U.S. Department of the Treasury
FY 2012 Budget in Brief

Summary of FY 2012 President's Budget

Appropriated Accounts – Bureau Program Detail

Non-Appropriated Accounts – Bureau Program Detail

Treasury International Programs

Supplemental Information

FY 2012 DEPARTMENTAL SUMMARY

FY 2012 President's Budget by Function

(Dollars in Thousands)

	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	$ Change	% Change
Management & Financial	890,192	903,192	369,383	(533,809)	-59.1%
Departmental Offices Salaries and Expenses	304,888	304,888	324,889	20,001	6.6%
Dept-wide Systems & Capital Invest. Programs	9,544	9,544	0	(9,544)	-100.0%
Office of Inspector General	29,700	29,700	29,855	155	0.5%
Treasury IG for Tax Administration	152,000	152,000	157,831	5,831	3.8%
Special IG for TARP	23,300	36,300	47,374	11,074	30.5%
Community Development Financial Institutions Fund	246,750	246,750	227,259	(19,491)	-7.9%
Financial Crimes Enforcement Network	111,010	111,010	84,297	(26,713)	-24.1%
Transfer from Forfeiture Fund			30,000		
Net, Financial Crimes Enforcement Network	111,010	111,010	114,297	3,287	3.0%
Alcohol & Tobacco Tax and Trade Bureau	103,000	103,000	97,878	(5,122)	-5.0%
Treasury Forfeiture Fund [1/]	(90,000)	(90,000)	(630,000)	(540,000)	600.0%
Fiscal Service Operations	426,376	426,376	384,440	(41,936)	-9.8%
Financial Management Service	244,132	244,132	218,805	(25,327)	-10.4%
Bureau of the Public Debt	192,244	192,244	173,635	(18,609)	-9.7%
Less Offsetting Fees	*(10,000)*	*(10,000)*	*(8,000)*	*2,000*	
Net, BPD	182,244	182,244	165,635	(16,609)	-9.1%
Tax Administration	12,146,123	12,146,123	13,283,907	1,137,784	9.4%
IRS Taxpayer Services	2,278,830	2,278,830	2,345,133	66,303	2.9%
IRS Enforcement	5,504,000	5,504,000	5,966,619	462,619	8.4%
IRS Operations Support	4,083,884	4,083,884	4,620,526	536,642	13.1%
IRS Business Systems Modernization	263,897	263,897	333,600	69,703	26.4%
IRS Health Insurance Tax Credit Administration	15,512	15,512	18,029	2,517	16.2%
Total, Treasury Appropriations Committee	13,462,691	13,475,691	14,037,730	562,039	4.2%
Treasury International Programs	2,128,670	2,128,670	3,363,934	1,235,264	58.0%
Poverty Reduction and Economic Growth (MDBs)	1,552,170	1,552,170	2,072,564	520,394	33.5%
Food Security	30,000	30,000	338,000	308,000	1026.7%
Combating Climate Change and Environmental Degradation	481,500	481,500	748,750	267,250	55.5%
Debt Relief	40,000	40,000	174,500	134,500	336.3%
Technical Assistance	25,000	25,000	30,120	5,120	20.5%
Total [2/]	15,591,361	15,604,361	17,401,664	1,797,303	11.5%

[1/]Includes a $600 million permanent cancellation and a $30 million transfer to FinCEN.

[2/] FY 2010 Enacted excludes supplementals and transfers.

Overview

The Department of the Treasury serves the American people by strengthening the U.S. economy, supporting job creation, and restoring confidence in the financial system. As stewards of the economy, the Department's FY 2012 Budget (the Budget) reflects Treasury's commitment to the significant challenges that face our economy while ensuring every dollar spent addresses the nation's economic challenges.

The Budget requests $14.038 billion to fund priority functions at the Department's ten appropriated bureaus. The Budget also proposes $3.364 billion to fund Treasury International Programs. The International Programs request includes investments for reducing poverty and increasing economic stability around the world and addressing critical global challenges such as climate change and food security. Our request affirms the Department's commitment to controlling spending with $336 million in cost savings and program reductions, $630 million in proposed cancellations and transfers of Forfeiture Fund balances, and requests well below the FY 2010 enacted level in five of our bureaus.

The Budget has been developed in order to make significant progress towards the Department's three high priority performance goals:

- Repair and Reform the Financial System;
- Increase Voluntary Tax Compliance; and
- Significantly Increase the Number of Paperless Transactions with the Public.

Goal 1: Repair and Reform the Financial System

Regulatory Reform Support – Treasury played a prominent role in developing and promoting sweeping financial reform legislation, culminating in the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) in July 2010. Implementation of the historic reforms contained in the Dodd-Frank Act is an important area of focus for the Department. Treasury is working to ensure that the new rules provide necessary protections against the financial excess that contributed to the recent financial crisis, while preserving the benefits of financial innovation.

The Department is engaged in a broad array of programs to stabilize the financial system and develop long-term, comprehensive solutions to avoid future economic crises. The Department is currently spearheading the standup of new independent regulatory bodies created by the Dodd-Frank Act, including the Consumer Financial Protection Bureau (CFPB) and the Financial Stability Oversight Council. Under the Act, the Department is also creating the Office of Financial Research, and the Federal Insurance Office. Reform efforts include the closure of the Office of Thrift Supervision and its integration into Office of the Comptroller of the Currency and other existing government functions. Treasury will continue working with other government agencies to develop new market regulations and guidance to more effectively respond to current and future financial challenges. The Budget provides resources to support the successful implementation of new offices and activities authorized by the Dodd-Frank Act, including the new Federal Insurance Office and Office of Minority and Women Inclusion.

Supporting America's Small Businesses – To help small businesses, Treasury is implementing two new programs as part of the Small Business Jobs Act of 2010 (the Jobs Act): the Small Business Lending Fund (SBLF), and the State Small Business Credit Initiative (SSBCI). SBLF will increase the availability of credit to small businesses by providing up to $30 billion in capital to community and smaller banks with assets under $10 billion, the banks that provide the most amount of lending to small businesses. SSBCI provides $1.5 billion to strengthen state programs that support lending to small businesses and small manufacturers. Under the Jobs Act, Treasury will continue to increase support for America's small businesses, as they play a critical role in the U.S. economy and are central to creating jobs and restoring our economic prosperity.

Housing Government Sponsored Enterprise (GSE) Programs – Using authority granted under the Housing and Economic Recovery Act of 2008 (HERA), the Department has sought to stabilize the two largest GSEs, the Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac), as well as the Federal Home Loan Banks (FHLB). Under the Preferred Stock Purchase Agreements (PSPAs), Treasury has helped to ensure the viability of the GSEs by providing $131 billion of investment, net of dividends the GSEs paid to Treasury. In addition, Treasury has helped stabilize the market by purchasing over $200 billion in GSE mortgage-backed securities and has helped state and local housing finance agencies obtain needed financing to aid low- and moderate-income Americans.

The Obama Administration is strongly committed to reforming our nation's housing finance system in order to protect taxpayers, institute tough oversight, restore the long-term health of our housing market, and strengthen our nation's economic recovery. The Administration is transmitting to Congress a framework and principles for making the transition to a new housing finance system that will end the model of private gains and public losses, repair the broken housing finance market, and minimize taxpayer exposure to financial risks. The framework will also seek to make sure that the market provides stable and widely available mortgage credit, affordable housing options for low and middle-income homeowners and renters, and has stronger protections for consumers and better disclosure as mandated by the financial regulatory reform that passed last year.

Community Development Financial Institutions (CDFI) Fund – The Budget promotes economic and community development through investments in and assistance to community development banks, credit unions, loan funds, and venture capital funds through the CDFI Fund's merit-based grant programs. These programs expand the availability of financial services and affordable credit to underserved populations, including distressed urban, rural, Native American, Native Hawaiian, and Alaska Native communities. The Healthy Food Financing Initiative (HFFI) provides grants to CDFIs to expand the availability of healthy food options in distressed communities. Bank on USA promotes access to affordable and appropriate financial services and basic consumer credit products for households without access to such products and services.

Troubled Asset Relief Program (TARP) – As a result of improved financial conditions and careful stewardship of the TARP, the ultimate cost to the taxpayer of TARP investments is significantly lower than previously estimated. The TARP has allowed participating institutions to stabilize their balance sheets and avoid further losses, leaving the nation's financial system in a much stronger position than it was before the crisis. TARP included various consumer and business programs to help recapitalize the financial system, restart the credit markets, restore confidence, and lower borrowing costs for businesses and families. The Department's calculations estimate the lifetime cost of the program to be $48 billion.

Goal 2: Increase Voluntary Tax Compliance

In 2006, the IRS estimated that the tax gap, or difference between the amount owed under tax law and the amount paid on time, was $345 billion in 2001. Addressing this gap through improved voluntary compliance is a top priority of the Department. The Department proposes to improve compliance through targeted changes to the tax code and further investment in tax enforcement, taxpayer services, and IRS systems modernization. Furthermore, the Budget includes funding for new initiatives critical to the IRS in implementing the Affordable Care Act (ACA).

Tax Compliance – The Budget includes a number of legislative proposals to improve tax collection and increase collections with minimum additional burden on taxpayers. These proposals expand information reporting, improve compliance by businesses, and strengthen tax administration. In total, these proposals are expected to increase collections by more than $10 billion over the next ten years. Further information on these proposals can be found in the Treasury 2010 Green Book (http://www.treasury.gov/resource-center/tax-policy/).

Taxpayer Service – Quality taxpayer service is an important complement to enforcement efforts. Recent legislation has increased the volume of calls to toll-free service lines at the IRS, leading to longer wait times and unanswered calls. The Budget provides funding to improve the level of service for the toll-free service lines to 80 percent, up from the FY 2011 projection of 71 percent. The Budget also includes funding to improve IRS.gov to meet the growing demand for more electronic services. This multi-year project will improve self-service, reduce taxpayer burden, increase compliance, reduce costs, and continue to position IRS.gov as the preferred choice for taxpayer service.

Tax Enforcement – The Budget includes new enforcement initiatives to improve compliance. These initiatives are expected to produce $1.332 billion in additional annual enforcement revenue once the new hires reach full potential in FY 2014. In FY 2012, IRS will implement enacted legislation such as the Foreign Account Tax Compliance Act (FATCA), information reporting on merchant payment card and third party reimbursements, basis reporting on security sales; increase compliance by addressing offshore tax evasion; expand enforcement efforts on noncompliance among corporate and high-wealth taxpayers; and enforce return preparer compliance.

Goal 3: Significantly Increase the Number of Paperless Transactions with the Public

The Department is committed to moving to paperless transactions, including increasing the number of payments and collections made electronically. The effort to dramatically increase the number of electronic transactions is expected to save $524 million and 12 million pounds of paper in the first five years.

The Department has begun implementing a three-pronged initiative to increase electronic transactions. Individuals receiving Social Security, Supplemental Security Income, Veterans Administration, Railroad Retirement Board, Office of Personnel Management and Department of Labor – Black Lung benefits will be required to receive these payments electronically, either through direct deposit into a bank account or Treasury's Direct Express debit card; other non-tax payments are also required to be made electronically. Second, most businesses currently permitted to use paper Federal Tax Deposit coupons will have to make those deposits electronically beginning in 2011. Finally, Treasury will be ending all issuances of paper savings bonds no later than December 31, 2011 and instead focus on electronic means to issue bonds.

Increased use of e-Filing for tax returns is saving the IRS tens of millions of dollars each year. In FY 2012 Treasury Tax and Trade

Bureau will realize savings gained through efficiencies from its Permits Online electronic filing system due to processing time reduction and the streamlining of business processes.

In addition to greatly reducing costs, enhancing customer service and minimizing Treasury's environmental impact, the move from paper to electronic transactions will increase reliability, safety and security for benefit recipients and taxpayers. The benefits of electronic transactions are well documented. Aside from the large cost savings, electronic transactions provide safety, convenience and control for payment recipients, taxpayers and savings bond holders. These initiatives do not require new legislation and can be accomplished by changes to Treasury's existing regulations.

International Programs

The Department's request includes $3.364 billion in total funding for International Programs to provide resources to sustain global economic development, aid impoverished countries, address climate change, and support our national security objectives by strengthening the economies of fragile nations. Of the total, $2.073 billion is requested for scheduled annual U.S. contributions to the multilateral development banks (MDBs), including two new replenishments to the International Development Association and the African Development Fund and General Capital Increases (GCIs) to the MDBs which faced capital depletions after their aggressive and necessary response to the global financial crisis. Another $175 million will fund the U.S. share of the Multilateral Debt Relief Initiative at the International Development Association (IDA) and the African Development Fund (AfDF).

The Department is also requesting $338 million for multilateral food security initiatives, including the Global Agriculture and Food Security Program (GAFSP) which will leverage U.S. resources to provide increased agriculture investments in poor countries. To combat climate change and environmental degradation, the request includes $749 million for contributions to the Clean Technology Fund (CTF), the Strategic Climate Funds (SCF), the Global Environment Facility (GEF) and Tropical Forest Conservation Act. Finally, $30.1 million is requested for the Office of Technical Assistance (OTA), to strengthen economic and financial governance in fragile and developing countries around the world

Terrorism and Financial Intelligence

The Budget includes $92.6 million in direct appropriations for the Office of Terrorism and Financial Intelligence (TFI) in FY 2012. This investment will implement targeted financial sanctions with the goal of stopping the flow of money to terrorist organizations, drug traffickers, money launderers, weapons proliferators, rogue regimes, and their support networks that constitute a threat to the United States to keep the world's financial systems accessible to legitimate users, while excluding those who wish to exploit the systems for illegal purposes.

Fiscal Prudence

In recognition of the current fiscal outlook and in order to partially offset the cost of high priority investments, the Budget includes savings of $336 million in Department discretionary funding and additional savings in mandatory programs. The request also focuses on improving tax administration and debt collection. The Department is using the many employee ideas submitted through the

Administration's SAVE initiative to explore means to reduce costs.

Administrative and other Efficiency Savings – The Budget proposes efficiency savings and program reductions at all Treasury bureaus, including nearly $200 million of administrative savings as part of the President's Accountable Government Initiative, and savings from a variety of program reforms. Examples include $190 million in process improvement savings for the IRS, $10.1 million in administrative and data center consolidation savings for the Financial Management Service (FMS) and $6.6 million in savings for BPD. The Budget also identifies $2.6 million in savings from certification and accreditation consolidation, data center consolidation and managing FTE lapses for the Treasury Inspector General for Tax Administration and $2.1 million in Financial Crimes Enforcement Network (FinCEN) staffing efficiency reductions and information technology savings. Finally, $15.4 million in efficiency savings is included for the Departmental Offices (DO). Through these efforts, the Department will achieve savings, while creating a more agile and innovative Treasury.

Paperless Treasury – As discussed above, the Department will significantly increase the number of paperless transactions with the public and anticipates saving of $524 million through this effort over the next five years.

Freedom of Information Act – The Department's current process for responding to Freedom of Information Act (FOIA) requests is inefficient and outdated and has resulted in a significant backlog in request fulfillment at the agency. To address this issue, Treasury is creating a new FOIA tool using existing funding. With this tool, Treasury will process FOIA requests rapidly and accurately with less cost by leveraging modern electronic storage and web based application technology to prevent redundant work and automate process steps where possible. In addition to improvements to how FOIA requests are handled internally, the tool will feature a public facing component that allows citizens to initiate FOIA requests online.

IT Consolidation – The Department proposes to consolidate information technology resources at the Bureau of Public Debt (BPD) and Financial Management Service (FMS). As part of Treasury's broader IT strategy to achieve efficiencies, BPD and FMS will partner to consolidate certain IT resources. During 2011, the bureaus are consolidating five data centers into two shared data centers. This will result in a more sustainable approach to IT services and further savings may be demonstrated by considering reductions in carbon emissions. Further IT consolidation efforts include moving from 42 data centers in FY 2010 to 29 in FY 2015.

Debt Collection Legislation – Treasury and OMB are improving the management of the Federal debt portfolio, which could increase collection of delinquent tax and non-tax debt by more than $5 billion over the next ten years. The Budget incorporates a number of these improvements, including debt collection legislative proposals to increase levy authority to 100 percent for Medicare payments and vendor payments, offset tax refunds to collect delinquent state income taxes from out-of-state residents, and other administrative improvements, such as expanding the use of Administrative Wage Garnishment and improving the Treasury Offset Program match process.

Do Not Pay Portal – In June 2010, a Presidential Memorandum (Enhancing Payment Accuracy Through a "Do Not Pay List") established the creation of a comprehensive Do Not Pay List against which agency payments could be cross-checked to prevent ineligible recipients from receiving payments from the federal government. To make this list more beneficial, the Administration created VerifyPayment.Gov to serve as a one-stop-shop for agencies. The Bureau of the Public Debt will expand and maintain this portal. Additionally, Public Debt will work with the Recovery Accountability and Transparency Board, to support an operations center to analyze fraud patterns and refer potential issues to agency management.

Offsetting Cancellations and Transfers – The Budget includes a $600 million proposed permanent cancellation and a $30 million transfer to FinCEN from the unobligated balances of the Treasury Forfeiture Fund.

FY 2012 President's Budget by Goal/Objective (Dollars in Thousands)	Effectively Managed US Government Finances		U.S. and World Economies Perform at Full Economic Potential		Prevented Terrorism & Promoted Nation's Security		Management and Organizational Excellence		Total	
	Disc $	Reimb./ Mand $	Disc $	Reimb./ Mand $	Disc $	Reimb./ Mand $	Disc $	Reimb./ Mand $	Disc $	Reimb./ Mand $
Management & Financial	$115,092	$23,884	$382,456	$24,763	$210,214	$13,894	$291,651	$46,457	$999,413	$108,998
Departmental Offices Salaries and Expenses	66,153	23,884	106,258	24,763	95,917	10,894	56,561	31,957	324,889	91,498
Dept-wide Systems & Capital Invest. Program									0	0
Office of Inspector General							29,885	13,200	29,885	13,200
Treasury IG for Tax Administration							157,831	1,300	157,831	1,300
Special Inspector General for TARP							47,374		47,374	0
CDFI Fund			227,259						227,259	0
Financial Crimes Enforcement Network					114,297	3,000			114,297	3,000
Alcohol & Tobacco Tax and Trade Bureau	48,939		48,939						97,878	0
Fiscal Service Operations	$384,440	$255,623	$0	$0	$0	$0	$0	$0	$384,440	$255,623
Financial Management Service	218,805	231,223							218,805	231,223
Bureau of the Public Debt	165,635	24,400							165,635	24,400
Tax Administration	$13,025,396	$118,169	$0	$0	$258,511	$20,103	$0	$0	$13,283,907	$138,272
IRS Taxpayer Services	2,345,133	22,924							2,345,133	22,924
IRS Enforcement	5,769,388	55,799			197,231	20,103			5,966,619	75,902
IRS Operations Support	4,559,246	39,446			61,280				4,620,526	39,446
Business Systems Modernization	333,600								333,600	0
Health Insurance Tax Credit Administration	18,029								18,029	0
Total, Treasury Appropriations Committee [1/]	$13,524,928	$397,676	$382,456	$24,763	$468,725	$33,997	$291,651	$46,457	$14,667,760	$502,893
Treasury International Programs			3,363,934						3,363,934	0
Total, Appropriated Level	$13,524,928	$397,676	$3,746,390	$24,763	$468,725	$33,997	$291,651	$46,457	$18,031,694	$502,893
Non Appropriated Bureaus	$0	$0	$0	$4,642,375	$0	$0	$0	$0	$0	$4,642,375
Office of Financial Stability				311,240					0	311,240
Bureau of Engraving and Printing				582,050					0	582,050
U.S. Mint				2,545,885					0	2,545,885
Office of the Comptroller of the Currency				1,040,756					0	1,040,756
Small Business Lending Fund Administration				72,603					0	72,603
OFR and Financial Services Oversight Council				82,353					0	82,353
SSBCI Administration				7,488					0	7,488
Subtotal, Direct $	$13,524,928		$3,746,390		$468,725		$291,651		$18,031,694	
Subtotal, Reimbursable $		$397,676		$4,667,138		$33,997		$46,457		$5,145,268
Total, Treasury Level	$13,922,604		$8,413,528		$502,722		$338,108		$23,176,962	

[1/] Total does not include the proposed $600 million Forfeiture Fund permanent cancellation and the reduction in the Fund's spending resulting from the proposed $30 million transfer to FinCEN.

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

(Direct and Reimbursable)

Appropriation	FY 2010 Actual			FY 2011 Annualized CR Level			FY 2012 President's Budget		
	Direct	Reimb.	Total	Direct	Reimb.	Total	Direct	Reimb.	Total
Departmental Offices Salaries and Expenses	1,166	150	1,316	1,266	137	1,403	1,341	137	1,478
Administrative Expenses, Recovery Act	1,200	0	1,200	65	0	65	0	0	0
Office of Inspector General	172	0	172	172	0	172	172	0	172
Treasury IG for Tax Administration	817	3	820	835	3	838	864	3	867
Special Inspector General for the TARP	112	0	112	192	0	192	192	0	192
Community Development Financial Institutions Fund	71	0	71	84	0	84	90	0	90
Financial Crimes Enforcement Network	328	1	329	327	1	328	304	1	305
Alcohol & Tobacco Tax and Trade Bureau	502	10	512	535	15	550	502	15	517
Financial Management Service	1,583	248	1,831	1,566	269	1,835	1,492	269	1,761
Bureau of the Public Debt	956	0	956	1,042	0	1,042	987	0	987
Internal Revenue Service	94,766	752	95,518	94,766	659	95,425	99,878	659	100,537
Subtotal, Treasury Appropriated Level	101,640	1,164	102,804	100,832	1,084	101,916	105,822	1,084	106,906
Office of Financial Stability	210	0	210	251	0	251	270	0	270
Small Business Lending Fund Administration	0	0	0	41	0	41	55	0	55
State Small Business Credit Initiative Administration	0	0	0	9	0	9	12	0	12
Financial Stability Oversight Council and Office of Financial Research	0	0	0	50	0	50	192	0	192
Working Capital Fund	0	195	195	0	200	200	0	222	222
Treasury Franchise Fund	0	973	973	0	1,012	1,012	0	1,190	1,190
Bureau of Engraving and Printing	0	1,889	1,889	0	1,950	1,950	0	1,925	1,925
U.S. Mint	0	1,778	1,778	0	1,873	1,873	0	1,873	1,873
Office of the Comptroller of the Currency	0	3,101	3,101	0	3,140	3,140	0	3,976	3,976
Office of Thrift Supervision [1/]	0	1,016	1,016	0	1,021	1,021	0	0	0
Terrorism Insurance Program	11	0	11	10	0	10	10	0	10
Total	101,861	10,116	111,977	101,193	10,280	111,473	106,361	10,270	116,631

[1/] The Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203 (Dodd-Frank Act), abolishes and transfers the functions of the Office of Thrift Supervision in Fiscal Year 2011.

Summary of FY 2012 Increases and Decreases

(Dollars in Thousands)

	DO	DSCIP	OIG	TIGTA	SIGTARP	CDFI	FINCEN	TTB	TEOAF	FMS	BPD	IRS	Total
FY 2011 Annualized CR Level	$304,888	$9,544	$29,700	$152,000	$36,300	$246,750	$111,010	$103,000	($90,000)	$244,132	$182,244	$12,146,123	$13,475,691
Adjustment to Meet FY 2011 President's Policy Level	39,707	12,456	351	2,266	13,068	3,144	(11,038)	2,571	0	(10,537)	(7,458)	401,665	446,195
FY 2011 President's Policy Level	$344,595	$22,000	$30,051	$154,266	$49,368	$249,894	$99,972	$105,571	($90,000)	$233,595	$174,786	$12,547,788	$13,921,886
Maintaining Current Levels	$3,215	$0	$183	$1,391	$454	$201	$897	$832	$0	$2,000	$1,234	$85,754	$96,161
Cancellation/Transfer of Balances	0	0	0	0	0	0	30,000	0	(540,000)	0	0	0	(510,000)
Above Base Savings	(28,946)	(22,000)	(392)	(3,474)	(2,448)	(1,830)	(13,570)	(8,525)	0	(11,690)	(20,385)	(189,957)	(303,217)
Adjustments to Base	$10,761	($9,544)	($41)	($1,208)	$10,620	$1,314	$5,392	($5,954)	($540,000)	($22,227)	($27,843)	$211,708	($367,022)
FY 2012 Base	$318,864	$0	$29,842	$152,183	$47,374	$248,265	$117,299	$97,878	($630,000)	$223,905	$155,635	$12,443,585	$13,204,830
Program Decreases	0	0	0	0	0	(22,706)	(3,002)	0	0	(5,100)	(2,000)	0	(32,808)
Program Reinvestments	0	0	0	0	0	1,700	0	0	0	0	0	1,486	3,186
Program Increases	6,025	0	13	5,648	0	0		0	0	0	10,000	838,836	860,522
Changes to Offsetting Fees	0	0	0	0	0	0	0	0	0	0	2,000	0	2,000
FY 2012 President's Budget	$324,889	$0	$29,855	$157,831	$47,374	$227,259	$114,297	$97,878	($630,000)	$218,805	$165,635	$13,283,907	$14,037,730

Departmental Offices - S & E

Program Summary by Budget Activity

Dollars in thousands

Appropriation	FY 2010 Enacted*	FY 2011 Annualized CR Level**	FY 2012 Request**	Change FY10 to FY12 $ Change**	Change FY10 to FY12 % Change**
Executive Direction	$21,983	$33,465	$38,098	$16,115	73.3%
International Affairs and Economic Policy	$47,249	$70,037	$68,349	$21,100	44.7%
Domestic Finance and Tax Policy	$48,580	$71,738	$84,562	$35,982	74.1%
Terrorism and Financial Intelligence	$64,611	$96,386	$92,605	$27,994	43.3%
Treasury-wide Management and Programs	$22,679	$33,262	$41,275	$18,596	82.0%
Administration Programs	$99,786	$0	$0	($99,786)	(100%)
Subtotal, Departmental Offices - S & E	$304,888	$304,888	$324,889	$20,001	6.6%
Offsetting Collections - Reimbursables	$66,045	$91,498	$91,498	$25,453	38.5%
Total Program Operating Level	$370,933	$396,386	$416,387	$45,454	12.3%
Direct FTE	1,266	1,266	1,341	75	5.9%
Reimbursable FTE	150	137	137	(13)	(8.7%)
Total FTE	1,416	1,403	1,478	62	4.4%

*This does not include funding provided by Public Law 111-212 nor transfers.

**FY 2011/2012, numbers and percentage changes reflect the reallocation of the Administration Programs dollars to their respective budget activities, resulting in across-the-board increases to other budget activities.

Summary

Departmental Offices, as the headquarters bureau for the Department of the Treasury, provides leadership to the Department through the promotion of policies geared toward developing a strong and stable economy. The Secretary of the Treasury plays a primary role in the formulation and management of domestic and international economic policies of the United States, specifically in the areas of finance, tax, terrorism and financial intelligence policies. Through effective management and leadership, the Department of the Treasury develops and implements strategies to promote the stability of the nation's financial markets, ensure the integrity of the financial system, and enhance the government's ability to collect revenue, and serves as a world leader for best practices in the area of counterterrorist financing and anti-money laundering.

Departmental Offices (DO) top priorities and proposed initiatives support each of the Department’s strategic goals: Effectively Manage U.S. Government Finances; Ensure U.S. and World Economies Perform at Full Potential; Prevent Terrorism and Promote the Nation’s Security Through Strengthened International Financial Systems; and Promote Management and Organizational Excellence.

Total resources requested to support DO activities for FY 2012 are $416,387,000 including $324,889,000 from direct appropriations and $91,498,000 from offsetting collections and reimbursable programs.

DO FY 2012 Budget Highlights
Dollars in thousands

Appropriation	Amount
FY 2010 Enacted	**$304,888**
FY 2011 Annualized CR Level	**$304,888**
Changes to Base:	
Adjustment to Reach Policy Level:	$39,707
Adjustment to Reach FY 2011 President's Policy	$39,707
Maintaining Current Levels (MCLs):	$3,215
Non-Pay, Pay & Benefits, and Pay Annualizations	$3,215
Transfers Out:	$0
Procurement Transfer to IRS	$0
Efficiencies, Savings & Base Reductions:	($28,946)
Streamlining Management	($6,400)
Administrative Efficiency Savings	($2,635)
Non-recur of Alpha Computers	($2,750)
Non-recur of Domestic Finance Contracts	($1,596)
Federalizing the IT Workforce	($1,000)
Multilateral Meeting Support Savings	($1,974)
Summit Support Representation Funds	($200)
Non-Recur of ODM Information Technology	($1,550)
Non-recur of Program Evaluation	($5,292)
Terrorism and Financial Institutions (TFI) Office Efficiency Savings	($4,349)
TFIN Savings	($1,200)
Subtotal FY 2012 Changes to Base	$13,976
Total FY 2012 Base	**$318,864**
Program Changes:	
Program Increases:	$6,025
Dodd-Frank Wall Street Reform Act	$5,525
Domestic Finance (DF) Recovery Act	$500
Subtotal FY 2012 Program Changes	$6,025
Total FY 2012 Request	**$324,889**

FY 2012 Budget Adjustments

FY 2011 Annualized CR Level
The FY 2011 annualized Continuing Resolution (CR) level for DO is $304,888,000.

Adjustment to Reach FY 2011 President's Policy Level
Adjustments to Reach FY 2011 President's Policy Level +$39,707,000 / +76 FTE
Adjustment from the FY 2011 Annualized Continuing Resolution (CR) Rate to reach the FY 2011 President's Policy Level. The President's Policy Level is equal to the FY 2011 President's Budget as adjusted for the proposed pay freeze.

Maintaining Current Levels (MCLs)
Adjustments Necessary to Maintain Current Levels +$3,215,000 / +0 FTE
Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment and health benefits and the increase in Federal Employee Retirement System participation. No inflation adjustment is requested for pay in FY 2012.

Transfers
Procurement Transfer to IRS +$0 / -9 FTE
Transfer the functions of the Departmental Offices Procurement Services Division to the Internal Revenue Service.

Non-Recurs and Efficiencies Savings
Streamlining Management -$6,400,000 / -23 FTE
Savings will be achieved through a number of management initiatives, including the non-recur of FY 2011 one-time initiative support costs, consolidation of IT contractor services, reduction of overtime, and other services.

Administrative Efficiency Savings -$2,635,000 / +0 FTE
Savings will be achieved through a more efficient use of administrative activities and through non-recur of one-time FY 2010 costs.

Non-recur of Alpha Computers -$2,750,000 / +0 FTE
Non-recur of one-time FY 2011 funds to upgrade the Department's Alpha computers.

Non-Recur of Domestic Finance Contracts -$1,596,000 / +0 FTE
Non-recur $1.596 million of a $3.5 million FY 2011 increase to support research activities to allow Domestic Finance to obtain high-quality, time-sensitive research, data, and analysis to inform policy development.

Federalizing the IT Workforce -$1,000,000 / +20 FTE

Net contract savings from converting IT contractors into federal employees while improving accountability, efficiency, and customer service within the department.

Multilateral Meeting Support Savings -$1,974,000 / +0 FTE

Non-recur of FY 2011 funds to host international meetings, including G-8 meetings, a G-20 Ministerial and an Asia-Pacific Economic Cooperation (APEC) meeting, plus numerous other related meetings and workshops leading up to these events.

Summit Support Representation Funds -$200,000 / +0 FTE

Reduction in the increased FY 2011 financial support for attending annual economic summits with the G-7 and G-20 nations.

Non-Recur of Office of Debt Management (ODM) Information Technology -$1,550,000 / +0 FTE

Non-recur $1.550 million of program funds used to develop and modernize ODM's information technology system. The remaining $1.450 million in the base will cover operations and maintenance.

Non-recur of Program Evaluations -$5,292,000 / +0 FTE

Non-recur of FY 2011 requested in a government-wide competition to measure program effectiveness. Funding was one-time for specifically chosen studies.

Office of Terrorism and Financial Intelligence (TFI) Efficiency Savings -$4,349,000 / +0 FTE

TFI will realize savings through the prioritization of staff travel; elimination of overseas support for its Brussels liaison; targeted procurement spending to save on contracts, IT licenses, subscriptions, and supplies; and by eliminating funding for its now completed responsibilities under United Nations Security Council Resolution 1822 which required agencies to address discrepancies in the terrorist financing designation list.

Treasury Foreign Intelligence Network -$1,200,000 / +0 FTE

Remaining base funding will be used to support operations and maintenance expenses in FY 2012 and beyond.

Program Increases

Dodd-Frank Wall Street Reform Act +$5,525,000 / +11 FTE

Departmental Offices (DO) requests funds in FY 2012 to support Dodd–Frank Wall Street Reform and Consumer Protection Act activities. The FY 2012 request is focused on building the expertise necessary to fulfill Treasury's ongoing responsibilities under the Act and to monitor and develop policy in the areas where regulation was greatly expanded under the Act.

DF Recovery Act +$500,000 / +0 FTE

Resources are requested to support Domestic Finance's implementation of the American Recovery and Reinvestment Act (ARRA) Cash Payments for Specified Energy Property in Lieu of Tax Credits. Payments under this program continue through 2017.

Explanation of Budget Activities

Salaries and Expenses

Executive Direction ($38,098,000 from direct appropriations and $3,134,000 from reimbursable programs)

Provides direction and policy formulation to the Department, and interacts with Congress and the public on Departmental policy matters.

International Affairs and Economic Policy ($68,349,000 from direct appropriations and $10,883,000 from reimbursable programs)
Monitors domestic and international economic conditions and collects and analyzes financial data, including foreign credits and credit guarantees.

Domestic Finance and Tax Policy ($84,562,000 from direct appropriations and $36,160,000 from reimbursable programs)
Monitors and provides economic and financial policy expertise in the areas of domestic finance and tax policy.

Terrorism and Financial Intelligence (TFI) ($92,605,000 from direct appropriations and $10,621,000 from reimbursable programs)
Develops and implements strategies to counter terrorist financing and money laundering.

Treasury-wide Management and Programs ($41,275,000 from direct appropriations and $30,700,000 from reimbursable programs)
Provides strategic plans, and policy direction in the fields of human resources, information technology security, and financial administration that include the formulation and management of the budget.

Administration Programs (Direct appropriations and reimbursable program funding have been allocated to operational budget activities.)
Treasury has allocated administrative expenses for Departmental Offices by operational budget activity, instead of maintaining a separate budget activity for administrative expenses. This will give oversight officials a better understanding of the full cost of each program within Departmental Offices.

Legislative Proposals

Departmental Offices has no legislative proposals.

DO Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Terrorism and Financial Intelligence	Impact of TFI programs and Activities (Oe) (Oe)	N/A	7.8	8.1	7.4	7.6
International Affairs and Economic Policy	Number of new trade and investments negotiations underway or completed (Oe)	14	15	13	6	6
International Affairs and Economic Policy	Scope and intensity of engagement (traction)	3.6	3.7	3.5	3.6	3.6
Domestic Finance and Tax Policy	Variance between estimated and actual receipts (annual forecast) (%) (Oe)	4.6	5.5	5.8	5.0	5.0
Treasury-wide Management Policies and Programs	Percent of timely completed Planned Corrective Actions (%) (Oe)	82.5	85.6	88.4	85.0	85.0

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

Description of Performance

DO is continuing to work to develop more meaningful performance measures for policy offices.

In FY 2010, the Department continued using a composite performance measure which assesses of its impact of the organization. The composite measure resulted in a score of 8.1 out of 10 equaling its target for FY 2010. The targets for the composite performance measure have been set to 7.4 for FY 2011 and 7.6 for FY 2012.

In FY 2010, Treasury's Office of International Affairs (IA) exceeded its performance measures related to the number for new trade and investments negotiations trade and investment. For FY 2010, the Office completed or was in progress on 13 new trade and investment negotiations, far in excess of the 2 that were targeted in FY 2010. The performance targets are 6 new negotiations for FY 2011 and FY 2012. The Office of Technical Assistance continues to assess the effectiveness of assistance programs for client countries. The average rating in FY 2010 was 3.6 for traction out of a possible score of 5.0, exceeding its target of 3.5. Performance targets for FY 2011 and FY 2012 for IA measures have been set to reflect current economic conditions.

Given economic uncertainties and legislative changes, the forecasts for FY 2010 were not as good as those for FY 2009. The variance for FY 2010 was 5.8 percent, higher than the 5.5 percent variance in FY 2009 and the 5.0 percent target for FY 2010. FY 2010 proved very challenging to forecast due to the heavy influence of 2009 tax liabilities on FY 2010 receipts and lingering uncertainty concerning the pace of the economic recovery. To reduce error rates, the office completed a review of the statistical techniques used to forecast major federal financial activities, and will deploy a new updated fiscal projections system. Targets for FY 2011 and FY 2012 have been set at 5 percent.

The offices comprising the Treasury Wide Management (TWM) budget activity are committed to ensuring accountability and a well understood strategic direction in order to build a world-class organization. In FY 2010, offices have continued to work to objectively monitor their progress toward program outcomes and Treasury's strategic objectives.

For FY 2011, Treasury has made the decision to allocate administrative expenses for Departmental Offices by operational budget activity, instead of maintaining a separate budget activity just for administrative expenses. As a result, Treasury Wide Management Goals are under development.

Also, the Department continues to be engaged in rigorous efforts to redevelop metrics for its International Affairs programs that better reflect the mission and goals of the office.

Department-wide Systems and Capital Investments Program

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	FY 2010 to FY 2012 $ Change	% Change
Department-wide Systems and Capital Investments Program	$9,544	$9,544	$0	($9,544)	(100.0%)
Total Appropriated Resources	**$9,544**	**$9,544**	**$0**	**($9,544)**	**(100.0%)**

Summary

The Department-wide Systems and Capital Investments Program (DSCIP) is authorized to be used by or on behalf of the Department of the Treasury's bureaus, at the Secretary's discretion, to improve infrastructure, modernize business processes and increase efficiency through technology investments.

No FY 2012 DSCIP funding is requested in order to direct resources to other priorities of the Secretary. The following initiatives will continue to be implemented using existing DSCIP funding:

Enterprise Content Management (ECM): Treasury will continue to eliminate paper-based and non-optimal processes and transactions. The ECM program is an essential element of this initiative as it will provide a common approach across Treasury to modernizing business processes. Existing funding will allow the program to continue, with a focus on enhancing mission effectiveness, reducing total cost of ownership by promoting economies of scale, and enabling all Treasury bureaus to progress toward a paperless environment.

Financial Innovation and Transformation (FIT):
Existing funding will be used to develop and expand efforts to support shared government-wide financial solutions associated with agency financial management services (e.g., invoice processing, cash collections, interagency agreement management), an effort coordinated through the Office of Financial Innovation and Transformation (FIT). This program will continue developing options for streamlining the processing of financial transactions and information.

Treasury Annex Repair and Renovation – Treasury is fixing life safety issues, upgrading a number of outdated systems, and replacing inefficient, single paned windows, which will make the building more energy efficient.

DSCIP FY 2012 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2010 Enacted	$9,544
FY 2011 Annualized CR Level	$9,544
Changes to Base:	
Adjustment to Reach Policy Level:	$12,456
Adjustment to Reach FY 2011 President's Policy	$12,456
Non-Recurring Costs:	($22,000)
Zero Base DSCIP	($22,000)
Subtotal FY 2012 Changes to Base	($9,544)
Total FY 2012 Base	**$0**
Total FY 2012 Request	**$0**

FY 2012 Budget Adjustments

FY 2011 Annualized CR Level

The FY 2011 Annualized CR Level for DSCIP is $22,000,000.

Adjustment to Reach Policy Level

Adjustment to Reach FY 2011 President's Policy +$12,456,000 / +0 FTE

Adjustment from the FY 2011 Annualized Continuing Resolution (CR) Rate to reach the FY 2011 President's Policy Level. The President's Policy Level is equal to the FY 2011 President's Budget as adjusted for the proposed pay freeze.

Non-Recurring Costs

Zero Base DSCIP -$22,000,000 / +0 FTE

DSCIP appropriations are one-time funding and do not recur.

Explanation of Budget Activities

Salaries and Expenses

Department-wide Systems and Capital Investments Program (No funding)

While no additional DSCIP funding is requested, existing funding will be used to implement the Enterprise Content Management (ECM) and Financial Innovation and Transformation (FIT) programs and to repair and upgrade the historic Treasury Annex Building.

Legislative Proposals

DSCIP has no legislative proposals.

Description of Performance

The Department of the Treasury uses DSCIP funds to make investments necessary to facilitate its strategic goals as laid out in its Strategic Plan.

Results to be achieved include reduced cost of maintaining paper, standardized shared services, increased efficiency and productivity of staff through automated workflow, reduced time required to share information and reduced management reporting burden.

Office of Inspector General

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	FY 2010 to FY 2012 $ Change	% Change
Audit	$22,869	$22,869	$22,897	$28	0.1%
Investigations	$6,831	$6,831	$6,958	$127	1.9%
Subtotal, Office of Inspector General	**$29,700**	**$29,700**	**$29,855**	**$155**	**0.5%**
Offsetting Collections - Reimbursables	$8,000	$10,000	$13,200	$5,200	65.0%
Total Program Operating Level	**$37,700**	**$39,700**	**$43,055**	**$5,355**	**14.2%**
Direct FTE	172	172	172	-	-

*Does not include the FY 2010 Supplemental (P.L. 111-212) $1.8 million rescission

Summary

The Treasury Office of Inspector General (OIG) supports Treasury's goal to ensure accountability and transparency, to protect the integrity of the Department, and to improve overall efficiency and effectiveness in Treasury programs and operations. The OIG conducts audits and investigations of all Treasury programs and operations except those under jurisdictional oversight of the Treasury Inspector General for Tax Administration and the Special Inspector General for the Troubled Asset Relief Program. In accordance with the Inspector General Act, the OIG through its activities (a) promotes economy, efficiency, and effectiveness in the administration of Treasury programs and operations; (b) prevents and detects fraud, waste, and abuse in Treasury programs and operations; and (c) keeps the Secretary and the Congress fully and currently informed about problems, abuses, and deficiencies in Treasury programs and operations.

The Fiscal Year (FY) 2012 President's Budget request for the OIG will be used for critical audit and investigative resources.

The OIG will continue to address its traditional audit mandates related to (1) the Department's financial statements, (2) the Department's implementation of the Federal Information Security Management Act (FISMA), and (3) failed Treasury-regulated financial institutions. In addition to these traditional mandates, the OIG is also responsible for mandates related to the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Small Business Jobs Act of 2010. The Dodd-Frank Wall Street Reform and Consumer Protection Act requires the Inspector General to (1) function as the Chair of the Council of Inspectors General on Financial Oversight which includes periodic reporting on the Council's audits and investigations along with views on regulatory matters, (2) monitor the transfer of functions of the Office of Thrift Supervision with periodic reporting to the Congress, and (3) perform reviews of systemically significant failed financial institutions that had been regulated by Treasury. The Small Business Jobs Act charges the OIG with providing oversight over two new Treasury programs, the $30 billion Small Business Lending Fund (SBLF) and the $1.5 billion State Small Business Credit Initiative (SSBCI). To comply with these mandates, the OIG will assess Treasury's implementation of the two programs, continually monitor recipient compliance with program requirements and use of funds, and evaluate the impact of these programs on small business lending.

Furthermore, the July 2010 U.S.-European Union agreement on the processing and transfer of financial messaging data for the purposes of the Treasury Department's Terrorist Finance Tracking Program specifically provides for the OIG's oversight to ensure safeguards over sensitive information are followed.

Once mandated requirements are met, the OIG will conduct audits of the Department's highest risk programs and operations, to the extent that resources are available.

Investigative priorities include: Investigating complaints of alleged criminal and serious misconduct by Department employees and contract employees; Investigating allegations of fraud and other crimes involving Treasury contracts, procurements, grants, guarantees (fictitious instruments), and federal funds with an emphasis on Treasury Recovery Act funds; Investigating allegations of criminal conduct stemming from the OIG's mandated failed bank reviews; and conducting proactive efforts to detect, deter and investigate, electronic crimes and other threats to the Department's physical and cyber critical infrastructure.

Total resources required to support OIG operations for FY 2012 are $43,055,000, consisting of (1) $29,855,000 from direct appropriations and (2) $13,200,000 from reimbursable funding agreements to support the financial statement audit requirements of the Department and for OIG oversight of the SBLF and the SSBCI.

OIG FY 2012 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2010 Enacted	**$29,700**
FY 2011 Annualized CR Level	**$29,700**
Changes to Base:	
Adjustment to Reach Policy Level:	$351
Adjustment to Reach FY 2011 President's Policy	$351
Maintaining Current Levels (MCLs):	$183
Maintaining Current Levels	$183
Efficiencies, Savings & Base Reductions:	($392)
MLRs	($392)
Subtotal FY 2012 Changes to Base	$142
Total FY 2012 Base	**$29,842**
Program Changes:	
Program Increases:	$13
CIGIE Contribution	$13
Subtotal FY 2012 Program Changes	$13
Total FY 2012 Request	**$29,855**

FY 2012 Budget Adjustments

FY 2011 Annualized CR Level

The FY 2011 Annualized CR Level for OIG is $29,700,000.

Adjustment to Reach Policy Level

Adjustment to Reach FY 2011 President's Policy +$351,000 / +0 FTE

Adjustment from the FY 2011 Annualized Continuing Resolution (CR) Rate to reach the FY 2011 President's Policy Level. The President's Policy Level is equal to the FY 2011 President's Budget as adjusted for the proposed pay freeze.

Maintaining Current Levels (MCLs)

Maintaining Current Levels +$183,000 / +0 FTE

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

MLRs -$392,000 / +0 FTE

Savings from anticipated reductions in Material Loss Review work. The savings are anticipated due to regulatory reform and economic recovery.

Program Increases

CIGIE Contribution +$13,000 / +0 FTE

Contribution to the Council of Inspectors General on Integrity and Efficiency

Explanation of Budget Activities

Salaries and Expenses

Audit ($22,897,000 from direct appropriations and $13,200,000 from reimbursable programs)

In FY 2010, the Office of Audit completed a total of 68 audit products. As the result of the unprecedented number of bank failures requiring a material loss review, the OIG completed some of the reviews after the 6-month timeframe prescribed in statute, but the missed dates were not considered significant. The appropriate Congressional oversight committees were informed of this situation. The Office of Audit plans to complete 70 audit products in FY 2012.

In FY 2010 the Office of Investigations met or exceeded both Investigative Performance Measure targets. OIG received investigative referrals regarding potential criminal misconduct that occurred prior to or during bank failures, and has worked criminal investigations with the FDIC OIG and the OIG Office of Audit regarding potential prosecution of acts which may have contributed to the bank failures. As additional financial institutions fail over the next several years, OIG expects an associated increase in investigative work. Treasury's Recovery Act grants in lieu of tax credit programs—for specified energy property and to states for low-income housing projects—are estimated to cost almost $20 billion over their lives. OIG anticipates a significant increase of related criminal investigations as Treasury continues to disburse these funds. It is expected that the performance measures will be met or exceeded in FYs 2011 and 2012 as well.

Investigations ($6,958,000 from direct appropriations)

The Office of Investigations prevents, detects and investigates complaints of fraud, waste and abuse at all Treasury non-IRS bureaus and offices. This includes the detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury. The Office 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.

The Office of Inspector General (OIG) is actively investigating numerous referrals of potential bank fraud received from the OIG's Office of Audit related to their reviews of failed financial institutions that were regulated by OCC or the Office of Thrift Supervision.

Legislative Proposals

The OIG has no legislative proposals.

OIG Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Exceptional accountability and transparency	Number of Completed Audit Products (Ot)	64	68	68	62	70
Exceptional accountability and transparency	Percent of Statutory Audits Completed by the Required Date (E)	100.0	100.0	50.0	100.0	100.0
Exceptional accountability and transparency	Percentage (%) of Investigations that were referred for Criminal, Civil or Treasury administrative action	N/A	N/A	N/A	B	80.0

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

Description of Performance

In FY 2010, the Office of Audit completed a total of 68 audit products. As the result of the unprecedented number of bank failures requiring a material loss review, the OIG completed some of the reviews after the 6-month timeframe prescribed in statute, but the missed dates were not considered significant. The appropriate Congressional oversight committees were informed of this situation. The Office of Audit plans to complete 70 audit products in FY 2012.

In FY 2010 the Office of Investigations met or exceeded both Investigative Performance Measure targets. OIG received investigative referrals regarding potential criminal misconduct that occurred prior to or during bank failures, and has worked criminal investigations with the FDIC OIG and the OIG Office of Audit regarding potential prosecution of acts which may have contributed to the bank failures. As additional financial institutions fail over the next several years, OIG expects an associated increase in investigative work. Treasury's Recovery Act grants in lieu of tax credit programs—for specified energy property and to states for low-income housing projects—are estimated to cost almost $20 billion over their lives. OIG anticipates a significant increase of related criminal investigations as Treasury continues to disburse these funds. It is expected that the performance measures will be met or exceeded in FYs 2011 and 2012 as well.

Special IG for TARP

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2010 Enacted	FY 2011 Annualize CR Level	FY 2012 Request	FY 2010 to FY 2012 $ Change	% Change
Audit	$9,900	$15,609	$20,371	$10,471	106%
Investigations	$13,400	$20,691	$27,003	$13,603	102%
Total Appropriated Resources	**$23,300**	**$36,300**	**$47,374**	**$24,074**	**103%**
Available no-year funds - S&E	$20,100	$13,068		($20,100)	-100%
Available PPIP funds	$5,000	$1,671	$1,708	($3,292)	-66%
Total Program Operating Levels	**$48,400**	**$51,039**	**$49,082**	**$682**	**1%**

Activity	FY 2010 Enacted	FY 2011 Annualize CR Level	FY 2012 Request	Change FY10 to FY12 $ Change	% Change
Audit	$20,700	$22,732	$20,371	($329)	-2%
Investigations	$27,700	$28,307	$28,711	$1,011	4%
Total SIGTARP by Budget Activity	**$48,400**	**$51,039**	**$49,082**	**$682**	**1%**
Direct FTE	133	192	192	59	44%
Total FTE	**133**	**192**	**192**	**59**	**44%**

SIGTARP carried over $36.2 million into FY 2011 in unobligated mandatory authority, of which $22.5 million is for general operations and $13.7 is for PPIF/TALF funds.

Summary

The 2012 President's Budget request for the Special Inspector General for Troubled Asset Relief Program (SIGTARP) includes funding to support the Department of the Treasury's strategic outcome of effectively managing the U.S. Government's finances as they relate to the Troubled Asset Relief Program (TARP). SIGTARP's top priority is to promote transparency in the management and operation of TARP, ensuring the satisfaction of the public's right to know how Treasury decides to invest the public's money, how it manages the assets it obtains, and how TARP recipients use these funds.

SIGTARP's mission is to advance economic stability by promoting the efficiency and effectiveness of TARP management, through transparency, through coordinated oversight, and through robust enforcement against those, whether inside or outside of Government, who waste, steal or abuse TARP funds.

SIGTARP views its oversight role prospectively, retrospectively, internally, and externally. Prospectively, SIGTARP, among other things, advises Treasury on issues relating to compliance, internal controls and fraud prevention. Retrospectively, SIGTARP assesses the effectiveness of TARP activities over time and suggests improvements. Internally, SIGTARP's oversight role reaches to Treasury officials and to other government employees who manage TARP-related programs. Externally, it reaches to the recipients of TARP funds, the other private participants in TARP-related programs and to vendors that have been retained to assist Treasury in implementing TARP. SIGTARP also plays a significant external coordinating role among TARP oversight bodies both to ensure maximum oversight coverage and to avoid redundant and unduly burdensome requests on Treasury personnel who manage the programs.

SIGTARP FY 2012 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2010 Enacted	**$23,300**
FY 2011 Annualized CR Level	**$36,300**
Changes to Base:	
Adjustment to Reach Policy Level:	$13,068
Adjustment to Reach FY 2011 President's Policy	$13,068
Maintaining Current Levels (MCLs):	$454
Maintaining Current Levels	$454
Efficiencies, Savings & Base Reductions:	($2,448)
Efficiencies, Savings and Reductions	($2,448)
Subtotal FY 2012 Changes to Base	$11,074
Total FY 2012 Base	**$47,374**
Total FY 2012 Request	**$47,374**

FY 2012 Budget Adjustments

FY 2011 Annualized CR Level

The FY 2011 annualized CR level for SIGTARP is $36,300,000.

Adjustment to Reach Policy Level

Adjustment to Reach FY 2011 President's Policy +$13,068,000 / +0 FTE

Adjustment to Reach FY 2011 President's Policy

Maintaining Current Levels (MCLs)

Maintaining Current Levels +$454,000 / +0 FTE

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

Efficiencies, Savings and Reductions -$2,448,000 / +0 FTE

A reduction from the base level will be absorbed through general operating costs.

Explanation of Budget Activities

Salaries and Expenses

Audit ($20,371,000 from direct appropria-tions)

Conducts, supervises, and coordinates programmatic audits with respect to Treasury's operation of TARP and the recipients' compliance with their obligations under relevant law and contracts; evaluates TARP policies and procedures; and provides technical assistance to Treasury.

Investigations ($27,003,000 from direct appropriations)

Supervises and conducts criminal and civil investigations into those persons and entities, whether inside or outside of government, who waste, steal, or abuse TARP funds.

Legislative Proposals

SIGTARP has no legislative proposals for FY 2012.

SIGTARP Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Audit	Percent of Recommendations Implemented (Oe)(%)	N/A	100.0	43.0	70.0	70.0
Investigations	Percentage of Investigations Accepted by Prosecutors (Oe)(%)	N/A	95.0	100.0	55.0	55.0

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

Description of Performance

SIGTARP is continuing to set challenging performance goals with positive results. The Audit Division (AD) continues to review TARP policies and procedures including TARP agreements. A particular focus of the AD is ensuring that internal controls are in place and are complied with, both by Treasury in its management of TARP and by the recipients of TARP funds. Where controls or compliance are found to be lacking, or where particular aspects or policies are found ineffective at reaching TARP's goals, AD assists the Special Inspector General in preparing recommendations to resolve issues.

In the interests of maximizing criminal and civil enforcement, the Investigation Division (ID) coordinates closely with other law enforcement agencies with the goal of forming law enforcement partnerships, including task force relationships, across the Federal government to leverage SIGTARP's expertise and unique position. ID also implements SIGTARP's Hotline which accepts and processes telephone, e-mail, website, and in-person complaints. One of SIGTARP's primary investigative priorities is to operate the SIGTARP Hotline to provide a simple, accessible way for the American public to report concerns of violations of criminal and civil laws in connection with TARP.

Inspector General for Tax Administration

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	Change FY10 to FY12 $ Change	% Change
Audit	$57,421	$57,421	$62,357	$4,936	8.6%
Investigations	$94,579	$94,579	$95,474	$895	0.9%
Subtotal, Inspector General for Tax Administration	**$152,000**	**$152,000**	**$157,831**	**$5,831**	**3.8%**
Offsetting Collections - Reimbursables	$1,300	$1,300	$1,300	$0	-
Total Program Operating Level	**$153,300**	**$153,300**	**$159,131**	**$5,831**	**3.8%**
Direct FTE	835	835	864	29	3.5%
Reimbursable FTE	3	3	3	-	-
Total FTE	**838**	**838**	**867**	**29**	**3.5%**

Summary

The FY 2012 President's Budget request for Treasury Inspector General for Tax Administration (TIGTA) will be used to continue to provide critical audit, investigative, and inspection and evaluation services, ensuring the integrity of tax administration on behalf of the nation's taxpayers. While there are a number of critical areas where TIGTA will provide oversight, highlights of TIGTA's investigative and audit priorities include:

- Adapting to the Internal Revenue Service's (IRS) continuously evolving operations and mitigating intensified risks associated with modernization, security, addressing the tax gap, and human capital challenges facing the IRS;
- Responding to threats and attacks against IRS employees, property, and sensitive information;
- Improving the integrity of IRS operations by detecting and deterring fraud, waste, abuse or misconduct by IRS employees;
- Conducting comprehensive audits, inspections, and evaluations that include recommendations for monetary benefits and enhancing IRS's service to taxpayers;
- Informing the American people, Congress, and the Secretary of the Treasury of problems and progress made to resolve them; and.
- Overseeing IRS efforts to administer tax provisions of the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Patient Protection and Affordable Care Act, and the Health Care and Education Reconciliation Act of 2010 (ACA).

TIGTA was created by Congress as a part of the *Internal Revenue Service Restructuring and Reform Act of 1998 (*RRA 98*)*. TIGTA's audits, investigations, inspections and evaluations protect and promote the fair administration of the American tax system. TIGTA conducts audits that advise the American people, Congress, the Secretary of the Treasury, and IRS management of high-risk issues, problems, and deficiencies related to the administration of IRS programs and operations. TIGTA's audit recommendations improve IRS systems and operations, while maintaining fair and equitable treatment of taxpayers. TIGTA's investigations ensure the integrity of IRS employees, contractors, and other tax professionals; provide for infrastructure security; and protect the IRS from external attempts to threaten or corrupt the administration of the tax laws. TIGTA's Office of Inspections and Evaluations (I&E) provides responsive, timely, and cost-effective inspections and evaluations of IRS challenge areas. TIGTA's oversight is essential to the efficiency and equity of the IRS's tax administration system. TIGTA ensures that taxpayers can have confidence that the IRS collects more than $2 trillion in tax revenue in an effective and efficient manner.

Total resources required to support TIGTA activities for FY 2012 are $159,131,000, including $157,831,000 from direct appropriation and $1,300,000 from offsetting collections and reimbursable programs.

TIGTA FY 2012 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2010 Enacted	**$152,000**
FY 2011 Annualized CR Level	**$152,000**
Changes to Base:	
Adjustment to Reach Policy Level:	$2,266
Adjustment to Reach FY 2011 President's Policy	$2,266
Maintaining Current Levels (MCLs):	$1,391
Maintaining Current Levels (MCLs)	$1,391
Efficiencies, Savings & Base Reductions:	($3,474)
Program Reductions and Efficiencies	($3,474)
Subtotal FY 2012 Changes to Base	$183
Total FY 2012 Base	**$152,183**
Program Changes:	
Program Increases:	$5,648
Oversight of IRS Implementation of the Affordable Care Act	$5,600
CIGIE Payment	$48
Subtotal FY 2012 Program Changes	$5,648
Total FY 2012 Request	**$157,831**

FY 2012 Budget Adjustments

FY 2011 Annualized CR Level

The FY 2011 Annualized CR Level for TIGTA is $152,000,000.

Adjustment to Reach Policy Level

Adjustment to Reach FY 2011 President's Policy +$2,266,000 / +0 FTE

Adjustment from the FY 2011 Annualized Continuing Resolution (CR) Rate to reach the FY 2011 President's Policy Level. The President□s Policy Level is equal to the FY 2011 President's Budget as adjusted for the proposed pay freeze.

Maintaining Current Levels (MCLs)

Maintaining Current Levels (MCLs) +$1,391,000 / +0 FTE

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

Program Reductions and Efficiencies -$3,474,000 / +0 FTE

TIGTA continuously seeks to reduce programs that are non-critical and find efficiencies in its operations. Reaching a savings target of $3,474,000 without impacting the quality of TIGTA's programs will require a combination of actions. TIGTA examines all vacancies to determine the impact of delayed back-filling and will strategically identify positions where longer lapses would have the smallest impact on mission. Reducing the reporting requirements identified in TIGTA's charter document, RRA 98 will generate $840,000 in savings. However, these reductions would require statutory change and are further discussed in the Legislative Proposals section of this document. Further savings will be realized in data center and certification and accreditation consolidation.

Program Increases

Oversight of IRS Implementation of the Affordable Care Act +$5,600,000 / +29 FTE

The IRS components of the new ACA legislation are a cornerstone of the administration's plan to expand coverage for millions of Americans. TIGTA is in a unique position to ensure that IRS implements the law effectively, assure citizens about the integrity of the program, and give lawmakers the assurance that the program functions properly. TIGTA has often paved the way for new initiatives that are administered through the tax code. Funding will support 23 auditors, five investigators, and one inspections and evaluations specialist. TIGTA's work requires close coordination among its Audit, Investigations, Inspections and Evaluation functions. Each program office brings unique skills and experience, but the bureau's overall success depends greatly upon these offices□ close collaboration. The success of the new ACA program will depend on the government's ability to assure taxpayers that the new changes are properly administered.

CIGIE Payment +$48,000 / +0 FTE

Funds for Council of Inspectors General on Integrity and Efficiency (CIGIE) will specifically support coordinated government-wide activities that identity and review areas of weakness and vulnerability in federal programs and operations with respect to fraud, waste and abuse. This increase raises TIGTA□s CIGIE contribution to $380,000.

Explanation of Budget Activities

Salaries and Expenses

Audit ($62,357,000 from direct appropriations, and $551,000 from reimbursable programs)

The Office of Audit's (OA) mission is to provide comprehensive coverage and oversight of all aspects of the IRS's daily operations. Audits not only focus on the economy and efficiency of IRS functions but also ensure that taxpayers' rights are protected and the taxpaying public is adequately served. In FY 2010, audit reports produced potential financial benefits of approximately $11.46 billion, and potentially impacted approximately 2.03 million taxpayer accounts in areas such as taxpayer burden, rights and entitlements, taxpayer privacy and security, protection/use of resources, reliability of information, and increased revenue/revenue protected. Each fiscal year, OA develops an annual audit plan that communicates oversight priorities to Congress, the Department of the Treasury, and the IRS. This plan strikes a balance between statutory audit coverage and high risk audit work. The statutory coverage includes audits mandated by the IRS Restructuring and Reform Act of 1998, as well as reviews that address computer security and financial management. The high-risk workload includes issues pertaining to the IRS's modernization efforts, its major management challenges, its progress in achieving its strategic goals, as well as Congressional and other stakeholder requests for audit coverage.

Investigations ($95,474,000 from direct appropriations, and $749,000 from reimbursable programs)

While most Offices of Inspectors General focus primarily on fraud, waste, and abuse, TIGTA's mission is more extensive. TIGTA has the statutory responsibility to protect the integrity of tax administration and to protect the ability of the IRS to collect revenue for the Federal government. To accomplish this, TIGTA investigates allegations of criminal violations and administrative misconduct by IRS employees, protects the IRS against external attempts to corrupt tax administration, and ensures IRS employee safety and IRS data and infrastructure security. The following summaries highlight TIGTA's investigative efforts in these three core areas:

Employee Integrity: IRS employee misconduct can hinder the IRS's ability to collect revenue for the Federal Government. Fifty percent of TIGTA's current investigations involve alleged employee misconduct. In addition to unauthorized access (UNAX) investigations, employee misconduct investigations include allegations of extortion, theft, false statements, and financial fraud. TIGTA also administers a proactive integrity program to help detect IRS employees who might be committing fraud and other misconduct. During FY 2010, TIGTA initiated 70 proactive investigative initiatives.

Employee and Infrastructure Security: Congressional concern regarding the magnitude of uncollected revenue has prompted the IRS to intensify enforcement activities. Heightened enforcement is likely to cause a rise in external threats to IRS employees and infrastructure. Both TIGTA's proactive and reactive investigations are critical to mitigating future risks. TIGTA maintains IRS employee and infrastructure security by conducting investigations into incidents that threaten IRS employees, facilities, and infrastructure. TIGTA's highest priority complaints involve threats and assaults against IRS employees. TIGTA works aggressively and takes swift action to protect IRS employees, to include the providing of armed escorts. In October 2008, the Inspector General Reform Act of 2008 was signed into law, which allows TIGTA to provide physical security to protect IRS employees against external threats. TIGTA also operates a Criminal Intelligence Program that develops and facilitates pertinent information regarding potential threats to IRS employees and operations. This program includes participation in the FBI sponsored Joint Terrorism Task Forces nationwide. In addition, TIGTA has a System Intrusion and Network Attack Response Team to defend against hackers who attempt to compromise the data integrity of taxpayer information stored in IRS computer systems. In FY 2010, OI closed 1,425 investigations of assaults and/or threats made against IRS employees and facilities.

External Attempts to Corrupt Tax Administration: TIGTA is statutorily mandated to investigate external attempts to corrupt tax administration, which includes criminal misconduct by non-employees, such as, impersonation of IRS employees, interference with the administration of internal revenue laws, bribery, misuse of Treasury names, symbols, etc., contract fraud, and tax practitioner fraud relating to thefts of taxpayer remittances and refunds.

Legislative Proposals

TIGTA proposes eliminating certain reviews conducted to comply with reporting requirements in the *IRS Restructuring and Reform Act of 1998*. These statutory reviews yield little in the way of improving performance measures and are of relatively low value. TIGTA would prefer to redirect resources applied to these reviews to conducting high-risk audits. TIGTA recommends legislative changes eliminating reporting requirements in the following areas:

- The requirement to report information regarding any administrative or civil actions related to Fair Tax Collection Practices violations in one of TIGTA's Semiannual Reports. This pertains to Internal Revenue Code Section 7803 (d)(1)(G).

- The requirement to review and certify annually that IRS is complying with the requirements of 26 U.S.C. section 6103(e)(8) regarding information on joint filers.
- The requirement to annually report on the IRS's compliance with Internal Revenue Code Sections 7521(b)(2) and (c) requiring IRS employees to stop a taxpayer interview whenever a taxpayer requests to consult with a representative and to obtain their immediate supervisor's approval to contact the taxpayer instead of the representative if the representative has unreasonably delayed the completion of an examination or investigation.
- The annual reporting requirement for the remaining RRA 98 provisions should be revised to a biennial reporting requirement.

TIGTA Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Exceptional accountability and transparency	Percentage of Audit Products Delivered when Promised to Stakeholders (Oe)	65.0	81.0	76.0	65.0	70.0
Exceptional accountability and transparency	Percentage of Recommendations Made that Have Been Implemented (Oe)	85.0	91.0	95.0	83.0	85.0
Exceptional accountability and transparency	Percentage of Results from Investigative Activities (Oe)	78.0	83.0	86.0	79.0	80.0

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

Description of Performance

- Issued 135 audit, inspection, and evaluation reports, identifying approximately $11.46 billion in potential financial benefits (i.e., costs savings, increased or protected revenue, taxpayer rights and entitlements, and inefficient use of resources).
- Closed 86 percent of the 3,743 final closed investigations which generated results, including 1,635 cases of employee misconduct referred to the IRS for action and 235 cases accepted for prosecution.
- Note that FY 2011 performance targets were reduced to FY 2010 levels to align performance targets and funding levels based on FY 2010.

Community Development Financial Institutions Fund

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	Change FY2010 to FY2012 $ Change	% Change
Community Development Financial Institutions Program	$107,600	$107,600	$125,869	$18,269	16.98%
Bank Enterprise Award Program	$25,000	$25,000	$0	($25,000)	(100.0%)
Native Initiatives	$12,000	$12,000	$12,000	$0	-
Capital Magnet Fund	$80,000	$80,000	$0	($80,000)	(100.0%)
Administration[1, 2]	$18,000	$18,000	$22,965	$4,965	27.58%
Financial Education and Counseling	$1,000	$1,000	$0	($1,000)	(100.0%)
Hawaii Financial Ed and Counseling	$3,150	$3,150	$0	($3,150)	(100.0%)
Bank on USA Initiative	$0	$0	$41,425	$41,425	100.0%
Healthy Food Financing Initiative	$0	$0	$25,000	$25,000	100.0%
Total Appropriated Resources	**$246,750**	**$246,750**	**$227,259**	**($19,491)**	**(7.90%)**
Direct FTE	84	84	90	6	7.14%

1/ NMTC Program Administration is included in the Administration budget activity for the FY 2012 Budget request.

2/ In addition, $13.5 million is available for the administration of the Bond Guarantee Program provided in PL 111-240.

Summary

The FY 2012 request for the Community Development Financial Institutions Fund (CDFI Fund) will ensure that the CDFI Fund meets its mission of increasing economic opportunity and promoting community development investments for underserved populations and in distressed communities in the United States.

Through its various programs and initiatives, the CDFI Fund enables locally based organizations to further goals such as economic development that support the expansion of affordable housing, small businesses, community facilities, and community development financial services.

Total resources required to support CDFI Fund activities for FY 2012 are $227,259,000 from direct appropriations.

The CDFI Fund expands the availability of credit, investment capital, and financial services in distressed urban and rural communities, and carries out the Community Development Banking and Financial Institutions Act of 1994. The CDFI Fund provides infusions of capital to institutions that serve economically distressed communities and low-income individuals. The CDFI Fund's investments work toward building private markets, improving local tax revenues (through job creation, business development, commercial real estate, housing development and homeownership), and empowering residents by stimulating the creation and expansion of diverse Community Development Financial Institutions (CDFIs), which provide basic banking services and financial literacy training to underserved communities. The CDFI Fund's activities leverage millions of private sector investment dollars from banks, foundations, and other funding sources.

The FY 2012 budget proposes funding for the CDFI Fund's core CDFI and Native programs, as well as the Healthy Food Financing Initiative (HFFI) and the Bank on USA initiative. The Bank on USA initiative promotes access to affordable and appropriate financial services and basic consumer credit products for the underbanked. These individuals face a number of problems, including high fees for alternative financial services such as check-cashing; barriers to saving and building credit; and increased exposure to risks such as fraud and theft. The Healthy Food Financing Initiative supports CDFIs for the purpose of increasing the availability of affordable, healthy foods in underserved urban and rural communities, particularly through the development or equipping of grocery stores and other healthy food retailers.

CDFI FY 2012 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2010 Enacted	**$246,750**
FY 2011 Annualized CR Level	**$246,750**
Changes to Base:	
Adjustment to Reach Policy Level:	$3,144
Adjustment to Reach FY 2011 President's Policy	$3,144
Maintaining Current Levels (MCLs):	$201
Maintaining Current Levels	$201
Efficiencies, Savings & Base Reductions:	($1,830)
Office Relocation	($1,700)
Procurement Savings	($130)
Subtotal FY 2012 Changes to Base	$1,515
Total FY 2012 Base	**$248,265**
Program Changes:	
Program Decreases:	($22,706)
Community Development Financial Institutions Program	($14,131)
Bank on USA Initiative	($8,575)
Program Reinvestment:	$1,700
Adjustment to Support New Programs	$1,700
Subtotal FY 2012 Program Changes	($21,006)
Total FY 2012 Request	**$227,259**

FY 2012 Budget Adjustments

FY 2011 Annualized CR Level

The FY 2011 Annualized CR Level for CDFI is $246,750,000.

Adjustment to Reach Policy Level

Adjustment to Reach FY 2011 President's Policy +$3,144,000 / +6 FTE

Adjustment to Reach FY 2011 President's Policy

Maintaining Current Levels (MCLs)

Maintaining Current Levels +$201,000 / +0 FTE

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

Office Relocation -$1,700,000 / +0 FTE

This is a one-time cost in the administrative account which is associated with the CDFI Fund's FY 2011 office relocation.

Procurement Savings -$130,000 / +0 FTE

Reducing non-competitive and high risk contract actions and implementing the use of socio-economic programs such as 8(a) and small business set-asides can achieve procurement savings. Other methods to achieve savings include strategic sourcing, advanced acquisition planning, and GSA discount savings.

Program Decreases

Community Development Financial Institutions Program -$14,131,000 / +0 FTE

The CDFI Fund will reduce the amount and number of Financial Assistance and Technical Assistance awards and the funding level for the capacity building initiative, which complements existing funding for technical assistance and capacity building services to CDFIs.

However, the impact of the reduction in funding is mitigated by additional financial support to CDFIs from other Treasury programs, including the more than $500 million that has been made available to CDFIs under the Community Development Capital Initiative (CDCI) in FY 2010, and the up to

$300 million that is authorized under Small Business Lending Fund (SBLF) in FY 2011.

Bank on USA Initiative -$8,575,000 / +0 FTE
The FY 2012 request is reduced because certain one-time fixed costs incurred in FY 2011 will not be incurred in FY 2012 (technical assistance to local Bank on USA programs, research contracts, and start-up and related administrative costs).

Program Reinvestment
Adjustment to Support New Programs +$1,700,000 / +0 FTE
The CDFI funds will redirect reinvestment of non-recurring cost from the office relocation to cover the additional administrative support costs resulting from the implementation of two high-priority initiatives; the Bank on USA Initiative and the Healthy Food Financing Initiative.

Explanation of Budget Activities

Salaries and Expenses

Community Development Financial Institutions Program ($125,869,000 from direct appropriations)
The CDFI Program uses federal resources to invest in and build the capacity of CDFIs to serve low-income people and communities lacking adequate access to affordable financial products and services. The CDFI Program provides monetary awards for financial assistance to further economic development (job creation, business financing, and commercial real estate development); affordable housing (housing development and homeownership); and community development financial services (provision of basic banking services to underserved communities and financial literacy training). The CDFI Program also provides technical assistance awards to help start-up and existing CDFIs build their capacity to serve their target markets through the acquisition of consulting services, technology purchases, and staff/board training.

New Markets Tax Credit Program ($0 from direct appropriations)
The NMTC Program attracts private sector capital into low-income communities. Community Development Entities (CDEs) apply to the CDFI Fund for allocations of tax credits in annual competitive rounds. The CDEs, in turn, provide tax credits to private investors in low-income communities. In addition to awarding tax credits, the CDFI Fund monitors CDE compliance with the terms of their allocation agreements.

Bank Enterprise Award Program (No funding)
Through the BEA Program, the CDFI Fund encourages insured depository institutions to increase investments and services in distressed communities and financial assistance to CDFIs. The CDFI Fund does not propose to fund the BEA Program in FY 2012.

Native Initiatives ($12,000,000 from direct appropriations)
The Native Initiatives comprises two components: (i) the Native American CDFI Assistance Program (NACA Program) through which financial assistance (FA) and technical assistance (TA) awards are provided to build the capacity of new or existing Native CDFIs serving Native Communities, and (ii) complementary capacity-building initiatives that foster the development of Native CDFIs through training and technical assistance, strengthen their operational capacity, and guide them in the creation of important financial education and asset building programs for their communities.

Capital Magnet Fund (No funding)
Through the CMF, the CDFI Fund increases capital investment for the development,

preservation, rehabilitation, and purchase of affordable housing for low-, very low-, and extremely low-income families, and related economic development activities. As initially conceived, the CMF was to be capitalized through proceeds from Fannie Mae and Freddie. The CDFI Fund does not propose to fund the CMF in FY 2012.

Administration ($22,965,000 from direct appropriations)

Administration encompasses the CDFI Fund's operational support and management activities for each of the award and tax credit programs that it administers. This includes finalizing the terms of assistance agreements with awardees, making disbursements, and monitoring awardee compliance with the terms of their three-year award assistance and seven-year allocation agreements. In addition, resources will be utilized for a business application enhancement upgrade and external program research evaluations.

Financial Education and Counseling (No funding)

Through the FEC Pilot Program, the CDFI Fund makes grants to eligible organizations to provide a range of financial education and counseling services to prospective homebuyers. The CDFI Fund does not propose to fund the FEC Pilot Program in FY 2012.

Hawaii Financial Ed and Counseling (No funding)

Through the FEC Pilot Program (Hawaii), the CDFI Fund makes grants to eligible organizations to provide a range of financial education and counseling services to prospective homebuyers in the State of Hawaii. The CDFI Fund does not propose to fund the FEC Pilot Program (Hawaii) in FY 2012.

Bank on USA Initiative ($41,425,000 from direct appropriations)

Through the Bank on USA initiative, the CDFI Fund will work in partnership with Treasury's Office of Financial Education and Access to award grants to CDFIs to promote access to and innovations in affordable and appropriate financial services and basic consumer credit products for households without access to such products and services.

Healthy Food Financing Initiative ($25,000,000 from direct appropriations)

Through the HFFI, the CDFI Fund will make CDFI Program awards to CDFIs and NMTC Program awards to CDEs that will finance healthy food alternatives in low-income neighborhoods.

Legislative Proposals

The CDFI Fund does not recommend any legislative changes for FY 2012.

CDFI Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Economic competitiveness	ALL - Award Cycle Time	N/A	N/A	B	7.5	7.5
Economic competitiveness	ALL - Disbursement Cycle Time	N/A	N/A	B	2.0	2.0
Economic competitiveness	ALL - Jobs Created/Maintained	N/A	N/A	N/A	51,312	48,991
Community Development Financial Institutions Program	CDFI - Number of Loans/Investments Originated (Annual)	N/A	N/A	N/A	B	B
Native Initiatives	NACA - Number of Loans/Investments Originated (Annual)	N/A	N/A	N/A	B	B
New Markets Tax Credit Program	Community Development Entities' Annual Investments In Low-Income Communities ($ billions) (Oe)	3.3	3.6	3.1	3.0	3.0

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

Description of Performance

In FY 2010, CDFIs reported leveraging private investment in the prior year of approximately $1.9 billion (based on reporting from program year 2009 results), more than triple the target of $600 million; this success was largely due to increased CDFI Program funding which was met by private sector commitments despite the effects of the financial crisis.

In FY 2010, the NMTC Program competitively awarded $5 billion in NMTC allocation authority to CDEs, including the $1.5 billion in Recovery Act authority, providing tax credit allocation authority to CDEs for targeted investments in low-income communities. As reported in FY 2010 (based on reporting from program year 2009 results), cumulative investments in low-income communities by CDEs rose to $15.8 billion (exceeding the performance target) and amounted to an annual increase of $3.1 billion over the prior year (exceeding the annual target by $600 million).

In FY 2010, the BEA Program received 76 applications requesting a total of $94 million compared to 58 applications requesting approximately $57 million in FY 2009. The CDFI Fund selected 69 FDIC-insured institutions to receive nearly $25 million in awards. FY 2010 applicants were headquartered in 20 states and the District of Columbia. In the FY 2010 funding round (based on the 2009 Assessment Period), awardees provided $373.9 million in qualified loans or investments in distressed communities, $53.9 million in qualified loans, deposits and technical assistance to CDFIs, and $233.3 million in qualified financial services in distressed communities.

In FY 2010, the Native Initiatives registered a 26 percent increase in the total assets of Native CDFIs. In FY 2010, the NACA Program received 61 applications requesting a total of $23.7 million. The CDFI Fund awarded 45 organizations a total of $10.3 million for both FA and TA funding in FY 2010.

In its inaugural FY 2010 Capital Magnet Fund (CMF) funding round, the CDFI Fund announced $80 million in competitively awarded grants to 23 CDFIs and qualified nonprofit housing organizations serving 38 states. The CDFI Fund received a total of 230 applications for the FY 2010 CMF funding round.

In FY 2010, the administration implemented two productivity measures. These measures replaced the old administrative efficiency measure, which was intrinsically difficult to compute because it required allocating a share of organizational overhead to each program.

The new program-level measure has two components: cycle time from the date when applications are received to the date of award announcement; and time from date of award announcement to date of disbursement. These two program efficiency measures (application-award and award-disbursement cycle times) were analyzed across all programs to formulate a composite, CDFI Fund-wide efficiency measure for each measure was based on the weighted average of the number of awards per program.

Financial Crimes Enforcement Network

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	FY 2010 to FY 2012 $ Change	FY 2010 to FY 2012 % Change
BSA Administration and Analysis	$101,694	$101,694	$84,297	($17,397)	(17.1%)
Regulatory Support Programs	$9,316	$9,316	$0	($9,316)	(100.0%)
Subtotal, Financial Crimes Enforcement Network	**$111,010**	**$111,010**	**$84,297**	**($26,713)**	**(24.1%)**
Offsetting Collections - Reimbursables	$20,000	$20,000	$3,000	($17,000)	(85.0%)
Transfers	$0	$0	$30,000	$30,000	-
Total Program Operating Level	**$131,010**	**$131,010**	**$117,297**	**($13,713)**	**(10.5%)**
Direct FTE	331	327	304	(27)	(8.2%)
Reimbursable FTE	1	1	1	-	-
Total FTE	**332**	**328**	**305**	**(27)**	**(8.1%)**

In FY 2012, the Regulatory Support Program budget activity is merged into the BSA Administration and Analysis budget activity.

Summary

The mission of FinCEN, a bureau within Treasury's Office of Terrorism and Financial Intelligence, is to enhance U.S. national security, deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems. FinCEN fulfills its mission, goals and priorities by: administering the Bank Secrecy Act (BSA); supporting law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence; enhancing international anti-money laundering and counter-terrorist financing efforts and cooperation; and networking people, entities, ideas, and information.

The following priorities support the Presidential goal of encouraging economic growth by safeguarding the financial systems from abuse and promoting transparency in the U.S. and international financial systems.

- Implement the BSA IT Modernization Program, using funds transferred from the Treasury Forfeiture Fund;
- Lead efforts to coordinate federal, state, and local efforts to combat fraud;
- Enhance the BSA regulatory compliance and enforcement strategy based on risks informed by analysis and law enforcement; and
- Engage with priority countries and international bodies to strengthen mechanisms for global information exchange.

The total resources required to support FinCEN for FY 2012 are $117,297,000 including $84,297,000 for direct appropriation, $3,000,000 from offsetting collections and $30,000,000 transferred from the Treasury Forfeiture Fund (see Administrative Provision Sec. 125) to continue the BSA IT modernization program.

FinCEN FY 2012 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2010 Enacted	**$111,010**
FY 2011 Annualized CR Level	**$111,010**
Changes to Base:	
Adjustment to Reach Policy Level:	($11,038)
Adjustment to Reach FY 2011 President's Policy Level	($11,038)
Maintaining Current Levels (MCLs):	$897
Maintaining Current Levels (MCLs)	$897
Efficiencies, Savings & Base Reductions:	($13,570)
Base Reduction to BSA IT Modernization	($10,250)
Regulatory Support Efficiency Savings	($1,017)
Information Technology Efficiency Savings	($1,636)
Staffing Reduction from Attrition	($667)
Subtotal FY 2012 Changes to Base	($23,711)
Total FY 2012 Base	**$87,299**
Program Changes:	
Program Decreases:	($3,002)
Reduce Field Law Enforcement Support	($683)
Reduce Intelligence Support to External Agencies	($968)
Consolidate State and Local Access to BSA Data	($1,351)
Subtotal FY 2012 Program Changes	($3,002)
Total FY 2012 Request	**$84,297**
Transfers	$30,000
Total FY 2012 Request (Net)	**$114,297**

FY 2012 Budget Adjustments

FY 2011 Annualized CR Level

The FY 2011 Annualized CR Level for FinCEN is $111,010,000.

Adjustment to Reach Policy Level

Adjustment to Reach FY 2011 President's Policy Level -$11,038,000 / +0 FTE

Adjustment from the FY 2011 Annualized Continuing Resolution (CR) Rate to reach the FY 2011 President's Policy Level. The President's Policy Level is equal to the FY 2011 President's Budget as adjusted for the proposed pay freeze.

Maintaining Current Levels (MCLs)

Maintaining Current Levels (MCLs) +$897,000 / +0 FTE

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

Base Reduction to BSA IT Modernization -$10,250,000 / +0 FTE

BSA IT Modernization program will be funded with Forfeiture Fund surplus in FY 2012, thereby reducing the discretionary request by an additional $10.250 million. Total project funding remains the same.

Regulatory Support Efficiency Savings -$1,017,000 / +0 FTE

FinCEN will achieve efficiency savings through targeted regulatory support efforts, centralization of money services business (MSB) outreach activities, and change in distribution methodology for MSB brochure materials. The impact of these reductions will be mitigated through future consolidation of call centers; centralization of outreach activities; additional outreach support by FinCEN staff; and greater reliance on FinCEN's public website to distribute MSB materials, supporting Treasury's paperless initiative.

Information Technology Efficiency Savings -$1,636,000 / +0 FTE

In FY 2012, the BSA IT Modernization program will roll out new capabilities for BSA E-Filing and a new analytical tool. Therefore, FinCEN proposes to eliminate development funding for stand-alone system enhancements that could be rolled into the BSA IT Modernization umbrella during FY 2012. FinCEN will also achieve efficiencies through consolidation of information technology contracts, leveraging Treasury strategic sourcing initiatives, and other related efficiencies.

Staffing Reduction from Attrition -$667,000 / -5 FTE

Reductions were identified from efficiencies achieved in administrative staffing support and absorption of workload associated with positions lost through attrition.

Program Decreases

Reduce Field Law Enforcement Support -$683,000 / -3 FTE

Reductions are identified from discontinuance of a liaison position at the Federal Law Enforcement Training Center (FLETC), and from decreases in field positions located in High Intensity Financial Crime Areas (HIFCAs). FinCEN will continue to support law enforcement from its headquarters.

Reduce Intelligence Support to External Agencies -$968,000 / -6 FTE

This reduction will reduce analytical support to external customers in support of their national security, counter terrorism financing, and law enforcement matters. FinCEN will continue to carry-out limited case support and support to FinCEN's analytical initiatives that require national security information. FinCEN will also provide access to BSA information for external agencies through appropriate information sharing protocols.

Consolidate State and Local Access to BSA Data -$1,351,000 / -9 FTE

This reduction will limit direct access to BSA data to only state coordinators, canceling 142 current state and local BSA direct access agreements for law enforcement and regulators. The state coordinators and FinCEN analysts would then be asked to provide access to the BSA by fulfilling query requests from those customers that previously had direct access. These actions allow FinCEN to reduce training, investigative and administrative support to state and local users, and inspections and monitoring of BSA data for appropriate use.

Transfers

Proposed Transfer from TFF to Support BSA IT Modernization Continuing Efforts +$30,000,000 / +0 FTE

The BSA IT Modernization will be funded using a transfer from Treasury Forfeiture Fund (see Administrative Provisions Sec. 125) to support continuing development and maintenance. This transfer allows Treasury to use asset forfeiture to support the development of a tool that will support law enforcement's anti-money laundering and counter-terrorism financing efforts.

Explanation of Budget Activities

Salaries and Expenses

BSA Administration and Analysis ($84,297,000 from direct appropriations, $30,000,000 from transfers, and $3,000,000 from reimbursable programs)

This activity comprises FinCEN’s efforts to administer the BSA, including promulgating regulations, providing outreach and issuing guidance to the regulated industries, providing oversight of BSA compliance, initiating enforcement actions, and, with the Internal Revenue Service (IRS), managing the information filed by the regulated industries, as well as BSA compliance of non-bank financial institutions. Analytical programs include support to U.S. law enforcement and international Financial Intelligence Units (FIUs) in combating financial fraud and crime by facilitating the exchange of investigative information; identifying foreign and domestic financial fraud, money laundering, and terrorist financing trends, patterns, and techniques; and liaison with and support of intelligence initiatives within the intelligence community and within Treasury. This activity also incorporates efforts to support large-scale, complex law enforcement investigations involving financial fraud, terrorist financing, money laundering, and other financial crimes.

Regulatory Support Programs (No funding)
FinCEN is proposing to eliminate the separate budget activity for the Regulatory Support Program along with the related two year fund availability. This program has matured and is now an integrated part of FinCEN's activities, thus the separate identification and extended funding availability is no longer required.

Legislative Proposals

FinCEN is proposing five technical amendments to Titles 31 and 12 that would make improvements in four important areas. The first amendment provides authority to rely on examinations conducted by state supervisory agencies for nonbank financial institutions lacking a Federal regulator, which would capture most nonbank financial institutions currently subject to IRS examination as delegated through a memorandum of understanding. The second amendment increases information sharing between FinCEN and counterpart anti-money laundering/counter-terrorist financing regulators. Specifically, this amendment provides consistency between how FinCEN shares information in its capacity as a regulator and information sharing that currently exists between federal financial regulators and their foreign counterparts. The remaining amendments expand the universe of individuals covered by the prohibition on Suspicious Activity Report (SAR) disclosures and explicitly exempt all BSA data from disclosure under any state law or regulation providing public access to information. See sections 120-124 in the summary of appropriations chapter of this document for specific changes.

FinCEN Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
U.S. & intl financial sys	Percentage of Customers Satisfied with the BSA E-Filing (Oe)	93.0	94.0	96.0	90.0	92.0
U.S. & intl financial sys	Percentage of Domestic Law Enforcement and Foreign Financial Intelligence Units Finding FinCEN's Analytical Reports Highly Valuable	83.0	81.0	80.0	80.0	80.0
U.S. & intl financial sys	Percentage of FinCEN's Regulatory Resource Center Customers Rating the Guidance Received as Understandable (Oe)	94.0	94.0	92.0	90.0	90.0

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

Description of Performance

In the regulatory area, FinCEN's goal to provide financial institutions with understandable guidance through the BSA Resource Center is critical to institutions establishing anti-money laundering programs that comply with the BSA. The FY 2010 goal was to maintain a 90 percent satisfaction level for customers rating the guidance as "understandable," and FinCEN surpassed its goal with 92 percent.

In the analytical area, FinCEN supports domestic law enforcement and international FIU partners by providing analyses of BSA information, and measures the percentage of customers finding FinCEN's analytic reports highly valuable. The measure closely ties to how BSA information is used by law enforcement and international FIUs to identify, investigate, and prevent abuse of the financial system. In FY 2010, 80 percent of the respondents rated the analytic products as highly valuable. FinCEN narrowly missed its target of 81 percent. FinCEN attributes this to a need to enhance communication with and understanding of law enforcement partners' needs. FinCEN has developed a strategy to increase communication with law enforcement partners and will continue efforts to ensure its products and services meet those needs.

In the efficient management, safeguarding, and use of BSA information, FinCEN conducts a survey of the users of the BSA E-Filing system to determine the overall satisfaction level and to identify where improvements are needed. The FY 2010 target was to maintain at least a 90 percent satisfaction level, and FinCEN exceeded its target with 96 percent.

Alcohol and Tobacco Tax and Trade Bureau

Program Summary by Budget Activity
(Dollars in thousands)

Appropriation	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	FY 2010 to FY 2012 $ Change	FY 2010 to FY 2012 % Change
Collect the Revenue	$53,000	$53,000	$48,939	($4,061)	(7.7%)
Protect the Public	$50,000	$50,000	$48,939	($1,061)	(2.1%)
Subtotal, Alcohol and Tobacco Tax and Trade Bureau	**$103,000**	**$103,000**	**$97,878**	**($5,122)**	**(5.0%)**
Offsetting Collections - Reimbursables	$4,234	$3,050	$2,997	($1,237)	(29.2%)
Total Program Operating Level	**$107,234**	**$106,050**	**$100,875**	**($6,359)**	**(5.9%)**
Direct FTE	535	535	502	(33)	(6.2%)
Reimbursable FTE	15	15	15	-	-
Total FTE	**550**	**550**	**517**	**(33)**	**(6.0%)**

Note: In FY 2010, Congress appropriated $3 million in two-year funds for the hiring, training, and equipping of special agents and related support personnel. This funding expires September 30, 2011.

Summary

The Alcohol and Tobacco Tax and Trade Bureau (TTB) serves as the nation's primary federal authority in the regulation of the alcohol and tobacco industries. TTB is responsible for the administration and enforcement of the Internal Revenue Code associated with the collection of excise taxes on alcohol, tobacco, firearms, and ammunition, and the Federal Alcohol Administration Act, which provides for the regulation of those engaged in the alcohol beverage industry and the protection of consumers of alcohol beverages.

In FY 2012, TTB will continue to focus its efforts on enforcing compliance with alcohol, tobacco, firearms and ammunition laws and regulations, in the interest of collecting all appropriate excise taxes, and promoting a marketplace for alcohol beverages that complies fully with federal production, labeling, advertising, and marketing standards. The FY 2012 President's budget request enables TTB to continue its programs and activities necessary to meet the performance measures that support TTB's strategic goals of collecting revenue and protecting the public.

Total resources required to support TTB activities for FY 2012 are $100,875,000, including $97,878,000 from direct appropriations, and $2,997,000 from other offsetting collections and reimbursable programs.

Collect the Revenue - TTB is charged with collecting alcohol, tobacco, firearms, and ammunition excise taxes. These products generate nearly $24 billion in tax revenue annually, making TTB the third largest tax collection agency in the federal government. Alcohol and tobacco taxes collected by TTB are remitted to the Department of the Treasury General Fund. Firearms and ammunition excise taxes are remitted to the Fish and Wildlife Restoration Fund under provisions of the Pittman-Robertson Act of 1937.

The excise taxes collected by TTB come from taxes imposed and collected at the producer and importer level of operations. Members of the regulated industries paying excise taxes are distilleries, breweries, bonded wineries, bonded wine cellars, manufacturers of paper and tubes for tobacco products, manufacturers of tobacco products, and manufacturers and importers of firearms and ammunition. About

200 of the largest taxpayers account for 98 percent of the annual excise tax collected. In FY 2010, the majority of taxes collected were from tobacco (67 percent) and alcohol (31 percent), with the remainder from firearms and ammunition (2 percent).

Strategies used to collect the revenue rightfully due include identifying any gaps in tax payment, identifying any illegal entities or individuals operating outside the excise tax system, developing a balanced field approach of audits and investigations that target non-compliant industry members, and establishing an identifiable presence within all of industry that encourages voluntary compliance.

Protect the Public - TTB works to ensure the integrity of the alcohol and tobacco industries and of beverage alcohol products found in the marketplace, and regulates roughly 53,000 alcohol and tobacco businesses. Under this activity, TTB enforces federal laws related to the issuance of permits to new businesses engaged in the alcohol and tobacco industries and regulates the production, labeling, advertising, and marketing of alcohol products. TTB conducts these activities through investigations, application reviews, laboratory testing, and educational programs. TTB works with industry, foreign and state governments, and other interested parties to make it easier to comply with regulatory requirements and maintain the appropriate level of oversight to ensure public safety. TTB's work with foreign governments also facilitates the import and export trade in its regulated commodities. Education, partner-ships, and open communication are paramount strategies in facilitating compliance with regulatory requirements.

TTB FY 2012 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2010 Enacted	**$103,000**
FY 2011 Annualized CR Level	**$103,000**
Changes to Base:	
Adjustment to Reach Policy Level:	$2,571
Adjustment to Reach FY 2011 President's Policy	$2,571
Maintaining Current Levels (MCLs):	$832
Maintaining Current Levels	$832
Efficiencies, Savings & Base Reductions:	($8,525)
Audits, Investigations, Outreach & Trade Facilitation	($1,584)
Law Enforcement/Special Agents	$0
Licensing and Registration Fees Initiative	($5,500)
New Regulations to Simplify Reporting Requirements	($300)
Overhead/Operating (Reduced Staffing/Overtime/Travel/Contracts, etc.)	($841)
Paperless Initiative (Permits Online)	($300)
Subtotal FY 2012 Changes to Base	($5,122)
Total FY 2012 Base	**$97,878**
Total FY 2012 Request	**$97,878**

FY 2012 Budget Adjustments

FY 2011 Annualized CR Level

The FY 2011 Annualized CR Level for TTB is $103,000,000.

Adjustment to Reach Policy Level

Adjustment to Reach FY 2011 President's Policy +$2,571,000 / +12 FTE

Adjustment from the FY 2011 Annualized Continuing Resolution (CR) Rate to reach the FY 2011 President's Policy Level. The President's Policy Level is equal to the FY 2011 President's Budget as adjusted for the proposed pay freeze.

Maintaining Current Levels (MCLs)

Maintaining Current Levels +$832,000 / +0 FTE

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

Audits, Investigations, Outreach & Trade Facilitation -$1,584,000 / -15 FTE

Savings realized from a reduction of staff, combined with an improved strategy for tax and regulatory enforcement that focuses on the areas that present the highest revenue risk, and a reinvented approach to industry outreach and international trade activities.

Law Enforcement/Special Agents +$0 / -10 FTE

Reduction of 10 FTE due to the expiration of two-year funding (FY 2010-2011) for law enforcement agents and related support personnel whose focus was on criminal activities surrounding the alcohol and tobacco commodities.

Licensing and Registration Fees Initiative -$5,500,000 / -12 FTE

Reduction due to the exclusion from the FY 2012 Presidents Budget of a licensing and registration fee program, which would have required the collection of annual fees from alcohol and tobacco industry members to fund TTB operations.

New Regulations to Simplify Reporting Requirements -$300,000 / -3 FTE

Savings realized from simplifying the reporting requirements for distilled spirits plants (DSP) by updating the regulations to consolidate the required monthly operations reports for non-industrial DSP.

Overhead/Operating (Reduced Staffing /Overtime/Travel/Contracts, etc.) -$841,000 / -2 FTE

Savings realized from the reduction of operating costs such as overtime, travel, supplies, GSA rent, equipment, software, and the reduction of management staff.

Paperless Initiative (Permits Online) -$300,000 / -3 FTE

Savings realized from staffing reduction enabled by efficiencies gained from the Permits Online electronic filing system due to processing time reduction and the streamlining of business processes.

Explanation of Budget Activities

Salaries and Expenses

Collect the Revenue ($48,939,000 from direct appropriations, and $1,499,000 from reimbursable programs)

This budget activity includes all tax processing, verification, enforcement, and outreach efforts related to tax administration performed by TTB. Collect the Revenue includes three programs: 1) Alcohol and Tobacco Tax Collections, 2) Firearms and Ammunition Excise Tax Collections, and 3) Outreach and Voluntary Compliance. Principal business activities within these programs include:

- *Tax Collection, Claims, Refunds, and Classification,* which involves preparing taxpayer notices and assessments, processing claims and settlement agreements, and assigning a tax classification to a product based on regulatory standards;
- *Tax Verification, Audits, and Investigations,* which includes the reconciling and auditing of tax returns and reports of business operations; on-site audits of alcohol, tobacco, firearms, and ammunition industry members; investigating criminal allegations or indications of tax fraud; conducting compliance investigations of permittees who have substantial potential for tax liability; and initiating adverse actions for willful violations of the Internal Revenue Code; and
- *Voluntary Compliance,* which supports outreach and education efforts for members of the regulated industries, and

includes preparing regulatory guidance, Web site postings, and newsletters; participating in and/or hosting conferences and seminars; and industry and state liaison activities.

TTB uses an interagency approach in applying its enforcement strategies that involves cooperation with local, state, federal, and foreign government counterpart agencies to maximize the deterrent impact of enforcement actions.

Protect the Public ($48,939,000 from direct appropriations, and $1,498,000 from reimbursable programs)

This budget activity funds the programs that ensure the integrity of products and industry members in the marketplace, promote compliance with laws and regulations by regulated industries, and provide information to the public as a means to prevent consumer deception. Protect the Public includes four programs: 1) Permits and Business Assurance; 2) Advertising, Labeling, and Product Safety; 3) Trade Facilitation; and 4) Outreach and Voluntary Compliance. Principal business activities within these programs include:

- *Business Integrity,* which involves enforcing compliance with federal laws related to the issuance of permits to those who wish to operate in the alcohol, tobacco, firearms, and ammunition industries;
- *Product Integrity,* which includes reviewing alcohol beverage label applications; evaluating alcohol beverage product advertisements; reviewing alcohol beverage formula submissions; evaluating specially denatured alcohol and other nonbeverage alcohol formulas to verify the tax drawback claim of the applicant; investigating incidents of suspected unsafe conditions or product deficiencies related to the production and labeling of alcohol beverages; and testing samples of beverage alcohol sold at the retail and producer levels to ensure that these products meet formulation and labeling requirements, do not contain unauthorized substances or contaminants, and are properly classified for tax purposes; and
- *Market Integrity,* which includes monitoring the trade practices of the alcohol industry and taking enforcement actions on violations, monitoring and reviewing international trade in alcohol beverages to identify, prevent, and address trade barriers and incidents of international fraud and contaminated products, and promoting international agreements on product integrity.

TTB works with industry, foreign and state governments, and other interested parties to reduce the burden of compliance with regulatory requirements and to maintain the appropriate level of oversight to ensure public safety. Industry education, interagency partnerships, international cooperation, and open communication are paramount strategies in facilitating compliance with regulatory product and trade requirements.

Legislative Proposals

Extend Pay Demonstration Project: TTB proposes to continue the Pay Demonstration Project by amending the General Provision language to extend the program for one additional year.

TTB Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Economic competitiveness	Average Number of Days to Process an Original Permit Application at the National Revenue Center (E)	64.0	64.0	65.0	72.0	65.0
Economic competitiveness	National Revenue Center (NRC) Customer Satisfaction Survey Results (%) (Oe)	90.0	89.0	89.0	85.0	85.0
Economic competitiveness	Percent of Electronically Filed Certificate of Label Approval Applications (E)	62.0	74.0	79.0	81.0	83.0
Economic competitiveness	Percentage of Importers Identified by TTB as Illegally Operating without a Federal Permit (%) (Oe)	22.0	15.0	15.0	19.0	14.0
Revenue collected	Amount of Revenue Collected Per Program Dollar (E)	313.0	427.0	478.0	400.0	410.0
Revenue collected	Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Payments Timely and Accurately (In Terms of Revenue) (Oe)	94.0	94.0	94.0	92.0	94.0

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

Description of Performance

The bureau continues to collect the federal excise taxes due on its regulated commodities in a highly efficient manner, and continues to enforce compliance with alcohol and tobacco laws and regulations. During FY 2010, TTB met all of its targeted performance goals, while showing continued improvements in performance scores. The bureau plans to continue to monitor its performance, and will use performance information to both measure and improve the effectiveness of its programs.

The investments in the Collect the Revenue activity resulted in the following performance highlights and accomplishments during FY 2010:

- TTB collected $23.8 billion in excise taxes and other revenues from 7,070 taxpayers in the alcohol, tobacco, firearms, and ammunition industries. The recent rise in excise tax collections for tobacco resulted in a return on investment for the Collect the Revenue program of $478 for every $1 expended on collection activities.
- TTB closed 36 criminal investigations involving diversion of products having an estimated tax liability of more than $30 million.
- TTB identified 190 business entities who imported cigarettes into the U.S. without a Federal permit. All entities either ceased their illegal operations or obtained a permit to import tobacco products.
- TTB completed 145 targeted audits, which contributed to the identification of

additional tax revenue of more than $8 million.

- TTB processed $387 million in cover-over payments to Puerto Rico and the U.S. Virgin Islands. Federal excise taxes collected on rum produced in Puerto Rico and the Virgin Islands that are subsequently imported into the United States are "covered-over" (or paid into) the treasuries of Puerto Rico and the Virgin Islands.
- TTB processed $297 million in drawback claims. Under current law, persons who use nonbeverage alcohol in the manufacture of medicines, food products, flavors, extracts, or perfume and other non-potable products may be eligible to claim drawback of excise taxes paid on distilled spirits used in their products.

The investments in Protect the Public activity resulted in the following performance highlights and accomplishments during FY 2010:

- TTB processed 132,600 Certificate of Label Approval (COLAs) applications through the bureau's COLAs Online system for electronic filing of label applications. About 79 percent of the applications were filed electronically. The Federal Alcohol Administration Act requires importers and bottlers of alcohol beverages to obtain a COLA prior to introduction of the product into commerce.
- TTB processed 5,771 original permits and approved 18,230 amended permits. A TTB permit is required before a business can operate in the alcohol and tobacco industries.
- TTB initiated more than 700 field investigations of industry members regarding permit applications, consumer complaints, tax fraud, trade practice violations, and product and labeling integrity verifications.

Financial Management Service

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	FY 2010 to FY 2012 $ Change	% Change
Payments	$150,395	$142,537	$132,868	($17,527)	(11.7%)
Collections	$21,911	$24,267	$21,265	($646)	(2.9%)
Government-wide Accounting and Reporting	$71,826	$77,328	$64,672	($7,154)	(10.0%)
Subtotal, Financial Management Service	**$244,132**	**$244,132**	**$218,805**	**($25,327)**	**(10.4%)**
Offsetting Collections - Reimbursables	$234,690	$216,730	$231,223	($3,467)	(1.5%)
Total Program Operating Level	**$478,822**	**$460,862**	**$450,028**	**($28,794)**	**(6.0%)**
Direct FTE	1,500	1,500	1,200	(300)	(20.0%)
Reimbursable FTE	483	460	460	(23)	(4.8%)
Total FTE	**1,983**	**1,960**	**1,660**	**(323)**	**(16.3%)**

Summary

FMS provides critical and essential payment, collections, debt collection and government-wide accounting and reporting functions essential to the successful operation of the federal government. These functions are far reaching. This includes issuing over 70 million benefit payments distributed monthly to the American public, the collection of all federal revenues that fund government operations and programs, processing and collecting of delinquent debts owed to the federal government including collection of past due child support, and providing financial reports to varied stakeholders. FMS touches almost every American and federal agency proving these very important and essential services.

FMS' budget reflects a strong commitment to fiscal stewardship of taxpayers funding. The FY 2011 and FY 2012 budget represents a 10% reduction from FY 2010 levels. This will bring FMS to funding levels not seen since FY 2002. Even though FMS will operate at FY 2002 operating levels, we are committed to providing continued high service levels to our customers. We believe we can fulfill this objective due to FMS' innovative modernization efforts which have been implemented and finalized over the past years.

FMS' FY 2012 budget directly addresses the Department's high priority performance goal of significantly increasing the number of paperless transactions with the public. It also addresses the Administration's priority of "going green" and consolidating data centers.

FMS supports Treasury's paperless initiative, which requires all new enrollees in federal benefit programs (*e.g.*, Social Security Administration) to receive payments electronically by March 1, 2011. Anyone currently receiving checks would be required to switch to electronic payment by March 1, 2013. A second important component of the all-electronic Treasury initiative requires all businesses currently required to use a Federal Tax Deposit (FTD) coupon to pay electronically beginning January 1, 2011.

In response to a request from the Office of the Fiscal Assistant Secretary, the Commissioners of FMS and the Bureau of the Public Debt

(BPD) determined that they could improve the efficiency and effectiveness of their collective information technology (IT) infrastructures. As a result, FMS, in partnership with BPD, initiated a project to consolidate the data centers across the two bureaus to help achieve the Secretary's objective of increasing the utilization and efficiency of combined IT assets, while reducing technology costs. This effort also conforms to the Office of Management and Budget's (OMB) Data Center Consolidation Directive which requests that all federal agencies review IT spending, placing emphasis on consolidating and sharing IT services to reduce expenditures. Five data centers will be consolidated into two shared by both bureaus with one acting as a back-up to the other. This effort also includes the creation of a single corporate governing body, in-sourcing of select contractor functions, and consolidation of application development methodologies and associated infrastructure; resulting in a more "green" approach to the delivery of IT services.

FMS continues to work toward increasing operational efficiencies that streamline our four main activities of payments, collections, government-wide accounting and reporting, and debt collection. Given FMS' recent history of cost reduction, it is clear that FMS is a conscientious steward of taxpayer money. These cost saving measures do not inhibit our ability to deliver the products and services that are vital to our nation's economic security.

FMS continues to work toward increasing operational efficiencies and by implementing these initiatives will greatly facilitate the ongoing effort to modernize the Federal government's payment, collections, debt collection and central accounting and reporting systems. The end result will be greater efficiency, cost savings, and data quality improvements throughout government.

FMS FY 2012 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2010 Enacted	**$244,132**
FY 2011 Annualized CR Level	**$244,132**
Changes to Base:	
Adjustment to Reach Policy Level:	($10,537)
Adjustment to Reach FY 2011 President's Policy	($10,537)
Maintaining Current Levels (MCLs):	$2,000
Maintaining Current Levels	$2,000
Efficiencies, Savings & Base Reductions:	($11,690)
Elimination of Bureau of Economic Analysis Interagency Agreement	($175)
Reduce Systems Development	($1,400)
Paperless Treasury / Payment Center Repurposing	($6,297)
Data Center Consolidation	($685)
Migration of Human Resources Operations to Shared Service Provider	($533)
Operational Efficiencies & Space Consolidation	($2,600)
Subtotal FY 2012 Changes to Base	($20,227)
Total FY 2012 Base	**$223,905**
Program Changes:	
Program Decreases:	($5,100)
FIRST and GWAMP Project Savings	($5,100)
Subtotal FY 2012 Program Changes	($5,100)
Total FY 2012 Request	**$218,805**

FY 2012 Budget Adjustments

FY 2011 Enacted

The FY 2011 enacted direct appropriation for FMS is $235,253,000.

Adjustment to Reach Policy Level

Adjustment to Reach FY 2011 President's Policy -$10,537,000 / +0 FTE

Adjustment from the FY 2011 Annualized Continuing Resolution (CR) Rate to reach the FY 2011 President's Policy Level. The President's Policy Level is equal to the FY 2011 President's Budget as adjusted for the proposed pay freeze.

Maintaining Current Levels (MCLs)

Maintaining Current Levels +$2,000,000 / +0 FTE

Funds are required for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment and health benefits and the increase in Federal Employee Retirement System participation.

Efficiencies, Savings & Base Reductions

Elimination of Bureau of Economic Analysis Interagency Agreement -$175,000 / +0 FTE

FMS has an interagency agreement with the Department of Commerce's Bureau of Economic Analysis for statistical analysis required each year for the International Monetary Fund. However, FMS no longer has programs or activities that benefit directly or indirectly from this expense. Elimination of this service would not hamper FMS efforts.

Reduce Systems Development -$1,400,000 / +0 FTE

FMS will reduce funding related to low priority program system development and maintenance.

Paperless Treasury / Payment Center Repurposing -$6,297,000 / -49 FTE

In FY 2012, the Paperless Treasury Initiative will not only save the government through consumable savings but will also allow FMS to move from four payment centers to three. The repurposing of the Austin Financial Center provides FMS the opportunity to expand its delinquent debt activity by targeting more of the delinquent debt referred to FMS for collection.

Data Center Consolidation -$685,000 / -121 FTE

FMS, along with BPD, will consolidate five data centers to two which will produce savings due to reductions in energy consumption, equipment, software, and staff. The consolidation of Fiscal Service data centers includes the transferring of staff from FMS to the Treasury Franchise Fund. The salary and benefit costs of those FTE will be used to pay for the resulting new contract.

Migration of Human Resources Operations to Shared Service Provider -$533,000 / -5 FTE

FMS examined the feasibility of migrating its human resources program to a shared service provider. Based on the analysis, FMS elected to transition its HR operational functions to the Administrative Resource Center of the Bureau of the Public Debt. This migration is expected to improve the quality and cost-effectiveness of FMS HR operational processes. This reduction will offset the full cost of the shared services agreement with full implementation in 2012.

Operational Efficiencies & Space Consolidation -$2,600,000 / +0 FTE

FMS will identify operational efficiencies gained through improved process and modernization efforts. Additionally, in coordination with GSA, FMS will work to consolidate space and reduce the FMS' footprint in the Hyattsville Center to accommodate changes in staffing and Data Center consolidation.

Program Decreases

FIRST and GWAMP Project Savings – $5,100,000 / +0 FTE FMS will reduce funding related to development for both the Government-wide Accounting and Modernization Project (GWAMP) and FIRST.

Explanation of Budget Activities

Salaries and Expenses

Payments ($132,868,000 from direct appropriations and $129,561,000 from reimbursable programs)

FMS is responsible for managing and operating federal payment systems and for disbursing approximately 85 percent of all federal payments. It is comprised of a headquarters staff and Regional Financial Centers (RFCs). Major payments include: social security benefits, supplemental security income, federal pension benefits, veterans' compensation, railroad retirement pensions, and tax refunds. An electronic payment is an electronic funds transfer made by direct deposit via the Federal Reserve Bank's Automated Clearing House system to more than 28,000 member financial institutions nationwide. In FY 2010, the centers disbursed over one billion payments, totaling over $2.3 trillion dollars.

Collections ($21,265,000 from direct appropriations and $198,000 from reimbursable programs)

FMS collects revenues needed to operate the federal government through the management of the federal government's collections infrastructure. The collections activity is also part of the nation's critical infrastructure. FMS collected nearly $2.94 trillion in FY 2010 through a network of more than 8,000 financial institutions. It also manages the collection of federal revenues such as individual and corporate income tax deposits, customs duties, loan repayments, fines and proceeds from leases. FMS establishes and implements collection policies, regulations, standards and procedures for the federal government. The majority of dollar collections are made electronically. While 85 percent of federal revenue was collected electronically in FY 2010, the Paperless Treasury Initiative will help FMS improve the percentage of tax revenue collected electronically by requiring all businesses currently required to use a FTD coupon to pay electronically effective January 1, 2011.

Government-wide Accounting and Reporting ($64,672,000 from direct appropriations and $4,412,000 from reimbursable programs)

The Government-wide Accounting and Reporting (GWA) activity maintains the federal government's accounts for its monetary assets and liabilities by operating and overseeing the government's central accounting and reporting system. It also works with federal agencies to adopt uniform accounting and reporting standards and systems. It provides support, guidance, and training to assist agencies in improving their government-wide accounting and reporting responsibilities. FMS collects, analyzes, and publishes government-wide financial information which is used in establishing fiscal and debt management policies and is also used by the public and private sectors to monitor the government's financial status. Publications include the *Daily Treasury Statement*, the *Monthly Treasury Statement*, the *Treasury Bulletin*, the *Combined Statement of the United States Government*, and the *Financial Report of the United States Government* (FR). It is important to note, the cash reporting function of GWA supports the National Financial Critical Infrastructure.

Legislative Proposals

Technical Correction to Allow IRS to Levy 100 percent of all Vendor Payments, Including Payments for the Purchase and Lease of Real Estate, to Collect Delinquent Taxes

Section 6331(h) of the Internal Revenue Code was amended in 2005 to allow the IRS to levy up to 100 percent of federal vendor payments. Before this change, the maximum was 15 percent. The current language, which was intended to cover all federal vendor payments, refers to payments for "goods and services." This has been interpreted to exclude payments for the purchase or lease of real estate. Therefore, a technical correction is needed to ensure that all federal vendor payments are covered.

Allow Offset of Federal Income Tax Refunds to Collect Delinquent State Income Taxes for Debtors Who Currently Reside in Other States

Under current law, federal tax refunds may be offset to collect delinquent state income tax obligations only if the delinquent taxpayer resides in the state collecting the tax. This proposal will allow FMS to offset federal income tax refunds to collect delinquent state tax obligations regardless of where the debtor resides.

Increase Levy Authority for Payments to Medicare Providers with Delinquent Tax Debt

The Budget proposes a change to the Department of the Treasury's debt collection procedures that will increase the amount of delinquent taxes collected from Medicare providers. Through the Federal Payment Levy Program, Treasury deducts (levies) a portion of a Government payment to an individual or business in order to collect unpaid taxes. Pursuant to the Medicare Improvements for Patients and Providers Act of 2008, Treasury is authorized to continuously levy up to 15 percent of a payment to a Medicare provider in order to collect delinquent tax debt. The Budget proposal will allow Treasury to levy up to 100 percent of a payment to a Medicare provider to collect unpaid taxes.

FMS Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Payments	Percentage of Treasury Payments and Associated Information Made Electronically (Oe)	79%	81%	82%	83%	85%
Revenue collected	Amount of Delinquent Debt Collected Through All Available Tools ($ billions) (Ot)	4.41	5.03	5.45	4.84	5.03
Revenue collected	Percentage Collected Electronically of Total Dollar Amount of Federal Government Receipts (Oe)	80.0	84.0	85.0	82.0	82.0
Financial information	Percentage of Government-Wide Accounting Reports Issued Timely (%) (Oe)	100.0	100.0	100.0	100.0	100.0

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

Description of Performance

Payments: FMS disburses payments to a wide variety of recipients, such as those who receive Social Security Administration payments, Internal Revenue Service tax refunds, and the Department of Veterans Affairs benefits. In FY 2010, FMS issued more than one billion non-Defense payments, with a dollar value of over $2.34 trillion. More than 82 percent of these transactions were issued by Electronic Funds Transfer (EFT). In FY 2012, FMS is projecting the percentage of electronic payments to be 84 percent.

Collections: In FY 2010, FMS collected $2.94 trillion through a network of more than 9,000 financial institutions. Slightly more than 85 percent of the funds was collected electronically. While FMS continued to promote and convert collections from paper to the more efficient electronic media in FY 2010, there are a number of factors that have adversely affected the unit cost metric. It is projected that the unit cost metric for collections will increase over the next three years due to two primary factors: 1) The current economic conditions; and 2) Increased expenses during the transition to a fully implemented Collections and Cash Management Modernization (CCMM) initiative.

The economic climate has had a major influence on the unit cost for collections. Recessionary business failures and job losses have caused fewer employers to report withholding transactions to the Electronic Federal Tax Payment System (EFTPS). Similarly, small business failures and job losses reduced the number of tax filers using the IRS Lockbox Network. For example, during the Spring 2009 tax season, tax transaction receipts were down by 22 percent. Since some of the costs of EFTPS and the IRS Lockbox Network are fixed, the unit cost per item increased.

Government-wide Accounting and Reporting: FMS issues 100 percent of its government-wide accounting reports accurately and timely. Annually, FMS releases the *Financial Report of the United States Government (FR).* The FR has been audited by the Government Accountability Office (GAO) since 1997, and has received a disclaimer of opinion each year. For fiscal year ended September 30, 2010, the report was released on December 21, 2010, with a disclaimer of opinion. GAO acknowledge that while significant progress has been made in improving federal financial management since the federal government began preparing the consolidated financial statements 14 years ago, three major impediments continued to prevent them from rendering an opinion on the federal government's accrual-based consolidated financial statements over this period: (1) serious financial management problems at the Department of Defense (DoD) that prevented DoD's financial statements from being auditable, (2) the federal government's inability to adequately account for and reconcile intergovernmental activity and balances between federal agencies, and (3) the federal government's ineffective process for preparing the consolidated financial statements. GAO also acknowledged that: (1) Treasury continues to take steps to help resolve differences in intragovernmental activity and balances; and (2) during fiscal year 2010, Treasury, in coordination with the Office of Management and Budget, continued implementing corrective action plans and made progress addressing certain internal control deficiencies that they have previously reported.

Debt Collection: In FY 2010, FMS collected $5.45 billion in delinquent debt including $12.8 million from Economic Recovery Payments. The amount collected includes $2.10 billion in past due child support, $2.30 billion in federal nontax debt, and over $1.05 billion in federal tax levies and state tax debt offsets. Debt referrals from creditor agencies were at 100 percent of eligible debt at the end of FY 2010. As a result of the continued program improvements, cumulative collections since enactment of the Debt Collection Improvement Act of 1996 are $48.2 billion. In calendar year 2010, the Internal Revenue Service referred an additional $54 billion of tax debts for continuous levy, a 15 percent increase over calendar year 2009.

Bureau of the Public Debt

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	FY 2010 to FY 2012 $ Change	FY 2010 to FY 2012 % Change
Wholesale Securities Services	$24,396	$25,049	$23,120	($1,276)	(5.23%)
Government Agency Investment Services	$18,013	$16,706	$15,419	($2,594)	(14.40%)
Retail Securities Services	$139,569	$140,915	$116,260	($23,309)	(16.70%)
Summary Debt Accounting	$10,266	$9,574	$8,836	($1,430)	(13.93%)
Do Not Pay Implementation			$10,000	$10,000	100%
Subtotal, Bureau of the Public Debt	**$192,244**	**$192,244**	**$173,635**	**($18,609)**	**(9.68%)**
Offsetting Collections - Reimbursables	$21,425	$20,815	$24,400	$2,975	13.89%
Total Program Operating Level	**$213,669**	**$213,059**	**$198,035**	**($15,634)**	**(7.32%)**
Direct FTE	1,042	1,042	987	(55)	(5.28%)
Reimbursable FTE	-	-	-	-	-
Total FTE	**1,042**	**1,042**	**987**	**(55)**	**(5.28%)**

Note: Total Appropriated Resources for FY 2010 and FY 2011 include $10,000,000 in projected user fee collections. Total Appropriated Resources for FY 2012 include $8,000,000 in projected user fee collections.

Summary

Bureau of the Public Debt (BPD)

BPD's mission is to borrow the money needed to operate the federal government, account for the resulting debt, and provide reimbursable support services to federal agencies. In carrying out its mission and vision, Public Debt annually auctions and issues more than $8 trillion in Treasury bills, notes, bonds and Treasury Inflation-Protected Securities (TIPS); administers on Treasury's behalf its regulatory responsibilities for the government securities market; ensures reliable systems and processes are in place for issuing, transferring, paying interest on and redeeming Treasury securities; serves more than 50 million retail customers each year; administers in excess of $4 trillion in investments for more than 230 federal trust funds; and provides timely and accurate information on the public debt.

Public Debt's FY 2012 priorities include eliminating new issues of paper savings bonds and creating an IT portal of payment information that federal agencies can use to ensure their payments are only received by eligible recipients.

Total resources to support Public Debt activities in FY 2012 are $198,035,000, including $173,635,000 from direct appropriations, of which $8,000,000 are user fees, and $24,400,000 from offsetting collections.

BPD FY 2012 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2010 Enacted Budget	**$192,244**
FY 2011 Continuing Resolution	**$192,244**
Changes to Base:	
Adjustment to Reach Policy Level:	($7,458)
Adjustment to Reach FY 2011 President's Policy	($7,458)
Maintaining Current Levels (MCLs):	$1,234
Maintaining Current Levels	$1,234
Efficiencies, Savings & Base Reductions:	($20,385)
Eliminate Paper Savings Bonds	($6,451)
Eliminate new issues of paper payroll savings bonds by 1/1/2011	($5,700)
Program and Support Services Efficiencies	($5,464)
Data Center Consolidation	($470)
Decommission Legacy Treasury Direct System	($1,650)
Procurement Savings	($650)
Subtotal FY 2012 Changes to Base	($26,609)
Total FY 2012 Base	**$165,635**
Program Changes:	
Program Decreases:	($2,000)
Reduction to Systems Modernization Fund	($2,000)
Program Increases:	$10,000
Do not Pay Implementation	$10,000
Subtotal FY 2012 Program Changes	$8,000
Total FY 2012 Budget Request	**$173,635**
User Fees	($8,000)
Total FY 2012 Budget Request (Net)	**$165,635**

FY 2012 Budget Adjustments

FY 2011 Annualized Continuing Resolution

The FY 2011 Annualized Continuing Resolution for BPD is $192,244,000.

Adjustment to Reach Policy Level

Adjustment to Reach FY 2011 President's Policy -$7,458,000 / -33 FTE

Adjustment from the FY 2011 Annualized Continuing Resolution (CR) Rate to reach the FY 2011 President's Policy Level. The President's Policy Level is equal to the FY 2011 President's Budget as adjusted for the proposed pay freeze.

Maintaining Current Levels (MCLs)

Maintaining Current Levels +$1,234,000 / +0 FTE

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

Eliminate Paper Savings Bonds no later than December 31, 2011 -$6,451,000 / +0 FTE

Eliminate new issues of paper savings bonds. Savings of agent fees, postage and printing by eliminating new issues of over-the-counter paper savings bonds.

Eliminate new issues of paper payroll savings bonds by 1/1/2011 -$5,700,000 / -12 FTE

Savings of agent fees, postage and printing by eliminating new issues of paper payroll savings bonds and FTE savings from a decline in customer service transactions after new issues of paper payroll bonds are eliminated.

Program and Support Services Efficiencies -$5,464,000 / -18 FTE

Savings realized from reductions in funded positions across all Public Debt programs and in administrative and IT support services. In addition, to increase operational efficiencies and reduce operating expenses, Public Debt will centralize its printing, duplicating and scanning activities.

Data Centers Consolidation -$470,000 / +0 FTE

Public Debt, along with the Financial Management Service, will consolidate five data centers to two, which will produce savings due to reductions in energy consumption, equipment, software, and staff.

Decommission Legacy Treasury Direct System -$1,650,000 / -12 FTE

Established in 1986, Legacy Treasury Direct allows marketable securities investors to do business by mail and, to a certain extent, through an automated phone system or online. Now that marketable securities are available in TreasuryDirect, an online account system, Public Debt can decommission the aging Legacy system.

Procurement Savings -$650,000 / +0 FTE
Cost savings by streamlining procurement operations and reducing procurement spending.

Program Decreases
Reduction to Systems Modernization Fund -$2,000,000 / +0 FTE
Savings due to elimination of BPD's Systems Modernization fund.

Program Increases
Do Not Pay Implementation +$10,000,000 / +20 FTE
Expand the Do Not Pay Portal and increase analytical capabilities to detect fraud patterns and reduce improper payments.

Adjustments to Request User Fee
User Fees -$8,000,000 / +0 FTE
Public Debt projects that in FY 2012 there will be fewer users of the Legacy Treasury Direct system who are subject to the annual account maintenance fee. Account holders with balances over $100,000 (par value) are charged an annual account maintenance fee of $100.

Explanation of Budget Activities

Salaries and Expenses

Wholesale Securities Services ($23,120,000 from direct appropriations, and $3,179,000 from reimbursable programs)
Public Debt announces, auctions and issues marketable Treasury bills, notes, bonds and TIPS. This program ensures that the government's critical financing needs are met and oversees an infrastructure that provides for the transfer, custody and redemption of Treasury securities in the wholesale market. Public Debt also administers Treasury's regulations that provide investor protection and maintain the integrity, liquidity and efficiency in the government securities market.

Government Agency Investment Services ($15,419,000 from direct appropriations, and $2,121,000 from reimbursable programs)
Public Debt supports federal, state and local government agency investments in non-marketable Treasury securities as well as federal agency borrowing from the Department of the Treasury. There are more than 230 trust and investment funds held by federal agencies. For 18 of the funds, the Secretary of the Treasury, designated by statute, is the managing trustee.

Retail Securities Services ($116,260,000 from direct appropriations, including $8,000,000 from user fee collections, and $17,884,000 from reimbursable programs)
Public Debt serves more than 50 million retail customers who have invested in marketable and savings securities directly with Treasury. Investors may hold these securities in book-entry or paper form. With the elimination of new issues of paper savings bonds, Public Debt will position Treasury to provide other simple, safe, and affordable ways for Americans to save. The program will deliver a high-quality customer experience through traditional and emerging technologies, opportunities for self-service, and easy to use communication channels.

Summary Debt Accounting ($8,836,000 from direct appropriations, and $1,216,000 from reimbursable programs)
This program is key to meeting Public Debt's responsibility to account for the public debt and related interest expense incurred to finance the operations of the federal government. Public Debt produces daily reports on the balance and composition of the public debt, provides the overarching control structure for dozens of subordinate securities systems and

reconciles their related transactions and cash flows.

Do Not Pay Implementation ($10,000,000 from direct appropriations)

In June 2010, a Presidential Memorandum (*Enhancing Payment Accuracy Through a "Do Not Pay List"*) established the creation of a comprehensive Do Not Pay List against which agency payments could be cross-checked to prevent ineligible recipients from receiving payments from the federal government. To make this list more beneficial, VerifyPayment.Gov has been created to serve as a one-stop-shop for agencies.

The Bureau of the Public Debt has been given responsibility for maintaining and expanding VerifyPayment.Gov. Additionally, Public Debt will work with the Recovery Accountability and Transparency Board, to support an operations center to analyze fraud patterns and refer potential issues to agency management.

Legislative Proposals

Public Debt has no legislative proposals for FY 2012.

BPD Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Government Financing	Percent of Respondents Selecting the Highest Rating of Customer Satisfaction with Government Agency Investment Services (%) (Oe)	N/A	N/A	55.0	56.0	57.0
Government Financing	Percent of Retail Customer Service Transactions Completed within 5 Business Days (%) (Ot)	N/A	86.0	92.7	87.0	87.0
Government Financing	Percent of Auction Results Released in Two Minutes +/- 30 Seconds (%) (Oe)	100.0	100.0	100.0	100.0	100.0
Financial Information	Cost Per Summary Debt Accounting Transaction ($) (E)	9.11	8.66	11.28	15.5	14.95

Description of Performance

The Bureau of the Public Debt has continued to set challenging performance goals with positive results. To improve performance, Public Debt places a high priority on adopting new technology to increase the security, flexibility and efficiency of financing the needs of the federal government.

In FY 2010, Public Debt released auction results within two minutes, plus or minus 30 seconds, 100 percent of the time, surpassing its performance target of 95 percent. In addition, Public Debt processed over 92 percent of retail customer transactions within 5 business days and met its targeted costs for summary debt accounting transactions. In FY 2010 Public Debt began measuring the percentage of customers rating Government Agency Investment Services as excellent.

Internal Revenue Service

Program Summary by Appropriations Account and Budget Activity
(Dollars in thousands)

Appropriation	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	FY 2010 to FY 2012 $ Change	FY 2010 to FY 2012 % Change
Taxpayer Services	**$2,278,830**	**$2,278,830**	**$2,345,133**	**$66,303**	**2.9%**
Pre-Filing Taxpayer Assistance and Education	679,924	679,924	701,035	21,111	3.1%
Filing and Account Services	1,598,906	1,598,906	1,644,098	45,192	2.8%
Enforcement	**$5,504,000**	**$5,504,000**	**$5,966,619**	**$462,619**	**8.4%**
Investigations	639,363	639,363	678,849	39,486	6.2%
Exam and Collections	4,700,345	4,700,345	5,103,420	403,075	8.6%
Regulatory	164,292	164,292	184,350	20,058	12.2%
Operations Support	**$4,083,884**	**$4,083,884**	**$4,620,526**	**$536,642**	**13.1%**
Infrastructure	895,202	895,202	986,045	90,843	10.1%
Shared Services and Support	1,311,127	1,311,127	1,313,050	1,923	0.1%
Information Services	1,877,555	1,877,555	2,321,431	443,876	23.6%
Business Systems Modernization	**$263,897**	**$263,897**	**$333,600**	**$69,703**	**26.4%**
Health Insurance Tax Credit Administration	**$15,512**	**$15,512**	**$18,029**	**$2,517**	**16.2%**
Subtotal, Internal Revenue Service	**$12,146,123**	**$12,146,123**	**$13,283,907**	**$1,137,784**	**9.4%**
Offsetting Collections - Reimbursable	137,758	137,279	138,272	993	0.7%
Mandatory Appropriation - User Fees	175,529	204,428	204,428	0	-
Total Program Operating Level	**$12,459,410**	**$12,487,830**	**$13,626,607**	**$1,138,777**	**9.1%**
Direct FTE	94,766	94,766	99,878	5,112	5.4%
Reimbursable FTE	659	659	659	-	-
User Fees FTE	93	-	-	-	-
Total FTE	**95,518**	**95,425**	**100,537**	**5,112**	**5.4%**

FY 2010 Enacted represents the approved FY 2010 Operating Plan.

Summary

The Internal Revenue Service (IRS) collects the revenue that funds the government and administers the nation's tax laws. The IRS collected $2.345 trillion in taxes (gross receipts before tax refunds) in FY 2010, 93 percent of federal government receipts. To protect the flow of revenue to the government, the IRS pursues a robust service and enforcement agenda. The service agenda supports and protects the trillions in revenue that come into the Treasury each year voluntarily from taxpayers. The enforcement agenda vigorously pursues those who evade their responsibility to pay the taxes they owe.

Total resources to support the IRS activities for FY 2012 are $13,626,607,000, including $13,283,907,000 from direct appropriations, an estimated $138,272,000 from reimbursable programs, and an estimated $204,428,000 from user fees. The direct appropriation is $1,137,784,000, 9.37 percent, more than the FY 2010 enacted level of $12,146,123,000.

The *IRS Strategic Plan 2009-2013* guides program and budget decisions and supports the Department of the Treasury Strategic Plan and High Priority Performance Goals.

Helping taxpayers understand their obligations under the tax law is critical to improving

compliance and addressing the tax gap, the difference between taxes owed and taxes paid on time. Therefore, the IRS remains committed to a balanced program of assisting taxpayers to understand the tax law and remit the proper amount of tax.

The IRS Strategic Plan goals and objectives are:

Improve Service to Make Voluntary Compliance Easier

Enforce the Law to Ensure Everyone Meets Their Obligation to Pay Taxes

To improve service and make voluntary compliance easier, the IRS must:

- Incorporate taxpayer perspectives to improve all service interactions;
- Expedite and improve issue resolution across all interactions with taxpayers, making it easier to navigate the IRS;
- Provide taxpayers with targeted, timely guidance and outreach; and
- Strengthen partnerships with tax practitioners, tax preparers, and other third parties to ensure effective tax administration.

To enforce the law to ensure everyone meets their obligations to pay taxes, the IRS must:

- Enforce the law proactively in a timely manner while respecting taxpayer rights and minimizing taxpayer burden;
- Expand enforcement approaches and tools;
- Meet the challenges of international tax administration;
- Allocate compliance resources using a data-driven approach to target existing and emerging high-risk areas;
- Continue focused oversight of the tax-exempt sector; and
- Ensure that all tax practitioners, tax preparers, and other third parties in the tax system adhere to professional standards and follow the law.

To achieve the service and enforcement goals, the IRS must:

- Make the IRS the best place to work in government;
- Build and deploy advanced information technology systems, processes, and tools to improve IRS efficiency and productivity;
- Use data and research across the organization to make informed decisions and appropriately allocate resources; and
- Ensure the privacy and security of data and safety and security of employees.

The IRS Budget Request supports the following Department of the Treasury High Priority Performance Goals:

Increase voluntary tax compliance

Significantly increase the number of paperless transactions with the public

Enforcement Program: The FY 2012 request provides funding to implement enacted legislation; handle new information reporting requirements; increase compliance by addressing offshore tax evasion; expand enforcement efforts on noncompliance among corporate and high-wealth taxpayers; and enforce return preparer compliance.

Increased resources for the IRS compliance programs yield direct, measurable results through high return on investment activities.

The new enforcement personnel will generate more than $1.3 billion in additional annual enforcement revenue once the new hires reach full potential in FY 2014. Vigorous enforcement also encourages voluntary compliance, further increasing revenue. The return on investment (ROI) estimate does not include the revenue effect of the deterrence value of these investments and other IRS enforcement programs, which is conservatively estimated to be at least three times the direct revenue impact.

The tax law is complex and even sophisticated taxpayers can make honest mistakes on their tax returns. Accordingly, helping taxpayers understand their obligations under the tax law is critical to improving compliance. To this end, the IRS remains committed to a balanced program of assisting taxpayers to both understand the tax law and remit the proper amount of tax.

Taxpayer Service Program: The FY 2012 request, partially funded in the Operations Support account, provides funding to improve telephone level of service, increasing the level of service performance target to 80 percent from the planned target of 71 percent in FY 2010.

Providing quality taxpayer service is especially important to help taxpayers avoid making unintentional errors. Assisting taxpayers with their questions before they file their returns prevents inadvertent non-compliance and reduces burdensome post-filing notices and other correspondence from the IRS. To continue the effort to move taxpayer service to the internet, and to support the Treasury effort to increase paperless transactions, an additional $33 million in Operations Support will be invested in a multi-year effort to improve the IRS.gov website to meet taxpayer needs and the growing demand for more electronic services. The technology enhancements to IRS.gov and the continued investments in electronic filing under the Business Systems Modernization (BSM) program will allow more taxpayers to reach the IRS through the internet. In 2010, there were more than 304.8 million visits to www.IRS.gov, and more than 66.9 million taxpayers checked their refund status by accessing *Where's My Refund?* in English or in Spanish on the IRS website. Taxpayers also can use automated features found at 1-800-829-1040. In FY 2012, the IRS will complete the implementation of the electronic filing application for Form 1040, *U.S. Individual Income Tax Return*, and supporting forms and schedules, and continue adding new forms and schedules to the electronic business portfolio to further increase web use.

Business Systems Modernization: The FY 2012 request provides funding to continue the migration of applications to the core taxpayer account database, CADE 2, and the expansion of Modernized e-File. The CADE 2 program is the cornerstone of modernization and is a prerequisite to the development of the next generation of IRS service and enforcement initiatives. It will position the IRS to have quicker and better access to data for service and compliance.

The Affordable Care Act (ACA): The FY 2012 request includes funding for ACA (Public Law 111-148) to administer a premium credit to subsidize the cost of health insurance for Americans who do not have access to affordable coverage; a small business tax credit to encourage employers to provide health insurance coverage for their employees; new information reporting and sharing requirements; an excise tax on tanning services; a new aggregate annual fee on businesses engaged in manufacturing and importing branded prescription drugs sold to specified government programs; new reporting requirements for tax-exempt hospitals; and, an individual coverage requirement for employees who can afford health insurance, but fail to obtain minimum essential coverage. These and other provisions of the ACA will require resources to build new IT systems; modify existing tax processing systems; provide taxpayer outreach and assistance services; make enhancements to notices, collections, and case management systems to address and resolve taxpayer issues timely and accurately; and conduct focused examinations to encourage compliance. While these activities are spread across the three primary IRS appropriations, the vast majority of the funding request is in the Operations Support account that funds information technology and infrastructure.

IRS FY 2012 Budget Highlights
(Dollars in thousands)

Appropriation	Taxpayer Services	Enforcement	Operations Support	Business Systems Modernization	Health Insurance Tax Credit Administration	Total
FY 2010 Enacted Budget	$2,278,830	$5,504,000	$4,083,884	$263,897	$15,512	$12,146,123
FY 2011 Annualized CR Level	$2,278,830	$5,504,000	$4,083,884	$263,897	$15,512	$12,146,123
Changes to Base						
Adjustment to Reach FY 2011 President's Policy Level	**$23,254**	**$242,275**	**$10,128**	**$122,561**	**$3,447**	**$401,665**
Maintaining Current Levels (MCLs)	**$12,908**	**$30,691**	**$41,755**	**$168**	**$232**	**$85,754**
Efficiencies/Savings	**($41,333)**	**($21,996)**	**($124,440)**	**($1,026)**	**($1,162)**	**($189,957)**
Non-Recur Savings			(22,090)			(22,090)
Increase e-File Savings	(21,404)		(1,040)			(22,444)
Reduce IT Infrastructure			(75,000)			(75,000)
Reduce Contracts	(4,522)	(325)	(15,907)			(20,754)
Reduce Administrative Expenses	(5,557)	(8,271)	(503)			(14,331)
Eliminate Lockbox Fees		(4,000)				(4,000)
Reduce Certain Mailings			(4,000)			(4,000)
Reduce Training, Travel and Programs	(9,850)	(9,400)	(5,900)	(1,026)	(1,162)	(27,338)
Base Reinvestment	**1,486**					**1,486**
Consolidate Submission Processing Site (Atlanta)	1,486					1,486
Subtotal FY 2012 Changes to the Base	($3,685)	$250,970	($72,557)	$121,703	$2,517	$298,948
FY 2012 Base	$2,275,145	$5,754,970	$4,011,327	$385,600	$18,029	12,445,071
Program Changes						
Program Increases:						
Taxpayer Service Initiatives	**$44,078**		**$70,229**			**$114,307**
Improve Taxpayer Service	44,078		37,229			81,307
Expand Online Options through IRS.gov Improvements			33,000			33,000
Enforcement Initiatives	**$25,910**	**$209,668**	**$370,093**			**$605,671**
Increase International Service and Enforcement		48,363	24,233			72,596
Increase Collecton Coverage	2,201	30,275	19,524			52,000
Implement Merchant Card and Basis Reporting	10,475	17,495	7,760			35,730
Increase Coverage to Address Tax Law Changes and Other Compliance Issues	7,229	33,936	55,553			96,718
Ensure Accurate Delivery of Tax Credits	4,946	49,083	206,264			260,293
Administer New Statutory Reporting Requirements	1,059	5,061	52,385			58,505
Leverage Return Preparer Program to Reduce Noncompliance		14,240	2,360			16,600
Address Appeals Workload Growth		7,450	1,650			9,100
Implement Uncertain Tax Position Reporting Requirements		3,765	364			4,129
Infrastructure Initiatives		**$1,981**	**$116,877**			**$118,858**
Enhance Security and Disaster Recovery Systems Capability			12,000			12,000
Update Integrated Financial System (IFS)			27,500			27,500
Leveraging Data to Improve Compliance			1,400			1,400
Enhance Physical Security for Federal Employees		1,981	13,500			15,481
Implement Individual Coverage Requirement and Employer Responsibility Payments			62,477			62,477
Business Systems Modernization (BSM) Initiative			**$52,000**	**($52,000)**		
Continue Migration from Aging Tax Administration System			52,000	(52,000)		
Subtotal FY 2012 Program Changes	$69,988	$211,649	$609,199	($52,000)		$838,836
Total FY 2012 President's Budget Request	$2,345,133	$5,966,619	$4,620,526	$333,600	$18,029	$13,283,907

FY 2012 Budget Adjustments

FY 2011 Annualized CR Level

The FY 2011 Annualized CR Level for IRS is $12, 146,123.

Adjustment to Reach Policy Level

Adjustment to Reach Policy Level +$401,665,000 / +1,653 FTE

Adjustment from the FY 2011 Annualized Continuing Resolution (CR) Rate to reach the FY 2011 President's Policy Level. The President's Policy Level is equal to the FY 2011 President's Budget as adjusted for the proposed pay freeze.

Base Realignment

Technical FTE Adjustments +$0 / +501 FTE

This adjustment reflects permanent changes made to ensure FTE levels are fully funded in the base budget.

Base Reinvestment

Consolidate Submission Processing Site (Atlanta) +$1,486,000 / +0 FTE

Increased use of e-File has led to consolidation of the individual return processing sites. A portion of the Increased e-File Savings will be reinvested to fund the one-time separation costs associated with the September 30, 2011 closure of the Atlanta submission processing site. As the Atlanta consolidation approaches, the IRS will assist employees to find employment either in or outside the organization.

Maintaining Current Levels (MCLs)

Maintaining Current Levels (MCLs) +$85,754,000 / +0 FTE

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

Non-Recur Savings -$22,090,000 / +0 FTE

This is the net of reductions of non-recurring, one-time costs associated with the IRS FY 2011 enforcement initiatives (e.g., IT equipment and training).

Increase e-File Savings -$22,444,000 / -416 FTE

This decrease is a result of savings from increased electronic filing (e-File). Savings are based on e-File projected growth, modernization, and the completion of the phased implementation of the Worker, Homeowner, and Business Assistance Act of 2009 (Public Law 111-92), which requires electronic filing by tax return preparers.

Reduce IT Infrastructure -$75,000,000 / +0 FTE

The IRS will reduce the unit costs of infrastructure through use of the Capability Maturity Model (i.e., a process improvement approach that yields efficiencies in software engineering); the Information Technology Infrastructure Library (ITIL) that will allow the IRS to improve the quality of IT services; and the further consolidation of security activities in the Cybersecurity organization to leverage security best practices.

Reduce Contracts -$20,754,000 / +0 FTE

In accordance with Presidential guidance on controlling contracting costs, the IRS will achieve targeted savings through reduced contracting expenses.

Reduce Administrative Expenses -$14,331,000 / -66 FTE

The IRS will reduce administrative expenses, including targeted attrition through hiring freezes.

Eliminate Lockbox Fees -$4,000,000 / +0 FTE

The IRS will eliminate lockbox fees that now will be paid by taxpayers in installment agreements.

Reduce Certain Mailings -$4,000,000 / +0 FTE

The IRS will eliminate printing and mailing of certain forms and publications and reduce the number of inserts in mailings.

Reduce Training, Travel and Programs – $27,338,000 / -41 FTE

The IRS will reduce agency-wide non-technical training, non-case related travel, and the taxpayer communication and education program.

Program Increases

Improve Taxpayer Service +$81,307,000 / +519 FTE

Funding for this initiative and the $25.9 million increase from the FY 2011 President's Policy level will provide staffing to address rising demand and increase the Customer Service Representative Level of Service (LOS) from the planned target of 71 percent in FY 2010 to 80 percent in FY 2012 while maintaining a 93 percent customer satisfaction rate for toll-free telephone services. This initiative also includes funding to help taxpayers understand the new tax law provisions and to make related call center and infrastructure changes to handle anticipated inquiries, including ACA-related service questions.

Expand Online Options through IRS.gov Improvements +$33,000,000 / +15 FTE

This initiative will continue the multi-year effort to replace the outdated web portal environment and provide additional online services to taxpayers. The Taxpayer Assistance Blueprint, Phase 2, targeted migration to the electronic channel and services as one of the five areas for improvement of IRS service delivery. IRS will achieve efficiencies by moving high-volume transactions to IRS.gov, improving taxpayer self-service, reducing taxpayer burden, increasing compliance, reducing costs, improving security, and these improvements will position IRS.gov as the preferred delivery channel of choice for taxpayer service.

Increase International Service and Enforcement +$72,596,000 / +377 FTE

This initiative will implement changes required by enactment of the Foreign Account Tax Compliance Act (FATCA) included in The Hiring Incentives to Restore Employment (HIRE) Act of 2010 (Public Law 111-147). The IRS will implement the reporting, disclosure and withholding requirements and expand coverage of international filings, conduct more in-depth international compliance work, strengthen compliance efforts related to offshore activity and grow the Global High-Wealth compliance group. This initiative will increase examinations of employment tax specialty program audits; individual audits; business audits; and criminal investigation case closures.

Increase Collection Coverage +$52,000,000 / +413 FTE

This initiative will expand work on the collection inventory and improve collection processes to bring taxpayers who fail to pay their tax debt into compliance. This funding will expand the Automated Collection Systems (ACS) program, address the increased workload for the Offers in Compromise (OIC) program due to program improvements and to more taxpayers experiencing economic hardship, and improve efficiency through innovative approaches to inventory selection. The additional staff will resolve an additional 144,300 tax delinquency accounts (TDA) (i.e., balance due accounts where returns were filed, but the taxes have not been paid) and 25,200 tax delinquency investigations (TDI) (i.e., investigations of taxpayers with unfiled returns who have not responded to a notice).

Implement Merchant Card and Basis Reporting +$35,730,000 / +415 FTE

This initiative will staff programs to implement information reporting on merchant payment card and third party reimbursements enacted in the Housing and Economic Recovery Act of 2008 (Public Law 110-289) and basis reporting on security sales enacted in the Emergency Economic Stabilization Act of 2008 (Public Law 110-343).

Increase Coverage to Address Tax Law Changes and Other Compliance Issues +$96,718,000 / +497 FTE

This initiative addresses compliance issues and new responsibilities arising from recent tax law changes included in major legislation such as the American Recovery and Reinvestment Act (Recovery Act) and the ACA. This initiative will fund compliance programs needed for new provisions such as direct-pay bonds, new requirements on tax-exempt hospitals, a new fee on manufacturers and importers of branded prescription drugs, the excise tax on indoor tanning, and will also increase the number of specialty program (i.e., employment tax, excise tax, and estate and gift tax) audits.

Ensure Accurate Delivery of Tax Credits +$260,293,000 / +834 FTE

This initiative recognizes the important role IRS plays in delivering economic incentives through tax credits by improving the delivery of existing credits through a combination of improved technology tools and increased enforcement staffing. The initiative also funds the information technology and other systems required to implement the new ACA premium assistance tax credit, which becomes effective in 2014. IRS must build new systems to support eligibility determination based on household income, and modify existing tax processing systems to support reconciliation of advance payments of the credit. The initiative also funds the appropriate compliance resources for the small employer tax credit, which came into effect in 2010.

Administer New Statutory Reporting Requirements +$58,505,000 / +187 FTE

Recent legislation established significant new information reporting and sharing requirements from third parties (such as employers, health insurance providers), and the exchanges to administer the ACA's premium assistance tax credit, the individual coverage requirement, and the employer responsibility payment. Effective implementation will require significant enhancements to existing information returns systems to handle the additional volumes and new information reporting categories. This initiative also includes resources to implement provisions that allow the IRS to share tax data with state and federal entities for the purpose of determining eligibility for the advance premium credit. The ACA also amends Section 6041 of the Internal Revenue Code expanding in 2012 the 1099 information reporting requirement for businesses to report all aggregate purchases of services or property greater than $600. A portion of this initiative ($23.3 million) is allocated to implement this provision, although it should be noted that the Administration has proposed to repeal this provision based on the burden it places on small businesses. Should this provision be repealed, the IRS would adjust its initiative needs accordingly.

Leverage Return Preparer Program to Reduce Noncompliance +$16,600,000 / +108 FTE

The IRS is increasing tax return preparer oversight to ensure that tax return preparers are competent and to help ensure that the IRS collects the right amount of taxes. This initiative will ensure uniform and high ethical standards of conduct for tax return preparers by enforcing preparer compliance with IRS rules, increasing preparer examinations, and pursuing preparers engaged in fraudulent activities. This initiative is core to the IRS's tax gap strategy and will increase government revenue.

Address Appeals Workload Growth +$9,100,000 / +66 FTE

This initiative will allow the IRS to increase Appeals staffing. Despite improvements in cycle time and increased efficiency in working cases, Appeals continues to experience rising inventories, and because of the nature of Appeals work, the cases must be processed manually. The funding in this initiative will reduce the stress put on the appeals process because of increased caseload. In addition, Appeals settlements lead to revenue to the government, so this initiative will increase revenues.

Implement Uncertain Tax Position Reporting Requirements +$4,129,000 / +20 FTE

This initiative will allow the IRS to provide guidance and certainty on tax positions and meet increasing taxpayer demands for this service This increased workload is expected as a result of changes IRS has proposed for certain large business taxpayers to report information about their uncertain tax positions. It is a critical part of IRS's work to gain greater transparency into large corporate tax returns.

Enhance Security and Disaster Recovery Systems Capability +$12,000,000 / +5 FTE

This initiative is part of a multi-year improvement strategy to support the continued deployment of critical disaster recovery capabilities. It supports two critical business processes: Processing Remittances and Processing Tax Returns by reducing the recovery time dramatically for the critical applications supporting these processes.

Update Integrated Financial System (IFS) +$27,500,000 / +5 FTE

This initiative provides funds to complete the first phase of an initiative to update IFS. This request will ensure IRS compliance with future federal accounting requirements and allow implementation of standard interfaces and communication with other federal systems. The IRS current financial system is more than ten years old and SAP no longer provides updates or changes to accommodate new legislative or other federal accounting requirements. Without a system that will allow implementation of new federal accounting requirements, the IRS compliance with federal financial management standards will be jeopardized.

Leveraging Data to Improve Compliance +$1,400,000 / +5 FTE

The IRS is focused on using a data-driven approach to continually innovate and improve its programs. This investment will capitalize on the significant increase in data reported to the IRS, with the goal of increasing compliance. Funding will increase compliance through leveraging such data and/or evaluating the effectiveness of tax-related programs.

Enhance Physical Security for Federal Employees +$15,481,000 / +10 FTE

The February 2010 attack against the IRS in Austin, Texas, killed one IRS employee and injured several others. This initiative will provide investments needed to update and/or upgrade the physical security of IRS facilities. The investments will enhance the overall security of IRS employees in the work place, while maintaining open access for the taxpayers that they serve.

Implement Individual Coverage Requirement and Employer Responsibility Payments +$62,477,000 / +65 FTE

This initiative will fund the development of the information technology, infrastructure, and systems to implement the provisions of Subtitle F of Title I of the ACA that establish shared responsibility payments for both individuals and employers. Beginning in 2014, the ACA requires individuals who are able to afford health insurance to obtain minimum essential coverage or pay a penalty, and large employers - those with 50 or more full-time employees - to make a shared responsibility payment if they do not provide affordable coverage to their employees, and at least one of their employees benefits from the premium assistance tax credit.

Return on Investment for Enforcement Initiatives

Dollars in Millions	First Year (FY 2012)			Full Performance (FY 2014)		
FY 2012 Enforcement Investment	**Cost**	**Revenue**	**ROI**	**Cost**	**Revenue**	**ROI**
All Enforcement Initiatives	**$339.3**	**$646.2**	**1.9**	**$296.4**	**$1,332.1**	**4.5**
Direct Revenue Producing Program Integrity Initiatives	**$243.8**	**$646.2**	**2.7**	**$207.8**	**$1,332.1**	**6.4**
Increase International Service and Enforcement	72.6	234.0	3.2	57.1	467.1	8.2
Increase Collection Coverage	52.0	177.3	3.4	45.2	398.3	8.8
Implement Merchant Card and Basis Reporting	35.8	72.4	2.0	30.8	185.7	6.0
Implement Coverage to Address Tax Law Changes and Other Compliance Issues	29.8	42.7	1.4	27.3	80.8	3.0
Ensure Accurate Delivery of Tax Credits	51.0	110.2	2.2	45.0	183.3	4.1
Administer New Statutory Reporting Requirements	2.6	9.6	3.7	2.4	16.9	7.0
Other Enforcement Initiatives	**$95.5**	**$0.0**	**0.0**	**$88.6**	**$0.0**	**0.0**
Implement Coverage to Address Tax Law Changes and Other Compliance Issues	24.5	0.0	0.0	23.2	0.0	0.0
Ensure Accurate Delivery of Tax Credits	33.6	0.0	0.0	33.5	0.0	0.0
Administer New Statutory Reporting Requirements	7.6	0.0	0.0	7.5	0.0	0.0
Leverage Return Preparer Program to Reduce Noncompliance	16.6	0.0	0.0	12.6	0.0	0.0
Address Appeals Workload Growth	9.1	0.0	0.0	7.9	0.0	0.0
Implement Uncertain Tax Position Reporting Requirements	4.1	0.0	0.0	3.9	0.0	0.0

Explanation of Budget Activities

Taxpayer Services

The FY 2012 President's Budget request is $2,345,133,000 in direct appropriations, an estimated $22,924,000 from reimbursable programs, and an estimated $130,962,000 from user fees, for a total operating level of $2,499,019,000. This appropriation funds the following budget activities.

Pre-Filing Taxpayer Assistance and Education ($701,035,000 from direct appropriations, and an estimated $863,000 from reimbursable programs) This budget activity funds services to assist with tax return preparation, including tax law interpretation, publication, production, and advocate services. In addition, funding for these programs continues to emphasize taxpayer education, outreach, increased volunteer support time and locations, and enhancing pre-filing taxpayer support through electronic media.

Filing and Account Services ($1,644,098,000 from direct appropriations, an estimated $22,061,000 from reimbursable programs, and an estimated $130,962,000 from user fees) This budget activity funds programs that provide filing and account services to taxpayers, process paper and electronically-submitted tax returns, issue refunds, and maintain taxpayer accounts. The IRS continues to make progress in decreasing paper returns and increasing the use of electronic filing and payment methods.

Enforcement

The FY 2012 President's Budget request is $5,966,619,000 in direct appropriations and an estimated $75,902,000 from reimbursable programs for a total operating level of $6,042,521,000. The total direct appropriations level includes an additional appropriation for tax enforcement and compliance activities funded through a program integrity allocation adjustment totaling $1,257,000,000, of which $936,000,000 will be funded from the Enforcement account. This appropriation funds the following budget activities.

Investigations ($678,849,000 from direct appropriations, and an estimated $66,567,000 from reimbursable programs) This budget activity funds the criminal investigations programs that uncover criminal violations of the internal revenue tax laws and other financial crimes, enforce criminal statutes relating to these violations, and recommend prosecution as warranted. These programs identify and document the movement of both legal and illegal sources of income to identify and document cases of suspected intent to defraud. It provides resources for international investigations involving U.S. citizens residing abroad, non-resident aliens and expatriates and includes investigation and prosecution of tax and money-laundering violations associated with narcotics organizations.

Exam and Collections ($5,103,420,000 from direct appropriations, and an estimated $8,761,000 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. It also includes programs such as specialty program examinations (employment tax, excise tax and estate and gift exams), international collections and international examinations. The budget activity also supports appeals and litigation activities associated with exam and collection.

Regulatory ($184,350,000 from direct appropriations, and an estimated $574,000 from reimbursable programs) This budget activity funds the development and printing of published IRS guidance materials; interpretation of tax laws; advice on general legal servicing, ruling and agreements; enforcement of regulatory rules, laws, and approved business practices; and supporting taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The Return Preparer Strategy initiative is funded within this activity in addition to the Office of Professional Responsibility who is responsible for identifying, communicating, and enforcing the Treasury Circular 230 standards of competence, integrity, and conduct of professionals representing taxpayers before the IRS.

Operations Support

The FY 2012 President's Budget request is $4,620,526,000 in direct appropriations, an estimated $39,446,000 from reimbursable programs, and an estimated $73,466,000 from user fees, for a total operating level of $4,733,438,000. The direct appropriations level includes an additional appropriation for tax enforcement and compliance activities funded through a program integrity allocation adjustment totaling $1,257,000,000, of which $312,000,000 will be funded from the Operations Support account. This appropriation funds the following budget activities.

Infrastructure ($986,045,000 from direct appropriations, an estimated $516,000 from reimbursable programs, and an estimated $22,095,000 from user fees) This budget activity funds administrative services related to space and housing, rent and space alterations, building services, maintenance, guard services, and non-IT equipment.

Shared Services and Support ($1,313,050,000 from direct appropriations, and an estimated $20,577,000 from reimbursable programs) This budget activity funds policy management, IRS-wide support for research, strategic planning, communications and liaison, finance, human resources, and equal employment opportunity and diversity services and programs. It also funds printing and postage, business systems planning, security, corporate training, legal services, procurement, and specific employee benefits programs.

Information Services ($2,321,431,000 from direct appropriations, an estimated $18,353,000 from reimbursable programs, and an estimated $51,371,000 from user fees) This budget activity funds staffing, equipment, and related costs to manage, maintain and operate the information systems critical to the support of tax administration programs. This includes the design and operation of security controls and disaster recovery planning. This budget activity funds the development and maintenance of the millions of lines of programming code that support all aspects and phases of tax processing and the operation and administration of the mainframes, servers, personal computers, networks, and a variety of management information systems.

Business Systems Modernization

The FY 2012 President's Budget request is $333,600,000 in direct appropriations. This appropriation funds the following budget activity.

Business Systems Modernization ($333,600,000 from direct appropriations)

This budget activity funds the planning and capital asset acquisition of information technology (IT) to continue the modernization of IT systems, including labor and related contractual costs. The completion of the core taxpayer account database, CADE 2, is the cornerstone of modernization and is a prerequisite to the development of the next generation of IRS service and enforcement initiatives. The integration strategy includes a particular focus on enhanced information technology security practices and robust accounting and financial management controls. This activity also funds the ongoing development of the Modernized e-File platform for filing tax returns electronically.

Health Insurance Tax Credit Administration

The FY 2011 President's Budget request is $18,029,000 in direct appropriations. This appropriation funds the following budget activity.

*Health Insurance Tax Credit Administration ($18,029,000 from direct appropriations)*This budget activity funds costs to administer a refundable tax credit for health insurance to qualified individuals, which was enacted as part of the Trade Adjustment Assistance Reform Act of 2002.

Legislative Proposals

The FY 2012 President's Budget includes a number of legislative proposals intended to improve tax compliance with minimum taxpayer burden. These proposals will specifically target the tax gap and generate more than $10 billion over the next ten years. The implementation cost for the proposals included in the FY 2011 President's Budget, is estimated to be $50.4 million over three years and includes the initial startup, processing and compliance operational costs. Among other proposals, the Administration proposes to expand information reporting, improve compliance by businesses, strengthen tax administration, and expand penalties.

IRS Performance by Program

Program	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Taxpayer Services	Customer Contacts Resolved Per Staff Year (E)	12,634	12,918	10,744	12,074	12,061
Taxpayer Services	Customer Service Representative (CSR) Level of Service (%) (Oe)	52.8	70.0	74.0	71.0	80.0
Taxpayer Services	Percent of Individual Returns Processed Electronically (%) (Oe)	57.6	65.9	69.3	74.0	76.0
Enforcement	Automated Collection System (ACS) Accuracy (%) (Oe)	95.3	94.3	95.9	94.0	94.0
Enforcement	Automated Underreporter Coverage (%) (E)	2.6	2.6	3.0	3.3	4.0
Enforcement	Examination Efficiency - Individual (1040 form) (E)	138	138	140	134	126

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

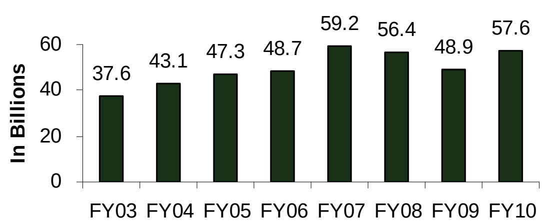
Description of Performance

In FY 2010, IRS continued to provide excellent service to taxpayers and enforced the laws in a balanced manner. The following is a summary of significant program performance improvements.

Enforcement

In FY 2010, revenue from all enforcement sources reached $57.6 billion, 18 percent more than in FY 2009.

Total Enforcement Revenue Collected



This increase in enforcement revenue demonstrates that the investment in the IRS over the past two years is producing significant return. The IRS expanded its enforcement presence in the international field, continued to pursue high-wealth/high-income, noncompliant taxpayers, and audited more charities and other tax-exempt organizations. As a result, the IRS made improvements over FY 2009 in these key areas:

- Examined more than 1.58 million individual returns, an increase of 11 percent, reaching the highest rate in the past decade;
- Increased high-income/high-wealth audits on taxpayers with income greater than $200,000 by 5.5 percent and audits for those with income greater than $1 million by more than 8 percent;
- Increased automated underreporter contact closures by 19.8 percent, surpassing the four million mark for the first time, with more than 4.3 million;
- Increased collection case closures by 6.3 percent and criminal investigations by 12.4 percent;

- Increased large corporate audits by 8.1 percent, a significant achievement given the size (assets greater than $10 million) and complexity of these corporate entities and audits of foreign corporations by almost 48 percent; and
- Increased tax exempt and government entity compliance contacts by approximately 20 percent.

As part of an overall strategy to improve offshore compliance, in FY 2010, the IRS continued to take aggressive steps to track tax evaders that hide their wealth by engaging in offshore tax evasion schemes. The IRS more than doubled its offshore presence by opening new offices in Asia and Central America, placed additional law enforcement personnel at its existing offices throughout the world, and expanded its interaction with key international organizations involved in tax and financial law compliance. All of these steps are designed to develop new leads in ongoing criminal tax and financial crime investigations.

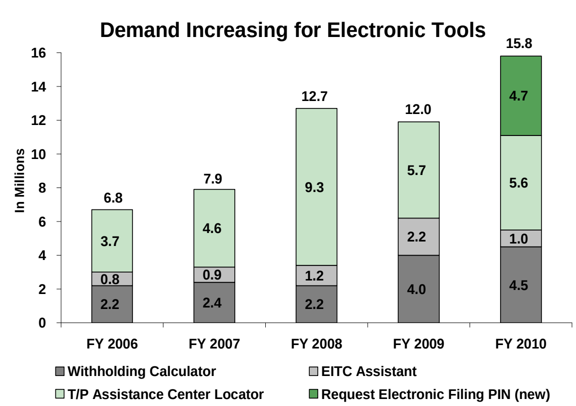
The IRS voluntary disclosure program (VDP) provides information on banks and professionals, including foreign professionals, who facilitate tax evasion. More than 15,000 Americans with offshore accounts, some holding hundreds of millions of dollars, came forward during a voluntary disclosure period that ended in October 2009 to disclose information bringing them back into the U.S. tax system. An additional 3,000 Americans came forward with accounts at various banks since October 2009, with the total disclosures over the period expected to reach 20,000. In FY 2010, the IRS began reviewing the information from program participants to identify financial institutions, advisors, and others who promoted or otherwise helped Americans hide assets and income offshore.

The IRS continues to ensure the largest corporate taxpayers are in compliance using strategies that are less time and resource intensive. The Compliance Assurance Process (CAP) program resolves issues early and ensures the filing of accurate returns. The IRS plans to make the CAP program permanent and is incorporating a number of program improvements.

Taxpayer Service

The IRS website has become the preferred source of information for millions of taxpayers to get answers to their tax questions, to questions about economic recovery legislation, and to prepare and file a federal tax return accurately and on time. IRS.gov/Español offers many of the same services and information in Spanish.

To improve service to taxpayers during the 2010 filing season, the IRS enhanced IRS.gov by providing a rotating spotlight feature on the front page. The spotlight, which changes every few seconds, highlights important taxpayer information by identifying how tax law changes such as *Making Work Pay Credit* and *First-Time Homebuyer Credit* can benefit different types of taxpayers; and how to access online applications such as *Where's My Refund*, an online tool for taxpayers to check on the status of their refund, and *What If?*, a list of questions and answers to assist taxpayers who are having difficult times financially handle various scenarios related to payment of taxes and other financial problems.



As shown in the chart, taxpayer demand for electronic tools has significantly increased and the IRS will continue to improve the speed, accessibility, and accuracy of on-line information as well as develop new applications to reach even more taxpayers.

The IRS also is committed to continuing efforts to redesign IRS correspondence to improve clarity, accuracy, and effectiveness. In FY 2010, the IRS:

- Completed the redesign of 115 notices (25 in Spanish) to provide clear and simple explanations of the notice purpose and required taxpayer actions;
- Redesigned the area of IRS.gov that provides information on locating specific notices and an explanation of the redesign process; and
- Released the first group of nine new notices. These notices account for approximately two million pieces of correspondence with individuals, businesses and exempt organizations.

The IRS completed a successful 2010 filing season, rising to challenges posed by the implementation of provisions in the American Reinvestment and Recovery Act of 2009 (Recovery Act), the Worker, Homeownership, and Business Assistance Act of 2009 (WHBAA), and increased telephone demand for Economic Recovery Payment inquiries. The IRS received more than 141.9 million individual returns, of which 69.3 percent were e-filed. More than 34.6 million taxpayers prepared their own e-file return, 32.2 percent more than in 2009.

The IRS issued 109.5 million refunds to individual taxpayers totaling $366 billion. The average dollar refund was $3,048 compared to $2,682 in 2009, an increase of almost 14 percent. IRS also direct-deposited more than 73 million refunds compared to 72.4 million in 2009. Beginning in the 2010 filing season, taxpayers could purchase up to $5,000 of Series I U.S. Savings Bonds using their federal tax refund. More than 22,300 taxpayers took advantage of this opportunity, requesting more than 98,000 bonds totaling approximately $11.1 million.

In FY 2010, the IRS expanded outreach and educational services to improve information, news, and taxpayer interactions through social media networks (Facebook, Twitter, YouTube, etc). For the first time, the IRS produced a number of podcasts that were available on IRS.gov and iTunes. In addition, the IRS created more than a dozen YouTube Videos on a variety of subjects including the *Education Tax Credit*, *Making Work Pay*, and the *New Homebuyer Credit*. These videos attracted more than 963,800 upload views and were available in English, American Sign Language, and Spanish.

As always, providing high-quality, toll-free telephone service is important in helping taxpayers navigate the complex tax code. The IRS telephone assistors answered 36.7 million calls, 6.3 percent fewer than in 2009 while at the same time the IRS received 35.1 million automated calls, 21 percent more than in 2009, reflecting the growing taxpayer demand for self-service options. Telephone level of service (LOS) increased to 74 percent from the FY 2009 LOS of 70 percent. This reflects the success rate of taxpayers who call the IRS for live telephone assistance on the 1-800 help lines. In 2010, the IRS added an estimated wait time feature so taxpayers could make informed choices on whether to wait for a live assistor or use another service channel (i.e., self-assisted automated telephone services or IRS.gov) to answer their questions. Accuracy rates for both customer tax law and account questions remain above 92 percent.

The IRS also provides in-person service at its Taxpayer Assistance Centers (TACs), for taxpayers resolving tax issues and needing help to prepare their tax returns. Approximately 6.4 million taxpayers visited a TAC, three percent more than in 2009. Walk-in service remains popular among elderly taxpayers, those with limited English and computer proficiency, and taxpayers without internet access.

Business System Modernization

IRS modernization efforts continue to focus on core tax administration systems designed to provide more sophisticated tools to taxpayers and to IRS employees. The following highlights IRS accomplishments:

- Customer Account Data Engine (CADE) posted more than 41.2 million returns, generated more than 35.8 million refunds and, for the first time, accepted more than seven million payments submitted with taxpayer returns. In FY 2010, the IRS revised its CADE strategy to implement a new taxpayer account database for the 2012 filing season. This new database will accelerate the refund processing time for most taxpayers.
- Modernized e-File (MeF) deployed an additional release that allowed for the acceptance of Form 1040 and 22 supporting forms and schedules. This new functionality is designed to reach 61 percent of the e-File population, or approximately 55.1 million filers.

Emergency Economic Stabilization Act Programs

Program Disbursements and Cost/Savings
(Dollars in Thousands)

	FY 2009	FY 2010	Total Disbursements [1]	Cost/(Savings) BA Outlays[2]
Capital Purchase Program	$204,617,573	$277,153	$204,894,726	($12,424,572)
Public-Private Investment Program	$3,689,583	$18,716,901	$22,406,484	($212,771)
AIG Investment Program	$69,835,000	$0	$69,835,000	$8,038,208
Consumer and Business Lending Initiative	$4,300,000	$939,581	$5,239,581	($39,186)
Home Affordable Modification Program	$27,065,760	$18,560,021	$45,625,781	$45,625,781
Targeted Investment Program	$40,000,000	$0	$40,000,000	($3,805,048)
Automotive Industry Financing Program	$77,968,009	$3,790,000	$81,758,009	$14,800,582
Asset Guarantee Program[3]	$5,000,000	$0	$5,000,000	($3,707,147)
Total	**$432,475,926**	**$42,283,655**	**$474,759,581**	**$48,275,847**

[1] Amount applied to the Section 115 Purchase Cap (i.e., the portion of the $475 billion cap expected to be disbursed).
[2] Estimated lifetime program costs or savings (-) including interest effects, but excluding administrative costs.
[3] Treasury guaranteed up to $5 billion of potential losses incurred on a $301 billion portfolio of loans.

Summary

The Emergency Economic Stabilization Act of 2008 (EESA) was enacted in October 2008 in response to one of the worst financial crisis faced by the United States in our history and for the first time in 80 years the U.S. financial system was at risk of collapse. To address the crises, EESA established the Office of Financial Stability (OFS) within the Office of Domestic Finance of the Treasury Department to implement the Troubled Assets Relief Program (TARP). EESA vested authority to the Secretary of 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." The OFS carries out the mission and objectives of the EESA of: ensuring the overall stability and liquidity of the financial system; preventing avoidable foreclosures and helping preserve homeownership; pro-tecting taxpayer interests, and promoting transparency. The authority for OFS administrative budget funds is provided in Section 118 of EESA. In FY 2012 OFS plans to obligate $311 million and use 270 FTE, a decrease of $83 million and an increase of 19 FTE from the FY 2011 estimates.

The Dodd-Frank Act enacted in on July 21, 2010 reduced the TARP authority to purchase troubled assets from $700 billion to $475 billion; requires that repayments of amounts invested under TARP cannot be used to increase the purchase authority and are dedicated to reducing the Federal debt; and prohibits new obligations for any program or initiative that was not already initiated prior to June 25, 2010.

Over the past two years, emergency actions taken through TARP and other financial stability initiatives have helped prevent financial catastrophe by unfreezing the markets for credit and capital; bringing down the cost of borrowing for businesses, individuals, and state and local governments; restoring confidence in the financial system; and restarting economic growth. The conditions of most security markets and large financial institutions have improved substantially since the crisis in 2008. Borrowing costs for large banks, nonfinancial businesses, and state and local governments have returned to near normal levels. Frozen securities markets have reopened. Prices for legacy se-curities have improved. Large banks are better capitalized than they were before the crisis and restructuring in the financial industry is well underway.

Further, as a result of improved financial conditions and careful stewardship of the program, the ultimate cost to the taxpayer of TARP investments is estimated to be significantly lower than initially expected. The FY 2010 MSR budget total impact of the program on the deficit was projected to be $341 billion, but it is now expected to total only $48.3 billion (see Program Caps and Obligations table above) as of November 30, 2010.

EESA programs include:

Capital Purchase Program

Pursuant to EESA, the Capital Purchase Program (CPP) - OFS' largest and most significant program- was launched to stabilize the financial system by bolstering the capital position of viable institutions and, in doing so, to build confidence in these institutions and the financial system as a whole. With the additional capital, CPP participants were better equipped to undertake new lending, even while absorbing write downs and charge-offs on loans that were not performing.

OFS ultimately provided a total of $205 billion in capital to 707 institutions in 48 states, including more than 450 small and community banks, enabling them to absorb losses from bad assets while continuing to lend to consumers and businesses.

American International Group, Inc. (AIG) Investment Program

OFS committed to provide assistance to certain systemically significant financial institutions that were at substantial risk of failure on a case-by-case basis in order to provide stability to institutions that are critical to a functioning financial system and prevent broader disruption to financial markets. Starting in September 2008, the Federal Reserve and OFS took a series of actions related to AIG in order to prevent AIG's disorderly failure and mitigate systemic risks. These actions addressed the liquidity and capital needs of AIG, helping to stabilize the company. OFS provided this as-sistance by purchasing preferred shares in AIG and also received warrants to purchase common shares in the institution.

OFS purchased $40 billion in cumulative preferred stock from AIG under the TARP, the proceeds of which were used to repay the Federal Reserve loan in part. In April 2009, OFS exchanged the $40 billion in cumulative preferred stock for $41.6 billion in non-cumulative pre-ferred stock and created an additional equity capital facility, under which AIG may draw up to $29.8 billion as needed in exchange for issuing additional preferred stock to OFS.

On September 30, 2010, the Treasury, Federal Reserve Bank of New York and AIG announced plans for a restructuring of the Federal Government's investments in AIG. The components of the capital restructuring plan began to close in January 2011. Under the re- structuring, the Treasury will be receiving additional allotment of AIG common stock that is outside of the TARP AIG investments. When aggr-egating Treasury's total investment in AIG, we expect to earn a positive return from the AIG investments.

Targeted Investment Program

OFS established the Targeted Investment Program (TIP) under the TARP in December 2008. Through TIP, OFS sought to prevent a loss of confidence in critical financial institutions, which could result in significant financial market disruptions, threaten the financial strength of similarly situated financial institutions, impair broader financial markets, and undermine the overall economy.

OFS invested $20 billion in each of Bank of America (BofA) and Citigroup under the TIP. As of December 31, 2009, the TIP was closed as part of Treasury's winding down of TARP. The Budget reflects that both Citigroup and Bank of America fully redeemed the Government's TIP investments of $40 billion during 2010 and generated $3.8 billion in profits for taxpayers.

Automotive Industry Financing Program

OFS established the Automotive Industry Financing Program (AIFP) on December 19, 2008, to help prevent a significant disruption to the American automotive industry, which would have posed a substantial disruption to fi-nancial market stability and had a negative effect on the economy. Under the AIFP, OFS allocated $82 billion in emergency loans and other investments from the TARP to General Motors Corporation (GM) and Chrysler LLC (Chrysler) to provide a path for these companies to go potentially through orderly restructurings and achieve viability.

In November and December 2010, Treasury received $13.5 billion for the sale of over 400 million shares of GM, reducing Treasury's ownership per-centage of GM common stock from 60.8% to 33.3%. Treasury also accepted an offer from GM to repurchase $2.1 billion of preferred stock, a deal which was closed in December 2010.

Asset Guarantee Program

Pursuant to section 102 of EESA, OFS established the Asset Guarantee Program (AGP) with the same objective as the TIP of preserving financial market stability. The AGP provided protection against the risk of significant loss in a pool of assets held by Cititgroup, a systemically significant financial in-stitution that faced a risk of losing market confidence due in large part to its holdings of distressed or illiquid assets. The AGP helped the institution maintain the confidence of its depositors and other funding sources while continuing to meet the credit needs of households and businesses.

The AGP closed in December 2009 without paying any claims and generated $3.7 billion in revenue for taxpayers.

The Consumer and Business Lending Initiative (CBLI)

The CBLI was intended to help unlock the flow of credit to consumers and small businesses. OFS designed three initiatives to restore consumer and business lending: the Term Asset-Backed Securities Loan Facility (TALF), the Community Development Capital Initiative (CDCI) and the SBA 7(a) Securities Purchase Program.

TALF

The Term Asset-Backed Securities Loan Facility (TALF) was created by the Federal Reserve Board (FRB) to provide low cost funding to investors in certain classes of Asset Backed Securities (ABS). The TALF's objective was to stimulate investor demand for certain types of eligible ABS, specifically those backed by loans to consumers and small businesses, and ultimately to bring down the cost and increase the availability of new credit to consumers and businesses. The OFS agreed to participate in the program and originally provided up to $20 billion of TARP funds in liquidity and credit protection to the FRB for first-losses arising under TALF loans. On July 20, 2010, OFS' commitment was reduced to $4.3 billion. To-date, OFS has experienced no losses under the program.

Community Development Capital Initiative

In February 2010, the OFS announced the CDCI to invest lower cost capital in Community Development Financial Institutions (CDFI) that lend to small businesses in the country's hardest-hit communities. Under the terms of the program, CDFI banks and thrifts, which must be certified by Treasury as targeting more than 60 percent of their small business lending and other economic development activities to underserved communities, are eligible to receive investments of capital with an initial dividend rate of 2 percent. CDFIs that participated in CPP and were in good standing were eligible to exchange those investments into this program.

SBA 7(a) Security Purchase Program

In March 2010, Treasury announced the SBA 7(a) Securities Purchase Program to help restore the confidence needed for financial institutions to increase lending to small business, and to ensure that credit flows again to entrepreneurs and small business owners. The OFS began the purchase of guaranteed securities backed by the Small Business Administration 7(a) loans (7(a) Sec-urities), as part of the Unlocking Credit for Small Business Initiative. As of December 30, 2010, OFS had purchased and settled $368.1 million of these securities.

Public-Private Investment Program

OFS, in conjunction with the Federal Reserve and the FDIC, announced the Public-Private Investment Program (PPIP) on March 23, 2009, as a part of the Financial Stability Plan. The Public-Private Investment Program (PPIP) is part of the OFS's efforts to help restart the market by enabling financial institutions to make new loans available to households and businesses, and by providing liquidity for legacy securities.

Under this program, OFS made equity and debt investments in newly-formed investment vehicles (referred to as Public Private Investment Funds or "PPIFs") established by private investment managers for the purpose of purchasing legacy securities.

Treasury Housing Programs Under TARP

Fiscal year 2010 has seen an expansion of programs designed to provide stability for both the housing market and homeowners. These programs assist homeowners who are experiencing financial hardships to remain in their homes while they get back on their feet or relocate to a more sustainable living situation. These programs fall into three initiatives:

1) Making Home Affordable Program (MHA);
2) Housing Finance Agency (HFA) Hardest-Hit Fund; and
3) Federal Housing Administration (FHA)-Refinance Program.

MHA includes sub programs that assist borrowers in refinancing first and second mortgages, including benefits for unemployed homeowners, as well as modification alternatives. In FY 2010, additional programs were introduced under MHA. These programs include: options for Federal Housing Administration (FHA) guaranteed loans and expanded second lien benefits.

The Housing Finance Agency (HFA) Hardest-Hit Fund was implemented in 2010 and provides targeted aid to families in the states hit hardest by the housing market downturn and un-employment. Eighteen states and the District of Columbia are developing custom programs targeted to address the specific needs and economic conditions of their state.

The FHA-Refinance Program is a joint initiative with the Department of Housing and Urban Development (HUD) which is intended to encourage refinancing of existing underwater (i.e. the borrower owes more than the home is worth) mortgage loans not currently insured by FHA into FHA-insured mortgages.

Legislative Proposals

OFS does not have any legislative proposals.

Description of Performance

OFS has established the following Operational Goals:

1) Ensure the Overall Stability and Liquidity of the Financial System,
2) Prevent Avoidable Foreclosures by Providing and Preserving Homeownership

Housing Government Sponsored Enterprise Programs

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
Preferred Stock Purchase Agreements	Obligations	$52,600,000	$47,500,000	$28,700,000	($18,800,000)	(-39.58%)
GSE MBS Purchase Program on	Securities Purchased	$29,877,874	$0	$0	$0	0%
GSE Credit Facility	Loan Levels	$0	$0	$0	$0	0%
New Issue Bond Purchase Program	Securities Purchased	$15,308,598	$0	$0	$0	0%
Temporary Credit and Liquidity Program	Obligations	$8,209,840	$0	$0	$0	0%

Summary

The Housing Government Sponsored Enterprise (GSE) Programs consist of five different programs with respect to, Fannie Mae and Freddie Mac, and the Federal Home Loan Banks (FHLBs). These programs were created to provide stability to the financial markets and promote mortgage affordability while at the same time protecting the taxpayer.

Preferred Stock Purchase Agreements ($28.7 billion in obligations)

This measure enhances market stability by providing additional security to holders of Fannie Mae and Freddie Mac securities, which, in turn, leads to increased mortgage affordability by providing additional confidence to investors in GSE mortgage-backed securities. This commitment also significantly diminishes the potential for mandatory triggering of receivership. To this end, the PSPAs are an effective means of averting systemic risk while at the same time protecting the taxpayer. They are more efficient than a one-time equity injection, in that Treasury will use them only as needed and on terms that the Treasury deems appropriate.

In addition, beginning in 2011 the Treasury has begun to charge the GSEs a periodic commitment fee that will be payable quarterly to compensate the taxpayers for the ongoing support provided to the GSEs under the terms of the PSPAs.

GSE MBS Purchase Program (No funding)

To promote the stability of the mortgage market, Treasury has purchased GSE MBS in the secondary market. By purchasing these guaranteed securities, Treasury sought to broaden access to mortgage funding for current and prospective homeowners as well as to promote market stability.

The size and timing of this program is subject to the discretion of the Secretary of the Treasury. The scale of the program was based on developments in the capital markets and housing markets. Given that Treasury can hold these securities to maturity, the spreads between Treasury's cost of funds and GSE MBS yield should result in a positive return to the taxpayer. Treasury's authority to purchase GSE MBS expired on December 31, 2009.

GSE Credit Facility Program (No funding)

Loans would be for short-term durations and would in general be expected to be for less than one month but no shorter than one week. The rate on a loan request ordinarily would be based on the daily LIBOR fix for a similar term of the loan plus 50 basis points. The rate is set at the discretion of the Secretary of the Treasury with the objective of protecting the taxpayer, and is subject to change. All loans would be collateralized and collateral is limited to mortgage backed securities issued by Freddie Mac and Fannie Mae and advances made by the FHLBs. No loans were needed or issued under this program. This facility offered liquidity if needed until December 31, 2009.

New Issue Bond Program (No funding)

HFAs submitted detailed program participation requests to Treasury's financial agents. In order to haircut the NIBP requests to an acceptable level that could be recommended for adoption. HFAs were able to request that a portion or all of their NIBP allocation be used to issue single or multi-family bonds. HFAs will pay the GSEs and Treasury an amount intended to cover both the cost of financing the newly issued bonds as well as a fee designed to cover risk posed by the HFA. Treasury purchased approximately $15.3 billion under its authority for this program in FY 2010. Treasury's authority to enter additional purchase commitments under the program expired on December 31, 2009, however, the funds remaining in escrow may continue to be used for the issuance of new housing bonds through December 31, 2011.

Temporary Credit and Liquidity Program (No funding)

Through Fannie Mae and Freddie Mac, the TCLP provided replacement credit and liquidity facilities to HFAs to help reduce the costs of maintaining existing financing for the HFAs. The pricing and fee structure of the TCLP and NIBP were designed to be commercially reasonable, and allow the Housing GSEs to fully cover all costs of the programs. Therefore, it is expected that the Housing GSEs will be able to fulfill all of their obligations under the HFA Initiative. The HFA Initiative will be funded by fees paid by the HFAs to the Housing GSEs.

Legislative Proposals

The Housing GSE programs have no Legislative proposals for FY 2012.

Financial Stability Oversight Council and Office of Financial Research

Program Summary by Budget Activity

(Dollars in thousands)

Budget Activity	FY 2010 Actual	FY 2011 Estimated	FY 2012 Estimated	Change FY10-FY12 $ Change	Change FY10-FY12 % Change
Financial Stability Oversight Council	$0	$7,435	$7,885	$450	6.1%
Office of Financial Research	$0	$33,890	$74,468	$40,578	119.7%
Total Cost of Operations	**$0**	**$41,325**	**$82,353**	**$41,028**	**99.3%**

Explanation of Budget Estimate

The Financial Stability Oversight Council (FSOC), established under the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* (Dodd-Frank Act), held its first meeting on October 1, 2010, and successive meetings on November 23, 2010 and January 18, 2011. Future meetings will be held on at least a quarterly basis. An integrated roadmap was released following the first meeting combining member agencies internal implementation plans, including timeframes for key deliverables. Over the next year, the FSOC is working to establish processes for designating nonbank financial companies and financial market utilities, developing recommendations for stricter standards for monitoring and reporting on systemic risk, and developing tools for monitoring the financial system for emerging risks.

Under the Dodd-Frank Act, the Director of the Office of Financial Research (OFR) is appointed by the President and confirmed by the Senate. Prior to confirmation, Treasury, under the Secretary's authority, is managing OFR with all of the Director's statutory authority.

OFR has two primary divisions: a Data Center and a Research and Analysis Center. The Data Center will in part set standards for financial reporting and work to improve the quality of financial data that is collected so it can be organized in ways that are more meaningful for identifying vulnerabilities in the system as a whole. The Research and Analysis Center will analyze market activities to identify potential risks to the financial system and report findings to FSOC members and Congress.

OFR's first priority is improving data standards to help FSOC monitor systemic risk and improve risk management, reporting and other business functions at individual financial firms. The problem of monitoring systemic risk is closely related to the risk management challenge that individual firms face. To monitor systemic risk, positions in thousands of diverse financial products, involving thousands of individual financial firms, have to be aggregated across the entire financial system. Standardizing the way financial transactions are reported can greatly facilitate this process for regulators and individual firms. The OFR will, in consultation with relevant stakeholders, develop standards for financial data.

Purpose of Program

Prior to the financial crisis of 2008-2009, the existing regulatory framework focused regulators narrowly on individual institutions and markets, which allowed supervisory gaps to grow and regulatory inconsistencies to emerge – in turn, allowing arbitrage and weakened standards. The Dodd-Frank Act established the FSOC with a clear statutory mandate that created for the first time collective accountability for identifying and responding to emerging threats to financial stability. FSOC is a collaborative body chaired by the Secretary of the Treasury that brings together the expertise of the federal financial regulators, an insurance expert appointed by the President, and state regulators. The FSOC is an executive agency of government and is not an office or bureau of the Department of the Treasury. However, under the Dodd-Frank Act, FSOC administrative expenses are considered expenses of OFR and are paid for by OFR.

OFR was established by the Dodd-Frank Act to support the FSOC and its members in its identification and analysis of risks in the financial system. To accomplish this, OFR will collect and standardize financial data, develop and publish key reference databases, and conduct research to identify potential sources of systemic risk. OFR is an office of the Department of the Treasury.

Explanation of Budget Activities

Under the terms of the Dodd-Frank Act, the OFR and the FSOC will be funded through mandatory transfers from the Federal Reserve until July 21, 2012. Thereafter, the two entities will be funded through assessments on bank holding companies with total consolidated assets of $50 billion or more, as well as non-bank financial institutions subject to supervision by the Federal Reserve Board.

Financial Stability Oversight Council ($7,885,000) FSOC has a clear statutory mandate to improve coordination among financial regulators and identify risks and respond to emerging threats to financial stability. FSOC has ten voting members, including nine federal financial regulatory agencies and an independent member with insurance expertise, and five non-voting members. As a coordinative body, FSOC is an executive agency of the Federal Government and is not a bureau or office of the Department of the Treasury.

Office of Financial Research ($74,468,000) The Dodd-Frank Act established OFR within the Treasury Department to support the FSOC and its members by improving the quality of financial data available to policymakers and by facilitating more robust and sophisticated analysis of the financial system. The data and analysis provided by OFR will enhance the FSOC's ability to identify and analyze risks in the financial system.

Description of Performance

There are no measures specified for managing FSOC or OFR performance at this time. Information on FSOC is provided on www.treasury.gov, www.financialstability.gov and member agency websites. Transparency on FSOC decisions will be provided through annual reports to Congress and the public and testimony by the Chairperson on FSOC activities and emerging threats to financial stability. Information on OFR is available at www.treasury.gov/ofr.

OFR, as an office of the Department of the Treasury, is currently working on developing a performance plan for office operations.

Small Business Lending Fund

Program Disbursement and Cost

(Dollars in Millions)

FY 2011 Estimates		
Program Level	Subsidy Amount	Subsidy Rate
$17,399	$1,260	7.24%

All investment activity will take place in FY 2011

Program Summary by Budget Activity

(Dollars in thousands)

Budget Activity	FY 2010 Actual	FY 2011 Estimated	FY 2012 Estimated	Change FY10-FY12 $ Change	% Change
Program*	$0	$1,260,000	$0	($1,260,000)	-100.00%
Administration	$0	$54,649	$72,603	$17,954	32.9%
Total Outlays	**$0**	**$1,314,649**	**$72,603**	**($1,242,046)**	**-94.5%**
Total FTE	**0**	**41**	**55**	**14**	**34.2%**

*Reflects only on-budget amounts

Summary

Public Law 111-240, also known as the Small Business Jobs Act (hereafter "the Act"), established the Small Business Lending Fund (SBLF). The SBLF encourages lending to small businesses by providing Tier 1 capital to qualified community banks with assets of less than $10 billion. Through the SBLF, Main Street banks and small businesses can work together to help create jobs and promote economic growth in local communities across the nation.

FY 2011 and 2012 priorities include processing all received applications by September 27, 2011 in strict adherence to the eligibility requirements of the legislation; executing a compliance regimen to ensure that all fund participants abide with the terms of the program; and installing an asset management capability to effectively monitor the Fund and minimize risk to Treasury.

Purpose of Program

The SBLF is intended to increase the availability of credit to small businesses by providing capital to eligible institutions with assets of less than $10 billion. The dividend or interest rate a bank pays for SBLF funding will be reduced as the institution's qualified small business lending increases, relative to the bank's baseline small business lending established at the time the applicant is awarded SBLF funding by the Treasury. Because banks leverage their capital, the SBLF could help increase lending to small businesses in an amount that is multiples of the total capital provided to participating institutions. These new loans will help small businesses grow and create new jobs.

An insured depository institution is eligible if it has assets of less than $10 billion and it meets the other requirements for participation. If the institution is controlled by a holding company, the combined assets of the holding company determine eligibility. Community development loan funds are also eligible.

Banks that have total assets of $1 billion or less may apply for SBLF funding that equals up to 5% of risk-weighted assets. Banks that have assets of more than $1 billion, but less than $10 billion may apply for SBLF funding that equals up to 3% of risk-weighted assets.

The Small Business Lending Fund also provides an option for eligible community banks to refinance preferred stock issued to the Treasury through the Capital Purchase Program (CPP) or the Community Development Capital Initiative (CDCI) under certain conditions.

An institution is not eligible if it is on the Federal Deposit Insurance Corporation's problem bank list (or similar list) or has been removed from that list in the previous 90 days.

With the approval of its regulator, an institution may exit the Small Business Lending Fund at any time simply by repaying the funding provided along with any accrued dividends.

Pursuant to the Act, all funds received by the Treasury in connection with purchases made, including interest payments, dividend payments, and proceeds from the sale of any financial instrument, will be used to pay down the public debt.

Though all investments will be occurring in FY 2011, the holding, managing, and selling the capital investments will require a staff presence in future years. The SBLF program office has been designed to ensure that strong internal controls are in place and that costs are minimized by leveraging existing Treasury infrastructure whenever possible.

Explanation of Budget Activities

Pursuant to the Act, all investment activity will occur in FY 2011. The Act also requires that the cost of purchases of preferred stock and other financial instruments made as capital investments shall be determined as provided under the Federal Credit Reform Act of 1990.

After careful analysis and credit modeling, Treasury estimates a total program volume of $17.4 billion. Treasury credit modeling also indicates a projected subsidy rate of 7.24% and a budget cost of $1.26 billion for SBLF.

The authority to pay administrative expenses is provided by Section 4108 (b) of the Act. Administrative expenses will include the costs of government employee salaries, contract support, and reimbursement to the Treasury Office of Inspector General for program audits. Pursuant to the Act, Treasury will be submitting semi-annual reports to the appropriate committees of Congress detailing administrative expenses.

Legislative Proposals

The SBLF has no legislative proposals.

Description of Performance

Performance metrics are currently in development for the SBLF and will be finalized in 2011.

State Small Business Credit Initiative

Program Summary by Budget Activity
(Dollars in thousands)

Budget Activity	FY 2010 Actual	FY 2011 Estimated	FY 2012 Estimated	Change FY10-FY12 $ Change	Change FY10-FY12 % Change
SSBCI Program	$0	$487,000	$732,000	$245,000	50.3%
Administration	$0	$6,410	$7,488	$1,078	16.9%
Total Outlays	**$0**	**$493,410**	**$739,488**	**$246,488**	**49.9%**
Total FTE	**0**	**9**	**12**	**3**	**33.3%**

Summary

The State Small Business Credit Initiative (SSBCI) is a Federal program that provides direct funding support to states for use in programs designed to increase access to credit for small businesses. The SSBCI was appropriated with $1.5 billion to support State capital access programs (CAPs) and other credit support programs (OCSP) that support lending to small businesses and small manufacturers. CAPs provide portfolio insurance for business loans based on a separate loan loss reserve fund for each participating financial institution. OCSPs include collateral support programs, loan participation programs, state-sponsored venture capital programs, loan guarantee programs or similar programs.

The estimated outlays for FYs 2011 and 2012 anticipate disbursement of at least one third of the total $1.5 billion appropriation in FY 2011, as all states are required to apply no later than June 27, 2011, and $732 million in FY 2012.

Purpose of Program

The purpose of the SSBCI is to increase the availability of credit for small business, to generate jobs and other economic development benefits for states. It is expected to help spur up to $15 billion in lending to small businesses. Under SSBCI, participating states will use the federal funds for programs that leverage private lending to help finance small businesses and manufacturers that are creditworthy, but are not getting the loans they need to expand and create jobs. SSBCI will allow states to build on successful models for state small business programs, including Capital Access Programs (CAPs), collateral support programs, and loan guarantee programs.

Explanation of Budget Activities

Each state that is approved for participation in the SSBCI will receive its allocation of funds in three disbursements as follows: 33 percent, 33 percent and 34 percent. As a precondition to receipt of the second and third disbursements, the state must, among other things, certify to Treasury that it has expended, transferred or obligated 80 percent or more of the last-disbursed one-third disbursement of allocated funds to or for the account of one or more approved state programs. Furthermore, funds allocated to the states should be transferred within two years beginning on the date the application is approved.

Less than 3 percent of the appropriation has been allocated for administrative expenses. The administrative costs are expected to be spent over a period of seven years beginning on the date of the enactment of the Act on September 27, 2010.

Legislative Proposals

The State Small Business Credit Initiative has no legislative proposals.

Description of Performance

Performance metrics are currently in development for the State Small Business Credit Initiative and will be finalized in 2011.

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 FY10 to FY12 % 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 Bureaus' 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.

United States Mint

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	$3,602,988	$2,457,862	$2,515,589	($1,087,399)	(30.2%)
Protection	$43,979	$51,016	$0	($43,979)	(100.0%)
Total Cost of Operations	**$3,646,967**	**$2,508,878**	**$2,515,589**	**($1,131,378)**	**(31.0%)**
Capital Investment	**$23,794**	**$30,830**	**$30,296**	**$6,502**	**27.3%**
Total Resources	**$3,670,761**	**$2,539,708**	**$2,545,885**	**($1,124,876)**	**(30.6%)**
Reimbursable FTE	1,778	1,873	1,873	95	5.3%

The Department of the Treasury is eliminating the Protection budget activity and consolidating it into the Manufacturing budget activity beginning in FY 2012.

Summary

The United States Mint supports the Department of the Treasury's strategic objective to promote trust and confidence in U.S. currency worldwide by enabling commerce through safe, secure U.S. notes and coins.

Since FY 1996, the United States Mint has been operating under the United States Mint's Public Enterprise Fund (PEF). As authorized by Public Law 104-52 (31 U.S.C. § 5136), the PEF eliminates the need for appropriations. Proceeds from the sales of circulating coins to the Federal Reserve Banks and numismatic items to the public are the source of funding for operations. Both operating expenses and capital investments are associated with the production of circulating and numismatic coins and coin-related products and protective services. The United States Mint provides security for assets, including the government's reserves of gold bullion, silver bullion, coins and coinage metals. Revenues in excess of amounts required by the PEF are transferred to the United States Treasury General Fund.

The United States Mint's key priorities for FY 2012 include:

- Circulating - Efficiently and effectively produce and distribute approximately 9.6 billion circulating coins in FY 2012 to meet the needs of commerce, an important strategic objective for the Department of the Treasury. Honor national parks and other national sites through effective administration of the United States Mint America the Beautiful Quarters Program in compliance with the America's Beautiful National Parks Quarter Dollar Coin Act of 2008.

- Bullion - Prepare and distribute bullion coins while employing precious metal purchasing strategies that minimize or eliminate the financial risk that can arise from adverse market price fluctuations.

- Numismatic - Prepare and distribute numismatic products in sufficient quantities to make them accessible, available, and affordable to people who choose to purchase them. Design, strike and prepare for presentation Congressional gold medals and commemorative coins, as required by law.

- Protection - Continue to secure over $320 billion in market value of the nation's gold reserves, silver and other assets.

FY 2012 United States Mint estimated total revenues are $2,745,700,000, total expenses are $2,515,589,000, capital investments are $30,296,000, and net results are $230,111,000 in earnings.

Mint FY 2012 Budget Highlights
(Dollars in thousands)

Budget Estimate	Amount
FY 2010 Actual	**$3,646,967**
FY 2011 Estimated	**$2,539,708**
Changes to Base:	
Maintaining Current Levels (MCLs):	$26,277
Maintain Current Levels	$26,277
Efficiencies, Savings & Base Reductions:	($20,100)
Contract Savings – Procurement/IT	($7,200)
Postpone Low Priority Capital Projects	($12,900)
Subtotal FY 2012 Changes to Base	$6,177
Total FY 2012 Base	**$2,545,885**
Total FY 2012 Estimated	**$2,545,885**

Totals include capital investments since a FY 2012 savings proposal involves capital investment savings.

FY 2012 Budget Adjustments

Maintaining Current Levels (MCLs)

Maintain Current Levels +$26,277,000 / +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

Capital Projects Postponed to Out-years -$12,900,000 / +0 FTE

The United States Mint reduced its FY 2012 capital budget $12.9 million by delaying several capital projects to out-years. The agency's capital plan includes funding for various equipment replacement, building maintenance and safety projects. The plans are developed based on factors such as equipment lifecycle, production needs and facility assessments. Careful consideration is given to each project and projects are then prioritized.

Contract Savings – Procurement/IT -$7,200,000 / +0 FTE

Procurement Savings: In FY 2010, the United States Mint achieved $47.6 million in non-metal procurement savings through acquisition improvement plans. The United States Mint will continue efforts to achieve procurement savings by combining multiple contracts, renegotiating current contract terms and ensuring greater competition where possible through FY 2012. Through these efforts, the United States Mint expects to achieve an estimated $5.7 million in procurement savings in FY 2012.

Information Technology (IT) Savings: The United States Mint has employed several improved Information Technology strategies that have and are continuing to yield cost savings. IT consulting services/systems support services, IT maintenance contract consolidation, and IT telecommunications consolidation efforts are yielding continued budget savings. These initiatives are projected to save over $1.5 million in FY 2012.

Explanation of Budget Activities

Manufacturing ($2,515,589,000 from reimbursable programs, not including capital)

The United States Mint manufactures and sells coin products. For budget reporting purposes, these products are grouped into two programs: Circulating Coinage and Numismatic Programs.

Circulating Coinage

The United States Mint enables commerce by minting and issuing circulating coinage to meet the needs of the United States. Circulating coinage includes the penny (one-cent), nickel (five-cent), dime (ten-cent), quarter-dollar, half-dollar and dollar denominations. The United States Mint delivers the circulating coinage to the Federal Reserve Banks, at face value, for distribution as demanded by commerce.

Beginning in 2010 through 2020, the United States Mint will mint and issue commemorative quarter-dollar coins honoring national parks and other national sites, in accordance with the America's Beautiful National Parks Quarter Dollar Coin Act of 2008 (Public Law 110-456). This program honors national parks and sites in the order in which they were first established as a national park or site. Similar to the issuance of coins under the 50 State Quarters Program, quarter-dollar coins featuring five different coin designs will be issued each year of this program.

Numismatic Program

The United States Mint produces numismatic and bullion coins, medals, and other products for sale to collectors and the general public. These coins include annual recurring programs (such as proof and uncirculated sets), silver proof coins, the American Eagle and the American Buffalo precious metal bullion and proof coins, and medals which are legislated to commemorate specific events or individuals. In FY 2012, the United States Mint will produce the United States Army Commemorative Coin (Public Law 110-450).

The current FY 2012 budget estimate for numismatic and bullion products includes resource needs of $1,903.5 million to generate $1,958.4 million in revenues from the sale of these products.

Legislative Proposals

The "Eliminate the 20 percent requirement in the Native American $1 Coin Act" legislative proposal seeks to eliminate the requirement that the number of $1 coins minted and issued in a year with the Sacagawea-design on the obverse be not less than 20 percent of the total number of $1 coins minted and issued in a year. Proposed amendment: Section 5112(r) of title 31, United States Code, is amended by striking paragraph (5). Approval of this proposal would allow the United States Mint to mint and issue all $1 coins in amounts necessary to meet public demand for coins of each particular design. It would also eliminate the excessive expense of minting and issuing Native American $1 Coins in amounts that exceed the public demand for them.

Capital Investments Summary

This United States Mint's FY 2012 circulating and protection capital budget request is $20.0 million. The United States Mint invests in capital projects to maintain, upgrade or acquire physical structures, equipment, physical security, and to implement its information technology roadmap. Total capital projects are estimated to be $30.3 million in FY 2012.

This includes approximately $12.3 million for circulating projects, $7.7 million for security improvement projects, and $10.3 million for numismatic projects.

Mint Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Manufacturing	Numismatic Customer Base (Units)(Ot)	1.27	1.06	0.799	0.976	0.976
Manufacturing	Customer Satisfaction Index (%) (Oe)	87.5	88.3	86.1	88.0	88.0
Manufacturing	Safety Incident Recordable Rate (Oe)	N/A	N/A	2.29	3.34	3.34

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

Description of Performance

Customer Satisfaction Index (CSI)

A United States Mint contractor conducts a quarterly Customer Satisfaction Measure (CSM) Tracking Survey among a random sample of active customers. The CSM Survey is intended to capture customer satisfaction with the United States Mint's performance as a coin supplier and the quality of specific products. The CSI is a single quantitative score of CSM Survey results. In FY 2010, the United States Mint's results were 86.1 percent, below the target of 88 percent and down from the FY 2009 year-end result of 88.3 percent.

Numismatic Customer Base

The numismatic customer base consists of the total number of unique purchasers (in millions) within a fiscal year. The numismatic customer base measure provides information on the continued and new demand for numismatic products. The numismatic customer base totaled 798,515 in FY 2010, below the target of 976,000. Performance declined primarily because the bureau was unable to offer key gold and silver numismatic products for sale. Planchets were diverted to the bullion program in accordance with a statutory requirement to fulfill bullion demand.

By the close of FY 2010, the United States Mint had expanded planchet supply to fulfill bullion demand and redirect a portion of precious metal blanks for numismatic products. Releasing the popular American Eagle numismatic products is expected to improve customer retention and acquisition as well as customer satisfaction in FY 2011 and beyond. This measure is currently being reexamined for its usefulness.

Safety Incident Recordable Rate

Safety incident recordable rate is the number of injuries and illnesses meeting the Occupational Health and Safety Administration recording criteria per 100 full-time workers. The safety incident recordable rate fell to 2.29 in FY 2010, below the target of 3.86. The United States Mint will continue to place a high priority on ensuring employee safety.

Office of Comptroller of the Currency

Program Summary by Budget Activity

(Dollars in thousands)

Budget Activity	FY 2010 Actual	FY 2011 1/ Estimated	FY 2012 2/ Estimated	FY 2010 to FY 2012 $ Change	% Change
Supervise	$618,254	$680,090	$900,836	$282,582	45.7%
Regulate	$97,735	$107,511	$111,936	$14,201	14.5%
Charter	$24,434	$26,878	$27,984	$3,550	14.5%
Total Cost of Operations	**$740,423**	**$814,479**	**$1,040,756**	**$300,333**	**40.6%**
Reimbursable FTE	3,101	3,140	3,976	875	28.2%

1) It is anticipated that for the majority of FY 2011, the OCC will not be regulating the Federal savings associations; accordingly, the FY 2011 estimates only reflect the cost of regulating the National Banking System. Figures are subject to revision once the personnel realignment provisions of the Dodd-Frank Act are implemented.

(2) FY 2012 estimates include the cost of regulating the National Banking System and Federal savings associations. Figures are subject to revision once the personnel realignment provisions of the Dodd-Frank Act are implemented.

Summary

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

As the regulator of national banks, the OCC has established four strategic goals outlined in its strategic plan that help support a strong economy for the American public: 1) assuring the safety and soundness of the institutions subject to its jurisdiction; 2) fair access to financial services and fair treatment of bank customers; 3) a flexible legal and regulatory framework that enables the institutions subject to its jurisdiction to provide a full competitive array of financial services; and 4) an expert, highly motivated, and diverse workforce that makes effective use of OCC resources. The OCC organizes its activities under three programs: (1) Supervise, (2) Regulate, and (3) Charter, to achieve the goals and objectives.

As of September 30, 2010, the OCC supervised 1,487 national bank charters and 51 federal branches of foreign banks in the United States. Total assets under the OCC's supervision are approximately $8.6 trillion or approximately 70 percent of total United States commercial banking assets. As a result of the Dodd-Frank Act, in FY 2012 the OCC anticipates supervising approximately 700 Federal savings associations with assets currently totaling approximately $0.9 trillion. The average size and complexity of the institutions in the national banking system continue to grow. This combined with OCC's supervision of Federal savings associations and responsibility for the Home Owners' Loan Act creates increasing and diverse challenges for the OCC.

The OCC's priorities focus on strengthening the resiliency of the institutions subject to its jurisdiction through its supervisory and regulatory programs and activities. Through on-site examinations, OCC will work to ensure that national banks and Federal savings associations appropriately identify, account for, and follow prudent strategies for problem assets; instill a strong corporate governance culture that fosters sound loan underwriting standards, properly aligned incentive compensation structures, and strong internal controls, risk management, and compliance functions. Other supervisory priorities will be identifying and resolving potential problem banks at the earliest possible stage; encouraging national banks and Federal savings associations to meet the needs of credit worthy borrowers, including appropriate and effective residential mortgage modification programs, and ensuring that they comply with the Community Reinvestment Act and the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) and USA PATRIOT Act requirements; and further enhancing OCC's supervisory analytical tools.

A major focus of the OCC's supervisory, regulatory, and administrative programs in FYs 2011-2012 will be implementing applicable provisions of the Dodd-Frank Act. The OCC will work closely within the Treasury and other federal regulatory agencies on these initiatives, including developing and issuing implementing rulemakings on a broad range of topics, including regulatory capital; permissible proprietary trading, hedge fund, and private equity fund investments (the so-called Volcker rule); derivative margin requirements; executive compensation; risk retention standards for securitizations; and real estate appraisals. Similarly, the OCC is working to provide smooth transitions for the transfer and integration of various regulatory and supervisory functions across and among the agencies. These efforts will include the transfer of certain supervisory responsibilities and personnel associated with consumer compliance activities to the Consumer Financial Protection Bureau (CFPB) and the integration of the Office of Thrift Supervision (OTS) functions and personnel into the OCC.

In FY 2011, an estimated $814,479 is needed to fund ongoing OCC operations and address program priorities effectively. Estimated OCC revenue for FY 2011 is $820,200.

Operations are funded primarily (approximately 97 percent) from semiannual assessments levied on national banks, and for FY 2012, 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.

OCC FY 2012 Budget Highlights
(Dollars in thousands)

Budget Estimate	Amount
FY 2010 Actual	**$740,423**
FY 2011 Estimated	**$814,479**
Changes to Base:	
Maintaining Current Levels (MCLs):	$4,564
Maintaining Current Levels	$4,564
Subtotal FY 2012 Changes to Base	$4,564
Total FY 2012 Base	**$819,043**
Program Changes:	
Program Increases:	$221,713
Adjustment	$221,713
Subtotal FY 2012 Program Changes	$221,713
Total FY 2012 Estimate	**$1,040,756**

Explanation of Budget Activities

Supervise ($680,090,000 from reimbursable programs)

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

Regulate ($107,511,000 from reimbursable programs)

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. These regulations, policies, and interpretations may establish system-wide standards, define acceptable banking practices, provide guidance on risks and responsibilities facing national banks, or prohibit (or restrict) banking practices deemed to be imprudent or unsafe. This includes the establishment of examination policies, handbooks, and interpretations for examiners as well as representation of the OCC's regulatory authorities and interpretations in administrative, judicial, and congressional hearings.

Charter ($26,878,000 from reimbursable programs)

The Charter program consists of ongoing activities that result in the chartering of national banks as well as the evaluation of the permissibility of structures and activities of national banks and their subsidiaries. This includes the review and approval of new national bank charters, federal branches and agencies, mergers, acquisitions, conversions, business combinations, corporate reorganizations, changes in control, operating subsidiaries, branches, relocations, and subordinated debt issues.

Capital Investments Summary

Central Application Tracking System (CATS) - This initiative will significantly improve the accuracy, tracking, monitoring, recording, and reporting of the applications and notices by the Licensing and Community Affairs Departments.

Personnel Administration and Security System (PASS) - This initiative will improve and automate core personnel security processes, including on-boarding and off-boarding. The PASS initiative will bring the OCC into compliance with audit and Homeland Security Presidential Directive 12 (HSPD-12) requirements.

OCC Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Prevented or mitigated financial and economic crises	Percent of National Banks With Composite CAMELS Rating 1 or 2 (Oe)	92.0	82.0	70.0	90.0	90.0
Prevented or mitigated financial and economic crises	Percentage of National Banks with Consumer Compliance Rating of 1 or 2 (Oe)	97.0	97.0	95.0	94.0	94.0
Prevented or mitigated financial and economic crises	Rehabilitated National Banks as a Percentage of Problem National Banks One Year Ago (CAMEL 3,4, or 5) (Oe)	47.0	29.0	23.0	40.0	40.0
Improved economic opportunity at home and abroad	Percentage of National Banks that are Categorized as Well Capitalized (Oe)	99.0	86.0	90.0	95.0	95.0
Charter	Percentage of Licensing Applic and Notices Completed within Established Timeframes (Oe)	95.0	95.0	96.0	95.0	95.0

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

Description of Performance

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. Through September 30, 2010, 90 percent of national banks were classified as well capitalized.

The composite CAMELS (Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk) rating reflects the overall condition of a bank. Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for evaluating all significant financial, operational, and compliance factors inherent in a bank. The rating scale is 1 through 5 of which 1 is the highest rating granted. CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a change in CAMELS. Through September 30, 2010, 70 percent of national banks earned composite CAMELS rating of either 1 or 2.

Problem banks ultimately can reach a point at which rehabilitation is no longer feasible. The OCC's early identification and intervention with problem banks can lead to successful remediation of these banks. As a result, 23 percent of banks with composite CAMELS ratings of 3, 4, or 5 one year ago have improved their ratings to either 1 or 2 this year.

To ensure fair access to financial services and fair treatment of bank customers, the OCC evaluates a bank's compliance with consumer laws and regulations. Each bank is assigned a consumer compliance rating based on an evaluation of its present compliance with consumer protection and civil rights statutes and regulations, and the adequacy of its operating systems designed to ensure continuing compliance. Ratings are on a scale of 1 through 5 in increasing order of supervisory concern. National banks continue to show strong compliance with consumer protection regulations with 95 percent earning a consumer compliance rating of either 1 or 2 through September 30, 2010.

The OCC's timely and effective approval of corporate applications contributes to the nation's economy by enabling national banks to complete various corporate transactions and introduce new financial products and services. Time frames have been established for completing each type of application and notice. The OCC completed 96 percent of applications and notices within the time standard through September 30, 2010.

The OCC implemented a performance measure—Total OCC Costs Relative to Every $100,000 in Bank Assets Regulated—that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex national banking system. This measure supports the OCC's strategic goal of efficient use of agency resources.

Office of Thrift Supervision

Program Summary by Budget Activity

(Dollars in thousands)

Budget Activity	FY 2010 Actual	FY 2011 Estimated	FY 2012 Estimated	FY 2010 to FY 2012 $ Change	% Change
Supervision of the Thrift Industry	$232,047	$253,605	$0	($232,047)	(100.0%)
Total Cost of Operations	**$232,047**	**$253,605**	**$0**	**($232,047)**	**(100.0%)**
Reimbursable FTE	1,016	1,021	-	(1,016)	(100.0%)

(1) The Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203 (Dodd-Frank Act), abolishes and transfers the functions of the Office of Thrift Supervision in Fiscal Year 2011.

Summary

The Office of Thrift Supervision (OTS) was established by Congress as a bureau of the Department of the Treasury pursuant to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Public Law 101-73.

OTS charters, examines, supervises, and regulates federal savings associations insured by the Federal Deposit Insurance Corporation (FDIC). OTS also examines, supervises, and regulates state-chartered, FDIC-insured savings associations and provides for the registration, examination, and supervision of savings association affiliates and holding companies. OTS sets capital standards for Federal and State savings associations and reviews applications of state-chartered savings associations for conversion to federal thrifts. The OTS also supervises 436 holding company enterprises with approximately $4.2 trillion in U.S. domiciled consolidated assets. These enterprises owned 398 thrifts with total assets of $717 billion or 77 percent of total thrift industry assets.

In July 2010, Congress passed, and the President signed the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111–203 (Dodd-Frank Act), abolishing OTS and transferring its functions to the Office of the Comptroller of the Currency (OCC), The Federal Reserve Board, the Federal Deposit Insurance Corporation (FDIC), and The Consumer Financial Protection Bureau according to the Dodd-Frank Act timetable, starting as early as one year after its enactment.

As of September 30, 2010, the OTS regulated 741 thrifts with total assets of $928 billion. OTS receives no appropriated funds from Congress. Income of the bureau is derived principally from assessments on savings associations and their holding companies, examination fees, and interest on investments in U.S. Government obligations.

OTS FY 2012 Budget Highlights

(Dollars in thousands)

Budget Estimate	Amount
FY 2010 Actual	**$232,047**
FY 2011 Estimated	**$253,605**
Total FY 2012 Base	**$253,605**
Program Changes:	
Program Decreases:	($253,605)
Transfer of Resources	($253,605)
Subtotal FY 2012 Program Changes	($253,605)
Total FY 2012 Estimated	**$0**

Explanation of Budget Activities

Supervision of the Thrift Industry (No funding)
OTS examines savings associations every 12-18 months for safety and soundness and compliance with consumer protection laws and regulations. During these exams, the association's ability to identify, measure, monitor and control risk is evaluated, including the risk posed by other entities within the corporate structure. When weaknesses are identified, increased supervisory action, including additional field visits, accelerating the normal 12-18 month exam cycle, and/or enforcement action is taken.

Capital Investments Summary

OTS has no major IT investments planned for FY 2011.

OTS Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Prevented or mitigated financial and economic crises	Percent of Safety and Soundness Exams Started as Scheduled (Ot)	94.0	94.0	97.0	90.0	Disc
Prevented or mitigated financial and economic crises	Percent of Thrifts that are Well Capitalized (Oe)	98.4	97.0	95.0	95.0	Disc
Prevented or mitigated financial and economic crises	Percent of Thrifts with Composite CAMELS Ratings of 1 or 2 (%) (Oe)	90.0	84.0	77.0	80.0	Disc
Prevented or mitigated financial and economic crises	Percent of Thrifts with a Compliance Examination Ratings of 1 or 2 (Oe)	95.8	95.0	92.0	90.0	Disc

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

Description of Performance

OTS anticipates meeting the targets for each of its performance measures in FY 2011. With the transfer of OTS functions under the Dodd-Frank Act OTS performance measures will be discontinued in FY 2012

Treasury International Programs

Program Summary

(Dollars in Thousands)

	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 President's Budget	FY 2012 Increase/ Decrease	FY 2012 Percent Change
Poverty Reduction and Economic Growth (MDBs)	$1,552,170	$1,552,170	$2,072,564	$520,394	33.5%
International Development Association (IDA)	1,262,500	1,262,500	1,358,500	96,000	7.6%
Int'l Bank for Reconstruction and Development (IBRD)			117,364	117,364	
Inter-American Development Bank (IDB and FSO)			102,018	102,018	
Multilateral Investment Fund (MIF)	25,000	25,000	25,000	0	0.0%
Inter-American Investment Corporation (IIC)	4,670	4,670	20,429	15,759	337.4%
Asian Development Bank (AsDB)			106,586	106,586	
Asian Development Fund (AsDF)	105,000	105,000	115,250	10,250	9.8%
African Development Bank (AfDB)			32,418	32,418	
African Development Fund (AfDF)	155,000	155,000	195,000	40,000	25.8%
European Bank for Reconstruction & Development (EBRD)			0	0	
Food Security	$30,000	$30,000	$338,000	$308,000	1026.7%
Global Agriculture and Food Security Program (GAFSP)*			308,000	308,000	
Int'l Fund for Agricultural Development (IFAD)	30,000	30,000	30,000	0	0.0%
Combating Climate Change and Environmental Degradation	$481,500	$481,500	$748,750	$267,250	55.5%
Clean Technology Fund (CTF)	300,000	300,000	400,000	100,000	33.3%
Strategic Climate Funds (SCF)	75,000	75,000	190,000	115,000	153.3%
Pilot Program for Climate Resilience (PPRC)			*40,000*	*40,000*	
Forest Investment Program (FIP)			*130,000*	*130,000*	
Scaling-Up Renewable Energy Program (SREP)			*20,000*	*20,000*	
Global Environment Facility (GEF)	86,500	86,500	143,750	57,250	66.2%
Tropical Forest Conservation Act (TFCA)	20,000	20,000	15,000	(5,000)	-25.0%
Debt Relief	$40,000	$40,000	$174,500	$134,500	336.3%
Bilateral Debt Reduction/HIPC Trust Fund	40,000	40,000	0	(40,000)	-100.0%
Multilateral Debt Relief Initiative (MDRI) for IDA15**			91,000	91,000	
MDRI for IDA16, AfDF12***			83,500	83,500	
Treasury Office of Technical Assistance	$25,000	$25,000	$30,120	$5,120	20.5%
Total	$2,128,670	$2,128,670	$3,363,934	$1,235,264	58.0%

* In FY 2010, the U.S. Agency for International Development transferred $66.6 million in Development Assistance funds to Treasury for payment to the Global Agriculture and Food Security Fund.

** This funding will both meet the U.S.'s remaining commitment to MDRI under IDA15 and cancel IDA15 arrears, assuming full funding of IDA's FY2011 request.
*** $76 million is for the FY 2012 IDA16 MDRI commitment and $7.5 million is for the FY 2012 AfDF MDRI commitment.

Summary

International Development Association (IDA)

The FY 2012 request includes $1,358.5 million for the first of three annual payments to the sixteenth replenishment of IDA (IDA16). IDA is a facility within the World Bank Group that makes grants and highly concessional or "soft" loans to the world's 79 poorest countries, and is the centerpiece of U.S. multilateral development assistance. IDA is the single largest source of development finance globally across a range of sectors, addressing primary education, basic health services, clean water and sanitation, environmental safeguards, business climate improvements, infra-structure and institutional reforms.

International Bank for Reconstruction and Development (IBRD)

The FY 2012 request includes $117.4 million for the first of five installments of the United States capital subscription to the IBRD General Capital Increase (GCI). IBRD is a facility within the World Bank Group that makes non-concessional or "hard" loans to primarily middle-income countries and as well as some creditworthy low-income countries. The IBRD focuses on supporting poverty reduction, economic development and global public goods, including climate change and food security. The Bank plans to continue strong increases in lending to support renewable energy and energy efficiency projects as well as agriculture and food production. The Bank also serves as the premier center for research and knowledge on development, helping to promote lessons learned and identify innovations that can even more significantly leverage the Bank's resources to combat poverty.

Inter-American Development Bank (IDB)

The FY2012 request includes $102.0 million for the first of five installments for the IDB's ninth GCI. The Inter-American Development Bank makes "hard" or non-concessional loans to middle-income governments, some creditworthy low-income countries, and private sector firms in Latin America and the Caribbean. Established in 1959, the IDB is the largest source of development financing in the region, providing 26 borrowing member countries close to 50 percent of their multilateral financing.

Multilateral Investment Fund (MIF)

The FY 2012 request includes $25.0 million for the sixth installment payment of the first replenishment of the MIF. The MIF is a facility within the IDB Group, focusing on private sector development in the Western Hemisphere. The MIF promotes micro and small enterprise growth in Latin America and works directly with private sector and public sector partners to strengthen the environment for business, build the capabilities and skills of the workforce and broaden the economic participation of smaller enterprises.

Inter-American Investment Corporation (IIC)

The FY 2012 request includes $20.4 million to clear remaining U.S. arrears to the Inter-American Investment Corporation. The IIC, a facility of the IDB Group was established to promote private small and medium-sized enterprises (SMEs) in Latin America and the Caribbean by offering a combination of direct loans and equity investments in individual companies, lending through private local banks, and participation in regional equity funds.

Asian Development Bank (AsDB)

The FY 2012 request includes $106.6 million for the second of five capital contributions for the fifth General Capital Increase. The Asian Development Bank is the "hard" or non-concessional window that makes loans to middle-income countries and creditworthy low income countries in Asia. The United States has been a leading shareholder of the Asian Development Bank since it was established in 1966. The AsDB's comparative advantage is infrastructure finance in such core sectors as energy, transport, and water – typically these sectors will comprise 80 percent or more of AsDB operations in a given year.

Asian Development Fund (AsDF)

The FY 2012 request includes $115.3 million for the third installment of a four-year commitment under the agreement of the ninth replenishment of the Asian Development Fund. As the Asian Development Bank's "soft" or concessional window, the AsDF is a critical provider of donor resources to some of the poorest countries in Asia. These resources finance policy support and policy reform, production capacity, human development, environmentally sustainable investments, good governance and capacity building for development management, and regional cooperation. Additionally, the AsDF places an emphasis on infrastructure finance, and the U.S. has been immensely successful in directing the AsDF's resources towards U.S. priority countries, including Afghanistan and Pakistan.

African Development Bank (AfDB)

The FY 2012 request includes $32.4 million for the first of eight installments for the AfDB's sixth GCI. The African Development Bank is the non-concessional or "hard" window that makes public sector loans to the 15 middle-income countries in Africa, and private sector loans to both middle- and low-income countries. Through its support to Africa's middle-income countries, the AfDB is helping to create a new generation of markets for U.S. businesses and workers, enhancing the region's capacity to grow without reliance on donor aid.

African Development Fund (AfDF)

The FY 2012 request includes $195.0 million for the first of three annual payments to the twelfth replenishment of the AfDf (AfDF-12). The African Development Fund is a facility within the African Development Bank Group that works with the 40 poorest countries in Africa, offering grants and highly concessional or "soft" loans. The AfDF has a strong strategic focus on infrastructure, economic governance, and regional integration. The AfDF is particularly active in the infrastructure sector, a key challenge to economic growth on the continent.

European Bank for Reconstruction and Development (EBRD)

For FY 2012, the Administration does not have an appropriations request for the EBRD. The EBRD makes "hard" or non-concessional loans and equity investments in primarily private sector firms in developing countries, as well as governments of developing countries in the region.

The Global Agriculture and Food Security Program (GAFSP)

The FY 2012 request includes $308.0 million for the Global Agriculture and Food Security Program. As part of the Administration's food security initiative, the U.S. Department of the Treasury has worked with our partners in the G-8 and G-20 to establish the GAFSP. GAFSP is a multilateral fund to increase investments in agriculture and food security in poor countries by leveraging U.S. resources. This fund, launched on April 22, 2010 by Secretary Geithner, provides an opportunity to forge a global response among G20 members and non-G20 countries as well as private sector and civil society organizations.

International Fund for Agricultural Development (IFAD)

The FY 2012 request includes $30.0 million for the third of three payments to the eighth replenishment of the International Fund for Agricultural Development. IFAD, a specialized facility of the United Nations, is the only multilateral development institution focused exclusively on reducing poverty and improving food security in the rural areas of developing countries. Through low-interest loans and grants, IFAD develops and finances projects that help smallholder farmers increase agricultural productivity and incomes, improve nutritional levels, and access larger markets.

Clean Technology Fund (CTF)

The FY 2012 request includes $400.0 million for the CTF. The CTF is one of two multilateral Climate Investment Funds (CIF). The CTF aims to reduce global emissions growth and combat climate change by helping to close the price gap in developing countries between commercially available clean technologies and dirtier conventional alternatives in the power sector, the transport sector, and in energy efficiency. The CTF focuses on spurring large-scale clean energy investments in middle income developing countries with rapidly growing levels of greenhouse gas pollution.

Strategic Climate Fund (SCF)

The FY 2012 request includes $190.0 million for the SCF. The SCF, the other facility of the multilateral Climate Investment Funds (CIF), supports three targeted programs to pilot new approaches and scaled-up activities to address climate change challenges in developing countries, while promoting low-carbon, climate resilient economic growth. The three programs are the *Pilot Program for Climate Resilience* (PPRC), the *Forest Investment Program* (FIP) and the *Program for Scaling-Up Renewable Energy in Low Income Countries* (SREP).

Global Environment Facility (GEF)

The FY 2012 request includes $143.8 million for the GEF, a multilateral fund that provides incremental finance—mostly grants—for projects that improve the global environment, such as reducing greenhouse gas pollution and conserving biodiversity. The GEF supports capacity building and innovative and cost-effective investments whose design and environmental benefits can be duplicated (and financed) elsewhere.

Tropical Forest Conservation Act

The FY 2012 request of $15 million will be used to support Treasury implementation of the *Tropical Forest Conservation Act* which authorizes debt relief for low and middle income countries to support conservation of tropical forests. Under the program, treated debt is reduced and "redirected" to provide for grants to local nongovernmental organizations and other entities engaged in forest conservation in the beneficiary country. The United States uses appropriated funds to pay for the budget cost of this debt reduction and redirection.

Multilateral Debt Relief Initiative

The FY 2012 request includes $91.0 million for the remaining U.S. commitment to MDRI under IDA15 and $83.5 million for payment toward the U.S. commitment to MDRI in the IDA16 and AfDF12 periods. Building upon the Heavily Indebted Poor Countries (HIPC) Initiative, the Multilateral Debt Relief Initiative (MDRI) provides 100 percent cancellation of remaining eligible debts owed to the World Bank's International Development Association (IDA), the African Development Bank's African Development Fund (AfDF), and the International Monetary Fund (IMF) for countries that complete the HIPC initiative.

Treasury Technical Assistance

The FY 2012 request of $30.1 million for the Department of Treasury's International Affairs Technical Assistance Program provides highly experienced financial advisors to reform-minded developing countries, transitional economies, and nations recovering from conflict. Through the Office of Technical Assistance (OTA), Treasury advisors work side-by-side with government officials in finance ministries and central banks in more than fifty countries to strengthen their capacity to manage public finances – through efficient revenue collection, well-planned and executed budgets, judicious debt management, fundamentally sound banking systems, and strong controls to combat corruption and economic crimes.

Description of Performance

Strengthening transparency and ensuring accountability are critical objectives of the

United States' continued support for the MDBs and other International Programs, and Treasury is tightly focused on these criteria. That is why Treasury actively seeks clear and consistent accountability standards and measures, and promotes policies that direct funds to what has been proven to work and away from what cannot be measured. Performance, transparency, monitoring and results are at the heart of all of these efforts.

As a result of U.S. leadership in these areas, the MDBs have adopted expansive disclosure requirements, stronger auditing functions, better internal controls and are at the leading edge of impact evaluations and performance-driven investment. Treasury has also succeeded in fostering cutting-edge systems for measuring, monitoring, and incorporating development results in MDB operations, and persuading the MDBs to adopt mechanisms under which donor funds are distributed on the basis of performance. In this way, the MDBs provide strong incentives to recipient countries to fulfill their obligations, greatly improving prospects for success and strengthening economic growth and development.

Treasury also pursues these same standards in the Technical Assistance programs, and across the other important International Programs managed by the Department.

Summary of FY 2012 Appropriations Language

Below is a summary of the Treasury appropriations language proposed for FY 2012.

Departmental Offices

Federal Funds

Salaries and Expense

(Including Transfer of Funds)

For necessary expenses of the Departmental Offices including operation and maintenance of the Treasury Building and Annex; 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, $324,889,000: Provided, That notwithstanding any other provision of law, of the amount appropriated under this heading, up to $1,000,000, may be contributed to the Global Forum on Transparency and Exchange of Information for Tax Purposes, a Part II Program of the Organization for Economic Cooperation and Development, to cover the cost assessed by that organization for Treasury's participation therein: Provided further, That of the amount appropriated under this heading, not to exceed $3,000,000, to remain available until September 30, 2013, is for information technology modernization requirements; not to exceed $200,000 is for official reception and representation expenses; $200,000 is to support international representation commitments of the Secretary; and 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 his certificate: Provided further, That of the amount appropriated under this heading, $6,787,000, to remain available until September 30, 2013, is for the Treasury-wide Financial Statement Audit and Internal Control Program, of which such amounts as may be necessary may be transferred to accounts of the Department's offices and bureaus to conduct audits: Provided further, That this transfer authority shall be in addition to any other provided in this Act: Provided further, That of the amount appropriated under this heading, $500,000, to remain available until September 30, 2013, is for secure space requirements: Provided further, That of the amount appropriated under this heading, up to $3,400,000, to remain available until September 30, 2014, is to develop and implement programs within the Office of Critical Infrastructure Protection and Compliance Policy, including entering into cooperative agreements : Provided further, That of the funds made available under this heading, $2,500,000 is for strengthening the Department's acquisition workforce capacity and capabilities: Provided further, That with respect to the previous proviso, such funds shall be available for training, recruitment, retention, and hiring members of the acquisition workforce as defined by the Office of Federal Procurement Policy Act, as amended (41 U.S.C. 401 et seq.): Provided further, That with respect to the seventh proviso, such funds shall be available for information technology in support of acquisition workforce effectiveness or for management solutions to improve acquisition management.

Office of Inspector General

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended, $29,855,000, of which not to exceed $2,000,000 for official travel expenses, including hire of passenger motor vehicles; and of which not to exceed $100,000 for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General of the

Treasury.

Treasury Inspector General for Tax Administration

Salaries and Expenses

For necessary expenses of the Treasury Inspector General for Tax Administration in carrying out the Inspector General Act of 1978, as amended, including purchase (not to exceed 150 for replacement only for police-type use) and hire of passenger motor vehicles (31 U.S.C. 1343(b)); services authorized by 5 U.S.C. 3109, at such rates as may be determined by the Inspector General for Tax Administration; $157,831,000, 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.

Treasury Forfeiture Fund

(Cancellation)

Of the unobligated balances available under this heading, $600,000,000 are hereby permanently cancelled.

Community Development Financial Institutions Fund Program Account

To carry out the Community Development Banking and Financial Institutions Act of 1994 (Public Law 103–325), including services authorized by 5 U.S.C. 3109, but at rates for individuals not to exceed the per diem rate equivalent to the rate for ES-3, $227,259,000, to remain available until September 30, 2013; of which $12,000,000 shall be for financial assistance, technical assistance, training and outreach programs, under sections 105 through 109 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4704–4708), designed to benefit Native communities and provided primarily through qualified community development lender organizations with experience and expertise in community development banking and lending in Indian country, Native American organizations, tribes and tribal organizations and other suitable providers; of which, notwithstanding section 108(d) of such Act, up to $25,000,000 shall be for a Healthy Food Financing Initiative to provide grants and loans to community development financial institutions for the purpose of offering affordable financing and technical assistance to expand the availability of healthy food options in distressed communities; of which $41,425,000 shall be for initiatives to establish bank accounts for low and moderate-income persons who do not have bank accounts with financial institutions and to improve access to the provision of bank accounts as authorized by section 1204 of Public Law 111–203; of which up to $22,965,000 may be used for administrative expenses, including administration of the New Markets Tax Credit; of which up to $10,315,000 may be used for the cost of direct loans; and of which up to $250,000 may be used for administrative expenses to carry out the direct loan program: Provided, That the cost of direct loans, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed $25,000,000.

Special Inspector General for the Troubled Asset Relief Program

Salaries and Expenses

For necessary expenses of the Office of the Special Inspector General in carrying out the provisions of the Emergency Economic Stabilization Act of 2008 (Public Law 110–343), as amended, $47,374,000.

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, including for course development, 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; not to exceed $14,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, $84,297,000, of which not to exceed $15,835,000 shall remain available until September 30, 2014: Provided, That funds appropriated in this account may be used to procure personal services contracts.

Financial Management Service
Federal Funds

Salaries and Expenses

For necessary expenses of the Financial Management Service, $218,805,000, of which not to exceed $4,120,000 shall remain available until September 30, 2014, for information systems modernization initiatives; and of which not to exceed $2,500 shall be available for official reception and representation expenses.

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, $97,878,000; of which not to exceed $6,000 for official reception and representation expenses; not to exceed $50,000 for cooperative research and development programs for laboratory services; and provision of laboratory assistance to State and local agencies with or without reimbursement.

United States Mint
Federal Funds

Public Enterprise Fund

Pursuant to section 5136 of title 31, United States Code, the United States Mint is provided funding through the United States Mint Public Enterprise Fund for costs associated with the production of circulating coins, numismatic coins, and protective services, including both operating expenses and capital investments. The aggregate amount of new liabilities and obligations incurred during fiscal year 2012 under such section 5136 for circulating coinage and protective service capital investments of the United States Mint shall not exceed $20,000,000.

Bureau of the Public Debt
Federal Funds

Administering the Public Debt

For necessary expenses connected with any public-debt issues of the United States, $173,635,000, of which not to exceed $2,500 shall be available for official reception and representation expenses, and of which $10,000,000 shall remain available until September 30, 2014, for the Do Not Pay portal initiative: Provided, That the sum appropriated herein from the general fund for fiscal year 2012 shall be reduced by not more than $8,000,000 as definitive security issue fees and Legacy Treasury Direct Investor Account Maintenance fees are collected, so as to result in a final fiscal year 2012 appropriation from the general fund estimated at $165,635,000. In addition, $165,000 to be derived from the Oil Spill Liability Trust Fund to reimburse the Bureau for administrative and personnel expenses for financial *management of the Fund, as authorized by section 1012 of Public Law 101–380.*

Internal Revenue Service

Federal Funds

Taxpayer Services

(Including Transfer of Funds)

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, $2,345,133,000, of which not less than $5,100,000 shall be for the Tax Counseling for the Elderly Program, of which not less than $9,500,000 shall be available for low-income taxpayer clinic grants, of which not less than $8,000,000, to remain available until September 30, 2013, shall be available for a Community Volunteer Income Tax Assistance matching grants program for tax return preparation assistance, and of which up to $6,000,000 may be transferred as necessary from this account to "Health Insurance Tax Credit Administration" upon advance notification of the Committees on Appropriations: Provided, That this transfer authority shall be in addition to any other transfer authority provided in this Act.

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 (for police-type use, not to exceed 850) and hire passenger motor vehicles (31 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, $5,966,619,000, of which not less than $60,257,000 shall be for the Interagency Crime and Drug Enforcement program: Provided, That of the amount provided under this heading, not less than $936,000,000 shall be for the additional appropriation for Internal Revenue Service tax compliance activities included as an adjustment to the discretionary spending limits pursuant to the Concurrent Resolution on the Budget.

Health Insurance Tax Credit Administration

For expenses necessary to implement the health insurance tax credit included in the Trade Act of 2002 (Public Law 107–210), $18,029,000.

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)); and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner; $4,620,526,000, of which up to $250,000,000 shall remain available until September 30, 2013, for information technology support; of which up to $65,000,000 shall remain available until expended for acquisition of real property, equipment, construction and renovation of facilities; of which not to exceed $1,000,000 shall remain available until September 30, 2014, for research; of which not to exceed $2,000,000 shall be for the Internal Revenue Service Oversight Board; of which not to exceed $25,000 shall be for official reception and representation: Provided, That of the amounts provided under this heading, such sums as are necessary shall be available to fully support tax enforcement activities, *including not less than $321,000,000 for the additional appropriation for Internal Revenue Service tax compliance activities included as an adjustment to the discretionary spending limits pursuant to the Concurrent Resolution on the Budget.*

Business Systems Modernization

For necessary expenses of the Internal Revenue Service's business systems modernization program, $333,600,000, to remain available until September 30, 2014, 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, with the exception of labor costs, none of these funds may be obligated until the Internal Revenue Service submits to the Committees on Appropriations a plan for expenditure that: (1) meets the capital planning and investment control review requirements established by the Office of Management and Budget, including Circular A-11; (2) complies with the Internal Revenue Service's enterprise architecture, including the modernization blueprint; (3) conforms with the Internal Revenue Service's enterprise life cycle methodology; (4) is approved by the Internal Revenue Service, the Department of the Treasury, and the Office of Management and Budget; (5) has been received by the Government Accountability Office; and (6) complies with the acquisition rules, requirements, guidelines, and systems acquisition management practices of the Federal Government.

Administrative Provisions-Internal Revenue Service

(Including Transfer of Funds)

SEC. 101. Not to exceed 5 percent of any appropriation made available in this Act to the Internal Revenue Service or not to exceed 3 percent of appropriations under the heading "Enforcement'' may be transferred to any other Internal Revenue Service appropriation upon the advance notification of the Committees on Appropriations. SEC. 102. The Internal Revenue Service shall maintain a training program to ensure that Internal Revenue Service employees are trained in taxpayers' rights, in dealing courteously with taxpayers, and in crosscultural relations.

SEC. 103. The Internal Revenue Service shall institute and enforce policies and procedures that will safeguard the confidentiality of taxpayer information.

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 the improvement of the Internal Revenue Service 1–800 help line service a priority and allocate resources necessary to increase phone lines and staff to improve the Internal Revenue Service 1–800 help line service.

SEC. 105. Of the funds made available by this Act to the Internal Revenue Service, not less than $8,490,000,000 shall be available only for tax compliance, of which not less than $1,257,000,000 shall be available for the additional appropriation for Internal Revenue Service tax compliance activities included as an adjustment to the discretionary spending limits in the Concurrent Resolution on the Budget.

Administrative Provisions—Department of the Treasury

(Including Transfer of Funds)

SEC. 107. Appropriations to the Department of the Treasury in this Act shall be available for uniforms or allowances therefor, as authorized by law (5 U.S.C. 5901), including maintenance, repairs, and cleaning; purchase *of insurance for official motor vehicles operated in foreign countries; purchase of motor vehicles without regard to the general purchase price limitations for vehicles purchased and used overseas for the current fiscal year; entering into contracts with the Department of State for the furnishing of health and medical services to employees and their dependents serving in foreign countries; and services authorized by 5 U.S.C. 3109.*

SEC. 108. Not to exceed 2 percent of any appropriations in this Act made available to the Departmental Offices—Salaries and Expenses, Office of Inspector General, Financial Management Service, Alcohol and Tobacco Tax and Trade Bureau, Financial Crimes Enforcement Network, and Bureau of the Public Debt, may be transferred between such appropriations upon the advance notification to the Committees on Appropriations: Provided, That no transfer may increase or decrease any such appropriation by more than 2 percent.

SEC. 109. Not to exceed 2 percent of any appropriation made available in this Act to the Internal Revenue Service may be transferred to the Treasury Inspector General for Tax Administration's appropriation upon the advance notification to the Committees on Appropriations: Provided, That no transfer may increase or decrease any such appropriation by more than 2 percent.

SEC. 110. Of the funds available for the purchase of law enforcement vehicles, no funds may be obligated until the Secretary of the Treasury certifies that the purchase by the respective Treasury bureau is consistent with departmental vehicle management principles: Provided, That the Secretary may delegate this authority to the Assistant Secretary for Management.

SEC. 111. None of the funds appropriated in this Act or otherwise available to the Department of the Treasury or the Bureau of Engraving and Printing may be used to redesign the $1 Federal Reserve note.

SEC. 112. The Secretary of the Treasury may transfer funds from Financial Management Service, Salaries and Expenses to the Debt Collection Fund as necessary to cover the costs of debt collection: Provided, That such amounts shall be reimbursed to such salaries and expenses account from debt collections received in the Debt Collection Fund.

SEC. 113. Section 122(g)(1) of Public Law 105–119 (5 U.S.C. 3104 note), is further amended by striking " 12 years" and inserting " 14 years".

This section continues, for one additional year, the Alcohol and Tobacco Tax and Trade Bureau's Pay Demonstration Project to use as an intervention tool in the recruitment and retention of critical staff positions.

SEC. 114. Funds appropriated by this Act, or made available by the transfer of funds in this Act, for the Department of the Treasury's intelligence or intelligence related activities are deemed to be specifically authorized by the Congress for purposes of section 504 of the National Security Act of 1947 (50 U.S.C. 414) during fiscal year 2012 until the enactment of the Intelligence Authorization Act for Fiscal Year 2012.

SEC. 115. Not to exceed $5,000 shall be made available from the Bureau of Engraving and Printing's Industrial Revolving Fund for necessary official reception and representation expenses.

SEC. 116. 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 section refers to repealing the limit on the contract term for the manufacture of distinctive currency paper to four years, to open up the supply of U.S. currency paper to increased competition.

SEC. 117. Section 1324 of title 31, United States Code, is amended by adding at the end thereof the following new subsection: "(c) Amounts appropriated under subsection (a) of this section shall be administered, as appropriate, as if they were made available through separate appropriations to the Secretary of the Treasury, the Secretary of Homeland Security, and the Attorney General. Funds so appropriated shall be available to the Secretary of the Treasury for refunds by the Internal Revenue Service of taxes collected pursuant to the Internal Revenue Code and related interest; separately to the Secretary of the Treasury for refunds and drawbacks of alcohol, tobacco, firearms and ammunition taxes and refunds of other taxes which may arise and any interest on such refunds, including payment of claims for prior fiscal years; to the Secretary of Homeland Security for refunds and drawbacks of receipts collected pursuant to the customs revenue functions administered by the Department of Homeland Security pursuant to delegation by the Secretary of the Treasury and any interest on such refunds, including payment of claims for prior fiscal years; and to the Attorney General for refunds of firearms taxes and refunds of other taxes which may arise and any interest on such refunds, including payment of claims for prior fiscal years.

This section refers to funds appropriated or otherwise made available to the Secretary of the Treasury, the Secretary of Homeland Security, and the Attorney General for refunds of taxes and related interest on such refunds, drawbacks, and payments of claims for prior fiscal years. This provision will alleviate the need for the Internal Revenue Service to make such refunds, drawbacks and payments on behalf of the other federal agencies, and will minimize the administrative and accounting burdens associated with this process. This proposal will not create any new spending.

SEC. 118. 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 will be required to provide BEP their taxpayer identifying number.

This section refers to establishment of a new requirement that taxpayer identifying numbers be provided with mutilated currency redemption claims greater than or equal to $10,000, to reduce risks of the mutilated currency redemption program being used as a means for money laundering.

SEC. 119. Section 5112(r) of title 31, United States Code, is amended by striking paragraph (5).

This section would repeal the requirement that the number of $1 coins minted and issued in a given year with the Sacagawea-design on the coin’s obverse side must be not less than 20 percent of the total number of $1 coins minted and issued in that year; this section would allow the United States Mint to meet public demand for $1 coins of each particular design while also eliminating excessive expenses that would otherwise be incurred to mint and issue Native American $1 Coins in amounts that exceed the public demand for them.

The following amendments (Section 120 through Section 124) will provide authority for FinCEN to rely on examinations conducted by state supervisory agencies for nonbank financial institutions, increase information sharing between FinCEN and counterpart anti-money laundering/ counter-terrorist financing regulators, and expand the universe of individuals covered by the prohibition on Suspicious Activity Report (SAR) disclosures.

SEC. 120. Section 5318(a)(1) of title 31, United States Code (relating to compliance, exemptions, and summons authority), is amended by - (1) Inserting after "appropriate", "federal or (in the case of financial institutions without a federal supervisor) state"; and (2) Inserting after "Service." "In lieu of delegating such authority to a state supervisory agency, the Secretary is also authorized to rely on examinations conducted by a state supervisory agency of a category of financial institution. The Secretary may only rely on such state examinations if the Secretary determines that under the laws of the state, the category of financial institution is required to comply with this subchapter and regulations prescribed under this subchapter, or the state supervisory agency is authorized to ensure that the category of financial institution complies with this subchapter and regulations prescribed under this subchapter."

SEC. 121. Public Law 91–508, as amended (12 U.S.C. 1958 et seq.) is amended in section 128, by - (1) Striking "sections 1730d (1) and" and inserting in lieu thereof "section"; (2) Striking "bank supervisory agency, or other"; (3) Inserting after "appropriate", "federal or (in the case of financial institutions without a federal supervisor) state"; and (4) Inserting after "agency." "In lieu of delegating such responsibility to a state supervisory agency, the Secretary is also authorized to rely on examinations conducted by a state supervisory agency of a category of financial institution. The Secretary may only rely on such state examinations if the Secretary determines that under the laws of the state, the category of financial institution is required to comply with this chapter and section 1829b (and regulations prescribed under this chapter and section 1829b), or the state supervisory agency is authorized to ensure that the category of financial institution complies with this chapter and section 1829b (and regulations prescribed under this chapter and section 1829b)."

SEC. 122. Section 310(b)(2)(E) of title 31, United States Code (relating to the Financial Crimes Enforcement Network), is amended by inserting after "Federal" the first time that it appears, "and foreign".

SEC. 123. Section 5318(g)(2)(A) of title 31, United States Code (relating to reporting of suspicious transactions), is amended by - (1) Inserting after "employee" at the end of clause (ii) "; and"; and (2) Inserting after ";and" "(iii) no other person that the Secretary may prescribe by regulation, who has knowledge that such report was made, may disclose to any person involved in the transaction that the transaction has been reported".

SEC. 124. Section 5319 of title 31, United States Code (relating to availability of reports), is amended by inserting after "title 5", ", or under any state law having or intended to have a similar effect".

SEC. 125. The Secretary of the Treasury may transfer, in fiscal year 2012, from amounts that would otherwise be made available in fiscal years 2012, 2013, and 2014 under section 9703(g)(4) of title 31, United States Code, up to $30,000,000, to remain available until September 30, 2014, to the Financial Crimes Enforcement Network for BSA IT Modernization, notwithstanding the obligation requirement of such section.

This provision provides the Secretary authority to transfer up to $30 million from the Treasury Forfeiture Fund's unobligated balances to the Financial Crimes Enforcement Network for Bank Secrecy Act IT Modernization, where the $30 million will remain available until September 30, 2014.

Mandatory Funding Levels for the FY 2012 President's Budget – Treasury Chapter

Mandatory Funding Levels for the FY 2012 President's Budget - Treasury Chapter
(dollars in millions)

Appropriations (Dollars in Millions)	FY 2010 Enacted	FY 2011 Estimate	FY 2012 Estimate	Increase/ Decrease	Increase/ Decrease
INTEREST PAYMENTS:	392,788	397,056	433,349	$36,293	9.1%
MANDATORY ACCOUNTS:					
Terrorism Insurance Program	3	457	474	$17	3.7%
GSE Mortgage-Backed Securities Purchase Program	29	2,792	17	-$2,775	-99.4%
Office of Financial Stability	406	394	311	-$83	-21.1%
Troubled Asset Relief Program (TARP)	23	1,556	0	-$1,556	-100.0%
Troubled Asset Relief Program Equity Purchase Program	4,558	330	0	-$330	-100.0%
Troubled Asset Relief Program Home Affordable Modification Program	164	0	0	$0	0.0%
Grants to States for Low-Income Housing Projects	3,054	123	450	$327	265.9%
Grants for Specified Energy Property	4,293	4,754	6,838	$2,084	43.8%
Small Business Lending Fund Program Account	0	1,315	73	-$1,242	-94.4%
State Small Business Credit Initiative	1,500	0	0	$0	0.0%
Community Development Financial Institution Fund Program Account	2	4	0	-$4	-100.0%
Presidential Election Campaign Fund	41	38	36	-$2	-5.3%
Office of Financial Research	0	41	82	$41	100.0%
Treasury Forfeiture Fund	1,083	1,017	1,214	$197	19.4%
Biomass Energy Development	-7	-6	-20	-$14	0.0%
Payment to Terrestrial Wildlife Habitat Restoration Trust Fund	5	0	0	$0	0.0%
Debt Collection Special Fund (FMS)	58	63	64	$1	1.6%
Financial Agent Services	590	603	606	$3	0.5%
Payment to FRA for AMTRAK Debt Restructuring	0	52	176	$124	238.5%
Federal Reserve Bank Reimbursement	304	321	321	$0	0.0%
Claims, Judgments and Relief Acts	1,119	4,528	2,692	-$1,836	-40.5%
Check Forgery Insurance Fund	0	3	2	-$1	-33.3%
Continued Dumping and Subsidy Offset	109	0	0	$0	0.0%
Cheyenne River Sioux Tribe Terrestrial Wildlife Habitat Restoration	14	0	0	$0	0.0%
Internal Revenue Collections for Puerto Rico	378	574	510	-$64	-11.1%
Reimbursement to Federal Reserve Banks	103	121	126	$5	4.1%
Payment of Government Losses in Shipment	0	1	1	$0	0.0%
Payment Where Recovery Rebate Exceeds Liability for Tax	81	0	0	$0	0.0%
Payment Where Earned Income Credit Exceeds Liability for Tax	54,712	44,940	46,495	$1,555	3.5%
Payment Where Child Credit Exceeds Liability for Tax	22,659	22,924	25,136	$2,212	9.6%
Payment Where Health Coverage Tax Credit Exceeds Liability for Tax	205	185	195	$10	5.4%
Payment where Alternative Minimum Tax Credit Exceeds Liability for Tax	1,034	605	40	-$565	-93.4%
Payment where Tax Credit to Aid First-Time Homebuyers Exceeds Liability for Tax	8,668	7,348	0	-$7,348	-100.0%
Payment where Certain Tax Credit Exceeds Liability for Tax	86	32	0	-$32	-100.0%
Payment Where American Opportunity Credit Exceeds Liability for Tax	3,851	3,861	4,416	$555	100.0%
Making Work Pay Tax Credit	13,694	13,876	0	-$13,876	-100.0%
Build American Bond Payments, Recovery Act	1,376	2,814	3,589	$775	27.5%
Payment Where COBRA Credit Exceeds Liability for Tax	3,857	2,987	220	-$2,767	-92.6%
Payment Where Tax Credit for Certain Government Retirees Exceeds Liability for Tax	46	0	47	$47	0.0%
Payment to Issuer of Qualified Zone Academy Bonds	0	13	24	$11	84.6%
Payment to Issuer of Qualified School Construction	0	464	849	$385	83.0%
Payment to Issuer of New Clean Renewable Energy Bonds	0	13	24	$11	84.6%
Payment to Issuer of Qualified Energy Conservation Bonds	0	26	47	$21	80.8%
Payment Where Adoption Credit Exceeds Liability for Tax	0	940	410	-$530	-56.4%
Payment Where Small Business Health Insurance Tax Credit Exceeds Liability for Tax	0	182	259	$77	42.3%
Therapeutic Discovery Program Grants and Administration	5	985	4	-$981	-99.6%
IRS Miscellaneous Retained Fees	290	254	259	$5	2.0%
IRS Informant Payments	19	18	25	$7	38.9%
Offsets:					
GSE Mortgage-Backed Securities Direct Loans, Negative Subsidies	-1,214	-227	0	$227	-100.0%
GSE, Mortgage-Backed Securities Direct Loans, Downward Reestimate	-8,392	-467	0	$467	-100.0%
Troubled Asset Relief Program, Negative Subsidies	-2,336	-1,579	0	$1,579	-100.0%
Troubled Asset Relief Program, Downward Reestimates of Subsidies	-116,557	-43,475	0	$43,475	-100.0%
Proceeds, GSE Equity Related Transactions	-12,142	-17,492	-21,040	-$3,548	20.3%
Other Offsets	-1,824	-4,043	-5,990	-$1,947	48.2%
Subtotal Offsets:	*-142,465*	*-67,283*	*-27,030*	*$40,253*	*-59.8%*
Subtotal, MANDATORY ACCOUNTS	-$14,053	$54,265	$68,996	$14,731	27.1%
TOTAL, DEPARTMENT OF THE TREASURY	$378,735	$451,321	$502,345	$51,024	11.3%

Total Treasury Department Mandatory Budget

Interest Payments – $433.3 billion

These are permanent, indefinite funds for interest payments.

Mandatory Accounts – $69 billion

These are special accounts for which the Congress has given the Department of Treasury permanent authority to expend funds as appropriations.

Offsetting Collections – $27.1 billion

Treasury receipts from other government agencies and private sources are subtracted from the total Treasury budget as an offset.

Interest Payments

These payments include:

- *Interest on the Public Debt* - including all interest paid on Treasury securities sold to the public (e.g., foreign and domestic financial institutions, individuals, insurance companies, state and local governments, etc.) and to Federal Government trust funds, revolving funds and deposit funds.

- *Refunding Internal Revenue Collections* - as provided in 26 U.S.C. 6611, interest, compounded daily, is paid on Internal Revenue collections that must be refunded.

- *Interest on Uninvested Funds* - interest paid on certain uninvested funds placed in trust in the Treasury in accordance with various statutes (31 U.S.C. 1321; 2 U.S.C. 158 (P.L. 94-289); 20 U.S.C. 74a (P.L. 94-418) and 101; 24 U.S.C. 46 (P.L. 94-290; and 69 Stat. 533).

- *Interest paid to Credit Financing Accounts* - Interest on invested balances is paid to the financing accounts from the general fund of the Treasury, in accordance with section 505(c) of the Federal Credit Reform Act of 1990 (FCRA).

- *Federal Interest Liabilities to the States* - Pursuant to the Cash Management Improvement Act (P.L. 101-453, 104 Stat. 1058) as amended (P.L. 102-589, 106 Stat. 5133), and Treasury implementing regulations codified at 31 CFR Part 205, under certain circumstances, interest is paid to States when Federal funds are not transferred to States in a timely manner.

- *Payment to the Resolution Funding Corp* - The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 authorized and appropriated to the Secretary of the Treasury, such sums as may be necessary to cover interest payments on obligations issued by the Resolution Funding Corporation (REFCORP). REFCORP was established under the Act to raise $31.2 billion for the Resolution Trust Corporation (RTC) in order to resolve savings institution insolvencies.

Permanent Authority Appropriations

Terrorism Risk Insurance Program

The Terrorism Risk Insurance Extension Act of 2007 (P.L. 110-160) reauthorized the program established by the Terrorism Risk Insurance Act (TRIA) of 2002 (P.L. 107-297). The 2007 Act extended the Terrorism Insurance Program for seven years, through December 31, 2014.

GSE Mortgage-Backed Securities Purchase Program

The authority for all of the programs displayed in this account was provided in Section 1117 of the Housing and Economic Recovery Act of 2008 (P.L. 110-289) and expired on December 31, 2009. As required by FCRA, this account records the subsidy costs associated with the GSE MBS and State HFA purchase programs. The subsidy amounts are estimated on a present value basis.

Office of Financial Stability

The Emergency Economic Stabilization Act (EESA) of 2008 (P.L. 110-343) authorized the establishment of the Troubled Asset Relief Program (TARP) and the Office of Financial Stability (OFS) to purchase and insure certain types of troubled assets for the purpose of providing stability to and preventing disruption in the economy and financial systems and protecting taxpayers. The Act gives the Treasury Secretary broad and flexible authority to purchase and insure mortgage and other troubled assets, as well as inject capital by taking limited equity positions, as needed to stabilize the financial markets. This account provides for the administrative costs for the OFS.

Troubled Asset Relief Program (TARP)

As authorized by the Emergency Economic Stabilization Act of 2008 (EESA) (P.L. 110-343) and required by the Federal Credit Reform Act of 1990, as amended, this account records the subsidy costs associated with the TARP direct loans obligated and loan guarantees (including modifications of direct loans or loan guarantees that resulted from obligations or commitments in any year). The direct loan programs serviced by this account include the Automotive Industry Financing Program (AIFP), Term-Asset Backed Securities Loan Facility (TALF), Public-Private Investment Program (PPIP) and the Small Business Lending Initiative (SBLI). The guaranteed loan commitments that were serviced by this account include the Asset Guarantee Program (AGP).

The Dodd-Frank Wall Street Reform Act, enacted on July 21, 2010, reduced TARP authority to purchase troubled assets from $700 billion to $475 billion; required that repayments of amounts invested under TARP cannot be used to increase purchase authority and are dedicated to reducing the Federal debt; and prohibited new obligations for any program or initiative that had not been initiated by June 25, 2010.

The authority to make new financial commitments via the TARP expired on October 3, 2010 under the terms of EESA. However, Treasury can continue to execute commitments entered into before October 3rd, 2010.

TARP Equity Purchase Program

As authorized by the Emergency Economic Stabilization Act of 2008 (EESA) (P.L. 110-343) and required by the Federal Credit Reform Act of 1990, as amended, this account records the subsidy costs associated with TARP equity purchase obligations (including modifications of equity purchases that resulted from obligations in any year). The equity purchase programs serviced by this account include the American International Group Investment Program (AIGP), Targeted Investment Program (TIP), Automotive Industry Financing Program (AIFP), Public-Private Investment Program (PPIP), Community Development Capital Initiative (CDCI), and the Capital Purchase Program (CPP).

TARP Home Affordable Modification Program

The Making Home Affordable (MHA) Program was launched in March 2009 under the authority of Sections 101 and 109 of the Emergency Economic Stabilization Act of 2008, as amended (P.L. 110-343) (EESA). The centerpiece of MHA is the Home Affordable Modification Program (HAMP) which offers affordable and sustainable mortgage modifications to responsible homeowners at risk of losing their homes to foreclosure.

Complementing HAMP are other MHA programs to provide temporary mortgage payment relief to unemployed borrowers; to increase affordability by modifying second mortgages when a corresponding first mortgage is modified under HAMP; to assist borrowers whose loans are highly overleveraged by encouraging servicers to reduce principal; and for borrowers who are unable to retain homeownership, provide a transition to more affordable housing through a short sale or deed-in-lieu of foreclosure. Funds under EESA are also supporting an FHA refinance option that allows overleveraged homeowners to refinance into a new FHA-insured loan if their existing mortgage holders agree to a short refinance and to write down principal.

Grants to States for Low-Income Housing Projects

Section 1602 of the American Recovery and Reinvestment Act of 2009 (Recovery Act) authorized and directed the Secretary of the Treasury to establish payments to States for low-income housing projects in lieu of low-income housing tax credits (LIHTC). This account presents the estimated disbursements for this program.

The program provides payments to State housing credit agencies to make sub-awards to finance the construction or acquisition and rehabilitation of qualified low-income housing in the same manner and generally subject to the same limitations as LIHTCs allocated under section 42 of the Internal Revenue Code (IRC) through December 31, 2011. The Recovery Act specifies that the exchange of credits for cash payments applies only to the 2009 LIHTC ceiling under IRC 42(h)(3)(C), and that states may elect to exchange credits for cash payments subject to the requirements and limitations provided in Division B, sections 1404 & 1602 of the Recovery Act.

Grants for Specified Energy Property

Section 1603 of the American Recovery and Reinvestment Act of 2009 authorized and directed the Secretary of the Treasury to establish payments in lieu of tax credits for taxpayers that place in service qualifying renewable energy facilities. This account presents the estimated disbursements for this program.

Payments are available for property placed in service in 2009, 2010 or 2011. In some cases, if construction begins in 2009, 2010, or 2011, the payment can be claimed for property placed in service before 2013, 2014 or 2017. In general, projects that meet eligibility criteria for the energy property investment tax credit are eligible for the payments. The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (Public Law 111-312), Section 707(a), extended through 2011, the time within which certain eligible property must be placed on service or start construction.

Small Business Lending Fund (SBLF) Program Account

Enacted as part of the Small Business Jobs and Credit Act of 2010 (P.L. 111-240), the SBLF is designed to increase the availability of credit to small businesses by providing capital to eligible financial institutions with assets of less than $10 billion. The dividend or interest rate a bank pays for SBLF funding will be reduced as the institution's qualified small business lending increases. Because banks leverage their capital, the Small Business Lending Fund could help increase lending to small businesses in amounts that are multiples of the total capital provided to participating institutions. The account totals also include the costs of administering the program.

State Small Business Credit Initiative

Section 3003 of the Small Business Jobs and Credit Act of 2010 (P.L. 111-240) authorizes and directs the Secretary of Treasury to establish a seven-year State Small Business Credit Initiative (SSBCI). This account represents the appropriation in the amount of $1.5 billion to be used by the U.S. Department of the Treasury to provide direct support to States for use in programs designed to increase access to credit for small businesses. Additionally, this appropriation includes reasonable costs of administering the program and less than three percent has been allocated for the administration over the life of the program.

Community Development Financial Institutions Fund Program Account

The balance of the funds is received from CDFI dividend and investment income. The CDFI Fund intends to fund the Award Management Information System modernization effort with these funds.

Presidential Election Campaign Fund

Individual Federal income tax returns include an optional Federal income tax designation of $3 that an individual may elect to be paid to the Presidential Election Campaign Fund (PECF). Approximately every four years, the Department of the Treasury makes distributions from the PECF to qualified Presidential candidates and national party committees for use in the Presidential elections.

Office of Financial Research and the Financial Stability Oversight Council

The Financial Stability Oversight Council (FSOC) and Office of Financial Research (OFR) were established under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Public Law 111-203). FSOC's purpose is to identify risks to the financial stability of the

United States, promote market discipline, and respond to emerging threats to the stability of the U.S. financial system. OFR's purpose is to support FSOC by collecting data on behalf of FSOC, developing and promoting data standards, conducting research, and developing tools for risk measurement and monitoring. Through July 21, 2012, FSOC and OFR are funded through transfers from the Board of Governors of the Federal Reserve System. After July 21, 2012, FSOC and OFR will be funded through assessments on bank holding companies with total consolidated assets of $50 billion or more and nonbank financial companies supervised by the Board of Governors.

Treasury Forfeiture Fund

Non-tax forfeitures made by participating bureaus of the Department of the Treasury and the Department of Homeland Security are deposited into the Fund. This revenue is available to pay or reimburse certain costs and expenses related to seizures and forfeitures that occur pursuant to laws enforced by the bureaus and other expenses authorized by 31 U.S.C. 9703. Upon notification of Congress, revenue can also be used to fund law enforcement related activities based on requests from member bureaus and evaluation by the Secretary of the Treasury.

Biomass Energy Development

This account provides loan guarantees for the construction of biomass-to-ethanol facilities, as authorized under Title II of the Energy Security Act of 1980. All of the loans guaranteed by this account went into default. The guarantees have been paid off, and the assets of all but one of the projects have been liquidated. The one remaining project entered into a Forbearance agreement with DOE in April 2009. Quarterly payments may resume after March 2011.

Payment to Terrestrial Wildlife Habitat Restoration Trust Fund

Section 604(b) of the Water Resources Development Act of 1999 (P.L. 106-53) requires that the Secretary of the Treasury, beginning in 1999, deposit $5 million annually (74 percent into the Cheyenne River Sioux Tribe Terrestrial Wildlife Restoration Trust Fund and 26 percent into the Lower Brule Sioux Tribe Terrestrial Wildlife Restoration Trust Fund) until a total of at least $57.4 million has been deposited. After the funds are fully capitalized by deposits from the general fund of the Treasury, interest earned will be available to the Tribes to carry out the purposes of the funds. Full capitalization occurred in FY 2010; therefore no additional deposits will be provided by the general fund of the Treasury. Tribes are now able to draw down on the interest earned from these investments.

Debt Collection Special Fund

Under current law, when the Financial Management Service (FMS) levies a payment to collect a delinquent tax debt referred by the Internal Revenue Service (IRS), the IRS pays a fee out of its annual appropriation to FMS to process the transaction. The Budget proposes to instead have the debtor pay the transaction costs in addition to their original debt. This would allow the IRS to refer all appropriate tax debts for offset, maximize revenue, and shift the cost of enforcement to delinquent debtors. These schedules reflect the elimination of discretionary spending and collections as a result of this proposal.

Financial Agent Services

This account reimburses financial institutions for the services they provide as depositaries and financial agents of the Federal Government. The services provided are authorized under statutes including, but not limited to, 12 U.S.C. 90 and 265. Additionally, financial agent and financial analysis costs for the Government Sponsored Enterprise Mortgage Backed Securities Purchase Program and State Housing Finance Agency program are reimbursed from this account.

Payment to FRA for AMTRAK Debt Restructuring

The Passenger Rail Investment and Improvement Act (PRIIA) of 2008 (Section 205), enacted October 16, 2008, provides that the Secretary of the Treasury, in consultation with the Secretary of Transportation and the National Railroad Passenger Corporation (Amtrak), may make agreements to restructure (including repay) Amtrak's indebtedness, including leases, outstanding as of the date of enactment of PRIIA.

This authorization expired two years after the date of enactment.

Federal Reserve Bank Reinvestment

This fund was established by the Treasury and General Government Appropriations Act, 1998, Title I, (P.L. 105-61, 111 Stat. 1276) as a permanent, indefinite appropriation to reimburse Federal Reserve Banks for services provided in their capacity as depositaries and fiscal agents for the United States.

Claims, Judgments and Relief Acts

Appropriations are made for cases in which the Federal Government is found by courts to be liable for payment of claims and interest for damages not chargeable to appropriations of individual agencies, and for payment of private and public relief acts. Public Law 95-26 authorized a permanent, indefinite appropriation to pay certain judgments from the general funds of the Treasury.

Check Forgery Insurance Fund

This fund was established to maintain the Check Forgery Insurance Fund. The Fund facilitates timely payments for replacement Treasury checks necessitated due to a claim of forgery. Public Law 108-447 expanded the use of the fund to include payments made via electronic funds transfer. A technical correction to the Fund's statutes to ensure and clarify that the Fund can be utilized as a funding source for relief of administrative disbursing errors was enacted by section 119 of Division D of Public Law 110-161.

Continued Dumping and Subsidy Offset

The Bureau of Customs and Border Protection, Department of Homeland Security, collects duties assessed pursuant to a countervailing duty order, an antidumping duty order, or a finding under the Antidumping Act of 1921. Under a provision enacted in 2000, the Bureau of Customs and Border Protection, through the Treasury, distributes these duties to affected domestic producers. The authority to distribute assessments collected after October 1, 2007 was repealed. Assessments collected before October 1, 2007 will be disbursed as if the authority had not been repealed.

Cheyenne River Sioux Tribe Terrestrial Wildlife Habitat Restoration

This schedule reflects the payments made to the Cheyenne River Sioux Tribe Terrestrial Wildlife Restoration Trust Fund and the Lower Brule Sioux Tribe Terrestrial Wildlife Restoration Trust Fund.

Federal Financing Bank

The Federal Financing Bank (FFB) was created in 1973 to reduce the costs of certain Federal and federally assisted borrowing and to ensure the coordination of borrowing in a manner least disruptive to private financial markets and institutions. FFB loans are also used to finance direct agency activities such as construction of Federal buildings, activities of the U.S. Postal Service, and the financial stabilization initiatives of the National Credit Union Administration.

Internal Revenue Collections for Puerto Rico

Excise taxes collected under the Internal Revenue laws of the United States on articles produced in Puerto Rico and either transported to the United States or consumed on the island are paid to Puerto Rico (26 U.S.C. 7652).

Reimbursement to Federal Reserve Banks

This fund was established by the Treasury, Postal Service and General Government Appropriations Act of 1991 (P.L. 101-509, 104 Stat. 1394) to allow the Bureau of the Public Debt to reimburse the Federal Reserve Banks for acting as fiscal agents of the Federal Government in support of financing the public debt.

Payment of Government Losses in Shipment

This account was created as self-insurance to cover losses in shipment of Government property such as coins, currency, securities, certain losses incurred by the Postal Service, and losses in connection with the redemption of savings bonds.

Payment Where Recovery Rebate Exceeds Liability for Tax

The Economic Stimulus Act of 2008 (Public Law 110-185), Section 101, allowed for the issuance of tax rebates (economic stimulus payments) to certain eligible taxpayers through December 31, 2008. This was a one-time benefit provided to taxpayers to stimulate the economy. Additionally, in 2009 the rebate was provided to taxpayers who did not receive the full economic stimulus payment in 2008 and whose circumstances may have changed. No outlays are expected from this account in 2012, as the one-time program is no longer active.

Payment Where Earned Income Credit Exceeds Liability for Tax

As provided by law Public Law 94-12, there are instances wherein the Earned Income Tax Credit (EITC) exceeds the amount of tax liability owed through the individual income tax system, resulting in an additional payment to the taxpayer. The EITC was made permanent by the Revenue Adjustment Act of 1978 (Public Law 95-600). The Act has been amended in subsequent bills.

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5), Section 1002, temporarily increased the EITC for working families with three or more children, and increased the threshold for the phase-out range for all married couples filing a joint return for 2009 and 2010 tax returns. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Public Law 111-312), Section 103(c), extended this temporary benefit for 2011 and 2012 tax returns.

Payment Where Child Credit Exceeds Liability for Tax

As provided by law, there are instances where the child tax credit exceeds the amount of tax liability owed through the individual income tax system, resulting in an additional payment to the taxpayer. The child credit was originally authorized by the Taxpayer Relief Act of 1997 (Public Law 105-34). The American Recovery and Reinvestment Act of 2009 (Public Law 111-5), Section 1003, expanded the pool of eligible low-income earners. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Public Law 111-312), Section 103(b), extended this temporary benefit for 2011 and 2012.

Payment Where Health Care Coverage Tax Credit Exceeds Liability for Tax

The Trade Act of 2002 established the Health Coverage Tax Credit (HCTC), an advanceable, refundable tax credit for a portion of the cost of qualified insurance. This credit is available to certain recipients of Trade Adjustment Assistance (TAA) and Pension Benefit Guaranty Corporation pension beneficiaries who are aged 55-64.

Congress expanded the program in the American Recovery and Reinvestment Act of 2009 (Public Law 111-5), Sections 1899A-1899J. Increased benefits for certain HCTC eligible individuals include payment of 80 percent (up from 65 percent) of health insurance premiums, up to 24 months of coverage for qualified family members, and extension of COBRA benefits. The Omnibus Trade Act of 2010 (Public Law 111-344), Sections 111-118, extends these benefits until February 13, 2011.

Payment Where Alternative Minimum Tax Exceeds Liability for Tax

The Tax Relief and Health Care Act of 2006 (Public Law 109-432) allows certain taxpayers to claim a refundable credit for a portion of their unused long-term alternative minimum tax (AMT) credits each year. The Emergency Economic Stabilization Act of 2008 (Public Law 110-343), Division C, Section 103, increased the AMT refundable credit portion from 20 percent to 50 percent of unused long-term minimum tax credits for the taxable year in question.

Payment Where Tax Credit to Aid First-Time Homebuyers Exceeds Liability for Tax

The Housing and Economic Recovery Act of 2008 (Public Law 110-289), Section 3011, provided a refundable tax credit of up to $7,500 for first-time homebuyers. Taxpayers who qualified were allowed a one-time credit against their income tax for principal residences purchased on or after April 9, 2008, and before July 1, 2009. They must repay the credit over a 15-year period.

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5), Section 1006, expanded and extended the credit, and eliminated the repayment requirement. Qualifying taxpayers may claim up to $8,000 on either their 2008 or 2009 tax returns for qualifying 2009 purchases. The Worker, Homeownership, and Business Assistance Act of 2009 (Public Law 111-92), Section 12, extended the application from November 30, 2009 to April 30, 2010. The Act modified the buyer's settlement date to June 30, 2010, if a buyer entered into a binding contract by April 30, 2010. The Act also provided a "long-time resident" credit of up to $6,500 to taxpayers who do not qualify as first-time homebuyers. The Homebuyer Assistance and Improvement Act of 2010 (Public Law 111-198), Section 2, extended eligibility for the credit to any taxpayer who entered into a written binding contract before May 1, 2010, to close on the purchase of a principal residence before October 1, 2010. This account provides resources for the portion, if any, of the refundable tax credit amount that exceeds the taxpayer's tax liability.

Payment Where Certain Tax Credits Exceeds Liability for Corporate Tax

The Housing and Economic Recovery Act of 2008 (Public Law 110-289), Section 3081, allowed certain businesses to accelerate the recognition of a portion of their historic AMT or research and development (R&D) credits in lieu of taking bonus depreciation. The American Recovery and Reinvestment Act of 2009 (Public Law 111-5), Section 1201(b), extended this temporary benefit through 2009 and the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Public Law 111-312), Section 401(c), extended this temporary benefit for 2011 and 2012.

Payment Where American Opportunity Credit Exceeds Liability for Tax

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5), Section 1004, allows certain taxpayers to claim a refundable Hope Scholarship Credit for qualifying higher education expenses, up to 40 percent. The credit applies dollar-for-dollar to the first $2,000 of qualified tuition, fees and course materials paid by the taxpayer, and applies at a rate of 25 percent to the next $2,000 in qualified tuition, fees and course materials for a total credit of up to $2,500. This tax credit is subject to a phase-out for high-income taxpayers. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Public Law 111-312), Section 103(a), extended this credit for 2011 and 2012, and the 2012 Budget proposes to make this credit permanent.

Making Work Pay Tax Credit

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5), Section 1001, allows certain taxpayers to claim a refundable Making Work Pay tax credit of 6.2 percent of earned income, up to $400 for single taxpayers and up to $800 for married couples filing joint returns. The refundable credit phases out for high-income taxpayers. The Making Work Pay credit is claimed by taxpayers when they file their 2009 and 2010 returns, and in order to accelerate the credit, it is being delivered in small increments through reduced payroll withholding.

Build American Bond Payments, Recovery Act

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5), Section 1531, allowed State and local governments to issue Build America Bonds through December 31, 2010. These tax credit bonds, which include Recovery Zone Bonds, differ from tax-exempt governmental obligation bonds in two principal ways: (1) interest paid on tax credit bonds is taxable; and (2) a portion of the interest paid on tax credit bonds takes the form of a federal tax credit. The bond issuer may elect to receive a direct payment in the amount of the tax credit.

Payment Where COBRA Credit Exceeds Liability for Tax

COBRA gives workers who lose their jobs, and thus their health benefits, the right to purchase group health coverage provided by the plan under certain circumstances pursuant to Part 6 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974 (other than Section 609), Title XXII of the Public Health Service Act, Section 4980B of the Internal Revenue Code of 1986 (other than under Subsection (f)(1) of such

Section insofar as it relates to pediatric vaccines), or Section 8905(a) of 5 U.S.C., or under a State program that provides comparable continuation coverage.

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5), Section 3001, treated assistance eligible individuals who pay 35 percent of their COBRA premium as having paid the full amount. The Department of Defense Appropriation Act of 2010 (Public Law 111-118), Section 1010, extended the eligibility period for the program to February 28, 2010 and extended the duration period of the taxpayers' premium assistance coverage to 15 months. The Continuing Extension Act of 2010 (Public Law 111-157), Section 3, amended the American Recovery and Reinvestment Act of 2009 to extend the premium assistance for COBRA benefits through May 31, 2010.

Payment Where Tax Credit for Certain Government Retirees Exceeds Liability for Tax

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5), Section 2201, allowed certain federal and state retirees to claim a one-time refundable credit of up to $250 ($500 in the case of a joint return where both spouses are eligible individuals)

Payment to Issuer of Qualified Zone Academy Bonds

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5), Section 1522, extended and expanded the calendar year limitation for Qualified Zone Academy Bonds to $1,400,000,000 for 2009 and 2010. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Public Law 111-312), Section 758, extended the Qualified Zone Academy Bonds for 2011 and reduced the calendar year limitation to $400,000,000.

The Hiring Incentives to Restore Employment Act (Public Law 111-147), Section 301, amends Section 6431 of the Internal Revenue Code of 1986 by allowing issuers of Qualified Zone Academy Bonds to irrevocably elect to issue the bonds as specified tax credit bonds with a direct-pay subsidy, in the same manner as the Build America Bonds direct-pay subsidy. The issuer of such qualifying bonds will receive a direct interest payment subsidy from the Federal government. Bondholders will receive a taxable interest payment from the issuer in lieu of a tax credit.

Payment to Issuer of Qualified School Construction Bonds

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5), Section 1521, created Qualified School Construction Bonds with a calendar year limitation of $11,000,000,000 for 2009 and 2010 and zero after 2010.

The Hiring Incentives to Restore Employment Act (Public Law 111-147), Section 301, amends Section 6431 of the Internal Revenue Code of 1986 by allowing issuers of Qualified School Construction Bonds to irrevocably elect to issue the bonds as specified tax credit bonds with a direct-pay subsidy, in the same manner as the Build America Bonds direct-pay subsidy. The issuer of such qualifying bonds will receive a direct interest payment subsidy from the Federal government. Bondholders will receive a taxable interest payment from the issuer in lieu of a tax credit.

Payment to Issuer of New Clean Renewable Energy Bonds

The Emergency Economic Stabilization Act of 2008 (Public Law 110-343), Section 107, created New Clean Renewable Energy Bonds; and the American Recovery and Reinvestment Act of 2009 (Public Law 111-5), Section 1111, increased the limitation on issuance of New Clean Renewable Energy Bonds by $1,600,000,000.

The Hiring Incentives to Restore Employment Act (Public Law 111-147), Section 301, amends Section 6431 of the Internal Revenue Code of 1986 by allowing issuers of New Clean Renewable Energy Bonds to irrevocably elect to issue the bonds as specified tax credit bonds with a direct-pay subsidy, in the same manner as the Build America Bonds direct-pay subsidy. The issuer of such qualifying bonds will receive a direct interest payment subsidy from the Federal government. Bondholders will receive a taxable interest payment from the issuer in lieu of a tax credit.

Payment to Issuer of Qualified Energy Conservation Bonds

The Emergency Economic Stabilization Act of 2008 (Public Law 110-343), Section 301, created Qualified Energy Conservation Bonds; and the American Recovery and Reinvestment Act of 2009 (Public Law 111-5), Section 1112, increased the limitation on issuance of qualified energy conservation bonds from $800,000,000 to $3,200,000,000.

The Hiring Incentives to Restore Employment Act (Public Law 111-147), Section 301, amends Section 6431 of the Internal Revenue Code of 1986 by allowing issuers of Qualified Energy Conservation Bonds to irrevocably elect to issue the bonds as specified tax credit bonds with a direct-pay subsidy, in the same manner as the Build America Bonds direct-pay subsidy. The issuer of such qualifying bonds will receive a direct interest payment subsidy from the Federal government. Bondholders will receive a taxable interest payment from the issuer in lieu of a tax credit.

Payment Where Adoption Credit Exceeds Liability for Tax

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) (Public Law 107-16), Section 202, increased the maximum credit and exclusion to $10,000 (indexed for inflation after 2002) for both non-special needs and special needs adoptions; increased the phase-out starting point to $150,000 (indexed for inflation after 2002); and allowed the credit against the AMT.

The Patient Protection and Affordable Care Act (Public Law 111-148), Section 10909, extended the EGTRRA expansion of the adoption credit and exclusion from income for employer-provided adoption assistance for one year (for 2011); increased by $1,000 to $13,170 per child (indexed for inflation) the maximum adoption credit and exclusion from income for employer-provided adoption assistance for two years (2010 and 2011); and made the credit refundable for two years (2010 and 2011), meaning that eligible taxpayers can get it even if they do not owe tax for that year. In general, the credit is based on the reasonable and necessary expenses related to a legal adoption, including adoption fees, court costs, attorney's fees and travel expenses.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Public Law 111-312), Section 101(b), for taxable years beginning after December 31, 2011, limits the adoption credit and employer-provided adoption assistance exclusion for special needs adoptions only; reduces the maximum credit and exclusion to $6,000; reduces the phase-out range to lower income levels (i.e., between $75,000 and $115,000); and does not index for inflation the maximum credit, exclusion, and phase-out range.

Payment Where Small Business Health Insurance Tax Credit Exceeds Liability for Tax

The Affordable Care Act (P.L. 111-148), Section 1421, allows certain small businesses to claim a credit when they pay at least half of the health care premiums for single health insurance coverage for their employees. Small businesses can claim the credit for 2010 through 2013 and for any two years after that. Generally, employers that have fewer than 25 full-time equivalent employees and pay wages averaging less than $50,000 per employee per year may qualify for the credit.

Therapeutic Discovery Program Grants and Administration

The Affordable Care Act (Public Law 111-148), Section 9023, provides tax credits and grants to qualifying small entities that show significant potential to produce new and cost-saving therapies, support U.S. jobs, and increase U.S. competitiveness. Credits and grants are for qualifying investments made during a taxable year beginning in 2009 or 2010. The total amount of credits and grants that may be allocated under the program shall not exceed $1,000,000,000 for the 2-year period beginning with 2009. This account also includes the administrative costs.

IRS Miscellaneous Retained Fees

As provided by law (26 U.S.C. 7801) the Secretary of the Treasury may establish new fees or raise existing fees for services provided by the IRS, where such fees are authorized by another law, and may spend the new or increased fee receipts to supplement appropriations made available to the IRS appropriations accounts. Funds in this account are transferred to other IRS appropriations accounts for expenditure.

IRS Informant Payments

As provided by law (26 U.S.C. 7623), the Secretary of the Treasury may make payments to individuals resulting from information given that leads to the collection of Internal Revenue taxes. The Taxpayer Bill of Rights of 1996 (Public Law 104-168) provides for payments of such sums to individuals from the proceeds of amounts (other than interest) collected by reason of the information provided, and any amount collected shall be available for such payments. This provision was further amended by the Tax Relief and Health Care Act of 2006 (Public Law 109-432) to encourage use of the program.

Offsetting Collections

In general, amounts collected by the Federal Government are classified in two major categories:

Governmental receipts – Revenues that arise from the sovereign and regulatory powers unique to the Federal Government. They consist primarily of tax receipts, but also include customs duties, court fines, certain licenses, etc. All governmental receipts are deposited into receipt accounts. These receipts are always reported in total (rather than as an offset to budget authority and outlays).

Offsetting receipts - Collections that are offset against the budget authority and outlays of the collecting agency rather than reflected as governmental receipts in computing budget totals. Offsetting receipts are comprised of:

- *Proprietary Receipts* - These receipts from the public are market-oriented and are derived from activities operated as business-type enterprises.
- *Intragovernmental Receipts* - These are collections from other governmental accounts deposited in receipt accounts. These are further classified as follows:
- *Interfund Receipts* - These are amounts derived from payments between federal and trust funds.
- *Intrafund Receipts* - These are amounts derived from payments within the same fund group (i.e., within the federal fund group or within the trust fund group).

Consumer Financial Protection Bureau

Program Summary by Budget Activity

(Dollars in thousands)

Budget Activity	FY 2010	FY 2011	FY 2012		
	Actual	Estimated	Estimated	$ Change	% Change
Consumer Financial Protection Bureau	$9,200	$142,825	$329,045	$186,220	130%
Total Cost of Operations	**$9,200**	**$142,825**	**$329,045**	**$186,220**	**130%**

Summary

The *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* (Dodd-Frank Act) established the Bureau of Consumer Financial Protection (CFPB or Bureau) as an independent bureau within the Federal Reserve System and made it responsible for protecting consumers from abusive financial services practices. The Secretary of the Treasury is authorized to perform certain functions of the Bureau until the Director of the Bureau is appointed. On the designated transfer date, July 21, 2011, certain consumer protection authorities will transfer to the Bureau from seven existing federal agencies.

Once fully established, the CFPB will have important authorities under the Dodd-Frank Act and other consumer laws to look out for consumers as they borrow money or use other financial services. Among other things, the new consumer agency will:

- Conduct rule-making, supervision, and enforcement for Federal consumer financial protection laws;
- Restrict unfair, deceptive, or abusive acts or practices;
- Create a center to take consumer complaints;
- Promote financial education;
- Research consumer behavior;
- Monitor financial markets for new risks to consumers; and
- Enforce laws that outlaw discrimination and other unfair treatment in consumer finance.

The CFPB plans to have six primary divisions: Supervision and Enforcement; Consumer Engagement and Education; Research, Markets, and Regulations; External Affairs; General Counsel; and Chief Operating Officer.

The CFPB is funded by authorized transfers from the Federal Reserve System, subject to limits established in the Dodd-Frank Act. The CFPB is also authorized to request up to $200 million in discretionary appropriations if the amount transferred by the Federal Reserve System is not sufficient. The CFPB is not requesting a discretionary appropriation in FY 2011 or FY 2012.