

FY 2007 President's Budget by Function

(Dollars in Thousands)

	FY 2005	FY 2006	FY 2007		
	Enacted	Enacted	President's Budget	Increase/Decrease	% Change
Management & Financial	\$574,411	\$597,759	\$601,946	\$4,187	0.7%
Departmental Offices Salaries and Expenses	178,411	194,626	223,874	29,248	15.0%
Expanded Access*	(4,000)	0	0	0	0
Treas Building & Annex Repair & Restoration	12,217	9,900	0	(9,900)	-100.0%
Dept-wide Systems & Capital Invest. Program	32,002	24,168	34,032	9,864	40.8%
Air Transportation Stabilization Program	1,984	2,723	0	(2,723)	-100.0%
Financial Crimes Enforcement Network	71,922	72,894	89,794	16,900	23.2%
Alcohol & Tobacco Tax and Trade Bureau **	82,336	90,215	92,604	2,389	2.6%
Office of Inspector General	16,368	16,830	17,352	522	3.1%
Treasury IG for Tax Administration	128,093	131,953	136,469	4,516	3.4%
Community Development Financial Institutions Fund	55,078	54,450	7,821	(46,629)	-85.6%
Tax Administration ***	\$10,236,087	\$10,573,706	\$10,591,837	\$18,131	0.2%
IRS Processing, Assistance and Management	4,056,857	4,095,212	4,045,122	(50,090)	-1.2%
IRS Tax Law Enforcement	4,363,539	4,678,498	4,762,327	83,829	1.8%
IRS Information Systems	1,577,768	1,582,977	1,602,232	19,255	1.2%
IRS Business Systems Modernization	203,360	197,010	167,310	(29,700)	-15.1%
IRS HITCA	34,562	20,008	14,846	(5,162)	-25.8%
Fiscal Service Operations	\$402,848	\$409,035	\$411,443	\$2,408	0.6%
Financial Management Service	229,083	233,881	233,654	(227)	-0.1%
Bureau of the Public Debt	173,765	175,154	177,789	2,635	1.5%
Total, Treasury Appropriations Committee	\$11,213,346	\$11,580,500	\$11,605,226	\$24,726	0.2%
Treasury International Programs	\$1,337,247	\$1,361,385	\$1,535,467	\$174,082	12.8%
International Financial Institutions	1,219,199	1,277,235	1,328,968	51,733	4.1%
Technical Assistance	18,848	19,800	23,700	3,900	19.7%
Debt Restructuring	99,200	64,350	182,799	118,449	184.1%
Total	\$12,550,593	\$12,941,885	\$13,140,693	\$198,808	1.5%

* Unobligated balances prior to FY 2005.

** TTB President's Budget does not include user fee proposal of \$28,640 thousand. Net request is \$63,964 thousand including user fee proposal.

*** The IRS FY 2006 enacted level includes a 1% across the board rescission and excludes rescission of unobligated balances (\$20 Million from PAM and \$9 Million from HITCA). In FY 2007, the IRS request is supplemented by \$135 million in new user fees for a total operating level of \$10,726,837 thousand.

Overview

The United States Department of Treasury's budget priorities reflect the Department's dedication to promoting economic opportunity, strengthening national security and exercising fiscal discipline while steadily improving the Department's operations to ensure it remains a world-class organization.

The FY 2007 performance budget identifies the resources required to support Treasury's role as the steward of U.S. economic and financial systems, and as an influential participant in the international economy. Treasury's FY 2007 performance budget emphasizes initiatives that directly support its five strategic goals:

- Promote Prosperous U.S. and World Economies
- Promote Stable U.S. and World Economies

- Preserve the Integrity of Financial Systems
- Manage the U.S. Government's Finances Effectively
- Ensure Professionalism, Excellence, Integrity, and Accountability in the Management and Conduct of the Department of the Treasury

While promoting financial and economic growth at home and abroad, Treasury performs a critical and far-reaching role in homeland security. The Department battles national security threats by coordinating financial intelligence, targeting and sanctioning supporters of terrorism and proliferators of WMD, improving the safeguards of our financial systems, and promoting international relationships that attack the financial underpinnings of terrorist and other criminal networks.

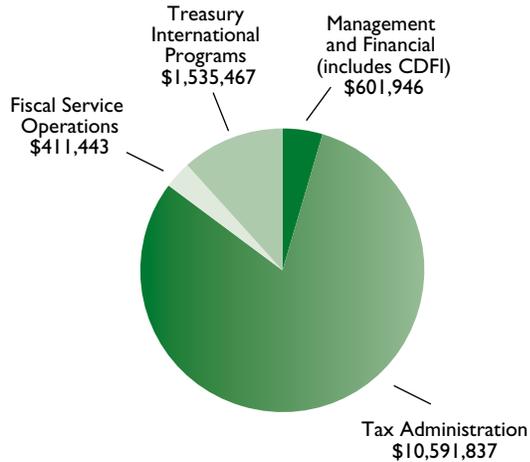
The Department administers America's tax laws and collects revenues that fund most government operations and public services.

FY 2007 President's Budget by Strategic Goal

(Dollars in Thousands)

Treasury Goal/Objective	Promote Prosperous U.S./World Economies (E1)		Promote Stable U.S./World Economies (E2)		Promote Integrity of Financial Systems (F3)		Manage U.S. Gov Finances Effectively (F4)		Management Excellence & Accountability (M5)		Total	
	Direct \$	Reimb. \$	Direct \$	Reimb. \$	Direct \$	Reimb. \$	Direct \$	Reimb. \$	Direct \$	Reimb. \$	Direct \$	Reimb. \$
Management & Financial	\$63,952	\$3,281	\$77,221	\$4,144	\$174,930	\$6,145	\$66,077	\$3,927	\$219,766	\$9,086	\$601,946	\$26,583
Departmental Offices Salaries and Expenses	56,131	3,281	29,993	3,277	85,136	4,604	20,701	3,094	31,913	5,544	223,874	19,800
Dept-wide Systems & Capital Invest. Program	0	0	0	0	0	0	0	0	34,032	0	34,032	0
Financial Crimes Enforcement Network	0	0	0	0	89,794	1,541	0	0	0	0	89,794	1,541
Alcohol & Tobacco Tax and Trade Bureau	0	0	47,228	867	0	0	45,376	833	0	0	92,604	1,700
Office of Inspector General	0	0	0	0	0	0	0	0	17,352	2,342	17,352	2,342
Treasury IG for Tax Administration	0	0	0	0	0	0	0	0	136,469	1,200	136,469	1,200
Community Development Financial Institutions Fund	7,821	0	0	0	0	0	0	0	0	0	7,821	0
Tax Administration	\$0	\$0	\$0	\$0	\$213,722	\$15,099	\$10,378,115	\$267,171	\$0	\$0	\$10,591,837	\$282,270
IRS Processing, Assistance and Management	0	0	0	0	0	0	4,045,122	101,702	0	0	4,045,122	101,702
IRS Tax Law Enforcement	0	0	0	0	213,722	15,099	4,548,605	84,571	0	0	4,762,327	99,671
IRS Information Systems	0	0	0	0	0	0	1,602,232	80,898	0	0	1,602,232	80,898
Business Systems Modernization	0	0	0	0	0	0	167,310	0	0	0	167,310	0
Health Insurance Tax Credit Administration	0	0	0	0	0	0	14,846	0	0	0	14,846	0
Fiscal Service Operations	\$0	\$0	\$0	\$0	\$0	\$0	\$411,443	\$213,201	\$0	\$0	\$411,443	\$213,201
Financial Management Service	0	0	0	0	0	0	233,654	196,282	0	0	233,654	196,282
Bureau of the Public Debt	0	0	0	0	0	0	177,789	16,919	0	0	177,789	16,919
Total, Treasury Appropriations Committee	\$63,952	\$3,281	\$77,221	\$4,144	\$388,652	\$21,244	\$10,855,635	\$484,300	\$219,766	\$9,086	\$1,160,522	\$522,054
Treasury International Programs	1,535,467	0	0	0	0	0	0	0	0	0	1,535,467	0
Total, Appropriated Level	\$1,599,419	\$3,281	\$77,221	\$4,144	\$388,652	\$21,244	\$10,855,635	\$484,300	\$219,766	\$9,086	\$1,314,063	\$522,054
Non Appropriated Bureaus	\$0	\$117,166	\$0	\$0	\$0	\$3,226,883	\$0	\$0	\$0	\$983,342	\$0	\$4,327,391
Treasury Franchise Fund	0	0	0	0	0	0	0	0	0	983,342	0	983,342
U.S. Mint	0	0	0	0	0	1,961,915	0	0	0	0	0	1,961,915
Bureau of Engraving and Printing	0	0	0	0	0	556,000	0	0	0	0	0	556,000
Office of the Comptroller of the Currency	0	95,077	0	0	0	510,169	0	0	0	0	0	605,246
Office of Thrift Supervision	0	22,089	0	0	0	198,799	0	0	0	0	0	220,888
Subtotal, Direct \$	\$1,599,419	\$120,447	\$77,221	\$4,144	\$388,652	\$3,248,127	\$10,855,635	\$484,300	\$219,766	\$0	\$13,140,693	\$0
Subtotal, Reimbursable \$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,857,018
Total, Treasury Level	\$1,719,866	\$120,447	\$77,221	\$4,144	\$388,652	\$3,248,127	\$11,339,935	\$484,300	\$219,766	\$0	\$16,997,711	\$3,857,018

FY 2007 Budget Request by Function



FY 2007 Budget Request

The Department of Treasury's FY 2007 budget request of \$11.61 billion focuses resources on key programs necessary to fight the war on terror and to promote economic growth. The request is \$24.7 million above the FY 2006 level, reflecting Treasury's commitment to the fiscal restraint necessary to achieve the President's goal of reducing the nation's deficit in half by FY 2009. While the majority of the Department's budget is funded each fiscal year through the Department of the Treasury Appropriations Act, \$1.5 billion for the Department's international programs is funded through the Foreign Operations, Export Financing, and Related Programs Appropriations Act.

Promoting Economic Growth and Security

The Secretary of the Treasury is the Administration's principal economic spokesman. Treasury's Departmental Offices, including the Offices of International Affairs, Tax Policy, Economic Policy, Domestic Finance and Financial Education, support the Secretary in this role through the provision of technical analysis, economic forecasting, and policy guidance on issues ranging from changes in tax policy to responding to international financial crises.

Treasury's FY 2007 budget request provides the Office of Tax Policy with an additional \$.5 million, the necessary resources to enable the Department to build effective models for the dynamic analysis of revenue proposals. Better models that accurately capture the full effect of tax policies on economic growth will lead to improved information for decision makers.

Treasury supports the President's domestic economic priorities of promoting financial literacy and stimulating economic growth through a variety of programs. The MyMoney.gov website and a toll-free hotline give all Americans access to basic financial literacy tools. Treasury also directed more than 100 financial education events in the last 12 months.

Treasury administers the New Markets Tax Credit program, which stimulates growth in economically distressed communities within the U.S. By providing tax credits to private investors in exchange for investments in Community Development Entities, the program harnesses the power of the private sector to lift Americans out of poverty.

The FY 2007 budget request funds Treasury's efforts to promote international economic growth through financial diplomacy. Treasury stimulates international economic growth and job creation by working to open trade and investment, encouraging growth in developing countries, and promoting responsible policies regarding international debt, finance, and economics. Treasury supports trade liberalization and budget discipline through its role in negotiating and implementing international agreements pertaining to export subsidies. These agreements open markets, level the playing field for U.S. exporters, and provide effective subsidy reductions that save the U.S. taxpayer millions annually. Cumulative budget savings from these arrangements are estimated at over \$10 billion since 1991.

Treasury, through the Office of International Affairs, monitors the economies of more than 160 countries

worldwide to ensure stability and transparency in the global marketplace and works with more than 20 International Financial Institutions and organizations to target development assistance. Treasury's efforts include the development and negotiation of the Multilateral Debt Relief Initiative, endorsed by President Bush and other G8 leaders, providing 100 percent debt relief for Highly Indebted Poor Countries. Treasury's efforts also include continuing dialogue and cooperation with Chinese leaders to achieve the goal of greater Chinese exchange rate flexibility.

The \$9.4 million requested to increase Treasury's overseas presence will enable the Department to more effectively meet its international mission in the global economy. While supporting the war on terror, attaches will also develop close relationships with international financial institutions and acquire 'on the ground' knowledge of the financial markets.

Strengthening National Security

The Office of Terrorism and Financial Intelligence (TFI) supports Treasury's national security efforts by safeguarding the U.S. financial systems against illicit use. TFI provides financial intelligence analysis, develops and implements anti-money laundering measures, administers the Bank Secrecy Act, conducts criminal investigations and enforces sanctions.

Financial intelligence exposes the infrastructure of terrorist and criminal organizations. It provides a roadmap to those who facilitate criminal activity, such as broker-dealers, bankers, lawyers, and accountants. These investigations lead to the recovery and forfeiture of illegally obtained assets and create broad deterrence against criminal activity. Treasury plays a unique role of linking law enforcement and intelligence communities with financial institutions and regulators. To support these efforts, Treasury requests an increase of \$12.5 million for the Financial Crimes Enforcement Network to enhance its regulatory outreach and

strengthen analytical capabilities, upgrade the BSA Direct reporting and retrieval component, and, pending the Treasury Secretary's approval of the feasibility study, begin development of a cross-border wire transfer reporting system.

Treasury exercises a full range of intelligence, regulatory, policy, and enforcement tools in tracking and disrupting terrorists' support networks, proliferators of weapons of mass destruction (WMD), rogue regimes and international narco-traffickers, both as a vital source of intelligence and as a means of degrading the terrorists' ability to function. Treasury's actions include:

- Freezing the assets of terrorists, drug kingpins, and support networks
- Cutting off corrupt foreign jurisdictions and financial institutions from the U.S. financial system
- Developing and enforcing regulations to reduce terrorist financing and money laundering
- Tracing and repatriating assets looted by corrupt foreign officials
- Promoting a meaningful exchange of information with the private financial sector to help detect and address threats to the financial system

The FY 2007 President's Budget requests an increase of \$7.8 million to enable Treasury to continue to enhance its abilities to identify, disrupt, and dismantle the financial infrastructure of networks of terrorists, proliferators of WMD, narco-traffickers, criminals, and other threats. Treasury will also improve its analytical capabilities, to provide actionable intelligence and to target, designate and implement sanctions against the financiers of WMD proliferation.

This budget request funds Treasury's national and homeland security mission at a level that provides increasingly effective support to the war on terror. This support will be further enhanced by the increased international presence funded in

this request. Treasury attachés located at critical embassies throughout the world will enable close liaison with the international financial institutions and foreign government to promote the national and economic security interests of the U.S.

Collecting Taxes

Collecting taxes in a fair and consistent manner is a core mission of the Treasury. This past year, Treasury collected \$2.267 trillion in federal tax revenue from individual and corporate income taxes, a 12.3 percent increase over the previous year. An additional \$14.71 billion in excise taxes was collected from producers and sellers of alcohol, tobacco, firearms, and ammunition.

Treasury's priorities in tax administration are enforcing the nation's tax laws fairly and efficiently while balancing service and education to promote voluntary compliance and reduce taxpayer burden. Treasury's enforcement efforts resulted in the record level of \$47.3 billion in enforcement revenue.

Reducing the tax gap – which is the difference between what taxpayers should pay and what they actually pay on a timely basis – is at the heart of Treasury's tax enforcement programs. This budget request includes proposed changes in the tax law that will improve the ability of the Internal Revenue Service to identify underreporting and collect unpaid taxes, while minimizing the burden imposed on compliant taxpayers. These proposals include:

- Clarify the circumstances in which employee leasing companies and their clients can be held jointly liable for federal employment taxes.
- Increase information reporting on payment card transactions.
- Expand information reporting to certain payments made by Federal, state and local governments to procure property and services.
- Amend Collection Due Process procedures for employment tax liabilities.
- Expand to non-income tax returns the requirement

that paid return preparers identify themselves on such returns and expand the related penalty provision.

Maintaining an appropriate balance between enforcement and taxpayer service is critical to fair administration of the tax code. Treasury approaches this challenge by expanding outreach efforts to bring more taxpayers into the system, increasing voluntary compliance levels and tax revenue, and improving service to compliant taxpayers. In FY 2007, Treasury will focus its taxpayer service efforts on providing service through more efficient automated methods.

Treasury also dedicates resources to educating taxpayers and stakeholders on the benefits of electronic filing. These efforts resulted in an electronic filing rate for individuals in 2005 above 50 percent for the first time, significant progress toward Treasury's goal of receiving 80 percent of returns via e-file by 2007. Higher electronic filing rates greatly reduce the resources necessary to process tax returns.

The FY 2007 budget request includes funding necessary to continue to meet the challenge of balancing both the enforcement and taxpayer service elements in tax collection. Treasury requests an increase of \$137 million for tax law enforcement activities.

Treasury regulates the manufacture and sale of alcohol, tobacco, firearms and ammunition, and collects excise taxes on the sale of these products. The Alcohol and Tobacco Tax and Trade Bureau collected \$14.7 billion in excise taxes and processed over 400,000 tax returns in 2005, at a cost of only one dollar for every \$367 collected. The Bureau has audited 113 of the 200 largest taxpayers, and will complete audits of the remaining 87 taxpayers in 2007 and 2008. These 200 taxpayers account for 98 percent of all excise taxes paid. Through 2005, these audits have resulted in the collection of an additional \$4.3 million of revenue and \$10.2 million in tax penalties and interest.

Managing the Government's Finances

In the face of the fiscal pressures generated by the war on terror and the response to natural disasters, sound management of the government's finances is more important than ever. The FY 2007 budget request provides the funds necessary for Treasury to meet its responsibilities as the federal government's financial manager.

Treasury's management of the federal government's finances includes making payments, collecting revenue, issuing debt and preparing public financial statements. Treasury oversees a daily cash flow in excess of \$50 billion and disburses 85 percent of all federal payments. The Department is working to improve its payments and collections processes by moving toward an all-electronic Treasury. In FY 2005, Treasury issued 725 million electronic payments including income tax refunds, Social Security benefits, and veterans' benefits. Another step toward an all electronic Treasury is the Department's Go Direct Campaign. This campaign encourages Social Security and Supplemental Security Income recipients to switch to direct deposit. Direct Deposit represents a cost savings to the taxpayer of 75 cents per transaction. The percentage of Treasury's electronic collections increased 10.2 percent in FY 2005 from the previous year.

Treasury manages more than \$7.9 trillion of public debt. The public debt includes marketable securities, savings bonds and other instruments held by state and local governments, federal agencies, foreign governments, corporations, and individuals. To improve debt management and offer better customer service, Treasury offers Treasury Direct, an electronic, web-based system that electronically issues securities to retail customers and enables investors to manage their accounts on-line. A major initiative this past year encouraged investors to convert paper savings bonds into electronic form making their investments easier to manage and to avoid potential loss or theft of the paper bonds. More than 700 million paper savings bonds are currently outstanding and could eventually be converted.

Treasury assisted the victims of hurricane Katrina by providing financial relief to disaster victims. Treasury issued 1,267,000 FEMA disaster assistance payments valued at \$2.6 billion. Treasury also established a debit card program that issued 11,374 FEMA Assistance Cards valued at \$22.7 million to evacuees in three Texas cities.

Treasury's 2007 budget request includes an increase of \$2.4 million necessary to manage the government's finances more effectively and efficiently. The activities included in this funding are:

- Improving the efficiency of the securities services to retail customers,
- Integrating e-commerce technologies to streamline collections and payments processes to move toward an all-electronic Treasury,
- Improving forecasting accuracy to reduce borrowing cost and increase return on investments,
- Enhancing business processes and systems, including producing daily financial statements, to support public investors in Treasury securities and government agencies, and
- Strengthening accounting operations through the continued rollout of the Government-wide accounting system, and implementation of FedDebt and Debt Check

Strengthening Financial Institutions

Treasury, through the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS), maintains the integrity of the financial system of the United States by chartering, regulating, and supervising national banks and savings associations. In FY 2005, OCC and OTS oversaw financial assets held by these financial institutions totaling \$7.3 trillion.

The U.S. Mint (Mint) and the Bureau of Engraving and Printing (BEP) are responsible for producing the nation's coins and currency. In FY 2005, the Mint and BEP produced 14.2 billion coins and 8.6 billion

paper currency notes, respectively. Also during 2005, these agencies introduced new designs for both coins and currency. The Mint issued five new quarters from the 50 State Quarters® program and the two new nickels as part of the Westward Journey Nickel Series™. BEP introduced a new \$10 currency note, representing the third denomination in a new currency series that incorporates state-of-the-art anti-counterfeiting technology.

The Mint has streamlined processes and leveraged technology to produce the nation's coin and currency at significant cost savings. The Mint was able to increase margins by shipping more coins, improving time to market and reducing manufacturing and selling, general and administrative costs. Because of improved operating results and profits, the Mint returned \$775 million to the Treasury General Fund in FY 2005.

Funding for OCC, OTS, Mint, and BEP is not included in the Department's annual budget request, because they have non-appropriated funding sources. OCC's operations are funded primarily by semi-annual assessments levied on national banks. Revenue from licensing, other fees, and investments in U.S. Treasury securities provides the remaining revenue. OTS's operations are funded from assessments on thrifts and savings and loan holding companies; examination, application, and security filing fees; interest on investments in U.S. Government obligations; and rent and other sources. The Mint's operations are financed by proceeds from the sales of circulating coins to the Federal Reserve Bank System and numismatic items to the public. BEP operations are financed primarily by the printing of currency for the Federal Reserve Bank System. Other BEP revenues are derived from the printing of securities for the Public Debt and commissions, certificates, invitations for various government agencies, and space rental fees.

Managing Treasury Effectively

Treasury is committed to using the resources provided by taxpayers in the most efficient

manner possible. Funding requested in Treasury's Departmental Offices and Department-wide Systems and Capital Investments Program (DSCIP) seeks to build a strong management infrastructure, including critical national security investments such as the Treasury Foreign Intelligence Network. These investments ensure that Treasury remains a world-class organization that meets the President's standard of a citizen-centered, results-oriented government.

In FY 2006, Treasury plans to complete a comprehensive investment in the repair and restoration of its historic facilities, including the Treasury building located at 1500 Pennsylvania Avenue, NW. To protect and maintain this investment, the FY 2007 budget request includes \$1 million in the Departmental Offices budget for ongoing facilities repair and restoration projects.

In FY 2007, Treasury requests \$1.8 million to fund Department-wide performance management training. This training will provide Treasury leadership with the tools to link accomplishments in achieving the goals of the Department to individual performance.

The DSCIP account funds technology investments to modernize business processes throughout Treasury, helping the Department improve efficiency. In FY 2007, Treasury requests \$34 million for ongoing modernization and critical information technology infrastructure projects, and to invest in other new technologies that will improve efficiency and service to the American people. The budget request includes:

- Upgrading and enhancing the Treasury Foreign Intelligence Network (TFIN) and the Treasury Secure Data Network (TSDN). TFIN and TSDN are classified systems that are critical to support Treasury's expanding financial intelligence mission and leadership role in the financial war on terror,
- Continuing modernization of the DO IT infrastructure which will provide enhanced

functionality, performance, and security for DO customers,

- Continuing to improve Treasury’s Federal Information Security Management Act (FISMA) performance and strengthen the Department’s overall security posture, and
- Completing required milestones as part of Treasury’s Presidential E-Government Implementation Plan.

This budget request also includes funding for Treasury’s Inspectors General. The Office of the Inspector General and the Treasury Inspector General for Tax Administration play an important oversight role in the overall management of the Department and the fair administration of the nation’s tax laws.

President’s Management Agenda (PMA)

Treasury is meeting the President’s challenge to improve the management of the Department’s people and resources. On the most recent PMA scorecard, the Department achieved a Green progress score in five out of six initiative areas, indicating that plans are in place and implementation is progressing to accomplish the PMA objectives. The PMA originally identified five key government-wide areas. In FY 2005, the Administration added an initiative on eliminating improper payments that applies to a more limited number of agencies including Treasury.

Human Capital Treasury received a Green status rating in Human Capital for the first quarter of FY 2006. The Office of Personnel Management and Office of Management and Budget recognized Treasury Human Capital for its accountability system, and how Treasury uses it to gather and analyze data and lead policy and program improvements.

Competitive Sourcing Treasury’s Competitive Sourcing score remained Green for both status and progress in the first quarter of FY 2006. The Department maintained its green status by completing studies on time, establishing the process, procedures, and framework for Most Efficient Organization (MEO)

President’s Management Agenda

Initiative	Status		Q1 FY 2006	
	FY 2004	FY 2005	Status	Progress
Human Capital	● Y	● Y	● G	● G
Competitive Sourcing	● Y	● G	● G	● G
Financial Performance	● R	● R	● R	● G
E-Government	● R	● Y	● Y	● G
Budget-Performance Integration	● Y	● Y	● Y	● G
Improper Payments	n/a	● R	● R	● Y

● Green for Success ● Yellow for Mixed Results ● Red for Unsatisfactory

use of sub-contracts, and managing and monitoring post-implementation of competitive sourcing studies

Improved Financial Performance Treasury’s score for Financial Performance was red in FY 2005 but Green for progress. Treasury continues to implement corrective actions to resolve material weaknesses. Treasury has an established schedule of planned actions in place to address its material weaknesses.

Expanded E-Government Progress in Treasury’s process and policy initiatives allowed it to move to Yellow in status and Green in progress for E-government in the first quarter of FY 2006. The Department continues to stress performance in complying with the Federal Information Security Management Act, continue to integrate and utilize the Treasury Enterprise Architecture and, most importantly, standardize implementation of Earned Value Management analysis within the IT capital planning process.

Budget and Performance Integration Treasury’s Budget and Performance Integration initiative is yellow in status and green in progress. Treasury will get to Green during FY 2006 by developing marginal cost measures for the remaining four core mission areas

of Treasury and resolving past PART evaluations that were scored “Results Not Demonstrated.” Treasury’s efforts to achieve a Green status score will be supported by the comprehensive performance framework implemented this year. The framework will guide future budget and performance integration efforts. Treasury will also implement marginal cost metrics for the remaining mission areas.

Eliminating Improper Payments Treasury’s score is Red in status and Yellow in progress. This PMA initiative is tied to the Improper Payments Information Act of 2002. Treasury is committed to ensuring accurate and appropriate federal payments. Accordingly, Treasury sets performance targets to track progress on eliminating improper payments. Treasury is working with the Office of Management and Budget to develop a risk assessment plan to identify vulnerable programs and create measurement systems and corrective action plans that include aggressive, yet feasible, reduction targets across the Department.

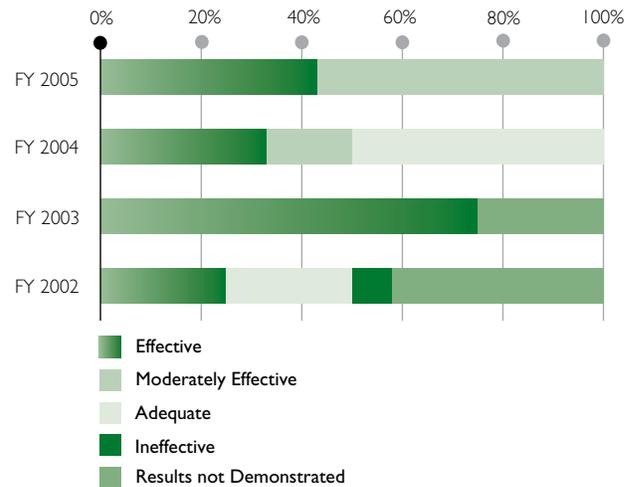
Program Rating and Assessment Tool (PART) Summary

Program evaluation is a core management tool used by Treasury to allocate resources and promote efficiency and effectiveness. In addition to regular independent program evaluations conducted by Treasury bureaus, Treasury also works with OMB to evaluate 20 percent of its programs each year through the PART process. All programs that undergo a PART evaluation receive weighted scores in four categories: program purpose and design, strategic planning, program management, and program results and accountability.

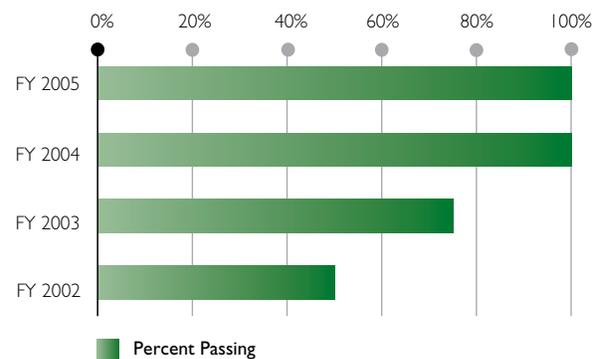
While some results are still pending, Treasury expects a 36 percent increase in its score compared to last year’s aggregate result. Treasury’s improved PART scores in 2005 were a result of: (1) significant improvements in goals and measures; (2) training that included an exchange of lessons learned across bureaus; and (3) solid evidentiary procedures. All seven PART programs evaluated in 2005 (for the 2007 budget year) received effective or moderately effective

ratings, demonstrating Treasury’s commitment to focusing on program results. Treasury’s progress in improved program performance is indicated in the two charts below.

PART Scoring History



Percentage Treasury Programs Passing PART Evaluations (adequate or better score)



Conclusion

Treasury's FY 2007 budget request reflects the Department's commitment to fiscal discipline and sound management while supporting the Administration's security, economic, and financial policy goals.

The tables that follow show a summary of program changes for FY 2007, a summary of budget increases and decreases for FY 2007, a fiscal year comparison for FTEs, and total funding levels for the FY 2007 budget.

Programs evaluated for the FY 2006 budget cycle include:

Program	Bureau	Rating
IRS Advocate	IRS	Moderately Effective
IRS Service	IRS	Adequate
Financial and Technical Assistance	CDFI	Adequate
FMS Collections	FMS	Effective
Mint Numismatic	Mint	Effective
New Markets Tax Credits	CDFI	Adequate

Programs evaluated for the FY 2007 budget cycle include:

Program	Bureau	Rating
FinCEN BSA Collection & Dissemination	FinCEN	Moderately Effective
FMS Payments	FMS	Effective
IRS Exam	IRS	Moderately Effective
IRS Criminal Investigations	IRS	Moderately Effective
Submission Processing – Re-do	IRS	Moderately Effective
Mint Protection	Mint	Effective
TTB Collect the Revenue	TTB	Effective

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

(Direct and Reimbursable)

Appropriation	FY 2005 Actual			FY 2006 Estimated			FY 2007 President's Budget		
	Direct	Reimb.	Total	Direct	Reimb.	Total	Direct	Reimb.	Total
Departmental Offices Salaries and Expenses	858	283	1,141	1,004	316	1,320	1,058	320	1,378
Treas Building & Annex Repair & Restoration	7	0	7	9	0	9	0	0	0
Air Transportation Stabilization Program	3	0	3	6	0	6	0	0	0
Financial Crimes Enforcement Network	267	1	268	330	1	331	352	1	353
Alcohol & Tobacco Tax and Trade Bureau	510	13	523	544	15	559	544	15	559
Office of Inspector General	101	6	107	115	5	120	115	5	120
Treasury IG for Tax Administration	846	9	855	850	3	853	850	3	853
Internal Revenue Service	94,282	1,017	95,299	95,386	1,350	96,736	92,992	1,503	94,495
Financial Management Service	1,645	356	2,001	1,818	320	2,138	1,761	370	2,131
Bureau of the Public Debt	1,206	14	1,220	1,390	64	1,454	1,390	64	1,454
Community Development Financial Institutions Fund	50	0	50	68	0	68	35	0	35
Subtotal, Treasury Appropriated Level	99,775	1,699	101,474	101,520	2,074	103,594	99,097	2,281	101,378
Treasury Franchise Fund	0	686	686	0	762	762	0	820	820
U.S. Mint	0	2,015	2,015	0	2,003	2,003	0	1,902	1,902
Bureau of Engraving and Printing	0	2,282	2,282	0	2,300	2,300	0	2,300	2,300
Office of the Comptroller of the Currency	0	2,686	2,686	0	2,886	2,886	0	2,886	2,886
Office of Thrift Supervision	0	885	885	0	965	965	0	965	965
Sallie Mae Assessments	3	0	3	0	0	0	0	0	0
Terrorism Insurance Program	9	0	9	10	0	10	10	0	10
Total	99,787	10,253	110,040	101,530	10,990	112,520	99,107	11,154	110,261

Summary of FY 2007 Program Changes

(Dollars in Thousands)

	Amount	Direct FTEs
FY 2006 Consolidated Appropriations (P.L. 109-115)	\$11,700,474	103,151
Rescission (P.L. 109-148)	(116,974)	(612)
FY 2006 Enacted	\$11,583,500	102,539
Maintaining Current Levels		
Annualization of FY 2006 Initiatives	5,009	31
Non-Pay Inflation	68,575	
Pay Annualization	66,659	
Proposed Pay Raise	162,299	
Total Maintaining Current Levels	\$302,542	31
Base Realignment		
IRS FTE Adjustment	0	(1,019)
Total Base Realignment	\$0	(1,019)
Non-Recurring Costs		
DO Currency Manipulation	(990)	
DO Public key Infrastructure	(248)	
DO e-Cavern	(1,485)	
TBARR TBARR Completed	(8,900)	(9)
ATSP ATSP Completion	(2,723)	(6)
DSCIP DSCIP Base	(24,168)	
FMS FY 2005 Accounting Architecture Investments	(840)	
FMS FY 2006 Mail Presort Equipment	(379)	
BPD Miscellaneous Printing	(1,370)	
BPD Litigation Support	(3,743)	
Total Non-Recurring Costs	(\$44,846)	(15)
Base Reinvestments		
IRS Increase Returns Processing Efficiencies	12,237	11
BPD BPD Base Reinvestments	5,113	
FinCEN Enhancements to Strengthen Critical Operations	3,211	23
FinCEN Strengthen Regulatory Compliance and Oversight	2,538	19
TTB BPD Administrative Resource Center Cost Increases	340	
TTB Permit Applications	308	
TTB Working Capital Fund for TCS and DTS (Telecommunications)	503	
TTB Wine, Distilled Spirits, Tobacco/Tax Processing	425	
Total Base Reinvestments	\$24,675	53
Transfers		
IRS Transfer to TIGTA	(941)	
DO Transfer into DO S&E to Re-estab Repair & Improvements (R&I) Account	1,000	
DO Transfer in for Secretary's Security Detail	4,200	
T-BARR Transfer out to DO S&E for Repairs and Improvements Account	(1,000)	
TIGTA Transfer from IRS for WCF	941	
Total Transfers	\$4,200	
Program Reductions		
IRS Business Systems Modernization Program Reduction	(29,700)	
BPD Adoption of Revised Customer Service Standards	(2,027)	
FinCEN Realignments to Enhance Critical Operations	(3,211)	(19)

		Amount	Direct FTEs
FinCEN	Realignments to Strengthen Regulatory Compliance Oversight	(2,538)	(19)
TTB	Tax Services-SOT Suspension/Quarterly Tax Filings	(1,600)	
CDFI	Transfer program	(46,843)	(33)
Total Program Reductions		(\$85,919)	(71)
Program Cost Savings			
IRS	Competitive Sourcing Savings	(17,000)	
IRS	E-File Savings	(6,760)	(174)
IRS	Improvement Project Savings	(8,216)	(135)
IRS	Program Efficiencies	(84,120)	(2,096)
IRS	HITCA Program Efficiencies	(5,500)	
FMS	Debt Fee Revenue	(5,311)	(57)
FMS	Realize Mail Presort Efficiencies	(384)	
DO	Accross the Board Program Reduction	(269)	
DO	Savings from FY 2005 Closure of Overseas Posts	(293)	
Total Program Cost Savings		(\$127,853)	(2,462)
FY 2007 Base		\$11,656,300	99,056
Program Adjustments			
IRS	Consolidate Philadelphia Campus	20,900	
FMS	Federal Accounting Standards Advisory Board (FASAB) Increases	44	
DO	Economic Sanctions Against Weapons of Mass Destruction (WMD) Proliferation	946	5
DO	Economic Sanctions Against Terrorist Networks	1,483	8
DO	Support of OFAC	492	3
DO	Support of TFI	542	3
DO	Expanded Treasury Presence Overseas	9,352	10
DO	Additional Secure Workspace	1,000	
DO	Intelligence Analysts	1,261	7
DO	Iraq Threat Finance Cell (ITFC)	2,050	2
DO	Dynamic Analysis Division	513	3
DO	Treasury-wide Performance Management Training	1,838	
DSCIP	Back-up Disaster Recovery Capacity	1,656	
DSCIP	OFAC Enterprise Content Management (ECM)	627	
DSCIP	Treasury Foreign Intelligence Network (TFIN)	21,200	
DSCIP	Treasury Secure Data Network (TSDN)	4,003	
DSCIP	Critical Infrastructure Protection (Financial Institutions)	2,093	
DSCIP	Cyber Security	2,244	
DSCIP	E-Government Initiatives	2,209	
FinCEN	Cross-Border Initiative	10,000	
FinCEN	Enhance BSA Direct	2,473	
Total Program Increases		\$86,926	41
FY 2007 Operating Level		\$11,743,226	99,097
Offsetting Fees			
IRS	User Fees	(135,000)	
BPD	User Fees	(3,000)	
Total Offsetting Fees		(\$138,000)	
FY 2007 President's Budget Request		\$11,605,226	99,097

Summary of FY 2007 Increases and Decreases

(Dollars in Thousands)

	DO*	ATSP	FINCEN	TTB**	OIG	TIGTA	IRS	FMS	BPD	CDFI	Total
FY 2006 Consolidated Appropriations (P.L. 109-115)	\$231,004	\$2,750	\$73,630	\$91,126	\$17,000	\$133,286	\$10,680,511	\$236,243	\$179,923	\$55,000	\$11,700,473
Rescission (P.L. 109-148)	(2,310)	(27)	(736)	(911)	(170)	(1,333)	(106,805)	(2,362)	(1,769)	(550)	(116,973)
FY 2006 Enacted	\$228,694	\$2,723	\$72,894	\$90,215	\$16,830	\$131,953	\$10,573,706	\$233,881	\$178,154	\$54,450	\$11,583,500
Pay Inflation Adjustments	3,266	0	1,064	1,504	412	2,965	211,813	4,679	3,117	138	228,958
Non-Pay Inflation Adjustments	2,078	0	865	909	110	610	60,418	1,964	1,545	76	68,575
Annualization of FY 2006 Initiatives	2,511	0	2,498	0	0	0	0	0	0	0	5,009
Maintaining Current Levels	\$7,855	\$0	\$4,427	\$2,413	\$522	\$3,575	\$272,231	\$6,643	\$4,662	\$214	\$302,542
Non-Recurring Costs	(35,791)	2,723	0	0	0	0	0	(1,219)	(5,113)	0	(44,486)
Base Reinvestment	0	0	5,749	1,576	0	0	12,237	0	5,113	0	24,675
Transfers	4,200	0	0	0	0	941	(941)	0	0	0	4,200
Program Reductions	(0)	(0)	(5,749)	(1,600)	0	0	(29,700)	0	(2,027)	(46,843)	(85,919)
Program Cost Savings	(562)	0	0	0	0	0	(121,596)	(5,695)	0	0	(127,853)
Adjustments to FY 2006 Enacted	(\$32,153)	(\$2,723)	\$0	(\$24)	\$0	\$941	(\$140,000)	(\$6,914)	(\$2,027)	(\$46,843)	(\$229,743)
FY 2007 Base	\$204,397	\$0	\$77,321	\$92,604	\$17,352	\$136,469	\$10,705,937	\$233,610	\$180,789	\$7,821	\$11,656,300
Program Increases	53,509	0	12,473	0	0	0	20,900	44	0	0	86,926
FY 2007 Operating Level	\$257,906	\$0	\$89,794	\$92,604	\$17,352	\$136,469	\$10,726,837	\$233,654	\$180,789	\$7,821	\$11,743,226
Offsetting Fees	0	0	0	0	0	0	(135,000)	0	(3,000)	0	(138,000)
FY 2007 President's Budget	\$257,906	\$0	\$89,794	\$92,604	\$17,352	\$136,469	\$10,591,837	\$233,654	\$177,789	\$7,821	\$11,605,226

* Includes S&E, DSCIP, TBARR

**TTB President's Budget does not include user fee proposal of \$28,640 thousand. Net request is \$63,964 thousand including user fee proposal.

Total Funding Levels for the FY 2007 President's Budget

(Dollars in Millions)

	FY 2005	FY 2006	FY 2007		
	Enacted	Estimate	Estimate	Change	% Change
Annual Appropriations	\$11,217	\$11,580	\$11,605	\$25	0.2%
Interest Payments:					
Interest on Public Debt	352,350	398,744	440,412	41,668	10.4%
Refunding Internal Revenue Collections, Interest	6,112	3,662	3,877	215	5.9%
Interest on Uninvested Funds	7	8	8	0	0.0%
Interest Paid To Credit Financing Accounts	4,418	4,610	4,968	358	7.8%
Restitution of Foregone Interest	142	0	0	0	0.0%
Fed. Interest Liabilities to States	0	1	2	1	100.0%
Subtotal, Interest Payments	\$363,029	\$407,025	\$449,267	\$42,242	10.4%
Trust Funds and Other Funds:					
Federal Financing Bank	-454	0	0	0	0.0%
Payment to Resolution Funding Corp	2,130	2,104	2,140	36	1.7%
Check Forgery Insurance Fund	0	3	3	0	0.0%
Payment to Terrestrial Wildlife Habitat Restoration Trust Fund	5	5	5	0	0.0%
Community Development Financial Institutions Program Account	1	0	0	0	0.0%
Air Transportation Stabilization Program Account	337	0	0	0	0.0%
Subtotal, Trust Funds and Other	\$2,019	\$2,112	\$2,148	\$36	1.7%
Permanent Authority Appropriations:					
Pres. Election Campaign Fund	53	55	55	0	0.0%
Biomass Energy Development	-1	-8	-5	3	-37.5%
Government Losses in Shipment	4	2	0	-2	-100.0%
Terrorist Insurance Program	5	0	6	6	100.0%
Continued Dumping and Subsidy Offset	237	249	1,928	1,679	674.3%
Treasury Forfeiture Fund	321	251	251	0	0.0%
Debt Collection Special Fund	49	40	60	20	50.0%
Claims, Judgments & Relief Acts	973	904	873	-31	-3.4%
Federal Reserve Bank Reimbursement by –					
FMS	258	220	245	25	11.4%
BPD	131	100	123	23	23.0%
Financial Agent Services	365	322	311	-11	-3.4%
Internal Revenue Collections for Puerto Rico	421	441	457	16	3.6%
IRS New and Existing Fees	119	100	238	138	138.0%
IRS Informant Payments	7	4	4	0	0.0%
Private Collection Agent Program	0	3	54	51	1700.0%
Payment where Child Credit exceeds liab. for tax	14,624	14,113	13,538	-575	-4.1%
Payment where EIC exceeds liability for tax	34,559	35,098	35,457	359	1.0%
Payment where Health Care Credit exceeds liab. for tax	90	94	829	735	781.9%
Subtotal, Permanent Auth. Approp	\$52,215	\$51,988	\$54,424	\$2,436	4.7%
Offsetting Collections	-18,285	-18,804	-21,649	-2,845	15.1%
Subtotal, Department of the Treasury	\$410,195	\$453,901	\$495,795	\$41,894	9.2%
International Assistance Programs	1,373	1,449	1,536	87	6.0%
Total, Department of the Treasury	\$411,568	\$455,350	\$497,331	\$41,981	9.2%

