

Bureau of Engraving and Printing

Program Summary by Budget Activity

(Dollars in thousands)

Budget Activity	FY 2010 Actual	FY 2011 Estimated	FY 2012 Estimated	Change FY10 to FY12 \$ Change	% Change
Manufacturing	\$555,000	\$527,000	\$582,050	\$27,050	4.9%
Protection and Accountability of Assets	\$61,000	\$61,000	\$0	(\$61,000)	(100.0%)
Total Cost of Operations	\$616,000	\$588,000	\$582,050	(\$33,950)	(5.5%)
Reimbursable FTE	1,889	1,950	1,925	36	1.9%

BEP operations are financed by reimbursements to a revolving fund and as such the BEP is unaffected by a continuing resolution.

The Bureau of Engraving and Printing Protection and Accountability budget activity is being eliminated and consolidated into the Manufacturing budget activity beginning in FY 2012.

Summary

The mission of the Bureau of Engraving and Printing (BEP) is to develop and produce United States currency notes, trusted worldwide. The Bureau of Engraving and Printing (BEP) 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 and are reimbursed through product sales for direct and indirect costs of operations including administrative expenses. In addition, BEP is authorized to include an amount sufficient to fund capital investment and to meet working capital requirements in the prices charged for products.

For FY 2012, the Bureau of Engraving and Printing's estimated total revenues are \$582,050,000, and estimated total expenditures are \$582,050,000.

BEP's vision is to maintain its position as a world-class securities printer, providing its customers and the public superior products through excellence in manufacturing and technological innovation. It strives to produce

U.S. currency of the highest quality, as well as many other security documents issued by the Federal Government. Other activities at the Bureau 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 the requirements of customers. In addition, the Bureau provides technical assistance and advice to other Federal agencies in the design and production of documents, which, because of their innate value or other characteristics, require counterfeit deterrence. The Bureau's top priorities for FY 2012 include the continued re-tooling and retrofitting of the currency production process which will allow BEP to improve productivity, reduce its environmental impact and provide the capabilities needed to produce increasingly more complex currency note designs. This new equipment will ensure that BEP continues to operate in an efficient and cost-effective manner.

Another initiative for FY 2012 is to continue efforts to test and produce tactile features that will enhance future note designs and serve the needs of currency users with visual impairments. A research group from the Bureau visited several foreign bank note

printers to gather information on their progress in developing tactile features. Testing is being conducted to determine which processes and features would work best at the production volumes needed for U.S. currency. While no timetable has been set for the introduction of this currency, the next redesign will incorporate changes to make U.S. currency more accessible to those who are blind and visually impaired. In addition, because aggressive law enforcement, effective design, and public education are all essential components of a concerted anti-counterfeiting program, the Bureau will continue its work in 2012 with the Advanced Counterfeit Deterrent Committee to research and develop future currency designs that will enhance and protect future notes.

BEP FY 2012 Budget Highlights

(Dollars in thousands)

Budget Estimate	Amount
FY 2010 Actual	\$616,000
FY 2011 Estimated	\$588,000
Changes to Base:	
Maintaining Current Levels (MCLs):	\$4,850
Maintain Current Levels	\$4,850
Efficiencies, Savings & Base Reductions:	(\$11,800)
Energy Savings	(\$2,200)
IT Process Streamlining	(\$200)
Improved Business Practices	(\$5,000)
Replace Mainframe	(\$2,400)
Spoilage Reduction Savings	(\$1,000)
Visual Inspection Systems	(\$1,000)
Subtotal FY 2012 Changes to Base	(\$6,950)
Total FY 2012 Base	\$581,050
Program Changes:	
Program Increases:	\$1,000
R&D Equipment - Tactile Features	\$1,000
Subtotal FY 2012 Program Changes	\$1,000
Total FY 2012 Estimated	\$582,050

FY 2012 Budget Adjustments

Maintaining Current Levels (MCLs)

Maintain Current Levels +\$4,850,000 / +0 FTE

Funds are required for inflation adjustments in non-labor expenses such as rent adjustments, postage, raw materials and inventories, supplies and equipment, health benefits and

the increase in Federal Employee Retirement System participation. No inflation adjustment is requested for pay in FY 2012.

Efficiencies, Savings & Base Reductions

Energy Savings -\$2,200,000 / +0 FTE

Energy Savings - improvements in energy efficiency through replacement and/or upgrade of older assets with more energy efficient and environmentally responsible assets.

IT Process Streamlining -\$200,000 / +0 FTE

Savings from data center efficiency and consolidation, increased server virtualization, and decreased energy usage and IT operation costs.

Improved Business Practices -\$5,000,000 / -15 FTE

Improved Business Practices - Current manual administrative processes will be eliminated with the completion of BEP's Manufacturing Support Suite. Reductions of 15 FTE will be achieved through proposed buy-outs and attrition.

Replace Mainframe -\$2,400,000 / +0 FTE

Replace BEP Mainframe computer with offsite Oracle On-Demand Computer Hosting Service - Switching from BEP's mainframe computer to Oracle On-Demand hosting service will result in operation and maintenance cost savings.

Spoilage Reduction Savings -\$1,000,000 / +0 FTE

Spoilage Reduction Savings - reduced material spoilage during currency note production process should enable reduced purchases of currency paper and other materials used in manufacturing currency notes.

Visual Inspection Systems -\$1,000,000 / -10 FTE

Productivity Improvements from new Visual Currency Inspection Systems - Completed

installation of new Visual Currency Inspection System to improve inspection quality and automate work currently performed by FTEs, resulting in personnel cost savings.

Program Increases

R&D Equipment - Tactile Features

+\$1,000,000 / +0 FTE

Represents the purchase of lab equipment for research and development, needed to develop and test new tactile feature for the visually impaired in future currency redesigns.

Explanation of Budget Activities

Salaries and Expenses

Manufacturing (\$582,050,000 from reimbursable programs)

BEP manufactures high quality security documents that deter counterfeiting. These manufactured products are grouped into two programs: Federal Reserve notes, and other security documents. The manufacturing of state-of-the-art currency deters counterfeiting, contributes to public confidence, and facilitates daily commerce ensuring seamless, “business as usual” transactions as new currency designs are introduced to the public.

Protection and Accountability of Assets (No funding)

The Department of the Treasury proposes to eliminate the Protection and Accountability budget activity, and consolidate it into the Manufacturing budget activity beginning in FY 2012. During the past eight years since the Protection and Accountability of Assets budget activity was created, the Department has determined that it fails to serve a meaningful purpose on a standalone basis and unnecessarily complicates budgetary and other financial reporting.

Legislative Proposals

BEP requests legislation to repeal that portion of 31 USC Sec. 5114(c), which limits a contract term for the manufacture of distinctive currency paper to four years. By repealing this limit, the contract term for the manufacture of distinctive currency paper will match all other federal contracts which allow five years. Proposed Amendment: Section 5114(c) of Title 31, United States Code (relating to engraving and printing currency and security documents), is amended by striking "for a period of not more than 4 years". This proposal may open up the supply of U.S. currency paper to competition by ending the four year contract limitation. Potential suppliers consider four years too short of a payback period for production of this unique product, which GAO identified as a barrier to competition.

To prevent money laundering, BEP proposes the following legislative amendment: In the current fiscal year and hereafter, any person who forwards to the Bureau of Engraving and Printing (BEP) a mutilated paper currency claim equal to or exceeding \$10,000 for redemption shall be required to provide BEP their taxpayer identifying number.

Capital Investments Summary

BEP’s IT portfolio includes an estimated \$18 million cost to implement the Oracle eBusiness integrated manufacturing suite which will run at the Oracle Corporation’s “Federal on Demand” Shared Service Center in Austin, Texas. After implementation, BEP anticipates annual operating and maintenance cost savings of \$2.4M compared to continued usage of the current BEP-operated mainframe. Due to this modernization, BEP anticipates productivity improvements of five percent by revising work practices in administrative and support areas for a savings of \$5M annually.

This savings estimate was developed as a result of BEP's discussion with other manufacturing entities that implemented the Oracle E-Business Suite, after reviewing best practices supported by the software, and completing an initial requirements definition process.

BEP Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Manufacturing	Currency Shipment Discrepancies Per Million Notes (%) (Ot)	0.01	0.0	0.0	0.01	0.01
Manufacturing	Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced) (\$) (E)	29.47	32.77	44.85	48.0	48.0
Manufacturing	Percent of Currency Notes Delivered to the Federal Reserve that Meet Customer Quality and Requirements (%) (Oe)	100.0	99.9	97.5	99.9	99.9

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

Description of Performance

Manufacturing Costs for Currency (dollar cost per 1,000 notes produced) is an indicator of manufacturing efficiency and effectiveness of program management. This measure is based on contracted price factors, and anticipated productivity improvements, as well as the mix of denominations ordered year to year. As more sophisticated counterfeit deterrent design features are produced, paper and ink costs increase, resulting in increased total manufacturing costs. Actual performance against standard depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals. This measure has performed at or better than its annual targets for the past seven years.

Percent of currency notes delivered to the Federal Reserve Board that meet customer

quality and requirements is a qualitative indicator reflecting the Bureau's ability to provide a quality product. All notes delivered to the Federal Reserve Board go through rigorous quality inspections. These inspections ensure that all counterfeit deterrent features, both overt and covert are functioning as designed.

Currency Shipment Discrepancies is an indicator of the Bureau's ability to provide effective product security and accountability. This measure refers to product overages or underages of as little as a single currency note in shipments of finished notes to the Federal Reserve Banks expressed as a percentage of total program. BEP continually strives to meet its long term goal of 0 percent, and has been able to do so several times.