field Operations (DFOs) on scoring methodology and areas to focus on for improvement; preparing a quality kick-off memo from the LB&I Commissioner to emphasize the importance of quality review; drafting performance commitments for the DFO, territory manager, and frontline managers that incorporates case quality improvements; and providing briefings and educational presentations at field level meetings. Several other activities are underway, including a collaboration with statisticians from Research, Applied Analytics and Statistics to review and update the sampling methodology to improve accuracy. The FY 2018 and FY 2019 target is 90 percent.

The Examination Coverage – Business (Assets > $10 million) 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. In FY 2017, Business Examination Coverage was 2.5 percent, below the target of 2.7 percent. Two factors combined to cause the coverage rate shortfall: 1) the actual number of return filings used in the denominator of the coverage rate calculation increased by 6 percent from original projection, resulting in a decrease of 0.1 percent in the coverage rate; 2) the number of closed large business returns was 1.5 percent less than had been projected and accounts for the remaining decrease of 0.1 percent in the coverage rate. A decline in closures of the largest corporations was the primary cause of this decrease. The IRS will lower the FY 2018 target to 2.4 percent and FY 2019 target to 1.8 percent, based on a 3 percent increase in projected return filings and a reduction in planned closures to account for taxpayers and agents affected by the hurricane disaster area declarations. Due to the recent hurricanes, tax returns for impacted taxpayers were placed in a freeze status prohibiting examination activity on these identified taxpayers until after January 31, 2018. To account for this five month suspension, 1.8 percent of the returns projected to close in FY 2018 will be delayed until FY 2019. At the same time, because employees that work in the declared disaster areas from the hurricanes were not available to start examinations, fewer returns were started that will be available to close for FY 2018. An additional decrease in the FY 2019 target is driven by a reduction in projected staffing from FY 2018 to FY 2019 of 6 percent.

Individual Exam Efficiency (the number of closures divided by total Exam FTE) was 121, exceeding the FY 2017 target of 118. Based on prior year hiring and the most current FTE data available assuming no attrition or overtime, the IRS will raise the Individual Exam Efficiency target to 134 for FY 2018 and 129 for FY 2019.

Automated Underreporter (AUR) Efficiency was 2,188 in FY 2017, exceeding the year-end target of 2,133. Although total AUR closures and FTEs decreased 5.2 percent and 4.9 percent, respectively, compared to last year, efficiency was within 1 percent of FY 2016 due to more staff than projected working inventory. The FY 2018 and FY 2019 level targets will remain at 2,133.

AUR Coverage was 2.2 percent in FY 2017 and above the target of 2 percent due to more staff than projected working inventory. The IRS will lower the target to 1.9 percent for FY 2018 and FY 2019 based on less staffing available to work cases.

Description of Performance – Collection

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

Collection Coverage was 42.2 percent in FY 2017, exceeding the target of 37.5 percent. Net dispositions decreased 5.5 percent compared to FY 2016 (20.6 million vs. 21.8 million). Beginning Inventory, and Returned to Inventory cases increased 3.6 percent and 19.7 percent, respectively, while New Issuance Receipts and Reissuances decreased 25.3 percent and 69.1 percent, respectively. Contributing to the increase in Collection Coverage is an overall reduction in Collection Inventory of about 4.5 percent. A reduction in overall collection inventory further improves the Coverage rate. The IRS will set a target of 38.6 percent for FY 2018 and 36 percent in FY 2019 based on the most recent disposition and inventory projections.

Collection Efficiency: FY 2017 was 2,135, exceeding the target of 2,117. Since FY 2013, due to staffing and resource constraints, FTEs decreased 16 percent while collection case closures only declined 13 percent. The Collection organization will continue to identify opportunities to increase productivity by streamlining processes and case selection in FY 2018. The planned reduction in overall inventory dispositions in FY 2018 is expected to affect overall Collection Efficiency. The IRS will set a target of 2,101 for FY 2018 and 2,029 for FY 2019.

Field Collection Quality: FY 2017 was 76.7 percent, below the target of 79.7 percent. The shortfall in Field Collection Quality is primarily due to a decline in the following attributes: 203 (Requested/Secured Financial Information), 432 (Verify/Analyze Ability to Pay), 437 (Compliance), and 618 (Action Dates, Expectations, and Consequences). To address the shortfall and improve performance, Field Collection held consistency and workgroup review meetings with staff to identify quality review trends and review trends and process improvements. Focused communication and training materials were developed to drive improvements in casework. Field Collection also worked in FY 2017 to clarify documentation and Internal Review Manual sections that may have created confusion and negatively affected quality results, many of which have been implemented fully with additional changes coming in early FY 2018. To improve quality in the basic attributes, Field Collection collaborated with National Quality and Collection Headquarters to develop two short Podcasts to train Revenue Officers and managers on basic errors noted by managers and reviewers. Field Collection Quality anticipates launching the Podcasts starting in late October 2018. The positive effect of these activities, along with advanced technical training scheduled for FY 2018 should result in improved quality scores. With a continued emphasis on improving timeliness and the quality of work products, the IRS will set a target of 78 percent in FY 2018 and FY 2019.

Automatic Collection System (ACS) Accuracy: FY 2017 was 94.7 percent, slightly below the target of 95 percent. Results for this measure had been above 94 percent consistently since 2008. Periodic performance reviews were conducted on the campus program and communicated to the sites. The top drivers of accuracy errors were analyzed and other quality issues were discussed with the Quality staff at the sites each month and this practice will continue. Additionally, training opportunities are recommended based on high rates of errors received and served as the basis for topics for the Continuing Professional Education seminars. The IRS will set a target of 95 percent in FY 2018 and FY 2019.

FY 2019 Changes by Budget Activity

Dollars in thousands

Exam and Collections	FTE	Amount
FY 2018 Annualized CR Level	**30,811**	**$3,874,918**
Changes to Base		
Maintaining Current Levels (MCLs)		**$22,185**
Pay Annualization		17,782
Non-Pay		4,403
Subtotal FY 2019 Changes to Base		**$22,185**
FY 2019 Current Services	**30,811**	**$3,897,103**
Program Changes		
Program Decreases		
Actions to Achieve Workforce Management Goals		(3,730)
Subtotal FY 2019 Program Decreases		**($3,730)**
Total FY 2019 Request	**30,811**	**$3,893,373**

See footnotes in 1.1 – Appropriations Detail Table

2.1.4 – Budget and Performance Report and Plan

Dollars in thousands

Exam and Collections Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources[1]	$4,188,328	$4,154,342	$4,018,292	$3,945,578	$3,914,546	$3,874,918	$3,893,373
Reimbursable Resources[2]	804		640	456	450	2,189	986
User Fees[2]				36			
Budget Activity Total	**$4,189,132**	**$4,154,342**	**$4,018,932**	**$3,946,070**	**$3,914,996**	**$3,877,107**	**$3,894,359**

[1]The FY 2013 - FY 2017 appropriated resources line represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2013 - FY 2017 columns represent realized resources for reimbursables and user fees.

Exam and Collections Measures	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Examination Coverage - Individual (Oe) (L)	1.0%	0.9%	0.8%	0.7%	0.6%	0.6%	0.6%	0.6%
Field Exam National Quality Review Score (Oe) (L)	89.2%	88.4%	86.7%	86.8%	85.0%	86.7%	84.4%	86.7%
Office Exam National Quality Review Score (Oe) (L)	90.3%	90.6%	88.3%	88.4%	87.9%	86.7%	86.7%	88.3%
Examination Quality - Large Business[1] (Oe) (L) (New in FY 2013)	92.0%	83.0%	86.0%	83.0%	78.0%	90.0%	90.0%	90.0%
Examination Coverage - Business (Assets > $10 million) (Oe) (L)	5.6%	4.3%	3.9%	3.0%	2.5%	2.7%	2.4%	1.8%
Automated Underreporter (AUR) Efficiency (E) (L)	2,025	1,935	2,209	2,196	2,188	2,133	2,133	2,133
Automated Underreporter (AUR) Coverage (E) (L)	2.8%	2.6%	2.3%	2.3%	2.2%	2.0%	1.9%	1.9%
Examination Efficiency - Individual (E) (L)	142	138	148	143	121	118	134	129
Collection Coverage - Units (Ot) (L)	47.0%	45.9%	46.3%	43.4%	42.2%	37.5%	38.6%	36.0%
Collection Efficiency - Units (E) (L)	2,057	2,051	2,448	2,266	2,135	2,117	2,101	2,029
Field Collection National Quality Review Score (Ot) (L)	81.4%	81.6%	79.2%	79.2%	76.7%	79.7%	78.0%	78.0%
Automated Collection System (ACS) Accuracy (Oe)	94.4%	95.2%	95.3%	95.4%	94.7%	95.0%	95.0%	95.0%

Key: Oe - Outcome Measure, E - Efficiency Measure, L - Long Term Goal, Ot - Output/Workload Measure

[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 (*$155,882,000 in direct appropriations and an estimated $177,000 from reimbursable programs):* 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 activities include:

- *Tax Law Interpretation and Published Guidance* interprets 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.

Description of Performance

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 2017 completed was 102,749, exceeding the target of 95,791 by 7.3 percent. Exempt Organization case closures exceeded the target primarily because of a higher than anticipated number of Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, receipts. Because the Form 1023-EZ requires less time to close, more cases were completed during the year. Employee Retirement Plan case closures exceeded plan by 29 percent because of a shift in focus to closing the simpler Form 5307, *Application for Determination for Adopters of Modified Volume Submitter Plans,* in lieu of Form 5300, *Application for Determination for Employee Benefit Plan*.

TEGE anticipates a decrease in Exempt Organization case closures starting in FY 2018 and continuing into FY 2019. In addition to an expected increase in receipts, planned changes in the Form 1023-EZ will require additional hours to be applied to each case. TEGE expects to hire or detail in additional staff to help with reviewing the Form 1023-EZ to maintain closures of EO determination applications at historical levels.

Additionally, TEGE anticipates experiencing a decrease in closures from Employee Plans in FY 2019 due to planned program changes that will result in fewer receipts of applications. Specifically, TEGE has stopped accepting applications to amend employee plans, which historically represented about 75 percent of the applications received in the program. TEGE expects to receive about 1,800 initial and termination applications per year, which previously accounted for about 25 percent of total receipts. Therefore, IRS lowered the FY 2018 Determination Closures target to 94,103 and the FY 2019 target to 88,886.

FY 2019 Changes by Budget Activity

Dollars in thousands

Regulatory	FTE	Amount
FY 2018 Annualized CR Level	**938**	**$155,276**
Changes to Base		
Maintaining Current Levels (MCLs)		**$919**
Pay Annualization		678
Non-Pay		241
Subtotal FY 2019 Changes to Base		**$919**
FY 2019 Current Services	**938**	**$156,195**
Program Changes		
Program Decreases		
Actions to Achieve Workforce Management Goals		(313)
Subtotal FY 2019 Program Decreases		**($313)**
Total FY 2019 Request	**938**	**$155,882**

See footnotes in 1.1 – Appropriations Detail Table

2.1.5 – Budget and Performance Report and Plan

Dollars in thousands

Regulatory Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources[1]	$147,411	$158,415	$147,605	$137,245	$130,248	$155,276	$155,882
Reimbursable Resources[2]	631	792	363	202	160	168	177
User Fees[2]	14,521	13,241	18,485	9,233	9,537		
Budget Activity Total	**$162,563**	**$172,448**	**$166,453**	**$146,680**	**$139,945**	**$155,444**	**$156,059**

[1]The FY 2013 - FY 2017 appropriated resources line represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2013 - FY 2017 columns represent realized resources for reimbursables and user fees.

Regulatory Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
TE/GE Determination Case Closures (Ot)	65,877	136,746	111,940	99,973	102,749	95,791	94,103	88,886

Key: Ot - Output/Workload Measure

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 2019 is $4,155,796,000 in direct appropriations and 10,959 FTE, excluding the proposed program integrity cap adjustment. This is an increase of $241,808,000, or 6.18 percent, and 146 or 1.35 percent more FTE than the FY 2018 Annualized Continuing Resolution of $3,913,988,000 and 10,813 FTE.

2.1 – Budget Adjustments Table

Dollars in thousands

Operations Support		
Summary of Proposed FY 2019 Request	**FTE**	**Amount**
FY 2018 Annualized CR Level	**10,813**	**$3,913,988**
Changes to Base		
Maintaining Current Levels (MCLs)		**$53,808**
Pay Annualization		7,823
Non-Pay Inflation Adjustment		45,985
Efficiencies/Savings		**(6,103)**
Increase e-File Savings		(102)
Space Optimization		(6,001)
Reinvestment		**$12,798**
Support Aging IT Infrastructure		12,798
Subtotal FY 2019 Changes to Base		**$60,503**
FY 2019 Current Services	**10,813**	**$3,974,491**
Program Changes		
Program Increases		
Stabilize, Secure and Transform IT Operations	**146**	**$181,305**
Strengthen Cyber Security	10	40,000
Identity Assurance - e-Authentication Enhancements and Authorization Integration	21	24,300
Aging Technology Infrastructure		39,000
Migration to Cloud Services		20,000
Stabilize IT Operations	115	58,005
Subtotal FY 2019 Program Increases	**146**	**$181,305**
Total FY 2019 Budget Request	**10,959**	**$4,155,796**

See footnotes in 1.1 – Appropriations Detail Table

2.2 – Operating Levels Table

Dollars in thousands

Operations Support Object Classification	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
11.1 Full-Time Permanent Positions	1,090,951	1,152,588	1,173,685
11.3 Other than Full-Time Permanent Positions	6,065	7,537	7,574
11.5 Other Personnel Compensation	20,600	22,924	23,375
11.8 Special Personal Services Payments	224	230	231
11.9 Personnel Compensation (Total)	**1,117,840**	**1,183,279**	**1,204,865**
12.1 Personnel Benefits	364,187	383,116	389,890
13.0 Benefits to Former Personnel	59	56	56
Total Personnel and Compensation Benefits	**$1,482,086**	**$1,566,451**	**$1,594,811**
21.0 Travel	11,467	16,915	17,487
22.0 Transportation of Things	10,150	14,969	15,288
23.1 Rental Payments to GSA	592,632	593,175	598,993
23.2 Rent Payments to Others	11,905	12,367	12,606
23.3 Communications, Utilities, & Misc	298,453	337,240	344,323
24.0 Printing & Reproduction	17,676	18,535	18,924
25.1 Advisory & Assistance Services	703,402	572,649	689,225
25.2 Other Services	49,543	42,637	43,888
25.3 Purchase of Goods & Services from Govt. Accounts	75,991	76,552	78,799
25.4 Operation & Maintenance of Facilities	195,837	180,539	184,447
25.5 Research & Development Contracts	21		
25.6 Medical Care	14,603	13,865	14,192
25.7 Operation & Maintenance of Equipment	36,040	73,578	76,232
26.0 Supplies and Materials	8,212	9,273	9,536
31.0 Equipment	323,412	372,479	443,683
32.0 Land and Structures	16,906	12,094	12,679
42.0 Insurance Claims & Indemnities	910	670	683
Total Non-Personnel	**$2,367,160**	**$2,347,537**	**$2,560,985**
New Appropriated Resources	**$3,849,246**	**$3,913,988**	**$4,155,796**
Budget Activities			
Infrastructure	869,732	847,444	860,058
Shared Services & Support	991,504	994,559	1,005,911
Information Services	1,988,010	2,071,985	2,289,827
New Appropriated Resources	**$3,849,246**	**$3,913,988**	**$4,155,796**
FTE	**10,835**	**10,813**	**10,959**

See footnotes in 1.1 – Appropriations Detail Table

2.3 – Appropriation Detail Table

Dollars in thousands

Operations Support Appropriated Resources	FY 2017 Enacted		FY 2018 Annualized CR		FY 2019 Request[6,7]		Change FY 2018 to FY 2019 Request		% Change FY 2018 to FY 2019 Request	
	FTE	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
New Appropriated Resources:										
Infrastructure		$869,732		847,444		860,058		12,614		1.49%
Shared Services and Support	4,777	991,504	4,588	994,559	4,588	1,005,911		11,352		1.14%
Information Services	6,058	1,988,010	6,225	2,071,985	6,371	2,289,827	146	217,842	2.35%	10.51%
Subtotal New Appropriated Resources	**10,835**	**$3,849,246**	**10,813**	**$3,913,988**	**10,959**	**$4,155,796**	**146**	**$241,808**	**1.35%**	**6.18%**
Other Resources:										
Reimbursables	86	55,135	85	65,632	74	42,847	(11)	(22,785)	-12.94%	-34.72%
Offsetting Collections - Non Reimbursables										
User Fees		202,584		397,000		397,000				
Recovery from Prior Years		2,419		11,514		11,513		(1)		-0.01%
Unobligated Balances from Prior Years	34	116,150		88,567		80,696		(7,871)		-8.89%
Subtotal Other Resources	**120**	**$376,288**	**85**	**$562,713**	**74**	**$532,056**	**(11)**	**($30,657)**	**-12.94%**	**-5.45%**
Total Budgetary Resources	**10,955**	**$4,225,534**	**10,898**	**$4,476,701**	**11,033**	**$4,687,852**	**135**	**$211,151**	**1.24%**	**4.72%**

[1]See footnotes in 11– Appropriations Detail Table

2F – Infrastructure *($860,058,000 in direct appropriations and an estimated $711,000 from reimbursable programs):* This 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. The IRS will spend more an estimated $611 million on rental payments in FY 2019 to keep more than 300 Taxpayer Assistance Centers (TACs) open to the public and provide office space for more than 70,000 employees across the country.
- *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. The IRS has identified opportunities to reduce the cost of rent and improve its use of office space. In FY 2017, the IRS completed 37 projects to release more than 411,000 square feet of rented space for an annual rent reduction of over $10 million. As part of an effort to contain costs and improve space use, the IRS continued using the Strategic Facility Plan process, focused on closing or consolidating workspace at the time of lease expiration. Project identification of more space efficiency projects will continue in FY 2019 and into the future.

Starting in FY 2017, the IRS introduced a Rentable Square Feet per Person (RSFP) indicator into the budget submission. For FY 2017, the RSFP was 297. Efforts leveraging telework and field activities to reduce demand for full-time office space has provided additional opportunities to reduce the IRS's space footprint. The IRS also intends to place new hires in existing space and renew leases at existing sites rather than move to new locations when cost effective and when permitted by procurement regulations. These actions will help limit the projected rent costs in the future.

FY 2019 Changes by Budget Activity

Dollars in thousands

Infrastructure	FTE	Amount
FY 2018 Annualized CR Level		**$847,444**
Changes to Base		
Maintaining Current Levels (MCLs)		**$16,425**
Pay Raise		
Pay Annualization		
Non-Pay		16,425
Efficiency/Savings		**($6,001)**
Increase e-File Savings		
Space Optimization		(6,001)
Reinvestment		
Support Aging IT Infrastructure		
Subtotal FY 2019 Changes to Base		**$10,424**
FY 2019 Current Services		**$857,868**
Program Changes		
Program Increases		
Stabilize, Secure and Transform IT Operations		**$2,190**
Cyber Security		150
Identity Assurance - e-Authentication Enhancements and Authorization Integration		315
Stabilize IT Operations		1,725
Subtotal FY 2019 Program Increases		**$2,190**
Total FY 2019 Request		**$860,058**

See footnotes in 1.1 – Appropriations Detail Table

2.1.6 – Budget and Performance Report and Plan

Dollars in thousands

Infrastructure Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources[1]	$874,627	$845,558	$833,846	$838,048	$869,732	$847,444	$860,058
Reimbursable Resources[2]	701	16,694	928	626	634	677	711
User Fees[2]	5,414	17,137					
Budget Activity Total	**$880,742**	**$879,389**	**$834,774**	**$838,674**	**$870,366**	**$848,121**	**$860,769**

[1]The FY 2013 - FY 2017 appropriated resources line represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2013 - FY 2017 columns represent realized resources for reimbursables and user fees.

Infrastructure Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Rentable Square Feet per Person (new for FY 2017)					297	Indicator	Indicator	Indicator

Key: Ot - Output/Workload Measure

2G – Shared Services and Support *($1,005,911,000 in direct appropriations, an estimated $21,399,000 from reimbursable programs, and an estimated $1,000,000 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, legal services, and procurement. 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 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.
- *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* provide support services for all IRS employees, including Treasury Franchise Fund, Indemnity payments, Mailrooms, Logistics, Shredding and Uninterrupted Power Systems.

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

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. In FY 2017, the IRS:

- Worked with all Treasury bureaus to procure a Treasury-wide Integrated Talent Management (ITM) system. This single human resource information technology system will support the processes designed to attract, manage, develop, motivate and retain talent. The IRS will be purchasing the Learning Management, Performance Management, Workforce Planning/Analytics and Succession Planning modules and retiring legacy systems. The ITM system will provide economies of scale to reduce costs, leverage evolving technology to make efforts faster/easier and provide a better picture of talent pipelines to improve decision making.

- Improved workplace morale, empowerment, and satisfaction based on the FY 2017 Federal Employee Viewpoint Survey (FEVS) results. Results show the IRS is above the 65 percent Office of Personnel Management target for the Engagement Index, and the scores for 68 out of 71 FEVS questions improved. The IRS engagement focus encompasses all employees (managers, executives and frontline employees). In addition, it provides guidance for all operating and functional units to model engagement efforts. The Engagement and Retention office assisted the business units with planning and implementing more than 200 engagement actions in FY 2017.

Security and Partnerships

The IRS worked on several initiatives related to the Security Summit, a collaborative effort between the IRS, state tax administrators, and private-sector tax partners. In FY 2017, the IRS:

- Engaged with tax software industry members and received data elements from both individual and business tax returns to improve taxpayer authentication and identify possible identity theft scams as part of the Security Summit effort;
- Collaborated with the Security Summit team to develop a new process that would allow the IRS to post alerts into the Information Sharing & Analysis Center (ISAC) functionality; and
- Collaborated with the Social Security Administration and the Department of the Treasury to coordinate a data sharing method and subsequently received 10.4 million prisoner records. After excluding incomplete and duplicate records, the IRS produced two million usable records to include into the IRS's annual prisoner database.

Research

During FY 2017, the IRS's Office of Research, Applied Analytics, & Statistics (RAAS) developed the foundational framework for the first integrated enterprise research plan, launched a customer-driven project intake process, managed the National Research Program and secured approval for long-term sustained support in developing a hiring plan to build out IRS's analytic footprint.

- Secured input and buy-in from members of the Research Policy and Planning Committee and the Research Directors Coordinating Council on a set of eight core research priorities that will serve as the framework for the first IRS Enterprise Research Plan. Working with the embedded business unit research organizations, RAAS led an effort to align all of the approximately 500 active research projects to one of the following eight research priorities: Customer Service Channel Optimization, Impact of Legislative Mandates, Internal Process Operations Optimization, Noncompliance Management, Revenue Protection, Service-wide Treatment Optimization, Strategic Thinking and Planning, and Taxpayer and Tax Administration Research. These priorities support the goals and objectives reflected in the IRS 2018 – 2022 Strategic Plan under development.
- Launched a new customer-focused, single-point-of-entry project intake process, received, and handled in a timely fashion more than forty new requests. In addition to regular executive staff meetings, RAAS held bi-weekly portfolio meetings to discuss the new project requests and held strategic conversations on the existing research portfolio of about 250 projects.
- Analyzed reporting compliance data through the National Research Program (NRP) for various taxpayer populations, including Individual Income Tax, Corporate Income

Tax, Employment Taxes, and Fuel Excise Taxes. For FY 2017, NRP continued the individual income tax study and closed out the corporate, employment, and excise tax studies as data perfection and publication efforts are underway. The NRP initiated the Tax Year 2015 individual income tax study and small business classifiers reviewed and identified issues for examination on more than 7,000 cases. The NRP also conducted three additional classification sessions and final data perfection for Tax Year 2012 is complete and the information is being analyzed for publication.

- Received approval to begin hiring to build out the IRS analytic footprint. This important long-term sustained support will aid RAAS in meeting its mission and vision to lead a data-driven culture through innovative and strategic research, analytics, statistics, and technology services to support effective and efficient tax administration in partnership with internal and external stakeholders as a world-leading applied taxation science organization.

FY 2019 Changes by Budget Activity

Dollars in thousands

Shared Services and Support	FTE	Amount
FY 2018 Annualized CR Level	**4,588**	**$994,559**
Changes to Base		
Maintaining Current Levels (MCLs)		**$10,364**
Pay Annualization		3,075
Non-Pay		7,289
Efficiency/Savings		**$13**
Increase e-File Savings		13
Other Adjustments		**$11**
Base Adjustments		11
Subtotal FY 2019 Changes to Base		**$10,388**
FY 2019 Current Services	**4,588**	**$1,004,947**
Program Changes		
Program Increases		
Stabilize, Secure and Transform IT Operations		**$964**
Cyber Security		66
Identity Assurance - e-Authentication Enhancements and Authorization Integration		139
Stabilize IT Operations		759
Subtotal FY 2019 Program Increases		**$964**
Total FY 2019 Request	**4,588**	**$1,005,911**

See footnotes in 1.1 – Appropriations Detail Table

2.1.7 – Budget and Performance Report and Plan

Dollars in thousands

Shared Services and Support Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources[1]	$1,097,565	$1,127,931	$1,126,230	$1,090,192	$991,504	$994,559	$1,005,911
Reimbursable Resources[2]	17,175	19,886	17,126	19,443	19,194	23,580	21,399
User Fees[2]	31,644	7,819	1,768	1,000	1,000	1,000	1,000
Budget Activity Total	**$1,146,384**	**$1,155,636**	**$1,145,124**	**$1,110,635**	**$1,011,698**	**$1,019,139**	**$1,028,310**

[1]The FY 2013 - FY 2017 appropriated resources line represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2013 - FY 2017 columns represent realized resources for reimbursables and user fees.

2H – Information Services *($2,289,827,000 in direct appropriations, $20,737,000 in reimbursable resources, and an estimated $396,000,000 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 including taxpayer service and enforcement programs. This includes the design and operation of 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. This funding allows the IRS to maintain a complex ecosystem comprised of more than 500 applications that remain essential to tax administration until modernized. This funding also allows the IRS to operate one of the largest call centers in the country, which relies on telecommunications and network infrastructure funded through this budget activity. These call centers rely on IT systems and data that 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 tax processing, management information reporting, and financial management support systems. It supports external trading partner data exchanges with Federal Government agencies, state and local governments, and other third-party entities. It controls application source code and deploys applications to the production environment.
- *Cybersecurity* delivers IT security services to ensure compliance with federal statutory and regulatory requirements governing confidentiality, integrity, and availability of electronic systems, services, and data. Cybersecurity tracks compliance, continuously monitors risk, and provides remediation to manage 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)* manages 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 system functional capabilities. The EPMO is the 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 capabilities. This 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 program that pays for services IT receives from Treasury 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>

All IRS 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. It also funds disaster recovery activities to ensure continued operations in the event of a major interruption of service.

In FY 2017, the IRS:

- Deployed additional FATCA information technology capabilities in support of legislative mandates. The new functionality improves Foreign Account Tax Compliance Act (FATCA) forms, reporting features, and overall interfaces. For the first time, technology allows entities to enter an agreement with the IRS to become a Qualified Intermediary (QI), Withholding Foreign Partnership (WP), or a Withholding Foreign Trust (WT) via an electronic system. This release allows QI/WP/WTs to maintain account information, as well as apply, renew, or terminate agreements with the IRS electronically. As of the September 30, 2017 due date for renewals, nearly 4,600 QIs, WPs and WTs had used the new application to renew their agreements. In addition, about 290,000 foreign financial institutions (FFIs) registered with the IRS and received a global intermediary identification number (GIIN) via the FFI Registration application. More than 6,500 financial institutions and 97 host country tax authorities enrolled in the International Data Exchange Service (IDES) to submit FATCA information returns to the IRS, and more than 550 QIs completed their online application via the QI application.

- Worked with Security Summit partners from state tax agencies and the broader tax community to add extra layers of security for the filing season; processed 201 million returns and billions of dollars in tax refunds with these security protections in place;
- Acquired the infrastructure to support a multilayered defense architecture to provide the Computer Security Incident Response Center (CSIRC) and the Insider Threat Operations team the ability to leverage powerful analytic applications to improve investigation effectiveness;
- 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;
- Detected and mitigated 1,305 phishing and malware sites. During this time, the IRS identified and responded to 542 cyber incidents of which 128 incidents (about 24 percent) involved removable media, email, and web-based activity. The IRS also implemented 1,876 content filtering restrictions to mitigate Internet content deemed a security risk to IRS information systems. Despite these incidents, IRS systems remain secure;
- The improvements enhanced the IRS's ability to handle data from the insurance marketplaces, allowing the IRS to process more than two times the number of bulk files as in prior years, resulting in increased responsiveness to the Health and Human Services/Centers for Medicare & Medicaid Services and state exchanges; and
- Completed information technology system upgrades related to Affordable Care Act that improved both the stability and capacity of the processing systems. The improvements enhanced the IRS's ability to handle data from the insurance marketplaces, allowing the IRS to process more than two times the number of bulk files as in prior years, resulting in increased responsiveness to the Health and Human Services/Centers for Medicare & Medicaid Services and state exchanges.

Security

Security of taxpayer data and providing a secure environment for employees are of utmost importance to the IRS. In FY 2017, the IRS:

- Enhanced the security of its networks through the use of cyber-threat forensics, implementation of a comprehensive patch management system, and the adoption of government-wide information security continuous monitoring tools as part of a layered defense. In addition, the IRS is instituting multiple layers of electronic authentication at the time of filing. Investments and activities in this area help combat stolen identity refund fraud and include detection and prevention assistance to victims and law enforcement; and
- Improved authentication for online taxpayer services by adding more applications behind Secure Access, a tool that enhances security while providing greater access for legitimate taxpayers and improving the customer experience. The IRS stood up the Secure Access e-Authentication capability to protect the *Get Transcript* Online application in June 2016. Since then, the IRS has added several applications behind Secure Access, including Identity Protection Personal Identification Number (IP PIN), the Taxpayer Digital Communications pilot, Qualified Intermediary Registration and Management, and Online Account with functions such as *See Balance Due* and a link to *Make a Payment*.

FY 2019 Changes by Budget Activity

Dollars in thousands

Information Services	FTE	Amount
FY 2018 Annualized CR Level	**6,225**	**$2,071,985**
Changes to Base		
Maintaining Current Levels (MCLs)		**$27,019**
Pay Annualization		4,748
Non-Pay		22,271
Efficiency/Savings		**($115)**
Increase e-File Savings		(115)
Reinvestment		**$12,798**
Support Aging IT Infrastructure		12,798
Other Adjustments		**($11)**
Base Adjustments		(11)
Subtotal FY 2019 Changes to Base		**$39,691**
FY 2019 Current Services	**6,225**	**$2,111,676**
Program Changes		
Program Increases		
Stabilize, Secure and Transform IT Operations	**146**	**$178,151**
Cyber Security	10	39,784
Identity Assurance - e-Authentication Enhancements and Authorization Integration	21	23,846
Aging Technology Infrastructure		39,000
Migration to Cloud Services		20,000
Stabilize IT Operations	115	55,521
Subtotal FY 2019 Program Increases	**146**	**$178,151**
Total FY 2019 Request	**6,371**	**$2,289,827**

See footnotes in 1.1 – Appropriations Detail Table

2.1.8 – Budget and Performance Report and Plan

Dollars in thousands

Information Services Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources[1]	$1,722,172	$1,749,110	$1,641,360	$1,883,667	$1,988,010	$2,071,985	$2,289,827
Reimbursable Resources[2]	8,850	4,734	24,262	19,660	35,307	41,375	20,737
User Fees[2]	145,027	198,206	373,610	263,250	201,584	396,000	396,000
Budget Activity Total	**$1,876,049**	**$1,952,050**	**$2,039,232**	**$2,166,577**	**$2,224,901**	**$2,509,360**	**$2,706,564**

[1]The FY 2013 - FY 2017 appropriated resources line represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2013 - FY 2017 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 2019 is $110,000,000 in direct appropriations and 516 FTE. This is a decrease of $178,031,000, or 61.81 percent less than the FY 2018 Annualized Continuing Resolution level of $288,031,000.

2.1 – Budget Adjustments Table

Dollars in thousands

Business Systems Modernization Summary of Proposed FY 2019 Request	FTE	Amount
FY 2018 Annualized CR Level	**516**	**$288,031**
Changes to Base		
Maintaining Current Levels (MCLs)		**$172**
Pay Annualization		172
Subtotal FY 2019 Changes to Base		**$172**
FY 2019 Current Services	**516**	**$288,203**
Program Changes		
Program Decreases		
Realignment from BSM to Operations Support		(178,203)
Subtotal FY 2019 Program Decreases		**($178,203)**
Total FY 2019 Budget Request	**516**	**$110,000**

See footnotes in 1.1 – Appropriations Detail Table

2.2 – Operating Levels Table

Dollars in thousands

Business Systems Modernization Object Classification	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
11.1 Full-Time Permanent Positions	70,301	64,453	63,974
11.3 Other than Full-Time Permanent Positions	1,115	103	74
11.5 Other Personnel Compensation	1,000	935	1,114
11.9 Personnel Compensation (Total)	**72,416**	**65,491**	**65,162**
12.1 Personnel Benefits	21,848	19,409	19,051
Total Personnel and Compensation Benefits	**$94,264**	**$84,900**	**$84,213**
21.0 Travel	204	330	306
25.1 Advisory & Assistance Services	193,374	173,429	22,452
25.2 Other Services	148	25	19
25.3 Purchase of Goods & Services from Govt. Accounts	11	9	7
25.7 Operation & Maintenance of Equipment	296	2,168	309
26.0 Supplies and Materials	20	7	6
31.0 Equipment	1,683	27,163	2,688
Total Non-Personnel	**$195,736**	**$203,131**	**$25,787**
New Appropriated Resources	**$290,000**	**$288,031**	**$110,000**
Budget Activities			
Business Systems Modernization	290,000	288,031	110,000
New Appropriated Resources	**$290,000**	**$288,031**	**$110,000**
FTE	**557**	**516**	**516**

See footnotes in 1.1 – Appropriations Detail Table

2.3 – Appropriation Detail Table

Dollars in thousands

Business Systems Modernization Appropriated Resources	FY 2017 Enacted		FY 2017 Actual		FY 2018 Annualized CR		FY 2019 Request		Change FY 2018 to FY 2019 Request		% Change FY 2018 to FY 2019 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:												
Business Systems Modernization	557	$290,000	557	166,263	516	288,031	516	110,000		(178,031)		-61.81%
Subtotal New Appropriated Resources	**557**	**$290,000**	**557**	**$166,263**	**516**	**$288,031**	**516**	**$110,000**		**($178,031)**		**-61.81%**
Other Resources:												
User Fees		25,464				34,000		34,000				
Recovery from Prior Years						3,854		3,854				
Unobligated Balances from Prior Years		123,010				190,671		236,919		46,248		24.26%
Subtotal Other Resources		**$148,474**				**$228,525**		**$274,773**		**$46,248**		**20.24%**
Total Budgetary Resources	**557**	**$438,474**	**557**	**$166,263**	**516**	**$516,556**	**516**	**$384,773**		**($131,783)**		**-25.51%**

[1]See footnotes in 1.1– Appropriations Detail Table

2I – Business Systems Modernization (*$110,000,000 in direct appropriations, and $34,000,000 in user fees):* 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 2019 BSM request of $110 million in direct appropriations and $34 million in user fees:

Customer Account Data Engine 2 (CADE2) +$40.3 million (+$30.3 million in direct appropriation / +189 FTE and +$10.0 million user fees): These funds will be used to establish the foundation for a modernized tax processing engine by converting the core Individual Master File functions of posting, settlement, and analysis (runs 12 and 15) into Java-based programs and continue efforts to make CADE 2 the legal and financial authoritative source of individual taxpayer data.

Enterprise Case Management (ECM) +$23.5 million (+$9.5 million in direct appropriations / +57 FTE, and +$14.0 million user fees): ECM is a business-driven transformation program that will address the need to modernize, upgrade, and consolidate case management systems with similar functionality that are running in the IRS ecosystem today. The IRS has over 60 legacy case management systems with similar functionality. Historically, these were developed for individual Business Operating Divisions, as stand-alone systems. This project will consolidate case management systems onto an enterprise platform with common infrastructure, with common Business functions and services. The IRS expects taxpayer and operational benefits by making more case information available to front-line IRS employees to simplify interactions between the IRS and taxpayers.

In FY 2019, ECM plans to develop a Roadmap to the ECM Target State via a series of ECM Transition States and initiate development of the first program release. This will begin the process of migrating business capabilities to the new platform.

Enterprise Case Selection (ECS) +$2.5 million in direct appropriations / +15 FTE: 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 use resources more effectively.

Return Review Program (RRP) +$8.4 million in direct appropriations / +48 FTE: RRP provides 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. 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. Additionally, IRS will implement value-driven enhancements based on Business priorities, enabling other business customers to explore and use RRP for anomaly detection business processes.

Web Applications +$25.1 million (+$15.1 million in direct appropriations / +96 FTE, and +$10 million user fees): Web Apps 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 FY 2019, Web Applications will continue to develop and deploy new capabilities selected by the program's product prioritization process. Anticipated functionalities include the Third-Party Access Tool (TPAT), to permit access for authorized third parties to view and manage a taxpayer's online account, and Third-Party Refund application program interface, to increase the number of tax services available to third parties and expand the definition of third party to include other federal and state government agencies, as well as commercial tax preparers. Additionally, Web Applications will continue to provide a user-centric, data-informed approach to ensure that taxpayer information is being presented and provided in a way that is easy for a taxpayer to interpret. This will include the release of new and continuing applications providing a wide variety of services to the taxpayer that will provide a better user experience, clearer content, an enhanced portal, and more robust analytics to continuously improve the taxpayer experience.

Architecture, Integration and Management (AI&M) +$19.7 million in direct appropriations / +42 FTE: AIM provides engineering management capabilities essential to delivering a program of BSM's magnitude and complexity. It also delivers 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 framework and direction for cohesive, successful modernization.

Core Infrastructure +$19.5 million in direct appropriations / +69 FTE: Core Infrastructure 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 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.

Management Reserve +$5 million in direct appropriations

The management reserve funds allow the IRS to cover unanticipated cost adjustments.

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
2017	**50.0** %	**88.9** %

Percent of Major IT Investments within +/- 10 percent Cost Variance at the Investment Level: Nine of 18 major investments (50 percent) were within the cost variance threshold at the end of FY 2017 and below the 90 percent target. Shown below are the Investments falling short of the Cost Variance target.

- **Affordable Care Act Administration (ACA)** had a much lower actual cost versus planned cost associated with milestone 4B.4.
- **Customer Account Data Engine 2 (CADE 2)** cost underrun is due to project activities associated with release 4 and 5 being stopped due to budgetary constraints.
- **e-Services (e-SVS)** had lower than expected cost due to fewer than expected legislative changes.
- **Enterprise Case Management (ECM)** shows a variance because the ECM governance board approved halting the development efforts for ECM fraud case management.
- **Integrated Financial System/CORE Financial System (IFS)** shows a cost overrun due to a software acquisition expense that was planned in milestones 1 and 2 but didn't happen until milestones 3 and 4a due to procurement competition that took longer than planned.
- **IRS Mainframes and Servers Services and Support (MSSS)** displays a cost underrun due to activities being closed out or put on hold due to budgetary constraints.
- **IRS Telecommunications Systems and Support (TSS)** had a cost underrun due to several activities costing less than planned.
- **Return Review Program (RRP)** is showing a cost underrun due to the reporting portion of the Reporting and Transaction Processing (RTP) functionality being deferred to a future release.
- **Web Applications** is showing over budget due to the baseline not reflecting the funded budget (funded higher than baseline).

Percent of Major IT Investments within +/- 10 percent Schedule Variance at the Investment Level: Sixteen of 18 major investments (88.9 percent) were within the schedule variance threshold at the end of FY 2017. Shown below are the Investments falling short of the Schedule Varian target.

- **Individual Master File (IMF)** is ahead of schedule due to filing season activities being completed before their projected timeframes.
- **IRS Mainframes and Servers Services and Support (MSSS)** displays a schedule variance due to activities being closed out or put on hold due to budgetary constraints.

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 2018 and FY 2019 target of 90 percent.

FY 2019 Changes by Budget Activity

Dollars in thousands

Business Systems Modernization	FTE	Amount
FY 2018 Annualized CR Level	**516**	**$288,031**
Changes to Base		
Maintaining Current Levels (MCLs)		**$172**
Pay Annualization		172
Subtotal FY 2019 Changes to Base		**$172**
FY 2019 Current Services	**516**	**$288,203**
Program Changes		
Program Decreases		
Realignment from BSM to Operations Support		(178,203)
Subtotal FY 2019 Program Decreases		**($178,203)**
Total FY 2019 Request	**516**	**$110,000**

See footnotes in 1.1 – Appropriations Detail Table

2.1.9 – Budget and Performance Report and Plan

Dollars in thousands

Business Systems Modernization Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources[1]	$198,205	$145,235	$107,746	$190,945	$290,000	$288,031	$110,000
Reimbursable Resources[2]							
User Fees					25,464	34,000	34,000
Budget Activity Total	**$198,205**	**$145,235**	**$107,746**	**$190,945**	**$315,464**	**$322,031**	**$144,000**

[1]The FY 2013 - FY 2017 appropriated resources line represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2013 - FY 2017 columns represent realized resources for reimbursable resources and user fees.

Business Systems Modernization Measures	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level[1]	0.0%	66.7%	73.7%	76.2%	50.0%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level[1]	83.3%	100.0%	89.5%	85.7%	88.9%	90.0%	90.0%	90.0%

Key: E - Efficiency Measure

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

Section III – Supplemental Information

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:

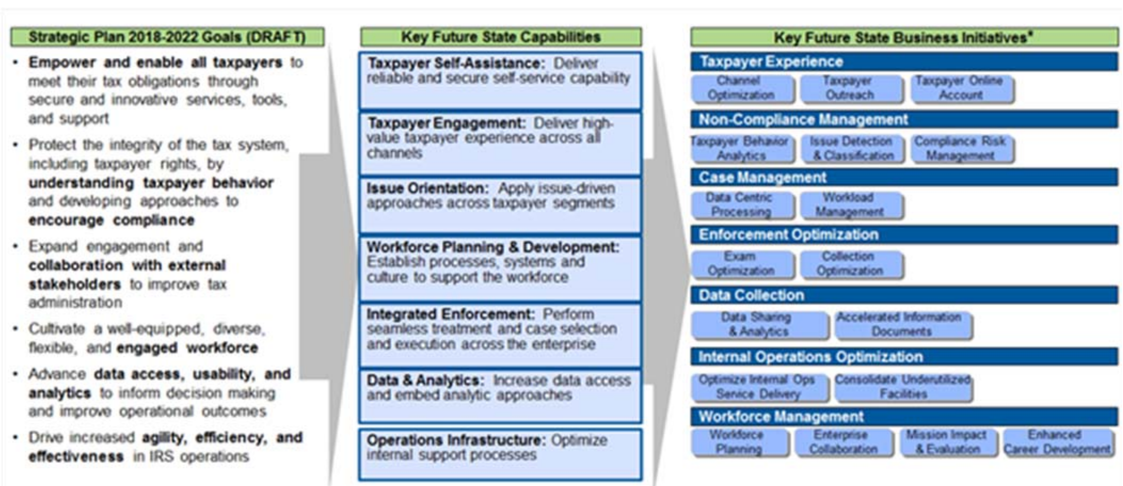
http://www.treasury.gov/about/budget-performance/pages/summary-of-capital-investments.aspx.

This website also contains a digital copy of this document.

3A – Capital Investment Strategy

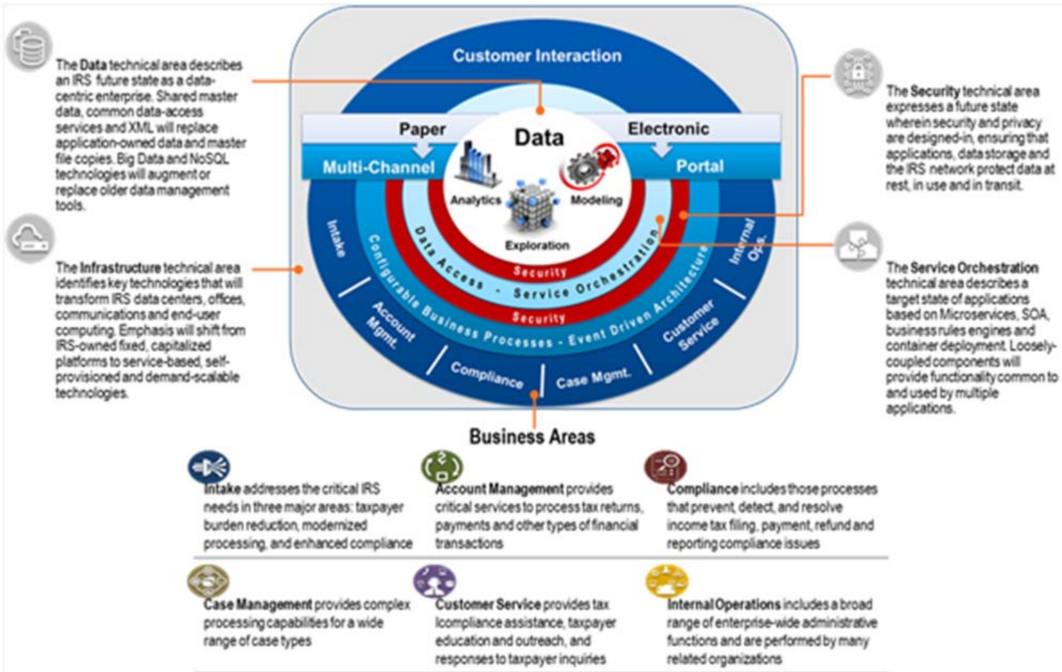
The IRS capital investment strategy translates the IRS's business vision into the required technical capabilities, and structures a set of IT investments that will advance those capabilities.

The IRS is developing a strategic, enterprise-wide planning initiative that describes the IRS vision for interacting with taxpayers and stakeholders in a more timely and open manner by understanding and meeting taxpayer needs, promoting voluntary compliance, and detecting, deterring, and resolving non-compliance. Figure 1 illustrates the relationships between the Strategic Plan goals and future capabilities and initiatives.

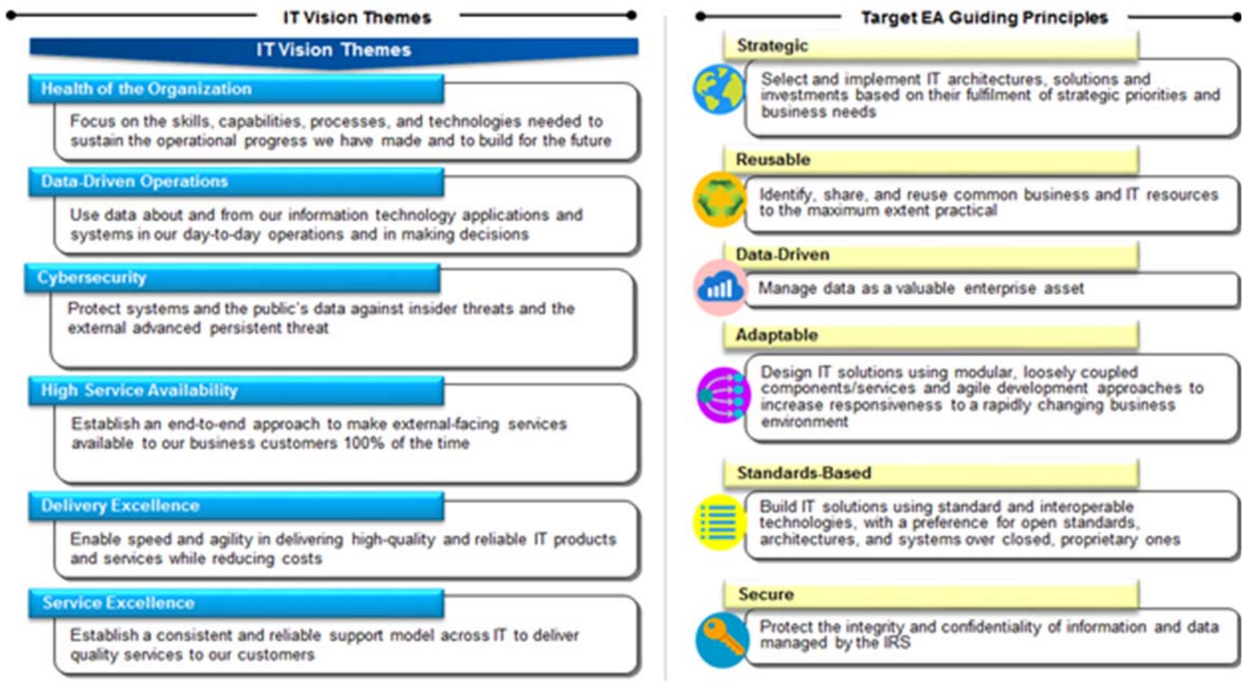


The IRS Technology Roadmap: Uses enterprise architecture planning and visualization methods to depict and describe the future direction of IRS technology in terms of advancing capabilities, modernizing applications and technical services, and upgrading the technology product environment through a set of programs and projects and new approaches such as Agile development and DevOps. It uses a set of models and visualizations to show the transition from the current environment to the future technology vision. It promotes dialogue between IT and business leaders on the priorities, direction and alignment of investments and resources. It is a living document that is reviewed and updated as appropriate. As depicted in Figure 2, the Technology Roadmap is structured around six core IRS business areas (Intake, Account

Management, Compliance, Case Management, Customer Service, and Internal Operations) and four technical areas (Data, Service Orchestration, Infrastructure, and Security).



To move efficiently and effectively toward the technology vision described in the Technology Roadmap, the IRS IT organization has developed its IT Vision to articulate and formalize key themes and goals essential to IT's performance as a world-class service provider to its business partners. This vision, summarized in Figure 3, emphasizes a strong and well-equipped workforce, agile and efficient service delivery processes, data-driven operations and decision-making, and a critical focus on cybersecurity. The IT Vision is further augmented by a set of architectural principles, also summarized in the diagram below, to guide appropriate investment decisions, and to acquire, design, build, and implement technology solutions.



In the current budget planning and investment cycle, IRS IT has identified several cross-cutting strategic IT initiatives and major programs, described below.

<u>Cloud</u>: In response to the U.S. CIO directive of a 'cloud first' policy, the IRS is defining and implementing a cloud strategy to adopt cloud technologies that enable the delivery of secure, agile, and efficient service offerings to the enterprise and the taxpayer. This move toward enterprise-wide cloud adoption will provide the IRS with convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be provisioned rapidly and released with minimal management effort or service provider interaction. Expected IRS benefits include: more agile infrastructure procurements; reduced operational overhead; more efficient resource sharing; and improved infrastructure currency.

<u>DevOps</u>: DevOps is an emerging software engineering practice that aims to unify the software development and operation processes, teams, and communications. The IRS's shift toward a DevOps culture requires changes to workflow, infrastructure management, solution creation, and deployment. IRS IT is addressing DevOps through six practice areas: Configuration Management, Continuous Integration, Automated Testing, Software Defined Infrastructure, Continuous Delivery, and Continuous Monitoring. Expected IRS benefits include: improved internal IT and stakeholder collaboration; faster delivery through compressed cycles; improved quality through better testing; and enhanced transparency to manage risks.

<u>Data Strategy</u>: Combating identity theft, detecting tax filing issues more quickly, improving taxpayer service, and optimizing compliance and enforcement actions require robust, secure, and integrated data capture, storage, processing, and analytics capabilities. The current IRS data environment is constrained in its ability to provide a holistic and secure taxpayer data view for emerging tax administration and compliance needs. The IRS is assessing and redesigning its data strategy and architecture to harness key industry trends more fully, such as big data technologies, self-service analytics, data lakes, and cognitive computing. Expected IRS benefits include: improved insights from data through analytics, reduced data movement and duplication to maximize performance and scalability, improved enterprise data standardization and integration, and security of data at rest and in motion.

<u>NextGen Infrastructure</u>: At the foundation of the IRS's critical systems and data is an infrastructure base (i.e., hardware, software, programming languages) that is aged and in need of modernization, which puts the American tax system at risk of failure. Such conditions introduce security risks, excessive system downtime, elimination of vendor support, and incompatibilities across systems and programs. The IRS Executive Risk Committee elevated the aging IRS technology infrastructure as the highest-priority enterprise risk. To address this challenge, the IRS is shifting towards cloud computing, hyper-converged and composable infrastructure, hybrid on-premises / cloud infrastructure environment, and continuous operations monitoring technologies. Key IRS benefits include: increased IT infrastructure availability and reliability; enhanced business continuity and disaster recovery; reduced IT asset cost and operational expenses; and faster, more scalable, and efficient IT service delivery.

<u>Application Program Interface (API) Strategy</u>: The IRS is defining and implementing an API strategy to enable rapid creation of reusable granular APIs to export key sets of data. To address its complex landscape of 500+ legacy applications and aging technology, the IRS is developing a scalable application and data integration approach to support emerging tax administration and compliance requirements. Harnessing industry advances such as micro service APIs and their scalability through containerization and cloud computing, the IRS API strategy focuses on providing a platform of reusable APIs that are individually scalable and fault tolerant. Key IRS benefits include: increased reuse of software functionality in many different contexts; improved agility in meeting user needs; accelerated deployment of new capabilities; and reduction of redundant functionality.

<u>Cybersecurity Strategy</u>: The IRS's mission of tax administration relies heavily upon the confidentiality, integrity and availability of information to achieve mission objectives. It is imperative that the IRS implement and sustain a robust security strategy in an ever-evolving threat and technology environment. Congress and the Administration have made cybersecurity one of their highest priorities. The IRS is adopting a proactive and analytics-driven approach to implement new offensive and defensive strategies to meet emerging security needs. The IRS is implementing Continuous Diagnostics & Mitigation (CDM) software to automate security controls and standardize risk reporting across federal agencies, and to provide near real-time status and mitigation of deficiencies. Additionally, the IRS is adopting a predictive analytics approach to analyze the machine data, user access, and usage pattern (behavior) data to mitigate risks posed by insider threats. The IRS also is implementing two-factor authentication to protect the confidentiality, integrity, and availability of remote data transmissions that contain sensitive taxpayer information.

<u>Web Applications (WebApps)</u>: IRS is developing Web Applications to improve interactions and communications with taxpayers, employers, and third parties by providing a broad range of self-service options, establishing secure information exchange options, and building internal capabilities. By enabling third parties and taxpayers to interact digitally with the IRS, the investment will provide a better user experience, achieve significant savings by moving services to lower cost channels, and deliver consistent data and services through reusable application programming interfaces (APIs). Web Apps will continue to work on the account *Balance Due, See Payments*, *Make a Payment* and *Download Tax Data* capabilities. The IRS also will begin work on two new account features: Taxpayer Protection Program Identity Verification Tool and *Installment Agreement* for individual taxpayers. This program will facilitate voluntary compliance by empowering taxpayers with innovative tools and support.

Enterprise Case Management (ECM): ECM is a business-driven transformation program that will address the need to modernize, upgrade, and consolidate case management systems with similar functionality that are running in the IRS ecosystem today. The IRS has over 60 legacy case management systems with similar functionality. Historically, these were developed for individual Business Operating Divisions as stand-alone systems. This project will consolidate case management systems onto an enterprise platform with common infrastructure, business functions, and services. The IRS expects taxpayer and operational benefits by making more case information available to front-line IRS employees to simplify interactions between the IRS and taxpayers.

Integrated Enterprise Portal (IEP) / IRS.GOV- Portal: The IRS.gov portal provides seamless one-stop web-based services to internal and external users. The modernization of the IRS.gov infrastructure enables landing page access to services for taxpayers, tax preparers, businesses, practitioners, electronic return originators, and IRS employees. IEP's strategy for infrastructure modernization also supports the IRS's Cloud-First strategy and will support future application portability through cloud technologies. IEP will ensure ease of access to IRS.gov services, and is necessary to ensure the security of IRS stakeholder data.

Return Review Program (RRP): RRP is leveraging leading-edge technologies to advance the IRS's effectiveness to detect, resolve, and prevent criminal and civil tax refund fraud and non-compliance, maximize fraud detection in real-time, and protect revenue from the risks of increasing global fraud sophistication. RRP is mission-critical for the IRS to combat ever-evolving tax fraud schemes in a sophisticated, scalable, and adaptable manner, and will be the anomaly detection platform for the enterprise for both pre-refund and post-refund fraud and non-compliance. RRP correlates data across multiple data sources and enables the IRS to create predictive models for fraud and non-compliance. RRP generates a scorecard for questionable returns, evaluating consistency and dependability. RRP also will support the Business Operating Divisions' ability to perform self-service analytics to facilitate rapid deployment of new rules and models for fraud and non-compliance, and will increase efficiencies to assist in the selection and prioritization of workload management.

Authentication, Access, and Authorization (eA3): eA3 is designed to provide secure access to IRS web-based applications and data through user authentication, authorization, and access capabilities that underpin all secure digital interactions for individuals, businesses, third parties, tax professionals, and other IRS trusted network participants. With an increase in IRS services delivered through internet channels, eA3 manages the risk of identity theft, fraudulent activity, and improper use of IRS information by enhancing detection and remediation capabilities within the IT security environments. eA3 provides a shared Enterprise Service / platform that can be used by new and existing, internal and external applications to provide authorization to users and services. Future objectives include improving the security and capacity of the enterprise authentication framework and protecting additional applications.

Foreign Account Tax Compliance Act (FATCA): The FATCA program supports legislation that promotes disclosure of foreign accounts held by U.S. taxpayers and integrates this information into current IRS compliance activities. FATCA introduces new reporting requirements for U.S. taxpayers and Foreign Financial Institutions (FFIs). The legislation requires U.S. taxpayers holding foreign financial assets to report information to the IRS annually, and for FFIs with U.S. taxpayer accounts to register, report annually to the IRS, and withhold a portion of income that is sent to the IRS. These complementary provisions create a web of international tax accountability, allowing the IRS to gather and analyze information from multiple sources, bolstering the compliance of U.S. taxpayers with assets overseas. IT will continue to operate and maintain the FATCA portfolio of systems, deliver new and enhanced business capabilities, reduce manual workarounds, leverage FATCA data to improve legislative compliance among individuals and institutions, and leverage existing capabilities to support emerging IRS initiatives.

Customer Account Data Engine 2 (CADE 2): CADE 2 is IRS's data-driven foundation for a future of state-of-the-art individual taxpayer account processing and data-centric technologies to improve service to taxpayers, enhance IRS tax administration, and ensure fiscal responsibility. At the heart of CADE 2 is a modernized relational database that aggregates individual taxpayer records and makes this data available to organizations across the IRS. Ultimately, CADE 2 will replace the Individual Master File (IMF) as the IRS's authoritative data source for individual taxpayer data.

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

The actual cost and actual revenue collected for FY 2012 through FY 2017 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 businesses, self-employed, large corporate businesses, partnerships, international, estate and gift, excise tax and employment tax, tax-exempt organizations, 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 section 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 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 the 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 and 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			FY 2017		
Enforcement Program	Cost[1]	Revenue	ROI	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	$5,506	$53,214	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	3,695	14,510	3.9
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	1,598	33,701	21.1
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	214	5,003	23.4

[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

Performance Measures	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2017 Target	FY2018 Target	FY2019 Target
Customer Service Representative Level of Service (LOS)	60.5%	64.4%	38.1%	53.4%	77.1%	64.0%	75.0%	47.0%
Customer Contacts Resolved per Staff Year[1]	20,767	21,018	26,245	28,497	25,535	Baseline	Baseline	TBD
Customer Accuracy - Tax Law (Phones)	95.7%	95.0%	95.0%	96.4%	96.7%	95.0%	95.0%	95.0%
Customer Accuracy - Accounts (Phones)	96.0%	96.2%	95.5%	96.1%	96.0%	95.0%	95.0%	95.0%
Timeliness of Critical Filing Season Tax Products to the Public	58.9%	99.1%	89.0%	92.5%	93.1%	89.0%	89.0%	89.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public	83.6%	98.7%	92.6%	98.0%	96.7%	91.0%	91.0%	91.0%
Percent Individual Returns Processed Electronically	82.5%	84.1%	85.3%	86.4%	86.9%	87.0%	88.0%	89.0%
Percent of Business Returns Processed Electronically	40.2%	43.1%	47.0%	50.0%	52.9%	51.0%	54.0%	56.0%
Refund Timeliness - Individual (Paper)	99.0%	98.7%	98.8%	98.7%	98.4%	97.0%	97.0%	97.0%
Enterprise Taxpayer Self-Assistance Rate[1]	83.3%	84.7%	88.7%	89.0%	79.0%	Indicator	Indicator	Indicator
Examination Coverage - Individual	1.0%	0.9%	0.8%	0.7%	0.6%	0.6%	0.6%	0.6%
Field Exam Nat'l Quality Review Score	89.2%	88.4%	86.7%	86.8%	85.0%	86.7%	84.4%	86.7%
Office Exam Nat'l Quality Review Score	90.3%	90.6%	88.3%	88.4%	87.9%	86.7%	86.7%	88.3%
Examination Quality - Large Business[2]	92.0%	83.0%	86.0%	83.0%	78.0%	90.0%	90.0%	90.0%
Examination Coverage - Business (Assets > $10 million)	5.6%	4.3%	3.9%	3.0%	2.5%	2.7%	2.4%	1.8%
Examination Efficiency - Individual	142	138	148	143	121	118	134	129
Automated Underreporter Efficiency	2,025	1,935	2,209	2,196	2,188	2,133	2,133	2,133
Automated Underreporter Coverage	2.8%	2.6%	2.3%	2.3%	2.2%	2.0%	1.9%	1.9%
Collection Coverage (Units)	47.0%	45.9%	46.3%	43.4%	42.2%	37.5%	38.6%	36.0%
Collection Efficiency (Units)	2,057	2,051	2,448	2,266	2,135	2,117	2,101	2,029
Field Collection Nat'l Quality Review Score	81.4%	81.6%	79.2%	79.2%	76.7%	79.7%	78.0%	78.0%
Automated Collection System Accuracy	94.4%	95.2%	95.3%	95.4%	94.7%	95.0%	95.0%	95.0%
Criminal Investigations Completed	5,557	4,606	4,486	3,721	3,089	3,100	3,000	2,900
Number of Convictions	3,311	3,110	2,879	2,672	2,300	2,100	1,900	1,800
Conviction Rate	93.1%	93.4%	93.2%	92.1%	91.5%	92.0%	92.0%	92.0%
TE/GE Determination Case Closures	65,877	136,746	111,940	99,973	102,749	95,791	94,103	88,886
Rentable Square Feet per Person (new for FY 2017)					297	Indicator	Indicator	Indicator
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level [3]	0.0%	66.7%	73.7%	76.2%	50.0%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level [3]	83.3%	100.0%	89.5%	85.7%	88.9%	90.0%	90.0%	90.0%

[1] Starting in FY 2017, the IRS modified the Customer Contacts Resolved per Staff Year (CCRPSY) and Enterprise Taxpayer Self Assistance Rate measures to include additional self-service channels. As new self-assistance applications are provided to the public, they will be added to the methodology. IRS saw taxpayer behavior changes in 2017 due to the PATH Act (re: refund hold) and expect to see additional impacts in 2018 due to the tax reform; in addition, IRS continues to evaluate the impact of changes to the web services measure in FY 2017. CCRPSY will be rebaselined for FY 2018.

[2] 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 replaced the two previous LB&I quality measures - Examination Quality - Industry and Coordinated Industry.

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

3.3 – IRS Performance Measure Table (Continued)

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 – Summary of FY 2017 Savings Realized

The IRS FY 2017 President's Budget request of $11.405 billion was built on the FY 2016 Enacted level of $11.235 billion and included $3.7 million and 72 FTE in reductions to the IRS FY 2016 base budget. However, the FY 2017 Enacted budget was $11.235 billion.

Dollars in Millions

Internal Revenue Service	
FY 2016 Enacted	**$11,235.0**
Changes to Base:	
Maintaining Current Levels (MCLs)	**$170.4**
Pay Raise	100
Pay Annualization	27
Non-Pay Inflation Adjustment	43.4
FY 2017 Current Services	**$11,405.4**
FY 2017 Enacted	**$11,235.0**
Current Services Shortfall	**($170.4)**

Increase e-File Savings

FY 2019 Projected Savings: (-$6,695,000 / -128 FTE)
FY 2017 Actual Savings Realized: (-$2,169,600/ -48 FTE)

The IRS realized savings of 48 FTE and $2.17 million in FY 2017 as a result of increases in electronically filed returns. The numbers of paper returns received by the IRS decreased by 1 million from FY 2016 to FY 2017 while the number of electronically filed returns increased by 3.4 million over the same period.

Rent

FY 2019 Annualized Savings: (-$9,703,414)

Rent is one of the IRS's largest organizational operating expenses. The IRS will complete 28 projects to release more than 567,986 rentable square feet of space from inventory for an annual rent savings of more than $9.7 million.

Section IV – Appendix

4.1 – Appropriations Detail Table with Program Integrity Cap Adjustment

Dollars in thousands

Internal Revenue Service Appropriated Resources	FY 2017 Enacted[1]		FY 2018 Annualized CR[2]		FY 2019 Request[3]		Change FY 2018 to FY 2019 Request		% Change FY 2018 to FY 2019 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Taxpayer Services	**28,692**	**$2,455,754**	**26,977**	**$2,349,688**	**24,668**	**$2,241,000**	**(2,309)**	**($108,688)**	**-8.56%**	**-4.63%**
Pre-Filing Taxpayer Assistance and Education	4,700	607,043	4,451	603,424	4,460	607,753	9	4,329	0.20%	0.72%
Filing and Account Services	23,992	1,848,711	22,526	1,746,264	20,208	1,633,247	(2,318)	(113,017)	-10.29%	-6.47%
Enforcement	**36,550**	**$4,640,000**	**34,662**	**$4,606,996**	**36,157**	**$4,832,847**	**1,495**	**$225,851**	**4.31%**	**4.90%**
Investigations	3,079	595,206	2,913	576,802	3,093	631,596	180	54,794	6.18%	9.50%
Exam and Collections	32,602	3,914,546	30,811	3,874,918	32,107	4,042,437	1,296	167,519	4.21%	4.32%
Regulatory	869	130,248	938	155,276	957	158,814	19	3,538	2.03%	2.28%
Operations Support	**10,835**	**$3,849,246**	**10,813**	**$3,913,988**	**11,155**	**$4,312,724**	**342**	**$398,736**	**3.16%**	**10.19%**
Infrastructure		869,732		847,444		886,032		38,588		4.55%
Shared Services and Support	4,777	991,504	4,588	994,559	4,706	1,035,568	118	41,009	2.57%	4.12%
Information Services	6,058	1,988,010	6,225	2,071,985	6,449	2,391,124	224	319,139	3.60%	15.40%
Business Systems Modernization	**557**	**$290,000**	**516**	**$288,031**	**516**	**$110,000**		**($178,031)**		**-61.81%**
Subtotal New Appropriated Resources	**76,634**	**$11,235,000**	**72,968**	**$11,158,703**	**72,496**	**$11,496,571**	**(472)**	**$337,868**	**-0.65%**	**3.03%**
Other Resources:										
Reimbursables	853	152,161	1,033	173,557	552	113,535	(481)	(60,022)	-46.56%	-34.58%
Offsetting Collections - Non Reimbursables		16,407		16,407		17,227		820		5.00%
User Fees	161	241,485	75	499,100	71	498,900	(4)	(200)	-5.33%	-0.04%
Recovery from Prior Years		2,497		18,351		17,549		(802)		-4.37%
Unobligated Balances from Prior Years	36	297,310	827	351,715		341,709	(827)	(10,006)	-100.00%	-2.84%
Transfers In/Out		17								
Resources from Other Accounts	1		1		1					
Subtotal Other Resources	**1,051**	**$709,877**	**1,936**	**$1,059,130**	**624**	**$988,920**	**(1,312)**	**($70,210)**	**-67.77%**	**-6.63%**
Total Budgetary Resources	**77,685**	**$11,944,877**	**74,904**	**$12,217,833**	**73,120**	**$12,485,491**	**(1,784)**	**$267,658**	**-2.38%**	**2.19%**

[1]FY 2017 Enacted reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources, see the 2019 Budget *Appendix* chapter for the Department of the Treasury. Includes $220 million interappropriation transfer from Enforcement to Taxpayer Services ($90 million) and Operations Support ($130 million). FY 2017 Enacted also includes $290 million in Section 113 Administrative Provision funding allocated in the following amounts: $209.2 million in Taxpayer Services and $80.8 million in Operations Support. FY 2017 full-time equivalent (FTE) are actuals and reconcile to the final FY 2017 Obligations and Expenses report, which included the 36 FTE funded from prior year balances shown in the table above. Other Resources are actuals. Resources from Other Accounts include other direct FTE funded by the Federal Highway Administration.

[2]FY 2018 Annualized Continuing Resolution (CR) reflects a rescission of 0.6791 percent applied to the FY 2017 Enacted levels. FY 2018 Annualized CR also includes a notional $220 million interappropriation transfer from Enforcement to Operations Support to cover anticipated operations and maintenance requirements in FY 2018. The IRS will submit a formal transfer to request to Congress as part of the IRS FY 2018 Operating Plan upon enactment of a final appropriations bill. FY 2018 Annualized CR includes $288 million in Section 113 Administrative Provision funding in the following amounts: $208 million in Taxpayer Services and $80 million in Operations Support. FY 2018 Annualized CR does not include resources to implement new requirements under the Tax Cuts and Jobs Act (Public Law 115-97).

Program Integrity Cap Adjustment

In addition to the base appropriations request of $11.135 billion, the FY 2019 Budget proposes a $362 million cap adjustment to fund new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS's overall tax enforcement program. The proposed FY 2019 enforcement investments will yield additional revenue. The Budget also proposes additional cap adjustments for new investments each year through FY 2023 that are sustained with additional adjustments through FY 2028 to account for economic factors, such as inflation. The investments will generate about $44 billion in additional revenue over 10 years and will cost about $15 billion for an estimated net savings of $29 billion. Notably, the return on investment (ROI) likely is understated because it includes only amounts directly recovered; it does not reflect the effect that enhanced enforcement has on deterring non-compliance.

IRS FY 2019 Program Integrity Cap Adjustment for Deficit Reduction

Description	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2019 - FY 2028
Base	$8,784	$8,874	$8,966	$9,058	$9,151	$9,246	$9,341	$9,437	$9,534	$9,632	$92,023
Cap	$362	$749	$1,098	$1,450	$1,806	$1,893	$1,895	$1,904	$1,913	$1,922	$14,990
Total	**$9,146**	**$9,623**	**$10,064**	**$10,508**	**$10,957**	**$11,138**	**$11,236**	**$11,341**	**$11,447**	**$11,554**	**$107,013**
Revenues	**$152**	**$787**	**$1,825**	**$3,033**	**$4,330**	**$5,554**	**$6,416**	**$6,931**	**$7,270**	**$7,505**	**$43,804**
Net Savings	**($209)**	**$38**	**$727**	**$1,583**	**$2,525**	**$3,661**	**$4,521**	**$5,027**	**$5,358**	**$5,583**	**$28,814**

Return on Investment (ROI) for FY 2019 Enforcement Investments

Enforcement efforts increase revenue by encouraging voluntary compliance for taxpayers who would otherwise seek to avoid meeting their tax obligations under the law. The IRS calculates a return on investment for both revenue generating and revenue protecting investments. Revenue generated is from compliance efforts that yield direct, measurable results through enforcement activities such as examination and collection returns. Protected revenue is revenue the IRS protects from being refunded erroneously. It is associated with activities that occur before issuing a taxpayer's refund, including the identification of fraud and questionable returns.

FY 2019 Revenue Generating Investments

The FY 2019 budget includes $290.1 million in investments for traditional enforcement and strategic revenue programs, which are projected to generate $2 billion in revenue once the investments reach full potential in FY 2021 with an expected total ROI of $5.2 to $1. This request includes $111.8 million to support strategic revenue producing investments, including improving identity assurance and strengthening the Return Review Program, among other initiatives. While the strategic revenue producing investments do not have an immediately measurable ROI, they have clear long-term positive revenue effects.

Return on Investment (ROI) for IRS FY 2019 Enforcement Initiatives

Dollars in Millions

	First Year (FY 2019)			Second Year (FY 2020)			Full Performance (FY 2021)		
	Cost	Revenue	ROI	Cost	Revenue	ROI	Cost	Revenue	ROI
FY 2019 Revenue Producing Enforcement Initiatives	$290.1	$345.2	1.2	$389.5	$1,492.0	3.8	$382.8	$2,005.3	5.2
Before Cap Adjustment Enforcement Initiative	$18.0	$0.0	0.0	$14.0	$0.0	0.0	$13.7	$0.0	0.0
Increase Audit Coverage	2.9	0.0	0.0	2.9	0.0	0.0	2.8	0.0	0.0
Increase Collection Coverage	1.7	0.0	0.0	2.0	0.0	0.0	1.9	0.0	0.0
Improve Identity Assurance	13.4	0.0	0.0	9.1	0.0	0.0	9.0	0.0	0.0
Cap Adjustment Enforcement Initiatives	$290.1	$345.2	1.2	$389.5	$1,492.0	3.8	$382.8	$2,005.3	5.2
Immediate and Directly Measurable Revenue-Producing Initiatives	$178.3	$345.2	1.9	$257.7	$1,492.0	5.8	$252.0	$2,005.3	8.0
Increase Collection Coverage	64.0	98.8	1.5	91.9	595.5	6.5	90.5	756.6	8.4
Increase Audit Coverage	114.3	246.4	2.2	165.8	896.5	5.4	161.5	1,248.7	7.7
Strategic Revenue-Producing Initiatives *(which do not have immediately measurable ROI, but clear long-term revenue effects)*	$111.8	$0.0	0.0	$131.8	$0.0	0.0	$130.8	$0.0	0.0
Improve Identity Assurance	29.6	0.0	0.0	33.5	0.0	0.0	33.6	0.0	0.0
Return Review Program	54.2	0.0	0.0	61.8	0.0	0.0	61.8	0.0	0.0
Tax Return Preparer Compliance and Professional Responsibility Activities	17.2	0.0	0.0	23.3	0.0	0.0	22.4	0.0	0.0
Expand CI for Cyber, Counterterrorism, and ID Theft Investigations	8.5	0.0	0.0	9.2	0.0	0.0	9.0	0.0	0.0
Prevent IDT & Refund Fraud and Reduce Improper Payments	2.3	0.0	0.0	4.0	0.0	0.0	4.0	0.0	0.0

FY 2019 Revenue Protecting Investments

The benefits of IRS activities that prevent erroneous refunds are not captured in IRS's ROI calculations above. However, the IRS estimates that investment in these activities should protect $1.1 billion in revenue that otherwise would have been recovered from downstream enforcement actions for an estimated ROI of $13.7 to $1 by FY 2021. These investments also support IRS's Agency Priority Goal on Fraud Prevention, which is part of the *FY 2018-2022 Treasury Strategic Plan* to reduce the amount of unprotected identity theft tax refunds paid by two percent by December 21, 2019.

FY 2019 Revenue-Protecting Enforcement Initiatives

Dollars in Millions	First Year (FY 2019)			Second Year (FY 2020)			Full Performance (FY 2021)		
	Cost	Revenue	ROI	Cost	Revenue	ROI	Cost	Revenue	ROI
Revenue Protecting Initiatives *(which protect taxpayer information, prevents identity theft, and results in long-term revenue protection)*	$71.6	$362.9	5.1	$82.8	$775.0	9.4	$80.8	$1,103.8	13.7
Cap Adjustment Revenue Protecting Initiative	$71.6	$362.9	5.1	$82.8	$775.0	9.4	$80.8	$1,103.8	13.7
Increase Audit Coverage (revenue-protecting portion)	17.9	56.0	3.1	27.3	405.0	14.8	27.2	675.0	24.8
Prevent IDT & Refund Fraud and Reduce Improper Payments (revenue-protecting portion)	53.7	306.9	5.7	55.5	370.0	6.7	53.6	428.8	8.0

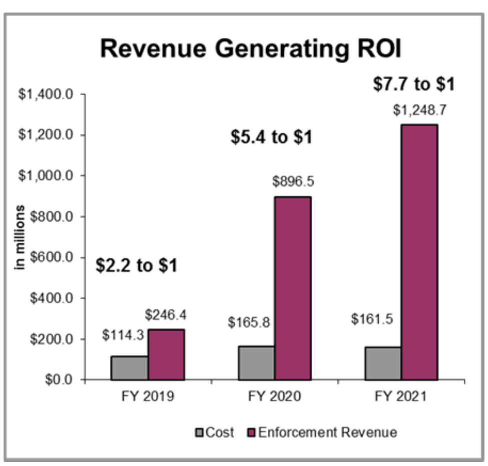
Cap Adjustment Program Increases……………….……...+$361,571,000 / +1,691 FTE

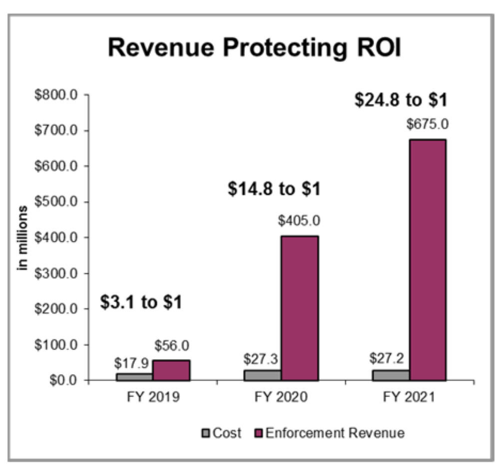
Increase Audit Coverage +$132,201,000 / +940 FTE

The IRS is requesting additional examination employees to increase staffing. The individual audit coverage rate has shrunk from 1.1 percent in FY 2010 to an estimated target of 0.6 percent in FY 2019, which increases the risk of undermining the integrity of the nation's voluntary tax compliance system. Examination program resources will cover a broad range of compliance priorities and move towards achieving the goal of earlier case assignment and resolution. The investment is projected to produce more than $1.2 billion in additional revenue annually and an ROI estimated at 7.7 to 1, and protect revenue of $675 million, a protected ROI of 24.8 to 1, once the new hires reach full potential in FY 2021. These resources will help to:

Position Type/Other Costs	FTE	$000
Examination Coverage	**290.50**	**$51,004**
Revenue Agent	196.00	37,355
Tax Technician	78.00	12,402
Manager/Support Staff	16.50	1,247
Specialty Programs	**209.00**	**$26,603**
Revenue Agent	34.50	7,373
Tax Technician	1.00	90
Tax Examiner	147.50	15,541
Attorney	3.50	691
Support Staff	22.50	2,908
Correspondence Examination	**65.00**	**$6,084**
Tax Technician	1.50	233
Tax Examiner	50.50	4,832
Manager/Support Staff	13.00	1,019
Document Matching	**161.00**	**$16,794**
Tax Examiner	143.50	15,100
Support Staff	17.50	1,694
Other Direct Costs	**215.00**	**$31,716**
Revenue Agent	25.00	4,057
Tax Examiner	18.00	1,953
Appeals Officer	40.00	6,816
Attorney	29.50	5,344
Paralegal	4.00	508
Contact Representative		330
TAS Specialist		96
HR Specialist	83.00	10,431
Manager/Program Analyst/Support Staff	15.50	1,911
Analyst - Seasonal		270
Total	**940.50**	**$132,201**

- Close more than 41,000 correspondence examination cases and 38,000 individual field examination cases;
- Improve the individual audit coverage rate, and expand examination coverage on cases involving employment taxes, estate and gift taxes, and Bank Secrecy Act reporting; and
- Expand the Automated Underreported (AUR) program to process more than 470,000 additional cases and other document matching programs that will process an additional 133,000 cases (document matching of individuals decreased 36 percent from FY 2011 to FY 2017).





Major Activities	Projected Revenue ($M)	Projected Closures
Field Examination	228.9	32,272
Specialty Programs	37.1	6,545
Correspondence Examination	216.0	41,860
AUR	541.6	471,393
BMF Underreporter/Document Matching	225.1	133,785
Total	$1,248.7	685,855

Increase Audit Coverage – Other Direct Costs (+$31.7 million / +215 FTE, included in total for Increase Audit Coverage above)

Dollars in thousands

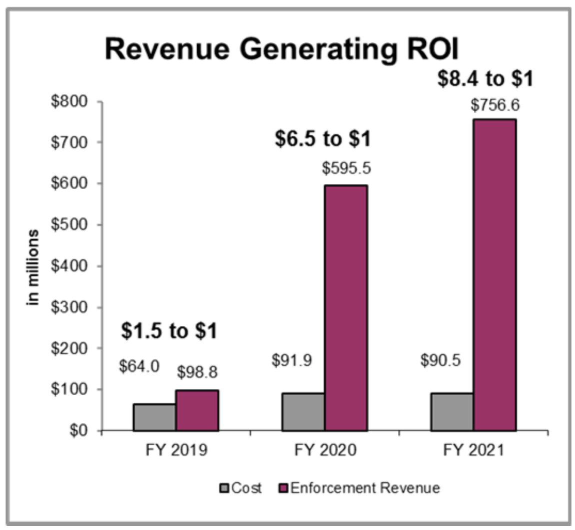
IRS Activity	Cost	FTE	Positions	Explanation
Appeals	$12,827	83.00	166	Support examination efforts on key compliance areas focused on improving voluntary compliance and providing a high level of customer service.
Chief Counsel	$6,692	41.50	83	Provide support for increases in requests for legal advice, litigation assistance, and published guidance on issues raised in audits.
Human Capital Office	$10,430	83.00	83	LR support to handle the increase in front-line positions and the expectation that new managerial positions will be created. Employment bargaining unit positions require internal and external postings that involve various assessments and work processes. Personnel Security FTE handle background and suitability checks.
SB/SE Human Capital Office	$762	4.00	8	Hiring positions support the onboarding of new hires. Training positions focus on developing and updating course material and delivering effective training.
Privacy, Governmental Liaison and Disclosure	$292	3.50	7	Address the increase in Freedom of Information Act requests as result of increased compliance activity.
Taxpayer Advocate Service (TAS)	$97			Ensure the IRS follows appropriate procedures and does not create unnecessary burdens or compromise taxpayers' rights.
WAGE -- Customer Service Representatives	$618			Support examination efforts by ensuring staffing is available to handle downstream impact in accounts management operations.
Total	**$31,716**	**215.00**	**347**	

Increase Collection Coverage +$63,932,000 / +433 FTE

The IRS is requesting additional resources to improve its capacity to work the collection inventory and answer taxpayer phone calls about that inventory. Increased staffing will address the overall collection coverage rate, which has declined 16 percent from FY 2010 to FY 2017. This investment is expected to produce additional annual enforcement revenue of $756.6 million, an ROI of $8.4 to $1, once the new hires reach full potential in FY 2021. These resources will help the IRS to:

Position Type/Other Costs	FTE	$000
Field Collection	**172.50**	**$30,929**
Revenue Officer	172.50	30,929
ACS & ACS Support	**113.00**	**$12,161**
Contact Representative	113.00	12,161
Correspondence Collection	**32.00**	**$2,738**
Tax Examiner	21.50	1,800
Manager/Support Staff	10.50	938
Other Direct Costs	**115.50**	**$18,104**
Appeals Officer	52.00	8,861
Tax Examiner	9.00	977
TAS Specialist		193
Attorney	12.50	2,300
Paralegal	2.00	254
Support Staff	4.00	425
HR Specialist	18.00	2,260
HR Support Staff	18.00	2,593
Contact Representative		135
Manager/Support Staff		16
Seasonal		90
Total	**433.00**	**$63,932**

- Provide nearly 350 additional field collection staff to expand programs that address non-filing and underpayment of taxes and to handle more than 60,000 additional collection cases with an estimate of $43.4 billion in aggregate assessed balance;
- Provide more than 220 additional Automated Collection System (ACS) staff to address additional 358,000 ACS cases, including incoming calls generated by the issuance of levies, delinquent returns, and/or unpaid tax liabilities. ACS staffing has decreased by 25 percent since the end of FY 2010, resulting in a substantial increase in unhandled ACS cases and a decreased level of service to taxpayers; and



- Expand several Compliance Services Collection Operations (CSCO) programs that address non-filing and underpayment of taxes through the notice process by sending more than 350,000 notice dispositions and cases. CSCO investments will increase balance due work and expand the following programs: Automated Substitute for Return, Offers in Compromise, and Insolvency.

Major Activities	Projected Revenue ($M)	Projected Closures
Field Collection	330.6	63,470
Automated Collection System	405.6	358,658
Offers In Compromise	5.2	3,510
Compliance Services Collection Operation	15.2	65,919
Total	$756.6	491,557

Increase Collection Coverage - Other Direct Costs (+$18.1 million / +115.5 FTE)

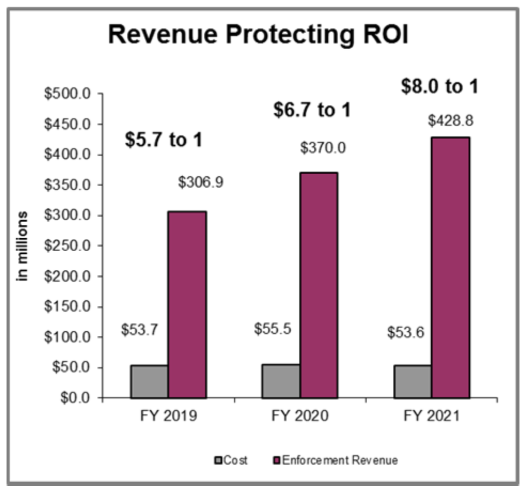
Dollars in thousands

IRS Activity	Cost	FTE	Positions	Explanation
Appeals	$9,837	61.00	122	Support collection efforts and provide a high level of customer service on key compliance areas, particularly the Trust Fund Recovery Penalty and Collection Due Process workstreams.
Chief Counsel	$2,980	18.50	37	Provide support for increases in requests for legal advice, litigation assistance, and collection due process.
Human Capital Office	$3,900	31.00	31	LR support to handle the increase in front-line positions and the expectation that new managerial positions will be created. Employment bargaining unit positions require internal and external postings that involve various assessments and work processes. Personnel Security FTE handle background and suitability checks.
SB/SE Human Capital Office	$952	5.00	10	Hiring positions support the onboarding of new hires. Training positions focus on developing and updating course material and delivering effective training.
Taxpayer Advocate Service (TAS)	$193			Ensure the IRS follows appropriate procedures and does not create unnecessary burdens or compromise taxpayers' rights.
WAGE -- Customer Service Representatives	$242			Support collection efforts by ensuring staffing is available to handle downstream impact in accounts management operations.
Total	**$18,104**	**115.50**	**200**	

Prevent Identity Theft & Refund & Reduce Improper Payments +$56,017,000 / +140 FTE

Position Type/Other Costs	FTE	$000
Identity Theft	**43.50**	**$24,619**
Special Agent	32.00	13,510
Analyst/Support Staff	8.50	845
IT Specialist	3.00	316
Contractual Services		9,948
Security Summit	**42.50**	**$14,572**
Special Agent	32.00	13,510
Analyst/Support Staff	7.50	746
IT Specialist	3.00	316
Pursue Employment Tax & Prevent Abusive Tax Schemes	**42.00**	**$14,523**
Special Agent	32.00	13,510
Analyst/Support Staff	7.00	697
IT Specialist	3.00	316
Other Direct Costs	**12.00**	**$2,303**
Attorney	9.50	2,060
Support Staff	2.50	243
Total	**140.00**	**$56,017**

Resources from this investment provide the means to fulfill IRS agreements with state and industry partners, and to analyze and act on potentially millions of additional tax fraud leads in real time, thereby stopping millions of fraudulent refunds. New staff will conduct case reviews to validate potential areas of abuse and test procedures to prevent refund fraud. These resources will allow the IRS to protect revenue by identifying potentially false returns and verifying as-reported wage and withholding accuracy. This investment is expected to protect $428.8 million of revenue, a projected ROI of $8.0 to $1, once the new hires reach full potential in FY 2021.



This investment provides staff ways to analyze more than 41 additional data points from returns filed by industry partners to enhance the determination of accurate indicators of identity theft. Additional leads also will be received and verified from financial institutions and state departments of revenue. The IRS will apply the new information to current year returns and future year filters/models.

This investment will help to stop problems from becoming a source of criminal activity and lost revenue. In addition, the investment includes contractor support that will identify classes of fraud cases, defining how they vary across the fraud actor communities; facilitate sharing anonymized data for analysis and identification of fraud classes; monitor tax fraud communication on the deep web to increase awareness of criminal activity; examine the fraud lifecycle to identify steps that non-compliant taxpayers take and the ways the IRS can defend against each step; determine how to build effective prevention and defense early in the lifecycle; develop machine-ingestible common vocabulary for fraud intelligence that allows non-compliant characteristics and techniques to be efficiently shared; validate fraud prevention mechanisms to assess their effectiveness; and maintain and share current contact information with all partners.

Prevent Identity Theft & Refund & Reduce Improper Payments - Other Direct Costs (+$2.3 million / +12 FTE)

Dollars in thousands

IRS Activity	Cost	FTE	Positions	Explanation
Chief Counsel	$2,303	12.00	24	Provide support for increases in requests for legal advice, litigation assistance, and collection due process.
Total	**$2,303**	**12.00**	**24**	

<u>Improve Identity Assurance +$29,586,000/ +21 FTE</u>

Position Type/Other Costs	FTE	$000
Taxpayer Authentication Assistance		**$1,343**
Manager/Analyst/Support Staff		501
Manager - Seasonal		56
Analyst - Seasonal		786
E-Authentication	**21.00**	**$4,243**
Program Analyst		312
IT Specialist	21.00	3,931
Reform Plan		**$24,000**
Hardware & Software		3,360
Contractual Services		20,640
Total	**21.00**	**$29,586**

This investment will increase security, usability, and analytics for identity assurance—the process of authenticating, authorizing, and accessing taxpayer-facing online services. As the Federal Government strives to deliver services online, it increases the need to safeguard electronic transactions involving such information. Both the electronic system and the user need assurance that the user's identity can be confirmed: the system needs to know that the user is authorized to exchange the information, which in turn allows the user to have confidence that the system will not release sensitive information to unauthorized users. This confirmation of user identity is known as authentication.

This investment will also include support for the e-Authentication Help Desk that will assist taxpayers with establishing or accessing their online accounts, and will enable the IRS to pursue new technologies for identity proofing and authentication and will decrease the time and effort required to resolve account issues.

This investment will help taxpayers create a Secure Access account and shift them to less expensive online self-service channels. The new e-Authentication capabilities will enable more taxpayers to use IRS applications. The ongoing application and monitoring enhancements will improve security and the overall user experience. Funds will provide for transaction costs, design and development support and tool integration, expansion of additional use cases and business reengineering, and developing prototypes for key tax pro account features.

Tax Return Preparer Compliance and Program Responsibility +$17,152,000 / +75 FTE

This investment will seek to ensure that tax preparers meet uniformly high ethical standards of conduct by enforcing preparer compliance with applicable IRS rules, increasing preparer examinations, and monitoring and pursuing preparers engaged in fraudulent activities, including noncompliant Earned Income Tax Credit (EITC) return preparers. This investment also provides resources for the IRS's Office of Professional Responsibility (OPR) to conduct oversight of return preparers who represent taxpayers and who are subject to Circular 230, *Regulations Governing Practice Before the Internal Revenue Service* (C230). This investment is critical to the IRS's strategy to reduce the tax gap and will improve the IRS's ability to deliver high-priority, preparer-related enforcement activities.

Position Type/Other Costs	FTE	$000
Enforce Tax Return Preparer Compliance	**39.50**	**$6,825**
Revenue Agent	30.00	5,694
Revenue Officer	1.00	179
Attorney	0.50	74
Tax Examiner	3.00	287
Tax Technician	2.00	318
Analyst/Support Staff	3.00	273
Pursue Tax Return Preparer Fraudulent Activity	**17.00**	**$6,764**
Special Agent	12.00	5,067
Analyst/Support Staff	5.00	497
Contractual Services		1,200
Tax Debt Resolution	**1.00**	**$168**
Attorney	0.50	103
Paralegal	0.50	65
Ensure Ethnical Standards of Conduct Practitioners	**17.50**	**$3,096**
Attorney	5.00	1,030
Paralegal	2.50	325
Support Staff	10.00	1,741
Technology Enhancements	**0.00**	**$299**
Contractual Services		299
Total	**75.00**	**$17,152**

Key activities and deliverables of this investment include deploying a coordinated return compliance strategy by:

- Developing techniques to detect return preparer errors;
- Coordinating return preparer activities across IRS enforcement functions;
- Prioritizing activities through a return preparer enforcement work plan;
- Updating detection tools and selection logic; and
- Determining effective measurement strategies.

Major Activities	Preparer Visits	Investigations Completed
Enforce Tax Return Preparer Compliance	2,000	
Pursue Tax Return Preparer Fradulent Activity		31
Total	**2,000**	**31**

Tax Return Preparer Compliance and Program Responsibility – Enforce Tax Return Preparer Compliance (+$6.8 million / +39.50 FTE)

Given the important role that tax return preparers play in tax administration, the IRS has a significant interest in identifying tax return preparers and monitoring their tax return preparation activities. These funds will allow the IRS to manage a coordinated return preparer compliance strategy by conducting on-site visits and investigating suspicious activity, especially of abusive return preparers.

The IRS identifies preparer cases through programs and referrals from field staff, taxpayers, and Criminal Investigation (CI). Revenue agents and special agents conduct preparer audits and visits. Specific planned program activities include field visits by revenue agents and CI special agents to return preparers with compliance-related concerns and dedicated reviews of the returns of the clients of those preparers to determine whether those clients owe additional taxes and whether it is appropriate to assess penalties.

The Administration is also proposing enhanced authority to oversee paid preparers.

Tax Return Preparer Compliance and Program Responsibility – Pursue Tax Return Preparer Fraudulent Activity (+$6.8 million / +17 FTE)

These funds provide resources for CI to form multi-agency taskforces dedicated to preventing fraudulently obtained refunds from financing and supporting criminal activity. Special agents will conduct outreach efforts with the practitioner community to educate them on their legal responsibilities and will develop leads on unscrupulous return preparers. CI will work with state taxing agencies to leverage resources and seek prosecution at both the federal and state levels as appropriate. These teams will target larger-scale criminal rings for maximum compliance results and publicity.

Tax Return Preparer Compliance and Program Responsibility – Tax Debt Resolution (+$0.2 million / +1 FTE)

These funds provide resources to fund one attorney and paralegal to address the deceptive and misleading practices suspected in the tax debt resolution industry.

Tax Return Preparer Compliance and Program Responsibility – Ensure Ethical Standards of Conduct for Practitioners (+$3.1 million / +17.50 FTE)

The population of those subject to the ethical standards contained in C230 is expanding to include unlicensed tax return preparers who represent taxpayers in disputes involving returns and claims for refund that they prepared or signed, and others who represent taxpayers in tax collection matters. The nature of the cases being handled by OPR has evolved over the past five years from a focus on a practitioner's own tax non-compliance to a focus on complex practitioner conduct that violates substantive provisions in C230 involving due diligence, false and misleading information given to IRS personnel, conflicts of interest, advising conduct in violation of tax laws, and false and misleading advertising.

These complex conduct cases, by their nature, require more extensive development, involve more sophisticated settlement negotiations and are more apt to result in commencement of an administrative proceeding before an Administrative Law Judge. We also have observed that, in the wake of the recent *Loving v. Commissioner* decisions, the tax community has become more likely to push proceedings into litigation rather than to settlement.

OPR estimates that the number of cases requiring litigation could triple over the next two years in line with OPR's expanded jurisdiction. The additional staffing will handle these complex conduct cases and the associated appeals, conferences, allegations, negotiations, and administrative hearing preparation, briefing and, when necessary, appeals of Administrative Law Judge decisions.

In addition, the increased staffing will handle:

- Anticipated increases in referrals of practitioner misconduct;
- Due process conferences;
- The new Appellate Authority functions delegated to OPR with respect to appeals from Return Preparer Office (RPO) determinations by C230 practitioners regarding compliance and suitability in the Preparer Tax Identification Number (PTIN) registration process; and
- Alleged violations of C230 standards by tax debt resolution companies that assist taxpayers with negotiations to abate penalties, enter into installment agreements, and compromise an assessed federal tax liability.

Tax Return Preparer Compliance and Program Responsibility – Technology Expansion (+$0.3 million / 0 FTE)

- E-TRAK Case and Correspondence Management System (CCMS) is the application utilized by OPR to input referrals, manage resulting cases, and produce management information reports. Currently, OPR's interactions with the IRS Return Preparer Office (RPO) and Centralized Authorization File (CAF) unit rely on a manual process. Interfacing CCMS with the 360 database will allow OPR research capability and the ability to exchange referrals and other pertinent information electronically, to include the revocation of PTINs and resulting CAF notifications.

Tax Return Preparer Compliance and Program Responsibility – Video Conference Capability

To reduce travel costs and enhance the ability to provide due process remotely, OPR is seeking resources for a video conferencing capability to conduct mandatory disciplinary conferences.

Expand Cyber and Counterterrorism Investigative Activities +$8,500,000 / +25 FTE

Position Type/Other Costs	FTE	$000
Expand Cyber and Counterterrorism Investigative Activities	**25.00**	**$8,500**
Special Agent	12.00	5,066
Analyst	11.00	1,094
IT Specialist	2.00	343
Contractual Services		1,997
Total	**25.00**	**$8,500**

Funding for this investment will strengthen cybercrimes and counterterrorism by enhancing several areas, including:

- Supplementing Special Agent and Investigative Support resources to combat cyber-criminals that exploit stolen taxpayer Personally Identifiable Information (PII) obtained through sophisticated data breaches and intrusions.
- Allowing for increased participation in multi-agency cyber and counterterrorism taskforces to target large-scale crime rings to maximize compliance.
- Expanding criminal investigations through analysis of rich data from Suspicious Activity Reports (SARs).
- Funding the build-out of CI's cybersecurity and cybercrime divisions.
- Identifying geographically driven issues.

This request funds contractor support that will:

- Identify classes of fraud use cases, defining how they vary across the fraud actor community;
- Facilitate sharing anonymized data for analysis and identification of fraud classes; monitor tax fraud communication on the deep web to increase awareness of criminal activity focused on undermining protection barriers and fraud filters;
- Examine the fraud lifecycle to identify steps that non-compliant taxpayers take and the ways CI can defend against each step;
- Determine how to build effective prevention and defense early in the fraud lifecycle;
- Develop machine ingestible common vocabulary for fraud intelligence that allows non-compliant characteristics and techniques to be shared efficiently in a timely way;
- Validate fraud prevention mechanisms to assess their effectiveness; and
- Maintain and share current contact information with all partners.

Return Review Program +$54,183,000 / +57 FTE

Position Type/Other Costs	FTE	$000
Return Review Program Operations and Maintenance	**57.00**	**$54,183**
IT Specialist	57.00	10,331
Software & Hardware		13,671
Contractual Services		30,181
Total	**57.00**	**$54,183**

This investment provides funding for 57 FTE, hardware, software, and contractual services for deployed Return Review applications. RRP deployed an Integrated Data Warehouse, In-Line Screening engine, and Offline Prevention environment that enhanced the IRS's ability to detect, resolve, and prevent criminal fraud and civil tax non-compliance. Since October 2016, the RRP has been the IRS's primary system for detecting tax return fraud and other anomalies in tax filings, with the current focus being on individual tax return data. Since the start of Filing Season 2015, the RRP has protected over $6.51 billion of revenue in confirmed fraud, with a return on investment of more than 1,500 percent.

Funding will allow the IRS to provide support for the deployed capabilities by:

- Enhancing applications, data modeling and mining, database development, business rules development, infrastructure support, performance engineering and testing, and application testing;
- Supporting annual hardware maintenance fees and purchases to refresh computers, network equipment, and storage;
- Updating and maintaining the system software, including operating systems, database, data integration, and utility software; and
- Updating rules engines and data analytics.

4.2 – Summary of IRS FY 2019 Identity Theft Budget Request

Bureau: Internal Revenue Service Summary of FY 2019 Identity Theft Request	TAXPAYER SERVICES $000	TAXPAYER SERVICES FTE	ENFORCEMENT $000	ENFORCEMENT FTE	OPERATIONS SUPPORT $000	OPERATIONS SUPPORT FTE	BSM $000	BSM FTE	TOTAL $000	TOTAL FTE
FY 2018 Annualized CR Level[1]	$185,580	2,696	$282,779	2,694	$58,848	44	$15,689		$542,896	5,434
Changes to Base:										
Maintaining Current Levels (MCLs)	$4,593		$6,999		$1,456				$13,048	
Pay Annualization	882		1,343		280				2,504	
Non-Pay Inflation Adjustment	3,712		5,656		1,177				10,544	
Subtotal FY 2019 Changes to Base	$4,593		$6,999		$1,456				$13,048	
FY 2019 Current Services	$190,173	2,696	$289,778	2,694	$60,304	44	$15,689		$555,944	5,434
Program Changes:										
Before Cap Adjustment Program Increases										
Stabilize, Secure and Transform IT Operations					24,300	21			24,300	21
Identity Assurance - e-Authentication Enhancements and Authorization Integration					*24,300*	*21*			*24,300*	*21*
Support Taxpayer Services and Online Account Activities	5,449	60							5,449	60
Subtotal FY 2019 Program Increases Before Cap Adjustment	$5,449	60			$24,300	21			$29,749	81
FY 2019 Request Before Cap Adjustment	$195,622	2,756	$289,778	2,694	$84,604	65	$15,689		$585,693	5,515
Cap Adjustment Program Increases										
Prevent Identity Theft & Refund Fraud & Reduce Improper Pymts			47,495	140	8,522				56,017	140
Return Review Program					54,183	57			54,183	57
Subtotal FY 2019 Cap Adjustment Investments			$47,495	140	$62,705	57			$110,200	197
Total FY 2019 Request Including Cap Adjustment	$195,622	2,756	$337,273	2,834	$147,309	122	$15,689		$695,893	5,712
Dollar/FTE Change FY 2019 Request over FY 2018 Annualized CR	$10,042	60	$54,494	140	$88,461	78			$152,997	278
Percent Change FY 2019 Request over FY 2018 Annualized CR	5.41%	2.23%	19.27%	5.20%	150.32%	177.27%			28.18%	5.12%

[1] The FY 2018 Annualized CR level includes a proposed Interappropriation Transfer in the amount of $220M from Enforcement to the Operations Support appropriation account

4.3 – Summary of IRS FY 2019 ACA Budget Request

Bureau: Internal Revenue Service Summary of FY 2019 ACA Request	TAXPAYER SERVICES $000	TAXPAYER SERVICES FTE	ENFORCEMENT $000	ENFORCEMENT FTE	OPERATIONS SUPPORT[1] $000	OPERATIONS SUPPORT[1] FTE	TOTAL $000	TOTAL FTE
FY 2018 Annualized CR Level	$106,823	1,695	$21,537	186	$54,547	313	$182,907	2,194
Changes to Base:								
Maintaining Current Levels (MCLs)	$510		$106		$334		$950	
Pay Annualization	509		103		249		861	
Non-Pay Inflation Adjustment	1		3		85		89	
Subtotal FY 2019 Changes to Base	$510		$106		$334		$950	
FY 2019 Current Services	$107,333	1,695	$21,643	186	$54,881	313	$183,857	2,194
Total FY 2019 Request	$107,333	1,695	$21,643	186	$54,881	313	$183,857	2,194
Dollar/FTE Change FY 2019 Request over FY 2018 Annualized CR	$510		$106		$334		$950	
Percent Change FY 2019 Request over FY 2018 Annualized CR	0.48%		0.49%		0.61%		0.52%	

[1] FY 2018 Annualized CR Level excludes $147 million in User Fees. The total with User Fees would be $330 million.

4.4 – Summary of IRS FY 2019 Cyber Security Budget Request

Bureau: Internal Revenue Service Summary of FY 2019 Cyber Security Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT [1]		TOTAL	
	$000	FTE	$000	FTE	$000	FTE	$000	FTE
FY 2018 Annualized CR Level	$10,978	12	$10,837	58	$227,756	444	$249,571	514
Changes to Base:								
Maintaining Current Levels (MCLs)	$272		$268		$5,637		$6,177	
Pay Annualization	52		51		1,082		1,185	
Non-Pay Inflation Adjustment	220		217		4,555		4,991	
Subtotal FY 2019 Changes to Base	$272		$268		$5,637		$6,177	
FY 2019 Current Services	$11,250	12	$11,105	58	$233,393	444	$255,748	514
Program Changes:								
Before Cap Adjustment Program Increases								
Stabilize, Secure and Transform IT Operations					40,000	10	40,000	10
Strengthen Cyber Security					*40,000*	*10*	*40,000*	*10*
Support Taxpayer Services and Online Account Activities	7,953						7,953	
Subtotal FY 2019 Program Increases Before Cap Adjustment	$7,953				$40,000	10	$47,953	10
FY 2019 Request Before Cap Adjustment	$19,203	12	$11,105	58	$273,393	454	$303,701	524
Cap Adjustment Program Increases								
Subtotal FY 2019 Cap Adjustment Investments								
Total FY 2019 Request Including Cap Adjustment	$19,203	12	$11,105	58	$273,393	454	$303,701	524

[1] FY 2018 Annualized CR Level in the amount of $249,571 million excludes $38.8 million in User Fees. The total including User Fees would be $288,371 million.

Dollar/FTE Change FY 2019 Request over FY 2018 Annualized CR	$8,225		$268		$45,637	10	$54,130	10
Percent Change FY 2019 Request over FY 2018 Annualized CR	74.92%		2.47%		20.04%	2.25%	21.69%	1.95%

4.5 – Summary of IRS FY 2019 Request

Bureau: Internal Revenue Service Summary of FY 2019 CJ Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	$000	FTE	$000	FTE	$000	FTE	$000	FTE	$000	FTE
FY 2018 Annualized CR Level[1]	**$2,349,688**	**26,977**	**$4,606,996**	**34,662**	**$3,913,988**	**10,813**	**$288,031**	**516**	**$11,158,703**	**72,968**
Changes to Base:										
Maintaining Current Levels (MCLs)	**$13,115**		**$26,598**		**$53,808**		**$172**		**$93,693**	
Pay Annualization	9,697		21,035		7,823		172		38,727	
Non-Pay Inflation Adjustment	3,418		5,563		45,985				54,966	
Efficiency/Savings	**($6,695)**	**(128)**			**($6,103)**				**($12,798)**	**(128)**
Increase e-File Savings	(6,695)	(128)			(102)				(6,797)	(128)
Space Optimization					(6,001)				(6,001)	
Reinvestment					**12,798**				**12,798**	
Support Aging IT Infrastructure					12,798				12,798	
Subtotal FY 2019 Changes to Base	**$6,420**	**(128)**	**$26,598**		**$60,503**		**$172**		**$93,693**	**(128)**
FY 2019 Current Services	**$2,356,108**	**26,849**	**$4,633,594**	**34,662**	**$3,974,491**	**10,813**	**$288,203**	**516**	**$11,252,396**	**72,840**
Program Changes:										
Program Decreases										
Actions to Achieve Workforce Management Goals	($133,134)	(2,307)	($5,390)						($138,524)	(2,307)
Realignment from BSM to Operations Support							($178,203)		($178,203)	
Subtotal FY 2019 Program Decreases	**($133,134)**	**(2,307)**	**($5,390)**				**($178,203)**		**($316,727)**	**(2,307)**
Before Cap Adjustment Program Increases										
Stabilize, Secure and Transform IT Operations					**181,305**	**146**			**181,305**	**146**
Strengthen Cyber Security					*40,000*	*10*			*40,000*	*10*
Identity Assurance - e-Authentication Enhancements and Authorization Integration					*24,300*	*21*			*24,300*	*21*
Aging Technology Infrastructure					*39,000*				*39,000*	
Migration to Cloud Services					*20,000*				*20,000*	
Stabilize IT Operations					*58,005*	*115*			*58,005*	*115*
Support Taxpayer Services and Online Account Activities	**18,026**	**126**							**18,026**	**126**
Subtotal FY 2019 Program Increases Before Cap Adjustment	**$18,026**	**126**			**$181,305**	**146**			**$199,331**	**272**
FY 2019 Request Before Cap Adjustment	**$2,241,000**	**24,668**	**$4,628,204**	**34,662**	**$4,155,796**	**10,959**	**$110,000**	**516**	**$11,135,000**	**70,805**
Cap Adjustment Program Increases										
Increase Audit Coverage			91,240	854	40,961	86			132,201	940
Increase Collection Coverage			45,338	402	18,594	31			63,932	433
Prevent Identity Theft & Refund Fraud & Reduce Improper Pymts			47,495	140	8,522				56,017	140
Improve Identity Assurance					29,586	21			29,586	21
Tax Return Preparer Compliance and Pro. Responsibility Activities			12,999	75	4,153				17,152	75
Expand CI for Cyber and Counterterrorism Investigations			7,571	25	929				8,500	25
Return Review Program					54,183	57			54,183	57
Subtotal FY 2019 Cap Adjustment Investments			**$204,643**	**1,496**	**$156,928**	**195**			**$361,571**	**1,691**
Total FY 2019 Request Including Cap Adjustment	$2,241,000	24,668	$4,832,847	36,158	$4,312,724	11,154	$110,000	516	$11,496,571	72,496

[1]See footnotes in 1.1 – Appropriations Detail Table

Department of the Treasury
Departmental Offices
Salaries and Expenses

Congressional Budget Justification and Annual Performance Report and Plan

FY 2019

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
The Department of the Treasury's (Treasury) Strategic Plan for FY 2018-2022 guides program and budget decisions for the Departmental Offices (DO). The FY 2019 Budget Request supports DO's leading role in accomplishing Treasury's strategic goals:
- Boost U.S. Economic Growth
- Promote Financial Stability
- Enhance National Security
- Transform Government-wide Financial Stewardship
- Achieve Operational Excellence

Staffing and Full-Time Equivalent (FTE) Reduction
The Budget re-emphasizes the FTE reductions Treasury committed to in the FY 2018 President's Budget. DO continues to streamline its workforce by finding more efficient ways to manage its programs and support the Presidential Executive Order for reorganizing the Executive Branch to improve the efficiency, effectiveness, and accountability of federal agencies.

Transfer of Administrative Support Programs to the Treasury Franchise Fund
The Budget proposes to transfer approximately $148.109 million and 165 direct FTE and 42 reimbursable FTE for direct and reimbursable DO administrative services to the Treasury Franchise Fund to consolidate broad-scale administrative functions and capital investment activities into one account and to provide one governance process for reimbursable programs in DO. This transfer supports 22 customers and reimbursable agreements and 14 different programs.

The transfer and incorporation into the Franchise Fund structure provide the following benefits to the Department and effected customers:
- Allows for more effective information technology (IT) and building infrastructure investments over multiple fiscal years and provides stability during a continuing resolution for more efficient contract execution.
- Provides customers with the consolidation of like services, consistent points of contact (POCs) for service providers, less confusion during budget execution, and increased, direct customer involvement through joint governance.
- Simplifies budget formulation and execution and allows for better staff leverage across functions.
- Streamlines DO cash management as services would be paid for in consistent monthly amounts rather than billed in arrears based on actuals.

Budgetary Resources for DO administrative services would continue to be presented in the DO Salaries and Expenses (SE) account. DO SE will purchase administrative services from the Franchise Fund. Effective in FY 2019 the Fund will reflect the FTE associated with these services.

Financial Literacy

More than 20 agencies administer programs to educate Americans about financial topics – but the effectiveness of these programs is not known. Under the Treasury Department's leadership of the Financial Literacy and Education Commission, we will better coordinate financial literacy programs across government to increase effectiveness and reduce fragmentation. Evaluating existing activities will help identify best practices and areas for streamlining. This approach will ensure that that federal financial education activities are coordinated around a shared set of government-wide goals, meet federal standards for effectiveness, and leverage best practices.

1.1 – Appropriations Detail Table

Dollars in Thousands

DO Salaries and Expenses	FY 2017		FY 2018		FY 2019		FY 2018 to FY 2019			
Appropriated Resources	Enacted		Annualized CR		Request		Change		% Change	
New Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Executive Direction	140	$39,127	147	$38,937	113	$37,004	(34)	($1,933)	-23.13%	-4.96%
Domestic Finance and Tax Policy	313	$81,719	305	$80,948	224	$71,070	(81)	($9,878)	-26.56%	-12.20%
International Affairs and Economic Policy	257	$60,402	259	$60,082	195	$54,506	(64)	($5,576)	-24.71%	-9.28%
Treasury-wide Management and Programs	146	$43,128	145	$42,885	114	$39,171	(31)	($3,714)	-21.38%	-8.66%
Subtotal New Appropriated Resources	**856**	**$224,376**	**856**	**$222,852**	**646**	**$201,751**	**(210)**	**($21,101)**	**-24.53%**	**-9.47%**
Other Resources										
Reimbursables	99	$76,458	100	$80,000	58	$12,066	(42)	($67,934)	-42.00%	-84.92%
Subtotal Other Resources	**99**	**$76,458**	**100**	**$80,000**	**58**	**$12,066**	**(42)**	**($67,934)**	**-42.00%**	**-84.92%**
Total Budgetary Resources	**955**	**$300,834**	**956**	**$302,852**	**704**	**$213,817**	**(252)**	**($89,035)**	**-26.36%**	**-29.40%**

Note:
1. FY 2017 FTE are actuals.
2. Excluded from the Appropriations Detail table is $28,000 for FY 2017 and $27,810 for FY 2018. These amounts represent administrative support for Terrorism and Financial Intelligence.
3. The FY 2017 Enacted column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table

Dollars in Thousands

DO Salaries and Expenses	FTE	Amount
FY 2018 Annualized Continuing Resolution	**856**	**$222,852**
Changes to Base:		
Maintaining Current Levels (MCLs):	0	$1,862
Pay Annualization	0	$677
Non-Pay	0	$1,185
Efficiency Savings	(45)	($22,963)
Reduce Contracts, Supplies, and Equipment	0	($8,266)
Streamline Staffing	(45)	($14,697)
Transfers	(165)	$0
Centralized Treasury Administrative Services to the Treasury Franchise Fund	(165)	$0
Subtotal Changes to Base	(210)	($21,101)
Total FY 2019 Request	**646**	**$201,751**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$1,862,000 / +0 FTE

<u>Pay Annualization +$677,000 / +0 FTE</u>

Funds are requested for annualization of the January 2018 pay-raise.

<u>Non-Pay +$1,185,000 / +0 FTE</u>

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

Efficiency Savings .... -$22,963,000 / -45 FTE

<u>Reduce Contracts, Supplies, and Equipment -$8,266,000 / +0 FTE</u>

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

<u>Streamline Staffing -$14,697,000 / -45 FTE</u>

To align with the Administration's goal to rebuild the national defense and invest in the Nation's most pressing security needs, DO is implementing a staffing streamlining effort to maximize effectiveness and efficiency while ensuring appropriate levels for meeting Treasury's mission and objectives.

Transfers .... +$0 / -165 FTE

<u>DO Administrative Services to the Treasury Franchise Fund +$0 / -165 FTE</u>

DO proposes to move administrative services to the Treasury Franchise Fund in FY 2019 to consolidate broad-scale administrative functions and capital investment activities into one account. It would also provide one governance process for reimbursable programs in DO. The Franchise Fund structure would allow for more effective capital investments over multiple fiscal years and provide stability during a continuing resolution for more efficient contract execution. Customers would benefit from the consolidation of like services, consistent points of contacts for service providers, less confusion during budget execution, and increased, direct customer involvement through joint governance. Administrative programs would benefit because they would budget for and execute all services in one account and be able to better leverage staff across functions. The move also would streamline cash management because services would be paid for in consistent monthly amounts rather than billed in arrears based on actuals.

1.3 – Operating Levels Table

Dollars in Thousands

DO Salaries and Expenses Object Classification	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
11.1 - Full-time permanent	113,585	112,814	82,660
11.3 - Other than full-time permanent	1,620	1,609	1,760
11.5 - Other personnel compensation	2,079	2,065	2,535
11.9 - Personnel Compensation (Total)	**117,284**	**116,488**	**86,955**
12.0 - Personnel benefits	33,571	33,343	26,741
Total Personnel and Compensation Benefits	**$150,855**	**$149,831**	**$113,696**
21.0 - Travel and transportation of persons	4,239	4,210	3,299
22.0 - Transportation of things	367	365	171
23.1 - Rental payments to GSA	850	844	281
23.2 - Rental payments to others	893	887	1,004
23.3 - Communications, utilities, and miscellaneous charges	407	404	94
24.0 - Printing and reproduction	135	134	6
25.1 - Advisory and assistance services	19,767	19,633	8,503
25.2 - Other services from non-Federal sources	7,985	7,931	3,591
25.3 - Other goods and services from Federal sources	25,869	25,693	64,924
25.5 - Research and development contracts	2,447	2,430	0
25.7 - Operation and maintenance of equipment	613	609	227
26.0 - Supplies and materials	3,817	3,791	2,706
31.0 - Equipment	6,132	6,090	3,249
Total Non-Personnel	**$73,521**	**$73,021**	**$88,055**
New Budgetary Resources	**$224,376**	**$222,852**	**$201,751**
FTE	**856**	**856**	**646**

Notes:
1. FY 2017 FTE are actuals.
2. Excluded from the Operating Levels table is $28,000 for FY 2017 and $27,810 for FY 2018. These amounts represent administrative support for Terrorism and Financial Intelligence.
3. The FY 2017 Enacted column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

D – Appropriations Language and Explanation of Changes

<table>
<tr><th>Appropriations Language</th><th>Explanation of Changes</th></tr>
<tr><td>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 $700,000 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, 2020, 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 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.</td><td>The Department of the Treasury, on behalf of the United States, will assume the Presidency of the Financial Action Task Force (FATF) in 2019. Organized by the G7 in 1989 to focus on money laundering, the FATF has grown to include nearly 40 members and its mandate has expanded to include terrorist financing and proliferation financing as well as money laundering. The Administration requests an increase to the Department's official reception and representation expenses authority to allow the Office of Terrorism and Financial Intelligence to support the FATF plenary meetings and the role and duties of the Presidency of such Task Force.</td></tr>
</table>

E – Legislative Proposals

Sec. 129 - Amounts made available under the heading "Office of Terrorism and Financial Intelligence" shall be available to reimburse the "Departmental Offices—Salaries and Expenses" account for expenses incurred in such account for reception and representation expenses to support activities of the Financial Action Task Force.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

DO is Treasury's headquarters bureau. 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. DO aligns to all Treasury strategic goals and objectives. Specific alignment by budget activity is indicated below.

B – Budget and Performance by Budget Activity

2.1.1 Executive Direction Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$35,763	$34,588	$35,313	$37,778	$36,706	$38,937	$37,004
Other Resource	$4,691	$15,137	$21,677	$29,632	$22,997	$30,491	$4,308
Budget Activity Total	**$40,454**	**$49,725**	**$56,990**	**$67,410**	**$59,703**	**$69,428**	**$41,312**
FTE	**156**	**162**	**189**	**206**	**169**	**187**	**137**

Executive Direction Budget and Performance

($37,004,000 from direct appropriation, $4,308,000 from reimbursable resources):
The Executive Direction program area provides direction and policy formulation to DO and the rest of Treasury and interacts with Congress and the public on policy matters.

No specific performance goals/measures are presented for this budget activity because 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 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$56,804	$56,265	$57,362	$59,061	$60,613	$60,082	$54,506
Other Resource	$2,275	$4,891	$5,896	$14,680	$10,617	$8,373	$1,888
Budget Activity Total	**$59,079**	**$61,156**	**$63,258**	**$73,741**	**$71,230**	**$68,455**	**$56,394**
FTE	**232**	**226**	**259**	**272**	**268**	**265**	**197**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
IA - Monitor Quality and Enhance Effectiveness of International Monetary Fund (IMF) Lending Through Review of IMF Country Programs	100	100	100	100	100	100	100	100
IA - Monitor Quality and Enhance Effectiveness of MDB Lending Through Review of MDB Grant and Loan Proposals	100	100	100	100	100	100	100	100
IA - Percentage of MDB Grant and Loan Proposals Containing Satisfactory Frameworks for Results Measurement	92	93	93	89	96	94	95	95
IA - Timely Review of CFIUS Cases	100	100	100	100	100	100	100	100
OTA - Program Engagement	3.8	3.7	3.8	3.9	4.0	3.6	3.6	3.6

International Affairs and Economic Policy Budget and Performance

($54,506,000 from direct appropriation, $1,888,000 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.

Office of International Affairs (IA)

This office supports the following strategic objectives for Strategic Goal 1, to boost U.S. economic growth:

- Objective 1.2 – Strong Economic Fundamentals: Spur faster economic growth by right-sizing Treasury and other regulations and advancing domestic economic policies that boost investment, employment, and innovation.
- Objective 1.4 – Free and Fair Trade: Advance a free and fair trade environment for U.S. businesses through successful negotiation of trade agreements and investment policies.

This office supports the following strategic objectives for Strategic Goal 2, to promote financial stability:

- Objective 2.2 – Foreign Exchange Practices: Achieve fair foreign exchange practices through multilateral engagement with international partners.

- Objective 2.3 – Foreign Technical Assistance: Provide technical assistance to enable foreign partner countries to better raise and manage financial resources and protect their financial sectors.

This office supports the following strategic objectives for Strategic Goal 3, to enhance national security:
- Objective 3.1 – Strategic Threat Disruption: Identify, dismantle, and disrupt priority threats to the U.S. and international financial system.
- Objective 3.3 – Economic Strength and National Security: Advance American prosperity and security through growth, investment, trade, and expanding the American industrial base while protecting national security.

This office supports the following strategic objective for Strategic Goal 4, to transform government-wide financial stewardship:
- Objective 4.1 – Financial Data Access/Use: Increase the access and use of federal financial data to strengthen government-wide decision-making, transparency, and accountability.

This office supports the following strategic objective for Strategic Goal 5, to achieve operational excellence:
- Objective 5.1 – Workforce Management: Foster a culture of innovation to hire, engage, develop, and optimize a diverse workforce with the competencies necessary to accomplish our mission.

In FY 2017, the Office of International Affairs (IA) worked to put in place policies that achieve faster U.S. and global growth and higher after-tax wages for American workers. This involved ambitious reforms for taxes, regulation, trade, the budget, energy, financial regulation, infrastructure, and international relations, all of which will continue into FY 2018.

In its role as lead for international negotiations on non-insurance financial services and transfers, Treasury pursued critical financial services commitments and robust transfer provisions of trade and investment negotiations. Treasury plays a key role in the North America Free Trade Agreement (NAFTA) negotiations, aimed at working towards a more balanced agreement. 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 for U.S. financial services firms of the United Kingdom's exit from the European Union. 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 seeks to level the playing field for U.S. businesses through multilateral and bilateral engagements on foreign exchange practices. Treasury does this via multilateral and bilateral activities working through the International Monetary Fund (IMF) and the Group of 20 Nations (G-20). The G-20 Finance

Ministers agreed to a regular IMF report assessing progress toward achieving strong, sustainable, and balanced growth, as well as the potential for policy development and policy issues related to achieving faster and more sustainable adjustment of external imbalances. Treasury is also 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 major U.S. trading partners. Treasury also continues to press for stronger exchange rate surveillance in the IMF.

Treasury continues to enhance its oversight of the multilateral development banks' (MDB) policies and programs, particularly with respect to the expansion of their loan programs when market financing is generally plentiful. In particular this year, Treasury worked with the World Bank and others to establish the Women Entrepreneurs Finance Initiative to create a holistic public and private sector approach to addressing the constraints faced by female entrepreneurs and help fill a major gap in women's access to finance.

IA rebalanced resource allocations to reflect changing mission requirements. Areas addressed in the reallocation include the increasing demands associated with chairing the Committee on Foreign Investment in the United States (CFIUS). IA continued to direct additional existing 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 CFIUS to ensure that the CFIUS process is timely and efficient. The target (100 percent) was met in FY 2017. IA's target for this measure in FY 2018 and FY 2019 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 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 2017. In FY 2018 and FY 2019, 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 2017. In FY 2018 and FY 2019, 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 2017, 96 percent of MDB grant and loan project proposals had excellent or satisfactory ratings for the results matrices, a significant increase from FY 2016. The FY 2018 target is 95 percent, and the FY 2019 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 2017, the Traction score was 4.0, exceeding the target of 3.6. In FY 2018 and FY 2019, IA's target for Traction is 3.6.

Office of Economic Policy (EP)

This office supports the following strategic objective for Strategic Goal 1, to boost U.S. economic growth:

- Objective 1.2 – Strong Economic Fundamentals: Spur faster economic growth by right-sizing Treasury and other regulations and advancing domestic economic policies that boost investment, employment, and innovation.

This office supports the following strategic objective for Strategic Goal 3, to enhance national security:

- Objective 3.2 – AML/CFT Framework: Identify and reduce vulnerabilities in the U.S. and international financial system to prevent abuse by illicit actors.

This office supports the following strategic objective for Strategic Goal 5, to achieve operational excellence:

- Objective 5.1 – Workforce Management: Foster a culture of innovation to hire, engage, develop, and optimize a diverse workforce with the competencies necessary to accomplish our mission.

During the past year, EP 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. In related work, the office produced memos for the Secretary covering pre-release data reports on roughly ten 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, including the Treasury Bulletin, Bank/Fund meetings, the report to Congress titled, "Foreign Exchange Policies of Major Trading Partners of the U.S.," the Quarterly Refunding Report, the Annual Financial Report, and many ad hoc requests for U.S. economic background material. The Macro 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 develop the economic assumptions that drive the Administration's ten-year forecast and directly determines the Administration's annual budget proposals. Economists from EP represented the United States at Organisation for Economic Co-operation and Development (OECD) working group meetings on country forecasts. 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 extensively throughout the private sector and executive agencies that administer private and public 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. Activities included a continuing series of Economic Security issue briefs covering older women and the safety net; substantial contributions to a report on the effect of the Consumer Financial Protection Bureau's arbitration rule; a congressionally requested report on agricultural exports to Cuba; and economic analysis of sanctions-related policies. Finally, the office continued to lead a government-wide effort to close the skills gap in the economist occupation in the Federal Government by coordinating efforts between the economist workforce and Office of Personnel Management and OMB to promote better recruitment, retention, and development of economists in the federal workforce.

2.1.3 Domestic Finance and Tax Policy Resources and Measures
Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$68,351	$81,783	$76,520	$79,748	$81,410	$80,948	$71,070
Other Resource	$12,804	$24,997	$40,240	$55,231	$38,650	$40,140	$5,609
Budget Activity Total	**$81,155**	**$106,780**	**$116,760**	**$134,979**	**$120,060**	**$121,088**	**$76,679**
FTE	**326**	**339**	**364**	**398**	**365**	**358**	**256**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
DF-Variance Between Estimated and Actual Receipts (Annual Forecast)(%)	2.5	3.25	2.8	3.1	4	4.25	4.25	4.25

Domestic Finance and Tax Policy Budget and Performance
($71,070,000,000 from direct appropriation, $5,609,000 from reimbursable resources):
The Offices of Domestic Finance and Tax Policy monitor policy, legislation, and regulations, and provide advice and assistance to the Secretary about the financial services sector and taxes, as well as financial markets and the regulation of financial institutions. The Office of Tax Policy supports the administration's efforts in tax reform legislative proposals and regulatory implementation.

Office of Domestic Finance (DF)
This office supports the following strategic objective for Strategic Goal 1, to boost U.S. economic growth:

- Objective 1.2 – Strong Economic Fundamentals: Spur faster economic growth by right-sizing Treasury and other regulations and advancing domestic economic policies that boost investment, employment, and innovation.

This office supports the following strategic objectives for Strategic Goal 2, to promote financial stability:

- Objective 2.1 – Housing Finance Reform: Support housing finance reform to resolve Government-Sponsored Enterprise (GSE) conservatorships and prevent taxpayer bailouts of public and private mortgage finance entities, while promoting consumer choice within the mortgage market.
- Objective 2.4 – Financial Sector Critical Infrastructure and Cybersecurity: Enhance security, improve resiliency, and reduce the risk of significant cybersecurity and other incidents to the financial sector's critical infrastructure, domestically and internationally.

This office supports the following strategic objectives for Strategic Goal 4, to transform government-wide financial stewardship:

- Objective 4.1 – Financial Data Access/Use: Increase the access and use of federal financial data to strengthen government-wide decision-making, transparency, and accountability.
- Objective 4.2 – Debt Management: Fund the Federal Government at the least cost over time.

- Objective 4.3 – Federal Financial Performance: Improve federal financial management performance using innovative practices to support effective government.

This office supports the following strategic objective for Strategic Goal 5, to achieve operational excellence:

- Objective 5.1 – Workforce Management: Foster a culture of innovation to hire, engage, develop, and optimize a diverse workforce with the competencies necessary to accomplish our mission.

In FY 2017, DF worked 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, and strengthening financial institutions and markets. DF advanced several key policies of the new administration, particularly financial regulatory reform and national security.

Some of the most important DF work during FY 2017 was to listen to a wide range of stakeholders and develop recommendations for reforming the financial regulatory system. In 2016, the Government Accountability Office (GAO) released a report that concluded that significant fragmentation, overlap, and duplication exists within the regulatory framework. Specifically, GAO found the existing structure does not always ensure efficient and effective oversight, consistent financial oversight, and consistent consumer protections.

On February 3, 2017, the President issued an executive order on *Core Principles for Regulating the United States Financial System* (Executive Order 13772). These Core Principles include empowering Americans to make independent financial decisions, save for retirement, and build individual wealth. The Core Principles also include preventing taxpayer-funded bailouts and promoting the competitiveness of American companies—both at home and abroad—while making regulation efficient, effective, and appropriately tailored.

In June 2017, Treasury issued the first in a series of reports applying these Core Principles to an examination of the U.S. financial regulatory system. In the first report, Treasury described the unique role of banks and credit unions. The U.S. banking system is the strongest in the world, and it is critical in supporting the U.S. economy. Treasury's report makes numerous recommendations affecting the depository sector, including that capital, liquidity, and leverage rules be refined to increase the flow of credit so that U.S. banks remain globally competitive.

Given the breadth of the financial system and a complex regulatory environment, Treasury conducted further stakeholder outreach and issued additional reports and recommendations on regulation of the capital markets (second report) and the asset management and insurance industries (third report), both released in October 2017. A fourth report will cover nonbank financial institutions, financial technology, and financial innovation.

Significant reforms that promote growth while maintaining strong investor protections are possible. Recommendations include streamlining disclosure requirements to reduce costs incurred by companies while continuing to provide investors with key information needed for investment decisions. For example, disclosure and other requirements can be better tailored for companies going public based on their size. Treasury also recommends re-examining the 2012 *Jumpstart Our Business Startups Act* (JOBS Act) to identify how its tools can be improved.

During FY 2017, DF also played an important role supporting critical infrastructure protection and cybersecurity in the financial services sector. DF's Office of Critical Infrastructure Protection and Compliance Policy (OCIP) has an all-hazards mission to enhance the security and resilience of the financial services sector's critical infrastructure. The cybersecurity threat represents one of the most significant challenges to our country's national and economic security. Increasing cyber-attacks against U.S. financial institutions of all sizes could lead to a loss in confidence in the financial system and present significant economic challenges. Impacts could include degradation or outages of the functioning, reliability, confidentiality, trustworthiness, and continued availability of financial institutions' services, financial information, customer information, and the financial critical infrastructure required to support the U.S. and global economies.

DF continues working to address a wide range of evolving cybersecurity risks in collaboration with private and other public-sector organizations. These risks include (1) prioritization and collaboration, to include identifying and mitigating vulnerabilities before exploitation; (2) information sharing; (3) strengthening and promoting the use of voluntary, risk-based, baseline protections; and (4) response and recovery. DF engages with the financial services industry and government agencies, including federal and state financial regulators, on cybersecurity issues to mitigate potential vulnerabilities to the financial system and improve resilience.

The risks facing the sector continue to be magnified by the continuing evolution in technology complexity, speed, storage, and connectivity. The risks are magnified by the growth in the number and capability of malicious actors, some of whom are extraordinarily well-funded. Their growing sophistication means that there is an increasing potential for frequent incidents and widespread damage, particularly if they are not vigilantly monitored and mitigated.

To help identify areas for improvement, during FY 2017, OCIP led seven cybersecurity exercises involving government and private-sector participants and participated in several other exercises. The exercises explored a variety of threat scenarios and how the participants would respond. Participants developed after-action reports for future improvement to reduce vulnerabilities and reduce risks.

Also, in Treasury's roles as chair of the Financial and Banking Information Infrastructure Committee and members of the Financial Services Sector Coordinating Council, OCIP continued sharing cybersecurity information among the member organizations. Treasury also continues to encourage private-sector firms to voluntarily share actionable cybersecurity information among firms to minimize the time it takes to discover, contain, and mitigate cyber incidents, whether from malicious or natural causes.

Another important DF responsibility is managing the U.S. government's debt. The 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 2017, ODM determined for more than 275 auctions the amount and maturity of debt that the Bureau of the Fiscal Service issued. These debt issuances totaled $8.6 trillion and raised more than $500 billion in new cash to fund the U.S. government.

In addition, Treasury continues to make progress in its government-wide and department-wide implementation of the 2014 *Digital Accountability and Transparency Act* (DATA Act). The DATA Act requires the Federal Government to provide consistent, reliable, and useful online data about how it spends taxpayer dollars. 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 Treasury and the Office of Management and Budget. The data is compiled from federal agencies and published quarterly.

DF has one performance measure:
<u>Variance between estimated and actual receipts (annual forecast) (percent)</u>: As part of managing the Federal Government's central operating account and cash position, the 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 2017 was 4.0 percent, which is significantly lower than the 4.25 percent target. Therefore, OFP achieved the goal. The targets for FY 2018 and FY 2019 are 4.25 percent.

<u>*Office of Tax Policy (OTP)*</u>
This office supports the following strategic objectives for Strategic Goal 1, to boost U.S. economic growth:

- Objective 1.1 – Tax Law Implementation: Administer tax law to better enable all taxpayers to meet their obligations, while protecting the integrity of the tax system.

This office supports the following strategic objective for Strategic Goal 5, to achieve operational excellence:

- Objective 5.1 – Workforce Management: Foster a culture of innovation to hire, engage, develop, and optimize a diverse workforce with the competencies necessary to accomplish our mission.

In FY 2017, OTP worked closely with the Administration, Congress, and Treasury leadership on tax reform, which was a principal goal of the Administration. OTP staff participated in frequent meetings with Congressional staff, senior White House officials and business and other outside parties with interests in tax policy and tax reform. The office analyzed hundreds of revenue estimates, distributional tables, and other analyses of the effects of tax reform. OTP's work was crucial in informing the Administration's views of the economic consequences of tax reform. In FY 2017, OTP developed guidance based upon Executive Order 13789 to eliminate or reduce burdens imposed on taxpayers by regulations. The office conducted a comprehensive review and identified over 300 regulations for potential revocation. For FY 2018, OTP identified eight regulations that will be subject to deregulatory action.

OTP also evaluated numerous proposals to modify the Affordable Care Act (ACA), continued evaluating and responding to applications received under ACA state innovation waivers, and evaluated and responded to applications relating to the Multi-Employer Pension Plan Act (MPRA).

OTP continued to provide leadership for the OECD, Global Forum, and G-20, advocating for the interests of U.S. based businesses. In FY 2018 and FY 2019, OTP plans to continue engaging in international 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.

In FY 2018 – FY 2019, OTP's primary mission is to support tax reform implementation. This work will include transition guidance and regulatory guidance required to implement the changes to the law. Both OTP and the IRS acknowledge the need to undertake numerous regulatory actions to implement tax reform.

2.1.4 Treasury-wide Management and Programs Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$35,223	$31,802	$35,971	$41,112	$43,387	$42,885	$39,171
Other Resource	$15,320	$30,858	$55,213	$3,339	$4,284	$996	$261
Budget Activity Total	**$50,543**	**$62,660**	**$91,184**	**$44,451**	**$47,671**	**$43,881**	**$39,432**
FTE	**123**	**139**	**171**	**124**	**153**	**146**	**114**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
EO 13771 - Number of Deregulatory Actions Issued *	N/A	N/A	N/A	N/A	N/A	N/A	I	N/A
EO 13771 - Number of Deregulatory Actions Issued that Address Recommendations by the Regulatory Reform Task Force*	N/A	N/A	N/A	N/A	N/A	N/A	I	N/A
EO 13771 - Number of Deregulatory Actions Issued that Address Recommendations by the Regulatory Reform Task Force to the Agency Head Consistent with Applicable Law *	N/A	N/A	N/A	N/A	N/A	N/A	I	N/A
EO 13771 - Number of Evaluations to Identify Potential Deregulatory Actions That Included Opportunity for Public Input and/or Peer Review *	N/A	N/A	N/A	N/A	N/A	N/A	I	N/A
EO 13771 - Number of Regulatory Actions Issued *	N/A	N/A	N/A	N/A	N/A	N/A	I	N/A
EO 13771 - Total Incremental Cost of All Regulatory Actions and Deregulatory Actions (Including Costs or Cost Savings Carried Over From Previous Fiscal Years)	N/A	N/A	N/A	N/A	N/A	N/A	0	N/A
Percent of Procurement Dollars Spent on Small Business	39.15	36.91	35.11	36.17	35	35	40	N/A
Treasury-wide Engagement Index of the FEVS	68	66	67	67	68	67	69	69
Treasury-wide Footprint (Square Footage)	37,320	36,411	35,439	34,894	34,100	34,310	33,600	33,100
Treasury-wide Leaders Lead Index of the Federal Employee Viewpoint Survey (FEVS)	N/A	53	54	55	56	55	57	58

Note: I – Performance Indicator
* Executive Order 13771 requires the repeal of two regulatory actions for each new regulatory action issued by an agency. The Department is fulfilling this requirement by prioritizing burden-reducing, deregulatory actions. At this time Treasury does not have targets for these measures because it is still in the process of evaluating its deregulatory and regulatory actions for FY 2018.

Treasury-wide Management and Programs Budget and Performance

($39,171,000 from direct appropriation, $261,000 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.

This office supports the following strategic objective for Strategic Goal 2, to promote financial stability:

- Objective 2.4 – Financial Sector Critical Infrastructure and Cybersecurity: Enhance security, improve resiliency, and reduce the risk of significant cybersecurity and other incidents to the financial sector's critical infrastructure, domestically and internationally.

This office supports the following strategic objectives for Strategic Goal 5, to achieve operational excellence:

- Objective 5.1 – Workforce Management: Foster a culture of innovation to hire, engage, develop, and optimize a diverse workforce with the competencies necessary to accomplish our mission.
- Objective 5.2 – Treasury Infrastructure: Better enable mission delivery by improving the reliability, security, and resiliency of Treasury's infrastructure.
- Objective 5.3 – Customer Value: Improve customer value by increasing the quality and lowering the cost of Treasury's products and services.

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

- <u>Percentage of Procurement Dollars Spent on Small Business</u>: In FY 2017, Treasury aimed to meet or exceed all small business contracting goals. Based on preliminary data, Treasury expects to meet or exceed all small business prime contracting goals. However, Treasury may not meet all small business subcontracting goals. The Small Business Administration (SBA) is expected to calculate the data in April 2018. 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. In FY 2017, Treasury spend included 31 percent of industrial equipment and supplies related to the production and currency. There were no small businesses available to provide these supplies and services, effectively removing $287 million from Treasury's available spend. Based on this unique circumstance, it will be difficult for the BEP to achieve its FY 2018 small business goals; thereby, impacting Treasury's overall small business goal achievements. 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 2018 and FY 2019. 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. The following are Treasury's expected goal achievements: SB - 35.07 percent, SDB – 14.16 percent, WOSB – 13.26 percent, HZ – 3.77 percent, and SDVOSB – 4.41 percent. Throughout FY 2018, 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 2018 overall small business goal has been set at 35 percent. The FY 2019 small business goal will be set in the Fall of 2018.

- Treasury-wide "Engagement" Index of Federal Employee Viewpoint Survey (FEVS): 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, and 68 percent for FY 2017. Treasury exceeded the government-wide rate by one percent in FY 2017.
- Treasury-wide Footprint (Square Footage): 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. This Index also increased from 55 percent in FY 2016 to 56 percent in FY 2017 and exceeded the government-wide rate by one percent.

Office of the Chief Human Capital Officer

In FY 2017, Treasury revised its planning and monitoring process specific to Human Capital to comply with pending regulatory changes. Treasury has been identified as a federal leader in this area by the Office of Personnel Management and the Office of Management and Budget. These efforts resulted in the identification of the need to pursue a competency-based management approach to meet Treasury's needs. The focus for FY 2018 will consist of solidifying the foundation to support a competency-based approach with implementation beginning in FY 2019. Additional efforts in FY 2018 include a continued 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, 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 improved to a 62 percent positive rating, which is above the government-wide average. Scores around the Fairness of Employment Practices remain a concern at 50 percent, but still are above the Government-wide average. Continuing work, partnering with the Chief Human Capital Office, will be done to determine what is driving those numbers, and the Diversity and Inclusion and EEO offices will work closely on bureau engagement teams to improve the scores. 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. The Treasury-wide EEO program showed marked improvements in the timeliness and efficiency ratings of both EEO investigations and issuance of final decisions, as well as in the use of alternative dispute resolution processes to resolve complaints in a timely manner.

Office of the Deputy Chief Financial Officer

For FY 2017, the Department received its eighteenth consecutive unmodified audit opinion on its Treasury-wide financial statements. Treasury anticipates unmodified audit opinions for the consolidated audit for FY 2018 and FY 2019. 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

Based on preliminary data, Treasury is on track to meet or exceed all small business prime contracting goals. The consistent "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 2017, Treasury continued 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, the Department has placed significant focus on IT acquisition across all procurement programs.

In 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 2017 reviews focused on pre and post 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 2017, Treasury reviewed 51 acquisitions, valued at $4.9 billion; reviews included 23 IT acquisitions valued at $3.5 billion. The Department anticipates a similar level of oversight and collaboration in FY 2018 and FY 2019.

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. Treasury FY 2018 and FY 2019 strategy extends and expands Treasury's transition to the Office of Management and Budget's (OMB) preferred contract vehicles, reducing the need to establish department level contracts and freeing associated resources for focus on other acquisition priorities. In FY 2017, Treasury successfully coordinated with OMB's Category Management Program Management Office (PMO) to more accurately measure Treasury's progress in achieving government-wide category management goals. As a result of OPE's efforts, the Department's utilization of OMB preferred contracts increased by $86 million in FY 2016, $102 million in FY 2017, and $32 million so far in FY 2018. The Department anticipates a similar level of progress and collaboration in FY 2018 and FY 2019, bringing Treasury into compliance with the goals established by the President's Management Agenda.

C – Changes in Performance Measures

Performance Measure or Indicator	Change and Justification
EO 13771 - Number of Deregulatory Actions Issued (New Treasury-wide Management Performance Indicator)	EO 13771 encourages agencies to issue two de-regulatory items for each new regulatory action (as that term is defined in OMB guidance). Treasury has an inventory of EO 13771 items and through the work of the Regulatory Reform Task Force, will continue to add items to that list.
EO 13771 - Number of Deregulatory Actions Issued that Address Recommendations by the Regulatory Reform Task Force (New Treasury-wide Management Performance Indicator)	EO 13777 authorizes a Regulatory Reform Task Force chaired by a Regulatory Reform Officer. The task force is reviewing items listed on Treasury's EO 13771 inventory as well as items recommended by stakeholders in response to a June 14, 2017 request for information. The task force will make recommendations about deregulatory actions to prioritize.
EO 13771 - Number of Deregulatory Actions Issued that Address Recommendations by the Regulatory Reform Task Force to the Agency Head Consistent with Applicable Law (New Treasury-wide Management Performance Indicator)	EO 13777 authorizes a Regulatory Reform Task Force chaired by a Regulatory Reform Officer. The task force is reviewing items listed on Treasury's EO 13771 inventory as well as items recommended by stakeholders in response to a June 14, 2017 request for information. The task force makes recommendations in periodic reports to the Secretary
EO 13771 - Number of Evaluations to Identify Potential Deregulatory Actions That Included Opportunity for Public Input and/or Peer Review (New Treasury-wide Management Performance Indicator)	EO 13771 encourages agencies to seek public input on deregulatory actions to prioritize. The Department issued a request for information in the Federal Register on June 14, 2017 and the bureaus were encouraged to share that request with stakeholders. Additional contacts with stakeholders on this subject should be included in this count.
EO 13771 - Number of Regulatory Actions Issued (New Treasury-wide Management Performance Indicator)	EO 13771 regulatory actions are those designated as such by the Office of Information and Regulatory Affairs (OIRA), Office of Management and Budget. These regulations would be included in the Department's inventory of EO 13771 regulatory items and may include significant regulatory actions under EO 12866.
EO 13771 - Total Incremental Cost of All Regulatory Actions and Deregulatory Actions (Including Costs or Cost Savings Carried Over From Previous Fiscal Years) (New Treasury-wide Management Performance Measure)	EO 13771 mandates that the cost of regulations must be zero and encourages agencies to achieve a cost savings. In order to achieve this zero cost, agencies must offset any costly regulations with de-regulatory actions that cover the cost.

With the publication of Treasury's Strategic Plan for FY 2018-2022, Treasury will work in FY 2018 to baseline performance against the new strategic objectives. This could result in additional changes to performance measures in the FY 2020 budget.

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 Cybersecurity Enhancement Account

Congressional Budget Justification and Annual Performance Report and Plan

FY 2019

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
The Department's strategic plan guides program and budget decisions for the Cybersecurity Enhancement Account (CEA). The FY 2019 Budget Request supports two of the Treasury's FY 2018-2022 Strategic Goals: Promote Financial Stability and Achieve Operational Excellence.

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 FY 2019 budget requests $25.208 million for the 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.

1.1 - Appropriations Detail Table

Dollars in Thousands

Cybersecurity Enhancement Account	FY 2017		FY 2018		FY 2019		FY 2018 to FY 2019			
Appropriated Resources	Enacted		Annualized CR		Request		Change		% Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Cybersecurity Enhancement Account	1	$47,743	19	$47,419	19	$25,208	0	($22,211)	0.00%	-46.84%
Total Budgetary Resources	**1**	**$47,743**	**19**	**$47,419**	**19**	**$25,208**	**0**	**($22,211)**	**0.00%**	**-46.84%**

Note:
1. FY 2017 FTE are actuals.
2. The FY 2017 Enacted column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table
Dollars in Thousands

Cybersecurity Enhancement Account	FTE	Amount
FY 2018 Annualized Continuing Resolution	**19**	**$47,419**
Changes to Base:		
Non-Recurring Costs	0	($22,629)
Evolving High Impact Fund	0	($14,899)
Enhancements to the Treasury Secure Data Network	0	($3,671)
Data Loss Protection Analytics Capabilities	0	($1,202)
Encrypted Traffic Inspection and Data Loss Prevention at the Fiscal Service Trusted Internet Connections (TIC)	0	($685)
Malware Content Filter	0	($2,172)
Program Increases:	0	$418
One-time Changes of other Initiatives	0	$418
Subtotal Changes to Base	0	($22,211)
Total FY 2019 Base	**19**	**$25,208**
Total FY 2019 Request	**19**	**$25,208**

C – Budget Increases and Decreases Description

Program Decreases .... -$22,629,000 / +0 FTE

Non-Recurring Costs -$22,629,000 / +0 FTE

Evolving High Impact Fund -$14,899,000 / -0 FTE

The Evolving High Impact Fund was funded at $14.9 million in FY 2017 for three years to ensure that new and ever-evolving threats can be rapidly addressed before they are exploited. Treasury leadership manages the fund, to include receiving solicitations from across the Department and managing and allocating resources based on criteria and need at Treasury offices and bureaus. Treasury proposes in FY 2019 to discontinue the Evolving High Impact Fund to prioritize investment in other high priority areas and the operations and maintenance of continuing investments.

Enhancements to the Treasury Secure Data Network -$3,253,000 / -0 FTE

The FY 2019 level reflects the funding required to maintain investments made in FY 2017 and FY 2018. These funding levels will allow for continuation of the multi-year plan to ensure that CEA-funded investments to the Treasury-wide SECRET collateral network support: increased overall stability and integrity; continued implementation of enhancements to modernize infrastructure; improved Disaster Recovery program and capability; increased timeliness of incident response and recovery; improved responsiveness and detection to cybersecurity threats; and enhanced security monitoring by the Government Security Operations Center.

The TSDN enhancements will also provide advanced toolsets for automated monitoring, as well as analyst review of outputs from these toolsets. These funds will also improve security operations, configuration management, and reporting.

Data Loss Protection Analytics Capabilities -$1,202,000 / -0 FTE

The FY 2019 level reflects the funding required to maintain investments made in FY 2017 and FY 2018. This funding supports enhancements to the Treasury enterprise security operations center analytical capabilities. These capabilities will enable faster detection and containment of attacks on Treasury's IT assets.

Encrypted Traffic Inspection and Data Loss Prevention at the Fiscal Service Trusted Internet Connections (TIC) -$685,000 / -0 FTE
The FY 2019 level reflects the funding required to maintain investments made in FY 2017 and FY 2018. This capability, installed at Treasury's enterprise internet gateways, enhances Treasury's ability to detect, investigate, and respond to unauthorized attempts to access and remove sensitive taxpayer and financial data from the Treasury network and bureau networks.

Malware Content Filter -$2,172,000 / -0 FTE
The FY 2019 level reflects the funding required to maintain investments made in FY 2017 and FY 2018. This capability, installed at Treasury's enterprise internet gateways, allows Treasury to identify and remove malicious attachments and links from web and email traffic before they reach the Treasury network. This reduces the risk of compromise for the entire Treasury network, as well as systems housed on that network, including High Value Assets.

Program Increases .... +$418,000 / +0 FTE
One-time Changes of other Initiatives +$418,000 / +0 FTE
This line reflects the net of six minor changes to CEA initiatives from the FY 2018 Annualized CR. These initiatives are: High Value Assets, Cybersecurity Infrastructure, Incident Response and Recovery, Cyber Risk and Threat Identification, Mitigation of Cyber Threats to Financial Services Sector, and Cybersecurity for Classified Networks.

1.3 – Operating Levels Table

Dollars in Thousands

Bureau Name Object Classification	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
11.1 - Full-time permanent	2,480	2,463	2,499
11.5 - Other personnel compensation	35	35	36
11.9 - Personnel Compensation (Total)	**2,515**	**2,498**	**2,535**
12.0 - Personnel benefits	727	722	770
Total Personnel and Compensation Benefits	**$3,242**	**$3,220**	**$3,304**
21.0 - Travel and transportation of persons	24	24	24
23.3 - Communications, utilities, and miscellaneous charges	55	55	55
25.1 - Advisory and assistance services	14,204	14,106	6,271
25.2 - Other services from non-Federal sources	8,870	8,810	1,836
25.3 - Other goods and services from Federal sources	8,018	7,964	2,504
25.7 - Operation and maintenance of equipment	500	497	499
26.0 - Supplies and materials	173	172	173
31.0 - Equipment	12,657	12,571	10,542
Total Non-Personnel	**$44,501**	**$44,199**	**$21,904**
New Budgetary Resources	**$47,743**	**$47,419**	**$25,208**
FTE	**1**	**19**	**19**

Note:
1. FY 2017 FTE are actuals.
2. The FY 2017 Enacted column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury

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, $25,208,000, to remain available until September 30, 2021: Provided, That amounts made available under this heading shall be in addition to other amounts available to Treasury offices and bureaus for cybersecurity.* Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

The Cybersecurity Enhancement Account has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The project to mitigate cyber threats to the U.S. financial services sector supports the following Department of the Treasury's FY 2018-2022 Strategic Plan objective for Strategic Goal 2, to promote financial stability:

• Objective 2.4 – Financial Sector Critical Infrastructure and Cybersecurity: Enhance security, improve resiliency, and reduce the risk of significant cybersecurity and other incidents to the financial sector's critical infrastructure, domestically and internationally.

All other projects have the common purpose of strengthening the security of Treasury's IT assets and supports the following strategic objective for Strategic Goal 5, to achieve operational excellence:

• Objective 5.2 – Treasury Infrastructure: Better enable mission delivery by improving the reliability, security, and resiliency of Treasury's infrastructure.

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.

B – Budget and Performance by Budget Activity

2.1.1 Cybersecurity Enhancement Account Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	0	0	0	0	$8,442	$47,419	$25,208
Budget Activity Total	**0**	**0**	**0**	**0**	**$8,442**	**$47,419**	**$25,208**
FTE	**0**	**0**	**0**	**0**	**1**	**19**	**19**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Number of major incidents	N/A	N/A	N/A	N/A	N/A	N/A	I	TBD
Number of reported incidents	N/A	N/A	N/A	N/A	N/A	N/A	I	TBD
Percentage of Tier I High Value Assets (HVA) with an overdue Risk and Vulnerability Assessment (RVA) or Security Architecture Review (SAR)	N/A	N/A	N/A	N/A	N/A	N/A	B	TBD
Risk Management Assessment Overall Rating	N/A	N/A	N/A	N/A	N/A	N/A	B	TBD

Key: B - Baseline: I – Performance Indicator

Cybersecurity Enhancement Account (CEA) Budget and Performance
($25,208,000 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.

C – Changes in Performance Measures
The CEA was established as a new account in FY 2017. As capabilities funded by the CEA become operational, Treasury will capture baseline data for the following metrics in order to establish targets for the FY 2020 budget submission.

Performance Measure or Indicator	Change and Justification
1. Number of Major Incidents (New Performance Indicator)	The number of major incidents, as defined in OMB M-18-02, reported by Treasury to Congress in a given fiscal year. This is a measure of how effective Treasury's collective defenses are at mitigating the most damaging security threats.
2. Number of Reported Incidents (New Performance Indicator)	The number of cybersecurity incidents reported by Treasury to US-CERT in a given fiscal year. This is a measure of how effective Treasury's defenses are at mitigating all security threats, as well as an indicator of how often Treasury is being targeted by malicious actors. If the number of reported incidents rises while the number of major incidents remains steady, it may indicate an effective cybersecurity program.
3. Percentage of Tier I High Value Assets (HVA) with an overdue Risk and Vulnerability Assessment (RVA) or Security Architecture Review (SAR) (New Performance Measure)	The percentage of Treasury's top tier high value assets scheduled for a third party risk assessment, but that did not undergo one on time. This is a measure of how often Treasury's most important systems are being actively reviewed and assessed for weaknesses that could be exploited by an adversary.

Performance Measure or Indicator	Change and Justification
4. Risk Management Assessment Overall Rating (New Performance Measure)	This is an assessment performed by OMB to evaluate agencies' overall cybersecurity risk management capabilities. It consists of a risk management rating and a maturity rating. This is a measure of how well Treasury is managing risk across the enterprise as well as the maturity level of the program.

With the publication of Treasury's Strategic Plan for FY 2018-2022, Treasury will work in FY 2018 to baseline performance against the new strategic objectives. This may result in additional performance measure changes in the FY 2020 budget.

Section III – Additional Information

A – Summary of Capital Investments
Capital investments that support CEA 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.

Department of the Treasury Department-wide Systems and Capital Investments Program

Congressional Budget Justification and Annual Performance Report and Plan

FY 2019

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
The Department-wide Systems and Capital Investments Program (DSCIP) account provides a mechanism for Treasury to fund capital investments that have complex contracts with projects that span several fiscal years. Treasury owns and operates two historic office buildings in downtown Washington, D.C. – the Main Treasury Building and the Freedman's Bank Building (FBB). In FY 2016, Treasury conducted an assessment of both buildings and found a range of needs that include immediate safety/health risks, capital renewal to address systematic and mechanical failure, and building modernization. It is estimated that it will cost $95.5 million to address all of the issues identified in the report. The Department plans to work through these accumulated needs over time. The FY 2019 request of $4.0 million addresses Phase II of the Main Treasury roof replacement and the exterior façade repair and restoration of the FBB. This investment supports the Treasury goal to Achieve Operational Excellence.

1.1 - Appropriations Detail Table
Dollars in Thousands

Department-wide Systems and Capital Investments Program	FY 2017 Enacted		FY 2018 Annualized CR		FY 2019 Request		FY 2018 to FY 2019 Change		FY 2018 to FY 2019 % Change	
New Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Department-wide Systems and Capital Investments Program	0	$3,000	0	$2,980	0	$4,000	$0	$1,020	NA	34.23%
Total Budgetary Resources	**0**	**$3,000**	**0**	**$2,980**	**0**	**$4,000**	**0**	**$1,020**	**NA**	**34.23%**

Note: The FY 2017 Enacted column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table
Dollars in Thousands

Department-wide Systems and Capital Investments Program	FTE	Amount
FY 2018 Annualized Continuing Resolution	**0**	**$2,980**
Changes to Base:		
Non-Recur	0	($2,980)
Subtotal Changes to Base	0	($2,980)
Total FY 2019 Base	**0**	**$0**
Program Changes:		
Program Increases:	0	$4,000
Phase II Main Treasury Roof Replacement	0	$2,000
Freedman's Bank Building Exterior Repair and Restoration	0	$2,000
Total FY 2019 Request	**0**	**$4,000**

C – Budget Increases and Decreases Description

Non-Recurring Costs .... -$2,980,000 / +0 FTE
Non-Recur -$2,980,000 / +0 FTE
In the FY 2018 Annualized Continuing Resolution, $2,980,000 is provided for Phase I of the Main Treasury building roof replacement, new electrical service to the FBB, and fire safety for FBB stairwells.

Program Increases .... +$4,000,000 / +0 FTE
Phase II Main Treasury Roof Replacement +$2,000,000 / +0 FTE
The Main Treasury Building roof has reached its normal life expectancy and routine maintenance can no longer prevent leaks. This request continues the roof replacement project proposed with the FY 2018 request.

Freedman's Bank Building Exterior Repair and Restoration +$2,000,000 / +0 FTE
The exterior façade has never undergone a comprehensive restoration and currently reflects nearly 100 years of wear and pollutants. Similar to the roofing system, the exterior façade is experiencing leaks at numerous locations which compromise the interior finishes and the occupant health and safety. Perimeter walls at the basement and sub-basement levels have been leaking for years as a result of systematic building failures. As with the Treasury Building, FBB will require full exterior scaffolding in order to access the areas requiring work. The masonry restoration will provide a watertight envelope and stabilize all the historic fabric. The scope will address repair, cleaning, and repointing of all masonry surfaces.

1.3 – Operating Levels Table

Dollars in Thousands

Department-wide Systems and Capital Investments Program Object Classification	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
25.2 - Other services from non-Federal sources	300	0	0
32.0 - Land and structures	2,700	2,980	4,000
Total Non-Personnel	**$3,000**	**$2,980**	**$4,000**
New Budgetary Resources	**$3,000**	**$2,980**	**$4,000**
FTE	**0**	**0**	**0**

Note: The FY 2017 Enacted column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

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, $4,000,000, to remain available until September 30, 2021: 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 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 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 DSCIP account provides a mechanism for Treasury to fund capital investments that have complex contracts with projects that span several fiscal years. Through the DSCIP account, the Treasury has been able to develop a Treasury-wide human resources information technology solution as well as fund the continual repair and restoration of the Main Treasury Building the FBB.

DSCIP projects support the following strategic objective for Strategic Goal 5, to achieve operational excellence:

- Objective 5.2 – Treasury Infrastructure: Better enable mission delivery by improving the reliability, security, and resiliency of Treasury's infrastructure.

B – Budget and Performance by Budget Activity

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

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	0	$2,725	$2,725	$1,250	$8,263	$2,980	$4,000
Budget Activity Total	**0**	**$2,725**	**$2,725**	**$1,250**	**$8,263**	**$2,980**	**$4,000**
FTE	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Department-wide Systems and Capital Investments Program
($4,000,000 from direct appropriations):
DSCIP enables the Department to make investments in capital improvements that support the missions of all Treasury bureaus and programs.

Treasury Building - Repairs and Renovations
The Main Treasury Building and the FBB are owned by the Department and are Departmental Offices' capital investments. The Main 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 age and historical significance of the buildings, considered by some to be national treasures, 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. The FY 2018 request focuses on life safety, improved electrical service, and roof replacement. The FY 2019 request continues to focus on roof replacement and begins FFB exterior repair and renovation.

With the publication of the Treasury Strategic Plan for FY 2018-2022, Treasury will work in FY 2018 to baseline its performance against the new strategic objectives. This could result in additional changes to performance measures in the FY 2020 budget.

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 Budget Justification and Annual Performance Report and Plan

FY 2019

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 Department of the Treasury's (Treasury) strategic plan guides program and budget decisions for the Office of Terrorism and Financial Intelligence (TFI). The FY 2019 Budget Request supports two of Treasury's FY 2018-2022 Strategic Goals: Enhance National Security and Achieve Operational Excellence.

TFI requests $159.000 million, which is a $36.835 million increase from the FY 2018 Annualized Continuing Resolution. The budget prioritizes funding for Treasury's targeted financial tools that protect the U.S. and international financial system from abuse, as well as counter the financial networks that support terrorists, weapons proliferators, organized transnational crime, rogue regimes, and other threats.

Over the last several years, TFI's role in protecting our national security has grown dramatically, which is reflected in this request for additional resources. TFI's economic authorities have become one of this Administration's and Congress' top non-kinetic tools of choice with TFI deploying our economic authorities at a rapid pace to address some of our greatest national security threats. In addition to cutting off funding for terrorist groups, TFI's authorities and actions proactively implement U.S. policy towards North Korea, Iran, ISIS and other terrorist organizations, Venezuela, Russia, human rights abusers, narcotics traffickers, and in other areas.

In order to achieve maximum impact, and meet strategic and operational objectives, TFI requires the additional resources of this request. These resources will ensure that TFI has sufficient staff, remains agile, innovative, and strategic, enhances its infrastructure and analytic capability, and is able to support new initiatives and expanded authorities.

1.1 – Appropriations Detail Table
Dollars in Thousands

Terrorism and Financial Intelligence Appropriated Resources	FY 2017 Enacted		FY 2018 Annualized CR		FY 2019 Request		FY 2018 to FY 2019 Change		FY 2018 to FY 2019 % Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Terrorism and Financial Intelligence	395	$123,000	421	$122,165	518	$159,000	97	$36,835	23.04%	30.15%
Subtotal New Appropriated Resources	**395**	**$123,000**	**421**	**$122,165**	**518**	**$159,000**	**97**	**$36,835**	**23.04%**	**30.15%**
Other Resources										
Reimbursables	33	$6,491	36	$8,000	36	$8,000	0	$0	0.00%	0.00%
Subtotal Other Resources	**33**	**$6,491**	**36**	**$8,000**	**36**	**$8,000**	**0**	**$0**	**0.00%**	**0.00%**
Total Budgetary Resources	**428**	**$129,491**	**457**	**$130,165**	**554**	**$167,000**	**97**	**$36,835**	**21.23%**	**28.30%**

Notes:
1. FY 2017 FTE are actuals.
2. The FY 2017 Enacted column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table

Dollars in Thousands

Terrorism and Financial Intelligence	FTE	Amount
FY 2018 Annualized Continuing Resolution	**421**	**$122,165**
Changes to Base:		
Maintaining Current Levels (MCLs):	0	$1,423
Pay Annualization	0	$284
Non-Pay	0	$1,139
Subtotal Changes to Base	0	$1,423
Total FY 2019 Base	**421**	**$123,588**
Program Changes:		
Program Increases:	97	$35,412
Terrorist Financing Targeting Center	15	$12,392
North Korea	69	$15,209
Iran/Syria Sanctions	4	$1,565
Russia/Ukraine Sanctions	4	$1,069
Committee on Foreign Investment in the United States	3	$859
TFI Data Discovery	0	$2,000
Financial Action Task Force	0	$1,788
Terrorist Finance and Financial Crimes	2	$530
Total FY 2019 Request	**518**	**$159,000**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$1,423,000 / +0 FTE

Pay Annualization +$284,000 / +0 FTE

Funds are requested for annualization of the January 2018 pay-raise. The budget assumes no pay raise for civilian employees in FY 2019.

Non-Pay +$1,139,000 / +0 FTE

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

Program Increases .... +$35,412,000 / +97 FTE

Terrorist Financing Targeting Center +$12,392,000 / +15 FTE

On May 21, 2017, the United States and the six Gulf Cooperation Council countries signed an historic agreement announcing a joint commitment to establish the Terrorist Financing Targeting Center (TFTC). The TFTC's efforts support the Administration's priorities to fight terrorism in new and innovative ways through a multilateral initiative that will dramatically increase the ability to curb terrorist financing. The TFTC has already resulted in greater regional cooperation as evidenced by the joint designations by the seven participating members of TFTC on October 25, 2017, that targeted terrorist leaders, financiers, and facilitators. The TFTC will continue to disrupt the finances and operations of terrorist organizations by identifying, tracking, and sharing information regarding terrorist financial networks; coordinating joint disruptive actions, like sanctions; and offering support to countries in the region that need assistance building capacity to counter terrorist finance threats.

North Korea +$15,209,000 / +69 FTE
Recent provocations by the Democratic People's Republic of Korea (DPRK) presents an urgent threat to our national security. Treasury has served a critical role in the Administration's maximum economic pressure campaign. This has included the use of unilateral designations and other economic authorities, analytic efforts to map out the front companies and other evasions schemes used by the Kim Jong-un regime, working closely with other countries to increase multilateral economic pressure, and communications with the financial sector through advisories and engagement to cut off North Korea's access to the international financial system. Given the nature and urgency of the threat, this request is necessary to continue to maximize economic pressure and support the Administration's priorities to fight nuclear proliferation. It is specifically aimed at countering and neutralizing the DPRK's efforts to undermine U.S. national security. This initiative expands TFI's DPRK program and will have an immediate and strong impact in FY 2019.

Iran/Syria Sanctions +$1,565,000 / +4 FTE
The Administration remains committed to countering the threat posed by Iran by using Treasury's economic authorities to deny the regime and the Islamic Revolutionary Guard funding for malign activities. TFI seeks to significantly increase its designations targeting Iran's ballistic missile programs, terrorist activities, regional destabilization (Yemen, Syria), and human rights violations. In addition to targeting Iran's financing of the brutal Assad regime in Syria, TFI designated hundreds of Syria-related targets and has more than doubled the number of designated Syria targets since the start of the Syrian conflict. This request would provide dedicated resources needed to maintain pressure on Syria and target the financial networks that support Syria's production or use of chemical weapons. Syria is a top White House priority and is also of particular interest to the legislative branch, with multiple sanctions-related bills in various stages of consideration.

Russia/Ukraine Sanctions +$1,069,000 / +4 FTE
TFI requests additional resources to support sanctions programs related to the Russian energy sector, Russia's malign activities in the Ukraine, and its corruption, cyber activity, and support to the Government of Syria. These resources would also support the significant mandatory reporting requirements of the Countering America's Adversaries Through Sanctions Act.

Committee on Foreign Investment in the United States (CFIUS) +$859,000 / +3 FTE
CFIUS is an inter-agency committee authorized to review transactions that could result in control of a U.S. business by a foreign person ("covered transactions"), in order to determine the effect of such transactions on the national security of the United States. Additional TFI resources are required to meet the increase in the CFIUS caseload.

TFI Data Discovery +$2,000,000 / +0 FTE
TFI requests funding for the creation of a cross-TFI data discovery and analysis platform, which would enable analysts, investigators, and other appropriate staff from across the TFI enterprise to properly leverage Treasury's unique data holdings to execute TFI's mission more efficiently and effectively. Currently, TFI does not have an intra-enterprise IT system to enable the five TFI components to collaborate and exchange information in near real time. This effort would reduce redundancy and increase the efficiency and effectiveness of the TFI workforce.

Financial Action Task Force +$1,788,000 / +0 FTE

The Financial Action Task Force (FATF) is the global standard-setting body for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT). Organized by the G7 in 1989 to focus on money laundering, the FATF has grown to include nearly 40 members and its mandate has expanded to include terrorist financing and proliferation financing as well as money laundering. There are also nine FATF-style regional bodies that, together with the FATF, can claim almost every country in the world as a member. There has been increased recognition of the FATF's significance as an international body and of the relevance of the FATF's work and its recommendations for both the public and private sectors. Treasury, TFI's Office of Terrorist Financing and Financial Crimes (TFFC) specifically, was asked to assume Presidency of the FATF in 2019 on behalf of the United States. Assuming the FATF presidency provides a unique opportunity for the U.S. to lead the FATF during a time of considerable transition in the organization – the U.S. last held the FATF presidency in 1996. This opportunity positions the U.S. exceptionally well to ensure that the FATF's strategic direction is in line with U.S. priorities for the organization: demonstrating the value of AML/CFT regulation; holding countries accountable for compliance failures; and restricting FATF budget increases.

Terrorist Finance and Financial Crimes +$530,000 / +2 FTE

TFI requests two FTEs to develop and build global capacity to combat terrorist financing in the international arena. These FTEs will be responsible for establishing strategies and employing targeted financial measures to disrupt and dismantle the financial networks that support terrorism, proliferation of weapons of mass destruction, and organized crime.

1.3 – Operating Levels Table

Dollars in Thousands

Terrorism and Financial Intelligence Object Classification	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
11.1 - Full-time permanent	46,250	45,936	60,080
11.3 - Other than full-time permanent	200	199	556
11.5 - Other personnel compensation	1,000	993	1,078
11.9 - Personnel Compensation (Total)	**47,450**	**47,128**	**61,714**
12.0 - Personnel benefits	15,405	15,300	19,613
Total Personnel and Compensation Benefits	**$62,855**	**$62,428**	**$81,327**
21.0 - Travel and transportation of persons	1,872	1,859	2,077
22.0 - Transportation of things	278	276	809
23.1 - Rental payments to GSA	136	135	139
23.2 - Rental payments to others	246	244	251
24.0 - Printing and reproduction	118	117	120
25.1 - Advisory and assistance services	13,266	13,176	15,887
25.2 - Other services from non-Federal sources	8,924	8,863	10,802
25.3 - Other goods and services from Federal sources	31,609	31,396	43,818
25.7 - Operation and maintenance of equipment	388	385	396
26.0 - Supplies and materials	2,204	2,189	2,248
31.0 - Equipment	1,104	1,097	1,126
32.0 - Land and structures	0	0	0
Total Non-Personnel	**$60,145**	**$59,737**	**$77,673**
New Budgetary Resources	**$123,000**	**$122,165**	**$159,000**
FTE	**395**	**421**	**518**

Notes:

1. FY 2017 FTE are actuals.
2. Included in BOC 25.3, $28,000 in FY 2017 and $27,810 in FY 2018 were transferred to DO Salaries and Expenses for administrative support. For FY 2019, DO proposes to move administrative services to the Treasury Franchise Fund. TFI has reserved $33,497 for administrative support from the Franchise Fund in FY 2019.
3. The FY 2017 Enacted column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

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, $159,000,000: Provided, That of the amounts appropriated under this heading, $10,000,000 shall remain available until September 30, 2020.* Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

Sec. 129 - Amounts made available under the heading "Office of Terrorism and Financial Intelligence" shall be available to reimburse the "Departmental Offices—Salaries and Expenses" account for expenses incurred in such account for reception and representation expenses to support activities of the Financial Action Task Force.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

TFI programs support the following Department of the Treasury's Strategic Plan for FY 2018-2022. Strategic objectives for Strategic Goal 3, to enhance national security:

- Objective 3.1 – Strategic Threat Disruption: Identify, dismantle, and disrupt priority threats to the U.S. and international financial system.
- Objective 3.2 – AML/CFT Framework: Identify and reduce vulnerabilities in the U.S. and international financial system to prevent abuse by illicit actors.
- Objective 3.3 – Economic Strength and National Security: Advance American prosperity and security through growth, investment, trade, and expanding the American industrial base while protecting national security.

TFI programs support the following strategic objectives for Strategic Goal 5, to achieve operational excellence:

- Objective 5.1 – Workforce Management: Foster a culture of innovation to hire, engage, develop, and optimize a diverse workforce with the competencies necessary to accomplish our mission**.**
- Objective 5.2 – Treasury Infrastructure: Better enable mission delivery by improving the reliability, security, and resiliency of Treasury's infrastructure.

B – Budget and Performance by Budget Activity

2.1.1 Terrorism and Financial Intelligence Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$96,116	$101,305	$112,160	$112,754	$121,580	$122,165	$159,000
Other Resource	$30,832	$31,293	$6,966	$6,329	$6,491	$8,000	$8,000
Budget Activity Total	**$126,948**	**$132,598**	**$119,126**	**$119,083**	**$128,071**	**$130,165**	**$167,000**
FTE	**388**	**376**	**385**	**414**	**428**	**457**	**554**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Impact of TFI Programs and Activities	8.3	8.5	8.8	8.7	8.5	8.5	8.5	8.5

Terrorism and Financial Intelligence Budget and Performance

($159,000,000 from direct appropriations, $8,000,000 from reimbursable resources):
TFI serves a distinct role in enhancing national security by deploying Treasury's tools and authorities to protect the U.S. and international system from abuse and by combating rogue regimes, terrorist facilitators, weapons proliferators, money launderers, drug kingpins, human rights abusers, cyber criminals and other illicit finance and national security threats. TFI does this by strategically applying the policy, law enforcement, intelligence, and regulatory tools, and authorities of its components in a calibrated manner to achieve maximum impact. In FY 2017, TFI successfully applied its diverse targeted financial measures, including financial sanctions

and regulatory tools that address major national security challenges. These challenges include North Korea, Iran, Syria, Venezuela, Russia, Sudan, ISIS, al-Qai'da, Hizbollah and others. In an effort to identify, disrupt, and dismantle these threats, TFI was able to deny revenue sources to these illicit actors.

In the past year, TFI has played a lead role in pressuring terrorist groups and rogue regimes through its use of powerful U.S. sanctions authorities. For example, there are now six North Korea-related executive orders, in addition to robust congressional authorities, that we use to target key North Korean financial middlemen and others who support the regime. Over the last year, Treasury's Office of Foreign Asset Control (OFAC) designated over 100 individuals and entities related to North Korea as part of our concerted effort to pressure the regime. Our focus on depriving North Korea of its ability to earn and move revenue through the international financial system means that we must work with other countries to achieve this goal. In addition to coordinating our domestic sanctions programs, TFI engages with leaders across the world to stress the importance of implementing United Nations Security Council Resolutions (UNSCRs). TFI also works bilaterally with governments and through the Financial Action Task Force (FATF) to ensure that countries have the regulatory framework in place to detect and freeze assets linked to North Korea.

On Iran, TFI has ramped up pressure on Iran and the Islamic Revolutionary Guard Corps (IRGC) for its malign activity, issuing seven tranches of sanctions, designating more than 70 targets in China, Iran, Lebanon, and Ukraine in connection with the IRGC, Iran's ballistic missile program, human rights abuses, and support of terrorism through the financing groups such as Hizballah and Hamas and a host of Shi'a militant groups in Bahrain, Iraq, Syria and Yemen. Like Northern Korea, Iran uses deceptive financial practices to generate revenue. As just one example, in November 2017, TFI sanctioned an Islamic Revolutionary Guards Corps-Qods Force (IRGC-QF) network involved in a large-scale scheme to counterfeit Yemeni bank notes worth hundreds of millions of dollars to support its destabilizing activities.

The IRGC's pervasiveness in the Iranian economy, Iran's systemic corruption, large-scale counterfeiting scheme, and Iran's lack of transparency throughout the economy continues to be a primary concern. TFI has continued working through FATF to hold Iran accountable to its commitments in addressing its weak controls.

Also, in FY 2017, as Head of Delegation to the FATF, TFI through TFFC, worked with international partners to advance other key U.S. AML/CFT priorities, including improving the effectiveness of FATF international standards, as well as identifying and addressing global AML/CFT typologies. TFI served as the co-chair of the FATF Inter-Cooperation Review Group, which publicly identifies countries with significant AML/CFT regulation and implementation deficiencies. TFI staff served as a financial or legal assessor on several FATF Mutual Evaluations and participated in or reviewed approximately 19 mutual assessment reports of FATF countries' compliance with international AML/CFT standards, leading to substantive changes in some countries' AML/CFT standards and laws.
TFI protected the U.S. and international financial systems from abuse by illicit actors by issuing global targeting orders and financial advisories to the financial community on AML risks; engaging in public-private dialogues with banks and foreign regulators to discuss AML/CFT

trends; and leading illicit finance strategic dialogues, working groups, and public-private partnerships that seek to improve information sharing and advance systemic reforms. This work is a critical part of TFI's efforts to address the constantly evolving risks to the U.S. and international financial system.

To advance the fight against terrorist financing, all of the components of TFI worked to establish the Terrorist Financing Targeting Center (TFTC), as announced by President Trump during his May 2017 visit to Saudi Arabia. The TFTC is a key Administration and Treasury priority, co-lead by TFI, which brings together six Gulf nations for the purpose of concurrently addressing terrorist financing threats through joint designations and advancing AML/CFT systemic reforms. This effort has already produced results. On October 25, 2017, OFAC imposed sanctions against eight leaders, financiers, and facilitators of ISIS in Yemen and al-Qa'ida in the Arabian Peninsula along with one affiliated entity. All member states of the TFTC took concurrent actions against those individuals and entity, marking a major and historic step forward in the TFTC's efforts to disrupt the finances and operations of terrorist organizations.

Throughout FY 2018 and FY 2019, TFI will focus heavily on strategically deploying its tools and authorities for maximum impact against national security and foreign policy challenges, as well as addressing risks to and vulnerabilities within the U.S. and international financial system. TFI will continue to focus on applying targeted financial measures against North Korea, Iran, and Russia, in addition to identifying, disrupting, and dismantling terrorist organizations, drug kingpins, transnational criminal organizations, and other threats to the U.S. and our international partners.

The increased resources in this request will provide the necessary staff and supporting infrastructure to meet TFI's strategic objectives and performance requirements in critical mission areas. Included as new funding initiatives for FY 2018 and FY 2019 are resources to support the TFTC and increase cooperation with the GCC to counter the financing of terrorism. This request also funds the duties and responsibilities of TFI's upcoming term as FATF President beginning in June 2018. This will allow Treasury and TFI to advance key U.S. AML/CFT priorities, including an increased focus on effective implementation of international AML/CFT standards; AML/CFT and counter proliferation prosecutions; domestic and international information sharing on terrorist financing; examination of digital solutions to strengthening the Customer Due Diligence requirements; and holding countries accountable for AML/CFT compliance failures.

<u>Other TFI FY 2018 and FY 2019 priorities include</u>:

- Collecting, analyzing, and disseminating information concerning illicit financing and national security threats.
- Assisting partner countries in the development and implementation of AML/CFT standards.
- Identifying opportunities for Treasury to increase its use of authorities to combat terrorist financing in Africa, Asia, and the Middle East.
- Modernizing, streamlining, and simplifying the regulatory framework to more effectively address national security priorities.
- Coordinating analysis of available information sources obtained through Treasury administration authorities or foreign partners.

- Expanding current and facilitating new information sharing between governments, law enforcement, financial institutions, and international partners to address threats to and vulnerabilities within the U.S. and international financial system.
- Increasing Treasury's ability to deter, detect, and mitigate insider threats by leveraging counterintelligence, security, information assurance, and other relevant resources.
- Assessing and improving Treasury's security clearance processes.
- Increasing focus on cybersecurity and intellectual property activities.

Terrorism and Financial Intelligence Offices Supporting the AML/CFT Mission
This budget request supports three of the four components within TFI that exercise AML/CFT authorities and responsibilities. The fourth component, Financial Crimes Enforcement Network (FinCEN), reports directly to the Under Secretary for TFI but is budgeted separately as a bureau within the Treasury.

<u>Office of Terrorist Financing and Financial Crimes (TFFC)</u>
TFFC is responsible for formulating and coordinating comprehensive strategies to target national security and foreign policy threats and safeguard the U.S. and international financial systems from abuse. In performing its mission, TFFC works across TFI, as well as interagency and law enforcement, to ensure that Treasury's tools are strategically applied and calibrated for maximum impact against global threats such as North Korea, Iran, Venezuela, Russia, ISIS and Hizballah, among others. TFFC also leads the development of AML/CFT regulatory and outreach initiatives and collaborates with Federal law enforcement on financial crime methodology analysis. Domestically, TFFC performs a critical role in working with key stakeholders to increase the security of our financial systems, leading public-private sector dialogues, financial experts meetings, and other strategic initiatives to identify and address potential vulnerabilities. TFFC also serves as the primary interlocutor with international partners whether on a bilateral basis or in multi-lateral fora to enhance information sharing, advance systemic reforms, synchronize targeted actions, and increase pressure on other countries to address specific illicit finance concerns in line with U.S. national security priorities. TFFC serves as the head of the U.S. Delegation to the Financial Action Task Force, the international body that sets standards and promotes effective implementation of AML/CFT legal, regulatory and operational measures that protect the integrity of the international financial system. TFFC is also leading Treasury's efforts to operationalize the Terrorist Financing Targeting Center.

<u>Office of Intelligence and Analysis (OIA)</u>
As one of 17 members of the U.S. Intelligence Community, the OIA is responsible for producing all-source intelligence analysis that identifies threats to and vulnerabilities within the international financial system; driving and delivering intelligence that meets the needs of all Treasury decision makers; and providing the security infrastructure to protect Treasury's physical and information security apparatus. OIA executes this mission by producing expert intelligence analysis on support networks of terrorists, proliferators of weapons of mass destruction, transnational criminal organizations, and other key national security risks. OIA works with the Director of National Intelligence and other IC agencies to help ensure better IC integration and drive priority collection for Treasury. OIA security personnel also ensure that all necessary Treasury personnel are properly trained to safeguard information systems and infrastructure, as well as maintaining a robust and effective counterintelligence program

designed to detect and disrupt foreign intelligence threats directed at the Department of the Treasury. Finally, OIA also provides timely, accurate, and focused intelligence on the full range of economic, political, and security issues, including key Treasury priorities such as assessments for the Committee on Foreign Investment in the United States (CFIUS). 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 40 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 U.S. 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. OFAC vigorously enforces the sanctions programs it administers, and conducts civil enforcement investigations against U.S. and non-U.S. individuals and entities who threaten the integrity of its sanctions programs. OFAC's enforcement actions and activities – including civil monetary penalties, non-public disruptive intervention, and public outreach – illuminate evasion schemes and enlist the private sector in its sanctions efforts. Additionally, OFAC administers a licensing program through which it reviews and then authorizes or denies requests to conduct certain transactions or activities that would otherwise be prohibited. OFAC is continually evaluating and adjusting its sanctions programs to ensure that it is prohibiting illicit activity, while allowing activity that is consistent with or advances U.S. national security and foreign policy.

Description of TFI's Performance:
Impact of TFI Programs and Activities: 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 2017, TFI met its performance goal of 8.5 and expects to achieve its FY 2018 and FY 2019 target of 8.5.

With the publication of the Treasury Strategic Plan for FY 2018-2022, TFI will work this year to baseline performance for the new strategic objectives, as well as update TFI's Strategic Plan to ensure Treasury and Administration priorities are accurately reflected. As part of Treasury's Strategic Planning process, TFI established strategic objectives focused on key Treasury priorities including strategic threat disruption and strengthening the AML/CFT framework. TFI then built out robust strategies and support strategies that work toward achieving our goals within one, three, and five year time frames. These strategies reflect specific Treasury and Administration priorities that include the strategic use of Treasury's tools and authorities to disrupt the capability of targets to raise, use, and move funds, identifying threats from known and emerging threats; expanding current and facilitating new information sharing and collaboration with domestic and international partners (an Agency Priority Goal); coordinating analysis of all available information sources obtained through Treasury authorities or foreign partners; applying a risk-based approach to identifying and vulnerabilities within the financial system; and modernizing and streamlining the national security regulatory framework. This will likely result in changes to performance measures in the FY 2020 budget.

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 Inspector General

Congressional Budget Justification and Annual Performance Report and Plan

FY 2019

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 2019 request for $36,000,000 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, material loss reviews for failed insured depositary institutions regulated by the Office of the Comptroller of the Currency (OCC), 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) Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement, and (3) Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments, (4) 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 2019 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 2019:

- The aggregate budget request for the operations of the OIG is $45,000,000 comprised of $36,000,000 from direct appropriations, and $9,000,000 from reimbursable collections;
- The portion of this amount needed for OIG training is $350,000; and

- The portion of this amount needed to support the Council of Inspectors General on Integrity and Efficiency (CIGIE) is $78,500.

The amount requested for training satisfies all OIG training needs for FY 2019.

The Inspector General has determined that the office requires approximately $2,500,000 above the $36,000,000 to accomplish required audit and investigative work in FY 2019, and to carry out the OIG's mission to promote integrity, efficiency and effectiveness of Treasury programs and operations, and to prevent fraud waste and abuse.

1.1 – Appropriations Detail Table

Dollars in Thousands

Office of Inspector General	FY 2017		FY 2018		FY 2019		FY 2018 to FY 2019			
Appropriated Resources	Enacted		Annualized CR		Request		Change		% Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Audit	115	$28,524	132	$28,330	132	$27,720	$0	($610)	0.00%	-2.15%
Investigations	43	$8,520	43	$8,462	43	$8,280	$0	($182)	0.00%	-2.15%
Subtotal New Appropriated Resources	**158**	**$37,044**	**175**	**$36,792**	**175**	**$36,000**	**0**	**($792)**	**0.00%**	**-2.15%**
Other Resources										
Reimbursables	7	$10,500	5	$10,000	5	$9,000	0	($1,000)	0.00%	-10.00%
Subtotal Other Resources	**7**	**$10,500**	**5**	**$10,000**	**5**	**$9,000**	**0**	**($1,000)**	**0.00%**	**-10.00%**
Total Budgetary Resources	**165**	**$47,544**	**180**	**$46,792**	**180**	**$45,000**	**0**	**($1,792)**	**0.00%**	**-3.83%**

Note: The FY 2017 column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017, for further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table

Dollars in Thousands

Office of Inspector General	FTE	Amount
FY 2018 Annualized CR	**175**	**$36,792**
Changes to Base:		
Maintaining Current Levels (MCLs):	0	$305
Pay Annualization	0	$117
Non-Pay	0	$188
Subtotal Changes to Base	0	$305
Total FY 2019 Base	**175**	**$37,097**
Program Decreases	0	($1,097)
Data Act and Other Workload	0	($1,097)
Total FY 2019 Request	**175**	**$36,000**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... $305,000 / +0 FTE

Pay Annualization +$117,000 / +0 FTE

Funds are requested for annualization of the January 2018 pay raise.

Non-Pay +$188,000 / +0 FTE

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

Program Decreases ………………………………………………………...-$1,097,000/ +0 FTE

Data Act and Other Workload -$1,097,000 / +0 FTE

Program decreases in Data Act and other workload.

1.3 – Operating Levels Table

Dollars in Thousands

Office of Inspector General Object Classification	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
11.1 - Full-time permanent	21,000	20,750	19,739
11.3 - Other than full-time permanent	200	10	10
11.5 - Other personnel compensation	500	750	500
11.5 - Overtime	0	0	0
11.8 - Special personal services payments	675	700	600
11.9 - Personnel Compensation (Total)	**22,375**	**22,210**	**20,849**
12.0 - Personnel benefits	5,650	5,850	5,500
13.0 - Benefits for former personnel	0	15	0
Total Personnel and Compensation Benefits	**$28,025**	**$28,075**	**$26,349**
21.0 - Travel and transportation of persons	510	700	600
23.1 - Rental payments to GSA	435	2,087	4,041
23.3 - Communications, utilities, and miscellaneous charges	1,000	800	300
24.0 - Printing and reproduction	19	5	5
25.0 - Other contractual services	0	2,200	2,100
25.2 - Other services from non-Federal sources	3,515	0	0
25.3 - Other goods and services from Federal sources	2,970	2,465	2,280
25.6 - Medical care	50	60	60
25.7 - Operation and Maintenance of Equipment	120	35	45
26.0 - Supplies and materials	100	145	100
31.0 - Equipment	300	200	100
92.0 - Unvouchered Expenditures	0	20	20
Total Non-Personnel	**$9,019**	**$8,717**	**$9,651**
New Budgetary Resources	**$37,044**	**$36,792**	**$36,000**
FTE	**158**	**175**	**175**

Note: The FY 2017 column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

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, $36,000,000, 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, 2020, 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 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 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

Through the audit and investigative functions, the OIG supports the Department of the Treasury's Strategic Plan for FY 2018-2022 including all objectives under the following goals:

- Goal 1: Boost U.S. Economic Growth
- Goal 2: Promote Financial Stability
- Goal 3: Enhance National Security
- Goal 4: Transform Government-wide Financial Stewardship
- Goal 5: Achieve Operational Excellence

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

With the publication of Treasury's Strategic Plan for FY 2018-2022, OIG will work this year to baseline performance against the new strategic objectives. This could result in changes to performance measures in the FY 2020 budget.

The FY 2019 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 to keep 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 risks and challenges include:

Cyber Threats

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. OIG conducts audits of Treasury's information systems and operations. As part of these audits, OIG conducts penetration tests of selected Treasury bureaus and offices to determine whether sufficient protections exist to prevent and detect unauthorized access to Treasury networks and systems. In addition, OIG conducts investigations into cyber intrusions of Treasury systems, the illicit removal of Treasury-protected information from Treasury systems, and cyber-enabled criminal activity impacting Treasury programs and operations, such as Business Email Compromise, Personal Email Compromise, and other schemes.

Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement

This challenge focuses on the difficulties Treasury faces in identifying, disrupting, and dismantling the financial networks that support terrorists, organized transnational crime, weapons of mass destruction proliferators, and other threats to international security that continue to be challenging. Major challenges for the U.S. and Treasury involve stopping the Islamic State of Iraq and Syria (ISIS), rogue regimes and countries, and other bad actors who want to harm people and properties and disrupt the global financial system. Enhancing the transparency of the financial system is one of the cornerstones of the effort to disrupt the ability of terrorist organizations. Through OIG's review of TFI authorities, responsibilities and programs, OIG assesses the efficiency and effectiveness of TFI components including their ability to disrupt terrorist organizations. OIG's review includes assessing internal controls and ensuring compliance with laws and internal procedures. OIG reports any detected fraud, waste, and abuse and makes recommendations for improvement. Each day terrorists and criminals react to the increased financial institution monitoring by looking for other ways to move funds to support their illicit activities. OIG's prior audits have revealed problems relating to the detection of Bank Secrecy Act (BSA) violations, the timely enforcement of the BSA, Suspicious Activity Report (SAR) quality, and BSA system development efforts. Additionally, the universe of financial institutions required to comply with BSA requirements continues to grow as nonbank financial institutions are required to report Currency Transaction Report (CTR) and SAR data. This universe also includes the insurance industry and dealers of precious stones, metals, and virtual currencies. Given the importance of Treasury's mission to combat terrorist financing and money laundering, and the ever changing environment in which terrorist organizations operate, OIG considers anti-money laundering and combating terrorist financing to be inherently high-risk areas with a commiserate need for oversight by OIG.

Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments
Treasury continues to make progress in its Government-wide and Department-wide implementation of the DATA Act. The DATA Act requires the Federal Government to provide consistent, reliable, and useful online data about how it spends taxpayer dollars. Given the broad Government-wide implications and critical roles assigned to Treasury by the DATA Act, the OIG considers this an ongoing high-risk implementation project and management challenge. Given the department's role in the Government-wide implementation of the DATA Act, Treasury OIG has provided continuous oversight since enactment of the law. Concurrent with the work performed by the office, Treasury OIG leads a multi-agency IG community DATA Act Working Group and provides educational oversight ensuring the IG community was well positioned to execute its responsibilities under the DATA Act. As it relates to improper payments, OIG continues to identify and analyze the risks of improper payments and reviews the controls and safeguards put in place by Treasury to prevent and recover such payments as set forth in the Improper Payments Elimination and Recovery Act of 2010.

Management of the Gulf Coast Restoration Trust Fund
To address the 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 this act has progressed, challenges remain in managing the program and investments.

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). 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. Approximately $5.3 billion is expected to be deposited into the

Trust Fund as a result of the Federal Government's settlements with Transocean, Anadarko Petroleum Corporation, and BP Exploration & Production Inc., defendants. As of April 2017, the Trust Fund received approximately $1.2 billion, including related interest. 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 grants have been awarded.

In the Investigations operational area, OIG has established eight priorities for FY 2019:

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 Treasury 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.

Cyber Threats against Treasury Systems and Cyber Enabled Financial Crimes Fraud

The OIG conducts investigations into Cyber intrusions of Treasury systems, the illicit removal of Treasury protected information from Treasury systems and Cyber enabled criminal activity impacting Treasury programs and operations, such as Business Email Compromise, Personal Email Compromise and other schemes.

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.

Investigating Fraud Related to Persons Representing Themselves as "Sovereign Citizens" Submitting Fictitious Financial Instruments to Treasury, Financial Institutions, and Private Companies

The OIG conducts investigations into criminal activity associated with individuals who attempt to scam the Treasury, financial institutions, private companies, and citizens by submitting fictitious financial instruments purporting to be issued by or drawn on the Treasury or other counterfeit documents to perpetrate a variety of fraud schemes. These matters have become more prevalent and require prompt coordination with Federal, State, and local authorities to protect the targets of the scams.

Identifying and Investigating Fraud Related to the RESTORE Act

The RESTORE Act commits 80 percent of all administrative and civil penalties related to the Deepwater Horizon spill to the Gulf Coast Restoration Trust Fund. It also outlines a structure for using the funds to restore and protect the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, coastal wetlands, and economy of the Gulf Coast region. As such, the act assigns Treasury several roles in administering the Trust Fund, including authorizing the Inspector General to investigate projects, programs, and activities funded under the act.

B – Budget and Performance by Budget Activity

2.1.1 Audit Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$21,801	$24,947	$27,653	$26,014	$23,982	$28,330	$27,720
Reimbursable	$8,671	$8,525	$7,299	$6,726	$10,500	$10,000	$9,000
Budget Activity Total	**$30,472**	**$33,472**	**$34,952**	**$32,740**	**$34,482**	**$38,330**	**$36,720**
FTE	**139**	**135**	**133**	**137**	**115**	**132**	**132**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Number of Completed Audit Products	72	75	86	98	90	86	74	74
Percent of Statutory Audits Completed by the Required Date	100	100	100	100	100	100	100	100

Audit Budget and Performance

($27,720,000 from direct appropriations, and $9,000,000 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 2019 is necessary to perform mandated work, including Material Loss Reviews of failed insured national banks and trusts as part of general oversight of the OCC, 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 2019, 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 the Small Business Lending Fund.

Description of Performance:
The Office plans to complete 74 audit products in FY 2018, and 74 in FY 2019. The number of audit products was reduced in FY 2018 as a 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. The same target will apply in FY 2019. In FY 2017, the Office of Audit completed 90 audit products, 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 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$5,582	$5,451	$6,237	$6,913	$7,164	$8,462	$8,280
Other Resources	0	0	0	0	0	0	0
Budget Activity Total	**$5,582**	**$5,451**	**$6,237**	**$6,913**	**$7,164**	**$8,462**	**$8,280**
FTE	**35**	**34**	**33**	**33**	**43**	**43**	**43**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Percentage (%) of All Cases Closed During Fiscal Year that were Referred for Criminal/Civil Prosecution or Treasury Administrative Action	84	84	87	84	84	80	80	80

Investigations Budget and Performance
($8,280,000 from direct appropriations):
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, 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 Treasury Direct program and the Treasury payment processing service operated by the Bureau of Fiscal Service. Fraud impacting the Treasury Direct program includes identity theft, account takeover, attempts to launder money and create fraudulent accounts. In 2017 the Bureau of Fiscal Service reported an over eightfold increase in some types of fraud over 2015. The Office of Investigations has seen substantial increases in improper payment fraud impacting the Bureau of Fiscal Service, which makes 85 percent of the payments for the Federal Government. This fraud includes marked increases in fraud impacting the Direct Express program, including lost card fraud, stolen card fraud, counterfeit card fraud, "account take over" or redirected benefit fraud, "card not present" fraud as well as stolen, altered and counterfeit Treasury checks and ACH payments. Fraud impacting the Direct Express program nearly tripled in dollar terms from November 2015 to December 2017. Stolen card fraud more than quadrupled from April to October 2017. Card not present fraud increased over twenty percent from February to September 2017. Lost card fraud nearly doubled from February to June 2017. Counterfeit credit card fraud more than tripled from July to December 2017.

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 2017 the Office of Investigations exceeded the Investigative Performance Measure target (Target – 80 percent; Actual – 84 percent), opened 144 new investigations and closed 72 investigations. The OIG also referred 43 investigations that substantiated administrative violations against a Treasury employee to the appropriate regulated bureau for action. In addition, the OIG referred 154 investigations for criminal prosecution and 17 investigations for civil prosecution. In FY 2017 the Office of Investigations arrested 160 subjects, 52 of which have been sentenced in investigations that resulted in fines, seizures, restitution, penalties and settlements of more than $639 million.

The Investigative Performance Measure is a percentage of all cases closed by the 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 the fiscal year. Meeting or exceeding this goal demonstrates that the Office of Investigations is responsive to allegations and complaints referred to the office and 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 2018 and FY 2019.

With the publication of the Treasury Strategic Plan for FY 2018-2022, OIG will work this year to baseline its performance against the new strategic objectives. This could result in changes to performance measures in the FY 2020 budget.

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.

Department of the Treasury
Office of the Special Inspector General for TARP

Congressional Budget Justification and Annual Performance Report and Plan

FY 2019

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 that targets financial institution crime and is an independent watchdog protecting the interests of the American people.

B – Summary of the Request

The FY 2019 Budget proposes $17,500,000,[1] which is 57 percent below the FY 2018 Annualized CR level, to conduct oversight over $37.4 billion in TARP housing programs, and $100 million in open TARP banking programs.

SIGTARP is primarily a federal law enforcement agency investigating crime at financial institutions that received TARP funds or other TARP recipients in TARP housing programs. SIGTARP's ongoing criminal investigations of recipients of TARP dollars in TARP housing programs counter threats to public safety and government interests, including financial institution fraud, public corruption, antitrust (unfair competition), and contract fraud.

The $27.8 billion Making Home Affordable Program (MHA) continues until September 2023. The Department of the Treasury (Treasury) has paid $18.4 billion and will pay up to an additional $9.4 billion to Wells Fargo, Ocwen Loan Servicing, JPMorgan Chase, Bank of America, Nationstar Mortgage, Select Portfolio Servicing, CitiMortgage, CIT/One West, Bayview, Ditech, and more than 120 other financial institutions. Future TARP payments are not automatic, but instead are based on the institution complying with the law and MHA rules. TARP's Hardest Hit Fund (HHF) was scheduled to end in FY 2018, but Congress extended it by four years and expanded it by $2 billion in the Consolidated Appropriations Act, 2016 (P.L. 114-113). Recipients of TARP dollars include 19 state housing finance agencies and hundreds of demolition contractors, subcontractors and others. The HHF subprogram for Blight Elimination has grown 1,500 percent to 248 cities or counties since August 2013. The HHF subprogram for Down Payment Assistance has grown 1,200 percent to 10 states since July 2015.

SIGTARP's investigations have recovered $10 billion, which translates to a 35 times return on investment from its spending of annual appropriations through FY 2017.[2] For each of the last four fiscal years, recoveries to the government exceeded SIGTARP's budget proposal. For example, as of January, already in FY 2018 alone, recoveries from SIGTARP investigations were $100 million, including $90 million paid to the government. SIGTARP has developed a deep expertise in identifying undetected crime, with 408 defendants criminally charged as of January 2018. SIGTARP investigations have resulted in significant Department of Justice enforcement actions against General Motors and 10 financial institutions including Goldman Sachs, Bank of America, JPMorgan Chase, Morgan Stanley, Ally Financial, SunTrust Bank, Fifth Third Bank, Wilmington Trust, RBS Securities, and Jefferies and Company. SIGTARP audits in FY 2016 and FY 2017 identified millions of dollars of waste and abuse; and identified the risk of criminal behavior in ongoing TARP programs.

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[1] Includes $70,000 for training and $50,000 for the Council of the Inspectors General on Integrity and Efficiency.

[2] 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 Appropriated Resources	FY 2017 Enacted		FY 2018 Annualized CR		FY 2019 Request		FY 2018 to FY 2019 Change		FY 2018 to FY 2019 % Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Investigations	114	$32,516	119	$34,748	80	$16,450	(39)	($18,298)	-32.77%	-52.66%
Audit	27	$8,644	21	$6,132	5	$1,050	(16)	($5,082)	-76.19%	-82.88%
Subtotal New Appropriated Resources	**141**	**$41,160**	**140**	**$40,880**	**85**	**$17,500**	**(55)**	**($23,380)**	**-39.29%**	**-57.19%**
Other Resources										
Unobligated Balances from Prior Years	0	$0	0	$0	0	$6,437	0	$6,437	NA	NA
Resources from Other Accounts	0	$82	0	$0	0	$1,563	0	$1,563	NA	NA
Subtotal Other Resources	**0**	**$82**	**0**	**$0**	**0**	**$8,000**	**0**	**$8,000**	**NA**	**NA**
Total Budgetary Resources	**141**	**$41,242**	**140**	**$40,880**	**85**	**$25,500**	**(55)**	**($15,380)**	**-39.29%**	**-37.62%**

The FY 2017 column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources, see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table

Dollars in Thousands

Special Inspector General for TARP	FTE	Amount
FY 2018 Annualized CR	**140**	**$40,880**
Changes to Base:		
Maintaining Current Levels (MCLs)		$213
Pay Annualization		$60
Non-Pay		$153
Subtotal Changes to Base		$213
Total FY 2019 Base	**140**	**$41,093**
Program Changes:		
Program Decreases	(55)	($23,593)
Technical FTE Adjustment	(55)	($9,500)
Efficiency Savings		($14,093)
Total FY 2019 Request	**85**	**$17,500**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$213,000 / +0 FTE

Pay Annualization +$60,000 / +0 FTE

Funds are requested for annualization of the January 2018 pay-raise.

Non-Pay +$153,000 / +0 FTE

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

Program Decrease .... -$23,593,000 / -55 FTE

Technical FTE Adjustment -$9,500,000 / -55 FTE

The technical FTE adjustment reduces the appropriated FTE level.

Efficiency Savings -$14,093,000 / -0 FTE

SIGTARP will also seek to reduce non-personnel costs.

Quantifiable Results: SIGTARP's Return on Investment

With $10 billion in recoveries from SIGTARP investigations, SIGTARP has a 35 times return on investment compared to its annual appropriations through FY 2017. Already in FY 2018, recoveries from SIGTARP's investigations were $100 million, including $90 million paid to the government. In FY 2017, recoveries from SIGTARP's investigations were $65 million, including more than $64 million paid to the government. In addition, through forensic audits, in August 2017,[3] SIGTARP auditors caught and exposed $3 million squandered by state agencies participating in HHF on parties, picnics, catered barbeques, Visa gift cards for employees, flowers, gym memberships, zoo admissions, cash bonuses, settlement of lawsuits by former employees, free parking for employees, expenses unrelated to HHF, and more. In September 2016,[4] SIGTARP auditors caught and exposed $8 million in waste by a Nevada state agency contractor who wasted federal dollars earmarked for homeowners on agency overhead, parties, a cocktail bar, employee gifts, a monthly payment for the CEO to drive a Mercedes Benz, and more. SIGTARP recommended that Treasury recover the millions of TARP dollars wasted.

Countering Threats to Public Safety & Government Interests

SIGTARP brings accountability through congressionally-authorized criminal law enforcement. 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 threats they pose. With 408 defendants charged with a crime, and 242 of those defendants already sentenced to prison by courts (with others awaiting sentencing), the threat these crimes pose is significant.

Financial institution fraud: The largest threat in TARP today and in the future is unlawful conduct by banks and other financial institutions being paid by Treasury to administer TARP's MHA program, and this is SIGTARP's highest law enforcement priority. SIGTARP's record reflects 99 bankers charged with a crime related to the bank bailout, with 56 of those bankers already sentenced to prison. Remaining work on the bank bailout for FY 2019 supports Justice Department prosecutions of individuals investigated by SIGTARP.

Public corruption: State and local officials award contracts under the HHF Blight Elimination subprogram 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, public safety, and competition, harming the government's interests.

Contract fraud: Fraud by contractors or state housing finance agencies in HHF harms government interests.

Intelligence-based Approach to Speed Up the Identification of Crime

With TARP currently spending $1 billion each quarter in HHF and MHA, SIGTARP uses an intelligence-based approach to search for crime using industry, financial and human intelligence. Every case is different, but SIGTARP capitalizes on similarities to root out crime. SIGTARP

[3] https://www.sigtarp.gov/Audit%20Reports/Unnecessary_Expenses_Audit_8.25.17.pdf

[4] https://www.sigtarp.gov/Audit%20Reports/HHF%20Nevada_090916.pdf

understands complex financial records; and operations of banks, other financial institutions, and contractors; and uses intelligence to identify anomalies and trends. Technologies analyze mountains of electronic data stored on computers, phones, and other devices, and find digital footprints that serve as powerful evidence of criminal intent. Initially created to investigate financial institutions that took part in the bank bailout, SIGTARP has converted this intelligence-driven playbook to identify fraud, waste, and abuse in TARP housing programs. SIGTARP's approach speeds up the identification of crime.

1.3 – Operating Levels Table

Dollars in Thousands

Special Inspector General for TARP	FY 2017	FY 2018	FY 2019
Object Classification	Enacted	Annualized CR	Request
11.1 - Full-time permanent	21,788	15,993	8,468
11.3 - Other than full-time permanent	1,799	1,833	2,413
11.5 - Other personnel compensation	2,120	1,899	1,825
11.9 - Personnel Compensation (Total)	**25,707**	**19,725**	**12,706**
12.0 - Personnel benefits	8,184	5,775	3,294
Total Personnel and Compensation Benefits	**$33,891**	**$25,500**	**$16,000**
21.0 - Travel and transportation of persons	1,000	1,000	675
23.2 - Rental payments to others	272	226	226
23.3 - Communications, utilities, and miscellaneous charges	103	38	23
24.0 - Printing and reproduction	162	0	0
25.1 - Advisory and assistance services	2,676	897	897
25.2 - Other services from non-Federal sources	68	17	17
25.3 - Other goods and services from Federal sources	7,400	12,583	7,122
25.6 - Medical care	100	80	60
25.7 - Operation and maintenance of equipment	48	45	45
26.0 - Supplies and materials	448	305	286
31.0 - Equipment	260	189	149
42.0 - Insurance claims and indemnities	60	0	0
91.0 - Unvouchered	10	0	0
Total Non-Personnel	**$12,607**	**$15,380**	**$9,500**
New Budgetary Resources	**$46,498**	**$40,880**	**$25,500**
FTE	**141**	**140**	**85**

Note: The FY 2017 column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017.
For further details on the execution of these resources, see the 2019 Budget *Appendix* chapter for the Department of the Treasury.
This table includes all available resources, including SIGTARP's annual appropriation and remaining no-year funds.

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), $17,500,000.* Note.— A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 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. SIGTARP does not plan PPIP or TALF activity in FY 2019. 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 and the limited Audit budget activity supports SIGTARP as the independent watchdog over TARP dollars. Both activities support and complement Treasury's efforts to safeguard and protect the integrity of the financial system.

SIGTARP supports the Department of the Treasury's FY 2018 – 2022 Strategic Plan (Strategic Plan) goals under the following:

- Goal 4: Transform Government-wide Financial Stewardship; and
- Goal 5: Achieve Operational Excellence.

With the publication of the Strategic Plan, SIGTARP will work in FY 2018 to baseline its performance against the new strategic objectives. This could result in additional changes to performance measures in the FY 2020 Budget.

SIGTARP coordinates with other law enforcement agencies, leveraging its unique position and expertise by forming law enforcement partnerships.

B – Budget and Performance by Budget Activity

2.1.1 – Investigations Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$29,230	$27,382	$27,295	$32,478	$32,103	$34,748	$16,450
Other Resources	$1,516	$5,656	$6,354	$376	$82	0	$7,520
Budget Activity Total	**$30,746**	**$33,038**	**$33,649**	**$32,854**	**$32,185**	**$34,748**	**$23,970**
FTE	**110**	**119**	**115**	**103**	**114**	**119**	**80**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome	N/A	N/A	N/A	77	81	70	70	35
Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of the Case Being Opened	N/A	N/A	N/A	80	80	70	70	25
Percentage of Cases That are Joint Agency/Task Force Investigations	79	76	70	71	75	70	70	70
Percentage of Preliminary Investigations Converted to Full Investigations within 180 Days	82	96	100	99	93	80	DISC	DISC

Key: DISC - Discontinued

Investigations Budget and Performance
($16,450,000 from direct appropriations)
SIGTARP exceeded all metric targets in FY 2017. The "Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome" in FY 2017 was 81 percent which exceeded the target of 70 percent. The "Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of the Case Being Opened" was 80 percent which exceeded the target of 70 percent. The "Percentage of Cases That are Joint Agency/Task Force Investigations" with other law enforcement agencies was 75 percent which exceeded the target of 70 percent. The "Percentage of Preliminary Investigations Converted to Full Investigations within 180 days" was 93 percent which exceeded the target of 80 percent. This measure was discontinued for FY 2018 because it has been at or close to 100 percent for the last three years, and is now part of SIGTARP's regular process.

2.1.2 – Audit Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$10,376	$7,219	$6,824	$7,618	$7,530	$6,132	$1,050
Other Resources		$1,947	$1,069	$99	0	0	$480
Budget Activity Total	**$10,376**	**$9,166**	**$7,893**	**$7,717**	**$7,530**	**$6,132**	**$1,530**
FTE	**57**	**45**	**35**	**34**	**27**	**21**	**5**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Number of Completed Audit Products including Referral to Investigations Division (Units)	N/A	N/A	N/A	11	8	7	DISC	DISC
Percentage of Congressional Inquiries Responded to within 45 Days of Receipt	N/A	N/A	100	100	100	85	DISC	DISC
Number of completed audit products identifying waste, abuse, mismanagement, inefficiencies, or referrals to Investigations Division (Units)	N/A	N/A	N/A	N/A	N/A	N/A	3	1

Key: DISC - Discontinued

Audit Budget and Performance
($1,050,000 from direct appropriations)
SIGTARP exceeded its performance measure "Number of Completed Audit Products including Referrals to Investigations Division" of seven in FY 2017, with eight products. This measure was discontinued for FY 2018 because it was replaced by a similar measure that now emphasizes audit's focus on fraud, waste, and abuse. SIGTARP exceeded its 85 percent goal of "Percentage of Congressional Inquiries Responded to within 45 Days of Receipt" by accomplishing 100 percent. This measure was discontinued for FY 2018 because it has been at 100 percent for the last two years, and is now part of SIGTARP's regular process.

Section III – Additional Information

A – Summary of Capital Investments
SIGTARP has no capital investments. Capital investments that support SIGTARP are included in the Departmental Offices' plan.

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
FY 2019 Proposed Funding Level

Under the provisions of section 6(g)(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 2019 proposed funding:

> *The FY 2019 budget request, which is 57% below the FY 2018 Annualized CR level* <u>*substantially inhibits*</u> *the Office of the Special Inspector General for TARP (SIGTARP) from performing the duties of the office, including audits and criminal investigations.* ***The proposed reduction does not reflect that nearly all of SIGTARP's planned work for FY 2019 is over $37.4 billion of TARP housing programs, which are not in wind down.*** *The Making Home Affordable Program (MHA) has $9.5 billion to be spent through FY 2023, and has not declined in steady participation of about one million homeowners from FY 2015 to FY 2017. The Hardest Hit Fund (HHF) program is in a* ***ramp-up stage*** *after Congress added $2 billion in the FY 2016 appropriations, and Treasury extended TARP spending of $2.65 billion through FY 2022. HHF is not limited to Treasury disbursements as dollars are recaptured into the program when houses are sold. SIGTARP has already found fraud, waste, and abuse in both of these programs.*
>
> *Taxpayers will lose millions of dollars under the request because SIGTARP's work results in recoveries of millions of dollars to the Government each year.* <u>*SIGTARP has a 35 times return on investment in actual dollars recovered*</u>*. In each of FY 2015, FY 2016, FY 2017, and FY 2018, SIGTARP's actual recoveries to the Government have exceeded its appropriation. FY 2017 recoveries of $64.31 million to the Government exceeded the $41.16 million appropriation, and FY 2018 recoveries of $90 million to the Government exceeded the $40 million Annualized CR. SIGTARP's investigations have also resulted in millions of dollars recovered for victims, and SIGTARP's audits have found millions of dollars in waste for Treasury to recover – waste that Treasury failed to catch. Substantial reductions to SIGTARP's budget will reduce Government recoveries.*
>
> *SIGTARP already has reduced its budget substantially from FY 2017 levels to reflect that TARP investments in banks, autos, and AIG have been wound down to $100 million outstanding. After achieving criminal prosecutions of 408 defendants including 99 bankers, and Department of Justice actions against General Motors and 10 financial institutions, SIGTARP has reduced resources over TARP investments to only the resources necessary to support DOJ prosecutions of bankers SIGTARP investigated.*
>
> <u>*Criminal investigations:*</u> *SIGTARP's highest priority is investigations of unlawful conduct by banks and others administering the $27.8 billion MHA program — investigations that would be shut down under this proposed budget. These investigations require resources because of the size and complexity of the institutions and the amount of TARP dollars at stake. The major current and future TARP recipients in MHA have a track record of wrongdoing and enforcement actions, which creates a high risk of fraud, waste, and abuse. For example, Wells Fargo, the subject of a well-publicized 2016 enforcement action, has already received $3 billion in MHA, and will receive up to an additional $1.4 billion in*

TARP dollars. Ocwen, the subject of a 2017 enforcement action by 22 state attorneys general, has received $4.6 billion, and will receive up to an additional $2.4 billion in TARP. JPMorgan Chase, the subject of a Justice Department action investigated by SIGTARP related to MHA, has received $2.9 billion in MHA and will receive up to an additional $1 billion. Bank of America, the subject of a Justice Department action investigated by SIGTARP related to MHA, has received $2.9 billion and will receive up to an additional $762 million. SIGTARP has reported repeatedly about each financial institution's track record of breaking the MHA rules. SIGTARP has proven expertise in identifying fraud, waste, and abuse in large financial institutions, with our investigations resulting in Justice Department enforcement actions against 10 financial institutions, including for example, Goldman Sachs, Morgan Stanley, Bank of America, JPMorgan Chase, Fifth Third Bank, Ally Financial, and SunTrust Bank.

SIGTARP has a significant number of criminal investigations into the Hardest Hit Fund, many of which would also be shut down under the proposed budget. Of high risk is the $800 million blight subprogram that pays TARP dollars to demolition contractors which has grown 1,500% to 248 cities or counties. SIGTARP investigations counter threats such as fraud, corruption, contract steering, bid-rigging, and environmental crimes. SIGTARP's audits in 2016 and 2017 have uncovered that the program is at significant risk of fraud, waste and abuse: (1) lacking are standard requirements for competition and limits on Federal dollars to only necessary and reasonable costs; (2) demolition and other related costs rose by 90% in the largest blight state; (3) homeowners were evicted so their homes could qualify for demolition to move a Ford automobile dealership to their street; and (4) the U.S. Army Corps of Engineers found mishandling of asbestos, and the risk of asbestos exposure, contaminated soil, and illegal dumping in Flint, Michigan, with risks throughout the program.

Audits: *In 2016 and 2017, SIGTARP's forensic audits uncovered millions of dollars wasted in state agency expenses in the Hardest Hit Fund, including monthly payments for a CEO to drive a Mercedes Benz, country club lunches, holiday parties, picnics, catered barbeques with Treasury employees, steak and seafood dinners, a pizza party to celebrate the new HHF funding, Visa gift cards for employees, zoo admissions, gym memberships, bonuses included a fired CEO's $20,000 severance package, settlements of discrimination and wrongful termination lawsuits, and more. SIGTARP's audits have a deterrent impact on waste that will be lost under the proposed budget. With state agencies spending $1.1 billion on TARP funds on their own expenses, SIGTARP's forensic audit expertise is crucial in identifying waste that Treasury's reviews missed.*

The proposed budget substantially inhibits SIGTARP's ability to: (1) identify costly waste and abuse in TARP housing programs in ongoing and future audits, and (2) conduct ongoing and future criminal investigations in TARP housing programs that lead to indictments, convictions, prison sentences, and recoveries. SIGTARP will not be able to do the job the taxpayers need and Congress expects in the absence of sufficient funding. Taxpayers are not protected if SIGTARP's budget is reduced 50% while Treasury has grown the HHF blight program 1,500% and is scheduled to pay billions in TARP dollars to companies that have been the subject of scandals.

Department of the Treasury
Treasury Inspector General for Tax Administration

Congressional Budget Justification and Annual Performance Report and Plan

FY 2019

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) 2019 budget request of $161,113,000 represents a decrease of 4.4 percent below its FY 2018 Annualized Continuing Resolution (CR) amount. Funding TIGTA's FY 2019 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 2019 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 $338,000.

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 primary functions of investigations, audit, inspections, and evaluations align with the following Department of the Treasury's Strategic Plan for FY 2018-2022 goals:
- Goal 1: Boost U.S. Economic Growth;
- Goal 4: Transform Government-wide Financial Stewardship; and
- Goal 5: Achieve Operational Excellence.

For more on how TIGTA aligns to the Department of the Treasury goals and objectives see Section II in this document.

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 work is focused on all aspects of activity related to the Federal tax system as administered by the IRS. TIGTA identifies and addresses IRS management challenges and the priorities of the Department of the Treasury. TIGTA protects the public's confidence in the tax system.

[1] 5 U.S.C. app. 3 § 6(f)(1).

1.1 – Appropriations Detail Table

Dollars in Thousands

Treasury Inspector General for Tax Administration	FY 2017*		FY 2018		FY 2019		FY 2018 to FY 2019			
Appropriated Resources	Enacted		Annualized CR		Request		Change		% Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Audit	333	$66,020	333	$65,572	333	$62,704	0	($2,868)	0.00%	-4.37%
Investigations	467	$103,614	467	$102,910	467	$98,409	0	($4,501)	0.00%	-4.37%
Subtotal New Appropriated Resource	**800**	**$169,634**	**800**	**$168,482**	**800**	**$161,113**	**0**	**($7,369)**	**0.00%**	**-4.37%**
Other Resources										
Reimbursables	2	$357	2	$600	2	$600	0	$0	0.00%	0.00%
Unobligated Balances Brought Forward		$3,916		$4,300		$5,000		$700		16.28%
Subtotal Other Resources	**2**	**$4,273**	**2**	**$4,900**	**2**	**$5,600**	**0**	**$700**	**0.00%**	**14.29%**
Total Budgetary Resources	**802**	**$173,907**	**802**	**$173,382**	**802**	**$166,713**	**0**	**($6,669)**	**0.00%**	**-3.85%**

*The FY 2017 column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table

Dollars in Thousands

Treasury Inspector General for Tax Administration	FTE	Amount
FY 2018 Annualized CR	**800**	**$168,482**
Changes to Base:		
Maintaining Current Levels (MCLs):	0	$1,233
Pay Annualization	0	$620
Non-Pay	0	$613
Subtotal Changes to Base	0	$1,233
Total FY 2019 Base	**800**	**$169,715**
Program Changes:		
Program Decreases	0	($8,602)
Operating Cost Reductions	0	($8,602)
Total FY 2019 Request	**800**	**$161,113**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$1,233,000 / +0 FTE

Pay Annualization +$620,000 / +0 FTE

Funds are requested for annualization of the January 2018 pay raise.

Non-Pay +$613,000 / +0 FTE

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

Program Decreases .... -$8,602,000 / +0 FTE

Operating Cost Reductions -$8,602,000 / +0 FTE

Audit and Investigations activity levels will be reduced for operational costs. Reaching this savings target without impacting the quality of TIGTA's programs will require a combination of actions to include specialized training and travel reductions for investigators and auditors, contract and interagency agreement reductions, and rent reductions. TIGTA will continue to look for contract efficiencies by evaluating contracts for strategic sourcing and by negotiating more advantageous contract terms. Additionally, TIGTA will pursue opportunities to reduce its footprint and lower its rent costs.

1.3 – Operating Levels Table

Dollars in Thousands

Treasury Inspector General for Tax Administration Object Classification	FY 2017* Enacted	FY 2018 Annualized CR	FY 2019 Request
11.1 - Full-time permanent	91,726	86,447	86,851
11.3 - Other than full-time permanent	594	391	393
11.5 - Other personnel compensation	8,460	8,291	8,330
11.9 - Personnel Compensation (Total)	**100,780**	**95,129**	**95,574**
12.0 - Personnel benefits	35,409	37,477	37,652
Total Personnel and Compensation Benefits	**$136,189**	**$132,606**	**$133,226**
21.0 - Travel and transportation of persons	3,581	3,794	2,261
22.0 - Transportation of things	19	15	13
23.1 - Rental payments to GSA	9,396	9,600	8,984
23.2 - Rental payments to others	233	200	170
23.3 - Communications, utilities, and miscellaneous charges	1,864	740	340
24.0 - Printing and reproduction	7	8	6
25.1 - Advisory and assistance services	805	1,800	1,529
25.2 - Other services from non-Federal sources	721	1,000	849
25.3 - Other goods and services from Federal sources	8,357	11,150	8,597
25.4 - Operation and maintenance of facilities	424	16	13
25.7 - Operation and maintenance of equipment	944	2,989	1,469
26.0 - Supplies and materials	1,072	640	595
31.0 - Equipment	5,943	3,800	2,972
42.0 - Insurance claims and indemnities	53	5	4
91.0 - Unvouchered	26	119	85
Total Non-Personnel	**$33,445**	**$35,876**	**$27,887**
New Budgetary Resources	**$169,634**	**$168,482**	**$161,113**
FTE	**800**	**800**	**800**

*The FY 2017 column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

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, 2020; 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 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

TIGTA has no legislative proposals.

Section II – Annual Performance Plan and Report

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 conducts audits of the IRS's operations and 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 taxpayer 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 and with Treasury's Strategic Plan for FY 2018-2022, including various objectives under the following goals:

Goal 1: Boost U.S. Economic Growth
Objective 1.1 – Tax Law Implementation: Administer tax law to better enable all taxpayers to meet their obligations, while protecting the integrity of the tax system.

TIGTA conducts comprehensive audits, inspections, and evaluations of the IRS, provides recommendations for achieving monetary benefits, and addresses erroneous and improper payments. It oversees the IRS's efforts to increase domestic and international tax compliance, and to achieve program efficiencies and cost savings. TIGTA conducts audits that assess the IRS's timeliness and effectiveness in implementing tax law changes, and the IRS's effectiveness in protecting taxpayer data and addressing fraud, such as tax related identity theft. TIGTA conducts administrative and criminal investigations of allegations of waste, fraud, and abuse; makes recommendations designed to improve the administration of the Federal tax system; and helps to ensure that the IRS protects and secures taxpayer data.

Goal 4: Transform Government-wide Financial Stewardship
Objective 4.1 – Financial Data Access/Use: Increase the access and use of Federal financial data to strengthen Government-wide decision-making, transparency, and accountability.

TIGTA supports the Department of the Treasury's Digital Accountability and Transparency Act efforts by implementing the related policies and requirements. Many of TIGTA's audits include recommendations that, when implemented, would result in cost savings, increased or protected revenue, or more efficient use of resources. Additionally, TIGTA develops advanced analytics and innovative approaches to help prevent and detect the flow of dollars fraudulently obtained by criminals and IRS employees and provides the IRS with the investigative coverage and

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

information necessary to mitigate domestic and foreign threats against its employees, facilities, and data systems.

Goal 5: Achieve Operational Excellence
Objective 5.1 – 5.3 Workforce Management, Treasury Infrastructure, and Customer Value.

TIGTA hires and develops a workforce with the skills and competencies necessary to accomplish its mission to provide quality professional audit, investigative, and inspection and evaluation services related to the administration of the Nation's tax system. TIGTA mitigates security risks affecting taxpayer data, tax systems, and IRS employees. It effectively improves customer value by protecting the IRS and its employees and responding to attempts to impersonate the IRS for fraudulent purposes. TIGTA prioritizes acquisition and application of human and financial resources to enhance its ability to detect and protect against cyberattacks. Additionally, TIGTA collaborates with the IRS to share intelligence and expertise to thwart cyber threats.

With the publication of the Treasury Strategic Plan for FY 2018-2022, TIGTA will work this year to baseline its performance against the new strategic objectives. This could result in (additional) changes to performance measures in the FY 2020 budget.

B – Budget and Performance by Budget Activity

2.1.1 – Audit Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$54,309	$53,763	$57,463	$59,752	$64,240	$65,572	$62,704
Reimbursable Resources	$500	$600	$382	$60	0	0	0
Unobligated Balances Brought Forward	0	0	$1,808	$1,780	$1,524	$1,674	$1,947
Budget Activity Total	**$54,809**	**$54,363**	**$59,653**	**$61,592**	**$65,764**	**$67,246**	**$64,651**
FTE	**323**	**309**	**316**	**329**	**333**	**333**	**333**

Note: FY 2017 Reimbursable Resources and Unobligated Balances Brought Forward are Actuals

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Percentage of Audit Products Delivered When Promised to Stakeholders	84	65	80	75	79	68	68	68
Percentage of Recommendations Made That Have Been Implemented	87	89	92	97	92	85	85	85

Audit Budget and Performance

($62,704,000 from direct appropriations):
TIGTA's Office of Audit 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 of the Nation's system of tax administration. In FY 2017, OA issued 104 final audit reports, and other products, that included potential financial benefits totaling approximately $9.1 billion and affected approximately 34 million taxpayer accounts. TIGTA's Annual Audit Plan communicates its 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 2017 addressed issues that included:

- Improving Tax Compliance – Potential Employer Underreported Tax Not Being Addressed. TIGTA noted 114,088 (83 percent) Tax Year 2013 discrepancy cases were not worked. These cases had a potential underreported tax difference of more than $7 billion.
- Improving Tax Compliance – Significant Reduction in Automated Substitute for Return Program Negatively Affected Compliance and Collection. The Automated Substitute for Return Program (ASRP) attempts to bring taxpayers who are required to file a tax return but do not into compliance. Revising the ASRP case selection strategy to include more potential high net-tax due cases could result in the collection of $843 million of additional taxes over the next five years.
- Achieving Program Efficiencies and Cost Savings – Replacement of Aged Hardware Infrastructure. From FY 2013 to FY 2017, the IRS's aged information technology hardware increased from 40 percent to 64 percent. The IRS's stated objective is an acceptable level of 20 to 25 percent. Aged information technology hardware still in use introduces unnecessary risks. Aged hardware failures may have a negative effect on IRS employee productivity, security of taxpayer information, and customer service.
- Reducing Fraudulent Claims and Improper Payments – Identify Potentially Improper Refundable Credit Claims. Effective December 18, 2015, taxpayers must have a Taxpayer Identification Number (TIN) that was issued before the due date of the tax return to claim certain tax credits. However, the IRS does not have processes to identify claims where a TIN was not issued timely. As a result, the IRS paid more than $34.8 million in refundable tax credits to taxpayers whose TIN was not issued until after the tax period in question. In addition, the IRS still has not established processes to prevent individuals who have a non-work Social Security Number from receiving the Earned Income Tax Credit (EITC). As a result, 49,310 individuals not authorized to work in the United States received almost $117.7 million in potentially erroneous EITCs in Tax Year 2014.

Description of Performance:
TIGTA uses two performance measures to gauge the success of its audit program. The first measure 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 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.

At the end of FY 2017, the actual Percentage of Audit Products Delivered When Promised to Stakeholders was 79 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 delivery of audit products to stakeholders. At the end of FY 2017, the actual Percentage of Recommendations Made That Have Been Implemented was 92 percent, which exceeded the full-year target of 85 percent. TIGTA exceeded its target because of continued 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 2019, 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. TIGTA believes that these measures are best attained through effective monitoring of ongoing audit work and essential communication with the IRS regarding findings and the most appropriate corrective action recommendations. As such, TIGTA's OA will continue to accentuate the importance of these processes with the management cadre and staff.

2.1.2 – Investigations Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017* Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$89,452	$95,748	$101,476	$108,106	$100,819	$102,910	$98,409
Reimbursable Resources	$400	$1,100	$429	$475	$357	$600	$600
Unobligated Balances Brought Forward	0	0	$3,192	$3,220	$2,392	$2,626	$3,053
Budget Activity Total	**$89,852**	**$96,848**	**$105,097**	**$111,801**	**$103,568**	**$106,136**	**$102,062**
FTE	**451**	**433**	**442**	**460**	**469**	**469**	**469**

* The FY 2017 column This column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Percentage of Results From Investigative Activities	90	92	93	90	90	81	79	79

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 Office of Investigations, has the statutory responsibility of protecting the integrity of tax administration, as well as the IRS's most valuable resource, its 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

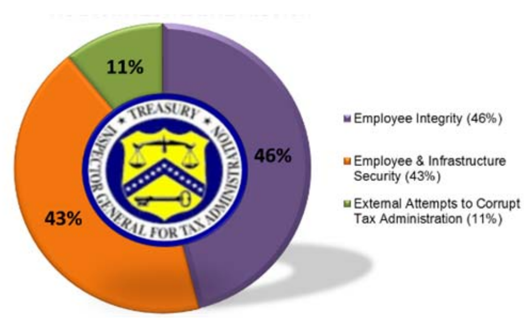

Figure 1: Investigative Performance Model

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 2017, 46 percent of TIGTA's body of investigative 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 10,638 complaints, opened 2,835 investigations, and closed 2,876 investigations in FY 2017. During this period, 168 investigations cases of all types were accepted for criminal prosecution, and TIGTA referred for IRS action 1,119 cases of employee misconduct. As a result of one of TIGTA's investigations into employee misconduct, a former

IRS special agent was charged with corrupt interference with the IRS, filing false tax returns, theft of Government funds, and destruction or falsification of records.[3] In another case, two IRS employees, pled guilty to their roles in the preparation and filing of fraudulent income tax returns, resulting in a total tax loss to the IRS of $130,124.[4]

Employee and Infrastructure Security: In FY 2017, TIGTA responded to 1,642 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 FY 2017, TIGTA has processed more than 15,737 threat-related complaints and investigated more than 8,194 threats against IRS employees. In one investigation, a man who had previously mailed his severed finger to the IRS,[5] was arrested and indicted for knowingly sending a fake pipe bomb to the IRS.[6]

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 September 30, 2017, more than 2.1 million Americans reported that they have received one of these calls, and 12,027 victims have reported that they have collectively paid a total of more than $60.7 million to the scammers. As a direct result of TIGTA's investigative efforts, in October 2016, 56 individuals, some of whom were located within the United States, plus five call centers located in India were indicted for the scam. Since the indictment, the impersonation calls have dropped by more than 90 percent.

International Cybercrime and Identity Theft: The increasing number of data breaches in the private and public sectors means more personally identifying information than ever before is available to unscrupulous individuals. The Office of Investigation's highly specialized group of criminal investigators with technical expertise in investigating electronic crimes, including computer intrusions and Internet-based fraud schemes, will continue to combat cybercriminals.

In May 2015, criminals launched a coordinated attack on the IRS e-Authentication portal that resulted in the exploitation of the IRS Get Transcript Application, as well as the IRS Identity

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[3] E.D. Cal. Superseding Indict. filed Oct. 20, 2016.
[4] E.D. Cal. Plea Agr. filed July 26, 2017; E.D. Cal. Plea Agr. filed Aug. 25, 2017.
[5] W.D. Wash. Crim. Compl. filed July 7, 2017.
[6] W.D. Wash. Crim. Docket filed Sep. 6, 2017; W.D. Wash. Indict. filed Sep. 6, 2017.

Protection Personal Identification Number application. It is estimated that more than 110,000 taxpayers were impacted by this attack. A subsequent review of all of the activity on the system revealed that more than 700,000 taxpayers were impacted by similar abuses of the system by multiple bad actors over an extended period of time. In January 2016, a coordinated criminal effort was launched that exploited the IRS Electronic Filing PIN (e-File PIN) tool. The e-File PIN tool was created to provide taxpayers with a special PIN number that would allow the taxpayer to electronically file a Federal tax return. The IRS estimates the exploitation resulted in the issuance of over 100,000 e-File PINs that were used to file over $100 million dollars of fraudulent tax returns. As a result of this exploitation, on June 23, 2016, the IRS announced that it had disabled the e-File PIN application. Numerous investigations are underway on the individuals who obtained taxpayer information from both of these attacks. As a result of one of TIGTA's cybercrime investigations, a Russian man was sentenced to 57 months' imprisonment[7] for his role in a sophisticated, large-scale stolen-identity refund fraud scheme.[8]

Procurement Fraud: On average, the IRS acquires approximately $2.1 billion annually in new contract awards. According to the Association of Certified Fraud Examiners' 2016 "Report to the Nation,"[9] organizations lose more than 5 percent of their annual expenditures to fraud, waste, and abuse. In the case of IRS procurement, this projection translates to approximately $105 million annually.

Description of Performance:
TIGTA's OI has adopted performance measures that identify 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. At the end of FY 2017, the Percentage of Results From Investigative Activities was 90 percent, which exceeded the full-year target of 81 percent. The Office of Investigations exceeded the FY 2017 performance measure as a result of the hard work of experienced executives, managers, and special agents. With the FY 2019 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 2019, OI's performance target is 79 Percent of Results From Investigative Activities. TIGTA is anticipating a high rate of turnover of its management team due to retirements. In addition, based on fiscal 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 2019. However, TIGTA's OI will continue to provide the IRS with the investigative coverage and information necessary to improve the integrity of IRS operations and mitigate threats against its employees, facilities, and data systems. Through its investigative programs, OI will continue to protect the IRS's ability to process approximately 246 million tax returns, collect more than $3.4 trillion in annual revenue, and issue over $400 billion dollars in refunds for the Federal Government.[10]

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[7] S.D. Fla. Judgment filed June 12, 2017.
[8] S.D. Fla. Crim. Compl. filed Nov. 17, 2016.
[9] Association of Certified Fraud Examiners, *Report to the Nations on Occupational Fraud and Abuse*, 2016.
[10] IRS, *Management's Discussion & Analysis, Fiscal Year 2017*.

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 2017, 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 $9.1 billion.

During FY 2017, these potential financial accomplishments included:
- Increased and/or protected revenue in the amount of $8.6 billion;
- Cost savings of $439.1 million; and
- Significant investigative accomplishments of $38.1 million.

The phrase "cost savings" 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 credits.

In addition to funds that could be put to better use, TIGTA's investigative efforts resulted in over $31.8 million in court-ordered fines, penalties, and restitution.

Funding for TIGTA allows its oversight efforts to continue, and for each dollar invested over the five-year period covering FYs 2013-2017, TIGTA has produced an average annual return of $106 (Figure 2).

Figure 2: TIGTA's Return on Investment

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 2017, I&E produced nine external reports, which include reviews of physical security controls at IRS locations, the IRS Occupational Safety and Health Program, the use of critical pay authority to hire employees, and employment tax evasion.

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 Service Desk.
- **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 2019 prioritized information technology requirements that directly support TIGTA operations:

- **Continuous Diagnostics and Mitigation (CDM) –** The CDM program is intended to provide TIGTA with the capabilities and tools to identify cybersecurity risks on a repeatable and recurrent basis, prioritize these risks based upon their potential impact, and enable cybersecurity and operational personnel the opportunity to timely address the most significant problems.
- **Infrastructure Refresh in Atlanta Service Center (ATSC) –** TIGTA's major infrastructure equipment located at the ATSC is eligible for refresh in FY 2019. The refresh will enable TIGTA to operate more efficiently and maintain and improve TIGTA's security posture. New storage technologies (*e.g.*, Solid-State Drives) will offer TIGTA opportunities for greater efficiency and enhancements in capacity, confidentiality, cybersecurity, power savings, system availability/responsiveness, and improved productivity.
- **Increased Bandwidth –** The bandwidth for TIGTA's field offices must be upgraded to support the increased demand for improved transmission of data, application utilization, audio and video conferencing, and more.
- **Network Segmentation –** The enhancement of a more secure configuration will ensure that network data and personally identifiable information will be more readily protected against cyberattacks and leaks. The purpose of network segmentation is to increase TIGTA's overall security and performance posture which would prevent sideways and undetected movement by would-be intruders.
- **Research, Analysis, Forensics, and Evidence system (RAFE) –** The RAFE will be used by TIGTA for cyber analysis, tracking, and defense against potential cyber threats directed at both TIGTA and IRS as well as uncovering other threats to tax administration including seizure of evidence and analysis of activities (*e.g.*, scammers). RAFE will directly benefit

TIGTA as it will remove current security and privacy vulnerabilities and open the door to many new cybercrime capabilities that cannot be accommodated currently. The expected initial implementation is underway for FY 2018, and TIGTA expects to continue its full implementation in FY 2019.

Law Enforcement Vehicles –TIGTA acquires its vehicles by lease through the General Services Administration. However, TIGTA will maintain ownership of approximately eight 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 Budget Justification and Annual Performance Report and Plan

FY 2019

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 (CDFI) Fund supports Treasury's Strategic Goal 1 (Boost U.S. Economic Growth) and Strategic Goal 4 (Transform Government-wide Financial Stewardship). The Budget requests the following for the CDFI Fund for FY 2019:

- $14 million in administrative funding to support:
  - Management of the CDFI, Bond Guarantee (BG), and New Markets Tax Credit (NMTC) Programs; and
  - Ongoing certification and compliance monitoring for all programs, including the Bank Enterprise Award (BEA) Program, the CDFI Program, the Native American CDFI Assistance (NACA) Program, and the Healthy Food Financing Initiative (HFFI).
- The Budget eliminates funding for the CDFI 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. The Budget also includes a proposal to eliminate new funding for Capital Magnet Fund (CMF) effective in 2019.
  - The CDFI BG Program provides CDFIs access to capital by providing guarantees of bonds issued by Qualified Issuers. CDFIs invest the bond proceeds into our nation's most distressed communities. CDFIs benefit by accessing 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. The program requires no credit subsidy.
  - The Budget proposes an annual commitment authority of $500 million and program changes to (1) reduce the minimum bond issue size from $100 million to $50 million; and (2) correct a technical drafting error related to the calculation of the relending account maximum.

1.1 – Appropriations Detail Table

Dollars in Thousands

Community Development Financial Institutions Fund	FY 2017		FY 2018		FY 2019		FY 2018 to FY 2019			
Appropriated Resources	Enacted**		Annualized CR		Request		Change		% Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Community Development Financial Institutions Program	0	$161,500	0	$160,403	0	$0	0	($160,403)	NA	-100.00%
Bank Enterprise Award Program	0	$23,000	0	$22,844	0	$0	0	($22,844)	NA	-100.00%
Native American CDFI Assistance Program	0	$15,500	0	$15,395	0	$0	0	($15,395)	NA	-100.00%
Administration	74	$26,000	74	$25,823	42	$14,000	(32)	($11,823)	-45.45%	-45.78%
Healthy Food Financing Program	0	$22,000	0	$21,851	0	$0	0	($21,851)	NA	-100.00%
Subtotal New Appropriated Resources	**74**	**$248,000**	**74**	**$246,316**	**42**	**$14,000**	**(32)**	**($232,316)**	**-45.45%**	**-94.32%**
Other Resources										
User Fees *	0	$415	0	$700	0	$1,000	0	$300	NA	42.86%
Recovery From Prior Years	0	$642	0	$3,400	0	$2,500	0	($900)	NA	-26.47%
Unobligated Balances Brought Forward	0	$28,312	0	$32,606	0	$5,000	0	($27,606)	NA	-84.67%
Subtotal Other Resources	**0**	**$29,369**	**0**	**$36,706**	**0**	**$8,500**	**0**	**($28,206)**	**NA**	**-76.84%**
Total Budgetary Resources	**74**	**$277,369**	**74**	**$283,022**	**42**	**$22,500**	**(32)**	**($260,522)**	**-45.45%**	**-92.05%**

* FY 2017 User Fees reflects authorization of the Bond Guarantee Program.

** This column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury. FY 2017 FTE employment level reflects actuals, and the $ amount represents 2017 Enacted.

1.3 – Operating Levels Table

Dollars in Thousands

Community Development Financial Institutions Fund Object Classification	FY 2017 Enacted[1]	FY 2018 Annualized CR	FY 2019 Request
11.1 – Full-time permanent	9,085	9,382	4,589
11.9 – Personnel Compensation (Total)	**9,085**	**9,382**	**4,589**
12.0 – Personnel benefits	2,991	3,067	2,160
Total Personnel and Compensation Benefits	**$12,076**	**$12,449**	**$6,749**
21.0 – Travel and transportation of persons	59	40	15
24.0 – Printing and reproduction	11	5	1
25.1 – Advisory and assistance services	5,707	2,551	0
25.2 – Other services from non-Federal sources	38	15	15
25.3 –Other goods and services from Federal sources	4,420	6,908	5,212
25.7 – Operation and maintenance of equipment	0	2,967	2,003
26.0 – Supplies and materials	42	35	5
31.0 – Equipment	3,647	853	0
41.0 – Grants, subsidies, and contributions	222,000	220,493	0
Total Non-Personnel	**$235,924**	**$233,867**	**$7,251**
New Budgetary Resources	**$248,000**	**$246,316**	**$14,000**
FTE	**74**	**74**	**42**

Note: This table includes total annually appropriated funding (FY 2017 Enacted, FY 2018 Annualized CR, and FY 2019 Request).
[1]This column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury. FY 2017 FTE employment level reflects actuals, and the $ amount represents 2017 Enacted.

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 2019, 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 through December 31, 2019: Provided further, That such section 114A shall remain in effect until December 31, 2019.* Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.	Extension of the Bond Guarantee Program through December 31, 2019 to allow more time to close complex and time-consuming bond commitments.

D – Legislative Proposals

The Budget requests extension of the CDFI Bond Guarantee Program through December 31, 2019 and elimination of new allocations into the Capital Magnet Fund effective in FY 2019.

Legislative Language

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 CDFI Fund supports the following Treasury's FY 2018-2022 strategic goals:

- Goal 1: Boost U.S. Economic Growth
    - Objective 1.2 – Strong Economic Fundamentals

- Goal 4: Transform Government-wide Financial Stewardship
    - Objective 4.1 – Financial Data Access and Use

The CDFI Fund's award recipients 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 in the United States that are not progressing economically 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 CDFI Fund has articulated five goals in its FY 2018-2022 Strategic Plan aimed at increasing the impact of the CDFI Fund network by supporting the growth, reach, and performance of CDFI Fund awardees. These goals support Treasury's strategic plan to: promote strong economic fundamentals; transform government-wide financial stewardship; and ensure financial data access/use.

The FY 2019 Budget will advance these goals 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 for all programs.

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

B – Budget and Performance by Budget Activity

2.1.1 Administration- Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$21,764	$24,636	$23,100	$23,600	$26,000	$25,823	$14,000
Budget Activity Total	**$21,764**	**$24,636**	**$23,100**	**$23,600**	**$26,000**	**$25,823**	**$14,000**
FTE	**76**	**76**	**76**	**77**	**74**	**74**	**42**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
ALL - Award Cycle Time (Months)	6.8	7.9	8.3	7.6	6.3	7.0	7.0	7.0
All - Time to Initial Disbursement (# Months)	N/A	N/A	N/A	B	N/A	N/A	4.5	4.5
ALL - Number of Affordable Housing Units Developed or Produced	26,391	32,621	27,004	35,251	27,443	28,000	28,000	28,000

Key: B - Baseline

2A - Administration

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

This encompasses the CDFI Fund's operational support and management activities for each of its ongoing award programs. It 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 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 2017, the 7 month cycle-time target was met because it took on average only 6.3 months to make the awards. This achievement reflects improved efficiency in making awards, which is largely a function of the implementation of the Awards Management and Information system (AMIS).

- 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. The results for FY 2017 have not yet been tabulated because this measure cannot be computed until 4.5 months have elapsed after the end of FY 2017.

- The Number of Affordable Housing Units Developed or Produced 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 allocation recipients. The FY 2017 actual result of 27,433 affordable housing units was slightly below the target of 28,000 affordable housing units. The FY 2018 target remains 28,000 units, and it reflects projected outcomes for program investments from prior-year award recipients' reported eligible affordable housing projects.

2.1.2 – Community Development Financial Institutions Program Resources and Measures

Dollars in Thousands

Resource Level CDFI Program Budget Activity	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$138,397	$146,364	$152,400	$153,423	$161,500	$160,403	$0
Budget Activity Total	**$138,397**	**$146,364**	**$152,400**	**$153,423**	**$161,500**	**$160,403**	**$0**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
CDFI - Percentage of Loans & Investments Originated in Eligible Distressed or Underserved Communities by Dollar Amount of Loans (Annual %)	77.1	70.8	80.1	80.9	81.2	60.0	60.0	N/A
CDFI - Percentage of Loans & Investments Originated in Eligible Distressed or Underserved Communities by Number of Loans	79.6	60.7	80.5	81.5	83.0	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 (rental housing 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) the 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 60.0 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 serve distressed communities and underserved populations with their safety and soundness considerations.
In FY 2017, the CDFI Program surpassed the 60.0 percent threshold for the percentage of both the dollar amount (81.2 percent) and the number of CDFI loans (83.0 percent) made to eligible distressed communities and underserved populations. The FY 2018 target remains 60.0 percent to ensure that CDFIs can balance mission with safety and soundness objectives.

2.1.3 – New Markets Tax Credit Program Resources and Measures

Dollars in Thousands

Resource Level	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
New Markets Tax Credit Budget Activity	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources	$0	$0	$0	$0	$0	$0	$0
Budget Activity Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Measure	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2017	FY 2018	FY 2019
	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
NMTC - Percentage of Loans and Investments That Went Into Severely Distressed Communities	78.5	73.8	75.2	74.5	77.5	74.0	75.0	75.0

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 Calendar Year (CY) 2015 and CY 2016 NMTC allocation authority was allocated in November 2016 as a combined round, in which the NMTC Program awarded $7 billion in NMTC allocation authority to 120 CDEs, out of a pool of 238 applicants requesting $17.6 billion.

In FY 2017, 77.5 percent of NMTC investments were made in severely-distressed communities, exceeding the target by more than three percentage points. This performance indicates that CDEs continue to meet their commitments in severely-distressed communities. Because the trend data indicates improvement, the CDFI Fund has elevated the FY 2018 and FY 2019 targets to 75 percent.

In August 2017, the CDFI Fund released the *Compliance Review of New Markets Tax Credit Program*[1] report commissioned by the CDFI Fund and conducted by Summit Consulting, LLC. The independent report examines whether NMTC recipients have complied with program requirements and if recipients' "investment activities have aligned with the objectives of the NMTC Program." The report emphasizes the NMTCs are being used as Congress intended – to attract private investment into projects in economically-distressed communities – and documents the ways CDEs are meeting and generally exceeding NMTC Program requirements.

The report addresses questions and recommendations posed by the Government Accountability Office regarding the distribution of benefits among the NMTC Program's stakeholders, investors' rates of return, and the role that other public investments play in NMTC investments. Among the report's key findings are:

- CDEs often go beyond compliance requirements, providing more flexible capital and investing in more highly-distressed areas than the NMTC Program requires;
- The flexible financing provided by CDEs reduces the net cost of capital for borrowers; and
- Many CDEs use a rigorous project selection process that included a "but-for analysis," community benefit considerations, and advisory board involvement.

A review of NMTC projects showed that approximately two-thirds received public funding consistent with financing gaps. The remaining one-third revealed that projects located in highly distressed areas may need more public funding to attract private investment to enhance community benefits or to support initial project operating costs.

[1] https://www.cdfifund.gov/Documents/Summit%20-%20Compliance%20Review%20of%20New%20Markets%20Tax%20Credit%20Program%20-%20August%20Date%20-%20508%20Compliant.pdf

2.1.4 – Bank Enterprise Award Program Performance and Measures

Dollars in Thousands

Resource Level Bank Enterprise Award Program Budget Activity	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$17,058	$18,000	$18,000	$19,000	$23,000	$22,844	$0
Budget Activity Total	**$17,058**	**$18,000**	**$18,000**	**$19,000**	**$23,000**	**$22,844**	**$0**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
BEA - Increase in Community Development Activities Over Prior Year For All BEA Program Applicants ($ million)	493.5	723.5	759.9	539	TBD	500	500	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. In FY 2017, the CDFI Fund awarded $18.6 million from the FY 2016 appropriated BEA Program funds. The award round for FY 2017 opened in September 2017, with award announcements expected to be made in April 2018.

The performance target for the FY 2016 round was met. BEA program applicants documented $539 million in increased qualified community development activities, exceeding the target of $450 million.

In June 2017, the CDFI Fund released the *Bank Enterprise Award Program Baseline Analysis and Evaluation*[2] report, which is an independent third-party evaluation of the BEA Program. The report found that the BEA Program targets census tracts with much lower income levels and higher poverty rates than are typically required under the Community Reinvestment Act (CRA). In addition, applicants and awardees surveyed during the BEA Program evaluation indicated program awards mitigate the financial risks and costs of operating bank branches in highly-distressed communities and are a factor in shaping the financial products and services offered in these communities. The report's analysis shows that CDFI banks and CDFIs generally lend at a greater frequency in highly distressed communities than CRA-reporting banks, and that BEA awardees typically originate a larger share of their loans in persistent-poverty areas than CRA-reporting banks. The evaluation also found that the BEA Program has evolved over time, and it

[2] https://www.cdfifund.gov/news-events/news/Pages/news-detail.aspx?NewsID=260&Category=Press%20Releases

now focuses on providing awards to smaller CDFI banks that increase their activities in distressed communities, as well as to larger non-CDFI banks that invest in CDFIs to reach more highly distressed areas than they otherwise would.

2.1.5 – Native American CDFI Assistance Program Performance and Measures

Dollars in Thousands

Resource Level	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Native American CDFI Assistance Program	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources	$11,372	$15,000	$15,000	$15,500	$15,500	$15,395	$0
Budget Activity Total	**$11,372**	**$15,000**	**$15,000**	**$15,500**	**$15,500**	**$15,395**	**$0**

Measure	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2017	FY 2018	FY 2019
	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
NACA - Percentage of NACA Loans and Investments in Native Areas ($ Amount of Loans)	75.5	57.9	65	61.2	42.6	50.0	50.0	N/A
NACA - Percentage of NACA Loans and Investments in Native Areas (# of Loans)	93.3	87	95.9	96.3	94.5	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:

In FY 2016, two new measures of performance were approved for the NACA Program: (1) the percentage of the number of loans, and (2) 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 50.0 percent or more of their loans and investments in Native areas or to Native populations. This threshold is set to allow the awardees to balance their mission of serving Native areas and populations with safety and soundness considerations.

These two measures were first baselined in FY 2017 with outcome data from 2016. It showed that 61 percent of dollars originated, and over 96 percent of the number of loans originated, were in Native Areas or to Native borrowers. The preliminary data for FY 2017 reflects a shortfall in the dollar amount of loans originated – just 42.6 percent – but the target for the percent of loans was exceeded, with performance of 94 percent. The preliminary data is incomplete due to late-filed reports. Based on past reporting patterns, the CDFI Fund expects that complete data will show a higher percentage of the dollar amount of loans originated. Enhanced compliance monitoring procedures and improvements in the performance reporting systems should mitigate these reporting problems in the future. The target for FY 2018 remains 50 percent.

2.1.6 - Healthy Food Financing Initiative Performance and Measures

Dollars in Thousands

Resource Level Healthy Food Financing Initiative	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$20,849	$35,000	$22,000	$22,000	$22,000	$21,851	$0
Budget Activity Total	**$20,849**	**$35,000**	**$22,000**	**$22,000**	**$22,000**	**$21,851**	**$0**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
HFFI - Retail Outlets Created/Preserved	31	33	35	19	24	20	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. The objectives include 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 2017, the number of HFFI Retail outlets created was 24. Under the current continuing resolution, the target is 20 new retail outlets for FY 2018.

2.1.7 - Capital Magnet Fund Program Resource Detail Table

Dollars in Thousands

Resource Level Capital Magnet Fund Program	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR *	FY 2019 Request
GSE Distribution	NA	NA	NA	$100,292	$119,413	$0	$0
Budget Activity Total	**$0**	**$0**	**$0**	**$100,292**	**$119,413**	**$0**	**$0**
FTE	**0**	**0**	**0**	**0**	**7**	**7**	**0**

* The Budget assumes no funds will be provided to the CMF in 2018 in accordance with the Federal Housing Finance Agency's 2014 stated policy that funds will not be transferred if the transfer would cause the GSEs to draw on the Treasury funding commitment under the Preferred Stock Purchase Agreements (PSPAs). The Budget anticipates that such a draw will occur in 2018 as a result of the enactment of tax reform legislation.

2G - Capital Magnet Fund Program

($0 from direct appropriations):

The CMF program was authorized by the Housing and Economic Recovery Act of 2008, 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 new allocations into the CMF effective in FY 2019.

Description of Performance:

The primary performance measures of the CMF are the number of affordable housing units for which CMF funding was a source of financing, and the degree to which private funding sources were leveraged by CMF financing. Data are included in performance table 2.1.1 above.

Awardee reports available through September 30, 2017, indicate that the total number of affordable homes under development or completed with CMF financing, through the end of the awardees' FY 2016 were:

- 13,325 affordable homes under development or completed with CMF financing (a net addition of 2,430)
  - Affordable rental homes financed: 11,727 (a net addition of 2,220)
  - Affordable homeowner-occupied homes financed: 1,598 (a net addition of 210)

- Leverage: 1:20 (This ratio does not include leverage from the reinvestment of funds. The target set by Congress was 10 times leveraging.)

2.1.8 - Bond Guarantee Program Resource Detail Table

Dollars in Thousands

Resource Level Bond Guarantee Program	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Obligations	$325,000	$200,000	$327,000	$265,000	$260,000	$500,000	$500,000
Loan Limitation Obligation Authority	$1,000,000	$750,000	$750,000	$750,000	$500,000	$500,000	$500,000

2.1.9 - Financing Accounts – Non-Budgetary Summary

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Anualizd CR	FY 2019 Request
Obligations	$325,000	$200,000	$327,000	$265,000	$260,000	$500,000	$500,000
Collections*	$0	$356	$2,966	$9,377	$20,927	$44,720	$72,310

*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 $456 million and $427 million, in FY 2018 and FY 2019, 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 $1.362 billion. A total of 26 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	$192.3	**33.2%**	**$346.6**	**25.4%**
Rental housing	$149.4	**25.8%**	**$334.2**	**24.5%**
Commercial real estate	$91.9	**15.9%**	**$269.9**	**19.8%**
Financing Entity	$72.3	**12.5%**	**$150.6**	**11.1%**
Healthcare Facilities	$29.8	**5.15%**	**$68.4**	**5.0%**
Not-for-profits	$29.0	**5.0%**	**$94.0**	**6.9%**
Small business	**$8.3**	**1.4%**	**$ 29.5**	**2.2%**
Daycare centers	**$6.2**	**1.1%**	**$ 28.5**	**2.1%**

Performance Measure Changes

With the publication of Treasury's Strategic Plan for FY 2018-2022, the CDFI Fund will work this year to baseline the performance for the new strategic objectives. This could result in changes to performance measures in the FY 2020 budget.

Section III – Additional Information

A – Summary of Capital Investments

As part of its FY 2019 capital investment strategy, the CDFI Fund plans to spend approximately $2.55 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 2019, the CDFI Fund has identified two non-major IT investments: Awards Management Information System (AMIS) and the CDFI Fund public website. AMIS is an enterprise-wide commercial, cloud-based solution that supports CDFI Fund certification, tax credit allocation, bond guarantee, and grant programs. The first AMIS deployment was implemented in September 2015. Full deployment is planned for September 2018. The CDFI Fund public website, which is another cloud-based solution, provides access to general information about the CDFI Fund and is used to ensure the public can obtain information and guidance regarding CDFI Fund programs. For FY 2019, the CDFI Fund plans to provide Operations and Maintenance (O&M) support for these two 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's 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 reduces duplicative services (such as Web monitoring and filtering) and eliminates contracts used to maintain the CDFI Fund's IT infrastructure.

A summary of the CDFI Fund's capital investment resources, including major IT 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 Budget Justification and Annual Performance Report and Plan

FY 2019

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

The FY 2019 President's Budget requests additional resources of $3,578,000 to maintain current levels, enhance FinCEN's national security capacity and to begin the development of a non-bank financial institutions (NBFI) risk assessment profile by targeting compliance toward the highest risk.

FinCEN is a bureau in the U.S. Department of the Treasury. The Director of FinCEN reports to the Under Secretary for Terrorism and Financial Intelligence (TFI). FinCEN supports the Treasury Strategic Goal 3: Enhance National Security and Goal 5: Achieve Operational Excellence. In Strategic Goal 3, FinCEN supports the following Treasury Strategic Objectives: 3.1 Strategic Threat Disruption – Identify, disrupt, and dismantle priority threats to the U.S. and international financial system and Treasury Strategic Objective 3.2 Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) Framework – Identify and reduce vulnerabilities in the U.S. and international financial system to prevent abuse by illicit actors.

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 156 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 Appropriated Resources	FY 2017 Enacted 1/		FY 2018 Annualized CR 2/		FY 2019 Request		FY 2018 to FY 2019 Change		% Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
BSA Administration and Analysis	274	$115,003	304	$114,222	332	$117,800	28	$3,578	9.21%	3.13%
Subtotal New Appropriated Resources	**274**	**$115,003**	**304**	**$114,222**	**332**	**$117,800**	**28**	**$3,578**	**9.21%**	**3.13%**
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	NA	0.00%
Subtotal Other Resources	**1**	**$3,500**	**1**	**$3,500**	**1**	**$3,500**	**0**	**$0**	**0.00%**	**0.00%**
Total Budgetary Resources	**275**	**$118,503**	**305**	**$117,722**	**333**	**$121,300**	**28**	**$3,578**	**9.18%**	**3.04%**

1/ FY 2017 shows actual FTE usage. This column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources, see the 2019 Budget Appendix chapter for the Department of the Treasury.
2/ FY 2018 shows anticipated FTE usage with funded FTE at 332.

1.2 – Budget Adjustments Table

Dollars in Thousands

Financial Crimes Enforcement Network (FinCEN)	FTE	Amount
FY 2018 Annualized CR	**304**	**$114,222**
Changes to Base:		
Maintaining Current Levels (MCLs):	0	$1,421
Pay Annualization	0	$260
Non-Pay	0	$1,161
Subtotal Changes to Base	0	$1,421
Total FY 2019 Base	**304**	**$115,643**
Program Changes:		
Annualization of FY 2018 Hiring	28	$0
Program Decrease	0	($1,161)
Programmatic Contract and Equipment Reductions	0	($1,161)
Program Increases:	0	$3,318
Enhance National Security Capacity	0	$2,118
Develop NBFI Risk Assessment Scoring Model	0	$1,200
Total FY 2019 Request	**332**	**$117,800**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs)..+$1,421,000 / +0 FTE

Pay Annualization +$260,000 / +0 FTE

Funds are requested for annualization of the January 2018 pay-raise.

Non-Pay +$1,161,000 / +0 FTE

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

Program Changes... +$0 / +28 FTE
Annualization of FY 2018 Hiring +$0 / +28 FTE
This adjustment is required to reflect the positive results of FinCEN's hiring surge through September 2019, which is expected to right size the workforce to the funded FTE level.

Program Decreases .... -$1,161,000 / -0 FTE
Programmatic Contract and Equipment Reductions -$1,161,000 / -0 FTE
This reduction will be taken through evaluation of increases or changes in proposed acquisitions of contractual services and equipment. FinCEN will evaluate contracts during the renewal process to absorb this reduction.

Program Increases .... +$3,318,000 / +0 FTE
Enhance National Security Capacity +$2,118,000 / +0 FTE
These funds are necessary to sustain FinCEN's increased contractor resources needed to adequately support Treasury's Terrorism and Financial Intelligence priorities. FinCEN is increasingly called upon to identify sources of revenue for illicit actors and their attempts to access and exploit the international financial system. These requests stem from the growing threats from rogue nations including the Democratic People's Republic of North Korea (DPRK) and continued efforts to combat international organized crime, terrorism, narcotics, and cybercrime. These additional funds will support these activities, as well as the growing analysis of and demand for FinCEN's BSA data to assist in combating the emerging threats to the financial system. Two areas of FinCEN, in particular, will benefit most from this financial support are outlined below.

In the area of enforcement, additional funding will help FinCEN keep pace with its increasing national security workload through the use of its unique regulatory authorities. This includes the use of special measures provided under Section 311 of the USA PATRIOT Act to target foreign jurisdictions, foreign financial institutions, or international financial transactions of primary money laundering concern that pose national security threats to the global financial system. Additionally, the use of targeted financial measures such as Geographic Targeting Orders has increased, consistent with FinCEN's ongoing efforts to enhance the collection of financial intelligence on terrorist groups and other national security threats. Finally, FinCEN will continue to exercise its Foreign Financial Agency regulatory authority to obtain special collections of financial intelligence from U.S. financial institutions such as international transactions related to specific individuals, entities, or jurisdictions. This effort adds significant value to the collective government efforts to counter terrorist financing activities.

In the area of intelligence, FinCEN continues to support Treasury's broader national security efforts by identifying funding streams for illicit actors, including terrorists and terrorist financiers. This includes processing alerts on BSA filings and developing reports for dissemination to FinCEN customers in law enforcement, the intelligence community, and foreign FIUs. In many cases, FinCEN is the only link between the intelligence community and financial intelligence maintained pursuant to the reporting obligations under the BSA. As part of that effort, FinCEN is increasingly called upon to identify financial flows and money laundering activities tied to terrorism financing, transnational organized crime, trade-based money laundering networks, proliferation concerns of priority threat areas, and more recently the illicit narcotics proceeds that fuel the opioid crisis.

Also in the area of intelligence, the ongoing need to adapt to the evolving and increasingly complex nature of financial crimes, which often involves a cyber or other highly technical element is critical. From spear phishing to ransomware, the majority of cybercrimes involve a financial nexus that often goes unexplored in other law enforcement investigations. The BSA provides the most comprehensive reporting structure for suspicious financial activity covering one of the most targeted critical infrastructure industries—financial services. FinCEN uses the unique abilities of its cyber team to bridge financial and cyber investigations, finding previously undiscovered information and connecting cases that often appear unrelated. These funds will assist in moving the cyber program forward enabling it to field further accomplishments.

Develop NBFI Risk Assessment Model +$1,200,000 / +0 FTE
This funding will allow FinCEN to begin the development of a Non-Bank Financial Institution (NBFI) Risk Assessment Model that will ultimately improve FinCEN's ability to identify, detect, and examine the highest risk NBFIs and foster enhanced BSA compliance within the NBFI sectors. NBFIs have the potential to create significant vulnerabilities for the financial system that can be exploited by money launders, terrorist financiers, and other criminal actors. These sectors encompass approximately 320,000 financial institutions and over $13 trillion in financial services. The NBFI sector includes money service businesses (MSBs), including virtual currency exchanges and administrators; casinos and card clubs, dealers in precious metals, stones, or jewels; certain insurance companies; and non-bank mortgage lenders and originators. NBFIs present inherent risks to the U.S. and global financial system ranging from the lack of traditional depository institution relationships for MSBs; the abuse of casinos and card clubs by criminal organizations; the relative isolation of precious metals, stones, and jewels from the financial services sector; and the rapidly changing technologies and customer identification challenges of virtual currency exchanges and administrators.

These inherent risks are amplified by challenges to mitigate these risks through supervision and examination. While FinCEN and the Internal Revenue Service (IRS), as its delegated examination authority, have striven to provide a robust oversight regime, the sheer numbers, volumes, and lack of regulatory requirements aside from those mandated under the BSA, have made even identifying the complete NBFI population challenging. This initiative will begin a process to identify the NBFI population and develop associated risk profiles that will be assigned to these NBFI entities, as well as assigning risk assessments across the entire population. To compensate for the examination challenges of this unique population, this initiative will construct an automated, data-driven risk examination selection and assignment system to identify high risk NBFI's and prioritize examination to better utilize the limited examination force.

This effort is the first step to ensure that these sectors are effectively supervised; and, it is a key Treasury Department priority not only to mitigate these vulnerabilities but also to protect the financial system from criminal abuse. This initiative will also help NBFIs continue to play their important role in financial inclusion and the economy, and to improve the government's oversight and supervision of this industry that is a leading risk factor that banks cite when making decisions to sever NBFI business relationships on a wholesale basis.

1.3 – Operating Levels Table

Dollars in Thousands

Financial Crimes Enforcement Network (FinCEN) Object Classification	FY 2017 Enacted 1/	FY 2018 Annualized CR	FY 2019 Request
11.1 - Full-time permanent	41,817	41,817	42,076
11.3 - Other than full-time permanent	408	408	408
11.5 - Other personnel compensation	205	205	205
11.9 - Personnel Compensation (Total)	**42,430**	**42,430**	**42,689**
12.0 - Personnel benefits	12,260	12,260	12,261
Total Personnel and Compensation Benefits	**$54,690**	**$54,690**	**$54,950**
21.0 - Travel and transportation of persons	615	630	649
23.1 - Rental payments to GSA	4,130	4,151	4,234
23.2 - Rental payments to others	32	40	42
23.3 - Communications, utilities, and miscellaneous charges	1,670	1,670	1,726
24.0 - Printing and reproduction	207	153	153
25.1 - Advisory and assistance services	1,097	1,097	1,097
25.2 - Other services from non-Federal sources	17,112	16,345	19,503
25.3 - Other goods and services from Federal sources	9,496	9,496	9,496
25.6 - Medical care	174	174	174
25.7 - Operation and maintenance of equipment	17,979	17,979	17,979
26.0 - Supplies and materials	326	322	322
31.0 - Equipment	7,475	7,475	7,475
Total Non-Personnel	**$60,313**	**$59,532**	**$62,850**
New Budgetary Resources	**$115,003**	**$114,222**	**$117,800**
FTE	**274**	**304**	**332**

Note: This table includes total annually appropriated funding (enacted for FY 2017, FY 2018 Annualized CR and FY 2019 request) and FTEs are Actual for FY 2017.

1/ This column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget Appendix chapter for the Department of the Treasury.

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 $12,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, $117,800,000, of which not to exceed $34,335,000 shall remain available until September 30, 2021.* Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 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 supports the Treasury Strategic Goal 3: Enhance National Security and Goal 5: Achieve Operational Excellence. In Strategic Goal 3, FinCEN supports Treasury Strategic Objectives: 3.1 Strategic Threat Disruption – Identify, disrupt, and dismantle priority threats to the U.S. and international financial system and Treasury Strategic Objective 3.2 Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) Framework – Identify and reduce vulnerabilities in the U.S. and international financial system to prevent abuse by illicit actors.

FinCEN 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 an information sharing network with FIU partner countries; develops and issues regulations under the BSA; and enforces compliance with the BSA in partnership with regulatory partners.

In FY 2017, FinCEN had several noteworthy accomplishments highlighted below:

- assessed six penalties against financial institutions in multiple industry groups including one virtual currency exchanger and an executive of the company;
- reported terrorism-related financial intelligence to law enforcement and foreign partners; produced financial analysis on organized crime groups in the U.S. related to narcotics and third party money laundering networks, trade based money laundering schemes;
- issued intelligence assessments on the exploitation of emerging payment systems as well as issued 311 actions to further restrict North Korea's access to the U.S financial system and against a foreign financial institution of primary money laundering concern, Bank of Dandong, in support of sanctions activities;
- issued advisories to the financial community on anti-money laundering risks associated with all-cash residential real estate transactions; cyber threats from business e-mail compromise fraud schemes; and individuals and entities in South Sudan, Venezuela, and North Korea who use the financial systems to further other illegal activities; and
- continued its Global Rapid Response Program, recovering or restraining over $300 million obtained through Business Email Compromise and other cyber-enabled crimes targeting financial institutions and their clients.

FinCEN's FY 2018 and FY 2019 priorities include:

- disrupt the capability of priority targets, such as North Korea, to raise, use, and move funds through strategic application of Treasury's tools and authorities;
- identify threats to the financial system from terrorists, proliferators, rogue regimes, and criminal actors through exploitation and analysis of BSA data, other financial information, and all-source intelligence research and analysis;
- expand current and facilitate new threat information sharing and collaboration with domestic and international partners to address risks to the U.S. and global financial system;
- proactively identify vulnerabilities within financial system and address them through a risk-based approach that integrates oversight measures, regulations, targeted enforcement actions, and compliance; and

- modernize, streamline, and simplify the regulatory framework to more effectively and efficiently address national security priorities.

B – Budget and Performance by Budget Activity

2.1.1 BSA Administration and Analysis Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$104,993	$112,000	$112,000	$112,979	$115,003	$114,222	$117,800
Reimbursables Resources	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Budget Activity Total	**$107,993**	**$115,000**	**$115,000**	**$115,979**	**$118,003**	**$117,222**	**$120,800**
FTE (Actual)	**302**	**279**	**276**	**279**	**275**	**305**	**333**

Note: FY 2013-2017 FTE are actual FTE levels. FY 2018 shows anticipated FTE usage.

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
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	92	95	90	90
Percentage of Stakeholders Finding FinCEN's Information Sharing Has Contributed to Their Organization's Responsibilities	N/A	N/A	89	91	90	92	90	90
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	80	81	83	86	85	86	86
Percentage of Users Satisfied with FinCEN Information Sharing Systems	N/A	N/A	78	80	87	84	84	84
Percent of financial regulators who find FinCEN's enforcement and compliance efforts effective	N/A	N/A	N/A	N/A	0.91	B	0.9	0.9
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	94	82	94	Disc	Disc

Key: DISC - Discontinued; B - Baseline

BSA Administration and Analysis Budget and Performance
($117,800,000 from direct appropriations, $3,000,000 from reimbursable resources):

<u>Description of Performance</u>:
FinCEN tracks the percentage of customers finding that FinCEN's analytic products and advanced research positively affected their investigations, operations, or understanding of threats to the financial system. This measure supports the Treasury Strategic Objective 3.1: Strategic Threat Disruption – identify, disrupt, and dismantle priority threats to the U.S. and international financial system. In FY 2017, 92 percent of respondents found that the analytic products and research had an impact on the investigations, missing the FY 2017 target of 95 percent. To meet future targets, FinCEN will concentrate on expanding product dissemination, increasing outreach to customers of its intelligence products, and improving processes to obtain feedback about product usefulness. The FY 2018 and FY 2019 targets are set at 90 percent.

FinCEN measures the percentage of stakeholders finding that FinCEN's information sharing has contributed to their organization's responsibilities. This measure supports the Treasury Strategic Objective 3.1: Strategic Threat Disruption – identify, disrupt, and dismantle priority threats to the U.S. and international financial system. In FY 2017, FinCEN missed its target [satisfaction rate] of 92 percent with 90 percent of respondents finding the information sharing helpful. FinCEN will further seek to refine and optimize its financial intelligence information sharing efforts among both its domestic and foreign partners in government and private industry to attain future targets, including its mechanisms for soliciting feedback. The FY 2018 and FY 2019 targets are set at 90 percent.

FinCEN evaluates 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 Treasury Strategic Objective 3.2: AML/CFT Framework — identify and reduce vulnerabilities in the U.S. and international financial system to prevent abuse by illicit actors. In FY 2017, 86 percent of users found the financial intelligence collected valuable, thereby surpassing the FY 2017 target of 85 percent. FinCEN will continue to emphasize improvements in data quality and filing information, as well as continued training efforts to improve understanding and utilization of the FinCEN Query tool for the bureau's unique cases and situations. In FY 2018 and FY 2019, the target is set at 86 percent.

FinCEN monitors the percentage of users satisfied with FinCEN information sharing systems. This measure supports the Treasury Strategic Objective 3.2: AML/CFT Framework — identify and reduce vulnerabilities in the U.S. and international financial system to prevent abuse by illicit actors. In FY 2017, FinCEN exceeded its target of 84 percent with 87 percent of the users satisfied with information sharing systems. FinCEN attributes this performance to the usefulness of the data it provides; users' increased familiarity with systems which are in a steady operational state; its knowledgeable and courteous user support who continue to improve same day, help line closure rates; and its high system availability rate. FinCEN will continue to work with its customers to identify and prioritize enhancement requests as part of its Data Management activities; monitor the help line request volume and closure rates to address any issues or request surges; and continue to support infrastructure activities that improve overall system performance and availability. As part of the recent forms renewal process, FinCEN is making minor form changes as well as implementing XML standards. These changes may initially cause challenges that could impact performance measures during transition, in FY 2018 and FY 2019 the targets for FinCEN systems remain at 84 percent.

FinCEN determines 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 Treasury Strategic Objective 3.2: AML/CFT Framework — identify and reduce vulnerabilities in the U.S. and international financial system to prevent abuse by illicit actors. In FY 2016, 94 percent of customers indicated that enforcement actions have resulted in increased compliance by the financial institutions they examine. FinCEN based its FY 2017 target (also 94 percent) on the FY 2016 results, a significant spike from the FY 2014 and FY 2015 results of 81 and 88 percent, respectively. The FY 2017 results of 82 percent fell short of this target and this target was based on the FY 2016 performance result of one survey question. FinCEN attributes this spike to, among other things, its customers' enthusiastic reaction to FinCEN's increased involvement in the enforcement arena starting in approximately 2013, particularly in the area of casinos and virtual currency. Starting in FY 2018, FinCEN will discontinue this performance measure and replace it with a more comprehensive compliance and enforcement measure that tracks five questions instead of one. The new measure captures more of the effects of FinCEN's compliance and enforcement measures by including more questions. In addition, the new measure represents more regulators that may have not answered the single enforcement action question. The new measure is the percent of financial regulators who find FinCEN's enforcement and compliance efforts effective. In FY 2017 the baseline performance of the new measure was 91 percent finding enforcement and compliance efforts effective. The FY 2018 and FY 2019 targets will be set at 90 percent.

C – Changes in Performance Measures

With the publication of the Department of the Treasury's Strategic Plan for Fiscal Years 2018 - 2022, FinCEN will work this year to baseline its performance against the new strategic objectives. This could result in additional changes to performance measures in the FY 2020 budget.

Performance Measure or Indicator	Change and Justification
1. Percentage of AML/CFT supervisors who indicate that FinCEN's enforcement actions have resulted in increased compliance by covered financial institutions (discontinue)	FinCEN will discontinue this metric and replace it with a more comprehensive compliance and enforcement measure that tracks five questions instead of one. The new measure captures more of the effects of FinCEN's compliance and enforcement measures by including more questions. The discontinued measure will be replaced by the Percent of financial regulators who find FinCEN's enforcement and compliance efforts effective.
2. Percent of financial regulators who find FinCEN's enforcement and compliance efforts effective (new measure)	The new measure captures more of the effects of FinCEN's compliance and enforcement measures by including more questions. The new measure will still include the impact of the prior enforcement action question while also incorporating questions that gauge improved cooperation on actions taken against financial institutions, consistency in the application of the BSA, and compliance observed.

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 $19.3 million filings in FY 2017. To successfully fulfill its mission, FinCEN relies on secure, advanced information technology (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 entire life cycle cost of the BSA IT Modernization investment, which includes the year the investment started (2010) through BY+4 (2023), is $376.98 million (including FTE) and the FY 2019 cost is $26.76 million (including FTE).

A summary of capital investment resources, including major IT 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

Congressional Budget Justification and Annual Performance Report and Plan

FY 2019

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 serve Treasury's Strategic Goal 1 (Boost U.S. Economic Growth), and conducts its operations in support of Treasury's Strategic Goal 5 (Achieve Operational Excellence).

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 nearly $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 2019, and will help TTB absorb staffing and contract reductions while sustaining core tax operations. 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. These strategies are critical for TTB to mitigate potential performance impacts as TTB redirects its resources to implement the Craft Beverage Modernization and Tax Reform provisions of P.L. 115-97. Further, in FY 2019, to ensure the protection of sensitive taxpayer information, TTB will make critical investments in IT security to ensure that TTB remains at the forefront of cybersecurity.

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. To improve tax enforcement outcomes, and promote a more efficient Federal Government, the Administration is proposing the consolidation of federal alcohol and tobacco tax enforcement authorities within the Department of the Treasury, including transferring jurisdiction for the Contraband Cigarette Trafficking Act (CCTA) from the Department of Justice's (DOJ) Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) to TTB. The FY 2019 request supports an initial investment of $5 million in start-up costs for TTB to initiate the transfer, and begin to implement this enforcement program. Upon transfer of CCTA authority, and once fully resourced, TTB expects that its current enforcement model, which uses a data-driven approach and relies on teams of agents, auditors, and investigators, as well as state and local law enforcement partners, will provide positive returns in terms of increased revenues and reduced criminal activity.

As demand for TTB services has grown in line with the expanding alcohol industries, TTB has responded through updated policies to reduce burden, improved systems, 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 2019, TTB will focus on IT modernization investments to reduce filing burdens and accelerate approval times for permit applications. Further, at the FY 2019 funding level, TTB will review its service standards in line with anticipated staffing levels and ensure the new standards are clearly communicated to industry 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

Alcohol and Tobacco Tax and Trade Bureau	FY 2017 Enacted 1/		FY 2018 Annualized CR		FY 2019 Request		FY 2018 to FY 2019 $ Change		FY 2018 to FY 2019 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Collect the Revenue	219	$53,560	242	$53,127	250	$57,741	8	$4,614	3.31%	8.68%
Protect the Public	259	$57,879	265	$57,555	242	$56,686	(23)	($869)	-8.68%	-1.51%
Subtotal New Appropriated Resources	**478**	**$111,439**	**507**	**$110,682**	**492**	**$114,427**	(15)	**$3,745**	**-2.96%**	**3.38%**
Other Resources:										
Offsetting Collections – Reimbursables 2/	10	$5,854	10	$6,912	10	$6,912	0	$0	0.00%	0.00%
Transfers 3/	0	$197	0	$0	0	$0	0	$0	0.00%	0.00%
Subtotal Other Resources	10	**$6,051**	10	**$6,912**	10	**$6,912**	**0**	**$0**	**0.00%**	**0.00%**
Total Budgetary Resources	**488**	**$117,490**	**517**	**$117,594**	**502**	**$121,339**	**(15)**	**$3,745**	**-2.90%**	**3.18%**

1/ FY 2017 FTE and Other Resources are Actuals. This column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

2/ Includes reimbursements from TEOAF Mandatory Fund and CDFI, and offsetting collections from Puerto Rico Cover-Over Program.

3/ Transfer from the TEOAF Strategic Support Fund.

1.2 – Budget Adjustments Table

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau	FTE	Amount
FY 2018 Annualized CR	**507**	**$110,682**
Changes to Base:		
Maintaining Current Levels (MCLs)	0	$1,027
Pay Annualization	0	$295
Non-Pay	0	$732
Efficiency Savings	0	($450)
Reduce Infrastructure Footprint and Support Services	0	($450)
Subtotal Changes to Base	0	$577
Total FY 2019 Base	**507**	**$111,259**
Program Changes:		
Program Decreases	(36)	($7,632)
Program Staff Attrition	(14)	($1,960)
Trade Practice Enforcement	(22)	($5,000)
Program Contract Reductions	0	($672)
Program Increases	21	$10,800
Consolidation of Federal Alcohol &Tobacco Tax Jurisdiction	14	$5,000
IT Modernization/Permits System	5	$4,600
IT Modernization/Cybersecurity	2	$1,200
Total FY 2019 Request	**492**	**$114,427**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$1,027,000 / +0 FTE

Pay Annualization +$295,000 / +0 FTE

Funds are requested for annualization of the January 2018 pay raise.

Non-Pay +$732,000 / +0 FTE

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

Efficiency Savings .... -$450,000 / -0 FTE

Reduce Infrastructure Footprint and Support Services -$450,000 / -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. Also, TTB will reduce its operating costs by $200,000 through savings in administrative overhead and decreased program support operations in line with anticipated program staff attrition.

Program Decreases ....-$7,632,000 / -36 FTE

Program Staff Attrition -$1,960,000 / -14 FTE

TTB will implement a hiring freeze to achieve a workforce reduction of 14 FTE. This reduction, which equates to 3 percent of TTB's full-time positions, will be taken across multiple program areas.

Trade Practice Enforcement -$5,000,000 / -22 FTE

TTB will reduce its Trade Practice Enforcement program to the FY 2016 funding level. TTB enforcement addresses unlawful trade practices in the marketplace and ensures a level playing field for U.S. alcohol manufacturers and distributors. With two-year funding provided through FY 2018, TTB added staffing to increase its capacity for trade practice investigations from approximately 1 each year to up to 15 active cases annually. At the FY 2019 funding level, TTB will need to bring closure to its active trade practice investigations and reevaluate the program.

Program Contract Reductions -$672,000 / -0 FTE

TTB will reduce its contract services by reducing or re-scoping contracts for both its commercial vendors and government suppliers.

Program Increases .... $10,800,000 / +21 FTE

Consolidation of Federal Alcohol & Tobacco Tax Jurisdiction +5,000,000 / +14 FTE

Start-up funding is requested to support the Administration's proposal to consolidate federal alcohol and tobacco tax jurisdiction within the Department of the Treasury and TTB. This initial investment will enable TTB to begin hiring the necessary additional enforcement personnel, including agents, auditors, and investigators, to conduct the complex, multi-state investigations associated with contraband cigarette smuggling. The 14 FTE will allow TTB to hire 28 positions including auditors, investigators, and other program staff for approximately the last six months of the fiscal year. Agents will be hired under an expansion of the existing interagency agreement with the IRS, with the FY 2019 start-up funding covering the services of 12 agents for the second half of the year. This initial investment would also enable TTB to initiate any needed rulemaking and guidance as well as support initial research into system requirements and data analytics to improve enforcement targeting. During this transition period, and at the proposed staffing level, TTB will also expand its outreach to state law enforcement partners and work closely with DOJ on the transfer and continuation of existing cases.

IT Modernization/Permits System +4,600,000 / +5 FTE

Funding is requested to enable TTB to incrementally build and deploy a custom-developed online permitting system. A modernized system is a key component to improving program performance because it would allow TTB to optimize its online permit applications and processes to support the timely review and approval of applications, with backlogs for wineries, breweries, and distilleries at around 100 days at the end of FY 2017, well over the 75-day service standard. A custom system would also reduce burden on industry by enabling the eventual integration of all online interactions that industry has with TTB: permit applications, tax returns, operational reports, label applications, and formula applications.

IT Modernization/Cybersecurity +1,200,000 / +2 FTE

Funding is requested to cover the increased operations and maintenance costs of cybersecurity tools and for additional staff to remediate IT system vulnerabilities. To meet security requirements, TTB currently maintains a robust cybersecurity architecture that requires increased operations and maintenance costs. In addition, TTB must continually ensure that its IT systems are modern, updated, and patched in a timely manner. This funding will ensure all TTB systems are modernized to detect and protect against current threats and ensure that TTB remains a Treasury leader operating at the forefront of cybersecurity.

1.3 – Operating Levels Table

Dollars in Thousands

TTB Object Classification	FY 2017 Enacted 1/	FY 2018 Annualized CR	FY 2019 Request
11.1 - Full-time permanent	51,531	51,180	48,812
11.5 - Other personnel compensation	619	615	651
11.9 - Total personnel compensation	**52,150**	**51,796**	**49,462**
12.0 - Personnel benefits	15,671	15,565	14,926
13.0 - Benefits for former personnel	0	0	0
Total Personnel and Compensation Benefits	**$67,821**	**$67,360**	**$64,388**
21.0 - Travel and transportation of persons	2,561	2,544	2,191
22.0 - Transportation of things	50	50	50
23.1 - Rental payments to GSA	4,400	4,370	4,170
23.3 - Communication, utilities, and misc charges	1,594	1,583	1,629
24.0 - Printing and reproduction	267	265	266
25.2 - Other services from non-Federal sources	24,395	24,229	28,803
25.3 - Other goods and services from Federal sources	7,715	7,663	9,451
26.0 - Supplies and materials	499	496	502
31.0 - Equipment	2,137	2,122	2,977
Total Non-Personnel	**$43,618**	**$43,322**	**$50,039**
New Budgetary Resources	**$111,439**	**$110,682**	**$114,427**
FTE	**478**	**507**	**492**

1/ FY17 Appropriated Resources are enacted and FTE are Actual. This column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

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, $114,427,000, of which $5,000,000 shall remain available until September 30, 2020; of which not to exceed $6,000 shall be available for official reception and representation expenses; and of which not to exceed $50,000 shall be available 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 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

Government Reform Initiative - Consolidation of Federal Alcohol & Tobacco Tax Jurisdiction

The Administration proposes to transfer primary jurisdiction over federal tobacco and alcohol anti-smuggling laws from the Department of Justice and the Bureau of Alcohol, Tobacco, Firearms and Explosives to the Department of the Treasury and TTB. Under the proposal, TTB would be responsible for the administration and enforcement of the Jenkins Act of 1949 (as amended by the Prevent All Cigarette Trafficking Act of 2009), 15 U.S.C. Chapter 10A, the Contraband Cigarette Trafficking Act of 1978, 18 U.S.C. Chapter 114, and the criminal statutes involving Liquor Trafficking, 18 U.S.C. Chapter 59. Specific statutory language will be developed in consultation with the Secretary of the Treasury and with the Attorney General both to effect the transfer and to facilitate federal enforcement against tobacco smuggling.

Section II – Annual Performance Plan and Report

A – Strategic Alignment
TTB is responsible for administering and enforcing the sections of the Internal Revenue Code of 1986 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. In essence, 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 the Treasury’s Strategic Goal 1 (Boost U.S. Economic Growth) and Strategic Objective 1.1 (Tax Law Implementation) to administer tax laws to better enable all taxpayers to meet their obligations, while protecting the integrity of the tax system. TTB’s strategic goal to protect the public ensures that lawful U.S. alcohol businesses are competitive and thriving in the global marketplace and supports the Treasury’s Strategic Goal 1 (Boost U.S. Economic Growth) and Strategic Objective 1.3 (Trusted Currency and Services) to deliver trusted currency and services that enable citizens and businesses to participate in the economy and Strategic Objective 1.4 (Free and Fair Trade) to advance a free and fair trade environment for U.S. businesses). Various strategies and activities under TTB’s strategic objectives contribute to the Treasury’s Strategic Goal 5 (Achieve Operational Excellence) through Strategic Objectives 5.1 (Workforce Management), 5.2 (Treasury Infrastructure), and 5.3 (Customer Value).

The Administration is proposing the consolidation of federal alcohol and tobacco tax jurisdiction within the Department of the Treasury to improve mission alignment and focus and, in turn, create tax enforcement efficiencies. This proposal calls for the transfer of enforcement authority for the CCTA and the Prevent All Cigarette Trafficking (PACT) Act from DOJ to Treasury. These federal statutes were intended, among other things, to stop criminal organizations from profiting by smuggling cigarettes from low-tax states to high-tax states, and protect state and local governments from revenue losses from interstate cigarette smuggling. ATF, which currently has primary jurisdiction for CCTA and PACT Act enforcement, has estimated that the sale of contraband cigarettes costs federal, state, and local governments close to $5 billion a year in revenue. The FY 2019 funding request represents the initial investment required to begin the transfer of these authorities, including preliminary hiring and contract actions to support investigations, as well as required rulemaking, IT, and data analytics efforts to support the program and generate leads for future investigations, as the program ramps up. The full program costs will be higher and will be addressed in future budgets. When fully implemented, TTB anticipates that the consolidation of CCTA and PACT Act enforcement with TTB’s existing tobacco enforcement authorities will result in increased federal and state tobacco excise tax revenues.

B – Budget and Performance by Budget Activity

2.1.1 Collect the Revenue Resources and Measures

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$48,927	$51,721	$50,976	$53,385	$53,375	$53,127	$57,741
Reimbursables	$3,277	$3,506	$3,681	$3,143	$3,217	$3,798	$3,798
Transfers In/Out 1/	$0	$468	$0	$0	$197	$0	$0
Budget Activity Total	**$52,204**	**$55,695**	**$54,657**	**$56,528**	**$56,789**	**$56,925**	**$61,539**
FTE 2/	**235**	**224**	**223**	**234**	**223**	**247**	**255**

1/ TEOAF Strategic Support Fund

2/ Includes 5 FTE from Puerto Rico cover-over reimbursables

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Amount of Revenue Collected Per Program Dollar	457	457	437	414	406	400	350	350
Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Payments Timely (In Terms of Revenue)	92	90	88	87	85	90	90	90

Collect the Revenue Budget and Performance

($57,741,000 from direct appropriations, $3,798,000 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, and supports Treasury's Strategic Objective 1.1 (Tax Law Implementation). TTB collects approximately $22 billion in federal tax revenue annually from more than 14,000 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)……………………………… $3,798,000
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 from the Community Development Financial Institutions Fund (CDFI) for IT services provided by TTB; 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.

<u>Description of Performance – Collect the Revenue</u>:
In FY 2017, TTB met one of its two annual targets for the performance measures under the Collect the Revenue budget activity. Taken together, 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 2019 funding level, TTB will review these strategies and their timelines in an effort to prevent diminished effectiveness in tax administration and to help ensure resources are deployed to maximize the deterrent effect.

Improve Efficiency of Tax Collection
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 2017, TTB achieved a return on investment of $406 for every program dollar spent on collection activities, which exceeded its annual performance target of $400. The year-to-year decline in performance represents continued declines in tobacco revenue that, after peaking in FY 2010 following the tax rate increases enacted in 2009, have steadily declined in line with shifts in consumption patterns, product manufacturing, and trade.

In setting its FY 2019 performance target, TTB examined historical collections trends across each of its regulated commodities, other predictors that influence consumer behaviors, and recent Craft Beverage Modernization and Tax Reform provisions enacted by the Tax Cuts and Jobs Act of 2017. TTB used revenue impact estimates from the Joint Committee on Taxation to adjust its projected alcohol excise collections, which generally indicate reduced collections over the effective period of these provisions due, in part, to reduced tax rates for producers across all spirits, wine, and malt beverages based on production. Further, as illustrated by the below table, the 2009 changes to the federal tax rates on certain tobacco products have resulted in increased tobacco tax collections by TTB, although the amount of the increase has generally decreased since FY 2010, the first full fiscal year following the tax rate increases. In accounting for these factors, TTB established a targeted performance level of 350:1 for fiscal years 2018 – 2019.

Excise Tax and Other Collections by Fiscal Year

Dollars in Thousands

Fiscal Year	Alcohol	Tobacco	FAET	SOT	FST	Other	Total
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
2017	8,103,714	12,966,317	761,630	227	69	521	21,832,478
Average	$ 7,772,594	$ 13,256,629	$566,671	$ 292	$ 121,684	$ 518	$ 21,718,388

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

In FY 2019, to meet its performance target of $350, TTB will continue to improve efficiencies and results in its tax enforcement program through systems and process improvements related to tax verification. 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. Additionally, TTB will continue to use data analytics and other intelligence to efficiently deploy its limited enforcement resources. A primary focus for TTB tax enforcement continues to be diversion schemes related to imported and exported alcohol and tobacco products given the high profit potential and relative ease. Investigations to date have identified significant tax liabilities and remain an enforcement priority under the Craft Beverage Modernization and Tax Reform provisions, effective through calendar year 2019, which include reduced rates for alcohol importers as well as domestic producers.

TTB will review its plans to modernize its tax systems to increase automation and improve tax verification. TTB will also review planned enhancements to data analytics tools that support identification of high-risk activities for audit and the investigation and criminal prosecution of such identified activities. Further, TTB will review its enforcement plans to address potential vulnerabilities and new tax evasion schemes arising from both the new tax legislation and TTB's expanded enforcement responsibilities in the interstate smuggling of cigarettes. The administration has proposed legislative changes to consolidate federal alcohol and tobacco tax authorities within Treasury, which will integrate ATF authorities into TTB's federal excise tax enforcement program.

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 is a key performance metric that 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 2017, TTB achieved a compliance rate of 85 percent from its large taxpayers, which fell below the performance target of 90 percent. The declining compliance rate in recent years is due, in part, to an increase in the universe of industry members paying more than $50,000 in annual taxes due to continued industry growth and expansion, which increasingly includes more recent permittees who may be less familiar with TTB's statutory and regulatory requirements. Although TTB analysis indicates that this trend does not represent a significant revenue risk, non-compliance undermines the level playing field, which is critical for small producers who comprise the majority of TTB taxpayers.

In FY 2019, TTB will strive to meet its established performance target of a 90 percent voluntary compliance rate for its large taxpayers through complementary strategies that focus on promoting electronic filing options to enable taxpayers to file complete, accurate, and timely tax returns and payments; improving online guidance and industry outreach strategies, particularly for those industry members with expanding operations; 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 businesses in establishing compliant operations while ensuring adequate coverage of the high-risk activity that undermines lawful business activity.

TTB will review its enforcement plans and workforce capacity to continue its mission's execution. Enactment of the legislative proposal will expand TTB's responsibilities to include enforcement of interstate cigarette smuggling laws. TTB will also implement significant changes to the tax rates and credits applicable to the alcohol industry under P.L. 115-97. TTB will also review its current criminal investigations given the proposed transfer of CCTA, particularly as the program ramps up, and work closely with DOJ to effectively transition active cases. Since TTB commenced its criminal enforcement program in FY 2011, these investigations have resulted in more than $600 million in tax liabilities (a 4:1 return on investment) and numerous criminal convictions, which are an essential component of tax enforcement. Consolidating federal alcohol and tobacco tax jurisdiction within Treasury, once enacted and fully funded, will result in a more effective and efficient enforcement approach for detecting and addressing tax evasion schemes that deny federal and state revenues and undercut legitimate businesses.

2.1.2 Protect the Public Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$45,727	$47,279	$47,451	$52,709	$53,527	$57,555	$56,686
Reimbursables	$2,670	$3,236	$2,451	$2,577	$2,637	$3,114	$3,114
Transfers In/Out 1/	$0	$432	$0	$0	$0	$0	$0
Budget Activity Total	**$48,397**	**$50,947**	**$49,902**	**$55,286**	**$56,164**	**$60,669**	**$59,800**
FTE 2/	**241**	**246**	**243**	**246**	**265**	**270**	**247**

1/ TEOAF Strategic Support Fund

2/ Includes 5 FTE from Puerto Rico cover-over reimbursables

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Percent of Electronically Filed Permit Applications	73	80	81	81	85	82	87	90
Percentage of Permit Applications Processed within Service Standards	50	58	47	32	48	85	85	85
Initial Error Rate for Permit Applications	B	72	67	57	60	25	25	25
Customer Satisfaction Rate with TTB Permitting Process	N/A	B	76	71	80	80	80	80
Percent of Electronically Filed Label and Formula Applications	90	93	94	97	98	95	95	95
Percentage of Alcohol Beverage Label and Formula Applications Processed within Service Standards 1/	50	71	80	80	62	85	85	85
Initial Error Rate for Label and Formula Applications	B	39	42	44	43	25	25	25

Key: B - Baseline

1/ TTB established new service standards of 10 days for both labels and formulas in FY 2017 following an infusion of dedicated resources in the FY16/17 enacted budgets. The standards were 30-days for labels and 45-days for formulas in fiscal years 2013 - 2016. Though annual results are below target, TTB met its target in September 2017, as projected. In FY18 and FY19, TTB expects to revise its service standard from 10 days to 15 days for both labels and formulas based on anticipated staff erosion and spikes in submissions driven by imported products. All data has been revised to reflect a methodology update to exclude label applications deemed abandoned by the applicant (i.e., no action after 30 days).

Protect the Public Budget and Performance

($56,686,000 from direct appropriations, and $3,114,000 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 more than 92,700 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. These activities support Treasury's Strategic Goal 1 (Boost U.S. Economic Growth) and Strategic Objective 1.3 (Trusted Currency and Services) to deliver trusted currency and services that enable citizens and

businesses to participate in the economy and Strategic Objective 1.4 (Free and Fair Trade) to advance a free and fair trade environment for U.S. businesses.

Other Resources (Offsetting Collections/Reimbursables)……………………………… $3,114,000
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:
In FY 2017, TTB met three of its seven annual targets for the performance measures under its Protect the Public budget activity. TTB reports on its success in meeting Treasury's objective 1.3 Trusted Currency and Services to deliver trusted currency and services that enables citizens and businesses to participate in the economy and TTB's goal to protect U.S. businesses and consumers through five principal performance measures. 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. In FY 2019, TTB is introducing two new measures that track the error rate on permit applications and label and formula applications, as applications submitted with errors significantly add to TTB's overall workload and present a critical risk to TTB achieving its service standards. TTB's strategies to achieve its performance targets for these measures include a combination of streamlining internal processes, implementing enhancements to online filing systems, modernizing application requirements, and providing clearer guidance to industry members.

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. For this purpose, in FY 2017, TTB processed approximately 8,000 original permit applications, performing investigations into high-risk applicants to meet TTB's business integrity objective. TTB monitors its timeliness in approving 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 2017, TTB met its 75-day service standard for 48 percent of original permit applications, a significant year-to-year improvement but still well below the 85 percent performance target. In recent years, the increased volume of submissions, particularly in the more complex application types related to producing alcohol beverage products, has caused approval times to increase. Approval times spiked to over 200 days in FY 2016 for alcohol producer applications, creating potential financial hardships for these applicants. In FY 2017, TTB realized the benefits of several crosscutting initiatives to update its permitting business process instituted over the last two years. The initiatives included policy, workflow, and system changes that, by year-end, combined to result in a dramatic reduction in the backlog of applications and average approval times below 100 days.

At the FY 2019 funding level, TTB expects to meet its 75-day standard for 85 percent of permit applications through a combination of industry education efforts and ongoing enhancements to Permits Online. Additionally, TTB intends to complete a comprehensive review of its qualification requirements, informed by public comment, to streamline TTB's permit applications and further reduce burdens related to the filing process. This review, combined with the FY 2019 investment in TTB's permitting system, will support TTB in reaching its current service standard as well as its long-term goal of reducing service times to 60 days or less across alcohol application types.

According to its measure of the Percent of Electronically Filed Permit Applications, which tracks the electronic filing rate for new business applications, TTB received approximately 85 percent of permit applications via Permits Online in FY 2017. This year-to-year increase is attributed to TTB.gov improvements to better direct applicants to the online filing system. TTB expects this trend to continue following the release of the redesigned Permits Online system, targeted for FY 2018, which will include improved guidance for first-time filers to reduce errors on applications that delay processing times as well as a simplified method for amending an existing permit that replaces the current paper-based process. These system changes, combined with effective outreach and training for industry, will support TTB in achieving its targeted electronic filing rate of 90 percent in FY 2019.

The Permits Online enhancements should also contribute to improved outcomes for TTB's new measure of the Initial Error Rate on Permit Applications, which tracks how many applications are submitted either incomplete or with errors. This measure is critical to timely processing, as the error rate significantly influences total approval time, given the necessary back-and-forth with applicants to obtain additional documentation or accurate information. In FY 2017, the error rate trended negatively, with 60 percent of original permit applications submitted with errors. This rate is well above the target of 25 percent, and reflects the need for improved guidance and system validations to ensure applicants are able to submit correctly the first time. Following the FY 2018 system release, and planned TTB.gov enhancements, TTB expects to draw closer to its target by year-end. Broader changes to streamline permit application requirements, most of which will require rulemaking to fully implement, are underway and may be required before TTB can achieve its targeted performance level.

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 2017 met the annual target of 80 percent, driven in large part by improvements in the level of service received and timeliness of TTB's response. TTB expects satisfaction rates to remain at or above target in FY 2019, based on planned initiatives to streamline the application and filing process, beginning with new features planned for release in Permits Online in FY 2018 that will improve the overall customer

experience with the system. TTB will also implement process changes to improve the level of service provided to customers seeking live assistance with the permit application process via TTB's call center.

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 2017, TTB received approximately 170,000 Certificate of Label Approval (COLA) applications and 14,500 formula applications, which reflect levels at or above the prior year and indicate 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.

In FY 2016, under its service standards of 30 days for a label approval and 45 days for a formula approval, many businesses were waiting nearly three months on average from the time they filed for a formula approval to being able to bottle and distribute a new product. In FY 2017, with additional staffing resources hired using directed funding to accelerate these approvals, TTB established new service standards of 10 days for both label and formula applications. Following a period of onboarding and training, which affected performance in the first half of FY 2017, TTB significantly reduced approval times and, by September 2017, achieved the 10-day standard for 85 percent of labels and formulas. At the FY 2019 funding level, based on anticipated staffing levels and recent spikes in label and formula submissions driven by imported products, TTB expects to revise its service standard from 10 days to 15 days for 85 percent of applicants.

In recent years, to help address processing delays, TTB has used its authority to implement risk-based policy changes to reduce the volume of label and formula applications without compromising TTB's market protection role. These changes successfully reduced the volume of label and formula submissions in the short-term; however, in FY 2017, industry growth combined with market trends toward products that require an approved formula prior to production have resulted in increased submissions that have offset these reductions. At the same time, TTB has employed a complementary strategy to reduce total workload volume through initiatives to reduce label and formula application errors. Application errors are a key driver of processing times, as additional review is required for each resubmitted application. TTB has established a new measure of the Initial Error Rate of Label and Formula Applications to monitor error trends and evaluate the effect of system and guidance enhancements on first-time approvals. In FY 2017, the initial error rate was 43 percent, falling short of the targeted performance level of 25 percent, indicating that TTB will need to expand and improve on the system-based help and online guidance features that it implemented this year.

In FY 2019, TTB will continue to make iterative enhancements to COLAs Online and Formulas Online, informed by user testing and feedback, which will include additional help features and system-based validations to reduce application errors. According to its measure of the Percent of Electronically Filed Label and Formula Applications, TTB receives 98 percent of applications via COLAs Online and Formulas, indicating that continued focus on system validations is warranted and will support performance goals in increasing accurate applications and accelerating approval times. TTB expects that these ongoing improvements will help TTB continue to attract users to its online systems and maintain performance above its 95 percent target in FY 2019.

Further, in FY 2019, TTB will also continue initiatives to improve industry guidance, including the labeling modernization project, which will update and streamline the labeling regulations to reflect current TTB policy and industry practices, and increasing the guidance on TTB.gov related to obtaining label and formula approval for alcohol beverage products.

C – Changes in Performance Measures

With the publication of Treasury's Strategic Plan for FY 2018-2022, TTB will work this year to baseline its performance against the new strategic objectives. This could result in additional changes to performance measures in the FY 2020 budget.

Performance Measure or Indicator	Change and Justification
1. Initial Error Rate for Permit Applications (New)	Initial error rate is defined as the total percentage of electronic permit applications received that required TTB to return to the applicant for corrections (missing or incomplete application fields) or additional information (missing or incomplete documentation to support the application). The data will come from Permits Online. This measure provides information on the volume and type of errors on applications and informs TTB initiatives to address them, a critical strategy given that a high volume of errors impedes timely review and approval as the total processing time includes all back-and-forth with applicants.
2. Initial Error Rate for Label and Formula Applications (New)	Initial error rate is defined as the total percentage of electronic label and formula applications received that required TTB to return to the applicant for corrections (missing or incomplete application fields) or revisions (noncompliance with federal labeling and/or production requirements). The data will come from COLAs Online and Formulas Online. This measure provides information on the volume and type of errors on applications and informs TTB initiatives to address them, a critical strategy given that a high volume of errors impedes timely review and approval as the total processing time includes all back-and-forth with applicants.

Section III – Additional Information

A – Summary of Capital Investments

Information Technology

TTB's Strategic Plan establishes the vision and objectives for the bureau in the business context. 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 continuing to make the Internet the method of choice for the reporting and exchanging of information between businesses and TTB. 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 TTB's 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 technology advances render older instruments obsolete. 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 Budget Justification and Annual Performance Report and Plan

FY 2019

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 Federal Government's National Financial Critical Infrastructure. Fiscal Service continues to work with the Federal financial community to identify improvements to core programs and streamline operations Government-wide. The bureau's vision to *"Transform financial management and the delivery of shared services in the Federal Government"* and commitment to deliver strong leadership and exceptional operations align with Treasury's Strategic Goal 4 (Transform Government-wide Financial Stewardship) and Goal 5 (Achieve Operational Excellence) as follows:

- Provides Government-wide accounting and reporting services to include managing the Federal Government's daily cash flows, accounting for the public debt, and publishing the Daily and Monthly Treasury statements as well as the Financial Report of the U.S. Government
- Operates the Federal Government's collections and deposit systems by managing the Electronic Federal Tax Payment System (EFTPS) and implementing new and cutting edge tools to allow taxpayers, national park visitors, and others to pay taxes, entrance fees, and fines owed to the Federal Government electronically
- Provides centralized payment services to Federal agencies by annually disbursing 87 percent of the Government's payments to include Veterans' benefits, Social Security benefits, and Internal Revenue Service tax refunds, educating unbanked and underbanked Federal benefit recipients on the many electronic payment options available, and working with law enforcement to identify fraudulent activity and recover associated funds
- Offers investors the ability to buy and manage Treasury securities online via the TreasuryDirect system through which Treasury savings bonds, among other securities, may be purchased, tracked, and redeemed electronically
- Borrows the money needed to operate the Federal Government by performing auctions through which investors have the opportunity to purchase Treasury securities
- Manages the collection of delinquent debt owed to the Federal Government by operating two programs, the Treasury Offset Program (TOP) and Cross-Servicing Program, to which Federal agencies are legally required to submit most debts delinquent for 120 days for collection action

Fiscal Service, through efficient and effective management of these critical programs, demonstrates high performance and achieves outcomes and results that include:

- Financing Federal operations by collecting over $4 trillion in revenues
- Securely and timely disbursing 1.2 billion Federal payments, totaling more than $3.4 trillion, with 95.1 percent delivered electronically
- Making available $8.6 trillion to fund critical daily Federal Government operations
- Developing the new USAspending.gov site using a single, Government-wide data schema resulting in the first Digital Accountability and Transparency Act (DATA Act) submission,

with data from all 24 Chief Financial Officer Act agencies, timely published on the new spending transparency website

In FY 2019, the Fiscal Service plans to accomplish many things with this budget request. Some of these goals include:

- Activities that support the President's Management Council Mission Support Services Initiatives such as:
  - Maximizing electronic payments
  - Centralizing Federal disbursing
  - Supporting reductions Government-wide improper payments
  - Expanding electronic invoicing through the Invoice Processing Platform (IPP)
  - Expanding and digitizing receivables using the Centralized Receivables Service (CRS)
- Reducing collections lockboxes and increase digitization
- Continuing to provide operational excellence to customers daily, which includes more than 200 agencies and all American taxpayers
- Implementing Financial Management Innovation Pilots to support the Fiscal Service vision to transform financial management
- Expanding eCommerce collections solutions to allow all American citizens to do business with the Federal Government in a more efficient and effective manner

1.1 – Appropriations Detail Table

Dollars in Thousands

Fiscal Service Appropriated Resources	FY 2017 Enacted*		FY 2018 Annualized CR		FY 2019 Request		FY 2018 to FY 2019 Change		FY 2018 to FY 2019 % Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Accounting and Reporting	439	$108,312	441	$107,576	437	$92,296	(4)	($15,280)	-0.91%	-14.20%
Collections	159	$36,197	159	$35,951	158	$35,232	(1)	($719)	-0.63%	-2.00%
Payments	557	$126,685	561	$125,825	556	$120,743	(5)	($5,082)	-0.89%	-4.04%
Retail Securities Services	441	$62,559	454	$62,134	439	$62,297	(15)	$163	-3.30%	0.26%
Wholesale Securities Services	78	$19,304	78	$19,173	78	$20,269	-	$1,096	0.00%	5.72%
Subtotal New Appropriated Resources	**$1,674**	**$353,057**	**1,693**	**$350,659**	**1,668**	**$330,837**	**(25)**	**($19,822)**	**-1.48%**	**-5.65%**
Other Resources										
Reimbursables	420	$336,076	427	$377,980	431	$421,267	4	$43,287	0.94%	11.45%
Subtotal Other Resources	**420**	**$336,076**	**427**	**$377,980**	**431**	**$421,267**	**4**	**$43,287**	**0.94%**	**11.45%**
Total Budgetary Resources	**2,094**	**$689,133**	**2,120**	**$728,639**	**2,099**	**$752,104**	**(21)**	**$23,465**	**-0.99%**	**3.22%**

* This column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017, for further details on the execution of these resources see the 2019 Budget Appendix chapter for the Department of the Treasury. FY 2017 FTE and Reimbursables are actuals.

1.2 – Budget Adjustments Table

Dollars in Thousands

Fiscal Service	FTE	Amount
FY 2018 Annualized CR	**1,693**	**$350,659**
Changes to Base:		
Maintaining Current Levels (MCLs):	0	$3,286
Pay Annualization	0	$1,038
Non-Pay	0	$2,248
Adjustments to Base:	(13)	($19,822)
Prior Program Decreases	(13)	($19,822)
Subtotal Changes to Base	(13)	($16,536)
Total FY 2019 Base	**1,680**	**$334,123**
Program Changes:		
Program Decreases	(12)	($3,286)
my RA	(12)	($600)
Mission Support	0	($2,686)
Total FY 2019 President's Budget	**1,668**	**$330,837**

Note: Prior program decreases include reductions to all budget activities identified in the FY 2018 President's Budget

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$3,286,000 / +0 FTE

Pay Annualization +$1,038,000 / +0 FTE

Funds are requested for annualization of the January 2018 pay raise.

Non-Pay +$2,248,000 / +0 FTE

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

Prior Program Decreases -$19,822,000 / -13 FTE

Prior program decreases include reductions to Accounting and Reporting, Collections, Payments, Retail Securities Services, Support Services, and Streamlining Staff/Other Efficiencies as first proposed in the FY 2018 President's Budget.

Program Decreases .... -$3,286,000 / -12 FTE

myRA -$600,000 / -12 FTE
This reduction and savings are a result of the plan to wind down the *my*RA program.

Mission Support -$2,686,000 / +0 FTE
Fiscal Service will delay implementation of customer self-service portals, on-line chat portals, and other mission support contracts impacting all budget activities and customers.

1.3 – Operating Levels Table

Dollars in Thousands

Fiscal Service Object Classification	FY 2017 Enacted*	FY 2018 Annualized CR	FY 2019 Request
11.1 - Full-time permanent	148,909	146,909	140,273
11.3 - Other than full-time permanent	339	524	524
11.5 - Other personnel compensation	4,806	4,806	5,853
11.8 - Special personal services payments	0	23,879	23,879
11.9 - Personnel Compensation (Total)	**154,054**	**176,118**	**170,529**
12.0 - Personnel benefits	50,242	49,242	48,241
13.0 - Benefits for former personnel	100	3,100	100
Total Personnel and Compensation Benefits	**$204,396**	**$228,460**	**$218,869**
21.0 - Travel and transportation of persons	2,465	2,465	2,021
22.0 - Transportation of things	125	125	121
23.0 - Rent, Communications and Utilities	40,624	29,373	29,072
23.1 - Rental payments to GSA	37,111	21,373	21,192
23.2 - Rental payments to others	10	445	100
23.3 - Communications, utilities, and miscellaneous charges	3,503	7,555	7,780
24.0 - Printing and reproduction	252	250	237
25.0 - Other contractual services	94,527	79,318	71,485
25.1 - Advisory and assistance services	37,084	35,717	30,818
25.2 - Other services from non-Federal sources	14,379	14,379	14,122
25.3 - Other goods and services from Federal sources	40,436	26,436	23,806
25.4 - Operation and maintenance of facilities	1,183	1,183	995
25.7 - Operation and maintenance of equipment	1,445	1,603	1,744
26.0 - Supplies and materials	4,021	4,021	3,843
31.0 - Equipment	4,990	4,990	4,234
32.0 - Land and structures	1,657	1,657	955
Total Non-Personnel	**$148,661**	**$122,199**	**$111,968**
New Budgetary Resources	**$353,057**	**$350,659**	**$330,837**

FTE	**1,674**	**1,693**	**1,668**

* This column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017, for further details on the execution of these resources see the 2019 Budget Appendix chapter for the Department of the Treasury. FY 2017 FTE is actual.

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, 2021, 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 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.	

Federal Reserve Bank Permanent, Indefinite Appropriation

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 United States Treasury. Specifically, this account supports the accounting and reporting, collections, and payments programs. These, and other programs, are vital to the National Financial Critical Infrastructure, Fiscal Service's strategic goals, and the expansion of E-Government efforts to reduce costs, improve accuracy and increase options available to citizens to conduct transactions with the Federal Government. Claims for reimbursements are closely monitored for compliance with the Instructions for Filing Reimbursement Claims for Fiscal Agent Services provided to Fiscal Service. Fiscal Service estimates that the cost of FRB services for FY 2019 will be approximately $608.0 million.

Reimbursements to the Federal Reserve Banks

Public Law 101-509, 104 Stat. 1389, 1394 (1990), established a permanent, indefinite appropriation to pay such sums as necessary to reimburse the 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 2019 is estimated at $157.5 million.

Financial Agent Services Permanent, Indefinite Appropriation

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 accounting and reporting, collections, payments, and debt collection. 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 2019 will be approximately $832.5 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 (the 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 that 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 Fiscal Service Commissioner. In FY 2019, 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 2017 Enacted	FY 2018 Requested	FY 2019 Request
Federal Reserve Bank [1]	$541,126	$585,800	$608,000
Reimbursements to the Federal Reserve Banks	$146,973	$149,480	$157,500
Financial Agent Services [1, 2]	$802,750	$840,977	$832,500
Government Losses in Shipment	$1,123	$1,200	$1,200

[1] Approximately $75M is reimbursed from other government agencies and deposited into the General Fund each year.

[2] FY 2017 includes $3M and FY 2018 and FY 2019 include $2M per year for the Government Sponsored Enterprise - Mortgage Backed Securities administrative costs.

E – Legislative Proposals

1. **Increase delinquent Federal non-tax debt collections by authorizing administrative bank garnishment for non-tax debts of commercial entities.** *Estimated Collections: $320.0 million in commercial debts over 10 years*

   This proposal would allow Federal agencies to collect delinquent non-tax debt by garnishing the bank and other financial institution accounts of delinquent commercial debtors after providing full administrative due process but without a court order. The legislation would include appropriate limitations, such as a limitation on the amount that could be garnished at any one-time and would provide for meaningful judicial review. It would also direct the Secretary of the Treasury to issue Government-wide regulations implementing the authority of bank garnishment for non-tax debts of commercial entities.

Bank garnishment rules under this authority would be subject to Treasury's rule (31 C.F.R 212) protecting exempt benefit payments from garnishment. To reach income of commercial entities and other non-wage income and funds available to commercial debtors owing delinquent non-tax obligations to the United States, this proposal would authorize agencies to issue garnishment orders to financial institutions without a court order. Agencies would be required to provide debtors with appropriate due process and other protections to ensure that debtors have had the opportunity to contest the debts and/or enter into repayment agreements to avoid issuance of an order. The Internal Revenue Service currently has similar authority to collect Federal tax debts.

This proposal would reach assets of entities whose income is not derived from wages. The Debt Collection Improvement Act of 1996 authorized Federal agencies to collect delinquent non-tax debt by garnishing the wages of debtors without the need to first obtain a court order. Since July 2001, Fiscal Service has collected $416.2 million in garnished wages (as of September 30, 2017) on behalf of Federal agencies.

2. **Increase and streamline recovery of unclaimed assets owed to the United States by authorizing Treasury to locate and recover assets of the United States and to retain a portion of amounts collected to pay for the costs of recovery.** *Estimated recoveries: $77.2 million over 10 years*

   The proposal would amend 31 U.S.C. § 3711 to authorize Treasury to use its resources to recover unclaimed assets of the United States. States and other entities hold assets in the name of the United States or in the name of departments, agencies and other subdivisions of the Federal Government. Many agencies are not recovering these assets due to a lack of expertise and funding. Under current authority, Treasury collects delinquent debts owed to the United States and retains a portion of collections, which is the sole source of funding for its debt collection operations. While unclaimed Federal assets are generally not considered to be delinquent debts, Treasury's debt collection operations personnel have the skills and training to recover these assets.

3. **Expand Treasury's authority to access the National Directory of New Hires to include prevention, identification, and recovery of improper payments.** *Total increase in improper payments identified by Treasury: $3.24 billion over ten years*

   This proposal seeks an expansion of Treasury's authority to access the National Directory of New Hires (NDNH) to prevent, identify and recover improper payments. For the purpose of eliminating waste, fraud, and abuse in Federal programs and preventing improper payments, agencies must review pre-payment and pre-award procedures and review available databases with relevant information on eligibility prior to the release of Federal funds.

The Do Not Pay initiative was formalized in the Improper Payments Elimination and Recovery Improvement Act of 2012. The Treasury Secretary is assisting agencies in gaining access to the databases identified by the President and IPERIA and other available databases through a single access point – the Do Not Pay Portal. Access to the information contained in the NDNH is restricted by statute. The Social Security Act specifies which agencies may receive information from the database and the limited purposes for which disclosures are permitted. Under the current law, the Secretary of the Treasury has access to information in the NDNH for debt collection purposes.

This proposal would expand the Secretary's access to information in the NDNH to include the purposes of preventing, identifying, and recovering improper payments for Federal agencies. Such access would permit the Secretary to assist paying agencies that are currently authorized by the Social Security Act to access NDNH, in comparing information from the NDNH with data about persons receiving Federal payments and identify individuals who are ineligible to receive payments or who are receiving erroneous payments.

4. **Allow Treasury to access the Death Master File for improper payment and debt collection purposes.** *Total increase in improper payments identified by Treasury: $49.9 million over 10 years*

This proposal would further reduce improper payments and result in the more efficient resolution or collection of delinquent debt by improved sharing and use of death data by Government agencies. It would accomplish this by authorizing Treasury to access the death information, including death information obtained from states, compiled by the Social Security Administration under section 205(r)(3) of the Social Security Act (Full Death Master File) to prevent, identify and recover improper payments and collect or resolve delinquent debts.

This proposal would authorize the Treasury Secretary to access the information in the Full Death Master File for the purposes of preventing, identifying, and recovering improper payments for Federal agencies and resolving or collecting delinquent non-tax debts. Such access would permit the Secretary to assist paying agencies in comparing information from the Full Death Master File with data about persons receiving Federal payments and identify individuals who are ineligible to receive payments or who are receiving erroneous payments. It would also allow the Treasury to identify debts owed by deceased delinquent debtors and would allow them to either resolve or collect the delinquent Federal non-tax debt.

Section II – Annual Performance Plan and Report

A – Strategic Alignment
Fiscal Service fulfills its mission and vision through five annually appropriated budget activities (Accounting and Reporting, Collections, Payments, Retail Securities Services, and Wholesale Securities Services) and one mandatory budget activity (Debt Collections) funded through delinquent debt collection revenue. These budget activities align to two Treasury Strategic Goals: Transform Government-wide Financial Stewardship and Achieve Operational Excellence. More specifically, Fiscal Service supports the following Treasury Strategic Goals and Objectives:

Treasury Strategic Goal 4: Transform Government-wide Financial Stewardship

4.1 – Financial Data Access/Use: Strengthen Government-wide decision making and accountability by increasing access to and use of Government financial data.

Accounting and Reporting:

- *Enterprise Data Strategy*: In FY 2017, Fiscal Service began a new phase of the Digital Accountability and Transparency Act of 2014 (DATA Act) program by aggregating and disseminating information about the Federal spending lifecycle connecting appropriations, awards, and outlay information for the first time. These data provide a necessary foundation for understanding how our Government allocates and uses taxpayer dollars. As a result, Fiscal Service anticipates that Treasury may experience a significant increase in the volume of inquiries it will receive about the data – its quality, completeness, accuracy – and possibly requests for additional data and functionality.

- To handle these requests, Fiscal Service will develop and execute an overall data strategy for Fiscal Service's financial management data. The plan will promote the adoption of Federal financial data standards, promote consistent data for decision making, and build upon and leverage successes from the DATA Act implementation process. An effective strategy will promote collaboration across reporting systems, reduce duplication, improve data quality, and result in an increased focus on data analytics to make data more useful and consumable.

- *General Fund Audit*: Fiscal Service will pursue a clean audit opinion on the Financial Report of the U.S. Government (FR) through the implementation of our remediation plan. Key among these remediation efforts is attaining auditability of the General Fund of the United States Government. Achieving a clean audit opinion will increase confidence and reliance on Government-wide financial management data.

- Additionally, through collaboration with the Government Accountability Office, Office of Management and Budget (OMB), and Federal program agencies, Fiscal Service will pursue a more useful FR with a centralized, risk-based audit approach that will improve overall operational efficiency and reduce agency audit burden across Government.

- *G-Invoicing Initiative*: Fiscal Service is working to improve the quality and reliability of Intragovernmental (IGT) buy/sell data through electronic Government invoicing (or G-invoicing).
- This effort includes implementing a series of enhancements to bring the invoicing of Government-wide transactions in line with Fiscal Service data, policy, and process standards to support a Government-wide rollout. G-invoicing will help resolve the IGT buy/sell differences that contribute to the IGT material weakness in the FR.

Payments:

- *Analytics Expansion*: The Do Not Pay Business Center (DNP) can play a significant role in helping agencies address the Government-wide problem of improper payments – estimated at $144.0 billion in FY 2016. While DNP cannot address all of the root causes that contribute to improper payments, it can significantly increase its current impact in two ways. First, by expanding analytics services, product offerings, and data sources to agency customers, DNP can help agencies detect and prevent a broader range and increased amount of improper payments. Second, the expansion allows the bureau to increase the impact it has in strengthening the integrity of Federal payments through the payment integrity program.

4.2 – Debt Management: Fund the Federal Government at the least cost over time.

Auctions:

- *Modernize Auctions Infrastructure and Application*: Fiscal Service will modernize the auction application software. The modernization effort will ensure that critical auction processes continue to work flawlessly, remain secure, and operate without service disruptions.

4.3 – Federal Financial Performance: Improve Federal financial management performance using innovative practices to support effective Government.

All Budget Activities:

- *Innovative Financial Management Solutions*: Fiscal Service will identify and pilot emerging technologies and practices that demonstrate a potentially high return on investment for Federal financial management. The bureau will develop proof of concepts for distributed ledger technology (e.g., blockchain) as well as robotic process automation to understand the degree to which these technologies could be used to improve Federal financial management.

Treasury Strategic Goal 5: Achieve Operational Excellence

5.1 – Workforce Management: Foster a culture of innovation to hire, engage, develop, and optimize a diverse workforce with the competencies necessary to accomplish Treasury's mission.

All Budget Activities:

- *Financial Management Talent*: Fiscal Service has a goal to develop, retain, and empower the best and brightest talent to support Federal financial management. Fiscal Service continues to support this goal through several initiatives that include: the Fiscal Service Culture Strategy, Moving Operations to Field Offices, Position Management Review, and Commissioner's Scholarship Program for Training.

5.2 – Treasury Infrastructure: Better enable mission delivery by improving the reliability, security, and resiliency of Treasury's infrastructure.

All Budget Activities:

- *IT Infrastructure*: Fiscal Service will increase resiliency by enhancing IT infrastructure, technical failover capabilities, and continuity of operations processes through procedural improvements and regular exercises. This will ensure the uninterrupted financial integrity, security, and operational efficiency of mission critical systems. It also will ensure continual enhancement of the systems and operations to meet critical mission functions including auctions, revenue collections, and payments.

5.3 – Customer Value: Improve customer value by increasing the quality and lowering the cost of Treasury's products and services.

Collections and Payments:

- *Electronic Solutions*: Fiscal Service will work to reduce the number of lockboxes used in the Federal Government to process manual collections by streamlining and consolidating facilities, continuing to transition paper processing to electronic solutions, and improving manual processing efficiencies through the use of new technologies such as robotic process automation and intelligent character recognition.

- Fiscal Service will also continue to digitize processing across all operational areas through the deployment of electronic solutions that streamline processes and reduce the paper footprint.

- *Centralize Federal Disbursing*: Through this initiative, Fiscal Service will consolidate the disbursement of all Federal payments. The Federal Government disburses 1.4 billion payments annually to recipients throughout the world. Currently, Fiscal Service disburses 87 percent of these payments, with the remaining 13 percent being disbursed by non-Treasury disbursing offices. Consolidating disbursement at Fiscal Service would eliminate redundancies, streamline end-to-end payment processing, and lower Government-wide costs.

- *Common Authentication Solution and Customer-Centric Approach*: Fiscal Service will increase the capability of applications, both web and client server based, to easily honor and accept the personal identity verification (PIV), personal identity verificationinteroperable (PIV-I), and Department of Defense (DoD) Common Access Card (CAC) credentials. These services will be available to all of Treasury as well as Federal public key infrastructure customers.

Fiscal Service will work to optimize the user experience with a more customer-centric approach, reduce operational inefficiencies, and ensure security while addressing evolving standards. These services will be available to all consumer-facing Fiscal Service applications. In addition, expanding the use of user-friendly mobile processes will allow the public to interact with the Government how they prefer.

Everything Fiscal Service does aligns to the Treasury Strategic Goals and Objectives and directly supports the bureau's strategic goals:

- Goal 1 - Operational Excellence: Maintain agile, efficient, and resilient programs to meet the financial management needs of the Federal Government
- Goal 2 - Innovation and Customer Experience: Deliver innovative financial management solutions that provide a modern, seamless customer experience
- Goal 3 - Our Workforce: Develop, retain, and empower the best and brightest talent to support Federal financial management
- Goal 4 - Data Integrity and Transparency: Increase transparency and public trust in Federal financial management data
- Goal 5 - Financial Management and Community: Provide the financial management community the financial tools and capabilities so they can further support their agencies' missions

B – Budget and Performance by Budget Activity

2.1.1 – Accounting and Reporting Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$86,628	$102,661	$104,600	$113,413	$108,312	$107,576	$92,296
Reimbursable Resources	$6,517	$6,699	$10,256	$24,155	$23,800	$27,399	$25,004
Budget Activity Total	**$93,145**	**$109,360**	**$114,856**	**$137,568**	**$132,112**	**$134,975**	**$117,300**
FTE	**464**	**357**	**374**	**425**	**381**	**441**	**437**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Percentage of Government-wide Accounting Reports Issued Timely	100	100	99.5	100	100	100	100	100
Cost Per Government Agency Investment Services Transaction ($)	35.2	35.99	56.38	57.16	55.27	38.49	56.38	DISC
Cost Per Summary Debt Accounting Transaction ($)	19.86	16.36	19.26	15.67	11.86	19.26	19.26	DISC
Percentage of Summary Debt Accounting Reports Submitted Timely and Accurately	N/A	N/A	N/A	N/A	100	100	100	DISC
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	98	98	98	DISC

Key: DISC - Discontinued

2.1.1 – Accounting and Reporting Budget and Performance

($92,296,000 from direct appropriations, and $25,004,000 from reimbursable resources):
The Accounting and Reporting activity consists of two programs: Central Accounting and Data Transparency. The Central Accounting program produces timely and accurate financial information by compiling and publishing daily, monthly, and annual reports; managing Federal daily cash flows; and tracking the daily balance and composition of the public debt of the United States. All of these activities significantly contribute to the improved quality of financial decisions across the Government and support the Treasury Strategic Objective 4.1 to increase the access and use of Federal financial data to strengthen Government-wide decision making, transparency, and accountability. As part of the Central Accounting program, Fiscal Service:

- Produces timely and accurate financial information by operating and overseeing the Government's Central Accounting Reporting System and managing $103.2 billion in daily Federal cash flows
- Generates and disseminates several reports and publications including the Daily Treasury Statement, Monthly Treasury Statement, Monthly Statement of the Public Debt, Treasury Bulletins, the Combined Statement of the United States Government, and the Financial

Report of the United States Government (FR)

- Issues the annual, audited Schedules of Federal Debt (Schedules) that report on the single largest Federal liability in Treasury's annual Agency Financial Report and received an unmodified opinion for each of the past 21 years
- Manages nearly $80.4 billion in State and Local Government Series (SLGS) securities for over 3,000 customers and administers flexible investment alternatives for state and local governments to refinance their outstanding, tax-exempt debt
- Issues, redeems and services Government Account Series (GAS) securities totaling nearly $5.8 trillion that are held in more than 160 accounts that have specific statutory authority to invest in these special, non-marketable Treasury securities
- Administers over 10,500 loans totaling $1.4 trillion to nearly 100 accounts held by Federal agencies to support programs relating to education, housing, flood relief, and agriculture

The Data Transparency program is responsible for implementing the Fiscal Service's data strategy, as well as fulfilling the requirements of the DATA Act. The DATA Act required Fiscal Service, in collaboration with OMB, to develop, implement, and manage a system to provide Government-wide financial data to the public by May 2017. To meet these requirements, Fiscal Service developed a Government-wide data standard for collecting agencies' financial data, selected a broker to accept and validate the data, and implemented a public website for data accessibility. Fiscal Service continues to implement system enhancements based on user feedback using agile development techniques.

Description of Performance:

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. In FY 2017, Fiscal Service timely issued Government-wide accounting reports 100 percent of the time.

The Percentage of Summary Debt Accounting reports submitted timely measure established an FY 2017 target of 100 percent. Fiscal Service met its target in addition to taking significant strides with the FR to address the material weaknesses previously identified and continuing to implement corrective actions outlined in the remediation plan.

Fiscal Service will meet its FY 2018 and FY 2019 performance measure targets by transforming the quality, effectiveness and transparency of Federal financial management data; delivering value-added business process and system improvements; and expanding/enhancing relationships with stakeholders and customers.

2.1.2 – Collections Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$20,851	$30,469	$34,982	$37,394	$36,197	$35,951	$35,232
Reimbursable Resources	$176	$0	$3,898	$8,265	$7,028	$10,033	$9,287
Budget Activity Total	**$21,027**	**$30,469**	**$38,880**	**$45,659**	**$43,225**	**$45,984**	**$44,519**
FTE	**120**	**139**	**144**	**152**	**159**	**159**	**158**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Percentage of Total Federal Government Receipts Settled Electronically	97	98	98	98.2	98.3	98	98	98

2.1.2 – Collections Budget and Performance

($35,232,000 from direct appropriations, and $9,287,000 from reimbursable resources):
The Collections budget activity supports the National Financial Critical Infrastructure and Treasury Strategic Goal 4 (Transform Government-wide Financial Stewardship) by administering the world's largest Government funds collections systems through a network of Fiscal and Financial Agents. In FY 2017, the bureau collected over $4.1 trillion in Federal revenues, such as individual and corporate income tax deposits, customs duties, fees for Government services, fines, and loan repayments. Within that, $2.0 trillion in tax payments were processed through EFTPS and approximately 186.5 million transactions worth nearly $155.0 billion were processed through Pay.gov.

Using cutting-edge technology, Fiscal Service provides Federal agencies, individuals, businesses, tax practitioners, and financial institutions with a wide variety of electronic collection alternatives. The options are designed and developed with some major goals in mind:

- to offer a service that is easy to use, convenient, and secure
- to streamline the collection process
- to make full use of web -and mobile app technologies
- to manage the depositary services provided to Treasury by financial institutions

These efforts also support the following Fiscal Service strategic goals:

- Maintain agile, efficient, and resilient programs to meet the financial management needs of the Federal Government
- Deliver innovative financial management solutions that provide a modern, seamless customer experience

<u>Description of Performance</u>:
Fiscal Service exceeded its target of electronically settling 98 percent of all Federal Government receipts through a continued commitment to agency outreach efforts. Fiscal Service expects to maintain an annual electronic collections rate of at least 98 percent through FY 2019 by

continuing 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): EFTPS is a system that allows businesses, individuals, and other entities to pay taxes electronically. There are several methods to initiate tax payments through EFTPS, including through bulk provider, Federal agency, online channels, and phone. The benefits of EFTPS include accuracy, security, simplicity, and flexibility. 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 web-based Government-wide collections portal. It allows users to electronically fill out and submit forms, view bills, and make payments via Automated Clearing House (ACH) debit, credit card, or digital wallet. The system also provides reporting to agencies and allows individuals and businesses to make non-tax payments to Federal agencies over the internet with a mobile-friendly user interface 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.
- eCommerce Collections: Agencies using mobile applications avoid sending checks to lockboxes and are converting mailed-in or point-of-sale checks/cash payments to self-service ACH, card, and digital wallet payments. Digital wallets allow consumers the convenience of using their electronic wallet (card, ACH options) to pay an obligation to an agency in lieu of providing bank account and credit card information online or via phone. Online bill payment allows consumers to pay Federal Government bills through their banks' websites.

2.1.3 – Payments Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$130,570	$114,650	$120,769	$127,943	$126,685	$125,825	$120,743
Reimbursable Resources	$102,401	$78,625	$81,953	$111,088	$111,464	$119,408	$120,109
Budget Activity Total	**$232,971**	**$193,275**	**$202,722**	**$239,031**	**$238,149**	**$245,233**	**$240,852**
FTE	**711**	**577**	**521**	**562**	**597**	**561**	**556**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Percentage of Treasury Payments and Associated Information Made Electronically	92.5	94.4	94.7	94.9	95.1	95.2	95.2	95.2

2.1.3 – Payments Budget and Performance

($120,743,000 from direct appropriations, and $120,109,000 from reimbursable resources): The Payments budget activity supports the National Financial Critical Infrastructure and Treasury Strategic Goal 4 (Transform Government-wide Financial Stewardship) by disbursing more than 87 percent of the Federal Government's payments, equating to 1.2 billion payments worth $3.4 trillion in FY 2017. Fiscal Service uses the Payment Application Modernization (PAM) investment to disburse payments for Veterans' Compensation and Pension, Social Security Benefits, Federal and Railroad Pensions, IRS tax refunds, Supplemental Security Income (SSI), etc. PAM supports the production and delivery of Federal payments on behalf of more than 250 Federal entities with a single application that generates check, ACH, International ACH Transaction (IAT), and wire transfer payments. PAM prevents improper payments and collects delinquent debt owed to the Federal Government by automatically interfacing with core Treasury systems such as Do Not Pay (DNP) and the Treasury Offset Program (TOP). Fiscal Service will eliminate redundancies in the Federal Government through FY 2019 by centralizing the payment activities for a large portion of DoD and other non-Treasury disbursing agencies. This will allow those agencies to better align mission-critical resources and possibly identify future savings.

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. In FY 2017, Fiscal Service disbursed 98.2 percent of benefit payments electronically, largely due to Go Direct®, an on-going nationwide public education campaign that actively encourages Federal Government payment recipients to convert to electronic payment methods, and Direct Express®, a prepaid card program providing more than 5.1 million unbanked cardholders with a low-cost way to electronically receive payments and check their account balance.

The Payments budget activity also includes post payment services to 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 ensures payee claims of non-receipt are processed, stale uncashed checks are cancelled, misdirected electronic payments are returned, monies erroneously paid to deceased individuals are recovered, and checks returned in the mail are properly safeguarded with funds redirected to the right payee or held safely in the United States Treasury. Through FY 2019, Fiscal Service will continue to invest in the Post Payment System (PPS), a consolidation of several post payment systems into a single, centralized system that will unify disparate business processes and eliminate data redundancy across systems. PPS will provide Federal program agencies (FPAs) and financial institutions a customer portal that supports: 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 also include enhanced reconciliation activities, improved information exchange, reduced reliance on paper, and more robust fraud detection.

In addition, the Fiscal Service collects monies from those parties liable for fraudulent or otherwise improper negotiation of Government checks. Support provided to the Inspector General, Assistant United States Attorneys, and state and local law enforcement agencies in the investigation and prosecution of criminals engaged in fraud related to the Treasury payment system resulted in 26 arrests, 28 convictions, and $20.6 million recovered through fines, restitution, and seizures in FY 2017.

Finally, the Payments budget activity includes the Invoice Processing Platform (IPP) and the Do Not Pay (DNP) programs. A secure, Government-wide, web-based, electronic invoice exchange network, IPP promotes the efficient use of resources by enabling Federal agencies to electronically receive vendor invoices and transforming existing paper-based invoice processes into a streamlined electronic process that integrates with existing agency core financial systems. In FY 2017, Federal agencies received and processed more than 450,000 vendor invoices valued at $34.0 billion through Treasury's electronic invoicing solution, the Invoice Processing Platform (IPP). DNP 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. Through FY 2019, DNP analytics will continue to mature and provide customer agencies with additional tools to identify potential improper payments at all payment stages.

Description of Performance:

Fiscal Service continues to increase the electronic payment rate each year. In FY 2017, the electronic payment rate rose to 95.1 percent, with the number of electronic payments increasing by 17.8 million, and paper check volume decreasing by 1.4 million. Tax refund payments continue to total more than half of the Treasury-disbursed check volume. The processing of electronic invoices also realized a large increase of more than 41,000 over the FY 2016 volume.

The target of 95.2 percent for FY 2018 and FY 2019 was determined by using historical data trends to determine the rate of increase/decrease to apply to future EFT and check volumes. The percentage increase/decrease differs for each of the payment types (Veterans' benefits, Social Security benefits, SSI, tax refunds, etc.).

Fiscal Service will meet FY 2018 and FY 2019 targets by promoting and increasing EFT payments with emphasis on tax refunds, vendor payments, and benefit payments; and exploring, developing, and deploying innovative electronic payment solutions.

2.1.4 – Retail Securities Services Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$110,876	$95,249	$76,711	$71,252	$62,559	$62,134	$62,297
Reimbursable Resources	$16,841	$17,400	$6,006	$16,026	$12,642	$17,515	$17,854
Budget Activity Total	**$127,717**	**$112,649**	**$82,717**	**$87,278**	**$75,201**	**$79,649**	**$80,151**
FTE	**605**	**491**	**442**	**436**	**472**	**454**	**439**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Cost Per Electronic Retail Transaction ($)	N/A	N/A	N/A	N/A	B	2.65	3.46	3.46
Cost Per Customer Assisted Retail Transaction ($)	N/A	N/A	N/A	N/A	B	124.44	124.78	124.78

Key: B - Baseline

2.1.4 – Retail Securities Services Budget and Performance

($62,297,000 from direct appropriations, and $17,854,000 from reimbursable resources):
Retail Securities Services (RSS) enables Americans to save for their future by investing in Treasury securities, most notably U.S. savings bonds. This program is responsible for processing millions of transactions annually on behalf of more than 50 million investors. RSS also provides Americans the opportunity to participate noncompetitively in the auction of Treasury marketable securities.

In an effort to be more responsive to retail customers, Fiscal Service implemented a core framework functionality as a foundation for offering future retail services. This will allow any new retail offering to reach the American investors faster than ever before. In addition, RSS established a Financial Institution Community Group, in collaboration with the Federal Reserve, to promote and identify process efficiencies for both financial institutions and RSS when customers redeem bonds.

Building on those efficiencies, RSS is developing the Treasury Retail Investment Manager (TRIM) which will effectively replace the current TreasuryDirect system over time. TRIM will be a user-friendly system that will allow individual investors to purchase, view, redeem, and manage their investments electronically via laptop or mobile phone. Furthermore, TRIM will ultimately allow the unbanked and the under-banked to electronically purchase investments by providing alternative payment mechanisms, unlike TreasuryDirect which requires bank accounts.

Over the next few years, RSS will continue to develop new and unique ways to reach underserved audiences, improve customer service, and, ultimately, encourage more Americans to save for their future.

Description of Performance:
Fiscal Service issued and serviced $31.8 billion in savings and marketable securities held by 611,000 investors in TreasuryDirect. A total of 2.4 million retail payments worth $13.6 billion were made timely and accurately.

The Cost per customer-assisted retail transaction measure 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. In FY 2017, RSS experienced an increase in the percentage of overall customer-initiated transactions requiring intervention by the customer service staff, as well as higher than anticipated personnel costs directly attributed to the ongoing remediation of a backlog of customer service cases. FY 2018 and FY 2019 targets are $124.78 per customer assisted retail transaction.

The Cost per electronic retail transaction measure 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 electronic securities, etc. In FY 2017, in combination with the shift in volumes noted above, a decrease in anticipated information technology provider charges resulted in lower than expected costs for electronic retail transactions. The FY 2018 and FY 2019 targets are $3.46 per electronic retail transaction.

Fiscal Service will focus on meeting its FY 2018 and FY 2019 targets by increasing customer self-sufficiency and satisfaction through streamlined processes; eliminating aging technology and decreasing operation and maintenance costs; and leveraging current and/or emerging enterprise technologies.

2.1.5 – Wholesale Securities Services Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	$22,092	$12,840	$10,676	$13,848	$19,304	$19,173	$20,269
Reimbursable Resources	$3,000	$2,346	$927	$3,115	$4,214	$3,404	$5,505
Budget Activity Total	**$25,092**	**$15,186**	**$11,603**	**$16,963**	**$23,518**	**$22,577**	**$25,774**
FTE	**113**	**121**	**109**	**78**	**117**	**78**	**78**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Percentage of Auction Results Released Accurately	99.6	99.3	99.6	100	98.9	100	100	100
Percentage of Auctions Successfully Completed by the Scheduled Close	N/A	N/A	N/A	N/A	N/A	N/A	N/A	B

Key: B - Baseline

2.1.5 – Wholesale Securities Services Budget and Performance

($20,269,000 from direct appropriations, and $5,505,000 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 through reliable, accurate, and secure electronic systems. The WSS program also supports Treasury's Strategic Goal 4 (Transform Government-wide Financial Stewardship) and Treasury's Strategic Objective 4.1 to better enable mission delivery by improving the reliability, security, and resiliency of Treasury's infrastructure.

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.

<u>Description of Performance</u>:
Fiscal Service awarded $8.6 trillion in Treasury marketable securities during FY 2017, funding critical daily Federal operations by conducting 275 auctions. WSS will continue to track the percent of auction results released accurately and expects to achieve the 100 percent accuracy level in FY 2018.

To achieve FY 2018 and FY 2019 performance, Fiscal Service will complete a multi-year initiative to modernize the system's application software and technology components and will continue to test the tertiary backup system.

2.1.6 – Debt Collection Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Reimbursable Resources	$153,667	$139,377	$174,634	$187,152	$176,928	$200,221	$243,508
Budget Activity Total	**$153,667**	**$139,377**	**$174,634**	**$187,152**	**$176,928**	**$200,221**	**$243,508**
FTE	**560**	**363**	**406**	**390**	**417**	**427**	**431**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Amount of Delinquent Debt Collected Through All Available Tools ($ billions)	7.02	6.91	7.28	7.41	7.61	7.54	7.56	7.48

2.1.6 – Debt Collection Budget and Performance

($243,508,000 from reimbursable resources):
The Debt Collection program supports Treasury's Strategic Goal 4 (Transform Government-wide Financial Stewardship). Fiscal Service is the Government's central debt collection agency, managing the Government's delinquent debt portfolio. Using a centralized process, Fiscal Service collects delinquent debts, such as mortgage, small business, or Federal student loans;

Federal salary or benefit overpayments; and fines or penalties assessed by Federal agencies, owed to the United States. In FY 2017, Fiscal Service collected $7.6 billion in delinquent debt through its two debt collection programs: Treasury Offset Program (TOP) and Cross-Servicing.

Under TOP, the names and taxpayer identifying numbers of debtors included in a Fiscal Service database are matched against the names and taxpayer identifying numbers of recipients of Federal payments. If there are matches, the amounts of the payments are reduced ("offset") to satisfy the delinquent debts.

In 2017, Fiscal Service implemented a new Cross-Servicing collection system, Cross-Servicing Next Generation (CSNG), which optimized the call center, expanded the use of highly productive debt collection approaches, such as wage garnishment, and transitioned to a data driven, analytical approach. Delinquent debts referred to Fiscal Service by Federal agencies are collected using a variety of means including offsetting Federal payments, sending demand letters to debtors, entering into repayment arrangements, withholding wages administratively, referring debts to the Department of Justice for action, reporting to credit bureaus, and contracting for the services of private collection agencies. CSNG Phase II continues to improve the interactive voice response (IVR) telephone user experience for better debtor interaction. Modernizing the IVR allows debtors to gain more information and have more options for self-service through their telephone interactions.

Fiscal Service continues to help agencies implement Section 5 of the DATA Act, which amended the Debt Collection Improvement Act of 1996 (DCIA) to require agencies to refer eligible debt to Fiscal Service 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 exceeded its Amount of delinquent debt collected target for five consecutive years. This was the result of expanding the use of the administrative wage garnishment collection tool, improving macroeconomic conditions in the country, and enhancing analytics. However, analysis has shown offsets declining against projections in the past two years. This, combined with declining referrals from agencies, has resulted in more modest forecasts for FY 2018 and FY 2019.
The performance targets for FY 2018 and FY 2019 are to collect $7.56 billion and $7.48 billion in delinquent debt, respectively. A sophisticated planning model using debt data and macroeconomic variables is the basis for this target forecast. The model is designed to take into account economic fluctuations, as well as debt referral changes, in order to forecast collections one and two years out.

To meet FY 2018 and FY 2019 delinquent debt performance targets, Fiscal Service will continue to develop and implement strategies to increase automation, standardization and overall process efficiencies. In addition, new payment streams and individual payments will be added to TOP that produce offsets and increase delinquent debt collection.

C – Changes in Performance Measures

Performance Measure or Indicator	Change and Justification
1. Cost Per Government Agency Investment Services Transaction ($) (discontinue) **Budget Activity:** Accounting & Reporting	Fiscal Service will stop reporting this metric because the GAIS budget/business line no longer exists. GAIS combined with SDA, GWA and FIT to form the Accounting and Reporting budget/business line. As such, the specific cost per GAIS transaction no longer has value.
2. Cost Per Summary Debt Accounting Transaction ($) (discontinue) **Budget Activity:** Accounting & Reporting	Fiscal Service will stop reporting this metric because the SDA budget/business line no longer exists. SDA combined with GAIS, GWA and FIT to form the Accounting and Reporting budget/business line. As such, the specific cost per SDA transaction no longer has value.
3. Percentage Summary Debt Accounting Reports Submitted Timely and Accurately (discontinue) **Budget Activity:** Accounting & Reporting	Fiscal Service will stop reporting this metric because the information reported here is a subset of the information reported in the Government-wide accounting reports. Specifically, the information being reported here is included in the Daily Treasury Statement (DTS) and Monthly Treasury Statement (MTS), both of which are important , public facing accounting reports that provide significant value to the public. These reports, along with the Monthly Statement of the Public Debt (MSPD), will still be measured as part of the "Percentage of Government-wide accounting reports issued timely" performance measure.
4. Collect and disburse interest/principal payment amounts for GAIS investments/ borrowings timely and accurately (discontinue) **Budget Activity:** Accounting & Reporting	Fiscal Service will stop reporting this metric because these payments are not a complete picture of payments on the debt outstanding and do not provide a holistic look of the debt environment.

Performance Measure or Indicator	Change and Justification
5. Percentage of auctions successfully completed by the scheduled close [%] (new) **Budget Activity:** Wholesale Securities Services	"Successfully completed by" measures the expectation that auctions must be completed on or before the scheduled close date. Efforts have been made to increase auction resiliency and decrease preventable factors from affecting the close of an auction. Excluded are instances where the auction close date is moved by the Department for policy reasons. "Scheduled close" is defined as the auction date on the announcement. The press releases posted on TreasuryDirect.gov provide the scheduled auction close and the actual auction close.

With the publication of the Treasury Strategic Plan for FY 2018-2022, Treasury will work this year to baseline its performance against the new strategic objectives. This could result in additional changes to performance measures in the FY 2020 budget.

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, operational performance, and risk 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's EA program is designed to facilitate cross-agency analysis of capabilities, knowledge, processes, and relationships to apply evidence-based techniques, identify duplicative investments, discover goals and opportunities for collaboration with other agencies, and 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 business, data, technical, and security architecture perspectives.

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 and strengthen organizational capabilities to recognize, assess, and address risks that could disrupt the successful achievement of strategic objectives. Through the development and issuance of an ERM framework, policies, guidance, and tools, 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 has a multi-faceted mission that promotes financial integrity and operational efficiency across the Federal Government. As such, protecting the information and technology resources that support the bureau's mission are critically important. Financial integrity and operational efficiency are accomplished by effective, coordinated management of security risks and incidents that ensure the confidentiality, integrity, and availability of the bureau's systems are maintained. Fiscal Service employs an in depth defense strategy to protect against, detect, and respond to anomalies in the bureau's network and systems. In addition, Enterprise Cybersecurity ensures Fiscal Service information technology resources are in compliance with the National Institute of Standards and Technology security standards and satisfies annual security audit requirements. Furthermore, Fiscal Service is responsible for a number of Treasury's High Value Assets and 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 IT 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 Budget Justification and Annual Performance Report and Plan

FY 2019

Table of Contents

Section I – Purpose

A – 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 it is administered by the Office of Financial Stability (OFS).

Since late 2010, OFS has made significant progress in winding down TARP investment programs and in recovering OFS's outstanding investments. OFS continues to operate a housing program under TARP to help struggling families avoid foreclosure, but in 2016 began to wind down the largest TARP housing program. As of November 30, 2017, OFS has recovered 97 percent of the $438.5 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 more than $4.0 billion.

1.1 - Program Account Summary
Dollars in Thousands

	FY 2017	FY 2018	FY 2019	FY 2018 to FY 2019	
	Actual	Estimated	Estimated	Change	% Change
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Obligations					
Equity Program Account	5,596	0	0	0	0.00%
Housing Account	0	11	0	(11)	-100.00%
TARP Account	9,656	0	0	0	0.00%
TARP Administrative Account	103,578	78,608	63,065	(15,543)	-19.77%
TARP Downward Reestimate Receipt Account	(90,377)	(14,586)	0	14,586	100.00%
Total Obligations	**$28,453**	**$64,033**	**$63,065**	**($968)**	**-1.51%**
Budget Authority					
Equity Program Account	5,596	0	0	0	0.00%
Housing Account	0	11	0	(11)	-100.00%
TARP Account	9,656	0	0	0	0.00%
TARP Administrative Account	122,457	78,608	63,065	(15,543)	-19.77%
TARP Downward Reestimate Receipt Account	(90,377)	(14,586)	0	14,586	100.00%
Total Budget Authority	**$47,332**	**$64,033**	**$63,065**	**($968)**	**-1.51%**
Outlays					
Equity Program Account	5,596	0	0	0	0.00%
Housing Account	4,130,820	2,431,993	1,573,463	(858,530)	-35.30%
TARP Account	9,656	0	0	0	0.00%
TARP Administrative Account	115,622	117,000	66,173	(50,827)	-43.44%
TARP Downward Reestimate Receipt Account	(90,377)	(14,586)	0	14,586	100.00%
Total Outlays	**$4,171,317**	**$2,534,407**	**$1,639,636**	**($894,771)**	**-35.30%**
FTE	52	34	24	-10	-29.41%

1.2 – Financing Account Summary

Dollars in Thousands

	FY 2017 Actual AMOUNT	FY 2018 Estimated AMOUNT	FY 2019 Estimated AMOUNT	FY 2018 to FY 2019 Change AMOUNT	FY 2018 to FY 2019 % Change AMOUNT
TARP Direct Loans					
Obligations	2,188	5,154	0	(5,154)	-100.00%
Collections	14,984	0	0	0	0.00%
Financing Authority (net)	(9,656)	0	0	0	0.00%
Financing Disbursements (net)	(12,796)	5,154	0	(5,154)	-100.00%
Equity Purchases					
Obligations	95,647	11,962	522	(11,440)	-95.64%
Collections	420,863	84,368	3,117	(81,251)	-96.31%
Financing Authority (net)	(305,000)	(82,348)	(2,490)	79,857	-96.98%
Financing Disbursements (net)	(325,216)	(72,406)	(2,595)	69,811	-96.42%
Housing					
Obligations	3,278	3,003	1,184	(1,819)	-60.57%
Collections	192	55	22	(33)	-60.00%
Financing Authority (net)	0	0	0	0	0.00%
Financing Disbursements (net)	3,086	2,948	1,162	(1,786)	-60.58%

1.3 – Program Disbursement, Repayments, and Cost/Savings

Dollars in Billions

	Cumulative Obligated (as of 11/30/2017)	Cumulative Disbursed (as of 11/30/2017)	Cumulative Outstanding (as of 11/30/2017)	Total Cumulative Income (as of 11/30/2017)	Total Cash Back (as of 11/30/2017)	Total Estimated Life Costs (as of 11/30/2017)	
Bank Support Programs	250.5	245.1	0.1	35.7	275.5	(24.3)	
Credit Market Programs	19.1	19.1	0.0	4.6	23.6	(3.3)	
AIG Investment Program (AIG)	67.8	67.8	0.0	1.0	55.3	15.2	*
Automotive Industry Financing Program	79.7	79.7	0.0	7.4	70.5	12.2	
Treasury Housing Programs	37.4	26.8	NA	NA	0.0	32.5	
Total	**$454.5**	**$438.5**	**$0.1**	**$48.6**	**$425.0**	**$32.3**	
Additional AIG Common Shares Held by Treasury	0	0	0	17.6	17.6	(17.6)	*
Total for Programs and Shares	**$454.5**	**$438.5**	**$0.1**	**$66.2**	**$442.5**	**$14.7**	

*If all Treasury AIG Investments are combined, Treasury currently estimates a net gain of nearly $2.4 billion on those shares.

B – 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 could use to restore liquidity and stability to the financial system of the United States; and

(2) to ensure that such authority and facilities were provided in a manner that would —

(A) protect home values, college funds, retirement accounts, and life savings;

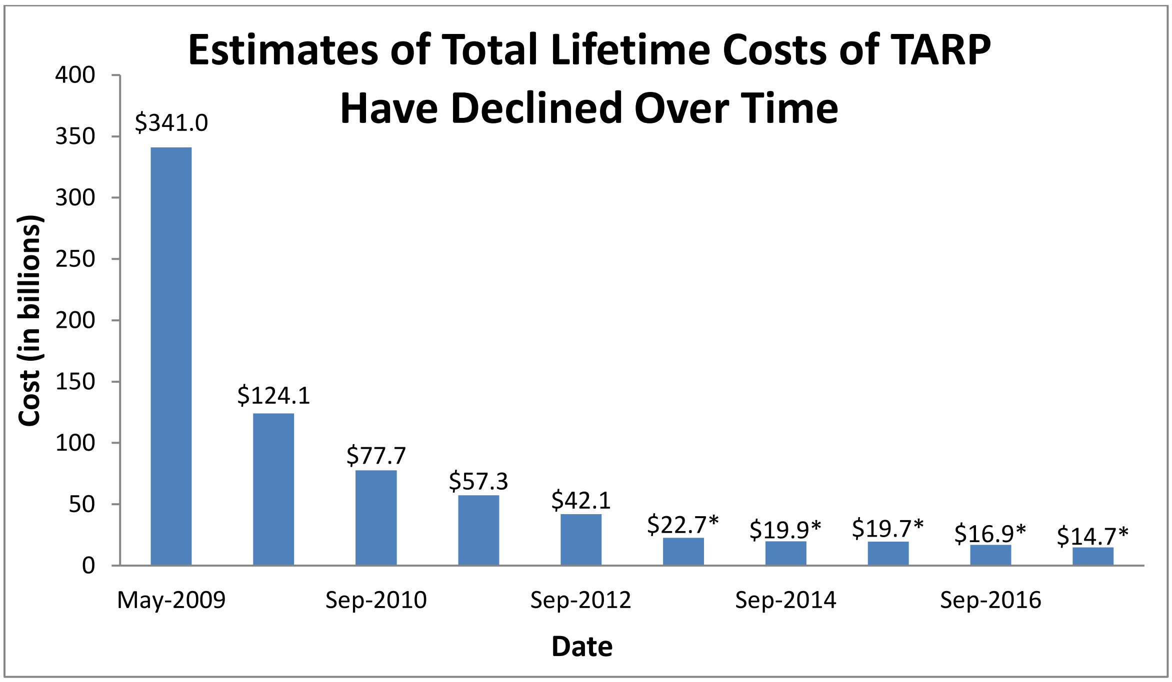
(B) preserve homeownership and promote jobs and economic growth;

(C) maximize overall returns to the taxpayers of the United States; and

(D) provide 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." This program supports the Department's goal of financial stewardship.

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 $32.3 billion (of which -$0.2 billion relates to investments and $32.5 billion relates to housing programs that do not require repayments by recipients) as of November 30, 2017. Lifetime costs are projected at $14.7 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 FY2018 and FY 2019, OFS's priority is to continue the responsible wind-down of all TARP programs.

OFS Administrative Expenses

The authority for OFS's administrative funding is provided in section 118 of EESA. In FY 2018, OFS plans to obligate no more than $79 million and use no more than 34 Full-Time Equivalent (FTE) employees. These levels are lower than previously estimated due to the faster than anticipated wind-down of TARP's investment programs and the continued wind-down of the Making Home Affordable (MHA) program. In FY 2019, OFS plans to obligate $63 million and use no more than 24 FTE employees, a decrease of approximately $16 million and 10 FTE employees from the current FY 2018 estimates, to fund the management, maintenance and continued wind-down of the TARP housing programs and the disposition of OFS's remaining investments.

C - Credit Reform Account Description

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: (1) the TARP Equity Purchase Program Account; (2) the TARP Equity Purchase Financing Account (EPFA); (3) the TARP Housing Programs Account; (4) the TARP Housing Programs, Letter of Credit (LOC) Financing Account; (5) the TARP Program Account; and (6) the 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 Equity Purchase Financing Account (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 MHA and Hardest Hit Fund housing programs are recorded on a cash basis, and the Federal Housing Administration (FHA) Short-Refinance Program is subject to credit reform accounting requirements, 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 Short-Refinance Program. Like other financing accounts, its primary purpose is the financial tracking of each cohort year's loan activity. It 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. It is not included in the budget totals.

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

1.4 – Budget Adjustments Table

Dollars in Thousands

Office of Financial Stability	FTE	Amount
FY 2018 Estimated	**34**	**$78,608**
Maintaining Current Levels (MCLs):	-	1,464
Pay Annualization	-	6
Non-Pay	-	1,458
Total FY 2019 Base	**34**	**$80,072**
Program Changes:		
Program Decreases:	(10)	(17,007)
Housing Program Support	-	(10,449)
Maintenance and Disposition of Assets	-	(230)
OFS Salaries and Benefits	(10)	(1,590)
Organizational Support	-	(4,739)
Total FY 2019 Estimated	**24**	**$63,065**

D – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$1,464,000 / +0 FTE

Pay Annualization +$6,000 / +0 FTE

Funds are required for annualization of the January 2018 pay raise.

Non-Pay +$1,458,000 / +0 FTE

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

Program Decreases .... -$17,007,000 / -10 FTE

Housing Program Support -$10,449,000 / +0 FTE

Administrative and compliance functions will continue to wind down during FY 2018 and over time as programs close and no new assistance actions are provided and commitments are paid.

Maintenance and Disposition of Assets -$230,000 / +0 FTE

During FY 2018, OFS will continue the disposition of its position in the remaining Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI) institutions. In FY 2019, OFS expects its portfolio to be composed mostly of CDCI institutions with a handful of CPP institutions.*OFS Salaries and Benefits -$1,590,000 / -10 FTE*

Savings resulted from natural attrition and expiration of term appointments due to the wind-down of various TARP programs.

Organizational Support -$4,739,000/ +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.

1.5 – Operating Levels Table

Dollars in Thousands

Office of Financial Stability Object Classification	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
11.1 - Full-time permanent	6,528	4,305	3,097
11.7 - Other Personnel Compensation	86	43	31
11.9 - Personnel Compensation (Total)	**6,614**	**4,348**	**3,128**
12.0 - Personnel benefits	1,986	1,360	996
Total Personnel and Compensation Benefits	**$8,600**	**$5,708**	**$4,124**
21.0 - Travel and transportation of persons	77	51	36
23.0 - Rent, Communications and Utilities	2	4	4
25.1 - Advisory and assistance services	12,394	11,835	8,897
25.2 - Other services from non-Federal sources	69,709	49,622	39,645
25.3 - Other goods and services from Federal sources	12,447	11,064	10,061
26.0 - Supplies and materials	346	316	290
31.0 - Equipment	3	8	8
Total Non-Personnel	**$94,978**	**$72,900**	**$58,941**
Subtotal New Budgetary Resources	**$103,578**	**$78,608**	**$63,065**
FTE	**52**	**34**	**24**

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

E – Appropriations Language and Explanation of Changes

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

F – Legislative Proposals

Treasury is seeking certain legislative changes related to OFS and TARP to reduce the frequency and necessity of several statutory reporting requirements that were established when TARP was created. Although these reporting requirements corresponded to the level of risk associated with a start-up entity in 2009, risk has dramatically decreased as programs have closed. OFS estimates that enacting the following legislative proposals would result in more than $2 million in annual savings in contracting cost and Government Accountability Office (GAO) reimbursements and would reduce OFS's workload by 4 FTE employees per year. The remaining statutory requirements will continue to provide sufficient transparency during the wind-down of TARP.

<u>Replace OFS's stand-alone financial audit performed by GAO</u>: Since inception, OFS has been required to undertake a stand-alone financial audit requiring significant resources. As the majority of programs have closed, the need for a stand-alone audit has diminished. As such, Treasury's Office of the Inspector General could audit OFS's financial operations under the Treasury-wide audit, similar to most other Treasury programs.

Sunset the Financial Stability Oversight Board (FinSOB): This interagency group meets monthly and reports quarterly. The group reviewed OFS's program formulation and monitored program performance. The need for the board's oversight and reporting has diminished as no new OFS programs can be implemented, all major investments have been disposed, and the housing programs are in wind-down.

Change the frequency of the Section 105(a) report ("Congressional Monthly"): This performance report remains generally static from month-to-month. With most programs having closed, less frequent (quarterly) reporting is warranted.

Eliminate the Administrative Activity Report ("Obligation Report"): This quarterly report provides data on administrative obligations by OFS office and is required under the annual Treasury appropriations bill. OFS has been prudent in the use of administrative funds and has been reducing obligations by approximately 20 percent per year over the last 5 years.

Section II - Annual Performance Plan and Report

A – Strategic Alignment
OFS's continued wind-down efforts align with Treasury's strategic goal of financial stewardship, specifically Objective 4.1 (financial data access and use), by winding down sun-setting programs responsibly while maximizing the financial benefit to taxpayers.

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 2017, 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 November 30, 2017, CPP has generated $226.8 billion in recoveries for taxpayers with six institutions remaining in the program, for a total of $48 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 (CDFI) banks, thrifts, and credit unions. OFS invested $570 million in 84 CDFIs, of which 28 institutions converted $363 million (including warrants) from CPP to CDCI. 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. By the end of January 2017, OFS completed 27 full and partial repurchases at fair value under the early repurchase option, for a total of $268 million in repayments. As of November 30, 2017, CDCI has generated $540 million in recoveries for taxpayers with 21 institutions remaining in the program, for a total of $68 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. MHA servicers were required to design policies and procedures to reasonably ensure that all MHA transactions were completed by December 1, 2017. As of November 30, 2017, OFS had disbursed $18.2 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 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 November 30, 2017, OFS had disbursed $8.5 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, which was intended to assist borrowers with negative equity. The program has seen limited participation. As such, OFS has incrementally reduced the LOC Facility supporting this program from an intial $8.0 billion to $27 million in FY 2017, which matches OFS's maximum liability for loans covered by the program as of December 31, 2016, when the program ended for new refinances. As of November 30, 2017, the revised lifetime cost estimate for the program was $17 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 automotive industry through the AIFP. As of November 30, 2017, OFS had 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.

B – Budget and Performance by Budget Activity

The authority for 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 and wind down these ongoing initiatives. OFS's senior management is responsible for performance on its operational goals.

Performance Metrics and Indicators[1]	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Target	FY 2017 Actual	FY 2018 Target	FY 2019 Target
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 Congressional Constituent Correspondence Responses Completed within 10 Business Days of Receipt[3]	100.0	92.0	50.0	66.8	100.0	87.5	100.0	N/A
Percentage of Statutorily-Mandated Reports Submitted On-Time (ensure transparency of operations to the public)	80.0	99.0	100.0	94.7	100.0	96.3	100.0	100.0
Percentage of Customers Satisfied with FinancialStability.gov (Self Selected Respondents) (ensure transparency of operations to the public)	70.0	69.0	66.5	73.0	75.0	69.3	75.0	75.0
Percentage of FOIA Assignments On-Time or Less Than 30-Days Overdue (ensure transparency within the government) [2]	N/A	15.0	13.0	56.6	33.0	85.0	33.0	66.0
Percentage of SIGTARP and GAO Oversight Recommendations Responded to On-Time (ensure transparency of operations to the public)	100.0	100.0	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 'Percentage of FOIA requests on-time or less than 30-days overdue' was introduced in FY 2014 to best reflect reporting data.
[3]The 'Percentage of Congressional Constituent Correspondence Responses Completed within 10 Business Days of Receipt' will be discontinued in FY 2019 due to low volume of actual correspondence received in FY 2016 and FY 2017.

C – 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 taxpayers. For CPP institutions, participating financial institutions may repay the funds they received at any time, with the approval of their regulators. OFS continues to work with CPP institutions to restructure certain investments that will allow them to exit TARP. As of November 30, 2017, OFS had $48 million in outstanding CPP investments and $68 million in outstanding CDCI investments.

Manage the wind-down of TARP housing programs while continuing to help struggling homeowners avoid foreclosure

OFS's second operational goal is to manage the wind-down of the TARP housing programs while continuing to help struggling homeowners avoid foreclosure for those programs that remain open. MHA statutorily sunset in December 2016 and MHA servicers were required to design policies and procedures to reasonably ensure that all MHA transactions were completed by December 1, 2017. Under this program, as of November 30, 2017, more than 1.7 million homeowners have secured permanent mortgage modifications. In addition, HHF provides funding to 18 states and D.C. to assist struggling homeowners. In FY 2017, state HFAs continued to adapt their programs to best meet borrower needs in evolving economic and housing markets. In FY 2018, several HHF states will begin the initial phases of wind-down for their programs.

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.

Continue to operate with the 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 the three oversight bodies charged with auditing and reviewing TARP activities.

Section III - Additional Information

A – 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.

Department of the Treasury
Office of Financial Research

Congressional Budget Justification and Annual Performance Report and Plan

FY 2019

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 a fiscal year (FY) 2019 funding level of $75.271 million, which is nine percent below its FY 2018 estimated funding level. To align with the Administration's initiative to improve government efficiency and effectiveness, OFR is implementing an organizational realignment effort to ensure appropriate structure for maximum efficiency. In addition, the Budget reflects continued reductions in OFR spending commensurate with the renewed fiscal discipline being applied across the Federal Government. The Budget also proposes to impose appropriate Congressional oversight of OFR functions by subjecting its activities to the normal appropriations process beginning in FY 2020.

1.1 – Resource Detail Table
Dollars in Thousands

Office of Financial Research	FY 2017		FY 2018		FY 2019		FY 2018 to FY 2019			
Budgetary Resources	Actual		Estimated		Estimated		Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Assessments[1]		$77,613		$62,995		$59,748		($3,247)	NA	-5.15%
Interest		$554		$421		$383		($38)	NA	-9.00%
Recovery of Prior Year Paid Obligations		$68		$63		$60		($4)	NA	-5.56%
Recovery of Prior Year Unpaid Obligations		$2,330		$3,331		$3,656		$326	NA	9.78%
Restoration of Sequestration Reduction[2]		$6,262		$5,394		$4,185		($1,208)	NA	-22.40%
Unobligated Balances from Prior Years[2]		$71,250		$63,477		$48,524		($14,953)	NA	-23.56%
Total Revenue/Offsetting Collections		**$158,077**		**$135,680**		**$116,556**		**($19,124)**	**NA**	**-14.09%**
Expenses/Obligations										
Data Center	44	$17,833	42	$16,348	35	$15,346	(7)	($1,002)	-16.67%	-6.13%
Technology Center	63	$29,235	53	$25,935	37	$22,325	(16)	($3,610)	-30.19%	-13.92%
Research Center	53	$15,605	44	$15,185	35	$13,465	(9)	($1,720)	-20.45%	-11.33%
Operations and Support Services	59	$26,533	51	$25,503	33	$24,135	(18)	($1,368)	-35.29%	-5.36%
Total Expenses/Obligations	**219**	**$89,206**	**190**	**$82,971**	**140**	**$75,271**	**(50)**	**($7,700)**	**-26.32%**	**-9.28%**
Sequestration Reduction		**($5,394)**		**($4,185)**		**$0**		**$4,185**		
Net Results		**$63,477**		**$48,524**		**$41,285**		**($7,239)**		**-14.92%**

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://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 OFR, or Office, resides within the Department of the Treasury (Treasury). In carrying out its mission, the OFR seeks to support achievement of a transparent, efficient, and stable financial system. The OFR's work contributes to the efforts of the regulatory community, the Treasury, and Congress to make informed and comprehensive policies and take actions that will strengthen the financial system. In addition, the OFR is authorized to provide certain data to the regulatory community, Treasury, financial industry participants and the general public to increase market

transparency and facilitate monitoring of and research on 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. The Office takes 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 and other important stakeholders.

In the OFR Strategic Plan for FY 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.
   - OFR research is widely cited and used to improve policy making, risk management, financial stability, and the scope and quality of financial data.

[1] See the OFR Strategic Plan for FY 2015-2019:
http://financialresearch.gov/strategy-budget/files/Office-of-Financial-Research-Strategic-Plan-2015-2019.pdf.

OFR priorities for FY 2018 and FY 2019 that support the three strategic goals include:

1. Collection of bi-lateral repurchase (repo) data that will support both expanded monitoring of the repo market, and calculation of the Secured Overnight Funding Rate planned to be used as an alternative to LIBOR (US dollar London Interbank Offered Rate)
2. Publishing the OFR Annual Report
3. Advancing industry-wide data standards development and use
4. Implement the Financial System Vulnerability Monitor and Financial Stress Index to monitor threats and vulnerabilities in the financial system

1.2 – Budget Adjustments Table

Dollars in Thousands

Office of Financial Research	FTE	Amount
FY 2018 Estimated	**190**	**$82,971**
Changes to Base:		
Total FY 2019 Base	**190**	**$82,971**
Program Changes:		
Program Decreases	(50)	($7,700)
Personnel	(50)	($6,571)
Non-Personnel	0	($1,129)
Total FY 2019 Estimated	**140**	**$75,271**

D – Budget Increases and Decreases Description

Program Decreases…………………………………………………………-$7,700,000

Personnel -$6,571,000 / -50 FTE

To align with the Administration's initiative to improve Government efficiency and effectiveness, the OFR is implementing a staffing streamlining effort to ensure appropriate levels for maximum efficiency. This effort will begin in FY 2018 with full implementation occurring in FY 2019.

Non-Personnel -$1,129,000 / 0 FTE

The office proposes to continue decreasing 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 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
11.1 - Full-time permanent	32,701	30,146	26,035
11.3 - Other than full-time permanent	563	515	509
11.5 - Other personnel compensation	578	555	519
11.9 - Total personnel compensation	**33,842**	**31,216**	**27,063**
12.0 - Personnel benefits	12,988	11,579	9,161
Total Personnel and Compensation Benefits	**$46,830**	**$42,795**	**$36,224**
21.0 - Travel and transportation of persons	447	356	299
23.3 - Communication, utilities, and misc charges	179	115	110
24.0 - Printing and reproduction	22	24	8
25.1 - Advisory and assistance services	10,897	8,446	8,403
25.2 - Other services from non-Federal sources	939	913	755
25.3 - Other goods and services from Federal sources	19,915	21,039	20,193
26.0 - Supplies and materials	6,508	5,748	5,776
31.0 - Equipment	3,469	3,535	3,503
Total Non-Personnel	**$42,376**	**$40,176**	**$39,047**
Subtotal New Budgetary Resources	**$89,206**	**$82,971**	**$75,271**
Budget Activities:			
Data Center	17,833	16,348	15,346
Technology Center	29,235	25,935	22,325
Research Center	15,605	15,185	13,465
Operations and Support Services	26,533	25,503	24,135
Total Budgetary Resources	**$89,206**	**$82,971**	**$75,271**
FTE	**219**	**190**	**140**

1) Personnel compensation and benefits include direct OFR staff members only. Object Classification 25.3, "Other goods and services from Federal sources," 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 Budget proposes to impose appropriate Congressional oversight of OFR functions by subjecting its activities to the normal appropriations process beginning in FY 2020.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The OFR seeks to promote financial stability by delivering high-quality financial data standards and analysis to the FSOC and the public. This mission is in direct alignment with Treasury's Strategic Plan for FY 2018-2022, including all objectives under the following goals:

- Goal 1 - Boost U.S. Economic Growth
- Goal 2 - Promote Financial Stability

With the publication of the Treasury Strategic Plan for FY 2018-2022, Treasury will work in FY 2018 to baseline its performance against the new strategic objectives. This could result in additional changes to performance measures in the FY 2020 Budget.

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

OFR's efforts, working with the FSOC, Treasury, and other important stakeholders will help drive toward the vision of a stable, transparent, and efficient financial system.

Key areas of focus will be in monitoring threats and vulnerabilities in the financial system through OFR's Financial System Vulnerability Monitor and Financial Stress Index
Other focus areas include research and policy analysis that promote informed decision-making for policies that balance the need of stability with the need for efficient and effective regulation, supporting Treasury's objective of Strong Economic Fundamentals. In all of these areas, high quality data are essential. The OFR will continue its efforts to promote, identify, and implement financial data standards to improve the quality, scope, and accessibility of financial data. Two important initiatives will be the permanent bi-lateral repurchase (repo) agreement data collection and supporting the development of an alternative to the London Interbank Offered Rate (LIBOR) reference rate. OFR is helping to spearhead both of these efforts.

Finally, the OFR will continue to publish its statutorily-mandated Annual Report that assesses the state of the U.S. financial system. The OFR also plans to publish the annual Financial Stability Report that provides detailed analysis to supplement the Annual Report.

B – Data Center

($15,346,000 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 Legal Entity Identifiers (LEIs) Issued Cumulatively in the United States and Internationally – This indicator tracks the progress over time in industry's 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 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Expense/Obligations	$37,619	$46,940	$17,240	$16,477	$17,833	$16,348	$15,346
Budget Activity Total	**$37,619**	**$46,940**	**$17,240**	**$16,477**	**$17,833**	**$19,157**	**$16,865**
FTE	**66**	**90**	**51**	**37**	**44**	**42**	**35**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Number of LEIs Issued Cumulatively in the United States and Internationally	N/A	N/A	395,861	395,861	587,941	I	I	I
Number of Times That Data Standards Related are Incorporated in Rules and Regulations	N/A	N/A	2	9	4	4	I	I

Key: I - Indicator

C – Technology Center

($22,325,000 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 Information Technology capabilities within the OFR. These responsibilities include computing and analytic platforms, software, telecommunications, client applications, and office automation solutions.

The OFR has internal performance measures for this activity, however they are not public because the measures contain sensitive information.

2.1.2 – Technology Center Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Expense/Obligations	$0	$0	$30,970	$32,132	$29,235	$25,935	$22,325
Budget Activity Total	**$0**	**$0**	**$30,970**	**$32,132**	**$29,235**	**$25,935**	**$22,325**
FTE	**0**	**0**	**51**	**61**	**63**	**53**	**37**

D – Research and Analysis Center
($13,465,000 from Assessments):
The Research and Analysis Center conducts research and analysis on systemic risk, macroprudential policy, and financial stability. Working closely with the FSOC, Treasury, other key stakeholders, the Financial Research Advisory Council, and experts from around the globe, the OFR collaboratively identifies important issues that need to be addressed and focuses its resources on delivering impactful results in areas such as a LIBOR alternative and a multi-factor approach for determining bank regulatory thresholds.

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. There are two output measures for this goal. The Research and Analysis measures noted below are planned to be replaced in FY 2018 and FY 2019 with new metrics that better capture stakeholder needs and better reflect mission accomplishment in this area.

- Number of Research and Analysis Publications (working papers, briefs, staff discussion papers, and reports) Made Public – 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."

- Financial Stability Monitoring Services and Products Provided – 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. The metric includes tools and information such as number of monitor editions, policy analyses, dashboards, and other analyses provided directly to the public or to the Financial Stability Oversight Council in response to their requests.

2.1.3 – Research and Analysis Center Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Expense/Obligations	$4,733	$7,700	$10,396	$14,239	$15,605	$15,185	$13,465
Budget Activity Total	**$4,733**	**$7,700**	**$10,396**	**$14,239**	**$15,605**	**$17,719**	**$11,573**
FTE	**26**	**33**	**43**	**54**	**53**	**44**	**35**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Number of Research and Analysis Publications Made Public Year-to-Date	10	15	11	34	20	20	20	DISC
Financial Stability Monitoring Services and Products Provided	N/A	N/A	N/A	N/A	33	25	DISC	DISC
Number of Monitor Editions, Policy Analyses, and Dashboards Produced for Monitoring Threats to Financial Stability	N/A	N/A	21	34	DISC	DISC	DISC	DISC

Key: DISC - Discontinued

E – Operations and Support Services

($24,135,000 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 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Expense/Obligations	$22,953	$26,626	$26,110	$32,026	$26,533	$25,503	$24,135
Budget Activity Total	**$22,953**	**$26,626**	**$26,110**	**$32,026**	**$26,533**	**$25,503**	**$24,135**
FTE	**35**	**43**	**49**	**56**	**59**	**51**	**33**

The OFR has no capital investments. Capital investments that support OFR 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 contains a digital copy of this document.

Department of the Treasury Financial Stability Oversight Council

Congressional Budget Justification and Annual Performance Report and Plan

FY 2019

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 2019 funding level of $11.054 million, which represents a straight-line of its FY 2018 estimated funding level. This request includes $6.892 million for the FSOC Secretariat and the Office of the Independent Member with Insurance Expertise, and $4.162 million to reimburse the Federal Deposit Insurance Corporation (FDIC) for certain expenses as required by law. The Budget also proposes to impose appropriate Congressional oversight of Council functions by subjecting its activities to the normal appropriations process beginning in FY 2020.

1.1 – Resource Detail Table

Dollars in Thousands

Financial Stability Oversight Council Budgetary Resources	FY 2017 Actual		FY 2018 Estimated		FY 2019 Estimated		FY 2018 to FY 2019 Change		FY 2018 to FY 2019 % Change	
	FTE	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Revenue/Offsetting Collections										
Assessments[1]		$10,584		$8,590		$8,147		($443)		-5.15%
Interest		$75		$57		$52		($5)		-9.00%
Recovery of Prior Year Paid Obligations		$9		$9		$8		($0)		-5.56%
Recovery of Prior Year Unpaid Obligations		$458		$454		$499		$44		9.78%
Restoration of Sequestration Reduction		$854		$735		$571		($165)		-22.40%
Unobligated Balances from Prior Years[2]		$9,716		$8,839		$6,831		($2,008)		-22.72%
Total Revenue/Offsetting Collections		**$21,696**		**$18,685**		**$16,108**		**($2,577)**		**-13.79%**
Expenses/Obligations										
FSOC	17	$5,655	18	$6,892	18	$6,892	0	$0	0.00%	0.00%
FDIC	0	$5,126	0	$4,162	0	$4,162	0	$0	0.00%	0.00%
Total Expenses/Obligations	**17**	**$10,781**	**18**	**$11,054**	**18**	**$11,054**	**0**	**$0**	**0.00%**	**0.00%**
Sequestration Rescission		**($735)**		**($571)**		**$0**		**$571**		
Net Results		**$10,180**		**$7,060**		**$5,054**		**($2,006)**		**-28.41%**

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 to:

1) 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) 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) 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 seventh 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 2017, 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 2017, the Council convened seven 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 (Treasury). However, by law, the Council's expenses (and, indirectly, FDIC reimbursements) are considered expenses of the Office of Financial Research, an office within Treasury.

FDIC Reimbursement

By law, the Council's expenses 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 2018 Estimated	**18**	**$11,054**
Changes to Base:		
Total FY 2019 Base	**18**	**$11,054**
Program Changes:		
Program Decreases:	0	($77)
Administrative Cost Savings	0	($77)
Program Increases:	0	$77
Pay Annualization	0	$77
Subtotal Program Changes	0	0
Total FY 2019 Estimated	**18**	**11,054**

D – Budget Increases and Decreases Description

Program Decreases…………………………………………………………...…...-$77,000 / 0 FTE
Administrative Cost Savings -$77,000 / 0 FTE
The Council proposes to identify further savings through reductions in administrative costs.

Program Increases…………………………………………………………........$77,000 / 0 FTE
Pay Annualization $77,000 / 0 FTE
To cover the FY 2019 cost of the January 2018 pay-raise.

1.3 – Operating Levels Table

Dollars in Thousands

Financial Stability Oversight Council Object Classification	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
11.1 - Full-time permanent	2,204	2,432	2,500
11.3 - Other than full-time permanent	171	170	164
11.5 - Other personnel compensation	60	60	57
11.9 - Total personnel compensation	**2,435**	**2,662**	**2,721**
12.0 - Personnel benefits	647	656	674
Total Personnel and Compensation Benefits	**$3,082**	**$3,318**	**$3,395**
21.0 - Travel and transportation of persons	27	29	26
24.0 - Printing and reproduction	13	13	11
25.1 - Advisory and assistance services	252	265	256
25.2 - Other services from non-Federal sources	11	12	13
25.3 - Other goods and services from Federal sources[1]	6,961	6,973	6,926
26.0 - Supplies and materials	403	411	395
31.0 - Equipment	32	33	32
Total Non-Personnel	**$7,699**	**$7,736**	**$7,659**
Subtotal New Budgetary Resources	**$10,781**	**$11,054**	**$11,054**
Budget Activities:			
FSOC	5,655	6,892	6,892
FDIC	5,126	4,162	4,162
Total Budgetary Resources	**$10,781**	**$11,054**	**$11,054**
FTE	**17**	**18**	**18**

[1] Includes FDIC reimbursement.

E – Appropriations Language and Explanation of Changes

The FSOC receives no appropriations from Congress.

F – Legislative Proposals

The Budget proposes to impose appropriate Congressional oversight of Council functions by subjecting its activities to the normal appropriations process beginning in FY 2020.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

With the publication of the Department of the Treasury's Strategic Plan for FY 2018 - 2022, Treasury will work in FY 2018 to baseline its performance against the new strategic objectives. This could result in additional changes to performance measures in the FY 2020 Budget.

The FSOC supports Treasury's Strategic Plan FY 2018-2022 as follows:

- Goal 1: Boost U.S. Economic Growth
- Goal 2: Promote Financial Stability

B – Financial Stability Oversight Council

($6,892,000 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.

2.1.1 – Financial Stability Oversight Council Annual Performance and Report

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Expense/Obligations	$5,679	$7,660	$6,236	$7,157	$5,655	$6,892	$6,892
Budget Activity Total	**$5,679**	**$7,660**	**$6,236**	**$7,157**	**$5,655**	**$6,892**	**$6,892**
FTE	**23**	**23**	**22**	**22**	**17**	**18**	**18**

C – FDIC Reimbursement

($4,162,000 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 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Expense/Obligations	$6,327	$11,592	$7,628	$6,571	$5,126	$4,162	$4,162
Budget Activity Total	**$6,327**	**$11,592**	**$7,628**	**$6,571**	**$5,126**	**$4,162**	**$4,162**
FTE	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Department of the Treasury
Treasury Franchise Fund

Congressional Budget Justification and Annual Performance Report and Plan

FY 2019

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) supports 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 shared services providers.

The TFF providers include 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. Treasury proposes to move additional Departmental Offices (DO) administrative services to the TFF in FY 2019 to consolidate broad-scale administrative functions and capital investment activities into one account. The transition will also provide one governance process for reimbursable programs in DO. The TFF structure allows for more effective capital investments over multiple fiscal years and provides stability during a continuing resolution for more efficient contract execution. Customers will benefit from consolidation of like services, consistent points of contacts for service providers, less confusion during budget execution, and increased direct customer involvement through joint governance. Administrative programs will benefit as they will budget for and execute all services in one account and will be able to better leverage staff across functions. The move also will streamline cash management as services are paid for in consistent monthly amounts rather than billed in arrears based on actuals.

In FY 2019, there is support for increasing shared services across government and the TFF is well positioned to support the provision of high quality services in response to the demand. The TFF mission aligns with the Office of Management and Budget (OMB) reform priority M-17-22, an initiative that directs agency reform proposals to leverage shared services that will streamline mission support functions. The TFF also supports the OMB crosscutting reform proposals to reduce the fragmented or duplicated services across government.

The TFF and its providers will continue to be integral federal partners 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.

The TFF aligns to the following Treasury strategic goals as presented in the new strategic plan:
- Goal 4: Transform Government-wide Financial Stewardship
- Goal 5: Achieve Operational Excellence

1.1 - Appropriations Detail Table

Dollars in Thousands

Budgetary Resources	FY 2017 Actual		FY 2018 Estimated		FY 2019 Estimated		FY 2018 to FY 2019 $ Change		FY 2018 to FY 2019 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FT	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Shared Services Programs		$238,808		$236,458		$225,198		($11,260)		-5%
Centralized Treasury Administrative Services		$0		$0		$148,109		$0		NA
Administrative Support Services		$165,475		$160,258		$173,713		$13,455		8%
Information Technology Services		$186,424		$185,958		$174,376		($11,582)		-6%
Recoveries from Prior Years		$5,492		$20,849		$22,925		$2,076		10%
Unobligated Balances from Prior Years		$175,188		$182,961		$194,146		$8,185		4%
Total Revenue/Offsetting Collections		**$771,387**		**$786,484**		**$935,467**		**$148,983**		**19%**
Expenses/Obligations										
Shared Services Programs	235	$235,812	255	$236,458	255	$225,198	0	($11,260)	0.00%	-5%
Centralized Treasury Administrative Services	0	$0	0	$0	207	$148,109	20	$148,109	NA	NA
Administrative Support Services	974	$157,284	1,012	$158,241	1,012	$160,087	0	$1,846	0.00%	1%
Information Technology Services	493	$195,441	503	$198,296	503	$193,799	0	($4,497)	0.00%	-2%
Total Expenses/Obligations	**1,702**	**$588,537**	**1,770**	**$592,995**	**1,977**	**$727,193**	**20**	**$134,198**	11.70%	23%
Net Results		**$182,850**		**$193,489**		**$208,274**		**$14,785**		**8%**

Note: Total Revenue/Offsetting Collections and Total Expenses/Obligations in FY 2019 reflect the transfer of the Centralized Treasury Administrative Services into the Treasury Franchise Fund.

1.2 – Budget Adjustments Table

Dollars in Thousands

Treasury Franchise Fund	FTE	Amount
FY 2018 Estimated	**1,770**	**$592,995**
Changes to Base:		
Maintaining Current Levels (MCLs):		$8,578
Pay Annualization	0	$999
Non-Pay	0	$7,578
Subtotal Changes to Base	0	$8,578
Total FY 2019 Base	**1,770**	**$601,573**
Program Changes:		
Program Increases:	207	$148,109
Centralized Treasury Administrative Services (CTAS)	207	$148,109
Program Decreases:	0	($22,489)
Increase Operational Efficiencies (SSP)	0	($14,681)
Operational Support (ARC IT)	0	($7,808)
Total FY 2019 Estimated	**1,977**	**$727,193**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... + $8,578,000 / + 0 FTE
<u>Pay Annualization +$999,000 / +0 FTE</u>
Funds are required for annualization of the January 2018 pay-raise.

<u>Non-Pay +7,578,000 / +0 FTE</u>
Funds are required for non-labor expenses such as travel, contracts, rent, supplies, and equipment.

Program Increases………………………………………………… + $148,109,000 / + 207 FTE
<u>Centralized Treasury Administrative Services</u>
Treasury proposes to move DO administrative services to the TFF in FY 2019 to consolidate broad-scale administrative functions and capital investment activities into one account. It will also provide one governance process for reimbursable programs in DO. The TFF structure allows for more effective capital investments over multiple fiscal years and provides stability during a continuing resolution for more efficient contract execution. Customers will benefit from consolidation of like services, consistent points of contacts for service providers, less confusion during budget execution, and increased direct customer involvement through joint governance. Administrative programs will benefit as they will budget for and execute all services in one account and will be able to better leverage staff across functions. The move also will streamline cash management as services are paid for in consistent monthly amounts rather than billed in arrears based on actuals.

Program Decreases……………………………………………………..- $22,489,000 / + 0 FTE
<u>Increase Operational Efficiencies (SSP) -$14,681,000 / +0 FTE</u>
Decrease of $14,681,000 is due to modifications and investments that will not recur in FY 2019, such as the HR Connect upgrade. This decrease is also due to the identification of efficiencies in non-labor costs, primarily IT contracts.

<u>Operational Support (ARC IT) -$7,808,000 / +0 FTE</u>
Decrease of $5,319,569 is due to a timing differences in the collection of funds and obligation of those funds in support of a major cybersecurity initiative known as CyberClean. Decrease of $1,871,351 due to significant non-recurring FY 2018 investments to enhance the TreasuryDirect (Treasury Retail Investment Manager) system that will be offset by hardware and software annual maintenance. The remaining decrease is the net of various increases and decreases for numerous operational support contracts that are the result of typical fluctuations that occur with IT operations.

1.3 – Operating Levels Table

Dollars in Thousands

Treasury Franchise Fund Object Classification	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
11.1 - Full-time permanent	139,899	145,260	170,773
11.3 - Other than full-time permanent	555	632	690
11.5 - Other personnel compensation	1,992	1,747	3,958
11.6 - Overtime	2,819	3,158	3,168
11.9 - Personnel Compensation (Total)	**145,265**	**150,797**	**178,589**
12.0 - Personnel benefits	49,339	53,119	63,922
Total Personnel and Compensation Benefits	**$194,604**	**$203,916**	**$242,511**
21.0 - Travel and transportation of persons	1,629	1,870	1,941
22.0 - Transportation of things	24	6	28
23.1 - Rental payments to GSA	4	4,752	38,602
23.2 - Rental payments to others	50	270	656
23.3 - Communication, utilities, and misc charges	63,550	67,534	69,356
24.0 - Printing and reproduction	18	0	0
25.1 - Advisory and assistance services	91,522	31,887	32,788
25.2 - Other services	30,867	31,024	41,036
25.3 - Other purchases of goods & serv frm Govt accounts	88,604	93,871	137,154
25.4 - Operation and maintenance of facilities	20	121	501
25.7 - Operation and maintenance of equip	77,509	123,830	124,373
26.0 - Supplies and materials	1,112	813	3,013
31.0 - Equipment	38,974	33,101	35,234
32.0 - Land and structures	26	0	0
43.0 - Interest and dividends	3	0	0
91.0 - Confidential Expenditures	20	0	0
Total Non-Personnel	**393,932**	**389,079**	**484,682**
New Budgetary Resources	**$588,537**	**$592,995**	**$727,193**
FTE	**1,702**	**1,770**	**1,977**

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
The TFF aligns to the following Department of the Treasury (Treasury) Stategic Plan for FY 2018-2022 goals and objectives:
Goal 4: Transform Government-wide Financial Stewardship
Objective 4.3 – Federal Financial Performance: Improve federal financial management performance using innovative practices to support effective government.

Goal 5: Achieve Operational Excellence
Objective 5.1 – Workforce Management: Foster a culture of innovation to hire, engage, develop, and optimize a diverse workforce with the competencies necessary to accomplish Treasury's mission.

Objective 5.2 – Treasury Infrastructure: Better enable mission delivery by improving the reliability, security, and resiliency of Treasury's infrastructure.

Objective 5.3 – Customer Value: Improve customer value by increasing the quality and lowering the cost of Treasury's products and services

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 the TFF's performance and provide timely feedback to customers.

In FY 2019, the TFF will maintain its commitment to excellence and to meeting all strategic goals, financial goals and benchmarks In order to meet the goal of reducing costs to customers, the 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. The 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. TFF-IT effectively protects customer systems and data through cybersecurity initiatives that enhance operations and promote resiliency in critical IT infrastructure and systems. The Treasury Memo, "Data Loss Prevention (DLP)" dated December 11, 2015, and recent Treasury mandates require upgrades to the Trusted Internet Connections (TIC) managed within TFF-IT. To satisfy these requirements, IT will deploy a number of cybersecurity enhancements to satisfy each requirement of the memo. These enhancements are being initiated in FY 2018, and will continue into FY 2019, with continuous reassessment thereafter. Additionally, IT has initiated a multi-year CyberClean initiative. The objective of this project is to strengthen Treasury's cybersecurity posture by working with a third party to benchmark the effectiveness of system security controls, identify gaps or deficiencies in the controls, strengthen response capabilities and assist with incident response, in the event a significant cybersecurity incident or data breach should occur.

B – Budget and Performance by Budget Activity

2.1.1 Shared Services Programs Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Expenses/Obligations	$187,498	$165,419	$225,024	$229,070	$235,811	$236,458	$225,198
Budget Activity Total	**$187,498**	**$165,419**	**$225,024**	**$229,070**	**$235,811**	**$236,458**	**$225,198**
FTE	**202**	**209**	**251**	**228**	**235**	**255**	**255**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Customer Satisfaction with Financial Planning Staff	57.2	59.1	63.0	69.0	75.0	62.0	62.0	65.0
ECM/Web Solutions Response Time to Resolve ECM and Web Solutions Non-Critical Issues/Help Desk Tickets within 10-15 Business Days	96.8	95.0	82.0	82.0	90.8	90.0	85.0	85.0
HR Connect Customer Satisfaction %	90.0	90.1	83.0	82.0	83.0	91.0	83.0	83.0
HR Connect Employee Update Files - Transmission of Employee Update Fields Made to the Specified External Benefit Provider Within Established Timeframes	96.8	100.0	97.3	100.0	98.4	90.0	90.0	90.0
HR Connect Number of Tickets Escalated to Tier 3	212.0	242.0	128.0	N/A	173.0	200.0	200.0	200.0
Average Cost per FTE[1]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,383.0
Annual Effective Spend Rate %[1]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	96.0

1/ New measures in FY 2019. See Section C - Changes in Performance Measures, page 14.

Shared Services Programs Budget and Performance

($225,198,000 from assessments revenue/offsetting collections):

Shared Services Programs (SSP) provide administrative and IT services on a competitive basis and also deliver outstanding customer service. SSP supports the goals and objectives of the updated Treasury Strategic Plan. SSP's initiative to develop the Integrated Talent Management system is an Agency Priority Goal, and supports objective 5.1. SSP programs within the Office of the Chief Information Officer support objective 5.2, and all SSP programs support objective 5.3.

Description of Performance:

- Customer Satisfaction with Financial Planning Staff – All SSP customers are surveyed and the measure reflects the percentage of customers who rate their experience with financial planning staff as "good" or "excellent" on a 5-point scale. This target was exceeded in FY 2017 and SSP strives to exceed this target in FY 2018 as well. SSP will start administering the CTAS budget activity in FY 2019, and the target has been adjusted to reflect this additional work.
- Enterprise Content Management/Web Solutions: This target reflects the percentage of non-critical tickets which are resolved within 10-15 business days. The target service response times are lower in FY 2018 and FY 2019 due to potentially reduced contractor support stemming from recent budget cuts.
- HR Connect Customer Satisfaction: This measure reflects the percentage of customers satisfied with the HR Connect system. The FY 2017 target was not met due to the onboarding of new customers who are less familiar with the system. The HR Connect team strives to improve upon this actual in FY 2018 and FY 2019, but may be impacted by budget constraints.
- HR Connect Employee Update Files: Target reflects the transmission of employee update files made to an external benefit provider within established timeframes. Targets are consistent with the targets used for quarterly Capital Planning and Investment Control and OPM reporting for HR Connect.
- HR Connect Number of Tickets: HR Connect continues to maintain its current target levels. This target is based on implementing process improvements in the Design Documents and Quality Assurance environments.

2.1.2 Centralized Treasury Administrative Services Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Expenses/Obligations	0	0	0	0	0	0	$148,109
Budget Activity Total	**0**	**0**	**0**	**0**	**0**	**0**	**$148,109**
FTE	**0**	**0**	**0**	**0**	**0**	**0**	**207**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Annual Effective Spend Rate %[1]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	96.0

1/ New measure in FY 2019. This target measures the obligation rate for CTAS program to ensure customers pay accurate prices for services rendered. See Section C - Changes in Performance Measures, page 14.

Centralized Treasury Administrative Services Budget and Performance

($148,109,000 from assessments revenue/offsetting collections):

Treasury proposes to move Centralized Treasury Administrative Services (CTAS) to the TFF, consolidating broad-scale administrative functions and capital investment activities in one account. CTAS provides financial management, travel, human resources, IT, real estate and facilities management, building maintenance and other administrative services to federal customers within and outside of Treasury.

Benefits of this proposal include:

- Enable Treasury to use a consistent platform to provide shared services activities within Treasury
- Eliminate the significant risks associated with operating a large shared services function through an annually appropriated account
- Allow Treasury to strategically plan and fund infrastructure investments
- Continue to improve transparency and governance of all shared services at Treasury

2.1.3 Administrative Services Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Expenses/Obligations	$127,747	$128,904	$146,282	$156,869	$157,284	$158,241	$160,087
Budget Activity Total	**$127,747**	**$128,904**	**$146,282**	**$156,869**	**$157,284**	**$158,241**	**$160,087**
FTE	**766**	**816**	**936**	**988**	**974**	**1,012**	**1,012**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Direct Cost as a Percentage of Award Dollars	N/A	0.4	0.1	0.2	0.2	0.5	0.4	0.4
Direct Cost per AP Transaction	N/A	65.4	47.2	59.1	45.5	65.0	58.5	57.3
Direct Cost per FTE in Core HR Services	N/A	976.3	963.0	1,070.3	1,118.8	1,050.0	1,050.0	1,050.0
Direct Cost per System User - Oracle	N/A	18,261.0	21,724.0	16,241.0	16,356.0	22,160.0	18,836.0	18,459.0
Direct Cost per Travel Voucher	N/A	24.8	21.1	19.8	7.8	27.0	10.4	10.2
First Call Resolution - Oracle %	N/A	61.0	56.7	50.3	81.5	50.0	65.0	65.0
Hiring Timeliness %	N/A	89.0	86.7	84.8	85.2	85.0	85.0	85.0
Indirect Cost Admin Services %	23.5	27.1	27.5	22.1	21.9	25.0	25.0	25.0
Timely Contract Issuance	N/A	N/A	N/A	89.3	89.3	90.0	90.0	90.0
Travel Voucher Payments Timeliness %	N/A	99.0	99.2	99.9	99.8	98.0	98.0	98.0
Unqualified Audit Opinions %	N/A	96.0	100.0	100.0	100.0	100.0	100.0	100.0

Administrative Services Budget and Performance

($160,087,000 from assessments revenue/offsetting collections):

The TFF's Administrative Services are provided by the Bureau of Fiscal Service's Administrative Resource Center (ARC) and supports the Administration, OMB and Treasury's shared services initiatives. Through fully integrated and standardized administrative systems and processes, ARC has a history of high performance and is considered a leader in delivering high quality and cost effective federal shared services. As a critical partner to OMB and Treasury, Administrative Services supports:

- the Financial Management Line of Business, designated FSSP by OMB,
- the Budget Formulation and Execution Line of Business, designated FSSP by OMB, and
- Treasury's Human Resources Line of Business.

ARC provides services in the areas of financial management, procurement, travel and relocation, and human resources. Service value is achieved through cost sharing opportunities in systems capital investments and maintenance, as well as, reduced operating costs through standardized, compliant and streamlined, high quality and responsive, value added services. The Administrative Services Activity's success is demonstrated by its 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.

ARC Administrative Services supports Strategic Objectives 4.3, 5.1 and 5.3.

Description of Performance:
In FY 2017 ARC continued to establish themselves as a leader in federal shared services through meeting high expectations and performance standards; the following bullets highlight Administrative Services' performance:

- Each service line reports a financial and quality metric.
    - Direct Cost as a Percentage of Award Dollars – Procurement Services measure comparing direct operational costs to total amount of award dollars obligated
    - Direct Cost per AP Transaction – Financial Management Services measure comparing all direct accounts payable operational costs to # of accounts payable transactions
    - Direct Cost per FTE in Core HR Services – Human Resource Services measure comparing direct operational costs to # of unique employees serviced within Classification, Staff Acquisition, Processing Operations, and Employee Benefits.
    - Direct Cost per System User - Oracle – Systems measure comparing all Oracle direct operational costs to # of Oracle users
    - Direct Cost per Travel Voucher – Travel Services measure comparing direct operational costs of E-Gov travel services to # travel drivers within same service
    - First Call Resolution - Oracle % – Systems measure of first call resolution of call-related tickets about Oracle concerns
    - Hiring Timeliness % – Human Resource Services measure of percentage completed of ARC portion of the hiring process within 23 calendar days
    - Timely Contract Issuance – Procurement Services measure of percentage of all contract types completed within their designated business days as labeled on service description (varies between 60 to 120 days depending on type)
    - Travel Voucher Payments Timeliness % – Travel Services measure of percentage of approved travel vouchers, including split disbursements, paid within five business days
    - Unqualified Audit Opinions % – Financial Management measure of percentage of audit opinions for items under ARC control and responsibility

- One business line measure
    - Indirect Cost Admin Services % – Total indirect costs across entire Administrative business line vs all costs
- All quality measures generally within same range as previous FY except for First Call Resolution – Oracle % because previously both email and call related tickets were considered while FY 2017 results and future targets only focus on call related tickets. Calls are generally less complex and more likely to be accomplished on first attempt.
- All financial measures continue trend in favorable position for ARC except for one measure discussed subsequently.
- Met 9 of 11 performance metrics, the following are the two exceptions;
    - Timely Contract Issuance – the Timely Contract Issuance metric was implemented in FY 2016 and the actual performance is less than 1 percent from the initial target for the second straight year. ARC is confident that the new metric target is achievable and the service line owner is committed to achieving it in future years.
    - Direct Cost per FTE in Core HR Services – the achievement of this service metric was impacted by the government-wide hiring freeze. The freeze resulted in a significant work volume decrease from historical levels supported by our federal workforce. ARC continues to work with customer agencies to understand the changes to the HR service demand for future years, thereby enabling them to align resources to support the demand and achieve the cost target in FY 2018 and FY 2019.
- Expanded, improved, and implemented services and new requirements in support of current and future customers.
    - Initial implementation of Oracle's Service Oriented Architecture, provides flexibility for third party integrations and ARC's standard solution.
    - Deployed Concur's "Skybridge" and mobile enhancements, improving travel booking and user convenience/experience.
    - Successfully met new DATA Act reporting requirements for all customers.
- Improved stakeholder confidence by receiving unmodified opinions on financial statements for 20 Administrative Service customers and receipt of the 14th consecutive clean Statement on Standards for Attestation Engagements (SSAE) report on ARC service controls.

In FY 2018 and FY 2019, Administrative Services will continue to provide high quality service and continue support of shared services in transforming the way federal administrative services are delivered. This will include a commitment to expanding shared service usage, meeting or exceeding service metrics, and continuing efforts to improve efficiency and effectiveness, including upgrades to the Oracle E-Business Suite and other support systems, and deployment of business intelligence/data analytics and accounting reconciliation and financial statement solutions.

2.1.4 Information Technology Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Expenses/Obligations	$152,050	$149,992	$162,895	$192,877	$195,441	$195,441	$193,799
Budget Activity Total	**$152,050**	**$149,992**	**$162,895**	**$192,877**	**$195,441**	**$195,441**	**$193,799**
FTE	**457**	**459**	**459**	**499**	**493**	**503**	**503**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Fiscal IT Hosting – Percentage of Time Service is Operational (Uptime Excluding Planned Maintenance)	N/A	N/A	N/A	1.0	1.0	1.0	1.0	1.0
Percentage of POA&Ms Scheduled for closure in last 30 days - closed early or on time	N/A	N/A	N/A	0.7	0.9	0.9	0.9	0.9
Number of Engagements in Strategic Sourcing for "Service Provider" or Other Shared Services Opportunity	N/A	N/A	N/A	1.0	2.0	2.0	2.0	2.0

Information Technology Services Budget and Performance
($193,799,000 from assessments revenue/offsetting collections):
The TFF’s Information Technology (IT) Services provides shared services to a variety of federal customers. IT Services provides services such as Security Assessment and Authorization (SA&A), Continuous Monitoring, Hosting Services and Software Development. Value is provided through consolidated IT infrastructures and standardized IT service delivery in a modern, technically innovative, and secure environment. Also, the TFF is one of two Treasury trusted internet connection providers and hosts Treasury’s public domain name system. The TFF’s IT Services Activity is designated by OMB as a Shared Service Center for Information Systems Security Line of Business.

Description of Performance:
In FY 2017, IT Services met all target performance measures. The following bullets highlight the IT performance:

- Fiscal IT Hosting – IT Services consistently met the 99% infrastructure uptime target, and this was a major factor in an overall customer satisfaction rating of 93%. Additionally, IT met or exceeded service level commitments with a 92% timely incident/service request resolution rate. Service value is achieved through cost effective hosting services and responsive, value-added support and customer service.

- Closure of Plan of Action and Milestones (POA&M) – POA&Ms are generated when system (application) assessments are conducted or when an external IT security audit is performed. Timely responsiveness to these findings is one of many measures of a healthy infrastructure. In FY 2017, IT Services successfully closed 576 POA&Ms.

- Number of engagements for strategic sourcing – This metric is defined as new work (Hosting, Security Services, Software Engineering, etc.) outside of the current scope for existing customers, onboarding of new customers, or establishment of a contract vehicle for Treasury or Government-wide use. In the second quarter of FY 2017, IT Services took the lead on awarding a Treasury-wide strategic contract vehicle for Adobe licenses. In the third quarter, IT performed a Security Assessment & Accreditation (SA&A) review for a HHS system that had not previously been part of our customer portfolio.

For FY 2018 and FY 2019, IT Services continues to strive for high performance targets for all three performance measures and will use targeted efforts with regular reviews to monitor progress.

C – Changes in Performance Measures

Performance Measure or Indicator	**Change and Justification**
Average Cost per FTE (New SSP Performance Measure)	This target measures the cost to Treasury customers for SSP programs. The total budget for Treasury shared programs, excluding customer specific requests and modifications, is divided by the number of enacted Treasury FTE to determine the per FTE cost for these programs. SSP strives to provide these shared services to customers at a competitive price. The FY 2019 target is based on historical budget data. See section 2.1 Shared Services Programs Resources and Measures.
Annual Effective Spend Rate: (New SSP Performance Measure)	This target measures the obligation rate for SSP programs, excluding funds that are collected for reserve programs. SSP strives to attain a high obligation rate to ensure that customers pay accurate prices for services rendered. The FY 2019 target is based on historical budget data. See 2.1.1 Shared Services Programs Resources and Measures.
Annual Effective Spend Rate: (New CTAS Performance Measure)	This target measures the obligation rate for CTAS programs, excluding funds that are collected for reserve programs. CTAS strives to attain a high obligation rate to ensure that customers pay accurate prices for services rendered. The FY 2019 target is based on historical budget data. See section 2.1.2 CTAS Resources and Measures.

With the publication of the Treasury Strategic Plan for FY 2018-2022, the TFF will work this year to baseline its performance against the new strategic objectives. This could result in additional changes to performance measures in the FY 2020 budget.

Section III – Additional Information

A – Summary of Capital Investments

The 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 flexible and efficient interfaces with customers' third-party applications.

The TFF 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.

A summary of capital investment resources, including major IT 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.

ARC's capital investments are contained within the Fiscal Service capital investment summary. SSP's capital investments are contained within the Departmental Offices capital investment summary.

B - TFF Program Costs

This information is provided to fulfill requirements of the annual Financial Services and General Government appropriations bill (Section 124 in the FY 2017 enacted).

Treasury Franchise Fund – Shared Services Programs, FY 2017 Total Charges by Customer

2017 SSP Customers	Enterprise Business Solutions	Infrastructure Operations	Cybersecurity	IT Strategy And Technology Management	Non-Information Technology Services	Total
Alcohol Tobacco Tax and Trade Bureau	356,720	584,796	83,284	24,296	312,173	1,361,268
Bureau of Printing and Engraving	1,435,546	4,038,810	235,249	92,748	873,254	6,675,607
Bureau of the Fiscal Service	5,499,956	765,586	358,828	110,247	1,515,240	8,249,857
Consumer Financial Protection Bureau	1,234,709	5,790	411		199,736	1,440,646
Commodities Futures Trading Commission					58,310	58,310
DHS Customs and Immigration Service					66,759	66,759
DHS Headquarter					165,784	165,784
DHS U.S. Secret Service	1,498,752	22,648	1,607		63,912	1,586,919
Community Development Financial Institutions Fund	227,034	38,532	7,813	3,808	117,933	395,120
DC Pensions	27,829	101,135	4,706	964	67,065	201,700
Federal Financing Bank	143,566	161,753	7,524	1,543	67,966	382,352
Financial Stability Oversight Council	322,971	180,598	7,996	1,639	64,164	577,368
Treasury Office of Financial Research	216,829	5,539,490	237,890	11,087	396,317	6,401,612
Treasury Office of Financial Stability	1,133,836	415,407	17,642	3,615	292,850	1,863,350
Treasury Office of Technical Assistance	21,405	104,337	3,295	675	186,588	316,299
Small Business Lending Fund Administration	27,793	96,074	4,471	916	49,415	178,669
Treasury Departmental Offices	5,340,002	7,786,985	1,050,181	71,103	3,406,520	17,654,792
State Small Business Credit Initiative Administration	20,577	45,578	2,123	434	54,857	123,568
Treasury Executive Office of Asset Forfeiture	1,230,224	190,127	6,822	1,398	110,179	1,538,751
Treasury Terrorism Risk Insurance Program	7,941	50,532	2,351	482	26,682	87,988
Department of Commerce	11,159,248	169,597	12,034		608,886	11,949,764
DOD - U.S. Air Force					135,907	135,907
Department of Energy					1,560	1,560
Department of Interior	92,715				3,815	96,530
DOJ - Drug Enforcement Agency					40,019	40,019
DOJ - Executive Office of Immigration Review					12,979	12,979
DOJ Alcohol Tobacco Firearms and Explosives	1,686,040	29,061	2,062		122,141	1,839,303
Department of Labor	5,156,661	56,365	4,000		205,953	5,422,979
DOL - Bureau of Labor Statistics					31,366	31,366
DOL - Office of the Inspector General					5,408	5,408
DOT Federal Transit Agency					24,780	24,780
Department of Education					114,324	114,324
Export Import Bank Office of the Inspector General					4,326	4,326
Federal Communications Commission	46,007				1,844	47,851
Federal Deposit Insurance Corporation	164,512				3,716	168,228
Federal Deposit Insurance Corporation - Office of the Inspector General					10,572	10,572
Federal Emergency Management Agency	399,159				101,324	500,483
Federal Housing Finance Agency					55,190	55,190
Financial Crimes Enforcment Network	249,276	1,008,157	54,808	16,583	254,600	1,583,424

2017 SSP Customers	Enterprise Business Solutions	Infrastructure Operations	Cybersecurity	IT Strategy And Technology Management	Non-Information Technology Services	Total
Federal Reserve Board					4,332	4,332
Government Accountability Office	639,567	11,043	784		27,364	678,758
General Services Administration					150,638	150,638
Housing and Urban Development	3,614,457	26,454	1,877		297,611	3,940,398
HUD - Office of Inspector General	173,633					173,633
Internal Revenue Service	42,944,733	67,956,930	8,889,397	4,006,139	15,238,678	139,035,876
U.S. Mint	1,495,602	1,461,722	249,858	90,338	973,334	4,270,853
National Records and Archives Administration					41,398	41,398
Office of the Comptroller of the Currency	2,263,597	1,174,067	394,653	169,800	892,601	4,894,718
Office of Government Ethics					6,455	6,455
Treasury Office of Inspector General	214,281	476,167	27,866	10,268	124,013	852,596
Overseas Private Investment Corporation					18,067	18,067
Peace Corps	138,833				4,555	143,388
Small Business Administration	604,574				68,407	672,982
Special Inspector General for TARP	265,059	1,073,480	45,160	9,256	161,611	1,554,565
National Gallery of Art					30,285	30,285
TFF - Administrative Resource Center/1	1,489,592	2,599,993	148,968	72,260	389,797	4,700,610
Treasury Inspector General for Tax Administration	658,883	2,340,112	132,207	41,505	396,366	3,569,073
USAID	2,746,198	17,331	1,230		104,920	2,869,678
Veterans Affairs					71,306	71,306
Total	94,953,316	98,528,658	11,997,092	4,741,104	28,844,736	**239,064,905**

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 2017 Total Charges by Customer

2017 ARC Customers	Financial Management Services	FMLoB FEES	Human Resource Services	Procurment Services	Travel Services	Information Technology Services	Grand Total
ACCESS BOARD	249,521.00		105,097.00	55,747.00	30,112.00		440,477.00
ADMIN OFFICES OF THE US COURTS	481,204.00						481,204.00
ADMINISTRATION FOR CHILDREN AND FAMILIES	104,543.98						104,543.98
AFRICAN DEVELOPMENT FOUNDATION	927,090.00			389,355.00	31,367.00		1,347,812.00
AGENCY FOR INTERNATIONAL DEVELOPMENT	89,556.00	95,819.00					185,375.00
AGENCY FOR INTERNATIONAL DEVELOPMENT - OIG	103,946.00						103,946.00
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU	842,036.00		994,135.00	817,852.00	242,202.00		2,896,225.00
ALCOHOL TOBACCO FIREARMS AND EXPLOSIVES					779,333.00		779,333.00
ARMED FORCES RETIREMENT HOME	1,081,238.91		1,335,858.49	1,006,827.59	25,074.66		3,448,999.65
BUREAU OF ENGRAVING AND PRINTING			1,114,179.00		137,850.00		1,252,029.00
BUREAU OF THE FISCAL SERVICE	15,703,773.00		5,294,556.00	5,054,760.00	582,126.00	157,456,342.11	184,091,557.11
CDFI PROGRAM FUND	1,071,177.00		120,394.00	276,414.00	20,470.00		1,488,455.00
CENTER FOR DISEASE CONTROL					1,815,508.00		1,815,508.00
CHEMICAL SAFETY AND HAZARD BOARD	279,070.00			18,509.00	30,620.00		328,199.00
COMPTROLLER OF THE CURRENCY				116,584.00			116,584.00
CONSUMER FINANCIAL PROTECTION BUREAU	1,549,998.00		3,807,351.00	1,682,406.00	1,436,366.00	4,354.00	8,480,475.00
CONSUMER PRODUCT SAFETY COMMISSION					9,129.00		9,129.00
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	95,989.00						95,989.00
DC PENSIONS PROJECT OFFICE	2,129,975.00		32,081.00	34,331.00	1,640.00	1,730,933.00	3,928,960.00
DEFENSE HEALTH AGENCY					55,444.00		55,444.00
DEFENSE NUCLEAR FACILITIES SAFETY BOARD			54,535.00				54,535.00
DENALI COMMISSION	380,423.00		85,531.00	84,294.00	20,068.00		570,316.00
DEPARTMENT OF AGRICULTURE		167,510.00					167,510.00
DEPARTMENT OF AGRICULTURE - OIG			-8,595.80				-8,595.80
DEPARTMENT OF COMMERCE		191,638.00				286,864.00	478,502.00
DEPARTMENT OF EDUCATION		230,616.00					230,616.00
DEPARTMENT OF ENERGY	127,162.00	124,236.00					251,398.00
DEPARTMENT OF HEALTH & HUMAN SERVICES		230,616.00			151,015.00	61,176.00	442,807.00
DEPARTMENT OF HEALTH & HUMAN SERVICES - OIG					4,043.00		4,043.00
DEPARTMENT OF HOMELAND SECURITY	497,584.00					537,607.00	1,035,191.00
DEPARTMENT OF HOMELAND SECURITY - CIS					422,025.00		422,025.00
DEPARTMENT OF HOMELAND SECURITY - OIG	679,276.00		89,386.00	130,041.00	284,024.00		1,182,727.00
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	20,122,764.58	230,616.00	14,525,945.96	2,770,380.00	3,071,289.00		40,720,995.54
DEPARTMENT OF JUSTICE	130,452.00	124,236.00					254,688.00
DEPARTMENT OF LABOR	237,222.00	141,399.00					378,621.00
DEPARTMENT OF STATE	584,123.00	95,892.00					680,015.00
DEPARTMENT OF THE INTERIOR	1,580,601.86	124,236.00					1,704,837.86
DEPARTMENT OF TRANSPORTATION		230,616.00					230,616.00
DEPARTMENT OF VETERANS AFFAIRS	665,366.00	158,998.00					824,364.00
DEPARTMENT OF VETERANS AFFAIRS - OIG			2,279,819.00				2,279,819.00
DEPARTMENT OF VETERANS AFFAIRS - TAC						367,326.00	367,326.00
ELECTION ASSISTANCE COMMISSION	388,605.00			154,601.00	39,082.00		582,288.00
ENVIRONMENTAL PROTECTION AGENCY		95,819.00				173,100.00	268,919.00
FARM CREDIT ADMINISTRATION	371,988.00			46,853.00	245,634.00		664,475.00
FARM CREDIT SYSTEM INSURANCE CORPORATION	198,042.00			1,464.00	4,805.00		204,311.00
FEDERAL EMERGENCY MANAGEMENT AGENCY					35,369.00		35,369.00
FEDERAL HOUSING FINANCE AGENCY	1,027,442.00			170,746.00	290,688.00		1,488,876.00
FEDERAL HOUSING FINANCE AGENCY - OIG	366,593.00		338,095.00	408,104.00	102,887.00		1,215,679.00

2017 ARC Customers	Financial Management Services	FMLoB FEES	Human Resource Services	Procurment Services	Travel Services	Information Technology Services	Grand Total
FEDERAL LABOR RELATIONS AUTHORITY	472,780.00			48,851.00	53,555.00		575,186.00
FEDERAL MARITIME COMMISSION	323,986.00			73,590.00	28,515.00		426,091.00
FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION	293,390.88		138,752.48	15,581.66	32,705.82		480,430.84
FINANCIAL CRIMES ENFORCEMENT NETWORK	651,146.75		228,107.75	705,362.00	72,560.00	2,634,409.00	4,291,585.50
FOOD AND DRUG ADMINISTRATION					577,663.00		577,663.00
GENERAL SERVICE ADMINISTRATION		41,332.00					41,332.00
GULF COAST ECOSYSTEM RESTORATION COUNCIL	271,520.00		23,600.03	23,309.00	12,243.00		330,672.03
INTER AMERICAN FOUNDATION	838,893.00			621,965.00	33,489.00		1,494,347.00
MERIT SYSTEMS PROTECTION BOARD	403,133.00			20,715.00	71,543.00		495,391.00
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	137,286.16	124,236.00				487,484.00	749,006.16
NATIONAL ARCHIVES & RECORDS ADMINISTRATION	3,901,983.00			539,506.00	321,782.00		4,763,271.00
NATIONAL MEDIATION BOARD	342,962.00			212,526.00	65,304.00		620,792.00
NATIONAL SCIENCE FOUNDATION		139,094.00			57,387.00		196,481.00
NUCLEAR REGULATORY COMMISSION		41,332.00					41,332.00
OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION	254,045			14,635	25,840		294,520
OFFICE OF ADMINISTRATION, EXEC OFF OF THE PRES	1,254,598			251,402	379,044		1,885,044
OFFICE OF FINANCIAL STABILITY	344,499		185,546	71,289	17,455		618,789
OFFICE OF GOVERNMENT ETHICS	325,523		236,299	204,578	13,066		779,466
OFFICE OF PERSONNEL MANAGEMENT		41,322					41,322
OFFICE OF PERSONNEL MANAGEMENT - OIG						33,575	33,575
OFFICE OF TECHNICAL ASSISTANCE (OTA)	914,699		71,859	40,094	131,427		1,158,079
OFFICE OF THE INSPECTOR GENERAL	351,219		625,483	146,166	75,185		1,198,053
RAILROAD RETIREMENT BOARD					5,258		5,258
SECURITIES AND EXCHANGE COMMISSION	1,274,482						1,274,482
SMALL BUSINESS ADMINISTRATION		67,475					67,475
SOCIAL SECURITY ADMINISTRATION		67,475				827,750	895,225
SPECIAL INSPECTOR GENERAL - TARP	330,327		445,665	232,344	109,389	21,720	1,139,445
TREASURY DEPARTMENTAL OFFICES	3,674,565		4,607,009	920,574	616,656		9,818,804
TREASURY FRANCHISE FUND/ADMINISTRATIVE SERVICES[/1]						14,959,557	14,959,557
TREASURY FRANCHISE FUND/INFORMATION TECHNOLOGY[/1]	839,222		1,101,026	1,233,473	132,426		3,306,147
TREASURY FRANCHISE FUND/SHARED SERVICES PROGRAM[/1]	588,253	95,892	1,499,447	290,144	14,675	6,145,857	8,634,268
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION	690,211		1,697,908	744,473	440,519		3,573,111
TRUST FUND - BLACK LUNG DISABILITY	163,966						163,966
TRUST FUND - FEDERAL DISABILITY	425,468						425,468
TRUST FUND - FEDERAL HOSPITAL INSURANCE	476,434						476,434
TRUST FUND - FEDERAL OLD AGE & SURVIVORS	425,468						425,468
TRUST FUND - FEDERAL SUPPLEMENT INSURANCE	482,760						482,760
TRUST FUND - OIL SPILL LIABILITY	112,300						112,300
TRUST FUND - UNEMPLOYMENT	700,988						700,988
UNITED STATES MARSHALS SERVICE					8,237		8,237
UNITED STATES MINT	8,234,241		3,315,790	1,755,193	236,537		13,541,761
US COURT OF APPEALS FOR VETERANS	252,971			7,360	13,042		273,373
USDA FOOD AND NUTRITION						856,964	856,964
USDA FOREST SERVICE	116,856						116,856
USDA OCIO INTERNATIONAL TECHNOLOGY SERVICES			1,293,359				1,293,359
USDA OFFICE OF INSPECTOR GENERAL			66,508				66,508
Grand Total	**81,936,939**	**2,860,405**	**45,704,727**	**21,392,399**	**13,413,673**	**186,585,018**	**351,893,161**

1/ARC bills all customers for services, including ARC Admin, ARC IT, and SSP. Costs are initially billed and collected from ARC Admin, ARC IT, and SSP customers.

Department of the Treasury
Treasury Forfeiture Fund

Congressional Budget Justification and Annual Performance Report and Plan

FY 2019

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 Fund, which is the receipt account for deposit of non-tax forfeitures made pursuant to laws enforced or administered by participating Treasury and Department of Homeland Security (DHS) bureaus. Principal revenue-producing bureaus include U.S. Customs and Border Protection, U.S. Immigration and Customs Enforcement, the Internal Revenue Service, and the U.S. Secret Service, among others. The Fund is a special fund, defined as a Federal fund account for receipts earmarked for specific purposes and the expenditure of those receipts. The law (31 U.S.C. 9705) allows TEOAF to use the funds for payment of all proper expenses of seizure or the proceedings of forfeiture and sale.

Revenues deposited in 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.

- **Mandatory** expenses represent operating costs of the Fund, including 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)** expenses are funded from 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 bureau participating in the Fund.

- **Strategic Support (formerly known as Super Surplus)** authority, established by Congress in 31 U.S.C. 9705(g)(4)(B), allows TEOAF to fund priority federal 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.

Priorities: In FY 2019, TEOAF will continue to support the investigations and activities of the participating law enforcement bureaus. The bulk of TEOAF expenses include supporting seizures and forfeitures to protect the health and safety of U.S. citizens and the commercial interests of U.S. businesses from pernicious criminal activity. Funds are expended for seizure, storage, maintenance, disposition, and destruction and all costs associated with those activities.

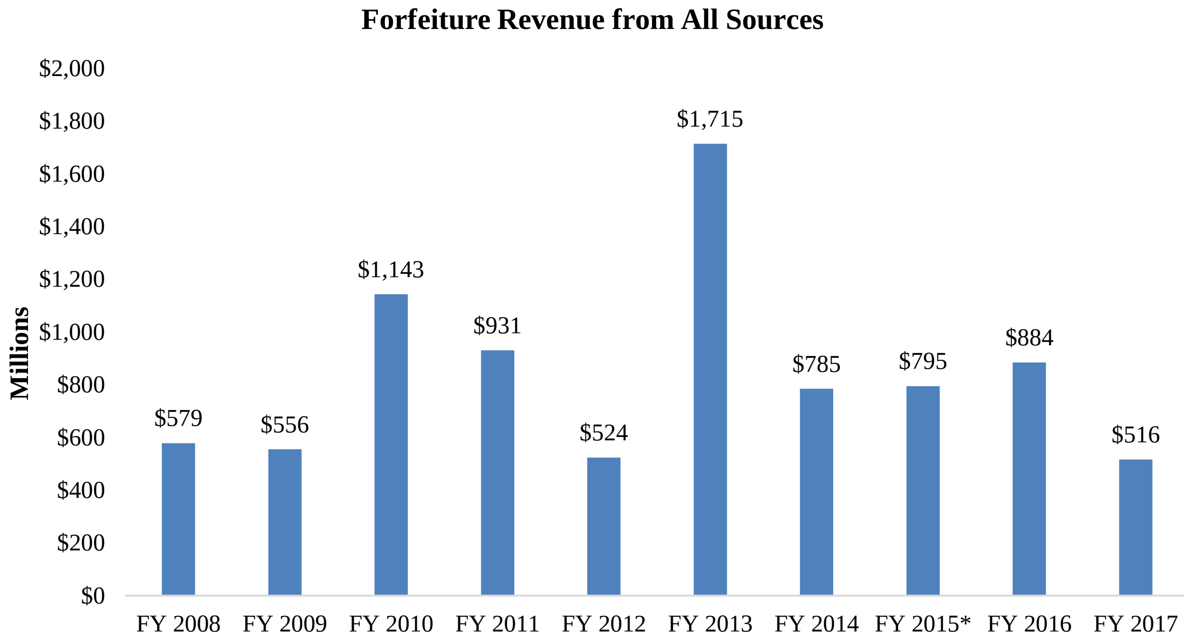
TEOAF focuses on supporting cases and investigations that meet the mission of disrupting and dismantling criminal enterprises. To this end, TEOAF prioritizes major case[1] initiatives when allocating funding to member agencies, including the purchase of evidence and information, joint operations expenses, investigative expenses leading to seizure, and asset identification and removal teams. Major case initiatives are aligned directly to the National Money Laundering and Southwest Border strategies.

TEOAF also combats emerging patterns and practices that threaten our Nation's financial stability. Funds are used to support anti-money laundering/combating financing of terrorism (AML/CFT) investigations and activities. To be effective, analysis of large data caches and cryptocurrency-related crime requires large investments in advanced information technology hardware, software, training, and other capabilities. These investments buttress the AML/CFT strategy of the Secretaries of Homeland Security and the Treasury. If available, TEOAF plans to use Strategic Support (formerly super surplus) funds in FY 2019 to support such investments.

Challenges: Recently-enacted large rescissions have had a severe negative impact on the participating member agencies' investigations. Insufficient and inconsistent funding support, uncertainty about future funding, investigations disrupted by cash flow problems, and inability to obtain necessary technology/infrastructure in the absence of Strategic Support all undermine both current and future financial investigations and forfeitures. FY 2017 total revenue was the lowest since FY 2007, and the substantial drop in "base" revenue (revenue from non-major forfeitures) that is relied upon to cover basic mandatory costs of the forfeiture program is especially troubling. Total FY 2017 "base" revenue was $349 million, as compared to $419 million in FY 2016, $387 million in FY 2015, and $410 million in FY 2014.

[1]A major case refers to a case where the forfeiture results in a deposit greater than $5 million, or a case that disrupts, dismantles, or interrupts money laundering networks or other financial activities that threaten the financial stability, financial system, or financial interests of the United States.

The table below reflects forfeiture revenue from all sources including direct revenue, reverse asset sharing, and interest earned.



*FY 2015 data does not include the BNP Paribas S.A. forfeiture in the amount of $3,839 million. Of that amount, $3,800 million was permanently rescinded and transferred to the newly-created U.S. Victims of State Sponsored Terrorism Fund (USVSST) as directed by Congress under the Consolidated Appropriations Act of 2016, Pub. L. 114-113, Div. O, Tit. IV, §404(e) and §405(b). The remainder is precluded from obligation.

Participating agencies are seeing reluctance in the field to undertake complex major investigations due to the lack of assurance that their efforts would receive continuous support. Strategic Support funding is especially critical as a strategic investment in the agencies' operational capabilities and infrastructure supporting major cases. It provides law enforcement much-needed flexibility to respond in real time to unanticipated critical needs, such as those driven by technology advancements or emerging criminal threats. It often serves as seed funding for innovations that need to be tested and refined prior to full-scale implementation.

It is precisely the most important, high-impact[2] financial investigations that suffer the most from the absence of Strategic Support funding, as they require additional resources and cutting-edge capabilities (e.g., big data analytics, virtual currency tracking, mobile forensics). Undermining these major financial investigations will directly impact the ability of Treasury and DHS to respond to priority threats such as identity theft, fentanyl trafficking, and network intrusion, and to protect the integrity of the U.S. financial system.

In addition, TEOAF tracks future remission payments to third parties as contingent liabilities. However, these amounts are not recorded as obligations from the Fund until the Department of Justice grants the petition for remission. The third parties are predominantly victims of crimes

[2]A high-impact case refers to a case resulting in a cash forfeiture deposit equal to or greater that $100,000.

that triggered the forfeiture (e.g., Ponzi scheme or kleptocracy victims). Amounts recorded are significant because remission payments from multiple years are recorded and carried forward. The amounts change constantly as payments are made and amounts for new remission cases are added. TEOAF considers the amounts recorded as contingent liabilities as unavailable and believes that consideration of contingent liabilities provides a more accurate representation of the financial position of the Fund.

1.1 – Appropriations Detail Table

Dollars in Thousands

Treasury Forfeiture Fund Budgetary Resources	FY 2017 Actual		FY 2018 Estimated[4]		FY 2019 Estimated		FY 2018 to FY 2019 $ Change		FY 2018 to FY 2019 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Interest	0	$18,930	0	$24,000	0	$9,000	0	(15,000)	0	-62.50%
Restored Temporary Rescission	0	876,000	0	988,000	0	988,000	0	0	0	0.00%
Restored Sequestration	0	124,327	0	96,050	0	96,690	0	640	0	0.67%
Forfeiture Revenue	0	497,096	0	453,000	0	429,000	0	(24,000)	0	-5.30%
Recovery from Prior Years	0	41,622	0	40,000	0	30,000	0	(10,000)	0	-25.00%
Unobligated Balances from Prior Years	0	1,034,832	0	668,529	0	355,158	0	(313,371)	0	-46.87%
Total Revenue/Offsetting Collections		**$2,592,807**		**$2,269,579**		**$1,907,848**		**($361,731)**		**-15.94%**
Expenses/Obligations										
Asset Forfeiture										
Mandatory[1]	25	$479,446	26	$489,833	26	$450,000	0	($39,833)	0	-8.13%
Secretary's Enforcement Fund	0	7,014	0	25,898	0	10,000	0	(15,898)	0	-61.39%
Strategic Support[2]	0	39,768	0	TBD	0	TBD	0	NA	0	NA
Total Expenses/Obligations	**25**	**$526,228**	**26**	**$515,731**	**26**	**$460,000**	**0**	**($55,731)**	**0**	**-10.81%**
Rescissions/Cancellations										
Sequestration Reduction [3]	0	(96,050)	0	(96,690)	0	0	0	96,690	0	-100.00%
Temporary Rescission	0	(988,000)	0	(988,000)	0	0	0	988,000	0	-100.00%
Permanent Cancellation	0	(314,000)	0	(314,000)	0	(400,000)	0	(86,000)	0	27.39%
Total Rescissions/Cancellations		**($1,398,050)**		**($1,398,690)**		**($400,000)**		**$998,690**		**-71.40%**
Net Results		**$668,529**		**$355,158**		**$1,047,848**		**$692,690**		**195.04%**
Contingent Liabilities		**$387,011**		**$355,000**		**$350,000**		**($5,000)**	**0**	**-1.41%**

[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] For fiscal years 2018 and 2019, Treasury will revise Strategic Support (formerly known as Super Surplus) based on enacted appropriations and submit a plan to Congress if funding is available, once more is known about actual collections and expenses.
[3] Treasury will compute the FY 2019 sequestration reduction once the OMB Report to Congress on the Joint Committee Sequestration for Fiscal Year 2019 is released.
[4] FY 2018 full-year appropriations were not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended) and that the 2017 enacted rescission recurs in FY 2018.

1.2 – Operating Levels Table

Dollars in Thousands

Treasury Forfeiture Fund Object Classification	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
25.2 - Other services from non-Federal sources	$56,124	$60,000	$52,000
25.3 - Other goods and services from Federal sources	159,125	120,000	104,000
26.0 - Supplies and materials	19	19	15
41.0 - Grants, subsidies, and contributions	200,689	208,729	200,000
43.0 - Interests and dividends	32	30	30
44.0 - Refunds	43,557	64,953	55,955
94.0 - Financial transfers	46,682	62,000	48000
Total Non-Personnel	**$506,228**	**$515,731**	**$460,000**
Total Budgetary Resources	**$506,228**	**$515,731**	**$460,000**
FTE	**25**	**26**	**26**

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, $400,000,000 are hereby permanently cancelled not later than September 30, 2019.* (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 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.	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 2019.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The purpose 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. TEOAF supports the following Department of the Treasury strategic goal and associated objectives:

- Goal 3: Enhance National Security:
    - 3.1 Strategic Threat Disruption
    - 3.2 AML/CFT Framework

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 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Expenses/Obligations	$908,113	$787,849	$4,360,617	$508,746	$526,228	$515,731	$560,045
Budget Activity Total	**$908,113**	**$787,849**	**$4,360,617**	**$508,746**	**$526,228**	**$515,731**	**$560,045**

Measures	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Percent of Forfeited Cash Proceeds Resulting from High-Impact Cases	95.09	86.73	98.25	89.09	81.79	80.00	80.00	80.00

Treasury Forfeiture Fund Budget and Performance

($560,045,000 in obligations from revenue/offsetting collections):

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 cases that yield 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. However; the performance declined from 89.09% to 81.79% from FY 2016 to FY 2017. This is attributable to large rescissions which resulted in no Strategic Support funding available to the participating agencies in FY 2015 and FY 2016. For FY 2018 and FY 2019, the target will remain at 80 percent. 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.

With the publication of the Treasury Strategic Plan for FY 2018-2022, Treasury will work in FY 2018 to baseline its performance against the new strategic objectives. This could result in additional changes to performance measures in the FY 2020 Budget.

Department of the Treasury Bureau of Engraving and Printing

Congressional Budget Justification and Annual Performance Report and Plan

FY 2019

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. BEP 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 BEP 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.

BEP 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 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. BEP supports the Treasury goals to Boost U.S. Economic Growth and Achieve Operational Excellence.

BEP's FY 2019 request funds the following projects:

1. **Increasing the Department of the Treasury's Efficiency and Effectiveness by Streamlining Operations:** BEP and the United States Mint will streamline certain functions by migrating BEP's online numismatic sales and marketing presence to the Mint's recently modernized E-Commerce infrastructure and services platform, and centrally coordinating non-IT procurements, creating economies of scale and reducing expenses. In addition, the Budget requests the authority for BEP to print security documents for states. Many states are unable to find an American printing firm to produce the documents. These states are turning to foreign companies or lowering their security standards.

2. **Banknote Design and Development:** In FY 2019, 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. Although many factors are taken into consideration, the primary purpose for redesigning currency is to address current and potential counterfeiting threats.

3. **Meaningful Access:** BEP continues its work in FY 2019 on redesigning currency to ensure that U.S. currency notes are accessible for domestic and international users, including the blind and visually impaired, with denominating U.S. currency notes. The three 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. Throughout FY 2019, 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.

4. **Retooling:** BEP is in the process of a multi-year effort to retool its manufacturing processes with state-of–the-art intaglio printing presses, electronic inspection systems, and finishing equipment. To ensure that BEP will meet the yearly currency order, the FRB and BEP developed and established short, medium, and long-term strategic equipment replacement plans 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.

5. **BEP Workforce:** BEP will continues its efforts to fill personnel gaps in needed STEM skill sets in FY 2019. In addition throughout FY 2019, BEP will continue to develop, execute, and communicate the results of Employee Engagement Plans and the Federal Employee Viewpoint Survey (FEVS) annual survey results.

6. **Currency Quality Assurance (CQA) Program:** BEP has partnered with the FRB to improve its quality management program based on the best practices of leading manufacturers. In collaboration with its stakeholders, BEP developed a robust CQA program that began in 2014 and will continue to mature in 2019. BEP builds quality into production processes. Every BEP work activity is aligned and will be resourced to support the CQA 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.

7. **New International Organization for Standardization (ISO) Requirements:** ISO has published updated standards that 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 BEP's QMS, with the inclusion of business processes that support currency manufacturing. This includes processes that affect people, infrastructure and 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.

8. **Replacement Production Facility:** BEP's current Washington, D.C. facility has an aging and outdated infrastructure which drives up costs and adversely impacts quality of the currency. In 2019, BEP requests legislative authority to purchase land and construct a new, smaller, more efficient currency production facility in the National Capital Region. The FRB supports this project. The proposal would save $579 million over 10 years, but with an additional $22 million in savings in 2029, 2020 and 2031. With a new facility, BEP would be able to reduce its space by 28 percent and reduce its annual operating costs by $38 million. Alternatively, BEP would need to renovate the existing Main and Annex Buildings to ensure its ability to meet its mission.

9. **Western Currency Facility Expansion:** Producing the next family of redesigned notes requires that BEP purchase and install new equipment to support the new designs. The expansion will provide the space and infrastructure necessary to successfully meet the new production requirements.

1.1 – Appropriations Detail Table

Dollars in Thousands

Bureau of Engraving and Printing Offsetting Colections	FY 2017 Actual		FY 2018 Estimated		FY 2019 Estimted		FY 2018 to FY 2019 $ Change		FY 2018 to FY 2019 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/ Offsetting Collections:										
Federal Reserve Notes		$706,420		$770,484		$874,610		$104,126		13.51%
Other Security Products		4,000		5,000		5,000		0		0.00%
Currency Reader Program		2,500		0		0		0		NA
New Production Facility		0		64,000		16,820		(47,180)		-73.72%
Total Revenue/Offsetting Collections		**$712,920**		**$839,484**		**$896,430**		**$56,946**		**6.78%**
Expenses/Obligations:										
Direct Manufacturing	721	393,425	724	492,539	724	544,446	0	51,907	0.00%	10.54%
Indirect Manufacturing	1,097	319,495	1,118	346,945	1,112	351,984	(6)	5,039	-0.54%	1.45%
Total Expenses/Obligations	**1,818**	**712,920**	**1,842**	**839,484**	**1,836**	**896,430**	**(6)**	**56,946**	**-0.33%**	**6.78%**
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 2018 Estimated	**1,842**	**$289,149**	**$550,335**	**$839,484**
Changes to Base				
Maintaining Current Levels (MCLs)			$7,957	$7,957
Pay Annualization			1,195	1,195
Non-Pay			6,762	6,762
Subtotal Changes to Base			7,957	7,957
Total FY 2019 Base	**1,842**	**$289,149**	**$558,292**	**$847,441**
Program Changes				
Program Decrease	(6)	($9,667)	($5,140)	($14,807)
Implement Single Note Inspection for $100 and $20 notes		(9,667)	(533)	(10,200)
50-subject $5 note production begins			(3,707)	(3,707)
Authorize and Implement Phased Retirement	(5)		(700)	(700)
Consolidate Transactional HR Services	(1)		(200)	(200)
Program Increase			63,796	63,796
DC Production Facility Replacement			16,820	16,820
Western Currency Facility Expansion			46,976	46,976
Subtotal Program Changes	(6)	(9,667)	58,656	48,989
Total FY 2018 Estimated	**1,836**	**$279,482**	**$616,948**	**$896,430**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$7,957,000 / +0 FTE

Pay Annualization +$1,195,000 / +0 FTE

Funds are required for annualization of the January 2018 pay-raise.

Non-Pay +$6,762,000 / +0 FTE

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

Program Decreases .... -$14,807,000 / -0 FTE

Implement Single Note Inspection - $10,200,000 / -0 FTE

BEP is implementing this additional production process that will increase manufacturing efficiencies.

50 Subject $5 Note Production Begins -$3,707,000 / -0 FTE

Implementing 50 Subject $5 note production will improve manufacturing efficiencies and increase productivity.

Authorize and Implement Phased Retirement -$700,000 / -5 FTE

Offering a Phased Retirement program at BEP will allow managers to provide mentoring opportunities for employees while increasing access to the decades of institutional knowledge and experience that these experienced employees can provide.

Consolidate Transactional HR Services -$200,000 / -1 FTE

BEP will provide employees with standardized and centralized human resources (HR) processes by consolidating transactional HR services with a Shared Service Provider.

Program Increases .... **+$63,796,000 / +0 FTE**

DCF Production Facility Replacement +$16,820,000 / +0 FTE

These funds will be used to develop the requirements to support the new facility project.

Western Currency Facility Expansion +$46,976,000 / +0 FTE

Expansion of the Western Currency Facility is needed to meet redesign currency program requirements.

1.3 – Operating Levels Table

Dollars in Thousands

Bureau of Engraving and Printing Object Classification	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
11.1 - Full-time permanent	$165,271	$162,180	$186,268
11.3 – Other than Full-time Permanent Positions	0	150	155
11.5 - Other personnel compensation	19,781	2,100	2,642
11.6 - Overtime	0	15,000	17,000
11.9 - Personnel Compensation (Total)	**$185,052**	**$179,430**	**$206,065**
12.0 - Personnel benefits	47,046	47,744	66,633
Total Personnel and Compensation Benefits	**$232,098**	**$227,174**	**$272,698**
21.0 - Travel and transportation of persons	$1,293	$1,800	$1,800
22.0 - Transportation of things	286	250	250
23.1 - Rental payments to GSA	2,121	2,000	2,000
23.2 Rent Payments to Others	0	1,000	1,000
23.3 - Communication, utilities, and misc charges	15,758	14,000	14,000
24.0 - Printing and reproduction	530	750	750
25.1 - Advisory and assistance services	3,446	4,000	5,000
25.2 - Other services	75,180	133,000	145,422
25.3 - Other purchaes of goods and services from Government Acco	9	0	0
25.4 - Operation & Maintenance of Facilities	24	8,900	10,000
25.5 - Research & Development Contracts	0	15,000	17,350
25.7 - Operation & Mantenance of Equipment	0	12,000	12,000
26.0 - Supplies and materials	315,452	274,000	260,000
31.0 – Equipment	65,613	145,450	154,000
42.0 – Insurance claims and indemnities	265	160	160
Total Non-Personnel	**$479,977**	**$612,310**	**$623,732**
Total Budgetary Resources	**$712,074**	**$839,484**	**$896,430**
Budget Activities:			
Manufacturing	$712,074	$839,484	$896,430
Total Budgetary Resources	**$712,074**	**$839,484**	**$896,430**
FTE	**1,818**	**1,842**	**1,836**

D – Appropriations Language and Explanation of Changes

The BEP receives no appropriated funds from Congress.

E – Legislative Proposals

BEP requests the authority to print security documents such as birth, marriage, and death certificates for states. Many states are unable to find an American printing firm to produce the documents. These states are turning to foreign companies or lowering their security standards. In 2019, BEP requests legislative authority to purchase land and construct a new, smaller, more efficient currency production facility in the National Capital Region. The FRB supports this project. Alternatively, BEP would need to use existing legislative authorities to renovate the existing Main and Annex Buildings to ensure its ability to meet its mission.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

BEP's vision is to be the world's standard securities printer providing its customers and the public with superior products through excellence in manufacturing and innovation. BEP supports the following Department of the Treasury FY 2018-2022 strategic goals:

- Goal 1: Boost U.S. Economic Growth
    - 1.3 Trusted Currency and Services
- Goal 5: Achieve Operational Excellence
    - 5.1 Workforce Management
    - 5.2 Treasury Infrastructure
    - 5.3 Delivering Customer Value

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 its 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

Dollars in Thousands

Manufacturing Activity	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated	FY 2019 Estimated
Expenses/Obligations	$624,243	$733,208	$778,592	$648,365	$712,920	$839,484	$896,460
Budget Activity Total	**$624,243**	**$733,208**	**$778,592**	**$648,365**	**$712,920**	**$839,484**	**$896,460**
FTE	**1,890**	**1,845**	**1,781**	**1,790**	**1,818**	**1,842**	**1,836**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced)	50.45	41.96	42.35	44.25	43.58	50.00	48.00	48.00
Percent of Currency Notes Delivered Returned Due to Defects	0.4655	0.00001	0.0000003	0.0000003	0.0000008	0.0001	0.0001	DISC
Currency Notes Delivered Returned Due to Defects (parts per million)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	<1 ppm
Best Places to Work in Federal Government Ranking	47	51	74	97	38	99	Upper Quartile	Upper Quartile
Lost Time Accident Rate per 100 Employees	1.63	1.73	1.65	1.77	1.60	1.80	1.80	1.90

Key: DISC - Discontinued

Manufacturing Budget and Performance

($896,430,000 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 and the mix of denominations ordered. Actual performance against standard costs depends on BEP’s ability to meet spoilage, efficiency, and capacity utilization goals. In FY 2017 the cost of manufacturing was lower than anticipated due to the success of the $100 Single Note Inspection program; the actual result was $43.58 per 1,000 notes produced against a target of $48.00. BEP’s target for this performance metric in FY 2018 and FY 2019 is set at $48.00 per 1,000 notes produced.

The Percent of Currency Notes Returned Due to Defects is an indicator of BEP’s ability to provide a quality product. BEP’s FY 2017 target for this performance metric was 0.0001 percent, and the actual result realized for this measure was 0.0000008 percent. This performance indicator will be replaced in FY 2019 with Currency Notes Returned Due to Defects (parts per million (ppm)). BEP’s target for this performance metric will be held constant at <1 ppm for FY 2018 and FY 2019.

BEP’s Best Places to Work in the Federal Government ranking is based on the results of the Partnership for Public Service data on three questions in FEVS. BEP’s final FY 2017 ranking was 38 out of 150. The Partnership will issue updated rankings early in 2018 including more agency components. BEP will continue to target an improvement and strives to be in the upper quartile in rank.

The Lost Time Accident Rate per 100 employees measures the BEP’s ability to reduce injuries and illnesses in the workplace. BEP’s FY 2017 Lost Time Accident rate was at 1.60 cases per

100 employees, lower than the target of 1.80 cases per 100 employees. 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 at 1.80 cases per 100 employees for FY 2018 and will increase to 1.90 cases per 100 employees in FY 2019.

C – Change in Performance Measures

Performance Measure or Indicator	**Change and Justification**
1. Percent of Currency Notes Delivered Returned Due to Defects - discontinued	BEP will replace this indicator with Currency Notes Delivered Returned Due to Defects (parts per million).
2. Currency Notes Delivered Returned Due to Defects (parts per million) - new	Currency Notes Delivered Returned Due to Defects (parts per million) is an indicator of the BEP's ability to provide a quality product. The data will come from BEP's internal management information system and will be reported internally to BEP leadership on a monthly basis and annually to the Department.

With the publication of the Treasury Strategic Plan for FY 2018-2022, BEP will work in FY 2018 to baseline its performance against the new strategic objectives. This could result in additional changes to performance measures in the FY 2020 budget.

Section III – Additional Information

A – Summary of Capital Investments

BEP capital investment strategy is comprised of several broad investment categories with more specific smaller projects in each category.

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, cost effective and efficient in meeting customer requirements for the production of currency notes. In addition, BEP is 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 Treasury Enterprise Identity, Credential and Access Management, 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 FY 2018 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
United States Mint

Congressional Budget Justification and Annual Performance Report and Plan

FY 2019

Table of Contents

Section I – Budget Request

A – Mission Statement
Enables 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 Fiscal Year (FY) 2019, the Mint's total estimated budgetary requirements for operations, metal, and capital investments are $2.97 billion. This budget will support the production of 14.5 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).

To maintain its reputation as one of the finest mints in the world, the Mint is committed to operating according to the core values of service, quality, and integrity. The Mint has three strategic goals to help fulfill its mission and values: 1) to foster a safe, flexible, diverse, and engaged workforce; 2) to improve mission critical activities and governance; and 3) to integrate technology into operations and support lines. These goals align with Treasury Strategic Goals 1 and 5: to boost U.S. economic growth and to achieve operational excellence.

In an effort to align more closely with Treasury's strategic goal of achiving operational excellence, the Bureau of Engraving and Printing (BEP) and the Mint will streamline certain functions by migrating BEP's online numismatic sales and marketing presence to the Mint's recently modernized E-Commerce infrastructure and services platform and centrally coordinating non-IT procurements, creating economies of scale and reducing expenses.

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 2018 and FY 2019 is forecasted at 14.0 and 14.5 billion coins, respectively. This level reflects a 0.5 percent decrease for FY 2018 and three percent increase in FY 2019 in shipments of all coin denominations as compared to 14.1 billion in FY 2017. Circulating financial performance continues to be affected by the costs of the inputs for producing the coinage.

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. In FY 2017, bullion demand declined to 24.7 million ounces from the 45.1 million ounces sold in FY 2016. Demand for bullion is forecasted at 36.9 million ounces in FY 2018 and 34.8 million ounces in FY 2019. Bullion revenue is forecasted to be $2.0 billion in both FY 2018 and FY 2019.

Numismatic (Collector Coins and Medals)
The numismatic program provides high-quality versions of circulating coinage, precious metal coins, commemorative coins, and national medals for sale to the public. Numismatic revenue decreased by six percent from $413 million in FY 2016 to $387 million in FY 2017. The decrease was driven primarily by lower customer demand for numismatic products in the fourth quarter of FY 2017. Total units decreased by six percent from 4.2 million in FY 2016 down to 3.9 million in FY 2017. FY 2018 and FY 2019 numismatic revenues are projected to be $327 million and $305 million, respectively, as demand for numismatic products is projected to continue to decrease to 3.8 million in FY 2018 and 3.7 million in FY 2019.

1.1 – Resource Detail Table

Dollars in Thousands

United States Mint Budgetary Resources	FY 2017 Actual		FY 2018 Estimated		FY 2019 Estimated		FY 2018 to FY 2019 $ Change		FY 2018 to FY 2019 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Other Income										
Circulating	0	$871,919	0	$840,000	0	$882,000	0	$42,000	NA	5.00%
Bullion/Numismatic	0	$1,766,282	0	$2,364,609	0	$2,346,893	0	($17,716)	NA	-0.75%
Total Revenue/Offsetting Collections	**0**	**$2,638,201**	**0**	**$3,204,609**	**0**	**$3,228,893**	**0**	**$24,284**	**NA**	**0.76%**
Expenses/Obligations										
Manufacturing										
Circulating	954	$480,405	989	$647,852	989	$653,461	0	$5,608	0.0%	0.87%
Bullion/Numismatic	691	$1,723,504	716	$2,296,932	716	$2,316,815	0	$19,884	0.0%	0.87%
Total Expenses/Obligations	**1,645**	**$2,203,909**	**1,705**	**$2,944,784**	**1,705**	**$2,970,276**	**0**	**$25,492**	**0.00%**	**0.87%**
Net Results	**1,645**	**$434,292**	**1,705**	**$259,825**	**1,705**	**$258,617**	**0**	**($1,208)**	**0.00%**	**-0.46%**

Coin Shipments (Units In Millions/Coins)	FY 2017	FY 2018	FY 2019	% Change
Circulating:				
One Cent	8,426	8,500	8,700	2.4%
5-Cent	1,306	1,300	1,400	7.7%
Dime	2,410	2,400	2,500	4.2%
Quarter	1,926	1,800	1,900	5.6%
Half-Dollar	-	-	-	0.0%
Dollar	-	-	-	0.0%
Total Circulating	**14,067**	**14,000**	**14,500**	3.6%

Budget Category	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated	% Change
Administrative Operating Costs	$375,489	$414,284	$419,776	1.33%
Capital Investments	$39,099	$40,500	$40,500	0.0%
Metals and Materials Costs	$1,789,321	$2,490,000	$2,510,000	0.8%
Total Resources	**$2,203,909**	**$2,944,784**	**$2,970,276**	0.9%

Note: Total Capital Investment budget includes Statutory Limit for Circulating/Protection Capital $30M and Numismatic Capital budget at $10.5M.

1.2 – Budget Adjustments Table

Dollars in Thousands

United States Mint	FTE	Materials	Operating & Capital	Total
FY 2018 Original Estimate	**1,801**	**$2,240,000**	**$454,784**	**$2,694,784**
Adjustment to Estimate - Metals Due to Forecasted Decrease in Circulating Coin Production		($30,000)		($30,000)
Adjustment to Estimate - Metals Due to Forecasted Increase in Numismatic Coin Metals Prices		$280,000		$280,000
Adjustment to FTE Requirements	(96)			
Revised FY 2018 Estimated Resources	**1,705**	**2,490,000**	**454,784**	**2,944,784**
Changes to Base				
Maintaining Current Levels (MCLs)			$5,492	$5,492
Pay Annualization			$1,011	$1,011
Non-Pay			$4,481	$4,481
Subtotal Changes to Base			$5,492	$5,492
Total FY 2019 Base	**1,705**	**$2,490,000**	**$460,276**	**$2,950,276**
Program Changes				
Program Increases		$20,000		$20,000
Metals Due to Forecasted Increase in Circulating Coin Production		$20,000		$20,000
Subtotal Program Changes		$20,000		$20,000
Total FY 2019 Estimated	**1,705**	**$2,510,000**	**$460,276**	**$2,970,276**

C – Budget Increases and Decreases Description

FY 2018 Revised Estimated Resources ....+$250,000,000 / -96 FTE
Metal Due to Forecasted Decrease in Circulating Coin Production, -$30,000,000 / -0 FTE
Circulating coin production for FY 2018 is forecasted at 14 billion, a 13 percent decrease from the 16 billion coins originally planned. As a result of this decrease in production levels, the amount and cost of metal to be purchased for the circulating coin program is reduced.

Metal Due to Forecasted Increase in Numismatic Coin Metal Prices, +$280,000,000 / -0 FTE
FY 2018 forecasted increases in metal prices results in an increase in the cost of the metal to be purchased for the numismatice/bullion coin programs.

FTE Requirements, $0 / -96 FTE
To align with the Administration's initiative to improve Government efficiency and effectiveness, the Mint implemented staffing streamlining efforts in FY 2017. Further staffing reviews to ensure appropriate staffing levels for maximum efficiency resulted in a reduction in the estimated FTE necessary for 2018 from 1,801 to 1,705.

FY 2019 Budget Increases and Decreases Description......................... +$25,492,000 / -0 FTE

Maintaining Current Levels (MCLs) ....+$5,492,000 / +0 FTE
Pay Annualization +$1,011,000 / +0 FTE
Funds are required for the annualization of the January 2018 pay raise.

Non-Pay +$4,481,000 / +0 FTE
Funds are required for non-labor expenses such as travel, contracts, rent, supplies, and equipment.

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 is forecasted to increase slightly from FY 2018 to FY 2019 (from 14.0 to 14.5 billion coins). This increase, coupled with forecasted increases in metal prices, results in an increase in overall production costs for the circulating program.

1.3 – Operating Levels Table

Dollars in Thousands

United States Mint Object Classification	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
11.1 - Full-time permanent	130,392	147,165	147,165
11.3 - Other than full-time permanent	599	161	161
11.5 - Other personnel compensation	12,365	12,729	12,729
11.9 - Personnel Compensation (Total)	**143,356**	**160,055**	**160,055**
12.0 - Personnel benefits	49,490	51,729	52,740
13.0 - Benefits for former personnel	144	1,019	1,019
Total Personnel and Compensation Benefits	**$192,990**	**$212,803**	**$213,814**
21.0 - Travel and transportation of persons	1,621	2,703	2,703
22.0 - Transportation of things	28,524	28,702	28,702
23.1 - Rental payments to GSA	455	450	500
23.2 - Rental payments to others	15,198	13,995	13,945
23.3 - Communication, utilities, and misc charges	13,502	17,358	17,358
24.0 - Printing and reproduction	3,551	1,550	1,550
25.1 - Advisory and assistance services	46,259	52,810	55,095
25.2 - Other services	21,448	28,797	30,052
25.3 - Other purchases of goods & serv frm Govt accounts	19,113	21,372	22,313
25.4 - Operation and maintenance of facilities	4,847	3,185	3,185
25.5 - Research and development contracts	815	1,913	1,913
25.6 - Medical care	707	460	460
25.7 - Operation and maintenance of equip	7,585	7,887	7,887
26.0 - Supplies and materials	1,805,973	2,507,928	2,527,928
31.0 - Equipment	29,423	31,057	31,057
32.0 - Land and structures	11,879	11,814	11,814
42.0 - Insurance claims and indemnities	3	0	0
43.0 - Interest and dividends	16	0	0
Total Non-Personnel	**2,010,919**	**2,731,981**	**2,756,462**
New Budgetary Resources	**$2,203,909**	**$2,944,784**	**$2,970,276**
FTE	**1,645**	**1,705**	**1,705**

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 2019 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 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

Alternative Metal Composition

This proposal would give the Secretary the authority to prescribe the compositions of the nickel, dime, and quarter-dollar coins, provided that the new metal compositions do not affect the electromagnetic signature (EMS), color, or weight of the coins.

There are two basic compositions that are under consideration. The first, 80/20 composition which is a leaner version of the cupronickel (currently in production) has a nominal composition of 77 percent copper, 20 percent nickel and 3 percent manganese as compared to the current cupronickel composition of 75 percent copper and 25 percent nickel. The 80/20 material is applicable to 5-cent, dime, and quarter production. There is minimal to no risk as this alloy has been tested internally and externally and is seamless to our current coinage. Incremental annual savings are approximately $4 million depending on volume and metal prices at the time of production.

The second composition respresents the leanest composition that provides a seamless EMS, comparable color and feasibility of large scale production. It is a nominal composition of 50.75 percent copper, 14 percent nickel, 33 percent zinc and 2.1 percent manganese. This leaner alloy is cladded to a copper core for the 10-cent and 25-cent. This contains less of the more expensive nickel and copper than the current coinage material. While there is some risk associated with this composition, testing and adjustments continue in order to mitigate risk. Incremental savings (depending on volume and metal prices) are projected at $16.6 million annually.

By authorizing the Secretary the flexibility to implement small changes to the copper-nickel circulating coin metal compositions, the Mint could realize incremental material savings with little or no impact to the vending industry or general public.

Section II – Annual Performance Plan and Report

A – Strategic Alignment
The Mint aligns with the following Department of the Treasury's Strategic Plan for FY 2018-2022 goals:

- Goal 1: Boost U.S. Economic Growth
  - Objective 1.3 Trusted Currency and Services: Deliver trusted currency and services that enable citizens and businesses to participate in the economy.
- Goal 5: Achieve Operational Excellence
  - Objective 5.1 Workforce Management: Deliver trusted currency and services that enable citizens and businesses to participate in the economy.
  - Objective 5.2 Treasury Infrastructure: Better enable mission delivery by improving the reliability, security, and resiliency of Treasury's infrastructure.
  - Objective 5.3 Delivering customer value: Improve customer value by increasing the quality and lowering the cost of Treasury's products and services.

Initiatives to support the goals outlined in Treasury's strategic plan include the Mint and BEP partnering to streamline certain functions by migrating BEP's online numismatic sales and marketing presence to the Mint's recently modernized E-Commerce infrastructure and services platform and centrally coordinating non-IT procurements, creating economies of scale and reducing expenses.

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 the Beautiful National Parks Quarter Dollar Coin Act of 2008 (Public Law 110-456). In 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). In 2019, the Mint will release quarters honoring Lowell National Historical Park (Massachusetts), American Memorial Park (North Mariana Islands), War in the Pacific National Historical Park (Guam), San Antonio Missions National Historical Park (Texas), and Frank Church River of No Return Wilderness (Idaho).

Numismatic Program
Bullion Coins
The Mint produces and issues gold, silver, platinum, and palladium 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 national medals for sale directly to the public. For some numismatic products, authorizing legislation specifies program requirements, such as design theme, mintage level, and duration of product availability. Other programs are structured by law to grant the Secretary of the Treasury discretion in determining product specifications.

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

Commemorative coins are authorized by law to recognize and honor people, places, events, institutions, and other subjects of historic or national significance. 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 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). In 2019, the Mint has authorization to mint commemorative coins for two programs: the Apollo 11 50th Anniversary Commemorative Coin (Public Law 114-282) and the American Legion 100th Anniversary Commemorative Coin (Public Law 115-65).

B – Budget and Performance by Budget Activity

2.1.1 Manufacturing Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Expenses/Obligations	$3,525,178	$2,861,632	$2,937,553	$3,272,106	$2,203,909	$2,944,784	$2,970,276
Budget Activity Total	**$3,525,178**	**$2,861,632**	**$2,937,553**	**$3,272,106**	**$2,203,909**	**$2,944,784**	**$2,970,276**
FTE	**1,705**	**1,661**	**1,657**	**1,695**	**1,645**	**1,705**	**1,705**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Customer Satisfaction Index (%)	92.6	89.8	89.5	91	91.7	90	90	90
Numismatic Sales Units (Million Units)	5.5	5.7	5.4	4.2	3.9	4.4	3.5	3.5
Safety Incident Recordable Rate	2.9	3.31	3.42	2.53	1.96	2.83	2.75	2.75
Seigniorage per Dollar Issued ($)	0.24	0.37	0.49	0.52	0.45	0.48	0.49	0.43

Manufacturing Budget and Performance
($2,970,276,000 from offsetting collections) The Mint will mint and issue circulating coins and produce numismatic products, including bullion, to meet demand.

<u>*Description of Performance:*</u>
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 metric is a quantitative score summarizing the survey's results into one consolidated value. This metric gauges performance results in the effort to achieve the Mint's internal strategic plan goal, "Improve mission critical activities and governance," and the strategic objective linked to this goal, "Drive a customer-centric organization."

By the end of FY 2017, the CSI reached 91.7 percent, exceeding its 90.0 percent target. The Mint anticipates the FY 2018 and 2019 CSI ratings will remain steady. The performance target for CSI remains at 90.0 percent for both FY 2018 and FY 2019.

Numismatic Sales Units
The numismatic sales unit metric measures public demand for coin products sold from numismatic operations. This metric also measures performance results achieving the Mint's internal strategic plan goal, "Improve mission critical activities and governance," as well as the strategic objective linked to this goal, "Drive a customer-centric organization."

In FY 2017, the Mint sold 3.9 million units, 11 percent below the fiscal year target of 4.4 million units. The primary drivers for the lower than anticipated results was a shortfall in sales of annual precious metal coins, partially due to an overabundance of coin products available on the secondary market, and the conclusion of the Presidential $1 Coin program. A lack of market enthusiasm for the FY 2017 commemorative coins also contributed to the shortfall.

Accordingly, numismatic unit sales performance targets have been established at 3.5 million units for both FY 2018 and FY 2019. To meet these targets, the Mint plans to continue to provide high-quality products and maintain outstanding customer service.

Safety Incident Recordable Rate
The safety incident recordable rate is the number of injuries and illnesses meeting the Occupational Safety and Health Administration 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. The safety incident recordable rate indicates performance results in the effort to achieve the Mint's internal strategic plan goal, "Foster a safe, flexible, diverse, and engaged workforce," and the corresponding strategic objective linked to this goal, "Continue to cultivate a safe working environment."

By the end of FY 2017, the total recordable case rate reached 1.96, well below the Mint's 2.82 FY 2017 target, and significantly below the most recent industry average rate of 5.2 published in 2015 by the U.S. Bureau of Labor Statistics for the Non-Automotive Metal Stamping industry. During FY 2017, 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 facility 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 2.75 for both FY 2018 and FY 2019.

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. It also measures performance results achieving the Mint's internal strategic plan goal, "Improve mission critical activities and governance," as well as the strategic objective linked to the goal, "Achieve operational advancements in lines of operations."

At the end of FY 2017, Seigniorage per dollar issued was $0.45, below the FY 2017 performance target of $0.48. FY 2017 results fell below targeted and prior year performance as a result of a 14 percent decrease in circulating shipment volumes, combined with a four percent increase in the cost of metal.

The United States Mint expects production volumes to remain low and per-unit metal prices to increase as market prices are expected to escalate in FY 2018. The seigniorage per dollar issued performance targets are set at $0.43 in FY 2018 and FY 2019 each year.

Performance Measure Changes

With the publication of Treasury's Strategic Plan for FY 2018-2022, Mint will work this year to baseline performance against the new strategic objectives. This could result in changes to performance measures in the FY 2020 budget.

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. Legislation 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 of investments and programs that modernize and secure the bureau’s infrastructure. The bureau’s governance structures ensure that the IT portfolio is managed in accordance with cost, schedule, risk, and performance goals, and that expected results and benefits are achieved. Enterprise architecture reviews assess and reinforce alignment to the bureau’s strategic plan and the strategic enterprise direction of the Department of the Treasury.

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.

Department of Treasury
Office of the Comptroller of the Currency

Congressional Budget Justification and Annual Performance Report and Plan

FY 2019

Table of Contents

Section I – 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. Effective on July 21, 2011, Title III of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), transferred to the OCC the responsibility for the supervision of federal savings associations and rulemaking authority for all federal savings associations.

As of September 30, 2017, the OCC supervised 944 national bank charters and 50 federal branches of foreign banks in the United States with total assets of approximately $11.3 trillion, and 353 federal savings associations with total assets of approximately $760 billion. In total, the OCC supervises approximately $12.1 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) The OCC 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. A stronger and more resilient banking system directly supports three of the Department of the Treasury's (Treasury) FY 2018-2022 strategic goals: Boost U.S. Economic Growth, Promote Financial Stability; Enhance National Security, and Goal 5) Achieve Operational Excellence.

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 2018 and 2019 Priorities
A major focus of the OCC's supervisory, regulatory, and charter programs for FY 2018 and forward 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, 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 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, Bank Secrecy Act/Anti Money Laundering (BSA/AML) under delegated authority from Treasury's Financial Crimes Enforcement Network (FinCEN) and in line with Federal Financial Institutions Examination Council (FFIEC) guidance, and fair access. Examiners will work to resolve problem national bank and federal savings association 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. An additional priority for the OCC involves revisiting the Community Reinvestment Act for the purpose of evaluating its modernization to reflect the evolution of the banking industry and ensuring that its original intent to assess the degree which insured depository institutions are serving the credit needs of the communities in which they operate remains valid.

1.1 – Resource Detail Table

Dollars in Thousands

Office of the Comptroller of the Currency	FY 2017		FY 2018		FY 2019		FY 2018 to FY 2019			
Budgetary Resources	Actual		Estimated		Estimated		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Assessments	0	1,177,055	0	1,204,600	0	1,243,000	0	38,400	0.00%	3.19%
Interest	0	20,445	0	20,000	0	20,400	0	400	0.00%	2.00%
Other Income	0	18,416	0	16,200	0	16,500	0	300	0.00%	1.85%
Unobligated Balances from Prior Years	0	1,404,742	0	1,510,000	0	1,395,000	0	(115,000)	0.00%	-7.62%
Total Revenue/Offsetting Collections		**2,620,658**		**2,750,800**		**2,674,900**		**(75,900)**		**(2.76)%**
Expenses/Obligations										
Supervise	3,498	993,680	3,531	1,213,352	3,568	1,124,318	37	(89,034)	1.05%	-7.34%
Regulate	324	92,151	327	112,523	331	104,266	4	(8,257)	1.22%	-7.34%
Charter	86	24,426	87	29,825	88	27,637	1	(2,188)	1.15%	-7.34%
Total Expenses/Obligations	**3,908**	**1,110,257**	**3,945**	**1,355,700**	**3,987**	**1,256,221**	**42**	**(99,479)**	1.06%	**-7.34%**
Net Results	0	**1,510,401**	0	**1,395,100**	0	**1,418,679**	0	**23,579**	.00	**1.69%**

Notes:

- The FY 2018 estimated increase is attributable to an additional contribution payment to the Pentegra Defined Benefit Plan, a legacy retirement plan that covers staff inherited from the Office of Thrift Supervision.
- The Comptroller may impose and collect assessments, fees or other charges as necessary or appropriate to carry out his responsibilities and to meet the expenses of the OCC. 12 U.S.C. 482. At September 30, 2017, the net position of the OCC was $1.39 billion. Of this amount, the OCC set aside $179.7 million for ongoing operations. Since early 2017, the OCC has also maintained a contingency of $100 million within its net position to act as receiver of those national trust banks which are not FDIC-insured.
- The Comptroller has sole authority to determine how OCC funds are obligated and its expenses incurred and paid. 12 U.S.C. 16.
- OCC funds are not appropriated funds or government monies. 12 U.S.C. 481.
- As part of its annual budget formulation process, the OCC re-evaluates the size of the reserve based on a disciplined analysis of the impact of material events on its ability to fund operations.

1.3 – Operating Levels Table

Dollars in Thousands

Office of the Comptroller of the Currency Object Classification	FY 2017 Actual	FY 2018* Estimated	FY 2019 Estimated
11.1 - Full-time permanent	538,012	577,328	607,139
11.3 - Other than full-time permanent	7,989	7,274	7,517
11.5 - Other personnel compensation	2,778	3,503	3,639
11.9 - Personnel Compensation (Total)	**548,779**	**588,105**	**618,295**
12.0 - Personnel benefits	239,280	433,629	301,485
13.0 - Benefits for former personnel	201	150	150
Total Personnel and Compensation Benefits	**$788,260**	**$1,021,884**	**$919,930**
21.0 - Travel and transportation of persons	56,358	61,050	62,381
22.0 - Transportation of things	2,772	2,622	2,375
23.1 - Rental payments to GSA	57	58	58
23.2 - Rental payments to others	67,334	68,500	66,500
23.3 - Communication, utilities, and misc. charges	17,645	18,393	18,925
24.0 - Printing and reproduction	578	637	637
25.1 - Advisory and assistance services	34,720	30,817	31,607
25.2 - Other services	25,992	29,507	28,048
25.3 - Other purchases of goods & serv frm Govt accounts	9,708	9,640	9,552
25.4 - Operation and maintenance of facilities	6,388	7,410	8,138
25.7 - Operation and maintenance of equip	67,978	72,704	74,902
26.0 - Supplies and materials	7,067	8,168	7,973
31.0 – Equipment	25,241	23,415	24,297
32.0 - Land and structures	94	500	500
42.0 - Insurance claims and indemnities	65	395	398
Total Non-Personnel	**321,997**	**333,816**	**336,291**
Total Budgetary Resources	**$1,110,257**	**$1,355,700**	**$1,256,221**
FTE	**3,908**	**3,945**	**3,987**

*The FY 2018 estimated increase is attributable to an additional contribution payment to the Pentegra Defined Benefit Plan, a legacy retirement plan that covers staff inherited from the Office of Thrift Supervision.

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
For FY 2018 and FY 2019, the OCC's bank supervision program specifically supports the following Department of the Treasury's FY 2018 - 2022 strategic goals:

- Goal 1) Boost U.S. Economic Growth
    - 1.2 – Strong Economic Fundamentals
- Goal 2) Promote Financial Stability
    - 2.4 – Financial Sector Critical Infrastructure and Cybersecurity
- Goal 3) Enhance National Security
    - 3.1 – Strategic Threat Disruption
    - 3.2 – AML/CFT Framework
- Goal 5) Achieve Operational Excellence
    - 5.1 – Workforce Management
    - 5.2 – Treasury Infrastructure
    - 5.3 – Customer Value

As such, 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; and
- Issue rules and regulations, legal interpretations, supervisory guidance, and corporate decisions governing investments, lending, and other practices.

Note that the OCC is in the process of formulating its FY 2019 – FY 2023 Strategic Plan. The OCC's annual performance plan will be updated for FY 2019 to reflect any new and relevant priorities.

B – Budget and Performance by Budget Activity

2.1.1 Supervise Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Expenses/Obligations	$873,942	$889,111	$873,414	$975,477	$993,680	$1,213,352	$1,124,318
Budget Activity Total	**$873,942**	**$889,111**	**$873,414**	**$975,477**	**$993,680**	**$1,213,352**	**$1,124,318**

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Percent of National Banks and Federal Savings Associations with Composite CAMELS Rating 1 or 2	80.0	87.0	91.0	93.0	94.0	90.0	90.0	90.0
Percentage of National Banks and Federal Savings Associations That Are Categorized As Well Capitalized	94.0	93.0	95.0	96.0	97.0	95.0	95.0	95.0
Percentage of National Banks and Federal Savings Associations With Consumer Compliance Rating of 1 or 2	94.0	95.0	96.0	98.0	97.0	94.0	94.0	94.0
Rehabilitated National Banks And Federal Savings Associations As A Percentage Of Problem National Banks One Year Ago (CAMEL 3,4, or 5)	34.0	39.0	39.0	43.0	40.0	40.0	40.0	40.0
Total OCC Costs Relative To Every $100,000 in Bank And Federal Savings Associations Assets Regulated ($)	9.99	9.75	9.37	9.65	9.49	10.16	10.00	10.00

Supervise Budget and Performance

($1,213,352,000 from revenue/offsetting collections):

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 strategic goals 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. Assessing the condition and risk management practices of national banks and federal savings associations, and requiring corrective actions when weaknesses are found, directly supports Treasury's goal to promote financial stability. 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 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, 2017, 94 percent of national banks and federal savings associations earned composite CAMELS ratings of either 1 or 2. Degradation in CAMELS can reflect weaknesses in risk management systems that need corrective action. The OCC, consistent with Treasury's goals of boosting U.S. economic growth and promoting financial stability, 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 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 measure since FY 2009. As of September 30, 2017, 97 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, 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 2018 and FY 2019 will currently remain unchanged at 94 percent. As of September 30, 2017, national banks and federal savings associations continue to show strong compliance with consumer protection regulations with 97 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, 2017, 40 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 2018 and FY 2019. 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 2018 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 national 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, 2017, total OCC cost relative to every $100,000 in assets regulated was $9.49 compared to the FY 2017 target of $10.16. 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

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Expenses/Obligations	$111,783	$105,436	$103,574	$90,463	$92,151	$112,523	$104,266

Regulate Budget and Performance

($112,523,000 from revenue/offsetting collections):

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

Description of Performance:

OCC undertook a number of activities in FY 2017 to reduce regulatory burden on and support responsible innovation by regulated institutions. The agency issued a Framework for Responsible Innovation. OCC, along with the other federal banking agencies and FFIEC, completed and issued its report to Congress under the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA). As included in the report, OCC proposed and finalized a number of rule changes to reduce regulatory burden. A new, streamlined Call Report for small financial institutions was finalized. Eligibility for the 18-month examination cycle was expanded to cover a larger population of regulated community bank institutions. OCC proposed increasing the threshold for commercial real estate transactions above which an appraisal is required. 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 stress test scenarios, third-party relationships, appraiser shortages, and the new 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

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Expenses/Obligations	$30,486	$19,262	$18,922	$23,978	$24,426	$29,825	$27,637
Budget Activity Total	$30,486	$19,262	$18,922	$23,978	$24,426	$29,825	$27,637

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Percentage of Licensing Applications and Notices Completed within Established Timeframes	97.0	98.0	97.0	98.0	96.0	95.0	95.0	95.0

Charter

($29,825,000 from revenue/offsetting collections):
The Charter Program consists of ongoing activities that result in the chartering of national banks and federal savings associations and the evaluation of the permissibility of structures and activities of national banks and federal savings associations and their subsidiaries. This includes the review and approval of new 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 with a national charter 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.

Description of Performance:

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, 2017, the OCC completed 96 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 2018 and 2019 Plans: The OCC has 4 major IT initiatives in FY 2018 and 2019:
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.
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 2018, 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.
Cyber Security (CS) – CS includes technologies, processes, and practices aligned to protect networks, computers, programs and data from attack, damage or unauthorized access. In alignment with new Federal and Treasury requirements, the OCC is transitioning the Agency's systems and applications into Information System Continuous Monitoring (ISCM) and Ongoing Authorization (OA). This effort will define OCC's strategy and implementation plan for transitioning to ISCM/OA, to include establishing governance framework, completing assessment & authorizations, pilot transitions and the deployment of required tools. In FY 2018, the Enterprise Disaster Recovery (eDR) facility will be brought online to provide highly reliable, secure, expandable, and cost-effective eDR solution for OCC's critical business systems.

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 2019 budget request for International Programs is included in the State, Foreign Operations, and Other Related Programs Appropriation.