Message from the Secretary of the Treasury

Dear Member:

The Fiscal Year (FY) 2020 President's Budget (Budget) prioritizes Treasury's goals to maintain a strong economy and create economic and job opportunities by promoting economic growth and stability at home and abroad, and to strengthen national security by combating threats and protecting the integrity of the financial system. In particular, the Budget requests $12.7 billion for Treasury's operating bureaus and $1.6 billion for our international programs.

Consistent with the Administration's priorities, the Budget provides $35 million to support implementation of the Foreign Investment Risk Review Modernization Act (FIRRMA). FIRRMA, enacted in 2018, expands the Committee on Foreign Investment in the United States' jurisdiction and strengthens its authorities to protect critical U.S. technologies and infrastructure from new and evolving threats, while preserving an open investment environment.

Treasury's request includes $11.5 billion for the Internal Revenue Service (IRS) and provides $290 million in funding for the first installment in a multi-year plan to greatly modernize IRS systems and operations and deliver a customer experience comparable to the best financial institutions in the world. I cannot emphasize enough the long-term critical need we have to invest in the modernization of IRS information technology systems and infrastructure. The integrity of the voluntary tax compliance system depends on it. In addition, the Budget requests a program integrity cap adjustment to protect the integrity of the tax system and reduce the tax gap, returning $32 billion in measurable net savings to taxpayers over ten years.

Treasury's request also includes increased resources for the Office of Terrorism and Financial Intelligence and the Financial Crimes Enforcement Network (FinCEN) to continue their critical work safeguarding the financial system from abuse and combating other national security threats using non-kinetic economic tools. These resources continue important investments in the Terrorist Financing Targeting Center, address sanctions workload increases and demand for staffing, and build core information technology infrastructure. The Budget provides funding to expand FinCEN's role in fighting cybercrime and the exploitation of emerging payment systems such as cryptocurrency.

The Budget includes funding increases for the Office of Critical Infrastructure Protection and Compliance Policy to enhance Treasury's capacity to identify and remediate new threats and vulnerabilities.

The FY 2020 Congressional Budget Justification includes the information required for the Annual Performance Report. I have validated the accuracy, completeness, and reliability of the performance data in this report.

Sincerely,

Steven T. Mnuchin

Steven T. Mnuchin

FY 2020 EXECUTIVE SUMMARY

FY 2020 President's Budget Discretionary Appropriation Request

Dollars in Thousands

	FY 2018 Enacted (post IRS transfer)	2019 Annualized CR Rate (post IRS transfer)	FY 2019 Enacted (post IRS transfer)	FY 2020 President's Budget
Management & Financial	**$1,427,355**	**$1,440,180**	**$1,458,758**	**$1,226,811**
Departmental Offices Salaries and Expenses	$201,751	$214,576	$214,576	$235,973
Committee on Foreign Investment in the United States (CFIUS)	$0	$0	$0	$20,000
CFIUS Fees	$0	$0	$0	($10,000)
Subtotal CFIUS Fund[1]	**$0**	**$0**	**$0**	**$10,000**
Terrorism and Financial Intelligence	$141,778	$141,778	$159,000	$166,712
Cybersecurity Enhancement	$24,000	$24,000	$25,208	$18,000
Department-wide Systems and Capital Investments Program	$4,426	$4,426	$4,000	$6,118
Office of Inspector General	$37,044	$37,044	$37,044	$37,044
Treasury IG for Tax Administration	$169,634	$169,634	$170,250	$166,000
Special Inspector General for TARP	$34,000	$34,000	$23,000	$17,500
Community Development Financial Institutions Fund	$250,000	$250,000	$250,000	$14,000
Bank Enterprise Award, rescind FY 2019 Funding	$0	$0	$0	($25,000)
Financial Crimes Enforcement Network	$115,003	$115,003	$117,800	$124,700
Alcohol and Tobacco Tax and Trade Bureau	$111,439	$111,439	$119,600	$115,427
Bureau of the Fiscal Service	$338,280	$338,280	$338,280	$340,337
Tax Administration[2]				
IRS Taxpayer Services	$2,493,554	$2,506,554	$2,491,554	$2,402,000
IRS Enforcement	$4,617,000	$4,660,000	$4,665,600	$4,705,368
IRS Operations Support	$3,890,000	$3,834,000	$3,918,400	$4,075,021
Subtotal	**$11,000,554**	**$11,000,554**	**$11,075,554**	**$11,182,389**
IRS Business Systems Modernization	$110,000	$110,000	$150,000	$290,000
Tax Reform Implementation[3]	$320,000	$77,000	$77,000	$0
IRS Total Excluding Cap Adjustment	**$11,430,554**	**$11,187,554**	**$11,302,554**	**$11,472,389**
IRS Cap Adjustment[4]	$0	$0	$0	$361,571
IRS Total, Including Cap Adjustment	***$11,430,554***	***$11,187,554***	***$11,302,554***	***$11,833,960***
Subtotal, Treasury Appropriations excluding Cap Adjustment and TEOAF	**$12,857,909**	**$12,627,734**	**$12,761,312**	**$12,699,200**
Treasury Forfeiture Fund Total	**($1,066,162)**	**($200,000)**	**($200,000)**	**$0**
Temporary Rescission	$0	$0	$0	$0
Treasury Forfeiture Fund Permanent Rescission	($1,066,162)	($200,000)	($200,000)	$0
Subtotal, Treasury Appropriations including TEOAF	**$11,791,747**	**$12,427,734**	**$12,561,312**	**$12,699,200**
Treasury International Programs	**$1,547,698**	**$1,547,698**	**$1,547,697**	**$1,552,205**
Multilateral Development Banks	$1,348,123	$1,348,123	$1,348,122	$1,315,705
Food Security	$30,000	$30,000	$30,000	$0
Environmental Trust Funds	$139,575	$139,575	$139,575	$0
Office of Technical Assistance	$30,000	$30,000	$30,000	$30,000
International Bank for Reconstruction and Development	$0	$0	$0	$206,500
Total, Treasury Appropriations	**$13,339,445**	**$13,975,432**	**$14,109,009**	**$14,251,405**

1/ Total CFIUS funding is $40 million - includes $20 million in Departmental Offices and $20 million in the CFIUS fund (with $15 million for Treasury). The CFIUS fund will be partially offset by $10 million in user fees. $10 million is the initial estimate for FY 2020 partial year fee revenues and are subject to revision once the regulations are finalized.

2/ FY 2018 post transfer levels include a transfer of $256 million from Taxpayer Services (-$13 million) and Enforcement (-$243 million) to Operations Support (+$256 million). FY 2019 annualized CR post transfer levels include a transfer of $200 million from Enforcement to Operations Support. FY 2019 enacted includes a transfer of $194 million from Enforcement to Operations Support.

3/ FY 2019 Annualized CR and enacted includes $77 million for Tax Cuts and Jobs Act implementation (Taxpayer Services $65 million, Enforcement $12 million).

4/ The FY 2020 budget includes a program integrity cap adjustment of $362 million (Enforcement $200 million, Operations Support $162 million).

MISSION STATEMENT

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

OVERVIEW OF REQUEST

The Budget requests $12.7 billion in base discretionary resources for the Department of the Treasury's domestic programs, a $62 million or 0.5 % decrease from the FY 2019 enacted level. It also requests $1.6 billion for Treasury's international programs, a $4.5 million or 0.3 % increase from the FY 2018 enacted level. The Budget:

- Provides $35 million to fully fund Foreign Investment Risk Review Modernization Act (FIRRMA) implementation (partially offset by an estimated $10 million in user fees). By modernizing the Committee on Foreign Investment in the United States, FIRRMA improves the government's ability to protect national security while preserving the longstanding open investment policy of the United States. The budget includes funding for Treasury in the Departmental Offices salary and expenses account ($20 million) and creates a new FIRRMA-specific account to address Committee-wide requirements ($20 million, including $15 million for Treasury-specific information technology requirements and $5 million to support government-wide emerging needs).
- Provides the Internal Revenue Service (IRS) with $11.5 billion from base discretionary appropriations to collect more than $3 trillion in revenue, to deliver quality customer service to more than 180 million taxpayers, and to begin to transform systems to improve tax administration over the long-term.
  - The request provides $290 million for the multi-year IT modernization efforts. Every day, private-sector companies introduce technologies that raise Americans' expectations of the services that they receive from their government. While IRS systems process trillions of tax dollars and hundreds of millions of interactions every year, some using cutting edge technology, it is increasingly difficult to meet these expectations without wholesale changes to the core tax systems. IRS's computing infrastructure cannot keep pace with the desire for instantaneous data, real-time interactions, and taxpayer-centered customer service. The cost to operate the IRS technology ecosystem is quickly becoming prohibitive. The IRS's ability to successfully modernize information technology is critical to our ability to continue to deliver the IRS mission in a cost-effective way.
  - In addition to the amounts above, the request includes a program integrity initiative to support deficit reduction and protect the integrity of the tax system. The FY 2020 Budget investment is $362 million. Additional resources will be provided in later years. These investments will generate approximately $47 billion in additional revenue and will cost approximately $15 billion, yielding estimated net savings of $32 billion over ten years.
  - The request includes $4.7 billion in the enforcement account to stabilize staffing, increase future audit rates, improve predictive modeling of tax compliance risk areas, and increase the number of identity theft criminal investigations.
- Provides $236 million for Treasury Departmental Offices to address priorities: fully fund FIRRMA implementation, strengthen financial-sector wide cybersecurity vulnerability detection and response, and respond to growing workload with an increase for Domestic Finance policy and Management staff.

- Provides $167 million for Treasury's Office of Terrorism and Financial Intelligence (TFI), a $25 million increase over the FY 2018 enacted level; and $125 million for the Financial Crimes Enforcement Network (FinCEN), a $10 million increase over the FY 2018 enacted level. These increases will allow TFI and FinCEN to continue their critical work safeguarding the financial system from abuse and combating other national security threats using non-kinetic economic tools. These additional resources will be deployed to economically isolate rogue regimes, support the Terrorist Financing Targeting Center in Saudi Arabia, implement the Countering America's Adversaries through Sanctions Act, and counter the financial networks that support terrorists, organized transnational crime, weapons of mass destruction proliferators, and other threats.
- Proposes to transfer all alcohol and tobacco responsibilities from the Department of Justice's Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) to Treasury's Alcohol and Tobacco Tax and Trade Bureau (TTB). This transfer would leverage TTB's resources and expertise relating to the alcohol and tobacco industries and allow ATF to continue to focus on its firearms and explosives mandates, enabling both agencies to more efficiently and effectively carry out their core missions of protecting the public.
- Provides $1.6 billion for Treasury's International Programs to support the most critical investments in multilateral development institutions, while ensuring that U.S. contributions are set at an appropriate level relative to our partner countries. The proposed funding level meets current year U.S. commitments to international financial institutions and maintains funding for the Office of Technical Assistance. The request includes $206.5 million for the first of up to six installments for International Bank of Reconstruction and Development general and selective capital increases, which upon payment protect U.S. shareholding at the institution.
- Consolidates and streamlines Federal Financial Literacy Education Efforts. The Budget proposes that Federal efforts to promote financial literacy be focused on the high-impact areas of: basic financial capability, housing, higher education, military and veteran programs, and investment and retirement planning. More than 20 Federal agencies have some form of financial education or literacy programs. Collectively, Federal agencies spent an estimated $250 million on financial literacy and education activities in 2017. Streamlining and consolidating programs and activities will be a multi-year effort.
- Proposes to impose appropriate Congressional oversight of the Treasury Financial Stability Oversight Council and Office of Financial Research (OFR) by subjecting their activities to the normal appropriations process. The Budget continues the reduced level of OFR spending commensurate with the renewed fiscal discipline being applied across the Federal Government.
- Brings accountability and transparency to regulatory oversight functions. The Federal Insurance Office within Treasury is coordinating with state insurance regulators and insurance industry groups to improve oversight and administration of the Terrorism Risk Insurance Program (TRIP), as recommended in Treasury's October 2017 report to the President on asset management and insurance. Treasury is also evaluating reforms, to be included in any legislation extending TRIP beyond its current sunset date of December 31, 2020, to further decrease taxpayer exposure.

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

	2018 Actual			2019 Annualized CR			2020 President's Budget		
Appropriation	Direct	Reimb.	Total	Direct	Reimb.	Total	Direct	Reimb.	Total
Departmental Offices Salaries and Expenses	772	91	**863**	689	52	**741**	745	52	**797**
Terrorism and Financial Intelligence	408	36	**444**	495	36	**531**	545	36	**581**
Cybersecurity Enhancement	8		**8**	19		**19**	11		**11**
Office of Inspector General	161	3	**164**	166	3	**169**	166	3	**169**
Treasury Inspector General for Tax Administration	764	2	**766**	800	2	**802**	800	2	**802**
Special Inspector General for TARP	131		**131**	125		**125**	95		**95**
Community Development Financial Institutions Fund	66		**66**	66		**66**	42		**42**
Financial Crimes Enforcement Network	280	1	**281**	332	1	**333**	359	1	**360**
Alcohol and Tobacco Tax and Trade Bureau	475	10	**485**	507	10	**517**	507	10	**517**
Bureau of the Fiscal Service[1]	1,996	11	**2,007**	2,089	10	**2,099**	2,031	10	**2,041**
Internal Revenue Service funded from regular appropriations [2,3]	73,518	735	**74,253**	73,933	521	**74,454**	72,254	521	**72,775**
Subtotal, Treasury Appropriated Level	**78,579**	**889**	**79,468**	**79,221**	**675**	**79,856**	**77,555**	**675**	**78,190**
Office of Financial Stability (Administrative Account)	32		**32**	24		**24**	20		**20**
Small Business Lending Fund Program	5		**5**	4		**4**	4		**4**
Capital Magnet Fund	4		**4**	5		**5**	6		**6**
Office of Financial Research	185		**185**	130		**130**	145		**145**
Financial Stability Oversight Council	13		**13**	18		**18**	18		**18**
Treasury Franchise Fund		1,643	**1,643**		1,919	**1,919**		2,023	**2,023**
Bureau of Engraving and Printing		1,748	**1,748**		1,836	**1,836**		1,863	**1,863**
United States Mint		1,545	**1,545**		1,705	**1,705**		1,705	**1,705**
Office of the Comptroller of the Currency		3,840	**3,840**		3,788	**3,788**		3,788	**3,788**
Terrorism Insurance Program	4		**4**	4		**4**	4		**4**
IRS Private Collection Agent Program	23		**23**	112		**112**	118		**118**
Subtotal, Treasury Non-Appropriated Level	**266**	**8,776**	**9,042**	**297**	**9,248**	**9,545**	**315**	**9,379**	**9,694**
Total, Treasury	**78,845**	**9,665**	**88,510**	**79,518**	**9,923**	**89,401**	**77,870**	**10,054**	**87,884**

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

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

3/ Amounts for the IRS exclude the proposed $362 million program integrity cap adjustment that, if enacted, would increase IRS levels by an estimated 1,760 FTE in FY 2020.

FY 2020 President's Budget by Strategic Goal

(Dollars in Thousands)

Treasury Goal/Objective	Boost U.S. Economic Growth	Promote Financial Stability	Enhance National Security	Transform Government-wide Financial Stewardship	Achieve Operational Excellence	Total
Management & Financial	$361,458	$29,253	$340,996	$419,497	$75,608	$1,226,811
Departmental Offices Salaries and Expenses	$89,931	$29,253	$39,584	$25,716	$51,490	$235,973
Committee on Foreign Investment in the United States[1]			$10,000			$10,000
Terrorism and Financial Intelligence			$166,712			$166,712
Cybersecurity Enhancement					$18,000	$18,000
Department-wide Systems and Capital Investments Program					$6,118	$6,118
Office of Inspector General				$37,044		$37,044
Treasury Inspector General for Tax Administration	$166,000					$166,000
Special Inspector General for TARP				$17,500		$17,500
Community Development Financial Institutions Fund[2]	($9,900)			($1,100)		($11,000)
Financial Crimes Enforcement Network			$124,700			$124,700
Alcohol and Tobacco Tax and Trade Bureau	$115,427					$115,427
Bureau of the Fiscal Service				$340,337		$340,337
Tax Administration	$11,472,389					$11,472,389
IRS Taxpayer Services	$2,402,000					$2,402,000
IRS Enforcement	$4,705,368					$4,705,368
IRS Operations Support	$4,075,021					$4,075,021
Business Systems Modernization	$290,000					$290,000
IRS Cap Adjustment[3]	*$361,571*					*$361,571*
IRS Total, Including Cap Adjustment	***$11,833,960***	***$0***	***$0***	***$0***	***$0***	***$11,833,960***
Total, Treasury Appropriations Committee Excluding Cap Adjustment and TEOAF	**$11,833,847**	**$29,253**	**$340,996**	**$419,497**	**$75,608**	**$12,699,200**
Treasury International Programs		$32,194		$1,520,011		$1,552,205
Total, Appropriated Level	**$11,833,847**	**$61,447**	**$340,996**	**$1,939,508**	**$75,608**	**$14,251,405**
Non-Appropriated Accounts						
Office of Financial Stability (Administrative Account)				$53,469		$53,469
Terrorism Risk Insurance (Administrative)			$3,000			$3,000
Financial Stability Oversight Council	$5,244	$5,244				$10,487
Office of Financial Research	$37,636	$37,636				$75,271
Bureau of Engraving and Printing	$886,887					$886,887
United States Mint	$2,728,168					$2,728,168
Office of the Comptroller of the Currency	$872,653	$218,163				$1,090,816
Federal Reserve Bank				$622,786		$622,786
Reimbursable to the Federal Reserve Banks				$170,615		$170,615
Financial Agent Services				$848,400		$848,400
Total, Non-Appropriated Level	**$4,530,587**	**$261,042**	**$3,000**	**$1,695,270**	**$0**	**$6,489,899**
Grand Total	**$16,364,433**	**$322,489**	**$343,996**	**$3,634,778**	**$75,608**	**$20,741,304**

1/ Total CFIUS funding is $40 million - includes $20 million in Departmental Offices and $20 million in the CFIUS fund (with $15 million for Treasury). The CFIUS fund will be partially offset by $10 million in user fees. $10 million is the initial estimate for FY 2020 partial year fee revenues and are subject to revision once the regulations are finalized.

2/ This reflects a rescission of $25M in the CDFI Bank Enterprise Award Program

3/ The FY 2020 budget includes a program integrity cap adjustment of $362 million (Enforcement $200 million, Operations Support $162 million).

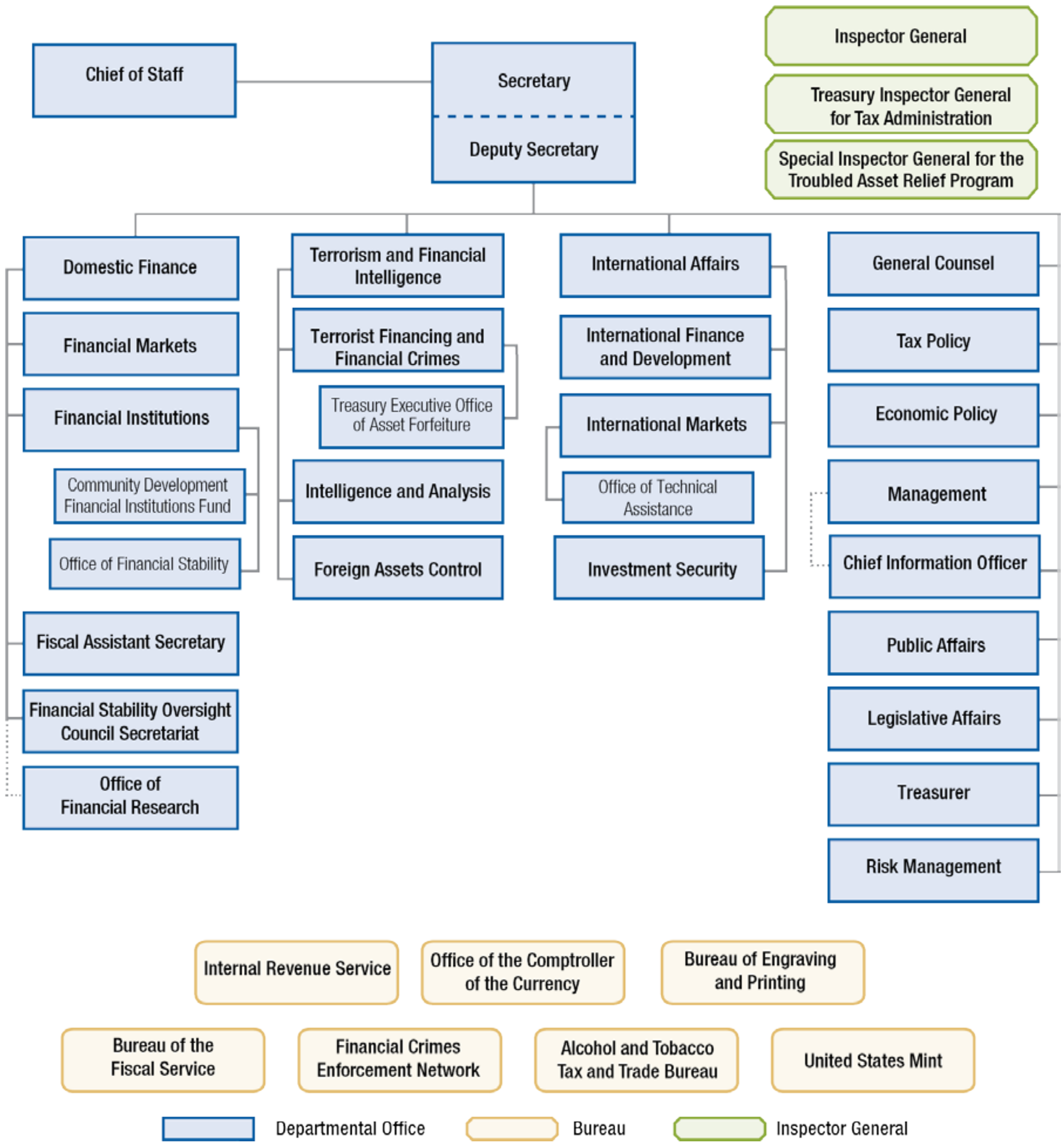
Summary of FY 2020 Increases and Decreases

(Dollars in Thousands)

	DO	CFIUS	TFI	Cyber	DSCIP	OIG	TIGTA	SIGTARP	CDFI	FinCEN	TTB	FS	IRS	Total
FY 2019 Annualized CR Rate	**$214,576**	**$0**	**$141,778**	**$24,000**	**$4,426**	**$37,044**	**$169,634**	**$34,000**	**$250,000**	**$115,003**	**$111,439**	**$338,280**	**$11,187,554**	**$12,627,734**
Maintaining Current Levels (MCLs)	$1,761		$1,553			$193	$558	$190	$138	$1,194	$1,001	$2,239	$50,565	$59,392
Non-Recurring Costs				(22,349)	($4,426)									($26,775)
Efficiency Savings/Reinvestment	($1,675)		($3,830)										($109,600)	($115,105
Realignment	$1,651			(1,651)										$0
Adjustments to Base	**$1,737**	**$0**	**($2,277)**	**($24,000)**	**($4,426)**	**$193**	**$558**	**$190**	**$138**	**$1,194**	**$1,001**	**$2,239**	**($59,035)**	**($82,488)**
FY 2020 Base	$216,313	$0	$139,501	$0	$0	$37,237	$170,192	$34,190	$250,138	$116,197	$112,440	$340,519	$11,128,519	$12,545,246
Program Decreases						($281)	($4,697)	($16,832)	($236,182)	($2,226)	($3,013)	($7,915)		($271,146)
CFIUS User Fees		($10,000)												($10,000)
Program Increases	19,660	20,000	27,211	$18,000	$6,118	88	505	142	44	10,729	6,000	7,733	343,870	$460,100
Rescission									(25,000)					($25,000)
Subtotal, Program Changes	**$19,660**	**$10,000**	**$27,211**	**$18,000**	**$6,118**	**($193)**	**($4,192)**	**($16,690)**	**($261,138)**	**$8,503**	**$2,987**	**($182)**	**$343,870**	**$153,954**
FY 2020 President's Budget funded from discretionary resources	$235,973	$10,000	$166,712	$18,000	$6,118	$37,044	$166,000	$17,500	($11,000)	$124,700	$115,427	$340,337	$11,472,389	$12,699,200
Program Integrity Cap Adjustment													*$361,571*	*$361,571*
FY 2020 President's Budget including program integrity cap adjustment	*$235,973*	*$10,000*	*$166,712*	*$18,000*	*$6,118*	*$37,044*	*$166,000*	*$17,500*	*($11,000)*	*$124,700*	*$115,427*	*$340,337*	*$11,833,960*	*$13,060,771*

ORGANIZATION

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



Departmental Offices

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

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

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

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

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

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

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

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

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

INSPECTORS GENERAL

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

BUREAUS

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

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

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

The **Bureau of the Fiscal Service (Fiscal Service)** promotes financial integrity and operational efficiency by operating the U.S. government's collections and deposit systems, and providing central payment services to the American public on behalf of federal agencies. It also manages the collection of delinquent debt, borrows funds needed to operate the U.S. government through the sale of marketable and special-purpose U.S. Treasury securities, and accounts for the resulting debt. Additionally, it delivers administrative shared services to federal agencies and provides government-wide accounting and reporting.

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

The **United States Mint (U.S. Mint)** designs, mints, and issues U.S. circulating, numismatic, and bullion coins, strikes Congressional gold medals and other medals of national significance, and maintains physical custody and protection of most of the nation's gold and all its silver assets.

The **Office of the Comptroller of the Currency (OCC)** charters, regulates, and supervises national banks and federal savings associations as well as federal branches and agencies of foreign banks to ensure that they operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.

TREASURY STRATEGIC MANAGEMENT

FRAMEWORK

The Government Performance and Results Act (GPRA) and the *GPRA Modernization Act of 2010* require agencies to identify goals, report progress against targets, and conduct data-driven reviews. These practices serve two key purposes for stakeholders within and outside of the organization — to assess the organization's health and impact, and to enhance effective decision-making and strategy, including resource allocation. In this spirit, Treasury developed a strategic framework using best-in-class organizational performance practices to help achieve our strategic goals and objectives.

ORGANIZATIONAL PERFORMANCE REVIEW CYCLE

Our organizational performance reviews provide a regular forum for open dialogue and coordination between bureau and departmental policy office management and leadership. We bring together different perspectives to set and align priorities, identify and solve problems, review agency performance, and drive results. The cycle integrates statutory requirements to conduct quarterly performance reviews of agency goals and a Strategic Objective Annual Review (SOAR), which analyzes cross-cutting performance and identifies a set of strategic objectives as priority focus areas.

At designated points throughout the fiscal year, we set annual priorities, evaluate progress, problem-solve around risks and challenges, and assess funding options in the context of performance outcomes. Treasury's process and framework for managing to our strategic objectives and performance outcomes is described in Table 1 below.

TABLE 1: STRATEGIC FRAMEWORK

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

FY 2018 – 2022 Strategic Framework

The strategic framework comprises the Department's FY 2018–2022 strategic goals and objectives and FY 2018–2019 Agency Priority Goals (APGs), which align to specific objectives. All bureaus and offices align their programs and performance within this framework. FY 2018 marks the first year of implementing our new strategic plan, which emphasizes achieving important outcomes through a series of focused objectives and underlying strategies.

	Strategic Goals	Strategic Objectives/APGs	Contributing Bureaus/Offices
Economic	**Goal 1:** Boost U.S. Economic Growth	1.1: Tax Law Implementation *Aligned APG: Reducing Refund Fraud* 1.2: Strong Economic Fundamentals 1.3: Trusted Currency and Services *Aligned APG: Improved Business Qualification Process* 1.4: Free and Fair Trade	Domestic Finance International Affairs Tax Policy Treasurer Economic Policy IRS BEP U.S. Mint TTB OCC
Economic	**Goal 2:** Promote Financial Stability	2.1: Housing Finance Reform 2.2: Foreign Exchange Practices 2.3: Foreign Technical Assistance 2.4: Financial Sector Critical Infrastructure and Cybersecurity	Domestic Finance International Affairs Management OCC
Security	**Goal 3:** Enhance National Security	3.1: Strategic Threat Disruption *Aligned APG: U.S. and Mexico Strategic Dialogue on Illicit Finance* 3.2: Anti-Money Laundering and Combating Financing of Terrorism Framework 3.3: Economic Strength and National Security	TFI FinCEN International Affairs Economic Policy OCC
Financial	**Goal 4:** Transform Government-wide Financial Stewardship	4.1: Financial Data Access and Use 4.2: Debt Management 4.3: Federal Financial Performance	Domestic Finance International Affairs IRS Fiscal Service
Management	**Goal 5:** Achieve Operational Excellence	5.1: Workforce Management 5.2: Treasury Infrastructure 5.3: Customer Value	All Offices and Bureaus, led by the Office of Management

The Government Performance and Results Act (GPRA) and the GPRAMA established the need for agencies to identify performance goals, report progress against targets, and conduct data-driven reviews. These practices serve two key purposes for stakeholders within and outside of the organization: to assess the organization's health and impact and to inform decision-making and strategy (including effective resource allocation). In this spirit, we developed a strategic framework supported by best-in-class organizational performance practices to help achieve the Department's strategic objectives.

Our organizational performance reviews provide a regular forum for open dialogue and coordination among Department, bureau, and office leadership and bringing together different perspectives to set and align priorities, identify and solve problems, review agency performance goals, and drive results. The cycle integrates statutory requirements to conduct performance reviews of agency strategic objectives, agency priority goals, and cross-agency priority goals.

Agency Priority Goals

Reducing Refund Fraud: The filing of fraudulent individual and business tax returns by identity thieves continues to have a significant impact on tax administration. Identity theft tax fraud occurs when an individual uses another person's or business' name and Taxpayer Identification Number to file a fraudulent tax return for the purpose of obtaining a tax refund. For processing year 2015, the IRS estimates between $2.24 billion and $3.34 billion of identity theft tax refunds were unprotected (i.e., refunds were paid on probable identity theft refund fraud claims and are likely unrecoverable). For processing year 2016, the IRS estimates between $1.68 billion and $2.31 billion of identity theft tax refunds were unprotected. That same year, the IRS successfully protected between $10.56 billion and $10.61 billion in identity theft refunds (i.e., IRS defenses prevented payment). The IRS is using data analytics and public-private partnerships to reduce the amount of unprotected identity theft tax refunds paid by two percent by December 31, 2019. Progress toward this goal is measured using the IRS's annual Taxonomy, a statistical estimation of the amount of revenue protected and unprotected from identity refund fraud based on analysis and sampling of returns. Although the Taxonomy provides a statistical estimation of fraud detection, the detection methods are evaluated continuously for opportunities to improve detection or reduce taxpayer burden.

Improved Business Qualification: Ongoing growth in the alcohol beverage industry in recent years has resulted in an increased volume in permit applications for new alcohol producers. This growth in workload has contributed to delayed permit approvals that exceeded TTB's service standards. Through targeted process improvements, TTB has achieved significant improvement, far exceeding the 20% reduction in processing times targeted for this APG. Reaching the goal of consistently achieving the service standard for original permit applications has proven difficult, with application volumes high and continuing to increase. Despite these challenges, TTB made a significant year-to-year improvement, increasing the percent of permits processed within the 75-day standard from 48% in FY 2017 to 71% in FY 2018. TTB will seek to make performance improvements in FY 2019 through several key strategies, including ongoing enhancements to the new Permits Online system, increased familiarity with the new system by both TTB staff and industry, continued process improvements, and planned rulemaking to streamline the permit application. TTB continues to target high electronic filing rates to support timely processing, and tracks system satisfaction rates to ensure its eGov systems effectively serve and meet the expectations of its customers. System satisfaction rates ended the year at 77%, below the target of 80%; however, TTB expects satisfaction to improve in FY 2019 as prospective and current TTB permittees adapt to the new system features and functionality, and as TTB continues to make progress in timely processing.

U.S. and Mexico Strategic Dialogue on Illicit Finance: Established in 2014, the Strategic Dialogue on Illicit Finance (SDIF) was created in an effort to deliver greater economic growth and opportunity for the citizens of Mexico and the United States by safeguarding our financial systems against the threats of illicit finance. SDIF will increase U.S. and Mexican effectiveness against transnational criminal organizations (TCOs), including drug trafficking organizations (DTOs), operating in the United States and Mexico through (SDIF) that focuses on taking enforcement actions, sharing key illicit finance information, safeguarding our financial systems against threats, and increasing the effectiveness and capacity of AML/CFT regimes. Since the 2018 Mexican presidential election, SDIF progress has slowed due to the transition of the newly elected presidency. TFI will continue to monitor Mexico's progress in appointing the new permanent or temporary SDIF team and will subsequently evaluate next steps for this initiative.

Treasury's Annual Organizational Performance Review Cycle

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

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

1/ The FY 2018 Verification and Validation Report is available at: https://www.treasury.gov/about/budget-performance/annual-performance-plan/Documents/Treasury_Measure_Verification_and_Validation.pdf

ENTERPRISE RISK MANAGEMENT

FRAMEWORK

OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control provides guidance to federal managers to effectively manage risks to achieve strategic objectives. Management, together with the Chief Risk Officer (CRO), is responsible for establishing a governance structure to effectively implement a robust process of risk management and internal control. Successful implementation requires us to establish and foster an open, transparent culture that encourages people to communicate information about potential risks and other concerns.

The CRO monitors regular Risk Management Committee meetings that unite the Departmental Offices to discuss top risks to Departmental goals and objectives, response strategies and lessons learned. The Office of Risk Management (ORM) has also established an Enterprise Risk Management (ERM) Council, chaired by the CRO, which brings together risk managers from each of our bureaus on a regular basis to establish a Department-wide framework and taxonomy for ERM, and share best practices. ORM works with the offices and bureaus across Treasury to monitor and annually update our risk profile.

Beyond its work at Treasury, ORM leads an interagency ERM community of practice including officials from 30 agencies. This group grew from ORM's efforts to support federal agencies in their implementation of ERM, including the July 2016 publication of the *Playbook: Enterprise Risk Management (ERM) for the U.S. Federal Government.* This government-wide working group meets on a bimonthly basis to discuss common risks and various methods of implementing the guidelines of the Circular.

ENTERPRISE RISKS AND CHALLENGES

Through the FY 2018 SOAR and enterprise risk management process, we identified the following cross-cutting operational risks.

Workforce Management: Difficulties hiring and managing the Treasury workforce may create knowledge gaps and a lack of expertise in several areas important to our mission. The increased pressures on existing staff can cause high attrition and low engagement. The current human capital system impedes our ability to shape our workforce and realign it to mission needs.

Reshaping Priorities: We have many extremely important ongoing missions and are also at the forefront of several new initiatives to improve and keep our economy on a stable footing. Due to uncertain funding amounts and timing, new or changing legislative requirements, and reduced capacity, there is a risk that we will not be as agile as we should be in balancing new innovations or initiatives with existing requirements or projects.

Evolving Cyber Climate: Treasury and the whole financial sector face increasing attacks from cyber criminals and state actors attempting to disrupt or steal data from sensitive systems. The tactics, techniques, and procedures used by perpetrators of these incidents are constantly evolving.

Limited Analytic Capabilities: Aging infrastructure can impede analytics capabilities, program innovation, and improved delivery of products and services.

Critical System Failures: Reliance on aging technologies could lead to system outages or failures that disrupt core mission work.

Human Capital Plan Implementation

In FY 2020, Treasury's Human Capital Community will continue its efforts towards a competency-based management approach. In alignment with these efforts, below are some of the strategies that are the focus for FY 2019:

- Continued implementation of the Integrated Talent Management System (DASHR-CHCO)
- Explore designing a mentoring program (DASHR-CHCO)
- Develop comprehensive training policy (DASHR-CHCO)
- Finalize competency approach and begin development of competency library(ies) (DASHR-CHCO)
- Establish career ladders to support succession planning for PT/NRC (TTB)
- Increase the quality and quantity of the applicant pool (BEP)
- Enhance hiring strategies and process to better screen applicants (IRS)
- Institutionalize Knowledge Management as a workforce solution (IRS)
- Continue to strengthen the EEO/Diversity & Inclusion Programs across the service (IRS)
- Institute succession planning in support of Mint's Future State to mitigate the loss of institutional knowledge (Mint)
- Support employees impacted by the FY 2019 relocation (BFS)
- Engage in collective bargaining with NTEU over new Performance Management Program including mandatory Diversity and Inclusion elements.
- Close vacancy gaps by executing the FY 2019 hiring surge (FinCEN)

Summary of Management and Performance Challenges

OIG and TIGTA have identified the most significant management and performance challenges facing the Department, in accordance with the Reports Consolidation Act of 2000. These challenges do not necessarily indicate deficiencies in performance; some represent inherent risks that require continuous monitoring. Refer to Section C of *Part 3, Other Information*, in the FY 2018 Treasury Agency Financial Report (AFR) for a detailed discussion of these challenges, including our progress toward addressing them.[2] GAO releases a government-wide high-risk list every two years. Treasury has shared responsibility for one risk area and lead responsibility in another.

OIG - Identified Management Challenges:

- Operating in an Uncertain Environment;
- Cyber Threats;
- Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement; and
- Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments.

TIGTA - Identified Management Challenges:

- Security Over Taxpayer Data and Protection of IRS Resources;

[2] The FY 2018 AFR is available at https://home.treasury.gov/system/files/266/Treasury-FY-2018-AFR-111518.pdf. The response letters are on pages 184-189.

- Implementing the Tax Cuts and Jobs Act and Other Tax Law Changes;
- Identity theft and Impersonation Fraud;
- Providing Quality Tax Pay Service;
- Upgrading Tax Systems and Expanding Online Services;
- Improving Tax Reporting and Payment Compliance;
- Reducing Fraudulent Claims and Improper Payments;
- Impact of Global Economy on Tax Administration;
- Protecting Taxpayer Rights; and
- Achieving Program Efficiencies and Cost Savings.

GAO - Identified High-Risk Areas:

- Modernizing the U.S Financial Regulatory System (OFR/FSOC/OCC/Federal Reserve)
- Enforcement of Tax Laws (IRS)

Good Accounting Obligation in Government Act (GAO-IG Act)

- In January 2019, the GAO-IG Act become law, requiring each agency to include in its annual budget justification, a report that identifies each public GAO and OIG/TIGTA recommendation that has remained unimplemented for one year or more from the annual budget justification submission date.

Please see https://home.treasury.gov/about/budget-financial-reporting-planning-and-performance for more information.

Department of the Treasury
Internal Revenue Service

Congressional Budget Justification and Annual Performance Report and Plan

Fiscal Year 2020

Table of Contents

Section I – Budget Request

1A – Mission Statement

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

1.1 – Appropriations Detail Table

Dollars in Thousands

Internal Revenue Service Appropriated Resources	FY 2018 Enacted[1]		FY 2019 Annualized CR[2]		FY 2020 Request[3]		Change FY 2019 to FY 2020 Request		% Change FY 2019 to FY 2020 Request	
New Appropriated Resources:	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Taxpayer Services	**27,871**	**$2,512,554**	**28,834**	**$2,571,554**	**26,639**	**$2,402,000**	**(2,195)**	**($169,554)**	**-7.6%**	**-6.6%**
Pre-Filing Taxpayer Assistance and Education	4,636	640,379	4,603	634,019	4,606	634,762	3	743	0.1%	0.1%
Filing and Account Services	23,235	1,872,175	24,231	1,937,535	22,033	1,767,238	(2,198)	(170,297)	-9.1%	-8.8%
Enforcement	**34,789**	**$4,627,000**	**34,049**	**$4,672,000**	**34,182**	**$4,705,368**	**133**	**$33,368**	**0.4%**	**0.7%**
Investigations	2,950	581,680	2,893	597,658	2,964	614,046	71	16,388	2.5%	2.7%
Exam and Collections	30,876	3,875,098	30,084	3,894,129	30,209	3,923,583	125	29,454	0.4%	0.8%
Regulatory	963	170,222	1,072	180,213	1,009	167,739	(63)	(12,474)	-5.9%	-6.9%
Operations Support	**10,389**	**$4,181,000**	**10,340**	**$3,834,000**	**10,683**	**$4,075,021**	**343**	**$241,021**	**3.3%**	**6.3%**
Infrastructure		870,360		858,932		853,738		(5,194)		-0.6%
Shared Services and Support	4,315	920,283	4,269	942,568	4,287	953,686	18	11,118	0.4%	1.2%
Information Services	6,074	2,390,357	6,071	2,032,500	6,396	2,267,597	325	235,097	5.4%	11.6%
Business Systems Modernization	**219**	**$110,000**	**361**	**$110,000**	**441**	**$290,000**	**80**	**$180,000**	**22.2%**	**163.6%**
Subtotal New Appropriated Resources	**73,268**	**$11,430,554**	**73,584**	**$11,187,554**	**71,945**	**$11,472,389**	**(1,639)**	**$284,835**	**-2.2%**	**2.5%**
Other Resources:										
Reimbursables	795	171,140	521	116,551	521	122,379		5,828		5.0%
Offsetting Collections (Non Reimbursable)		26,069		37,719		39,605		1,886		5.0%
User Fees	14	283,267	60	563,053	71	460,900	11	36,857	18.3%	8.7%
Recovery from Prior Years		13,233		17,994		18,905		911		5.1%
Unobligated Balances from Prior Years	236	360,031	289	357,637	100	153,567	(189)	(343,080)	-65.4%	-69.1%
Transfers In/Out		(4,188)								
Subtotal Other Resources	**1,045**	**$849,552**	**870**	**$1,092,954**	**692**	**$795,356**	**(178)**	**($297,598)**	**-20.5%**	**-27.2%**
Total Budgetary Resources	**74,313**	**$12,280,106**	**74,454**	**$12,280,508**	**72,637**	**$12,267,745**	**(1,817)**	**($12,763)**	**-2.4%**	**-0.1%**

[1] FY 2018 Enacted includes $320 million in Section 113 Administrative Provision funding in the following amounts: $19 million in Taxpayer Services, $10 million in Enforcement, and $291 million in Operations Support. FY 2018 Enacted also includes an interappropriation transfer of $256 million to Operations Support ($13 million from Taxpayer Services and $243 million from Enforcement) and budget activity adjustments in accordance with Section 608 of Public Law 115-141. FY 2018 full-time equivalent (FTE) are actuals and reconcile to the final FY 2018 column in the FY 2020 President's Appendix. Other Resources are actuals.

[2] FY 2019 Annualized Continuing Resolution (CR) includes a $200 million interappropriation transfer from Enforcement to Operations Support to cover operations and maintenance requirements in FY 2019. FY 2019 Annualized CR also includes $77 million ($65 million in Taxpayer Services and $12 million in Enforcement) for the Section 112 Administrative Provision to implement requirements under the Tax Cuts and Jobs Act (Public Law 115-97). $320 million is automatically available in a full year continuing resolution scenario under IRS Administrative Provision Section 113. Of this amount, $243 million is excluded for illustrative purposes consistent with the requirements identified for implementing the Tax Cuts and Jobs Act and the FY 2019 Section 112 / Tax Reform Spending Plan transmitted to Congress on February 28, 2019. Additional information and a full accounting of these funds can be found in the FY 2020 President's Budget Appendix.

[3] FY 2020 Request column excludes the proposed $362 million discretionary program integrity investment in FY 2020: $200 million for Enforcement and $162 million for Operations Support. More information about the program integrity cap adjustment can be found in Section 4.1.

1B – Summary of the Request

The Internal Revenue Service (IRS) is responsible for administering the nation's tax system and meeting the needs of America's taxpayers by helping them understand and meet their tax responsibilities and by enforcing the law with integrity and fairness.

The IRS interacts with almost every American and generates 95 percent of the funding that supports the federal government's operations. With the U.S. tax base becoming more complex, one of the IRS's key responsibilities is to make it easier for taxpayers to understand and meet their tax obligations.

During 2018, the IRS processed 253 million tax forms, including individual income tax, corporation income tax, and employment tax returns. The IRS provided more than $400 billion in tax refunds to taxpayers, protected billions of taxpayer records, and collected $3.5 trillion in taxes (gross receipts before tax refunds).

The IRS's primary operations include collection of individual and corporate taxes, examination of returns, taxpayer assistance, and oversight of tax-exempt organizations, as well as administering multiple refundable tax credits and other specialized programs.

FY 2020 Budget Request and Priorities

The FY 2020 President's Budget (Budget) request is $11.472 billion, $285 million or 2.6 percent more than the FY 2019 Annualized Continuing Resolution (CR) level of $11.188 billion. The base budget request provides funding to carry out the IRS mission.

Appropriation Account	**($ in Millions)**
Taxpayer Services	$2,402.0
Enforcement	4,705.4
Operations Support	4,075.0
Business Systems Modernization	290.0
Total Appropriated Resources	**$11,472.4**

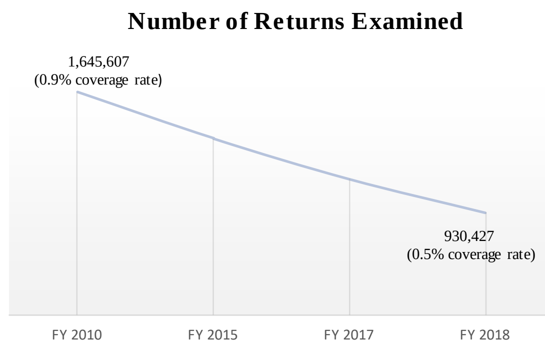
The Budget includes an increase of $344 million for four high-priority areas: modernization (the IRS Integrated Modernization Business Plan), cybersecurity and identity theft, infrastructure, and data analytics. The investment in modernization provides a down payment on a multi-year plan to modernize IRS systems and operations and deliver a customer experience comparable to the best financial institutions; the integrity of the voluntary tax compliance system depends on it. These priorities will allow the IRS to continue to support taxpayer service, protect trillions of dollars in tax revenue, and secure taxpayer information.

The Budget will allow the IRS to:

- Help all taxpayers meet their tax obligations by simplifying the process of filing and amending returns and submitting payments;
- Protect the integrity of the tax system by reviewing and enforcing the tax code;

- Partner with key stakeholders in the state and local tax administration, tax preparation, and international communities;
- Cultivate and retain a well-equipped, diverse, flexible, and engaged workforce;
- Advance data access, usability, and analytics to inform decision making; and
- Drive increased agility, efficiency, effectiveness, and security in operations.

Tax Administration Challenges and Risks



Over the past several years, the IRS's workload and responsibilities increased even as staffing levels declined. For example, since FY 2010, the total number of returns filed increased by eight percent, information returns filed increased by 33 percent, and staffing decreased by about 19 percent, primarily in compliance and enforcement. In FY 2018, 0.5 percent of all returns filed were audited compared to 0.9 percent in FY 2010. Meanwhile, cybersecurity and identity theft refund fraud prevention programs consume a larger share of the budget. In FY 2019, the IRS plans to replace attrition and hire approximately 2,000 additional enforcement personnel.

The Budget addresses the growing demand for online taxpayer services and stronger compliance efforts by investing in secure and modernized technology. The Budget would allow the IRS to leverage data and behavioral analytics to target the most effective non-compliance work in collection and enforcement, address cybersecurity threats, refresh aged IT infrastructure, and recruit top talent.

Strategic Plan 2018 - 2022

In 2018, the IRS published its FY 2018-2022 Strategic Plan. The plan articulates the IRS vision to become a taxpayer-centric and modern organization and will guide the IRS's strategic decision-making over the coming years. The plan includes six strategic goals:

- Empower and enable all taxpayers to meet their tax obligations.
- Protect the integrity of the tax system by encouraging compliance through administering and enforcing the tax code.
- Collaborate with external partners proactively to improve tax administration.
- Cultivate a well-equipped, diverse, flexible and engaged workforce.
- Advance data access, usability and analytics to inform decision-making and improve operational outcomes.
- Drive increased agility, efficiency, effectiveness and security in IRS operations.

The plan aligns with five out of 17 strategic objectives in the Department of the Treasury's FY 2018-2022 Strategic Plan:

- Treasury Objective 1.1: Tax Law Implementation
- Treasury Objective 4.1: Financial Data Access and Use
- Treasury Objectives 5.1-5.3: Workforce Management, Treasury Infrastructure and Customer Value

By combatting refund fraud and identity theft, transforming taxpayer services to meet taxpayer expectations, maintaining a skilled and talented workforce, increasing operational efficiency and effectiveness, and meeting the tax needs of a diverse U.S. population, the strategic plan is a guide to accomplishing the IRS mission and vision.

Tax Reform

The IRS is responsible for implementing the most extensive tax legislation in decades, the Tax Cuts and Jobs Act (TCJA), enacted on December 22, 2017. Implementation of most of the 119 TCJA tax provisions took place during calendar year 2018 for the 2019 filing season and beyond. The IRS has created and revised more than 500 tax products and 57 systems, retrained employees, and educated millions of taxpayers about the tax changes. Congress provided $320 million in FY 2018 and $77 million in FY 2019 for these activities, including:

- Providing assistance to taxpayers on issues involving interpretations of the law and related published guidance.
- Training IRS employees on the new law and helping the public, tax professionals, and industry partners understand how the law applies to them.
- Reprogramming information technology systems, with special focus on return processing and compliance systems (the backbone of the tax system).

This effort required the participation of all IRS divisions and was led by the Tax Reform Implementation Office (TRIO). TRIO coordinated activities to implement the TCJA's far-reaching provisions. By the end of calendar year 2018, the IRS had initiated systems testing for almost all filing season programming and approved more than 700 hires, with more than 615 new employees selected, 367 on-board, and the remainder in progress. While the IRS experienced a delay in training, each business unit provided technical training to employees as the filing season approached. Frontline employees who interact with taxpayers during the filing season received more hours of training than they did in previous years.

In February 2018, the IRS hosted outside stakeholders in five roundtable discussions that addressed individual, withholding, business, international, and tax-exempt provisions. Since that time, the IRS has worked closely with tax professionals, industry associations, advisory groups, and many others to hear and understand practitioners' and professionals' priorities and interests.

IRS Integrated Modernization Business Plan

The Budget requests $290 million for the IRS Integrated Modernization Business Plan (Modernization Plan) for a total budget of $300 million in FY 2020, including at least $10 million from IRS user fees. The plan is critical to maintaining the voluntary tax compliance system and will position the IRS to deliver a customer experience comparable to the best financial institutions in the world. The plan – validated by an independent third-party assessor – calls for a total investment of approximately $2.3 to $2.7 billion over six years, delivered in two phases. The technologies provided for in the plan, such as customer callback and online notifications, will simplify taxpayer interactions with the IRS across all service channels and expedite return processing times, allowing taxpayers to comply and receive refunds faster. Modernizing will stabilize rising operations and maintenance (O&M) costs. Currently, O&M costs are about $2.2 billion a year and are projected to reach $3 billion by FY 2026. The National Taxpayer Advocate Annual Report to Congress 2018 rated the need to replace antiquated technology systems as the IRS's top priority:

> *IRS performance already is significantly limited by its aging systems, and if those systems aren't replaced, the gap between what the IRS should be able to do and what the IRS is actually able to do will continue to increase in ways that don't garner headlines but increasingly harm taxpayers and impair revenue collection.*

The IRS Integrated Modernization Business Plan will provide a path to rectify these issues, transform the taxpayer experience, and improve compliance by focusing on the following four core areas:

Taxpayer Experience	• Help taxpayers resolve issues quickly and efficiently • Empower taxpayers with information about their account, obligations, and payment options • Make services available to customers when they need them • Protect taxpayer information and data
Core Taxpayer Services and Enforcement	• Integrate tax processing systems to increase the cost effectiveness of operations • Enable real-time processing and increase transparency of return status • Increase data usability and the use of data analytics to combat fraud
Modernized IRS Operations	• Reduce complexity of the technical environment • Leverage data to deliver secure, agile, and efficient applications and services • Strengthen organizational agility through automation and streamlining processes
Cybersecurity and Data Protection	• Establish trusted and streamlined access to information through identity and access management technologies • Proactively identify emerging threats and vulnerabilities through the use of real-time intelligence information and analytics • Protect taxpayer data and systems via end-to-end visibility & common platforms

Program Integrity Cap Adjustment

In addition to the base appropriations request of $11.472 billion, the Budget proposes a $362 million discretionary program integrity cap adjustment in FY 2020 to fund new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS's overall tax enforcement program. The Budget proposes $200 million for the Enforcement account and $162 million for the Operations Support account. Additional adjustments are provided in future years to fund new initiatives and inflation. These investments will generate $47.1 billion in new revenue over 10 years and will cost about $14.5 billion, for net revenue of $32.6 billion. This return on investment (ROI) is likely understated because it does not reflect the effect that enhanced enforcement has on deterring non-compliance. The deterrent effect helps to ensure the continued payment of more than $3 trillion in taxes paid voluntarily each year. More information about the cap adjustment is found in Section 4.1 of the Appendix and in the Budget Process Chapter of the FY 2020 President's Budget.

2018 Filing Season

The IRS delivered a successful 2018 filing season that opened on January 29, 2018. The IRS held its 12th annual Earned Income Tax Credit (EITC) Awareness Day on January 26, 2018. This day marked the kickoff of a multilingual communication effort intended to increase awareness of EITC eligibility, encourage participation, and emphasize filing of accurate returns. The day also highlighted free tax preparation and electronic filing options through the Volunteer Income Tax Assistance (VITA), Tax Counseling for the Elderly (TCE), and Free-File programs.

Other highlights from the 2018 filing season:

- Achieved an 80 percent filing season telephone level of service (LOS), an increase of one percent over the 2017 filing season.
- Answered more than 10 million calls and addressed another 17 million calls through automated systems.
- Received about 137 million individual returns, with almost 91 percent filed electronically.
- Received about 31 million business returns, an increase of one percent over the 2017 filing season, with almost 20.4 million filed electronically, an increase of six percent from 2017.
- Issued more than 95 million refunds totaling $265 billion with an average refund of $2,780 and more than 84 percent paid through direct deposit.
- Served nearly five million taxpayers, almost three million through face-to-face assistor contacts and two million who had their issues resolved over the phone when they called for an appointment.
- Received 387 million visits to IRS.gov, with 265 million taxpayers checking the *Where's My Refund?* tool for the status of their refund. This figure represents a 24 percent increase in the use of IRS.gov and an eight percent increase in *Where's My Refund?* compared to last filing season.
- Leveraged both filtering capabilities and the Protecting Americans from Tax Hikes Act (PATH Act) refund hold to automate and expand the selection of potentially fraudulent returns. Held 9.4 million returns with $46.9 billion in potentially fraudulent refunds until February 15 and identified about 340,000 PATH Act returns with possible overstated income or withholding issues.
- Launched the Field Assistance Scheduling Tool to schedule appointments for taxpayers in all Taxpayer Assistance Centers (TAC) and Virtual Service Delivery sites.

- Created or revised 722 tax products significantly affected by the Disaster Tax Relief and Airport and Airway Extension Act of 2017 (P.L. 115-63), the Tax Cuts and Jobs Act (P.L. 115-97), and the Bipartisan Budget Act of 2018 (P.L. 115-123).

Return on Investment

The IRS remains one of the most cost-effective investments in the federal government and one of the most efficient tax administrators in the world. In FY 2018, the IRS collected $3.5 trillion in tax revenue. Congress appropriated $11.4 billion for the IRS in FY 2018 and IRS enforcement programs collected $59.4 billion, for a return on investment (ROI) of about $5.2 for every $1 invested in the IRS. This ROI estimate is likely understated because it does not include the revenue effect of the deterrence value of IRS enforcement programs or the effect of education and outreach on voluntary tax compliance.

Investment Labor Costing Methodology

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

Proposed FTE increases in the Budget assume an April 1 hire date, except for frontline positions in Submission Processing and Account Management and Assistance - Electronic/Correspondence Assistance, which assume an October 1 hire date because they provide service to taxpayers during the filing season and can be brought on board faster than most other positions. These programs are not as dependent on the traditional hiring and training process as other IRS programs because there is a large, existing seasonal workforce available to meet work demand.

1.2 – Budget Adjustments Table

Dollars in Thousands

Internal Revenue Service Summary of Proposed FY 2020 Request	FTE	Amount
FY 2019 Annualized CR Level[1]	**73,584**	**$11,187,554**
Changes to Base:		
Other Adjustments	**(1,029)**	
Offset to O&M for Critical IT Systems	(1,029)	
Maintaining Current Levels (MCLs)		**$50,565**
Non-Pay Inflation Adjustment		50,565
Efficiencies/Savings:	**(1,071)**	**($109,600)**
Increase e-File Savings	(116)	(6,183)
Space Optimization		(24,700)
Reduce Contractual Services		(1,717)
Non-Recur for Section 112 Tax Reform Funding	(955)	(77,000)
Subtotal FY 2019 Changes to Base	**(2,100)**	**($59,035)**
FY 2019 Current Services	**71,484**	**$11,128,519**
Program Changes:		
Program Increases		
IRS Technology Modernization Plan	80	180,000
Data Analytics to Enhance Compliance	190	33,833
Prevent Identity Theft	29	22,488
O&M of Prior-year Enterprise-wide Cybersecurity Investments		6,744
O&M of Critical Systems	162	100,805
Subtotal FY 2020 Program Increases	**461**	**$343,870**
Total FY 2020 Budget Request	**71,945**	**$11,472,389**

See footnotes in 1.1 -- Appropriations Detail Table

1C – Base Adjustment and Program Changes Description

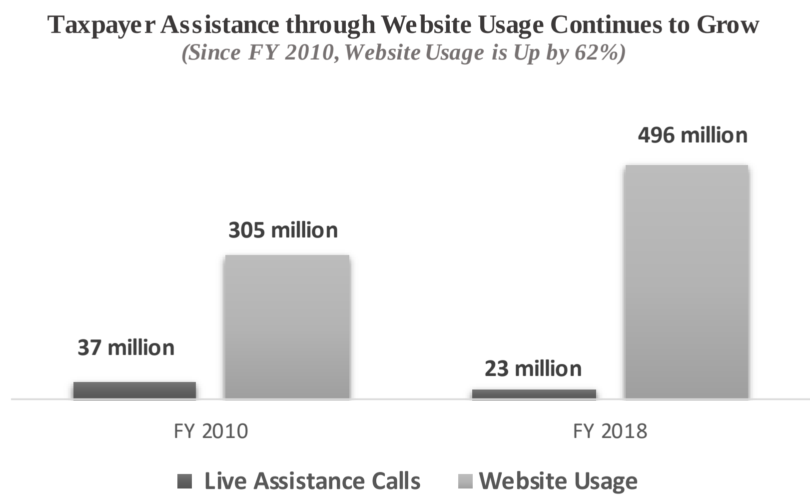
Base Adjustment.….…………...+$77,000,000 / -391 FTE

The FY 2019 Annualized Continuing Resolution (CR) level of $11.188 billion includes a $200 million inter-appropriation transfer from Enforcement to Operations Support to cover anticipated operations and maintenance requirements in FY 2019. The IRS will submit a notice to Congress with respect to this transfer. The Annualized CR level also includes $320 million for tax reform, although the tables only include $77 million ($65 million in Taxpayer Services and $12 million in Enforcement) reflected in the expenditure plan that the IRS submitted in February 2019 for the Section 112 Administrative Provision to implement requirements under the Tax Cuts and Jobs Act (Public Law 115-97).

Other Adjustment.….………….............................$0 / -1,029 FTE

<u>Offset to Support O&M of Critical Systems $0 / -1,029 FTE</u>

The request realigns $102 million from the Taxpayer Services account to the Operations Support account to support critical systems that benefit both Taxpayer Services and Enforcement programs. These funds will be used for the operations and maintenance of information technology that is critical to service and enforcement.



Maintaining Current Levels (MCLs)…………………………..…. +$50,565,000 / 0 FTE

Non-Pay Inflation Adjustment +$50,565,000 / 0 FTE

Funds are requested for non-labor inflationary cost increases for items such as travel, contracts, rent, supplies, and equipment.

Efficiencies / Savings ……………………………………-$109,600,000 / -1,071 FTE

Increase e-File Savings -$6,183,000 / -116 FTE

The IRS projects a total of 1,870,800 fewer returns filed on paper (1,256,100 individual and 614,700 business returns). As a result, the IRS would need 116 fewer FTE in submission processing, generating a savings of $6.2 million.

Space Optimization -$24,700,000 / 0 FTE

The IRS will reduce expenditures on rent and improve usage of office space across the country. Since 2013, the IRS has released 3.2 million square feet, closing 106 buildings and reducing rent costs by about 10 percent. In FY 2018, the IRS released 492,100 square feet for an estimated $10.6 million in rent savings and will continue to consolidate space in FY 2020.

Reduce Contractual Services -$1,717,000 / 0 FTE

The IRS will generate savings by improving the effectiveness of existing acquisition practices to reduce the cost of contracts.

Non-Recur Administrative Provision Section 112 Tax Reform -$77,000,000 / -955 FTE

The non-recurrence of one-time funding provided by the Section 112 Administrative Provision to implement the Tax Cuts and Jobs Act.

Program Increases

IRS Integrated Modernization Business Plan +$180,000,000 / +80 FTE

Position Type/Other Costs	FTE	Positions	$000
IRS Integrated Modernization Business Plan	**80.00**	**160**	**$180,000**
IT Specialist	80.00	160	105,000
Contractual Services			62,106
Hardware & Software			12,894
Total	**80.00**	**160**	**$180,000**

The Budget requests an increase of $180 million for the IRS Integrated Modernization Business Plan for a total budget of $300 million in FY 2020, including at least $10 million from IRS user fees. The plan is essential to maintaining the voluntary tax compliance system and will position the IRS to deliver a customer experience comparable to the best financial institutions in the world. Please see page IRS-68 for additional details.

Data Analytics to Enhance Compliance +$33,833,000 / +190 FTE

This investment in advanced data analytics will improve the IRS's risk identification capabilities and reduce the need for manual or limited risk assessments. This change will allow IRS to focus on identifying compliance risks. Recent changes in tax law has reduced the accuracy of the current use of traditional "backward looking" risk identification tools and this investment will help IRS identify new risks. This investment will result in an additional 1,032 large business return examination closures and increase the examination coverage rate by 0.3 percent starting in FY 2022.

Position Type/Other Costs	FTE	Positions	$000
Data Analytics to Enhance Compliance	**178.00**	**356**	**$31,792**
Program Analyst	13.50	27	1,738
Manager	4.00	8	434
Attorney	1.00	2	178
Tax Law Specialist	2.00	4	333
Special Agent	25.00	50	8,948
Investigative Analyst	7.50	15	939
Data Scientist	9.50	19	1,452
Analyst	15.00	30	1,312
Revenue Agent	54.50	109	11,429
Economist	7.00	14	1,121
IT Specialist	8.50	17	1,066
Tax Technician	26.00	52	2,443
Clerical	4.50	9	399
Other Direct Costs	**11.50**	**23**	**$2,041**
Attorney	7.50	15	1,593
Support Staff	2.50	5	216
Paralegal	0.50	1	61
Appeals Officer	1.00	2	171
Total	**189.50**	**379**	**$33,833**

The IRS has begun applying data analytics to improve effectiveness including:

- *Identity theft prevention* – Applied analytics and modeling to the development of identity theft filters that contributed to the protection of $6 billion in revenue in 2017.
- *Notice redesign* – Leveraged behavioral insights to improve taxpayer compliance through redesigned notices. Pilot results indicate this redesign improves results at lower cost, with up to an 11 percent improvement in payment compliance, resulting in $650 million to $1 billion in additional collections and up to a 31 percent increase in the use of self-service tools and a 20 percent decrease in IRS costs.
- *Compliance risk assessment* – Developed data products that use predictive models based on machine learning and risk identified by subject matter experts to assess risk among large corporations and pass-through entities. These products already identified a previously unrecognized area of noncompliance among partnerships for which appropriate treatments are now being determined.
- *Employment tax investigations* – Developed algorithms to select criminal cases for national priority initiatives. To date, the algorithm for employment tax has identified 18 cases with an average estimated tax loss 30 percent greater ($3 million versus $2.3 million) than traditional methods.
- *Exam selection* – Evaluated 250 data elements to develop a multi-phase statistical algorithm to predict the likelihood of change on Employee Plan returns that exceeded past program results by more than 20 percent in back testing.

While the IRS has made strides in this area, it faces a changing data environment and needs to transform with it. For example, the significant changes stemming from the TCJA make the role of data analytics even more critical. Current risk assessment tools need to be adapted for significant changes to transfer pricing rules, repatriation provisions, and base erosion provisions. Identity theft filters need to be monitored for effectiveness, modified, or retired.

The absence of historical data reflecting the new tax code provisions poses a challenge to the way these tools were traditionally developed. For example, Discriminant Index Function (DIF) scoring used for exam selection is based on past filings under the old tax law and would take years to revise using traditional techniques such as the National Research Program (NRP). The TCJA affected diverse entities, ranging from multi-national corporations to partnerships and pass-through entities to individuals, opening new risks. Also, certain documents not captured electronically (for example, information letters for Section 965 deemed repatriation tax and forms related to new Base Erosion and Profit Shifting reporting requirements) will require advanced techniques to extract and interpret data to assess compliance behaviors. Leveraging the value of data analytics is a key strategy of the IRS's Strategic Plan as well.

The IRS will use these resources to:

- Support systemic data analysis to identify emerging trends and build effective compliance strategies;
- Refine existing data models and expand the IRS's capability to apply advanced predictive modeling techniques across additional taxpayer populations with unique risk points;
- Apply advanced analytic techniques such as machine learning and natural language processing to support case selection;
- Identify previously unknown non-compliance areas;
- Pair data professionals with relevant subject matter experts to tailor data analysis and modeling to support compliance and enforcement;
- Explore partnerships with academia and other partners (e.g., Joint Chiefs of Global Tax Enforcement) to collaborate on data strategies and leverage their data and analytics experience;
- Make effective use of new data sources (such as Base Erosion and Profit Shifting (BEPS) country-by-country reporting); and
- Lead a data- driven culture change.

Other Direct Costs

Dollars in thousands

IRS Activity	Cost	FTE	Positions	Explanation
Appeals	$170	1.00	2	Support examination efforts on key compliance areas focused on improving voluntary compliance and providing a high level of customer service.
Chief Counsel	$1,871	10.50	21	Provide support for increases in requests for legal advice, litigation assistance, and collection due process.
Total	**$2,041**	**11.50**	**23**	

Prevent Identity Theft +$22,488,000 / +29 FTE

This investment will support the IRS's efforts to prevent identity theft. The IRS will use these resources to hire 29 FTE ($7.8 million) and acquire IT contractual services for ($14.7 million).

Position Type/Other Costs	FTE	Positions	$000
Criminal Investigation	**22.00**	**44**	**$6,161**
Special Agent	12.00	24	4,295
Analyst	10.00	20	1,252
IT Contractual Support			614
Privacy, Government Liaison, and Disclosure	**2.50**	**5**	**$1,424**
Analyst	2.50	5	326
Training/Travel			1,098
Information Sharing and Assistance Center			**$6,948**
IT Contractual Support			6,948
Eliminate SSN on Materials			**$7,100**
Contractual Services			7,100
Other Direct Costs	**4.50**	**9**	**$855**
Attorney	3.50	7	773
Tax Admin. Specialist	1.00	2	82
Total	**29.00**	**58**	**$22,488**

The additional resources would be used to:

- Develop methods to analyze more than 41 additional data points from returns filed with industry partners and determine which are accurate indicators of fraud;
- Provide development costs needed to expand the ability to securely generate and distribute secret keys to W-2 preparers and verify that the W-2 data submitted is not fraudulent;
- Fulfill IRS agreements with state/industry partners to analyze/act on millions of additional tax fraud leads in real time, thereby stopping millions of fraudulent refunds; and
- Expand Business Master File (BMF) identity theft filters and authentication efforts and expand the Entity Fabrication project to detect and prevent perpetration of fraudulent use of Employer Identification Numbers (EINs) to obtain unwarranted refunds.

The funding will be used to hire additional Special Agents to conduct more criminal investigations related to Identity Theft. With these additional agents, the IRS will complete about 250 additional criminal investigations between FY 2020 and FY 2025. Most of the new investigations will happen after FY 2021-FY 2022 because the time necessary for the agents to be at full performance levels and the average cycle time to complete cases (300-400 days).

In addition, the initiative includes funding for contractor support that will: identify classes of fraud use cases; define how they vary across the fraud actor community; facilitate sharing anonymized data for analysis and identification of fraud classes; monitor tax fraud communication on the deep web to increase awareness of criminal activity; examine the fraud lifecycle to identify steps that non-compliant taxpayers take and the ways the IRS can defend against each step; determine how to build effective prevention and defense strategies early in the lifecycle and develop machine ingestible common vocabulary for fraud intelligence that allows non-compliant characteristics and techniques to be efficiently shared; operate and maintain critical databases and websites to support identity authentication; and reduce the use of Social Security Numbers (SSN) in IRS through software, infrastructure and other related support.

These resources will be used to provide investigative staff with an "investigative tool" that is an externally-hosted Virtual Desktop. Virtual Desktop Infrastructure (VDI) creates an agile non-government attributable internet surveillance and research capability that is secure, contained, and is external to the IRS enterprise computing environment. IRS CI can use this tool to develop leads, schemes and cases by synthesizing disparate data sources, creating an integrated view of all available data using cutting edge technology and allowing CI users to complete in-depth searches and complex analytics. This additional analytical and investigative capacity will allow CI to combat cyber-criminals who exploit stolen taxpayer PII obtained through sophisticated data breaches and intrusions.

Other Direct Costs

Dollars in thousands

IRS Activity	Cost	FTE	Positions	Explanation
Chief Counsel	$710	4.50	9	Provide legal advice and assistance to investigations.
Total	**$710**	**4.50**	**9**	

O&M of Prior-year Enterprise-wide Cybersecurity Investments +$6,744,000 / 0 FTE

Position Type/Other Costs	FTE	Positions	$000
O&M of Prior-Year Enterprise-wide Cybersecurity Investments			**$6,744**
Contractual Services			6,744
Total			**$6,744**

The Budget includes an increase of $6.7 million to support O&M for prior year Cybersecurity Enhancement Account (CEA) investments. The CEA O&M will be funded by Treasury bureaus through Treasury Franchise Fund (TFF) billing. This increase represents the IRS's portion of the total Departmental O&M cost of $17.5 million.

O&M of Critical Systems +$100,805,000 / +162 FTE

Position Type/Other Costs	FTE	Positions	$000
Restore Operations and Maintenance of Critical Systems	**162.00**	**324**	**$100,805**
IT Specialist	162.00	324	55,716
Contractual Services			24,002
Hardware & Software			21,087
Total	**162.00**	**324**	**$100,805**

These funds will allow IRS to deliver IT services and solutions that drive effective tax administration. Development and O&M expenses have risen due to the increased sophistication of cyber threats, which require o strengthened security.

These funds will be used to deliver core O&M services and to address aging infrastructure by reducing aged hardware from a target of 43.8 percent in FY 2019 to 39 percent by the end of FY 2020. They will also cover maintenance on investments impacted by tax reform implementation; the continuation of the migration to the Linux operating environment; and implementing the Treasury Enterprise Infrastructure Solutions effort.

1.3 – Operating Levels Table

Dollars in thousands

Internal Revenue Service Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 Full-Time Permanent Positions	5,667,801	5,749,579	5,679,699
11.3 Other than Full-Time Permanent Positions	81,640	80,924	81,045
11.5 Other Personnel Compensation	254,266	224,860	226,086
11.8 Special Personal Services Payments	31,344	32,871	32,871
11.9 Personnel Compensation (Total)	**6,035,051**	**6,088,234**	**6,019,701**
12.1 Personnel Benefits	2,141,461	2,198,873	2,167,992
13.0 Benefits to Former Personnel	39,998	38,668	38,667
Total Personnel and Compensation Benefits	**$8,216,510**	**$8,325,775**	**$8,226,360**
21.0 Travel	78,871	101,244	107,356
22.0 Transportation of Things	17,286	21,452	24,794
23.1 Rental Payments to GSA	589,687	590,575	578,055
23.2 Rent Payments to Others	12,283	12,437	12,692
23.3 Communications, Utilities, & Misc	292,401	340,986	367,155
24.0 Printing & Reproduction	35,096	29,653	30,258
25.1 Advisory & Assistance Services	1,094,549	844,119	1,082,433
25.2 Other Services	90,783	85,543	96,026
25.3 Purchase of Goods & Services from Govt. Accounts	174,914	191,489	196,301
25.4 Operation & Maintenance of Facilities	186,039	189,254	193,469
25.5 Research & Development Contracts	6		
25.6 Medical Care	14,554	15,009	15,370
25.7 Operation & Maintenance of Equipment	68,855	69,437	87,911
26.0 Supplies and Materials	34,615	35,124	36,221
31.0 Equipment	458,310	286,963	368,894
32.0 Land and Structures	20,231	5,613	6,093
41.0 Grants, Subsidies	36,890	36,890	36,890
42.0 Insurance Claims & Indemnities	4,474	2,022	2,063
44.0 Refunds			
91.0 Unvouchered	4,200	3,969	4,048
Total Non-Personnel	**$3,214,044**	**$2,861,779**	**$3,246,029**
New Appropriated Resources	**$11,430,554**	**$11,187,554**	**$11,472,389**
Appropriations:			
Taxpayer Services	2,512,554	2,571,554	2,402,000
Enforcement	4,627,000	4,672,000	4,705,368
Operations Support	4,181,000	3,834,000	4,075,021
Business Systems Modernization	110,000	110,000	290,000
New Appropriated Resources	**$11,430,554**	**$11,187,554**	**$11,472,389**
FTE	**73,268**	**73,584**	**71,945**

See footnotes in 1.1 -- Appropriations Detail Table

1D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE TAXPAYER SERVICES *For necessary expenses of the Internal Revenue Service to provide taxpayer services, including pre-filing assistance and education, filing and account services, taxpayer advocacy services, and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner,* ***$2,402,000,000****; of which not less than $8,890,000 shall be for the Tax Counseling for the Elderly Program; of which not less than $12,000,000 shall be available for low-income taxpayer clinic grants; of which not less than $15,000,000, to remain available until* ***September 30, 2021****, shall be available for a Community Volunteer Income Tax Assistance matching grants program for tax return preparation assistance; and of which not less than $206,000,000 shall be available for operating expenses of the Taxpayer Advocate Service: Provided, That of the amounts made available for the Taxpayer Advocate Service, not less than $5,000,000 shall be for identity theft casework.* Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution. ENFORCEMENT *For necessary expenses for tax enforcement activities of the Internal Revenue Service to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investigations, to enforce criminal statutes related to*	

violations of internal revenue laws and other financial crimes, to purchase and hire passenger motor vehicles (31 U.S.C. 1343(b)), and to provide other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, ***$4,705,368,000****, of which not to exceed* ***$50,000,000*** *shall remain available until September 30, 2021, and of which not less than* ***$60,257,000*** *shall be for the Interagency Crime and Drug Enforcement program:* ***Provided, That of the funds provided under this paragraph, $4,705,368,000 is provided to meet the terms of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended****.*	
In addition, not less than $199,886,000 for tax activities under this heading, including tax compliance to address the Federal tax gap: Provided, That such amount is additional new budget authority for tax activities, including tax compliance to address the Federal tax gap, as specified for purposes of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.	Language required for the proposed program integrity cap adjustment. More information about the cap adjustment can be found in section 4.1 – Appropriations Detail Table with Program Integrity Cap Adjustment of the Appendix and Budget Process Chapter of the FY 2020 President's Budget.
Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.	
OPERATIONS SUPPORT	
For necessary expenses of the Internal Revenue Service to support taxpayer services and enforcement programs, including rent payments; facilities services; printing; postage; physical security; headquarters and other IRS-wide administration activities; research and statistics of income; telecommunications; information technology development, enhancement, operations, maintenance, and security; the hire of passenger	

motor vehicles (31 U.S.C. 1343(b)); the operations of the Internal Revenue Service Oversight Board; and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner; ***$4,075,021,000****, of which not to exceed* ***$250,000,000*** *shall remain available until* ***September 30, 2021****; of which not to exceed $10,000,000 shall remain available until expended for acquisition of equipment and construction, repair and renovation of facilities; of which not to exceed $1,000,000 shall remain available until* ***September 30, 2022****, for research; of which not to exceed $20,000 shall be for official reception and representation expenses: Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing the cost and schedule performance for its major information technology investments, including the purpose and life-cycle stages of the investments; the reasons for any cost and schedule variances; the risks of such investments and strategies the Internal Revenue Service is using to mitigate such risks; and the expected developmental milestones to be achieved and costs to be incurred in the next quarter: Provided further, That the Internal Revenue Service shall include, in its budget justification for fiscal year 2020, a summary of cost and schedule performance information for its major information technology systems:* ***Provided further, That of the funds provided under this paragraph, $4,075,021,000 is provided to meet the terms of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.***	Increasing two-year authority from the $50 million cap to $250 million to provide sufficient time for a robust IT lifecycle process including vision, strategy, solution, design, and development, thereby improving contracting outcomes; consistent with a recent recommendation from the Treasury Inspector General for Tax Administration (TIGTA), Sixty-Four Percent of the Internal Revenue Service's Information Technology Hardware Infrastructure Is Beyond Its Useful Life.
In addition, not less than $161,685,000 for tax activities under this heading, including tax compliance to address the Federal tax gap: Provided, That such amount is additional new budget authority for tax activities, including tax compliance to address the Federal tax gap, as specified for purposes of section 251(b)(2) of the	Language required for the proposed program integrity cap adjustment. More information about the cap adjustment can be found in section 4.1 – Appropriations Detail Table with Program Integrity Cap Adjustment of the Appendix and Budget Process Chapter of the FY 2020 President's Budget.

Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.	
BUSINESS SYSTEMS MODERNIZATION *For necessary expenses of the Internal Revenue Service's business systems modernization program, **$290,000,000**, to remain available until **September 30, 2022**, for the capital asset acquisition of information technology systems, including management and related contractual costs of said acquisitions, including related Internal Revenue Service labor costs, and contractual costs associated with operations authorized by 5 U.S.C. 3109: Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing the cost and schedule performance for major information technology investments, including the purposes and life-cycle stages of the investment**s**; the reasons for any cost and schedule variances; the risks of such investments and the strategies the Internal Revenue Service is using to mitigate such risks; and the expected developmental milestones to be achieved and costs to be incurred in the next quarter.* Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.	IRS Integrated Modernization Business Plan FY 2020 request

ADMINISTRATIVE PROVISIONS –
INTERNAL REVENUE SERVICE
(INCLUDING TRANSFER OF FUNDS)

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

SEC. 102. The Internal Revenue Service shall maintain an employee training program, which shall include the following topics: taxpayers' rights, dealing courteously with taxpayers, cross-cultural relations, ethics, and the impartial application of tax law.

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

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

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

SEC. 106. None of the funds made available under this Act may be used by the Internal Revenue Service

to target citizens of the United States for exercising any right guaranteed under the First Amendment to the Constitution of the United States. *SEC. 107. None of the funds made available in this Act may be used by the Internal Revenue Service to target groups for regulatory scrutiny based on their ideological beliefs.*	
SEC. 108. Section 9503(a) of title 5, United States Code, is amended by striking the clause "Before September 30, 2013" and inserting "before ***September 30, 2023****".* *SEC. 109. Section 9503(a)(5) of title 5, United States Code, is amended by inserting before the semicolon the following:* *", but are renewable for an additional two years, based on a critical organizational need".*	Restoring Streamlined Critical Pay authority through September 30, 2023.
SEC. 110. Notwithstanding any Congressional notification requirements for a reprogramming of funds in this Act, funds provided in this Act for the Internal Revenue Service shall be available for obligation and expenditure through a reprogramming of funds that augments or reduces existing programs, projects, or activities by up to $10,000,000 without prior Congressional notification of such action.	Providing authority to reprogram up to $10 million within appropriations accounts without formal notification procedures. This increase will allow the IRS to allocate funds to highest priority needs at end of fiscal year, including infrastructure, and respond to late-breaking workload and program demand changes.

1E – Legislative Proposals

Lower the threshold from 250 to 10 for mandatory electronic reporting of W-2 data by employers: Providing the IRS with timely and accurate *Wage and Tax Statement* (W-2) information reported by employers facilitates pre-refund verification of wage and withholding information, which in turn reduces the issuance of questionable tax refunds through early detection of fraud and other erroneous refund claims. Extra time and resources are needed for the Social Security Administration (SSA) to process paper W-2s submitted by employers before information on paper statements can be transmitted to the IRS. Under current law, employers who file 250 or more Forms W-2 in a year must e-file these information returns, but those filing fewer than 250 Forms W-2 in a year may choose to file on paper. To enhance pre-refund W-2 checks, the Budget proposes increasing the number of employers subject to mandatory electronic reporting of W-2 data. The proposal would reduce the W-2 e-file threshold from 250 to 10 Forms W-2.

Require a social security number (SSN) that is valid for work to claim child tax credit (CTC), earned income tax credit (EITC), and credit for other dependents (ODTC): The Administration proposes requiring an SSN that is valid for work to claim the EITC, CTC (both the refundable and non-refundable portion), and/or the ODTC for the taxable year. For all credits, this requirement would apply to taxpayers (including both the primary and secondary filer on a joint return) and all qualifying children or dependents. Under current law, taxpayers who do not have an SSN that is valid for work may claim the CTC if the qualifying child for whom the credit is claimed has a valid SSN. Furthermore, the ODTC, created by the *Tax Cuts and Jobs Act*, allows taxpayers whose dependents do not meet the requirements of the CTC, including the SSN requirement, to claim this non-refundable credit. This proposal would ensure that only individuals who are authorized to work in the United States could claim these credits by extending the SSN requirement for qualifying children to parents on the tax form for the CTC and instituting an SSN requirement for the ODTC. While this SSN requirement is already current law for the EITC, this proposal also would close an administrative gap to strengthen enforcement of the provision.

Provide the IRS with greater flexibility to address correctable errors: The budget would expand the IRS authority to correct errors on taxpayer returns. Current statute only allows the IRS to correct errors on returns in certain limited instances, such as basic math errors or the failure to include the appropriate social security number or taxpayer identification number.

This proposal would expand the instances in which the IRS could correct a taxpayer's return including cases where: (1) the information provided by the taxpayer does not match the information contained in Government databases or Form W-2, or from other third party databases as the Secretary determines by regulation; (2) the taxpayer has exceeded the lifetime limit for claiming a deduction or credit; or (3) the taxpayer has failed to include with his or her return certain documentation that is required to be included on or attached to the return. This proposal would make it easier for IRS to correct clear taxpayer errors, directly improving tax compliance and reducing EITC and other improper payments and freeing IRS resources for other enforcement activities.

Increase Oversight of Paid Tax Return Preparers: Paid tax return preparers have an important role in tax administration because they assist taxpayers in complying with their obligations under the tax laws. Incompetent and dishonest tax return preparers increase collection costs, reduce revenues, disadvantage taxpayers by potentially subjecting them to penalties and interest because of incorrect returns, and undermine confidence in the tax system. To promote high quality services from paid tax return preparers, the proposal would explicitly provide that the Secretary of the Treasury has the authority to regulate all paid tax return preparers.

Improve clarity in worker classification and information reporting requirements: The Budget proposes to: (1) establish a new safe harbor that allows a service recipient to classify a service provider as an independent contractor and requires withholding of individual income taxes to this independent contractor at a rate of five percent on the first $20,000 of payments; and (2) raises the reporting threshold for payments to all independent contractors from $600 to $1,000, and reduces the reporting threshold for third-party settlement organizations from $20,000 and 200 transactions per payee to $1,000 without regard to the number of transactions. In addition, Form 1099-K would be required to be filed with the IRS by January 31 of the year following the year for which the information is being reported. The proposal increases clarity in the tax code, reduces costly litigation, and improves tax compliance.

Except Certain Federal Student Aid (FSA) Programs from Section 6103 Restrictions: Section 6103 of the *Internal Revenue Code of 1986* (26 U.S.C. 6103) (IRC) provides that tax returns and tax return information are confidential and cannot be disclosed or used unless permitted under the IRC. The Administration proposes to authorize the IRS to disclose tax return information directly to the U.S. Department of Education for administering programs authorized by Title IV of the *Higher Education Act of 1965*. The section 6103 exception is expected to improve administration of student aid programs, enhance program cost estimation, increase servicing efficiency, and reduce improper payments.

Program Integrity Cap Adjustment: In addition to the base appropriations request, the Budget proposes a $362 million discretionary program integrity cap adjustment in FY 2020 to fund new and continuing investments in the IRS's tax enforcement program. The Budget proposes $200 million for the Enforcement account and $162 million for the Operations Support account. It also proposes additional adjustments in future years to fund new initiatives and inflation. The proposed investments will generate about $47.1 billion in additional revenue over 10 years and would cost about $14.5 billion for a net revenue of $32.6 billion.

Streamlined Critical Pay (SCP): The Budget proposes to reinstate *Streamlined Critical Pay* (SCP) authority through September 30, 2023. The authority to make new SCP appointments expired September 30, 2013. As a result of the expired authority, the IRS continues to face challenges recruiting top-level talent, especially IT professionals who help protect taxpayer data from cyber-attacks and who assist with modernizing the IRS's IT infrastructure. The Office of Personnel Management existing government-wide *Critical Position Pay* (CPP) authority is not a sufficient alternative to SCP.

1F - IRS Use of Evidence and Evaluation

The IRS continues to improve program performance by using data and analytics to develop evidence that informs innovation and improves program delivery.

Significant Accomplishments

Highest Priorities

Advance Data Access, Usability and Analytics to Inform Decision-Making and Improve Operational Outcomes

- <u>TCJA:</u> The IRS Statistics of Income (SOI) office is incorporating TCJA-related changes into its programs, updating processing routines to incorporate as many aspects of the new laws as possible. To facilitate this update, SOI has identified a senior employee to coordinate throughout IRS to ensure successful implementation. To provide its federal customers and the public with access to relevant data showing the effect of the laws, SOI will develop expanded data files and timely and innovative web products, including periodic filing-season reports.
- <u>Creating More Accessible Statistics:</u> SOI will continue to implement its comprehensive plan to modernize its public communications efforts. New initiatives will include developing a comprehensive taxonomy that will facilitate improved search results for customers. Further changes to the Tax Stats web pages will include improving organization and usability and incorporating new products based on the TCJA. These efforts will provide more accessible data to the public and will assist SOI in meeting OMB data dissemination requirements.
- <u>Modernization of Business Publication Methodologies:</u> Having completed a redesign of its business tax publications, which include data published for corporations and partnerships, SOI will update the processes it uses to prepare data for publication. The redesigned publications comply with revised disclosure guidelines set forth in *Tax Information Security Guidelines for Federal, State and Local Agencies* (Publication 1075).
- <u>Submission Processing Center Realignment:</u> In conjunction with the closure of select IRS Submission Processing Centers, SOI is leading a Research, Applied Analytics & Statistics (RAAS)-wide effort to realign the processing of its statistical samples among the remaining centers. Training and processing are already underway in the new centers, and SOI is working with other components to ensure that sufficient staff are assigned to each project and that all staff receive adequate training. SOI will continue to ensure that the realignment realizes cost savings, while maintaining the quality and integrity of data collected for SOI's statistical samples.
- <u>Joint Statistical Research Program</u>: SOI's Joint Statistical Research Program, introduced in 2012, facilitates work between RAAS staff and academics, non-profit organizations, and other federal government agencies on projects designed to address key tax administration issues.

This research examines a broad range of topics, such as the effects of economic conditions or tax law changes on taxpayer behavior. Currently, SOI is supporting a project that examines the effect of economic shocks, including tax rate changes, on charitable giving.

- Expand Available Data on Businesses: SOI publishes a variety of tables and reports that capture information on businesses, including sole proprietorships, partnerships, corporations, and S-corporations. In FY 2019, the division will expand these products, publishing a new table providing data on all income sources, deductions, tax credits, etc., for all taxpayers who report any income from a small business or farm and by updating its integrated business statistics. The latter comprises a set of tables that combines data from the various types of businesses (corporations, partnerships, sole proprietorships, etc.) to provide a comprehensive snapshot of U.S. business taxpayers.

- Providing Information on the Tax System to the Public: SOI releases a *Data Book* annually, which provides an extensive overview of IRS's operations, workforce, and budget. The Data Book contains extensive data visualizations designed to improve its accessibility and the web version includes dedicated pages for each section of the publication.

  In FY 2018, SOI released detailed geographic data for individuals, including statistics by state, county, zip code, and metro- and micro-politan area. Additionally, SOI released migration data, which detail the flow of individuals between regions.

  SOI also released the *2017 IRS Research Bulletin* that features selected papers from the latest IRS Research Conference. The papers, authored by researchers from IRS, academia, and other federal agencies, highlight research on key areas related to tax compliance and current tax issues affecting tax administration.

  At three intervals in the year, SOI released cumulative filing season statistics based on administrative data that included return frequencies, adjusted gross income, income tax after credits, and the percentage of AGI (Adjusted Gross Income) composed of capital gains. In FY 2019, SOI plans to enhance these tables, highlighting items affected by the TCJA. The data will provide an early glimpse of the effect of the new laws on return filing patterns, payment methods, and measures of income and tax.

  Additionally, SOI released five publications detailing filing projections for various tax returns. These publications included projections of information and withholding documents, multi-year return projections for the United States, including estimates for business, individual, and tax-exempt returns to be filed, individual return projections by major processing categories, including balance due and refund returns, projections of returns filed by IRS campus, and state-level projections. Recent updates include adjustments to the forecasts based on changes implemented under the TCJA. The IRS publishes these projections throughout the year. They include changes in filing patterns, economic and demographic trends, legislative requirements, and IRS administrative processes. The projections are widely used by the public and throughout the IRS to assist in workload planning.

  In FY 2018, SOI released more than 600 additional tables and reports containing detailed information on a wide range of topics. These tables included the Tax Year

2015 Partnership tables, which include balance sheet and income statement information, as well as statistics on the number of partners. These tables are the first to be developed using the new IRS disclosure guidelines for business tax returns. SOI's other releases include updated statistical tables for individuals, sole proprietorships, estates, gifts, tax-exempt organizations and bonds, and international taxpayers and entities.

Section II – Budget and Performance Plan

Treasury Strategic Objectives and Agency Priority Goals

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

- **Strategic Goal 1**: Boost U.S. Economic Growth, Strategic Objective 1.1: Tax Law Implementation: Administer tax law to better enable all taxpayers to meet their obligations, while protecting the integrity of the tax system.
- **Strategic Goal 4**: Transform Government-wide Financial Stewardship, Strategic Objective 4.1: Financial Data Access and Use: Increase the access and use of federal financial data to strengthen government-wide decision-making, transparency, and accountability.
- **Strategic Goal 5**: Achieve Operational Excellence, Strategic Objectives 5.1 – 5.3:
  - 5.1 Workforce Management: Foster a culture of innovation to hire, engage, develop, and optimize a diverse workforce with the competencies necessary to accomplish our mission.
  - 5.2 Treasury Infrastructure: Better enable mission delivery by improving the reliability, security, and resiliency of Treasury's infrastructure.
  - 5.3 Customer Value: Improve customer value by increasing the quality and lowering the cost of Treasury's products and services.
- **Agency Priority Goal (aligned to strategic objective 1.1)**: Reduce the amount of unprotected identity theft tax refunds paid by two percent by December 31, 2019.

Taxpayer Services

Appropriation Description

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

The Taxpayer Services budget request for FY 2020 is $2,402,000,000 in direct appropriations and 26,639 FTE. This amount is a decrease of $169,554,000, or 6.59 percent, and 2,195 FTE less than the FY 2019 Annualized Continuing Resolution level of $2,571,554,000 and 28,834 FTE. The FY 2019 Annualized Continuing Resolution level includes $65 million of the $77 million provided by the Section 112 Administrative Provision to implement the Tax Cuts and Jobs Act (Public Law 115-97).

2.1 – Budget Adjustments Table

Dollars in thousands

Taxpayer Services Summary of Proposed FY 2020 Request	FTE	Amount
FY 2019 Annualized CR Level[1]	28,834	$2,571,554
Changes to Base:		
Other Adjustments	(1,192)	($101,636)
Offset to O&M for Critical IT Systems	(1,192)	(101,636)
Maintaining Current Levels (MCLs)		$3,161
Non-Pay Inflation Adjustment		3,161
Efficiencies/Savings:	(1,003)	($71,079)
Increase e-File Savings	(116)	(6,079)
Non-Recur for Section 112 Tax Reform Funding	(887)	(65,000)
Subtotal FY 2019 Changes to Base	(2,195)	($169,554)
FY 2019 Current Services	26,639	$2,402,000
Total FY 2020 Budget Request	26,639	$2,402,000

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Operating Levels Table

Dollars in thousands

Taxpayer Services Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 Full-Time Permanent Positions	1,521,243	1,568,873	1,445,297
11.3 Other than Full-Time Permanent Positions	48,118	44,599	44,599
11.5 Other Personnel Compensation	107,257	92,380	92,317
11.8 Special Personal Services Payments		1,209	1,209
11.9 Personnel Compensation (Total)	**1,676,618**	**1,707,061**	**1,583,422**
12.1 Personnel Benefits	606,343	632,032	582,774
13.0 Benefits to Former Personnel	39,027	37,538	37,538
Total Personnel and Compensation Benefits	**$2,321,988**	**$2,376,631**	**$2,203,734**
21.0 Travel	11,183	11,827	12,287
22.0 Transportation of Things	642	658	671
23.3 Communications, Utilities, & Misc	897	8,944	9,123
24.0 Printing & Reproduction	9,002	8,121	8,261
25.1 Advisory & Assistance Services	49,641	44,924	45,830
25.2 Other Services	15,540	15,247	15,554
25.3 Purchase of Goods & Services from Govt. Accounts	61,994	63,092	64,354
25.4 Operation & Maintenance of Facilities	1		
25.7 Operation & Maintenance of Equipment	63	242	247
26.0 Supplies and Materials	4,121	4,415	4,475
31.0 Equipment	349	243	248
41.0 Grants, Subsidies	36,890	36,890	36,890
42.0 Insurance Claims & Indemnities	243	320	326
Total Non-Personnel	**$190,566**	**$194,923**	**$198,266**
New Appropriated Resources	**$2,512,554**	**$2,571,554**	**$2,402,000**
Budget Activities:			
Pre-filing Taxpayer Assistance & Education	640,379	634,019	634,762
Filing & Account Services	1,872,175	1,937,535	1,767,238
New Appropriated Resources	**$2,512,554**	**$2,571,554**	**$2,402,000**
FTE	**27,871**	**28,834**	**26,639**

See footnotes in 1.1 -- Appropriations Detail Table

2.3 – Appropriation Detail Table

Dollars in thousands

Taxpayer Services Appropriated Resources	FY 2018 Enacted		FY 2019 Annualized CR		FY 2020 Request		Change FY 2019 to FY 2020 Request		% Change FY 2018 to FY 2020 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Pre-Filing Taxpayer Assistance and Education	4,636	640,379	4,603	634,019	4,606	634,762	3	743	0.07%	0.12%
Filing and Account Services	23,235	1,872,175	24,231	1,937,535	22,033	1,767,238	(2,198)	(170,297)	-9.07%	-8.79%
Subtotal New Appropriated Resources	**27,871**	**$2,512,554**	**28,834**	**$2,571,554**	**26,639**	**$2,402,000**	**(2,195)**	**($169,554)**	**-7.61%**	**-6.59%**
Other Resources:										
Reimbursables	669	69,706	373	33,158	373	34,816		1,658		5.00%
Offsetting Collections - Non Reimbursables										
User Fees	14	797	60	13,000	71	3,900	11	(9,100)	18.33%	-70.00%
Recovery from Prior Years		134								
Unobligated Balances from Prior Years		45,900	169	17,555			(169)	(17,555)	-100.00%	-100.00%
Transfers In/Out		(41,034)		(1,000)				1,000		-100.00%
Resources from Other Accounts										
Subtotal Other Resources	**683**	**$75,503**	**602**	**$62,713**	**444**	**$38,716**	**(158)**	**($23,997)**	**-26.25%**	**-38.26%**
Total Budgetary Resources	**28,554**	**$2,588,057**	**29,436**	**$2,634,267**	**27,083**	**$2,440,716**	**(2,353)**	**($193,551)**	**-7.99%**	**-7.35%**

See footnotes in 1.1--Appropriations Detail Table

2A – Pre-Filing Taxpayer Assistance and Education *($634,762,000 in direct appropriations, and an estimated $171,000 from reimbursable programs).* This budget activity funds direct labor and non-labor expenses to assist with tax return preparation, including tax law interpretation, publication, production, and advocate services. The program activities include:

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

- *W&I HQ Management and Administration* provides staffing, training, and direct support for Wage and Investment management activities of strategic planning, communications and liaison, finance, human resources, equity, diversity and inclusion, business modernization, and embedded training.
- *Taxpayer Services Research* provides resources to support taxpayer services by conducting taxpayer behavioral studies, data analysis, and uses advanced analytics to deliver results and conclusions to inform business decisions to improve IRS products and services.
- *National Distribution Center* processes orders for IRS forms and publications received from individual taxpayers, tax practitioners, and IRS tax return preparation partners.

Description of FY 2018 Performance

In FY 2018, the Timeliness of Critical Individual Filing Season (CIFS) Tax Products to the Public (i.e., tax forms, schedules, instructions, and publications) was 59.6 percent (56 out of 94 products delivered timely), falling short of the FY 2018 target of 89 percent. TCJA affected 37 (39 percent) of the 94 total CIFS tax products. The first major task required the IRS to address withholding tables. The IRS incorporated all modifications, issued the affected tax products, and planned a coordinated release of the new withholding rates by January 8, 2018. This added an unexpected additional 57 tax products to the work plan. Despite the short timeframe, about 60 percent of CIFS tax products were made available to the public on time.

The IRS will change the definition of two measures for FY 2019 to reflect the significant changes required by TCJA. For the CIFS measure, the date by which the IRS must release a CIFS tax product to the public to be considered timely will change from the *fifth workday in January* to *seven calendar days from the official IRS start of the individual filing season*. For FY 2019, the IRS expects to achieve a target of 85 percent and 89 percent for FY 2020.

The IRS will make similar changes to the Timeliness of Critical Tax Exempt/Government Entities (TE/GE) and Business (CTB) Filing Season Tax Products measure. The measure is being modified for FY 2019 to assess tax products available seven calendar days from the official IRS start of the (individual) filing season instead of the fifth workday in January. In FY 2018, the IRS Timeliness of Critical Tax TE/GE and Business Filing Season Tax products to the Public was 100 percent, exceeding the target of 91 percent. The IRS achieved these results through workload planning to prioritize critical products over other products to ensure taxpayers had the products needed to complete their tax returns timely. For FY 2019, the IRS expects to achieve a target of 85 percent and 89 percent for FY 2020.

In FY 2018, the Enterprise Self Assistance Participation Rate (ESAPR) reached 82 percent compared to the actual of 79 percent for the same period in FY 2017. This indicator represents the percentage of taxpayer assistance requests resolved using self-assisted automated services. Total taxpayer services increased by 16.8 percent from FY 2017 while taxpayer self-assistance services provided by the IRS increased by 21.2 percent. The driving factor for the increase in web services was Transcript Delivery System usage, which increased by 211 percent (80.3 million vs. 25.8 million) in FY 2018 compared to FY 2017. Other online applications on IRS.gov contributing to the increase include: *Where's My Refund?* (up 11 percent); *Interactive Tax Assistant* (up 22 percent); *Online Payment Agreement* (up 19 percent) and electronic payments (up 10.5 percent) from FY 2017. This increase in the ESAPR measure demonstrates IRS's progress toward providing expanded service options, and taxpayers' increased adoption of self-assistance options across various IRS service channels. The ESAPR measure will be used as an indicator for FY 2019 and FY 2020.

FY 2020 Changes by Budget Activity

Dollars in thousands

Pre-Filing Taxpayer Assistance & Education	FTE	Amount
FY 2019 Annualized CR Level	**4,604**	**$634,019**
Changes to Base:		
Other Adjustments	**9**	**$960**
Offset to O&M for Critical IT Systems	9	960
Pay Annualization		**$783**
Non-Pay		783
Efficiency/Savings	**(7)**	**($1,000)**
Non-Recur for Section 112 Tax Reform Funding	(7)	(1,000)
Subtotal FY 2020 Changes to Base	**2**	**$743**
FY 2020 Current Services	**4,606**	**$634,762**
Total FY 2020 Request	**4,606**	**$634,762**

See footnotes in 1.1 -- Appropriations Detail Table

2.1.1 – Budget and Performance Report and Plan

Dollars in thousands

Pre-Filing Taxpayer Assistance & Education Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources[1]	$595,168	$609,196	$609,445	$594,962	$640,379	$634,019	$634,762
Reimbursable Resources[2]	45	51	13	4	260	163	171
User Fees[2]	22,400	4,141					
Budget Activity Total	**$617,613**	**$613,388**	**$609,458**	**$594,966**	**$640,639**	**$634,182**	**$634,933**

[1]The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

Pre-Filing Taxpayer Assistance & Education Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Timeliness of Critical Filing Season Tax Products to the Public (Ot)[1]	99.1%	89.0%	92.5%	93.1%	59.6%	89.0%	85.0%	89.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public (Ot)[1]	98.7%	92.6%	98.0%	96.7%	100.0%	91.0%	85.0%	89.0%
Enterprise Self Assistance Participation Rate (E) (L)[2]	84.7%	88.7%	89.0%	79.0%	82.0%	Indicator		

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

[1]Modified for FY 2019

[2]Starting in FY 2017, the IRS modified the Taxpayer Self Assistance Rate measure (renamed to Enterprise Self Assistance Participation Rate) to include additional self-service channels including Get Transcript and payment applications such as Direct Pay and Online Payment Agreements. As new self-assistance applications are provided to the public, they will be added to the methodology.

2B – Filing and Account Services *($1,767,238,000 in direct appropriations, $34,645,000 from reimbursable programs, and $3,900,000 from user fees)*: This budget activity funds direct labor and non-labor expenses that provide filing and account services to taxpayers, process paper and electronically-submitted tax returns, issue refunds, and maintain taxpayer accounts. The public continues to file more returns electronically (more than 90 percent of individual returns were filed electronically during the 2018 filing season). The program activities include:

- *Filing and Account Services Management* administers filing and account services programs.
- *Submission Processing* processes paper and electronically-submitted tax returns and supplemental documents, accounts for tax revenue, processes information documents, and issues refunds and tax notices.
- *Account Management and Assistance – Electronic/Correspondence Assistance* provides education and assistance to taxpayers and resolves accounts and notice inquiries through telephone, paper, and internet correspondence.
- *Electronic Products and Services Support (EPSS)* provides centralized operations and support capabilities for the IRS suite of electronic products, including e-help desk, technology support, and operations support.
- *Electronic Tax Administration (ETA)* markets and administers electronic tax administration products and services.
- *Health Care Tax Administration* provides funds to administer the health insurance tax credit portion of the Trade Adjustment Assistance Reform Act of 2002.
- *Joint Operations Center (JOC)* provides service, support, and technology for telephone, correspondence, and electronic media inquiries; real time monitoring and routing of inbound calls; monitoring of Customer Service Representative accuracy; and management of the enterprise telephone database.

Description of FY 2018 Performance

Millions of individual and business taxpayers file their returns electronically. In FY 2018, the IRS achieved an 87.2 percent individual e-file rate, exceeding the prior year performance of 86.9 percent, but falling slightly short of its 88 percent target. The IRS achieved a 55.6 percent business e-file rate exceeding the FY 2018 target of 54 percent. The IRS will continue to promote the benefits of e-filing (i.e., faster refunds, greater accuracy, secure and confidential submission, and quick confirmation). Starting in FY 2019, the individual e-file rate measure will be discontinued from budget reporting given how many taxpayers file electronically. The business e-file target will be increased to 58 percent for FY 2019 and 60 percent for FY 2020.

In FY 2018, Customer Accuracy – Tax Law was at 95.5 percent, exceeding the target of 95.0 percent. The IRS will continue to monitor results from the Embedded Quality Review System and continue to hold weekly conference calls throughout the year to discuss quality defects/errors and procedures to ensure the target is met. For FY 2019 and FY 2020, the IRS set a tax law accuracy target of 92 percent since the complexity of the TCJA changes may affect performance. For Customer Accuracy – Accounts (Phones), the IRS correctly answered 96.1 percent of account questions over the telephone, exceeding the target of 95 percent. For FY 2019 and FY 2020, the IRS expects to achieve an accounts (phones) accuracy rate of 94 percent based on complexity of TCJA changes. For FY 2019, the IRS will maintain both accuracy measures to gauge the effects of tax reform

In FY 2018, the IRS Customer Contacts Resolved per Staff Year reached 31,409. This measure was baselined in FY 2017 as self-service applications, such as *Get Transcript* and *Direct Pay*, were added to the methodology and used as an indicator for FY 2018. Customer Contacts include activities such as automated and assistor calls answered, and web services completed. Several of the components that make up the Customer Contacts Resolved Per Staff Year measure also are included in the Enterprise Self Assistance Participation Rate; therefore, the IRS will discontinue this measure beginning in FY 2019.

The Customer Service Representative (CSR) Level of Service (LOS) measures the relative success rate of taxpayers wanting to speak with a CSR. In FY 2018, the CSR LOS exceeded the target of 75 percent, reaching 75.9 percent and provided a filing season LOS of 80 percent. Customer Service Representatives answered 25.3 million calls, an 8.9 percent increase compared to FY 2017. Resource levels in FY 2018 for taxpayer services and call demand allowed the IRS to increase LOS and to reduce paper correspondence. For FY 2018, this inventory totaled more than 580,000 pieces of correspondence with a 31 percent overage rate compared to a much higher 48 percent overage rate with more than 850,000 pieces of correspondence in FY 2015. The IRS created and continues to create new web-based applications for taxpayers. The increase in self-assistance web applications, along with the high level of telephone service, should continue to reduce paper correspondence receipts. In FY 2019, the IRS will continue to create detailed forecasts of expected telephone and correspondence demand. The IRS will monitor demand in real-time and resources allocated down to the half hour, allowing the IRS to shift staff between telephones and paper processing. The IRS has revised the target for FY 2019 level of service to 63 percent based on the delayed training that has overlapped with the filing season. In order to mitigate the impact of the delayed training, the IRS has allocated $40 million in user fees (not reflected in the tables) to LOS in addition to the funds provided in the FY 2019 enacted appropriation (Public Law 116-6). The target level of service for FY 2020 is 68 percent.

Refund Timeliness is the percentage of refunds resulting from processing individual paper returns issued within 40 days or less. In FY 2018, Refund Timeliness reached 98.2 percent, exceeding the target of 97 percent. This measure is being discontinued for FY 2019 reporting because it is based on paper returns, which account for roughly 10 percent of the individual filing population.

The current Taxpayer Satisfaction indicator – the All Individual Tax Filer Score, is based on the American Customer Satisfaction Index (ACSI) survey and is included for FY 2019 reporting. The All Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer Customer Satisfaction Index Scores. The ACSI is the only uniform, cross-industry/government measure of customer satisfaction with the quality of goods and services available to U.S. residents. The ACSI scores are released on an annual basis at the end of January and are based on a 100-point scale. In FY 2018, the score was 74 and reflected a steady increase over the past five years.

FY 2020 Changes by Budget Activity

Dollars in thousands

Filing and Account Services	FTE	Amount
FY 2019 Annualized CR Level	**24,231**	**$1,937,535**
Changes to Base:		
Other Adjustments	**(1,258)**	**($102,596)**
Offset to O&M for Critical IT Systems	(1,258)	(102,596)
Maintaining Current Levels (MCLs)		**$2,378**
Non-Pay		2,378
Efficiency/Savings	**(996)**	**($70,079)**
Increase e-File Savings	(116)	(6,079)
Non-Recur for Section 112 Tax Reform Funding	(880)	(64,000)
Subtotal FY 2020 Changes to Base	**(2,254)**	**($170,297)**
FY 2020 Current Services	**21,977**	**$1,767,238**
Total FY 2020 Request	**21,977**	**$1,767,238**

See footnotes in 1.1 -- Appropriations Detail Table

2.1.2 – Budget and Performance Report and Plan

Dollars in thousands

Filing and Account Services Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources[1]	$1,550,027	$1,564,488	$1,712,511	$1,811,902	$1,872,175	$1,937,535	$1,767,238
Reimbursable Resources[2]	28,555	30,147	34,905	62,794	69,446	32,995	34,645
User Fees[2]	160,342	40,553	69,987	3,900	797	13,000	3,900
Budget Activity Total	**$1,738,924**	**$1,635,188**	**$1,817,403**	**$1,878,596**	**$1,942,418**	**$1,983,530**	**$1,805,783**

[1]The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

Filing and Account Services Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percent Individual Returns Processed Electronically (Oe)[1]	84.1%	85.3%	86.4%	86.9%	87.2%	88.0%	DISC	
Percent of Business Returns Processed Electronically (Oe)	43.1%	47.0%	50.0%	52.9%	55.6%	54.0%	58.0%	60.0%
Customer Accuracy - Tax Law (Phones) (Ot)	95.0%	95.0%	96.4%	96.7%	95.5%	95.0%	92.0%	92.0%
Customer Accuracy - Accounts (Phones) (Ot)	96.2%	95.5%	96.1%	96.0%	96.1%	95.0%	94.0%	94.0%
Customer Contacts Resolved per Staff Year (E)[1]	21,018	26,245	28,497	25,535	31,409	Indicator	DISC	
Customer Service Representative Level of Service (Oe)[2]	64.4%	38.1%	53.4%	77.1%	75.9%	75.0%	63.0%	68.0%
Refund Timeliness - Individual (Paper) (Ot)[1]	98.7%	98.8%	98.7%	98.4%	98.2%	97.0%	DISC	
Taxpayers Satisfied with the IRS (based on a 100 point scale)[3,4]	73	73	74	74	74	Indicator	Indicator	Indicator

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

[1]Discontinued (DISC) for FY 2019

[2]The FY 2019 level of service target was calculated at the FY 2019 Enacted level.

[3]New measure added for FY 2019

[4]Based on the American Customer Satisfaction Index (ACSI) survey; the All Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer customer satisfaction index scores; available on an annual basis at the end of January and computed on a 100-point scale.

Enforcement

Appropriation Description

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

The Enforcement budget request for FY 2020 is $4,705,368,000 in direct appropriations and 34,182 FTE, excluding the proposed program integrity cap adjustment. This amount is an increase of $33,368,000, or 0.71 percent, and 133 FTE above the FY 2019 Annualized Continuing Resolution level of $4,672,000,000 and 34,049 FTE. The FY 2019 Annualized Continuing Resolution level includes a $200 million inter-appropriation transfer from Enforcement to Operations Support and $12 million of the Section 112 funds for TCJA.

2.1 – Budget Adjustments Table

Dollars in thousands

Enforcement Summary of Proposed FY 2020 Request	FTE	Amount
FY 2019 Annualized CR Level[1]	34,049	$4,672,000
Changes to Base:		
Maintaining Current Levels (MCLs)		$6,249
Non-Pay Inflation Adjustment		6,249
Efficiencies/Savings:	(68)	($13,717)
Reduce Contractual Services		(1,717)
Non-Recur for Section 112 Tax Reform Funding	(68)	(12,000)
Subtotal FY 2019 Changes to Base	(68)	($7,468)
FY 2019 Current Services	33,981	$4,664,532
Program Changes:		
Program Increases		
Data Analytics to Enhance Compliance	174	28,470
Prevent Identity Theft	27	12,366
Subtotal FY 2019 Program Increases	201	$40,836
Total FY 2020 Budget Request	34,182	$4,705,368

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Operating Levels Table

Dollars in thousands

Enforcement Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 Full-Time Permanent Positions	3,014,050	3,017,510	3,024,426
11.3 Other than Full-Time Permanent Positions	29,115	30,459	30,459
11.5 Other Personnel Compensation	121,088	110,104	110,835
11.8 Special Personal Services Payments	30,903	31,190	31,190
11.9 Personnel Compensation (Total)	**3,195,156**	**3,189,263**	**3,196,910**
12.1 Personnel Benefits	1,147,736	1,169,490	1,173,134
13.0 Benefits to Former Personnel	633	783	782
Total Personnel and Compensation Benefits	**$4,343,525**	**$4,359,536**	**$4,370,826**
21.0 Travel	53,354	70,464	75,364
22.0 Transportation of Things	3,473	7,844	10,883
23.1 Rental Payments to GSA	4		
23.2 Rent Payments to Others	233	270	282
23.3 Communications, Utilities, & Misc	1,721	1,925	2,012
24.0 Printing & Reproduction	1,988	2,371	2,422
25.1 Advisory & Assistance Services	114,963	108,991	116,444
25.2 Other Services	38,394	40,121	41,635
25.3 Purchase of Goods & Services from Govt. Accounts	33,110	45,494	46,408
25.4 Operation & Maintenance of Facilities	11	10	11
25.6 Medical Care	5	43	43
25.7 Operation & Maintenance of Equipment	927	1,790	3,749
26.0 Supplies and Materials	20,682	21,827	22,630
31.0 Equipment	6,412	6,419	7,666
32.0 Land and Structures	6	3	3
42.0 Insurance Claims & Indemnities	3,992	923	942
91.0 Unvouchered	4,200	3,969	4,048
Total Non-Personnel	**$283,475**	**$312,464**	**$334,542**
New Appropriated Resources	**$4,627,000**	**$4,672,000**	**$4,705,368**
Budget Activities:			
Investigations	581,680	597,658	614,046
Exam & Collections	3,875,098	3,894,129	3,923,583
Regulatory	170,222	180,213	167,739
New Appropriated Resources	**$4,627,000**	**$4,672,000**	**$4,705,368**
FTE	**34,789**	**34,049**	**34,182**

See footnotes in 1.1 -- Appropriations Detail Table

2.3 – Appropriation Detail Table

Dollars in thousands

Enforcement Appropriated Resources	FY 2018 Enacted		FY 2019 Annualized CR		FY 2020 Request		Change FY 2019 to FY 2020 Request		% Change FY 2019 to FY 2020 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Investigations	2,950	581,680	2,893	597,658	2,964	614,046	71	16,388	2.45%	2.74%
Exam and Collections	30,876	3,875,098	30,084	3,894,129	30,209	3,923,583	125	29,454	0.42%	0.76%
Regulatory	963	170,222	1,072	180,213	1,009	167,739	(63)	(12,474)	-5.88%	-6.92%
Subtotal New Appropriated Resources	**34,789**	**$4,627,000**	**34,049**	**$4,672,000**	**34,182**	**$4,705,368**	**133**	**$33,368**	**0.39%**	**0.71%**
Other Resources:										
Reimbursables	57	32,177	64	34,571	64	36,300		1,729		5.00%
Offsetting Collections - Non Reimbursables		26,069		37,719		39,605		1,886		5.00%
User Fees				43				(43)		-100.00%
Recovery from Prior Years		3,347		4,000		4,000				
Unobligated Balances from Prior Years		28,702		14,175		55,990		41,815		294.99%
Transfers In/Out		76		1,000				(1,000)		-100.00%
Resources from Other Accounts										
Subtotal Other Resources	**57**	**$90,371**	**64**	**$91,508**	**64**	**$135,895**		**$44,387**		**48.51%**
Total Budgetary Resources	**34,846**	**$4,717,371**	**34,113**	**$4,763,508**	**34,246**	**$4,841,263**	**133**	**$77,755**	**0.39%**	**1.63%**

See footnotes in 1.1--Appropriations Detail Table

2C – Investigations *($614,046,000 in direct appropriations, and an estimated $35,831,000 from reimbursable programs):* This budget activity funds the Criminal Investigation (CI) programs that explore potential criminal and civil violations of tax laws; enforce criminal statutes relating to violations of tax laws and other financial crimes; and recommend prosecution as warranted. The program activities include:

- *General Management and Administration* supports the headquarters management activities of strategic planning, communications, finance, and human resources for CI activities.
- *Identity Theft*, through CI's collaboration with internal and external business partners, combats the inherent risks of Stolen Identity Refund Fraud (SIRF) by focusing on significant tax investigations, prosecutions to maximize deterrence, and preventing the IRS from issuing fraudulent refunds.
- *CI* supports the enforcement of criminal statutes relating to violations of internal revenue laws and other financial crimes. CI investigates cases of suspected intent to defraud involving both legal and illegal sources of income and recommends prosecution as warranted. This includes the investigation and prosecution of tax and money-laundering violations associated with narcotics organizations.
- *Criminal Tax Legal Support* provides legal advice and support from IRS Counsel to CI.
- *International Investigations* supports international investigations involving U.S. citizens residing abroad, non-resident aliens, expatriates (U.S. citizens living abroad who have renounced their citizenship), and investigations involving other international issues, including legal support (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion, Corporations, Non-Profits, Pension Plans, etc.).
- *Cybersecurity* supports CI's cyber-efforts around inherent risks to CI's networks and systems, while focusing enforcement and investigative actions on the criminals that

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

Description of FY 2018 Performance

CI serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law. CI uses the following measures to evaluate its success in achieving its mission.

In FY 2018, CI completed 3,051 criminal investigations, exceeding the year-end target of 3,000. Overall performance in FY 2018 continued to be affected by a steady decrease in the number of special agents as well as CI's focus on traditional tax case programs, which tend to have a longer cycle time. Cases of a legal and illegal source nature decreased 3.1 percent and 6.5 percent, respectively, while narcotics cases increased 11 percent compared to FY 2017. Legal source cases include people that earn their income legally, but willfully violate the tax laws (i.e. Tax Evasion). Illegal cases include income from sources such as embezzlement, mortgage fraud, telemarketing fraud, money laundering, etc. Narcotics cases are similar to illegal, these cases are specific to profit, and financial gains of organized drug groups involved in narcotics trafficking and/or narcotics/money laundering. CI will continue to utilize proven case development strategies, expand case development efforts, and leverage interagency partnerships to identify, initiate, and complete criminal investigations in all program areas, based on projected staffing, the IRS reduced its FY 2019 target to 2,800 completed investigations and its FY 2020 target to 2,700 completed investigations.

In FY 2018, the number of criminal convictions was 1,879, an 18.3 percent decrease compared to FY 2017 and slightly below the target of 1,900. Fewer special agents has led to a decline in the number of cases initiated and consequently in the number of cases recommended for prosecution, which contributed to lower inventory levels in the judicial process. Despite this decline, quality investigations initiated and completed in previous years continue to be recommended for prosecution and are processed by the Department of Justice (DOJ). CI management will continue to ensure appropriate and consistent contact with the DOJ Tax Division and U.S. Attorney Offices regarding prosecutorial priorities and appropriate movement of pipeline investigations. Starting in FY 2019, the IRS will discontinue this measure because it is a component of an existing measure (conviction rate).

The FY 2018 conviction rate was slightly higher than it was in FY 2017 (91.7 percent vs. 91.5 percent) but below the year-end target of 92 percent, because of attrition, case complexity, and bandwidth at partner agencies. Acquittals and dismissals decreased by 31.3 percent and 19.8 percent, respectively, compared to FY 2017. Appropriate case selection and effective field performance continue to increase the number of cases resulting in convictions and likely mitigated other effects. Consequently, CI's rate of conviction, one of the highest in federal law enforcement, continues to be a strong indicator of investigative quality. Since CI does not prosecute its own cases, it must depend on DOJ's ability to accept its cases for prosecution and to move such cases through the courts. CI management will continue to coordinate with the DOJ Tax Division and U.S. Attorney Offices on prosecutorial priorities and on the appropriate movement of pipeline investigations to ensure a high rate of conviction and to meet the FY 2019 and FY 2020 targets of 92 percent.

FY 2020 Changes by Budget Activity

Dollars in thousands

Investigations	FTE	Amount
FY 2019 Annualized CR Level	**2,893**	**$597,659**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$1,165**
Non-Pay		1,165
Subtotal FY 2020 Changes to Base		**$1,165**
FY 2020 Current Services	**2,893**	**$598,824**
Program Changes:		
Program Increases	**71**	**$15,222**
Data Analytics to Enhance Compliance	45	9,958
Prevent Identity Theft	26	5,264
Subtotal FY 2020 Program Increases	**71**	**$15,222**
Total FY 2020 Request	**2,964**	**$614,046**

See footnotes in 1.1 -- Appropriations Detail Table

2.1.3 – Budget and Performance Report and Plan

Dollars in thousands

Investigations Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources[1]	$601,740	$601,665	$591,449	$589,295	$581,680	$597,658	$614,046
Reimbursable Resources[2]	27,133	29,957	29,053	33,618	28,295	34,125	35,831
User Fees[2]							
Budget Activity Total	**$628,873**	**$631,622**	**$620,502**	**$622,913**	**$609,975**	**$631,783**	**$649,877**

[1]The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

Investigations Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Criminal Investigations Completed (Ot)	4,606	4,486	3,721	3,089	3,051	3,000	2,800	2,700
Number of Convictions (Oe)[1]	3,110	2,879	2,672	2,300	1,879	1,900	DISC	
Conviction Rate (Oe)	93.4%	93.2%	92.1%	91.5%	91.7%	92.0%	92.0%	92.0%

Key: Oe - Outcome Measure, Ot - Output/Workload Measure
[1]Discontinued (DISC) for FY 2019

2D – Exam and Collections *($3,923,583,000 in direct appropriations and an estimated $107,000 from reimbursable programs)*: This budget activity funds programs that enforce the tax laws and increase compliance through examination and collection programs that ensure proper payment and tax reporting. This budget activity also includes campus support of the Questionable Refund program and appeals and litigation activities associated with exam and collection. The program activities include:

- *Compliance Services Management* supports management associated with exam and compliance program activities.
- *Payment Compliance – Correspondence Collection* supports IRS collection activities by initiating contact and collecting delinquent taxpayer liabilities through written notices and other means.

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

- *Unit General Management and Administration* provides staffing, training, and direct support for headquarters management activities of strategic planning, communication and liaison, finance, human resources, equity, diversity and inclusion, business system planning, and embedded training.
- *EITC Management and Administration* supports headquarters management associated with administering the Earned Income Tax Credit (EITC) program.
- *Integrity & Verification Operations* supports civil fraud detection and prevention efforts in a pre-refund environment including monitoring performance and developing policy, procedures, and guidance for processing civil revenue protection programs.
- *ID Theft Victim Assistance* has end-to-end responsibility and accountability for identity theft victim assistance policy and operations, which includes paper inventories from tax related- ID theft, the Identity Theft Protection Specialized Unit (IPSU), and Return Preparer Misconduct.
- *Whistleblower Office* provides staffing, training, and direct support to process, assess, and analyze tips from individuals who identify tax problems in the course of their daily business, regardless of where encountered (including workplace).
- *Communications and Liaison* coordinates local government and liaison relationships; manages congressional, state, and national stakeholder relationships and issues; coordinates crosscutting issues, including audit management and legislative implementation; manages national media contacts and local media relationships; and ensures compliance with disclosure and privacy laws.
- *Return Integrity, Verification & Program Management* provides policy and program oversight of revenue protection efforts such as detection, prevention and treatment of improper refunds (identity theft and non-compliance), including managing systemic solutions regarding payment of valid refund claims and the development of innovative technology solutions supporting service-wide revenue protection strategies.

<u>*Description of FY 2018 Performance – Exam*</u>

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

In FY 2018, Individual Exam Coverage was 0.6 percent, meeting the target. There IRS completed about 22,000 fewer individual audits, a 2.5 percent decrease compared to FY 2017. Examination will continue to address cycle time, length of audits, work in process and planned starts to maintain the current level of closures and ensure it meets future targets. The IRS will balance this data with the current level of attrition and projected hiring. For FY 2019 and FY 2020, the IRS will lower the target to 0.5 percent due to fewer staff available to work cases and the increase in the number of individual filers.

In FY 2018, the Field Exam National Quality Review Score was 89.1 percent, exceeding the target of 84.4 percent. Examination analyzes quality data trends and the effect of organizational changes on quality scores. This measure will be discontinued from budget reporting in FY 2019 because the quality scores have been relatively constant

In FY 2018, Office Exam Quality was 87.2 percent, exceeding the target of 86.7 percent. Improvement efforts included delivery of educational workshops, completion of case closing check sheets and the use of job aids. This measure will be discontinued from budget reporting starting in FY 2019 because the quality scores have been relatively constant over the years. The Program Office will continue to monitor the scores to improve quality.

The Examination Quality – Large Business measure is calculated through a review of a statistically valid random sample of closed large-business return cases. Case scores are based on the percentage of elements passed within each of the three Examination audit standards (planning, executing, and resolving). In FY 2018, Examination Quality – Large Business was 76 percent, 14 percentage points below the target of 90 percent. The decline in the Examination Quality Score is a result of low scores in all three audit standards. Actions taken to improve scores include: considering the filing/compliance requirements of related tax returns and subsequent year tax returns; documenting the reconciliation of the internal financial information to the tax return; and documenting the audit trail and techniques used for resolving the case. This measure will be discontinued from budget reporting in FY 2019 because the quality scores have been flat over the last two years and are not directly affected by funding levels. The Program Office will continue to monitor the scores to improve quality.

The Examination Coverage – Business (Assets > $10 million) measure is calculated by taking the total number of LB&I returns with assets of more than $10 million, including all partnerships examined and closed by LB&I during the current fiscal year, divided by total filings for the preceding calendar year. In FY 2018, Business Examination Coverage was 2.2 percent, below the target of 2.4 percent. The IRS's Large Business & International Division met the mid-size corporations closure FY 2018 target but fell short of the target for flow-thru and high-corporation closures. Factors contributing to the FY 2018 performance shortfall included suspension of new inventory for a period in FY 2017 while workload selection methods were reviewed, and fewer resources available to close large business returns because of higher than predicted attrition and Federal Emergency Management Agency disaster assistance. In addition, resources were redirected to develop and implement compliance campaigns. Some of the campaigns involve new compliance treatment streams that use methods other than examining returns, which results in fewer return closures. The FY 2019 target is 2.2 percent. 1.5 percent in 2020.

In FY 2018, Exam Efficiency - Individual (the number of closures divided by the total Exam FTE) was 131, below the target of 134. While 9.5 percent fewer FTEs were expended for FY 2018 in closing individual returns, Examination completed 22,600 fewer individual audits, only a 2.5 percent decrease compared to FY 2017. Examination will continue to address cycle time, length of audits, work in process and planned starts to maintain the current level of closures to ensure it meets FY 2019 targets. The FY 2019 Exam Efficiency – Individual is 109 and the FY 2020 target is 121.

The Automated Underreporter (AUR) Efficiency measure is calculated by taking the total number of W&I and SB/SE contact closures (a closure resulting from a case where IRS made contact) divided by the total FTEs, including overtime. In FY 2018, AUR Efficiency was 2,205, exceeding the year-end target of 2,133, a one percent improvement compared to FY 2017. This measure will be discontinued from budget reporting in FY 2019.

The AUR Coverage measure is calculated by taking the total number of contact closures divided by total prior calendar year individual filings. In FY 2018, AUR Coverage was 2.0 percent, exceeding the target of 1.9 percent. Examination will monitor resources, work in process, and planned starts to ensure future targets are met. The target in FY 2019 is 1.6 percent for FY 2019 and 1.7 percent for FY 2020

The Time to Start Compliance Resolution is a new measure and will be used as an indicator in FY 2019. It is the percentage of all individual income tax enforcement cases started within six months of the return posting date. It will reflect the effect of expedited issue detection and more integrated enforcement approaches. It supports expedited document matching, enhanced anomaly detection leading to faster issue identification, and data and analytics to improve issue identification and treatment selection.

Time to Resolve Compliance Issue After Filing is a new measure and will be used as an indicator in FY 2019. It measures the average time (in days) it takes to close all individual income tax enforcement cases. This measure reflects the complete life cycle from return filing to resolution. It will reflect the effect of process enhancements, such as new self-correction capabilities, including Online Account. It supports expedited document matching and enhanced anomaly detection, which will lead to faster issue identification.

Repeat Non-Compliance Rate is a new measure and will be used as an indicator in FY 2019. It measures the percentage of individual taxpayers with repeat non-compliance two years after the initial tax year for filing, payment, or reporting compliance. This measure supports expedited document matching, enhanced anomaly detection leading to faster issue identification, and Enterprise Case Management. It also promotes improved customer service through expanded access to new self-correction capabilities and improved behavioral analytics. It allows the IRS to better understand and change non-compliant taxpayer behavior.

Description of FY 2018 Performance – Collection

The Collection program collects delinquent taxes, secures delinquent tax returns through the fair and equitable application of tax laws, and provides education to customers to promote future compliance. The performance goals that the IRS uses to gauge collection program performance are discussed below.

The Collection Coverage measure is calculated by taking the total volume of collection work disposed (i.e., completed) divided by total collection work available. In FY 2018, Collection Coverage was 41.6 percent, exceeding the target of 38.6 percent. Net dispositions decreased 1 percent compared to FY 2017 (20.4 million vs. 20.6 million). Beginning Inventory, and Returned to Inventory cases decreased 0.6 percent and 6.9 percent, respectively, while New Issuance Receipts and Reissuances increased 13.5 percent and 75 percent, respectively. The IRS will set a target of 40.1 percent for FY 2019 and 38.3 percent in FY 2020 based on the most recent disposition and inventory projections.

The Collection Efficiency measure is the volume of collection work disposed divided by total collection FTE. In FY 2018, Collection Efficiency was 2,216, exceeding the target of 2,101. While FTEs declined almost 5 percent, total closures decreased only one percent compared to FY 2017 with improved efficiency (2,216 vs. 2,135). This measure will be discontinued from budget reporting in FY 2019.

The Field Collection Quality measure is calculated by taking the quality attributes reviewed and determined to be correct by a third-party quality reviewer divided by the total number of quality attributes reviewed. In FY 2018, the Field Collection National Quality Review Score was 79.2 percent, exceeding the target of 78 percent. The advanced technical training conducted in FY 2018 was a major contributor to improved quality scores. This measure will be discontinued from budget reporting in FY 2019 but maintained by the program office as required by the IRS Restructuring and Reform Act of 1998.

The Automatic Collection System (ACS) Accuracy measure reflects the percentage of correct responses from a random weighted sampling of calls selected for quality review by the Centralized Quality Review System. In FY 2018, the ACS Accuracy was 94.0 percent, below the target of 95 percent. Factors such as new hires and more complex work contributed to the shortfall. Additionally, two new call sites in Ogden and Cincinnati stood up and were added to the quality results in May 2018. This measure will be discontinued from budget reporting in FY 2019.

The Cost to Collect $100 (in cents) measure is an existing metric that has not been reported with the Budget request before and will be used as an indicator in FY 2019. This measure is computed as total operating costs divided by gross collection divided by 100.

FY 2020 Changes by Budget Activity

Dollars in thousands

Exam and Collections	FTE	Amount
FY 2019 Annualized CR Level	**30,084**	**$3,894,129**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$4,630**
Non-Pay		4,630
Efficiency/Savings		**($700)**
Non-Recur for Section 112 Tax Reform Funding		(700)
Subtotal FY 2020 Changes to Base		**$3,930**
FY 2020 Current Services	**30,084**	**$3,898,059**
Program Changes:		
Program Increases	**130**	**$25,524**
Data Analytics to Enhance Compliance	129	18,422
Prevent Identity Theft	1	7,102
O&M of Critical Systems		
Subtotal FY 2020 Program Increases	**130**	**$25,524**
Total FY 2020 Request	**30,214**	**$3,923,583**

See footnotes in 1.1 -- Appropriations Detail Table

2.1.4 – Budget and Performance Report and Plan

Dollars in thousands

Exam and Collections Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources[1]	$4,154,342	$4,018,292	$3,945,578	$3,901,041	$3,875,098	$3,894,129	$3,923,583
Reimbursable Resources[2]		640	456	450	3,289	102	107
User Fees[2]			36			43	
Budget Activity Total	**$4,154,342**	**$4,018,932**	**$3,946,070**	**$3,901,491**	**$3,878,387**	**$3,894,274**	**$3,923,690**

[1]The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

Exam and Collections Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Examination Coverage - Individual (Oe)	0.9%	0.8%	0.7%	0.6%	0.6%	0.6%	0.5%	0.5%
Field Exam National Quality Review Score (Oe)[1]	88.4%	86.7%	86.8%	85.0%	89.1%	84.4%	DISC	
Office Exam National Quality Review Score (Oe)[1]	90.6%	88.3%	88.4%	87.9%	87.2%	86.7%	DISC	
Examination Quality - Large Business (Oe)[1]	83.0%	86.0%	83.0%	78.0%	76.0%	90.0%	DISC	
Examination Coverage - Business (Assets > $10 million) (Oe)	4.3%	3.9%	3.0%	2.5%	2.2%	2.4%	2.2%	1.5%
Examination Efficiency - Individual (E)	138	148	143	121	131	134	122	122
Automated Underreporter (AUR) Efficiency (E)[1]	1,935	2,209	2,196	2,188	2,205	2,133	DISC	
Automated Underreporter (AUR) Coverage (E)	2.6%	2.3%	2.3%	2.2%	2.0%	1.9%	1.6%	1.7%
Time to Start Compliance Resolution (E, L)[2]						N/A	Indicator	
Time to Resolve Compliance Issue After Filing (E)[2]						N/A	Indicator	
Repeat Non-Compliance Rate (Ot)[2]						N/A	Indicator	
Collection Coverage - Units (Ot)	45.9%	46.3%	43.4%	42.2%	41.6%	38.6%	40.1%	38.3%
Collection Efficiency - Units (E)[1]	2,051	2,448	2,266	2,135	2,216	2,101	DISC	
Field Collection National Quality Review Score (Ot)[1]	81.6%	79.2%	79.2%	76.7%	79.2%	78.0%	DISC	
Automated Collection System (ACS) Accuracy (Oe)[1]	95.2%	95.3%	95.4%	94.7%	94.0%	95.0%	DISC	
Cost to Collect $100 (in cents) (E)[2]	0.38	0.35	0.35	0.34		Indicator		

Key: Oe - Outcome Measure, E - Efficiency Measure, L - Strategic Plan Goal, Ot - Output/Workload Measure
[1]Discontinued (DISC) for FY 2019
[2]New measure added for FY 2019

2E – Regulatory (*$167,739,000 in direct appropriations and an estimated $362,000 from reimbursable programs):* This budget activity funds the development of published IRS guidance materials; interpretation of tax laws; internal advice to IRS on general non-tax legal issues; enforcement of regulatory rules, laws, and approved business practices; and support for taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The activities include:

- *Tax Law Interpretation and Published Guidance* interprets tax law through published guidance, technical advice, and other technical legal services.
- *General Legal Services* provides advice to the IRS on non-tax legal issues, including procurement, personnel, labor relations, equal employment opportunity, fiscal law, tort claims and damages, ethics, and conflict of interest.

- *Rulings and Agreements* applies the tax law to specific taxpayers in the form of pre-filing agreements, determination letters, advance pricing agreements, and other pre-filing determinations and advice.
- *International Regulatory Legal Support* supports Counsel's work in tax law interpretation and rulings and agreements related to international issues.
- *Return Preparer Strategy* provides staffing, training, and direct support associated with the Return Preparer Strategy.
- *Office of Professional Responsibility* identifies, communicates, and enforces *Treasury Circular 230* standards of competence, integrity, and conduct of those who represent taxpayers before the IRS, including attorneys, Certified Public Accountants (CPAs), enrolled agents, enrolled actuaries and appraisers, and other professionals.

Description of FY 2018 Performance

Tax Exempt and Government Entities (TE/GE) Determination Case Closures includes both applications for tax-exempt status for employee retirement plans and applications from various charitable entities seeking tax-exempt status. The IRS reviews applications to determine eligibility and closes them upon approval or disapproval. In FY 2018, TE/GE completed 98,249 Determination Case Closures, exceeding the target of 94,103. Employee Plans (EP) Determinations Division of TE/GE began the year with 71 technical employees. With a significant decrease in submissions, in November 2017, EP Determinations Division started to realign non-Determination work to all employees. This process allowed for additional support for the Voluntary Compliance and EP Exam Divisions within TE/GE to assist with their workload. Exempt Organization (EO) Determinations will explore ways to increase the number of closures in a shorter period, thus striving to close more cases in FY 2019 than originally planned through piloting new methods. This measure will be discontinued from budget reporting in FY 2019

FY 2020 Changes by Budget Activity

Dollars in thousands

Regulatory	FTE	Amount
FY 2019 Annualized CR Level	**1,072**	**$180,213**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$454**
Non-Pay		454
Efficiency/Savings		**($13,017)**
Reduce Contractual Services		(1,717)
Non-Recur for Section 112 Tax Reform Funding		(11,300)
Subtotal FY 2020 Changes to Base		**($12,563)**
FY 2020 Current Services	**1,072**	**$167,650**
Program Changes:		
Program Increases	**1**	**$88**
Data Analytics to Enhance Compliance	1	88
O&M of Critical Systems		
Subtotal FY 2020 Program Increases	**1**	**$88**
Total FY 2020 Request	**1,073**	**$167,738**

See footnotes in 1.1 -- Appropriations Detail Table

2.1.5 – Budget and Performance Report and Plan

Dollars in thousands

Regulatory Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources[1]	$158,415	$147,605	$137,245	$131,662	$170,222	$180,213	$167,739
Reimbursable Resources[2]	792	363	202	160	593	344	362
User Fees[2]	13,241	18,485	9,233	9,537			
Budget Activity Total	**$172,448**	**$166,453**	**$146,680**	**$141,359**	**$170,815**	**$180,557**	**$168,101**

[1]The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

Regulatory Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
TE/GE Determination Case Closures (Ot)[1]	136,746	111,940	99,973	102,749	98,249	94,103	DISC	

Key: Ot - Output/Workload Measure

[1]Discontinued (DISC) for FY 2019

Operations Support

Appropriation Description

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

The Operations Support budget request for FY 2020 is $4,075,021,000 in direct appropriations and 10,683 FTE, excluding the proposed program integrity cap adjustment. This is an increase of $241,021,000, or 6.29 percent, and 343 FTE more than the FY 2019 Annualized Continuing Resolution of $3,834,000,000 and 10,340 FTE. The FY 2019 Annualized Continuing Resolution level includes a $200 million inter-appropriation transfer from Enforcement to Operations Support to cover anticipated operations and maintenance requirements in FY 2019.

2.1 – Budget Adjustments Table

Dollars in thousands

Operations Support Summary of Proposed FY 2020 Request	FTE	Amount
FY 2019 Annualized CR Level[1]	10,340	$3,834,000
Changes to Base:		
Other Adjustments	163	$101,636
Offset to O&M for Critical IT Systems	163	101,636
Maintaining Current Levels (MCLs)		$41,155
Non-Pay Inflation Adjustment		41,155
Efficiencies/Savings:		($24,804)
Increase e-File Savings		(104)
Space Optimization		(24,700)
Subtotal FY 2019 Changes to Base	163	$117,987
FY 2019 Current Services	10,503	$3,951,987
Program Changes:		
Program Increases		
Data Analytics to Enhance Compliance	16	5,363
Prevent Identity Theft	2	10,122
O&M of Prior-year Enterprise-wide Cybersecurity Investments		6,744
O&M of Critical Systems	162	100,805
Subtotal FY 2019 Program Increases	180	$123,034
Total FY 2020 Budget Request	10,683	$4,075,021

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Operating Levels Table

Dollars in thousands

Operations Support Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 Full-Time Permanent Positions	1,100,060	1,117,741	1,154,274
11.3 Other than Full-Time Permanent Positions	3,980	5,839	5,960
11.5 Other Personnel Compensation	25,111	21,985	22,399
11.8 Special Personal Services Payments	441	472	472
11.9 Personnel Compensation (Total)	**1,129,592**	**1,146,037**	**1,183,105**
12.1 Personnel Benefits	376,366	383,648	394,989
13.0 Benefits to Former Personnel	338	347	347
Total Personnel and Compensation Benefits	**$1,506,296**	**$1,530,032**	**$1,578,441**
21.0 Travel	14,201	18,652	19,268
22.0 Transportation of Things	13,171	12,950	13,240
23.1 Rental Payments to GSA	589,683	590,575	578,055
23.2 Rent Payments to Others	12,050	12,167	12,410
23.3 Communications, Utilities, & Misc	289,783	330,117	356,020
24.0 Printing & Reproduction	24,106	19,161	19,575
25.1 Advisory & Assistance Services	866,878	648,579	741,804
25.2 Other Services	36,840	30,162	38,744
25.3 Purchase of Goods & Services from Govt. Accounts	79,806	82,898	85,534
25.4 Operation & Maintenance of Facilities	186,027	189,244	193,458
25.5 Research & Development Contracts	6		
25.6 Medical Care	14,549	14,966	15,327
25.7 Operation & Maintenance of Equipment	66,654	66,844	81,612
26.0 Supplies and Materials	9,806	8,865	9,099
31.0 Equipment	450,680	272,399	325,549
32.0 Land and Structures	20,225	5,610	6,090
42.0 Insurance Claims & Indemnities	239	779	795
Total Non-Personnel	**$2,674,704**	**$2,303,968**	**$2,496,580**
New Appropriated Resources	**$4,181,000**	**$3,834,000**	**$4,075,021**
Budget Activities:			
Infrastructure	870,360	858,932	853,738
Shared Services & Support	920,283	942,568	953,686
Information Services	2,390,357	2,032,500	2,267,597
New Appropriated Resources	**$4,181,000**	**$3,834,000**	**$4,075,021**
FTE	**10,389**	**10,340**	**10,683**

See footnotes in 1.1 -- Appropriations Detail Table

2.3 – Appropriation Detail Table

Dollars in thousands

Operations Support Appropriated Resources	FY 2018 Enacted		FY 2019 Annualized CR		FY 2020 Request		Change FY 2019 to FY 2020 Request		% Change FY 2019 to FY 2020 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Infrastructure		870,360		858,932		853,738		(5,194)		-0.60%
Shared Services and Support	4,315	920,283	4,269	942,568	4,287	953,686	18	11,118	0.42%	1.18%
Information Services	6,074	2,390,357	6,071	2,032,500	6,396	2,267,597	325	235,097	5.35%	11.57%
Subtotal New Appropriated Resources	**10,389**	**$4,181,000**	**10,340**	**$3,834,000**	**10,683**	**$4,075,021**	**343**	**$241,021**	**3.32%**	**6.29%**
Other Resources:										
Reimbursables	69	69,257	84	48,822	84	51,263		2,441		5.00%
Offsetting Collections - Non Reimbursables										
User Fees		205,052		411,000		427,000		16,000		3.89%
Recovery from Prior Years		9,752		10,830		11,741		911		8.41%
Unobligated Balances from Prior Years		91,901		192,377		63,482		(128,895)		-67.00%
Transfers In/Out		36,770								
Resources from Other Accounts										
Subtotal Other Resources	**69**	**$412,732**	**84**	**$663,029**	**84**	**$553,486**		**($109,543)**		**-16.52%**
Total Budgetary Resources	**10,458**	**$4,593,732**	**10,424**	**$4,497,029**	**10,767**	**$4,628,507**	**343**	**$131,478**	**3.29%**	**2.92%**

See footnotes in 1.1--Appropriations Detail Table

2F – Infrastructure *($853,738,000 in direct appropriations and an estimated $730,000 from reimbursable programs):* This budget activity funds administrative services related to space and housing, rent and space alterations, building services, maintenance, guard services, and non-IT equipment. The program activities include:

- *Building Delegation* oversees and manages the IRS GSA-delegated buildings, including cleaning, maintenance, utilities, protection, administrative, and recurring and one-time repair costs.
- *Rent* provides resources for all IRS rent needs.
- *Space and Housing/Non-IT Equipment* provides management of all IRS building services, maintenance, space alterations, guard services, custodial overtime, utility service needs, and non-IT equipment.
- *Security* covers all physical security costs, including guard services, security equipment and maintenance, countermeasures, Homeland Security Presidential Directive 12 (HSPD-12) and Treasury Enterprise Identity Credential and Access Management (TEICAM).

<u>Description of FY 2018 Performance</u>

The IRS continued to release excess office space through building closures and consolidations.

The Rentable Square Feet per Person indicator is the amount of rentable square feet the IRS maintains per person requiring space. Through FY 2018, the Rentable Sq. Ft. per Person was 301 compared to 297 in FY 2017. The IRS continued to release excess office space through building closures and consolidations. The IRS released 10 buildings and 492,110 square feet of space from its portfolio in FY 2018, which will generate about $10.5 million in annual rent savings. The IRS expanded the number of offices that incorporate hoteling or shared workspace for employees and contractors who do not require full-time space. The IRS also intends to place new hires in existing space and renew leases at existing sites rather than opening new locations, when cost effective and when permitted by procurement regulations. These and other actions will help limit projected rent cost increases. The IRS also is analyzing how the submission processing ramp downs in Covington, KY and Fresno, CA might affect office space needs at those locations.

FY 2020 Changes by Budget Activity

Dollars in thousands

Infrastructure	FTE	Amount
FY 2019 Annualized CR Level		**$858,932**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$17,176**
Non-Pay		17,176
Efficiency/Savings		**($24,700)**
Space Optimization		(24,700)
Subtotal FY 2020 Changes to Base		**($7,524)**
FY 2020 Current Services		**$851,408**
Program Changes:		
Program Increases		**$2,330**
Data Analytics to Enhance Compliance		1,889
Prevent Identity Theft		441
Subtotal FY 2020 Program Increases		**$2,330**
Total FY 2020 Request		**$853,738**

See footnotes in 1.1 -- Appropriations Detail Table

2.1.6 – Budget and Performance Report and Plan

Dollars in thousands

Infrastructure Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources[1]	$845,558	$833,846	$838,048	$856,655	$870,360	$858,932	$853,738
Reimbursable Resources[2]	16,694	928	626	634	662	695	730
User Fees[2]	17,137					1,000	
Budget Activity Total	**$879,389**	**$834,774**	**$838,674**	**$857,289**	**$871,022**	**$860,627**	**$854,468**

[1]The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

Infrastructure Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Rentable Square Feet per Person (new for FY 2017) (Ot, L)				297	301	Indicator		

Key: Ot - Output/Workload Measure L - Strategic Plan Goal

2G – Shared Services and Support *($953,686,000 in direct appropriations, and an estimated $30,447,000 from reimbursable programs):* This budget activity funds policy management, IRS-wide support for research, strategic planning, communications and liaison, finance, human resources, and equity, diversity, and inclusion programs. It also funds printing and postage, business systems planning, security, legal services, and procurement. The program activities include:

- *National Headquarters Management and Administration* directs the management activities of strategic planning, communications and liaison, finance, human resources, equity, diversity and inclusion programs, business systems planning, embedded training, and the Treasury Franchise Fund. It sets policies and goals, provides leadership and direction for the IRS, and builds partner relationships with key stakeholders (Congress, GAO, OMB, and the Oversight Board). It provides policy guidance for conducting planning and budgeting strategies, conducting analyses of programs and investments to support strategic decision-making, and developing and managing human resources. It also includes official reception and representation expenses.
- *Facilities Management & Security Services* provides facilities and security services to deliver a safe, secure and optimal work environment to IRS customers.
- *Procurement* supports the procurement function of the IRS.
- *Equity, Diversity and Inclusion Field Services* provides staffing, training, and direct support to plan and manage the IRS's Equity, Diversity and Inclusion program.
- *Communications and Liaison* coordinates local government and liaison relationships; handles congressional, state, and national stakeholder relationships and issues; coordinates cross-cutting issues, including managing audits and legislative implementation; handles national media contacts and local media relationships; and ensures IRS-wide compliance with disclosure and privacy laws.
- *Employee Support Services* plans and manages financial services, including relocation, travel, purchase cards, corporate express, and employee clearances.
- *Treasury Complaint Centers* plan and manage the Treasury Complaint Centers.
- *Shared Support not provided by Agency-Wide Shared Services* provides resources for shared cross-functional support, such as postage meters, shredders, courier services, and post office boxes.
- *Printing and Postage – Media and Publications* provides operating divisions with printing and postage, including shipping of taxpayer and internal-use materials.
- *Statistics of Income* provides resources for researching annual income, financial, and tax data from tax returns filed by individuals, corporations, and tax-exempt organizations.
- *Research* provides resources for market-based research to identify compliance issues, for conducting tests of treatments to address noncompliance, and for the implementation of successful strategies to address taxpayer noncompliance behavior.
- *Protection of Sensitive Information* manages and oversees the staffing, training, equipment, and direct support for the protection of IRS employees, facilities, and assets, and the protection and proper use of identity information.
- *Wage and Investment (W&I) Business Modernization Support* provides staffing, training, and direct support for W&I's enterprise-wide business modernization efforts, including Customer Account Data Engine 2 (CADE 2) and Account Management Services (AMS) technology solutions, and re-engineered business processes.

<u>Description of FY 2018 Performance</u>

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

Human Capital

The future of the IRS depends on a workplace culture that empowers employees to improve the taxpayer experience and uphold the tax code fairly. In FY 2018, the IRS:

- Worked with all Treasury Bureaus to procure a Treasury-wide Integrated Talent Management (ITM) system. Continued to focus on encouraging the transfer of institutional knowledge and developed three strategies for a Service-wide approach to knowledge management solutions based on four best practice pillars: promote collaboration (Connect), knowledge capture before employee separation (Learn), data sharing (Share), and build employee expertise (Improve). These strategies include:
    - A centralized online content repository (virtual library and video library) to capture and transfer best practices from an experienced workforce
    - A learning portal designed to consolidate various resources into a one-stop site for all aspects of training, course development, curriculum development, and career enhancement; and
    - A corporate interactive platform to identify and transfer knowledge and expertise across all IRS business organizations.

Security

Security of taxpayer data and providing a secure environment for employees are of utmost importance to the IRS. In FY 2018, the IRS:

- Continued to improve the physical security of IRS facilities against internal and external threats
- Improved authentication by launching a tool, *Identity Verify* (IDVerify), for the Taxpayer Protection Program (TPP), that allows taxpayers to answer three simple questions to confirm their identity and validate suspected identity theft returns with functions such as *See Balance Due* and a link to *Make a Payment*.
- Developed indicators and models to detect and prevent fraudulent activity in IRS online applications.

The IRS worked on several initiatives related to the Security Summit, a collaborative effort between the IRS, state tax administrators and private-sector tax partners. In FY 2018, the IRS:

- Conducted awareness campaigns for tax professionals – Protect Your Clients; Protect Yourself: Don't Take the Bait – and for taxpayers – National Tax Security Awareness Week – because everyone has a role in fighting identity theft.
- Held a summer campaign – Protect Your Clients; Protect Yourself: Tax Security 101 – which featured 10 news releases. In addition to raising awareness, the series helped support identity theft education efforts at five Nationwide Tax Forum sessions attended by more than 10,000 tax professionals.
- Conducted the second Tax Security Awareness Week, which generated news articles across the country following 32 local press and partner events. In all, 24 state revenue departments and dozens of other partner groups participated.

Research

The IRS invests in research to improve its ability to make data-driven decisions to improve operational outcomes. In FY 2018, the IRS delivered the first *Enterprise Research Plan*, a comprehensive document that contains active links to the Research and Analytic Project Repository and a database of more than 1,200 active and closed research projects.

The plan established a new data and analytics steering group to create an enterprise framework to improve coordination, decision making, and alignment of data and analytics initiatives across business units.

Dollars in thousands

Shared Services and Support	FTE	Amount
FY 2019 Annualized CR Level	**4,270**	**$942,568**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$7,246**
Non-Pay		7,246
Subtotal FY 2020 Changes to Base		**$7,246**
FY 2020 Current Services	**4,270**	**$949,814**
Program Changes:		
Program Increases	**16**	**$3,872**
Data Analytics to Enhance Compliance	14	2,189
Prevent Identity Theft	2	1,683
Subtotal FY 2020 Program Increases	**16**	**$3,872**
Total FY 2020 Request	**4,286**	**$953,686**

See footnotes in 1.1 -- Appropriations Detail Table

2.1.7 – Budget and Performance Report and Plan

Dollars in thousands

Shared Services and Support Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources[1]	$1,127,931	$1,126,230	$1,090,192	$964,702	$920,283	$942,568	$953,686
Reimbursable Resources[2]	19,886	17,126	19,443	19,194	27,995	28,997	30,447
User Fees[2]	7,819	1,768	1,000	1,000	1,000		
Budget Activity Total	**$1,155,636**	**$1,145,124**	**$1,110,635**	**$984,896**	**$949,278**	**$971,565**	**$984,133**

[1]The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

2H – Information Services *($2,267,597,000 in direct appropriations, $20,086,000 in reimbursable resources, and $427,000,000 from user fees):* This budget activity funds staffing, equipment, and related costs to manage, maintain, and operate the information systems critical to the support of tax administration programs. This includes the design and operation of security controls and disaster recovery planning. This budget activity funds the development and maintenance of the millions of lines of programming code that support all aspects and phases of tax processing and the operation and administration of mainframes, servers, personal computers, networks, and a variety of management information systems. The program activities include:

- *Enterprise Program Management Office (EPMO)* provides oversight and project integration into daily IT processes for large-scale development, modernization and enhancement projects. It enables a coordinated, cross-functional project planning, implementation and performance assessment effort aimed at improving IT systems quality, cost and delivery schedule.
- *Security Services* ensures effective security policies and programs to safeguard taxpayer records, IRS employees, facilities, business processes, systems and other resources. The program is responsible for corrective action efforts to establish adequate service-wide security, including Security Policy Support and Oversight, Mission Assurance, and Modernization Security.
- *IT Executive Oversight* provides support to the immediate Office of the Chief Information Officer, and the Stakeholder Management (including Communications Services and Program Oversight). The program provides executive direction for the

IT organization, enabling IT to be a customer-focused supplier of IT solutions that is responsive to customer business priorities and meets functional and operational needs effectively.

- *Application Development* performs the analysis, design, development, testing, and implementation of about 85,000 application programs supporting critical tax processing, management information reporting and financial management support systems for the IRS. This program also supports external trading partner data exchanges with federal government agencies, state and local governments, and other third-party entities. The program controls application source code and deploys applications to the production environment.
- *Enterprise Operations* designs, develops, and maintains IT that supports critical tax processing, management information reporting, and financial management support systems for the IRS. It supports data exchanges with external organizations, such as other federal agencies, state and local governments, and external entities (e.g., employers and banks), and includes a comprehensive disaster recovery capability to ensure continued operations in the event of a major interruption of service.
- *Enterprise Network* provides telecommunications service delivery to all customer segments, including management of day-to-day operations of the telecommunications environment. This includes the operation of equipment and services to meet business user needs and the execution of routine changes for scheduled and unscheduled modifications to the telecommunications infrastructure and applications. It addresses all phases of engineering, acquisition, implementation, and operation of telecommunications systems and services, including voice, video, and data communications.
- *Enterprise Services* plans and manages service and delivery methods used across the IT organization, including demand analysis, enterprise architecture, configuration management, project reporting, enterprise life cycle management, release management, systems engineering, dashboard reporting, and internal management.
- *End User & Network Services* maintains the IRS automated business processes at headquarters and field sites, effectively allowing the IRS to fulfill its missions. The support includes technical systems and applications software support to end users, maintaining legacy operations, local and corporate systems administration activities, email and domain user account maintenance. This activity monitors IRS network and systems administration by utilizing automated management tools. It performs asset management activities, and maintenance of the voice and data infrastructure at the territory offices.
- *Strategy and Planning* provides the management and oversight of investments in IT, demand analysis, project reporting, portfolio management, financial management, acquisition planning, and other IT operational priorities.
- *Information Technology Security Certification and Accreditation* provides design and operations of security controls and the technical mechanisms used by the IRS systems and applications as part of the development of the system security plan, system risk assessment, and IT contingency plan. It also supports security testing and evaluation

as part of the certification process, including time preparing system documentation, interviewing contractors, and responding to information requests.

- *Disaster Recovery* supports activities related to Enterprise Disaster Recovery planning, including testing, evaluations, plan development, and technical and business assessments.
- *Infrastructure Currency* (IC) funds the upgrade or replacement of outdated and aged technology solutions related to the IT hardware, software and applications development product portfolio.
- *IT Infrastructure* centralizes the resources achieved through efficiencies in various parts of IT to ensure that replacement of the aging infrastructure is addressed corporately.

Description of FY 2018 Performance

The Percent of Aged Hardware is a new measure and shows the quantity of IT hardware in operation past its useful life as a percentage of total hardware in use. For FY 2018, the Percent of Aged Hardware was 45.5 percent versus 52.3 percent in FY 2017. The nearly seven percentage point reduction in FY 2018 from FY 2017 was attributable to:

- Replacing nearly 21,000 assets aging during FY 2018 to prevent growth in IRS aged hardware inventory; and,
- Removing certain asset categories (fax machines, low-end printers and scanners) that are no longer being actively refreshed from the aged calculation to define the inventory that is reflective of risk to the Information Technology (IT) environment more accurately.

For FY 2019 and FY 2020, the IRS will lower the target to 43.8 percent and 39 percent respectively, as the IRS continues to dedicate funding to reducing the backlog. The measure definition changed in FY 2018, removing certain asset categories (fax machines, low-end printers and scanners) that are no longer being actively refreshed from the calculation to more accurately define the inventory that is reflective of risk to the IT environment. The IRS will monitor progress against FY 2019 aged hardware replacement targets.

FY 2020 Changes by Budget Activity

Dollars in thousands

Information Services	FTE	Amount
FY 2019 Annualized CR Level	**6,071**	**$2,032,500**
Changes to Base:		
Other Adjustments	**163**	**$101,636**
Offset to O&M for Critical IT Systems	163	101,636
Maintaining Current Levels (MCLs)		**$16,733**
Non-Pay		16,733
Efficiency/Savings		**($104)**
Increase e-File Savings		(104)
Subtotal FY 2020 Changes to Base	**163**	**$118,265**
FY 2020 Current Services	**6,234**	**$2,150,765**
Program Changes:		
Program Increases	**163**	**$116,831**
Data Analytics to Enhance Compliance	1	1,284
Prevent Identity Theft		7,998
O&M of Prior-year Enterprise-wide Cybersecurtiy Investments		6,744
O&M of Critical Systems	162	100,805
Subtotal FY 2020 Program Increases	**163**	**$116,831**
Total FY 2020 Request	**6,397**	**$2,267,596**

See footnotes in 1.1 -- Appropriations Detail Table

2.1.8 – Budget and Performance Report and Plan

Dollars in thousands

Information Services Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources[1]	$1,749,110	$1,641,360	$1,883,667	$1,950,191	$2,390,357	$2,032,500	$2,267,597
Reimbursable Resources[2]	4,734	24,262	19,660	35,307	40,600	19,130	20,086
User Fees[2]	198,206	373,610	263,250	201,584	204,032	410,000	427,000
Budget Activity Total	**$1,952,050**	**$2,039,232**	**$2,166,577**	**$2,187,082**	**$2,634,989**	**$2,461,630**	**$2,714,683**

[1]The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

Information Services Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percent of Aged Hardware (Ot, L)[1]		56.5%	52.2%	52.3%	45.5%	53.1%	43.8%	39.0%

Key: Ot - Output/Workload Measure L - Strategic Plan Goal

[1] This is a new budget level metric; the measure definition changed in FY 2018; removing certain asset categories (fax machines, low-end printers and scanners) that are no longer being actively refreshed from the calculation to more accurately define the inventory that's reflective of risk to the IT environment.

Business Systems Modernization

Appropriation Description

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

The BSM budget request for FY 2020 is $290,000,000 in direct appropriations and 441 FTE. This amount is an increase of $180,000,000, or 163.64 percent, and 80 FTE more than the FY 2019 Annualized Continuing Resolution level of $110,000,000 and 361 FTE.

2.1 – Budget Adjustments Table

Dollars in thousands

Business Systems Modernization Summary of Proposed FY 2020 Request	FTE	Amount
FY 2019 Annualized CR Level[1]	361	$110,000
FY 2019 Current Services	361	$110,000
Program Changes:		
Program Increases		
IRS Technology Modernization Plan	80	180,000
Subtotal FY 2019 Program Increases	80	$180,000
Total FY 2020 Budget Request	441	$290,000

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Operating Levels Table

Dollars in thousands

Business Systems Modernization Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 Full-Time Permanent Positions	32,448	45,455	55,702
11.3 Other than Full-Time Permanent Positions	427	27	27
11.5 Other Personnel Compensation	810	391	535
11.9 Personnel Compensation (Total)	**33,685**	**45,873**	**56,264**
12.1 Personnel Benefits	11,016	13,703	17,095
Total Personnel and Compensation Benefits	**$44,701**	**$59,576**	**$73,359**
21.0 Travel	133	301	437
25.1 Advisory & Assistance Services	63,067	41,625	178,355
25.2 Other Services	9	13	93
25.3 Purchase of Goods & Services from Govt. Accounts	4	5	5
25.7 Operation & Maintenance of Equipment	1,211	561	2,303
26.0 Supplies and Materials	6	17	17
31.0 Equipment	869	7,902	35,431
Total Non-Personnel	**$65,299**	**$50,424**	**$216,641**
New Appropriated Resources	**$110,000**	**$110,000**	**$290,000**
Budget Activities:			
IT Investments	110,000	110,000	290,000
New Appropriated Resources	**$110,000**	**$110,000**	**$290,000**
FTE	**219**	**361**	**441**

See footnotes in 1.1 -- Appropriations Detail Table

2.3 – Appropriation Detail Table

Dollars in thousands

Business Systems Modernization Appropriated Resources	FY 2018 Enacted		FY 2019 Annualized CR		FY 2020 Request		Change FY 2019 to FY 2020 Request		% Change FY 2019 to FY 2020 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Business Systems Modernization	219	110,000	361	110,000	441	290,000	80	180,000	22.16%	163.64%
Subtotal New Appropriated Resources	**219**	**$110,000**	**361**	**$110,000**	**441**	**$290,000**	**80**	**$180,000**	**22.16%**	**163.64%**
Other Resources:										
Reimbursables										
Offsetting Collections - Non Reimbursables										
User Fees		77,418		139,010		30,000		(109,010)		-78.42%
Recovery from Prior Years				3,164		3,164				
Unobligated Balances from Prior Years	236	193,528	120	133,530	100	34,095	(20)	(99,435)	-16.67%	-74.47%
Transfers In/Out										
Resources from Other Accounts										
Subtotal Other Resources	**236**	**$270,946**	**120**	**$275,704**	**100**	**$67,259**	**(20)**	**($208,445)**	**-16.67%**	**-75.60%**
Total Budgetary Resources	**455**	**$380,946**	**481**	**$385,704**	**541**	**$357,259**	**60**	**($28,445)**	**12.47%**	**-7.37%**

See footnotes in 1.1--Appropriations Detail Table

2I – Business Systems Modernization (*$290,000,000 in direct appropriations, and $30,000,000 in user fees):* This budget activity funds the planning and capital asset acquisition of information technology (IT) to modernize IRS business systems, including labor and related contractual costs.

The IRS is implementing its multiyear Modernization Plan to address the long-term sustainability and affordability of its technological environment. The Plan will define the scope of projects, set timelines and target, describe milestones, and ultimately, include outcome measures for the investment.

In FY 2020, the funding for the *Modernization Plan* is reflected in four pillars: ***Taxpayer Experience, Core Taxpayer Services and Enforcement, Modernized IRS Operations, and Cybersecurity and Data Protection*** and is further defined by investments in the Business Systems Modernization appropriation.

Taxpayer Experience: +$40 million / +95 FTE

By funding Taxpayer Experience modernization investments, the IRS expects to achieve the following outcomes and will measure performance using the key indicators in the table below.

Modernization Plan Pillar	**Expected Outcomes**	**Key Performance Indicators**
Pillar 1: Taxpayer Experience	▪ Provide an option for customers to receive a call back rather than wait on the phone ▪ Reduce in-person visits by identity theft victims through an online ID verification service ▪ Make online tax payments easier and more secure	▪ Enterprise Self-Assistance Participation Rate ▪ Percentage (%) of taxpayers offered a callback that accept it ▪ Percentage (%) of notices available electronically

	▪ Enable tax professionals to quickly and securely sign power of attorney online ▪ Communicate digitally with taxpayers	via Taxpayer Digital Communications Online Notice

Web Applications (+$25 million / +91 FTE) – WebApps delivers a secure, unified online experience, accessible through a single online account. It provides taxpayers and business users accurate account information, transparent explanations and next steps to resolve tax-related issues, along with full-service payment options. This allows taxpayers to resolve more issues online with fewer direct interactions with the IRS over the telephone and in person. In FY 2020, Web Applications will continue to develop the capability for taxpayers to create and submit installment agreements online.

Expected Benefits:

- Eliminate the requirement for in-person visits by identify theft victims through an online ID verification service;
- Make online tax payments easier; and
- Enable tax professionals to quickly and securely sign powers of attorney online.

Taxpayer Digital Communications Online Notice ($5 million / 4 FTE) – Taxpayer Digital Communications Online Notice (TDC-ON) will improve the user experience through the proliferation of reliable, user-friendly, secure online services. Funding will be used to develop digital notices through the secure messaging platform that provides communications to taxpayers who prefer that channel over mailed correspondence, including digital chat.

Expected Benefits:

- Increase taxpayer response rate to notices
- Lower the burden on taxpayers and the IRS for tax compliance and enforcement.

Live Assistance - Callback ($10 million / 0 FTE) – In the current IRS Contact Center environment, taxpayers wait in a live queue until a Customer Service Representative (CSR) is available. Wait times have averaged between 6-10 minutes on most of IRS's primary telephone product lines over the past two years. Customer Callback will allow call center customers to keep their place in queue without remaining on the telephone. The system will call customers back when they are next in queue to be assisted by a CSR.

Funding will be used to build a robust callback solution for all toll-free telephone services. In addition, the multi-year solution will provide robust call handling and enhanced call monitoring and reporting to reduce the risk for any additional wait times upon reconnect.

Expected Benefits:

- Reduce wait time on telephone assistance applications for taxpayers and IRS employees; and

- Reduce burden by offering options for a callback or to remain in the live queue.

Core Taxpayer Services and Enforcement: +$160 million / +270 FTE

By funding Core Taxpayer Services and Enforcement modernization investments, the IRS expects to achieve the following outcomes and will measure performance using the key indicators in the table below.

Modernization Plan Pillar	Expected Outcomes	Key Performance Indicators
Pillar 2: Core Taxpayer Services and Enforcement	▪ Fewer system interactions to resolve a business transaction for cases ▪ Streamlined and integrated case management, treatment, and execution across Business Units ▪ Additional revenue protection through at-filing anomaly and fraud detection ▪ Expand data analytics for fraud detection ▪ Modernize Individual Master File (IMF) Core components of posting, settlement, and analysis functions (runs 12 and 15)	▪ Percentage (%) of Business Master File (BMF) tax returns screened by the Return Review Program (RRP) ▪ Number of lines of legacy code converted to modern code

Customer Account Data Engine 2 (CADE2) (+$80 million (+$70 million in direct appropriations and +$10 million in user fees) / +134 FTE) – Since the Individual Master File (IMF) was built almost 60 years ago, the IRS has made additions to the base code to reflect annual tax law changes. As a result, the base code of IMF now reflects every tax law change made since 1962 and includes embedded business logic that only an extremely small number of IRS personnel understand. Funding will be used to re-engineer the IMF core components of posting, settlement and analysis functions for individual taxpayer accounts by applying modern programming languages to the most complex areas of the Individual Master File.

Expected Benefits:

- Simplifies modernization;
- Simplifies subsequent maintenance of system; and
- Allows business logic to be maintained by a broader set of business users rather than a limited number of developers.

Enterprise Case Management ($45 million / 85 FTE) – Enterprise Case Management (ECM) will modernize, upgrade, and consolidate existing case management systems. The IRS has 60+ legacy case management systems built on aging non-modernized platforms. These legacy systems have limited integration to transfer case information, resulting in taxpayer and IRS employee frustration as they must often work with multiple offices/systems to resolve issues. The enterprise platform will have common infrastructure, business functions and services that will allow for transfer of cases across business units. In FY 2020, ECM expects to deliver incremental capabilities and features to the ECM platform, allowing IRS business units to migrate their users to the new platform.

Expected Benefits:

- Providing readily available case data, including relevant historical data;
- Treating and resolving cases seamlessly and consistently across business units;
- Streamlining existing manual processes through enhanced automation;
- Storing electronic case files instead of paper;
- Utilizing a configurable, flexible and scalable COTS case management solution; and
- Simplifying the IT environment.

Return Review Program ($35 million / 50 FTE) – The Return Review Program (RRP) detects, addresses, and prevents tax refund fraud and protects tax revenue. The RRP fraud framework is critical for IRS's success in tackling ever-evolving tax schemes in a sophisticated, scalable and adaptable manner. Since filing season 2015, RRP has protected more than $8.9 billion in confirmed fraud and has a return on investment (ROI) of $18.5 to $1.

The IRS will improve and expand analytical capabilities that protect increasing levels of revenue from individual and business tax return fraud, enable predictive fraud and non-compliance detection, and incorporate tools that reveal patterns and relationships in masses of data to help identify returns that share traits indicative of schemes and other tax fraud or non-compliance. Additionally, IRS will develop fraud detection functionality and enhance automated verification for business returns and research and explore the fraud detection opportunities for foreign account withholding.

Expected Benefits:

- At-filing anomaly and fraud detection to increase revenue protection; and
- Improved access to data from RRP for business analytics and fraud modeling.

Modernized IRS Operations: +$20 million / 15 FTE:

These investments achieve the following outcomes and will measure performance using the key indicators in the table below.

Modernization Plan Pillar	Expected Outcomes	Key Performance Indicators
Pillar 3: Modernized IRS Operations	▪ Automate manual processes using artificial intelligence and other advanced techniques freeing up IRS staff for more value-added work ▪ Quicker software deployment through automating delivery and infrastructure provisioning ▪ Create standard, reusable services and common application programming interface (API) code, reducing duplicative/ “recreate” work for IRS employees ▪ More efficient, scalable, resilient and secure infrastructure	▪ Percentage (%) of Tier 2 software currency (formerly Filing Season System Software Currency) ▪ Percentage (%) of servers using Standard Stack configurations

Robotic Process Automation (+$4 million) – Robotic Process Automation (RPA) is the implementation of smart software designed to perform high-volume, repeatable tasks that are normally labor intensive. The software would be capable of navigating across different IT systems, mimicking the way staff perform certain work functions. These new tools will record the actions an employee takes to complete a computer-based task, then will rapidly replicate those actions as many times as necessary, with more accuracy. This will enhance the speed and accuracy of business process execution and allow IRS staff to focus on other work.

Expected Benefits:

- Labor is freed up for more complex, value-add activities;
- Self-service for employees is increased; and
- Business processes are more accurate and efficient.

Cloud Execution (+$5 million) – Cloud Execution (CX) refers to the implementation of the IRS cloud strategy, leveraging a defined roadmap and process to ensure an effective and accelerated transition to the cloud. Current time-to-market for business applications is lengthened by complex internal architecture, systems, procurement timelines, and capacity – both technical and human resources. Additionally, keeping pace with hardware and software versions and timely application of patches can be difficult and must be prioritized as part of overall workload.

To address this challenge, the IRS is establishing cloud management, security, and governance and identifying potential Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS), and Software-as-a-Service (SaaS) candidates for future migration. This move toward enterprise-wide cloud adoption will provide the IRS with convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be provisioned rapidly and released with minimal management effort or service provider interaction.

Expected Benefits:

- Improve time-to-market;
- Increase operational efficiency and resilience;
- Enable increased innovation; and
- Enhance or maintain appropriate security posture.

NextGen Infrastructure (NGI) (+$10 million) – NGI addresses the aged infrastructure base (i.e., hardware, software, programming language) at the foundation of the IRS's critical systems. Such conditions introduce security risks, excessive system downtime, increased costs, and incompatibilities across systems and programs. The IRS is shifting towards more efficient infrastructure that can more quickly provision and utilize virtual computing, network and storage solutions, and continuous operations monitoring technologies (as well as Cloud configurations on and off premise). NGI will enable the IRS to transform its software delivery using agile and DevOps methodologies, new automation tools, standardization (via Standard Stack configurations) and innovative collaboration practices that will reduce the time it takes to build working software.

Expected Benefits:

- Smaller physical hardware footprint;
- Rapid provisioning of infrastructure and software;
- Limited downtime through insight into end user computing to diagnose and resolve issues rapidly; and
- Improved efficiencies through automated security and functionality testing earlier in the development life cycle.

Application Program Interface (API) (+$1 million) – API includes the creation of an integrated strategy for building common interfaces. Authorized third parties will have easier access and a streamlined data exchange with the IRS through standard, reusable services and common programming code. This effort also addresses security risks by changing the mechanisms by which systems across the IT ecosystem interact.

Cybersecurity and Data Protection: +$80 million / +61 FTE

The Cybersecurity and Data Protection modernization investment will achieve the following outcomes, the performance of which the IRS will measure using the key indicator in the table below.

Modernization Plan Pillar	Expected Outcomes	Key Performance Indicators
Pillar 4: Cybersecurity and Data Protection	▪ Implement Data at Rest Encryption (DARE) ▪ Provide DHS and Treasury with the ability to monitor IRS network ▪ Prevent insider threats	▪ NIST cybersecurity maturity at the IRS

The IRS defends against more than one million cyberattacks daily and has operated strong network perimeter defenses to mitigate threats, detect vulnerabilities, and monitor network security. This investment will fund:

Vulnerability and Threat Management (+$31 million) – The effectiveness of vulnerability and threat management depends on the organization's ability to keep up with current security threats and trends. Investment in this area allows for expanded capabilities and improved execution for the identification and mitigation of vulnerabilities across the disparate, geographically dispersed, IRS technology infrastructure.

Expected Benefits:

- Leverage machine learning and predictive analytics to detect and respond to fraud and internal threat;
- Enhance data collection, cleansing, and events management; and
- Reduce risk of data leaks.

Identity & Access Management (+$25 million) – The risk of unauthorized access to tax accounts continues to grow as the IRS focuses its efforts on delivering online tools to taxpayers. The IRS must control information about users on computers, including information that authenticates the identity of a user and information that describes information and actions they are authorized to access and/or perform.

In addition, the IRS must ensure appropriate access to resources This covers issues such as how users gain an identity, the protection of that identity, and the technologies supporting that protection (e.g., network protocols, digital certificates, passwords, etc.).

Expected Benefits:

- User identity control, privileged access protection, and critical data security; and

- Security compliance for building access.

Security Operations and Management (+$24 million) – The IRS engages in a collection of associated security activities that maintain the ongoing security posture. It consists of the monitoring, maintenance and management of the security aspects of the IT environment, its people, and its processes.

Expected Benefits:

- In-depth real-time intrusion detection;
- Automated malware analysis of email and web-based threats;
- Improved incident analysis and forensic investigation through increased capabilities for capturing network activity; and
- Accelerated detection and response with prioritized cyber threat intelligence.

Architecture Integration and Management (AIM) (+31.9 million): $14 million in user fees (+$17.9 million multi-year funding)

AIM provides engineering management capabilities essential to delivering a program of BSM's magnitude and complexity. It also delivers IRS systems strategy, architecture, and engineering capabilities for the major modernization projects across all technology platforms; IT Infrastructure, Business Applications, Data Management, and IT Security. The AIM program translates enterprise and project objectives into targeted, actionable investments to provide the framework and direction for cohesive, successful modernization. This investment is not considered part of the IRS Integrated Modernization Business Plan.

Core Infrastructure (+$19 million): $6 million in user fees (+$13 million multi-year funding)

Core Infrastructure provides mission-critical services for designing, engineering, testing, and deploying standardized, consolidated, virtual, and secure modernized development and production environments for use by BSM projects. This support effort scales with the development projects in the BSM portfolio. This investment is not considered part of the IRS Integrated Modernization Business Plan.

Description of FY 2018 Performance

The IRS's modernization efforts focus on building and deploying advanced information technology systems, processes, and tools to improve efficiency and productivity. The 2019 and 2020 target is 90 percent.

Major IT (BSM and Non-BSM) Investments*		
Fiscal Year	Percent within +/- 10% Cost Variance	Percent within +/- 10% Schedule Variance
2018	**72.2%**	**83.3%**

Percent of Major IT Investments within +/- 10 percent Cost Variance at the Investment Level: Thirteen of 18 major investments (72.2 percent) were within the cost variance threshold at the end of FY 2018 and below the 90 percent target. Shown below are the investments falling short of the cost variance target.

- **Affordable Care Act Administration (ACA)** the cost underrun is because of all ACA projects being closed out and moved into operations and maintenance (O&M).

- **Customer Account Data Engine 2 (CADE 2)** the cost underrun is caused by the Release 4 Authoritative Data Source (ADS) deployment project being closed out early.

- **Web Applications** cost underruns were caused by the actual spending for the 2018 Agile Development (first half) and Program 11 activities being less than planned.

- **Integrated Financial System/CORE Financial System (IFS)** the cost overrun was due to the need for more contractor support than originally planned.

- **IRS Mainframes and Servers Services and Support (MSSS)** displays a cost underrun due to a project mistakenly entered into Treasury's SharePoint Investment Knowledge Exchange (SPIKE*) and then closed out shortly after.

Percent of Major IT Investments within +/- 10 percent Schedule Variance at the Investment Level: Fifteen of 18 major investments (83.3 percent) were within the schedule variance threshold at the end of FY 2018. Shown below are the investments falling short of the 90 percent schedule variance target.

- **ACA** the schedule variance is showing ahead of schedule due to all ACA projects being closed out and moved into operations and maintenance (O&M).

- **CADE 2**displays an ahead of schedule variance caused by the Release 4 Authoritative Data Source (ADS) deployment project being closed out early.

- **MSSS** displays an ahead of schedule variance due to a project mistakenly entered into Treasury's SharePoint Investment Knowledge Exchange (SPIKE) and then closed out shortly after.

IRS BSM Project Activities

	Business Systems Modernization *Dollars in thousands*	Funding Category[1]	FY 2018 Actuals	FY 2019 Projected Spend	FY 2020 Request	FY 2020 Projected Funding and Spend[2]
Summary	FY 2018 Actuals/FY 2019 Likely Enacted/ FY 2020 CJ Request		110,000	110,000	290,000	290,000
	Carryover balances[3]		192,946	132,900	0	30,900
	User Fees Subtotal		77,418	139,000	30,000	30,000
	Total Funding		**$380,364**	**$381,900**	**$320,000**	**$350,900**
		Capital	92,128	132,053	215,907	226,939
		Support	360	621	734	853
		Labor	76,619	79,326	73,359	93,109
		User Fees	77,418	139,000	30,000	30,000
	Subtotal Projected Spending		***246,525***	***351,000***	***320,000***	***350,900***
	Management Reserve		**0**	**0**	**0**	**0**
	Total FTE		*454*	*481*	*441*	*561*
Pillar	**Total Spending**		**$246,525**	**$351,000**	**$320,000**	**$350,900**
Taxpayer Experience	**Web Applications**		**$39,953**	**$25,000**	**$25,000**	**$25,000**
	Providing easy access to taxpayer information via digital channels. Funding will drive the IRS transition to digital government and supports the long-term vision of migrating services from expensive traditional channels to the internet. To keep pace with the ever changing state of web technology and increasing taxpayer demand for IRS service, the IRS must create and enhance online self-service capabilities for taxpayers, tax practitioners, and internal IRS stakeholders. Web Applications will continue to enhance the taxpayer's experience by providing them the ability to enter into an installment agreement online.	Capital	11,501	9,788	9,788	9,788
		Support	215	170	170	170
		Labor	14,674	15,042	15,042	15,042
		U. Fees	13,562	0	0	0
		FTE	*92*	*91*	*91*	*91*
	Taxpayer Digital Communications - Online Notice		**$0**	**$5,000**	**$5,000**	**$5,000**
	Providing digital notices through the secure messaging platform to taxpayers who prefer that channel over mailed correspondence, including digital chat and online notifications.	Capital	0	5,000	4,300	4,300
		Support	0	0	72	72
		Labor	0	0	628	628
		U. Fees	0	0	0	0
		FTE	*0*	*0*	*4*	*4*
	Live Assistance - Callback		**$0**	**$5,000**	**$10,000**	**$10,000**
	Providing expanded toll-free capacity to enhance Taxpayer communication and provide a foundation for FY 2021 full customer callback capability. Funding will expand toll-free capacity, building toward a robust callback solution that will empower taxpayers with options, when estimated wait times for their desired service meet the business rules for callback.	Capital	0	0	10,000	10,000
		Support	0	0	0	0
		Labor	0	0	0	0
		U. Fees	0	5,000	0	0
		FTE	*0*	*0*	*0*	*0*
	Taxpayer Experience - Subtotal		**$39,953**	**$35,000**	**$40,000**	**$40,000**
	FTE		***92***	***91***	***95***	***95***

IRS BSM Project Activities (continued)

Pillar	Business Systems Modernization *Dollars in thousands*	Funding Category[1]	FY 2018 Actuals	FY 2019 Projected Spend	FY 2020 Request	FY 2020 Projected Funding and Spend[2]
Pillar	**Total Spending**		**$246,525**	**$351,000**	**$320,000**	**$350,900**
Core Taxpayer Services and Enforcement	**Customer Account Data Engine (CADE 2)**		**$69,972**	**$85,000**	**$80,000**	**$80,000**
	Ensuring Taxpayer data is secure. CADE2 will continue work on completion of Java code conversion to modernize Individual Master File core components.	Capital	27,772	24,730	47,730	47,730
		Support	76	105	105	105
		Labor	25,093	22,165	22,165	22,165
		U. Fees	17,030	38,000	10,000	10,000
		FTE	*153*	*134*	*134*	*134*
	Enterprise Case Management		**$34,125**	**$60,000**	**$45,000**	**$45,000**
	Providing a modernized case management platform. Working cases more efficiently to lessen taxpayer burden and increase employee productivity. Continuously deliver incremental capabilities and features to the ECM platform allowing Business Operating Divisions (BODs) to migrate users to the new platform.	Capital	19,276	34,750	30,750	30,750
		Support	51	150	150	150
		Labor	9,001	14,100	14,100	14,100
		U. Fees	5,797	11,000	0	0
		FTE	*56*	*86*	*85*	*85*
	Return Review Program		**$53,871**	**$35,000**	**$35,000**	**$35,000**
	Providing leading-edge technologies to advance the IRS effectiveness in detecting, addressing, and preventing tax refund fraud. RRP continues to evolve and enhance its system capabilities, and in FY 2020 will develop fraud detection functionality and enhance automated verification for business returns and expand the fraud detection functionality for foreign account withholding.	Capital	11,722	26,654	26,654	26,654
		Support	3	77	77	77
		Labor	7,622	8,269	8,269	8,269
		U. Fees	34,523	0	0	0
		FTE	*43*	*50*	*50*	*50*
	Core Tax Administration - Subtotal		**$157,967**	**$180,000**	**$160,000**	**$160,000**
	FTE		***252***	***270***	***270***	***270***
Modernized IRS Operations	**IRS Operations**		**0**	**20,500**	**20,000**	**20,000**
	Providing tactical improvements to streamline IRS operations. The requirement for IT to provide better, more accurate service with fewer resources is ultimately the need that will drive IT operational efficiency to perform at its best. Toward this goal, IRS plans to pursue multiyear investments that would allow for a more agile and efficient operation. In FY 2020, the modernizing IRS Operations effort will continue to automate certain processes, define Application Programming Interface strategy, deliver a cloud-based ECM release, and continue to integrate DevOps into business processes.	Capital	0	0	17,372	17,372
		Support	0	0	32	32
		Labor	0	0	2,596	2,596
		U. Fees	0	20,500	0	0
		FTE	*0*	*0*	*15*	*15*
	IRS Operations - Subtotal		**$0**	**$20,500**	**$20,000**	**$20,000**
	FTE		***0***	***0***	***15***	***15***
Cybersecurity and Data Protection	**Cybersecurity**		**$0**	**$64,500**	**$80,000**	**$80,000**
	Enhancing the IRS Cybersecurity posture. The IRS defends more than one million cyberattacks daily and has historically operated strong network perimeter defenses to mitigate threats, detect vulnerabilities, and monitor network security. In FY 2020, IRS will focus on: Vulnerability and Threat Management, Identity and Access Management, and Security Operations and Management.	Capital	0	0	69,313	69,313
		Support	0	0	128	128
		Labor	0	0	10,559	10,559
		U. Fees	0	64,500	0	0
		FTE	*0*	*0*	*61*	*61*
	Cybersecurity - Subtotal		**0**	**64,500**	**80,000**	**80,000**
	FTE		***0***	***0***	***61***	***61***
	Enterprise Case Selection[4]		**$873**	**0**	**0**	**0**
	Other Adjustments[5]		**-14**	**0**	**0**	**0**
	Subtotal IRS Technology Modernization Plan		**$197,920**	**$300,000**	**$300,000**	**$300,000**
	FTE		**345**	**362**	**441**	**441**
	Architecture, Integration, and Management		**$31,184**	**$32,000**	**$14,000**	**$31,900**
	Provide system engineering management capabilities, including systems strategy, architecture, and engineering capabilities, across IT Infrastructure, Business Applications, Data Management, and IT Security. Provide portfolio control and management processes and tools, including governance, enterprise lifecycle support, tiered program management, and configuration/change management.	Capital	18,877	24,702	0	10,603
		Support	15	47	0	47
		Labor	6,947	7,251	0	7,251
		U. Fees	5,346	0	14,000	14,000
		FTE	*41*	*44*	*0*	*44*
	Core Infrastructure		**$17,425**	**$19,000**	**$6,000**	**$19,000**
	Provide shared infrastructure that leverages reusable engineering design patterns and best practices for standardized, virtual, and secure environments. These environments allow multiple BSM projects to develop, test, deploy, operate, and monitor in a common approach.	Capital	2,979	6,429	0	429
		Support	0	72	0	72
		Labor	13,286	12,499	0	12,499
		U. Fees	1,160	0	6,000	6,000
		FTE	*69*	*76*	*0*	*76*
	Subtotal AIM and Core Infrastructure		**$48,609**	**$51,000**	**$20,000**	**$50,900**
	FTE		**110**	**120**	**0**	**120**

[1] Capital Investment funding: capital and contractor labor costs. Support funding: training, travel, supplies costs. Labor funding: IRS employee pay and benefits costs. FTE: FY 2020 Initiative FTEs are costed at 1/2 year hiring, which equates to 0.5 FTEs per position.

[2] FY 2020 level excludes $3.168M in non-BSM Corporate Costs and also $0.115M of BSM which is aligned to the Stewardship Financial Plan (non-IT).

[3] Includes Recoveries that were re-obligated in FY 2018.

[4, 5] Enterprise Case Selection, Modernize eFile, and Event Driven Architecture had adjustments appearing in FY 2018.

FY 2020 Changes by Budget Activity

Dollars in thousands

Business Systems Modernization	FTE	Amount
FY 2019 Annualized CR Level	**361**	**$110,000**
Changes to Base:		
Subtotal FY 2020 Changes to Base		
FY 2020 Current Services	**361**	**$110,000**
Program Changes:		
Program Increases	**80**	**$180,000**
IRS Technology Modernization Plan	80	180,000
Subtotal FY 2020 Program Increases	**80**	**$180,000**
Total FY 2020 Request	**441**	**$290,000**

See footnotes in 1.1 -- Appropriations Detail Table

2.1.9 – Budget and Performance Report and Plan

Dollars in thousands

Business Systems Modernization Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources[1]	$145,235	$107,746	$190,945	$166,263	$110,000	$110,000	$290,000
Reimbursable Resources[2]							
User Fees				25,464	77,418	139,010	30,000
Budget Activity Total	**$145,235**	**$107,746**	**$190,945**	**$191,727**	**$187,418**	**$249,010**	**$320,000**

[1]The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

[2]The FY 2014 - FY 2018 columns represent realized resources for reimbursable resources and user fees.

Business Systems Modernization Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level (E)[1]	66.7%	73.7%	76.2%	50.0%	72.2%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level (E)[1]	100.0%	89.5%	85.7%	88.9%	83.3%	90.0%	90.0%	90.0%

Key: E - Efficiency Measure

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

Section III – Supplemental Information

3.1 – Summary of Capital Investments

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

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

This website also contains a digital copy of this document.

3A – Capital Investment Strategy

The IRS Information Technology (IT) organization is a key enabler of efficient and effective tax administration. IT provides critical support as the IRS faces an increasingly complex tax administration environment. IT works to address evolving taxpayer expectations, pressure to achieve program and cost efficiencies, frequent tax law changes, growing challenges in combating refund fraud and identity theft, and workforce shortages. Specific challenges, such as aging infrastructure, insertion of emerging technologies, and expanding cybersecurity threats, further complicate the IT operating environment.

To ensure that the organization's technology is aligned with the *IRS Strategic Plan 2018-2022*, the enterprise needs to leverage modern technologies and adopt IT best practices. Guided by the Strategic Plan, the IT Vision 2.0, the Digital IRS Blueprint and Technology Roadmap, the IRS Integrated Modernization Business Plan articulates a vision to strengthen and modernize the IRS IT environment. The Capital Investment Strategy outlines the technology initiatives and IT investments undertaken to achieve that vision.

IRS Strategic Plan FY 2018-2022

The IRS Strategic Plan FY 2018–2022 sets the strategic direction and priorities for achieving the organization's mission. The plan establishes a strategic foundation with six broad goals and twenty-one strategic objectives. Figure 1 illustrates the relationships among the six Strategic Plan goals, which include:

- Empower and enable all taxpayers to meet their tax obligations.
- Protect the integrity of the tax system by encouraging compliance through administering and enforcing the tax code.
- Collaborate with external partners proactively to improve tax administration.
- Cultivate a well-equipped, diverse, flexible and engaged workforce.

Figure 1 IRS Strategic Plan 2018-2022

- Advance data access, usability and analytics to inform decision making and improve operational outcomes.
- Drive increased agility, efficiency, effectiveness and security in IRS operations.

The IRS Strategic Plan defines the business strategic direction for the enterprise and is subsequently utilized to inform the IT strategic direction.

IRS Integrated Modernization Business Plan

The IRS's Integrated Modernization Business Plan supports the IRS's mission to help America's taxpayers understand and meet their tax responsibilities, while enforcing tax laws to ensure integrity and fairness for all. The Plan establishes a multi-year modernization approach to provide effective, reliable, IT solutions for taxpayers to fulfill their tax obligations

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

The actual cost and actual revenue collected for FY 2012 through FY 2018 for the three major enforcement programs, Examination, Collection, and Automated Underreporter (AUR) are provided below. The activities included in these programs include:

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

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

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

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

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

Return on Investment for IRS Major Enforcement Programs

Dollars in Millions

	FY 2014			FY 2015			FY 2016			FY 2017			FY 2018		
Enforcement Program	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI
IRS Total	$5,839	$57,146	9.8	$5,644	$54,203	9.6	$5,592	$54,291	9.7	$5,506	$53,214	9.7	$5,559	$59,366	10.7
Examination	3,965	18,983	4.8	3,974	13,320	3.4	3,782	12,023	3.2	3,695	14,510	3.9	3,716	15,017	4.0
Collection	1,618	33,198	20.5	1,419	35,740	25.2	1,576	37,259	23.6	1,598	33,701	21.1	1,635	38,985	23.8
Automated Underreporter (AUR)	256	4,965	19.4	251	5,143	20.5	234	5,009	21.4	214	5,003	23.4	208	5,364	25.8

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

3.3 – IRS Performance Measures Table

Performance Measures	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2018 Target	FY2019 Target	FY2020 Target
Customer Service Representative Level of Service (LOS)[1]	64.4%	38.1%	53.4%	77.1%	75.9%	75.0%	63.0%	68.0%
Customer Contacts Resolved per Staff Year[2]	21,018	26,245	28,497	25,535	31,409	Indicator	DISC	
Customer Accuracy - Tax Law (Phones)	95.0%	95.0%	96.4%	96.7%	95.5%	95.0%	92.0%	92.0%
Customer Accuracy - Accounts (Phones)	96.2%	95.5%	96.1%	96.0%	96.1%	95.0%	94.0%	94.0%
Timeliness of Critical Filing Season Tax Products to the Public[4]	99.1%	89.0%	92.5%	93.1%	59.6%	89.0%	85.0%	89.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public[4]	98.7%	92.6%	98.0%	96.7%	100.0%	91.0%	85.0%	89.0%
Percent Individual Returns Processed Electronically[2]	84.1%	85.3%	86.4%	86.9%	87.2%	88.0%	DISC	
Percent of Business Returns Processed Electronically	43.1%	47.0%	50.0%	52.9%	55.6%	54.0%	58.0%	60.0%
Refund Timeliness - Individual (Paper)[2]	98.7%	98.8%	98.7%	98.4%	98.2%	97.0%	DISC	
Enterprise Self-Assistance Participation Rate[3]	84.7%	88.7%	89.0%	79.0%	82.0%	Indicator		
Taxpayers Satisfied with the IRS (based on 100 point scale)[5, *]	73	73	74	74	74	Indicator		
Examination Coverage - Individual	0.9%	0.8%	0.7%	0.6%	0.6%	0.6%	0.5%	0.5%
Field Exam Nat'l Quality Review Score[2]	88.4%	86.7%	86.8%	85.0%	89.1%	84.4%	DISC	
Office Exam Nat'l Quality Review Score[2]	90.6%	88.3%	88.4%	87.9%	87.2%	86.7%	DISC	
Examination Quality - Large Business[2]	83.0%	86.0%	83.0%	78.0%	76.0%	90.0%	DISC	
Examination Coverage - Business (Assets > $10 million)	4.3%	3.9%	3.0%	2.5%	2.2%	2.4%	2.2%	1.5%
Examination Efficiency - Individual	138	148	143	121	131	134	122	122
Automated Underreporter Efficiency[2]	1,935	2,209	2,196	2,188	2,205	2,133	DISC	
Automated Underreporter Coverage	2.6%	2.3%	2.3%	2.2%	2.0%	1.9%	1.6%	1.7%
Time to Start Compliance Resolution[5]						N/A	Indicator	
Time to Resolve Compliance Issue After Filing[5]						N/A	Indicator	
Repeat Non-Compliance Rate[5]						N/A	Indicator	
Collection Coverage (Units)	45.9%	46.3%	43.4%	42.2%	41.6%	38.6%	40.1%	38.3%
Collection Efficiency (Units)[2]	2,051	2,448	2,266	2,135	2,216	2,101	DISC	
Cost to Collect $100 (in cents)[5]	0.38	0.35	0.35	0.34	TBD	Indicator		
Field Collection Nat'l Quality Review Score[2]	81.6%	79.2%	79.2%	76.7%	79.2%	78.0%	DISC	
Automated Collection System Accuracy[2]	95.2%	95.3%	95.4%	94.7%	94.0%	95.0%	DISC	
Criminal Investigations Completed	4,606	4,486	3,721	3,089	3,051	3,000	2,800	2,700
Number of Convictions[2]	3,110	2,879	2,672	2,300	1,879	1,900	DISC	
Conviction Rate	93.4%	93.2%	92.1%	91.5%	91.7%	92.0%	92.0%	92.0%
TE/GE Determination Case Closures[2]	136,746	111,940	99,973	102,749	98,249	94,103	DISC	
Rentable Square Feet per Person (new for FY 2017)				297	301	Indicator		
Percent of Aged Hardware[6]		56.5%	52.2%	52.3%	45.5%	53.1%	43.8%	39.0%
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level[7]	66.7%	73.7%	76.2%	50.0%	72.2%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level[7]	100.0%	89.5%	85.7%	88.9%	83.3%	90.0%	90.0%	90.0%

3.3 – IRS Performance Measures Table (Continued)

[1] The FY 2019 level of service target was calculated at the FY 2019 Enacted level.

[2] Discontinued (DISC) for FY 2019

[3] Starting in FY 2017, the IRS modified the Taxpayer Self Assistance Rate measure (renamed to Enterprise Self Assistance Participation Rate) to include additional self-service channels including Get Transcript and payment applications such as Direct Pay and Online Payment Agreements. As new self-assistance applications are provided to the public, they will be added to the methodology.

[4] Modified for FY 2019

[5] New measure added for FY 2019

[6] This is a new budget level metric; the measure definition changed in FY 2018; removing certain asset categories (fax machines, low-end printers and scanners) that are no longer being actively refreshed from the calculation to more accurately define the inventory that’s reflective of risk to the IT environment.

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

[*] Based on the American Customer Satisfaction Index (ACSI) survey; the All Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer customer satisfaction index scores; available on an annual basis at the end of January and computed on a 100-point scale.

3.3 – IRS Performance Measures Table (Continued)

Budget Level Performance Measure Descriptions	
Customer Service Representative (CSR) Level of Service	The number of toll free callers that either speak to a Customer Service Representative or receive informational messages divided by the total number of attempted calls.
Customer Contacts Resolved per Staff Year	The number of Customer Contacts resolved in relation to staff years expended.
Customer Accuracy – Tax Law Phones	The percentage of correct answers given by a live assistor on Toll-free tax law inquiries.
Customer Accuracy – Customer Accounts (Phones)	The percentage of correct answers given by a live assistor on Toll-free account inquiries.
Timeliness of Critical Individual Filing Season Tax Products to the Public	The percentage of critical individual filing season tax products (tax forms, schedules, instructions, and publications required by many filers to prepare a complete and accurate tax return) available to the public in a timely fashion.
Timeliness of Critical TE/GE & Business Tax Products to the Public	Percentage of critical business tax products (tax forms, schedules, instructions, and publications used by a large number of TE/GE and Business filers to prepare a complete and accurate return or form) available to the public in a timely fashion.
Percent Individual Returns Processed Electronically	The percentage of electronically filed individual tax returns divided by the total individual returns filed.
Percent Business Returns Processed Electronically	The percentage of electronically filed business tax returns divided by the total business returns filed.
Refund Timeliness – Individual (Paper)	The percentage of refunds resulting from processing individual master file paper returns issued within 40 days or less.
Enterprise Self Assistance Participation Rate	The percentage of taxpayer assistance requests resolved using self-assisted automated services.
Taxpayers Satisfied with the IRS	The percentage of taxpayers satisfied with the IRS according to the American Customer Satisfaction Index (ACSI) survey. The All Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer Customer Satisfaction Index Scores. Based on a 100 point scale.
Examination Coverage – Individual (1040)	The sum of all individual 1040 returns closed by Small Business/Self Employed (SB/SE), Wage & Investment (W&I), Tax Exempt and Government Entities (TE/GE), and Large Business and International (LB&I) (Field Exam and Correspondence Exam programs) divided by the total individual return filings for the prior calendar year.
Field Exam Nat'l Quality Review Score	The score awarded to a reviewed field examination case by a Quality Reviewer using the National Quality Review System (NQRS) quality attributes.
Office Exam Nat'l Quality Review Score	The score awarded to a reviewed office examination case by a Quality Reviewer using the NQRS quality attributes.
Examination Quality – Large Business	The average of the scores of the Large Business Return cases reviewed by LB&I Quality Review & Analysis. Case scores are based on the percentage of elements passed within each of the three auditing standards..
Examination Coverage – Business Assets >$10 Million)	The number of LB&I returns (C and S Corporations with assets over $10 million and all partnerships) examined and closed by LB&I during the current fiscal year divided by the number of filings for the preceding calendar year.
Examination Efficiency – Individual (1040)	The sum of all individual 1040 returns closed by SB/SE, W&I, TE/GE, and LB&I (Field Exam and Correspondence Exam programs) divided by the total Full-Time Equivalent (FTE) expended in relation to those individual returns.
Automated Underreporter (AUR) Efficiency	The total number of W&I and SB/SE contact closures (a closure resulting from a case where we made contact) divided by the total FTE, including overtime.
Automated Underreporter (AUR) Coverage	A percentage representing the total number of W&I and SB/SE contact closures (a closure resulting from a case where SBSE and W&I made contact) divided by the total return filings for the prior year.
Time to Start Compliance Resolution	The percentage of all individual income tax enforcement cases started within six months of the return posting date.
Time to Resolve Compliance Issue After Filing	The average time it takes to close all individual income tax enforcement cases in days. This is an annual measure based on all cases closed in a fiscal year.
Repeat Non-Compliance Rate	The percentage of individual taxpayers in a fiscal year with additional non-compliance two years after the initial tax year that contains a filing, payment, or reporting compliance issue, compared to total taxpayers
Collection Coverage – Units	The volume of collection work disposed compared to the volume of collection work available.
Collection Efficiency – Units	The volume of collection work disposed divided by total collection FTE.
Cost to Collect $100(in cents)	The cost of collecting $100 is computed as total operating costs divided by gross collection divided by 100.
Field Collection Nat'l Quality Review Score	The score awarded to a reviewed collection cases by a Quality Reviewer using the NQRS quality attributes.
Automated Collection System (ACS) Accuracy	The percent of taxpayers who receive the correct answer to their ACS question.
Criminal Investigations Completed	The total number of subject criminal investigations completed during the fiscal year, including those that resulted in prosecution recommendations to the Department of Justice as well as those discontinued due to a lack of prosecution potential.
Number of Convictions	The number of criminal convictions.
Conviction Rate	The percent of adjudicated criminal cases that result in convictions.
TE/GE Determination Case Closures	The number of cases closed in the Employee Plans or Exempt Organizations Determination programs, regardless of type of case or type of closing.
Rentable Square Feet per Person	The amount of Rentable Square Feet the IRS maintains per Personnel requiring space. IRS will use this as an indicator for FY 2018.
Percent of Aged Hardware	This measure shows the quantity of IT hardware in operation past its useful life as a percentage of total hardware in use.
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned total cost and projected/actual cost within a fiscal year divided by the total number of major IT investments in that fiscal year.
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned days and projected/actual days within a fiscal year divided by the total number of major IT investments in that fiscal year.

3.4 – Summary of FY 2018 Savings Realized

The IRS FY 2018 Current Services level of $11.434 resulted in a shortfall of $3.1 million versus the FY 2018 Enacted budget of $11.431 billion.

Dollars in Millions

Internal Revenue Service	
FY 2017 Enacted	**$11,235.0**
Changes to Base:	
Maintaining Current Levels (MCLs)	**$50.6**
FY 2018 Current Services	**$11,433.7**
FY 2018 Enacted	**$11,430.6**
Current Services Shortfall	-$3.1

Increase e-File Savings

FY 2020 Projected Savings: (-$6,183,000 / -116 FTE)

FY 2018 Actual Savings Realized: (-$2,169,600 / -48 FTE)

The IRS realized savings of 48 FTE and $2.17 million in FY 2018 as a result of increases in electronically filed returns. The number of paper returns received by the IRS decreased by 1 million from FY 2016 to FY 2017 while the number of electronically filed returns increased by 3.4 million over the same period.

Rent

FY 2020 Projected Annualized Savings: (-$24,700,000)

FY 2018 Annualized Savings: (-$10,500,000)

Rent is one of the IRS's largest operating expenses. The IRS will complete 28 projects in FY 2020 to release more than 567,986 rentable square feet of space from inventory.

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Section IV – Appendix

4.1 – Appropriations Detail Table with Program Integrity Cap Adjustment

Dollars in thousands

Internal Revenue Service Appropriated Resources	FY 2018 Enacted [1]		FY 2019 Annualized CR [2]		FY 2020 Request		Change FY 2019 to FY 2020 Request		% Change FY 2019 to FY 2020 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Taxpayer Services	**27,871**	**$2,512,554**	**28,834**	**$2,571,554**	**26,639**	**$2,402,000**	**(2,195)**	**($169,554)**	**-7.61%**	**-6.59%**
Pre-Filing Taxpayer Assistance and Education	4,636	640,379	4,603	634,019	4,606	634,762	3	743	0.07%	0.12%
Filing and Account Services	23,235	1,872,175	24,231	1,937,535	22,033	1,767,238	(2,198)	(170,297)	-9.07%	-8.79%
Enforcement	**34,789**	**$4,627,000**	**34,049**	**$4,672,000**	**35,757**	**$4,905,254**	**1,708**	**$233,254**	**5.02%**	**4.99%**
Investigations	2,950	581,680	2,894	597,658	3,051	642,973	157	45,315	5.43%	7.58%
Exam and Collections	30,876	3,875,098	30,083	3,894,129	31,661	4,090,585	1,578	196,456	5.25%	5.04%
Regulatory	963	170,222	1,072	180,213	1,045	171,696	(27)	(8,517)	-2.52%	-4.73%
Operations Support	**10,389**	**$4,181,000**	**10,340**	**$3,834,000**	**10,868**	**$4,236,706**	**528**	**$402,706**	**5.11%**	**10.50%**
Infrastructure		870,360		858,932		879,715		20,783		2.42%
Shared Services and Support	4,315	920,283	4,269	942,568	4,415	986,161	146	43,593	3.42%	4.62%
Information Services	6,074	2,390,357	6,071	2,032,500	6,453	2,370,830	382	338,330	6.29%	16.65%
Business Systems Modernization	**219**	**$110,000**	**361**	**$110,000**	**441**	**$290,000**	**80**	**$180,000**	**22.16%**	**163.64%**
Subtotal New Appropriated Resources	**73,268**	**$11,430,554**	**73,584**	**$11,187,554**	**73,705**	**$11,833,960**	**121**	**$646,406**	**0.16%**	**5.78%**
Other Resources:										
Reimbursables	795	171,140	521	116,551	521	122,379		5,828		5.00%
Offsetting Collections - Non Reimbursables		26,069		37,719		39,605		1,886		5.00%
User Fees	14	283,267	60	563,053	71	460,900	11	(102,153)	18.33%	-18.14%
Recovery from Prior Years		13,233		17,994		18,905		911		5.06%
Unobligated Balances from Prior Years	236	360,031	289	357,637	100	153,567	(189)	(204,070)	-65.40%	-57.06%
Transfers In/Out		(4,188)								
Resources from Other Accounts										
Subtotal Other Resources	**1,045**	**$849,552**	**870**	**$1,092,954**	**692**	**$795,356**	**(178)**	**($297,598)**	**-20.46%**	**-27.23%**
Total Budgetary Resources	**74,313**	**$12,280,106**	**74,454**	**$12,280,508**	**74,397**	**$12,629,316**	**(57)**	**$348,808**	**-0.08%**	**2.84%**

[1]FY 2018 Enacted includes $320 million in Section 115 Administrative Provision funding in the following amounts: $18 million in Taxpayer Services, $10 million in Enforcement, and $291 million in Operations Support. FY 2018 Enacted also includes the actual inter-appropriation transfer of $256 million to Operations Support ($13 million from Taxpayer Services and $243 million from Enforcement), and inter-BAC transfer in accordance with Section 608 of the public law. FY 2018 full-time equivalent (FTE) are actuals and reconcile to the final FY 2018 President's Appendix. Other Resources are actuals.

[2]FY 2019 Annualized Continuing Resolution (CR) includes a $200 million interappropriation transfer from Enforcement to Operations Support to cover anticipated operations and maintenance requirements in FY 2019. FY 2019 Annualized CR also includes $77 million for the Section 112 Administrative Provision to implement requirements under the Tax Cuts and Jobs Act (Public Law 115-97). $320 million is automatically available in a full year continuing resolution scenario under IRS Administrative Provision Section 113. Of this amount, $243 million is excluded for illustrative purposes consistent with the requirements identified for implementing the Tax Cuts and Jobs Act and the FY 2019 Section 112 / Tax Reform Spending Plan transmitted to Congress on February 28, 2019. Additional information and a full accounting of these funds can be found in the FY 2020 President's Budget Appendix.

Program Integrity Cap Adjustment

In addition to the base appropriations request of $11.472 billion, the FY 2020 Budget proposes a $362 million cap adjustment to fund new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS's overall tax enforcement program. The proposed FY 2020 enforcement investments will yield additional revenue. The Budget also proposes additional cap adjustments for new investments each year through FY 2024 that are sustained with additional adjustments through FY 2029 to account for economic factors, such as inflation. The investments will generate about $47.1 billion in additional revenue over 10 years and will cost about $14.5 billion for an estimated savings of $32.6 billion. Notably, the return on investment (ROI) likely is understated because it includes only amounts directly recovered; it does not reflect the effect that enhanced enforcement has on deterring noncompliance.

Return on Investment (ROI) for FY 2020 Enforcement Investments

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

FY 2020 Revenue Generating Investments

The FY 2020 Budget includes $311.3 million in investments for traditional enforcement and strategic revenue programs, which are projected to generate more than $2 billion in revenue once the investments reach full potential in FY 2022 with an expected total ROI of $5.7 to $1. This request includes $118.6 million to support strategic revenue producing investments, including improving strengthening the Return Review Program and fighting cybercrimes, among other initiatives. While these investments do not have an immediately measurable ROI, they have clear long-term positive revenue effects.

Return on Investment (ROI) for IRS FY 2020 Enforcement Initiatives

Dollars in Millions

	First Year (FY 2020)			Second Year (FY 2021)			Full Performance (FY 2022)		
	Cost	Revenue	ROI	Cost	Revenue	ROI	Cost	Revenue	ROI
FY 2020 Revenue Producing Enforcement Initiatives	$311.3	$381.9	1.2	$405.4	$1,684.2	4.2	$397.4	$2,249.4	5.7
Before Cap Adjustment Enforcement Initiatives	$4.0	$0.0	0.0	$4.0	$0.0	0.0	$4.0	$0.0	0.0
Increase Audit Coverage	2.5	0.0	0.0	2.5	0.0	0.0	2.5	0.0	0.0
Increase Collection Coverage	1.5	0.0	0.0	1.5	0.0	0.0	1.5	0.0	0.0
Cap Adjustment Enforcement Initiatives	$311.3	$381.9	1.2	$405.4	$1,684.2	4.2	$397.4	$2,249.4	5.7
Immediate and Directly Measurable Revenue-Producing Initiatives	$192.7	$381.9	2.0	$285.8	$1,684.2	5.9	$279.2	$2,249.4	8.1
Increase Audit Coverage	121.1	251.8	2.1	181.3	911.7	5.0	176.3	1,270.6	7.2
Increase Collection Coverage	71.6	130.1	1.8	104.5	772.5	7.4	102.9	978.8	9.5
Strategic Revenue-Producing Initiatives *(which do not have immediately measurable ROI, but clear long-term revenue effects)*	$118.6	$0.0	0.0	$119.6	$0.0	0.0	$118.2	$0.0	0.0
Return Review Program	52.5	0.0	0.0	52.0	0.0	0.0	52.0	0.0	0.0
Fight Cybercrimes and Counterterrorism	40.2	0.0	0.0	41.7	0.0	0.0	40.3	0.0	0.0
IT Support for Enforcement Efforts	25.9	0.0	0.0	25.9	0.0	0.0	25.9	0.0	0.0

FY 2020 Revenue Protecting Investments

The benefits of IRS activities that prevent erroneous refunds are not captured in IRS's ROI calculations above. However, the IRS estimates that investment in these activities should protect $675 million in revenue that otherwise would need to be recovered from downstream enforcement actions for an estimated ROI of $8.9 to $1 by FY 2022. These investments also support IRS's Agency Priority Goal on Fraud Prevention, which is part of the *Treasury Strategic Plan 2018-2022* to reduce the amount of unprotected identity theft tax refunds paid by two percent by December 21, 2019.

FY 2020 Revenue Protecting Enforcement Initiatives

Dollars in Millions	First Year (FY 2020)			Second Year (FY 2021)			Full Performance (FY 2022)		
	Cost	Revenue	ROI	Cost	Revenue	ROI	Cost	Revenue	ROI
Revenue Protecting Initiatives *(which protect taxpayer information, prevents identity theft, and results in long-term revenue protection)*	$50.3	$56.0	1.1	$78.4	$405.0	5.2	$75.9	$675.0	8.9
Cap Adjustment Revenue Protecting Initiative	$50.3	$56.0	1.1	$78.4	$405.0	5.2	$75.9	$675.0	8.9
Increase Audit Coverage (revenue-protecting portion)	14.0	56.0	4.0	20.2	405.0	20.0	20.1	675.0	33.6
Expand Coverage in the Tax-Exempt Sector	36.3	0.0	0.0	58.2	0.0	0.0	55.8	0.0	0.0

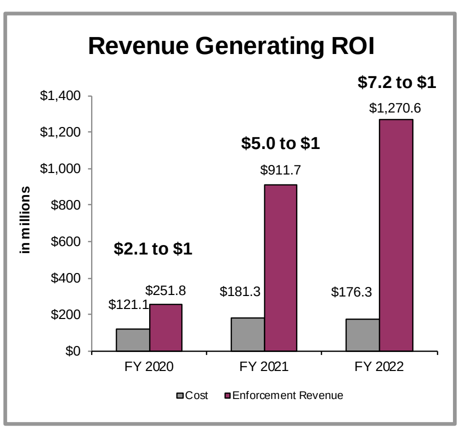
Cap Adjustment Program Increases……………...……...+$361,571,000 / +1,760 FTE

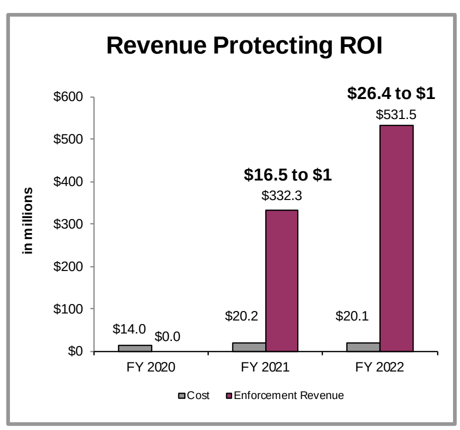
Increase Audit Coverage +$135,097,000 / +943 FTE

The IRS is requesting additional examination employees to reverse the decline in staffing. The individual audit coverage rate has shrunk from 1.1 percent in FY 2010 to a target of 0.5 percent in FY 2019, which increases the risk to the nation's voluntary tax compliance system. Examination program resources will cover a broad range of compliance priorities, including earlier case assignment and resolution. The investment is projected to produce more than $1.3 billion in additional revenue annually and an ROI estimated at $7.2 to $1, once the new hires reach full potential in FY 2022. These resources will help to:

Position Type/Other Costs	FTE	Positions	$000
Examination Coverage	**290.50**	**581**	**$52,973**
Revenue Agent	196.00	392	38,818
Tax Technician	78.00	156	12,753
Manager/Support Staff	16.50	33	1,402
Specialty Programs	**44.00**	**88**	**$9,344**
Revenue Agent	34.50	69	8,091
Tax Technician	1.00	2	119
Tax Examiner	2.50	5	258
Attorney	3.50	7	590
Support Staff	2.50	5	286
Correspondence Examination	**230.00**	**460**	**$22,611**
Tax Technician	1.50	3	210
Tax Examiner	195.50	391	19,090
Manager/Support Staff	33.00	66	3,311
Document Matching	**161.00**	**322**	**$17,262**
Tax Technician	2.50	5	314
Tax Examiner	141.00	282	14,969
Support Staff	17.50	35	1,979
Other Direct Costs	**218.00**	**350**	**$32,907**
Revenue Agent	25.00	50	4,018
Tax Examiner	18.00	36	2,021
Appeals Officer	40.00	80	6,828
Attorney	29.50	59	5,715
Paralegal	4.00	8	486
TAS Specialist			96
Contact Representative			372
Seasonal			274
Manager/Program Analyst/Support Staff	101.50	117	13,097
Total	**943.50**	**1,801**	**$135,097**

- Close more than 162,000 correspondence examination cases and 38,000 individual field examination cases;
- Improve the individual audit coverage rate, and expand examination coverage on cases involving employment taxes, estate and gift taxes, and Bank Secrecy Act reporting; and
- Expand the Automated Underreported (AUR) program to process more than 470,000 additional cases and other document matching programs that will process an additional 133,000 cases (document matching of individuals decreased 36 percent from FY 2011 to FY 2018).





Major Activities	Protected Revenue ($M)	Projected Revenue ($M)	Pre-Refund Closures	Projected Closures
Field Examination		228.9		32,272
Specialty Programs		37.1		6,347
Correspondence Examination	531.5	216.0	120,800	41,860
AUR		541.6		471,393
BMF Underreporter/Document Matching		225.1		133,785
Total	$531.5	$1,248.7	120,800	685,657

Other Direct Costs

Dollars in thousands

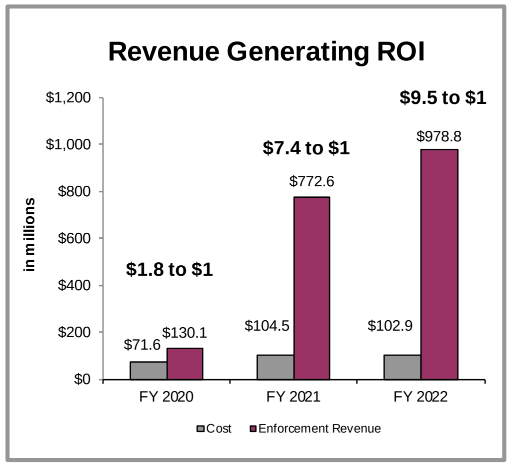
IRS Activity	Cost	FTE	Positions	Explanation
Appeals	$12,867	83.00	166	Support examination efforts on key compliance areas focused on improving voluntary compliance and providing a high level of customer service.
Chief Counsel	$6,946	41.50	83	Provide support for increases in requests for legal advice, litigation assistance, and published guidance on issues raised in audits.
Human Capital Office	$11,353	88.00	90	LR support to handle the increase in front-line positions and the expectation that new managerial positions will be created. LR support begins in the first year and continues throughout a manager's career, as needed. One LR Specialist supports 42 managers. Employment - bargaining unit positions require internal and external postings that involve various assessments and work processes. Personnel Security FTE are needed to handle the background and suitability checks of these new hires.
SB/SE Human Capital Office	$786	4.00	8	Hiring positions will support the successful onboarding of new hires. Training positions will focus on developing and updating course material and delivering effective training for new hires.
Privacy, Governmental Liaison and Disclosure	$195	1.50	3	Address the increase in Freedom of Information Act requests as result of increased compliance activity.
Taxpayer Advocate Service (TAS)	$96			Ensure the IRS follows appropriate procedures and does not create unnecessary burdens or compromise taxpayers' rights.
WAGE -- Customer Service Representatives	$664			Support examination efforts by ensuring staffing is available to handle downstream impact in accounts management operations.
Total	$32,907	218.00	350	

Increase Collection Coverage +$71,557,000 / +441 FTE

The IRS is requesting additional resources to improve its capacity to work the collection inventory and answer taxpayer phone calls. Increased staffing will address the overall collection coverage rate, which has declined 16 percent from FY 2010 to FY 2017. This investment is expected to produce additional annual enforcement revenue of $978.8 million, an ROI of $9.5 to $1, once the new hires reach full potential in FY 2022. These resources will help the IRS to:

Position Type/Other Costs	FTE	Positions	$000
Field Collection Coverage	**172.50**	**335**	**$34,872**
Revenue Officer	172.50	335	34,872
ACS & ACS Support	**113.00**	**226**	**$14,253**
Customer Service Representative	113.00	226	14,253
Correspondence Collection (CSCO)	**32.00**	**64**	**$3,117**
Tax Examiner	21.50	43	1,900
Manager/Support Staff	10.50	21	1,217
Other Direct Costs	**123.00**	**212**	**$19,315**
Tax Examiner - Appeals	9.00	18	1,011
Appeals Officer	52.00	104	8,877
Paralegal	2.00	4	243
Attorney	12.50	25	2,400
Program Analyst	3.50	7	456
Manager/Support Staff	9.00	18	1,375
TAS Specialist			191
Contact Representative			152
Seasonal			91
HR Specialist	35.00	36	4,519
Total	**440.50**	**837**	**$71,557**

- Provide nearly 350 additional field collection staff to expand programs that address non-filing and underpayment of taxes to handle more than 60,000 additional collection cases (currently there are more than one million cases with an aggregate assessed balance of more than $45.9 billion in the queue);



- Provide more than 220 additional Automated Collection System (ACS) staff to address an additional 358,000 ACS cases, including incoming calls generated by the issuance of levies, delinquent returns, and/or unpaid tax liabilities. ACS staffing has decreased by 25 percent since the end of FY 2010, resulting in a substantial increase in unhandled ACS cases and a decreased level of service to taxpayers; and

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

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

Other Direct Costs

Dollars in thousands

IRS Activity	Cost	FTE	Positions	Explanation
Appeals	$9,887	61.00	122	Support collection efforts and provide a high level of customer service on key compliance areas, particularly the Trust Fund Recovery Penalty and Collection Due Process workstreams.
Chief Counsel	$3,020	18.50	37	Provide support for increases in requests for legal advice, litigation assistance, and collection due process.
Human Capital Office	$4,519	35.00	36	LR support to handle the increase in front-line positions and the expectation that new managerial positions will be created. LR support begins in the first year and continues throughout a manager's career, as needed. One LR Specialist supports 42 managers. Employment - bargaining unit positions require internal and external postings that involve various assessments and work processes. Personnel Security FTE are needed to handle the background and suitability checks of these new hires.
SB/SE Human Capital Office	$982	5.00	10	Hiring positions will support the successful onboarding of new hires. Training positions will focus on developing and updating course material and delivering effective training for new hires.
Privacy, Governmental Liaison and Disclosure	$456	3.50	7	Address the increase in Freedom of Information Act requests as result of increased compliance activity.
Taxpayer Advocate Service (TAS)	$191			Ensure the IRS follows appropriate procedures and does not create unnecessary burdens or compromise taxpayers' rights.
WAGE -- Customer Service Representatives	$261			Support collection efforts by ensuring staffing is available to handle downstream impact in accounts management operations.
Total	**$19,315**	**123.00**	**212**	

Fight Cybercrimes and Counterterrorism +$40,197,000 / +87 FTE

Position Type/Other Costs	FTE	Positions	$000
Special Agents	**39.00**	**78**	**$13,057**
Special Agent	24.00	48	8,590
Analyst	11.00	22	1,377
IT Specialist	4.00	8	525
Contractual Services			2,565
Other Direct Costs	**48.00**	**96**	**$27,140**
Special Agent	48.00	96	27,140
Total	**87.00**	**174**	**$40,197**

Funding for this investment will strengthen cybercrimes and counterterrorism by enhancing several areas to include increasing Special Agent and Investigative Support resources to combat cyber-criminals that exploit stolen taxpayer Personally Identifiable Information (PII) obtained through sophisticated data breaches and intrusions. This will allow increased participation in multi-agency cyber and counterterrorism task forces to target large-scale crime rings to maximize compliance. It will expand criminal investigations through analysis of rich data from Suspicious Activity Reports (SARs) and fund the build-out of CI's cybersecurity and cybercrime divisions.

Since 9/11, IRS Criminal Investigation has occupied a pivotal role in the United States' counterterrorism efforts, from identifying more than $2 billion in assets embezzled by Saddam Hussein and repatriating $1.3 billion to participating in many prosecutions of counterterrorism financing investigations. Moreover, CI agents have assisted in many high-profile terrorist investigations, from the domestic attacks in Boston, San Bernardino, Tampa and New York, to the international tragedies in Paris, Brussels and Manchester. CI continues to be a powerful force behind disrupting and dismantling attacks against the homeland and targeting the rise of the violent jihadists and the Islamic State.

The FBI's Joint Terrorism Task Forces (JTTF) are CI's main gateway to the national security community. CI staffs about half of the 104 task forces and supports the others as needed. This request will allow CI to increase its JTTF footprint and dedicate additional resources to national security investigations including counterintelligence, counterespionage and counter-proliferation investigations. Additionally, CI has formed a mobile counterterrorism Jump Team to respond to national security incidents/events as needed in support of the United States National Security interests.

This funding would support the hiring of 144 Special Agents to conduct criminal investigations related to cyber and counterterrorism. As a result, the IRS should be able to complete about 900 additional criminal investigations in total by FY 2025. The number of completed cases will not immediately materialize (probably not until at least FY 2021/2022) because of the time it takes to train agents and bring them up to full performance and the time it takes to complete investigations (300-400 days).

The investigation of a terrorist attack is, at its core, a violent crime investigation. As with any violent crime, time is of the essence and the ability to rapidly identify, locate and assess evidence is paramount to thwarting future crimes and ensuring the prosecution of offenders. This axiom extends to financial crimes linked to terror attacks. CI's ability to be present and working with other investigators is vital to success. The passage of time can easily result in the destruction or concealment of evidence, transfer of criminal proceeds used to fund future attacks, or even missed opportunities to identify conspirators and abettors.

Imbedding CI with existing law enforcement response teams, such as the FBI response teams, accelerates coordination of government resources and allows for methodical, expeditious harvesting of financial evidence, exhaustive analysis in tracing and linking funds, and the increased likelihood of criminal prosecution and forfeitures for financial-related crimes. This request funds contractor support which will:

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

<u>Other Direct Costs</u>

Dollars in thousands

IRS Activity	Cost	FTE	Positions	Explanation
Special Agent	$27,140	48.00	96	Conduct more criminal investigations related to cyber and counterterrorism.
Total	**$27,140**	**48.00**	**96**	

Return Review Program +$52,466,000 / +57 FTE

Position Type/Other Costs	FTE	Positions	$000
Return Review Program O&M	**57.00**	**57**	**$52,466**
IT Specialist	57.00	57	8,614
Contractual Services			43,852
Total	**57.00**	**57**	**$52,466**

This investment provides funding for 57 FTEs, hardware, software, and contractual services for deployed Return Review Program (RRP) applications. RRP deployed an Integrated Data Warehouse, In-Line Screening engine, and Offline Prevention environment that enhanced the IRS's ability to detect, resolve, and prevent criminal fraud and civil tax non-compliance.

Since October 2016, the Return Review Program (RRP) has been the IRS's primary system for detecting tax return fraud and other anomalies in tax filings, with a current focus on individual tax return data. RRP has protected more than $8.9 billion in confirmed fraud and has a return on investment (ROI) of $18.5 to $1.

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

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

Other Direct Costs

There are no other direct costs associated with the initiative.

IT Support for Enforcement Efforts +$25,945,000 / 0 FTE

This investment will improve Information Technology Operations & Support activities related to compliance systems used by IRS employees. These systems support the day-to-day activities of about 17,000 revenue agents and tax examiners conducting audits, 3,000 revenue officers collecting taxes, and 2,000 special agents conducting criminal investigations.

Position Type/Other Costs	FTE	$000
IT Support for Enforcement Efforts	**0.00**	**$25,945**
Contractual Services		14,002
Hardware & Software		11,943
Total	**0.00**	**$25,945**

Expand Coverage in the Tax-Exempt Sector +$36,309,000 / +232 FTE

Funding for this investment will allow the IRS to use a multi-faceted data-driven approach to enhance taxpayer education and compliance that will help protect the tax-exempt status of associated assets and revenue.

Position Type/Other Costs	FTE	Positions	$000
Expand Protection and Coverage of Small Business and Tax Exempt Sponsored Plans	**36.5**	**73**	**$6,225**
Revenue Agent	31.5	63	5,597
Manager	2.5	5	338
Support Staff	2.5	5	290
Address EO Noncompliance with UBI	**100.0**	**200**	**$17,277**
Revenue Agent	84.0	168	14,927
Tax Compliance Officer	8.0	16	928
Manager	8.0	16	1,422
Enhance Up-front Compliance for Applicant for Tax-Exempt Status	**33.5**	**67**	**$4,631**
Revenue Agent	15.0	30	2,514
Tax Examiner	12.5	25	1,394
Manager	3.0	6	389
Support Staff	3.0	6	334
Increase Voluntary Compliance	**58.5**	**117**	**$7,489**
Revenue Agent	7.5	15	1,332
Tax Technician	22.0	44	2,726
Tax Examiner	21.0	42	2,436
Manager	3.5	7	473
Research Analyst	1.0	2	116
Support Staff	3.5	7	406
Other Direct Costs	**3.5**	**7**	**$687**
Attorney	3.0	6	599
Appeals Officer	0.5	1	88
Total	**232.00**	**464**	**$36,309**

This investment supports the following efforts, which will increase taxpayer service and education and improve overall compliance and protection of funds.

- Enhance enforcement coverage of employee retirement plans, including but not limited to those sponsored by small businesses, exempt organizations, and governments, which make up almost half of all retirement plans in the United States;
- Address Exempt Organizations and Tax-Exempt Bond non-compliance to ensure adherence with complex and often confusing tax laws; and
- Increase voluntary compliance using low cost correction opportunities, to enhance taxpayer education and compliance.

4.2 – Summary of IRS FY 2020 Identity Theft Budget Request

Bureau: Internal Revenue Service	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
Summary of FY 2020 Identity Theft Request	$000	FTE	$000	FTE	$000	FTE	$000	FTE	$000	FTE
FY 2019 Annualized CR Level	$129,499	1,827	$244,290	2,305	$53,209	65	$24,000	50	$450,998	4,247
Changes to Base:										
Maintaining Current Levels (MCLs)	$2		$233		$299				$534	
Non-Pay Inflation Adjustment	2		233		299				534	
Subtotal FY 2020 Changes to Base	$2		$233		$299				$534	
FY 2020 Current Services	$129,501	1,827	$244,523	2,305	$53,508	65	$24,000	50	$451,532	4,247
Program Changes:										
Program Increases:										
IRS Technology Modernization Plan							$11,000		11,000	
Prevent Identity Theft			6,948						6,948	
O&M of Critical Systems					232				232	
Subtotal FY 2020 Program Increases			$6,948		$232		$11,000		$18,180	
Total FY 2020 Request	$129,501	1,827	$251,471	2,305	$53,740	65	$35,000	50	$469,712	4,247
Dollar/FTE Change FY 2020 Request over FY 2019 Annualized CR Level	$2		$7,181		$531		$26,562		$18,714	(41)
Percent Change FY 2020 Request over FY 2019 Annualized CR Level	0.00%		2.94%		1.00%				4.15%	-0.97%
Cap Adjustment Program Increases										
Return Review Program					6,739	20			6,739	20
Subtotal FY 2020 Cap Adjustment Investments					$6,739	20			$6,739	20
Total FY 2020 Request Including Cap Adjustment	$129,501	1,827	$251,471	2,305	$60,479	85	$35,000	50	$476,451	4,267
Dollar/FTE Change FY 2020 Request Including Cap Adj over FY 2019 Annualized CR Level	$2		$7,181		$7,270	20	$11,000		$25,453	20
Percent Change FY 2020 Request Including Cap Adj over FY 2019 Annualized CR Level	0.00%		2.94%		31.62%	30.30%	130.36%		5.64%	0.47%

4.3 – Summary of IRS FY 2020 ACA Budget Request

Bureau: Internal Revenue Service	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		TOTAL	
Summary of FY 2020 ACA Request	$000	FTE	$000	FTE	$000	FTE	$000	FTE
FY 2019 Annualized CR Level	$111,537	1,870	$16,806	165	$73,338	208	$73,338	208
Changes to Base:								
Maintaining Current Levels (MCLs)	$1		$3		$3		$7	
Non-Pay Inflation Adjustment	1		3		3		7	
Subtotal FY 2020 Changes to Base	$1		$3		$3		$3	
FY 2020 Current Services	$111,538	1,870	$16,809	165	$73,341	208	$73,341	208
Total FY 2020 Request	$111,538	1,870	$16,809	165	$73,341	208	$73,341	208
Dollar/FTE Change FY 2020 Request over FY 2019 Annualized CR Level	$1		$3		$3		$3	2
Percent Change FY 2020 Request over FY 2019 Annualized CR Level	0.00%		0.02%		0.00%		0.00%	0.96%

4.4 – Summary of IRS FY 2020 Cyber Security Budget Request

Bureau: Internal Revenue Service	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
Summary of FY 2020 Cyber Security Request	$000	FTE	$000	FTE	$000	FTE	$000	FTE	$000	FTE
FY 2019 Annualized CR Level	$14,000	22	$17,000	60	$235,000	438	$65,000		$331,000	520
Changes to Base:										
Maintaining Current Levels (MCLs)	$280		$340		$4,700				$5,320	
Non-Pay Inflation Adjustment	280		340		4,700				5,320	
Subtotal FY 2020 Changes to Base	$280		$340		$4,700				$5,320	
FY 2020 Current Services	$14,280	22	$17,340	60	$239,700	438	$65,000		$336,320	520
Program Changes:										
Program Increases:										
O&M of Prior-year Enterprise-wide Cybersecurity Investments					6,744				6,744	
Subtotal FY 2020 Program Increases					$6,744				$6,744	
Total FY 2020 Request	$14,280	22	$17,340	60	$246,444	438	$65,000		$343,064	520
Dollar/FTE Change FY 2020 Request over FY 2019 Annualized CR Level	$280		$340		$11,444				$12,064	
Percent Change FY 2020 Request over FY 2019 Annualized CR Level	2.00%		2.00%		4.87%				3.64%	

4.5 – Summary of IRS FY 2020 Request

Bureau: Internal Revenue Service	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
Summary of FY 2020 Request	$000	FTE	$000	FTE	$000	FTE	$000	FTE	$000	FTE
FY 2019 Annualized CR Level (Pre-IAT and TCJ Adjustments)	$2,506,554	27,947	$4,860,000	35,327	$3,634,000	10,340	$110,000	361	$11,110,554	73,975
Planned Interappropriation Transfer			(200,000)	(1,346)	200,000					(1,346)
Section 112 Administrative Provision	65,000	887	12,000	68					$77,000	955
FY 2019 Annualized CR Level	$2,571,554	28,834	$4,672,000	34,049	$3,834,000	10,340	$110,000	361	$11,187,554	73,584
Changes to Base:										
Other Adjustments	($101,636)	(1,192)			$101,636	163				(1,029)
Offset to O&M for Critical IT Systems	(101,636)	(1,192)			$101,636	163				(1,029)
Maintaining Current Levels (MCLs)	$3,161		$6,249		$41,155				$50,565	
Non-Pay Inflation Adjustment (2.0%)	3,161		6,249		41,155				50,565	
Efficiency/Savings	($71,079)	(1,003)	($13,717)	(68)	($24,804)				($109,600)	(1,071)
Increase e-File Savings	(6,079)	(116)			(104)				(6,183)	(116)
Space Optimization					(24,700)				(24,700)	
Reduce Contractual Services			(1,717)						(1,717)	
Non-Recur for Section 112 Tax Reform Funding	(65,000)	(887)	(12,000)	(68)					(77,000)	(955)
Subtotal FY 2020 Changes to Base	($169,554)	(2,195)	($7,468)	(68)	$117,987	163			($59,035)	(2,100)
New FY 2020 Current Services	$2,402,000	26,639	$4,664,532	33,981	$3,951,987	10,503	$110,000	361	$11,128,519	71,484
Program Changes:										
Program Increases:			$40,836	201	$123,034	180	$180,000	80	$343,870	461
IRS Technology Modernization Plan							180,000	80	180,000	80
Data Analytics to Enhance Compliance			28,470	174	5,363	16			33,833	190
Prevent Identity Theft			12,366	27	10,122	2			22,488	29
O&M of Prior-year Enterprise-wide Cybersecurtiy Investments					6,744				6,744	
O&M of Critical Systems					100,805	162			100,805	162
Subtotal FY 2020 Program Changes			$40,836	201	$123,034	180	$180,000	80	$343,870	461
Total FY 2020 Request	$2,402,000	26,639	$4,705,368	34,182	$4,075,021	10,683	$290,000	441	$11,472,389	71,945
Dollar/FTE Change FY 2020 Request over FY 2019 Annualized CR	($169,554)	(2,195)	$33,368	133	$241,021	343	$180,000	80	$284,835	(1,639)
Percent Change FY 2020 Request over FY 2019 Annualized CR	-6.59%	-7.61%	0.71%	0.39%	6.29%	3.32%	163.64%	22.16%	2.55%	-2.23%
Cap Adjustment Program Increases										
Increase Audit Coverage			92,557	854	42,540	89			135,097	943
Increase Collection Coverage			50,344	402	21,213	39			71,557	441
Fight Cybercrimes and Counterterrorism			28,927	87	11,270				40,197	87
Return Review Program					52,466	57			52,466	57
IT Support for Enforcement Efforts					25,945				25,945	
Expand Coverage in the Tax-Exempt Sector			28,058	232	8,251				36,309	232
Subtotal FY 2020 Cap Adjustment Investments			$199,886	1,575	$161,685	185			$361,571	1,760
Total FY 2020 Request Including Cap Adjustment	$2,402,000	26,639	$4,905,254	35,757	$4,236,706	10,868	$290,000	441	$11,833,960	73,705
Dollar/FTE Change FY 2020 Request Including Cap Adj over FY 2019 Annualized CR	($169,554)	(2,195)	$233,254	1,708	$402,706	528	$180,000	80	$646,406	121
Percent Change FY 2020 Request Including Cap Adj over FY 2019 Annualized CR	-6.59%	-7.61%	4.99%	5.02%	10.50%	5.11%	163.64%	22.16%	5.78%	0.16%

Department of the Treasury
Departmental Offices
Salaries and Expenses

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

Table of Contents

Section I – Budget Request

A – Mission Statement

Maintain a strong economy and create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad and manage the U.S. Government's finances and resources effectively.

B – Summary of the Request

The FY 2020 Request proposes increases to help implement programs that bolster U.S. economic growth, promote financial stability, enhance national security, transform government-wide financial stewardship, and achieve operational excellence. Particular focuses of this request are the Committee on Foreign Investment in the United States (CFIUS) program's expanded responsibilities under the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA), expansion of the Office of Tax Policy's impact analyses of tax regulations, a significant expansion of the Office of Critical Infrastructure Protection and Compliance Policy's (OCIP's) efforts to protect the U.S. financial services sector from cyberattacks and improve resilience of critical infrastructure, and increased funding for additional Domestic Finance staffing to support Administration priorities.

In addition to requested increases for the Treasury Departmental Offices (DO) Salaries and Expenses (SE) account, DO anticipates transferring in and executing $15 million of the $20 million CFIUS Fund request, discussed separately.

1.1 – Appropriations Detail Table

Dollars in Thousands

DO Salaries and Expenses	FY 2018		FY 2019		FY 2020		FY 2019 to FY 2020			
Appropriated Resources	Enacted		Annualized CR		Request		Change		% Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Executive Direction	128	$35,940	105	$36,474	107	$36,876	2	$402	1.90%	1.10%
Domestic Finance and Tax Policy	265	$68,363	228	$74,199	264	$88,133	36	$13,934	15.79%	18.78%
International Affairs and Economic Policy	211	$50,732	177	$46,981	177	$50,467	0	$3,486	0.00%	7.42%
Treasury-wide Management and Programs	142	$40,716	114	$41,922	116	$40,497	2	($1,425)	1.75%	-3.40%
Committee on Foreign Investment in the United States (CFIUS)	26	$6,000	65	$15,000	81	$20,000	16	$5,000	24.62%	33.33%
Subtotal New Appropriated Resources	**772**	**$201,751**	**689**	**$214,576**	**745**	**$235,973**	**56**	**$21,397**	**8.13%**	**9.97%**
Other Resources										
Expenditure Transfer from the CFIUS Fund	0	$0	0	$0	0	$15,000	0	$15,000	NA	NA
Reimbursables	91	$79,690	52	$12,432	52	$12,432	0	$0	0.00%	0.00%
Subtotal Other Resources	**91**	**$79,690**	**52**	**$12,432**	**52**	**$27,432**	**0**	**$15,000**	**0.00%**	**120.66%**
Total Budgetary Resources	**863**	**$281,441**	**741**	**$227,008**	**797**	**$263,405**	**56**	**$36,397**	**7.56%**	**16.03%**

Notes: FY 2018 other resources and FTE are actuals

FY 2018 CFIUS funds were enacted in the International Affairs and Economic Policy Budget Activity. They are broken out here for comparison purposes.

1.2 – Budget Adjustments Table

DO Salaries and Expenses	FTE	Amount
FY 2019 Annualized CR	**689**	**$214,576**
Changes to Base:		
Maintaining Current Levels (MCLs):	0	$1,761
Non-Pay	0	$1,761
Transfers	8	$1,651
Office of Critical Infrastructure Protection and Compliance Policy's (OCIP) Cybersecurity Enhancement Funding to DO SE	8	$1,651
Efficiency Savings	0	($1,675)
Subtotal Changes to Base	8	$1,737
Total FY 2020 Base	**697**	**$216,313**
Program Changes:		
Program Increases:	48	$19,660
Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity investments	0	$2,175
Committee on Foreign Investment in the United States (CFIUS) Expansion	16	$5,000
Impact Analyses of Tax Regulations	6	$1,802
Strengthen the Financial Services Sector's Cybersecurity and Critical Infrastructure Protection (OCIP)	13	$7,700
Management Capacity Building to Support Program Initiatives	2	$885
Increase Domestic Finance Policy and Program Staff to Support Strategic Objectives and Priority Goals	11	$2,098
Total FY 2020 Request	**745**	**$235,973**
Transfers	0	$15,000
CFIUS Fund	0	$15,000
Total FY 2020 Including Transfers	**745**	**$250,973**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs).. +$1,761,000 / +0 FTE

Non-Pay +$1,761,000 / +0 FTE

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

Transfers... +$1,651,000 / +8 FTE

Re-align Office of Critical Infrastructure Protection and Compliance Policy's (OCIP) Cybersecurity Enhancement Funding to DO SE +$1,651,000 / +8 FTE

DO proposes to realign to the DO SE appropriation the portion of OCIP's funding for financial services sector cybersecurity that is currently provided through the Cybersecurity Enhancement Account (CEA). This budget-neutral realignment will combine funding for OCIP under the single DO SE appropriation and focus CEA solely on enterprise-wide cybersecurity investments.

Efficiency Savings .... -$1,675,000 / +0 FTE
Contractual Support -$1,675,000 / +0 FTE
DO will achieve cost savings and efficiencies in contract services through more efficient oversight of all contracts, consolidating contracts where appropriate, and partnering with other agencies and DO components to leverage common technology or administrative support needs.

Program Increases .... +$19,660,000 / +48 FTE
Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity investments *+$2,175,000 / +0 FTE*
The FY 2020 request includes funding to support operations and maintenance (O&M) for prior year Cybersecurity Enhancement Account investments. O&M will be funded by Treasury Bureaus through Treasury Franchise Fund (TFF) billing. This increase represents the bureau's portion of the $17.5 million O&M total.

Committee on Foreign Investment in the United States (CFIUS) Expansion +$5,000,000 / +16 FTE
FIRRMA expanded the jurisdiction of CFIUS to address growing national security concerns over foreign exploitation of certain investment structures which traditionally have fallen outside of CFIUS jurisdiction. This budget request funds FTE and contract resource requirements for the Office of International Affairs and Office of General Counsel necessary to implement FIRRMA and handle the expected workload of 1,000 cases per year (compared to 238 prior to FIRRMA). Please refer to the CFIUS Activities Congressional Justification chapter for additional information.

Impact Analyses of Tax Regulations +$1,802,000 / +6 FTE
One of the Administration's goals is to bring clarity to the complex Internal Revenue Code and to provide useful guidance to taxpayers. Following enactment of the Tax Cuts and Job Act of 2017, pursuant to a Memorandum of Agreement (MOA) between Treasury and the Office of Management and Budget (OMB) in April 2018, Treasury agreed to create a new framework to accommodate the Executive Order (EO) 12866 review of tax regulations with the objective of providing taxpayers with economic analysis for significant tax regulations while reducing regulatory burdens and providing timely tax guidance for taxpayers. To accomplish this, the Office of Tax Policy (OTP) requests $1.802 million and 6 FTE to conduct robust regulatory impact analyses of "significant" tax regulations as determined by OMB.

The requested funding would provide the resources needed to comply with 60 potential EO 12866 reviews in FY 2020 versus 10 regulatory reviews under current funding. These reviews include conducting the analyses needed to determine the significance of regulations under EO 12866, including whether specific regulations require a regulatory impact analysis, and when needed, the creation of this analysis.

OTP estimates that the Internal Revenue Service (IRS) and Treasury produce approximately 350 regulatory projects annually. These regulatory projects will be analyzed to determine if regulatory impact analysis is required. OTP estimates that 50-60 projects may be deemed significant by OMB during a fiscal year.

To conduct timely and accurate analysis, OTP will work with the IRS Office of Research, Analysis and Statistics (RAAS) to stand up a mirrored server at the RAAS location to provide OTP personnel with appropriate applications and storage in order to conduct burden estimates for regulatory projects.

Strengthen the Financial Services Sector's Cybersecurity and Critical Infrastructure Protection (OCIP) +$7,700,000 / +13 FTE

The U.S. financial services sector faces a broad range of cybersecurity vulnerabilities and physical hazards, both domestically and internationally. The United States' adversaries have grown in technical capability, and their attacks have likewise increased in sophistication. This request would enable Treasury to proactively reduce risks to the sector by identifying previously unidentified vulnerabilities before they can be exploited.

Vulnerability Identification +$5,300,000 / +7 FTE:

The FY 2020 request will improve Treasury's capabilities to identify and assess vulnerabilities, thereby helping mitigate risks to the financial services sector's infrastructure. This will build upon critical infrastructure process maps developed by OCIP in 2014. Of this request, $3.0 million will be used to update outdated maps, identify and diagram additional processes, visualize linkages among major sector actors, and link to geographically-based risks.

The remaining $2.3 million of this request will be used to study vulnerabilities at the 27 most critical financial institutions and conduct exercises on a broader range of financial services sector institutions and sub-sectors. OCIP will also work with the sector to identify and prioritize vulnerabilities with an emphasis on the largest financial institutions. This effort will identify common systemic risks within these institutions and the other infrastructures on which the sector relies (e.g. energy and telecommunications) to pinpoint shared vulnerabilities.

Without the identification and assessment of these vulnerabilities, the financial system will remain exposed to an unacceptable level of risk. Both activities will help identify and avoid potential damage from malicious actors as well as natural disasters such as hurricanes and earthquakes.

Early Vulnerability Mitigation/Avoidance +$2,400,000 / +6 FTE:

To support the President's National Cyber Strategy, issued in September of 2018, OCIP seeks to assist the financial services sector by focusing on early detection of a broad range of cybersecurity vulnerabilities and developing recommended mitigation strategies. This request will allow Treasury and the sector to shift to a more proactive risk reduction approach by finding and mitigating vulnerabilities before they can cause damage, reducing the number of incidents as well as the cost of the recovery for those that occur. This funding will be used to research and understand potential risks of new technology, in particular fintech, promote international cybersecurity, expand OCIP's presence at Federal Cyber Centers, and increase collaboration with other key U.S. critical infrastructures.

Management Capacity Building to Support Program Initiatives +$885,000 / +2 FTE[1]

Treasury Management requests funding for the oversight and administrative support associated with the growth of program offices. The resources would provide funding for:

- Two FTE within the Office of Human Resources (OHR) of the Centralized Treasury Administrative Services (CTAS) program. OHR is charged with providing direct support for the recruitment, staffing, onboarding, engagement, performance and retention of staff for DO. For example, the CFIUS program office is expected to increase by 55 FTE through FY 2020. OHR's current staffing levels will be unable to appropriately support growth in these areas and other FY 2020 initiatives.
- Two FTE within the Office of Privacy, Transparency, and Records of the CTAS program. There are 1,559 cases pending in FY 2019 compared to 1,259 in FY 2018. Without these additional resources, the FOIA backlog will continue to grow by 300 cases per year. Two additional FTE would allow PTR to process the same number of requests they receive.
- One FTE to the Treasury Management and Budget office to work to analyze bureau base budgets and resource needs.
- One FTE to the Office of Strategic Planning and Performance Improvement to support increased oversight requirements for the Program Management Improvement and Accountability Act, the Foundations in Evidence Building Act, and the President's Management Agenda.
- The Treasury WAVES request system, which is an upgrade of the U.S. Secret Service IT System for processing background checks for visitors seeking entrance to the Treasury Complex (Main Treasury and the Freedman's Bank Building). The Treasury WAVES request system includes a customer facing application that removes the collection of PII from the requestor to the visitors themselves. This program improves the visitor clearance process and allows Treasury to carry out its day-to-day business in a more efficient manner.

Increase Domestic Finance Staff to Support Strategic Objectives and Priority Goals +$2,098,000 / +11 FTE

Between FYs 2016 and 2018, DF's workforce declined by 50 personnel (roughly one-third) within the offices funded by the DO SE appropriation. After a careful review of policy priorities and in light of emerging initiatives, Treasury determined that it needs to increase DF staff by 11 FTE personnel to achieve the Administration's goals timely and effectively.

The FY 2020 request would support achievement of the following Treasury and Administration strategic objectives by allowing DF to increase staffing to support the following policy objectives:

Office of Assistant Secretary for Financial Markets, +4 FTE

- Reforming housing finance;
- Monitoring and addressing fiscal issues of state and local governments, including municipal bonds and fiscal crises;
- Implementing the Core Principles recommendations for reforming regulation of the U.S. financial system corporate finance;

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[1] These FTE numbers include only the direct FTE in DO Salaries and Expenses. The initiative also funds 4 FTE in the Franchise Fund.

- Managing the U.S. debt through securities auctions; and
- Ensuring accurate and timely fiscal projections of receipts to the government.

Office of the Assistant Secretary for Financial Institutions, +3 FTE
- Implementing the Core Principles recommendations for reforming regulation of the U.S. financial system corporate finance.

Office of the Fiscal Assistant Secretary (OFAS), +4 FTE
- Managing the U.S. debt through securities auctions;
- Ensuring accurate and timely fiscal projections of receipts to the government;
- Effectively awarding and monitoring compliance of grants for Gulf Coast restoration;
- Improving federal government financial management; and
- Increasing data transparency about government spending.

In addition to supporting these policy objectives, the new personnel for OFAS will help to achieve the following Cross-Agency Priority goals:
- Leverage Data as a Strategic Asset (DATA Act, federal financial management);
- Sharing Quality Services (overseeing the Bureau of the Fiscal Service, which reports to the Fiscal Assistant Secretary, and leading federal financial management);
- Shifting from Low-Value to High-Value Work (federal financial management);
- Results-Oriented Accountability for Grants (RESTORE Act awards and compliance); and
- Getting Payments Right (managing the Bureau of the Fiscal Service).

Transfers.. +$15,000,000 / +0 FTE
Funds transferred from CFIUS Fund +$15,000,000 / +0 FTE
This funding would be transferred from the Committee on Foreign Investment in the United States (CFIUS) Fund. This investment will fund development of an end-to-end IT infrastructure comprised of a public-facing portal and a case management system to modernize processes and to handle anticipated increasing caseloads for CFIUS member agencies that will promote efficiencies in the Committee's processes. This investment is the first year of a multi-year project. Treasury will require steady funding through FY 2021 with costs expected to partially non-recur as the project moves into operations and maintenance starting in FY 2022. Please refer to the CFIUS Activities Congressional Justification chapter for additional information.

1.3 – Operating Levels Table

Dollars in Thousands

DO Salaries and Expenses Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 - Full-time permanent	99,550	89,400	97,627
11.3 - Other than full-time permanent	1,918	1,760	1,760
11.5 - Other personnel compensation	2,385	2,535	2,535
11.9 - Personnel Compensation (Total)	**103,853**	**93,695**	**101,922**
12.0 - Personnel benefits	31,936	28,646	31,495
Total Personnel and Compensation Benefits	**$135,789**	**$122,341**	**$133,417**
21.0 - Travel and transportation of persons	4,059	3,299	3,437
22.0 - Transportation of things	265	171	174
23.1 - Rental payments to GSA	618	281	281
23.2 - Rental payments to others	644	657	670
23.3 - Communications, utilities, and miscellaneous charges	294	235	517
24.0 - Printing and reproduction	97	6	6
25.1 - Advisory and assistance services	23,677	9,737	19,984
25.2 - Other services from non-Federal sources	7,736	3,682	4,008
25.3 - Other goods and services from Federal sources	19,877	67,275	72,951
25.4 - Operation and maintenance of facilities	57	0	0
25.7 - Operation and maintenance of equipment	442	227	231
26.0 - Supplies and materials	3,253	2,715	3,046
31.0 - Equipment	4,943	3,950	12,251
32.0 - Land and structures	0	0	0
Total Non-Personnel	**$65,962**	**$92,235**	**$117,556**
New Budgetary Resources	**$201,751**	**$214,576**	**$250,973**
FTE	**772**	**689**	**745**

Note: FY 2018 FTE are actuals

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY DEPARTMENTAL OFFICES *Federal Funds* SALARIES AND EXPENSES	
For necessary expenses of the Departmental Offices including operation and maintenance of the Treasury Building and Freedman's Bank Building; hire of passenger motor vehicles; maintenance, repairs, and improvements of, and purchase of commercial insurance policies for, real properties leased or owned overseas, when necessary for the performance of official business; executive direction program activities; international affairs and economic policy activities; domestic finance and tax policy activities, including technical assistance to state and local entities; and Treasury-wide management policies and programs activities, $235,973,000: Provided, That of the amount appropriated under this heading— *(1) not to exceed $350,000 is for official reception and representation expenses;* *(2) not to exceed $258,000 is for unforeseen emergencies of a confidential nature to be allocated and expended under the direction of the Secretary of the Treasury and to be accounted for solely on the Secretary's certificate; and* *(3) not to exceed $24,000,000 shall remain available until September 30, 2021, for—* *(A) the Treasury-wide Financial Statement Audit and Internal Control Program;* *(B) information technology modernization requirements;* *(C) the audit, oversight, and administration of the Gulf Coast Restoration Trust Fund;* *(D) the development and implementation of programs within the Office of Critical Infrastructure Protection and Compliance Policy, including entering into cooperative agreements;* *(E) operations and maintenance of facilities; and* *(F) international operations.* Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.	Removes the one time increase in representation funds provided in FY 2019 for the Financial Action Task Force annual conference.

E – Legislative Proposals

Departmental Offices has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

DO is Treasury's headquarters bureau. It provides leadership in economic and financial policy, financial intelligence, and general management. Treasury utilizes effective management, policies, and leadership to protect our national security through targeted financial actions, promote the stability of the nation's financial markets, and ensure the government's ability to collect revenue and fund its operations. DO aligns to all Treasury strategic goals and objectives. Specific alignment by budget activity is indicated below.

This request also consolidates and streamlines federal financial literacy education efforts. The budget proposes that federal efforts to promote financial literacy be focused on the high-impact areas of: basic financial capability, housing, higher education, military and veteran programs, and investment and retirement planning. More than 20 federal agencies have some form of financial education or literacy programs. Collectively, federal agencies spent an estimated $250 million on financial literacy and education activities in 2017. Streamlining and consolidating programs and activities will be a multi-year effort.

B – Budget and Performance by Budget Activity

2.1.1 – Executive Direction Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$34,588	$35,313	$37,778	$36,706	$35,787	$36,474	$36,876
Other Resource	$15,137	$21,677	$29,632	$22,997	$25,455	$3,687	$3,687
Budget Activity Total	**$49,725**	**$56,990**	**$67,410**	**$59,703**	**$61,242**	**$40,161**	**$40,563**
FTE	**162**	**189**	**206**	**169**	**159**	**123**	**125**

Executive Direction Budget and Performance

(*$36,876,000 from direct appropriations, $3,687,000 from reimbursable resources*):
The Executive Direction program area provides direction and policy formulation to DO and the rest of Treasury and interacts with Congress and the public on policy matters.

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

2.1.2 – International Affairs and Economic Policy Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$56,265	$57,362	$59,061	$60,613	$49,677	$46,981	$50,467
Other Resource	$4,891	$5,896	$14,680	$10,617	$9,795	$1,835	$1,835
Budget Activity Total	**$61,156**	**$63,258**	**$73,741**	**$71,230**	**$59,472**	**$48,816**	**$52,302**
FTE	**226**	**259**	**272**	**268**	**220**	**182**	**182**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
IA - Monitor Quality and Enhance Effectiveness of International Monetary Fund (IMF) Lending Through Review of IMF Country Programs	100	100	100	100	100	100	100	100
IA - Monitor Quality and Enhance Effectiveness of MDB Lending Through Review of MDB Grant and Loan Proposals	100	100	100	100	100	100	100	100
IA - Percentage of MDB Grant and Loan Proposals Containing Satisfactory Frameworks for Results Measurement	93	93	89	96	97.6	95	95	95
OTA - Program Engagement	3.7	3.8	3.9	4.0	3.8	3.6	3.6	3.6

International Affairs and Economic Policy Budget and Performance

($50,467,000 from direct appropriations, and $1,835,000 from reimbursable resources):
The offices in this budget activity promote economic growth in the U.S. by producing technical economic analyses for the Secretary and advancing U.S. economic and financial policy priorities around the world.

Office of International Affairs (IA)
This office supports the following strategic objectives for Strategic Goal 1, to boost U.S. economic growth:

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

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

- Objective 2.2 – Foreign Exchange Practices: Achieve fair foreign exchange practices through multilateral engagement with international partners.
- Objective 2.3 – Foreign Technical Assistance: Provide technical assistance to enable foreign partner countries to better raise and manage financial resources and protect their financial sectors.

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

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

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

- Objective 4.1 – Financial Data Access/Use: Increase the access and use of federal financial data to strengthen government-wide decision-making, transparency, and accountability.

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

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

In FY 2018, the Office of International Affairs (IA) worked to put in place policies that achieve faster U.S. and global growth and higher after-tax wages for American workers. This involved ambitious reforms for trade, energy, financial regulation, infrastructure, and international relations, all of which will continue into FY 2019.

In its role as lead for international negotiations on non-insurance financial services and transfers, Treasury pursued critical financial services commitments and robust transfer provisions of trade and investment negotiations. Treasury played a key role in the United States-Mexico-Canada Agreement negotiations, aimed at working toward a more balanced agreement to replace the North America Free Trade Agreement. Treasury also plays an important U.S. government role on broader trade issues such as State-owned enterprises, customs, and other trade related disciplines that impact Treasury equities. Treasury is playing a lead role in analyzing the implications for U.S. financial services firms of the United Kingdom's exit from the European Union. In addition, as the U.S. lead in negotiating reductions of export finance subsidies, Treasury continues to press China and other major providers of export finance to agree to disciplines on government support, so that U.S. exporters can compete globally on a level playing field. These efforts serve not only to enhance U.S. competitiveness but also move export credit financing to a more market basis consistent with Congressional mandates.

Treasury works to address the large and persistent global imbalances and unfair currency practices that threaten strong and sustainable U.S. economic growth. Treasury seeks to level the playing field for U.S. businesses through multilateral and bilateral engagements on foreign exchange practices. Treasury does this via multilateral and bilateral activities working through the International Monetary Fund (IMF) and the Group of 20 Nations (G-20). As an example, Treasury continues to press for stronger exchange rate surveillance in the IMF. Treasury also continues to enhance its oversight of the multilateral development banks' (MDB) policies and programs, particularly with respect to the expansion of their loan programs when market financing is generally plentiful. In FY 2018, Treasury negotiated a set of transformational reforms with other shareholders and World Bank Management, which are designed to make the World Bank more financially-disciplined, focus its operations in countries that have less access to other sources of finance, and ensure it operates more efficiently.

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

- <u>Monitor Quality and Enhance Effectiveness of IMF Lending through Review of IMF Country Programs</u>: This measure tracks efforts by IA staff to monitor the quality of IMF country programs and ensure the application of appropriately high standards for the use of IMF resources. The target (100 percent) was met in FY 2018. In FY 2019 and FY 2020, IA's target for this measure remains 100 percent.

- <u>Monitor Quality and Enhance Effectiveness of MDB Lending through Timely Review of MDB Grant and Loan Proposals</u>: IA reviews MDB loan and grant proposals to ensure that funded projects meet several key goals, which include supporting long-term U.S. objectives, having a measurable development impact, and being consistent with congressional mandates. The target (100 percent) was met in FY 2018. In FY 2019 and FY 2020, IA aims to continue its review of 100 percent of MDB loan and grant proposals prior to the date of the relevant Executive Board meeting and increase its oversight of projects during implementation.

- <u>Percentage of MDB Grant and Loan Proposals Containing Satisfactory Frameworks for Results Measurement:</u> This measure tracks the percentage of grant and loan project proposals that contain a satisfactory framework for measuring project results (such as outcome indicators, quantifiable and time-bound targets, etc.). This information is measured on an annual basis. In FY 2018, 97.6 percent of MDB grant and loan project proposals had excellent or satisfactory ratings for the results matrices. The FY 2019 target is 95 percent, and the FY 2020 target is 95 percent.

Treasury's Office of Technical Assistance (OTA) complements Treasury's international economic and terrorist financing policy work. Treasury's offices of International Affairs and Terrorism and Financial Intelligence advocate for improvements in economic and terrorist financing policies internationally. OTA helps the governments of developing and transition countries build the human and institutional capacity to implement such policy improvements. Finance ministries and central banks of developing countries that have demonstrated a strong commitment to reforming their financial systems or public financial management can receive direct assistance from OTA through its cadre of expert advisors. The technical assistance team leverages its funding to increase transparency and accountability, reduce corruption, and strengthen the development of market-based policies and practices in these economies.
OTA support promotes more effective use of a country's own resources and helps reduce dependency on foreign aid. This work also supports stabilization of financial sectors in national security/foreign policy priority countries (e.g., Ukraine), more transparent and accountable

financial sectors for U.S. investors overseas, and the expansion of markets for U.S. exporters, thus promoting jobs and economic growth at home.

- Office of Technical Assistance (OTA) Program Engagement (Traction): Measures the degree to which foreign counterparts are engaging proactively and constructively with OTA advisors, at the working and policy levels. Counterpart engagement is both a key outcome of OTA efforts to structure and execute effective technical assistance projects that support host country ownership as well as the most crucial input to the successful achievement of the intermediate goals and ultimate outcomes described in the project's terms of reference and work plan during the fiscal year – such as passage of law or regulation, an increase in government revenues, an improvement in a government's credit rating, or a reduction in economic crimes. The measure is scored on a 5-point scale and averaged across all projects to provide one overall measure of OTA's performance. In FY 2018, the Traction score was 3.8, exceeding the target of 3.6. In FY 2019 and FY 2020, IA's target for Traction is 3.6.

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

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

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

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

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

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

During the past year, EP staff in the Office of Macroeconomic Analysis closely monitored U.S. economic performance. The office's high-quality analytic updates served as DO's main internal source of information on U.S. macroeconomic developments and informed a wide range of high-level engagements and official publications, including the Bank/Fund and regional development bank meetings, meetings of the G-7 and G-20, the Quarterly Treasury Bulletin, the report to Congress titled, "Foreign Exchange Policies of Major Trading Partners of the U.S.," the Economy Statement for the Treasury Borrowing Advisory Committee, and the U.S. Government's Annual Financial Report.

Economists from EP also represented the United States at Organisation for Economic Co-operation and Development (OECD) Economic Policy Committee and Working Group meetings on country forecasts. Finally, the office continued to deliver the High-Quality Market Corporate Yield Curve (a set of daily rates issued on a monthly basis) as mandated under the Pension

Protection Act and to produce a Treasury Real Coupon-Issue Yield Curve, a companion to the Treasury Nominal Coupon-Issue Yield Curve, and several other yield curves. These yield curve data are used extensively throughout the private sector and executive agencies that administer private and public pension programs and other future payment programs to calculate their annual liabilities.

Economic Policy is responsible for implementation and ongoing management of the Social Impact Partnerships to Pay for Results Act (SIPPRA) program. SIPPRA, signed into law on February 9, 2018, appropriated $100 million in funding to implement "Social Impact Partnership Demonstration Projects" and feasibility studies to prepare for those projects. Program funds can be obligated through February 8, 2028. The SIPPRA program is intended to demonstrate a new model of implementing and funding projects designed to solve entrenched societal problems such as homelessness, recidivism and unemployment.

SIPPRA issued its first Notice of Funding Availability (NOFA) on February 21, 2019 with the intent to award up to $66.29 million in funding for social impact partnership project grants with half of this funding intended for projects that directly benefit children. Awards are scheduled to be made in November 2019.

OMB is standing up the Federal Interagency Council on Social Impact Partnerships (Council), which is comprised of representatives from OMB and each of the ten agencies included in SIPPRA. The Council is responsible for certifying, prior to award approval, that (1) applications contain data and research methodologies to support savings estimates; (2) applicant/independent evaluator agreements have been established; (3) estimated savings will be realized if project outcomes are achieved. Separately, the SIPPRA Commission, an advisory commission comprised of nine private-sector individuals nominated by the President and Congressional Leadership, has been established and will meet periodically to develop recommendations to the Secretary of the Treasury and Council and provide additional advice and assistance as requested.

The Office of Microeconomic Analysis has been actively engaged in helping the public and policymakers understand important economic policy issues including economic issue briefs covering a wide range of economic topics, including work associated with CFIUS, the housing market, and infrastructure investment. Other activities included:

- Co-chairing, with Treasury's Federal Insurance Office, the interagency Long-Term Care Task Force;
- Regulatory Impact Analysis for Treasury's Alcohol and Tobacco tax and Trade Bureau on a proposed deregulatory policy change; ongoing coordination and analysis related to the Secretary's role as Managing Trustee of the Social Security and Medicare Trust Funds;
- Analysis of the potential impact on economic growth of the Administration's infrastructure investment proposal;
- Interagency work on an Economic Policy-initiated regulatory proposal for more flexible and less costly appliance energy efficiency regulations; and
- The office continued to lead a government-wide effort to close the skills gap in the economist occupation in the Federal government by coordinating efforts between the economist workforce, Office of Personnel Management, and OMB to promote better recruitment, retention, and development of economists in the federal workforce. That effort resulted this

year in new government-wide direct-hire authority for certain Scientific, Technical, Engineering and Mathematics (STEM) occupations, including economists.

2.1.3 – Domestic Finance and Tax Policy Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$81,783	$76,520	$79,748	$81,410	$66,123	$74,199	$88,133
Other Resource	$24,997	$40,240	$55,231	$38,650	$42,042	$6,633	$6,633
Budget Activity Total	**$106,780**	**$116,760**	**$134,979**	**$120,060**	**$108,165**	**$80,832**	**$94,766**
FTE	**339**	**364**	**398**	**365**	**311**	**255**	**291**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
DF-Variance Between Estimated and Actual Receipts (Annual Forecast) (%)	3.25	2.80	3.10	4.00	2.30	4.25	4.25	4.25

Domestic Finance and Tax Policy Budget and Performance
($88,133,000 from direct appropriations, and $6,633,000 from reimbursable resources):
The Offices of Domestic Finance and Tax Policy monitor policy, legislation, and regulations, and provide advice and assistance to the Secretary about the financial services sector and taxes, as well as financial markets and the regulation of financial institutions. The Office of Tax Policy supports the Administration's efforts in tax reform legislative proposals and regulatory implementation.

Office of Domestic Finance (DF)
This office supports the following strategic objective for Strategic Goal 1, to boost U.S. economic growth:
- Objective 1.2 – Strong Economic Fundamentals: Spur faster economic growth by right-sizing Treasury and other regulations and advancing domestic economic policies that boost investment, employment, and innovation.

This office supports the following strategic objectives for Strategic Goal 2, to promote financial stability:
- Objective 2.1 – Housing Finance Reform: Support housing finance reform to resolve Government-Sponsored Enterprise (GSE) conservatorships and prevent taxpayer bailouts of public and private mortgage finance entities, while promoting consumer choice within the mortgage market.
- Objective 2.4 – Financial Sector Critical Infrastructure and Cybersecurity: Enhance security, improve resiliency, and reduce the risk of significant cybersecurity and other incidents to the financial sector's critical infrastructure, domestically and internationally.

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

- Objective 4.2 – Debt Management: Fund the Federal Government at the least cost over time.
- Objective 4.3 – Federal Financial Performance: Improve federal financial management performance using innovative practices to support effective government.

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

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

During FY 2018, DF worked to promote America's long-term economic strength and stability by preserving confidence in the U.S. Treasury securities market, managing federal fiscal operations and the U.S. government's debt, advising state and local governments on their finances, supporting small businesses, and strengthening financial institutions and markets. DF advanced several key Administration policies, particularly financial regulatory reform and cyber security.

Strong Economic Fundamentals

For example, to promote strong economic fundamentals, Treasury continued work to improve the financial regulatory system and strengthen the economy consistent with the Administration's "Core Principles" for regulating the U.S. financial system. These Core Principles, issued under Executive Order 13772, include empowering Americans to make independent financial decisions, save for retirement, and build individual wealth. Since issuance of the Core Principles EO in February 2017, Treasury has published several reports making numerous recommendations for administrative and statutory reforms, most of which require action by the regulators and/or Congress. These reforms would, among other things, discourage taxpayer-funded bailouts, promote American companies' competitiveness, and make regulation efficient, effective, and appropriately tailored.

Given the breadth of the financial system and a complex regulatory environment, Treasury divided the review of the financial system into four reports, covering: (1) banks and credit unions; (2) capital markets; (3) asset management and insurance; and (4) non-bank financials, fintech, and innovation.

Treasury concluded its Core Principles reporting requirements with the July 2018 release of its report on nonbank financials, fintech, and innovation. For this report, Treasury consulted extensively with a wide range of stakeholders focused on consumer financial data aggregation, lending, payments, credit servicing, financial technology, and innovation. Treasury's recommendations are designed to facilitate U.S. firm's innovation by streamlining and refining the regulatory environment. These improvements aim to enable U.S. firms to more rapidly adopt competitive technologies, safeguard consumer data, and operate with greater regulatory efficiency.

During FYs 2019 and 2020, Treasury will continue to evaluate progress and work to support the implementation of the "Core Principles" recommendations for the U.S. financial system.

Housing
Treasury retains significant investments in Fannie Mae and Freddie Mac (the government sponsored enterprises, or GSEs), and continues to provide capital support to the GSEs through the Senior Preferred Stock Purchase Agreements (PSPAs). These capital support agreements provide confidence to the financial markets that the GSEs will fulfill their financial obligations. These agreements have been amended several times since they were executed in 2008, most recently in FY 2018, when Treasury and the GSEs, acting through their conservator, the Federal Housing Finance Agency, agreed to increase the minimum capital reserve each entity was allowed to retain. Treasury has significant responsibilities on behalf of taxpayers to monitor the nearly $200 billion investment in the GSEs. In addition, advancing housing finance reform, including progress toward the resolution of the GSE conservatorships, is a priority for Treasury in FYs 2019 and 2020.

Public Finance
In August 2018, the Task Force on the United States Postal System, created by Executive Order 13829 and chaired by the Secretary of the Treasury, delivered recommendations to the President to identify a path for the United States Postal Service (USPS) to operate under a sustainable business model. This model envisions USPS providing necessary mail services to citizens and businesses while competing fairly in commercial markets. The task force, which included the Office of Management and Budget and the Office of Personnel Management, conducted extensive outreach to stakeholders and performed in-depth research and analysis to understand the wide range of challenges facing USPS. In December 2018, the task force released a public report of its findings and recommendations.

Financial Sector Critical Infrastructure Protection and Cybersecurity
During FY 2018, DF also played an important role in supporting critical infrastructure protection and cybersecurity in the financial services sector by leading and participating in cybersecurity exercises involving other government and private-sector participants. The exercises explored a variety of threat scenarios and how the participants would respond. Participants developed after-action reports for future improvement to reduce vulnerabilities and reduce risks. These types of exercises will continue in FYs 2019 and 2020.

Also, in Treasury's roles as chair of the Financial and Banking Information Infrastructure Committee and member of the Financial Services Sector Coordinating Council, OCIP continued sharing cybersecurity information among the member organizations. Treasury also encouraged private-sector firms to voluntarily share actionable cybersecurity information among firms to minimize the time it takes to discover, contain, and mitigate cyber incidents, whether from malicious or natural causes. These efforts will also continue in FYs 2019 and 2020.

Managing the U.S. Government's Debt
Another important DF responsibility is managing the U.S. government's debt. The Office of Fiscal Projections forecasts the government's cash and debt activity, including longer term projections of fiscal activity. The Office of Debt Management (ODM) seeks to fund the federal government at the least cost over time by working to maintain predictable issuance of Treasury debt, minimizing the amount of interest the government must pay, and managing debt maturity over time. In FY 2018, ODM determined for more than 270 auctions the amount and maturity of

debt that the Bureau of the Fiscal Service issued. These debt issuances totaled $9.9 trillion and raised more than $1.0 trillion in new cash to fund the U.S. government. Looking ahead, in the remainder of FY 2019 and carrying into FY 2020, DF ODM's responsibility will continue to be critical because borrowing needs are forecast to be significant based on the fiscal outlook and normalization of the Federal Reserve System's Open Market Account.

During FY 2018, ODM also successfully announced a new short-term Treasury security, the two-month Treasury bill. This new security was implemented with an alternative settlement cycle that is designed to smooth settlement amounts for both Treasury and market participants. Treasury also recently announced enhancements to the Treasury Inflation-Protected Securities program, which will be implemented during FYs 2019 and 2020.

In addition, working with Financial Industry Regulatory Authority and the Commodity Futures Trading Commission, Treasury made important progress regarding data on transactions in both cash Treasuries and Treasury futures. ODM has been analyzing this data with the purpose of better understanding Treasury market dynamics and market structure. Finally, with contractor support, ODM also continued to improve its internal analytical modeling platform: the Data Analytics Visualization Engine (DAVE).

Federal Financial Management
To support the President's Management Agenda, DF released "The Future of Federal Financial Management" in April 2018. This Treasury vision focuses on how to improve financial interactions with the federal government within the framework of the President's Management Agenda to provide modern, seamless, and secure service. The vision identifies ten initiatives in four key areas: (1) optimizing federal disbursing, (2) transforming federal collections, (3) strengthening financial reporting, and (4) expanding services available to agencies.

In addition, during FY 2018, Treasury continued to make progress in government-wide implementation of the 2014 *Digital Accountability and Transparency Act* (DATA Act). The DATA Act requires the federal government to provide consistent, reliable, and useful online data about how it spends taxpayer dollars. In April 2018, DF fully transitioned to the new USAspending.gov website by sunsetting the legacy site. The new site allows taxpayers to examine nearly $4 trillion in annual federal spending and see how this money flows to local communities and businesses. The site includes a new feature, the Data Lab, which provides additional use cases, data visualizations, and analysis with insights into federal spending and trends. In FY 2018, DF reviewed data quality, and will work with OMB and federal agencies to drive continued improvements in FY 2019 and FY 2020. The data is compiled from federal agencies and published quarterly.

DF has one performance measure:
<u>Variance between estimated and actual receipts (annual forecast) (percent)</u>: As part of managing the federal government's central operating account and cash position, the Office of Fiscal Projections (OFP) forecasts net cash flows (e.g., federal receipts and outlays) to ensure that adequate funds are available daily to cover federal payments. To determine its overall effectiveness, one of OFP's metrics is to measure the variance between actual and projected federal receipts. A lower variance is better because that indicates a more accurate forecast. The

actual variance for FY 2018 was 2.3 percent, which is significantly lower than the 4.25 percent target.

The FY 2018 level was the lowest variance going back to 2007, when it was 2.1 percent. Because tax receipts are quite variable year-to-year and sensitive to changes in macro-economic conditions and legislative changes, accurate forecasts in one year do not necessarily portend accuracy in a subsequent year or period. The target for both FYs 2019 and 2020 is 4.25 percent.

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

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

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

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

During FY 2018, the Office of Tax Policy (OTP) worked closely with IRS in implementing provisions of the Tax Cuts and Jobs Act (TCJA). Together, they implemented TCJA provisions related to the new Section 199A pass-through deduction and promulgated proposed regulations under Section 170 that preserve the revenue in TCJA related to the imposition of a cap on state and local income tax deductions. Treasury and the IRS also implemented TCJA provisions related to the Section 965 one-time repatriation tax and published proposed regulations under Section 951A dealing with the computation of global intangible low-taxed income, including income by U.S. shareholders of foreign subsidiaries. In addition, the IRS established an extensive web page on IRS.gov to provide information to the public as it becomes available.

OTP also provided analysis in support of tax reform implementation, including updated tax withholding tables and inflation-adjusted tax parameters and regulatory impact analyses. The office also estimated the effects of proposed and final tax reform provisions on tax revenue (overall and for specific types of taxpayers), to inform policymakers and to include in the Administration's FY 2019 Budget.

OTP continues to provide leadership for the OECD, the Inclusive Framework, the Global Forum, and the G-20, advocating for the interests of U.S. based businesses. OTP also plans to continue engaging in international negotiations to modernize existing treaties and to establish key new treaty relationships to protect the fiscal and business interests of the U.S.

In FY 2019 – FY 2020, OTP's primary mission will remain supporting tax reform implementation. This work will include regulatory guidance required to implement changes to the law by conducting cost-benefit analyses of many regulatory actions. The resulting Regulatory Impact Analyses (RIA) require detailed work. OTP received funding for FY 2019 to start hiring FTE to work on the RIA, and in 2020, OTP hopes to continue the implementation with additional staff and technology funding to conduct the necessary analyses.

2.1.4 – Treasury-wide Management and Programs Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$31,802	$35,971	$41,112	$43,387	$45,693	$41,922	$40,497
Other Resource	$30,858	$55,213	$3,339	$4,284	$2,398	$278	$278
Budget Activity Total	**$62,660**	**$91,184**	**$44,451**	**$47,671**	**$48,091**	**$42,200**	**$40,775**
FTE	**139**	**171**	**124**	**153**	**147**	**116**	**118**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
EO 13771 - Number of Deregulatory Actions Issued *	N/A	N/A	N/A	N/A	N/A	I	B	B
EO 13771 - Number of Deregulatory Actions Issued that Address Recommendations by the Regulatory Reform Task Force*	N/A	N/A	N/A	N/A	N/A	I	B	B
EO 13771 - Number of Deregulatory Actions Issued that Address Recommendations by the Regulatory Reform Task Force to the Agency Head Consistent with Applicable Law *	N/A	N/A	N/A	N/A	N/A	I	B	B
EO 13771 - Number of Evaluations to Identify Potential Deregulatory Actions That Included Opportunity for Public Input and/or Peer Review *	N/A	N/A	N/A	N/A	N/A	I	B	B
EO 13771 - Number of Regulatory Actions Issued *	N/A	N/A	N/A	N/A	N/A	I	B	B
EO 13771 - Total Incremental Cost of All Regulatory Actions and Deregulatory Actions (Including Costs or Cost Savings Carried Over From Previous Fiscal Years)	N/A	N/A	N/A	N/A	N/A	0	B	B
Percent of Procurement Dollars Spent on Small Business	36.91	35.11	36.17	35.01	42.63	35	38.5	N/A
Treasury-wide Engagement Index of the FEVS	66	67	67	68	68	69	69	69
Treasury-wide Footprint (Square Footage)	36,411	35,439	34,894	34,100	33,766	33,600	33,356	32,895
Treasury-wide Leaders Lead Index of the Federal Employee Viewpoint Survey (FEVS)	53	54	55	56	56	57	58	58

Note: I – Performance Indicator

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

Treasury-wide Management and Programs Budget and Performance

($40,497,000 from direct appropriations, and $278,000 from reimbursable resources):

This budget activity includes offices that are responsible for the internal management and policy of the Department: the Office of the Assistant Secretary for Management; the Office of the

Chief Information Officer; the Office of Privacy, Transparency, and Records; the Office of the Senior Procurement Executive; the Office of the Chief Human Capital Officer; the Office of Treasury Operations; the Office of the Deputy Chief Financial Officer; the Office of Civil Rights and Diversity; the Office of Minority and Women Inclusion; and the Office of the Deputy Assistant Secretary for Management and Budget.

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

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

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

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

Treasury-wide Management and Program's performance metrics are:
<u>Treasury-wide "Engagement" Index of Federal Employee Viewpoint Survey (FEVS)</u>: Treasury's strategy focused on improving employee engagement in a number of areas, thereby creating an opportunity to improve the effectiveness of our workforce while improving our ranking among other federal agencies. Strategic efforts were focused on the Overall Satisfaction Index, the Leaders Lead component of the Employee Satisfaction Index, and the Fairness Index under the Diversity and Inclusion Quotient. Treasury conducted two Treasury-wide engagement review sessions for high-level leadership during FY 2017 in addition to bureau-level reviews. Treasury's scores for the Engagement Index increased from 67 percent to 68 percent in FY 2017, and held steady at 68 percent for FY 2018. Treasury's engagement score exceeded average score for very large agencies by one percent, and was equal to the government-wide score in FY 2018.

<u>Treasury-wide "Leaders Lead" Index of Federal Employee Viewpoint Survey (FEVS)</u>: Treasury also set the goal to increase the "Leaders Lead" index above FY 2017 results. Treasury's score for the Leaders Lead Index increased from 55 percent in FY 2016 to 56 percent in FY 2017, and held steady at 56 percent in FY 2018. Treasury's score in FY 2018 was equal to the government-wide average and the average score for very large agencies. Targets for FYs 2019 and 2020 are 58 percent.

<u>Treasury-wide Footprint (Square Footage)</u>: This goal measures the total square footage occupied by Treasury's owned and leased buildings. To reduce the Department's real property footprint and maximize the use of existing real property assets, the Department maximized space utilization by undertaking space realignments, consolidations, and improved work station standards. GSA is still in the process of certifying the FY 2018 square footage inventories.

Several fourth quarter space reductions were not reflected within GSA's end of fiscal year square footage numbers. The Department is currently working with GSA to establish the Q4 space release effective dates. Once these dates have been mutually agreed upon, Treasury should be on target to meet the FY 2018 target of 33,600 square feet. The Department will continue targeting metropolitan areas with multiple posts of duty sites to pursue consolidation opportunities or space reductions where it makes business and financial sense. However, it should be noted that several Treasury programs focused on economic expansion and national security will be experiencing considerable growth in investments and personnel. As a result, Treasury's out-year projects are expected to reflect these changes, including the possible expansion of real property holdings in certain geographic areas. Bureaus are currently in the process of updating their respective Real Property Efficiency Plans for FY 2020 – FY 2024, and Treasury will have a better understanding of the legislative and program changes impacts on Treasury's real property footprint within a few weeks.

<u>Percentage of Procurement Dollars Spent on Small Business</u>: In FY 2018, Treasury aimed to meet or exceed all small business contracting goals. Based on preliminary data, Treasury met and exceeded all small business prime contracting goals. However, Treasury may not meet all small business subcontracting goals. The Small Business Administration (SBA) is expected to calculate the data in March 2019. All Treasury bureaus were included in the goaling report, with no exclusions. The FY 2019 overall small business goal was set for 38.5 percent. The FY 2020 small business goal will be set in the fall of 2019. One overarching challenge in FY 2018 and FY 2019 is that Treasury must follow OMB's directive to utilize Category Management principles and Best-in-Class (BIC) contracts to leverage use of existing government-wide contracting vehicles. With a Treasury BIC goal of 35 percent utilization, Treasury Office of Small and Disadvantaged Business Utilization issued a Category Management and BIC Small Business Utilization policy which is believed to have enhanced the overall small business goal achievement. Particularly noteworthy is that Treasury far exceeded the contracting goals for the following socioeconomic groups:

- Small and Disadvantaged Business - goal five percent, achieved 11.4 percent;
- Women Owned Small Business – goal five percent, achieved 12.45 percent;
- Historically Underutilized Business zone - goal three percent, achieved 3.47 percent; and
- Service Disabled Veteran Owned Small Business - goal three percent, achieved 3.57 percent.

<u>Office of the Chief Human Capital Officer</u>

In FY 2018, Treasury published a strategic plan for 2018-2022 that continued the Department's focus on operational excellence by including a specific goal on workforce management. A major element of this goal is a transformation to competency-based workforce management. Treasury's focus for FY 2019 will be in solidifying the foundation to support a competency-based approach starting with the cybersecurity and human resources occupations. Additional efforts in FY 2019 include a continued focus on building workforce planning capabilities in support of federal efforts to expand the strategic management of federal human capital and to close skills gaps in government-wide and Treasury-specific mission-critical occupations. As a component of the President's Management Agenda efforts to field a 21st Century Workforce, Treasury is collaborating with the Office of Personnel Management and other stakeholder agencies to implement an alternative pay and classification system for the Economist occupation. Finally, after a successful launch of the learning management module in FY 2018, Treasury will continue implementation of an enterprise Integrated Talent Management System (ITMS) as bureaus begin phasing in the performance management module. When fully deployed, the ITMS will provide employees a single, modern system for learning, performance, and career planning; give leadership a consolidated view of the Department's human capital landscape; and consolidate 24 stand-alone legacy systems into a single, cloud-based system.

Office of Civil Rights and Diversity (OCRD)

Treasury continued working with the bureaus on their Diversity and Inclusion Strategic Plans, which map to both the Treasury Strategic Plan and the Human Capital Plan. The department's focus in FY 2019 and FY 2020 will be performing audits of the bureaus' EEO Programs, including a critical look at diversity and inclusion programs, to determine any areas where the bureaus need a sharper focus, and to find and recreate "best practices." EEO offices worked on Human Capital engagement teams to improve inclusion scores – this will also be a continuing focus in FY 2019 and FY 2020. While scores for "Fairness" continue to be a concern, efforts have been made to introduce "Unconscious Bias" training in the workforce and at all management levels to help make leaders aware of biases and to learn to put aside such biases when making employment decisions. In FY 2018, OCRD also developed and distributed sexual harassment prevention training to the workforce in DO, and shared the training with the bureaus. Additionally, this office continued to work with the Treasury Executive Institute to develop programming for executives and senior level staff in the areas of diversity and inclusion. These training and proactive prevention efforts will continue in FY 2019 and FY 2020. EEO complaints were adjudicated effectively with the Department improving in meeting EEOC regulatory timeframes both in issuance of decisions and days to investigate complaint. Both benchmarks exceed the 90 percent timeliness rate. To better manage case processing, OCRD plans on upgrading our EEO case management system in FY 2019 and FY 2020. Our Alternative Dispute Resolution (ADR) participation numbers also improved; ADR provides an alternative to the formal complaint program and helps to resolve cases earlier in the process, saving both money and resources. In FY 2018, disability hiring met three out of four benchmark targets, and emphasis was placed on improving veterans hiring, with the acquisition in FY 2019 of a resume data base for use in hiring veterans and disabled veterans. This will be a FY 2019 pilot program and if successful, will be expanded to the larger disability community in FY 2020. Work began on procurement of a Reasonable Accommodation Management system, to better manage our reasonable accommodation requests, which is one of our identified risks. The goal is to research systems and procure a system in FY 2019 or FY 2020. In FY 2019, the office will conclude negotiations to implement a Blanket Purchase Agreement with a nationwide provider which will enable all of the Department to provide personal assistant services to severely disabled employees. The DO EEO program will repurpose one of its positions to a reasonable accommodation coordinator to better serve the needs of its employees with disabilities.

In FY 2018 considerable progress was made in improving OCRD's external civil rights program policies and guidance and efforts will continue in FY 2019 and FY 2020. OCRD will continue to lead the efforts of the DO financial assistance programs to implement the compliance requirements in the recently issued Treasury civil rights regulations. The effort will include a review of grant making procedures with the goal of introducing compliance measures into existing processes. OCRD will also offer department-wide civil rights training.

Office of the Deputy Chief Financial Officer

For FY 2018, the Department received its nineteenth consecutive unmodified audit opinion on its Treasury-wide financial statements. Treasury anticipates unmodified audit opinions for the consolidated audit for FY 2019 and FY 2020. Overall, the Department has made strong progress in enhancing its internal control environment and remains committed to ensuring high standards of integrity and transparency in reporting its financial performance.

Office of Small and Disadvantaged Business Utilization (OSDBU)

Based on preliminary data for FY 2018, Treasury is on track to meet and exceed all small business prime contracting goals. The consistent "A" score is a testament to the hard work and professionalism of the procurement and acquisition teams across Treasury's bureaus and the serious commitment to utilizing small businesses that emanates from Treasury's leadership. To comply with Section 15 (k), Small Business Act, the Department focused on small business prime and subcontracting goal achievements.

In FY 2018, the OSDBU implemented several small business strategic policy changes, including small business specialists in each acquisition planning meeting, address relevant market research, and instituting small business program training to the Bureau Chiefs. In support of the DATA Act, OSDBU ensures that small business reporting data is inclusive and accurate. Also, OSDBU transformed the office to be more supportive to the Bureau offices. For instance, there is a Program Manager for Compliance and Policy, a Program Manager for Subcontracting Oversight and Small Business Technical Advisor, and one Program Manager for the In-reach/Out-reach program. This change strategically aligns with the Small Business Act and the Secretary's Strategic Plan/Goals.

The OSDBU updated its Small Business Programs Policy Handbook that gives the acquisition workforce a "go-to" tool on small business procurements, source selection guidance, and rules on socio-economic concerns, among other things.

Treasury OSDBU meets monthly with the OSDBU Leadership Council and the Small Business Procurement Advisory Council (SBPAC) to develop small business strategies that impact all federal agencies. Of note, the OSDBU leaders recommended that SBPAC send a representative to OMB's Category Management Forum. By their voting membership and attendance instilled the importance of meeting statutory small business goals when using Category Management principles as outlined in the President's Management Agenda. Treasury Secretary identified small business goal achievement is a key priority.

In FY 2019, OSDBU will conduct Small Business Program Compliance and Surveillance Reviews on each of the Bureaus having procurement authority. The purpose of the review is to ascertain whether small business procurement laws, regulations, policies, and best practices are being followed, review roles and responsibilities, identify challenges and issues, ascertain best practices and lessons learned, and identify any program deficiencies and weaknesses. A small business program health summary will be submitted to the Deputy Secretary by June 2019.

Office of the Senior Procurement Executive (OPE)

In FY 2018, Treasury continued a comprehensive acquisition transformation strategy designed to facilitate innovation, strategic management, efficiency, and effective mission outcomes in compliance with the President's Management Agenda. Central to the strategy is early planning and broad stakeholder participation as well as accelerated transition to strategic acquisition vehicles. In support of the Federal Information Technology Acquisition Reform Act, the Department has placed significant focus on IT acquisition across all procurement programs.

In FY 2018, Treasury continued successful execution of its Major Acquisition Program (MAP) reviews in which primary and senior stakeholders (to include procurement, customer, program management, and legal representatives) jointly and periodically review procurement strategy and progress for critical acquisitions. These reviews provided a forum for development of effective acquisition strategies; early identification and resolution of problems; and sharing of experience and expertise among various stakeholder personnel. FY 2018 reviews mainly focused on pre-award actions and were designed to facilitate successful award of critical contracts. In FY 2018, Treasury reviewed 53 acquisitions, valued at $8.3 billion; reviews included 19 IT acquisitions valued at $2.5 billion. In FY 2019 and FY 2020, the Department anticipates transitioning from pre-award MAP reviews to more robust Acquisition Management Reviews (AMR). An expected outcome of the AMR is to help ensure successful contract performance strategically aligns with mission outcomes by expanding emphasis on the acquisition lifecycle from the time a contracting office receives a complete acquisition package through contract performance, closeout and final payment.

Treasury has achieved both savings and efficiencies through aggregating requirements and leveraging its purchasing power via enterprise-level management of common spend categories. By fully utilizing category management, Treasury seeks to save the Federal Government money through smarter purchasing and greater collaboration across stakeholder organizations and to achieve greater efficiency with fewer resources. Treasury FY 2018 and FY 2019 strategy extends and expands Treasury's transition to the Office of Management and Budget's (OMB) preferred contract vehicles, reducing the need to establish department level contracts and freeing associated resources for focus on other acquisition priorities. In FY 2018, Treasury successfully coordinated with OMB's Category Management Program Management Office (PMO) to more accurately measure Treasury's progress in achieving government-wide category management goals. As a result of OPE's efforts, the Department's utilization of OMB preferred contracts increased from 47 percent in FY 2016, to 54 percent in FY 2017, and 58 percent in FY 2018. The Department anticipates a similar level of progress and collaboration in FY 2018 and FY 2019, bringing Treasury into compliance with the percentage goals established by the President's Management Agenda**.**

Section III – Additional Information

A – Summary of Capital Investments

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

Department of the Treasury Cybersecurity Enhancement Account

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

Table of Contents

Section I – Budget Request

A – Mission Statement

Bolster the Department's cybersecurity posture.

B – Summary of the Request

The Department's strategic plan guides program and budget decisions for the Cybersecurity Enhancement Account (CEA). The FY 2020 Budget Request supports Treasury's FY 2018-2022 Strategic Goal: Achieve Operational Excellence.

Trillions of dollars are accounted for and processed by the Department of the Treasury's information technology (IT) systems, and therefore, they are a constant target for sophisticated threat actors. To more proactively and strategically protect Treasury systems against cybersecurity threats, the FY 2020 budget requests $18.0 million for the CEA. The account identifies and supports Department-wide investments for critical IT improvements, including the systems identified as High Value Assets (HVAs). Furthermore, the centralization of funds allows Treasury to more nimbly respond in the event of a cybersecurity incident as well as leverage enterprise-wide services and capabilities across the components of the Department.

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

1.1 – Appropriations Detail Table

Dollars in Thousands

Cybersecurity Enhancement Account Appropriated Resources	FY 2018 Enacted*		FY 2019 Annualized CR		FY 2020 Request		FY 2019 to FY 2020 Change		FY 2019 to FY 2020 % Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Cybersecurity Enhancement Account	8	$24,000	19	$24,000	11	$18,000	(8)	($6,000)	-42.11%	-25.00%
Total Budgetary Resources	**8**	**$24,000**	**19**	**$24,000**	**11**	**$18,000**	**(8)**	**($6,000)**	**-42.11%**	**-25.00%**

* FY 2018 FTE and Other Resources are Actuals. This column reflects levels appropriated in P.L. 115-141, the Consolidated Appropriations Act of 2018. For further details on the execution of these resources see the 2020 Budget Appendix chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table

Dollars in Thousands

Cybersecurity Enhancement Account	FTE	Amount
FY 2019 Annualized CR	**19**	**$24,000**
Changes to Base:		
Non-Recurring Costs	(11)	($22,349)
OCIP Re-alignment to DO SE	(8)	($1,651)
Subtotal Changes to Base	(19)	($24,000)
Total FY 2020 Base	**0**	**$0**
Program Changes:		
Program Increases:	11	$18,000
Improving HVA Cybersecurity	0	$3,800
Proactive Cyber Risk and Threat Identification	0	$966
Cybersecurity Enhancements	7	$2,407
Enhanced Incident Response and Recovery Capabilities	2	$10,428
Enhancements to Cybersecurity Infrastructure	2	$399
Total FY 2020 Request	**11**	**$18,000**

C – Budget Increases and Decreases Description

Non-Recurring Costs .... -$24,000,000 / -19 FTE

FY 2019 Non-Recurring Investments -$22,349,000 / -11 FTE

This amount represents non-recurring initial investments.

OCIP Re-alignment to DO SE -$1,651,000 / -8 FTE

The Office of Critical Infrastructure Protection and Compliance Policy (OCIP) investment has been realigned to the Departmental Offices Salaries and Expenses account.

Program Increases .... +$18,000,000 / +11 FTE

Improving High Value Asset (HVA) Cybersecurity +$3,800,000 / +0 FTE

The HVA Cybersecurity initiative builds on prior investments to secure Treasury's top tier HVAs and data at rest encryption solutions for payment platforms, tax processing systems, and collection processing systems, as well as enhanced user authentication for these systems. It will deliver enhanced data assurance capabilities, minimizing accessibility of highly sensitive data in the event of compromises to multi-layered defenses and storage solutions.

Proactive Cyber Risk and Threat Identification +$966,000 / +0 FTE

This initiative significantly improves network visibility, threat identification, incident response time, data aggregation, and data management by Treasury's enterprise cybersecurity operations center. It provides high definition monitoring of IT assets and activities, and detailed visibility across the enterprise and into bureau networks. This initiative will result in faster detection, response, and recovery time in the event of an advanced persistent threat attack, other malicious activities, or negligent acts.

Cybersecurity Enhancements +$2,407,000 / +7 FTE
This request improves cybersecurity situational awareness through the implementation of processes and automated tools that support cyber information sharing department-wide and eliminates organizational stovepipes that negatively impact the Department's cybersecurity posture. Enhanced situational awareness will provide Department-wide awareness of breaches and attack information. It will increase the effectiveness of cybersecurity functions and achieve efficiencies through the elimination of redundant efforts.

Enhanced Incident Response and Recovery Capability +$10,428,000 / +2 FTE
This initiative improves the Department's ability to identify, respond to, and recover from cyber threats through the implementation of solutions that support early detection and avoidance of currently unknown threats. Activities include retroactive examination of network traffic; assessment of adversarial movement; determination of information compromise; implementation of mitigations and countermeasures; and reconstitution. The initiative will reduce the risk of incident occurrence, minimize their impact, and decrease recovery time.

Enhancements to Cybersecurity Infrastructure +$399,000 / +2 FTE
This initiative will enhance encryption, enterprise-wide identity management, and network monitoring and scanning. It is critical to the Department's cyber posture due to the increases in volume, sophistication, frequency, impact, and brazenness of global cyber threats and recent privacy breaches (including financial institutions). It will result in higher level of assurance for data integrity and access management.

1.3 – Operating Levels Table

Dollars in Thousands

Bureau Name Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 - Full-time permanent	$2,480	$2,480	$1,447
11.5 - Other personnel compensation	$38	$38	$21
11.9 - Personnel Compensation (Total)	**$2,518**	**$2,518**	**$1,468**
12.0 - Personnel benefits	$727	$727	$446
Total Personnel and Compensation Benefits	**$3,245**	**$3,245**	**$1,914**
21.0 - Travel and transportation of persons	$24	$24	$24
23.3 - Communications, utilities, and miscellaneous charges	$55	$55	$55
25.1 - Advisory and assistance services	$4,342	$4,342	$4,461
25.2 - Other services from non-Federal sources	$1,271	$1,271	$4,546
25.3 - Other goods and services from Federal sources	$1,733	$1,733	$834
25.7 - Operation and maintenance of equipment	$500	$500	$916
26.0 - Supplies and materials	$173	$173	$172
31.0 - Equipment	$12,657	$12,657	$5,078
Total Non-Personnel	**$20,755**	**$20,755**	**$16,086**
New Budgetary Resources	**$24,000**	**$24,000**	**$18,000**
FTE	**8**	**19**	**11**

Note: FY 2018 FTE are actuals

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY DEPARTMENTAL OFFICES *Federal Funds* CYBERSECURITY ENHANCEMENT ACCOUNT (INCLUDING TRANSFER OF FUNDS) *For salaries and expenses for enhanced cybersecurity for systems operated by the Department of the Treasury, $18,000,000, to remain available until September 30, 2022: Provided, That amounts made available under this heading shall be in addition to other amounts available to Treasury offices and bureaus for cybersecurity.* Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

The Cybersecurity Enhancement Account has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

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

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

B – Budget and Performance by Budget Activity

2.1.1 Cybersecurity Enhancement Account Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	0	0	0	$8,442	$26,410	$24,000	$18,000
Budget Activity Total	**0**	**0**	**0**	**$8,442**	**$26,410**	**$24,000**	**$18,000**
FTE	**0**	**0**	**0**	**0**	**8**	**19**	**11**

Performance Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Number of Major Incidents	N/A	N/A	N/A	N/A	0	2	2	2
Number of Reported Incidents	N/A	N/A	N/A	N/A	225	276	280	280
Percentage of Tier I High Value Assets (HVA) where Risk and Vulnerability Assessment (RVA) or Security Architecture Review (SAR) are completed on time	N/A	N/A	N/A	N/A	100%	100%	100%	100%
Risk Management Assessment Overall Rating	N/A	N/A	N/A	N/A	68%	40%	60%	70%

Cybersecurity Enhancement Account (CEA) Budget and Performance
($18,000,000 from direct appropriations):
The purpose of CEA is to strategically mitigate cybersecurity risks through a centralized program with Department-wide impact. Due to the increasing number and sophistication of cyberattacks, Treasury leadership has prioritized cybersecurity and supports the centralization of department-wide cybersecurity initiatives through the CEA account and budget activity. Current bureau-level cybersecurity spending remains in the base budgets of each bureau.

Number of Major Incidents: The number of major incidents, as defined in OMB M-19-02, reported by Treasury to Congress in a given fiscal year. This is a measure of how effective Treasury's collective defenses are at mitigating the most damaging security threats. The FY 2020 performance target of two major incidents reported will be met through increased training, implementation of technology, interagency collaboration and customer feedback.

Number of Reported Incidents: The number of cybersecurity incidents reported by Treasury to the United States Computer Emergency Readiness Team (US-CERT) in a given fiscal year. This is a measure of how effective Treasury's defenses are at mitigating all security threats, as well as an indicator of how often Treasury is being targeted by malicious actors. If the number of reported incidents rises while the number of major incidents remains steady, it may indicate an effective cybersecurity program. The incidence of intrusion events at Treasury has not remained constant over time, and our projections must be used as a baseline to measure against. As reflected in the *Actual* value column, there was an actual reduction in incidents for FY 2018 in comparison to those projected by Treasury. This is likely the result of changes in the reporting criteria applied during the course of the year. As new incident recognition investments are implemented within Treasury throughout FY 2019, the target goals for FY 2019 are expected to show an increase in recognized incidents of up to 25 percent from FY 2018 actuals, applying the same criteria, within the FY 2019 timeframe. Allowing for increasing preventative measures, FY 2020 should remain flat from FY 2019 numbers. The FY 2019 and FY 2020 targets of 280 reported incidents, representing a 25 percent increase in the visibility of incidents, will be met through training, implementation of technology, and interagency collaboration.

Percentage of Tier I High Value Assets (HVA) with Risk and Vulnerability Assessment (RVA) or Security Architecture Review (SAR) completed on time: The percentage of Treasury's top tier high value assets, which were scheduled for a third party risk assessment, for which the assessments were completed on time. This is a measure of the extent to which Treasury's most important systems are being actively reviewed and assessed for weaknesses that could be exploited by an adversary. The FY 2020 performance target of 100 percent (of the current annual target of 5 HVA systems to be assessed) will be met through continuing current staffing levels and interagency collaboration. Although Treasury has been able to meet its HVA assessment goals thus far, additional challenges are foreseen for the short-, mid- and long-terms. Pending changes may result in a reduced number of Department of Homeland Security- (DHS-) funded RVA and SAR assessments. As a result of this change, continued success at the 100 percentage level will require the Department to offset the DHS reduction by funding additional 3rd party RVA/SAR assessments to meet OMB compliance requirements, ensuring that Treasury HVAs are appropriately identified and can be mitigated from cyber risks with potentially significant impacts to the Federal enterprise and/or national economy. Factors such as the likely greater complexity imposed in Federal requirements and mandates for assessments/reviews, as well as an ongoing re-evaluation of HVA systems, requires continuing investment in a well-founded HVA management structure, which Treasury has been addressing through its Cybersecurity Enhancement Account (CEA) program.

Risk Management Assessment Overall Rating: This is an assessment performed by OMB to evaluate agencies' overall cybersecurity risk management capabilities. It consists of a risk management rating and a maturity rating. The Risk Management Assessment rating is based on agency responses to the reporting metrics of the Federal Information Security Modernization Act of 2014 (FISMA). In December 2018, the Office of Management and Budget revised the FISMA reporting metrics, eliminating several measures that had been factored into the Risk Management Assessment calculus. As a result of these changes to the reporting metrics, agency Risk Management Assessment ratings are expected to decline. Treasury has accounted for this by setting a performance target for FY 2019 that is slightly below the actual rating achieved in FY 2018, with a rebound anticipated in FY 2020 based on cybersecurity enhancement investments that are planned to mature by that time. This is a measure of how well Treasury is managing risk across the enterprise as well as the maturity level of the program. The FY 2020 target Risk Management Rating of 70 percent will be met through increased training, implementation of technology, and continued federal support.

Section III – Additional Information

A – Summary of Capital Investments

Capital investments that support CEA are included in the Departmental Offices plan.

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

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

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

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Section I – Budget Request

A – Mission Statement

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

B – Summary of the Request

The Department-wide Systems and Capital Investments Program (DSCIP) account provides a mechanism for Treasury to fund capital investments that have complex contracts with projects that span several fiscal years. Treasury owns and operates two historic office buildings in downtown Washington, D.C. – the Main Treasury Building (MT) and the Freedman's Bank Building (FBB). In FY 2016, Treasury conducted an internal assessment of both buildings and found a range of needs that include immediate safety/health risks, capital renewal to address systematic and mechanical failure, and building modernization. It is estimated that it will cost $95.5 million to address the remaining issues identified in the report. The assessment was validated in FY 2017 by an external architectural and engineering firm. In addition to validating the identified repair needs, the report identified additional repairs and cyclic needs over the next 20 years. The Department plans to continue to work through these accumulated needs over time. The FY 2020 request of $6.118 million addresses MT and FBB repair and restoration. The DSCIP investments support the Treasury goal to Achieve Operational Excellence.

1.1 – Appropriations Detail Table

Dollars in Thousands

Department-wide Systems and Capital Investments Program	FY 2018 Enacted		FY 2019 Annualized CR		FY 2020 Request		FY 2019 to FY 2020 Change		FY 2019 to FY 2020 % Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Department-wide Systems and Capital Investments Program	0	$4,426	0	$4,426	0	$6,118	$0	$1,692	NA	38.23%
Total Budgetary Resources	**0**	**$4,426**	**0**	**$4,426**	**0**	**$6,118**	**0**	**$1,692**	**NA**	**38.23%**

* FY 2018 FTE and Other Resources are Actuals. This column reflects levels appropriated in P.L. 115-141, the Consolidated Appropriations Act of 2018. For further details on the execution of these resources see the 2020 Budget *Appendix* chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table

Dollars in Thousands

Department-wide Systems and Capital Investments Program	FTE	Amount
FY 2019 Annualized Continuing Resolution	**0**	**$4,426**
Changes to Base:		
Non-Recur	0	($4,426)
Subtotal Changes to Base	0	($4,426)
Total FY 2020 Base	**0**	**$0**
Program Changes:		
Program Increases:	0	$6,118
FBB Domestic Water Line Repair	0	$1,500
FBB Repair and Restoration	0	$1,500
MT Repair and Restoration	0	$3,118
Total FY 2020 Request	**0**	**$6,118**

C – Budget Increases and Decreases Description

Non-Recurring Costs .... -$4,426,000 / +0 FTE

Non-Recur -$4,426,000 / +0 FTE

These funds are for for Phase 2 of the Main Treasury roof replacement and the exterior façade repair and restoration of the Freedman's Bank Building.

Program Increases .... +$6,118,000 / +35 FTE

FBB Domestic Water Line Repair +$1,500,000 / +0 FTE

The sole domestic water supply line for the Freedman's Bank Building is well beyond its useful life expectancy. Temporary repairs have been made to the piping, but its condition poses a significant risk for the line failing and the building losing its only domestic water supply. This project will replace the corroded piping from the street main into the building, install a new main isolation valve, and also install a code compliant water backflow assembly with a drain.

FBB Repair and Restoration (Phase 2) +$1,500,000 / +0 FTE

The exterior façade is undergoing a comprehensive restoration due to 100 years of wear and pollutants. The perimeter exterior façade has open masonry joints that have been leaking for years as a result of systematic building failures. The masonry restoration will provide a watertight envelope and stabilize all the historic fabric. The scope will address repair, cleaning, and repointing of all masonry surfaces.

MT Repair and Restoration (Phase 1) +$3,118,000 / +0 FTE

The exterior façade has heavy staining and open masonry joints and is in need of comprehensive repair and restoration to prevent further damage. Perimeter exterior walls have been leaking for years as a result of systematic building failures. Water infiltration creates a risk of mold development in office spaces and results in costly plaster and paint damage to the historic interiors. The masonry restoration will provide a watertight envelope and stabilize all the historic fabric. The scope will address repair, cleaning, and repainting of all masonry surfaces.

1.3 – Operating Levels Table

Dollars in Thousands

Department-wide Systems and Capital Investments Program Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
32.0 - Land and structures	4,426	4,426	6,118
Total Non-Personnel	**$4,426**	**$4,426**	**$6,118**
New Budgetary Resources	**$4,426**	**$4,426**	**$6,118**
FTE	**0**	**0**	**0**

Note: FY 2018 FTE are actuals

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY Department-wide Systems and Capital Investments Program *Federal Funds* *For development and acquisition of automatic data processing equipment, software, and services and for repairs and renovations to buildings owned by the Department of the Treasury, [$4,000,000]$6,118,000, to remain available until September 30, [2021]2022: Provided, That these funds shall be transferred to accounts and in amounts as necessary to satisfy the requirements of the Department's offices, bureaus, and other organizations: Provided further, That this transfer authority shall be in addition to any other transfer authority provided in this Act: Provided further, That none of the funds appropriated under this heading shall be used to support or supplement "Internal Revenue Service, Operations Support" or "Internal Revenue Service, Business Systems Modernization".* Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

The Department-wide Systems and Capital Investments Program has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The DSCIP account provides a mechanism for Treasury to fund capital investments that have complex contracts with projects that span several fiscal years. Through the DSCIP account, the Treasury has been able to develop a Treasury-wide human resources information technology solution as well as fund the continual repair and restoration of the Main Treasury Building and the FBB.

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

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

B – Budget and Performance by Budget Activity

2.1.1 – DSCIP Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$2,725	$2,725	$1,250	$8,263	$4,809	$4,426	$6,118
Budget Activity Total	**$2,725**	**$2,725**	**$1,250**	**$8,263**	**$4,809**	**$4,426**	**$6,118**
FTE	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Department-wide Systems and Capital Investments Program Budget and Performance
($6,118,000 from direct appropriations):
DSCIP enables the Department to make investments in capital improvements that support the missions of Treasury bureaus and programs.

Treasury Building - Repairs and Renovations
MT and the FBB are owned by the Department and are Departmental Offices' capital investments. MT is the oldest departmental building and the third oldest federally occupied building in Washington, preceded only by the Capitol and the White House. The age and historical significance of the buildings, considered by some to be national treasures, create special conditions that do not exist in many other Federal office facilities. Continual upkeep, with close attention to historic preservation, is necessary in order to continue occupying these buildings. The FY 2020 request addresses MT and FBB repair and restoration.

Section III – Additional Information

A – Summary of Capital Investments

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

Department of the Treasury
Office of Terrorism and Financial Intelligence

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

Table of Contents

Section I – Budget Request

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

B – Summary of the Request
The Department of the Treasury's (Treasury) strategic plan guides program and budget decisions for the Office of Terrorism and Financial Intelligence (TFI). The FY 2020 Budget Request supports two of Treasury's FY 2018-2022 Strategic Goals: Enhance National Security and Achieve Operational Excellence.

TFI requests $166.712 million, which is a $24.934 million increase from the FY 2019 Annualized Continuing Resolution. TFI requests these additional resources to continue to invest in its people as well as infrastructure, systems, and automated tools, thereby ensuring that TFI remains agile, innovative, and strategic in responding to the most pressing U.S. national security concerns. The budget prioritizes funding for Treasury's targeted financial tools that protect the U.S. and international financial system from abuse, as well as countering the financial networks that support terrorists, weapons proliferators, organized transnational crime, rogue regimes, and other threats.

TFI's economic authorities continue to play an increasingly central role in countering some of the nation's most critical security threats. This Administration and Congress rely upon TFI to deploy non-kinetic tools at a rapid pace to proactively implement U.S. policy towards North Korea, Iran, Russia, ISIS and other terrorist organizations, Venezuela, human rights abusers and corrupt actors, narcotics traffickers, and other malign and destabilizing actors. As reliance upon TFI's authorities has grown, the corresponding growth in personnel across TFI and increased demand placed upon secure systems requires additional investment in mission support areas. TFI's infrastructure investments have been developed with careful consideration of the personnel increase request with the intent of developing and maintaining a collaboration network that facilitates our operational and policy goals.

1.1 – Appropriations Detail Table
Dollars in Thousands

Terrorism and Financial Intelligence Appropriated Resources	FY 2018 Enacted		FY 2019 Annualized CR		FY 2020 Request		FY 2019 to FY 2020 Change		FY 2019 to FY 2020 % Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Terrorism and Financial Intelligence	495	$141,778	495	$141,778	545	166,712	50	$24,934	10.10%	17.59%
Subtotal New Appropriated Resources	**495**	**$141,778**	**495**	**$141,778**	**545**	**$166,712**	**50**	**$24,934**	**10.10%**	**17.59%**
Other Resources										
Transfer-out to Departmental Offices S&E	0	($31,452)	0	($31,452)	0	0	0	$31,452	NA	11.58%
Payments to Treasury Franchise Fund	0	$0	0	$0	0	($35,094)	0	($35,094)	NA	NA
Reimbursables	36	$8,626	36	$8,626	36	$8,626	0	$0	0.00%	0.00%
Subtotal Other Resources	**36**	**($22,826)**	**36**	**($22,826)**	**36**	**($26,468)**	**0**	**$0**	**0.00%**	**15.96%**
Total Budgetary Resources	**531**	**$118,952**	**531**	**$118,952**	**581**	**$140,244**	**50**	**$21,292**	**9.42%**	**17.90%**

*FY 2018 shows actual FTE usage. This column reflects levels appropriated in P.L. 115-141 Consolidated Appropriations Act, 2018. For further details on the execution of these resources see the FY 2020 Appendix chapter for the Department of the Treasury.

1.2 – Budget Adjustments

Dollars in Thousands

Terrorism and Financial Intelligence	FTE	Amount
FY 2019 Annualized CR	**495**	**$141,778**
Changes to Base:		
Maintaining Current Levels (MCLs)	0	$1,553
Non-Pay	0	$1,553
Efficiency Savings	0	($3,830)
Subtotal Changes to Base	0	($2,277)
Total FY 2020 Base	**495**	**$139,501**
Program Changes:		
Program Increases:	50	27,211
Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity investments	0	$2,277
Terrorist Financing Targeting Center	10	$6,211
Terrorist Finance and Financial Crimes	2	$530
TFI National Security Programs	27	$6,634
Committee on Foreign Investment in the United States	3	$859
IT Infrastructure Investments	8	$10,700
Total FY 2020 Request	**545**	**$166,712**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$1,553,000 / +0 FTE

Non-Pay +$1,553,000 / +0 FTE

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

Efficiency Savings .... -$3,830,000 / -0 FTE

TFI Contractual Support -$3,830,000 / +0 FTE

TFI will achieve cost savings and efficiencies in contract services through more efficient oversight of all TFI contracts, consolidating contracts where appropriate, and partnering with other agencies and DO components to leverage common technology or administrative support needs.

Program Increases .... +$27,211,000 / +50 FTE

O&M of Prior-Year Enterprise-wide Cybersecurity Investments +$2,277,000 / +0 FTE

This request includes funding to support O&M for prior-year Cybersecurity Enhancement Account investments. O&M will be funded by Treasury Bureaus through Treasury Franchise Fund billing. This increase represents the TFI portion of the $17.5 million O&M total.

Terrorist Financing Targeting Center +$6,211,000 / +10 FTE
On May 21, 2017, the United States and the six Gulf Cooperation Council countries signed an historic agreement announcing a joint commitment to establish the Terrorist Financing Targeting Center (TFTC). The TFTC's efforts support the Administration's priorities to fight terrorism in new and innovative ways through a multilateral initiative that will dramatically increase the ability to curb terrorist financing. The TFTC has already resulted in greater regional cooperation as evidenced by the sharing of intelligence, the capacity building, and the joint designations by the seven participating members of TFTC that targeted terrorist leaders, financiers, and facilitators. The TFTC will continue to disrupt the finances and operations of terrorist organizations by identifying, tracking, and sharing information regarding terrorist financial networks; coordinating joint disruptive actions, like sanctions; and offering support to countries in the region that need assistance building capacity to counter terrorist finance threats.

Terrorist Finance and Financial Crimes +$530,000 / +2 FTE
TFI requests two FTEs to develop and build global capacity to combat illicit financing in the international arena. These FTEs will be responsible for establishing strategies and employing targeted financial measures to disrupt and dismantle the financial networks that support terrorism, proliferation of weapons of mass destruction, and organized crime.

TFI National Security Programs +$6,634,000 / +27 FTE
Treasury requests additional staffing to support its ever-increasing role in the Administration's efforts to apply economic pressure in pursuit of national security and foreign policy goals. This has included the use of unilateral designations and other economic authorities, as well as working with other countries to increase multilateral economic pressure and continuous interaction with the financial and private sector through advisories and engagement to cut off malign actors' access to the international financial system. As the number of sanctions programs continues to grow, there is a crucial need for increasing intelligence, policy, and targeting staff to identify and take impactful actions against the individuals, entities, and their networks responsible for this dangerous and malign behavior. Many of these actors have complex business structures that are well-integrated into the global markets, which requires additional analysis and post-designation support to ensure that the actions have maximum impact on malign activity while minimizing the collateral damage to U.S. businesses and our allies.

This requested staffing increase will address personnel needs, including Virtual Currency, Cyber, Iran, Russia, Human Rights/Corruption, and Counterterrorism Programs. These are high priority areas for the Administration and Treasury and constitute the majority of taskings and requirements levied upon TFI and its component offices. Below are some highlights of TFI's activities.

- The use of virtual currency is expanding rapidly with instances of its use having been identified in many key sanctions programs, including Russia, Iran, and Venezuela. This request will help support additional intelligence, targeting, and policy expertise to ensure that TFI and Treasury remain well positioned to stay ahead of emerging financial threats in this space.
- TFI will increase intelligence, policy, and targeting personnel to support the Administration's priority in countering Iran's malign behavior and Russia's destabilizing activities. This

includes Treasury's ongoing efforts to implement the Countering America's Adversaries Through Sanctions Act (CAATSA) targeting and reporting requirements. The Administration remains committed to countering the threat posed by Iran by using Treasury's economic authorities to deny the regime and the Islamic Revolutionary Guard funding for malign activities, including its support for terrorism and regional destabilization in Yemen and Syria. Treasury's Russia-related sanctions program remains a top priority as well, with strategic, complex actions that target key actors across the full range of Russian malign activity, to include malign cyber activities, interference in democratic elections, aggressive behavior in Ukraine, and purported illegal annexation of Crimea as well as its continued support for the Assad regime.

- The December 2017 Executive Order implementing the Global Magnitsky Act highlights Treasury's critical role in identifying and financially isolating those who destabilize countries and regions by pilfering the wealth and resources of their nation or commit human rights abuse and atrocities. TFI's use of these authorities has already impacted individuals across the globe and changed the way regimes are operating, directly advancing objectives outlined in the National Security Strategy. These funds will support TFI in supporting policy, intelligence, and targeting efforts in this program.
- TFI monitors and takes action against numerous terrorist entities across the globe, an effort that has become increasingly complex as terrorist groups continue to splinter and fracture into more independently operated organizations. This request will assist in supporting TFI's efforts in maintaining persistent pressure to disrupt the financing of these terrorist organizations.

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

IT Infrastructure Investments +$10,700,000 / +8 FTE
Treasury Financial Intelligence Network (TFIN) +$4,498,000 / +2 FTE

- ***IT Infrastructure upgrade.*** Increases bandwidth on existing infrastructure in support of the TFI expansion and build a more robust capability for the TFI collaborative data discovery initiative. Currently, TFI's virtual desktop infrastructure is not sufficient to support the new demands of data analytics. Without more processing power, TFIN users will continue to lack the ability to query certain databases or effectively utilize analytic tools, undermining OIA's ability to support TFI efforts to identify, disrupt, and dismantle threats to the United States and international financial system.
- ***TFIN Network Defense.*** Enhances the ability to monitor the classified Network against cyber threats by incorporating more comprehensive and integrated risk and threat management. Without enhanced network defense capabilities, Treasury's classified network may potentially be vulnerable to cyber threats like network intrusions, malicious actors, or other vulnerable exploits. Cyber defense services are critical components to detect, monitor, and analyze TFIN network elements to keep our organization's data center healthy and functional.

- ***Multi-factor Authentication (MFA).*** Creates a layered defense and make it more difficult for an unauthorized person to access a target such as a physical location, computing device, network, or database. Failure to effectively use current MFA technologies on TFIN would result in vulnerable computing devices, networks, or databases
- ***Cross Domain - One Way Transfer (OWT).*** Implements the OWT system that provides secure transfer of data between the unclassified domain to that of a higher security level using proven technology that automatically scans files for viruses. Manually transferring data is cumbersome, time consuming, and often impacts data confidentiality, integrity, and availability. OWT systems reduce the amount of time currently required to transfer data from lower to higher classification systems.

User Activity Monitoring (UAM) on Unclassified Bureau Networks +$3,047,000 / +4 FTE
Rapid technological advances are allowing a broad range of foreign intelligence entities (FIEs) to field increasingly sophisticated capabilities and aggressively target the government, including Treasury. FIEs are proactive and use creative approaches—including malicious insiders threats—to advance their interests and gain advantage over the United States. To mitigate these threats, the Office of Counterintelligence (OCI) must drive innovative counterintelligence (CI) and insider threat solutions to include implanting more effective monitoring solutions. This request includes funding for UAM licenses, hardware, software, and professional services, as well as additional insider threat analysts and CI investigators. Treasury Order 105-20 (Revised) will give the OCI the authority to monitor all cleared users on unclassified networks. As 75 percent of Treasury's cleared population is employed by the bureaus, and the exfiltration of sensitive information is most likely to occur on an unclassified network, this is a critical need. This deployment will cover over 100,000 endpoints and collect activity data on approximately 5,000 employees. The additional analysts and investigators will support this expanded effort, as well as the launch of Treasury's Insider Threat Reporting Guidelines, which will be disseminated Department-wide and require all Treasury employees and insider threat stakeholders to report CI and insider threat indicators; OCI anticipates a significant increase in CI and insider threat reporting due to its publication. The overall increased workload will greatly exceed levels manageable with current Insider Threat Program staffing.

OFAC-wide IT Infrastructure +3,117,000 / +2 FTE
- ***Enhancement to the OFAC Administrative System for Investigations and Sanctions (OASIS) to aid with TAR Processing.*** Further automates the Terrorist Assets Report (TAR) to Congress by enabling the electronic upload of data from financial institutions directly into Office of Foreign Assets Control's (OFAC) collection system instead of having the data manually transmitted to OFAC and being entered into the system by employees. While an important measurement of the blocked assets of State Sponsors of Terrorism as well as terrorist groups, OFAC's preparation of the annual TAR remains a labor-intensive, mostly manual process. This enhancement will allow OFAC to replicate automation gains already implemented on some programs across additional sanctions programs.
- ***Secure Online Communications Tool.*** Completes secure bi-directional, data/e-communication transfers with the public in order to allow financial institutions to file information required by OFAC regulations (such as blocking reports) in a secure and expeditious manner. This initiative will transform the public's ability to submit and track respective OFAC transactions, including maintaining an online account with OFAC, and

improve communication with the general public. The solutions to date have either been cost-prohibitive or inefficient, requiring a visit to the public institution seeking to establish a connection. OFAC has identified a government-approved, secure, sustainable, and efficient bi-directional solution to solve this need, and OFAC is in the process (via prototype) of implementing the solution for the Banking Institution High Volume Blocking report filers. This request would take the prototype to a production system and will be greeted as a significant step forward.

- ***OFAC Classified Network e-workflow and Case Management.*** Enhances the hardware and software necessary to enable case management functionality on Treasury's classified networks that mirrors OFAC's unclassified OASIS case management system. These enhancements will allow for the installation of the software necessary to support case management, TFI collaboration, and other analytical efforts on Treasury's high and mid-side networks.
- ***TFIN Enhancement Information Analysis Project.*** Complements the larger TFI-wide data discovery and analysis initiative by providing mature data analytics functionality on TFIN for disparate OFAC (and TFI) investigative data sets. With this investment, TFI would be able to perform maintenance on existing designees, with the expectation of a 150 percent increase in ISIS terrorism targets by introducing the ability to identify direct and indirect relationships in a way not possible without this technology and a 50 percent increase in targeting across other counter terrorism groups.

1.3 – Operating Levels

Dollars in Thousands

Terrorism and Financial Intelligence Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 - Full-time permanent	54,884	54,884	60,763
11.3 - Other than full-time permanent	243	243	556
11.5 - Other personnel compensation	971	971	1,078
11.9 - Personnel Compensation (Total)	**56,098**	**56,098**	**62,397**
12.0 - Personnel benefits	17,394	17,394	19,924
Total Personnel and Compensation Benefits	**$73,492**	**$73,492**	**$82,321**
21.0 - Travel and transportation of persons	2,797	2,797	2,116
22.0 - Transportation of things	20	20	824
23.1 - Rental payments to GSA	73	73	491
23.2 - Rental payments to others	14	14	256
24.0 - Printing and reproduction	100	100	122
25.1 - Advisory and assistance services	8,125	8,125	16,546
25.2 - Other services from non-Federal sources	7,989	7,989	9,620
25.3 - Other goods and services from Federal sources	41,768	41,768	46,672
25.7 - Operation and maintenance of equipment	360	360	404
26.0 - Supplies and materials	2,000	2,000	2,302
31.0 - Equipment	1,400	1,400	3,258
32.0 - Land and structures	3,640	3,640	1,780
Total Non-Personnel	**$68,286**	**$68,286**	**$84,391**
New Budgetary Resources	**$141,778**	**$141,778**	**$166,712**

*FY 2018 shows actual FTE usage. This column reflects levels appropriated in P.L. 115-141 Consolidated Appropriations Act, 2018. For further details on the execution of these resources see the FY 2020 Appendix chapter for the Department of the Treasury.

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY OFFICE OF TERRORISM AND FINANCIAL INTELLIGENCE *Federal Funds* SALARIES AND EXPENSES *For the necessary expenses of the Office of Terrorism and Financial Intelligence to safeguard the financial system against illicit use and to combat rogue nations, terrorist facilitators, weapons of mass destruction proliferators, human rights abusers, money launderers, drug kingpins, and other national security threats, $166,712,000: Provided, That of the amounts appropriated under this heading, $10,000,000 shall remain available until September 30, 2021.* Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

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

Section II – Annual Performance Plan and Report

A – Strategic Alignment

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

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

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

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

B – Budget and Performance by Budget Activity

2.1.1 – Terrorism and Financial Intelligence Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$101,305	$112,160	$112,754	$121,580	$109,038	$141,778	$166,712
Other Resource	$31,293	$6,966	$6,329	$6,491	$8,626	$8,626	$8,626
Budget Activity Total	**$132,598**	**$119,126**	**$119,083**	**$128,071**	**$117,664**	**$150,404**	**$175,338**
FTE	**376**	**385**	**414**	**428**	**444**	**531**	**581**

Performance Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Impact of TFI Programs and Activities	8.5	8.8	8.7	8.5	DISC	DISC	DISC	DISC
New or Modifications to Existing Sanctions Programs	N/A	N/A	N/A	5	6	I	I	I
Number of Designation Actions	N/A	N/A	N/A	867	725*	I	I	I
Analytic Intelligence Support	N/A	N/A	N/A	385	704	I	I	I
Review and Support of Foreign AML/CFT Laws and Regulations	N/A	N/A	N/A	49	64	I	I	I

Key: I - Indicator

*This number does not include the more than 700 individuals, entities, aircraft and vessels sanctioned on November 5, 2018, as part of the re-imposition of the U.S. nuclear-related sanctions that were lifted or waived in connection with the JCPOA Although technically completed in FY 2019, the vast majority of the work was completed in FY 2018.

Terrorism and Financial Intelligence Budget and Performance
($166,712,000 from direct appropriations, $8,626,000 from reimbursable resources):
TFI serves a distinct role in enhancing national security by deploying Treasury's tools and authorities to protect the U.S. and international system from abuse and by combating rogue regimes, terrorist facilitators, weapons proliferators, money launderers, drug kingpins, human rights abusers, cyber criminals and other illicit finance and national security threats. TFI does this by strategically applying the policy, law enforcement, intelligence, and regulatory tools, and authorities of its components in a calibrated manner to achieve maximum impact. In FY 2018, TFI successfully applied its diverse targeted financial measures, including financial sanctions and regulatory tools that address major national security challenges. These challenges include North Korea, Iran, Russia, Syria, Venezuela, ISIS, al-Qai'da, Hizballah, human rights violators and others. In an effort to identify, disrupt, and dismantle these threats, TFI was able to deny revenue sources to these illicit actors.

North Korea
In the past year, TFI has supported the Administration's goal to achieve the final, fully verified denuclearization of North Korea by maintaining pressure on North Korea's finances and economy, thereby stemming the flow of illicit revenue to its weapons program which continues to pose a threat to global security. TFI deploys a variety of financial tools and authorities to curb the North Korean threat, including sanctions; measures for anti-money laundering and countering the financing of terrorism (AML/CFT); regulatory actions under Section 311 of the United and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act); foreign engagement; and private sector partnerships; among other actions.

In November 2017, FinCEN issued its final ruling pursuant to Section 311 of the USA PATRIOT Act against the China-based Bank of Dandong for serving as a gateway for North Korea to access the international financial system. Along with that action, FinCEN issued an advisory to financial institutions across the globe with specific red flags of illicit North Korean schemes being used to evade U.S. and UN sanctions, launder funds, and finance the regime's weapons of mass destruction and ballistic missile programs. Additionally, in February 2018, the OFAC issued an advisory, joined by the U.S. Department of State and the U.S. Coast Guard, to alert persons globally to deceptive shipping practices used by North Korea to evade sanctions. Overall, in FY 2018, TFI has sanctioned more than 200 individuals, entities, and vessels related to North Korea. This economic pressure campaign has created the conditions to bring the U.S. and North Korea to the negotiating table to finally achieve fully verifiable denuclearization with the hope of bringing peace to the Korean peninsula.

Iran
With respect to Iran, following the President's announcement in May 2018 to cease participation in the Joint Comprehensive Plan of Action (JCPOA), Treasury re-imposed U.S. sanctions on the Iranian regime. These measures, imposed in two phases, are designed to greatly reduce Iran's capacity to continue its support for terrorism, human rights abuses, ballistic missile proliferation, destabilizing activities, and support of militant groups. In addition, as of the end of FY 2018, TFI has issued 18 rounds of sanctions on 146 individuals and entities for a range of activities related to terrorism, proliferation, and human rights abuses, and to thwart Iran's exploitation of

the global financial system. Additionally, on November 5, OFAC issued an additional 700 designations, the preparation of which all took place in FY 2018. Sanctions have included designations of the then-Governor of the Central Bank of Iran for conspiring with the Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF) to conceal the movement of millions of dollars to enrich and support Hizballah; individuals and entities supporting Mahan Air, an airline previously designated for its support to terrorism, and a currency exchange network that was funneling millions of dollars to the IRGC-QF.

In addition to sanctions, TFI continues to deploy other tools to achieve maximum pressure on Iran to hold Iran accountable for its destabilizing activities. For example, FinCEN recently issued an advisory to financial institutions detailing Iran's efforts to deceive legitimate businesses, including through the use of front and shell companies, to fund its malign activities. Likewise, Treasury officials have traveled the world in recent months, meeting with officials in dozens of countries to warn them of Iran's illicit activities and garner their support for our pressure campaign.

Russia

TFI has also undertaken a comprehensive and strategic financial pressure campaign to counter the scale and sophistication of Russia's malign activities. TFI has strategically deployed tools to maximize financial pressure on the Kremlin while minimizing unintended consequences within the international financial system. These efforts have included a robust sanctions program, enforcement actions, foreign engagement, and private sector partnerships to deter their illicit activity. As of the end of FY 2018, the Administration sanctioned 215 individuals or entities, including 136 designated under Ukraine/Russia-related sanctions under the CAATSA. TFI sanctioned powerful Russian oligarchs and many of the companies they own or control. Additionally, to protect the international banking system, FinCEN named Latvia-based ABLV Bank as a primary money laundering concern under Section 311 of the *USA PATRIOT Act*. This closed a key access point being exploited by illicit Russian actors to access the international banking system.

Counter-Terrorism

TFI's financial tools are also making an impact in the fight to combat terrorism, to include the Islamic State of Iraq and Syria (ISIS), al-Qa'ida, Hizballah, Hamas, the Taliban and others. The TFTC, introduced in FY 2017, was created to disrupt the financing of terror through the sharing of intelligence and coordinated actions between the U.S. and six Gulf country partners—Saudi Arabia, Bahrain, Qatar, Kuwait, Oman, and the United Arab Emirates—as well as through capacity building. In FY 2018, TFTC conducted two rounds of multilateral designations, to include the senior leadership of Hizballah's Shura Council and leaders, financiers, and facilitators of the ISIS in Syria and Yemen and al-Qa'ida in the Arabian Peninsula. Additionally, TFI led discussions with Gulf partners on regional terrorist financing issues, and FinCEN led a training session with the Financial Intelligence Units of TFTC member countries.

Beyond coordinated sanction actions, TFI continued targeting Hizballah and its supporters, including leadership, operatives, facilitators, financiers, investors, and key global procurement networks. In FY 2018, TFI conducted 26 Hizballah-related sanction designations, and saw more designations in calendar year 2018 by the Departments of State and Treasury than in any single year. Furthermore, in September 2018, TFI sanctioned a company with ties to the Assad regime in Syria that facilitated the trading of fuel between Assad's government and ISIS. The designations disrupted this specific illicit supply chain and eliminated access to the international financial system.

Human Rights

The U.S. along with other international partners have applied unprecedented financial pressure on the Maduro regime in Venezuela in light of the recent actions and policies of the Government of Venezuela, including serious abuses of human rights and fundamental freedoms; the deepening humanitarian crisis in Venezuela; establishment of an illegitimate Constituent Assembly; rampant public corruption; and ongoing repression and persecution of, and violence toward, the political opposition. In FY 2018, TFI implemented sanctions against several senior government officials and former officials, along with others in Maduro's inner circle, and issued a FinCEN advisory to financial institutions to assist them in blocking suspected Venezuelan public corruption funds moving through the U.S. financial system. TFI will continue to impose financial constraints on those responsible for Venezuela's severe decline and the illicit financial networks used to mask their wealth.

TFI has also applied our tools and authorities to combat corruption and human rights abuses through the *Global Magnitsky Human Rights Accountability Act*. Under this program, by the end of FY 2018, TFI has sanctioned more than 80 individuals and entities, including a corrupt financier of mining and oil deals in the Democratic Republic of the Congo and individual officers and units of the Burmese military for their involvement in ethnic cleansing and extreme violence against the Rohingya Muslim population and other ethnic and religious minorities. Moreover, FinCEN issued an advisory to U.S. financial institutions to highlight the connection between corrupt senior foreign political figures and their enablement of human rights abuses. In Nicaragua, Treasury again used these tools and authorities to combat an increasingly deteriorating corruption and human rights crisis. OFAC designated four officials pursuant to the Global Magnitsky authority in response to their significant involvement in corruption schemes or human rights abuse. OFAC also issued an advisory alerting financial institutions that the growing instability in Nicaragua may lead to the proceeds of crime and corruption from senior political figures entering the United States. TFI will continue to take action against human rights and corruption related targets around the globe, including implementing sanctions under Global Magnitsky and other authorities.

FATF

TFI has also focused on improving systemic enhancements to the global financial system, including Treasury's July 2018 assumption of the presidency of the Financial Action Task Force (FATF), the AML/CFT standard setting body. TFI has set three priorities during this term:

- Clarifying how the FATF standards on regulation and supervision apply to virtual currency service providers to mitigate the use of virtual currencies by illicit actors;
- Maintaining the FATF's emphasis on combating terrorist financing; and
- Enhancing FATF's work on preventing the financing of the proliferation of weapons of mass destruction.

During FY 2018, Treasury participated in FATF peer review processes of seven countries: Iceland, Bahrain, Saudi Arabia, Myanmar, Indonesia, Latvia and United Kingdom. These comprehensive AML/CFT assessments evaluate countries against the FATF standards for both technical compliance and effective implementation. FATF also clarified how its standards apply to virtual asset service providers, which include virtual currency exchangers and administrators.

TFI worked with the FATF to produce extensive guidance on counter proliferation financing. This guidance aims to help both public and private sector stakeholders understand and implement the obligations of the United Nations Security Council resolutions, as well as how to prevent sanctions evasion.

In FY 2019, TFI is working with the FATF to foster improved information-sharing between governments and between financial institutions to put both in a better position to detect, deter, and disrupt illicit finance, one effort among many that will continue into FY 2020.

In support of our priorities to protect the financial system from abuse by illicit actors, Treasury launched the FinCEN Exchange to provide financial institutions with additional information about priority issues on a more regular basis. This will allow these financial institutions to focus on specific illicit finance and national security threats. As part of this program, TFI convenes regular briefings with law enforcement and financial institutions to exchange information on priority illicit finance threats, including targeted information and broader typologies. This program enables financial institutions to better identify risks and focus on high priority issues and allows FinCEN and law enforcement to receive critical information to help them disrupt money laundering and other financial crimes.

In addition, TFI resolved three civil enforcement actions against financial institutions that violate the *Bank Secrecy Act,* which resulted in the assessment of civil money penalties against two depository institutions and one casino.

Throughout FY 2019 and FY 2020, TFI will focus heavily on strategically deploying its tools and authorities for maximum impact against national security and foreign policy challenges, as well as addressing risks to and vulnerabilities within the U.S. and international financial system. TFI will continue to focus on applying targeted financial measures against North Korea, Iran, Russia, and Venezuela, in addition to identifying, disrupting, and dismantling terrorist organizations, drug kingpins, transnational criminal organizations, and other threats to the U.S. and our international partners.

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

TFFC

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

Office of Intelligence and Analysis (OIA)

As one of 17 members of the U.S. Intelligence Community (IC), OIA is responsible for informing Treasury decisions with timely, relevant, and accurate intelligence and analysis of financial networks and illicit actors. It supports this mission by: producing all-source intelligence analysis that identifies threats to and vulnerabilities within the international financial system; driving and delivering intelligence that meets the needs of Treasury decision makers; and providing the security infrastructure to protect Treasury's physical and information security apparatus. OIA's efforts inform and support the Department's ability to address illicit finance and national security threats, including Iran, North Korea, Russia, ISIS, al-Qaida, and illicit cyber actors. OIA works with the Office of the Director of National Intelligence and other IC agencies to help ensure the Department's intelligence needs are met. OIA's security office ensures that all necessary Treasury personnel are properly trained to safeguard information systems and infrastructure. OIA's security office also maintains counterintelligence and insider threat programs designed to deter, detect, and mitigate foreign intelligence and insider threats to Treasury.

OFAC

The Office of Foreign Assets Control (OFAC) administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against over 40 targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy, or economy of the United States. OFAC acts under Presidential national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under U.S. jurisdiction. Many of the sanctions are based on United Nations and other international mandates, are multilateral in scope, and involve close cooperation with allied governments. OFAC vigorously enforces the sanctions programs it administers, and conducts civil enforcement investigations against U.S. and non-U.S. individuals and entities who threaten the integrity of its sanctions programs. OFAC's enforcement actions and activities – including civil monetary penalties, non-public disruptive intervention, and public outreach – illuminate evasion schemes and enlist the private sector in its sanctions efforts. Additionally, OFAC administers a licensing program through which it reviews and then authorizes or denies requests to conduct certain transactions or activities that would otherwise be prohibited. OFAC is continually evaluating and adjusting its sanctions programs to ensure that it is prohibiting illicit activity, while allowing activity that is consistent with or advances U.S. national security and foreign policy.

Description of TFI's Performance:
As described more fully above, TFI has strategically and tactically deployed all available economic tools and authorities to disrupt and counter key national security challenges. TFI focuses its resources on those actions that are most likely to create the greatest impact towards a stated program objective. Therefore, the number of actions taken cannot serve as a single determination of effectiveness, complexity, or level of resources required to complete the action. For instance, as TFI takes action against larger entities or individuals that are integrated into and impact global supply chains, the level of resources and complexity of planning for the action increases substantially. For every action, additional resources are required to monitor collateral impacts, issue required licenses, engage with the public to answer questions, participate in bilateral and multilateral exchanges to ensure international support for actions, timely meet reporting requirements, monitor for potential evasion, and execute all required regulatory changes, among other things.

Impact of TFI Programs and Activities: To gauge its performance, TFI previously used a composite measure consisting of three program office focus areas related to its mission and strategic goals, including customer outreach, increasing production and dissemination of intelligence products, and implementing IT modernization projects. TFI discontinued this measure in FY 2018 but proposes four new measures with targets for FY 2019 and FY 2020.

New or Modifications to Existing Sanctions Programs: This indicator measures new actions or expansion of existing sanction programs, and the data is collected by OFAC. The measure reflects an increase in workload requirements as any new country program or expansion in scope of existing programs are by and large in addition to current workload and not in lieu of already existing work, and therefore, cumulative. Conversely, ongoing program requirements are much less frequently removed. The creation or modification of sanctions programs requires a significant upfront dedication of policy, program, legal, and regulatory resources to ensure proper coordination and documentation of the changes.

Number of Designation Actions: This indicator measures number of actions taken to impose sanctions, and is collected by OFAC. It is important to note that "Program-Specific Designations" may not always represent a true reflection of TFI's extensive efforts across programs or toward a particular program. From FY 2017 to FY 2018, TFI activity increased across a number of high priority programs. However, the FY 2018 numbers do not reflect the approximately 700 Iran sanctions that were implemented on November 5, 2018, in conjunction with the full snapback of sanctions following the President's withdrawal of the United States from the JCPOA. Though these sanctions technically occurred in FY 2019, the preparation for the tranche was exceedingly complex and required several lines of effort over the last several months of FY 2018.

Analytical Intelligence Support: TFI includes both formal analytical intelligence briefings as well as final analytical intelligence products that were published. The significant increase from FY 2017 to FY 2018 represents increased demand as well as a higher prioritization on production.

Review of Foreign AML/CFT Law and Regulations: This measure tracks/includes participation in FATF mutual evaluations (ME), which are peer evaluations of countries' levels of effectiveness and implementation of the FATF AML/CFT Standards. The data is collected from TFFC. Participation in MEs usually requires several extended on-site visits in country, extensive analysis of a country's AML/CFT system, and follow-up meetings to provide in-depth analyses and ratings. Additionally, the metric includes reviews and comments on reports produced by the nine FATF-style Regional Bodies; and, work assessing and reviewing countries as part of the International Cooperation Review Group, which oversees the FATF process that identifies and reviews jurisdictions with strategic AML/CFT deficiencies that may pose a risk to the international financial system and closely monitors their progress. Finally, this metric includes strategic support to certain high priority bilateral partners in an effort to enhance their AML/CFT laws, regulations, and structures. This effort may include, but is not limited to, bilateral and multilateral meetings, foreign travel, and reviewing draft legislation.

C – Changes in Performance Measures

Performance Measure or Indicator	Proposed Change and Justification
1. Impact of TFI Programs and Activities (discontinue)	We propose to stop reporting this metric in the CJ/BIB because this data required considerable effort to collect and was not indicative of TFI's overall performance.
2. New or Modifications to Existing Sanctions Programs (new measure)	This indicator measures new actions or expansion of existing sanction programs. The creation or modification of sanctions programs requires a significant upfront dedication of policy, legal, and regulatory resources to ensure proper coordination and documentation of the changes. The data is collected by OFAC.
3. Number of Designation Actions (new measure)	This indicator measures number of actions taken to impose sanctions. The preparation for each action is exceedingly complex and requires several lines of effort. The data is collected from OFAC.
4. Analytic Intelligence Support (new measure)	This indicator includes both formal analytical intelligence briefings and final analytical intelligence products that were published. The data is collected from OIA.
5. Review and Support of Foreign AML/CFT Laws and Regulations (new measure)	This indicator includes participation in FATF ME, which are peer evaluations of countries' levels of effectiveness and implementation of the FATF AML/CFT Standards. Additionally, the metric includes reviews and comments on reports produced by the nine FSRBs; and, work assessing and reviewing countries as part of the ICRG. Participation on mutual evaluations usually requires several extended on-site visits in country, extensive analysis of a country's AML/CFT system. The data is collected from TFFC.

Section III – Additional Information

A – Summary of Capital Investments

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

Department of the Treasury Committee on Foreign Investment in the United States Activities

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

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Section I – Budget Request

A – Mission Statement
Review certain transactions involving foreign investment in the United States to determine the effect of such transactions on the national security of the United States and to address any identified national security risks.

B – Summary of the Request
The Committee on Foreign Investment in the United States (CFIUS) was established in 1975 under Executive Order 11858 to monitor the impact of foreign investment in the United States, and to coordinate and implement federal policy on such investment. CFIUS is composed of nine voting member agencies, some of which have multiple subcomponents. CFIUS' unique design facilitates the leveraging of skills, subject matter expertise, and integrated analysis across the Committee. CFIUS voting member agencies include:

- Department of the Treasury
- Department of Commerce
- Department of Defense
- Department of Energy
- Department of Homeland Security
- Department of Justice
- Department of State
- Office of Science Technology and Policy
- U.S. Trade Representative

As both Chair and member of CFIUS, Treasury is responsible for leading CFIUS in establishing policies, implementing processes and functions, and in its daily operations. Treasury participates in every aspect of the process, including reviews and investigations, mitigation and oversight, non-notified transaction analysis, legal support, and national security threat assessments. The Office of International Affairs (IA) is responsible for case management and coordination for the Committee in addition to representing the Committee to parties who file notices. The Office of General Counsel (OGC) provides legal support to IA and is responsible for certain analyses conducted on each notice filed with the Committee.

The Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA) modernized and expanded the jurisdiction of the CFIUS to address growing national security concerns over foreign exploitation of certain investment structures which traditionally have fallen outside of the Committee's jurisdiction. Additionally, FIRRMA modernized CFIUS' processes to better enable timely and effective reviews of covered transactions. FIRRMA also established the CFIUS Fund (the Fund), to be administered by the chairperson (the Secretary of the Treasury), to accept appropriated funds for these expanded functions and responsibilities and collect filing fees.

In recent years, CFIUS caseload has increased in volume and complexity. CFIUS handled less than 100 cases in calendar year (CY) 2010 compared to 238 in CY 2017. Transactions have also become more complex which has contributed to an increasing investigation rate. CFIUS generally investigates cases that require more resource intensive analysis and/or corrective action. In CY 2007, CFIUS investigated approximately four percent of cases compared to approximately 73 percent in CY 2017. The FY 2020 budget requests resources necessary to implement FIRRMA and handle an expected workload of 1,000 cases per year.

The Administration requests $20 million for the Fund in upfront appropriations that will be offset by up to $10 million in offsetting collections from filing fees, which will be established in forthcoming regulation. $15 million is proposed for transfer to Treasury to fund long-term and capital investments. The remaining $5 million will be available for transfer to other CFIUS agencies, to facilitate, for example, interagency connectivity with Treasury's IT and case management systems, and to address emerging needs.

1.1 – Appropriations Detail Table

Dollars in Thousands

Treasury Committee on Foreign Investment in the United States (CFIUS) Activities Appropriated Resources	FY 2018 Enacted		FY 2019 Annualized CR		FY 2020 Request		FY 2019 to FY 2020 Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources - CFIUS Fund	**0**	**0**	**0**	**0**	**0**	**20,000**	**0**	**20,000**	NA	NA
Treasury CFIUS Activities	0	$0	0	$0	0	$15,000	0	$15,000	NA	NA
Other Member CFIUS Activities	0	$0	0	$0	0	$5,000	0	$5,000	NA	NA
New Appropriated Resources - Member Agencies										
Treasury Departmental Offices S&E	26	$6,000	65	$15,000	81	$20,000	16	$5,000	24.62%	33.33%
Treasury New Appropriated Resources	**26**	**$6,000**	**65**	**$15,000**	**81**	**$35,000**	**16**	**$20,000**	**24.62%**	**133.33%**
Other Resources										
Anticipated User Fees - CFIUS Fund	**0**	**$0**	**0**	**$0**	**0**	**($10,000)**	**0**	**($10,000)**	**NA**	**NA**
Total Budgetary Resources	**26**	**$6,000**	**65**	**$15,000**	**81**	**$30,000**	**16**	**$15,000**	**24.62%**	**100.00%**

FY 2018 other resources and FTE are actuals

Treasury Departmental Offices S&E values and requests are reflected here for illustrative puposes, those resources are being requested for the Departmental Offices S&E Account.

Treasury CFIUS Activities total $35 million - $15 million transferred from the CFIUS Fund and $20 million requested for the Departmental Offices S&E Account.

1.2.1 – CFIUS Fund Budget Adjustments Table

The total request for Treasury is $35 million, with requested funding increases shown in the two Budget Adjustment tables below.

Dollars in Thousands

Committee on Foreign Investment in the United States (CFIUS) Fund	FTE	Amount
FY 2019 Annualized Continuing Resolution	**0**	**$0**
	0	$0
Total FY 2020 Base	**0**	**$0**
CFIUS Fund		
Program Changes:		
Program Decreases:	0	($10,000)
Offsetting User Fees	0	($10,000)
Program Increases:	0	$20,000
Transfer to Departmental Offices CFIUS Program	0	$15,000
Available for Transfer to Member Agencies	0	$5,000
Total FY 2020 Request	**0**	**$10,000**

1.2.2 – Departmental Offices Budget Adjustments Table

Dollars in Thousands

DO Salaries and Expenses	FTE	Amount
FY 2019 Annualized Continuing Resolution	**689**	**$214,576**
Changes to Base:		
Maintaining Current Levels (MCLs):	0	$1,761
Non-Pay	0	$1,761
Transfers	8	$1,651
Office of Critical Infrastructure Protection from the Cybersecurity Enhancement Account	8	$1,651
Efficiency Savings	0	($1,675)
Subtotal Changes to Base	8	$1,737
Total FY 2020 Base	**697**	**$216,313**
Program Changes:		
Program Increases:	48	$19,660
year Enterprise-wide Cybersecurity investments	0	$2,175
Committee on Foreign Investment in the United States (CFIUS) Expansion	16	$5,000
Impact Analyses of Tax Regulations	6	$1,802
Strengthen the Financial Services Sector's Cybersecurity and Critical Infrastructure Protection	13	$7,700
Management Capacity Building to Support Program Initiatives	2	$885
Increase Domestic Finance Policy and Program Staff	11	$2,098
Total FY 2020 Request	**745**	**$235,973**
Transfers	0	$15,000
CFIUS Fund	0	$15,000
Total FY 2020 Including Transfers	**745**	**$250,973**

Note: The table for the DO SE appropriation is included again in this chapter to highlight all adjustments for CFIUS expansion. Relevant amounts are shaded

C – Budget Increases and Decreases Description

Offsetting User Fees .... -$10,000,000 / +0 FTE

Offsetting User Fees -$10,000,000 / +0 FTE

Treasury and CFIUS anticipate collection of filing fees that will be credited to the Fund as offsetting collections.

Program Increases .... +$20,000,000 / +0 FTE

Transfer to Treasury CFIUS Program +$15,000,000 / +0 FTE

This funding would be transferred from the Fund to Departmental Offices' Salaries & Expense account. This investment will fund development of an end-to-end IT infrastructure comprised of a public-facing portal and a case management system to modernize processes and to handle anticipated increasing caseloads for CFIUS member agencies that will promote efficiencies in the Committee's processes. Treasury conducted an extensive analysis of alternatives and found the best value for such a case management system to cost approximately $13 million. This will include the ability to work in both classified and unclassified environments, meeting FedRAMP high certification requirements. The remaining $2 million will fund expected increases in secure space to support Treasury's expected CFIUS employee footprint, data subscriptions, and temporary contractor resources. The expanded writ of CFIUS under FIRRMA is expected to lead to a further increase in complex cases reviewed by the Committee, many of which will include investigating new sectors currently outside of the expertise of CFIUS staff. To address these expertise gaps Treasury requires an expanded set of data subscriptions and will complement federal staff with temporary contractor resources. This request represents the first year of several multi-year projects. Treasury will require steady funding with costs expected to partially non-recur as the IT infrastructure projects move from development into operations and maintenance.

Available for Transfer to Member Agencies +$5,000,000 / +0 FTE
This funding will be available for transfer to other CFIUS agencies to facilitate, for example, interagency connectivity with Treasury's IT and case management systems, and for related operations.

1.3 – Operating Levels Table

Dollars in Thousands

Treasury Committee on Foreign Investment in the United States (CFIUS) Activities Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 - Full-time permanent	0	0	0
11.9 - Personnel Compensation (Total)	**0**	**0**	**0**
12.0 - Personnel benefits	0	0	0
Total Personnel and Compensation Benefits	**$0**	**$0**	**$0**
94.0 - Financial Transfers	0	0	15,000
Total Non-Personnel	**$0**	**$0**	**$15,000**
New Budgetary Resources	**$0**	**$0**	**$15,000**
FTE	**26**	**65**	**81**

Note: $5 million not shown in this table is anticipated as carryover for use by Committee member agencies

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY DEPARTMENTAL OFFICES *Federal Funds* COMMITTEE ON FOREIGN INVESTMENT IN THE UNITED STATES FUND	
For necessary expenses of the Committee on Foreign Investment in the United States, $20,000,000, to remain available until expended: Provided, That the chairperson of the Committee may transfer funds provided under this heading to any department or agency represented on the Committee (including the Department of the Treasury) upon the advance notification of the Committees on Appropriations of the House of Representatives and the Senate: Provided further, That amounts so transferred shall remain available until expended for expenses of implementing section 721 of the Defense Production Act of 1950, as amended (50 U.S.C. 4565), and shall be available in addition to any other funds available to any department or agency: Provided further, That fees authorized by section 721(p) of the Defense Production Act of 1950, as amended, shall be credited to this appropriation as offsetting collections: Provided further, That the total amount appropriated under this heading from the general fund shall be reduced as such offsetting collections are received during fiscal year 2020, so as to result in a total appropriation from the general fund estimated at not more than $10,000,000.	This account was created by the Foreign Investment Risk Review Modernization Act of 2018.

E – Legislative Proposals

CFIUS has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

Treaury's CFIUS activities support the following strategic objective for Strategic Goal 3, to enhance national security:

- Objective 3.3 – Economic Strength and National Security: Advance American prosperity and security through growth, investment, trade, and expanding the American industrial base while protecting national security.

B – Budget and Performance by Budget Activity

2.1.1 – CFIUS Fund Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	0	0	0	0	0	0	$20,000
Budget Activity Total	**0**	**0**	**0**	**0**	**0**	**0**	**$20,000**
FTE	**0**	**0**	**0**	**0**	**0**	**0**	**0**

CFIUS Fund Budget and Performance

($20,000,000 from direct appropriations)

2.1.2 – Departmental Offices – Committee on Foreign Investment in the United States Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	0	0	0	0	$6,000	$15,000	$20,000
Other Resource	0	0	0	0	0	0	$15,000
Budget Activity Total	**0**	**0**	**0**	**0**	**$6,000**	**$15,000**	**$35,000**
FTE	**0**	**0**	**0**	**0**	**26**	**65**	**81**

Note: Prior to FY 2018, CFIUS was reflected in the International Affairs Program Resources section.

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
IA - Timely Review of CFIUS Cases	100	100	100	100	100	100	100	100

Committee on Foreign Investment in the United States Budget and Performance

($20,000,000 from direct appropriations, $15,000,000 from transfers):

In FY 2018 the Office of International Affairs (IA) rebalanced resource allocations to reflect changing mission requirements, including the increasing demands associated with chairing CFIUS and the passage of the FIRRMA. IA continued to redirect existing resources from other areas to increase its capacity to manage a rising volume of increasingly complex CFIUS cases.

Timely Review of CFIUS Cases: This measure tracks compliance with statutory deadlines for completing national security reviews of transactions notified to the CFIUS to ensure that the CFIUS process is timely and efficient. The target (100 percent) was met in FY 2018. IA's target for this measure in FY 2019 and FY 2020 is 100 percent.

Section III – Additional Information

A – Summary of Capital Investments
A summary of capital investment resources, including major information technology and non-technology investments related to CFIUS can be found with other DO IT investments at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

Department of the Treasury
Office of Inspector General

Congressional Budget Justification and Annual Performance Report and Plan

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Section I – Budget Request

A – Mission Statement
To promote the integrity, efficiency, and effectiveness in programs and operations within the Department of the Treasury (Treasury or Department) and across OIG's jurisdictional boundaries.

B – Summary of the Request
The FY 2020 request for $37,044,000 for the OIG will be used to fund critical audit, investigative, and mission support activities to meet the requirements of the Inspector General Act of 1978, as amended, and other statutes including, but not limited to: the Cybersecurity Act of 2015; Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank); Federal Information Security Modernization Act of 2014 (FISMA); Government Management Reform Act; Improper Payments Elimination and Recovery Act of 2010 (IPERA); Government Charge Card Abuse Prevention Act of 2012; Digital Accountability and Transparency Act of 2014 (DATA Act); Federal Deposit Insurance Act; Small Business Jobs Act of 2010; and Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). Specific mandates include (1) audits of the Department's financial statements, (2) audits and/or evaluations of the Department's information systems security program and practices as required by FISMA, (3) assessments of the Department's cyber security information sharing, (4) audits of improper payments and recoveries under IPERA, (5) risk assessments and audits of charge card programs, (6) material loss reviews of failed insured depositary institutions regulated by the Office of the Comptroller of the Currency (OCC), and (7) data quality audits of spending data submitted by the Department to USASpending.gov.

With the resources available after mandated requirements are met, the OIG will conduct audits of the Department's highest risk programs and operations, and respond to stakeholder requests for specific work as appropriate. Some of the Department's highest risk programs and operations include: (1) Operating in an Uncertain Environment (2) Cyber Threats, (3) Anti-Money Laundering/Terrorist Financing and Bank Secrecy Act Enforcement, and (4) Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments.

The OIG will continue its investigative work to prevent, detect, and investigate complaints of fraud, waste, and abuse impacting Treasury programs and operations. This includes the detection and prevention or deterrence of employee misconduct and fraud.

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

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

Office of Inspector General's FY 2020 Budget Request

In accordance with the requirements of Section 6(f) (1) of the Inspector General Act of 1978, as amended, the Treasury Inspector General submits the following information relating to the OIG's requested budget for FY 2020:

- The aggregate budget request for the operations of the OIG is $46,044,000 comprised of $37,044,000 from direct appropriations, and $9,000,000 from reimbursable collections;
- The portion of this amount needed for OIG training is $650,000; and
- The portion of this amount estimated in support the Council of Inspectors General on Integrity and Efficiency (CIGIE) is $92,500.

The amount requested for training satisfies all OIG training needs for FY 2020.

"The Inspector General has determined that the office requires approximately $2,000,000 above the flat funding level of $37,044,000 included in the President's Budget to maintain current staffing and accomplish required audit and investigative work in FY 2020, and to carry out the OIG's mission to promote integrity, efficiency and effectiveness of programs and operations within the Department and across OIG's jurisdictional boundaries, and to prevent fraud waste and abuse."

1.1 – Appropriations Detail Table

Dollars in Thousands

Office of Inspector General	FY 2018 *		FY 2019		FY 2020		FY 2019 to FY 2020			
Appropriated Resources	Enacted		Annualized CR		Request		Change		% Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Audit	119	$24,413	127	$28,524	127	$28,524	0	$0	0.00%	0.00%
Investigations	42	$11,512	39	$8,520	39	$8,520	0	$0	0.00%	0.00%
Subtotal New Appropriated Resourc	**161**	**$35,925**	**166**	**$37,044**	**166**	**$37,044**	**0**	**$0**	**0.00%**	**0.00%**
Other Resources										
Reimbursables	3	$10,500	3	$9,000	3	$9,000	0	$0	0.00%	0.00%
Subtotal Other Resources	**3**	**$10,500**	**3**	**$9,000**	**3**	**$9,000**	**0**	**$0**	**0.00%**	**0.00%**
Total Budgetary Resources	**164**	**$46,425**	**169**	**$46,044**	**169**	**$46,044**	**0**	**$0**	**0.00%**	**0.00%**

* FY 2018 FTE and Other Resources are Actuals. This column reflects levels appropriated in P.L. 115-141, the Consolidated Appropriations Act of 2018. For further details on the execution of these resources see the 2020 Budget *Appendix* chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table

Dollars in Thousands

Office of Inspector General	FTE	Amount
FY 2019 Annualized CR	**166**	**$37,044**
Changes to Base:		
Maintaining Current Levels (MCLs):		$193
Non-Pay	0	$193
Subtotal Changes to Base	0	$193
Total FY 2020 Base	**166**	**$37,237**
Program Changes:		
Program Decreases	0	($281)
Operating Level to Absorb Administrative Cost Increase	0	($281)
Program Increases	0	$88
Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity investments	0	88
Subtotal Program Changes	0	($193)
Total FY 2020 Request	**166**	**$37,044**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ....193,000 / 0 FTE

Non-Pay +$193,000 / +0 FTE

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

Program Decreases ………………………………………………………...-281,000/ 0 FTE

Decrease to Meet Budget Level -$281,000/ -0 FTE

Program decrease to accommodate increased administrative costs, including rent.

Program Increases………………………………………………………… $88,000/ 0 FTE

Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity Investments +88,000 / +0 FTE

The FY 2020 request includes funding to support O&M for prior year Cybersecurity Enhancement Account investments. O&M will be funded by Treasury Bureaus through Treasury Franchise Fund billing. This increase represents the bureau's portion of the $17.5 million O&M total.

1.3 – Operating Levels Table

Dollars in Thousands

Bureau Name Object Classification	FY 2018 Enacted	FY 2019 Enacted	FY 2020 Request
11.1 - Full-time permanent	19,232	19,285	20,000
11.3 - Other than full-time permanent	10	10	10
11.5 - Other personnel compensation	825	700	500
11.9 - Personnel Compensation (Total)	**20,067**	**19,995**	**20,510**
12.0 - Personnel benefits	6,200	6,553	6,000
13.0 - Benefits for former personnel	15	10	15
Total Personnel and Compensation Benefits	**$26,282**	**$26,558**	**$26,525**
21.0 - Travel and transportation of persons	775	700	700
23.1 - Rental payments to GSA	2,087	4,041	4,106
23.3 - Communications, utilities, and miscellaneous charges	1,000	800	900
24.0 - Printing and reproduction	5	5	10
25.2 - Other services from non-Federal sources	3,100	2,250	2,000
25.3 - Other goods and services from Federal sources	3,100	2,215	2,200
25.6 - Medical care	75	75	75
25.7 - Operation and maintenance of equipment	50	35	58
26.0 - Supplies and materials	200	145	200
31.0 – Equipment	350	200	250
91.0 – Unvouchered	20	20	20
99.5 - Adjustment for rounding	0	0	0
Total Non-Personnel	**$10,762**	**$10,486**	**$10,519**
New Budgetary Resources	**$37,044**	**$37,044**	**$37,044**
FTE	**161**	**166**	**166**

FY 2018 shows actual FTE usage. This column reflects levels appropriated in P.L. 115-141 Consolidated Appropriations Act, 2018. For further details on the execution of these resources see the 2020 Budget Appendix chapter for the Department of the Treasury

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY OFFICE OF INSPECTOR GENERAL *Federal Funds* SALARIES AND EXPENSES *For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, $37,044,000, including hire of passenger motor vehicles; of which not to exceed $100,000 shall be available for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General of the Treasury; of which up to $2,800,000 to remain available until September 30, 2021, shall be for audits and investigations conducted pursuant to section 1608 of the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (33 U.S.C. 1321 note); and of which not to exceed $1,000 shall be available for official reception and representation expenses.* Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

The OIG has no legislative proposals.

Section II – Annual Performance Plan and Report

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

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

The FY 2020 requested resources will enable the OIG to perform audits and investigations of Treasury programs and operations under its jurisdiction, except for those of the Internal Revenue Service (IRS) and the Troubled Asset Relief Program (TARP), and to keep the Secretary of the Treasury and Congress fully informed of problems, deficiencies, and the need for corrective action. By statute, the OIG also performs oversight of the Gulf Coast Ecosystem Restoration Council, an independent Federal agency.

Major Treasury risks and challenges include:
Operating in an Uncertain Environment
This challenge addresses the external factors and future uncertainties that affect the Department's programs and operations. Among the most notable were the proposed budget cuts and new requirements imposed by Executive Order 13781, *Comprehensive Plan for Reorganizing the Executive Branch* (March 13, 2017). The OIG will assess the Department's ability to meet new mandates and manage challenges and risks to its programs and operations.

Cyber Threats
Treasury has maintained steady progress in addressing the continual and on-going challenges that the Federal Government and private sector face, including the threat of ransomware and difficulty obtaining cybersecurity personnel. Cyber threats are a persistent concern as Treasury's information systems are critical to the core functions of government and the Nation's financial infrastructure. Attempted cyber-attacks against Federal agencies, including Treasury, and financial institutions continue to increase in frequency and severity, in addition to continuously evolving. Treasury is in the process of implementing the Federal Government-wide Continuous Diagnostics and Mitigation program spearheaded by the Department of Homeland Security. This program is aimed at providing agencies with the capabilities and tools needed to identify cybersecurity risks on an ongoing basis, prioritize these risks based on potential impacts, and enable cybersecurity personnel to mitigate the most significant problems first.

OIG conducts audits of Treasury's information systems and operations. As part of these audits, OIG conducts penetration tests of selected Treasury bureaus and offices to determine whether sufficient protections exist to prevent and detect unauthorized access to Treasury networks and systems.

Anti-Money Laundering/Terrorist Financing and Bank Secrecy Act Enforcement
Effective coordination and collaboration and TFI's ability to effectively gather and analyze intelligence information requires a stable cadre of experienced staff. The security clearance process has significantly impacted Treasury's human capital management and is a systemic issue government-wide. Stability, experienced leadership, and coordination within TFI is imperative to enhance information gathering and intelligence analysis and increase efficiency. Given the criticality of Treasury's mission, its role to carry out U.S. policy, and resource constraints, the OIG continues to consider anti-money laundering and combating terrorist financing programs and operations as inherently high-risk.

Through OIG's review of TFI authorities, responsibilities and programs, OIG assesses the efficiency and effectiveness of TFI components including their ability to disrupt terrorist organizations. OIG's review includes assessing internal control and ensuring compliance with laws and internal procedures.

Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments
Given the broad implications and critical roles assigned to Treasury by the DATA Act, it is considered an ongoing high risk implementation project and management challenge. The DATA Act requires the Federal Government to provide consistent, reliable, and useful online data about how it spends taxpayer dollars. Given the Department's role in the Government-wide implementation of the DATA Act, Treasury OIG has provided continuous oversight since enactment of the law. While there have been successes to date, there is still much to do. Concurrent with the work performed by the OIG, the office leads a multi-agency IG community DATA Act Working Group and provides educational oversight ensuring the IG community is carrying out responsibilities under the DATA Act.

The OIG continues to identify and analyze the risks of improper payments and reviews the controls and safeguards put in place by Treasury to prevent and recover such payments as set forth in IPERA.

Major challenges and risks for the Gulf Coast Ecosystem Restoration Council (Council)
Federal Statutory and Regulatory Compliance
While the Council must ensure that activities and projects funded by the RESTORE Act meet all environmental laws and regulations at the Federal and State level, the Council must also ensure its compliance with applicable laws and regulations as a Federal entity. The Council is challenged to follow Federal statutory and regulatory compliance requirements related to the DATA Act, FISMA, and IPERA. The Council still faces challenges in meeting these Federal statutory and regulatory compliance stemming from the need for a reliable grants management system among other things. The OIG will continue to focus audits on the Council's continued implementation and compliance with key Federal mandates.

Grant and Interagency Agreement Compliance Monitoring
Given the increase in grants and interagency agreements, the OIG continues to emphasize the necessity to monitor projects and award recipients of RESTORE Act funds. The OIG audits will focus on the Council's monitoring controls in place to ensure projects and recipients comply with grant and agency agreements and funds are used as intended.

In the Investigations operational area, OIG has established eight priorities for FY 2019:
Criminal and Serious Employee Misconduct
The OIG Office of Investigation's highest priority is investigating complaints involving alleged criminal and other serious misconduct by Treasury employees. OIG investigates allegations of: the general crimes enumerated in Title 18 of the U.S. Code, other federal crimes, alleged violations of the Ethics in Government Act, and allegations of serious misconduct prohibited by the Standards of Ethical Conduct for Employees of the Executive Branch. Several Treasury bureaus and offices have additional rules and regulations relating to ethical standards for their own employees, and OIG also investigates complaints of alleged violations of these rules and regulations.

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

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

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

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

Treasury Employee and Bureau Impersonation Scams
Investigations relating to scammers who represent themselves as Treasury employees in order to defraud the citizens of the U.S. and other countries by the impersonation of Treasury employees

and/or the fraudulent use of the Treasury and Bureau seals. This is a problem that has significantly increased in the last few years. These matters require prompt attention to protect the public and the integrity of the Department.

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

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

Identifying and Investigating Fraud Related to the RESTORE Act

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

B – Budget and Performance by Budget Activity

2.1.1 Audit Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$21,801	$24,947	$27,653	$26,014	$28,413	$28,524	$28,524
Reimbursable	$8,671	$8,525	$7,299	$6,726	$6,116	$9,000	$9,000
Budget Activity Total	**$30,472**	**$33,472**	**$34,952**	**$32,740**	**$30,529**	**$37,490**	**$37,490**
FTE	**133**	**135**	**137**	**115**	**119**	**127**	**127**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Number of Completed Audit Products	72	75	86	98	90	86	74	74
Percent of Statutory Audits Completed by the Required Date	100	100	100	100	100	100	100	100

Audit Budget and Performance

($28,524,000 from direct appropriations, and $9,000,000 from reimbursable resources):

The Office of Audit conducts audits intended to ensure the accountability of resources, protect information, and provide recommendations for improving the integrity, economy, efficiency, effectiveness, of programs and operations within the Department and across OIG's jurisdictional boundaries, which include those of the Gulf Coast Ecosystem Restoration Council. The requested funding for FY 2020 is necessary to perform mandated work (including audits/assessments of financial statements, information systems security program and practices, cyber security information sharing, improper payments and recoveries, charge card programs. material loss reviews of failed insured depository institutions regulated by the OCC, and data quality audits of spending data), and to maintain an appropriate level of oversight of programs and operations consistent with the OIG's responsibilities under the Inspector General Act of 1978, amended. In FY 2020, OIG will also continue to provide oversight of Treasury's government-wide role and responsibilities under the DATA Act. Reimbursable funding agreements support financial statement audits of Treasury and oversight of the Small Business Lending Fund. Reimbursable funding agreements also support Treasury financial audits for which Treasury OIG is the lead office in selecting and overseeing contractor selection.

Description of Performance:
The Office plans to complete 74 audit products in FY 2019, and 74 in FY 2020. The number of audit products was reduced beginning in FY 2018 due to the increased administrative costs. The same target will apply in FY 2020. In FY 2018, the Office of Audit completed 91 audit products, and met all statutory audit timelines. Audit products included audit reports, evaluation reports, the Inspector General's Semi-Annual Reports to Congress, and the Inspector General's annual memoranda to the Secretary of the Treasury and the designated Chairperson of the Gulf Coast Ecosystem Restoration Council, on the most significant management and performance challenges facing the Department and Gulf Coast Ecosystem Restoration Council, respectively. Audit products can also include responses to specific information requests by the Congress. By completing independent and timely assessments of programs and operations across its jurisdictional boundaries, the Office of Audit supports the OIG's mission of promoting integrity, efficiency, effectiveness of those programs and operations. The recommendations for improvement in programs and operations noted through OIG's assessments directly support both the Treasury Department and the Gulf Coast Ecosystem Restoration Council in achieving their strategic goals and meeting their respective missions.

2.1.2 Investigations Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$5,451	$6,237	$6,913	$7,164	$11,512	$8,520	$8,520
Budget Activity Total	**$5,451**	**$6,237**	**$6,913**	**$7,164**	**$11,512**	**$8,520**	**$8,520**
FTE	**34**	**33**	**33**	**43**	**42**	**39**	**39**

Performance Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percentage of All Cases Closed During Fiscal Year That Were Referred for Criminal/Civil/Administrative Action	84	87	84	84	98	80	80	80

Investigations Budget and Performance
($8,520,000 from direct appropriations):
The Office of Investigations prevents, detects, and investigates complaints of fraud, waste, and abuse impacting Treasury programs and operations. This includes the detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury. The Office of Investigations refers its cases to the Department of Justice, state or local prosecutors for criminal prosecution or civil litigation, or to agency officials for corrective administrative action.

With the increased risk of the Recovery Act grant programs for low-income housing, the Office of Investigations faces greater challenges and anticipated increases in grant fraud. In addition, with the establishment of Gulf Coast Restoration Trust Fund outreach efforts are being made in an effort to prepare for future investigative referrals and complaints aimed at suspected fraud involving the funds with this program. In addition to the grant programs listed above, the Office of Investigations has seen a noted increase in fraud impacting other significant Treasury programs and operations including leaks of Treasury information, as well as fraud impacting the Treasury Direct program and the Treasury payment processing service operated by the Bureau of Fiscal Service. Fraud impacting the Treasury Direct program includes identity theft, account takeover, attempts to launder money and create fraudulent accounts. In 2018 the Bureau of the Fiscal Service reported an over eightfold increase in some types of fraud over 2015. The Office of Investigations continues to see substantial increases in improper payment fraud impacting the Bureau of Fiscal Service, which makes 85 percent of the payments for the Federal Government. This fraud includes marked increases in fraud impacting the Direct Express program, including lost card fraud, stolen card fraud, counterfeit card fraud, “account take over” or redirected benefit fraud, “card not present” fraud as well as stolen, altered and counterfeit Treasury checks and ACH payments. Fraud impacting the Direct Express program nearly tripled in dollar terms from November 2015 to December 2018. Stolen card fraud more than quadrupled from April to October 2018. Card not present fraud increased over twenty percent from February to September 2018. Lost card fraud nearly doubled from February to June 2018. Counterfeit credit card fraud more than tripled from July to December 2018.

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

Description of Performance:
In FY 2018 the Office of Investigations exceeded the Investigative Performance Measure target (Target – 80 percent; Actual – 98 percent), opened 113 new investigations and closed 110 investigations. The OIG also referred 8 investigations that substantiated administrative violations against a Treasury employee to the appropriate regulated bureau for action. In addition, the OIG referred 185 investigations for criminal prosecution and 19 investigations for civil prosecution. In FY 2018 the Office of Investigations charged and/or indicted 102 subjects, 54 of which have been sentenced in investigations that resulted in fines, seizures, restitution, penalties and settlements of more than $34 million.

The Investigative Performance Measure is a percentage of all cases closed by the Office of Investigations during the fiscal year referred to Department Bureaus for administrative action or for criminal or civil prosecution by Federal or local prosecutors. The goal for Office of Investigations is that at least 80 percent of closed cases meet the aforementioned criteria of closed cases in the fiscal year. Meeting or exceeding this goal demonstrates that the Office of Investigations is responsive to allegations and complaints referred to the office and when these referrals require investigation, the cases are timely, thoroughly and accurately reported to assist the Department in maintaining the integrity of its programs and operations, subsequently ferreting out fraud, waste, and abuse. The office is working to meet or exceed this measure in both FY 2019 and FY 2020.

With the publication of the Treasury Strategic Plan for FY 2018-2022, OIG will work this year to baseline its performance against the new strategic objectives. This could result in changes to performance measures in the FY 2021 budget.

Section III – Additional Information

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

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

Office of the Special Inspector General for TARP (SIGTARP)

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

Table of Contents

<u>Section I – Budget Request</u>

A – Mission Statement

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is a Federal law enforcement agency and an independent audit watchdog that targets financial institution crime, and other fraud, waste, and abuse related to TARP. Protecting Americans, taxpayer dollars, and TARP programs drives SIGTARP's mission.

B – Summary of the Request

The FY 2020 Budget proposes $17,500,000,[1] a 49 percent reduction from both the FY 2019 Annualized CR level and the FY 2018 enacted level. The proposed budget is intended to fund the mandated independent oversight of TARP, which impacts all 50 states, to include the $34 billion that has and will be spent through 2023 for TARP foreclosure prevention programs, such as the Making Home Affordable (MHA) and the Hardest Hit Fund (HHF) programs. Through FY 2018, banks, mortgage servicers, state agencies, thousands of contractors, and other recipients have already received $28 billion for TARP foreclosure prevention programs (nearly $3 billion that year), with nearly $6 billion left to spend through 2023.

<u>Special Inspector General's Comments</u>

Pursuant to section 6(f)(3)(E) of the Inspector General Act of 1978, as amended, as applied through the Emergency Economic Stabilization Act of 2008, I have concluded that the President's FY 2020 budget request of $17.5 million would substantially inhibit the Special Inspector General from performing the duties of the office. The President's budget request is a 49 percent reduction from the FY 2018 enacted level and a 24 percent reduction from the FY 2019 enacted level, despite that TARP foreclosure prevention programs continue to spend (nearly $3 billion last year), and carry a high risk of fraud, waste, and abuse. I independently proposed an appropriation of $23 million for FY 2020, which is an additional $5.5 million, and I respectfully request that Congress consider this amount. That level is flat with the FY 2019 enacted level, and is a 32 percent reduction from the FY 2018 enacted level.

The President's budget request would substantially inhibit our oversight because it will require a reduction in staffing levels to cover increases in fixed mandatory operating costs paid to Treasury and cost of living or other payroll increases. SIGTARP has experienced a recent increase in referrals, tips, and other information that have been used to open criminal and civil investigations into the open TARP programs, including MHA's HAMP and HHF, and to audit those programs to prevent and detect waste and abuse. As more TARP dollars are spent in MHA and HHF, SIGTARP's investigations and audits over that spending increases. Every TARP dollar spent is another dollar potentially subject to fraud, waste and abuse, increasing the need for and the number of investigations and waste-finding audits. As of September 30, 2018, TARP foreclosure prevention programs have spent over $28 billion with nearly $6 billion remaining to spend. When left unchecked, fraud, waste, and abuse in these programs can have a devastating impact on those the program are intended to help. There are currently 846,763 homeowners in HAMP, including participants from all 50 states. The Hardest Hit Fund, which Congress expanded with an additional

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

$2 billion and extended in FY 2016, continues to assist homeowners and homebuyers, and to fund blight demolition. SIGTARP's request is less than 0.1 percent to investigate and audit over $28 billion spent in MHA & HHF (before counting future TARP spending of nearly $6 billion).

SIGTARP investigations of TARP recipients lead to indictments, civil enforcement actions, and the recovery of dollars lost to fraud. SIGTARP audits identify waste and abuse that Treasury can recover, promote efficiency and effectiveness in TARP, and make recommendations to save costs and prevent future fraud, waste, and abuse. In FY 2018, more than $314 million was recovered as a result of SIGTARP's investigations, exceeding a nine times annual return on investment (ROI). Already in FY 2019, actual dollars recovered as a result of SIGTARP's investigations are more than $290 million.

SIGTARP has demonstrated that it is a solid investment for taxpayers, as SIGTARP has provided the Federal government and other victims with cumulative recoveries of more than $10 billion – a 31 times cumulative ROI from our annual budgets. This would rank SIGTARP as having the third highest ROI out of 18 OIGs reviewed by the Brookings Institution Center for Effective Public Management in its analysis of how cutting the budget of positive-revenue OIGs costs the government money and contributes to the Federal deficit.[2]

We appreciate strong Congressional support for our budget each year. Some of the significant completed and ongoing SIGTARP work over the last year includes:

- The Special Inspector General testified before the House Oversight Committee on SIGTARP's audits that identified $11 million in waste and abuse by state agencies on holiday parties, family picnics, celebrations, a Mercedes Benz car allowance, steak and seafood dinners, large catered barbeque dinners with tiki torches, employee gifts, discrimination litigation, employee gym memberships, cash bonuses, expenses unrelated to HHF, and more. SIGTARP continues to audit travel and conference expenses.
- Our audit report found that most of the $9.6 billion Hardest Hit Fund program (which includes future spending of $1.3 billion) has no Federal competition requirements for contract awards. We reported that Treasury has not applied the Federal procurement standards, and recommended that they apply those standards.
- We warned in an evaluation report (based on findings by the U.S. Army Corps of Engineers) of the risk of asbestos exposure, illegal dumping, and contaminated soil in the HHF blight demolition program given the absence of industry safeguards.
- We increased our investigations into TARP's Hardest Hit Fund blight demolition program. This year, the Department of Justice (DOJ) indicted an official on bribery charges related to awarding TARP-funded demolition-related contracts. DOJ also resolved a False Claims Act investigation against a multi-million TARP recipient – the primary HHF demolition contractor in Fort Wayne, Indiana – for dumping construction debris in the ground, covering it with clean dirt, and filing false claims for TARP dollars.
- SIGTARP expanded its investigations into TARP's HAMP program. Treasury will continue to pay more than 130 financial institutions up to $3.9 billion to administer the program. Some institutions have enforcement records of violating the law and abusing consumers. The largest

[2] Hudak, J. Wallack, G. (2015). *Brookings Institution Center for Effective Public Management,* Website: https://www.brookings.edu/wp-content/uploads/2016/06/CEPMHudakWallackOIG.pdf.

recipients of these future TARP funds include Ocwen Financial, Wells Fargo, JP Morgan Chase, Nationstar Mortgage, SPS, CitiMortgage, and CIT/One West Bank.

- SIGTARP continues to support the DOJ in prosecuting defendants we investigated. Courts have convicted 359 defendants investigated by SIGTARP, including 92 bankers. Courts sentenced 71 bankers to prison, including in the last year:
    - A Delaware Federal court sentenced to prison for up to six years, seven bank insiders at $330 million TARP recipient Wilmington Trust Corp. including the president and CFO for a massive fraud while the bank was in TARP when Treasury was a shareholder. The judge called it, “the worst financial crime in Delaware in at least the last 35 years.” The bank collapsed and was acquired by another bank;
    - A California Federal court sentenced to prison for more than 8 years each, the president of TARP recipient Sonoma Valley Bank and the chief lending officer, for a fraud that contributed to the failure of the bank; and
    - A Kansas Federal court sentenced to prison for more than 5 years, the majority shareholder who virtually had complete control of TARP recipient Excel Bank for a crime that threatened the soundness of the bank that later failed.

We continue to deliver investigative and audit results, and maintain extremely high cumulative and annual returns on investment. Investing in SIGTARP is one of the most effective and efficient ways to protect the government. The government will receive far more than our budget in recovered dollars lost to fraud, in addition to cost savings. Our work ensures that TARP dollars are used as Congress intended, and that the government does not pay more for TARP than is necessary.

1.1 – Appropriations Detail Table

Dollars in Thousands

Special Inspector General for TARP Appropriated Resources	FY 2018 * Enacted		FY 2019 Annualized CR		FY 2020 Request		FY 2019 to FY 2020 Change		FY 2019 to FY 2020 % Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Investigations	103	$28,220	103	$28,900	75	$15,050	(28)	($13,850)	-27.18%	-47.92%
Audit	28	$5,780	22	$5,100	10	$2,450	(12)	($2,650)	-54.55%	-51.96%
Subtotal New Appropriated Resources	**131**	**$34,000**	**125**	**$34,000**	**85**	**$17,500**	**(40)**	**($16,500)**	**-32.00%**	**-48.53%**
Other Resources*										
Unobligated Balances from Prior Years	0	$1,542	0	$0	10	$7,500	NA	NA	NA	NA
Subtotal Other Resources	**0**	**$1,542**	**0**	**$0**	**10**	**$7,500**	**NA**	**NA**	**NA**	**NA**
Total Budgetary Resources	**131**	**$35,542**	**125**	**$34,000**	**95**	**$25,000**	**(30)**	**($9,000)**	**-24.00%**	**-26.47%**

* This column reflects levels appropriated in P.L. 115-141, the Consolidated Appropriations Act of 2018. For further details on the execution of these resources see the 2020 Budget *Appendix* chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table

Dollars in Thousands

Special Inspector General for TARP	FTE	Amount
FY 2019 Annualized CR	**125**	**$34,000**
Changes to Base:		
Maintaining Current Levels (MCLs)	0	$190
Non-Pay	0	$190
Subtotal Changes to Base	0	$190
Total FY 2020 Base	**125**	**$34,190**
Program Changes:		
Program Decreases	**(40)**	**($16,832)**
Technical FTE Adjustment (Workforce Management)	(30)	($5,600)
Realignment from Annual to No-Year	(10)	($7,500)
Efficiency Savings	0	($3,732)
Program Increases	**0**	**$142**
Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity investments	0	$142
Subtotal Program Changes	**(40)**	**($16,690)**
Total FY 2020 Request	**85**	**$17,500**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +190,000 / +0 FTE

Non-Pay +$190,000 / +0 FTE

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

Program Decreases .... -$16,832,000 / -40 FTE

Staff Reduction -$5,600,000 / -30 FTE

The technical adjustment reduces SIGTARP staff levels to 95 FTE.

Realignment from Annual to No-Year -$7,500,000 / -10 FTE

SIGTARP will fund a portion of its operations from its no-year account.

Efficiency Savings -$3,732,000 / -0 FTE

SIGTARP will seek to reduce non-personnel costs.

Program Increases .... +$142,000 / +0 FTE

Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity Investments +$142,000 / +0 FTE

This request includes funding to support O&M for prior-year Cybersecurity Enhancement Account investments. O&M will be funded by Treasury Bureaus through Treasury Franchise Fund billing. This increase represents SIGTARP's portion of the O&M total.

Program Decreases:
SIGTARP has been fiscally responsible in reducing costs and increasing efficiencies by utilizing OMB guidance to effectively examine, align, and restructure its workforce and eliminate costs. In FY 2018, SIGTARP created immediate and long-term cost savings by eliminating over 50 percent of headquarter annual rent expenses; reducing senior management levels; aligning spending with a reduced workforce; reducing non-government spending; and utilizing government sources for goods and services. In FY 2020, over $6 million of the proposed budget (35 percent) will be spent on goods and services from the government, more than 95 percent of which will be paid to Treasury.

SIGTARP coordinates with other law enforcement agencies and with other Inspectors General, leveraging its unique position and expertise by forming law enforcement and other partnerships to create operational efficiencies and realize cost savings. These savings and efficiencies are projected to continue through FY 2020.

1.3 – Operating Levels Table

Dollars in Thousands

Special Inspector General for TARP Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 - Full-time permanent	15,889	15,079	11,684
11.3 - Other than full-time permanent	1,503	1,588	1,472
11.5 - Other personnel compensation	1,959	1,506	989
11.9 - Personnel Compensation (Total)	**19,351**	**18,173**	**14,145**
12.0 - Personnel benefits	5,649	5,427	3,855
Total Personnel and Compensation Benefits	**$25,000**	**$23,600**	**$18,000**
21.0 - Travel and transportation of persons	676	400	300
23.2 - Rental payments to others	207	153	107
23.3 - Communications, utilities, and miscellaneous charges	45	41	34
25.1 - Advisory and assistance services	679	365	90
25.2 - Other services from non-Federal sources	51	44	43
25.3 - Other goods and services from Federal sources	9,243	9,071	6,164
25.6 - Medical care	60	50	45
25.7 - Operation and maintenance of equipment	44	26	0
26.0 - Supplies and materials	303	202	195
31.0 - Equipment	192	48	22
Total Non-Personnel	**$11,500**	**$10,400**	**$7,000**
New Budgetary Resources	**$36,500**	**$34,000**	**$25,000**
FTE	**136**	**125**	**95**

Note: This table includes all available resources, including SIGTARP's annual appropriation and no-year funds. The FY 2020 request includes $17.5M (appropriated) and $7.5M (no-year).

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY **SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM** *Federal funds* SALARIES AND EXPENSES *For necessary expenses of the Office of the Special Inspector General in carrying out the provisions of the Emergency Economic Stabilization Act of 2008 (Public Law 110–343), $17,500,000.* Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

PPIP Funds

The Public-Private Investment Program (PPIP) Improvement and Oversight Act of 2009 (12 U.S.C. § 5231a) provided $15 million in no-year appropriations to SIGTARP for the purpose of providing oversight to PPIP and the Term Asset-Backed Securities Loan Facility. SIGTARP does not plan PPIP or TALF activity in FY 2019 and FY 2020. SIGTARP is requesting that these PPIP funds be made available to also support SIGTARP's oversight of ongoing TARP programs. This proposed language is identical to that included in the FY 2018 enacted appropriation.

PROPOSED LANGUAGE

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

Section II – Annual Performance Plan and Report

A – Strategic Alignment
The Investigation budget activity supports SIGTARP's priority of law enforcement of crimes related to TARP, and the Audit budget activity supports SIGTARP as the independent watchdog over TARP dollars. SIGTARP's activities and goals of Justice, Impact, Innovation, and Stewardship support and complement Treasury's FY 2018 – 2022 Strategic Plan goals: (1) boost U.S. economic growth; (2) promote financial stability; (3) enhance national security; (4) transform government-wide financial stewardship; and (5) achieve operational excellence.

SIGTARP's audit and investigation goals and priorities are driven by independently-identified TARP threats and findings of fraud, waste, and abuse. SIGTARP's goals through 2023 are:

- *Justice* - protect Americans through law enforcement's fight against TARP-related crime;
- *Impact* - assess, understand, and counter the most serious risks, threats, and challenges to TARP;
- *Innovation* - expand the use of technology, virtual information sharing, and data analytics to increase the expedited identification of TARP-related crime, fraud, waste and abuse; and
- *Stewardship* - ensure TARP programs and oversight proceed responsibly and transparently.

Justice: As a law enforcement office with 85 percent of its resources focused on criminal investigations, SIGTARP strives to bring justice, accountability, and deterrence in the fight against TARP-related crimes, including major financial crimes and money laundering. This past year SIGTARP continued to support DOJ and state prosecutions of defendants that were investigated, and the law enforcement record through FY 2018 stands at 417 defendants charged with crimes, and law enforcement actions against 14 major corporations. Justice was achieved when, in FY 2018, 14 defendants that were investigated went to trial, 14 defendants pled guilty, and courts sentenced to prison 26 defendants that were investigated. Bankers are going to jail. For example, in the $330 million TARP recipient Wilmington Trust and the $8 million TARP recipient Sonoma Valley Bank cases, courts, after jury convictions, have recently sentenced an attorney and six top bank executives such as the CEO, President, CFO, and Controller to years in prison for massive financial frauds. These complex financial frauds impact economic stability and confidence in financial institutions. SIGTARP investigations have uncovered crimes that led to the failure of TARP banks, leaving as victims the bank, the community, and taxpayers who have lost millions on their TARP investments. *Alignment: Treasury Goals (1), (2), (3) and (4).*

Impact: SIGTARP analyzes risks from the most serious and imminent threats to TARP, especially as TARP continues to evolve. Treasury continues to allow new uses of TARP and, as recently as May 2018, TARP can now be used for lead and asbestos remediation. SIGTARP prioritizes its resources and conducts confidential investigations to combat serious threats, the largest of which SIGTARP believes is potential wrongdoing by the more than 130 financial institutions that continue to receive billions of TARP dollars in the MHA program, including some of the nation's largest. SIGTARP recently achieved the first law enforcement action resulting from SIGTARP's investigations into wrongdoing in the HHF blight demolition subprogram, another top threat to TARP. A contractor who was awarded all of the demolition contracts in the HHF blight program in Fort Wayne, Indiana, filled excavation sites with construction debris and then falsely billed for clean fill dirt. The blighted excavation sites cost an additional $800,000 in remediation to remove the construction debris and fill the area with approved dirt. SIGTARP previously assessed the threat of contaminated soil and warned Treasury about it in a November 2017 audit, based on the findings of the Army Corps of Engineers. Treasury failed to implement SIGTARP's recommendations in that audit. *Alignment: Treasury Goals (1), (2), and (4).*

Innovation: SIGTARP achieved an unparalleled record of criminal charges against more than 100 bankers through innovation. SIGTARP developed an intelligence-based method to find crime in banks and deployed similar techniques to find crime in other industries, like the housing, foreclosure, and demolition industries. SIGTARP forensic audits catch waste, and have successfully caught millions of TARP dollars wasted by state agencies on a Mercedes Benz, parties, picnics, steak and seafood dinners, and more. By expanding the use of technology, virtual information sharing using central repositories of information, and data analytics, SIGTARP can expedite its identification of crime, fraud, waste, and abuse. *Alignment: Treasury Goals (2), (4) and (5).*

Stewardship: SIGTARP stands as the independent watchdog for Americans, ensuring that TARP programs operate and spend responsibly. SIGTARP also requires that same standard for Treasury and its office. Additionally, SIGTARP seeks to recover dollars lost to fraud, waste, and abuse for taxpayers and other victims. SIGTARP strives not to be a burden to taxpayers. Every year, recoveries from SIGTARP's work far exceed its budget, and has a 31X lifetime ROI. Recoveries in FY 2018 were $314 million, $294 million of which went back to the Federal government, in comparison to its FY 2018 $34 million appropriation. *Alignment: Treasury Goals (4) and (5).*

B – Budget and Performance by Budget Activity

2.1.1 – Investigations Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$27,382	$27,295	$32,478	$32,103	$28,855	$28,900	$15,050
Other Resources	$5,656	$6,354	$376	$82	$1,311	0	$6,450
Budget Activity Total	**$33,038**	**$33,649**	**$32,854**	**$32,185**	**$30,166**	**$28,900**	**$21,500**
FTE	**119**	**115**	**103**	**114**	**106**	**103**	**81**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target*	FY 2020 Target
Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome	N/A	N/A	77	81	79	70	70	35
Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of the Case Being Opened	N/A	N/A	80	80	85	70	70	25
Percentage of Cases That are Joint Agency/Task Force Investigations	76	70	71	75	78	70	70	70

*The FY 2019 targets are based on an annualized CR. The FY 2019 Congressional Justification included lower targets based on the PB.

Investigations Budget and Performance

($15,050,000 from discretionary appropriations)

SIGTARP exceeded all metric targets in FY 2018. The "Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome" in FY 2018 was 79 percent, which exceeded the target of 70 percent. The "Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of the Case Being Opened" was 85 percent, which exceeded the target of 70 percent. The "Percentage of Cases That are Joint Agency/Task Force Investigations" with other law enforcement agencies was 78 percent, which exceeded the target of 70 percent.

2.1.2 – Audit Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$7,219	$6,824	$7,618	$7,530	$5,092	$5,100	$2,450
Other Resources	$1,947	$1,069	$99	0	$231	0	$1,050
Budget Activity Total	**$9,166**	**$7,893**	**$7,717**	**$7,530**	**$5,323**	**$5,100**	**$3,500**
FTE	**45**	**35**	**34**	**27**	**25**	**22**	**14**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target*	FY 2020 Target
Number of completed audit products identifying waste, abuse, mismanagement, inefficiencies, or referrals to Investigations Division (Units)	N/A	N/A	N/A	N/A	6	3	3	1

*The FY 2019 target is based on an annualized CR. The FY 2019 Congressional Justification included lower targets based on the PB.

Audit Budget and Performance

($2,450,000 from discretionary appropriations)

SIGTARP exceeded its FY 2018 audit performance target of three for the "Number of Completed Audit Products Identifying Waste, Abuse, Mismanagement, Inefficiencies, or Referrals to Investigations Division," with six products.

Section III – Additional Information

A – Summary of Capital Investments

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

A summary of capital investment resources can be found at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx

This website also contains a digital copy of this document.

Department of the Treasury
Treasury Inspector General for Tax Administration

Congressional Budget Justification and Annual Performance Plan and Report

FY 2020

Table of Contents

Section I – Budget Request

A – Mission Statement

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

B – Summary of the Request

The Treasury Inspector General for Tax Administration's (TIGTA) Fiscal Year (FY) 2020 budget request of $166,000,000 represents a decrease of 2.1 percent below its FY 2019 Annualized Continuing Resolution (CR) budget. Funding TIGTA's FY 2020 budget request will enable TIGTA to attempt to address its expansive workload of emerging Internal Revenue Service (IRS) challenges and congressional requests while conducting its oversight responsibilities. These resources will fund critical audit, investigative, and inspection and evaluation services to protect the integrity of the Nation's system of tax administration. In accordance with the requirements of Section 6(f)(1) of the Inspector General Act of 1978 (as amended),[1] TIGTA submits the following information related to its FY 2020 budget request:

- The aggregate budget request for TIGTA operations is $166,000,000;
- The portion of the request needed for TIGTA training is $1,800,000; and
- The portion of the request needed to support the Council of the Inspectors General on Integrity and Efficiency is $431,600.

TIGTA's vision is to maintain a highly skilled, proactive, and diverse Inspector General organization dedicated to working in a collaborative environment with key stakeholders to foster and promote fair tax administration. TIGTA's primary functions of audit, investigations, inspections and evaluations align with the following Department of the Treasury FY 2018 – FY 2022 Strategic Plan goals:

- Goal 1: Boost U.S. Economic Growth;
- Goal 4: Transform Government-wide Financial Stewardship; and
- Goal 5: Achieve Operational Excellence.

For more on how TIGTA's budget activities align with the Department of the Treasury goals and objectives see Section II in this document.

TIGTA's Strategic Goals:

- Promote the economy, efficiency, and effectiveness of tax administration;
- Protect the integrity of tax administration from internal and external threats; and
- Sustain an inclusive work environment where employees are valued.

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

[1] 5 U.S.C. app. 3 § 6(f)(1).

1.1 – Appropriations Detail Table

Dollars in Thousands

Treasury Inspector General for Tax Administration Appropriated Resources	FY 2018 * Enacted		FY 2019 Annualized CR		FY 2020 Request		FY 2019 to FY 2020 Change		FY 2019 to FY 2020 % Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Audit	318	$66,020	333	$66,020	333	$64,606	0	($1,414)	0.00%	-2.14%
Investigations	446	$103,614	467	$103,614	467	$101,394	0	($2,220)	0.00%	-2.14%
Subtotal New Appropriated Resources	**764**	**$169,634**	**800**	**$169,634**	**800**	**$166,000**	**0**	**($3,634)**	**0.00%**	**-2.14%**
Other Resources										
Reimbursables	2	$414	2	$600	2	$600	0	$0	0.00%	0.00%
Recovery from Prior Years		$1,831		$0		$0	0	$0	NA	NA
Unobligated Balances Brought Forward		$4,300		$4,400		$5,000	0	$600	NA	13.64%
Subtotal Other Resources	**2**	**$6,545**	**2**	**$5,000**	**2**	**$5,600**	**0**	**$0**	**0.00%**	**12.00%**
Total Budgetary Resources	**766**	**$176,179**	**802**	**$174,634**	**802**	**$171,600**	**0**	**($3,034)**	**0.00%**	**-1.74%**

* FY 2018 FTE and Other Resources are Actuals. This column reflects levels appropriated in P.L. 115-141, the Consolidated Appropriations Act of 2018. For further details on the execution of these resources see the 2020 Budget *Appendix* chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table

Dollars in Thousands

Treasury Inspector General for Tax Administration	FTE	Amount
FY 2019 Annualized CR	**800**	**$169,634**
Changes to Base:		
Maintaining Current Levels (MCLs):	0	$558
Non-Pay	0	$558
Subtotal Changes to Base	0	$558
FY 2020 Base	**800**	**$170,192**
Program Changes:		
Program Decreases:	0	($4,697)
Non-Personnel Reductions	0	($4,697)
Program Increases:	0	$505
Operation and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity Investments	0	$505
Subtotal FY 2020 Program Changes	**0**	**(4,192)**
Total FY 2020 Request	**800**	**$166,000**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ....+$558,000 / +0 FTE

Non-Pay +$558,000 / +0 FTE

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

Program Decreases ....-$4,697,000 / -0 FTE

Non-Personnel Reductions -$4,697,000 / +0 FTE

TIGTA will reduce program levels in order to meet its FY 2020 budget request. Reaching this target without impacting the quality of TIGTA's programs will require balancing mission requirements and workload.

TIGTA will continue to look for contract efficiencies by evaluating contracts for strategic sourcing and by negotiating more advantageous contract terms. Additionally, TIGTA will continue to pursue opportunities to reduce its footprint and lower its rent costs.

Program Increases ....+$505,000 / +0 FTE

O&M of Prior-year Enterprise-wide Cybersecurity Investments +$505,000 / +0 FTE

The FY 2020 request includes funding to support O&M for prior year cybersecurity Enhancement Account investments. O&M will be funded by Treasury Bureaus through Treasury Franchise Fund billing. This increase represents the bureau's portion of the $17.5 million O&M total.

1.3 – Operating Levels Table

Dollars in Thousands

Treasury Inspector General for Tax Administration Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 - Full-time permanent	86,873	86,851	86,851
11.3 - Other than full-time permanent	393	393	393
11.5 - Other personnel compensation	8,332	8,330	8,330
11.9 - Personnel Compensation (Total)	**95,598**	**95,574**	**95,574**
12.0 - Personnel benefits	37,662	37,652	37,652
13.0 - Benefits for former personnel	0	0	0
Total Personnel and Compensation Benefits	**$133,260**	**$133,226**	**$133,226**
21.0 - Travel and transportation of persons	3,794	3,798	3,794
22.0 - Transportation of things	15	15	16
23.1 - Rental payments to GSA	9,600	9,608	9,600
23.2 - Rental payments to others	200	200	200
23.3 - Communications, utilities, and miscellaneous charges	740	741	360
24.0 - Printing and reproduction	8	8	8
25.1 - Advisory and assistance services	1,800	1,802	2,205
25.2 - Other services from non-Federal sources	1,000	1,001	900
25.3 - Other goods and services from Federal sources	11,090	11,100	9,300
25.4 - Operation and maintenance of facilities	16	16	17
25.7 - Operation and maintenance of equipment	2,989	2,992	1,634
26.0 - Supplies and materials	700	701	540
31.0 - Equipment	4,298	4,302	4,101
42.0 - Insurance claims and indemnities	5	5	4
91.0 - Unvouchered	119	119	95
Total Non-Personnel	**$36,374**	**$36,408**	**$32,774**
New Budgetary Resources	**$169,634**	**$169,634**	**$166,000**
FTE	**764**	**800**	**800**

Note: This table includes obligations against funding appropriated in that year (Enacted for FY 2018, FY 2019 Annualized CR, and FY 2020).

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION *Federal Funds* SALARIES AND EXPENSES *For necessary expenses of the Treasury Inspector General for Tax Administration in carrying out the Inspector General Act of 1978, as amended, including purchase and hire of passenger motor vehicles (31 U.S.C. 1343(b)); and services authorized by 5 U.S.C. 3109, at such rates as may be determined by the Inspector General for Tax Administration; $166,000,000, of which $5,000,000 shall remain available until September 30, 2021; of which not to exceed $6,000,000 shall be available for official travel expenses; of which not to exceed $500,000 shall be available for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General for Tax Administration; and of which not to exceed $1,500 shall be available for official reception and representation expenses.* Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

TIGTA has no legislative proposals.

Section II – Annual Performance Plan and Report

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

TIGTA's budget activities align with its vision and goals and with the Department of the Treasury's FY 2018 – FY 2022 Strategic Plan, including objectives under the following goals:
Goal 1: Boost U.S. Economic Growth
Objective 1.1 – Tax Law Implementation: Administer tax law to better enable all taxpayers to meet their obligations, while protecting the integrity of the tax system.

TIGTA supports the Treasury strategic objective "Tax Law Implementation" under Goal 1 through its oversight of Treasury's efforts to implement the Tax Cuts and Jobs Act of 2017 (TCJA) and by protecting of the integrity of Federal tax administration. Implementation of the sweeping changes included in TCJA necessitated TIGTA oversight to ensure the IRS timely and accurately addresses requirements to update tax forms, instructions and publications, as well as to reprogram its computer systems to ensure that tax returns are accurately processed based on the new legislation. This oversight is accomplished through discretionary audit coverage and by monitoring progress on addressing the major management and performance challenge of "Implementing the Tax Cuts and Jobs Act and Other Law Changes."

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

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

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

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

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

B – Budget and Performance by Budget Activity
2.1.1 – Audit Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$53,763	$57,463	$59,752	$64,240	$61,099	$66,020	$64,606
Reimbursable Resources	$600	$382	$60	0	0	0	0
Unobligated Balances Brought Forward	0	$1,808	$1,780	$1,524	$1,674	$1,712	$1,946
Budget Activity Total	**$54,363**	**$59,653**	**$61,592**	**$65,764**	**$62,773**	**$67,732**	**$66,552**
FTE	**309**	**316**	**329**	**333**	**318**	**333**	**333**

Performance Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percentage of Audit Products Delivered When Promised to Stakeholders	65	80	75	79	81	68	68	70
Percentage of Recommendations Made That Have Been Implemented	89	92	97	92	85	85	85	85

Audit Budget and Performance
($64,606,000 from direct appropriations):
TIGTA's Office of Audit (OA), identifies opportunities to improve the administration of the Nation's tax laws by completing comprehensive and independent performance and financial audits of IRS programs and operations. TIGTA's audit program incorporates both statutory audit requirements and specific audits identified through TIGTA's risk assessment process. TIGTA's audit work is concentrated on high-risk areas and on the IRS's progress in achieving its strategic goals. TIGTA strategically evaluates IRS programs, activities, and functions, so that resources are spent in the areas of highest vulnerability of the Nation's system of tax administration.
In FY 2018, OA issued 102 final audit reports, and other products, that included potential financial benefits totaling approximately $9.9 billion and affected approximately 2.6 million taxpayer accounts. TIGTA's Annual Audit Plan communicates its audit priorities to the IRS, Congress, and other interested parties. Many of the activities described in the Annual Audit Plan address the fundamental goals related to the IRS's mission to administer its programs effectively and efficiently. Audits address a variety of high-risk issues, such as identity-theft detection and prevention, security of taxpayer data, tax compliance, tax law changes, fraudulent claims and

improper payments, tax systems and online services, and globalization. TIGTA's audits and recommendations help:

- Promote the economy, efficiency, and effectiveness of IRS programs;
- Ensure the fair and equitable treatment of taxpayers; and
- Detect and deter waste, fraud, and abuse.

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

TIGTA's reports for FY 2018 addressed issues that included:

- **Identity Theft -** Since TIGTA's first business identity-theft report in September 2015, the IRS has created business identity-theft filters and selection lists to identify potential business identity-theft returns. However, during a recent review, TIGTA found that certain types of business tax returns are not being evaluated for potential identity theft. In Processing Year 2017, TIGTA identified 15,127 business tax returns with refunds totaling more than $200 million that would have been identified as potentially fraudulent if current business identity-theft filters were applied to these tax returns. TIGTA also reported that the IRS needs to take actions to protect refunds associated with confirmed business identity theft from being erroneously released. TIGTA identified 872 business tax returns identified by the IRS as identity-theft returns in Processing Year 2016 for which refunds totaling more than $61 million appear to have been released in error.
- **Filing Season -** TIGTA conducted a review to evaluate whether the IRS timely and accurately processed individual paper and electronically filed tax returns during the 2017 Filing Season. The Office of Audit found that the IRS generally developed processes to implement key tax provisions affecting the 2017 Filing Season. The IRS processed 5.1 million tax returns that reported nearly $23.9 billion in Premium Tax Credits that were either received in advance or claimed at the time of filing. However, TIGTA found that taxpayers received $5.8 billion in Advance Premium Tax Credits to which they were not entitled, of which $3.5 billion was not required by law to be repaid.
- **Improving Tax Compliance -** To enhance its enforcement actions, the IRS implemented the Private Debt Collection (PDC) program, to collect inactive tax receivables that the IRS previously could not collect. The Joint Committee on Taxation estimated that the current PDC program would yield approximately $2.4 billion in additional revenue through FY 2025. TIGTA reported as of May 31, 2018, that the PDC program generated $56.6 million in revenue compared to $55.3 million in costs for an approximate net profit of $1.3 million. The Private Collection Agencies (PCA) collected just 1 percent of the $4.1 billion assigned. Possible causes of the nominal collection yield could be the average age of the cases assigned (4 years), assignment of low-income taxpayers (54 percent of PDC inventory), lack of consequences for subsequent noncompliance, or taxpayers who willfully failed to pay. Other PDC program concerns include the lack of a referral unit, the reliance on PCAs to self-report complaints, authentication procedures that expose taxpayers to risk, and PDC communication strategies that differ from IRS communications regarding tax scams.
- **Achieving Program Efficiencies and Cost Savings -** After payroll, rent is the IRS's largest operating expense, which the IRS expected to spend more than $600 million on real estate costs in FY 2018. Since March 2012, the IRS has taken steps to reduce its total office space

by nearly 8 percent by either closing or consolidating office spaces. Although progress has been made, the rate of employee attrition has outpaced office space reduction efforts. The IRS's workstation utilization rate was only 66 percent as of December 2017. TIGTA reported that changing the method by which the IRS develops and implements its space reduction projects to incorporate more effective workstation and office sharing could reduce the need for as many as 10,473 workspaces. By releasing these underutilized workspaces and the square footage of leased space associated with them, the IRS could achieve more than $80 million in rental cost savings over the next five years.

Description of Performance:
TIGTA uses two performance measures to gauge the success of its audit program. The first measure indicates that TIGTA's products are more likely to be used if they are delivered when needed to support congressional and IRS decisionmaking. To determine whether products are timely, TIGTA tracks the percentage of products that are delivered on or before the date promised (contract date).

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

At the end of FY 2018, the actual Percentage of Audit Products Delivered When Promised to Stakeholders was 81 percent, which exceeded the full-year target of 68 percent. TIGTA exceeded this target as a result of ongoing supervisory monitoring of the execution of audits to ensure timely delivery of audit products to stakeholders. At the end of FY 2018, the actual Percentage of Recommendations Made That Have Been Implemented was 85 percent, which met the full-year target of 85 percent. TIGTA met its target because of continued discussions with the IRS throughout the audit process concerning both the findings and the potential recommended solutions, to ensure that feasible alternatives were identified.

For FY 2020, the target for Percentage of Audit Products Delivered When Promised to Stakeholders will increase to 70 percent. The target for Percentage of Recommendations Made That Have Been Implemented will remain at 85 percent. TIGTA believes that these measures are best attained through effective monitoring of ongoing audit work and essential communication with the IRS regarding findings and the most appropriate recommendations for corrective action. Consequently, TIGTA's OA will continue to accentuate the importance of these processes with the management cadre and staff.

2.1.2 – Investigations Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$95,748	$101,476	$108,106	$100,819	$107,501	$103,614	$101,394
Reimbursable Resources	$1,100	$429	$475	$357	$414	$600	$600
Unobligated Balances Brought Forward	0	$3,192	$3,220	$2,392	$2,626	$2,688	$3,054
Budget Activity Total	**$96,848**	**$105,097**	**$111,801**	**$103,568**	**$110,541**	**$106,902**	**$105,048**
FTE	**433**	**442**	**460**	**469**	**448**	**469**	**469**

Performance Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percentage of Closed Investigations Resulting in a Criminal, Administrative, or Law Enforcement Action	92	93	90	90	89	79	79	81

Investigations Budget and Performance

($101,394,000) from direct appropriations and $600,000 from reimbursable resources):
In addition to protecting the IRS's ability to collect the majority of the revenue for the Federal Government's operations, TIGTA, through its Office of Investigations (OI), has the statutory responsibility of protecting the integrity of tax administration, as well as the IRS's most valuable resource, its employees.

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

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

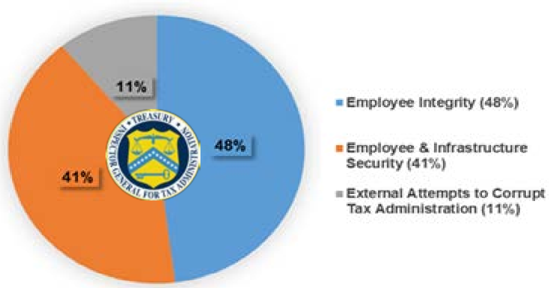

Figure 1: Investigative Performance Model

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

Employee Integrity: IRS employee misconduct, real or perceived, erodes public trust and impedes the IRS's ability to enforce tax laws effectively. In FY 2018, 48 percent of TIGTA's body of investigative work involved alleged employee misconduct. TIGTA's investigative results convey a message to IRS employees that these types of activities will not go unchecked. TIGTA processed 10,676 complaints, opened 2,588 investigations, and closed 2,573 investigations in FY 2018. During this period, 151 investigations of all types were accepted for criminal prosecution, and TIGTA referred for IRS action 1,135 cases of employee misconduct. As a result of one of TIGTA's investigations into employee misconduct, a former IRS special agent was sentenced to 51 months' imprisonment for corrupt interference with the IRS, filing false tax returns, theft of Government funds, and destruction or falsification of records. In another case, a former IRS employee was sentenced to 52 months' imprisonment, followed by 36 months' supervised release for stealing a taxpayer's identity.

Employee and Infrastructure Security: In FY 2018, TIGTA responded to 1,556 threat-related incidents. TIGTA has a statutory responsibility to identify, investigate, and respond to threats against IRS personnel and physical infrastructure. TIGTA also believes that, through its investigations of threat-related incidents, it is creating a safe and secure environment for taxpayers who need to conduct business with the IRS. From FY 2011 through FY 2018, TIGTA has processed more than 17,293 threat-related complaints and investigated more than 9,290 threats against IRS employees. After one investigation, a man was convicted for forcibly assaulting an unarmed IRS revenue officer by pointing a shotgun at him and threatening to shoot him.

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

Impersonation Scam: Since summer 2013, a significant part of TIGTA's workload has consisted of investigating a telephone impersonation scam in which a victim receives an unsolicited telephone call from a person claiming to be an IRS agent. The caller, using a fake name, provides a "badge number" and claims the victim owes taxes and is criminally liable for the amount owed. The victim is threatened that if he or she fails to pay the tax immediately, the victim will be arrested, a suit will be filed, or some other form of adverse action will be taken. As of September 30, 2018, more than 2.4 million Americans have reported that they had received one of these calls, and more than 14,700 victims have reported that they had collectively paid upwards of $72.8 million to the scammers. As a direct result of TIGTA's investigative efforts, in July 2018, 21 criminal participants in this telephone scam were sentenced to terms of imprisonment up to 20 years. In September 2018, 15 defendants and five India-based call centers were indicted for their alleged involvement. As of September 30, 2018, a total of 130 individuals have been charged in Federal court for their roles in the scam.[3]

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

In May 2015, the IRS detected the automated exploitation of one of its portals, the "Get Transcript" service, which involved the suspicious use of 250,000 identities. The subsequent TIGTA investigation confirmed that these were stolen identities being used to secure tax return information so that high-quality fraudulent returns could be filed. TIGTA's OA identified an additional 620,000 identities that were also likely compromised, but were not identified by the IRS in the initial 250,000. A breach of a second high-profile portal, the Data Retrieval Tool

[3] The facts in the summarized cases on this page come from court documents of the respective jurisdictions.

utilized in the Federal Student Loan process through the Department of Education, resulted in the identification of approximately 100,000 compromised identities in a two-month period in early 2017. If this exploitation had continued throughout a 12-month period at the same pace, this would have resulted in a total of 600,000 stolen identities and related tax information. Between these two portals alone, there could have been approximately 1.5 million compromised taxpayer identities, which can be sold on the Dark Web and used to open financial accounts and file large volumes of fraudulent tax returns. In the last four years, OI's Cybercrime Investigations Division has secured 23 criminal convictions related to attacks on IRS systems for a total of 837 months' imprisonment and more than $7.5 million in restitution ordered. Cyberthreats to tax professionals will also have an adverse effect on Federal tax administration.

Description of Performance:
TIGTA's OI has adopted performance measures that identify the percentage of results derived from investigative activities that most accurately align with the strategic goals of the organization and provide the greatest impact on the protection of the integrity of Federal tax administration. For FY 2018, OI's total protection of dollars and financial accomplishments as a result of investigative activities was $198.7 million (compared to $38 million in FY 2017). At the end of FY 2018, the Percentage of Closed Investigations Resulting in a Criminal, Administrative, or Law Enforcement Action was 89 percent, which exceeded the full-year target of 79 percent. The Office of Investigations exceeded the FY 2018 performance measure as a result of the hard work of experienced executives, managers, and special agents. With the FY 2020 budget request, TIGTA will maintain its special agents' skills and abilities in order to be able to respond to its mission requirements.

For FY 2020, OI's performance target is 81 percent for Percentage of Closed Investigations Resulting in a Criminal, Administrative, or Law Enforcement Action. The Office of Investigations will continue to provide the IRS with the investigative coverage and information necessary to improve the integrity of IRS operations and mitigate threats against its employees, facilities, and data systems. In addition, OI will maintain highly-trained personnel available to address the significant vulnerabilities of taxpayer and IRS data and effectively combat compromises of IRS computer systems in the expanding digital environment of Federal tax administration, all of which contribute to maintaining the public's confidence in the safe, fair, and effective administration of the Federal tax system. Through its investigative programs, OI will continue to protect the IRS's ability to process approximately 253 million tax returns, collect more than $3.5 trillion in annual revenue, and issue over $464 billion dollars in refunds for the Federal Government.[4]

Key Accomplishments and Budget Savings
While the scope, complexity, and magnitude of the Nation's economy and deficit continue to present significant challenges, TIGTA remains one of the best investments in the Federal Government. In FY 2018, through targeted and vigorous oversight efforts that addressed congressional concerns and its own audit and investigative priorities, TIGTA generated overall potential financial accomplishments of over $10.1 billion.

[4] IRS, *Management's Discussion & Analysis, Fiscal Year 2018*.

During FY 2018, these potential financial accomplishments included:

- Increased and/or protected revenue in the amount of $6 billion;
- Cost savings of $3.7 billion; and
- Significant investigative accomplishments of $199 million.

The phrase “cost savings” includes questioned costs and funds put to better use.

Questioned costs are:

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

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

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

In addition to funds that could be put to better use, TIGTA's investigative efforts resulted in over $124 million in court-ordered fines, penalties, and restitution.

Funding for TIGTA allows its oversight efforts to continue, and for each dollar invested over the five-year period covering FY 2014 – FY 2018, TIGTA has produced an average annual return of $94 (Figure 2).

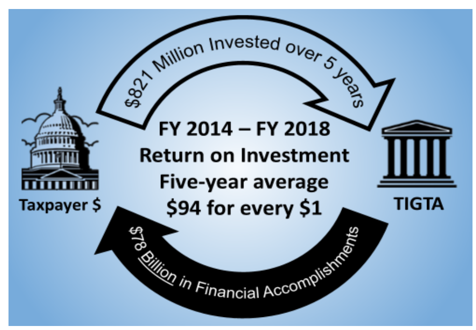

Figure 2: TIGTA's Return on Investment

Office of Inspections and Evaluations Highlights

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

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

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

Evaluations often result in recommendations to streamline IRS operations, enhance data quality, and minimize inefficient and ineffective procedures. In FY 2018, I&E produced seven external reports, which included reviews of:

- Physical Security Controls (2 different locations);
- Controls Over Pocket Commissions;
- Improved Communication With Federal Agencies Could Reduce the Number of Invalid Retirement Benefit Statements;
- Worker Misclassification Initiative With the Department of Labor; and
- Modification to Form 1040 to Increase Earned Income Tax Credit Participation by Eligible Tax Filers.

Section III – Additional Information

A – Summary of Capital Investments

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

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

The Office of Information Technology provides cost-effective and timely IT products and services that permit successful completion of TIGTA’s business goals, while at the same time meeting legislative and other executive mandates. The following are TIGTA’s FY 2020 prioritized information technology requirements that directly support TIGTA operations:

- **Continuous Diagnostics and Mitigation (CDM) –** The CDM program is intended to provide TIGTA with the capabilities and tools that identify cybersecurity risks on a repeatable and recurrent basis, prioritize these risks based upon their potential impact, and enable cybersecurity and operational personnel the opportunity to timely address the most significant problems. While the Department of Homeland Security carried out the acquisition and initial deployment of the various tools for Phase 1, the daily operation, annual product licensing, and maintenance costs for the tool suite are TIGTA’s responsibility and will continue throughout the future years as new CDM Phases are implemented.
- **Network Improvement**
    - **Increased Bandwidth –** The bandwidth for TIGTA’s field offices must be upgraded to support the increased demand for improved transmission of data, application

utilization, audio and video conferencing, and more. If this priority is funded, TIGTA plans to begin the work in FY 2019 and continue through FY 2020.

  - **Network Segmentation –** The enhancement of a more secure configuration will ensure that network data and personally identifiable information will be more readily protected against cyber-attacks and leaks. The purpose of network segmentation is to increase TIGTA's overall security and performance posture, which would prevent sideways and undetected movement by would-be intruders. If this priority is funded, TIGTA plans to begin the work in FY 2019 and continue through FY 2020.
- **Research, Analysis, Forensics, and Evidence System (RAFE) –** The initial deployment of the RAFE is used by TIGTA for cyber analysis, tracking, and defense against potential cyberthreats directed at both TIGTA and IRS as well as uncovering evidence of threats to tax administration including seizure of hostile hardware and software and analysis of activities (e.g., scammers). While the initial phases have been implemented, funding for the remaining phases will greatly reduce the chances of an incident that would have a direct, negative impact on TIGTA, and its employees.

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

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

Department of the Treasury
Community Development Financial Institutions Fund

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

Table of Contents

Section I – Budget Request

A – Mission Statement

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

B – Summary of the Request

The Community Development Financial Intuitions (CDFI) Fund supports Treasury's Strategic Goal 1 (Boost U.S. Economic Growth) and Strategic Goal 4 (Transform Government-wide Financial Stewardship). The Budget requests the following for the CDFI Fund for FY 2020:

- $14 million in administrative funding to support:
  - Management of the CDFI Bond Guarantee (GP) Program and the New Markets Tax Credit (NMTC) Program; and
  - Ongoing certification and compliance monitoring for all programs, including the Bank Enterprise Award (BEA) Program, CDFI Program, Native American CDFI Assistance (NACA) Program and Healthy Food Financing Initiative (HFFI).
- Cancellation of $25 million in anticipated Bank Enterprise Award program carryover balances.
- The Budget eliminates funding for the CDFI Fund's four discretionary grant and direct loan programs (i.e. the CDFI Program, the BEA Program, the NACA Program, and HFFI) and includes a proposal to eliminate new funding for Capital Magnet Fund (CMF) effective in 2020. The CDFI industry has matured, and these institutions should have access to private capital needed to build capacity, extend credit, and provide financial services to the communities they serve.
- The Budget proposes to extend the CDFI BG Program, which offers CDFIs low-cost, long-term financing at no cost to taxpayers.
  - The CDFI BG Program provides CDFIs access to capital by providing guarantees of bonds issued by Qualified Issuers. CDFIs invest the bond proceeds into our nation's most distressed communities. CDFIs benefit by accessing long-term credit at below-market interest rates. The BG Program incentivizes and empowers CDFIs to execute large-scale projects, including the development of charter schools, commercial real estate, rental housing, senior living, daycare or healthcare centers, small businesses, and rural infrastructure, among others. The program requires no credit subsidy.
  - The BG Program was originally authorized in the Small Business Jobs Act of 2010 (P.L. 111–240) for a period of four years to provide a source of long-term capital in low-income and underserved communities. The Budget continues to propose reforms such as reducing the minimum bond size to increase participation. The Administration encourages the Congress to adopt these and other necessary reforms to promote further private sector participation in BG Program financing and support the growth of a self-sustaining CDFI industry.
  - The Budget proposes an annual commitment authority of $500 million and program changes to (1) reduce the minimum bond issue size from $100 million to $50 million; and (2) correct a technical drafting error related to the calculation of the relending account maximum.

1.1 – Appropriations Detail Table

Dollars in Thousands

Community Development Financial Institutions Program Appropriated Resources	FY 2018 Enacted *		FY 2019 Annualized CR		FY 2020 Request		FY 2019 to FY 2020 Change		FY 2019 to FY 2020 % Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Community Development Financial Institutions Program	0	$160,000	0	$160,000	0	$0	0	($160,000)	NA	-100.00%
Bank Enterprise Award Program *	0	$25,000	0	$25,000	0	($25,000)	0	($50,000)	NA	-200.00%
Native American CDFI Assistance Program	0	$16,000	0	$16,000	0	$0	0	($16,000)	NA	-100.00%
Administration	66	$27,000	66	$27,000	42	$14,000	-24	($13,000)	-36.36%	-48.15%
Healthy Food Financing Initiative	0	$22,000	0	$22,000	0	$0	0	($22,000)	NA	-100.00%
Subtotal New Appropriated Resources	**66**	**$250,000**	**66**	**$250,000**	**42**	**($11,000)**	**-24**	**($261,000)**	**-36.36%**	**-104.40%**
Other Resources										
User Fees	0	$700	0	$1,000	0	$1,200	0	$200	NA	20.00%
Recovery from Prior Years	0	$1,015	0	$1,000	0	$1,000	0	$0	NA	0.00%
Unobligated Balances from Prior Years	0	$32,544	0	$33,000	0	$223,000	0	$190,000	NA	575.76%
Subtotal Other Resources	**0**	**$34,259**	**$0**	**$35,000**	**$0**	**$225,200**	**$0**	**$190,200**	**NA**	**543.43%**
Total Budgetary Resources	**66**	**$284,259**	**66**	**$285,000**	**42**	**$214,200**	**-24**	**($70,800)**	**-36.36%**	**-24.84%**

* FY 2018 FTE and Other Resources are Actuals. This column reflects levels appropriated in P.L. 115-141, the Consolidated Appropriations Act of 2018. For further details on the execution of these resources see the 2020 Budget Appendix chapter for the Department of the Treasury. This request reflects authorization of the Bond Guarantee Program thru December 31, 2020

1.3 – Operating Levels Table

Dollars in Thousands

Community Development Financial Institution Fund Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 - Full-time permanent	9,324	9,324	4,589
11.9 - Personnel Compensation (Total)	**9,324**	**9,324**	**4,589**
12.0 - Personnel benefits	2,812	2,812	2,064
Total Personnel and Compensation Benefits	**$12,136**	**$12,136**	**$6,653**
21.0 - Travel and transportation of persons	82	82	15
22.0 - Transportation of things	1	1	1
24.0 - Printing and reproduction	5	5	0
25.1 - Advisory and assistance services	3,252	3,252	0
25.2 - Other services from non-Federal sources	11	11	15
25.3 - Other goods and services from Federal sources	6,908	6,908	5,351
25.7 - Operation and maintenance of equipment	3,166	3,166	1,960
26.0 - Raw Materials	62	62	5
31.0 - Equipment	1,377	1,377	0
41.0 - Grants, subsidies, and contributions	223,000	223,000	0
Total Non-Personnel	**$237,864**	**$237,864**	**$7,347**
New Budgetary Resources	**$250,000**	**$250,000**	**$14,000**
FTE	**66**	**66**	**42**

FY 2018 FTE and Other Resources are Actuals. This column reflects levels appropriated in P.L. 115-141, the Consolidated Appropriations Act of 2018. For further details on the execution of these resources see the 2020 Budget Appendix chapter for the Department of the Treasury. FY 2018 are Actual.

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND *Federal Funds* SALARIES AND EXPENSES *To carry out the Riegle Community Development and Regulatory Improvements Act of 1994 (subtitle A of title I of Public Law 103–325), including services authorized by section 3109 of title 5, United States Code, but at rates for individuals not to exceed the per diem rate equivalent to the rate for EX-3, $14,000,000, to be used for administrative expenses, including administration of CDFI fund programs and the New Markets Tax Credit Program: Provided, That during fiscal year 2020, none of the funds available under this heading are available for the cost, as defined in section 502 of the Congressional Budget Act of 1974, of commitments to guarantee bonds and notes under section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4713a): Provided further, That commitments to guarantee bonds and notes under such section 114A shall not exceed $500,000,000 through December 31, 2020: Provided further, That such section 114A shall remain in effect until December 31, 2020: Provided further, That of the unobligated balances from prior year appropriations available for the Community Development Financial Institutions Fund for the Bank Enterprise Award program under this heading, $25,000,000 is hereby permanently cancelled: Provided further, That no amounts may be cancelled from amounts that were designated by the Congress as an emergency or disaster relief requirement pursuant to the concurrent resolution on the budget or the Balanced Budget and Emergency Deficit Control Act of 1985.* Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115-245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

The Budget proposes to extend the CDFI Bond Guarantee Program's authorization, with an annual guarantee level not to exceed $500 million. The Budget also proposes reforms to the CDFI BG Program to increase participation and ensure credit-worthy CDFIs have access to this important source of capital, while continuing to maintain strong protections against credit risk. The CDFI BG Program will continue to operate at no budgetary cost for new issuances. The Budget requests an extension of the BG Program through December 31, 2020 and elimination of new allocations into the Capital Magnet Fund effective in FY 2020.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The CDFI Fund's mission is to expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers. The CDFI Fund supports the following the Department of the Treasury's FY 2018-2022 strategic goals:

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

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

The CDFI Fund's award recipients provide loans, investments, business counseling, basic banking services, and financial literacy training in some of the most distressed communities in the nation. These are the communities where job opportunities remain stagnant and that otherwise lack access to more mainstream forms of capital – the places in the United States that are not progressing economically as other parts of our economy have improved. CDFI Fund award recipients use their awards to increase access to capital and help to improve the quality of life and the local economy in these communities

The FY 2020 Budget will advance these goals by allowing the CDFI Fund to administer and fully staff the CDFI Fund's programs that are authorized by Congress but do not require appropriated funds to make awards, i.e., the NMTC Program and CDFI BG Program. In addition, the CDFI Fund will continue to conduct ongoing program compliance for prior-year award recipients for all programs.

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

B – Budget and Performance by Budget Activity
2.1.1 – Administration- Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$24,636	$23,100	$23,600	$26,000	$26,713	$27,000	$14,000
Budget Activity Total	**$24,636**	**$23,100**	**$23,600**	**$26,000**	**$26,713**	**$27,000**	**$14,000**
FTE	**76**	**76**	**77**	**74**	**66**	**66**	**42**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
ALL Award Cycle Time (Months)	7.9	8.3	7.6	6.3	5.8	7	6.5	6.5
All - Time to Initial Disbursement (#Months)	N/A	N/A	B	7.5	N/A	4.5	4.5	4.5
ALL- Number of Affordable Housing Units Developed or Produced	32,621	27,004	35,251	27,443	34,083	28,000	21,500	21,500

2A - Administration

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

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

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

The CDFI Fund's three administrative performance measures focus on organization-wide efficiency. They measure how quickly awards are made and funds are disbursed.

- The All Cycle Time measures the average time from the date when applications are received to the date of award announcement (calculated in months as an average across all programs). The Award Cycle Time in FY 2018 was 5.8 months, surpassing the target of 7 months. This achievement reflects improved efficiency in making awards, which is largely a function of the implementation of the Awards Management and Information system (AMIS). FY 2019 and FY 2020 Targets have been lowered to 6.5 months to reflect the improved efficiencies in the award making processes.
- The Time to Initial Disbursement indicates in months how quickly the CDFI Fund completes award agreements and makes the first disbursement of funds or issues tax credits. The FY 2018 results for this measure are tabulated after 4.5 months have elapsed from the end of FY 2018. The results are not yet available.
- The Number of Affordable Housing Units Developed or Produced metric measures the number of affordable housing units developed or produced as a result of CDFI Fund awards as reported by CDFI, NMTC, and CMF Program awardees and allocation recipients. The FY 2018 actual result of 34,083 affordable housing units was above the target of 28,000 affordable housing

units. The FY 2020 target was lowered to 21,500 units to reflect a potential decrease in program funding which may reduce projected outcomes for program investments.

2.1.2 – Community Development Financial Institutions Program Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$146,364	$152,400	$153,423	$161,500	$164,215	$160,000	$0
Budget Activity Total	**$146,364**	**$152,400**	**$153,423**	**$161,500**	**$164,215**	**$160,000**	**$0**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
CDFI - Percentage of Loans & Investments Originated in Eligible Distressed or Underserved Communities by Dollar Amount of Loans (Annual %)	70.8	80.1	80.9	81.2	73.7	60	60	N/A
CDFI - Percentage of Loans & Investments Originated in Eligible Distressed or Underserved Communities by Number of Loans	60.7	80.5	81.5	83	72.1	60	60	N/A

2B - Community Development Financial Institutions Program

($0 from direct appropriations):

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

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

Description of Performance:

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

Certification criteria require that all certified CDFIs originate at least 60.0 percent of their loans and investments in eligible distressed census tracts or to underserved populations. The target is set at a level that allows CDFIs to balance their mission to serve distressed communities and underserved populations with their safety and soundness considerations.

In FY 2018, the CDFI Program surpassed the 60.0 percent threshold for the percentage of both the dollar amount (73.7 percent) and the number of CDFI loans (72.1 percent) made to eligible distressed communities and underserved populations. No target is set for the 2020 measures because no appropriation is proposed for the CDFI Program for this fiscal year.

2.1.3 – New Markets Tax Credit Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$0	$0	$0	$0	$0	$0	$0
Budget Activity Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
NMTC - Percentage of Loans and Investments That Went Into Severly Distressed Communities	73.8	75.2	74.5	77.5	74	75	75	75

2C - New Markets Tax Credit Program

($0 from direct appropriations):

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

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

Description of Performance:

The Calendar Year 2017 NMTC allocation authority was allocated in February 2018, in which the NMTC Program awarded $3.5 billion in NMTC allocation authority to 73 CDEs, out of a pool of 230 applicants requesting $16.2 billion.

In FY 2018, CDEs reported that 74 percent of NMTC investments were made in severely-distressed communities, falling slightly below the target of 75 percent. The expectation is that the NMTC investments performance report for FY2019 will meet or exceed the 75 target despite the slight downturn for FY 2018.

2.1.4 – Bank Enterprise Award Program Performance and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$18,000	$18,000	$19,000	$23,000	$25,000	$25,000	$0
Budget Activity Total	**$18,000**	**$18,000**	**$19,000**	**$23,000**	**$25,000**	**$25,000**	**$0**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
BEA - Increase in Community Development Activities Over Prior Year For All BEA Program Applicants ($ million)	571	460	539	523	N/A	500	500	N/A

2D - Bank Enterprise Award Program

($0 from direct appropriations):

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

Description of Performance:

The BEA Program measures applicants' increase in qualified community development activities over the prior year. In FY 2018, the CDFI Fund awarded $22.8 million from the FY 2017 appropriated BEA Program funds. The award round for FY 2018 opened in July 2018, with award announcements expected to be made in FY 2019.

BEA Program results for FY2018 have not yet been reported. No target is set for the FY 2020 measure because no appropriation is proposed for the BEA Program for this fiscal year.

2.1.5 – Native American CDFI Assistance Program Performance and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$15,000	$15,000	$15,500	$15,500	$15,117	$16,000	$0
Budget Activity Total	**$15,000**	**$15,000**	**$15,500**	**$15,500**	**$15,117**	**$16,000**	**0**

Performance Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
NACA - Percentage of NACA Loans and Investments in Native Areas ($ Amount of Loans)	57.9	65	48.4	42.6	84.9	50	50	N/A
NACA - Percentage of NACA Loans and Investments in Native Areas (# of Loans)	87	95.9	94.9	94.5	94.4	50	50	N/A

2E - Native American CDFI Assistance Program

($0 from direct appropriations):

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

Description of Performance:

The two measures of performance for the NACA Program are: (1) the percentage of the number of loans, and (2) the dollar amount of loans, made in tribal lands (based on Federal Designations of Tribal Areas) or to Native people. In accordance with their Financial Assistance agreements, NACA awardees are required to originate 50.0 percent or more of their loans and investments in Native areas or to Native populations. This threshold is set to allow the awardees to balance their mission of serving Native areas and populations with safety and soundness considerations.

In FY 2018, NACA recipients reported outcome data for their 2017 activities, which showed that 85 percent of loans by dollar amount and over 94 percent of the number of loans originated were in Native Areas or to Native borrowers. No target is set for the FY 2020 measures because no appropriation is proposed for the NACA Program for this fiscal year.

2.1.6 – Healthy Food Financing Initiative Performance and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$ 35,000	$ 22,000	$ 22,000	$ 22,000	$22,000	$22,000	$0
Budget Activity Total	**$35,000**	**$22,000**	**$22,000**	**$22,000**	**$22,000**	**$22,000**	**0**

Performance Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
HFFI - Retail Outlets Created/Preserved	33	35	19	24	26	20	20	N/A

2F – Healthy Food Financing Initiative

($0 from direct appropriations):

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

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

Description of Performance:

The primary HFFI performance measure is the number of healthy food retail stores created and maintained in low-income areas that have been identified through detailed census tract analysis as having limited access to healthy food options. In FY 2018, the number of HFFI Retail outlets created was 26, thereby exceeding the target of 20 new retail outlets for FY 2018.

2.1.7 – Capital Magnet Fund Program Resource Detail Table

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019	FY 2020 Request
GSE Distribution	N/A	N/A	$100,292	$119,413	$144,917	$132,000	$0
Budget Activity Total	**N/A**	**N/A**	**$100,292**	**$119,413**	**$144,917**	**$132,000**	**$0**
FTE	**0**	**0**	**0**	**4**	**4**	**5**	**6**

Note: FY 2019/FY 2020 will require FTE for compliance monitoring

2G – Capital Magnet Fund Program

($0 from direct appropriations):

The Capital Magnet Fund (CMF) Program was authorized by the Housing and Economic Recovery Act of 2008, which calls for recurrent funding of the CMF through allocations from the Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac. Through CMF, the

CDFI Fund provides grants to CDFIs and qualified non-profit housing organizations to finance affordable housing, community service facilities, and economic development. Award recipients can use funds to create financing tools such as loan loss reserves, revolving loan funds, risk-sharing loans, and loan guarantees. The Budget proposes to suspend new allocations into the CMF effective in FY 2020.

Description of Performance:
The primary performance measures of the CMF are the number of affordable housing units for which CMF funding was a source of financing, and the degree to which private funding sources were leveraged by CMF financing. Data are included in performance table 2.1.1.

Based on award recipients' projections, the FY 2017 round[1] of the CMF will leverage an estimated $3.2 billion in public and private investment. The award recipients plan to develop more than 21,000 affordable housing units, including nearly 18,000 rental units and more than 3,000 homeownership units. Of these:

- 91 percent of all housing units will be developed for low-income families (80 percent of the area median income or below).
- 89 percent of the homeownership units will be developed for low-income families (80 percent of the area median income or below).
- 54 percent of the rental units will be developed for very low-income and extremely low-income families (50 percent of the area median income or below).

2.1.8 – Bond Guarantee Program Resource Detail Table

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Obligations	$200,000	$327,000	$265,000	$245,000	$150,000	$500,000	$500,000
Loan Limitation Obligation Authority	$750,000	$750,000	$750,000	$500,000	$500,000	$500,000	$500,000

2.1.9 – Financing Accounts - Non-Budgetary Summary

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Obligations	$200,000	$327,000	$265,000	$245,000	$150,000	$500,000	$500,000
Collections*	$356	$2,966	$9,377	$18,693	$33,700	$39,324	$44,993

*Includes the principal and interest repayments and a 10 basis point fee for administrative expenses pursuant to Section 1134 of the *Small Business Jobs Act of 2010*. These amounts assume a zero subsidy rate with bond loan disbursement of $427 million and $438 million in FY 2019 and FY 2020, respectively.

[1] Information on the 2018 round was not available at the time this document was prepared. GSE funds are not received until March of each year and the CMF round is not opened until funds are received.

2H - CDFI Bond Guarantee Program

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

Since the inception of the program, the total amount of bonds guaranteed is $1.512 billion. A total of 26 Eligible CDFIs and three Qualified Issuers participate in the CDFI Bond Guarantee Program. Upon the closing of each bond, the eligible CDFIs have five years to lend or disburse the bond proceeds.

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

Asset Class	YTD Disbursements ($ millions)	YTD Disbursements (%)	Proposed Disbursements ($millions)	Proposed Disbursements (%)
Charter schools	$242.1	30.4%	$440.0	29.1%
Rental housing	$214.6	27.0%	$367.7	24.3%
Commercial real estate	$125.6	15.8%	$270.0	17.9%
Financing Entity	$ 88.3	11.1%	$153.2	10.1%
Healthcare Facilities	$ 49.5	6.2%	$101.9	6.7%
Not-for-profits	$ 36.1	4.5%	$ 79.6	5.3%
Small business	$ 14.6	1.8%	$ 34.5	2.3%
Senior Living and Long-Term Care Facilities	$ 13.6	1.7%	$ 42.5	2.8%
Daycare centers	$ 11.0	1.4%	$ 22.6	1.5%
Total	$795.4	100%	$1,512	100%

C – Changes in Performance Measures

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

Section III – Additional Information

A – Summary of Capital Investments
As part of its FY 2020 capital investment strategy, the CDFI Fund plans to spend approximately $3.40 million for operations and maintenance of its Information Technology (IT). The CDFI Fund has no major IT investments, nor any capital investments other than IT.

Non-Major IT Investments:
For FY 2020, the CDFI Fund has identified two non-major IT investments: Awards Management Information System (AMIS) and the CDFI Fund public website. AMIS is an enterprise-wide commercial, cloud-based solution that supports CDFI Fund certification, tax credit allocation, bond guarantee, and grant programs. The CDFI Fund programs were fully deployed in AMIS by September 2018. The CDFI Fund public website, another cloud-based solution, provides access to general information about the CDFI Fund and is used to ensure the public can obtain information and guidance regarding CDFI Fund programs. For FY 2020, the CDFI Fund plans to provide Operations and Maintenance (O&M) support for these two IT investments.

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

Department of the Treasury Financial Crimes Enforcement Network

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

Table of Contents

Section I – Budget Request

A – Mission Statement
To safeguard the financial system from illicit use, combat money laundering, and promote national security through the strategic use of financial authorities and the collection, analysis, and dissemination of financial intelligence.

B – Summary of the Request
Summary of the Request: The FY 2020 President's Budget requests additional resources totaling $9,697,000—providing $7,411,000 for three critical program areas and $3,318,000 for two program areas previously included in the FY 2019 President's Budget; and program decreases totaling $2,226,000. Specifically, FinCEN will enhance its national security capacity, which includes expanding its efforts to combat cybercrime threats; expanding Special Measures enforcement efforts; maintaining cyber security investments; sustaining contractor support related to national security intelligence analysis; and beginning the development of a non-bank financial institutions profile that targets compliance toward high risk institutions.

FinCEN is a bureau in the U.S. Department of the Treasury. The Director of FinCEN reports to the Under Secretary for Terrorism and Financial Intelligence (TFI). FinCEN supports the Treasury Strategic Goal 3: Enhance National Security and Goal 5: Achieve Operational Excellence. In Strategic Goal 3, FinCEN supports the following Treasury Strategic Objectives: 3.1 Strategic Threat Disruption – Identify, disrupt, and dismantle priority threats to the U.S. and international financial system and Treasury Strategic Objective 3.2 Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) Framework – Identify and reduce vulnerabilities in the U.S. and international financial system to prevent abuse by illicit actors.

In carrying out its mission, FinCEN has numerous statutory areas of responsibility:
- Developing and issuing regulations under the Bank Secrecy Act (BSA);
- Enforcing compliance with the BSA in partnership with law enforcement and other regulatory partners;
- Serving as the U.S. Financial Intelligence Unit (FIU) and maintaining a network of information sharing with FIUs in 158 partner countries;
- Receiving millions of new financial reports each year;
- Securing and maintaining a database of over 190 million reports;
- Analyzing and disseminating financial intelligence to federal, state, and local law enforcement, federal and state regulators, foreign FIUs, and industry; and
- Bringing together the disparate interests of law enforcement, FIUs, regulatory partners, and industry.

1.1 – Appropriations Detail Table

Dollars in Thousands

Financial Crimes Enforcement Network	FY 2018 *		FY 2019		FY 2020		FY 2019 to FY 2020			
Appropriated Resources	Enacted		Annualized CR		Request		Change		% Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
BSA Administration and Analysis	280	$115,003	332	$115,003	359	$124,700	27	$9,697	8.13%	8.43%
Subtotal New Appropriated Resources	**280**	**$115,003**	**332**	**$115,003**	**359**	**$124,700**	**27**	**$9,697**	**8.13%**	**8.43%**
Other Resources										
Reimbursables	1	$3,000	1	$3,000	1	$3,000	0	$0	0.00%	0.00%
Recovery from Prior Years	0	$500	0	$500	0	$500	0	$0	0.00%	0.00%
Subtotal Other Resources	**1**	**$3,500**	**1**	**$3,500**	**1**	**$3,500**	**0**	**$0**	**0.00%**	**0.00%**
Total Budgetary Resources	**281**	**$118,503**	**333**	**$118,503**	**360**	**$128,200**	**27**	**$9,697**	**8.11%**	**8.18%**

* FY 2018 shows actual FTE usage. This column reflects levels appropriated in P.L. 115-141 Consolidated Appropriations Act, 2018. For further details on the execution of these resources see the 2020 Budget Appendix chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table

Dollars in Thousands

Financial Crimes Enforcement Network (FinCEN)	FTE	
FY 2019 Continuing Resolution	**332**	**$115,003**
Changes to Base:		
Maintaining Current Levels (MCLs):	0	$1,194
Non-Pay	0	$1,194
Subtotal Changes to Base	0	$1,194
Total FY 2020 Base	**332**	**$116,197**
Program Changes:		
Program Decreases	0	($2,226)
Programmatic Contract and Equipment Reductions	0	($2,226)
Program Increases:	27	$10,729
Enhance National Security Capacity	0	$2,118
Develop NBFI Risk Assessment Model	0	$1,200
Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity investments	0	$511
Expand Efforts to Combat Cybercrime Threats	13	$3,563
Expansion of Special Measures Enforcement Efforts	14	$3,337
Subtotal Program Changes	27	$8,503
Total FY 2020 Request	**359**	**$124,700**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs)..+$1,194,000 / +0 FTE

Non-Pay +$1,194,000 / +0 FTE

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

Program Decreases. .... -$2,226,000 / -0 FTE
Programmatic Contract and Equipment Reductions -$2,226,000 / -0 FTE
This reduction will be taken through evaluation of increases or changes in proposed acquisitions of contractual services and equipment. FinCEN will evaluate contracts during the renewal process to absorb this reduction.

Program Increases. .... +$10,729,000 / +27 FTE
Enhance National Security Capacity +$2,118,000 / +0 FTE
These funds were also included in the FY 2019 President's Budget and are necessary to sustain FinCEN's increased contractor resources needed to adequately support Treasury's Terrorism and Financial Intelligence priorities. FinCEN is increasingly called upon to identify sources of revenue for illicit actors and their attempts to access and exploit the international financial system. These requests stem from the growing threats from rogue nations including the Democratic People's Republic of North Korea (DPRK) and continued efforts to combat international organized crime, terrorism, narcotics, and proliferation. These additional funds will support these activities, as well as the growing analysis of and demand for FinCEN's BSA data to assist in combating the emerging threats to the financial system.

Develop NBFI Risk Assessment Model +$1,200,000 / +0 FTE
These funds were also included in the FY 2019 President's Budget and will allow FinCEN to begin the development of a Non-Bank Financial Institution (NBFI) Risk Assessment Model that will ultimately improve FinCEN's ability to identify, detect, and examine the highest risk NBFIs and foster enhanced BSA compliance within the NBFI sectors.

NBFIs encompass approximately 320,000 financial institutions – including money services businesses (MSBs), including virtual currency exchanges and administrators; casinos and card clubs; dealers in precious metals, stones, or jewels; certain insurance companies; and non-bank mortgage lenders and originators – and over $13 trillion in financial services. NBFIs have the potential to create significant vulnerabilities for the financial system that can be exploited by money launders, terrorist financiers, and other criminal actors. They also present inherent risks to the U.S. and global financial system ranging from the lack of traditional depository institution relationships for MSBs; the abuse of casinos and card clubs by criminal organizations; the relative isolation of precious metals, stones, and jewels from the financial services sector; and the rapidly changing technologies and customer identification challenges of virtual currency exchanges and administrators.

This effort is the first step to ensure that these sectors are effectively supervised; and, it is a key Treasury Department priority not only to mitigate these vulnerabilities but also to protect the financial system from criminal abuse. This initiative will also help NBFIs continue to play their important role in financial inclusion and the economy, and to improve the government's oversight and supervision of this industry.

Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity Investments +$511,000/ +0 FTE
This funding will support O&M for prior year Cybersecurity Enhancement Account investments. O&M will be funded by Treasury Bureaus through Treasury Franchise Fund billing. This increase represents FinCEN's portion of the $17,500,000 million O&M total.

Expand Efforts to Combat Cybercrime and Cryptocurrency Threats +$3,563,000/+13 FTE
This funding will allow FinCEN to expand efforts to combat cyber threats to financial institutions, cybercrime, and exploitation of emerging payment systems such as cryptocurrency. These efforts follow the money trail of virtual currencies and related financial instruments to identify the malicious cyber actors or networks receiving payment for conducting illicit financial activities or executing online scams. Through the BSA, financial institutions currently report to FinCEN suspicious cyber activity; this information is especially important because in many cases cyber actors have tested their tools on banks before deploying them elsewhere. To understand and utilize this information, FinCEN has developed unique expertise in cybercrime and cryptocurrency that is essential to understanding the evolving nature of financial crimes and their complex financial trails.

FinCEN's unique skillset related to cybercrime and cryptocurrency threats is in high demand with other government agencies. In the past, resource constraints have severely limited FinCEN's ability to share its unique knowledge in this niche area.

These resources will ensure the expansion of its research and analytical services on the growing volume of BSA data related to cyber threats received from financial institutions. This includes additional leads provided by the new Suspicious Activity Report (SAR) form released in July 2018, which encourages additional reporting of cyber threat information, including indicators such as malware signatures, malicious domains, and command and control infrastructure. These additional resources are critical to ensuring that Treasury, law enforcement, and the broader U.S. government can take full advantage of the additional SAR detail regarding cyber threats that affect U.S. financial institutions and their customers. In addition, this request also includes staffing to enhance FinCEN's BSA enforcement responsibilities as the sole U.S. regulator for virtual currency, and support for international efforts to coordinate financial fraud recovery related to business e-mail compromise cyber threats (referred to as "rapid response").

These additional resources to expand efforts to combat cybercrime and crytocrurrency threats will allow FinCEN to meet the expected growing demand for its products and services (e.g., an expected 78 percent increase in cyber cases, enforcement actions, and reports, including a 94 percent expected increase in the number of strategic products disseminated; and a 150 percent expected increase in the number of cyber-related enforcement actions). The additional resources will also provide FinCEN the ability to increase the stolen assets recovered by the rapid response cases by 150 percent (from an anticipated $60M in FY 2019 to a projected $150M in FY 2022).

Expansion of Special Measures Enforcement Efforts +$3,337,000/+14 FTE
These funds will allow FinCEN to meet the growing Special Measures workload. These activities focus on investigating foreign money laundering and terrorist financing threats to the U.S. financial system and taking administrative actions to prevent bad actors from accessing it.

Over the past several years, data collected through FinCEN's Special Measures tools and authorities has become one of the key sources of enforcement actions against ongoing money laundering concerns including rogue nation states, terrorists, and other national security threats. FinCEN is in a unique position to utilize the vast amount of information from special collection authorities to identify previously unknown money laundering concerns with the unique data collected under its authorities. Special Measures authorities are a very effective process to identify bad actors within the financial system, but they require a significant infusion of human capital as this process is lengthy and involves extensive legal coordination. In addition, working with foreign partners to address these threats can have a powerful multiplier effect. For example, recent Section 311 actions against Bank of Dandong (China) demonstrate the major impacts that these actions have on reducing specific vulnerabilities in the U.S. and international financial system.

This funding will allow FinCEN to expand its use of its unique authorities such as Section 311, the Foreign Financial Agency rule, Demand Letters, and Geographic Targeting Orders—all of which were previously underutilized prior to FY 2017—to increase enforcement and data collection efforts. With data collected under these authorities continuously increasing, there is a potential to receive millions of transaction records from a single series of requests. For example, transactions obtained from Demand Letters increased from 2.6 million to 40.5 million between 2016 and 2018. This data is being used to identify enforcement and investigative leads as well as strategic trends and patterns. These special collection authorities are providing data previously unavailable, but in order to continue this critical focus, the function needs to grow to a level sufficient to meet the demand. Additional funds will allow FinCEN to maximize the use of these authorities to combat current and future national security threats, including global money launderers and proliferators.

In short, FinCEN's Special Measures authorities have become one of the key sources of information used to disrupt the illicit use of the financial system and obtain special collection information directly from financial institutions. These resources are essential to address the national security threats such as DPRK, Iran, Hezbollah, Venezuela, cybercrime, fraud, and transnational organized crime. FinCEN anticipates an increase of 30 percent in the number of completed 311 actions and Geographic Targeting Order actions by FY 2022. FinCEN will also be able to collect more data, producing over three times the number of records collected by FY 2022 than in FY 2018, thus providing invaluable information for investigative leads. This data will lead to enhanced identification of enforcement and investigative leads as well as strategic trends and patterns.

1.3 – Operating Levels Table

Dollars in Thousands

Financial Crimes Enforcement Network (FinCEN) Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 - Full-time permanent	42,136	42,136	45,582
11.3 - Other than full-time permanent	408	408	408
11.5 - Other personnel compensation	205	205	205
11.9 - Personnel Compensation (Total)	**42,749**	**42,749**	**46,195**
12.0 - Personnel benefits	12,260	12,260	13,313
Total Personnel and Compensation Benefits	**$55,009**	**$55,009**	**$59,508**
21.0 - Travel and transportation of persons	630	630	767
23.1 - Rental payments to GSA	4,151	4,151	4,558
23.2 - Rental payments to others	40	40	42
23.3 - Communications, utilities, and miscellaneous charges	1,705	1,705	1,739
24.0 - Printing and reproduction	162	162	153
25.1 - Advisory and assistance services	1,097	1,097	1,097
25.2 - Other services from non-Federal sources	17,278	17,278	20,916
25.3 - Other goods and services from Federal sources	9,698	9,698	9,496
25.6 - Medical care	174	174	174
25.7 - Operation and maintenance of equipment	17,811	17,811	18,429
26.0 - Raw Materials	333	333	331
31.0 - Equipment	6,915	6,915	7,489
Total Non-Personnel	**$59,994**	**$59,994**	**$65,192**
New Budgetary Resources	**$115,003**	**$115,003**	**$124,700**

FTE	**281**	**333**	**360**

FY 2018 shows actual FTE usage. This column reflects levels appropriated in P.L. 115-141 Consolidated Appropriations Act, 2018.

For further details on the execution of these resources see the 2020 Budget Appendix chapter for the Department of the Treasury.

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY Financial Crimes Enforcement Network *Federal Funds* SALARIES AND EXPENSES *For necessary expenses of the Financial Crimes Enforcement Network, including hire of passenger motor vehicles; travel and training expenses of non-federal and foreign government personnel to attend meetings and training concerned with domestic and foreign financial intelligence activities, law enforcement, and financial regulation; services authorized by 5 U.S.C. 3109; not to exceed $12,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, $124,700,000, of which not to exceed $34,335,000 shall remain available until September 30, 2022.* Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

FinCEN has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

FinCEN supports the Treasury Strategic Goal 3: Enhance National Security and Goal 5: Achieve Operational Excellence. In Strategic Goal 3, FinCEN supports the following Treasury Strategic Objectives: 3.1 Strategic Threat Disruption – Identify, disrupt, and dismantle priority threats to the U.S. and international financial system and Treasury Strategic Objective 3.2 Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) Framework – Identify and reduce vulnerabilities in the U.S. and international financial system to prevent abuse by illicit actors.

In FY 2018, FinCEN had several noteworthy accomplishments highlighted below:

- Resolved three civil enforcement actions against financial institutions that violated the BSA, which resulted in the assessment of civil money penalties against two depository institutions and one casino.
- Conducted four virtual currency exams, including the first Federal examination of the world's largest money transmitter.
- Issued advisories to the financial community on potential fraudulent activity related to disaster relief efforts; on how North Korea used front and trade companies to launder funds to finance its nuclear and ballistic missile programs; and on the results of the Financial Action Task Force plenary, including a reminder of regulatory obligations with respect to Iran and North Korea.
- Issued an advisory to U.S. financial institutions highlighting the connection between corrupt senior foreign political figures and their enabling of human rights abuses.
- Issued two Patriot Act Section 311 actions—one against the China-based Bank of Dandong, to further restrict North Korea's access to the U. S. financial system, and the other against ABLV, a Latvian Bank involved in international fraud and sanctions evasion activity. Issued letters to gain greater transparency to potential threats and support investigations that resulted in the collection of over 34 million transaction records.

B – Budget and Performance by Budget Activity

2.1.1 – BSA Administration and Analysis Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$112,000	$112,000	$112,979	$115,003	$115,003	$115,003	$124,700
Reimbursables Resources	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Budget Activity Total	**$115,000**	**$115,000**	**$115,979**	**$118,003**	**$118,003**	**$118,003**	**$127,700**
FTE (Actual)	**279**	**276**	**279**	**275**	**281**	**333**	**360**

Workload Output / Activity	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	Est FY 2019 Estimates	FY 2020 Request
Number of SARs filed	1,924,404	2,118,092	2,316,550	2,401,896	2,537,230	2,611,520	2,723,096
Number of total BSA reports filed	19,171,376	19,147,588	19,244,824	19,322,891	20,404,002	20,671,294	20,942,088
Number of BSA database users	11,198	10,166	10,883	11,452	11,679	12,150	12,514

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percentage of Domestic Law Enforcement and Foreign FIUs who Assert Analytic Products Used Led to Detection and Deterrence of Illicit Activity **	N/A	B	95	92	95	90	95	95
Percentage of Domestic Law Enforcement and Regulators Who Assert Queried BSA Data Led to Detection and Deterrence of Illicit Activity **	80	81	83	86	85	86	86	87
Percentage of Users Satisfied with FinCEN Information Sharing Systems	N/A	78	80	87	86	84	84	84
Percentage of Customers that Find Their Contact and Information Sharing Made a Beneficial Contribution Towards the Detection and Deterrence of Illicit Activity*	N/A	89	91	90	91	90	DISC	DISC
Percent of financial regulators who find FinCEN's enforcement and compliance efforts effective*	N/A	N/A	N/A	91	88	90	DISC	DISC

*FinCEN will discontinue this performance measure in FY 2019 due to more concentrated focus on outcome measures.

**Performance measure names were modified from previous years to clarify the purpose of the measures. However, the method of collection and analysis remains consistant.

BSA Administration and Analysis Budget and Performance
($124,700,000 from direct appropriations, $3,000,000 from reimbursable resources):
Description of Performance:
FinCEN measures the percentage of domestic law enforcement and foreign FIUs who assert that the analytic products they used led to detection and deterrence of illicit activity. This performance measure looks at what the analytics products are intended to do, i.e. be useful to a wide range of customers and have impact, such as identify new leads or provide previously unknown information. In FY 2018, 95 percent found the analytic products and research had impact on the investigations, surpassing FY 2018 target of 90 percent. FinCEN was able to achieve this performance by concentrating on expanding product dissemination, increasing outreach to customers of its intelligence products, and improving processes to obtain feedback about product usefulness. The FY 2019 and FY 2020 targets are set at 95 percent. Maintaining this high level of performance will be a challenge due to anticipated increases in volume of BSA reports filed and evolving threats to the financial system.

FinCEN monitors the percentage of domestic law enforcement and regulators who assert queried BSA data led to detection and deterrence of illicit activity. This performance measure looks at the value of BSA data, such as whether the data provided unknown information, supplemented or expanded known information, verified information, helped identify new leads, opened a new investigation or examination, supported an existing investigation or examination, or provided information for an investigative or examination report. In FY 2018, FinCEN narrowly missed its target of 86 percent with 85 percent of users finding value from the data. FinCEN will work toward increasing its FinCEN Portal/FinCEN Query training efforts to provide more users with the knowledge needed in order to better utilize both FinCEN Portal and FinCEN Query. In FY 2019, the target is set at 86 percent and 87 percent in FY 2020.

FinCEN tracks the percentage of users satisfied with FinCEN information sharing systems. This measure is based on survey responses and represents user satisfaction with the BSA E-Filing System, FinCEN Query, and the Egmont Secure Web. Starting with the industry, FinCEN collects and maintains BSA reports filed by financial institutions and other filers. In turn, FinCEN provides authorized users (including Treasury and TFI) access to a query system containing 13 years of historical BSA data. FinCEN also provides foreign FIUs in the Egmont Group with a secure system for exchanging financial intelligence to combat money laundering and terrorist financing. This measure is meaningful because the technology allows authorized persons to more readily access BSA information and better enables them to conduct investigations more efficiently and effectively. In FY 2018, FinCEN exceeded its target of 84 percent with 86 percent of the users satisfied with information sharing systems, which far exceeds the federal government benchmark of 70 percent for customer satisfaction. FinCEN attributes this performance to the usefulness of the data it provides, users' increased familiarity with systems which are in a steady operational state, and its knowledgeable and courteous user support staff. In FY 2019, FinCEN will keep the target at 84 percent because it plans to make modest updates to its information sharing systems. FinCEN does intend to make some more impactful modifications in FY 2020, but will keep the target at 84 percent due to the learning curve associated with the changes being introduced to the user base.

FinCEN monitors the percentage of customers that find their contact and information sharing made a beneficial contribution toward the detection and deterrence of illicit activity. This measure was based on the survey responses of customers who have had contact with FinCEN to exchange information, including industry, regulators, and law enforcement, both domestic and foreign. This is a composite measure that consists of the following questions: whether the call center guidance response was understandable; rating the usefulness of the 314(a) requests that FinCEN processed on behalf of the customer's agency for investigations of financial crimes or money laundering; level of satisfaction with the information sharing the customer has with FinCEN; and over the past 12 months, the customer's satisfaction level with FinCEN. This is a meaningful measure as it tracks FinCEN's efforts to share high quality financial intelligence in a timely manner and ongoing efforts to solicit useful feedback from key stakeholders. In FY 2018, FinCEN surpassed its target of 90 percent with 91 percent finding the information sharing helpful. FinCEN will discontinue this performance measure in FY 2019 due to more concentrated focus on outcome measures.

FinCEN tracks the percentage of financial regulators who find FinCEN's enforcement and compliance efforts effective. This is a survey measure of the financial regulators that have an information sharing agreement with FinCEN. This measure tracks the effects of FinCEN's compliance and enforcement efforts. The survey tracks the impact of prior enforcement actions on levels of compliance and incorporate questions that gauge improved cooperation, compliance, and consistency in the application of the BSA. For FY 2018, the percentage of financial regulators finding FinCEN's enforcement and compliance efforts effective was 88 percent. This missed the FY 2018 target of 90 percent. FinCEN consistently scored above 90 percent in most individual elements, with the exceptions of "cooperation" and "compliance." There are many other factors that affect compliance within the industry, in addition to the deterrent effect and the public narratives of enforcement actions. To improve this factor, FinCEN intends to continue its focus on compliance efforts in the industry, including outreach, ongoing dialogue, and examinations. FinCEN will discontinue this performance measure in FY 2019 due to a more concentrated focus on outcome measures.

C – Changes in Performance Measures

Performance Measure or Indicator	**Proposed Change and Justification**
Percentage of customers that find their contact and information sharing made a beneficial contribution toward the detection and deterrence of illicit activity (discontinue)	FinCEN proposes to stop reporting this metric in the CJ/BIB due to more concentrated focus on outcome measures.
Percent of financial regulators who find FinCEN's enforcement and compliance efforts effective (discontinue)	FinCEN proposes to stop reporting this metric in the CJ/BIB due to more concentrated focus on outcome measures.

Section III – Additional Information

A – Summary of Capital Investments

As the administrator of the BSA, FinCEN receives valuable information reported and collected under BSA requirements, which totaled approximately 20.4 million filings in FY 2018. To successfully fulfill its mission, FinCEN relies on secure, advanced information technology (IT) to manage the collection, processing, storage, and dissemination of BSA information that contributes to the soundness and confidence in America's financial system.

FinCEN's IT strategy takes into account the growing need for financial institutions to meet obligations as efficiently as possible, while ensuring that FinCEN and law enforcement agencies receive accurate, timely, and reliable BSA information to track money trails, identify money laundering, and unravel terrorist financing networks. FinCEN's IT strategy focuses on the critical need to improve the quality and accessibility of its data and increase responsiveness to stakeholders by maintaining and building upon flexible and innovative technical solutions. The entire lifecycle cost of the BSA IT Modernization investment, which includes the year the investment started (2010) through BY+4 (2024), is $410.296 million (including FTE) and the FY 2020 cost is projected at $35.3 million (including FTE).

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

Department of the Treasury Alcohol and Tobacco Tax and Trade Bureau

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

Table of Contents

Section I – Budget Request

A – Mission Statement
To collect the taxes on alcohol, tobacco, firearms, and ammunition; protect the consumer by ensuring the integrity of alcohol products; ensure only qualified businesses enter the alcohol and tobacco industries; and prevent unfair and unlawful market activity for alcohol and tobacco products.

B – Summary of the Request
Supporting the nation's economic vitality is at the core of the work performed by the Alcohol and Tobacco Tax and Trade Bureau (TTB). The bureau's role in permitting, regulating, and taxing the alcohol, tobacco, and firearms industries facilitates a compliant and fair marketplace for those engaged in the manufacture and trade of these commodities, and ensures that the Federal government has the resources needed to fund national priorities. TTB's broad mission serves Treasury's Strategic Goal 1 (Boost U.S. Economic Growth), with two strategic goals focused on facilitating commerce through Labeling Modernization and enhanced Business Qualification, and two strategic goals to support fair and effective tax administration by improving Tax Compliance and addressing Cross-Border Tax Risk. Further, TTB conducts its operations in support of Treasury's Strategic Goal 5 (Achieve Operational Excellence), with a focus on building its workforce through its strategic goal of Training Revitalization.

TTB is the third largest tax collection agency in the U.S. government, after the Internal Revenue Service and U.S. Customs and Border Protection (CBP), collecting nearly $21 billion in excise tax revenue annually. As the most efficient means of tax administration, facilitating voluntary compliance will remain a priority for TTB in FY 2020. To this end, and to ensure the efficient collection of tax revenue, TTB will make critical IT investments to modernize TTB's tax system with the aim of increasing electronic submissions, improving timely filings, and supporting taxpayer compliance. Further, in FY 2020, TTB will enhance its guidance related to Federal alcohol, tobacco, firearms, and ammunition laws and regulations, and explore opportunities to streamline regulations and requirements to reduce compliance burden. These strategies are critical for TTB to mitigate potential performance impacts as TTB continues to prioritize its implementation and enforcement of the Craft Beverage Modernization and Tax Reform provisions of P.L. 115-97. In the first year, Federal revenues have declined, with the full impact not yet known. TTB expects enforcement will continue to pose significant challenges, given the multitude of tax rates and complexity of verifying their appropriate application, and requires ongoing and extensive coordination with CBP to enforce with regards to imported products.

Alcohol and tobacco diversion remain long-term tax enforcement challenges given the high profits to be gained from illegal activity, the relative ease of diversion, and the substantial revenue loss that it represents. Failure to address illicit trade not only deprives governments of revenue, but also gives non-compliant actors an unfair competitive advantage over their lawful counterparts. To improve tax enforcement outcomes, and promote a more efficient Federal government, the Administration is proposing the consolidation of Federal alcohol and tobacco tax enforcement authorities within the Department of the Treasury, including transferring jurisdiction for the Contraband Cigarette Trafficking Act (CCTA) from the Department of Justice's (DOJ) Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) to TTB.

The FY 2020 request supports an initial investment of $3.3 million in start-up funding for TTB to initiate the transfer and begin to implement this enforcement program. Upon transfer of CCTA authority, and once fully resourced, TTB expects that its current enforcement model, which uses a data-driven approach and relies on teams of agents, auditors, and investigators, as well as state and local law enforcement partners, will provide positive returns in terms of increased revenue and reduced criminal activity.

As demand for TTB services has grown in line with the expanding alcohol industries, TTB has responded through updated burden-reducing policies, improved systems, and streamlined processes to support the timely turnaround of applications for new and existing wineries, breweries, and distilleries. Delays can cause financial hardships for these businesses and create a barrier to compliant commerce. At the FY 2020 funding level, and anticipating continued increases in permit, label, and formula applications, TTB will review its service standards in line with anticipated staffing levels. TTB will clearly communicate these standards to industry to manage expectations and allow appropriate operational planning. TTB will further adjust its strategy for systems modernization to align with resource levels, continuing to focus on clear and consistent guidance to industry to facilitate the submission of compliant applications.

1.1 – Appropriations Detail Table

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau	FY 2018		FY 2019		FY 2020		FY 2019 to FY 2020			
	Enacted 1/		Annualized CR		Request		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Collect the Revenue	207	$53,560	242	$53,560	255	$59,956	13	$6,396	5.37%	11.94%
Protect the Public	268	$57,879	265	$57,879	252	$55,471	(13)	($2,408)	-4.91%	-4.16%
Subtotal New Appropriated Resources	**475**	**$111,439**	**507**	**$111,439**	**507**	**$115,427**	**0**	**$3,988**	**0.00%**	**3.58%**
Other Resources:										
Offsetting Collections – Reimbursables 2/	10	$6,289	10	$6,900	10	$6,900	0	$0	0.00%	0.00%
Transfers 3/	0	$989	0	$0	0	$0	0	$0	0.00%	0.00%
Subtotal Other Resources	10	**$7,278**	10	**$6,900**	10	**$6,900**	**0**	**$0**	**0.00%**	**0.00%**
Total Budgetary Resources	**485**	**$118,717**	**517**	**$118,339**	**517**	**$122,327**	**0**	**$3,988**	**0.00%**	**3.37%**

1/ FY 2018 FTE and Other Resources are Actuals. This column reflects levels appropriated in P.L. 115-141, the Consolidated Appropriations Act of 2018. For further details on the execution of these resources see the 2020 Budget Appendix chapter for the Department of the Treasury.

2/ Includes reimbursements from TEOAF Mandatory Fund and CDFI, and offsetting collections from Puerto Rico Cover-Over Program.

3/ Transfer from the TEOAF Strategic Support Fund.

1.2 – Budget Adjustments Table

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau	FTE	Amount
FY 2019 Annualized CR	**507**	**$111,439**
Changes to Base:		
Maintaining Current Levels (MCLs)	0	$1,001
Non-Pay	0	$1,001
Subtotal Changes to Base	0	$1,001
Total FY 2020 Base	**507**	**$112,440**
Program Changes:		
Program Decreases	(13)	($3,013)
Trade Practice Enforcement	(13)	($3,013)
Program Increases	13	$6,000
Consolidation of Federal Alcohol &Tobacco Tax Jurisdiction 1/	9	$3,330
Tax System Modernization	4	$2,500
Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity investments	0	$170
Total FY 2020 Request	**507**	**$115,427**

1/ Pending legislation to effectuate the transfer of federal alcohol and tobacco jurisdiction from the Department of Justice to the Department of the Treasury.

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$1,001,000 / +0 FTE

Non-Pay +$1,001,000 / +0 FTE

TTB requests funds for non-labor expenses such as travel, contracts, rent, supplies, and equipment.

Program Decreases .... -$3,013,000 / -13 FTE

Trade Practice Enforcement -$3,013,000 / -13 FTE

TTB will reduce its Trade Practice Enforcement program. TTB enforcement addresses unlawful trade practices in the marketplace and ensures a level playing field for U.S. alcohol manufacturers and distributors. With two-year funding provided in both FY 2017 and FY 2018, TTB added staffing to increase its capacity for trade practice investigations from approximately one each year to more than 50 active cases annually. At the FY 2020 funding level, TTB will work to bring most of its active trade practice investigations to closure and continue its process of evaluating and prioritizing the highest risk cases as part of its annual enforcement planning process.

Program Increases .... $6,000,000 / +13 FTE

Consolidation of Federal Alcohol & Tobacco Tax Jurisdiction +$3,330,000 /+9 FTE

TTB requests start-up funding to support the Administration's proposal to consolidate Federal alcohol and tobacco tax jurisdiction within the Department of the Treasury and TTB. This initial investment will enable TTB to begin hiring the necessary additional enforcement personnel to conduct the complex, multi-state investigations associated with contraband cigarette smuggling. The requested funding level supports 9 FTE, which will allow TTB to hire auditors, investigators, and other program staff. Further, TTB will hire criminal enforcement agents under an expansion of the existing interagency agreement with the IRS. This initial investment would also enable TTB to initiate any needed rulemaking and guidance as well as support initial research into system requirements and data analytics to improve enforcement targeting. During this transition period, and at the proposed staffing level, TTB will also expand its outreach to state law enforcement partners and work closely with DOJ on the transfer and continuation of existing cases.

Tax System Modernization +$2,500,000 / +4 FTE
TTB requests an investment of $2.5 million and 4 FTE for the first year of a multi-year effort to modernize its outdated tax system to support efficient filing and processing as well as facilitate data analytics to timely detect tax evasion, all of which is particularly important in light of recent tax reforms that present workload and enforcement challenges.

The functionality of TTB's Integrated Revenue Information System (IRIS) is substantially the same as in 2000 while, over the same period, the number of TTB taxpayers has increased nearly 250 percent to approximately 25,000. Outdated and labor-intensive processes are contributing to low and declining tax compliance. By creating a TTB-designed external interface to support industry filing compliance, as well as enhancing the internal system design to streamline desk reviews of taxpayer accounts, TTB expects to be able to complete timely follow up and/or enforcement actions that will, over time, result in increased taxpayer compliance rates.

Additionally, without a significant redesign of the legacy tax system, TTB will continue to face challenges in using advanced analytics for tax administration and fraud detection, a key strategy for Treasury and TTB to maximize the reach of limited resources. Enhanced systems and analytics would enable TTB to use its tax information, as well as import and export data from other Federal agencies, to more effectively target known tax evasion schemes.

The IT development plan would transform IRIS incrementally, using multiple system releases to deliver independent modules to create the full functionality needed. The total cost includes the IT development team; additional tax specialist positions to backfill the experienced staff required to support the development effort; and analytics support to streamline work processes, improve non-compliance detection, and improve workload management.

Operations and Maintenance of Prior-year Enterprise-wide Cybersecurity Investments, +$170,400 / +0 FTE
The FY 2020 request includes funding to support operations and maintenance (O&M) for prior year Cybersecurity Enhancement Account investments. O&M will be funded for Treasury bureaus through the Treasury Franchise Fund (TFF). This increase represents TTB's portion of the $17.5 million O&M total for Treasury.

1.3 – Operating Levels Table

Dollars in Thousands

TTB Object Classification	FY 2018 Enacted 1/	FY 2019 Annualized CR	FY 2020 Request
11.1 - Full-time permanent	$51,531	$51,531	$51,083
11.5 - Other personnel compensation	$619	$619	$627
11.9 - Total personnel compensation	**$52,150**	**$52,150**	**$51,710**
12.0 - Personnel benefits	$15,671	$15,671	$15,501
13.0 - Benefits for former personnel	$5	$5	$5
Total Personnel and Compensation Benefits	**$67,826**	**$67,826**	**$67,216**
21.0 - Travel and transportation of persons	$2,561	$2,561	$2,304
22.0 - Transportation of things	$30	$30	$30
23.1 - Rental payments to GSA	$4,276	$4,276	$4,276
23.3 - Communication, utilities, and misc charges	$1,732	$1,732	$1,766
24.0 - Printing and reproduction	$268	$268	$269
25.2 - Other services from non-Federal sources	$24,395	$24,395	$27,577
25.3 - Other goods and services from Federal sources	$7,715	$7,715	$9,239
26.0 - Supplies and materials	$499	$499	$507
31.0 - Equipment	$2,137	$2,137	$2,242
Total Non-Personnel	**$43,613**	**$43,613**	**$48,211**
New Budgetary Resources	**$111,439**	**$111,439**	**$115,427**
FTE	**475**	**507**	**507**

1/ FY18 Appropriated Resources are enacted and FTE are Actual. This column reflects levels appropriated in P.L. 115-141, the Consolidated Appropriations Act of 2018. For further details on the execution of these resources see the 2020 Budget Appendix chapter for the Department of the Treasury.

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY ALCOHOL AND TOBACCO TAX AND TRADE BUREAU *Federal Funds* SALARIES AND EXPENSES *For necessary expenses of carrying out section 1111 of the Homeland Security Act of 2002, including hire of passenger motor vehicles, $115,427,000, of which $5,000,000 shall remain available until September 30, 2021; of which not to exceed $6,000 shall be available for official reception and representation expenses; and of which not to exceed $50,000 shall be available for cooperative research and development programs for laboratory services and provision of laboratory assistance to State and local agencies with or without reimbursement.* Note. – A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115-245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

Government Reform Initiative - Consolidation of Federal Alcohol & Tobacco Tax Jurisdiction

The Administration proposes to transfer primary jurisdiction over Federal tobacco and alcohol anti-smuggling laws from the Department of Justice and the Bureau of Alcohol, Tobacco, Firearms and Explosives to the Department of the Treasury and TTB. Under the proposal, TTB would be responsible for the administration and enforcement of the Jenkins Act of 1949 (as amended by the Prevent All Cigarette Trafficking Act of 2009), 15 U.S.C. Chapter 10A, the Contraband Cigarette Trafficking Act of 1978, 18 U.S.C. Chapter 114, and the criminal statutes involving Liquor Trafficking, 18 U.S.C. Chapter 59. Specific statutory language to effect the transfer and facilitate Federal enforcement against tobacco smuggling has been developed in consultation with the Secretary of the Treasury and with the Attorney General.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

TTB is responsible for administering and enforcing the sections of the Internal Revenue Code of 1986 associated with the collection of excise taxes on alcohol, tobacco, firearms, and ammunition, and the Federal Alcohol Administration Act, which provides for the regulation of the alcohol beverage industry for the protection of U.S. consumers. In essence, TTB administers its jurisdiction according to five strategic goals that support economic growth and stability: 1) Tax Compliance; 2) Cross-Border Tax Risk; 3) Business Qualification; 4) Labeling Modernization; and 5) Training Revitalization. TTB's strategic goal of Training Revitalization directly contributes to Treasury's Strategic Goal 5 (Achieve Operational Excellence) through Strategic Objective 5.1 (Workforce Management) and underpins TTB's performance across all of its goals and objectives.

TTB's strategic goals to improve Tax Compliance and address Cross-Border Tax Risk ensure that the Federal government has the resources needed to fund national priorities and support Treasury's Strategic Goal 1 (Boost U.S. Economic Growth) and Strategic Objective 1.1 (Tax Law Implementation) to administer tax laws to better enable all taxpayers to meet their obligations while protecting the integrity of the tax system. The FY 2020 funding level provides the initial investment in a multi-year tax system modernization effort. The industries TTB regulates have grown significantly in recent years, which present workload and enforcement challenges, particularly in light of recent tax reforms. Funding is required to address outdated tax systems to support efficient filing and processing as well as facilitate data analytics to timely detect tax evasion.

Additionally, in support of effective tax administration, the Administration is proposing the consolidation of Federal alcohol and tobacco tax jurisdiction within the Department of the Treasury to improve mission alignment and focus and, in turn, create tax enforcement efficiencies. This proposal calls for the transfer of enforcement authority for the CCTA and the Prevent All Cigarette Trafficking (PACT) Act from DOJ to Treasury. These Federal statutes were intended, among other things, to stop criminal organizations from profiting by smuggling cigarettes across state borders from low-tax states to high-tax states, and protect state and local governments from revenue losses from interstate cigarette smuggling. ATF, which currently has primary jurisdiction for CCTA and PACT Act enforcement, has estimated that the sale of contraband cigarettes costs Federal, state, and local governments close to $5 billion a year in revenue. The FY 2020 funding request represents the initial investment required to begin the transfer of these authorities, including preliminary hiring and contract actions to support investigations, as well as required rulemaking, IT, and data analytics efforts to support the program and generate leads for future investigations. The full program costs will be higher and will be addressed in future budgets. When fully implemented, TTB anticipates that the consolidation of CCTA and PACT Act enforcement with TTB's existing tobacco enforcement authorities will result in increased Federal and state tobacco excise tax revenues.

These investments will require tradeoffs in TTB's enforcement plans. TTB conducts trade practice enforcement in the alcohol beverage marketplace in support of the Treasury's Strategic Goal 1 (Boost U.S. Economic Growth) and Strategic Objective 1.4 (Free and Fair Trade) to advance a free and fair trade environment for U.S. businesses. At the FY 2020 funding level, TTB will need to rebalance enforcement priorities to support the successful closure of most active trade practice investigations and sustain a modest enforcement presence, as well as the effective transition of CCTA cases from ATF to TTB.

TTB's strategic goals to enhance Business Qualification and implement Labeling Modernization ensure that lawful U.S. alcohol businesses are competitive and thriving in the global marketplace and support the Treasury's Strategic Goal 1 (Boost U.S. Economic Growth) and Strategic Objective 1.3 (Trusted Currency and Services) to deliver trusted currency and services that enable citizens and businesses to participate in the economy. Timely service remains a priority for TTB and the businesses it regulates. As the demand for TTB services from these businesses continues to rise, and within the FY 2020 resources, TTB will review its customer service standards based on anticipated staffing levels. TTB will also scale down plans to modernize its online systems for filing permit, label, and formula applications, and instead seek to increase guidance to support compliant applications. These strategies will help TTB maintain timely service by increasing the number of first-time approvals, and reducing delays caused by extensive back-and-forth with industry members to correct initial applications containing errors.

B – Budget and Performance by Budget Activity
2.1.1 Collect the Revenue Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	$51,721	$50,976	$53,385	$53,375	$53,313	$53,560	$59,956
Reimbursables	$3,506	$3,681	$3,143	$3,217	$3,923	$4,304	$4,304
Transfers In 1/	$468	0	0	$197	$902	0	0
Budget Activity Total	**$55,695**	**$54,657**	**$56,528**	**$56,789**	**$58,138**	**$57,864**	**$64,260**
FTE 2/	**224**	**223**	**234**	**223**	**212**	**255**	**252**

1/ TEOAF Strategic Support Fund

2/ Includes 5 FTE from Puerto Rico cover-over reimbursables

Performance Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Amount of Revenue Collected Per Program Dollar 1/	457	437	414	406	369	400	DISC	DISC
Percent of Voluntary Compliance from Large Taxpayers in Filing Returns/Payments Timely (by filing) 2/	90	88	87	85	85	90	DISC	DISC
Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Returns/Payments Timely (by taxpayer) 2/	N/A	N/A	N/A	N/A	N/A	N/A	B	
Percent of Voluntary Compliance from Large Taxpayers in Filing Operational Reports Timely (by taxpayer) 2/	N/A	N/A	N/A	N/A	N/A	N/A	B	
Percent of Electronically Filed Tax Returns – Pay.gov	32	33	34	35	38	50	50	50
Percent of Electronically Filed Operational Reports – Pay.gov	37	38	39	40	42	50	50	50

1/ Beginning in FY 2019, results will be reported as an indicator rather than a performance measure; as such, no target is established for FY 2019.
2/ TTB is developing new measures to evaluate and monitor taxpayer compliance for FY 2019, which will calculate compliance rates on a taxpayer basis, rather than a per filing basis; TTB will also formally add a measure of the compliance rate for operational reports.

Collect the Revenue Budget and Performance
($59,956,000 from direct appropriations, $4,304,000 from reimbursable resources):
This budget activity includes all tax processing, verification, enforcement, and outreach efforts related to administering the Federal tax code for alcohol, tobacco, firearms, and ammunition products, and supports Treasury’s Strategic Objective 1.1 (Tax Law Implementation). TTB collects approximately $21 billion in Federal tax revenue annually from a tax base of more than 29,000 businesses. TTB’s regulated taxpayers include distilleries, breweries, and wineries, which have boomed in recent years, as well as manufacturers and importers of tobacco and firearms. TTB extends the reach of its enforcement resources through advanced analytics and risk-based audits and investigations. To ensure a level playing field for those engaged in the

trade of these regulated commodities, TTB also takes appropriate enforcement action to detect and address diversion activity to ensure all products sold in the marketplace are properly taxpaid.

Other Resources (Offsetting Collections/Reimbursables)……………………………… $4,304,000
Other resources that fund this budget activity include reimbursement for the operating costs of TTB's Puerto Rico field office, which are offset against the roughly $400 million in taxes collected on the alcohol beverage products that are manufactured in Puerto Rico and imported to the United States; reimbursement from the Community Development Financial Institutions Fund (CDFI) for IT services provided by TTB; and funding from the Department of the Treasury's Executive Office for Asset Forfeiture (TEOAF) mandatory account to cover investigative expenses, data systems, and training.

Description of Performance – Collect the Revenue:
In FY 2018, TTB met neither of its two annual targets for the performance measures under the Collect the Revenue budget activity. Taken together, TTB's measures of the Amount of Revenue Collected per Program Dollar and the Percent of Voluntary Compliance from Large Taxpayers in Filing Payments Timely are intended to demonstrate the effectiveness and efficiency with which TTB operates its revenue collection function. TTB is proposing several updates to its measures for this budget activity, including adding measures of Percent of Electronically Filed Tax Returns and Percent of Electronically Filed Operational Reports via Pay.gov. These measures of electronic filing rates, combined with an update to the measure of Percent of Voluntary Compliance from Large Taxpayers in Tax Filings (Tax Returns, Payments, and Operational Reports), will inform TTB's efforts to improve its level of taxpayer service and enhance tax oversight. TTB's strategies for achieving results under its new suite of measures include applying technology to streamline internal and external processes and leveraging data sources to direct our outreach and enforcement efforts. At the FY 2020 funding level, TTB will initiate critical system modernization efforts to increase its effectiveness in tax administration and to help ensure resources are deployed to maximize the deterrent effect.

Improve Efficiency of Tax Collection
The Amount of Revenue Collected per Program Dollar measure uses annual collections figures and the actual expenditures and obligations for collection activities to quantify the efficiency of TTB's tax collection program. In FY 2018, TTB achieved a return on investment of $369 for every program dollar spent on collection activities, below the annual performance target of $400. TTB set this performance target based on historical trends and other predictors that influence consumer behaviors.

The year-to-year decline in performance represents continued declines in tobacco revenue that, after peaking in FY 2010 following the significant tax rate increases enacted in 2009, have steadily declined in line with shifts in consumption patterns, product manufacturing, and trade. Annual alcohol revenue also trended down, largely due to the recent tax reform legislation that lowered effective tax rates across all commodities and expanded eligibility for reduced rates and credits. In total, revenue collections were down 6 percent from FY 2017; however, as the law took effect in January 2018, the full impact of these provisions is not yet known. Going forward, TTB will continue to monitor its return on investment for its Collect the Revenue activities as a key indicator; however, it will be discontinued as a performance measure under which TTB establishes an annual target, given the substantial influence of external factors on performance results.

Excise Tax and Other Collections by Fiscal Year

Dollars in Thousands

Fiscal Year	Alcohol	Tobacco	FAET	SOT	FST	Other	Total
2009	$ 7,424,292	$ 11,548,504	$452,693	$ 272	$1,192,375	$ 970	$ 20,619,106
2010	7,476,789	15,913,479	360,813	300	8,558	180	23,760,119
2011	7,594,330	15,515,073	344,262	268	5,220	2,257	23,461,410
2012	7,856,391	15,002,616	514,622	249	5,942	61	23,379,881
2013	7,851,953	14,321,017	762,836	280	1,521	38	22,937,645
2014	7,924,951	13,552,711	768,927	332	465	2	22,247,388
2015	7,997,467	13,620,497	638,518	288	2,444	7	22,259,221
2016	8,075,476	13,274,371	749,789	258	245	505	22,100,644
2017	8,103,714	12,966,317	761,630	227	69	521	21,832,478
2018	7,877,214	12,050,283	624,802	273	7	1,006	20,553,585
Average	$ 7,818,258	$ 13,776,487	$597,889	$ 275	$ 121,685	$ 555	$ 22,315,148

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

In FY 2020, to maintain positive returns on its revenue mission, TTB will continue to improve efficiencies and results in its tax enforcement program through systems and process improvements related to tax verification. The FY 2020 funding level includes $2.5 million to initiate a multi-year effort to modernize TTB's tax systems, which will allow TTB to increase automation in the detection, notification, assessment, and collection of excise taxes due while preserving staff time for substantive tax analysis. TTB's two new measures of Electronically Filed Tax Returns and Electronically Filed Operational Reports indicate that less than half of these required tax filings are submitted to TTB via Pay.gov, the current online system for electronic submissions. High rates of paper filings – with just 38 percent of returns and 42 percent of required operational reports submitted electronically – make compliance checks and fraud monitoring more difficult and costly. The tax system investment will drive increases in electronic filing rates, which should support timelier, complete, and more accurate submissions as well as timely access to the data for TTB tax verification and analysis.

System modernization efforts also support a data-driven approach to efficiently and effectively identify and address high-risk activity for audit and investigation. In FY 2020, TTB will continue to use data analytics and other intelligence to efficiently deploy its limited enforcement resources. A primary focus for TTB tax enforcement continues to be diversion schemes related to imported and exported alcohol and tobacco products given the relative ease of these schemes and the high profit potential. Investigations to date have identified significant tax liabilities and remain an enforcement priority under the Craft Beverage Modernization and Tax Reform provisions, effective through calendar year 2019, which include reduced rates for alcohol importers as well as domestic producers.

Increase Voluntary Compliance from Taxpayers

Fostering voluntary compliance among taxpayers is a primary tax administration strategy for TTB. The Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Payments

Timely indicates the rate of compliance by large taxpayers (i.e., those that pay more than $50,000 in annual taxes) in voluntarily filing their tax payments on or before the scheduled due date. In FY 2018, TTB achieved a compliance rate of 85 percent from its large taxpayers, which fell below the performance target of 90 percent. The declining compliance rate in recent years is due, in part, to industry growth and expansion and a corresponding increase in the number of industry members who qualify as "large taxpayers" because they owe more than $50,000 in annual taxes due. Such recent permittees may be less familiar with TTB's statutory and regulatory requirements. Although TTB analysis indicates that this trend does not represent a significant revenue risk, non-compliance undermines the level playing field, which is especially critical for small producers who comprise the majority of TTB taxpayers.

In FY 2018, TTB began developing new measures that will calculate voluntary compliance rates by taxpayer and incorporate additional stratifications by tax liability, resulting in the discontinuation of the current Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Payments Timely measure. The new measures will also incorporate voluntary compliance rates for operational reports, a critical information collection that provides production information to support TTB tax verification efforts. TTB will baseline these new measures in FY 2019 and establish annual targets. By enhancing its data-driven and risk-based approach, TTB will be able to develop more targeted strategies to better align its resources to the most critical revenue risks and address potential underreporting or fraud.

In FY 2020, TTB will strive to improve the voluntary compliance rate under the new metrics through complementary strategies that focus on promoting electronic filing options to enable taxpayers to file complete, accurate, and timely tax returns and payments; improving online guidance and industry outreach strategies, particularly for those industry members with expanding operations; and maintaining an enforcement presence to encourage voluntary compliance. Moving forward on all three fronts is required to ensure that TTB strikes the appropriate balance between supporting businesses in establishing compliant operations while ensuring adequate coverage of the high-risk activity that undermines lawful business activity.

Further, TTB will review its enforcement plans to address potential vulnerabilities and new tax evasion schemes arising from both the new tax legislation and TTB's expanded enforcement responsibilities in the interstate smuggling of cigarettes. The Administration has proposed legislative changes to consolidate Federal alcohol and tobacco tax authorities within Treasury, which will integrate ATF authorities into TTB's Federal excise tax enforcement program. The FY 2020 budget supports an initial investment to ramp up CCTA enforcement at TTB, which TTB expects to result in enforcement efficiencies, increased field presence, and, over time, improved voluntary compliance through an increased deterrent effect.

2.1.2 Protect the Public Resources and Measures

Dollars in Thousands

Resource Level	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources	$47,279	$47,451	$52,709	$53,527	$56,995	$57,879	$55,471
Reimbursables	$3,236	$2,451	$2,577	$2,637	$2,366	$2,596	$2,596
Transfer In 1/	$432	0	0	0	$87	0	0
Budget Activity Total	**$50,947**	**$49,902**	**$55,286**	**$56,164**	**$59,448**	**$60,475**	**$58,067**
FTE 2/	**246**	**243**	**246**	**265**	**273**	**247**	**245**

1/ TEOAF Strategic Support Fund
2/ Includes 5 FTE from Puerto Rico cover-over reimbursables

Performance Measure	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2018	FY 2019	FY 2020
	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Percentage of Permit Applications Processed within Service Standards (75 days) 1/	58	47	32	48	71	85	85	85
Initial Error Rate for Permit Applications 2/	73	77	81	83	80	25	25	25
Percent of Electronically Filed Permit Applications 3/	80	84	81	84	86	87	90	90
Customer Satisfaction Rate with TTB Permitting Process	B	76	71	80	83	80	DISC	DISC
Customer Satisfaction Rate with eGov Systems - Permits Online 4/	B	64	54	68	77	80	80	80
Percentage of Alcohol Beverage Label and Formula Applications Processed within Service Standards 5/	71	80	80	62	84	85	85	85
Initial Error Rate for Label and Formula Applications	39	42	44	43	40	25	25	25
Percent of Electronically Filed Label and Formula Applications	93	94	97	98	98	95	95	95
Customer Satisfaction Rate with eGov Systems - COLAs Online 6/	71	71	74	82	81	80	80	80
Customer Satisfaction Rate with eGov Systems - Formulas Online 6/	53	48	58	70	81	80	80	80

1/ Prior year data subject to additional validations following TTB migration to new reporting platform in FY 2018.
2/ Prior year data revised due to errors in methodology related to wholesaler and importer applications.
3/ Revised actuals for fiscal years 2016 and 2017 due to error in source data.
4/ New measure of user satisfaction with TTB's Permits Online electronic filing system; replaces discontinued measure of satisfaction rates with permitting process.
5/ Service standards are set annually based on TTB analysis of submission volume, error rates, and resource levels. For FY 2018, TTB established new service standards of 15 days for both labels and formulas based on a significant spike in submissions. In FY 2017, the service standard was 10 days for both labels and formulas. Between FY 2014 - 2016, the service standard was 30 days for labels and 45 days for formulas.
6/ New measures of user satisfaction with TTB's COLAs Online and Formulas Online (FONL) electronic filing systems. Results for FONL represent beverage alcohol formula filers; nonbeverage alcohol formula filers are excluded.

Protect the Public Budget and Performance
($55,471,000 from direct appropriations, and $2,596,000 from reimbursable resources):
This budget activity funds the programs that ensure the integrity of the products and industry members in the marketplace; promote compliance with Federal laws and regulations by more than 90,000 businesses that TTB regulates; facilitate fair and lawful domestic and international trade in the alcohol and tobacco commodities; and provide full and accurate alcohol beverage product information to the public as a means to prevent consumer deception. These activities support Treasury's Strategic Goal 1 (Boost U.S. Economic Growth) and Strategic Objective 1.3 (Trusted Currency and Services) to deliver trusted currency and services that enable citizens and businesses to participate in the economy as well as Strategic Objective 1.4 (Free and Fair Trade) to advance a free and fair trade environment for U.S. businesses.

Other Resources (Offsetting Collections/Reimbursables)……………………………… $2,596,000
Other resources that support this budget activity include reimbursement for the operating costs of the TTB Puerto Rico field office, which are offset against the roughly $400 million in taxes collected on the alcohol beverage products that are manufactured in Puerto Rico and imported into the United States ; reimbursement by the Community Development Financial Institutions Fund (CDFI) for TTB's IT services; and funding from the Department of the Treasury's Executive Office for Asset Forfeiture (TEOAF) mandatory account to cover investigative expenses, data systems, and training.

Description of Performance – Protect the Public:
In FY 2018, TTB met two of its seven annual targets for the performance measures under its Protect the Public budget activity. These measures help TTB monitor the degree to which it is meeting the service standards it establishes for permit, label, and formula applications; its effectiveness in reducing error rates on applications to address processing delays caused by incomplete or non-compliant submissions; the impact that electronic filing initiatives are having on improved service delivery; and the level of satisfaction that industry members have with TTB's permitting process. TTB is revising its suite of measures to discontinue its current metric of customer satisfaction and instead track customer satisfaction with its eGov systems for filing permit, label, and formula applications, as TTB continues to pursue system enhancements to streamline filing and processing to help manage increasing workloads. TTB's strategies to achieve its performance targets for these measures include a combination of streamlining internal processes, implementing enhancements to online filing systems, modernizing application requirements, and providing clearer guidance to industry members.

Improve Efficiency and Effectiveness of Permitting Process
TTB protects consumers by screening permit applicants to ensure only qualified persons engage in the alcohol, tobacco, firearms, and ammunition industries. For this purpose, in FY 2018, TTB processed approximately 9,000 original permit applications, performing investigations into high-risk applicants to meet TTB's business integrity objectives. TTB monitors its timeliness in approving permit applications through its measure of the Percentage of Permit Applications Processed within Service Standards. As businesses rely on accurate information related to TTB service delivery in their operational planning, this measure provides important data related to a key outcome for TTB and its stakeholders.

Ongoing expansion of the alcohol beverage industry in recent years has increased the volume of permit and brewer's notice applications, particularly for new alcohol producers. This growth in workload has contributed to delayed permit approvals by TTB – reaching a peak of 122 days on average in FY 2016 – so that new businesses often waited months to begin producing and selling their products while having already made significant investments in their operations. To address this performance challenge, in FY 2018, Treasury and TTB established a priority goal to reduce average approval times for alcohol and tobacco business permits by at least 20 percent (from 96 days to 75 days) and achieve the 75-day standard for 85 percent of applicants by September 30, 2019.

In FY 2018, in driving toward its priority goal targets, TTB dramatically improved processing times, decreasing from an average of 96 days in FY 2017 to 61 days in FY 2018, exceeding the targeted 20 percent reduction. TTB also improved the consistency of its service, processing 71 percent of permit applications within the 75-day standard compared to 48 percent the prior year. TTB achieved these gains through revised processes and policies, and strategic workforce management.

At the FY 2020 funding level, TTB expects to meet its 75-day standard for 85 percent of permit applications through targeted industry education efforts and continued enhancements to Permits Online. Additionally, TTB intends to continue its modernization of its qualification requirements, informed by public comment, to streamline TTB's permit applications and further reduce burdens related to the filing process. These changes, combined with incremental enhancements to TTB's permitting system, will support TTB in reaching and sustaining its current service standard. At the FY 2020 funding level, TTB would postpone custom system development efforts and reassess the timeline for its long-term goal of reducing service times to 60 days or less across alcohol application types.

According to its measure of the Percent of Electronically Filed Permit Applications, which tracks the electronic filing rate for new business applications, TTB received approximately 87 percent of permit applications via Permits Online in FY 2018. This year-to-year increase is attributed to its regular outreach to direct applicants to the online filing system. TTB expects this trend to continue following the July 2018 release of the redesigned Permits Online system. The redesigned system includes improved guidance for first-time filers to reduce errors on applications that delay processing times as well as a simplified method for amending an existing permit that replaces the current paper-based process. These system changes, combined with effective outreach and training for industry, will support TTB in achieving and maintaining its targeted electronic filing rate of 90 percent in fiscal years 2019 and 2020.

Given the new system features, TTB expects Customer Satisfaction Rates with eGov Systems to increase for Permits Online in the years ahead following a transition period for TTB and industry. In FY 2018, TTB discontinued its measure of the Customer Satisfaction Rate with TTB's Permitting Process and replaced it with a new measure oriented toward satisfaction with its online permitting system. The vast majority of permit applicants file electronically, and TTB is focused on ensuring the system supports them in filing complete, accurate applications to improve its service levels.

The Permits Online enhancements should also contribute to improved outcomes for TTB's measure of the Initial Error Rate on Permit Applications, which tracks how many applications are submitted either incomplete or with errors. This measure is critical to timely processing, as the error rate significantly influences total approval time given the necessary back-and-forth with applicants to obtain additional documentation or complete information. In FY 2018, the error rate trended positively, with 80 percent of original permit applications submitted with errors compared to 83 percent in the prior year. This rate is well above the target of 25 percent, however, and reflects the need for improved guidance and system validations to ensure applicants are able to submit correctly the first time. Following the FY 2018 system release, TTB expects to draw closer to its target in the year ahead, although current system limitations limit TTB's ability to deploy more advanced features to support applicants in accurate and complete filings. Broader changes to streamline permit application requirements, most of which will require rulemaking to fully implement, are underway and may also be required before TTB can achieve its targeted performance level.

Improve Efficiency and Effectiveness of Alcohol Beverage Label Processing
TTB protects U.S. consumers by ensuring that the alcohol beverage products sold at retail outlets are properly labeled and comply with Federal production standards. In FY 2018, TTB received nearly 195,000 Certificate of Label Approval (COLA) applications and 17,000 formula applications, which reflect historically high submission rates and indicate the ongoing expansion of the alcohol beverage industry. Given the importance of timely TTB approvals and the negative impact that delays have on U.S. businesses, TTB monitors its ability to provide timely and consistent service through its measure of the Percentage of Alcohol Beverage Label and Formula Applications Processed within Service Standards. TTB combines label and formula applications in this measure given the interdependent nature of these approvals.

In FY 2018, TTB continued to progress toward its strategic goal to modernize its labeling program, making significant strides in maintaining timely service in spite of tremendous year-to-year increases in submission volume, which reached 15 percent or more for both label and formula applications. Based on these increases, TTB revised its service standards for labels and formulas from 10 days to 15 days in FY 2018.

Through effectively managing its backlog and strategic workforce management, relying on additional staffing resources hired using directed funding to accelerate these approvals, TTB was able to respond to these challenges and sustain average processing times at or below its service standards, and maintained a total average review time of 30 days or less for products requiring lab analysis, formula approval, and label approval. Further, in terms of consistent service, TTB met or nearly met its target to process 85 percent of label and formula applications within the 15-day standard, with 91 percent of formulas and 84 percent of labels turned around in 15 days or less.

In the year ahead, TTB will focus its efforts on increasing voluntary compliance through initiatives to reduce label and formula application errors. Application errors are a key driver of processing times, as additional review is required for each resubmitted application. Results for its measure of the Initial Error Rate for Label and Formula Applications indicate that these updates are having a positive effect in reducing label error rates, with errors holding below 40 percent for the first time in the second half of FY 2018.

In FY 2020, TTB will continue to make iterative enhancements to COLAs Online and Formulas Online, informed by user testing and feedback, which will include additional help features and system-based validations to reduce application errors. According to its measure of the Percent of Electronically Filed Label and Formula Applications, TTB receives 98 percent of applications via COLAs Online and Formulas, indicating that continued focus on system validations is warranted and will support performance goals in increasing accurate applications and accelerating approval times. TTB expects that these ongoing improvements will help TTB continue to attract users to its online systems and maintain a submission rate above its 95 percent target in FY 2020.

Efforts to drive down error rates also include enhancing information on TTB.gov related to obtaining label and formula approval for alcohol beverage products. In FY 2018, in response to industry input, TTB published formula guidance with specific example applications and supporting documentation to clarify the requirements. TTB also released an updated web-based tool to assist malt beverage producers and importers in determining whether their products require formula approval, with the aim of bringing down filings for products that no longer require advance TTB approval. Additional step-by-step guidance to support industry in checking label and formula compliance prior to submitting applications is planned for FY 2019.

In addition, TTB will continue its efforts to improve industry guidance through updated labeling regulations. In FY 2018, TTB made substantial progress on its multi-year effort to modernize Federal labeling regulations by consolidating, streamlining, and simplifying requirements to reflect current TTB policy and modern industry practices. The notice of proposed rulemaking, published in November 2018, also reflects proposals that are designed to reduce regulatory burden.

C – Changes in Performance Measures
TTB continues its work to develop and baseline performance measures to align to the new strategic objectives in the Treasury and TTB Strategic Plans for FY 2018-2022. This could result in additional changes to performance measures included in the FY 2020 budget.

Performance Measure or Indicator	**Change and Justification**
1. Amount of Revenue Collected Per Program Dollar (Discontinue)	TTB proposes to discontinue this measure in the CJ/BIB and instead report on its return on investment for its Collect the Revenue budget activity as an indicator, whereby TTB no longer establishes an annual target given the significant influence of external factors on the overall result.
2. Percent of Voluntary Compliance from Large Taxpayers in Filing Returns/Payments Timely (by filing) (Discontinue)	TTB proposes to discontinue this measure in the CJ/BIB and replace it with measures that report voluntary compliance rates by taxpayer rather than by filing. TTB also proposes adding a measure for the voluntary compliance rates for operational reports, a required companion filing to support tax return validation and verification. The new methodologies, in development in FY 2019, will inform targeted outreach and enforcement strategies.
3. Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Returns/Payments Timely (by taxpayer) (New)	Percent of Voluntary Compliance from Large Taxpayers in Filing Returns/Payments Timely is defined as the total number of taxpayers with annual liabilities of $50,000 or greater who filed their semi-monthly tax return and payment on time divided by the total number of large taxpayers. The data source for this measure is the TTB Integrated Revenue Information System (IRIS). This measure provides actionable information to address late or missing returns and payments and supports effective outreach and enforcement strategies.
4. Percent of Voluntary Compliance from Large Taxpayers in Filing Operational Reports Timely (by taxpayer) (New)	Percent of Voluntary Compliance from Large Taxpayers in Filing Operational Reports Timely is defined as the total number of taxpayers with annual liabilities of $50,000 or greater who filed their monthly operational report on time divided by the total number of large taxpayers. The data source for this measure is the TTB Integrated Revenue Information System (IRIS). This measure provides actionable information to address late

	or missing reports and supports effective outreach and enforcement strategies.
5. Percent of Electronically Filed Tax Returns - Pay.gov (New)	Percent of electronically filed tax returns is defined as the number of tax returns submitted via Pay.gov divided by the total number of tax returns filed. The data source for this measure is Pay.gov. This measure provides information on taxpayer use of the current online tax filing system and informs TTB initiatives to increase electronic submissions, including custom system development efforts.
6. Percent of Electronically Filed Operational Reports - Pay.gov (New)	Percent of electronically filed operational reports is defined as the number of operational reports submitted via Pay.gov divided by the total number of operational reports filed. The data source for this measure is Pay.gov. This measure provides information on taxpayer use of the current online tax filing system and informs TTB initiatives to increase electronic submissions, including custom system development efforts.
7. Customer Satisfaction Rate with TTB Permitting Process (Discontinue)	TTB proposes to discontinue this metric in the CJ/BIB and replace it with a focused measure on customer satisfaction with Permits Online (see below). The majority of TTB permit applicants are serviced through this online filing system and, going forward, TTB will emphasize online guidance and enhanced system features to achieve its targets for timely service to prospective businesses seeking a TTB permit.
8. Customer Satisfaction Rate with eGov Systems – Permits Online (New)	Customer satisfaction rate for Permits Online is defined as the total percentage of system users who responded that they are very satisfied or satisfied with TTB's online permit application process. User data is derived from the Permits Online system, and satisfaction scores are collected through an email survey to system users with activity within the reporting period. This measure provides information on the areas of relative dissatisfaction with the permit application process and informs system enhancements to improve the completeness and accuracy of applications to support timely service.

9. Customer Satisfaction Rate with eGov Systems – COLAs Online (New)	Customer satisfaction rate for COLAs Online is defined as the total percentage of system users who responded that they are very satisfied or satisfied with TTB’s online label application process. User data is derived from the COLAs Online system and satisfaction scores are collected through an email survey to system users with activity within the reporting period. This measure provides information on the areas of relative dissatisfaction with the label application process and informs system enhancements to improve the completeness and accuracy of applications to support timely service.
10. Customer Satisfaction Rate with eGov Systems - Formulas Online (New)	Customer satisfaction rate for Formulas Online is defined as the total percentage of system users who responded that they are very satisfied or satisfied with TTB’s online formula application process. User data is derived from the Formulas Online system and satisfaction scores are collected through an email survey to system users with activity within the reporting period. This measure provides information on the areas of relative dissatisfaction with the formula application process and informs system enhancements to improve the completeness and accuracy of applications to support timely service.

Section III – Additional Information

A – Summary of Capital Investments

Information Technology

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

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

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

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

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

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

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

<u>Scientific Equipment for Laboratories</u>
This investment will enable TTB's chemists to continue to provide accurate and reproducible scientific data and laboratory results to support regulatory compliance, tax enforcement, tax classification, rulemaking, and investigations for both the alcohol and tobacco commodities. Laboratory instruments require periodic replacement, as they have finite lifecycles due to use and as advances in scientific technology render older instruments obsolete. Periodic replacement of the existing technologies is essential for TTB laboratories to remain state-of-the-art and effective to support the bureau's mission, strategy, and day-to-day operations.

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

Department of the Treasury
Bureau of the Fiscal Service

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

Table of Contents

Section I – Budget Request

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

B – Summary of the Request
The FY 2020 request for the Bureau of the Fiscal Service (Fiscal Service) is $340.3 million, which supports the Federal Government's National Financial Critical Infrastructure (NFCI). Fiscal Service is committed to delivering strong leadership, exceptional operations, and a vision focused on transforming government-wide financial management and acting as the catalyst of change for the Federal financial community by offering increased standardization and automation in Treasury financial services.

Fiscal Service touches the lives of every American taxpayer and plays a critical mission support role in the Federal financial management community. We will continue to optimize Federal disbursing by advancing electronic invoicing and increasing electronic payments; transform Federal collections through oversight of reducing the use of lockboxes; strengthen public trust in Federal Government finances by making Federal financial data more accessible; and expand services available to agencies including offering data analytic services to reduce improper payments and fraud.

In addition, Fiscal Service's FY 2020 budget request aligns with the President's Management Agenda's (PMA) three key transformation drivers:

1. IT modernization efforts critical to securing data and transforming business processes
2. Data accountability & transparency development
3. Workforce investments to ensure we have the right people in the right place with the right skills as we engage in transformation efforts

With this funding, Fiscal Service will focus on:

- Maximizing efficiencies, transparency, and accountability with the goal of improving government-wide financial management;
- Revolutionizing the Federal Government's collections and deposit systems by expanding the Electronic Federal Tax Payment System (EFTPS) and other electronic payment options available to Federal agencies and the public;
- Modernizing and enhancing payment services by further centralizing Federal payment services to Federal agencies and increasing payment options available to beneficiaries, taxpayers, and other payees;
- Expanding investors' ability to buy and manage Treasury securities online by improving systems and customers' ability to quickly and easily obtain on-line self-service options;
- Borrowing the money needed to operate the Federal Government by conducting auctions; and
- Furthering progress in efforts to prevent, detect, and recover improper payments by increasing partnerships and making additional data sources available.

Fiscal Service continues to work with the Federal financial community, which includes the Office of Management and Budget (OMB) and Federal agency Chief Financial Officers (CFOs), to identify improvements to core programs and streamline operations government-wide. The bureau's vision to "*Transform financial management and the delivery of shared services in the Federal Government*" and the commitment to deliver strong leadership and exceptional operations align with Treasury's Strategic Goal 4 (Transform Government-wide Financial Stewardship) and Goal 5 (Achieve Operational Excellence). It is also consistent with Cross Agency Priority (CAP) Goal 5, Sharing Quality Services. As part of the 10-Year Future of Federal Financial Management Vision, Fiscal Service is leading the way in the Federal financial community by:

- Consolidating similar functions
- Standardizing access to systems and financial management functions
- Automating appropriate manual processes

Fiscal Service has critical roles in making sure Federal obligations to the public are met, government-wide and agency operations are supported, and the national economy is sustained. Through these roles, Fiscal Service demonstrates high performance and achieves outcomes and results that include:

- Accounting and reporting financial activity for $22.0 trillion in public debt
- Financing Federal operations by collecting nearly $4.2 trillion in annual revenue
- Securely and timely disbursing 1.2 billion Federal payments, totaling nearly $3.5 trillion, with 95.4 percent delivered electronically
- Making available $10.0 trillion to fund critical daily Federal Government operations by conducting 270 auctions
- Improving the USAspending.gov website by timely addressing user feedback to enhance the customer experience

1.1 – Appropriations Detail Table

Dollars in Thousands

Fiscal Service Appropriated Resources	FY 2018 Enacted*		FY 2019 Annualized CR		FY 2020 Request		FY 2019 to FY 2020 Change		FY 2019 to FY 2020 % Change	
New Appropriated Resources	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Accounting and Reporting	398	95,822	411	95,175	396	96,979	(15)	1,804	-3.65%	1.90%
Collections	159	38,704	172	42,166	165	38,117	(7)	(4,049)	-4.07%	-9.60%
Payments	502	121,462	519	117,581	500	123,355	(19)	5,774	-3.66%	4.91%
Retail Securities Services	433	57,356	447	59,381	430	60,643	(17)	1,262	-3.80%	2.13%
Wholesale Securities Services	116	24,936	119	23,977	119	21,243	0	(2,734)	0.00%	-11.40%
Subtotal New Appropriated Resources	**1,608**	**$338,280**	**1,668**	**$338,280**	**1,610**	**$340,337**	**(58)**	**$2,057**	**-3.48%**	**0.61%**
Other Resources										
Reimbursable /Offsetting Collections	399	353,761	431	387,568	431	391,529	0	3,961	0.00%	1.02%
Subtotal Other Resources	**399**	**$353,761**	**431**	**$387,568**	**431**	**$391,529**	**0**	**$3,961**	**0.00%**	**1.02%**
Total Budgetary Resources	**2,007**	**$692,041**	**2,099**	**$725,848**	**2,041**	**$731,866**	**(58)**	**$6,018**	**-2.76%**	**0.83%**

* FY 2018 shows actual FTE usage. This column reflects levels appropriated in P.L. 115-141 Consolidated Appropriations Act, 2018. For further details on the execution of these resources see the FY 2020 Appendix chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table

Dollars in Thousands

Fiscal Service	FTE	Amount
FY 2019 Annualized CR	**1,668**	**$338,280**
Changes to Base:		
Maintaining Current Levels (MCLs):	**0**	**2,239**
Non-Pay	0	2,239
Subtotal Changes to Base	**0**	**2,239**
Total FY 2020 Base	**1,668**	**$340,519**
Program Changes		
Program Decreases:	**(58)**	**(7,915)**
Streamline Staffing	(58)	(7,915)
Program Increases:	**0**	**7,733**
Operations and Maintenance (O&M) of Prior-year		
Enterprise-wide Cybersecurity Investments	0	2,960
Cybersecurity Enhancements	0	2,367
Enterprise Cloud Strategy	0	2,406
Subtotal Program Changes	**(58)**	**($182)**
Total FY 2020 Request	**1610**	**$340,337**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$2,239,000 / +0 FTE

Non-Pay +$2,239,000 / +0 FTE

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

Program Decreases……………………………………………………….-$7,915,000 / -58 FTE

Streamline Staffing -$7,915,000 / -58 FTE

Anticipated savings as a result of disciplined hiring prioritization and governance.

Program Increases .... +$7,733,000 / +0 FTE

Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity Investments +$2,960,000 / +0 FTE

This request includes funding to support O&M for prior-year Cybersecurity Enhancement Account investments, primarily related to the Continuous Diagnostics and Mitigation Program (CDM). O&M will be funded by Treasury Bureaus through Treasury Franchise Fund billing. This increase represents the Fiscal Service portion of the $17.5 million O&M total.

Cybersecurity Enhancements +$2,367,000 / +0 FTE

This funding will enable the bureau to continue strengthening the Fiscal Service High Value Assets (HVAs) and National Financial Critical Infrastructure (NFCI) posture. Further delays implementing cybersecurity enhancements, such as data centric security measures, personally identifiable information (PII) and sensitive financial records encryption, and delays increasing the use of multi-factor authentication, and event monitoring, will significantly increase the risk to

Treasury's HVAs. More specifically, this funding will allow Fiscal Service to perform six HVA assessments and begin to remediate identified data encryption gaps.

Enterprise Cloud Strategy +$2,406,000 / +0 FTE
This request will support the start of a phased approach to transition NFCI systems currently hosted and developed with outdated technology that result in increased risk of security incidents and service interruptions, to new, more modern, cloud-based solutions that will support the security, resiliency, and agility needed in the 21st century. This strategy aligns with government-wide goals and objectives to increase utilization of cloud-based solutions and micro-service/shared IT functionality, while also furthering efforts to consolidate similar functions and standardize access to systems and financial management functions. This effort is crucial to ensuring the integrity of the Federal Government's financial systems for the future.

1.3 – Operating Levels Table

Dollars in Thousands

Fiscal Service Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 - Full-time permanent	148,909	148,908	143,228
11.3 - Other than full-time permanent	339	557	350
11.5 - Other personnel compensation	4,806	6,225	5,330
11.8 - Special personal services payments	0	23,879	24,333
11.9 - Personnel Compensation (Total)	**154,054**	**179,569**	**173,241**
12.0 - Personnel benefits	52,428	53,346	51,834
13.0 - Benefits for former personnel	598	175	100
Total Personnel and Compensation Benefits	**$207,080**	**$233,090**	**$225,175**
21.0 - Travel and transportation of persons	2,233	2,445	3,185
22.0 - Transportation of things	133	118	770
23.1 - Rental payments to GSA	21,143	21,505	21,049
23.2 - Rental payments to others	16	6	19
23.3 - Communications, utilities, and miscellaneous charges	13,151	12,996	9,811
24.0 - Printing and reproduction	107	139	128
25.1 - Advisory and assistance services	16,218	16,078	23,765
25.2 - Other services from non-Federal sources	13,839	11,402	13,817
25.3 - Other goods and services from Federal sources	48,115	21,202	31,572
25.4 - Operation and maintenance of facilities	2,200	858	129
25.6 - Medical care	0	0	13
25.7 - Operation and maintenance of equipment	7,000	7,439	4,110
26.0 - Supplies and materials	4,743	4,012	3,760
31.0 - Equipment	2,232	6,956	3,016
32.0 - Land and structures	70	34	19
Total Non-Personnel	**$131,200**	**$105,190**	**$115,162**
New Budgetary Resources	**$338,280**	**$338,280**	**$340,337**
FTE	**1,608**	**1,668**	**1,610**

Note: FY 2018 shows actual FTE usage. This column reflects levels appropriated in P.L. 115-141 Consolidated Appropriations Act, 2018. For further details on the execution of these resources see the FY 2020 Appendix chapter for the Department of the Treasury.

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY BUREAU OF THE FISCAL SERVICE *Federal Funds* SALARIES AND EXPENSES	
For necessary expenses of operations of the Bureau of the Fiscal Service, $340,337,000; of which not to exceed $8,000,000, to remain available until September 30, 2022, is for information systems modernization initiatives; and of which $5,000 shall be available for official reception and representation expenses. *In addition, $165,000, to be derived from the Oil Spill Liability Trust Fund to reimburse administrative and personnel expenses for financial management of the Fund, as authorized by section 1012 of Public Law 101–380.* Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115-245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.	Increasing the amount of multi-year funding provides additional flexibility to allocate available funding to longer term IT investments and/or security initiatives lasting multiple years, funding them through completion.

Federal Reserve Bank Permanent, Indefinite Appropriation

The Federal Reserve Banks (FRBs) act as fiscal agents of the United States when directed by the Secretary of the Treasury in accordance with 12 United States Code (U.S.C.) 391. Under this account, the FRBs support fiscal operations unrelated to the administration of the public debt and provide banking and financial services on behalf of the United States Treasury. Specifically, this account supports the accounting and reporting, collections, payments, and debt collection programs. These, and other programs, are vital to the NFCI, Fiscal Service's strategic goals, and the expansion of e-government efforts to reduce costs, improve accuracy and increase options available to citizens to conduct transactions with the Federal Government. Fiscal Service estimates that the cost of FRB services for FY 2020 will be approximately $622.8 million.

Reimbursements to the Federal Reserve Banks

Public Law (P.L.) 101-509, 104 Stat. 1389, 1394 (1990), established a permanent, indefinite appropriation to pay such sums as necessary to reimburse the FRBs for acting as fiscal agents. This account was further defined in FY 1992 to solely support those activities related to the administration of the public debt. Funding for FY 2020 is estimated at $170.6 million.

Financial Agent Services Permanent, Indefinite Appropriation

Congress has given the Secretary of the Treasury authority to deposit money in financial institutions and obtain banking services by designating financial institutions to act/serve as Financial Agents (FAs) of the United States. The services support many Fiscal Service programs, such as accounting and reporting, collections, payments, and debt collection. The services provided by the FAs are authorized under numerous statutes including, but not limited to, 12 U.S.C. 90 and 265.

Fiscal Service estimates that the cost of FA services for FY 2020 will be approximately $848.4 million, which includes $1.3 million for Government Sponsored Enterprise - Mortgage Backed Securities administrative costs.

Government Losses in Shipment

P. L. 103-329 established a permanent, indefinite appropriation to pay such sums as necessary to make payments for the replacement of valuables, or the value thereof, lost, destroyed, or damaged in the course of United States Government shipments. The Government Losses in Shipment Act (the Act) was enacted July 8, 1937 to dispense with the necessity for insurance by the government against loss or damage to valuables in shipment and for other purposes. The Act was amended in 1943 to cover losses resulting from the redemption of savings bonds (for example, stolen bonds that were fraudulently negotiated even though the paying agent followed identification guidelines established by the Treasury). All authority of the Treasury under the Act has been delegated to the Fiscal Service Commissioner. In FY 2020, the funding estimated to support payments for the replacement of valuables is approximately $3.0 million.

1.4 – Permanent, Indefinite Appropriations Table

Dollars in Thousands

Permanent, Indefinite Appropriation	FY 2018 Enacted	FY 2019 Enacted	FY 2020 Request
Federal Reserve Bank [1]	$585,800	$615,169	$622,786
Reimbursements to the Federal Reserve Banks	$149,480	$167,270	$170,615
Financial Agent Services [1, 2]	$840,977	$831,800	$848,400
Government Losses in Shipment	$1,200	$2,534	$2,983

[1] Approximately $77M is reimbursed from other government agencies and deposited into the General Fund each year.

[2] FY 2018 includes $2M and FY 2019 and FY 2020 include $1.3M per year for the Government Sponsored Enterprise - Mortgage Backed Securities administrative costs.

E – Legislative Proposals

1. **Give the Do Not Pay Business Center (DNP) increased authority to expand its user base to include other Federally funded government entities, such as Federally funded state administered programs.** *Estimated savings: $2.1 billion over 1 year*

   This proposal would give the Secretary of the Treasury (Secretary), in coordination with OMB, the authority to work with other federally funded government entities, such as Federally funded state administered programs, to identify, prevent, and recover their improper payments. Such authority would permit the Secretary to work with OMB to select customers DNP determines it can successfully assist in preventing and reducing improper payments.

2. **Expand Treasury's authority to access the National Directory of New Hires to include prevention, identification, and recovery of improper payments.** *Total increase in improper payments identified by Treasury: $3.19 billion over 10 years (98.3 percent of the improper payments estimated)*

   This proposal seeks an expansion of Treasury's authority to access the National Directory of New Hires (NDNH) to help prevent, identify and recover improper payments. The Social Security Act specifies which agencies may receive information from the database and the limited purposes for which disclosures are permitted. Under the current law, the Secretary of the Treasury has access to information in the NDNH for debt collection purposes. This proposal would expand the Secretary's access to information in the NDNH to include the purposes of preventing, identifying, and recovering improper payments for Federal agencies.

   Such access would permit the Secretary to assist paying agencies that are currently authorized by the Social Security Act to access NDNH, in comparing information from the NDNH with data about persons receiving federal payments and identify individuals who are ineligible to receive payments or who are receiving erroneous payments.

3. **Allow Treasury to access the Death Master File for improper payment purposes.** *Total increase in improper payments identified by Treasury: $49.5 million over 10 years (99.4 percent of improper payments estimated)*

   This proposal would authorize the Secretary to access the full file of death information that the Social Security Administration maintains, which includes State-reported death data, for purposes of administering the Do Not Pay Business Center and preventing, identifying, and recovering improper payments for Federal agencies. Such access would permit the Secretary to assist paying agencies in comparing information from the Full Death Master File with data about persons receiving Federal payments and identify individuals who are ineligible to receive payments or who are receiving erroneous payments.

4. **Increase delinquent Federal non-tax debt collections by authorizing administrative bank garnishment for non-tax debts of commercial entities.** *Estimated collections: $320.0 million in commercial debts over 10 years*

   This proposal would allow Federal agencies to collect delinquent, non-tax debt by garnishing the bank and other financial institution accounts of delinquent commercial debtors without a court order, but only after providing full administrative due process. The legislation would include appropriate limitations, such as a limitation on the amount that could be garnished on a one-time basis, and would also provide for meaningful judicial review. It would direct the Secretary of the Treasury to issue government-wide regulations implementing the new garnishment authority.

Bank garnishment rules under this authority would be subject to Treasury's rule (31 CFR 212) protecting exempt benefit payments from garnishment. To reach income of commercial entities and other non-wage income and funds available to commercial debtors owing delinquent non-tax obligations to the United States, this proposal would authorize agencies to issue garnishment orders to financial institutions without a court order. Agencies would be required to provide debtors with appropriate due process and other protections to ensure that debtors have had the opportunity to contest the debts and/or enter into repayment agreements to avoid issuance of an order. The Internal Revenue Service currently has similar authority to collect Federal tax debts.

5. **Increase and streamline recovery of unclaimed assets owed to the United States by authorizing Treasury to locate and recover assets of the United States and to retain a portion of amounts collected to pay for the costs of recovery.** *Estimated recoveries: $62 million over 10 years*

   The proposal would amend 31 U.S.C. § 3711 to authorize Treasury to use its resources to recover unclaimed assets of the United States. States and other entities hold assets in the name of the United States or in the name of departments, agencies and other subdivisions of the Federal Government. Many agencies are not recovering these assets due to a lack of expertise and funding. Under current authority, Treasury collects delinquent debts owed to the United States and retains a portion of collections, which is the sole source of funding for its debt collection operations. While unclaimed Federal assets are generally not considered to be delinquent debts, Treasury's debt collection operations personnel have the skills and training to recover these assets.

Section II – Annual Performance Report and Plan

A – Strategic Alignment

Everything Fiscal Service does aligns to Treasury's Strategic Goal 4: Transform Government-wide Financial Stewardship and Goal 5: Achieve Operational Excellence and directly supports the bureau's strategic goals:

- Goal 1 - Operational Excellence: Maintain agile, efficient, and resilient programs to meet the financial management needs of the Federal Government
- Goal 2 - Innovation and Customer Experience: Deliver innovative financial management solutions that provide a modern, seamless customer experience
- Goal 3 - Our Workforce: Develop, retain, and empower the best and brightest talent to support Federal financial management
- Goal 4 - Data Integrity and Transparency: Increase transparency and public trust in Federal financial management data
- Goal 5 - Financial Management and Community: Provide the financial management community the financial tools and capabilities so they can further support their agencies' missions

Fiscal Service fulfills its mission and vision through five annually appropriated budget activities (Accounting and Reporting, Collections, Payments, Retail Securities Services, and Wholesale Securities Services) and one mandatory budget activity (Debt Collection) funded through delinquent debt collection revenue. These budget activities align to two Treasury Strategic Goals: Transform Government-wide Financial Stewardship and Achieve Operational Excellence as well as four CAP Goals: Data, Accountability and Transparency; Improving Customer Service; Sharing Quality Services; and Getting Payments Right. More specifically, Fiscal Service supports the following Treasury Strategic Goals and Objectives:

Treasury Strategic Goal 4: Transform Government-wide Financial Stewardship

4.1 – Financial Data Access/Use: Strengthen government-wide decision-making and accountability by increasing access to and use of government financial data.

Accounting and Reporting:

- *Enterprise Data Strategy*: In FY 2018, Fiscal Service established goals and objectives for the next 5 years, including increasing the "value and availability of our Federal financial data to advance sound decision-making and insights." The Fiscal Service enterprise data strategy communicates a path to change the organization's perception of data from a transactional resource to data as a strategic asset for decision-making and insights, both internally and externally. This strategy will be aligned to CAP Goal 2, Data, Accountability, and Transparency.

  To handle these requests, Fiscal Service developed and will execute an overall data strategy for Fiscal Service's financial management data. The plan will advance the adoption of Federal financial data standards within the established inter-governmental governance structure, promote consistent data for decision-making, and build upon and leverage successes from the DATA Act implementation process. The data strategy will promote collaboration across reporting systems, reduce duplication, help build common and shared solutions, improve data quality, and result in an increased focus on data analytics to make data more useful and consumable.

- *General Fund Audit*: Fiscal Service will pursue a clean audit opinion on the Financial Report of the U.S. Government (FR) by fully implementing the remediation plan. Key among these remediation efforts is attaining auditability of the General Fund of the United States Government. Achieving a clean audit opinion will increase confidence and reliance on government-wide financial management data and improve stewardship of taxpayer resources. In FY 2018, Fiscal Service worked towards the inaugural audit and identified key issues that are impairing auditability. Progress in reducing intragovernmental differences continues with a decrease of $161.0 trillion since 2014.

  Additionally, through collaboration with the Government Accountability Office, OMB, and the Federal agency CFOs, Fiscal Service will pursue a more useful FR with a centralized, risk-based audit approach that will improve overall operational efficiency and reduce agency audit burden across government.

- *G-Invoicing Initiative*: Fiscal Service is working to improve the quality and reliability of Intragovernmental (IGT) buy/sell data through electronic government invoicing (G-invoicing). This initiative will allow agencies to pay other agencies within the Federal Government for services performed on their behalf electronically, rather than the current manual, paper method. In FY 2018, G-Invoicing updates were implemented to support enhancements to enable government-wide on-boarding for interagency agreements. In addition, the Treasury Financial Manual was published in September 2018 mandating the use of G-Invoicing for intragovernmental buy/sell transactions by June 30, 2021. A mandated timeline was developed and documented to ensure successful government-wide implementation. Fiscal Service will continue to work with the agency financial and acquisition communities to be sure that G-Invoicing meets the business needs of both communities.

Payments:

- *Analytics Expansion*: The Do Not Pay Business Center (DNP) and the Payment Integrity Center of Excellence (Center of Excellence) can play a significant role in helping agencies address the government-wide problem of improper payments that result in monetary loss – estimated at $60.0 billion in FY 2018. This effort will directly support CAP Goal 9, Getting Payments Right. While DNP cannot address all of the root causes that contribute to improper payments, it can do significantly more in two major ways. First, by expanding analytics services, product offerings, and data sources to agency customers, DNP and the Center of Excellence can help agencies detect and prevent a broader range and increased amount of improper payments. Second, the expansion allows the bureau to increase the impact it has in strengthening the integrity of Federal payments through the payment integrity program.

  The Center of Excellence will work toward the overarching goal to improve the integrity of Government-wide financial transactions. This will be done by providing business insight and solutions that assist government agencies in identifying, preventing, and recovering improper payments. This Center of Excellence, through a matrixed organizational model led by Fiscal

Service, will build on the existing foundation to put the overarching goal first, while allowing the individual programs to continue with their missions. The Center of Excellence will work to expand partnerships to assist with recovery, prevention, and prosecution efforts, as well as enable advancements in operational activities through the use of business insights, data, analytics and operational systems. The Center of Excellence will work in tandem with Federal agencies and other partners to make payments right the first time, thereby improving the public trust.

In FY 2018, DNP expanded services to offer agencies data analytics to assist them in their effort to more effectively identify and prevent improper payments. In FY 2018, there were 20,336 stopped payments worth over $35.5 million. In addition, Fiscal Service ensures payment integrity by managing payment transactions that are misdirected or otherwise require intervention. In FY 2018, these transactions represented approximately $15.2 billion, and might have been erroneously spent if the transactions had not been recovered and/or corrected through robust post-payment controls. Further, using analytics and partnering with various stakeholders, Fiscal Service supported the investigation and prosecution of more than 460 cases of misdirected payments caused by forgery, altered checks, multiple mobile deposits, deceased payee fraud, potential mail fraud and more.

4.2 – Debt Management: Fund the Federal Government at the least cost over time.

Auctions:

- *Modernize Auctions Application:* Fiscal Service's auction program finances government operations by offering Treasury securities through secure electronic systems. The auction program will complete the multi-year effort to modernize the auction application software in FY 2020 and will continue to enhance the auction application software to ensure that critical auction processes continue to work flawlessly, remain secure, and operate without service disruptions.

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

All Budget Activities:

- *Innovative Financial Management Solutions*: Working with other members of the Federal financial community and in coordination with the Chief Financial Officers' Council, Fiscal Service will identify and pilot emerging technologies and practices that demonstrate a potentially high return on investment for Federal financial management. The bureau will develop proofs of concepts for technologies such as distributed ledgers (e.g., blockchain), robotics, and artificial intelligence to better understand the degree to which these technologies could be used to improve Federal financial management if put into operation.

Treasury Strategic Goal 5: Achieve Operational Excellence

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

All Budget Activities:

- *Financial Management Talent*: Fiscal Service has a goal to develop, retain, and empower the best and brightest talent to support Federal financial management. Fiscal Service continues to support this goal through several initiatives designed to increase leadership and operational competencies, improve communication across the workforce, and support collaboration and employee engagement. These efforts include: a Fiscal Service culture strategy, moving operations to field locations, a bureau-wide position management review designed to ensure position accuracy and consistency across all locations, a Commissioner's Scholarship Program, the encouragement of all employees to receive 40 hours of training per year to reinforce the development of key competencies across the workforce, and structured succession planning activities to establish sufficient bench strength for future leadership opportunities.

  Fiscal Service's 2018 Federal Employee Viewpoint Survey results revealed an upward trend in 52 of the 71 core questions asked and increases over last year in the employee engagement, diversity and inclusion, overall satisfaction, and global satisfaction indices. Fiscal Service will continue to identify opportunities to improve employee engagement and develop action plans focused on these activities.

  In 2018, Fiscal Service developed a workforce plan as well as a diversity and inclusion plan. Through these efforts and other analysis, Fiscal has implemented a disciplined hiring process that not only addresses budget constraints but allows for mission accomplishment, considers the bureau's priorities and initiatives, and ensures diversity and inclusion.

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

All Budget Activities:

- *IT Infrastructure*: Fiscal Service will increase resiliency by enhancing IT infrastructure, technical failover capabilities, and continuity of operations processes through process improvements and regular exercises. This will ensure the uninterrupted financial integrity, security, and operational efficiency of mission critical systems. It also will ensure continual enhancement of the systems and operations needed to meet critical mission functions including auctions, revenue collections, and payments.

- *Technology Modernization:* Fiscal Service is undertaking a Technology Modernization initiative to ensure an agile response capability to evolving business needs in order to best serve the nation. This effort supports the PMA by focusing on cloud adoption. Further, the modernization effort takes an enterprise approach to technology by leveraging a microservices strategy to align business functions and capabilities.

  Fiscal Service is adopting the mantra of "build once and disseminate broadly" to streamline our footprint, increase resiliency, increase "cyber hygiene," and reduce overall costs. Additional benefits provided by this strategy include: (1) improved evaluation of IT costs and level of service requirements to deliver value-added business solutions; (2) increased accuracy in measuring IT portfolio performance; and (3) increased ability to meet business requirements in a more agile manner. Fiscal Service's objective is to utilize services and capabilities that are portable, reusable, scalable, and resilient, with additional capability for automated deployment.

Over the past few years, Fiscal Service proactively made strategic investments in securing against cyber-attacks. Investments in Cyberclean have resulted in a multi-phased initiative to enhance our security posture and transfer the bureau cyber culture into one that is mission-enabling, risk-based, and proactive with shared responsibility.

5.3 – Customer Value: Improve customer value by increasing the quality and lowering the cost of Treasury's products and services.

Collections and Payments:

- *Electronic Solutions*: Fiscal Service will work to reduce the number of lockboxes used in the Federal Government to process manual collections by streamlining and consolidating facilities, continuing to transition paper processing to electronic solutions, and improving manual processing efficiencies through the use of new technologies such as robotic process automation and intelligent character recognition. By early FY 2020, Fiscal Service will complete the transition of General Lockbox Network (GLN) cash flows which will allow us to consolidate the GLN from four sites to two, and from three Financial Agents to one.

  Fiscal Service will also continue to digitize processing across all operational areas through the deployment of electronic solutions that streamline processes and reduce the paper footprint. By early FY 2020, Fiscal Service plans to begin a pilot of the U.S. Citizenship and Immigration Services document handling solution and expand on robotics process automation in the Passport lockboxes.

- *Centralize Federal Disbursing*: Through this initiative, Fiscal Service will further consolidate the disbursement of Federal payments. The Federal Government disburses over 1 billion payments annually to recipients throughout the world. Currently, Fiscal Service disburses 87 percent of these payments, with the remaining 13 percent being disbursed by non-Treasury disbursing offices. Further consolidating disbursement at Fiscal Service will eliminate redundancies, streamline end-to-end payment processing, and lower government-wide costs. Fiscal Service plans to convert the majority of Department of Defense entities to Treasury-disbursed by the end of FY 2020.

- *Common Authentication Solution and Customer-Centric Approach*: Fiscal Service will increase the capability of applications, both web and client server based, to easily honor and accept the personal identity verification (PIV), personal identity verification-interoperable (PIV-I), and DoD Common Access Card (CAC) credentials. These services will be available to all of Treasury as well as Federal public key infrastructure customers.

  Fiscal Service will work to optimize the user experience with a more customer-centric approach, reduce operational inefficiencies, and ensure security while addressing evolving standards for all consumer-facing Fiscal Service applications. In addition, expanding the use of user-friendly mobile processes will allow the public to interact with the government how they prefer.

B – Budget and Performance by Budget Activity

2.1.1 – Accounting and Reporting Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	102,661	104,600	113,413	108,312	95,822	95,175	96,979
Reimbursable Resources	6,699	10,256	24,155	23,800	18,923	25,004	20,869
Budget Activity Total	**$109,360**	**$114,856**	**$137,568**	**$132,112**	**$114,745**	**$120,179**	**$117,848**
FTE	**357**	**374**	**425**	**381**	**400**	**413**	**398**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percentage of Government-wide Accounting Reports Issued Timely (%)	100.0	99.5	100.0	100.0	100.0	100.0	98.0	98.0

2.1.1 – Accounting and Reporting Budget and Performance

($96,979,000 from direct appropriations, and $20,869,000 from reimbursable resources):
Fiscal Service has the critical responsibility of maintaining the Federal Government's set of accounts and serving as the repository of information about the financial position of the United States Government. The bureau closely monitors the government's monetary assets and liabilities at all times through its oversight of central accounting and reporting systems. Fiscal Service oversight responsibilities include helping Federal agencies use uniform accounting and reporting standards and systems and assuring the continuous exchange of financial information between Federal agencies, OMB, and financial institutions. The bureau also gathers and publishes government-wide financial information for use in establishing fiscal and debt management policies as well as to allow the public and private sectors to monitor the government's financial status. Fiscal Service is responsible for producing and maintaining various financial reports and information required by law on the financial condition and budget results of the U.S. government. The reports include:

- The Financial Report of the United States Government (FR)
- The Combined Statement of Receipts, Outlays and Balances
- The Monthly Treasury Statement
- The Daily Treasury Statement

In FY 2018, Fiscal Service remediated five audit recommendations on the FR. Furthermore, for the first time, no additional recommendations were received.

As part of the Central Accounting program, Fiscal Service:

- Produces timely and accurate financial information by operating and overseeing the government's Central Accounting Reporting System and managing $111.8 billion in daily Federal cash flows
- Generates and disseminates several reports and publications including the Daily Treasury Statement, Monthly Treasury Statement, Monthly Statement of the Public Debt, Treasury Bulletins, the Combined Statement of the United States Government, and the FR
- Issues the annual, audited Schedules of Federal Debt (Schedules) that report on the single

largest Federal liability in Treasury's annual Agency Financial Report and received an unmodified opinion for each of the past 22 years
- Manages nearly $71.8 billion in State and Local Government Series (SLGS) securities for over 2,500 customers and administers flexible investment alternatives for state and local governments to refinance their outstanding, tax-exempt debt
- Issues, redeems and services Government Account Series (GAS) securities totaling nearly $6 trillion that are held in more than 160 accounts that have specific statutory authority to invest in these special, non-marketable Treasury securities
- Administers over 10,500 loans totaling $1.4 trillion to nearly 100 accounts held by Federal agencies to support programs relating to education, housing, flood relief, and agriculture

Fiscal Service delivers on Treasury's Strategic Goal 4 (Transform Government-wide Financial Stewardship) by providing the public and Federal agencies with access to a greater range of financial data and works to improve the value, quality, and availability of Federal financial data. The establishment of government-wide financial data standards is the key to increasing the availability, accuracy, and usefulness of Federal spending information. Fiscal Service relaunched the USAspending.gov website with multiple download features including account download and database download, as well as added new features such as keyword search functionality and budget function filter. Fiscal Service will continue to work with Federal agencies and external stakeholders to enhance the capabilities and user experience of USAspending.gov.

Description of Performance:
Fiscal Service collects, analyzes, and publishes government-wide financial information, made available to both the public and private sectors, to provide transparency on the government's financial status. In FY 2018, Fiscal Service timely issued government-wide accounting reports 100 percent of the time.

Fiscal Service will meet its FY 2019 and FY 2020 performance measure targets by transforming the quality, effectiveness, and transparency of Federal financial management data; delivering value-added business process and system improvements; and expanding/enhancing relationships with stakeholders and customers.

2.1.2 – Collections Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	30,469	34,982	37,394	36,197	38,704	42,166	38,117
Reimbursable Resources	0	3,898	8,265	7,028	8,042	9,287	7,997
Budget Activity Total	**$30,469**	**$38,880**	**$45,659**	**$43,225**	**$46,746**	**$51,453**	**$46,114**
FTE	**139**	**144**	**152**	**159**	**160**	**172**	**165**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percentage of Total Federal Government Receipts Settled Electronically (%)	98.0	98.0	98.2	98.3	98.0	98.0	98.0	98.0

2.1.2 – Collections Budget and Performance

($38,117,000 from direct appropriations, and $7,997,000 from reimbursable resources):
The Collections budget activity supports the National Financial Critical Infrastructure and Treasury Strategic Goal 4 (Transform Government-wide Financial Stewardship) by administering the world's largest government funds collections systems through a network of Fiscal and Financial Agents. In FY 2018, the bureau collected nearly $4.2 trillion in Federal revenues, such as individual and corporate income tax deposits, customs duties, fees for government services, fines, and loan repayments. Within that, over $2.9 trillion in tax payments were processed through Electronic Federal Tax Payment System (EFTPS) and approximately 200.8 million transactions worth $166.8 billion were processed through Pay.gov. The dollar value of the collections and number of transactions are indicators that our responsibilities are both significant and vital to the functioning of the economy, the inner workings of the government, and to the daily lives of citizens and businesses.

By adopting eCommerce solutions and cutting-edge technology, Fiscal Service is expanding the suite of electronic payment options available to Federal agencies, individuals, businesses, tax practitioners, and financial institutions through a wide variety of alternatives, specifically, online bill payment, digital wallets, and mobile applications, all of which offer convenience, simplicity, and an enhanced customer experience. Between FY 2017 and FY 2018, online bill payments transactions and dollars collected increased by approximately 70 percent; digital wallets increased collections by 83 percent; and mobile applications increased transactions by more than 150 percent and increased dollars collected by more than 100 percent.

Description of Performance:
Fiscal Service met its target of electronically settling 98 percent of all Federal Government receipts through a continued commitment to agency outreach efforts. Fiscal Service expects to maintain an annual electronic collections rate of at least 98 percent through FY 2020 by continuing to promote the use of electronic systems in the collections process and to assist agencies in converting collections from paper to electronic media with programs such as:

- EFTPS: EFTPS is a system that allows businesses, individuals, and other entities to pay taxes electronically. There are several methods to schedule tax payments through EFTPS, including via the Internet, phone, and third-party payroll service providers. The benefits of EFTPS include accuracy, security, simplicity, and flexibility. The goal is to continue to require businesses to pay their Federal taxes electronically and focus efforts on increasing the number of individuals that pay taxes electronically. Fiscal Service will determine the implementation/transition timeline to move from current EFTPS architecture/environment to EFTPS Next Generation (EFTPSng). By modernizing and transitioning the system to EFTPSng, Fiscal Service will be able to provide a better customer experience while introducing new services and application program interfaces (APIs) to facilitate the expansion of functionality and the adoption of cloud-based technology.
- Pay.gov: Pay.gov is a web-based government-wide collections portal. It allows users to electronically fill out and submit forms, view bills, and make payments via Automated Clearing House (ACH) debit, credit card, or digital wallet. The system also provides reporting to agencies and allows individuals and businesses to make non-tax payments to Federal agencies over the internet with a mobile-friendly user interface and enhanced functionality in the areas of electronic billing and electronic forms.

- Check Conversion and Truncation: Fiscal Service is employing strategies to reduce the number of paper checks it receives and to ensure that those it does receive are converted for electronic processing. The Over the Counter Channel Application (OTCnet) and Electronic Check Processing (ECP) programs provide a complete electronic record of all check images and related financial data that is accessible by agencies and eliminate the costly and time-consuming need to photocopy checks, safeguard checks, or process paper.
- eCommerce Collections: Agencies using mobile applications avoid sending checks to lockboxes and are converting mailed-in or point-of-sale checks/cash payments to self-service ACH, card, and digital wallet payments. Digital wallets allow consumers the convenience of using their electronic wallet (card, ACH options) to pay an obligation to an agency in lieu of providing bank account and credit card information online or via phone while online bill payment allows consumers to pay Federal Government bills through their banks' websites. In FY 2018, Fiscal Service increased the cumulative volume of digital wallet transactions by 83 percent. By FY 2020, Fiscal Service will perform an analysis of the current digital wallet providers and conduct research on eCommerce industry trends to identify technologies to be implemented and to determine whether to include additional providers for digital wallet collections.

2.1.3 – Payments Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	114,650	120,769	127,943	126,685	121,462	117,581	123,355
Reimbursable Resources	78,625	81,953	111,088	111,464	117,264	120,109	118,316
Budget Activity Total	**$193,275**	**$202,722**	**$239,031**	**$238,149**	**$238,726**	**$237,690**	**$241,671**
FTE	**577**	**521**	**562**	**597**	**508**	**526**	**507**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percentage of Treasury Payments Made Electronically (%)	94.4	94.7	94.9	95.1	95.4	95.2	95.3	95.5
Count of Improper Payments Identified or Stopped Fiscal Year To Date (# in thousands)	N/A	N/A	N/A	N/A	20.3	B	20	21
Dollar Amount of Improper Payments Identified or Stopped Fiscal Year To Date ($ Millions)	N/A	N/A	N/A	N/A	35.5	B	33.6	35.3

Key: B - Baseline; N/A - Not in use in prior years; TBD - To Be Determined

2.1.3 – Payments Budget and Performance

($123,355,000 from direct appropriations, and $118,316,000 from reimbursable resources): Fiscal Service is the primary disburser of payments to individuals and businesses on behalf of Federal agencies. This includes Social Security, Veterans' benefits, and income tax refunds to more than 100 million people as well as vendor and loan payments supporting businesses; grant monies; and state funding for critical infrastructure projects and state-administered programs. The majority of the payments are disbursed through electronic funds transfers; the remaining are

check payments. Annually, Fiscal Service disburses more than 1.2 billion payments, with an associated dollar value of more than $3.5 trillion to individuals, businesses, and others around the world on behalf of more than 250 Federal entities.

The Payments budget activity supports the NFCI and Treasury Strategic Goal 4 (Transform Government-wide Financial Stewardship) by disbursing more than 87 percent of the Federal Government's payments, equating to over 1.2 billion payments worth $3.5 trillion in FY 2018. Fiscal Service uses the Payment Application Modernization (PAM) investment to disburse payments for Veterans' Compensation and Pension, Social Security Benefits, Federal and Railroad Pensions, IRS tax refunds, Supplemental Security Income (SSI), etc. PAM supports the production and delivery of Federal payments on behalf of more than 250 Federal entities with a single application that generates check, ACH, International ACH Transaction (IAT), and wire transfer payments. PAM prevents improper payments and collects delinquent debt owed to the Federal Government by automatically interfacing with core Treasury systems such as DNP and the Treasury Offset Program (TOP). Fiscal Service continues to eliminate redundancies in the Federal Government by centralizing the payment activities for a large portion of DoD and other non-Treasury disbursing agencies. This will allow those agencies to better align mission-critical resources and possibly identify future savings.

Electronic payments provide timely, accurate, and efficient disbursement of Federal Government payments; eliminate the costs associated with postage and the re-issuance of lost or stolen checks; and help to protect against fraud and identity theft. In FY 2018, Fiscal Service disbursed 98.4 percent of benefit payments electronically, supported by Direct Express®, a prepaid card program providing 4.5 million unbanked cardholders with a low-cost way to electronically receive payments and check their account balance.

The Payments budget activity also includes post payment services to settle claims against the United States resulting from Federal Government checks that have been forged, lost, stolen, or destroyed, as well as claims and reclamations of electronic funds transfer (EFT) payments. Fiscal Service ensures payee claims of non-receipt are processed, stale uncashed checks are cancelled, misdirected electronic payments are returned, monies erroneously paid to deceased individuals are recovered, and checks returned in the mail are properly safeguarded with funds redirected to the right payee or held safely in the United States Treasury. Through FY 2019, Fiscal Service will continue to invest in the Post Payment Services Investment, a consolidation of several post payment systems into a single, centralized system that will unify disparate business processes and eliminate data redundancy across systems. The Post Payment Modernization Initiative will provide Federal program agencies (FPAs) a customer portal that supports: payment verification and reconciliation, returns and cancellations, inquiries, claims processing including reclamations, funds receipt/funds management, fraud and integrity analysis, and reporting.

Fiscal Service will continue to expand efforts through a government-wide program that will support agencies, law enforcement, and states in combatting fraud, waste, abuse, and improper payments. The Payment Integrity Center of Excellence will be the trusted government-wide partner to provide actionable business insights and solutions that transform how Federal agencies

approach identifying, preventing, stopping, and recovering of improper payments and related fraudulent activity.
In addition, the Fiscal Service collects monies from those parties liable for fraudulent or otherwise improper negotiation of government checks. Support provided to the Inspector General, Assistant United States Attorneys, and state and local law enforcement agencies in the investigation and prosecution of criminals engaged in fraud related to the Treasury payment system resulted in 66 arrests, 33 convictions, and $12.9 million recovered through fines, restitution, and seizures in FY 2018.

Also, in FY 2018, Federal agencies received and processed 488,000 vendor invoices valued at $40.0 billion through Treasury's electronic invoicing solution, the Invoice Processing Platform (IPP). As the end of FY 2018, 17 CFO Act Agencies used the IPP and 96 percent of Treasury invoices were processed electronically.

DNP's mission is to protect the integrity of the Federal Government's payment processes by helping agencies mitigate and eliminate improper payments in a cost-effective manner while safeguarding the privacy of individuals. Together with the Payment Integrity Center of Excellence, DNP analytics will continue to provide advanced payment analysis services to Federal agencies. In partnership with the Federal agencies, a variety of data analyses and visualizations can be conducted to help combat improper payments. In FY 2018, DNP assisted agencies in identifying or stopping 20,336 payments valued at over $35.5 million.

<u>Description of Performance</u>:
Fiscal Service continues to increase the electronic payment rate each year. In FY 2018, the electronic payment rate rose to 95.4 percent, with the number of electronic payments increasing by 17.0 million, and paper check volume decreasing by 2.3 million. Tax refund payments continue to total more than half of the Treasury-disbursed check volume. The processing of electronic invoices also realized a large increase of more than 34,000 over the FY 2017 volume of 453,817.

The targets of 95.3 percent for FY 2019 and 95.5 percent for FY 2020 were determined by using historical data trends to determine the rate of increase/decrease to apply to future EFT and check volumes. The percentage increase/decrease differs for each of the payment types (Veterans' benefits, Social Security benefits, SSI, tax refunds, etc.).

Fiscal Service will meet FY 2019 and FY 2020 targets by promoting and increasing EFT payments with emphasis on tax refunds, vendor payments, and benefit payments; and exploring, developing, and deploying innovative, customer-driven electronic payment solutions.

In FY 2019, Fiscal Service will establish two performance measures that will provide transparency on progress towards detecting and preventing improper payments. These performance measures align with the President's Management Agenda on getting payments right. Fiscal Service, along with other partner Federal agencies, will lead the effort to prevent and detect improper payments.

2.1.4 – Retail Securities Services Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	95,249	76,711	71,252	62,559	57,356	59,381	60,643
Reimbursable Resources	17,400	6,006	16,026	12,642	12,100	17,854	13,166
Budget Activity Total	**$112,649**	**$82,717**	**$87,278**	**$75,201**	**$69,456**	**$77,235**	**$73,809**
FTE	**491**	**442**	**436**	**472**	**434**	**447**	**430**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Cost Per Customer Assisted Retail Transaction ($)	N/A	N/A	N/A	B	116.24	124.78	DISC	DISC
Cost Per Electronic Retail Transaction ($)	N/A	N/A	N/A	B	3.06	3.46	DISC	DISC
Percentage of Retail Customer Service Transactions That Are Unassisted (%)	N/A	N/A	N/A	N/A	N/A	N/A	B	TBD

Key: Disc - Discontinue; B - Baseline; N/A - Not in use in prior years; TBD - To Be Determined

2.1.4 – Retail Securities Services Budget and Performance

($60,643,000 from direct appropriations, and $13,166,000 from reimbursable resources):
Retail Securities Services (RSS) provides simple, safe, and affordable ways for Americans to directly interact with the Department of the Treasury to save for their future by investing in Treasury securities. The U.S. Treasury began offering savings bonds in paper from in 1935. Today, electronic savings bonds and marketable securities are sold through TreasuryDirect, an internet-based book-entry system for purchasing, holding and conducting Treasury securities transactions. In FY 2018, Fiscal Service electronically issued $63.6 billion in marketable securities and $394.4 million in savings bonds; redeemed 22 million paper savings bonds totaling $10.4 billion and $890.0 million in electronic savings bonds; added 190,828 new accounts to TreasuryDirect; and made 2.5 million retail payments worth $19.9 billion.

RSS continues to modernize systems to allow individual investors to purchase, view, redeem, and manage their investments electronically. Over the next few years, RSS will continue to develop customer service improvements to increase customer self-sufficiency and encourage more Americans to save for their future while achieving our financing mission cost effectively.

Description of Performance:
Cost of Customer Assisted Retail Transaction and *Cost per Electronic Retail Transactions* performance measures have been discontinued due to the rigid nature of the associated fixed costs producing skewed results. *Percent of Retail Customer Service Transactions That Are Unassisted* is the new performance measures, which encompasses self-directed customer interactions for current and future retail securities. In addition, it aligns with Fiscal Service goals and objectives to improve customer value by increasing the quality and self-sufficiency.

2.1.5 – Wholesale Securities Services Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	12,840	10,676	13,848	19,304	24,936	23,977	21,243
Reimbursable Resources	2,346	927	3,115	4,214	4,613	5,505	4,605
Budget Activity Total	**$15,186**	**$11,603**	**$16,963**	**$23,518**	**$29,549**	**$29,482**	**$25,848**
FTE	**121**	**109**	**78**	**117**	**116**	**119**	**119**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percentage of Auction Results Released Accurately (%)	99.3	99.6	100.0	98.9	98.9	100.0	100.0	100.0
Percent of Auctions Successfully Completed by the Scheduled Close Date	N/A	N/A	N/A	N/A	N/A	N/A	B	100.0

Key: B - Baseline; N/A - Not in use in prior years

2.1.5 – Wholesale Securities Services Budget and Performance

($21,243,000 from direct appropriations, and $4,605,000 from reimbursable resources):
The Wholesale Securities Services (WSS) program supports the NCFI by managing a critical Treasury HVA that enables the Federal Government to finance daily operations through reliable, accurate, and secure electronic systems. The vision is to manage Treasury's debt issuance operations in a manner that supports the evolving policy objectives and the needs of investors; leverages technology to conduct efficient, effective and reliable auctions; and collaboratively draws upon the strengths of all business stakeholders. Fiscal Service also supports Treasury's Strategic Goal 4 (Transform Government-wide Financial Stewardship) and Treasury's Strategic Objective 4.1 to better enable mission delivery by improving the reliability, security, and resiliency of Treasury's infrastructure.

Fiscal Service is responsible for the announcement, auction, issuance, and settlement of marketable Treasury bills, notes, bonds, inflation-protected securities, and floating rate notes. The program also oversees the portion of the Federal infrastructure that provides for the transfer, custody, and redemption of all Treasury marketable securities, purchased mostly by commercial market participants. The overarching goal is to finance the Federal Government at the lowest cost over time.

Description of Performance:
Fiscal Service awarded $10.0 trillion in Treasury marketable securities to institutions and individual investors by conducting 270 auctions to fund critical daily Federal operations in FY 2018. The Percent of Auction Results Released Accurately at 98.9 percent in FY 2018 was slightly below the target of 100 percent due to a technical issue that was since resolved. In FY 2019, Fiscal Service will continue to measure its performance as it relates to the accuracy of the auction results. The program will also introduce a new performance measure to track the percentage of auctions held by the scheduled close date. This will measure the operational resiliency of the program and, while FY 2019 is a baseline year, the target is anticipated to be 100 percent performance in FY 2020.

To achieve FY 2019 and FY 2020 performance, Fiscal Service will complete a multi-year initiative to modernize the system application software and technology components and will continue to test the secondary and tertiary backup systems.

2.1.6 – Debt Collection Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Reimbursable Resources	139,377	174,634	187,152	176,928	192,819	209,809	226,576
Budget Activity Total	**$139,377**	**$174,634**	**$187,152**	**$176,928**	**$192,819**	**$209,809**	**$226,576**
FTE	**363**	**406**	**390**	**417**	**389**	**422**	**422**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Amount of Delinquent Debt Collected Through All Available Tools ($ billions)	6.91	7.28	7.41	7.61	7.44	7.56	7.67	7.80
All Delinquent Debt Collected FYTD as a Percentage of all Delinquent Debt Referred FYTD (%)	N/A	N/A	N/A	N/A	N/A	N/A	B	TBD
Percentage of the active delinquent debt portfolio collected FYTD (%)	N/A	N/A	N/A	N/A	N/A	N/A	B	TBD

Key: DISC - Discontinue; B - Baseline; TBD - To Be Determined

2.1.6 – Debt Collection Budget and Performance

($226,576,000 from reimbursable resources)

The Debt Collection activity supports Treasury’s Strategic Goal 4 (Transform Government-wide Financial Stewardship). Fiscal Service is the government's central debt collection agency, managing the government's delinquent debt portfolio and collecting delinquent debts owed to the United States, such as Federal mortgage, small business, or student loans; Federal salary or benefit overpayments; and fines or penalties assessed by Federal agencies. In FY 2018, Fiscal Service collected $7.44 billion in delinquent debt through its two debt collection programs: TOP and Cross-Servicing.

Through TOP, the names and taxpayer identifying numbers of debtors included in a Fiscal Service database are matched against the names and taxpayer identifying numbers of recipients of Federal payments. If there are matches, the amounts of the payments are reduced ("offset") to satisfy the delinquent debts.

Through Cross-Servicing, delinquent debts referred to Fiscal Service by Federal agencies are collected several ways, including offsetting Federal payments, sending demand letters to debtors, entering into payment agreements, withholding wages administratively, referring debts to the Department of Justice for action, reporting to credit bureaus, and contracting for the services of private collection agencies.

Fiscal Service continues to help agencies implement Section 5 of the DATA Act, which amended the Debt Collection Improvement Act of 1996 to require agencies to refer eligible debt to Fiscal Service at 120 days delinquent, rather than 180 days, and requires Treasury to report non-compliance to Congress. In addition, Fiscal Service continues to work with OMB and agencies on the new tools developed for tracking compliance, as required.

Description of Performance:
FY 2018 was the first time in five years that Fiscal Service did not exceed the amount of delinquent debt collected over the previous year. This decrease was due to declines in tax refund offsets because of the inability to refer debts to Private Collections Agencies (PCAs) for a majority of the fiscal year due to technical difficulties, a decline in collections from child support, and a drop in Unemployment Insurance Compensation collections. Tax refund offsets should increase in FY 2019 as Fiscal Service is referring debt again to PCAs.

Despite these challenges, projections for FY 2019 and FY 2020 show a return to modest growth in overall collections years. The performance targets for FY 2019 and FY 2020 are to collect $7.82 billion and $7.96 billion in delinquent debt, respectively. A sophisticated planning model using debt data and macroeconomic variables is the basis for this target forecast. The model is designed to take into account economic fluctuations, as well as debt referral changes, in order to forecast collections.

To meet FY 2019 and FY 2020 delinquent debt performance targets, Fiscal Service will continue to develop and implement strategies to increase automation, standardization, and overall process efficiencies. In addition, new payment streams and individual payments will be added to TOP that produce offsets and increase delinquent debt collection.

C – Changes in Performance Measures

Performance Measure or Indicator	**Change and Justification**
1. Cost Per Electronic Retail Transaction ($) (discontinue) **Budget Activity:** Retail Securities Services	Discontinue. This measure is dependent on fixed costs associated with the number of customer assisted or unassisted transactions
2. Cost Per Customer Assisted Retail Transaction ($) (discontinue) **Budget Activity:** Retail Securities Services	Discontinue. This measure is dependent on fixed costs associated with the number of customer assisted or unassisted transactions.
3. Percentage of Retail Securities Transactions that are Unassisted (%) (add) **Budget Activity:** Retail Securities Services	Add. This measure drives toward all electronic transactions and encompasses self-directed customer interactions for current and future retail securities. The measure aligns with Treasury strategic goal 5.3 to improve customer value by increasing quality and self-sufficiency.
4. Count of Improper Payments Identified or Stopped FYTD (#) (add) **Budget Activity:** Payments	Add. Treasury leads government efforts to understand and reduce improper payments. This measure tracks the number of payments identified as improper plus the payments prevented.
5. Dollar Amount of Improper Payments Identified or Stopped FYTD ($ Millions) (add) **Budget Activity:** Payments	Add. This measure tracks the dollar amount of payments identified as improper plus the payments prevented.

Performance Measure or Indicator	Change and Justification
6. All Delinquent Debt Collected FYTD as a Percentage of all Delinquent Debt Referred FYTD (%) (add) **Budget Activity:** Debt Collection	Add. This measure complements the already reported measure of “total amount of delinquent debt”. This measure tracks Fiscal Service’s efforts in reducing total delinquent federal debt growth.
7. Percentage of the Active Delinquent Debt Portfolio Collected FYTD (%) (add) **Budget Activity:** Debt Collection	Add. This measure tracks the total debt collected FYTD against the total “active” debt portfolio. The active portfolio is defined as any debt which receives at least one payment during that FY.

Section III – Additional Information

A – Summary of Capital Investments

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

Effective Investment Governance

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

Effective Project Execution

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

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

Enterprise Risk Management (ERM)
The nature of Fiscal Service's work requires effective enterprise risk management and high levels of performance to ensure the bureau maintains operational excellence while seeking innovative solutions to improve efficiencies and transform financial management and the delivery of shared services in the Federal Government. As such, Fiscal Service has established an ERM office to promote a common understanding and approach to risk management and strengthen organizational capabilities to recognize, assess, and address risks that could disrupt the successful achievement of strategic objectives. Through the development and issuance of an ERM framework, policies, guidance, and tools, the bureau incorporates risk management practices in decision-making processes such as strategic and tactical planning, workforce planning, capital investment planning, and budget formulation. Fiscal Service will continue to communicate the importance of effective risk management to all employees.

Cybersecurity
Fiscal Service has a multi-faceted mission that promotes financial integrity and operational efficiency across the Federal Government. As such, protecting the information and technology resources that support the bureau's mission are critically important. Financial integrity and operational efficiency are accomplished by effective, coordinated management of security risks and incidents that ensure the confidentiality, integrity, and availability of the bureau's systems are maintained. Fiscal Service employs an in-depth defense strategy to protect against, detect, and respond to anomalies in the bureau's network and systems. In addition, Enterprise Cybersecurity ensures Fiscal Service information technology resources are in compliance with the National Institute of Standards and Technology security standards and satisfies annual security audit requirements.

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

Department of the Treasury
Office of Financial Stability

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

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Section I – Purpose

A – Mission Statement

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

Since late 2010, OFS has made significant progress in winding down TARP investment programs and in recovering OFS's outstanding investments. OFS continues to operate a housing program under TARP to help struggling families avoid foreclosure, but in 2016 began to wind-down the largest TARP housing program. As of November 30, 2018, OFS has recovered more than 96 percent of the $440.6 billion in total program funds disbursed under TARP, as well as an additional $17.6 billion from Treasury's equity in AIG. When all of Treasury's AIG investments are included, the amount recovered is greater than the funds disbursed by more than $2.0 billion.

1.1 - Program Account Summary

Dollars in Thousands

	FY 2018	FY 2019	FY 2020	FY 2019 to FY 2020	
	Actual	Estimated	Estimated	Change	% Change
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Obligations					
Equity Program Account	$0	$1,073	$0	($1,073)	-100.00%
Housing Account	$11	$0	$0	$0	0.00%
TARP Account	$0	$0	$0	$0	0.00%
TARP Administrative Account	$75,057	$61,796	$53,469	($8,327)	-13.48%
TARP Negative Downward Reestimate Receipt Account	($14,586)	($26,982)	$0	$26,982	-100.00%
TARP Negative Subsidy Receipt Account	$0	$0	$0	$0	0.00%
Total Obligations	**$60,483**	**$35,887**	**$53,469**	**$17,582**	**48.99%**
Budget Authority					
Equity Program Account	$0	$1,073	$0	($1,073)	-100.00%
Housing Account	$11	$0	$0	$0	0.00%
TARP Account	$0	$0	$0	$0	0.00%
TARP Administrative Account	$78,465	$61,796	$53,469	($8,327)	-13.48%
TARP Negative Downward Reestimate Receipt Account	($14,586)	($26,982)	$0	$26,982	-100.00%
TARP Negative Subsidy Receipt Account	$0	$0	$0	$0	0.00%
Total Budget Authority	**$63,890**	**$35,887**	**$53,469**	**$17,582**	**48.99%**
Outlays					
Equity Program Account	$0	$1,073	$0	($1,073)	-100.00%
Housing Account	$2,225,616	$1,723,863	$1,117,202	($606,660)	-35.19%
TARP Account	$0	$0	$0	$0	0.00%
TARP Administrative Account	$64,136	$101,130	$54,135	($46,996)	-46.47%
TARP Negative Downward Reestimate Receipt Account	($14,586)	($26,982)	$0	$26,982	-100.00%
TARP Negative Subsidy Receipt Account	$0	$0	$0	$0	0.00%
Total Outlays	**$2,275,166**	**$1,799,084**	**$1,171,337**	**($627,747)**	**-34.89%**
FTE	32	24	20	-4	-16.67%

1.2 – Financing Account Summary
Dollars in Thousands

	FY 2018 Actual AMOUNT	FY 2019 Estimated AMOUNT	FY 2020 Estimated AMOUNT	FY 2019 to FY 2020 Change AMOUNT	FY 2019 to FY 2020 % Change AMOUNT
TARP Direct Loans					
Obligations	$5,154	$13,131	$0	($13,131)	-100.00%
Collections	$13,131	$0	$0	$0	0.00%
Financing Authority (net)	$0	$0	$0	$0	0.00%
Financing Disbursements (net)	($7,977)	$13,131	$0	($13,131)	-100.00%
Equity Purchases					
Obligations	$10,929	$14,693	$408	($14,285)	-97.22%
Collections	$54,205	$44,618	$9,093	($35,525)	-79.62%
Financing Authority (net)	($27,700)	($42,166)	($8,653)	$33,513	-79.48%
Financing Disbursements (net)	($43,276)	($29,925)	($8,685)	$21,240	-70.98%
Housing					
Obligations	$1,740	$2,430	$1,040	($1,390)	-57.22%
Collections	$53	$29	$10	($19)	-63.94%
Financing Authority (net)	$0	$0	$0	$0	0.00%
Financing Disbursements (net)	$1,687	$2,401	$1,029	($1,372)	-57.13%

1.2 – Program Disbursement, Repayments, and Cost/Savings
Dollars in Billions

	Cumulative Obligated (as of 11/30/2018)	Cumulative Disbursed (as of 11/30/2018)	Cumulative Outstanding (as of 11/30/2018)	Total Cumulative Income (as of 11/30/2017)	Total Cash Back (as of 11/30/2018)	Total Estimated Life Costs (as of 11/30/2018)	
Bank Support Programs	250.5	245.1	0.1	35.7	275.5	(24.3)	
Credit Market Programs	19.1	19.1	0.0	4.5	23.6	(3.3)	
AIG Investment Program (AIG)	67.8	67.8	0.0	1.0	55.3	15.2	*
Automotive Industry Financing Program	79.7	79.7	0.0	7.4	70.5	12.1	
Treasury Housing Programs	33.4	28.9			0.0	32.8	
Total	**450.5**	**440.6**	**0.1**	**48.6**	**425.0**	**32.5**	
Additional AIG Common Shares Held by Treasury	0.0	0.0	0.0	17.6	17.6	(17.6)	*
Total for Programs and Shares	**450.5**	**440.6**	**0.1**	**66.2**	**442.6**	**14.9**	

*If all Treasury AIG Investments are combined, we currently estimate a net gain of nearly $2.4 billion on those share

B – Vision, Priorities and Context
TARP was created by EESA in October 2008 as part of a broad-based federal response to the financial crisis. The purposes of EESA were —

(1) to immediately provide authority and facilities that the Secretary of the Treasury could use to restore liquidity and stability to the financial system of the United States; and

(2) to ensure that such authority and facilities were provided in a manner that would —

(A) protect home values, college funds, retirement accounts, and life savings;

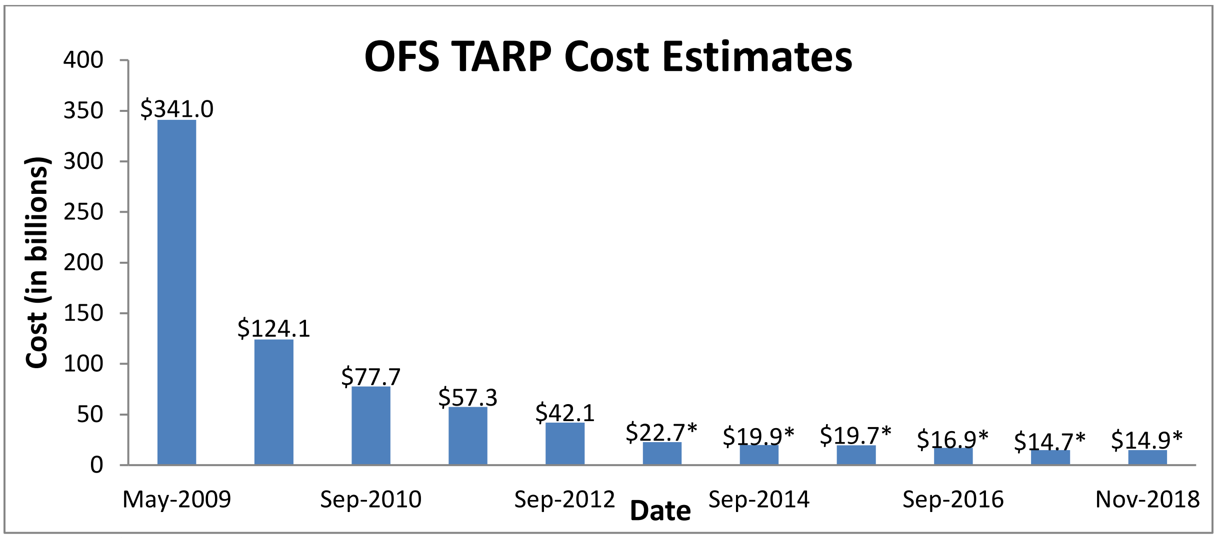
(B) preserve homeownership and promote jobs and economic growth;

(C) maximize overall returns to the taxpayers of the United States; and

(D) provide public accountability for the exercise of such authority.

EESA vested authority in the Secretary of the Treasury to "purchase, and to make and fund commitments to purchase, troubled assets from any financial institution, on such terms and conditions as are determined by the Secretary." This program supports the Department's goal of financial stewardship.

As a result of improved financial conditions and careful stewardship of the program, the ultimate cost to taxpayers of TARP investments is estimated to be significantly lower than initially expected. In Fiscal Year (FY) 2009, the program was projected to cost $341 billion, but it is now estimated to cost only $32.5 billion (of which -$0.3 billion relates to investments and $32.8 billion relates to housing programs that do not require repayments by recipients) as of November 30, 2018, lifetime costs are projected at $14.9 billion with the inclusion of receipts from Treasury's sale of additional AIG common stock.



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

During FY 2019 and FY 2020, OFS's priority is to continue the responsible wind-down of all TARP programs.

OFS Administrative Expenses

The authority for OFS's administrative funding is provided in section 118 of EESA. In FY 2019, OFS plans to obligate no more than $62 million and use no more than 24 Full-Time Equivalent (FTE) employees. In FY 2020, OFS plans to obligate no more than $54 million and 20 FTE employees, a reduction of over 13 percent and 16 percent respectively from the current FY 2019 estimates, to fund the management, maintenance and continued wind-down of the TARP housing programs and the disposition of OFS's remaining investments.

C - Credit Reform Account Description

Section 123 of EESA requires the cost of TARP programs to be calculated using the methods required by the Federal Credit Reform Act of 1990 ("credit reform"). In addition to the OFS Administrative Account, the organization manages six accounts to comply with the credit reform accounting requirements: (1) the TARP Equity Purchase Program Account; (2) the TARP Equity Purchase Financing Account (EPFA); (3) the TARP Housing Programs Account; (4) the

TARP Housing Programs, Letter of Credit (LOC) Financing Account; (5) the TARP Program Account; and (6) the TARP Direct Loan Financing Account (DLFA).

Account Descriptions

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

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

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

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

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

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

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

1.4 – Budget Adjustments Table

Dollars in Thousands

Office of Financial Stability	FTE	Amount
FY 2019 Estimated	**24**	**$61,796**
Changes to Base:		
Maintaining Current Levels (MCLs):	-	$1,155
Non-Pay	-	$1,155
Subtotal Changes to Base	0	$1,155
Total FY 2020 Base	**24**	**$62,951**
Program Changes:		
Program Decreases:	(4)	($9,482)
Housing Program Support	0	($4,032)
Maintenance and Disposition of Assets:	0	($230)
OFS Salaries and Benefits	(4)	($646)
Organizational Support	0	($4,574)
Total FY 2020 Estimated	**20**	**$53,469**

D – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$1,155,000 / +0 FTE

Non-Pay +$1,155,000 / +0 FTE

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

Program Decreases .... -$9,482,000 / -4 FTE

Housing Program Support -$4,032,000 / -0 FTE

Administrative and compliance functions will continue to wind-down during FY 2019 and over time as programs close and no new assistance actions are provided and commitments are paid.

Maintenance and Disposition of Assets -$230,000 / -0 FTE

During FY 2019, OFS will continue the disposition of its position in the remaining Capital Purchase Program (CPP) and Community Development Capital Initiative institutions (CDCI). In FY 2020, OFS expects its portfolio to be composed of no more than a handful of institutions, primarily CDCI institutions.

OFS Salaries and Benefits -$646,000 / -4 FTE

Savings resulted from natural attrition and expiration of term appointments due to the wind-down of various TARP programs.

Organizational Support -$4,574,000/ -0 FTE

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

1.5 – Operating Levels Table

Dollars in Thousands

Office of Financial Stability Object Classification	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
11.1 - Full-time permanent	$4,181	$3,039	$2,533
11.7 - Other Personnel Compensation	$1,228	$996	$862
11.9 - Personnel Compensation (Total)	**$5,410**	**$4,035**	**$3,394**
12.0 - Personnel benefits	$72	$30	$25
Total Personnel and Compensation Benefits	**$5,482**	**$4,066**	**$3,419**
21.0 - Travel and transportation of persons	$25	$36	$30
23.0 - Rent, Communications and Utilities	$3	$4	$4
25.1 - Advisory and assistance services	$11,287	$10,333	$7,826
25.2 - Other services	$45,961	$36,864	$33,615
25.3 - Other purchases of goods & serv frm Govt accounts	$12,300	$10,480	$8,560
26.0 - Supplies and materials	$0	$6	$6
31.0 - Equipment	$0	$8	$8
Total Non-Personnel	**$69,575**	**$57,731**	**$50,050**
Subtotal New Budgetary Resources	**$75,057**	**$61,796**	**$53,469**
FTE	**32**	**24**	**20**

Table includes direct FTEs
Totals may not foot due to rounding

E – Appropriations Language and Explanation of Changes

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

F – Legislative Proposals

Treasury is seeking certain legislative changes related to OFS and TARP to reduce the frequency and necessity of several statutory reporting requirements that were established when TARP was created. Although these reporting requirements corresponded to the level of risk associated with a start-up entity in 2009, risk has dramatically decreased as programs have closed. OFS estimates that enacting the following legislative proposals would result in more than $2 million in annual savings in contracting cost and Government Accountability Office (GAO) reimbursements and would reduce OFS's workload by four FTE employees per year. The remaining statutory requirements will continue to provide sufficient transparency during the wind-down of TARP.

Replace OFS's stand-alone financial audit performed by GAO: Since inception, OFS has been required to undertake a stand-alone financial audit requiring significant resources. As the majority of programs have closed, the need for a stand-alone audit has diminished. As such, a stand-alone financial audit could be replaced with an agreed-upon procedure (AUP) performed by GAO, or Treasury's Office of the Inspector General could audit OFS's financial operations under the Treasury-wide audit, similar to most other Treasury programs.

Sunset the Financial Stability Oversight Board (FinSOB): This interagency group meets monthly and reports quarterly. The group reviewed OFS's program formulation and monitored program performance. The need for the board's oversight and reporting has diminished as no new OFS programs can be implemented, all major investments have been disposed of, and the housing programs are in wind-down.

Change the frequency of the Section 105(a) report ("Congressional Monthly"): This performance report remains generally static from month-to-month. With most programs having closed, less frequent (quarterly) reporting is warranted.

Eliminate the Administrative Activity Report ("Obligation Report"): This quarterly report provides data on administrative obligations by OFS office and is required under the annual Treasury appropriations bill. OFS has been prudent in the use of administrative funds and has been reducing obligations by approximately 20 percent per year over the last five years.

Section II - Annual Performance Plan and Report

A – Strategic Alignment
OFS's continued wind-down efforts align with Treasury's strategic goal of transforming government-wide financial stewardship.

Bank Support Programs
CPP: OFS created CPP, its largest program, in October 2008. OFS provided a total of $204.9 billion in capital to 707 institutions in 48 states. During FY 2018, OFS continued to wind-down remaining CPP investments through repayments by those institutions that were able to do so and restructuring investments in limited cases. As of November 30, 2018, CPP has generated $226.8 billion in recoveries for taxpayers with three institutions remaining in the program, for a total of $23 million in investments outstanding.

CDCI: OFS created CDCI on February 3, 2010, to provide investments of capital to certified Community Development Financial Institutions (CDFI) banks, thrifts, and credit unions. OFS invested $570 million in 84 CDFIs, of which 28 institutions converted $363 million (including warrants) from CPP to CDCI. The initial dividend or interest rate was two percent. To encourage repayment, the dividend rate increased to nine percent after eight years, which occurred in August and September, 2018. As of November 30, 2018, CDCI has generated $579 million in recoveries for taxpayers with eight institutions remaining in the program, for a total of $29 million in investments outstanding.

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

MHA: In 2009, OFS launched MHA to help homeowners prevent avoidable foreclosures and strengthen the housing market. The cornerstone of MHA is the Home Affordable Modification Program (HAMP), which provides eligible homeowners the opportunity to reduce their monthly mortgage payments. In accordance with provisions of the Act, MHA terminated on December 31, 2016, except with respect to certain applications made before such date. MHA servicers were required to design policies and procedures to reasonably ensure that all MHA transactions were completed by December 1, 2017. As of November 30, 2018, OFS had disbursed $19.8 billion out of a possible $23.8 billion under MHA.

HHF: Established in 2010 to provide aid to homeowners in states hit hardest by the economic and housing market downturn. The $7.6 billion initiative encompassed 18 states and the District of Columbia (D.C.). In December 2015, the Consolidated Appropriations Act, 2016 (the Act) granted Treasury authority to make an additional $2.0 billion in commitments through the HHF. As of November 30, 2018, OFS had disbursed $9.1 billion out of a possible $9.6 billion under HHF.

FHA Short Refinance Program: OFS continues to support the FHA Short Refinance Program, which was intended to assist borrowers with negative equity. The program has seen limited participation. As such, OFS has incrementally reduced the LOC Facility supporting this program from an initial $8.0 billion to $27 million in FY 2017, which matches OFS's maximum liability for loans covered by the program as of December 31, 2016, when the program ended for new refinances. As of November 30, 2018, the revised lifetime cost estimate for the program was $15 million for outstanding refinanced loans.

Other Programs

Automotive Industry Financing Program (AIFP): OFS fully wound down AIFP during FY 2015, selling its remaining stake in Ally Financial. OFS disbursed $79.7 billion in loans and equity investments to the automotive industry through the AIFP. As of November 30, 2018, OFS had collected $70.5 billion through sales, repayments, dividends, interest, recoveries, and other income. Recoveries from the bankruptcy liquidation of Old Chrysler and Old GM remain possible.

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

B – Office of Financial Stablity Performance

Performance Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Clean Audit Opinion on TARP Financial Statements (ensure transparency of operations to the public)	1	1	1	1	1	1	1	1
Percentage of Congressional Constituent Correspondence Responses Completed within 10 Business Days of Receipt	92	50	66.75	87.5	100	100	100	100
Percentage of Customers Satisfied with FinancialStability.gov (Self Selected Respondents) (ensure transparency of operations to the public)	69	66.5	73	69.25	69.25	75	75	75
Percentage of FOIA Assignments On-Time or Less Than 30-Days Overdue (ensure transparency within the government)	15.0	13.03	56.56	85	85	80	85	85
Percentage of SIGTARP and GAO Oversight Recommendations Responded to On-Time (ensure transparency of operations to the public)	100	100	100	100	100	100	100	100
Percentage of Statutorily-Mandated Reports Submitted On-Time (ensure transparency of operations to the public)	99	100	94.7	96.25	100	100	100	100

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

C – Operational Goals

OFS's strategic goal is to transform government-wide financial stewardship and the request will support the underlying operational goals to help OFS achieve this strategic goal. These operational goals include:

1. Completing the wind-down of remaining TARP investment programs;
2. Continuing to help struggling homeowners avoid foreclosure;
3. Minimizing the cost of the TARP programs to the taxpayer; and
4. Operating with the highest standards of transparency, accountability, and integrity.

<u>Completing the wind-down of remaining TARP investment programs</u>

The first Operational Goal is to complete the wind-down of the remaining TARP investment programs, the CPP and CDCI. OFS continues to exit CPP and CDCI by either: (i) allowing banks that are able to repurchase in full in the near future to do so; or (ii) restructuring and selling OFS's investments in limited cases. The dividend rate step-ups for CDCI banks took effect in 2018, which increased the rate of bank repayments. OFS continues to work with CPP institutions to restructure certain investments that will allow them to exit TARP. As of November 30, 2018, OFS had $23 million in outstanding CPP investments and $29 million in outstanding CDCI investments.

<u>Continuing to help struggling homeowners avoid foreclosure</u>

OFS's second Operational Goal is to continue helping struggling homeowners avoid foreclosure. The Act, signed into law on December 18, 2015, provided that the MHA program would terminate on December 31, 2016, except with respect to certain loan modification applications made before such date. As set forth in program guidelines, MHA servicers were required to evaluate applications submitted before the deadline and offer trial modifications to eligible applicants. All MHA transactions, including first and second lien permanent modifications, short sales or deeds-in-lieu of foreclosure, and unemployment forbearance plans, were required to be completed per program guidelines by December 1, 2017. Under this program, as of November 30, 2018, more than 1.7 million homeowners have secured permanent mortgage modifications. In addition, the HHF Program provides funding to 18 states and D.C. to assist struggling homeowners. At this late stage of the HHF program, many of the states have closed or expect to close their largest programs.

<u>Minimizing the cost of the TARP programs to the taxpayer</u>

The third Operational Goal of OFS is to minimize the cost of the TARP programs to the taxpayer. OFS pursues this goal by carefully managing the timely exit of these investments to reduce taxpayers' exposure, returning TARP funds to reduce the federal debt, and continuing to replace government assistance with private capital in the financial system. OFS also takes steps to confirm that TARP recipients comply with any TARP-related statutory or contractual obligations such as executive compensation requirements and restrictions on dividend payments.

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

Section III - Additional Information

A – Summary of Capital Investments

OFS uses Departmental Offices' (DO) system and is part of DO's capital investment strategy.

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

Department of the Treasury
Office of Financial Research

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

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Section I - Budget Request

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

B – Summary of the Request
The Office of Financial Research (OFR) is estimating a fiscal year (FY) 2020 funding level of $75.271 million, which is flat with its FY 2019 estimated funding level. To align with the Administration's initiative to improve government efficiency and effectiveness, the OFR implemented an organizational realignment effort to ensure appropriate structure for maximum efficiency. In addition, the Budget reflects continued reductions in OFR non-labor spending commensurate with the renewed fiscal discipline being applied across the Federal Government. The Budget also proposes to impose appropriate Congressional oversight of OFR functions by subjecting its activities to the annual appropriations process beginning in FY 2021.

1.1 – Resource Detail Table
Dollars in Thousands

Office of Financial Research	FY 2018		FY 2019		FY 2020		FY 2019 to FY 2020			
Budgetary Resources	Actual		Estimated		Estimated		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Assessments[1]		$49,444		$62,995		$59,748		($3,247)		-5%
Interest		$823		$1,175		$1,254		$79		7%
Recovery of Prior Year Paid Obligations		$22		$31		$31		$0		0%
Recovery of Prior Year Unpaid Obligations		$6,243		$3,727		$3,428		($299)		-8%
Restoration of Sequestration Rescission		$5,394		$3,418		$3,979		$561		16%
Unobligated Balances from Prior Years		$65,134		$47,728		$39,824		($7,904)		-17%
Offsetting Collections		$111		$0		$0		$0		NA
Total Revenue/Offsetting Collections		**$127,171**		**$119,074**		**$108,264**		**($10,810)**		**-9%**
Expenses/Obligations										
Data Center	42	$15,967	10	$6,010	12	$6,796	2	$786	20.00%	13%
Technology Center	52	$23,530	61	$34,162	63	$32,218	2	($1,944)	3.28%	-6%
Research and Analysis Center	42	$12,302	29	$13,180	36	$14,274	7	$1,094	24.14%	8%
Operations and Support Services	49	$24,226	30	$21,919	34	$21,983	4	$64	13.33%	0%
Total Expenses/Obligations	**185**	**$76,025**	**130**	**$75,271**	**145**	**$75,271**	**15**	**$0**	11.54%	0%
Sequestration Reduction		($3,418)		($3,979)		$0		$3,979		
Net Results		**$47,728**		**$39,824**		**$32,993**		**($6,831)**		**-17%**

1) The OFR is financed through assessments on certain bank holding companies and nonbank financial companies. See Treasury's final rule and interim final rule governing the Assessments process: https://www.financialresearch.gov/strategy-budget/files/final_rule_interim_final_rule.pdf
2) The funding for the first six months of operating expenses and 12 months of capital expenses are reflected in Unobligated Balances from Prior Years. This is because the first assessment covering the fiscal year beginning October 1 is collected on September 15 of the prior fiscal year. This makes it appear as though large amounts of unobligated balances went unused, when in fact very little, if any, of those balances were from under execution.

C – Vision, Priorities, and Context
The OFR, or Office, resides within the Department of the Treasury (Treasury). In carrying out its mission, the OFR seeks to support achievement of a transparent, efficient, and stable financial system. The OFR's work contributes to the efforts of the regulatory community, the Treasury, and the Congress to make informed and comprehensive policies and take actions that will strengthen the financial system. This work is dependent on data, which the OFR obtains from member agencies, commercial data providers, publicly available data sources, and financial

companies in support, and at the direction, of the Council. The OFR obtains data from the financial regulators and financial companies either voluntarily, or, where necessary, using its rulemaking authority. It may also subpoena data. For example, the OFR has scores of agreements with other regulators to obtain, among other things, information about bank stress testing and information about risks in private funds. In addition, the OFR obtains information from specific firms under consideration by the Council for heightened supervision. Finally, the OFR recently promulgated a rule that will collect information about transactions in the securities repurchase agreements market. In addition, the OFR is authorized to, and does, provide certain data to the regulatory community, the Treasury, financial industry participants, and the general public to increase market transparency and facilitate monitoring of and research on the financial system.

Using this data, the Office monitors the financial environment for the emergence of new vulnerabilities and migration of financial activity that could threaten financial stability. The Office takes an objective position to evaluate macroprudential policies and assess financial stability risks and sources of resilience, advocate for needed data standards, help the regulatory community enhance its peripheral vision, and produce work that may have previously been beyond the reach of individual regulatory agencies and other important stakeholders. In addition to developing standards for data collection, the Office facilitates the development of standards for financial data so that a common language and way of describing institutions and activities in our markets are used globally. By law the OFR is required to create a legal entity identifier database, and has done so by establishing a global system that currently identifies over 1.4 million firms. We are also working with Council member agencies and global coordinating bodies to develop standards for transaction identification, instrument classification, and critical data elements in the derivatives markets.

In the OFR Strategic Plan for FY 2015-2019, the OFR established three strategic goals that reflect its primary functions in data and analysis, data standardization, and research.[1] The plan will continue to guide the Office's work and will support the decisions made about resources needed to implement those strategies while a new OFR Strategic Plan for FY 2020-2024 is drafted with a targeted publication date of FY 2019 Q4. The three goals in the current OFR Strategic Plan are:

1. **The OFR is an essential source of data and analysis for monitoring threats to financial stability.**

   Key objectives of this goal include:

   - The OFR's monitoring tools and analyses are widely used and critical to assessing financial stability.
   - Data used to monitor financial stability are comprehensive, reliable, and accessible to policy makers and the public through the OFR.

[1] See the OFR Strategic Plan for FY 2015-2019: http://financialresearch.gov/strategy-budget/files/Office-of-Financial-Research-Strategic-Plan-2015-2019.pdf.

- Data providers and the public trust, acknowledge, and recognize that OFR data are protected and secure.

2. **Standards that improve the quality and utility of financial data are identified and adopted.**

   Key objectives of this goal include:
   - Recognition of the need for standards by policy makers and industry.
   - The OFR is the source of expert knowledge needed to develop and implement types and formats of data reported and collected.
   - Financial data standards that create efficiencies and facilitate analysis are widely used.

3. **Leading edge research improves financial stability monitoring and the scope and quality of financial data, and informs policy and risk management.**

   Key objectives of this goal include:
   - The OFR is the recognized center for objective, innovative research on financial stability.
   - OFR research is widely cited and used to improve policy making, risk management, financial stability, and the scope and quality of financial data.

Specific OFR priorities for FY 2019 and FY 2020 that support the three strategic goals include:

1. Collecting data on centrally-cleared funding transactions in the U.S. repurchase agreement (repo) market to support expanded monitoring of this market and calculation of certain reference rates, particularly the Secured Overnight Financing Rate which is planned as an alternative to LIBOR (USD London Interbank Offered Rate).
2. Developing and launching a short-term funding monitor, which will display the data referenced above along with other data on the repo market, to provide the OFR, FSOC member agencies, and the public with essential insight into this market, which is critical to the provision of liquidity and was at the center of the financial crisis.
3. Publishing the OFR Annual Report, including the assessment of risks to financial stability and key findings from the OFR's research and analysis.
4. Continuing to expand and enhance the OFR's support of the FSOC.
5. Advancing the development and use of industry-wide data standards.

1.2 – Budget Adjustments Table

Dollars in Thousands

Office of Financial Research	FTE	Amount
FY 2019 President's Budget	**140**	**$75,271**
Changes to Base:		
Program Decrease	(10)	$0
FTE Adjustment	(10)	$0
Revised FY 2019 Estimated	**130**	**$75,271**
Initiative Annualization	15	$1,633
Staff Restructuring	15	$1,633
Efficiency Savings	0	($1,633)
Administrative Cost Savings	0	($1,633)
Subtotal Changes to Base	15	$0
FY 2020 Estimated	**145**	**$75,271**

D – Budget Increases and Decreases Description

Program Increases……………………………………………………..….. +$1,633,000 / +15 FTE

Staff Restructuring +$1,633,000 / +15 FTE

The OFR anticipates it may take 12 to 18 months to backfill critical positions left vacant due to a hiring freeze and a recently completed Reduction in Force. Such positions should be backfilled by late FY 2019 or early FY 2020, resulting in an increase of 15 FTE from FY 2019 to FY 2020. The OFR anticipates near-term steady-state FTE of 145 as a result of the organizational realignment.

Program Efficiencies……………………………………………………… -$1,633,000 / -0 FTE

Administrative Cost Savings -$1,633,000 / -0 FTE

With the completion of the organizational realignment, the Office will continue to realize savings from lower administrative costs, and reduced supplies and equipment purchases. In FY 2020, reduced non-labor costs will enable the OFR to backfill critical positions. See Program Increases.

1.3 – Operating Levels Table

Dollars in Thousands

Office of Financial Research Object Classification	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
11.1 - Full-time permanent	31,136	20,036	21,965
11.3 - Other than full-time permanent	299	208	379
11.5 - Other personnel compensation	421	213	403
11.8 - Special personal services payments	229	120	5
11.9 - Personnel Compensation (Total)	**32,085**	**20,577**	**22,752**
12.0 - Personnel benefits	10,908	7,795	8,559
13.0 - Benefits for former personnel	65	1,306	0
Total Personnel and Compensation Benefits	**$43,058**	**$29,678**	**$31,311**
21.0 - Travel and transportation of persons	147	245	265
23.3 - Communication, utilities, and misc charges	131	135	141
24.0 - Printing and reproduction	8	24	25
25.1 - Advisory and assistance services	16,964	19,725	18,875
25.2 - Other services from non-Federal sources	735	785	755
25.3 - Other goods and services from Federal sources	5,433	9,785	8,795
25.7 - Operation and maintenance of equip	3,220	3,701	3,705
26.0 - Supplies and materials	5,649	7,458	7,535
31.0 - Equipment	680	3,735	3,864
Total Non-Personnel	**32,967**	**45,593**	**43,960**
New Budgetary Resources	**$76,025**	**$75,271**	**$75,271**
FTE	**185**	**130**	**145**

1) Personnel compensation and benefits include direct OFR staff members only. Object Classification 25.3, “Other goods and services from Federal sources,” and expenditures of “Operations and Support Services” include reimbursable support received from Treasury’s Departmental Offices; personnel benefits services from the Office of the Comptroller of the Currency; and services from Treasury’s Bureau of the Fiscal Service Administrative Resource Center, including human resource, procurement, travel, and financial management services.

E – Appropriations Language and Explanation of Changes

The OFR receives no appropriations from Congress.

F – Legislative Proposals

The Budget proposes to impose appropriate Congressional oversight of OFR functions by subjecting its activities to the annual appropriations process beginning in FY 2021.

Section II – Annual Performance Plan and Report

A – Strategic Alignment
The OFR seeks to promote financial stability by delivering high-quality financial data standards, research, and analysis to the FSOC and the public. This mission is in direct alignment with Treasury's Strategic Plan for FY 2018-2022 under the following goals and objectives:

- Goal 1 - Boost U.S. Economic Growth
  - Objective 1.2 – Strong Economic Fundamentals
- Goal 2 - Promote Financial Stability
  - Objective 2.4 – Financial Sector Critical Infrastructure and Cybersecurity

With the publication of the Treasury Strategic Plan for FY 2018-2022, the Treasury will work in FY 2019 to baseline its performance against the new strategic objectives. This could result in additional changes to performance measures in the 2021 Budget.

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

The OFR's efforts, working with the FSOC, the Treasury, and other important stakeholders, will help drive toward the vision of a stable, transparent, and efficient financial system.

Key areas of focus will be in monitoring risks to financial stability and in developing and introducing new tools for the OFR, FSOC members, and the public to use in monitoring those risks.

Other focus areas include research and policy analysis that promote informed decision-making for policies that balance the need of stability with the need for efficient and effective regulation, supporting the Treasury's objective of Strong Economic Fundamentals. In all of these areas, high quality data and strong research expertise, supported by strong information technology (IT), are essential. The OFR will continue its efforts to promote, identify, and implement financial data standards to improve the quality, scope, and accessibility of financial data. Two important initiatives will be the ongoing data collection covering centrally-cleared repo agreements and support for the Secured Overnight Financing Rate planned as an alternative to LIBOR.

Finally, the OFR will continue to publish its statutorily-mandated Annual Report that assesses the state of the U.S. financial system and presents key findings from the OFR's research.

B – Data Center
($6,796,000 from Assessments):
Following reshaping, the Data Center seeks new ways to promote and share the OFR's data and data analytic products with external stakeholders and promotes the development and use of data standards to improve upon the acquisition and sharing of data across the regulatory system.

Data Standards
One of the OFR's strategic goals is to identify and adopt standards that improve the quality and utility of financial data. Standards for financial data will benefit regulators and financial market

participants by making data aggregation easier, improving analysis, and reducing data collection costs. The OFR monitors progress through the following key performance indicators. Note that these are not measures but indicators because the OFR, through mechanisms such as its leadership in standards and regulatory oversight bodies and providing technical guidance to other regulators, can influence these metrics but cannot directly control them.

- <u>Number of Legal Entity Identifiers (LEIs) Issued Cumulatively in the United States and Internationally</u> – This indicator tracks the progress over time in industry's use of the LEI.

- <u>Number of Times That Financial Data Standards are Incorporated in Rules and Regulations</u> – This data point serves as an indicator of regulators' awareness of the importance of data standards and the extent to which data standards are being adopted in rules and regulations.

2.1.1 – Data Center Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
Expenses/Obligations	$46,940	$17,240	$16,477	$17,833	$15,967	$6,010	$6,796
Budget Activity Total	**$46,940**	**$17,240**	**$16,477**	**$17,833**	**$15,967**	**$6,010**	**$6,796**
FTE	**90**	**51**	**37**	**44**	**42**	**10**	**12**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Target	FY 2020 Target
Number of LEIs Issued Cumulatively in the United States and Internationally	N/A	395,861	395,861	587,941	1,300,832	I	I
Number of Times That Financial Data Standards are Incorporated in Rules and Regulations	N/A	2	9	4	1	I	I

C – Technology Center

($32,218,000 from Assessments):

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

The OFR has internal performance measures for this activity, however they are not public because the measures contain sensitive information.

2.1.2 – Technology Center Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
Expenses/Obligations	0	$30,970	$32,132	$29,235	$23,530	$34,162	$32,218
Budget Activity Total	**0**	**$30,970**	**$32,132**	**$29,235**	**$23,530**	**$34,162**	**$32,218**
FTE	**0**	**51**	**61**	**63**	**52**	**61**	**63**

D – Research and Analysis Center

($14,274,000 from Assessments):

The Research and Analysis Center conducts research and analysis on systemic risk, macroprudential policy, and financial stability. Working closely with the FSOC, the Treasury, other key stakeholders, the Financial Research Advisory Council, and experts from around the globe, the OFR collaboratively identifies important issues that need to be addressed and focuses its resources on delivering impactful results in areas such as a LIBOR alternative and a multi-factor approach for determining bank regulatory thresholds.

Leading Edge Research and Monitoring Threats to Financial Stability

The Research and Analysis Center contributes to the achievement of two of the OFR's three strategic goals: (1) Leading edge research improves financial stability monitoring and the scope and quality of financial data, and informs policy and risk management; and (2) The OFR is an essential source of data and analysis for monitoring threats to financial stability. Historically, the OFR has reported output measures, such as the numbers of publications and monitoring tools. However, these measures did not reflect the OFR's progress in meeting stakeholder needs for research and analysis work, which is a top priority. As such, moving forward, the OFR will discontinue public reporting of such output metrics in recognition that producing greater quantity does not always further the agency's goals. The OFR has begun its next five-year strategic planning effort, targeted for completion in FY 2019 Q4. A key part of the planning process is establishing strategic goals and objectives that are both meaningful and measurable. The OFR is currently reviewing measurement approaches such as more sophisticated website monitoring of product usage and direct outreach to external stakeholders in the financial community. The OFR is targeting FY 2020 to introduce new measures, concurrent with the implementation of its new five-year strategic plan

2.1.3 – Research and Analysis Center Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
Expenses/Obligations	$7,700	$10,396	$14,239	$15,605	$12,302	$13,180	$14,274
Budget Activity Total	**$7,700**	**$10,396**	**$14,239**	**$15,605**	**$12,302**	**$13,180**	**$14,274**
FTE	**33**	**43**	**54**	**53**	**42**	**29**	**36**

E – Operations and Support Services

($21,983,000 from Assessments):

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

2.1.4 – Operations and Support Services Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
Expenses/Obligations	$26,626	$26,110	$32,026	$26,533	$24,226	$21,919	$21,983
Budget Activity Total	**$26,626**	**$26,110**	**$32,026**	**$26,533**	**$24,226**	**$21,919**	**$21,983**
FTE	**43**	**49**	**56**	**59**	**49**	**30**	**34**

The OFR has no capital investments. Capital investments that support OFR are included in the Departmental Offices plan. A summary of capital investment resources, including major IT and non-IT investments can be found at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website contains a digital copy of this document.

Department of the Treasury Financial Stability Oversight Council

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

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Section I – Budget Request

A – Mission Statement

To identify risks to the financial stability of the United States, to promote market discipline, and to respond to emerging threats to the stability of the U.S. financial system.

B – Summary of the Request

The Financial Stability Oversight Council (FSOC or Council) is estimating a fiscal year (FY) 2020 funding level of $10.487 million, which is flat with its FY 2019 estimated funding level. This request includes $6.186 million for the FSOC Secretariat and the Office of the Independent Member with Insurance Expertise, and $4.301 million to reimburse the Federal Deposit Insurance Corporation (FDIC) for certain expenses as required by law. On March 6, 2019, the Council approved a notice of proposed interpretive guidance and request for public comment regarding nonbank financial company determinations. The proposal includes changes to make FSOC decision-making procedures more transparent, efficient, and effective. The Budget also proposes to impose appropriate Congressional oversight of Council functions by subjecting its activities to the annual appropriations process beginning in FY 2021.

1.1 – Resource Detail Table

Dollars in Thousands

Financial Stability Oversight Council	FY 2018		FY 2019		FY 2020		FY 2019 to FY 2020			
Budgetary Resources	Actual		Estimated		Estimated		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Assessments[1]		$6,742		$8,590		$8,147		($443)		-5%
Interest		$112		$160		$171		$11		7%
Recovery of Prior Year Paid Obligations		$3		$4		$4		$0		0%
Recovery of Prior Year Unpaid Obligations		$851		$508		$467		($41)		-8%
Restoration of Sequestration Rescission		$735		$466		$543		$77		17%
Unobligated Balances from Prior Years		$8,882		$7,731		$6,429		($1,302)		-17%
Total Revenue/Offsetting Collections		**$17,325**		**$17,459**		**$15,761**		**($1,698)**		**-10%**
Expenses/Obligations										
FSOC	13	$4,966	18	$6,186	18	$6,186	0	$0	NA	NA
FDIC	0	$4,162	0	$4,301	0	$4,301	0	$0	NA	NA
Total Expenses/Obligations	**13**	**$9,128**	**18**	**$10,487**	**18**	**$10,487**	**0**	**$0**	NA	NA
Sequestration Reduction		($466)		($543)		$0		$543		
Net Results		**$7,731**		**$6,429**		**$5,274**		**($1,155)**		**-18%**

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

2) The funding for the first six months of operating expenses and 12 months of capital expenses are reflected in the Unobligated Balances from Prior Years. This is because the first assessment covering the fiscal year beginning October 1 is collected on September 15 of the prior fiscal year. This makes it appear as though large amounts of unobligated balances went unused, when in fact very little, if any, of those balances were from under execution.

C – Vision, Priorities, and Context

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

The Council's three statutory purposes are to:

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

The Council has a statutory duty to facilitate information sharing and coordination among the member agencies regarding domestic financial services policy development, rulemaking, examinations, reporting requirements, and enforcement actions.

Over the next year, the Council will continue to: monitor the financial system for emerging risks; facilitate interagency cooperation to identify and analyze emerging threats; facilitate information sharing and interagency coordination with respect to various regulatory initiatives; and consider comments it receives on its notice of proposed interpretive guidance regarding nonbank financial company determinations.

Over the last year, the Council continued to identify and monitor potential risks to U.S. financial stability; fulfilled its statutory requirements, including transmission of its eighth annual report to Congress; and served as a forum for coordination among member agencies. In FY 2018, the Council rescinded its one remaining nonbank financial company determination.

By law, the Council is required to convene no less than quarterly, but the Council has convened on a more frequent basis to share information on key financial developments, coordinate regulatory implementation, and monitor progress on recommendations from the Council's annual reports. In FY 2018, the Council convened seven times. The Council will continue to remain focused on identifying near-term threats and addressing structural vulnerabilities in the financial system. Transparency into Council work has routinely been provided through an annual report to Congress, periodic Congressional testimony on Council activities and emerging threats to financial stability, and regular communications with the public about Council activities and decisions.

The Council is an executive agency and is not an office or bureau of the Department of the Treasury (Treasury). However, by law, the Council's expenses (and, indirectly, FDIC reimbursements) are considered expenses of the Office of Financial Research, an office within Treasury.

FDIC Reimbursement

By law, the Council's expenses include reimbursement of certain reasonable implementation expenses incurred by the FDIC in implementing Orderly Liquidation Authority. The FDIC must periodically submit requests for reimbursement to the Chairperson of the Council, who shall arrange for prompt reimbursement to the FDIC. FDIC expenses are for rule writing and resolution planning.

1.2 – Budget Adjustments Table

Dollars in Thousands

Financial Stability Oversight Council	FTE	Amount
FY 2019 Estimated	**18**	**$11,054**
Changes to Base:		
Program Decrease:	0	($567)
Labor Adjustment	0	($279)
Non-labor Adjustment	0	($288)
Revised FY 2019 Estimate	**18**	**$10,487**
Total FY 2020 Estimated	**18**	**$10,487**

D – Budget Increases and Decreases Description

The FSOC does not anticipate any program changes in FY 2020.

1.2 – Operating Levels Table

Dollars in Thousands

Financial Stability Oversight Council Object Classification	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
11.1 - Full-time permanent	1,773	2,165	2,165
11.3 - Other than full-time permanent	173	175	175
11.5 - Other personnel compensation	33	37	37
11.9 - Personnel Compensation (Total)	**1,979**	**2,377**	**2,377**
12.0 - Personnel benefits	630	739	739
Total Personnel and Compensation Benefits	**$2,609**	**$3,116**	**$3,116**
21.0 - Travel and transportation of persons	33	55	55
25.1 - Advisory and assistance services	1,998	2,332	2,332
25.2 - Other services from non-Federal sources	14	17	17
25.3 - Other goods and services from Federal sources	4,162	4,635	4,635
25.7 - Operation and maintenance of equip	0	0	0
26.0 - Supplies and materials	156	179	179
31.0 - Equipment	141	153	153
32.0 - Land and structures	10	0	0
43.0 - Interest and dividends	5	0	0
Total Non-Personnel	**6,519**	**7,371**	**7,371**
New Budgetary Resources	**$9,128**	**$10,487**	**$10,487**
FTE	**13**	**18**	**18**

[1] Object Class 25.3 includes FDIC reimbursement.

E – Appropriations Language and Explanation of Changes

The FSOC receives no appropriations from Congress.

F – Legislative Proposals

The Budget proposes to impose appropriate Congressional oversight of Council functions by subjecting its activities to the annual appropriations process beginning in FY 2021.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The FSOC supports the Department of the Treasury's Strategic Plan for FY 2018-2022 as follows:

- Goal 1: Boost U.S. Economic Growth
  - Objective 1.2 – Strong Economic Fundamental
- Goal 2: Promote Financial Stability
  - Objective 2.4 – Financial Sector Critical Infrastructure & Cybersecurity

B – Financial Stability Oversight Council

($6,186,000 from Assessments):

There are no measures specified for managing Council performance. The FSOC's annual reports and other public documents, as well as individual Council member agencies' performance documents, provide information to the public relevant to the Council's performance. Information on the Council is provided on www.treasury.gov, www.fsoc.gov, and member agency websites to provide transparency and accountability.

2.1.1 – Financial Stability Oversight Council Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
Expenses/Obligations	$7,660	$6,236	$7,157	$5,655	$4,966	$6,186	$6,186
Budget Activity Total	**$7,660**	**$6,236**	**$7,157**	**$5,655**	**$4,966**	**$6,186**	**$6,186**
FTE	**23**	**22**	**22**	**17**	**13**	**18**	**18**

C – FDIC Reimbursement

($4,301,000 from Assessments):

Certain FDIC expenses are treated as expenses of the Council. For additional detail, see above.

2.1.2 – FDIC Reimbursement Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
Expenses/Obligations	$11,592	$7,628	$6,571	$5,126	$4,162	$4,301	$4,301
Budget Activity Total	**$11,592**	**$7,628**	**$6,571**	**$5,126**	**$4,162**	**$4,301**	**$4,301**
FTE	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Department of the Treasury
Treasury Franchise Fund

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

Table of Contents

Section I – Budget Request

A – Mission Statement
Assist customer agencies in meeting their mission by providing responsive, customer-focused, cost-effective administrative and information technology support services.

B – Summary of the Request
The Treasury Franchise Fund (TFF) supports effective administrative and information technology services through commitment to high quality services, efficient operations, and responsiveness to an ever changing federal landscape. Through use of the services of the TFF, federal agencies can focus on mission activities, achieve cost savings and avoidance through economies of scale and cost sharing opportunities, and take advantage of state-of-the art technologies and services provided by the Department of the Treasury to increase productivity and efficiency in their operations.

The TFF providers include Departmental Offices' Treasury Shared Services Programs (TSSP), Departmental Offices' Centralized Treasury Administrative Services (CTAS), and the Bureau of the Fiscal Service's Administrative Resource Center (ARC). TFF providers offer financial management, procurement, travel, human resources, information technology, and other administrative services to federal customers on a fully cost recoverable, fee-for-service basis. Treasury moved the Departmental Offices' (DO) CTAS into the Treasury Franchise Fund in FY 2019 to consolidate broad-scale administrative functions and capital investment activities into one account.

ARC's sharing of mission support (including information technology) services model is directly aligned with the President's Management Agenda (PMA) - Cross Agency Priority (CAP) Goal 5 (Expanding the use of quality shared services), the Office of Management and Budget's (OMB) M-17-22 Reform Plan, and Treasury's Future of Federal Financial Management vision. As the only federal provider to successfully transition and support a cabinet level agency, ARC has demonstrated shared services viability for agencies of all sizes, funding sources and missions for over 20 years. ARC demonstrates the value of delivering quality services, containing costs, achieving a high level of customer satisfaction and continual improvement. Through planned initiatives, ARC will partner with agencies, OMB and the established interagency governance processes to implement the Treasury 10 year vision and expansion of federal shared services, including integration with CAP Goal 5. In addition, ARC will continue to expand services to new customers and achieve high performance through:

- Optimizing efficiency and reducing costs,
- Reducing customer risk,
- Improving performance and stewardship,
- Ensuring compliance and strong internal controls, and
- Increasing the timeliness and transparency of performance data to better inform agency decision makers.

The TFF providers will continue to be integral federal partners to customer agencies by providing responsive, high quality and cost effective shared services to federal agencies through our commitment to streamlined processes to ensure compliance and eliminate redundancy, and focus on maximizing cost sharing opportunities that take advantage of economies of scale.

The Treasury Franchise Fund aligns to the following Treasury strategic goals as presented in the FY 2018 - 2022 strategic plan:

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

1.1 – Resource Detail Table

Dollars in Thousands

Treasury Franchise Fund	FY 2018		FY 2019		FY 2020		FY 2019 to FY 2020			
Budgetary Resources	Actual		Estimated		Estimated		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Treasury Shared Services Programs		$236,221		$232,515		$249,436		$16,921		7.28%
Centralized Treasury Administrative Services		NA		$140,522		$166,591		$26,069		18.55%
Administrative Support Services		$160,743		$155,315		$170,535		$15,220		9.80%
Information Technology Services		$197,335		$185,066		$188,572		$3,506		1.89%
Recoveries from Prior Years		$8,541		$19,196		$22,925		$3,729		19.43%
Unobligated Balances from Prior Years		$182,961		$196,071		$211,837		$15,767		8.04%
Total Revenue/Offsetting Collections		**$785,801**		**$928,684**		**$1,009,897**		**$81,212**		**8.74%**
Expenses/Obligations										
Treasury Shared Services Programs	234	$241,845	239	$235,515	260	$274,017	21	$38,502	8.79%	16.35%
Centralized Treasury Administrative Services	NA	NA	207	$140,522	201	$166,591	(6)	$26,069	-2.90%	18.55%
Administrative Support Services	933	$150,876	969	$153,375	1,058	$170,535	89	$17,160	9.18%	11.19%
Information Technology Services	476	$197,009	504	$187,435	504	$189,971	0	$2,536	0.00%	1.35%
Total Expenses/Obligations	**1,643**	**$589,730**	**1,919**	**$716,847**	**2,023**	**$801,114**	**104**	**$84,267**	5.42%	11.76%
Net Results		**$196,071**		**$211,837**		**$208,783**		**($3,055)**		**-1.44%**

1.2 Budget Adjustment

Dollars in Thousands

Treasury Franchise Fund	FTE	Amount
FY 2019 Estimated	**1,919**	**$716,847**
Changes to Base:		
Maintaining Current Levels (MCLs):		$9,728
Non-Pay		$9,728
Subtotal Changes to Base	0	$9,728
Total FY 2020 Base	**1,919**	**$726,575**
Program Changes:		
Program Increases:	104	$75,604
Operations and Maintenance of Prior-year Enterprise-wide Cybersecurity Investments (TSSP)	8	$8,821
Program changes/Realignment to TSSP	0	$22,415
Program changes/Realignment to CTAS	7	$28,312
Customer Growth (ARC Admin)	89	$16,056
Program Decreases:	0	($1,065)
Continuous Diagnostics and Mitigation Licenses (TSSP)	0	($1,065)
Subtotal Changes to Base	104	$74,539
Total FY 2020 Estimated	**2,023**	**$801,114**

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... + $9,728,000 / + 0 FTE

Non-Pay +$9,728,000 / +0 FTE

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

Program Increases + $75,604,000 / + 104 FTE

Operations and Maintenance of Prior-year Enterprise-wide Cybersecurity Investments (TSSP), +$8,821,000, +8 FTE

The TFF requires to increase TSSP by $8,821,000 to transition operations and maintenance costs from the Cybersecurity Enhancement Account (CEA) to the TFF. Funding to pay these bills is included in the individual bureau Congressional Justifications. These bureau funds will support operations and maintenance of the following cybersecurity projects that were initially implemented with CEA funding and per Department of Homeland Security directives:

- Continuous Mitigation and Diagnostics (CDM) Licenses Phase II
- Trusted Internet Connection (TIC) Encrypted Traffic Inspection
- Endpoint Incident Response
- Enhanced Packet Capture
- Government Security Operations Center (GSOC) Analytics and Expansion
- Malware Content Filter

Program Changes/Realignment to TSSP, +22,415,000, +0 FTE

The TFF requires changes to TSSP to facilitate quality customer service, address the growing needs of agencies, and attain goals set by the Administration. Bureaus will fund changes that increase efficiency and manage costs while also receiving quality services attributed to the TFF. TSSP changes include

- Increase of program support by $1,187,000 for anticipated shared and customer specific needs across the shared services programs.
- Expend an additional $4,092,000 to Treasury Network (TNET) service changes for the Internal Revenue Service (IRS) toll-free network circuits.
- Expending an estimated $3,000,000 in FY 2019 to transition from the current Networx contract to the General Services Administrative (GSA) Enterprise Infrastructure Support (EIS) contract. For FY 2020, The TFF requires to expend an additional $17,136,000 for the multi-year transition project. The transition of the current contract is dependent on timelines established by GSA and costs may be revised once the contract is awarded.

In FY 2020, the Credit Modeling and Web Solutions programs will be realigned from CTAS to TSSP. The shift of these programs results in a more efficient method of formulating program budgets and executing customer billings by consolidating these programs into TSSP. The transitions of these programs has a net neutral effect on FTEs and budgetary resources for TFF.

Program changes/Realignment to CTAS, +28,312,000, +7 FTE

The TFF requires an increase to the CTAS program to provide Departmental Offices, specifically for the Departmental Offices (DO) Salaries and Expenses (SE) and Terrorism Financial Intelligence (TFI) initiatives, with advanced capabilities in administrative support and information security. With these programmatic changes CTAS can properly and proficiently provide increased administrative support within DO SE and TFI. CTAS program changes and realignment include:

- Expend $23,053,000 and 4 FTE increase in support of administrative costs contained within DO SE. This funding will support the expansion of Treasury's implementation of the Committee on Foreign Investment in the United States (CFIUS) program in addition to initiatives in support of Critical Infrastructure Protection, Domestic Finance, and Tax Policy. This will include funding for the construction of secure spaces and the development of a case management system associated with the growth of the CFIUS program. Funding would also support administrative functions necessary to manage the increased CFIUS caseload as well as program growth in Domestic Finance and Tax Policy.
- Expend $1,631,000 in support of administrative costs associated with the DO Office of Terrorism and Financial Intelligence (TFI) initiatives contained in the DO TFI FY 2020 Congressional Justification.
- Increase CTAS by $778,000 to transition operations and maintenance costs to the TFF for Communications Security (COMSEC).
- Increase CTAS by $2,850,000 and 3 FTE to transition operations and maintenance costs from the CEA to the TFF for Treasury Secure Data Network (TSDN).

Customer Growth (ARC Admin), +$16,056,000 +89 FTE
In FY 2018 ARC initiated shared services transitions with the four agencies listed below and anticipates full implementation by FY 2020. These transitions demonstrate the support of ARC and these agencies for the Administration's sharing of quality services CAP Goal 5 and a commitment to maximizing resource allocations to mission activities. The program increase reflects operations and maintenance costs, and provides cost sharing and avoidance opportunities for both the new and current agencies supported by ARC.

- National Capital Planning Commission
- U.S. Consumer Product Safety Commission
- Corporation for National and Community Service
- National Records and Archive Administration

Program Decreases - $1,065,000 / -0 FTE

Continuous Diagnostics and Mitigation Licenses (TSSP), -$1,065,000 -0 FTE
The TFF expects a decrease in the cost of Continuous Diagnostics and Mitigation (CDM) licenses from the original estimates that were provided by the Department of Homeland Security. Treasury bureaus have requested $5,081,000 for CDM licenses in their individual bureau FY 2020 Congressional Justifications.

1.3 Operating Levels Table

Dollars in Thousands

Treasury Franchise Fund Object Classification	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
11.1 - Full-time permanent	140,305	165,453	175,089
11.3 - Other than full-time permanent	533	844	903
11.5 - Other personnel compensation	2,229	3,184	3,293
11.6 - Overtime	2,374	2,275	2,388
11.9 - Personnel Compensation (Total)	**145,441**	**171,756**	**181,673**
12.0 - Personnel benefits	50,009	63,224	67,257
13.0 - Benefits for former personnel	425	0	0
Total Personnel and Compensation Benefits	**$195,875**	**$234,980**	**$248,930**
21.0 - Travel and transportation of persons	1,400	1,644	1,790
22.0 - Transportation of things	17	38	44
23.1 - Rental payments to GSA	0	36,193	37,491
23.2 - Rental payments to others	103	320	326
23.3 - Communication, utilities, and misc charges	65,063	72,509	78,878
24.0 - Printing and reproduction	92	331	369
25.1 - Advisory and assistance services	89,970	54,005	86,391
25.2 - Other services	25,033	35,923	37,108
25.3 - Other purchases of goods & serv frm Govt ac	92,672	140,870	145,562
25.4 - Operation and maintenance of facilities	20	44	42
25.7 - Operation and maintenance of equip	84,555	87,484	103,731
26.0 - Supplies and materials	1,291	3,172	3,289
31.0 - Equipment	33,230	42,079	45,142
32.0 - Land and structures	0	7,255	12,021
44.0 - Refunds	392	0	0
91.0 - Confidential Expenditures	17	0	0
Total Non-Personnel	**393,855**	**481,867**	**552,184**
New Budgetary Resources	**$589,730**	**$716,847**	**$801,114**
FTE	**1,643**	**1,919**	**2,023**

D – Appropriations Language and Explanation of Changes

The Treasury Franchise Fund receives no annually appropriated resources from Congress.

E – Legislative Proposals

The Treasury Franchise Fund does not have legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

Alignment with the Treasury Strategic Plan:

The Treasury Franchise Fund aligns to the following Treasury strategic goals and objectives as presented in the FY 2018 - 2022 strategic plan:

Goal 4: Transform Government-wide Financial Stewardship

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

Goal 5: Achieve Operational Excellence

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

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

- Objective 5.3 – Customer Value – Improve customer value by increasing the quality and lowering the cost of Treasury's products and services.

With more focus on opportunities for federal agencies to share quality mission support services and enhance federal mission effectiveness by increasing usage of cloud-based solutions, reducing cybersecurity risks, and building a modern Information Technology (IT) workforce, the TFF is well positioned in FY 2020 to be a key federal resource. Through a standardized "build once, use many" service model, a proven record of high performance, and direct alignment with PMA CAP Goal 5 and in support of OMB's Management Reform Plan and Treasury's Future of Federal Financial Management, the TFF service providers stand ready to streamline federal mission support services and advance the shared services program by leading, transforming and delivering services that set the benchmark for federal shared services by means of:

- Delivering high quality services at optimal efficiency,
- Achieving a high level of customer satisfaction,
- Leveraging modern, innovative solutions to increase quality and maximize resources,
- Maximizing cost sharing, savings, and avoidance through expanding customers services to generate millions of dollars in cost avoidance resulting from use of shared financial management systems by FY 2023, lastly
- Providing responsive and accessible IT services and solutions through modern infrastructure, advanced cybersecurity capabilities, and implementation of enhanced technology strategies.

B – Budget and Performance by Budget Activity

2.1.1 Treasury Shared Services Programs Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Request
Expenses/Obligations	165,419	225,024	229,070	235,811	241,845	235,515	274,017
Budget Activity Total	**$165,419**	**$225,024**	**$229,070**	**$235,811**	**$241,845**	**$235,515**	**$274,017**
FTE	**209**	**251**	**228**	**235**	**234**	**239**	**260**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Customer Satisfaction with Financial Planning Staff	59.1	63.0	69.0	75.0	68.0	62.0	DISC	DISC
ECM/Web Solutions Response Time to Resolve ECM and Web Solutions Non-Critical Issues/Help Desk Tickets within 10-15 Business Days	95.0	82.0	82.0	90.8	97.5	85.0	DISC	DISC
HR Connect Customer Satisfaction	90.1	83.0	82.0	83.0	86.0	83.0	DISC	DISC
HR Connect Employee Update Files - Transmission of Employee Update Fields Made to the Specified External Benefit Provider Within Established Business Timeframes	100.0	97.3	100.0	98.4	99.2	90.0	DISC	DISC
HR Connect Number of Tickets Escalated to Tier 3	242.0	128.0	NA	173.0	238.0	200.0	DISC	DISC
Average Cost per FTE	N/A	N/A	N/A	N/A	N/A	N/A	1,383.0	1,460.0
Annual Effective Spend Rate	N/A	N/A	N/A	N/A	N/A	N/A	96.0	96.0
Customer Satisfaction	N/A	N/A	N/A	N/A	N/A	N/A	B	TBD

Key: Disc - Discontinue; B - Baseline

Note: After collaboration with Office of Strategic Planning and Performance Improvement (OSPPI) and OMB the TFF reviewed performance metrics to determine best practices resulting in the discontinuing of inefficient measures.

Treasury Shared Services Programs Budget and Performance
($274,017,000 from offsetting collections):
Treasury Shared Services Programs (TSSP) provides administrative and information technology services on a competitive basis, and also delivers outstanding customer service. In an effort to better support the goals and objectives of the current Treasury Strategic Plan; TSSP has undergone a review of all performance metrics in collaboration the the Office of Strategic Planning and Performance Improvement (OSPPI) and OMB to streamline metrics for best practices which resulted in the discontinuing of inefficient measures. The new measures will allow TSSP to focus on broader based metrics to gauge customer satisfaction, operations support resources, and the benefit from centralized approaches to program support and administration.

In FY 2020, TSSP will continue to support a standardized approach to shared services by transitioning the operations and maintenance portion of the CEA investments to TSSP. TSSP will support the following cybersecurity efforts in FY 2020:

- Continuous Mitigation and Diagnostics (CDM) Licenses Phases I and II
- Trusted Internet Connection (TIC) Encrypted Traffic Inspection
- Endpoint Incident Response
- Enhanced Packet Capture
- Government Security Operations Center (GSOC) Analytics

- GSOC Facility and Contract Expansion
- Malware Content Filter

2.1.2 Centralized Treasury Administrative Services Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Request
Expenses/Obligations	NA	NA	NA	NA	NA	140,522	166,591
Budget Activity Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$140,522**	**$166,591**
FTE	**NA**	**NA**	**NA**	**NA**	**NA**	**207**	**201**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Annual Effective Spend Rate	N/A	N/A	N/A	N/A	N/A	N/A	96.0	96.0
Customer Satisfaction	N/A	N/A	N/A	N/A	N/A	N/A	B	TBD

Key: Disc - Discontinue; B - Baseline

Note: After collaboration with Office of Strategic Planning and Performance Improvement (OSPPI) and OMB the TFF reviewed performance metrics to determine best practices resulting in the discontinuing of inefficient measures.

Centralized Treasury Administrative Services Budget and Peformance
($166,591,000 from offsetting collections):
Centralized Treasury Administrative Services (CTAS) provides administrative support to offices within Treasury's Departmental Offices. This support includes administrative functions such as financial management, travel, human resources, information technology, and facilities management. The programs formerly residing under DO SE fully transitioned to CTAS in FY 2019. The TFF continues to partner with DO to refine CTAS costing and will adjust customer bills as usage methodologies are enhanced.

In FY 2020, CTAS will support the transition of the operations and maintenance of CEA investments by hosting the following programs:

- Treasury Secure Data Network (TSDN)
- Communications Security (COMSEC)

2.1.3 Administrative Services Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
Expenses/Obligations	$128,904	$146,282	$156,869	$157,284	$150,876	$153,375	$170,535
Budget Activity Total	**$128,904**	**$146,282**	**$156,869**	**$157,284**	**$150,876**	**$153,375**	**$170,535**
FTE	**816**	**936**	**988**	**957**	**933**	**969**	**1,058**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Target	FY 2020 Target
Customer Unmodified Audit Opinions %	NA	NA	NA	NA	100.0	100.0	100.0
Percentage of shared services service level agreement performance metrics met or exceeded (%)	NA	NA	NA	NA	NA	B	94.0
Customer Satisfaction %	NA	NA	NA	NA	NA	B	80.0
Direct Cost as a Percentage of Award Dollars	0.4	0.1	0.2	0.2	0.3	DISC	DISC
Direct Cost per AP Transaction	65.4	47.2	59.1	45.5	49.4	DISC	DISC
Direct Cost per FTE in Core HR Services	976.3	963.0	1,070.3	1,118.8	1,108.7	DISC	DISC
Direct Cost per System User - Oracle	18,261.0	21,724.0	16,241.0	16,356.0	13,406.0	DISC	DISC
Direct Cost per Travel Voucher	24.8	21.1	19.8	7.8	8.3	DISC	DISC
First Call Resolution - Oracle %	61.0	56.7	50.3	81.5	82.2	DISC	DISC
Hiring Timeliness %	89.0	86.7	84.8	85.2	97.8	DISC	DISC
Indirect Cost Admin Services %	27.1	27.5	22.1	21.9	20.3	DISC	DISC
Timely Contract Issuance	N/A	N/A	89.3	89.3	90.4	DISC	DISC
Travel Voucher Payments Timeliness %	99.0	99.18	99.87	99.84	99.56	DISC	DISC
Unqualified Audit Opinions %	96.0	100.0	100.0	100.0	100	DISC	DISC

Key: DISC - Discontinued; B - Baseline

Note: After collaboration with Office of Strategic Planning and Performance Improvement (OSPPI) and OMB the TFF reviewed performance metrics to determine best practices resulting in the discontinuing of inefficient measures.

Administrative Services Budget and Performance
($170,535,000 from offsetting collections):
The TFF’s Administrative Services are provided by Fiscal Service’s Administrative Resource Center (ARC Admin) and are directly aligned with the Administration’s CAP Goal 5 and supports OMB’s Reform Plan and the Department of the Treasury’s shared services initiatives. As a critical strategic partner to OMB and Treasury, ARC supports:

- the Financial Management Line of Business, designated Federal Shared Services Provider by OMB,
- the Budget Formulation and Execution Line of Business, designated Federal Shared Service Provider by OMB, and
- Treasury's Human Resources Line of Business.

ARC Admin provides high quality mission support services to 76 federal agencies in the areas of financial management, procurement, travel and relocation, and human resources. Service value is achieved as agencies focus on mission activities, cost sharing opportunities in systems’ capital investments and maintenance. ARC Admin’s commitment to improvement resulted in reduced operating costs because of services that were standardized, compliant, streamlined, high quality and responsive.

ARC Admin has a history of high performance and is considered a leader in delivering high quality, cost effective federal shared services. ARC Admin continues to be a vehicle of success through new federal agency partnerships and operational excellence, meeting or exceeding performance measures, achieving high customer satisfaction results, and using cost effective and stable prices. ARC relentlessly manages a high volume of demand and advance services delivered by supporting agency due diligence reviews and developing a forward looking, multi-year deployment schedules, efficient transitions of new agencies. Services continue to improve on delivery of customer centric solutions that enable agencies to focus on missions and avoid redundancies within administrative operations creating cost avoidance across government.

In FY 2019 and FY 2020, ARC Admin will continue to provide high quality, mission support services through operational excellence and innovation, deployment of business intelligence/data analytics and accounting reconciliation and financial statement solutions.

*Description of Performance***:**
ARC Admin is continually dedicated to increasing the quality of services provided to customers and modified metrics in order to focus on customer satisfaction. By utilizing metrics that concentrate on customer input ARC Admin is able to cater to the specific needs of agencies across government. ARC Admin's high performance is further demonstrated by the 95 percent customer satisfaction rate obtained by customer surveys and meetings or exceeding 94 percent of agency support service measures (including 100 percent positive customer audit results) from FY 2017 – FY 2018. ARC Admin dropped customer prices by 6 percent in FY 2019 through cost containment and prioritization, while continuing to ensure compliance and implementing service enhancements that include:

- Expanded, improved, and implemented services and new requirements in support of current and future customers,
- Implemented Phase 1 of the Oracle Service Oriented Architecture initiative, providing flexibility for third party integrations and ARC's standard solution,
- Deployed Concur's "Skybridge" and mobile enhancements, improving travel booking and user convenience/experience by increasing access and availability of system, also
- Successfully met new DATA Act reporting requirements for all customers, standardizing information ensuring federal expenditures are more easily accessible and transparent for public consumption
- During FY 2018, ARC Admin remained responsive to the changing federal landscape, as demonstrated by meeting or exceeding 91 percent of congressional budget performance measures. The HR service area continue to be greatly impacted by the implementation of the federal hiring freeze and decreasing of the federal workforce yet ARC Admin only missed a cost target by 5 percent. In FY 2019-2020, ARC Admin will continue to strategically plan customer agencies to forecast changes, enabling resource alignment to support changes in demand. In addition, ARC Admin is streamlining performance measures to better align with Treasury's Strategic Plan and PMA CAP Goal 5. The new measures, focus on ARC Admin results related to overall service performance, including service integrity related to audit performance, and customer satisfaction. ARC will continue to demonstrate a commitment to meeting quality and timeliness responsibilities for customers while also receiving and planning actions using customer perspectives of ARC's shared service quality, and overall value.

2.1.4 Information Technology Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
Expenses/Obligations	$149,992	$162,895	$192,877	$195,441	$197,009	$187,435	$189,971
Budget Activity Total	**$149,992**	**$162,895**	**$192,877**	**$195,441**	**$197,009**	**$187,435**	**$189,971**
FTE	**459**	**459**	**499**	**493**	**476**	**504**	**504**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Target	FY 2020 Target
Fiscal IT Hosting – Percentage of Time Service is Operational (Uptime Excluding Planned Maintenance)	N/A	N/A	99.8	99.0	99.8	99.0	99.0
Number of engagements in strategic sourcing, to include new IT customers, new scope of work for existing customers, or new FITARA compliant contracts available beyond Fiscal Service [#]	N/A	N/A	1.0	2.0	1.0	2.0	2.0
Percentage of POA&Ms Scheduled for closure in last 30 days - closed early or on time	N/A	N/A	69.6	90.0	91.6	DISC	DISC

Note 1: "Number of Engagements in Strategic Sourcing for "Service Provider" or Other Shared Services Opportunity" renamed to "Number of engagements in strategic sourcing, to include new IT customers, new scope of work for existing customers, or new FITARA compliant contracts available beyond Fiscal Service [#]".

Note 2: After collaboration with Office of Strategic Planning and Performance Improvement (OSPPI) and Office of Management and Budget (OMB) the TFF reviewed performance metrics to determine best practices resulting in the discontinuing of inefficient measures."

Key: DISC - Discontinued; B - Baseline

Information Technology Services Budget and Performance

($189,911 from offsetting collections)

The TFF's Information Technology Services are provided by Fiscal Service's Administrative Resource Center (ARC IT) and are directly aligned with the President's Management Agenda CAP Goal 5 and supports OMB's Reform Plan and the Department of the Treasury's shared services initiatives.

ARC IT provides shared IT services, including hosting, software development, security and other support services to 10 federal agencies and end user support services to the Bureau of the Fiscal Service. Customer value is maximized through consolidated IT infrastructures and standardized IT service delivery in a modern, innovative, and secure environment.

The ARC IT has a history of high performance in providing responsive, innovative, and secure solutions to meet the business needs of their customers. In recent years, ARC IT has undertaken initiatives to strengthen the security posture of their solutions and been instrumental in Treasury's overall cyber-security enhancements and modernization efforts. In FY 2019-2020, ARC IT has an enterprise technology modernization initiative to design measurable, agile and cost effective IT solutions that increase resiliency, strengthen cybersecurity controls, and ensure alignment with business functions and capabilities needs. In addition, ARC IT has the following plan to ensure IT services and capabilities delivered are portable, reusable, scalable, and resilient, with the additional capability for automated deployment.

- Expand strategies under Cloud Sprint Teams,
- Establish Cloud Orchestration & Automation Toolsets,
- Begin building micro-services, and
- Complete the IT Modernization Plan (Phase 3-Modernization Roadmap).

Description of Performance:
ARC IT services has a long history of high performance, including maintaining a high standard of hosting availability (99 percent) through a highly skilled workforce with sufficient depth to cover a 24/7 operation and a commitment to infrastructure replacement that minimizes technology and cybersecurity risks. In addition, with alignment to the PMA, ARC IT continues to emphasize and measure performance in executing IT acquisition strategies that leverage or negotiate procurement awards maximizing federal buying power in order to reduce costs and to achieve increased service levels, and has continued focus on remediating and mitigating.

In FY 2018, ARC IT continued to achieve high performance as demonstrated through meeting or exceeding two of the budgetary performance measures. The remaining performance measure was not met due to increased priority to other key initiatives, including IT modernization planning and strengthening of IT services cybersecurity posture. Looking forward, in FY 2019-2020, ARC IT is streamlining performance measures to demonstrate our commitment and alignment with customer support priorities and the Administration's focus areas.

C – Changes in Performance Measures

Performance Measure or Indicator	**Proposed Change and Justification**
1. Customer Satisfaction with Financial Planning Staff (TSSP)	*Discontinue* – Replaced by new comprehensive measures.
2. ECM/Web Solutions Response Time to Resolve ECM and Web Solutions Non-Critical Issues/Help Desk Tickets within 10-15 Business Days (TSSP)	*Discontinue* – Replaced by new comprehensive measures.
3. HR Connect Customer Satisfaction (TSSP)	*Discontinue* – Replaced by new comprehensive measures.
4. HR Connect Employee Update Files – Transmission of Employee Update Fields Made to the Specified External Benefit Provider Within Established Business Timeframes (TSSP)	*Discontinue* – Replaced by new comprehensive measures.

5. HR Connect Number of Tickets Escalated to Tier 3 (TSSP)	*Discontinue* – Replaced by new comprehensive measures.
6. Customer Satisfaction (TSSP)	*Add* – This target measures the general satisfaction of Treasury and non-Treasury customers with the services provided by TSSP programs. TSSP will survey customers and provide the percentage of customers who provide a response of 4 or 5 on a 5 point scale.
7. Customer Satisfaction (CTAS)	*Add* – This target measures the general satisfaction of Treasury customers with the services provided by CTAS programs. CTAS will survey customers and provide the percentage of customers who provide a response of 4 or 5 on a 5 point scale.
8. Customer Unmodified Audit Opinions (ARC Admin)	*Modify* – Previous measure was titled "Unqualified Audit Opinions". Renamed to clarify the performance measured.
9. Percentage of Shared Services Service Level Agreement Performance Metrics Met or Exceeded (ARC Admin)	*Add* – This measure tracks service level agreements (SLA) performance metrics that met or exceeded service level targets compared to the total number of SLA metric targets across all ARC clients (4 service lines with combined 83 operational metrics meeting each individual operational metric target).
10. Customer Satisfaction (ARC Admin)	*Add* – This measure tracks the customer's satisfaction level with ARC's services looking at the organization's overall performance.
11. Direct Cost as a Percentage of Award Dollars (ARC Admin)	*Discontinue* – Replaced by aggregate level measure.
12. Direct Cost per AP Transaction (ARC Admin)	*Discontinue* – Replaced by aggregate level measure.
13. Direct Cost per FTE in Core HR Services (ARC Admin)	*Discontinue* – Replaced by aggregate level measure.
14. Direct Cost per System User – Oracle (ARC Admin)	*Discontinue* – Replaced by aggregate level measure.
15. Direct Cost per Travel Voucher (ARC Admin)	*Discontinue* – Replaced by aggregate level measure.

16. First Call Resolution – Oracle (ARC Admin)	*Discontinue* – Replaced by aggregate level measure.
17. Hiring Timeliness (ARC Admin)	*Discontinue* – Replaced by aggregate level measure.
18. Indirect Cost Admininstrative Services (ARC Admin)	*Discontinue* – Replaced by aggregate level measure.
19. Timely Contract Issuance (ARC Admin)	*Discontinue* – Replaced by aggregate level measure.
20. Travel Voucher Payments Timeliness (ARC Admin)	*Discontinue* – Replaced by aggregate level measure.
21. Number of Engagements in Strategc Sourcing, to Include New IT Customers, New Scope of Work for Existing Customers, or New FITARA Compliant Contracts Available Beyond Fiscal Service (ARC IT)	*Modify* – Previous measure was "Number of Engagements in Strategic Sourcing or 'Service Provider' or Other Shared Services Opportunity. Measure reflects the ARC IT commitment to the President's Management Agenda by reporting on opportunities to provide services to new customers, expand service scope, or realize economies of scale by sponsoring contracts used across government (supports the Federal IT Acquisition Reform Act).
22. Percentage of POA&Ms Scheduled for Closure in Last 30 Days – Closed Early or On Time	*Discontinue* – It was determined that this measure is specific to a business line and should not be reported at the Treasury departmental level.

Section III – Additional Information

A – Summary of Capital Investments
The TFF's planned investments enhance the capabilities and capacity of our financial management shared services. Investing in service oriented architecture will allow customers to streamline application connections resulting in benefits that include reducing development time, using industry development best practices for coding efforts, allowing real time processing of transactional data between systems, and independent communication between systems. This effort will also reduce redundancy, providing more flexible and efficient interfaces with customers' third-party applications.

The TFF plans to expand the use of an enterprise-wide financial statement reporting tool and update operational (transactional) reporting and analytical tools in order to provide a more efficient interpretation of large volumes of data, long-term stability, and improved presentation and distribution capabilities.

A summary of capital investment resources, including major information technology and non-technology investments can be found at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.
The Administrative Resource Center capital investments are contained within the Fiscal Service capital investment summary. The Treasury Shared Service Programs capital investments are contained within the Departmental Offices capital investment summary.

B. Treasury Franchise Fund Program Costs

This information is provided to fulfill requirements of Section 124 of the FY 2018Financial Services and General Government appropprations bill.

Treasury Franchise Fund – Treasury Shared Services Programs, FY 2018 Total Charges by Customer

2018 TSSP Customers	Enterprise Business Solutions	Infrastructure Operations	Cybersecurity	IT Strategy and Technology Management	Non-Information Technology Services	Total
Alcohol Tobacco Tax and Trade Bureau	$ 307,498	$ 618,380	$ 60,806	$ 24,645	$ 410,650	$ 1,421,980
Bureau of Printing and Engraving	$ 1,065,043	$ 3,721,488	$ 215,298	$ 90,071	$ 796,851	$ 5,888,753
Bureau of the Fiscal Service	$ 3,561,598	$ 766,993	$ 265,880	$ 103,665	$ 1,670,316	$ 6,368,452
Consumer Financial Protection	$ 1,213,111	$ 3,338	$ -	$ -	$ 186,533	$ 1,402,982
DHS Office of Inspector General	$ -	$ -	$ -	$ -	$ 5,854	$ 5,854
DHS Customs and Immigration Service	$ -	$ -	$ -	$ -	$ 50,736	$ 50,736
DHS Headquarters	$ -	$ -	$ -	$ -	$ 118,951	$ 118,951
DHS U.S. Secret Service	$ 1,429,374	$ 12,786	$ -	$ -	$ 58,880	$ 1,501,040
Community Development Financial Institutions Fund	$ 355,563	$ 20,232	$ 8,661	$ 3,765	$ 107,587	$ 495,808
DC Pensions	$ 31,052	$ 89,044	$ 2,688	$ 1,076	$ 56,843	$ 180,702
Federal Financing Bank	$ 30,281	$ 136,467	$ 3,909	$ 1,565	$ 71,517	$ 243,738
Financial Stability Oversight Council	$ 352,358	$ 128,873	$ 2,810	$ 1,125	$ 69,002	$ 554,167
Treasury Office of Financial Research	$ 266,537	$ 5,488,695	$ 211,022	$ 10,904	$ 365,390	$ 6,342,548
Treasury Office of Financial Stability	$ 1,063,184	$ 294,539	$ 6,475	$ 2,592	$ 221,500	$ 1,588,289
Treasury Office of Technical Assistance	$ 19,333	$ 73,984	$ 1,466	$ 587	$ 121,547	$ 216,918
Small Business Lending Fund Administration	$ 8,033	$ 52,497	$ 855	$ 342	$ 36,462	$ 98,189
Treasury Departmental Offices	$ 4,517,114	$ 9,180,875	$ 601,833	$ 69,436	$ 3,138,171	$ 17,507,429
State Small Business Credit Initiative Administration	$ -	$ -	$ -	$ -	$ -	$ -
Treasury Executive Office of Asset Forfeiture	$ 1,714,961	$ 156,568	$ 3,054	$ 1,222	$ 109,385	$ 1,985,190
Treasury Terrorism Risk Insurance Program	$ 5,742	$ 42,512	$ 1,221	$ 489	$ 28,674	$ 78,638
Department of Commerce	$ 10,368,216	$ 94,106	$ -	$ -	$ 457,200	$ 10,919,523
DOC ITA	$ -	$ -	$ -	$ -	$ 24,877	$ 24,877
DOD - U.S. Air Force	$ -	$ -	$ -	$ -	$ 187,572	$ 187,572
Department of Energy	$ -	$ -	$ -	$ -	$ 2,929	$ 2,929
Department of Interior	$ 92,711	$ -	$ -	$ -	$ 3,584	$ 96,296
DOJ - Drug Enforcement Agency	$ -	$ -	$ -	$ -	$ 64,204	$ 64,204
DOJ - Executive Office of Immigration Review	$ -	$ -	$ -	$ -	$ 19,780	$ 19,780
DOJ - U.S. Marshal Service	$ -	$ -	$ -	$ -	$ 39,329	$ 39,329
DOJ Alcohol Tobacco Firearms and Explosives	$ 1,448,716	$ 16,205	$ -	$ -	$ 110,207	$ 1,575,128
Department of Labor	$ 5,245,685	$ 30,330	$ 19,801	$ -	$ 201,690	$ 5,497,506
DOL - Bureau of Labor Statistics	$ -	$ -	$ -	$ -	$ 22,071	$ 22,071
DOL - Office of the Inspector General	$ -	$ -	$ -	$ -	$ 8,242	$ 8,242
DOT- Federal Transit Agency	$ -	$ -	$ -	$ -	$ 16,189	$ 16,189
Department of Education	$ -	$ -	$ -	$ -	$ 71,802	$ 71,802
Export Import Bank-Office of the Inspector General	$ -	$ -	$ -	$ -	$ 3,377	$ 3,377
Farm Credit Administration	$ -	$ -	$ -	$ -	$ 1,674	$ 1,674
Federal Communications Commission	$ 43,761	$ -	$ -	$ -	$ 1,779	$ 45,539
Federal Deposit Insurance Corporation	$ 96,000	$ -	$ -	$ -	$ 8,644	$ 104,644

Federal Deposit Insurance Corporation -Office of the Inspector General	$ -	$ -	$ -	$ -	$ 6,835	$ 6,835
Federal Emergency Management Agency	$ 410,364	$ -	$ -	$ -	$ 79,716	$ 490,080
Federal Housing Finance Agency	$ -	$ -	$ -	$ -	$ 42,253	$ 42,253
Financial Crimes Enforcement Network	$ 182,888	$ 1,210,707	$ 41,464	$ 16,577	$ 269,179	$ 1,720,815
Federal Reserve Board	$ -	$ -	$ -	$ -	$ 3,347	$ 3,347
Government Accountability Office	$ 597,129	$ 6,043	$ -	$ -	$ 25,183	$ 628,355
General Service Administration	$ -	$ -	$ -	$ -	$ 40,166	$ 40,166
HHS - Agency for Healthcare Research and Quality	$ -	$ -	$ -	$ -	$ 1,672	$ 1,672
Housing and Urban Development	$ 3,216,039	$ 15,562	$ -	$ -	$ 230,235	$ 3,461,836
HUD - Office of Inspector General	$ 81,426	$ -	$ -	$ -	$ 6,713	$ 88,138
Internal Revenue Service	$ 46,669,657	$ 67,560,706	$ 9,367,162	$ 3,799,854	$ 14,301,986	$ 141,699,364
Millennium Challenge Corporation	$ -	$ -	$ -	$ -	$ 20,750	$ 20,750
U.S. Mint	$ 1,513,305	$ 1,623,531	$ 212,411	$ 88,066	$ 1,070,071	$ 4,507,384
National Records and Archives Administration	$ -	$ -	$ -	$ -	$ 31,318	$ 31,318
Office of the Comptroller of the Currency	$ 2,502,096	$ 1,159,930	$ 444,139	$ 192,562	$ 986,967	$ 5,285,694
Office of Government Ethics	$ -	$ -	$ -	$ -	$ 4,262	$ 4,262
Treasury Office of Inspector General	$ 177,671	$ 439,821	$ 25,852	$ 10,415	$ 124,785	$ 778,544
Overseas Private Investment Corporation	$ -	$ -	$ -	$ -	$ 15,156	$ 15,156
Peace Corps	$ 116,338	$ -	$ -	$ -	$ 5,367	$ 121,706
Small Business Administration	$ 213,970	$ -	$ -	$ -	$ 23,373	$ 237,342
Special Inspector General for TARP	$ 242,329	$ 1,044,098	$ 23,455	$ 9,389	$ 167,332	$ 1,486,604
National Gallery of Art	$ -	$ -	$ -	$ -	$ 20,423	$ 20,423
TFF - Administrative Resources Center	$ 1,489,372	$ 3,078,526	$ 172,039	$ 74,766	$ 417,164	$ 5,231,866
Treasury Inspector General for Tax Administration	$ 627,596	$ 2,443,460	$ 112,074	$ 42,102	$ 441,094	$ 3,666,325
USAID	$ 1,800,765	$ 9,317	$ -	$ -	$ 106,886	$ 1,916,968
Veterans Affairs	$ -	$ -	$ -	$ -	$ 54,113	$ 54,113
Total	$ 93,076,817	$ 99,519,614	$ 11,804,374	$ 4,545,214	$ 27,366,346	$ 236,312,364

Note: The small variance in the following tables are due to transaction posting timing. The 1.1 table represents BFY 2018 revenue and the appendix table reflects customers actuals during 2018. Collections may be posted outside of the fiscal year, October 1st through September 30th timeframe.

Treasury Franchise Fund – Administrative Resource Center, FY 2018 Total Charges by Customer

FY 2018 ARC Customers	Financial Management Services	FMLoB FEES	Human Resource Services	Procurement Services	Travel Services	Information Technology Services	Total
ACCESS BOARD	$ 264,966	$ -	$ 102,547	$ 63,378	$ 25,038	$ -	$ 455,929
ADMIN OFFICES OF THE US COURTS	$ 75,106	$ -	$ -	$ -	$ -	$ -	$ 75,106
ADMINISTRATION FOR CHILDREN AND FAMILIES	$ 104,433	$ -	$ -	$ -	$ 6,778	$ -	$ 111,211
AFRICAN DEVELOPMENT FOUNDATION	$ 898,198	$ -	$ -	$ 384,897	$ 28,495	$ -	$ 1,311,590
AGENCY FOR INTERNATIONAL DEVELOPMENT	$ 75,702	$ 95,819	$ -	$ -	$ -	$ -	$ 171,521
AGENCY FOR INTERNATIONAL DEVELOPMENT - OIG	$ 93,374	$ -	$ -	$ -	$ -	$ -	$ 93,374
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU	$ 815,120	$ -	$ 1,054,209	$ 843,871	$ 202,516	$ -	$ 2,915,716
ALCOHOL TOBACCO FIREARMS AND EXPLOSIVES	$ -	$ -	$ -	$ -	$ 942,212	$ -	$ 942,212
ARMED FORCES RETIREMENT HOME	$ 929,472	$ -	$ 1,162,214	$ 499,893	$ 16,739	$ -	$ 2,608,318
BUREAU OF ENGRAVING AND PRINTING	$ -	$ -	$ 2,804,057	$ -	$ 147,511	$ -	$ 2,951,568
BUREAU OF THE FISCAL SERVICE	$15,434,060	$ -	$ 5,462,887	$ 3,976,664	$ 514,990	$ 159,303,575	$ 184,692,176
CDFI PROGRAM FUND	$ 1,006,149	$ -	$ 169,702	$ 212,995	$ 19,731	$ -	$ 1,408,577
CENTER FOR DISEASE CONTROL	$ -	$ -	$ -	$ -	$ 1,737,730	$ -	$ 1,737,730
CHEMICAL SAFETY AND HAZARD BOARD	$ 297,355	$ -	$ -	$ 18,396	$ 27,839	$ -	$ 343,590
COMPTROLLER OF THE CURRENCY	$ -	$ -	$ -	$ 99,699	$ -	$ -	$ 99,699
CONSUMER FINANCIAL PROTECTION BUREAU	$ 1,446,432	$ -	$ 3,648,679	$ 1,620,260	$ 1,250,878	$ -	$ 7,966,249
CONSUMER PRODUCT SAFETY COMMISSION	$ 136,500	$ -	$ -	$ 63,000	$ 10,500	$ -	$ 210,000
CORPORATION FOR NATIONAL AND COMMUNITY SERV	$ 75,609	$ -	$ -	$ -	$ 9,300	$ -	$ 84,909
DC PENSIONS PROJECT OFFICE	$ 2,192,434	$ -	$ 36,575	$ 31,034	$ 1,581	$ 1,628,083	$ 3,889,707
DEFENSE HEALTH AGENCY	$ -	$ -	$ -	$ -	$ 65,627	$ -	$ 65,627
DEFENSE LOGISTICS AGENCY	$ 531,256	$ -	$ -	$ -	$ -	$ -	$ 531,256
DENALI COMMISSION	$ 923,057	$ -	$ 97,698	$ 81,161	$ 18,366	$ -	$ 1,120,282
DEPARTMENT OF AGRICULTURE	$ -	$ 167,510	$ -	$ -	$ -	$ -	$ 167,510
DEPARTMENT OF COMMERCE	$ -	$ 95,819	$ -	$ -	$ -	$ -	$ 95,819
DEPARTMENT OF DEFENSE	$ -	$ 187,342	$ -	$ -	$ -	$ -	$ 187,342
DEPARTMENT OF EDUCATION	$ -	$ 230,616	$ -	$ -	$ -	$ -	$ 230,616
DEPARTMENT OF ENERGY	$ 148,424	$ 124,236	$ -	$ -	$ -	$ -	$ 272,660
DEPARTMENT OF HEALTH & HUMAN SERVICES	$ -	$ 230,616	$ -	$ -	$ 62,377	$ -	$ 292,993
DEPARTMENT OF HOMELAND SECURITY	$ 490,474	$ 374,684	$ -	$ -	$ -	$ 559,111	$ 1,424,269
DEPARTMENT OF HOMELAND SECURITY - CIS	$ -	$ -	$ -	$ -	$ 561,028	$ -	$ 561,028
DEPARTMENT OF HOMELAND SECURITY - OIG	$ 686,590	$ -	$ 86,019	$ 451,886	$ 287,614	$ -	$ 1,512,109
DEPARTMENT OF HOUSING AND URBAN DEVELOPMEN	$18,040,108	$ 230,616	$ 14,185,176	$ 2,178,612	$ 2,788,136	$ -	$ 37,422,648
DEPARTMENT OF JUSTICE	$ 125,056	$ -	$ -	$ -	$ -	$ -	$ 125,056
DEPARTMENT OF LABOR	$ 195,016	$ -	$ -	$ -	$ -	$ -	$ 195,016
DEPARTMENT OF STATE	$ 260,836	$ -	$ -	$ -	$ -	$ -	$ 260,836
DEPARTMENT OF THE INTERIOR	$ 955,085	$ 124,236	$ -	$ -	$ -	$ -	$ 1,079,321
DEPARTMENT OF TRANSPORTATION	$ -	$ 230,616	$ -	$ -	$ -	$ -	$ 230,616
DEPARTMENT OF VETERANS AFFAIRS	$ -	$ 158,998	$ -	$ -	$ 2,661	$ -	$ 161,659
DEPARTMENT OF VETERANS AFFAIRS - OIG	$ -	$ -	$ 2,361,842	$ -	$ -	$ -	$ 2,361,842
DEPARTMENT OF VETERANS AFFAIRS - TAC	$ 149,824	$ -	$ -	$ -	$ -	$ 823,078	$ 972,902
ELECTION ASSISTANCE COMMISSION	$ 377,712	$ -	$ -	$ 153,983	$ 59,060	$ -	$ 590,755
ENVIRONMENTAL PROTECTION AGENCY	$ -	$ 95,819	$ -	$ -	$ -	$ -	$ 95,819
EXECUTIVE OFFICE OF THE PRESIDENT	$ 1,224,740	$ -	$ -	$ 237,255	$ 347,253	$ -	$ 1,809,248
FARM CREDIT ADMINISTRATION	$ 430,295	$ -	$ -	$ 48,373	$ 214,143	$ -	$ 692,811

FARM CREDIT SYSTEM INSURANCE CORPORATION	$ 208,282	$ -	$ -	$ 1,691	$ 5,075	$ -	$ 215,048
FEDERAL EMERGENCY MANAGEMENT AGENCY	$ -	$ -	$ -	$ -	$ 25,851	$ -	$ 25,851
FEDERAL HOUSING FINANCE AGENCY	$ 969,566	$ -	$ -	$ 171,533	$ 232,244	$ -	$ 1,373,343
FEDERAL HOUSING FINANCE AGENCY - OIG	$ 394,424	$ -	$ 322,224	$ 260,832	$ 81,289	$ -	$ 1,058,769
FEDERAL LABOR RELATIONS AUTHORITY	$ 512,002	$ -	$ -	$ 47,662	$ 89,591	$ -	$ 649,255
FEDERAL MARITIME COMMISSION	$ 361,266	$ -	$ -	$ 61,989	$ 29,068	$ -	$ 452,323
FEDERAL MEDIATION & CONCILIATION SERVICE	$ 41,250	$ -	$ -	$ 10,000	$ 3,750	$ -	$ 55,000
FEDERAL MINE SAFETY AND HEALTH REVIEW COMMIS	$ 431,448	$ -	$ 175,795	$ 17,080	$ 35,176	$ -	$ 659,499
FEDERAL TRADE COMMISSION	$ 48,900	$ -	$ -	$ 15,775	$ 5,525	$ -	$ 70,200
FINANCIAL CRIMES ENFORCEMENT NETWORK	$ 614,372	$ -	$ 226,618	$ 749,316	$ 71,557	$ 1,975,807	$ 3,637,671
FOOD AND DRUG ADMINISTRATION	$ -	$ -	$ -	$ -	$ 579,925	$ -	$ 579,925
GENERAL SERVICE ADMINISTRATION	$ -	$ 41,332	$ -	$ -	$ -	$ -	$ 41,332
GULF COAST ECOSYSTEM RESTORATION COUNCIL	$ 291,280	$ -	$ 152,990	$ 25,140	$ 18,007	$ -	$ 487,417
INTER AMERICAN FOUNDATION	$ 727,270	$ -	$ -	$ 551,996	$ 30,407	$ -	$ 1,309,673
INTERNAL REVENUE SERVICE	$ -	$ -	$ 1,039,452	$ -	$ -	$ -	$ 1,039,452
MERIT SYSTEMS PROTECTION BOARD	$ 417,907	$ -	$ -	$ 22,270	$ 57,852	$ -	$ 498,029
NATIONAL AERONAUTICS AND SPACE ADMINISTRATIO	$ 148,341	$ 124,236	$ -	$ -	$ -	$ 469,361	$ 741,938
NATIONAL ARCHIVES & RECORDS ADMINISTRATION	$ 3,988,553	$ -	$ 1,035,550	$ 487,309	$ 284,744	$ -	$ 5,796,156
NATIONAL CAPTIAL PLANNING COMMISSION	$ 76,583	$ -	$ -	$ -	$ -	$ -	$ 76,583
NATIONAL MEDIATION BOARD	$ 325,419	$ -	$ -	$ 195,920	$ 58,585	$ -	$ 579,924
NATIONAL SCIENCE FOUNDATION	$ -	$ 139,094	$ -	$ -	$ 63,075	$ -	$ 202,169
NUCLEAR REGULATORY COMMISSION	$ 1,349,783	$ 41,332	$ -	$ -	$ 222,825	$ -	$ 1,613,940
OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMI	$ 259,110	$ -	$ -	$ 12,444	$ 24,588	$ -	$ 296,142
OFFICE OF FINANCIAL STABILITY	$ 276,538	$ -	$ 151,168	$ 64,449	$ 15,778	$ -	$ 507,933
OFFICE OF GOVERNMENT ETHICS	$ 359,813	$ -	$ 246,588	$ 199,372	$ 11,873	$ -	$ 817,646
OFFICE OF PERSONNEL MANAGEMENT	$ -	$ 41,342	$ -	$ -	$ -	$ -	$ 41,342
OFFICE OF TECHNICAL ASSISTANCE	$ 724,942	$ -	$ 25,729	$ 26,490	$ 90,443	$ -	$ 867,604
OFFICE OF THE INSPECTOR GENERAL	$ 360,081	$ -	$ 512,266	$ 127,164	$ 66,550	$ -	$ 1,066,061
RAILROAD RETIREMENT BOARD	$ -	$ -	$ -	$ -	$ 1,837	$ -	$ 1,837
SECURITIES AND EXCHANGE COMMISSION	$ 387,007	$ -	$ -	$ -	$ -	$ -	$ 387,007
SMALL BUSINESS ADMINISTRATION	$ -	$ 67,475	$ 187,010	$ -	$ -	$ -	$ 254,485
SOCIAL SECURITY ADMINISTRATION	$ -	$ 67,475	$ -	$ -	$ -	$ 658,319	$ 725,794
SPECIAL INSPECTOR GENERAL - TARP	$ 360,007	$ -	$ 493,459	$ 217,612	$ 89,832	$ 22,589	$ 1,183,499
TREASURY DEPARTMENTAL OFFICES	$ 3,272,740	$ -	$ 4,809,548	$ 1,168,439	$ 636,344	$ 10,034,416	$ 19,921,487
TREASURY FRANCHISE FUND/ADMINISTRATIVE SERVIC	$ -	$ -	$ -	$ -	$ -	$ 14,586,180	$ 14,586,180
TREASURY FRANCHISE FUND/INFORMATION TECHNOL	$ 1,067,735	$ -	$ 1,213,134	$ 1,375,767	$ 123,141	$ -	$ 3,779,777
TREASURY FRANCHISE FUND/SHARED SERVICES PROGR	$ 441,027	$ 95,892	$ 1,410,233	$ 263,494	$ 16,772	$ 6,052,292	$ 8,279,710
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRA	$ 611,638	$ -	$ 1,790,076	$ 758,277	$ 460,581	$ -	$ 3,620,572
TRUST FUND - BLACK LUNG DISABILITY	$ 141,706	$ -	$ -	$ -	$ -	$ -	$ 141,706

TRUST FUND - FEDERAL DISABILITY	$ 367,130	$ -	$ -	$ -	$ -	$ -	$ 367,130
TRUST FUND - FEDERAL HOSPITAL INSURANCE	$ 411,128	$ -	$ -	$ -	$ -	$ -	$ 411,128
TRUST FUND - FEDERAL OLD AGE & SURVIVORS	$ 367,130	$ -	$ -	$ -	$ -	$ -	$ 367,130
TRUST FUND - FEDERAL SUPPLEMENT INSURANCE	$ 416,516	$ -	$ -	$ -	$ -	$ -	$ 416,516
TRUST FUND - OIL SPILL LIABILITY	$ 96,859	$ -	$ -	$ -	$ -	$ -	$ 96,859
TRUST FUND - UNEMPLOYMENT	$ 576,406	$ -	$ -	$ -	$ -	$ -	$ 576,406
UNITED STATES MINT	$ 8,412,927	$ -	$ 3,199,802	$ 1,793,417	$ 217,879	$ -	$ 13,624,025
US COURT OF APPEALS FOR VETERANS	$ 268,821	$ -	$ -	$ 6,761	$ 12,655	$ -	$ 288,237
USDA FOOD AND NUTRITION	$ -	$ -	$ -	$ -	$ -	$ 891,243	$ 891,243
USDA FOREST SERVICE	$ 120,264	$ -	$ -	$ -	$ -	$ -	$ 120,264
USDA OCIO INTERNATIONAL TECHNOLOGY SERVICES	$ -	$ -	$ 1,297,067	$ -	$ -	$ -	$ 1,297,067
USDA OFFICE OF INSPECTOR GENERAL	$ -	$ -	$ 145,022	$ -	$ -	$ -	$ 145,022
Total	$78,589,554	$ 2,965,105	$ 49,605,335	$ 19,597,557	$ 13,010,922	$ 197,004,054	$ 360,772,527

1/ ARC bills all customers for services, including ARC Admin, ARC IT, and SSP. Costs are initially billed and collected from ARC Admin, ARC IT, and SSP customers.

Note: The small variance in the following tables is due to transaction posting timing. The 1.1 table represents BFY 2018 revenue and the appendix table reflects customers actuals during 2018. Collections may be posted outside of the fiscal year, October 1st through September 30th timeframe.

Department of the Treasury
Treasury Executive Office of Asset Forfeiture

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

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Section I – Purpose

A – Mission Statement

To affirmatively influence the consistent and strategic use of asset forfeiture by law enforcement bureaus that participate in the Treasury Forfeiture Fund (the Fund) to disrupt and dismantle criminal enterprises.

B – Summary of the Request

The Treasury Executive Office for Asset Forfeiture (TEOAF) administers the Fund, which is the receipt account for deposit of non-tax forfeitures made pursuant to laws enforced or administered by participating Treasury and Department of Homeland Security (DHS) bureaus. Principal revenue-producing bureaus include U.S. Customs and Border Protection (CBP), U.S. Immigration and Customs Enforcement (ICE), the Internal Revenue Service (IRS), the U.S. Secret Service (USSS), the U.S. Coast Guards (USCG), and Alcohol and Tobacco Tax and Trade Bureau (TTB), among others. The Fund is a special fund, defined as a Federal fund account for receipts earmarked for specific purposes and the expenditure of those receipts. The law (31 U.S.C. 9705) allows TEOAF to use the funds for payment of all proper expenses of seizure or the proceedings of forfeiture and sale.

Revenues deposited in the Fund can be allocated and used as the result of a permanent indefinite appropriation provided by Congress. A forfeiture process begins once currency or property is seized. Seized currency is deposited into a suspense account (holding account) until forfeited. At that time, the forfeited amount is transferred (deposited) to the Fund as revenue. Forfeited properties are usually sold, and the proceeds are also deposited into the Fund as revenue. This revenue represents budget authority for meeting obligations and expenses of the program.

Expenses of the Fund are set in a relative priority so that operating costs are met first and may not exceed revenues.

- **Mandatory** expenses represent operating costs of the Fund, including storing and maintaining seized and forfeited assets, valid liens and mortgages, investigative expenses incurred in pursuing a seizure, information and inventory systems, remissions, victim restoration, and certain costs of local police agencies incurred in joint law enforcement operations. Following seizure, equitable shares may be paid to state and local law enforcement agencies that contributed to the seizure activity at a level proportionate to their involvement.
- **Secretary's Enforcement Fund (SEF)** expenses are funded from revenue from equitable shares received from Department of Justice (DOJ) or U.S. Postal Service (USPS) forfeitures. These shares are proportionate to Treasury's participation in the overall investigative effort that led to a DOJ or USPS forfeiture. SEF revenue is available for federal law enforcement-related purposes of any bureau participating in the Fund.
- **Strategic Support** authority, established by Congress in 31 U.S.C. 9705(g)(4)(B), allows TEOAF to fund priority federal law enforcement initiatives with remaining unobligated balances at the close of the fiscal year, after an amount is reserved for the next fiscal year's operations.

FY 2018 Case Highlights: The following case highlights are intended to provide examples of the types of investigative cases worked by the Fund's law enforcement bureaus during FY 2018 that resulted in the seizure and forfeiture of assets. Such cases as those profiled below are consistent with the strategic mission and vision of the Fund, which is to use high-impact asset forfeiture in investigative cases to disrupt and dismantle criminal enterprises.

- **Rabobank Forfeits $318,701,259 as Part of Guilty Plea**
  Rabobank National Association (Rabobank) pleaded guilty to a felony conspiracy charge for impairing, impeding and obstructing its primary regulator, the Department of the Treasury's Office of the Comptroller of the Currency (the OCC) by concealing deficiencies in its anti-money laundering (AML) program and for obstructing the OCC's examination of Rabobank. The investigation was conducted by ICE Homeland Security Initiative (HSI), IRS Criminal Investigation (CI), and the Financial Investigations and Border Crimes Task Force, a multiagency Task Force based in San Diego and Imperial County. The investigation was funded by the TEOAF and occurred parallel to regulatory investigations by the OCC, IRS' Office of General Counsel, and FinCEN's Enforcement Division.
- **New York Man Sentenced to 87 Months and Forfeits $1,624,172 for Multi-State Biodiesel Fraud Scheme**
  Andre Bernard, of Mount Kisco, New York, pleaded guilty for his participation in a multi-state scheme to defraud biodiesel buyers and U.S. taxpayers by fraudulently selling biodiesel credits and fraudulently claiming tax credits. The IRS-CI was joined in this case by the USSS and the Environmental Protection Agency's Criminal Investigation Division.
- **Minnesota Man who defrauded Hmong Community is Sentenced to 87 Months in Prison, Forfeits $1,612,451**
  The St. Paul Police Department contacted the USSS Minneapolis Field Office requesting assistance regarding the investigation of a large scale nationwide wire fraud scheme targeting a Southeast Asian ethnic group known as the Hmong people living in approximately 18 known states in the U.S. Seng Xiong promoted his scheme in the Hmong language to solicit elderly members of the Hmong community to invest money in monthly payments to bank accounts in the name of Seng Xiong. Seng Xiong was convicted of wire fraud and mail fraud. The final order of forfeiture for $1,612,451 will be used for victim restitution.
- **Coast Guard Cutter Offloads Over 41.5 Tons of Cocaine**
  In San Diego on January 25, 2018, the USGC Cutter Stratton offloaded more than 47,000 pounds of cocaine worth over $721 million. U.S. and Canadian forces operating in international waters off the coast of Central and South America seized the cocaine in 23 separate interdictions in the eastern Pacific Ocean. On March 20, 2018, the USCG offloaded approximately 36,000 pounds of cocaine, with an estimated value of $500 million. The seized narcotics were the result of 17 interdictions of suspected smuggling vessels off the coasts of Central and South America between early February and early March of 2018.

Priorities: In FY 2020, TEOAF will continue to support the investigations and activities of the participating law enforcement bureaus. The bulk of TEOAF expenses include supporting seizures and forfeitures to protect the health and safety of U.S. citizens and the commercial interests of U.S. businesses from pernicious criminal activity. Funds are expended for seizure, storage, maintenance, disposition, and destruction and all costs associated with those activities.

TEOAF focuses on supporting cases and investigations that meet the mission of disrupting and dismantling criminal enterprises. To this end, TEOAF prioritizes major case[1] initiatives when allocating funding to member agencies, including the purchase of evidence and information, joint operations expenses, investigative expenses leading to seizure, and asset identification and removal teams. Major case initiatives are aligned directly to the National Money Laundering and Southwest Border strategies.

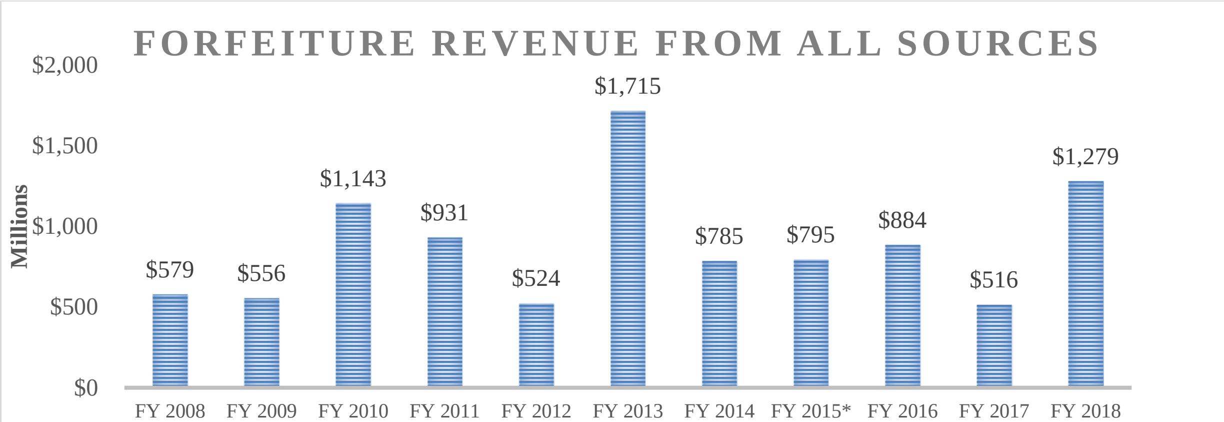
TEOAF support for complex financial investigations initiated by the participating agencies reveals assets available for forfeiture. Many of these assets are the proceeds and result of fraudulent criminal enterprises that have victims. Significant resources are required to obtain a successful prosecution and forfeiture with the resulting revenue used to compensate the victims of the criminal activity.

Participating agencies also combat emerging patterns and practices that threaten our Nation's financial stability. Funds are used to support anti-money laundering/combating financing of terrorism (AML/CFT) investigations and activities. To be effective, analysis of large data caches and cryptocurrency-related crime requires large investments in advanced information technology hardware, software, training, and other capabilities. These investments buttress the AML/CFT strategy of the Departments of Homeland Security and the Treasury.

Challenges: Recently-enacted large rescissions have had a severe negative impact on the participating member agencies' investigations. Insufficient and inconsistent funding support, uncertainty about future funding, investigations disrupted by cash flow problems, and inability to obtain necessary technology/infrastructure all undermine both current and future financial investigations and forfeitures. The Fund relies on base revenue (revenue from non-major forfeitures) to cover basic mandatory costs of the forfeiture program. Total FY 2018 base revenue was $364 million, as compared to $349 million in FY 2017, $419 million in FY 2016, $387 million in FY 2015, and $410 million in FY 2014.

The table below reflects forfeiture revenue from all sources including revenue, reverse asset sharing, and interest earned.

[1] A major case refers to a case where the forfeiture results in a deposit greater than $5 million, or a case that disrupts, dismantles, or interrupts money laundering networks or other financial activities that threaten the financial stability, financial system, or financial interests of the United States.



*FY 2015 data does not include the BNP Paribas S.A. forfeiture in the amount of $3,839 million. Of that amount, $3,800 million was permanently rescinded and transferred to the newly-created U.S. Victims of State Sponsored Terrorism Fund (USVSST) as directed by Congress under the Consolidated Appropriations Act of 2016, Pub. L. 114-113, Div. O, Tit. IV, §404(e) and §405(b). The remainder has been returned to the General Fund in FY 2018.

Participating agencies are seeing reluctance in the field to undertake complex major investigations due to the lack of assurance that their efforts would receive continuous support. Strategic Support funding is especially critical as a strategic investment in the agencies' operational capabilities and infrastructure supporting major cases. It provides law enforcement much-needed flexibility to respond in real time to unanticipated critical needs, such as those driven by technology advancements or emerging criminal threats. It often serves as seed funding for innovations that need to be tested and refined prior to full-scale implementation.

It is precisely the most important, high-impact[2] financial investigations that TEOAF must continue to support due to resource needs and ultimate disposition of the forfeited assets. Undermining these major financial investigations will directly impact the ability of Treasury and DHS to respond to priority threats and to protect the integrity of the U.S. financial system.

In addition, TEOAF tracks future remission payments to third parties as contingent liabilities. However, these amounts are not recorded as obligations from the Fund until the Department of Justice grants the petition for remission. The third parties are predominantly victims of crimes that triggered the forfeiture (e.g., Ponzi scheme or kleptocracy victims). Amounts recorded are significant because remission payments from multiple years are recorded and carried forward. The amounts change constantly as payments are made and amounts for new remission cases are added. TEOAF considers the amounts recorded as contingent liabilities as unavailable and believes that consideration of contingent liabilities provides a more accurate representation of the financial position of the Fund.

[2] A high-impact case refers to a case resulting in a cash forfeiture deposit equal to or greater than $100,000.

1.1 – Appropriations Detail Table

Dollars in Thousands

Treasury Forfeiture Fund	FY 2018		FY 2019		FY 2020		FY 2019 to FY 2020			
Budgetary Resources	Actual		Estimated[1]		Estimated		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Interest	0	$47,560	0	$31,000	0	$31,309	0	$309	NA	1%
Restored Prior Year Rescission	0	$988,000	0	$0	0	$0	0	$0	NA	NA
Restored Prior Year Sequestration Reduction	0	$35,606	0	$84,405	0	$32,742	0	($51,663)	NA	-61%
Restored Prior Year Sequestration of Restored Rescission	0	$60,444	0	$65,208	0	$0	0	($65,208)	NA	-100%
Forfeited Revenue	0	$1,231,301	0	$497,096	0	$507,038	0	$9,942	NA	2%
Recovery from Prior Years	0	$16,933	0	$18,000	0	$18,000	0	$0	NA	0%
Unobligated Balances from Prior Years	0	$668,529	0	$825,172	0	$134,460	0	($690,712)	NA	-84%
Total Revenue/Offsetting Collections		**$3,048,373**		**$1,520,881**		**$723,549**	**0**	**($797,331)**	**NA**	**-52%**
Expenses/Obligations										
Mandatory Obligations[2]	26	$919,464	27	$527,772	27	$538,327	0	$10,555	0.00%	2%
Secretary's Enfrocement	0	$38,383	0	$22,316	0	$22,762	0	$446	NA	2%
Strategic Support	0	$49,579	0	$601,000	0	$0	0	($601,000)	NA	-100%
First Tranche [3]	0	$0	0	$242,000	0	$0	0	$0	NA	NA
Second Tranche [3]	0	$0	0	$359,000	0	$0	0	$0	NA	NA
FY 2018 Strategic Support obligated in FY 2019	0	$0	0	$2,590	0	$0	0	($2,590)	NA	-100%
Total Expenses/Obligations	**26**	**$1,007,426**	**27**	**$1,153,678**	**27**	**$561,090**	**0**	**($592,589)**	0.00%	-51%
Rescissions/Cancellations										
Sequestration Reduction [4]	0	($149,613)		($32,742)		TBD		NA	NA	NA
Permanent Cancellation	0	($1,066,162)		($200,000)		$0		$200,000	NA	-100%
Total Rescission/Cancellations		**($1,215,775)**		**($232,742)**		**$0**		**$200,000**	**NA**	**-100%**
Net Results		**$825,172**		**$134,460**		**$162,459**		**($204,743)**	**NA**	**21%**
Contingent Liabilities		**$407,460**		**$400,000**		**$400,000**		**$0**	NA	0%

[1] FY 2019 estimates are based on approved financial plan and exclude additional anticipated forfeitures of $359 million that may come in FY 2019.

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

[3] In February 2019, Treasury submitted a strategic support plan to the committees including two tranches. The first tranche of up to $242 million will be available for obligation 15 days after Treasury's plan was submitted. The second tranche of $359 million will be available for obligation after that date subject to the receipt of additional anticipated forfeitures.

[4] The FY 2019 sequestration would increase by $22 million if the additional anticipated forfeitures of $359 million are finalized in FY 2019. Treasury will compute the FY 2020 sequestration reduction once the OMB Report to Congress on the Joint Committee Sequestration for Fiscal Year 2020 is released.

1.2 – Obligations Detail Table

Dollars in Thousands

Treasury Forfeiture Fund Obligations	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated [1]	% Change FY 2019 to FY 2020
Mandatory				
CBP	$64,161	$41,622	$42,454	2%
ICE	$105,323	$199,988	$203,987	2%
IRS [2]	$620,107	$150,485	$153,495	2%
USSS	$31,796	$31,893	$32,531	2%
USCG	$1,400	$1,400	$1,428	2%
TEOAF	$79,251	$82,277	$83,923	2%
TTB	$588	$600	$612	2%
DOJ	$16,837	$19,506	$19,896	2%
Total Mandatory	**$919,464**	**$527,771**	**$538,327**	**2%**
SEF				
CBP	$5,422	$4,000	$4,080	2%
ICE	$14,963	$7,185	$7,329	2%
IRS	$12,821	$7,050	$7,191	2%
USSS	$5,177	$4,081	$4,163	2%
Total SEF	**$38,383**	**$22,316**	**$22,762**	**2%**
Strategic Support				
CBP	$9,925	$601,000	TBD	NA
ICE	$16,321	$0	TBD	NA
IRS [3]	$13,410	$2,590	TBD	NA
USSS	$6,500	$0	TBD	NA
USCG	$2,423	$0	TBD	NA
TTB	$1,000	$0	TBD	NA
Total Strategic Support	**$49,579**	**$603,590**	**TBD**	**NA**
Total Expenses/Obligations	**$1,007,426**	**$1,153,678**	**$ 561,090**	**-51%**

[1] Funding availability is based on actual receipts. TEOAF will reassess the funding availability in late FY 2019.
[2] IRS' FY 2018 Mandatory obligations included a large victim refund of $453 million.
[3] This represents IRS' FY 2018 Strategic Support funding obligated in FY 2019

1.3 – Operating Levels Table

Dollars in Thousands

Treasury Forfeiture Fund Object Classification	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
25.2 - Other services	58,598	60,496	61,000
25.3 - Other purchases of goods & serv frm Govt accounts	177,215	730,496	132,000
26.0 - Supplies and materials	15	138	25
41.0 - Grants, subsidies, and contributions	161,025	167,492	170,000
43.0 - Interest and dividends	56	59	65
44.0 - Refunds	522,556	103,499	105,000
94.0 - Financial Transfers	87,961	91,498	93,000
Total Non-Personnel	**1,007,426**	**1,153,678**	**561,090**
New Budgetary Resources	**$1,007,426**	**$1,153,678**	**$561,090**
Budget Activities:			
Asset Forfeiture Fund	**$1,007,426**	**$1,153,678**	**$561,090**
FTE	**26**	**27**	**27**

E – Legislative Proposals

TEOAF has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The purpose of the Fund is to ensure resources are managed to cover the costs of an effective asset seizure and forfeiture program, including the costs of seizure or the proceedings of forfeiture and sale, including the expenses of detention, inventory, security, maintenance, advertisement, or disposal of the property. Additionally, the Fund is used to support law enforcement priorities, financial investigative capabilities, and the seizure of physical and financial resources to disrupt and dismantle criminal enterprises. TEOAF supports the following Department of the Treasury strategic goal and associated objectives:

- Goal 3: Enhance National Security:
    - 3.1 Strategic Threat Disruption
    - 3.2 AML/CFT Framework

B – Budget and Performance by Budget Activity

2.1.1 Treasury Forfeiture Fund Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
Expenses/Obligations	$787,849	$4,323,908	$508,746	$526,228	$1,007,426	$1,153,678	$561,090
Budget Activity Total	**$787,849**	**$4,323,908**	**$508,746**	**$526,228**	**$1,007,426**	**$1,153,678**	**$561,090**
FTE	**25**	**25**	**25**	**25**	**26**	**27**	**27**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Target	FY 2020 Target
Percent of Forfeited Cash Proceeds Resulting from High-Impact Cases	98.25	89.09	81.79	80.00	94.19	80.00	80.00

Treasury Forfeiture Fund Budget and Performance

($561,090,000 in obligations from revenue/offsetting collections):

The Fund continues to measure the performance of the participating law enforcement bureaus through the "percent of forfeited cash proceeds resulting from high-impact cases, "which are cases that yield a cash forfeiture deposit equal to or greater than $100,000.

Focusing on strategic cases and investigations that result in high-impact forfeitures will help to impede criminal organizations while accomplishing the ultimate objective, which is to disrupt and dismantle criminal enterprises. Member law enforcement bureaus participating in the Fund have met or exceeded the performance target since FY 2014. However; the performance declined to 81.79 percent in FY 2017 due to the inability of TEOAF to offer support for high-impact cases in prior years. The performance increased to 94.19 percent in FY 2018 because one major case resulted in $453 million which was used to compensate victims entirely. For FY 2019 and FY 2020, the target will remain at 80 percent. The Fund maintains a target of 80 percent because some cases may be important to pursue, even if they are not high-impact cases and result in deposits of less than $100,000.

Department of the Treasury
Bureau of Engraving and Printing

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

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Section I – Purpose

A – Mission Statement
To develop and produce United States currency notes trusted worldwide.

B – Summary of the Request
The Bureau of Engraving and Printing (BEP) produces and delivers U.S. currency notes for the Federal Reserve System ordered by the Board of Governors of the Federal Reserve (FRB) and other security products for the Federal Government. BEP began printing currency in 1862 and operates on the basis of authority conferred upon the Secretary of the Treasury by 31 U.S.C. 321(a) (4) to engrave and print currency and other security documents. Operations are financed through a revolving fund established in 1950 in accordance with Public Law 81-656. The fund is reimbursed for direct and indirect costs of operations, including administrative expenses, through product sales. In 1977, Public Law 95-81 authorized BEP to include an amount sufficient to fund capital investment and to meet working capital requirements in the prices charged for products, eliminating the need for annual discretionary appropriations.

BEP provides technical assistance, advice, and some production services to other federal agencies in the development of security documents that require counterfeit deterrent features due to their innate value or other characteristics. Other activities at BEP include engraving plates and dies; manufacturing inks used to print security products; purchasing materials, supplies and equipment; and storing and delivering products in accordance with customer requirements. BEP supports Treasury's Strategic Goal 1: Boost U.S. Economic Growth and Strategic Goal 5: Achieve Operational Excellence.

BEP's FY 2020 request funds the following projects:
Replacement Production Facility: BEP's current Washington, D.C. facility has an aging and outdated infrastructure which drives up costs and adversely impacts quality of the currency. BEP's FY 2020 Congressional Justification displays expenditures for planning and design services for a new, smaller, more efficient currency production facility. A new facility will save an estimated $579 million over 10 years as compared to the cost of the renovation of the existing facility. In addition, BEP will be able to reduce its space by 28 percent and reduce its annual operating costs by at least $38 million. In 2019 and 2020 the budget includes costs associated with initial planning as well as the cost for the preliminary analysis by the Army Corps of Engineers for compliance with the National Environmental Policy Act (NEPA) and the cost of site surveys. [1]

1. **Western Currency Facility Expansion:** Producing the next family of updated notes requires that BEP purchase and install new production equipment to support the new designs. The expansion will provide the space and infrastructure necessary to successfully meet the

[1] The final 2019 appropriations bill provided BEP with the necessary authority to purchase land and construct a new production facility. In addition, the Agriculture Improvement Act of 2018 included a provision that authorizes the Secretary of Agriculture to transfer to the Secretary of the Treasury administrative jurisdiction of a 100-acre parcel of property at the Beltsville Agriculture Research Center (BARC) for establishing a BEP production facility. Treasury and USDA plan to enter into a Memorandum of Agreement to implement the property transfer.

production requirements of the next family of U.S. currency banknotes that focus on the integration of strong, new security features.

2. **Banknote Design and Development:** In FY 2020, BEP will continue working with the Federal Government's Advanced Counterfeit Deterrent (ACD) Steering Committee to research and develop improved security features for the next family of updated notes. The updated notes will focus on innovative banknote security and anti-counterfeit technology that will enhance and ensure the security and integrity of U.S. currency. The ACD Committee is an inter-agency group established to monitor and explore existing and emerging technologies to deter the counterfeiting of U.S. currency. It includes representatives from BEP, the Department of the Treasury, the U.S. Secret Service, and the FRB. While many factors are taken into consideration when updating currency, the primary purpose for updating notes is to improve the security of U.S. banknotes and ensure they maintain their position as being trusted worldwide.

3. **Retooling:** BEP is conducting a multi-year effort to retool its manufacturing processes with state-of-the-art intaglio printing presses, electronic inspection systems, and finishing equipment. To ensure that BEP will meet the annual currency order, the FRB and BEP developed and established short, medium, and long-term strategic equipment replacement plans for the U.S. Currency Program. Successful implementation of advanced technology improves productivity, reduces environmental impact, and enhances counterfeit deterrence of U.S. currency notes.

4. **Talent Management:** BEP will continue its designated talent management initiatives, while filling personnel gaps in needed STEM and cybersecurity skill sets. Throughout FY 2020, BEP will continue to develop, execute, and communicate the results of Employee Engagement Plans and the annual Federal Employee Viewpoint Survey (FEVS) results.

1.1 – Resource Detail Table

Dollars in Thousands

Bureau of Engraving and Printing Budgetary Resources	FY 2018 Actual		FY 2019 Estimated		FY 2020 Estimated		FY 2019 to FY 2020 $ Change		FY 2019 to FY 2020 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Currency Program	1,748	$905,134	1,836	$872,201	1,863	$877,887	27	$5,686	1.47%	0.65%
Other Programs	0	$9,000	0	$9,000	0	$9,000	0	$0	NA	0.00%
Total Revenue/Offsetting Collections	**1,748**	**$914,134**	**1,836**	**$881,201**	**1,863**	**$886,887**	**27**	**$5,686**	**1.47%**	**0.65%**
Expenses/Obligations										
Manufacturing										
Direct Manufacturing	741	$504,539	724	$492,539	716	$486,880	(8)	($5,659)	-1.10%	-1.15%
Indirect Manufacturing Support	1,007	$409,595	1,112	$388,662	1,147	$400,007	35	$11,345	3.15%	2.92%
Total Expenses/Obligations	**1,748**	**$914,134**	**1,836**	**$881,201**	**1,863**	**$886,887**	**27**	**$5,686**	1.47%	0.65%
Net Results	**1,748**	**0**	**1,836**	**0**	**1,863**	**0**	**27**	**0**	**0**	**NA**

1.2 – Budget Adjustments Table

Dollars in Thousands

Bureau of Engraving and Printing	FTE	Materials	Operating & Capital	Total
FY 2019 Estimated	**1,836**	**$279,482**	**$616,948**	**$896,430**
Decreases				
Washington D.C. New Facility	0	$0	($30,820)	($30,820)
Increases				
Mint/BEP OMS II Consolidation Costs	0	$0	$294	$294
Washington D.C. Facility Building Upgrades	0	$0	$15,297	$15,297
Subtotal	0	$0	($15,229)	($15,229)
FY 2019 Revised Estimate	**1,836**	**$279,482**	**$601,719**	**$881,201**
Changes to Base				
Maintaining Current Levels (MCLs)	0	$0	$7,275	$7,275
Non-Pay	0	$0	$7,275	$7,275
Efficiency Savings	0	$0	($3,000)	($3,000)
Overtime Reduction	0	$0	($2,000)	($2,000)
Productivity Improvements	0	$0	($1,000)	($1,000)
Subtotal Changes to Base	0	$0	$4,275	$4,275
Total FY 2020 Base	**1,836**	**$279,482**	**$605,994**	**$885,476**
Program Changes				
Program Decreases				
Washington D.C. Building Renovations	0	$0	($18,960)	($18,960)
Program Increase				
Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity Investments	0	$0	$371	$371
Security Feature Equipment	0	$0	$15,000	$15,000
Workforce Planning Hiring Efforts (STEM)	27	$0	$5,000	$5,000
Subtotal Program Changes	27	$0	$1,411	$1,411
Total FY 2020 Estimated	**1,863**	**$279,482**	**$607,405**	**$886,887**

*The 2020 President's Budget continues to include the proposal to give BEP the authority to purchase land and construct a new facility as a legislative proposal, rather than enacted law, due to the timing of the enactment of the final 2019 appropriations bill. This table assumes enactment of the proposal in 2019.

C – Budget Increases and Decreases Description

FY 2019 Revised Estimate

Program Decrease .... -$30,820,000 / -0 FTE

Washington D.C. New Facility -$30,820,000 / -0 FTE

This is an adjustment to the original estimate to reflect when the new facility work will begin.

Program Increases .... +$15,591, 000 / +0 FTE

Mint/BEP OMS II Consolidation Costs +294,000 / +0 FTE

One time consolidation costs to the Mint's E-Commerce infrastructure and services platform.

Washington D.C. Facility Building Upgrades +$15,297,000/ +0 FTE

These building and supporting system upgrades (i.e. HVAC, freight elevators) are necessary to maintain the existing facility until the new production facility is complete.

FY 2020 Maintaining Current Levels (MCLs)....................................... +$7,275,000 / +0 FTE

Non-Pay +$7,275,000 / +0 FTE

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

Efficiency Savings .... -$3,000,000 / -0 FTE

Productivity Improvements & Overtime Reduction -$3,000,000 / -0 FTE

By employing new production technologies, BEP plans for increased operational efficiencies that require less overtime.

Program Decreases .... -$18,960,000 / -0 FTE
Washington D.C. Building Renovations -$18,960,000 / -0 FTE
This adjustment reflects a transition from renovation costs to new facility costs.

Program Increases .... +$20,371,000 / +27 FTE
Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity Investments +$371,000 / +0 FTE
The request includes funding to support O&M for prior year Cybersecurity Enhancement Account investments. O&M will be funded by Treasury Bureaus through Treasury Franchise Fund (TFF) billing. This increase represents the bureau's portion of the $17.5 million O&M total.

Security Feature Equipment +$15,000,000 / +0 FTE
Funds are needed for the award of a contract for production equipment needed to print new currency features.

Workforce Planning Hiring Efforts (STEM) +$5,000,000 / +27 FTE
Includes personnel costs for BEP's STEM hiring program to meet its critical mission and cyber security requirements.

1.3 – Operating Levels Table

Dollars in Thousands

Bureau of Engraving and Printing Object Classification	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
11.1 - Full-time permanent	163,280	170,752	174,197
11.3 - Other than full-time permanent	150	150	160
11.5 - Other personnel compensation	2,100	2,642	2,170
11.6 - Overtime	23,000	19,000	17,000
11.9 - Personnel Compensation (Total)	**188,530**	**192,544**	**193,527**
12.0 - Personnel benefits	57,744	48,500	49,500
Total Personnel and Compensation Benefits	**$246,274**	**$241,044**	**$243,027**
21.0 - Travel and transportation of persons	1,800	1,900	1,900
22.0 - Transportation of things	250	400	400
23.1 - Rental payments to GSA	4,000	4,000	4,000
23.2 - Rental payments to others	1,000	1,000	1,000
23.3 - Communication, utilities, and misc charges	14,000	14,400	14,400
24.0 - Printing and reproduction	750	750	750
25.1 - Advisory and assistance services	4,000	9,750	9,500
25.2 - Other services	170,000	124,000	110,000
25.4 - Operation and maintenance of facilities	8,900	11,500	11,500
25.5 - Research and development contracts	15,000	31,000	30,000
25.7 - Operation and maintenance of equip	12,000	16,000	16,250
26.0 - Supplies and materials	263,000	271,297	275,000
31.0 - Equipment	173,000	154,000	169,000
42.0 - Insurance claims and indemnities	160	160	160
Total Non-Personnel	**$667,860**	**$640,157**	**$643,860**
Total Budgetary Resources	**$914,134**	**$881,201**	**$886,887**
Budget Activities:			
Manufacturing	$914,134	$881,201	$886,887
Total Budgetary Resources	**$914,134**	**$881,201**	**$886,887**
FTE	**1,748**	**1,836**	**1,863**

D – Appropriations Language and Explanation of Changes

The BEP does not need annual appropriations language.

E – Legislative Proposals[2]

As in FY 2019, BEP requests the authority to print security documents such as birth, marriage, and death certificates for state governments. Many states are unable to find an American printing firm to produce the documents. These states are turning to foreign companies or lowering their security standards.

[2] The 2020 President's Budget continues to include the proposal to give BEP the authority to purchase land and construct a new facility as a legislative proposal, rather than enacted law, due to the timing of the enactment of the final 2019 appropriations bill.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

BEP's vision is to be the world's standard securities printer providing its customers and the public with superior products through excellence in manufacturing and innovation. BEP supports the following Department of the Treasury FY 2018-2022 strategic goals:

- Goal 1: Boost U.S. Economic Growth
  - 1.3 Trusted Currency and Services
- Goal 5: Achieve Operational Excellence
  - 5.1 Workforce Management
  - 5.2 Treasury Infrastructure
  - 5.3 Delivering Customer Value

U.S. currency is used globally and as its manufacturer, BEP needs to achieve and maintain best-in-class practices for U.S. currency to be accepted worldwide. Working closely with its partners in the U.S. Currency Program, BEP looks forward to updating the next series of secure notes. BEP continues to make every effort to meet its mission to manufacture sophisticated and technologically advanced notes that are dependable in commerce. This achievement requires the focus and determination of the entire agency, since BEP faces challenges and is committed to stay ahead of increasingly sophisticated counterfeiters.

B – Budget and Performance by Budget Activity

2.1 Manufacturing Resources and Measures

Dollars in Thousands

Manufacturing Activity	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
Expenses/Obligations	$733,208	$778,592	$648,365	$712,920	$914,134	$881,201	$886,887
Budget Activity Total	**$733,208**	**$778,592**	**$648,365**	**$712,920**	**$914,134**	**$881,201**	**$886,887**
FTE	**1,845**	**1,781**	**1,790**	**1,818**	**1,748**	**1,836**	**1,863**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Best Places to Work in Federal Government Ranking	51	74	97	38	96	Upper Quartile	DISC	DISC
Improved FEVS satisfaction	N/A	N/A	N/A	N/A	N/A	N/A	65%	65%
Lost Time Accident Rate per 100 Employees	1.73	1.65	1.77	1.6	0.9	1.8	1.8	1.8
Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced)	41.96	42.35	44.25	43.58	47.41	48.00	50.0	50.0
Currency notes delivered returned due to defects (parts per million)	N/A	N/A	N/A	N/A	.0031ppm	<1ppm	<1ppm	<1ppm
Yearly currency order (percent of order completed versus planned)	N/A	N/A	N/A	N/A	N/A	N/A	100%	100%

Key: DISC- Discontinued; B- Baseline

Manufacturing Budget and Performance

($886,887,000 from reimbursable resources):

The BEP has one budget activity: Manufacturing. This budget activity supports all of BEP's strategic goals as well as supporting Treasury's Strategic Goals Boosting U.S. Economic Growth and Achieving Operational Excellence.

Manufacturing Costs for Currency (dollar cost per 1,000 notes produced) is an indicator of manufacturing efficiency and effectiveness of program management. The measure is based on contracted price factors, productivity improvements, and the mix of denominations ordered. Actual performance against standard costs depends on BEP's ability to meet spoilage, efficiency, and capacity utilization goals. In FY 2018, the cost of manufacturing was lower than anticipated due to the success of the $100 Single Note Inspection program, which enables BEP to reclaim notes which would previously have been destroyed. The 2018 cost was $47.41 per 1,000 notes produced, compared to a target of $48.00. Due to the mix of denominations ordered in FY 2019, BEP's target for this performance metric in FY 2019 and FY 2020 is set at $50.00 per 1,000 notes produced.

Currency Notes Returned Due to Defects (parts per million (ppm)) is an indicator of BEP's ability to provide a quality product. The target for this performance metric is <1 ppm, BEP was able to exceed the established target in FY 2018 with an actual result of 0.0031ppm notes returned due to a defect. BEP's target for this performance metric will be held constant at <1 ppm for FY 2019 and FY 2020.

The Federal Employees Viewpoint Survey (FEVS) allows employees to share their opinion on what matters most to them. Based on the results of the survey , BEP can target areas for improvement or additional employee engagement. The measure uses the Department's standard FEVS engagement index with a target of 65 percent. In FY 2019 and 2020, BEP will continue to strive for improvements in overall employee satisfaction.

The Lost Time Accident Rate per 100 employees measures the BEP's ability to reduce injuries and illnesses in the workplace. BEP's FY 2018 Lost Time Accident rate was at 0.90 cases per 100 employees, 50 percent lower than the target of 1.80 cases per 100 employees. Both plants ended the year below the target, the best safety performance in a decade. This performance resulted from increased focus on following safe work practices, avoiding hazards, and being a Director's priority. For FY 2020, BEP remains committed to maintaining and improving the safety of its employees. BEP will continue to perform analysis to determine the root causes of any injury and to identify best practices in safety. BEP's target will be held at 1.80 cases per 100 employees for FY 2019 and FY 2020.

C – Change in Performance Measures

Performance Measure or Indicator	**Change and Justification**
1. Best Place to Work in the Federal Government Ranking-discontinued	BEP will replace this indicator with Improved FEVS satisfaction in order to align with the department's standard of measurement using FEVS engagement index.
2. Improved FEVS satisfaction - new	This is an improved measure to Best Place to Work in the Federal Government Ranking. This measure provides leadership with BEP employee perceptions of job satisfaction, engagement, and workforce management. This measure uses the department's FEVS engagement index.
3. Yearly currency order (percent of order completed versus planned) - new	This measure tracks the percent of the yearly currency order completed against the yearly ordered planned. The target for this measure is 10 percent.

Section III – Additional Information

A – Summary of Capital Investments

BEP capital investment strategy is comprised of several broad investment categories with more specific smaller projects in each category.

BEP's mission to develop and produce U.S. currency notes trusted worldwide demands that BEP continually update and improve its manufacturing processes by investing in new technologies and innovations. BEP's retooling project replaces older, fully depreciated production equipment. Replacing out of date equipment allows BEP to be more quality driven, cost effective, and efficient in meeting customer requirements for the production of currency notes. In addition, as part of its meaningful access program, BEP is pursuing development of a tactile feature. This may require the purchase of additional capital equipment.

BEP participates as a partner in significant Treasury-wide, enterprise-level investments such as Treasury Enterprise Identity, Credential and Access Management, HRConnect (a Human Resources Line of Business service provider), and the Integrated Talent Management (ITM) System.

BEP's IT portfolio includes a "cloud first" approach to implementing business systems. The Oracle eBusiness Suite is an integrated manufacturing suite, which runs at the Oracle Corporation's "Federal on Demand" Shared Service Center in Austin, Texas.
A summary of FY 2019 capital investment resources, including major information technology and non-technology investments, can be found at:
http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx
This website also contains a digital copy of this document.

Department of the Treasury
United States Mint

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

Table of Contents

Section I – Budget Request

A – Mission Statement
The United States Mint (Mint) enables America's economic growth and stability by protecting assets entrusted to us and manufacturing coins and medals to facilitate national commerce.

B – Summary of the Request
In Fiscal Year (FY) 2020, the Mint's total estimated budgetary requirements for operations, metal, and capital investments are $2.73 billion. This budget will support the production of 14 billion circulating coins, as well as the production of bullion and other numismatic products sufficient to meet customer demand. The Mint has one budget activity: manufacturing, which encompasses the bureau's two major programs, circulating coinage and numismatic products (including bullion coins, collector coins, and national medals).

To maintain its reputation as one of the finest mints in the world, the Mint is committed to operating according to the core values of service, quality, and integrity. The Mint has three strategic goals to help fulfill its mission and values: 1) foster a safe, flexible, diverse, and engaged workforce; 2) improve mission critical activities and governance; and 3) integrate technology into operations and support lines. These goals align with Treasury Strategic Goal 1: Boost U.S. Economic Growth and Goal 5: Achieve Operational Excellence.

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

Circulating
Circulating coin production projections are based on current economic data and forecasts of FRB coin orders. Circulating coin production for FY 2019 and FY 2020 is forecasted at 14.0 billion coins for each year. This level reflects a two percent increase for FY 2019 and FY 2020 in shipments of all coin denominations as compared to 13.7 billion in FY 2018. Circulating financial performance continues to be adversely affected by rising production costs. FY 2018 unit costs increased for all denominations compared to the prior year. The unit cost for both pennies (2.06 cents) and nickels (7.53 cents) remained above face value for the thirteenth consecutive fiscal year.

Numismatic Program
The numismatic program, which includes bullion coins, is designed to prepare and distribute premium products to collectors and those who desire quality versions of coinage. Numismatic products are priced to cover metal and production costs.

Bullion Coins
The bullion coin program provides the public a means to acquire precious metal coins as part of an investment portfolio. In FY 2018, bullion demand declined to 15.3 million ounces from the 24.7 million ounces sold in FY 2017. Demand for bullion is forecasted at 29.6 million ounces in FY 2019 and 31.7 million ounces in FY 2020. Bullion revenue is forecasted to be $2.0 billion in both FY 2019 and FY 2020.

Numismatic (Collector Coins and Medals)
The numismatic program provides high-quality versions of circulating coinage, precious metal coins, commemorative coins, and national medals for sale to the public. Numismatic revenue decreased by 24 percent from $388 million in FY 2017 to $293 million in FY 2018. The decrease was driven primarily by lower customer demand for numismatic products. Total units decreased by 14 percent from 3.9 million in FY 2017 down to 3.3 million in FY 2018. FY 2019 and FY 2020 numismatic revenues are projected to be $286 million and $229 million, respectively, based on projected demand for numismatic products of 3.9 million in FY 2019 and 3.0 million in FY 2020.

1.1 – Resource Detail Table
Dollars in Thousands

United States Mint Budgetary Resources	FY 2018 Actual		FY 2019 Estimated		FY 2020 Estimated		FY 2019 to FY 2020 $ Change		FY 2019 to FY 2020 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Other Income										
Circulating	0	$862,661	0	$840,000	0	$840,000	0	0	NA	0.00%
Bullion/Numismatic	0	$1,116,511	0	$1,970,494	0	$2,058,286	0	$87,792	NA	4.46%
Total Revenue/Offsetting Collections	**0**	**$1,979,172**	**0**	**$2,810,494**	**0**	**$2,898,286**	**0**	**$87,792**	**NA**	**3.12%**
Expenses/Obligations										
Manufacturing										
Circulating	896	$313,449	989	$784,711	989	$791,169	0	$6,458	0.00%	0.82%
Bullion/Numismatic	649	$1,111,320	716	$1,835,859	716	$1,936,999	0	$101,140	0.00%	5.51%
Total Expenses/Obligations	**1,545**	**$1,424,770**	**1,705**	**$2,620,570**	**1,705**	**$2,728,168**	**0**	**$107,598**	**0.00%**	**4.11%**
Net Results	**1,545**	**$554,402**	**1,705**	**$189,924**	**1,705**	**$170,118**	**0**	**($19,806)**	**0.00%**	**-10.43%**

Coin Shipments (Units In Millions/Coins)	FY 2018	FY 2019	FY 2020	% Change
Circulating:				
One Cent	8,057	8,500	8,500	0.0%
5-Cent	1,327	1,300	1,300	0.0%
Dime	2,381	2,400	2,400	0.0%
Quarter	1,895	1,800	1,800	0.0%
Half-Dollar	8	-	-	0.0%
Dollar	-	-	-	0.0%
Total Circulating	**13,668**	**14,000**	**14,000**	0.0%

Budget Category	FY 2018 Budget	FY 2019 Estimated	FY 2020 Estimated	% Change
Administrative Operating Costs	$366,259	$420,070	$417,668	-0.6%
Capital Investments	$39,078	$40,500	$40,500	0.0%
Metals and Materials Costs	$1,019,432	$2,160,000	$2,270,000	5.1%
Total Budgetary Resources	**$1,424,770**	**$2,620,570**	**$2,728,168**	4.1%

1.2 – Budget Adjustments Table

Dollars in Thousands

United States Mint	FTE	Materials	Operating & Capital	Total
FY 2019 Original Estimate	**1,705**	**$2,510,000**	**$460,276**	**$2,970,276**
Adjustment to Estimate - Metals Due to Forecasted Increase in Circulating Coin Metal Prices		$40,000	$0	$40,000
Adjustment to Estimate - Metals Due to Forecasted Decrease in Bullion/Numismatic Production		($390,000)	$0	($390,000)
Adjustment to Estimate - Mint/BEP OMS II Consolidation		$0	$294	$294
Revised FY 2019 Estimated Resources	**1,705**	**$2,160,000**	**$460,570**	**$2,620,570**
Changes to Base				
Maintaining Current Levels (MCLs)		$0	$4,571	$4,571
Non-Pay		$0	$4,571	$4,571
Operating Efficiencies		$0	($7,389)	($7,389)
Subtotal Changes to Base		$0	($2,818)	($2,818)
Total FY 2020 Base	**1,705**	**$2,160,000**	**$457,752**	**$2,617,752**
Program Changes				
Program Decreases		($30,000)	$0	($30,000)
Metals Due to Forecasted Decrease in Numismatic Production		($30,000)	$0	($30,000)
Program Increases		$140,000	$416	$140,416
Metals Due to Forecasted Increase in Bullion Production		$140,000	$0	$140,000
Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity Investments		$0	$416	$416
Subtotal Program Changes		$110,000	$416	$110,416
Total FY 2020 Estimated	**1,705**	**$2,270,000**	**$458,168**	**$2,728,168**

C – Budget Increases and Decreases Description

FY 2019 Revised Estimated Resources……….…………....………-$349,706,000 / -0 FTE

Metals Due to Forecasted Increase in Circulating Coin Metal Prices +$40,000,000 / +0 FTE

FY 2019 forecasted circulating coin production has decreased by 4 percent (from 14.5 billion to 14.0 billion); however, metal prices are forecasted to increase from originally- planned levels (zinc +20 percent; copper +16 percent; nickel +5 percent). The net result is an overall increase to the circulating coin program cost.

Metals Due to Forecasted Decrease in Bullion/Numismatic Production -$390,000,000 / -0 FTE

FY 2019 forecasted demand for the numismatic and bullion coin programs has decreased by -5 percent and -20 percent, respectively.

Mint/BEP OMS II Consolidation +$294,000 / +0 FTE

Mint will streamline its E-Commerce infrastructure and services platform to migrate BEP's online numismatic sales and marketing presence.

FY 2020 Budget Increases and Decreases Description………………….-$2,818,000 / -0 FTE

Maintaining Current Levels (MCLs) – Non-Pay +$4,571,000 / +0 FTE

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

Operating Efficiencies -$7,389,000 / -0 FTE

The Mint will reduce its operating budget by continuing to monitor costs and implement various savings strategies.

Program Decreases …...……………………………………….........-$30,000,000 / -0 FTE
Metal due to forecasted decrease in numismatic production -$30,000,000 / -0 FTE
Demand for the numismatic coin program is forecasted to decrease from FY 2019 to FY 2020 (3.6 to 2.7 million units).

Program Increases …...……………………………….........+$140,416,000 / +0 FTE
Metal due to forecasted increase in bullion production +$140,000,000/ +0 FTE
Forecasted demand for the bullion coins will increase slightly from FY 2019 to FY 2020 (29.6 to 31.7 million ounces). This increase, coupled with forecasted increases in metal prices, will result in an increase in overall production costs for the bullion coin program.

Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity Investments +$416,000 / +0 FTE
The request includes funding to support O&M for prior year Cybersecurity Enhancement Account investments. O&M will be funded by Treasury Bureaus through Treasury Franchise Fund billing. This increase represents the bureau's portion of the $17.5 million O&M total.

1.3 – Operating Levels Table

Dollars in Thousands

United States Mint Object Classification	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
11.1 - Full-time permanent	$126,513	$147,165	$144,134
11.3 - Other than full-time permanent	$147	$161	$161
11.5 - Other personnel compensation	$12,116	$12,729	$12,789
11.9 - Personnel Compensation (Total)	**$138,776**	**$160,055**	**$157,084**
12.0 - Personnel benefits	$48,704	$51,729	$51,680
13.0 - Benefits for former personnel	$171	$1,019	$1,019
Total Personnel and Compensation Benefits	**$187,651**	**$212,803**	**$209,783**
21.0 - Travel and transportation of persons	$1,977	$2,749	$2,843
22.0 - Transportation of things	$27,786	$28,702	$28,702
23.2 - Rental payments to others	$19,351	$2,949	$2,949
23.3 - Communication, utilities, and misc charges	$15,968	$17,890	$18,860
24.0 - Printing and reproduction	$1,160	$3,611	$3,611
25.1 - Advisory and assistance services	$47,573	$58,414	$55,803
25.2 - Other services	$20,546	$39,164	$39,164
25.3 - Other purchases of goods & serv frm Govt accounts	$19,067	$20,451	$20,451
25.4 - Operation and maintenance of facilities	$6,125	$3,185	$3,185
25.5 - Research and development contracts	$421	$1,913	$1,913
25.6 - Medical care	$941	$460	$460
25.7 - Operation and maintenance of equip	$7,764	$7,693	$7,693
26.0 - Supplies and materials	$1,027,347	$2,177,715	$2,289,880
31.0 - Equipment	$28,182	$31,057	$31,057
32.0 - Land and structures	$12,912	$11,814	$11,814
Total Non-Personnel	**$1,237,119**	**$2,407,767**	**$2,518,385**
New Budgetary Resources	**$1,424,770**	**$2,620,570**	**$2,728,168**
FTE	**1,545**	**1,705**	**1,705**

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY United States Mint *Federal Funds* *Pursuant to section 5136 of title 31, United States Code, the United States Mint is provided funding through the United States Mint Public Enterprise Fund for costs associated with the production of circulating coins, numismatic coins, and protective services, including both operating expenses and capital investments: Provided, That the aggregate amount of new liabilities and obligations incurred during fiscal year 2020 under such section 5136 for circulating coinage and protective service capital investments of the United States Mint shall not exceed $30,000,000.* Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals

Alternative Metal Composition

This proposal would give the Secretary the authority to prescribe the compositions of the 5-cent, dime, and quarter-dollar coins, provided that the new metal compositions do not affect the Electromagnetic Signature (EMS), the color, and weight of the coins. By authorizing the Secretary the flexibility and agility to implement small changes to the copper-nickel circulating coin metal compositions, the Mint could realize incremental material savings with little or no impact to the vending industry and general public.

Section II – Annual Performance Plan and Report

A – Strategic Alignment
The Mint aligns with the following Department of the Treasury FY 2018-2022 strategic plan goals:

- Goal 1: Boost U.S. Economic Growth
  - Objective 1.3 Trusted Currency and Services: Deliver trusted currency and services that enable citizens and businesses to participate in the economy.
- Goal 5: Achieve Operational Excellence
  - Objective 5.1 Workforce Management: Deliver trusted currency and services that enable citizens and businesses to participate in the economy.
  - Objective 5.2 Treasury Infrastructure: Better enable mission delivery by improving the reliability, security, and resiliency of Treasury's infrastructure.
  - Objective 5.3 Delivering customer value: Improve customer value by increasing the quality and lowering the cost of Treasury's products and services.

Circulating Coinage Program
Circulating coinage includes the minting and issuing of pennies, 5-cents, dimes, and quarter-dollars. The Mint delivers circulating coinage to the FRBs in quantities to support their service to commercial banks and other financial institutions. These financial institutions then meet the coinage needs of retailers and the public. The Mint recognizes revenues from the sale of circulating coins at face value when they are shipped to the FRBs.

The Mint will continue to mint and issue circulating quarter-dollar coins honoring America's national parks and other national sites, in accordance with the America the Beautiful National Parks Quarter Dollar Coin Act of 2008 (Public Law 110-456). In 2019, the Mint will release quarters honoring Lowell National Historical Park (Massachusetts), American Memorial Park (Commonwealth of the Northern Mariana Islands), War in the Pacific National Historical Park (Guam), San Antonio Missions National Historical Park (Texas), and Frank Church River of No Return Wilderness (Idaho). In 2020, the Mint will release quarters honoring National Park of American Samoa (American Samoa), Weir Farm National Historic Site (Connecticut), Salt River Bay National Historical Park and Ecological Preserve (U.S. Virgin Islands), Marsh-Billings-Rockefeller National Historical Park (Vermont), and Tallgrass Prairie National Preserve (Kansas). In 2021, the program will end with one final quarter honoring Tuskegee Airmen National Historic Site (Alabama).

Numismatic Program
Bullion Coins
The Mint produces and issues gold, silver, platinum, and palladium bullion coins to authorized purchasers through the American Eagle, American Buffalo, and America the Beautiful Silver Bullion Coin Programs. The authorized purchasers agree to maintain an open, two-way market for these coins, ensuring their availability for consumers who desire them for investment portfolios. Demand for bullion coins is greatly influenced by the performance of other investment options, such as equities or currency markets, and therefore is highly unpredictable. The content and purity of the precious metal in the bullion coins are backed by the United States Government.

Other Numismatic Products

The Mint's numismatic program provides high-quality versions of circulating coinage, precious metal coins, commemorative coins, and national medals for sale directly to the public. For some numismatic products, authorizing legislation specifies program requirements, such as design theme, mintage level, and duration of product availability. Other programs are structured by law to grant the Secretary of the Treasury discretion in determining product specifications.

The Mint will continue to mint and issue $1 coins commemorating the important contributions made by Indian tribes and individual Native Americans to the development and history of the United States in accordance with the Native American $1 Coin Act (Public Law 110-82). In addition, the American Innovation $1 Coin Program (Public Law 115-197) will begin in 2019. This is a multi-year $1 coin series to honor innovation and innovators for each of the 50 states, the District of Columbia and the five U. S. territories – Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, and the Northern Mariana Islands. Four new $1 coins with distinctive reverse designs will be released each year through 2032, in the order the states ratified the Constitution of the United States or were admitted to the Union. Once a coin is issued for each state, coins will be released for the District of Columbia and the territories.

Commemorative coins are authorized by law to recognize and honor people, places, events, institutions, and other subjects of historic or national significance. Each coin is minted and issued by the Mint in a limited quantity and is available only for a limited time. Included in the price is a surcharge that is authorized to be paid to the designated recipient organizations, assuming all legal requirements have been met. Recipient organizations must use the proceeds for the purposes specified in the enabling legislation. In 2019, the Mint has authorization to mint commemorative coins for two programs: the Apollo 11 50th Anniversary Commemorative Coin (Public Law 114-282) and the American Legion 100th Anniversary Commemorative Coin (Public Law 115-65).

B – Budget and Performance by Budget Activity
2.1.1 – Manufacturing Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
Expenses/Obligations	$2,861,632	$2,937,553	$3,272,106	$2,203,909	$1,424,770	$2,620,570	$2,728,168
Budget Activity Total	**$2,861,632**	**$2,937,553**	**$3,272,106**	**$2,203,909**	**$1,424,770**	**$2,620,570**	**$2,728,168**
FTE	**1,661**	**1,657**	**1,695**	**1,645**	**1,545**	**1,705**	**1,705**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Customer Satisfaction Index (%)	89.8	89.5	91	91.7	93.6	90	90	90
Numismatic Sales Units (Million Units)	5.7	5.4	4.2	3.9	3.3	3.5	3.9	3.0
Safety Incident Recordable Rate	3.31	3.42	2.53	1.96	1.90	2.46	2.39	2.32
Seigniorage per Dollar Issued ($)	0.37	0.49	0.52	0.45	0.37	0.43	0.36	0.36

Manufacturing Budget and Performance

($2,728,168,000 from offsetting collections) The Mint will mint and issue circulating coins and produce numismatic products, including bullion, to meet demand.

Description of Performance:
Several key performance measures are used to gauge the bureau's progress in achieving its strategic goals and to assess its Manufacturing Budget Activity performance.

Customer Satisfaction Index (CSI)
The Mint conducts a quarterly survey of a random sample of active numismatic customers. The survey is intended to capture customer satisfaction with the Mint's service performance as a coin products supplier and with the quality of specific products. The CSI metric is a quantitative score summarizing the survey's results into one consolidated value. This metric gauges performance results in the effort to achieve the Mint's internal strategic plan goal, "Improve mission critical activities and governance," and the Mint's internal strategic objective linked to this goal, "Drive a customer-centric organization." This also aligns with the Treasury Department strategic objective linked to this goal, "5.3 Customer Value."

In FY 2018, the CSI was 93.6 percent, exceeding its 90.0 percent target. The Mint anticipates that the CSI will remain steady and thus, has set the target at 90.0 percent for both FY 2019 and FY 2020.

Numismatic Sales Units
The numismatic sales unit metric measures public demand for coin products sold from numismatic operations. This metric also measures performance results achieving the Mint's internal strategic plan goal, "Improve mission critical activities and governance" and the Mint's internal strategic objective linked to this goal, "Drive a customer-centric organization." This also aligns with the Treasury Department strategic objective linked to this goal, "5.3 Customer Value."

Numismatics product sales for FY 2018 totaled 3.3 million units, falling short of the 3.5 million target. The greatest contributors to the decline in sales were lower American Eagle product sales and lower-than-anticipated demand for the Breast Cancer Commemorative Coin. Continuing weakness in core product sales and the discontinuation of the Presidential Coin sets also contributed to the decline in sales, but which were somewhat mitigated by strong demand for special products. The performance target for numismatic sales units is 3.9 for FY 2019 and 3.0 for FY 2020. To meet these targets, the Mint will continue to provide high-quality products and maintain outstanding customer service, and deepen engagement with coincollectors.

Safety Incident Recordable Rate
The safety incident recordable rate is the number of injuries and illnesses meeting the Occupational Safety and Health Administration recording criteria per 100 full-time workers. It measures the occurrence of work-related incidents involving death, lost-time and restricted work, loss of consciousness, or medical treatment. The safety incident recordable rate indicates performance results in the effort to achieve the Mint's internal strategic plan goal, "Foster a safe, flexible, diverse, and engaged workforce," and the corresponding Mint internal strategic objective linked to this goal, "Continue to cultivate a safe working environment." These also align with the Treasury Strategic Goal "5.1 Workforce Management."

In FY 2018, the total recordable case rate reached 1.90, well below the Mint's 2.46 FY 2018 target, and significantly below the most recent industry average rate of 5.2 published in 2015 by the U.S. Bureau of Labor Statistics for the Non-Automotive Metal Stamping industry. During FY 2018, the Mint continued implementing and updating risk management guidelines to prioritize resources, mitigating risks in advance of injuries or catastrophic events at each plant. Mint facility leadership and employees continue to interact on a daily basis on the importance of safety. The performance targets for the safety incident recordable rate are 2.39 for FY 2019 and 2.32 for FY 2020.

Seigniorage per Dollar Issued

Seigniorage per Dollar Issued is the financial return on circulating operations, calculated as seigniorage divided by the total face value of circulating coins shipped to the FRBs. Seigniorage is the difference between the face value and cost of producing circulating coinage. It measures the cost effectiveness of minting and issuing the United States' circulating coinage. It also measures performance results achieving the Mint's internal strategic plan goal, "Improve mission critical activities and governance," as well as the Mint's internal strategic objective linked to the goal, "Improve mission critical activities and goverence." This also aligns with the Treasury Strategic Goal "1.3 Trusted Currency and Services."

At the end of FY 2018, Seigniorage per Dollar Issued was $0.37, below the FY 2018 performance target of $0.43. The FY 2018 shortfall resulted from a 2.8 percent decrease in circulating shipment volumes combined with a 24.5 percent increase in the cost of metal.

The United States Mint expects production volumes to remain steady and per-unit metal prices to increase as market prices are expected to escalate in FY 2019. The Seigniorage per Dollar Issued performance targets are set at $0.36 for both FY 2019 and FY 2020.

Section III – Additional Information

A – Summary of Capital Investments

The Mint's capital investment requirements are predominantly for manufacturing-type equipment. Capital investments, along with its operating expenses, are paid out of the Mint's PEF. Legislation caps the aggregate amount of new liabilities and obligations incurred during a fiscal year for capital investments in circulating coinage operations and protective service.

The Mint's manufacturing capital investment projects focus on safety, equipment replacement, protection, and facility improvements.

In addition, the Mint's capital investments encompass a robust information technology (IT) portfolio of investments and programs that modernize and secure the bureau's infrastructure. The bureau's governance structures ensure that the IT portfolio is managed in accordance with cost, schedule, risk, and performance goals, and that expected results and benefits are achieved. Enterprise architecture reviews assess and reinforce alignment to the bureau's strategic plan and the strategic enterprise direction of the Department of the Treasury.

In accordance with the Statement of Federal Financial Accounting Standard (SFFAS) No. 6, the Condition Index and the Deferred Maintenance assessments for purposes of Federal Real Property Profile, the Mint has no deferred maintenance for its equipment. Maintenance is scheduled and performed regularly to keep the manufacturing equipment operating at optimal levels.

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

Department of Treasury
Office of the Comptroller of the Currency

Congressional Budget Justification and Annual Performance Report and Plan

FY 2020

Table of Contents

Section I – Purpose

A – Mission Statement

To ensure that national banks and federal savings associations operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.

B – Summary of the Request

The Office of the Comptroller of the Currency (OCC) was created by Congress in 1863 to charter national banks; oversee a nationwide system of banking institutions; and ensure national banks are safe and sound, competitive and profitable, and capable of serving in the best possible manner the banking needs of their customers. Effective on July 21, 2011, Title III of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), transferred to the OCC the responsibility for the supervision of federal savings associations and rulemaking authority for all federal savings associations.

As of September 30, 2018, the OCC supervised 891 national bank charters and 57 federal branches of foreign banks in the United States with total assets of approximately $11.8 trillion, and 316 federal savings associations with total assets of approximately $749 billion. In total, the OCC supervises approximately $12.5 trillion in financial institution assets.

Goals:

The OCC has established three goals to affirm its mission: 1) The OCC fosters a safe, sound, and fair system of national banks, federal savings associations and federal branches of foreign banks and agencies of foreign banks that is a source of economic strength and opportunity that meets the evolving needs of consumers, businesses, and communities; 2) OCC employees are engaged, prepared, and empowered to meet its mission; 3) The OCC operates efficiently and effectively. To achieve its goals and objectives, the OCC organizes its programs under three activities: 1) Supervise, 2) Regulate, and 3) Charter. Effective supervision and a comprehensive regulatory framework are the key tools that the OCC uses to ensure that national banks and federal savings associations operate in a safe and sound manner and that they provide fair access to financial services and fair treatment of their customers. A robust chartering program allows new entrants into the financial services sector while ensuring that they have the necessary capital, managerial, and risk management processes to conduct activities in a safe and sound manner.

The OCC's priorities focus on strengthening the resiliency of the institutions subject to its jurisdiction through its supervisory and regulatory programs and activities. A stronger and more resilient banking system directly supports four out of five Department of the Treasury's (Treasury) FY 2018-2022 strategic goals: Boost U.S. Economic Growth, Promote Financial Stability; Enhance National Security, and Goal 5) Achieve Operational Excellence.

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

FY 2019 and 2020 Priorities
A major focus of the OCC's supervisory, regulatory, and charter programs for FY 2019 and forward involve reviews of existing regulations to consider changes consistent with safety and soundness and fair treatment of bank customers, with the goal of enhanced regulatory coordination, reducing unnecessary regulatory burden, and increasing examination efficiency.

The OCC is observing signs that credit risk is increasing because of accumulated risk in loan portfolios from successive years of incremental easing in underwriting, risk layering, concentrations, and rising potential impact from external factors. The potential impacts from external factors include responding to intense competition by easing underwriting or policy exceptions. Therefore, the OCC will continue to closely evaluate current underwriting standards by conducting targeted underwriting examinations and using the credit underwriting assessment tool. The OCC will be working to implement its strategic initiatives to make the OCC a stronger and more effective organization.

The OCC will conduct examinations based on the risk profile of individual national banks and federal savings associations to ensure they are safe and sound, sufficiently capitalized, and comply with applicable laws and regulations. Priorities and activities will include supervisory reviews related to corporate governance and oversight, credit underwriting, consumer compliance – related change management processes, fair access, cyber threats, operational risk, Bank Secrecy Act/Anti Money Laundering (BSA/AML), under both OCC's general bank supervisory authority and delegated authority from Treasury's Financial Crimes Enforcement Network (FinCEN) and utilizing Federal Financial Institutions Examination Council (FFIEC) examination procedures. Examiners will work to resolve problem national bank and federal savings association situations effectively by identifying problems at the earliest possible stage, clearly communicating concerns and expectations to bank management through appropriate enforcement actions, and ensuring timely follow-up on needed corrective actions. An additional priority for the OCC involves revisiting the Community Reinvestment Act in conjunction with other Federal banking regulators for the purposes of modernizing the regulations to reflect the evolution of the banking industry and ensure that the Act's original intent - to encourage insured depository institutions to serve the credit needs of the entire communities in which they operate – continues to be achieved.

1.1 – Resource Detail Table

Dollars in Thousands

Office of the Comptroller of the Currency Budgetary Resources	FY 2018 Actual		FY 2019 Estimated		FY 2020 Estimated		FY 2019 to FY 2020 $ Change		FY 2019 to FY 2020 % Change	
	FTE	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Revenue/Offsetting Collections/Balances										
Assessments		$1,220,099		$1,148,800		$1,151,800		$3,000		0.26%
Interest		$23,998		$27,000		$27,000		$0		0.00%
Other Income		$10,591		$16,500		$16,500		$0		0.00%
Unobligated Balances from Prior Years and Recoveries		$1,522,624		$1,541,000		$1,643,000		$102,000		6.62%
Total Revenue/Offsetting Collections		**$2,777,312**		**$2,733,300**		**$2,838,300**		**$105,000**		**3.84%**
Expenses/Obligations										
Supervise	3,434	$1,105,022	3,387	$975,457	3,387	$975,457	0	$0	0.00%	0.00%
Regulate	331	$106,649	327	$94,144	327	$94,144	0	$0	0.00%	0.00%
Charter	75	$24,033	74	$21,215	74	$21,215	0	$0	0.00%	0.00%
Total Expenses/Obligations	**3,840**	**$1,235,704**	**3,788**	**$1,090,816**	**3,788**	**$1,090,816**	**0**	**$0**	0.00%	0.00%
Net Results		**$1,541,608**		**$1,642,484**		**$1,747,484**		**$105,000**		**6.39%**

Notes:

- The FY 2018 increase is attributable to an additional contribution payment to the Pentegra Defined Benefit Plan, a legacy retirement plan that covers staff inherited from the Office of Thrift Supervision.
- The Comptroller may impose and collect assessments, fees or other charges as necessary or appropriate to carry out his responsibilities and to meet the expenses of the OCC. 12 U.S.C. 482. At September 30, 2018, the net position of the OCC was $1.39 billion and its financial reserves were $1.32 billion. In FY 2018, the OCC established a receivership contingency fund of $86.6 million within its financial reserves to facilitate the conduct of receiverships of uninsured federal branches or agencies of a foreign banking organization. In FY 2017, the OCC established a receivership contingency fund of $100 million within its financial reserves to support receiverships of uninsured national trust banks.
- The Comptroller has sole authority to determine how OCC funds are obligated and its expenses incurred and paid. 12 U.S.C. 16.
- OCC funds are not appropriated funds or government monies. 12 U.S.C. 481.
- As part of its annual budget formulation process, the OCC re-evaluates the size of the reserve based on a disciplined analysis of the impact of material events on its ability to fund operations.

1.3 – Operating Levels Table

Dollars in Thousands

Office of the Comptroller of the Currency Object Classification	FY 2018 * Actual	FY 2019 Estimated	FY 2020 Estimated
11.1 - Full-time permanent	546,263	558,442	558,442
11.3 - Other than full-time permanent	6,668	3,629	3,629
11.5 - Other personnel compensation	2,649	2,943	2,943
11.9 - Personnel Compensation (Total)	**555,579**	**565,014**	**565,014**
12.0 - Personnel benefits	380,044	242,165	242,165
13.0 - Benefits for former personnel	475	120	120
Total Personnel and Compensation Benefits	**$936,098**	**$807,299**	**$807,299**
21.0 - Travel and transportation of persons	53,669	48,555	48,555
22.0 - Transportation of things	2,360	2,101	2,101
23.1 - Rental payments to GSA	58	57	57
23.2 - Rental payments to others	71,498	67,616	67,616
23.3 - Communication, utilities, and misc. charges	18,197	17,423	17,423
24.0 - Printing and reproduction	365	558	558
25.1 - Advisory and assistance services	25,959	17,436	17,436
25.2 - Other services	26,460	28,389	28,389
25.3 - Other purchases of goods & serv frm Govt accounts	8,276	8,754	8,754
25.4 - Operation and maintenance of facilities	6,267	6,923	6,923
25.7 - Operation and maintenance of equip	61,630	59,764	59,764
26.0 - Supplies and materials	6,502	7,221	7,221
31.0 – Equipment	17,493	18,332	18,332
32.0 - Land and structures	29	0	0
42.0 - Insurance claims and indemnities	841	388	388
Total Non-Personnel	**$299,606**	**$283,517**	**$283,517**
Total Budgetary Resources	**$1,235,704**	**$1,090,816**	**$1,090,816**
FTE	**3,840**	**3,788**	**3,788**

*The FY 2018 increase is attributable to an additional contribution payment to the Pentegra Defined Benefit Plan, a legacy retirement plan that covers staff inherited from the Office of Thrift Supervision.

D – Appropriations Language and Explanation of Changes

The OCC receives no appropriations from Congress.

E – Legislative Proposals

The OCC has no legislative proposals.

Section II – Annual Performance Plan and Report

A - Strategic Alignment

For FY 2018 and FY 2019, the OCC's bank supervision program specifically supports the following Department of the Treasury's FY 2018 - 2022 strategic goals:

- Goal 1) Boost U.S. Economic Growth
    - 1.2 – Strong Economic Fundamentals
- Goal 2) Promote Financial Stability
    - 2.4 – Financial Sector Critical Infrastructure and Cybersecurity
- Goal 3) Enhance National Security
    - 3.1 – Strategic Threat Disruption
    - 3.2 – AML/CFT Framework
- Goal 5) Achieve Operational Excellence
    - 5.1 – Workforce Management
    - 5.2 – Treasury Infrastructure
    - 5.3 – Customer Value

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

In addition, under the bank supervision program, the OCC will also:

- Approve or deny applications for new charters, branches, capital, or other changes in corporate or banking structure;
- Take supervisory and enforcement actions against banks that do not comply with laws and regulations or that otherwise engage in unsafe or unsound practices;
- Remove and prohibit officers and directors, negotiate agreements—both formal (i.e., public) and informal (i.e., non-public)—to change banking practices, and issue cease-and-desist orders as well as Civil Money Penalties; and
- Issue rules and regulations, legal interpretations, supervisory guidance, and corporate decisions governing investments, lending, and other practices.

The OCC published in September of 2018 its FY 2019 – FY 2023 Strategic Plan. The OCC's annual performance plan will be updated for FY 2020 and beyond to reflect any new and relevant priorities.

B – Budget and Performance by Budget Activity
2.1.1 - Supervise Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
Expenses/Obligations	$889,111	$873,414	$975,477	$993,680	$1,105,022	$975,457	$975,457
Budget Activity Total	**$889,111**	**$873,414**	**$975,477**	**$993,680**	**$1,105,022**	**$975,457**	**$975,457**

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percentage of National Banks and Federal Savings Associations with Composite CAMELS Rating 1 or 2	87.0	91.0	93.0	94.0	96.0	90.0	90.0	90.0
Percentage of National Banks and Federal Savings Associations That Are Categorized As Well Capitalized	93.0	95.0	96.0	97.0	95.0	95.0	95.0	97.0
Percentage of National Banks and Federal Savings Associations With Consumer Compliance Rating of 1 or 2	95.0	96.0	98.0	97.0	98.0	94.0	94.0	94.0
Rehabilitated National Banks and Federal Savings Associations As A Percentage Of Problem National Banks One Year Ago (CAMEL 3,4, or 5)	39.0	39.0	43.0	40.0	44.0	40.0	40.0	40.0
Total OCC Costs Relative To Every $100,000 in Bank and Federal Savings Associations Assets Regulated ($)	9.75	9.37	9.65	9.49	9.12	11.00	8.50	8.50

Supervise Budget and Performance

($975,457,000 from revenue/offsetting collections/balances):
An effective supervision program is the cornerstone of the OCC's activities that support its strategic goals. Specifically, the Supervise Program consists of ongoing supervision and enforcement activities that directly support the OCC's strategic goal to foster a safe, sound, and fair system of national banks, federal savings associations and federal branches of foreign banks and agencies of foreign banks that is a source of economic strength and opportunity that meets the evolving needs of consumers, businesses, and communities. Assessing the condition and risk management practices of national banks and federal savings associations, and requiring corrective actions when weaknesses are found, directly supports Treasury's goal to promote financial stability. In FY 2018, the OCC took a number of enforcement actions, including imposition of Civil Money Penalties (CMPs) to address violations of the Bank Secrecy Act and Anti-Money Laundering requirements. The agency also imposed a significant CMP and ordered restitution for customers harmed by unsafe or unsound practices in violation of the Federal Trade Commission Act, citing a bank's failure to develop and implement an effective enterprise compliance risk management program.

__Description of Performance:__

Percentage of National Banks and Federal Savings Associations with Composite CAMELS Rating of 1 or 2:

The composite Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Sensitivity (CAMELS) rating reflects the overall condition of a national bank or federal savings association. Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for evaluating all significant financial, operational, and compliance factors inherent in a national bank or federal savings association. The rating scale is 1 through 5 of which 1 is the highest rating granted. These CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a change in CAMELS.

The OCC established a target outcome measure that 90 percent of the institutions under its supervision have a composite CAMELS rating of 1 or 2. Such a rating is consistent with the strategic goal of a safe and sound banking system, that banks maintain adequate capital and liquidity and have strong risk management practices. As of September 30, 2018, 96 percent of national banks and federal savings associations earned composite CAMELS ratings of either 1 or 2. Degradation in CAMELS can reflect weaknesses in risk management systems that need corrective action. The OCC, consistent with Treasury's goals of boosting U.S. economic growth and promoting financial stability, has instructed bank examiners to identify and seek corrective action at an earlier stage to address potential problems or weaknesses. The OCC's primary focus is to ensure that CAMELS ratings are an accurate reflection of each institution's current financial position, and thus the OCC would not take action to prematurely restore a favorable CAMELS rating.

Percentage of National Banks and Federal Savings Associations that are Considered Well-Capitalized:

The Federal Deposit Insurance Act established a system that classifies insured depository institutions into five categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) based on their capital levels relative to their risks. The OCC established a target outcome measure that 95 percent of national banks and federal savings associations will meet or exceed the well-capitalized threshold.

The OCC works closely with problem national banks and federal savings associations to develop rehabilitation plans. Such plans typically include directives to improve or restore capital levels. These efforts, combined with a more stable operating environment, have resulted in improvement in this performance measure since FY 2009. As of September 30, 2018, 97 percent of national banks and federal savings associations were classified as well capitalized.

Percentage of National Banks and Federal Savings Associations with Consumer Compliance Rating of 1 or 2:

To ensure fair access to financial services and fair treatment of national bank and federal savings association customers, the OCC evaluates an institution's compliance with consumer laws and regulations. Bank regulatory agencies use the Uniform Financial Institutions Rating System, Interagency Consumer Compliance Rating, to provide a general framework for evaluating significant consumer compliance factors inherent in an institution. Each institution is assigned a consumer compliance rating based on an evaluation of its present compliance with consumer protection and civil rights statutes and regulations, and the adequacy of its operating systems designed to ensure continuing compliance. Ratings are on a scale of 1 through 5 of which 1 is the highest rating granted. The target for FY 2019 remains unchanged at 94 percent. As of September 30, 2018, national banks and federal savings associations continue to show strong compliance with consumer protection regulations with 98 percent earning a consumer compliance rating of either 1 or 2. Under the Dodd-Frank Act, the OCC has enforcement and supervisory authority for those institutions with total assets of no more than $10 billion.

Rehabilitated National Banks and Federal Savings Associations as a Percentage of Problem National Banks and Federal Savings Associations One Year Ago:
The OCC's early identification and intervention with problem financial institutions can lead to a successful rehabilitation. As of September 30, 2018, 44 percent of national banks and federal savings associations with composite CAMELS ratings of 3, 4, or 5 one year ago have improved their ratings to either 1 or 2 this year. This is aligns with the target of 40 percent for FY 2018 and FY 2019. The OCC continues to focus on the early identification and rehabilitation of problem institutions.

As previously noted, the OCC continuously takes steps through its Supervise and Regulate programs to make national banks and federal savings associations more resilient to financial stresses and to identify and obtain corrective action at an earlier stage, when problems can be addressed most successfully. These efforts include heightened capital and liquidity standards and increased emphasis on the need for stress testing, designed to provide financial institutions with stronger capital buffers to withstand unforeseen events. These are multi-year efforts that will continue in FY 2019 and beyond.

Total OCC Costs Relative to Every $100,000 in National Bank and Federal Savings Association Assets Regulated:
The OCC measures the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex national banking system.

The OCC costs are those reported as total program costs on the annual audited Statement of Net Cost. National bank and federal savings association assets are those reported quarterly by national banks and federal savings associations on the Reports of Condition and Income. Total national bank and federal savings association assets represent the growth and complexity of the financial institutions under the jurisdiction of the OCC. This measure supports the OCC's strategic goal of efficient use of agency resources. The OCC's ability to control its costs while ensuring the safety and soundness of national banks and federal savings associations benefits all national bank and federal savings association customers. As of September 30, 2018, total OCC cost relative to every $100,000 in assets regulated was $9.12 compared to the FY 2018 target of $11.00. The OCC continues to meet its efforts to ensure that resources are used prudently and that programs are carried out in a cost effective manner.

2.1.2 – Regulate Resources and Measure Table

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
Expenses/Obligations	$105,436	$103,574	$90,463	$92,151	$106,649	$94,144	$94,144

Regulate Budget and Performance
($94,144,000 from revenue/offsetting collections/balances):
The Regulate Program supports the OCC's strategic goal of a vibrant and diverse system of national banks and federal savings associations that supports a robust U.S. economy. Specifically, the Regulate Program consists of ongoing activities that result in the establishment of regulations, policies, operating guidance, and interpretations of general applicability to national banks and federal savings associations. These regulations, policies, and interpretations may establish system-wide standards, define acceptable national banking and federal savings association practices, provide guidance on risks and responsibilities facing national banks and federal savings associations, or prohibit (or restrict) national banking or federal savings association practices deemed to be imprudent or unsafe. They also establish standards for ensuring fair access to financial services and fair treatment of national bank and federal savings association customers. This program includes establishing examination policies and handbooks; interpreting administrative, judicial, and congressional proceedings; and establishing the applicable legal and supervisory framework for new financial services and products.

Description of Performance:
The OCC has recently undertaken a number of activities to reduce regulatory burden on and expand economic opportunity, including supporting responsible innovation by regulated institutions. OCC rescinded previous guidance on deposit advance products and issued Bulletin 2018-14 to OCC-supervised institutions encouraging banks to offer responsible short-term, small dollar installment loans. The OCC, with the Board of Governors of the Federal Reserve (Federal Reserve) and the Federal Deposit Insurance Corporation (FDIC) made requirements for Home Mortgage Disclosure Act submissions from banks more efficient and less burdensome, issued a rule to increase the threshold for commercial real estate transactions requiring an appraisal, and proposed changes to regulatory capital rules to better reflect current financial markets and banking organization size and structure. In addition, the OCC, jointly with the Federal Reserve and FDIC, issued an interim final rule expanding the number of institutions eligible for an extended 18 month examination cycle, pursuant to the Economic Growth, Regulatory Relief and Consumer Protection Act (P.L. 115-174) or EGRRCPA.

OCC continued progress, in conjunction with other Federal financial regulators, including the Federal Reserve and the FDIC, to implement provisions the Economic Growth Act, to reduce regulatory burden on community banks, including requesting public comment on simplification of the Volcker Rule, which contains restrictions on proprietary trading and ownership or control of hedge funds or private equity funds. The agency also asked for public comment on modernizing the Community Reinvestment Act, and, pursuant to the EGRRCPA, proposed a rule to provide more business flexibility to federal savings associations.

OCC continued to support responsible industry innovation by implementing a program Office Hours and Listening Sessions, sponsored by its recently established Office of Innovation, and announced that it would begin accepting applications for uninsured national bank charters from nondepository financial technology (fintech) companies engaged in the business of banking.

The OCC continued to support operations of the Financial Stability Oversight Council, and participate in the Federal Financial Institutions Examination Council and other national and international financial service regulation and policy bodies.

2.1.3 – Charter Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
Expenses/Obligations	$19,262	$18,922	$23,978	$24,426	$24,033	$21,215	$21,215
Budget Activity Total	$19,262	$18,922	$23,978	$24,426	$24,033	$21,215	$21,215

Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percentage of Licensing Applications and Notices Completed within Established Timeframes	98.0	97.0	98.0	96.0	97.0	95.0	95.0	95.0

Charter
($21,215,000 from revenue/offsetting collections/balances):
The Charter Program consists of ongoing activities that result in the chartering of national banks and federal savings associations and the evaluation of the permissibility of structures and activities of national banks and federal savings associations and their subsidiaries. This includes the review and approval of new national bank and federal savings association charters, federal branches and agencies, mergers, acquisitions, conversions, business combinations, corporate reorganizations, changes in control, operating subsidiaries, branches, relocations, and subordinated debt issuances. By supporting the entry of new products and institutions into the financial system with a national charter in a manner consistent with safety and soundness, the Charter Program supports the OCC's strategic goals of assuring safety and soundness while allowing national banks and federal savings associations to offer a full competitive array of financial services.

<u>*Description of Performance:*</u>
Percentage of Licensing Applications and Notices Completed within Established Time Frames:
The OCC's timely and effective approval of corporate applications contributes to the nation's economy by enabling national banks and federal savings associations to complete various corporate transactions and introduce new financial products and services. Delays in providing prompt decisions on applications and notices can deprive a national bank or federal savings association of a competitive or business opportunity, create business uncertainties, or diminish financial results. Time frames have been established for completing each type of application and notice. As of September 30, 2018, the OCC completed 97 percent of national bank and federal savings association applications and notices within the required time frame, above the target of

95 percent. The OCC will continue to meet its Charter Program goals by providing staff training, coordinating efforts between charter and supervisory staff on safety and soundness and compliance matters, issuing updated procedures, and maintaining an emphasis on accessibility and early consultation with national bank and federal savings association organizers and others proposing national bank and federal savings association structure changes.

Section III – Additional Information

A - Summary of Capital Investments

The OCC's IT strategic plan aligns information technology initiatives and investments to the OCC's core mission, including the development of new or enhanced applications and services and the disposition of redundant or "end-of-lifecycle" applications, capabilities, and services. The IT strategic plan is implemented through the budget formulation and the Capital Planning and Investment Control processes. These processes ensure that all IT investments are aligned with the OCC's mission, goals, objectives, and target enterprise architecture before a project is funded. The OCC IT strategy ensures adequate funding and staff resources to address IT investment priorities, and considers risk mitigation strategies for IT investments that are not meeting stated cost, time, and performance goals. Performance metrics are linked to the delivery, alignment, and achievement of the OCC's strategic program objectives. Cost effectiveness for each investment is evaluated through regular benchmarking studies, featuring peer group organizations. Key metrics used to evaluate infrastructure include availability, reliability, utilization, defects, and customer satisfaction.

FY 2019 and 2020 Plans - The OCC has 4 major IT initiatives in FY 2019 and 2020:
Servers Support Services (SSS) - The SSS supports the OCC's server Operations and Maintenance. The infrastructure staff continues to build out additional capacity at the co-location facility to support the server technology refresh, business resiliency, and increases in enterprise storage capacity.
Telecommunications Services and Support (TSS) - TSS includes telecommunications Wide Area Network (WAN) and Local Area Network (LAN) infrastructure. Remote access to the OCC systems is facilitated via a virtual private network, dial-in, and cellular wireless access using two-factor authentication. This also includes messaging services supporting highly-mobile bank examiners and the OCC staff. In FY 2019, the OCC will continue an on-going effort to upgrade the headquarters and field office phone systems and telecom infrastructure including LAN/WAN hardware and Voice Over Internet Protocol.
End User Services and Support (EUSS) - EUSS includes help desk/customer service support, personal computer hardware and software operations and maintenance, asset management, and desktop engineering and image management. New computers and peripherals will be deployed to the workforce in FY 2019/2020.
Cyber Security (CS) – CS includes technologies, processes and practices aligned to protect networks, computers, programs and data from attack, damage or unauthorized access. In alignment with Federal and Treasury requirements, the OCC has transitioned the Agency's systems and applications into Information System Continuous Monitoring (ISCM) and Ongoing Authorization (OA). In FY 2019 the OCC will be implementing Cloud Access Security Broker and Identity as a Service capabilities to prepare the OCC information technology environment to

deploy additional cloud-based services and to minimize our dependence on the OCC Data Center for critical network services and infrastructure services.

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

International Programs

The Department of the Treasury's FY 2020 budget request for International Programs is included in the State, Foreign Operations, and Other Related Programs Appropriation.