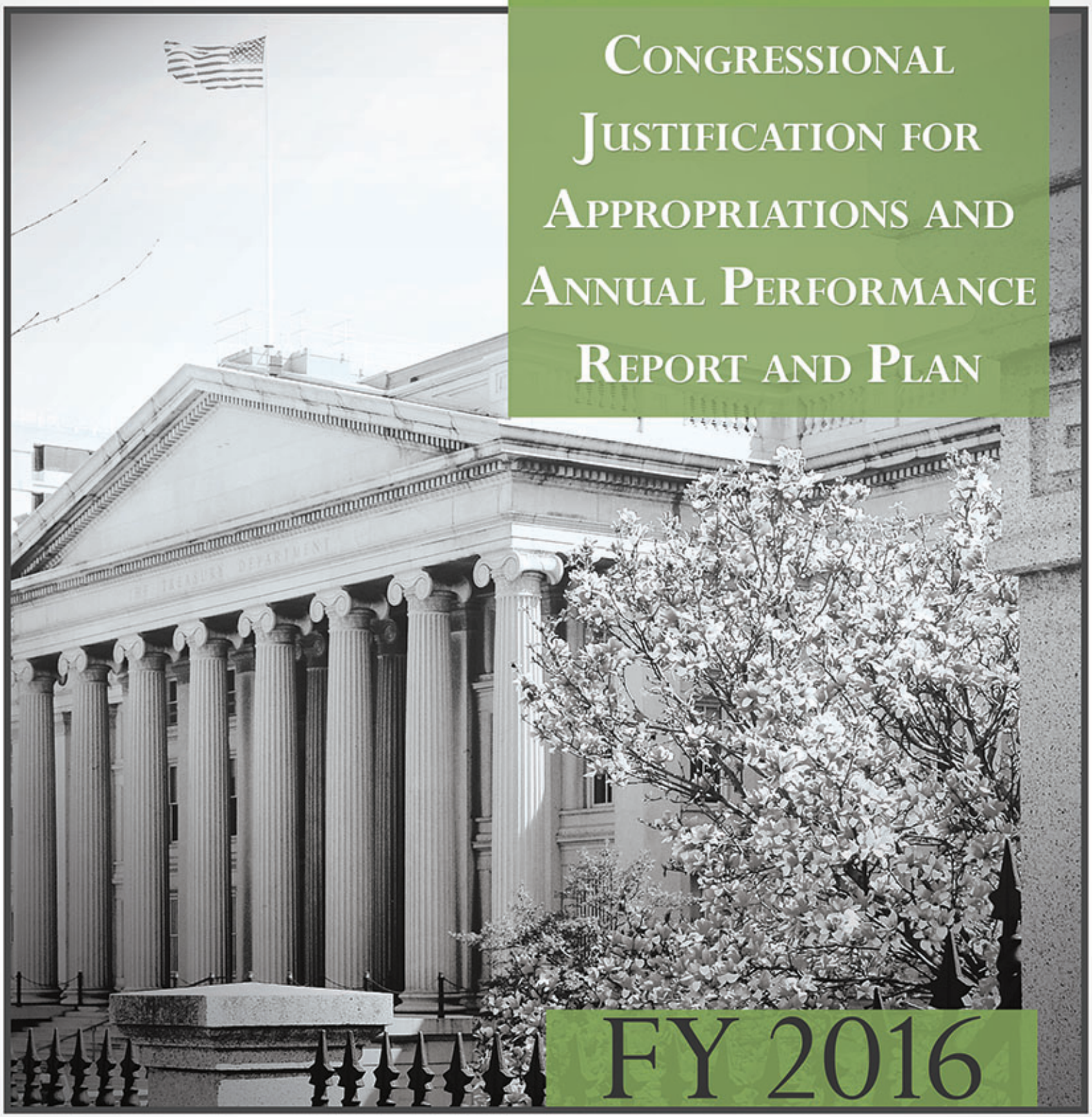
U. S. DEPARTMENT OF THE TREASURY

Congressional Justification for Appropriations and Annual Performance Report and Plan



FY 2016

Message from the Secretary of the Treasury

Dear Member:

Over the past six years, the Department of the Treasury has supported President Obama's efforts to rebuild and grow the nation's economy after the worst recession since the Great Depression. Today the economy is creating jobs at the fastest pace since the 1990s and the unemployment rate has fallen to the lowest level in more than six years. While the recovery has strengthened, work remains to sustain this progress and make sure the benefits of growth are broadly shared by all Americans.

The Fiscal Year (FY) 2016 President's Budget requests $14.3 billion for Treasury's operating bureaus and $2.9 billion for our International Programs. The proposal identifies savings across the Department, as well as targeted investments in key areas that will help strengthen our nation's long-term economic and fiscal position.

The request makes strategic investments in the Internal Revenue Service (IRS) to improve service to tens of millions of taxpayers and reduce the deficit through more effective tax administration. The IRS collects more than 90 percent of federal revenue and interacts with virtually every American. Despite the crucial role of the IRS in our government, FY 2015 marks five years of Congress reducing the bureau's funding, which is now $1.2 billion lower than in FY 2010. These reductions are costing the taxpayer billions of dollars in lost enforcement revenue each year. The FY 2016 request restores these funds and allows the IRS to provide quality service that American taxpayers deserve.

The request also includes funding for select high priorities such as implementing the Digital Accountability and Transparency Act of 2014, supporting lending to small businesses, and increasing the availability of healthy food options for low-income communities via the Healthy Food Financing Initiative.

Treasury's International Programs request aims to strengthen our national security, expand markets for American businesses, and address global challenges, including poverty, conflict, climate change, and food insecurity. The request also proposes legislation to increase the U.S. quota in the International Monetary Fund and reduce U.S. participation in the New Arrangements to Borrow while preserving the veto power of the United States and our influence in this important institution.

The FY 2016 Congressional Budget Justification includes the information required in the Annual Performance Report. I have validated the accuracy, completeness, and reliability of the performance data in this report.

Sincerely,

Jacob J. Lew

Mission Statement

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

Executive Summary

FY 2016 President's Budget by Function

Dollars in thousands

	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request	FY 2015 to FY 2016 Increase/ Decrease	FY 2015 to FY 2016 Percent Change
Management & Financial	$1,338,388	$1,343,704	$1,397,680	$53,976	4.0%
Departmental Offices Salaries and Expenses	$312,400	$210,000	$331,837	$121,837	58.0%
Terrorism and Financial Intelligence (TFI)	$0	$112,500	$0	($112,500)	-100.0%
Departmental Offices Salaries and Expenses[1]	**$312,400**	**$322,500**	**$331,837**	**$9,337**	**2.9%**
Department-wide Systems and Capital	$2,725	$2,725	$10,690	$7,965	292.3%
Office of Inspector General	$34,800	$35,351	$35,416	$65	0.2%
Treasury IG for Tax Administration	$156,375	$158,210	$167,275	$9,065	5.7%
Special Inspector General for TARP	$34,923	$34,234	$40,671	$6,437	18.8%
Community Development Financial Institutions	$226,000	$230,500	$233,523	$3,023	1.3%
Financial Crimes Enforcement Network	$112,000	$112,000	$112,979	$979	0.9%
Alcohol and Tobacco Tax and Trade Bureau	$99,000	$100,000	$106,439	$6,439	6.4%
Program Cap Adjustment Included in IRS	*$0*	*$0*	*($5,000)*	*($5,000)*	*NA*
Net, Alcohol and Tobacco Tax and Trade	**$99,000**	**$100,000**	**$101,439**	**$1,439**	**1.4%**
Bureau of the Fiscal Service	$360,165	$348,184	$363,850	$15,666	4.5%
Tax Administration	$11,290,612	$10,945,000	$12,931,071	$1,986,071	18.1%
IRS Taxpayer Services	$2,156,554	$2,156,554	$2,408,803	$252,249	11.7%
IRS Enforcement	$5,022,178	$4,860,000	$5,399,832	$539,832	11.1%
IRS Operations Support	$3,798,942	$3,638,446	$4,743,258	$1,104,812	30.4%
IRS Business Systems Modernization	$312,938	$290,000	$379,178	$89,178	30.8%
Less, IRS Cap Adjustment	*$0*	*$0*	*$667,297*	*$667,297*	*NA*
IRS Total, Excluding Cap Adjustment	***$11,290,612***	***$10,945,000***	***$12,263,774***	***$1,318,774***	***12.0%***
Subtotal, Treasury Appropriations Committee	**$12,629,000**	**$12,288,704**	**$14,328,751**	**$2,040,047**	**16.6%**
Treasury Forfeiture Fund	($836,000)	($869,000)	($875,000)	($6,000)	0.7%
Total, Treasury Appropriations Committee	**$11,793,000**	**$11,419,704**	**$13,453,751**	**$2,034,047**	**17.8%**
Total, Cap Adjustment	***$0***	***$0***	***$667,297***	***$667,297***	***NA***
Total, Treasury Appropriations Committee Excluding Cap Adjustment	***$11,793,000***	***$11,419,704***	***$12,786,454***	***$1,366,750***	***12.0%***
Treasury International Programs	**$2,690,229**	**$2,454,304**	**$2,901,846**	**$447,542**	**18.2%**
Economic Growth, National Security and Poverty	$2,075,449	$1,999,804	$2,063,853	$64,049	3.2%
Food Security	$163,000	$30,000	$74,930	$44,930	149.8%
World Bank Environmental Trust Funds	$428,280	$401,000	$548,563	$147,563	36.8%
Debt Relief	$0	$0	$124,500	$124,500	NA
Office of Technical Assistance (OTA)	$23,500	$23,500	$28,000	$4,500	19.1%
Middle East Transition Fund	$0	$0	$0	$0	NA
International Monetary Fund	$0	$0	$62,000	$62,000	NA
Total	**$14,483,229**	**$13,874,008**	**$16,355,597**	**$2,481,589**	**17.9%**

[1]In FY 2015, TFI was established as a separate appropriation. The Administration includes TFI activities in the Departmental Offices Salaries and Expenses appropriation in FY 2016.

Overview

The Fiscal Year (FY) 2016 President's Budget requests $14.3 billion in annual discretionary appropriations for the Department of the Treasury's operating accounts. Of this amount, $667 million is provided through a program integrity cap adjustment for tax enforcement activities estimated to yield net deficit reduction of $41 billion over the next ten years. Treasury continues to identify operational savings across programs, while making key investments to foster economic growth and opportunity, fight financial crimes, protect taxpayers and promote fair and effective revenue collection, encourage small business lending, support struggling homeowners, and responsibly manage the U.S. government's financial resources. The Budget also proposes a permanent cancellation of $875 million in Forfeiture Fund balances. In addition, the Budget proposes $2.9 billion for Treasury's International programs in order to promote our national security, open new markets for U.S. exporters, and address key global challenges such as food security and the environment.

The Budget aligns with the Department's *FY 2014 to 2017 Strategic Plan*, Agency Priority Goals, and Federal Priority Goals. [1] The Congressional Justification also serves as the Department's Annual Performance Report and Plan.

[1] Per the GPRA Modernization Act, P.L. 111-352, requirement to address Federal Goals in the agency Strategic Plan and Annual Performance Plan, please refer to Performance.gov for information on Federal Priority Goals and the agency's contributions to those goals, where applicable.

Treasury Strategic Goal: Promote Domestic Economic Growth and Stability while Continuing Reforms to the Financial System

Treasury is committed to promoting economic growth that allows citizens and businesses to have more confidence in the safety and soundness of the financial system.

Supporting Small Businesses

The Small Business Jobs Act of 2010 created the Small Business Lending Fund (SBLF) and the State Small Business Credit Initiative (SSBCI). The SBLF helps increase the availability of credit to small businesses by providing capital to community banks and community development loan funds with assets under $10 billion. In its first round of funding, SSBCI allocated $1.5 billion to strengthen state programs that leverage private capital and support lending to small businesses and small manufacturers that are creditworthy but unable to access the credit needed to grow and create jobs in their communities. From FY 2011 through FY 2013, SSBCI programs in all 50 states supported over $4.1 billion in loans and investments to 8,500 small businesses across the country — creating or saving more than 95,000 American jobs, as reported by the small businesses who received the loans and investments.

The Budget proposes a new authorization of $1.5 billion for SSBCI to build on the momentum of the program's first round, strengthen the federal government's relationships with state economic development agencies, and provide capital to America's diverse community of entrepreneurs. This additional $1.5 billion would be awarded in two allocations: $1 billion awarded on a competitive basis to states best able to target local market needs, promote inclusion, attract private capital for

start-up and scale-up businesses, strengthen regional entrepreneurial ecosystems, and evaluate results; and $500 million awarded by a formula based on economic factors such as job losses and pace of economic recovery.

Supporting Economic Growth and Opportunity

The Budget proposes $233.5 million for the Community Development Financial Institutions (CDFI) Fund to promote economic development investments in low-income and underserved communities. Of the total request, $35 million — an increase of $13 million from FY 2015 — for the Administration's Healthy Food Financing Initiative will support increased availability of affordable, healthy food options for Americans living in food deserts.

The CDFI Fund will begin administering in FY 2016 a second round of awards under the Capital Magnet Fund (CMF). In December 2014, the Federal Housing Finance Agency (FHFA) directed Fannie Mae and Freddie Mac to begin allocating funds to CMF as authorized by the Housing and Economic Recovery Act of 2008 (HERA). The purpose of CMF is to make awards to CDFIs and qualified nonprofit housing providers to increase capital investment for the development, preservation, rehabilitation, and purchase of affordable housing for low-income families and for related economic development activities.

The Budget proposes legislation to extend the CDFI Bond Guarantee program, established by the Small Business Jobs Act of 2010, through FY 2017 with an annual guarantee level not to exceed $1 billion to provide a source of long-term capital to CDFIs that support lending in underserved communities. The Budget also proposes reforms to the 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 Bond Guarantee program will continue to operate at no budgetary cost for new guarantees issuances.

Treasury proposes to implement a new $300 million fund from mandatory appropriations to support Pay for Success projects. A growing number of state and local governments are using the Pay for Success model to finance preventive social programs that can provide savings to the federal government while improving outcomes for families and communities. Emerging Pay for Success projects are hampered by an inability to leverage savings across both levels of government and also government programs and by a lack of rigorous data. A Pay for Success fund will be designed to ensure that taxpayers get better returns for funds expended and government assets are protected by supporting for projects that show measurable outcomes resulting in greater federal savings and programmatic efficiency.

Improving Retirement Security

Many Americans lack access to workplace retirement savings plans, which is usually the most effective way to save for retirement. The risk of an insecure retirement is especially great for women, minorities, and low-income Americans. Treasury is supporting the Administration's effort to improve retirement security by implementing a safe, simple, and affordable "starter" retirement savings program called myRA. Launched in December 2014 as a pilot for a group of small, medium and large employers, myRA is a retirement savings option with a new type of Roth IRA investment that has no start-up cost, no fees and no minimum contributions. The investment is backed by the U.S. Treasury and the account carries no risk of losing money. Through regular, automatic contributions from a paycheck,

myRA is a safe, simple and affordable way for individuals to start saving for retirement.

Implementing Financial Reform

The Budget provides resources to continue implementation of the comprehensive financial reforms included in the Dodd-Frank Wall Street Reform and Consumer Protection Act. These reforms place tougher limits on risk-taking by financial institutions in order to promote financial stability and protect the American people.

In FY 2016, Treasury will strengthen the capabilities of the Federal Insurance Office and invest in enhanced coordination and oversight of regulatory reform through the Financial Stability Oversight Council (FSOC). The Budget also reinvests savings to support U.S. efforts to encourage international trade and investment partners to implement corresponding financial reforms and safeguards — a key element to preventing or mitigating future crises.

Winding Down the Troubled Asset Relief Program

The actions taken under the Troubled Asset Relief Program (TARP), along with other emergency measures put in place by the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation (FDIC), helped prevent the collapse of the U.S. financial system and stabilize the economy during the recent financial crisis. As a result of careful stewardship of the program and improved financial conditions, the ultimate cost of TARP investments to taxpayers has dropped from an estimated $341 billion in FY 2009 to $37.4 billion as of September 30, 2014 ($20 billion when Treasury's additional AIG receipts are included). While winding down investment programs, Treasury continues TARP programs designed to help struggling homeowners avoid foreclosure.

Stabilizing the Housing Market

Using authority granted under the Emergency Economic Stabilization Act (EESA), Treasury established two central housing programs under TARP, the Making Home Affordable (MHA) program and the Hardest Hit Fund (HHF). Treasury also used its authority to support the Federal Housing Administration's (FHA) Short Refinance Program. In total, more than 2.2 million homeowner assistance actions have taken place under MHA programs. The Hardest Hit Fund provides $7.6 billion to 18 states and the District of Columbia to provide assistance to struggling homeowners through locally tailored programs administered by each respective housing finance agency. To date, 19 housing finance agencies have drawn a total of $4.8 billion under the HHF.

Recently, Treasury and HUD announced enhancements to MHA programs designed to better assist struggling homeowners and communities still recovering from the effects of the financial crisis. The enhancements will help motivate borrowers to continue making modified mortgage payments, strengthen the safety net for homeowners facing continuing financial hardships, and help homeowners in MHA programs build equity in their homes, an important element in stabilizing distressed neighborhoods.

Treasury Strategic Goal: Enhance U.S. Competitiveness and Job Creation, and Promote International Financial Stability and More Balanced Global Growth

Encouraging International Economic Growth and Stability

Treasury works bilaterally and multilaterally to foster strong, sustainable, and balanced global growth; support free trade and open markets; promote a level playing field for U.S. financial institutions; maintain stable international financial markets; encourage

foreign investment in the United States while protecting national security; and use leadership positions in international financial institutions to pursue U.S. strategic and economic policy goals.

The Department's $2.9 billion FY 2016 International Programs Budget request provides a cost effective way to promote our national security, expand markets for American businesses, and address key global challenges, including poverty, conflict, climate change, and food insecurity. The request includes funding for capital increases and replenishments at multilateral development banks, as well as contributions to several targeted funds and funding for Treasury's Office of Technical Assistance.

A well-resourced and effective IMF is indispensable to protecting the health of the U.S. economy, enhancing the prosperity of American workers, and achieving our national security interests. Our request proposes appropriations and authorization language to increase the U.S. quota in the IMF and simultaneously reduce, by an equal amount, U.S. participation in the IMF's New Arrangements to Borrow. This language is necessary to complete IMF reforms that preserve the U.S. veto and our influence at the IMF. These reforms do not increase the current U.S. financial commitment to the IMF. We are prepared to work with Congress on funding approaches that secure passage of these critical reforms as soon as possible..

Treasury Strategic Goal: Fairly and Effectively Reform and Modernize Federal Financial Management, Accounting, and Tax Systems

Data Transparency

The Budget provides funding for efforts to increase transparency and accountability in federal financial management and implement the Digital Accountability Transparency Act of 2014 (DATA Act). The DATA Act continues the reporting required under the Federal Funding Accountability and Transparency Act; requires additional federal spending data to be displayed on USAspending.gov; and requires establishment of government-wide financial data standards for any federal funds made available to or expended by federal agencies and entities receiving federal funds. Treasury is committed to implementing the DATA Act in a way that not only increases spending transparency but also improves government decision-making and increased operational efficiency through better access to data.

Internal Revenue Service

The Internal Revenue Service (IRS) collects more than 90 percent of federal revenue and interacts with virtually every American. Resources invested in the bureau represent a smart investment for taxpayers, returning nearly $4 for every dollar invested. In recent years, a lack of sufficient funding for the IRS has had major implications for taxpayers and the tax system. Despite IRS's crucial role in our government, FY 2015 marks five years of Congress reducing the agency's funding, which is now $1.2 billion lower than in FY 2010. As a result, taxpayers face longer wait times on the phone, and it takes longer for the IRS to respond to taxpayer correspondence. A sustained deterioration in taxpayer service combined with reduced enforcement activity could create serious long-term risk for the U.S. tax system, which relies on voluntary compliance. The IRS supports this compliance by addressing millions of taxpayers' questions in their efforts to comply with the law.

The Budget provides the IRS with $12.3 billion in base discretionary resources, an increase of $1.3 billion from FY 2015, to begin restoring taxpayer services to

acceptable levels. Funds are also provided to continue major IT projects which aim to protect taxpayer information, modernize antiquated systems, continue development of a state-of-the-art online taxpayer experience, and build efficiencies throughout the agency while continuing to fund system development due to new legislative mandates including the Foreign Account Tax Compliance Act (FATCA) and the Affordable Care Act (ACA).

The Budget also proposes a $667 million cap adjustment to support program integrity efforts aimed at restoring enforcement of current tax laws to acceptable levels and to help reduce the tax gap. This multi-year effort is expected to generate $60 billion in additional revenue over the next ten years at a cost of $19 billion, thereby reducing the deficit by $41 billion. The targeted investments made in FY 2016 are expected to generate nearly $2.8 billion in annual revenue once fully operationalized in FY 2018, returning nearly $6 to the government for every dollar invested for these initiatives.

Restoring Gulf Coast Communities

The Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) established the Gulf Coast Restoration Trust Fund (Trust Fund) to maintain the civil and administrative penalties arising from the *Deepwater Horizon* oil spill. Treasury serves oversight, administrative, compliance, and audit roles to help ensure that funds are expended as required by the RESTORE Act, and works with the Gulf Coast Restoration Council to administer these funds in supporting economic and environmental restoration in the Gulf Coast region. The Budget proposes legislation that will allow Departmental Offices to draw resources from the Trust Fund to carry out its responsibilities.

Treasury Strategic Goal: Safeguard the Financial System and Use Financial Measures to Counter National Security Threats

The Office of Terrorism and Financial Intelligence (TFI) oversees and marshals Treasury's intelligence, enforcement, and economic sanctions functions in support of U.S. national security policies and interests. The Budget provides $109.3 million to support these efforts.

Treasury is leading the U.S. effort to undermine the Islamic State of Iraq and the Levant's (ISIL) finances as part of the comprehensive U.S. strategy to disrupt, degrade, and ultimately defeat the terrorist group. Representative of the comprehensive approach to counter ISIL, Treasury is working closely with the State Department, the Department of Defense, domestic and foreign law enforcement, the intelligence community, and the international community to undermine disrupt ISIL's revenue streams; to restrict ISIL's access to the international financial system; and impose sanctions on ISIL's senior leadership and financial facilitators to disrupt its ability to operate.

Safeguarding the Financial System

The Budget provides $113 million for the Financial Crimes Enforcement Network (FinCEN) to support Treasury's efforts to safeguard the financial system from illicit use, combat money laundering, and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities. FinCEN is applying its information gathering, analytic, and policy resources, along with its international relationships with foreign financial intelligence units, to combat threats posed by groups such as ISIL. FinCEN's work is focused on the collection, analysis, and

dissemination of financial intelligence information.

Collection of Major Asset Forfeitures Supports Deficit Reduction

The Treasury Forfeiture Fund received over $833.5 million in forfeitures and recoveries in FY 2014. The success of Treasury's asset forfeiture program allows the Department to make priority investments in law enforcement and national security, without requesting additional resources from taxpayers. Further, it enables Treasury to contribute to deficit reduction with a proposed permanent cancellation of $875 million from the Forfeiture Fund's unobligated balances in FY 2016.

Improving the Cybersecurity of Our Nation's Financial Sector

Cyber risks to financial institutions and markets are growing in both frequency and sophistication. A cyber-attack by a state or non-state actor could paralyze our economy and cause significant long-term damage. Treasury is working to reduce the risks from cyber-attacks by helping to improve the financial sector's resilience to such attacks and by investing in Treasury's own defenses and infrastructure.

Treasury Strategic Goal: Create a 21st-Century Approach to Government by Improving Efficiency, Effectiveness, and Customer Interaction

Treasury will continue to manage Treasury's resources as effectively and efficiently as possible, creating the best value for all constituents.

Improving Digital Services

The success rate of government digital services is improved when agencies have digital service experts on staff with modern digital product design, software engineering, and product management skills. The FY 2016 Budget includes funding to establish a Treasury Digital Service team that will focus on transforming the Department's digital services with the greatest impact to taxpayers and businesses so they are easier to use and more cost-effective to build and maintain.

Increasing Shared Services

Treasury will continue to focus on achieving cost savings for American taxpayers, modernizing operations, and increasing productivity by governing strategically, working smarter, and leveraging technology. Increasing the use of shared services and better leveraging strategic sourcing for federal procurement will help achieve these goals.

Assess the Future of Currency, Including the Penny

The production and circulation of currency in the United States have been largely unchanged for decades, despite the growth in electronic financial transactions. Treasury is continuing its comprehensive review of U.S. currency, including a review of both the production and use of coins, in order to efficiently promote commerce in the 21st century. This review includes alternative metals, the United States Mint facilities, and consumer behavior and preferences. Treasury expects to announce the results of its review this fiscal year.

The Budget includes a plan to relocate the Bureau of Engraving and Printing's Washington, D.C. facility to a facility more appropriate for modern currency production.

Savings Proposals

As a result of Treasury's ongoing efforts to improve efficiency, reduce costs, and streamline operations, the Department has been able to propose over $1.1 billion in savings in its budget submissions over the past five years.

FY 2016 President's Budget by Strategic Goal

(Dollars in thousands)

Treasury Goal/Objective	Promote domestic economic growth and stability while continuing reforms of the financial system		Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth		Fairly and effectively reform and modernize federal financial management, accounting, and tax systems		Safeguard the financial system and use financial measures to counter national security threats		Create a 21st-century approach to government by improving efficiency, effectiveness and customer interaction		Total	
	Direct $	Reimb. $	Direct $	Reimb. $	Direct $	Reimb. $	Direct $	Reimb. $	Direct $	Reimb. $	Direct $	Reimb. $
Management & Financial	503,934	42,007	85,621	24,399	531,245	229,269	248,675	69,782	28,205	7,717	1,397,680	373,175
Departmental Offices Salaries and Expenses	68,010	17,565	85,621	24,399	45,995	16,010	114,696	55,782	17,515	7,717	331,837	121,474
Department-wide Systems and Capital Investments Program									10,690		10,690	0
Office of Inspector General					14,416	2,000	21,000	11,000			35,416	13,000
Treasury Inspector General for Tax Administration					167,275	1,500					167,275	1,500
Special Inspector General for TARP	40,671										40,671	0
Community Development Financial Institutions Fund	233,523	0									233,523	0
Financial Crimes Enforcement Network							112,979	3,000			112,979	3,000
Alcohol and Tobacco Tax and Trade Bureau	48,654	3,024			52,785	3,276					101,439	6,300
Bureau of the Fiscal Service	113,076	21,418			250,774	206,483					363,850	227,901
Tax Administration	0	0	0	0	12,931,071	125,275	0	0	0	0	12,931,071	125,275
IRS Taxpayer Services					2,408,803	34,600					2,408,803	34,600
IRS Enforcement					5,399,832	37,675					5,399,832	37,675
IRS Operations Support					4,743,258	53,000					4,743,258	53,000
Business Systems Modernization					379,178						379,178	0
Total, Treasury Appropriations Committee	**503,934**	**42,007**	**85,621**	**24,399**	**13,462,316**	**354,544**	**248,675**	**69,782**	**28,205**	**7,717**	**14,328,751**	**498,450**
Treasury International Programs			2,901,846								2,901,846	0
Total, Appropriated Level	**503,934**	**42,007**	**2,987,467**	**24,399**	**13,462,316**	**354,544**	**248,675**	**69,782**	**28,205**	**7,717**	**17,230,597**	**498,450**
Non-Appropriated Bureaus	**176,191**	**5,678,045**	**0**	**0**	**0**	**0**	**0**	**21,137**	**0**	**0**	**176,191**	**5,699,182**
Office of Financial Stability (Administrative Account)	155,066										155,066	0
Small Business Lending Fund Program (Administrative)	15,039										15,039	0
State Small Business Credit Initiative (Administrative)	6,086										6,086	0
Financial Stability Oversight Council		19,316									0	19,316
Office of Financial Research		108,105									0	108,105
Bureau of Engraving and Printing		863,940									0	863,940
United States Mint		3,595,307									0	3,595,307
Office of the Comptroller of the Currency		1,091,377						21,137			0	1,112,514
Subtotal, Direct $	**680,125**		**2,987,467**		**13,462,316**		**248,675**		**28,205**		**17,406,788**	
Subtotal, Reimbursable $		**5,720,052**		**24,399**		**354,544**		**90,919**		**7,717**		**6,197,632**
Total, Treasury Level	**6,400,178**		**3,011,867**		**13,816,860**		**339,594**		**35,922**		**23,604,420**	

1/ Total does not include the proposed $875 million Forfeiture Fund permanent cancellation.

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

(Dollars in Thousands)

Appropriation	2014 Actual			2015 Enacted			2016 President's Budget		
	Direct	Reimb.	Total	Direct	Reimb.	Total	Direct	Reimb.	Total
Departmental Offices Salaries and Expenses	1,154	157	1,311	781	184	965	1,312	163	1,475
Terrorism and Financial Intelligence	0	0	0	377	39	416	0	0	0
Office of Inspector General	13	166	179	194	19	213	194	19	213
Treasury Inspector General for Tax Administration	740	2	742	835	2	837	859	2	861
Special Inspector General for TARP	165	0	165	192	0	192	192	0	192
Community Development Financial Institutions Fund	76	0	76	79	0	79	87	0	87
Financial Crimes Enforcement Network	279	0	279	345	1	346	343	1	344
Alcohol and Tobacco Tax and Trade Bureau	460	10	470	473	10	483	509	10	519
Bureau of the Fiscal Service	1,676	714	2,390	1,636	714	2,350	1,586	701	2,287
Internal Revenue Service	84,142	619	84,761	81,473	730	82,203	90,718	768	91,486
Subtotal, Treasury Appropriated Level	**88,705**	**1,668**	**90,373**	**86,385**	**1,699**	**88,084**	**95,800**	**1,664**	**97,464**
Office of Financial Stability (Administrative Account)	99	22	121	87	20	107	75	19	94
Small Business Lending Fund Program	15	0	15	19	0	19	19	0	19
State Small Business Credit Initiative	10	0	10	11	0	11	9	0	9
Office of Financial Research	189	0	189	257	0	257	301	0	301
Working Capital Fund	0	5	5	0	0	0	0	0	0
Treasury Franchise Fund	0	1,460	1,460	0	1,643	1,643	0	1,786	1,786
Bureau of Engraving and Printing	0	1,844	1,844	0	1,944	1,944	0	1,924	1,924
United States Mint	0	1,661	1,661	0	1,874	1,874	0	1,774	1,774
Office of the Comptroller of the Currency	0	3,891	3,891	0	3,959	3,959	0	3,959	3,959
Pay for Success	0	0	0	0	0	0	14	0	14
Terrorism Insurance Program	6	0	6	10	0	10	10	0	10
Total	**89,024**	**10,551**	**99,575**	**86,769**	**11,139**	**97,908**	**96,228**	**11,126**	**107,354**

1/ In a few cases, FTE numbers have been updated since data entry was completed in the OMB database. The numbers presented in this table are the most current estimates.

2/ 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.

3/ IRS FY 2014-2016 Direct FTE include 3 FTE funded from the Federal Highway Transportation Authority Account; IRS FY 2014 Direct FTE Actuals include 6 positions funded through a transfer from the CMS HIRIF account for the Affordable Care Act. IRS FY 2016 Direct FTE includes 858 FTE funded from User Fees.

Summary of FY 2016 Increases and Decreases

(Dollars in Thousands)

	DO	DSCIP	OIG	TIGTA	SIGTARP	CDFI	FinCEN	TTB	Fiscal Service	IRS	Total	Offsetting Fees/ Cancellations/ Rescissions	Total, Treasury Appropriations Committee
FY 2015 Enacted	**$322,500**	**$2,725**	**$35,351**	**$158,210**	**$34,234**	**$230,500**	**$112,000**	**$100,000**	**$348,184**	**$10,945,000**	**$12,288,704**	**($869,000)**	**$11,419,704**
Adjustment to Request	($13,522)	$0	($484)	$0	$0	$0	$0	$0	$0	$0	($14,006)	$0	($14,006)
Maintaining Current Levels (MCLs)	$5,251	$0	$549	$2,557	$772	$437	$1,896	$1,687	$5,888	$200,677	$219,714	$0	$219,714
Non-Recurring Costs	($3,255)	($2,725)	$0	$0	$0	($523)	$0	$0	$0	$0	($6,503)	$0	($6,503)
Efficiency Savings	($395)	$0	$0	($84)	$0	($84)	($726)	($248)	($8,480)	($18,431)	($28,448)	$0	($28,448)
Other Adjustments	$0	$0	$0	$0	$5,665	$0	$0	$0	$0	$0	$5,665	$0	$5,665
Adjustments to Base	**($11,921)**	**($2,725)**	**$65**	**$2,473**	**$6,437**	**($170)**	**$1,170**	**$1,439**	**($2,592)**	**$182,246**	**$176,422**	**$0**	**$176,422**
FY 2016 Base	**$310,579**	**$0**	**$35,416**	**$160,683**	**$40,671**	**$230,330**	**$113,170**	**$101,439**	**$345,592**	**$11,127,246**	**$12,465,126**	**($869,000)**	**$11,596,126**
Program Decreases	$0	$0	$0	$0	$0	($18,000)	($191)	($1,000)	($1,530)	$0	($20,721)	$0	($20,721)
Program Reinvestments	$700	$0	$0	$0	$0	$0	$0	$0	$0	$16,025	$16,725	$0	$16,725
Program Increases	$20,558	$10,690	$0	$6,592	$0	$21,193	$0	$1,000	$19,788	$1,120,503	$1,200,324	$0	$1,200,324
Program Integrity Cap Adjustment	$0	$0	$0	$0	$0	$0	$0	$0	$0	$667,297	$667,297	$0	$667,297
Subtotal, Program Changes	**$21,258**	**$10,690**	**$0**	**$6,592**	**$0**	**$3,193**	**($191)**	**$0**	**$18,258**	**$1,803,825**	**$1,863,625**	**$0**	**$1,863,625**
Change to Offsetting Fees/Cancellations/Rescissions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($6,000)	($6,000)
FY 2016 President's Budget	**$331,837**	**$10,690**	**$35,416**	**$167,275**	**$40,671**	**$233,523**	**$112,979**	**$101,439**	**$363,850**	**$12,931,071**	**$14,328,751**	**($875,000)**	**$13,453,751**

1/ Total resources for FY 2016 includes a $875 million Forfeiture Fund cancellation.

2/ Total Efficiency Savings for Treasury is $28.456 million. BEP and Mint savings of $7.757 million are not reflected in the chart above.

ORGANIZATION

Throughout its rich history, Treasury's core mission has not changed. With approximately 100,000 employees in its ranks, Treasury remains the steward of the U.S. economy —taking in revenue, meeting financial obligations, and, when appropriate, borrowing and investing public funds. In recent years, Treasury's role has expanded to include being a leader in safeguarding and growing the nation's economy. Treasury is organized into the Departmental Offices, seven bureaus, and three inspectors general. The Departmental Offices are primarily responsible for policy formulation, while the bureaus are the operating units of the organization.

DEPARTMENTAL OFFICES

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

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

Terrorism and Financial Intelligence marshals the Department's intelligence and enforcement functions with the twin aims of safeguarding the financial system against illicit use and combating rogue nations, terrorist facilitators, weapons of mass destruction proliferators, money launderers, drug kingpins, and other national security threats.

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

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

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

The ***Office of Management***, including the Chief Financial Officer (CFO), is responsible for managing the Department's financial resources and overseeing Treasury-wide programs, including human capital, information technology, acquisition, and diversity and inclusion efforts.

Three inspectors general – ***the Office of the 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 the Department of the Treasury and its programs.

Other offices include ***General Counsel, Legislative Affairs, and Public Affairs***.

BUREAUS

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

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

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

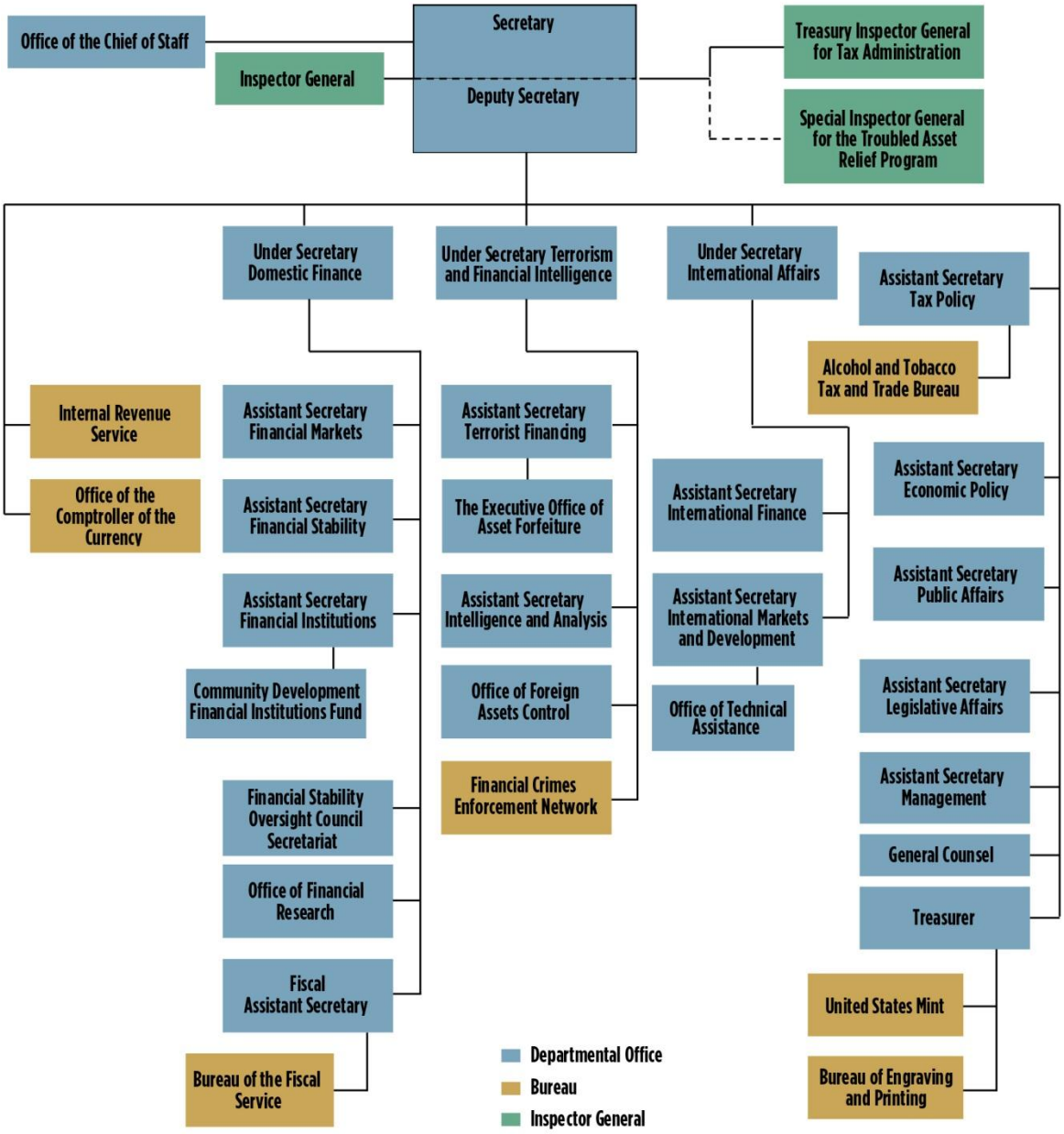
The ***Bureau of the Fiscal Service (Fiscal Service)*** —previously the Financial Management Service and the Bureau of the Public Debt —provides central payment services to federal program agencies, operates the U.S. government's collections and deposit systems, provides government-wide accounting and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

The ***Internal Revenue Service (IRS)*** is the largest of the Department's bureaus and determines, assesses, and collects tax revenue in the United States.

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

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

DEPARTMENT OF THE TREASURY ORGANIZATIONAL CHART



TREASURY'S FISCAL YEAR 2014-2017 STRATEGIC FRAMEWORK

The strategic framework comprises the Department's strategic goals and objectives. All bureaus and offices align their programs within this framework, which forms the basis for organizational performance management across the agency.

	Strategic Goals	Strategic Objectives	Contributing Bureaus/Offices
Economic	Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system	1.1: Promote savings and increased access to credit and affordable housing options	Domestic Finance International Affairs Economic Policy BEP Fiscal Service OCC TTB U.S. Mint
		1.2: Wind down emergency financial crisis response programs	
		1.3: Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability	
		1.4: Facilitate commerce by providing trusted and secure U. S. currency, products, and services for use by the public	
	Goal 2: Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth	2.1: Promote free trade, open markets, and foreign investment opportunities	International Affairs TFI Economic Policy Tax Policy
		2.2: Protect global economic and financial stability and press for market-determined foreign exchange rates	
		2.3: Advance U.S. economic, financial, and national security goals by leveraging multilateral mechanisms	
		2.4: Provide technical assistance to developing countries working to improve public financial management and strengthen their financial systems	
Financial	Goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems	3.1: Improve the efficiency and transparency of federal financial management and government-wide accounting	Domestic Finance Tax Policy Fiscal Service IRS TTB
		3.2: Improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. government	
		3.3: Pursue tax reform, implement the Patient Protection and Affordable Care Act, and Foreign Account Tax Compliance Act, and improve the execution of the tax code	
Security	Goal 4: Safeguard the financial system and use financial measures to counter national security threats	4.1: Identify priority threats to the financial system using intelligence analysis and outreach to the financial sector	TFI Domestic Finance FinCEN OCC
		4.2: Develop, implement, and enforce sanctions and other targeted financial measures	
		4.3: Improve the cybersecurity of our nation's financial sector critical infrastructure	
		4.4: Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards	
Management	Goal 5: Create a 21st-century approach to government by improving efficiency, effectiveness and customer interaction	5.1: Increase workforce engagement, performance, and diversity by instilling excellence, innovation, and inclusion in Treasury's organizational culture and business practices	All Offices and Bureaus, led by the Office of Management
		5.2: Support effective, data-driven decision-making and encourage transparency through intelligent gathering, analysis, sharing, use, and dissemination of information	
		5.3: Promote efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability	
		5.4: Create a culture of service through relentless pursuit of customer value	

FISCAL YEAR 2014 PERFORMANCE BY STRATEGIC GOAL

GOAL 1: PROMOTE DOMESTIC ECONOMIC GROWTH AND STABILITY WHILE CONTINUING REFORMS OF THE FINANCIAL SYSTEM

Economic growth stimulates opportunity, mobility, and security for Americans – and allows citizens and businesses to have more confidence in the safety and soundness of the financial system. In the FY 2014-2017 strategic plan, Treasury commits to promoting domestic economic stability in response to the 2008 financial crisis, building and strengthening domestic financial institutions and markets, and identifying emerging issues requiring Treasury's leadership. An additional priority under this goal is to stimulate domestic economic growth by facilitating commerce and promoting savings, access to credit, and affordable housing options.

In FY 2014, Treasury made notable progress toward achieving its strategic objectives under this goal. As indicated in "Table 1: Summary of Goal One Performance," major strides were made in winding down emergency financial crisis response programs, extending affordable housing programs to more Americans, and implementing major pieces of the financial regulatory reform required under the *2010 Dodd-Frank Wall Street Reform and Consumer Protection Act*.

In particular, after consulting with the Office of Management and Budget (OMB) on performance in this area, Treasury determined that "noteworthy progress" is being made toward achieving Objective 1.2, "Wind down emergency financial crisis response programs," based on the success of the Troubled Asset Relief Program (TARP).

WHAT'S NEXT?

Treasury is focused on pursuing opportunities to increase coordination with industry and government partners to execute the latest rules and to obtain high-quality data to monitor threats to the market. Treasury is also taking steps to address the ever-increasing demand for improved services, including more sophisticated and accessible currency and timely permitting and label approval for alcohol and tobacco businesses. Specifically, Treasury plans to pursue the following actions in FY 2015:

- Work with Congress to extend the State Small Business Credit Initiative (SSBCI) authorization and to advance housing finance reform legislation
- Complete rulemakings for Dodd-Frank implementation and develop rulemaking to streamline and clarify the federal labeling and formula requirements for alcoholic beverages
- Complete the remaining pending evaluations of the Community Development Financial Institutions (CDFI) Fund programs
- Continue the transition of the currency quality assurance program and submit alternative metals research to Congress

IN FOCUS: HELPING AMERICAN COMMUNITIES GROW

The 40,500 residents of economically depressed Sumter, South Carolina will see an estimated 1,600 new jobs in their community over the next decade as a result of the construction of a new million-plus square foot manufacturing facility.

Continental Tire's new facility will expand the international automotive supplier's operations in the United States. The project received a combined $57.06 million loan from the Community Reinvestment Fund, National Development Council, and People Incorporated Financial Services as a result of the New Markets Tax Credit Program administered by Treasury's CDFI Fund. Ninety percent of the new jobs created, which offer competitive wages, will be entry level. These types of jobs are desperately needed in Sumter, where the unemployment rate is about 1.5 times the national average (as of September 2014).

TABLE 1: SUMMARY OF GOAL ONE PERFORMANCE

Strategic Objective		Key Areas of Progress (♦) and Challenges (≈)
1.1 Promote savings and increased access to credit and affordable housing options	♦	Helped increase housing affordability by extending the Making Homes Affordable Program through 2016 and entering into a partnership with the Department of Housing and Urban Development (HUD) to help increase affordable options for renters
	♦	Held the first successful auction of the Floating Rate Note, the first new Treasury security in 15 years, which will expand the U.S. investor base and provides more options to investors
	♦	Provided more than 32,621 affordable housing units through the CDFI Program, New Markets Tax Credit Program, and Capital Magnet Fund lending and investing in FY 2014
	♦	Introduced *my*RA, a simple, safe and affordable retirement savings option designed for Americans who do not have access to an employer-sponsored retirement plan
	♦	Small business lending at participating banks has grown $13.8 billion over the baseline
	≈	Sales of retail securities continue to decline due to low interest rates and product complexity
1.2 Wind down emergency financial crisis response programs	♦	As of September 2014, Troubled Asset Relief Program (TARP) collections, including proceeds from non-TARP AIG-shares sales, exceed total disbursements by $14.5 billion
	♦	The Capital Purchase Program has generated $226.3 billion in proceeds for taxpayers through FY 2014, with 43 institutions remaining in the program ($624.9 million in outstanding investments)
	♦	Completed the disposition of all remaining shares of General Motors in December 2013 and, subsequent to Treasury's sale of approximately 102 million shares in the initial public offering (IPO) of Ally, began selling additional shares of Ally common stock through a pre-defined written trading plan
	≈	Most of the largest mortgage servicers participating in the Making Home Affordable housing programs need minor or moderate improvement in their compliance with program requirements, according to the most recent Quarterly Servicer Assessment
1.3 Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability	♦	Issued the Modernization Report required by Dodd-Frank, which makes recommendations in the areas of insurance sector solvency and marketplace regulation
	♦	Made solid progress in standardizing essential data, including issuing more than 300,000 Legal Entity Identifiers (LEIs) to organizations in 186 countries
	♦	Issued final rules implementing the Volcker Rule and Basel III capital rules
	≈	Coordination with domestic and international actors is resource intensive
	≈	Timely and robust data (and analytical capability) are vital to monitoring markets and identifying threats, but building the environment and infrastructure are costly
1.4 Facilitate commerce by providing trusted and secure U.S. currency, products, and services for use by the public	♦	Launched a currency reader distribution pilot program in 2014 to increase accessibility for the blind and visually impaired
	♦	Met increased demand for currency while implementing operational efficiencies
	♦	Began circulating the redesigned $100 Federal Reserve note, which includes several new security features
	♦	Expanded the use of TTB's Permits Online system, and improvements are in progress to support faster processing times for new businesses seeking a federal alcohol permit
	♦	Removed a significant barrier to wine export trade by launching a consolidated export certificate for wine exports to China
	♦	Hosted an infrastructure investment summit that brought together private investors and state and local government officials to build partnerships and develop strategies to close the infrastructure investment gap
	≈	Increasing complexity of currency design and evolving customer needs require more complex and costly materials, production technologies, and employee skill sets to maintain high-quality notes
	≈	Current legislation restricts changes to metal composition, size, and weight of coinage
	≈	Growth in the alcohol beverage industry and increasing product innovation have increased the demand for TTB approvals, resulting in longer lead times to meet requirements that are pre-conditions to commerce

KEY: ♦ indicates an area of progress; ≈ indicates an area of challenge

GOAL 2: ENHANCE U.S. COMPETITIVENESS AND JOB CREATION, AND PROMOTE INTERNATIONAL FINANCIAL STABILITY AND MORE BALANCED GLOBAL GROWTH

Treasury protects and supports American economic prosperity by strengthening the external environment for U.S. growth, preventing and mitigating global financial instability, and managing key global challenges. Over the next three years, the Department will continue to work with international partners to open new opportunities for American businesses and workers, level the playing field for U.S. firms doing business abroad, develop sound international financial regulatory standards consistent with domestic reforms, promote economic stability in strategically important countries, and leverage U.S. leadership positions in the International Financial Institutions (IFIs) to promote U.S. policy priorities around the world.

In FY 2014, Treasury made progress using a sometimes limited set of policy tools while facing major challenges. As indicated in "Table 2: Summary of Goal Two Performance," evolving global geopolitical and financial crises and slowing economic growth in key regions and countries required Treasury to shift its focus away from some longer-term goals in favor of more immediate priorities. Despite this, Treasury successfully advocated for the prioritization of growth strategies in the Group of 20 (G-20), advanced negotiations for critical trade agreements, and made progress promoting financial stability in Europe. After consulting with OMB on performance in this goal, Treasury determined that "significant challenges" exist to achieving Objective 2.3, "Advance U.S. economic, financial, and national security goals by leveraging multilateral mechanisms," due largely to the need for Congress to approve the 2010 International Monetary Fund (IMF) Quota and Governance Reforms and insufficient support for multilateral assistance priorities, including arrears.

IN FOCUS: Providing Assistance Abroad to Safeguard Stability at Home

For more than 20 years, International Affairs' Office of Technical Assistance (OTA) has helped developing and transitional countries build their capacity to manage government finances more effectively, deliver essential public services, and grow their economies. Such assistance is also in the U.S. national interest as building strong economic governance regimes supports financial sector stability and fosters robust trade and investment relations. Currently, OTA operates in 44 countries with 100 active programs (see map below).

WHAT'S NEXT?

Although progress toward this goal has been hampered by the challenges highlighted above, Treasury aims to bolster the impact of its efforts through expanded and additional bilateral and multilateral engagements in priority regions. Specifically, Treasury plans to pursue the following actions in FY 2015:

- Secure congressional approval of the 2010 IMF Quota and Governance Reforms Proposal
- Gain congressional support for Treasury's International Programs budget proposal, which includes U.S. contributions to multilateral organizations in which the U.S. seeks to maintain a leadership position
- Continue to negotiate tax treaties and international guidelines on the provision of official export financing
- Advance the financial services sections of the major trade agreements currently being negotiated, such as the Trans-Pacific Partnership, the Trade in Services Agreement, and the US-EU Trans-Atlantic Trade and Investment Partnership

TABLE 2: SUMMARY OF GOAL TWO PERFORMANCE

Strategic Objective	Key Areas of Progress (♦) and Challenges (≈)	
2.1 Promote free trade, open markets, and foreign investment opportunities	♦	Negotiations of free trade agreements have progressed in key economic hubs such as the Asia-Pacific region; Commitments secured through bilateral engagements including the U.S.-India Economic and Financial Partnership and the U.S.-China Strategic and Economic Dialogue
	♦	During the fiscal year, the Office of Tax Policy prepared for and testified before the Senate Foreign Relations Committee to recommend seven bilateral tax treaties that have been negotiated by the Office on behalf of the United States
	≈	Evolving global economic and geopolitical conditions affect counterparts' priorities and willingness to make concessions in negotiations
	≈	The strengthening US economy yielded a corresponding increase in the number and complexity of cases before the Committee on Foreign Investment in the United States (CFIUS), complicating interagency coordination of the national security reviews
2.2 Protect global economic and financial stability and press for market-determined exchange rates	♦	Have worked to stabilize the European financial system (Ireland and Portugal successfully exited from IMF programs and the Greece IMF program financing gap was resolved)
	♦	Made significant contributions to crisis response through Treasury's Financial Attaché in Moscow and the rapid provision of a loan guarantee and technical assistance to Ukraine
	♦	Refocused the G-20 to consider growth strategies and successfully added global rebalancing to the Leaders' Summit Agenda
	≈	Evolving global geopolitical, economic, and financial crises require Treasury to rapidly shift its focus and limited resources away from longer-term priorities
	≈	Rising costs of overseas operations hinder deployment of Financial Attachés and technical assistance advisors abroad, negatively impacting performance
2.3 Advance U.S. economic, financial, and national security goals by leveraging multilateral mechanisms	♦	Treasury's Development Impact Honor Awards Program successfully highlighted the benefits of multilateral approaches to development
	♦	Continued to successfully encourage the use of systems for measuring, monitoring, and incorporating development results in Multilateral Development Bank operations
	≈	Treasury's work at the IMF is unnecessarily complicated by the U.S.'s status as the only country yet to approve the 2010 IMF Quota and Governance Reforms
	≈	The U.S. could potentially lose influence in IFIs, as overdue U.S. contributions continue to accumulate over time due to funding constraints
2.4 Provide technical assistance to developing countries working to improve public financial management and strengthen their financial systems	♦	Treasury had success in building relationships with foreign counterparts; 100 projects are currently active in 44 countries, and programs received a 3.7 out of 5 in FY 2014 internal evaluations for "traction" (which measures engagement with counterparts)
	♦	A robust annual programmatic review has been instituted for all active projects before funding is allocated for the year; the review process includes defining priorities and measures for programs
	♦	The Office of Technical Assistance (OTA) supported successful reforms by several jurisdictions previously cited by the Financial Action Task Force for serious non-compliance with anti-money laundering and counterterrorism financing standards
	≈	Programmatic impact can be outside of Treasury's control; programs received a 2.9 out of 5 in FY 2014 internal evaluations for "impact" (which measures achievement of desired changes); rising cost of program administration from third parties limiting project selection

KEY: ♦ indicates an area of progress; ≈ indicates an area of challenge

GOAL 3: FAIRLY AND EFFECTIVELY REFORM AND MODERNIZE FEDERAL FINANCIAL MANAGEMENT, ACCOUNTING, AND TAX SYSTEMS

Treasury is entrusted with managing the nation's finances, which includes collecting money due to the United States, making payments owed by the United States, and financing the federal government by, in addition to collecting revenue, determining and executing a borrowing strategy that meets the federal government's needs at the lowest cost over time. It also includes accounting for, and reporting on, the U.S. government's finances to the American people. Sound financial management enables continual operation of essential government services and allows Treasury to meet its financial obligations while minimizing borrowing costs.

Treasury made great strides during FY 2014, as indicated in "Table 3: Summary of Goal Three Performance." Treasury began work to increase the usability of USAspending.gov, created a centralized service to help federal executive branch agencies reduce improper payments, and implemented tax-related provisions of both the Patient Protection and Affordable Care Act (ACA) and the Foreign Account Tax Compliance Act (FATCA). Treasury made additional progress in improving payment accuracy through continued implementation of the "Do Not Pay" Business Center, which uses data to review the eligibility of government beneficiaries. Furthering Treasury's efforts, the IRS combatted tax refund fraud by using analytics to identify tax preparers who submit incorrect or fraudulent tax returns. Despite this progress, tight budget constraints facing the IRS resulted in fewer resources and missed opportunities in enforcement and service.

IN FOCUS: Treasury Assists States in Collecting Delinquent Debts

In July 2014, the Bureau of the Fiscal Service (Fiscal Service) released its FY 2013 Annual Report to the States on the Treasury Offset Program's (TOP) Delinquent Debt Collection. The report details each state's success in collecting delinquent debts through a unique partnership with the federal gov State Reciprocal Program.

Debts successfully recovered through TOP include delinquent child support and state income tax obligations, unemployment insurance compensation fraud debts, and more.

"The Fiscal Service is proud of the work we have done in collecting more than $3.0 billion in delinquent debts for the states in FY 2013, including $1.9 billion of delinquent child support," said Fiscal Service Commissioner Sheryl Morrow. "The simple premise of the offset program is that Treasury should not pay those individuals or businesses that have failed to meet their government obligations without first applying that money to the delinquent obligation."

After consulting with OMB on performance in this area, Treasury determined that "noteworthy progress" was made toward achieving Objective 3.2, "Improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. government," due to achievements in converting to electronic transactions. However, Treasury's future efforts face "significant challenges" due to the difficulty in making further gains toward the objective.

WHAT'S NEXT?

In the face of continued resource limitations and increasing requirements, including the implementation of new legislative requirements, Treasury plans to pursue the following in FY 2015:

- Implement the Digital Accountability and Transparency Act (DATA) and improve IRS level of service to taxpayers, which will require Congress to approve increase funding to the IRS and Fiscal Service
- Gain approval of legislative proposals to improve debt collection and reduce Earned Income Tax Credit errors
- Build stronger relationships with the tax community and government partners to increase voluntary tax reporting and payment compliance

TABLE 3: SUMMARY OF GOAL THREE PERFORMANCE

Strategic Objective		Key Areas of Progress (♦) and Challenges (≈)
3.1 Improve the efficiency and transparency of federal financial management and government-wide accounting	♦	Improvements made to the reliability of the Financial Report of the U.S. Government include making progress in establishing the General Fund as a reporting entity and meeting with 35 agencies to create Agency Scorecards to facilitate review of agency performance in financial reporting
	♦	Treasury will receive its 15th clean audit opinion on the Agency Financial Report (AFR) and the Schedules of Federal Debt in FY 2014 and continues to report accurately on the Monthly and Daily Treasury Statements
	♦	Since Treasury assumed program responsibility for USAspending.gov in February 2014, Treasury began usability improvements to the website and plans to launch an improved site in March 2015
	≈	Encourage innovation from federal agencies and stakeholders to make data more accessible and easier to use, through implementation of the DATA Act
3.2 Improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. government	♦	Implementation of the Paperless Treasury Initiative resulted in the percentage of electronic payments increasing from 77 percent in FY 2006 to 94 percent in FY 2014
	♦	Completion of the Collections and Cash Management Modernization initiative resulted in an increase in the percentage of revenue collected (settled) electronically from 79 percent in FY 2006 to 98 percent in FY 2014
	♦	Treasury created a centralized portal and data analytics service, which provides payment verification information for Federal executive branch agencies to help reduce improper payments
	≈	Further progress in increasing electronic payments will necessitate changing taxpayers' behavior to achieve voluntary compliance because current law does not mandate electronic payments for tax refunds, including prepaid cards currently used for benefit payments to those without bank accounts
	≈	Legislation is needed to allow for more debt collection tools as well as additional data sources for the Do Not Pay program to reduce improper payments
3.3 Pursue tax reform, implement the Patient Protection and Affordable Care Act (ACA) and Foreign Account Tax Compliance Act (FATCA), and improve the execution of the tax code	♦	Issued a notice that takes targeted action to reduce the benefits of corporate tax inversions
	♦	Treasury implemented tax-related provisions of both the ACA and FATCA, including publishing major regulatory guidance, and completing 57 FATCA agreements in substance and signing 35 FATCA agreements in FY 2014
	♦	In FY 2014, the IRS suspended or rejected 5.0 million suspicious tax returns and stopped or prevented 1.8 million returns worth more than $10.0 billion to combat identity theft
	♦	The Office of Tax Policy continued providing support for the ongoing efforts to achieve tax reform
	♦	TTB successfully pursued criminal convictions for the illicit trade of alcohol and tobacco products, with millions in tax liabilities identified
	♦	TTB made advancements in tobacco science to support its pursuit of regulatory remedies to address enforcement challenges related to tax rate differentials on certain tobacco products
	≈	The evolving scope and increasing complexity of international tax administration presents an increasing implementation challenge, especially when faced with continued reductions in resources, limited time to make changes, and the need to collaborate with domestic and international partners to enforce the law
	≈	Treasury anticipates future growth in IRS call volumes and walk-in site visits
	≈	Diversion schemes used to evade excise taxes on alcohol and tobacco products continue to grow and evolve, depriving governments and legitimate businesses of revenue
	≈	The constrained budget environment of recent years has major implications for service to taxpayers, enforcement of the tax laws, and the overall administration of the tax system

KEY: ♦ indicates an area of progress; ≈ indicates an area of challenge

GOAL 4: SAFEGUARD THE FINANCIAL SYSTEM AND USE FINANCIAL MEASURES TO COUNTER NATIONAL SECURITY THREATS

Treasury works to protect the integrity of the financial system and advance key national security and foreign policy objectives through: outreach, coordination, and collaboration with public and private sector partners; regulation, enforcement, financial intelligence analysis; and targeted financial activities and measures. The Department looks for opportunities to aid the President's financial stability and foreign policy agenda and develop creative alternatives to intervention, or, in the case of the latter, military action where possible – including identifying, monitoring, and targeting key issues, economic and financial trends, and national security threats in order to avoid key disruptions to economic or national security.

Treasury also works with industry and government partners to foster the resilience of the financial sector's critical infrastructure. As the Sector Specific Agency for Financial Services, defined under Presidential Policy Directive 21, "Critical Infrastructure Security and Resilience," Treasury participates in interagency and cross sector initiatives and plays a key coordinating role in managing responses to disruptive events. While Treasury's sector-specific responsibilities include all hazards, whether natural or manmade, in recent years, the Department has increasingly focused on promoting improvements in cybersecurity across the financial sector.

After consulting with OMB on performance in this area, Treasury determined that Objective 4.2, "Develop, implement, and enforce sanctions and other targeted financial measures," made "noteworthy progress" due to precedent-setting work being done with targeted financial measures other than sanctions and to TFI's response to rapidly increasing demands for the use of these tools. See "Table 4: Summary of Goal Four Performance" for key highlights of progress and challenges.

IN FOCUS: Focusing Enforcement Efforts on High-Priority Threats

Treasury, through the Office of Terrorism and Financial Intelligence (TFI), is responsible for safeguarding the financial system from abuse by illicit actors. FinCEN, a bureau reporting to the undersecretary of TFI, has an area of responsibility that constitutes tens of thousands of financial institutions in the United States and abroad. It is essential to take a risk-based, intelligence-driven approach to enforcement. Consequently, one of Treasury's FY 2014-2015 Agency Priority Goals (APG) is to *employ a proactive, intelligence-driven approach to focus enforcement efforts against high priority threats.*

Since the inception of this APG, FinCEN, among other achievements, developed a number of new advanced analytics algorithms, implemented a series of business rules to assist in the identification of financial activity related to terror finance and child-related crimes, and, as a result of improved processes and prioritizing strategies, FinCEN provided 370 intelligence products related to national security priorities in FY 2014.

See www.performance.gov for additional information on this APG.

WHAT'S NEXT?

Treasury will focus on keeping pace with the rapid evolution of the financial industry and the threat landscape, including the proliferation of virtual currencies. Specifically, Treasury plans to pursue the following actions to sustain or improve progress:

- Continue support of the administration's national security and foreign policy goals through the development and implementation of both traditional and non-traditional sanctions regimes
- Continue rule-making for long-term anti-money laundering and counter terrorist financing priorities
- Gain congressional support for Treasury's cybersecurity budget proposal to strengthen Treasury run systems
- Continue ongoing information sharing, incident management, and resilience activities with public and private sector partners on critical infrastructure and cybersecurity issues

TABLE 4: SUMMARY OF GOAL FOUR PERFORMANCE

Strategic Objective		Key Areas of Progress (♦) and Challenges (≈)
4.1 Identify priority threats to the financial system using intelligence analysis and outreach to the financial sector	♦	Treasury intelligence resources pivoted swiftly to support the U.S. response to the Islamic State of Islam and Levant (ISIL) and the Ukraine crisis while remaining focused on sustained priorities
	♦	Hosted a sanctions outreach and educational symposium that drew approximately 500 attendees
	≈	Sharing and properly using intelligence within the community, and with foreign partners and the financial sector, is an ongoing challenge due to differences in process and increasing workload
	≈	The virtual currency world is rapidly changing, requiring Treasury to respond and adapt quickly
4.2 Develop, implement, and enforce sanctions and other targeted financial measures	♦	Treasury actively managed financial sanctions programs and tools, including by taking individuals and entities off lists due to changed behavior and adding key individuals and entities to help achieve specific missions and broader national security goals
	♦	Forfeiture funds significantly contributed to law enforcement agencies, including in high priority third party money laundering cases by the Department of Homeland Security, the IRS, and FinCEN
	♦	As the U.S. Government worked with P5+1partners to address Iran's nuclear program, Treasury has provided targeted, reversible sanctions relief, while vigorously enforcing existing sanctions
	♦	Treasury developed new sanctions instruments (including the Sectoral Sanctions Identifications and Foreign Sanctions Evaders lists) to meet increasingly nuanced requirements for targeted sanctions
	♦	Treasury issued a great deal of new guidance to aid in complying with complex Ukraine sanctions
	≈	The use of sanctions and other targeted financial measures has expanded greatly in the last two fiscal years, which has strained available resources
4.3 Improve the cybersecurity of our nation's financial sector	♦	OCC created a new Senior Infrastructure Officer position who will focus on cybersecurity policy for the federal banking system
	♦	Treasury stood up and expanded the Cyber Intelligence Group to improve the distribution of timely actionable information to the private sector and bolster communication channels and relationships
	≈	Enhancing collaboration with law enforcement and intelligence community partners in developing and disseminating threat and vulnerability trend analyses targeted for financial sector recipients
	≈	Coordinating efforts with the private sector and governmental entities to improve awareness and utility of tools and practices, such as the NIST Cybersecurity Framework, for enhancing the level of cybersecurity resilience in support of financial stability across the financial sector, including dissemination of information suited to smaller local entities and the service providers upon which they depend
4.4 Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards	♦	Treasury enhanced bilateral efforts to combat money laundering and financing of terrorism, including by completing the first ever Memorandum of Understanding between the U.S. and Mexico to share supervisory information on money laundering and terrorism financing
	♦	Treasury and FinCEN issued a proposed rule to enhance financial transparency, by strengthening customer due diligence obligations of financial institutions to help prevent the use of anonymous companies to engage in or launder the proceeds of illegal activity in the U.S. financial sector
	♦	Treasury secured civil penalty assessments working with federal partners against certain institutions (HSBC, JP Morgan, etc.) on Bank Secrecy Act (BSA) and money laundering violations
	♦	FinCEN promulgated rules and improved information sharing efforts to help clarify and strengthen standards, including completing the four-year BSA IT modernization investment, which earned the Government Computer News Award and was completed on time and within budget
	♦	OCC incorporated BSA and anti-money laundering standards into how they evaluate national banks and federal savings associations
	♦	FinCEN issued a Geographic Targeting Order (GTO) requiring enhanced reporting by common currency carriers crossing parts of the Southwest Border, which will help law enforcement efforts
	≈	The rapid evolution of the industry (including the proliferation of virtual currencies) will challenge Treasury's ability to stay ahead of the change and respond appropriately

KEY: ♦ indicates an area of progress; ≈ indicates an area of challenge

GOAL 5: CREATE A 21ST-CENTURY APPROACH TO GOVERNMENT BY IMPROVING EFFICIENCY, EFFECTIVENESS, AND CUSTOMER INTERACTION

Treasury's future success, both immediate and long term, depends on sustaining and developing the resources required to achieve the Department's mission. These critical resources include finances, physical assets, technology, and, most importantly, people. In the FY 2014-2017 strategic plan, Treasury committed to capitalizing on 21st century advances in knowledge, methods, and technology to manage resources as effectively and efficiently as possible, creating the best value for all constituents.

During FY 2014, Treasury made progress toward all of its management-focused strategic objectives. As indicated in "Table 5: Summary of Goal Five Performance," Treasury established a new workforce planning effort, a Data Steward Group to improve data quality, and designated Federal Financial Management Shared Service Providers, which will help improve the government's efficiency. Additionally, pursuant to OMB guidance to reduce real property costs, Treasury has made progress in implementing a three-year real estate plan for FY 2013 - FY 2015 that identifies tangible actions to freeze or reduce Treasury's space footprint, including the following strategies:

- Better use of real property by undertaking space alignment efforts including optimization or consolidation of existing space;
- Increase telework, hoteling, and work space sharing; and
- Maximize utilization through improved work station standards.

FY 2012 Baseline Sq. Ft.	FY 2014 Est'd Sq. Ft.	Change from FY 2012
29,992,024	28,296,288	-1,695,736

IN FOCUS: Increasing Self-Service Options for Taxpayers

Treasury's second APG, *increasing self-service options for taxpayers*, aims to increase taxpayer satisfaction by delivering high-quality, timely, innovative, and consistent customer service to better address taxpayer needs, reduce burden, and encourage voluntary compliance. Using analytics and a user-centric approach, the IRS will develop online options as part of its multi-channel service model.

Since the beginning of FY 2014, the IRS has launched several online interactive tools, including the following:

- **IRS Direct Pay**: Provides a low-friction electronic payment option to enable taxpayers to make payments from their bank account without any fees in a single session.
- **e-Authentication, Release 2**: Provides taxpayers a user-friendly way to securely access and use IRS online tools and applications.
- **IRS2Go Mobile Application, Release 4**: Enables taxpayer self-service access to IRS information and services anywhere, anytime, and on any device.

See www.performance.gov for additional information on this APG.

WHAT'S NEXT?

While Treasury continues to make strides in creating a 21st century approach to government, challenges remain in standardizing data definitions and ensuring high-quality data as well as in sustaining resources focused on building a culture of performance improvement and service. These initiatives take time and Treasury remains committed to fostering an environment where leaders and employees feel encouraged to focus on these important principles of good government. Specifically, Treasury plans to pursue the following actions to sustain or improve progress in FY 2015:

- Finalize plans for a Treasury Senior Executive Service Candidate Development Program
- Adapt Treasury's QPR process to meet new leadership needs and integrate the SOAR process
- Identify procurement areas in which success is likely to generate large savings on a Department-wide scale

TABLE 5: SUMMARY OF GOAL FIVE PERFORMANCE

Strategic Objective		Key Areas of Progress (♦) and Challenges (≈)
5.1 Increase workforce engagement, performance, and diversity by instilling excellence, innovation, and inclusion in Treasury's organizational culture and business practices	♦	Treasury implemented an annual Federal Employee Viewpoint Survey (FEVS) analysis, planning, and execution cycle to use the data to improve workforce engagement
	♦	Treasury established a new workforce planning effort, adopting a model to allow bureaus to analyze future workforce requirements and align them to projected mission needs
	♦	A Diversity and Inclusion Executive Steering Committee was developed and a Diversity Plan established, with active participation by bureaus on the committee and in developing specific implementation plans
	♦	Treasury exceeded the Small Business Administration's small business contracting goals for four consecutive years (FY 2011-2014)
	≈	Treasury has a large number of retirement-eligible employees in key leadership positions, which increases the importance of hiring, training, and retaining emerging leaders
5.2 Support effective data-driven decision-making and encourage transparency through intelligent gathering, analysis, sharing, use, and dissemination of information	♦	Treasury established a Data Steward Group to validate and document the rules that drive data quality and delivery
	♦	Treasury published machine-readable public data listings that developers can leverage to find and use datasets and create new services for the American public
	♦	Treasury improved the speed of Freedom of Information Act (FOIA) request processing and closed ten of its oldest FOIA requests in FY 2014
	♦	Treasury put into place crisis response protocols based on rapidly notifying, collecting, synthesizing, and sharing critical information necessary for senior leadership decision-making during emergencies
	≈	Common definitions and data standards are difficult to establish and monitor; information quality and consistency are difficult to improve across organizational boundaries and within disparate systems within an organization
5.3 Promote efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability	♦	Treasury worked with OMB to successfully designate four Federal Financial Management Shared Service Providers, which will help promote the use of shared services government-wide
	♦	Treasury's use of GSA's strategic sourcing vehicle for domestic delivery services contracts resulted in a discount savings of 27.9 percent over other contracts ($6.3 million)
	≈	Data sharing and consistent data analysis is challenging due to multiple contract management systems
	≈	Sustaining the resources to build a performance improvement culture is challenging in an environment of increasing reporting requirements and mission needs
5.4 Create a culture of service through the relentless pursuit of customer value	♦	Several bureaus and offices, including FinCEN, Fiscal Service, Mint, Management, IRS, and TFI, have implemented and are using customer satisfaction surveys to improve program performance and determine priorities
	♦	The IRS and Management have provided internal training and raised employee awareness of customer service best practices
	♦	Leadership in the pursuit of customer value increased in several places, including TTB's proactive efforts to improve online guidance and electronic filing options and Economic Policy's efforts to develop popular forecasting models to share with federal partners
	≈	Providing the quality of service expected by customers is challenging in an environment with constrained resources and increasing demand for services
	≈	Late enactment of tax legislation results in a very limited time to prepare adequately for filing season, which impacts the level of service that can be provided

KEY: ♦ indicates an area of progress; ≈ indicates an area of challenge

MANAGEMENT PRIORITIES AND CHALLENGES

Annually, in accordance with the Reports Consolidation Act of 2000, OIG and TIGTA identify the most significant management and performance challenges facing the Department. These challenges do not necessarily indicate deficiencies in performance; rather, some represent inherent risks that require continuous monitoring. Treasury made progress on these issues in fiscal year 2014, and will continue to focus on resolving them during fiscal year 2015 and beyond. However, during fiscal year 2015, the OIG elevated "*Cybersecurity*" from a "Matter of Concern" to a "Management Challenge" as "*Cyber Threats*" and added *"Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments,"* as a new challenge. Refer to Section C of Part 3, Other Information, for a detailed discussion of these challenges, listed below.

Note: SIGTARP does not provide the Secretary with an annual report on management and performance challenges. SIGTARP, as a special inspector general provides oversight of the Troubled Asset Relief Program, a program that spans several federal agencies, while the OIG and TIGTA provide oversight of the Department and IRS, respectively, and report on its management and performance challenges.

TREASURY-WIDE MANAGEMENT CHALLENGES – AS IDENTIFIED BY OIG

- Cyber Threats
- Continued Implementation of Dodd-Frank
- Management of Treasury's Authorities Intended to Support and Improve the Economy
- Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement
- Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments
- Gulf Coast Restoration Trust Fund Administration

IRS MANAGEMENT CHALLENGES – AS IDENTIFIED BY TIGTA

- Security for Taxpayer Data and IRS Employees
- Implementing the Affordable Care Act and Other Tax Law Changes
- Tax Compliance Initiatives
- Fraudulent Claims and Improper Payments
- Achieving Program Efficiencies and Cost Savings
- Modernization
- Providing Quality Taxpayer Service Operations
- Globalization
- Taxpayer Protection and Rights
- Human Capital

A summary of the planned corrective actions can be found in the FY 2014 Agency Financial Report; the FY 2016 Budget supports implementation of the identified actions.

Internal Revenue Service

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 1
1A – Mission Statement 1
1.1– Appropriation Detail Table by Appropriation and Budget Activity 1
1B - Vision, Priorities, and Context 1
Section 2 – Budget Adjustments and Appropriations Language 18
2.1 – Budget Adjustments Table 19
2A – Budget Increases and Decreases Description 20
Maintaining Current Levels (MCLs) 20
Efficiencies and Savings 20
Increase e-File Savings 20
HCTC Program Termination 21
Reinvestment 21
Expand Telecom Infrastructure to Handle Increased Demand 21
Before Cap Adjustment Program Increases 22
Improve Taxpayer Services 22
Leverage New Technologies to Advance the IRS Mission 29
Implement Information Technology (IT) Changes to Deliver Tax Credits and Other Requirements 37
Improve Upfront Identification and Resolution of Identity Theft Returns 40
Implement FATCA 42
Sustain Critical Information Technology (IT) Infrastructure 45
Address Impact of ACA Statutory Requirements 48
Enhance Service Options for Taxpayers 52
Restore Staffing for Essential Support Programs 54
Increase Service for Low-Income Taxpayers and Taxpayers in Need of Hardship Relief 56
Implement Merchant Card and Basis Matching 58
Cap Adjustment Program Increases 61
Prevent Identity Theft and Refund Fraud 61
Increase Audit Coverage 68
Improve Audit Coverage of Large Partnerships 75
Address International and Offshore Compliance Issues 78
Enhance Collection Coverage 83
Leverage Data to Improve Case Selection 88
Address Compliance Risks in the Tax-Exempt Sector 92
Pursue Employment Tax and Abusive Tax Schemes 96
Enhance Investigations of Transnational Organized Crime (TOC) 99
Ensure Ethical Standards of Conduct for Practitioners 101
Consolidate and Modernize IRS Facilities 103
Maintain Integrity of Revenue Financial Systems 104
Implement Agency Wide Shared Services Priorities 105
Implement Federal Investigative Standards 106
Transfer to TTB for High-Return on Investment (ROI) Tax Enforcement Activities 107
2.2 – Operating Levels Table 108
2B – Appropriation Language and Explanation of Changes 109
2C – Legislative Proposals 113
2D – Legislative Tax Proposals 113
2E – Strategic Objective Annual Review (SOAR) 116

2F – IRS Use of Evidence and Evaluation 117
Section 3 – Budget and Performance Plan 119
Taxpayer Services 119
2.1 – Budget Adjustments Table 119
2.2 – Operating Levels Table 120
2.3 – Appropriation Detail Table 121
3A – Pre-Filing Taxpayer Assistance and Education 121
3.1.1 – Budget and Performance Report and Plan 122
3B – Filing and Account Services 123
3.1.2 – Budget and Performance Report and Plan 125
Enforcement 126
2.1 – Budget Adjustments Table 127
2.2 – Operating Levels Table 128
2.3 – Appropriation Detail Table 129
3C – Investigations 129
3.1.3 – Budget and Performance Report and Plan 131
3D – Exam and Collections 132
3.1.4 – Budget and Performance Report and Plan 137
3E – Regulatory 138
3.1.5 – Budget and Performance Report and Plan 139
Operations Support 140
2.1 – Budget Adjustments Table 141
2.2 – Operating Levels Table 142
2.3 – Appropriation Detail Table 143
3F – Infrastructure 143
3.1.6 – Budget and Performance Report and Plan 144
3G – Shared Services and Support 144
3.1.7 – Budget and Performance Report and Plan 148
3H – Information Services 148
3.1.8 – Budget and Performance Report and Plan 151
Business Systems Modernization 152
2.1 – Budget Adjustments Table 152
2.2 – Operating Levels Table 153
2.3 – Appropriation Detail Table 154
3I – Business Systems Modernization 154
3.1.9 – Budget and Performance Report and Plan 157
Section 4 – Supplemental Information 158
4.1 – Summary of Capital Investments 158
4A – Capital Investment Strategy 160
4B – IRS Aging Legacy Information Technology (IT) Infrastructure (non-BSM) Proposed Long-term Multiyear Funding Strategy and Timetable 189
4.2 - Return on Investment (ROI) for IRS Major Enforcement Programs 191
4.3 – IRS Performance Measure Table 193
4.4 – Alignment of the FY 2016 Initiatives to the IRS Strategic Goals 195
4.5 – Summary of IRS FY 2016 ACA Budget Request 196
4.6 – Summary of IRS FY 2016 Budget Request 197
4.7 – Summary of IRS FY 2016 Program Integrity Cap Adjustment 198

Internal Revenue Service

Section 1 – Purpose

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 – Appropriation Detail Table by Appropriation and Budget Activity

Dollars in Thousands

Internal Revenue Service Resources	FY 2014 Actuals		FY 2015 Enacted		FY 2016 Request		Change FY 2015 to FY 2016 Request		% Change FY 2015 to FY 2016 Request	
New Appropriated Resources:	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Taxpayer Services	**28,535**	**$2,145,195**	**28,274**	**$2,156,554**	**31,285**	**$2,408,803**	**3,011**	**$252,249**	**10.65%**	**11.70%**
Pre-Filing Taxpayer Assistance and Education	5,219	595,168	5,373	626,510	5,813	682,753	440	56,243	8.19%	8.98%
Filing and Account Services	23,316	1,550,027	22,901	1,530,044	25,472	1,726,050	2,571	196,006	11.23%	12.81%
Enforcement	**42,119**	**$4,914,497**	**40,564**	**$4,860,000**	**44,800**	**$5,399,832**	**4,236**	**$539,832**	**10.44%**	**11.11%**
Investigations	3,581	601,740	3,425	602,298	3,931	713,282	506	110,984	14.77%	18.43%
Exam and Collections	37,409	4,154,342	36,104	4,104,453	39,692	4,513,376	3,588	408,923	9.94%	9.96%
Regulatory	1,129	158,415	1,035	153,249	1,177	173,174	142	19,925	13.72%	13.00%
Operations Support	**11,652**	**$3,722,599**	**12,043**	**$3,638,446**	**13,863**	**$4,743,258**	**1,820**	**$1,104,812**	**15.11%**	**30.36%**
Infrastructure		845,558		829,389		973,521		144,132		17.38%
Shared Services and Support	5,097	1,127,931	5,209	1,143,864	5,553	1,274,194	344	130,330	6.60%	11.39%
Information Services	6,555	1,749,110	6,834	1,665,193	8,310	2,495,543	1,476	830,350	21.60%	49.87%
Business Systems Modernization	**337**	**$145,235**	**398**	**$290,000**	**576**	**$379,178**	**178**	**$89,178**	**44.72%**	**30.75%**
Subtotal New Appropriated Resources	**82,643**	**$10,927,526**	**81,279**	**$10,945,000**	**90,524**	**$12,931,071**	**9,245**	**$1,986,071**	**11.37%**	**18.15%**
Other Resources:										
Reimbursables	619	97,840	730	119,000	768	127,000	38	8,000	5.21%	6.72%
Offsetting Collections - Non Reimbursables		31,073		33,100		33,075		(25)		-0.08%
User Fees[1]	1,151	419,145	191	462,360	191	450,360		(12,000)		-2.60%
Recovery from Prior Years		3,297								
Unobligated Balances from Prior Years[1]	339	241,022		408,926		385,763		(23,163)		-5.66%
Transfers In/Out[2]		17		7,561		(5,000)		(12,561)		-166.13%
Resources from Other Accounts	9		3		3					
Subtotal Other Resources	**2,118**	**$792,394**	**924**	**$1,030,947**	**962**	**$991,198**	**38**	**($39,749)**	**4.11%**	**-3.86%**
Total Budgetary Resources	**84,761**	**$11,719,920**	**82,203**	**$11,975,947**	**91,486**	**$13,922,269**	**9,283**	**$1,946,322**	**11.29%**	**16.25%**

[1] FTE funded by User Fees and Unobligated Balances from Prior Years are included in the direct civilian full-time equivalent employment line of the President's Appendix.

[2] Resources from Transfers In/Out include FY 2014 transfers between IRS and the Office of National Drug Control Policy (ONDCP) High Intensity Drug Trafficking Area (HIDTA) Program (net transfer $17K), FY 2015 transfers between IRS and Spectrum (net transfer $7.6M), and an FY 2016 transfer out to the Alcohol and Tobacco Tax and Trade Bureau (TTB) ($5M).

1B - Vision, Priorities, and Context

The IRS is one of the best investments in the federal government. Resources invested in the IRS lead to significant revenue increases for the nation. This unique role is vital to keep the nation's economy strong and the federal government functioning. The IRS provides a broad range of benefits to the American people. Its dedicated staff supports the nation's tax administration system by providing taxpayer service to help people understand and meet their tax responsibilities while ensuring enforcement of the tax laws.

The IRS is committed to performing its core responsibilities on behalf of the American taxpayers and to preserving the essential fairness and integrity of the nation's tax system. The IRS will fund infrastructure and technology improvements, invest in its workforce, and realize operational efficiencies through improved and streamlined internal processes. Major policy, legislative, economic, socio-demographic and technological challenges impact the way in which the IRS operates, but the organization is committed to meeting its responsibilities while continuing to embrace these challenges and the opportunities they provide to improve the taxpayer experience and effectively enforce the tax law.

There is no more critical challenge at the IRS than that of delivering a smooth filing season for the millions of American taxpayers. IRS employees, including temporary and seasonal

staff, deliver an effective and timely filing season to reduce taxpayer burden and encourage voluntary compliance with the tax laws. This tremendous accomplishment is achieved each year as a result of the dedication, talent, and experience of IRS employees. While the IRS continues to respond to new requirements and rapid changes, many of the organization's innovative and far-reaching programs face the risk of delay or cancellation without adequate funding.

Over the last several years, the IRS has experienced significant budget reductions that are creating serious obstacles to the ability to fulfill its mission. Fortunately, the IRS has been able to execute a successful filing season, despite these cuts, but this success is often at the expense of other important but less visible activities. Any deterioration in taxpayer services and enforcement creates long-term risk for the U.S. tax system, which is based on voluntary compliance. A one percent drop in the voluntary compliance rate is estimated to cost the government $30 billion a year.

The IRS continues to focus on strengthening the public's confidence with our effective administration of the nation's tax system. The IRS has been engaged in a methodical, thorough, and persistent effort to identify, design, and implement management reforms that will benefit IRS programs and operations. The IRS mission is complemented by a vision for the IRS that describes the longer-term outcomes that it seeks to achieve by fulfilling the IRS mission.

IRS Vision

We will uphold the integrity of our nation's tax system and preserve the public trust through our talented workforce, innovative technology, and collaborative partnerships.

The IRS touches virtually every American and generates 93 percent of the funding that supports the government's operations. For more than a century, the IRS has helped fund national priorities ranging from education to defense, but never before has tax administration required such a wide set of skills and technological capabilities. The IRS must keep pace with evolving business models and an expanding global economy, and must stay ahead of schemes to defraud the government and the American taxpayers, all while providing new, secure digital options that the population of taxpayers expects in order to help them meet their tax obligations.

Efforts are underway to provide taxpayers with more interactive tools and online tax information on IRS.gov, as well as to provide more resources for those looking for forms, publications, and answers to basic questions on the web. Enhanced web applications will improve taxpayers' online experience, provide secure digital communications, and add more interactive capabilities to existing web self-service products. These innovations will help the IRS better manage its limited resources by moving millions of people from phones onto the web, while giving them the ability to confidently take care of their tax obligations quickly and securely. Although taxpayer use of online channels is increasing, millions of people still prefer to interact with the IRS by phone, mail, or by visiting IRS walk-in sites, so investments

must be made to preserve and bolster these modes of communication. Online services will allow for more immediate identification of tax return anomalies so that taxpayers can correct them without prolonged follow-up contact or burdensome audits.

IRS Strategic Plan 2014–2017

The *IRS Strategic Plan fiscal year (FY) 2014–2017* guides program and budget decisions and supports the Department of the Treasury (Treasury) *FY 2014 to 2017 Strategic Plan* and the Agency Priority Goal of "increasing self-service options for taxpayers".

The *IRS Strategic Plan FY 2014–2017* recognizes the evolving scope and increasing complexity of tax administration, the expanding global tax environment and changing business models, the increasing prevalence of refund fraud and identity theft, the need to meet taxpayer expectations to digitally interact in a secure manner, the growing use of tax preparation assistance, the need to sustain a skilled and talented workforce, and the needs of an increasingly diverse U.S. population.

The IRS strategic goals provide a central direction for the attainment of its mission and vision. Its strategic foundation for organizational excellence supplements the strategic goals and describes the internal initiatives required to support taxpayer-facing actions.

IRS Strategic Goals

Deliver high quality and timely service to reduce taxpayer burden and encourage voluntary compliance.

Effectively enforce the law to ensure compliance with tax responsibilities and combat fraud.

IRS Strategic Foundation

Invest in our workforce and the foundational capabilities necessary to achieve our mission and deliver high performance for taxpayers and stakeholders.

Each strategic goal is outcome-based and supported by several objectives. The strategic objectives to deliver high quality and timely service to reduce taxpayer burden and encourage voluntary compliance are:

- Design tailored service approaches with a focus on digital customer service to meet taxpayer needs, preferences, and compliance behaviors in order to facilitate voluntary compliance;
- Deliver clear and focused outreach, communications, and education programs to assist taxpayer understanding of tax responsibilities and awareness of emerging tax laws;
- Provide timely assistance through a seamless, multichannel service environment to encourage taxpayers to meet their tax obligations and accurately resolve their issues;

- Strengthen refund fraud prevention and provide prompt assistance to support victims of identity theft;
- Reduce taxpayer burden and increase return accuracy at filing through timely and efficient tax administration processing;
- Improve service delivery and support effective tax administration by fostering strong relationships with our tax community and government partners; and
- Enhance the quality of tax services by strengthening the outreach, education, and tools provided to the tax professional community.

The strategic objectives to effectively enforce the law to ensure compliance with tax responsibilities and combat fraud are:

- Enforce domestic and international compliance by strengthening expertise, adopting innovative approaches, and streamlining procedures;
- Deter and promptly resolve noncompliance by protecting revenue from refund fraud and ensuring appropriate revenue collection;
- Build and maintain public trust by anticipating and addressing the tax-exempt sector's need for a clear understanding of its tax law responsibilities;
- Identify trends, detect high-risk areas of noncompliance, and prioritize enforcement approaches by applying research and advanced analytics;
- Address noncompliance by improving data, information, and knowledge sharing with tax community and government partners; and
- Improve compliance and reduce the risk of fraud through strong partnerships with the tax professional community.

The IRS strategic foundation consists of the following objectives:

- Be the best place to work in government by building a highly talented, diverse workforce and cultivating an inclusive and collaborative environment;
- Ensure a secure environment that protects the safety of our people and security of our facilities;
- Implement and maintain a robust enterprise risk management program that identifies emerging risks and mitigates them before they impact performance;
- Realize operational efficiencies and effectively manage costs by improving enterprise-wide resource allocation and streamlining processes;
- Invest in innovative, secure technology needed to protect taxpayer data and support taxpayer, partner, and IRS business needs; and
- Implement enterprise-wide analytics and research capabilities to make timely, informed decisions.

Treasury Strategic and Agency Priority Goals

The IRS FY 2016 Budget Request supports the following Department of the Treasury Strategic and Agency Priority Goals:

- ***Treasury Strategic Goal*:** Fairly and effectively reform and modernize federal financial management, accounting, and tax systems.
- ***Objective*:** Pursue tax reform, implement the Patient Protection and Affordable Care Act (ACA, Public Law 111-148) and Foreign Account Tax Compliance Act (FATCA, Public Law 111-147), and improve the execution of the tax code.
- ***Agency Priority Goal: Increasing Self-Service Options for Taxpayers:*** Introduce self-service and electronic-service taxpayer options to enable taxpayers to securely authenticate, view and print tax records online, pay outstanding debts, enter into installment agreements, establish a power of attorney, get tax law information, and easily access all parts of IRS.gov.

FY 2016 Priorities

The IRS collects the revenue to fund the government and administers the nation's tax laws. In FY 2014, the IRS processed 199 million tax returns and collected $3.1 trillion in taxes (gross receipts before tax refunds), 93 percent of federal government receipts. Through both taxpayer service and enforcement programs that protect the flow of revenue to the government, the IRS remains committed to making the tax law easier to access and understand and to improving voluntary compliance and reducing the tax gap, the difference between taxes owed and taxes paid on time. Taxpayer service supports taxpayers by helping them understand their obligations under the law, correctly file their returns, and pay taxes in a timely manner. It also protects the trillions of dollars in revenue that taxpayers pay voluntarily each year into the Treasury. Enforcement pursues those who evade or misrepresent their tax responsibility; the IRS collected $57.1 billion in enforcement revenue in FY 2014.

Without additional resources in FY 2016, millions of taxpayers will continue to see longer wait times on the phone to get basic questions answered and to resolve tax issues. The demand for taxpayer services is expected to increase in FY 2016 as the IRS continues to implement and administer tax-related provisions of major legislation, including the FATCA and the ACA. Without any increase in resources, this increased demand will further erode the IRS's ability to provide the level of services that the public has a right to expect. Without an increase, enforcement activities must be reduced. This will result in billions of dollars in potential enforcement revenue going uncollected.

The IRS FY 2016 Budget Request of $12.9 billion will provide the funding to meet the increased demand for taxpayer services and strengthen compliance by increasing the number of enforcement personnel in key areas, such as refund fraud and international tax compliance. The FY 2016 Budget includes a $667 million program integrity cap adjustment for new investments in expanding and improving the effectiveness and efficiency of the IRS's and TTB's overall tax enforcement program. The activities and new initiatives funded out of the cap adjustments through FY 2025 will generate $60 billion in additional revenue over 10

years and will cost $19 billion for an estimated net savings of $41 billion. The Budget also includes investments in high-priority programs affected by the staffing reductions to ensure that the IRS continues to deliver its vital mission.

In the Budget, the IRS seeks additional funding for:

- **Taxpayer Service** to improve telephone level of service (LOS); address increased customer service demand for ACA support; deliver enhanced service options to taxpayers; and increase service for low-income taxpayers and taxpayers in need of hardship relief;

- **Enforcement** to improve compliance through the implementation of FATCA, ACA, and Information Return Document Matching (IRDM) of merchant payment card and third party reimbursements and basis reporting; protect revenue by reducing the instances of refund fraud, including tax-related identity theft; restore eroding exam and collection enforcement programs; expand criminal investigation capabilities; and address compliance issues in the tax-exempt sector;

- **Infrastructure** to sustain critical IT infrastructure; address physical infrastructure projects related to health and safety concerns at IRS facilities; and maintain the integrity of revenue financial systems; and

- **Business Systems Modernization** to invest in new IT capabilities for the future, such as expanding online self-service applications on IRS.gov which improve the taxpayer experience. These include the Get Transcript tool which allows taxpayers instantaneous access to their tax records; IRS Direct Pay, which provides a secure, no-fee electronic option to make and schedule tax payments; and re-launch of IRS2Go, which provides access to *Where's My Refund?* and other popular online features from mobile devices. BSM will also be used to develop a shared platform for case management to improve capabilities across the IRS and for other investments.

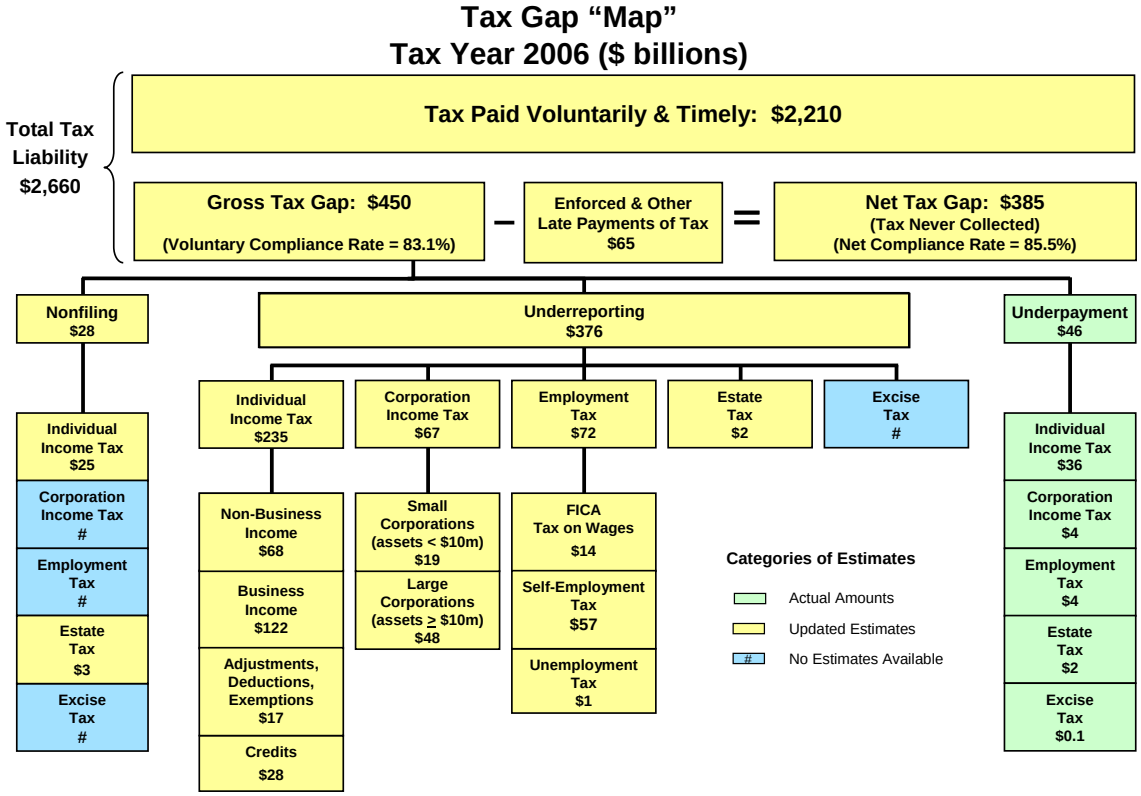
Reducing the Tax Gap

Investments in IRS enforcement programs have yielded significant increases in enforcement revenue. Enforcement revenue was $57.1 billion in FY 2014, for a total IRS-wide ROI of $5.1 to $1. The ROI estimate does not include the revenue effect of the indirect deterrence value of these investments and other IRS enforcement programs, which is conservatively estimated to be at least three times the direct revenue impact.

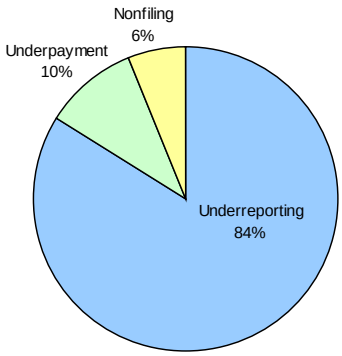
In FY 2012, the IRS released updated estimates of the difference between taxes owed and taxes paid on a timely basis—the "tax gap." The IRS estimated that taxpayers underpaid by $385 billion in 2006, net of late payments and IRS enforcement activities (see *Tax Gap Map for Tax Year 2006*). The voluntary compliance rate—the percentage of total tax revenue paid on time—for tax year 2006 was 83.1 percent. This rate is statistically unchanged from tax year 2001.

The three components of the tax gap are:

- **Underreporting** – Not reporting the full tax liability on a timely-filed return;
- **Nonfiling** – Not filing required returns on time; and
- **Underpayment** – Not timely paying the full amount of tax reported on a timely-filed return.



Underreporting tax liability ($376 billion) comprises 84 percent of the gross tax gap ($450 billion). The remainder is divided between nonfiling ($28 billion, 6 percent) and underpayment ($46 billion, 10 percent). The IRS remains committed to finding ways to increase compliance and reduce the tax gap, while minimizing the burden on the vast majority of taxpayers who pay their taxes accurately and on time.



Taxpayer Service and Enforcement Programs Complement Each Other

The IRS serves individuals, businesses, and tax-exempt entities. The system of voluntary tax compliance is most effective when the IRS is able to provide excellent taxpayer service for

those who are trying to meet their obligations under the law and provide a robust and fair enforcement program for those who fail to comply with their responsibilities to their fellow citizens. Most taxpayers comply with the law by filing returns and paying their taxes on time, but some do not comply because they do not understand their obligations under the complex tax laws. Noncompliance can stem from a wide range of causes, including lack of knowledge and complexity of the tax code.

Taxpayer Service

Providing taxpayers top-quality service and helping them understand and meet their tax obligations remain top priorities for the IRS. The IRS strives to deliver high quality and timely service to taxpayers and stakeholders. Although the IRS had significant accomplishments serving taxpayers in FY 2014, budget constraints forced the IRS to focus on its top priorities and reduce funding in many areas.

The IRS process for programming and testing systems was delayed by a month in October 2013 due to the lapse in federal appropriations. Despite this delay and significant resource constraints, the IRS achieved the following results through September 2014:

- Posted 137.9 million individual returns and issued more than 114.8 million refunds totaling $315.6 billion;
- Achieved a 64.4 percent LOS, although average wait times increased to almost 20 minutes;
- Answered 23.1 million assistor calls;
- Achieved accuracy rates of 95.0 percent for tax law questions and 96.2 percent for account questions received via the telephone; and
- Direct deposited more than $244.8 billion in refunds.

The number of individual and business returns filed electronically (e-file) continues to grow. Quicker refunds and a more efficient way for taxpayers to file accurate returns, coupled with innovative technology, such as home computer filing, contributed to the increase in e-file returns. FY 2014 results through September 30, 2014 included:

- Individual returns electronically filed increased to 84.1 percent of filings, an increase of 1.9 percent;
- Business returns filed electronically increased to 43.1 percent of filings, an increase of 7.2 percent;
- Home-computer filing increased to almost 48.0 million tax returns, an increase of 6.0 percent; and
- Tax professional use of e-file increased by 1.2 percent, to 77.8 million returns.

The IRS continued to enhance digital self-service options by increasing the amount of tax information and services available to taxpayers through IRS.gov and the mobile app, IRS2Go.

The IRS developed and launched new web and mobile tools allowing taxpayers and third parties to transact with the IRS, including:

- **Get Transcript** provides a current digital display and print of an individual's tax record across five transcript types using enterprise-wide authentication. Since the January 2014 launch, more than 18.6 million transcripts have been generated through this application, which represents more than 79 percent of all transcript requests during that time period.
- **IRS2Go** provides a "Where's my Refund" tracker and locator for voluntary tax assistance on a re-engineered mobile tool. The IRS2Go mobile application has been downloaded more than 5.4 million times since its release.
- **Direct Pay** is the first payment application in which an individual taxpayer can make a payment fully electronically without paying a fee. Payment scheduling and payment lookup features have been added. Direct Pay has collected $2.7 billion since its November 2013 launch.
- **e-Authentication** provides secure access to IRS online tools and applications. Since the January 2014 launch, more than 5.8 million knowledge-based authentications have occurred.
- **Payment Mix Comparison Tool** allows preparers, on behalf of the business taxpayer community, to compare the portion of gross receipts from credit/debit card receipts the business plans to report to results of similar businesses from prior years. This tool will encourage accurate reporting by payment recipients according to Form 1099-K, *Payment Card and Third Party Network Transactions,* and help close the tax gap.
- **Online Payment Agreement (OPA) improvements** provide the taxpayer the ability to submit an application for an installment agreement fully online. Since implementation, In-Business Trust Fund taxpayers (i.e. taxpayers that owe trust fund taxes and are still doing business) who owe $25,000 or less are now able to use the OPA webpage to enter into installment agreements with the IRS. Other enhancements included revisions to the design of the OPA webpage, making it easier for the online user to navigate the site and establish payment agreements.

The FY 2014 *Service Approach* identified in the IRS Strategic Plan allowed the IRS to reserve person-to-person service for those who had issues that only the IRS could resolve (e.g. assisting taxpayers who have received a notice). Savings from these initiatives were reinvested into improving service on the phones and at walk-in sites. It allowed the IRS to use the right mix of technology, employees, and IRS partners to best serve customers in the face of changing resources. Comprehensive engagement and communication efforts have helped employees and taxpayers migrate towards alternative self-service channels.

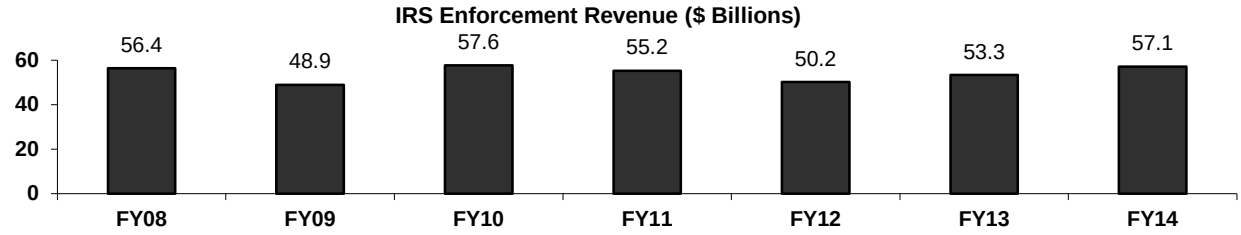
The IRS continues to improve and expand its outreach and educational services through partnerships with state taxing authorities, volunteer groups, and other organizations. Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites provided free tax assistance for the elderly, disabled, and limited English proficient individuals and families. More than 3.6 million tax returns were filed at VITA and TCE sites,

representing a 7.4 percent increase over last year. These returns maintained a 92.2 percent accuracy rate.

The Budget includes an additional $342.4 million to improve customer service to meet taxpayer demand and continue delivering services to taxpayers.

Enforcement

Enforcement of the tax law is an integral part of the IRS effort to enhance voluntary compliance, especially as tax administration becomes increasingly complex. The IRS has maintained a balanced and effective enforcement program despite many challenges, collecting more than $50 billion in enforcement revenue in FY 2014, the fifth year in a row. In FY 2014, the IRS collected more than $57.1 billion, a 7 percent increase from FY 2013 through the same period. It is important to note, however, that a variety of factors impact enforcement revenue collections, including changes in tax policy and the health of the macroeconomy. Thus, this trend should not be interpreted to suggest that budget cuts have not reduced IRS's enforcement capabilities. In fact, the individual examination coverage rate has steadily declined from 1.11 percent in FY 2010 to 0.86 percent in FY 2014. If IRS enforcement funding had remained at FY 2010 levels, FY 2014 collections would have been even higher than what was possible with current resources.



The continued budget constraints in FY 2014 have resulted in the delivery of key enforcement programs below FY 2013 levels. Through September 2014, total individual audits fell 11.5 percent to 1.2 million, while audits of high-income individuals declined 7.3 percent compared to 2013. Small business return audits dropped 2.6 percent, corporate audits fell 20.5 percent, while Tax Exempt and Government Entities (TE/GE) compliance contacts fell more than 17.4 percent.

The IRS Criminal Investigation (CI) program investigates potential criminal violations of the Internal Revenue Code and related financial crimes such as money laundering, currency violations, tax-related identity theft fraud, and terrorist financing that adversely affect tax administration. Highlights of IRS CI's Enforcement performance through FY 2014, compared to FY 2013 during the same period, include:

- Completing 4,606 criminal investigations, a decrease of 17.1 percent;
- Achieving a conviction rate of 93.4 percent, similar to FY 2013;

- Maintaining a Department of Justice acceptance rate of 93.1 percent with a U.S. Attorney acceptance rate of 90.5 percent, which compares favorably with other federal law enforcement agencies; and
- Obtaining 3,110 convictions, similar to last year.

The IRS made major changes to the offshore voluntary compliance programs, providing new options to help taxpayers residing overseas or in the United States who had unreported foreign financial accounts. The changes included:

- Eliminating a requirement that the taxpayer have $1,500 or less of unpaid tax per year.
- Eliminating the required risk questionnaire.
- Requiring the taxpayer to certify that previous failures to comply were due to non-willful conduct.

The IRS implemented several improvements to the Offshore Voluntary Disclosure Program (OVDP) by:

- Requiring additional information from taxpayers applying to the program.
- Eliminating the existing reduced penalty percentage for certain non-willful taxpayers in light of the expansion of the streamlined procedures.
- Requiring taxpayers to submit all account statements and pay the offshore penalty at the time of the OVDP application.
- Enabling taxpayers to submit voluminous records electronically rather than on paper.

The IRS streamlined the determination process for tax-exempt status applications. When an application cannot be completed on its initial merit, the applicant is directed to provide additional information and sign attestations guaranteeing truthfulness. The IRS also:

- Piloted a pre-classification process to improve the content of information request letters through the use of standardized questions for particular issues; and
- Created Form 1023-EZ, a simplified two-page version of the 26 page Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*.

As a result of these efforts, at the end of FY 2014, the IRS closed over 117,500 exempt organization determination , a 121 percent increase from FY 2013. In addition, the bureau reduced the open inventory of applications to 22,759 cases, a 65 percent decrease from the previous year.

The IRS made significant process changes to address concerns about applications for tax-exempt status (civic leagues, social welfare organizations, or local associations of employees) under Section 501(c)(4):

- Established a process documenting reasons why applications are selected for further review;

- Developed training and workshops identifying issue advocacy versus political campaign intervention and identifying applications for review of political campaign intervention activities;
- Established processing guidelines for applications involving potentially significant campaign intervention; and
- Created a formal process for IRS determinations personnel to request assistance from technical experts.

Implementation of the Foreign Account Tax Compliance Act (FATCA)

FATCA was enacted in March 2010 as part of the Hiring Incentives to Restore Employment (HIRE) Act (P.L. 111-147) to improve tax compliance for foreign accounts and cross-border transactions. The program represents an effort to reduce tax evasion by creating transparency and accountability in offshore financial transactions. The Act provides the IRS with a new tool to enforce international tax laws involving individual and business taxpayers, by requiring taxpayers and foreign financial institutions to disclose certain information regarding U.S. taxpayer accounts to avoid withholding on certain payments.

FATCA aims to ensure that offshore investment activities are properly captured for tax administration purposes by instituting reporting requirements for foreign financial institutions. Third party reporting will promote greater transparency into U.S. taxpayer accounts and enable increased identification of non-compliant taxpayers.

FY 2014 accomplishments include:

- Deployed the FATCA Foreign Financial Institutions (FFI) Registration System to the public;
- Established the concept of Global Intermediary Identification Numbers (GIINs) – a new international numbering scheme developed by the IRS to implement a standardized worldwide residence-based information reporting; and approved and assigned GIINs to over 120,000 financial institutions to date;
- Deployed the IRS FFI List Search and Download Tool;
- Identified requirements and awarded a contract to a third party vendor to develop the International Data Exchange Service (IDES);
- Identified requirements and currently working on development of the International Compliance Management Model (ICMM) – a system to manage FATCA submissions processing, storage, and notification;
- Identified requirements for new Chapter 3 and Chapter 4 withholding compliance and refund fraud detection capabilities;
- Developed a FATCA Compliance Strategy; and
- Developed and shared resources to assist taxpayers, financial institutions, and Host Country Tax Administrations with FATCA implementation (e.g., FATCA News and Information List, FAQs, user videos, and user guides).

Implementation of the Tax-related Provisions of the ACA

The ACA represents the largest and most complex set of tax law changes in more than 20 years, with more than 40 provisions amending the tax laws.

During FY 2014, IRS continued implementation of the ACA and outreach activities to ensure that taxpayers were aware of the new tax provisions. The IRS continued its work with the group of organizations set up to facilitate the purchase of health insurance in each state on the requirements and procedures for safeguarding federal tax information used in the Exchange (IRC 6103 (l)(21)), *Disclosure of Return Information to Carry Out Eligibility Requirements for Health Insurance Affordability Programs).* Also, IRS collaborated with the Department of Health and Human Services (HHS) on outreach and IT deployment relating to the insurance market reforms and health insurance exchange system. In addition, the IRS issued 33 items of published guidance on ACA Provisions, including final regulations on the Branded Prescription Drug Fee, the Premium Tax Credit (PTC), the Insurance Provider Fee, additional Medicare tax, net investment income tax, the employer responsibility provision, information reporting regulations for insurers and employers, disclosure of tax data to marketplaces, the individual responsibility provision, the Patient-Centered Outcomes Research Trust Fund Fee, the medical device excise tax, and various guidance from Treasury, HHS, and Department of Labor on plan content and procedures.

IRS issued proposed regulations on the small business health care tax credit (2014 phase), information reporting regulations for marketplaces, additional proposed regulations for net investment income tax, and coverage for certain preventive services. The IRS launched the Income and Family Size Verification process in time for the marketplace Open Enrollment in October 2013 (IRS ACA Release 3.0) and the Insurer Provider Fee in March 2014 (IRS ACA Release 4.1).

The development and deployment of these releases involved new and innovative software development processes and technology, close cooperation with outside agencies, and highly visible, public-facing activities that were crucial for the successful stand-up and operation of the Health Insurance Marketplaces.

Progress Made on Tax-Related Identity (ID) Theft

In calendar year 2014 (through November), the IRS prevented 1.7 million potential ID theft cases worth $10.3 billion from being paid out in fraudulent refunds.

- The IRS sent suspicious refunds for verification, which prevented revenue loss and developed and improved ID theft filters based on analytical models, schemes identified by Criminal Investigation (CI), and data validation.
- Enhanced ID theft filters focus on multiple tax returns filed using the same address and/or bank account. These filters alone allowed the IRS to stop over 533,000 fraudulent returns with associated refunds of $3.2 billion in calendar year 2014.

The IRS also held an eAuthentication and Identity Protection Summit to develop a strategy and implementation roadmap to significantly deter identity theft, reducing fraud and the need for victim assistance.

IRS examiners conducted 250 compliance visits to money services businesses nationwide (29 states and Puerto Rico) in relation to the Bank Secrecy Act. The highest percentage of the visits occurred in the states of Florida and Georgia, which are known high-risk areas for refund fraud and ID theft. These compliance visits help ensure check-cashing facilities are not, knowingly or unknowingly, facilitating refund fraud and ID theft. In addition, the IRS had more than 900 check-cashing operations under examination across the country and looked for indicators of ID theft as part of its examination efforts.

The IRS launched the Identity Protection Personal Identification Number (IP PIN) application in January 2014, allowing taxpayers with an IP PIN to retrieve their PIN online. Taxpayers previously had to call the IRS to replace a lost or misplaced IP PIN. The new application allows taxpayers to quickly file their tax return with manual verification. Since implementation of the IP PIN web application, the IRS has generated nearly 119,000 IP PINs. Additionally, taxpayers from three high-risk identity theft areas—Florida, Georgia, and Washington, D.C.—that used the Electronic Filing Personal Identification Number (EFP) voluntarily opted into a pilot to receive an IP PIN.

Fraudulent attempts to obtain taxpayer information through false IRS websites and other electronic methods continued to occur. In FY 2014, the IRS Cybersecurity Computer Security Incident Response Center (CSIRC) identified, mitigated, and responded to more than 1,600 cyber incidents, blocked the internet address of more than 3,750 malicious external websites, and issued nearly 700 advisories and bulletins to prevent access to malicious or compromised sites. The IRS also shut down over 1,200 sites, including approximately 300 schemes related to "Get Your Refund," within a median of 0.5 hours for domestic sites and 10.4 hours for international sites.

Program Integrity Cap Adjustment

In addition to the base appropriations request of $12.3 billion, the FY 2016 Budget proposes a $667 million cap adjustment to fund new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS's and TTB's overall tax enforcement program. The proposed new FY 2016 enforcement initiatives will yield additional revenue discussed below. New investments are also proposed beyond FY 2016, with cap adjustments through FY 2020 and sustained with additional adjustments through 2025. The activities and new initiatives funded out of the cap adjustments through FY 2025 will generate approximately $60 billion in additional revenue over 10 years and will cost about $19 billion for an estimated net savings of $41 billion. Notably, the ROI is likely understated because it only includes amounts received; it does not reflect the effect enhanced enforcement has on deterring non-compliance. This deterrent effect helps to ensure the continued payment of over $3 trillion in taxes paid each year without direct enforcement measures.

Return on Investment (ROI) for FY 2016 Enforcement Initiatives

Enforcement efforts increase revenue by encouraging voluntary compliance for those taxpayers who seek to avoid meeting their tax obligations under the law. Resources for traditional revenue-producing compliance programs yield direct, measurable results through high ROI enforcement activities such as examination and collection.

The Budget includes $166.1 million to implement enacted legislation and merchant card and basis matching (traditional revenue-producing portion), with an additional $425.6 million for IRS enforcement revenue-producing initiatives funded through the program integrity cap adjustment discussed above. Of this amount, $5 million will be transferred to TTB, with the remaining $420.6 million going towards traditional revenue-producing initiatives. $96.9 million is included to protect revenue, $90.5 million of which is also funded through a program integrity cap adjustment. The cap adjustment also includes a $36.8 million revenue-enhancing initiative, as well as $315.2 million for other compliance-related initiatives in the Operations Support account (see Section 4.7, Summary of Program Integrity Cap Adjustment).

FY 2016 Revenue-Producing Initiatives

The FY 2016 traditional revenue-producing initiatives not included in the program integrity cap adjustment are estimated to produce $658.4 million in additional annual enforcement revenue, achieving an FY 2018 ROI of $4.1 to $1.0.

The $420.6 million requested for the IRS FY 2016 traditional new revenue-producing enforcement initiatives funded through the program integrity cap adjustment is estimated to generate $2,798.9 million in additional annual enforcement revenue, achieving an FY 2018 ROI of $6.4 to $1.0.

Return on Investment for IRS FY 2016 Revenue-Producing Enforcement Initiatives

Dollars in Millions	First Year (FY 2016)			Full Performance (FY 2018)		
	Cost	Revenue	ROI	Cost	Revenue	ROI
FY 2016 Revenue Producing Enforcement Initiatives	$586.7	$1,117.9	1.9	$595.0	$3,457.3	5.8
Revenue-Producing Enforcement Initiatives to Implement Enacted Legislation	$166.1	$256.5	1.5	$160.4	$658.4	4.1
Implement Foreign Account Tax Compliance Act (FATCA)	71.0	67.7	1.0	66.6	155.1	2.3
Implement Merchant Card and Basis Matching	34.3	124.2	3.6	29.0	321.6	11.1
Address Impact of Affordable Care Act (ACA) Statutory Requirements	60.8	64.6	1.1	64.8	181.7	2.8
Cap Adjustment Enforcement Initiatives	$420.6	$861.4	2.0	$434.6	$2,798.9	6.4
Immediate and Directly Measurable Revenue-Producing Initiatives	$333.1	$861.4	2.6	$352.8	$2,798.9	7.9
Address International and Offshore Compliance Issues	40.7	49.3	1.2	43.1	159.6	3.7
Increase Audit Coverage	150.7	397.5	2.6	158.5	1,266.7	8.0
Enhance Collection Coverage	122.8	345.9	2.8	131.2	1,179.7	9.0
Improve Audit Coverage of Large Partnerships	16.2	44.5	2.7	16.9	129.1	7.6
Prevent Identity Theft and Refund Fraud	2.7	24.2	9.0	3.1	63.8	20.6
Strategic Revenue-Producing Initiatives *(which do not have immediately measurable ROI, but clear long-term revenue effects)*	$87.5	$0.0	0.0	$81.8	$0.0	0.0
Address Compliance Risks in the Tax-Exempt Sector	23.5	0.0	0.0	24.6	0.0	0.0
Pursue Fraud Referrals, Employment Tax, and Abusive Tax Schemes	17.2	0.0	0.0	16.2	0.0	0.0
Enhance Investigations of Transnational Organized Crime	42.5	0.0	0.0	35.9	0.0	0.0
Ensure Ethical Standards of Conduct for Practitioners	4.3	0.0	0.0	5.1	0.0	0.0

FY 2016 Revenue-Protecting Initiatives

In addition to the traditional revenue-producing initiatives, IRS activities to prevent the issuance of fraudulent returns related to identify theft will allow the IRS to identify and resolve issues prior to issuing a taxpayer's refund. While this number is not currently included in the IRS's traditional ROI calculations, investment in these activities is projected to protect more than $1 billion in revenue at a lower cost than the downstream enforcement actions, and achieve an FY 2018 ROI of $12.5 to $1.0.

FY 2016 Revenue-Protecting Enforcement Initiatives

Dollars in Millions

	First Year (FY 2016)			Full Performance (FY 2018)		
	Cost	Revenue	ROI	Cost	Revenue	ROI
Revenue Protecting Initiatives *(which protect taxpayer information, prevents identity theft, and results in long-term revenue protection)*	$96.9	$446.5	4.6	$98.2	$1,231.9	12.5
Revenue Protecting Initiatives to Implement Enacted Legislation	$6.4	$28.4	4.4	$7.3	$88.7	12.2
Address Impact of ACA Statutory Requirements (revenue-protecting portion)	6.4	28.4	4.4	7.3	88.7	12.2
Cap Adjustment Revenue Protecting Initiative	$90.5	$418.1	4.6	$90.9	$1,143.2	12.6
Increase Audit Coverage (revenue-protecting portion)	11.1	35.4	3.2	12.7	112.1	8.8
Prevent Identity Theft and Refund Fraud	79.4	382.7	4.8	78.2	1,031.1	13.2

FY 2016 Revenue-Enhancing Initiative

Improved technology also increases revenue collection by providing better case selection, issue identification, and enforcement case treatment. This technology allows the IRS to adapt quickly to changing taxpayer compliance behavior. While this number is not currently included in the IRS's traditional ROI calculations, the FY 2016 revenue-enhancing initiatives are expected to increase revenue by $75.4 million from technology investments that will analyze compliance data more efficiently and provide better case selection, issue identification, and treatment selection, achieving an FY 2018 revenue enhancement ROI of $1.8 to $1.0.

FY 2016 Revenue-Enhancing Initiative

Dollars in Millions

	First Year (FY 2016)			Full Performance (FY 2018)		
	Cost	Revenue	ROI	Cost	Revenue	ROI
Cap Adjustment Revenue-Enhancing Initiative *(which leverages technology to improve case selection and analysis)*	$39.1	$0.0	0.0	$41.4	$75.4	1.8
Leverage Data to Improve Case Selection	39.1	0.0	0.0	41.4	75.4	1.8

Business Systems Modernization

The IRS modernization efforts continued in FY 2014:

- **Customer Account Data Engine 2 (CADE 2)** – The CADE 2 program allows daily processing of the tax system. CADE 2 had a smooth filing season launch in January 2014 and continues to demonstrate integration into Filing Season operations and standard incident management processes. The project recently met criteria that provide a high level of confidence in the readiness and accuracy of the system's performance, operational processes, and data quality. In FY 2014, CADE 2 received

more than 140.1 million returns and issued over 113.2 million refunds, totaling $300.7 billion.

- **Modernized e-File (MeF)** - MeF receives and processes all tax returns submitted electronically. For Filing Season 2014, a new MeF release was deployed on January 31 and has performed successfully in production. In FY 2014, taxpayers submitted more than 231.4 million individual and business returns (includes both federal and state submissions) through MeF.

The Budget includes an increase of $92 million for BSM activities and support in order to continue implementing advanced information technology systems, processes, and tools to improve productivity. This request provides funding to expand the capabilities of the CADE 2 relational database and address the financial material weakness; enhance the taxpayer's online experience and provide secure digital communications; complete the design, development, testing, and deployment of various estate and gift tax forms for electronic acceptance; increase fraud detection, resolution, and prevention through use of the Return Review Program; and implement a new enterprise case management solution.

Section 2 – Budget Adjustments and Appropriations Language

The IRS Budget Request for FY 2016 is $12,931,071,000 in direct appropriations and 90,524 FTE. This is an increase of $1,986,071,000, or 18.15 percent, and 9,245 FTE more than the FY 2015 Enacted level of $10,945,000,000 and 81,279 FTE.

2.1 – Budget Adjustments Table

Dollars in Thousands

Internal Revenue Service	FTE	Amount
FY 2015 Enacted	81,279	$10,945,000
Changes to Base:		
Maintaining Current Levels (MCLs):		$200,677
Pay Annualization		21,002
Pay Raise (1.3%)		82,112
Non-Pay		48,710
FERS Contribution Increase		29,553
Federal Employees Health Benefits (FEHB) Program Modification		19,300
Efficiencies/Savings:	(61)	($18,431)
Increase e-File Savings	(46)	(2,406)
HCTC Program Termination	(15)	(16,025)
Reinvestments:		$16,025
Expand Telecom Infrastructure to Handle Increased Demand		16,025
Subtotal FY 2016 Changes to Base	(61)	$198,271
FY 2016 Current Services (Base)	81,218	$11,143,271
Program Changes:		
Before Cap Adjustment Program Increases:		
Improve Taxpayer Services	2,970	301,523
Leverage New Technologies to Advance the IRS Mission	178	91,573
Implement Information Technology (IT) Changes to Deliver Tax Credits and Other Requirements	818	305,645
Improve Upfront Identification and Resolution of Identity Theft Returns	193	18,884
Implement Foreign Account Tax Compliance Act (FATCA)	461	71,005
Sustain Critical Information Technology (IT) Infrastructure	157	188,514
Address Impact of Affordable Care Act (ACA) Statutory Requirements	483	67,206
Enhance Service Options for Taxpayers	54	16,243
Restore Staffing for Essential Support Programs	152	19,938
Increase Service for Low-Income Taxpayers and Taxpayers in Need of Hardship Relief	27	5,719
Implement Merchant Card and Basis Matching	322	34,253
Subtotal FY 2016 Before Cap Adjustment Program Increases	5,815	$1,120,503
Total FY 2016 Request Before Cap Adjustment	87,033	$12,263,774
Cap Adjustment Program Increases:		
Enforcement Initiatives:		
Prevent Identity Theft and Refund Fraud	420	82,162
Increase Audit Coverage	1,099	161,809
Improve Audit Coverage of Large Partnerships	107	16,249
Address International and Offshore Compliance Issues	238	40,657
Enhance Collection Coverage	1,034	122,830
Leverage Data to Improve Case Selection	59	39,060
Address Compliance Risks in the Tax-Exempt Sector	159	23,462
Pursue Employment Tax and Abusive Tax Schemes	52	17,186
Enhance Investigations of Transnational Organized Crime (TOC)	194	42,528
Ensure Ethical Standards of Conduct for Practitioners	28	4,280
Subtotal Enforcement Initiatives	3,390	$550,223
Infrastructure Initiatives:		
Consolidate and Modernize IRS Facilities	74	85,456
Maintain Integrity of Revenue Financial Systems	7	12,162
Implement Agency Wide Shared Services Priorities	9	10,992
Implement Federal Investigative Standards	11	3,464
Subtotal Infrastructure Initiatives	101	$112,074
Alcohol and Tobacco Tax and Trade Bureau Program Integrity Transfer:		
Transfer to TTB for High-Return on Investment (ROI) Tax Enforcement Activities		5,000
Subtotal Alcohol and Tobacco Tax and Trade Bureau Program Integrity Transfer Initiative		$5,000
Subtotal FY 2016 Cap Adjustment	3,491	$667,297
Subtotal FY 2016 Program Increases	9,306	$1,787,800
Total FY 2016 Budget Request[1]	90,524	$12,931,071
Dollar/FTE Change FY 2016 Budget Request over FY 2015 Enacted	9,245	$1,986,071
Percent Change FY 2016 Budget Request over FY 2015 Enacted	11.37%	18.15%

[1]FTE include those funded with newly appropriated resources only. FTE funded by User Fees and Unobligated Balances from Prior Years are included in the direct civilian full-time equivalent employment line of the President's Appendix, but are not shown in the table above.

Initiative Labor Costing Methodology

The IRS uses a variety of methods to calculate the cost of its initiatives. Costs for initiatives 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 costs the salary, benefits, and support costs needed for each FTE.

The FY 2016 initiative FTE were estimated assuming a January 1 hire date except for front-line positions in Submission Processing and Account Management and Assistance – Electronic/Correspondence Assistance, which were estimated assuming an October 1 hire date. The primary function of the Submission Processing and Account Management and Assistance taxpayer service programs is to provide service to taxpayers during the filing season. These programs manage their workload using staff hours, not FTE. They are not as dependent on the traditional hiring and training process that is experienced in other IRS programs because they have a large existing seasonal workforce that is available to work additional hours as resources become available. To fully fund the FTE requested in the FY 2016 Budget Request estimated using a January 1 hire date, the IRS will require an additional $164.7 million and 1,651 FTE for annualization in FY 2017.

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs)..... +$200,677,000 / 0 FTE
Pay Annualization +$21,002,000 / 0 FTE
Funds are requested for annualization of the January 2015 pay raise.

Pay Raise +$82,112,000 / 0 FTE
Funds are requested for the proposed January 2016 pay raise.

Non-Pay +$48,710,000 / 0 FTE
Funds are requested for inflation adjustments in non-labor costs such as travel, contracts, rent, supplies, and equipment.

FERS Contribution Increase +$29,553,000 / 0 FTE
Funds are requested for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Federal Employees Health Benefits (FEHB) Program Modification +$19,300,000 / 0 FTE
Funds are requested to meet a new Office of Personnel Management (OPM) guidance to modify eligibility for coverage under the FEHB Program to certain temporary, seasonal, and/or intermittent employees.

Efficiencies and Savings.....-$18,431,000 / -61 FTE
Increase e-File Savings -$2,406,000 / -46 FTE
These savings are a result of reduced paper returns. The IRS projects a total of 1,026,100 fewer returns filed on paper (525,100 individual and 501,000 business returns).

HCTC Program Termination -$16,025,000 / -15 FTE

The Health Coverage Tax Credit (HCTC) program was terminated January 1, 2014, in accordance with the Trade Adjustment Assistance Extension Act of 2011 (Public Law 112-40).

Reinvestment.....+$16,025,000 / 0 FTE

Expand Telecom Infrastructure to Handle Increased Demand +$16,025,000 / +0 FTE

This reinvestment expands the Customer Service Representative (CSR) toll-free call center telecommunication infrastructure to allow the IRS to answer the additional telephone calls expected to result from implementation of the ACA. The requested funding covers expanded telecommunications infrastructure and equipment, hardware costs for high-speed internet connections, and encryption technology.

Position Type/Other Costs	FTE	Positions	$000
Expand Telecom Infrastructure to Handle Increased Demand			**$16,025**
Equipment and Infrastructure			15,327
Hardware and Software			698
Total			**$16,025**

Total Program Increases.....+$1,787,800,000 / +9,306 FTE
Before Cap Adjustment Program Increases .....+$1,120,503,000 / +5,815 FTE

Improve Taxpayer Services +$301,523,000 / +2,970 FTE
Funds requested to Improve Taxpayer Services will allow the IRS to:

- Increase the CSR telephone LOS to 80 percent to handle an anticipated increase in demand due in part to the ACA implementation;
- Meet the projected increased demand for taxpayer face-to-face assistance and outreach resulting from ACA implementation and improve the effectiveness and efficiency of service responses;
- Expand staffing to assist with managing the ACA submission processing workload and provide advanced technology to electronically receive amended returns; and
- Increase outreach and communications activities, including the development of educational programs and the modernization of tax product development, publishing, and taxpayer letters.

Position Type/Other Costs	FTE	Positions	$000
Increase Taxpayer Level of Service (LOS) to 80%	**2,115.50**	**2,130**	**$185,704**
Traditional Demand	**1,501.00**	**1,501**	**$121,333**
Customer Service Representative (CSR)	963.00	963	82,336
CSR - Seasonal	405.00	405	27,215
Manager and Analyst	133.00	133	11,782
Affordable Care Act (ACA) Demand	**607.00**	**619**	**$48,263**
Customer Service Representative (CSR)	295.00	295	25,418
CSR - Seasonal	257.00	257	17,216
Manager and Analyst	17.00	17	1,501
Joint Operations Center	38.00	50	4,128
Authentication Retention (AR) Technology			**$6,277**
IT Equipment for CSR Telework	**7.50**	**10**	**$4,720**
Customer Callback (formerly Virtual Hold)			**$3,327**
Computer Telephone Integration (CTI) Technology			**$1,784**
Maintain & Improve the Taxpayer Experience	**346.00**	**474**	**$32,901**
ACA Field Assistance and Outreach	**284.50**	**384**	**$27,403**
Individual Taxpayer Advisory Specialist (ITAS)	146.25	182	13,670
ITAS - Seasonal	96.00	146	8,779
Manager and Analyst	42.25	56	4,954
e-File Authentication	**55.50**	**82**	**$4,837**
Analyst - Seasonal	42.00	64	3,289
Manager and Analyst	13.50	18	1,548
Enhance Quality and Effectiveness of Services Provided to Taxpayers	**6.00**	**8**	**$661**
Program Analyst	4.50	6	430
Business Modernization Office (BMO) Analyst	1.50	2	231
Maintain & Improve Return and Notice Processing	**297.75**	**301**	**$24,456**
AMS Acceptance of 1040X Amended Returns			**$4,108**
ACA Submission Processing	**288.00**	**288**	**$16,986**
Tax Examiner - Seasonal	143.00	143	8,227
Data Transcriber - Seasonal	120.00	120	7,056
Manager - Seasonal	14.00	14	826
Support Staff	11.00	11	877
Address Quality Initiative (AQI)	**9.75**	**13**	**$3,362**
Improve Communications and Outreach	**150.75**	**201**	**$49,574**
ACA Stakeholder Liaison & Communication	**12.00**	**16**	**$1,550**
Tax Technician	5.25	7	752
Analyst	6.75	9	798
Computer Assisted Publishing System NexGen	**95.25**	**127**	**$33,180**
CRX System Replacement	**20.25**	**27**	**$11,548**
IT Specialists	**23.25**	**31**	**$3,296**
Other Direct Costs	**60.00**	**80**	**$8,888**
ACA Program Management Office			**$1,700**
ACA Taxpayer Advocacy Specialist	**46.50**	**62**	**$5,557**
ACA HR Specialist	**2.25**	**3**	**$289**
Taxpayer Advocacy Specialist	**11.25**	**15**	**$1,342**
Total	**2,970.00**	**3,186**	**$301,524**

Increase Taxpayer Level of Service (LOS) to 80 Percent (+$185.7 million / + 2,115.5 FTE)

The IRS projects that the CSR Telephone LOS will be 38 percent in FY 2015 and will reach 56 percent in FY 2016 with supplemental funding from projected user fee receipts. This initiative will fund additional staff to help increase CSR Telephone LOS to 80 percent in FY 2016.

- Traditional Demand (+$121.3 million / +1,501 FTE)

  These resources will allow the IRS to answer a greater number of taxpayer telephone calls. The IRS plans to continue to maximize self-service options, increase efficiencies across existing service delivery channels, and expand the use of more innovative technologies to address the increasing demand for services. The FY 2016 projected telephone call demand is 43.8 million calls, an increase of 20 percent from FY 2014.

- ACA-related Taxpayer Demand (+$48.3 million / +607 FTE)

  The IRS receives more phone calls whenever the tax code becomes more complex. For example, the LOS measure dropped from over 82 percent in FY 2007 to 53 percent in FY 2008 largely due to the increase in calls stemming from the payments provided by the Economic Stimulus Act of 2008. Similarly, the IRS expects approximately 5.9 million more phone calls associated with the ACA in FY 2016, an increase of 13.5 percent. Although use of self-service options is increasing, customer demand for CSR-assisted phone services will likely continue to remain high based on growth trends.

  The IRS Joint Operations Center (JOC) provides service, support, and technology to achieve necessary service levels for all telephone, correspondence, and electronic media inquiries. Additional staff is requested to address the expected increase in ACA-related demand, including producing announcements, telephone routing, and scripting changes; and tracking and reporting the status of ACA-related telephone performance.

- Authentication Retention (AR) Technology (+$6.3 million / 0 FTE)

  This technology will allow taxpayers to provide identifying information to the IRS only once per call to authenticate or verify their identity, while still protecting taxpayer privacy. Decreasing the number of times a CSR has to authenticate callers will reduce taxpayer burden, the risk of identity theft and fraud, and the overall time a taxpayer spends on the phone with the IRS. AR technology creates a seamless taxpayer experience during interactions with assistors and is estimated to benefit more than 31 million callers annually. AR technology will allow the IRS to actively address the Treasury Inspector General Tax Administration (TIGTA) finding that telephone authentication practices need improvement to prevent unauthorized disclosures.

- IT Equipment for CSR Telework (+$4.7 million / +7.5 FTE)

  Funds are requested for IT equipment to allow CSRs to telework. The IRS does not have the physical space capacity to reach the 80 percent CSR LOS. This investment will allow a 3:1 desk-sharing ratio by enabling telework, which will provide more space for new hires. Telework lays the groundwork for reducing leased space and related facility costs in the future.

- Customer Callback (CC) (+$3.3 million / 0 FTE)

CC technology will allow taxpayers to choose how they interact with IRS toll-free services while waiting to speak with a CSR. Currently, taxpayers remain in the queue to hear announcements of estimated wait time. Investing in this technology will provide taxpayers with the option of remaining on hold or scheduling a callback. This will allow the IRS call sites to operate more efficiently, save telephone resources, and greatly improve the taxpayer experience with the IRS.

The CC technology

- Reduces circuitry and port costs, estimated to save $1.5 million to $1.9 million annually;
- Improves customer satisfaction by reducing taxpayer burden;
- Increases employee satisfaction; and
- Reduces the number of abandoned calls.

- Computer Telephone Integration (CTI) (+$1.8 million / 0 FTE)

  This technology provides online screen displays of taxpayer account-related data. CTI, which is dependent upon AR implementation, and performs basic taxpayer-related research to provide the CSR with current account information to improve response time for taxpayer inquiries.

Maintain and Improve the Taxpayer Experience (+$32.9 million / +346 FTE)

To maintain and improve the taxpayer experience, the IRS requests additional funds to handle the increasing demand for taxpayer services related to implementation of the ACA, provide additional support for eAuthentication assistance, and to research taxpayer behaviors in order to provide better tools to respond to taxpayer inquiries.

- ACA Field Assistance and Outreach (+$27.4 million / + 284.5 FTE)

  In FY 2015, taxpayers will file the first tax returns that will include the reconciliation of the PTC, granting individual exemptions from health insurance coverage requirements, and the assessment of individual responsibility payments. In addition, beginning in FY 2016, new information reporting will be required for certain employers and health insurance providers.

  Starting in FY 2016, the IRS will send ACA compliance-related notices to taxpayers, which will create growing demand for face-to-face services. This initiative will provide permanent staff at up to 120 Taxpayer Assistance Center (TAC) locations that have historically had greater than 1,000 annual account notice questions and seasonal staff at up to 90 locations that have historically had greater than 500 annual notice questions. Resources for face-to-face assistance will mitigate the expected increase in taxpayer wait time and reduce repeat visits to TACs.

- Taxpayer eAuthentication Assistance (+$4.8 million / +55.5 FTE)

  The eAuthentication (eAuth) application improves the taxpayer experience by providing taxpayers access to online self-service options such as Identity Protection Personal Identification Number and Get Transcript. Both applications launched in

FY 2014. While these online self-service applications reduce the number of taxpayer phone calls, the IRS has found there is still a need to provide taxpayers with assistance in creating and managing their eAuth online account. Currently, the IRS provides limited services to taxpayers to disable or enable their eAuth account in the case of identity theft. In the future, eAuth will provide more capabilities to assist taxpayers that are having difficulties with their online accounts.

While the IRS currently provides support to taxpayers for eAuth, an increase in resources is requested to handle the additional 300,000 calls expected from expanded use of online services. The IRS estimates eAuth-enabled online applications will generate an additional 1,000,000 taxpayer inquiries for support by FY 2016. The IRS also plans to provide a taxpayer self-service model with Frequently Asked Questions to handle 70 percent of the inquiries.

- Enhance Quality and Effectiveness of Services Provided to Taxpayers (+$0.7 million / +6 FTE)

  Additional funds in this initiative support enhanced service to taxpayers. The IRS will conduct qualitative research to understand taxpayer behaviors related to compliance and taxpayer comprehension of new tax laws. The data collected will be used to help formulate appropriate service responses. These resources also will support the design of enhancements to the Account Management System (AMS) to provide CSRs better tools to respond to taxpayer inquiries.

<u>Maintain and Improve Return and Notice Processing (+$24.5 million / +297.75 FTE)</u>

The ACA is expected to generate additional correspondence in FY 2016 which will need to be processed. This initiative provides funds to maintain and improve return and notice processing by adding 288 submission processing FTE to handle the increased demand from the ACA, updating the Account Management System to electronically accept amended returns, and improving the delivery of IRS correspondence. Without these resources, the IRS will be unable to process the anticipated correspondence demand, generating even more taxpayer correspondence and phone calls and leading to significant overage and impacts to other paper programs.

- Account Management System (AMS) Acceptance of Individual Amended Returns (+$4.1 million / 0 FTE)

  This initiative provides funds to enhance the AMS to electronically receive Form 1040X from Modernized e-File (MeF), resulting in more efficient tax return processing and improved taxpayer service. In 2014, the IRS processed 3.6 million paper amended returns. The IRS plans to begin accepting electronic amended returns in Tax Year 2016/Processing Year 2017.

  This enhanced AMS functionality will allow the IRS to receive tax data from MeF so that Form 1040X inventories can be routed and worked. This new capability will enhance business controls and create a virtual interface to all account and case information. Benefits include:

- Faster and more effective toll-free service because more information will be readily available to CSRs;
- Better fraud and identity theft detection for Form 1040X.
- Automated case processing, resulting in fewer manual actions;
- Increased identification of potential issues, resulting in increased revenue collection or prevention of revenue loss;
- Reduced costs by eliminating redundant data stores and applications; and
- Reduced time to route cases by immediately identifying and forwarding cases meeting relevant criteria to the appropriate area;

- Submission Processing (+$16.9 million / +288 FTE)

  The IRS requires additional staff to handle the submission processing workload related to processing ACA-related returns. The increase in return volume is expected because some taxpayers who do not currently file a return because they do not meet the filing threshold will qualify for the PTC and will be required to file a return. This initiative will provide resources to process new and revised forms, including expanded transcription requirements and increased error resolution effective in the 2015 filing season. The IRS expects that the new forms will require a significant amount of transcription. Because the new forms are both unfamiliar and complex, the IRS anticipates that more taxpayers will make computational errors or inadvertently omit information. This will result in tax examiners spending additional time reviewing some tax returns for accuracy, and in some cases, corresponding with the taxpayers for clarification.

- Address Quality Initiative (AQI) (+$3.4 million / +13 FTE)

  The AQI is an effort to improve the delivery of IRS correspondence through process and system improvements that enhance the address data the IRS receives and uses. It includes evaluation of incoming data for conformity with United States Postal Service (USPS) and foreign postal address requirements; use of more USPS non-delivery and address change data; and enhanced processing and validation of foreign addresses.

  This project will consist of a series of modules that will modify systems to better accommodate addresses, change processing, and their quality indicators. Currently, the IRS has a nearly 10 percent undelivered mail rate, which is much higher than commercial mailers. The Treasury Inspector General for Tax Administration (TIGTA) estimated that undelivered mail increases IRS costs by $57.9 million annually in their May 14, 2010, report titled “Current Practices Are Preventing a Reduction in the Volume of Undeliverable Mail”.

  Currently, most undelivered mail is returned to an IRS campus, where it is destroyed without further action. The AQI project will allow the IRS to automate follow-up actions, reduce subsequent non-delivery and handling, and cut costs significantly. It also provides the IRS with additional means to detect identity theft through non delivery of correspondence and quality improvement of addresses.

Improve Communications and Outreach (+$49.6 million / +150.75 FTE)

This initiative funds increased outreach and communications activities, including the development of educational programs and the modernization of tax product development, publishing, and taxpayer letters.

- Stakeholder Liaison and Communication (+$1.5 million / +12 FTE)

  Stakeholder liaison tax analysts and technicians will support ACA by researching customer needs, developing and managing educational programs, establishing partnerships with stakeholder groups, and disseminating tax information to taxpayers and the general public through a variety of media, including publications and mailings, websites, broadcasting, and advertising.

- Implement Computer Assisted Publishing System (CAPS) NexGen Project (+$33.2 million / +95.25 FTE)

  The IRS operates one of the largest publishing programs in the federal government. It is responsible for creating, updating, publishing, and distributing more than 1,200 tax forms, instructions, and publications used by taxpayers to fulfill their tax obligations. In addition, the IRS publishes and distributes internally the more than 12,000 products used to administer the nation's tax system. To meet these responsibilities, the IRS utilizes CAPS to support its content creation, publishing, and distribution processes.

- Replacement of the Correspondex System (CRX) (+$11.5 million / +20.25 FTE)

  The CRX system is used by IRS employees to issue letters to taxpayers. The system is decades old and creates an antiquated letter that allows for virtually no customization, such as bolding, italics, or use of IRS letterhead. Revising CRX letters is time-consuming and arduous, and makes timely communication difficult in the face of tax law changes. The resulting communications do not meet modern standards in design, format, and effectiveness and have had their legitimacy questioned by taxpayers due to the sub-standard quality of the letters produced.

  The new system will create letters that will match the professional appearance already in place for computer-generated notices. The system also will provide the following features:

  - An easy to use, web-based user interface;
  - Easy to maintain templates;
  - Shared content that allows updates to the text flow through to all letters that use the content; and
  - A new archiving capability that stores the content and template for each letter issued, which will allow users to retrieve a letter by taxpayer identification number.

- IT Specialists (+$3.3 million / +23.25 FTE)

Other Direct Costs (+$8.9 million / +60 FTE)

Dollars in Millions

IRS Activity	Cost	FTE	Positions	Explanation
Taxpayer Advocate Service (TAS)	$1.3	11.25	15	TAS expects to receive about 1,194 additional cases resulting from abandoned Affordable Care Act (ACA) calls related to this initiative and will need 15 positions (11.25 FTEs) to work the additional cases.
Human Capital Office	$0.3	2.25	3	Handle the increase in front-line positions related to the ACA and the expectation that new managerial positions will be created. Labor Relations support begins in the first year and continues throughout a manager's career, as needed. One Labor Relations Specialist supports 49 managers.
ACA Program Management Office	$1.7			Funding will allow the Project Management Office (PMO) to continue contractual support services and provide oversight of ACA implementation activities focusing on individual and information returns processing, customer service, outreach, and development of guidance.
Taxpayer Advocate Service (TAS)	$5.6	46.50	62	Handle additional case receipts.
Total	**$8.9**	**60.00**	**80**	

Leverage New Technologies to Advance the IRS Mission +$91,573,000 / +178 FTE

The IRS is requesting an increase in the Business Systems Modernization appropriation of $91.6 million and 178 FTE ($3.6 million is funded in the Operations Support appropriation to fund corporate costs related to the new hires) to:

- Implement an Enterprise Case Management (ECM) solution for performing standard case management functions across the IRS;
- Expand the capabilities of the CADE 2 relational database and address financial material weakness;
- Enhance the taxpayer's online experience and provide secure digital communications;
- Complete the design, development, testing, and deployment of various Estate and Gift tax forms for electronic acceptance; and
- Increase fraud detection, resolution, and prevention through use of the Return Review Program.

FY 2016 BSM Project Activities

Dollars in Thousands

Business Systems Modernization	FY 2014 Enacted	FY 2015 Enacted	FY 2016 President's Budget Request	Change FY 2015 to FY 2016 President's Budget Request
CADE 2 (Taxpayer Account Database) Continue the design and development of applications that will modernize core tax processing application architecture, address financial material weakness, and expand capabilities in leveraging the CADE 2 relational database as the authoritative source of individual taxpayer data.	119,000	100,000	115,000	15,000
Enterprise Case Management The Enterprise Case Management system will provide an enterprise-wide solution that uses Commercial Off-the Shelf (COTS) products, common services and custom code to perform case management functions on a standard infrastructure platform.	0	2,000	25,000	23,000
Modernized e-File Fund the physical design, development, testing, and deployment of Release 10, Form 1040-NR (U.S. Nonresident Alien Income Tax Return) and Form 1040-NR-EZ (U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents); the physical design, development, testing and deployment of Release 11, Form 706 (U.S. Estate Tax Return), Form 706NA (U.S. Estate (and Generation-Skipping Transfer) Tax Return), Form 708 (U.S. Return for Gifts and Bequests Received From Expatriates) and Form 709 (U.S.Gift (and Generation - Skipping Transfer) Tax Return; and the initial requirements and design phases of Release 12, the implementation of technical improvements and assorted forms to be chosen by MeF's Business partner.	9,148	28,500	27,700	-800
Return Review Program Provide leading-edge technologies to advance IRS effectiveness in detecting, addressing, and preventing tax refund fraud and protecting US Treasury revenue.	43,475	38,475	47,000	8,525
Web Applications (formerly: Enhance Online Services) Lead the IRS transition to the future digital government and define the long-term vision. Provide an enhanced taxpayer experience, a broad range of self-service and innovative options, build internal capability, and strengthen the operating model.	10,000	12,500	18,000	5,500
Architecture, Integration, and Management 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.	25,054	28,900	31,000	2,100
Core Infrastructure 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.	24,600	15,465	19,000	3,535
Management Reserve	1,701	4,284	5,000	716
Subtotal Capital Investments	**$232,978**	**$230,124**	**$287,700**	**57,576**
Labor [1]	78,774	58,870	87,496	29,240
Support	1,186	1,006	3,982	2,362
Total BSM	**$312,938**	**$290,000**	**$379,178**	**$89,178**

[1] FY 2016 labor includes $1.2M in MCLs and excludes $3.6M in corporate costs which are reflected in the Operations Support appropriation.

The FY 2016 BSM request of $379.2 million and 576 FTE reflects a zero-based budget and the following project activity chart displays the full funding request. It will allow the IRS to continue leveraging new technologies to develop critical information technology systems needed to support the IRS's taxpayer service and enforcement programs.

CADE 2 ($115.0 million)

In FY 2015, the IRS will continue to focus on the next transition state of the CADE 2 modernized relational database, building a long-term CADE 2 database annual conversion capability and process for use in Filing Season 2016 and beyond. This Transition State 2 (TS2) capability will allow the IRS to capture and apply all Individual Master File (IMF) annual conversion changes to the CADE 2 database in preparation for the new processing year while retaining the CADE 2 database historical taxpayer data for more effective administration of the tax system.

Additionally, the IRS will continue to make progress in modernizing its core taxpayer account processing systems. Design efforts will be based on the TS2 Release Plan, improving taxpayer account processing by leveraging the CADE 2 database to build a solid data foundation for the future, and achieving long-term viability for the systems by modernizing the architectures and programming languages.

In FY 2016, the IRS will:

- Begin development of an early capability for the CADE 2 database to become the authoritative source of individual taxpayer account data for the GAO audit of the custodial financial statements, by modifying existing financial reports to take into account the increased level of detail and accuracy of data in the CADE 2 database.
    - Enhancing accuracy of financial calculations and reporting through Obligation Line Items, Penalty & Interest by assessment and credit-to-debit allocations will improve availability of current account data. This will increase service accuracy and consistency to taxpayers, and will provide improved reporting for better compliance and issue resolution.
    - Establishing an interface to CADE 2 data to be used for refund generation. This will improve the IRS' ability to collect the correct amount of taxes and reduce erroneous refunds.
- Establish the foundation for a modernized tax processing engine by modernizing core taxpayer account processing functions that are currently performed by the Individual Master File (i.e. posting, financial settlement, and account analysis services), enhancing taxpayer account processing, and achieving long-term viability for the systems.
- Continue the development of a data distribution framework for CADE 2 information. Establish technical components to provide CADE 2 data to downstream compliance, analytics, and reporting systems via modernized Data Distribution Services (DDS). Embedding good information management practices such as reducing duplications in data and establishing common data definitions that can be used across all systems, as well as

modernizing data access methods to allow CADE 2 files to be shared quickly and efficiently with other systems that need CADE 2 data to perform their functions.

- Enhancing CADE 2 to the Integrated Production Model (IPM) interface and data model will improve performance in using CADE 2 for data analytics and enable additional reporting capabilities (initial DDS).

- Establishing interfaces from CADE 2 to the Integrated Data Retrieval System (IDRS) allows the IRS to use CADE 2 expanded data for enhanced customer service activities in IDRS and improved case management functions.

Enterprise Case Management (ECM) ($25.0 million)

The Enterprise Case Management (ECM) solution will address the need to modernize, upgrade, and consolidate multiple aging IRS case management systems. The ECM will develop an enterprise solution for performing case management functions using a common infrastructure platform for multiple projects to share. Implementation of the solution will provide the IRS with a consistently efficient approach to case management across all business units.

This investment will fund the Project Management Office, the strategy development and planning activities required to develop the multi-year roadmap, the upgrade of existing applications to the most current software version, and prototypes to demonstrate ability to reuse enterprise case management capabilities. It will also fund the infrastructure for the development of common services and project migrations, the development of the common services, and migration of select projects to the enterprise solution.

Modernized e-File (MeF) ($27.7 million)

MeF serves as the primary external point of interaction for all electronic tax filings. It validates and stores tax return data, allowing authorized IRS users the ability to view tax return data securely online. Electronic access to tax return data improves taxpayer service by significantly reducing the handling and mailing of paper returns.

Significant work continues to expand and improve MeF capabilities for taxpayers. MeF Release 9 was deployed as planned in January 2014 implemented Form 94X, *Employment/Unemployment Tax* and Form 1041, *U.S. Income Tax Return for Estates and Trusts*, onto the MeF platform. It also enabled the passing of information from MeF directly to the Return Review Program (RRP) for fraud detection processing.

In FY 2015 the IRS will complete Milestone 4a (physical design), Milestone 4b (development, testing), and Milestone 5 (deployment) of Release 10, which will implement Form 1040-NR, *U.S. Nonresident Alien Income Tax Return*, and Form 1040-NR-EZ, *U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents*. The FY 2015 request also will fund Milestone 2 (requirements definition) and Milestone 3 (logic design) of Release 11, described below will also be completed.

The FY 2016 request for MeF will fund the Milestone 4a (physical design), Milestone 4b (development and testing), and Milestone 5 (deployment) of Release 11, which will implement Form 706, *U.S. Estate Tax return*, Form 706NA, *U.S. Estate and Generation-Skipping Transfer Tax Return*, Form 708, *U.S. Return for Gifts and Bequests Received From Expatriates,* and Form 709, *U.S. Gift and Generation-Skipping Transfer Tax Return*. The FY 2016 request will also fund Milestone 2 (requirements definition) and Milestone 3 (logical design) of Release 12, the implementation of Form 1065X, *Amended Return Administrative Adjustment Request (AAR) of Partnership Income*; Form 2848, *Power of Attorney and Declaration of Representative*; Form 8609, *Low-Income Housing Credit Allocation and Certification*, as well as the consolidation of multiple Forms 1120 (Corporate Returns into a single form).

Adding Forms 1040-NR, 1040-NR-EZ, 706, 706NA, 708, and 709 to the MeF will provide the following:

- Extensive error checking to improve the accuracy of the tax return;
- Sophisticated math error validation checking, which increases the likelihood that tax returns will be processed successfully;
- Ability to attach all necessary documents supporting the data onto tax returns;
- Capability to provide a justification to the taxpayer or trading partner when the IRS rejects the tax return;
- Form receipt acknowledgments provided to transmitters within minutes during non-peak days (within two hours during peak days), instead of 24-48 hours under the legacy system;
- Expanded availability of electronic filing, beyond the traditional legacy e-file shutdown dates;
- Ability to e-file the current and two prior tax years; and
- Ability to e-file a balance-due return and, at the same time, authorize an electronic funds withdrawal from the taxpayer's bank account.

Productivity and IRS efficiency gains include:

- Improving Customer Service – Once MeF processes 1040-NR, 1040-NR-EZ, 706, 706NA, 708, and 709 forms, IRS Customer Service Representatives (CSRs) will have access to all of the information included on each form. This will allow CSRs to provide responses to taxpayers more quickly by viewing the most current 1040-NR, 1040-NR-EZ, 706, 706NA, 708, and 709 data online, eliminating the need for back-end rekeying and data entry.
- Enhancing Compliance and Enforcement Operations – Online capabilities and 100 percent data access to 1040-NR, 1040-NR-EZ, 706, 706NA, 708, and 709 forms will enhance compliance and enforcement activities by allowing access to taxpayer data in a timely and accurate manner.

- Enhancing the Production Volumes – Returns submitted through the MeF encounter fewer processing errors than do paper returns.
- Implementing Modernized Data Standards – MeF uses the widely accepted, industry-standard Extensible Markup Language (XML) format for identifying, storing, and transmitting data. XML provides improved data accuracy and protection of taxpayer information. MeF provides more information to correct taxpayers' returns, including expanded error code explanations that pinpoint the location of errors.

Return Review Program ($47.0 million)

The Return Review Program (RRP) delivers an integrated and unified system that enhances IRS capabilities to detect, resolve, and prevent criminal and civil tax noncompliance, including identity theft. The RRP allows analysis and support of complex case processing requirements for compliance and criminal investigation programs during prosecution, revenue protection, accounts management, and taxpayer communications processes. The RRP implementation occurs in multiple transition states (TS). Additional features include:

- Enhanced automatic identification of fraudulent and erroneous returns – using increasingly sophisticated models through entity-based research;
- Discernible flexibility and scalability to support changing business needs;
- Strategic identification of theft trends and detection;
- In-line processing capabilities – applies rules and scoring in several anomaly areas, including identity theft and frivolous filer;
- Off-line processing capabilities that increase flexibility to implement new models or business rules to accommodate changes in process and legislation; and
- ID Theft Protection (Pilot in FY 2014) – new model leveraging new data fields that will feed manual intervention in current legacy environment.

In FY 2015, RRP plans include completion of performance testing, implementation of legislative changes, fine tuning systemic verification, improving system performance, implementing ID theft expansion, and developing an interface with EFDS in order to transmit identity theft data. RRP will provide connectivity to IRS systems to support seamless workflow, expand user capabilities, and compare new taxpayer data. The RRP will re-engineer and incorporate current business application functionality, such as the inclusion of pre-refund capability allowing early detection of issues, new treatment stream determination (e.g., a predefined sequence of remedial steps), and identification and management of Return Preparer issues. The RRP will deliver full capability for individual taxpayer returns, including off-line prevention, in-line detection, systemic verification of third party data, integrated data warehouse, Management Information System (MIS), and User Interface using the Employee User Portal (EUP).

RRP will provide the following benefits:

- Increased fraud detection (including identity theft), resolution, and prevention;
- Improved case tracking, analysis, and reporting;
- Generation of a scorecard for questionable returns, evaluating consistency and dependability;
- Reduction in the percentage of non-fraudulent refund claims frozen by the IRS;
- Establishment of capabilities to coordinate detection and resolution of criminal and civil compliance issues;
- Prevention of criminal and civil compliance issues; and
- Promotion of increased taxpayer compliance through targeted educational information and deterrent activities.

Web Applications (formerly known as Enhance Online Services) ($18.0 million)

The FY 2016 request will lead the IRS transition to digital government. The Web Applications will enhance the taxpayer's online experience, provide secure digital communications, and add more interactive capabilities to existing web self-service products. By providing taxpayers with the opportunity to communicate digitally, the IRS estimates that it will deliver a greater level of service and achieve significant savings by reducing call center volumes, Taxpayer Assistance Center visits, and the number of forms and notices faxed or mailed.

To keep up with the ever-changing state of web and digital technology, the IRS must develop and enhance online capabilities and services for taxpayers, tax practitioners, and IRS employees.

The IRS goal is to deliver new digital communication channels and migrate service delivery from offline channels to the World Wide Web by implementing Online Account, Taxpayer Digital Communications (TDC), and Advanced Mobile projects; upgrading the eAuthentication Platform; improving integration with the authorization web service; and expanding the Third Party Application Programming Interfaces (API).

Online Account Phase 3 is a multi-phase effort that will provide single sign-on capability for taxpayers to access account-related information with links to multiple products such as Online Payment Agreement, IRS Direct Pay, and *Where's My Refund?*

Taxpayer Digital Communications will create a web-based, digital communications channel that will allow taxpayers and the IRS to communicate directly via secure messages. This solution is expected to require only a web-enabled device and an internet connection. TDC will allow the IRS and taxpayer to send both one-way and two-way secure messages and digital documents while requiring only minimal integration with IRS systems.

The IRS2Go Mobile Application will continue to evolve, allowing taxpayers to increase their use of multiple mobile digital devices such as smart phones and tablets as a primary source for accessing information and conducting business. By offering new services tailored for mobile devices, taxpayers will be able to find tax-related information and meet their filing obligations with added convenience and flexibility. Developing a framework for mobile applications to utilize IRS data allows the IRS to provide taxpayers with a new generation of faster and more feature-rich mobile applications. In FY 2016, new planned functionalities for taxpayers will include retrieving balance due, viewing tax history, making payments, and setting up Online Payment agreements directly from the IRS2Go Mobile Application.

Upgrade of the eAuthentication framework will provide more advanced tools and techniques to confirm the identity of taxpayers, which will assist in the registration of individuals, businesses, and tax professionals who wish to use the IRS online digital services. The eAuthentication upgrade will support externally-hosted applications, providing the IRS with more flexible development options and continued migration of legacy applications to the upgraded platform. The enhancements will also include automated reporting and improve user interface for mobile browsers and mobile applications.

Third Party Expansion of Application Programming Interface (API) will increase the number of tax services available to third parties and broaden the definition of third party to include other federal and state government agencies, as well as commercial tax preparers. The IRS anticipates that it will implement six to eight new capabilities in FY 2016 as well as a continued multi-year effort to provide additional services to taxpayers. Some of the services being considered include Pay-Off Amount; *Where's My Refund?* (WMR); Transcripts; First Time Home-Buyer Credit Lookup; Notices and Explanations Previously Received; Preparer Tax Identification Number (PTIN) Lookup; Calculators for Earned Income Tax Credit (EITC); and Facilitate taxpayer authorization for prior year tax information.

Architecture, Integration and Management ($31.0 million)

Provides engineering management capabilities, including systems strategy, architecture, and engineering capabilities across IT Infrastructure, Business Applications, Data Management, and IT Security. Provides portfolio control and management processes and tools, including governance, enterprise lifecycle support, tiered program management, business rules and requirements, transition management, cost estimation, configuration/change management, and risk management. This program translates enterprise and project objectives into targeted, actionable investments to provide the necessary framework and direction for a cohesive, successful modernization.

Core Infrastructure ($19.0 million)

This request will continue to provide mission-critical services for designing, engineering, testing, and deploying standardized, consolidated, virtual, and secure modernized development and production environments for use by BSM projects.

The IRS is modernizing taxpayer applications to take advantage of web-based technologies that allow taxpayers to communicate with the IRS through the internet using commercially

available technology. The modernized infrastructure provides a complete environment (hardware, software, processes, and management) for developing, testing, deploying, operating, and monitoring both customer and internal applications in support of business practices. This includes continuing to update the web portal environment and standardizing services, security, and operations management.

Core Infrastructure allows the IRS to develop a shared infrastructure and common business service solutions that are usable across multiple BSM projects. The core infrastructure consists of two primary program elements:

- Infrastructure Shared Services (ISS) to provide capacity planning and performance engineering services for BSM projects. This includes additional unit, integration, and testing support to increase the reliability of deployed systems; and
- Development, Integration, and Testing Environment (DITE) to engineer, install, maintain, and support the development and test environments needed for each BSM project through deployment and acceptance in the production environment.

Management Reserve ($5.0 million)

This activity maintains funds not otherwise designated for specific projects to allow flexibility in responding to unexpected funding increases to projects.

Labor and Support ($91.5 million / 576 FTE)

This request provides the labor and support costs associated with the development of projects within the BSM portfolio.

Other Direct Costs

There are no other direct costs associated with this initiative.

Implement Information Technology (IT) Changes to Deliver Tax Credits and Other Requirements +$305,645,000 / +818 FTE

Position Type/Other Costs	FTE	Positions	$000
Implement IT Changes to Deliver Tax Credits and Other Requirements	**818.00**	**818**	**$305,645**
IT Specialists	818.00	818	118,579
Contractual Services			187,066
Total	818.00	**818**	**$305,645**

This investment will allow the IRS to continue to implement the new tax law provisions contained in the ACA. While the Department of Health and Human Services is responsible for the health care policy and insurance provisions in the legislation, the IRS administers more than 45 specific tax provisions and numerous cross-agency sections related to tax administration. Included in this investment is one of the largest refundable tax credits the IRS administers, the PTC. The investment touches all submission, fraud, and compliance tax administration processes to receive, validate, and handle individual and business tax returns. Funding this investment will provide enhanced technology infrastructure and applications support and allow necessary, major modifications to existing IRS tax administration systems.

The IRS IT organization uses industry best practices to design, develop, deploy, and manage ACA systems. The IRS developed a multi-year release strategy to support multiple, concurrent releases. Some of these releases are operational and in production, while others are in various stages of development and testing, and are scheduled for implementation over the next several years. These releases include new technology implementation as well as modifications to the current production environment.

In addition to continuing to operate the IRS systems that support the eligibility and enrollment processes with the Insurance Marketplaces, the IRS IT organization:

- Developed and implemented new systems to support the assessment and collection of the Branded Prescription Drug Industry Fee, Insurance Provider Fee, and Hospital Insurance Tax;
- Changed the existing IT production environment to support Advanced PTC reporting; and
- Implemented updates to ACA Coverage Data Repository and Information Sharing and Reporting systems to increase data flows from the Centers for Medicare and Medicaid Services Data Hub, which supports the Insurance Marketplaces.

These activities support increased efficiencies in revenue collection, reporting, and information sharing. They also will facilitate prompt and accurate application of the PTC to eligible citizens while protecting against erroneous and potentially fraudulent tax credit claims.

A major focus for the IRS going forward is to continue to support the Insurance Marketplaces and tax compliance activities, as well as non-Marketplace provisions of the law and annual updates to ACA systems. This will include systems to support the assessment and collection of individual and Employer Shared Responsibility Payments. It also includes new technology and changes to existing systems and infrastructure to receive and process new forms/schedules or information reports from federal and state insurance marketplaces, insurance providers, and employers. This activity also will enable at-filing checks of tax

returns for reporting a PTC, leveraging third-party data from the insurance marketplaces, and validating ACA-related tax forms via the new ACA Verification Service.

To continue supporting implementation of this critical legislation, the IT organization will design, build, test, and implement systems infrastructure, new IT systems, and modified current production systems. In addition, the IT organization will implement security requirements and alternate production site capabilities, and maintain systems in operations and maintenance mode once development activities are complete.

Funding this IT initiative will allow the IRS to continue to support newly established business capabilities as well as develop and implement new capabilities including:

- Validating PTCs claimed on individual tax returns;
- Assessing and collecting penalties related to individual and employer responsibility provisions;
- Assessing and collecting the Branded Prescription Drug Industry Fee;
- Assessing and collecting the Insurance Provider Fee;
- Assessing and collecting the Hospital Insurance Tax;
- Establishing reporting requirements for federal and state Insurance marketplaces, certain large employers, and insurance issuers;
- Providing federal tax information to non-IRS entities;
- Recalculating and adjusting household income and Premium Tax Credit (PTC) for returns that are identified as having underreported income and receiving PTC;
- Recalculating the individual shared responsibility payment in the event of income changes in taxpayer returns as a result of compliance activities; and
- Expanding information returns processing and capabilities needed for compliance processing.

This initiative will fund significant revisions to existing tax administration systems and investment in building, maintaining, and operating the new infrastructure and applications technology needed to continue implementation of the ACA tax law provisions. This includes business requirements, solution architecture, solution engineering, program and project management, security management, and applications development, as well as operations and maintenance activities. Vital components of the investment include:

- Implementing new technology and modifying existing compliance systems to detect potential fraud and noncompliance activities associated with refundable credits, such as the PTC, and validating ACA-related tax forms.
- Implementing new technology and modifying existing systems to be able to calculate and assess Applicable Large Employer Shared Responsibility Payments. The IRS will develop a new IT system, ACA Compliance Management (ACM), to support this business capability.

- Maintaining and expanding repositories that store data about household-level income to help determine eligibility for and reconciliation of the PTC. Additional data will be collected and stored, including periodic data received from the federal and state insurance marketplaces that the IRS will use to validate individual claims for PTC and ACA-related information returns data.
- Preparing IT systems to support the annual open enrollment and ongoing exchange eligibility processes by providing income and family size information from recent tax returns;
- Modifying and updating tax account systems to assess and collect penalties and fees, such as the Individual and Employer Shared Responsibility Payment;
- Expanding tax account and case management systems to facilitate responses to taxpayer inquiries; and
- Updating IRS Call Center systems and processes.

Other Direct Costs

There are no other direct costs associated with the initiative.

Improve Upfront Identification and Resolution of Identity Theft Returns +$18,884,000 / +193 FTE

This initiative strengthens the integrity of the tax system by improving the IRS's ability to detect and prevent improper refunds.

Position Type/Other Costs	FTE	Positions	$000
Expand Identity Protection Specialized Unit (IPSU)	**134.00**	**134**	**$11,565**
Customer Service Representative	134.00	134	11,565
Expand External and Industry Leads	**6.00**	**8**	**$952**
Analyst	6.00	8	952
Other Direct Costs	**53.00**	**71**	**$6,367**
Taxpayer Advocacy Specialist	53.00	71	6,367
Total	**193.00**	**213**	**$18,884**

Expand Identity Protection Specialized Unit (IPSU) (+$11.6 million / +134 FTE)

The prevention and resolution of identity theft cases is one of the highest priorities for the IRS. The rapid growth of tax-related identity theft has resulted in a backlog of cases, which the IRS has addressed by applying resources from other programs, including customer service. In FY 2016, the IRS projects approximately 635,000 identity theft receipts, but with current resources will only be able to close 544,000 of them. This funding will allow the IRS to close an estimated 91,000 additional identity theft cases in FY 2016 and control the backlog without applying resources from other programs. Resources will help taxpayers affected by identity theft to get their issues resolved timely and prevent them from being burdened with the same issues from year to year. Without the requested resources, the IRS anticipates growing inventory levels and increasing time to resolve victim cases.

Funds will also expand the capacity of IPSU to handle new case receipts. IPSU employees are the only employees authorized and trained to respond to IRS data loss notification inquiries. New cases in the IPSU grew from about 188,000 receipts in FY 2010 to 730,000 in FY 2014. Receipt levels are expected to remain fairly constant and in FY 2016, the IRS is projecting approximately 749,000 new IPSU receipts. New funding will allow the IRS to close an estimated 9,000 additional cases more than in FY 2014.

These funds also provide analytical support for the Return Integrity and Compliance Services (RICS) program. Additional analysts will identify, evaluate, and prevent the issuance of improper refunds; help taxpayers understand the refundable tax credits for which they are eligible; and engage taxpayers with notices and letters that are written in plain language that is easy to understand.

Expand External and Industry Leads ($+1.0 million / 6 FTE)

The IRS External Leads staff recovers funds related to questionable refunds from external sources. Since the External Leads program was developed in 2010, lead sources (e.g., financial institutions, state agencies, and tax providers) have grown from 30 to 380. Expanding this staff will enable the IRS to increase the number of financial institutions that participate in the External Leads program each year and provide support for external leads pattern development, industry leads initiatives with the software industry, state leads, return preparer leads, and informant referrals. Additional resources also will improve efficiency in review and disposition of leads received from external sources, and increase rejected direct deposit initiatives.

The IRS Industry Leads teams research refunds identified as fraud for links and patterns and stop additional refunds associated with these patterns. The IRS projects that the External and Industry Leads teams will recover more than $951 million in fraudulent refunds during FYs 2013 and 2014.

This initiative, in addition to the enforcement activities included in the *Prevent Refund Fraud and Identity Theft* initiative, supports the IRS's efforts to address the growing concerns associated with refund fraud and identity theft. Funds to address the increased Taxpayer Advocate Service (TAS) workload associated with the enforcement activities in the cap adjustment of these efforts are identified in the Other Direct Costs section below.

Other Direct Costs (+$6.4 million / +53 FTE)

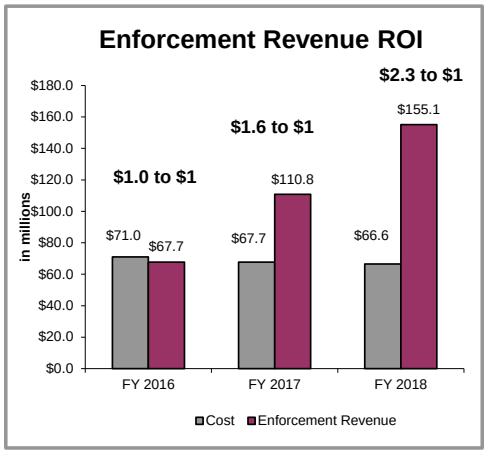
Dollars in Millions

IRS Activity	Cost	FTE	Positions	Explanation
Taxpayer Advocate Service (TAS)	$6.4	53.00	71	Provide support by working new cases that arise from the Taxpayer Protection Program. TAS estimates that it will receive nearly 8,500 new cases due to the program in its Case Advocacy function. TAS will also monitor, respond, and work new cases received on the Systemic Advocacy Management System (SAMS) that identifies and corrects systemic problems in its Systemic Advocacy function.
Total	**$6.4**	**53.00**	**71**	

Implement FATCA+$71,005,000 / +461 FTE

This initiative will provide funding for enforcement staff to implement new reporting, disclosure, and withholding requirements mandated by the FATCA that were enacted in the Hiring Incentives to Restore Employment (HIRE) Act of 2010 (Public Law 111-147). This initiative is expected to produce additional annual enforcement revenue of $155.1 million once the new hires reach full potential in FY 2018, an ROI of $2.3 to $1.

Position Type/Other Costs	FTE	Positions	$000
Implement Foreign Account Tax Compliance Act (FATCA)	**321.00**	**321**	**$38,432**
Revenue Agent	88.00	88	16,211
Tax Examiner	87.00	87	7,970
Analyst	126.00	126	12,015
Support Staff	20.00	20	2,236
Implement IT Changes to Deliver FATCA	**140.00**	**140**	**$32,573**
IT Specialist	140.00	140	21,821
Contractual Services			10,752
Total	**461.00**	**461.00**	**$71,005**



Major Activities	FY 2018 Projected Revenue and Workload		
	Revenue ($M)	Individual Returns	Speciality Returns
Implement Foreign Account Tax Compliance Act (FATCA)	**155.1**	**1,000**	**125**
Total	**$155.1**	**1,000**	**125**

Implement FATCA (+$38.4 million / +321 FTE)

This initiative will allow the IRS to address foreign withholding compliance and expand coverage of international tax return filings. FATCA seeks to improve offshore compliance by imposing new information reporting requirements on foreign financial institutions (FFIs) with respect to U.S. accounts and new withholding, documentation, and reporting requirements for payments made to certain foreign entities.

FATCA seeks to improve offshore compliance by imposing a 30 percent withholding tax on U.S. source payments to FFIs unless an institution agrees to disclose information on U.S. account holders or certifies that it does not have any U.S. customers. All FFIs that report U.S. source income must enter into an agreement with Treasury to report to the IRS all accounts of U.S. persons or the withholding tax penalty will apply. Since foreign investment information is difficult to come by, as investment flows may pass through chains of foreign intermediaries, the U.S. Qualified Intermediary program works to enforce compliance with U.S. source-based taxation laws.

Furthermore, the FFIs must comply with requests by the Treasury for additional information regarding each U.S. account and must attempt to obtain from each holder of a U.S. account a waiver of any bank secrecy law that would otherwise prevent such a report. If a waiver cannot be obtained from each holder of a U.S. account, the account will be closed. This initiative funds enforcement of these reporting requirements.

Additional resources also will provide new coverage for discrepancies identified through third party data matching and will enhance and centralize coverage for nonfiler taxpayers and for those with withholding-related issues. The funding also will allow the IRS to handle the calls/communications resulting from notices sent to taxpayers. The IRS will compile data and reports that will provide more complete background information during the initial set up of related audit case files.

Further, these resources will help the IRS address potential under withholding of U.S. source income flowing to undisclosed jurisdictions and unknown recipients offshore. The initiative will involve a systematic analysis of the process surrounding Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*, to better target compliance and enforcement activities.

Implement IT Changes to Deliver FATCA (+$32.6 million / +140 FTE)

This initiative will fund investments in building and maintaining the technology necessary to deliver FATCA. These automated tools will reduce the response time needed to identify and resolve abusive tax-avoidance issues, provide unprecedented visibility into international tax compliance risks, and meet the legal and reporting requirements prescribed by the HIRE Act of 2010:

- *FFI Registration* allows FFIs to electronically register and sign agreements with the IRS to report on their US-held accounts as specified by FATCA;

- *International Data Exchange Service (IDES)* receives Form 8966, *FATCA Report*, and Form 1042-S/T, *Annual Withholding Tax Return for U.S. Source Income of Foreign Persons*, input from FFIs through Intergovernmental Agreements and transmits forms in XML format to the Integrated Compliance Management Model (ICMM);
- *Integrated Compliance Management Model (ICMM)* receives, processes, stores, and manages FATCA data received from various sources and creates reports to conduct data analytics for future document matching and compliance activities;
- *Refund Processing and Fraud Detection* supports the development of processes to validate and issue refund payments against withheld taxes, and to identify and prevent refund fraud;
- *Compliance Solution* supports development and implementation of strategies to use FATCA data, taxpayer filings, and third party data to identify and treat noncompliance on the part of U.S. taxpayers, participating foreign financial institutions (PFFIs)/Host Country Tax Authorities (HCTAs), U.S. withholding agents, and taxpayers requesting refunds;
- *Withholding Payment Processing (WPP)* supports the development of processes to collect withholding payments and associated reporting from U.S. withholding agents and PFFIs as required under FATCA legislative mandates; and
- *Taxpayer Reporting* captures data to facilitate the usage of FATCA data and taxpayer filings (Form 8938, *Statement of Specified Foreign Financial Assets*, Financial Crime Enforcement (FinCen) Report 114 (formerly TD F 90-22.1), *Report of Foreign Bank and Financial Accounts* (FBAR), and others) in compliance workload identification, return selection, and execution of examinations by resolving problems encountered during filing season and enabling transcription of Form 8938 data.

Other Direct Costs

There are no other direct costs associated with this initiative.

Sustain Critical Information Technology (IT) Infrastructure +$188,514,000 / +157 FTE

This initiative requests resources for mainframes, servers, laptops, network devices, and communication equipment to keep IRS infrastructure (hardware and software) current for existing and newly developed systems. The IRS's IT division provides technology services and solutions that drive effective tax administration, improve service, modernize systems, and ensure the security and resiliency of IRS information systems and data. This initiative supports the 2014-2017 IRS Strategic Plan with the following strategic objective: *Invest in Innovative, Secure Technology Needed to Protect Taxpayer Data and Support Taxpayer, Partner and IRS Business Needs.*

Position Type/Other Costs	FTE	Positions	$000
Filing Season Infrastructure Refresh	**63.00**	**84**	**$77,450**
IT Specialist	63.00	84	10,307
Contractual Services			9,583
Hardware and Software			55,749
IT Equipment			1,811
Mobile Workforce Infrastructure Refresh	**58.75**	**78**	**$68,518**
IT Specialist	58.75	78	9,569
Contractual Services			5,400
Hardware and Software			51,864
IT Equipment			1,685
Internet Protocol Version 6 (IPv6)	**0.75**	**1**	**$1,595**
IT Specialist	0.75	1	126
Contractual Services			209
Hardware and Software			1,220
IT Equipment			40
Transition to Virtual Environments	**27.00**	**36**	**$32,335**
IT Specialist	27.00	36	4,417
Contractual Services			3,985
Hardware and Software			23,180
IT Equipment			753
IT Operating Platform Refresh	**7.50**	**10**	**$8,616**
IT Specialist	7.50	10	1,258
Contractual Services			1,050
Hardware and Software			6,110
IT Equipment			198
Total	**157.00**	**209**	**$188,514**

For the past few years, the IRS has been faced with increased demand for IT projects and services, with significant resources going towards implementing legislative mandates, including the FATCA and the ACA, and other mission-critical priorities. This has severely restricted the IT program's capacity in other key operational areas including sustaining infrastructure.

The IRS has a large and increasing amount of aged hardware, some of which is three to four times older than industry standards. At the beginning of FY 2015 , the total cost of aged hardware inventory that needed updating was estimated at $482 million, representing 59 percent of the total IRS inventory. Additionally, IRS enterprise system software is on average three releases behind industry standards. Specifically, 40 percent of the software products utilized in the IRS infrastructure are two or more releases behind the most current release and of that 15 percent are greater than four releases.

The farther behind the IRS falls in maintaining the currency of hardware and software, the more problematic and expensive it becomes to sustain or upgrade. Such conditions introduce security risks, excessive system downtime, and incompatibilities across systems and programs. The current state of IRS infrastructure poses significant risk of failure. It is unknown when these failures will occur, how severe they will be, or whether they will have material impacts on tax administration during the filing season.

This initiative will allow the IRS to:

- Enhance systems security to help anticipate evolving threats;
- Increase reliability of enterprise infrastructures to support the increasing number of tax forms submitted electronically;
- Improve risk mitigation capabilities;
- Increase the use of cloud and virtual environments for productivity tools and tax-administration applications; and
- Expand use of next generation of advanced telecommunication technologies (i.e., mobile broadband, wireless, collaboration environments).

Filing Season Infrastructure Refresh (+$77.5 million / +63 FTE)

To ensure continued filing season success, the IRS must upgrade aged, critical equipment needed to support the receipt and processing of tax returns, including:

- Four mainframes, 1,100 servers, and associated infrastructure for tax processing;
- Thirteen large print systems and 10 inserters for taxpayer notices; and
- Problem resolution tools to detect and combat non-compliance.

Mobile Workforce Infrastructure Refresh (+$68.5 million / +58.75 FTE)

Geographically dispersed employees and a mobile workforce create unique challenges to effective task performance and the development of interpersonal relationships. This funding provides hardware and software to replace outdated technology that supports the mobile workforce, including:

- Networking infrastructure, such as mobile devices, security validation for users, VoIP (phone service through the computer network), and IRS employee laptops and desktop requirements through contracts on an as needed basis; and
- Enterprise systems software, including Lync 2013 (a unified communications platform for the IT enterprise) and SharePoint 2013 (online collaboration and secure document sharing).

Internet Protocol Version 6 (IPv6) Compliance (+$1.6 million / +0.75 FTE)

This funding continues implementation of an OMB mandate (September 28, 2010) that requires all federal agencies to transition to IPv6. This implementation will:

- Secure communication with other federal agencies and third-party partners;
- Update public facing/external servers and services; and
- Upgrade internal client applications that communicate with public Internet servers and support enterprise networks.

Transition to Virtual Environments (+$32.3 million / +27 FTE)

By using outsourced managed infrastructure services with the same level of security and privacy controls as existing systems, this project will allow the IRS to replace outdated server technology. The long-term dividends of upgrading to a service delivery, cloud environment include:

- Providing IT tax processing services through a current hardware and software environment;
- The ability to deploy an information technology or telecommunications service by using predefined procedures that are carried out electronically without requiring human intervention;
- Transitioning from a proprietary software to an open source software for IRS mainframes;
- Keeping pace with new industry standards for cloud computing; and
- Increase utilization of hardware capacity.

IT Operating Platform Refresh (+$8.6 million / +7.5 FTE)

This investment will help refresh infrastructure that has exceeded its useful life. The following issues demonstrate the need for this refresh:

- Infrastructure is no longer operating reliably or needs an additional capability that is not available through an upgrade;
- Existing systems are being retired because of non-support or maintenance issues;
- The infrastructure is unable to support the latest release of software, growth of the current application demand, or meet the latest federal security configuration standards; and
- To meet consolidation requirements, servers with higher performance, more memory capacity, and increased input/output communication capabilities are required.

The IRS would use these funds strategically to reduce the proportion of its equipment and software that is aged and out of warranty.

Other Direct Costs

There are no other direct costs associated with this initiative.

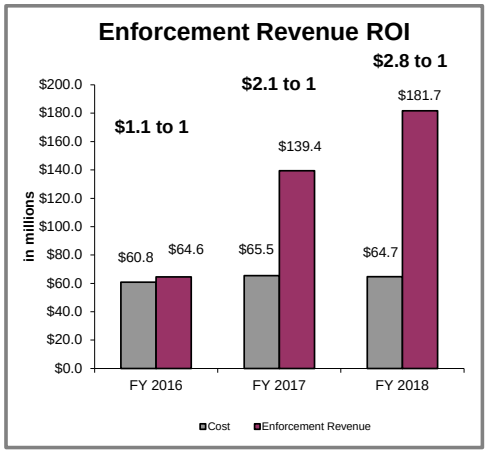
Address Impact of ACA Statutory Requirements +$67,206,000 / +483 FTE

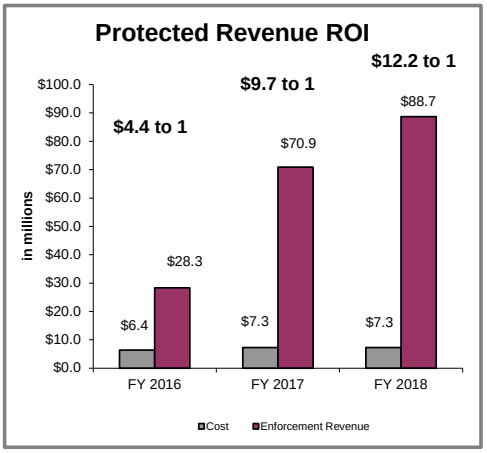
As tax laws change, the IRS must implement programs to ensure that taxpayers understand the new laws and address noncompliance. Funding for this initiative will promote compliance activities related to new ACA tax provisions and will:

- Administer new fees on drug manufacturers and health insurers;
- Strengthen oversight of tax-exempt hospital organizations, including refining the community benefit reviews and leveraging this data to conduct examinations;
- Expand coverage of new provisions related to the PTC, individual responsibility requirement, and large employer insurance; and
- Address new audit requirements related to the Employer Shared Responsibility Payment.

This initiative is expected to annually produce additional enforcement revenue of $181.7 million, once the new hires reach full potential in FY 2018, an ROI of $2.8 to $1, and protect $88.7 million of revenue, a protected ROI of $12.2 to $1.

Position Type/Other Costs	FTE	Positions	$000
Administer New Fees on Drug Manufacturers and Health Insurers	**9.00**	**9**	**$1,303**
Revenue Agent	7.00	7	1,138
Support Staff	2.00	2	165
Strengthen Oversight of Exempt Hospitals	**55.50**	**65**	**$7,601**
Revenue Agent	30.75	36	4,618
Tax Law Specialist	5.00	6	901
Tax Technician	12.50	14	1,303
Support Staff	7.25	9	779
Promote Compliance with Other ACA Provisions	**302.50**	**377**	**$32,721**
Increase Examination Coverage	**96.75**	**122**	**14,926**
Revenue Agent	70.25	88	11,616
Manager, Analyst and Support Staff	23.00	30	2,759
Communications Specialist	3.50	4	551
Increase Correspondence Examination	**172.75**	**211**	**14,851**
Tax Examiner	141.50	171	11,745
Manager and Support Staff	31.25	40	3,106
Prevent Identity Theft and Refund Fraud	**10.50**	**14**	**950**
Tax Examiner	4.50	6	414
Seasonal	4.50	6	336
Manager and Analyst	1.50	2	200
Expand Collection Program Coverage	**22.50**	**30**	**1,994**
Tax Examiner	22.50	30	1,994
Program Management Office (PMO)	**34.00**	**34**	**$10,328**
Program Analyst	34.00	34	5,957
Contractual Services			4,371
Implement Statutorily Mandated Data Protection	**12.25**	**13**	**$3,329**
Program Analyst	12.25	13	2,040
Contractual Services			1,289
Other Direct Costs	**69.75**	**82**	**$11,924**
Appeals Officer	15.75	20	2,769
Attorney	46.00	52	8,279
Support Staff	5.75	7	567
HR Specialist	2.25	3	309
Total	**483.00**	**580.00**	**$67,206**





Major Activities	FY 2018 Projected Revenue and Workload						
	Enforcement Revenue ($M)	Revenue Protected ($M)	Inquiries Worked	Pre-Refund Closures	Closures	Additional Entity Closures	Hospital Community Benefit Reviews
Administer New Fees on Drug Manufacturers and Health Insurers	2.5				1,750		
Strengthen Oversight of Exempt Hospitals					1,000	5	1,000
Promoting Compliance with Other ACA Provisions							
Examination Coverage	60.2				3,876		
Correspondence Examination	67.4	88.7		38,800	26,626		
Collection Program	51.7		140,000				
Total	**$181.7**	**$88.7**	**140,000**	**38,800**	**33,252**	**5**	**1,000**

Administer New Fees on Drug Manufacturers and Health Insurers
(+$1.3 million / +9 FTE)

The IRS must continue to administer a new aggregate annual fee on businesses engaged in manufacturing and importing branded prescription drugs sold to specified government programs. The fee, set at $3 billion for 2015, represents a significant new source of revenue. The IRS will receive and process information from manufacturers/importers and specific government programs (Veterans Affairs, Medicare Parts D and B, Medicaid, Department of Defense, and TriCare) to determine each manufacturer's fee assessment. Continuing administration includes IRS collection of data, computation of each entity's fee amount, and notification of payment due. In addition, the IRS must administer a new annual fee on health insurance policies and self-insured health plans based on the average number of covered lives, which is effective for policy years ending after September 30, 2012. That fee is expected to raise more than $2.6 billion in the years 2013 to 2019 to fund the new Patient Centered Outcomes Research Institute. Further, the IRS must also continue to administer a new aggregate annual fees based on net premiums written by health insurance providers, set at $11.3 billion for 2016.

Strengthen Oversight of Exempt Hospitals (+$7.6 million / +55.5 FTE)

The ACA establishes new requirements for tax-exempt hospitals, which comprise a majority of the hospitals in the United States. IRS submission processing operations will need additional staff to process the newly required reports. Additionally, the IRS, in consultation with the Department of Health and Human Services, must develop and deliver a new annual report to Congress on levels of charity care in the hospital sector.

Promote Compliance with Other ACA Provisions (+$32.7 million / +302.5 FTE)

This initiative requests resources to promote compliance with previously implemented provisions of the ACA, including modifying processes in response to filing and compliance trends in the initial processing years. Existing individual and employer compliance processes have been modified to support implementation. This initiative provides resources for additional revenue agents and tax examiners to detect fraud and identify and examine returns with the highest compliance risk, including:

- *New Tax on Net Investment Income and Additional Medicare Tax.* Filing Season 2014 marks the first processing year for a new tax on net investment income for taxpayers with

an adjusted gross income over certain thresholds ($200,000 for individual taxpayers, $250,000 for married taxpayers filing jointly) and an additional Medicare Tax on wages above the same thresholds was established, for which employers implemented new withholding.

- *Small Business Health Tax Credit (SBHTC) and the Indoor Tanning Excise Tax*. These resources will allow the IRS to increase audit coverage on taxpayer returns claiming the SBHTC and taxpayers who may be subject to the excise tax on indoor tanning services.
- *PTC and Individual Shared Responsibility Payments.* These resources will provide correspondence examination staff to increase examination coverage and decrease the underreporting tax gap. The additional staff will process new notices and respond to taxpayer telephone and correspondence inquiries related to provisions in the ACA, which added the new PTC in Internal Revenue Code (IRC) §36B, individual responsibility payments in IRC §5000A, and related information returns required under IRC §36B and §6055. The PTC is a potentially large refundable credit and brings increased compliance risk. The IRS requests additional resources to address erroneous claims for the credit before refunds are issued.
- *Employer Shared Responsibility Payment*. Examination Specialty Programs will administer the Employer Shared Responsibility Payment provision added by the ACA as IRC §4980H. This provision came into effect on December 31, 2014.

Program Management Office (+$10.3 million / +34 FTE)

With these resources, the ACA Program Management Office (PMO) will continue to prepare the IRS to process Form 1040, *U.S. Individual Income Tax Return*, modify existing business processes to address pre-refund and post-filing compliance activities, and ensure business requirements are built in to regulations, forms, and IT systems.

Implement Statutorily Mandated Data Protection (+$3.3 million / +12.25 FTE)

Disclosure of certain tax return information is necessary as part of the eligibility determination process for enrollment in a Qualified Health Plan (QHP) through an exchange (either a state-based or federally-facilitated exchange). These resources will allow the IRS to continue to administer IRC §6103, Safeguarding Federal Tax Information, for the new sharing of data with non-IRS recipients under the ACA, which will require advance inspections, data sharing agreements, and monitoring by the IRS.

This funding also will allow the IRS to provide oversight and outreach to state-based marketplaces certified by the Department of Health and Human Services (HHS), the federal marketplace administered by HHS/Centers for Medicare & Medicaid Services (CMS), and state agencies that administer Medicaid programs. It will ensure that these new state and federal agencies receiving federal tax information are appropriately protecting federal tax information within their control, as required.

Other Direct Costs (+$11.9 million / +69.75 FTE)

Dollars in Millions

IRS Activity	Cost	FTE	Positions	Explanation
Appeals	$2.8	15.75	20	Appeals case receipts will increase by new examination closures completed by initiative hires that will require adjudication in the appeals process.
Chief Counsel	$8.8	51.75	59	Counsel will provide legal advice to identify areas of noncompliance and equitable resolutions.
Human Capital Office	$0.3	2.25	3	Handle increased workload to hire and support staff.
Total	**$11.9**	**69.75**	**82**	

Enhance Service Options for Taxpayers +$16,243,000 / +54 FTE

Position Type/Other Costs	FTE	Positions	$000
Improve Taxpayer Experience	**54.00**	**72**	**$16,243**
Analyst	54.00	72	9,633
Contractual Services			6,610
Total	**54.00**	**72**	**$16,243**

The IRS is developing a customer-centric strategy (Service on Demand (SOD)) focused on improving the taxpayer experience by understanding taxpayers' wants, needs, and service channel preferences. This investment will help to design and implement new online service options and will provide project oversight and business support. By creating new digital capabilities and reducing the burden on taxpayers, SOD will change the IRS's relationship with taxpayers and allow earlier and more frequent engagement. The overall goal is to empower every person with the means to manage their tax information securely and conveniently. This initiative will improve the speed and convenience of interacting with the IRS.

To create SOD, the IRS has made an effort to identify opportunity areas and develop recommendations to transform how the IRS and taxpayers interact throughout the return filing lifecycle (pre, at, and post). Identified high-priority opportunities will focus on six project areas:

- Online Account features will allow individual taxpayers to view their transcripts, balance due, refund status and payment history, and update their personal information;
- Taxpayer Digital Communications will streamline the process for minor return changes through the use of secure, digital self-service and increased oral statement authority;
- Third Party Services will expand indirect services through government agencies, tax preparation software, or tax preparation service providers by establishing authorized access to taxpayer information;
- Taxpayer Analytics will leverage insights gained from analyzing taxpayer behavior to develop broad, integrated communication campaigns targeted at common errors to drive desired behavior;
- Payments will provide new mobile electronic payment options; and
- Forms & Publications will upgrade all IRS forms, publications and accompanying instructions to be web-friendly, searchable, and written in plain language.

These cross-channel service changes will improve service delivery by providing new digital options to taxpayers and creating capacity for live assistance to focus on the issues where taxpayer needs are greatest due to complexity or other challenges. This initiative also will provide resources to modernize and expedite the way the IRS delivers customer service, to include:

- Improving the user experience on IRS.gov, the toll-free line, and in the Taxpayer Assistance Centers;
- Providing messaging and marketing to direct taxpayers to the best service delivery channel and products to meet their needs;

- Providing easy-to-understand, actionable information via IRS.gov;
- Providing proactive communications for status updates, outreach, and education;
- Partnering with third-party providers to develop new ways to deliver service;
- Improving service analytics to understand changes in demand and address emerging taxpayer needs; and
- Developing and implementing new digital products.

These resources will provide staff that will work closely with the IRS business units and the Information Technology office to define requirements for new online service options. This would include digital service experts that will facilitate the design, implementation, launch, and monitoring of new online self-service tools.

Funding for the information technology to implement these recommendations is requested in the initiative, *Leverage New Technologies to Advance the IRS Mission*.

Other Direct Costs

There are no other direct costs associated with this initiative at this time.

Restore Staffing for Essential Support Programs +$19,938,000 / +152 FTE

This initiative will provide staffing for IRS support organizations to address base functional requirements that have been challenged by the staffing constraints experienced since FY 2011. In order to continue to provide services at an optimal level, these functions require additional staffing.

Position Type/Other Costs	FTE	Positions	$000
Provide Effective Procurement, Security and Employee Support Services	**34.00**	**43**	**$4,434**
Analyst	34.00	43	4,434
Develop and Support Human Capital Management Strategies	**78.25**	**99**	**$10,040**
Analyst	78.25	99	10,040
Support Research to Improve Tax Administration	**19.25**	**25**	**$2,609**
Economist/Statistician	9.50	12	1,246
IT Specialist	4.50	6	607
Analyst	4.50	6	649
Clerical	0.75	1	107
Ensure Sound Financial Management	**16.75**	**21**	**$2,208**
Analyst	16.75	21	2,208
Protect Taxpayer Privacy	**3.75**	**5**	**$647**
Analyst	3.75	5	647
Total	**152.00**	**193**	**$19,938**

Provide Effective Procurement, Security, and Employee Support Services
(+$4.4 million / +34.00 FTE)

Agency Wide Shared Services (AWSS) is responsible for the overall management of Shared Services, providing payroll, facilities, physical security, travel, credit card, cross-functional administrative, and procurement support for all organizational entities within the IRS.

Since FY 2011, AWSS has seen a 26 percent reduction in staffing. Continued attrition will impact the provision of necessary support functions. Without further staffing, AWSS will be unable to provide its customers with an optimal level of support.

These resources will restore activities that have been negatively impacted by hiring constraints and will help to effectively execute requirements.

Develop and Support Human Capital Management Strategies
(+$10.0 million / +78.25 FTE)

The Human Capital Office (HCO) provides strategies and tools for recruiting, hiring, developing, and retaining a diverse, highly skilled and valued workforce to support the IRS. In a 2014 Enterprise Risk Management analysis, staffing and training were listed among the top human resources risks. The requested additional hires will allow HCO to continue building a highly talented, diverse workforce and cultivating an inclusive and collaborative environment.

Support Research to Improve Tax Administration (+$2.6 million / +19.25 FTE)

Research, Analysis & Statistics (RAS) provides research, analytical, statistical, and technology services to improve tax administration for many stakeholders, including the IRS, the Treasury Office of Tax Analysis, the Joint Committee on Taxation, and the Bureau of Economic Analysis.

Since FY 2011, RAS has experienced a 15 percent decline in staffing while responsibilities have increased because of emerging issues related to FATCA, ACA, and identity theft.

Realigning resources to handle the additional responsibilities has required diverting staff from existing projects. Without additional staffing resources, RAS will be unable to provide its customers with an optimal level of support in several areas.

Ensure Sound Financial Management (+$2.2 million / +16.75 FTE)

The Chief Financial Officer (CFO) organization ensures the delivery of sound financial management by supporting various processes and programs, including the formulation and execution of the budget, audit and A-123 oversight, cost accounting and financial reporting, and quality assurance and strategic plan activities.

Over the last several years, the CFO organization has lost nearly ten percent of its staff due to attrition and budget cuts. At current staffing levels, it is becoming increasingly difficult to successfully deliver on existing efforts and handle the additional workload related to implementing legislative requirements and mandates, including ACA and FATCA.

Protect Taxpayer Privacy (+$0.7 million / +3.75 FTE)

Privacy, Governmental Liaison, and Disclosure (PGLD) preserves and enhances public confidence by advocating for the protection and proper use of identity information. Changes in directives from Treasury and increased contractor concerns have precipitated the need for additional staffing to focus on contractor oversight, civil liberties, and records retention.

Other Direct Costs

There are no other direct costs associated with this initiative.

Increase Service for Low-Income Taxpayers and Taxpayers in Need of Hardship Relief +$5,719,000 / +27 FTE

Position Type/Other Costs	FTE	Positions	$000
Expand Low Income Taxpayer Clinics	**0.75**	**2**	**$2,285**
Program Analyst	0.75	2	285
Grants			2,000
Taxpayer Advocate Support to Enforcement Programs	**26.25**	**35**	**$3,434**
Taxpayer Advocacy Specialist	26.25	35	3,434
Total	**27.00**	**37**	**$5,719**

This initiative provides support for taxpayers facing financial hardship by increasing funding for the Low Income Taxpayer Clinic (LITC) Grant Program from $10 million to $12 million. It also increases funding for the Taxpayer Advocate Service (TAS) by $3.4 million to address the anticipated additional workload resulting from increased IRS enforcement activities requested in the cap adjustment of the FY 2016 Budget.

Expand Low Income Taxpayer Clinics (+$2.3 million / +0.75 FTE)

The LITC program provides matching grants to community organizations that offer tax representation and advice to low-income taxpayers and conduct education and outreach to taxpayers for whom English is a second language. In addition to grant increases, this investment will also strengthen clinic assistance and oversight to ensure federal grant funds are properly spent and accounted for by adding two new analyst positions in the LITC Program Office to increase the number of site assistance visits conducted each year.

By providing low-income and individuals who speak English as a second language taxpayers with access to legal services for free or a nominal fee, the IRS ensures that these taxpayers receive high quality representation and education about their rights and responsibilities. LITCs ensure that low-income taxpayers receive the correct outcome in disputes with the IRS and pay the correct amount of tax. LITCs also reduce taxpayer uncertainty and errors by clarifying and helping taxpayers understand their rights and responsibilities. LITCs can resolve issues early in the process and offer effective information and education through outreach efforts. Finally, LITCs are a safety net that provide low-income taxpayers with the assistance and support they need while ensuring that their rights are protected and preserved.

Taxpayer Advocate Support to Enforcement Programs (+$3.4 million / +26.25 FTE)

This portion of the initiative funds the increased Taxpayer Advocate workload from increased enforcement activities resulting from initiatives in the FY 2016 Budget. This includes additional staff for the TAS to ensure the IRS follows appropriate procedures, does not create unnecessary taxpayer burdens, and does not compromise taxpayers' rights.

A 2007 GAO report found that overall IRS enforcement actions result in downstream Taxpayer Advocate activities. TAS expects the additional case closures resulting from the new FY 2016 enforcement initiatives to generate an increase of 2,454 TAS cases from taxpayers attempting to resolve enforcement issues.

TAS serves as the "safety net" for U.S. taxpayers – essentially the last resort (short of appeals and litigation) that prevents taxpayers from falling through the cracks of tax administration. TAS accepts cases when either (i) an IRS enforcement action is creating a financial hardship for a taxpayer or (ii) normal IRS processes are not working properly and a taxpayer is

experiencing an unreasonable delay or other challenge in resolving an IRS problem. Issues that often require TAS involvement include resolving tax-related identity theft cases, helping taxpayers get levies released in appropriate cases, and helping taxpayers obtain refunds when overly broad IRS anti-fraud filters have held up their returns.

Other Direct Costs

There are no other direct costs associated with this initiative.

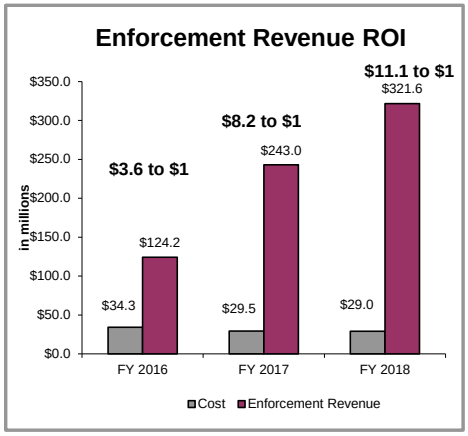
Implement Merchant Card and Basis Matching +$34,253,000 / +322 FTE

This initiative will provide additional enforcement staff that will allow the IRS to take advantage of the reporting provisions for merchant payment card and third party reimbursements enacted in the Housing and Economic Recovery Act of 2008 (Public Law 110-289); and basis reporting on security sales enacted in the Emergency Economic Stabilization Act of 2008 (Public Law 110-343). These efforts will ensure that the IRS will be able to:

Position Type/Other Costs	FTE	Positions	$000
Document Matching	**120.00**	**120**	**$10,693**
Tax Examiner	104.00	104	9,059
Taxpayer Advocacy Specialist	2.00	2	205
Support Staff	14.00	14	1,429
Compliance Workload	**186.00**	**186**	**$21,513**
Tax Examiner	89.00	89	7,281
Revenue Agent	40.00	40	4,831
Special Agent	36.00	36	7,193
Tax Technician	18.00	18	1,942
Support Staff	3.00	3	266
Other Direct Costs	**16.00**	**16**	**$2,047**
Tax Examiner - Appeals	2.00	2	177
Revenue Agent - Appeals	1.00	1	119
Appeals Officer	3.00	3	420
Attorney	6.00	6	965
Paralegal	2.00	2	194
Support Staff - Counsel	2.00	2	172
Total	**322.00**	**322**	**$34,253**

- Expand new compliance programs to ensure business and individual taxpayers meet their tax obligations;
- Investigate cases related to payment card and securities basis reporting issues and address discrepancies not suitable for resolution through the document matching verification process; and
- Address fraud and criminal violations that will be uncovered as the IRS establishes broader compliance programs.

This initiative is expected to produce additional annual enforcement revenue of $321.6 million, once the new hires reach full potential in FY 2018, an ROI of $11.1 to $1.



Major Activities	FY 2018 Projected Revenue and Workload Revenue ($M)	Closures	Investigations Completed
Document Analysis	**92.4**	**127,975**	
Compliance Worklaod	**229.3**	**104,742**	**66**
Total	**$321.6**	**232,717**	**66**

Document Matching (+$10.7 million / +120 FTE)

The IRS is modifying existing systems to perform new types of analysis related to merchant card payment transactions. Underreporting of gross receipts significantly contributes to the tax gap. The merchant payment card and third party reimbursements legislation enacted in the Housing and Economic Recovery Act of 2008 (Public Law 110-289) allows the IRS to identify businesses with a high likelihood of underreported gross receipts through analysis of their payment card receipts and network transactions as reported by payment card processors and third party settlement organizations.

This legislation requiring information reporting on merchant card and third party reimbursements will help reduce the tax gap in three ways:

- Provide businesses with an official year-end statement of merchant card payments and third party network transactions to avoid underreporting of income they may have overlooked;
- Provide the IRS with information to perform business income validation through document analysis; and
- Provide the IRS with information to identify businesses that evade tax obligations by not filing or by understating income.

Compliance Workload (+$21.5 million / +186 FTE)

Some underreporting discrepancies involving payment cards may require an examination of the return. These resources will use the following four mechanisms to help ensure that complicated transactions are properly reported for tax purposes and allow the IRS to address complex financial transactions with a focus on difficult accounting and tax law issues.

- Correspondence Examinations

  These funds will allow the Correspondence Examinations program to investigate complicated cases involving payment card and securities basis reporting issues and address discrepancies that cannot be reconciled in a verification process. This mechanism will ensure that transactions are reported properly for tax purposes and will help maintain adequate examination coverage of individuals and small businesses.

- Field Examination

  The improved data from filings allows the IRS to assess risks in taxpayer returns. The improved information will enhance the IRS's ability to allocate resources and better assess the need for audits or other compliance actions.

- Nonfiler Examination

  The new information reporting from payment card processors and third party settlement organizations will enhance the IRS's ability to detect business nonfilers.

- Criminal Investigation

  Special agents in Criminal Investigation will identify and investigate individuals and business entities with indications of fraud as a result of violations that are uncovered as

the IRS establishes broader compliance programs related to the merchant card and securities basis reporting legislation.

Other Direct Costs (+$2.1 million / +16 FTE)

Dollars in Millions

IRS Activity	Cost	FTE	Positions	Explanation
Appeals	$0.7	6.00	6	Support examination efforts on key compliance areas focused on improving voluntary compliance.
Chief Counsel	$1.4	10.00	10	Provide advice to revenue agents, revenue officers and the Department of Justice for District Court cases, review Notices of Deficiencies and litigate cases in the Tax Court.
Total	**$2.1**	**16.00**	**16**	

Cap Adjustment Program Increases .....+$667,297,000 / +3,491 FTE

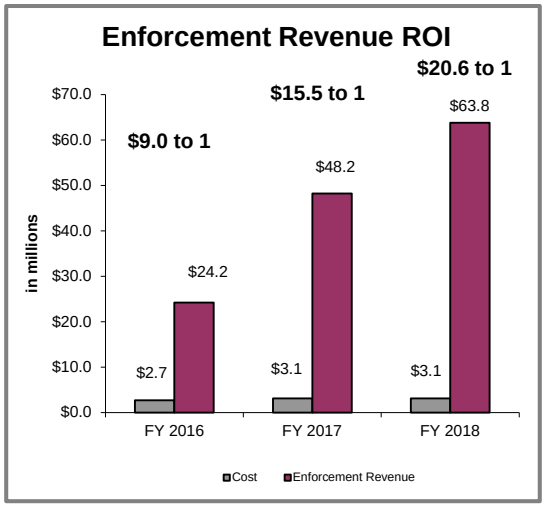
Prevent Identity Theft and Refund Fraud +$82,162,000 / +420 FTE

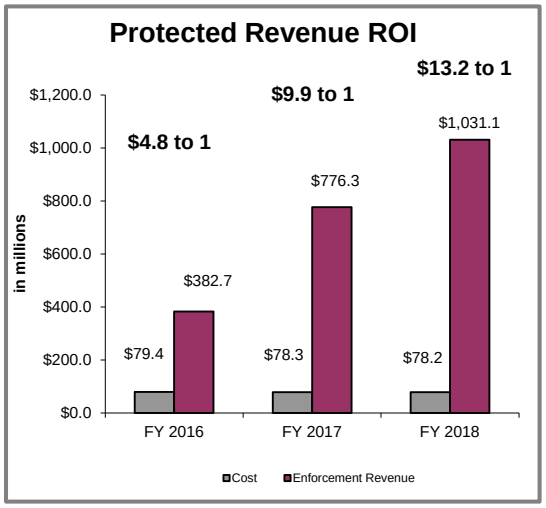
This initiative provides additional staffing and advanced technologies to handle the increased workload associated with identity theft and refund fraud. The resources requested will help the IRS to:

Position Type/Other Costs	FTE	Positions	$000
Improving The Prevention of ID Theft and Refund Fraud	**119.25**	**165**	**$13,580**
Revenue Agent	6.75	9	866
Tax Examiner	84.00	112	7,225
Analyst	12.00	22	1,585
Manager	7.50	10	951
Support Staff	1.50	2	138
Seasonal	7.50	10	559
Contractual Services			2,256
Correspondence Examination and Automated Underreporter Identity Theft Teams	**60.00**	**80**	**$5,399**
Tax Examiner	51.00	68	4,461
Manager	4.50	6	487
Support Staff	4.50	6	451
Prevention of False Tax Returns by Inmates	**7.50**	**10**	**$1,221**
Analyst	5.25	7	833
Disclosure Specialist	2.25	3	388
Criminal Investigation Support	**170.00**	**211**	**$38,333**
Special Agent	120.50	145	30,403
Analyst	49.50	66	7,080
Contractual Services			850
IT Project	**47.25**	**63**	**$21,052**
Centralized Repository	1.50	2	2,886
Dishonored Check Processing (DCP)	9.75	13	2,792
Electronic Fraud	18.00	24	2,579
Integrated Automated Technology (IAT) Tools	12.75	17	1,990
Web-based AFOIA	5.25	7	3,705
Eliminate SSN from Taxpayer Mailings			7,100
Other Direct Costs	**16.00**	**21**	**$2,577**
Attorney	12.75	17	2,274
Paralegal	0.75	1	77
Support Staff - Counsel	1.50	2	130
HR Specialist	1.00	1	96
Total	**420.00**	**550**	**$82,162**

- Improve upfront identification and resolution of identity theft returns;
- Address the backlog of identity theft cases associated with pre-refund and post-refund compliance activities;
- Recover funds related to questionable refunds from external sources;
- Prevent false tax returns filed by prisoners and reduce erroneous tax refunds;
- Address identity theft and tax refund fraud by focusing on bank accounts that receive multiple Automated Clearinghouse (ACH) or tax refund check deposits, combating temporary work visa exploitation, and working with the SSA to detect and prevent the submission of fictitious wage information;
- Continue the expansion of the specialized Criminal Investigation (CI) Identity Theft Clearinghouse that processes identity theft leads; and
- Invest in information technology projects that will protect taxpayer information, help verify potentially fraudulent identity theft tax returns, and reduce erroneous payments.

This initiative is expected to produce additional annual enforcement revenue of $63.8 million, once the new hires reach full potential in FY 2018, an ROI of $20.6 to $1, and protect revenue of $1,031.1 million, a protected ROI of $13.2 to $1.





Major Activities	FY 2018 Projected Revenue and Workload						
	Enforcement Revenue ($M)	Revenue Protected ($M)	Assessments ($000)	Fraudulent Refunds Recovered ($000)	False Returns Prevented	Investigations Completed	Closures
Improve the Prevention of ID Theft and Refund Fraud		972.0		205,770			
Correspondence Examination and Automated Underreporter Identity Theft Teams	63.8	59.1	70,000				50,800
Prevention of False Tax Returns Filed by Inmates					108,327		
Criminal Investigations Support						280	100,000
Total	$63.8	$1,031.1	$70,000	$205,770	108,327	280	150,800

Improving the Prevention of Identity Theft and Refund Fraud
(+$13.6 million / +119.25 FTE)

These resources will allow the IRS to expand programs to prevent identity theft related refund fraud, protect taxpayer identities, and assist victims of identity theft. The IRS will expand efforts to detect fraudulent refund returns and protect revenue by identifying patterns in refund return reviews and stopping additional refunds associated with the patterns identified.

- Establish IRS Campus Fraud Technical Advisors (FTAs)

  IRS Campus FTAs and revenue agents will provide investigative leads and referrals to federal, state, and local law enforcement agencies to solve identity theft cases.

- Protect data loss and federal tax information

  Recent legislation and data sharing agreements have added multiple state and federal agencies and exchanges that are new to receiving federal tax information. These agencies must complete the documentation required by Internal Revenue Code §6103 and protect federal tax information within their control. There is a critical need for additional staff to safeguard and effectively manage IRS information, and oversee compliance with safeguard agreements.

  IRS operations will be improved to help protect sensitive taxpayer and IRS employee information. The IRS will continue to monitor information leaving its networks for

vulnerabilities and increase employee awareness of and accountability for protecting Personally Identifiable Information (PII). Cybersecurity tools will enhance protection of taxpayer information and reduce the risk of identity theft and harm to taxpayers. The oversight of unencrypted PII leaving the IRS will allow timely assessment of identity theft risk or other potential harm to taxpayers.

- Implement Revenue Protection Strategy

  The IRS continues to improve its ability to stop fraud and abuse of refundable credits. The IRS will develop alternative streamlined processes that will prevent the issuance of erroneous refund payments. The new staff will identify trends, coordinate and follow leads from banks and other sources, and develop recommendations on how to address the findings (i.e., issue taxpayer notices, modify existing systems, etc.). They also will conduct case reviews to validate the potential areas of abuse and pilot the new recommended procedures. In addition, these resources will allow the IRS to expand and expedite access to third party income and withholding information during the filing season.

- Business Support to Optimize Use of Return Review Program (RRP)

  This component will ensure that the new RRP system meets the needs of both the compliance and criminal investigation programs. The new RRP supports a cross-functional approach to coordinating and addressing criminal and civil tax noncompliance. It enables analysis and supports case processing needs during criminal prosecution, revenue protection, accounts management, and taxpayer communications.

Correspondence Examination and Automated Underreporter Identity Theft Teams (+$5.4 million / +60 FTE)

The IRS will establish identity theft teams for the Correspondence Examination and Automated Underreporter (AUR) programs to reduce the impact of identity theft on taxpayers.

The Correspondence Examination and AUR programs address the tax gap by verifying individual reporting compliance through limited-scope audits and document matching reviews. The additional staff will increase examination coverage, decrease underreporting, and expand the identity theft program. Six dedicated Exam and AUR identity theft teams will address the case backlog associated with pre- and post- refund compliance activities and support resolution of future cases, resulting in nearly 50,800 closures.

Prevention of False Tax Returns Filed by Inmates (+$1.2 million / +7.5 FTE)

The American Taxpayer Relief Act (ATRA) of 2012 (Public Law 112-240), Section 209, made 26 U.S.C. Section 6103(k)(10) permanent, authorizing disclosure of false tax returns and tax return information filed by inmates to the officers and employees of the federal and state prison agencies responsible for their incarceration. This allows the agencies to use the IRS information as evidence against the prisoners during administrative hearings, potentially

resulting in disciplinary actions such as loss of privileges (e.g. access to visitors), loss of "good time" credits, or administrative segregation.

By deterring inmates from filing false or fraudulent tax refunds, the risk of discipline will reduce erroneous tax refunds, instances of identity theft, and the amount of illegal funds flowing into prison systems (or funds controlled by persons outside the prison but influenced by inmates). These illegal funds have been found to promote drug trafficking and use, promote other contraband, and incite violence both inside and outside the prison.

These additional resources will allow the IRS to:

- Develop and renew memoranda of understanding with the Federal Bureau of Prisons and state corrections agencies to provide IRS information as evidence against prisoners during administrative hearings;
- Develop the case selection approach, test case leads, and select cases with the Federal Bureau of Prisons and the state corrections agencies;
- Educate the Federal Bureau of Prisons and state corrections agencies on prisoners' tax fraud issues;
- Process the flow of the returns and return information requested by the various jurisdictions that have entered into memoranda of understanding with the IRS; and
- Facilitate the implementation of IRS safeguards with state corrections agencies, and provide ongoing review and evaluation of the implementation of safeguard standards by the various participating jurisdictions.

<u>Criminal Investigation (CI) Support (+$38.3 million / +170 FTE)</u>

- Refund Crimes Bank Secrecy Act Review Project

  The IRS will continue to use Bank Secrecy information regarding identity theft and tax refund fraud by focusing on bank accounts that receive multiple Automated Clearing House or tax refund check deposits. In 2013, 7,223 Suspicious Activity Reports (SARs) that referred to "Tax Refund Fraud" were filed. Schemes developed during the BSA pilot had an average refund loss rate of 53 percent. The average loss rate is the combined average percentage of refunds issued to perpetrator versus the total amount of refunds claimed in the refund fraud scheme. The Scheme Development Centers (SDC) will review such SARs weekly for possible development as well as to enhance and link ongoing schemes and investigations. Significant schemes developed by this project will be referred to the field office.

- Initiative to Combat Temporary Work Visa Exploitation

  The IRS has seen an increase in the use of J-1 visas and other exchange visitors' identities for filing false tax returns and serving as money mules to receive and facilitate the movement of false refunds. The SSN remains valid after the exchange visa holder exits the United States and can be utilized by criminal organizations to obtain fraudulent refunds from both within the United States and overseas. The IRS is currently collaborating with the SSA, FinCEN, and State Department to gather

identifying information for visa holders. This project will assist with revenue protection, scheme development, and investigative support.

- Social Security Administration Office of Inspector General (SSA-OIG) Referral Program

  The SSA-OIG Referral Project is the result of a working relationship between SSA-OIG and IRS. SSA-OIG has been alerted of fictitious submissions of wage information to the SSA, which in turn is passed to the IRS and is loaded into IRS Information Returns Processing (IRP). The loading of fictitious IRP information undermines the IRS's ability to properly verify the accuracy of returns and can lead to refunds based upon these fictitious submissions being released. The SSA Referral Project will provide information regarding these submissions to the IRS for further investigation and for potential revenue protection. These referrals will assist in criminal investigations and assist in the identification of perpetrators of identity theft schemes as well as participants in tax fraud schemes.

- Expand Identity Theft Clearinghouse

  These resources will allow the IRS to increase its participation in multi-agency task forces dedicated to tax administration and cooperation with state and local law enforcement agencies in jurisdictions where prosecutorial actions would have the greatest influence. The task forces will obtain information about criminal activity involving federal and state tax refunds to expedite prosecution by the Department of Justice while the criminal activity is still ongoing. These teams will target larger-scale crime rings for maximum compliance results and publicity. In addition, special agents will extend outreach efforts to practitioners from filing season only to year-round to provide information and address return preparer concerns.

<u>IT Project (+$21.1 million / +47.25 FTE)</u>

- Establish Centralized Repository for Fraud

  This project funds labor and technology that will enhance multiple core tax enforcement areas within IRS CI including fraud referrals, corporate fraud, employment tax, and abusive tax schemes.

  The centralized repository will:

  - Improve information sharing between business operating divisions and expand CI's capabilities to identify significant tax cases that ultimately help recoup lost tax revenue in areas that have experienced a decline in initiated investigations;
  - Increase cost savings and standardize the accountability of the entire fraud referral process (there is currently no streamlined process); and
  - Enhance overall enforcement efforts, increasing the number of convictions and facilitating restitution orders that will lead to additional assessments.

- Dishonored Check Processing (DCP)

  These resources will leverage technology to improve protection of taxpayer information, enhance efficiency, and reduce erroneous refunds.

  - DCP will improve the IRS's ability to efficiently process dishonored checks and prevent erroneous refunds caused by invalid payments. Currently, banks use a manual process to mail checks back to the IRS, taxpayer accounts are posted manually by the IRS, and the cases are assigned to tax examiners to research. DCP will leverage the Remittance Strategy for Paper Check Conversion system to provide a fast, systemic transfer of insufficient fund information to the IRS Dishonored Check File with no manual process involved.

- Improved Access to Social Security Administration (SSA) Data

  This will fund additional IT equipment and programming support to allow the IRS to get SSA Form W-2, *Wage and Tax Statement*, and SSA Form W-3, *Transmittal of Wage and Tax Statement,* data more quickly. Getting the data more quickly will accelerate the verification of wages and withholding on potentially fraudulent tax returns and shorten the processing time for legitimate refunds.

- Integrated Automated Technology (IAT) Tools

  IAT tools are desktop productivity-enhancing tools that automate certain taxpayer account processing activities. Funding for IAT technical resources support the design, development, and deployment of additional software tools to support anti-identity theft activities throughout the IRS.

  IAT-developed software programs are needed to match wage and withholding information, automate additional taxpayer correspondence, and identify potential identity theft cases. These additional resources will increase IAT's capacity for technology development by approximately three software programs per year.

- Web-based Freedom of Information Act (FOIA)

  The IRS processes over 66,000 annual requests for information through the FOIA and other channels and is able to complete 83 percent of the FOIA requests within the statutory period. A web-based platform will improve system stability and performance, reduce network interference, and provide the capability for additional enhancements such as a robust search and find feature that will provide additional protection against inadvertent disclosure of FTI. Automated Freedom of Information Act (AFOIA) is used for all GLDS work, including FOIA request processing, which has a 20 day statutory time frame for response. Treasury and Congress closely monitor FOIA. AFOIA is mostly compliant with 508 provisions with the exception of the document redaction functionality. Moving to a web-based product that is fully 508 compliant will ensure adherence to 508 requirements.

  Due to the absence of a robust search and find feature, human error is a factor. Errors could be reduced or eliminated in some cases with a search engine. Annual TIGTA audit findings have addressed the weakness of inadvertent disclosures as well.

Additionally, the web platform will establish the foundation for taxpayers to submit, monitor, and track their requests for information online.

The funding need is immediate because degradation of performance in the current system is impacting the timely delivery of FOIA requests within statute requirements. The current system is comprised of outdated client-server based technology and does not provide for additional controls required to improve inadvertent disclosure rate. This funding is required to begin development of a web based replacement system.

- Eliminate Social Security Number (SSN) from Taxpayer Mailings

  As part of an effort to eliminate and reduce the display of taxpayer SSNs on IRS notices, the IRS will continue to replace the printed SSN on notices with a 2-dimensional barcode.

  These funds will provide resources for software, infrastructure, and related support to further implement the Social Security Number (SSN) Elimination and Reduction 2-Dimensional (2D) Barcoding project. This phase of the project will reduce the display of SSNs on notices requesting a payment from the taxpayer, print barcodes on additional outgoing notices, and will create a system that reads 2D barcodes in the payment processing systems. This phase will reduce the use of SSNs on 88 notice types, eliminating the use of SSNs on notices to 48 million taxpayers. Overall, this project will reduce the use of SSNs on 226 notice types, eliminating the use of SSNs on notices mailed to 120.7 million taxpayers.

  The IRS is required to eliminate unnecessary collection, use, and display of SSNs within systems, programs, notices, letters, and forms to comply with the Office of Management and Budget (OMB) mandate as described in OMB M-07-16, *Safeguarding Against and Responding to the Breach of Personally Identifiable Information*. Safeguarding Personally Identifiable Information (PII) in the possession of the government is essential to ensure that the government retains the trust and confidence of the American public.

Other Direct Costs (+$2.6 million / +16 FTE)

Dollars in Millions

IRS Activity	Cost	FTE	Positions	Explanation
Chief Counsel	$2.5	15.00	20	Provide legal guidance throughout the course of the investigations and work with Federal and State agencies on developing memorandums of Understanding.
Human Capital Office	$0.1	1.00	1	Handle the increase in front-line positions and the expectation that new managerial positions will be created. Labor Relations support begins in the first year and continues throughout a manager's career, as needed. One Labor Relations Specialist supports 49 managers.
Total	**$2.6**	**16.00**	**21**	

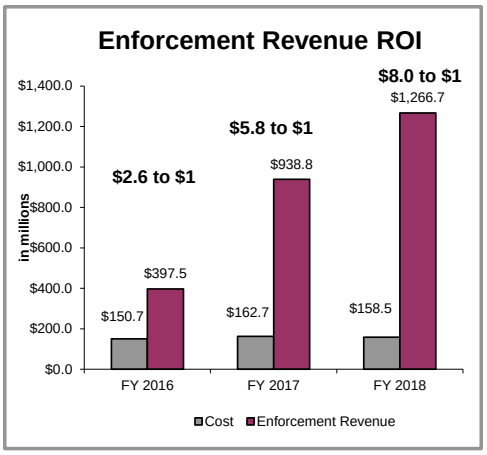
Increase Audit Coverage +$161,809,000 / +1,099 FTE

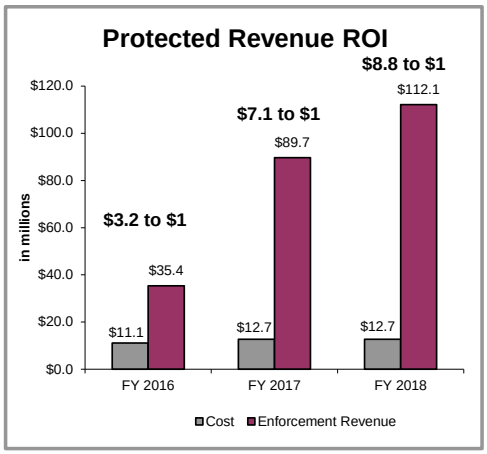
This initiative will allow the IRS to increase its examination program coverage over a broad range of compliance priorities. Tight budget constraints have eroded the examination staff available to conduct audits causing the individual audit coverage to decline below 0.9 percent. Due to growth in individual returns filed and the time required for new hires to reach full-working level, this initiative will still result in an individual coverage rate below 1.0 percent. Reduced coverage causes increased risk to the integrity of the voluntary tax compliance system. This initiative will:

Position Type/Other Costs	FTE	Positions	$000
Examination Coverage	**516.00**	**688**	**$65,735**
Revenue Agent	318.00	424	43,024
Tax Technician	167.25	223	19,688
Tax Examiner	7.50	10	622
Analyst and Support Staff	23.25	31	2,401
Specialty Programs	**33.75**	**45**	**$5,217**
Revenue Agent	12.75	17	2,254
Attorney	13.50	18	2,000
Analyst and Support Staff	7.50	10	963
Correspondence Examination	**258.75**	**345**	**$24,599**
Tax Examiner	213.75	285	19,376
Revenue Agent	1.50	2	224
Tax Technician	12.00	16	1,544
Manager, Analyst, Support Staff	31.50	42	3,455
Automated Underreporter	**138.75**	**185**	**$13,264**
Tax Examiner	124.50	166	11,398
Analyst and Support Staff	14.25	19	1,866
Address Appeals Workload	**22.50**	**30**	**$3,463**
Revenue Officer	15.00	20	2,371
Appeals Officer	7.50	10	1,092
IT Projects	**60.25**	**80**	**$39,682**
Correspondence Imaging for Compliance	38.75	51	22,028
2D Barcoding	4.50	6	8,603
Implement IT Improvements for Chief Counsel	17.00	23	9,051
Other Direct Costs	**69.00**	**92**	**$9,849**
Appeals Officer	18.75	25	2,742
Revenue Agent - Appeals	5.25	7	657
Tax Examiner - Appeals	3.00	4	282
Attorney	27.00	36	4,659
Paralegal	9.00	12	934
Support Staff - Counsel	5.25	7	479
HR Specialist	0.75	1	96
Total	**1,099.00**	**1,465**	**$161,809**

- Provide additional field employees to reverse the decline in individual audit coverage;
- Expand coverage of Employment tax returns and Estate and Gift tax returns;
- Expand examinations on issues related to Individual Retirement Arrangements, Individual Tax Identification Numbers (ITINs), General Business Credit, new tax provisions, and the Questionable Refund Program;
- Increase individual and business document matching programs to identify and reduce income misreporting;
- Provide an imaging solution to support collaboration and improve exam efficiency; and
- Improve the effectiveness of the litigation program by expediting both the analysis and sharing of electronic data during the lifecycle of Tax Court cases.

This initiative is expected to annually produce additional enforcement revenue of $1,266.7 million, once the new hires reach full potential in FY 2018, an ROI of $8.0 to $1, and protect revenue of $112.1 million, a protected ROI of $8.8 to $1.





Major Activities	FY 2018 Projected Revenue and Workload			
	Enforcement Revenue ($M)	Revenue Protected ($M)	Pre-Refund Closures	Closures
Examination Coverage	504.9			40,000
Specialty Programs	50.1			1,066
Correspondence Examination	350.8	112.1	29,880	87,480
Automated Underreporter	360.9			199,720
Address Appeals Workload				4,025
Total	$1,266.7	$112.1	29,880	332,291

Examination Coverage (+$65.7 million / +516 FTE)

There has been a recent decline in the staffing levels of examiners conducting field audits as a result of a 17 percent decrease in funding since October 2011. This initiative will increase field examinations to reduce the individual taxpayer portion of the underreporting compliance tax gap. Additional field examination resources will allow the IRS to restore examination coverage while achieving balance across taxpayer segments. It is critical that the overall audit coverage rate for individual taxpayers does not drop below the current level. These resources will ensure that the IRS can maintain broad based coverage of the largest and most complex cases in the individual filing population.

In addition to providing resources for field examination, this initiative requests resources to hire quality review specialists to review cases and measure the accuracy of systemic computation of interest and the application, calculation, and effectiveness of civil penalties. Currently, there is no process to assess the accuracy of systemically calculated interest and civil penalties. The Government Accountability Office (GAO) has identified these deficiencies as material weaknesses in the IRS's Financial Management Controls and recommended corrective action. Additional resources for a quality measurement system will allow the IRS to implement a quality review program by hiring specialists to review cases and measure the accuracy of systemic computation of interest, as well as the application, calculation, and effectiveness of civil penalties. Implementing this quality review program will ensure the equitable and accurate administration of more than 170 civil penalties, with assessments exceeding $30 billion annually. The results will assist the IRS in identifying

improvements to systems, policies, and frontline business operations while enhancing the accuracy of interest calculations that will support equal and fair tax treatment of taxpayers.

Specialty Programs (+$5.2 million / +33.75 FTE)

This initiative will provide specialty tax staff to examine tax returns that address compliance issues in the Employment Tax program and the Estate and Gift Tax program.

- The Employment Tax program will address egregious underreporting of tips by employers in the food and beverage, gaming, travel and cruise, and other service industries where tipping is customary. As the service economy in the U.S. has grown in size as a percentage of GDP, the level of unreported tips continues to expand. The focus of additional workload will be on increasing voluntary tip agreements, assessing the employer's share of the Federal Insurance Contributions Act (FICA) taxes on unreported tip income, and performing compliance checks on existing agreements and industry groups. In addition, international examiners will investigate wage allocations between countries in partnership with the Global High Wealth teams to prevent arbitrary allocation and evasion schemes.
- The Estate and Gift Tax program will increase program coverage in response to recent changes in the estate and gift tax law and expanding nonfiler work. The number of gift tax returns has been impacted by legislative changes to exemption amounts resulting in increased filings of 55 percent from calendar year 2012 to 2013. Additionally, increased staff to address nonfilers is critical to achieving a higher level of voluntary compliance with estate and gift laws.

Correspondence Examination (+$24.6 million / +258.75 FTE)

This initiative will provide correspondence examination staff to increase examination coverage, decrease the underreporting tax gap, and expand the following areas:

- Expand Campus Examination Program

  The Campus Examination program addresses the tax gap through increased enforcement presence in priority segments of individual reporting compliance, including itemized deductions and education credits. These resources will deter more taxpayers from evading their tax obligations, and thereby support the IRS goal of increased voluntary compliance and maintaining examination coverage of individuals.

  The additional staffing will allow the IRS to maintain broad exam coverage by meeting the challenges of administering new credits without reducing coverage of existing issues.

- Address Individual Taxpayer Identification Number (ITIN) Compliance

  An ITIN is a tax processing number issued by the IRS to foreign nationals and others who have federal tax reporting or filing requirements, but do not qualify for social security numbers. Additional resources in this area will allow the IRS to:

  - Expand audit coverage on ITIN filers claiming the Advanced Child Tax Credit (ACTC) and American Opportunity Tax Credit (AOTC), which are not available for ITIN dependents residing outside the U.S.;

- Test filters in a pre-refund environment to identify ITIN noncompliant claims of these credits;
- Address returns with new ITIN applications; and
- Identify and address return preparers who file egregious ITIN noncompliant returns.

- Real Time Preparer Expansion – Return preparers are a critical component of tax administration and provide a unique opportunity to improve taxpayer behavior and compliance with tax laws. The Real Time Preparer program seeks to improve compliance among return preparers by completing pre-refund and post-refund audits, conducting on-site visits, and preparing warning letters to preparers.
- Individual Retirement Account (IRA) Soft Notices – In response to Treasury Inspector General for Tax Administration (TIGTA) audit 2010-40-043, *A Service-wide Strategy is Needed to Address Growing Noncompliance with Individual Retirement Account Contribution and Distribution Requirements*, the IRS is enhancing IRA compliance efforts. The IRS initiated a soft notice pilot in December 2013 to encourage taxpayers to voluntarily correct discrepancies and increase voluntary compliance among an estimated 15 million potential cases of underreporting related to IRAs that contribute to the tax gap each year. The IRA soft notice will remind taxpayers who are over 70 and a half years of age that they must take required distributions from their IRAs or be subject to penalties.

  The IRS also plans to initiate another pilot to conduct audits on individuals who have not taken the required distributions or individuals who have made excess contributions. The IRS currently does not have sufficient staffing to address the required distributions or excess contributions to IRAs. In FY 2016, the additional employees will handle the incoming mail and phone calls associated with the follow-up audits for individuals who have not complied with IRA distributions or contributions tax laws.

Automated Underreporter (AUR) (+$13.3 million / +138.75 FTE)

- Automated Underreporter – The AUR program is highly successful in minimizing revenue loss through document matching of individual taxpayer account information. About 12 million taxpayers may currently misreport their income based on third-party information returns. The AUR program processes approximately 5 million taxpayer cases, leaving 7 million taxpayers whose returns may have misreported income unaddressed. There has also been an increase in complex issues, such as identity theft and bankruptcy, requiring the more experienced staff to spend increased time closing fewer cases. The expansion of program coverage is expected to increase voluntary compliance and reduce the number of taxpayers who underreport income in future tax years. AUR coverage decreased from 2.2 million returns in FY 2013 to 1.67 million returns in FY 2014. If funding is provided, the IRS estimates that AUR coverage may return to 1.9 million returns by FY 2018.
- Business Underreporter (BUR) – As a result of the Housing and Economic Recovery Act of 2008 (Public Law 110-289) and the American Taxpayer Relief Act of 2012

(Public Law 112-240), specific reporting requirements for filers of both Form 1120, *U.S. Corporation Income Tax Return*, and Form 1041, *U.S. Income Tax Return for Estates and Trusts*, were established. To support voluntary compliance with this legislation, BUR matches information returns against corporate and estate tax returns. The program was created in October 2012 and has proven to be productive in both assessing and collecting underreported tax liabilities. These resources will increase coverage and bolster voluntary compliance among business filers. Analysts will also interface with IT programmers to assist with new programming and troubleshooting to effectively and efficiently maintain the underreporter system.

Address Appeals Workload (+$3.5 million / +22.5 FTE)

The Appeals function is a critical outlet for taxpayers to get an independent, second review of examination decisions without burdening the court system. Appeals must work all cases received from the compliance functions of the IRS. Over the past ten years, this workload has increased nearly 15 percent, from approximately 100,000 cases received during FY 2005, to 118,000 cases received in FY 2014, whereas the Appeals FTEs have declined by 8 percent over that same period, from 1,850 FTEs realized in FY 2005 to 1,708 FTEs realized in FY 2014.

This request for additional staffing will allow Appeals to effectively manage future inventory and avoid an increase in backlogged inventory.

IT Projects (+$39.7 million / +60.25 FTE)

This initiative requests resources for the following IT projects:

- Implement Document Imaging

  Document Imaging (DI) will allow all of the IRS business units to share a common, modernized infrastructure for scanning, imaging, and managing documents. DI also will allow IRS employees to collaborate and resolve compliance cases more efficiently. It will establish a common document and imaging infrastructure that can support many projects simultaneously and improve customer support. Projects that will benefit from the common document imaging infrastructure include:

  - Content Management & Collaboration (CMC) – A web-based tool used by audit teams to facilitate collaboration by integrating document management, forums, calendars, and other interpersonal communication and productivity tools;
  - Taxpayer Advocate Service Integrated Systems (TASIS) – A Taxpayer Advocate Service case management system that uses document imaging to facilitate collaboration within the IRS so that cases can be resolved faster for taxpayers experiencing financial hardship or burden; and
  - Correspondence Imaging for Compliance (CIC) – An imaging solution that provides a central repository for imaged correspondence and stored images used by legacy compliance systems.

  Further, this resource will improve the efficacy of search queries across applications, indices, and database servers by sharing server content. DI significantly reduces the

time, complexity, and costs of current document management and imaging processes, and contributes to improved customer service.

- Two Dimensional (2D) Barcode Project

  The 2D Barcode project will allow the IRS to:

  - Convert data from paper tax returns into electronic formats more efficiently and accurately by adding coded information to computer-generated paper returns;
  - Process paper payments electronically; and
  - Allow the IRS to accept and store individual amended returns electronically.

  Increased data capture and faster, more accurate processing will improve audit effectiveness by ensuring examination programs have the most recent and most complete return data available. This additional data will support improved case selection approaches, improve the quality of data available to tax examiners and revenue agents, and expedite the examination process by reducing reliance on paper files.

- Implement Information Technology (IT) Improvements for Chief Counsel

  This initiative will increase the effectiveness and efficiency of the Office of Chief Counsel, which represents the IRS in all matters in front of the Tax Court, by enhancing litigation support and improving external connectivity with third parties. This will improve the effectiveness of the litigation program by expediting both the analysis and sharing of electronic data during the lifecycle of Tax Court cases.

  - Litigation Support Enhancement

    To handle the increasing volumes of digital data, the IRS must either increase staff or invest in technology that will increase efficiencies. Investing in the Litigation Support Enhancement project will add capabilities, including predictive coding, de-duplication, email threading, and advanced filtering of data sets, which will increase efficiency during the examination and discovery processes. This project automates these processes to assist teams with managing the increasingly larger volume of data that modern litigation encompasses.

  - External Connectivity

    The External Connectivity project enhances the IRS's ability to communicate with external parties such as Congress, the Department of Justice (DOJ), and taxpayer representatives by improving virtual collaboration and file sharing across secure data connections with the ability to handle gigabytes of data. There is often no effective way to explain complex issues other than in a face-to-face format. To reduce travel costs and improve efficiency, the External Connectivity project enhances virtual collaboration by providing the ability of “screen sharing” with parties outside of the IRS. The IRS expects that the demand for this capability will continue to increase from external parties.

Other Direct Costs (+$9.9 million / +69 FTE)

Dollars in Millions

IRS Activity	Cost	FTE	Positions	Explanation
Appeals	$3.7	27.00	36	Support examination efforts on key compliance areas focused on improving voluntary compliance.
Chief Counsel	$6.1	41.25	55	Provide support for increases in requests for legal advice, litigation assistance, and published guidance on issues raised in audits.
Human Capital Office	$0.1	0.75	1	Handle increased workload to hire and support staff.
Total	**$9.9**	**69.00**	**92**	

Improve Audit Coverage of Large Partnerships +$16,249,000 / +107 FTE

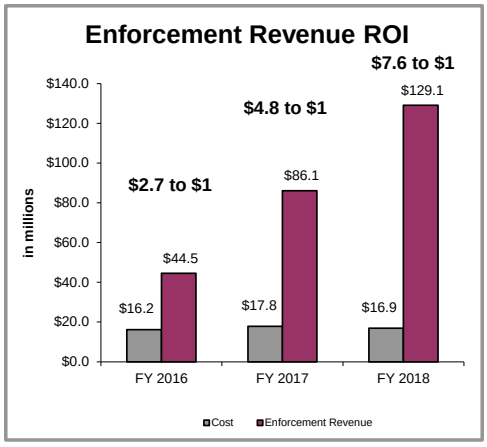
Partnership businesses continue to be the fastest growing segment of all tax returns filed. The Government Accountability Office says the number of large businesses organized as partnerships has more than tripled since FY 2002; however, only 0.8 percent were subjected to field exams, in which agents completed a thorough review of books and records.

Position Type/Other Costs	FTE	Positions	$000
Improve Identification and Coverage of Tiered Partnerships	**49.25**	**66**	**$9,819**
Revenue Agent	46.25	62	9,519
Manager	3.00	4	300
Strengthen Enforcement Activities Related to TEFRA Workload	**39.75**	**53**	**$3,642**
Revenue Agent	3.50	5	559
Tax Examiner	26.50	35	2,183
Analyst	9.75	13	900
Other Direct Costs	**18.00**	**24**	**$2,788**
Appeals Officer	7.50	10	1,093
Revenue Agent- Appeals	3.00	4	375
Tax Examiner- Appeals	1.50	2	141
Attorney	5.25	7	1,083
Paralegal	0.75	1	96
Total	**107.00**	**143**	**$16,249**

Funding for this initiative will improve coverage by:

- Increasing the number of agents with specialized knowledge in partnership law; and
- Strengthen enforcement activities relating to flow-through entities and improve compliance by enhancing Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) procedures.

This initiative is expected to produce additional annual enforcement revenue of $129.1 million, once the new hires reach full potential in FY 2018, an ROI of $7.6 to $1.



Major Activities	FY 2018 Projected Revenue and Workload Revenue ($M)	Closures
Improve Identification and Coverage of Controlled Partnerships	**129.1**	**261**
Total	**$129.1**	**261**

There is a wide variety of business organizations operating in the United States and abroad with different filing requirements. These organizations include businesses, such as sole proprietors, corporations, partnerships, and S-corporations, as well as trusts and non-profits. Partnership businesses continue to be the fastest growing segment of all tax returns filed. In calendar year (CY) 2013, approximately 3.7 million partnership returns were filed, an increase of 2.5 percent from CY 2010. This growth is projected to continue at an average rate of 2.4 percent per year, reaching 4.1 million returns filed by CY 2017.

The most significant factor affecting the growth in partnerships is the rise of limited liability companies (LLCs) filing as partnerships. Over the last 25 years, the number of pass-through LLCs rose from virtually zero to more than 600,000 in 2000, and to more than 2.1 million by 2011. Total assets reported by these LLCs have grown from zero to $7.8 trillion and their total income has grown from zero to $2.7 trillion over the same period. This increase corresponds to an ongoing decline in the business activity of corporations, some of which has shifted to partnerships they control.

While the number and complexity of partnership filings have increased significantly since 2000, audit coverage for this segment has remained flat. The IRS has examined an average of 0.34 percent of all partnership returns annually since 2000. With few exceptions, the percentage of partnership returns examined each year has been lower than other types of tax returns. This initiative provides resources to increase audit coverage of partnership returns.

Improve Identification and Coverage of Tiered Partnerships
(+$9.8 million / +49.25 FTE)

This initiative funds additional revenue agents who will work partnership cases and other flow-through returns that are part of this network of returns. This will allow the IRS to increase the number of revenue agents with specialized knowledge in partnerships and to address the inherent complexity associated with partnership tax law and administrative procedures.

Multiple layers of partnerships have increased the complexity of flow-through examinations. Subchapter K of the Internal Revenue Code provides specific rules applicable to the tax treatment of partnerships and partners. The increasing prevalence of tiered networks of partnership enterprises creates a significant challenge for the IRS in using the rules contained in Subchapter K to understand, recognize, and address risk, and treat noncompliance.

The increased complexity associated with flow-through examinations requires a disproportionate amount of time and effort. This complexity also provides an opportunity for taxpayers to pursue tax-sheltering activities and has inspired abusive transactions in recent history. This initiative will:

- Improve taxpayer compliance in high-risk related return structures comprised of tiered partnerships through issue-focused examinations by expert partnership examiners.
- Enhance IRS-wide collaboration; and

- Develop processes that allow the scoring and risk assessment of partnerships controlled by corporations and related individuals.

Strengthen Enforcement Activities Related to TEFRA Workload
(+$3.6 million / +39.75 FTE)

TEFRA established unified audit rules applicable to all but certain small partnerships that meet the Small Partnership Exception. The TEFRA audit rules are complex and extensive.

Revenue agents handling partnership cases must understand both the TEFRA partnership audit rules and the normal audit rules that apply outside the partnership context. Tax shelter promoters have been known to take advantage of the complex TEFRA rules through the use of a combination of trusts, S corporations, limited liability companies, partnerships, and other entities, often arranged in complex networks, for the tax benefit of a single investor or a small group of investors. This deliberate addition of complexity can hamper IRS efforts to pursue investors in abusive transactions. While the IRS has made progress in training examiners in the TEFRA rules, maintaining TEFRA proficiency among non-specialist revenue agents is an ongoing challenge.

This initiative strengthens enforcement activities pertaining to flow-through entities by providing assistance to field examiners to identify these interrelated and tiered entities and provide notice requirements to investors within established timeframes.

Other Direct Costs (+$2.8 million / +18 FTE)

Dollars in Millions

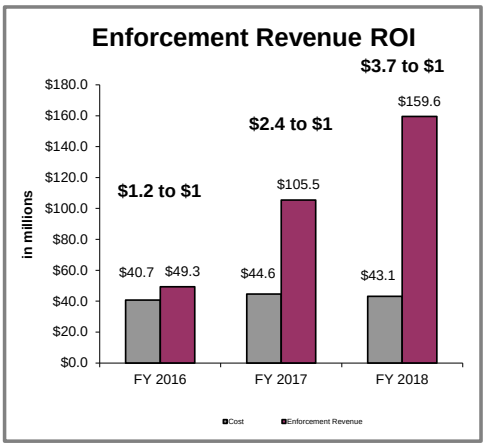
IRS Activity	Cost	FTE	Positions	Explanation
Appeals	$1.6	12.00	16	Support examination efforts on key compliance areas focused on improving voluntary compliance.
Chief Counsel	$1.2	6.00	8	Provide advice to revenue agents, revenue officers and the Department of Justice for District Court cases, review Notices of Deficiencies, and litigate cases in the Tax Court.
Total	**$2.8**	**18.00**	**24**	

Address International and Offshore Compliance Issues +$40,657,000 / +238 FTE

This initiative will expand coverage of entities with undisclosed offshore accounts to comply with required U.S. tax reporting. This initiative will:

Position Type/Other Costs	FTE	Positions	$000
Increase Offshore Compliance	**143.75**	**179**	**$21,193**
Revenue Agent	70.50	94	12,416
Tax Examiner	13.50	18	1,262
Tax Technician	8.25	11	1,063
Manager, Analyst and Support Staff	51.50	56	6,452
Expand Offshore Criminal Investigation	**36.50**	**49**	**$8,355**
Special Agent	12.50	17	4,831
IT Specialist	12.00	16	1,911
Analyst	12.00	16	1,613
Other Direct Costs	**57.75**	**77**	**$11,109**
Appeals Officer	9.75	13	1,716
Revenue Agent - Appeals	0.75	1	94
Tax Examiner - Appeals	0.75	1	71
Attorney	43.50	58	8,937
Paralegal	0.75	1	95
Support Staff - Counsel	2.25	3	196
Total	**238.00**	**305**	**$40,657**

- Promote voluntary compliance with U.S. laws through strategic enforcement actions directed at identifying U.S. taxpayers involved in abusive offshore tax schemes through banks, other financial institutions, and third party structures;
- Allow the IRS to expand information gathering and data analysis to identify promoters or facilitators of abusive offshore schemes; and
- Expand the pursuit of international tax and financial crimes as well as grow the IRS attaché presence.



This initiative is expected to produce annual enforcement revenue of $159.6 million, once the new hires reach full potential in FY 2018, an ROI of $3.7 to $1.

Major Activities	FY 2018 Projected Revenue and Workload			
	Revenue ($M)	Individual Closures	Business Closures	Investigations Completed
Increase Offshore Compliance	**159.6**	**4,100**	**50**	
Expand Offshore Criminal Investigations				**30**
Total	**$159.6**	**4,100**	**50**	**30**

Increase Offshore Compliance (+$21.2 million / +143.75 FTE)

- Increased Coverage of Offshore Individual Compliance Issues

  Offshore and cross-border tax issues affect a growing number of taxpayers. The additional resources in this initiative will allow the IRS to:

  - Ensure proper application of treaty benefits, foreign tax credits, and foreign earned income exclusion;
  - Verify withholding before the release of refund requests;
  - Increase pre-refund audit coverage;
  - Establish centralized classification and case building unit; and
  - Increase the use of soft letters to promote voluntary compliance.

- Enhance International Compliance Efforts

  This funding will allow the IRS to identify emerging offshore compliance issues and handle the increased workload from cases with international issues and offshore transactions. The additional workload from the open-ended Offshore Voluntary Disclosure Program (OVDP), additional John Doe Summonses, and expanded information reporting required by the FATCA is expected to result in increased individual and small business audits.

  - Implementation of OVDP

    In January 2012, the IRS reopened the previous Offshore Voluntary Disclosure Initiative (OVDI) with tightened eligibility requirements in response to strong interest from taxpayers and tax practitioners. On July 1, 2014, the IRS expanded the OVDI to allow streamlined filing of amended returns for domestic taxpayers to self-certify their non-willful actions on their previously undisclosed foreign income and pay a 5 percent penalty on the highest aggregate balance of their foreign assets. Since the program was established in 2009 through the end of FY 2014, the OVDP has resulted in the collection of more than $6.5 billion in back taxes, interest, and penalties from more than 45,000 participants.

  - Issuance of John Doe Summons

    The purpose of a John Doe summons is to investigate the tax liability of a specific unidentified taxpayer (or a group of such taxpayers). The use of John Doe summonses has avoided the restrictions imposed by the international bank secrecy rules and resulted in over 725 primary treaty cases, equating to over 3,000 returns. A John Doe summons can be served only after approval by a federal court. The IRS has seen an increase in the number of offshore voluntary disclosure filings when Treasury and/or Department of Justice announce legal actions against taxpayers after the issuance of John Doe summonses to foreign financial institutions (FFIs).

  - Expanded Information Reporting under FATCA

    In March 2010 FATCA legislation was enacted as part of the Hiring Incentives to Restore Employment (HIRE) Act of 2010 (Public Law 111-147). This legislation

strengthens offshore compliance efforts by creating new information reporting requirements for FFIs with respect to U.S. accounts, establishing new withholding, documentation, and reporting requirements for payments made to certain foreign entities, and requiring expanded information reporting for offshore assets held by U.S. taxpayers. Through both voluntary taxpayer identification of foreign assets and third party reporting by FFIs, the IRS expects to see an increase in the number of taxpayers with taxable offshore transactions and to identify taxpayers with previously undisclosed foreign holdings.

- Increase Timely Development of Quality Fraud Referrals

  The IRS National Fraud Program ensures that areas of tax avoidance and fraud are promptly addressed and proactively identified. This program identifies and develops potential indicators for acts of fraud. These additional resources will allow technical advisors to:

  - Provide technical support required as a result of the issuance of John Doe summonses;
  - Address complex international issues;
  - Proactively assist in developing potential fraud cases and streamline referrals to IRS Criminal Investigation (CI); and
  - Provide assistance in obtaining international data and analyzing Suspicious Activity Reports (SAR) data. SARs are submitted to the Treasury by financial institutions, brokerage houses, money service businesses, casinos, and others. They provide additional information regarding suspicious movements of cash and wire transactions that are not included in a Currency Transaction Report (CTR).

Expand Offshore Criminal Investigations (+$8.4 million / +36.5 FTE)

In support of the strategic goal to enforce international compliance by strengthening expertise, adopting innovative approaches, and streamlining procedures, the IRS is requesting additional resources to support efforts related to FATCA criminal non-compliance, international case development with the international law enforcement community, and overseas enforcement support.

- FATCA

  Address fraud and criminal violations that will be uncovered as the IRS establishes broader withholding, document matching, and compliance programs per FATCA legislation. IRS special agents will proactively identify individuals, business entities, withholding agents, foreign financial institutions, and professional advisors that exhibit substantial and firm indications of fraud. Analysts will focus on trends and patterns of substantial criminal and willful intent to evade or avoid the payment of federal income tax obligations. The new staff will increase the criminal investigations initiated involving false claims for refunds, underreported or non-reported tax, failure to pay, conspiracy, and money laundering violations due to the new information reporting requirements.

- International Case Development

  The IRS has developed a Case Development Center (CDC) prototype to support field operations by identifying and developing tax and financial criminal investigations. The CDC will house criminal investigative information regarding the Swiss Bank Program, Offshore Voluntary Disclosure Program, Professional Advisers/Intermediaries Project, and International Bank Investigations. The CDC will allow the IRS to further develop quality leads received from field special agents, attaches, FinCEN spontaneous disclosures, domestic and foreign law enforcement agencies as well as fraud referrals from IRS business units.

- Supporting the International Law Enforcement Community

  The numbers of requests for training and development received by the IRS's Office of International Operations (IO) has increased. Additionally, IO has seen substantial growth in the numbers of international assistance requests from field offices and international law enforcement agencies.

  The IRS has implemented and received worldwide support for an annual criminal tax symposium held in Washington DC. The attendees are representatives from countries that have similar tax systems to the United States. The symposium provides a platform for open discussion and collaboration on international enforcement strategies.

  As the representative for the United States in the Organization for Economic Cooperation and Development (OECD), an organization comprised of 34 member countries, the IRS's Criminal Investigation International Operations Executive Director is the head of the Tax Crimes Task Force. The IRS is a leader in the global fight against international tax evasion by leading and supporting legislative changes and the development of international tax priorities worldwide. Within the OECD, the IRS provides assistance to developing countries regarding criminal financial investigative techniques.

- Overseas Enforcement Support

  In assessing high-risk geographical areas that pose a threat to the U.S. tax and financial systems, the IRS has identified two regions, Dubai and South Africa, that are believed to be replete with activity that supports an environment suitable for U.S. taxpayers seeking to hide their assets and income offshore. The establishment of an IRS presence in both regions would provide the ability to readily identify U.S. business entities, citizens, and dual nationals engaged in tax evasion schemes using these foreign jurisdictions. Additionally, the establishment of a South African post would provide regional coverage to central and South African countries such as Republic of Namibia, Republic of Angola, Republic of the Congo, Republic of Mauritius, and Seychelles. Dubai has emerged as one of the world's premier financial centers, and has subsequently become a source of money laundering and illicit financing activity. Establishing an IRS presence will result in greater case development and prosecutions, and provide an increased deterrent effect for taxpayers who evade their U.S. tax obligations.

Other Direct Costs (+$11.1 million / +57.75 FTE)

Dollars in Millions

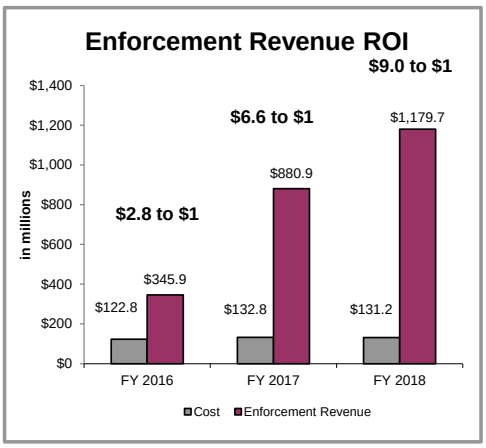
IRS Activity	Cost	FTE	Positions	Explanation
Appeals	$1.9	11.25	15	Support examination efforts on key compliance areas focused on improving voluntary compliance.
Chief Counsel	$9.2	46.50	62	Provide support to agents working offshore cases that will require assistance in case development, especially with respect to summonses, interviews of taxpayers, and other witnesses. Also, provide support for the Report of Foreign Bank and Financial Accounts.
Total	**$11.1**	**57.75**	**77**	

Enhance Collection Coverage +$122,830,000 / +1,034 FTE

This initiative will ensure that the IRS has sufficient resources to work the collection inventory and bring taxpayers who fail to pay their tax debt into compliance. These resources will allow the IRS to address growing collection case inventories and call volumes that have resulted from reduced staffing levels in recent years. This initiative will:

Position Type/Other Costs	FTE	Positions	$000
Expand Collection Program Coverage	**912.50**	**1,216**	**$96,846**
Field Collection	**391.50**	**522**	**$48,870**
Revenue Officer	347.25	463	44,766
Tax Examiner	10.50	14	875
Analyst / Support Staff	33.75	45	3,229
Automated Collection Systems Operations (ACS) and Support	**368.25**	**491**	**$30,856**
Customer Service Representative	318.75	425	25,962
Tax Examiner	47.25	63	4,613
Manager	2.25	3	281
Compliance Service Collection Operations (CSCO)	**93.50**	**124**	**$11,972**
Tax Examiner	86.75	115	11,224
Manager / Support Staff	6.75	9	748
Centralized Offers- in-Compromise (OIC)	**59.25**	**79**	**$5,148**
Tax Examiner	45.00	60	3,749
Program Analyst / Support Staff	14.25	19	1,399
Expansion of Current Collection Treatment Streams	**46.50**	**62**	**$5,465**
Tax Examiner	39.00	52	3,396
Manager	3.75	5	429
Analyst and Support Staff	3.75	5	1,640
IT Projects	**48.00**	**65**	**$16,068**
Predictive Analytics for the Collection Enterprise (PACE)	36.75	50	9,640
Compliance Data Warehouse (CDW)			3,085
Business Master File Case Creation Nonfiler ID Program (BMF-CCNIP)	11.25	15	3,343
Other Direct Costs	**27.00**	**36**	**$4,451**
Revenue Agent - Appeals	0.75	1	94
Revenue Officer - Appeals	12.00	16	1,897
Attorney	13.50	18	2,364
HR Specialist	0.75	1	96
Total	**1,034.00**	**1,379**	**$122,830**

- Increase coverage of the growing volume of employment tax cases among business taxpayers;
- Improve service to taxpayers calling the Automated Collection System (ACS) to resolve their account delinquencies;
- Provide resources for Campus Collection to reach out to taxpayers earlier in the collection process, thereby increasing collectability;
- Help taxpayers experiencing economic hardship to resolve their liabilities through the Offers in Compromise (OIC) program;
- Increase opportunities to expand new collection streams;
- Develop IT solutions to provide better analytic models, case routing, and case resolution tools and techniques;
- Expand the data available in the Compliance Data Warehouse (CDW); and
- Improve the capability to identify nonfilers of business returns.



This initiative is expected to produce additional annual enforcement revenue of $1,179.7 million with an ROI of $9.0 to $1, once the new hires reach full potential in FY 2018.

Major Activities	FY 2018 Projected Revenue and Workload					
	Revenue ($M)	Inquiries Worked	Installment Agreements	Calls Answered	Reconsideration Closures	Closures
Expand Collection Program Coverage	1,132.6	50,000	250,000	399,100	129,500	620,944
Expansion of Current Collection Treatment Streams	47.1					44,000
Total	$1,179.7	50,000	250,000	399,100	129,500	664,944

Expand Collection Program Coverage (+$96.8 million / +912.5 FTE)

This initiative will reduce the nonfiling and underpayment tax gap.

- Field Collection

  Field Collection will hire additional staff to address the increase in the number and value of employment tax cases. Individual taxpayers receive credit for the taxes withheld from their paychecks, and may receive tax refunds based on those credits, even if their employer did not turn over the withheld tax to the government. From FY 2011 to FY 2013, employment tax cases increased by 8.1 percent, representing a tax obligation exceeding $7.4 billion. There are more than one million cases with an assessed balance exceeding $52 billion in the queue awaiting assignment, plus another 370,000 cases for which returns have not been filed.

- Automated Collection System (ACS)

  The ACS call site operation is the most productive IRS program for revenue collection, but because of budget constraints, ACS staffing has decreased by approximately 25 percent since the end of FY 2011. The ACS program addresses incoming calls generated by the issuance of levies and the Predictive Dialer (PD) program, an automated system that places calls to taxpayers with delinquent return and/or unpaid tax liabilities.

  As of November 2014, there were 5.0 million cases in ACS, with approximately 1.5 million needing a levy or predictive dialer action. These additional resources will allow the IRS to increase collections, close balance due cases, resolve protected inventory cases (i.e., cases that are protected from enforcement action pending research or taxpayer requests for account and adjustment actions or explanation of complex account issues to determine correct balances due), and provide more timely service to the taxpayer.

- Compliance Services Collection Operations (CSCO)

  These funds will allow the IRS to expand CSCO to address nonfiling and underpayment of taxes in the notice process. New resources will address the increased balance due work and expand the following programs:

  - The CSCO Automated Substitute for Return (ASFR) Program – ASFR is a compliance tool used to prepare tax returns based on income information submitted to the IRS such as W-2 wage documents, and is used to prompt the taxpayer to file a tax return. The reduced staffing levels have resulted in current inventory levels not being addressed and more than 150,000 cases becoming too old to be worked by this program.

- Installment Agreements (IA) – IA requests increased significantly during filing season 2013 as a result of new balance due tax returns. In order to work the influx of IAs, additional overtime resources are requested to meet the cyclical work demand.
- Withholding Compliance Program (WHC) – This automated program brings taxpayers with serious under-withholding problems into compliance by correcting their federal income tax withholding and preventing them from becoming delinquent on the payment of future taxes by issuing a letter requiring the employer to withhold a specific, appropriate amount from the taxpayer's pay. From Tax Year 2006 to 2010, this program's success has decreased the number of balance due returns from taxpayers in the current WHC program by 64 percent and increased returns with a zero balance or refund by 246 percent. These resources will allow the IRS to add an additional 90,000 taxpayers to the WHC program.

- Centralized Offers in Compromise (COIC)

  The Offers in Compromise (OIC) program processes taxpayer requests to reduce or eliminate their tax liabilities because of extreme circumstances or hardship. COIC applications have increased 69 percent since FY 2008, while staffing has declined slightly. As a result, the percentage of cases closed within six months has decreased from 92 percent in December 2008 to 70 percent in September 2014. Further enhancements to the OIC program will encourage more unemployed taxpayers to file an OIC request in an effort to settle their tax debts. These resources will allow the IRS to help taxpayers experiencing hardship resolve their tax liabilities. Program success results in the expectation of a fresh start toward compliance with all future filing and payment requirements.

Expansion of Current Collection Treatment Streams (+$5.5 million / +46.5 FTE)

Campus Collection is a correspondence and phone operation that addresses nonfiling and underpayment of taxes in the collection process. This includes:

- Campus Notice Program

  By reaching out earlier in the collection process, Campus Collection more efficiently handles taxpayers who have received or are scheduled to receive a notice. Additional resources will allow the IRS to handle more balance due work, expand the Refund Hold program to secure delinquent returns by delaying issuance of a taxpayer income tax refund, and make more outbound calls before preparing an Automated Substitute For Return (ASFR) or to prevent installment agreement default.

- Campus State Payment Levy Program

  The IRS requests additional staffing to explore ways to use the Bureau of the Fiscal Service (Fiscal Service) State Reciprocal Program to collect state government vendor and Medicaid payments in order to pay delinquent federal tax debt through its automated Treasury Offset Program and the Federal Payment Levy Program.

  Under current tax law, the IRS can levy federally funded state vendor and Medicaid payments but limitations in the law make it inefficient.

The Fiscal Service and the IRS are working together to assess the effect on state legislation and the administrative process of centralizing the collection of state government payments to pay federal tax debts. This proposed effort would support the recent recommendation from the GAO audit, GAO-12-857, *Medicaid: Providers in Three States with Unpaid Federal Taxes Received Over $6 Billion in Medicaid Reimbursements*, dated July 2012.

- Campus Decedent Taxpayer Unit

  The IRS requests additional staffing to establish the Campus Decedent Taxpayer Unit. During calendar years 2011 through 2013, there were approximately 272,000 decedent accounts with total outstanding balances due at the time of death of more than $6.6 billion. There are also approximately 185,000 new cases accrued after death, totaling another $1.4 billion in unpaid taxes. The lack of timely action on decedent accounts has resulted in a significant loss of revenue.

  In order to protect the government's interest and increase recovery of taxes owed by deceased taxpayers, the IRS needs notification of probate proceedings before estate assets are distributed to pay other creditors. The Campus Decedent Taxpayer Unit will establish a centralized location to notify the IRS to file probate claims. This unit would be able to quickly hand off cases needing a proof of claim to the appropriate office.

- Manually Monitored Installment Agreements (MMIA) and Federal Tax Deposit (FTD)

  The IRS requests additional staffing to improve the MMIA and FTD Alerts programs. MMIAs are installment agreements that cannot be established and monitored systemically with automatic reminder notices. For MMIAs, extra steps and resources are required to mail reminder notice letters. The Predictive Dialer system could be used for a "just in time" reminder and potentially reduce MMIA defaults while saving printing and mailing costs.

  FTD Alert soft notices are issued to business taxpayers who have been identified as not having fulfilled a requirement to make federal tax deposits. The additional staff will allow the IRS to utilize the Predictive Dialer system to contact taxpayers who have not responded to the notice. In addition, revenue from taxpayer payments will be received earlier in the collection process and reduce the effect of delayed action on enforcement resources.

- Civil Tax Assessment Cases Resulting from Criminal Restitution

  The IRS requests additional staffing to coordinate the civil tax assessment cases resulting from criminal restitutions. Multiple individuals can be assessed a single liability requiring them to make payments, but the total liability can only be collected once. This work requires closely monitoring and applying court-generated payments to all parties, and cross-referencing them to reach a zero balance over the 10-year collection statute.

<u>IT Projects (+$16.1 million / +48 FTE)</u>

- Predictive Analytics for the Collection Enterprise (PACE)

  PACE is a collection of improvements to existing systems that will increase the effectiveness and efficiency of Collection through the design, development, and testing of

models, communication, case routing, and case resolution tools and techniques. PACE will enhance current systems by providing decision support earlier in the collection process, build and incorporate new analytic models, and route cases to optimal treatment streams at an earlier stage. Through the results of continuous testing and evaluation, the IRS will be better able to define, measure, and work the most productive cases. Most productive case factors include long-term compliance, voluntary compliance, and revenue collected.

- Compliance Data Warehouse (CDW)

  These funds will allow the IRS to purchase hardware and storage capacity to expand the data available from the CDW. The purpose of the CDW is to provide high-quality data and information services to the IRS research community in support of projects, analyses, and studies related to tax administration, enforcement, and customer service. This includes new data tools and analysis of the collection stream to improve effectiveness, treatment selection, and segmentation of the delinquent taxpayer population. The added data will facilitate new studies to improve the effectiveness and productivity of IRS service and enforcement programs. This investment will improve decision models for case management in Collection work streams for nearly 1,500 employees.

- Business Master File Case Creation Nonfiler Identification Process (BMF CCNIP)

  BMF CCNIP will provide the capability to more efficiently target nonfilers of business returns, including unknown nonfilers who may be delinquent in filing their required tax returns. This program has a current limited capability in its first release configuration that will extend and enhance the algorithms and datasets in use including available state return data. This program will become the system where cases are created, prioritized, selected, maintained, and integrated with filing compliance performance and management tools. Development of this system will reduce non-liable closures by assigning employees to the best cases, and is expected to produce a higher number of secured returns and an increase in the number of taxpayers that meet filing obligations.

Other Direct Costs (+$4.5 million / +27 FTE)

Dollars in Millions

IRS Activity	Cost	FTE	Positions	Explanation
Appeals	$2.0	12.75	17	Support collection efforts on key compliance areas, particularly the Trust Fund Recovery Penalty and Collection Due Process workstreams.
Chief Counsel	$2.4	13.50	18	Provide support for increases in requests for legal advice, litigation assistance, and collection due process, particularly from Field Collection and the Campus Decedent Taxpayer Unit.
Human Capital Office	$0.1	0.75	1	Handle increased workload to hire and support staff.
Total	**$4.5**	**27.00**	**36**	

Leverage Data to Improve Case Selection +$39,060,000 / +59 FTE

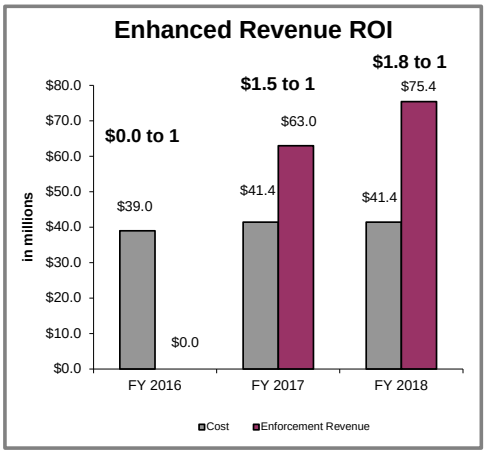
This initiative will improve data accessibility and usability for better case selection, issue identification, and treatment assignment. Taxpayer behaviors, including those of individuals, small businesses, and large corporate taxpayers, are constantly changing. The IRS must adapt quickly to changing taxpayer behavior to prevent fraud and tax code misuse.

Position Type/Other Costs	FTE	Positions	$000
Improve Data Availability	**21.75**	**30**	**$10,296**
IT Specialist	7.50	11	1,392
Contractual Services			1,754
E-file Data Interface for Compliance Data Environment	14.25	19	7,150
Design and Pilot New Ways to Identify & Prioritize Cases	**10.25**	**13**	**$9,757**
Analyst	8.00	10	1,377
IT Specialist	2.25	3	380
Contractual Services			3,000
IT Equipment			3,250
Hardware & Software			1,750
Optimize Case Selection and Assignment to Appropriate Treatment Streams	**11.25**	**15**	**$16,353**
IT Specialist	11.25	15	1,853
Contractual Services			6,000
IT Equipment			2,000
Hardware & Software			6,500
Enhancing Large Corporate Compliance through Improved Issue Identification/Return Selection and Robust Knowledge Management	**13.50**	**18**	**$2,198**
Program Analyst	5.50	7	886
Analyst	7.25	10	1,190
Economist	0.75	1	122
Other Direct Costs	**2.25**	**3**	**$456**
Attorney	2.25	3	456
Total	**59.00**	**79**	**$39,060**

This initiative will:

- Increase the digital availability of tax return information;
- Create an analytical computing and data testing environment to allow the IRS to identify taxpayer behavioral changes more quickly and test compliance responses promptly;
- Optimize compliance case identification and treatment assignment to increase effectiveness while reducing risk and costs;
- Enhance IRS large corporate taxpayer issue identification/return selection activities, improve the data systems and tools needed to perform this work, and more effectively use knowledge management and information technology resources to identify potential compliance risk; and
- Provide skilled staff in areas such as machine learning, statistical modeling, and data mining.

Improved use of analytics is expected to increase revenue collection and, while this is not included in the IRS's traditional ROI calculations, it is projected to increase revenue by $75.4 million in FY 2018, a revenue enhancing ROI of $1.8 to $1.



Improve Data Availability (+$10.3 million / +21.75 FTE)

This initiative will provide resources to allow the IRS to increase the data available for research and analysis by funding the following three projects:

- Enhance Electronic Data Capture on Residual Paper Returns

  While the rate of electronic filing continues to increase, the IRS will continue to receive some tax returns on paper. These resources provide IT staffing and contracting support to allow existing systems to accept additional transcribed data.

- Expand the Compliance Data Environment (CDE) and the Modernized Taxpayer Return Database (MTRDB)

  This initiative will expand CDE and MTRDB to include all e-filed data and make it accessible for research and identification of emerging trends. Analysis of e-filed data will allow the IRS to develop appropriate compliance strategies. The MTRDB is a database of all tax returns used for case selection purposes. The MTRDB improvements will make all e-file return data available and accessible. Campus and field personnel will be able to replicate complete copies of e-filed returns as needed, relieving taxpayers who e-file from the burden of providing copies of prior-year returns for an examination.

- Allow Electronic Filing of Three Employee Retirement Income Security Act (ERISA) Information Returns

  Currently, taxpayers must use different means and go to different government agencies to file employee plan returns depending on the type of form they are filing, placing an undue burden on taxpayers. Unlike other Form 5500 series returns, which are filed electronically with the Department of Labor (DOL), Form 5500-EZ, *Annual Return of One-Participant Retirement Plan*, is filed with the IRS either on paper or through the IRS Filing Information Returns Electronically (FIRE) system. These resources will consolidate electronic filing of Form 5500-EZ and two other retirement plan-related forms on DOL's EFAST2 platform. Allowing retirement plan-related forms to be filed in one, electronic location will improve taxpayer service, improve case selection, and reduce processing and transcription errors.

Design and Pilot New Ways to Identify and Prioritize Cases
(+$9.8 million / +10.25 FTE)

This initiative provides resources to develop an analytical computing and data testing environment that will allow the IRS to rapidly analyze and apply data extracts and third party data to evolving compliance programs. Currently, much of the IRS's data analysis takes place several years after the returns are filed. To improve this process, the IRS must develop an analytical computing environment to test this technology before full implementation and deployment. Once completed, this technology will enhance the IRS's ability to study the most difficult tax administration challenges. Experiments conducted in this analytical computing environment will assist the IRS in quantifying proposed changes to processes and policies.

This request also supports additional analysts to design and conduct pilot testing of new case selection methods. Pilot tests as part of carefully designed studies will allow the IRS to test new hypotheses, processes, and procedures under rigorous methods designed to measure and assess the results.

Optimize Case Selection and Assignment to Appropriate Treatment Streams
(+$16.4 million / +11.25 FTE)

This initiative will provide the resources to redirect casework to functions that can handle it most effectively or to functions with available capacity. Developing new business rules will allow selection and distribution of cases into the most effective enforcement activity. Once cases complete their cycle, data visualization will allow for comparison of the effectiveness of the treatment streams.

The ability to adapt to the changing compliance environment and to address a changing noncompliant population depends on new business and technology models for case selection, issue identification, and case treatment/assignment. The new business and technology models will support the organization across individual business units. Currently, IRS compliance tools are focused on individual business units with inadequate linkage across the operating boundaries of the organization. Moving to these new models requires integration and development of common business services. This investment in business tools (e.g., rules-based engines, statistical analysis packages, and data visualization) will enhance secure data access across the IRS organization and provide a common process to identify cases in production.

Enhancing Large Corporate Compliance through Improved Issue Identification/Return Selection and Robust Knowledge Management
(+$2.2 million / +13.5 FTE)

In carrying out its mission, the IRS must decide where and how to apply its limited resources for the greatest benefit. This is especially true in large corporate taxation, where over the past decade the work has become increasingly globalized, and corporate business models have evolved to meet changing demands. In large corporate taxation, the IRS uses issue-driven, risk-based modeling approaches, focusing on the nature and complexity of tax issues, to inform its workload selection decisions. The overarching goal is to identify those issues having the broadest impact on compliance, regardless of entity type or size, and assign resources accordingly.

This initiative seeks to enhance IRS issue identification/return selection activities by improving use of data modeling, data filtering, and statistical analysis as well as improving the data systems and tools needed to perform this work. This initiative will fund staff who will possess highly specialized skillsets to conduct statistical analysis and computer programming tasks including modeling, data mining, and information architecture. These hires will allow the IRS to fully use knowledge management and information technology resources to uncover and pinpoint areas of potential compliance risk.

These individuals will:

- Help the IRS prioritize large corporate workload and apply limited field resources towards areas of highest compliance risk;
- Select and audit tax issues that will have the broadest overall impact on compliance;
- Support alternative and early issue resolution approaches and guidance; and
- Enhance and better leverage data and analytics to inform business decisions.

Other Direct Costs (+$0.5 million / +2.25 FTE)

Dollars in Millions

IRS Activity	Cost	FTE	Positions	Explanation
Chief Counsel	$0.5	2.25	3	Provide support in determining what information needs to be programmed into the system in order to help develop the most productive issues and cases, identifying the greatest compliance risks, and improving audit efficiency overall.
Total	**$0.5**	**2.25**	**3**	

Address Compliance Risks in the Tax-Exempt Sector +$23,462,000 / +159 FTE

This initiative will help the IRS to build and maintain public trust by anticipating and addressing the tax-exempt sector's needs, encourage voluntary compliance, and effectively enforce the law to ensure compliance.

Position Type/Other Costs	FTE	Positions	$000
Address Compliance Risks in the Tax-Exempt Sector	**108.50**	**145**	**$13,548**
Enhance Streamlined Determinations Process	**74.00**	**99**	**$8,413**
Revenue Agent	33.00	44	4,961
Tax Examiner	37.50	50	3,128
Manager	3.50	5	324
Strengthen Enforcement For Employee Plans	**34.50**	**46**	**$5,135**
Revenue Agent	34.50	46	5,135
Strengthen Voluntary Compliance for Tax-Exempt and Government Entities	**29.25**	**39**	**$4,079**
Revenue Agent	11.25	15	1,681
Tax Compliance Officer	11.25	15	1,244
Tax Law Specialist	3.00	4	530
Tax Examiner	1.50	2	136
Manager	2.25	3	488
IT Project	**13.75**	**18**	**$4,620**
Integrate Determination Application Systems	13.75	18	4,620
Other Direct Costs	**7.50**	**10**	**$1,215**
Attorney	6.00	8	1,075
Support Staff - Counsel	0.75	1	69
Tax Examiner - Appeals	0.75	1	71
Total	**159.00**	**212**	**$23,462**

This initiative will:

- Enhance the streamlined application process for exempt organizations seeking tax-exempt status;
- Protect taxpayer donations to charities by mitigating the downstream risks associated with the streamlined application process by conducting post-determination compliance activities;
- Protect participants in retirement plans and their assets, which total over $23 trillion, through a comprehensive downstream enforcement program as the IRS pursues a strategic shift in the application process for qualified employee retirement plans;
- Facilitate voluntary correction opportunities related to employment taxes and retirement plans; and
- Improve service by integrating three separate determination application systems into one end-to-end system, which supports the IRS's strategic goal to deploy advanced information technology systems to address efficiency and productivity in the determination process.
- Through this initiative, the IRS will be able to focus resources on areas with the greatest risk and ensure that all resources in the Tax Exempt and Government Entities arena are developed and deployed appropriately. This will lessen the burden on taxpayers and employees and will facilitate consistent and timely determinations of exempt status and qualifications of employee plans.

	FY 2018 Projected Workload					
Major Activities	**Additional Determination Applications Closed**	**Post-Determination Compliance Reviews**	**Examination Closures**	**Compliance Check Closures**	**Voluntary Compliance Closures**	**Voluntary Correction Follow-up Exams**
Enhance Streamlined Determinations Process	**40,000**	**6,000**	**780**	**300**		
Strengthen Enforcement for Employee Plans			**920**	**2,300**	**690**	
Strengthen Voluntary Compliance for Tax-Exempt and Government Entities					**936**	**575**
Total	**40,000**	**6,000**	**1,700**	**2,600**	**1,626**	**575**

Address Compliance Risks in the Tax-Exempt Sector (+$13.5 million / +108.5 FTE)

- Enhance Streamlined Determinations Process

  The determination process for organizations seeking tax-exempt status is the IRS's first compliance contact with these entities. The complexity and compliance risk of exempt organization applications has increased as more of these organizations operate like commercial entities (e.g., credit counseling, down payment assistance, and mortgage foreclosure assistance organizations).

  To address these issues and deliver high quality service, the IRS implemented an innovative streamlined application process for small organizations that pose a low risk of non-compliance. Along with this streamlined process, the IRS introduced the Form 1023-EZ, a new version of the Form 1023, *Application for Recognition of Exemption*, which further improves customer service and reduces taxpayer burden by simplifying the information requested from applicants and minimizing the need for the IRS to follow-up with applicants. The IRS expects that approximately 63 percent of new organizations seeking tax-exempt status will use this form in lieu of the longer Form 1023.

  This initiative requests resources that will allow the IRS to promote the compliance of exempt organizations through the new streamlined process in the exempt organizations determination program and to process the expected increase in receipts of the Form 1023-EZ. These resources are expected to allow the IRS to close an additional 40,000 applications annually, and will improve the quality and timeliness of service provided to all tax-exempt organization applications.

  However, because communication with applicants will be reduced under the new streamlined process, organizations that may have previously corrected their operations due to conversations with the determination agents, or may have withdrawn their applications for failure to establish a basis for exemption, may receive exemption. This potentially places charitable donations from taxpayers at risk. To mitigate this risk, this initiative also provides resources to support a system of post-determination enforcement approach, including compliance reviews, checks, and examinations. At full potential, with these resources, the IRS expects to complete 6,000 post-determination compliance reviews and almost 1,100 examinations or compliance checks of organizations identified through the post-determination reviews. The data gathered from these post-determination reviews and examinations will additionally be used to evaluate the streamlined application process. Without these resources, the exempt organization sector, and those who benefit from their services, will be adversely affected as the wait time for application closure increases and the IRS risks increased noncompliance.

- Strengthen Enforcement for Employee Plans

  Participants in retirement plans collectively own over $23 trillion in assets. To better protect participant assets and help ensure the retirement security of these participants, the IRS is pursuing a strategic shift related to determinations of qualified employee retirement plans, which will enable greater compliance coverage and enhance

productivity of enforcement efforts. The upfront qualification program will utilize a risk-based review approach to streamline operations and improve customer service. In order to support this risk-based approach, the IRS will require additional resources to conduct back-end compliance activities. This shift will also result in the expansion of overall compliance coverage of the employee plans sector.

Additional revenue agents will be used to expand the IRS's multi-faceted compliance program, which includes traditional field examinations, focused compliance check projects, and enhanced voluntary compliance opportunities. These additional compliance activities will enable the IRS to address downstream risks resulting from the streamlined approval of retirement plans. Compliance checks will consist of soft contacts (i.e., contacting the taxpayer to encourage them to self-correct their compliance issues) with approved retirement plans that underwent limited review during the qualification process, while areas of greater concern will be addressed by field examination. Meanwhile, voluntary compliance enhancements will allow sponsors of retirement plans to self-identify compliance issues and to self-correct those compliance issues.

This comprehensive enforcement program is expected to protect over $23 trillion in retirement assets that fall within the IRS's scope and 130 million pension plan participants through an additional:

- 920 traditional audits;
- 2,300 compliance check closures; and
- 690 voluntary compliance closures.

Without these resources, IRS enforcement activities in the retirement sector, including compliance checks and field examinations, will decrease from the FY 2014 performance level of over 13,100 to 10,800 in FY 2017, a decrease of 18 percent. This drop in enforcement activities would place retirement plan participants and their retirement assets at a greater risk of noncompliance and abuse than they are today.

Strengthen Voluntary Compliance for Tax-Exempt and Government Entities (+$4.1 million / +29.25 FTE)

Tax-exempt organizations, employee retirement plans, and government entities account for a significant share of the U.S. economy, representing approximately $27.6 trillion in assets. While not subject to income tax, these entities are responsible for employment and excise taxes and must satisfy a complex set of other legal requirements. To efficiently promote compliance within this segment, the IRS has created a number of voluntary correction programs that provide opportunities for taxpayers to voluntarily self-report and correct compliance failures. These programs allow taxpayers to comply with federal tax and reporting requirements with fewer burdens than an examination. This request will expand and improve these existing programs.

This initiative will benefit the 6.1 million employers who pay $1.7 trillion in employment taxes annually, and it will provide additional options for plan sponsors to protect the retirement benefits of participants in governmental, IRA, and 403(b) retirement plans.

IT Project (+$4.6 million / +13.75 FTE)

- Integrate Determination Application Systems

  The IRS's determination application processing is currently dependent on three separate information systems. These systems each provide a portion of the functionality needed to fully process determination applications. This initiative will deploy a single system and create a seamless end-to-end user system for IRS determination applications processing.

  These improvements are expected to reduce specialist review times for applications by 25 minutes per application, nearly an 11 percent reduction from the current average processing time. In addition, the single repository will also streamline data analysis and reporting. This integration will also enable the IRS to reduce taxpayer burden by focusing on high-risk applications through real-time application sampling in order to identify compliance issues as they emerge. In addition, the IRS expects to realize savings over five years through the:

  - Reassignment of dedicated programmers;
  - Elimination of maintenance requirements for two separate, aging systems;
  - A reduction in the printing and mailing of taxpayer correspondence; and
  - A decrease in time applied in manually preparing inventory control reports.

Other Direct Costs (+1.2 million / +7.5 FTE)

Dollars in Millions

IRS Activity	Cost	FTE	Positions	Explanation
Appeals	$0.07	0.75	1	Promote compliance activities and provide a high level of customer service for employee retirement plan and exempt organization appeals.
Counsel	$1.14	6.75	9	Provide published guidance and legal guidance to the IRS in addressing compliance issues in the tax-exempt sector, and to navigate potentially undetected issues related to employer sponsored retirement plans and tax-exempt organizations.
Total	**$1.21**	**7.50**	**10**	

Pursue Employment Tax and Abusive Tax Schemes +$17,186,000 / +52 FTE

This initiative will enhance overall enforcement efforts, increase the number of convictions and assessments, and allow the IRS to apply network analysis to the investigation of abusive tax schemes. Network analysis is a powerful software tool being used by many law enforcement and other agencies to leverage data and detect illegal or other non-compliant behavior. The proposed financial and criminal intelligence database, network analysis software will proactively identify potentially noncompliant taxpayers in multiple program areas by allowing the IRS to link multiple potentially abusive returns or information items together to identify the central figure behind a scheme versus applying resources to work individual returns one at a time. This network will improve the sharing of information among IRS operating divisions and expand the IRS's capability to identify significant tax cases.

Position Type/Other Costs	FTE	Positions	$000
Pursue Employment Tax & Abusive Tax Schemes	**49.00**	**65**	**$9,668**
Special Agent	34.50	46	7,681
Manager, Analyst and Support Staff	14.50	19	1,987
Network Analysis			**$7,158**
Contractual Services			7,158
Other Direct Costs	**3.00**	**4**	**$360**
Attorney	3.00	4	360
Total	**52.00**	**69**	**$17,186**

Many core tax enforcement program areas, such as employment tax and abusive tax schemes, have become underserved in recent years due to the redirection of limited IRS resources to other areas, such as identity theft investigations, which increased by 660 percent between FY 2010 and FY 2013. This initiative will help stop these problems from becoming an even greater source of criminal activity and lost revenue.

Major Activities	FY 2018 Projected Workload Investigations Completed
Investigations	60
Total	**60**

Pursue Employment Tax and Abusive Tax Schemes (+$9.7 million / +49 FTE)

This investment will expand the IRS's capabilities in the following core tax enforcement areas:

- Employment Tax Program

  Employers are required by law to withhold federal income, Social Security, and Medicare taxes from their employees.

  This program investigates employers who may be subject to criminal and civil sanctions for willfully failing to pay employment taxes. Employees suffer in these situations because they may not qualify for Social Security, Medicare, or unemployment benefits when employers do not report or pay employment and unemployment taxes. The failure of these employers to properly remit withheld employment taxes increases the burden on compliant taxpayers whose taxes ultimately must cover these promised benefits.

- Abusive Tax Schemes Program

  Abusive tax schemes have evolved from simple structuring of domestic and foreign trust arrangements into sophisticated strategies that take advantage of the financial secrecy laws of some foreign jurisdictions and the availability of credit/debit cards issued by offshore financial institutions. This program investigates these fraudulent domestic and foreign trust arrangements. One focus of the program is the identification and investigation of tax scheme promoters as well as those who facilitate abusive tax schemes (e.g., accountants, lawyers). The other, equally important focus is the investigation of investors who knowingly participate in abusive tax schemes.

- Corporate Schemes Program

  This program concentrates on violations of the Internal Revenue Code and related statutes committed by large, publicly traded (or private) corporations and/or by their senior executives. These schemes are characterized by their scope, complexity, and the magnitude of their negative economic consequences for communities, employees, lenders, investors, and financial markets. Most corporate fraud investigations are joint efforts involving many federal agencies through partnership with the Department of Justice Financial Fraud Enforcement Task Force.

Network Analysis (+$7.2 million / 0 FTE)

To further efforts in these areas, the IRS will invest in a network analysis product, which will provide investigators with the capability to identify patterns of noncompliance and alleged criminal behavior through advanced data matching methods. Successful tests of network analysis have demonstrated the versatility of this technology to improve case selection by identifying networks as opposed to single cases. The benefit of identifying the network of related potentially abusive returns is the ability to identify the central point behind a scheme or related group of returns, such as in identity theft, which would enable the IRS to address the central figure behind the scheme versus addressing individual returns one at a time. Specific features of network analysis include linking data from internal data sources and identifying networks, patterns, and characteristics that indicate noncompliant behavior.

Examples of such data sources include filed returns; information reporting documents such as Forms 1099 and K-1; currency transaction reports; and return preparer data.

Network analysis software provides an opportunity for data-driven assessment of complex compliance issues. Investment in a permanent network analysis software tool can enhance issue detection, workload selection, and treatment options for some of the IRS's most challenging data problems, including identity theft.

Acquiring a network analysis tool will allow IRS operating divisions to identify compliance issues that are difficult and often impossible to detect with existing data matching processes. In 2011 and 2012 the IRS tested network analysis and determined that it can help the IRS to target issues better, for example, "ghost preparers" (preparers who prepare returns for others but do not sign the return as required), employment tax, and education tax credit schemes. In addition, the IRS successfully matched identity theft cases to ghost preparer networks to test the potential for applying this technology to identity theft work.

Other Direct Costs (+$0.4 million / +3 FTE)

Dollars in Millions

IRS Activity	Cost	FTE	Positions	Explanation
Chief Counsel	$0.4	3.00	4	Provide legal guidance throughout the course of investigations, evaluate successful prosecutions, and work with the Department of Justice during criminal trials.
Total	**$0.4**	**3.00**	**4**	

Enhance Investigations of Transnational Organized Crime (TOC) +$42,528,000 / +194 FTE

This initiative will allow IRS to hire Criminal Investigation (CI) staff to address the growth in criminal activity of a global nature. TOC refers to associations of individuals who operate in multiple countries for the purpose of obtaining power, influence, and financial gains, wholly or in part by illegal means, while protecting their activities through a pattern of corruption that often funds terrorist activities. The threat of transnational organized crime has become more severe because criminal networks are using increasingly sophisticated tactics that exploit the borderless, interconnected nature of the global economy.

Position Type/Other Costs	FTE	Positions	$000
Enhance Investigations of Transational Organized Crime (TCO)	**180.00**	**240**	**$40,074**
Special Agent	180.00	240	40,074
Other Direct Costs	**14.00**	**19**	**$2,454**
Attorney	11.00	15	2,194
Support Staff	3.00	4	260
Total	**194.00**	**259**	**$42,528**

IRS CI is recognized throughout the law enforcement community for its expertise in the investigation, disruption, and dismantling of sophisticated narcotics and money laundering networks. While other federal agencies have investigative jurisdiction for money laundering violations, the IRS is the only agency that can investigate both money laundering violations and violations of the Internal Revenue Code simultaneously.

This initiative will allow the IRS to dedicate resources to this emerging and significant threat to the nation's economic interests, which could cause significant damage to the global financial system.

Major Activities	FY 2018 Projected Workload Investigations Completed
Investigations	360
Total	**360**

Enhance Investigations of Transnational Organized Crime (TOC)
(+$40.1 million / +180 FTE)

IRS CI staff work with the Office of National Drug Control Policy (ONDCP) as well as several multi-agency task forces that coordinate activities between the IRS, the Department of Justice, the Drug Enforcement Agency, and other agencies. Through these efforts, IRS CI supports investigations of illegal drug trafficking and money laundering perpetrated by organizations involved in TOC.

IRS CI's mission in narcotics law enforcement is to aid in the federal government's efforts to disrupt and dismantle the transnational, national, and regional criminal organizations which are responsible for the illegal drug supply in the United States and their related money laundering organizations, through the investigation and prosecution of their members and associates, and the seizure and forfeiture of their illicit proceeds. IRS CI special agents utilize their unique financial investigative expertise to follow the money trail, tracing the proceeds from illegal activity back to the criminal organizations responsible. To fulfill its mission, IRS CI investigates violations of the Internal Revenue Code, Bank Secrecy Act and federal money laundering statutes.

This initiative will provide resources to hire special agents who will:

- Support the U.S. National Drug Control Strategy, the President's Strategy to Combat Transnational Organized Crime, and the National Money Laundering Strategy;
- Increase investigations of third party money launderers and international banks;
- Work with international partners to identify illicit financial networks that are utilized to launder the proceeds of TOC organization; and
- Strengthen the IRS's partnerships with domestic and international law enforcement agencies to more effectively fight transnational narcotics, money laundering, and terrorist organizations worldwide.

Other Direct Costs (+$2.5 million / +14 FTE)

Dollars in Millions

IRS Activity	Cost	FTE	Positions	Explanation
Chief Counsel	$2.5	14.00	19	The Division Counsel/Associate Chief Counsel (Criminal Tax) will provide legal advice, formally review applications for search warrant, grand jury requests, tax-related prosecution recommendations and highly sensitive undercover operations.
Total	**$2.5**	**14.00**	**19**	

Ensure Ethical Standards of Conduct for Practitioners +$4,280,000 / +28 FTE

This initiative will allow the IRS's Office of Professional Responsibility (OPR) to conduct oversight of return preparers who represent taxpayers and are subject to Circular 230, *Regulations Governing Practice Before the Internal Revenue Service* (C230). These resources will:

Position Type/Other Costs	FTE	Positions	$000
Ensure Ethical Standards of Conduct for Practitioners	**26.50**	**35**	**$3,765**
Analyst	15.00	20	1,890
Attorney	7.50	10	1,585
Paralegal	4.00	5	290
Tax Debt Resolution	**1.50**	**2**	**$216**
Attorney	0.75	1	158
Paralegal	0.75	1	58
Technology Enhancements			**$299**
Contractual Labor			299
Total	**28.00**	**37**	**$4,280**

- Provide additional staff to handle the growing number of cases requiring litigation;
- Establish three satellite offices strategically located across the country to handle disciplinary case conferences and related negotiations; and
- Invest in technology to provide video conference capability and a systems interface that will allow OPR to increase research capability and exchange referrals and other pertinent information electronically with the Return Preparer Office (RPO).

Ensure Ethical Standards of Conduct for Practitioners (+$3.8 million / +26.5 FTE)

The population of those who are subject to the ethical standards contained in C230 will be expanding to include uncredentialed tax return preparers, who sign up for the IRS Voluntary Record of Completion program and who represent taxpayers in disputes involving returns and claims for refunds which they have prepared or signed. A condition precedent to receiving the credential is agreement to be covered by all of Subpart B, and Subpart C, Section 10.51, *Incompetence and disreputable conduct*. After December 31, 2015, uncredentialed return preparers will be prohibited from representing taxpayers before Treasury for any matter at any level. The nature of the cases being handled by OPR has evolved over the past five years from being primarily focused on a practitioner's own tax non-compliance (85 percent of cases in 2009) to being primarily focused on complex practitioner conduct which violates substantive provisions in C230 involving due diligence, false and misleading information given to IRS personnel, conflicts of interest, advising conduct in violation of tax laws, and false and misleading advertising (71 percent of cases in 2013).

These complex conduct cases, by their nature, require more extensive development, involve more sophisticated settlement negotiations, and are more apt to result in commencement of an administrative proceeding before an Administrative Law Judge. After uncredentialed practitioners prevailed in *Loving v. Commissioner* on their claim that Treasury and the IRS do not have the authority to regulate tax return preparers (although such preparers may consent to be subject to C230), some members of the practitioner community have suggested that other parts of C230 may not be valid and that OPR's jurisdiction may be limited. As a result, OPR anticipates an increase in litigation challenging its authority and validity of C230.

OPR estimates that the number of cases requiring litigation could triple over the next two years as a result of the foregoing. The additional staffing will handle these complex conduct

cases and the associated appeals, conferences, allegations, negotiations, and administrative hearing preparation, briefing and, when necessary, appeals of Administrative Law Judge decisions.

In addition, the increased staffing will handle:

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

In addition, new field office locations will provide improved access for practitioners who desire an in-person conference within their geographical region. Currently, all practitioners must travel to Washington, D.C. to be afforded their right to an in-person conference. Satellite offices will allow employees to handle disciplinary case conferences and related negotiations at three satellite offices strategically located across the country.

Tax Debt Resolution (+$0.2 million / +1.5 FTE)

Additional resources are required to focus on proactively identifying and addressing alleged C230 violations by tax debt resolution companies. Tax debt resolution companies are new and unique to OPR's expanded scope of responsibility. The business model for these companies involves few, if any, “legacy” C230 practitioners (e.g., attorneys, CPAs, and enrolled agents and actuaries). The companies’ employees assist taxpayers with negotiations to abate penalties, enter into installment payment plans, and compromise an assessed federal tax liability. These companies do not necessarily prepare tax returns or represent taxpayers during audits. Tax debt resolution companies have largely gone unregulated until now.

Technology Enhancements (+$0.3 million / 0 FTE)

This initiative also includes resources to interface the OPR E-TRAK Case and Correspondence Management System (CCMS) with the IRS Return Preparer Office (RPO) 360 database to allow for better information sharing and video conferencing.

Other Direct Costs

There are no other direct costs associated with this initiative.

Consolidate and Modernize IRS Facilities +$85,456,000 / +74 FTE

This initiative will provide space alteration resources needed to renovate and reduce office space throughout the IRS inventory and realize an estimated annual rent savings of $23 million. This supports Administration mandates to efficiently manage real property assets, and reduce the federal office space footprint and consolidated data centers. In addition, this initiative includes an increase in Procurement and Facilities Management and Security Services staff to deliver core business functions that have experienced a significant decrease since FY 2011.

Position Type/Other Costs	FTE	Positions	$000
Consolidate and Modernize IRS Campuses	**74.00**	**99**	**$85,456**
Analyst	74.00	99	9,956
Space Renovation			58,159
Hardware and Software			12,191
Equipment			5,150
Total	**74.00**	**99.00**	**$85,456**

The IRS continues to review cost estimates in order to choose the projects that will provide the greatest savings. Major reductions and consolidations are achievable at IRS occupied buildings where the following strategies can be implemented:

- Reducing workstation size in accordance with revised National Workplace Standards allowing for reductions in workstation size;
- Workspace sharing for frequent teleworkers and employees who work outside of their assigned post of duty (POD) more than 80 hours per month; and
- Realignment of occupied workspace and consolidation of vacant workspace.

In 2012, the IRS established a standard 48 square foot workstation size for most employees and a 3:1 sharing ratio for employees who are out of the office 80 or more hours each month. Time out of the office is defined as a combination of offsite (field/mobile) work, telework of any type, and regular days off. These two factors provide the IRS with a unique opportunity to drastically reduce the amount of office space in inventory. In addition, this will provide base funding covering health and safety projects, mandatory moves, and space reduction. This includes campus consolidation and modernization (the 4800 building in Atlanta, and project development for a replacement facility in Fresno).

Tight budget constraints, reduced funding levels, and uncertainty of future budgets have made it difficult to plan and execute a portfolio of required or advantageous projects. Without the requested resources, the IRS will be unable to optimize its use of office space and realize significant rent savings. The opportunity to consolidate and modernize IRS campuses will continue to be postponed and the overall benefits of space reduction and business unit co-location will be lost. The IRS plans to reinvest the rent savings from this initiative to fund rent increases for the remaining buildings and for other new space reduction projects.

Other Direct Costs

There are no other direct costs associated with this initiative.

Maintain Integrity of Revenue Financial Systems +$12,162,000 / +7 FTE

This initiative will support and improve the IRS's revenue financial accounting systems to ensure timely and accurate reporting of tax data. The revenue financial and accounting systems include the general ledger, which is required to reconcile and report to Treasury on $3.1 trillion in revenue before refunds and $374 billion in individual and business tax refunds in FY 2013; produce the annual audited financial statements; and perform other operational and financial reporting on unpaid tax assessments currently identified by the Government Accountability Office (GAO) as a material weakness.

Position Type/Other Costs	FTE	Positions	$000
Maintain Integrity of Revenue Financial Systems	**7.00**	**10**	**$12,162**
Program Analyst	7.00	10	1,007
Contractual Services			11,155
Total	**7.00**	**10**	**$12,162**

The current revenue financial system does not use commercial software and the IRS is reliant on internal funding to maintain its legacy system. This initiative will allow the IRS to make the necessary system and programming changes required to comply with Office of Management and Budget (OMB) mandates, and to stay current with internal changes made to the IRS's tax processing systems for tax administration that also affect financial reporting. The investment plan includes funding to:

- Eliminate manual work-around processes;
- Make changes to ensure that the IRS's revenue financial systems comply with accounting and system requirements;
- Merge multiple financial systems into one repository to ensure the integrity of the IRS's financial data. This is needed to improve analyses and reporting which will address the long-standing GAO-reported material weakness related to unpaid tax assessments;
- Develop financial system requirements to ensure accurate accounting and reporting for both the operational and financial transactions recorded in the tax systems;
- Allow the IRS to implement all required system changes resulting from accounting events when changes are made in the tax processing systems (master files) for key initiatives, including the ACA, CADE 2, identity theft, Automated Trust Fund Recovery Penalty, and foreign tax compliance (FATCA)

Other Direct Costs

There are no other direct costs associated with this initiative.

Implement Agency Wide Shared Services Priorities +$10,992,000 / +9 FTE

This initiative will allow the IRS to implement security measures to protect IRS employees, facilities, operations, and information. This initiative consists of countermeasures to address the security risks identified during the FY 2010 Facility Risk Assessment in 191 IRS buildings, impacting over 70,000 employees.

Position Type/Other Costs	FTE	Positions	$000
Improve Security at IRS Facilities	**9.00**	**11**	**$10,992**
IT Specialist	9.00	11	1,398
Contractual Services			3,916
Hardware & Software			3,178
Leasehold Improvement			2,500
Total	**9.00**	**11.00**	**10,992**

Improve Security at IRS Facilities (+$11.0 million / +9 FTE)

This initiative requests resources to replace outdated security systems and implement solutions to vulnerabilities in IRS facilities. This initiative is in direct support of the IRS's Strategic Foundation to ensure a secure environment that protects the safety and security of IRS employees and facilities.

- Enterprise Physical Access Control System (ePACs)

  This proposal includes $8.5 million and 8.5 FTE in new funding to update the ePACs throughout the enterprise. The ePACs is critical to the IRS's ability to monitor and protect resources and support life safety activity for the public, employees, and contractors. Many existing PAC systems are characterized as Federal Information Security Management Act (FISMA) non-compliant.

- Implement Security Countermeasures

  The IRS is requesting $2.5 million to implement security recommendations developed in response to the FY 2010 Facility Risk Assessment. This investment will help mitigate the risks identified by providing for the purchase, implementation, and installation of countermeasures such as:

  - Intrusion Detection Systems – detects criminal acts;
  - Screening Equipment – enables controlled access to specific areas of the facility;
  - Barriers – deters persons from engaging in criminal activities; and
  - Alarms – provides security against loss from fire or mechanical failure.

Other Direct Costs

There are no other direct costs associated with this initiative.

Implement Federal Investigative Standards +$3,464,000 / +11 FTE

Position Type/Other Costs	FTE	Positions	$000
Implement Federal Investigative Standards	**11.00**	**15**	**$3,464**
Program Analyst	3.00	4	533
Tax Compliance Automation	8.00	11	2,931
Total	**11.00**	**15**	**$3,464**

This initiative will provide resources to support the financial responsibility determination required by Executive Order 13467, *Reforming Processes Related to Suitability for Government Employment, Fitness for Contractor Employees, and Eligibility for Access to Classified National Security Information* (June 30, 2008). Under the E.O. all federal executive branch agencies must implement common employment suitability and security standards, which includes tax compliance checks for initial background investigations and periodic reinvestigations when hiring federal employees and contractors, or determining whether to provide, suspend, or revoke a personnel security clearance. The IRS will receive requests, and process and provide results to federal agencies conducting background investigations. The resources requested will help the IRS to:

- Establish a project office to define the process for completing and uploading consent-based tax check authorizations in accordance with IRC Section 6103(c) to a central repository;
- Establish standards for defining tax compliance;
- Create an automated tax compliance extract; and
- Create a summary report that will be used by various federal agencies to support a suitability determination or grant a security clearance and associated federal tax compliance activities for employees and contractors if needed.

OMB's Performance Accountability Council (PAC) published a government-wide FIS implementation plan in April 2014 and is monitoring and supporting agency implementation plans. The PAC's *Security and Suitability Processes Review Report to the President* (March 2014) recommends full and accelerated implementation of FIS standards by 2016 to enhance protection of federal facilities, suitability for U.S. government employment or fitness as a contractor and eligibility to access classified information or hold a sensitive position.

The Director of National Intelligence (ODNI) reported that more than 4.9 million federal government and contractor employees held or were eligible to hold a personnel security clearance. GAO is conducting a cross-agency audit (Job Code 192436) concerning Department of Defense security clearance holders with unpaid tax debts. Background investigations, with a tax compliance check, are required to grant a security clearance allowing access to classified information that, through unauthorized disclosure, can cause exceptionally grave damage to U.S. national security.

In December 2012, ODNI and the OPM established a cross-agency Federal Investigative Standards Implementation Working Group (FISIWG) that included representatives from Treasury and the IRS and is supporting efforts to automate the tax check process and clarify legal constraints for disclosing tax records.

Other Direct Costs:
There are no other direct costs associated with this initiative.

Transfer to TTB for High-Return on Investment (ROI) Tax Enforcement Activities +$5,000,000 / 0 FTE

IRS will transfer $5 million to the Alcohol and Tobacco Tax and Trade Bureau (TTB) for those high-ROI tax enforcement activities that produce additional revenue through program activities designated to narrow the federal excise tax gap on alcohol and tobacco commodities. More detailed information can be found in the TTB chapter of this document.

Position Type/Other Costs	FTE	Positions	$000
Alcohol and Tobacco Tax and Trade Bureau Program Integrity Transfer			**$5,000**
Special Agent			2,699
Training			220
Training Service Contracts			2,041
Support Supplies			8
Equipment			32
Total			**$5,000**

2.2 – Operating Levels Table

Dollars in Thousands

Internal Revenue Service Object Classification	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
11.1 Full-Time Permanent Positions	5,998,928	6,016,824	6,686,872
11.3 Other than Full-Time Permanent Positions	85,924	79,465	83,305
11.5 Other Personnel Compensation	223,667	181,903	222,025
11.8 Special Personal Services Payments	24,299	15,671	15,884
11.9 Personnel Compensation (Total)	**6,332,818**	**6,293,863**	**7,008,086**
12.0 Personnel Benefits	1,922,424	1,954,019	2,234,039
13.0 Benefits to Former Personnel	43,682	52,266	52,936
Total Personnel and Compensation Benefits	**$8,298,924**	**$8,300,148**	**$9,295,061**
21.0 Travel	72,529	115,161	179,837
22.0 Transportation of Things	24,338	23,635	31,700
23.1 Rental Payments to GSA	611,334	614,865	637,320
23.2 Rent Payments to Others	13,194	13,761	14,062
23.3 Communications, Utilities, & Misc	330,949	291,752	344,126
24.0 Printing & Reproduction	32,522	30,644	34,549
25.1 Advisory & Assistance Services	636,571	712,460	973,706
25.2 Other Services	110,291	124,158	271,064
25.3 Purchase of Goods & Services from Govt. Accounts	185,914	181,102	201,042
25.4 Operation & Maintenance of Facilities	169,437	159,116	177,548
25.5 Research & Development Contracts	3,950	2,846	2,899
25.6 Medical Care	13,570	14,160	16,625
25.7 Operation & Maintenance of Equipment	66,353	44,478	57,456
25.8 Subsistence & Support of Persons	2,159	1,702	4,957
26.0 Supplies and Materials	44,156	47,822	58,889
31.0 Equipment	270,394	230,539	515,736
32.0 Land and Structures	15,122	2,833	77,911
41.0 Grants, Subsidies	21,043	29,000	31,000
42.0 Insurance Claims & Indemnities	1,650	1,995	2,034
91.0 Unvouchered	3,126	2,823	3,549
Total Non-Personnel	**$2,628,602**	**$2,644,852**	**$3,636,010**
New Appropriated Resources	**$10,927,526**	**$10,945,000**	**$12,931,071**
Appropriations:			
Taxpayer Services	2,145,195	2,156,554	2,408,803
Enforcement	4,914,497	4,860,000	5,399,832
Operations Support	3,722,599	3,638,446	4,743,258
Business Systems Modernization	145,235	290,000	379,178
New Appropriated Resources	**$10,927,526**	**$10,945,000**	**$12,931,071**
FTE	**82,643**	**81,279**	**90,524**

2B – Appropriation 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, [$2,156,554,000] *$2,408,803,000*, of which not less than [$7,000,000] *$5,600,000* shall be for the Tax Counseling for the Elderly Program, of which not less than [$10,000,000] *$12,000,000* shall be available for low-income taxpayer clinic grants, and of which not less than $12,000,000, to remain available until September 30, [2016] *2017*, shall be available for a Community Volunteer Income Tax Assistance matching grants program for tax return preparation assistance, of which not less than $206,000,000 shall be available for operating expenses of the Taxpayer Advocate Service: *Provided*, That of the amounts made available for the Taxpayer Advocate Service, not less than $5,000,000 shall be for identity theft casework. *(Department of the Treasury Appropriations Act, 2015.)*	The FY 2016 President's Budget requests additional resources for the low-income taxpayer clinic grants which provide support for taxpayers facing financial hardship and taxpayers whose problems are not resolved through normal IRS channels.
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, [$4,860,000,000] *$5,399,832,000, of which not to exceed $150,000,000 shall remain available until September 30, 2017, and* of which not less than [$60,257,000] *$57,493,000* shall be for the Interagency Crime and Drug Enforcement program*: Provided, That, of the amounts provided under this heading, not less than $352,100,000, of which $5,000,000 shall be transferred to the Alcohol and Tobacco Tax and*	The IRS requests two-year authority in the Enforcement appropriation so as to maximize flexibility in budget execution in the face of a difficult budget environment in recent years. This will mirror similar authority in the Operations Support appropriation. The Budget Request for the Enforcement account is ***$5,399,832,000*** including a program integrity cap adjustment of ***$352,100,000*** which, when combined with the

Trade Bureau, shall be for an additional appropriation 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. (Department of the Treasury Appropriations Act, 2015.)	***$315,197,000*** cap adjustment in the Operations Support account, totals ***$667,297,000*** in additional appropriation for tax enforcement and compliance activities.
OPERATIONS SUPPORT	
For necessary expenses of the Internal Revenue Service to support taxpayer services and enforcement programs, including rent payments; facilities services; printing; postage; physical security; headquarters and other IRS-wide administration activities; research and statistics of income; telecommunications; information technology development, enhancement, operations, maintenance, and security; the hire of passenger motor vehicles (31 U.S.C. 1343(b)); and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner; **[**$3,638,446,000**]** *$4,743,258,000*, of which not to exceed $315,000,000 shall remain available until September 30, **[**2016**]** *2017*; *of which not to exceed $65,000,000 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, **[**2017**]** *2018*, for research; of which **[**not less than**]***not to exceed* $1,850,000 shall be for the Internal Revenue Service Oversight Board; of which not to exceed $25,000 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 **[**2016**]** *2017*, a summary of cost and schedule performance information for its major information technology systems*: Provided further, That, of the amounts*	The Budget Request for the Operations Support account is ***$4,743,258,000*** including a program integrity cap adjustment of ***$315,197,000.*** Many facilities projects span timeframes beyond two fiscal years. The requested no-year funding authority provides the administrative flexibility to execute a project without having to incrementally fund it across multiple years. Full funding of a project up front eliminates the possibility that future funding will not be available to complete and reduces risk and costs of administration. It is also consistent with how other agencies are funded for facilities-related projects.

provided under this heading, such sums as are necessary shall be available to fully support tax enforcement and compliance activities, including not less than $315,197,000, for an additional appropriation 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. (Department of the Treasury Appropriations Act, 2015.) BUSINESS SYSTEMS MODERNIZATION For necessary expenses of the Internal Revenue Service's business systems modernization program, **[**$290,000,000**]** *$379,178,000*, to remain available until September 30, **[**2017**]** *2018*, for the capital asset acquisition of information technology systems, including management and related contractual costs of said acquisitions, including related Internal Revenue Service labor costs, and contractual costs associated with operations authorized by 5 U.S.C. 3109: *Provided*, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing the cost and schedule performance for CADE 2 and Modernized e-File information technology investments, including the purposes and life-cycle stages of the investments; the reasons for any cost and schedule variances; the risks of such investments and the strategies the Internal Revenue Service is using to mitigate such risks; and the expected developmental milestones to be achieved and costs to be incurred in the next quarter. *(Department of the Treasury Appropriations Act, 2015.)* 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 **[**approval**]***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. None of the funds made available to the Internal Revenue Service by this Act may be used to make a video unless the Service-Wide Video Editorial Board determines in advance that making the video is appropriate, taking into account the cost, topic, tone, and purpose of the video.**]**	Section 105 is no longer needed. In 2013, the IRS established policy and standards for video use and the Servicewide Video Editorial Board to review all video projects planned throughout the IRS.
SEC. **[**106**]***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.	Sections 107 and 108 are unnecessary since these behaviors are prohibited under existing, permanent law.
[SEC. 107. 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.**]**	Section 109 is unnecessary since obligation and outlay of funds on conferences are already subject to adequate review and departmental policies.
[SEC. 108. 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. 109. None of funds made available by this Act to the Internal Revenue Service shall be obligated or expended on conferences that do not adhere to the procedures, verification processes, documentation requirements, and policies issued by the Chief Financial Officer, Human Capital Office, and Agency-Wide Shared Services as a result of the recommendations in the report published on	Section 110 is unnecessary since these behaviors are prohibited under existing, permanent law.

May 31, 2013, by the Treasury Inspector General for Tax Administration entitled "Review of the August 2010 Small Business/Self-Employed Division's Conference in Anaheim, California" (Reference Number 2013–10–037).**]** **[**SEC. 110. None of the funds made available by this Act may be used in contravention of section 6103 of the Internal Revenue Code of 1986 (relating to confidentiality and disclosure of returns and return information).**]** *SEC. 106. Section 9503(a) of title 5, United States Code, is amended by striking the clause "before September 30, 2013" and inserting "before September 30, 2020".* *SEC. 107. Section 9503(a)(5) of title 5, United States Code, is amended by inserting before the semicolon the following: "renewable for an additional two years, based on a critical organizational need". (Department of the Treasury Appropriations Act, 2015.)*	The IRS requests Streamlined Critical Pay (SCP) authority through September 30, 2020. This SCP authority expired September 30, 2013. Currently there are approximately 30 senior employees under SCP appointments. If the SCP is not renewed, the IRS will not be able to recruit and retain top-level talent, especially IT professionals who can help protect taxpayer data from cyber-attacks and who are working to modernize the IRS's IT infrastructure.

2C – Legislative Proposals

The IRS requests Streamlined Critical Pay (SCP) authority through September 30, 2020. This SCP authority expired September 30, 2013. Currently there are approximately 30 senior employees under SCP appointments. If the SCP is not renewed, the IRS will not be able to recruit and retain top-level talent, especially IT professionals who can help protect taxpayer data from cyber-attacks and who are working to modernize the IRS's IT infrastructure. According to Treasury Inspector General for Tax Administration report 2015-IE-R001, *The Internal Revenue Service's Use of Its Streamlined Critical Pay Authority*, "Private sector expertise had been crucial to introducing new leadership to supplement in-house expertise, and the IRS had taken advantage of the private sector expertise by retaining the critical pay appointees whenever feasible."

2D – Legislative Tax Proposals

These legislative proposals are intended to reduce the tax gap and improve tax compliance with minimal taxpayer burden. The new tax gap proposals that were included in the FY 2016 President's Budget were estimated by the Treasury Office of Tax Analysis (OTA) to increase revenue by $84.3 billion over the next 10 years (estimate includes the revenue generated by the FY 2016 program integrity cap adjustment initiatives). These proposals will reduce the tax gap by expanding information reporting and sharing, improving compliance by businesses, and strengthening tax administration. The IRS estimates the implementation cost for these FY 2016 President's Budget tax gap proposals to be $157.5 million (excluding the program integrity cap adjustment's ten-year cost) over three years, including the initial startup, processing, and compliance operational costs (the cost for these legislative proposals is provided below). Note that in a few cases estimates are not yet available due to timing. If Congress enacts these provisions, the IRS will require additional funds to be included in the authorizing legislation in the amounts shown below.

Expand information reporting – Compliance with the tax laws is highest when payments are subject to information reporting to the IRS. Specific information reporting proposals would:

- Require information reporting for private separate accounts of life insurance companies ($0);
- Require a certified Taxpayer Identification Number (TIN) from contractors and allow certain withholding ($11.5 million);
- Modify reporting of tuition expenses and scholarships on Form 1098-T, *Tuition Statement* ($0.2 million);
- Provide for reciprocal reporting of information in connection with the implementation of the FATCA ($4.2 million); and

Improve compliance by businesses – Improving compliance by businesses of all sizes is important. Specific proposals to improve compliance by businesses would:

- Require greater electronic filing of returns ($0.6 million);
- Increase certainty with respect to worker classification ($1.9 million); and
- Increase information sharing to administer excise taxes ($0).
- Provide authority to readily share beneficial ownership information of U.S. companies with law enforcement ($4.3 million).

Strengthen tax administration – The IRS has taken a number of steps under existing law to improve compliance. These efforts would be enhanced by specific tax administration proposals that would:

- Impose liability on shareholders to collect unpaid income taxes of applicable corporations ($0.1 million);
- Increase levy authority for payments to Medicare providers with delinquent tax debt ($0.1 million);
- Implement a program integrity statutory cap adjustment for tax administration ($18.7 billion);
- Streamline audit and adjustment procedures for large partnerships ($2.5 million);
- Revise offer-in-compromise application rules ($17.8 million);
- Expand the IRS access to information in the National Directory of New Hires for tax administration purposes ($12 million);
- Make repeated willful failure to file a tax return a felony ($0);
- Facilitate tax compliance with local jurisdictions ($1.2 million);
- Extend statute of limitations where state adjustment affects federal tax liability ($0);
- Improve investigative disclosure statute ($0);
- Require taxpayers who prepare their returns electronically but file their returns on paper to print their returns with a scannable code ($14.6 million);

- Allow IRS to absorb credit and debit card processing fees for certain tax payments ($9.6 million);
- Provide the IRS with greater flexibility to address correctable errors ($1.4 million);
- Make e-filing mandatory for exempt organizations ($18.2 million);
- Authorize the Department of Treasury to require additional information to be included in electronically filed Form 5500 annual reports and electronic filing of certain other employee benefit plan reports ($11.2 million);
- Impose a penalty on failure to comply with electronic filing requirements ($2.5 million);
- Improve the whistleblower program ($0);
- Index all penalties for inflation ($0.8 million);
- Extend paid preparer Earned Income Tax Credit (EITC) due diligence requirements to the child tax credit ($20.2 million);
- Extend IRS authority to require a truncated Social Security Number (SSN) on Form W-2, *Wage and Tax Statement* ($0.2 million);
- Combat tax-related identity theft ($2.7 million);
- Allow states to send notices of intent to offset federal tax refunds to collect state tax obligations by regular first-class mail instead of certified mail ($0);
- Explicitly provide that the Department of Treasury and IRS have authority to regulate all paid return preparers (Undetermined);
- Rationalize tax return filing due dates so they are staggered ($1.0 million);
- Increase the penalty applicable to paid tax preparers who engage in willful or reckless conduct ($0);
- Enhance administrability of the appraiser penalty ($0);
- Increase levy authority for payments to Medicare providers with delinquent tax debt ($0 million); and
- Implement standards clarifying when employee leasing companies can be held liable for their clients' federal employment taxes (new in 2016).

2E – Strategic Objective Annual Review (SOAR)

The GPRA Modernization Act of 2010 requires each federal agency to conduct a review of performance goals and objectives on an annual basis. This strategic review serves as an annual assessment of progress being made to improve program outcomes and looks at opportunities for productivity gains using a variety of analytical, research, and evaluation methods to support the assessment.

Based on the SOAR review, the IRS identified three areas of focus: (1) expand online services; (2) build stronger relationships with the tax community and government partners; and (3) build upon current compliance analytics.

In FY 2014, the IRS:

- Expanded and enhanced digital self-help services available to taxpayers through IRS.gov, increased use of social media and mobile tools such as YouTube and IRS2Go and promoted the use of Facilitated Self Assistance kiosks available at some Taxpayer Assistance Centers;
- Continued to foster stronger relationships with its tax community and government partners through Tax Forums, workshops and training at various locations across the country, and providing a weekly *e-News for Tax Professionals* newsletter;
- Improved compliance analytics through increased collaboration with the states and foreign governments, the development of enhanced workload selection models, and the deployment of the Return Review Program, an automated system designed to maximize fraud detection at the time the tax returns are filed to eliminate the issuance of questionable refunds.

A summary of IRS accomplishments can be found in Section 1B, *Vision, Priorities, and Context*. More detailed information on the IRS FY 2014 accomplishments can be found in the Management's, Discussion & Analysis Report that was released as part of GAO's review of the IRS financial statements in November 2014. The IRS has requested additional resources to support these areas of focus.

2F – IRS Use of Evidence and Evaluation
The IRS continues to improve program performance by applying existing evidence about what works and by using research and innovation to improve program delivery.

Significant Accomplishments
Reducing Taxpayer Burden and Improving Compliance

- Post-Filing Model: The IRS has developed a model of the post-filing interactions between taxpayers and the IRS, accounting for various post-filing treatment streams, with a focus on taxpayer burden, IRS costs, cycle time, and compliance outcomes. The taxpayer burden aspect of the model was presented at the 2013 Winter Simulation Conference, the 2014 HM Revenue and Collections International Tax Analysis Conference, the 2014 IRS Research Conference, and the 2014 Joint Statistical Meetings.
- Use of National Research Program (NRP) Data to Evaluate EITC Compliance: The IRS is using data from the NRP individual taxpayer study to evaluate compliance of taxpayers who claim the EITC. The study is using the NRP results to estimate the total cost of EITC errors, evaluate types of errors made and the relative costs of those errors, as well as identify common characteristics of tax returns on which errors are reported.
- Evaluation of the Compliance Assurance Process (CAP): The IRS CAP research project found that CAP revenue results are substantially similar to the traditional examination program, and are achieved sooner with greater certainty. The research is helpful in demonstrating the effects of the CAP program and complements program measures based on directly observable outcomes.

Highest Priorities
Improving the Effectiveness of the IRS

- Fraud Detection: Research, Analysis, and Statistics (RAS) supports IRS efforts in early detection of fraud and erroneous refund claims through research to identify fabricated entities potentially filing false income and withholding information documents in an attempt to bypass existing detection filters.
- Evaluation of Statistics of Income (SOI) Major Programs: The IRS SOI office conducted initial evaluations with key customer groups to evaluate the utility of its individual and corporation income tax products, determine projected future needs, and identify areas of potential cost savings. The evaluation showed that customers were satisfied with the products, but suggested new directions for the individual income files and changes over the next 5-years in the production and delivery of business tax data to better represent increased globalization. SOI plans phased implementation of proposed changes beginning in FY 2015.
- Encouraging Electronic Refunds: The IRS is partnering with the Bureau of the Fiscal Service (BFS) to increase the electronic deposit take-up rate for tax refunds. This effort includes analysis of the taxpayer segments receiving paper refunds and a pilot outreach program. The pilot program targets taxpayers who received a paper check in Tax Year 2012, but who also received electronic benefits from the federal

government. Two types of letters, and a follow-up postcard were tested on two taxpayer samples containing 35,000 taxpayers each. After processing the 2013 tax returns for over 90 percent of the taxpayers in the outreach campaign, IRS found that 25 percent of them requested an electronic refund. The take-up rate was 7 percent higher compared to similar taxpayers who did not receive an outreach letter. Letters emphasizing the safety of electronic refunds versus paper checks showed a higher-response rate compared to letters emphasizing the speed of electronic refunds. Further analysis of the response to the outreach campaign will be conducted over the summer. This project supports the Administration's electronic government initiative.

Implementation Updates for OMB Memo M-14-06.

- Incarceration Data: SOI provided Treasury with a copy of an IRS administrative data file containing information for U.S. citizens who have been incarcerated. Treasury will use the file for studies of how individuals who have served time in prison use various tax expenditures to both help their families during periods of imprisonment and improve their economic circumstances once they have been released. This file may also be used to study the long-term economic effects of imprisonment on various U.S. demographic groups.
- Providing Information on the Tax System to the Public: During FY 2014, SOI released the 2011 Corporation Source Book online. This publication includes nearly 450 electronic tables that present corporate tax data by industrial sector as well as by major and minor industries within sector. SOI also released tables for the 2011 Corporation Income Tax Returns Complete Report on the IRS webpage, Tax Stats. These tables consist of extensive corporate tax data classified primarily by size of total assets and size of total tax receipts.

  In addition, SOI released nearly 400 tables containing detailed information on a wide range of topics. Significantly, SOI released the 2010-2011 state and county level migration data, which are based on year-to-year address changes reported on individual income tax returns. State-level files track inflows and outflows and include both origins and destinations by county. SOI's other releases included updates to tables on controlled foreign corporations and time-series individual income tax data by state.

  SOI also completed a review of its very popular individual income tax public-use file and produced a revised release strategy that strengthens privacy protection of individual tax data while increasing the utility of the data to key customers of this product.

Section 3 – Budget and Performance Plan

Taxpayer Services

Appropriation Description

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

The Taxpayer Services budget request for FY 2016 is $2,408,803,000 in direct appropriations and 31,285 FTE. This is an increase of $252,249,000, or 11.70 percent, and 3,011 FTE more than the FY 2015 Enacted level of $2,156,554,000 and 28,274 FTE.

The performance measures reflected in Taxpayer Services appropriation support and align to *Goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems, Objective 3.3: Pursue tax reform, implement the ACA and FATCA, and improve the execution of the tax code* of Treasury's Strategic Plan (FY 2014-2017).

2.1 – Budget Adjustments Table

Dollars in Thousands

Taxpayer Services	FTE	Amount
FY 2015 Enacted	28,274	$2,156,554
Changes to Base:		
Maintaining Current Levels (MCLs):		$52,822
Pay Annualization		4,837
Pay Raise (1.3%)		18,910
Non-Pay		3,571
FERS Contribution Increase		7,362
Federal Employees Health Benefits (FEHB) Program Modification		18,142
Efficiencies/Savings:	(61)	($18,399)
Increase e-File Savings	(46)	(2,374)
HCTC Program Termination	(15)	(16,025)
Subtotal FY 2016 Changes to Base	(61)	$34,423
FY 2016 Current Services (Base)	28,213	$2,190,977
Program Changes:		
Before Cap Adjustment Program Increases:		
Improve Taxpayer Services	2,806	183,142
Improve Upfront Identification and Resolution of Identity Theft Returns	193	15,562
Address Impact of Affordable Care Act (ACA) Statutory Requirements	1	108
Enhance Service Options for Taxpayers	45	13,891
Increase Service for Low-Income Taxpayers and Taxpayers in Need of Hardship Relief	27	5,123
Subtotal FY 2016 Program Increases	3,072	$217,826
Total FY 2016 Budget Request[1]	31,285	$2,408,803
Dollar/FTE Change FY 2016 Budget Request over FY 2015 Enacted	3,011	$252,249
Percent Change FY 2016 Budget Request over FY 2015 Enacted	10.65%	11.70%

[1]FTE include those funded with newly appropriated resources only. FTE funded by User Fees and Unobligated Balances from Prior Years are included in the direct civilian full-time equivalent employment line of the President's Appendix, but are not shown in the table above.

2.2 – Operating Levels Table

Dollars in Thousands

Taxpayer Services Object Classification	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
11.1 Full-Time Permanent Positions	1,478,423	1,513,412	1,665,695
11.3 Other than Full-Time Permanent Positions	44,113	36,629	39,928
11.5 Other Personnel Compensation	71,555	42,404	54,366
11.8 Special Personal Services Payments	885		11
11.9 Personnel Compensation (Total)	**1,594,976**	**1,592,445**	**1,760,000**
12.0 Personnel Benefits	395,692	389,099	469,889
13.0 Benefits to Former Personnel	3		
Total Personnel and Compensation Benefits	**$1,990,671**	**$1,981,544**	**$2,229,889**
21.0 Travel	10,962	19,312	24,164
22.0 Transportation of Things	1,047	671	687
23.2 Rent Payments to Others	1		
23.3 Communications, Utilities, & Misc	1,206	1,707	1,751
24.0 Printing & Reproduction	8,590	8,381	8,532
25.1 Advisory & Assistance Services	22,829	22,336	22,895
25.2 Other Services	21,306	26,735	20,861
25.3 Purchase of Goods & Services from Govt. Accounts	61,253	59,726	61,056
25.4 Operation & Maintenance of Facilities	3	2	2
25.7 Operation & Maintenance of Equipment	2		
25.8 Subsistence & Support of Persons	143	147	191
26.0 Supplies and Materials	5,888	5,884	6,642
31.0 Equipment	80	328	337
41.0 Grants, Subsidies	21,043	29,000	31,000
42.0 Insurance Claims & Indemnities	171	781	796
Total Non-Personnel	**$154,524**	**$175,010**	**$178,914**
New Appropriated Resources	**$2,145,195**	**$2,156,554**	**$2,408,803**
Budget Activities:			
Pre-filing Taxpayer Assistance & Education	595,168	626,510	682,753
Filing & Account Services	1,550,027	1,530,044	1,726,050
New Appropriated Resources	**$2,145,195**	**$2,156,554**	**$2,408,803**
FTE	**28,535**	**28,274**	**31,285**

2.3 – Appropriation Detail Table

Dollars in Thousands

Taxpayer Services Resources	FY 2014 Actuals		FY 2015 Enacted		FY 2016 Request		Change FY 2015 to FY 2016 Request		% Change FY 2015 to FY 2016 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Pre-Filing Taxpayer Assistance and Education	5,219	$595,168	5,373	$626,510	5,813	$682,753	440	$56,243	8.19%	8.98%
Filing and Account Services	23,316	1,550,027	22,901	1,530,044	25,472	$1,726,050	2,571	196,006	11.23%	12.81%
Subtotal New Appropriated Resources	**28,535**	**$2,145,195**	**28,274**	**$2,156,554**	**31,285**	**$2,408,803**	**3,011**	**$252,249**	**10.65%**	**11.70%**
Other Resources:										
Reimbursables	444	28,600	511	32,900	538	34,600	27	1,700	5.28%	5.17%
Offsetting Collections - Non Reimbursables										
User Fees[1]	886	182,742	58	55,195	58	55,595		400		0.72%
Recovery from Prior Years										
Unobligated Balances from Prior Years		17,292		9,553		14,100		4,547		47.60%
Transfers In/Out										
Resources from Other Accounts										
Subtotal Other Resources	**1,330**	**$228,634**	**569**	**$97,648**	**596**	**$104,295**	**27**	**$6,647**	**4.75%**	**6.81%**
Total Budgetary Resources	**29,865**	**$2,373,829**	**28,843**	**$2,254,202**	**31,881**	**$2,513,098**	**3,038**	**$258,896**	**10.53%**	**11.49%**

[1]FTE funded by User Fees are included in the direct civilian full-time equivalent employment line of the President's Appendix.

3A – Pre-Filing Taxpayer Assistance and Education *($682,753,000 in direct appropriations, $100,000 from reimbursable programs, and an estimated $9,000,000 from user fees):* This budget activity funds services to assist with tax return preparation, including tax law interpretation, publication, production, and advocate services. The program activities include the following:

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

- *National Distribution Center* processes orders for IRS forms and publications received from individual taxpayers, tax practitioners, and IRS tax return preparation partners.

Description of Performance

The IRS timely delivered 99.1 percent of the Critical Individual Filing Season Tax Products to the public in 2014, exceeding the FY 2013 results by 40.2 percent. The IRS released its products that are unaffected by legislation early to devote more time to analyze, develop, and post or print the tax products affected by late changes to legislation. The IRS expects to meet the target of 95.0 percent for Critical Individual Filing Season Tax Products to the Public in FY 2015 and FY 2016 by continuing to employ this strategy.

The IRS Timeliness of Critical TE/GE and Business Filing Season Tax products to the Public reached 98.7 percent in FY 2014, exceeding the established target by 3.7 percent. The IRS will continue to plan, monitor, and coordinate all products development and delivery activities. To ensure future targets are met, the IRS also will continue to evaluate the processes so that mitigation strategies can be implemented quickly. The IRS expects to meet the target of 95.0 percent for the Critical TE/GE and Business Tax Products to the Public measure in FY 2015 and FY 2016.

The Taxpayer Self-Assistance Rate reached 84.7 percent for FY 2014, falling short of the FY 2014 target of 85.0 percent. The shortfall is attributed to a large decrease in Web Services Completed. The decrease in Web Services is primarily due to a decrease in *Where's My Refund?* usage, which was 31.9 million (14 percent) below the planned volume. The smaller number of taxpayer accesses of "*Where's My Refund?*" is attributed to a concerted effort to inform taxpayers that the application should only be checked once a day. In previous years, the IRS realized about a 10 percent annual increase in usage as taxpayers became acquainted with this service, though some were using it several times per day. The IRS will continue to promote the use of self-service applications and expects to meet the FY 2015 target of 85.0 percent and the FY 2016 of 86.0 percent.

3.1.1 – Budget and Performance Report and Plan

Dollars in Thousands

Pre-Filing Taxpayer Assistance & Education Resource Level [1, 2]	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$661,000	$679,924	$678,204	$625,189	$605,761	$610,496	$626,510	$682,753
Reimbursable Resources	796	862	1,135	96		45	100	100
User Fees	18,700	5,514		22,460	6,400	22,400	9,000	9,000
Budget Activity Total	$680,496	$686,300	$679,339	$647,745	$612,161	$632,941	$635,610	$691,853

[1]The FY 2009 - FY 2014 Appropriated Resources represents the approved Operating Plan including any interappropriation transfers.

[2]The FY 2009 - FY 2014 columns represent realized resources for reimbursable and user fees.

Pre-Filing Taxpayer Assistance & Education Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Request Target
Timeliness of Critical Filing Season Tax Products to the Public (Ot)	96.8%	95.3%	96.3%	97.2%	58.9%	99.1%	95.0%	95.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public (Ot)	95.2%	97.7%	96.4%	94.5%	83.6%	98.7%	95.0%	95.0%
Taxpayer Self-Assistance Rate (E) (L)	69.3%	64.4%	70.1%	78.5%	83.3%	84.7%	85.0%	86.0%

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

3B – Filing and Account Services *($1,726,050,000 in direct appropriations, an estimated $34,500,000 from reimbursable programs, and an estimated $46,595,000 from user fees)*: This budget activity funds programs that provide filing and account services to taxpayers, process paper and electronically-submitted tax returns, issue refunds, and maintain taxpayer accounts. The IRS continues to make progress in decreasing paper returns and increasing the use of electronic filing and payment methods. The program activities include the following:

- *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* provides centralized operations and support capabilities for the IRS suite of electronic products, including e-help desk, technology support, and operations support.
- *Electronic Tax Administration (ETA)* markets and administers electronic tax administration products and services.
- *Business Performance Lab* initiatives, recommends and manages systemic solutions for the detection and treatment of improper refunds while ensuring effective treatment for payment of valid refund claims, leads the development of innovative business processes and technology solutions and represents Return Integrity & Compliance Services (RICS) interest in support of the service-wide revenue protection strategy.
- *Pre-Refund* provides coordination support for the pre-refund activities to ensure timely issuance of refunds and credits that are legally due to taxpayers.
- *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.
- *Files Most Efficient Organization (MEO)* provides staffing, training, and direct support for the management associated with the MEO for files in Submission Processing. This organization stores the administrative files and the most recent tax returns in process, which are the returns most often requested for research by various IRS organizations before being forwarded to federal records centers.

Description of Performance

Millions of individual and business taxpayers file their returns electronically. The overall benefits of e-file are faster refunds, greater accuracy, secure and confidential submission, quick confirmation, and the ability to file amended superseded and prior year returns. For FY 2014 the IRS met its 84.1 percent individual e-file target rate. The business e-file rate was 43.1 percent, missing the 2014 target of 44.7 percent.

The IRS uses projections to set the targets for business returns processed. These projected numbers are then used to determine the target for the subset of business returns that are electronically filed. The primary reason for the business e-file shortfall was that returns in the Form 94X (Employment Tax) series did not materialize in the volumes originally projected. A team has been formed to develop a Servicewide strategy for increasing the volume of electronic returns filed by business taxpayers and a communications outreach plan is being developed to promote e-filing for business returns during the 2015 Filing Season. The IRS will increase the individual e-filing target to 84.6 percent for FY 2015 and 85.0 percent for FY 2016. The business e filing target will increase to 46.5 percent for FY 2015 and 47.0 percent for FY 2016. Increases for both e-file rates will be achieved by continuing to promote the benefits of e-filing.

In FY 2014, Customer Accuracy – Tax Law was at 95.0 percent, exceeding the target of 93.0 percent. The mandatory use of the Interactive Tax Law Assistant (ITLA) and the continual monitoring of results through data-driven analysis of reports obtained from the Embedded Quality Review System (EQRS) ensured targets were met. Ongoing efforts focus on production meetings with field sites, promoting coding consistency of product reviews, and providing training to managers and employees to ensure quality service to customers. Although responding to legislative changes in tax laws will continue to be a major challenge moving forward, the IRS will set the tax law accuracy targets at 92.0 percent for FY 2015 and FY 2016.

In FY 2014, the IRS correctly answered 96.2 percent of account questions via the telephone, exceeding the target of 95.0 percent. The high performance on Customer Accuracy – Accounts (Phones) was achieved through data-driven analysis of reports obtained from the Embedded Quality Review System (EQRS). Ongoing efforts focus on production meetings with field sites, promoting coding consistency of product reviews, and providing training to managers and employees to ensure quality service to customers. For FY 2015 and FY 2016, the target for Customer Accuracy – Accounts (Phones) will decrease slightly to 94.0 percent. The IRS anticipates an increase in complexity in inquiries due to ACA implementation, which may negatively impact customer accuracy.

The IRS Customer Contacts Resolved per Staff Year reached 21,018 for FY 2014, falling short of the target of 22,750. This measure includes activities such as automated and assistor calls answered and web services completed. The shortfall is attributed to a large decrease in the number of Web Services Completed. The decrease in Web Services is primarily due to a decrease in the number of "*Where's My Refund?"* inquiries, which were 31.9 million (14 percent) less than the planned number of 221 million. The IRS attributes the decrease in number of users to a concerted effort to inform taxpayers that the "*Where's My Refund?"* application is only updated daily, and should not be repeatedly queried throughout the day. Future projections will take into account messaging efforts and the 2014 experience. The Customer Contacts Resolved per Staff Year target will be 21,000 for FY 2015 and 17,300 for FY 2016. To achieve these targets, the IRS will continue to provide efficient responses to customer contacts with the resources available and provide more self-service options on IRS.gov.

In FY 2014, the Customer Service Representative Level of Service was 64.4 percent, which was 5.6 percent above the planned target of 61.0 percent. In FY 2014, Assistor Calls Answered decreased by 23 percent and Informational Messages decreased by 29 percent. Overall, in FY 2014, the IRS experienced a 23 percent decline in call demand from FY 2013. The IRS was able to deliver a higher level of service to customers than originally planned because of additional funding and lower than projected telephone demand (87 percent of planned). The Customer Service Representative Level of Service target is set at 38 percent for FY 2015 due to a projected increase in the number of ACA inquiries and at 80 percent for FY 2016. The IRS will continue to maintain a balance between responding to taxpayer telephone demand and receiving paper correspondence.

In FY 2014, the Refund Timeliness Rate (paper) remained strong at 98.7 percent, exceeding the target of 97 percent. Throughout FY 2014, IMF return cycles and inventories were monitored through various reports and production meetings, and any identified issues were addressed promptly. The IRS expects to meet the target of 94.0 percent target for FY 2015 and 97.0 percent for FY 2016.

3.1.2 – Budget and Performance Report and Plan

Dollars in Thousands

Filing and Account Services Resource Level [1, 2]	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$1,647,406	$1,614,418	$1,630,549	$1,614,514	$1,529,792	$1,546,058	$1,530,044	$1,726,050
Reimbursable Resources	37,094	21,993	27,857	20,759	37,535	28,555	32,800	34,500
User Fees	108,300	115,998	128,966	152,136	184,599	160,342	46,195	46,595
Budget Activity Total	$1,792,800	$1,752,409	$1,787,372	$1,787,409	$1,751,926	$1,734,955	$1,609,039	$1,807,145

[1]The FY 2009 - FY 2014 Appropriated Resources represents the approved Operating Plan including any interappropriation transfers.

[2]The FY 2009 - FY 2014 columns represent realized resources for reimbursable and user fees.

Filing and Account Services Measures	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Request Target
Percent Individual Returns Processed Electronically (Oe) (L)	65.9%	69.3%	76.9%	80.5%	82.5%	84.1%	84.6%	85.0%
Percent of Business Returns Processed Electronically (Oe) (L)	22.8%	25.5%	31.8%	36.7%	40.2%	43.1%	46.5%	47.0%
Customer Accuracy - Tax Law (Phones) (Ot)	92.9%	92.7%	93.4%	93.2%	95.7%	95.0%	92.0%	92.0%
Customer Accuracy - Accounts (Phones) (Ot)	94.9%	95.7%	96.0%	95.6%	96.0%	96.2%	94.0%	94.0%
Customer Contacts Resolved per Staff Year (E)	12,918	10,744	12,419	16,320	20,767	21,018	21,000	17,300
Customer Service Representative Level of Service (Oe) (L)[1]	70.0%	74.0%	70.1%	67.6%	60.5%	64.4%	38.0%	80.0%
Refund Timeliness - Individual (Paper) (Ot)	99.2%	96.1%	99.4%	99.7%	99.0%	98.7%	94.0%	97.0%

[1]Beginning in FY 2013, target includes an increase in base user fees.

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

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 2016 is $5,399,832,000 in direct appropriations and 44,800 FTE. This is an increase of $539,832,000, or 11.11 percent, and 4,236 FTE more than the FY 2015 Enacted level of $4,860,000,000 and 40,564 FTE.

The performance measures reflected in the Enforcement appropriation support and align to *Goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems, Objective 3.3: Pursue tax reform, implement the ACA and FATCA, and improve the execution of the tax code* of the Department of the Treasury's Strategic Plan (FY 2014-2017).

2.1 – Budget Adjustments Table

Dollars in Thousands

Enforcement	FTE	Amount
FY 2015 Enacted	40,564	$4,860,000
Changes to Base:		
Maintaining Current Levels (MCLs):		$81,120
Pay Annualization		11,875
Pay Raise (1.3%)		46,428
Non-Pay		5,171
FERS Contribution Increase		16,488
Federal Employees Health Benefits (FEHB) Program Modification		1,158
Subtotal FY 2016 Changes to Base		$81,120
FY 2016 Current Services (Base)	40,564	$4,941,120
Program Changes:		
Before Cap Adjustment Program Increases:		
Implement Foreign Account Tax Compliance Act (FATCA)	321	33,625
Address Impact of Affordable Care Act (ACA) Statutory Requirements	432	44,775
Implement Merchant Card and Basis Matching	322	28,212
Subtotal FY 2016 Before Cap Adjustment Program Increases	1,075	$106,612
Total FY 2016 Request Before Cap Adjustment	41,639	$5,047,732
Cap Adjustment Program Increases:		
Enforcement Initiatives:		
Prevent Identity Theft and Refund Fraud	358	47,738
Increase Audit Coverage	1,038	97,353
Improve Audit Coverage of Large Partnerships	107	13,722
Address International and Offshore Compliance Issues	238	35,206
Enhance Collection Coverage	986	83,236
Leverage Data to Improve Case Selection	14	5,111
Address Compliance Risks in the Tax-Exempt Sector	146	15,511
Pursue Employment Tax and Abusive Tax Schemes	52	8,677
Enhance Investigations of Transnational Organized Crime (TOC)	194	37,161
Ensure Ethical Standards of Conduct for Practitioners	28	3,385
Subtotal Enforcement Initiatives	3,161	$347,100
Alcohol and Tobacco Tax and Trade Bureau Program Integrity Transfer:		
Transfer to TTB for High-Return on Investment (ROI) Tax Enforcement Activities		5,000
Subtotal Alcohol and Tobacco Tax and Trade Bureau Program Integrity Transfer Initiative		$5,000
Subtotal FY 2016 Cap Adjustment	3,161	$352,100
Subtotal FY 2016 Program Increases	4,236	$458,712
Total FY 2016 Budget Request[1]	44,800	$5,399,832
Dollar/FTE Change FY 2016 Budget Request over FY 2015 Enacted	4,236	$539,832
Percent Change FY 2016 Budget Request over FY 2015 Enacted	10.44%	11.11%

[1]FTE include those funded with newly appropriated resources only. FTE funded by User Fees and Unobligated Balances from Prior Years are included in the direct civilian full-time equivalent employment line of the President's Appendix, but are not shown in the table above.

2.2 – Operating Levels Table

Dollars in Thousands

Enforcement Object Classification	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
11.1 Full-Time Permanent Positions	3,351,722	3,309,069	3,609,945
11.3 Other than Full-Time Permanent Positions	33,066	34,066	34,494
11.5 Other Personnel Compensation	128,589	115,634	137,255
11.8 Special Personal Services Payments	23,077	15,671	15,871
11.9 Personnel Compensation (Total)	**3,536,454**	**3,474,440**	**3,797,565**
12.0 Personnel Benefits	1,119,645	1,126,096	1,253,106
Total Personnel and Compensation Benefits	**$4,656,099**	**$4,600,536**	**$5,050,671**
21.0 Travel	50,685	76,544	119,969
22.0 Transportation of Things	9,750	9,110	15,765
23.1 Rental Payments to GSA	3		1
23.2 Rent Payments to Others	472	479	529
23.3 Communications, Utilities, & Misc	2,655	2,727	3,244
24.0 Printing & Reproduction	2,505	2,602	2,995
25.1 Advisory & Assistance Services	89,844	56,794	62,212
25.2 Other Services	30,020	36,458	48,721
25.3 Purchase of Goods & Services from Govt. Accounts	41,639	43,080	47,515
25.4 Operation & Maintenance of Facilities	12	17	18
25.5 Research & Development Contracts	3,950	2,813	2,866
25.6 Medical Care	10	10	11
25.7 Operation & Maintenance of Equipment	569	237	436
25.8 Subsistence & Support of Persons	1,857	1,440	4,649
26.0 Supplies and Materials	17,675	17,369	22,050
31.0 Equipment	2,521	5,999	13,652
32.0 Land and Structures	5	12	12
42.0 Insurance Claims & Indemnities	1,100	950	967
91.0 Unvouchered	3,126	2,823	3,549
Total Non-Personnel	**$258,398**	**$259,464**	**$349,161**
New Appropriated Resources	**$4,914,497**	**$4,860,000**	**$5,399,832**
Budget Activities:			
Investigations	601,740	602,298	713,282
Exam & Collections	4,154,342	4,104,453	4,513,376
Regulatory	158,415	153,249	173,174
New Appropriated Resources	**$4,914,497**	**$4,860,000**	**$5,399,832**
FTE	**42,119**	**40,564**	**44,800**

2.3 – Appropriation Detail Table

Dollars in Thousands

Enforcement Resources	FY 2014 Actuals		FY 2015 Enacted		FY 2016 Request		Change FY 2015 to FY 2016 Request		% Change FY 2015 to FY 2016 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Investigations	3,581	$601,740	3,425	$602,298	3,931	$713,282	506	$110,984	14.77%	18.43%
Exam and Collections	37,409	4,154,342	36,104	4,104,453	39,692	4,513,376	3,588	408,923	9.94%	9.96%
Regulatory	1,129	158,415	1,035	153,249	1,177	173,174	142	19,925	13.72%	13.00%
Subtotal New Appropriated Resources	**42,119**	**$4,914,497**	**40,564**	**$4,860,000**	**44,800**	**$5,399,832**	**4,236**	**$539,832**	**10.44%**	**11.11%**
Other Resources:										
Reimbursables	47	27,925	63	35,800	66	39,400	3	3,600	4.76%	10.06%
Offsetting Collections - Non Reimbursables		31,073		33,100		33,075		(25)		-0.08%
User Fees[1]	109	13,241	133	15,940	133	16,240		300		1.88%
Recovery from Prior Years										
Unobligated Balances from Prior Years	200	17,129		23,976		13,010		(10,966)		-45.74%
Transfers In/Out[2]		17		7,561		(5,000)		(12,561)		-166.13%
Resources from Other Accounts	3		3		3					
Subtotal Other Resources	**359**	**$89,385**	**199**	**$116,377**	**202**	**$96,725**	**3**	**($19,652)**	**1.51%**	**-16.89%**
Total Budgetary Resources	**42,478**	**$5,003,882**	**40,763**	**$4,976,377**	**45,002**	**$5,496,557**	**4,239**	**$520,180**	**10.40%**	**10.45%**

[1] FTE funded by User Fees and Unobligated Balances from Prior Years are included in the direct civilian full-time equivalent employment line of the President's Appendix.

[2] Resources from Transfers In/Out include FY 2014 transfers between IRS and the Office of National Drug Control Policy (ONDCP) High Intensity Drug Trafficking Area (HIDTA) Program (net transfer $17K), FY 2015 transfers between IRS and Spectrum (net transfer $7.6M), and an FY 2016 transfer out to the Alcohol and Tobacco Tax and Trade Bureau (TTB) ($5M).

3C – Investigations *($713,282,000 in direct appropriations and an estimated $38,500,000 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 the following:

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

Description of Performance

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

FY 2014 year end results for CI Completions (4,606) are 3.7 percent above year-end target (4,440) and reflect a 17.1 percent decrease compared to FY 2013. These results are similar to previous years before ID theft spiked. Year-end performance in FY 2014 was impacted by a decrease in the number of Special Agents in recent years, due to attrition and lack of hiring, as well as a re-focus on more complex tax case programs - which have a higher cycle time - and on existing inventory in the judicial process. The majority of investigations completed in FY 2014 (75.5 percent) consist of prosecutions that were recommended to the Department of Justice, a decrease of 20.3 percent from FY 2013. CI will continue to utilize proven case development strategies, expand case development efforts, and leverage interagency partnerships to identify, initiate and complete significant criminal investigations in all program areas. Statistics used in determining future performance were analyzed utilizing CI's Performance Projection Model. FY 2015 and FY 2016 year-end targets account for attrition, average case per case-working agent, projected case initiations, inventory of cases at the beginning of fiscal year and projected number of cases expected in inventory at the end of fiscal year. CI continues to carry a high number of ID Theft cases in all stages of its inventory. These cases have a shorter cycle time and usually result in multiple investigations, many of which were initiated prior to FY 2015 and are now in the judicial process. As more of these cases move forward into the judicial process, more resources continue to be required to work this judicial pipeline inventory. Additionally, a steady decrease in the number of special agents available to work cases due to attrition and no hiring authority will continue to impact future performance results, as already evidenced by a lower total number of open subject investigations (in all programs). Also, CI's re-focus on more complex tax case programs that take longer to complete (i.e. Corporate Fraud, Abusive Tax Schemes, etc.) will continue to impact future performance results. The IRS expects to achieve its target of 3,800 Completed Investigations for FY 2015 and FY 2016.

FY 2014 year end results for the Number of Convictions (3,110) are 26.9 percent above the year-end target (2,450) and reflect a 6.1 percent decrease from FY 2013. Although results are lower than in FY 2013, the number of convictions in FY 2014 reflects an increase of 42.4 percent when compared to FY 2010. The large number of quality investigations that were initiated and completed in previous years (most of which were ID theft cases) and are now being processed by the Department of Justice (DOJ) contributed to a high number of convictions. This accounts for the 2.3 percent increase in legal-source convictions from FY 2013. 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. The year-end target are based on historical averages and the fact CI depends on the ability of the Department of Justice (DOJ) and U.S. Attorney's office (USAO) to accept its cases for prosecution and to move them through the courts. The IRS expects to achieve its target of 2,700 convictions for FY 2015 and FY 2016.

FY 2014 year-end results for Conviction Rate (93.4 percent) are 0.3 percent higher than in FY 2013 and 1.5 percent above the year-end target. Acquittals increased in FY 2014 by 31.6 percent to 25, while dismissals decreased by 13.7 percent to 195. Appropriate case selection and effective field performance continue to positively impact the number of cases resulting in convictions. Since CI does not prosecute its own cases, it must depend on the ability of the DOJ to accept its cases for prosecution and move such cases through the courts.
CI management will continue its current efforts to maintain appropriate and consistent contact

with the DOJ Tax Division and U.S. Attorney Offices regarding prosecutorial priorities and appropriate movement of pipeline investigations to ensure a high rate of conviction. Year-end target will remain at 92 percent, based on historical averages and the fact CI depends on the ability of the Department of Justice (DOJ) and U.S. Attorney's office (USAO) to accept its cases for prosecution and to move them through the courts. In FY 2015 and FY 2016, the IRS expects to achieve its target of 92 percent using this strategy.

The Conviction Efficiency Rate is defined as the cost of the Criminal Investigation program divided by the number of convictions. FY 2014 year end results ($231,103) are 17.5 percent better than the year-end target ($280,000). Although CI's financial plan for FY 2014 indicates a slight increase in Enforcement funds (1.6 percent) and FTEs (0.9 percent) from the original projections, a higher than expected number of convictions kept the rate below the $280,000 target. To achieve the FY 2015 and FY 2016 target of $243,000, CI will continue to monitor its budget and coordinate with DOJ Tax Division and U.S. Attorney Offices regarding prosecutorial priorities.

3.1.3 – Budget and Performance Report and Plan

Dollars in Thousands

Investigations Resource Level [1, 2]	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$611,601	$639,363	$644,479	$636,386	$589,751	$599,193	$602,298	$713,282
Reimbursable Resources	39,639	67,549	63,146	56,895	28,582	27,133	35,000	38,500
User Fees				6,935	4,709			
Budget Activity Total	$651,240	$706,912	$707,625	$700,216	$623,042	$626,326	$637,298	$751,782

[1]The FY 2009 - FY 2014 Appropriated Resources represents the approved Operating Plan including any interappropriation transfers.

[2]The FY 2009 - FY 2014 columns represent realized resources for reimbursable and user fees.

Investigations Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Request Target
Criminal Investigations Completed (Ot) (L)	3,848	4,325	4,697	4,937	5,557	4,606	3,800	3,800
Number of Convictions (Oe) (L)	2,105	2,184	2,350	2,634	3,311	3,110	2,700	2,700
Conviction Rate (Oe) (L)	87.2%	90.2%	92.7%	93.0%	93.1%	93.4%	92.0%	92.0%
Conviction Efficiency Rate ($) (E) (L)	$327,328	$324,776	$310,029	$270,511	$211,048	$231,103	$243,000	$243,000

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

3D – Exam and Collections *($4,513,376,000 in direct appropriations)*: 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 the following:

- *Compliance Services Management* supports management associated with exam and collection program activities.
- *Payment Compliance – Correspondence Collection* supports IRS collection activities by initiating contact and collecting delinquent taxpayer liabilities through written notices and other means.
- *Automated Collections and Support* initiates contact and collects delinquent taxpayer liabilities through the centralized Automated Collection System (ACS).
- *Payment Compliance – Field Collection* conducts field investigations and collection efforts associated with delinquent taxpayer and business entity liabilities, including direct taxpayer contact and outreach programs to protect the interest of the federal government in delinquent tax liability situations.
- *Tax Reporting Compliance – Document Matching* supports the Automated Underreporter (AUR), Combined Annual Wage Reporting (CAWR), Federal Unemployment Tax Act (FUTA), and other Document Matching Programs.
- *Tax Reporting Compliance – Electronic/Correspondence Exam* initiates written correspondence with taxpayers related to tax issues arising from claims on their tax returns.
- *Tax Reporting Compliance – Field Exam* compares taxpayer income levels and corresponding tax liabilities to ensure the accuracy of taxpayer returns.
- *Fraud/Bank Secrecy Act* assists and supports compliance employees IRS-wide in protecting the integrity of the U.S. tax administration system. The Bank Secrecy Act Program examines non-bank financial institutions and nonfinancial trades and businesses for compliance with the anti-money laundering provisions of the Bank Secrecy Act of 1970 (BSA) and the USA PATRIOT Act of 2001. It processes and provides customer support for Reports of Foreign Bank and Financial Accounts (FBARs) and Form 8300, *Report of Cash Payments Over $10,000 Received in a Trade or Business*. The National Fraud Program provides oversight and direction for fraud policy and operations IRS-wide.
- *Appeals* provides an administrative review process that provides a channel for impartial case settlement before a case is docketed in a court of law.
- *Litigation* provides legal support for the IRS in litigation of cases, including interpretation of the tax law.
- *Specialty Programs – Exams* examines federal tax returns of businesses and individuals responsible for the filing and payment of employment, excise, estate and gift taxes.

- *International Collection* supports international field collection efforts associated with delinquent taxpayer and business entity liabilities from U.S. citizens residing abroad, non-resident aliens, expatriates, and those involving other international issues (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion).
- *International Exams* supports the international exam program involving U.S. citizens residing abroad, non-resident aliens, expatriates, and other examinations involving other international issues including legal support (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion, Corporations, Non-Profits, Pension Plans, etc.).
- *Unit General Management and Administration* provides staffing, training, and direct support for headquarters management activities of strategic planning, communication and liaison, finance, human resources, equity, diversity and inclusion, business system planning, and embedded training.
- *EITC Management and Administration* supports headquarters management associated with administering the Earned Income Tax Credit (EITC) program IRS-wide.
- *Integrity & Verification Operations* supports IRS civil fraud detection and prevention efforts in a pre-refund environment including monitoring program performance and developing policy and procedures and guidance for processing civil revenue protection programs(s).
- *ID Theft Victim's Assistant* has end-to-end responsibility and accountability for IDT victim assistance policy and operations which will include paper inventories from tax-related ID theft, the Identity Theft Protection Specialized Unit (IPSU) and Return Preparer Misconduct.
- *Accounts Management Taxpayer Assurance Program* provides support to Accounts Management for the review of questionable refunds including Identity Theft functions.
- *Whistleblower Office* provides staffing, training, and direct support to process, assess, and analyze tips from individuals who identify potential tax problems.
- *Communications and Liaison* coordinates local government and liaison relationships; manages congressional, state, and national stakeholder relationships and issues; coordinates crosscutting issues, including audit management and legislative implementation; manages national media contacts and local media relationships; and ensures IRS compliance with disclosure and privacy laws.

Description of Performance - Exam

The Examination program 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 performance are discussed below.

The FY 2014 IRS Individual Exam Coverage rate reached 0.9 percent, exceeding the target by 0.1 percent. In FY 2014, the number of individual audits decreased by more than 162,000, or 11.6 percent, which is attributable to the time lost because of the lapse in federal appropriations. Servicewide emphasis was placed on monitoring base inventory levels, decreasing cycle times, identifying workload with short cycle times, and emphasizing IMF

related pickups from BMF returns, while focusing on improving quality. Servicewide IMF coverage will continue through the development and execution of the FY 2015 Examination Plan, which includes sufficient IMF closures to ensure coverage rates are met. The IRS expects to achieve an Individual Exam Coverage rate of 0.8 percent in FY 2015 and FY 2016.

In FY 2014, Field Exam National Quality Review Score reached 88.4 percent, falling 1.2 percent short of its 89.6 percent target. A decline in the weakest quality attribute (Time Span) for this performance measure has contributed to a decline in overall quality performance, with year-end performance falling slightly short of target. The leading error in this attribute is failure to meet closing action time frames. Area Directors have quality action plans and their FY 2014 and FY 2015 Performance Management Review System quality commitments focus on reducing those leading errors. Educational efforts, customized to address the leading errors within the weaker attributes, are ongoing at the area and territory level. The IRS expects to achieve a quality score of 89.6 percent in FY 2015 and FY 2016.

The IRS achieved a score of 90.6 percent for the Office Exam National Quality Review Score, exceeding the FY 2014 target of 90.2 percent. The Tax Compliance Officer (TCO) program will continue to focus on weaker performing attributes in FY 2015 (Time Span and Compliance Checks). The leading errors within these two attributes are closing action timeframes and multi-year compliance checks. Educational efforts, customized to address the leading errors within the weaker attributes, are ongoing at the Area and Territory level. The IRS expects to achieve a quality score of 90.2 percent in FY 2015 and FY 2016.

The Examination Quality – Large Business measure is calculated through a Large Business and International Quality Measurement System (LQMS) review of a statistically valid random sample of closed Large Business Return (LBR) cases. Case scores are based on the percentage of elements passed within each of the four quality audit standards (1. Planning; 2. Inspection; 3. Development; 4. Work Papers and Reports). In FY 2014, Examination Quality – Large Business finished at 83.0 percent, 7.0 percentage points below the FY 2014 target of 90 percent. The 83.0 percent was a result of low scores in audit standards 1, 2, and 4. Actions that are currently underway to improve this score include direct feedback to revenue agents, outreach presentations on the quality audit standards and ways to improve case quality, quarterly virtual training sessions to highlight and discuss actions for areas of improvement, and one-on-one report outs to analysts in each industry. As a result of these continued efforts, the IRS expects to achieve the FY 2015 and FY 2016 target of 90 percent.

The Examination Coverage – Business measure is calculated by taking the total 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 total filings for the preceding calendar year. In FY 2014, Business Examination Coverage ended at 4.3 percent. Total closures for FY 2014 decreased by 18.9 percent and projected closures decreased by 5.7 percent, compared to FY 2013. LB&I was able to recover from the lapse in federal appropriations and exceeded the target coverage rate of 4.2 percent. The IRS expects to achieve the FY 2015 and FY 2016 targets of 3.8 percent and 3.6 percent, respectively. The FY 2015 projected coverage rate is based on planned closures of 10,186 and projected return filings of 268,800. With no hiring initiatives and continued attrition, planned closures are

slightly lower in FY 2015 despite a projected increase in returns filed. As a result, planned coverage for FY 2015 is slightly less.

Exam Efficiency – Individual finished at 138, exceeding the FY 2014 target of 133. The Individual Exam Efficiency measure is calculated by taking the sum of all individual 1040 returns closed by SB/SE, W&I (excluding non-audit EITC Proof of Concept cases), LB&I (Field Exam and Correspondence Exam), and TE/GE and audit reconsideration cases divided by the total staff years expended in relation to those individual 1040 returns. Individual closures decreased 11.6 percent due to the lapse in federal appropriations while staffing decreased 8.9 percent relative to FY 2013. Servicewide emphasis in FY 2015 will be placed on decreasing cycle times and increasing IMF related pickups from BMF returns. The IRS expects to achieve the FY 2015 and FY 2016 targets of 135 and 118, respectively. Since FY 2015 will not have a large impact from the FY 2014 lapse in federal approprations, Exam Efficiency – Individual should improve. In addition, as individual-related cases are worked in conjunction with business work streams, the efficiency rate should be consistent with FY 2014, unless FTE levels decline rapidly. The FY 2016 Exam Efficiency – Individual target is set lower as the IRS expects new FTEs to require time for training before reaching full efficiency.

Automated Underreporter (AUR) Efficiency finished at 1,935 in FY 2014, above the target of 1,931. The 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. The effect of the decreased closures as a result of the lapse in federal appropriations was mitigated by AUR efficiency improvements made through programming changes, the case selection process, and procedural changes for various programs. Servicewide AUR efficiency will improve in FY 2015 because a large portion of the correspondence examinations have been screened and are clean moving into the fiscal year, which will allow additional time for contact closures work. The IRS expects to achieve the FY 2015 and FY 2016 targets of 2,032 and 2,014, respectively. The FY 2016 target is set lower as new FTEs will not have an immediate impact on case closures due to the need for training.

In FY 2014, AUR Coverage ended at 2.6 percent. The AUR Coverage measure is calculated by taking the total number of contact closures divided by total prior calendar year individual filings. Total contact closures decreased 8.2 percent due to the lapse in federal appropriations and individual filings decreased by 1.1 percent, compared to FY 2013. AUR improved coverage by strengthening the case screening process, issuing more notices, and increasing closures. The IRS will maintain an AUR Coverage rate of 2.6 percent in FY 2015 and FY 2016. Since FY 2015 will begin without a large influx of overage inventory and new hires will have already received training, overall productivity should continue to increase.

Description of Performance - Collection

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

In FY 2014, Collection Coverage was 45.9 percent, exceeding the target of 42.7 percent. The Collection Coverage measure is calculated by taking the total volume of collection work disposed divided by total collection work available. Taxpayer Delinquent Account (TDA), Taxpayer Delinquent Investigation (TDI), and balance due notice dispositions exceeded plan which helped mitigate the impact of the lapse in federal appropriations on enterprise disposition totals. The IRS will continue to market and promote the use of the online Installment Agreement and Direct Pay tools. Disposition totals will be positively influenced by the additional Field Collection personnel hired in September 2014 who will become fully productive in FY 2015. The IRS expects to achieve the FY 2015 and FY 2016 targets of 43.8 percent and 45.9 percent, respectively.

Collection Efficiency finished at 2,051 in FY 2014, exceeding the target of 2,007. The Collection Efficiency measure is calculated by dividing total collection case closures by the total number of FTEs devoted to working the closures. Three ACS call sites returned to work Collection cases in March, which positively impacted dispositions. Through planned improvements including streamlined processes and enhanced case selection, the IRS expects to achieve the FY 2015 and FY 2016 targets of 2,173 and 2,131, respectively.

In FY 2014, the Field Collection National Quality Review Score ended at 81.6 percent, exceeding the target of 81.0 percent. The Field Collection Quality measure is calculated by taking the quality attributes that are reviewed and determined to be correct by a third-party Quality Reviewer divided by the total number of quality attributes reviewed. Quality case and work products continued to be one of three strategic objectives for Field Collection. Continued focus on this goal in FY 2014 encompassed advanced technical training for over one-third of newer Field Revenue Officers on topics such as Research, Interviewing Skills, Comprehensive Financial Analysis, Trust Fund Recovery Penalty, Advanced Collection Theories and Suits. With a continued emphasis on improving the quality of case and work products as well as advanced technical training planned for approximately 900 revenue officers in FY 2015, the IRS expects to achieve the FY 2015 and FY 2016 target of 81.6 percent. FY 2014 year-end results for Automated Collection System (ACS) Accuracy were 95.2 percent, exceeding the target of 94 percent. The 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 (CQRS). SB/SE will continue to follow-up on quality action plans resulting from site visits. Monthly calls with the Quality staff will also continue to identify and discuss quality issues and trends impacting Customer Accuracy. The IRS expects to achieve the FY 2015 and FY 2016 target of 94 percent.

3.1.4 – Budget and Performance Report and Plan

Dollars in Thousands

Exam and Collections Resource Level [1, 2]	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$4,355,186	$4,700,345	$4,689,220	$4,504,885	$4,210,108	$4,196,794	$4,104,453	$4,513,376
Reimbursable Resources	8,970	8,729	11,163	6,385	804			
User Fees	3,103	49						
Budget Activity Total	$4,367,259	$4,709,123	$4,700,383	$4,511,270	$4,210,912	$4,196,794	$4,104,453	$4,513,376

[1]The FY 2009 - FY 2014 Appropriated Resources represents the approved Operating Plan including any interappropriation transfers.

[2]The FY 2009 - FY 2014 columns represent realized resources for reimbursable and user fees.

Exam and Collections Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Request Target
Examination Coverage - Individual (Oe) (L)	1.0%	1.1%	1.1%	1.0%	1.0%	0.9%	0.8%	0.8%
Field Exam National Quality Review Score (Oe) (L)	85.1%	84.9%	85.8%	87.4%	89.2%	88.4%	89.6%	89.6%
Office Exam National Quality Review Score (Oe) (L)	92.1%	91.6%	90.4%	91.3%	90.3%	90.6%	90.2%	90.2%
Examination Quality - Large Business[1] (Oe) (L) (New in FY 2013)					92.0%	83.0%	90.0%	90.0%
Examination Coverage - Business (Assets > $10 million) (Oe) (L)	5.6%	5.7%	6.2%	6.2%	5.6%	4.3%	3.8%	3.6%
Automated Underreporter (AUR) Efficiency (E) (L)	1,905	1,924	2,007	2,041	2,025	1,935	2,032	2,014
Automated Underreporter (AUR) Coverage (E) (L)	2.6%	3.0%	3.3%	3.2%	2.8%	2.6%	2.6%	2.6%
Examination Efficiency - Individual (E) (L)	138	140	139	142	142	138	135	118
Collection Coverage - Units (Ot) (L)	54.2%	50.1%	50.0%	48.1%	47.0%	45.9%	43.8%	45.9%
Collection Efficiency - Units (E) (L)	1,845	1,822	1,952	1,997	2,057	2,051	2,173	2,131
Field Collection National Quality Review Score (Ot) (L)	80.5%	80.6%	80.3%	80.4%	81.4%	81.6%	81.6%	81.6%
Automated Collection System (ACS) Accuracy (Oe)	94.3%	95.9%	94.9%	94.7%	94.4%	95.2%	94.0%	94.0%

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

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

3E – Regulatory *($173,174,000 in direct appropriations, an estimated $900,000 from reimbursable programs, and an estimated $16,240,000 from user fees):* This budget activity funds the development and printing of published IRS guidance materials; interpretation of tax laws; internal advice to IRS on general non-tax legal issues; enforcement of regulatory rules, laws, and approved business practices; and support for taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The program activities include the following:

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

Description of Performance

Tax Exempt and Government Entities (TEGE) Determination Closures include both applications for qualified status of employee retirement plans (EP) under IRC Section 401(a) and applications from various charitable entities seeking tax-exempt status (EO). The IRS reviews applications to determine eligibility and closes them upon approval or disapproval.

For FY 2014, final year-end results for TE/GE Determinations case closures were 136,746, exceeding the target of 71,219 by 92 percent. This was driven by an enterprise-wide focus in FY 2014 on closing the backlog of applications for tax-exempt status, which resulted in a 114 percent increase in Exempt Organization (EO) Determinations case closures over the planned level. Specifically, this increase was due to: 1) The implementation of processing efficiencies as recommended by a Lean Six Sigma (LSS) review of the EO determinations program; 2) Additional resources, including detailees from EO Examinations and W&I, devoted to closing the inventory backlog, which was reduced by 65 percent from the previous year; and 3) The roll-out of the new Form 1023-EZ, which takes less time to process than the more complex Form 1023. In EP, the increase in case closures over plan was due to case processing efficiencies including limiting the application review to selected focus issues. In FY 2015, case processing improvements will be maintained by continuing streamlined processing of exempt organization applications and as more customers adopt the Form

1023-EZ to apply for tax-exempt status. In addition, EP closures will be impacted by recommendations from a LSS review of the EP determinations program and the lower number of applications expected in FY 2015. These efforts will assist in achieving the FY 2015 and FY 2016 targets of 99,942 and 127,945, respectively.

3.1.5 – Budget and Performance Report and Plan

Dollars in Thousands

Regulatory Resource Level [1, 2]	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$150,480	$164,292	$159,293	$158,096	$149,319	$156,991	$153,249	$173,174
Reimbursable Resources	469	574	654	660	631	792	800	900
User Fees			13,249	12,482	15,700	13,241	15,940	16,240
Budget Activity Total	$150,949	$164,866	$173,196	$171,238	$165,650	$171,024	$169,989	$190,314

[1]The FY 2009 - FY 2014 Appropriated Resources represents the approved Operating Plan including any interappropriation transfers.

[2]The FY 2009 - FY 2014 columns represent realized resources for reimbursable and user fees.

Regulatory Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Request Target
TE/GE Determination Case Closures (Ot)	96,246	105,247	91,205	87,000	65,877	136,746	99,942	127,945

Key: Ot - Output/Workload Measure

Operations Support

Appropriation Description

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

The Operations Support budget request for FY 2016 is $4,743,258,000 in direct appropriations and 13,863 FTE. This is an increase of $1,104,812,000, or 30.36 percent, and 1,820 FTE more than the FY 2015 Enacted level of $3,638,446,000 and 12,043 FTE.

The measures reflected in the Operations Support appropriation align to *Goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems, Objective 3.3: Pursue tax reform, implement the ACA and FATCA, and improve the execution of the tax code* of Treasury's Strategic Plan (FY 2014-2017).

2.1 – Budget Adjustments Table

Dollars in Thousands

Operations Support	FTE	Amount
FY 2015 Enacted	12,043	$3,638,446
Changes to Base:		
Maintaining Current Levels (MCLs):		$65,512
Pay Annualization		4,093
Pay Raise (1.3%)		16,004
Non-Pay		39,968
FERS Contribution Increase		5,447
Efficiencies/Savings:		($32)
Increase e-File Savings		(32)
Reinvestments:		$16,025
Expand Telecom Infrastructure to Handle Increased Demand		16,025
Subtotal FY 2016 Changes to Base		$81,505
FY 2016 Current Services (Base)	12,043	$3,719,951
Program Changes:		
Before Cap Adjustment Program Increases:		
Improve Taxpayer Services	164	118,381
Leverage New Technologies to Advance the IRS Mission		3,618
Implement Information Technology (IT) Changes to Deliver Tax Credits and Other Requirements	818	305,645
Improve Upfront Identification and Resolution of Identity Theft Returns		3,322
Implement Foreign Account Tax Compliance Act (FATCA)	140	37,380
Sustain Critical Information Technology (IT) Infrastructure	157	188,514
Address Impact of Affordable Care Act (ACA) Statutory Requirements	50	22,323
Enhance Service Options for Taxpayers	9	2,352
Restore Staffing for Essential Support Programs	152	19,938
Increase Service for Low-Income Taxpayers and Taxpayers in Need of Hardship Relief		596
Implement Merchant Card and Basis Matching		6,041
Subtotal FY 2016 Before Cap Adjustment Program Increases	1,490	$708,110
Total FY 2016 Request Before Cap Adjustment	13,533	$4,428,061
Cap Adjustment Program Increases:		
Enforcement Initiatives:		
Prevent Identity Theft and Refund Fraud	62	34,424
Increase Audit Coverage	61	64,456
Improve Audit Coverage of Large Partnerships		2,527
Address International and Offshore Compliance Issues		5,451
Enhance Collection Coverage	48	39,594
Leverage Data to Improve Case Selection	45	33,949
Address Compliance Risks in the Tax-Exempt Sector	13	7,951
Pursue Employment Tax and Abusive Tax Schemes		8,509
Enhance Investigations of Transnational Organized Crime (TOC)		5,367
Ensure Ethical Standards of Conduct for Practitioners		895
Subtotal Enforcement Initiatives	229	$203,123
Infrastructure Initiatives:		
Consolidate and Modernize IRS Facilities	74	85,456
Maintain Integrity of Revenue Financial Systems	7	12,162
Implement Agency Wide Shared Services Priorities	9	10,992
Implement Federal Investigative Standards	11	3,464
Subtotal Infrastructure Initiatives	101	$112,074
Alcohol and Tobacco Tax and Trade Bureau Program Integrity Transfer:		
Transfer to TTB for High-Return on Investment (ROI) Tax Enforcement Activities		
Subtotal Alcohol and Tobacco Tax and Trade Bureau Program Integrity Transfer Initiative		
Subtotal FY 2016 Cap Adjustment	330	$315,197
Subtotal FY 2016 Program Increases	1,820	$1,023,307
Total FY 2016 Budget Request[1]	13,863	$4,743,258
Dollar/FTE Change FY 2016 Budget Request over FY 2015 Enacted	1,820	$1,104,812
Percent Change FY 2016 Budget Request over FY 2015 Enacted	15.11%	30.36%

[1]FTE include those funded with newly appropriated resources only. FTE funded by User Fees and Unobligated Balances from Prior Years are included in the direct civilian full-time equivalent employment line of the President's Appendix, but are not shown in the table above.

2.2 – Operating Levels Table

Dollars in Thousands

Operations Support Object Classification	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
11.1 Full-Time Permanent Positions	1,130,683	1,149,605	1,344,969
11.3 Other than Full-Time Permanent Positions	8,238	8,142	8,245
11.5 Other Personnel Compensation	22,772	22,711	28,571
11.8 Special Personal Services Payments	337		2
11.9 Personnel Compensation (Total)	**1,162,030**	**1,180,458**	**1,381,787**
12.0 Personnel Benefits	396,074	426,472	492,282
13.0 Benefits to Former Personnel	43,679	52,266	52,936
Total Personnel and Compensation Benefits	**$1,601,783**	**$1,659,196**	**$1,927,005**
21.0 Travel	10,780	18,658	33,260
22.0 Transportation of Things	13,541	13,854	15,247
23.1 Rental Payments to GSA	611,331	614,865	637,319
23.2 Rent Payments to Others	12,721	13,282	13,533
23.3 Communications, Utilities, & Misc	327,088	287,316	339,061
24.0 Printing & Reproduction	21,427	19,661	23,016
25.1 Advisory & Assistance Services	440,158	435,185	641,675
25.2 Other Services	58,871	60,809	200,393
25.3 Purchase of Goods & Services from Govt. Accounts	83,022	78,296	92,453
25.4 Operation & Maintenance of Facilities	169,422	159,097	177,440
25.5 Research & Development Contracts		33	33
25.6 Medical Care	13,560	14,150	16,614
25.7 Operation & Maintenance of Equipment	65,482	42,741	54,974
25.8 Subsistence & Support of Persons	159	115	117
26.0 Supplies and Materials	20,589	24,537	30,099
31.0 Equipment	257,169	193,566	462,849
32.0 Land and Structures	15,117	2,821	77,899
42.0 Insurance Claims & Indemnities	379	264	271
Total Non-Personnel	**$2,120,816**	**$1,979,250**	**$2,816,253**
New Appropriated Resources	**$3,722,599**	**$3,638,446**	**$4,743,258**
Budget Activities:			
Infrastructure	845,558	829,389	973,521
Shared Services & Support	1,127,931	1,143,864	1,274,194
Information Services	1,749,110	1,665,193	2,495,543
New Appropriated Resources	**$3,722,599**	**$3,638,446**	**$4,743,258**
FTE	**11,652**	**12,043**	**13,863**

2.3 – Appropriation Detail Table

Dollars in Thousands

Operations Support Resources	FY 2014 Actuals		FY 2015 Enacted		FY 2016 Request		Change FY 2015 to FY 2016 Request		% Change FY 2015 to FY 2016 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Infrastructure		$845,558		$829,389		$973,521		$144,132		17.38%
Shared Services and Support	5,097	1,127,931	5,209	1,143,864	5,553	1,274,194	344	130,330	6.60%	11.39%
Information Services	6,555	1,749,110	6,834	1,665,193	8,310	2,495,543	1,476	830,350	21.60%	49.87%
Subtotal New Appropriated Resources	**11,652**	**$3,722,599**	**12,043**	**$3,638,446**	**13,863**	**$4,743,258**	**1,820**	**$1,104,812**	**15.11%**	**30.36%**
Other Resources:										
Reimbursables	128	41,315	156	50,300	164	53,000	8	2,700	5.13%	5.37%
Offsetting Collections - Non Reimbursables										
User Fees[1]	156	223,162		391,225		378,525		(12,700)		-3.25%
Recovery from Prior Years		1,025								
Unobligated Balances from Prior Years		108,023		149,270		131,787		(17,483)		-11.71%
Transfers In/Out										
Resources from Other Accounts	6									
Subtotal Other Resources	**290**	**$373,525**	**156**	**$590,795**	**164**	**$563,312**	**8**	**($27,483)**	**5.13%**	**-4.65%**
Total Budgetary Resources	**11,942**	**$4,096,124**	**12,199**	**$4,229,241**	**14,027**	**$5,306,570**	**1,828**	**$1,077,329**	**14.98%**	**25.47%**

[1] FTE funded by User Fees are included in the direct civilian full-time equivalent employment line of the President's Appendix.

3F – Infrastructure *($973,521,000 in direct appropriations and an estimated $800,000 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 services needs, and non-IT equipment.
- *Security* covers building security costs related to contract guard services.

Description of Performance

In FY 2014, there were 54 space reduction projects completed that resulted in the release of 582,877 RSF of space with Annualized Rent Savings of $16.4 million.

In the first quarter of FY 2015, there are three space reduction projects that have been "Completed" as of November 30, 2014, totaling 32,442 RSF of space released, and resulting in Annualized Rent Savings of $663,298. There are an additional 42 space reduction projects that are approved for implementation in FY 2015 that will result in the release of another 542,358 RSF and further Annualized Rent Savings of $16.1 million. The total of completed and approved space reduction projects for FY 2015 is 574,800 RSF of space to be released with Annualized Rent Savings resulting in approximately $16.8 million. Completion of a few of these projects may slip into FY 2016 due to construction delays and GSA negotiations with the lessors.

Approximately 16 space reduction projects have been approved for implementation in FY 2016, which will result in the release of 358,092 RSF of space and Annualized Rent

Savings of approximately $9.7 million. Both FY 2015 and FY 2016 annualized rent reductions are contingent on the availability of sufficient funds in order to implement. Project identification will continue during this budget year.

The IRS also intends to place new hires in existing space and renew leases at existing sites rather than move to new locations, when cost effective. These and other actions will help offset the projected rent costs in FY 2015 and beyond.

3.1.6 – Budget and Performance Report and Plan

Dollars in Thousands

Infrastructure Resource Level [1, 2]	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$875,538	$895,202	$926,190	$929,634	$886,535	$849,025	$829,389	$973,521
Reimbursable Resources	14,120	505	880	1,016	701	16,694	700	800
User Fees			23,290	57,477	5,414	17,137		
Budget Activity Total	$889,658	$895,707	$950,360	$988,127	$892,650	$882,856	$830,089	$974,321

[1]The FY 2009 - FY 2014 Appropriated Resources represents the approved Operating Plan including any interappropriation transfers.

[2]The FY 2009 - FY 2014 columns represent realized resources for reimbursable and user fees.

3G – Shared Services and Support *($1,274,194,000 in direct appropriations, an estimated $23,900,000 from reimbursable programs, and an estimated $14,700,000 from user fees):* This budget activity funds policy management, IRS-wide support for research, strategic planning, communications and liaison, protection of sensitive information and the privacy of taxpayers and employees, finance, human resources, and equity, diversity, and inclusion programs. It also funds printing and postage, business systems planning, physical security, corporate training, legal services, procurement, and employee benefits programs.
The program activities include the following:

- *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. This activity 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 analysis of programs and investments to support strategic decision-making, and developing and managing human resources. It also includes official reception and representation expenses.
- *Real Estate and Facilities Management* provides services and supplies required to manage IRS facilities.
- *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 crosscutting 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 copiers, postage meters, shredders, courier services, and post office boxes.
- *Printing and Postage – Media and Publications* provides operating divisions with printing and postage, including shipping of taxpayer and internal use materials.
- *Statistics of Income* provides resources for researching annual income, financial, and tax data from tax returns filed by individuals, corporations, and tax-exempt organizations.
- *Research* provides resources for market-based research to identify compliance issues, for conducting tests of treatments to address noncompliance, and for the implementation of successful strategies to address taxpayer noncompliance.
- *Security Administration and Management* manages and oversees the staffing, training, equipment, and direct support for the protection of IRS employees, facilities, and assets, and the protection and proper use of identity information.
- *Wage and Investment (W&I) Business Modernization Support* provides staffing, training, and direct support for W&I's enterprise-wide business modernization efforts, including CADE 2, and Account Management Services (AMS) technology solutions, and re-engineered business processes.
- *Benefit Payments* provides resources to fund Workers' Compensation benefits and Unemployment Compensation for federal employee payments.
- *Shared Services* provides additional services, such as the Public Transit Subsidy.

Description of Performance

Through support activities that include management and administration of human resources, protection of sensitive information and the privacy of taxpayers and employees, physical security, and research, the IRS continues to provide shared services to all IRS programs.

Human Capital

Employees are the IRS's greatest asset and the IRS is committed to building a diverse, and high performing workforce by recruiting and hiring top talent. The IRS has made significant progress toward achieving the strategic goal of becoming the "Best Place to Work in Government" and fostering high employee engagement. In FY 2014, the IRS:

- Continued to expand Geographic Leadership Communities (GLCs), which are now available in 40 geographic areas. The GLCs are cross-functional groups of executives that host development opportunities and community building workshops in specific geographic areas to improve engagement and networking and better leverage local resources and talent.
- Conducted Town Hall meetings at various IRS locations across the country and issued 83 Commissioner and Deputy Commissioner all-employee email messages.
- Continued the Leadership Succession Review (LSR) program to ensure a strong, cohesive leadership development and succession planning approach from frontline to executive development. Through the four-stage LSR process, employees and managers are assessed against the IRS leadership competencies on their readiness to compete for and be successful at their designated "Next Step" leadership level. Approximately 26,900 IRS employees participated in LSR and the IRS was recognized by The Training Officers' Consortium with the *2014 Leadership Development Award* for its Leadership Succession Review Process.
- Revamped the Commissioners' Corner section on the IRS intranet to showcase Commissioner news and employee feedback and to acknowledge employees' input that resulted in organizational change.
- Exceeded the OPM and Treasury hiring cycle time requirement of 80 days by 9 days. This was done by leveraging technology and improving hiring strategies, the IRS processed more than 330,000 applications and 64,000 competitive and non-competitive personnel actions. Additionally, the IRS deployed a new application designed to improve the Personal Identification Verification pre-screening process of potential new hires.
- Participated in 167 targeted virtual events to increase and attract persons with disabilities, veterans, and related organizations. The IRS' efforts yielded these results:
    - The IRS exceeded the 10 percent veteran hiring rate and 2 percent disabled veteran hiring rate goals; 11.35 percent of external hires were veterans and 5.36 percent were disabled veterans.
    - The IRS exceeded the 10 percent disability hiring rate goal; 10.82 percent of external hires were disabled and 1.73 percent had targeted disabilities.

- Expanded the IRS Veteran Internship Program to include 47 new unpaid interns, 3 of whom were converted to full time positions, and implemented the Vets-to-Feds Program sponsored by OPM and the Department of Veterans Affairs.
- Conducted an in-depth review of the three classes taught at the World Services for the Blind (WSB) facility and modified the class schedule, reducing classroom instruction time by one-third. World Services for the Blind is a program that recruits individuals who are blind or have a visual impairment for IRS training classes and careers, and assist in transitioning them into IRS workforces. In FY 2014, WSB recruited 30 students; 29 were admitted to classes and 21 completed the classes.

The IRS will continue to support its mission by investing in human capital strategies and tools for engaging, recruiting, hiring, developing, and retaining a highly-skilled and high-performing workforce.

Security

The security of IRS employees and facilities are critical to the IRS mission. The IRS continues to provide the necessary safety and security measures to protect its employees and facilities and proactively identify new threats and address future risks. In FY 2014, the IRS:

- Renewed 22,005 employee Smart Identification cards throughout the U.S., including remote posts of duty. The timely renewal of Smart Identification cards was achieved by ensuring cards were renewed prior to expiration and resulted in cost avoidance of $700,000 for reenrollment and travel.
- Implemented the certificate rekey process for IRS Smart Identification credentials and met the FY 2014 goal by rekeying 4,002 employees and contractors. Additionally, the IRS implemented an online certificate rekey tool to reach more individuals remotely, resulting in cost avoidance of $156,000 for reenrollment and travel by ensuring timely rekeying of cards as required on a 3 year basis.
- Closed four enterprise-wide IT security vulnerabilities related to auditing, penetration testing, security of shared services, and procurements of commercial off the shelf products.
- Initiated appropriate outreach to ensure that frontline employees are aware of current Potentially Dangerous Taxpayer (PDT) and Caution Upon Contact (CAU) designation processes as well as any changes that are made to the process in the future.

Research

The IRS National Research Program (NRP) continued to analyze reporting compliance data for various taxpayer populations, including Individual Income Tax, Corporate Income Tax, Employment Taxes, and Fuel Excise Taxes. NRP results enhance taxpayer service by improving IRS processes to reduce taxpayer burden and support enforcement activities by identifying issues with high risks for noncompliance. The IRS Joint Statistical Research Program (JSRP) uses Statistics of Income and IRS administrative tax data, to study the effects of existing tax policies on individuals, businesses, and the economy. The JSRP is responsible for several research projects that require collaborating with academia, non-profit research

organizations, and other government agencies on important issues affecting tax administration. In FY 2014, the JSRP expanded the IRS Databank, which provides a new way of looking at tax data at the individual level, rather than the return level. This key difference facilitates better understanding of the impact of taxes on individuals. Another research effort under this program demonstrated a relationship between taxpayer searches for IRS and third-party information on capital gains reporting requirements and the taxpayer's capital gain realizations and reporting activity. Other current research focuses on the effectiveness of tax expenditures and the effect of tax rates on work-force participation.

3.1.7 – Budget and Performance Report and Plan

Dollars in Thousands

Shared Services and Support Resource Level [1, 2]	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$1,269,642	$1,311,127	$1,291,568	$1,214,514	$1,111,317	$1,188,067	$1,143,864	$1,274,194
Reimbursable Resources	20,763	20,315	19,957	31,486	17,175	19,887	22,700	23,900
User Fees		17,887	4,588	14,938	33,826	7,819	27,400	14,700
Budget Activity Total	$1,290,405	$1,349,329	$1,316,113	$1,260,938	$1,162,318	$1,215,773	$1,193,964	$1,312,794

[1]The FY 2009 - FY 2014 Appropriated Resources represents the approved Operating Plan including any interappropriation transfers.

[2]The FY 2009 - FY 2014 columns represent realized resources for reimbursable and user fees.

3H – Information Services *($2,495,543,000 in direct appropriations, $28,300,000 in reimbursable resources, and an estimated $363,825,000 from user fees):* This budget activity funds staffing, equipment, and related costs to manage, maintain, and operate the information systems critical to the support of the tax administration programs. This includes the design and operation of IT security controls and disaster recovery planning. This budget activity funds the development and maintenance of the millions of lines of programming code that support all aspects and phases of tax processing and the operation and administration of mainframes, servers, personal computers, networks, and a variety of management information systems. IT systems and data are key to all IRS functions. The FY 2015 reductions increase risks and may delay critical system upgrades and the maintenance required for a safe and secure IT system, which is foundational to accomplish IRS's mission and to allow the IRS to interact with the tax paying public on their terms.

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

- *ACA – Program Management Office (PMO)* manages the strategic planning, development, and implementation of new information systems in support of the business requirements associated with healthcare reform.
- *Application Development* performs the analysis, design, development, testing, and implementation of about 550 applications supporting critical tax processing, management information reporting, and financial management support systems 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.

- *Cybersecurity* delivers IT security services and ensures IRS compliance with federal statutory and regulatory requirements governing confidentiality, integrity, and availability of IRS electronic systems, services, and data. Cybersecurity tracks compliance, continuously monitors risk, and provides remediation to manage the IRS's IT Security Program in accordance with the Federal Information Security Management Act.
- *Enterprise Operations* designs, develops, and maintains IT that supports critical tax processing, management information reporting, and financial management support systems for the IRS. The program supports data exchanges with external organizations, such as other federal agencies, state and local governments, and external entities (e.g., employers and banks), and includes a comprehensive disaster recovery capability to ensure continued operations in the event of a major interruption of service.
- *Enterprise Program Management Office (EPMO)* 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 to improve the quality, cost, and delivery schedule of IT systems.
- *Enterprise Services* plans and manages service and delivery methods used across the IT organization, including demand analysis, enterprise architecture, configuration management, project reporting, enterprise life cycle management, release management, systems engineering, dashboard reporting, and internal management.
- *IT Executive Oversight* provides support to the Office of the Chief Technology Officer as well as his direct reports for equity, diversity, and inclusion, and the Director, 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 are responsive to customer business priorities and meet functional and operational needs effectively.
- *IT Infrastructure* provides a centrally managed investment program for the replacement of IRS IT infrastructure that has reached or surpassed its useful life cycle.
- *Management Services* provides for the design, development, delivery, and evaluation of a wide range of human resource programs for the IT organization. These programs include workforce planning, recruitment and retention, career management, performance management, labor/employee relations, position management, workplace improvement, succession management, and service-wide IT training and education.
- *Strategy and Planning* delivers the Enterprise IT investment strategy and portfolio management, addressing a broad spectrum of functions coordinated through four divisions: Business Planning and Risk Management ensures effective demand and risk management, overseeing Enterprise Intake and leveraging the Integrated Release Plan to support risk-based decisions; Financial Management Services, IT’s link to the Chief Financial Officer, formulates and executes IT budgets, prepares fiscal policy, and provides financial services to the IT organization; Investment and Portfolio Management and Oversight monitors investments currently executing in the control

phase of the Capital Planning and Investment Control process as well as investments and projects that have completed implementation; and, Strategic Sourcing strategically manages IT acquisitions and vendors to maximize the value of the IRS's investments while simultaneously minimizing business risk.

- *Treasury Franchise Fund (TFF)* is a centralized functional area that pays for services provided through the Treasury Franchise Fund.
- *User and Network Services* provides telecommunications and desktop support services that allow the IRS to fulfill its missions. 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 and desktop systems and services, including voice, video, and data communications.

Description of Performance

The IRS taxpayer service and enforcement programs rely heavily on information systems that fall into the non-business systems modernization (non-BSM) major products categories. These systems process tax and information returns, account for tax revenues collected, send bills for taxes owed, issue refunds, assist in the selection of tax returns for audit, and provide telecommunication services for all business activities, including the public's toll-free access to tax information.

In addition, in FY 2014, the IRS provided new applications and services to make it easier for taxpayers to get assistance and secure tax information.

- Continued to expand on its use of video technology that allows assistors to interact with taxpayers virtually at selected IRS walk-in Taxpayer Assistance Centers (TAC). The Virtual Service Delivery (VSD) project allowed taxpayers to have face-to-face interactions with IRS assistors working in remote locations using video monitors. In FY 2014, nearly 8,000 taxpayers were assisted through this service vehicle, an increase of 19 percent for the fiscal year and 14 percent for the filing season. This was due, in part, to the repositioning of support equipment enabling more location to provide VSD.
- Provided assistance to taxpayers at Taxpayer Assistance Center and Volunteer Income Tax Assistance sites through Facilitated Self Assistance (FSA) kiosks. FSA enables taxpayers to prepare individual tax returns and learn about Free File options in an environment where live assistance is still available, creating a bridge to help taxpayers migrate from face-to-face service to convenient, lower cost methods available on the IRS website. FSA also introduces taxpayers to new tools such as the *Get Transcript* application, available via IRS.gov, and *Direct Pay*, which provides taxpayers with an electronic online payment option. FSA usage in filing season 2014 was the highest ever with more than 169,000 returns prepared compared to over 82,000 during the same time last year, a 106 percent increase.
- Deployed Electronic Authentication (eAuth) Release 2.0, which allows the IRS to perform secure identity verification for online users, and allows them to establish their

profile and access the business application with a fast turnaround. It also helps reduce costs through a reduction in calls and visits to taxpayer assistance centers. The eAuth has handled over 13 million requests (Jan-Sep 2014) by taxpayers to gain access.

In FY 2014, the IRS had a consistent record managing cost and schedule variance for an average of 26 non-BSM, information service projects that are part of major programs. Cost variances are primarily attributed to cost underruns, which outnumbered overruns by more than 3:1 in FY 2014. These projects comprise a significant component of the overall IT funding total and receive the same management approach and scrutiny as the more public BSM activity.

Non-BSM Major Projects

Fiscal Year	Percent Within +/- 10% Cost Variance	Percent Within +/- 10% Schedule Variance
2014	68%	97%

In FY 2015 and beyond, the IRS will continue to focus efforts on expanding IRS capabilities to identify fraudulent returns and prevent identity theft, enhance cyber monitoring and IT security controls, expand e-services to taxpayers and practitioners, and further modernize and consolidate IT infrastructure. In addition to supporting required changes for filing season, major initiatives for 2015 include delivering ACA and FATCA releases.

3.1.8 – Budget and Performance Report and Plan

Dollars in Thousands

Information Services Resource Level [1, 2]	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$1,721,831	$1,877,555	$1,838,958	$1,803,268	$1,803,091	$1,831,050	$1,665,193	$2,495,543
Reimbursable Resources	14,612	17,231	16,286	5,154	8,850	4,734	26,900	28,300
User Fees	9,543	36,081	26,764	59,823	145,036	198,206	363,825	363,825
Budget Activity Total	$1,745,986	$1,930,867	$1,882,008	$1,868,245	$1,956,977	$2,033,990	$2,055,918	$2,887,668

[1]The FY 2009 - FY 2014 Appropriated Resources represents the approved Operating Plan including any interappropriation transfers.

[2]The FY 2009 - FY 2014 columns represent realized resources for reimbursable and user fees.

Business Systems Modernization

Appropriation Description

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

The BSM budget request for FY 2016 is $379,178,000 in direct appropriations and 576 FTE. This is an increase of $89,178,000, or 30.75 percent, and 178 FTE more than the FY 2015 Enacted level of $290,000,000 and 398 FTE.

The performance measures reflected in the Enforcement appropriation support and align to *Goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems, Objective 3.3: Pursue tax reform, implement the ACA and FATCA, and improve the execution of the tax code* of Treasury's Strategic Plan (FY 2014-2017).

2.1 – Budget Adjustments Table

Dollars in Thousands

Business Systems Modernization	FTE	Amount
FY 2015 Enacted	398	$290,000
Changes to Base:		
Maintaining Current Levels (MCLs):		$1,223
Pay Annualization		197
Pay Raise (1.3%)		770
FERS Contribution Increase		256
Subtotal FY 2016 Changes to Base		$1,223
FY 2016 Current Services (Base)	398	$291,223
Program Changes:		
Before Cap Adjustment Program Increases:		
Leverage New Technologies to Advance the IRS Mission	178	87,955
Subtotal FY 2016 Program Increases	178	$87,955
Total FY 2016 Budget Request[1]	576	$379,178
Dollar/FTE Change FY 2016 Budget Request over FY 2015 Enacted	178	$89,178
Percent Change FY 2016 Budget Request over FY 2015 Enacted	44.72%	30.75%

[1]FTE include those funded with newly appropriated resources only. FTE funded by User Fees and Unobligated Balances from Prior Years are included in the direct civilian full-time equivalent employment line of the President's Appendix, but are not shown in the table above.

2.2 – Operating Levels Table

Dollars in Thousands

Business Systems Modernization Object Classification	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
11.1 Full-Time Permanent Positions	38,100	44,738	66,263
11.3 Other than Full-Time Permanent Positions	507	628	638
11.5 Other Personnel Compensation	751	1,154	1,833
11.9 Personnel Compensation (Total)	**39,358**	**46,520**	**68,734**
12.0 Personnel Benefits	11,013	12,352	18,762
Total Personnel and Compensation Benefits	**$50,371**	**$58,872**	**$87,496**
21.0 Travel	102	647	2,444
22.0 Transportation of Things			1
23.3 Communications, Utilities, & Misc		2	70
24.0 Printing & Reproduction			6
25.1 Advisory & Assistance Services	83,740	198,145	246,924
25.2 Other Services	94	156	1,089
25.3 Purchase of Goods & Services from Govt. Accounts			18
25.4 Operation & Maintenance of Facilities			88
25.7 Operation & Maintenance of Equipment	300	1,500	2,046
26.0 Supplies and Materials	4	32	98
31.0 Equipment	10,624	30,646	38,898
Total Non-Personnel	**$94,864**	**$231,128**	**$291,682**
New Appropriated Resources	**$145,235**	**$290,000**	**$379,178**
Budget Activities:			
IT Investments	145,235	290,000	379,178
New Appropriated Resources	**$145,235**	**$290,000**	**$379,178**
FTE	**337**	**398**	**576**

2.3 – Appropriation Detail Table

Dollars in Thousands

Business Systems Modernization Resources	FY 2014 Actuals		FY 2015 Enacted		FY 2016 Request		Change FY 2015 to FY 2016 Request		% Change FY 2015 to FY 2016 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Business Systems Modernization	337	$145,235	398	$290,000	576	$379,178	178	$89,178	44.72%	30.75%
Subtotal New Appropriated Resources	**337**	**$145,235**	**398**	**$290,000**	**576**	**$379,178**	**178**	**$89,178**	**44.72%**	**30.75%**
Other Resources:										
Reimbursables										
Offsetting Collections - Non Reimbursables										
User Fees										
Recovery from Prior Years		2,272								
Unobligated Balances from Prior Years[1]	139	98,578		226,127		226,866		739		0.33%
Transfers In/Out										
Resources from Other Accounts										
Subtotal Other Resources	**139**	**$100,850**		**$226,127**		**$226,866**		**$739**		**0.33%**
Total Budgetary Resources	**476**	**$246,085**	**398**	**$516,127**	**576**	**$606,044**	**178**	**$89,917**	**44.72%**	**17.42%**

[1]FTE funded by Unobligated Balances from Prior Years are included in the direct civilian full-time equivalent employment line of the President's Appendix.

3I – Business Systems Modernization *($379,178,000 in direct appropriations)*: This budget activity funds the planning and capital asset acquisition of information technology (IT) to modernize IRS business systems, including labor and related contractual costs.

Business Systems Modernization (BSM) uses best practices and expertise in business solutions and internal management from the IRS, businesses, and technology sectors to develop a world-class tax administration system. The program provides value to taxpayers, the business community, and government and it plays an integral role in reducing the tax gap. BSM has delivered improved taxpayer service, electronic filing, and data analysis capabilities, and it has maintained strong performance in delivering projects within planned cost, schedule, and scope estimates.

The following projects are supported by the FY 2016 BSM request of $379.2 million:

CADE 2 (Taxpayer Account Database): The CADE 2 program implements a single, data-centric solution that provides daily processing of taxpayer accounts. A major component of the CADE 2 program is a modernized relational database and comprehensive data model for all individual taxpayers that provide the foundation for more efficient and effective tax administration. In Transition State 2 of the CADE 2 initiative, the modernized database will become IRS's authoritative source for taxpayer account data, as it begins to address core IMF financial material weakness (FMW) requirements for individual taxpayer accounts. Existing financial reports will be modified to take into account the increased level of detail and accuracy of data in the CADE 2 database. Also, CADE 2 data will be made available for access by downstream systems such as the Integrated Data Retrieval System (IDRS) for online transaction processing by IRS customer service representatives. It will enable analytical reporting for more meaningful business intelligence and expanded opportunities to increase compliance.

Enterprise Case Management (ECM): Enterprise Case Management will address the need to modernize and upgrade aging IRS case management systems. These resources will provide for an enterprise solution using a Commercial Off-the Shelf (COTS) product for performing standard case management functions, an infrastructure platform, and a common service that case management applications will leverage.

Modernized e-File (MeF): MeF provides a standard filing structure for all IRS return types, a robust platform that meets performance and capacity needs, enhanced and up-to-date technologies, and customer service benefits that are of great appeal to external customers and stakeholders. With MeF, the IRS stores all tax return data in XML format in a Modernized Tax Return Database (MTRDB), allowing all authorized viewers of the data to see an entire tax return online. Once fully implemented, all tax returns and transmission files will be standardized and adhere to IRS rules/schemas.

Return Review Program (RRP): RRP delivers an integrated and unified system that enhances IRS capabilities to detect, resolve, and prevent criminal and civil tax noncompliance. The RRP provides a flexible and accessible system capable of supporting a cross-functional approach to address criminal and civil tax noncompliance. In addition, the RRP allows analysis and support of complex case processing requirements for compliance and criminal investigation programs during prosecution, revenue protection, accounts management, and taxpayer communications processes.

Web Applications (formerly Enhance Online Services (OLS)): Web Applications will simplify the taxpayer's online experience, provide secure digital communications, and add more interactive capabilities to existing web self-service products. This will allow taxpayers to resolve more issues online, requiring fewer direct interactions with the IRS over the telephone and in person.

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

Core Infrastructure: The Core Infrastructure program 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.

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

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

Management Reserve: The management reserve allows the IRS some flexibility to cover unanticipated cost adjustments.

Labor and support: This activity provides the labor and support costs associated with the development of projects within the BSM portfolio.

Description of Performance
The IRS's modernization efforts focus on building and deploying advanced information technology systems, processes, and tools to improve efficiency and productivity.

For the Business Systems Modernization program (BSM), the IRS reports two budget level measures that track the percentage of major BSM projects that are within +/-10 percent of the Cost and Schedule variance threshold. As listed in the tables below, there have been four project releases currently in progress or delivered to date in FY 2014 and the IRS is below its cost variance targets.

In FY 2014, two out of three (66.7 percent) BSM project segments met the cost variance threshold. The one project segment that did not meet the cost variance threshold is Modernized e-File (MeF) Release 9 (R9) Milestone (MS) 4b.

- MeF R9 MS 4b funds were realigned to cover hardware and software costs that were planned and expected for MeF R9 MS 4a, but did not materialize until MeF R9 MS 4b.

Cost Variance for Project Segments Completed in FY 2014							
Project	Release	MS	Planned Cost	Current Cost	Variance ($000)	Variance (%)	Within Acceptable
MeF	R9	4b	23,000	26,300	3,300	14%	NO
MeF	R9	5	7,300	8,000	700	10%	YES
RRP	TS1	4b	21,303	21,303	0	0%	YES

In FY 2014, all three BSM project segments (100 percent) met the schedule variance threshold, as improved planning and project management continues to have a positive effect on the projects.

Schedule Variance for Project Segments Completed in FY 2014							
Project	Release	MS	Planned Finish	Current Finish	Variance (days)	Variance (%)	Within Acceptable
MeF	R9	4b	12/27/13	12/27/13	0	0%	YES
MeF	R9	5	05/14/14	05/15/14	1	1%	YES
RRP	TS1	4b	02/26/14	02/26/14	0	0%	YES

Starting in FY 2015, the IRS will expand this measure to include all major investments (BSM and non-BSM) assessing cost estimation and management capabilities at a broader major investment level.

In FY 2015 and FY 2016, the IRS expects to meet a target of 90 percent for Cost and Schedule Variance through improved project management and oversight. Historical data recorded over the past two years for the new metric reveals an average cost and schedule variance within the range of the 90 percent target.

3.1.9 – Budget and Performance Report and Plan

Dollars in Thousands

Business Systems Modernization Resource Level [1, 2]	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$229,914	$263,897	$263,369	$330,210	$312,938	$312,938	$290,000	$379,178
Reimbursable Resources								
User Fees			88,948					
Budget Activity Total	$229,914	$263,897	$352,317	$330,210	$312,938	$312,938	$290,000	$379,178

[1]The FY 2009 - FY 2014 Appropriated Resources represents the approved Operating Plan including any interappropriation transfers.

[2]The FY 2009 - FY 2014 columns represent realized resources for reimbursable and user fees.

Business Systems Modernization Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Request Target
Percent of BSM Projects within +/- 10% Cost Variance (E)	60.0%	40.0%	71.4%	50.0%	0.0%	66.7%	90.0%	90.0%
Percent of BSM Projects within +/- 10% Schedule Variance (E)	90.0%	100.0%	100.0%	90.0%	83.3%	100.0%	90.0%	90.0%

Key: E - Efficiency Measure

Section 4 – Supplemental Information

4.1 – Summary of Capital Investments

Dollars in Thousands

Internal Revenue Service
FY 2016 Congressional Justification Submission
Capital Investments

Investments / Funding Source	FY 2013 Actuals	FY 2014 Actuals	% Change from FY13 to FY14	FY 2015 Enacted	% Change from FY14 to FY15	FY 2016 Request	% Change from FY15 to FY16
Major IT Investments							
Account Management Services (AMS)	$17,018	$14,648	-13.9%	$17,728	21.0%	$31,529	77.8%
IRS Operations Support 015-45-0919	17,018	14,648		17,728		31,529	
Affordable Care Act (ACA)	$248,336	$341,352	37.5%	$373,000	9.3%	$396,620	6.3%
IRS Operations Support 015-45-0919	178,628	155,611		173,000		326,620	
IRS Operations Support User Fees 015-45-5432	69,708	185,741		200,000		70,000	
CADE 2	$146,506	$102,560	-30.0%	$130,930	27.7%	$155,073	18.4%
IRS Operations Support 015-45-0919	6,053	4,939		6,925		7,054	
IRS BSM 015-45-0921	140,453	97,621		124,005		148,019	
e-Services	$10,649	$10,349	-2.8%	$5,250	-49.3%	$5,337	1.7%
IRS Operations Support 015-45-0919	10,649	10,349		5,250		5,337	
Electronic Fraud Detection System (EFDS)	$18,132	$17,785	-1.9%	$18,566	4.4%	$18,910	1.9%
IRS Operations Support 015-45-0919	14,502	14,523		15,305		15,586	
IRS BSM 015-45-0921		002		000		000	
IRS EITC 015-45-0919-0	3,630	3,260		3,260		3,323	
Foreign Account Tax Compliance Act (FATCA)	$8,575	$41,534	384.3%	$62,607	50.7%	$49,541	-20.9%
IRS Operations Support 015-45-0919	4,906	41,534		62,607		49,541	
IRS Operations Support User Fees 015-45-5432	3,669	000		000		000	
Individual Master File (IMF)	$11,293	$12,900	14.2%	$12,907	0.0%	$13,132	1.7%
IRS Operations Support 015-45-0919	11,293	12,900		12,907		13,132	
Information Reporting and Document Matching (IRDM)	$18,892	$10,595	-43.9%	$5,512	-48.0%	$5,603	1.7%
IRS Operations Support 015-45-0919	18,892	10,595		5,512		5,603	
IRS End User Systems and Services (EUSS)	$194,595	$177,774	-8.6%	$187,532	5.5%	$204,374	9.0%
IRS Operations Support 015-45-0919	193,394	177,728		187,532		204,374	
IRS EITC 015-45-0919-0	013	013		000		000	
IRS Operations Support User Fees 015-45-5432	1,188	033		000		000	
IRS Main Frames and Servers Services and Support (MSSS)	$473,912	$555,584	17.2%	$535,929	-3.5%	$754,484	40.8%
IRS Operations Support 015-45-0919	460,297	532,726		374,773		460,706	
IRS BSM 015-45-0921	13,616	16,996		16,809		19,432	
IRS Operations Support User Fees 015-45-5432	000	5,862		144,347		274,347	
IRS Telecommunications Systems and Support	$297,413	$271,737	-8.6%	$247,560	-8.9%	$289,695	17.0%
IRS Operations Support 015-45-0919	286,958	270,242		246,488		288,602	
IRS EITC 015-45-0919-0	1,072	1,073		1,073		1,093	
IRS Operations Support User Fees 015-45-5432	9,383	422		000		000	
Integrated Customer Communications Environment (ICCE)	$15,136	$13,867	-8.4%	$13,066	-5.8%	$13,295	1.8%
IRS Operations Support 015-45-0919	15,136	13,867		13,066		13,295	
Integrated Data Retrieval Systems (IDRS)	$15,951	$15,314	-4.0%	$15,973	4.3%	$24,560	53.8%
IRS Operations Support 015-45-0919	15,951	15,314		15,973		24,560	
Integrated Financial System/CORE Financial System (IFS)	$16,705	$15,227	-8.8%	$14,195	-6.8%	$14,463	1.9%
IRS Operations Support 015-45-0919	16,705	15,227		14,195		14,463	
Integrated Submission and Remittance Processing System (ISRP)	$11,891	$10,230	-14.0%	$10,202	-0.3%	$10,391	1.9%
IRS Operations Support 015-45-0919	$11,891	$10,230		$10,202		$10,391	

4.1 – Summary of Capital Investments (Continued)

Dollars in Thousands

Internal Revenue Service FY 2016 Congressional Justification Submission Capital Investments							
Investments / Funding Source	FY 2013 Actuals	FY 2014 Actuals	% Change from FY13 to FY14	FY 2015 Enacted	% Change from FY14 to FY15	FY 2016 Request	% Change from FY15 to FY16
Internal Revenue Service.gov (IRS.gov)	$84,930	$71,643	-15.6%	$73,496	2.6%	$82,065	11.7%
IRS Operations Support 015-45-0919	44,130	68,572		73,496		82,065	
IRS BSM 015-45-0921	1,636	3,071		000		000	
IRS Operations Support User Fees 015-45-5432	39,165	000		000		000	
Modernized e-File (MeF)	$72,479	$48,956	-32.5%	$76,821	56.9%	$84,876	10.5%
IRS Operations Support 015-45-0919	20,312	25,068		46,936		47,799	
IRS BSM 015-45-0921	52,167	23,888		29,885		37,077	
Return Review Program (RRP)	$42,849	$48,074	12.2%	$63,599	32.3%	$73,228	15.1%
IRS Operations Support 015-45-0919	22,879	007		16,219		16,517	
IRS BSM 015-45-0921	000	48,065		47,380		56,710	
IRS Operations Support User Fees 015-45-5432	19,970	003		000		000	
Service Center Recognition/Image Processing System (SCRIPS)	$12,062	$10,379	-13.9%	$9,079	-12.5%	$9,244	1.8%
IRS Operations Support 015-45-0919	12,062	10,379		9,079		9,244	
Web Applications	000	000	N/A	$16,540	N/A	$23,586	42.6%
IRS BSM 015-45-0921	000	000		16,540		23,586	
Subtotal, Major IT Investments	$1,717,325	$1,790,508	4.3%	$1,890,492	5.6%	$2,260,008	19.5%
Non-Major IT Investments	$567,503	$556,641	-1.9%	$599,105	7.6%	$976,343	63.0%
TOTAL IT Investments	$2,284,828	$2,347,149	2.7%	$2,489,596	6.1%	$3,236,352	30.0%
Major Non-IT Investments							
Criminal Investigations Capital Assets	$399	$507	27.0%	$300	-40.9%	$1,044	248.0%
IRS Enforcement (One Year)	000	000		000		744	
IRS Enforcement (Reimbursable)	000	000		000		000	
IRS Enforcement (Forfeiture)	399	507		300		300	
Security Equipment	$1,684	$1,476	-12.3%	$1,100	-25.5%	$191	-82.6%
IRS Operations Support (One Year)	1,684	1,476		1,100		191	
Leasehold Improvements	$5,989	$15,927	165.9%	$23,245	45.9%	$86,904	273.9%
IRS Operations Support (One Year)	5,989	15,927		23,245		86,904	
Total Major Non-IT Investments	$8,073	$17,911	121.9%	$24,645	37.6%	$88,139	257.6%
Total Capital Investments	$2,292,900	$2,365,060	3.1%	$2,514,241	6.3%	$3,324,491	32.2%

4A – Capital Investment Strategy

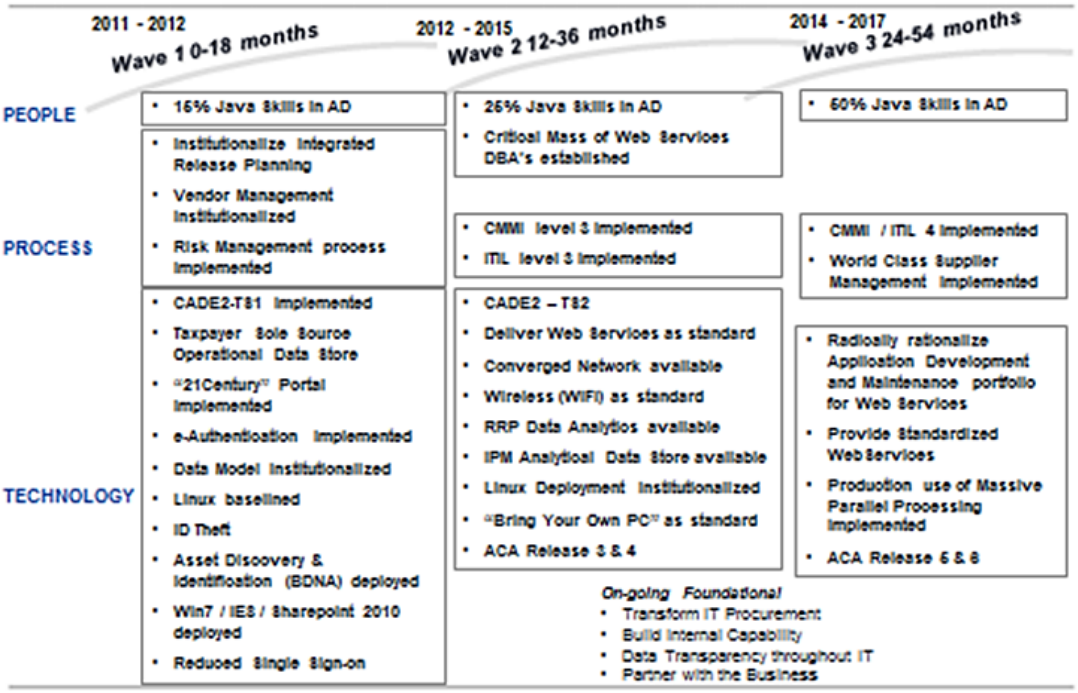
The Information Technology (IT) office is a key facilitator of efficient and effective tax administration. The role of IT is more important than ever as the IRS faces the increasing complexity of tax administration, evolving taxpayer expectations, greater media scrutiny, and increasing occurrences of refund fraud and identity theft. However, as budget reductions continue and new mandates grow, in 2015 IT will struggle to fund legislatively mandated development while maintaining its existing systems. The IRS will largely have to defer upgrades to its aging infrastructure, reduce investments in new technologies, and delay modernizing its existing IT systems, which in turn greatly limits the IRS's ability to perform its mission.

IT must address these new challenges and ensure that it continues to deliver on its core mission and meets ongoing business needs. The IRS needs new technologies to deliver comprehensive IT solutions that focus on improving the electronic filing of tax returns, enhancing services to taxpayers and third party practitioners, and strengthening compliance and criminal enforcement of tax laws. With increases in electronic data, online interactions, and related security risks, the IRS should be making significant investments to secure infrastructure, data, and applications. The continued investment in new technologies and the modernization of existing IT systems also would allow the IRS to improve service to taxpayers and achieve productivity gains. However, such investments have been curtailed because of the lack of funding. The IRS has established world-class practices and tools to manage and implement its portfolio of IT investments more efficiently. One element of the strategy, the Integrated Release Plan (IRP), provides a multi-year view of essential technology initiatives, noting schedule, budgetary, and human capital data, and a link to the IT Technology Roadmap. The IRS continues to develop and refine the IRP to encompass a larger proportion of its IT investments each year. This improves the IRS's ability to use limited resources efficiently and practice sound investment management.

IT Technology Roadmap

The IT Technology Roadmap (illustration shown below) provides a multi-year strategic view, defined in 18-month segments, or waves. Each wave identifies the critical people, processes, and technology needed to support the IRS mission. This guiding strategic document is an important component of the Integrated Release Plan.

Technology Roadmap 2011 – 2017 Illustration



Delivering a Balanced Portfolio of Investments

While the annual tax-filing season and legislative changes are the IRS's highest priorities each year, the IT strategy ensures that the IRS also explores new technologies, in areas such as communications, to complement its existing portfolio of IT investments. Projects such as *Bring Your Own Device*, for example, allow employees to use their personal smart phones and tablets for both professional and personal communications; *Network Convergence* embraces the power of the internet for voice, data, and visual communications; and *IRS portal modernization* is streamlining navigation and enhancing search capabilities to make it easier for taxpayers and other stakeholders to find information and resources quickly. The IRS balances these technologically advanced investments that allow for more effective use of resources against other IT investments that support revenue collections, such as third party tax information reporting and document matching, faster return reviews in processing to prevent tax refund fraud, and foreign account tax reporting.

Managing Performance as part of IRS's IT Strategy

The IRS monitors major IT investments using baselines identified in Major IT Business Case Detail. The monthly review includes a comparison of the projected cost, schedule, and performance estimates to those in the approved Business Case and generates reports for internal and external stakeholders. Every month an Executive Steering Committee (ESC) reviews the overall status, cost, schedule, and scope for each investment and makes needed recommendations. Any changes to the cost, schedule, or scope of the investment require a formal Baseline Change Request (BCR). The IRS employs remediation strategies for investments that are not meeting their stated performance goals, including conducting internal TechStat meetings for investments with a "yellow" (or below) rating in the areas of cost,

schedule, or Treasury Chief Information Officer rating.

IRS Portfolio of Major Investments

The following is a comprehensive list of assets that make up the foundation of the IRS's investment strategy. Also included are details regarding the immediate and full life-cycle costs, actual obligations through FY 2014, projected useful life, anticipated benefit(s), performance measurement criteria, and remediation strategy specific to each asset.

Account Management Services (AMS)

Account Management Services (AMS) is a strategic program that delivers improved customer support for managing taxpayer accounts by leveraging existing IRS applications. As part of the 2006 Modernization Vision and Strategy process, the IRS developed a strategy to use, retain, and provide real-time access to account data regardless of location in the current processing environment (CPE) or modernized data sources. Using a phased release strategy, AMS was able to validate this approach during its initial deployment in October 2007 using a service-oriented architecture implementation to access both CPE and the Customer Account Data Engine (CADE). In 2009 the Desktop Integration (DI) system was integrated into AMS and the Correspondence Imaging System (CIS) became an inventory within AMS. AMS was fully deployed in December 2010 and is now in the Operations and Maintenance stage.

AMS provides multiple systems interfaces using only one computer terminal. The AMS application provides IRS employees with the ability to access and update taxpayer accounts on demand, provides data presentation services to display and validate changes/updates for taxpayer accounts, facilitates management actions/activities (such as work assignments, transfers, case creation and closures, and generation of letters to taxpayers) and makes case information readily available for decision making and reporting, provides the front-end applications for adjustments, penalties, interest, abatements, credit and debit transfers, name and address changes, bankruptcies, installments agreements, changes to the automated treatment streams, and many other taxpayer account-related functions required for customer service and compliance, and provides the functionality to monitor taxpayer accounts for follow-up activity or deferred actions.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life cycle cost of the asset:

FY 2015 - FY 2016:	$ 49,257,073
Life-cycle Cost:	$169,613,992
Actual Obligations to Date:	$ 10,570,857
Start Date of Investment:	2009

The projected useful life of the current asset: Estimated 2018.

The anticipated benefit(s) of the investment: AMS is a major strategic investment that delivers improved customer service to over 41,000 end-users by providing the tools necessary to access tax information quickly and accurately.

How performance will be measured and evaluated:

- AMS Core Application Availability - The percentage of uptime that the AMS system is available for AMS users. The AMS Core Application allows all AMS users to handle a variety of Accounts Management actions. This measure indicates the percentage of scheduled up-time that the application is available to IRS employees. This technical measure considers the application servers and the infrastructure components of the AMS Core Application.
- AMS Databases Availability - This technical measure indicates the percentage of scheduled up-time of the four AMS databases that provide the data needed by AMS users.
- AMS Imaging Inventory Application Availability - The AMS Imaging Inventory is used by over 8000 users to respond to taxpayer correspondence. This measure indicates the percentage of scheduled up-time that the application is available to customer service representatives. This technical measure considers the availability of the application servers, workflow system, and content management system components of the Imaging Inventory.
- Accuracy of adjustments and responses to Taxpayer Correspondence - Percent of adjustments to taxpayer accounts and answers to taxpayer issues provided by correspondence units which are accurate.
- The project's actual costs will not exceed the budget allocation in each quarter.

ACA Administration

The ACA Administration investment encompasses the planning, development, and implementation of IT systems needed to support the IRS's tax administration responsibilities associated with key provisions of the ACA legislation. The work is organized into Releases that deploy functionality to meet key legislative dates. Each release encompasses multiple projects that need to be delivered at a specific point in time.

ACA 1.0 through 3.0 and 4.1, already in production, involve changes to existing systems, along with the initial release of the Branded Prescription Drug Industry Fee and Insurance Provider Fee projects. These releases also provided the technical solution to support Health Insurance Marketplace open enrollment in the Fall of 2013 (ACA 3.0) and increased data flows from the Department of Health and Human Services/Centers for Medicare and Medicaid Services Data Hub into the IRS Coverage Data Repository.

- ACA 4.0 and 5.0 through 7.1 address work to support the Health Insurance Marketplaces and tax compliance activities, as well as annual updates for non-Marketplace provisions in the law.
- ACA 4.0 will increase data flows from the Department of Health and Human Services/Centers for Medicare and Medicaid Services Data Hub into the IRS Coverage

Data Repository, allowing the IRS to prepare for filing/post-filing compliance activities in 2015.

- ACA 5.0 will enable at-filing checks of a tax return for reporting a PTC, leveraging third-party data from the Insurance Marketplaces.
- ACA 6.0 will focus on collections and PTC pre-refund compliance processing, while ACA 6.1 supports initial post-filing compliance activities.
- ACA 7.0 expands information return processing and capabilities needed for compliance processing.
- ACA 7.1 supports additional PTC reconciliation compliance and identification/evaluation of employer and individual shared responsibility payment compliance candidates.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life cycle cost of the asset:

FY 2015 - FY 2016:	$ 769,620,471
Life-cycle Cost:	$1,762,029,389
Actual Obligations to Date:	$ 650,646,000
Start Date of Investment:	2010

The projected useful life of the current asset: estimated 2018

The anticipated benefit(s) of the investment:

This investment is needed to ensure the full implementation of the ACA, which was passed by Congress and signed into law by the President in March of 2010. The ACA legislation represents landmark reform and changes to the healthcare system in the United States. The IRS IT organization will provide data models, databases, and information technology systems and operations to support the implementation of the ACA. If this investment is not fully funded, the IRS will not be able to fulfill the requirements as specified in the law.

How performance will be measured and evaluated:

- ACA applications in production requiring software code changes via P1/P2 defects. Note: Applications in production requiring no more than three P2 defects and zero P1 defects. Yellow Threshold is 4 P2 Defects and Red Threshold is 8 P2 defects or any P1 defect;
- Percent of successful transactions;
- Response Time Performance - Average Response Time in Seconds;
- Annual Overall Cost Variance;
- Branded Prescription Drug Fee Statutory "Allocated Amount" Collected; and
- End-to-End Metric - Branded Prescription Drug.

CADE 2

CADE 2 was chartered in 2009 to address the risks faced by the IRS in modernizing tax processing capabilities so they are more in line with industry standards. The CADE 2 data-centric solution is critical for the IRS to achieve its Strategic Goals. The heart of the CADE 2 solution is an authoritative database for individual taxpayers that will transform the way the IRS approaches tax administration in the future. CADE 2 goals are:

- Establish a solid data foundation for the future by leveraging a relational database and daily processing capability.
- Continue the focus on moving away from 1960s technology so business processes can be realigned to enable better services and more timely compliance (i.e., aging infrastructure, applications and sequential flat file processing).
- Address the financial material weakness, demonstrate compliance with Federal Financial Management System Requirements, and maintain the IRS's clean audit opinion.
- Improve security and privacy posture by addressing identified weaknesses.
- Create one authoritative source of taxpayer data.

With deployment of CADE 2 Transition State 1 (TS1), the IRS took a leap forward from a technology standpoint, accelerating the returns processing cycle from weekly to daily, and moving the management of the IRS's individual taxpayer account data from 1960s sequential flat-files stored on magnetic tapes to state-of-the-art database technology. All individual taxpayer account data is now updated daily in relational formats dictated by a data model that maintains historical values never before retained on account transactions, with instant viewing of taxpayer account data by IRS customer service and other representatives. CADE 2 TS1 offers faster refunds and notices, faster payment postings, and improved service for taxpayers.

The next step to reach the IRS's data-centric vision is Transition State 2 (TS2), in which the IRS will rewrite its core taxpayer account processing applications to leverage the benefits of the new CADE 2 relational database. Once that is done, CADE 2 will become the authoritative source for individual taxpayer account data for the IRS. This will address the IRS's longstanding unpaid assessments financial material weakness, and will ensure long-term viability of IRS tax processing systems, mitigating risks associated with the aging architecture and the design of the IRS's legacy core tax processing systems, as well as the risk of losing knowledge of outdated programming languages as employees retire.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$ 286,002,608
Life-cycle Cost:	$1,075,293,225
Actual Obligations to Date:	$ 686,730,962
Start Date of Investment:	2009

The projected useful life of the current asset: estimated 2020.

The anticipated benefit(s) of the investment:

Taxpayer Benefits:

- Deliver more timely, accurate and complete data for faster issue resolution and improved customer service.
- Enhance taxpayer protection from fraud and identity theft.
- Enable more robust online self-service tools.

IRS Benefits:

- Increase agility of response to changing taxpayer priorities and legislation.
- Reduce IT cost and complexity and address workforce risk.
- Provide analytics and reporting to greatly improve compliance and issue resolution.
- Relieve burden of manually intensive processes on IRS employees enabling automated calculations that are currently not possible.

Fiduciary Benefits:

- Address the Unpaid Assessments FMW, retain the clean audit opinion, and comply with Federal Financial System Requirements (FFSR).
- Complete the data-centric foundation to better manage over $3 trillion in revenue.

How performance will be measured and evaluated:

- Faster Notices. The percentage of daily notices generated by CADE 2 (versus weekly notices);
- Faster Refunds: The percentage of refunds processed daily;
- Increased percentage of transactions processed daily: The percentage of transactions processed daily compared to the total transactions processed by IRS;
- Daily Updates to IDRS: The percent of business days the CADE 2 solution will process transactions within 48 hours of receipt from submissions processing for days in which there are transactions to process; and
- Faster updates to account information: Percent of taxpayer accounts updated in Refund Information File and posted to the Web by the next day. Seasonal metric.

e-Services

e-Services is a suite of web-based, self-assisted services that allow authorized individuals to conduct business with the IRS electronically. Currently, e-Services products are available to tax practitioners, payers, and other third parties. The services include Registration, Tax Identification Number (TIN) Matching, e-File Application, Disclosure Authorization (DA), Electronic Account Resolution (EAR), Transcript Delivery System (TDS), Reporting Agents, and Automated Electronic Fingerprinting.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$ 10,587,817
Life-cycle Cost:	$193,644,007
Actual Obligations to Date:	$172,707,218
Start Date of Investment:	1999

The projected useful life of the current asset: estimated 2019.

The anticipated benefit(s) of the investment:

- e-Services Registration: More than 654,006 individuals registered via the IEP.
- e-file Application: Processed more than 363,112 Electronic Return Originator Applications for e-File via the IEP and EUP.
- TIN Matching: Processed more than 1,332.4 million bulk requests and more than 87.0 million interactive requests.
- Transcript Delivery System: Processed more than 46.0 million requests for transcripts via the IEP and more than 210.8 million requests via the EUP.
- Total estimated operational savings (print/mail/labor costs) in excess of $968.7 million for e-File Application, TDS, and address change via the IEP and EUP.
- TIN Matching uncovered more than 856.3 million in potentially unpaid taxes on 1099 income.

How performance will be measured and evaluated:

- Number of Priority 2 tickets opened and are related to eServices applications.
- Number of TIN Matching Requests processed through the TIN Matching application
- The percentage of scheduled eServices availability per the approved Service Level Agreement as documented monthly by IRS Enterprise Services.
- Number of defect transmittals to the production environment.
- Number of transcripts processed through the Transcript Delivery System (TDS).

Electronic Fraud Detection System

The Electronic Fraud Detection System (EFDS) is a major, automated client server-based system used to maximize fraud detection at the time that tax returns are filed to eliminate the issuance of fraudulent tax refunds. EFDS supports the Treasury FY 2014-2017 strategic goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems. EFDS provides the capability for IRS Criminal Investigation (CI) division Investigative Aides/Analysts and Wage and Investment (W&I) division Business Performance Solutions (BPX), Return Integrity and Correspondence Services

(RICS) Tax Examiners and the Small Business Self-Employed (SB/SE) division to protect government revenue by detecting potentially fraudulent tax refund claims and stopping the issuance of fraudulent tax refunds. Revenue protection is an important element in managing the government's finances; fraudulent tax refund claims are a major cause of revenue loss to the federal government.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$ 37,475,234
Life-cycle Cost:	$165,813,269
Actual Obligations to Date:	$110,552,937
Start Date of Investment:	1996

The projected useful life of the current asset: estimated 2021.

The anticipated benefit(s) of the investment:

EFDS aligns to the following Treasury strategic goal and objective for FY 2014-2017: Goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems; and Goal 3:3: Pursue tax reform, implement the ACA and FATCA, and improve the execution of the tax code.

Additionally, EFDS supports FY 2014-2017 IRS Strategic Goal 2, effectively enforce the law to ensure compliance with tax responsibilities and combat fraud; Goal 2:4: Deter and promptly resolve noncompliance by protecting revenue from refund fraud and ensuring appropriate revenue collection; and Goal 2:4: Identify trends, detect high-risk areas of noncompliance and prioritize enforcement approaches by applying research and advanced analytics.

In FS 2014 EFDS processed over 133 million returns and was used to stop fraudulent refunds totaling over $9.65 billion, and inventory showed revenue protected increased by 64 percent. The dollar amount includes Outlier (Frivolous Filer) cases, fraud returns with a refund >= $10 million. One of the Business performance metrics, the percentage of Questionable Refund Program (QRP) refunds identified as false that are stopped by RICS, was 94.7 percent, as of July 26, 2014. This is the result of over $8.74 billion in refund amounts claimed and $8.28 billion in refund amounts stopped in FY 2014.

How performance will be measured and evaluated:

- Number of confirmed fraudulent returns identified by the data models, expressed as percent of the seasonal target;
- Percentage of Questionable Refund Program refunds identified as false that are stopped by Return Integrity and Correspondence Services (RICS);
- Percentage of scheduled system availability per the approved Service Level Agreement;

- Percentage of completed verifications which are potentially fraudulent; and
- Percentage of primary investigations that are accepted by CI as subject criminal investigations.

FATCA

The FATCA is a program designed to improve tax compliance by identifying U.S. taxpayers that attempt to shield/divert assets by depositing funds in foreign accounts. The program will consist of a registration component, International Data Exchange Service (IDES), and a Compliance Solution. FATCA legislation requires foreign financial institutions (FFI) to report to the IRS information regarding financial accounts held by U.S. taxpayers, or foreign entities in which U.S. taxpayers hold a substantial ownership interest. The primary beneficiaries of this investment are the federal government and U.S. taxpayers. FATCA will allow the agency to increase international service and enforcement through examinations of employment tax, specialty program audits, individual audits, business audits, and criminal investigation case closures, ensuring that taxpayers meet their tax obligations.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$112,148,385
Life-cycle Cost:	$170,214,149
Actual Obligations to Date:	$ 16,591,581
Start Date of Investment:	2011

The projected useful life of the current asset: estimated 2020

The anticipated benefit(s) of the investment:

Benefits internal to Government:

- Complies with federal legislation to implement FATCA as part of the Hiring Incentives to Restore Employment Act.
- Lays the groundwork for incremental future benefits as FATCA registration, reporting and compliance activities begin, and international compliance risks and tax gap components are identified.

Benefits external to the General Public:

- Lays the foundation for increased tax compliance by U.S. taxpayers with certain international investments and/or other assets, thus promoting tax fairness among U.S. taxpayers.
- Addresses the abuse of offshore accounts to facilitate tax evasion and provides framework to decrease this type of tax evasion over time.

How performance will be measured and evaluated:

- Encouraging Electronic Tax Administration - The percentage of registrations submitted electronically. This measure demonstrates the customer choice for interacting with the IRS by electronic means as opposed to submitting a paper form.
- Speed of Processing Submitted Registrations - This measure indicates the number of days the IRS used to process a submitted registration from a status of Submitted to a status of Approved, Limited Conditional, or Terminated.
- Timeliness of FFI List updated on IRS.gov - This measure indicates the timeliness of the data getting posted to IRS.gov. Posting this data provides the public with easier access to regularly released data, lowering operational costs for the IRS and for the FFIs and Individuals who use it.
- Request Processing Errors - This measure indicates the percentage of transactions that were not processed due to errors by the FFI Registration System. This is a measurement of: Errors as a Percentage of Total Transactions (Number of Errors/Transactions)
- System Response Time - This measure indicates the amount of time an individual user can expect to see results from any action taken via a "submit" or clicking a "next" button from the user interface. This is a measurement of the percentage of all requests processed in less than 5 seconds. (% =Transactions < 5 seconds / All Transaction)

Individual Master File

IRS is responsible for collecting revenue from individuals to fund the operations of the federal government. In order to effectively accomplish this goal, it must maintain authoritative data on individual taxpayers. The Individual Master File (IMF) is the authoritative data stores for individual taxpayers accounts. Within the IMF, accounts are updated, taxes are assessed, and refunds are generated as required each tax filing period. Virtually all IRS information system applications and processes depend on output, directly or indirectly, from this data source.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$ 26,038,686
Life-cycle Cost:	$154,673,179
Actual Obligations to Date:	$ 81,845,499
Start Date of Investment:	1999

The projected useful life of the current asset: estimated 2019.

The anticipated benefit(s) of the investment:

- Performs daily processing of tax returns allowing faster issuance of refunds; and
- Performs identity-theft related checks on individual tax returns filed on paper.

How performance will be measured and evaluated:

- Interest paid on taxpayer refunds per 1 Million Dollars - This figure represents total Refund Interest divided by total refund dollars issued on original settlement. Measurement data is provided by W&I and SB/SE in the SMART database. The Business target for this measure is established by CAS every January, with a yearly goal and cumulative planned projection for each month. The results report the variance against the target, and the monthly cumulative target is reported in the comments.
- Percent of Taxpayer refunds (paper returns only) issued within 40 days - Timeliness measured by sampling taxpayers receiving refunds. Measurement data is provided by W&I and SB/SE in Submission Processing (SMART) database. The Business target for this measure is established by CAS every January, with a yearly goal and cumulative planned projection for each month. The results report the variance against the target, and the monthly cumulative target is reported in the comments
- Refund Error rate with Systemic Errors - The error rate is the ratio of total incorrect refunds compared to the total number of refunds. Measurement data is provided by W&I and SB/SE in the SMART database. Systemic errors (errors attributed to incorrect programming, less than ideal products from properly working systems, and incorrect IRM procedures) are also included in the rates which indicate "with systemic errors". CAS sets the yearly target for this measure in January.
- IMF completes planned processing schedule (e.g., daily, weekly) to meet refund, notice and on-line access deadlines - Measurement available on Enterprise Operations weekly reports.
- The percentage of scheduled system availability per the approved Service Level Agreement - As documented monthly by IRS Enterprise Services in the IT Performance Report.

Information Reporting and Document Matching (IRDM)

Information Reporting and Document Matching (IRDM) is a program to improve business taxpayer compliance by automatically matching the tax return filings to third-party information returns. The goals of IRDM are to increase voluntary compliance and accurate reporting of income by establishing a new business tax return and information returns focusing on merchant card payments and securities basis reporting. IRDM supports the IRS by utilizing information systems that sort, match, identify, manage, and report on returns that are likely sources of Tax Gap-reducing revenue.

Closing the Tax Gap through IRDM increases federal government revenues and benefits the vast majority of taxpayers who voluntarily file accurate returns. To accomplish this, the IRS requires operational resources and systems to be put in place to implement changes that will expand and improve automated matching of data on information returns to the data submitted on tax returns filed. This automation will improve the use of third-party data to increase compliance, provide improved access to information to enhance the quality of customer

services, accelerate issue identification and resolution, and increase the productivity and quality of tax administration.

IRDM has many dependent relationships. IRDM is a system that interacts with systems across the IRS, including data submission systems, databases, data transport functionality, and data processing systems.

IRDM relies heavily on submission processing systems, corporate data systems, and newly implemented infrastructure to identify potential under-reporters and non-filers. IRDM is primarily a case management system that depends on data from submissions systems and additional data sources known as Master File. IRDM will utilize corporate data master file data such as Information Return Master File (IRMF) and Business Master File (BMF) extracted and stored in the Integrated Production Model (IPM). IRDM consists of new functionality developed to assimilate, correlate, and select potential cases.

IRDM is a component of the overall Tax Gap Initiative. The effectiveness of other efforts, as well as funding for compliance personnel, will impact how much and how quickly the Tax Gap is decreased.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$ 11,115,283
Life-cycle Cost:	$110,660,009
Actual Obligations to Date:	$ 70,056,892
Start Date of Investment:	2009

The projected useful life of the current asset: estimated 2019.

The anticipated benefit(s) of the investment:

- Reduce the Tax Gap through IRDM, which will increase federal government revenues and benefit the vast majority of taxpayers who voluntarily file accurate returns; and
- Improve the use of third party data to increase compliance, provide improved access to information to enhance the quality of customer services, accelerate issue identification and resolution, and increase the productivity and quality of tax administration.

How performance will be measured and evaluated:

- Production Problem Resolution and Reporting - Number of high priority trouble tickets (P1) not closed within 4 hours;
- Production Problem Resolution and Reporting - Number of priority trouble tickets (P2) not closed timely within 24 hours;

- Percentage of scheduled system availability per the approved Service Level Agreement, as documented monthly by IRS Enterprise Services in the IT Performance Report;
- SB/SE Business Underreporter (BMF-AUR) Contact Closures per FTE – Number of contact closures by BMF-AUR divided by the total FTEs expended during the same timeframe; and
- SB/SE Business Underreporter (BMF-AUR) Contact Closures - Sum of all contact closures by BMF-AUR.

Integrated Customer Communication Environment (ICCE)

The Integrated Customer Communication Environment (ICCE) directly supports the IRS Strategic Goal of improving service to make voluntary compliance easier.

- Get Transcript is a web-based application that allows authenticated taxpayers to view copies of their account and return transcripts in a secure environment.
- Online Payment Agreement Application allows a taxpayer or authorized representative (Power of Attorney) and qualified businesses to apply for and receive online approval for a short term extension of time to pay or set up a monthly installment agreement.
- Identity Protection PIN (IPPIN) is a web based application designed to provide a pin to taxpayers that are victims of identity theft. This PIN will be used by taxpayers to file their tax return and prevent fraudulent tax return filing. Taxpayers will have to be authenticated and registered in the e-authentication interface prior to accessing IPPIN.
- Internet Refund Fact of Filing (IRFOF) - Where's My Refund application - provides tax refund status information via the web to 1040 series filers.
- IRS2Go mobile applications - This product is designed for the taxpayer on the go to be used via smart phone technology.
- Where's My Amended Return (WMAR) - Allows taxpayers to check the status of their amended returns in either a web or phone environment
- Internet Refund Address Change - Allows taxpayers who have had their check returned from the post office as undeliverable to change their address of record.
- Internet Refund Trace - Allows taxpayers who have not received paper refunds after a specific amount of time to initiate a refund trace.
- The Modernized Internet Employer Identification Number application - Allows the general public to apply for an Employer ID number (EIN) over the web and receive the number in the same session.
- ICCE - Provides a set of telephone applications that allow individual taxpayers to interact directly with their accounts. Consolidating logic for telephone applications reduces overall costs as standard solutions are applied to what was a specialized arena.

- ICCE Online Services (OLS) Web services & mobile applications - This suite of products is designed for the taxpayer on the go to be used via smart phone technology. Applications include FATCA Foreign Financial Institution (FATCA FFI) Look-up Tool, Offer In Compromise (OIC) Calculator, Return Preparer Look-Up Tool, IRS2Go, and Volunteer Income Tax Assistance (VITA) and Search.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$ 26,360,851
Life-cycle Cost:	$522,647,048
Actual Obligations to Date:	$482,418,165
Start Date of Investment:	1992

The projected useful life of the current asset: estimated 2019.

The anticipated benefit(s) of the investment:

Due to the automation of taxpayer services, the government and taxpayers have realized significant time savings as a result of the ICCE investment. The ICCE team continues to identify appropriate automated self-service features to incorporate into future releases to meet the challenge of increased automation.

The primary benefits defined for ICCE are due to Productivity Improvement in the cost per taxpayer contact. Currently, the toll-free phone service and internet inquiry features create significant savings of over $400 million per year when compared to the cost of live Customer Service Representative (CSR) handling.

Estimates show a cost of approximately $0.71 per completed toll-free automated call compared to the cost for live CSRs and a cost of $0.13 per web inquiry compared to the cost of CSRs.

The ICCE Alternatives Analysis estimates benefits for FY 2015 (mainly from Productivity Improvement) at $539 million. The Return on Investment (ROI) for ICCE in FY 2015 is derived by dividing this number by FY 2015 costs. It calculates to an impressive return of 3,400 percent.

How performance will be measured and evaluated:

- The percentage of taxpayers utilizing IRS web applications and automated Phone Service versus CSRs in order to find solutions and answer questions related to tax matters. This is a periodic measure;
- The number of times a taxpayer accesses IRS web applications to request refund status and other web services: Internet Refund Fact of Filing, Internet Employee Identification Number, or Online Payment Agreement;

- The percentage of scheduled system availability per the approved Service Level Agreement, as documented monthly by IRS Enterprise Services in the IT Performance Report;
- Customer Satisfaction (IRS.gov American Customer Satisfaction Index Score); and
- Reduction in the number of transmittals or requests for corrective changes to production environment, as evidence of improved efficiency.

Integrated Data Retrieval System:

Operational since 1973, the Internal Data Retrieval Systems (IDRS) is a secure, reliable, flexible, mission-critical system consisting of databases and programs supporting IRS employees working active tax cases. It would not be possible to run the federal government tax filing season without IDRS or some equivalent system. Many IRS employees rely on it daily to do their work. It provides for systemic review of case statuses, alleviating staffing needs and providing consistency in case control. For example, each time a taxpayer calls the IRS, the person answering the phone uses IDRS to log the call and answer questions. IDRS issues notices and processes installment agreements, offers in compromise, and adjustments. Actions taken via IDRS include penalty and interest computations and explanations, credit and debit transfers among accounts, and research of taxpayer accounts for resolution of taxpayer inquiries. IDRS manages data retrieved from the Tax Master Files (Business, Individual, and Employee Plan), allowing IRS employees to take actions on taxpayer issues, track statuses, and post updates back to the Master Files. Using data analytics, IDRS allows the IRS to evaluate taxpayer data efficiently to inform enforcement and secure compliance, both domestically and internationally.

In addition to IRS employees, IRS internet applications depend on IDRS to provide back-end services to allow them to help taxpayers. For example, tens of millions of taxpayers ask *Where's My Refund?* at IRS.gov annually, and millions of business taxpayers obtain Employer Identification Numbers via IRS.gov instead of via paper. IDRS allows businesses providing payroll services to submit tax data on behalf of millions of taxpayers and collaborates with tax practitioners registered with the IRS to reduce the burden of filing Powers of Attorney and Taxpayer Information Authorizations, allowing them to request access to other e-Services. IDRS produces many kinds of tax information to support sending and receiving information to and from other systems within the IRS, SSA, BFS, state and local governments, and tax practitioners.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$ 40,532,774
Life-cycle Cost:	$257,629,553
Actual Obligations to Date:	$201,782,240
Start Date of Investment:	1973

The projected useful life of the current asset: estimated 2020

The anticipated benefit(s) of the investment:

- Allows the IRS to evaluate taxpayer data efficiently to inform enforcement and secure compliance, both domestically and internationally.

How performance will be measured and evaluated:

- Individual taxpayer usage of the *Where's My Refund?* feature through IRS.gov, IRS2Go Smartphone application, or automated, toll-free telephone number. This feature relies on IDRS to operate and provides convenient, high-quality, taxpayer-centered service without the assistance of a federal employee. The target for this steady state performance metric is usage equal to 100 percent of the average usage during typical processing years;
- IRS staff usage of IDRS. IDRS enables approximately 60,000 taxpayer-facing IRS employees, using a variety of methods, to retrieve taxpayer records quickly, accurately, and securely to authorized staff while responding to taxpayer inquiries and conducting examinations. The command code TXMOD displays tax data for specific taxpayers for specific periods. The target for this steady state performance metric is TXMOD usage equal to 100 percent of the average usage during typical processing years;
- The percentage of scheduled system availability. To measure this steady state performance metric, calculate the cumulative average percentage of system availability per an approved service level agreement as documented by IRS Information Technology Enterprise Services for “Essential Business Systems”;
- Business taxpayer usage of IRS.gov to obtain Employer Identification Numbers (EINs). This feature relies on IDRS to operate and lets taxpayers obtain EINs without assistance of a federal employee instead of mailing form SS-4 "Application for EIN." It reduces the expense and difficulty of doing business with the Government and environmental impact. The target for this steady state performance metric is usage equal to 100 percent of the average usage during typical processing years; and
- The percentage of certified letters printed centrally versus locally. These notify business and individual taxpayers of issues. This aligns with IRS goals to improve taxpayer service and enhance enforcement of tax law. To measure this steady state performance metric, calculate the percentage of certified letters printed centrally versus locally out of all certified letters printed.

Integrated Financial System (IFS)

The Integrated Financial System (IFS) is the core financial system used by the IRS for budget, payroll, accounts payable, accounts receivable, general ledger functions, and financial reporting. The IFS system provides accountants, budget, and financial management analysts the ability to effectively manage federal government finances for the IRS and respond to audit

requests in support of a clean audit opinion.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$ 28,658,579
Life-cycle Cost:	$457,969,522
Actual Obligations to Date:	$414,083,740
Start Date of Investment:	2001

The projected useful life of the current asset: estimated 2019.

The anticipated benefit(s) of the investment:

- Allows the IRS to make informed and timely performance-based business and budgetary decisions; and
- Eliminates redundant data management by providing a single master data repository.

How performance will be measured and evaluated:

- Complete monthly financial close process and submit Treasury Information Executive Repository (TIER) report within 3 days after month end;
- The percentage of scheduled system availability per the approved Service Level Agreement, as documented monthly by IRS Enterprise Services;
- Percentage of end user issues (aka, Priority 1 and Priority 2 tickets, equating to severity) eliminated or remediated within timeframes established in the approved Service Level Agreement.
- Percentage of timely implementation per IFS maintenance schedule (i.e. deployment) of IFS server patches including Solaris, Veritas, Oracle, SAP and Informatica;
- Percentage of interface failures requiring transmission to system; and
- Timely availability of environments for mocks and testing.

Integrated Submission and Remittance Processing System (ISRP)

The Integrated Submission and Remittance Processing (ISRP) system is a mission critical operations and maintenance project that processes tens of millions of tax returns and deposits billions of dollars to the U.S. Treasury on a yearly basis. ISRP is an integrated suite of hardware, software, and network components that provides the interfaces for data entry perfection and transmission of data to IRS Corporate data storage. ISRP Data Entry Operators enter the information from various paper documents that are then converted into electronic data used by downstream operations, such as Financial Information Systems. ISRP also updates tax forms to comply with legislative changes in tax laws. There is a system dependence on various IRS applications, such as Generalized Mainline Framework (GMF), Enhanced Entity Index File (EEIF), Integrated Data Retrieval System (IDRS), and Enterprise File Transfer Utility (EFTU).

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$ 20,593,084
Life-cycle Cost:	$174,169,476
Actual Obligations to Date:	$143,347,049
Start Date of Investment:	1998

The projected useful life of the current asset: estimated 2019.

The anticipated benefit(s) of the investment:

- Processes tens of millions of paper tax returns supporting the core business of IRS; and
- Processes billions of dollars of remittances to the U.S. Treasury on a yearly basis.

How performance will be measured and evaluated:

- The percentage of daily ISRP deposits made in accordance with Internal Revenue Manual (IRM) 3.0.275;
- Production Problem Resolution and Reporting - Number of high priority trouble tickets (P1) not closed within 4 hours;
- System Availability (Uptime) - Percent of up time hours (actual uptime hours/planned uptime hours);
- Production Problem Resolution and Reporting - Number of priority trouble tickets (P2) not closed timely within 24 hours; and
- Scanner/Transport HARDWARE Response Timeliness - Percentage of Priority Trouble Tickets (P1) Maintenance Response within 2 hours.

IRS End User Systems and Services

The End User Systems and Services (EUSS) program supports the IRS's day-to-day end user products, services, and support for IRS employees at headquarters and field sites.

The End User Systems and Services (EUSS) investment is comprised of projects and operations and maintenance activities which provide desktops, laptops, mobile devices, software, incident management services, and asset management services to all end users in the IRS. The EUSS investment delivers a secure and stable IT infrastructure, provisioning and managing assets by using industry standard practices in the IRS production environment.

In support of improving efficiency and productivity for all IRS employees, UNS will implement World Class Service strategies to deliver exceptional performance and service by meeting or exceeding industry performance standards through enhanced customer experience and innovation, driving to a transformative culture of self-sufficiency through tools and pro-

active education and service, and improving efficiency through channel segmentation, demand management, and performance measures to implement, where the budget allows, new technologies and interactions to enable more frequent and effective user communication.

UNS will also implement the Software Asset Management (SAM) life-cycle initiative to enhance client software controls to include: automation, use of discovery tools, license and rights management, and software policy compliance. The purpose of implementing the SAM initiative is to reduce security vulnerability with unsupported software and reduce operating costs for the software supported by the EUSS investment.

In support of technical innovation, UNS will begin implementation of "Bring Your Own" (BYO) Smartphone/Tablet service options utilizing self-service support. BYO capabilities will be enhanced through secure commercial off the shelf software applications. BYO will benefit the EUSS investment by reducing mobile device infrastructure costs and improve end user satisfaction. UNS will continue deployment of BlackBerry 10 devices and support the upgrade and refreshment of BlackBerry devices for approximately 3,000 end users. The updated BlackBerry 10 environment will benefit end users by providing advanced technology mobile devices that operate in a secure and safe environment.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$391,906,001
Life-cycle Cost:	$764,274,569
Actual Obligations to Date:	$705,367,363
Start Date of Investment:	1970

The projected useful life of the current asset: estimated 2019

The anticipated benefit(s) of the investment:

- Provides the IT infrastructure to allow the IRS to process tax returns, collect revenue, and issue refunds;
- Decreases the obsolescence rate of "in use" assets;
- Optimizes use of technology and tools, allowing incidents to be resolved remotely; and
- Equips high-mobility employees with tools and technologies for network connectivity from off-site locations.

How performance will be measured and evaluated:

- Call Handle Time - Average time it takes a Customer Service Representative to complete a service call;

- United States Government Configuration Baseline (USGCB) Compliance - Percentage of workstations that have settings configured that are compliant to pass baseline security scans;
- Service Desk Speed of Answer - Average time a customer waits in the Service Desk queue before reaching a Service Desk Representative. The time does not include the time an employee spends listening to the Front End Message (FEM).
- First Level Resolution - Measures the percentage of IT interactions closed at the First Level (i.e. by the Enterprise Service Desk (ESD)); and
- EUSS Percent on Time Priority 3 – measures the timeliness of resolution against the standards contained in the Master Service Level Agreement (MSLA), two business days.

IRS Mainframes and Servers, Services and Support

The Mainframes and Servers, Services and Support (MSSS) program provides for the design, development, and deployment of server, middleware, and large systems, as well as enterprise storage infrastructures, including systems software products, databases, and operating systems for these platforms.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$1,290,413,565
Life-cycle Cost:	$5,939,691,315
Actual Obligations to Date:	$4,093,693,794
Start Date of Investment:	1970

The projected useful life of the current asset: estimated 2019

The anticipated benefit(s) of the investment:

- Enables the IT infrastructure to allow the IRS to process tax returns, collect revenue, and issue refunds;
- Provides 24x7 IT Operations and Maintenance to all Tier I and Tier II production systems responsible for the daily operation of the IRS batch and online processing environments;
- Ensures server computer resources maintain sufficient capacity to meet system functional and performance demands; and
- Develops, installs, maintains, and modifies the infrastructure required for various on-going Tax Processing Unisys mainframe systems.

How performance will be measured and evaluated:

- The percentage of Server Environment Virtualized;
- The percentage of Uptime for the ACS, ICS and IDRS Databases;
- The success Rate Percentage for Automated Deployment of Infrastructure Component Packages to Production - Using the Package Based Promotion Tool;
- The number of Standard Employee IDs with Elevated Access are Reduced; and
- Percentage of Priority Tickets Triaged in 30 minutes by Service Operations Command Center Systems Administrators

IRS Telecommunications Systems and Support

The Telecommunications Systems and Support (TSS) program falls under the jurisdiction of the Users and Networks Services (UNS) organization, which is responsible for the management of voice and data networks, video services, and engineering throughout the IRS. This includes providing remote access, voice telephony, voicemail, contact centers, cell phones, pagers, and video conferencing. UNS network is composed of wide area networks, local area networks, servers, switches, and control devices. The investment supports the IT Infrastructure services related to the federally mandated transition to IPV6.

Network Convergence replaces aged voice, voicemail, and video infrastructure, and combines these services on a common network. It provides operational efficiencies, supports agency initiatives to reduce real estate (through projects such as the shared workspaces initiative, universal workspace design, and home as point of duty), and reduces risks posed by aged legacy assets. The Video Conferencing System (VCS) infrastructure has aged devices that need replacing. The original equipment manufacturer no longer supports these devices. Enterprise eFax provides desktop fax capability to IRS employees nationwide. The fax capability will help support decreases in paper, hardware, and toner costs and help support telework-related initiatives.

UNS manages a large-scale contact center infrastructure to assist its customers with tax-related problems and questions. It is in the planning stages of upgrading the existing Aspect Automated Call Distributor (ACD) platforms. ACDs distribute calls among local and remote agents at more than 30 centers within the United States and Puerto Rico. The ACD platforms are reaching end-of-life and need replacing. Replacement will provide features necessary to replicate primary functionality of the ACDs while supporting integration with the existing application and other Contact Center production systems.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$ 537,255,728
Life-cycle Cost:	$1,106,405,801
Actual Obligations to Date:	$1,007,403,330

Start Date of Investment: 1970

The projected useful life of the current asset: estimated 2019

The anticipated benefit(s) of the investment:

- Provides the IT infrastructure to allow the IRS to process tax returns, collect revenue, and issue refunds;
- Supports agency initiatives to reduce real estate (through projects including the shared workspaces initiative, universal workspace design, and home as post of duty);
- Reduces risks posed by aged legacy assets; and
- Supports IRS's Sustaining Infrastructure goal to retire aged assets and reduce obsolescence enterprise-wide.

How performance will be measured and evaluated:

- GSP Compliance (Network Devices) - measures the percentage of network devices that meet GSP (Guidelines Standards and Procedures) standards;
- WAN Availability - measures the percentage of availability of Wide Area Network (WAN) Services;
- LAN Availability - measures the percentage of availability of Local Area Network (LAN) Services;
- Internet Access Availability - measures the percentage of internet availability through the three CCGs (Common Communication Gateways); and
- GSP Compliance (Network Rules) - measures the percentage of network rules that meet GSP (Guidelines Standards and Procedures) standards.

IRS.gov - Portal Environment

The Integrated Enterprise Portals (IEP) are critical to the IRS mission and foundational to IRS electronic tax administration and to IRS business operations. The IRS has adapted these mission-critical systems over the years to meet the changing needs of the tax paying population; however, current portal design limitations and available systems capacity will not meet the needs of the future investment portfolio. The new IRS IEP will provide seamless one-stop web-based services to internal and external users, such as taxpayers, business partners, IRS employees, and other government agencies. The objective of the new portal project is to continue to maintain and operate secure and reliable portals to meet the goals of the agency by competitively acquiring managed services for the establishment and management of a new infrastructure, hosting, help desk, content management, search, and reporting solution, and the transition of the existing portal capabilities and services to the new IRS web environment transparent to external users. By transitioning to the new IEP environment, it improves the IRS capability to increase IT services to meet the changing needs of the taxpaying public. The IRS will build the new IEP environment in phases, with the final phase to be completed in FY 2013.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$155,561,118
Life-cycle Cost:	$714,692,256
Actual Obligations to Date:	$487,488,652
Start Date of Investment:	1996

The projected useful life of the current asset: estimated 2017

The anticipated benefit(s) of the investment:

- Improves web environment, efficiencies, effectiveness, quality, and process maturity;
- Provides visibility into program cost drivers; and
- Delivers year over year unit cost reductions to the IRS.

How performance will be measured and evaluated:

- Providing a public facing web portal environment availability of 99.99 percent that allows taxpayers to meet their tax obligations timely;
- Percentage of system response time of search queries completed in less than 3 seconds;
- Percentage of system response times of User requests for Website content completed less than 3 seconds;
- Providing the percentage of Formal O&M deliverables submitted timely; and
- Providing a Web portal Content Management System (CMS) that allows availability of 99.99% portal services to meet obligations timely.

Modernized e-File

The Modernized e-File (MeF) system is a mixed life-cycle investment that is the primary system to receive and process all tax returns submitted electronically. When MeF receives an electronic tax return, the system determines if it satisfies the acceptance rules required for further processing.

One of the benefits of MeF is the extensive error checking and data validation that occurs before the return is fully processed. MeF creates an acknowledgment telling the transmitter that the return was either accepted or rejected, and it provides information about the cause(s) of rejection. This acknowledgment is generally available to the transmitter within minutes of tax return submission. MeF forwards accepted returns to IRS systems used for processing tax returns. If MeF rejects a return due to errors, the transmitter can correct the identified issues and re-submit. These up-front checks help ensure successful processing of returns by downstream tax systems.

The MeF program provides a secure web platform for electronically filing tax and information returns by registered Electronic Return Originators (ERO). This system uses a browser-based and application-to-application solution to provide ERO end users with optimized return filing. MeF is becoming the primary system for electronic filing of business and individual tax returns and forms.

MeF has dependencies with: IRS.gov - Portal Environment, Information Return and Document Matching (IRDM); Individual Master File (IMF); Business Master File (BMF); Tax Return Data Base (TRDB); and Electronic Fraud Detection System (EFDS).

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$161,697,466
Life-cycle Cost:	$586,608,515
Actual Obligations to Date:	$375,955,489
Start Date of Investment:	2001

The projected useful life of the current asset: estimated 2020

The anticipated benefit(s) of the investment:

- Beneficiaries include the tax preparation community and the taxpayers they represent;
- Benefits large corporations and tax-exempt organizations that are required at a specific asset threshold to file their tax returns or annual information returns electronically by reducing the handling/mailing of voluminous paper returns that sometimes exceed 700 attachments/schedules;
- Extensive error checking and data validation that occurs before the return is processed; and
- The system delivers tax returns that do not pass these error checks to the transmitter for correction. These up-front checks help ensure successful processing of returns by the downstream tax systems.

How performance will be measured and evaluated:

- The percent of business tax returns processed electronically by MeF;
- The average number of minutes within which electronic filers receive acknowledgement of their electronically filed tax returns;
- The percentage of scheduled system availability per the approved Service Level Agreement, as documented monthly by IRS Enterprise Services;
- Error rate for electronically filed tax returns;
- The percent of individual tax returns processed electronically; and
- Total quarterly cost savings derived from electronically filed tax returns. Savings achieved is based on an average of $8M target savings per quarter. This is a periodic metric.

Return Review Program

The Return Review Program (RRP) is a system that uses leading-edge technologies to advance IRS effectiveness in detecting, addressing, and preventing tax refund fraud and protecting United States Treasury revenue. It will replace the legacy EFDS which was built in the mid-1990s. The entirely new RRP fraud framework is critical for IRS success in tackling ever-evolving tax schemes in a sophisticated, scalable, and adaptable manner. Based on specific business models from Criminal Investigation (CI) and the Return Integrity and Correspondence Services (RICS) Office, RRP will support the new cross-functional approach to criminal and civil tax noncompliance, including identity theft.

Using the analytics capability in RRP, the IRS will be able to create predictive fraud and non-compliance detection models, which will seek out subtle data patterns to determine reliability of return data, including filer's identity. RRP will generate a scorecard for questionable returns, evaluating consistency and dependability. Electronic Fraud Detection System processing uses predictive analytics minimally. Cross-functional collaboration is difficult and returns with multiple issues are often partially worked. With RRP, IRS will be able to respond to multiple issues of non-compliance on a single return.

RRP will incorporate Linked Return Analysis (LRA), a tool that reveals patterns and relationships in masses of return data. LRA will allow RRP to identify clusters of returns that share traits indicative of schemes and other tax fraud or non-compliance. The automated actions of link analysis will expand known clusters and schemes; discover new ones and scale to incorporate additional linking characteristics. RRP will introduce three new unsupervised models to detect non-obvious patterns in consistency, outlier and new patterns in data.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$136,826,858
Life-cycle Cost:	$287,819,946
Actual Obligations to Date:	$102,919,393
Start Date of Investment:	2010

The projected useful life of the current asset: estimated 2020

The anticipated benefit(s) of the investment:

- IRS will be able to respond to multiple issues of noncompliance on a single return; and
- Using massively parallel processing, the system's capacity will promote speed, even during the peak of tax filing season. This speed will serve taxpayers not only by supporting fast refunds, but also by quickly recognizing patterns and redirecting fraudulently filed returns.

How performance will be measured and evaluated:

The IRS is developing performance measures for the RRP investment.

Service Center Recognition/Image Processing System

The Service Center Recognition/Image Processing System (SCRIPS) is a major paper input processing system specifically designed to automate the processing of Information Return Processing (IRP) forms, Schedule K-1s (Forms 1041 K-1, 1065 K-1, and 1120 K-1), Form 941 (and associated Schedules B and Schedule R), and Form 940 (and associated Schedule A and Schedule R). SCRIPS scans and stores images of all tax documents processed, saving time by converting the scanned images and data to computer-readable code and providing hardcopy images when requested. This is accomplished using the Optical Character Recognition/Intelligent Character Recognition (OCR/ICR) engine in addition to utilizing 2D bar code recognition that optimizes and automates data entry of the taxpayer data.

SCRIPS is one of the front-end input systems that operates at four IRS Submission Processing Centers where the IRS receives, sorts, and sends forms to the scanning areas. SCRIPS sends the electronic taxpayer data to the IRS downstream tax processing systems, including Generalized Mainline Framework (GMF) and Master File for posting to the IRS database, and also Service-Wide Employment Tax Research System (SWETRS) and Statistics Of Income (SOI) for compliance. The IRS archives and retains the images on the system. IRS Customer Service Representatives can request hard copies of images through the IDRS.

SCRIPS processing of these forms directly supports the IRS's ability to administer and collect taxes while supporting voluntary compliance. The IRS has cited two strategic goals which are a direct link back to the Treasury Department's goals. Specifically, SCRIPS has a direct tie to the goal to collect revenue that is due the federal government. Images of these documents are used for research while resolving tax liability and compliance issues. SCRIPS processed more than 99 million tax forms in 2013.

SCRIPS provides top quality service to all taxpayers through fair and uniform application of the law. SCRIPS will address the Information Reporting Document Matching (IRDM) effort, which is designed to match tax returns to their proper tax filing entity by making modifications to the IRP form via year-end legislative changes.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$ 18,322,185
Life-cycle Cost:	$185,992,642
Actual Obligations to Date:	$157,291,609
Start Date of Investment:	1991

The projected useful life of the current asset: estimated 2019.

The anticipated benefit(s) of the investment:

SCRIPS scans and stores images of all tax documents processed, saving time by converting the scanned images and data to computer-readable code and providing hardcopy images when requested.

How performance will be measured and evaluated:

- Maintain a character recognition error rate on scanned forms of no more than 4 percent per month;
- The percent of tax return image print requests fulfilled within 2 days;
- The percentage of time the SCRIPS system is available per month for processing (system up-time);
- The average number of tax return-related documents processed per hour;
- Number of High Priority (P1) trouble tickets not closed within 4 hours; and
- Number of Moderate Priority (P2) trouble tickets not closed within 24 hours.

Web Applications (Formerly Online Services (OLS))

The OLS was established within Treasury, IRS in January 2012 to meet the continued growth in demand for customer service from taxpayers across all channels. Specifically, OLS is a strategic business initiative within IRS that leads the innovation and creation of digital services to meet these taxpayer needs. There are 5 distinct functions within OLS: Online Engagement, Operations and Media; Product Management; User Experience and Design; Portal Business Management; and Strategic Services. These five functions have worked together in order to relaunch IRS.gov and deploy nearly 20 new products and services in line with using digital services to meet taxpayer needs; these products and services include Get Transcript, Where's My Refund (WMR) tracker, and Filing Season (FS) updates to 30 other tools and content areas, including language and other key updates.

In FY 2014, 2015, 2016 and beyond, OLS plans to continue working towards its goal of making taxes clearer through better online content by providing plain language, elegant structuring and clear writing on IRS.gov, as well as better search results on IRS.gov and the web. OLS will continue striving to provide a user-centric, data-informed approach in order to ensure that taxpayer information is being presented and provided in a way that is easy for a taxpayer to interpret.

The immediate cost (defined as the base FY 2015 budget plus the FY 2016 request) as well as the full life-cycle cost of the asset:

FY 2015 - FY 2016:	$40,126,306
Life-cycle Cost:	$40,126,306
Actual Obligations to Date:	$ 2,153,313
Start Date of Investment:	2013

The projected useful life of the current asset: estimated 2034

The anticipated benefit(s) of the investment:

- OLS determined Status Quo was the best alternative which has a return on investment of 133% over seven years. The benefits of this selected approach are cost savings

which will come from reduced call volumes and mailing notices, a reduction in the number of walk-ins and a reduction in payment processing costs.

How performance will be measured and evaluated:

To Be Determined (TBD).

Criminal Investigations (CI) Capital Assets

These capital assets are used to protect CI special agents from threats and bodily injury when performing their law enforcement duties including conducting investigations concerning alleged criminal tax fraud violations, financial crimes, and other related offenses.

Security Equipment

The IRS purchases security equipment such as cameras, digital video recorder system (DVRs), access control panels, and card readers. The IRS uses facility-specific security assessments to prioritize asset needs and develop criteria for replacing equipment in a given facility. Additionally, emergency needs arise over the course of the year. These needs are ranked and funded according to the effect the equipment has on the overall security posture.

Performance is measured through security reviews, testing, and the assessment of individual facilities for their overall security posture using a number of criteria including location, size, number of employees, and type of work done in the facility. These criteria are used to develop an overall security posture. This posture is then compared to existing equipment in the facility to determine additional needs. If a facility has a large divergence from the posture, equipment is ordered. Reviews are done on a regular basis to measure and evaluate performance.

The useful life of security equipment is usually five years. The need for equipment can arise at any time, such as when employees are moved into a new building, during internal moves, or intermittently when equipment needs to be replaced. The benefit of this capital asset investment is that it supports the IRS priority to provide a safe and secure environment for its employees, equipment, and facilities.

Leasehold Improvements

Many projects undertaken by IRS entail the design, alteration, and furnishing of space either upon acquisition, at lease renewal, or for other purposes, such as supporting space consolidation or reduction. The portion of the project that is captured as a capital asset is reflected in OMB Object Class 3200, Land and Structures, and includes alterations to buildings; fixtures such as elevators, plumbing, power-plant boilers, fire-alarm systems, lighting, heating systems, air-conditioning systems, flooring, and carpeting. The total figure is a sum of the expenditures in that object class for all IRS projects in that particular year.

The IRS employs a scheme to rank projects in priority order and keeps a comprehensive list of projects across the territories. Projects are considered based on the critical need for the project. Projects approved but not funded in the current year are deferred to the following

year. Proposed projects are identified throughout the year and are prioritized and added to list as appropriate.

Performance is measured utilizing the following measures:

- Project Spend per usable square feet (USF) on Closed Projects;
- Total USF Touched by Projects; and
- Percent of Total USF Under Management; Percent Customers Satisfied With Completed Space Projects.

The useful life of these alterations is usually five years or the remaining fixed term of the lease. The fixed term of most leases is five years, with options to renew or to extend for some additional period. The need for alterations can arise at any time, including, but not limited to:

- Adding personnel workspaces;
- Consolidating functions; and
- Addressing other space issues.

The benefit of these alterations is that they provide the means for the business unit occupants to perform their mission efficiently and in user-friendly space. In addition to space reduction associated rent savings, a portion of the investment may provide a savings such as in the area of energy consumption.

4B – IRS Aging Legacy Information Technology (IT) Infrastructure (non-BSM) Proposed Long-term Multiyear Funding Strategy and Timetable

The IRS established a Sustaining Infrastructure (SI) program to provide for long-term infrastructure viability with the flexibility to meet dynamically changing business requirements. The SI program includes a prioritization process to replenish aged assets that support the most critical IRS business needs. The prioritization process is a long-term funding strategy, within the Operations Support multi-year appropriation, to upgrade and modernize the aging legacy Information Technology (IT) infrastructure for non-Business System Modernization projects. The process is built on leading business practices that support the IRS mission and strategic objectives while ensuring compliance with federal laws and agency oversight.

The SI program establishes its infrastructure investment timetable by overlaying the annual budget into the prioritization process. Extending beyond legacy systems, investments in innovation, such as network convergence and desktop virtualization allow the IRS to gain efficiencies such that foreseeable budgets will meet the requirements to replace aged assets. This innovation element, as part of the SI program, is a key component to IRS's long-term infrastructure viability. Each year the IRS assesses and funds projects in the following four portfolios:

Portfolio Name	Description	Average Percentage of Portfolio
Sustaining Infrastructure	Aged inventory beyond useful life	65%
Sustaining Architecture & Engineering	Aged inventory not past its useful life, but tied to production applications or critical business need	15%
Sustaining Enterprise System Software	Updating aged software (beyond useful life) to achieve (N)(N-1)	11%
Sustaining Other	Operational Demand	9%

The objectives of the SI prioritization process are to:

- Achieve an acceptable level of aged assets (20 – 25 percent);
- Reduce the aged inventory of IRS infrastructure;
- Describe an IRS future infrastructure replacement decision model;
- Focus replacement investment decisions on the future infrastructure vision;
- Assist in preparing annual asset retirement goals; and
- Make the most efficient infrastructure investments.

The benefits of the SI prioritization process include:

- Reducing the overall operational infrastructure cost of the IT Organization wherever possible;
- Reducing equipment diversity and quantity;
- Improving infrastructure capacity;
- Improving governance;
- Increasing IT security;
- Improving disaster recovery operations; and
- Directing infrastructure to a more efficient world-class environment.

The SI prioritization process is defined by four lifecycle phases: Pre-Select, Select, Control, and Evaluate. During each phase, the IRS governance bodies make decisions using defined processes and data regarding the investments under consideration. Approved investments become part of the larger SI investment portfolio and both new and ongoing investments are monitored continuously throughout their lifecycle against Key Performance Indicators (KPIs) for Deputy, Chief Information Officer (DCIO) and Infrastructure Executive Steering Committee (IESC) review. The IRS conducts post-implementation assessments to ensure Cost, Schedule, and the overall goals of the project were successfully completed.

The four-lifecycle phases of the SI Prioritization Process are described below:

- The ***Pre-Select Phase*** assesses proposed IT solutions for unmet business requirements. The pre-selection phase creates a portfolio of IT project investments designed to improve overall organizational performance. The three-step pre-selection process is:
    - ***Step 1 – Screen IT proposals for relevance and feasibility.*** A mature investment screening process prescribes the required amount of documentation and level of analytical rigor, depending on the project's type (e.g., mission critical infrastructure, etc.) and phase (e.g., initial concept, new, ongoing, and operational).
    - ***Step 2 – Retain proposals with the highest potential to support the IRS critical mission and/or operations.*** If viable, the proposal moves into the Investment Management Plan (IMP) development stage.
    - **Step 3 – *Prioritize the list of IT projects.*** After completing the analysis, the IRS develops a ranked listing of IT projects.
- During the ***Select phase***, an executive level, decision-making body determines which projects to fund based on the analyses completed during the pre-select phase. The process is used to prioritize IT investments to align with organizational priorities and strategic direction. Projects are funded based on budget constraints with consideration for technical soundness of projects, contribution to mission needs, performance improvement priorities, and overall available budget levels.
- The ***Control Phase*** begins once investments are selected and approved for funding. The Control Phase monitors on-going IT projects during the planning, acquisition, deployment, and operation and maintenance stages of the IT investment life cycle. The primary objective is to assess the investment's performance and enable effective management of all major IT investments within the IRS. If a project is late, over cost, or not being developed according to approved IMPs, projects may be modified or cancelled.
- The ***Evaluate Phase*** includes two components, a Post Implementation Review (PIR) on implemented or cancelled investments, and an annual analysis of the performance of the IRS's portfolio management process. During PIRs, data is collected, recorded, and analyzed to compare expected results against actual benefits and returns. Once investments are fully implemented or cancelled, actual versus expected results are evaluated to assess the investment's impact on strategic performance, identify modifications that may be needed, and revise the investment management process based on lessons learned.

4.2 - Return on Investment (ROI) for IRS Major Enforcement Programs

The actual cost and actual revenue collected for FY 2010 through FY 2014 for the three major enforcement programs, Examination, Collection and Automated Underreporter (AUR) are provided below. The activities included in these programs include:

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

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

Automated Underreporter (AUR) Program matches payer information returns (Forms 1099, W-2, etc.) against data reported on individual tax returns to the IRS. 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, a proposed notice is issued and a proposed assessment is generated.

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

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

Return on Investment for IRS Major Enforcement Programs

Dollars in Millions

	FY 2010			FY 2011			FY 2012			FY 2013			FY 2014		
Enforcement Program	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI
IRS Total	$6,581	$57,592	8.8	$6,543	$55,229	8.4	$6,242	$50,187	8.0	$5,883	$53,345	9.1	$5,839	$57,146	9.8
Examination	4,371	23,563	5.4	4,333	18,924	4.4	4,232	14,476	3.4	3,965	16,662	4.2	3,965	18,983	4.8
Collection	1,948	29,105	14.9	1,939	31,060	16.0	1,742	30,442	17.5	1,660	31,396	18.9	1,618	33,198	20.5
Automated Underreporter (AUR)	262	4,924	18.8	270	5,245	19.4	267	5,269	19.7	258	5,287	20.5	256	4,965	19.4

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

4.3 – IRS Performance Measure Table

Performance Measures	Type of Measure	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Planned	FY2016 Planned
Customer Service Representative Level of Service (LOS)[1]	Oe, L	70.0%	74.0%	70.1%	67.6%	60.5%	64.4%	38.0%	80.0%
Customer Contacts Resolved per Staff Year	E	12,918	10,744	12,419	16,320	20,767	21,018	21,000	17,300
Customer Accuracy - Tax Law (Phones)	Ot	92.9%	92.7%	93.4%	93.2%	95.7%	95.0%	92.0%	92.0%
Customer Accuracy - Accounts (Phones)	Ot	94.9%	95.7%	96.0%	95.6%	96.0%	96.2%	94.0%	94.0%
Timeliness of Critical Filing Season Tax Products to the Public	Ot	96.8%	95.3%	96.3%	97.2%	58.9%	99.1%	95.0%	95.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public	Ot	95.2%	97.7%	96.4%	94.5%	83.6%	98.7%	95.0%	95.0%
Percent Individual Returns Processed Electronically	Oe, L	65.9%	69.3%	76.9%	80.5%	82.5%	84.1%	84.6%	85.0%
Percent of Business Returns Processed Electronically	Oe, L	22.8%	25.5%	31.8%	36.7%	40.2%	43.1%	46.5%	47.0%
Refund Timeliness - Individual (Paper)	Ot	99.2%	96.1%	99.4%	99.7%	99.0%	98.7%	94.0%	97.0%
Taxpayer Self-Assistance Rate	E, L	69.3%	64.4%	70.1%	78.5%	83.3%	84.7%	85.0%	86.0%
Examination Coverage - Individual	Oe, L	1.0%	1.1%	1.1%	1.0%	1.0%	0.9%	0.8%	0.8%
Field Exam Nat'l Quality Review Score	Oe, L	85.1%	84.9%	85.8%	87.4%	89.2%	88.4%	89.6%	89.6%
Office Exam Nat'l Quality Review Score	Oe, L	92.1%	91.6%	90.4%	91.3%	90.3%	90.6%	90.2%	90.2%
Examination Quality - Large Business[2] (new for FY13)	Oe, L					92.0%	83.0%	90.0%	90.0%
Examination Coverage - Business (Assets > $10 million)	Oe, L	5.6%	5.7%	6.2%	6.2%	5.6%	4.3%	3.8%	3.6%
Examination Efficiency - Individual	E, L	138	140	139	142	142	138	135	118
Automated Underreporter Efficiency	E, L	1,905	1,924	2,007	2,041	2,025	1,935	2,032	2,014
Automated Underreporter Coverage	E, L	2.6%	3.0%	3.3%	3.2%	2.8%	2.6%	2.6%	2.6%
Collection Coverage (Units)	Ot, L	54.2%	50.1%	50.0%	48.1%	47.0%	45.9%	43.8%	45.9%
Collection Efficiency (Units)	E, L	1,845	1,822	1,952	1,997	2,057	2,051	2,173	2,131
Field Collection Nat'l Quality Review Score	Ot, L	80.5%	80.6%	80.3%	80.4%	81.4%	81.6%	81.6%	81.6%
Automated Collection System Accuracy	Oe	94.3%	95.9%	94.9%	94.7%	94.4%	95.2%	94.0%	94.0%
Criminal Investigations Completed	Ot, L	3,848	4,325	4,697	4,937	5,557	4,606	3,800	3,800
Number of Convictions	Oe, L	2,105	2,184	2,350	2,634	3,311	3,110	2,700	2,700
Conviction Rate	Oe, L	87.2%	90.2%	92.7%	93.0%	93.1%	93.4%	92.0%	92.0%
Conviction Efficiency Rate ($)	E, L	$327,328	$324,776	$310,029	$270,511	$211,048	$231,103	$243,000	$243,000
TE/GE Determination Case Closures	Ot	96,246	105,247	91,205	87,000	65,877	136,746	99,942	127,945
Percent of Major Projects within +/- 10% Cost Variance[3]	E	60.0%	40.0%	71.4%	50.0%	0.0%	66.7%	90.0%	90.0%
Percent of Major Projects within +/- 10% Schedule Variance[3]	E	90.0%	100.0%	100.0%	90.0%	83.3%	100.0%	90.0%	90.0%

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

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

n/a - not applicable, HCTC Program ended on December 31, 2013.

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

[3] Starting in FY 2015, these measures include all major investments (BSM and non-BSM) whereas in the previous fiscal years it was only BSM.

4.3 – IRS Performance Measure Table (Continued)

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

4.4 – Alignment of the FY 2016 Initiatives to the IRS Strategic Goals

FY 2016 Initiatives	Treasury		IRS			Taxpayer Assistance Blueprint (TAB)					
	Strategic Goal 3-Objective 3.3	Priority Goals	Strategic Goals		Strategic Foundation for Organizational Excellence	Service Improvement Categories					
	Pursue tax reform, implement the Patient Protection and Affordable Care Act and Foreign Account Tax Compliance Act, and Improve Execution of the tax code	Introduce Self-Service and Electronic-Service Taxpayer Options	Goal #1: Deliver High Quality and Timely Service to Reduce Taxpayer Burden and Encourage Voluntary Compliance	Goal #2: Effectively Enforce the Law to Ensure Compliance with Tax Responsibilities and Combat Fraud	Invest in our Workforce and the Foundational Capabilities Necessary to Achieve our Mission and Deliver High Performance for Taxpayers and Stakeholders	Electronic Interaction Enablement	Telephone Service Enhancements	Partner Services	Outreach and Education	Marketing and Promotion
Improve Taxpayer Services	✓	✓	✓		✓	✓	✓	✓	✓	✓
Improve Upfront Identification and Resolution of Identity Theft Returns	✓			✓	✓					
Enhance Service Options for Taxpayers		✓	✓			✓	✓	✓	✓	✓
Increase Service for Low-Income Taxpayers and Taxpayers in Need of Hardship Relief			✓		✓			✓	✓	
Implement Foreign Account Tax Compliance Act (FATCA)	✓			✓	✓					
Implement Merchant Card and Basis Matching	✓			✓						
Prevent Identity Theft and Refund Fraud	✓		✓	✓	✓		✓			
Address International and Offshore Compliance Issues	✓			✓	✓					
Increase Audit Coverage	✓			✓	✓					
Enhance Collection Coverage	✓			✓	✓					
Address Compliance Risks in the Tax-Exempt Sector	✓			✓						
Improve Audit Coverage of Large Partnerships	✓			✓	✓					
Pursue Employment Tax and Abusive Tax Schemes	✓			✓	✓					
Enhance Investigations of Transnational Organized Crime (TOC)	✓			✓	✓					
Ensure Ethical Standards of Conduct for Practitioners	✓			✓						
Leverage Data to Improve Case Selection	✓			✓	✓					
Address Impact of the Affordable Care Act (ACA) Statutory Requirements	✓			✓					✓	
Implement Information Technology (IT) Changes to Deliver Tax Credits and Other Requirements	✓			✓	✓					
Sustain Critical Information Technology (IT) Infrastructure					✓					
Implement Federal Investigative Standards					✓					
Consolidate and Modernize IRS Facilities					✓					
Maintain Integrity of Revenue Financial Systems					✓					
Restore Staffing for Essential Support Programs					✓					
Leverage New Technologies to Advance the IRS Mission		✓	✓		✓	✓		✓		

4.5 – Summary of IRS FY 2016 ACA Budget Request

Dollars in Thousands

FY 2016	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
Affordable Care Act (ACA)	$000	FTE	$000	FTE	$000	FTE	$000	FTE	$000	FTE
FY 2015 Enacted										
Reinvestment:					16,025				$16,025	
Expand Telecom Infrastructure to Handle Increased Demand					16,025				16,025	
Subtotal FY 2016 Changes to Base					$16,025				$16,025	
Program Changes:										
Improve Taxpayer Services	78,343	1,231			23,154	7			101,497	1,238
Address Impact of Affordable Care Act (ACA) Statutory Requirements	108	1	44,775	432	22,323	50			67,206	483
Implement Information Technology (IT) Changes to Deliver Tax Credits and Other Requirements					305,645	818			305,645	818
Subtotal Program Increases	$78,451	1,232	$44,775	432	$351,122	875			$474,348	2,539
Total FY 2016 Budget Request	$78,451	1,232	$44,775	432	$367,147	875			$490,373	2,539

Bureau: Internal Revenue Service	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
Summary of Proposed FY 2016 Request	$000	FTE	$000	FTE	$000	FTE	$000	FTE	$000	FTE
FY 2015 Enacted	$2,156,554	28,274	$4,860,000	40,564	$3,638,446	12,043	$290,000	398	$10,945,000	81,279
Changes to Base:										
Maintaining Current Levels (MCLs):	$47,985		$69,245		$61,419		$1,026		$179,675	
Pay Annualization	4,837		11,875		4,093		197		21,002	
Pay Raise (1.3%)	18,910		46,428		16,004		770		82,112	
Non-Pay	3,571		5,171		39,968				48,710	
FERS Contribution Increase	7,362		16,488		5,447		256		29,553	
Federal Employees Health Benefits (FEHB) Program Modification	18,142		1,158						19,300	
Efficiencies/Savings:	($18,399)	(61)			($32)				($18,431)	(61)
Increase e-File Savings	(2,374)	(46)			(32)				(2,406)	(46)
HCTC Program Termination	(16,025)	(15)							(16,025)	(15)
Reinvestment:					16,025				$16,025	
Expand Telecom Infrastructure to Handle Increased Demand					16,025				16,025	
Subtotal FY 2016 Changes to Base	$29,586	(61)	$69,245		$77,412		$1,026		$177,269	(61)
FY 2016 Current Services (Base)	$2,186,140	28,213	$4,929,245	40,564	$3,715,858	12,043	$291,026	398	$11,122,269	81,218
Program Changes:										
Taxpayer Service Initiatives:										
Improve Taxpayer Services	183,142	2,806			118,381	164			301,523	2,970
Improve Upfront Identification and Resolution of Identity Theft Returns	15,562	193			3,322				18,884	193
Enhance Service Options for Taxpayers	13,891	45			2,352	9			16,243	54
Increase Service for Low-Income Taxpayers and Taxpayers in Need of Hardship Relief	5,123	27			596				5,719	27
Subtotal Taxpayer Service Initiatives	$217,718	3,071			$124,651	173			$342,369	3,244
Enforcement Initiatives:										
Implement Foreign Account Tax Compliance Act (FATCA)			33,625	321	37,380	140			71,005	461
Implement Merchant Card and Basis Matching			28,212	322	6,041				34,253	322
Prevent Identity Theft and Refund Fraud			47,738	358	34,424	62			82,162	420
Address International and Offshore Compliance Issues			35,206	238	5,451				40,657	238
Increase Audit Coverage			97,353	1,038	64,456	61			161,809	1,099
Enhance Collection Coverage			83,236	986	39,594	48			122,830	1,034
Address Compliance Risks in the Tax-Exempt Sector			15,511	146	7,951	13			23,462	159
Improve Audit Coverage of Large Partnerships			13,722	107	2,527				16,249	107
Pursue Employment Tax and Abusive Tax Schemes			8,677	52	8,509				17,186	52
Enhance Investigations of Transnational Organized Crime (TOC)			37,161	194	5,367				42,528	194
Ensure Ethical Standards of Conduct for Practitioners			3,385	28	895				4,280	28
Leverage Data to Improve Case Selection			5,111	14	33,949	45			39,060	59
Address Impact of Affordable Care Act (ACA) Statutory Requirements	108	1	44,775	432	22,323	50			67,206	483
Subtotal Enforcement Initiatives	$108	1	$453,712	4,236	$268,867	419			$722,687	4,656
Infrastructure Initiatives:										
Implement Information Technology (IT) Changes to Deliver Tax Credits and Other Requirements					305,645	818			305,645	818
Sustain Critical Information Technology (IT) Infrastructure					188,514	157			188,514	157
Implement Federal Investigative Standards					3,464	11			3,464	11
Consolidate and Modernize IRS Facilities					85,456	74			85,456	74
Implement Agency Wide Shared Services Priorities					10,992	9			10,992	9
Maintain Integrity of Revenue Financial Systems					12,162	7			12,162	7
Restore Staffing for Essential Support Programs					19,938	152			19,938	152
Subtotal Infrastructure Initiatives					$626,171	1,228			$626,171	1,228
Business Systems Modernization Initiative:										
Leverage New Technologies to Advance the IRS Mission					3,618		87,955	178	91,573	178
Subtotal Business Systems Modernization Initiative					$3,618		$87,955	178	$91,573	178
Alcohol and Tobacco Tax and Trade Bureau Program Integrity Transfer:										
Transfer to TTB for High-Return on Investment (ROI) Tax Enforcement Activities			5,000						5,000	
Subtotal Alcohol and Tobacco Tax and Trade Bureau Program Integrity Transfer Initiative			$5,000						$5,000	
Subtotal Program Increases	$217,826	3,072	$458,712	4,236	$1,023,307	1,820	$87,955	178	$1,787,800	9,306
Total FY 2016 Budget Request	$2,403,966	31,285	$5,387,957	44,800	$4,739,165	13,863	$378,981	576	$12,910,069	90,524
Dollar/FTE Change FY 2016 Budget Request over FY 2015 Enacted	$247,412	3,011	$527,957	4,236	$1,100,719	1,820	$88,981	178	$1,965,069	9,245
Percent Change FY 2016 Budget Request over FY 2015 Enacted	11.47%	10.65%	10.86%	10.44%	30.25%	15.11%	30.68%	44.72%	17.95%	11.37%

4.7 – Summary of IRS FY 2016 Program Integrity Cap Adjustment

Bureau: Internal Revenue Service
Summary of Proposed FY 2016 Request

	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	$000	FTE	$000	FTE	$000	FTE	$000	FTE	$000	FTE
FY 2015 Enacted	$2,156,554	28,274	$4,860,000	40,564	$3,638,446	12,043	$290,000	398	$10,945,000	81,279
Changes to Base:										
Maintaining Current Levels (MCLs):	$52,822		$81,120		$65,512		$1,223		$200,677	
Pay Annualization	4,837		11,875		4,093		197		21,002	
Pay Raise (1.3%)	18,910		46,428		16,004		770		82,112	
Non-Pay	3,571		5,171		39,968		256		48,710	
FERS Contribution Increase	7,362		16,488		5,447				29,553	
Federal Employees Health Benefits (FEHB) Program Modification	18,142		1,158						19,300	
Efficiencies/Savings:	($18,399)	(61)			($32)				($18,431)	(61)
Increase e-File Savings	(2,374)	(46)			(32)				(2,406)	(46)
HCTC Program Termination	(16,025)	(15)							(16,025)	(15)
Reinvestments:					16,025				$16,025	
Expand Telecom Infrastructure to Handle Increased Demand					16,025				16,025	
Subtotal FY 2016 Changes to Base	$34,423	(61)	$81,120		$81,505		$1,223		$198,271	(61)
FY 2016 Current Services (Base)	$2,190,977	28,213	$4,941,120	40,564	$3,719,951	12,043	$291,223	398	$11,143,271	81,218
Program Changes:										
Before Cap Adjustment Program Increases:										
Improve Taxpayer Services	183,142	2,806			118,381	164			301,523	2,970
Leverage New Technologies to Advance the IRS Mission					3,618		87,955	178	91,573	178
Implement Information Technology(IT) Changes to Deliver Tax Credits and Other Requirements					305,645	818			305,645	818
Improve Upfront Identification and Resolution of Identity Theft Returns	15,562	193			3,322				18,884	193
Implement Foreign Account Tax Compliance Act (FATCA)			33,625	321	37,380	140			71,005	461
Sustain Critical Information Technology (IT) Infrastructure					188,514	157			188,514	157
Address Impact of Affordable Care Act (ACA) Statutory Requirements	108	1	44,775	432	22,323	50			67,206	483
Enhance Service Options for Taxpayers	13,891	45			2,352	9			16,243	54
Restore Staffing for Essential Support Programs					19,938	152			19,938	152
Increase Service for Low-Income Taxpayers and Taxpayers in Need of Hardship Relief	5,123	27			596				5,719	27
Implement Merchant Card and Basis Matching			28,212	322	6,041				34,253	322
Subtotal FY 2016 Before Cap Adjustment Program Increases	$217,826	3,072	$106,612	1,075	$708,110	1,490	$87,955	178	$1,120,503	5,815
Total FY 2016 Request Before Cap Adjustment	$2,408,803	31,285	$5,047,732	41,639	$4,428,061	13,533	$379,178	576	$12,263,774	87,033
Cap Adjustment Program Increases:										
Enforcement Initiatives:										
Prevent Identity Theft and Refund Fraud			47,738	358	34,424	62			82,162	420
Increase Audit Coverage			97,353	1,038	64,456	61			161,809	1,099
Improve Audit Coverage of Large Partnerships			13,722	107	2,527				16,249	107
Address International and Offshore Compliance Issues			35,206	238	5,451				40,657	238
Enhance Collection Coverage			83,236	986	39,594	48			122,830	1,034
Leverage Data to Improve Case Selection			5,111	14	33,949	45			39,060	59
Address Compliance Risks in the Tax-Exempt Sector			15,511	146	7,951	13			23,462	159
Pursue Employment Tax and Abusive Tax Schemes			8,677	52	8,509				17,186	52
Enhance Investigations of Transnational Organized Crime (TOC)			37,161	194	5,367				42,528	194
Ensure Ethical Standards of Conduct for Practitioners			3,385	28	895				4,280	28
Subtotal Enforcement Initiatives			$347,100	3,161	$203,123	229			$550,223	3,390
Infrastructure Initiatives:										
Consolidate and Modernize IRS Facilities					85,456	74			85,456	74
Maintain Integrity of Revenue Financial Systems					12,162	7			12,162	7
Implement Agency-Wide Shared Services Priorities					10,992	9			10,992	9
Implement Federal Investigative Standards					3,464	11			3,464	11
Subtotal Infrastructure Initiatives					$112,074	101			$112,074	101
Alcohol and Tobacco Tax and Trade Bureau Program Integrity Transfer:										
Transfer to TTB for High-Return on Investment (ROI) Tax Enforcement Activities			5,000						5,000	
Subtotal Alcohol and Tobacco Tax and Trade Bureau Program Integrity Transfer Initiative			$5,000						$5,000	
Subtotal FY 2016 Cap Adjustment			$352,100	3,161	$315,197	330			$667,297	3,491
Total FY 2016 Budget Request	$2,408,803	31,285	$5,399,832	44,800	$4,743,258	13,863	$379,178	576	$12,931,071	90,524
Dollar/FTE Change FY 2016 Budget Request over FY 2015 Enacted	$252,249	3,011	$539,832	4,236	$1,104,812	1,820	$89,178	178	$1,986,071	9,245
Percent Change FY 2016 Budget Request over FY 2015 Enacted	11.70%	10.65%	11.11%	10.44%	30.36%	15.11%	30.75%	44.72%	18.15%	11.37%

Departmental Offices - S & E

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Appropriations Detail Table 3
1B – Vision, Priorities and Context 3
Section 2 – Budget Adjustments and Appropriation Language 9
2.1 – Budget Adjustments Table 9
2A – Budget Increases and Decreases Description 9
2.2 – Operating Levels Table 15
2B – Appropriations Language and Explanation of Changes 16
2C – Legislative Proposals 17
2D – Mandatory Program Proposals 17
Section 3 – Budget and Performance Plan 18
3A – Executive Direction 18
3.1.1 – Executive Direction Budget Activity Budget and Performance Plan 18
3B – International Affairs and Economic Policy 18
3.1.2 – International Affairs and Economic Policy Budget and Performance Plan 22
3C – Domestic Finance and Tax Policy 22
3.1.3 – Domestic Finance and Tax Policy Budget Activity Budget and Performance Plan 26
3D – Terrorism and Financial Intelligence 26
3.1.4 – Terrorism and Financial Intelligence Budget Activity Budget and Performance Plan 28
3E – Treasury-wide Management and Programs 28
3.1.5 – Treasury-wide Management and Programs Budget Activity Budget and Performance Plan 31
Section 4 – Supplemental Information 32
4A – Summary of Capital Investments 32

Section 1 – Purpose

1A – 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.

1.1 – Appropriations Detail Table

Dollars in Thousands

Departmental Offices - S & E Appropriated Resources	FY 2014 Enacted		FY 2015 Enacted		FY 2016 Request 2/		FY 2015 to FY 2016 $ Change		FY 2015 to FY 2016 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
DO S&E										
Executive Direction	148	36,738	147	36,002	152	37,899	5	1,897	3.40%	5.27%
International Affairs and Economic Policy	232	56,113	228	56,266	236	58,706	8	2,440	3.51%	4.34%
Domestic Finance and Tax Policy	255	80,956	266	78,589	302	75,948	36	(2,641)	13.53%	-3.36%
Treasury-wide Management and Programs	123	36,593	140	39,143	187	49,675	47	10,532	33.57%	26.91%
Terrorism and Financial Intelligence	413	102,000	0	0	435	109,609	435	109,609	NA	NA
TFI										
Terrorism and Financial Intelligence 1/	0	0	377	112,500	0	0	(377)	(112,500)	-100.00%	-100.00%
Subtotal New Appropriated Resources	**1,171**	**$312,400**	**1,158**	**$322,500**	**1,312**	**$331,837**	**154**	**$9,337**	**13.30%**	**2.90%**
Other Resources:										
DO S&E Reimbursables 1/	132	69,502	184	130,032	163	121,474	(21)	(8,558)	-11.41%	-6.58%
TFI Reimbursables	0	0	39	18,442	0	0	(39)	(18,442)	-100.00%	-100.00%
Subtotal Other Resources	**132**	**$69,502**	**223**	**$148,474**	**163**	**$121,474**	**(60)**	**($27,000)**	**-26.91%**	**-18.19%**
Total Budgetary Resources 3/	**1,303**	**$381,902**	**1,381**	**$470,974**	**1,475**	**$453,311**	**94**	**($17,663)**	**6.81%**	**-3.75%**

1/ In FY 2015, the Office of Terrorism and Financial Intelligence (TFI) was funded through a separate appropriation of $112.5 million, which includes $27 million for administrative support. To support the financing of TFI's administrative program, the Departmental Offices Salaries & Expenses (S&E) Reimbursable program of $130.032 million was increased by $27 million.
2/ The FY 2016 Budget includes TFI activities in the DO S&E appropriation, where it has been each year except FY 2015.
3/ The Budget also proposes to transfer $7 million from the Gulf Coast Restoration Trust Fund for DO's administration and oversight responsibilities for this program. This funding is not included above.

1B – Vision, Priorities and Context

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

FY 2014 Key Accomplishments, FY 2015 and FY 2016 Priorities:
The Department's strategic plan for FY 2014-2017 guides program and budget decisions for the Departmental Offices (DO). The FY 2016 Budget request supports DO's leading role in accomplishing the Treasury strategic goals:

- Promote domestic economic growth and stability while continuing reforms of the financial system;
- Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth;
- Fairly and effectively reform and modernize Federal financial management, accounting, and tax systems;
- Safeguard the financial system and use financial measures to counter national security threats; and
- Create a 21st-century approach to government by improving efficiency, effectiveness and customer interaction.

The Departmental Offices has several priorities for FY 2016 which impact the Department and Federal Government as a whole. These priorities include:

International Monetary Fund Reform

The International Monetary Fund (IMF) is responsible for promoting the stability of the international monetary and financial system. The United States was instrumental in creating the IMF and remains its largest shareholder. As the only country with veto power over major IMF decisions, the U.S. uses its influence to shape the IMF's activities in ways that enhance our economic and national security interests. In 2010, G-20 leaders and the IMF membership decided on a set of quota and governance reforms designed to strengthen the IMF's critical role within the international system. The 2010 reforms are an important step in modernizing IMF governance to better reflect countries' economic weights in the global economy, while preserving U.S. leadership and veto power. All other major countries, including those in the G-20, have acted to ratify the 2010 quota and governance reforms. Treasury cannot provide consent to the 2010 reforms in the IMF until Congress passes the Administration's legislative proposal. U.S. consent is the only remaining hurdle before these important reforms can take effect. Implementation of the 2010 reforms serve to maintain U.S. influence in the IMF and facilitate our ability to shape the global norms and rules that protect U.S. interests.

Foreign Sanctions Implementation

The Office of Terrorism and Financial Intelligence (TFI) implements sanctions via Executive Order and legislation. These sanctions serve as both comprehensive and selective tools to accomplish U.S. foreign policy and national security goals by blocking assets or imposing financial and trade restrictions.

In FY 2014, the Office of Foreign Assets Control (OFAC) added approximately 550 new Specially Designated Nationals (SDN) listings under its sanctions authorities in its efforts against weapons of mass destruction (WMD) proliferators, terrorists, narcotics traffickers, transnational organized crime, persons contributing to regional violence in Africa, persons involved in the destabilization of Ukraine, individuals using technology to abuse human rights in Iran and Syria, foreign sanctions evaders, parties which were threatening the peace and stability of Burma, Libya, and Somalia, and those who support these entities. In FY 2014, TFI continued a sustained

sanctions campaign blocking property of Iran, its agents, and front companies, as well as restricting activity with Iranian financial and petroleum/petrochemical companies, in response to Iran's continued defiance of various United Nations Security Council resolutions. As a result, banks around the world have continued cutting off Iran from the international financial sector; this isolation has played an essential role in bringing Iran to the negotiating table with the international community. OFAC has continued to enforce sanctions against Iran as the negotiations continue. On November 24, 2013, the U.S. and its partners in the P5 + 1 (China, France, Germany, Russia, the UK, and the United States) reached an initial understanding with Iran, outlined in a Joint Plan of Action (JPOA), that implemented temporary sanctions relief relating to certain activities and associated services with the stated goal of halting progress on Iran's nuclear program and rolling it back in key respects. Since the JPOA was signed, OFAC has sanctioned 83 individuals and entities under various Iran-related authorities, including sanctions evasion, human rights abuses, supporting terrorism, and/or WMD proliferation.

In FY 2014, OFAC removed 405 names from its SDN list, including 308 names related to the now-defunct Cali Cartel. This once powerful cartel's financial empire collapsed under the weight of OFAC's counter narcotics sanctions and other law enforcement efforts.

OFAC implemented a major new sanctions regime in response to Russia's illegal annexation of the Crimean region of Ukraine and its continued intervention in internal Ukrainian affairs. This sanctions regime consists of new Executive Orders 13660, 13661, 13662, and 13685. These authorities collectively make up the "Ukraine-related sanctions." To date, approximately 120 individuals and entities have been designated for their involvement in the destabilization of Ukraine. In addition, for the first time in its history, OFAC implemented "Sectoral Sanctions" against the financial, energy, and the defense and related materiel sectors of the Russian economy and has imposed sanctions short of blocking on more than 10 entities across those sectors. A force multiplier under this program is the fact that OFAC's sanctions apply to the identified targets as well as to entities owned 50 percent or more by the identified targets, increasing the number of affected entities by several fold. These sanctions have been implemented in close coordination with the United States' European allies. OFAC is working closely with the private sector to explain these new sectoral sanctions to ensure strong compliance and has thus far issued 29 Frequently Asked Questions and responded to hundreds of inquiries from financial institutions and other corporate entities.

OFAC maintains an ongoing commitment of the United States to hold North Korea accountable for its destabilizing, destructive, and repressive actions, particularly its efforts to undermine U.S. cyber-security and intimidate U.S. businesses and artists exercising their right of freedom of speech. On January 2, 2015, the President signed Executive Order 13687 authorizing the imposition of sanctions against the Government of North Korea and the Workers' Party of Korea, including its agencies, instrumentalities, and controlled entities. With the authorization of E.O. 13687, OFAC simultaneously designated three entities and ten individuals for being controlled entities and officials of the Government of North Korea in an effort to support United States efforts to curb and diminish the cyber threat to U.S. national security, foreign policy and economic stability.

In addition to these efforts, OFAC continues its administration of over 35 different sanctions programs, including newer sanctions regimes related to South Sudan and the Central African Republic.

In FY 2015 and FY 2016, OFAC will continue to vigorously implement and enforce these programs and work to address the Administration's priorities on cybersecurity, atrocities prevention, and any emerging issues.

Strategy to Address the Threat of Islamic State of Iraq and the Levant
The FY 2016 request supports Treasury's role in leading the U.S. effort to undermine the Islamic State of Iraq and the Levant's (ISIL) finances as part of the comprehensive U.S. strategy to disrupt, degrade, and ultimately defeat the terrorist group. Representative of the comprehensive approach to counter ISIL, Treasury is working closely with the State Department, the Department of Defense, domestic and foreign law enforcement, the intelligence community, and the international community to disrupt ISIL's revenue streams; to restrict ISIL's access to the international financial system; and impose sanctions on ISIL's senior leadership and financial facilitators to disrupt its ability to operate.

Insider Threat
The FY 2016 request maintains the funding investment of $4,540,000, which includes the transfer from the Director of National Intelligence to TFI to enhance the data network capabilities of the Insider Threat Program. The program provides TFI the capacity to deter, detect, and mitigate insider threats by leveraging counterintelligence, security, information assurance, and other relevant functions and resources to identify and counter the insider threat.

Affordable Care Act Implementation
In FY 2014, the Office of Tax Policy continued to support the implementation of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (ACA). With most of the provisions of the ACA in effect, the office released guidance dealing with outstanding issues for several major provisions not yet in effect and final guidance for provisions such as information reporting and premium tax credits.

RESTORE Act Implementation
The Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act, P.L. 112-141, subtitle F, 1601 et seq.) gave Treasury various administrative and oversight responsibilities for the trust fund related to the Deepwater Horizon oil spill, the worst offshore oil spill in U.S. history. Included among these responsibilities are several tasks to be carried out by DO, such as administering the civil and administrative penalties arising from the *Deep Water Horizon* oil spill; oversight and monitoring of fund expenditures; development of procedures to do such oversight; administration of the Direct Component and Centers of Excellence grant programs which will support the environmental and economic restoration of the Gulf Coast region; and provision of independent, supplementary oversight for the states' use of funds under the other components of the law, including the Comprehensive Plan Component and the Spill Impact Component. The Bureau of the Fiscal Service and the Treasury Inspector General have additional responsibilities under the Act.

The FY 2015 Consolidated Appropriations Act (P.L. 113-235) provided $9.5 million in two year funding to DO to begin carrying out the administrative and oversight functions associated with the RESTORE Act. The FY 2016 Budget proposes $7 million transferred from the Gulf Coast Restoration Trust Fund for DO's responsibilities.

Dodd-Frank Act Implementation

In FY 2014, the Office of Domestic Finance (DF) continued to implement the Dodd-Frank Act, including finalizing rules that Treasury was responsible for issuing and coordinating, assessing the impact of new rules on financial markets and institutions, and monitoring potential threats to the financial system. DF also issued several reports required by the Dodd-Frank Act. With the Office of International Affairs, DF will continue to coordinate these reforms with international counterparts, both bilaterally and through multilateral venues like the Financial Stability Board and the G-20.

Comprehensive Tax and Fiscal Compliance

The Office of Tax Policy works with the Internal Revenue Service (IRS) in support of Treasury's priority goal to "Increase Voluntary Tax Compliance" by promulgating regulations and proposing legislation that seeks to streamline and modernize rules, procedures, and statutes. In addition to issuing regulatory guidance, the office negotiates comprehensive bilateral tax treaties with significant trading partners of the United States to avoid double taxation and prevent tax evasion. The office also negotiates tax information exchange agreements that allow the IRS to improve compliance by exchanging tax information with revenue authorities of other countries. With respect to tax reform, the office develops legislative proposals and advocates for tax reform consistent with Administration priorities.

The FY 2016 President's Budget requests additional resources to upgrade the existing tax computing platform for complex, large databases. The FY 2016 Budget also requests resources to support international tax issues handled by the Office of Tax Policy. Since 2010, the expansion has been significant due to enactment of the Foreign Account Tax Compliance Act in 2010, as well as increased efforts by the G-20, Organization for Economic Cooperation and Development, and United Nations to set international tax standards and focus on business tax reform.

Cybersecurity

With the FY 2016 President's Budget, DO will continue to improve its Continuous Diagnostics and Monitoring program, including security controls testing, monitoring of system security to include detection of and response to unauthorized user or anomalous network activity, as well as the secure implementation of identity and credential access management on DO's collateral classified network. The network serves a significant purpose for its users and the mission of DO. These improvements will increase the Department's ability to continuously monitor the network and detect and remediate security vulnerabilities, thereby reducing the risk of security incidents. Additionally, the project will help find the source and location of security incidents and respond more timely when security events arise. The Department will also continue to roll out wireless intrusion prevention in DO buildings and areas that are currently unmonitored.

Digital Services

The success rate of government digital services is improved when agencies leverage digital service experts with modern design, software engineering, and product management skills. To ensure the agency can effectively build and deliver important digital services, the FY 2016 Budget includes funding for staffing a Treasury Digital Service Team that will focus on transforming Treasury's digital services. Treasury will prioritize services with the greatest impact to citizens and businesses, so they are more cost-effective to build and maintain as well as easier to use.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Departmental Offices - S & E	FTE	Amount
FY 2015 Enacted	**1,158**	**$322,500**
DO S&E	**781**	**$210,000**
TFI 1/	**377**	**$112,500**
Changes to Base:		
Adjustment To Request	(14)	($13,522)
Fund RESTORE Act Administrative Expenses from Trust Fund	(14)	($9,500)
Sanctions-related workload, TFI contract support, and secure space requirements	-	($4,022)
Maintaining Current Levels (MCLs):	-	$5,251
FERS Contribution Increase	-	$670
Pay-Raise	-	$1,868
Pay Annualization	-	$478
Non-Pay	-	$2,235
Non-Recurring Costs:	-	($3,255)
ARRA 1603/NREL Contract	-	($800)
Government Security Operations Center	-	($2,200)
DO Local Area Network Enhancements	-	($255)
Efficiency Savings:	(2)	($395)
TFI FOIA Contract Consolidation	-	($221)
Management Savings	(2)	($174)
Other Adjustments:		
Technical FTE Adjustment	103	-
Subtotal Changes to Base	87	($11,921)
Total FY 2016 Base	**1,245**	**$310,579**
Program Changes:		
Reinvestments:	4	$700
International Affairs G20 Financial Stability Board Staff	4	$700
Program Increases:	63	$20,558
Digital Service Team	41	$10,000
Financial Innovation Lab	1	$2,000
International Financial Regulatory Reform	2	$400
Multiemployer Pension Reform	6	$3,000
Office of the General Counsel Staffing	4	$955
Office of Tax Policy Staffing	7	$2,409
Embassy Security Improvements	-	$744
DO Cybersecurity Enhancements	2	$1,050
Total FY 2016 Request 2/ 3/	**1,312**	**$331,837**

1/ In FY 2015, the Office of Terrorism and Financial Intelligence (TFI) was funded through a separate appropriation of $112.5 million, which includes $27 million for administrative support. To support the financing of TFI's administrative program, the Departmental Offices Salaries & Expenses (S&E) Reimbursable program of $130.032 million was increased by $27 million.
2/ The FY 2016 Budget includes TFI activities in the DO S&E appropriation, where it has been each year except FY 2015.
3/ The Budget also proposes to transfer $7 million from the Gulf Coast Restoration Trust Fund for DO's administration and oversight responsibilities for this program. This funding is not included above.

2A – Budget Increases and Decreases Description

Adjustment to Request .....-$13,522,000 / -14 FTE

Fund RESTORE Act Administrative Expenses from Trust Fund -$9,500,000 / -14 FTE

Treasury proposes legislative language in FY 2016 to allow Treasury to draw $7,000,000 from the Gulf Coast Restoration Trust Fund for management of the fund, including administering the civil and administrative penalties arising from the Deep Water Horizon oil spill, supporting

environmental and economic restoration of the Gulf Coast region, and standing up grants, compliance, and audit programs.

Sanctions-related workload, TFI contract support, and secure space requirements -$4,022,000 / +0 FTE
Non-recur one-time costs associated with the increase provided in the FY 2015 Consolidated Appropriations Act. Reductions of $3,332,000 will be achieved by non-recurring one-time sanctions-related contracts in various TFI offices: Office of the Under Secretary; Office of Terrorist Financing and Financial Crimes; and the Office of Foreign Assets Control. TFI will also non-recur $190,000 in contract services that support personnel security. Funding for TFI secure space requirements will be reduced by $500,000 to return to the program's base funding level.

Maintaining Current Levels (MCLs) ..... +$5,251,000 / +0 FTE
Pay-Raise +$1,868,000 / +0 FTE
Funds are requested for the proposed January 2016 pay-raise.

Pay Annualization +$478,000 / +0 FTE
Funds are requested for annualization of the January 2015 pay-raise.

FERS Contribution Increase +$670,000 / +0 FTE
Funds are requested for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +$2,235,000 / +0 FTE
Funds are requested for inflation adjustments in non-labor costs such as travel, contracts, rent, supplies, and equipment.

Non-Recurring Costs ..... -$3,255,000 / +0 FTE
ARRA 1603/NREL Contract -$800,000 / +0 FTE
The Department of the Treasury received funds as authorized by the American Recovery and Reinvestment Act (ARRA) (P.L. 111–5), commonly referred to as the Stimulus or The Recovery Act, for an interagency agreement between the National Renewable Energy Research Lab (NREL) and Treasury to review applications for the Cash Payments for Specified Energy Property in Lieu of Tax Credits (1603 program). The contract that supports the 1603 program is winding down in FY 2016.

Government Security Operations Center -$2,200,000 / +0 FTE
Non-recur $2,200,000 of the FY 2015 appropriation of $3,500,000 for the Government Security Operations Center.

DO Local Area Network Enhancements -$255,000 / +0 FTE
Non-recur $255,000 of the FY 2015 appropriation of $2,600,000 for DO Local Area Network Enhancements.

Efficiency Savings ..... -$395,000 / -2 FTE

TFI FOIA Contract Consolidation -$221,000 / +0 FTE

The Under Secretary's office proposes efficiency savings of $221,000 through the elimination of a contract that supports the processing of Freedom of Information Act requests.

Management Savings -$174,000 / -2 FTE

Management proposes efficiency savings of $174,000 by re-organizing the DO mailroom and reducing equipment purchases.

Other Adjustments ..... +$0 / +103 FTE

Technical FTE Adjustment +$0 / +103 FTE

In order to estimate the FTE levels for the FY 2016 Budget, DO reviewed prior year FTE usage relative to previously projected FTE levels. The FY 2016 Budget reflects a +43 FTE technical adjustment based on actual execution. In addition, 60 reimbursable FTE, supporting the TFI in FY 2015 will be converted to direct FTEs in FY 2016—their mission remains the same, full administrative support of the TFI program.

Reinvestments ..... +$700,000 / +4 FTE

International Affairs G20 Financial Stability Board Staff +$700,000 / +4 FTE

The Office of International Affairs will reinvest funds within its base budget to better support Treasury's roles: coordinating international financial regulatory reform; chairing the Committee on Foreign Investment in the United States; and analyzing the potential economic and financial impacts of proposed sanctions.

Program Increases ..... +$20,558,000 / +63 FTE

Digital Service Team +$10,000,000 / +41 FTE

The FY 2016 Budget requests resources to develop a Digital Service Team to transform Treasury's digital services. Treasury will prioritize services with the greatest impact to citizens and businesses so they are more cost-effective to build and maintain as well as easier to use. Treasury's digital government strategy will be guided by these four principles:

- Enable access to high-quality digital government information and services anywhere, anytime, on any device.
- Ensure the safe and secure delivery and use of digital services and protect information and privacy.
- Unlock the power of government data to spur innovation and improve the quality of services.
- Procure and manage devices, applications, and data in smart, secure and affordable ways.

The digital service experts on the team will bring the private sector's best practices in the disciplines of design, software engineering, and product management to bear on the agency's most important services. The positions will be term-limited to encourage a continuous influx of up-to-date design and technology skills into Treasury. The digital service experts will be recruited from America's leading technology enterprises and startups and will join with Treasury's top technical and policy leaders to deliver meaningful and lasting improvements to the services the agency provides to citizens and businesses.

This Treasury Digital Service Team will build on the success of OMB's United States Digital Service team. Since standing up in FY 2014, this small team has worked in collaboration with federal agencies to implement cutting edge digital and technology practices on the nation's highest impact programs, including the Veterans Benefits Management System; online visa applications, green card replacements and renewals; and others. In addition to their work on these high priority projects, this small team of technology experts has worked to establish best practices (as published in the U.S. Digital Services Playbook at playbook.cio.gov) and to recruit more highly skilled digital service experts and engineers into government.

Financial Innovation Lab +$2,000,000 / +1 FTE

The request of $2,000,000 will fund a Treasury Financial Innovation Lab to identify, develop, and pilot promising strategies to support national priorities in financial services. The Treasury Lab is modeled on the Idea Lab at the Department of Health and Human Services (HHS), which has successfully brought forward and incubated new ideas from agency staff and external innovators. To start, projects may include strategic topics, such as data-driven approaches to help consumers access safe and affordable mortgages, refinancing, and foreclosure prevention programs; technology-based solutions to streamline annual recertification for student loan repayment plans; and the development of a planning blueprint and toolkits for using Pay for Success financing at the Federal level. The Lab will cultivate and tap the considerable existing staff expertise throughout the Department in this work by providing time, resources, and methodological training to develop new tools and approaches. Similarly, it will collaborate with a broad range of stakeholders, including federal, state and local agencies and private sector partners, to catalyze action and achieve shared goals. Finally, the Lab will bring external talent with new skills and ideas into the organization on a temporary basis to solve high-priority, complex problems.

International Financial Regulatory Reform +$400,000 / +2 FTE

The Office of International Affairs (IA) requests two additional international capital markets experts to manage derivatives and other capital market issues to help ensure U.S. firms are not at a competitive disadvantage when providing financial services or accessing financial markets. Without this additional staffing, constraints on resources will impinge on IA's capacity to protect and promote U.S. interests at international financial regulatory forums.

Multiemployer Pension Reform +$3,000,000 / +6 FTE

Departmental Offices requests $3,000,000 to support six positions, contractual support, travel, and other administrative expenses for Treasury's Multiemployer Pension Reform Act (MPRA) responsibilities. The MPRA represents the first time plan trustees have been permitted to make substantial cuts to vested benefits (including retirees in pay status) under the Employee Retirement Income Security Act of 1974. Under the MPRA, Treasury's largest responsibility relates to the "suspension of benefits," the temporary or permanent reduction of any current or future payment obligation of a multiemployer plan in critical and declining status to any participant or beneficiary under the plan. In order to suspend benefits, the sponsor of a plan must submit an application to the Secretary of the Treasury seeking approval of the proposed suspension of benefits. Treasury, in consultation with the Pension Benefit Guaranty Corporation and the Department of the Labor, must: (1) approve the application upon finding that the plan is eligible for suspension and has satisfied certain criteria; (2) publish a notice in the Federal

Register within 30 days after receipt of the application soliciting comments on the application, which must be posted on Treasury's website; (3) approve or deny the application for the suspension of benefits within 225 days after its submission; and (4) administer a vote of plan participants and beneficiaries within 30 days after approving an application.

Office of the General Counsel Staffing +$955,000 / +4 FTE

The Office of the General Counsel requires four additional attorneys to handle significant increased workload in two areas. This workload demand is expected to continue and has significantly strained existing resources, requiring the diversion of staff from other important work.

- *International* - One additional attorney is needed to meet critical needs in supporting the Department's international affairs function as demand continues to increase. Specifically, IA's Committee on Foreign Investment in the United States case load has increased significantly in number as well as in complexity of financial transactions and related legal issues. In 2009, the office handled 70 cases, in 2012, it had 119, and the office now is at an annualized rate of 148 cases a year. As the economy improves, this rate will increase.
- *Oversight and litigation* - Three additional attorneys are required to meet the significant increase in litigation and oversight matters. These matters necessitate substantial coordination with the Department of Justice to represent the interests of the United States in lawsuits pending in all levels of federal courts, and with Congressional Committees, Inspectors General, and the US Government Accountability Office to respond to a wide variety of inquiries concerning departmental programs and activities. Additional resources will facilitate the collection, review, and production of documents; drafting and review of pleadings, motions, and memoranda of law; witness preparation; and monitoring of reports and pretrial and trial proceedings.

Office of Tax Policy Staffing +$2,409,000 / +7 FTE

- *Rationalization of the Tax Code* - The Office of Tax Policy requests $1,221,000 and three additional staff to meet the Department's ongoing needs for analyses of tax proposals, including fundamental reform of the tax system. The exponential growth, availability, and variety of data from multiple sources have rapidly changed expectations regarding the Office of Tax Policy's analytical capabilities. To continue meeting the analytical requests of the Secretary and the Administration, the Office of Tax Policy must upgrade the existing computing platform. The current platform is at risk due to lack of commercially available resources, so the office must migrate to more current operating systems commonly used for high-compute analytic services. Additional staff are required to properly construct, maintain, and access complex, large databases, which require regular maintenance and adjustment to remain accessible. This work requires a detailed knowledge of relational database design and system programming, as well as practical experience in tuning a large database along with a deep understanding of public economics and taxation.
- *International Tax Workload* – The Office of Tax Policy requests $1,188,000 and four additional staff to address the office's increased international tax workload. The portfolio of the international tax issues handled by the Office of Tax Policy has expanded significantly over the last ten years due to globalization and the increased prominence of international tax issues. Since 2010, this expansion has been significant due to enactment of the Foreign Account Tax Compliance Act in 2010, as well as increased efforts by the G-20, Organization

for Economic Cooperation and Development, and United Nations to set international tax standards and focus on business tax reform. U.S. interests must be represented at the OECD as the organization increases its focus on international tax. As the lead country in shaping the Base Erosion and Profit Shifting initiative for the OECD, the U.S. is pushing for reforming international standards to prevent foreign countries from inappropriately taxing the profits of U.S. companies. Failure to participate would be detrimental to U.S. business interests. In addition, U.S. tax reform discussions increasingly focus on reforming U.S. international tax rules, and the Office of Tax Policy staff must provide increasing expertise in support of the Administration's efforts. Without additional staff, the office could not appropriately support reform.

Embassy Security Improvements +$744,000 / +0 FTE

As a result of recent steps taken by the State Department to bolster the Capital Security Cost Sharing (CSCS) program, the estimated cost to Treasury is expected to increase from $1,201,000 in FY 2015 to $1,944,000 in FY 2016. To avoid reducing the Department's international footprint, DO is requesting $744,000 to fully fund the projected FY 2016 CSCS invoice.

DO Cybersecurity Enhancements +$1,050,000 / +2 FTE

- *Security Enhancements for Classified Networks* - Two additional positions and $550,000 are requested to build out DO's nascent Continuous Diagnostics and Monitoring program, including security controls testing, monitoring of system security to include detection of and response to unauthorized user or anomalous network activity, as well as the secure implementation of identity and credential access management on DO's collateral classified network. The network serves a significant purpose for its users and the mission of DO. Besides classified data transmission, it also provides an alternative, more secure environment for processing highly sensitive information, since the network is isolated from the Internet. Funding also provides incident response capabilities consisting of forensics equipment as well as penetration testing software. These improvements will increase DO's ability to continuously monitor the network and detect and remediate security vulnerabilities, thereby reducing the risk of security incidents. Additionally, the project will help find the source and location of security incidents and respond more timely when security events arise.
- *DO Wireless Intrusion Prevention System Expansion* - An additional $500,000 is required to continue to roll out wireless intrusion prevention in DO buildings and areas that are currently unmonitored. Over half of the DO buildings (often leased floors in commercial office space) are unmonitored. The additional areas are relatively small compared to the Main Treasury complex, but any one area poses a potential unauthorized vulnerability to the network if not appropriately secured and monitored, as required by federal and Department requirements. These unmonitored areas often neighbor buildings and adjacent office space with public Wi-Fi networks and significant wireless activity. The monitoring software will reduce Treasury's exposure to these risks.

2.2 – Operating Levels Table

Dollars in Thousands

Departmental Offices - S & E Object Classification	FY 2014 Actual	FY 2015 DO	 TFI 1/	 Total	FY 2016 Request 2/ 3/
11.1 - Full-time permanent	132,808	99,424	50,092	149,516	159,233
11.3 - Other than full-time permanent	1,602	1,676	99	1,775	1,793
11.5 - Other personnel compensation	2,866	2,377	867	3,244	3,284
11.8 - Special personal services payments	191	57	0	57	58
11.9 - Personnel Compensation (Total)	**137,467**	**103,534**	**51,058**	**154,592**	**164,368**
12.0 - Personnel benefits	40,155	26,950	14,852	41,802	45,689
Total Personnel and Compensation Benefits	**$177,622**	**$130,484**	**$65,910**	**$196,394**	**$210,057**
21.0 - Travel and transportation of persons	5,640	2,351	3,276	5,627	6,027
22.0 - Transportation of things	446	168	243	411	422
23.1 - Rental payments to GSA	6,010	4,296	471	4,767	4,745
23.2 - Rental payments to others	1,435	875	0	875	901
23.3 - Communication, utilities, and misc charges	1,869	5,243	26	5,269	6,078
24.0 - Printing and reproduction	284	46	189	235	227
25.1 - Advisory and assistance services	36,352	2,591	13,926	16,517	15,151
25.2 - Other services	13,962	3,531	11,755	15,286	9,757
25.3 - Other purchases of goods & serv frm Govt accounts	44,320	48,325	12,160	60,485	59,976
25.4 - Operation and maintenance of facilities	11	0	0	0	0
25.5 - Research and development contracts	0	0	0	0	2,401
25.7 - Operation and maintenance of equip	202	2,175	255	2,430	2,820
26.0 - Supplies and materials	5,588	3,228	2,340	5,568	5,588
31.0 - Equipment	11,576	6,687	1,391	8,078	7,111
32.0 - Land and structures	30	0	0	0	0
42.0 - Insurance claims and indemnities	347	0	558	558	576
43.0 - Interest and dividends	19	0	0	0	0
Total Non-Personnel	**128,091**	**79,516**	**46,590**	**126,106**	**121,780**
Subtotal New Appropriated Resources	**$305,713**	**$210,000**	**$112,500**	**$322,500**	**$331,837**
Budget Activities:					
Executive Direction	49,725	63,186	0	63,186	51,191
International Affairs and Economic Policy	61,156	64,533	0	64,533	62,854
Domestic Finance and Tax Policy	106,760	124,072	0	124,072	98,062
Terrorism and Financial Intelligence	132,598	0	130,942	130,942	166,235
Treasury-wide Management and Programs	62,660	88,241	0	88,241	74,969
Total Budgetary Resources	**$412,899**	**$340,032**	**$130,942**	**$470,974**	**$453,311**
FTE	**1,319**	**965**	**416**	**1,381**	**1,475**

1/ In FY 2015, the Office of Terrorism and Financial Intelligence (TFI) was funded through a separate appropriation of $112.5 million, which includes $27 million for administrative support. To support the financing of TFI's administrative program, the Departmental Offices Salaries & Expenses (S&E) Reimbursable program of $130.032 million was increased by $27 million.
2/ The FY 2016 Budget includes TFI activities in the DO S&E appropriation, where it has been each year except FY 2015.
3/ The Budget also proposes to transfer $7 million from the Gulf Coast Restoration Trust Fund for DO's administration and oversight responsibilities for this program. This funding is not included above.

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY DEPARTMENTAL OFFICES Federal Funds **SALARIES AND EXPENSES** (INCLUDING TRANSFER OF FUNDS)	
For necessary expenses of the Departmental Offices including operation and maintenance of the Treasury Building and Annex; hire of passenger motor vehicles; maintenance, repairs, and improvements of, and purchase of commercial insurance policies for, real properties leased or owned overseas, when necessary for the performance of official business; executive direction program activities; international affairs and economic policy activities; domestic finance and tax policy activities; *terrorism and financial intelligence activities;* and Treasury-wide management policies and programs activities, **[**$210,000,000**]** *$331,837,000*: *Provided*, That of the amount appropriated under this heading—	The Administration includes the Office of Terrorism and Financial Intelligence activities in the Salaries and Expenses appropriation.
(1) Not less than $109,609,000 is for the Office of Terrorism and Financial Intelligence to safeguard the financial system against illicit use and to combat rogue nations, terrorist facilitators, weapons of mass destruction proliferators, money launderers, drug kingpins, and other national security threats;	Including OECD language will remove any ambiguity about the use of this funding.
(**[**1**]***2*) not to exceed $350,000 is for official reception and representation expenses;	
(**[**2**]***3*) 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;	
(4) notwithstanding any other provision of law, up to $1,000,000 may be contributed to the Organization for Economic Cooperation and Development for the Department's participation in programs related to global tax administration; and	
(**[**3**]***5*) not to exceed **[**$24,200,000**]** *$25,200,000* shall remain available until September 30, **[**2016**]** *2017*, for—	
(A) the Treasury-wide Financial Statement Audit and Internal Control Program;	
(B) information technology modernization requirements;	
(C) **[**in an amount not less than $9,500,000, the audit, oversight, and administration of the Gulf Coast Restoration Trust Fund; and**]** *secure space requirements;*	
(D) in an amount not to exceed $3,400,000, the development and implementation of programs within the Office of Critical Infrastructure Protection and Compliance Policy, including entering into cooperative agreements*; and*	
(E) in an amount not to exceed $10,000,000 for a Digital Service team.	

Appropriations Language	Explanation of Changes
Provided further, That, in addition to the amount otherwise made available under this heading, $7,000,000 shall remain available until September 30, 2017, for necessary expenses for carrying out subtitle F of title I of division A of Public Law 112–141, to be derived from the trust fund established under section 1602 of such Public Law, without altering the percentages of funds made available for other purposes from the remaining balance of the trust fund. (Department of the Treasury Appropriations Act, 2015.) OFFICE OF TERRORISM AND FINANCIAL INTELLIGENCE **SALARIES AND EXPENSES** (INCLUDING TRANSFER OF FUNDS) **[**For the necessary expenses of the Office of Terrorism and Financial Intelligence to safeguard the financial system against illicit use and to combat rogue nations, terrorist facilitators, weapons of mass destruction proliferators, money launderers, drug kingpins, and other national security threats, $112,500,000: Provided, That of the amount appropriated under this heading: (1) not to exceed $27,000,000 is available for administrative expenses; and (2) $1,000,000, to remain available until September 30, 2016, is available for secure space requirements: Provided further, That the unobligated balances of prior year appropriations made available for terrorism and financial intelligence activities under the heading "Department of the Treasury—Departmental Offices—Salaries and Expenses" shall be transferred to, and merged with, this account.**]** *(Department of the Treasury Appropriations Act, 2015.)*	The Administration proposes language to fund the DO's administration and oversight responsibilities under the RESTORE Act from the trust fund established by that act rather than annual discretionary appropriations. The Administration includes the Office of Terrorism and Financial Intelligence activities in the Salaries and Expenses appropriation.

2C – Legislative Proposals

Departmental Offices has no legislative proposals.

2D – Mandatory Program Proposals

RESTORE Act

As in FY 2015, Treasury proposes legislative language in FY 2016 to allow Treasury to draw $7,000,000 from the Gulf Coast Restoration Trust Fund (GCRTF) for management of the fund, including administering the civil and administrative penalties arising from the *Deep Water Horizon* oil spill, supporting environmental and economic restoration of the Gulf Coast region, and standing up grants, compliance, and audit programs.

Section 3 – Budget and Performance Plan

3A – Executive Direction

($37,899,000 from direct appropriations, and $13,292,000 from reimbursable resources):

The Executive Direction program area provides direction and policy formulation to the Department and Departmental Offices and interacts with Congress and the public on Departmental policy matters.

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

3.1.1 – Executive Direction Budget Activity Budget and Performance Plan

Dollars in Thousands

Executive Direction Budget Activity								
Resource Level	**FY 2009 Actuals**	**FY 2010 Actuals**	**FY 2011 Actuals**	**FY 2012 Actuals**	**FY 2013 Actuals**	**FY 2014 Enacted**	**FY 2015 Enacted**	**FY 2016 Request**
Appropriated Resources	$21,170	$24,709	$37,272	$37,219	$35,763	$36,738	$36,002	$37,899
Reimbursable Resources	$1,188	$1,656	$3,570	$4,545	$4,691	$4,530	$27,184	$13,292
Budget Activity Total	**$22,358**	**$26,365**	**$40,842**	**$41,764**	**$40,454**	**$41,268**	**$63,186**	**$51,191**

3B – International Affairs and Economic Policy

($58,706,000 from direct appropriations, and $4,148,000 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 Economic Policy (EP)
This office supports the following strategic objectives for Strategic Goal #1, to promote domestic economic growth and stability while continuing reforms of the financial system:

- Objective 1.1: Promote savings and increased access to credit and affordable housing options.
- Objective 1.3: Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability.

This office also supports the following strategic objective for Strategic Goal #2, to Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth.

- Objective 2.1: Promote free trade, open markets, and foreign investment opportunities.

Description of Performance:
During the past year, Economic Policy staff constructed the Treasury Nominal Coupon-Issue (TNC) Yield Curve, which generates zero-coupon spot interest rates and par yields on Treasury securities. These data will be used by federal agencies that administer federal pension programs and other future payment programs to calculate their annual liabilities. Economic Policy also produced an estimate of state Total Taxable Resources, which estimates the relative fiscal

capacity of states and is used in determining the allocation of funds for the Community Mental Health Service and Substance Abuse Prevention and Treatment block grant programs. Economic Policy partnered with the Office of Domestic Finance and the Department of Transportation to hold the Infrastructure Investment Summit. In conjunction with the conference, Economic Policy wrote a paper designed to educate stakeholders on innovative infrastructure financing approaches, particularly public private partnerships, and to assess the current state of our infrastructure.

During FY 2014, the Office of Economic Policy continued to participate in the development and implementation of housing policy, including the Making Home Affordable program. Economic Policy continued to produce the corporate bond yield curve, used by pension plans to discount their pension liabilities.

Office of International Affairs (IA)

This office supports the following strategic objective for Strategic Goal #1, to promote domestic economic growth and stability while continuing reforms of the financial system:

- Objective 1.3: Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability.

This office supports the following strategic objectives for Strategic Goal #2, to enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth:

- Objective 2.1: Promote free trade, open markets, and foreign investment opportunities.
- Objective 2.2: Protect global economic and financial stability and press for market-determined foreign exchange rates.
- Objective 2.3: Advance U.S. economic, financial, and national security goals by leveraging multilateral mechanisms.
- Objective 2.4: Provide technical assistance to developing countries working to improve public financial management and strengthen their financial systems.

Description of Performance:

In FY 2014, the Office of International Affairs (IA) helped ensure a favorable external environment for sustained job growth and financial stability in the U.S. by prioritizing its work around four themes: Trade and Investment; Global Rebalancing; International Financial Stability; and International Development.

As co-lead on financial services negotiations, Treasury is working to complete the Trans-Pacific Partnership agreement, which is to include countries that account for one-third of global trade. Treasury also supported the Administration in pursuing negotiations for the Transatlantic Trade and Investment Partnership with the European Union and the Trade in Services Agreement with 23 other like-minded countries to liberalize services trade.

Treasury works to address the large and persistent imbalances between countries that threaten sustainable U.S. economic growth through multilateral and bilateral activities such as the G-20 and the U.S.-China Strategic & Economic Dialogue (S&ED). In December 2014, the G-20 Leaders endorsed a U.S.-led initiative that, if fully implemented, could boost the combined GDP

of the G-20 countries by as much as 2.1 percent over current estimates by 2018. The Brisbane Action Plan's emphasis on comprehensive growth strategies to boost demand over the near-term reflects an important U.S. policy priority. At the July 2014 S&ED, China committed to move more rapidly toward a more market-determined exchange rate and to reduce foreign exchange intervention as conditions permit. Treasury also worked to break down China's market access barriers to U.S. goods and services; strengthen China's intellectual property rights regime, including on trade secret thefts; and open up China's markets to U.S. and other foreign investment, including by the U.S. financial services sector. Since June 2010, China's currency appreciated by 18 percent against the dollar in real terms.

In FY 2014, Treasury continued to support the U.S. economy's recovery by mitigating the threat from weak growth in the euro area and working to limit negative economic and financial spillovers from the conflict in Ukraine. Specific activities included: working with European counterparts to help maintain long-term sustainability of the euro; advancing the establishment of a centralized European banking union; working with the IMF and others to monitor progress towards economic stabilization in vulnerable countries; implementing technical assistance and loan guarantee programs for Ukraine; and placing a Treasury Financial Attaché in U.S. embassies in Moscow and Kiev.

Treasury leverages multilateral mechanisms to sustain inclusive economic growth worldwide through IA's work in support of the G-20's initiatives on financial inclusion and infrastructure finance, the Paris Club's targeted debt relief efforts, and the Multilateral Development Banks' investments in the poorest and most vulnerable countries. In FY 2014, Treasury promoted improvements in institutional governance for greater development impact during replenishment negotiations for the World Bank's International Development Association secured financing from the African Development Bank and the World Bank to advance the President's Power Africa initiative. Treasury also continued to encourage additional donor support for the Global Agriculture and Food Security Program.

As chair of the Committee on Foreign Investment in the United States (CFIUS), Treasury coordinates an interagency process to review certain foreign investments for national security risks in accordance with the procedures and tight deadlines specified in law and regulation.

- Timely Review of CFIUS Cases: This measure tracks compliance with statutory deadlines for completing national security reviews of transactions notified to the CFIUS to ensure that the CFIUS process is timely and efficient. IA's target for this measure in FY 2015 and 2016 is 100 percent.

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

- Monitor Quality and Enhance Effectiveness of International Monetary Fund (IMF) Lending through Review of IMF Country Programs: This measure tracks efforts by IA staff to monitor the quality of IMF country programs and ensure the application of appropriately high

standards for the use of IMF resources. The target (100 percent) was met in FY 2014. In FY 2015 and FY 2016, IA's target for this measure remains 100 percent.

- Monitor Quality and Enhance Effectiveness of MDB Lending through Timely Review of MDB Grant and Loan Proposals: IA reviews MDB loan and grant proposals to ensure that funded projects meet several key goals, which include having a measurable development impact, supporting long-term U.S. objectives, and being consistent with congressional mandates. The target (100 percent) was met in FY 2014. In FY 2015 and FY 2016, IA aims to review 100 percent of MDB loan and grant proposals prior to the date of the relevant Executive Board meeting.

Finance ministries and central banks of developing countries that have demonstrated strong commitments to reforming their financial systems or public financial management can receive direct assistance from the Office of Technical Assistance 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. This work supports the expansion of markets for U.S. exporters, thus promoting jobs and economic growth at home.

Office of Technical Assistance (OTA): OTA uses measures it developed to assess the level of counterparty engagement (Traction) and the degree of positive change in achieving project objectives (Impact). These measures, scored on a 5-point scale, are averaged across all projects to provide one overall measure of OTA's performance. In FY 2015 and FY 2016, IA's target for Traction is 3.6 and its target for Impact is 3.1. In FY 2014 the Impact score was 2.9, falling short of its 3.1 target and the Traction score was 3.7, exceeding its 3.6 target.

3.1.2 – International Affairs and Economic Policy Budget and Performance Plan

Dollars in Thousands

International Affairs and Economic Policy Budget Activity								
Resource Level	**FY 2009 Actuals**	**FY 2010 Actuals**	**FY 2011 Actuals**	**FY 2012 Actuals**	**FY 2013 Actuals**	**FY 2014 Enacted**	**FY 2015 Enacted**	**FY 2016 Request**
Appropriated Resources	$42,714	$47,539	$62,798	$59,277	$56,804	$56,113	$56,266	$58,706
Reimbursable Resources	$5,277	$5,233	$1,314	$1,293	$2,275	$1,747	$8,267	$4,148
Budget Activity Total	**$47,991**	**$52,772**	**$64,112**	**$60,570**	**$59,079**	**$57,860**	**$64,533**	**$62,854**

Measure	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Target**	**FY 2016 Target**
IA - Monitor Quality and Enhance Effectiveness of International Monetary Fund (IMF) Lending Through Review of IMF Country Programs	N/A	97.0	100.0	100.0	100.0	100.0	100.0	100.0
IA - Monitor Quality and Enhance Effectiveness of MDB Lending Through Review of MDB Grant and Loan Proposals	N/A	N/A	N/A	N/A	100.0	100.0	100.0	100.0
IA - Percentage of MDB Grant and Loan Proposals Containing Satisfactory Frameworks for Results Measurement	94.0	92.5	94.0	94.0	92.0	N/A	94.0	94.0
IA - Timely Review of CFIUS Cases	N/A	N/A	N/A	N/A	100.0	100.0	100.0	100.0
OTA - Changes that Result from Project Engagement (Impact)	3.1	3	3.2	3.1	3	2.9	3.1	3.1
OTA - Scope and Intensity of Engagement (Traction)	3.7	3.5	3.7	3.9	3.8	3.7	3.6	3.6

Key: DISC - Discontinued and B - Baseline

3C – Domestic Finance and Tax Policy

($75,948,000 from direct appropriations, and $22,114,000 from reimbursable resources):
The offices within Domestic Finance and Tax Policy monitor and provide advice and assistance to the Secretary in their respective areas, as well as on financial markets and the regulation of financial institutions.

Office of Tax Policy

This office supports the following strategic objective for Strategic Goal #2, to enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth:

- Objective 2.1: Promote free trade, open markets, and foreign investment opportunities.

This office supports the following strategic objective for Strategic Goal #3, to fairly and effectively reform and modernize federal financial management, accounting, and tax systems:

- Objective 3.3: Pursue tax reform, implement the Patient Protection and Affordable Care Act and Foreign Account Tax Compliance Act, and improve the execution of the tax code.

Description of Performance:

In FY 2014, the Office of Tax Policy published final regulations to implement the Foreign Account Tax Compliance Act (FATCA), which requires foreign financial institutions to identify and report to the IRS information about U.S.-owned accounts. Tax Policy reached agreements in substance with more than 75 countries agreeing to implement FATCA on a government to government basis. In 2014, the G-20 endorsed a new international standard developed by the Organization for Economic Cooperation and Development that is based on FATCA, which is now the global standard for tax reporting information regarding foreign-owned accounts. The office also released significant guidance pertaining to the implementation of the Affordable Care Act, including final regulations on information reporting so that employers and other parties providing health coverage to individuals could report certain information regarding the health coverage they offer their employees. The office also released final regulations on whistleblower informant payments and many other high-profile issues.

FY 2015 and FY 2016 priorities for the Office of Tax Policy include:

- Developing additional guidance in light of experience with ACA provisions as they go into effect.
- Signing additional FATCA Intergovernmental Agreements and continuing to update and sign new tax treaties.
- Working with the Department of Education to improve access and awareness of education financial aid.
- Guidance related to retirement plans.

Office of Domestic Finance (DF)

This office supports the following strategic objectives for Strategic Goal #1, to promote domestic economic growth and stability while continuing reforms of the financial system:

- Objective 1.1: Promote savings and increased access to credit and affordable housing options.
- Objective 1.2: Wind down emergency financial crisis response programs.
- Objective 1.3: Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability.

This office supports the following strategic objectives for Strategic Goal #3, to fairly and effectively reform and modernize federal financial management, accounting, and tax systems:

- Objective 3.1: Improve the efficiency and transparency of federal financial management and Government-wide accounting.
- Objective 3.2: Improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. Government.

This office supports the following strategic objectives for Strategic Goal #4, safeguard the financial system and use financial measures to counter national security threats:

- Objective 4.3: Improve the cybersecurity of our nation's financial sector critical infrastructure.

Description of Performance:
The Office of Domestic Finance (DF) continued work to preserve confidence in the U.S. Treasury market in FY 2014 by effectively managing Federal fiscal operations, strengthening financial institutions and markets, promoting access to credit, and improving financial access and education in service of America's long-term economic strength and stability.

From October 1, 2013 through September 30, 2014, the Office of Debt Management conducted 271 auctions, issuing over $7.24 trillion in marketable securities, and raising more than $698 billion in new cash to fund the U.S. Government's operations.

The Federal Insurance Office (FIO), housed within Domestic Finance, represents the United States on prudential aspects of international insurance matters and in various fora around the world. FIO monitors all aspects of the insurance industry, including its regulation, and its Director serves on the Financial Stability Oversight Council. FIO continues to be an active participant in international bodies such as the International Association of Insurance Supervisors and the Financial Stability Board.

The Office of State and Local Finance was established to improve coordination of Treasury's programs and policies as they affect states and cities. It will advise in the development of policy pertaining to infrastructure finance, distressed municipalities, public pensions, the municipal bond market, and other state and local fiscal matters.

The Financial Sector - Cyber Intelligence Group (CIG) was established within the Office of Critical Infrastructure Protection and Compliance Policy to focus on cybersecurity information sharing with the financial sector. Its purpose is to increase the volume, timeliness and quality of cyber threat information shared between the government and the financial services sector as called for under Executive Order 13636 on Improving Critical Infrastructure Cybersecurity and Presidential Policy Directive 21 on Critical Infrastructure Security and Resilience. The CIG was established in response to a need identified by the financial sector for the government to have a focal point for sharing cyber threat-related information with the sector.

FY 2015 and FY 2016 priorities for the Office of Domestic Finance (DF) include:
- Developing a sustainable housing finance system that meets the needs of a diverse population of borrowers while also developing and executing a transition strategy to wind down Government-Sponsored Enterprises while assuring the continued flow of mortgage credit.
- Administering and advising on new initiatives to improve financial education and access including managing the first Financial Empowerment Innovation Fund.
- Improving the access and availability of credit needed to create small businesses, jobs, and economic growth by identifying new, and enhancing existing, avenues for capital.
- Strengthening risk management, governance, and performance of Federal credit programs through Treasury's Credit Committee and Office of Risk Management.
- Through the Office of Critical Infrastructure Protection and Compliance, continuing to work with the financial sector to strengthen its cybersecurity posture. This includes representing

the financial services sector as the sector specific agency during interagency policy development.

- Modernizing the Bureau of the Fiscal Service, which reports to DF's Fiscal Assistant Secretary, so that it can collect debts and make payments as efficiently as possible by leveraging shared services and paperless delivery.
- Oversee the myRA initiative, a program designed to help American workers begin saving for their retirement and will make available starter savings accounts for individuals without access or eligibility to an employer-sponsored retirement savings program.

The Office of Domestic Finance has one performance measure:

- Variance between estimated and actual receipts (annual forecast) (percent): As part of managing the Government's central operating account and cash position, the Office of Fiscal Projections (OFP) forecasts net cash flows (e.g., Federal receipts, outlays, and other miscellaneous flows) to ensure that adequate funds are available daily to cover federal payments. To determine its overall effectiveness, one of OFP's metrics is to measure the variance between actual and projected Federal receipts.

  The actual variance for FY 2014 through July 2014 was 3.8 percent, significantly lower than the 4.25 percent target for FY 2014. The actual variance for all of FY 2013 was 2.5 percent. The target for FY 2015 and FY 2016 is 4.25 percent.

As highlighted in the FY 2014 Strategic Objective Annual Review (SOAR), DF began actively winding down the remaining $9.0 billion investment in Ally. DF reduced its stake in Ally from 73.8 percent in October 2013 to 13.8 percent in September 2014 through IPO, private placement and a pre-defined written trading plan. Further, DF completed disposition of all remaining shares of GM as of December 2013. The Capital Purchase Program (CPP) has generated $225 billion in proceeds for taxpayers. Next steps from the SOAR include completing the wind down of Ally, develop the Community Development Capital Initiative Disposition Strategy, and substantially complete disposition of CPP.

3.1.3 – Domestic Finance and Tax Policy Budget Activity Budget and Performance Plan

Dollars in Thousands

Domestic Finance and Tax Policy Budget Activity								
Resource Level	**FY 2009 Actuals**	**FY 2010 Actuals**	**FY 2011 Actuals**	**FY 2012 Actuals**	**FY 2013 Actuals**	**FY 2014 Enacted**	**FY 2015 Enacted**	**FY 2016 Request**
Appropriated Resources	$29,942	$44,373	$64,201	$71,451	$68,351	$80,956	$78,589	$75,948
Reimbursable Resources	$4,204	$10,889	$31,345	$11,629	$12,804	$17,560	$45,483	$22,114
Budget Activity Total	**$34,146**	**$55,262**	**$95,546**	**$83,080**	**$81,155**	**$98,516**	**$124,072**	**$98,062**

Measure	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Target**	**FY 2016 Target**
Variance Between Estimated and Actual Receipts (Annual Forecast)(%)	5.5	5.8	4.4	3.8	2.5	4.25	4.25	N/A*

Key: DISC - Discontinued and B - Baseline

Note: The FY 2016 Request proposes to transfer $7 million from the Gulf Coast Restoration Trust Fund for DO's administration and oversight responsibilities for this program. This funding is not included above.

*The performance metric for FY 2016 will be based upon the median error of preceding years, including FY 2015 and will be calculated after the MTS for September 2015 is released.

3D – Terrorism and Financial Intelligence

($109,609,000 from direct appropriations, and $56,626,000 from reimbursable resources):

This office supports the following strategic objective for Strategic Goal #2, to enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth:

- Objective 2.3: Advance U.S. economic, financial, and national security goals by leveraging multilateral mechanisms.

This office supports the following strategic objective for Strategic Goal #4, to safeguard the financial system and use financial measures to counter national security threats:

- Objective 4.1: Identify priority threats to the financial system using intelligence analysis and outreach to the financial sector.
- Objective 4.2: Develop, implement, and enforce sanctions and other targeted financial measures.
- Objective 4.3: Improve the cybersecurity of our Nation's financial sector critical infrastructure.
- Objective 4.4: Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards.

Description of Performance:

The TFI marshals the Department's intelligence and enforcement functions with the twin aims of safeguarding the financial system against illicit use and combating rogue nations, terrorist facilitators, weapons of mass destruction proliferators, money launderers, drug kingpins, and other national security threats. Under the Executive Order and legislation umbrellas, TFI

supports Treasury's strategic and priority goals by the implementation of specific sanctions tailored to block assets or impose trade restrictions.

The Office of Intelligence and Analysis (OIA) provides critical intelligence support and unique analysis to advance the national security missions of the Department. OIA focuses on enhancing Intelligence Community efforts to address the impact of targeted financial measures, security threats to the international financial system, and minimize and mitigate security risks posed by internal and external threats to national security. In addition, OIA's analytic products are often utilized by Treasury's policy and enforcement offices to make key strategic decisions.

OFAC's enforcement successes in FY 2014 have made global news and include the office's $150 million settlement with Clearstream Banking for facilitating transactions for the Central Bank of Iran. Likewise, OFAC's enforcement efforts were part of an unprecedented $8.9 billion set of fines and forfeitures levied against BNP Paribas, SA in response to that institution's numerous sanctions violations.

The Office of Terrorist Financing and Financial Crimes (TFFC), worked to strengthen global standards to combat and prevent financial crimes and terrorist financing. In FY 2014, TFFC participated in or reviewed 16 mutual assessment reports of Financial Action Task Force (FATF) countries' compliance with international anti-money laundering and counter-terrorist financing (AML/CFT) standards. TFFC also provided training to its counterparts abroad, which focused on creating effective AML/CFT frameworks and financial regulations capable of combating terrorist financing. During the next fiscal year, the office will continue efforts to develop conduct-based sanctions and executive orders targeting illicit actors that support narco-traffickers, weapons of mass destruction proliferators, and transnational criminal organizations. TFFC will also develop regulatory AML/CFT initiatives and collaborate with other TFI components (Financial Crimes Enforcement Network, Office of Foreign Assets Control, and the Office of Intelligence and Analysis), Federal law enforcement on financial crime investigations, and third party money laundering coordination and efforts. Additionally, TFFC will participate in or review mutual assessment reports conducted to evaluate FATF members' adoption of international AML/CFT standards.

FY 2015 and FY 2016 priorities for TFI include:

- Increasing focus on Transnational Criminal Organizations and illegal activities including arms and narcotics trafficking, human smuggling, and weapons proliferation.
- Increasing focus on Cybersecurity and Intellectual Property activities.
- Collecting, analyzing, and disseminating information concerning illicit financing and national security threats.
- Assisting partner countries in the development and implementation of AML/CFT standards. TFI provides direct support and assistance ensuring compliance with these internationally approved standards.
- Identifying opportunities for Treasury to use its authorities to combat and counter terrorist financing in Africa, the Middle East, and Asia.
- Increasing the capabilities of Treasury's program for deterring, detecting, and mitigating insider threats by leveraging counterintelligence, security, information assurance, and other relevant resources.

As highlighted in the FY 2014 SOAR, TFI gained positive feedback within the intelligence community by receiving 100 percent satisfaction rating among key customers. Next steps include moving towards synchronization of Treasury's intelligence priorities and advancing tradecraft development throughout the Department.

TFI's performance metric is:
Impact of TFI Programs and Activities: In order to gauge its performance, TFI created a composite measure consisting of three program office focus areas related to its mission and strategic goals, including customer outreach, increasing budget production and dissemination of intelligence products, and implementing IT modernization projects. In FY 2014, TFI met its performance goal of 8.5 and expects to achieve its FY 2015 and FY 2016 target of 8.5.

3.1.4 – Terrorism and Financial Intelligence Budget Activity Budget and Performance Plan

Dollars in Thousands

Terrorism and Financial Intelligence Budget Activity								
Resource Level	**FY 2009 Actuals**	**FY 2010 Actuals**	**FY 2011 Actuals**	**FY 2012 Actuals**	**FY 2013 Actuals**	**FY 2014 Enacted**	**FY 2015 Enacted**	**FY 2016 Request**
Appropriated Resources	$59,222	$63,601	$99,532	$100,000	$96,116	$102,000	$112,500	$109,609
Reimbursable Resources	$4,684	$6,208	$18,989	$31,225	$30,832	$31,992	$18,442	$56,626
Budget Activity Total	**$63,906**	**$69,809**	**$118,521**	**$131,225**	**$126,948**	**$133,992**	**$130,942**	**$166,235**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Impact of TFI Programs and Activities	7.8	7.4	7.6	8.1	8.3	8.5	8.5	8.5

Key: DISC - Discontinued and B - Baseline

1/ In FY 2015 the Office of Terrorism and Financial Intelligence (TFI) was funded through a separate appropriation direct program of $112,500,000 which includes $27 million for administrative support consistent with P.L. 113-235 and a reimbursable program of $18,442,000.
2/ The FY 2016 Budget includes TFI activities in the Departmental Offices Salaries and Expenses appropriation , where it has been each year except FY 2015.

3E – Treasury-wide Management and Programs

($49,675,000 from direct appropriations, and $25,294,000 from reimbursable resources):
This budget activity includes offices that are responsible for the internal management and policy of the Department: the Office of the Chief Information Officer; the Office of Privacy, Transparency, and Records; the Office of the Procurement Executive; the Office of Chief Human Capital Officer; the Office of Emergency Programs; the Office of the Deputy Chief Financial Officer; and the Office of the Deputy Assistant Secretary for Management and Budget.

This office supports the following strategic objective for Strategic Goal #5, to create a 21st-century approach to government by improving efficiency, effectiveness and customer interaction

- Objective 5.1: Increase workforce engagement, performance, and diversity by instilling excellence, innovation, and inclusion in Treasury's organizational culture and business practices.

- Objective 5.2: Support effective, data-driven decision-making and encourage transparency through intelligent gathering, analysis, sharing, use, and dissemination of information.
- Objective 5.3: Promote efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability.
- Objective 5.4: Create a culture of service through relentless pursuit of customer value.

Description of Performance:
In FY 2014, Treasury updated its Human Capital Strategic Plan to reflect the human capital objectives under Goal 5 (Management) of Treasury's FY 2014-2017 Strategic Plan and the new "People and Culture" cross-agency priority goal. Treasury has focused efforts on improving quality in the delivery of human capital services and increasing workforce engagement, performance, and diversity. Treasury kept average time-to-hire below the federal goal of 80 days, and met or exceeded quality goals for manager and applicant satisfaction. Although Treasury exceeded its goal for disability hiring (10.27 percent), it fell short of goals for targeted disability, veteran, and disabled veteran new hires. Treasury established a Diversity Executive Committee to oversee leadership diversity education and development. Treasury also instituted a formal orientation program for new executives and a pilot program for centralized training of all new supervisors. Treasury conducted enterprise-wide workforce planning studies of three mission-critical occupations (Accountants, Auditors, and Contracting Officers) and was recognized by the Government Accountability Office for its leadership of a multi-agency workforce planning consortium. In FY 2015 Treasury will formally implement a department-wide Annual Engagement Action Planning Cycle.
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 through improved work station standards.

To comply with the contractor diversity mandates of the Dodd-Frank Act and the Small Business Act, the Department focused on small business contracting goal achievement and expanded outreach to minority-owned and women-owned businesses. In FY 2014, Treasury aimed to exceed all small business contracting goals for a fourth consecutive year. Treasury attended and conducted outreach activities to provide small, minority-owned, and women-owned businesses with information about specific contract opportunities and technical assistance about conducting business with Treasury. This outreach work will continue in FY 2015 and FY 2016.

For FY 2014, the Department received its fifteenth consecutive unmodified audit opinion on its Treasury-wide financial statements and its sixth consecutive unmodified audit opinion on the Office of Financial Stability/TARP financial statements.

Management's performance metrics are:
- Treasury-wide Footprint (Square Footage): This goal measures the total square footage occupied by Treasury's owned and leased buildings. Management aims to generally reduce the total square footage over the course of several years in order to use space more efficiently and consume fewer resources.

- Treasury-wide Percentage of Procurement Dollars Spent on Small Business: Treasury exceeded its overall small business contracting goal for the fourth consecutive year,

achieving 36.91 percent with a FY 2014 target of 35.07 percent. Particularly noteworthy is that Treasury far exceeded the contracting goals for socioeconomic all small business categories. Contract obligations to small disadvantaged businesses represented 14.41 percent, almost triple the 5 percent goal, and to women-owned small businesses represented 9.55 percent, almost double the 5 percent goal. Contract obligations to service disabled veteran-owned small businesses (4.34 percent), and HUBZone small businesses (3.35 percent) both exceeded the 3 percent goals. Throughout 2015, Treasury will continue to employ the successful strategies of targeted outreach, enhanced leadership accountability, new policies, new tools and resources, and increased intra-agency communication with the expectation of achieving its overall small business goal of 35 percent. The FY 2015 overall small business goal has been set at 35 percent. Treasury's FY 2014 small business contract achievements are expected to be announced by the Small Business Administration in the spring or early summer 2015.

- Treasury-wide Results-Oriented Performance Culture Scores (Index of the Federal Employee Viewpoint Survey [FEVS]): The FEVS Results-Oriented Performance Culture Index denotes the extent to which employees believe their organizational culture promotes improvement in processes, products and services, and organizational outcomes. Treasury requires all bureaus to adopt action plans based on analyses of FEVS data, and monitors execution of all plans through the HRstat review process. Bureaus that have adopted long-term FEVS improvement plans with active support from leadership have achieved notable improvements.

- Treasury-wide "Engagement" Index of the Federal Employee Viewpoint Survey [FEVS]): The FEVS Engagement Index concentrates on factors that lead to an engaged workforce (e.g., supporting employee development, communicating agency goals). OMB M-15-04, dated December 23, 2014, sets a top-line goal for federal agencies to achieve 67 percent rating in the Engagement Index on the 2016 survey.

- Treasury-wide Percentage of Discounts and Savings Achieved Through Strategically Sourced Contracts: This goal measures the percentage of dollars "saved" as a result of aggregating requirements and leveraging spend against strategically sourced vehicles. The Federal Strategic Sourcing Initiative (FSSI) seeks to save the Federal Government money through smarter purchasing and ensuring that the taxpayer is getting the best price possible. This program highlights efforts by Treasury to maximize the utility of the taxpayer dollar and achieve more efficiency with fewer resources. Treasury's most recent successes are in the area of wireless and domestic delivery services. In FY 2014 Treasury's wireless contracts achieved a 21 percent discount savings off of the GSA FSSI wireless contract prices, resulting in a discount savings of $4 million. Treasury's use of GSA's strategic sourcing vehicle for domestic delivery services contracts resulted in a discount savings of 27.9 percent over other contracts and a discount savings discount of $6.1 million. Treasury will seek to build on these gains in the IT area in future years.

3.1.5 – Treasury-wide Management and Programs Budget Activity Budget and Performance Plan

Dollars in Thousands

Treasury-wide Management and Programs Budget Activity								
Resource Level	**FY 2009 Actuals**	**FY 2010 Actuals**	**FY 2011 Actuals**	**FY 2012 Actuals**	**FY 2013 Actuals**	**FY 2014 Enacted**	**FY 2015 Enacted**	**FY 2016 Request**
Appropriated Resources	$20,157	$27,193	$43,670	$40,441	$35,223	$36,593	$39,143	$49,675
Reimbursable Resources	$13,838	$18,653	$14,284	$17,478	$15,320	$13,673	$49,098	$25,294
Budget Activity Total	**$33,995**	**$45,846**	**$57,954**	**$57,919**	**$50,543**	**$50,266**	**$88,241**	**$74,969**

Measure	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Target**	**FY 2016 Target**
Percent of Procurement Dollars Spent on Small Business	26.19	29.62	34.51	38.52	39.15	35.07	35.0	N/A*
Treasury-wide Footprint (Square Footage)	36,559	37,088	37,596	37,998	37,320	28,267	36,031	35,551
Treasury-wide Results-oriented Performance Culture Scores (Index of the Federal Employee Viewpoint Survey [FEVS])	N/A	57.0%	59.0%	57.0%	55.0%	55.0%	56.0%	N/A
Treasury-wide Engagement** Index of the Federal Employee Viewpoint Survey (FEVS)	N/A	N/A	N/A	70%	68%	66%	67%	>67%

Key: DISC - Discontinued and B - Baseline

*Targets are negotiated annually.

**Treasury began tracking the Engagement Index for the FY2016 Congressional Justification per OMB M-15-04 which requires agencies to pursue improvement in engagement..

Section 4 – Supplemental Information

4A – Summary of Capital Investments

DO is focused on leveraging Treasury enterprise data centers to provide flexible, customized information technology support for its customers. This strategy will securely facilitate enterprise mobile applications, increase support for telework, and drive long term cost efficiencies through data center consolidation and expanded implementation of shared services.

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

Non-Information Technology Capital Investments

The Main Treasury Building and Treasury Annex are the recipients of DO's major non-IT capital investments. The Treasury Building is the oldest departmental building and the third oldest federally occupied building in Washington, preceded only by the Capitol and the White House. The Main Treasury Building covers five stories and a raised basement and sits on five acres of ground. It was dedicated as a National Historic Landmark on October 18, 1972. The Treasury Annex building, also owned by the Department, is part of the Lafayette Square National Register Historic District.

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-wide Systems and Capital Investments Program

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Appropriations Detail Table 3
1B – Vision, Priorities and Context 3
Section 2 – Budget Adjustments and Appropriation Language 4
2.1 – Budget Adjustments Table 4
2A – Budget Increases and Decreases Description 4
2.2 – Operating Levels Table 5
2B – Appropriations Language and Explanation of Changes 6
2C – Legislative Proposals 6
Section 3 – Budget and Performance Plan 7
3A – Department-wide Systems and Capital Investments Program 7
3.1.1 – Department-wide Systems and Capital Investments Program Budget Activity Budget and Performance Plan 8
Section 4 – Supplemental Information 9
4A – Summary of Capital Investments 9

Section 1 – Purpose

1A – Mission Statement

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

1.1 – Appropriations Detail Table

Dollars in Thousands

Department-wide Systems and Capital Investments Program	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
Appropriated Resources	Enacted		Enacted		Request		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Department-wide Systems and Capital Investments Program	0	2,725	0	2,725	0	10,690	0	7,965	NA	292.29%
Subtotal New Appropriated Resources	**0**	**$2,725**	**0**	**$2,725**	**0**	**$10,690**	**0**	**$7,965**	**NA**	**292.29%**
Total Budgetary Resources	**0**	**$2,725**	**0**	**$2,725**	**0**	**$10,690**	**0**	**$7,965**	**NA**	**292.29%**

1B – Vision, Priorities and Context

DSCIP supports the Treasury strategic goal to "Create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction" by enabling the Department to make investments in capital improvements that support the missions of all Treasury bureaus and programs. In recent years, DSCIP investments have supported cybersecurity, enterprise content management, the Office of Financial Innovation and Transformation, and the Main Treasury and Treasury Annex buildings. The current DSCIP request proposes critical one-time investments in information technology infrastructure and restoration of the Main Treasury South Plaza. Although these projects are important, the Department is unable to fund them without DSCIP support.

1. Shared IT Infrastructure Environment. Treasury requests funds to build and house a shared IT infrastructure environment in existing Treasury facilities and allow for analysis of large volumes of aggregate financial data in support of various mission-critical Treasury functions, including those of the Office of Terrorism and Financial Intelligence (TFI).

2. Treasury Building - Repairs and Renovations. Projects related to the Main Treasury Building and the Treasury Annex, which are owned by the Treasury Department, are Departmental Offices' non-IT capital investments. The Main Treasury Building is the oldest departmental building and the third oldest federally occupied building in Washington, preceded only by the Capitol and the White House.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Department-wide Systems and Capital Investments Program	FTE	Amount
FY 2015 Enacted	**-**	**$2,725**
Changes to Base:		
Non-Recurring Costs:	-	($2,725)
Zero-Base Budget	-	($2,725)
Subtotal Changes to Base	-	($2,725)
Total FY 2016 Base	**-**	**-**
Program Changes:		
Program Increases:	-	$10,690
Shared IT Infrastructure Environment	-	$10,040
Main Treasury South Plaza Restoration	-	$650
Total FY 2016 Request	**-**	**$10,690**

2A – Budget Increases and Decreases Description

Non-Recurring Costs ..... -$2,725,000 / +0 FTE

Zero-Base Budget -$2,725,000 / +0 FTE

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

Program Increases ..... +$10,690,000 / +0 FTE

Shared IT Infrastructure Environment +$10,040,000 / +0 FTE

Treasury requests funds to build and house a shared enterprise IT infrastructure environment. This environment would be housed in existing Treasury facilities and allow for analysis of large volumes of aggregate financial and management data in support of various mission-critical Treasury functions, including those for TFI and government-wide shared services provided by Treasury's IT services. Current environments would require investment to improve availability through increased useof computing resources, security infrastructure to ensure shared environments can safely share data with mission specific environments, and identity management controls to monitor access by employees at different agencies. With this foundation, Treasury would be much more effectively positioned to expand current data management programs to meet the increasing demand from multiple customers for "big data" type analysis as well as host DO and Treasury's government-wide shared services.

Main Treasury South Plaza Restoration +$650,000 / +0 FTE

This request will fund repairs to the South Plaza to correct deterioration to the paver stones and underlying setting bed that is causing an unstable walking surface that is a hazard to employees and could cause serious injury.

2.2 – Operating Levels Table

Dollars in Thousands

Department-wide Systems and Capital Investments Program Object Classification	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
25.0 - Other contractual Services	0	0	470
25.1 - Advisory and assistance services	0	0	1,301
25.2 - Other services	1,500	1,500	1,283
25.3 - Other purchases of goods & serv frm Govt accounts	0	0	45
25.7 - Operation and maintenance of equip	0	0	3,359
26.0 - Supplies and materials	0	0	181
31.0 - Equipment	0	0	3,401
32.0 - Land and structures	1,225	1,225	650
Total Non-Personnel	**2,725**	**2,725**	**10,690**
Subtotal New Appropriated Resources	**$2,725**	**$2,725**	**$10,690**
Budget Activities:			
Department-wide Systems and Capital Investments Program	2,439	2,725	10,690
Total Budgetary Resources	**$2,439**	**$2,725**	**$10,690**
FTE	**0**	**0**	**0**

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY DEPARTMENTAL OFFICES *Federal Funds* DEPARTMENT-WIDE SYSTEMS AND CAPITAL INVESTMENTS PROGRAMS (INCLUDING TRANSFER OF FUNDS) For development and acquisition of automatic data processing equipment, software, and services and for repairs and renovations to buildings owned by the Department of the Treasury, **[**$2,725,000**]** *$10,690,000*, to remain available until September 30, **[**2017**]** *2018*: *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"**]**. *(Department of the Treasury Appropriations Act, 2015.)*	

2C – Legislative Proposals

The DSCIP has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Department-wide Systems and Capital Investments Program
($10,690,000 from direct appropriations):
The purpose of DSCIP funds is to improve infrastructure, modernize business processes, and increase efficiencies within Treasury and across the Government through capital investment.

Cybersecurity. Cybersecurity provides for the protection of all information technology assets, including information, systems, networks, and processes relying on those assets, at the Department. Treasury continues to improve its cybersecurity systems, but challenges remain. For example, the Department must maintain and improve its ability to identify and stop malicious code before it enters Treasury networks and systems.

Funds in the amount of $1,500,000 were appropriated in FY 2015 for specialized technical services to implement a Data Leakage Protection (DLP) tool at non-IRS internet perimeter points. The DLP will examine data, including e-mail being sent from the Department, to identify whether any sensitive data, such as personally identifiable or classified information, is being inadvertently transmitted. It will then alert users and/or prohibit the transmission. DLP will support Treasury implementation of the Administration's Controlled Unclassified Information (CUI) directive (See E.O. 13556) by examining data for CUI that should not leave Treasury's networks or that should be encrypted prior to sending. DLP will also support the Administration's efforts to improve insider threat detection by more closely monitoring the types of data being sent out of Treasury's networks.

Treasury Building - Repairs and Renovations. The Main Treasury Building and the Treasury Annex are owned by the Department and are Departmental Offices' capital investments. The age and historical significance of the Main Treasury Building and the Treasury Annex Building create special conditions that do not exist in many other Federal office facilities. Continual upkeep, with close attention to historic preservation, is necessary in order to continue occupying these buildings.

Funds in the amount of $1,225,000 were appropriated in FY 2015 to line the damaged interior rain leaders of the Main Treasury Building with an epoxy-based compound along with correcting associated water damage, and to repair and replace damaged windows, some of which are original to the building, to prevent water damage to other structural components. Rain leaders are vertical sections of cast iron pipe within the exterior walls of the Main Treasury Building. They are designed to carry rain water off the roof and into storm drains. The rain leaders in Main Treasury are estimated to be 150 years old. The cast iron composition has failed over time by rusting from the inside out. The deteriorated state of the rain leaders causes regular leaks, from water penetrating the building shell and being absorbed by the plaster walls and the substrate below.

3.1.1 – Department-wide Systems and Capital Investments Program Budget Activity Budget and Performance Plan

Dollars in Thousands

Department-wide Systems and Capital Investments Program Budget Activity								
Resource Level	**FY 2009 Actuals**	**FY 2010 Actuals**	**FY 2011 Actuals**	**FY 2012 Actuals**	**FY 2013 Actuals**	**FY 2014 Enacted**	**FY 2015 Enacted**	**FY 2016 Request**
Appropriated Resources	$26,975	$9,544	$3,992	$0	$0	$2,725	$2,725	$10,690
Budget Activity Total	**$26,975**	**$9,544**	**$3,992**	**$0**	**$0**	**$2,725**	**$2,725**	**$10,690**

Section 4 – Supplemental Information

4A – Summary of Capital Investments

All FY 2016 DSCIP funding requests support Departmental Offices (DO) capital investments. A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at: http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx

This website also contains a digital copy of this document.

Office of Inspector General

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Appropriations Detail Table 3
1B – Vision, Priorities and Context 3
Section 2 – Budget Adjustments and Appropriation Language 9
2.1 – Budget Adjustments Table 9
2A – Budget Increases and Decreases Description 9
2.2 – Operating Levels Table 10
2B – Appropriations Language and Explanation of Changes 11
2C – Legislative Proposals 11
Section 3 – Budget and Performance Plan 12
3A – Audit 12
3.1.1 – Audit Budget Activity Budget and Performance Plan 13
3B – Investigations 13
3.1.2 – Investigations Budget and Performance Plan 14
Section 4 – Supplemental Information 15
4A – Summary of Capital Investments 15

Section 1 – Purpose

1A – Mission Statement

The mission of the Office of Inspector General (OIG) is to promote the integrity, efficiency, and effectiveness of Treasury programs and operations.

1.1 – Appropriations Detail Table

Dollars in Thousands

Office of Inspector General	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
Appropriated Resources	Enacted		Enacted		Request		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Audit	163	27,050	163	28,275	163	28,304	0	29	0.00%	0.10%
Investigations	31	7,750	31	7,076	31	7,112	0	36	0.00%	0.51%
Subtotal New Appropriated Resources	**194**	**$34,800**	**194**	**$35,351**	**194**	**$35,416**	**0**	**$65**	**0.00%**	**0.18%**
Other Resources:										
Reimbursables	19	12,000	19	13,000	19	13,000	0	0	0.00%	0.00%
Subtotal Other Resources	**19**	**$12,000**	**19**	**$13,000**	**19**	**$13,000**	**0**	**$0**	**0.00%**	**0.00%**
Total Budgetary Resources	**213**	**$46,800**	**213**	**$48,351**	**213**	**$48,416**	**0**	**$65**	**0.00%**	**0.13%**

1B – Vision, Priorities and Context

OIG performs independent, objective audits and investigations of Treasury programs and operations, except for those of the Internal Revenue Service (IRS) and the Troubled Asset Relief Program (TARP), and keeps the Secretary of the Treasury and Congress fully informed of problems, deficiencies, and the need for corrective action.

OIG has five components: (1) Office of Audit, (2) Office of Investigations, (3) Office of Small Business Lending Fund (SBLF) Program Oversight, (4) Office of Counsel, and (5) Office of Management. OIG is headquartered in Washington, D.C., and has an audit office in Boston, Massachusetts.

-The Office of Audit, under the leadership of the Assistant Inspector General for Audit, performs and supervises audits, attestation engagements, and evaluations. The Assistant Inspector General for Audit has two deputies. One is primarily responsible for performance audits, and the other is primarily responsible for financial management, information technology (IT), and grants and other financial assistance audits. Under the leadership of the Special Deputy Inspector General for Small Business Lending Fund (SBLF) Program Oversight, staff provided by the Office of Audit conduct and coordinate audits of SBLF and the State Small Business Credit Initiative (SSBCI).

-The Office of Investigations, under the leadership of the Assistant Inspector General for Investigations, performs investigations and conducts initiatives to detect and prevent fraud, waste, and abuse in Treasury programs and operations under our jurisdiction. It also manages the Treasury OIG Hotline to facilitate reporting of allegations involving Treasury programs and activities. Under the leadership of the Special Deputy Inspector General for SBLF Program Oversight, staff provided by the Office of Investigations conduct and coordinate investigations of SBLF and SSBCI.

-The Office of SBLF Program Oversight, under the leadership of a Special Deputy Inspector General, conducts, supervises, and coordinates audits and investigations of SBLF and SSBCI, with staff provided by the Office of Audit and Office of Investigations.

-The Office of Counsel, under the leadership of the Counsel to the Inspector General, provides legal advice to the Inspector General and all OIG components. The office represents the OIG in all legal proceedings and provides a variety of legal services including: (1) processing all Freedom of Information Act and other requests for information about government employees; (2) conducting ethics training; (3) ensuring compliance with financial disclosure requirements; (4) reviewing proposed legislation and regulations; (5) reviewing administrative subpoena requests; and (6) preparing for the Inspector General's signature, cease and desist letters to be sent to persons and entities misusing the Treasury seal and name.

-The Office of Management, under the leadership of the Assistant Inspector General for Management, provides services to maintain the OIG administrative infrastructure.

Through the audit and investigative functions, the OIG supports two of the Department of the Treasury's Fiscal Year (FY) 2014-2017 Strategic Plan goals and objectives. Goal 3: Fairly and effectively reform and modernized federal financial management, accounting, and tax systems, Objective 3.1: Improve the efficiency and transparency of federal financial management and government-wide accounting, along with Goal 4: Safeguard the financial system and use financial measures to counter national security threats and Objective 4.3: Improve the cybersecurity of our nation's financial sector critical infrastructure. Based on Treasury's Plan OIG established the following four strategic goals:

- Promote the integrity and effectiveness of Treasury programs and operations through audits and investigations;
- Proactively support and strengthen the Department's ability to identify and manage challenges, both today and in the future;
- Fully and currently inform stakeholders of Treasury OIG findings, recommendations, investigative results, and priorities related to Treasury programs and operations; and
- Enhance, support, and sustain a workforce and strengthen internal operations to achieve the Treasury OIG mission, vision, and strategic goals

The FY 2016 request for OIG will be used to fund critical audit, investigative, and mission support activities to meet the requirements of the Inspector General Act, and a number of other statutes including, but not limited to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), Federal Information Security Management Act (FISMA), Government Management Reform Act (GMRA), Improper Payments Elimination and Recovery Act (IPERA), Digital Accountability and Transparency Act of 2014 (DATA Act), Federal Deposit Insurance Act (FDIA), Small Business Jobs Act of 2010, and Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). Specific mandates include audits of the Department's financial statements, the Department's implementation of FISMA, and failed insured depositary institutions regulated by Treasury. With the resources available after mandated requirements are met, 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) continued implementation of Dodd-Frank;

(2) management of Treasury's authorities intended to support and improve the economy; (3) anti-money laundering and terrorist financing/Bank Secrecy Act Enforcement; and (4) Gulf Coast Restoration Trust Fund Administration.

Programs that Support the Continued Implementation of Dodd-Frank

Dodd-Frank created the Financial Stability Oversight Council (FSOC) chaired by the Treasury Secretary and the Council of Inspectors General on Financial Oversight (CIGFO) chaired by the Treasury Inspector General. CIGFO comprised of the Inspectors General of the eight federal financial regulators and the Special Inspector General for TARP, meets quarterly to share information on financial oversight, provides annual reports to FSOC and the Congress with the individual and collective perspectives of the inspectors general on ways to improve financial oversight, and evaluates FSOC activities through working groups. In this regard, CIGFO is an important source of independent and unbiased analysis of FSOC. To date, CIGFO has issued three working group reports: *Audit of the Financial Stability Oversight Council's Control's over Non-public Information, Audit of the Financial Stability Oversight Council's Designation of Financial Market Utilities,* and *Audit of the Financial Stability Oversight Council's Compliance with Its Transparency Policy*. During FY 2016, CIGFO will continue to evaluate FSOC's activities. Apart from CIGFO, the OIG will provide oversight for four important Treasury offices established by Dodd-Frank – the Office of Financial Research, the Federal Insurance Office, and the Office of Minority and Women Inclusion within Departmental Offices and the Office of the Comptroller of the Currency.

Management of Treasury's Authorities Intended to Support and Improve the Economy

The Recovery Act provided Treasury with approximately $29 billion in non-IRS funding for low-income housing projects and specified energy properties for which the OIG must provide oversight. Funds through the Recovery Act are still available for the specified energy properties program and require continued oversight. The OIG will continue this work at Departmental Offices to determine if the funds were spent as intended. The OIG will continue its oversight of projects funded under Treasury's payments in lieu of tax credit programs – to persons for specified energy properties and to states for low-income housing projects over an extended period of time (5 years from the placed in-service date of the specified energy property and 15 years beginning on January 1 of the year following the placed in-service date for the low-income housing project).

Another area that requires vigorous oversight by the OIG is Treasury's responsibilities under the Housing and Economic Recovery Act of 2008 (HERA). Under HERA, Treasury continued to support the financial solvency of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) which is under the conservatorship of the Federal Housing Finance Agency. As of July 2014, Treasury invested $187 billion in the two entities to cover their losses and maintain a positive net worth. Although Fannie Mae and Freddie Mac did not require Treasury's support in recent years, the futures of both remain in question and prolonged assistance may be required. During FY 2016, audit oversight of the Preferred Stock Purchase Agreement Program, the program through which Treasury provides its financial support to Fannie Mae and Freddie Mac, will continue. The OIG's planned HERA oversight work in FY 2016 also includes the Housing Finance Agency (HFA) Initiative's New Issue Bond Program ($15.3 billion). Over 90 state and local HFAs participate in this program.

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

Ensuring criminals and terrorists do not use financial networks to sustain their operations and/or launch attacks against the U.S. continues to be a challenge. Treasury's Office of Terrorism and Financial Intelligence is dedicated to disrupting the ability of terrorist organizations to fund their operations. This office brings together intelligence gathering and analysis, economic sanctions, international cooperation, and private-sector cooperation to identify donors, financiers, and facilitators supporting terrorist organizations, and disrupt their ability to fund them. Enhancing the transparency of the financial system is one of the cornerstones of this effort. Treasury carries out its responsibilities to enhance financial transparency through the Bank Secrecy Act (BSA) and USA Patriot Act. The Financial Crimes Enforcement Network (FinCEN) is responsible for administering BSA. Given the criticality of this management challenge to the Department's mission, the OIG continues to consider anti-money laundering and combating terrorist financing as inherently high-risk, and an area that demands a major focus of our self-directed resources.

Gulf Coast Restoration Trust Fund Administration

In response to the Deepwater Horizon oil spill, Congress established within Treasury the Gulf Coast Restoration Trust Fund (Trust Fund) and requires Treasury to deposit in the Trust Fund 80 percent of administrative and civil penalties paid by responsible parties which will be distributed for eligible activities affecting the Gulf Coast states (Alabama, Florida, Louisiana, Mississippi, and Texas). Treasury, in consultation with the Departments of the Interior and Commerce, developed policies and procedures to administer the Trust Fund. Treasury has direct responsibility for program administration of a significant portion of the Trust Fund. Treasury OIG is charged with providing oversight of all programs, processes, and activities of the Trust Fund.

In the Investigations operational area, OIG has established four priorities for FY 2016:

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 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 American Recovery and Reinvestment Act ("ARRA"). Such allegations often involve contractors, entities, and individuals who are providing or seeking to provide goods or services to the Department. 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 involve issuing licenses, providing benefits, and exercising oversight of U.S. financial institutions; fraudulent activities involving improper Federal payments such as those involving Treasury checks and the *Check Forgery Insurance Fund* ("CFIF"); 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.

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

Key Accomplishments and Challenges
In FY 2014, the Office of Audit completed 75 audit products, exceeding its performance plan. The Office also completed all mandated audit products within required timeframes. The audit products identified a number of areas where the Department needs to strengthen its controls. The Office plans to complete 75 audit products in FY 2015 and 77 in FY 2016, and to meet all statutory timeframes. In FY 2014, the Office of Investigations exceeded the investigative performance measure, and expects to continue this performance trend in FYs 2015 and 2016. In FY 2014, the Office opened 81 new investigations, closed 92 investigations, referred 48 investigations that substantiated administrative violations against a Treasury employee to the appropriate regulated bureau for action, and referred 109 investigations for criminal prosecution.

Treasury is a complex agency with many programs and operations that are vital to the Nation's economic and national security. Many of these programs and operations are thinly resourced and the OIG is often the only Treasury presence providing on-site verification and quality control. The implementation of new authorities and regulatory changes brought about by major legislation to address the economic crisis and other events—such as Dodd-Frank, the RESTORE Act, and the DATA Act—continue to evolve. The OIG must remain vigilant and have the capacity to provide independent assessments of the Department's activities to stand up and bring to a mature state new offices and programs. The OIG must also be able to respond in an expedient and effective manner to unanticipated and emerging issues of significant impact to the Department.

In FYs 2015 and 2016, Treasury OIG will continue to work with the General Services Administration to consolidate three expiring office space leases into one new lease, thereby bringing all Washington, DC employees together in a single location.

Office of Inspector General's FY 2016 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 2016:

- The aggregate budget request for the operations of the OIG is $48,416,000 comprised of $35,416,000 from direct appropriation, and $13,000,000 from reimbursable collections;

- The portion of this amount needed for OIG training is $450,000; and
- The portion of this amount needed to support the Council of Inspectors General on Integrity and Efficiency (CIGIE) is $95,500.

The amount requested for training satisfies all OIG training needs for FY 2016.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Office of Inspector General	FTE	Amount
FY 2015 Enacted	**194**	**$35,351**
Changes to Base:		
Maintaining Current Levels (MCLs):	-	$549
Pay-Raise	-	$283
Pay Annualization	-	$72
FERS Contribution Increase	-	$107
Non-Pay	-	$87
Efficiency Savings:		($484)
Administrative Reduction	-	($484)
Subtotal Changes to Base	-	$65
Total FY 2016 Base	**194**	**$35,416**
Total FY 2016 Request	**194**	**$35,416**

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ..... +$549,000 / +0 FTE

Pay-Raise +$283,000 / +0 FTE

Funds are requested for the proposed January 2016 pay-raise and the annualization of the 2015 pay-raise.

Pay Annualization +$72,000 / +0 FTE

Funds are requested for annualization of the January 2015 pay-raise.

FERS Contribution Increase +$107,000 / +0 FTE

Funds are requested for an increase in agency contributions for Federal Employees Retirement System (FERS) employees.

Non-Pay +$87,000 / +0 FTE

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

Efficiency Savings ..... -$484,000 / +0 FTE

Administrative Reduction -$484,000 / +0 FTE

OIG will reduce its administrative expenses and achieve savings due to delays in on-boarding staffing.

2.2 – Operating Levels Table

Dollars in Thousands

Office of Inspector General Object Classification	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
11.1 - Full-time permanent	21,000	21,500	21,565
11.3 - Other than full-time permanent	100	200	200
11.5 - Other personnel compensation	600	600	600
11.8 - Special personal services payments	795	875	875
11.9 - Personnel Compensation (Total)	**22,495**	**23,175**	**23,175**
12.0 - Personnel benefits	5,634	5,800	5,800
Total Personnel and Compensation Benefits	**$28,129**	**$28,975**	**$28,975**
21.0 - Travel and transportation of persons	600	550	550
23.1 - Rental payments to GSA	1,950	2,000	2,460
23.2 - Rental payments to others	453	460	0
23.3 - Communication, utilities, and misc charges	850	1,000	1,000
24.0 - Printing and reproduction	11	26	26
25.2 - Other services	10,522	10,965	10,965
25.3 - Other purchases of goods & serv frm Govt accounts	3,150	3,800	3,800
25.6 - Medical care	60	50	50
25.7 - Operation and maintenance of equip	375	125	125
26.0 - Supplies and materials	300	100	100
31.0 - Equipment	400	300	300
91.2 - Unvouchered Expenditures	100	0	0
Total Non-Personnel	**18,771**	**19,476**	**19,376**
Subtotal New Appropriated Resources	**$46,900**	**$48,351**	**$48,416**
Budget Activities:			
Audit	33,136	41,275	41,304
Investigations	7,603	7,076	7,112
Total Budgetary Resources	**$40,739**	**$48,351**	**$48,416**
FTE	**174**	**213**	**213**

2B – 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, [$35,351,000] *$35,416,000,* 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, 2017,* 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]. *(Department of the Treasury Appropriations Act 2015.)*	

2C – Legislative Proposals

OIG has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Audit

($28,304,000 from direct appropriations, and $13,000,000 from reimbursable resources):
The Office of Audit conducts audits aimed to ensure the accountability of resources, protect information, and provide recommendations for improving the economy, efficiency, effectiveness, and integrity of Treasury programs and operations under its jurisdiction. The requested funding for FY 2016 is necessary to perform mandated work and maintain an appropriate level of oversight of Treasury programs and operations consistent with its responsibilities under the Inspector General Act. In FY 2016 the OIG must continue to provide oversight of Gulf Coast Restoration Trust Fund programs, projects, and activities as well as Treasury's roles and responsibilities under the DATA Act. Reimbursable funding supports agreements for contract audits of other Treasury bureaus, and oversight of the SBLF and SSBCI programs. SBLF/SSBCI program oversight and expected performance is detailed in the SBLF/SSBCI Program Office budget submission.

Description of Performance:
The Office plans to complete 75 audit products annually in FY 2015 and 77 in FY 2016. In FY 2014, the Office of Audit completed 75 audit products, exceeding its goal, and met all statutory audit timelines. Audit products include audit reports, evaluation reports, the Inspector General's Semi-Annual Report to the Congress, and the Inspector General's annual memorandum to the Secretary on the most significant management and performance challenges facing the Department. Audit products can also include responses to specific information requests by the Congress on a variety of subjects. By completing independent and timely assessments of Treasury's programs and operations under our jurisdiction, the OIG supports its mission of promoting efficiency, effectiveness, and integrity of Treasury programs and operations. The recommendations for improvement in Treasury programs and operations noted through OIG's assessments directly support the Department of the Treasury in achieving its strategic goals. It should be noted that a number of these assessments are mandated in law with specific reporting deadlines so that decision makers have timely information.

The OIG has a mature audit operation that can well estimate, based on historical performance, an accurate prediction of future performance. That said, it has over time, demonstrated agility at redirecting resources as necessary to address new challenges and mandates of its stakeholders.

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

3.1.1 – Audit Budget Activity Budget and Performance Plan

Dollars in Thousands

Audit Budget Activity Resource Level	FY 2009 Actuals	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$20,116	$19,721	$22,435	$22,823	$21,630	$27,050	$28,275	$28,304
Reimbursable Resources	$6,300	$14,300	$6,300	$10,000	$13,200	$12,000	$13,000	$13,000
Budget Activity Total	**$26,416**	**$34,021**	**$28,735**	**$32,823**	**$34,830**	**$39,050**	**$41,275**	**$41,304**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Number of Completed Audit Products	68	68	126	91	72	75	75	77
Percent of Statutory Audits Completed by the Required Date	100.0	50.0	100.0	100.0	100.0	100.0	100.0	100.0

Key: DISC - Discontinued and B - Baseline

3B – Investigations

($7,112,000 from direct appropriations):

The Office of Investigations prevents, detects, and investigates complaints of fraud, waste, and abuse. This includes the detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury. The Office of Investigations refers its cases to the Department of Justice, state or local prosecutors for criminal prosecution or civil litigation, or to agency officials for corrective administrative action.

With the increased risk of the Recovery Act grant programs for low-income housing and specific energy properties, the Office of Investigations faces greater challenges and anticipated increases in grant fraud. In addition, with the establishment of the 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.

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

Description of Performance:

In FY 2014 the Office of Investigations exceeded the Investigative Performance Measure target, and opened 81 new investigations, and closed 92 investigations. The OIG also referred 48 investigations that substantiated administrative violations against a Treasury employee to the appropriate regulated bureau for action. In addition, the OIG referred 68 investigations for criminal prosecution. The Investigative performance measure is a percentage of all cases closed by Office of Investigations during the fiscal year referred to Department Bureaus for administrative action or for criminal or civil prosecution by Federal or local prosecutors.

The Investigative performance measure is the percentage of all cases closed by OI during the fiscal year that were referred for administrative action or for criminal or civil prosecution by Federal or local prosecutors. The goal for Office of Investigations is that at least 80 percent of closed cases meet the aforementioned criteria of closed cases in this fiscal year. Meeting or exceeding this goal demonstrates that OI is responsive to allegations and complaints and does an excellent and thorough job in analyzing and evaluating incoming complaints, investigating complaints that warrant full investigation and achieving a measurable result by way of either an Administrative or Criminal referral for action against the subject of the investigation. The low percentage of investigations closed had no actionable findings. The OI excellent performance continues to assist the Department in maintaining the integrity of its programs and operations, subsequently ferreting out fraud, waste, and abuse. This goal was developed to achieve OIG's goal of positively impacting Treasury's strategic goals and providing a more meaningful measurement of investigative performance.

The target for referral rates were exceeded with a 90 percent referral rate. Through the Office of Investigation's case management system, cases were tracked for timely investigative steps, ensuring that documentation is complete, thorough, and accurately reported and enabling managers to monitor and maintain investigative momentum. In addition, agents were held accountable to these performance measures in their annual performance plans, while managers were goal oriented and held accountable for the performance of their subordinates. Additionally, Office of Investigations' success can also be attributed to outreach to the Department's bureaus, other law enforcement agencies, and continued enhancement of its investigative resources. OIG met, or exceeded, its 2014 goal. The same strategies and means will be implemented to achieve or exceed FY 2015 and FY 2016 targets.

3.1.2 – Investigations Budget and Performance Plan

Dollars in Thousands

Investigations Budget Activity Resource Level	FY 2009 Actuals	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$6,009	$6,831	$6,702	$6,818	$6,461	$7,750	$7,076	$7,112
Budget Activity Total	**$6,009**	**$6,831**	**$6,702**	**$6,818**	**$6,461**	**$7,750**	**$7,076**	**$7,112**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Percentage (%) of All Cases Closed During Fiscal Year that were Referred for Criminal/Civil Prosecution or Treasury Administrative Action	100.0	93.0	85.0	91.0	84.0	84.0	80.0	80.0

Key: DISC - Discontinued and B - Baseline

Section 4 – Supplemental Information

4A – Summary of Capital Investments
OIG does not have any IT or Non-IT Capital Investments.

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.

Special Inspector General for TARP

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Appropriations Detail Table 3
1B – Vision, Priorities and Context 3
Section 2 – Budget Adjustments and Appropriation Language 12
2.1 – Budget Adjustments Table 13
2A – Budget Increases and Decreases Description 13
2.2 – Operating Levels Table 14
2B – Appropriations Language and Explanation of Changes 15
2C – Legislative Proposals 15
Section 3 – Budget and Performance Plan 16
3A – Audit 16
3.1.1 – Audit Budget Activity Budget and Performance Plan 17
3B – Investigations 18
3.1.2 – Investigations Budget and Performance Plan 19
Section 4 – Supplemental Information 20
4A – Summary of Capital Investments 20

Section 1 – Purpose

1A – Mission Statement

To advance economic stability by promoting the efficiency and effectiveness of the management of the Troubled Asset Relief Program (TARP) and preventing and investigating fraud, waste, and abuse, through transparency, coordinated oversight, and robust enforcement.

1.1 – Appropriations Detail Table

Dollars in Thousands

Special Inspector General for TARP	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
Appropriated Resources	Enacted		Enacted		Request		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Audit	83	12,220	75	9,243	66	8,870	(9)	(373)	-12.00%	-4.04%
Investigations	109	22,703	117	24,991	126	31,801	9	6,810	7.69%	27.25%
Subtotal New Appropriated Resources	**192**	**$34,923**	**192**	**$34,234**	**192**	**$40,671**	**0**	**$6,437**	**0.00%**	**18.80%**
Other Resources:										
Unobligated Balances from Prior Years	0	6,683	0	10,957	0	6,495	0	(4,462)	NA	-40.72%
Available PPIP Funds	0	1,536	0	965	0	928	0	(37)	NA	-3.83%
Subtotal Other Resources	**0**	**$8,219**	**0**	**$11,922**	**0**	**$7,423**	**0**	**($4,499)**	**NA**	**-37.74%**
Total Budgetary Resources	**192**	**$43,142**	**192**	**$46,156**	**192**	**$48,094**	**0**	**$1,938**	**0.00%**	**4.20%**

1B – Vision, Priorities and Context

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) was created by Congress as a law enforcement agency for the primary purpose of combatting white-collar crime related to TARP. From the beginning of the financial crisis, Congress recognized the high risk of fraud in TARP and took steps to protect the American public by creating SIGTARP. Senator Max Baucus, who proposed the creation of SIGTARP, said, "My concern here is, with such massive amounts of dollars dedicated so quickly, there is bound to be considerable fraud and misuse of funds." Congress gave SIGTARP the authority to search, seize, arrest, which not all inspectors general have.

Given the law enforcement purpose for which it was created, SIGTARP's activities should not, and do not, track with Treasury's activities in TARP, and its budget should reflect that. A company's repayment or exit from TARP must not serve as a shield to criminal or civil liability for breaking the law. In addition, SIGTARP has conducted several audits to bring transparency to historical decision making in TARP, often based on requests from members of Congress. These reports can serve as important lessons learned.

Under the same legislation that created TARP, the Emergency Economic Stabilization Act of 2008 (EESA), Congress created SIGTARP, and intentionally designed the lifespan of SIGTARP to coincide with the last dollar of TARP or last monetary obligation related to TARP. Congress' intent is for SIGTARP to be on watch as long as TARP funds or commitments are outstanding. SIGTARP's law enforcement efforts are focused on being "on watch" to protect taxpayers (through Treasury) from becoming victims of crime, whether directly, through a TARP program,

or through a TARP investment. To the extent that a crime occurs, SIGTARP will seek to bring justice, accountability, and deterrence.

Knowing that criminal investigations take years, as do the prosecutions that follow, from its inception SIGTARP planned that it would continue in a ramp-up stage as it gained expertise in how to uncover and unravel TARP-related crime and not hit steady state until the year 2014 (six years after its creation). It is not SIGTARP's decision how long an investigation may last because it is the prosecutor who must determine when there is sufficient evidence to support criminal charges. SIGTARP does not end its work at the time an investigation results in criminal charges. Given that SIGTARP investigations include assessing documents and interviewing witnesses, in order to ensure a successful prosecution, SIGTARP must support the Department of Justice (DOJ) and the prosecutors from indictment to trial, to sentencing and appeal. DOJ has consistently relied on SIGTARP to ensure success in prosecutions. It is often the case that a SIGTARP agent will testify at a trial. Given the knowledge base learned in its investigations, SIGTARP agents, investigators, attorneys, and analysts will assist DOJ in trial preparation, post-trial briefing for sentencing, and briefing for appeals.

SIGTARP's mission plays a large role in restoring and strengthening public confidence in the financial system and justice system. DOJ selected SIGTARP as its co-chair of the Rescue Fraud Working Group of the President's Financial Fraud Enforcement Task Force. Rescue fraud is fraud related to the financial crisis. SIGTARP and its law enforcement partners bring confidence to the justice system by holding criminals accountable for crimes that either contributed to the financial crisis or arose from the financial crisis as it relates to TARP. In addition, SIGTARP makes recommendations designed to improve TARP programs that can result in improvement of public confidence in the government.

Just as the work SIGTARP performs maximizes resources of DOJ in prosecutions, SIGTARP partners with multiple law-enforcement agencies to maximize its resources. It is always the case that there will be other investigative agencies that have jurisdiction concurrent with SIGTARP. Congress specifically contemplated that. However, SIGTARP has gained, and continues to gain with each investigation, an expertise in what to look for to root out TARP-related crime.

Strategic Goals and Objectives

SIGTARP supports and complements Treasury's Strategic Goal 1: promote domestic economic growth and stability while continuing reforms of the financial system. In particular, through its oversight and investigations of TARP-related activities, SIGTARP supports Objective 1.1: promote savings and increased access to credit and affordable housing options, Objective 1.2: wind down emergency financial crisis response programs, and Objective 1.3: complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability.

Additionally, through open and transparent communication with Congress, SIGTARP supports Treasury's Strategic Goal 5: create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction. Through expedient responses to inquiries from Congress, SIGTARP supports Objective 5.4: create a culture of service through relentless pursuit of customer value.

FY 2016 Budget Request

SIGTARP's FY 2016 budget request of $40,671,000 seeks a higher appropriation than prior years. However, this is not because SIGTARP anticipates spending much more in FY 2016 than in prior years. SIGTARP's spending has remained at relatively steady levels since going steady state in FY 2014 as anticipated. However, in past years, SIGTARP has been able to use no-year funding provided by Congress at SIGTARP's inception to supplement appropriated funding. The funding SIGTARP seeks will provide resources to:

- Detect, stop, and investigate crime related to TARP;
- Support prosecutions of those defendants SIGTARP investigates;
- Provide significant oversight and transparency over the 145 financial institutions remaining in TARP as of September 30, 2014; and
- Provide oversight and transparency over TARP-funded housing programs which are scheduled to last as late as 2023.

In accordance with the requirements of Section 6(f)(1) of the *Inspector General Act of 1978* (as amended), the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) submits the following information related to the FY 2016 budget submission:

- The aggregate budget request for the operations of SIGTARP is $40,671,000;
- The portion of this amount needed for SIGTARP training is $342,000; and
- The portion of this amount needed to support the Council of the Inspectors General on Integrity and Efficiency is estimated at $109,620.

FY 2016 Priorities

SIGTARP prioritizes its audit and investigative responsibilities, and works to allocate resources where they are needed most.

Investigations

SIGTARP's priority in FY 2016 is increasingly geared toward criminal investigations of TARP-related crime. Given the growing number and complexity of TARP-related crimes that SIGTARP has already detected and is investigating, and the large number of pending prosecutions of defendants SIGTARP investigated that require SIGTARP support, SIGTARP recently shifted resources to support an increasing investigative workload. In addition, with the knowledge gained through investigations, SIGTARP is conducting more proactive efforts to root out crime. SIGTARP continues to uncover new TARP-related criminal schemes and anticipates that it will continue to open new investigations in FY 2016 and beyond. In FY 2016, SIGTARP anticipates allocating 78 percent of its appropriation to law enforcement efforts.

SIGTARP will continue to prioritize crime at TARP institutions where the government, including Treasury, is a victim of the crime. SIGTARP investigates crime that has led to criminal indictments and convictions of bank officers and their co-conspirators from TARP banks (as well as TARP applicant banks) including fraudulent bank books and records to apply for TARP, as well as crimes such as fraud by officers of a TARP institution to conceal the bank's true financial condition after the institution received TARP funds and taxpayers became shareholders. SIGTARP also continues to prioritize fraud that has led to criminal convictions of bank borrowers that caused TARP banks to suffer losses that jeopardized the bank's ability to

repay TARP, particularly where Treasury took a loss. SIGTARP will also continue to prioritize crimes that put TARP programs at risk.

SIGTARP seeks corporate accountability as well as individual accountability, and deterrence, in the form of prison sentences, fines, and industry bans so that those who have broken the law are not in a position to repeat their criminal behavior. Removing those who break the law from serving in these industries reduces vulnerabilities and mitigates future financial system harm. It is this accountability that will instill confidence in our financial system and justice system. Persistent oversight and law enforcement are necessary to restore confidence and advance economic stability. Long-term full recovery from the financial crisis depends on it.

Audit

Although Congress created SIGTARP as a law enforcement agency, Congress created SIGTARP as an office of inspector general, and all offices of inspector general conduct audits and evaluations. More than almost any other government program, the public has a strong desire for transparency into details about how TARP funds were used, and how the government made decisions in allocating TARP funds. SIGTARP's audit work will continue to bring transparency in this area. Moreover, these reports provide important lessons learned for future government decision-making where the government may once again be faced with having to make significant decisions on an emergency basis without the benefit of time. SIGTARP's audit products also identify program deficiencies or weaknesses and their impact on the efficiency and effectiveness of TARP. Through audit products, SIGTARP makes recommendations to improve the efficiency and effectiveness of TARP programs and prevent fraud, waste, and abuse.

As an example of audit priorities for 2016, TARP's housing programs require oversight because:

- There is $24.7 billion in TARP that remains to be spent, an amount larger than most government programs;
- TARP's housing programs need improvement to be able to provide sufficient help to as many homeowners as possible; and
- Information gained through audits, investigations, and the SIGTARP Hotline highlights deficiencies and areas for improvement in TARP's housing programs. Congress did not agree to authorize TARP as it was first proposed, but instead required that Treasury provide foreclosure relief programs for homeowners in TARP. Through audit and other reporting, SIGTARP works to improve the effectiveness and efficiency of TARP programs.

SIGTARP's audit work will continue to focus on the Community Development Capital Initiative (CDCI) program that continues to have 66 small banks and credit unions, a program that is not winding down and is likely to remain until 2018. SIGTARP has conducted an investigation of one of the CDCI banks that has resulted in criminal charges against four bank officers and directors. Those charges are pending and no trial date has been set. With $465 million owed by CDCI institutions, SIGTARP will conduct oversight that could prevent fraud, waste, and abuse.

Key Accomplishments and Challenges

Investigations

SIGTARP law enforcement efforts are a crucial part of the Administration's efforts to bring accountability to those that contributed to or arose from the financial crisis. Each year, the

number of people charged with a crime related to TARP increases significantly. This increase comes in part from the time it takes to investigate a case, and in part from the fact that due to SIGTARP's growing expertise, SIGTARP has gotten better and better at detecting TARP-related crime. In addition, the number of defendants convicted and sentenced has also significantly increased each year.

Results of SIGTARP Investigations Cumulative Charges, Convictions, Sentences, and Industry Bans as of December 31, 2014				
	September 2011	**September 2012**	**September 2013**	**December 2014**
Criminal charges	51	109	154	222
Convictions (others await trial)	28	71	112	160
Prison sentences (others await sentencing)	19	35	65	91
Civil charges	55	84	114	133
Individuals banned from industry			60	90

Some of SIGTARP's notable cases resulting in final resolution since July 2013 include:

- Jesse Litvak — This case is the only criminal case brought by President Obama's Residential Mortgage Backed Securities Working Group, and it was investigated by SIGTARP. In January 2013, SIGTARP special agents arrested trader Jesse Litvak for criminally defrauding TARP's securities trading program known as the Public Private Investment Program (PPIP). After a three-week trial in March 2014 which SIGTARP spent significant resources supporting and at which a SIGTARP agent testified, the jury convicted Litvak. In July 2014, he was sentenced to two years in prison and fined $1.75 million. His firm, Jefferies LLC, agreed to substantial corporate changes and a $25 million penalty as part of a non-prosecution agreement.

- Home Owners Protection Economics, Inc. (HOPE) — This case is one of the most egregious examples of a mortgage modification scam. SIGTARP special agents arrested four Florida men who scammed thousands of homeowners into paying up to $2,000 each for help getting into HAMP through software that was nothing more than the free HAMP application on Treasury's website. They swindled homeowners out of more than $4 million which they used for extravagant trips to Dubai and France, luxury shopping sprees, and to pay their own mortgages on waterfront homes in Florida's beach communities. After a two-week trial in November 2013 which SIGTARP spent significant resources supporting and a SIGTARP investigator testified, the jury convicted all four defendants. In February 2014, Christopher S. Godfrey and Dennis Fischer, president and vice president, respectively, were each sentenced to seven years in prison, Vernell Burris, Jr. was sentenced to just over one year in prison, and in April 2014, Brian M. Kelly was sentenced to just over one year in prison and fined $1,900. On August 22, 2014, the United States District Court for the District of Massachusetts ordered the four, together, to pay more than $110,000 in restitution to approximately 180 victims of their scam.

- Bank of the Commonwealth — SIGTARP unraveled a massive $41 million fraud scheme at the now-failed Bank of the Commonwealth to hide past due loans and remove foreclosed properties off of the bank's books. A central part of the ten-week trial was that the bank had sought to fill the holes in its fraud-riddled books with TARP funds. The bank's regulator

denied the bank TARP funds based on concerns over the bank's health. However, it was SIGTARP that uncovered the fraud after the TARP application. The court sentenced 10 people to prison including four bank officers. In November 2013, bank CEO Edward Woodard was sentenced to 23 years in prison and the vice president Stephen Fields was sentenced to 17 years in prison. Vice president of a bank subsidiary and the CEO's son Troy Brandon Woodard was sentenced to eight years in prison. All defendants were ordered to pay restitution of the full estimated cost of the bank's failure to the FDIC – $333 million.

- SunTrust Bank — SIGTARP's investigation led to DOJ entering into a non-prosecution agreement with TARP recipient bank SunTrust based on SunTrust Mortgage's appalling treatment of homeowners in HAMP. Part of the conduct SIGTARP uncovered was that SunTrust failed to open so many homeowners' applications for HAMP that eventually the floor buckled under the weight of unopened HAMP applications. Paperwork was lost and had to be resubmitted, and SunTrust failed to give most homeowners a decision for long periods of time. SunTrust misled homeowners and mass denied homeowners without reviewing their application, then lied to Treasury about the reasons for the denials. Some homeowners were foreclosed on while in HAMP, and saw their homes listed for sale in the local newspapers. SunTrust agreed to pay $320 million to resolve criminal allegations of mail fraud, wire fraud, and false statements to Treasury related to HAMP.

- Mainstreet Bank — On March 25, 2014, Darryl Woods, former chairman, president, and majority shareholder of Calvert Financial, the bank holding company for Mainstreet Bank, was sentenced to eight months detention in a halfway house followed by four months home detention for lying to SIGTARP about how the bank used TARP funds. SIGTARP's investigation uncovered that on February 2, 2009, days after receiving just over $1 million in TARP funds, Woods used $381,487 of the TARP funds to buy a seaside condo in Florida for his and other bank executives' vacations. As part of an audit, SIGTARP sent each TARP bank a letter asking them what they did with the TARP funds. Woods responded to SIGTARP and made material misrepresentations without disclosing the purchase of the vacation condo.

- Colorado East Bank and Trust — On September 30, 2014 and October 3, 2014, respectively, Christopher Tumbaga, former loan officer at TARP bank Colorado East Bank and Trust, and his co-conspirator Brian Headle were each sentenced in the U.S. District Court for the District of Colorado to 36 months in federal prison and ordered to pay restitution of more than $1 million for their roles in a scheme to defraud the bank.

SIGTARP's investigations continue to result in criminal charges. One example is SIGTARP's investigation of Sonoma Valley Bank, which resulted in criminal charges on March 18, 2014, against four defendants, including two bank officers, for their role in a bank fraud that caused TARP recipient Sonoma Valley Bank to fail in August 2010. The bank never repaid the $8.65 million in TARP funds it received. All four defendants were arrested by SIGTARP special agents and SIGTARP law enforcement partners. SIGTARP's investigation uncovered that weeks after the bank received almost $9 million in TARP funds, the bank's president and CEO Sean Cutting along with Brian Melland, senior vice president and chief lending officer, allegedly began initial disbursements of what would become a $9.5 million fraudulent loan to someone

who was a straw purchaser for real estate developer Brian Madjlessi, who was also arrested. The loans went into default and were outstanding when the bank failed.

As of December 31, 2014, courts have sentenced 91 defendants investigated by SIGTARP to prison (other convicted defendants await sentencing). The complexity and scope of the crimes that SIGTARP investigates is reflected in the lengthy prison terms that courts are imposing on defendants – the average prison term is nearly double the national average for white-collar crime.

Return on Investment

SIGTARP brings money back to the government by recouping funds lost through TARP-related fraud and by preventing personal gain from TARP-related crimes. When a TARP bank fails, all TARP funds are lost. To date, 30 TARP banks have failed, and the number may rise. SIGTARP has been instrumental in finding evidence that results in bringing criminal charges in cases of fraud involving some TARP bank failures. SIGTARP is playing an integral role in bringing back the proceeds of crime where the government was a victim. SIGTARP's investigations have resulted in court orders for $7.38 billion to be returned to the government or other victims.

SIGTARP has already assisted in recovering $1.48 billion from its investigations that has been paid back to the government or other victims, which is more than 8 times the amount of money that had been appropriated to SIGTARP. Of the actual dollars recovered, $1.247 billion was returned to the government.

Bank of America — Department of Justice

Actual dollars recovered includes the August 20, 2014, Bank of America $16.65 billion settlement with DOJ to resolve civil investigations. The settlement included $1 billion for SIGTARP investigations into the origination of defective residential mortgage loans as well as the fraudulent sale of the loans to Fannie Mae and Freddie Mac.

The $7.38 billion in court orders resulting from SIGTARP investigations includes $1.27 billion that Bank of America was ordered to pay on July 30, 2014, as a penalty to the government. SIGTARP uncovered in its investigation that the bank, and its predecessor Countrywide Financial Corporation sold a large number of defective mortgages to Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac, originated through a high speed process called the "Hustle" (for High Speed Swim Lane) which removed quality control checks that could slow down the process. Despite repeated warnings that eliminating these checks could have disastrous results, senior management responsible for this program continued it and the GSEs suffered significant losses on those mortgages. This case is on appeal, and if the government is successful on appeal, the amounts of recoveries will increase.

It takes time to collect on these court orders and often involves seizing personal and real property. SIGTARP works to help recover assets that can be used to recover these funds ordered by the court. In SIGTARP cases, some of the assets seized include more than 30 properties, more than 30 bank accounts, bags of silver, U.S. currency, antique and collector coins, artwork, antique furniture such as candelabra, antique cars, luxury cars, and Western Union money orders with the "Pay to" line blank.

Bank of America (TARP representations) — Part of the recoveries this year from one of SIGTARP's first investigations came from Bank of America paying $15 million to settle a civil action by New York's Attorney General resulting from a SIGTARP investigation into its failure to disclose to shareholders losses at Merrill Lynch and false representations to Treasury about those losses to receive additional TARP funds. For their roles, former CEO Ken Lewis agreed to be banned from serving as an officer or director of a public company for three years and will pay $10 million, and former CFO Joseph Price agreed to be banned for 18 months and to pay $7.5 million.

In addition to bringing back money to the government, SIGTARP's work can result in substantial savings to the government. While this is not always easy to track, SIGTARP's investigation of Colonial Bank resulted in an immediate savings to Treasury of $553 million in TARP funds that Treasury was prepared to invest in Colonial Bank; SIGTARP stopped the money from disbursement given the fraud it had uncovered.

SIGTARP's law enforcement successes support long-term recovery from the financial crisis by restoring public confidence in the financial system and helping end moral hazard by bringing consequences to those who break the law. SIGTARP seeks both corporate and individual accountability, particularly for senior bank officers who put their banks and the taxpayers' TARP investment at risk. SIGTARP expects a significant number of criminal charges to result from the more than 150 ongoing SIGTARP investigations.

Audit

SIGTARP has initiated 37 audits and evaluations and has issued 23 reports.
This year, SIGTARP raised concerns over increasing number of homeowners falling out of the Home Affordable Modification Program (HAMP), and made recommendations to Treasury to curb this problem. SIGTARP also raised concerns over 900,000 homeowners whose lowered mortgage payment in HAMP will rise after five years and who may need additional help. This is a pressing issue, since in a substantial number of cases the five-year period ends during calendar year 2015. SIGTARP also noted an alarming increase in the number of homeowners who have applied for HAMP but have not received timely decisions because of servicer backlogs. As a result, more than 100,000 homeowners are in the backlog and have experienced delays (which could be up to one year or more) in the decision about whether they will be accepted in the HAMP program.

To educate homeowners and help them avoid becoming victims to mortgage modification fraud, SIGTARP recommended that Treasury prominently display all of the information contained in the Consumer Fraud Alert: "Tips for Avoiding Mortgage Modification Scams" on the home page of websites related to HAMP. As these examples suggest, TARP housing programs continue to need significant oversight. As TARP's housing programs are expected to continue until 2023, SIGTARP's audit work will continue to focus heavily on them.

SIGTARP raised concerns about the small banks and credit unions in the Community Development Capital Initiative (CDCI), the failure of some to report to Treasury on TARP funds as required, and on their failure to pay TARP dividends. Although the participating institutions are small, they play a vital role in serving low-income communities not traditionally served by

larger institutions. The banks and credit unions remaining in CDCI continue to face challenges that could impact their financial stability, ability to lend to small businesses in their communities, and their ability to repay TARP. Community banks continue to have difficulty in gaining access to capital. Credit unions have experienced a rise in non-performing loans, which impacts their balance sheet and capital. Eight of the remaining CDCI institutions have current enforcement actions by their banking regulators. Moreover, many of the CDCI institutions are in economically hard-hit areas around the country that are still struggling to recover from the crisis. Because of these challenges, it is especially important that Treasury keep a watchful eye on taxpayer investments in CDCI institutions.

Quarterly Reports to Congress

SIGTARP has issued 24 quarterly reports to Congress:

- Describing the activities and plans of SIGTARP;
- Explaining and evaluating the various TARP programs;
- Recommending changes to TARP programs and procedures to increase transparency and effective oversight and decrease the potential for fraud, waste, and abuse.

As of September 30, 2014, SIGTARP's quarterly reports include 151 detailed recommendations to facilitate effective oversight and transparency and to prevent fraud, waste, and abuse. The current quarterly report dated October 29, 2014, includes an in-depth discussion on recommendations made to Treasury regarding HAMP that have not been implemented.

SIGTARP's complete listing of recommendations may be reviewed in their entirety at http://www.sigtarp.gov/Quarterly%20Reports/October_29_2014_Report_to_Congress.pdf pages 73-98.

Operating Environment and Key Challenges

SIGTARP is mandated to carry out its duties until the government has sold or transferred all assets and terminated all obligations under TARP. In other words, SIGTARP's mission, which is independent of Treasury's mission related to TARP, is to remain "on watch" as long as TARP assets remain outstanding, which Treasury currently has scheduled until the year 2023. There are two types of ongoing TARP programs as illustrated in the table below:

TARP PROGRAM SCHEDULE	
TARP Program	**Scheduled Program Dates**
Home Affordable Modification Program (HAMP)	2023 to pay incentives on modifications
Hardest Hit Fund (HHF)	2017 for states to use TARP funds
FHA Short Refinance Program	2020 for TARP-funded letter of credit
TARP INVESTMENTS IN FINANCIAL INSTITUTIONS	
TARP Program	**Remaining Treasury Investment**
Capital Purchase Program	Remaining principal investments in 34 banks; warrants for stock in an additional 34 banks
Community Development Capital Initiative (CDCI)	Remaining principal investments in 66 banks/credit unions
Sources: Treasury, Transactions Report, 9/30/2014; Treasury, Daily TARP Update, 10/1/2014; and Treasury, response to SIGTARP data call, 10/6/2014; and FRBNY response to SIGTARP data call, 10/9/2014.	

It is anticipated that TARP will continue to be significant past FY 2015. For instance, CDCI is expected to continue through 2018, states receiving HHF monies have until 2017 to use TARP

funds, and HAMP will continue until 2023. SIGTARP will continue to protect TARP programs from fraud, waste, and abuse and promote their efficiency and effectiveness.

As discussed above, SIGTARP's investigations and audits do not track when Treasury's participation in the program or investment has ended. Repayment of TARP or exit from TARP cannot shield those who commit crime from accountability and justice. The statute of limitations for most of the TARP-related crimes investigated by SIGTARP is 10 years from date of discovery of the offense. In addition, SIGTARP has conducted several audits to bring transparency to historical decision making in TARP based on requests of members of Congress. To support ongoing investigations and oversight of multiple TARP programs after FY 2015, SIGTARP needs to be fully staffed to carry out its duties in FY 2016 and beyond.

SIGTARP has always anticipated a surge in investigative work that will continue in the coming years, and that has turned into a reality. Several of SIGTARP's investigations have gone to trial in the past year after years of investigative work. With many multi-year long investigations only recently resulting in criminal charges, the prosecution can take one or more years. SIGTARP has increased its workload to prepare for trials. Additionally, SIGTARP has also recently uncovered more crime, with proactive efforts resulting in new investigations.

The continued success of SIGTARP depends on its staffing. SIGTARP's total annual request for FY 2016 is $40,671,000; 76 percent of which is solely for personnel costs. The effect of a reduction in SIGTARP resources directly impacts the country's recovery efforts as SIGTARP would face a reduction in staff that would result in fewer investigations and fewer prosecutions that bring accountability and confidence in our judicial system, banking system, and the economy.

As part of its priority to continue the successful pursuit of criminals as a means of restoring confidence and recovering from the financial crisis, SIGTARP is seeking ways to ramp up staffing levels, despite a number of obstacles experienced over the past fiscal year. SIGTARP faces two key challenges with respect to maintaining a fully staffed organization:

- **Temporary Agency–** SIGTARP is a temporary agency with a challenging responsibility of hiring highly experienced personnel. It is difficult to be a choice for applicants when there are options to be employed by permanent organizations.

- **Transitioning away from no-year to annual funding –**SIGTARP's total spending has remained at relatively steady levels since going steady state in FY 2014 as anticipated. However, in past years, SIGTARP has been able to use no-year funding provided by Congress at SIGTARP's inception to supplement appropriated funding. But since SIGTARP is projected to exhaust no-year funding in 2016, future funding will likely be provided entirely through annual appropriations. As a result of this increase in funding uncertainty, staff planning has become more challenging.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Special Inspector General for TARP	FTE	Amount
FY 2015 Enacted	**192**	**$34,234**
Changes to Base:		
Maintaining Current Levels (MCLs):	-	$772
Pay-Raise	-	$306
Pay Annualization	-	$78
FERS Contribution Increase	-	$106
Non-Pay	-	$282
Other Adjustments:	-	$5,665
Base Funding Shortfall	-	$5,665
Subtotal Changes to Base	-	$6,437
Total FY 2016 Base	**192**	**$40,671**
Total FY 2016 Request	**192**	**$40,671**

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ..... +$772,000 / +0 FTE

Pay-Raise +$306,000 / +0 FTE

Funds are requested for the proposed January 2016 pay-raise and the annualization of the 2015 pay-raise.

Pay Annualization +$78,000 / +0 FTE

Funds are requested for annualization of the January 2015 pay-raise.

FERS Contribution Increase +$106,000 / +0 FTE

Funds are requested for an increase in agency contributions for Federal Employees Retirement System (FERS) employees.

Non-Pay +$282,000 / +0 FTE

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

Other Adjustments ..... +$5,665,000 / +0 FTE

Base Funding Shortfall +$5,665,000 / +0 FTE

Funds are requested to meet basic operational requirements. In previous years, operating needs were met through a combination of appropriated dollars and no-year funds. SIGTARP anticipates its non-earmarked no-year account is projected to be exhausted in FY 2016, and its annual appropriation is insufficient to cover SIGTARP's base operations. A fully funded annual appropriation is critical to SIGTARP's continued success in fulfilling its mandate.

2.2 – Operating Levels Table

Dollars in Thousands

Special Inspector General for TARP Object Classification	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
11.1 - Full-time permanent	16,829	20,820	20,318
11.3 - Other than full-time permanent	2,738	2,113	2,780
11.5 - Other personnel compensation	1,726	1,809	2,046
11.9 - Personnel Compensation (Total)	**21,293**	**24,742**	**25,144**
12.0 - Personnel benefits	5,699	6,596	6,710
Total Personnel and Compensation Benefits	**$26,992**	**$31,338**	**$31,854**
21.0 - Travel and transportation of persons	897	943	912
23.2 - Rental payments to others	253	236	271
23.3 - Communication, utilities, and misc charges	100	85	115
24.0 - Printing and reproduction	160	161	161
25.1 - Advisory and assistance services	2,612	2,669	2,667
25.2 - Other services	239	520	283
25.3 - Other purchases of goods & serv frm Govt accounts	10,050	9,510	10,969
25.6 - Medical care	75	0	75
25.7 - Operation and maintenance of equip	10	0	58
26.0 - Supplies and materials	378	462	333
31.0 - Equipment	288	231	359
42.0 - Insurance claims and indemnities	140	1	27
91.2 - Unvouchered Expenditures	10	0	10
Total Non-Personnel	**15,212**	**14,818**	**16,240**
Subtotal New Appropriated Resources	**$42,204**	**$46,156**	**$48,094**
Budget Activities:			
Audit	9,166	12,201	10,266
Investigations	33,038	33,955	37,828
Total Budgetary Resources	**$42,204**	**$46,156**	**$48,094**
FTE	**165**	**192**	**192**

2B – 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) [$34,234,000] *$40,671,000. (Department of the Treasury Appropriations Act, 2015.)*	

2C – Legislative Proposals

SIGTARP has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Audit
($8,870,000 from direct appropriations):
The Audit budget activity supports SIGTARP's priority of coordinated oversight by providing recommendations to Treasury to improve TARP programs, bring transparency to decisions made in TARP, and prevent fraud, waste, and abuse. SIGTARP conducts, supervises, and coordinates programmatic audits of TARP without sacrificing the rigor of required methodology. SIGTARP's audits facilitate transparency and opportunities to improve and protect TARP.

This activity supports and complements Treasury's Strategic Goal 1: promote domestic economic growth and stability while continuing reforms of the financial system by assessing the effectiveness of Treasury's activities in TARP. In particular, the Audit activity supports Objective 1.1: promote savings and increased access to credit and affordable housing options, Objective 1.2: wind down emergency financial crisis response programs, and Objective 1.3: complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability as they relate to TARP.

Additionally, through open and transparent communication with Congress, the Audit activity supports Treasury's Strategic Goal 5: create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction. Through expedient responses to inquiries from Congress, the Audit activity supports Objective 5.4: create a culture of service through relentless pursuit of customer value.

One of the primary functions of SIGTARP is to ensure that members of Congress remain adequately and promptly informed of SIGTARP's oversight and law enforcement activities. To fulfill that role, the Special Inspector General and staff meet regularly with Congress and staff. In FY 2014 SIGTARP exceeded its performance goal of three "Congressional Requests for Testimony Completed," having completed four testimonies. Additionally, SIGTARP staff briefed Congressional staff in April and August on SIGTARP's April 2014 and July 2014 Quarterly Reports, respectively. In April, June, and July, the Special Inspector General also submitted written Congressional testimony to the U.S. Senate Homeland Security and Governmental Affairs Committee and the U.S. Senate Banking Committee on the role of oversight of small agencies, the impact of high speed trading on our economy, and what makes a bank systemically significant. SIGTARP anticipates that Congress will continue to have interest in SIGTARP's work and will continue to request at least three testimonies in FY 2015.

Copies of written Congressional testimony are posted at www.sigtarp.gov/pages/testimony.aspx.

Description of Performance:
The performance goal, "Number of Completed Audit Products" includes issuing audit products that promote the efficiency and effectiveness of the TARP and prevent waste, fraud, and abuse. SIGTARP developed an audit plan using a risk-based planning process to identify projects that will provide the maximum benefit to TARP, Congress, and the taxpayers. The maximum benefit is to assure the general public that TARP funds are not expended by recipients or other entities on waste, fraud, or abuse. Presently there are on-going audits and evaluations some of which

have been requested by Congress, and some self-initiated. Among the ongoing audits and evaluations in process are reviews of:

- Treasury's and the state housing finance agencies' implementation and execution of the Hardest Hit Fund;
- Treasury's role, implementation, and status of the Hardest Hit Fund Blight Elimination Program; and
- Treasury's surveys of the recipients of Capital Purchase Program and the Community Development Capital Initiative.

SIGTARP exceeded its "Number of Completed Audit Products" target for FY 2014, with 10 completed audit products. For FY 2015 the target number of audit products is eight, and in FY 2016, the target is seven in recognition of SIGTARP's shift of increasing resources to law enforcement.

SIGTARP's complete listing of recommendations may be reviewed in their entirety at http://www.sigtarp.gov/Quarterly%20Reports/October_29_2014_Report_to_Congress.pdf pages 73-98.

In FY 2016 SIGTARP will measure its responsiveness to Congressional inquiries, which SIGTARP believes is a more meaningful measure of Congressional interest in SIGTARP's mission than the number of Congressional testimonies submitted. The new measure, "Percentage of Timely Responses to Congressional Inquiries" focuses on the responsiveness of information flow and transparency between SIGTARP and Congress. SIGTARP's target of responding to Congressional Inquiries Within 45 Days of Receipt of the inquiries 85 percent of the time will track SIGTARP's promptness in providing developments of its oversight activities.

3.1.1 – Audit Budget Activity Budget and Performance Plan

Dollars in Thousands

Audit Budget Activity Resource Level	FY 2009 Actuals	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$0	$9,900	$10,581	$14,626	$10,376	$12,220	$9,243	$8,870
Budget Activity Total	**$0**	**$9,900**	**$10,581**	**$14,626**	**$10,376**	**$12,220**	**$9,243**	**$8,870**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Congressional Requests for Testimony Completed (Units)	9	7	5	4	5	4	3	N/A
Number of Completed Audit Products (Units)	3	9	13	13	10	10	8	7
Percentage of Congressional Inquiries Responded to within 45 Days of Receipt	N/A	N/A	N/A	N/A	N/A	N/A	N/A	85.0

Key: DISC - Discontinued and B - Baseline

3B – Investigations
($31,801,000 from direct appropriations):
The Investigations budget activity supports SIGTARP's priority of robust law enforcement of crimes and other violations of the law related to TARP. This activity supports and complements Treasury's Strategic Goal 1: promote domestic economic growth and stability while continuing reforms of the financial system. In particular, the Investigations activity supports Objective 1.2: wind down emergency financial crisis response programs, and Objective 1.3: complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability by investigating cases of fraud and abuse related to TARP.

SIGTARP conducts criminal and civil investigations related to TARP using a staff of experienced investigators, including special agents, forensic agents, investigators, analysts, and investigative attorneys. This structure provides SIGTARP with a broad array of expertise and perspective in detecting and unravelling the most sophisticated of crimes. In the interest of maximizing resources, SIGTARP coordinates closely with other law enforcement agencies. In forming law enforcement partnerships and task force relationships across federal and state governments, SIGTARP leverages its unique position and expertise.

Description of Performance:
With the continued success of SIGTARP investigations, its law enforcement partners sometimes pursue a lead or open a case and then request the involvement of SIGTARP to bring its expertise on TARP-related crime. For FY 2014, "Percentage of Cases That are Joint Agency/Task Force Investigations" with other law enforcement agencies was 75.5 percent, exceeding the target of 45 percent. SIGTARP is projecting a goal of 50 percent for FY 2015 and 70 percent for FY 2016.

During FY 2014, the "Percentage of Investigations Accepted for Consideration by Prosecutors," including criminal or civil investigations that a federal, state, or local prosecutor has formally accepted for consideration for criminal prosecution or civil or administrative action was 97.5 percent, exceeding the target of 70 percent. This success is directly related to SIGTARP's successful investigation of evidence and its support of prosecutions. The target for this performance metric will remain at 70 percent in FY 2015 and increase to 80 percent in FY 2016.

SIGTARP's crime-tip Hotline has analyzed more than 34,481 Hotline contacts. "Percentage of Hotline Complaints Responded to or Referred for Investigation or Further Action Within 14 Days of Receipt" was 95 percent for FY 2014, exceeding the annual goal of 70 percent. SIGTARP anticipates a 75 percent referral rate of these complaints for FY 2015 and an 80 percent referral rate for FY 2016.

During a preliminary investigation, an investigator gathers fundamental information to evaluate whether a potential case should be converted to a full investigation or if it should be closed. In FY 2014, "Percentage of Preliminary Investigations Converted to Full Investigations Within 180 days" was 95.75 percent, exceeding the target of 60 percent. As SIGTARP has gained expertise in investigating TARP-related crime, SIGTARP has efficiently leveraged its resources to handle its growing inventory and to expedite these investigations. As SIGTARP's workforce

has evolved, so has its ability to respond quickly to allegations and to devote the necessary resources. SIGTARP has involved prosecutors in preliminary investigations to ensure that allegations, if proven, will be prosecuted. The result is a greater number of preliminary investigations converted to full investigations within the 180-day timeframe. Based on these efficiencies, this performance metric will increase to 70 percent in FY 2015 and to 80 percent in FY 2016. SIGTARP makes effective, informed decisions when opening preliminary investigations. In this manner, SIGTARP will ensure an appropriate commitment of investigative resources to support investigations.

3.1.2 – Investigations Budget and Performance Plan

Dollars in Thousands

Investigations Budget Activity Resource Level	FY 2009 Actuals	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$0	$13,339	$25,433	$27,174	$29,230	$22,703	$24,991	$31,801
Budget Activity Total	**$0**	**$13,339**	**$25,433**	**$27,174**	**$29,230**	**$22,703**	**$24,991**	**$31,801**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Percentage of Cases That are Joint Agency/Task Force Investigations	60.0	50.0	40.0	65.0	79.0	75.5	50.0	70.0
Percentage of Investigations Accepted for Consideration by Prosecutors	95.0	100.0	94.0	95.0	94.0	97.5	70.0	80.0
Percentage of Hotline Complaints Responded to or Referred for Investigation or Further Action within 14 Days of Receipt	77.0	74.0	76.0	77.0	83.0	95.0	75.0	80.0
Percentage of Preliminary Investigations Converted to Full Investigations within 180 Days	50.0	80.0	88.0	77.0	82.0	95.75	70.0	80.0

Key: DISC - Discontinued and B - Baseline

Section 4 – Supplemental Information

4A – Summary of Capital Investments

IT funding has been critical in enabling SIGTARP to fulfill its mission of transparency, coordinated oversight, and robust enforcement. SIGTARP uses the services provided by Treasury Departmental Offices and Government Security Operations Center as part of Treasury's headquarters operations. SIGTARP relies on the Treasury's Office of the Chief Information Officer and Departmental Offices Operations to provide a secure infrastructure that is fully capable of supporting the mission and administrative requirements of a completely functional, bureau-level government agency with the technology requirements appropriate to an audit and investigative organization.

SIGTARP's IT strategy continues with limited IT investments including updates, modifications, and maintenance and equipment refreshment, consistent with its role as a temporary agency. For FY 2016, SIGTARP expects only ongoing infrastructure charges for headquarters and for remote office operations and routine maintenance, enhancements and modifications of its existing systems required to support its mission. SIGTARP has no capital investments.

Non-Major IT Investment Summary

The non-major IT investments are for the acquisition, installation, integration, training and modifications of mission essential systems such as hotline information management, investigative case management, investigations database, investigations evidence network, counsel case management, forensic system management, SIGTARP website and intranet, video teleconferencing used primarily for investigative activity with field offices and headquarters, and asset management which were established by SIGTARP because they were not provided by Treasury. SIGTARP migrated most of these systems to Treasury for hosting services and began to use Treasury's shared services offerings such as cloud computing for content management such as document management, Freedom of Information Act tracking, and records management.

Non-IT Investment Summary

SIGTARP's non-IT investments include technical surveillance equipment. The Investigations Division requires specialized surveillance equipment in order to conduct criminal investigations in cooperation with other federal/state/local law enforcement agencies. This specialized equipment ensures agent safety to obtain evidence for prosecution while allowing interoperability with equipment used by the other agencies.

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.

Treasury Inspector General for Tax Administration

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Appropriations Detail Table 3
1B – Vision, Priorities and Context 3
Section 2 – Budget Adjustments and Appropriation Language 15
2.1 – Budget Adjustments Table 15
2A – Budget Increases and Decreases Description 15
2.2 – Operating Levels Table 18
2B – Appropriations Language and Explanation of Changes 19
2C – Legislative Proposals 19
Section 3 – Budget and Performance Plan 20
3A – Audit 20
3.1.1 – Audit Budget Activity Budget and Performance Plan 23
3B – Investigations 23
3.1.2 – Investigations Budget and Performance Plan 27
Section 4 – Supplemental Information 28
4A – Summary of Capital Investments 28

Section 1 – Purpose

1A – Mission Statement

Provide quality professional audit, investigative, and inspections and evaluations services that promote integrity, economy, and efficiency in the administration of the Nation's tax system.

1.1 – Appropriations Detail Table

Dollars in Thousands

Treasury Inspector General for Tax Administration Appropriated Resources	FY 2014 Enacted		FY 2015 Enacted		FY 2016 Request		FY 2015 to FY 2016 $ Change		FY 2015 to FY 2016 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Audit	349	60,850	349	61,572	358	65,100	9	3,528	2.58%	5.73%
Investigations	486	95,525	486	96,638	501	102,175	15	5,537	3.09%	5.73%
Subtotal New Appropriated Resources	**835**	**$156,375**	**835**	**$158,210**	**859**	**$167,275**	**24**	**$9,065**	**2.87%**	**5.73%**
Other Resources:										
Reimbursables	2	1,700	2	1,500	2	1,500	0	0	0.00%	0.00%
Subtotal Other Resources	**2**	**$1,700**	**2**	**$1,500**	**2**	**$1,500**	**0**	**$0**	**0.00%**	**0.00%**
Total Budgetary Resources	**837**	**$158,075**	**837**	**$159,710**	**861**	**$168,775**	**24**	**$9,065**	**2.87%**	**5.68%**

1B – Vision, Priorities and Context

The Treasury Inspector General for Tax Administration (TIGTA), an independent office within the Department of the Treasury, was created by Congress as a part of the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98)[1] with a statutory mandate to provide oversight by conducting independent audit, investigative, and inspections and evaluations services necessary to improve the quality and credibility of Internal Revenue Service (IRS) operations, including oversight of the IRS Chief Counsel and the IRS Oversight Board. TIGTA conducts independent reviews and provides an unbiased perspective for improving the economy, efficiency, and effectiveness of IRS programs. TIGTA makes recommendations designed to improve the administration of the Federal tax system; conducts administrative and criminal investigations of allegations of waste, fraud, and abuse; and helps to ensure that the IRS protects and secures taxpayers' data. TIGTA also has the unique responsibility of protecting the IRS and its employees.

TIGTA continues to be committed to its vision and mission, and to accomplishing its strategic goals and objectives. TIGTA safeguards the integrity of and the public's trust and confidence in Federal tax administration through the audits, investigations, and inspections and evaluations it conducts. This focus is a matter of extreme importance given the current economic environment and the increased emphasis by the Administration, Congress, and the American people on Federal Government accountability and its efficient use of resources. The American people must be able to trust that their Government is taking action to stop wasteful practices and ensure that every tax dollar is spent wisely.

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

TIGTA Vision

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 *Fiscal Year 2013 – 2016 Strategic Plan* guides program and budget activities and supports the Department of the Treasury's FY 2014-2017 Strategic Plan (the Plan), which includes Strategic Goal 2: "Fairly and effectively reform and modernize Federal financial management, accounting, and tax systems."

TIGTA's vision is specifically consistent with objective 3.2 of the Plan, "Improve the disbursement and collection of Federal funds and reduce improper payments made by the U.S. Government." Likewise, TIGTA's vision supports objective 3.3 of the Plan, "Pursue tax reform, implement the Patient Protection and Affordable Care Act (ACA)[2] and the Foreign Account Tax Compliance Act (FATCA),[3] and improve the execution of the Internal Revenue Code (IRC or tax code)."

TIGTA Strategic Goals

Promote the economy, efficiency, and effectiveness of tax administration.

Protect the integrity of tax administration.

Continue to be an organization that values its people.

TIGTA's progress in meeting the strategic goal of valuing its people was demonstrated last year when the Partnership for Public Service announced the results of the 2014 *Best Places to Work* rankings. TIGTA placed 10th out of 315 agency subcomponents. The scoring index measured the performance of agency subcomponents related to employee satisfaction and commitment. Among all Treasury bureaus, TIGTA placed the highest in this ranking.

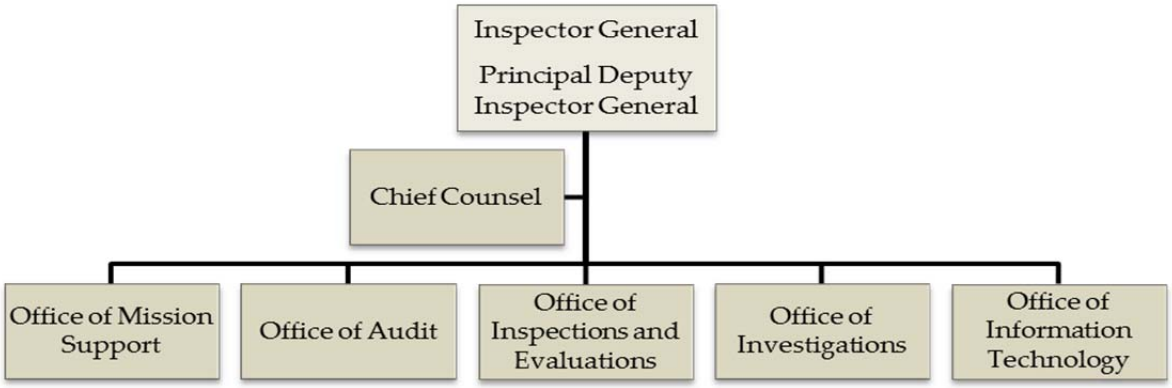
TIGTA's headquarters facility is in Washington, D.C., and TIGTA has 67 offices located throughout the United States and Puerto Rico. TIGTA is uniquely organized by function, to meet current tax administration challenges and to keep pace with emerging issues. These functions include:

- Office of Audit (OA) – This Office conducts audits and issues reports that advise the American people, Congress, the Secretary of the Treasury, and IRS management of high-risk issues relating to the administration of IRS programs and operations. TIGTA's audit recommendations aim to improve IRS systems and operations, while emphasizing fair and equitable treatment of taxpayers.
- Office of Investigations (OI) – This Office investigates external threats of violence against IRS employees and facilities and internal allegations of criminal and administrative

[2] Pub. L. No. 111-148, 124 Stat. 119, as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1012.
[3] Hiring Incentives to Restore Employment (HIRE) Act of 2010, Title V, Pub. L. 111-147, 124 Stat. 71.

misconduct by IRS employees and contractors. OI also conducts investigations to protect the IRS against bribery attempts; impersonations; and external, cyberbased, and often globally complex threats that would impede the IRS's ability to collect revenues and safeguard the processing of approximately 199 million returns annually.

- Office of Inspections and Evaluations (I&E) – This Office provides responsive, timely, and cost-effective inspections and evaluations of challenging areas in IRS programs. I&E's oversight activities are designed to identify high-risk systemic inefficiencies in IRS operations and to investigate exploited weaknesses in tax administration.



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 Fiscal Year (FY) 2014, through targeted and vigorous oversight efforts that addressed congressional concerns and audit and investigative priorities, TIGTA generated overall financial accomplishments of $16.6 billion.

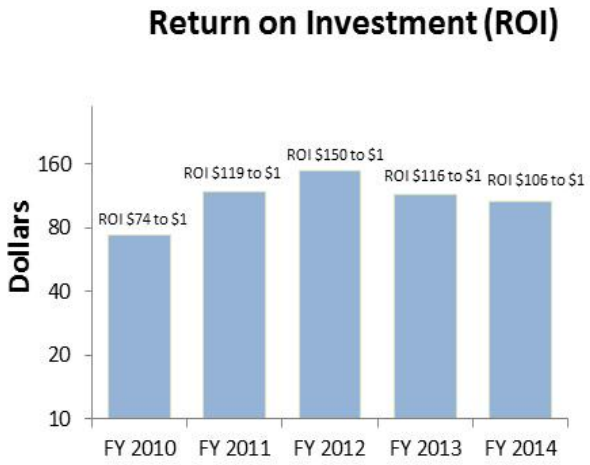


Figure 1: TIGTA's Return on Investment

These financial accomplishments included:

- Increased and/or protected revenue in the amount of $7.7 billion;
- Cost savings of $8.7 billion
- Significant Investigative Accomplishments of $.037 billion, and
- Other Financial Benefits of $.119 billion.

Funding for TIGTA allows oversight efforts to continue, and in FY 2014, these efforts produced a return on investment (ROI) of $106 for every $1 invested (Figure 1). For example, during that period TIGTA issued audit reports with recommendations that potentially increased and/or protected revenue of $7.7 billion. Increased/protected revenue includes the assessment or collection of additional taxes (increased revenue) and ensuring the accuracy of the total taxes, penalties, and interest paid to the Federal Government (revenue protection). TIGTA also issued

audit reports with recommendations that identified a potential $8.7 billion in cost savings. The phrase "cost savings" includes questioned costs and funds put to better use.

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

Funds put to better use means funds that could be used more efficiently or effectively if management took actions to implement and complete the recommendation, 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 $15,319,984 in court-ordered fines, penalties, restitution, and recovery of embezzled/stolen funds.

To continue strengthening its oversight and issuing results-driven recommendations, TIGTA must:
- Adapt to the evolving nature of IRS operations and mitigate internal and external risks associated with security, modernization, tax compliance and the tax gap, tax-exempt organizations, offshore tax evasion, identity theft, procurement fraud, and the implementation of tax laws including ACA;
- Respond to threats and attacks against IRS employees, property, and sensitive information;
- Conduct comprehensive audits and inspections and evaluations that identify problems and include recommendations which result in higher revenue and less waste, fraud, and abuse; and
- Inform the American people, Congress, and the Secretary of the Treasury of the challenges confronting the IRS and its efforts to increase voluntary tax compliance, and to address identity theft and tax fraud.

FY 2016 Budget Request

TIGTA's FY 2016 budget request of $167,275,000 represents an increase of 5.73 percent above the FY 2015 enacted budget. These resources will fund critical audit, investigative, and inspections and evaluations 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),[4] TIGTA submits the following information related to its FY 2016 Budget Request:
- The aggregate budget request for TIGTA operations is $167,275,000;
- The portion of the request needed for TIGTA training is $1,766,000; and

[4] 5 U.S.C. app. 3 § 6(f)(1).

- The portion of the request needed to support the Council of the Inspectors General on Integrity and Efficiency is $451,000.

The amount requested for training supports TIGTA's training needs for FY 2016.

FY 2016 Priorities

TIGTA's audit, investigative, and inspections and evaluations priorities include:

- Identifying opportunities to improve the administration of the Nation's tax laws and achieve program efficiencies and cost savings;
- Mitigating risks associated with: security over taxpayer data and employees; information systems modernization; identity theft; oversight of tax-exempt organizations; procurement fraud; tax compliance; the implementation of tax law changes; and human capital challenges facing the IRS in its domestic and/or international operations;
- Providing the IRS with the investigative coverage and the information necessary to mitigate threats against its employees, facilities, and data systems;
- Responding to domestic and foreign threats to and attacks against IRS employees, property, data infrastructure, and sensitive information;
- Rapidly and effectively responding to attempts to impersonate the IRS for fraudulent purposes;
- Improving the integrity of IRS operations by detecting and deterring waste, fraud, abuse, and misconduct, including the unauthorized disclosure of confidential taxpayer information by IRS employees;
- Conducting comprehensive audits and inspections and evaluations that provide recommendations for achieving monetary benefits; addressing erroneous and improper payments; and enhancing the service the IRS provides to taxpayers;
- Informing the American people, Congress, and the Secretary of the Treasury of problems on a timely basis once all facts are known;
- Overseeing the IRS's efforts to administer tax provisions of the ACA; and
- Overseeing the IRS's efforts in reducing tax noncompliance of U.S. businesses and individual taxpayers residing and working overseas.

Closing the Federal Tax Gap

Increasing voluntary taxpayer compliance and reducing the tax gap remain the focus of many IRS initiatives. In FY 2012, the IRS updated its estimates of the tax gap. The gross tax gap - the difference between estimated taxes owed and taxes voluntarily paid on time - was $450 billion in 2006, an increase from the $345 billion estimated in 2001. Although the IRS reported that the tax gap is caused by both unintentional taxpayer errors and willful tax evasion or cheating, it does not have sufficient data to differentiate the amounts attributable to each. The IRS also reported that meaningful improvement in the voluntary compliance rate requires a long-term, focused effort involving taxpayer service, modernization, and enforcement. Tax compliance initiatives include the administration of tax regulations, the collection of the correct amount of tax from businesses and individuals, and the oversight of tax-exempt and government entities. TIGTA will continue to direct its efforts to reduce the tax gap. In FY 2014, TIGTA reported that the IRS could better use third-party data to detect potentially improper Simplified Employee Pension deductions and potentially realize $29 million in revenue over five years.

Office of Audit
The budget for OA provides funding for comprehensive and independent audits of IRS programs and operations that help promote sound administration of the Nation's tax laws. Audit coverage is determined by assessing the risks associated with the potential audit universe and identifying the highest priority audits to address major management challenges and key emphasis areas.

Sufficient funding will allow TIGTA to continue its oversight responsibilities and audit coverage of the major management challenges facing the IRS. Audit activities are also focused on assessing key areas in which the IRS faces major risks, including:

- Tax-exempt organizations;
- Identity theft detection and prevention;
- ACA implementation and administration; and
- International tax compliance.

The President signed into law significant changes to the Nation's health care system under the ACA. Multiple ACA provisions have been added to the IRC and existing provisions in the IRC have been amended. At least eight of those provisions require the IRS to build new processes in tax administration. These provisions provide incentives and tax breaks to individuals and small businesses to offset health care expenses. They also impose penalties, administered through the IRC, for individuals and businesses that do not obtain health coverage for themselves or their employees. Other provisions raise revenue to offset the costs of health care reform. TIGTA's independent oversight plays a key role in ensuring that these provisions are implemented and administered in accordance with the law and the intent of Congress.

Beginning in 2014, most individuals are required to maintain minimum essential coverage. A penalty (Individual Shared Responsibility Payment) will be imposed on individuals who fail to have minimum essential coverage for themselves and their dependents. The penalty is assessed through the tax code and accounted for as an additional amount of Federal tax owed. In addition, some low-to middle-income individuals will be eligible to receive a refundable tax credit known as a Premium Tax Credit (PTC), intended to assist them with the cost of obtaining required health insurance coverage. Individuals will begin claiming the tax credit on their Tax Year (TY) 2014 tax returns.

FY 2016 will be a significant year for the IRS's implementation of ACA provisions. Due to delays in employer reporting requirements, tax returns processed in 2016 will be the first returns for which the IRS will have all the reporting information required under the ACA to verify related claims on the returns. TIGTA will continue to evaluate the effectiveness of IRS's processing of returns to verify compliance with the individual coverage mandate and the accuracy of PTC claims. The IRS will also continue to assess the reliability of the data it receives from the exchanges for use in verifying PTC claims and individual compliance with the requirement to have insurance coverage.

In addition, TIGTA will continue its assessment of IRS efforts to identify questionable PTC claims, including the IRS's continued development of systems to prevent, detect, and resolve fraud and abuse during ACA tax return processing. The IRS's ACA implementation plan, when fully developed and implemented is designed to leverage third party reporting from the exchanges and new computer analytical capability built into the Return Review Program.

The plan calls for the development of the ACA Validation Service, which will be used to identify improper ACA-related refunds. The ACA Validation Service will be designed to perform screening for improper refunds, and will identify fraudulent schemes that include multiple returns. Until these new systems are successfully developed, TIGTA remains concerned that the IRS's existing fraud detection system may not be capable of identifying ACA refund fraud or schemes prior to the issuance of tax refunds. Many of the ACA tax provisions on Health and Human Services (HHS) and IRS processes and procedures will also require continued coordination between TIGTA and HHS's Office of Inspector General during FY 2016.

OA has a continuing need to provide close oversight of the IRS's tax-exempt organization program. In FY 2013, TIGTA issued a report on the IRS's processing of applications from organizations claiming tax-exempt status under I.R.C. 501(c)(3) and I.R.C. 501(c)(4). This report highlighted ineffective management in this area and identified inappropriate practices by IRS employees who processed these cases. Congress has called for continuing oversight by TIGTA of the IRS's tax-exempt program to ensure that these problems have been corrected and will never happen again. In his February 5, 2014, congressional testimony before the House Ways and Means Committee, Subcommittee on Oversight, on the State of the IRS, the IRS Commissioner stated that the IRS has implemented all of the recommendations in TIGTA's audit report. The IRS has taken various actions, including establishing guidelines, training employees, and issuing proposed regulations. TIGTA will continue evaluating whether the IRS has the proper structure and processes in place to provide impartial and effective oversight for organizations seeking or operating under tax-exempt status.

Office of Investigations

In FY 2014 through its investigative programs, OI sought to protect the IRS's ability to process 199 million tax returns and collect over $3.1 trillion in annual revenue for the Federal Government by investigating IRS employee misconduct and criminal activity, threats to IRS employees and facilities, and attempts to impede or otherwise interfere with the IRS's collection efforts (Figure 2).

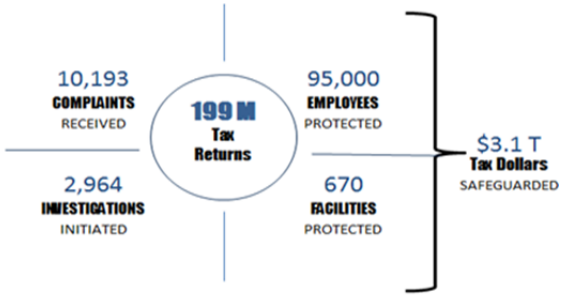


Figure 2: TIGTA's Protection of the Federal Tax System

Funding OI allows TIGTA to meet the significant challenges facing the IRS in the implementation of a fair and effective system of tax administration. IRS employees are entrusted with the sensitive personal and financial information belonging to the American taxpayers. Because the Federal tax system is based on voluntary compliance, it is also essential to the public's confidence that information given to the IRS for tax administration purposes be adequately safeguarded and kept confidential. Employee misconduct not only breaks the public's trust and confidence, but also undermines the IRS's ability to deliver taxpayer service, enforce tax laws effectively, and collect taxes owed.

TIGTA's OI places the highest priority on its statutory responsibility to safeguard approximately 95,000 IRS employees located in 670 facilities throughout the United States. Threats of physical

violence, harassment, and intimidation of IRS employees are criminal violations that OI aggressively investigates and refers for prosecution. As a result, IRS employees feel more secure in their work environment and can focus on performing their critical jobs. By maintaining a constant focus on the expanding threat environment, OI balances its attention on this critical area and its other investigative programs that help to protect the integrity of the Federal tax system.

Emerging Issues

ACA: TIGTA anticipates a rise in the number of complaints and investigations because of the IRS's increased role in the ACA implementation. This budget request will allow TIGTA to investigate ACA-related allegations, timely respond to threats and assaults against IRS employees and facilities, and provide armed escorts to IRS employees who meet with potentially dangerous taxpayers. TIGTA anticipates an increase in:

- The number of threats against IRS employees and facilities as the IRS begins collecting ACA tax penalties that take effect in 2015;
- The number of ACA-related impersonation investigations by criminals attempting to fraudulently obtain personally identifiable information from unsuspecting taxpayers; and
- The number of employee integrity investigations, to ensure that IRS employees and contractors are appropriately safeguarding sensitive information from taxpayers' health insurers and prevent the potential for unauthorized access to, or disclosure of, confidential taxpayer information.

International Cybercrimes and Identity Theft: By the end of Calendar Year (CY) 2012, the IRS reported almost 1.8 million identity theft cases. Taxpayers who were victims of identity theft brought approximately 16 percent of these cases to the attention of the IRS, and the IRS detected about 84 percent. The tools and techniques used by the perpetrators of identity theft are such that they can be deployed from anywhere in the world, without regard to borders, using Internet-connected computers. The FY 2016 budget request includes resources needed to combat cybercriminals by funding a highly specialized group of criminal investigators with technical expertise in investigating electronic crimes, including computer intrusions and Internet-based fraud schemes.

The electronic system of tax administration that is conducted over IRS computer networks is targeted for malicious activity each day from network connections located throughout the world. Because many cybercriminals reside outside the United States, TIGTA special agents work with law enforcement personnel in foreign countries (Figure 3) to identify leads and execute search and arrest warrants. The FY 2016 resources will allow TIGTA to recruit and retain highly trained special agents that will support these critical international investigations.

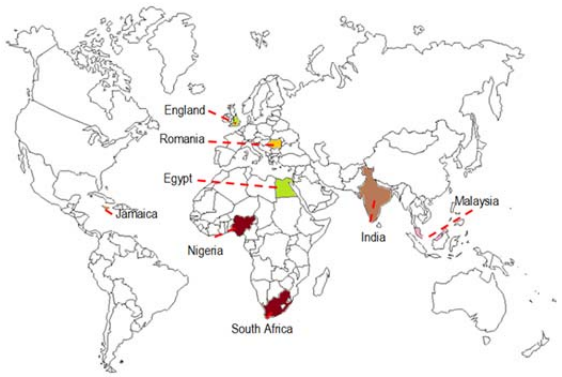


Figure 3: Examples of countries linked to TIGTA cybercrimes investigations

Office of Inspections and Evaluations
TIGTA's I&E provides a range of specialized services and products, including quick reaction reviews, onsite office inspections, and in-depth evaluations of a major function, activity, or program. Inspections:

- Provide factual and analytical information;
- Monitor compliance;
- Measure performance;
- Assess the effectiveness and efficiency 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 2014, I&E produced 14 reports. Two inspections reviewed IRS expenditures under the American Recovery and Reinvestment Act of 2009.[5] Seven inspections reviewed deposits delivered by Submission Processing employees; physical controls at selected facilities; Submission Processing Centers' mailroom screening processes for hazardous materials; executive long-term taxable travel; compliance with U.S. Constitution training requirements; compliance with the Lautenberg Amendment;[6] and a follow-up review of controls over religious compensatory time. Finally, I&E produced a comprehensive evaluation of past audit recommendations that have not been implemented by the IRS.

I&E will provide oversight of the IRS's administration of the ACA and implementation of the FATCA. I&E provides TIGTA with additional flexibility, capacity, and capability to produce value-added products and services to improve tax administration. Inspections usually are more limited in scope and completed in a more compressed period of time than are traditional audits. The work of I&E complements the Offices of Audit and Investigations, and its findings may result in subsequent audits and/or investigations.

Office of Information Technology
TIGTA's Office of Information Technology (OIT) provides cost-effective, timely Information Technology (IT) products and services that permit successful completion of TIGTA's business goals while meeting legislative mandates. By developing, providing, and supporting a wide variety of IT products and services, OIT facilitates the collection, management, analysis, and dissemination of information for the benefit of audit, investigative, legal, and management services.

TIGTA has no major IT investments based on the criteria of the Office of Management and Budget (OMB) and the Department of the Treasury. Several non-major investments, however, directly support the mission, strategy, and day-to-day operations of TIGTA.

These investments include:

- Secure IT Mobility;
- Server and Storage Infrastructure;

[5] Pub. L. No. 111-5, 123 Stat. 115.
[6] 18 U.S.C. § 922(g)(9).

- Refreshed Applications and Collaboration Environment;
- IT Governance and Total Cost of Ownership; and
- Telecommunications Infrastructure.

TIGTA's Audit, Investigations, and Inspections and Evaluations functions rely heavily on the products and services provided by OIT to execute TIGTA's mission. Information Technology is the critical force that allows auditors, special agents, and inspectors and evaluators to accomplish their objectives within the staffing and physical constraints that might otherwise prevent their completion. As the demands on the organization grow, it becomes increasingly dependent on the use of technology. Those demands translate into the need for more and improved IT services and the skilled staff to provide those services to the organization.

In addition to auditing and reporting on the condition of IT security at the IRS, TIGTA, like all Federal agencies, faces its own challenges regarding compliance with the security mandates and recommendations of OMB, Department of Homeland Security, Executive Orders, and National Institute of Standards and Technology guidance. To prevent the compromise of the data obtained within the parameters of its jurisdiction, TIGTA must aggressively ensure that its own security posture is properly maintained. This requires training for staff that will allow them to be both knowledgeable in IT security and skilled in its practice.

Safeguarding the IRS and Providing Comprehensive Oversight

TIGTA places its highest priority on ensuring the safety and security of IRS employees and facilities. TIGTA evaluates intelligence information regarding potential violent acts against the IRS and develops proactive leads from other law enforcement agencies and sources to mitigate potential threats.

As part of these improvements, the Threat Information and Critical Incident Response Center Initiative was created to ensure that threats against IRS personnel, facilities, or critical infrastructure are effectively and proficiently identified, investigated, and mitigated. Additionally, OI has established a Threat Information Notification System (TINS) to ensure the efficient and accurate distribution of threat-related information to all impacted stakeholders. The TINS protocol supports key personnel within TIGTA and the IRS, and provides for real-time information sharing to facilitate the protection of the IRS's most important resource, its employees.

TIGTA and the IRS are now better positioned to make decisive investigative and security decisions affecting IRS personnel, facilities, and critical infrastructure well into the future.

Security for Taxpayer Data and Employees: The IRS faces the daunting task of securing its computer systems against the growing threat of cybercrimes. Effective information systems security is essential to ensure that data are protected against inadvertent or deliberate misuse, unauthorized disclosure, or destruction, and that computer operations supporting tax administration are secured against disruption or compromise. In addition to securing a vast amount of sensitive financial and personal data, the IRS must also protect approximately 95,000 employees and 670 facilities throughout the United States. These operating conditions are

challenging for the IRS and underscore the need for continued vigilance in the area of physical and personnel security.

In FY 2014, TIGTA issued a report noting that the IRS's network conversion to Internet Protocol version 6 (IPv6) introduces security risks if the conversion is not implemented and managed properly. The IRS controls were not established to ensure that all new IT purchases were IPv6 capable. Unsecured data and networks are vulnerable to unauthorized disclosure, which can lead to identity theft. Furthermore, security breaches can cause network disruptions and prevent the IRS from performing vital services such as processing tax returns, issuing refunds, and answering taxpayer inquiries.

To prevent the compromise of sensitive taxpayer information, TIGTA proactively identifies IRS employees who inspect tax information without authorization (commonly known as UNAX). The initial investigation into the allegation of UNAX by an IRS employee often leads to the discovery of other criminal violations, including fraud and identity theft. The importance of efforts to detect UNAX is often underestimated, because too often UNAX is seen as browsing by bored employees. IRS employees who are found to have committed UNAX violations may be subject to fines, imprisonment, and/or loss of their jobs. In FY 2014, TIGTA initiated 287 UNAX investigations, and closed 217 cases that resulted in adjudicated personnel actions against IRS employees.

Another significant oversight responsibility is TIGTA's review of the IRS's computer applications that contain sensitive information. The IRS currently has 132 application systems that process sensitive data. Eighty-three of those applications are considered to be at risk for UNAX. With the FY 2016 resources, TIGTA can ensure that these applications are evaluated properly. In addition, TIGTA can make necessary recommendations so the IRS can implement improvements to mitigate these risks.

TIGTA's outreach program continues to play an important role in its broader efforts to raise awareness, educate, and train IRS employees and tax practitioners about potential threats and crimes against the IRS and taxpayers. Every year, special agents conduct security awareness presentations to educate IRS employees of TIGTA's oversight responsibility and share information to help identify ways to prevent physical assaults and threats and deter waste, fraud, and abuse. In FY 2014, TIGTA provided 1,138 awareness presentations to 36,471 IRS employees and 23 awareness presentations to 3,074 tax practitioners and preparers.

Fraudulent Claims and Improper Payments: The Improper Payments Information Act of 2002[7] defines an improper payment as any payment that should not have been made or that was made in an incorrect amount (both overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. In FY 2014, TIGTA issued a report noting that the IRS developed a project to identify business taxpayers erroneously claiming the Advance Energy Credits; however, the IRS does not have a similar program for individual taxpayers. TIGTA's review identified over $3 million in Advance Energy Credits claimed by individuals in TY 2011 who were potentially ineligible to receive the credit. TIGTA, in another report, indicated that by comparing third-party data to tax returns claiming a qualified retirement

[7] Pub. L. No. 107-300, 116 Stat. 2350.

savings contribution credit, the IRS could have identified approximately $53 million in potentially false or overstated credits and protected this revenue.

***Achieving Program Efficiencies and Cost Savings*:** During the fall of 2011 through the summer of 2012, numerous Department of the Treasury, OMB, Presidential Executive Orders, and other guidance documents were issued to ensure that the Federal Government acts as a good steward of taxpayer money by identifying opportunities to promote efficient and effective spending and eliminating excessive spending on conferences and travel. In FY 2014, TIGTA issued a report indicating that the IRS's inadequate management of software licenses has resulted in an estimated waste of $11.6 million and overutilization of $1.5 million in license and software subscription support fees.

Advising Congress: In FY 2014, TIGTA provided three testimonies, over 30 briefings, and more than 15 official written responses to Congress on its audit, investigative, and inspections and evaluations activities. Through direct communication, TIGTA aims to address the interest of congressional committees on critical issues involving IRS programs and operations.

Fraud and Electronic Crime: Historically, investigations and audits have shown that the sensitivity of the data the IRS collects makes it an attractive target for employees, hackers, and others residing throughout the world who could use the information to commit crimes involving fraud and identity theft. TIGTA's audit, investigative, and inspections and evaluations work provides coverage of this growing national and international problem, providing proactive prevention and detection efforts that are critically necessary in this highly vulnerable and ever-evolving area. As described in Homeland Security Presidential Directive 7, IRS operations that fund the Federal Government are part of the Nation's key resources and critical infrastructure, which provide essential services that underpin American society. Degradation of the public's trust in the tax system would lead to a decline in voluntary compliance and present a risk to national security.

Promoting Efficient Spending and the Campaign to Cut Waste: TIGTA continues to uphold its commitment to promote efficient spending and cutting waste. All capital investments and major acquisitions undergo a rigorous review by TIGTA's Investment Review Board. This Board performs regular monitoring of capital investments and major acquisitions to ensure proper management of these investments. For FYs 2015 and 2016, TIGTA will continue to scrutinize its budget and identify areas for cost savings and efficiencies. For example, TIGTA will reduce costs by consolidating and reducing space. Additionally, in FY 2016, TIGTA will reduce the cost of background investigations of employees who hold positions that are designated as sensitive.

In order to maintain a highly skilled, proactive, and diverse Inspector General organization with a reputation of protecting and promoting fair tax administration, TIGTA's employees will require ongoing training to meet the challenge of staying abreast of changing IRS programs and priorities. In addition, TIGTA will ensure that its workforce receives training that strengthens the knowledge and skills it needs to continue to protect the public's and Congress's confidence in the tax system.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Treasury Inspector General for Tax Administration	FTE	Amount
FY 2015 Enacted	**835**	**$158,210**
Changes to Base:		
Maintaining Current Levels (MCLs):	-	$2,557
Pay-Raise	-	$1,249
Pay Annualization	-	$319
FERS Contribution Increase	-	$426
Non-Pay	-	$563
Efficiency Savings:	-	($84)
Personnel Security Background Investigations	-	($17)
Space Optimization	-	($67)
Subtotal Changes to Base	-	$2,473
Total FY 2016 Base	**835**	**$160,683**
Program Changes:		
Program Increases:	24	$6,592
Enhance Capabilities to Protect the Tax Administration System Against Fraud & Cyberthreats	24	$6,592
Total FY 2016 Request	**859**	**$167,275**

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ..... +$2,557,000 / +0 FTE

Pay-Raise +$1,249,000 / +0 FTE

Funds are requested for the proposed January 2016 pay-raise.

Pay Annualization +$319,000 / +0 FTE

Funds are requested for annualization of the January 2015 pay-raise.

FERS Contribution Increase +$426,000 / +0 FTE

Funds are requested for increases in agency contributions to FERS based on updated actuarial estimates.

Non-Pay +$563,000 / +0 FTE

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

Efficiency Savings ..... -$84,000 / +0 FTE

Personnel Security Background Investigations -$17,000 / +0 FTE

TIGTA will generate a savings of $17,000 from a reduction in the number of personnel investigations it will need to conduct based on the results of an ongoing position sensitivity designation review.

Space Optimization -$67,000 / +0 FTE

TIGTA will achieve real property cost savings through the reduction of space, non-renewal of lease agreements, and/or the consolidation of existing space. TIGTA continues to implement

telework and office right-sizing measures in order to reduce its footprint. As a result, TIGTA will need less building space, generating a savings of $67,000.

Program Increases ..... +$6,592,000 / +24 FTE

Enhance Capabilities to Protect the Tax Administration System Against Fraud & Cyberthreats +$6,592,000 / +24 FTE

The threats to the Nation's tax system are growing in complexity and sophistication. The IRS processes over $3.1 trillion in Federal tax payments and it receives, processes, and stores 199 million tax returns for 145 million taxpayers. The IRS's computer systems are accessed by roughly 95,000 IRS and contract personnel located throughout the United States and the world. For FY 2014, the IRS managed over $2.6 billion in contracts to support its tax administration duties.

In FY 2012, the IRS estimated the gross tax gap, which is the difference between estimated taxes owed and taxes voluntarily paid on time, was $450 billion in 2006. The tax gap is caused by both unintentional taxpayer errors and willful tax evasion or cheating, and the IRS does not have data to differentiate the amounts attributable to each. Still, a significant portion of revenue loss is caused by the intentional introduction of erroneous or false information into the tax system. Identity theft is the leading scam identified by the IRS, costing billions in lost revenue as well as personal hardships, and this criminal activity continues to evolve.

TIGTA developed this cross-functional initiative to enhance its capabilities to assess and protect the Federal tax system. TIGTA's use of advanced analytics and cross-discipline approaches will assist the IRS to reduce the billions of dollars in revenue losses due to fraudulent payments, help prevent data loss, and identify and prevent procurement fraud. This cross-cutting initiative proposes to:

- Acquire advanced analytic tools that permit automated review of text-based and other data sources (*e.g.*, e-mail, procurement documents, structured/unstructured data, other). Analytics will innovate the identification and correlation of meaningful indicators of employee fraud or misuse of taxpayer data.
- Acquire targeted data collection and assessment tools that support independent testing and analysis of system security controls across the spectrum of data loss prevention and external threat potentials.
- Establish a multi-discipline team to conduct risk assessments of emerging threats from domestic and international sources. This includes development of specialized skillsets necessary to effectively integrate cross-discipline/cross-jurisdictional approaches in preventing threats and countering them when they cannot be prevented.
- Establish centers of competency to build risk-specific capabilities while establishing cross-discipline teams that leverage those capabilities across the spectrum of risks that exist. This includes data science and Information Technology support personnel to develop and apply advanced analytic models in support of emerging threats.

Identity theft is associated with a potential $3.6 billion in fraudulent tax refunds, as last reported by TIGTA for TY 2011. TIGTA has seen an increase in identity theft investigations involving IRS employees who have stolen and misused privileged taxpayer data, undermining public trust in the IRS. Many IRS employees are believed to be transmitting and perhaps disclosing taxpayer

information across the Internet. A targeted review of IRS e-mail over a short period of time generated hundreds of incidents where IRS employees sent taxpayer information to external parties. An expanded review could generate thousands of investigative leads to ensure taxpayer information is not being misused for criminal purposes.

Criminals are increasingly sophisticated in scamming American taxpayers. In the summer of CY 2013, US taxpayers were subjected to an extensive scam involving the impersonation of IRS employees and e-mail. To date, the TIGTA Hotline has received over 269,000 related contacts involving this activity where a caller or e-mail claims to represent the IRS, purportedly collecting tax from a recent audit. By e-mail and telephone calls originating from domestic and international locations, taxpayers were requested to submit a credit card or other payment under threats such as arrest, suspension of business or driver's license, and deportation. To date, over 2,400 taxpayers have been defrauded out of over $13 million as a result of this impersonation scam.

These examples highlight challenges and consequences associated with protecting IRS systems and data, which is why TIGTA listed *Security for Taxpayer Data and IRS Employees* as its number one major management challenge for FY 2015. Innovative tools and approaches are needed to augment existing capabilities.

The IRS modernization continues at a pace where rigorous testing is needed to ensure appropriate security controls are being implemented. Weak security controls offer internal and external parties new opportunities to exploit the tax systems for illicit or inappropriate purposes. This initiative proposes an investment of $6.6 million so TIGTA can develop innovative tools and approaches to help prevent and detect the flow of billions of dollars fraudulently obtained by criminals and employees, both domestically and internationally, and help ensure the security of IRS data for the goal of protecting our Nation's tax system. The ROI for this initiative is unknown at this time, as this initiative covers a broad spectrum of expanded capabilities from preventing revenue/data loss to identity theft. However, based upon TIGTA's prior year's (FYs 2010-2014) average ROI of about $113 to every $1 invested, we would expect this initiative to result in a contribution of about $700 million annually in monetary impacts.

2.2 – Operating Levels Table

Dollars in Thousands

Treasury Inspector General for Tax Administration Object Classification	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
11.1 - Full-time permanent	79,432	87,042	91,135
11.3 - Other than full-time permanent	269	588	590
11.5 - Other personnel compensation	7,648	8,374	8,405
11.9 - Personnel Compensation (Total)	**87,349**	**96,004**	**100,130**
12.0 - Personnel benefits	30,471	32,579	34,307
Total Personnel and Compensation Benefits	**$117,820**	**$128,583**	**$134,437**
21.0 - Travel and transportation of persons	2,937	3,233	3,514
22.0 - Transportation of things	8	19	19
23.1 - Rental payments to GSA	9,440	9,115	9,221
23.2 - Rental payments to others	162	225	229
23.3 - Communication, utilities, and misc charges	1,554	1,795	1,829
24.0 - Printing and reproduction	4	7	7
25.1 - Advisory and assistance services	780	775	790
25.2 - Other services	1,064	695	708
25.3 - Other purchases of goods & serv frm Govt accounts	8,174	7,821	8,218
25.4 - Operation and maintenance of facilities	2	408	416
25.7 - Operation and maintenance of equip	2,292	909	926
26.0 - Supplies and materials	516	1,032	1,052
31.0 - Equipment	4,654	3,517	5,832
42.0 - Insurance claims and indemnities	2	51	52
91.0 - Confidential Expenditures	86	25	25
Total Non-Personnel	**31,675**	**29,627**	**32,838**
Subtotal New Appropriated Resources	**$149,495**	**$158,210**	**$167,275**
Budget Activities:			
Audit	54,363	62,172	65,700
Investigations	96,848	97,538	103,075
Total Budgetary Resources	**$151,211**	**$159,710**	**$168,775**
FTE	**742**	**837**	**861**

2B – 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; **[**$158,210,000**]** *$167,275,000*, of which $5,000,000 shall remain available until September 30, **[**2016**]** *2017*; 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**]**. *(Department of the Treasury Appropriations Act, 2015.)*	

2C – Legislative Proposals

TIGTA has no Legislative Proposals.

Section 3 – Budget and Performance Plan

3A – Audit

($65,100,000 from direct appropriations, and $600,000 from reimbursable resources):
TIGTA 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 the IRS's progress in achieving its strategic goals. TIGTA strategically evaluates IRS programs, activities, and functions so that resources are spent in the areas of highest vulnerability to the Nation's system of tax administration. By focusing on the most critical areas, TIGTA identifies and recommends improvements that add value while addressing high-risk tax administration issues.

Each year, TIGTA identifies and addresses the major management and performance challenges and key issues confronting the IRS. OA identifies the major risks facing the IRS and annually proposes a national audit plan based on perceived risks, stakeholder concerns, and follow-up reviews of previously audited areas with significant control weaknesses. To keep apprised of operating conditions and emerging issues, TIGTA maintains liaison and consults on an ongoing basis with applicable stakeholders such as IRS executives, the IRS Oversight Board, the Department of the Treasury, the Government Accountability Office, and Congress.

TIGTA's Annual Audit Plan communicates audit priorities to the IRS, Congress, and other interested parties. Many of the activities described in the Annual Audit Plan address the fundamental goals related to the IRS's mission to administer its programs effectively and efficiently. Audits address a variety of high-risk issues such as identity theft, refund fraud, improper payments, tax-exempt organizations, security vulnerabilities, complex modernized computer systems, tax compliance, and waste and abuse in IRS operations. 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.

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.

Recognizing the constantly evolving nature of the IRS's goals, programs, and priorities, TIGTA often adjusts its oversight responsibilities. In addition to its coverage of the major management challenges facing the IRS, OA places importance on key emphasis areas based on their significance and impact on tax administration.

Specifically:

- ***Identity Theft Detection and Prevention*** – Identity theft continues to be a serious and growing problem that has a significant impact on tax administration. The IRS must make significant improvements in its ability to stop fraudulent payments and provide adequate taxpayer service to victims. Incidents of identity theft affecting tax administration have

continued to rise since CY 2011, when the IRS identified more than one million incidents of identity theft.

- ***Tax-Exempt Organizations*** – The IRS's use of inappropriate criteria for selecting and reviewing applications for tax-exempt status is of continuing concern to both Congress and organizations seeking tax-exempt status. There have been a number of congressional hearings, as well as ongoing Federal investigations into this matter. The IRS will continue to face a high level of scrutiny in the exempt organizations area in FY 2015, and this area will be a continued area of focus for TIGTA.
- ***ACA Implementation and Administration*** – The ACA impacts individual and business taxpayers at all income levels, IRS compliance and enforcement programs, information reporting requirements, the administration of tax penalties, and information technology. The IRS's ability to ensure accurate tax returns are filed and information reported is correct is dependent on the timely receipt of information from exchanges, insurance providers, and employers. A further challenge for the IRS is the fact that a number of the reporting provisions relating to insurance providers and employers have been delayed.
- ***International Tax Compliance*** – The tax compliance of business and individual taxpayers involved in international transactions remains a significant area of concern for the IRS. As the number and complexity of international transactions continues to grow, the IRS must focus its international efforts on ensuring compliance with the tax laws regardless of where the taxpayers reside. FATCA was enacted to combat tax evasion by U.S. persons holding investments in offshore accounts and is an important development in the IRS's efforts to improve U.S. tax compliance involving foreign financial assets and offshore accounts.

In FY 2014, TIGTA issued 95 final audit reports that included potential financial benefits of approximately $16.5 billion and affected over 3.6 million taxpayer accounts. TIGTA's reports for FY 2014 addressed issues that included:

- ***Qualified Retirement Savings Contribution Credit –*** For TY 2011, TIGTA determined that taxpayers potentially made approximately $53 million in improper claims for contributions made to a qualifying retirement account. Based on a comparison with third party data, these claims appear to be potentially either false or overstated. In the future, if the IRS identifies and addresses taxpayers who are potentially ineligible to receive the saver's credit, it could recover approximately $264 million over five years.
- ***IRS's Award Program –*** Providing awards to employees with conduct issues, especially Federal tax compliance, appears to create a conflict with the IRS's charge of ensuring the integrity of tax administration. While the IRS's award program complied with Federal requirements, TIGTA found that between October 1, 2010 and December 31, 2012, more than 2,800 IRS employees who had been disciplined for conduct issues, including 1,100 employees with Federal tax compliance issues, had received $2.8 million in monetary awards, over 27,000 hours in time-off awards, and 175 quality step increases.
- ***Small Purchase Card Procurements –*** TIGTA audit results confirmed that the IRS properly reported four instances of identified purchase card misuse. One such instance was confirmed as purchase card fraud and resulted in the cardholder's resignation from the IRS. Action on the remaining three instances had not been completed.
- ***Advance Energy Credit –*** TIGTA found 1,149 individual taxpayers who reported more than $3 million in advance energy credits for TY 2011 but who do not appear to have a business relationship with a manufacturer that was awarded the credit. While the IRS has a process to

identify business taxpayers who erroneously claim this credit, it does not have a similar process to identity individual taxpayers who erroneously claim the credit.

- ***Mainframe Software License Management –*** Inadequate software license management has resulted in an estimated waste of $11.6 million and an overutilization of $1.5 million in license and software subscription support fees. TIGTA found that the IRS needs to develop policies and guidance, define roles and responsibilities, and develop an enterprise-wide inventory to more effectively manage mainframe software spending.
- ***Taxpayers Rights in Bankruptcy Proceedings –*** TIGTA found that IRS Field Insolvency function specialists frequently did not follow the required procedures when working bankruptcy cases. Based on three random samples of closed cases reviewed, TIGTA found that the specialists did not always follow established procedures in 57 percent of the Chapter 7 cases, 50 percent of Chapter 11 cases, and 43 percent of Chapter 13 cases. While no violations of taxpayer rights and/or failures to protect the Government's interest were found, there is a higher risk that this could occur when procedures are not followed.

Description of Performance:

TIGTA uses two performance measures to gauge the success of the audit program. The first measure indicates that TIGTA's products are more likely to be used if they are delivered when needed to support congressional and IRS decision making. To determine whether products are timely, TIGTA tracks the percentage of products that are delivered on or before the date promised (contract date).

Additionally, 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. This second measure assesses TIGTA's effect on improving the IRS's accountability, operations, and services. 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 recommendations made four years ago that have been implemented, rather than the results of the activities during the fiscal year in which the recommendations are made. TIGTA tracks recommendations that have not been implemented by the IRS and has a formal process with the IRS to close out unimplemented recommendations where circumstances may have changed, or when the IRS has taken alternative corrective measures to address TIGTA's audit findings.

In FY 2014, the actual Percentage of Audit Products Delivered when Promised to Stakeholders was 65 percent against a full-year target of 65 percent. TIGTA achieved this target as a result of ongoing supervisory monitoring of the execution of audits to ensure timely audit products to stakeholders.

The actual Percentage of Recommendations Made That Have Been Implemented was 89 percent against a full-year target of 85 percent. TIGTA exceeded its target because of continued discussions with the IRS throughout the audit process, both on the findings and on potential recommended solutions, to ensure that feasible alternatives were identified. For FY 2014, TIGTA lowered its target for timely delivery of audit products to reflect increased vacancies resulting from the FY 2013 hiring freeze. The hiring freeze, which has delayed recruitment for key audit positions, requires TIGTA to utilize acting roles for frontline managers and executive-

level positions, resulting in extensive transition within TIGTA. For FY 2016, the target for percentage of audit products delivered when promised to stakeholders is 68 percent. The target for percentage of recommendations made that have been implemented is 85 percent.

3.1.1 – Audit Budget Activity Budget and Performance Plan

Dollars in Thousands

Audit Budget Activity Resource Level	FY 2009 Actuals	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$55,186	$57,421	$57,306	$57,306	$54,309	$60,850	$61,572	$65,100
Reimbursable Resources	$539	$529	$351	$0	$500	$600	$600	$600
Budget Activity Total	**$55,725**	**$57,950**	**$57,657**	**$57,306**	**$54,809**	**$61,450**	**$62,172**	**$65,700**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Percentage of Audit Products Delivered when Promised to Stakeholders	81.0	76.0	68.0	71.0	84.0	65.0	68.0	68.0
Percentage of Recommendations Made that Have Been Implemented	91.0	95.0	93.0	94.0	87.0	89.0	85.0	85.0

Key: DISC - Discontinued and B - Baseline

3B – Investigations

($102,175,000 from direct appropriations, and $900,000 from reimbursable resources):
While most offices of Inspectors General focus primarily on waste, fraud, and abuse, TIGTA's mission is more extensive. In addition to protecting the IRS's ability to collect the majority of the revenue for the Federal Government's operations, TIGTA also has the statutory responsibility of protecting the integrity of tax administration while protecting 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.

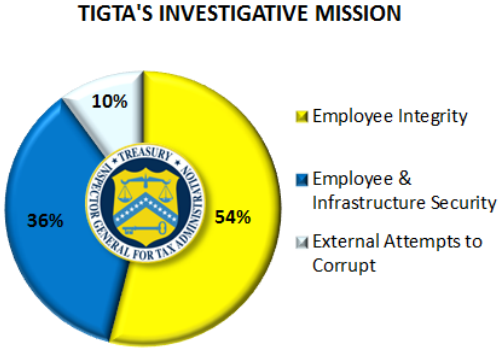


Figure 4: Investigative Performance Model

The performance model (Figure 4) results in reliable statistical data that are used to make mission-critical decisions regarding staffing, budgeting, and training. The performance model utilizes a ratio of those investigations that have the greatest impact on IRS operations or the protection of Federal tax administration to the total number of investigations conducted.

These performance measures guide OI's activities and help to demonstrate the value of investigative accomplishments to external stakeholders.

Employee Integrity: IRS employee misconduct, real or perceived, erodes public trust and impedes the IRS's ability to enforce tax laws effectively. This misconduct manifests itself in a variety of ways, including misuse of IRS resources or authority, theft, fraud, extortion, taxpayer abuses, and unauthorized access to, and disclosure of, tax return information. In FY 2014, 54 percent of TIGTA's investigative body of work involved alleged employee misconduct. TIGTA's special agents possess the knowledge, skills, and expertise to investigate such matters. TIGTA's efforts convey a message to IRS employees that these types of activities will not go unchecked.

TIGTA promotes employee integrity by conducting proactive investigative initiatives to detect criminal activity and serious misconduct in the administration of IRS programs. In FY 2014, TIGTA initiated 41 proactive investigative initiatives to detect systemic weaknesses or potential IRS program vulnerabilities. A recent investigative focus identified seasonal IRS employees who continued to receive unemployment benefits after being recalled to work from furlough status by the IRS, resulting in numerous arrests, prosecutions, and terminations of IRS employees for this fraud.

TIGTA received 10,193 complaints, opened 2,964 investigations, and closed 3,054 investigations in FY 2014. During this time period, TIGTA referred for IRS action 1,343 cases of employee misconduct and 144 cases of all types of investigations were accepted for criminal prosecution. As a result of a TIGTA investigation into employee misconduct, a former IRS employee was sentenced to 57 months in prison for her role in an identity theft scheme. [8]

Employee and Infrastructure Security: In FY 2014, TIGTA responded to 2,001 threat-related incidents. Tax revenue is critical to our Nation's infrastructure. Threats and assaults directed at IRS employees, facilities, data, and computer systems impede the effective administration of the Federal tax system. TIGTA has a statutory responsibility to identify, investigate, and respond to threats against IRS personnel and physical infrastructure (Figure 5).

TIGTA's authority to investigate threats and assaults is derived from the provisions of Title 26 U.S.C. § 7608(b), authority of internal revenue enforcement officers; RRA 98; the Inspector General Act of 1978, as amended, and the Inspector General Reform Act of 2008; and is further summarized in Treasury Order 115-01. All reports of threats, assaults, and forcible interference against IRS employees performing their official duties are referred to OI. TIGTA has the necessary authority to access taxpayer information in support of ongoing investigations, including tax matters related to threats and assaults involving the IRS.

To ensure IRS employee safety, OI undertakes investigative initiatives to identify individuals who could commit violence against IRS employees, or who could otherwise pose a threat to IRS employees, facilities, or infrastructure. OI provides crucial intelligence to IRS officials to assist them in making proactive operational decisions about potential violence or other activities that could pose a threat to IRS systems, operations, and people.

[8] N.D. Ga. Judgment filed June 5, 2014.

Over the past several years, the United States has experienced numerous violent incidents in schools, private offices, and public areas. These tragic events are unpredictable and result in numerous innocent people losing their lives or being severely injured. Despite the declining number of TIGTA special agents, TIGTA has processed over 13,392 threat-related complaints and investigated over 6,621 threats against IRS employees in FY 2010 through FY 2014.

TIGTA takes threats directed at the IRS and its employees very seriously. In March 2014, a Baton Rouge, Louisiana man was sentenced to two years of imprisonment for threatening to retaliate against a witness in a Federal trial involving an income tax preparation business.[9] The witness had testified in a Federal criminal case against the defendant's mother, who was subsequently convicted by a jury for 21 Federal felonies.[10] In another case, an individual was sentenced for threatening to assault and murder an IRS revenue agent, as well as the revenue agent's immediate family member, with the intent to interfere with the employee's official duties and to retaliate against the employee for performing his official duties.[11]

TIGTA's partnership with the IRS's Office of Employee Protection (OEP) to identify Potentially Dangerous Taxpayers (PDTs) is one example of TIGTA's commitment to collaborate with the IRS and protect IRS employees. If a taxpayer has been designated as potentially dangerous, TIGTA conducts a follow-up assessment of the taxpayer after five years and provides the IRS's OEP with information to determine if the taxpayer still poses a danger to IRS employees.

TIGTA's special agents are responsible for providing physical security, known as "armed escorts," to IRS employees in dangerous situations. TIGTA's special agents escort IRS employees when they require personal contact with a PDT. These armed escorts provide a safe environment for IRS employees to conduct tax administration activities.

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 attempted bribery of IRS employees and impersonation of the IRS. Many IRS employees are in direct contact with taxpayers and often encounter situations where a taxpayer may challenge the employees' integrity by offering a bribe. Bribery, or attempted bribery, of a public official is a criminal offense, and it is an attack on the integrity of the entire IRS organization and the Nation's system of tax administration. TIGTA is currently investigating nationwide IRS impersonations schemes in which criminals are pretending to be employees of the IRS and are attempting to collect phantom tax liabilities from innocent taxpayers. Since the scam was first reported in the summer of 2013, the TIGTA Hotline has received over 269,000 related contacts, and it is estimated that the scheme has resulted in over $13 million in payments made by over 2,400 victims.

[9] M.D. La. Judgment filed Apr. 3, 2014.
[10] *Id.*
[11] D R.I. Indictment filed Jan. 15, 2014.

FY 2014 Investigative Activities (Assaults and Threats)

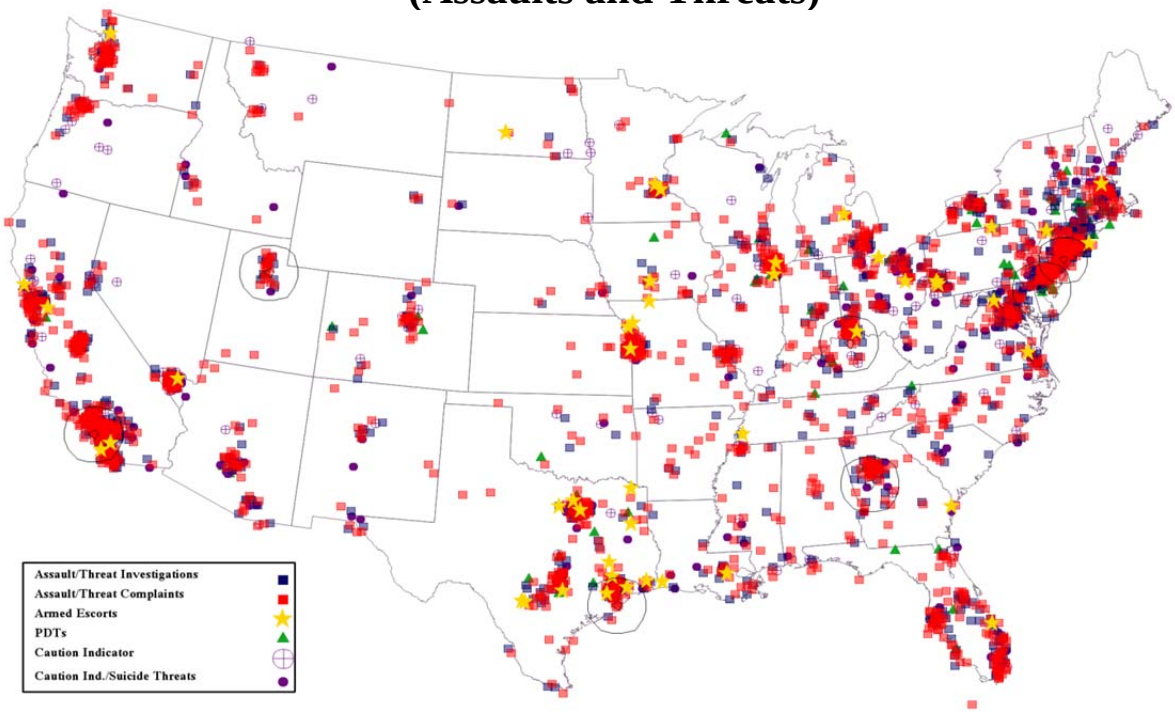


Figure 5: U.S. Map of Assaults and Threats

With adequate FY 2016 resources, TIGTA will have the necessary staffing to ensure these criminal acts are promptly investigated. Another key aspect of protecting the integrity of tax administration in today's environment is the oversight and investigation of IRS procurement matters. On average, the IRS awards approximately 900 contracts each year, worth approximately $31 billion in total contract value.[12] A 2014 Association of Certified Fraud Examiners report[13] estimated that five percent of an organization's revenue is at risk of fraud on an annual basis. In the case of the IRS, this projection translates to approximately $1.6 billion.

TIGTA focuses its contract fraud investigations on administrative, civil, and criminal violations. TIGTA's contract fraud investigations add to the Nation's treasury through court-ordered settlements and recoveries. With FY 2016 resources, TIGTA could proactively identify and address procurement fraud risks in IRS programs to help ensure that the IRS and taxpayers receive full value for the billions of contracting dollars spent.

Description of Performance:

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

[12] The total dollar value of a contract over the life of the contract.
[13] Association of Certified Fraud Examiners, *Report to the Nations on Occupational Fraud and Abuse*, 2012.

The performance model provides reliable statistical data, which are used to make mission-critical decisions regarding investigative staffing, budgeting, and training.

The FY 2014 year-end results for the Percentage of Results from Investigative Activities were 92 percent, 13 percent above the target of 79 percent. This increase in investigative activities was due primarily to the finalization of a large number of cases opened in prior years that were accepted for prosecution with final legal action in FY 2014. With the FY 2015 budget request, TIGTA plans to continue backfilling more special agent vacancies and develop the new special agents' skills and abilities through training and mentoring programs striving to achieve a high level of performance. This approach supports maintaining a performance goal of 79 percent in FY 2015. The FY 2016 budget request will provide funding for TIGTA to enhance its performance of investigative activities and support increasing the performance goal to 81 percent for FY 2016.

3.1.2 – Investigations Budget and Performance Plan

Dollars in Thousands

Investigations Budget Activity								
Resource Level	**FY 2009 Actuals**	**FY 2010 Actuals**	**FY 2011 Actuals**	**FY 2012 Actuals**	**FY 2013 Actuals**	**FY 2014 Enacted**	**FY 2015 Enacted**	**FY 2016 Request**
Appropriated Resources	$90,897	$94,579	$94,694	$94,390	$89,452	$95,525	$96,638	$102,175
Reimbursable Resources	$318	($442)	$949	$0	$400	$1,100	$900	$900
Budget Activity Total	**$91,215**	**$94,137**	**$95,643**	**$94,390**	**$89,852**	**$96,625**	**$97,538**	**$103,075**

Measure	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Target**	**FY 2016 Target**
Percentage of Results from Investigative Activities	83.0	86.0	82.0	89.0	90.0	92.0	79.0	81.0

Key: DISC - Discontinued and B - Baseline

Section 4 – Supplemental Information

4A – Summary of Capital Investments

Secure Information and Technology (IT) Mobility

The tax system is at risk for billions of dollars of fraudulent payments related to a variety of tax credits and identity theft. Threats against the tax system continue to demonstrate increased volume, velocity, and variety in the methods and types of endeavors. Perpetrators are increasingly more sophisticated in scamming American taxpayers, as evidenced by the IRS employee impersonation scam, e-mail phishing, and other approaches. TIGTA continues to make strategic investments to increase the agility and analytic capabilities of TIGTA employees, so that they can continue to work effectively wherever the need or threat dictates. The lease for the current inventory of laptops provided to all TIGTA employees will come to an end during FY 2016. Efforts to determine the type of devices or methodologies that will provide suitable access for employees based on their roles and responsibilities will determine the final configurations for deployment. Access to all of the TIGTA devices will be enabled with TIGTA-issued Homeland Security Presidential Directive-12 Personal Identity Verification cards, as has been the situation since FY 2013. The expectation is that other investments related to applications that will securely expose capabilities to the end user will greatly enhance the flexibility, responsiveness, collaboration, and effectiveness of the TIGTA workforce.

Server and Storage Infrastructure

TIGTA remains a leader in server virtualization. In FYs 2013 and 2014, TIGTA refreshed its server and storage area network with updated technology that is more energy efficient and cost-effective, and installed its host infrastructure in the IRS Enterprise Computing Center in Martinsburg, WV. TIGTA intends to use targeted investments in advanced data analysis and visualization tools to enhance its capabilities to protect the tax system. Refined data sets generated with these tools will be used by TIGTA auditors and criminal investigators to address risks to the tax system. These advanced analytic tools will permit automated review of various data sources, some of which were previously unavailable or unusable given the state of TIGTA's analytic capability. The data analytics capability will provide an innovative approach to the identification and correlation of meaningful indicators of employee or external fraud or misuse of taxpayer data. It is also expected to enable TIGTA to perform some predictive analytics that could lead to the identification of high-risk transactions and accounts that seek to subvert tax administration.

The overall expected benefits are the ability to:

- Better understand key relationships and develop models intuitively and quickly;
- Build better, more efficient models with a versatile toolset;
- More quickly and easily derive insights for better decisions;
- Allow for more self-sufficiency and automation for tedious manual tasks;
- Empower users of all skill levels with advanced analytics;
- Answer complex questions faster;
- Drive collaboration and information sharing; and
- Deliver self-service capabilities on an enterprise-wide level.

Refreshed Applications and Collaboration Environment
TIGTA continues its leadership in its use of collaborative tools that enable capture, storage, editing, distribution, and collaboration across the enterprise. During FYs 2014 and 2015, TIGTA is conducting difficult and time-consuming surveys and analyses that lay out an updated path. This includes establishing security baseline configurations for server environment operating systems, Structured Query Language servers, SharePoint, and the introduction of Customer Relationship Management (CRM) as a platform replacing a mission critical TIGTA system. FY 2016 should see the advent of more complete and complex capabilities in CRM and the ability to leverage the features enabled by the new environments. TIGTA is building upon its experiences using the collaborative tools and intends to incorporate new capabilities and feature sets in the modernized environment. This budget will allow TIGTA to continue investing in more powerful and more robust capabilities.

IT Governance and Total Cost of Ownership
In FY 2010, TIGTA established its current IT governance program. The program requires that all new IT requests pass through a Change Management Board chaired by the Chief Information Officer. Requests requiring cross-functional activity or support, presenting high risk or significant cost, among other factors, are elevated to the Program Management Board (PMB), chaired by the Associate Inspector General for Mission Support and with representatives from all of the TIGTA functional units. Requests must present a total cost picture, a business case, and a high-level work breakdown schedule that are adjusted for risks, to gain PMB approval to commence work. Projects involving substantial financial commitments or high mission visibility require approval from the Investment Review Board, composed of TIGTA's senior executives. Refinements to the process are ongoing as projects evolve and the knowledge and experience base of the PMB grows.

By the end of FY 2013, TIGTA had extended its new governance process to all TIGTA functional units, to help manage projects and priorities. Under TIGTA’s program-management process, milestones for all projects are established and tracked. At any point, projects that have cost overruns, are behind schedule, or are not delivering at anticipated business performance levels, are analyzed for cause.

Law Enforcement Vehicles
Effective FY 2014, TIGTA acquired its vehicles by lease through the General Services Administration. However, TIGTA will maintain ownership of approximately 10 surveillance/communications vehicles. These 10 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 will also be used in support of TIGTA’s Continuity of Operations (COOP) Program. COOP provides a mechanism for the organization to recover full operational capabilities following a critical incident, including the ability to communicate during a local or national emergency.

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.

Community Development Financial Institutions Fund

FY 2016 President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Appropriations Detail Table 3
1B – Vision, Priorities and Context 3
1C – FY 2015 and FY 2016 Goals and Priorities 5
Section 2 – Budget Adjustments and Appropriation Language 8
2.1 – Budget Adjustments Table 8
2A – Budget Increases and Decreases Description 8
Section 3 – Budget and Performance Plan 14
3A – Administration 14
3.1.2 – Community Development Financial Institutions Program Budget and Performance Plan 16
3C – New Markets Tax Credit Program 16
3.1.3 – New Markets Tax Credit Program 17
3D – Bank Enterprise Award Program 17
3.1.4 – Bank Enterprise Award Program 18
3E – Native American CDFI Assistance Program 18
3.1.5 – Native American CDFI Assistance Program 19
3F – Healthy Food Financing Initiative 19
3.1.6 – Healthy Food Financing Initiative 20
3G Capital Magnet Fund Program 20
Section 4 – Supplemental Information 22
4A – Summary of Capital Investments 22
4B – CDFI Bond Guarantee Program 23
4.1 – Resource Detail Table 23

Section – Purpose

1A – Mission Statement

The mission of the Community Development Financial Institutions Fund (CDFI Fund) is to increase economic opportunity and promote community development investments for underserved populations and in distressed communities in the United States.

1.1 – Appropriations Detail Table

Dollars in thousands

CDFI Fund Appropriated Resources	FY 2014 Enacted		FY 2015 Enacted		FY 2016 Request		FY 2015 to FY 2016 $ Change		FY 2015 to FY 2016 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
CDFI Program	0	146,364	0	152,400	0	157,593	0	5,193	NA	3.41%
Bank Enterprise Award Program	0	18,000	0	18,000	0	0	0	-18,000	NA	-100.00%
Native American CDFI Assistance Program	0	15,000	0	15,000	0	16,000	0	1,000	NA	6.67%
Administration*	76	24,636	79	23,100	87	24,930	8	1,830	10.13%	7.92%
Healthy Food Financing Initiative	0	22,000	0	22,000	0	35,000	0	13,000	NA	59.09%
Subtotal New Appropriated Resources	**76**	**$226,000**	**79**	**$230,500**	**87**	**$233,523**	**8**	**$3,023**	**10.13%**	**1.31%**
Other Resources:										
Reimbursables	0	206	0	0	0	$0	0	0	NA	0.00%
User Fees*	0	0	0	249	0	986	0	737	NA	295.98%
Recovery from Prior Years	0	4,200	0	5,200	0	5,200	0	0	NA	0.00%
Unobligated Balances from Prior Years	0	24,817	0	10,856	0	5,500	0	-5,356	NA	-49.34%
Subtotal Other Resources	**0**	**$29,223**	**0**	**$16,305**	**0**	**$11,686**	**0**	**-4,619**	**NA**	**-28.33%**
Total Budgetary Resources	**76**	**$255,223**	**79**	**$246,805**	**87**	**$245,209**	**8**	**-1,596**	**10.13%**	**-0.65%**

*This request reflects authorization of the Bond Guarantee Program in FY 2015.

1B – Vision, Priorities and Context

The vision of the CDFI Fund is to empower America's economically underserved and distressed communities. Our priority is to advance the Department of the Treasury's Strategic Goal No. 1: *Promote domestic economic growth and stability while continuing reforms of the financial system.* The CDFI Fund is uniquely positioned as the federal government entity whose primary mission is to build the capacity of Community Development Financial Institutions (CDFIs) to provide loans, investments, business counseling, basic banking services, and financial literacy training to underserved and distressed communities.

Since its creation in 1994, the CDFI Fund has awarded almost $2.1 billion to CDFIs, community development organizations, and insured depository institutions through the CDFI Program, the Native American CDFI Assistance Program (NACA Program), and the Bank Enterprise Award Program (BEA Program). In addition, the CDFI Fund has allocated $40 billion in New Markets Tax Credit (NMTC) investment authority through the NMTC Program to Community Development Entities (CDEs), awarded $80 million through the Capital Magnet Fund (CMF), and awarded $9.1 million through the Financial Education and Counseling (FEC) Pilot Program. Under FY 2013 and FY 2014 authority, through the CDFI Bond Guarantee Program, the Department of the Treasury provided four bond guarantees, totaling $525 million, to Qualified Issuers that provided bond loans to eight Eligible CDFIs.

The CDFI Fund continues to experience growth in the demand for its award programs:

- CDFI Program -- For the FY 2014 funding round of the CDFI Program, the CDFI Fund received 336 applications **requesting more than $393 million** in total funding. In addition, the CDFI Fund received applications from 29 eligible organizations requesting over $84 million for the Healthy Food Financing Initiative (HFFI-FA). The CDFI Fund made 152 Financial Assistance (FA) and Technical Assistance (TA) awards totaling over $160 million and 12 HFFI-FA awards totaling $22.4 million.
- NACA Program -- For the FY 2014 NACA Program funding round, the CDFI Fund received 46 applications **requesting more than $22 million** in funding, and made 33 awards totaling $12.2 million.
- NMTC Program -- For the CY 2014 NMTC Program allocation round, the CDFI Fund received 263 applications **requesting approximately $219.9 billion** in total allocation authority, and anticipates making an award announcement in the spring totaling approximately $3.5 billion.
- BEA Program -- For the FY 2014 BEA Program funding round, the CDFI Fund received 98 applications **requesting approximately $211 million** in awards, and made 69 awards totaling approximately $18 million.
- CDFI Bond Guarantee Program -- For the FY 2013 round of the CDFI Bond Guarantee Program, the CDFI Fund received 8 guarantee applications **requesting $825 million** in bond guarantees, and the Department of the Treasury provided guarantees for a total of $325 million. For the FY 2014 round of the program, the CDFI Fund received 3 guarantee applications, **seeking a total of $415 million** in guarantees and the Department of Treasury provided guarantees for $200 million.

Progress towards Implementation of FY 2014 Priorities

In FY 2014, the CDFI Fund focused on a number of priority initiatives related to its business processes and award programs, to economically empower America's underserved and distressed communities and advance the Department of the Treasury's Strategic Goal 1 – *Promote domestic economic growth and stability while continuing reforms of the financial system.*

Priority 1: CDFI Program Evaluation: The CDFI Program Evaluation has been completed by the external consultants and is currently undergoing internal review. The Evaluation is scheduled for release by February, 2015.

Priority 2: Expanding CDFI Investments in Underserved Areas: In FY 2014, the CDFI Fund launched a new two-year capacity building initiative called "Expanding CDFI Investments in Underserved Areas." This initiative was developed in response to a Congressional request in the FY 2014 appropriation to expand access in underserved communities to CDFI Fund programs. The initiative will provide advanced training and technical assistance, including one-on-one assistance, peer cohort forums, and advanced implementation forums to assist established, as well as new and emerging, CDFIs seeking to increase investment activity in underserved markets. CDFIs will also have access to a virtual resource bank containing research and tools that can be used to increase their knowledge. Course training materials, third-party expert documents, and other resources will be made available to the public.

Priority 3: Native CDFI Capacity and Sustainability: In FY 2014, the CDFI Fund launched a new two-year capacity building initiative called "Native CDFI Capacity and Sustainability." This initiative will identify the needs of Native CDFIs, common challenges facing Native CDFIs, and technical assistance to address those challenges. The intent of this contract is to develop a multifaceted training and technical assistance program to support Native CDFIs' efforts to become sustainable and achieve greater impact in Native Communities. Further, the CDFI Fund will conduct a study on access to capital for Native Communities in FY 2015 for release in FY 2016. The data compiled for the study will be released in FY 2015.

Priority 4: Modernize Information Technology: The CDFI Fund awarded a contract to a small business to develop and implement its Awards Management Information System (AMIS). The AMIS will replace existing awards management systems (including compliance and reporting) over the next two years to better meet current and future business requirements.

Priority 5: Implement the OMB Supercircular: The CDFI Fund performed an analysis to comply with the requirements of OMB's Supercircular. The purpose of the Supercircular is to streamline the existing guidance (circulars A-110, A-87, A-21, A-89, A-102, A-122, and A-133) and make additional changes to increase transparency of federal financial assistance. The Supercircular will result in changes to award-related documents and processes throughout the award life cycle, including pre-award and close-out.

Priority 6: Strengthen Loan Portfolio Management and Monitoring: The CDFI Fund initiated the development of a portfolio management and monitoring system for the CDFI Bond Guarantee Program. The CDFI Fund will collect institution and loan level data, help analyze the data, and produce standard, ad-hoc, and OMB Circular A-129 compliant reports to inform decisions about overall program performance.

Priority 7: Implement CDFI Program Risk Rating Model: This project was launched in March 2014 with the objective of developing risk-rating capabilities to meet a range of CDFI Fund needs across business units, including:

- Assessing organizational risk of CDFI applicants' portfolios and management capabilities;
- Building a robust compliance risk assessment framework to identify emerging compliance risks among awardees; and
- Assessing CDFI industry-wide risk by awardee institution type, asset size, and geographical concentration, and other factors affecting industry performance.

The risk rating capability will provide a risk analysis of CDFIs to meet or ensure compliance with OMB requirements for federal loan and credit programs.

1C – FY 2015 and FY 2016 Goals and Priorities

In FY 2015 and FY 2016, the CDFI Fund will continue to implement the CDFI Program, the NACA Program, the Healthy Food Financing Initiative (HFFI), the NMTC Program, and CDFI Bond Guarantee Program.

Specifically, during FY 2015, the CDFI Fund will:

- Provide up to $750 million in guarantees for bonds issued under the CDFI Bond Guarantee Program;

- Continue efforts to develop and implement risk-based assessment tools to inform decisions and determine risks and overall trends in performance;

- Continue its implementation of the AMIS to automate business processes, strengthen internal operations and enhance reporting capabilities;

- Continue to cultivate intergovernmental, non-profit, and private partnerships to leverage resources for CDFIs around the country; and

- Initiate an evaluation of the BEA Program and compliance research for the NMTC Program.

Fiscal Year 2016: The Department of the Treasury requests the following for FY 2016:

- $157.59 million for the CDFI Program to provide FA and TA awards. Through the CDFI Program, the CDFI Fund awards grants and loans to invest in and build the capacity of CDFIs to serve low-income communities lacking adequate access to affordable financial products and services. The proposed FY 2016 Budget supports FA and TA awards to CDFIs to further goals that include, among others:
  - Economic development (job creation, small business lending, and commercial real estate development);
  - Affordable housing development (housing development and homeownership);
  - Provision of financial services (such as basic banking services to underserved communities); and
  - Provision of development services (such as financial literacy or homebuyer counseling and education).

- $35 million for HFFI awards to CDFIs to expand financing for healthy food options in underserved urban and rural communities, particularly through the development or equipping of grocery stores and other healthy food retailers.

- $16 million to provide FA and TA awards through the NACA Program, which provides awards and training to CDFIs that primarily serve Native Communities and to entities proposing to become or create Native CDFIs, thereby increasing access to credit, capital, and financial services in Native Communities. Of this amount, $1 million would be used for technical assistance to build additional capacity for Native CDFI's.

- $24.93 million in administrative funding to support a variety of purposes, including:
  - Staffing and resource demands created by significant growth across all programs, including the NMTC, the CDFI Bond Guarantee program and Capital Magnet Fund;
  - Administration of non-monetary programs and activities, including compliance monitoring and CDFI certification;
  - Continuation of evaluations of the effectiveness of CDFI Fund programs; and

- Enhancement of existing management and information systems and improvement of operational efficiency and effectiveness.

Government Reorganization: The President is again asking Congress to revive an authority enabling him to submit fast-track proposals to reorganize or consolidate Federal programs and agencies in order to reduce the size of Government or cut costs. The Budget includes a variety of proposed reforms across government designed to drive efficiency and accountability, prevent duplication, and make government work better and smarter for the American people. One of these reorganizations the President would propose with this authority reiterates his previous proposal to consolidate Federal business and trade programs into one more efficient and effective department dedicated to promoting U.S. competitiveness, exports, and American businesses and jobs. The proposal would integrate the six Federal agencies that focus primarily on business and trade, along with other related programs. These include the Department of Commerce's core business and trade functions, the Small Business Administration, the Office of the U.S. Trade Representative, the Export-Import Bank, the Overseas Private Investment Corporation, and the U.S. Trade and Development Agency, as well as rural business programs at the Department of Agriculture, Treasury's Community Development Financial Institutions Fund, and statistical agencies at the Department of Labor and National Science Foundation. To strengthen the new department's focus on business and economic growth, the National Oceanic and Atmospheric Administration would be consolidated into the Department of Interior, strengthening stewardship and conservation efforts and enhancing scientific resources. The Budget schedules for these agencies and programs continue to reflect them in their current alignment.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Community Development Financial Institutions Fund	FTE	Amount
FY 2015 Enacted	**79**	**$230,500**
Changes to Base:		
Maintaining Current Levels (MCLs):	-	$437
Pay raise	-	$100
Pay annualization	-	$26
FERs	-	$38
Non-pay	-	$273
Non-Recurring Costs:	-	($523)
Research and Evaluation (Data Collection)	-	($523)
Efficiency Savings:	-	($84)
Travel Savings	-	($84)
Subtotal Changes to Base	-	($170)
Total FY 2016 Base	**79**	**$230,330**
Program Changes:		
Program Increases:	8	$21,193
Community Development Financial Institutions Program	-	$5,193
Native American CDFI Assistance Program	-	$1,000
Healthy Food Financing Initiative	-	$13,000
Administration - Capital Magnet Fund	8	$2,000
Program Decreases:	-	($18,000)
Bank Enterprise Award	-	($18,000)
Total FY 2016 Request	**87**	**$233,523**

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ..... +$437,000 / +0 FTE

Pay-Raise +$100,000 / +0 FTE

Funds are requested for the proposed January 2016 pay-raise.

Pay Annualization +$26,000 / +0 FTE

Funds are requested for annualization of the January 2015 pay-raise.

FERs Contribution Increase +$38,000 / +0 FTE

Funds are requested for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +$273,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor costs such as travel, contracts, rent, supplies, and equipment.

Non-Recurring Cost ..... -$523,000 / +0 FTE

Administration - Research and Evaluation (Data Collection) -$523,000 / +0 FTE

The CDFI Fund will non-recur a portion of research and evaluation funding.

Efficiency Savings ..... -$84,000 / +0 FTE
Administration -$84,000 / +0 FTE
The CDFI Fund will reduce travel costs through the use of fewer travelers, video conference calling, and hosting of award announcements locally.

Program Increases ……+$21,193,000 / +8 FTE
CDFI Program +$5,193,000 / +0 FTE
The CDFI Fund will increase the amount and number of FA and TA awards. An increase of $5.19 million to the CDFI Program will result in 5 - 6 additional FA awards to increase the number of business and microenterprise loans, home improvement and purchase loans, residential real estate transactions, and other consumer loans and products offered by CDFI awardees.

Native American CDFI Assistance Program +$1,000,000 / +0 FTE
The CDFI Fund will increase the NACA Program by $1 million in order to increase participation by Native communities by improving technical assistance and capacity building for Native CDFIs.

Healthy Food Financing Initiative +$13,000,000 / +0 FTE
The CDFI Fund will increase the amount and number of FA awards for the Healthy Foods Financing Initiative. An increase of $13 million will result in 6-7 more awards to expand the offering of affordable financing for healthy food retail options in distressed communities.

Administration - Capital Magnet Fund +$2,000,000 / +8 FTE
The CDFI Fund will increase the administrative budget for the Capital Magnet Fund in the amount of $2 million to support estimated award funding. Awards made through the program will be funded by annual transfers from Fannie Mae and Freddie Mac.

Program Decreases ..... -$18,000,000 / +0 FTE
Bank Enterprise Award -$18,000,000 / +0 FTE
The President's Budget proposes not to fund the BEA program in FY 2016.

2.2 – Operating Levels Table

Dollars in thousands

Community Development Financial Institutions Fund Object Classification		FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
11.1	Full-time permanent	8,127	7,869	8,030
11.9	**Personnel Compensation (Total)**	**8,127**	**7,869**	**8,030**
12.0	**Personnel benefits**	**2,537**	**2,046**	**2,238**
Total Personnel and Compensation Benefits		**10,664**	**9,915**	**10,268**
21.0	Travel and transportation of persons	35	177	93
22.0	Transportation of things	0	4	4
23.3	Communication, utilities, and misc. charges	190	225	225
24.0	Printing and reproduction	0	125	100
25.1	Advisory and assistance services	5,040	6,473	7,238
25.2	Other services from non-Federal Sources	46	118	118
25.3	Other goods and services from Federal Sources	4,654	4,954	7,295
25.5	Research and development contracts	0	1,023	500
26.0	Supplies and materials	15	56	59
31.0	Equipment	8	30	30
33.0	Investments and loans	87	0	0
41.0	Grants, subsidies, and contributions	194,405	207,400	207,593
Total Non-Personnel		**204,480**	**220,585**	**223,255**
Total Budgetary Resources		**$215,144**	**$230,500**	**$233,523**
Budget Activities:				
	Community Development Financial Institutions Program	151,205	156,818	164,793
	Bank Enterprise Award Program	35,058	18,132	0
	Native American CDFI Assistance Program	15,750	18,695	18,000
	Administration	30,716	30,110	26,416
	Healthy Food Financing Initiative	22,493	23,050	36,000
Total Budgetary Resources		**$255,223**	**$246,805**	**$245,209**
FTE		**76**	**79**	**87**

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND To carry out the Riegle Community Development and Regulatory Improvements Act of 1994 (subtitle A of title I of Public Law 103–325), including services authorized by section 3109 of title 5, United States Code, but at rates for individuals not to exceed the per diem rate equivalent to the rate for EX-3, **[**$230,500,000**]** *$233,523,000*. Of the amount appropriated under this heading— (1) not less than **[**$152,400,000**]** *$157,593,000*, notwithstanding section 108(e) of Public Law 103–325 (12 U.S.C. 4707(e)) with regard to Small and/or Emerging Community Development Financial Institutions Assistance awards, is available until September 30, **[**2016**]** *2017*, for financial assistance and technical assistance under subparagraphs (A) and (B) of section 108(a)(1), respectively, of Public Law 103–325 (12 U.S.C. 4707(a)(1)(A) and (B)), of which up to $3,102,500 may be used for the cost of direct loans: *Provided*, That the cost of direct and guaranteed loans, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: *Provided further*, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed $25,000,000; (2) not less than **[**$15,000,000**]** *$16,000,000*, notwithstanding section 108(e) of Public Law 103–325 (12 U.S.C. 4707(e)), is available until September 30, **[**2016**]** *2017*, for financial assistance, technical assistance, training and outreach programs designed to benefit Native American, Native Hawaiian, and Alaskan Native communities and provided primarily through qualified community development lender organizations with experience and expertise in community development banking and lending in Indian country, Native American organizations, tribes and tribal organizations, and other suitable providers; **[**(3) not less than $18,000,000 is available until September 30, 2016, for the Bank Enterprise Award program;**]** (**[**4**]***3*) not less than **[**$22,000,000**]** *$35,000,000*, notwithstanding subsections (d) and (e) of section 108 of Public Law 103–325 (12 U.S.C. 4707(d) and (e)), is available until September 30, **[**2016**]** *2017*, for a Healthy Food Financing Initiative to provide financial assistance, technical assistance, training, and outreach to community development financial institutions for the purpose of offering affordable financing and technical assistance to expand the availability of healthy food options in distressed communities; (**[**5**]***4*) up to **[**$23,100,000**]** *$24,930,000* is available until September 30, **[**2015**]** *2017*, for administrative expenses, including administration of CDFI fund programs *including the*	As the number of programs the CDFI Fund administers has increased from two in the beginning to the current nine program areas, the timing of the annual life-cycle for these programs (from drafting the NOFA, NOAA or NOGA to the awarding and disbursement of awards) has had to be stretched across fiscal years. Thus, there is critical need to have the administration budget be two-year money paralleling the program budgets to effectively run the CDFI Fund's programs. This is being compounded by the need to stand up the Capital Magnet Fund in fiscal year 2015 without an associated administration budget.

Appropriations Language	Explanation of Changes
Capital Magnet Fund and the New Markets Tax Credit Program, of which up to $1,000,000 is for capacity building to expand CDFI investments in underserved areas, and up to $300,000 is for administrative expenses to carry out the direct loan program; and (**[**6**]***5*) during fiscal year **[**2015**]** *2016*, 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*, That commitments to guarantee bonds and notes under such section 114A shall not exceed **[**$750,000,000: *Provided further*, That such section 114A shall remain in effect until September 30, 2015**]** *$1,000,000,000*. *(Department of the Treasury Appropriations Act, 2015.)*	

2C – Legislative Proposals

Treasury recommends extension of the CDFI Bond Guarantee Program through FY 2017 and proposes reforms to the 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.

Justification

The CDFI Bond Guarantee Program provides CDFIs access to a significant source of capital. By providing guarantees of bonds issued by Qualified Issuers, the CDFI Bond Guarantee Program injects new and substantial capital into our nation's most distressed communities. CDFIs can gain from the potential scale of the CDFI Bond Guarantee Program, which offers low-cost, long-term credit for the development of commercial real estate, rental housing, senior living, daycare or healthcare centers, small businesses, and rural infrastructure, among others. This will further close the gap of financing in these communities, generate new credit information in these market segments, and yield the benefit of lower financing costs for borrowers in these underserved communities.

The Bond Guarantee Program provides CDFIs a critical source of below-market, long-term capital that is not available to the CDFI industry. The Budget proposes more flexible terms that will allow smaller credit-worthy institutions to participate in the program while more accurately accounting for credit risk. Treasury proposes the following legislative changes: (i) to extend the CDFI Bond Guarantee Program through FY 2017; (ii) to reduce the minimum bond issue size from $100 million to $25 million; (iii) to permit the Secretary to adjust the risk-share pool payment requirement, based on the borrower's credit quality, from zero to four percent; (iv) to collect a mandatory one percent fee from all borrowers; and (v) to revise the relending account language to correct a technical drafting error.

These changes will not impact the CDFI Fund's underwriting requirements and, as such, will not increase Federal exposure to credit risk. Additionally, the program will still be required to maintain a zero or negative credit subsidy rate and, therefore, generate no budgetary cost.

Suggested Legislative Language

SEC. 126. AMENDMENTS TO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS BOND PROGRAM. Section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4713a) is amended— (a) in subsection (c)(2) by striking ", multiplied by an amount equal to the outstanding principal balance of issued notes or bonds"; (b) by amending subsection (d) to read as follows— "(d) RISK-SHARE POOL.— Each qualified issuer shall, during the term of a guarantee provided under the Program, establish a risk-share pool, capitalized by contributions from eligible community development financial institution participants in amounts that shall not exceed 4 percent of the guaranteed amount outstanding on the subject notes and bonds, which contribution amounts shall be determined by the Secretary for each eligible community development financial institution participant based on the Secretary's assessment of the participant's credit quality."; (c) in subsection (e)(2)(B), by striking "$100,000,000" and inserting "$25,000,000"; (d) in subsection (g) by amending the subsection to read as follows: "(g) FEES.— "(1) IN GENERAL.— "(A) QUALIFIED ISSUER.—A qualified issuer that receives a guarantee issued under this section on a bond or note shall pay a fee to the Secretary, in an amount equal to 10 basis points of the amount of the unpaid principal of the bond or note guaranteed. "(B) ELIGIBLE CDFI PARTICIPANT.—An eligible community development financial institution participant that receives a bond loan under this section shall pay a fee to the Secretary, in an amount equal to 1 percent of the unpaid principal of the bond or note guaranteed. "(2) PAYMENT. — "(A) QUALIFIED ISSUER.—A qualified issuer shall pay the fee required under paragraph (1)(A) on an annual basis. "(B) ELIGIBLE CDFI PARTICIPANT.— An eligible community development financial institution participant shall pay the fee required under paragraph (1)(B) at the time of loan disbursements to the participant."(3) USE OF FEES.—Fees collected by the Secretary— "(A) under paragraph (1)(A) shall be used to reimburse the Department of the Treasury for any administrative costs incurred by the Department in implementng the Program established under this section and shall be available until expended; and "(B) under paragraph (1)(B) shall be deposited by the Secretary into an account that shall be available to the Secretary to cover credit subsidy costs and to pay principal and interest on the guaranteed bonds or notes in the event of a delinquency in repayment of loans to eligible community development financial institution participants."; and (e) in subsection (k), by striking "2014" and inserting "2017".

Section 3 – Budget and Performance Plan

3A – Administration

($24,930,000 from direct appropriations):

This budget activity encompasses the CDFI Fund's operational support and management activities for each of its award programs and supports the CDFI Fund's Strategic Goal No. 4: To increase resource and human capital management to maximize performance, efficiency, and program results. This includes, among other activities, developing regulations, Notices of Funding Availability, and application materials; reviewing and evaluating certification and funding applications; selecting awardees; finalizing the terms of award agreements; making disbursements; collecting and evaluating performance data; and monitoring awardees' compliance. All of these tasks support activities that allow the CDFI Fund to carry out its overall mission.

Description of Performance:

The CDFI Fund has made significant progress enhancing its program administrative business processes, enabling quicker award disbursements.

The CDFI Fund's two administrative measures are organization-wide efficiency measures based on the weighted average of the number of applications/awards across all programs. (All-application-award and All-award-disbursement cycle times).

The *All-application-award Cycle Time* performance target was 7.0 for FY 2014 and FY 2015. In FY 2014, the CDFI Fund completed its program application-award cycle time in 7.1 months and just missed meeting this performance goal. The application-award target was missed slightly because of a change in congressionally mandated matching funds requirements for the CDFI program under the appropriation language of December 2013 which required supplemental notification of applicants and additional reviews of the applicant's matching documentation. The revised FY 2015 and FY 2016 targets are set at 7 months.

The *All-Award-Disbursement Cycle Time* target is a measure in months of how quickly the CDFI Fund manages to initially disburse 85 percent of program funds after the award announcement. In FY 2013, the target of 3.5 months was not met as it took 4.5 months to assure the accuracy of all in-kind matching requirements for grants and loans, particularly for the rates and terms of the matching loans. In FY 2014, because of the increased level of effort to ensure strong controls over the disbursement process, the CDFI Fund missed its target of 3.5 months as only 77 percent of program funds were initially disbursed within 3.5 months and current disbursement data indicate that initial disbursements should be completed in 4.5 months. The CDFI Fund has raised the award-disbursement target from 3.5 to 4 months for FYs 2015 and 2016 since the past two years has shown that it takes around 4 months to make an initial disbursement on 85 percent of program funds. The matching funds requirements in the Core FA component of the CDFI Program necessitate strong internal controls and checks which slightly lengthens the process. Lastly, the incorporation of the OMB Supercirculrar requires the CDFI Fund to develop additional oversight procedures for the disbursement processes which will lengthen the timeline during FY 2015.

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The *All-Affordable Housing* measure includes housing units reported by CDFI, NMTC and CMF program awardees. For FY2014 the target was exceeded due to higher than projected results achieved by CMF awardees. The targets for FY 2015 and 2016 do not factor in results from future rounds of funding for CMF and the FY 2015 targets include the final incremental contributions attributed to first round of CMF awards. The outcomes of the FY 2016 CMF awards will not be reported until FY 2017.

3.1.1 – Administration Budget and Performance Plan

The CDFI Fund's suite of performance measures was comprehensively revised in FY 2010 so many of these measures only have four years of actual results.

Dollars in Thousands

Administrative Budget Activity Resource Level	FY 2009 Actual	FY2010 Actual	FY 2011 Actual	FY2012 Actual	FY 2013 Enacted	FY2014 Enacted	FY 2015 Enacted	FY2016 Request
Appropriated Resources	$12,483	$13,797	$18,602	$22,965	$21,764	$24,636	$23,600	$24,930
Budget Activity Total	**$12,483**	**$13,797**	**$18,602**	**$22,965**	**$21,764**	**$24,636**	**$23,600**	**$24,930**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
ALL - Award Cycle Time (months)	N/A	N/A	7.4	6.5	6.8	7.1	7.0	7.0
ALL - Disbursement Cycle Time (months)	N/A	N/A	2.0	3.1	4.5	4.5	4.0	4.0
ALL - Number of affordable housing units developed or produced (units)	N/A	N/A	19,083	27,433	26,391	32,621	36,000	29,000

Key: DISC - Discontinued and B - Baseline

3B Community Development Financial Institutions Program

($157,593,000 from direct appropriations):

The CDFI Program supports the CDFI Fund's Strategic Goal No. 1: To expand the capacity of financial institutions to provide credit, capital, and financial services to low-income and underserved populations. Through the CDFI Program, the CDFI Fund makes 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 TA grants to CDFIs and entities proposing to become CDFIs.

Description of Performance:

The CDFI Fund has revised its performance measures for the CDFI financial assistance program to better measure the impact of CDFI awardees on distressed communities and underserved populations. The CDFI Fund worked with Treasury's Office of Performance Budgeting (OPB) and Office of Strategic Planning and Performance Improvement (OSPPI) to develop two new measures: (1) the percentage of loans and investments originated in eligible distressed communities or made to underserved populations as measured against the total 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 by the total number of loans originated by awardees.

These two measures demonstrate the impact of CDFI awardees in serving eligible distressed communities and underserved populations by lending reported during the program year. By regulation all certified CDFIs must originate 60 percent or more of their loans and investments in eligible distressed census tracts or to underserved populations. The target is a threshold that must be met or exceeded recognizing the need for CDFIs to balance their mission of serving distressed communities and underserved populations against their safety and soundness considerations.

As the historical data in table 3.1.2 indicates, the percentage share by amount of loans varies between 66 percent to nearly 85 percent in distressed communities and to underserved populations. When measured by the number of loans and investments, the share going to distressed communities and underserved populations has varied from 60 percent to nearly 80 percent. These trends indicate that CDFI awardees have been successful in meeting their mission of serving distressed communities and underserved populations both in terms of the amount and number of loans made to these target markets.

3.1.2 – Community Development Financial Institutions Program Budget and Performance Plan

Dollars in Thousands

Community Development Financial Institutions Program Budget Activity								
Resource Level	**FY 2009 Actual**	**FY2010 Actual**	**FY 2011 Actual**	**FY2012 Actual**	**FY 2013 Enacted**	**FY2014 Enacted**	**FY 2015 Enacted**	**FY2016 Request**
Appropriated Resources	$149,750	$107,600	$162,830	$146,035	$138,397	$146,364	$152,400	$157,593
Budget Activity Total	**$149,750**	**$107,600**	**$162,830**	**$146,035**	**$138,397**	**$146,364**	**$152,400**	**$157,593**

Measure	FY 2009 Actual	FY2010 Actual	FY 2011 Actual	FY2012 Actual	FY 2013 Actual	FY2014 Actual	FY 2015 Target	FY2016 Target
CDFI - Percentage of Loans & Investments Originated to Eligible Distressed communities or Underserved Populations by Dollar Amount (percentage)	N/A	74.8%	66.3%	84.9%	77.1%	70.8%	60.0%	60.00%
CDFI - Percentage of Loans & Investments Originated to Eligible Distressed communities or Underserved Populations by Number of Loans (percentage)	N/A	65.1%	60.6%	70.3%	79.6%	60.7%	60.0%	60.0%

Key: DISC - Discontinued and B - Baseline

3C – New Markets Tax Credit Program

($0 from direct program appropriations):

Through the NMTC Program, the CDFI Fund facilitates new investment in low-income communities by attracting private sector capital to these communities through tax credits. These objectives align with the CDFI Fund's Strategic Goal No. 2 – Increased public and private investment in distressed communities eligible to be served by the CDFI Fund's programs. Individual and corporate investors may receive a credit against their federal income taxes in exchange for making equity investments in

Community Development Entities (CDEs) that, in turn, use such proceeds to finance businesses and real estate projects in low-income communities. The investor's tax credit equals 39 percent of the amount invested and is taken over seven years.

The FY 2016 President's Budget proposes to permanently extend the NMTC Program, allowing up to $5 billion in qualifying investments each year. The proposals would also permit the NMTC to offset Alternative Minimum Tax (AMT) liability.

Description of Performance:
The 2013 NMTC investment authority was allocated in FY 2014 due to delayed passage of the authorizing legislation. In the 2013 round, the NMTC Program awarded $3.5 billion in NMTC investment authority to 87 CDEs, out of a pool of 310 applicants requesting $25.9 billion. Legislative authorization for 2014 totaling $3.5 billion in total NMTC allocation authority is projected to be awarded in the spring of 2015.

As of September 2014, CDEs have raised a cumulative total of $31.9 billion since the inception of the NMTC Program. The NMTC Program has targeted investments into the most distressed census tracts among those that meet statutory eligibility requirements. The FY 2014 NMTC annual reporting by allocatees totaled $4 billion in new financing, falling below the stretch target of $5 billion which was put into place based on expectations about investments made from available tax authority balances. The FY 2015 and FY 2016 targets were set at $5 billion to reflect the actual annual tax credit authority requested.

3.1.3 – New Markets Tax Credit Program

Dollars in Thousands

New Markets Tax Credit Program Budget Activity								
Resource Level	**FY 2009 Actual**	**FY2010 Actual**	**FY 2011 Actual**	**FY2012 Actual**	**FY 2013 Enacted**	**FY2014 Enacted**	**FY 2015 Enacted**	**FY2016 Request**
Appropriated Resources	$4,267	$4,203	$0	$0	$0	$0	$0	$0
Budget Activity Total	**$4,267**	**$4,203**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Measure	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Target**	**FY 2016 Target**
Community Development Entities' Annual Qualified Low-Income Community Investments ($ billions)	$3.6	$3.1	$4.7	$5.5	$4.8	$4.0	$5.0	$5.0
NMTC-Percentage of Loans and Investments that went into Severely Distressed Communities (percentage)	81%	73.4%	72.4%	70.4%	78.5%	73.8%	72.0%	72.0%

Key: DISC - Discontinued and B - Baseline

3D – Bank Enterprise Award Program

($0 from direct appropriations):
Through the BEA Program, the CDFI Fund encourages insured depository institutions to increase investments and services in distressed communities and to provide financial assistance to CDFIs.

These objectives align with the Department of the Treasury's Strategic Goal No. 1: *Promote domestic economic growth and stability while continuing reforms of the financial system*.

Description of Performance

In FY 2014, the CDFI Fund received 98 eligible BEA Program applications requesting a total of approximately $211 million in awards, which is the largest amount in requested awards since the inception of the program. The CDFI Fund selected 69 FDIC-insured institutions to receive approximately $18 million in BEA Program awards. The average award amount was $258,962. FY 2014 BEA Program awardees are headquartered in 24 states and the District of Columbia, compared to the 18 states and the District of Columbia represented in the prior year. FY 2014 BEA Program awardees increased their qualified community development activities over the prior year activities by $571.5 million while all FY 2014 BEA applicants increased their qualified community development activities by more than $723.5 million. The performance target for FY 2014 was exceeded as applicants substantially increased their qualified community development activities despite reductions in program funding. This behavior indicates a high level of commitment to the program by applicants and as result the target has been increased for FY 2015.

3.1.4 – Bank Enterprise Award Program

Dollars in Thousands

Bank Enterprise Award Program Budget Activity								
Resource Level	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Enacted**	**FY 2014 Enacted**	**FY 2015 Enacted**	**FY 2016 Request**
Appropriated Resources	$22,000	$25,000	$21,956	$18,000	$17,058	$18,000	$18,000	$0
Budget Activity Total	**$22,000**	**$25,000**	**$21,956**	**$18,000**	**$17,058**	**$18,000**	**$18,000**	**$0**

Measure	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Target**	**FY 2016 Target**
BEA-Increase in Community Development Activities Over Prior Year For All BEA Program Applicants ($ million)	$292	$290	$268.3	$432.4	$493.5	$723.5	$750	DISC

Key: DISC – Discontinued

3E – Native American CDFI Assistance Program

($16,000,000 from direct appropriations):

Through the NACA Program, the CDFI Fund assists entities in overcoming barriers that prevent access to credit, capital, and financial services in American Indian, Alaska Native, and Native Hawaiian communities. The CDFI Fund 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 others have not, and are serving the poorest in Native communities. In order for Native CDFIs to make a larger economic impact within Native communities, they require further technical assistance and capacity building to access financial capital. With the increased capacity building, Native CDFIs could, for example, expand their lending from an initial offering of micro-loans to making larger small business loans to better promote economic activity. These objectives align with the Department of the Treasury's Strategic Goal 1: *Promote domestic economic growth and stability while continuing reforms of the financial system*.

Description of Performance:
As detailed in Table 3.1.5, in FY 2014 NACA awardees reported originating 2,230 loans amounting to $100.5 million which greatly exceeded the targets of 1,300 loans and $22.5 million in loans because of the large increase in the asset size of reporting awardees. The targets for FYs 2014 and 2015 have been adjusted upward based on an alternative forecasting technique using the number of reporting awardees, asset size and average loan size. In addition, research is underway to develop a new metric to measure the share of lending within and adjacent to tribal lands based on Federal Designations.

3.1.5 – Native American CDFI Assistance Program

Dollars in Thousands

Resource Level	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY2012 Actual	FY 2013 Enacted	FY2014 Enacted	FY 2015 Enacted	FY2016 Request
Appropriated Resources	$16,500	$12,000	$11,352	$12,000	$11,372	$15,000	$15,000	$16,000
Budget Activity Total	**$16,500**	**$12,000**	**$11,352**	**$12,000**	**$11,372**	**$15,000**	**$15,000**	**$16,000**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
NACA - Amount of Loans/Investments Originated (Annual) (Dollars in Millions)	N/A	N/A	$14.7	$21.2	$23.2.0	$100.5	$164	$164
NACA - Number of Loans/Investments Originated (Annual)	N/A	N/A	1,004	1,170	1,508	2,230	1,860	1,860

Key: DISC - Discontinued and B - Baseline

3F – Healthy Food Financing Initiative

($35,000,000 from direct appropriations):
The Healthy Food Financing Initiative (HFFI) is an interagency initiative involving the U.S. Department of the Treasury and the U.S. Department of Agriculture. The HFFI represents the federal government's first coordinated step to eliminate "food deserts" – low-income urban and rural areas in the United States with limited access to affordable and nutritious food – by promoting a wide range of interventions that expand the supply of and demand for nutritious foods, including increasing the distribution of agricultural products, developing and equipping grocery stores, and strengthening producer-to-consumer relationships.

The HFFI has had a high response rate from applicants. To date, all 12 of the first-round HFFI awardees and 11 of the 12 second-round awardees have reported on three years of HFFI investments. In total, 99 loans/investments were made to 114 projects totaling $43,589,977 in HFFI eligible activities. A total of 64 retail outlets were funded resulting in 899,021 square feet of new retail space developed for projects ranging from small green grocers to large supermarkets, all serving low-income, low-access census tracts. Another 50 non-retail projects developed 1,122,816 square feet of space for eligible healthy food activities such as farming and development of distribution centers.

The HFFI supports the CDFI Fund's Strategic Goal No. 1: *To expand capacity of financial institutions to provide credit, capital, and financial services to low-income and underserved*

populations. 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 options 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 2013 and 2014 program awardees reported baseline data on investments which created 31 retail outlets and 33 respectively for healthy food activities in low-income, low-access areas. As a result of this baseline reporting and additional program award rounds, preliminary targets have been set for FY 2015 and 2016.

3.1.6 – Healthy Food Financing Initiative

Dollars in Thousands

Healthy Food Financing Initiative Budget Activity								
Resource Level	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY2012 Actual**	**FY 2013 Enacted**	**FY2014 Enacted**	**FY 2015 Enacted**	**FY2016 Request**
Appropriated Resources	$0	$0	$0	$22,000	$20,849	$35,000	$22,000	$35,000
Budget Activity Total	**$0**	**$0**	**$0**	**$22,000**	**$20,849**	**$35,000**	**$22,000**	**$35,000**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
HFFI - Retail Outlets Created/Preserved	N/A	N/A	N/A	B	31	33	47	47

Key: DISC - Discontinued and B - Baseline

3G Capital Magnet Fund Program

($0 from direct appropriations):
The Capital Magnet Fund (CMF), administered by the CDFI Fund, was authorized by the Housing and Economic Recovery Act of 2008 (HERA), which called for recurrent funding of the CMF through assessments on securities of the Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac. GSE funding for CMF was temporarily suspended in November of 2008 by the Federal Housing Finance Agency (FHFA) under its HERA authority. In FY 2010, Congress appropriated $80 million for an initial CMF funding round; however, no appropriations were made in subsequent years. In December 2014, the FHFA instructed the GSEs to begin setting aside and allocating funds to the CMF pursuant to HERA. This budget activity aligns with the Department of the Treasury's Strategic Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system.

From the 2010 funding round, the CDFI Fund announced $80 million in competitively awarded grants to 23 CDFIs and qualified non-profit housing organizations serving 38 states. The CMF awards have been used to increase capital investment for the development, preservation, rehabilitation, and purchase of affordable housing for low-, very low-, and extremely low-income families, and for related economic development activities, including community services facilities.

Awardees received their Assistance Agreements in July 2011 and disbursements of grant funding later that year. As required by the Assistance Agreement, funds were committed to projects within two years of the agreement (July 2013) and disbursed within three years of the agreement (July 2014). All projects must be completed within five years of agreement (July 2016). Awardees committed to leveraging the CMF award by at least 10 times with other sources of capital, as well as committed to projects that meet percentages of targeted incomes and geographies.

Awardee reports available through September 30, 2014 indicate the following updates on CMF-financed affordable housing and community development activities through FY 2013:

- Total number of affordable homes under development with CMF financing include: 8,758 (net addition of 1,955);
- Affordable rental homes financed: 7,913 (net addition of 1,612);
- Affordable homeowner-occupied homes financed: 845 (net addition of 343), including assistance to 214 income-eligible, first-time homebuyers;
- Average CMF award investment in each unit of affordable housing developed: $11,200;
- Average total cost of each unit of affordable housing developed: $179,500

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 other funding sources were leveraged by CMF financing. Data are included in performance table 3.1.1 above.

Section 4 – Supplemental Information

4A – Summary of Capital Investments

As part of its FY 2016 capital investment strategy, the CDFI Fund plans to spend approximately $5.07 million on Information Technology (IT). The CDFI Fund has no major IT investments, nor any capital investments other than IT.

Non-Major IT Investments

The CDFI Fund's capital investment strategy is to become a consumer of commodity IT services (e.g., IT infrastructure services) and to focus its limited IT resources on IT solutions that directly support the mission of the CDFI Fund. One important mission-focused IT modernization activity is the implementation of an Award Management Information System (AMIS) — an enterprise, commercial, off-the-shelf product that will replace the CDFI Fund's legacy business systems. The CDFI Fund awarded the AMIS contract to a small business in July 2014. The first AMIS deployment is planned for September 2015 with full deployment planned for September 2016. By streamlining business processes and leveraging modern automation and technology, the CDFI Fund will be able to handle larger volumes of awards, tax credits, and loan portfolios while achieving more transparency and better data quality and providing better service to its customers.

Another mission-focused IT initiative is the modernization of the CDFI Fund public website. The CDFI Fund public website has not undergone a substantial redesign in over 10 years. This IT initiative will provide an innovative and modern design to the CDFI Fund public website, and will use the Department of Treasury's SharePoint as a Service (SaaS) Platform to ensure a cost-effective solution. The new CDFI Fund public website is planned to be completed in July 2015.

In FY 2016, the CDFI Fund identified five non-major IT investments. Investments for Legacy Mission Systems (LMS) and the Community Investment Impact System (CIIS) are in Operations & Maintenance (O&M). The remaining three investments are AMIS and the CDFI Fund Public Website, which are described above, and IT Program Management Support. The IT Program Management Support investment includes planning, acquisition, and system deployment support services for the modernization of CDFI Fund mission systems. These services are being obtained via an Interagency Agreement with the Alcohol and Tobacco Tax and Trade Bureau (TTB).

IT Infrastructure Investments

In 2012, TTB assumed management of the CDFI Fund's IT infrastructure. Treasury has seen numerous benefits from the CDFI Fund/TTB arrangement. It provides better availability and security for the CDFI Fund's business data and systems, increases utilization of Treasury data centers, and enables the CDFI Fund to leverage existing Disaster Recovery and Continuity of Operations capabilities. With TTB, the CDFI Fund avoids software upgrade costs by using TTB's enterprise software licenses, stops duplicative services (such as Web monitoring and filtering), and eliminates contracts used to maintain the CDFI Fund's IT infrastructure.

A summary of capital investment resources, including major information technology and non-technology investments, can be 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.

4B – CDFI Bond Guarantee Program

The Small Business Jobs Act of 2010 (Public Law 111-240) created the CDFI Bond Guarantee Program. Bonds issued under the program support CDFI lending activity in underserved communities by providing a source of long-term capital. Qualified Issuers (CDFIs or their designees) issue bonds that are guaranteed by the Secretary of the Treasury and use the bond proceeds to make loans to Eligible CDFIs for eligible community and economic development purposes. Bond maturity cannot exceed 30 years. Under FY 2013 and FY 2014 authority, Treasury provided eight guarantees in the total amount of $525 million. The following objectives have been identified for the program for FY 2015:

- Approval of up to $750 million in guarantees;
- A compliance assessment of the Master Servicer/Trustee, Qualified Issuers and Eligible CDFIs.

4.1 – Resource Detail Table

Dollars in Thousands

Bond Guarantee Program Resource Level	FY 2011 Enacted	FY2012 Enacted	FY 2013 Actual	FY2014 Actual	FY 2015 Enacted	FY2016 Request
Obligations	-	-	$325,000	$200,000	$750,000	$1,000,000
Loan Limitation Obligation Authority	-	-	-	$750,000	$750,000	$1,000,000
Collections[1]	-	-	-	$489	$5,333	$18,442

[1]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 disbursements of $46 million, $216.5 million, and $900 million in FY 2014, FY 2015, and FY 2016, respectively.

4.2 – Financing Accounts - Non-Budgetary Summary

Dollars in Thousands

Bond Guarantee Program Resource Level	FY 2011 Enacted	FY2012 Enacted	FY 2013 Actual	FY2014 Actual	FY 2015 Enacted	FY2016 Request
Obligations	-	-	$325,000	$200,000	$750,000	$1,000,000

Financial Crimes Enforcement Network

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Appropriations Detail Table 3
1B – Vision, Priorities and Context 3
Section 2 – Budget Adjustments and Appropriation Language 6
2.1 – Budget Adjustments Table 6
2A – Budget Increases and Decreases Description 6
2.2 – Operating Levels Table 7
2B – Appropriations Language and Explanation of Changes 8
2C – Legislative Proposals 8
Section 3 – Budget and Performance Plan 9
3A – BSA Administration and Analysis 9
3.1.1 – BSA Administration and Analysis Budget Activity Budget and Performance Plan 11
Section 4 – Supplemental Information 12
4A – Summary of Capital Investments 12

Section 1 – Purpose

1A – Mission Statement

The mission of the Financial Crimes Enforcement Network (FinCEN) is to safeguard the financial system from illicit use, and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

1.1 – Appropriations Detail Table

Dollars in Thousands

Financial Crimes Enforcement Network	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
Appropriated Resources	Enacted		Enacted		Request		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
BSA Administration and Analysis	345	112,000	345	112,000	343	112,979	(2)	979	-0.58%	0.87%
Subtotal New Appropriated Resources	**345**	**$112,000**	**345**	**$112,000**	**343**	**$112,979**	**(2)**	**$979**	**-0.58%**	**0.87%**
Other Resources:										
Reimbursables	1	2,000	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%
Unobligated Balances from Prior Years	0	41,000	0	50,000	0	50,000	0	0	0.00%	0.00%
Subtotal Other Resources	**1**	**$43,500**	**1**	**$53,500**	**1**	**$53,500**	**0**	**$0**	**0.00%**	**0.00%**
Total Budgetary Resources	**346**	**$155,500**	**346**	**$165,500**	**344**	**$166,479**	**(2)**	**$979**	**-0.58%**	**0.59%**

1B – Vision, Priorities and Context

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 more than 130 partner countries; receiving millions of new financial reports each year; securing and maintaining a database of over 170 million reports; and 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, FIU, regulatory partners, and industry.

FinCEN designs its BSA regulatory defenses to protect national security and safeguard the financial system. The nation's financial institutions execute these defenses on a daily basis. This strong public-private partnership is critical in protecting the financial system from money laundering and other illicit activity. FinCEN is a leader in the analysis of the BSA data and dissemination of financial intelligence. This capability is now further strengthened by BSA IT Modernization, allowing FinCEN's highly skilled analysts to enhance BSA analysis and integration with other information. In addition, FinCEN is also expanding its BSA enforcement efforts to employ an intelligence-driven approach focusing on high-risk illicit use of the financial system. FinCEN will proactively investigate persons and entities that violate the BSA using a wide range of enforcement tools.

FinCEN is a bureau in the U.S. Department of the Treasury. FinCEN directly supports the Department's strategic goal to "Safeguard the financial system and use financial measures to counter national security threats." The Director of FinCEN reports to the Under Secretary for Terrorism and Financial Intelligence (TFI). FinCEN supports the following Treasury strategic objectives: 4.1 Identify priority threats to the financial system using intelligence analysis and outreach to the financial sector; 4.2 Develop, implement, and enforce sanctions and other targeted financial measures; and 4.4 Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards.

FinCEN's activities and efforts are linked to Treasury's strategic goal, the above-mentioned Treasury strategic objectives, and the following bureau strategic goals:

- Safeguard the financial system from evolving money laundering and national security threats; and
- Maximize the sharing of financial intelligence between FinCEN and its domestic and foreign partners in government and private industry.

FinCEN also supports the Agency Priority Goal (APG) to employ a proactive, intelligence driven approach to focus enforcement efforts against high priority threats by September 30, 2015. This goal is aligned to Treasury strategic objective 4.4. FinCEN will leverage new technology, FinCEN data, analytical resources, tools, and methodologies to identify high priority threats compromising the financial system. FinCEN will use this intelligence to focus its own enforcement efforts against high priority threats, and assess civil monetary penalties, impose injunctions, issue special measures under Section 311 of the USA PATRIOT Act, and apply geographic targeting orders, as appropriate. FinCEN will also use this intelligence to help focus the enforcement actions of partner law enforcement and regulatory agencies in the U.S. and abroad.

FinCEN's priorities include:

- Target examination and enforcement efforts to high priority areas;
- Expand understanding and analysis of illicit networks, institutions, jurisdictions, and schemes;
- Ensure the BSA regulatory structure effectively and efficiently targets illicit financing risks;
- Manage the efficient collection, processing, and retrieval of BSA data; and
- Foster strong public-private partnerships with the financial industry.

FinCEN's accomplishments in FY 2014 include:

- Issued advisories to help Ukraine combat corruption and recover stolen assets;
- Issued two administrative rulings that expanded upon guidance to clarify applicability of BSA to administrators and exchangers of convertible currency and provided reference information to partners on emerging payment systems;
- Issued guidance that clarifies reporting and customer due diligence expectations for financial institutions seeking to provide services to marijuana businesses;
- Identified 517 crypto-currencies in various stages of development, including some with novel technological developments that FinCEN is currently assessing. FinCEN continues to

track entity ownership, jurisdiction, Internet Protcols, and other information globally from BSA data and open source data. FinCEN also tracks new currencies in development, their developers, and their exchangers;
- Provided immediate and sustained analytic support to the FBI and DOJ for ongoing efforts to stem capital flight from Ukraine;
- Continued support of high priority health and tax fraud investigations, including identification of key links to third-party money launderers;
- Promoted voluntary use of 314(b) authorities. Section 314(b) of the USA PATROIT Act provides financial institutions with the ability to share information with one another, under safe harbor that offers protections from liability, in order to identify and report potential money laundering or terrorist activities; and
- Hosted a delegation of senior officials from the China Anti-money Laundering Monitoring and Analysis Center (CAMLMAC) and the Anti-money Laundering Bureau, the two offices that comprise FIU-China. A segment of the discussions focused on identifying next steps in CAMLMAC's application for membership into the Egmont Group of FIUs.

To meet its priorities in FY 2015 and FY 2016, FinCEN will:
- Adopt strong anti-money laundering and counterterrorism financing (AML/CFT) regulatory safeguards;[1]
- Implement and enforce AML/CFT regulatory authorities and employ targeted financial measures against priority threats;
- Use research, analysis, and advanced analytics to identify and explain priority threats to the financial system;
- Implement and manage programs to effectively network, coordinate, and share financial intelligence between FinCEN and its domestic and foreign partners in government and private industry[1]; and
- Develop and support effective technology systems to collect and analyze financial intelligence from private industry and share it with domestic and foreign government partners.

In terms of the larger operating environment, FinCEN contributes to efforts across all levels of government to focus resources on various external factors that threaten the financial system. Some of these factors include cyber threats, transnational organized crime, fraud against U.S. government programs, and transnational security threats, such as rogue regimes and terrorist organizations. These are serious threats to the nation and the financial system that demand strong public-private sector partnerships to ensure the appropriate laws and regulations are in place, and to leverage resources in a fiscally responsible manner.

[1] Directly supports the Strategic Objective Annual Review (SOAR) next steps.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Financial Crimes Enforcement Network	FTE	Amount
FY 2015 Enacted	**345**	**$112,000**
Changes to Base:		
Maintaining Current Levels (MCLs):	-	$1,896
Pay-Raise	-	$521
Pay Annualization	-	$133
FERs Contribution Increase	-	$191
Non-Pay	-	$1,051
Efficiency Savings:	-	($726)
Efficiency Savings	-	($726)
Subtotal Changes to Base	-	$1,170
FY 2016 Base	**345**	**$113,170**
Program Changes:		
Program Decreases:	(2)	($191)
Administrative Staffing Reduction	(2)	($191)
Program Increases:	-	-
FY 2016 Request	**343**	**$112,979**

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ..... +$1,896,000 / +0 FTE

Pay-Raise +$521,000 / +0 FTE

Funds are requested for the proposed January 2016 pay-raise.

Pay Annualization +$133,000 / +0 FTE

Funds are requested for annualization of the January 2015 pay-raise.

FERS Contribution Increase +$191,000 / +0 FTE

Funds are requested for an increase in agency contributions for Federal Employees Retirement System (FERS) employees.

Non-Pay +$1,051,000 / +0 FTE

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

Efficiency Savings ..... -$726,000 / +0 FTE

Efficiency Savings -$726,000 / +0 FTE

These efficiencies are a result of reductions in travel, printing, and savings realized through re-evaluated or negotiated contracts.

Program Decreases ..... -$191,000 / -2 FTE

Administrative Staffing Reduction -$191,000 / -2 FTE

FinCEN will redistribute the workload of two administrative positions lost through attrition.

2.2 – Operating Levels Table

Dollars in Thousands

Financial Crimes Enforcement Network Object Classification	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
11.1 - Full-time permanent	32,396	40,597	41,115
11.3 - Other than full-time permanent	362	408	408
11.5 - Other personnel compensation	486	205	205
11.9 - Personnel Compensation (Total)	33,244	41,210	41,728
12.0 - Personnel benefits	9,695	12,123	12,259
Total Personnel and Compensation Benefits	**$42,939**	**$53,333**	**$53,987**
21.0 - Travel and transportation of persons	524	777	607
23.1 - Rental payments to GSA	4,835	4,304	4,380
23.2 - Rental payments to others	28	30	31
23.3 - Communication, utilities, and misc charges	1,720	1,629	1,649
24.0 - Printing and reproduction	72	263	200
25.1 - Advisory and assistance services	2,405	1,097	1,097
25.2 - Other services	14,685	15,129	14,864
25.3 - Other purchases of goods & serv frm Govt accounts	9,603	8,791	9,132
25.4 - Operation and maintenance of facilities	0	740	740
25.6 - Medical care	174	168	171
25.7 - Operation and maintenance of equip	20,931	18,535	18,629
26.0 - Supplies and materials	272	315	319
31.0 - Equipment	3,764	6,889	7,173
Total Non-Personnel	**59,013**	**58,667**	**58,992**
Subtotal New Appropriated Resources	**$101,952**	**$112,000**	**$112,979**
Budget Activities:			
BSA Administration and Analysis	153,417	165,500	166,479
Total Budgetary Resources[1]	**$153,417**[1]	**$165,500**	**$166,479**
FTE	**280**	**346**	**344**

[1] FY 2014 Actual includes annual appropriations, available multi-year appropriations, reimbursable resources, offsetting collections, and user fees.

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY FINANCIAL CRIMES ENFORCEMENT NETWORK Federal Funds **SALARIES AND EXPENSES:** For necessary expenses of the Financial Crimes Enforcement Network, including hire of passenger motor vehicles; travel and training expenses of non-Federal and foreign government personnel to attend meetings and training concerned with domestic and foreign financial intelligence activities, law enforcement, and financial regulation; services authorized by 5 U.S.C. 3109; not to exceed $10,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, [$112,000,000] *$112,979,000*, of which not to exceed $34,335,000 shall remain available until September 30, [2017] *2018*. (*Department of the Treasury Appropriations Act, 2015*.)	

2C – Legislative Proposals

FinCEN has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – BSA Administration and Analysis

($112,979,000 from direct appropriations, and $3,000,000 from reimbursable resources):
The programs funded by this budget activity support Treasury Strategic Goal 4: "Safeguard the financial system and use financial measures to counter national security threats." This activity comprises FinCEN's efforts to develop and issue regulations under the Bank Secrecy Act (BSA); enforce compliance with the BSA in partnership with regulatory partners and as the sole BSA regulator across numerous industries; receive BSA reports and maintain a database; analyze and disseminate financial intelligence to federal, state, and local law enforcement, federal and state regulators, foreign FIUs, and industry; and serve as the U.S. FIU and maintaining network of information sharing with FIUs in partner countries. The goal owner for this budget activity is the Director of FinCEN.

To support the Treasury Strategic Objective 4.4 and FinCEN Strategic Objective 1.1 to adopt strong AML/CFT regulatory safeguards, FinCEN tracked the percentage of users finding that financial intelligence collected by FinCEN pursuant to its regulations provides valuable information to safeguard the financial system, combat money laundering, and counter terrorist financing. The survey looks at the value of FinCEN 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 2014, 81 percent of users found the financial intelligence useful, which did not meet the target of 84 percent. To meet future targets FinCEN will put greater emphasis on both in-person and on-line training that will better assist users in understanding and utilizing the FinCEN Query tool for their unique cases and situations. Additionally, FinCEN will try to identify and address any agency specific issues that might have contributed to lower scores. This should result in at least 82 percent of the respondents finding value in BSA data in FY 2015 and 83 percent in FY 2016.

To support the Treasury Strategic Objectives 4.2 and 4.4 and FinCEN Strategic Objective 1.2 to implement and enforce AML/CFT regulatory authorities and employ targeted financial measures against priority threats, FinCEN tracked the percentage of AML/CFT supervisors who indicate that FinCEN's enforcement actions have resulted in increased compliance by covered financial institutions. This measure examines the survey responses of state and federal financial regulatory agencies with information sharing agreements. The agreements require the financial regulators to share examination results and provide a variety of statistical data on their examination results. The survey asks the respondents to rate the impact of enforcement actions on the level of compliance observed by examiners. This is a meaningful measure of the link between enforcement actions and financial institution compliance with the BSA reporting. Lax financial institution compliance with the BSA would negatively impact the quality of the financial data and ability to safeguard the financial system from illicit activity. FinCEN set a baseline of 81 percent in FY 2014. In FY 2015 and 2016, targets are set at 80 percent until more trend data is available to better assess appropriate targets.

To support the Treasury Strategic Objective 4.1 and the FinCEN Strategic Objective 1.3 to use research, analysis, and advanced analytics to identify and explain priority threats to the financial system, FinCEN tracks the percentage of domestic law enforcement finding FinCEN's analytic reports contribute to the detection and deterrence of financial crime. In FY 2014, FinCEN discontinued this measure as it found the measure does not represent the new analytical products. FinCEN has increased its emphasis on the production of new products.

To support the Treasury Strategic Objective 4.1 and the FinCEN Strategic Objective 2.1 to implement and manage programs to effectively network, coordinate, and share financial intelligence between FinCEN and its domestic and foreign partners in government and private industry, FinCEN measured the percentage of stakeholders finding FinCEN's information sharing has contributed to their organization's responsibilities. This measure examines 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 new composite measure that consists of the following questions: Call center guidance response was understandable; rate the usefulness of the 314(a) requests FinCEN processed on behalf of your agency for investigations of financial crimes or money laundering; how satisfied are you with the information sharing you have with FinCEN; and over the past 12 months how satisfied are you with FinCEN. This is a meaningful measure as it tracks FinCEN's efforts to share financial intelligence. FinCEN baselined the results of this measure in FY 2014 with 89 percent finding information sharing valuable. FinCEN attributes this performance to high levels of satisfaction of domestic customers with the 314(a) program and responses received from regulatory Help Line calls. The FinCEN Resource Center will maintain this momentum through an intensive training program, rigorous quality control measures, and intra-agency coordination. The 314(a) Program will see improvements through outreach to targeted groups of financial institutions and FinCEN will enhance information sharing with industry, regulators, law enforcement and foreign Financial Intelligence Units (FIUs). In FY 2015 the target result of this measure is 89 percent finding information sharing valuable and in FY 2016 the target is 90 percent.

To support the Treasury Strategic Objective 4.1 and the FinCEN Strategic Objective 2.2, develop and support effective technology systems to collect and analyze financial intelligence from private industry and share it with domestic and foreign government partners, FinCEN tracked the percentage of users satisfied with FinCEN information sharing systems. This is a composite survey measure and represents the users' satisfaction with the BSA E-Filing System, FinCEN Portal and Query, and the Egmont Secure Web. Starting with 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 11 years of BSA data; and 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 enable them to conduct investigations more efficiently and effectively. In FY 2014 the baseline score was 78 percent of users were satisfied with FinCEN's information sharing systems. FinCEN attributes this to performance to high levels of satisfaction with the Egmont Secure Web (ESW) that shares information with foreign FIUs and the E-Filing system used to submit financial reports. To meet future targets FinCEN will work with its query users to

improve satisfaction with this system. The FY 2015 target is 78 percent and FY 2016 is 80 percent.

3.1.1 – BSA Administration and Analysis Budget Activity Budget and Performance Plan

Dollars in Thousands

BSA Administration and Analysis Budget Activity								
Resource Level	**FY 2009 Enacted**	**FY 2010 Enacted**	**FY 2011 Enacted**	**FY 2012 Enacted**	**FY 2013 Enacted**	**FY 2014 Enacted**	**FY 2015 Enacted**	**FY 2016 Request**
Appropriated Resources	$91,465	$111,010	$110,788	$110,788	$104,993	$112,000	$112,000	$112,979
Reimbursable Resources	$8,000	$20,000	$20,000	$20,000	$3,000	$2,000	$3,000	$3,000
Budget Activity Total	**$99,465**	**$131,010**	**$130,788**	**$130,788**	**$107,993**	**$114,000**	**$115,000**	**$115,979**

Measure	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Target**	**FY 2016 Target**
Percentage of AML/CFT Supervisors Who Indicate That FinCEN's Enforcement Actions Have Resulted in Increased Compliance by Covered Financial Institutions	N/A	N/A	N/A	N/A	N/A	81.0	80.0	80.0
Percentage of domestic law enforcement finding FinCEN's analytic reports contribute to the detection and deterrence of financial crime	N/A	80.0	86.0	83.0	81.0	Disc	Disc	Disc
Percentage of Stakeholders Finding FinCEN's Information Sharing Has Contributed to Their Organization's Responsibilities	N/A	N/A	N/A	N/A	N/A	89.0	89.0	90.0
Percentage of Users Finding That the Financial Intelligence Collected by FinCEN Pursuant its Regulations Provides Valuable Information to Safeguard the Financial System, Combat Money Laundering, and Counter Terrorist Financing	N/A	87.0	89.0	90.0	80.0	81.0	82.0	83.0
Percentage of Users Satisfied with FinCEN Information Sharing Systems	N/A	N/A	N/A	N/A	N/A	78.0	78.0	80.0

Key: DISC - Discontinued and B – Baseline

Section 4 – Supplemental Information

4A – Summary of Capital Investments

As the administrator of the BSA, FinCEN receives valuable information reported and collected under BSA requirements, which totaled approximately 19 million filings in FY 2014. 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. In FY 2014, FinCEN successfully completed all project milestones associated with the 4-year development effort associated with its BSA IT Modernization Program. The BSA IT Modernization investment full life cycle cost (10 years) is $300.4 million (including FTE) and the FY 2016 costs are $27.6 million (including FTE).

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.

Alcohol and Tobacco Tax and Trade Bureau

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Appropriations Detail Table 3
1B – Vision, Priorities and Context 3
Section 2 – Budget Adjustments and Appropriation Language 10
2.1 – Budget Adjustments Table 10
2A – Budget Increases and Decreases Description 10
2.2 – Operating Levels Table 13
2B – Appropriations Language and Explanation of Changes 14
2C – Legislative Proposals 14
Section 3 – Budget and Performance Plan 15
3A – Collect the Revenue 15
3.1.1 – Collect the Revenue Budget and Performance Plan 19
3B – Protect the Public 20
3.1.2 – Protect the Public Budget and Performance Plan 26
Section 4 – Supplemental Information 27
4A – Summary of Capital Investments 27

Section 1 – Purpose

1A – Mission Statement

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

1.1 – Appropriations Detail Table

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau Appropriated Resources	FY 2014 Enacted		FY 2015 Enacted		FY 2016 Request		FY 2015 to FY 2016 $ Change		FY 2015 to FY 2016 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Collect the Revenue	242	51,721	242	52,721	242	52,785	0	64	0.00%	0.12%
Protect the Public	231	47,279	231	47,279	232	48,654	1	1,375	0.43%	2.91%
Subtotal New Appropriated Resources	**473**	**$99,000**	**473**	**$100,000**	**474**	**$101,439**	**1**	**$1,439**	**0.21%**	**1.44%**
Other Resources:										
Reimbursables	10	6,742	10	7,022	10	6,300	0	(722)	0.00%	-10.28%
Transfers In/Out – Program Integrity Cap Adjustment	0	0	0	0	35	5,000	35	5,000	NA	NA
Transfers In/Out – TEOAF Super Surplus Fund	0	900	0	0	0	0	0	0	NA	NA
Subtotal Other Resources	**10**	**$7,642**	**10**	**$7,022**	**45**	**$11,300**	**35**	**$4,278**	**350.00%**	**60.92%**
Total Budgetary Resources	**483**	**$106,642**	**483**	**$107,022**	**519**	**$112,739**	**36**	**$5,717**	**7.45%**	**5.34%**

Note: The FY 2016 Request proposes a transfer of funds in the amount of $5 million from the Internal Revenue Service's program integrity cap adjustment to TTB for tax enforcement and compliance.

1B – Vision, Priorities and Context

TTB is responsible for the administration and enforcement of those sections of the Internal Revenue Code of 1986 (IRC) associated with the collection of excise taxes on alcohol, tobacco, firearms, and ammunition, and the Federal Alcohol Administration (FAA) Act, which provides for the regulation of the alcohol beverage industry for the protection of U.S. consumers. The TTB mission is carried out according to two principal strategic goals that, briefly stated, are: collect the revenue and protect the public. TTB's strategic goal to collect the revenue is to ensure that industry remits the proper federal tax on alcohol, tobacco, firearms, and ammunition products. This TTB goal supports the Treasury's strategic goal to fairly and effectively reform and modernize federal financial management, accounting, and tax systems and the strategic objective to pursue tax reform and improve the execution of the tax code. TTB's strategic goal to protect the public is to ensure that alcohol and tobacco industry operators meet federal permit qualification requirements and alcohol beverage products comply with federal production, labeling, and marketing requirements. This TTB goal supports the Treasury's strategic goal to promote domestic economic growth and stability and the strategic objective to facilitate commerce by providing trusted and secure U.S. currency, products, and services for use by the public. Various strategies and activities under these two TTB strategic goals contribute to the Treasury's strategic goal of creating a 21st-centry approach to government.

In Fiscal Year (FY) 2016, TTB will invest its resources in program activities that provide the greatest assurance that these industries are operating in compliance with tax and regulatory

requirements, in the interest of collecting the excise taxes due and ensuring fair and lawful market activity. Facilitating voluntary compliance remains a priority and, to this end, TTB will enhance its guidance related to federal alcohol, tobacco, firearms, and ammunition laws and regulations, and explore diversifying its delivery methods to better reach the business community it regulates. TTB will continue its efforts to verify compliant operations and proper tax payment through its audit and investigation programs, and will employ sophisticated risk modeling to target high-risk activity, for the most effective and efficient use of enforcement resources. Enforcing the tax code also requires that TTB address and deter the illicit activity present in the marketplace. 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. Specifically, in FY 2016, TTB will deploy joint forensic audit and investigation teams to detect and pursue tax evasion and other fraudulent activity in the alcohol and tobacco trade, with TTB agents initiating criminal investigations and referring cases for prosecution as appropriate. Under the proposed program integrity cap adjustment, TTB will expand its tax enforcement initiatives, addressing identified diversion schemes and using advanced analytics to detect concealed unlawful activity that might otherwise appear legitimate.

TTB will also focus on enabling the electronic filing of all required submissions so that the bureau can improve its business results in the key service areas that facilitate compliant trade and more efficiently and effectively enforce tax and regulatory compliance. Strong growth in the number of alcohol producers has increased demand for TTB to timely qualify applicants for a federal permit and issue approvals for alcohol beverage formulas and labels. TTB is improving its e-Gov systems, streamlining its internal processes, and updating outmoded policies to avoid degradation to the level of service provided to these mainly small business entrepreneurs. In FY 2016, to keep pace with changes in industry and technology, TTB will prepare to release the upgraded Permits Online filing solution and continue its efforts to modernize the federal alcohol beverage labeling program through updated regulations and policy guidance. The FY 2016 Budget allows TTB to increase automation in its labeling program through a combination of technology enhancements and data-driven enforcement techniques to address the high volume of formula submissions and alcohol beverage label applications. TTB's review of product information keeps American consumers safe and industry members operating on a level playing field; however, significant program changes are necessary to provide a long-term solution to current processing delays that may negatively impact businesses, which must have label approval prior to bottling or introducing their products into domestic commerce.

FY 2016 Priorities

- Collect more than $22 billion in annual excise tax revenues due to the federal government;
- Complete audits and investigations of TTB taxpayers based upon risk and random selection to ensure lawful operations and tax compliance;
- Detect and address criminal diversion activity related to alcohol and tobacco products to protect U.S. consumers, the federal revenue stream, and fair market activity;
- Pursue regulatory remedies to address enforcement challenges related to tax rate differentials on tobacco products, which have contributed to declining federal revenues;
- Reduce the burden of compliance by improving and promoting electronic filing options for industry members to file required permit, tax, and label submissions;

- Conduct marketplace sampling programs to determine compliance with federal regulations for alcohol beverages and use findings to tailor enforcement and voluntary compliance programs;
- Enhance TTB product safety activities that focus on the integrity and safety of domestic and imported alcohol beverage products;
- Promote U.S. exports by facilitating industry compliance with foreign requirements and by working with foreign regulators to reduce barriers to trade; and
- Strengthen global tax administration structures through work with trading partners and emerging markets to prevent tax loss from illicit trade and improve tax collection outcomes.

Recent Accomplishments

In FY 2014, TTB collected $22.2 billion in excise taxes and other revenues from over 10,500[1] taxpayers in the alcohol, tobacco, firearms, and ammunition industries. The return on investment for TTB's tax collection activities was 457:1 for FY 2014. Efforts to streamline regulations to reduce the compliance burden, enhance electronic filing systems, and address inefficiencies in internal processes should contribute to continued positive returns on the investment in TTB. The bureau also developed and employed increasingly sophisticated risk modeling to complete targeted audits and revenue investigations into non-compliance. In FY 2014, these civil enforcement efforts resulted in a total of approximately $62 million in identified tax liabilities. These investigations as well as specific intelligence leads resulted in referrals to TTB's criminal enforcement program, which have resulted in 30 active criminal investigations that represent more than $269 million in evaded tax liabilities. TTB maintains a 100 percent conviction rate in all completed cases.

In support of the nation's continued economic growth, TTB processed more than 8,100 original permits, most of which are issued to small businesses. A TTB permit is required before a business can operate in the alcohol and tobacco industries. In addition, TTB processed over 142,400 Certificate of Label Approval (COLA) applications and approximately 14,000 formula approvals. In FY 2014, TTB achieved a 79 percent electronic filing rate for permit applications and 94 percent electronic filing rate for COLA applications. Federal law prohibits the import or domestic bottling of an alcohol beverage without an approved COLA, making this TTB activity a condition of lawful U.S. business operations. TTB also advanced several initiatives to update its labeling program guidance, publishing a ruling to eliminate the formula requirement for certain malt beverage products and making progress on its labeling regulations modernization project to simplify and clarify requirements for industry members. TTB also initiated field investigations of industry members in the areas of permit qualification, consumer complaints, trade practice violations, and product integrity verifications, all of which serve the bureau's dual mission of revenue collection and consumer protection.

Challenges in FY 2016

Alcohol and Tobacco Diversion

TTB is the sole agency with jurisdiction over federal excise tax evasion in relation to domestic alcohol and tobacco products. The diversion of these products outside of legitimate commercial channels without the payment of taxes due threatens federal revenues, undermines fair competition, and provides a well-established source of funding for criminal enterprises.

[1] Of the 17,558 TTB permittees whose business operations are subject to federal excise taxes, approximately 10,500 (60 percent) have activity that required them to file a tax return and pay excise tax in FY 2014.

Diversion schemes vary widely and change in response to targeted enforcement efforts. Schemes include the illicit manufacture of taxable product, diversion of non-taxpaid product, and misclassification of imported product to evade tax. The breadth and variety of tax evasion schemes are outlined by the Government Accountability Office (GAO) in its March 2011 report entitled "Illicit Tobacco Various Schemes Are Used to Evade Taxes and Fees" (GAO-11-313).

While our experience and intelligence demonstrates a significant illicit trade in alcohol and tobacco products, accurately measuring the loss in federal tax receipts from alcohol and tobacco diversion is difficult because of the clandestine nature of the activity.[2] However, in any case where the intrinsic value of a product is dwarfed by its tax value, there is incentive to evade the tax to gain an illegal profit. An increased tobacco tax rate of roughly 150 percent for cigarettes under the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) has served to enhance the potential for illegal gains. Since the inception of TTB's criminal enforcement program in FY 2011, TTB's agents have initiated 72 investigations, with a total estimated tax liability of approximately $345 million. TTB has also realized an almost 100 percent acceptance rate for cases presented to U.S. Attorneys for investigation, demonstrating both the strength and magnitude of these cases. Enforcement experience also indicates that there is criminal activity in the alcohol trade, with non-taxpaid product removals, illegal imports, and fraudulent labeling just a few of the schemes used to evade taxes, defraud American consumers, and undermine the legitimate alcohol trade.

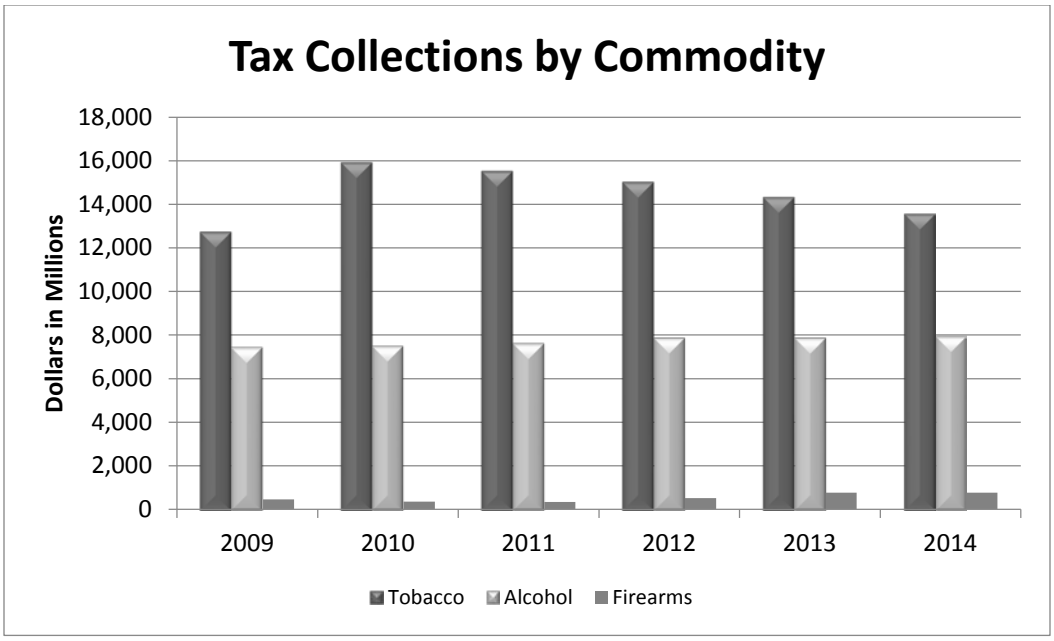
In FY 2014, TTB had $2 million in designated funding to continue its criminal enforcement program. The program utilizes the services of criminal enforcement agents on a reimbursable basis from the Internal Revenue Service Criminal Investigation (IRS CI) division. Alcohol and tobacco diversion are long-term 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. This $2 million is included in the FY 2016 base budget request. In FY 2016, TTB proposes a transfer of $5 million in appropriated funds from the IRS's program integrity cap adjustment for increased TTB tax enforcement and compliance programs to narrow the tax gap in the tobacco and alcohol industries and reduce the deficit through increased revenue collections.

Operating Environment

TTB Tax Collections and the Regulated Industries

TTB is the third largest tax collection agency in the U.S. government, after the IRS and U.S. Customs and Border Protection (CBP). Annual revenues from the alcohol, tobacco, firearms, and ammunition industries are approximately $22.2 billion.

[2] In February 2010, the Department of the Treasury issued a report to Congress ("Report to Congress on Federal Tax Receipts Lost Due to Illicit Trade and Recommendations for Increased Enforcement"), which included an effort to estimate the amount of federal tax receipts lost as a result of cigarette diversion. The study emphasized the substantial uncertainty surrounding the magnitude of the federal tax receipts lost due to cigarette diversion.



Alcohol Tax Collections

The alcohol beverage industry in the United States accounts for approximately 35 percent of the excise tax revenue that TTB collects. In FY 2014, TTB collected over $7.9 billion in revenue from U.S. wineries, breweries, and distilleries, the same amount collected in the prior year. Industry trade association reports state that the alcohol beverage industry contributes directly or indirectly to the U.S. economy by providing nearly 4 million jobs and roughly $400 – $500 billion in economic activity. While economic forecasts predict continued modest growth in the U.S. alcohol industry as a whole, excise tax collections will likely remain relatively flat due to a number of variables, including increasing volumes in imports and exports, for which CBP collects the tax, and declining sales by volume from the country's largest breweries, who account for over 90 percent of the beer sold in the U.S. The rapid expansion of new small alcohol beverage producers, including small wineries, breweries, and distilleries, will not entirely offset the declines in sales and tax payments by the large companies because these producers have lower production volumes, and small beer and wine producers are eligible for reduced tax rates based on their production volume. This trend is expected to continue throughout the period of FY 2015 – FY 2016.

Tobacco Tax Collections

In FY 2014, TTB collected nearly $13.6 billion in tobacco tax revenue, a decrease of approximately 6 percent compared to FY 2013 collections. In forecasting tobacco revenue, the Congressional Budget Office predicted that federal collections would decline after peaking in FY 2010 due to the significantly increased tax rates on cigarettes and other tobacco products enacted by CHIPRA. This is consistent with TTB's actual experience over the last several years. The CHIPRA legislation provided for a tax increase on all tobacco products (except large cigars), cigarette papers, and cigarette tubes, effective April 1, 2009. Higher prices on tobacco products have historically resulted in decreased consumption and increased illicit trade, which indicates that tobacco revenue will continue to decline. Further, recent analysis of tobacco collections has shown significant market shifts for tobacco products since the passage of

CHIPRA. The law introduced large federal excise tax disparities among tobacco products, which created opportunities for tax avoidance and led manufacturers and price sensitive consumers to shift toward lower-taxed products that are interchangeable with their higher taxed counterparts from a consumer consumption perspective. The growing popularity of untaxed products, such as e-cigarettes, may further contribute to declining tobacco revenue. In FY 2016, in response to the dramatic market shifts in pipe and roll-your-own tobacco as reported to TTB by domestic manufacturers, which shifted toward the lower taxed pipe tobacco based on the tax differential and not market forces, TTB will continue its efforts to set forth objective, science-based standards through rulemaking to differentiate these two tobacco products for tax purposes. Further, TTB will continue to act to address the revenue threat posed by the diversion of alcohol and tobacco products by exercising both its civil and criminal tax jurisdiction to support voluntary tax compliance and deter illicit trade.

Firearms and Ammunition Excise Tax (FAET) Collections

TTB also collects the federal excise taxes on firearms and ammunition. These taxes are remitted to the Fish and Wildlife Restoration Fund. This trust fund was established by statute and is overseen by the U.S. Fish and Wildlife Service, which apportions the money to state governments for wildlife restoration and research and hunter education programs. In the past decade, collections have increased from $226 million in FY 2005 to $769 million in FY 2014, an increase of $543 million over the past decade, or a 240 percent growth in tax revenue. Significant revenue shifts occurred between fiscal years 2011 and 2013, with collections increasing nearly 50 percent year-to-year. Historically, the increase in reported tax revenue can be attributed to external factors, such as increased sales, as well as TTB's enforcement presence, which increases collections and promotes voluntary compliance.

Expansion of U.S. Exports

TTB is actively engaged with the Office of the U.S. Trade Representative (USTR) in facilitating fair and open trade in alcohol beverages to support new opportunities for U.S. businesses in overseas markets. Overseas demand for the products TTB regulates continues to grow, with U.S. exports of all alcohol beverages totaling $3.5 billion in 2013, the most recent full year of data available. In line with increases in overall export volume, U.S. exports of distilled spirits totaled more than $1.4 billion, which represents a 3 percent increase from 2012. Over the same period, U.S. exports of wine increased by 16 percent, to $1.5 billion. Meanwhile, U.S. exports of beer also increased by 16 percent, to $518 million. TTB has undertaken a variety of efforts to directly influence that trend through its partnership with USTR. These include facilitating the reduction of export certification requirements imposed by foreign countries, negotiating trade agreements that facilitate trade and suspend trade barriers, and educating industry on U.S. import and export requirements.

As the U.S. tax and regulatory authority for alcohol beverages, TTB issues certificates for U.S. producers in order for the producers to be able to export their products to many foreign countries. In FY 2014, TTB issued more than 13,000 export certificates for beer, wine, and distilled spirits. Without these certificates, which are only issued by TTB, U.S. producers of alcohol beverages cannot sell their products in certain major markets abroad. In order to facilitate and expedite the issuance of certificates, TTB implemented an enhancement to its Permits Online system to enable the electronic submission of certificate requests. Through its international outreach, TTB

has arranged for the elimination or reduction of certification requirements when able to do so for wine exported to various countries. In FY 2014, for example, TTB launched the one-page consolidated export certificate for wine exports to China, reducing a significant barrier to wine export trade.

In supporting domestic economic growth and stability, TTB works to open burgeoning markets to U.S producers, including member economies of the Asia-Pacific Economic Cooperation forum. Emerging markets commonly issue technical trade barriers, and educating their regulators about the U.S. system will help prevent those countries from issuing technical barriers that impede U.S. exports. TTB also continues to engage with regulators from Canada, China, the European Union, France, Italy, and Mexico, and the new world wine producers of the World Wine Trade Group—all of which offer important export markets for U.S. producers—through its international agreements. These agreements ensure that markets remain open for U.S. businesses and illegal activity in international trade is addressed cooperatively and promptly.

Human Capital Management – Federal Employee Viewpoint Survey

Employee satisfaction is critical to a productive workplace. Each year, the Office of Personnel Management administers the Federal Employee Viewpoint Survey to measure the satisfaction of the federal workforce. Based on this survey data, the Partnership for Public Service determines rankings for the Best Places to Work in the Federal Government; in FY 2014, TTB ranked 18th out of 315 sub-component agencies, an improvement compared to the prior year. TTB continues to strive for the highest levels of employee satisfaction, and will use the survey results to develop an action plan to address opportunities for improvement. In the current environment, it is even more critical that TTB recognize outstanding employee performance and provide opportunities for professional development to ensure employee satisfaction and retention. Notably, within the next five years, approximately 46 percent of TTB's workforce will be eligible to retire; emphasizing the importance of succession planning and training to ensure its workforce has the skills and abilities to meet the mission.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau	FTE	Amount
FY 2015 Enacted	**473**	**$100,000**
Changes to Base:		
Maintaining Current Levels (MCLs):	-	$1,687
Pay-Raise	-	$580
Pay Annualization	-	$148
FERS Contribution Increase	-	$205
Non-Pay	-	$754
Efficiency Savings:	-	($248)
Reduce Infrastructure Footprint	-	($44)
IT Open Source Project	-	($60)
Travel and Other Operating Reductions	-	($144)
Subtotal Changes to Base	-	$1,439
Total FY 2016 Base	**473**	**$101,439**
Program Changes:		
Program Decreases:	-	($1,000)
Criminal Enforcement Program	-	($1,000)
Program Increases:	36	$6,000
Improvements to Core Business Applications/Data Analytics	1	$1,000
Alcohol and Tobacco Enforcement Program	35	$5,000
Total FY 2016 Operating Level	**509**	**$106,439**
Program Integrity Cap Adjustment Included in IRS Budget Request	-	($5,000)
Total FY 2016 Net Appropriation Request	**509**	**$101,439**

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ..... +$1,687,000 / +0 FTE

Pay-Raise +$580,000 / +0 FTE

Funds are requested for the proposed January 2016 pay-raise.

Pay Annualization +$148,000 / +0 FTE

Funds are requested for annualization of the January 2015 pay-raise.

FERS Contribution Increase +$205,000 / +0 FTE

Funds are requested for increases in agency contributions to the Federal Employees Retirement System (FERS) based on updated actuarial estimates.

Non-Pay +$754,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor costs such as travel, contracts, rent, supplies, and equipment.

Efficiency Savings ..... -$248,000 / +0 FTE

Reduce Infrastructure Footprint -$44,000 / +0 FTE

During the past few years, TTB has launched an aggressive telework program. This has enabled TTB to close half of its field offices, with the remaining field offices being vital to TTB's mission. TTB has also reconfigured and reduced the amount of office space needed to operate its headquarters in Washington, D.C., and the National Revenue Center in Cincinnati. In an

ongoing effort to improve space utilization, TTB has identified additional opportunities to reduce leased space, resulting in additional savings of $44,000.

IT Open Source Project -$60,000 / +0 FTE
TTB has launched a project to move its custom IT applications infrastructure from proprietary hardware and software to Open Source software. This initiative will lower the cost of both hardware refresh and maintenance and software licensing and maintenance.

Travel and Other Operating Reductions -$144,000 / +0 FTE
TTB will further reduce its operating costs through savings in administrative overhead and its program operations.

Program Decreases ..... -$1,000,000 / +0 FTE
Criminal Enforcement Program -$1,000,000 / +0 FTE
TTB will reduce its Criminal Enforcement Program to the 2014 funding level. The program remains critical to the bureau's ability to effectively curtail illicit operations and deter others from engaging in diversion activity. This level will enable TTB to continue pursuing and conducting criminal investigations while allowing the bureau to address other crucial investments to maintain a competitive and compliant marketplace for the alcohol beverage industry and facilitate trade in this growing sector of the economy.

Program Increases ..... +$6,000,000 / +36 FTE
Improvements to Core Business Applications/Data Analytics +$1,000,000 / +1 FTE
TTB is requesting $1 million to invest in its priority project to modernize the alcohol beverage labeling program to streamline and simplify the label submission and approval process. Given TTB's limited resources and the increased demand for its services from a growing business sector, TTB's current business model is unsustainable. TTB intends to address these challenges by working towards an automated solution to facilitate compliant label applications so that products may proceed to market more quickly. The requested investment will support: 1) system enhancements to COLAs Online to improve system checks and automate certain review and approval functions, 2) enhanced functionality of COLAs Online and Formulas Online to improve the availability and utility of data for analytics purposes, and 3) advanced risk modeling to support market-based enforcement. The initial investment will allow TTB to complete a comprehensive requirements analysis and begin implementing the business system enhancements for the labeling modernization priority project. This project is one of TTB's Bureau Priority Goals identified as part of its Balanced Scorecard strategic plan that cut across TTB's tax enforcement and consumer protection functions, and the annual investment will provide the resources necessary to initiate and sustain the modernization efforts in each of these areas.

Alcohol and Tobacco Enforcement Program +$5,000,000 / +35 FTE
The FY 2016 President's Budget includes a proposal to modify section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, to provide a program integrity cap adjustment of $5 million for TTB's tax enforcement and compliance program to narrow the tax gap in the tobacco and alcohol industries and reduce the deficit through increased revenue collections.

This specific funding request is included under the IRS budget, which includes the tax enforcement and compliance program integrity cap adjustment for both the IRS and TTB. The proposed cap adjustment for TTB tax enforcement and compliance activities includes $5 million in new, revenue-producing tax compliance initiatives in FY 2016 and $5 million in additional new initiatives each fiscal year from 2017 through 2020, then remaining at a steady state through FY 2025. TTB will target known points in the supply chain that are susceptible to diversion activity and prioritize forensic audits and investigations of high-risk entities and activity in the alcohol and tobacco industries. Because these new initiatives, as well as current enforcement activities, must be sustained over time in order to maximize their potential taxpayer returns, the total above-base adjustment funding is $193 million over the 10-year period. Over this same time period, these additional investments will generate an estimated $338 million in additional tax revenue over the 10-year period. The amount of revenue generated is driven primarily by an ROI computation that is based on a three-year rolling average from activities specific to TTB enforcement cases. The net savings from these investments is $145 million. In addition to the direct revenue impact from its enforcement efforts, an increased TTB enforcement presence also creates a deterrent effect in the marketplace that ensures tax compliance.

TTB Excise Tax Enforcement and Compliance Funding Summary
(in millions of dollars)

	2016	2017	2018	2019	2020	2016-2025
Cap Adjustment, Proposed BBEDCA (Discretionary Budget Authority)	5	9	14	18	24	193
Change from Prior Year		4	5	4	6	
Revenue	(3)	(8)	(16)	(25)	(35)	(338)
Change from Prior Year		(5)	(8)	(9)	(10)	
Net 10-Year Savings						(145)

Program Integrity Cap Adjustment Included in IRS Budget Request -$5,000,000 / +0 FTE
This adjustment ensures that the program increase for TTB's Alcohol and Tobacco Enforcement Program is reflected only once in the 2016 President's Budget as part of the IRS's program integrity cap adjustment.

2.2 – Operating Levels Table

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau Object Classification	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request	Transfer From IRS	Total Discretionary Appropriation
11.1 - Full-time permanent	44,545	45,936	46,589	1,527	48,116
11.5 - Other personnel compensation	580	719	619	50	669
11.9 - Personnel Compensation (Total)	**45,125**	**46,655**	**47,208**	**1,577**	**48,785**
12.0 - Personnel benefits	13,161	13,574	13,944	336	14,280
13.0 - Benefits for former personnel	30	0	0	0	0
Total Personnel and Compensation Benefits	**$58,316**	**$60,229**	**$61,152**	**$1,913**	**$63,065**
21.0 - Travel and transportation of persons	1,688	1,979	1,976	280	2,256
22.0 - Transportation of things	27	49	50	35	85
23.1 - Rental payments to GSA	4,512	4,566	4,500	0	4,500
23.3 - Communication, utilities, and misc charges	1,059	1,441	1,467	35	1,502
24.0 - Printing and reproduction	159	257	262	0	262
25.2 - Other services	21,627	20,782	21,890	1,000	22,890
25.3 - Other purchases of goods & serv frm Govt accounts	6,156	8,126	7,552	1,462	9,014
26.0 - Supplies and materials	400	478	490	35	525
31.0 - Equipment	3,777	2,093	2,100	240	2,340
32.0 - Land and structures	895	0	0	0	0
Total Non-Personnel	**40,300**	**39,771**	**40,287**	**3,087**	**43,374**
Subtotal New Appropriated Resources	**$98,616**	**$100,000**	**$101,439**	**$5,000**	**$106,439**
Budget Activities:					
Collect the Revenue	52,810	56,372	56,061	5,000	61,061
Protect the Public	52,730	50,650	51,678	0	51,678
Total Budgetary Resources	**$105,540**	**$107,022**	**$107,739**	**5,000**	**$112,739**
FTE	**470**	**483**	**484**	**35**	**519**

2B – 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, [$100,000,000] *$101,439,000*; of which not to exceed $6,000 for official reception and representation expenses; not to exceed $50,000 for cooperative research and development programs for laboratory services; and provision of laboratory assistance to State and local agencies with or without reimbursement: *Provided*, That of the amount appropriated under this heading, [$3,000,000 shall be for the costs of criminal enforcement activities and special law enforcement agents for targeting tobacco smuggling and other criminal diversion activities.] *such sums as are necessary shall be available to fully support tax enforcement and compliance 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. (Department of the Treasury Appropriations Act, 2015.)*	While the Budget proposes to remove the earmark for agents, $2 million remains in the base for this program.

2C – Legislative Proposals

TTB does not have any legislative proposals.

Section 3 – Budget and Performance Plan

3A – Collect the Revenue

($52,785,000 from direct appropriations, $3,276,000 from reimbursable resources, and a transfer of $5,000,000):

This budget activity includes all tax processing, verification, enforcement, and outreach efforts related to administering the federal excise taxes due on alcohol and tobacco products, and firearms and ammunition, and supports the Treasury objective to pursue tax reform and improve the execution of the tax code. TTB collects approximately $22 billion in federal tax revenue annually from roughly 10,500 businesses, making TTB the third largest tax collection agency in the federal government. Members of the regulated industries that are subject to excise taxes are distilleries, breweries, bonded wineries, bonded wine cellars, manufacturers of cigarette papers and tubes, manufacturers of tobacco products, and manufacturers and importers of firearms and ammunition. TTB uses an interagency approach in applying its enforcement strategies, which involves cooperation with local, state, federal, and foreign government counterpart agencies to maximize the deterrent impact of enforcement actions. In ensuring a level playing field for all those engaged in the trade of these strictly regulated commodities, TTB also takes appropriate enforcement action to detect and address diversion activity to ensure all products sold in the marketplace are properly taxpaid.

Other Resources (Offsetting Collections/Reimbursables)…… $3,276,000
The offsetting collections 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 brought into the United States (cover-over payments); reimbursement by the Community Development Financial Institutions Fund (CDFI) for TTB's IT services; and a nominal reimbursement from the Bureau of Alcohol, Tobacco, Firearms, and Explosives for laboratory services.

Other Resources (Transfer)…… $5,000,000
The FY 2016 Budget proposes a transfer of funds in the amount of $5 million from the Internal Revenue Service's program integrity cap adjustment to TTB for its tax enforcement and compliance program to narrow the tax gap in the tobacco and alcohol industries and reduce the deficit through increased revenue collections.

Description of Performance – Collect the Revenue:

In FY 2014, TTB met one of its two annual targets for the performance measures in the Collect the Revenue budget activity. Taken together, TTB's measures of the Amount of Revenue Collected per Program Dollar and the Percent of Voluntary Compliance from Large Taxpayers in Filing Payments Timely demonstrate the effectiveness and efficiency with which TTB operates its revenue collection function. These measures also serve as key indicators for Treasury's goals and objectives to fairly and effectively reform and modernize tax systems and administer the tax code. Achieving positive results for both measures will be supported by the strategic application of technology to streamline internal and external processes and an effective tax enforcement presence that leverages data from a variety of government and commercial sources and interagency partnerships with counterpart enforcement agencies.

Improve Efficiency of Tax Collection

The Amount of Revenue Collected per Program Dollar measure uses annual collections figures and the actual expenditures and obligations for collection activities to quantify the efficiency of the TTB tax collection program. In FY 2014, TTB achieved a return on investment of $457 for every program dollar spent on collection activities, which exceeded its annual performance target of $400. TTB maintained the result achieved in FY 2013 despite decreased collections in FY 2014 through sound fiscal management to reduce spending in both program and operating expenses. Effective enforcement combined with process improvements and streamlining efforts should contribute to continued positive returns on the investment in TTB.

In setting its FY 2016 performance target, TTB examined historical collections trends across each of its regulated commodities, as well as other predictors that influence consumer behaviors. Specifically, significant shifts in consumption patterns, product manufacturing, and trade will continue to impact federal revenues in the years ahead. The CHIPRA tobacco tax changes have resulted in increased tax collections by TTB since their enactment, although the amount of the increase has decreased steadily since FY 2010, the first full fiscal year following CHIPRA. In accounting for these types of marketplace shifts, TTB used Congressional Budget Office revenue projections for tobacco excise tax collections to determine the targeted performance level of 400:1 for fiscal years 2015 – 2016.

Excise Tax and Other Collections by Fiscal Year

Dollars in Thousands

Fiscal Year	Alcohol	Tobacco	FAET	SOT	FST	Other	Total
2005	$ 7,074,076	$ 7,409,608	$225,818	$ 10,190	$ 9	$ 141	$ 14,719,842
2006	7,182,940	7,350,058	249,578	2,895	638	146	14,786,255
2007	7,232,138	7,194,081	287,835	2,808	-	32	14,716,894
2008	7,420,576	6,851,705	312,622	448	-	634	14,585,985
2009	7,424,292	11,548,504	452,693	272	1,192,375	970	20,619,106
2010	7,476,789	15,913,479	360,813	300	8,558	180	23,760,119
2011	7,594,330	15,515,073	344,262	268	5,220	2,257	23,461,410
2012	7,856,391	15,002,616	514,622	249	5,942	61	23,379,881
2013	7,851,953	14,321,017	762,836	280	1,521	38	22,937,645
2014	7,924,951	13,552,711	768,927	332	465	2	22,247,388
Average	$ 7,503,844	$ 11,465,885	$428,001	$ 1,804	$ 121,473	$ 446	$ 19,521,453

FAET - Firearms and Ammunition Excise Tax SOT - Special Occupational Tax FST - Floor Stock Tax Other - Suspense Account

In FY 2016, to meet its performance target of $400, TTB will continue to improve efficiencies and results in its tax enforcement program by improving its tax verification systems and processes. On the front end, TTB will continue to evaluate and develop options to increase automation in the detection, notification, assessment, and collection of excise taxes due, which will allow TTB to focus its resources on substantive tax analysis. In FY 2016, TTB also intends to complete its review of all operational reports and tax returns required of the businesses it regulates as part of its ongoing effort to streamline its information collections. This initiative has the dual purpose of ensuring that TTB has the information required for effective tax and regulatory enforcement and eliminating unnecessary reporting burdens for U.S. companies.

On the back end, TTB will continue to develop and build risk models based on multiple data sources to identify high-risk activity or taxpayers for audit and investigation. Continuous refinements to these models and sound intelligence enable TTB to efficiently deploy its enforcement resources. A primary focus for TTB tax enforcement continues to be tobacco manufacturers and importers, including any person who for commercial purposes makes available for consumer use a cigarette-making machine and manufacturers and importers of processed tobacco.

Cigarette-making machine operators are considered tobacco product manufacturers under federal law and, thus, must obtain a TTB permit and pay tax. TTB has partnered with States to identify establishments operating cigarette-making machines and has issued letters to retailers and private clubs informing them of their compliance obligations. However, the proliferation of these machines will continue to create enforcement challenges and strain TTB enforcement resources given the number of locations and the relative tax exposure involved in each case. In FY 2016, TTB will continue to engage its law enforcement partners and collect additional intelligence on locations with these machines to identify and collect unpaid tax liabilities from unpermitted manufacturers shirking their tax responsibilities.

TTB will also continue to refine its enforcement techniques to ensure compliant trade in processed tobacco. Transfers of this non-taxpaid tobacco product carry a high revenue risk because the product may be diverted for the illicit manufacturing of cigarettes. In FY 2013, the last complete year of data examined, nearly a quarter of the roughly 831 million pounds of processed tobacco removals reported to TTB (excluding exports) were shipped to entities that do not hold a federal permit with TTB. Although some of these removals represent sales to brokers, who may ultimately sell processed tobacco to a TTB-permitted manufacturer of tobacco products, other removals may be ultimately destined for illicit production. TTB analyzes this information, in conjunction with other intelligence, to select and prioritize its audits and investigations. As a result of these enforcement efforts, TTB has identified through its investigations to date approximately $180 million in unpaid federal excise taxes; some of these cases have resulted in referrals for criminal investigation. TTB will continue these and other priority enforcement initiatives in FY 2016, successfully combining data analytics and advanced field investigative techniques to detect and address tax evasion.

This measure will be affected should the program integrity cap adjustment requested in FY 2016 receive approval. As TTB's intelligence capabilities and risk modeling have become more sophisticated, the bureau needs additional enforcement resources to act on the leads that these tools generate. The requested cap adjustment would enable TTB to continue its current enforcement activities, and expand its enforcement initiatives to include other points in the supply chain that are at-risk for diversion activity. Exports pose a significant revenue threat because alcohol and tobacco products intended for export may be placed in a customs bonded warehouse, foreign trade zone, or tobacco export warehouse without payment of tax if they are destined for export and not for sale in the U.S. market. Some tax evasion schemes involve diversion of these products into domestic commerce to evade federal excise taxes. According to TTB data, non-taxpaid removals of alcohol and tobacco products from bonded premises for export have an annual excise tax exposure of about $380 million and $1 billion, respectively.

Given additional resources, and in partnership with CBP, TTB could expand its proven intelligence and investigative techniques to make significant inroads into identifying tax evasion schemes that involve the diversion of non-taxpaid products intended for export. TTB anticipates a positive long-term return on investment at the FY 2016 request level; however, the anticipated increases in additional tax collections from the planned enforcement initiatives at the request level will not occur until year three, once new personnel reach full performance levels.

Increase Voluntary Compliance from Taxpayers

Fostering voluntary compliance among excise taxpayers is a primary tax administration strategy for TTB. The Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Payments Timely is a key performance metric that shows the rate of compliance by large taxpayers (i.e., those that pay more than $50,000 in annual taxes) in voluntarily filing their tax payments on or before the scheduled due date. In FY 2014, TTB did not meet its performance target of 91 percent, but achieved a 90 percent rate of compliance from its large taxpayers. Again in FY 2014, performance data indicates that the voluntary compliance rate continues to be lower in the latter half of the year as efforts to enforce tax compliance earlier in the year result in the submission of additional late filings by TTB taxpayers. Improvements in the bureau's ability to detect non-compliance due to the effective deployment of its automated tool for the identification of late, missing, and erroneous tax returns and operational reports have caused a temporary decrease in performance. As TTB continues to enhance the functionality of this automated tool, TTB expects that its reported compliance rate for timely filings may continue to decline before enforcement efforts lead to demonstrable improvements in industry compliance.

By FY 2016, TTB expects to meet its performance target of a 94 percent voluntary compliance rate for its large taxpayers. During a period of economic recovery, TTB believes that this is an aggressive target for taxpayer compliance and will demonstrate the effectiveness of TTB's strategies to improve industry understanding of and compliance with federal tax requirements. TTB will employ complementary strategies to meet this performance target that focus on enhancing electronic filing options to enable taxpayers to file complete, accurate, and timely tax returns and payments; improving online guidance, particularly for the large number of newly permitted industry members; and maintaining an enforcement presence to encourage voluntary compliance. Moving forward on all three fronts will ensure that TTB strikes the appropriate balance between supporting new businesses in setting up compliant operations while also focusing on detecting and curtailing high-risk activity that undermines lawful business activity.

Beginning now and continuing in FY 2016, TTB will intensify its efforts to increase the electronic filing rate of its taxpayers. TTB expanded the e-filing program to allow all excise taxpayers to file required tax returns, reports, and payments online through the Pay.gov system, with approximately 24 percent of excise tax returns and 38 percent of operational reports submitted electronically through Pay.gov in FY 2014. As part of a comprehensive strategy to promote e-filing by TTB taxpayers, TTB plans to address through rulemaking a primary hindrance for industry members in using Pay.gov by allowing credit card payments. This enhancement would also address a timing issue that requires those who file electronically to remit tax payments early. TTB is partnering with the Bureau of the Fiscal Service in this effort, which will require both system changes and rulemaking to implement.

The FY 2016 request will also support online enhancements to improve guidance, transparency, and collaboration between TTB and industry. Given the increase in new industry members, TTB will provide online training to ensure that these taxpayers understand and are able to adhere to complex federal tax and regulatory requirements. These activities will promote compliance across the regulated industries and support TTB's achievement of its performance target.

As an identifiable enforcement presence is a well-established driver of compliance rates, TTB expects to achieve higher rates of voluntary compliance in FY 2016, which provides funding for the continuation and expansion of the TTB criminal enforcement program. The FY 2016 request includes a $5 million transfer from the IRS program integrity cap adjustment to expand TTB enforcement initiatives through additional auditors, investigators, special agents, and data scientists, which together comprise a complete tax enforcement program.

3.1.1 – Collect the Revenue Budget and Performance Plan

Dollars in Thousands

Collect the Revenue Budget Activity								
Resource Level	**FY 2009 Actuals**	**FY 2010 Actuals**	**FY 2011 Actuals**	**FY 2012 Actuals**	**FY 2013 Actuals**	**FY 2014 Enacted**	**FY 2015 Enacted**	**FY 2016 Request**
Appropriated Resources	$50,524	$53,000	$50,399	$50,939	$48,927	$51,721	$52,721	$52,785
Reimbursable Resources	$1,898	$2,117	$1,979	$2,464	$3,277	$3,506	$3,651	$3,276
Appropriations Transferred from IRS Program Integrity Cap Adjustment	$0	$0	$0	$0	$0	$0	$0	$5,000
Transfer from TEOAF-Super Surplus Fund	$0	$0	$0	$0	$0	$468	$0	$0
Budget Activity Total	**$52,422**	**$55,117**	**$52,378**	**$53,403**	**$52,204**	**$55,695**	**$56,372**	**$61,061**

Measure	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Target**	**FY 2016 Target**
Amount of Revenue Collected Per Program Dollar	427.0	478.0	468.0	449.0	457.0	457.0	400.0	400.0
Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Payments Timely (In Terms of Revenue)	94.0	94.0	95.0	92.0	92.0	90.0	92.0	94.0

Key: DISC - Discontinued and B - Baseline

3B – Protect the Public
($48,654,000 from direct appropriations, and $3,024,000 from reimbursable resources):
This budget activity funds the programs that ensure the integrity of the products and industry members in the marketplace; promote compliance with federal laws and regulations by the nearly 72,000 businesses that TTB regulates; facilitate fair and lawful commercial 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 goal of domestic economic growth and stability and the objective to facilitate commerce by providing trusted and secure U.S. currency, products, and services for use by the public.

Other Resources (Offsetting Collections/Reimbursables)…… $3,024,000
The offsetting collections 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 brought into the United States (cover-over payments); reimbursement by the Community Development Financial Institutions Fund (CDFI) for TTB's IT services; and a nominal reimbursement from the Bureau of Alcohol, Tobacco, Firearms, and Explosives for laboratory services.

Description of Performance – Protect the Public:
In FY 2014, TTB met one of its three annual targets for the current performance measures under its Protect the Public mission. TTB reports on its success in meeting the Department's objective to facilitate lawful commerce and TTB's goal to ensure consumer protection through three principal performance measures, which indicate how timely the bureau is in issuing permits to qualified alcohol and tobacco businesses; how effective TTB is in deterring the illicit importation of tobacco products by non-permitted entities, and the efficiency of the bureau's alcohol beverage label application processing activity. Taken together, these measures and their associated activities reflect the priorities of a service-oriented organization that applies technology to the greatest extent to perform its consumer protection role and to ensure that commerce is fair, lawful, and open.

In FY 2015 and FY 2016, TTB is revising the performance measures for this core mission area to increase their utility as management tools and reflect a renewed focus on "voice of the customer" feedback. The new measures will help TTB to monitor the degree to which it is meeting the service standards it establishes for permit, label, and formula applications, the impact that electronic filing initiatives are having on improved service delivery, and the level of satisfaction that new industry members have with TTB's permitting process. TTB's strategies to achieve its performance targets for these measures include a combination of streamlining its internal procedures, implementing enhancements to its online filing systems, and publishing clear 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 operations in the alcohol, tobacco, firearms, and ammunition industries. For this purpose, in FY 2014, TTB processed approximately 8,100 original and 17,000 amended permits, using risk analysis to perform investigations into high-risk applicants to meet TTB's business integrity

objective. TTB also monitors its timeliness in processing permit applications through its measure of the Average Number of Days to Process an Original Permit Application for a New Alcohol or Tobacco Business. Undue delays in permit application processing impede domestic economic growth, primarily in the small business sector, as taxable commodities, such as wine, beer, or spirits products, cannot be lawfully produced without a federal permit from TTB. TTB targeted a 75-day turnaround time for original permit applications in FY 2014. TTB's average processing time was 84 days in FY 2014, with the shortfall attributable in part to lengthy processing times of more than 100 days in the first quarter due to the lapse in appropriations.

In FY 2014, TTB will discontinue this measure and replace it with a measure of the Percentage of Permit Applications Processed within Service Standards. Rather than reporting an average processing time that may or may not represent the typical customer experience, TTB will instead monitor how many of its customers are receiving service levels that fall within the communicated standards. As businesses rely on accurate information related to TTB service delivery in their operational planning, this measure will provide important data related to a key outcome for TTB and its stakeholders. For this measure, TTB will continue to establish an annual service standard based on anticipated workload volume and resources, and will calculate the percentage of applications that TTB processes within this service standard. In FY 2014, TTB met its 75-day service standard for original permits 58 percent of the time, an improvement compared to the prior year when TTB met its 65-day service standard just 50 percent of the time. This positive performance trend is largely attributable to the adjusted service standard in FY 2014, as the workload challenges and resource constraints that began under sequestration remain. Using the same service standard of 75 days, TTB intends to meet its FY 2016 performance target of 85 percent for timely processed permit applications through a combination of industry outreach to promote electronic filing, streamlining its internal procedures, and ongoing system enhancements.

Electronic filing enables TTB to more efficiently process applications. According to its measure of the Percent of Electronically Filed Permit Applications, which tracks the e-filing rate for new business applications, TTB has made substantial progress in a short time, with 79 percent of permit applications received via Permits Online in FY 2014. To meet its FY 2016 target of 85 percent, TTB will continue to promote use of Permits Online by all permit applicants, including through webinars and online training modules.

Even as e-filing rates increase, however, TTB has not experienced a commensurate reduction in processing times for permits due, in part, to the high volume of applications. Over the past several years, the number of new permit applications has increased in line with rapid industry growth, making it difficult to maintain service within current resources. Between 2010 and 2014, the number of original permit applications received has increased nearly 30 percent, primarily due to growth in the small beverage alcohol producers and alcohol wholesalers segments.

To realize improvements to service delivery, TTB is engaged in a priority project to facilitate electronic filing for all industry members. In FY 2014, as part of this multi-year endeavor, TTB focused on improvements to the Permits Online system and the internal processes in its business qualification program. In FY 2014, TTB began to update the business rules and customer

support features embedded in the system to help prospective industry members submit complete and accurate information on their permit application the first time; these updates will continue in FY 2015. Initial data collected in FY 2014 indicates that as few as 30 percent of applicants filing for a permit correctly complete the application without TTB assistance. By receiving more correct and complete applications, TTB can reduce the time spent in returning applications to customers for correction and reviewing corrected submissions, thus improving the time from application to permit issuance.

TTB is also taking steps to speed its transition to an entirely online processing environment. System enhancements that will begin in FY 2015 will improve the ease of amendment filing for existing Permits Online users and enable approximately 60,000 TTB permittees who originally filed a paper permit application to file for amendments to their permit (e.g., change in control or change in address) electronically through Permits Online. As TTB receives between 15,000 – 20,000 permit amendments annually, this project will result in efficiencies for both TTB and the businesses it serves. These enhancements are necessary to increase the rate of electronic filing by industry and improve processing times.

In addition to the workflow improvements associated with the above system changes, TTB will continue to update its procedures used to screen permit applicants, adding new financial data sources to its risk models and improving its risk criteria to vet applicants for suitability to hold a federal permit in the alcohol and tobacco industries. Increased focus on risk modeling and statistical sampling will help TTB maintain its assurance that it is permitting only qualified applicants, while also managing workloads. With these changes, TTB anticipates achieving sustained reductions to its permit application turnaround time late in FY 2015 following various additional system enhancements that are scheduled for implementation in January 2015.

Increase Customer Satisfaction with TTB Service Delivery
TTB also measures its performance in its permit processing function by surveying the businesses that apply for a TTB permit. TTB monitors the Customer Satisfaction Rate with TTB's Permitting Process by using an e-mail survey to assess how satisfied businesses are when applying for a permit through Permits Online. This new survey replaces the telephonic survey previously used to gauge customer satisfaction with various services provided by the National Revenue Center, TTB's service center for permit applicants and taxpayers. In FY 2016, to achieve its performance target of 80 percent, TTB will implement system enhancements and process improvements to improve the customer experience with the system and improve the online guidance available to permit applicants. TTB will also seek to improve the level of service provided to customers seeking live assistance with the permit application process via TTB's call center.

Ensure Compliance with Importer Permit Requirement
Maintaining lawful operations in the trade of alcohol and tobacco commodities is a principal TTB objective and also supports the Treasury objective to facilitate commerce by ensuring all businesses operate on a level playing field. TTB continues its enforcement of federal permit requirements, targeting entities identified as importing cigarettes and other tobacco products without a TTB permit. Through its measure of Percentage of Importers Identified by TTB as Operating without a Federal Permit, TTB monitors international trade data supplied by CBP to

ensure active importers have a permit on file with TTB. This enforcement activity enables the bureau to identify and take action against those entities engaging in unlawful operations (i.e., those importing in quantities that are indicative of commercial activity). In FY 2014, approximately 15 percent of entities reporting importations of tobacco products had done so without a permit, falling short of its performance target of 12 percent due to the number of personal use importations. TTB has found that the vast majority of unpermitted importers consist of individuals purchasing tobacco products from overseas via the Internet and only a fraction of these entities are importing product at levels that may indicate illegal activity. TTB's issuance of cease and desist letters to these entities, and appropriate follow up activities, ensured that the responsible parties ended operations or obtained a permit.

TTB discontinued this measure for FY 2015 as it has embedded this effective enforcement approach into its operations and achieved the intended deterrent effect. As tobacco products are often smuggled into the U.S., however, TTB must continue to supplement these data mining efforts and to monitor importer activity through audits, investigations, and other intelligence efforts to detect undeclared importations and address the substantial potential tax losses that they represent. TTB also will continue to focus its enforcement efforts on the importation of processed tobacco to ensure that importers comply with federal law. Processed tobacco remains the subject of TTB enforcement scrutiny, as it is not subject to tax and may be diverted for illegal manufacturing purposes.

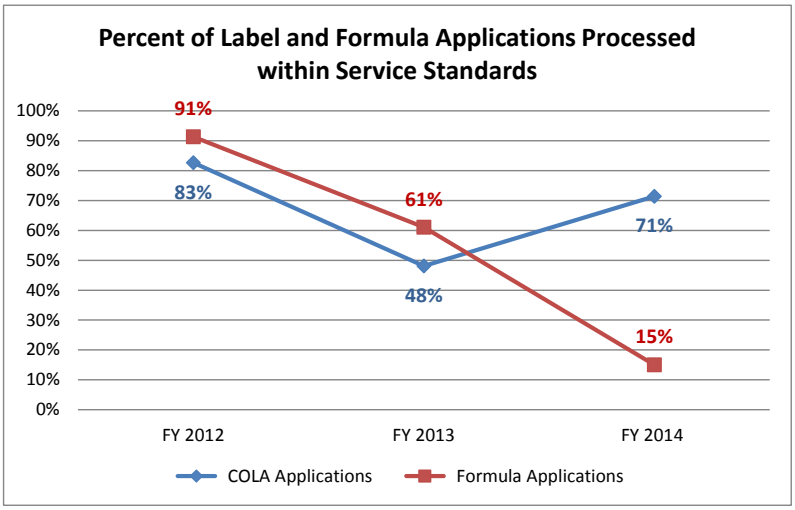
Improve Efficiency and Effectiveness of Alcohol Beverage Label Processing

TTB protects U.S. consumers by ensuring that the alcohol beverage products offered at retail outlets are properly labeled and comply with federal production standards. This activity also facilitates compliant commerce, a critical Treasury objective, as a TTB label approval is required before an industry member can introduce their products into interstate commerce. TTB expects to meet both objectives through the regulatory enforcement activities under its alcohol beverage labeling program, which include the review of label applications and associated formula submissions to ensure product labels are truthful and accurate and products are formulated and produced with ingredients and processes that do not pose a health risk to U.S. consumers.

In FY 2014, TTB received approximately 142,400 label applications and 14,000 formula applications. The rapid expansion of the alcohol beverage industry combined with market trends toward formulated products have contributed to the high volume of applications. Between 2008 and 2012, the number of applications increased by 14 percent. TTB has implemented policy changes each year since FY 2012 to expand the number and type of changes that industry may make to an alcohol beverage label without submitting a new label application. These changes reduced the volume of submissions by 7 percent between FY 2012 and FY 2014 without compromising TTB's consumer protection role. Although these labeling program changes were successful in temporarily bending the curve for label applications, annual industry growth is already causing label applications to increase again. Additionally, the volume of formula applications continues to increase, with submissions increasing 11 percent over last year.

These workload challenges have prevented progress in improving service delivery in this area. Lengthy processing times continue to disrupt the business operations of U.S. beer, wine, and spirits producers and importers, posing a potential barrier to commerce. TTB has made minimal

gains in reducing processing times as TTB spent much of the first half of FY 2014 working to recover from the lapse in appropriations in the face of high demand. Given the importance of timely TTB approvals and the negative impact that delays may have on U.S. businesses, TTB is introducing a new measure of the Percentage of Alcohol Beverage Label and Formula Applications Processed within Service Standards. This measure parallels the new measure of TTB's permitting process, described previously. TTB combines label and formula applications in this measure given the interdependent nature of these approvals, as a formula approval is often required prior to label approval to substantiate label claims. Heading into FY 2014, TTB met its service standards of 30 days for a COLA and 45 days for a formula approximately 50 percent of the time, with new businesses waiting nearly three months on average from the time they filed for a formula approval to their first release of a new product. As illustrated by the chart below, this represents a significant departure from prior year performance. In FY 2014, TTB has made progress in its label approvals as the impact of the policy updates have taken effect, but performance in timely processing formula approvals has declined, with TTB meeting the 45-day service standard just 15 percent of the time. In June 2014, TTB issued a ruling to eliminate the formula requirement for certain malt beverage products, which should help stem the number of applications from this expanding and highly innovative industry and enable TTB to focus on products that may pose a risk to consumers or federal revenues.



In FY 2016, under the same service standards, TTB maintained a target of 85 percent for the percentage of label and formula applications that meet the established service standards. To meet the performance target, TTB will continue to focus efforts on revising and updating its policies and industry guidance given current performance challenges. In the same vein as the beer formula ruling issued in FY 2014, TTB will examine potential revisions to its formula policies for spirits and wine products, some of which will require rulemaking to implement. TTB also intends to proceed with its regulations modernization project, which will update and streamline the labeling regulations to reflect current TTB policy and modern industry practices.

To achieve its FY 2016 performance target, TTB must also consider how the current industry profile impacts service delivery, as new producers often require extensive assistance during the application process and frequently submit applications that require correction, both of which add to processing times. Available data for formula and label processing indicates that this year

approximately 40 percent of label applications and 30 percent of formula applications required correction, thus adding to the processing burden as each resubmitted application requires additional review. In FY 2015 and FY 2016, TTB will evaluate upgrades to COLAs Online and Formulas Online to increase system checks to ensure applications are complete and accurate to reduce the number that require correction.

TTB will also continue to employ its strategy to increase electronic filing to manage workloads and drive down processing times, as electronic applications are often more complete and accurate than paper submissions. In FY 2014, TTB achieved an electronic filing rate of 94 percent for label applications, exceeding its targeted performance level of 93 percent. The ongoing rise in electronic filing is due to TTB outreach to industry members and system improvements made in response to customer feedback that simplify the filing process for industry members.

TTB proposes to discontinue this measure in FY 2016, and replace it with a new measure of the Percent of Electronically Filed Label and Formula Applications. As TTB seeks to modernize its labeling program, it will focus on both the label and formula approval processes, which both are pre-conditions to market entry for alcohol beverage products. In FY 2016, TTB is targeting a 95 percent electronic filing rate for this new measure, reflecting TTB's expectation that e-filing rates will remain relatively constant going forward without more significant program changes.

TTB recognizes that, even with high rates of electronic filing, the volume of label applications necessitates consideration of broader efforts to streamline the alcohol beverage label application process. In FY 2016, TTB will invest $1 million in its labeling modernization priority project to streamline the process for reviewing label applications and improve service delivery times. This multi-year effort will involve the introduction of automated system checks and the use of advanced risk models to target non-compliance. With this initial investment in TTB's labeling modernization priority project, TTB does not anticipate significant performance impacts, as this would mark the formal requirements gathering stage for IT system enhancements and the development of the risk models needed for improved market-based enforcement. Still, the planned system improvements to both COLAs Online and Formulas Online and ongoing industry outreach should help TTB achieve its FY 2016 performance targets for its measures related to e-filing rates and service delivery, which are 95 percent and 85 percent, respectively.

3.1.2 – Protect the Public Budget and Performance Plan

Dollars in Thousands

Protect the Public Budget Activity Resource Level	FY 2009 Actuals	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$48,541	$50,000	$50,399	$48,939	$45,727	$47,279	$47,279	$48,654
Reimbursable Resources	$1,898	$2,117	$1,979	$2,464	$2,670	$3,236	$3,371	$3,024
Transfer from TEOAF-Super Surplus Fund	$0	$0	$0	$0	$0	$432	$0	$0
Budget Activity Total	**$50,439**	**$52,117**	**$52,378**	**$51,403**	**$48,397**	**$50,947**	**$50,650**	**$51,678**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Percent of Electronically Filed Permit Applications (NEW)	N/A	N/A	N/A	62.0	70.0	79.0	82.0	85.0
Percent of Permit Applications Processed within Service Standards (NEW)	N/A	N/A	N/A	61.0	50.0	58.0	85.0	85.0
Average Number of Days to Process an Original Permit Application for a New Alcohol or Tobacco Business	64.0	65.0	77.0	69.0	81.0	84.0	DISC	DISC
Customer Satisfaction Rate with TTB Permitting Process (NEW)	N/A	N/A	N/A	N/A	N/A	B	80.0	80.0
Percent of Electronically Filed Label and Formula Applications (NEW)	N/A	N/A	84.0	88.0	90.0	93.0	94.0	95.0
Percentage of Alcohol Beverage Label and Formula Applications Processed within Service Standards (NEW)	N/A	N/A	N/A	83.0	49.0	67.0	85.0	85.0
Percent of Electronically Filed Certificate of Label Approval Applications	74.0	79.0	88.0	91.0	92.0	94.0	DISC	DISC
Percentage of Importers Identified by TTB as Operating without a Federal Permit	15.0	15.0	14.0	13.0	11.0	15.0	DISC	DISC

Key: DISC - Discontinued and B - Baseline

Section 4 – Supplemental Information

4A – 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 the business strategy, which includes the bureau's mission, vision, goals, and objectives from the IT perspective. This plan charts the course the bureau will follow in the coming years to develop and implement IT solutions that are aimed at streamlining the collection of data, leveraging web technologies, and making the Internet the method of choice for the reporting and exchanging of information. By aligning business and technical strategy, TTB is able to leverage technology to enable the bureau to meet its objectives in the most efficient and cost-effective manner while identifying ways to minimize system redundancy.

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

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

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

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

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

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

Scientific Equipment for Laboratories

This investment will enable chemists to provide accurate and reproducible scientific data and laboratory results to support regulatory compliance, tax enforcement, tax classification, rulemaking, and investigations for both the alcohol and tobacco commodities. Laboratory instruments require periodic replacement, as they have finite lifecycles due to use and as

scientific advances continue to evolve. Technologies applied at these laboratories eventually become obsolete and the instruments are not serviceable as vendors stop carrying parts and software. Periodic replacement of the existing technologies is essential for TTB laboratories to remain state-of-the-art and effective to support the bureau's mission, strategy, and day-to-day operations.

A summary of capital investment resources, including major information technology and non-technology investments, can be 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.

Bureau of the Fiscal Service

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Appropriations Detail Table 3
1B – Vision, Priorities and Context 3
Section 2 – Budget Adjustments and Appropriation Language 9
2.1 – Budget Adjustments Table 9
2A – Budget Increases and Decreases Description 9
2.2 – Operating Levels Table 11
2B – Appropriations Language and Explanation of Changes 12
2C – Permanent, Indefinite Appropriations 12
2.3 – Permanent, Indefinite Appropriations Table 13
2D – Legislative Proposals 14
Section 3 – Budget and Performance Plan 16
3A – Collections 16
3.1.1 – Collections Budget and Performance Plan 17
3B – Debt Collection 17
3.1.2 – Debt Collection Budget and Performance Plan 18
3C – Do Not Pay Business Center 18
3.1.3 – Do Not Pay Business Center Budget and Performance Plan 20
3D – Government Agency Investment Services 20
3.1.4 – Government Agency Investment Services Budget and Performance Plan 22
3E – Government-wide Accounting and Reporting 22
3.1.5 – Government-wide Accounting and Reporting Budget and Performance Plan 23
3F – Payments 24
3.1.6 – Payments Budget and Performance Plan 26
3G – Retail Securities Services 26
3.1.7 – Retail Securities Services Budget and Performance Plan 28
3H – Summary Debt Accounting 28
3.1.8 – Summary Debt Accounting Budget and Performance Plan 29
3I – Wholesale Securities Services 29
3.1.9 – Wholesale Securities Services Budget and Performance Plan 31
Section 4 – Supplemental Information 32
4A – Summary of Capital Investments 32

Section 1 – Purpose

1A – Mission Statement

Promote the financial integrity and operational efficiency of the federal government through exceptional accounting, financing, collections, payments, and shared services.

1.1 – Appropriations Detail Table

Dollars in Thousands

Fiscal Service	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
Appropriated Resources	Enacted		Enacted		Request		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Collections	108	21,531	108	24,293	106	26,609	(2)	2,316	-1.85%	9.53%
Do Not Pay Business Center	7	5,000	7	5,064	7	5,116	0	52	0.00%	1.03%
Government Agency Investment Services	65	13,704	65	13,055	64	13,074	(1)	19	-1.54%	0.15%
Government-wide Accounting and Reporting	308	65,486	308	65,486	281	68,553	(27)	3,067	-8.77%	4.68%
Payments	525	126,636	490	121,715	482	133,179	(8)	11,464	-1.63%	9.42%
Retail Securities Services	528	100,789	528	95,237	519	94,145	(9)	(1,092)	-1.70%	-1.15%
Summary Debt Accounting	37	4,737	37	4,325	36	4,243	(1)	(82)	-2.70%	-1.90%
Wholesale Securities Services	98	22,282	93	19,009	91	18,931	(2)	(78)	-2.15%	-0.41%
Subtotal New Appropriated Resources	**1,676**	**$360,165**	**1,636**	**$348,184**	**1,586**	**$363,850**	**(50)**	**$15,666**	**-3.06%**	**4.50%**
Other Resources:										
Reimbursables	714	239,342	714	216,863	701	227,901	(13)	11,038	-1.82%	5.09%
Subtotal Other Resources	**714**	**$239,342**	**714**	**$216,863**	**701**	**$227,901**	**(13)**	**$11,038**	**-1.82%**	**5.09%**
Total Budgetary Resources	**2,390**	**$599,507**	**2,350**	**$565,047**	**2,287**	**$591,751**	**(63)**	**$26,704**	**-2.68%**	**4.73%**

*A portion of the Reimbursable/Fee FTE is funded by fee revenue as authorized by the Debt Collection Improvement Act of 1996.

1B – Vision, Priorities and Context

The Bureau of the Fiscal Service (Fiscal Service) is guided by its vision to transform the way the government manages its finances and delivers shared services. Our efforts are focused on maximizing efficiencies, transparency, and accountability with the goal of improving government-wide financial management and the delivery of shared services. These themes are reinforced through our Strategic Goals which promote leadership and innovation, an engaged and highly effective workforce, delivery of exceptional programs and services, data transparency and usefulness, and expansion of shared services.

The Fiscal Service plays a key role in supporting three of the Department of the Treasury's strategic goals: ***Promote domestic economic growth and stability while continuing reforms of the financial system; Fairly and effectively reform and modernize federal financial management, accounting, and tax systems; and Create a 21st Century approach to government by improving efficiency, effectiveness and customer interaction.*** The Fiscal Service is committed to delivering strong leadership, exceptional operational services, and a clear vision focused on positive transformational change of Government-wide financial management and shared services. Operationally, the Fiscal Service provides central payment services to Federal program agencies (FPAs); operates the Federal Government's collections and deposit systems; provides Government-wide accounting and reporting services; borrows the money needed to

operate the federal government; handles all Treasury debt financing operations; issues, services, and accounts for all Treasury marketable securities and non-marketable securities; provides reimbursable support services to federal agencies; and manages the collection of delinquent debt.

FY 2014 Accomplishments

The Fiscal Service has a clear vision focused on positive transformational change of government-wide financial management and shared services. In FY 2014, Fiscal Service completed the following priorities:

Data Transparency

- Assumed program responsibility over USAspending.gov and began work to make improvements to enhance the user experience and search functionality of the website.
- Established governance and implementation structure for the Digital Accountability and Transparency Act of 2013 (DATA Act).

Government-wide Shared Services

- In collaboration with the Office of Management and Budget (OMB), Treasury designated four federal financial management shared service providers to provide common services to large Chief Financial Officer agencies.

Collections

- Collected 98 percent of the $3.73 trillion total federal revenue electronically.
- Implemented a second payment service provider (digital wallet) to expand the E-Commerce solution.

Debt Collections

- Collected more than $6.91 billion of delinquent debt including a record $415 million from Cross-Servicing where each collection tool had double digit growth. Administrative Wage Garnishment collections for FY 2014 totaled $56 million, a 39 percent increase from the previous fiscal year.
- Implemented Centralized Receivables Service (CRS) fully into Fiscal Service operations, invoicing over $20.8 million in receivables and collecting over $13.8 million.

Do Not Pay Business Center

- Integrated Do Not Pay (DNP) into the Treasury payment processing stream to stop payments based on agency business rules.

Government Agency Investment Services

- Continued operational excellence as evidenced by the collection and disbursement of interest and principle amounts.
- Received an unmodified opinion on the Statement on Standards for Attestation Engagements 16 reviews for both agency and debt accounting.

Government-wide Accounting and Reporting

- Implemented and migrated all agencies onto the Government-wide Treasury Account Symbol Adjusted Trial Balance System.

- Successfully closed 13 Government Accountability Office (GAO) audit recommendations as part of producing the 2013 Financial Report of the U.S. Government.

Payments
- Disbursed over 1.1 billion federal payments with a total dollar value of nearly $2.5 trillion of which 94.4 percent were disbursed electronically.
- Exceeded the FY 2014 target to process over 300,000 invoices in electronic form. Additionally, federal agencies are lining up to use Invoice Processing Platform (IPP) service, with five agencies signing participation agreements this year and OMB proposing a mandate requiring most civilian agencies to adopt IPP by 2018.
- Led over 200 government organizations to convert their financial systems to the new Payment Automation Manager (PAM) payment format.

Retail Security Services
- Prepared for the implementation of the *my*RA program, including designating a financial agent to offer custody and customer service, after it was announced by the President during his State of the Union address in January 2014. Published regulation changes ending the reissue of paper savings bonds.
- Issued and serviced $26.9 billion in savings and marketable securities held by 570,497 investors in the online TreasuryDirect system.

Summary Debt Accounting
- Maintained operational excellence as evidenced by the accurate accounting and reporting for the nearly $18 trillion public debt.
- Received an unmodified audit opinion on the GAO audit of the Schedules of Federal Debt.

Wholesale Security Services
- Introduced the Floating Rate Note security in January 2014 – the first new Treasury marketable security in 17 years.
- Conducted 271 auctions and awarded $7.24 trillion in Treasury marketable securities.

FY 2015 Priorities

In FY 2015, Fiscal Service is focusing on the following priorities:

Data Transparency
- Data Transparency – Begin implementation of the DATA Act through the development of Data Standards, establishment of Data Repositories, support of Open Data Policy, and the development of an Intelligent Data Prototype.
- Data Transparency – Develop a comprehensive USAspending.gov improvement plan including stakeholder engagement strategy, governance framework, and incremental improvements.

Government-wide Shared Services
- Create a Government-wide strategy, roadmap, and oversight organization to facilitate the matching of agencies to Federal Shared Service Providers; continue to benchmark federal financial management processes and build a Products and Services Catalog consistent with

the shared services model; and facilitate the acceptance of electronic invoicing across government.

Operational Excellence

- Organizational Culture – Foster employee engagement, inclusion, and cross-organizational cooperation at all levels of the bureau.
- Organizational Culture – Underscore the value of effective human capital management through a corporate commitment to strategic and workforce planning, organizational development, workforce diversity, and employee growth and skill set development.
- Efficiency – Support government-wide efforts to reduce the federal real estate footprint through the effective management, planning, and execution of new/extended leases for bureau locations.

Collections

- Support Treasury's initiative of having non-tax collections and remittances submitted electronically to reduce costs, improve accuracy, increase options available to citizens, and implement state-of-the-art E-Commerce solutions for processing revenue collections transactions.

Debt Collections

- Increase the number of participating agency programs leveraging CRS.
- Continue to increase the collection of delinquent debt by expanding state programs and payment streams in the Treasury Offset Program.

Do Not Pay

- Expand agency participation in DNP as well as expand analytics to assist agencies in monitoring and determining the amount of improper payments prevented.

Government-wide Accounting and Reporting

- Improve the central accounting and reporting function by aggressively pursuing resolutions to material weaknesses in the Financial Report and completing the multi-year system modernization effort.

Payments

- Continue the modernization of the federal payment process by implementing the Standard Payment Request format among all agencies and reaching the first-year milestones of the Post Payment System development project.
- Continue to advance electronic payments by increasing rates of electronic tax refunds and vendor payments, and vigorously promote Treasury disbursing services to federal agencies that make their own payments.
- Increase electronic collections, forms, and bills on Pay.gov as well as to further enhance Pay.gov to support on-line banking, digital wallets, e-Billing, the E-Commerce efforts, and a fraud monitoring and prevention solution.

Retail Securities Services

- Successfully implement the *my*RA program, a new retirement account option for individuals.
- Begin implementation of the retail vision and roadmap; implement secure portal functionality to include customer self-service and web chat; as well as develop plans for a modernized retail sales and service system.

Wholesale Securities Services

- Continue migrating Treasury Automated Auction Processing Systems (TAAPS) into a modern, stable technical infrastructure.

FY 2016 Priorities

In FY 2016, Fiscal Service will focus on the following priorities:

Data Transparency

- Continue implementation of the DATA Act to include necessary government-wide financial system enhancements, inclusion of place-based reporting capabilities (referred to as geocoding), and providing assistance to other agencies as needed.

Government-wide Shared Services

- Government-wide Shared Services – Improve government-wide fiscal operations by facilitating agencies' migration to a shared service model for financial systems.

Collections

- Promote expanded acceptance of the US Debit Card/Card Management Services model and continue to advance the E-Commerce in support of Treasury's initiative to have non-tax collections and remittances submitted electronically to reduce costs, improve accuracy, and increase options available to citizens.

Do Not Pay Business Center

- Improve federal fiscal management by expanding agency use of DNP to reduce improper payments and expand its use to federally funded state programs.

Government-wide Accounting and Reporting

- Continue towards obtaining a clean audit of the Financial Report by FY 2018 by verifying and eliminating intergovernmental differences.
- Strengthen effective government-wide accounting by providing Central Accounting and Reporting System (CARS) operational and technical support during the transition of federal program agencies to CARS.

Payments

- Continue to vigorously promote Treasury disbursing services to federal agencies that make their own payments.
- Enhance federal reporting and query capabilities by enabling agencies to submit claims electronically through improvements in the Post Payment System (PPS). Pursue enhancements to the Stored Value Card (SVC) program, including consolidating processing platforms and researching the feasibility of expanding SVC to include Basic Training and Service Academies.

- Further expand agency use of Invoice Processing Platform (IPP) while adding functionality that enables wire and benefit payments.

Retail Securities Services

- Enhance investment opportunities for American citizens through focused efforts on educating the public and increasing participation in the *my*RA Program.
- Introduce enhancements to federal securities management and educate current and potential customers about the new Treasury Retail Investment Management system; eliminate final channels for issuing paper savings bonds.

Wholesale Securities Services

- Introduce state-of-the-art enhancements to modernize the technical infrastructure on which the TAAPS resides.

Debt Collections

- Expand the use of state-of-the-art mechanisms and strategies for maximizing the collection of delinquent debt.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Fiscal Service	FTE	Amount
FY 2015 Enacted	**1,636**	**$348,184**
Changes to Base:		
Maintaining Current Levels (MCLs):	-	$5,888
Pay-Raise	-	$2,382
Pay Annualization	-	$609
FERS Contribution Increase	-	$911
Non-Pay	-	$1,986
Efficiency Savings:	(50)	($8,480)
Rent and Space Savings	-	($1,900)
Consolidation Savings	(50)	($6,580)
Subtotal Changes to Base	(50)	($2,592)
Total FY 2016 Base	**1,586**	**$345,592**
Program Changes:		
Program Decreases:	-	($1,530)
Retail Securities Services Savings	-	($1,308)
Summary Debt Accounting Savings	-	($119)
Wholesale Securities Services Savings	-	($103)
Program Increases:	-	$19,788
DATA Act Implementation	-	$19,788
Total FY 2016 Request	**1,586**	**$363,850**

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ..... +$5,888,000 / +0 FTE

Pay-Raise +$2,382,000 / +0 FTE

Funds are requested for the proposed January 2016 pay-raise.

Pay Annualization +$609,000 / +0 FTE

Funds are requested for annualization of the January 2015 pay-raise.

FERS Contribution Increase +$911,000 / +0 FTE

Funds are requested for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +$1,986,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor costs such as travel, contracts, rent, supplies, and equipment.

Efficiency Savings ..... -$8,480,000 / -50 FTE

Rent and Space Savings -$1,900,000 / +0 FTE

Savings are a result of releasing two floors in the Hyattsville, Maryland location in an effort to more efficiently utilize the space currently available and reduce the bureau footprint.

Consolidation Savings -$6,580,000 / -50 FTE
As the Fiscal Service continues the integration efforts related to the consolidation, savings are realized from staff rationalization through the elimination of duplicate positions and restructuring of the workforce, with personnel separating by attrition.

Program Decreases ..... -$1,530,000 / +0 FTE
Retail Securities Services Savings -$1,308,000 / +0 FTE
Identified anticipated savings related to contracts being re-bid as well as decreased printing costs.

Summary Debt Accounting Savings -$119,000 / +0 FTE
Identified anticipated contract savings associated with a minor decrease in audit expenses.

Wholesale Securities Services Savings -$103,000 / +0 FTE
Savings associated with decreases in printing, travel, supplies, and small contracts.

Program Increases ..... +$19,788,000 / +0 FTE
DATA Act Implementation +$19,788,000 / +0 FTE
Funding is requested to support the implementation of Treasury's responsibilities under the DATA Act. Specifically, Treasury, in collaboration with the Office of Management and Budget (OMB), will lead the government-wide implementation of the DATA Act and associated financial data standards. Treasury will operationalize a "data centric" approach to enable timely access to discoverable and reusable financial data. This approach includes establishing data exchange standards and standard taxonomies for Federal transparency reporting and the corresponding governance required to manage the standards. Treasury will also work with agencies to link financial and management (e.g., financial assistance and procurement) data to improve the completeness and accuracy of Federal spending information.

Funds will also support activities associated with providing consistent, reliable, and searchable Government-wide spending data on USAspending.gov. This includes developing the technical platform/architecture to collect data across disparate systems in the Federal Government for publication. Funds will also support developing visualizations to improve the user experience as well as support ongoing outreach to key stakeholder groups to gather feedback.

Funds will also support enhancing place-based reporting capabilities (referred to as geocoding). This includes conducting research on the best approach to collect location information associated to Federal awards and research on how to best improve the quality and accuracy of current place-based reporting.

2.2 – Operating Levels Table

Dollars in Thousands

Fiscal Service Object Classification	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
11.1 - Full-time permanent	130,555	154,819	141,854
11.3 - Other than full-time permanent	929	2,034	2,034
11.5 - Other personnel compensation	2,707	6,947	6,148
11.8 - Special personal services payments	100	0	0
11.9 - Personnel Compensation (Total)	**134,291**	**163,800**	**150,036**
12.0 - Personnel benefits	40,904	43,402	40,429
13.0 - Benefits for former personnel	1,493	220	206
Total Personnel and Compensation Benefits	**$176,688**	**$207,422**	**$190,671**
21.0 - Travel and transportation of persons	1,665	1,660	1,732
22.0 - Transportation of things	230	259	241
23.1 - Rental payments to GSA	25,385	26,728	25,214
23.2 - Rental payments to others	957	979	519
23.3 - Communication, utilities, and misc charges	7,468	11,598	9,580
24.0 - Printing and reproduction	239	702	399
25.1 - Advisory and assistance services	9,522	6,127	19,302
25.2 - Other services	21,198	10,282	17,517
25.3 - Other purchases of goods & serv frm Govt accounts	96,859	71,646	88,936
25.4 - Operation and maintenance of facilities	3,277	991	1,041
25.6 - Medical care	0	2	2
25.7 - Operation and maintenance of equip	2,978	1,900	2,100
26.0 - Supplies and materials	2,004	3,226	2,763
31.0 - Equipment	1,034	2,777	2,769
32.0 - Land and structures	6,357	1,835	1,014
42.0 - Insurance claims and indemnities	7	50	50
43.0 - Interest and dividends	1	0	0
Total Non-Personnel	**179,181**	**140,762**	**173,179**
Subtotal New Appropriated Resources	**$355,869**	**$348,184**	**$363,850**
Budget Activities:			
Collections	30,469	24,293	26,854
Do Not Pay Business Center	5,044	5,854	5,987
Government Agency Investment Services	20,230	15,219	15,459
Debt Collection	139,377	122,597	128,733
Government-wide Accounting and Reporting	70,071	66,365	70,062
Payments	188,231	191,964	205,095
Retail Securities Services	112,649	111,154	111,685
Summary Debt Accounting	19,059	5,073	5,067
Wholesale Securities Services	15,186	22,528	22,809
Total Budgetary Resources	**$600,316**	**$565,047**	**$591,751**
FTE	**2,048**	**2,350**	**2,287**

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY THE BUREAU OF THE FISCAL SERVICE Federal Funds **SALARIES AND EXPENSES** For necessary expenses of operations of the Bureau of the Fiscal Service, **[**$348,184,000**]** *$363,850,000*; of which not to exceed $4,210,000, to remain available until September 30, **[**2017**]** *2018*, is for information systems modernization initiatives; **[**and**]** of which $5,000 shall be available for official reception and representation expenses*; and of which not to exceed $19,800,000, to remain available until September 30, 2018, is to support the Department's activities related to implementation of the Digital Accountability and Transparency Act (DATA Act; Public Law 113–101), including changes in business processes, workforce, or information technology to support high quality, transparent Federal spending information*. 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. *(Department of the Treasury Appropriations Act, 2015.)*	Multi-year funding is needed to minimize risk and enable compliance with the Digital Accountability and Transparency Act of 2014.

2C – Permanent, Indefinite Appropriations

Federal Reserve Bank Permanent, Indefinite Appropriation

The Federal Reserve Banks (FRBs) act as fiscal agents of the United States when directed by the Secretary of the Treasury in accordance with 12 U.S.C. 391. The FRBs support the fiscal operations and provide banking and financial services on behalf of the Treasury of the United States. Since the FRBs support many Fiscal Service program activities, the performance measures listed in the Salaries and Expense section of this budget apply to the work performed by the FRBs. Fiscal Service estimates that the cost of FRB services for FY 2016 will be approximately $397.3 million.

Reimbursements to the Federal Reserve Banks

Public Law 101-509, 104 Stat. 1389, 1394 (1990), established a permanent, indefinite appropriation to pay such sums as necessary to reimburse the FRBs for acting as fiscal agents. A permanent, indefinite account was established in FY 1992 for activities supporting the administration of the public debt. Claims for reimbursements are closely monitored for compliance with the Instructions for Filing Reimbursement Claims for Fiscal Agent Services Provided to the Fiscal Service. Funding for FY 2016 is estimated at $123 million.

Financial Agent Services Permanent, Indefinite Appropriation

Congress has given the Secretary of the Treasury broad discretion to deposit money in financial institutions and obtain banking services by designating financial institutions to act/serve as Financial Agents (FA) of the United States. The services support many Fiscal Service programs,

such as Electronic Federal Tax Payment System (EFTPS), the Lockbox Networks, E-Commerce systems, and the deposit reporting and cash concentration system called the Collections Information Repository. These and other programs are vital to the Fiscal Service's strategic goals, the National Financial Critical Infrastructure, and the expanding E-Government. The services provided by the FAs are authorized under numerous statutes including, but not limited to, 12 U.S.C. 90 and 265.

In FY 2004, Treasury received a permanent, indefinite appropriation to pay for these services. Fiscal Service estimates that the cost of FA services for FY 2016 will be approximately $673 million, which includes $3 million for Government Sponsored Enterprise - Mortgage Backed Securities administrative costs.

Government Losses in Shipment

Public Law 103-329 established a permanent, indefinite appropriation to pay such sums as necessary to make payments for the replacement of valuables, or the value thereof, lost, destroyed, or damaged in the course of United States Government shipments. The Government Losses in Shipment Act was enacted July 8, 1937 to dispense with the necessity for insurance by the government against loss or damage to valuables in shipment and for other purposes. The Act was amended in 1943 to cover losses resulting from the redemption of savings bonds (for example, stolen bonds, which were fraudulently negotiated even though the paying agent followed identification guidelines established by the Treasury). All authority of the Treasury under the Act has been delegated to the Commissioner of the Fiscal Service. In FY 2016, the funding estimated to support payments for the replacement of valuables is nearly $1.1 million.

2.3 – Permanent, Indefinite Appropriations Table

(Dollars in Thousands)

Permanent, Indefinite Appropropriation	2014 Enacted	2015 Request	2016 Request
Federal Reserve Bank [1/]	$ 395,000	$ 395,000	$ 397,300
Reimbursements to the Federal Reserve Banks	$ 110,000	$ 127,000	$ 123,000
Financial Agent Services [1/ 2/]	$ 645,000	$ 673,000	$ 673,000
Government Losses in Shipment	$ 1,098	$ 1,098	$ 1,098

[1/] Approximately $75M is reimbursed from other government agencies and deposited into the General Fund each year.

[2/] FY 2014, FY 2015, and FY 2016 include costs for the Government Sponsored Enterprise - Mortgage Backed Securities administrative costs of $9M, $3M, and $3M respectively.

2D – Legislative Proposals

The following legislative initiatives are proposed for inclusion in appropriate authorizing bills.

1. **Increase delinquent state income tax debt collections. Allow offset of federal income tax refunds to collect delinquent state income taxes for out-of-state residents.** *Estimated collections: $1.2 billion in state taxes over 10 years (no federal revenue)*

Under current law, the U.S. Department of the Treasury, Bureau of the Fiscal Service, may offset federal tax refunds to collect delinquent state income tax obligations but only if the delinquent taxpayer resides in the state collecting the tax. This proposal would allow the Fiscal Service to offset federal income tax refunds to collect delinquent state tax obligations regardless of where the debtor resides. For further details on this proposal, please see the Treasury Green Book.

2. **Reduce costs for states collecting delinquent income tax obligations**. *Estimated savings: $142.9 million over 10 years (no federal revenue)*

Under current law, the U.S. Department of the Treasury, Bureau of the Fiscal Service, may offset federal tax refunds to collect delinquent state income tax obligations only after the state sends the delinquent debtor a notice by certified mail. The statutory notice requirements for federal tax refund offset for all other types of debts, including federal non-tax, child support, and state unemployment insurance compensation debts, are silent as to the notice delivery method. Federal tax refund offset regulations for all debts other than state income tax obligations require federal and state creditor agencies to send notices by regular first class mail. Similarly, notice requirements for other debt collection actions, including administrative wage garnishment, do not require delivery by certified mail. This proposal would allow the Fiscal Service to amend its regulations to permit states to send notices for state income tax obligations by first class mail, saving states certified mail costs and standardizing notice procedures across debt types.

3. **Increase delinquent federal tax debt collections. Increase levy authority for payments to Medicare providers with delinquent tax debt.** *Estimated collections: $514 million over 10 years*

The Administration proposes a change to the Department of the Treasury's debt collection procedures that will increase the amount of delinquent taxes collected from Medicare providers. Under current law, Treasury is authorized to continuously levy up to 30 percent of a payment to a Medicare provider to collect delinquent tax debt. The proposal would allow Treasury to levy up to 100 percent of a payment to a Medicare provider to collect unpaid taxes, effective for payments made after the date of enactment. For further details on this proposal, please see the Treasury Green Book.

4. **Increase delinquent federal non-tax debt collections. Authorize administrative bank garnishment for non-tax debts**. *Estimated collections: $320 million over 10 years*

To reach income of commercial entities and other non-wage income and funds available to 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.

By way of background, the Debt Collection Improvement Act of 1996 authorized federal agencies to collect delinquent non-tax debt by garnishing the wages of debtors without the need to first obtain a court order. Since July 2001, the U.S. Department of the Treasury's Bureau of the Fiscal Service alone has collected $221.4 million in garnished wages (as of December 31, 2014) on behalf of federal agencies. In addition, the ability of agencies to garnish wages motivates many debtors to resolve outstanding delinquencies before such action can be initiated. This successful collection mechanism, however, reaches only those debtors who earn wages.

The proposed authority would be available only to garnish commercial accounts of debtors that owe delinquent non-tax debts, and would not be available to garnish consumer accounts. The legislation would direct the Secretary of the Treasury to issue government-wide regulations implementing this authority.

5. **Increase and streamline recovery of unclaimed assets owed to the United States. Authorize 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: $25 million over ten years*

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 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. This legislation would authorize Treasury to use its resources to recover assets of the United States.

6. **Provide authority to contact delinquent debtors via their cell phones.** *Estimated collections: $120 million over 10 years*

The Budget proposes to clarify that the use of automatic dialing systems and prerecorded voice messages is allowed when contacting wireless phones in the collection of debt owed to or granted by the United States. In this time of fiscal constraint, the Administration believes that the Federal Government should ensure that all debt owed to the United States is collected as quickly and efficiently as possible and this provision could result in millions of defaulted debt being collected. While protections against abuse and harassment are appropriate, changing technology should not absolve these citizens from paying back the debt they owe their fellow citizens. The proposal would also allow the Federal Communications Commission to implement rules to protect consumers from being harassed and contacted unreasonably.

Section 3 – Budget and Performance Plan

3A – Collections

($26,609,000 from direct appropriations and $245,000 from reimbursable resources):
The Collections Program supports Treasury's strategic objective "to improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. government." The Fiscal Service manages the collection of federal revenues such as individual and corporate income tax deposits, customs duties, loan repayments, fines, and proceeds from leases. In addition, the Fiscal Service establishes and implements collection policies, regulations, standards, and procedures for the federal government.

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

- *Electronic Federal Tax Payment System (EFTPS):* The Fiscal Service has been working to communicate the benefits of EFTPS – accuracy, security, simplicity, and flexibility – to financial institutions, small businesses, and tax practitioners. The goal is to continue to require businesses to pay their federal taxes electronically. EFTPS is a critical system that collects approximately 83 percent of all federal tax revenue.

- *Pay.gov*: Pay.gov is a system allowing individuals and businesses to make non-tax payments to federal agencies over the internet. Recent developments have focused on a mobile-friendly user interface, incorporation of digital wallet providers PayPal and Dwolla, and enhanced functionality in the areas of electronic billing and electronic forms. Pay.gov currently serves 175 federal agencies representing 1,053 cash flows. In FY 2014, collections through Pay.gov totaled approximately $118 billion through the processing of 138.6 million transactions.

- *Check Conversion and Truncation:* The Fiscal Service is employing strategies to reduce the number of paper checks it receives and to ensure that those it does receive are converted or truncated for electronic processing. The Over the Counter Channel Application (OTCnet) and Electronic Check Processing (ECP) are programs that provide a complete electronic record of all check images and related financial data accessible by agencies and eliminate the need to photocopy checks, safeguard checks, or process paper. In FY 2014, checks collected and converted or truncated through OTCnet and ECP totaled approximately $475 billion.

Description of Performance:
The measure, *Percentage Collected Electronically of Total Dollar Amount of Federal Government Receipts* refers to the dollar value of collections received (settled) electronically. In FY 2014, 98 percent of collections were settled electronically. The Fiscal Service expects to maintain an electronic collections rate of at least 98 percent in FY 2015 and FY 2016.

3.1.1 – Collections Budget and Performance Plan

Dollars in Thousands

Collections Budget Activity Resource Level	FY 2009 Actuals	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Actuals	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$21,521	$21,911	$22,624	$21,166	$20,851	$21,531	$24,293	$26,609
Reimbursable Resources	$0	$258	$1,419	$1,419	$176	$0	$0	$245
Budget Activity Total	**$21,521**	**$22,169**	**$24,043**	**$22,585**	**$21,027**	**$21,531**	**$24,293**	**$26,854**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Percentage Collected Electronically of Total Dollar Amount of Federal Government Receipts	84.0	85.0	96.0	97.0	97.0	98.0	98.0	98.0

Key: DISC - Discontinued and B - Baseline

3B – Debt Collection

($0 from direct appropriations, and $128,733,000 from reimbursable resources):
The Debt Collection Program supports Treasury's strategic objective "to improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. government." Fiscal Service collects delinquent government, state, and child support debt by providing centralized debt collection, oversight, and operational services to federal program agencies and states pursuant to the Debt Collection Improvement Act of 1996 and related legislation. The Fiscal Service uses two debt collection programs: Treasury Offset Program (TOP) and Cross-Servicing.

In FY 2014, the Fiscal Service began efforts to acquire a new Cross-Servicing system, which will enable optimized, cost-effective collection and resolution approaches. Fiscal Service has also completed the implementation of the new offset system, TOP Next Generation on November 8, 2014. The TOP Next Generation system will provide the ability to handle increasingly larger volumes of debt and payment types; process new payment types; increase payment processing throughput to meet future needs; and meet essential stakeholder needs. In addition, Fiscal Service continued to expand the offset program by including additional debts owed to states as well as payments made by states. In an effort to increase efficiency, the Debt Collection Program conducted random controlled trials to determine cost effective improvements to correspondence, optimized the call center, expanded the use of highly productive debt collection approaches, such as wage garnishment, and continued to transition to a data-driven, analytical approach. Finally, the Fiscal Service began preparations to support the DATA Act requirement that agencies refer debts for administrative offset when they are 120 days delinquent, rather than 180 days delinquent.

Description of Performance:
In FY 2014, the Fiscal Service collected 96 percent of its collection performance target due to events related to the partial government shutdown and one-time changes to some agencies' referrals. At the end of FY 2014, the Fiscal Service collected $6.9 billion in delinquent debt.

The Fiscal Service's goal for FY 2015 and FY 2016 is to collect $7.1 billion and $7.36 billion, respectively, in delinquent debt through the use of expanding the administrative wage garnishment collection tool, enhanced use of analytics, and legislative changes such as the proposal to allow the Treasury to offset federal income tax refunds to collect delinquent state tax obligations regardless of where the debtor resides.

3.1.2 – Debt Collection Budget and Performance Plan

Dollars in Thousands

Debt Collection Budget Activity Resource Level	FY 2009 Actuals	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Actuals	FY 2015 Enacted	FY 2016 Request
Reimbursable Resources	$86,247	$110,567	$130,474	$133,257	$153,667	$139,377	$122,597	$128,733
Budget Activity Total	**$86,247**	**$110,567**	**$130,474**	**$133,257**	**$153,667**	**$139,377**	**$122,597**	**$128,733**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Amount of Delinquent Debt Collected Through All Available Tools ($ billions)	5.03	5.45	6.17	6.17	7.02	6.91	7.5	7.36

Key: DISC - Discontinued and B - Baseline

3C – Do Not Pay Business Center

($5,116,000 from direct appropriations and $871,000 from reimbursable resources):
The Fiscal Service's Do Not Pay Business Center supports three of Treasury's strategic objectives: 1) "to improve the efficiency and transparency of federal financial management and government-wide accounting," 2) "to improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. government," and 3) "to support effective, data-driven decision-making and encourage transparency through intelligent gathering, analysis, sharing, use, and dissemination of information. Following the June 2010 Presidential Memorandum on *Enhancement of Payment Accuracy Through a "Do Not Pay List,"* the Do Not Pay Business Center was established for use by federally-funded programs at all departments and agencies in order to achieve the goal of preventing ineligible recipients from receiving payments or awards from the federal government. DNP is a significant step toward meeting the President's directive to establish a single-entry point that departments and agencies can access to determine eligibility information prior to making an award or payment. With the enactment of the Improper Payments Elimination & Recovery Improvement Act of 2012 (IPERIA), DNP is supporting Executive Branch agencies in meeting the IPERIA requirement to verify all payments prior to issuance.

DNP provides a single centralized way to access timely, reliable, and actionable data and information that can help identify, prevent, detect, and recover improper payments throughout the payment life cycle while protecting individuals' privacy. Additionally, the DNP working system is integrated into the Treasury payment stream, enabling just-before-payment checks of selected data sources. DNP accomplishes its mission by focusing on five main areas:

1. Data: DNP is working to incorporate and make available all the data sources identified in IPERIA and to identify additional data sources that are relevant to the prevention of improper payments.

2. Technology: DNP has developed and deployed a user-friendly web-based portal through which agencies can access key data sources and review the results of data matching and analysis. The Do Not Pay Portal enables agencies to access multiple data sources in a centralized location, including the Death Master File, the System for Award Management-Excluded Parties List System, the Debt Check Database, the System for Award Management-Central Contractor Registration, the Office of Foreign Assets Control's Specially Designated Nationals List, the List of Excluded Individuals and Entities, and other data sources. The Fiscal Service will continue to research and add federal and commercially available data sources to the Portal. This data will assist agencies in their efforts to reduce improper payments throughout the pre-award, pre-payment, and post-payment review processes. DNP has also developed the ability to automatically compare payments immediately prior to disbursal to selected data sources and return the results of those comparisons to agencies via the portal.

3. Authorities and Governance: DNP has developed standardized processes to ensure the protection of the privacy of individuals and adherence to all applicable authorities.

4. Agency outreach: DNP has developed a highly capable team that works with agencies to ensure they have access to the optimal data and information needed to support the prevention of improper payments.

5. Analytics: DNP has built a team of quantitative and business analysts that utilize data to identify improper payments, systemic errors, and potential fraud. DNP is adding analytical tools and expanding analytical capabilities to address additional causes of improper payments.

Description of Performance:

Since the Do Not Pay Business Center was launched in FY 2012, significant progress has been made towards providing agencies a one-stop-shop to assist agencies in verifying eligibility prior to issuing a payment. Since the program's inception, priority was placed on expanding the number of data sources, as well as the customer base, for Do Not Pay services. In addition, the Do Not Pay Business Center worked to establish the program's performance goals and metrics. Also in FY 2012, the program initiated the "Growth Phase" where the focus was to increase the number of agencies and agency programs using Do Not Pay Services. In FY 2013, DNP completed its growth phase by finalizing a long-term vision, shifting its focus to maximizing impact. The program leveraged the Improper Payments Elimination and Recovery Improvement Act of 2012 to begin integration with the payment stream, development of data

quality assessment criteria, and close collaboration with agencies to better understand how business rules and processes can be optimally leveraged to adjudicate matches. In FY 2014, DNP incorporated OMB Privacy Guidance requirements into the DNP System of Records Notice, published in the Federal Register; integrated DNP into the Treasury payment stream to centrally reduce improper payments across government by moving the Massively Parallel Processor from the Federal Reserve Bank of Kansas City to the Treasury Web Application Infrastructure (TWAI) and the implementation of the capability to process daily data source updates; and developed the foundational documents, processes, and governance for the Analytics Center of Excellence. In FY 2015 and beyond, having completed seamless integration into the Treasury payment stream, the Do Not Pay Business Center will continue to support agencies in efforts to prevent improper payments, meet their IPERIA requirements, and review payments and awards prior to payment. In FY 2015 and beyond, the Do Not Pay Business Center will continue to support agencies in efforts to prevent improper payments, meet their IPERIA requirements, and review payments and awards prior to payment by seamlessly integrating into the Treasury payment stream. DNP will continue to grow its analytics capabilities and will acquire effective data, technology, and expertise to provide more tools to provide more robust information for customer agencies to use in verifying payments.

3.1.3 – Do Not Pay Business Center Budget and Performance Plan

Dollars in Thousands

Do Not Pay Business Center Budget Activity								
Resource Level	FY 2009 Actuals	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Actuals	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$0	$0	$0	$10,000	$5,000	$5,000	$5,064	$5,116
Reimbursable Resources	$0	$0	$0	$105	$0	$779	$790	$871
Budget Activity Total	**$0**	**$0**	**$0**	**$10,105**	**$5,000**	**$5,779**	**$5,854**	**$5,987**

3D – Government Agency Investment Services

($13,074,000 from direct appropriations and $2,385,000 from reimbursable resources):

The Government Agency Investment Services (GAIS) Program assists in fulfilling Treasury's strategic objective "to improve the efficiency and transparency of federal financial management and government-wide accounting." This program consists of three distinct components:

- The Federal Investments component includes issuing, servicing, and redeeming Government Account Series (GAS) securities for federal agencies that have legislative authority to invest. As of September 30, 2014, over $5.2 trillion in GAS securities was outstanding, representing nearly one-third of the federal debt. Federal Investments is also responsible for coordinating with the Office of Fiscal Projections and Summary Debt Accounting to employ extraordinary measures and ensure that the outstanding public debt subject to limit does not exceed the statutory limit during periods of delay. Within this component is also the Trust Funds Management Program, which includes 22 trust funds that are managed and invested on behalf of the Secretary of the Treasury. Among these are the Unemployment, Oil Spill Liability, Social Security, Medicare, and Gulf Coast Restoration Trust Funds. Investment holdings of these funds total $3.1 trillion. The program also oversees the management of another eight Tribal funds on behalf of Treasury. During FY 2015, the Trust Funds Management Program will disburse grant payments awarded by the Treasury Department in

support of the Gulf Coast Restoration Trust Fund legislation (also referred to as the RESTORE Act). The program is also responsible for administering certain Non-Entity funds held by, but not available to, Treasury for use in operations.

- The Special Purpose Securities component administers State and Local Government Series (SLGS) securities of approximately $106 billion and offers a flexible investment alternative for state and local governments to refinance their outstanding tax-exempt debt. During FY 2015 and 2016, the program will evaluate and coordinate business and system impacts of regulatory changes identified by the SLGS Treasury Working Group.

- The Federal Borrowings Program component represents Treasury's role in the federal loan program and accounts for and reports on over $1.2 trillion in loans made to other federal agencies with legislative authority to borrow. Agencies with authority to borrow include, but are not limited to, the Department of Education, the Department of the Treasury, the Department of Agriculture, and the Department of Housing and Urban Development.

Description of Performance:

The GAIS Program strives to provide high-quality customer service, reliable transaction processing, and accurate and timely payment distribution. To aid in measuring performance, the organization conducts an annual customer survey that focuses on both program and system satisfaction. Based on survey responses, Fiscal Service plans to target areas of improvement with the intent to increase the percentage of customers rating GAIS as "Excellent." The Fiscal Service's target percentage for customers rating GAIS as "Excellent" is 58 percent in FY 2015 and 59 percent in FY 2016.

To assist in analyzing the efficiency of maintaining these components in a consolidated system environment, Fiscal Service tracks the cost per GAIS transaction. The actual FY 2014 cost is $35.99, which is below the target of $39.28. Minor application enhancements and increased system license fees increase target costs to $38.09 and $38.49 in FY 2015 and FY 2016, respectively.

3.1.4 – Government Agency Investment Services Budget and Performance Plan

Dollars in Thousands

Government Agency Investment Services Budget Activity								
Resource Level	**FY 2009 Actuals**	**FY 2010 Actuals**	**FY 2011 Actuals**	**FY 2012 Actuals**	**FY 2013 Actuals**	**FY 2014 Actuals**	**FY 2015 Enacted**	**FY 2016 Request**
Appropriated Resources	$17,723	$18,013	$16,045	$15,149	$14,728	$13,704	$13,055	$13,074
Reimbursable Resources	$1,698	$2,130	$2,130	$2,035	$2,076	$3,125	$2,164	$2,385
Budget Activity Total	**$19,421**	**$20,143**	**$18,175**	**$17,184**	**$16,804**	**$16,829**	**$15,219**	**$15,459**

Measure	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Target**	**FY 2016 Target**
Cost Per Government Agency Investment Services Transaction ($)	41.71	82.08	84.67	33.48	35.2	35.99	38.09	38.49
Percent of Respondents Selecting the Highest Rating of Customer Satisfaction with Government Agency Investment Services	N/A	55.0	60.0	60.0	61.0	57.0	58.0	59.0

Key: DISC - Discontinued and B - Baseline

3E – Government-wide Accounting and Reporting

($68,553,000 from direct appropriations and $1,509,000 from reimbursable resources):

The Government-wide Accounting (GWA) Program supports Treasury's strategic objective "to improve the efficiency and transparency of federal financial management and government-wide accounting" by producing timely and accurate financial information that contributes to the improved quality of financial decision making by operating and overseeing the Government's central accounting and reporting system. The GWA Program also works with FPAs to adopt uniform accounting and reporting standards and systems. It provides support, guidance, and training to assist FPAs in improving their government-wide accounting and reporting responsibilities. Fiscal Service collects, analyzes, and publishes government-wide financial information, which is used by the federal government to establish fiscal and debt management policies and by the public and private sectors to monitor the Government's financial status. Publications include the Daily Treasury Statement, the Monthly Treasury Statement, the Treasury Bulletin, the Combined Statement of the United States Government, and the Financial Report of the United States Government (FR).

The GWA cash reporting function supports the National Financial Critical Infrastructure. In this capacity, Fiscal Service continues to obtain an unmodified opinion on the Audit of Non-entity Schedules of Government-wide Cash.

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

- Requiring comprehensive accounting data from agencies on a monthly basis that will allow the Fiscal Service to better analyze the data for consistency and completeness.

- Proactively enforcing the dispute resolution process to officially resolve and document differences when agencies do not agree on the proper accounting.
- Providing agencies with authoritative data to reconcile inter-agency transfers and other transactions that agencies report to the central accounting system.
- Designing quarterly intergovernmental scorecards for agencies to highlight differences and monitoring their progress on addressing the differences.
- Using the Chief Financial Officers Council, Central Reporting Team as a forum to discuss accounting and reporting issues that affect the FR.
- Collaborating across the audit community to begin discussion around implementing improved Intra-governmental Transactions audit procedures.
- Standing up the General Fund as a reporting Entity.
- Reconciling the agency data to central accounting data, which the Fiscal Service uses to prepare the Reconciliations of Net Cost and Unified Budget Deficit Statement and the Statement of Changes in Cash Balance from Unified Budget and Other Activities.
- Strengthening internal controls over the process for preparing the FR.

The goal of these actions is to assist in removing material weaknesses as barriers to an unmodified audit opinion for the FR.

Description of Performance:
In FY 2014, Fiscal Service achieved its target of 100 percent for the measure *Percentage of Government-wide Accounting Reports,* which include the *Daily Treasury Statement, Monthly Treasury Statement, and consolidated Financial Report,* issued on *time*. Fiscal Service continues to achieve its targets by maintaining the established process of validating and reconciling data with reporting sources such as the Regional Finance Centers, FPAs, and various electronic deposit and payment applications. The bureau will continue modernization efforts to ensure the timeliness of these reports and anticipates it will continue to achieve the 100 percent target for FY 2015 and FY 2016.

3.1.5 – Government-wide Accounting and Reporting Budget and Performance Plan

Dollars in Thousands

Government-wide Accounting and Reporting Budget Activity								
Resource Level	**FY 2009 Actuals**	**FY 2010 Actuals**	**FY 2011 Actuals**	**FY 2012 Actuals**	**FY 2013 Actuals**	**FY 2014 Actuals**	**FY 2015 Enacted**	**FY 2016 Request**
Appropriated Resources	$70,547	$71,826	$68,804	$64,374	$63,457	$65,486	$65,486	$68,553
Reimbursable Resources	$3,179	$1,985	$4,215	$4,215	$3,288	$630	$879	$1,509
Budget Activity Total	**$73,726**	**$73,811**	**$73,019**	**$68,589**	**$66,745**	**$66,116**	**$66,365**	**$70,062**

Measure	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Target**	**FY 2016 Target**
Percentage of Government-Wide Accounting Reports Issued Timely	100.0	100.0	100.0	99.86	100.0	100.0	100.0	100.0

Key: DISC - Discontinued and B - Baseline

3F – Payments
($133,179,000 from direct appropriations and $71,916,000 from reimbursable resources):
The Payment Management line of business supports Treasury's strategic objective "to improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. government." The Fiscal Service is responsible for managing and operating federal payment systems and disbursing approximately 85 percent of all federal payments. Major payments include: Social Security Benefits, Supplemental Security Income, Federal Pension Benefits, Veterans' Compensation and Pension, Railroad Retirement Pensions, and tax refunds.

The Payment Management line of business is also responsible for controlling and providing financial integrity to the payment process through reconciliation, accounting, and claims activities. The claims activity settles 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 also collects monies from those parties liable for fraudulent or otherwise improper negotiation of government checks.

Payment Management also actively supports the All Electronic Treasury priority by encouraging recipients to convert to electronic payment methods. Electronic payments provide timely, accurate, and efficient disbursement of federal government payments; eliminate the costs associated with postage and the re-issuance of lost or stolen checks; and help protect against fraud and identity theft. Fiscal Service's nationwide public education campaign, called Go Direct®, was extremely successful in encouraging paper check recipients to switch to direct deposit. Through the Go Direct® public education campaign, more than 22 million paper-based payments were migrated to electronic payments and nearly 98 percent of all federal benefit payments are currently made by direct deposit. For beneficiaries who prefer a prepaid debit card or those who do not have a bank account, the Fiscal Service offers the Direct Express® card, which enables benefit payments to be automatically deposited into the recipient's card account on the payment date. The card is currently available to Social Security, Supplemental Security Income, Veterans' Compensation and Pension, Railroad Retirement Board, Office of Personnel Management, and Department of Labor benefit recipients. As of October 2014, more than 7 million beneficiaries signed up for the Direct Express® card. The combined impact of both programs will save millions of dollars to the taxpayer in years to come.

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

- *Stored Value Card (SVC):* The Stored Value Card (SVC) is aimed at reducing the float loss associated with the more than $2 billion in coins, currency, and checks in circulation at military bases in the U.S. and overseas, on ships at sea, and at other "closed" government locations around the world. SVCs reduce the high costs of securing, transporting, and accounting for cash. The program also provides a safe and convenient payment method for our service members. Currently, SVCs replace cash and checks at over 60 military bases and installations in 14 countries (including the U.S.) and on 140 Naval ships. Meeting this global demand necessitates the deployment of over 8,700 pieces of equipment including kiosks (cashless ATMs), point-of-sale terminals, laptops, and other related peripherals. From 1997 through September 2014, over 52.9 million EFT transactions with a dollar value in excess of $7.3 billion were processed via the SVC programs. In FY 2014 alone, the SVC

programs processed over 4.8 million EFT transactions with a dollar value of over $583 million.

- *Invoice Processing Platform (IPP):* IPP is a government-wide, secure, web-based electronic invoice exchange network connecting federal agencies and their vendors. IPP enables federal agencies to receive invoices electronically from their vendors, transforming existing paper-based invoice processes into a streamlined electronic process that integrates with existing agency core financial systems. IPP's single point of entry allows vendors to invoice multiple IPP enrolled agencies either via online or batch invoice submission. Vendors can view and receive notification of payments (including debt offsets) associated to their invoices via IPP. In addition, IPP supports the FIT initiative to develop a standard for electronic invoicing government-wide.

- *Payment Application Modernization (PAM):* The PAM investment supports a critical Fiscal Service function, which is the production and delivery of federal payments. PAM is an effort to replace 30+ existing Fiscal Service payment applications generating check, Automated Clearing House (ACH), International ACH Transaction (IAT), and wire transfer payments used to disburse over 1 billion federal payments on behalf of FPAs, with a single application. PAM addresses the following gaps: multiple systems written in outdated languages, inability to meet legislative and FPA changes/requests quickly, and extensive manual processes.

- *Post Payment Systems (PPS) Consolidation:* In support of Treasury's Strategic Goal to "fairly and effectively reform and modernize federal financial management, accounting, and tax systems," the Fiscal Service has invested in the consolidation of several post payment systems into a single, centralized system. The new PPS investment will reduce duplication of functionality, eliminate redundancy of data across systems, and provide a single source for aftermath payment processing for federal program agencies. By consolidating all payment aftermath processing into one comprehensive application, Fiscal Service will be able to decommission these five legacy systems: Treasury Check Information System (TCIS); Payments, Claims and Enhanced Reconciliation (PACER); Treasury Receivable, Accounting and Collection System (TRACS); Teletrace; and TOP Control System (TCS).

  PPS will include functionality to process Claims/Adjudications, Cancellations, Check Reconciliation, Settlements, Offsets, and Accounting, with Customer Service & Self-Service Applications. In addition, it will utilize standardized Common Government-wide Accounting Classification (CGAC) reporting structure and leverage COTS software solutions, when appropriate, to provide common, best practice functionality and proven implementation methodologies. PPS will provide the Fiscal Service and post-payment stakeholders with enhanced, streamlined business processes and productivity gains that will simplify reconciliation activities, improve information exchange, reduce paper-based processes, integrate disparate processes, improve fraud detection, and enable self-service functions for agency and financial institution users.

- *Payment Information Repository (PIR):* The PIR is a payment repository that will support the centralization of government payment data and ultimately serve as a back-end to the Financial Information Repository (FIR) and the public Transparency.Treasury.Gov website. The FIR will allow the Fiscal Service to centrally manage financial data collected in other Information

Repositories, including but not limited to: Payment Information Repository, Collections Information Repository, and Debt Information Repository. The PIR will provide reports on payment activity as well as the capability to support queries of payment data. The payment information provided through the FIR and the Transparency.Treasury.Gov webpage will be available to federal program agencies and the public.

Description of Performance:
The measure *Percentage of Treasury Payments and Associated Information Made Electronically* supports the All Electronic Treasury priority. Due to the continued success of the Go Direct® and Direct Express® programs and implementation of the All Electronic Treasury priority, Fiscal Service has issued nearly 98 percent of its benefit payments and 94.4 percent of its total payments via EFT. Fiscal Service expects to achieve its targets in FY 2015 and FY 2016 by expanding electronic conversion efforts to additional benefit agencies and payment types, such as other vendor miscellaneous payments and federal tax refunds.

3.1.6 – Payments Budget and Performance Plan

Dollars in Thousands

Payments Budget Activity Resource Level	FY 2009 Actuals	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Actuals	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$147,717	$150,395	$141,358	$132,265	$125,570	$126,636	$121,715	$133,179
Reimbursable Resources	$138,584	$129,262	$142,340	$131,060	$102,401	$77,846	$70,249	$71,916
Budget Activity Total	**$286,301**	**$279,657**	**$283,698**	**$263,325**	**$227,971**	**$204,482**	**$191,964**	**$205,095**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Percentage of Treasury Payments and Associated Information Made Electronically	81.0	82.0	84.3	88.0	92.5	94.4	95.0	96.0

Key: DISC - Discontinued and B - Baseline

3G – Retail Securities Services

($94,145,000 from direct appropriations and $17,540,000 from reimbursable resources):
The Fiscal Service's Retail Securities Services (RSS) Program offers simple, safe, and affordable securities that enable Americans to save for their future. Products are targeted toward small investors looking to securely build savings. The program serves more than 50 million investors by processing millions of transactions annually.

The RSS Program continues to examine the saving and investing needs of customers by researching new Treasury retail securities and services that will promote savings and appeal to the American public. This most recently resulted in the creation of *my*RA, a new retirement savings account that soft launched in December 2014. The *my*RA Program follows Roth Individual Retirement Account rules. Therefore, the program is generally designed to be available to anyone who earns an annual income of less than $129,000 a year and $191,000 for

married couples filing a joint tax return. The program has no maintenance fees and allows investors to save a maximum of $5,500 per year.

Committed to supporting Treasury's paperless initiative, the RSS Program encourages people to buy securities, access their accounts, and conduct transactions electronically. RSS plans to implement a new securities management system that will enhance capabilities for customers to purchase, reinvest, redeem, transfer, and hold securities electronically. Investors will be able to learn about retail products and services, make informed decisions about buying Treasury securities, and manage their Treasury investments more efficiently. Also in support of the paperless initiative, paper securities issued via payroll and over-the-counter channels have been eliminated. A small number of paper channels remain, and the target to eliminate these channels is FY 2017.

Over the next two years, the program plans to implement the last three phases of its Treasury Retail E-Services (TRES) initiative. TRES is expected to automate workflows and reduce paper processes by deploying a virtual case file environment and implementing a virtual contact center using shared telephony. In addition, a secure portal with additional communication channels and self-service functionality will be made available to investors.

By FY 2016, the program expects to have made significant progress in decommissioning several legacy systems.

Description of Performance:

The internet-based TreasuryDirect system allows investors to set up accounts, purchase electronic securities, and manage their holdings without customer assistance. The *Cost per TreasuryDirect Online Transaction* in FY 2014 was $1.84, below the targeted cost of $1.99. The cost per transaction is forecasted to be $1.89 in FY 2015 and $1.87 in FY 2016.

The *Cost per TreasuryDirect Assisted Transaction* demonstrates Fiscal Service's efficiency in responding to customer inquiries. Although the TreasuryDirect system promotes investor self-service, there are times when assistance from a customer service representative is necessary. Representatives handle phone and email inquiries, offline authentications, paper savings bond conversions, changes in bank information, and transactions requiring legal evidence. The *Cost per TreasuryDirect Assisted Transaction* in FY 2014 was $7.18, below the targeted cost of $7.99 due to staffing vacancies. The cost per transaction is forecasted to be $8.08 in FY 2015 and $7.92 in FY 2016 as staffing levels return to more normal levels.

Fiscal Service plans to meet performance targets by maintaining a skilled customer service workforce and streamlining operations to effectively manage costs.

3.1.7 – Retail Securities Services Budget and Performance Plan

Dollars in Thousands

Retail Securities Services Budget Activity Resource Level	FY 2009 Actuals	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Actuals	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$139,109	$139,109	$135,337	$116,260	$110,876	$95,249	$95,237	$94,145
Reimbursable Resources	$16,293	$15,393	$15,393	$17,166	$16,841	$17,400	$15,917	$17,540
Budget Activity Total	**$155,402**	**$154,502**	**$150,730**	**$133,426**	**$127,717**	**$112,649**	**$111,154**	**$111,685**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Cost Per TreasuryDirect Assisted Transaction ($)	8.72	8.23	3.0	4.58	7.3	7.18	8.08	7.92
Cost Per TreasuryDirect Online Transaction ($)	5.21	6.12	3.64	2.26	1.72	1.84	1.89	1.87
Increase the Number of Customers Who Buy Treasury Retail Securities Electronically	N/A	N/A	144,997	301,737	269,180	222,790	185,000	180,000
Percentage of Retail Customer Service Transactions Completed within 5 Business Days	86.0	92.7	73.1	75.7	74.5	89.7	88.0	88.0

Key: DISC - Discontinued and B - Baseline

3H – Summary Debt Accounting

($4,243,000 from direct appropriations and $824,000 from reimbursable resources):

The Summary Debt Accounting (SDA) Program assists in fulfilling Treasury's strategic objective "improve the efficiency and transparency of federal financial management and government-wide accounting." SDA is vital to meeting Fiscal Service's responsibility to account for nearly $18 trillion of public debt and over $431 billion in related interest expenses incurred to finance the operations of the federal government.

SDA reports daily on the balances and composition of the public debt, publishes the *Monthly Statement of the Public Debt*, and issues the annual, audited *Schedules of Federal Debt (Schedules).* The *Schedules* report on the single largest liability in Treasury's Agency Financial Report, which received an unmodified opinion for the past 18 years.

Description of Performance:

All financial activity related to the public debt of the United States is reported by the SDA Program. This is accomplished by collecting and reporting securities-related issue, redemption, and interest payment information on a daily basis.

To improve operational effectiveness, Fiscal Service completed several efforts to modernize the SDA business and system environment. These efforts allowed SDA to more quickly respond to

changes in reporting requirements, responsibilities, and financial information needs. A major component in the modernization effort was accomplished on November 18, 2013, with the implementation of the Summary Debt Accounting System, which replaced the Public Debt Accounting and Reporting System. This change strengthened the governance over the debt accounting environment and ensured the collection, verification, and dissemination of all debt accounting information is accurate, appropriate, flexible, and standardized. SDA will continue to analyze the business and system environment and perform enhancements based upon stakeholder feedback.

To transform SDA, the program created a long-term goal of restructuring or eliminating a percentage of business processes. Throughout the lifetime of the goal, SDA restructured or eliminated 44 percent of its processes. SDA will continue to evaluate its business processes to determine if any further restructuring or elimination is appropriate.
SDA relies on cost per transaction to help manage the efficiency of the program. The actual FY 2014 cost is $16.36, which is below the target of $17.68. Minor application enhancements and increased system license fees increase target costs to $17.53 and $17.72 in FY 2015 and FY 2016, respectively.

3.1.8 – Summary Debt Accounting Budget and Performance Plan

Dollars in Thousands

Summary Debt Accounting Budget Activity Resource Level	FY 2009 Actuals	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Actuals	FY 2015 Enacted	FY 2016 Request
Appropriated Resources	$7,082	$10,266	$9,195	$8,836	$8,443	$16,115	$4,325	$4,243
Reimbursable Resources	$827	$852	$852	$1,166	$1,153	$2,944	$748	$824
Budget Activity Total	**$7,909**	**$11,118**	**$10,047**	**$10,002**	**$9,596**	**$19,059**	**$5,073**	**$5,067**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Cost Per Summary Debt Accounting Transaction ($)	8.66	11.28	14.8	22.47	19.86	16.36	17.53	17.72
Percent of Summary Debt Accounting Business Processes Restructured or Eliminated	N/A	6.0	9.5	6.0	21.4	21.4	15.0	20.0

Key: DISC - Discontinued and B - Baseline

3I – Wholesale Securities Services

($18,931,000 from direct appropriations and $3,878,000 from reimbursable resources):
The Wholesale Securities Services (WSS) Program supports Treasury's strategic objective "to promote savings and increased access to credit and affordable housing options." WSS is responsible for the announcement, auction, issuance, and settlement of marketable Treasury bills, notes, bonds, and Treasury Inflation-Protected Securities. The program also oversees that portion of the federal infrastructure that provides for the transfer, custody, and redemption of all Treasury marketable securities, which are purchased mostly by commercial market participants.

The auction program supports the National Financial Critical Infrastructure and is a mission essential function for Treasury that enables the federal government to finance operations. WSS ensures that communications, systems, processes, and contingency plans provide for high-level performance and business continuity for wholesale auction operations. The auction system, Treasury Automated Auction Process System, resides in an aging technical infrastructure, thus, it is being migrated to a modernized technical infrastructure to ensure continued operational efficiency.

Another major component of this program is the commercial book-entry system, which holds approximately $12 trillion, or 99 percent, of Treasury marketable securities. Treasury uses this system to issue most of its marketable debt, make principal and interest payments, and support the active secondary market in Treasury securities. It is estimated that about $1 trillion per day in Treasury securities are transferred among account holders in the commercial book-entry system.

Description of Performance:
Fiscal Service strives to efficiently deliver its debt financing operations, including auctions and buybacks, at the lowest possible cost. The *Cost per Debt Financing Operation* in FY 2014 was $137,888, below the targeted cost of $157,013. The cost per debt financing operation is estimated at $165,339 in FY 2015 and $165,716 in FY 2016; the increase is primarily due to the anticipated migration of the Treasury Automated Auction Processing System to a new technical infrastructure.

The accurate and timely release of auction results, with an emphasis on accuracy, is critical to the success of the WSS Program. An emphasis on accuracy ensures preservation of public confidence in Treasury securities and stability of the financial market. Therefore, in FY 2016, Fiscal Service modified its performance measure from *Percent of Auction Results Released in Two Minutes +/- 30 Seconds* to *Percent of Auction Results Released Accurately*, with a target of 100 percent in FY 2016. Fiscal Service anticipates meeting its target through ongoing business process reviews and regularly scheduled contingency planning and mock auction exercises.

3.1.9 – Wholesale Securities Services Budget and Performance Plan

Dollars in Thousands

Wholesale Securities Services Budget Activity								
Resource Level	**FY 2009 Actuals**	**FY 2010 Actuals**	**FY 2011 Actuals**	**FY 2012 Actuals**	**FY 2013 Actuals**	**FY 2014 Actuals**	**FY 2015 Enacted**	**FY 2016 Request**
Appropriated Resources	$23,438	$24,438	$24,058	$23,120	$22,092	$12,840	$19,009	$18,931
Reimbursable Resources	$2,378	$2,821	$2,821	$3,051	$3,000	$2,346	$3,519	$3,878
Budget Activity Total	**$25,816**	**$27,259**	**$26,879**	**$26,171**	**$25,092**	**$15,186**	**$22,528**	**$22,809**

Measure	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Target**	**FY 2016 Target**
Cost Per Debt Financing Operation ($)	170,214.0	162,378.0	157,284.0	159,449.0	141,115.0	137,888.0	165,339.0	169,441.0
Percent of Auction Results Released in Two Minutes +/- 30 Seconds	100.0	100.0	100.0	100.0	99.6	99.3	100.0	100.0

Key: DISC - Discontinued and B - Baseline

Section 4 – Supplemental Information

4A – Summary of Capital Investments

The 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. The Fiscal Service systematically analyzes the demand for its services, considers effective methods for delivery of these services, and identifies the broad asset implications through sound governance and investment management.

Effective Investment Governance

Enterprise architecture reviews ensure alignment of IT investments to bureau strategic plans, the strategic enterprise direction of Treasury. The reviews also identify potential duplication of systems. The Fiscal Service's Capital Planning and Investment Control Program addresses the prioritization of new and existing IT investments, risk management, long-range planning, business objectives, alternative analysis, and governance. By tracking and reporting the progress of each investment and the performance measures achieved, the Fiscal Service ensures its IT investment portfolio is well managed, cost effective, and supports strategic goals.

Effective Project Execution

Through a disciplined and consistent approach to project management, IT investments are closely monitored for cost, schedule, and performance to ensure expected results and benefits are achieved. Each IT investment has a dedicated program manager and a fully staffed integrated program team. The systems that support each investment are enhanced using Rapid Application Development techniques that give the program manager the flexibility to quickly incorporate new functionality and improve efficiency across the bureau.

Enterprise Architecture Services

Enterprise Architecture Services include business architecture and technical architecture services. Business architecture focuses on the strategic capabilities, knowledge, processes, and relationships that support the achievement of organizational goals and alignment of strategic objectives to meet enterprise business needs. Technical architecture establishes standards and patterns for information technology solutions. Technical architecture reviews requirements that influence or change the technology supporting the Fiscal Service critical business functions and maintains architecture documentation and a Technology Roadmap.

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

Office of Financial Stability

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Program Account Summary 3
1.2 – Financing Account Summary 4
1.3 – Program Disbursement, Repayments, and Cost/Savings 4
1B – Vision, Priorities and Context 4
1C - Credit Reform and Administrative Accounts 6
Section 2 – Budget Adjustments and Appropriation Language 8
2.1 – Budget Adjustments Table 8
2A – Budget Increases and Decreases Description 8
2.2 – Operating Levels Table 9
2B – Appropriations Language and Explanation of Changes 9
2C – Legislative Proposals 9
Section 3 – Budget and Performance Plan 10
3A – EESA Program Descriptions 10
3B – EESA Administration 14
3C – Operational Goals 14
Section 4 – Supplemental Information 18
4A – Summary of Capital Investments 18

Section 1 – Purpose

1A – Mission Statement

A central part of the response to the 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 (EESA) within the Office of Domestic Finance at the U.S. Department of the Treasury (Treasury). With the nation in the midst of the worst financial crisis since the Great Depression, TARP was created to "restore the liquidity and stability of the financial system."

Each year, OFS reports on our Operational Goals, which were developed by management to achieve Treasury's strategic goal to promote domestic economic growth and stability while continuing reforms of the financial system. OFS has made significant progress towards winding down TARP investment programs and continues to implement our housing programs to help struggling families avoid foreclosure, primarily through mortgage modifications. As of November 30, 2014, OFS has recovered an amount equal to more than 99 percent of the $426.3 billion in total program funds disbursed under TARP, as well as an additional $17.55 billion from Treasury's equity in AIG. When all of Treasury's AIG investments are combined, the amount recovered is $14.0 billion more than the funds disbursed.

1.1 – Program Account Summary

Dollars in Thousands

	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated	FY 2015 to FY 2016 $ Change	FY 2015 to FY 2016 % Change
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Obligations					
Equity Program Account	0	3,339	0	(3,339)	-100.00%
Housing Account	161	0	0	0	0.00%
TARP Account	90,090	0	0	0	0.00%
TARP Administrative Account	203,049	169,890	155,066	(14,824)	-8.73%
TARP Negative Downward Reestimate Receipt Account	(8,238,356)	(1,525,007)	0	1,525,007	-100.00%
Total Obligations	**($7,945,054)**	**($1,351,778)**	**$155,066**	**$1,506,844**	**-111.47%**
Budget Authority					
Equity Program Account	0	3,339	0	(3,339)	-100.00%
Housing Account	161	0	0	0	0.00%
TARP Account	90,090	0	0	0	0.00%
TARP Administrative Account	218,012	184,000	155,066	(28,934)	-15.72%
TARP Negative Downward Reestimate Receipt Account	(8,238,356)	(1,525,007)	0	1,525,007	-100.00%
TARP Negative Subsidy Receipt Account	0	0	0	0	0.00%
Total Budget Authority	**($7,930,094)**	**($1,337,668)**	**$155,066**	**$1,492,734**	**-111.59%**
Outlays					
Equity Program Account	0	3,339	0	(3,339)	-100.00%
Housing Account	4,299,967	4,951,591	5,138,441	186,850	3.77%
TARP Account	90,090	0	0	0	0.00%
TARP Administrative Account	221,077	282,000	161,000	(121,000)	-42.91%
TARP Negative Downward Reestimate Receipt Account	(8,238,356)	(1,525,007)	0	1,525,007	-100.00%
TARP Negative Subsidy Receipt Account	0	0	0	0	0.00%
Total Outlays	**($3,627,222)**	**$ 3,711,923**	**$ 5,299,441**	**$ 1,587,518**	**42.77%**

[1] The recovery of 103 percent of the original investment disbursements includes income from repayments, dividends, interest and other sources. More information is available via the Daily TARP Update on OFS's website (http://www.treasury.gov/initiatives/financial-stability/reports/Pages/default.aspx).

1.2 – Financing Account Summary

Dollars in Thousands

	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated	Change FY 2015 to FY 2016	% Change FY 2015 to FY 2016
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
TARP Direct Loans					
Obligations	1,994,541	288,448	0	(288,448)	-100.00%
Collections	5,367,295	39,230	0	(39,230)	-100.00%
Financing Authority (net)	(3,091,562)	(38,489)	0	38,489	-100.00%
Financing Disbursements (net)	(3,371,740)	249,218	0	(249,218)	-100.00%
Equity Purchases					
Obligations	6,505,809	1,436,490	59,324	(1,377,166)	-95.87%
Collections	12,173,477	2,058,340	157,135	(1,901,204)	-92.37%
Financing Authority (net)	(6,019,381)	(934,784)	(97,812)	836,972	-89.54%
Financing Disbursements (net)	(5,667,440)	(621,850)	(97,812)	524,038	-84.27%
Housing					
Obligations	1,902	6,154	2,107	(4,047)	-65.76%
Collections	295	35	59	24	70.60%
Financing Authority (net)	0	35	59	24	70.60%
Financing Disbursements (net)	1,607	6,154	2,107	(4,047)	-65.76%

1.3 – Program Disbursement, Repayments, and Cost/Savings

Dollars in Billions (As of 11/30/14)

	Cumulative Obligated	Cumulative Disbursed	Cumulative Outstanding (Includes Realized Losses)	Total Cumulative Income	Total Cash Back	Total Estimated Lifetime Costs (as of 9/30/14)	
Bank Support Programs	250	245	1	36	275	-24	
Credit Market Programs	19	19	0	5	24	-3	
AIG Investment Program (AIG)	68	68	0	1	55	15	*
Automotive Industry Financing Program	80	80	1	7	69	12	
Treasury Housing Programs Under TARP	38	15				37	
Total**	**$456**	**$426**	**$2**	**$48**	**$423**	**$37**	
Additional AIG Common Shares Held by OFS	0	0	0	18	18	-18	*
Total for Programs and Shares**	**$456**	**$426**	**$2**	**$66**	**$440**	**$20**	

**If all Treasury AIG Investments are combined, we currently estimate a net gain of $2.3 billion on those shares.*
***Totals may not foot due to rounding.*

1B – Vision, Priorities and Context

TARP was created by EESA in October 2008 as part of a broad-based federal response to the financial crisis. At that time, the U.S. financial system faced challenges on a scale not seen since the Great Depression. By October of 2008, major financial institutions were threatened, and many of them tried to shore up their balance sheets by shedding risky assets and hoarding cash. People were rapidly losing trust and confidence in the stability of America's financial system and the capacity of the government to contain the damage. Without immediate and forceful action by the federal government, the U.S. economy faced the risk of falling into a second Great Depression.

It was out of these extraordinary circumstances in the fall of 2008 that TARP was created as a central part of a series of emergency measures by the federal government. Seven years later, it is generally agreed that as a result of the forceful and coordinated response by the federal

government through TARP and many other emergency programs, we helped avert what could have been a devastating collapse of our financial system.

The purposes of EESA were to —

(1) 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) ensure that such authority and such facilities were used in a manner that —

(A) Protects home values, college funds, retirement accounts, and life savings;

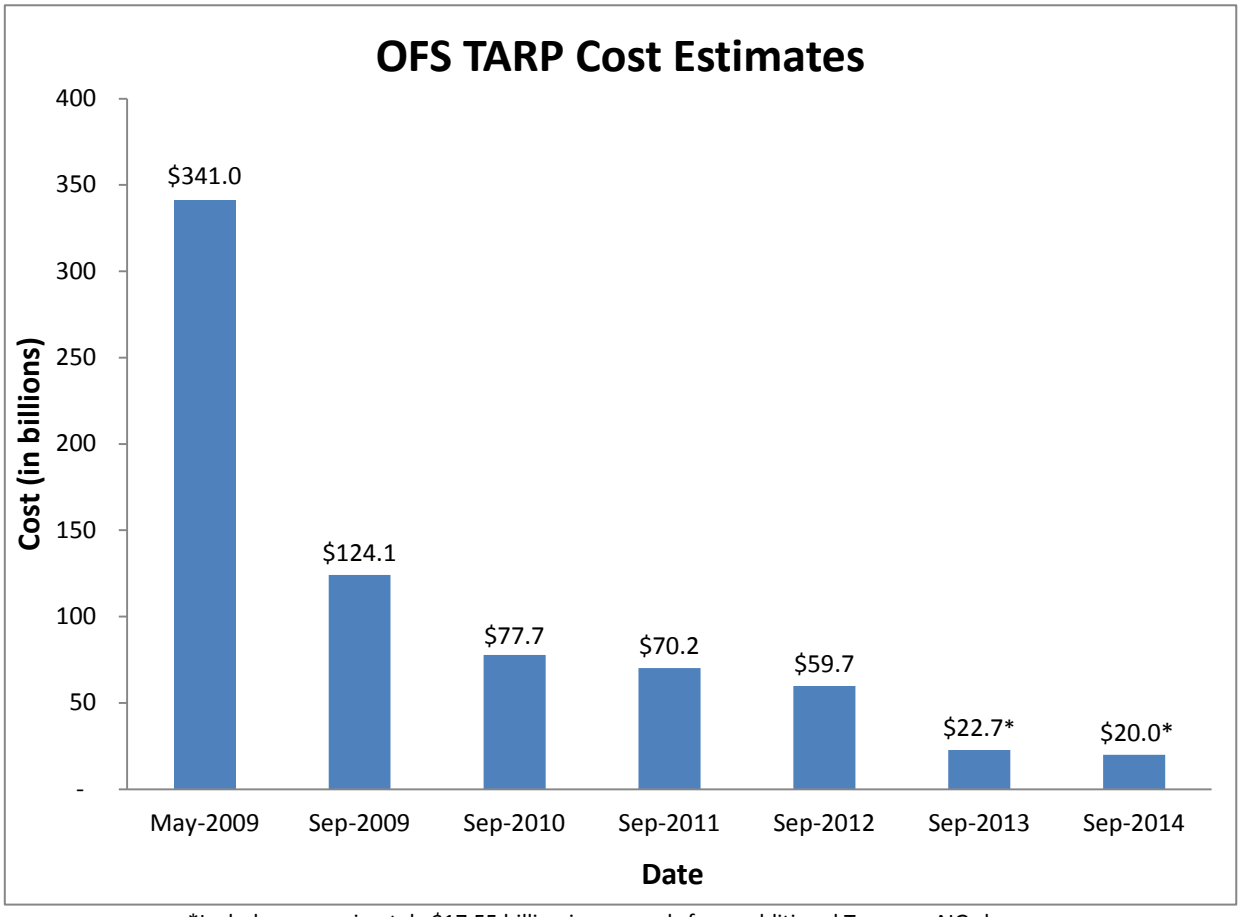
(B) Preserves homeownership and promotes jobs and economic growth;

(C) Maximizes overall returns to the taxpayers of the United States; and,

(D) Provides public accountability for the exercise of such authority.

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

As a result of improved financial conditions and careful stewardship of the program, the ultimate cost to taxpayers of TARP investments is estimated to be significantly lower than initially expected. In FY 2009, the program was projected to cost $341 billion, but it is now estimated to cost only $37.5 billion (of which $37.4 billion relates to housing programs that do not require repayments by recipients) as of September 30, 2014. Lifetime costs are projected at $20.0 billion with the inclusion of receipts from Treasury's sale of AIG common stock.



*Includes approximately $17.55 billion in proceeds from additional Treasury AIG shares

During FY 2015 and FY 2016, OFS's priorities will be to continue winding down TARP's bank investment programs subject to market conditions and implementing TARP's housing programs to prevent avoidable foreclosures while protecting taxpayers' interests. While OFS cannot implement new TARP programs, disbursements for the housing programs will continue to occur based upon existing commitments.

OFS Administrative Expenses

The authority for OFS's administrative budget funds is provided in Section 118 of EESA. In FY 2015, OFS plans to obligate $170 million and use no more than 87 FTEs, a decrease of approximately $14 million from the FY 2015 President's Budget. The decrease in obligations is primarily due to the wind down of TARP's investment programs. In FY 2016, OFS plans to obligate $155 million and use 75 FTEs, a decrease of $15 million and 12 FTEs from the current FY 2015 estimates, to fund the management of the TARP housing programs and disposition of OFS's remaining investments. The decrease in FTEs and outside contracts reflects the continued wind down of TARP.

1C - Credit Reform and Administrative Accounts

Section 123 of EESA requires the cost of TARP programs to be calculated using the methods required by the Federal Credit Reform Act of 1990 ("credit reform"). In addition to OFS's administrative account, the organization has managed seven program accounts to comply with the credit reform accounting requirements: TARP Equity Purchase Program Account, TARP Equity Purchase Financing Account, TARP Housing Programs Account, TARP Home Affordable Modification Program Financing Account, TARP Program Account, Troubled Assets Insurance Financing Fund Guaranteed Loan Financing Account, and TARP Direct Loan Financing Account.

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 housing programs are recorded on a cash basis, and the Federal Housing Administration (FHA)-Refinance Program is subject to the Federal Credit Reform Act of 1990 whereby its subsidy cost is calculated on a net present value basis.

TARP Home Affordable Modification Program Financing Account: The TARP Home Affordable Modification Financing Account is a non-budgetary account that records all financial transactions to and from the government resulting from OFS's FHA-Refinance Program. Like

other financing accounts, its primary purpose is the financial tracking of each cohort year's loan activity and is not included in the budget totals.

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

TARP Direct Loan Financing Account (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 and GLFA, its primary purpose is the financial tracking of each cohort year's loan activity and is not included in the budget totals.

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

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Office of Financial Stability	FTE	Amount
FY 2015 Estimated	**86**	**$183,640**
Changes to Base:		
Adjustments to Estimate:	1	(13,750)
FY 2015 Revised Estimate	87	$169,890
Maintaining Current Levels (MCLs):	-	$3,157
Pay-Raise	-	$103
Pay Annualization		$35
FERS Contribution Increase		$54
Non-Pay	-	$2,965
Subtotal Changes to Base	1	(10,593)
Total FY 2016 Base	**87**	**173,047**
Program Changes:		
Program Decreases:	(12)	(17,981)
Housing Program Support	-	(11,234)
Maintenance and Disposition of Assets	-	(1,390)
OFS Salaries and Benefits	(12)	(1,582)
Organizational Support	-	(3,775)
Total FY 2016 Estimated	**75**	**155,066**

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ..... +$3,157,000 / +0 FTE

Pay-Raise +$103,000 / +0 FTE

Funds are required for the proposed January 2016 pay-raise.

Pay Annualization +$35,000 / +0 FTE

Funds are required for annualization of the January 2015 pay-raise.

FERS Contribution Increase +$54,000 / +0 FTE

Funds are required for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +$2,965,000 / +0 FTE

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

Program Decreases ..... -$17,981,000 / -12 FTE

Housing Program Support -$11,234,000 / +0 FTE

The MHA compliance and administrative functions will continue due to the extension of the program, but will decline over time as the program matures.

Maintenance and Disposition of Assets -$1,390,000 / +0 FTE
During FY 2015, OFS will continue the disposition of its position in Ally and expects to have disposed of a majority of the remaining Capital Purchase Program (CPP) banks. In FY 2016, OFS expects its portfolio to be composed of a handful of CPP banks and the Community Development Capital Initiative (CDCI) banks.

OFS Salaries and Benefits -$1,582,000 / -12 FTE
Savings resulted from natural attrition and expiration of term appointments due to the wind down of various TARP programs.

Organizational Support -$3,775,000/ +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.

2.2 – Operating Levels Table

Dollars in Thousands

Office of Financial Stability Object Classification	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
11.1 - Full-time permanent	11,633	10,777	9,638
11.7 - Other Personnel Compensation	110	108	96
11.9 - Personnel Compensation (Total)	**11,743**	**10,885**	**9,734**
12.0 - Personnel benefits	2,707	2,960	2,721
Total Personnel and Compensation Benefits	**$14,450**	**$13,845**	**$12,455**
21.0 - Travel and transportation of persons	169	271	241
23.0 - Rent, Communications and Utilities	4	0	0
25.1 - Advisory and assistance services	187,855	155,276	141,923
26.0 - Supplies and materials	560	498	447
31.0 - Equipment	11	0	0
43.0 - Interest and dividends	0	0	0
Total Non-Personnel	**188,599**	**156,045**	**142,611**
Total Budgetary Resources	**$203,049**	**$169,890**	**$155,066**
Budget Activities:			
EESAP - TARP Administrative Account	203,052	169,890	155,066
Total Budgetary Resources	**$203,049**	**$169,890**	**$155,066**
FTE	**99**	**87**	**75**

Table includes direct FTEs.

2B – Appropriations Language and Explanation of Changes

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

2C – Legislative Proposals

OFS has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – EESA Program Descriptions

Bank Support Programs

Capital Purchase Program (CPP): OFS's largest program was launched to stabilize and build confidence in the financial system by bolstering the capital position of viable institutions. OFS created the CPP in October 2008 to help ensure that the nation's banking institutions had a sufficient capital cushion against potential future losses and to support lending to creditworthy borrowers. OFS provided a total of $204.9 billion in capital to 707 institutions in 48 states, including more than 450 small and community banks and 22 Community Development Financial Institutions (CDFIs).

During FY 2014, OFS focused on winding down the CPP according to the exit strategy announced on May 3, 2012. That strategy includes a combination of waiting for those banks that are capable of repaying in the near future to repay at par, selling banking investments to private investors through auctions in cases where the bank is not expected to be able to repay in the near future, and, in a limited number of cases, restructuring investments. As of November 30, 2014, the CPP has generated $226.0 billion in proceeds for taxpayers with 35 institutions remaining in the program for a total of $558 million in investments outstanding.

Targeted Investment Program (TIP): OFS established the TIP in December 2008. The program gave OFS the necessary flexibility to provide funding to financial institutions that were critical to the functioning of the U.S. financial system to prevent a loss of confidence in these critical institutions. OFS invested $20.0 billion each in Bank of America and Citigroup under the TIP. As of December 31, 2009, the TIP was closed as part of OFS's effort to wind-down TARP. Both Citigroup and Bank of America fully redeemed the Government's TIP investments of $40.0 billion plus $3.0 billion in dividends and $1.4 billion in warrants which generated a net gain of $4.4 billion for taxpayers.

Asset Guarantee Program (AGP): Under the AGP, TARP funds were used to support two institutions – Bank of America and Citigroup. They were selected because of the large number of illiquid assets that both held at the time of the financial crisis and the severe impact that their failure would have had on the broader economy. The AGP helped these institutions maintain the confidence of their depositors and other funding sources while continuing to meet the credit needs of households and businesses. The AGP closed in December 2009 and was fully wound down in February 2013, receiving more than $4.1 billion in proceeds without disbursing any claim payments.

Community Development Capital Initiative (CDCI): OFS created the Community Development Capital Initiative (CDCI) on February 3, 2010, to help viable certified Community Development Financial Institutions (CDFIs) and the communities they serve cope with effects of the financial crisis. It was put in place to help keep day-to-day financing available to families and businesses in hard-hit communities that are underserved by traditional banks.

Under this program, CDFI banks, thrifts, and credit unions received investments in capital with an initial dividend or interest rate of two percent. To encourage repayment while recognizing the unique circumstances facing CDFIs, the dividend rate increases to nine percent after eight years.

OFS invested a total of $570 million in 84 CDFIs, of which 28 institutions converted $363 million (including warrants) from CPP to CDCI . As of November 30, 2014, 16 institutions have fully repaid their investment, 3 institutions have partially repaid their investment, and one has been taken into receivership and the program has approximately $462 million in investments outstanding.

Credit Market Programs

Public-Private Investment Program (PPIP): On March 23, 2009, OFS launched the Legacy Securities Public-Private Investment Program (PPIP) to help restart the market for non-agency residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS), thereby allowing banks and other financial institutions to re-deploy capital and extend new credit to households and businesses.

The purpose of PPIP was to draw new private capital into the market for legacy RMBS and CMBS by providing financing on attractive terms as well as a matching equity investment from OFS. Using up to $22.1 billion of TARP funds alongside equity capital raised from private investors, PPIP was designed to generate significant purchasing power and demand for troubled RMBS and CMBS. This in turn helped to increase the amount of credit available to consumers and small businesses. As of November 30, 2014, all of the PPIFs have been effectively wound down and OFS has recovered all of its debt and equity investments plus an additional $3.85 billion in revenue.

Term Asset-Backed Securities Loan Facility (TALF): The Term Asset-Backed Securities Loan Facility (TALF) is a joint OFS - Federal Reserve Bank of New York (FRBNY) program that was designed to restart the asset-backed securitization markets (ABS) that had ground to a virtual standstill during the early months of the financial crisis.

OFS originally committed to provide credit protection of up to $20.0 billion in subordinated loans to TALF, LLC to support up to $200 billion of lending by the FRBNY. OFS's commitment was ultimately reduced to $100 million (the amount of the original loan to fund the TALF LLC). During fiscal year 2013, OFS's original disbursed investment through the program was fully repaid with interest. As of November 30, 2014, accumulated income earned from investments in the TALF, LLC, totaled $685 million.

Small Business Administration (SBA) 7(a) Securities Purchase Program: To help ensure that credit flowed to entrepreneurs and small business owners, OFS developed the SBA 7(a) Securities Purchase Program to purchase SBA-guaranteed securities from pool assemblers. OFS invested in a total of 31 SBA 7(a) securities with a value of approximately $367 million (excluding purchased accrued interest) between March and September 2010.

OFS sold all its SBA 7(a) securities in the portfolio by fiscal year 2012, marking the successful wind down of the program. In total, OFS collected $376 million through sales representing cash collections of approximately $9 million more than its original investment of $367 million.

American International Group, Inc. (AIG) Investment Program: On September 15, 2008, Lehman Brothers filed for bankruptcy. This triggered the start of a run on money market funds generally. The day after that, AIG—one of the largest and most complex financial firms in the

world—was on the verge of failure. Confidence was already fragile in the financial system as a whole and firms were trying to shore up their balance sheets by selling risky assets, reducing exposure to other financial institutions, and hoarding cash. When the financial crisis hit, AIG had hundreds of billions of dollars in commitments without the capital and liquid assets to back them up. Millions of people depended on AIG for their life savings and it had a huge presence in many critical financial markets. Therefore, with AIG facing potentially fatal liquidity problems and with the crisis threatening to intensify and spread more broadly throughout the economy, OFS and the Federal Reserve provided assistance to AIG totaling approximately $182 billion, which included $70 billion from OFS and $112 billion committed by the FRBNY. In FY 2013, OFS and the FRBNY completed the recovery of their investments in AIG. OFS and FRBNY have now recovered that entire amount and an additional $22.7 billion and Treasury has fully exited its investment in AIG.

Automotive Industry Financing Program (AIFP)

The Automotive Industry Financing Program (AIFP) was launched in December 2008 to prevent the uncontrolled liquidations of General Motors (GM) and Chrysler, and as a result, the potential collapse of the U.S. auto industry. The potential for such a disruption at that time posed a significant risk to financial market stability and threatened the overall economy. It could have also had disastrous consequences for other auto manufacturers and the many suppliers and other businesses that depended on the automotive industry. This could have led to a loss of as many as one million American jobs. Recognizing that both GM and Chrysler were on the verge of collapse, the Government extended initial loans to both companies and their financing entities.

In 2009, OFS agreed to provide additional funds conditioned on each company and its stakeholders participating in a fundamental restructuring. A total of $79.7 billion was ultimately invested in GM, Ally Financial (Ally), and Chrysler.

OFS made loans totaling $50.2 billion (including funds for warranty suppliers) to GM. Some of those loans were subsequently converted to common stock in GM. Through share repurchases by the company, as well as sales of shares to investors, OFS completed its disposition of GM in December 2013, with proceeds $10.5 billion less than the total investment.

OFS committed a total of $12.4 billion to Chrysler under TARP. In July 2011, OFS fully exited its investment in Chrysler, six years ahead of schedule. Of the $12.4 billion disbursed to Chrysler under TARP, OFS recovered more than $11.1 billion for taxpayers through principal repayments, interest, and cancelled commitments. OFS is unlikely to fully recover the difference of $1.3 billion owed by Old Chrysler.

OFS invested $17.2 billion in Ally under TARP (including $884 million invested through GM). Between November 2013 and December 2014, OFS collected approximately $12.8 billion on its investment in Ally through repurchases, private placements, an initial public offering, and underwritten common stock sales. OFS has fully liquidated its investment in Ally Financial and has realized cumulative receipts of $19.6 billion, $2.4 billion more than invested.

Treasury Housing Programs Under TARP

OFS established several programs under TARP to address the historic housing crisis and help struggling homeowners avoid foreclosure wherever possible. These programs have helped millions of homeowners avoid foreclosure and introduced important new reforms for the mortgage servicing industry to help make mortgage modifications become more sustainable and affordable.

Making Home Affordable Program (MHA): In early 2009, OFS launched the Making Home Affordable® Program (MHA) to help struggling homeowners avoid foreclosure and stabilize the housing market. MHA is only one part of the Administration's broader efforts to strengthen the housing market. Since its inception, MHA has helped homeowners avoid foreclosure by providing a variety of solutions to modify or refinance their mortgages, get temporary forbearance if they are unemployed, or transition out of homeownership through a short sale or a deed-in-lieu of foreclosure.

The cornerstone of MHA is the Home Affordable Modification Program (HAMP), which provides eligible homeowners the opportunity to reduce their monthly mortgage payments to more affordable levels. OFS also introduced additional programs under MHA to help homeowners who are unemployed, "underwater" on their loan (those who owe more on their home than it is currently worth), or are struggling with a second lien. It also includes options for homeowners who would like to transition to a more affordable living situation through a short sale or deed-in-lieu of foreclosure. On June 26, 2014, the Administration extended the application deadline for MHA programs for at least a year. Extending the program will benefit many additional families while maintaining clear standards and accountability for the mortgage industry.

In addition to HAMP, MHA includes several additional programs to help homeowners refinance or address specific types of mortgages, in conjunction with the Federal Housing Administration (FHA) and the United States Department of Agriculture (USDA). As of November 30, 2014, OFS disbursed $9.7 billion out of a possible $29.8 billion under MHA.

Housing Finance Agency (HFA) Hardest-Hit Fund: The Administration established the Hardest Hit Fund (HHF) in February 2010 to provide targeted aid to homeowners in states hit hardest by the economic and housing market downturn. As part of the Administration's overall strategy for restoring stability to housing markets, HHF provides funding for state Housing Finance Agencies (HFAs) to develop locally-tailored foreclosure prevention solutions in areas that have been hardest hit by home price declines and high unemployment. From its initial announcement, this program evolved from a $1.5 billion initiative focused on HFAs in the five states with the steepest home price declines and the vast majority of underwater homeowners to a broader-based $7.6 billion initiative encompassing 18 states and the District of Columbia (DC).
HHF programs vary state to state, but may include such programs as mortgage payment assistance for unemployed or underemployed homeowners, principal reduction to help homeowners get into more affordable mortgages, funding to eliminate homeowners' second lien loans, and help for homeowners who are transitioning out of their homes and into more affordable living situations. As of November 30, 2014, OFS disbursed $4.8 billion out of a possible $7.6 billion under the HFA Hardest-Hit Fund.

Federal Housing Administration (FHA)-Refinance Program: OFS also continues to support the Federal Housing Administration Short Refinance Program. Under this program, eligible borrowers who are current on their mortgage or complete a trial payment plan but owe more than their home is worth, can refinance into an FHA-insured loan if the lender writes off at least 10 percent of the existing loan. Utilization of the program has been limited with OFS providing coverage for only approximately 3,000 loans refinanced to date. As such, OFS reduced the letter of credit facility from $8.1 billion to $1.0 billion in March of 2013, and, as of September 30, 2014, the revised lifetime cost estimate for the program is $29 million for outstanding refinanced loans.

3B – EESA Administration

The authority for the OFS administrative budget is provided in Section 118 of EESA. The administrative budget consists primarily of contracting and financial agent support costs associated with OFS's ongoing implementation and management of the TARP housing programs and the management and disposition of OFS's remaining investments. In addition, continuing organizational support, including information technology, facilities, legal, compliance, accounting, and human resources, will be needed to manage these ongoing OFS initiatives. The owner of OFS's performance is the Deputy Assistant Secretary for Financial Stability.

3C – Operational Goals

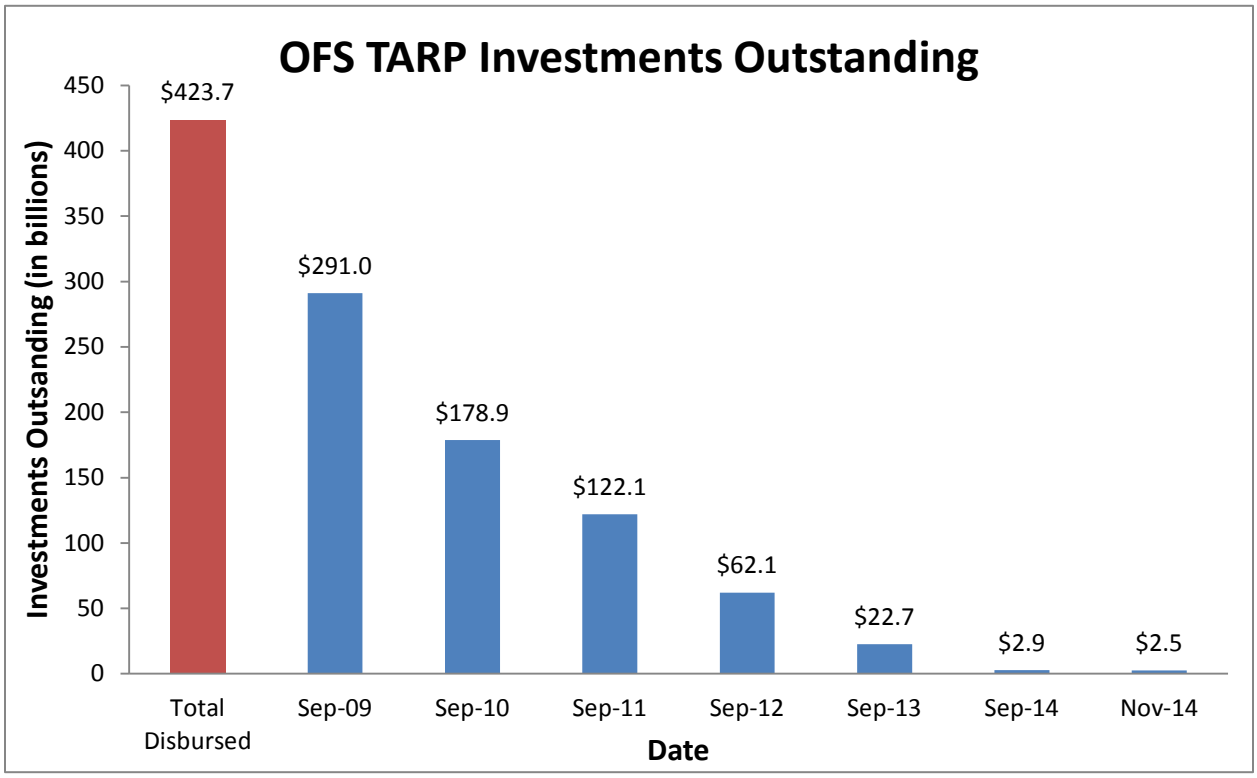
Complete the wind down of the investment programs

The first operational goal for OFS is to complete the wind down of the TARP investment programs. OFS is continuing to implement the three-pronged exit strategy for the Capital Purchase Program (CPP), which was announced in May 2012. That strategy includes a combination of waiting for those banks that are capable of repaying in the near future to repay at par, selling banking investments to private investors through auctions in cases where the bank is not expected to be able to repay in the near future, and, in a limited number of cases, restructuring investments. Both the Targeted Investment Program (TIP) and the Asset Guarantee Program (AGP) are closed and have generated positive returns for the taxpayer.

As of November 30, 2014, OFS has substantially completed the wind down of the three TARP Credit Market programs at a net gain to the taxpayer. OFS has recovered all debt and equity investments made in the Public-Private Investment Program (PPIP). OFS's loan commitments through the Term Asset-Backed Securities Loan Facility (TALF) were fully repaid or extinguished during FY 2013 with a gain of $685 million as of November 30, 2014. The Small Business Administration 7(a) Security Purchase Program (SBA 7(a)) was successfully closed during fiscal year 2012 with the processing of the fifth and final disposition of securities.

OFS has effectively wound down the Automotive Industry Financing Program (AIFP) with the sale of all GM common stock during fiscal years 2013 and 2014 and the liquidation of all Ally investments during fiscal years 2014 and 2015. OFS collected a total of $39.7 billion of the $50.2 billion disbursed to GM and $19.6 billion of the $17.2 billion disbursed to Ally.

OFS completed the recovery of all investments in the American International Group, Inc. (AIG) Investment Program in December of 2012 and sold remaining warrants in March 2013. OFS no longer holds any residual interest in AIG.



Continue helping families in need to avoid foreclosure

OFS's second operational goal is to continue helping struggling homeowners avoid foreclosure. The Making Home Affordable Program (MHA) is helping homeowners and assisting in stabilizing the housing market. On June 26, 2014, the Administration extended the application deadline for MHA programs for at least a year, to provide struggling homeowners additional time to access sustainable mortgage relief. The largest program within MHA is the Home Affordable Modification Program (HAMP). Under this program more than 1.4 million homeowners have had their mortgages modified permanently as of October 31, 2014. HAMP has also set new standards and changed practices throughout the mortgage servicing industry in fundamental ways. Together, public and private efforts have helped nearly seven million Americans get mortgage assistance to prevent avoidable foreclosures. In addition, the Hardest Hit Fund provides funding to 18 states and the District of Columbia to provide assistance to struggling homeowners through locally tailored programs. All 19 programs are fully operational and have created extensive infrastructures to operate these programs, including selecting and training networks of housing counselors to assist with applications, creating portals to aid homeowners in applying for assistance, and hiring underwriters and other staff to review and approve applications. As of September 30, 2014, seven HFAs had stopped accepting new applications for assistance in anticipation of full commitment of program funds.

Performance Metrics and Indicators[1] *(includes GSE and non-GSE)*	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual
Reduction in median payment for homeowners in permanent modifications (assist homeowners) program-to-date.	$526	$541	$547	$540
Number of modifications entered into (assist homeowners)				
Trial	344,598	213,613	181,505	137,550
Permanent	361,076	233,622	178,039	148,070
12-month re-default rate for Permanent Modifications (90+ days delinquency rate for loans seasoned 12 months)	15.4%	14.5%	13.6%	13.5%

[1]Items in *italics* are indicators.

Minimize cost to taxpayer

The third operational goal of OFS is to minimize the cost of the TARP programs to the taxpayer. OFS manages TARP investments to minimize costs to taxpayers by carefully managing the timely exit of these investments to reduce taxpayers' exposure, returning TARP funds to reduce the federal debt, and continuing to replace government assistance with private capital in the financial system. OFS has taken a number of steps during fiscal years 2013 and 2014 to dispose of our outstanding investments in a manner that balances the need to exit these investments as quickly as practicable with maximizing returns for taxpayers. OFS also takes steps to ensure that TARP recipients comply with any TARP-related statutory or contractual obligations such as executive compensation requirements and restrictions on dividend payments.

Performance Metrics and Indicators[1]	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual
Number of public CPP banks that repurchased warrants from OFS during period (excludes warrants auctioned by OFS)	29	44	28	11
Proceeds from warrant repurchases as percent of aggregate CPP preferred investment amount (plus median for the selected banks)	2.4%	1.9%	3.3%	4.2%

[1]Items in *italics* are indicators.

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

OFS's final goal is to continue to operate with highest standards of transparency, accountability, and integrity. OFS posts a variety of reports online that provide the taxpayer with regular and comprehensive information about how TARP funds are being spent, who has received them and on what terms, and how much has been collected to date. As part of this effort, in June 2013, we enhanced and expanded the existing TARP Tracker on our website to enable users to view the

flow of funds for a specific time period or over the lifetime of a TARP program. OFS also publishes the audited annual report and continues to maintain productive working relationships with three oversight bodies charged with auditing and reviewing the TARP activities.

Performance Metrics and Indicators[1]	***FY 2012 Target***	**FY 2012 Actual**	***FY 2013 Target***	**FY 2013 Actual**	***FY 2014 Target***	**FY 2014 Actual**	***FY 2015 Target***	***FY 2016 Target***
Percentage of statutorily-mandated reports submitted on time *(ensure transparency within the government)*	***100%***	*100%*	***100%***	*100%*	***100%***	*99%*	***100%***	***100%***
Percentage of customers satisfied with FinancialStability.gov (self-selected respondents) *(ensure transparency of operations to the public)*	***67%***	*67%*	***69%***	*70%*	***70%***	*69%*	***70%***	***70%***
Timeliness of responses *(ensure transparency within the government)*								
Average days to close a FOIA case[2]	**50**	53	**35**	21	**35**	NA	**NA**	**NA**
Percentage of FOIA requests on-time or less than 30-days overdue[2]	**NA**	NA	**NA**	NA	**33%**	15%	**33%**	**33%**
Percentage of Congressional correspondence responses drafted within 10 days	**98%**	99%	**98%**	100%	**100%**	92%	**100%**	**100%**
Clean audit opinion on TARP financial statements *(ensure transparency within the government)*	**Yes**	Yes	**Yes**	Yes	**Yes**	Yes	**Yes**	**Yes**
Percentage of SIGTARP and GAO oversight recommendations responded to on time *(ensure transparency within the government)*	***100%***	100%	***100%***	*80%*	***100%***	*100%*	***100%***	***100%***

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

Section 4 – Supplemental Information

4A – Summary of Capital Investments

OFS uses Departmental Office's (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/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.

Small Business Lending Fund

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Program Account Summary 3
1.2 – Financing Account Summary 3
1.3 – Program Disbursement, Repayments, and Cost/Savings 4
1B – Vision, Priorities and Context 4
Section 2 – Budget Adjustments and Appropriation Language 6
2.1 – Budget Adjustments Table 6
2A – Budget Increases and Decreases Description 6
2.2 – Operating Levels Table 7
2B – Appropriations Language and Explanation of Changes 7
2C – Legislative Proposals 7
Section 3 – Budget and Performance Plan 8
3A – SBLF Program 8
3B – SBLF Administration 10
3.1.2 – SBLF Administration Budget and Performance Plan 10
Section 4 – Supplemental Information 11
4A – Summary of Capital Investments 11

Section 1 – Purpose

1A – Mission Statement

The Small Business Jobs Act of 2010 (P. L. No. 111-240) (the "Act") established the Small Business Lending Fund (SBLF). The SBLF is a dedicated fund designed to provide capital to qualified community banks (including banks, thrifts, and bank and thrift holding companies) and community development loan funds (CDLFs) with consolidated assets of less than $10 billion in order to encourage small business lending. The purpose of the SBLF program is to encourage Main Street banks and small businesses to work together, help create jobs, and promote economic growth in communities across the nation.

1.1 – Program Account Summary

Dollars in Thousands

	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated	FY 2015 to FY 2016 $ Change	FY 2015 to FY 2016 % Change
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Obligations					
Subsidy Re-estimate	25,008	14,499	0	-14,499	-100.00%
Interest	1,610	1,137	0	-1,137	-100.00%
Small Business Lending Fund Admin Account	16,541	16,309	15,039	-1,270	-7.79%
Total Obligations	**$43,159**	**$31,945**	**$15,039**	**-16,906**	**-52.92%**
Budget Authority					
Small Business Lending Fund Admin Account	15,541	14,809	15,039	230	1.55%
Small Business Lending Fund Program Account	26,618	15,636	0	-15,636	-100.00%
Total Budget Authority	**$42,159**	**$30,445**	**$15,039**	**-15,406**	**-50.60%**
Outlays					
Small Business Lending Fund Admin Account	14,556	16,952	16,534	-418	-2.46%
Small Business Lending Fund Program Account	26,618	15,636	0	-15,636	-100.00%
Total Outlays	**$41,174**	**$32,588**	**$16,534**	**-16,054**	**-49.26%**

1.2 – Financing Account Summary

Dollars in Thousands

	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated	Change FY 2015 to FY 2016	% Change FY 2015 to FY 2016
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Small Business Lending Fund Finance Account					
Obligations	0	0	0	0	0.00%
Collections	538,000	216,000	2,408,000	2,192,000	1,014.81%
Financing Authority (net)	472,000	124,000	2,332,000	2,208,000	1,780.65%
Financing Disbursements (net)	472,000	124,000	2,332,000	2,208,000	1,780.65%

1.3 – Program Disbursement, Repayments, and Cost/Savings

Dollars in Billions

	Cumulative Obligated	Cumulative Disbursed	Cumulative Outstanding (Includes Realized Losses)	Total Cumulative Income	Total Cumulative Repayments	Total Estimated Life Costs
SBLF Program Investments	4.03	4.03	3.13	0.27	0.90	-0.03
Total	**$4**	**$4**	**$3**	**$0**	**$1**	**($0)**

1B – Vision, Priorities and Context

SBLF supports the Treasury strategic goal, "Promote domestic economic growth, and stability while continuing reforms of the financial system." In total, the SBLF invested $4.03 billion in 332 community banks and CDLFs.

In FY 2014, the SBLF program office continued its FY 2013 focus on investment management, operations, compliance and controls, and reporting activities. Specifically, the SBLF program office focused on the following activities:

Investment Management: SBLF monitored the SBLF investment portfolio and made recommendations to senior Treasury officials on decisions related to investment performance and activities.

Operations: SBLF managed the program's data and information in connection with participant reporting, dividend, interest and fee payments, and capital repayments.

Compliance and Controls: SBLF monitored participant conformance with program terms, including lending data, certification requirements, and other requirements provided for by the SBLF Securities Purchase Agreement. SBLF also developed and executed internal control procedures for processes across SBLF program office functions.

Reporting: SBLF continued its reporting efforts in FY 2014. These activities included reporting to Congress on the program's transactions, costs, and the participants' lending growth, correspondence, and publishing the results of the program's second annual lending survey.

Summary of SBLF Program Goals for FY 2015 and Forward

For FY 2015 and forward, the SBLF program office plans to continue its focus on investment management, operations, compliance and controls, and reporting.

Investment Management: SBLF will continue to monitor the SBLF investment portfolio and make recommendations to senior Treasury officials on decisions related to investment performance and activities.

Operations: SBLF will continue to manage the program's data and information in connection with participant reporting, dividend, interest and fee payments, and capital repayments.

Compliance and Controls: SBLF will continue to execute a compliance program to monitor participant conformance with program terms, including lending data, certification requirements, and other requirements provided for by the SBLF Securities Purchase Agreement. SBLF also plans to continue executing internal control procedures for processes across SBLF program office functions.

Reporting: SBLF will continue its outreach and reporting efforts. These activities include reporting to Congress on the program's transactions, costs, and the participants' lending growth, correspondence, and publishing the results of the program's third annual lending survey.

Summary of Office of Inspector General (OIG) Activity

In FY 2016, the OIG will continue to provide audit and investigative oversight of the SBLF. The authorizing legislation for this small business lending initiative requires the OIG to conduct, supervise, and coordinate audits and investigations of the SBLF program and to issue a program oversight report no less than twice a year to the Congress and the Secretary of the Treasury.

The FY 2016 budget request will support six OIG employees through a reimbursable agreement and will allow the OIG to augment its resources with contractors, as needed, to perform audits of financial institutions receiving SBLF investments. The OIG's efforts in FY 2016 will primarily focus on audits of selected financial institutions to determine whether they accurately reported their levels of small business lending activity, which Treasury uses to set the final lockdown dividend rate that participants will pay on Treasury's investment. Because the lockdown rate is based on the unverified lending activity reported by each institution, the OIG's audits will provide Treasury with assurance that participant reports can be relied upon when determining dividend rates and when assessing the effectiveness of the SBLF program. The OIG's efforts will also focus on Treasury's management of securities purchased with SBLF funds and payment of dividends by Community Development Loan Funds.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Small Business Lending Fund	FTE	Amount
FY 2015 Estimated	**19**	**$16,309**
Adjustments to Estimate:	-	-
Changes to Base:		
Maintaining Current Levels (MCLs):	-	$314
Pay-Raise	-	$36
Pay Annualization	-	$9
FERS Contribution Increase	-	$10
Non-Pay	-	$259
Subtotal Changes to Base	-	$314
Total FY 2016 Base	**19**	**$16,623**
Program Changes:		
Program Decreases:	-	($1,584)
Contract and other reductions	-	($1,584)
Total FY 2016 Estimated	**19**	**$15,039**

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ..... +$314,000 / +0 FTE

Pay-Raise +$36,000 / +0 FTE

Funds are required for the proposed January 2016 pay-raise.

Pay Annualization +$9,000 / +0 FTE

Funds are required for annualization of the January 2015 pay-raise.

FERS Contribution Increase +$10,000 / +0 FTE

Funds are required for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +$259,000 / +0 FTE

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

Program Decreases ..... -$1,584,000 / +0 FTE

Contract and other reductions -$1,584,000 / +0 FTE

Reductions in contract support.

2.2 – Operating Levels Table

Dollars in Thousands

Small Business Lending Fund Object Classification	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
11.1 - Full-time permanent	1,659	2,062	2,089
11.3 - Other than full-time permanent	71	149	149
11.5 - Other personnel compensation	19	31	31
11.9 - Personnel Compensation (Total)	**1,749**	**2,242**	**2,269**
12.0 - Personnel benefits	494	537	547
Total Personnel and Compensation Benefits	**$2,243**	**$2,779**	**$2,816**
21.0 - Travel and transportation of persons	2	20	20
23.1 - Rental payments to GSA	369	426	426
23.3 - Communication, utilities, and misc charges	19	0	0
25.1 - Advisory and assistance services	1,664	2,000	2,000
25.2 - Other services	9,166	8,077	6,733
25.3 - Other purchases of goods & serv frm Govt accounts	2,956	2,932	2,969
26.0 - Supplies and materials	122	75	75
Total Non-Personnel	**14,298**	**13,530**	**12,223**
Total Budgetary Resources	**$16,541**	**$16,309**	**$15,039**
Budget Activities:			
SBLF Administration	16,541	16,309	15,039
Total Budgetary Resources	**$16,541**	**$16,309**	**$15,039**
FTE	**15**	**19**	**19**

2B – Appropriations Language and Explanation of Changes

SBLF does not receive any discretionary appropriation authority from Congress. Therefore, no appropriations language is proposed.

2C – Legislative Proposals

SBLF has no legislative proposals in the FY 2016 budget.

Section 3 – Budget and Performance Plan

3A – SBLF Program

All investment activity occurred in FY 2011. The cost of purchases of preferred stock and other financial instruments made as capital investments are required by law to be determined as provided under the Federal Credit Reform Act (FCRA).

The total program volume and anticipated repayments are reflected in the SBLF financing account (table 1.2). This non-budgetary account records all cash flows to and from the federal government resulting from direct capital obligated in FY 2011 and beyond. The amounts in this account are a means of financing and are not included in the budget totals.

Treasury completed investments in 332 institutions for a total of $4.03 billion in capital invested. Based on reports from participating institutions as of the fourth quarter FY 2014, program participants have increased their qualified small business lending by $14.3 billion over baseline levels. As of January 1, 2015, 52 institutions with aggregate investments of $759.5 million have fully redeemed their SBLF funding and exited the program, and 26 institutions have made partial redemptions totaling $261.1 million but continue to participate in the program.

The Small Business Jobs Act of 2010 includes specific reporting requirements for SBLF. The legislation requires a monthly written report describing all of the program transactions, the quarterly reporting of funds used by participating banks, a semi-annual report on administrative costs, and a report on the program's impact on small business lending among women-, minority-, and veteran-owned businesses.

In accordance with these statutory requirements, Treasury has published 60 transaction and program reports, including a detailed study of the impact of the SBLF program on women-, minority-, and veteran-owned businesses, as well as 14 quarterly "Lending Growth" (formerly "Use of Funds") reports. In addition, Treasury released the results of the second annual SBLF lending survey, which expanded program reporting with respect to how SBLF funds were used by program participants.

The SBLF program completed the review and, if applicable, funding of all eligible program applicants by the September 27, 2011 statutory deadline.

The SBLF program office developed a set of asset management performance measures to continually monitor the impact of the Fund's investments and the efficiency of its operations. The measures address two aspects of program performance:

1. Efficiency Measures (to assess the administrative aspects of the program)
   a. Monitoring of investment portfolio condition
   b. Review of compliance and supplemental report submissions by participants
   c. Publication of reports as required by statute

   In FY 2014, the SBLF program office has (a) produced, on a quarterly basis, portfolio monitoring reports that include institution-specific credit scores, dashboards, and watch lists; (b) maintained a record of compliance submissions and implemented an analytical process for

identifying errors in supplemental report submissions and receiving corrected submissions; and (c) published all reports required by the Small Business Jobs Act of 2010.

2. Outcome Measures (to assess the impact of the program on small business lending)
   a. Increase in small business lending by participating institutions
   b. Increase in business lending by participating banks versus comparable institutions
   c. Receipt of expected dividend, interest and fee payments by participating institutions

   As of September 30, 2014, SBLF participants have increased their small business lending by $14.3 billion over a $31.6 billion baseline, which was a $720 million increase over the prior quarter. Increases in small business lending are widespread across SBLF participants, with 97 percent of participants having increased their small business lending over baseline levels. Most SBLF participants (93 percent) have increased small business lending by 10 percent or more. Over the same period, banks participating in SBLF have increased business loans outstanding by a median of 69.5 percent over baseline levels, versus a 20.4 percent median increase for a representative peer group of non-SBLF banks and a 15.1 percent median increase for a broader comparison group non-SBLF banks. As of January 1, 2015 SBLF has received dividend, interest and fee payments totaling $277.6 million. One institution has missed four dividend payments totaling $244.1 thousand.

Treasury currently estimates that the investments made through SBLF will generate a lifetime positive return of $10 million for the Treasury General Fund. The figures in the following table reflect Treasury's calculation of the estimated cost of SBLF investments in the President's Budget for FY 2016.

Estimated Cost of SBLF Investments
(Dollars in millions)

	Subsidy Rate	Projected/Actual Investment Amount	Projected Lifetime Cost (Savings)
Original estimate	7.24%	17,399	1,260
President's Budget for fiscal year 2013	-2.08%	4,028	-84
President's Budget for fiscal year 2014	-1.26%	4,028	-50
President's Budget for fiscal year 2015	-0.63%	4,028	-25
President's Budget for fiscal year 2016	-0.26%	4,028	-10

Treasury estimated the program's budget cost in conformance with the FCRA methodology using actual program data for FY 2011 – FY 2014. This data, combined with the expected future cash flows, results in a subsidy rate of -0.26 percent compared to an original subsidy rate of 7.24 percent.

Per FCRA requirements, the lifetime cost and subsidy rate of the SBLF program is estimated on a present value basis. Assumptions used to estimate future cash flows include, but are not limited to: (1) the cumulative default rate for program participants, (2) the cash flows received by

Treasury from the participants' dividend, interest, and other payments, and (3) Treasury's cost of raising funds to make SBLF investments.

The current estimate of the program's projected lifetime savings incorporates a forecasted cumulative default rate (i.e., lost principal investments) of 2.7 percent compared to a 3.28 percent rate in the prior year's estimate [1]. This lower rate reflects an overall improvement in the financial condition of program participants and, independent of other factors, would result in greater projected lifetime savings for the program. The current year estimate also incorporates, however, increased repurchase rates of SBLF investments which results in a reduction in expected lifetime dividend and interest payments to Treasury. Inclusive of these changes, the projected program lifetime savings is $10 million.

3B – SBLF Administration

($15,039,000 from mandatory appropriations):

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

3.1.2 – SBLF Administration Budget and Performance Plan

Dollars in Thousands

SBLF Administration Budget Activity Resource Level	FY 2009 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
Mandatory Resources	$0	$22,831	$18,705	$16,541	$16,309	$15,039
Budget Activity Total	**$0**	**$22,831**	**$18,705**	**$16,541**	**$16,309**	**$15,039**

Section 4 – Supplemental Information

4A – Summary of Capital Investments

SBLF uses Departmental Office's (DO) systems 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.

[1] The forecasted cumulative default rate represents the projected investment amounts not repaid by program participants as a percentage of all SBLF investments. The rate is estimated based on the financial condition of program participants relative to the historical performance of institutions rated by a major ratings agency.

State Small Business Credit Initiative

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Resource Detail Table 3
1B – Vision, Priorities and Context 3
Section 2 – Budget Adjustments and Appropriation Language 7
2.1 – Budget Adjustments Table 7
2A – Budget Increases and Decreases Description 7
2.2 – Operating Levels Table 8
2B – Appropriations Language and Explanation of Changes 9
2C – Legislative Proposals 9
Section 3 – Budget and Performance Plan 10
3A – State Small Business Credit Initiative Program 10
3.1.1 – State Small Business Credit Initiative Program Budget and Performance Plan 11
3B – State Small Business Credit Initiative Administration 11
3.1.2 – State Small Business Credit Initiative Administration Budget and Performance Plan 12
Section 4 – Supplemental Information 13
4A – Summary of Capital Investments 13

Section 1 – Purpose

1A – Mission Statement

To increase the availability of credit for small businesses and to generate jobs and other economic development benefits for states, Treasury has implemented the State Small Business Credit Initiative (SSBCI).

1.1 – Resource Detail Table

Dollars in Thousands

State Small Business Credit Initiative	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
Budgetary Resources	Actual		Estimated		Estimated		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Budgetary Resources:										
Recovery from Prior Years	0	1,781	0	2,020	0	1,000	0	(1,020)	0.00%	-50.50%
Unobligated Balances from Prior Years	0	25,376	0	19,323	0	14,118	0	(5,205)	0.00%	-26.94%
Subtotal Budgetary Resources	**0**	**$27,157**	**0**	**$21,343**	**0**	**$15,118**	**0**	**(6,225)**	**0.00%**	**-29.17%**
Other Resources:										
SSBCI Program	0	$103	0	$0	0	$0	0	0	0.00%	0.00%
SSBCI Administration	10	$7,731	11	$7,225	9	$6,086	(2)	(1,139)	-18.18%	-15.76%
Subtotal Other Resources	**10**	**$7,834**	**11**	**$7,225**	**9**	**$6,086**	**(2)**	**1,139**	**-18.18%**	**-15.76%**
Net Results	**10**	**$19,323**	**11**	**$14,118**	**9**	**$9,032**	**(2)**	**5,086**	**-18.18%**	**-36.02%**

1B – Vision, Priorities and Context

The SSBCI funds new and existing state programs that support lending to and investment in small businesses in order to stimulate economic growth and new jobs. Under the SSBCI, participating states use the federal funds for programs that leverage private lending to help finance small businesses and manufacturers that are creditworthy but are not getting the loans they need to expand and create jobs.

The Small Business Jobs Act of 2010 (the Act) authorized and appropriated $1.5 billion for SSBCI through FY 2017. Due to the success of SSBCI, the FY 2016 President's Budget proposes a new authorization of $1.5 billion to build on the momentum of the program's first round, strengthen the Federal government's relationships with state economic development agencies, and provide capital to America's diverse community of entrepreneurs. The new authorization would run from FY 2016 through FY 2022.

The SSBCI allows states to build on successful models for state small business lending and investment programs, including capital access programs (CAPs), collateral support programs, loan guarantee programs, loan participation programs, and venture capital programs. States are required to demonstrate a reasonable expectation that a minimum of $10 in new private lending will result from every $1 in federal funding over the life of the program. The SSBCI aligns with Treasury's strategic goal to promote domestic economic growth and stability while continuing reforms of the financial system.

Priorities:

- To provide direct funding support to states for use in programs designed to increase access to credit for small businesses.
- To support state CAPs and other credit support programs that support lending to and investment in small businesses and small manufacturers.
- To monitor the deployment of SSBCI funds among approved state programs and to ensure adherence to all Treasury compliance standards.
- To promote best practices in program design, operations, and marketing among state-run programs.
- To provide technical assistance to states as they implement these programs and deploy funds to eligible small businesses.

SSBCI Program Activities

On September 27, 2010, President Obama signed into law the Small Business Jobs Act of 2010 (the Act). Section 3003 of the Act authorized and directed the Secretary of Treasury to establish a seven-year SSBCI, which was funded with $1.5 billion to support state programs that support lending to small businesses and small manufacturers. Since the passage of the Act, the SSBCI has had a positive impact on small business access to capital and local economies around the nation, helping over 8,500 businesses create or retain over 95,000 jobs as reported by the small businesses who received the loans and investments[1].

Proposal for Extension

The FY 2016 President's Budget proposes a new authorization of the SSBCI to build on the momentum of the program's first round of funding, strengthen the Federal government's relationships with state economic development agencies, and provide capital to America's diverse community of entrepreneurs. The budget proposes extending SSBCI with a new authorization of $1.5 billion awarded in two allocations: $1 billion awarded on a competitive basis to states best able to target local market needs, promote inclusion, attract private capital for start-up and scale-up businesses, strengthen regional entrepreneurial ecosystems, and evaluate results; and $500 million awarded by a need-based formula.

Program Activity to Date

Under the SSBCI, states were offered the opportunity to apply for federal funds for programs that support private lending and investing to extend greater credit to small businesses. SSBCI support helps borrowers address a credit weakness due to devaluation of collateral, a short track record, or short-term reduction in sales or cash flow. The SSBCI allows states to build upon existing, successful state-level small business lending and investing programs, such as Capital Access Programs (CAPs), collateral support programs, loan participation programs, loan guarantee programs, and state-sponsored venture capital programs. If a state did not have an existing small business program, the state could establish one in order to access this funding.

[1] Source for transaction and job creation and retention figures is the annual report data submitted by states for the periods ending December 31, 2011, 2012, and 2013.

By the end of FY 2014, 56 of the 57 program participants reported using SSBCI funds to support loans or investments in businesses using disbursed funds. As of September 30, 2014, Treasury had outlayed to states approximately $1.14 billion or 79 percent of the total funds available for disbursement. Treasury expects states to qualify to receive most of the remaining funds in FY 2015 and FY 2016. States report transaction details to Treasury on an annual basis. Data through December 2013, the first 32 months of activity, when states expended $590 million in SSBCI funds to leverage $4.1 billion in private financing, suggest the following key findings:

- **SSBCI funds have already supported thousands of loans and investments that might not otherwise have been made to small businesses in a wide range of sectors.** SSBCI financing reached small businesses in industries ranging from retail trade to manufacturing, hospitality, and many types of services. About two-thirds of all loans or investments supported by SSBCI were for less than $100,000, and the average loan or investment size was $356,000.
- **SSBCI funds have helped create or save more than 95,000 American jobs.** The small business owners who received financing expect that the loans and investments they received will create over 32,000 jobs within two years and help retain more than 63,000 jobs that were at risk of loss.
- **SSBCI funds support businesses with the highest potential to create new jobs.** More than half of all SSBCI loans or investments went to young businesses less than five years old, which economic research by the Kauffman Foundation suggests are more likely to create new jobs than similarly-sized businesses that are farther along in their development. Nearly 80 percent of SSBCI loans and investments went to businesses with 10 or fewer employees.
- **Forty-two (42) percent of SSBCI loans and investments were made to businesses in low- and moderate-income communities with incomes at or below 80 percent of the area median income.** SSBCI has been effective in supporting small businesses in areas that were hit hardest by the recession and where the need is greatest.
- **Through 2013, SSBCI operations have already generated $6.95 in new small business lending or investing for every $1 of federal support.** States expect private sector leverage to increase to 10 to 1 before the program concludes.
- **SSBCI has helped create over 82 new small business support programs, which account for approximately 50 percent of the programs currently disbursing SSBCI funds.** Through the availability of SSBCI funds, a new infrastructure of state-operated credit support programs has been created across the country.

States were eligible to apply for funds that were allocated by formula in the Act based on each state's decline in employment relative to the overall national decline. Pursuant to the Act, funds were available to all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of Northern Mariana Islands, Guam, American Samoa, and the United States Virgin Islands. In the event a state chose not to participate in SSBCI, municipalities in that state could apply for the state's allocation. Ultimately, 47 of 50 states applied to participate in SSBCI (North Dakota, Wyoming, and Alaska did not participate).

Through FY 2013, Treasury approved a total of 57 allocations to 47 states, the District of Columbia, five U.S. territories, and four municipalities (or consortia of municipalities) from Alaska, North Dakota, and Wyoming. Once approved, all funding for each respective entity is allocated. Treasury transfers funds to participating states in three disbursements (outlays). Outlays occur as the participating states expend, obligate, or transfer the funds and submit

disbursement requests to Treasury. In addition, less than three percent of the appropriation has been allocated to Treasury administrative expenses, which also covers administrative expenses of the Office of Inspector General dedicated to auditing the use of SSBCI funds. Treasury will expend administrative costs over the seven-year life of the program.

FY 2016 Program Activity

In FY 2016, the SSBCI will continue to monitor and provide technical assistance to states. Treasury staff and contractors will provide services that include training and support for program design, operations, and outreach to financial institutions.

Treasury proposes a new SSBCI authorization of $1.5 billion (Round 2). Round 2 would be awarded in two parts: $1 billion awarded on a competitive basis to states for applications that demonstrate the greatest potential impact and $500 million allocated to states according to a need-based formula. Potential categories being considered for competitive scoring include a state's ability to target local market needs, promote inclusion, attract private capital for start-up and scale-up businesses, strengthen regional entrepreneurial ecosystems, and evaluate results among other factors. During FY 2016, SSBCI would administer both the formula and competitive award process with some awards made in FY 2016 and the remainder in FY 2017. Treasury estimates outlays to states of $210 million in FY 2016 with most of the remaining outlays under Round 2 occurring in FY 2017 and FY 2018.

Outlays to Participating States for SSBCI Round 1 and 2*

	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated	FY 2017 Estimated	FY 2018 Estimated	Total
Round 1 Outlays	366	187	364	229	221	74	-	-	1,440
Round 2 Outlays	-	-	-	-	-	210	730	520	1,460
Total	**366**	**187**	**364**	**229**	**221**	**284**	**730**	**520**	**2,900**

*Data does not include outlays for Treasury administrative expenses.

Office of Inspector General (OIG) Activities

In FY 2016 the OIG will continue to provide audit and investigative oversight of SSBCI. The authorizing legislation directs the OIG to audit the use of SSBCI funds by participating states so that Treasury can recoup any recklessly or intentionally misused funds identified by such audits.

The FY 2016 budget request will support 15 OIG employees through a reimbursable agreement and allow the OIG to augment its resources with contractors, as needed, to perform a significant number of audits of the use of SSBCI funds. The OIG plans to audit both how the states are carrying out their oversight responsibilities and whether the institutions and businesses participating in the state programs funded by SSBCI are in compliance with loan-use restrictions and requirements. Because many states did not draw on all of their allocated funds by the two-year anniversary of their Allocation Agreements, Treasury extended the timeframe for the disbursement of funds until FY 2015. The OIG is expecting to continue to perform a significant number of audits during FY 2016 as states increase their use of funds and request additional disbursements from Treasury for Round 1, and if adopted, for Round 2.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

State Small Business Credit Initiative	FTE	Amount
FY 2015 Estimated	**11**	**$7,225**
Changes to Base:		
Maintaining Current Levels (MCLs):	-	$123
Pay-Raise	-	$19
Pay Annualization	-	$5
FERS Contribution Increase	-	$7
Non-Pay	-	$92
Subtotal Changes to Base	-	$123
Total FY 2016 Base	**11**	**$7,348**
Program Changes:		
Program Decreases:	(2)	($1,262)
Program Decreases	(2)	($1,262)
Total FY 2016 Estimated	**9**	**$6,086**

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ..... +$123,000 / +0 FTE

Pay-Raise +$19,000 / +0 FTE

Funds are required for the proposed January 2016 pay-raise.

Pay Annualization +$5,000 / +0 FTE

Funds are required for annualization of the January 2015 pay-raise.

FERS Contribution Increase +$7,000 / +0 FTE

Funds are required for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +$92,000 / +0 FTE

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

Program Decreases ..... -$1,262,000 / -2 FTE

Program Decreases -$1,262,000 / -2 FTE

Contract and personnel support related to state technical assistance will decrease as the funding allocated to the states and municipalities becomes fully expended.

2.2 – Operating Levels Table

Dollars in Thousands

State Small Business Credit Initiative Object Classification	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
11.1 - Full-time permanent	1,285	1,425	1,108
11.9 - Personnel Compensation (Total)	**1,285**	**1,425**	**1,108**
12.0 - Personnel benefits	395	505	394
Total Personnel and Compensation Benefits	**$1,680**	**$1,930**	**$1,502**
21.0 - Travel and transportation of persons	64	125	125
23.1 - Rental payments to GSA	246	214	214
23.3 - Communication, utilities, and misc charges	4	0	0
25.1 - Advisory and assistance services	2,589	1,591	1,013
25.2 - Other services	2	0	0
25.3 - Other purchases of goods & serv frm Govt accounts	3,239	3,335	3,202
26.0 - Supplies and materials	10	30	30
Total Non-Personnel	**6,154**	**5,295**	**4,584**
Total Budgetary Resources	**$7,834**	**$7,225**	**$6,086**
Budget Activities:			
SSBCI Program	103	0	0
SSBCI Administration	7,731	7,225	6,086
Total Budgetary Resources	**$7,834**	**$7,225**	**$6,086**
FTE	**10**	**11**	**9**

2B – Appropriations Language and Explanation of Changes
SSBCI does not receive a discretionary appropriation authority from Congress. Therefore, no appropriations language is proposed.

2C – Legislative Proposals
Treasury recommends new legislation authorizing a $1.5 billion extension of the SSBCI. $1 billion will be competitively awarded to states best able to target local market needs, promote inclusion, attract private capital for start-up and scale-up businesses, strengthen regional entrepreneurial ecosystems, and evaluate results among other factors. An additional $500 million will be allocated to states according to a need-based formula.

Justification
SSBCI effectively supports state-sponsored public-private partnerships to increase lending and investment to small businesses and manufacturers. SSBCI is already achieving results: the first $590 million in program expenditures supported loans and investments of $4.1 billion to more than 8,500 small businesses across the country—creating or saving more than 95,000 American jobs as reported by the small businesses who received the loans and investments. The FY 2016 President's Budget proposes to improve the targeting of SSBCI funding through competitive awards. A second round of SSBCI funding would also increase the impact of states' newly developed relationships with lenders and investors from the program's first round and would solidify a role for state economic development agencies which are highly responsive to capital needs in local markets. Further, because an extended program would build on the successes of newly created programs or legacy programs that were restarted with SSBCI funding, Treasury estimates that it would outlay funds at a faster rate than under the first round of funding.

Section 3 – Budget and Performance Plan

3A – State Small Business Credit Initiative Program

($0 from mandatory appropriations):

On September 27, 2010, President Obama signed into law the Small Business Jobs Act of 2010 (the "Act"). Section 3003 of the Act authorized and directed the Secretary of Treasury to establish a seven-year SSBCI, which was funded with $1.5 billion to support state programs that support lending to small businesses and small manufacturers. The SSBCI supports new small business lending and investment through innovative state and local programs that help entrepreneurs expand their businesses and create new jobs.

Under the SSBCI, participating states use the federal funds for programs that leverage private lending to help finance small businesses and manufacturers that are creditworthy but are not getting the loans they need to expand and create jobs. The SSBCI allows states to build on successful models for state small business programs, including CAPs, collateral support programs, loan guarantee programs, loan participation programs, and venture capital programs. Existing and new state programs are eligible for support under the SSBCI.

By the end of FY 2013, states reported expending, obligating, or transferring over $677 million in SSBCI funds, more than double the total at the end of FY 2012. States have continued to deploy funds such that by June 30, 2014, states had expended, obligated, or transferred $891 million. As of September 30, 2014, Treasury had disbursed over $1.14 billion, or 79 percent of allocations to states. SSBCI estimates disbursing cumulative totals of approximately $1.40 billion by the end of FY 2015 and $1.44 billion by the end of FY 2016, as states request disbursement of their approved allocations under the program.

In FY 2016, Treasury will continue to monitor the performance of state programs, tracking loans and investments made with SSBCI funds and disbursing obligated funds to states. In addition, Treasury will process requests from states to modify their allocation agreements to reapportion funds from lower to higher performing programs and to optimize program design in order to improve performance. Treasury plans to approve or deny 90 percent of all state requests for modifications and subsequent disbursements within 90 calendar days of final receipt. Additionally, Treasury plans to collect 90 percent of all quarterly reports within five days of the deadline to report. Treasury will also provide on-going technical support to recipients, including the dissemination of practices among recipients on such elements as program design, operations, and marketing.

Treasury proposes a new SSBCI authorization of $1.5 billion. In FY 2016, Treasury will process applications for need-based awards and will prepare and release the application for competitive awards.

3.1.1 – State Small Business Credit Initiative Program Budget and Performance Plan

Dollars in Thousands

SSBCI Program Budget Activity Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
Mandatory Resources	$0	$1,258,900	$188,384	$13,198	$103	$0	$0
Budget Activity Total	**$0**	**$1,258,900**	**$188,384**	**$13,198**	**$103**	**$0**	**$0**

Performance Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Cumulative Value of SSBCI Funds Transferred to States (thousands)	$553,000	$917,000	$1,146,000	$1,367,000	$1,441,000
State Subsequent Disbursement Requests Approved or Denied within 90 days (%)	100	100	96	90	90
State Requests to Modify Allocation Agreements Approved or Denied within 90 days (%)	100	90	95	90	90
Receive State Quarterly Reports within five business days of reporting deadline (%)	100	93	95	90	90

As a source of funding for credit support and investment programs that increase access to capital for small businesses, SSBCI is aligned to Treasury's Strategic Goal 1 "Promote domestic economic growth and stability while continuing reforms of the financial system" including managing and exiting emergency programs. Additionally, the SSBCI is aligned with Treasury's Strategic Goal 2, "Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth" by supporting lending to and investment in startup and early stage companies.

SSBCI sets three performance goals to measure the efficiency of program operations where Treasury can expressly influence the outcomes. The first goal is that Treasury approves or denies 90 percent of states' requests for a subsequent disbursement of funds within 90 days of receipt of a formal submission. In FY 2014, SSBCI processed 96 percent of requests within 90 days, excluding requests that were delayed due to ongoing or unresolved audits by the OIG. Similarly, SSBCI aims to process 90 percent of all requests by states to modify the Allocation Agreement with Treasury within 90 days. In FY 2014, SSBCI processed 95 percent of requests within 90 days. Finally, SSBCI aims to collect 90 percent of all quarterly reports within five days of the deadline to report. In FY 2014, SSBCI received 95 percent of quarterly reports from states within five business days of the reporting deadline.

3B – State Small Business Credit Initiative Administration

($6,086,000 from mandatory appropriations):

The authority to pay administrative expenses is provided by Section 3009 (b) of the Act which appropriates $1.5 billion to carry out the state small business credit program "including to pay reasonable costs of administering the program." Administrative expenses include the costs of government employee salaries, contract support, and reimbursement to the Treasury Office of Inspector General for program audits.

3.1.2 – State Small Business Credit Initiative Administration Budget and Performance Plan

Dollars in Thousands

SSBCI Administration Budget Activity							
Resource Level	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Estimated**	**FY 2016 Estimated**
Mandatory Resources	$0	$5,393	$4,746	$6,431	$7,731	$7,225	$6,086
Budget Activity Total	**$0**	**$5,393**	**$4,746**	**$6,431**	**$7,731**	**$7,225**	**$6,086**

Section 4 – Supplemental Information

4A – Summary of Capital Investments
SSBCI uses Departmental Office's (DO) systems 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.

Housing & Government Sponsored Enterprises

FY 2016 President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Program Account Summary 3
1.2 – Financing Account Summary 3
1.3 – Mandatory Receipts Summary 4
1B – Vision, Priorities and Context 4
1C - Credit Reform Account Descriptions 7
Section 2 – Budget Adjustments and Appropriation Language 8
2A- Budget Increases and Decreases Description 8
2B – Appropriations Language and Explanation of Changes 8
2C – Legislative Proposals 8
Section 3 – Budget and Performance Plan 9
3A – Senior Preferred Stock Purchase Agreements (PSPAs) 9
3.1.1 – Senior PSPAs Budget and Performance Report and Plan 9
3B – New Issue Bond Program 9
3.1.2 – New Issue Bond Program Budget and Performance Report and Plan 10
3C – Temporary Credit and Liquidity Program 10
3.1.3 – Temporary Credit and Liquidity Program Budget and Performance Report and Plan 11

Section 1 – Purpose

1A – Mission Statement

To provide stability to financial markets and promote mortgage affordability while also protecting the taxpayer, Treasury implemented four programs with respect to two Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, as well as the Federal Home Loan Banks (FHLBs). The Senior Preferred Stock Purchase Agreements (PSPAs) with Fannie Mae and Freddie Mac are currently active, while Treasury completed the orderly disposition of the Mortgage-Backed Securities (MBS) Purchase Program in March 2012.

In addition to these programs, Treasury has purchased securities of Fannie Mae and Freddie Mac backed by new housing bonds issued by the Housing Finance Agencies (HFAs), through the New Issue Bond Program (NIBP). Treasury also purchased participation interests in temporary credit and liquidity facilities, which are obligations of Fannie Mae and Freddie Mac as part of the Temporary Credit and Liquidity Program (TCLP) to provide backstop liquidity and credit for state and local HFAs. Together, the NIBP and the TCLP comprise the Housing Finance Agencies Initiative (HFA Initiative).

1.1 – Program Account Summary

Dollars in Millions

	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated	FY 2015 to FY 2016 $ Change	FY 2015 to FY 2016 % Change
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Obligations					
Senior Preferred Stock Purchase Agreements Account	0	0	0	0	0.00%
GSE MBS Purchase Program Account	4	178	3	-175	-98.31%
Total Obligations	**$4**	**$178**	**$3**	**-175**	**-98.31%**
Budget Authority					
Senior Preferred Stock Purchase Agreements Account	258	258	258	0	0.00%
GSE MBS Purchase Program Account	8	178	3	-175	-98.31%
Total Budget Authority	**$266**	**$436**	**$261**	**-175**	**-40.14%**
Outlays					
Senior Preferred Stock Purchase Agreements Account	0	0	0	0	0.00%
GSE MBS Purchase Program Account	4	228	3	-225	-98.68%
Total Outlays	**$4**	**$228**	**$3**	**-225**	**-98.68%**

1.2 – Financing Account Summary

Dollars in Millions

	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated	Change FY 2015 to FY 2016	% Change FY 2015 to FY 2016
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
State HFA NIPB & TCLP					
Obligations	399	301	284	-17	-5.65%
Collections	953	1,000	736	-264	-26.40%
Financing Authority (net)	-387	-699	-453	246	35.19%
Financing Disbursements (net)	-553	-699	-284	415	59.37%

1.3 – Mandatory Receipts Summary

Dollars in Millions

	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated	FY 2015 to FY 2016 $ Change	FY 2015 to FY 2016 % Change
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Senior Preferred Dividend Payments from Fannie Mae and Freddie Mac					
Receipts	72,472	23,352	19,812	-3,540	-15.16%
Additional G Fee Collected Per Temporary Payroll Tax Cut Continuation Act					
Receipts	1,921	2,436	2,739	302	12.40%

1B – Vision, Priorities and Context

FY 2016 Priorities:

- To provide stability to financial markets.
- To prevent disruptions to the availability of mortgage credit for American homebuyers.
- To maintain investor confidence in the GSEs and in state and local HFAs.
- To restore the capacity of state and local HFAs to provide affordable housing resources to working families at the state and local level.

Senior Preferred Stock Purchase Agreements (PSPAs)

Section 1117 of the Housing and Economic Recovery Act of 2008 (HERA) granted temporary authority for the Treasury to purchase any obligations and other securities issued by Fannie Mae, Freddie Mac, and any Federal Home Loan Bank on such terms and conditions and amounts as the Treasury may determine. On September 7, 2008, the Secretary of the Treasury made the determination that the Treasury's exercise of its purchase authority under HERA was necessary to provide stability to the financial markets, prevent disruptions in the availability of mortgage finance, and protect taxpayers.

Vision: The function of the PSPAs is to enhance market stability by providing holders of Fannie Mae and Freddie Mac securities with confidence that the GSEs will remain solvent. This commitment is also designed to eliminate any mandatory triggering of receivership of the GSEs under HERA. To this end, the PSPAs are an effective means of averting systemic risk while at the same time protecting the taxpayer.

***Priorities*:** Market stability is central to the mission of the Treasury. In this regard, the following priorities have been identified for mission success:

- To provide stability to the GSE securities market.
- To maintain the solvency of the GSEs.

Program History: During FY 2008, the Department of the Treasury entered into the PSPAs with Fannie Mae and Freddie Mac. The PSPAs were indefinite in duration and had a funding commitment cap of $100 billion each. These agreements were amended in May 2009 to provide a funding commitment cap of $200 billion each, and further amended in December 2009, to replace the fixed-dollar amount funding commitment cap with a formulaic cap that ended December 31, 2012, at which time the maximum amount became fixed. Based on the financial results reported by Fannie Mae and Freddie Mac as of December 31, 2012 and under the terms of the PSPAs, the cumulative funding commitment cap for Fannie Mae was set at $233.7 billion

and the cumulative funding commitment cap for Freddie Mac was set at $211.8 billion. In exchange for entering into these agreements with these two GSEs, Treasury immediately received $1 billion of senior preferred stock in each GSE and warrants for the purchase of common stock of each GSE representing 79.9 percent of the common stock of each GSE on a fully-diluted basis at a nominal price. No taxpayer money was spent to receive the senior preferred stock.

The PSPAs were further amended in August 2012. The changes included: replacing the fixed 10 percent dividend with a quarterly payment based on the net worth of the GSEs; increasing the rate at which the GSEs must reduce their retained investment portfolio balance to 15 percent in place of 10 percent per year; and requiring each GSE to submit to Treasury an annual risk management plan that details their respective strategies for reducing their enterprise-wide risk profile. The change to the dividend payment structure eliminated the need for the GSEs to make PSPA draws from Treasury after making dividend payments to Treasury. Since the original dividend provision threatened to erode the amount of the Treasury commitment available to the GSEs, this amendment helps to maintain the stability of the housing market by preserving the continued solvency of the GSEs.

Program Outlook: Under the PSPAs, Treasury helped maintain the solvency of the GSEs with its $187.5 billion cumulative investment as of December 31, 2014. Treasury forecasts that it will not make any payments under the PSPAs in FY 2015. Treasury forecasts that it will receive approximately $23.4 billion in dividends in FY 2015.

Housing Finance Agencies Initiative

State and local Housing Finance Agencies (collectively, the "HFAs") are agencies or authorities created by state law that are charged with providing affordable mortgage financing for low- and moderate-income home buyers and providing financing for multifamily projects for low- and very-low income renters. In addition, HFAs provide homeownership education and allocate low income housing tax credits.

HFAs have historically played a central role in providing a safe, sustainable path to homeownership. Through the course of the housing downturn, the HFAs experienced a number of challenges including a lack of liquidity support for existing variable rate demand bonds, losses on mortgages, and downgrades of re-insurance providers. Historically, HFAs have funded their activities by issuing tax-exempt mortgage revenue bonds and keeping the associated mortgage collateral produced on HFA balance sheets. The bond performance of HFAs has generally been strong. However, due to the uncertainties and strain throughout the housing sector during the financial crisis and the widening of spreads in the tax-exempt market, HFAs experienced challenges in issuing new bonds to fund new mortgage lending.

To provide stability to the financial markets and promote mortgage affordability while at the same time protecting the taxpayer, Treasury implemented two programs in December 2009 as part of the Housing Finance Agencies Initiative – the New Issue Bond Purchase Program (NIBP) and the Temporary Credit and Liquidity Program (TCLP).

New Issue Bond Program
The NIBP has provided temporary financing for HFAs to issue new housing bonds. Treasury purchased securities of Fannie Mae and Freddie Mac backed by HFA housing bonds, with the funding placed in escrow to be converted into new mortgages prior to the end of calendar year 2012. This allowed the HFAs to issue new housing bonds consistent with what they would ordinarily have been able to issue with the allocations provided them by Congress absent the challenges in housing and related markets. The program supported over one hundred thirty thousand new mortgages to low- and moderate-income homebuyers, as well as forty thousand new rental-housing units for working families.

Vision: The NIBP has helped provide stability to financial markets and prevented disruptions in mortgage finance availability by providing a temporary supplemental market for newly issued HFA housing bonds. The NIBP has enabled HFAs to keep their lending programs active while they adapt to changing market conditions. The program supports the availability of mortgage credit and affordable rental properties for low- and moderate-income homebuyers and renters. Facilitating supply and demand in the housing markets helps to stabilize the HFAs.

***Priorities*:**
- To help provide stability to the housing market.
- To provide funding to HFAs so that they continue to provide affordable mortgage credit.
- To promote availability and affordability of housing resources for low- and moderate-income homebuyers and renters.
- To protect taxpayers.

Program History: In December 2009, the Department of the Treasury entered into a Memorandum of Understanding with Fannie Mae, Freddie Mac and the Federal Housing Finance Agency (FHFA) outlining the obligations of each party with regard to the HFA Initiative transactions. Under the terms of the NIBP, Treasury purchased Fannie Mae and Freddie Mac securities backed by housing bonds issued by HFAs, with the funding placed in escrow pending the origination of new mortgages. Use of escrowed proceeds to finance new mortgages originally had to be completed by December 31, 2010; however continued disruptions in the HFA bond market led to extensions. After two one-year extensions, HFAs had a deadline of December 31, 2012 to use NIBP funds.

Program Outlook: Treasury purchased approximately $15.3 billion in securities under its authority for this program in FY 2010. As of the December 31, 2012 deadline, HFAs had used $13.3 billion to finance single and multi-family mortgages, and the remainder had been returned to Treasury. As of December 31, 2014, the aggregate balances of NIBP bonds had decreased to approximately $8.4 billion.

Temporary Credit and Liquidity Program
Fannie Mae and Freddie Mac administer the TCLP for HFAs to help relieve financial strains during the financial crisis. Treasury purchased a participation interest in the Fannie Mae and Freddie Mac Temporary Credit and Liquidity Facilities (TCLFs) provided to HFAs under the TCLP, thus providing a credit and liquidity backstop. These facilities have helped the HFAs maintain their financial health and preserve the viability of the HFA infrastructure so that that

HFAs can continue their Congressionally supported role in helping provide affordable mortgage financing for low and moderate income homebuyers, as well as continue their other important activities in communities.

Vision: The TCLP has helped provide stability to financial markets and prevented disruptions in mortgage finance availability by helping HFAs relieve current financial strains. The TCLP has supported the HFAs through the economic downturn and given them time to develop and implement more sustainable financing structures that preserve their critical role in extending mortgage financing to assist low- and moderate- income homebuyers and renters.

***Priorities*:**

- To help provide stability to the housing market.
- To provide funding to HFAs so that they can continue to provide affordable mortgage financing. To promote availability and affordability of housing resources for low- and moderate-income homebuyers and renters.
- To protect taxpayers.

Program History: In December 2009, the Department of the Treasury entered into a Memorandum of Understanding with Fannie Mae, Freddie Mac, and FHFA outlining the obligations of each party with regard to the HFA Initiative transactions. Under the terms of the TCLP, Treasury purchased participation interests in Fannie Mae and Freddie Mac liquidity facilities available to support outstanding housing bonds issued by HFAs. At the time of execution, $8.2 billion had been allocated to HFAs through the TCLP to use the credit and liquidity facilities.

Program Outlook: Treasury incurred approximately $8.2 billion in obligations in FY 2010 that were to remain open to the end of calendar year 2012. Due to continued strain on the market for HFA liquidity facilities, Treasury granted a three-year extension of the TCLP to the end of calendar year 2015 for six HFAs, which was conditioned on Treasury's approval of the HFA's plans to reduce balances of their bonds covered by TCLP during the extension period. To date there have been no draw requests or disbursements from the TCLP and since the extension of the TCLP, four additional HFAs have exited the program, leaving two participants. Prior to the expiration of the TCLP, Treasury's obligation will continue to diminish over time as HFAs redeem the bonds supported by the program or otherwise reduce their need for Treasury's liquidity support. As of December 31, 2014, the remaining balance of TCLP backed bonds had decreased to $737 million.

1C - Credit Reform Account Descriptions

GSE Mortgage-Backed Securities Purchase Program Account: The GSE Mortgage-Backed Securities Purchase Program Account records the subsidy costs associated with the GSE MBS and HFA purchase programs, which are treated as direct loans for budget execution. The subsidy amounts are estimated on a present value basis.

HFA Financing Account: As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from the Treasury HFA Initiative programs. The amounts in the account are a means of financing and are not included in the budget totals.

Section 2 – Budget Adjustments and Appropriation Language

2A- Budget Increases and Decreases Description
Not applicable for the Housing Government Sponsored Enterprises.

2B – Appropriations Language and Explanation of Changes
The Housing Government Sponsored Enterprise Programs and the Housing Finance Agencies Initiative Programs do not receive any discretionary appropriation authority from the Congress. Therefore, no appropriations language is proposed.

2C – Legislative Proposals
There are no current proposals for amending the enacting legislation.

Section 3 – Budget and Performance Plan

3A – Senior Preferred Stock Purchase Agreements (PSPAs)

(No funding):

The PSPAs instill confidence in investors that Fannie Mae and Freddie Mac will remain solvent entities critical to the functioning of the housing and mortgage markets. Treasury entered into a PSPA with each GSE to enable each enterprise to maintain a positive net worth.

The PSPAs enhance market stability by providing confidence that the GSEs would remain solvent to holders of Fannie Mae and Freddie Mac securities, which, in turn, leads to increased mortgage affordability. Treasury's commitment through the PSPAs is also designed to prevent triggering mandatory receivership under HERA. To this end, the PSPAs are an effective means of averting systemic risk while at the same time protecting the taxpayer's investment of $187.5 billion made through December 31, 2014.

In exchange for entering into these agreements with the GSEs, Treasury received $1 billion of senior preferred stock in each GSE and warrants for the purchase of common stock of each GSE representing 79.9 percent of the common stock of each GSE on a fully diluted basis at a nominal price. The GSEs agreed to pay a dividend to Treasury equal to 10 percent per year of the total amount of funds that Treasury had provided to the GSEs (plus $1 billion for each GSE).

The dividend provision of each PSPA was amended in August 2012 to support the continued solvency of the GSEs. The amendments further supported the continued flow of mortgage credit and protected the interests of taxpayers. This amendment replaced the fixed 10 percent dividend with a quarterly dividend (if any) based on the positive net worth of the GSEs.

3.1.1 – Senior PSPAs Budget and Performance Report and Plan

Description of Performance:

To ensure the stability of the GSEs, the GSEs make PSPA draws from Treasury at the request of FHFA as necessary for each GSE to maintain a positive net worth. Under the PSPAs, Treasury has helped to ensure the solvency of the GSEs by providing these entities with $187.5 billion cumulative investment as of December 31, 2014. Through December 31, 2014, the GSEs have paid $225.4 billion in dividend payments to Treasury.

3B – New Issue Bond Program

(No funding):

The function of the NIBP was to help provide stability to financial markets and prevent disruptions in mortgage finance availability by providing a temporary supplemental market for newly issued HFA housing bonds. By temporarily supplementing private demand for HFA production, the NIBP enables HFAs to keep their lending programs active while they adapt to changing market conditions. The NIBP supports the availability of mortgage credit and affordable rental properties for low- and moderate- income homebuyers and renters.

Program sized to meet demand - HFAs submitted detailed program participation requests to Treasury. In order to scale back the NIBP requests to an acceptable level that could be recommended for adoption, a methodology was developed and applied to arrive at final

allocation recommendations under the program for HFAs. The allocation methodology was based primarily on the 2008 HERA allocations to HFAs and historical HFA issuance.

Support for both single-family and multi-family bonds: HFAs were able to request that a portion or all of their NIBP allocation be used to issue single or multi-family bonds. The amount of multi-family bond issuance was subject to a cap at the program level.

Protecting Taxpayers: HFAs pay Fannie Mae, Freddie Mac, and Treasury an amount intended to cover both the cost of financing the newly issued bonds as well as a fee designed to cover risk posed by the HFA. Generally speaking, the interest rate on the bond after release from escrow was set to cover Treasury's cost of financing (set at a market-based index rate) plus the additional fee designed to offset the credit risk to the taxpayer.

3.1.2 – New Issue Bond Program Budget and Performance Report and Plan

Description of Performance:

Treasury continues to monitor the housing markets as well as other indicators, which have an impact on the HFAs. After two one-year extensions, HFAs had a deadline of December 31, 2012 to use NIBP funds.

3C – Temporary Credit and Liquidity Program

(No funding):

The function of the TCLP is to help relieve financial strains for HFAs. The TCLP provides HFAs with temporary credit and liquidity facilities to preserve the viability of the HFA infrastructure. This allows HFAs to continue their Congressionally supported role in helping provide affordable mortgage credit to low and moderate-income homebuyers, and other important activities in communities.

Reducing costs of maintaining existing financing for HFAs: Through Fannie Mae and Freddie Mac, the TCLP provides replacement credit and liquidity facilities to HFAs that help reduce the costs of maintaining existing financing for the HFAs. Using HERA authority, Treasury purchased a participation interest in Fannie Mae and Freddie Mac temporary credit and liquidity facilities for the HFAs, and thereby Treasury backstops the replacement liquidity.

Program sized to meet demand : HFAs submitted detailed program participation requests to Treasury for the TCLP. No allocation process was required because requests came in at a total below the program cap.

Protecting Taxpayers: The HFAs pay Fannie Mae, Freddie Mac, and Treasury a fee designed to cover risk posed by the HFA. Additionally the program extension required participating HFAs to submit a plan for Treasury's approval that demonstrated how each HFA would reduce risk borne by the taxpayer under the program.

Temporary solution, with incentives for HFAs to quickly transition back to market financing: The fee for HFAs to use the TCLP increases over time to encourage the HFAs to transition to private market financing alternatives as quickly as possible. This process was accelerated by the

required submission and approval of plans from the HFAs, which demonstrated how they will exit the program.

Terms designed to facilitate sustainable business models for housing agencies - The liquidity facilities under the TCLP program are only available for outstanding bonds.

3.1.3 – Temporary Credit and Liquidity Program Budget and Performance Report and Plan

Description of Performance:

Treasury continues to monitor the housing markets as well as other factors affecting HFAs. During FY 2012 and FY 2013, Treasury granted three-year extensions to the end of calendar year 2015 to six HFAs, which were conditioned on Treasury's approval of plans to reduce balances of HFA bonds covered by TCLP during the extension period. Continued market surveillance and monitoring of participating HFAs will take place in FY 2015.

Office of Financial Research

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
Resource Detail Table 3
1B – Vision, Priorities, and Context 3
Section 2 – Budget Adjustments and Appropriation Language 14
2.1 – Budget Adjustments Table 14
2A – Budget Increases and Decreases Description 14
2.2 – Operating Levels Table 15
2B – Appropriations Language and Explanation of Changes 15
2C – Legislative Proposals 15
Section 3 – Budget and Performance Plan 16
3A – Data Center 16
3.1.1 – Data Center Budget and Performance Plan 17
3B – Research and Analysis 17
3.1.2 – Research and Analysis Budget and Performance Plan 18
3C – Operations and Support Services 18
3.1.3 – Operations and Support Services Budget and Performance Plan 19

Section 1 – Purpose

1A – Mission Statement

Promote financial stability by delivering high-quality financial data, standards, and analysis for the Council and the public.

Resource Detail Table

Dollars in Thousands

Office of Financial Research	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
Budgetary Resources	Actual		Estimated		Estimated		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections:										
Assessments [A]		92,693		105,170		103,578		(1,592)		(.2%)
Unobligated Balances from Prior Years		67,226		73,015		78,956		5,941		8%
Recoveries		2,040		1,290		1,488		198		15%
Interest		29		33		34		1		4%
Offsetting Collections		5		0		0		0		N/A
Restoration of Sequestration Rescission		964		6,676		7,680		1,004		15%
Total Revenue/Offsetting Collections		**162,957**		**186,184**		**191,736**		**5,552**		**3%**
Other Resources:										
Data Center	90	46,940	117	57,991	137	64,034	20	6,043	17%	10%
Research Center [B]	33	7,700	58	14,578	68	16,108	10	1,530	17%	10%
Operations and Support Services [C]	43	28,626	55	26,979	65	27,963	10	984	18%	4%
Total Expenses/Obligations	**166**	**83,266**	**230**	**99,548**	**270**	**108,105**	**40**	**8,557**	**17%**	**9%**
Sequestration Reduction		(6,676)		(7,680)		0		7,680		N/A
Net Results		**73,015**		**78,956**		**83,631**		**4,675**		**6%**

[a] The OFR is financed through assessments on certain financial companies (see Assessments in Section 3).
[b] "Research and Analysis" includes only staffing, outside work arrangements, and contracting related to annual report production Costs associated with data, information systems, and analytical tools are captured under "Data Center."
[c] "Operations and Support Services" includes two offices formerly located in the Data Center. FTEs and estimated budget amounts reflect that organizational change.

1B – Vision, Priorities, and Context

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) established the Office of Financial Research (OFR or Office) within the Department of the Treasury (Treasury). The OFR seeks to promote financial stability by delivering high-quality financial data, standards, and analysis for the Financial Stability Oversight Council (FSOC) and the public.

The OFR has established three goals that reflect its primary responsibilities — data and analysis, data standardization, and research — under the Dodd-Frank Wall Street Reform and Consumer Protection Act.[1]

[1] See the OFR's strategic plan for FY 2015-2019

1. **The OFR is an essential source of data and analysis for monitoring threats to financial stability.**

   Key objectives of this goal include:
   - OFR's monitoring tools and analysis are widely used and critical to assessing financial stability.
   - Data used to monitor financial stability are comprehensive, reliable, and accessible to policy makers and the public through the OFR.
   - Data providers and the public trust that OFR data are protected are secure.

2. **Standards that improve the quality and usefulness 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 in policymaking, risk management, and data management.

Progress Against Mission

The OFR has made significant progress toward its mission, as the following examples show:

1. **Analyzing Threats to Financial Stability**

   The OFR has a mandate to assess risks to the financial stability of the United States and to monitor, investigate, and report to Congress and the Council on changes in those risks. Financial stability occurs when the financial system, even under stress, operates sufficiently to provide its six basic functions for the economy — credit allocation and leverage, maturity transformation, risk transfer, price discovery, liquidity provision, and facilitation of payments. To fulfill this mandate, OFR reports regularly to the Council on developments in the financial system as well as conduct longer-term research on financial stability (see 4).

   The OFR has made strong progress on tools and metrics for detecting and measuring potential threats to financial stability. The OFR continues to develop its Financial Stability Monitor, a framework for assessing financial stability using a wide variety of metrics and indicators. The latest reading of the Monitor is contained in OFR 2014 Annual Report. The OFR plans to use the Monitor to provide its assessment of U.S. financial stability twice per year. In addition, the OFR presents a Financial Markets Monitor each month to the Council and its Systemic Risk Committee. As part of its monitoring program, the OFR also relies on

qualitative risk assessment activities and several internal monitors which use confidential data on specific markets.

In December 2014, the OFR published its 2014 Annual Report per Section 154(d) of the Dodd-Frank Act.[2] While the report covers a wide range of financial stability issues, a significant portion of the report addresses threats. As the statute requires, this third annual report of the Office included the OFR's analysis of threats to the financial stability of the United States, the status of the Office's work to meet its mission, and key findings of the Office's research on and analysis of the financial system. The Annual Report also documents the meaningful progress the Office has made in meeting our statutory mandates and mission since we published our second annual report in December 2013.

The OFR also provides data for the Council to use to develop its Annual Report on financial stability, as well as data and analysis relating to the designation of nonbank financial companies for consolidated supervision by the Federal Reserve Board.

2. Addressing Data Gaps

The OFR identifies data needs through its research and monitoring and close collaboration with the Council and its member agencies. To determine if available data exist to meet those needs, the Office, in conjunction with the Council's Data Committee, compiled and maintains an inventory describing the data that Council member agencies purchase or collect. This inventory is shared with the other FSOC member agencies. The public portion of the inventory is also available on the OFR's public website.

Comparing data needs with this inventory can help identify gaps, avoid duplication, reduce costs, minimize regulatory burden, and take advantage of existing data sources to the extent possible. To fill the gaps, the Office collaborates across the Council to develop priorities and then look to alternative ways to expand the scope of data, such as sharing or improving the quality of existing data, promoting data standards, and collecting new data.

The OFR has successful data sharing arrangements with a number of Council member agencies and is working to establish new ones. For example, the Office is collaborating with Federal Reserve staff to improve the quality and scope of data in repo markets. In addition, the OFR is considering a request from the Payments Risk Committee (sponsored by the Federal Reserve Bank of New York) to collaborate with the FRBNY to collect and analyze data on intraday cash flows.

The OFR leads the Council's Data Committee. The Data Committee promotes improvements in data collection and information sharing among Council members. The Data Committee also plays an integral role in the broader initiative to facilitate the secure sharing of information by the OFR. For example, the Committee has completed a proposed framework for mapping the OFR's information security categorizations to the ones used by

[2] http://www.treasury.gov/initiatives/ofr/about/Documents/OFR_AnnualReport2014_FINAL_12-1-2014.pdf

other Council members, as encouraged by the Council of Inspectors General on Financial Oversight.[3]

3. Data Standards

The OFR supports the Council and its member agencies by standardizing the types and formats of data reported and collected. The Office's process for promoting data standards includes: (1) evaluating whether standards are needed for a particular set of data and whether developing them fits the Office's mission, (2) determining whether the data in question are good candidates for standardization, and (3) determining the OFR's strategy.

Legal Entity Identifier System

The Office continues to be a leader in the initiative to establish a Legal Entity Identifier (LEI), a unique, global standard for identifying parties to financial transactions. Over 300,000 LEIs have been assigned to companies from over 185 countries, and are being relied on for regulatory reporting of swaps and other instruments in North America, Europe, and Asia.

The OFR's Chief Counsel serves as the first chair of the body supervising the standup and operation of the system, a 60-member Regulatory Oversight Committee, formed in January 2013 with the backing of the G20.

In addition, the Office assists Council member agencies with data standards initiatives. For example, the OFR is working with the Commodity Futures Trading Commission and global regulators to align and standardize derivatives reporting. Additionally, for the LEI integration in the mortgage industry, the Office worked with the Mortgage Industry Standards Maintenance Organization (MISMO), a data standards body for the mortgage industry, to add the LEI data record to the industry's standard for data exchange. The Office also published a working paper in FY 2014, with collaboration from certain Council member agencies, describing the need for and strategy to develop a universal mortgage loan identifier.

Interagency Working Groups

During FY 2015, the OFR plans to establish additional interagency working groups on key issues related to data standards (including assisting Council member agencies with derivatives reporting standards) and participate in issue-specific working groups sponsored by other organizations (such as work related to mortgage standards sponsored by the Consumer Financial Protection Bureau). The OFR also plans to produce analysis in collaboration with other Council members on related topics, such as derivative product classification or the need for additional financial data identifiers.

[3] The Council of Inspector General on Financial Oversight Annual Report can be found at: http://www.treasury.gov/about/organizational-structure/ig/Documents/CIGFO%20Document/508_CIGFO%20Annual%20Report.pdf.

Annual Workshops

The OFR led the FSOC Data Committee to sponsor an annual regulatory data workshop. In FY 2013 and 2014, the OFR facilitated the two-day Regulatory Data Workshop and held a separate workshop on the topic of legal entity hierarchies on behalf of the Data Committee.

The OFR expects to continue this role and expand the year-round participation of regulators in targeted workshops. In addition, the OFR is working with private sector standard-setting bodies both nationally and internationally to understand industry and investor priorities The OFR sits on the board of the U.S. representative for financial services to the International Organization for Standardization, the ANSI X9D standards group and is also involved in other industry coordination activities

4. Conducting and Sponsoring Research Related to Financial Stability and Policy

The Office is required by statute to perform research on risks to financial stability and to evaluate attempts to mitigate those risks. Along with its Annual Report and other reports sponsored by the office, research at the OFR is published in three primary venues: OFR Working Papers, OFR Briefs, and OFR Staff Discussion Papers.

The OFR launched its Working Paper Series in January 2012 for staff researchers to collaborate with outside research experts, expanding its virtual research community and leveraging the expertise of the OFR's staff. The OFR Working Paper series has been very successful in the academic and regulatory communities. They have been presented at conferences and cited in the press and in the academic literature; about half have gone on to publication in academic journals.

The OFR has published 21 working papers to date – including two in FY 2012, nine in FY 2013, seven in FY 2014, and three in FY 2015. The research is diverse, with the strong common theme of improving our collective understanding of the causes and consequences of financial instability. Examples in FY 2014 include developing a funding map to trace the paths of risk in a typical bank/dealer, data visualization for monitoring financial stability, and agent-based models of financial vulnerability. Policy-related topics include dynamic mapping of shadow banking and scenario design in regulatory stress testing.

The OFR launched the Briefs and Staff Discussion Papers series in 2014. OFR Briefs are less academic than working papers and are intended to provide an opportunity for the OFR to describe, for the general public, analysis of important policy issues and financial stability topics. No briefs have yet been published, as this is a new publication series. Briefs can profile specific proposed financial stability metrics and monitoring tools; provide technical primers or reference guides for key areas, such as secured finance transactions and high-frequency trading; digest for a broader audience the OFR's published academic research; summarize ongoing research programs; describe the OFR's progress in addressing gaps in data for financial stability monitoring; or describe and promote progress in financial data standards implementation.

OFR Staff Discussion Papers provide a venue for OFR staff to post academic-style papers that contribute to OFR's understanding of financial markets, financial data, and financial

institution risks. They may be preliminary versions of work intended for the OFR Working Paper series or research papers intended for submission to external academic publications in economics or finance. Staff Discussion Papers in 2014 included topics such as risk management and visual analysis of financial transactions data.

In FY 2014, the OFR continued to make progress in fulfilling its responsibility to conduct studies and provide advice on the impact of policies related to systemic risk. In addition to producing working papers related to stress testing and capital weighting rules, the OFR has hired a senior manager for the Policy Studies section and is adding expert staff to that unit.

Interagency Partnership

In May 2013, the OFR announced a partnership with the National Science Foundation (NSF) to promote and support research related to financial stability.[4] The OFR and NSF's Directorate for Computer and Information Science and Engineering are collaborating to fund innovative research on approaches to computing and information processing to identify and analyze risks to the financial system. The joint OFR/NSF program is known as "Computational and Information Processing Approaches to and Infrastructure in support of, Financial Research and Analysis and Management" (CIFRAM). CIFRAM uses NSF's Early-concept Grants for Exploratory Research (EAGER) mechanism to focus on issues closely linked to financial stability while sponsoring research that is early stage, exploratory, and potentially transformative. To date, the grants program has issued four grants totaling approximately $1 million. .

5. Promoting Best Practices in Risk Management

As part of the OFR's research function, it is required to analyze the impact of policies related to financial stability. The Office conducts, coordinates, and sponsors research to help improve regulation of financial entities and markets. The Office also conducts studies and advises on policies related to systemic risk. In addition, the Office is required to promote best practices for financial risk management, and evaluate and report on stress tests and other stability-related evaluations of financial entities.

Seven OFR working papers and one OFR Staff Discussion paper focus on key risk methodologies and practices, including:

- *On the Optimal Wealth Process in a Log-normal Market: Applications to Risk Management* (July 2014)
- *A Map of Funding Durability and Risk* (May 2014)
- *Stress Tests to Promote Financial Stability: Assessing Progress and Looking to the Future* (July 2013)
- *Stress Scenario Selection by Empirical Likelihood* (April 2013)
- *Systematic Scenario Selection* (February 2013)
- *CoCos, Bail-In, and Tail Risk* (January 2013)
- *Forging Best Practices in Risk Management* (March 2012)
- *A Survey of Systemic Risk Analytics* (January 2012)

[4] http://www.treasury.gov/initiatives/ofr/research/Pages/GrantsProgram.aspx

6. Building Critical Information Technology Infrastructure

Building information technology infrastructure and business systems is critical to the OFR's support for the Council (and for broader stakeholders). The OFR needs highly specialized systems for:

- Data acquisition, management, and dissemination (under strict protocols for security and data sharing);
- A robust research and analytical environment for handling large amounts of data to support complex financial models, computations, and analysis; and
- A secure platform for collaboration and communication with Council member agencies and outside researchers, as well as for public communication about OFR activities.

During FY 2014, procurements for both the primary and alternate computing centers were completed, and installation of the primary center was completed in November 2013. At the time of this writing, the installation of the alternate compute center is completed and awaiting final security certification. We expect certification by the end of January 2015.

In FY 2015 OFR intends to modernize its desktop environment and introduce several capabilities to enhance collaboration, efficiency and production. These capabilities include advanced video conferencing and wireless.

To date, the agency leveraged non-analytic services provided by the Treasury, Office of the Chief Information Officer (OCIO) to the fullest reasonable extent. In FY 2015, we will be transitioning to our own non-analytic services in cases where our needs are not readily met by the standard Treasury offerings.

Since its inception, the OFR has emphasized data security and protection of sensitive information. During both FY 2013 and FY 2014, the OFR installed a wide-range of security tools, services, and components that serve to provide a strong security posture. Additional security components will be added and/or enhanced in FY 2015.

7. Outreach and Collaboration

<u>OFR Outreach</u>

During FY 2014, the OFR continued to expand its team to manage communications, Congressional relations, publication development, Web content, and outreach to industry and academia. The Office hired an Associate Director, Communications, to oversee our writing and editing, internal communications, speech development, website management, media relations, and design and graphics. The Office also began the hiring process for an Associate Director, Government Affairs, to oversee Congressional relations. This addition to the staff will complete the management team for External Affairs, which also includes a Chief of External Affairs, and an Associate Director, Industry and Academic Relations.

In addition, the Office launched a project to redesign its intranet site to foster employee engagement and continued to explore options for improving its public website. More than 5,700 subscribers now receive notifications when the Office posts new Web content.

Research-Related Events

Establishing strong relationships with outside experts is critical to the OFR's effectiveness in fulfilling its research and analysis mandate. The OFR plans a regular schedule of four to six research-focused events on annually from FY 2015 forward. The Office will also continue its in-house Research Seminar Series. During FY 2014, the Office held 65 seminars in the series. The OFR invited researchers in academia, government, and the private sector to present findings on a range of topics related to the OFR's mission.

In January 2014, the OFR and the Council cohosted, "Mapping and Monitoring the Financial System: Liquidity, Funding, and Plumbing," the third annual joint conference for leaders from the research and regulatory communities, public interest groups, and the financial services industry. The conference explored the interconnectedness among firms and markets, and related vulnerabilities in the financial system.

In June 2014, the OFR co-sponsored a conference on financial stability with the Consortium for System Risk Analytics and the MIT Laboratory for Financial Engineering. The conference brought together researchers and practitioners to collaborate on topics related to financial stability.

In December 2014, the OFR and the Federal Reserve Bank of Cleveland co-sponsored a conference, "Measurement Challenges in Macro-Prudential Policy Implementation: Essential Data Elements for Preserving Financial Stability."

Public Appearances by Senior Leaders

OFR senior leaders presented remarks at conferences and events related to financial stability, data standards and related topics during FY 2014. For example, the OFR Director delivered remarks to the Exchequer Club in Washington, D.C., in October 2013 about the role of the OFR in promoting financial stability. Director Berner also gave a presentation about the OFR and its work to Congressional staff members in April 2014. In addition, he gave keynote remarks in July 2014 about critical gaps in analysis, data, and policy during a symposium sponsored by The Clearing House and the Robert H. Smith School of Business at the University of Maryland.

The Chief Data Officer also delivered several speeches during the year on data standards.

Financial Research Advisory Committee

In November 2012, the OFR established the Financial Research Advisory Committee, currently made up of 31 distinguished professionals in economics, data management, risk management, information technology, and other fields to broaden the OFR's analytical perspective and help the agency meet its mission.[5] Committee members have included two Nobel laureates in economics, leaders in business and nonprofit fields, and prominent researchers at major universities and think tanks. In 2014, 11 new members were added to the committee as others completed their rotations.

[5] http://www.treasury.gov/initiatives/ofr/about/Pages/Financial-Research-Advisory-Committee.aspx

The latest full meeting of the Financial Research Advisory Committee took place on July 24, 2014 in New York. Key topics of discussion included "Metrics Needed to Measure the Swaps Market," and "Liquidity and Market Impact During Stress Events."

8. Building the OFR

During FY 2014, the OFR continued to build core operational systems and procedures, guided by the need to have cost-effective, transparent, and accountable structures that reflect best practices. The Office recognizes the value of balancing speed with prudence as the organization continues to mature – building core functions with ongoing review and improvements informed by early experience.

Strategic and Performance Management

The OFR follows the principles and practices of the Government Performance Results Act Modernization Act of 2010. The OFR has implemented a comprehensive planning system that ties together strategic planning, operational planning (budget, performance, and human resources), execution, monitoring, and review, including internal reviews of projects, programs, priorities, and strategies. In addition, the OFR is collecting data on its performance measures, which are tied to its strategic and institution building goals.

In FY 2015, the OFR plans to release a new strategic plan for FY 2015-19 that builds on and significantly expands the Office's earlier framework. In this strategic planning process, the Office assessed the organization internally and externally to develop effective goals, objectives and strategies, for the next four years.

Financial Management and Operational Controls

The OFR's financial activities are subject to general Treasury financial management controls and protocols and are reviewed as part of the consolidated audit of Treasury's Departmental Offices. The OFR has internal policies and procedures to support sound and efficient operations and rigorous internal controls. The Office developed additional controls, project review mechanisms, and decision-making protocols to ensure that spending is well targeted and effectively monitored. The Office also established internal protocols to help ensure prompt responses to Treasury's Office of the Inspector General, the Council of Inspectors General, and the Government Accountability Office.

Human Capital Planning

As detailed in the OFR's 2014 Annual Report to Congress on Human Capital Planning, the Office has made progress in building its core staff and defining the frameworks and processes required for effective and efficient human resource management. By strategically using multiple recruitment methods, the OFR is building a talented staff dedicated to strengthening understanding of risks to financial stability. Strides have been made toward ensuring that employees are provided training and development opportunities to enhance existing skill sets and acquire new ones for professional growth. The OFR is also using workforce flexibilities to promote employee satisfaction, engagement, and work/life balance.

The OFR will continue to review and enhance its human capital strategies as part of its strategic planning framework to align with the Office's mission, vision, goals, and objectives.

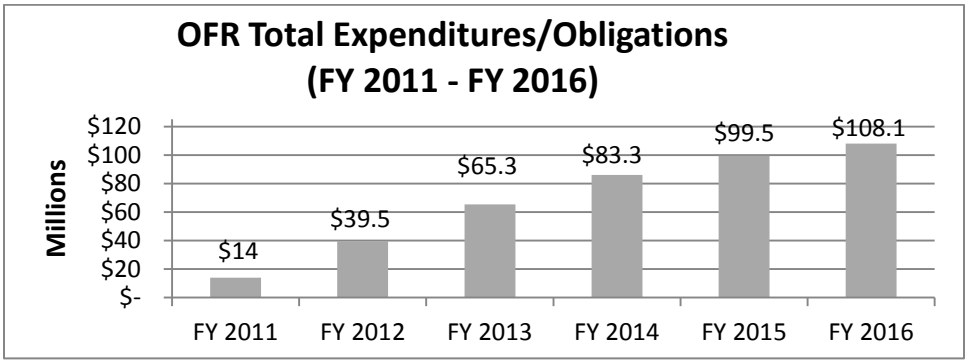
FY 2014 Expenditures

Specific FY 2014 expenditures by budget activity include:

- *Data Center* expenditures focused on: (1) establishing a secure, short-term infrastructure for IT and business systems to support the OFR's initial data and analytical functions, (2) launching the OFR's intranet and collaboration platform, which also supports the secure sharing of information with the Council and its member agencies, (3) developing a design and support strategy for the OFR's long-term IT infrastructure, including those related to information security programs (with related implementation expenditures expected to ramp up in FY 2015), (4) defining the OFR's data management model, and (5) conducting initial data acquisitions and creating an inventory of Council information.
- *Research and Analysis* costs include salaries and benefits, as well as work arrangements with outside researchers and the partnership with the National Science Foundation.
- *Operations and Support Services* activities include (1) administrative support services, travel, supply, and equipment costs, and (2) costs for the rent and renovation of long-term permanent office space in Washington, D.C. The relatively high cost of contracts required for the build out the OFR long-term IT infrastructure (Table 2.2, Object Classification 25.3) reflects the OFR's business model to leverage existing administrative resources in Treasury and other agencies. Specifically, administrative support services include expenses related to reimbursable support from Treasury's Departmental Offices; personnel benefits services through the Office of the Comptroller of the Currency; and services from the Bureau of Public Debt Administrative Resource Center including human resource services, procurement services, and financial management services.

FY 2015 and FY 2016 Expenditures

The OFR will continue its prudent approach to expenditures as it grows in FY 2015 and FY 2016, with these expenditures closely tied to the goals and implementation priorities outlined in Section 1. The primary source of expenditure growth in FY 2015 and FY 2016 will be salary and benefits as the OFR workforce grows.



- **Data Center.** Acquisition of hardware, software, and analytic tools for OFR's initial business systems infrastructure and analytic environment (including network upgrades) was concentrated in both FY 2013 and FY 2014, with a decline in FY 2015. The OFR will focus in later years on maintenance, growth, periodic enhancements and increasing the value of prior investments. Expenses for data subscriptions will continue to rise as the OFR staff grows.

- **Research and Analysis.** Work arrangements with outside academics, and the partnership with the National Science Foundation to support ad hoc and on-going research projects are expected to increase modestly in FY 2015.
- **Operations and Support Services.** The OFR will continue to use existing Treasury infrastructure to minimize administrative costs. The build-out of a small satellite office in New York City to support interaction with New York-based market participants, researchers, regulators, and data providers that was undertaken in FY 2013 and has continued in FY 2014.

Assessments

Section 155 of Public Law 111-203, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), directs the Secretary of the Treasury to collect assessments equal to the total expenses of the Office of Financial Research (OFR) from bank holding companies with total consolidated assets of $50 billion or greater and nonbank financial companies supervised by the Board of Governors of the Federal Reserve System (the Board). Included in the expenses of the OFR are expenses of the Financial Stability Oversight Council (Council) and certain expenses of the Federal Deposit Insurance Corporation (FDIC) under section 210(n) of the Dodd-Frank Act.

The regulation establishing the assessment schedule, as required under the Dodd-Frank Act, was published in the Federal Register on May 21, 2012 and became effective July 20, 2012. Under the rule, each company's total assessable assets are determined based on data available on May 31 and November 30 each year, with assessments collected on September 15 (or next business day) and March 15 (or next business day). Companies are authorized under the rule to submit requests for redetermination if they wish to contest their eligibility as an assessable company or their total assessable assets. Assessment fees are collected in the Financial Research Fund (FRF), a fund established under Dodd-Frank Act to pay the expenses of the OFR.

The fee rate for each period will be set based on projected total resources required to *replenish* the FRF to a level equivalent to the sum of:

- The next six months of budgeted operating expenses of the OFR and the Council;
- The next 12 months of budgeted capital expenses of the OFR and the Council, because of the variability in the timing of such expenses; and
- The amount necessary to reimburse the FDIC for certain implementation expenses.

As such, any resources remaining in the FRF at the end of one assessment period (carryover) reduce the amount needed to be collected to replenish the FRF to this level in the next period.

Information pertaining to the FRF semiannual assessment is posted on Treasury's website: http://www.treasury.gov/initiatives/ofr/about/Pages/Notice-of-Fees.aspx
The Council's activities support the Treasury Department's FY 2014-2017 Strategic Plan

Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system. Within Goal 1 it supports-

Objective *1.3: Complete implementation of financial regulatory reform initiatives and continue monitoring the markets for threats to stability.*

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Office of Financial Research	FTE	Amount
FY 2015 Estimated	**230**	**$99,548**
Changes to Base:		
Total FY 2016 Base	**230**	**$99,548**
Program Changes:		
Program Increases:	40	$8,557
Personnel Steady State	40	$4,223
Non-Personnel Steady State	-	$4,334
Total FY 2016 Estimated	**270**	**$108,105**

2A – Budget Increases and Decreases Description

Program Increases……+ $8,556,887

Personnel Steady State +$4,222,702 / +40 FTE

The OFR will continue its growth toward steady sate of approximately 290 on-boards by the end of FY 2016.

Non-personnel Steady State + $4,334,185 / + 0 FTE

Although uncertainty remains about medium-term IT needs to meet the OFR's data-related and analytical mandate, the Office expects the need for funding for initial investments in IT infrastructure to decrease beginning in FY 2015. Regular steady state operational costs, recurring network costs, and periodic one-time costs for IT and systems are expected to continue over time (for example, to meet data storage growth needs as more data sources are identified).

2.2 – Operating Levels Table

Dollars in Thousands

Office of Financial Research Object Classification		FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
11.0	Full-time permanent	24,168	31,330	34,524
12.0	Personnel benefits	7,968	10,179	11,208
Total Personnel and Benefits Compensation [A]		**32,136**	**41,509**	**45,732**
21.0	Travel and Transportation of Persons	296	406	458
23.1	Rental Payments to GSA	3,488	4,325	4,954
23.3	Communication, Utilities, and Misc Charges	1,844	1,975	2,125
24.0	Printing and Reproduction	27	27	27
25.1	Advisory and assistance services	11,888	13,768	14,250
25.3	Other Goods and Services	11,670	13,026	13,768
26.0	Supplies and Materials	4,947	5,250	5,678
31.0	Equipment	16,970	19,262	21,013
Total Non-Personnel		**51,130**	**58,039**	**62,373**
Total Budgetary Resources		**$83,266**	**$99,548**	**$108,105**
Budget Activities				
Data Center		46,940	57,991	64,034
Research Center		7,700	14,578	16,108
Operations and Support Services [B]		28,626	26,979	27,963
Total Budgetary Resources		**$83,266**	**$99,548**	**$108,105**
FTE		**166**	**230**	**270**

[A] Salary and benefits include direct OFR staff only. Object Classification 25.0, "Contractual Services," and expenditures of "Operations and Support Services" include substantial reimbursable support received from Treasury's Departmental Offices; personnel benefits services through the Office of the Comptroller of the Currency; and services from the Bureau of Fiscal Service Administrative Resource Center including Human Resource services, procurement services, and financial management services.
[B] Operations and Support Services include two offices formerly located in the Data Center. The FTE totals and estimated budget amounts reflect this organizational change.

2B – Appropriations Language and Explanation of Changes

OFR receives no appropriations from Congress.

2C – Legislative Proposals

OFR has no legislative proposals

Section 3 – Budget and Performance Plan

3A – Data Center

($64,034,000 from Assessments):

The Dodd-Frank Act requires the Data Center, on behalf of the Council, to collect, validate, and maintain all data necessary to carry out the duties of the OFR. Under this mandate, the Data Center provides data services to the Research and Analysis Center, Council member agencies, and others to:

- Increase efficiency in data acquisition and management;
- Reduce redundant reporting requirements across the regulatory system (including through more effective data sharing arrangements); and
- Secure sensitive data.

Standards for financial data will benefit regulators and financial market participants by making data aggregation easier, improving analysis, and reducing costs associated with data collection.

Support for the Council

The OFR has established two performance measures in FY 2014 and FY 2015 linked to achieving its goal of supporting the Council by securely providing high-quality financial data and analysis needed to monitor threats to financial stability, as follows:

- Percent of Council Work Requests completed by the OFR This measure serves as an indicator of the OFR's capacity to meet the Council's needs. The OFR tracks requests addressed by the Data Center and the Research and Analysis Center for this performance measure. In the future, the Office will seek to collect performance information on timeliness and quality of responses.
- Percent of Interagency Data Inventory Records Validated This measure shows the OFR's progress in cataloging data that Council member agencies purchase from vendors, collect from industry, or derive from data. This measure replaced the discontinued measure "Percent of project milestones met for establishment of an interagency data inventory program." Council member agencies may use the inventory identifying relevant data for what data is available in our quest to ensure that data is comprehensive and accessible to policy makers and the public.

Data Standards

The OFR has established one performance measure linked to achieving its goal to develop and promote data-related standards and best practices, as follows:

- Percent of Data standards Strategy Milestones Completed This measure indicates progress toward implementing the LEI and promoting data standards (through the completion of the May 2014 Aggregation Feasibility Study Group (AFSG) report, draft of the research note titled, "Opportunities for the Use of LEI within XBRL Report," and build-out of the "U.S. Regulations Referencing LEIs" table). This measure replaced "Percent of milestones met in data standards strategy."

3.1.1 – Data Center Budget and Performance Plan

Dollars in thousands

Data Center Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
Expenses/Obligations	$0	$5,260	$19,303	$37,619	$46,940	$57,991	$64,034
Budget Activity Total	**$0**	**$5,260**	**$19,303**	**$37,619**	**$46,940**	**$57,991**	**$64,034**

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY2016 Target
Percent of Responses to Council Data and Research Requests That Meet Delivery Targets	N/A	N/A	N/A	94.0	DISC	DISC	DISC
Percent of Council Work Requests Completed by the OFR	N/A	N/A	N/A	N/A	89.0	85.0	85.0
Percent of Interagency Data Inventory Records Validated	N/A	N/A	N/A	N/A	60.0	DISC	DISC
Percent of Data Standards Strategy Milestones Completed	N/A	N/A	N/A	N/A	93.0	DISC	DISC

Key: DISC - Discontinued; B - Baseline

3B – Research and Analysis

($16,108,000 from Assessments):

The Dodd-Frank Act provided that the Research and Analysis Center, on behalf of the Council, develop and maintain independent analytical capabilities and computing resources to:

- Develop and maintain metrics and reporting systems for risks to the financial stability of the United States;
- Monitor, investigate, and report on changes in system-wide risk levels and patterns to the Council and to Congress;
- Conduct, coordinate, and sponsor research to support and improve regulation of financial entities and markets;
- Evaluate and report on stress tests or other stability-related evaluations of financial entities overseen by Council member agencies;
- Maintain the expertise necessary to support specific requests for advice and assistance from financial regulators;
- Investigate disruptions and failures in the financial markets, report findings, and make recommendations to the Council based on the findings;
- Conduct studies and provide advice on the effect of policies related to systemic risk; and
- Promote best practices for financial risk management.

To support effective achievement of these objectives, the OFR is establishing fora and networks to bring together experts from within and outside the regulatory system. The OFR's Research Seminar Series allows OFR's research staff opportunities to collaborate with and seek feedback from external experts. In addition, through its OFR Working Paper Series, OFR Staff Discussion Papers, OFR Briefs, and the OFR *Annual Report*, the OFR publishes results of its analysis to be transparent in its operations and promote public understanding of threats to financial stability. In FY 2013, the OFR announced a partnership with the NSF to promote and support research

related to financial stability. This program will fund innovative research on approaches to computing and information processing to identify and analyze risks to the financial system.

Leading Edge Research

The OFR has established two performance measures linked to achievement of its goal to provide leading edge research that improves financial stability monitoring and promote best practices for financial risk management, as follows:

1. Number of Research and Analysis Products Made Public This measure provides an indicator of research output at the OFR. The measure includes published research products such as OFR Reports, Working Papers, Staff Papers, and Briefs.
2. Number of Collaborative Research and Analysis Products Made Public This measure indicates how researchers at the OFR collaborate and exchange ideas with outside perspectives, a key objective as the OFR builds a culture that supports cutting-edge research.

3.1.2 – Research and Analysis Budget and Performance Plan

Dollars in thousands

Research and Analysis Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
Expenses/Obligations		$1,069	$3,398	$4,733	$7,700	$14,578	$16,108
Budget Activity Total	**$0**	**$1,069**	**$3,398**	**$4,733**	**$7,700**	**$14,578**	**$16,108**

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Number of R&A Products Made Public	N/A	N/A	N/A	10	11	15	15
Number of Collaborative Research and Analysis Products Made Public	N/A	N/A	N/A	8	10	DISC	DISC

Key: DISC - Discontinued; B – Baseline

*Research and Analysis" includes only staffing, outside work arrangements, and contracting related to annual report production. Costs associated with data, information systems, and analytical tools are under Data Center.

3C – Operations and Support Services

($27,963,000 from Assessments):

The category "Operations and Support Services" includes Front Office, Operations, External Affairs, and Counsel activities. Those activities cover all operational, legal, and administrative functions that support the effective, transparent, and well-monitored delivery of the OFR's products related to data, research, and analysis. This includes support provided through reimbursable arrangements with Treasury's Departmental Offices; personnel benefits services through the Office of the Comptroller of the Currency; and services from the Bureau of Fiscal Service Administrative Resource Center including human resource, procurement, travel, and financial management services.

Public Information

The OFR has established a performance measure linked to achievement of its goal to provide the public with key data and analysis while protecting sensitive information, as follows:

1. Percent Increase in the Substantive Content Made Public on the OFR website This measure indicates the OFR's progress in providing public access to financial research, analysis, and other information.

Building the OFR

The OFR has two performance measures linked to its institution building and improvement goal, as follows:

1. OFR Fiscal Year Expenditures as a Percentage of Total Assessed Assets, per Billion Dollars Assessed This measure is intended to reflect cost efficiency of the organization. However, uncertainties in the rate of growth of the organization have limited the usefulness of this measure and the OFR will seek to replace it in FY15.

2. Total Staff (headcount) Hired Compared to Targets This measure shows the OFR's progress toward target staffing levels. However, because counting full-time equivalent (FTE) positions is more useful for planning purposes, the Office plans to shift to an FTE-based measure in FY 2015.

3.1.3 – Operations and Support Services Budget and Performance Plan

Dollars in thousands

Operations and Front Office [A] Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
Expenses/Obligations		$4,700	$16,873	$22,953	$28,626	$26,979	$27,963
Budget Activity Total	**$0**	**$4,700**	**$16,873**	**$22,953**	**$28,626**	**$26,979**	**$27,963**

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Percent Increase in the Substantive Content Made Public on the OFR Website	N/A	N/A	N/A	1.0	13.0	DISC	DISC
Cost of the OFR Relative to Total Assessed assets, per Billion Dollars Assessed	N/A	N/A	N/A	3,230	DISC	DISC	DISC
OFR Fiscal Year Expenditures as a Percentage of Total Assessed Assets, per Billion Dollars Assessed	N/A	N/A	N/A	N/A	4,002	DISC	DISC
Total Staff Hired Compared to Targets	N/A	N/A	N/A	85.0	90.0	100.0	100.0

Key: DISC - Discontinued; B - Baseline

[A] Effective FY 2013, "Operations and Support Services" includes two offices formerly located in the Data Center. The FTEs and estimated budget amounts reflect this organizational change.

Changes to the measures in the tables above indicate OFR's ongoing efforts to examine its measures for effectively assessing the performance of the organization, and to revise them accordingly.

Financial Stability Oversight Council

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Resource Detail Table 3
1B – Vision, Priorities and Context 3
Section 2 – Budget Adjustments and Appropriation Language 6
2.1 – Budget Adjustments Table 6
2A – Budget Increases and Decreases Description 6
2.2 – Operating Levels Table 7
2B – Appropriations Language and Explanation of Changes 7
2C – Legislative Proposals 7
Section 3 – Budget and Performance Plan 8
3A – Financial Stability Oversight Council 8
3.1.1 – Financial Stability Oversight Council Budget and Performance Plan 8
3B – Federal Deposit Insurance Corporation Payments 8
3.1.2 – Federal Deposit Insurance Corporation Payments Budget and Performance Plan 8

Section 1 – Purpose

1A – 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.

1.1 – Resource Detail Table

Dollars in Thousands

Financial Stability Oversight Council	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
Budgetary Resources	Actual		Estimated		Estimated		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Assessments	0	18,527	0	18,831	0	19,641	0	810	.00	4.30%
Interest	0	6	0	5	0	6	0	1	.00	20.00%
Restoration of Sequestration Rescission	0	821	0	974	0	1,375	0	401	.00	41.17%
Recovery from Prior Years	0	419	0	210	0	263	0	53	.00	25.24%
Unobligated Balances from Prior Years	0	14,757	0	9,304	0	11,631	0	2,328	.00	25.01%
Total Revenue/Offsetting Collections		**29,530**		**29,324**		**32,916**		**3,592**		**12.25%**
Expenses/Obligations										
Financial Stability Oversight Council	23	7,660	27	8,690	31	9,816	4	1,126	14.81%	12.96%
Federal Deposit Insurance Corporation Payments	0	11,592	0	7,628	0	9,500	0	1,872	N/A	24.54%
Total Expenses/Obligations	**23**	**19,252**	**27**	**16,318**	**31**	**19,316**	**4**	**2,998**	**14.81%**	**18.37%**
Rescissions/Cancellations										
Sequestration Rescission	0	(974)	0	(1,375)	0	0	0	1,375	.00	-100.00%
Total Rescissions/Cancellations		**(974)**		**(1,358)**		**0**		**1,358**		**-100.00%**
Net Results		**9,304**		**11,631**		**13,600**		**1,969**		**16.76%**

[1] FY 2014 Actual includes $1.5M returned to the Board of Governors of the Federal Reserve System for reimbursement of unobligated interim funding transfers made prior to July 20, 2012, pursuant to Section 155(c) of the Dodd-Frank Act. Expenses recorded in Object Class 25 - Contractual Services.

1B – Vision, Priorities and Context

Prior to the 2008 financial crisis, the existing financial regulatory framework focused narrowly on individual institutions and markets, which allowed supervisory gaps to grow and regulatory inconsistencies to emerge – in turn, allowing arbitrage and weakened standards. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) established the Financial Stability Oversight Council (Council) with a clear statutory mandate that created for the first time collective accountability for identifying and responding to emerging threats to financial stability. The Council is chaired by the Secretary of the Treasury and consists of ten voting members and five nonvoting members. 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 primary purposes under the Dodd-Frank Act are:

1. To identify risks to the financial stability of the United States that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace.

2. To promote market discipline, by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the U.S. government will shield them from losses in the event of failure.
3. To respond to emerging threats to the stability of the U.S. financial system.

The Council has important new authorities under the Dodd-Frank Act to:

- Collect information across the financial system: The Council has a duty to collect information across the financial system and to direct the Office of Financial Research (OFR) to collect additional information if necessary to assess risks to the financial system. The collection and analysis of that information aids the Council and OFR in their shared goal of filling gaps in our knowledge so that regulators will be better equipped to identify risks and emerging threats across the financial system.

- Designate nonbank financial companies for consolidated supervision: Before the financial crisis, some of the firms which posed the greatest risk to the financial system were not subject to adequate consolidated supervision. The Dodd-Frank Act gives the Council the authority to require consolidated supervision of nonbank financial companies, regardless of their corporate form.

- Designate financial market utilities and payment, clearing, or settlement activities as systemically important: The Dodd-Frank Act authorizes the Council to designate certain financial market utilities and payment, clearing, or settlement activities as systemically important, requiring them to meet prescribed risk management standards and submit to heightened oversight by the Federal Reserve, the Securities and Exchange Commission, or the Commodity Futures Trading Commission.

- Recommend stricter standards: The Council has the authority to recommend stricter standards for large, interconnected bank holding companies and nonbank financial companies designated by the Council for consolidated supervision. Moreover, if the Council determines that certain financial practices or activities create risks for U.S. financial markets, the Council may make recommendations to the relevant primary financial regulatory agencies to apply new or heightened standards and safeguards.

- Limit the activities of firms that pose a "grave threat" to financial stability: The Council has a significant role in determining whether action should be taken to break up a firm that poses a "grave threat" to the financial stability of the United States.

- Facilitate regulatory coordination: 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. Through this role, the Council helps eliminate gaps and weaknesses within the regulatory structure, to promote a safer and more stable financial system.

Over the last year, the Council has continued to make progress in fulfilling its mandate. It continued to evaluate whether to designate certain nonbank financial companies for Federal Reserve supervision and enhanced prudential standards, and conducted annual reviews for each of the three companies designated in 2013. The Council continued to monitor the eight financial

market utilities (FMUs) that were designated as systemically important by the Council in 2012. The Council also continued to identify and monitor potential risks to U.S. financial stability; fulfilled explicit statutory requirements, including the completion of its third annual report to Congress; and served as a forum for discussion and coordination among the member agencies implementing the Dodd-Frank Act.

Over the next year, the Council will continue to evaluate nonbank financial companies for potential designation for Federal Reserve supervision and enhanced prudential standards; consider whether to designate additional FMUs as systemically important; monitor the financial system for emerging risks; and facilitate interagency cooperation to identify and analyze potential emerging threats. The financial reforms in the Dodd-Frank Act are designed to create a more resilient financial system that is better able to absorb a wide range of shocks, whether they originate within the financial system, outside it, or a combination of the two. Regulators are making progress in implementing the Dodd-Frank Act in a consistent and coordinated manner, and the reform effort has proceeded along four broad dimensions: strengthening the safety and soundness of core financial institutions; making financial markets more resilient and transparent; implementing new authorities to resolve large, complex financial institutions; and enhancing investor and consumer protections. The Council will continue to facilitate interagency coordination and information sharing with respect to various regulatory initiatives.

The Council is required by the Dodd-Frank Act to convene no less than quarterly, but in practice the Council has convened on a more frequent basis to share information on key financial developments, coordinate on regulatory implementation, and monitor progress on recommendations from the Council's annual reports. The Council will continue to remain focused on both identifying near-term threats and addressing structural vulnerabilities in the financial system. Transparency into Council decisions will be provided through an annual report to Congress and the public and testimony by the Chairperson on Council activities and emerging threats to financial stability.

The Council is an executive agency of government and is not an office or bureau of the Department of the Treasury. However, under the Dodd-Frank Act the Council's expenses are considered expenses of the OFR, an office within the Department of the Treasury.

Federal Deposit Insurance Corporation Payments

Section 210(n)(10) of the Dodd-Frank Act provides that certain reasonable implementation expenses of the FDIC incurred after the enactment of the Dodd-Frank Act shall be treated as expenses of the Council. The FDIC must periodically submit requests for reimbursement for implementation expenses to the Chairperson of the Council, who shall arrange for prompt reimbursement to the FDIC of reasonable implementation expenses. The expenses estimated are for rule writing and resolution planning consistent with the FDIC's implementation of its responsibilities under Title II of the Dodd-Frank Act.

The Council's activities support the Treasury Department's FY 2014-2017 Strategic Plan Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system. Within Goal 1 it supports-

- Objective *1.3: Complete implementation of financial regulatory reform initiatives and continue monitoring the markets for threats to stability.*

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Financial Stability Oversight Council	FTE	Amount
FY 2015 Estimated	**27**	**$16,318**
Total FY 2016 Base	**28**	**$16,318**
Program Changes:		
Program Increases:	4	$2,998
Hiring Plan Adjustment	4	$618
Support Adjustment	-	$508
FDIC Payment Adjustment	-	$1,872
Total FY 2016 Estimated	**32**	**$19,316**

2A – Budget Increases and Decreases Description

Program Increases ..... +$2,998,000 / +4 FTE

Hiring Plan Adjustment +$618,000 / +4 FTE

Five additional on-boards will be brought on in both FY 2015 and FY 2016. Steady state of 36 on-boards should be achieved by the end of FY 2016.

Support Adjustment +$508,000 / +0 FTE

The Adjustment reflects anticipated increases in support activities for standard operations and increase of FTE.

FDIC Payment Adjustment +$1,872,000 / +0 FTE

The Adjustment reflects anticipated activities performed by the FDIC that are eligible for reimbursement.

2.2 – Operating Levels Table

Dollars in Thousands

Financial Stability Oversight Council Object Classification	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
11.1 - Full-time permanent	2,973	3,403	4,131
11.9 - Personnel Compensation (Total)	**2,973**	**3,403**	**4,131**
12.0 - Personnel benefits	778	1,138	1,392
Total Personnel and Compensation Benefits	**$3,751**	**$4,541**	**$5,523**
21.0 - Travel and transportation of persons	12	130	130
23.1 - Rental payments to GSA	123	150	150
23.3 - Communication, utilities, and misc charges	27	19	20
24.0 - Printing and reproduction	14	14	15
25.1 - Advisory and assistance services	319	300	325
25.3 - Other purchases of goods & serv frm Govt accounts	14,754	10,602	12,600
26.0 - Supplies and materials	235	480	480
31.0 - Equipment	17	82	73
Total Non-Personnel	**15,501**	**11,777**	**13,793**
Total Budgetary Resources	**$19,252**	**$16,318**	**$19,316**
Budget Activities:			
Financial Stability Oversight Council	7,660	8,690	9,816
Federal Deposit Insurance Corporation Payments	11,592	7,628	9,500
Total Budgetary Resources	**$19,252**	**$16,318**	**$19,316**
FTE	**23**	**27**	**31**

[1] Includes FDIC Reimbursement
[2] FY 2014 Actual includes $1.5M returned to the Board of Governors of the Federal Reserve System for reimbursement of unobligated interim funding transfers made prior to July 20, 2012, pursuant to Section 155(c) of the Dodd-Frank Act.

2B – Appropriations Language and Explanation of Changes

The FSOC receives no appropriations from Congress.

2C – Legislative Proposals

The FSOC has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Financial Stability Oversight Council

($9,816,000 from expenses/obligations):

The Council has a clear statutory mandate to facilitate coordination among financial regulators and identify risks and respond to emerging threats to U.S. financial stability.

There are no measures specified for managing Council performance at this time. Information on the Council is provided on www.treasury.gov, www.fsoc.gov, and member agency websites to provide transparency and accountability.

3.1.1 – Financial Stability Oversight Council Budget and Performance Plan

Dollars in Thousands

Financial Stability Oversight Council Budget Activity						
Resource Level	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Estimated**	**FY 2016 Estimated**
Expenses/Obligations	$2,921	$5,428	$5,628	$7,660	$8,690	$9,816
Budget Activity Total	**$2,921**	**$5,428**	**$5,628**	**$7,660**	**$8,690**	**$9,816**

[1] FY 2014 Actual includes $1.5M returned to the Board of Governors of the Federal Reserve System for reimbursement of unobligated interim funding transfers made prior to July 20, 2012, pursuant to Section 155(c) of the Dodd-Frank Act. Expenses recorded in Object Class 25 - Contractual Services.

3B – Federal Deposit Insurance Corporation Payments

($9,500,000 from expenses/obligations):

Section 210(n)(10) of the Dodd-Frank Act provides that certain reasonable implementation expenses of the FDIC incurred after the enactment of the Dodd-Frank Act shall be treated as expenses of the Council. The FDIC must periodically submit requests for reimbursement for implementation expenses to the Chairperson of the Council, who shall arrange for prompt reimbursement to the FDIC of reasonable implementation expenses. The expenses estimated are for rule writing and resolution planning consistent with the FDIC's implementation of its responsibilities under Title II of the Dodd-Frank Act.

3.1.2 – Federal Deposit Insurance Corporation Payments Budget and Performance Plan

Dollars in Thousands

Federal Deposit Insurance Corporation Payments Budget Activity						
Resource Level	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Estimated**	**FY 2016 Estimated**
Expenses/Obligations	$0	$4,716	$6,327	$11,592	$7,628	$9,500
Budget Activity Total	**$0**	**$4,716**	**$6,327**	**$11,592**	**$7,628**	**$9,500**

Treasury Franchise Fund

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose **3**
1A – Mission Statement 3
1.1 – Resource Detail Table 3
1B – Vision, Priorities and Context 3
Section 2 – Budget Adjustments and Appropriation Language **9**
2.1 – Budget Adjustments Table 9
2A – Budget Increases and Decreases Description 9
2.2 – Operating Levels Table 11
2B – Appropriations Language and Explanation of Changes 11
2C – Legislative Proposals 11
Section 3 – Budget and Performance Plan **12**
3A – Shared Services Programs (SSP) 12
3.1.1 – Shared Services Programs (SSP) Budget and Performance Plan 14
3B – Financial Management Administrative Support Services 15
3.1.2 – Administrative Services Budget and Performance Report and Plan 16
3C – Information Technology Services 16
3.1.3 – Information Technology Services Budget and Performance Report and Plan 18
Section 4 – Supplemental Information **19**
4A – Summary of Capital Investments 19
4B – Treasury Franchise Fund Program Costs 20

Section 1 – Purpose

1A – Mission Statement

To assist customer agencies in meeting their mission by providing responsive, customer-focused, cost-effective administrative and information technology support services.

1.1 – Resource Detail Table

Dollars in Thousands

Treasury Franchise Fund	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
Budgetary Resources	Actual		Estimated		Estimated		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Reimbursables										
Shared Services Programs (SSP)	0	170,413	0	213,558	0	211,288	0	(2,270)	.00	-1.06%
Administrative Services	0	120,995	0	140,823	0	169,084	0	28,261	.00	20.07%
Information Technology Services	0	181,252	0	167,052	0	175,404	0	8,352	.00	5.00%
Recovery from Prior Years	0	3,008	0	22,129	0	25,480	0	3,351	.00	15.14%
Unobligated Balances from Prior Years	0	97,943	0	146,970	0	171,704	0	24,734	.00	16.83%
Total Revenue/Offsetting Collections		**573,611**		**690,532**		**752,960**		**62,428**		**9.04%**
Expenses/Obligations										
Shared Services Programs (SSP)	209	165,421	271	213,558	277	211,288	6	(2,270)	2.21%	-1.06%
Administrative Services	816	128,904	913	140,823	1,050	169,084	137	28,261	15.01%	20.07%
Information Technology Services	435	171,608	459	164,447	459	165,972	0	1,525	N/A	0.93%
Total Expenses/Obligations	**1,460**	**465,933**	**1,643**	**518,828**	**1,786**	**546,344**	**143**	**27,516**	**8.70%**	**5.30%**
Net Results		**107,678**		**171,704**		**206,616**		**34,912**		**20.33%**

1B – Vision, Priorities and Context

The Treasury Franchise Fund's (TFF) vision is to be a leader in providing responsible, effective administrative services through commitment to service, efficient operations, openness to change, and values-based behavior.

The TFF is a key representative of the Administration's Management Agenda and the Cross Agency Priority Goals focused on shared services, smarter information technology (IT) delivery, and customer service. The TFF supports these goals through 1) increasing Treasury's capacity and ability to serve a broader customer base; and 2) providing low-cost, high-performing shared services for all interested agencies in the financial, Human Resources (HR), and technology areas.

The TFF authority permits a reasonable operating reserve to be maintained for shared service providers and will provide a platform for expanding Treasury's shared services programs. The balance reflected in the net results is in general alignment with TFF reserve requirements.

Main Functions

TFF, which includes the Shared Services Programs (SSP) and the Administrative Resource Center (ARC), provides financial management, procurement, travel, HR, IT, and other

administrative services to federal customers, including a majority of the Department of the Treasury bureaus, on a fully cost recoverable, fee-for-service basis.

Strategic Goals

- Establish a level of transparency and a governance process that sets the standard for government service providers.
- Maintain status as a Financial Management Federal Shared Service Provider (FSSP).
- Continually improve TFF's operational service levels.
- Implement process improvements and efficiency efforts to reduce costs to customers.
- Promote and maximize shared services benefits in support of Treasury and government-wide initiatives.
- Continue to assess and report TFF's performance and provide timely feedback to customers.

Relationship to Treasury Strategic Goals

TFF supports Treasury's Strategic Goal number 3, to "fairly and effectively reform and modernize federal financial management, accounting, and tax systems" and Strategic Goal number 5, to "create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction." Based on the Strategic Objective Annual Review process, TFF aligns specifically to Objectives 3.1, 5.3, and 5.4. Below are the objectives included in the strategic plan:

Objective 3.1 – Improve the efficiency and transparency of federal financial management and government–wide accounting.

Objective 5.3 – Promote efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability.

Objective 5.4 – Create a culture of service through relentless pursuit of customer value.

FY 2016 Priorities

- Maintain service levels and achieve cost efficiencies wherever possible.

- Expand shared services opportunities throughout Treasury and to other agencies in the federal government, in order to reduce costs to all customers.

- Serve as a champion of the shared services initiative.

- SSP is committed to pricing transparency across business lines, showing each component of a customer's pricing and how all pricing is calculated across the customer base. SSP will continue to utilize SharePoint and customer advisory boards to share information and gather input from its customers.

- ARC will continue to expand use of Business Process Management and Lean Six Sigma principles throughout the Administrative business line. ARC will align the budgets and staff resources of organizations consolidated into the Information Technology business line with the services provided to internal and external customers.

Key Accomplishments and Challenges

- *SSP Realignment* – In FY 2015, SSP did a thorough review of services within the TFF to determine if a service was best provided through the TFF or should be transferred to Treasury-wide management within the Departmental Offices (DO). As a result, in FY 2015 the following programs were transferred from the TFF into DO: Treasury-wide Procurement Systems Support; Information Management; the Office of HR Policy, Performance & Learning; and Security Programs.

- *Achieving program savings through modernization* –
  - The Treasury Enterprise Voice (TEV) Program provides digital voice, data, and Voice over Internet Protocol (VoIP) telecommunications. Legacy voice systems were decommissioned by the end of FY 2014 after discontinuing the Digital Telecommunications System (DTS). This resulted in savings for TFF customers. In addition, some customers moved to a separate voice solution, further reducing the TEV program budget. To replace the DTS system, the VoIP system was used for a portion of FY 2014, and the full-year costs in FY 2015 overlapped with some of the DTS savings. Overall, the TEV program experienced an operational cost decrease from FY 2014 to FY 2015. Moving forward, some of the services being offered through this program are: local/long distance calling, audio conferencing and video support, automatic call distribution, and related support/maintenance.

  - Bureau-wide Messaging and Collaboration (M&C) within ARC is expected to be fully implemented by FY 2016. The M&C will provide a shared email and file management system, as well as enhanced tools for collaboration including online meetings and document sharing.

- *New Cyber Contract Savings* – In FY 2015, there will be significant efficiencies due to the new Government Secure Operations Center (GSOC) contract. There will be fewer contractors included on this contract as TFF expects to federalize some positions to gain savings. This will allow Treasury to staff key management and technical positions, which have historically been contractors. This will also result in greater flexibility and knowledge retention during future contract transitions.

- *Maintaining Cost Levels in growing programs* – For FY 2015, ARC continues implementing process improvement and efficiency efforts to reduce costs to customers. In addition to the ongoing challenge of minimizing prices, another key challenge for the ARC is maintaining services and customer satisfaction levels while pursuing cost reduction and containment initiatives, such as transitioning customers to the standardized service delivery model and balancing service levels with customer demand and funding levels.

- *Modernizing customer communication and internal financial management* – The SSP website has moved to a modernized SharePoint platform. Customer benefits include easier navigation through the site, automated email messaging of important customer updates, user access to fund information, and interactive workflows for various fund activities. Additionally, the program has adopted and implemented an automated system of billing, providing the SSP the ability to update financial planning forms in real-time, and will be

adopting an automated budget loading system to allow for centralized access to funding levels of each of SSP's programs and to track its records electronically.

- *Expansion of HR Connect Line of Business* – HR Connect has expanded its customer base to include the Department of Labor and the Department of Commerce, and expects to add the Architect of the Capitol and a number of customers in a full-service HR partnership with ARC. The result of bringing these customers onto the shared platform has been a net decrease in costs for all customers as the cost of services is spread out among more customers.

- *TNet Circuits: Consolidation, Program Management, & Transparency* – Beginning in FY 2015, SSP will include approximately $51.9 million of telecommunications circuits within the TNet program budget. The TNet program will add 1.5 FTE who will be responsible for managing the payments and general finances of these circuits for all bureaus, which were previously paid to the vendor directly by the bureaus. In addition to a more efficient, centralized management structure, this move to SSP will create more transparency on TNet circuit costs for bureaus, and will allow bureau personnel previously responsible for this work to focus more on mission-specific work.

- *Expansion of Enterprise Content Management (ECM)* – Customer adoption of the ECM program is expanding rapidly. The ECM product line now includes 17 applications. In FY 2015, ECM will onboard 2 FTE primarily focusing on providing full time customer training and support of the existing and newly expanded product applications to all ECM customers.

- *Continued Customer Expansion* – The ARC will transition the Department of Housing and Urban Development (HUD), an immense expansion, including executive level collaboration and integration, into all service lines (Financial Management, Procurement, Human Resources and Travel). All service line implementations began in FY 2013 and will be fully converted and operational in FY 2015. Completion of this project will improve HUD's compliance with the Federal Financial Management Improvement Act as well as improve decision making capabilities with the full integration of services in a core financial system. Additional benefits will be improved functionality by leveraging on-demand financial and analytical information to measure effectiveness and efficiency of the program initiatives. Challenges include resource utilization and the magnitude of hiring and provisioning qualified talent to support a customer of this size while continuing to maximize efficiency and reduce costs.

- *Designated Federal Shared Service Provider (FSSP) for Financial Management* – In FY 2014, ARC completed the lengthy multi-stage application process to become a designated FSSP. One of only four designated FSSPs, ARC will work with OMB and the Office of Financial Innovation and Transformation (OFIT) to implement OMB M-13-08 and successfully transition federal agencies as they require upgrades or significant investments to their existing financial management system.

- *Oracle Release 12 (R12) Conversion* –TFF completed the Oracle Release 12 (R12) Conversion for all customers on the shared core financial system and the manufacturing core

financial system during FY 2012-2014. The upgrade to system functionality in the areas of reporting and workflow improved the services offered to current and prospective customers. Additionally, the TFF complied with Common Government-wide Accounting Classification requirements. Through cost sharing, current customers also derived significant cost avoidance benefit for this technology refresh and upgrade. The Office of Management and Budget's (OMB) Financial System Advisory Board reviewed these modernization efforts and found them to be in compliance with the guiding principles outlined in OMB Memorandum M-10-26.

- *Invoice Processing Platform (IPP) Transition* – During FY 2013, ARC completed the transition of all financial management customers to the new IPP business process for eligible vendor invoices. TFF is now compliant with Treasury's FY 2014 vendor invoicing mandate and has adopted a similar policy for non-Treasury customers. In addition, the TFF continues working to enhance the system's functionality and controls to enable realization of its full cost savings potential.

- *E-Gov Travel Service system (ETS2) Implementation* – The President's E-Gov Travel initiative committed to employ the latest technology over the next fifteen years to create a more efficient and effective federal government travel service. ARC and the Internal Revenue Service served as Treasury's representatives on the ETS2 contract renewal awarded to Concur. ARC completed migration to this system in FY 2014. This upgrade provides a Federal Travel Regulations (FTR) compliant government-wide travel system while retaining functionality and integration with the core financial management system.

- *Attestation Engagement & Financial Statement Audit Updates* – TFF-ARC undergoes an annual *Type II Statements on Standards for Attestation Engagements (SSAE) 16* review. SSAE 16 is an attestation engagement of internal controls, in which management is attesting, in writing, the fair presentation and design of controls. TFF-ARC has received 10 consecutive unqualified opinions for these types of engagements. The SSAE 16 results enhance customer confidence and reduce annual financial statement audit costs. TFF has received 16 consecutive unqualified financial statement audit opinions.

Larger Operating Environment

In FY 2016, TFF will maintain its commitment to excellence and continue to meet all strategic and financial goals and benchmarks. TFF continues to strive for growth opportunities to expand existing service lines and provide other valuable in-demand administrative services in an era of budget reductions. In order to meet the goal of reducing costs to customers, TFF will maximize shared service value and continue to look for opportunities to improve the efficiencies in business processes and technologies used in service delivery.

The governance structure for the TFF is composed of three major governing bodies:

1. Assistant Secretary for Management – Responsible for the corporate management and oversight for the TFF.

2. Shared Services Council (SSC) – Serves as an advisory body for all TFF programs and ensures customers' perspectives are included in the decision-making process. The SSC plans to align and enhance shared services across the Department.

3. Financial Management Oversight Committee – Functions as a due diligence working group that performs preliminary reviews of new shared services and financial and budgetary policies and procedures prior to any new activities being considered and presented to the SSC.

In addition to the creation of the Shared Services Council, the TFF strives to incorporate the customer perspective into the decision-making process. Customer involvement and input will provide an opportunity for the SSC to obtain constructive and directed feedback and ensure customer concerns are addressed.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Treasury Franchise Fund	FTE	Amount
FY 2015 Estimated	**1,643**	**$518,828**
Changes to Base:		
Maintaining Current Levels (MCLs):	-	$8,060
Pay-Raise	-	$1,444
Pay Annualization	-	$481
FERS Contribution Increase	-	$629
Non-Pay	-	$5,506
Subtotal Changes to Base	-	$8,060
Total FY 2016 Base	**1,643**	**$526,888**
Program Changes:		
Program Decreases:	4	($6,850)
Reduction in ECM Enhancement Costs & HR Connect Deployment (SSP)	4	($1,118)
Infrastructure Operational Costs & Gen Salary & Non-Salary Savings (SSP & ARC)	-	($5,732)
Program Increases:	139	$26,306
Customer Growth (ARC)	137	$26,015
Treasury Operations Excellence Investment (SSP)	2	$291
Total FY 2016 Estimated	**1,786**	**$546,344**

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ..... $8,060,000 / +0 FTE

Pay-Raise +$1,444,000 / +0 FTE

Funds are required for the proposed January 2016 pay-raise.

Pay Annualization +$481,000 / +0 FTE

Funds are required for annualization of the January 2015 pay-raise.

FERS Contribution Increase +$629,000 / +0 FTE

Funds are required for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +$5,506,000 / +0 FTE

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

Program Decreases …….. -$6,850,000 / +4 FTE

Reduction in ECM Enhancement Costs & HR Connect Deployment (SSP) - $1,118,000/ + 4 FTE

As ECM deploys new applications, the need to enhance the applications for customers to include new functionality occurs. Over time, however, the need to enhance these applications decreases creating savings. HR Connect continues to solicit new customers. As these customers are deployed onto the HR Connect system, the overall unit costs of operating the system will decrease, thus creating savings for the customers and the program as a whole.

Reduction in Infrastructure Operational Costs (SSP) and General Salary and Non-Salary Savings (ARC and SSP) -$5,732,000 / +0 FTE

Infrastructure operational savings under the TEV program are expected in FY 2015 as the program office completes the implementation of Voice over IP (VoIP) services. The general salary and non-salary savings include the decreases in the National Finance Center's payroll resulting in a decrease of employee debt and in the concomitant costs of managing the debt.

Program Increases ..... +$26,306,000 / +139 FTE

Administrative Services Customer Growth (ARC) +$26,015,000 / +137 FTE

Customer growth is expected within the Administrative Services budget activity. Expanding services to additional customers allows the Fund's fixed costs to be distributed across a greater base. In addition to the economic benefits, customers will receive professional services that are consistent in both quality and cost. These benefits strongly align with Treasury's goals of fiscal responsibility and the further standardization of systems and business processes through shared services employed across the government.

Treasury Operations Excellence program (SSP) +$291,000 / +2 FTE

Current staffing levels have severely limited the Treasury Operations Excellence (TROPEX) program's ability to support major projects while maintaining the Treasury-wide Lean Six Sigma (LSS) education and certification programs. In order to support major efforts in strategic planning and organizational development and design, and also provide full service LSS certification, the TROPEX program will require additional dedicated resources with a background in data analysis, process improvement, and organizational diagnoses.

2.2 – Operating Levels Table

Dollars in Thousands

Treasury Franchise Fund Object Classification	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
11.1 - Full-time permanent	116,804	140,665	153,448
11.3 - Other than full-time permanent	1,095	922	1,078
11.5 - Other personnel compensation	3,293	2,178	2,562
11.6 - Overtime	0	1,513	1,513
11.7 - Other Personnel Compensation	0	497	497
11.9 - Personnel Compensation (Total)	**121,192**	**145,775**	**159,098**
12.0 - Personnel benefits	37,656	36,404	41,048
13.0 - Benefits for former personnel	131	6	6
Total Personnel and Compensation Benefits	**$158,979**	**$182,185**	**$200,152**
21.0 - Travel and transportation of persons	1,218	2,177	2,394
22.0 - Transportation of things	20	41	44
23.1 - Rental payments to GSA	0	4,666	4,618
23.2 - Rental payments to others	75	305	305
23.3 - Communication, utilities, and misc charges	42,155	66,657	67,090
24.0 - Printing and reproduction	0	1	1
25.1 - Advisory and assistance services	27,115	25,992	26,526
25.2 - Other services	57,463	13,339	12,918
25.3 - Other purchases of goods & serv frm Govt accounts	68,909	92,808	101,969
25.4 - Operation and maintenance of facilities	0	26	26
25.7 - Operation and maintenance of equip	70,817	90,300	90,178
26.0 - Supplies and materials	1,350	916	955
31.0 - Equipment	37,819	39,415	39,168
43.0 - Interest and dividends	13	0	0
Total Non-Personnel	**306,954**	**336,643**	**346,192**
Total Budgetary Resources	**$465,933**	**$518,828**	**$546,344**
Budget Activities:			
Shared Services Programs (SSP)	165,421	213,558	211,288
Administrative Services	128,904	140,823	169,084
Information Technology Services	171,608	164,447	165,972
Total Budgetary Resources	**$465,933**	**$518,828**	**$546,344**
FTE	**1,460**	**1,643**	**1,786**

2B – Appropriations Language and Explanation of Changes

The Franchise Fund receives no appropriated resources from Congress.

2C – Legislative Proposals

TFF has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Shared Services Programs (SSP)
($211,288,000 from expenses/obligations):
SSP supports the goals of shared services by offering administrative services on a competitive basis, as well as delivering outstanding customer service. The Shared Services Division (SSD) evaluates and examines any new franchise services that may be added to the TFF before they are presented to the SSC for consideration.

TFF supports the Treasury's Strategic Objective number 5.3, to "promote efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability", by providing reliable, consistent, and cost-effective administrative support services.

The service providers under the SSP are organizational components of the Assistant Secretary for Management and Chief Financial Officer (ASM/CFO) within the Departmental Offices (DO). The SSP provides services within the following program categories:

- *Enterprise Business Solutions (EBS)* - Provides support through HR Connect which is Treasury's enterprise Human Capital system. HR Connect is a Human Resources Line of Business shared service provider supporting 24 Treasury bureaus and offices as well as 12 non-Treasury agencies. The EBS provides full lifecycle HR processing such as recruiting, personnel actions, payroll, and new employee processing. HR Connect provides functionality that is interoperable and scalable, and enables customers to meet their Human Capital strategic goals.

- *Infrastructure Operations* - Provides management of all telecommunications programs within the Office of the Chief Information Officer (OCIO). Infrastructure Operations provides strategic direction to telecommunications programs, ensures that costs are managed according to best practices, and reduces costs where possible.

- *Cyber Security* – Provides Critical Infrastructure Protection and Information Security services and supports the direct protection of designated Treasury critical infrastructure/key resources against terrorist activity. Cyber Security also supports the protection (confidentiality, integrity, and availability) of the Department's unclassified and classified systems and the information they process. Cyber Security also coordinates the Department's overall activities to implement the Federal Information Security Management Act of 2002.

- *IT Strategy & Technology Management* – Develops an IT Strategy and Transition Plan to meet Treasury's mission requirements and strategic goals. The Performance Measurement and Governance program collaborates with bureaus and partners with Capital Planning and Investment Control to ensure management of IT portfolios align with IT transition plans. Through its EDM, the OCIO team provides data architecture and integration services that currently support Workforce Analytics (available through HR Connect) and Data 'N Analytics (DNA, available through desktop visualization tools).

- *Additional Programs* –
  - Financial System Integration – Develops and maintains the Financial Analysis and Reporting System (FARS).
  - Human Resources – Provides a service to process complaints under the Equal Employment Opportunity Program (mandated by 29 CFR 1614).
  - Office of Emergency Preparedness – Ensures continuity of the Treasury Department's essential functions during disasters and administers emergency mitigation, preparedness, response, and recovery activities.
  - Office of Small and Disadvantaged Business Utilization – Advises and aids the bureaus on small business policies and initiatives.
  - Pass-through Programs – Pass-through payments that support government-wide initiatives.
  - Treasury Operations Excellence – Provides Lean Six Sigma training and other services to help Treasury and other federal agencies use entrusted resources more effectively and efficiently.
  - Privacy, Transparency, and Records – Provides assistance to Treasury customers to collect, protect, retain, preserve, disclose, and provide access to Treasury's information resources pursuant to U.S. laws.
  - Printing and Graphics – Provides printing services to Treasury customers and assists customers in planning and designing printed publications.
  - Treasury Executive Institute – Provides continuous growth and learning opportunities for executives, executive development candidates, and senior managers. Promotes marketplace of ideas by exposing executives to the best practices in leadership models.

Description of Performance:

- *Customer Satisfaction with Financial Planning Staff* – Captures centralized administrative support costs for all SSP funded personnel that are not reflected in each SSP program budget. The Shared Services Division (SSD) established a customer satisfaction measure starting in FY 2014. Results reflect the percentage of customers that rate their communication experience with the SSD Financial Planning staff either "Good" or "Excellent" on a 5-point scale. The FY 2014 target was 60 percent, and actual results were 59.09 percent, missing the target by less than 1 percent. However, the number of customers taking the survey increased from 7 in FY 2013 to 22 in FY 2014. The SSD will continue to push towards a higher score on this measure through more customer outreach on billing, pricing, financial management and the performance of each of the SSPs.

- *HR Connect: Customer Satisfaction Annual Survey Results* – EBS continues to improve and strives to maintain the level of customer satisfaction for HR Connect as customer expectations are rising. To improve the user experience, EBS has been working for several years on InCompass, an HR portal. Please note, there are a couple of anomalies as the data collection methodology changed between FY 2011 and FY 2012 and no surveys were administered for FY 2009 and FY 2010 due to a system platform upgrade.

- *HR Connect: Employee Update Files* – Transmission of employee update files were made to the specified external benefit provider within established timeframes. EBS continues to improve and stay in its acceptable range, which is relatively wide due to the limited number

of transmitted files. EBS's targets are consistent with the targets used use for quarterly CPIC and OPM reporting for HR Connect.

- *ECM/Web Solutions* – Response time to resolve ECM and web solutions non-critical issue/helpdesk tickets is targeted to be within 10 - 15 business days. EBS continues to improve this metric and it does not currently have targets for subsequent years.

- *HR Connect: Number of Tickets Escalated to Tier 3* – EBS continues to improve and has a 10 percent reduction target for each year. This target is based on implementing process improvements in the Design Documents and Quality Assurance environments.

3.1.1 – Shared Services Programs (SSP) Budget and Performance Plan

Dollars in Thousands

Shared Services Programs (SSP) Budget Activity								
Resource Level	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Estimated**	**FY 2016 Estimated**
Expenses/Obligations	$0	$0	$0	$175,258	$187,498	$165,421	$213,558	$211,288
Budget Activity Total	**$0**	**$0**	**$0**	**$175,258**	**$187,498**	**$165,421**	**$213,558**	**$211,288**

Measure	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Target**	**FY 2016 Target**
Customer Satisfaction with Financial Planning Staff %	N/A	N/A	N/A	N/A	57.2	59.09	62.0	62.0
ECM/Web Solutions Response Time to Resolve ECM and Web Solutions Non-Critical Issues/Help Desk Tickets within 10-15 Business Days	N/A	N/A	N/A	92.8	96.8	95.0	90.0	90.0
HR Connect Customer Satisfaction %	N/A	N/A	93.0	90.0	90.0	90.1	90.0	91.0
HR Connect Employee Update Files-Transmission of Employee Update Files Made to the Specified External Benefit Provider Within Established Timeframes	N/A	N/A	N/A	98.3	96.8	100.0	90.0	90.0
HR Connect Number of Tickets Escalated to Tier 3	N/A	N/A	N/A	303	212	242	222	200

Key: DISC - Discontinued and B - Baseline

3B – Financial Management Administrative Support Services

($169,084,000 from expenses/obligations):

ARC's administrative services activity supports OMB's and the Department of the Treasury's shared services concept, which furthers "good government" by standardizing the administrative financial systems and processes required to operate federal organizations. Value is provided through cost sharing opportunities in systems capital investments as well as reduced operating costs by providing consolidated, high quality, value added services. ARC has three important roles within Treasury:

- OMB designated FSSP for the Financial Management Line of Business.
- Support organization for Treasury's Human Resources Line of Business.
- Designated provider for the Budget Formulation and Execution Line of Business.

These lines of business provide administrative support functions with a focus on financial management, procurement, travel, and human resources. The program's success is evidenced by the increasing demand for services.

Description of Performance:

- Administrative Services discontinued the use of the Customer Satisfaction percentage in FY 2013. The final measurement in FY 2013 reflected an overall satisfaction rating of 78 percent. Customer satisfaction is a measurement of perceived performance and replaced by operational metrics of actual performance. These new operational metrics were first reported with the FY 2014 performance cycle.

- Administrative Services also discontinued the operating expense metric in FY 2012 and established an indirect cost target in its place. The indirect cost metric represents indirect costs as a percentage of total costs and provides a better representation of TFF's relative operating costs. This provides TFF management with a measure that encourages efficiency in administrative operations and helps to assure services are provided at the lowest possible cost. TFF projects an indirect cost metric of 22 percent for FY 2015, a reduction from the FY 2014 actual of 27 percent. TFF will continue to pursue customer growth and evaluate indirect cost expenditures to maintain actual performance at or below the established target.

- Administrative Services created ten new operational metrics in FY 2014 (both financial and service performance) for each service line. These measures provide actual performance of each service line by itself instead of a blended organizational measure. Financial metrics chosen highlight a widely used primary service while the service performance metric focuses on a quality measurement for a meaningful service. The independence of each new metric gives an enhanced snapshot of performance over previous customer satisfaction. Administrative Services will continue to pursue customer growth, seek business process improvements, and evaluate direct and indirect cost expenditures to manage performance. While the FY 2014 Direct Cost performance was below the stated targets in the base year, the future targets have been reduced to adjust our expected performance closer to actual and recognizes our commitment to managing costs.

3.1.2 – Administrative Services Budget and Performance Report and Plan

Dollars in Thousands

Administrative Services Budget Activity Resource Level	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
Expenses/Obligations	$89,933	$93,046	$109,555	$116,571	$127,747	$128,904	$140,823	$169,084
Budget Activity Total	**$89,933**	**$93,046**	**$109,555**	**$116,571**	**$127,747**	**$128,904**	**$140,823**	**$169,084**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Customer Satisfaction Admin Services %	89.0	81.0	93.0	94.0	78.0	DISC	DISC	DISC
Direct Cost as a Percentage of Award Dollars	N/A	N/A	N/A	N/A	N/A	.41	1.8	1.8
Direct Cost per AP Transaction	N/A	N/A	N/A	N/A	N/A	65.4	74.0	73.0
Direct Cost per FTE in Core HR Services	N/A	N/A	N/A	N/A	N/A	976.25	1,386.00	1,372.00
Direct Cost per System User - Oracle	N/A	N/A	N/A	N/A	N/A	18,261.00	18,315.00	18,312.00
Direct Cost per Travel Voucher	N/A	N/A	N/A	N/A	N/A	24.75	28.71	28.42
First Call Resolution - Oracle %	N/A	N/A	N/A	N/A	N/A	61.0	50.0	50.0
Hiring Timeliness %	N/A	N/A	N/A	N/A	N/A	89.0	85.0	85.0
Indirect Cost Admin Services %	N/A	N/A	N/A	24.0	23.0	27.1	22.0	22.0
Operating Expense Admin Services %	7.0	8.0	8.0	N/A	N/A	DISC	DISC	DISC
Procurement Savings Negotiated %	N/A	N/A	N/A	N/A	N/A	11.3	5.0	5.0
Travel Voucher Payments Timeliness %	N/A	N/A	N/A	N/A	N/A	99.0	98.0	98.0
Unqualified Audit Opinions %	N/A	N/A	N/A	N/A	N/A	96.0	100.0	100.0

Key: DISC - Discontinued and B - Baseline

3C – Information Technology Services

($165,972,000 from expenses/obligations):

The IT Services Activity provides shared services to a variety of federal customers, both internal and external to Treasury. Value is provided through IT infrastructure consolidation and standardized IT service delivery in a modern, technically innovative, and secure environment. Customers avoid costly, long-term development projects when they take advantage of TFF's shared services and environments. Services include information systems security, hosting, and software engineering. Additionally, end-user support and professional services are provided to the Fiscal Service and TFF.

TFF, designated by the OMB as a Shared Service Center for Information Systems Security Line of Business, provides agencies with proven Security Assessment and Authorization and Continuous Monitoring services. TFF, authorized by the Department, is one of two Treasury trusted internet connection providers and hosts Treasury's public domain name system. TFF delivers information security support to other federal agencies, while improving quality, accelerating delivery, and reducing customer costs.

Secure hosting services are provided for production, contingency, and development/test regions. TFF has critical supporting roles in the Public Key Infrastructure (PKI) Shared Service Provider designation of the Department of the Treasury. TFF's PKI and directory experience makes end-to-end identity management solutions available to customers.

Rapid Application Development techniques and a demonstrated ability to integrate commercially available solutions combine to provide high quality software engineering services at a competitive price.

Description of Performance:

- IT established an outcome measure and target of 80 percent to determine performance in satisfying the needs of customer agencies. Annually, TFF conducts a customer satisfaction survey to assess performance and value within all service lines. For FY 2013, over half of TFF's IT customers responded to the survey with an overall satisfaction rating of 78 percent.

- Starting in 2014, as part of the Fiscal Service goal to provide agency advisory services that enable a collaborative, customer-focused, "One Voice" approach, the consolidated 2014 customer satisfaction survey was developed by the Office of Agency Outreach (OAO). The final survey focused on business services rather than information technology specifically, thus the individual IT customer service metric is being discontinued. However, the Fiscal Service metric will continue.

- IT discontinued the operating expense metric in FY 2012 and established an indirect cost target. The indirect cost metric represents indirect costs as a percentage of total costs and provides a better representation of TFF's relative operating costs. This provides TFF IT management with a measure that encourages efficiency in administrative operations and helps to assure services are provided at the lowest possible cost. TFF saw an indirect cost metric of 22 percent for FY 2013, and 17 percent in FY2014. TFF will continue to pursue customer growth and evaluate indirect cost expenditures to maintain actual performance at or below the established target. TFF has reduced this target from 20 percent to 19 percent for FY 2014 through FY 2016 to adjust the target closer to recent performance and in support of TFF's emphasis on fiscal responsibility.

3.1.3 – Information Technology Services Budget and Performance Report and Plan

Dollars in Thousands

Information Technology Services Budget Activity								
Resource Level	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Estimated**	**FY 2016 Estimated**
Expenses/Obligations	$56,467	$73,858	$72,905	$149,581	$152,050	$171,608	$164,447	$165,972
Budget Activity Total	**$56,467**	**$73,858**	**$72,905**	**$149,581**	**$152,050**	**$171,608**	**$164,447**	**$165,972**

Measure	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Target**	**FY 2016 Target**
Customer Satisfaction IT Services %	84.0	81.0	93.0	94.0	78.0	DISC	DISC	DISC
Indirect Cost IT Services %	N/A	N/A	N/A	19.0	22.0	17.0	19.0	19.0
Operating Expense IT Services %	5.0	8.0	8.0	N/A	N/A	N/A	N/A	N/A

Key: DISC - Discontinued and B - Baseline

Section 4 – Supplemental Information

4A – Summary of Capital Investments

The summary of capital investments for SSP is included in the Salaries and Expenses chapter of the Departmental Office budget submission under the Summary of Capital Investments section. The summary of capital investments for ARC is included in the Bureau of the Fiscal Service budget submission under the Summary of Capital Investments Section.

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.

4B – Treasury Franchise Fund Program Costs

This information is being provided to fulfill requirements of Section 122, Public Law 113-235, Consolidated Appropriations Act, 2015.

Treasury Franchise Fund - Shared Services Programs FY 2014 Total Charges by Customer

Customers	Enterprise Business Solutions	Infrastructure Operations	Cyber Security	IT Strategy and Technology Management	Non-Information Technology Services	Totals
ARCHITECT OF THE CAPITOL	1,529,586	-	-	-	15,424	**1,545,009.53**
TFF ADMINISTRATIVE RESOURCE CENTER	1,009,797	241,498	100,199	60,489	174,787	**1,586,770.04**
ALCOHOL, TOBACCO, AND FIREARMS AND EXPLOSIVES	1,444,139	22,860	-	-	52,846	**1,519,844.69**
BUREAU OF ENGRAVING AND PRINTING	945,149	3,653,964	3,673,838	87,951	847,946	**9,208,846.84**
BUREAU OF THE PUBLIC DEBT	533,586	251,188	64,062	36,958	418,941	**1,304,735.86**
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND	241,642	102,447	6,122	3,696	94,996	**448,901.95**
CONSUMER FINANCE PROTECTION BUREAU	1,930,801	1,628,257	94,077	14,948	1,195,451	**4,863,534.82**
DC PENSIONS	13,777	69,996	1,317	795	42,619	**128,504.54**
DEPARTMENT OF COMMERCE	8,897,082	102,065	-	-	356,301	**9,355,448.29**
DEPARTMENT OF INTERIOR	214,506	-	-	-	-	**214,506.05**
DEPARTMENT OF LABOR	4,412,491	35,908	-	-	270,852	**4,719,251.23**
EXECUTIVE OFFICE FOR ASSET FORFEITURE	474,643	98,819	1,860	1,123	40,668	**617,112.47**
FEDERAL COMMUNICATIONS COMMISSION	96,547	-	-	-	3,862	**100,408.88**
FEDERAL EMERGENCY MANAGEMENT AGENCY	505,972	-	-	-	9,135	**515,106.32**
FEDERAL FINANCING BANK	14,250	69,996	1,317	795	26,708	**113,066.94**
FINANCIAL CRIMES ENFORCEMENT NETWORK	163,470	377,933	26,813	16,187	168,749	**753,150.73**
FINANCIAL MANAGEMENT SERVICES	900,005	980,750	133,986	80,886	1,395,290	**3,490,917.35**
FINANCIAL STABILITY OVERSIGHT COUNCIL	32,101	105,053	2,015	1,216	20,528	**160,913.74**
GENERAL ACCOUNTABILITY OFFICE	709,382	8,501	-	-	20,944	**738,827.87**
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	4,675,329.56	24,001.36	-	-	186,557.65	**4,885,888.57**
INTERNAL REVENUE SERVICES	39,664,717.53	28,684,671.16	7,438,211.89	4,330,394.94	15,096,344.57	**95,214,340.09**
US MINT	806,688.93	956,890.58	178,192.41	86,266.39	891,044.22	**2,919,082.53**
OFFICE OF THE COMPTROLLER OF THE CURRENCY	1,866,783.40	1,503,130.23	296,257.31	178,848.38	953,848.49	**4,798,867.81**
OFFICE OF FINANCIAL RESEARCH	231,701.21	641,560.14	12,941.40	7,812.63	164,168.61	**1,058,183.99**
OFFICE OF FINANCIAL STABILITY	854,617.80	657,437.41	12,631.43	7,625.50	354,266.28	**1,886,578.42**
OFFICE OF INSPECTOR GENERAL	112,398.75	298,452.41	15,651.60	8,935.40	85,248.09	**520,686.25**
DEPARTMENT OFFICES OFFICE OF TECHNICAL ASSISTANCE	12,439.43	82,348.76	1,549.87	935.64	106,329.74	**203,603.44**
SMALL BUSINESS ADMINISTRATION	114,126.54	-	-	-	17,879.70	**132,006.24**
SMALL BUSINESS LENDING FUND ADMINISTRATION	17,460.56	115,288.27	2,169.82	1,309.90	189,252.12	**325,480.67**
SPECIAL INSPECTOR GENERAL FOR TARP	136,477.18	735,240.76	37,817.53	8,982.18	82,181.78	**1,000,699.43**
STATE SMALL BUSINESS CREDIT INITIATIVE ADMINISTRATION	7,508.99	49,409.26	929.92	561.39	12,476.79	**70,886.35**
DEPARTMENTAL OFFICES SALARIES AND EXPENSES	2,376,257.34	5,506,844.07	118,850.99	61,752.51	2,511,930.55	**10,575,635.46**
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION	396,699.25	988,184.29	285,268.31	39,156.71	221,055.49	**1,930,364.05**
DEPARTMENTAL OFFICES TERRORISM RISK INSURANCE PROGRAM	6,219.73	41,174.39	774.93	344.69	17,346.81	**65,860.55**
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU	231,472.47	280,500.13	38,049.27	22,970.06	277,999.85	**850,991.78**
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT	1,923,225.45	13,960.36	-	-	75,093.60	**2,012,279.41**
US SECRET SERVICE	1,161,538.38	19,069.02	-	-	116,987.53	**1,297,594.93**
TOTALS	**78,664,586.80**	**48,347,397.64**	**12,544,903.01**	**5,060,941.47**	**26,516,059.19**	**171,133,888.11**

Treasury Franchise Fund - Administrative Resource Center FY 2014 Total Charges by Customer

Customers	Financial Management Systems	Human Resources Services	Procurements Services	Travel Services	Information Technology Services	Totals
ACCESS BOARD	194,325	63,496	197,049	40,442		**495,312.00**
ADMIN OFFICE OF THE US COURTS	275,986					**275,986.49**
ADMINISTRATION FOR CHILDREN AND FAMILIES	85,001					**85,001.00**
ADMINISTRATIVE RESOURCE CENTER	258,722				14,450,458	**14,709,180.00**
AFRICAN DEVELOPMENT FOUNDATION	881,924		497,330	43,012		**1,422,266.00**
AGENCY FOR INTERNATIONAL DEVELOPMENT U.S.	77,936					**77,936.00**
AGENCY FOR INTERNATIONAL DEVELOPMENT-OIG	88,052					**88,052.00**
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU	765,282	874,687	762,750	250,610		**2,653,329.00**
ARMED FORCES RETIREMENT HOME	1,089,261	1,444,494	761,531	56,011		**3,351,296.50**
BLACK LUNG DISABILITY TRUST FUND	163,531					**163,531.00**
BUREAU OF ENGRAVING AND PRINTING		677,527		143,301		**820,828.00**
BUREAU OF THE FISCAL SERVICE	11,921,332	4,707,007	3,806,515	480,252	107,276,909	**128,192,014.55**
CDFI PROGRAM FUND	792,089	167,856	242,519	46,507		**1,248,971.04**
CENTER FOR DISEASE CONTROL				1,380,476		**1,380,476.00**
CHEMICAL SAFETY AND HAZARD BOARD	240,466		16,142	40,160		**296,768.00**
CONSUMER FINANCIAL PROTECTION BUREAU	1,213,568	3,550,255	1,311,256	1,091,878	4,000	**7,170,957.00**
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	85,884					**85,884.00**
DC PENSIONS PROJECT OFFICE	1,651,206	24,076	34,511	1,445	1,695,000	**3,406,238.00**
DEFENSE NUCLEAR FACILITIES SAFETY BOARD		102,874				**102,874.00**
DENALI COMMISSION	306,025	54,465	84,230	32,043		**476,763.00**
DEPARTMENT OF AGRICULTURE	167,510					**167,510.00**
DEPARTMENT OF COMMERCE	95,819					**95,819.00**
DEPARTMENT OF DEFENSE	187,342					**187,342.00**
DEPARTMENT OF EDUCATION	230,616					**230,616.00**
DEPARTMENT OF ENERGY	266,273					**266,273.00**
DEPARTMENT OF HEALTH AND HUMAN SERVICES	230,616			70,088		**300,704.00**
DEPARTMENT OF HOMELAND SECURITY	503,970				259,000	**762,970.00**
DEPARTMENT OF HOMELAND SECURITY - CIS				466,357		**466,357.00**
DEPARTMENT OF HOMELAND SECURITY - OIG	619,309			399,421		**1,018,730.00**
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	715,369	7,558,495	291,209			**8,565,072.96**
DEPARTMENT OF JUSTICE	124,236					**124,236.00**
DEPARTMENT OF JUSTICE - CIVIL DIVISION	108,620					**108,620.00**
DEPARTMENT OF LABOR	141,399					**141,399.00**
DEPARTMENT OF STATE	662,104					**662,104.00**
DEPARTMENT OF THE INTERIOR	637,161					**637,160.94**
DEPARTMENT OF TRANSPORTATION	230,616					**230,616.00**
DEPARTMENT OF VETERANS AFFAIRS	158,998	1,445,958				**1,604,956.00**
DEPARTMENT OF VETERANS AFFAIRS, TAC					69,333	**69,333.34**
ELECTION ASSISTANCE COMMISSION	320,158		97,162	14,233		**431,553.00**

CONT. Treasury Franchise Fund - Administrative Resource Center FY 2014 Total Charges by Customer

Customers	Financial Management Systems	Human Resources Services	Procurements Services	Travel Services	Information Technology Services	Totals
ENVIRONMENTAL PROTECTION AGENCY	95,819					**95,819.00**
FARM CREDIT ADMINISTRATION	305,386		31,069	237,944		**574,399.00**
FARM CREDIT SYSTEM INSURANCE CORPORATION	154,497		785	3,374		**158,656.00**
FEDERAL DISABILITY TRUST FUND	453,723					**453,723.00**
FEDERAL EMERGENCY MANAGEMENT AGENCY				17,839		**17,839.00**
FEDERAL HOSPITAL INSURANCE TRUST FUND	469,813					**469,813.00**
FEDERAL HOUSING FINANCE AGENCY	815,929		198,165	326,348		**1,340,442.00**
FEDERAL HOUSING FINANCE AGENCY - OIG	254,738	593,238	269,521	84,167		**1,201,664.00**
FEDERAL LABOR RELATIONS AUTHORITY	55,000		47,000	18,000		**120,000.00**
FEDERAL MARITIME COMMISSION	262,345		58,872	26,210		**347,427.00**
FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION	270,516	178,232	16,728	35,740		**501,216.00**
FEDERAL OLD AGE AND SURVIVORS TRUST FUND	453,723					**453,723.00**
FEDERAL SUPPLEMENT INSURANCE TRUST FUND	472,281					**472,281.00**
FINANCIAL CRIMES ENFORCEMENT NETWORK	595,170	76,362	924,508	74,134	2,453,096	**4,123,270.00**
FOOD AND DRUG ADMINISTRATION				752,218		**752,218.00**
GENERAL SERVICES ADMINISTRATION	41,332					**41,332.00**
GULF COAST ECOSYSTEM RESTORATION COUNCIL	163,985		8,448	9,811		**182,244.00**
INTER AMERICAN FOUNDATION	671,117		627,462	32,500		**1,331,079.00**
IRS CRIMINAL INVESTIGATION DIVISION					525,000	**524,999.97**
MERIT SYSTEMS PROTECTION BOARD	387,650		20,780	61,998		**470,428.00**
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	351,083				473,000	**824,082.55**
NATIONAL AERONAUTICS AND SPC ADMIN	-66,720					**(66,719.55)**
NATIONAL ARCHIVES & RECORDS ADMINISTRATION	3,240,863		465,882	468,001		**4,174,746.00**
NATIONAL MEDIATION BOARD	223,193		184,394	53,345		**460,932.00**
NATIONAL SCIENCE FOUNDATION	139,094		3,820	73,252		**216,166.00**
NUCLEAR REGULATORY COMMISSION	41,332					**41,332.00**
OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION	221,294		14,792	23,656		**259,742.00**
OFFICE OF ADMINISTRATION, EXEC OFF OF THE PRES	1,213,193		265,099	426,806		**1,905,098.00**
OFFICE OF FINANCIAL STABILITY	327,059	268,649	4,454	44,836		**644,998.00**
OFFICE OF GOVERNMENT ETHICS	250,731	165,552	153,478	31,585		**601,346.64**
OFFICE OF INFORMATION TECHNOLOGY	803,278	549,881	946,801	95,120		**2,395,080.00**
OFFICE OF NATIONAL DRUG CONTROL POLICY			24,304			**24,304.00**
OFFICE OF PERSONNEL MANAGEMENT	41,332					**41,332.00**
OFFICE OF THE COMPTROLLER OF THE CURRENCY			204,805			**204,805.00**
OFFICE OF THE INSPECTOR GENERAL	313,729	143,051	24,246	80,612		**561,638.00**
OIL SPILL LIABILITY TRUST FUND	120,567					**120,567.00**
RAILROAD RETIREMENT BOARD				6,093		**6,093.00**
SECURITIES AND EXCHANGE COMMISSION	147,335					**147,335.00**
SMALL BUSINESS ADMINISTRATION	67,475					**67,475.00**

CONT. Treasury Franchise Fund - Administrative Resource Center FY 2014 Total Charges by Customer

Customers	Financial Management Systems	Human Resources Services	Procurements Services	Travel Services	Information Technology Services	Totals
SOCIAL SECURITY ADMINISTRATION	67,475				270,162	**337,636.68**
SPECIAL INSPECTOR GENERAL - TARP	273,684	479,026	296,311	115,787		**1,164,808.00**
TREASURY DEPARTMENTAL OFFICES	4,312,574	6,274,238	1,952,222	1,082,526	3,949,666	**17,571,226.00**
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION	758,794	1,334,080	677,633	381,412		**3,151,919.00**
TRICARE MANAGEMENT ACTIVITY				48,578		**48,578.00**
UNEMPLOYMENT TRUST FUND	723,735					**723,735.00**
UNITED STATES AIR FORCE	983,484					**983,484.00**
UNITED STATES MINT	8,326,312	3,211,173	2,472,429	293,295		**14,303,209.00**
US AGENCY FOR INTERNATIONAL DEVELOPMENT	95,819					**95,819.00**
US COURT OF APPEALS FOR VETERANS	219,016		5,631	12,733		**237,380.00**
US HOUSE OF REPRESENTATIVES	109,000					**109,000.00**
USDA FOOD AND NUTRITION					1,078,423	**1,078,423.06**
USDA FOREST SERVICE	101,132					**101,132.00**
USDA OCIO INTERNATIONAL TECHNOLOGY SERVICES		1,197,392				**1,197,392.00**
USDA OFFICE OF INSPECTOR GENERAL		88,963				**88,963.00**
TOTALS	**54,819,594**	**35,231,027**	**18,001,843**	**9,474,155**	**132,504,047**	**250,030,666**

Shared Services Programs and Administrative Resource Center Activity Descriptions
The Shared Services Programs (SSP) within the Treasury Franchise Fund provides common administrative services that benefit customers both within Treasury and outside agencies. The SSP provides these services on a centralized basis, where they can be administered more advantageously and more economically than they could be provided otherwise. Descriptions of these services are provided below.

Enterprise Business Solutions (EBS) is an organization within the U.S. Department of the Treasury's (Treasury) Departmental Offices (DO), Office of the Chief Information Officer (OCIO) that creates, implements, and maintains information technology solutions in an efficient and innovative manner through shared and scalable products, platforms and services. EBS offers its customers a variety of services available through four (4) distinct product suites; Enterprise Content Management, Enterprise Data Management, HR Connect and Web Solutions. HR Connect, an Office of Personnel Management officially designated Human Resources Line of Business (HR LOB), Shared Service Center (SSC) offers HR solutions across the federal space. Infrastructure Operations includes services such as the Enterprise Infrastructure Services (EIS), Treasury Enterprise Voice (TEV), Treasury Network (TNet), and the Treasury Enterprise Identity Credential and Access Management (TEICAM) services. The EIS program offers services including the development and implementation of additional enterprise-wide infrastructure capabilities and services available to Treasury Departmental Offices and other customers; such as cloud, big data, and others.

The TEV program provides telecommunications capabilities to customers. These services include internal telephony service, Voice Mail with email notification, connections to the public switched telephone network (PSTN), local and long distance calling, Audio Conferencing and certain Video Conferencing, Automatic Call Distribution, Interactive Voice Response Systems, Call Center Services, Custom Emergency 911 Services, associated cabling and physical plant maintenance and the related support and maintenance for these systems. TNet provides a secure enterprise voice, video and data wide area network that connects authorized domestic and international government facilities across the US, the US territories, and at select US Embassies via the State Department's network. TNet Wide Area Network (WAN) service is a cost effective enterprise network supporting bureau business needs and enabling agency technological initiatives, such as Data Center Consolidation and Mobile Treasury. TEICAM provides requirements; coordination, management processes, technical coordination for Personal Identity Verification (PIV), credential and access management compliance, Public Key Infrastructure (PKI), and establishes the Enterprise Identity Credential and Access Management (EICAM) capabilities Treasury-wide.

Cyber Security services include supporting the direct protection of designated Treasury Cyber Critical Infrastructure/Key Resources against terrorist activity. The Government Secure Operations Center serves as the focal point for management of cyber incidents and is responsible for security detection, analysis and incident management lifecycle practices to improve the Department's overall security posture. IT Strategy and Technology Management services include assisting customers with collaboration efforts to develop and implement procedures and policies to manage Treasury's IT portfolio; partners with Enterprise Architecture Programs so management of IT portfolios aligns with IT transition plans (e.g.,

refresh/replacement/consolidation of IT systems and facilities) and Department Strategic Plans. Additional services include developing and managing an IT Strategy and Transition Plan to meet Treasury's mission requirements and strategic goals. This entails collaborating with bureaus and partnering with Performance Measurement and Governance to ensure management of the Treasury IT portfolio aligns with IT transition plans.

Some of the non-IT related services include the Civil Rights and Diversity program (CRD), Financial Systems Integration (FSI), Office of Emergency Preparedness (OEP), Small and Disadvantaged Business Utilization (SDB) and Treasury Executive Institute (TEI). CRD administers an Equal Opportunity Program, mandated by 29 CFR 1614, to provide equal opportunity in employment for all persons and to prohibit discrimination in employment, including providing prompt, fair and impartial processing of complaints. FSI develops and maintains the Financial Analysis and Reporting System, which performs analysis and reporting functions for proprietary and budgetary accounting, audit follow-up, management control, and risk management. OEP supports Treasury efforts to prepare for emergencies. This program supports emergency preparedness and business continuity planning exercises. SDB advises customers on small business policies and initiatives; training and advising small businesses on how to do business with the Department of the Treasury; advising and training procurement officials on small business matters; monitoring and reporting progress toward procurement goals. TEI is a shared service provider and center of excellence for delivering and administering high quality, cost-effective executive and leadership training and development programs that align to and advance the Federal Government's and Treasury's mission and performance. TEI sponsors and promotes the continued growth, development and success of the Department of the Treasury's Executive Corps, senior leaders and those of its client partners.

The Administrative Resource Center (ARC) within the Treasury Franchise Fund Administrative Business Line provides services within the following major service lines, as follows: Financial Management Service Line, Procurement Service Line, Travel Service Line, and Human Resources Service Line. The Financial Management Service Line provides a complete range of accounting and budget services. Total accounting and budget support include transaction processing, system setup and support, and comprehensive reporting is offered. Specific financial management services include: processing accounting transactions for single, multi, and no-year appropriated funds, as well as revolving and trust funds, preparing financial statements and other useful financial management reports, providing financial audit support, and budget services including payroll projection.

The Procurement Service Line offers support ranging from simplified acquisitions to full-scale large contract acquisitions. Contract administration services are also available. Additionally, a web-based procurement system, PRISM, that is fully integrated with our accounting system and staff dedicated to configuration and maintenance as well as assisting end-users with software functionality questions, is offered.

The Travel Service Line provides a full-service, stand-alone travel agency for federal agencies compliant with the President's Management Agenda (PMA) and E-Gov requirements and adheres to all Federal Travel Regulations. Use of a web-based travel expense reporting software, Concur CGE, supports the processing of travel documents for any itinerary. Further, multiple

travel management centers with highly experienced travel agencies are used. In addition, full relocation services and management for transferring employees and their agencies is provided. ARC uses moveLINQ, a relocations expense management system developed by mLINQS, to process relocations for its customers. The Human Resources Service Line delivers a full range of integrated professional HR services, including: position classification, staff acquisition, payroll, processing, and recordkeeping, employee benefits, labor and employee relations, workers' compensation, and personnel security.

Pricing for the Above Activities

SSP utilizes many different cost methodologies in determining the customer prices. Some examples of its costs drivers include an FTE-Based methodology that incorporates the cost allocation of the FY 2014 FTE levels from the FY 2015 President's Budget Appendix. Another example is an Account Based methodology, whereby cost allocations are based on FY 2014 Budget Levels and from the FY 2015 President's Budget Appendix. An example of this methodology is the average number of prior year Treasury Information Executive Repository (TIER) records from pay period 00 through pay period 12, FY 2011, 2012, and 2013. Another example would be the total number of NC4 locations for each customer (NC4 is the company that provides the NC4 Risk Center system, which allows the Treasury Operations Center to monitor Treasury facilities and personnel on a global scale). The Procurement Transaction cost methodology - cost allocation is based upon the number of Federal Procurement Database Next Generation (FPDNG) transactions from the FPDSNG for the most recent prior year. Also, some programs utilize the print job value-based cost methodologies - cost allocations based on the value of print jobs from a specific period of time. The usage-based cost methodologies - cost allocations is based on multiple usage cost drivers.

Determining charges for ARC services begins with a process similar to that used by appropriated agencies whereby labor and non-labor needs are identified for a future year within the budget formulation process. The formulated budget is then allocated to each service. These allocations are guided by existing organizational structure and management input. The overhead budgets are then allocated to the services based on each service's proportion of direct FTEs. Each Service Budget is then allocated to customers receiving that service based on each customer's percentage of total drivers. Drivers are the objective measure of effort defined specifically for each service. Each year, reserve requirements are calculated for each service line. These requirements are then compared to estimated actual reserves by service line. When differences are identified, the customers' costs by service are adjusted pro rata within each service line to reduce or eliminate projected differences. Fiscal Service Executive Management review pricing recommendations and provide the final approval of customer pricing.

Customers' Role in Governing the Treasury Franchise Fund

The Treasury Franchise Fund incorporates a governance process in which two governing bodies review, vet, and approve various shared services matters. The Financial Management Oversight Committee (FMOC) serves as a due diligence working group to perform preliminary reviews of new shared services. Reviews will be conducted prior to any new activities being considered and presented to the Shared Services Council (SSC). The FMOC will support and review Treasury Franchise Fund related matters for the Assistant Secretary for Management and SSC. The FMOC may also review Treasury Franchise Fund procedures and policies that are for new shared

services lines of business entering the Treasury Franchise Fund, which includes but is not limited to unique policies that are currently in existence in the Treasury Franchise Fund. In order to ensure that the customer perspective is accounted for in decision-making, there is a process in place by which Treasury and non-Treasury organizations can provide feedback and input into the Treasury Franchise Fund governance issues. Customer involvement and input will provide an opportunity for the SSC to obtain constructive feedback and ensure customer concerns are addressed.

Treasury Forfeiture Fund

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 Resource Detail Table 3
1B – Vision, Priorities and Context 3
Section 2 – Budget Adjustments and Appropriation Language 6
2.2 – Operating Levels Table 6
2B – Appropriations Language and Explanation of Changes 6
2C – Legislative Proposals 6
Section 3 – Budget and Performance Plan 7
3A – Asset Forfeiture Fund 7
3.1.1 – Asset Forfeiture Fund Budget Activity Budget and Performance Plan 8
Section 4 – Supplemental Information 9
4A – Summary of Capital Investments 9

Section 1 – Purpose

1A – Mission Statement

To affirmatively influence the consistent and strategic use of asset forfeiture by our participating agencies to disrupt and dismantle criminal enterprises.

The Treasury Executive Office for Asset Forfeiture (TEOAF) administers the Treasury Forfeiture Fund. The Treasury Forfeiture Fund (the Fund) is the account for deposit of non-tax forfeitures made pursuant to laws enforced or administered by participating Treasury and Department of Homeland Security agencies. The Fund was established in 1992 as the successor to what was then the Customs Forfeiture Fund.

1.1 Resource Detail Table

Dollars in thousands

Treasury Forfeiture Fund	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
Budgetary Resources	Actual		Estimated		Estimated		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections:										
Interest		806		1,000		1,000		0		0.0%
Restoration of sequestration reduction		87,459		124,923		94,603		-30,320		-24.3%
Restoration of temporary rescission		950,000		836,000		869,000		33,000		3.9%
Forfeited Revenue		784,221		460,000		413,000		-47,000		-10.2%
Recovery from prior years		49,309		30,000		30,000		0		0.0%
Unobligated balances from prior years		888,109		144,132		152,180		8,048		5.6%
Total Revenue/Offsetting Collections		**$2,759,904**		**$1,596,055**		**$1,559,783**		**-36,272**		**-2.3%**
Expenses/Obligations										
Mandatory Obligations	25[1]	638,583	25	452,272	25	450,000	0	-2,272	0	-0.5%
Secretary's Enforcement Fund	0	16,082	0	28,000	0	30,000	0	2,000	0	7.1%
Super Surplus Obligations	0	133,184	0	0	0	0	0	0	0	0.0%
Total Expenses/Obligations	**25**	**787,849**	**25**	**480,272**	**25**	**480,000**	**0**	**-272**	**0.0%**	**-0.1%**
Sequestration Reduction		-124,923		-94,603		0		94,603		-100%
Temporary Rescission		-836,000		-869,000		0		869,000		-100%
Permanent Cancellation		-867,000		0		-875,000		-875,000		N/A
Total Rescissions/Cancellations		**-1,827,923**		**-963,603**		**-875,000**		**88,603**		**-9.2%**
Net Results	**25**	**$144,132**	**25**	**$152,180**	**25**	**$204,783**	**0**	**52,603**	**0.0%**	**34.6%**

1. TEOAF is staffed by Departmental Offices (DO) employees and positions are funded by reimbursable agreement with the Treasury Forfeiture Fund

1B – Vision, Priorities and Context

The Treasury Forfeiture Fund (the Fund) is the account for the deposit of non-tax forfeitures made pursuant to laws enforced or administered by bureaus participating in the Fund.
This Fund is a "special fund." Special funds are federal fund collections that are earmarked by law for a specific purpose. The enabling legislation for the Treasury Forfeiture Fund (Title 31 U.S.C. 9703) defines those purposes for which Treasury forfeiture revenue may be used. In addition to the agencies listed below, the funds can be allocated to other law enforcement entities that do not have forfeiture authority, such as the Financial Crimes Enforcement Network (FinCEN), Federal Law Enforcement Training Center (FLETC), and Alcohol & Tobacco Tax and Trade Bureau (TTB).

The principal revenue-producing member bureaus include the Internal Revenue Service's Criminal Investigation (IRS-CI), Customs and Border Protection (CBP), Immigration and Customs Enforcement (ICE), and the U.S. Secret Service (Secret Service). The latter three bureaus are part of the Department of Homeland Security, transferred as part of the Homeland Security Act of 2002. These member bureaus are joined by the U.S. Coast Guard, Department of Homeland Security, as the result of a longstanding close law enforcement relationship with CBP and ICE. The Treasury Forfeiture Fund supports the Department's strategic goal to "protect our national security through targeted financial actions."

Vision: As the administrator for the Treasury Forfeiture Fund, TEOAF performs the following functions:

- Promotes the use of proceeds from asset forfeitures to fund programs and activities aimed at disrupting criminal enterprises and enhancing forfeiture capabilities;
- Manages Treasury Forfeiture Fund revenues to cover the cost of asset forfeiture program;
- Promotes financial stability and vitality of the Fund;
- Identifies and addresses program risks.

TEOAF focuses on supporting cases and investigations that result in "high impact" forfeitures. "High impact" is defined as a cash forfeiture equal to or greater than $100,000 in value. High impact forfeitures are those that have the greatest impact on criminal organizations and will help to disrupt and dismantle criminal enterprises, which is the Fund's primary mission. Longer, more in-depth investigations are critical to enhancing the impact of forfeiture activity. To this end, TEOAF focuses on using mandatory funding authorities to support large case initiatives including the purchase of evidence and information, joint operations expenses, investigative expenses leading to seizure, and asset identification and removal teams. It is also a priority to fund revenue-enhancing projects such as major case initiatives, database development, and computer forensics through the use of the Secretary's Enforcement Fund or Super Surplus funds when available.

Goals and Relationship to Departmental Goal: The goal of the Fund is to support the asset forfeiture programs of member law enforcement bureaus in a manner that results in federal law enforcement's continued and effective use of asset forfeiture as a high-impact law enforcement sanction to punish and deter criminal activity.

The goal of the Fund relates to Treasury's strategic goal to safeguard the financial system and use financial measures to counter national security threats. A primary feature of asset forfeiture as a criminal sanction is that it disrupts and dismantles criminal syndicates by removing their financial assets and, thereby, interfering with and disabling their viability. This strategic feature of asset forfeiture relates to the Treasury's strategic objective to develop, implement, and enforce sanctions and other targeted financial measures.

Priorities: Asset seizure and forfeiture is a priority for the Fund's participating law enforcement organizations, as well as the Department of the Treasury, and is linked directly to the National Money Laundering and Southwest Border strategies. In this regard, TEOAF has identified the

following priorities for mission success:

- Continue to educate and focus stakeholders, and others, on the vision and mission of Treasury's multi-Departmental asset forfeiture program (i.e., affirmatively influence the consistent and strategic use of asset forfeiture by law enforcement bureaus participating in the Fund to disrupt and dismantle criminal enterprises);
- Focus resources in a manner that enhances support of law enforcement's National Money Laundering Strategy, Southwest Border Strategy and anti-terrorism financing efforts;
- Foster and support the investment of forfeiture resources in the needs of our participating law enforcement bureaus in order to promote program excellence and strengthen the overall quality of criminal investigations; and
- Develop and modify forfeiture training and awareness programs that are responsive to today's needs and continually re-evaluate such training initiatives for best practices.

Context: The Fund continued in its capacity as a multi-Departmental Fund representing the forfeiture interests of law enforcement components of the Department of the Treasury and the Department of Homeland Security. In the midst of the budget constraints as well as new growth and changes of the program, the Fund's law enforcement bureaus continued their hard work of federal law enforcement and the application of asset forfeiture as a sanction to bring criminals to justice.

FY 2014: FY 2014 was one of the more challenging years since the inception of the Fund in 1992 with the first-ever cancellation of fund balances in the amount of $867 million as a result of the Bipartisan Budget Act of 2013 (P.L. 113-067). In addition, as part of the Consolidated Appropriations Act of 2014 (P.L. 113-076), the Fund implemented a rescission of $836 million. Finally, $125 million was sequestered from the Fund as part of the government-wide sequestration order. In terms of overall revenue, the Fund experienced an above-average year with income of over $784 million from forfeitures.

FY 2015 Plans and Changed Projections since the President's 2015 Budget Submission: TEOAF forecasts another successful forfeiture program in FY 2015 with forfeiture revenue estimated at $460 million. This estimate does not account for several major cases in which TEOAF lacks sufficient detail and/or data to project an outcome or expected revenue at this time.

The FY 2015 Financial Plan reflects a rescission of $869 million in unobligated balances; Division E (Financial Services and General Government) of P.L. 113-235 rescinded $769 million in unobligated balances and TEOAF has assumed an additional $100 million rescission as a term and condition of Division L (Homeland Security) of P.L. 113-235. A reduction for sequestration is estimated at $95 million ($34 million from 7.3 percent of estimated FY 2015 revenue and $61 million from 7.3 percent of the prior year rescission of $836 million).

FY 2016 Plans: TEOAF intends to maintain a dynamic and evolving asset forfeiture program that is responsive to the needs of member law enforcement bureaus. At this time, the Fund estimates $413 million in revenue from forfeitures. Treasury is proposing a permanent cancellation of unobligated balances in FY 2016 of $875 million and will continue to provide regular updates to Congress on the Fund's balances prior to enactment of the FY 2016 cancellation.

Section 2 – Budget Adjustments and Appropriation Language

2.2 – Operating Levels Table

Dollars in thousands

Treasury Forfeiture Fund Object Classification		FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
25.2	Other services from non-Federal Sources	55,149	33,619	33,600
25.3	Other goods and services from Federal Sources	157,570	96,054	96,000
41.0	Grants, subsidies, and contributions	575,130	350,599	350,400
Total Non-Personnel		**787,849**	**480,272**	**480,000**
Total Budgetary Resources		**$787,849**	**$480,272**	**$480,000**
Budget Activities:				
	Asset Forfeiture	787,849	480,272	480,000
Total Budgetary Resources		**$787,849**	**$480,272**	**$480,000**
FTE*		**25**	**25**	**25**

*TEOAF is staffed by Departmental Offices (DO) employees and funded by reimbursable agreement with the Treasury Forfeiture Fund

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
TREASURY FORFEITURE FUND [(RESCISSION)] (CANCELLATION) Of the unobligated balances available under this heading, [$769,000,000] *$875,000,000* are [rescinded] *hereby permanently cancelled not later than September 30, 2016.* (Department of the Treasury Appropriations Act, 2015.)	The Budget proposes to add "not later than September 30, 2016" to the cancellation language to allow flexibility on the timing of the cancellation and help prevent disruptions to cash flow.

2C – Legislative Proposals

The Fund has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Asset Forfeiture Fund

($480,000,000 in obligations from revenue/offsetting collections)

The function of the Fund is to ensure resources are managed to cover the costs of an effective asset seizure and forfeiture program, including the costs of seizing, evaluating, inventorying, maintaining, protecting, advertising, forfeiting, and disposing of property. Asset forfeiture is used by federal law enforcement to disrupt and dismantle criminal enterprises. The goal owner for this budget activity is the Director of TEOAF.

Summary of Authorities

The Fund is a special permanent fund with indefinite authority. Special funds are federal fund collections that are earmarked by law for a specific purpose, and which consist of separate receipt and expenditure accounts. The enabling legislation for the Fund (31 U.S.C. § 9703) defines those purposes for which the Fund's revenue may be used. Revenue deposited to the Fund can be allocated and used as the result of a permanent indefinite appropriation provided by Congress.

A forfeiture process begins once currency or property is seized. Seized currency is deposited into a suspense account (holding account) until forfeited. At that time, the forfeited amount is transferred (deposited) to the Fund as revenue. Forfeited properties are usually sold and the proceeds are also deposited into the Fund as revenue. This revenue composes the 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.

Spending Authority

Mandatory authority items are generally used to meet the operating costs of the Fund, including expenses of storing and maintaining seized and forfeited assets, valid liens and mortgages, investigative expenses incurred in pursuing a seizure, information and inventory systems, and certain costs of local police agencies incurred in joint law enforcement operations. Following seizure, equitable shares are 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) is derived from equitable shares received from the DOJ or U.S. Postal Service (USPS) forfeitures. These shares represent Treasury's participation in the overall investigative effort that led to a DOJ or USPS forfeiture. SEF revenue is available for federal law enforcement purposes of any law enforcement organization participating in the Fund.

Super Surplus (SS) represents the remaining unobligated balance at the close of the fiscal year after an amount is reserved for Fund operations in the next fiscal year. This balance can be used for any federal law enforcement purpose.

3.1.1 – Asset Forfeiture Fund Budget Activity Budget and Performance Plan

Dollars in thousands

Asset Forfeiture Fund Budget Activity Resource Level	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
Obligations from Revenue/Offsetting Collections	$483,586	$852,078	$590,415	$527,417	$908,113	$787,849	$480,272	$480,000
Budget Activity Total	**$483,586**	**$852,078**	**$590,415**	**$527,417**	**$908,113**	**$787,849**	**$480,272**	**$480,000**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Percent of Forfeited Cash Proceeds Resulting from High-impact Cases (%)	87.65	93.11	91.44	76.38	95.01	86.73	80.00	80.00

Key: DISC - Discontinued and B – Baseline

Description of Performance:

The Fund continues to measure the performance of the participating law enforcement bureaus through the use of the performance measure: percent of forfeited cash proceeds resulting from high impact cases. This measures the percentage of forfeited cash proceeds resulting from high impact cases, which are cases resulting in a cash forfeiture deposit equal to or greater than $100,000.

Focusing on strategic cases and investigations that result in high impact forfeitures will do the greatest damage to criminal organizations while accomplishing the Fund's ultimate objective, which is to disrupt and dismantle criminal activity. Member law enforcement bureaus participating in the Fund have met or exceeded the performance target in nine of the eleven fiscal years since inception of the measure in FY 2002. For this reason, the target was increased from 75 percent through FY 2010 to 80 percent beginning in FY 2011. 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.

For FY 2013, the member bureaus achieved a record high of 95.01 percent high impact performance level. For FY 2014, the performance level was achieved at 86.73 percent. For FY 2015 and FY 2016, a target of 80 percent has also been set for this performance measure.

Section 4 – Supplemental Information

4A – Summary of Capital Investments
TEOAF uses Departmental Office's (DO) IT infrastructure 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/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.

Bureau of Engraving and Printing

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Resource Detail Table 3
1B – Vision, Priorities and Context 3
Section 2 – Budget Adjustments and Appropriation Language 7
2.1 – Budget Adjustments Table 7
2A – Budget Increases and Decreases Description 7
2.2 – Operating Levels Table 9
2C – Legislative Proposals 9
Section 3 – Manufacturing Budget and Performance Plan 10
3A – Manufacturing 10
3.1.1 – Manufacturing Budget and Performance Plan 11
Section 4 – Supplemental Information 12
4A – Summary of Capital Investments 12

Section 1 – Purpose

1A – Mission Statement

To develop and produce United States currency notes trusted worldwide.

1.1 – Resource Detail Table

Dollars in Thousands

Bureau of Engraving and Printing	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
Budgetary Resources	Actual		Estimated		Estimated		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Other Income										
Federal Reserve Notes	0	690,801	0	727,467	0	848,940	0	121,473	.00	16.69%
Other Security Products	0	5,000	0	5,000	0	5,000	0	0	.00	N/A
Currency Reader Program	0	5,000	0	46,125	0	10,000	0	(36,125)	.00	-78.32%
Total Revenue/Offsetting Collections		**700,801**		**778,592**		**863,940**		**85,348**		**10.96%**
Expenses/Obligations										
Manufacturing										
Direct Manufacturing	747	324,500	774	474,092	764	521,624	(10)	47,532	-1.30%	10.00%
Indirect Manufacturing	1,178	408,708	1,170	304,500	1,160	342,316	(10)	37,816	-0.85%	12.42%
Total Expenses/Obligations	**1,925**	**733,208**	**1,944**	**778,592**	**1,924**	**863,940**	**(20)**	**85,348**	**-1.03%**	**10.96%**
Net Results		**(32,407)**[1]		**0**		**0**		**0**		**N/A**

[1] Pop-up budget authority from sequestration

1B – Vision, Priorities and Context

The Bureau of Engraving and Printing produces US currency notes ordered by the Federal Reserve Board. The Bureau began printing currency in 1862 and operates on the basis of authority conferred upon the Secretary of the Treasury by 31 U.S.C. 321(a) (4) to engrave and print currency and other security documents. Operations are financed through a revolving fund established in 1950 in accordance with Public Law 81-656. This fund is reimbursed for direct and indirect costs of operations, including administrative expenses, through product sales. In 1977, Public Law 95-81 authorized the Bureau to include an amount sufficient to fund capital investment and to meet working capital requirements in the prices charged for products, eliminating the need for appropriations from Congress.

The Bureau also provides technical assistance and advice to other Federal agencies in the design and production of documents that require counterfeit deterrent features, due to their innate value or other characteristics. Other activities at the Bureau include engraving plates and dies; manufacturing inks used to print security products; purchasing materials, supplies and equipment; and storing and delivering products in accordance with customer requirements.

The mission of the Bureau of Engraving and Printing (BEP) is to develop and produce United States currency notes, trusted worldwide, in support of Treasury's strategic objective of "Facilitate commerce by providing trusted U.S. currency, services, and products for the American public and enterprises."

United States currency is used globally and, as its designer and manufacturer, BEP needs to achieve and maintain best in class practices in order for U.S. currency to be accepted worldwide. After years of research and development of cutting edge technologies, BEP is producing a new $100 note that includes some of the most advanced counterfeit design features found anywhere in the world. This achievement requires the focus and determination of the entire agency and is indicative of the challenges that lie ahead of BEP in its commitment to continuous redesign of US currency to stay ahead of increasingly sophisticated counterfeiters.

FY 2016 Priorities

Achieve BEP's strategic goals - Produce U.S. currency that functions flawlessly in commerce; create innovative currency designs to provide effective counterfeit deterrence and meaningful access to currency note usage for all; achieve organizational excellence and customer satisfaction through balanced investment in people, processes, facilities, and technology.

Product quality - Produce and deliver currency notes ordered by the Federal Reserve Board that consistently meet the customer's high quality standards.

Counterfeit Deterrence – Conduct research and development, and collaborate with key stakeholders in order to deter counterfeiting and maintain the public's trust in the security and reliability of U.S. currency notes.

Meaningful Access – Assist users of U.S. currency, including the blind and visually impaired, with the use and denomination of currency.

During FY 2016, BEP expects to produce and deliver 8.3 billion notes to the Federal Reserve Board to meet currency demand. The FY 2016 order represents a 13 percent increase over the number of notes expected to be delivered in the FY 2015 program. In order to meet continued international demand, the FY 2015 order includes a large proportion of the more costly, higher denomination notes. We expect a similar portion of higher denomination notes in the FY 2016 order.

Over the last decade, research and development of new technologies for possible use in currency production have been a priority at the Bureau as more sophisticated counterfeit deterrent features are needed to protect future generations of currency notes. Via its website www.bep.gov and other Federal business opportunity websites, BEP seeks information about obtaining, testing and evaluating technologies or materials that may have potential application in the development of new counterfeit deterrent features in currency notes. Technologies or materials submitted for consideration are reviewed for inherent and relative effectiveness as potential new security features. In addition, they are reviewed for compatibility with design, potential production factors, durability and environmental acceptability. After obtaining submitter approval, BEP may also request experts working under government contracts to provide technical evaluation and adversarial analysis of possible counterfeit deterrent features. Features of interest include ink (intaglio, typographic and off-set) and ink additives, alternate and traditional substrates (paper or other media), substrate additives, design elements or techniques, diffractive, reflective, or other optically variable materials, laminated materials, hot-stamped materials, and others.

BEP supports a comprehensive anti-counterfeiting program built around effective note design, public education and aggressive law enforcement. The Bureau will continue its work in 2016 with the Advanced Counterfeit Deterrent (ACD) Steering Committee to research and develop future currency designs for the next family of resigned notes that will enhance and protect U.S. currency notes. The ACD Committee includes representatives from BEP, the Department of the Treasury, the U.S. Secret Service, and the Federal Reserve Board.

Work will continue in FY 2016 on the goal of enabling the Nation's currency to better serve domestic and international users. The Bureau will be incorporating features into the next redesign of currency that will assist every American to better use and denominate currency. In addition, BEP will continue its efforts to research and develop tactile features that will enhance future note designs. Testing and refinement of features will continue to determine which processes and potential features work best at the production volumes needed for U.S. currency. While no timetable has been set for the introduction of this currency, the next redesign will incorporate changes to make U.S. currency more accessible to those who are blind and visually impaired.

Treasury is continuing its comprehensive review of U.S. currency including a review of both the production and use of coins, in order to efficiently promote commerce in the 21st Century. Treasury expects to announce the results of its review this fiscal year.

The Bureau's FY 2016 Budget requests funding to continue the BEP Currency reader distribution program in coordination with the Library of Congress' National Library Service. Under this program, United States citizens and legal residents who are blind or visually impaired are provided a currency reader free of charge to aid in the denomination of US currency.

In addition, funding is requested to continue the Currency Quality Assurance (CQA) Program. The Bureau, in collaboration with the Federal Reserve Board and other stakeholders, developed a robust Currency Quality Assurance (CQA) Program that began in 2014. This re-invention is moving BEP from a reliance on a reactive approach of quality control of inspecting to remove poor quality notes to a pro-active approach of building quality in. Throughout FY 2015 and FY 2016, the Bureau will continue to fill skill gaps with respect to production engineers, quality assurance specialists and other specialists in related science and engineering disciplines, while reorganizing to become quality focused and customer driven, leaner, flexible and nimble, and accountable for results. The completion of this aggressive change management process will improve the work place and engage employees to drive continuous improvement throughout the organization.

Funding is also requested to support BEP's Phase II of a retooling equipment project which includes an equipment replacement plan, tactile feature testing equipment, labor relations/staffing strategy and alternatives for material handling.

BEP also requests FY 2016 funds to support the acquisition of architecture & engineering services and a construction management contactor to perform architectural, environmental, and related services in support of a new facility project. The Federal Reserve Board supports and will pay for a replacement of the Washington, DC facility with a new, smaller more efficient

facility in the Washington metro area. BEP's current facility has an aging and outdated infrastructure, which drives up costs and adversely impacts quality. In addition, future production equipment upgrades and production processes (i.e. the application of tactile features, new counterfeit deterrent features) will soon exceed the support capacity of the current Washington, DC facility. It is estimated that the process of putting a new facility into production will take 10 years.

FY 2015 Priorities

The importance of producing and delivering currency of consistently high quality, note after note, cannot be overstated. The prevalent use of the $100 note throughout the world and its global reputation as a store of value requires the production of the new $100 note to continue at increased levels through FY 2015. Increased production of the redesigned $100 note is in support of the transition from old note designs to new designs and to meet demand in the U.S. and abroad. The Federal Reserve estimates that as many as two-thirds of all $100 notes circulate outside the United States. This provides a significant economic benefit to the United States.

BEP is in the process of acquiring equipment that will enable the addition of tactile features to U.S. currency as well as continue the multi-year effort to retool BEP's manufacturing processes with state-of–the-art intaglio printing presses, electronic inspection systems, and finishing equipment. The successful implementation of this advanced technology will improve productivity, reduce the environmental impact, and enhance counterfeit deterrence of U.S. currency.

Key Accomplishments

In 2014, as part of its launch of the U.S. Currency Reader Program, the Bureau of Engraving and Printing distributed currency reader devices to eligible American Council of the Blind members at their convention in July. Additional readers were also disseminated at several other conferences for the blind and visually impaired during August 2014.

A broader launch of the U.S. Currency Reader Program will be in two phases, a four month pilot program followed by a national rollout. The pilot program began on September 2, 2014, in partnership with the National Library Service for the Blind and Physically Handicapped, Library of Congress (NLS). During the pilot NLS patrons were able to pre-order a currency reader; to date, almost 6,000 currency readers have been pre-ordered. The pilot program allowed the Bureau to test its ordering and distribution processes and gauge demand for currency readers.

A national rollout of the iBill Talking Money Identifier currency reader began on January 2, 2015. Currency Readers are widely available to all U.S. citizens, or persons legally residing in the U.S. who are blind or visually impaired. To request a currency reader, individuals must submit an application, signed by a competent authority certifying eligibility. It is estimated that 120,000 readers will be distributed in 2015. It is also assumed that the majority of Currency Readers will be distributed in 2015, however readers will continue to be distributed in 2016 and beyond in numbers necessary to meet public demand.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Bureau of Engraving and Printing	FTE	Materials	Operating & Capital	Total
FY 2015 Revised Estimate	**1,944**	**$292,250**	**$486,342**	**$778,592**
Changes to Base:				
Maintaining Current Levels (MCLs):	-	-	$7,848	$7,848
Pay-Raise	-	-	$2,418	$2,418
Pay Annualization	-	-	$618	$618
FERS Contribution Increase	-	-	$842	$842
Non-Pay	-	-	$3,970	$3,970
Efficiency Savings:	-	-	($1,500)	($1,500)
Reduced Labor Costs Due to Spoilage Reductions	-	-	($1,500)	($1,500)
Subtotal Changes to Base	-	-	$6,348	$6,348
Total FY 2016 Base	**1,944**	**$292,250**	**$492,690**	**$784,940**
Program Changes:				
Program Decreases:	(20)	-	($11,000)	($11,000)
Attrition Without Backfill (Goal 20 FTE)	(20)	-	($2,500)	($2,500)
Reduced Lease Parking Spaces	-	-	($250)	($250)
Water Usage Reduction/Recycling	-	-	($750)	($750)
Defer Targeted Facilities Investments	-	-	($7,500)	($7,500)
Program Increases:	-	-	$90,000	$90,000
New Facility	-	-	$40,000	$40,000
Phase II - Retooling (Scheduled Replacement of Obsolete Production Equipment)	-	-	$50,000	$50,000
Total FY 2016 Estimated	**1,924**	**$292,250**	**$571,690**	**$863,940**

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ..... +$7,848,000 / +0 FTE

Pay-Raise +$2,418,000 / +0 FTE

Funds are required for the proposed January 2016 pay-raise.

Pay Annualization +$618,000 / +0 FTE

Funds are required for the annualization of the January 2015 pay raise.

FERS Contribution Increase +$842,000 / +0 FTE

Funds are required for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +$3,970,000 / +0 FTE

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

Efficiency Savings ..... -$1,500,000 / +0 FTE

Reduced Labor Costs Due to Spoilage Reductions -$1,500,000 / +0 FTE

As a result of CQA driven improvements, BEP anticipates better production yields which will in turn reduce overtime costs.

Program Decreases ..... -$11,000,000 / -20 FTE

Defer Targeted Facilities Investments -$7,500,000 / +0 FTE

Continue to defer facility improvements to the DC facility pending the building replacement proposal.

Attrition Without Backfill (Goal 20 FTE) -$2,500,000 / -20 FTE

By not backfilling targeted employee vacancies, BEP plans for cost savings in Labor and Benefits

Water Usage Reduction/Recycling -$750,000 / +0 FTE

Reduction in water and chemical usage in processing waste water/wiping solution recycling from new waste water recycling plant.

Reduced Lease Parking Spaces -$250,000 / +0 FTE

BEP will reduce leased parking space costs

Program Increases ..... +$90,000,000 / +0 FTE

New Facility +$40,000,000 / +0 FTE

Architecture & engineering services and a construction management contactor to perform architectural, environmental, and related services

Phase II - Retooling (Scheduled Replacement of Obsolete Production Equipment) +$50,000,000 / +0 FTE

Replacement of fully depreciated production equipment at both BEP facilities.

2.2 – Operating Levels Table

Dollars in Thousands

Bureau of Engraving and Printing Object Classification	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
11.1 - Full-time permanent	166,850	173,523	175,357
11.3 - Other than full-time permanent	1,000	200	200
11.5 - Other personnel compensation	2,250	2,250	2,250
11.6 - Overtime	17,000	16,500	17,000
11.9 - Personnel Compensation (Total)	**187,100**	**192,473**	**194,807**
12.0 - Personnel benefits	53,000	54,922	51,000
Total Personnel and Compensation Benefits	**$240,100**	**$247,395**	**$245,807**
21.0 - Travel and transportation of persons	1,300	1,300	1,450
22.0 - Transportation of things	250	250	250
23.1 - Rental payments to GSA	2,000	2,000	2,000
23.2 - Rental payments to others	1,000	1,000	1,000
23.3 - Communication, utilities, and misc charges	13,500	14,050	14,350
24.0 - Printing and reproduction	500	250	250
25.1 - Advisory and assistance services	3,500	3,250	3,500
25.2 - Other services	61,211	70,222	121,673
25.4 - Operation and maintenance of facilities	8,250	8,500	8,500
25.5 - Research and development contracts	5,000	7,000	7,000
25.7 - Operation and maintenance of equip	9,250	10,000	11,900
26.0 - Supplies and materials	307,097	293,000	292,250
31.0 - Equipment	80,000	120,125	153,750
42.0 - Insurance claims and indemnities	250	250	260
Total Non-Personnel	**493,108**	**531,197**	**618,133**
Total Budgetary Resources	**$733,208**	**$778,592**	**$863,940**
Budget Activities:			
Manufacturing	733,208	778,592	863,940
Total Budgetary Resources	**$733,208**	**$778,592**	**$863,940**
FTE	**1,925**	**1,944**	**1,924**

2B – Appropriations Language and Explanation of Changes

The Bureau of Engraving and Printing receives no appropriated funds from Congress.

2C – Legislative Proposals

BEP has no legislative proposals.

Section 3 – Manufacturing Budget and Performance Plan

3A – Manufacturing
($863,940,000 from expenses/obligations):
The BEP has one budget activity: Manufacturing. This budget activity supports all of BEP's strategic goals.

Description of Performance:
BEP's Best Places to Work in Federal Government Ranking is a based on the results of the Partnership for Public Service data on three questions in the Federal Employee Viewpoint Survey. This survey is sent annually to all Federal employees seeking their opinion on their organization's leadership and programs relating to fairness, employee empowerment and recognition. In FY 2014 BEP's ranking improved to 47 out of 300. The Bureau continues to sponsor activities and encourage employee engagement by contributing ideas and participation in events which are aimed at improving the work environment for all employees. The Bureau will continue these efforts and is confident that this positive direction will continue. BEP will continue to target achievement of an improvement in rank.

Lost Time Accident Rate per 100 Employees measures the Bureau's ability to reduce injuries and illnesses in the workplace. BEP's key performance indicator is the annual Occupational Safety and Health Administration's (OSHA) reportable lost time case rate and number of lost workdays. In FY 2014 BEP's lost time case rate increased unfavorably during the fiscal year to 2.08 against a target of 1.7 cases per 100 employees The Bureau remains committed to improving the safety of its employees and has undertaken analysis to determine the root causes of injury and to identify best practices in safety. BEP will continue to allocate resources to have the greatest impact on preventing future injuries. BEP's target for this performance metric will be held constant at 1.7 per 100 employees for FY 2015 and FY 2016.

Manufacturing Costs for Currency (dollar cost per 1,000 notes produced) is an indicator of manufacturing efficiency and effectiveness of program management. This measure is based on contracted price factors and anticipated productivity improvements, as well as the mix of denominations ordered year to year. As more sophisticated counterfeit deterrent design features are produced, paper and ink costs increase, resulting in increased total manufacturing costs. Actual performance against standard cost depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals. In order to meet this measure, costs and other standard manufacturing performance metrics are tracked at each stage of production and corrections are made on the shop floor. In addition, production and quality metrics are discussed on a monthly basis at the executive level and corrective action plans are developed. In FY 2014, the cost of manufacturing was lower than anticipated, as the actual result realized for this measure was $44.22 per 1,000 notes produced against a target of $55.00. The performance goals for both FY 2015 and FY 2016 reflect the continued increased production of high cost redesigned $100 notes as a proportion of the total annual order, and are set at $55.00 in both FY 2015 and FY 2016.

Percent of currency notes returned due to defects is an indicator of the Bureau's ability to provide a quality product. All notes delivered to the Federal Reserve go through rigorous quality inspections during the manufacturing process. In addition, notes are inspected a final time using

the same inspection systems used at the Federal Reserve Banks. These inspections ensure that all counterfeit deterrent features, both overt and covert, are functioning as designed. BEP's FY 2014 target for this performance metric is 0.0001 percent, and the actual result realized for this measure was 0.00001 percent. BEP's target for this performance metric will be held constant at 0.0001 percent for FY 2015 and FY 2016.

Reduction in Regulated Waste (Pounds of waste per 1000 notes delivered of regulated air emissions, wastewater, and solid waste combined) is a quantitative indicator of the effectiveness of BEP environmental programs, which are assessed through the BEP ISO 14001 certified Environmental Management System (EMS). This reflects the maturation of the EMS as well as the Bureau's commitment to continually improve its Environmental Health and Safety (EHS) performance, as both of the Bureau's two manufacturing facilities received unconditional recertification to the ISO 14001 standard in FY 2013. BEP's FY 2014 performance of 29.4 pounds of regulated waste for this metric was against a target of 31 pounds per 1000 notes delivered.

3.1.1 – Manufacturing Budget and Performance Plan

Dollars in Thousands

Manufacturing Budget Activity **Resource Level**	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Estimated**	**FY 2016 Estimated**
Expenses/Obligations	$469,000	$555,000	$517,750	$630,000	$645,150	$733,208	$778,592	$863,940
Budget Activity Total	**$469,000**	**$555,000**	**$517,750**	**$630,000**	**$645,150**	**$733,208**	**$778,592**	**$863,940**

Measure	**FY 2009 Actual**	**FY 2010 Actual**	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Target**	**FY 2016 Target**
Best Places to Work in Federal Government Ranking	N/A	N/A	174	178	47	N/A	99	99
Lost Time Accident Rate per 100 Employees	N/A	N/A	1.4	1.9	1.63	N/A	1.6	1.6
Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced)	32.77	44.85	34.6	43.34	50.45	44.22	55.0	55.0
Percent of Currency Notes Delivered Returned Due to Defects	N/A	N/A	.0	.0	.466	.0	.0	.0
Reduction to BEP's Three Major Regulated Waste Streams (Air Emissions, Waste water, and Solid Waste)	N/A	N/A	32.7	31.2	31.2	29.1	N/A	N/A

Key: DISC - Discontinued and B - Baseline

Section 4 – Supplemental Information

4A – Summary of Capital Investments

The Bureau of Engraving and Printing's (BEP) capital investment strategy is comprised of several broad investment categories with more specific smaller projects in each category. The Bureau'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. The Bureau is focused on building the capability to produce new currency designs with tactile features to provide meaningful access to US currency for the blind and visually impaired.

BEP participates as a partner in significant Treasury-wide enterprise level investments such as Homeland Security Presidential Directive-12, HRConnect (a Human Resources Line of Business service provider) and the Treasury Learning Management System (TLMS).

The Bureau's IT portfolio includes a 'cloud first' approach to implementing business systems. The Oracle eBusiness Suite is an integrated manufacturing suite which runs at the Oracle Corporation's "Federal on Demand" Shared Service Center in Austin, Texas.

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

United States Mint

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Resource Detail Table 3
1B – Vision, Priorities and Context 3
Section 2 – Budget Adjustments and Appropriation Language 7
2.1 – Budget Adjustments Table 7
2A – Budget Increases and Decreases Description 7
2.2 – Operating Levels Table 8
2B – Appropriations Language and Explanation of Changes 9
2C – Legislative Proposals 9
Section 3 – Budget and Performance Plan 11
3A – Manufacturing 11
3.1.1 – Manufacturing Budget and Performance Plan 14
Section 4 – Supplemental Information 15
4A – Summary of Capital Investments 15

Section 1 – Purpose

1A – Mission Statement

Serve the American people by manufacturing, and distributing circulating, precious metal, and collectible coins and national medals, and providing security over assets entrusted to us.

1.1 – Resource Detail Table

Dollars in Thousands

United States Mint Budgetary Resources	FY 2014 Actual		FY 2015 Estimated		FY 2016 Estimated		FY 2015 to FY 2016 $ Change		FY 2015 to FY 2016 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Other Income										
Circulating	0	783,034	0	787,500	0	798,600	0	11,100	.00	1.41%
Bullion/Numismatic	0	2,318,847	0	3,041,382	0	3,041,382	0	0	.00	N/A
Total Revenue/Offsetting Collections		**3,101,881**		**3,828,882**		**3,839,982**		**11,100**		**0.29%**
Expenses/Obligations										
Manufacturing										
Circulating	947	493,928	1,068	574,629	1,011	575,249	(57)	620	-5.34%	0.108%
Bullion/Numismatic	714	2,367,705	806	3,016,802	763	3,012,058	(43)	3,256	-5.33%	0.108%
Total Expenses/Obligations	**1,661**	**2,861,633**	**1,874**	**3,591,431**	**1,774**	**3,595,307**	**(100)[1]**	**3,876**	**-5.34%**	**0.108%**
Net Results		**240,248**		**237,451**		**244,675**		**7,695**		**3.24%**

[1] Aligns FTE with historical usage levels and production requirements

Coin Shipments (Units In Millions/Coins)	FY 2014	FY 2015	FY 2016	
Circulating:				
One Cent	7,920	7,250	7260	-8.46%
5-Cent	1,211	1,200	1190	-0.91%
Dime	2,223	2,050	2040	-7.78%
Quarter	1,683	1,800	1850	6.95%
Half-Dollar	0	0	0	0.00%
Dollar	0	0	0	0.00%
Total Circulating	**13,037**	**12,300**	**12,340**	**0.33%**

Budget Category	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
Administrative Operating Costs	$384,782	$392,763	$393,739
Capital Investments	$29,234	$30,468	$30,468
Metals and Materials Costs	$2,447,617	$3,168,200	$3,171,100
Total Resources	**$2,861,633**	**$3,591,431**	**$3,595,307**

1B – Vision, Priorities and Context

The United States Mint (Mint) manufactures and distributes domestic circulating coinage, bullion coin products, numismatic coinage, and national medals in the most effective and efficient manner possible. In addition, the Mint provides security for assets, including the government's reserves of gold and silver bullion, coins, and coinage metals. The Mint supports the Department of the Treasury's strategic objectives to: facilitate commerce by providing

trusted and secure U.S. currency, products, and services for use by the public (1.4); and, create a culture of service through relentless pursuit of customer value (5.4).

Vision

The Mint's vision is to become the finest mint in the world, through excellence in its people, products, customer service, and workplace. The Mint has the following four strategic goals to help it fulfill its vision and mission: 1) meet the Nation's need for circulating coins; 2) meet public demand for United States bullion coins; 3) responsibly expand the numismatic program; and 4) foster a safe, engaged, and innovative workforce.

FY 2016 Priorities

- Circulating Program - Efficiently and effectively mint and issue circulating coins in FY 2016 to meet the needs of the United States.
- Numismatic Program:
  1. Bullion Products – Efficiently and effectively mint and issue bullion coins to meet customer demand.
  2. Other Numismatic Products - Produce and distribute numismatic products in sufficient quantities, through appropriate channels, to make them accessible, available, and affordable to people who choose to purchase them. Design, strike, and prepare for the presentation of Congressional Gold Medals.
- Protection - Secure the Nation's gold reserves, silver reserves, and other assets.

Context

Since 1996, the Mint operations have been funded through the Mint Public Enterprise Fund (PEF), as codified at 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, and 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. Seigniorage, which is the net income from circulating operations, is used to reduce the Government's need to borrow. This results in a reduction in interest on the Federal debt from the borrowing that seigniorage displaces. The net income from numismatic program operations, including bullion coin program operations is available to fund other Federal Government operations and programs.

The Mint's budget receipts and outlays reflect the demand for, and sales of, circulating coins and numismatic products. In accordance with the PEF statute, proceeds from sales provide the Mint's funding source, fully covering budget outlays, which adjust as the necessary resources are engaged to fulfill prevailing demand. The vast majority (approximately 88 percent in FY 2016) of planned budget outlays are for procurement of metals and materials for conversion into finished goods. Accordingly, each fiscal year's budget outlays principally reflect the production volumes that correspond to prevailing demand, as well as raw material costs driven by prices on open commodities markets. The economic environment can significantly affect the Mint's budget outlays by influencing these two external factors.

Circulating
The FY 2016 circulating coin production projections depend on economic data and forecasts of FRB coin orders. A notable increase in quarter-dollar coin shipments increases the amount of seigniorage generated by this denomination.

Circulating financial performance continues to be affected by the costs of the inputs for producing the coinage. Since FY 2006, commodity prices for copper, nickel, and zinc have been at levels at which costs of the one-cent coins (pennies) and 5-cent coins (nickels) have exceeded their face value. The Mint expects the costs of these commodities to remain at levels that result in continued losses from issuing pennies and nickels to the FRBs at face value. Positive seigniorage from minting and issuing dime and quarter-dollar coins has fully offset the losses the Mint incurred from minting and issuing pennies and nickels. Although metal prices for these denominations have declined, this situation is expected to continue in FY 2016.

The production and circulation of currency in the United States have been largely unchanged for decades, despite the growth in electronic financial transactions. Treasury is continuing its comprehensive review of U.S. currency including a review of both the production and use of coins, in order to efficiently promote commerce in the 21st Century. This review includes alternative metals, the United States Mint facilities, and consumer behavior and preferences. Treasury expects to announce the results of its review this 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 high quality versions of coinage. Numismatic products are priced to cover metal and production costs. The Mint has implemented strategies to increase the program's efficiency and effectiveness while controlling costs and keeping prices as low as practicable.

Bullion Coins
The bullion coin program provides the public a means to acquire precious metal coins from authorized purchasers as part of an investment portfolio. Investors purchase bullion coins not only for their intrinsic metal value, but also because the United States guarantees each coin's metal weight, content, and purity. The main objective of the bullion coin program is to meet demand and ensure that the program recovers its costs.

In 2014, the compounded effect of decreased bullion demand and reduced prices of gold and silver (reductions of 16 percent and 25 percent, respectively) resulted in a decrease in revenues from $3.2 billion to $1.8 billion, a 44 percent reduction from FY 2013. In FY 2015, bullion demand is expected to increase to 52.7 million ounces from the 36.8 million ounces budgeted in FY 2014, and remain flat in FY 2016. The main driver of this is a large projected increase in investor demand for American Eagle Silver bullion coins, which increased 46% from 35.0 million ounces in the FY 2014 budget to 51.0 million ounces in the FY 2015 budget. Calendar year 2014 demand for American Eagle silver bullion coins hit a Mint record of 44.0 million coins. Demand for American Eagle silver coins continues to be very high. FY 2015 forecasted gold and silver prices are, respectively, 1 percent and 9 percent higher than FY 2014 average

prices. As a result, bullion revenue is forecasted at $2.6 billion in FY 2015 and expected to remain at that level in FY 2016.

The Mint, as the world's largest producer of gold and silver bullion coins, employs precious metal purchasing strategies that minimize or eliminate the financial risk that can arise from adverse market price fluctuations.

Numismatic (Collector Coins)

The numismatic (collector coins and medals) program provides high-quality versions of circulating coinage, precious metal coins, commemorative coins, and medals for sale to the public. A main objective of this program is to increase our customer base and foster sales while controlling costs and keeping prices as low as practicable. Most of the Mint's recurring products, such as the uncirculated coin sets and proof sets, are required by federal statute. Others, such as commemorative coins and Congressional Gold Medals, are required by individual public laws.

FY 2014 revenue decreased by two percent to $504 million from $512 million in FY 2013, driven by 16 percent and 25 percent decreases, respectively, in gold and silver spot prices. In FY 2015 and FY 2016, numismatic revenues are projected to be $479 million.

In FY 2015, the Mint will conduct a digital marketing campaign targeted to expand its customer base and increase numismatic unit sales. Based on extensive research and analysis, the Mint developed a marketing program that will reach new audiences and generate additional interest in numismatic products, resulting in new sales and potentially increased returns to the Treasury General Fund.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

United States Mint	FTE	Materials	Operating & Capital	Total
FY 2015 Estimated	**1,874**	**$3,168,200**	**$423,231**	**$3,591,431**
Changes to Base:				
Maintaining Current Levels (MCLs):	-	-	$7,233	$7,233
Pay-Raise	-	-	$2,040	$2,040
Pay Annualization	-	-	$522	$522
FERS Contribution Increase	-	-	$711	$711
Non-Pay	-	-	$3,960	$3,960
Efficiency Savings:	(100)	-	($6,257)	($6,257)
Reduction - Reduce Operating Costs	(100)	-	($6,257)	($6,257)
Subtotal Changes to Base	(100)	-	$976	$976
Total FY 2016 Base	**(100)**	**$3,168,200**	**$424, 207**	**$3,592,407**
Program Changes:				
Program Increases:	-	$2,900	-	$2,900
Metal Due to Forecast Increase in Circulating Coin Production	-	$2,900	-	$2,900
Total FY 2016 Estimated	**(100)**[1]	**$3,171,100**	**$424,207**	**$3,595,307**

[1]Aligns FTE with historical usage levels and production requirements

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ..... +$7,233,000 / +0 FTE

Pay-Raise +$2,040,000 / +0 FTE

Funds are required for the proposed January 2016 pay-raise.

Pay Annualization +$522,000 / +0 FTE

Funds are required for annualization of the proposed January 2015 pay-raise.

FERS Contribution Increase +$711,000 / +0 FTE

Funds are required for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +$3,960,000 / +0 FTE

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

Efficiency Savings ..... -$6,257,000 / -100 FTE

Reduction - Reduce Operating Costs -$6,257,000 / -100 FTE

The Mint will reduce its operating budget by continuing to monitor costs and implement various savings strategies. These strategies will be across all departments within the Mint. In addition, salary savings will be realized through position management control efforts.

Program Increases ..... +$2,900,000 / +0 FTE

Metal Due to Forecast Increase in Circulating Coin Production +$2,900,000 / +0 FTE

The Mint forecasts that demand for circulating coins will remain strong in FY 2015 and 2016, with forecasts at 12.3 billion coins in FY 2015. To meet the growth in demand, a $2.9 million increase for metal purchases is required.

2.2 – Operating Levels Table

Dollars in Thousands

United States Mint Object Classification	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
11.1 - Full-time permanent	125,605	146,569	144,656
11.3 - Other than full-time permanent	1,256	161	161
11.5 - Other personnel compensation	12,683	10,060	9,902
11.9 - Personnel Compensation (Total)	**139,544**	**156,790**	**154,719**
12.0 - Personnel benefits	44,347	50,919	56,845
13.0 - Benefits for former personnel	-260[1]	1,019	1,019
Total Personnel and Compensation Benefits	**$183,631**	**$208,728**	**$212,583**
21.0 - Travel and transportation of persons	1,603	1,897	1,866
22.0 - Transportation of things	29,504	27,319	26,877
23.1 - Rental payments to GSA	463	278	275
23.2 - Rental payments to others	13,115	14,662	14,425
23.3 - Communication, utilities, and misc charges	13,814	14,431	14,197
24.0 - Printing and reproduction	869	1,582	1,556
25.1 - Advisory and assistance services	80,037	34,347	33,889
25.2 - Other services	18,810	38,318	37,696
25.3 - Other purchases of goods & serv frm Govt accounts	19,049	20,764	20,427
25.4 - Operation and maintenance of facilities	4,567	3,250	3,197
25.5 - Research and development contracts	3,508	1,947	1,920
25.7 - Operation and maintenance of equip	7,486	8,048	7,917
26.0 - Supplies and materials	13,746	14,954	14,712
26.7 - Raw Materials	2,439,431	3,168,200	3,171,100
31.0 - Equipment	26,634	20,848	20,812
32.0 - Land and structures	5,356	11,858	11,858
42.0 - Insurance claims and indemnities	10	0	0
Total Non-Personnel	**2,678,002**	**3,382,703**	**3,382,724**
Total Budgetary Resources	**$2,861,633**	**$3,591,431**	**$3,595,307**
Budget Activities:			
Manufacturing	2,861,633	3,591,431	3,595,307
Total Budgetary Resources	**$2,861,633**	**$3,591,431**	**$3,595,307**
FTE[2]	**1,661**	**1,874**	**1,774**

[1] Includes an adjustment related to prior year activity

[2] Aligns FTE with historical usage levels and production requirements

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY UNITED STATES MINT PUBLIC ENTERPRISE FUND **Federal Funds** Pursuant to section 5136 of title 31, United States Code, the United States Mint is provided funding through the United States Mint Public Enterprise Fund (PEF) for costs associated with the production of circulating coins, numismatic coins, and protective services, including both operating expenses and capital investments. The aggregate amount of new liabilities and obligations incurred during fiscal year [2015] *2016* under such section 5136 for circulating coinage and protective service capital investments of the United States Mint shall not exceed *$20,000,000*.	

2C – Legislative Proposals

Coinage Materials Modernization Act (CMMA)

The Coin Modernization, Oversight and Continuity Act (Public Law 111-302), which was signed into law on December 14, 2010, provides the Secretary research and development authority; it does not give the Secretary the flexibility and agility to approve coinage materials that would result in significant long- and short-term savings to the taxpayers. Requiring legislation for each change in coin composition will greatly slow the process. As metal prices are extremely volatile, the delay incurred by proposing and passing legislation could result in the new compositions being outdated by the time of their enactment.

Commodity metal prices have been at levels sufficient for production costs to exceed the face value of pennies and nickels since FY 2006. These same metal prices may also reduce the seigniorage from other circulating coinage denominations.

The Mint is proposing legislative changes that would modernize the Nation's coinage materials for the first time since 1965. Specifically, these changes would amend 31 U.S.C. § 5112(a)-(c) to grant the Secretary the same authority he currently possesses with respect to the $1 coin—that is, the authority to prescribe the weights and compositions of all circulating coins, and to provide the Secretary flexibility to change the composition of coins to more cost-effective materials.

The proposed amendments would allow the Secretary to explore, analyze, and approve new, less expensive materials for all circulating coins based on factors that he determines to be appropriate. Such factors may include physical, chemical, metallurgical and technical characteristics; material, fabrication, minting, and distribution costs; material availability and sources of raw materials; coinability; durability; effects on sorting, handling, packaging and vending machines; risks to the environment and public safety; appearance; resistance to counterfeiting; and commercial and public acceptance.

Sec. 122. Section 5112 of title 31, United States Code, is amended as follows—

(a) in subsection (a)(2) by striking "and weighs 11.34 grams";

(b) in subsection (a)(3) by striking "and weighs 5.67 grams";

(c) in subsection (a)(4) by striking "and weighs 2.268 grams";
(d) in subsection (a)(5) by striking "and weighs 5 grams";
(e) in subsection (a)(6) by striking "except as provided under subsection (c) of this section," and "and weighs 3.11 grams";
(f) in subsection (b) by striking the first, second, third, fourth, sixth, seventh, and eighth sentences, and by striking "metallic,"; and
(g) in subsection (c) by amending the subsection to read as follows—

a. "The Secretary shall prescribe the weight and the composition of the dollar, half-dollar, quarter-dollar, dime, 5-cent, and one-cent coins. In prescribing the weight and the composition of the dollar, half-dollar, quarter-dollar, dime, 5-cent and one cent coins, the Secretary shall consider such factors that the Secretary considers, in the Secretary's sole discretion, to be appropriate."

(h) in subsection (r)(5) by inserting "for circulation" after both instances of "minted and issued."
(i) in subsection (t)(6)(B) by striking "90 percent silver and 10 percent copper" and inserting "no less than 90 percent silver."

Eliminate the 20 percent requirement in the Native American $1 Coin Act

This legislative proposal also seeks to limit the requirement that the number of $1 coins minted and issued in a year with the Sacagawea design on the obverse be not less than 20 percent of the total number of $1 coins minted and issued for circulation. Approval of this proposal would allow the Mint to mint and issue all $1 coins in amounts necessary to meet public demand for coins of each particular design. In late 2011, to address the excessive $1 coin inventories at the FRBs, the Secretary of the Treasury suspended the minting of Presidential $1 Coins for circulation. As a result, the Mint fulfills all demand for new Presidential $1 Coins through its numismatic sales channels. Numismatic demand for new Native American $1 Coins, however, is significantly lower than numismatic demand for Presidential $1 Coins, making it impracticable for the Mint to comply with the 20 percent requirement. As a consequence, limiting the 20 percent requirement to circulating coins is sensible at this time because it avoids the need to mint and issue Native American $1 Coins in excess of the amounts that numismatic customers demand.

Sec. 123. Section 5113(a) of title 31, United States Code, is amended by—

(a) striking "and" after "quarter dollar" and inserting after the word "dime" ", 5-cent, and one-cent"; and
(b) striking the second and third sentences.

Silver Proof Set Coin Composition

The bureau recommends pursuing a change to the law such that the coins in silver proof sets would be required to be no less than 90 percent silver. Under current law, the half-dollar, quarter-dollar, and dime coins in silver proof sets “shall be made of an alloy of 90 percent silver and 10 percent copper.” Allowing the Mint to have flexibility in this composition would improve efficiency in the process of manufacturing silver proof sets and lower the Mint’s production costs for these products. This translates into savings that would be passed on to the customer.

Sec. 124. Section 5132(a)(2)(B)(i) of title 31, United States Code, is amended by striking "90 percent silver and 10 percent copper" and inserting "no less than 90 percent silver."

Section 3 – Budget and Performance Plan

3A – Manufacturing

($3,595,307,000 from expenses/obligations):

The Mint has one budget activity: Manufacturing. This budget activity supports Treasury's strategic objective to "Facilitate commerce by providing trusted and secure U.S. currency, products, and services for use by the public." This budget activity encompasses the bureau's two major programs: Circulating coinage and numismatic products, including bullion coins and national medals.

Circulating Coinage Program

Circulating coinage includes the minting and issuing of pennies, nickels, dimes, and quarter-dollars. The Mint delivers circulating coinage to FRBs in quantities to support their service to commercial banks and other financial institutions. These financial institutions then meet the coinage needs of retailers and the public. The Mint recognizes revenues from the sale of circulating coins at face value when they are shipped to the FRBs.

The Mint will continue to mint and issue circulating quarter-dollar coins honoring America's national parks and other national sites, in accordance with the America's Beautiful National Parks Quarter Dollar Coin Act of 2008 (Public Law 110-456). In 2015, the Mint will release quarters honoring Homestead National Monument of America (Nebraska), Kisatchie National Forest (Louisiana), Blue Ridge Parkway (North Carolina), Bombay Hook National Wildlife Refuge (Delaware), and Saratoga National Historical Park (New York). In 2016, the Mint will release quarters honoring Shawnee National Forest (Illinois), Cumberland Gap National Park (Kentucky), Harpers Ferry National Park (West Virginia), Theodore Roosevelt National Park (North Dakota), and Fort Moultrie (Fort Sumter National Monument) (South Carolina).

Numismatic Program

Bullion Coins

The Mint produces and issues gold, silver, and platinum bullion coins to authorized purchasers through the American Eagle, American Buffalo, and America the Beautiful Silver Bullion Coin Programs to fulfill investor demand. The authorized purchasers agree to maintain an open, two-way market for these coins, ensuring their availability for consumers who desire them for investment portfolios. Demand for bullion coins is greatly influenced by the performance of other investment options, such as equities or currency markets, and therefore is highly unpredictable. The content and purity of the precious metal in the bullion coins are backed by the United States Government.

Other Numismatic Products

The Mint's numismatic program provides high-quality versions of circulating coinage, precious metal coins, commemorative coins, and medals for sale directly to the public. For some numismatic products, authorizing legislation specifies program requirements, such as design theme, mintage level, and duration of product availability. Other programs are structured by law to grant the Secretary of the Treasury discretion in determining product specifications.

The Mint will continue to mint and issue numismatic versions of $1 coins honoring the Nation's past Presidents in accordance with the Presidential $1 Coin Act of 2005 (Public Law 109-145). In 2015, the Mint will release Presidential $1 Coins honoring Presidents Harry S. Truman, Dwight D. Eisenhower, John F. Kennedy, and Lyndon B. Johnson. In 2016, the Mint will release Presidential $1 Coins honoring Presidents Richard M. Nixon, Gerald R. Ford, and Ronald W. Reagan. The Mint will also continue to mint and issue $1 coins celebrating the important contributions made by Indian tribes and individual Native Americans to the development and history of the United States in accordance with the Native American $1 Coin Act (Public Law 110-82).

Commemorative coins are authorized by law to recognize and honor people, places, events, institutions, and other subjects of historic or national significance. Each coin is minted and issued by the Mint in a limited quantity and is available only for a limited time. Included in the price is a surcharge that is authorized to be paid to the designated recipient organizations, assuming all legal requirements have been met. Recipient organizations must use the proceeds for the purposes specified in the enabling legislation. In FY 2015 the Mint is scheduled to mint two commemorative coins: one to commemorate the 75th anniversary of the establishment of the March of Dimes Foundation and the other to commemorate the 225th anniversary of the establishment of the United States Marshals Service. In FY 2016, the Mint has authorization to mint one commemorative coin through the Mark Twain Commemorative Coin Act (Public Law 112-201).

Total Budgetary Requirements *(all programs)*
In FY 2016, the United States Mint's total estimated budgetary requirements for operating, metal, and capital investments are $3,595 million.

Description of Performance:
The Mint uses several key performance measures to gauge progress in achieving its strategic goals and to assess its Manufacturing Budget Activity performance.

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 circulated coinage shipped to the FRBs. It measures the Mint's cost effectiveness of minting and issuing the United States' circulating coinage. The Mint's strategic goal for this program is "Meet the nation's need for circulating coins."

The FY 2014 seigniorage per dollar issued was $0.37, above the performance target of $0.24. Performance results exceeded the target mainly because of a 23 percent increase in FRB orders for circulating quarter-dollar coins compared to initial budget estimates. Additionally, lower costs than forecast for copper, nickel, and zinc, and reduced general and administrative expenses, have also contributed to the higher performance.

FY 2015 and FY 2016 seigniorage per dollar issued and overall seigniorage are expected to remain flat when compared to the original FY 2014 target. The performance target for seigniorage per dollar issued is $0.24 for FY 2015 and for FY 2016.

Customer Satisfaction Index (CSI)
The Mint conducts a quarterly survey of a random sample of active numismatic customers. The survey is intended to capture customer satisfaction with the Mint's service performance as a coin products supplier and with the quality of specific products. The CSI is a single quantitative score of the survey results. The Mint's strategic goal for this program is to "Responsibly expand the numismatic program."

In FY 2014, the CSI reached 89.8 percent, slightly below the target of 90.0 percent.
The performance target for CSI is 90.0 percent for FY 2015 and for FY 2016. The Mint plans to improve on the level of customer satisfaction, as the bureau implemented a new order management system on October 1, 2014. The new system replaced an outdated system that could not support the modern functionality necessary to serve today's numismatic customers efficiently and effectively. The new system aims to provide improved functionality and customer service capabilities, and its scope will cover the entire Mint numismatic program.

Safety Incident Recordable Rate
The safety incident recordable rate is the number of injuries and illnesses meeting the Occupational Safety and Health Administration recording criteria per 100 full-time workers. It measures the occurrence of work-related incidents involving death, lost time and restricted work, loss of consciousness, and medical treatment. The Mint's strategic goal for this is "Foster a safe, engaged, productive and valued workforce."

The FY 2014 total recordable case rate was 3.31, which is above the 3.05 target but well below the industry average rate of 6.8 for metal stamping manufacturers. Material handling injuries (slips, trips, and falls) accounted for the majority of reported incidents for the fiscal year.

The performance target for safety incident recordable rate is 2.96 for FY 2015 and for FY 2016. To help achieve these targets, the Mint created management safety steering teams to continually reinforce a culture of operating safely for all its employees, and recently appointed an executive corporate safety officer. The Mint will track facility-specific data to gain a more detailed understanding of the drivers of recordable safety incidents.

Numismatic Sales Units
The numismatic sales unit metric measures public demand for coin products sold from numismatic operations. The Mint's strategic goal for this program is to "Responsibly expand the numismatic program." Increased unit sales would demonstrate greater public awareness of, and demand for, coin products produced by the Mint. Increases in units sold would also potentially reduce product unit costs, as fixed costs would be spread over a greater number of units.

In FY 2014, the Mint sold 5.7 million units. The increase compared to plan was driven by an 808,000 unit increase in the commemorative coin product category, resulting from National Baseball Hall of Fame Commemorative Coin Program product sales.

Numismatic product sales for FY 2014 were 5.7 million units, which exceeded the target level of 5.4 million units. The increase was based on the sales of new products, such as the National Baseball Hall of Fame Commemorative Coins and the 50th Anniversary Kennedy Half-Dollar products.

A performance target for numismatic product sales has been established at 5.6 million units for FY 2015 and FY 2016. The Mint will continue improvement efforts in the areas of products, promotion, distribution, and systems to achieve responsible growth in numismatic product sales.

3.1.1 – Manufacturing Budget and Performance Plan

Dollars in Thousands

Manufacturing Budget Activity Resource Level	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
Expenses/Obligations	$2,215,903	$3,624,483	$4,623,384	$3,806,838	$3,525,178	$2,861,632	$3,591,431	$3,595,307
Budget Activity Total	**$2,215,903**	**$3,624,483**	**$4,623,384**	**$3,806,838**	**$3,525,178**	**$2,861,632**	**$3,591,431**	**$3,595,307**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Customer Satisfaction Index (%)	88.3	86.1	91.7	90.0	92.6	89.8	90.0	90.0
Numismatic Sales Units (Million Units)	N/A	N/A	7.3	5.6	5.51	5.7	5.6	5.6
Safety Incident Recordable Rate	N/A	2.29	2.74	3.5	2.9	3.31	2.96	2.96
Seigniorage per Dollar Issued ($)	.55	.49	.45	.21	.24	.37	.24	.24

Key: DISC - Discontinued and B - Baseline

Section 4 – Supplemental Information

4A – Summary of Capital Investments

The Mint is a non-appropriated manufacturing bureau whose primary mission is to produce coinage in amounts that the Secretary of the Treasury decides are necessary to meet the needs of the United States. Its capital investment requirements are predominantly for manufacturing-type equipment. Capital investments, along with its operating expenses, are paid out of its PEF. The aggregate amount of new liabilities and obligations incurred during the budget fiscal year for capital investments in circulating coinage operations and protective service conforms to a legislative limitation for these capital projects. As such, the Mint's long-range planning process is designed to address its capital needs while maintaining spending within legislative limitations.

The Mint's manufacturing capital investment projects focus on manufacturing improvements, such as development of new coin designs, automation of packaging lines, and facilities safety and improvements.

In addition, the Mint's capital investments encompass a robust information technology (IT) portfolio that focuses on the optimization of formal governance structures to manage IT investments and programs in an effort to emphasize reductions in system redundancy and to modernize the IT system infrastructure. Enterprise architecture reviews ensure alignment of IT investments to the bureau's strategic plans and the strategic enterprise direction of the Department of the Treasury. IT investments are closely monitored for cost, schedule, and performance to ensure expected results and benefits are achieved.

In accordance with the Statement of Federal Financial Accounting Standard (SFFAS) No. 6, the Condition Index and the Deferred Maintenance assessments for purposes of Federal Real Property Profile, the Mint has no deferred maintenance for its equipment. Maintenance is scheduled and performed regularly to keep the manufacturing equipment operating at optimal levels.

Total Capital Investments Plan

Capital IT/Non-IT Summary Category	FY 2014 Estimated	FY 2015 Estimated	FY 2016 Estimated
Non-IT Investments	$28,743,000	$28,343,000	$28,343,000
IT Investments	$1,725,000	$2,125,000	$2,125,000
Total Investments	**$30,468,000**	**$30,468,000**	**$30,468,000**

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

Office of the Comptroller of the Currency

FY 2016
President's Budget

February 2, 2015

Table of Contents

Section 1 – Purpose 3
1A – Mission Statement 3
1.1 – Resource Detail Table 3
1B – Vision, Priorities and Context 3
Section 2 – Budget Adjustments and Appropriation Language 14
2.2 – Operating Levels Table 14
2C – Legislative Proposals 14
Section 3 – Budget and Performance Plan 15
3A – Supervise 15
3.1.1 – Supervise Budget and Performance Plan 18
3B – Regulate 19
3.1.2 – Regulate Budget and Performance Plan 20
Section 4 – Supplemental Information 22
4A – Summary of Capital Investments 22

Section 1 – Purpose

1A – Mission Statement

To ensure that national banks and federal savings associations operate in a safe and sound manner, provide equal access to financial services, treat customers fairly, and comply with applicable laws and regulations.

1.1 – Resource Detail Table

Dollars in Thousands

Office of the Comptroller of the Currency	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
Budgetary Resources	**Estimated**		**Estimated**		**Estimated**		**$ Change**		**% Change**	
	FTE	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Revenue/Offsetting Collections										
Assessments	0	1,007,316	0	1,106,200	0	1,140,500	0	34,300	.00	3.10%
Interest	0	15,831	0	17,100	0	17,400	0	300	.00	1.75%
Other Income	0	15,703	0	18,600	0	18,800	0	200	.00	1.08%
Unobligated Balances from Prior Years	0	1,076,391	0	1,101,432	0	1,152,632	0	51,200	.00	4.65%
Total Revenue/Offsetting Collections		**2,115,241**		**2,243,332**		**2,329,332**		**86,000**		**3.83%**
Expenses/Obligations										
Supervise	3,412	889,111	3,472	956,544	3,472	975,675	0	19,131	N/A	2.00%
Regulate	405	105,436	412	113,433	412	115,702	0	2,269	N/A	2.00%
Charter	74	19,262	75	20,723	75	21,137	0	414	N/A	2.00%
Total Expenses/Obligations	**3,891**	**1,013,809**	**3,959**	**1,090,700**	**3,959**	**1,112,514**	**0**	**21,814**	**N/A**	**2.00%**
Net Results		**1,101,432**		**1,152,632**		**1,216,818**		**64,186**		**5.57%**

1B – Vision, Priorities and Context

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

As of September 30, 2014, the OCC supervised 1,152 national bank charters and 49 federal branches of foreign banks in the United States with total assets of approximately $10.2 trillion, and 462 federal savings associations (which include 174 mutual institutions) with total assets of approximately $701 billion. In total, the OCC supervises about $10.9 trillion in financial institution assets.

OCC Vision, Core Values, and Goals

Vision

The OCC is a preeminent bank supervisor that adds value through proactive and risk based supervision; is sought after as a source of knowledge and expertise; and promotes a vibrant and diverse banking system that benefits consumers, communities, businesses, and the U.S. economy.

The OCC culture is flexible, accountable, strategy-based, and data-driven. The OCC team of dedicated professionals uses substantive expertise, sound judgment, and comprehensive experience to assess the financial condition, management, and regulatory compliance of national banks and federal savings associations to ensure a vibrant and diverse banking system that benefits all Americans.

Core Values

- Integrity
- Expertise
- Collaboration
- Independence

Goals

The OCC has established three goals outlined in its strategic plan that help support a strong economy for the American public: 1) A vibrant and diverse system of national banks and federal savings associations that supports a robust U.S. economy; 2) "One OCC" focused on collaboration, innovation, coordination, and process efficiency; 3) The OCC is firmly positioned to continue to operate independently and effectively into the future. To achieve its goals and objectives, the OCC organizes its activities under three programs: 1) Supervise, 2) Regulate, and 3) Charter. Effective supervision and a comprehensive regulatory framework are the key tools that the OCC uses to ensure that national banks and federal savings associations operate in a safe and sound manner and that they provide fair access to financial services and fair treatment of their customers. A robust chartering program allows new entrants into the financial services sector while ensuring that they have the necessary capital, managerial, and risk management processes to conduct activities in a safe and sound manner.

The OCC's priorities focus on strengthening the resiliency of the institutions subject to its jurisdiction through its supervisory and regulatory programs and activities. A stronger and more resilient banking system directly supports three of the Department of the Treasury's FY 2014-2017 (Treasury) strategic goals: 1) Promote domestic economic growth and stability while continuing reforms of the financial system; 4) Safeguard the financial system and use financial measures to counter national security threats; and 5) Create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction.

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[1]. 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.

In supervising banks, the OCC has the power to:

- Examine banks;
- Approve or deny applications for new charters, branches, capital, or other changes in corporate or banking structure;
- Take supervisory and enforcement actions against banks that do not comply with laws and regulations or that otherwise engage in unsafe or unsound practices;
- Remove and prohibit officers and directors, negotiate agreements—both formal (i.e., public)
- and informal (i.e., non-public)—to change banking practices, and issue cease-and-desist orders as well as Civil Money Penalties (CMP); and
- Issue rules and regulations, legal interpretations, supervisory guidance, and corporate decisions governing investments, lending, and other practices.

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.

Supervisory Activities

The OCC influences the banking system using several means: 1) policy guidance and regulations that set forth standards for sound banking practices; 2) on-site examinations and ongoing off-site monitoring that enable the OCC to assess compliance with those standards and to identify emerging risks or trends; and 3) a variety of supervisory and enforcement tools – ranging from matters requiring the attention of the financial institution's board and management to informal and formal enforcement actions – that are used to obtain corrective action to remedy weaknesses, deficiencies, or violations of law.

In fiscal year (FY) 2014, the OCC published on its web site enforcement actions against regulated institutions, including the imposition of CMPs. The OCC continues to be actively involved in the residential foreclosure oversight process to ensure that all foreclosures are handled consistent with regulatory requirements. In addition, over the past year, the OCC took significant enforcement actions to address Bank Secrecy Act/Anti-Money Laundering (BSA/AML) violations, unfair or deceptive or abusive acts or practices, and failure to properly manage vendors engaged in deceptive debt collection practices.

The OCC's supervisory activities in FY 2014 continued to focus on evaluating and strengthening the quality of banks' risk management to identify, measure, monitor, and control the build-up of risk, both on-and off-balance sheet. A primary focus of on-site supervisory activities was the quality of banks' risk management and corporate governance practices. Specific areas of supervisory activities included: 1) evaluating the effectivness of credit risk rating systems, and

[1] The Consumer Financial Protection Bureau assesses compliance with Federal consumer financial laws as defined under Title X of the Dodd Frank Wallstreet Consumer Protection Act for banks with assets over $10 billion.

the adequacy of underwriting standards and allowance for loan and lease reserve methodologies; 2) assessing banks' strategic and business making decision processes to determine that banks comprehensively identify, assess and report all risks arising from cost reduction programs, use of third party vendors, and expansion into new products or services; 3) evaluating banks' interest rate risk exposures and model assumptions; and 4) identifying and controlling cyber-security threats.

Operational risk management – managing the risk of loss due to failures of people, processes, systems, and external events – has become an area of heightened risk and supervisory attention. Strong enterprise risk management processes have been and will continue to be a point of emphasis, particularly at larger institutions. In addition, the OCC continues to assess and address supervisory issues in the areas of fair lending, consumer protection, BSA/AML, and information security.

In addition to its ongoing supervisory activities, the OCC undertook the following initiatives in FY 2014:

- *Heightened Standards for Large Banks:* The OCC issued final guidelines that set forth new standards of "heightened expectations" to strengthen the governance and risk management practices of large national banks and federal savings associations and to enhance the agency's supervision of those institutions. The standards, in the form of guidelines under 12 Code of Federal Register (CFR) part 30 of the agency's regulations, set forth the minimum expectations for the design and implementation of an institution's risk governance framework and provide minimum standards for oversight of that framework by the board of directors. The standards embody and codify lessons learned from the financial crisis that the OCC has been applying to large banks. The guidelines apply to any insured national bank, insured federal savings association, or insured federal branch of a foreign bank, with average total consolidated assets of $50 billion or more. The guidelines also apply to an OCC-regulated institution with less than $50 billion in average total consolidated assets if that institution's parent company controls at least one other covered institution.

- *Large and Midsize Bank Supervision Peer Review:* An international peer review team, consisting of former senior supervisory personnel from Australia, Canada, Singapore, and the International Monetary Fund, reviewed the OCC's approach to the supervision of large and mid-sized institutions. The assessment included briefings with senior OCC staff and meetings with bankers and non-OCC regulators, and was based on the team's understanding of successful supervisory practices in their respective countries. This team provided seven key recommendations to strengthen the supervisory process. Two working groups were formed (Policy Enhancement and Process Improvement) to review the recommendations in the Peer Review report and develop specific proposals based on the recommendations. Employee feedback was considered by the working groups prior to providing their final draft proposals to the Comptroller and the OCC Executive Committee, with detailed action plans to implement those proposals. Work is underway to implement the agreed upon actions.

- *Independent Foreclosure Review (IFR):* The OCC and the Federal Reserve Board (FRB) previously amended consent orders against 15 mortgage servicers for deficient practices in mortgage servicing and foreclosure processing. During FY 2014, servicers covered by

mortgage servicing and foreclosure related consent orders continued to take action to correct deficiencies in mortgage servicing and foreclosure processes as directed by the OCC and FRB enforcement actions. While servicers reported that much of that work was complete, federal examiners continued the process of verifying and testing that work. In addition, pursuant to the amended consent orders that resolved the IFR, nearly $3.4 billion in payments to eligible borrowers under the settlement funds supervised by the OCC and FRB have been cashed or deposited through the end of the fourth quarter of FY 2014, which is approximately 86 percent of total amount of settlement funds. In addition, over $11 million in remediation payments to borrowers of the one OCC-regulated institution that completed the IFR have been cashed or deposited by the end of the fourth quarter of FY 2014, which is approximately 88 percent of the total expected remediation.

- *Final Rules to Implement the "Volcker Rule":* The OCC worked collaboratively with the FRB, the Federal Deposit Insurance Corporation (FDIC), the Securities and Exchange Commission (SEC), and the Commodity Futures Trading Commission (CFTC) to adopt rules implementing section 619 of the Dodd-Frank Act, commonly referred to as the Volcker Rule. The final rules generally prohibit banking entities from 1) engaging in short-term proprietary trading of securities, derivatives, commodity futures and options on these instruments for their own account and 2) owning, sponsoring, or having certain relationships with hedge funds or private equity funds, referred to as 'covered funds.' Transitional examination procedures were also implemented to assist examiners in assessing how financial institutions plan to conform to the rule.

- *Third Party Relationship Guidance*: To address concerns regarding the quality of risk management on the growing volume, diversity, and complexity of banks' third-party relationships, both foreign and domestic, the OCC issued OCC Bulletin 2013 – 29, "Third Party Relationships: Risk Management Guidance". This guidance provides more comprehensive instructions for banks to ensure these relationships and activities are conducted in a safe and sound manner.

- *Guidance on Stress Testing Practices:* In October 2012, the OCC issued a final rule that implements section 165(i) of the Dodd-Frank Act that requires certain companies to conduct annual stress tests. Specifically, this rule requires national banks and federal savings associations with total consolidated assets over $10 billion (covered institutions) to conduct an annual stress test as prescribed by the rule. In March 2014, the OCC, along with the FDIC and FRB, issued final guidance describing supervisory expectations for stress tests conducted by financial companies with total consolidated assets between $10 billion and $50 billion. These companies were required to perform their first stress test by March 31, 2014.

- *Guidance on Deposit Advance Products:* In December 2013, the OCC issued final guidance on the use of deposit advance products. A deposit advance product is a small-dollar, short-term loan that a bank makes available to a customer whose deposit account reflects recurring direct deposits. The guidance addresses how any bank offering these products may do so in a safe and sound manner without engaging in practices that would inappropriately increase credit, compliance, legal, and reputation risks to the institution.

- *Guidance on Consumer Debt Sales:* In August 2014, the OCC issued guidance on the application of consumer protection requirements and safe and sound banking practices to consumer debt-sale arrangements with third parties (e.g., debt buyers) that intend to pursue collection of the underlying obligation.

- *Guidance on the Use of Social Media:* Technological advancements allow financial institutions to use social media in a variety of ways, including marketing; facilitating applications for new accounts, products, or services; and engaging with existing and potential customers. Because this form of customer interaction tends to be both informal and dynamic, and may occur in a less secure environment, it can present unique risks to financial institutions. In December 2013, the OCC, in collaboration with the other members of the Federal Financial Institutions Examination Council (FFIEC), published final supervisory guidance to help financial institutions identify potential risks to ensure they are aware of their responsibilities to address these risks within their overall risk management program.

- *Enhanced Supplemental Leverage Ratio Requirements:* In April 2014, the OCC, along with the FDIC and FRB adopted a final rule to strengthen the supplementary leverage ratio standards for the largest, most systemically significant U.S. banking organizations. The final rule applies to any Bank Holding Company (BHC) with more than $700 billion in consolidated total assets or $10 trillion in assets under custody (covered BHC) and any Insured Depository Institution (IDI) subsidiary of these covered BHCs (covered IDI). Concurrent with this final rule, the agencies issued a proposal to revise the calculation of total leverage exposure (the denominator of the supplementary leverage ratio) in a manner generally consistent with revisions to the international leverage ratio framework published by the Basel Committee on Banking Supervision. A final rule adopting these proposed changes was issued in September 2014.

- *Risk Management of Home Equity Lines of Credit (HELOC) Approaching the End-of-Draw Periods*: In conjunction with the FFEIC and Conference of State Bank Regulators, the OCC issued guidance describing core operating principles that should govern management's oversight of HELOCs nearing their end-of-draw periods. The guidance also describes components of a risk management approach that promotes an understanding of potential exposures and consistent, effective responses to HELOC borrowers who may be unable to meet contractual obligations, and highlights concepts related to financial reporting for HELOCs.

- *The OCC National Risk Committee's Semi-Annual Risk Perspectives:* The OCC continued to produce this informative semi-annual report that highlights the OCC's perspectives on key issues and risks that pose threats to the safety and soundness of banks. The report draws upon the findings of the OCC's supervisory activities and analyses of the banking industry.

- *Strengthening Cyber-Security Risk Management:* The OCC created and filled a new position, Senior Infrastructure Officer, whose focus is cyber-security policy for the federal banking system. Actions taken to improve the cyber-security of the federal banking system include a webinar for community banks, the issuance of an alert on distributed denial-of-service attacks, and reviews of examiner handbooks, procedures, and training materials to

ensure that, as threats evolve, all national banks and federal savings associations can identify cyber risks and strengthen their risk management and control systems. Under the Comptroller's leadership as the chair, the FFIEC established a Cyber-security and Critical Infrastructure Working Group to work with financial institutions and their critical service providers to effectively identify, assess, and mitigate cyber-security risks. During the summer of 2014, FFIEC members piloted the Cybersecurity Assessment, a cybersecurity examination work program at more than 500 community institutions, to evaluate those institutions' preparedness to mitigate cybersecurity risks. An overview of key observations from these assessments was published in November 2014.

Enforcement Activities

As needed, the OCC uses its enforcement authority to ensure that national banks and federal savings associations operate in a safe and sound manner and in compliance with laws and regulations. This authority comes in the form of formal and informal enforcement actions.

The OCC also issued standards that it will use when it requires national banks, federal savings associations, or federal branches or agencies (collectively, banks) to employ independent consultants as part of an enforcement action to address significant violations of law, fraud, or harm to consumers.

The OCC issued 75 formal enforcement actions against regulated institutions and 177 informal enforcement actions against institution-affiliated parties in FY 2014, resulting in the assessment of over $380 million in civil money penalties and over $85 million in required restitution. Significant enforcement activities in FY 2014 included, among others:

- Actions against banks that failed to maintain effective Bank Secrecy Act/Anti-Money Laundering (BSA/AML) programs and file complete, timely, and accurate suspicious activity reports (SAR). Among those actions was a $350 million CMP against three affiliated banks following a 2013 cease-and-desist order in which the banks were ordered to correct deficiencies in their compliance programs. The OCC also collaborated on BSA enforcement-related activities with other federal agencies and law enforcement entities such as the Financial Crimes Enforcement Network.

- The OCC's use of its authority under the Federal Trade Commission Act in 2014 to stop unfair and deceptive add-on consumer products, which some banks offered through marketing agreements with third-party vendors. Banks were cited for offering debt cancellation products that did not always cover the consumer's minimum monthly loan payment, as promised, and for identity theft protection products that did not deliver the promised benefits. Because these cases involved third parties, the OCC's consent orders also required the cited banks to develop and submit risk management plans for add-on consumer products marketed or sold by the banks or their vendors.

The OCC supervision and enforcement staff also work closely with their Consumer Finance and Protection Board counterparts on matters affecting OCC-regulated entities.

Regulatory Activities
The OCC's strategic objectives emphasize regulatory oversight practices that support national banks' and federal savings associations' ability to compete while maintaining safety and soundness. In addition, the OCC will continue its legal work of analysis and interpretation of national bank and federal savings association powers and authorities.

The OCC devoted a significant amount of resources in FY 2014 to regulatory activities relating to implementation of the Dodd-Frank Act, Basel III, and participating on the Financial Stability Oversight Council. In addition to the Volcker and supplemental leverage ratio rules, described above, the OCC, in conjunction with the FRB and FDIC proposed and issued a final rule to strengthen liquidity risk management in all internationally active banking organizations, including bank holding companies, certain savings and loan holding companies, and depository institutions with more than $250 billion in total assets or more than $10 billion in on-balance sheet foreign exposure, and to their consolidated subsidiaries that are depository institutions with $10 billion or more in total consolidated assets. The rule is generally consistent with the Basel Committee's liquidity coverage ratio standard.

The OCC, FRB, FDIC, SEC, Federal Housing Finance Agency, and the U.S. Department of Housing and Urban Development made revisions to a proposed rulemaking to implement the credit risk retention requirements of section 15G of the Securities Exchange Act of 1934 (15 USC 78o-11), as added by section 941 of the Dodd Frank Act. The proposal will require sponsors of asset-backed securities to retain at least five percent of the credit risk of the assets underlying the securities and would not permit sponsors to transfer or hedge that credit risk. A final rule was adopted by the agencies in October 2014.

The OCC also worked with other relevant agencies to implement various provisions of the Dodd-Frank Act relating to mortgage appraisal requirements, appraisal requirements for higher-priced mortgages, and minimum requirements for state registration and supervision of appraisal management companies.

Charter Activities
The OCC processed 2,624 corporate applications and notices in FY 2014, of which 98 percent were completed within required timeframes. In order to address potential safety and soundness problems before they arise, the OCC may impose conditions upon bank transaction approvals covering, for example, capital and liquidity arrangements and deviations from business plans. The OCC continues to receive and process a significant share of applications involving resolution of problem financial institutions.

FY 2015 and 2016 Priorities
A major focus of the OCC's supervisory, regulatory, and administrative programs for FY 2015 and for FY 2016 will be implementing applicable provisions of the Dodd-Frank Act and the enhanced capital framework under Basel III. Work will also continue to fully integrate the applicable regulatory, supervisory policy and examination platforms for national banks and federal savings associations and to ensure that these institutions comply with applicable new statutory and regulatory requirements. In addition, the OCC and the other federal banking agencies are commencing a review of the burden imposed on community institutions by existing

regulations pursuant to the decennial review required by the Economic Growth and Regulatory Paperwork Reduction Act of 1996.

The OCC is observing signs that credit risk is building, including erosion in the underwriting standards for syndicated leveraged loans, and loosening of standards in the indirect auto market. Therefore, the OCC will continue to closely evaluate current underwriting standards by conducting targeted underwriting examinations and completing the annual underwriting survey. The OCC will be working to implement recommended actions arising out of the Large and Midsize Supervision Peer Review project and will also continue efforts to implement its strategic initiatives to make the OCC a stronger and more effective organization. Priorities and activities include the following:

- Conduct examinations based on the risk profile of individual national banks and federal savings associations to ensure they are safe and sound, sufficiently capitalized, and comply with consumer protection laws and regulations;
- Assess the adequacy of national banks and federal savings associations credit, liquidity, internal controls, compliance, and corporate governance processes and require corrective action when deficiencies or undue risk concentrations are found;
- Monitor and assess the effectiveness of national bank and federal savings association mortgage servicers' loan modification and foreclosure actions, including needed actions to improve the corporate governance of their processes;
- Resolve problem national banks and federal savings associations situations effectively by identifying problems at the earliest possible stage, clearly communicating concerns and expectations to bank management through appropriate enforcement actions, and ensuring timely follow-up on needed corrective actions;
- Determine whether national banks and federal savings associations have required risk management, internal controls, operational processes and capital to support planned new or expanded lines of business;
- Determine whether national banks and federal savings associations establish and maintain incentive compensation policies that are consistent with principles of safety and soundness and do not encourage imprudent risk-taking;
- Work with other domestic and international supervisors to implement stronger capital and liquidity requirements and more robust risk management standards for large financial institutions;
- Enhance the OCC's ability to anticipate, identify, and respond to increases in risk and emerging issues through improved supervisory analytical tools, stress testing, and market intelligence capabilities;
- Combat fraud and money laundering, and protect the integrity of the financial system through national banks' and federal savings associations' compliance with the BSA/AML, and Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act laws and regulations;
- Continue to work with Treasury and other federal financial regulators to implement provisions of the Dodd-Frank Act and the enhanced capital and liquidity standards under Basel III;
- Continue to support a competitive national banking and federal savings association system through entry of new charters, other bank and federal savings association structure

transactions, and expansion of national bank and federal savings association services and products in a safe and sound manner;
- Conduct a self-assessment to identify gaps in guidance, examiner and financial institution training, and resources to ensure the supervisory process adequately responds to, and addresses, evolving cyber-security risks; and
- Maintain a highly skilled and experienced workforce by continuing efforts to identify and develop the next generation of bank supervision leadership, strengthen the breadth and depth of examiner specialty skills, and recruit and retain entry-level examiners.

Industry Outlook

The environment continues to be challenging for the OCC and the national banking and federal savings association industry ("federal banking system"). While the economy has been growing, and economic fundamentals have improved, neither the job market nor the housing sector has returned to normal levels. For banks, the low interest rate environment is dampening margins and adversely affecting earnings of many institutions.

The federal banking system faces heightened compliance, operational, reputation, and strategic risks because of significant changes in laws, regulations, and accounting standards. National banks and federal savings associations will need to integrate these changes into their operations, which is likely to lead to fundamental shifts in many institutions' business models and strategic plans. National banks and federal savings associations also face risks from the eventual normalization of interest rates. To address these challenges, the OCC will need to conduct ongoing assessments of emerging risks and the underlying condition of the federal banking system, and to prioritize and allocate resources to the areas and institutions of highest risk.

The federal banking system has weathered a serious disruption to financial markets, a crisis in the mortgage sector, and a slow recovery from a long and deep recession. If system assets continue to grow at the rate of nominal Gross Domestic Product (GDP), and if GDP grows at its historical average over the next five years, assets could grow in the way shown in the following table. The long-term trend of consolidation in the federal banking system is likely to continue; the table below shows estimates of the change in number of institutions and share of assets held by banks with over $10 billion in assets, extrapolating from trends experienced between 2000 and 2012. The extrapolations exclude trust companies and foreign branch offices because, compared to national banks and federal savings associations, their growth is less closely linked to underlying domestic economic trends.

	Number of institutions		Assets	Share of total system assets in institutions with assets >$10 billion	
	OCC	OCC			
estimated change	banks	thrifts	All OCC-supervised	2013	92.3%
2013 to 2018	-24%	-21%	28%	2018e	94.8%

e = estimated

Loan growth has been slower than usual in an economic recovery, in part because the economy as a whole has been growing more slowly than is usual after a severe recession. The combination of recession and financial crisis caused households to deleverage, in particular

cutting into the demand for residential mortgage loans, even as tightened underwriting standards reduced the supply of credit from pre-recession levels. However, commercial lending has been growing, with outstanding commercial and industrial loans now back to their previous peak. In addition, many firms have accumulated cash reserves, and even medium-size firms can now borrow long-term at low rates in bond markets.

Credit loss rates for the system rose sharply for all major loan categories during the financial crisis and recession, but are now back to or below their two-decade averages for all major loan categories. To strengthen their positions in the aftermath of the crisis, many financial institutions have raised additional capital and the largest have built up historically high shares of liquid assets. The result is a stronger federal banking system than existed before the crisis.

Section 2 – Budget Adjustments and Appropriation Language

2.2 – Operating Levels Table

Dollars in Thousands

Office of the Comptroller of the Currency Object Classification	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
11.1 - Full-time permanent	499,488	519,127	529,510
11.3 - Other than full-time permanent	7,165	9,247	9,432
11.5 - Other personnel compensation	2,603	3,008	3,068
11.9 - Personnel Compensation (Total)	**509,256**	**531,382**	**542,010**
12.0 - Personnel benefits	221,871	252,047	257,088
13.0 - Benefits for former personnel	-77	225	230
Total Personnel and Compensation Benefits	**$731,050**	**$783,654**	**$799,328**
21.0 - Travel and transportation of persons	58,239	62,942	64,200
22.0 - Transportation of things	2,331	2,335	2,382
23.1 - Rental payments to GSA	56	59	60
23.2 - Rental payments to others	58,952	63,667	64,940
23.3 - Communication, utilities, and misc charges	11,481	14,869	15,166
24.0 - Printing and reproduction	719	885	903
25.1 - Advisory and assistance services	19,811	33,642	34,315
25.2 - Other services	23,065	20,123	20,525
25.3 - Other purchases of goods & serv frm Govt accounts	6,040	11,072	11,293
25.4 - Operation and maintenance of facilities	3,689	5,475	5,585
25.7 - Operation and maintenance of equip	58,436	61,916	63,154
26.0 - Supplies and materials	5,271	7,791	7,947
31.0 - Equipment	30,730	21,030	21,451
32.0 - Land and structures	2,419	1,000	1,020
42.0 - Insurance claims and indemnities	1,520	240	245
Total Non-Personnel	**282,759**	**307,046**	**313,186**
Total Budgetary Resources	**$1,013,809**	**$1,090,700**	**$1,112,514**
Budget Activities:			
Supervise	889,111	956,544	975,675
Regulate	105,436	113,433	115,702
Charter	19,262	20,723	21,137
Total Budgetary Resources	**$1,013,809**	**$1,090,700**	**$1,112,514**
FTE	**3,891**	**3,959**	**3,959**

2B – Appropriations Language and Explanation of Changes

The OCC receives no appropriations from Congress.

2C – Legislative Proposals

The OCC has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Supervise
($956,544,000 from reimbursable resources):
An effective supervision program is the cornerstone of the OCC's activities that support its strategic goals. Specifically, the Supervise Program consists of ongoing supervision and enforcement activities that directly support the OCC's strategic goals to 1) ensure that each national bank and federal savings association is operating in a safe and sound manner and is complying with applicable laws, rules, and regulations relative to the financial institution and the customers and communities it serves, and 2) provide fair access to financial services and fair treatment of customers. Assessing the condition and risk management practices of national banks and federal savings associations, and requiring corrective actions when weaknesses are found, directly supports Treasury's goal of repairing and reforming the financial system.

The OCC's Supervision Program specifically supports the following Treasury Objectives:
1.3: Complete implementation of financial regulatory reform initiatives and continue monitoring the markets for threats to stability;
1.4: Facilitate commerce by providing trusted U.S. currency, services, and products for the American public;
4.3: Improve the cybersecurity of our Nation's financial sector critical infrastructure; and
4.4: Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards.

The primary goal of the OCC's Supervision Program is to ensure that these institutions operate in a safe and sound manner and in compliance with laws requiring fair treatment of their customers and fair access to credit and financial products. The OCC's Supervision Program supports the implementation of the financial regulatory reform initiatives including those in the Dodd-Frank Wall Street Reform and Consumer Protection Act as well as other regulatory initiatives designed to strengthen the nation's federal banking system. The OCC also monitors risks and threats to the stability of the federal banking system through its regular examinations of the institutions it supervises and other monitoring programs such as its Semi-annual Risk Perspectives Report, participation in the Shared National Credit Program, and its Credit Underwriting Survey.

The OCC's Supervision Program supports facilitating commerce through the goal of ensuring the safety and soundness of the federal banking system. Through its Supervision Program the OCC has taken a number of steps to improve the cyber-security of the nation's financial sector critical infrastructure including organizing webinars for community bankers. The agency continues to update examiner handbooks, procedures, and training materials to ensure that, as threats evolve, all national banks and federal savings associations can identify cyber risks and strengthen their risk management and control systems. The OCC is an active member of the Financial Services Information Sharing and Analysis Center, which provides greater real-time insight into a broad range of potential threats to the industry and the ability to assist, when appropriate, in a coordinated response with other government agencies. Finally, the OCC supports protecting the integrity of the financial system through its examinations of compliance with BSA/AML and

through the initiation of enforcement actions for non-compliance with BSA/AML laws and regulations.

Description of Performance:

Percentage of National Banks and Federal Savings Associations with Composite CAMELS Rating of 1 or 2

The composite Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Sensitivity (CAMELS) rating reflects the overall condition of a national bank or federal savings association. Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for evaluating all significant financial, operational, and compliance factors inherent in a national bank or federal savings association. The rating scale is 1 through 5 of which 1 is the highest rating granted. These CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a change in CAMELS.

The OCC has established a target outcome measure that 90 percent of the institutions under its supervision have a composite CAMELS rating of 1 or 2. Such a rating is consistent with the strategic goal of a safe and sound banking system, that banks maintain adequate capital and liquidity and have strong risk management practices. As of September 30, 2014, 87 percent of national banks and federal savings associations earned composite CAMELS ratings of either 1 or 2. The increase in the number of national banks with less favorable composite CAMELS ratings is not unexpected at this stage of the credit cycle and reflects impaired asset quality and earnings that are affecting many institutions. Degradation in CAMELS also can reflect weaknesses in risk management systems that need corrective action. Consistent with Treasury's goal of repairing and reforming the financial system and supporting the recovery of the housing market, the OCC 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 even though the current distribution of ratings is below the target. As national bank or federal savings association performance and asset quality improves and directed corrective actions are implemented, the OCC expects CAMELS ratings to gradually improve.

Percentage of National Banks and Federal Savings Associations that are Considered Well-Capitalized

The Federal Deposit Insurance Act established a system that classifies insured depository institutions into five categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) based on their capital levels relative to their risks. The OCC has established a target outcome measure that 95 percent of national banks and federal savings associations will meet or exceed the well-capitalized threshold.

The economic environment and resulting increase in problem assets placed a strain on some banks' capital buffers that has resulted in levels below the OCCs' target performance measure. The OCC works closely with problem national banks and federal savings associations to develop rehabilitation plans. Such plans typically include directives to improve or restore capital levels.

These efforts, combined with a more stable operating environment, have resulted in improvement in this performance goal since FY 2009. As of September 30, 2014, 93 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 2015 and FY 2016 will currently remain unchanged at 94 percent. As of September 30, 2014, national banks and federal savings associations continue to show strong compliance with consumer protection regulations with 95 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

Problem national banks and federal savings associations ultimately can reach a point at which rehabilitation is no longer feasible. The OCC's early identification and intervention with problem financial institutions can lead to a successful rehabilitation. As of September 30, 2014, 39 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 below the target of 40 percent for FY 2014. As with the other measures, the OCC's performance on this measure has been adversely affected by the underlying economic conditions facing the banking industry.

As previously noted, the OCC is taking a number of 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 2015 and beyond.

Total OCC Costs Relative to Every $100,000 in National Bank and Federal Savings Association Assets Regulated

Beginning in FY 2006, the OCC implemented a performance measure that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex national banking system.

The OCC costs are those reported as total program costs on the annual audited Statement of Net Cost. National bank and federal savings association assets are those reported quarterly by national banks and federal savings associations on the Reports of Condition and Income. Total national bank and federal savings association assets represent the growth and complexity of the financial institutions under the jurisdiction of the OCC. This measure supports the OCC's strategic goal of efficient use of agency resources. The OCC's ability to control its costs while ensuring the safety and soundness of national banks and federal savings associations benefits all national bank and federal savings association customers. As of September 30, 2014, total OCC cost relative to every $100,000 in assets regulated was $9.75 compared to the FY 2014 target of $10.20. The OCC will continue its efforts to ensure that resources are used prudently and that programs are carried out in a cost effective manner.

3.1.1 – Supervise Budget and Performance Plan

Dollars in Thousands

Supervise Budget Activity Resource Level	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
Expenses/Obligations	$597,859	$618,254	$684,273	$924,417	$873,942	$889,111	$956,544	$975,675
Budget Activity Total	**$597,859**	**$618,254**	**$684,273**	**$924,417**	**$873,942**	**$889,111**	**$956,544**	**$975,675**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Percentage of National Banks and Federal Savings Associations That Are Categorized As Well Capitalized	N/A	N/A	N/A	92.0	94.0	95.0	95.0	95.0
Percentage of National Banks and Federal Savings Associations With Consumer Compliance Rating of 1 or 2	N/A	N/A	N/A	93.0	94.0	94.0	94.0	94.0
Percentage of National Banks and Federal Savings Associations with Composite CAMELS Rating 1 or 2	N/A	N/A	N/A	76.0	80.0	90.0	90.0	90.0
Rehabilitated National Banks And Federal Savings Associations As A Percentage Of Problem National Banks One Year Ago (CAMEL 3,4, or 5)	29.0	23.0	22.0	27.0	34.0	40.0	40.0	40.0
Total OCC Costs Relative To Every $100,000 in Bank And Federal Savings Associations Assets Regulated ($)	N/A	N/A	N/A	10.51	9.99	10.2	10.2	10.2

Key: DISC - Discontinued and B - Baseline

3B – Regulate
($113,433,000 from reimbursable resources):
The OCC's Regulate Program specifically supports the following Treasury Objectives:
1.3: Complete implementation of financial regulatory reform initiatives and continue monitoring the markets for threats to stability;
1.4: Facilitate commerce by providing trusted U.S. currency, services, and products for the American public; and
4.4: Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards.

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:
Specific activities undertaken in FY 2014 as part of this program were described earlier and included the issuance of various supervisory guidance on the Volcker rule, heightened enterprise risk management expectations, and third party relationship management. Significant resources also were spent on various Dodd-Frank rulemakings, including those pursuant to section 171(b) regarding minimum risk-based capital requirements; section 941 pertaining to risk retention requirements and associated minimum underwriting standards for asset securitizations; and sections 731 and 764 related to capital requirements and margin requirements on certain swap transactions. In FY 2015, the OCC will continue to support operations of the Financial Stability Oversight Council and issue Dodd-Frank rulemakings.

3.1.2 – Regulate Budget and Performance Plan

Dollars in Thousands

Regulate Budget Activity Resource Level	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
Expenses/Obligations	$94,511	$97,735	$108,171	$125,416	$111,783	$105,436	$113,433	$115,702
Budget Activity Total	**$94,511**	**$97,735**	**$108,171**	**$125,416**	**$111,783**	**$105,436**	**$113,433**	**$115,702**

3C – Charter

($20,723,000 from reimbursable resources):

The OCC's Charter Program specifically supports the following Treasury Objectives:

1.4: Facilitate commerce by providing trusted U.S. currency, services, and products for the American public; and

4.4: Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards.

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 in a manner consistent with safety and soundness, the Charter Program supports the OCC's strategic goals of assuring safety and soundness while allowing national banks and federal savings associations to offer a full competitive array of financial services.

Description of Performance:

Percentage of Licensing Applications and Notices Completed within Established Time Frames

The OCC's timely and effective approval of corporate applications contributes to the nation's economy by enabling national banks and federal savings associations to complete various corporate transactions and introduce new financial products and services. Delays in providing prompt decisions on applications and notices can deprive a national bank or federal savings association of a competitive or business opportunity, create business uncertainties, or diminish financial results. Time frames have been established for completing each type of application and notice. As of September 30, 2014, the OCC completed 98 percent of national bank and federal savings association applications and notices within the required time frame, above the target of 95 percent. The OCC will continue to meet its Charter Program goals by providing staff training, coordination between charter and supervisory staff on safety and soundness and compliance matters, issuance of updated procedures, and maintaining an emphasis on accessibility and early consultation with national bank and federal savings association organizers and others proposing national bank and federal savings association structure changes.

3.1.2 – Charter Budget and Performance Plan

Dollars in Thousands

Charter Budget Activity Resource Level	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
Expenses/Obligations	$23,628	$24,434	$27,043	$27,338	$30,486	$19,262	$20,723	$21,137
Budget Activity Total	**$23,628**	**$24,434**	**$27,043**	**$27,338**	**$30,486**	**$19,262**	**$20,723**	**$21,137**

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Percentage of Licensing Applications and Notices Completed within Established Timeframes	95.0	96.0	97.0	98.0	97.0	95.0	95.0	95.0

Key: DISC - Discontinued and B - Baseline

Section 4 – Supplemental Information

4A – Summary of Capital Investments

The OCC's Information Technology (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 capital planning process reviews and prioritizes detailed business cases to promote technology reuse, to capitalize on enterprise opportunities, and to reduce redundant and obsolete capabilities and services. Invest, evaluate, and control ensures that the OCC IT strategy has 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 2015 and 2016 Plans The OCC has three major IT initiatives in FY 2015 and 2016.
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 disaster recovery, and increases in enterprise storage capacity.

Telecommunications Services and Support (TSS) - The TSS includes telecommunications wide area network and local area network 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 investment also includes messaging services supporting highly mobile bank examiners and the OCC staff. In FY 2015, the OCC will continue an on-going effort to upgrade the headquarters and field office phone systems and telecom infrastructure including Local Area Network/Wide Area Network hardware, Video Tele-Conferencing and Voice Over Internet Protocol.

End User Services and Support (EUSS) - The 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 a portion of the workforce in FY 2015. In FY 2015, the OCC will also refresh hand-held devices.

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 2016 budget request for International Programs is included in the State, Foreign Operations, and Other Related Programs Appropriation.