Department of the Treasury

The Budget in Brief

Fiscal Year 2009

U.S. Department of the Treasury
FY 2009 Budget in Brief

Summary of FY 2009 President's Budget

Appropriated Accounts - Bureau Program Detail

Non-Appropriated Accounts - Bureau Program Detail

Treasury International Programs

Supplemental Information

The information presented in this FY 2009 Budget in Brief is accurate and complete as of February 4, 2008. Any updated information will be reflected in the budget available on the Treasury Department website, www.treas.gov.

Executive Summary

FY 2009 President's Budget by Function
(Dollars in Thousands)

Appropriation	FY 2007	FY 2008	FY 2009		
	Enacted	Enacted	President's Budget	Increase/ Decrease	Percent Change
Management & Financial	$614,774	$699,412	$682,817	-$16,595	-2.4%
Departmental Offices Salaries and Expenses	216,348	248,360	273,895	25,535	10.3%
Dept-wide Systems & Capital Invest. Program	30,268	18,710	26,975	8,265	44.2%
Office of Inspector General	16,957	18,450	19,356	906	4.9%
Treasury IG for Tax Administration	132,861	140,533	145,736	5,203	3.7%
Community Development Financial Institutions Fund	54,506	94,000	28,620	(65,380)	-69.6%
Financial Crimes Enforcement Network	73,216	85,844	91,335	5,491	6.4%
Alcohol & Tobacco Tax and Trade Bureau	90,618	93,515	96,900	3,385	3.6%
Fiscal Service Operations	$414,235	$417,294	$426,398	$9,104	2.2%
Financial Management Service	235,381	234,423	239,344	4,921	2.1%
Bureau of the Public Debt*	178,854	182,871	187,054	4,183	2.3%
Tax Administration**	$10,597,065	$10,892,384	$11,361,509	$469,125	4.3%
IRS Taxpayer Services	2,138,238	2,150,000	2,150,000	0	0.0%
IRS Enforcement	4,686,477	4,780,000	5,117,267	337,267	7.1%
IRS Operations Support	3,544,835	3,680,059	3,856,172	176,113	4.8%
IRS Business Systems Modernization	212,659	267,090	222,664	(44,426)	-16.6%
IRS Health Insurance Tax Credit Administration	14,856	15,235	15,406	171	1.1%
Total, Treasury Appropriations Committee	$11,626,074	$12,009,090	$12,470,724	$461,634	3.8%
Treasury International Programs	$1,357,369	$1,327,579	$2,241,305	$913,726	68.8%
International Financial Institutions	1,273,219	1,277,289	2,071,305	794,016	62.2%
Technical Assistance	19,800	20,235	29,000	8,765	43.3%
Debt Restructuring	64,350	30,055	141,000	110,945	369.1%
Total	**$12,983,443**	**$13,336,669**	**$14,712,029**	**$1,375,360**	**10.3%**

* Does not include estimated user fee offset.
** FY 2007 Enacted represents the approved Operating Plan.

Overview

The U.S. Department of the Treasury's budget priorities reflect the Department's dedication to promoting economic growth and 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 2009 President's Budget request identifies the resources required to support the Treasury Department's role as the steward of U.S. economic and financial systems, and as an influential participant in the international economy. The FY 2009 President's Budget emphasizes initiatives that directly support the Department's four strategic goals:

- Effectively manage U.S. government finances
- Ensure U.S. and world economies perform at full economic potential
- Prevent terrorism and promote the nation's security through strengthened international financial systems
- Dedicate to management and organizational excellence

The Department of the Treasury performs a critical role in U.S. and global economies, continually evolving to meet the ever-changing needs of the nation. The Department provides cash management for the federal government, produces currency and coin, administers the tax code, oversees the financial sector, and plays an integral role in combating the financing of terrorism, the proliferation of weapons of mass destruction, and other threats to our national security.

This chapter will highlight how Treasury's FY 2009 budget request supports each of these priorities and discuss the Department's progress toward meeting the goals of the President's Management Agenda. Detailed information on how each bureau supports these goals is provided in its respective chapter.

FY 2009 President's Budget by Strategic Goal

(Dollars in Thousands)

Treasury Goal/Objective	Effectively Managed US Government Finances		U.S. and World Economies Perform at Full Economic Potential		Prevented Terrorism & Promoted Nation's Security		Management and Organizational Excellence		Total	
	Direct $	**Reimb. $**	**Direct $**	**Reimb. $**	**Direct $**	**Reimb. $**	**Direct $**	**Reimb. $**	**Direct $**	**Reimb. $**
Management & Financial	$108,571	$2,399	$150,903	$8,609	$197,285	$12,238	$226,058	$10,573	$682,817	$33,819
Departmental Offices Salaries and Expenses	59,151	936	74,803	7,204	105,950	6,987	33,991	3,373	273,895	18,500
Dept-wide Systems & Capital Invest. Program							26,975		26,975	0
Office of Inspector General							19,356	6,300	19,356	6,300
Treasury IG for Tax Administration							145,736	900	145,736	900
Community Development Financial Institutions Fund			28,620						28,620	0
Financial Crimes Enforcement Network					91,335	5,251			91,335	5,251
Alcohol & Tobacco Tax and Trade Bureau	49,420	1,463	47,480	1,405					96,900	2,868
Fiscal Service Operations	$426,398	$243,017	$0	$0	$0	$0	$0	$0	$426,398	$243,017
Financial Management Service	239,344	228,010							239,344	228,010
Bureau of the Public Debt	187,054	15,007							187,054	15,007
Tax Administration	$11,091,461	$96,285	$0	$0	$270,048	$11,619	$0	$0	$11,361,509	$107,904
IRS Taxpayer Services	2,150,000	22,454							2,150,000	22,454
IRS Enforcement	4,909,071	32,081			208,196	11,619			5,117,267	43,700
IRS Operations Support	3,794,320	41,750			61,852				3,856,172	41,750
Business Systems Modernization	222,664								222,664	0
Health Insurance Tax Credit Administration	15,406								15,406	0
Total, Treasury Appropriations Committee	$11,626,430	$341,701	$150,903	$8,609	$467,333	$23,857	$226,058	$10,573	$12,470,724	$384,740
Treasury International Programs	2,241,305								2,241,305	0
Total, Appropriated Level	$13,867,735	$341,701	$150,903	$8,609	$467,333	$23,857	$226,058	$10,573	$14,712,029	$384,740
Non Appropriated Bureaus	$0	$0	$0	$3,747,826	$0	$0	$0	$136,011	$0	$3,747,826
Treasury Franchise Fund								136,011	0	136,011
Bureau of Engraving and Printing				559,500					0	559,500
U.S. Mint				2,125,816					0	2,125,816
Office of the Comptroller of the Currency				810,872					0	810,872
Office of Thrift Supervision				251,638					0	251,638
Subtotal, Direct $	$13,867,735		$150,903		$467,333		$226,058		$14,712,029	
Subtotal, Reimbursable $		$341,701		$3,756,435		$23,857		$146,584		$4,268,577
Total, Treasury Level		**$14,209,436**		**$3,907,338**		**$491,190**		**$372,642**		**$18,980,606**

FY 2009 President's Budget Request

The FY 2009 President's Budget request of $12.4 billion for the Treasury Department identifies the resources necessary to effectively manage the government's finances, promote economic opportunity through sound fiscal policy, work towards entitlement reform, strengthen trade and investment policies, and maximize voluntary tax compliance. The request, which is $461 million above the FY 2008 enacted level (an increase of 3.8 percent), reflects the growing need for the Treasury Department to advance an economic system that promotes an improved global quality of life while supporting the national security strategy, and ensuring the safety and integrity of our financial systems against the abuse of terrorist financiers, money launderers, and other criminals. While the majority of the Department's budget is funded through the Department of the Treasury Appropriations Act, an additional $2.2 billion is funded through the State, Foreign Operations, and Related Programs Appropriations Act for international assistance, including $400 million as the first installment of a $2 billion U.S. commitment to a newly created international clean technology fund to address the growing problem of accelerating greenhouse gas emissions growth in major developing countries.

Effectively Manage the Nation's Finances

The FY 2009 budget request funds the Department's priorities in managing the nation's finances effectively, which includes collecting money due to the United States by maximizing voluntary compliance with tax laws and regulations, making payments, and financing the federal government by continually improving financial management processes. Key priorities also include overseeing, accounting for, and reporting on government expenditures and collections, particularly delinquent debt owed the government; accurately forecasting receipts and payments; determining borrowing needs; and executing the borrowing strategy to meet the financial demands of the federal government at the lowest possible cost over time.

Discourage and Deter Non-Compliance

Collecting federal taxes and other revenue through a fair and uniform application of the law is integral to the Department of the Treasury's core mission. The Department's priority is to efficiently and effectively enforce the nation's tax laws, minimize taxpayer burden, and deliver appropriate levels of service to maximize voluntary compliance, thereby reducing the tax gap. The FY 2009 budget request includes $11.362 billion for the IRS, which is an increase of $469 million above the FY 2008 enacted level. Highlights include:

- $287 million for new enforcement initiatives aimed at improving compliance and reducing the tax gap. The IRS will enhance coverage of high-risk compliance areas and expand document matching efforts. It will target the tax gap associated with large corporate and small business taxpayers, high-income taxpayers, and domestic taxpayer offshore activities of U.S. taxpayers. Enforcement will focus on critical reporting, filing, and payment compliance programs and highlight abusive tax avoidance transactions. These initiatives (including the research investment noted below) will generate $2 billion per year in new enforcement revenue once the new hires reach full potential in FY 2011.
- $51 million for enhanced research to allow the IRS to improve the targeting of its enforcement resources to specific areas of non-compliance, thus reducing the burden on compliant taxpayers, improving the fairness of the tax system, and increasing revenue.
- $23 million to implement legislative proposals that would improve compliance with minimum impact on taxpayer burden. It is estimated that these proposals will generate $36 billion in revenue over the next ten years.
- $223 million for the Business Systems Modernization program to continue progress on modernizing tax administration systems that improve both service and enforcement programs.

The Treasury Department also regulates the manufacture and sale of alcohol, tobacco, firearms, and ammunition, and collects excise taxes on the sale of these products. In FY 2007, the Alcohol and Tobacco Tax and Trade Bureau collected $14.7 billion in excise taxes, interest, and other revenues.

Optimize Cash and Debt Portfolio and Expand Electronic Transactions

The FY 2009 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 disbursing payments, collecting revenue, issuing debt, and preparing public financial statements through the Financial Management Service. The Department plays an important role in providing critical services to millions of U.S. taxpayers as it issues timely and accurate government payments such as Social Security benefits, IRS tax refunds, and veterans' benefits. As the government's financial manager, Treasury oversees a daily cash flow of nearly $60 billion, disbursing 85 percent of the federal government's payments. The Department continues to leverage technological advancements to achieve all-electronic cash management, issuing over 981 million non-Defense payments worth $1.6 trillion to a wide variety of recipients, including special payments such as Federal Emergency Management Agency payments and the 2007 telephone excise tax refund. Seventy-eight percent of all payments disbursed were via direct deposit, representing a cost savings to the taxpayer of over 80 cents per transaction.

The Department determines and executes the federal borrowing strategy to meet the monetary needs of the government at the lowest possible cost. Each year, Treasury manages more than $9 trillion of public debt through its Bureau of Public Debt. Public debt includes marketable securities, savings bonds, and other instruments held by state and local governments, federal agencies, foreign governments, corporations, and individuals. The Department of the Treasury's activities minimize the interest paid on the national debt over time and enhance market liquidity. To improve debt management the Department will invest resources in system modernization creating redundancy and enhanced functionality. In order to provide 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.

Ensure Full Performance of U.S. and World Economies

The Secretary of the Treasury is the President's leading policy advisor on a broad range of domestic and international economic issues. Treasury's Departmental Offices, including the Offices of International Affairs, Tax Policy, Economic Policy, and Domestic Finance, support the Secretary in this role through the provision of technical analysis, economic forecasting, and policy guidance on issues ranging from federal financing to responding to international financial crises. The Department supports policies that stimulate U.S. economic growth, strengthen and modernize entitlement programs, and minimize regulatory burdens while ensuring the safety and soundness of financial institutions.

Stimulate U.S. Economic Growth

U.S. capital markets make a vital contribution to the nation's wealth and prosperity by directing investments toward innovation, promoting economic growth, and ensuring that the allocation of resources is directed toward the most efficient use. Vibrant capital markets enable investors to seed new companies, leading to job creation and economic prosperity. American consumers and investors benefit from a vibrant and healthy financial services sector that provides opportunities to access credit, save and invest for the future, and insure against risks. It is important, therefore, that our capital markets remain the best in the world.

Accordingly, the Treasury Department has undertaken a competitiveness-related initiative to examine the regulatory structure of our financial institutions to evaluate and propose solutions that achieve the right balance. The regulatory policies in place for financial institutions must effectively protect consumers and investors, while at the same time promote entrepreneurialism and capitalism that is the foundation of our national economic success. The Treasury Department plans to release its report early in 2008.

In addition, by participating in the negotiation and implementation of international agreements, the Treasury Department removes trade and investment barriers, stimulates domestic and global growth, and creates employment opportunities for Americans.

Additionally, the Department supports trade liberalization and budget discipline through its role in negotiating, implementing, and policing international agreements to reduce official export subsidies. By negotiating agreements in the Organization for Economic Cooperation and Development, the Treasury Department drastically reduced the subsidies that member governments can provide when financing national exports. The volume of this financing activity is approximately $70 billion annually. These agreements open markets and level the playing field for U.S. exporters, and save U.S. taxpayers about $800 million each year. Cumulative budget savings from these agreements are estimated to be over $12 billion.

Maintaining Healthy Markets

Treasury is committed to supporting healthy financial markets and to addressing weaknesses when they do arise. In FY 2009, the Department will continue its industry-wide effort to respond to the downturn in the housing and mortgage markets. By preventing avoidable foreclosures, the Department will help to safeguard neighborhoods and communities, and fulfill our primary responsibility of protecting the broader U.S. economy.

After convening a diverse group of market participants through the HOPE NOW Alliance, in FY 2008 the Treasury Department implemented a three point plan to avoid preventable foreclosures and to minimize the impact of the housing downturn on the U.S. economy:

- Increasing efforts to reach able homeowners who are struggling with their mortgages
- Working to increase the availability of affordable mortgage solutions for these borrowers
- Leading the industry to develop a systematic means of efficiently moving able homeowners into sustainable mortgages

In its first three months, the HOPE NOW Alliance sent over 450,000 letters to at-risk borrowers encouraging them to contact their servicer or a non-profit credit counselor at 888-995-HOPE. The Department has also coordinated with the Department of Housing and Urban Development to implement FHASecure, allowing over 67,000 families to refinance into FHA insured loans, while also supporting additional reforms to the tax code that were signed by the President.

The FY 2009 budget request also includes $28.6 million for the Community Development Financial Institutions Fund (CDFI Fund). The CDFI Fund's mission is to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the United States.

Strengthen Financial Institutions

One of the principal objectives of the Treasury Department is to enable commerce. The Department is responsible for the safety and soundness of national banks and federally-chartered savings associations. The Treasury Department also produces the coins and currency needed for commerce, and guards against counterfeiting and other misuse of our money.

The Department, through the Office of the Comptroller of the Currency (OCC) and Office of Thrift Supervision (OTS), works with other federal banking regulators to issue guidance on subprime mortgage lending and non-traditional mortgage products, and to encourage financial institutions to work with residential borrowers that are unable to meet their contractual home loan obligations. Additionally, these agencies work with the Conference of State Bank Supervisors and American Association of Residential Mortgage Regulators to encourage individual states to adopt the guidelines for mortgage brokers under their supervision. As of September 2007, OCC oversaw financial assets held by national bank charters and federal branches of foreign banks totaling $7.2 trillion. As of September 2007, OTS supervised holding company enterprises with approximately $8.5 trillion in U.S. domiciled consolidated assets, and regulated savings associations with total assets of $1.57 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 2007, the Mint and BEP produced 15.4 billion coins and 9.1 billion paper currency notes, respectively. The Mint successfully issued the first three circulating Presidential $1 coins and the first three First Spouse gold coins. BEP also completed its redesign of the new five dollar note, which is scheduled to enter circulation on March 13, 2008. Also, due to continued improvement in operating results and profits from FY 2007, the Mint returned $825 million to the Treasury General Fund.

Funding for the OCC, OTS, Mint, and BEP is not included in the Department's annual budget requests because these bureaus 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 U.S. 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, and invitations for various Government agencies, as well as space rental fees.

Prevent Terrorism and Promote the Nation's Security

The sponsorship of terrorism and the potential acquisition of weapons of mass destruction by rogue regimes and non-state entities represent a grave threat to U.S. national security and all free and open societies. The Treasury Department leverages financial and all-source intelligence to identify the financial underpinnings of criminal, terrorist and weapons proliferation networks, and utilizes the Department's unique regulatory and law enforcement authorities to combat national security threats and safeguard the financial system. The Department protects the integrity of the financial system through administration of the Bank Secrecy Act and implements targeted financial measures and other forms of sanctions in support of U.S. government policy goals, which include stopping the flow of money and support to terrorist groups, state sponsors of terrorism, proliferators of weapons of mass destruction, drug traffickers, money launderers, and regimes that constitute a threat to the United States.

Pre-Empted and Neutralized Threats

The Office of Terrorism and Financial Intelligence (TFI) marshals the Treasury Department's intelligence and enforcement functions, aimed at safeguarding the financial system against illicit use and combating rogue nations, terrorist facilitators, proliferators of weapons of mass destruction, money launderers, drug traffickers, and other national security threats.

TFI extracts financial and other source intelligence to effectively utilize the Department's unique authorities to combat national security threats and safeguard the financial system. Confidence in the integrity of the U.S. and international financial systems fosters economic growth and improves national security. Transparency in the financial sector denies terrorist, drug traffickers, WMD proliferators, and other criminals the ability to conceal their illicit activities. The security of the United States is enhanced when financial systems are safeguarded from criminal abuse. Treasury's actions include:

- Freezing the assets of terrorists, proliferators, drug kingpins, and other criminals and shutting down the channels through which they raise and move money,
- 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, and
- Promoting a meaningful exchange of information with the private financial sector to help detect and address threats to the financial system

In the FY 2009 President's Budget, Treasury requests $11 million above the FY 2008 enacted level to combat state sponsored terrorism, establish the capability to coordinate financial intelligence across the intelligence community, and to enhance security operations.

- To enable the Department to more effectively target state sponsors of terrorism, such as Iran and Sudan, as well as terrorists and their support networks, the budget request includes funds to hire additional sanctions investigators, enforcement and compliance officers, and other resources to administer sanctions programs.

- The absence of a coordinated, Intelligence Community (IC)-wide effort in the collection and analysis of financial intelligence around the world has been noted as a critical capacity gap by Congress and the national security community. The President's Budget request for Treasury includes additional resources to support this coordinating role in the identification of finance-related intelligence collection priorities and analysis. Demonstrating the high priority the Department places on this initiative, in addition to the requested new resources, Treasury will realign funds internally to support these activities.

- As Treasury's national security mission increases, Treasury becomes a greater target of foreign adversaries. Building on the Treasury Counter Intelligence Assessment undertaken in FY 2007, the Budget includes additional resources to strengthen Treasury's defensive capabilities to identify and mitigate threats to the Department's personnel and systems.

The Financial Crimes Enforcement Network (FinCEN), a bureau within TFI, is responsible for administering the Bank Secrecy Act (BSA). The FY 2009 President's Budget request for FinCEN includes resources to strengthen global anti-money laundering efforts, streamline business processes, reduce the cost of compliance to industry, and enhance BSA data collection, management and analysis through improved information technology management.

Dedicate to Management and Organizational Excellence

The Department of the Treasury strives to maintain public trust and confidence in U.S. and international economic and financial systems through exemplary leadership, best-in-class processes, and a culture of excellence, integrity, and teamwork. The Treasury Department realizes its strategic goals by building a strong institution that is citizen-centered, results-oriented, and efficient, while actively promoting innovation.

Enable an Effective Treasury Department

Management's primary role and responsibility in the Department is to create the conditions that allow all programs and activities to perform efficiently and effectively. The Department's priorities are to drive improved results through performance and cost-based decision-making, strategically align its resources to deliver outcomes, secure its information technology infrastructure and leverage technology investments, close skill gaps in mission critical occupations, and develop leadership capacity.

Requested funding seeks to build a strong management infrastructure, ensuring that Treasury remains a world-class organization that meets the President's standard of a citizen-centered, results-oriented government.

The Department is committed to organizational excellence. Funding is included in this request for an Operations Center which will provide 24/7 continuity and oversight of the world financial markets. The center will include representatives from key Treasury Department policy offices facilitating a rapid response to events around the globe.

The Treasury Department's request will fund infrastructure and technology investments to modernize business processes throughout Treasury to improve efficiency. In FY 2009, Treasury requests $26.98 million for infrastructure improvements, ongoing modernization and critical information technology projects, and investments in other new technologies that will improve efficiency and service to the American people. The budget request includes:

- $12 million to address critical building deficiencies in the Treasury Annex Building, which will ensure the safety and health of the occupants.

- $6 million to continue the implementation of a Treasury-wide Enterprise Content Management System. The system will result in increased efficiencies, enhanced mission effectiveness, reduced total cost of ownership, and the orderly retirement of legacy systems.

- $4 million necessary to stabilize and modernize the Treasury Secure Data Network, the Department's collateral classified communication system, enabling reliable and secure connectivity.

- $5 million to improve Treasury's FISMA performance and strengthen the Department's overall security posture; and completing required milestones as part of Treasury's Presidential E-Government Implementation Plan.

Additionally, this budget request includes funding for the Treasury Department'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

Initiative	Status FY 2004	Status FY 2005	Status FY 2006	Status FY 2007	FY 2007 Progress Q4
Human Capital	Y	Y	G	G	G
Competitive Sourcing	Y	G	G	Y	Y
Financial Performance	R	R	R	Y	G
E-Government	R	R	Y	Y	Y
Performance Improvement	Y	Y	Y	Y	G
Improper Payments	N/A	R	R	R	Y
Credit Management	N/A	N/A	N/A	Y	G

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

President's Management Agenda (PMA)

The Department of the Treasury is committed to the principles of the President's Management Agenda (PMA). The PMA is designed to improve management practices across the federal government and transform it into a results-oriented, efficient, and citizen-centered enterprise. Executing the PMA involves lowering the cost of doing business through competition, strengthening the Department's workforce, improving financial performance, increasing the use of information technology and e-government capabilities, and integrating budget decisions with performance data.

The President holds each agency accountable for its performance in carrying out the PMA, and performance results are demonstrated through quarterly scorecards issued by OMB. The Treasury Department is responsible for reporting on seven initiatives; five are standard government-wide and two apply to select groups of federal agencies of which Treasury is a part.

In FY 2007, the Department continued to be successful in its Human Capital initiative. The Performance Improvement, Competitive Sourcing, Financial Performance, and E-Government initiatives each had mixed results during the year while the Improper Payments initiative remains unsatisfactory. In its first year as a PMA initiative, the Credit Management initiative received a mixed result rating.

Human Capital: In FY 2007, the Department used succession planning to develop emerging leaders, specially-targeted development and training to close skill gaps, and human capital flexibilities to attract and retain a diverse talent pool. In addition, management recognized and rewarded its employees for their contributions toward achieving the Department's priorities and outcomes.

FY 2007 highlights included:

- Reduced the time-to-hire by leveraging web-based hiring solutions and providing improved job announcements,

- Achieved diversity hiring success through the employment of women and Hispanics, and

- Addressed the Department's diversity need by developing a strategy for improving the recruitment of individuals with disabilities, promoting the use of the Department of Labor's Workforce Recruitment Program, and training managers on providing reasonable accommodations to individuals with disabilities.

Performance Improvement: In FY 2007, the Department of the Treasury's progress to achieve improved performance was successful. During this past year, the Department completed and issued its updated strategic plan for FYs 2007–2012. By June 2007, the Office of Strategic Planning and Performance Management had conducted strategic planning workshops with all of the bureaus to develop and align their performance goals to the mission and the strategic goals and objectives of the Department. Additionally, the updated strategic plan introduces the Integrated Management System, which is based on a model of continuous improvement and integrates performance and budgeting. By integrating performance and budgeting, the Department will be able to determine the funding level necessary to achieve intended results, and options will be executed to produce increased value for stakeholders.

Competitive Sourcing: Through Competitive Sourcing, the Department of the Treasury utilizes public-private competition to effectively deliver services at the lowest possible cost to the American taxpayer. Competitive Sourcing allows the Department to look internally and externally for the most efficient way to achieve its mission. During FY 2007, the Treasury Department, in the spirit of the A-76 Circular, made the decision to develop a competitiveness plan. This plan will continually review positions and activities to ensure the Department is competitive, effective, and efficient, but will also surface potential public-private competitions. The Treasury Department has received mixed results in its PMA rating, but is committed to working with OMB to develop a plan to achieve success by improving performance and lowering costs.

Improved Financial Performance: During FY 2007, the Treasury Department continued working towards full compliance with the Federal Managers' Financial Integrity Act (FMFIA) and Federal Financial Management Improvement Act (FFMIA), and improved financial management processes to produce accurate and timely information that supports operating, budget, and policy decisions. In addition, the Department continued to emphasize the resolution of material weaknesses and completed the vast majority of the planned corrective actions. For 2007, the Department again received a clean audit opinion on its financial statements. A three day close at the end of each month and the continuous enhancement of the Department's Financial Analysis and Reporting System helped to ensure a successful audit. The Department continued to review its financial reporting process and perform variance analyses on the quarterly financial statements to ensure its financial data integrity. The Department worked closely with OMB, GAO, FMS, and the Federal Accounting Standards Advisory Board on policy guidance and accounting standards and practices to improve financial reporting and performance. This initiative improved its overall status rating during FY 2007 from "red" to "yellow," and it received "green" progress results on a quarter-by-quarter basis for all four quarters of FY 2007.

Expanded E-Government: The focus for the Department's E-Government organization is to collaborate government-wide and identify opportunities for participating in solutions that deliver significant productivity and performance gains. One example of these efforts is the Treasury Department's active involvement in the Budget Formulation and Execution Line of Business and its efforts to make its Budget Formulation and Execution Manager (BFEM) available on a multi-agency basis. Over the course of the past year, six agencies have used the BFEM service to modernize their budget formulation processes. By building on the work of the Treasury Department, these agencies avoided the software development costs typically incurred in any modernization effort while simultaneously lowering their marginal operational expenses by disbursing expenses across several agencies. In addition, the Treasury Department developed a BFEM Performance Module, which will allow agencies to manage its performance measures. Over the next year, the Department will share this solution with other agencies and work to implement it across the government.

Eliminating Improper Payments: In FY 2007, the IRS continued its effort to reduce improper payments for the Earned Income Tax Credit (EITC) program, which is the only high risk program in the Treasury

Department due to erroneous payments. The IRS continued to evaluate new ways of reducing erroneous EITC payments while maintaining participation by eligible taxpayers, in addition to pursuing base compliance activities and redesign efforts.

By detecting and correcting errors during return processing, the IRS prevented incorrect refunds in the amounts of $460 million and $400 million, respectively for the 2006 and 2007 filing seasons. This decreasing trend in errors is attributable to education, return preparation assistance, and electronic filing.

Improving Credit Management: During FY 2007, the Treasury Department participated, with the government's five major creditor agencies in an initiative to improve the management of federal credit programs. FMS's Debt Management Services group specifically addressed delinquent debt collection issues in the areas of agency compliance with Debt Collection Improvement Act (DCIA) of 1996, program effectiveness and goals for improvement, effective management information reporting, controlling and measuring costs, and customer satisfaction. To address and improve agency compliance, Performance Expectation Agreements are currently being negotiated between FMS and the five major credit agencies.

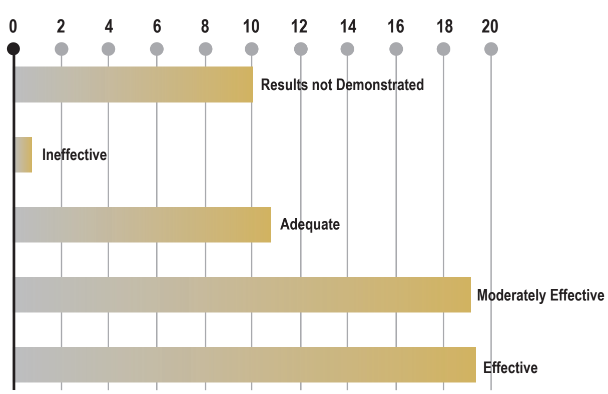
During FY 2007, the Department took the following actions:

- Established a performance measure for debt collection as a percentage of delinquent debt referred to the Treasury Department,
- Assessed agency progress toward use of administrative wage garnishment, centralized offset of federal salary payments, and debtor bar provisions of the DCIA,
- Established benchmarks and goals for controlling costs and determining customer satisfaction, and
- Utilized receivable reporting to improve program management.

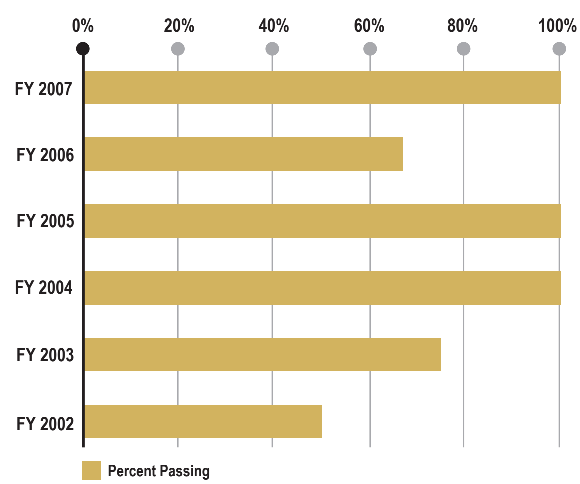
Program Assessment and Rating Tool (PART) Summary

Program evaluation is a core management tool used to allocate resources and promote efficiency and effectiveness. In addition to regular independent program evaluations conducted by the Treasury Department's bureaus, the Department works with OMB to select programs each year that will be evaluated or re-evaluated through the PART process. Programs are evaluated every five years through this process by the OMB. In FY 2007, two international programs went through the PART process; both received moderately effective ratings. As of the end of FY 2007, all Department programs have gone through the PART process; based on the number of programs, 31 percent are rated effective, 22 percent are rated moderately effective, 22 percent are rated adequate, 3 percent are rated ineffective, and the remaining 22 percent received a rating of results not demonstrated.

PART Scoring History



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



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

Appropriation	FY 2007 Actual			FY 2008 Estimated			FY 2009 President's Budget		
	Direct	Reimb.	Total	Direct	Reimb.	Total	Direct	Reimb.	Total
Departmental Offices Salaries and Expenses	1,055	86	1,141	1,133	90	1,223	1,200	90	1,290
Office of Inspector General	111	3	114	112	0	112	115	0	115
Treasury IG for Tax Administration	792	3	795	835	3	838	835	3	838
Community Development Financial Institutions Fund	53	0	53	75	0	75	75	0	75
Financial Crimes Enforcement Network	302	0	302	334	1	335	343	1	344
Alcohol & Tobacco Tax and Trade Bureau	523	10	533	544	15	559	525	15	540
Financial Management Service	1,483	408	1,891	1,692	428	2,120	1,500	441	1,941
Bureau of the Public Debt	1,303	16	1,319	1,371	17	1,388	1,371	17	1,388
Internal Revenue Service	92,017	698	92,715	91,123	623	91,746	92,922	650	93,572
Subtotal, Treasury Appropriated Level	97,639	1,224	98,863	97,219	1,177	98,396	98,886	1,217	100,103
Working Capital Fund	0	201	201	0	223	223	0	233	233
Treasury Franchise Fund	0	769	769	0	830	830	0	793	793
Bureau of Engraving and Printing	0	2,109	2,109	0	2,200	2,200	0	2,150	2,150
U.S. Mint	0	1,944	1,944	0	2,071	2,071	0	2,065	2,065
Office of the Comptroller of the Currency	0	2,954	2,954	0	3,078	3,078	0	3,139	3,139
Office of Thrift Supervision	0	974	974	0	1,104	1,104	0	1,104	1,104
Terrorism Insurance Program	10	0	10	10	0	10	10	0	10
Total	97,649	10,175	107,824	97,229	10,683	107,912	98,896	10,701	109,597

Summary of FY 2009 Increases and Decreases
(Dollars in Thousands)

	DO	DSCIP	OIG	TIGTA	CDFI	FINCEN	TTB	FMS	BPD	IRS	Total
FY 2008 Enacted	$248,360	$18,710	$18,450	$140,533	$94,000	$85,844	$93,515	$234,423	$182,871	$10,892,384	$12,009,090
Non-Pay Inflation Adjustments	2,396	0	87	615	119	300	752	553	1,497	54,828	61,147
Pay Annualization Adjustments	837	0	101	799	48	861	402	1,080	769	57,854	62,751
Pay Inflation Adjustments	2,849	0	318	2,419	111	981	1,075	3,288	2,445	152,303	165,789
Maintaining Current Levels	$6,082	$0	$506	$3,833	$278	$2,142	$2,229	$4,921	$4,711	$264,985	$289,687
Base Realignment	0	0	0	0	0	0	(1,149)	0	0	0	(1,149)
Non-Recurring Costs	(1,500)	(16,986)	0	0	0	0	0	0	0	(12,593)	(31,079)
Initiative Annualizations	4,433	0	0	0	0	1,337	0	0	0	0	5,770
Transfers	1,724	(1,724)	0	1,370	0	1,000	0	0	0	(2,370)	0
Efficiencies/Savings	0	0	0	0	0	0	0	0	0	(81,656)	(81,656)
Base Reinvestments	0	0	0	0	0	0	0	0	0	32,604	32,604
Adjustments to Base	$4,657	($18,710)	$0	$1,370	$0	$2,337	($1,149)	$0	$0	($64,015)	($75,510)
FY 2009 Base	$259,099	$0	$18,956	$145,736	$94,278	$90,323	$94,595	$239,344	$187,582	$11,093,354	$12,223,267
Program Decreases	0	0	0	0	(65,658)	(4,146)	(685)	(958)	(528)	(92,691)	(164,666)
Program Reinvestments	0	0	0	0	0	2,897	0	958	0	0	3,855
Program Increases	14,796	26,975	400	0	0	2,261	2,990	0	0	360,846	408,268
FY 2009 President's Budget	$273,895	$26,975	$19,356	$145,736	$28,620	$91,335	$96,900	$239,344	$187,054	$11,361,509	$12,470,724
Offsetting Fees	0	0	0	0	0	0	0	0	(10,000)	0	(10,000)
FY 2009 President's Budget less Offsetting Fees	$273,895	$26,975	$19,356	$145,736	$28,620	$91,335	$96,900	$239,344	$177,054	$11,361,509	$12,460,724

Departmental Offices

Program Summary by Budget Activity
(Dollars in thousands)

Appropriation	FY 2007	FY 2008	FY 2009		
	Enacted	Enacted	President's Budget	Increase/ Decrease	Percent Change
Salaries and Expenses	$216,348	$248,360	$273,895	$25,535	10.3%
Executive Direction	19,728	20,749	21,592	843	4.1%
Economic Policies and Programs	38,393	44,242	45,853	1,611	3.6%
Financial Policies and Programs	24,695	29,465	34,735	5,270	17.9%
Terrorism and Financial Intelligence	47,540	56,775	61,712	4,937	8.7%
Treasury-wide Management and Programs	16,748	18,505	19,009	504	2.7%
Administration Programs	69,244	78,624	90,994	12,370	15.7%
Subtotal, Departmental Offices - S & E	$216,348	$248,360	$273,895	$25,535	10.3%
Offsetting Collections - Reimbursables	19,800	19,800	18,500	(1,300)	(6.6%)
Total Program Operating Level	$236,148	$268,160	$292,395	$24,235	9.0%

Explanation of Request

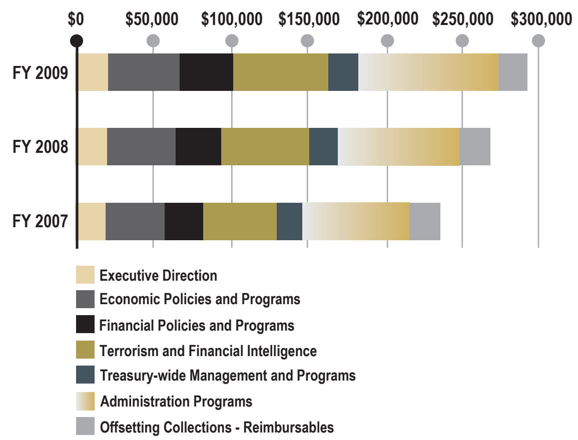
The FY 2009 President's Budget request for the Departmental Offices (DO) Salaries and Expense account provides funding to stabilize and improve the Department's debt management systems; improve its ability to prepare the domestic and international financial services sector for natural or man-made disasters; build an Operations Center to improve the Department's ability to respond to financial crises; enhance the Department's capacity to administer sanctions against terrorist groups and their sponsors; perform timely legal reviews for the Committee on Foreign Investment in the United States (CFIUS); improve the Department's internal counterintelligence and security capabilities; and allow the Department to increase its role as a leader in the area of financial intelligence.

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

Total resources requested to support DO activities for FY 2009 are $292,395,000, including $273,895,000 from direct appropriations and $18,500,000 from offsetting collections and reimbursable programs.

DO Funding History

[Dollars in Thousands]



Purpose of Program

DO's mission is to promote the conditions for prosperity and stability in the United States and to encourage prosperity and stability in the rest of the world.

As the headquarters bureau for the Department of the Treasury, DO provides leadership in such critical areas as economic and financial policy, terrorism and financial intelligence, and general management. DO is responsible for Treasury policy direction and formulation, and supports Treasury's role in leading the country and the world to more prosperous and stable economies through improving financial and economic systems, promoting a safe and secure America, and collecting the revenue due to the government.

DO FY 2009 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2008 Enacted	$248,360
Changes to base:	
Base Realignment:	$0
OIA - Global Finance	1,000
OIA - Base Realignment	(1,000)
Maintaining Current Levels (MCLs):	$6,082
Non-Pay Inflation Adjustment	2,396
Pay Annualization	837
Pay Inflation Adjustment	2,849
Initiative Annualization:	$4,433
IA - Annualization of FY 2008 Initiative	748
OFAC - Annualization of FY 2008 Initiatives	986
OIA - Annualization of FY 2008 Initiatives	1,465
TFFC - Annualization of FY 2008 Initiatives	803
TP - Annualization of FY 2008 Initiatives	431
Non-Recurring Costs:	($1,500)
SCIF	(1,500)
Transfers In:	$1,724
DOIT - Disaster Recovery	1,724
Subtotal FY 2009 Changes to Base	$10,739
Total FY 2009 Base	$259,099
Program Changes:	
Program Increases:	$14,796
DF - Debt Management Office Analytical Support	3,000
DF - Ensuring National Security Through CIP	1,300
DO - Operations Center	6,200
OFAC - State Sponsored Terrorism (Iran and Sudan)	1,380
OGC - General Counsel Support for CFIUS	483
OIA - Counterintelligence and Security Capabilities Enhancement	1,433
OIA - Global Finance Mission	1,000
Subtotal FY 2009 Program Changes	$14,796
Total FY 2009 President's Budget Request	**$273,895**

FY 2009 Budget Adjustments

FY 2008 Enacted

The FY 2008 enacted direct appropriation for DO is $248,360,000.

Base Realignment

Office of Intelligence Analysis (OIA) - Base Realignment -$1,000,000 / +0 FTE A portion of base funding will be transferred within the DO budget to support the Global Finance Initiative.

OIA - Global Finance $1,000,000 / +0 FTE The FY 2009 Budget proposes $2 million for the OIA Global Finance Initiative, of which $1 million will be transferred within the DO budget to fund personnel and administrative support costs. A more detailed description of this initiative can be found in the "Program Increases" section below.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$6,082,000 / +0 FTE Funds are requested for: FY 2009 cost of the January 2008 pay increase of $837,000; proposed January 2009 pay raise of $2,849,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $2,396,000.

Initiative Annualization

Funds are requested for completing the full-year cost and FTE realization of positions from enacted FY 2008 initiatives.

Office of International Affairs (IA) - Annualization of FY 2008 Initiative +$748,000 / +4 FTE In FY 2008, funds were enacted to recruit investment flow analysts and other specialists assigned to reviewing transactions filed with the CFIUS. This function is necessary to provide adequate support for, and measure progress toward, achieving the IA objective of ensuring national security and increasing economic growth.

Office of Foreign Asset Control (OFAC) - Annualization of FY 2008 Initiatives +$986,000 / +5 FTE In FY 2008, resources were enacted to continue the Treasury Department's efforts in combating terrorist networks and state sponsors of terrorism. New Executive Orders with respect to Sudan and Syria were issued in 2006, and the Administration is extensively engaged with respect to Iran. Funding was also enacted to expand the weapons of mass destruction (WMD) sanctions program by strengthening OFAC's ability to track, identify, and designate financiers and other supporters of WMD proliferation. Finally, additional support was enacted to expand enforcement capacity in support of investigation and blocking activities, which are critical to the enforcement of sanctions.

OIA - Annualization of FY 2008 Initiatives +$1,465,000 / +9 FTE In FY 2008, funding was enacted to expand OIA's analytic programs to meet increased demands and expand the breadth and depth of its analytic coverage. Resources were provided to integrate Treasury further into the Intelligence Community (IC), thereby increasing Departmental access to critical intelligence, and expand its ability to coordinate on terrorist-financing and WMD proliferation matters. Finally, funding was enacted for OIA's Office of Intelligence Support to provide intelligence to the Secretary, Deputy Secretary and other senior Treasury leadership on a full range of political, economic, and security matters to the Secretary, Deputy Secretary and other senior Treasury leadership.

Office of Terrorist Financing and Financial Crimes (TFFC) - Annualization of FY 2008 Initiatives +$803,000 / +4 FTE In FY 2008, resources were enacted for additional policy advisors dedicated to disrupting terrorist financial networks in the Western Hemisphere, Africa and the Middle East-South Asia nexus, bringing together the U.S. government tools available to law enforcement and national security agencies. Funding was also provided to target rogue regimes such as North Korea and other significant national security hot spots (including Afghanistan, Pakistan, India, and Central Asia).

Office of Tax Policy (TP) - Annualization of FY 2008 Initiatives +$431,000 / +2 FTE In FY 2008, funds were enacted to increase tax policy analytical support. TP presently has only limited capability to produce analyses for a narrow range of tax policy changes. Additional resources dedicated to this analysis will afford estimates of the full effect of tax policy changes to decision-makers in order to inform tax policy determinations. The resources requested will facilitate production of these estimates for proposed Federal tax legislation.

Non-Recurring Costs

Sensitive Compartmented Information Facility (SCIF) -$1,500,000 / +0 FTE Of the $3 million in SCIF funding enacted in FY 2008, $1.5 million is non-recurred in FY 2009.

Transfers In

Departmental Office Information Technology (DOIT) - Disaster Recovery +$1,724,000 / +0 FTE The FY 2009 Budget proposes to transfer funding for its disaster recovery site from the Department-wide Systems and Capital Investments Program account to the DO Salaries and Expenses account due to the fact that the funds are for continuing operations and not development. The DO disaster recovery site was established in 2002 at another government site in West Virginia. The servers, workstations, and network devices were procured and installed as part of the seat management contract. The fixed cost of equipment, labor, and leased telecommunications lines is a mandatory expense that will continue in perpetuity. The requested resources will be used to fund those must-pay items and enable the disaster recovery site to remain operational.

Program Increases

Office of Domestic Finance (DF)- Debt Management Office Analytical Support +$3,000,000 / +2 FTE A complete revamp of the Office of Debt Management's (ODM) information technology systems is necessary to equip decision makers with better models so that more accurate and timely projections can be made. This will result in more effective financing of the federal government and will increase the reliability of crucial data on which the capital markets rely. Investing in ODM's systems will put the Treasury Department in a position to significantly reduce the risk of operational failure, better manage its $9 trillion debt portfolio and improve national security. Securing the ODM infrastructure through multiple failsafe mechanisms and backup facilities will ensure that the U.S. Treasury market remains the most important sovereign issuer in global capital markets.

DF - Ensuring National Security Through the Office of Critical Infrastructure Protection (CIP) +$1,300,000 / +0 FTE This funding will help protect the American financial services sector against disasters, either natural or manmade. The mission of this office is to lead the efforts of the Banking and Finance Sector to maintain and improve the security and resilience of the U.S. financial infrastructure. Initiatives currently underway have made a direct and positive impact on cooperative public-private sector efforts to identify threats and vulnerabilities, to share critical information, and to work together to mitigate risks to the sector, and protect the U.S. economy and our national security. Additional funding will allow for further international exercises with entities such as the European Central Bank; extensive mapping of the financial sector; and the establishment of secure communications with financial institutions.

DO - Operations Center +$6,200,000 / +24 FTE The global scope of the Treasury Department's operations require a 24/7 response capability. The Treasury Operations Center will act as a fusion center for the processing, dissemination and coordination of crisis management actions of policy offices. It will have the capability to monitor international and domestic financial markets; coordinate actions with Federal agencies, foreign governments, and global financial markets; and manage the Department of the Treasury's global operations on a daily basis. The center will include representatives from key

Treasury Department policy offices, and provide them with necessary communication equipment and information technology.

OFAC - State Sponsored Terrorism (Iran and Sudan) +$1,380,000 / +4 FTE The FY 2009 Budget proposes to enhance OFAC's capacity to effectively administer and implement the application of economic sanctions to state sponsors of terrorism, such as Iran and Sudan, as well as terrorists, terrorist groups and their support networks. OFAC requests additional sanctions investigators; enforcement, compliance, licensing, blocking, and civil penalties officers; Freedom of Information Act specialists; and program advisor and records management specialists to support these efforts.

Office of General Counsel (OGC) - General Counsel Support for the Committee on Foreign Investment in the United States (CFIUS) +$483,000 / +2 FTE The office of the Assistant General Counsel for IA requires additional legal support so that it may meet the increased demand to support clients working on the Treasury-chaired Committee on Foreign Investment in the United States. The number of cases reviewed by CFIUS has substantially increased, as has the scrutiny accorded to each case. Treasury Department attorneys are involved much earlier in the process of case review and are devoting far more time to each case in order to examine jurisdictional issues and participate in interagency discussions of possible mitigation agreements when potential national security threats are present.

OIA - Counterintelligence and Security Capabilities Enhancement +$1,433,000 / +3 FTE Funding this initiative is critical to the Department's efforts to address current and emerging threats that affect its national security mission. These include: preventing espionage in the Department; thwarting adversarial threats to our personnel, programs, and facilities; and identifying and mitigating threats from theft or compromise of Treasury-critical programs. As Treasury's national security mission increases, Treasury becomes a greater target of foreign adversaries. This initiative builds on a recent Departmental Counterintelligence assessment.

OIA - Global Finance +$1,000,000 / +10 FTE This initiative provides $2 million, including a realignment of $1 million in base resources, and 10 positions to fund the Global Finance Initiative. These resources will enable OIA, Treasury's intelligence component, to effectively leverage information from the IC to provide actionable intelligence to senior policymakers in support of targeted financial measures, and to play a critical role in enabling coordination across the IC on matters related to financial intelligence.

Explanation of Budget Activities

Salaries and Expenses

Executive Direction ($21,592,000 from direct appropriations and $700,000 from reimbursable programs) Provides direction and policy formulation to the Department, and interacts with Congress and the public on Departmental policy matters.

Economic Policies and Programs ($45,853,000 from direct appropriations and $3,200,000 from reimbursable programs) Monitors domestic and international economic conditions and collects and analyzes financial data, including foreign credits and credit guarantees.

Financial Policies and Programs ($34,735,000 from direct appropriations and $4,300,000 from reimbursable programs) Monitors and provides economic and financial policy expertise in the areas of domestic finance and tax policy.

Terrorism and Financial Intelligence ($61,712,000 from direct appropriations and $4,000,000 from reimbursable programs) Develops and implements strategies to counter terrorist financing and money laundering.

Treasury-wide Management and Programs ($19,009,000 from direct appropriations and $2,700,000 from reimbursable programs) Provides strategic plans and policy direction in the fields of human resources, information technology security, and financial administration that include the formulation and management of the budget.

Administration Programs ($90,994,000 from direct appropriations and $3,600,000 from reimbursable programs) Provides operational support and shared services to all offices within DO. Activities include accounting, budget, human resources, information technology, procurement, facilities support, and travel services.

DO Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2007 Target Met?	FY 2008 Target	FY 2009 Target
Economic Policies and Programs	Number of new trade and investment negotiations underway or completed (Oe)	N/A	N/A	N/A	N/A	Baseline	6
Financial Policies and Programs	Number of open material weaknesses closed (Oe)	Met	Met	Not Met	✗	Met	Met
Terrorism and Financial Intelligence	Number of countries that are assessed for compliance with the Financial Action Task Force (FATF) 40+9 recommendations (Ot)	49	5	6	✓	12	12
Treasury-wide Management and Programs	Complete investigations of EEO complaints within 180 days (%) (Oe)	36	20	51.6	✓	50	50
Treasury-wide Management and Programs	Injury and illness rate Treasurywide-including DO (Oe)	2.8	1	0	✓	1.4	1.4

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

Legislative Proposals

The Budget proposes legislation to give the Secretary of the Treasury the ability to manage the government's short-term excess operating cash more efficiently. Under the current authority, which is codified at 31 U.S.C. 323, the Government is authorized to invest its short-term excess cash in obligations of the United States Government and depositary institutions, principally banks, savings and loan associations, and credit unions. This initiative would enable the Secretary of the Treasury to broaden investment options and improve earnings on investments. This initiative is expected to increase the interest earnings on the Treasury's investment of short-term excess cash by approximately $10 million a year. Such earnings would be deposited in the general fund of the Treasury.

This proposal is consistent with recommendations in the September 2007 GAO report entitled "Treasury has Improved Short-Term Investment Programs, but Should Broaden Investments to Reduce Risks and Increase Return." In its report GAO suggests that Congress consider providing the Secretary of the Treasury with broader authority in the design of an expanded repossession program. Specifically, GAO recommended that Treasury explore the reallocation of its short-term investments and, if provided the authority to do so, implement a permanent expanded repossession program that would meet Treasury's short-term investment objectives while maintaining current minimal risk investment policies.

Description of Performance

Treasury has demonstrated positive results in reaching its planned performance for the majority of its economic policy, financial policy, and terrorism measures reported in FY 2007. This includes successful efforts to increase the number of new Free Trade Agreements (FTAs), improve International Monetary Fund (IMF) effectiveness, decrease the variance between estimated and actual receipts, increase the number of outreach engagements with charitable and international financial communities, and increase the number of open civil penalty cases that are resolved within the statute of limitations period.

In FY 2007, Treasury met all performance goals related to their Equal Employment Opportunity (EEO) measures. The Department is now focusing on developing effective dispute prevention and alternative dispute resolution programs that are viewed as fair and objective by employees and managers. Treasury also instituted service level standards to assess the performance of the Treasury Complaint Mega Center, and has plans to increase oversight at the center to ensure continuous improvement of operations.

The Department has committed its resources to developing and replacing performance measures for the Offices of International Affairs, Economic Policy, Domestic Finance, Foreign Asset Control, Intelligence and Analysis, and Terrorism Financing and Financial Crimes with more meaningful ones that align with the Treasury Strategic Plan in FY 2008.

Department-wide Systems and Capital Investments Program

Program Summary by Budget Activity
(Dollars in thousands)

Appropriation	FY 2007	FY 2008	FY 2009		
	Enacted	Enacted	President's Budget	Increase/ Decrease	Percent Change
Department-wide Systems and Capital Investments Program	$30,268	$18,710	$26,975	$8,265	44.2%
Department-wide Systems and Capital Investments Program	30,268	18,710	26,975	8,265	44.2%
Subtotal, Department-wide Systems and Capital Investments Program	$30,268	$18,710	$26,975	$8,265	44.2%
Offsetting Collections - Reimbursables	0	0	0	0	0.0%
Total Program Operating Level	$30,268	$18,710	$26,975	$8,265	44.2%

Explanation of Request

The Department-wide Systems and Capital Investments Program (DSCIP) request includes Annex Repair and Renovation (ARR), Enterprise Content Management (ECM), Cyber Security, E-Government, and Treasury Secure Data Network (TSDN) initiatives.

Annex Repair and Renovation: The purpose of the ARR project is to effect critical repairs of the Treasury Annex Building to support the Treasury Department's strategic goal of creating the conditions that enable program goals to be accomplished. The Treasury Annex is considered an American treasure, constructed in 1918 and 1919, and is part of the Lafayette Square National Register Historic District. The current status of upkeep and maintenance for the building is based on code compliance, failure of equipment, and/or minimal routine maintenance. The overall program need is to repair and renovate the Treasury Annex Building with emphasis on the mechanical, electrical, plumbing and life safety systems to provide a safe, comfortable and efficient facility to house the Department of the Treasury's personnel and programs.

The FY 2009 proposed funding will enable Treasury to address the immediate need to correct critical building and system deficiencies to ensure the safety and health of the occupants. Substantial corrective measures are necessary to address the advanced state of erosion of building elements and replacement of infrastructure that is at the end of its life cycle. In preparation for this effort, the General Services Administration (GSA) will assist the Treasury Department in conducting an overall assessment of the Annex's condition during the second quarter of FY 2008. Some FY 2009 ARR priorities that Treasury has already identified include correcting failing systems, such as the HVAC and plumbing systems; correcting structural elements, such as the ground level ventilation system; correcting the advanced state of erosion of building elements; and introducing more energy efficient systems.

Cyber Security: Cyber Security funds will be used to ensure that all Treasury Department's Critical Infrastructure/Key Resources (CI/KR) are identified and, furthermore, to protect these systems against possible terrorist attack by ensuring that strong security requirements are established and monitored. This funding will support meeting the Department of Homeland Security incident reporting requirements that our Treasury Computer Security Incident Response Center must address. The Treasury Department will also have greater protection against network intrusions, which can result in significant disruptions and delays in its business activities. Funding in this area will also support cyber security reviews of selected bureau security programs and systems, and will support the Treasury Department in improving its overall compliance with the Federal Information Security Management Act (FISMA). Since the cyber security program's activities also protect national security systems, the funding directly supports the goal of reducing the threat to national security through improved Treasury systems security, reducing the risk from internal and external threats to those classified systems and the highly sensitive information they process.

E-Government Initiatives: The President's Management Agenda (PMA) and E-Government initiatives drive the Treasury Department to identify opportunities to leverage existing systems and services in order to reduce costs and duplication within the

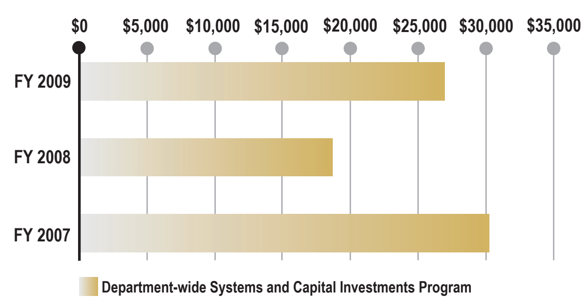
Department and across government. The Treasury Department provides program management oversight and coordination for each of the initiatives assuring compliance by all bureaus. E-Government enables the Treasury Department to continue to meet the implementation milestones in the OMB approved E-Government Implementation Plan, positively impacting the Treasury Department's ability to implement best practices and leverage government-wide technologies.

Enterprise Content Management: The requested funding will enable the Department of the Treasury to continue with the phased implementation of an ECM solution for the Treasury Department in FY 2009. The Treasury Department processes a massive volume of data (e.g., documents, records, and case files) and much of this information is subject to statutory/regulatory handling and storage requirements. The Department of the Treasury currently has an array of disparate and incompatible systems used for information tracking, management, retention and storage. The Treasury Department is unable to quickly with a high level of certainty, retrieve information from across all bureaus and organizations related to a specific subject matter without a considerable amount of staff hours dedicated to coordinating and verifying that the correct information is going forward and that only those with the need to know have access to this information. The enterprise-wide approach, under the oversight of the Treasury Department's Chief Information Officer, will ensure that all Department-wide ECM efforts map to consistent standards, are aligned with related government-wide initiatives, such as the Case Management Line of Business, and leverage commonalities in requirements among Treasury Department components, thereby achieving economies of scale and efficiencies in information sharing. Failure to fund this requirement will delay the Department's ability to address audit recommendations, significantly hamper the Treasury Department's ability to share information between executive departments, agencies and our foreign partners, and will leave in place redundant infrastructures that currently support ECM related activities.

Treasury Secure Data Network: The TSDN was established in 2000 to serve as a secure network for the Office of International Affairs and the bureaus. The applicability of TSDN expanded with the creation of the Office of Terrorism and Financial Intelligence (TFI). This initiative will provide TSDN analysts with data searching tools to mine information more quickly and allow for more immediate trend analysis and review. These trends are currently difficult and time consuming to follow due to the lack of an automated storage and retrieval system and are now done manually using paper copies of files. The initiative will also provide funds to begin the establishment of a disaster recovery capability for the TSDN system, which is extremely vulnerable now due to the lack of said disaster recovery capability. Failure to fund this requirement will result in a degraded security posture at a time when the Treasury Department's participation is critical in the Global War on Terrorism and the Treasury Department's support of wider Intelligence Community activities is required. With the establishment of TFI in FY 2004, the Treasury Department's requirement for a secure and classified network has increased considerably, as TFI has a role in coordinating responses from Treasury Department offices such as Office of Foreign Assets Control (OFAC), Financial Crimes Enforcement Network (FinCEN), and Office of Intelligence and Analysis (OIA), which all make major contributions to Treasury Department's support of the IC and the national and international finance and banking communities.

DSCIP Funding History

[Dollars in Thousands]



Purpose of 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.

FY 2009 Budget Adjustments

DSCIP FY 2009 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2008 Enacted	$18,710
Changes to base:	
Non-Recurring Costs:	($16,986)
DSCIP Base	(16,986)
Transfers Out:	($1,724)
Backup Disaster Recovery	(1,724)
Subtotal FY 2009 Changes to Base	($18,710)
FY 2009 Base	$0
Program Changes:	
Program Increases:	$26,975
Annex Repair and Renovation	11,518
Cyber Security	3,000
Electronic Government	2,057
Enterprise Content Management	6,000
Tresury Secure Data Network	4,400
Subtotal FY 2009 Program Changes	$26,975
FY 2009 President's Budget	**$26,975**

FY 2008 President's Budget

The FY 2008 enacted budget for DSCIP is $18,710,000.

Non-Recurring Costs

DSCIP Base -$16,986,000 / +0 FTE DSCIP is a non-recurring, zero-based budget.

Transfers Out

Backup Disaster Recovery -$1,724,000 / +0 FTE Funding for this initiative supports the continued operation of a back-up disaster recovery site in West Virginia. This site provides the Treasury Department with servers, workstations, and network devices that may be used in the event that an emergency or disaster disables the Treasury Department's primary information systems.

Program Increases

Annex Repair and Renovation +$11,518,000 / +0 FTE The purpose of the ARR project is to effect the restoration of the Treasury Annex Building to support the Treasury Department's strategic goal of creating the conditions that enable program goals to be accomplished. The FY 2009 proposed funding will enable the Treasury Department to address the immediate need to correct critical building and system deficiencies to ensure the safety and health of the occupants. In preparation for this effort, the GSA will assist the Treasury Department in conducting an overall assessment of the Annex's condition during the second quarter of FY 2008.

Cyber Security +$3,000,000 / +0 FTE The Cyber Security program is critically needed to protect the security and integrity of the Treasury Department's classified and unclassified systems, the information they process, and the services they perform. This mission-critical funding is required for this Department-wide program to operate. More specifically, it supports: the comprehensive security policy and compliance framework to protect cyber assets throughout the Treasury Department; protection of Departmental cyber critical infrastructure resources against attack; protection of classified systems and information through the National Security Program; and operation of both the Department-wide cyber security program for sensitive systems and the Treasury Computer Security Incident Response Center.

Electronic Government +$2,057,000 / +0 FTE Funding supports the functional requirements and implementation of applicable E-Government initiatives, needs assessments, program management oversight and coordination for each of the initiatives assuring compliance by all bureaus and ensuring the Treasury Department meets the mandates of the E-Government component of the President's Management Agenda.

Enterprise Content Management +$6,000,000 / +0 FTE Funding for an ECM solution will be used to continue the phased implementation of an enterprise-wide ECM project, which will address the critical and urgent business needs of IRS Criminal Investigations, the Office of Foreign Assets Control, and the Financial Crimes Enforcement Network. This approach to ECM will minimize duplication of effort and infrastructure investments by capitalizing on Treasury Department and government-wide approaches to content management activities.

Treasury Secure Data Network +$4,400,000 /

+0 FTE Funding provides for the modernization of the TSDN. Specifically, the TSDN will begin the development of a back-up disaster recovery system and of a basic analytical toolset that will allow users to manage, maintain, search, share, and store documents and information.

Explanation of Budget Activities

Salaries and Expenses

Department-wide Systems and Capital Investments Program ($26,975,000 from direct appropriations) The purpose of DSCIP funds is to modernize business processes and increase efficiencies through IT investment. All of the DSCIP efforts provide tangible benefits in their specific areas to produce an improved overall environment for the Department of the Treasury.

Legislative Proposals

DSCIP has no legislative proposals for FY 2009.

Description of Performance

The FY 2009 proposed funding for the ARR project will enable Treasury to address the immediate need to correct critical building and system deficiencies to ensure the safety and health of the occupants. Substantial corrective measures are necessary to address the advanced state of erosion of building elements and replacement of infrastructure that is at the end of its life cycle. FY 2009 ARR priorities include correcting failing systems, such as the HVAC and plumbing systems; correcting structural elements, such as the ground level ventilation system; correcting the advanced state of erosion of building elements; and introducing more energy efficient systems. A comprehensive project plan will be developed that will address issues of cost, schedule, and performance. A project manager will be appointed who will provide senior management with in-process reviews for the express purpose of monitoring milestones and deliverables while ensuring that costs and schedules are met.

Cyber Security funds will be used to ensure that all Treasury Department's Critical Infrastructure / Key Resources (CI/KR) are identified and, furthermore, to protect these systems against possible terrorist attack by ensuring that strong security requirements are established and monitored. This funding will support meeting the Department of Homeland Security incident reporting requirements that our Treasury Computer Security Incident Response Center must address. The Treasury Department will also have greater protection against network intrusions, which can result in significant disruptions and delays in its business activities. Funding in this area will also support cyber security reviews of selected bureau security programs and systems, and will support the Treasury Department in improving its overall compliance with FISMA. Since the cyber security program's activities also protect national security systems, the funding directly supports the goal of reducing the threat to national security through improved Treasury systems security, reducing the risk from internal and external threats to those classified systems and the highly sensitive information they process.

Funding for the ECM program will be used to continue implementation of an enterprise-wide ECM project for the Department of the Treasury. The ECM project will address the critical and urgent business needs of the Office of Foreign Asset Control (OFAC) and the Financial Crimes Enforcement Network (FinCEN), both of which are struggling under an increasingly burdensome paper-based system of operations. This approach to ECM will minimize duplication of effort and infrastructure investments by capitalizing on Department and government-wide efforts. By the end of FY 2009, the Treasury Department will have significantly improved the workflow processes for both OFAC and FinCEN, as well as positioned the Department for a full transition to a Department-wide ECM solution. The Treasury's ECM program will directly support the department's goal to reduce the threat to national security from terrorist related financial activities by enhancing and developing the ability of related offices to quickly access and assess department-wide records and files in a centralized manner.

Funding for the continued improvement of the TSDN operating system and hardware components will assure continued functionality throughout FY 2009. As a consequence, the Treasury Department will continue to have reliable access to the SIPRNET and the Department of Defense classified communications network, which will ensure ongoing communications with officials in law enforcement as well as the Departments of Defense and State. These activities will help ensure that the department is able to assist in reducing the threat posed by terrorism and associated activities to interdict terrorism, the proliferation of weapons of mass destruction, and narcotics trafficking.

Office of Inspector General

Program Summary by Budget Activity
(Dollars in thousands)

Appropriation	FY 2007	FY 2008	FY 2009		
	Enacted	Enacted	President's Budget	Increase/ Decrease	Percent Change
Salaries and Expenses	$16,957	$18,450	$19,356	$906	4.9%
Audit	11,639	12,658	13,280	622	4.9%
Investigations	5,318	5,792	6,076	284	4.9%
Subtotal, Office of Inspector General	$16,957	$18,450	$19,356	$906	4.9%
Offsetting Collections - Reimbursables	1,731	6,300	6,300	0	0.0%
Total Program Operating Level	18,688	$24,750	$25,656	$906	3.7%

Explanation of Request

The FY 2009 President's Budget request for the Office of Inspector General (OIG) will be used to provide critical audit and investigative services, ensuring the effectiveness and integrity of Treasury's programs and operations. The OIG will continue, as the first audit priority, to address mandated requirements related to financial statements, information security, and as necessary, failed financial institutions resulting in material losses (more than $25 million) to the deposit insurance funds. While there are a number of critical areas where the OIG will provide audit oversight, highlights of three of the Department's most serious management challenges where the OIG will focus resources include:

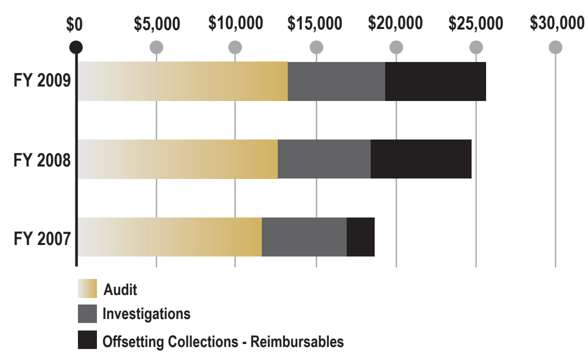
- Improving regulatory gaps in the detection of and/or timely enforcement action against financial institutions for Bank Secrecy Act (BSA) and related violations, and strengthening Office of Foreign Assets Control (OFAC) compliance examinations for the institutions examined by the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS).
- Improving the Department's compliance with information technology security policies, procedures, standards, and guidelines as required by the Federal Information Security Management Act (FISMA).
- Improving Treasury's management of large acquisitions of systems and other capital investments to prevent costly or failed acquisition projects.

The requested funding will also allow the OIG to continue to prevent fraud, waste and abuse at all non-IRS Treasury bureaus and offices, including investigating complaints of alleged employee misconduct, allegations of fraud and other crimes involving Treasury programs, performing oversight of the Treasury's police operations at the Bureau of Engraving and Printing and the U.S. Mint, and conducting proactive efforts to detect, investigate, and deter electronic crimes and other threats to the Department's physical and cyber critical infrastructure.

Additional resources provided in the 2009 Budget request will enable OIG to hire two auditors and one investigator to assist in the oversight of the critical management challenges cited above.

Total resources required to support OIG activities for FY 2009 are $25,656,000, including $19,356,000 from direct appropriation, and $6,300,000 from offsetting collections and reimbursable programs.

OIG Funding History
[Dollars in Thousands]



Purpose of Program

The Treasury OIG plays a major role in support of the Department of the Treasury's goal to ensure exceptional accountability and transparency, to protect the integrity of the Department, and to improve overall efficiency and effectiveness in Treasury programs and operations. The OIG conducts audits and investigations of eight Treasury bureaus and all non-IRS Treasury offices in accordance with the Inspector General Act, as amended, to (a) promote economy, efficiency, and effectiveness in the administration of Treasury programs and operations, (b) prevent and detect fraud, waste, and abuse in Treasury programs and operations; and (c) keep the Secretary and the Congress fully and currently informed about problems, abuses, and deficiencies in Treasury programs and operations.

Beginning in FY 2008 audited bureaus and offices will no longer fund contract audit work directly. Instead, they will route funding to contract audit firms through the OIG to allow for more efficient and effective contract oversight. As the result of this change, these agreements will significantly increase the amount of reimbursable funding included in the OIG budget documents and financial reports; however, none of these reimbursable funds will be used for OIG programs and operations.

OIG FY 2009 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2008 Enacted	$18,450
Changes to base:	
Maintaining Current Levels (MCLs):	$506
Non-Pay Inflation Adjustment	87
Pay Annualization	101
Pay Inflation Adjustment	318
Subtotal FY 2009 Changes to Base	$506
Total FY 2009 Base	$18,956
Program Changes:	
Program Increases:	$400
Increased Audit & Investigative Capability	400
Subtotal FY 2009 Program Changes	$400
Total FY 2009 President's Budget Request	**$19,356**

FY 2009 Budget Adjustments

FY 2008 Enacted

The FY 2008 enacted direct appropriation for OIG is $18,450,000.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$506,000 / +0 FTE Funds are requested for: FY 2009 cost of the January 2008 pay increase of $101,000; proposed January 2009 pay raise of $318,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $87,000.

Program Increases

Increased Audit & Investigative Capability +$400,000 / +3 FTE This initiative provides funding for two auditors and one investigator. These FTE will enable OIG to improve audit coverage in high risk programs such as programs to combat terrorist financing and money laundering, management of capital investments, particularly IT projects, and IT system security in meeting FISMA and OMB requirements. These additional FTE will help to reduce investigative caseload.

Explanation of Budget Activities

Salaries and Expenses

Audit ($13,280,000 from direct appropriations and $6,300,000 from reimbursable programs)

The Office of Audit conducts audits of eight Treasury bureaus and all non-IRS Treasury offices; produces more than 50 reports annually; and provides firsthand, unbiased perspectives and recommendations for improving the economy, efficiency, and effectiveness of Treasury programs and operations. The Office of Audit often identifies significant cost savings to the government, principally through self-initiated audits.

The Office of Audit also responds to requests by Treasury officials and the Congress for specific work. While Congress requires certain audits be conducted every year, the number of additional congressionally-required and requested audits has increased in recent years.

Investigations ($6,076,000 from direct appropriations) The Office of Investigations prevents, detects and investigates complaints of fraud, waste and abuse at eight Treasury bureaus and all non-IRS Treasury offices. This includes the detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury. The Office of Investigations refers its cases to the Department of Justice and state or local prosecutors for criminal prosecution or civil litigation, or to agency officials for corrective administrative action.

Legislative Proposals

The OIG has no legislative proposals for FY 2009.

OIG Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target	Target
Audit	Number of completed audit products (Ot)	54	57	64	✓	56	60
Audit	Percent of statutory audits completed by the required date (%) (E)	100	100	100	✓	100	100
Investigations	Number of investigations referred for criminal prosecution, civil litigation or corrective administrative action. (Oe)	85	144	188	✓	105	105

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

Description of Performance

In FY 2007, the Office of Audit performed or supervised contractors to meet mandated audit requirements. The Office of Audit worked with the Department and focused a substantial amount of its self-initiated audit resources to address the major management and performance challenges identified by the Inspector General. Those challenges were (1) Corporate Management, (2) Management of Capital Investments, (3) Information Security, (4) Linking Resources to Results, and (5) Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement. The Office of Audit completed 64 audit products, and met all statutory completion requirements.

In FY 2007, the Office of Investigations continued investigating all reports of fraud, waste and abuse and other criminal activity. The Office of Investigations also continued to conduct a limited number of proactive integrity projects such as the fraudulent improper payments project initiated in FY 2006. The Office of Investigations referred 188 cases for criminal or civil litigation or corrective administrative action. This included 64 one-time referrals as the result of a GSA investigation into Metrocheck fraud, and 10 one time referrals from a cyber initiative.

FY 2009 requested resources will allow OIG to maintain its performance at a consistent level, and will continue to direct the majority of its resources to auditing Treasury programs that combat terrorist financing and money laundering, including a number of important audits at FinCEN, OFAC, OCC, and OTS. The OIG expects to complete 60 audit products and refer 105 investigations in FY 2008.

Inspector General for Tax Administration

Program Summary by Budget Activity
(Dollars in thousands)

Appropriation	FY 2007	FY 2008	FY 2009		
	Enacted	Enacted	President's Budget	Increase/ Decrease	Percent Change
Salaries and Expenses	$132,861	$140,533	$145,736	$5,203	3.7%
Audit	50,260	52,959	55,055	2,096	4.0%
Investigations	82,601	87,574	90,681	3,107	3.5%
Subtotal, Inspector General for Tax Administration	$132,861	$140,533	$145,736	$5,203	3.7%
Offsetting Collections - Reimbursables	1,200	900	900	0	0.0%
Total Program Operating Level	$134,061	$141,433	$146,636	$5,203	3.7%

Explanation of Request

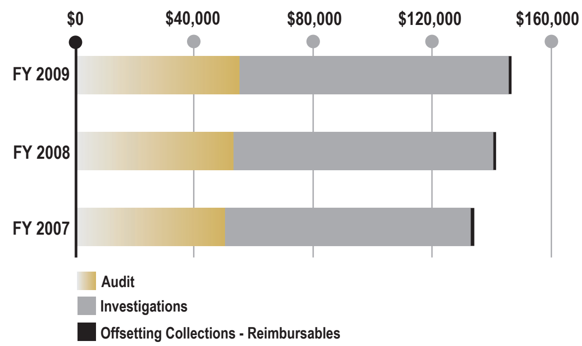
The FY 2009 President's Budget request for Treasury Inspector General for Tax Administration's (TIGTA) will be used to continue to provide critical audit and investigative services, ensuring the integrity of tax administration on behalf of the nation's taxpayers. While there are a number of critical areas where TIGTA will provide oversight, highlights of TIGTA's investigative and audit priorities include:

- Adapting to the Internal Revenue Service's (IRS) continuously evolving operations and mitigating intensified risks associated with modernization, addressing the tax gap, and enforcement efforts;
- Responding to threats and attacks against IRS employees, property, and sensitive information;
- Improving the integrity of IRS operations by detecting and deterring fraud, waste, abuse or misconduct by IRS employees;
- Conducting comprehensive audits, inspections, and evaluations that include recommendations for cost savings and enhancing IRS service to taxpayers; and
- Informing Congress and the Secretary of the Treasury of problems and progress made to resolve them.

Total resources required in FY 2009 to support TIGTA's mission are $146,636,000, including $145,736,000 from direct appropriations, and approximately $900,000 from reimbursable agreements.

TIGTA Funding History

[Dollars in Thousands]



Purpose of Program

TIGTA was created by Congress to provide independent oversight of the IRS. TIGTA's investigations and audits protect and promote the fair administration of the American tax system. Its responsibilities include ensuring that the IRS is accountable for more than $2 trillion in tax revenue received each year. TIGTA's investigations ensure the integrity of IRS employees, contractors, and other tax professionals; provide for infrastructure security; and protect the IRS from external attempts to threaten or corrupt the administration of the tax laws. TIGTA conducts audits that advise Congress, the Secretary of the Treasury, and IRS management of high-risk issues, problems, and deficiencies related to the administration of IRS programs and operations. TIGTA's audit recommendations aim to improve IRS systems and operations, while maintaining fair and equitable treatment of taxpayers. TIGTA's oversight is essential to the efficiency and equity of the federal tax administration system.

TIGTA FY 2009 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2008 Enacted	$140,533
Changes to base:	
Maintaining Current Levels (MCLs):	$3,833
Non-Pay Inflation Adjustment	615
Pay Annualization	799
Pay Inflation Adjustment	2,419
Transfers In:	$1,370
Transfer from IRS for building operations	1,370
Subtotal FY 2009 Changes to Base	$5,203
FY 2009 Base	$145,736
FY 2009 President's Budget	**$145,736**

FY 2009 Budget Adjustments

FY 2008 Enacted

The FY 2008 enacted direct appropriation for TIGTA is $140,533,000.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$3,833,000 / +0 FTE Funds are requested for: FY 2009 cost of the January 2008 pay increase of $799,000; proposed January 2009 pay raise of $2,419,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $615,000.

Transfers In

Transfer from IRS for building operations +$1,370,000 / +0 FTE Transfer from IRS to fund expenses for building operations and selected support services currently provided by IRS on behalf of TIGTA

Explanation of Budget Activities

Salaries and Expenses

Audit ($55,055,000 from direct appropriations and $500,000 from reimbursable programs) The Office of Audit's (OA) mission is to provide comprehensive coverage and oversight of all aspects of the IRS' daily operations. Audits, inspections, and evaluations not only focus on the economy and efficiency of IRS functions but also ensure that taxpayers' rights are protected and the taxpaying public is adequately served. Moreover, IRS implementation of audit recommendations results in: cost savings and increased or protected revenue; reduction of taxpayer burden; protection of taxpayer rights and entitlements, taxpayer privacy and security; and protection of IRS resources. Overall, as of September 30, 2007, audit reports produced potential financial benefits of approximately $3.55 billion, and potentially impacted approximately 5.7 million taxpayer accounts in areas such as taxpayer burden, rights and entitlements, taxpayer privacy and security, protection of resources/reliability of information, and increased revenue/revenue protected. Each fiscal year, OA develops an annual audit plan that communicates oversight priorities to Congress, the Department of the Treasury, and the IRS. This plan includes statutory audit coverage and high risk audit work. The statutory coverage includes audits mandated by the IRS Restructuring and Reform Act of 1998, as well as reviews that address computer security and financial management. The high-risk workload includes issues pertaining to the IRS' modernization efforts, major management challenges, response to the President's Management Agenda, progress in achieving strategic goals, as well as Congressional and other stakeholder requests for audit coverage.

Investigations ($90,681,000 from direct appropriations and $400,000 from reimbursable programs) While most Offices of Inspector General focus primarily on fraud, waste and abuse, TIGTA's mission is more extensive. TIGTA has the statutory responsibility to protect the integrity of tax administration and to protect the ability of the IRS to collect revenue for the federal government. To accomplish this, TIGTA investigates allegations of criminal violations and administrative misconduct by IRS employees, protects the IRS against external attempts to corrupt tax administration, and ensures IRS employee safety and IRS data and infrastructure security. The following summaries highlight TIGTA's investigative efforts in these three core areas:

Employee Integrity: The IRS' ability to deliver taxpayer service, enforce tax laws effectively, and collect the proper amount of taxes can be undermined by employee misconduct. Over 50 percent of TIGTA's current investigations involve alleged employee misconduct. These investigations of employee misconduct allegations include extortion, theft, taxpayer abuse, false statements, and financial fraud. In addition, an integral part of the employee integrity program involves investigations of unauthorized access to confidential taxpayer records by IRS employees.

Employee and Infrastructure Security: In 1998, The President of the United States designated IRS operations as a critical infrastructure. TIGTA meets the challenge of maintaining IRS employee and infrastructure security by conducting investigations in reaction to incidents in which IRS employees, facilities, and infrastructure are sabotaged, threatened, or assaulted. Potential threats to tax administration are identified by TIGTA's administration of a Criminal Intelligence Program that utilizes law enforcement and intelligence resources to proactively identify individuals and groups who may pose a threat to tax administration.

External Attempts to Corrupt Tax Administration: External attempts to corrupt tax administration impede the IRS' ability to collect revenue. TIGTA's investigations of external attempts to corrupt or interfere with tax administration include: bribes offered by taxpayers to compromise IRS employees; the use of fraudulent IRS documentation to commit crimes; taxpayer abuse by tax practitioners; impersonation of IRS employees; and the corruption of IRS programs through procurement fraud.

Legislative Proposals

TIGTA has no legislative proposals for FY 2009.

TIGTA Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target	Target
Audit	Percentage of Audit Products Delivered When Promised to Stakeholders	N/A	N/A	68	Baseline	60	65
Audit	Percentage of Recommendations Made That Have Been Implemented	N/A	N/A	90	Baseline	80	83
Investigations	Percentage of Results from Investigative Activities	82	79	81	✓	76	76

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

Description of Performance

- Issued 180 audit, inspection, and evaluation reports, identifying approximately $3.55 billion in potential financial benefits (i.e., costs savings, increased or protected revenue, taxpayer rights and entitlements, and inefficient use of resources).
- 81 percent of the 3,597 final closed investigations which generated results, including 1,663 cases of employee misconduct referred for action and 206 cases accepted for criminal prosecution with final legal action.

Community Development Financial Institutions Fund

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2007	FY 2008	FY 2009		
	Enacted	Enacted	President's Budget	Increase/ Decrease	Percent Change
Program Account	$54,506	$94,000	$28,620	($65,380)	(69.6%)
Community Development Financial Institutions Program	31,881	58,480	24,417	(34,063)	(58.2%)
New Markets Tax Credit Program	4,258	4,120	4,203	83	2.0%
Bank Enterprise Award	12,551	21,400	0	(21,400)	(100.0%)
Native Initiatives	5,816	10,000	0	(10,000)	(100.0%)
Subtotal, Community Development Financial Institutions Fund	$54,506	$94,000	$28,620	($65,380)	(69.6%)
Offsetting Collections - Reimbursables	0	0	0	0	0.0%
Total Program Operating Level	$54,506	$94,000	$28,620	($65,380)	(69.6%)

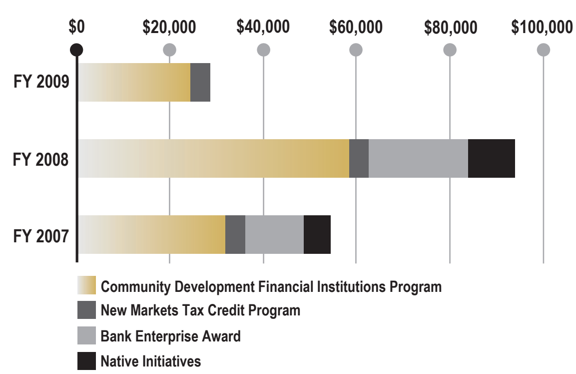
Explanation of Request

The FY 2009 President's Budget request for the Community Development Financial Institutions (CDFI) Fund will ensure the Fund meets its mission of promoting access to capital and local economic growth in urban and rural low-income communities across the nation. Through its various programs, the CDFI Fund enables locally based organizations to further goals such as economic development; affordable housing; and community development financial services. No funding is being requested for the Bank Enterprise Award Program and the Native Initiatives program.

Total resources required to support CDFI Fund activities for FY 2009 are $28,620,000 from direct appropriations.

CDFI Funding History

[Dollars in Thousands]



Purpose of Program

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

CDFI FY 2009 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2008 Enacted	$94,000
Changes to base:	
Maintaining Current Levels (MCLs):	$278
Non-Pay Inflation Adjustment	119
Pay Annualization	48
Pay Inflation Adjustment	111
Subtotal FY 2009 Changes to Base	$278
Total FY 2009 Base	$94,278
Program Changes:	
Program Decreases:	($65,658)
Bank Enterprise Award Program	(21,428)
CDFI Program	(34,190)
Native Initiatives	(10,040)
Subtotal FY 2009 Program Changes	($65,658)
Total FY 2009 President's Budget Request	**$28,620**

FY 2009 Budget Adjustments

FY 2008 Enacted

The FY 2008 enacted direct appropriation for the CDFI Fund is $94,000,000.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$278,000 / +0 FTE Funds are requested for: FY 2009 cost of the January 2008 pay increase of $48,000; proposed January 2009 pay raise of $111,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $119,000.

Program Decreases

Bank Enterprise Award Program -$21,428,000 / -6 FTE The Fund is not requesting resources for the Bank Enterprise Award (BEA) Program in FY 2009.

CDFI Program -$34,190,000 / +12 FTE The FY 2009 budget request seeks to reduce funding for this program. The increase in FTEs pertains to the transfer of staff administering the Bank Enterprise Award Program (6 FTEs) and Native Initiatives (6 FTEs).

Native Initiatives -$10,040,000 / -6 FTE No separate authorization exists for Native Initiatives so no separate set aside is being requested in FY 2009.

Explanation of Budget Activities

Salaries and Expenses

Community Development Financial Institutions Program ($24,417,000 from direct appropriations) The Community Development Financial Institutions (CDFI) Program uses federal resources to invest in and build the capacity of CDFIs to serve low-income people and communities lacking adequate access to affordable financial products and services. The CDFI Program provides monetary awards for financial assistance to further economic development (job creation, business development, and commercial real estate development); affordable housing (housing development and homeownership); and community development financial services (provision of basic banking services to underserved communities and financial literacy training). The CDFI Program also provides technical assistance awards to help start-up and existing CDFIs build their capacity to serve their target markets through the acquisition of consulting services, technology purchases, and staff or board training.

New Markets Tax Credit Program ($4,203,000 from direct appropriations) The NMTC Program attracts private sector capital into low-income communities. Community Development Entities (CDEs) apply to the Fund for allocations of tax credits in annual competitive rounds. The CDEs, in turn, provide tax credits to private investors in exchange for equity investments, which are invested in low-income communities. In addition to awarding tax credits, the Fund monitors CDE compliance with the terms of their allocation agreements. The amount requested in this account funds the administrative expenses of the NMTC.

Legislative Proposals

The CDFI Fund has no legislative proposals for FY 2009.

CDFI Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target*	Target*
Community Development Financial Institutions Program	FTE - Number of full-time equivalent jobs created or maintained in underserved communities by businesses financed by CDFI Program Awardees (Oe)	23,656	22,329	35,022	✓	TBD	TBD
Community Development Financial Institutions Program	Private Dollars - Dollars of private and non-CDFI Fund investments that CDFIs are able to leverage because of their CDFI Fund Financial Assistance. (in millions) (Oe)	1,800	1,400	778	✗	TBD	TBD
New Markets Tax Credit Program	Private Equity - Amount of investments in low-income communities that Community Development Entitites (CDEs) have made with capital raised through the ir New Markets Tax Credit (NMTC) tax credit allocations ($ in billions)(Oe)	1.1	2	2.5	✓	2.5	2.5
Native Initiatives	Total Assets - Annual percentage increase in the total assets of Native CDFIs (%) (Oe)	103	182	19	✗	TBD	N/A

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

*Targets for performance measures in 2008 and 2009 will be established in early 2008.

Description of Performance

The CDFI Fund expects to achieve the following performance objectives in selected program areas with requested funding in FY 2009:

- Increase financing to businesses (including non-profit businesses) and individuals that are low wealth, have limited collateral, are located in underserved communities, or have other characteristics that prohibit them from getting business or commercial real estate loans or equity investments from traditional financial sources.
- Expand the supply and quality of housing units in underserved communities and increase homeownership in these markets by increasing the availability of housing financing that leverages conforming mortgages or that would likely not be made by traditional financial institutions.
- Expand access to affordable financial services for the “unbanked,” low-income people and others in underserved communities.
- Build the self-sufficiency and capacity of CDFI Fund awardees and certified CDFIs.

Financial Crimes Enforcement Network

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2007	FY 2008	FY 2009		
	Enacted	Enacted	President's Budget	Increase/ Decrease	Percent Change
Salaries and Expenses	$73,216	$85,844	$91,335	$5,491	6.4%
BSA Administration and Analysis	64,780	76,889	82,157	5,268	6.9%
Regulatory Support Programs	8,436	8,955	9,178	223	2.5%
Subtotal, Financial Crimes Enforcement Network	$73,216	$85,844	$91,335	$5,491	6.4%
Offsetting Collections - Reimbursables	1,541	5,251	5,251	0	0.0%
Total Program Operating Level	$74,757	$91,095	$96,586	$5,491	6.0%

Explanation of Request

The Financial Crimes Enforcement Network (FinCEN) FY 2009 President's Budget request includes funding to strengthen its capability to safeguard the nation's financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity. Specifically, the funding request maintains current operating levels, improves regulatory effectiveness and consistency through increased information sharing, strengthens global anti-money laundering efforts through improved analytic products to foreign counterparts, and increases physical security to ensure the safety of FinCEN employees and property.

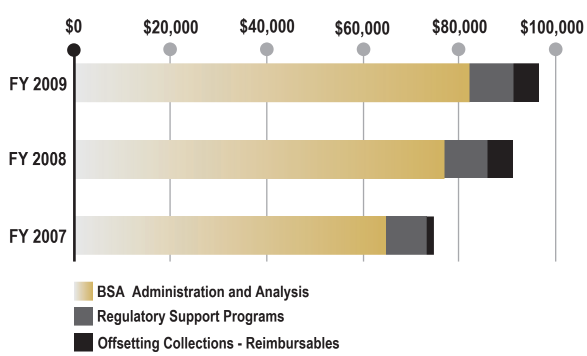
Total resources required to support FinCEN activities for FY 2009 are $96,586,000 including $5,251,000 from offsetting collections and reimbursable agreements.

Purpose of Program

The mission of FinCEN, a bureau within Treasury's Office of Terrorism and Financial Intelligence, is to enhance U.S. national security, deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems. FinCEN fulfills its mission, goals and priorities by: administering the Bank Secrecy Act (BSA); supporting policy makers, law enforcement, regulatory, and intelligence agencies through sharing and analysis of financial intelligence; enhancing international anti-money laundering and counter-terrorist financing efforts and cooperation; and networking people, entities, ideas, and information. FinCEN's activities and efforts are developed in close coordination with other federal agencies, such as through the 2007 National Money Laundering Strategy, which sets forth interagency priorities for the coming years.

FinCEN Funding History

[Dollars in Thousands]



FinCEN FY 2009 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2008 Enacted	$85,844
Changes to base:	
Maintaining Current Levels (MCLs):	$2,142
Pay Annualization	300
Pay Inflation Adjustment	861
Non-Pay Inflation Adjustment	981
Initiative Annualization:	$1,337
Annualization of Project Management Initiative	1,337
Transfers In:	$1,000
Transfer from IRS for BSA E-Filing	1,000
Subtotal FY 2009 Changes to Base	$4,479
Total FY 2009 Base	$90,323
Program Changes:	
Program Decreases:	($4,146)
Reprioritization of Resources	(697)
Information Technology Funding Realignment	(3,449)
Program Reinvestment:	$2,897
BSA Data Management and Analysis	2,897
Program Increases:	$2,261
Improve BSA Effectiveness/Consistency	1,139
Strengthen Global Anti-Money Laundering Efforts	865
Increase Physical Security	257
Subtotal FY 2009 Program Changes	$1,012
Total FY 2009 President's Budget Request	**$91,335**

FY 2009 Budget Adjustments

FY 2008 Enacted

The FY 2008 enacted direct appropriation for FinCEN is $85,844,000.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$2,142,000 / +0 FTE Funds are requested for: FY 2009 cost of the January 2008 pay increase of $300,000; proposed January 2009 pay raise of $861,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $981,000.

Initiative Annualization

Annualization of Project Management Initiative +$1,337,000 / +6 FTE These funds will allow FinCEN to complete implementation of the Project Management Office (PMO) approved in FY 2008. This annualization provides the remaining funding for OMB, Treasury and GAO recognized requirements to improve FinCEN's project management capability for both information technology and non-information technology projects.

Transfers In

Transfer from IRS for BSA E-Filing +$1,000,000 / +0 FTE The IRS annually reimburses FinCEN for the cost associated with operations and maintenance contract supporting the BSA e-filing system which is administered and controlled by FinCEN. This transfer will provide FinCEN with the base funding it needs to continue supporting the BSA e-filing system.

Program Decreases

Reprioritization of Resources -$697,000 / -4 FTE Base reductions were identified as the result of business process efficiencies from consolidation of administrative responsibilities and reductions in the number of commercial, financial, and law enforcement database queries due to the automation of the commercial database and networking functions.

Information Technology Funding Realignment -$3,449,000 / +0 FTE This program decrease realigns funding from the terminated BSA Direct Retrieval and Sharing project.

Program Reinvestment

BSA Data Management and Analysis +$2,897,000 / +0 FTE BSA Data Management and Analysis encompasses the data management and quality activities of FinCEN, including the original objectives from the BSA Direct retrieval and sharing program. Investments in information technology are at the core of FinCEN's national security mission to make BSA information available for hundreds of government agencies and international partners to fight terrorism and money laundering. With this reinvestment, FinCEN will focus resources to improve BSA data quality and integrity, resulting in expanded utilization of the BSA information.

Program Increases

Improve BSA Effectiveness/Consistency +$1,139,000 / +5 FTE Effective administration of the BSA requires timely exchange of information, consistent application, and tailored outreach to assist regulated industries to better target their limited resources. The initiative aims to realize efficiencies for all entities subject to the regulatory framework. Greater efficiency will reduce regulatory burden on the financial industry, while at the same time enhancing effectiveness in providing law enforcement and regulators with information needed to combat the financing of terrorism and money laundering. Funding will enable FinCEN to tailor present and future requirements, expand outreach efforts, and execute information sharing agreements with additional state regulatory authorities.

Strengthen Global Anti-Money Laundering Efforts +$865,000 / +2 FTE FinCEN works with Financial Intelligence Units (FIUs) around the world to intensify international anti-money laundering collaboration and combat terrorist financing. In recent years, FinCEN, together with other U.S. agencies, has invested significant resources in the FIUs to strengthen their investigative and analytical capacity to provide greater information on money laundering/ terrorist financing activities. Additional resources are required to take further advantage of the FIUs newly expanded and strengthened capacities, including expanded information exchanges to benefit U.S. law enforcement.

Increase Physical Security +$257,000 / +0 FTE FinCEN will utilize FY 2009 funds to enhance its Physical Security Program to mitigate vulnerabilities. Currently, FinCEN leases over 240,000 square feet of office space for its Virginia headquarters location, of which 440 federal employees and other personnel have access to this office space. A recent review of FinCEN's physical security environment by the Federal Protective Service identified security vulnerabilities. This funding will allow FinCEN to procure additional security equipment to enhance its Physical Security Program in order to mitigate some of those vulnerabilities.

Explanation of Budget Activities

Salaries and Expenses

BSA Administration and Analysis ($82,157,000 from direct appropriations and $5,251,000 from reimbursable programs) This activity comprises FinCEN's efforts to administer the BSA, including promulgating regulations, providing outreach and issuing guidance to the regulated industries, providing oversight of BSA compliance, initiating enforcement actions, and, with the IRS, managing the information filed by the regulated industries, as well as analytic activities. Internationally, FinCEN promotes the development of anti-money laundering regimes through training and technical assistance. Analytical programs include support to U.S. law enforcement and international FIUs in combating financial crime by facilitating the exchange of investigative information; identifying foreign and domestic money laundering and terrorist financing trends, patterns, and techniques; and liaison with and support of intelligence initiatives within the intelligence community and within Treasury. This activity also incorporates efforts to support large-scale, complex law enforcement investigations involving terrorist financing, money laundering, and other financial crimes.

Regulatory Support Programs ($9,178,000 from direct appropriations) This activity supports implementation, strengthening and clarification of the programmatic (anti-money laundering, Customer Identification Program, and suspicious activity reporting), recordkeeping, and reporting requirements of the BSA for financial institutions subject to those requirements. FinCEN will continue efforts with the IRS, especially related to the money services business (MSB) industry to ensure compliance, respond to public inquiries, distribute forms and publications, and support collection and maintenance of BSA information. This includes enhancing the capability to correct identified data quality issues and other related enhancements. These resources also fund IRS BSA compliance activities for non-bank financial institutions, especially related to the MSB industry.

Legislative Proposals

FinCEN has no legislative proposals for FY 2009.

FinCEN Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target	Target
BSA Administration and Analysis	Average time to process enforcement matters (in Years) (E)	1.3	1	1.1	✗	1	1
BSA Administration and Analysis	Percentage of Regulatory Resource Center Customers rating the guidance received as understandable	0	94	91	✓	90	90
BSA Administration and Analysis	Percentage of customers finding FinCEN's analytic reports highly valuable.	0	0	82	Baseline	79	80
BSA Administration and Analysis	Percentage of customers satisfied with the BSA E-Filing (Oe)	0	92	94	✓	90	90

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

Description of Performance

FinCEN conducted a survey of the Regulatory Resource Center customers rating regulatory guidance received as understandable and met its target with 91 percent satisfied. The target was to maintain at least a 90 percent level. Providing understandable guidance to financial institutions is critical to their establishing anti-money laundering programs that comply appropriately with the BSA.

FinCEN works closely with its regulatory partners to take enforcement action against institutions that systemically and egregiously violate the provisions of the BSA, including through imposition of civil money penalties in appropriate matters. Timely enforcement action communicates urgency to financial institutions, and is paramount to deterring non-compliance. In FY 2007, FinCEN experienced a slight increase in the average processing time, exceeding the 1.0 year average by 21 days, resulting in an average of 1.1 years. This was the result of two enforcement cases that closed in the fourth quarter of FY 2007 after abnormally long periods of time. Each of those enforcement actions was taken on a joint/concurrent basis with both the Department of Justice and the respective financial supervisor(s), which also had to complete their respective investigations. Moreover, the process of coordination with other interested government authorities, which itself is a Departmental priority, will often require longer time periods than unilateral actions. As such, the time periods of these two cases were outliers, and FinCEN will reconsider in the future whether the processing time target is appropriate for joint enforcement actions.

FinCEN supports law enforcement and its regulatory industry partners by facilitating information sharing and providing analyses of BSA information and measures the percentage of customers finding FinCEN's analytic reports highly valuable. FinCEN has revised this measure as a result of the FY 2006 PART process to more accurately target its disparate audiences as well as its different products. The reformulated measure more closely ties to how BSA information is used by law enforcement, regulators and international partners to identify, investigate, and prevent abuse of the financial system. In FY 2007 FinCEN surpassed its target of 78 percent with 82 percent of its customers finding the analytic products highly valuable.

FinCEN conducted a survey of the users of the BSA e-filing system to determine the overall satisfaction level and to identify where improvements are needed. FinCEN exceeded its target with 94 percent of respondents satisfied. The FY 2007 target was to maintain at a least 90 percent satisfaction level. The information and the technology used to facilitate analysis are at the core of FinCEN's mission to deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems.

Alcohol and Tobacco Tax and Trade Bureau

Program Summary by Budget Activity
(Dollars in thousands)

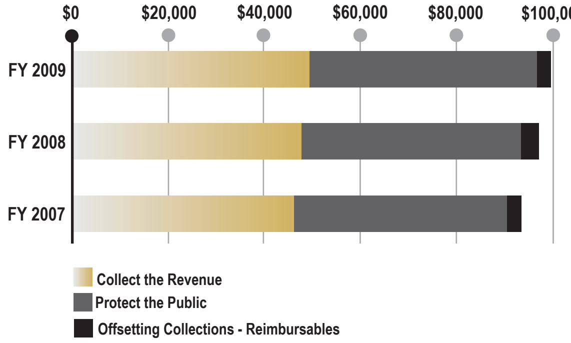
Appropriation	FY 2007 Enacted	FY 2008 Enacted	FY 2009 President's Budget	FY 2009 Increase/ Decrease	FY 2009 Percent Change
Salaries and Expenses	$90,618	$93,515	$96,900	$3,385	3.6%
Collect the Revenue	46,215	47,693	49,420	1,727	3.6%
Protect the Public	44,403	45,822	47,480	1,658	3.6%
Subtotal, Alcohol and Tobacco Tax and Trade Bureau	$90,618	$93,515	$96,900	$3,385	3.6%
Offsetting Collections - Reimbursables	3,024	3,755	2,868	(887)	(23.6%)
Total Program Operating Level	$93,642	$97,270	$99,768	$2,498	2.6%

Explanation of Request

The Alcohol and Tobacco Tax and Trade Bureau (TTB) will continue to focus efforts on helping industry members comply with alcohol, tobacco, firearms, and ammunition laws and regulations, thus ensuring that all the appropriate excise taxes are collected and that consumers are provided with alcohol beverages that meet federal production, labeling, advertising and marketing standards. The FY 2009 President's Budget request enables the continuation of efforts to meet the performance measures that support TTB's strategic goal to collect the revenue and protect the public.

Total resources required to support TTB activities for FY 2009 are $99,768,000 including $96,900,000 from direct appropriations and an estimate of $2,868,000 in offsetting collections and reimbursable programs.

TTB Funding History
[Dollars in Thousands]



Purpose of Program

TTB serves as the nation's primary federal authority in the regulation of the alcohol and tobacco industries. TTB is responsible for the administration and enforcement of two major areas of federal law affecting those industries, namely: those sections of the Internal Revenue Code associated with the collection of excise taxes on alcohol, tobacco, firearms, and ammunition; and the Federal Alcohol Administration Act, which provides for the regulation of those engaged in the alcohol beverage industry and the protection of consumers of alcohol beverages.

Collect the Revenue

TTB is charged with collecting alcohol, tobacco, firearms, and ammunition excise taxes. These products generate nearly $15 billion in tax revenue annually, making TTB the third largest tax collection agency in the federal government. Alcohol and tobacco taxes collected by TTB are remitted to the Department of the Treasury General Fund. Firearms and ammunition excise taxes are remitted to the Fish and Wildlife Restoration Fund under provisions of the Pittman-Robertson Act of 1937.

The excise taxes collected by TTB come from approximately 8,500 businesses, and the taxes are imposed and collected at the producer and importer level of operations. Members of the regulated industries paying excise taxes are distilleries, breweries, bonded wineries, bonded wine cellars, manufacturers of paper and tubes for tobacco products, manufacturers of tobacco products, and manufacturers and importers of firearms and ammunition. About 200 of the largest taxpayers account for 99 percent of the annual excise tax collected. In FY 2007, the majority of taxes collected were from tobacco (49 percent) and alcohol (49 percent), with the remainder from firearms and ammunition (2 percent).

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

Protect the Public

TTB works to ensure the integrity of the alcohol and tobacco industries and of beverage alcohol products found in the marketplace, and regulates roughly 45,600 alcohol and tobacco businesses. Under this activity, TTB enforces federal laws related to the issuance of permits to industry members and the production, labeling, advertising, and marketing of alcohol products. TTB conducts these activities through investigations, application reviews, laboratory testing and educational programs. TTB works with industry, foreign and state governments, and other interested parties to make it easier to comply with regulatory requirements, and maintains the appropriate level of oversight to ensure public safety. Education, partnerships, and open communication are paramount strategies in facilitating compliance with regulatory requirements.

TTB FY 2009 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2008 Enacted	$93,515
Changes to base:	
Base Realignment:	($1,149)
Base Realignment from Collect the Revenue	(935)
Base Realignment to Protect the Public	935
Increased Reimbursable Payments from PR Gov't	(1,149)
Maintaining Current Levels (MCLs):	$2,229
Non-Pay Inflation Adjustment	752
Pay Annualization	402
Pay Inflation Adjustment	1,075
Subtotal FY 2009 Changes to Base	$1,080
Total FY 2009 Base	$94,595
Program Changes:	
Program Decreases:	($685)
Efficiency Savings	(685)
Program Increases:	$2,990
IT Infrastructure (Hardware Refresh)	2,990
Subtotal FY 2009 Program Changes	$2,305
Total FY 2009 President's Budget Request	**$96,900**

FY 2009 Budget Adjustments

FY 2008 Enacted

The FY 2008 enacted direct appropriation for TTB is $93,515,000.

Base Realignment

Base Realignment from Collect the Revenue -$935,000 / +0 FTE Realignment of funds from the Collect the Revenue budget activity based on historical spending patterns.

Base Realignment to Protect the Public +$935,000 / +0 FTE Realignment to Protect the Public budget activity.

Increased Reimbursable Payments from Puerto Rican Government -$1,149,000 / -11 FTE Recovery of indirect costs for general administrative, information technology, legal, and other enforcement bureau activities which support the Puerto Rico cover over program. The cost model which was adopted by the bureau was determined to be in full compliance with the guidelines promulgated by the Office of Management and Budget, the CFO Act, and Statements of Federal Financial Accounting Standards. These reimbursable funds have been used to supplant the direct appropriations.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$2,229,000 / +0 FTE Funds are requested for: FY 2009 cost of the January 2008 pay increase of $402,000; proposed January 2009 pay raise of $1,075,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $752,000.

Program Decreases

Efficiency Savings -$685,000 / -8 FTE Reduction in funding due to anticipated savings to be realized from improvements in business processes, systems, and operations at the bureau.

Program Increases

IT Infrastructure (Hardware Refresh) +$2,990,000 / +0 FTE Funds are needed to refresh the information technology hardware and infrastructure in order to facilitate mission critical functions in support of departmental and bureau strategic goals and objectives of collecting the revenue and protecting the public. TTB has two core business applications to support this mission: Integrated Revenue Information System (IRIS) and Application for and Certification/Exemption of Label/Bottle Approval.

Explanation of Budget Activities

Salaries and Expenses

Collect the Revenue ($49,420,000 from direct appropriations and $1,463,000 from reimbursable programs) The Collect the Revenue activity works toward providing the most effective and efficient systems for the collection of tax revenue, eliminating or preventing tax evasion and other criminal conduct, and providing high quality service while imposing the least regulatory burden on taxpayers. This program includes projects designed to allow taxpayers to report and pay excise taxes electronically.

Protect the Public ($47,480,000 from direct appropriations and $1,405,000 from reimbursable programs) The Protect the Public activity ensures the integrity of products and industry members in the marketplace, ensures compliance with laws and regulations by regulated industries, and provides information to the public as a means to prevent consumer deception. Under this activity, TTB enforces compliance with federal laws related to the issuance of permits to industry members and the production, importation, exportation, labeling, advertising, and marketing of alcohol products. TTB conducts investigations, application reviews, laboratory testing, and educational programs in support of its mission.

Legislative Proposals

Extend Pay Demonstration Program for one additional year. TTB proposes to continue the Pay Demonstration Program by amending the general provision language to extend the program for one additional year.

TTB Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target	Target
Collect the Revenue	Percentage of Voluntary Compliance in filing tax payments timely and accurately (in terms of number of compliant industry members)(%) (Oe)	70	75.95	75	✓	75	75
Collect the Revenue	Percentage of Voluntary Compliance in filing tax payments timely and accurately (in terms of revenue) (Revenue %) (Oe)	86.3	87.2	86.37	✓	87	87
Collect the Revenue	Percentage of total tax receipts collected electronically (%) (E)	98	98	98	✓	98	98
Protect the Public	Percentage of permit application (original and amended) processed by the National Revenue Center within 60 days (%) (E)	81	86	85.09	✓	80	80

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

Description of Performance

The bureau continues to collect nearly $15 billion in federal excise taxes in a highly efficient manner, and continues to help industry members comply with alcohol and tobacco laws and regulations. TTB met nine of its ten performance measures, indicating that the bureau is meeting its performance goals and showing continued improvements in performance scores. The only performance measure not met was the "Percentage of COLA applications processed within 9 calendar days of receipt." This measure was difficult to achieve because the complexity and volume of this type of workload, which is driven by industry members, has continued to increase for several years. Since 1999, COLA applications have risen over 84 percent, while the available staff dedicated to this operation has remain constant. The bureau plans to monitor its performance, and will continue to capture performance information on program operations to both measure and improve the effectiveness of its operations.

The investments in the Collect the Revenue activity resulted in the following performance highlights and accomplishments during FY 2007:

- Collected $14.7 billion in excise taxes, interest, and other revenues from alcohol, tobacco, firearms, and ammunition industries from 8,500 excise taxpayers holding permits.
- Expanded the e-filing program to allow all excise taxpayers to file and pay taxes and file monthly operational reports electronically through the Pay.Gov system.
- Processed $459 million in cover-over payments to Puerto Rico and $8 million to the Virgin Islands. Federal excise taxes collected on rum produced in Puerto Rico and the Virgin Islands and subsequently imported into the United States are "covered-over" (or paid into) the treasuries of Puerto Rico and the Virgin Islands.
- Processed $336 million in drawback claims. Under current law, persons who use non-beverage alcohol in the manufacture of medicines, food products, flavors, extracts, or perfume and other non-potable products may be eligible to claim drawback of excise taxes paid on distilled spirits used in their products. The TTB laboratory analyzes and approves a product formula before a company can manufacture a product and file a claim.

The investments in Protect the Public activity have resulted in the following performance highlights and accomplishments during FY 2007:

- Processed 125,117 COLAs applications of which 63,811 applications were e-filed for a total of 51 percent through COLAs Online. The Federal Alcohol Administration Act requires importers and bottlers of alcoholic beverages to obtain a COLA prior to introduction of the product into commerce.
- Issued 4,600 original permits and approved 22,116 amended permits and related correspondence. TTB issues original and amended permits to persons who are engaged in the alcohol and tobacco industries. Illicit activity in these industries has the potential to be highly lucrative so it is crucial that organized crime and terrorists are kept out of these industries.
- Conducted 945 field application investigations of industry members regarding applications, consumer complaints, tax fraud, trade practice violations, and product and labeling integrity verifications.
- Assisted in the labeling agreement with the World Wine Trade Group (WWTG). WWTG members include the United States, Argentina, Australia, Canada, Chile, and New Zealand. The labeling agreement was signed in January 23, 2007, and will facilitate the export trade in wine from the United States to WWTG countries.
- The Scientific Services Division received its accreditation from the International Organization for Standardization.

Financial Management Service

Program Summary by Budget Activity
(Dollars in thousands)

Appropriation	FY 2007 Enacted	FY 2008 Enacted	FY 2009 President's Budget	FY 2009 Increase/ Decrease	FY 2009 Percent Change
Salaries and Expenses	$235,381	$234,423	$239,344	$4,921	2.1%
Payments	148,408	145,977	147,445	1,468	1.0%
Collections	17,434	19,804	21,481	1,677	8.5%
Debt Collection	5,029	0	0	0	0.0%
Government-wide Accounting and Reporting	64,510	68,642	70,418	1,776	2.6%
Subtotal, Financial Management Service	$235,381	$234,423	$239,344	$4,921	2.1%
Offsetting Collections - Reimbursables	196,282	215,179	228,010	12,831	6.0%
Total Program Operating Level	$431,663	$449,602	$467,354	$17,752	3.9%

Explanation of Request

The Financial Management Service (FMS) FY 2009 President's Budget request includes the Financial Information Reporting Standardization (FIRST) initiative to enhance and improve operations. The FIRST initiative will improve the accuracy and integrity of budgetary and proprietary accounting information both at the agencies and in the central accounting systems. It will also integrate budgetary accounting and government-wide accounting with the proprietary information in the Financial Report (FR) which will improve the quality and accuracy of the FR.

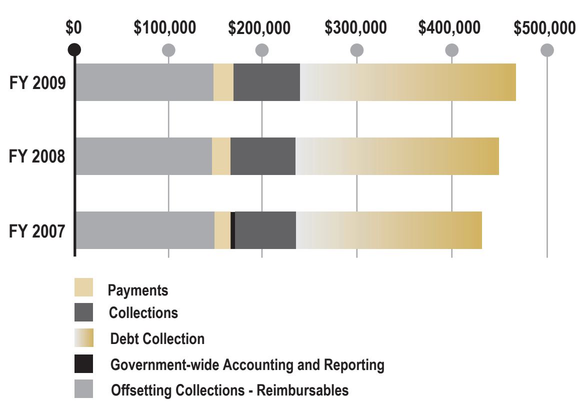
Total resources required to support FMS activities for FY 2009 are $467,354,000 including $239,344,000 from direct appropriations and $228,010,000 from offsetting collections and reimbursable agreements.

Purpose of Program

FMS plays a key role in supporting the Department of the Treasury's strategic goal of managing the United States Government's finances effectively by operating as the financial manager and principal fiscal agent for the federal government. This role includes managing the nations' finances by collecting money due to the United States, making its payments and performing central accounting functions.

As the government's financial manager, FMS oversees a daily cash flow of nearly $60 billion, disbursing 85 percent of the federal government's payments, including income tax refunds, Social Security benefits, veterans' benefits and other federal payments to individuals and businesses. FMS also administers the world's largest collection system, collecting between $2.5 and $3.0 trillion annually. It also provides cash management guidance to Federal Program Agencies (FPAs) and compiles and publishes government-wide financial information used to monitor the government's financial status. Finally, it serves as the government's central debt collection agency for delinquent non-tax debt.

FMS Funding History
[Dollars in Thousands]



FMS FY 2009 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2008 Enacted	$234,423
Changes to base:	
Base Realignment:	$0
Maintaining Current Levels (MCLs):	$4,921
Non-Pay Inflation Adjustment	553
Pay Annualization	1,080
Pay Inflation Adjustment	3,288
Subtotal FY 2009 Changes to Base	$4,921
Total FY 2009 Base	$239,344
Program Changes:	
Program Decreases:	($958)
Govt-Wide Acctg & Reprtg Modernization Program	(326)
Payments Operations	(172)
Accounting Architecture	(460)
Program Reinvestment:	$958
Financial Info Reprtg Standardization (FIRST)	958
Subtotal FY 2009 Program Changes	$0
Total FY 2009 President's Budget Request	$239,344

FY 2009 Budget Adjustments

FY 2008 Enacted

The FY 2008 enacted direct appropriation for FMS is $234,423,000.

Base Realignment

FTE Adjustment +$0 / -192 FTE FMS identified 192 unfunded base FTE upon review of its FY 2008 proposed financial plan, which is reflected by this adjustment.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$4,921,000 / +0 FTE Funds are requested for: FY 2009 cost of the January 2008 pay increase of $1,080,000; proposed January 2009 pay raise of $3,288,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $553,000.

Program Decreases

Government-Wide Accounting & Reporting Modernization Program -$326,000 / +0 FTE As a result of efficiencies gained through modernization and a decreased requirement for contractor support for legacy applications and the certification and accreditation process, funding can be redirected from the Government-wide Accounting (GWA) and Reporting budget activity to cover a portion of the FIRST initiative.

Payments Operations -$172,000 / +0 FTE As a result of improvements in the payments activity (e.g. presort equipment), FMS can redirect this funding to the FIRST initiative.

Accounting Architecture -$460,000 / +0 FTE Funding has been identified in Government-wide Accounting and Reporting from prior years Accounting Architecture initiative. These funds will be redirected to the FIRST initiative.

Program Reinvestment

Financial Information Reporting Standardization (FIRST) +$958,000 / +0 FTE FIRST integrates budgetary and proprietary financial data from Federal Program Agencies (FPAs) and will improve the accuracy, consistency and timeliness of agency reporting by validating the agency data and balances against authoritative balances in FMS' central accounting system. Government-wide savings are conservatively estimated at $31 million annually. FMS is requesting an increase of $958,000 to the current base of $2,393,000 for FY 2009. This initiative will be fully funded by redirects from savings generated from the GWA program, Payments Operations and Accounting Architecture.

Explanation of Budget Activities

Salaries and Expenses

Payments ($147,445,000 from direct appropriations and $138,584,000 from reimbursable programs) The Payments activity issues and distributes payments, develops and implements federal payment policy and procedures, promotes the use of electronics in the payment process, and assists agencies in converting payments from paper checks to Electronic Funds Transfer (EFT). This activity also includes controlling and providing financial integrity to the payments process through reconciliation, accounting and claims activities. The claims activity settles claims against the United States resulting from federal government checks which have been forged, lost, stolen or destroyed, and collects monies from those parties liable for fraudulent or otherwise improper negotiation of government checks. It also includes processing claims and reclamations for EFT payments.

Collections ($21,481,000 from direct appropriations) The Collections activity collects revenues needed to operate the federal government through the management of the federal government's collections infrastructure. FMS collected a record of $3.1 trillion in FY 2007 through a network of more than 9,000 financial institutions; 79 percent of these collections were collected electronically. It also manages the collection of federal revenues such as individual and corporate income tax deposits, customs duties, loan repayments, fines and proceeds from leases. FMS establishes and implements collection policies, regulations, standards and procedures for the federal government.

Debt Collection ($86,247,000 from reimbursable programs) The Debt Collection activity collects delinquent government and child support debt by providing centralized debt collection, oversight and operational services to FPAs and states as required by the Debt Collection Improvement Act of 1996 and related legislation. The services include, but are not limited to, collecting delinquent debts through Cross-Servicing and offsetting federal payments, providing a database for use as a tool for barring delinquent debtors, providing post-judgment collection, advising and educating agencies towards improving debt management, and referrals to the Department of Justice.

Government wide Accounting and Reporting ($70,418,000 from direct appropriations and $3,179,000 from reimbursable programs) The Government-wide Accounting and Reporting activity maintains the federal government's books and accounts for its monetary assets and liabilities by operating and overseeing the government's central accounting and reporting system. It also works with federal agencies to adopt uniform accounting and reporting standards and systems and provides support, guidance and training to assist FPAs in improving their government-wide accounting and reporting responsibilities. FMS gathers and publishes government-wide financial information which is used in establishing fiscal and debt management policies and is also used by the public and private sectors to monitor the government's financial status.

Legislative Proposals

Eliminate the 10-year Limitations Period on Offset (31 U.S.C. 3716)

Consistent with the Supreme Court's decision to allow the Department of Education to offset social security benefits to collect student loans over 10 years old, this proposal would eliminate the 10-year limitation on the collection of delinquent non-tax federal debts by administrative offset. This would ensure that delinquent debts can be collected by offset without regard to any statutory, regulatory or administrative limitation on the period within which debts may be collected. The proposed change would allow for the collection by offset of other federal debts consistent with the current law for student loans.

Payment Transaction Integrity - Allows the federal government to trace and recover federal payments sent electronically to the wrong account.

The proposal, which amends 12 U.S.C. 3413, revises an existing exception to the Right to Financial Privacy Act so that improper electronic payments and improperly negotiated Treasury checks can be traced and recovered. Revising the exception will also permit the federal government to verify the identities of persons making payments to or receiving payments from the government.

FMS Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target	Target
Payments	Percentage of Treasury payments and associated information made electronically (%) (Oe)	76	77	78	✓	79	80
Collections	Percentage collected electronically of total dollar amount of Federal government receipts (%) (Oe)	79	79	79	✗	79	80
Debt Collection	Amount of delinquent debt collected through all available tools (Billions $) (Ot)	3.25	3.34	3.76	✓	3.4	3.5
Government wide Accounting and Reporting	Percentage of Governmentwide accounting reports issued accurately (%) (Oe)	100	100	100	✓	100	100
Government wide Accounting and Reporting	Percentage of Governmentwide accounting reports issued timely (%) (E)	100	100	100	✓	100	100

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

Description of Performance

Payments: FMS disburses 85 percent of the federal government's payments to a wide variety of recipients, such as those who receive Social Security Administration payments, Internal Revenue Service tax refunds, and the Department of Veterans Affairs benefits. In FY 2007 FMS issued over 981 million non-Defense payments, with a dollar value of approximately $1.6 trillion. Seventy-eight percent of these transactions were issued by Electronic Funds Transfer. FMS continues to expand and market the use of electronic media to deliver federal payments, improve service to payment recipients, and reduce government program costs.

Collections: In FY 2007, FMS collected a record $3.1 trillion through a network of more than 9,000 financial institutions. The majority of the dollar amounts of FMS collections were made electronically – 79 percent of the $3.1 trillion collected in FY 2007. However, approximately half of the transactions, 51.6 percent in FY 2007, are paper checks. In FY 2007, taxpayers paid more than $2.0 trillion using the Electronic Federal Tax Payment System, up 8.3 percent from FY 2006, and the number of payments to the government rose 8 percent, to 90 million. FMS stepped up its efforts, in FY 2007, to work with federal agencies to promote the use of electronics in the collections process and assists agencies in converting collections from paper to electronic media.

Debt Collection: In FY 2007, FMS has collected a record $3.76 billion in delinquent debt, which exceeded the FY 2007 target of $3.2 billion. This includes $1.7 billion in past due child support, $1.47 billion in federal non-tax debt, and over $586 million in federal tax levies and state tax debt offsets. Debt referrals from creditor agencies were at 100 percent of eligible debt at the end of FY 2007. As a result of the continued improvements to the program, collections have steadily increased to more than $31.7 billion since the enactment of the Debt Collection Improvement Act of 1996. In calendar year 2007, the Internal Revenue Service referred an additional $32.2 billion of tax debts for continuous levy, a 14 percent increase from calendar year 2006 for the same period.

Government-wide Accounting and Reporting: FMS issues 100 percent of its government-wide accounting reports accurately and timely. For the fourth consecutive year, FMS released the *Financial Report of the United States Government* (FR) 75 days after the fiscal year-end. In FY 2006, Government Accountability Office (GAO) acknowledged and noted improvements with regard to consistency with agency information in the Balance Sheet, the Statement of Net Cost and Statement of Social Insurance and in the note disclosures that are directly linked to the amounts on these principal financial statements. During the FY 2006 audit, FMS' efforts resulted in the removal of approximately 74 of 143 GAO recommendations.

Bureau of the Public Debt

Program Summary by Budget Activity
(Dollars in thousands)

Appropriation	FY 2007 Enacted	FY 2008 Enacted	FY 2009 President's Budget	FY 2009 Increase/ Decrease	FY 2009 Percent Change
Administering the Public Debt	$178,854	$182,871	$187,054	$4,183	2.3%
Wholesale Securities Services	19,996	20,518	21,047	529	2.6%
Government Agency Investment Services	14,594	14,648	14,497	(151)	(1.0%)
Retail Securities Services	137,020	140,573	144,194	3,621	2.6%
Summary Debt Accounting	7,244	7,132	7,316	184	2.6%
Subtotal, Bureau of the Public Debt	$178,854	$182,871	$187,054	$4,183	2.3%
User Fees	($3,000)	($10,000)	($10,000)	$0	0.0%
Net Program Operating Level	$175,854	$172,871	$177,054	$4,183	$0
Offsetting Collections - Reimbursables	14,058	14,565	15,007	442	3.0%
Total Program Operating Level	$189,912	$187,436	$192,061	$4,625	2.5%

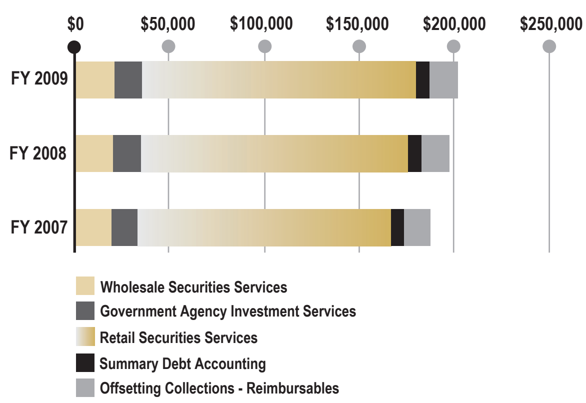
Explanation of Request

The FY 2009 President's Budget request for the Bureau of the Public Debt includes funding to support the Department of the Treasury's strategic outcome of financing the government at the lowest possible cost over time. Public Debt's top priority is to ensure that the most efficient systems are in place to conduct borrowing operations and deliver securities services to investors.

Total resources to support Public Debt activities in FY 2009 are $202,061,000, including $187,054,000 from direct appropriations, of which $10,000,000 are user fees, and $15,007,000 from offsetting collections and reimbursable programs.

BPD Funding History

[Dollars in Thousands]



Purpose of Program

Public Debt's mission is to borrow the money needed to operate the federal government, account for the resulting debt and provide reimbursable support services to federal agencies. In carrying out its mission, Public Debt annually auctions and issues more than $4 trillion in Treasury bills, notes, bonds and Treasury Inflation-Protected Securities (TIPS); effectively administers the regulation of the primary and secondary Treasury securities markets; ensures that reliable systems and processes are in place for issuing, transferring, paying interest on, and redeeming Treasury securities; issues and redeems more than 78 million paper savings bonds each year; administers in excess of $4 trillion in investments for over 230 federal trust funds; and provides timely and accurate information on the public debt.

In support of Treasury's strategic outcome of financing the government at the lowest possible cost over time, Public Debt's top priority is to ensure that the most efficient systems are in place to conduct borrowing operations and deliver securities services to investors. To that end, Public Debt continues to enhance its TreasuryDirect system where retail customers can purchase and manage their holdings of Treasury securities over the internet and will, in the first quarter of calendar year 2008, replace its aging auction system. As it increasingly relies on conducting business electronically, Public Debt also places a high priority on adopting technological advances to ensure that its systems remain secure.

BPD FY 2009 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2008 Enacted	$182,871
Changes to base:	
Maintaining Current Levels (MCLs):	$4,711
Non-Pay Inflation Adjustment	1,497
Pay Annualization	769
Pay Inflation Adjustment	2,445
Subtotal FY 2009 Changes to Base	$4,711
Total FY 2009 Base	$187,582
Program Changes:	
Program Decreases:	($528)
Government Agency Investment Services System (GAISS) Savings	(528)
Subtotal FY 2009 Program Changes	($528)
Total FY 2009 President's Budget Request	**$187,054**
User Fees	(10,000)
Total FY 2009 President's Budget Request (Net)	**$177,054**

FY 2009 Budget Adjustments

FY 2008 Enacted
The FY 2008 enacted direct appropriation for BPD is $182,871,000.

Maintaining Current Levels (MCLs)
Adjustments Necessary to Maintain Current Levels +$4,711,000 / +0 FTE Funds are requested for: FY 2009 cost of the January 2008 pay increase of $769,000; proposed January 2009 pay raise of $2,445,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $1,497,000.

Program Decreases
Government Agency Investment Services System (GAISS) Savings -$528,000 / +0 FTE Savings due to systems consolidation for the Government Agency Investment Services System.

Adjustments to Request User Fee
User Fees -$10,000,000 / +0 FTE For $100 account maintenance fees that Public Debt charges to account holders in the Legacy Treasury Direct system with an account balance of more than $100,000 in par value.

Explanation of Budget Activities

Administering the Public Debt
Wholesale Securities Services ($21,047,000 from direct appropriations and $1,343,000 from reimbursable programs) Public Debt announces, auctions and issues marketable Treasury bills, notes, bonds and Treasury Inflation-Protected Securities (TIPS). This program ensures that the government's critical financing needs are met and that an infrastructure is in place for the custody, transfer and redemption of Treasury securities in the wholesale market. Public Debt also administers regulations that provide investor protection and maintain the integrity, liquidity and efficiency in the government securities market.

Government Agency Investment Services ($14,497,000 from direct appropriations and $3,827,000 from reimbursable programs) Public Debt supports federal, state, and local government agency investments in non-marketable Treasury securities as well as federal agency borrowing from the Department of the Treasury. There are more than 230 trust and investment funds held by federal agencies. For 18 of the funds, Public Debt also maintains the investment accounts and performs additional administrative functions on behalf of the Secretary of the Treasury.

Retail Securities Services ($144,194,000 from direct appropriations, including $10,000,000 from user fee collections, and $9,370,000 from offsetting collections and reimbursable programs) Public Debt serves more than 50 million retail customers who have invested in marketable and savings securities directly with Treasury. Investors may hold these securities in book-entry or paper form. The goal of the retail program is to migrate products and services to the internet-accessed TreasuryDirect system so that eventually all retail securities are issued and maintained in book-entry form.

Summary Debt Accounting ($7,316,000 from direct appropriations and $467,000 from reimbursable programs) Public Debt accurately accounts for and reports timely on the outstanding public debt and related interest expenses. The program provides daily information on the balance and composition of the public debt, and summary level accounts represent the control totals for dozens of subordinate investment systems.

Legislative Proposals

BPD has no legislative proposals for FY 2009.

BPD Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target	Target
Wholesale Securities Services	Percent of auction results released in 2 minutes +/- 30 seconds (%) (Oe)	95	100	99.1	✓	95	95
Government Agency Investment Services	Cost per federal funds investment transaction ($) (E)	88.74	62.64	68.53	✓	77.1	77.7
Government Agency Investment Services	Percentage of Government Agency customer initiated transactions conducted online (%) (Oe)	72.7	97.03	97.31	✓	Disco-ntinued	Disco-ntinued
Retail Securities Services	Percentage of retail customer service transactions completed within 12 business days (%) (Oe)	88.7	98	99.43	✓	90	90
Summary Debt Accounting	Cost per summary debt accounting transaction ($) (E)	12.62	10.96	9.29	✓	9.74	9.97

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

Description of Performance

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

In FY 2007, 99 percent of the time, Public Debt released auction results within two minutes, plus or minus 30 seconds, surpassing its performance target of 95 percent. In addition, Public Debt processed over 99 percent of retail customer service transactions within 12 business days and met its targeted costs for summary debt accounting and federal funds investment transactions.

Internal Revenue Service

Program Summary by Appropriations Account
(Dollars in thousands)

Appropriation / Budget Activity	FY 2007 Enacted[1]	FY 2008 Enacted	FY 2009 President's Budget	FY 2009 Increase/ Decrease	FY 2009 Percent Change
Taxpayer Services	$2,138,238	$2,150,000	$2,150,000	$0	0.00%
Pre-filing Taxpayer Assistance and Education	576,537	645,375	617,326	(28,049)	-4.35%
Filing and Account Services	1,561,701	1,504,625	1,532,674	28,049	1.86%
Enforcement	4,686,477	4,780,000	5,117,267	337,267	7.06%
Investigations	576,785	593,794	603,466	9,672	1.63%
Exam and Collections	3,959,741	4,038,309	4,363,826	325,517	8.06%
Regulatory	149,951	147,897	149,975	2,078	1.41%
Operations Support	3,544,835	3,680,059	3,856,172	176,113	4.79%
Infrastructure	845,203	843,720	883,325	39,605	4.69%
Shared Services and Support	1,179,216	1,170,686	1,243,703	73,017	6.24%
Information Services	1,520,416	1,665,653	1,729,144	63,491	3.81%
Business Systems Modernization	212,659	267,090	222,664	(44,426)	-16.63%
Health Insurance Tax Credit Administration	14,856	15,235	15,406	171	1.12%
Subtotal, Internal Revenue Service	$10,597,065	$10,892,384	$11,361,509	$469,125	4.31%
Offsetting Collections - Reimbursable	101,976	104,898	107,904	3,006	2.87%
Mandatory Appropriation - User Fees	157,078	258,372	177,655	(80,717)	-31.24%
Total Program Operating Level	**$10,856,119**	**$11,255,654**	**$11,647,068**	**$391,414**	**3.48%**

[1] FY 2007 Enacted represents the approved FY 2007 Operating Plan.

Explanation of Request

The IRS administers America's tax laws and collects the revenue that funds most federal government operations. The IRS taxpayer service program assists millions of taxpayers with understanding and meeting their tax obligations. The IRS enforcement program is aimed at deterring taxpayers inclined to evade their responsibilities while vigorously pursuing those who violate tax laws.

Total resources to support the IRS activities for FY 2009 are $11,647,068,000. This includes $11,361,509,000 from direct appropriations, $107,904,000 from reimbursable programs, and $177,655,000 from user fees. The direct appropriations level is a $469,125,000 increase, or an increase of 4.3 percent, over the FY 2008 enacted level of $10,892,384,000.

The IRS FY 2009 President's Budget supports the IRS and the Department of the Treasury Strategic Plans, as well as the tax compliance strategies addressed in *Reducing the Federal Tax Gap: A Report on Improving Voluntary Compliance* (see http://www.irs.gov/pub/irs-news/tax_gap_report_final_080207_linked.pdf) and the *IRS Taxpayer Assistance Blueprint (TAB)* (see http://www.irs.gov/individuals/ article/0,,id=156394,00.html). These plans underscore the IRS commitment to ensure fairness, observe taxpayer rights, and reduce taxpayer burden while working in a balanced manner to reduce noncompliance.

The IRS strategic plan goals are:

- *Improve Taxpayer Service* – Help people understand their tax obligations, making it easier for them to participate in the tax system.
- *Enhance Enforcement of the Tax Law* – Ensure taxpayers meet their tax obligations, so that when Americans pay their taxes, they can be confident their neighbors and competitors are also doing the same.
- *Modernize the IRS through its People, Processes and Technology* – Strategically manage resources, associated business processes, and technology systems to effectively and efficiently meet service and enforcement strategic goals.

The FY 2009 President's Budget request for the IRS increases funding as part of a strategy to improve compliance by focusing on the following priorities:

- Improving voluntary compliance and reducing the tax gap by:
  - ♦ Increasing front-line enforcement resources,
  - ♦ Improving taxpayer service options,

- ♦ Enhancing research, and
- ♦ Implementing legislative and regulatory changes.

- Maintaining balance between taxpayer service and enforcement.
- Investing in technology to improve infrastructure, modernize, and increase the productivity of existing resources.

Enforcement Program: The IRS continues its emphasis on tax enforcement, increasing collections of delinquent tax debt from $33.8 billion in 2001 to an all-time high of $59.2 billion, yielding a 5.6 to 1 return on investment for all IRS activities in 2007. Revenue growth has been the greatest in the areas of corporate taxes and high income individual taxes. The FY 2009 President's Budget request for the enforcement program is $7,487,209,000, an increase of $489,983,000 or 7 percent over the FY 2008 enacted level. As in the past three budget requests, the Administration proposes to include these enforcement increases as a Budget Enforcement Act program integrity cap adjustment (see chapter 15, Budget Reform Proposals in the Analytical Perspectives volume of the 2009 Budget). The IRS enforcement program is funded by the Enforcement and Operations Support appropriations. The Administration also proposes to provide the IRS with flexibility to transfer up to one percent of enforcement related operations support funds to taxpayer service related support activities. This flexibility is required to account for allocation changes within the operations support appropriation.

Increased resources for the IRS exam and collection programs yield direct measurable results. The FY 2009 President's Budget will generate $2.0 billion in additional annual enforcement revenue once the new hires reach full potential in FY 2011. However, this estimate does not include the revenue impact from the deterrence value of these investments and other IRS enforcement programs which are conservatively estimated to be at least three times the direct revenue impact.

The complexity of the nation's current tax system is a significant reason for the tax gap, and even sophisticated taxpayers make honest mistakes on their tax returns. Accordingly, helping taxpayers understand their obligations under the tax law is a critical part of addressing the tax gap. To this end, the IRS remains committed to a balanced program of assisting taxpayers in both understanding the tax law and remitting the proper amount of tax.

Taxpayer Service Program: Helping the public understand its tax reporting and payment obligations is a cornerstone of taxpayer compliance. The FY 2009 President's Budget request for the taxpayer service program is $3,636,230,000, an increase of $23,397,000 or 0.6 percent over the FY 2008 enacted level. The IRS taxpayer service program is funded by the Taxpayer Services and Operations Support appropriations.

Providing quality taxpayer service helps taxpayers avoid making unintentional errors. The IRS answers tax questions before returns are filed to help taxpayers avoid inadvertent noncompliance and reduce burdensome post-filing notices and

Taxpayer Service and Enforcement Programs
(Dollars in thousands)

Programs	FY 2007	FY 2008	FY 2009	
	Enacted [1]	Enacted	President's Budget[2]	Percent Change
Taxpayer Service	$3,547,252	$3,612,833	$3,636,230	0.6%
Taxpayer Services Appropriation	2,138,238	2,150,000	2,150,000	
Operations Support Appropriation	1,409,014	1,462,833	1,486,230	
Enforcement	$6,822,298	$6,997,226	$7,487,209	7.0%
Enforcement Appropriation	4,686,477	4,780,000	5,117,267	
Operations Support Appropriation	2,135,821	2,217,226	2,369,942	
Total	**$10,369,550**	**$10,610,059**	**$11,123,439**	**4.8%**

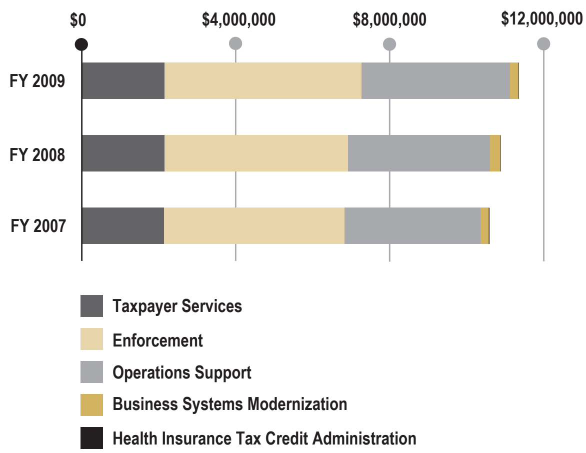
[1]FY 2007 Enacted represents the approved FY 2007 Operating Plan.

[2]The Operations Support funds allocated to the taxpayer service and enforcement programs in FY 2009 use the FY 2008 President's Budget allocation methodology. In order to execute FY 2009 spending, the Administration is proposing language to adjust Operations Support allocations by up to 1 percent with prior notification to the Appropriations Committees.

other correspondence from the IRS. Through many sources, the IRS provides year-round assistance to millions of taxpayers, including outreach and education programs, issuance of tax forms and publications, rulings and regulations, toll-free call centers, the IRS.gov web site, Taxpayer Assistance Centers (TACs), Volunteer Income Tax Assistance (VITA) sites, and Tax Counseling for the Elderly (TCE) sites.

IRS Funding History

[Dollars in Thousands]



Purpose of Program

The IRS and its employees represent the face of U.S. government to more American citizens than any other government agency. The IRS collects 96 percent of the revenues that fund the federal government. The IRS FY 2009 President's Budget request will help strengthen the government's ability to collect more of the taxes that are legally owed.

The great majority of Americans pay the tax they owe on time, but there is still significant non-compliance due to non-filing, underreporting, and non-payment. The latest IRS estimate shows that the overall net tax gap for Tax Year 2001 was approximately $290 billion.

The FY 2009 President's Budget request supports improving compliance by funding activities that promote better tax administration and compliance with the tax laws and focus on the following program priorities and objectives:

- Addressing and improving compliance among small business and self-employed taxpayers by increasing audits of high-income returns; collecting taxes with respect to filed and unfiled tax returns; and increasing document matching of individual taxpayer account information.
- Discouraging and deterring non-compliance with emphasis on corrosive activity by corporations, high-income taxpayers, and abusive domestic and offshore tax entities.
- Enhancing research to better allocate resources to IRS programs.
- Simplifying the tax process and improving voluntary compliance for the taxpaying public by implementing legislative proposals.
- Modernizing information systems and business processes to maximize resources and improve service and enforcement.

IRS FY 2009 Budget Highlights
(Dollars in thousands)

Appropriation	Taxpayer Services	Enforce-ment	Operations Support	Business Systems Moderniza-tion	Health Insurance Tax Credit Adminis-tration	Total
FY 2008 Enacted	$2,150,000	$4,780,000	$3,680,059	$267,090	$15,235	$10,892,384
Changes to Base						$0
Maintaining Current Levels (MCLs)	$54,726	$126,003	$82,580	$1,354	$322	$264,985
Pay Annualization	14,435	33,184	9,883	332	20	57,854
Pay Inflation Adjustment	38,823	87,006	25,399	1,022	53	152,303
Non-Pay Inflation Adjustment	1,468	5,813	47,298	0	249	54,828
Transfers	$0	($1,000)	($1,370)	$0	$0	($2,370)
Transfer to TIGTA			(1,370)			(1,370)
Transfer to FinCEN		(1,000)				(1,000)
Efficiencies/Savings	($14,969)	($48,762)	($30,367)		($151)	($94,249)
Efficiency Savings		(48,762)	(22,443)		(151)	(71,356)
Increase e-File Savings	(8,996)		(1,304)			(10,300)
Non-Recur Savings	(5,973)		(6,620)			(12,593)
Reinvestments	$4,463	$0	$28,141	$0	$0	$32,604
Increase Efficiency through Submission Processing Consolidations	2,006					2,006
Address Correspondence Inventory	2,457					2,457
Fully Fund Postage Base			28,141			28,141
Subtotal, FY 2009 Changes to the Base	$44,220	$76,241	$78,984	$1,354	$171	$200,970
Total FY 2009 Base	$2,194,220	$4,856,241	$3,759,043	$268,444	$15,406	$11,093,354
Program Changes						
Program Decreases	($46,911)	$0	$0	($45,780)	$0	(92,691)
Taxpayer Assistance Centers and Outreach	(31,200)					(31,200)
Taxpayer Advocate Service	(7,711)					(7,711)
Volunteer Income Tax Assistance Grants Program	(8,000)					(8,000)
Business Systems Modernization (BSM)				(45,780)		(45,780)
Program Increases	$2,691	$261,026	$97,129	$0	$0	$360,846
Enforcement Initiatives	$2,691	$261,026	$97,129	$0	$0	$360,846
Reduce the Tax Gap for Small Business / Self-Employed	2,691	132,093	33,714			168,498
Reduce the Tax Gap for Large Businesses		57,009	12,479			69,488
Improve Tax Gap Estimates, Measurement, and Detection of Non-Compliance		35,473	15,585			51,058
Increase Reporting Compliance of U.S. Taxpayers with Offshore Activity		11,075	2,622			13,697
Expand Document Matching		25,376	9,684			35,060
Implement Legislative Proposals to Improve Compliance			23,045			23,045
Subtotal, FY 2009 Program Changes	($44,220)	$261,026	$97,129	($45,780)	$0	$268,155
Total FY 2009 President's Budget Request	**$2,150,000**	**$5,117,267**	**$3,856,172**	**$222,664**	**$15,406**	**$11,361,509**

FY 2009 Budget Adjustments

The IRS total funding increase for FY 2009 is $469,125,000, which includes $264,985,000 for maintaining current levels; $2,370,000 in transfers to TIGTA and FinCEN; a net decrease of $61,645,000 from efficiencies/savings and reinvestments; and a net program increase of $268,155,000 to improve voluntary compliance and reduce the tax gap. These investments fund increased front-line enforcement efforts, enhanced research, and implementation of legislative proposals to improve compliance. By FY 2011, these investments are projected to increase annual enforcement revenue by $2.0 billion. In addition, the tax compliance improvement legislative proposals will generate $36 billion over the next ten years.

The IRS program initiatives focus on enhancing enforcement activities targeted at improving compliance. The budget request supports these activities by proposing:

- $286,743,000 to reduce the tax gap for large businesses and small business/self employed, increase compliance of domestic taxpayers with offshore activity, and minimize revenue loss by increasing document matching efforts;
- $51,058,000 to increase support for research to better understand the reasons for taxpayer non-compliance; and
- $23,045,000 to implement legislative proposals to improve compliance.

FY 2008 Enacted

The FY 2008 enacted level for the IRS is $10,892,384,000, supporting an estimated 91,123 FTE.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$264,985,000 / 0 FTE Funds are requested for: FY 2009 cost of the January 2008 pay increase of $57,854,000; proposed January 2009 pay raise of $152,303,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $54,828,000.

Transfers Out

Transfer to TIGTA -$1,370,000 / 0 FTE This base transfer moves funds from IRS to Treasury Inspector General for Tax Administration (TIGTA) for its costs associated with building operations and support services, such as public transportation subsidy, security, management training, and telecommunications, which is currently paid directly by the IRS.

Transfer to FinCEN -$1,000,000 / 0 FTE This base transfer permanently moves funds from IRS to Financial Crimes Enforcement Network (FinCEN) to cover the costs associated with the Bank Secrecy Act (BSA) e-filing system operations and maintenance contract.

Efficiencies/Savings

Efficiency Savings -$71,356,000 / -769 FTE The IRS continues to improve the efficiency of all of its programs. The Budget reflects efficiency savings in the Enforcement and Operations Support accounts. Enhancements of technology; improved workload selection models; on-going management productivity and efficiency improvements; and streamlining, centralizing, and consolidating work processes and programs will lead to operational efficiencies resulting in significant savings in FY 2009. This budget request proposes to reinvest a portion of these savings to *Fully Fund Postage Base.*

Increase e-File Savings -$10,300,000 / -207 FTE This program decrease is a result of savings from increased electronic filing (e-File), which is projected to lead to 4.2 million fewer returns filed on paper (3.5 million individual and 0.7 million business) in FY 2009. This budget request proposes to reinvest these savings to cover the costs of *Increase Efficiency through Submission Processing Consolidations* and *Address Correspondence Inventory.*

Non-Recur Savings -$12,593,000 / 0 FTE This reflects non-recurring, one-time costs associated with the IRS FY 2008 initiatives, such as new hire training, background investigations, and acquisition of telecommunications equipment, computers, and printers.

Reinvestments

Increase Efficiency Through Submission Processing Consolidations +$2,006,000 / 0 FTE Increased use of e-Filing options have driven continued efforts to consolidate the processing of individual returns into fewer sites. Increased e-File savings will be reinvested to fund one-time severance pay costs for the ramp-down of the Andover submissions processing site. As the Andover consolidation approaches, the IRS will continue to assist employees in finding employment either in or outside the IRS.

Address Correspondence Inventory +$2,457,000 / +30 FTE This reinvestment will fund additional staffing to address increased volumes of correspondence and to assist in resolving account questions from individual taxpayers. As a result of increased volume and complexity, funds will also be used to provide additional technical training on the processing of the Form 1040X, *Amended U.S. Individual Income Tax Return.*

Fully Fund Postage Base +$28,141,000 / 0 FTE This reinvestment will fully fund the IRS postage costs. Increases in IRS enforcement and service-related correspondence activities have resulted in an increase in postage costs to contact taxpayers and issue notices via mail. Increased costs are not only due to an increase in volume, length, and weight of the mailings, but also due to a larger proportion of the mailings being sent via certified mail to ensure taxpayer privacy.

Program Decreases

Taxpayer Assistance Centers and Outreach -$31,200,000 / -262 FTE Additional resources were provided in FY 2008 for increasing outreach and education activities for individuals, businesses, and tax-exempt entities and increasing the number of tax returns prepared at Taxpayer Assistance Centers (TACs). In FY 2009, the IRS will continue to work to implement the taxpayer assistance improvements detailed in the Taxpayer Assistance Blueprint (TAB).

Taxpayer Advocate Service -$7,711,000 / -25 FTE Additional Taxpayer Advocate Service (TAS) funds were provided in FY 2008 to expand TAS case processing activities. In FY 2009, these activities will be restored to levels in line with resources for other taxpayer service programs. However, the IRS does request additional TAS program resources where appropriate in support of enforcement staffing initiatives (e.g., the FY 2009 *Reduce the Tax Gap for Small Business/Self Employed* initiative).

Volunteer Income Tax Assistance Grants Program -$8,000,000 / 0 FTE Funds provided in FY 2008 included $8,000,000 for a new Volunteer Income Tax Assistance (VITA) matching grant demonstration program for tax return preparation assistance. This funding is available until September 30, 2009. Given the ramp-up time to establish the grant application and approval process, these grants are expected to be issued for the 2009 filing season.

Business Systems Modernization (BSM) -$45,780,000 / -25 FTE The FY 2009 proposed level of $222,664,000 will allow continued progress on key modernization projects including the Customer Account Data Engine (CADE), Accounts Management Services (AMS), and Modernized e-File (MeF).

Program Increases

Reduce the Tax Gap for Small Business Self Employed +$168,498,000 / +1,608 FTE This enforcement initiative will increase enforcement efforts to improve compliance among small business and self-employed taxpayers by increasing audits of high-income returns, increasing audits involving flow-through entities, implementing voluntary tip agreements, increasing document-matching audits, and collecting unpaid taxes from filed and unfiled tax returns. This request will generate $981 million in additional annual enforcement revenue once new hires reach full potential in FY 2011.

Reduce the Tax Gap for Large Businesses +$69,488,000 / +519 FTE This enforcement initiative will increase examination coverage of large and mid-size corporations, including multi-national businesses, foreign residents, and smaller corporations with significant international activity as well as enable the IRS to further use existing systems to capture other electronic data through scanning and imaging. The initiative will allow the IRS to address risks arising from the rapid increase in globalization, and the related increase in foreign business activity and multi-national transactions where the potential for non-compliance is significant. Funding of this request will generate $544 million in additional annual enforcement revenue once the new hires reach full potential in FY 2011.

Improve Tax Gap Estimates, Measurement, and Detection of Non-Compliance +$51,058,000 / +393 FTE This enforcement initiative will support and expand ongoing research studies of filing, payment, and reporting compliance to provide a comprehensive picture of the overall taxpayer compliance level. Research allows the IRS to better target specific areas of noncompliance, improve voluntary compliance, and allocate resources more effectively to reduce the tax gap. Improved research data will refine workload selection models reducing audits of compliant taxpayers. The audits associated with these studies will generate $16 million in additional annual enforcement revenue once the new hires reach full potential in FY 2011. This initiative improves the fairness of the tax system and voluntary taxpayer compliance, increases revenue, and reduces burden on compliant taxpayers.

Increase Reporting Compliance of U.S. Taxpayers with Offshore Activity +$13,697,000 / +124 FTE This enforcement initiative will address domestic taxpayer offshore activities. Abusive tax schemes, reporting of flow-through income, and high-income individuals are prime channels or candidates for tax avoidance. This initiative will focus on uncovering offshore credit cards, disguised corporate ownership, and brokering activities in order to identify individual taxpayers who are involved in offshore arrangements that facilitate noncompliance. Funding of this request will generate $102 million in additional annual enforcement revenue once the new hires reach full potential in FY 2011.

Expand Document Matching +$35,060,000 / +413 FTE This enforcement initiative will increase coverage within the Automated Underreporter (AUR) program. This program matches third party information returns (e.g., W-2 income reports) against income claimed on tax returns. When potential underreporting is discovered taxpayers are contacted to resolve the issue. This request will produce $359 million in additional annual enforcement revenue once the new hires reach full potential in FY 2011.

Implement Legislative Proposals to Improve Compliance +$23,045,000 / 0 FTE While the IRS continues to address compliance by improving customer service and using traditional methods of enforcement, the FY 2009 President's Budget also includes several legislative proposals that would provide additional enforcement tools to improve compliance. It is estimated that these proposals will generate $36 billion in revenue over ten years. The proposals would expand information reporting, improve compliance by businesses, strengthen tax administration, and expand penalties (see Receipts in the Analytical Perspectives volume of the 2009 President's Budget). This enforcement initiative includes funding for purchasing software and making modifications to the IRS IT systems necessary to implement the proposals.

Explanation of Budget Activities

Taxpayer Services

The FY 2009 President's Budget request is $2,150,000,000 in direct appropriations, $22,454,000 from reimbursable programs, and $126,950,000 from user fees, for a total operating level of $2,299,404,000. The direct appropriations level maintains the FY 2008 enacted level. This appropriation funds the following budget activities.

Pre-Filing Taxpayer Assistance and Education ($617,326,000 from direct appropriations and $905,000 from reimbursable programs) This budget activity funds services to assist with tax return preparation, including tax law interpretation, publication production, and advocate services. In addition, funding for these programs continues to emphasize taxpayer education, outreach, increased volunteer support time and locations, and enhancing pre-filing taxpayer support through electronic media.

Filing and Account Services ($1,532,674,000 from direct appropriations, $21,549,000 from reimbursable programs, and $126,950,000 from user fees) This budget activity funds programs that provide filing and account services to taxpayers, process paper and electronically submitted tax returns, issue refunds, and maintain taxpayer accounts. The IRS continues to make progress in decreasing paper returns and increasing the use of electronic filing and payment methods.

Enforcement

The FY 2009 President's Budget request is $5,117,267,000 in direct appropriations and $43,700,000 from reimbursable programs, for a total operating level of $5,160,967,000. The direct appropriations level is an increase of 7.1 percent from the FY 2008 enacted level. This appropriation funds the following budget activities.

Investigations ($603,466,000 from direct appropriations and $33,678,000 from reimbursable programs) This budget activity funds the criminal investigations programs that explore potential criminal violations of the internal revenue tax laws, enforce criminal statutes relating to these violations, and recommend prosecution as warranted. These programs identify and document the movement of both legal and illegal sources of income to identify and document cases of suspected intent to defraud. It also includes investigation and prosecution of tax and money laundering violations associated with narcotics organizations.

Exam and Collections ($4,363,826,000 from direct appropriations and $9,905,000 from reimbursable programs) This budget activity funds programs that enforce the tax laws and compliance through examination and collection programs that ensure proper payment and tax reporting. The budget activity also supports appeals and litigation activities associated with exam and collection.

Regulatory ($149,975,000 from direct appropriations and $117,000 from reimbursable programs) This budget activity funds the development and printing of published IRS guidance materials; interpretation of tax laws; advice on general legal servicing, ruling and agreements; enforcement of regulatory rules, laws, and approved business practices; and supporting taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The Office of Professional Responsibility is also funded within this budget activity and is responsible for identifying, communicating, and enforcing the Treasury Circular 230 standards of competence, integrity, and conduct of professionals representing taxpayers before the IRS.

Operations Support

The FY 2009 President's Budget request is $3,856,172,000 in direct appropriations, $41,750,000 from reimbursable programs, and $50,705,000 from user fees, for a total operating level of $3,948,627,000. The direct appropriations level is an increase of 4.8 percent from the FY 2008 enacted level. This appropriation funds the following budget activities.

Infrastructure ($883,325,000 from direct appropriations and $16,100,000 from user fees) This budget activity funds administrative services related to space and housing, rent and space alterations, building services, maintenance, guard services, and non-Automated Data Processing (ADP) equipment.

Shared Services and Support ($1,243,703,000 from direct appropriations and $14,002,000 from reimbursable programs) This budget activity funds policy and management, IRS-wide support for research, strategic planning, communications and liaison, finance, human resources, and equal employment opportunity and diversity services and programs. It also funds printing and postage, business systems planning, security, corporate training, legal services, procurement, and specific employee benefits programs.

Information Services ($1,729,144,000 from direct appropriations, $27,748,000 from reimbursable programs, and $34,605,000 from user fees) This budget activity funds staffing, equipment, and related costs to manage, maintain, and operate the information systems critical to the support of tax administration programs. The IRS business programs rely on these systems to 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 telecommunications services for all business activities including the public's toll-free access to tax information.

Business Systems Modernization (BSM)

The FY 2009 President's Budget request is $222,664,000 in direct appropriations. This is a reduction of 16.6 percent from the FY 2008 enacted level. This appropriation funds the following budget activity.

BSM ($222,664,000 in direct appropriations) This budget activity funds the planning and capital asset acquisition of information technology (IT) to modernize the IRS business systems, including labor (salaries and expense dollars) and related contractual costs. The program combines best practices and expertise in business solutions and internal management from the IRS, business, and technology to develop a world-class tax administration system that fulfills the revenue collection requirements of the United States as well as taxpayers' needs and expectations.

Health Insurance Tax Credit Administration (HITCA)

The FY 2009 President's Budget request is $15,406,000 in direct appropriations. This is an increase of 1.1 percent from the FY 2008 enacted level. This appropriation funds the following budget activity.

HITCA ($15,406,000 in direct appropriations) This budget activity funds costs to administer a refundable tax credit for health insurance to qualified individuals, which was enacted as part of the Trade Adjustment Assistance Reform Act of 2002.

Legislative Proposals

The FY 2009 President's Budget includes a number of legislative proposals intended to improve tax compliance with minimum taxpayer burden. These proposals will generate $36 billion over the next ten years. The Administration proposes to expand information reporting, improve compliance by businesses, strengthen tax administration, and expand penalties.

- *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:

    1) require information reporting on payments to corporations;
    2) require basis reporting on security sales;
    3) require information reporting on merchant payment card reimbursements;
    4) require a certified Taxpayer Identification Number (TIN) from contractors;
    5) require increased information reporting on certain government payments;
    6) increase information return penalties; and
    7) improve the foreign trust reporting penalty.

- *Improve compliance by businesses* – Improving compliance by businesses of all sizes is important. Specific proposals to improve compliance by businesses would:

    1) require electronic filing by certain large organizations; and
    2) implement standards clarifying when employee leasing companies can be held liable for their clients' Federal employment taxes.

- *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:

    1) expand IRS access to information in the National Directory of New Hires for tax administration purposes;
    2) permit disclosure of prison tax scams;
    3) make repeated willful failure to file a tax return a felony;
    4) facilitate tax compliance with local jurisdictions;
    5) extend statutes of limitations where state tax adjustments affect federal tax liability; and
    6) improve the investigative disclosure statute.

- *Expand penalties* – Penalties play an important role in discouraging intentional non-compliance. A specific proposal to expand penalties would:

    1) impose a penalty on failure to comply with electronic filing requirements.

Improve Tax Administration and Other Miscellaneous Proposals

The Administration has put forward additional proposals relating to IRS administrative reforms. Five of these proposals are highlighted below:

The first proposal modifies employee infractions subject to mandatory termination and permits a broader range of available penalties. It strengthens taxpayer privacy while reducing employee anxiety resulting from unduly harsh discipline or unfounded allegations.

The second proposal allows the IRS to terminate installment agreements when taxpayers fail to make timely tax deposits and file tax returns on current liabilities.

The third proposal eliminates the requirement that the IRS Chief Counsel provide an opinion for any accepted offer-in-compromise of unpaid tax (including interest and penalties) equal to or exceeding $50,000. This proposal requires that the Secretary of Treasury establish standards to determine when an opinion is appropriate.

The fourth proposal extends the IRS authority to use the proceeds received from undercover operations through December 31, 2012. The IRS was authorized to use proceeds it received from undercover operations to offset necessary and reasonable expenses incurred in such operations. The IRS authority to use proceeds from undercover operations expired on December 31, 2007.

The fifth proposal equalizes penalty standards between tax return preparers and taxpayers, reducing unnecessary conflicts of interest between them.

IRS Performance by Programs

Programs	Performance Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2007 Target Met?	FY 2008 Target	FY 2009 Target
Taxpayer Service	Customer Service Representative (CSR) Level of Service (%) Oe (L)	82.6%	82.0%	82.1%	✓	82.0%	82.0%
	Customer Accuracy - Tax Law Phones (%) - Ot	89.0%	90.9%	91.2%	✓	91.0%	91.0%
	Percent of Individual Returns Processed Electronically (%) - Oe (L)	51.1%	54.1%	57.1%	✓	61.8%	64.7%
Enforcement	Collection Coverage - Units (%) Ot (L)	53.0%	54.0%	54.0%	✓	53.0%	53.0%
	Examination Coverage-Individual (%) Oe (L)	0.9%	1.0%	1.0%	✓	1.0%	1.0%
	AUR Efficiency E (L)	1,701	1,832	1,956	✓	1,961	1,823

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

The standard applicable to tax return preparers for disclosed positions would be reasonable basis, but for certain reportable transactions with a significant purpose of tax avoidance, the existing standard would persist, i.e., the preparer should have a reasonable belief that the position, more likely than not, would be sustained on the merits.

Description of Performance

In FY 2007, the IRS continued to improve its service and enforcement results. Enforcement revenue collected increased, electronic filing continued to expand, and high quality services were provided to taxpayers. The following is a summary of significant program performance improvements:

Improve Taxpayer Service

The IRS delivered a successful 2007 filing season and continued to show improvements in key areas involving services for taxpayers in FY 2007.

- The IRS delivered the Taxpayer Assistance Blueprint (TAB) Phase 2, which included the TAB Strategic Plan and recommendations focused on specific areas of work.

- Electronic filing for individuals continued to increase. For the third year in a row, more than half (57.1 percent) of all individual returns were filed electronically.

- The number of taxpayers interacting with the IRS through the IRS.gov website continued to increase. More than 1.35 billion web pages were viewed on IRS.gov and more than 32.1 million taxpayers used the "Where's My Refund?" application. The popular IRS.gov website received an overall customer satisfaction score of 74 based on a 100 point scale as measured by the American Customer Satisfaction Index. This represents a 5 percent increase over the 2005 filing season score and places IRS.gov among the better performing federal websites.

- The IRS provided a high level of service for taxpayers seeking traditional phone-based or in-person assistance. In FY 2007, the IRS customer assistance call centers answered 33.2 million assistor telephone calls and maintained an 82.1 percent level of service on the telephone with an accuracy rate of 91.2 percent on tax law questions.

- Outreach and educational services were enhanced through partnerships between the IRS and public organizations. Through its 11,922 Volunteer Income Tax Assistance and Tax Counseling for the Elderly sites, the IRS provided free tax assistance to the elderly, disabled, and limited English proficient individuals and families. Over 76,000 volunteers filed 2.63 million returns. Additionally, the IRS established 16 new clinics in rural areas to help low-income taxpayers meet their tax obligations.

- The IRS successfully implemented the Telephone Excise Tax Refund (TETR), a one-time payment available on federal income tax returns to refund previously collected long distance telephone taxes. Successful delivery of the integrated TETR approach enabled the filing of over 94 million 2006 tax returns including TETR refund claims resulting in more than $4.81 billion in telephone excise tax refunds. In addition, the IRS prevented more than $291 million in potential erroneous refunds with the aid of a return selection tool created specifically to catch questionable TETR requests. The comprehensive approach to administering this refund allowed the IRS to successfully meet taxpayer and stakeholder expectations.

- The IRS also introduced split refund capability, which provided taxpayers with more control over their refunds by allowing direct deposit of a refund in up to three financial accounts.

Enhance Enforcement

The potential for narrowing of the nation's tax gap hinges on the IRS efforts to improve compliance with U.S. tax laws. The IRS showed consistent improvement in its enforcement results by targeting a wide range of contributors to the tax gap. Enforcement revenue from all sources reached a record level of $59.2 billion in FY 2007, an increase of 75 percent over FY 2001. In FY 2007, steady progress was maintained in improving enforcement activities over the FY 2006 successes and included:

- Increased high-income audits by 29 percent;
- Increased total individual audits by 8 percent;
- Increased small business audits by 17 percent, and corporate audits by 3 percent; and
- Increased collection case closures by 12 percent and dollars collected by 13 percent.

The IRS continued to investigate significant tax, money laundering, and other financial activities that adversely affect tax administration. Performance levels for the criminal investigation program remained high in FY 2007 with 4,269 completed criminal investigations and 2,155 convictions, an increase of 3 percent and 7 percent, respectively, over FY 2006.

In FY 2007, the IRS substantially enhanced its productivity by implementing technological and process improvements including the implementation of a new AUR case selection and scoring methodology for individuals, resulting in a 20.5 percent increase in assessments. The IRS also continued to reengineer its examination and collection procedures to reduce time, increase yield, and expand coverage.

Maintaining a strong enforcement presence in the tax exempt and governmental sectors is particularly important given the role that a small number of these entities play in accommodating abusive transactions entered into taxable parties. In FY 2007, the IRS expanded its enforcement presence by:

- increasing enforcement contacts in the tax exempt and governmental sector by 12 percent over FY 2006 levels, and
- conducting reviews of executive compensation practices among tax-exempt organizations and initiating a new phase of the project to address loans to officers.

The IRS released its long-range plan for improving compliance, Reducing the Federal Tax Gap, A Report on Improving Voluntary Compliance. The report outlines the components that must be addressed in order to reduce the tax gap and builds upon the research and program improvements already initiated.

Modernize the IRS through its People, Processes, and Technology

The IRS must manage its resources, businesses, and technology systems optimally to effectively and efficiently support its service and enforcement mission. The following information highlights the IRS modernization achievements in FY 2007.

- For the eighth consecutive year, the IRS achieved an unqualified audit opinion from the Government Accountability Office on its financial statements;
- The IRS continued to enhance and implement its human capital strategy in support of business goals in FY 2007. The strategy included bringing critical personnel on board and achieving objectives for employee training, leadership development, and workforce retention;
- The IRS delivered the milestones for the majority of its major modernization projects within the target of +/- 10 percent variance for cost and schedule; and
- The IRS developed a five-year IT Modernization Vision and Strategy that addresses priorities for modernizing front-line tax administration functions. The strategy guides IT investment decision making for 2007.

Modernization efforts focused on key tax administration systems, Customer Account Data Engine (CADE), Modernized e-File (MeF), and Accounts Management Services (AMS) that provide additional benefits to taxpayers. Significant modernization accomplishments for 2007 include:

- Processed over 11 million returns in CADE issuing refunds of $11.6 billion;

- Added new capabilities to the MeF system that allowed the receipt of electronically filed Partnership Returns (Forms 1065 & 1065B), meeting the mandate for taxpayers with 100 or more partners to file electronically; and

- Deployed the first two releases of the AMS system which is designed to enable authorized users to resolve taxpayer issues by accessing integrated account data. AMS builds the applications and databases that enable IRS employees to use the data in CADE to facilitate faster, more accurate issue resolution and results in quick and accurate access to authoritative account information in response to customer inquiries.

Security of infrastructure and IT systems remains a top priority for the IRS. In FY 2007, the IRS continued to update its systems, processes, and training efforts to ensure taxpayer information is properly safeguarded. Highlights of security measures implemented include securing 100 percent of IRS laptops with automatic hard drive encryption to protect data in the event of computer loss or theft, and deployment of mandatory information protection training for all IRS employees and contractors.

Treasury Franchise Fund

Program Summary by Budget Activity
(Dollars in thousands)

Budget Activity	FY 2007	FY 2008	FY 2009		
	Obligated	Estimated	Estimated	Increase/ Decrease	Percent Change
Consolidated/Integrated Administrative Management	419,041	189,763	0	($189,763)	(100.0%)
Financial Management Administrative Support Services	109,615	113,819	122,284	8,465	7.4%
Financial Systems, Consulting and Training	13,671	12,923	13,727	804	6.2%
Total Cost of Operations	$542,327	$316,505	$136,011	($180,494)	(57.0%)

Explanation of Budget Estimate

The Treasury Franchise Fund consists of three budget activities outlined below. The Franchise Fund businesses have been leaders in redefining the processes and methods for delivering administrative products and services that combine streamlined processes, simplified rules, full accountability, competitive costing, timely completion, and one-stop shopping for customers.

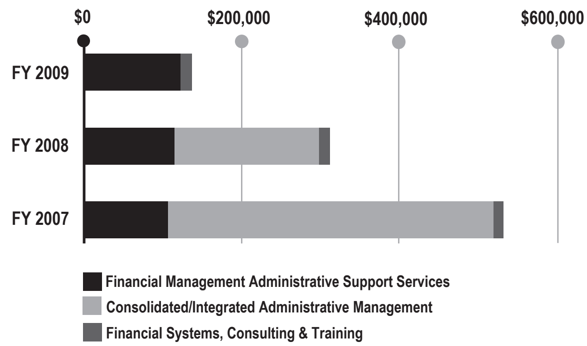
Franchise Fund efforts have resulted in significant dollar savings throughout the federal government primarily through the following franchising objectives:

- Promote efficiencies in the delivery of administrative products and services
- Reduce duplication of effort
- Foster competition
- Achieve full cost/self sufficiency
- Enhance customer satisfaction

The FY 2009 budget estimate anticipates controlled growth due to the development of the Financial Management Line of Business and the Administrative Resource Center's status as a Center of Excellence. The Fund's growth seeks to maintain high customer satisfaction levels for the services provided, while keeping operating expenses low. Customers should continue to realize reduced pricing, rebates, and volume discounts as a result of economies of scale and improved efficiencies.

TFF Revenue History

[Dollars in Thousands]



Purpose of Program

The Treasury Franchise Fund is a revolving fund that supplies financial and administrative services on a fee-for-service basis. The Fund transforms the administrative support arena in the federal government by energizing a shared services business model that can offer marketplace success through competition. The Fund became permanent in the Consolidated Appropriations Act, 2005 (Public Law 108-447) and is codified in U.S.C. 322, note. The Administrative Resource Center was recognized as a Center of Excellence in 2005, making it eligible to enter into competitions to provide cross-agency financial management services government-wide.

Through FY 2009, the Fund will maintain its commitment to excellence and will meet or exceed all applicable strategic goals and benchmarks. Additionally, the Fund should continue to see controlled growth from the Administrative Resource Center, Federal Consulting Group, and Treasury Agency Services.

Explanation of Budget Activities

Consolidated/Integrated Administrative Management (No funding) In previous fiscal years, FedSource activity was reported under this budget activity. The Treasury Department decided to transition out of the interagency acquisition business operated by FedSource by the end of FY 2008 because it was determined this work was outside the scope of Treasury's core mission, and independent audits identified several internal control weaknesses. The Franchise Fund has discontinued this budget activity in 2009.

Financial Management Administrative Support Services ($122,284,000 from reimbursable programs) This Franchise Fund budget activity provides traditional administrative support functions with a focus on accounting, procurement, travel, human resources, and information technology services. This program is a Center of Excellence for Financial Management.

Financial Systems, Consulting and Training ($13,727,000 from reimbursable programs) This Franchise Fund budget activity consults with other federal government agencies to support their transformation efforts to become more efficient, effective, citizen-centric, and results-oriented. In addition, the activity improves the quality of federal financial management by providing advice, assistance and training to federal agencies.

Legislative Proposals

The Treasury Franchise Fund has no legislative proposals for FY 2009.

TFF Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target	Target
Consolidated/Integrated Administrative Management	Operating expenses as a percentage of revenue--Consolidated/Integrated Administrative Management (%)(E)	4	4	4.3	✓	12	N/A
Financial Management Administrative Support Services	Operating expenses as a percentage of revenue--Financial Management Administrative Support (%) (E)	9	17	15.1	✗	12	12
Financial Systems, Consulting and Training	Operating expenses as a percentage of revenue--Financial Systems, Consulting and Training (%) (E)	11	10	6.7	✓	12	12

Description of Performance

Performance for each of the Fund's operating units is based on customer satisfaction and operating expenses as a percentage of revenue.

In FY 2007, the Fund did not meet all of its performance targets. The Fund businesses received considerable feedback and actionable results from the FY 2006 American Customer Satisfaction Index performed. Due to the cost and timing of these results, the Fund chose not to undergo a new rating in FY 2007. In addition, two of the three business lines were able to keep their operating expenses below the target of 12 percent. The Fund is currently streamlining and consolidating its processes and procedures to ensure lower operating costs.

Bureau of Engraving and Printing

Program Summary by Budget Activity
(Dollars in thousands)

Budget Activity	FY 2007	FY 2008	FY 2009		
	Obligated	Estimated	Estimated	Increase/ Decrease	Percent Change
Manufacturing for BEP	493,000	469,000	497,500	28,500	6.1%
Protection and Accountability of Assets	63,000	62,000	62,000	0	0.0%
Total Cost of Operations	$556,000	$531,000	$559,500	$28,500	5.4%

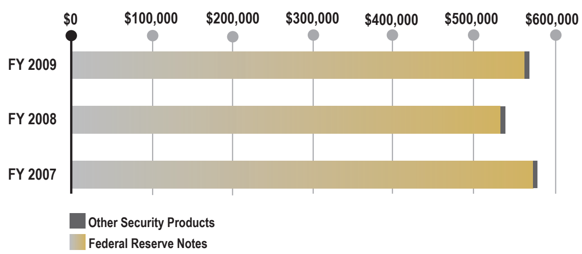
Explanation of Budget Estimate

The Bureau of Engraving and Printing (BEP) began printing currency in 1862. It 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 at BEP are financed by a revolving fund established in 1950 in accordance with Public Law 81-656. This fund is reimbursed through product sales for direct and indirect costs of operations including administrative expenses. In 1977, Public Law 95-81 authorized the Bureau to include an amount sufficient to fund capital investments and to meet working capital requirements in the prices charged for products. This funding mechanism eliminated the need for appropriations from Congress.

BEP's key priorities for FY 2009 include:

- The continued re-tooling and retrofitting of the currency production process to allow BEP to integrate to a 50-subject (notes per sheet) manufacturing capability from the current 32-subject (notes per sheet) currency production process. This new equipment will ensure that the BEP continues to operate in an efficient and cost-effective manner.
- The introduction of a new $100 note. The new $100 notes will contain enhanced security features including subtle background colors as well as a new overt counterfeit deterrent feature. The Federal Reserve will determine when the new note is issued to the public. The new notes are part of the current multi-year initiative to implement the most ambitious currency redesign in United States history.
- Continued process improvements as required of an ISO 9001 certified organization, a designation that indicates to current and prospective customers that the Bureau employs a rigorous quality management program.
- Continued work with the Advanced Counterfeit Deterrent Committee and other Government agencies to research and develop state-of-the-art counterfeit deterrent features for use in future currency notes that will enhance and protect future notes.

BEP Revenue History
[Dollars in Thousands]



Purpose of Program

The mission of BEP is to design and manufacture high quality security documents that deter counterfeiting and meet customer requirements for quality, quantity and performance.

BEP's vision is to maintain its position as a world-class securities printer providing customers and the public superior products through excellence in manufacturing and technological innovation. It strives to produce United States currency as well as other security documents issued by the Federal Government, of the highest quality. Other activities include engraving plates and dies; manufacturing inks used to print security products; purchasing materials, supplies and equipment; and storing and delivering products in accordance with the requirements of its customers. In addition, the Bureau provides technical assistance and advice to other federal agencies in the design and production of documents that, because of their innate value or other characteristics, require counterfeit deterrence.

In line with the BEP's vision, the Bureau's top priorities for FY 2009 to achieve its mission are the introduction of a new $100 note to the public. These new notes will contain enhanced security features including subtle background colors. Background colors help customers, particularly those who are vision impaired, to tell the denominations apart. BEP has also incorporated a new overt counterfeit deterrent feature into the note to further protect it from counterfeiters. The Federal Reserve will determine when the new note is to be put into circulation. Collaboration continues between the BEP and the Advanced Counterfeit Deterrent Committee to research and develop possible new features and designs that will enhance and protect future currency notes.

Explanation of Budget Activities

Manufacturing for BEP ($497,500,000 from reimbursable programs) The mission of BEP is to design and manufacture high quality security documents that deter counterfeiting and meet customer requirements for quality, quantity and performance. BEP's vision is to maintain its position as a world-class securities printer providing customers and the public superior products through excellence in manufacturing and technological innovation. It strives to produce United States currency as well as other security documents issued by the Federal Government, of the highest quality. Other activities include engraving plates and dies; manufacturing inks used to print security products; purchasing materials, supplies and equipment; and storing and delivering products in accordance with the requirements of its customers. In addition, the Bureau provides technical assistance and advice to other federal agencies in the design and production of documents that, because of their innate value or other characteristics, require counterfeit deterrence.

Protection and Accountability of Assets ($62,000,000 from reimbursable programs) BEP protects and accounts for its assets by providing effective and efficient product security and accountability during the manufacture and delivery of currency notes to the Federal Reserve which preserves the integrity of the nation's currency. Protection and Accountability of Assets includes the protection of thousands of BEP employees and contractors, facilities and equipment.

Legislative Proposals

BEP has no legislative proposals for FY 2009.

Capital Investments Summary

BEP has no major IT investments for FY 2009.

BEP Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target	Target
Manufacturing for BEP	Manufacturing costs for currency (dollar costs per thousand notes produced) ($) (E)	28.83	27.49	28.71	✓	33	34
Manufacturing for BEP	Percent of currency notes delivered to the Federal Reserve that meet customer quality requirements (%) (Oe)	99.9	99.9	100	✓	99.9	99.9
Protection and Accountability of Assets	Currency shipment discrepancies per million notes (%) (Oe)	0	0.01	0.01	✓	0.01	0.01
Protection and Accountability of Assets	Security costs per 1000 notes delivered ($) (E)	5.75	6	5.92	✓	5.65	5.5

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

Description of Performance

Manufacturing Costs for Currency (dollar cost per 1,000 notes produced) is an indicator of manufacturing efficiency and effectiveness of program management. This measure is based on contracted price factors, and anticipated productivity improvements. Actual performance against standard depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals. Performance against this measure has been favorable for the past seven years.

Currency Shipment Discrepancies is an indicator of the Bureau's ability to provide effective product security and accountability. This measure refers to product overages or underages of as little as a single currency note in shipments of finished notes to the Federal Reserve Banks expressed as a percentage of total program. For several years, this measure has had an annual target of .01 percent. The Bureau has been able to meet or do better than this target on a regular basis. BEP continually strives to meet its long term goal of 0 percent, and has been able to do so several times.

United States Mint

Program Summary by Budget Activity

(Dollars in thousands)

Budget Activity	FY 2007	FY 2008	FY 2009		
	Obligated	Estimated	Estimated	Increase/ Decrease	Percent Change
Manufacturing for Mint	1,770,265	2,129,806	2,079,192	(50,614)	(2.4%)
Protection	43,943	45,520	46,624	1,104	2.4%
Total Cost of Operations	$1,814,208	$2,175,326	$2,125,816	($49,510)	(2.3%)
Capital Investments	$22,654	$44,763	$37,116	($7,642)	(17.0%)
(Not included in Total Cost of Operations above)					

Explanation of Budget Estimate

The United States Mint manufactures and delivers domestic circulating coinage, numismatic coinage, and bullion products. Furthermore, the United States Mint provides security for assets, including the government's stock of gold bullion, silver bullion, coins and coinage metals.

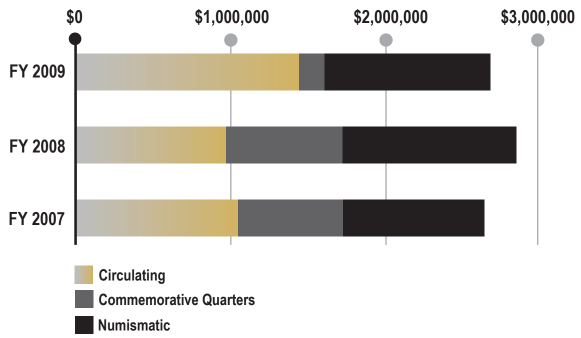
The United States Mint's key priorities for FY 2009 include:

- Efficiently and effectively produce and distribute approximately 15.4 billion coins to meet demand for circulating coins during FY 2009 to effectively enable commerce, an important strategic objective for the Department of the Treasury's manufacturing activities.
- Mint and issue Presidential $1 Coins for circulation to honor Presidents Martin Van Buren, William Henry Harrison, John Tyler and James K. Polk.
- Continue to produce and ship other Presidential $1 Coin Act products, including the 24-Karat First Spouse Gold Bullion Coins and 24-Karat American Buffalo Gold Bullion Coins, and to mint and issue Native American $1 Coins.
- Produce and distribute new 2009 coin and commemorative programs including redesigned one-cent coin, new quarters and the Lincoln and Braille commemorative programs.
- Produce and distribute recurring numismatic products and sets, as well as other numismatic items, in quantities sufficient to make them accessible, available, and affordable to Americans who choose to purchase them.

FY 2009 United States Mint estimated total revenues are $2,673,473,000, total expenses are $2,125,816,000, capital investments are $37,116,000, and net results are $547,657,000.

United States Mint Revenue History

[Dollars in Thousands]



Purpose of Program

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

Explanation of Budget Activities

Manufacturing ($2,079,192,000 from reimbursable programs) The United States Mint manufactures and sells products. For budget reporting purposes, these products are grouped into three programs: Circulating Coinage, 50 State Quarters, and Numismatic.

Circulating Coinage includes the one-cent coin, 5-cent coin, dime, half-dollar and dollar used to enable the conduct of trade and commerce. The focus of this mission is to produce coins for circulation to meet the needs of the United States in a cost-efficient and safe manner using state-of-the-art manufacturing technology and equipment. The United States Mint delivers the circulating coinage to the Federal Reserve Bank for distribution.

In FY 2007, the United States Mint introduced the Presidential $1 Coin program, which commemorates the service of former United States Presidents in the order in which they served the nation. Four different coin designs will be minted each year. The year 2009 features Presidents Harrison, Tyler, Polk and Taylor.

50 State Quarters® Program

A significant component of operations is the 50 State Quarters Program, which began in 1999 to commemorate and honor each of the 50 states over a ten-year period. Five new commemorative quarter-dollar coins are produced each year. Each quarter's reverse celebrates one of the 50 states with a design honoring that state's unique history, traditions, and symbols. The quarters are released in the same order in which the states ratified the United States Constitution or were admitted into the Union. The releases for calendar year 2008 quarters are Oklahoma, New Mexico, Arizona, Alaska and Hawaii. The quarters are circulating coins; however, by statute, the revenue from this program is considered numismatic for budgetary reporting purposes. The Program is displayed separately in the narrative and the financial schedules to present a clearer picture of its impact. The 50 State Quarters Program will come to an end in December 2008. During the first three months of FY 2009, the United States Mint will continue to produce 2008 50 State Quarters. The United States Mint plans to spend $107 million to produce and ship approximately 664 million 50 State Quarters coins, generating revenues of $166 million dollars in FY 2009.

Impact of the FY 2008 Consolidated Appropriations Act on Mint

A provision of the FY 2008 Consolidated Appropriations Act, Public Law (P.L. 110-161) authorizes the Secretary of the Treasury to issue a series of circulating commemorative quarter-dollar coins in calendar year 2009 with reverse designs emblematic of the District of Columbia and each of the United States Territories. In 2009, six quarter-dollar coins will be minted and issued by the United States Mint in honor of the District of Columbia and the five United States Territories: the Commonwealth of Puerto Rico, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

Public Law (P.L. 110-161) also includes an amendment to move the inscription "In God We Trust" from the edge of the Presidential $1 Coins and Native American $1 Coins to the face.

Numismatic Program

The Numismatic program includes six types of coin products, which the United States Mint markets and sells to the public, including (1) Bullion Coins, (2) American Eagle Proof Coins, (3) 24-Karat Gold Proof Coins, (4) Recurring Coins, (5) Commemorative Coins, and (6) Medals. The program focuses on providing quality products and services, expanding markets and supporting the long-term objectives. The current FY 2009 budget estimate includes resource needs of $1,049 million to generate $1,065 million in revenues from the sale of these products.

Protection ($46,624,000 from reimbursable programs) The United States Mint secures over $100 billion in market value of the nation's gold reserves, silver, and other assets. The United States Mint Police protects United States Mint assets while safeguarding its employees against potential threats at its facilities across the country. The United States Mint Police addresses possible threats by ensuring good perimeter security at all sites and coordinating with various federal, state and local law enforcement agencies. It also ensures that proper policies are in place, and procedures followed, in handling the assets used to produce and transport coinage.

Legislative Proposals

The United States Mint has no legislative proposals for FY 2009.

Capital Investments Summary

The United States Mint's FY 2009 circulating and protection capital request is $18.1 million, which is $24.1 million below the projected circulation and protection depreciation (capital limit) amount of $42.2 million.

Each year, the United States Mint commits funds for capital projects to maintain, upgrade or acquire physical structures, equipment, physical security, and information technology systems. Total capital projects are estimated to be $37.1 million in FY 2009. This includes approximately $14.6 million for circulating projects, $3.5 million for security improvement projects, and $19.0 million for numismatic projects.

Mint Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target	Target
Manufacturing for Mint	Cost per 1000 Coin Equivalents ($)(E)	7.42	7.55	7.23	✓	Discontinued	Discontinued
Manufacturing for Mint	Cost per 1000 Coin Equivalents (% deviation from target)(E)	N/A	N/A	N/A	N/A	0	0
Protection	Protection Cost Per Square Foot ($) (E)	32.43	32.49	31.75	✓	32.11	32

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

Description of Performance

Cost per 1000 Coin Equivalents

The United States Mint's costs vary by product, and the product mix has been variable over time. This makes it difficult to compare operating results from year to year. The coin equivalent calculation converts the production output to a common denominator based on the circulating quarter. Production costs, excluding metal and fabrication, are then divided by this standardized production level, thus resulting in "conversion costs per 1,000 coin equivalents." This metric allows comparison of performance over time by negating the effects of changes in the product mix. Starting in FY 2008, the target and results will be presented as a percentage difference from the baseline in order to allow for the impact of fixed costs as they get spread over varying levels of production. The dollar value of the target is then dependent upon the actual volume of coin equivalents produced. For example, at a production level of 21.9 billion coin equivalents, the baseline cost target would be $7.51 per 1,000 coin equivalents. The conversion cost per 1,000 coin equivalents through September FY 2007 was $7.23, an improvement over the FY 2006 result of $7.55. The performance measure met the FY 2007 target of $7.27.

Cost per Square Foot

Protection cost per square foot is the Office of Protection's total operating cost divided by the area of usable space, which is 90 percent of the total square footage. The cost per square foot provides a measurement of efficiency over time. The square footage of usable space at the United States Mint is a stable figure and will only change significantly with major events such as the addition or removal of a facility. Protection cost per square foot through September 2007 was $31.75, a decrease from $32.49 in FY 2006, and meeting the performance target of $32.99.

Office of the Comptroller of the Currency

Program Summary by Budget Activity
(Dollars in thousands)

Budget Activity	FY 2007	FY 2008	FY 2009		
	Obligated	Estimated	Estimated	Increase/ Decrease	Percent Change
Supervise	528,622	625,582	675,780	50,198	8.0%
Regulate	91,296	98,669	108,414	9,745	9.9%
Charter	18,515	24,849	26,678	1,829	7.4%
Total Cost of Operations	$638,433	$749,100	$810,872	$61,772	8.2%

Explanation of Budget Estimate

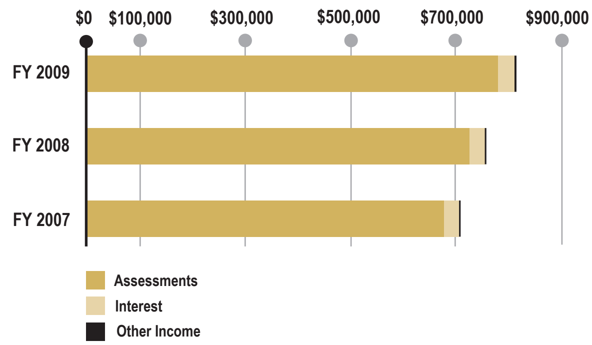
The Office of the Comptroller of the Currency (OCC) supervises approximately 1,740 national bank charters and 48 federal branches of foreign banks in the United States (U.S.). Total assets under the OCC supervision are approximately $7.7 trillion or 68 percent of total U.S. commercial banking assets. The average size and complexity of the institutions in the national banking system continue to grow, creating increasing and diverse challenges for the OCC.

The OCC's priorities for the 2008 fiscal year (FY) include supervisory issues related to potential adverse changes in national bank asset quality and risk profiles, continued work on proposed revisions to the federal banking agencies' risk-based capital standards, compliance with Bank Secrecy Act/anti-money laundering (BSA/AML) and USA PATRIOT Act requirements, and addressing issues raised by the range of retail banking products offered by national banks. Coordination and cooperation with state regulators will be a significant focus for the agency. Filling key experienced and specialty examiner and bank supervision policy analyst positions, recruiting entry-level examiners and enhancing their retention at the critical three/four-year point of their careers, and developing the next generation of bank supervision leadership are also critical initiatives of the OCC.

In FY 2008, an estimated $749,100,000 is needed to fund ongoing OCC operations and address program priorities effectively. Estimated OCC revenue for FY 2008 is $757,600,000, which is collected primarily from semiannual assessments levied on national banks. The OCC receives no appropriated funds from Congress.

OCC Revenue History

[Dollars in Thousands]



Purpose of Program

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

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

Explanation of Budget Activities

Supervise ($625,582,000 from reimbursable programs) The Supervise program consists of those ongoing supervision and enforcement activities undertaken to ensure that each national bank is operating in a safe and sound manner and is complying with applicable laws, rules, and regulations relative to the bank and the customers and communities it serves. This program includes bank examinations and enforcement activities; resolution of disputes through the National Bank Appeals process; ongoing monitoring of banks; and analysis of systemic risks and market trends in the national banking system or groups of national banks, the financial services industry, and the economic and regulatory environment.

Regulate ($98,669,000 from reimbursable programs) The Regulate program consists of those ongoing activities that result in the establishment of regulations, policies, operating guidance, and interpretations of general applicability to national banks. These regulations, policies, and interpretations may establish system-wide standards, define acceptable banking practices, provide guidance on risks and responsibilities facing national banks, or prohibit (or restrict) banking practices deemed to be imprudent or unsafe. This program includes the establishment of examination policies, handbooks, and interpretations for examiners as well as representation of the OCC's regulatory authorities and interpretations in administrative, judicial, and congressional hearings.

Charter ($24,849,000 from reimbursable programs) The Charter program involves those ongoing activities that result in the chartering of national banks as well as the evaluation of the permissibility of structures and activities of national banks and their subsidiaries. This includes the review and approval of new national bank charters, federal branches and agencies, mergers, acquisitions, conversions, business combinations, corporate reorganizations, changes in control, operating subsidiaries, branches, relocations, and subordinated debt issues.

Legislative Proposals

OCC currently has no legislative proposals.

Capital Investments Summary

One major investment is planned for FY 2008, Strategies and Resources (STARS). STARS will support the strategic planning, scheduling, resource allocation and tracking of the OCC bank examination activities. It will provide the Large Bank Supervision management with better tools to effectively plan, manage and monitor supervision activities, and will afford management better insight into the progress, status, and success or failure of these activities. STARS will provide the bank supervision community the ability to plan examinations more effectively, use resources more efficiently and assign them to the highest priority activities, and accurately track the status of the examinations process.

During future implementation stages, STARS will provide the ability to analyze data and study examination completion times and success rates. The data analysis capability will help improve future planning and forecasting for the strategy process. STARS is planned to eventually include interfaces to the OCC timekeeping and travel systems for gathering actual time and cost information.

OCC Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2007 Target Met?	FY 2008 Target	FY 2009 Target
Supervise	Percentage of national banks that are categorized as well capitalized (%) (Oe)	99	99	99	✓	95	95
Supervise	Percentage of national banks with composite CAMELS rating 1 or 2 (%) (Oe)	94	95	96	✓	90	95
Supervise	Percentage of national banks with consumer compliance rating of 1 or 2 (%) (Oe)	94	94	97	✓	94	94
Supervise	Rehabilitated national banks as a percentage of the problem national banks one year ago (CAMELS 3, 4 or 5) (%) (Oe)	44	46	52	✓	40	40
Charter	Percentage of licensing applications and notices completed within established timeframes. (%) (Oe)	96	94	96	✓	95	95

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

Description of Performance

Overall, the national banking system is healthy and in compliance with consumer protection laws and other regulations, with 97 percent earning a consumer compliance rating of either 1 or 2. As of September 30, 2007, 99 percent of national banks were classified as well capitalized. National banks' capital has remained at this consistently high level for the past several years.

Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for evaluating all significant financial, operational and compliance factors inherent in a bank. Evaluations are made on Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk. The rating scale is 1 through 5 of which 1 is the highest rating granted. CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a change in CAMELS. Through September 30, 2007, 96 percent of national banks earned a composite CAMELS rating of either 1 or 2, signifying an overall safe and sound national banking system and a foundation for a strong U.S. economy. Fifty-two percent of banks with composite CAMELS rating of 3, 4, or 5 one year ago have improved their ratings to either 1 or 2 this year. This is an improvement from 46 percent achieved in FY 2006 and 44 percent achieved in FY 2005.

The OCC's timely and effective approval of corporate applications contributes to the nation's economy by enabling national banks to complete various corporate transactions and introduce new financial products and services. Delays in providing prompt decisions on applications and notices can deprive a bank 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. The OCC completed 96 percent of applications and notices within the time standard through September 30, 2007. Institutions receiving decisions on their corporate applications and notices rated the OCC's overall licensing services an average of 1.2. The licensing survey is based on a five-point rating scale, in which 1 indicates outstanding and 5 indicates significantly deficient.

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. Total bank assets represent the growth and complexity of the national banking system. 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 the banking system benefits all national bank customers.

Office of Thrift Supervision

Program Summary by Budget Activity
(Dollars in thousands)

Budget Activity	FY 2007	FY 2008	FY 2009		
	Obligated	Estimated	Estimated	Increase/ Decrease	Percent Change
Supervision of the Thrift Industry	232,500	245,500	251,638	6,138	2.5%
Total Cost of Operations	$232,500	$245,500	$251,638	$6,138	2.5%

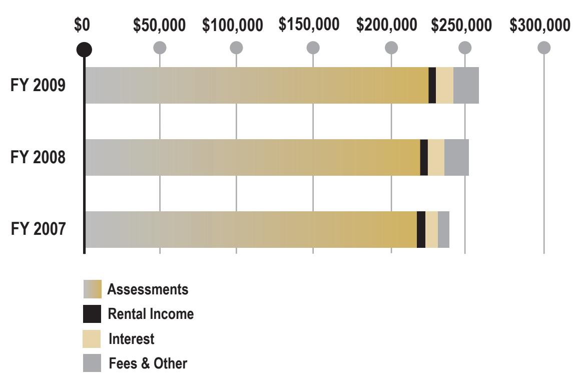
Explanation of Budget Estimate

The Office of Thrift Supervision (OTS) budget supports OTS's strategic and performance goals that provide for the proactive supervision of the industry, reduced regulatory burden, and improved credit availability. The budget enables OTS to continue tailoring supervisory examinations to the risk profile of the institutions, while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of the thrift industry. OTS works closely with the industry to maintain the profitability, integrity, and viability of the thrift charter.

For FY 2008, OTS estimates that its revenues will total $258,300,000 and its expenditures will be $251,638,000. OTS receives no appropriated funds from Congress. The income of the bureau is derived principally from assessments on savings associations and savings and loan holding companies. Other sources of income include fees, rent, and interest on investments.

OTS Revenue History

[Dollars in Thousands]



Purpose of Program

OTS was established by Congress as a bureau of the Department of the Treasury on August 9, 1989. OTS charters, examines, supervises, and regulates federal savings associations insured by the Federal Deposit Insurance Corporation (FDIC). OTS also examines, supervises, and regulates state-chartered savings associations insured by the FDIC and provides for the registration, examination, and regulation of savings and loan holding companies (SLHCs) and other affiliates.

OTS's mission is to supervise savings associations and their holding companies in order to maintain their safety and soundness and compliance with consumer laws and to encourage a competitive industry that meets America's financial services needs. OTS's vision is to perform, and to be recognized, as the premier regulator of financial institutions and holding companies.

The thrift charter has several unique characteristics including nationwide branching under a single charter; a holding company structure offering a single regulator for the holding company and its subsidiary depository institution; and preemption authority. OTS is the only federal-banking agency that both charters depository institutions and supervises their holding companies. The thrift charter continues to flourish as institutions change and adapt their business strategies and focus. OTS supervised holding companies are diverse, ranging from large, multinational corporations to small companies with few assets other than their thrift charter.

OTS's FY 2008 priorities support its mission:

- Comprehensive and Risk-Focused Examinations,
- Interest Rate and Credit Risks including sub-prime

mortgage lending,

- Compliance Risks, Financial Crimes, Data Breaches, and Information Security,
- Disaster and Emergency Preparedness,
- Global Financial Services,
- Regulatory Burden Reduction,
- Communicate the benefits of the Thrift Charter, and
- Succession Planning and Management of OTS Resources.

Explanation of Budget Activities

Supervision of the Thrift Industry ($245,500,000 from reimbursable programs) OTS examines savings associations every 12 – 18 months for safety and soundness and compliance with consumer protection laws and regulations. During these exams, the association's ability to identify, measure, monitor, and control risk is evaluated, including the risk posed by other entities within the corporate structure. When weaknesses are identified, supervisory action is taken.

Legislative Proposals

OTS currently has no legislative proposals.

Capital Investments Summary

OTS has no major IT investments planned for FY 2008.

OTS Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target	Target
Supervision of the Thrift Industry	Total OTS costs relative to every $100,000 in savings association assets regulated ($) (E)	N/A	13	14	✓	15	15
Supervision of the Thrift Industry	Percent of safety and soundness exams started as scheduled (%) (Ot)	93	94	95	✓	90	90
Supervision of the Thrift Industry	Percent of thrifts that are well capitalized (%) (Oe)	99.5	99.9	99	✓	95	95
Supervision of the Thrift Industry	Percent of thrifts with compliance examination ratings of 1 or 2 (%) (Oe)	94	93	97	✓	90	90
Supervision of the Thrift Industry	Percent of thrifts with composite CAMELS ratings of 1 or 2 (%) (Oe)	94	93	93	✓	90	90

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

Description of Performance

OTS met all of its performance measure targets in FY 2007 and plans to maintain its current high level of achievement for all performance measures. The following is a brief description of each performance measure:

Percent of thrifts with composite CAMELS ratings of 1 or 2. On December 9, 1996, the Federal Financial Institutions Examination Council (FFIEC) adopted the CAMELS rating system (Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to market risk) as the internal rating system to be used by the federal and state regulators for assessing the safety and soundness of financial institutions on a uniform basis. The CAMELS rating system puts increased emphasis on the quality of risk management practices. OTS assigns a composite CAMELS rating to savings associations at each examination. OTS adjusts the level of supervisory resources devoted to an association based on the composite rating. The CAMELS rating is based upon a scale of 1 through 5 in increasing order of supervisory concern.

Percent of thrifts with compliance examination ratings of 1 or 2. A uniform, interagency compliance rating system was first approved by the FFIEC in 1980. The FFIEC rating system was designed to reflect, in a comprehensive and uniform fashion, the nature and extent of a savings association's compliance with consumer protection statutes, regulations and requirements. The Compliance Rating System is based upon a scale of 1 through 5 in increasing order of supervisory concern.

OTS elected to combine safety and soundness and compliance examinations in 2002 to attain exam efficiencies and to improve risk assessment. Using comprehensive exam procedures, compliance with consumer protection laws is reviewed at more frequent intervals, which has improved the quality of the examination process.

Percent of thrifts that are well capitalized. Capital absorbs losses, promotes public confidence and provides protection to depositors and the FDIC insurance fund. It provides a financial cushion that can allow a savings association to continue operating during periods of loss or other adverse conditions. The Federal Deposit Insurance Act established a system of prompt corrective action (PCA) that classifies insured depository institutions into five categories (well-capitalized; adequately capitalized; undercapitalized, significantly undercapitalized; and critically undercapitalized) based on their relative capital levels. The purpose of PCA is to resolve the problems of insured depository institutions at the least possible long-term cost to the deposit insurance fund.

Percent of safety and soundness exams started as scheduled. OTS examines savings associations every 12-18 months for safety and soundness, compliance and consumer protection laws. OTS performs safety and soundness examinations of its regulated savings associations consistent with statutory authority. When safety and soundness or compliance issues are identified during its risk-focused examinations, OTS acts promptly to ensure association management and directors institute corrective actions to address supervisory concerns. OTS staff often meets with the savings association's board of directors after delivery of the Report of Examination to discuss findings and recommendations.

Difference between the inflation rate and the OTS assessment rate increase. Without compromising responsibilities and the risk-based examination approach, OTS strives to efficiently manage its operations and budget to ensure that assessment rate increases do not exceed the inflation rate without compromising OTS's responsibilities and the risk-based examination approach. However, if OTS believes that events require more personnel or other expenditures, OTS may increase assessments to raise the required resources. Annually, OTS analyzes its operating costs and compares them to the assessments it charges savings associations and holding companies in order to achieve a structure that keeps assessment rates as low as possible while providing OTS with the resources necessary for effective supervision.

Total OTS Costs Relative to Every $100,000 in Savings Association Assets Regulated. Beginning in FY 2006, OTS included a performance measure that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex thrift industry. This measure supports OTS's ongoing efforts to efficiently use agency resources. The efficiency measure is impacted by the relative size of the savings associations regulated. Approximately 60 percent of all savings associations have total assets of less than $250 million and are generally community-based organizations that provide retail financial services in their local markets. The measure does not include over $8.5 trillion in assets of holding company enterprises regulated by OTS.

Treasury International Programs

Program Summary by Appropriations Account
(Dollars in thousands)

Appropriations	FY 2007 Enacted	FY 2008 Enacted	FY 2009 President's Budget
International Financial Institutions	$1,273,219	$1,277,289	$2,071,305
International Development Association*	940,500	942,305	1,277,000
Multilateral Investment Guarantee Agency	0	0	0
Global Environment Facility	79,200	81,101	80,000
An International Clean Technology Fund			400,000
Inter-American Development Bank			
Multilateral Investment Fund	1,724	24,798	25,000
Inter-American Investment Corporation	0	0	0
Asian Development Bank	0	0	0
Asian Development Fund	99,000	74,544	115,250
African Development Bank	3,602	2,021	0
African Development Fund	134,343	134,585	156,055
European Bank for Reconstruction and Development	0	10	0
International Fund for Agricultural Development	14,850	17,926	18,000
Arrears	[0]	[3,131]	[42,000]
Debt Restructuring	$64,350	$30,055	$141,000
Treasury Technical Assistance	$19,800	$20,235	$29,000
Total Program Level	$1,357,369	$1,327,578	$2,241,305

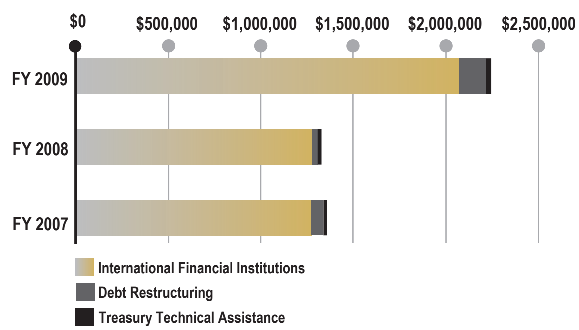
*FY 2007 P.L 110-5 rescinded $31.5 million of the 188.1 million FY 2006 unobligated funds.

Explanation of Request

The FY 2009 President's Budget request for the Department of the Treasury's International Assistance Programs supports key objectives of the President's international assistance agenda, such as the G-8 Multilateral Debt Relief Initiative, measuring results, improving debt sustainability, increasing grants, improving transparency and fighting corruption. Total resources required to support Treasury International Assistance Programs for FY 2009 are $2.241 billion, including contributions to the International Financial Institutions (IFIs) of $2.071 billion, $141.0 million for Debt Restructuring, and $29.0 million for Treasury's International Affairs Technical Assistance Programs.

International Programs Funding History

[Dollars in Thousands]



Purpose of Program

The mission of Treasury International Programs is to promote economic growth and poverty reduction in developing countries through U.S. participation in the multilateral development banks (MDBs), efforts to prevent the buildup of unsustainable debt burden in poor countries and technical advice to developing countries on building market-based economies.

International Programs FY 2009 Budget Highlights
(Dollars in thousands)

Appropriation	International Financial Institutions	Technical Assistance	Debt Restructuring	Total
FY 2007 Enacted	$1,273,219	$19,800	$64,350	$1,357,369
FY 2008 Enacted	$1,277,289	$20,235	$30,055	$1,327,578
Increases	$794,016	$8,765	$110,945	$913,727
FY 2009 President's Budget Request	**$2,071,305**	**$29,000**	**$141,000**	**$2,241,305**

FY 2009 Program Requests

International Financial Institutions (IFIs) ($2,071,305,000)

The FY 2009 President's Budget requests $2.071 billion to the multilateral development banks (MDBs), including $400 million to establish a new international clean technology fund and $42 million to pay a portion of outstanding U.S. arrears to IDA.

International Development Association (IDA) ($1,277,000,000) IDA is a member of the World Bank Group and provides development financing on highly concessional and grant terms to the world's poorest countries, including those facing exceptional challenges in Africa. The FY 2009 President's Budget requests $1,235.0 million for the first of three payments to the fifteenth replenishment of IDA (IDA15) and $42.0 million to clear a portion of outstanding U.S. arrears to IDA. These payments include the U.S. commitment to fund the Multilateral Debt Relief Initiative (MDRI) at IDA. Negotiations for IDA15 concluded in December 2007 and U.S. leadership secured a number of key objectives in the agreement, including: an expanded results measurement system that will demonstrate the effectiveness of IDA's development projects and programs; improvements to the operational framework and financing arrangements for Bank engagement in fragile/post-conflicts states; specific measures to enhance debt management capacity building; continued use of grant financing for countries experiencing debt distress; and progress towards greater transparency.

Global Environment Facility (GEF) ($80,000,000) The GEF is the largest multilateral funder of projects and programs that protect the global environment, particularly in the areas of biodiversity conservation, climate change, and international waters. The FY 2009 President's Budget requests $80.0 million for the third of four payments to the fourth replenishment of the Global Environment Facility (GEF-4). During GEF-4 replenishment negotiations, finalized in 2006, the United States achieved an important set of policy reforms to improve the GEF's overall effectiveness, particularly with regard to project quality, portfolio management, resource allocations, transparency, and anti-corruption efforts.

An International Clean Technology Fund ($400,000,000) The proposed clean technology fund will address the growing problem of accelerating greenhouse gas emissions growth in major developing countries. The fund will help ensure that the developing country demand for energy will be met with clean energy projects by supporting the additional cost of clean technology investments over their dirtier alternatives. The fund has three major objectives: first, to reduce emissions growth in major developing countries through accelerated deployment of clean technologies; second, to stimulate and leverage private sector investment in existing clean technologies; and third, to encourage developing countries to pursue environmentally sound policies to reduce greenhouse gas emissions. The Administration is working with major donor and developing countries to create a multilateral fund that will catalyze resources of the multilateral development banks and the private sector to create innovative financing instruments to spur clean technology investments in the major developing country emitters. The fund's location is yet to be determined. The FY 2009 President's Budget requests $400 million for an international clean technology fund, the first payment that the United States, as a lead donor, plans to contribute as part of an overall U.S. contribution of $2 billion over three years.

Multilateral Investment Fund (MIF) ($25,000,000) The MIF, administered by the Inter-American Development Bank (IDB), works directly with private and public sector partners to strengthen the environment for business, build the capabilities and skills of the workforce, and broaden the economic participation of smaller enterprises. The FY 2009 President's Budget requests $25.0 million for the third of six payments to the first replenishment of the MIF (MIF-II). The United States achieved its key objectives in the replenishment negotiations, including: a strengthened commitment to measurable results; a continued strong focus on grants; allocation of resources to maximize innovation; and reform of the IDB's procurement guidelines.

Asian Development Fund (AsDF) ($115,250,000) The AsDF, the Asian Development Bank's concessional window, provides development financing for investments in infrastructure, health, education, environment, and private-sector development, as well as policy advice to the poorest countries in the

Asia-Pacific region. The FY 2009 President's Budget requests $115.3 million for the final of four payments to the eighth replenishment of the AsDF (AsDF-9). In the AsDF-9 Agreement, the United States secured a number of important policy reforms, including: the formation of a grants window through which grants will comprise 18-21 percent of assistance; a significant increase in the weight of governance in determining country assistance allocations; strengthened internal oversight, risk management, and results measurement; increased transparency; and a stronger focus on private sector development.

African Development Fund (AfDF) ($156,055,000)
The AfDF provides highly concessional loans and grants to Africa's poorest countries to help promote economic growth and reduce poverty. The FY 2009 President's Budget requests $156.1 million for the first of three payments to the eleventh replenishment of the AfDF (AfDF-11). These include payment for the U.S. commitment to MDRI at the AfDF. Negotiations for AfDF-11 concluded in December 2007 and U.S. leadership secured key objectives in the replenishment agreement, including: management for results agenda that includes a two-tiered results measurement framework to measure, monitor, and report on outcomes and outputs at the country, regional and institutional levels; maintaining the centrality of performance in the allocation of the Fund's resources while improving the implementation of the PBA system; enhanced engagement in fragile states through a new facility that will better address the needs or emerging opportunities in post-conflict and transition countries, such as Liberia; scaling up the Fund's regional operations, focusing on infrastructure projects that promote regional integration; and greater support for governance issues at the regional, country, sector as well as institutional levels to fight corruption, increase transparency, and improve accountability.

International Fund for Agricultural Development (IFAD) ($18,000,000) IFAD is a multilateral institution focused on promoting rural agricultural development in poorer countries. The FY 2009 President's Budget requests $18.0 million for the final of three payments to the seventh replenishment of IFAD (IFAD-7). The United States exercised significant leadership to achieve key objectives in IFAD-7, including: an action plan to address key findings of the independent external evaluation for increasing the effectiveness of IFAD operations; a stronger performance based allocation system; a debt sustainability framework; and increased transparency and anti-corruption measures.

Debt Restructuring ($141,000,000)
The FY 2009 President's Budget requests funding of $141.0 million for the cost of debt restructuring programs, including bilateral Heavily Indebted Poor Countries initiative (HIPC) debt reduction, the HIPC Trust Fund, and the Tropical Forest Conservation Act (TFCA). Funds are needed to cover the cost of canceling the remainder of the Democratic Republic of the Congo's (DRC) debt to the United States after the DRC reaches its Completion Point under the HIPC initiative. The United States Government is the largest creditor of the DRC; lack of U.S. participation in debt relief would likely cause other creditors to withhold their debt relief. Funding is also needed to satisfy the U.S. pledge for a contribution to the HIPC Trust Fund, and to cover the costs of TFCA debt agreements in support of tropical forest conservation

Technical Assistance ($29,000,000)
The FY 2009 President's Budget requests $29.0 million for the cost of the technical assistance program, which provides highly experienced financial advisors to reform-minded developing countries, transitional economies, and nations recovering from conflict. The $8.765 million increase over the FY 2008 Enacted level is justified by growing evidence of the importance of strong financial sectors and sound public financial management for the achievement of U.S. international policy priorities, and growing need for Treasury technical assistance. Treasury assistance focuses on strengthening the financial and economic management capacity of aid recipient countries. Such capacity is essential for aid recipients to make effective use of foreign assistance, to reduce their vulnerability to economic shocks, terrorist financing and financial crime, and ultimately to eliminate their dependence on aid. This increase in funding will provide Treasury's Technical Assistance the ability to address significant needs in Sub-Saharan Africa, the Greater Middle East, Asia, and Latin America.

Explanation of Programs

International Financial Institutions ($2,071,305,000 from direct appropriations) International Financial Institutions (IFIs) provide loans, grants and investments to developing and transition economies and private sector enterprises in countries where risks are too high for private financing alone and where leverage is needed to encourage private financing. The United States strongly advocates bank policies and assistance programs that reflect U.S. priorities in promoting growth, increasing productivity, and reducing poverty in developing countries.

Debt Restructuring ($141,000,000 from direct appropriations) Debt Restructuring for the poorest countries provides an incentive to implement macro-economic and structural reforms necessary for economic growth and also frees up resources for poverty reduction efforts. Debt reduction under the Tropical Forest Conservation Act allows for reduction of U.S. concessional debt and redirection of payments in local currency in eligible countries to support programs to conserve tropical forests.

International Affairs Technical Assistance ($29,000,000 from direct appropriations) International Affairs Technical Assistance provides financial advisors to countries seeking assistance in implementing significant economic reforms, especially during critical periods of transition to market-based economies. The program supports economic policy and financial management reforms focusing on the functional areas of budget, taxation, government debt, financial institutions and financial crimes law enforcement.

Description of Performance

International Financial Institutions

Through U.S. leadership in the IFI replenishment negotiations, key policy reforms were initiated, reinforced and extended in the international financial institutions. In recent years, these reforms included:

- Increased grant financing for the poorest countries at IDA, the AfDF, AsDF and other MDBs;
- Adoption of a debt sustainability framework to provide increased grant resources for the poorest countries and to help break the lend-and-forgive cycle of development assistance;
- Development of robust results-based management systems to incorporate measurable performance goals and demonstrate positive results on the ground;
- Improvement of performance based allocation systems to maintain the centrality of performance in the distribution of resources; and
- Increased efforts to promote greater transparency and combat corruption at institutional, project, country and regional levels.

Debt Relief The 2005 Multilateral Debt Relief Initiative – a landmark debt relief effort – will cancel 100 percent of debt obligations owed to the World Bank's International Development Association, the African Development Fund, and the IMF by the world's poorest and most heavily indebted countries. Through U.S. efforts, a similar debt relief initiative was approved in 2007 for the Fund for Special Operations at the Inter-American Development Bank. This initiative will provide critical debt relief to Bolivia, Guyana, Haiti, Honduras and Nicaragua, helping to end the lend-and-forgive-cycle development assistance, while freeing-up funds for other poverty reduction efforts.

Grants Under U.S. leadership, the MDBs increased amounts of new resources to debt-vulnerable countries in the form of grants – instead of loans – which are integral to ending the lend-and-forgive cycle of development assistance. For the last two years, nearly $2.7 billion in grant funding has been provided by the concessional arms of the World Bank, the African Development Bank, and the Asian Development Bank.

Results Measurement Results measurement systems have been expanded significantly through the IDA14 and IDA15 and AfDF-10 and AfDF-11 replenishment agreements which adopt clear, measurable goals and targets, and results-based management processes and standards. The management for results agenda emphasizes measures to strengthen the focus on delivering positive development results on the ground and the institutional management policies and procedures required to deliver them. A two-tiered results measurement framework is in place in IDA and the AfDF to measure, monitor, and report on outcomes and outputs at the project, country, regional and institutional levels.

Transparency and Fighting Corruption Through U.S. leadership, the MDBs have continued strong efforts to improve transparency, including disclosure of MDB documents and processes, and to fight corruption at the project, country and institutional levels. For example, in FY 2007 the World Bank made the Volcker Panel Report – a review and evaluation of the work and oversight mechanisms of the Bank's Department of Institutional Integrity – available to the public and established an internal working group to review the panel's recommendations and develop an implementation plan.

Going forward, the Treasury Department will continue to reinforce and build upon these key reforms in the IFIs – as demonstrated by the achievement of U.S. objectives in the recently concluded IDA15 and AfDF-11 replenishment negotiations – on managing for results, ensuring the debt sustainability of the world's poorest countries, allocating resources based on performance, and increasing transparency and fighting corruption.

Debt Restructuring

The Enhanced Heavily Indebted Poor Country (HIPC) Initiative continues to make more resources available to poor, heavily indebted countries, while providing a framework for growth enhancing reforms. Thirty-two countries demonstrated sufficient progress to reach their HIPC Decision Points as of the end of FY2007. Creditors have committed to reduce the external debt of these 32 countries by over $63 billion (nominal terms) under the HIPC framework. The HIPC qualifying countries are required to use the resources freed up by debt relief to support poverty reduction and economic growth. In 2000, poverty-reducing expenditures in the post-Decision Point HIPCs were only about 50% larger than debt service payments. Consistent with the goal of increasing poverty reducing expenditures, by 2006 poverty reducing expenditures were five times larger than debt service payments

Under the Tropical Forest Conservation Act (TFCA), a total of 13 agreements have now been signed with 12 countries, generating more than $163 million over time for tropical forest conservation. The TFCA debt swap mechanism has also developed a unique public/private partnership in which environmental NGOs provide additional funds for debt reduction, increasing the size of individual agreements, and contributing additional expertise in the management of resulting programs.

Technical Assistance

OTA assists transition and developing countries to build strong government systems and services that increase financial integrity, build capacity (both human and systems), integrate public and private aspects of the economy, eliminate weak or non-functioning organizations of government financial management, draft improved legislation, and fight corruption and terrorist financing. Some projects are focused on assisting countries with weak and fragile financial systems. In such cases, the OTA projects become part of the military-civilian struggle to bring an end the chaos of war and take steps toward reestablishing civil society through the building of strong government financial systems.

Examples of results achieved by OTA in 2007 include:

- Assisting Ghana in the issue of a $750 million Eurobond; the first sub-Saharan Euro bond in 30 years.
- Helping Georgia pass laws to increase regional autonomy while ensuring continued central government financial support. The legislation is expected to serve as an example for other countries within the Caucuses region.
- Developing an electronic payments system in Iraq.
- Improving compliance of the tax collection system in system in Costa Rica, resulting in more revenues collected in the first five months in 2007 than in nine months in 2006.

Summary of FY 2009 Appropriations Language

Below is a summary of appropriations language changes in the bills being marked up by the House and Senate. Please note that brackets indicate which material will be deleted, and italics indicate which material will be inserted.

Departmental Offices

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, [$248,360,000, of which not to exceed $10,840,000 is for executive direction program activities; not to exceed $9,909,000 is for general counsel program activities; not to exceed $44,242,000 is for economic policies and programs activities; not to exceed $29,464,000 is for financial policies and programs activities; not to exceed $56,775,000 is for terrorism and financial intelligence activities; not to exceed $18,505,000 is for Treasury-wide management policies and programs activities; and not to exceed $78,625,000 is for administration programs activities: *Provided*, That the Secretary of the Treasury is authorized to transfer funds appropriated for any program activity of the Departmental Offices to any other program activity of the Departmental Offices upon notification to the House and Senate Committees on Appropriations: *Provided further*, That no appropriation for any program activity shall be increased or decreased by more than 2 percent by all such transfers: *Provided further*, That any change in funding greater than 2 percent shall be submitted for approval to the House and Senate Committees on Appropriations]*$273,895,000: Provided*[further], That of the amount appropriated under this heading, not to exceed $3,000,000, to remain available until September 30, [2009]*2010*, is for information technology modernization requirements; not to exceed [$150,000]*$200,000* is for official reception and representation expenses; and not to exceed $258,000 is for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Secretary of the Treasury and to be accounted for solely on his certificate: *Provided further*, That of the amount appropriated under this heading, [$5,114,000]*$5,232,443*, to remain available until September 30, [2009]*2010*, is for the Treasury-wide Financial Statement Audit and Internal Control Program, of which such amounts as may be necessary may be transferred to accounts of the Department's offices and bureaus to conduct audits: *Provided further*, That this transfer authority shall be in addition to any other provided in this Act: *Provided further*, That of the amount appropriated under this heading, [$3,000,000]*$500,000*, to remain available until September 30, [2009]*2010*, is for secure space requirements: *Provided further*, That of the amount appropriated under this heading, [$2,300,000]*$1,100,000*, to remain available until September 30, [2009]*2010*, is for salary and benefits for hiring of personnel whose work will require completion of a security clearance investigation in order to perform highly classified work to further the activities of the Office of Terrorism and Financial Intelligence: *Provided further*, That of the amount appropriated under this heading, [$2,100,000]*$3,400,000*, to remain available until September 30, [2010]*2011*, is to develop and implement programs within the Office of Critical Infrastructure Protection and Compliance Policy, including entering into cooperative agreements: *Provided further, That of the amount appropriated under this heading $3,000,000 to remain available until September 30, 2011, is for modernizing the Office of Debt Management's information technology. (Department of the Treasury Appropriations Act, 2008.)*

Department-wide Systems and Capital Investment Programs

(Including Transfer of Funds)

For development and acquisition of automatic data processing equipment, software, and services for the Department of the Treasury, [$18,710,000] *$26,975,000*, to remain available until September

30, [2010] *2011*: *Provided, That $11,518,000 is for repairs to the Treasury Annex Building: Provided further,* 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 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, 2008.)*

Office of Inspector General

Salaries and Expenses

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, not to exceed $2,000,000 for official travel expenses, including hire of passenger motor vehicles; and not to exceed $100,000 for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General of the Treasury, [$18,450,000]*$19,356,000*, of which not to exceed $2,500 shall be available for official reception and representation expenses. *(Department of the Treasury Appropriations Act, 2008.)*

Treasury Inspector General for Tax Administration

Salaries and Expenses

For necessary expenses of the Treasury Inspector General for Tax Administration in carrying out the Inspector General Act of 1978, including purchase (not to exceed 150 for replacement only for police-type use) and hire of passenger motor vehicles (31 U.S.C. 1343(b)); services authorized by 5 U.S.C. 3109, at such rates as may be determined by the Inspector General for Tax Administration; [$140,533,000] *$145,736,000*, of which not to exceed $6,000,000 shall be available for official travel expenses; of which not to exceed $500,000 shall be available for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General for Tax Administration; and of which not to exceed $1,500 shall be available for official reception and representation expenses. *(Department of the Treasury Appropriations Act, 2008.)*

Air Transportation Stabilization Program Account

[(including rescission)]

[Sections 101(a)(1), 102, 104, and 107(2) of the Air Transportation Safety and System Stabilization Act (title I, P.L. 107–42) are hereby repealed. All unobligated balances under this heading are rescinded.] *(Department of the Treasury Appropriations Act, 2008.)*

Community Development Financial Institutions Fund

Program Account

To carry out the Community Development Banking and Financial Institutions Act of 1994 (Public Law 103-325), including services authorized by 5 U.S.C. 3109, but at rates for individuals not to exceed the per diem rate equivalent to the rate for ES-3, [$94,000,000]*$28,620,000*, to remain available until September 30, [2009]*2010*, of which [$8,000,000 shall be 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, and] up to [$13,500,000]*$13,778,000* may be used for administrative expenses, including administration of the New Markets Tax Credit, up to [$7,500,000]*$1,200,000* may be used for the cost of direct loans, and up to $250,000 may be used for administrative expenses to carry out the direct loan program: *Provided*, That the cost of direct loans, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974, *as amended: Provided further*, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed [$16,000,000]*$3,000,000*.

(Department of the Treasury Appropriations Act, 2008.)

Financial Crimes Enforcement Network

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; not to exceed $14,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, [$85,844,000] *$91,335,000,* of which not to exceed $16,340,000 shall remain available until September 30, [2010] *2011*; and of which [$8,955,000] *$9,178,000* shall remain available until September 30, [2009] *2010*: *Provided*, That funds appropriated in this account may be used to procure personal services contracts. *(Department of the Treasury Appropriations Act, 2008.)*

Financial Management Service

Salaries and Expenses

For necessary expenses of the Financial Management Service, [$234,423,000]*$239,344,000*, of which not to exceed $9,220,000 shall remain available until September 30, [2010]*2011*, for information systems modernization initiatives; and of which not to exceed $2,500 shall be available for official reception and representation expenses. *(Department of the Treasury Appropriations Act, 2008.)*

Alcohol and Tobacco Tax and Trade Bureau

Salaries and Expenses

For necessary expenses of carrying out section 1111 of the Homeland Security Act of 2002, including hire of passenger motor vehicles, [$93,515,000] *$96,900,000*; 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. *(Department of the Treasury Appropriations Act, 2008.)*

United States Mint

United States Mint Public Enterprise Fund

Pursuant to section 5136 of title 31, United States Code, the United States Mint is provided funding through the United States Mint Public Enterprise Fund for costs associated with the production of circulating coins, numismatic coins, and protective services, including both operating expenses and capital investments. The aggregate amount of new liabilities and obligations incurred during fiscal year [2008]*2009* under such section 5136 for circulating coinage and protective service capital investments of the United States Mint shall not exceed [$33,200,000]*$42,150,000*. *(Department of the Treasury Appropriations Act, 2008.)*

Bureau of the Public Debt

Administering the Public Debt

For necessary expenses connected with any public-debt issues of the United States, [$182,871,000] *$187,054,000*, of which not to exceed $2,500 shall be available for official reception and representation expenses, and of which not to exceed $2,000,000 shall remain available until September 30, [2010]*2011*, for systems modernization: *Provided,* That the sum appropriated herein from the general fund for fiscal year [2008]*2009* shall be reduced by not more than $10,000,000 as definitive security issue fees and Legacy Treasury Direct Investor Account Maintenance fees are collected, so as to result in a final fiscal year [2008]*2009* appropriation from the general fund estimated at [$172,871,000]*$177,054,000*. In addition, [$70,000]*$90,000* to be derived from the Oil Spill Liability Trust Fund to reimburse the Bureau for administrative and personnel expenses for financial management of the Fund, as authorized by section 1012 of Public Law 101-380. *(Department of the Treasury Appropriations Act, 2008.)*

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, $2,150,000,000, of which [not less than $3,000,000] *up to $4,100,000* shall be for the Tax Counseling for the Elderly Program, of which [not less than $9,000,000]*$8,000,000* shall be available for low-income taxpayer clinic grants[, of which not less than $8,000,000, to remain available until September 30, 2009, shall be available to establish and administer a Community Volunteer Income Tax Assistance matching grants demonstration program for tax return preparation assistance, and of which not less than $177,000,000 shall be available for operating expenses of the Taxpayer Advocate Service]. *(Department of the Treasury Appropriations Act, 2008.)*

Enforcement

(Including Transfer of Funds)

For necessary expenses 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] *for the* purchase (for police-type use, not to exceed 850) and hire of 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, [$4,780,000,000]*$5,117,267,000*, of which not less than $57,252,000 shall be for the Interagency Crime and Drug Enforcement program: *Provided,* That up to $10,000,000 may be transferred as necessary from this account to the Internal Revenue Service, "Operations Support" [appropriations] solely for the purposes of the Interagency Crime and Drug Enforcement program: *Provided further*, That this transfer authority shall be in addition to any other transfer authority provided in this Act. *(Department of the Treasury Appropriations Act, 2008.)*

Operations Support

For necessary expenses of the Internal Revenue Service to [operate and] 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; [$3,680,059,000]*$3,856,172,000*, of which *up to* $75,000,000 shall remain available until September 30, [2009]*2010*, for information technology support; of which not to exceed $1,000,000 shall remain available until September 30, [2010]*2011*, for research; of which not [less than $2,000,000] *to exceed $1,600,000* shall be for the Internal Revenue Service Oversight Board; and of which not to exceed $25,000 shall be for official reception and representation. *(Department of the Treasury Appropriations Act, 2008.)*

Business Systems Modernization

For necessary expenses of the Internal Revenue Service's business systems modernization program, [$267,090,000]*$222,664,000*, to remain available until September 30, [2010]*2011*, for the capital asset acquisition of information technology systems, including management and related contractual costs of said acquisitions, including related Internal Revenue Service labor costs, and contractual costs associated with operations authorized by 5 U.S.C. 3109: *Provided,* That, with the exception of labor costs, none of these funds may be obligated until the Internal Revenue Service submits to the Committees on Appropriations[, and such Committees approve,] a plan for expenditure that: (1) meets the capital planning and investment control review requirements established by the Office of Management and Budget, including Circular A-11; (2) complies with the Internal Revenue Service's enterprise architecture, including the modernization blueprint; (3) conforms with the Internal Revenue Service's enterprise life cycle methodology; (4) is approved by the Internal Revenue Service, the Department of the Treasury, and the Office of Management and Budget; (5) has been reviewed by the Government Accountability Office; and (6) complies with the acquisition rules, requirements, guidelines, and systems acquisition management practices of the Federal Government. *(Department of the Treasury Appropriations Act, 2008.)*

Health Insurance Tax Credit Administration

For expenses necessary to implement the health insurance tax credit included in the Trade Act of 2002 (Public Law 107-210), [$15,235,000]

$15,406,000. (Department of the Treasury Appropriations Act, 2008.)

Administrative Provisions – Internal Revenue Service (Including Transfer of Funds)

Sec. 101. Not to exceed 5 percent of any appropriation made available in this Act to the Internal Revenue Service or not to exceed 3 percent of appropriations under the heading "Enforcement" may be transferred to any other Internal Revenue Service appropriation upon the advance [approval] *notification* of the Committees on Appropriations.

Sec. 102. The Internal Revenue Service shall maintain a training program to ensure that Internal Revenue Service employees are trained in taxpayers' rights, in dealing courteously with taxpayers, and in cross-cultural relations.

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

[Sec. 104. Funds made available by this or any other Act to the Internal Revenue Service shall be available for improved facilities and increased staffing to provide sufficient and effective 1-800 help line service for taxpayers. The Commissioner shall continue to make the improvement of the Internal Revenue Service 1-800 help line service a priority and allocate resources necessary to increase phone lines and staff to improve the Internal Revenue Service 1-800 help line service.]

[Sec. 105. Section 9503(a) of title 5, United States Code, is amended by striking "for a period of 10 years after the date of enactment of this section" and inserting "before July 23, 2013".]

[Sec. 106. Sections 9504(a) and (b), and 9505(a) of title 5, United States Code, are amended by striking "For a period of 10 years after the date of enactment of this section" each place it occurs and inserting "Before July 23, 2013".]

[Sec. 107. Section 9502(a) of title 5, United States Code, is amended by striking "Office of Management and Budget" and inserting "Office of Personnel Management".]

[Sec. 108. Of the funds made available by this Act for the Internal Revenue Service, not less than $7,350,000 shall be available for increasing above fiscal year 2007 levels the number of full-time equivalent positions and related support activities performing Automated Collection System functions.]

Sec. *104. Of the funds made available by this Act to the Internal Revenue Service, not less than $6,997,226,000 shall be available only for tax enforcement and related support activities funded in Internal Revenue Service, "Enforcement" and "Operations Support" accounts. In addition, of the funds made available by this Act to the Internal Revenue Service, and subject to the same terms and conditions, an additional $489,983,000 shall be available for enhanced tax enforcement and related support activities: Provided, That not to exceed 1 percent of the funds made available by this Act to the Internal Revenue Service "Operations Support" account, for tax enforcement related support activities, may be transferred to taxpayer service related support activities upon the advance notification of the Committees on Appropriations. (Department of the Treasury Appropriations Act, 2008.)*

Administrative Provisions – Department of the Treasury (Including Transfer of Funds)

Sec. 109. Appropriations to the Department of the Treasury in this Act shall be available for uniforms or allowances therefor, as authorized by law (5 U.S.C. 5901), including maintenance, repairs, and cleaning; purchase of insurance for official motor vehicles operated in foreign countries; purchase of motor vehicles without regard to the general purchase price limitations for vehicles purchased and used overseas for the current fiscal year; entering into contracts with the Department of State for the furnishing of health and medical services to employees and their dependents serving in foreign countries; and services authorized by 5 U.S.C. 3109.

Sec. 110. Not to exceed 2 percent of any appropriations in this Act made available to the Departmental Offices—Salaries and Expenses, Office of Inspector General, Financial Management Service, Alcohol and Tobacco Tax and Trade Bureau, Financial Crimes Enforcement Network, and Bureau of the Public Debt, may be transferred between such appropriations upon the advance [approval] *notification* of the Committees on Appropriations: *Provided,* That no transfer may increase or decrease any such appropriation by more than 2 percent.

Sec. 111. Not to exceed 2 percent of any appropriation made available in this Act to the Internal Revenue Service may be transferred to the Treasury Inspector General for Tax Administration's appropriation upon the advance [approval] *notification* the Committees on Appropriations: *Provided,* That no transfer may increase or decrease any such appropriation by more than 2 percent.

Sec. 112. Of the funds available for the purchase of law enforcement vehicles, no funds may be obligated until the Secretary of the Treasury certifies that the purchase by the respective Treasury bureau is consistent with departmental vehicle management principles: *Provided,* That the Secretary may delegate this authority to the Assistant Secretary for Management.

Sec. 113. None of the funds appropriated in this Act or otherwise available to the Department of the Treasury or the Bureau of Engraving and Printing may be used to redesign the $1 Federal Reserve note.

Sec. 114. The Secretary of the Treasury may transfer funds from Financial Management Services, Salaries and Expenses to Debt Collection Fund as necessary to cover the costs of debt collection: *Provided,* That such amounts shall be reimbursed to such salaries and expenses account from debt collections received in the Debt Collection Fund.

Sec. 115. Section 122(g)(1) of Public Law 105–119, as amended(5 U.S.C. 3104 note) is further amended by striking ["8 years"] *"10 years"* and inserting ["10 years"] *"11 years"*.

[Sec. 116. None of the funds appropriated or otherwise made available by this or any other Act may be used by the United States Mint to construct or operate any museum without the explicit approval of the House Committee on Financial Services and the Senate Committee on Banking, Housing, and Urban Affairs.]

[Sec. 117. None of the funds appropriated or otherwise made available by this or any other Act or source to the Department of the Treasury, the Bureau of Engraving and Printing, and the United States Mint, individually or collectively, may be used to consolidate any or all functions of the Bureau of Engraving and Printing and the United States Mint without the explicit approval of the House Committee on Financial Services; the Senate Committee on Banking, Housing, and Urban Affairs; the House Committee on Appropriations; and the Senate Committee on Appropriations.]

Sec. [118]*116*. Funds appropriated by this Act, or made available by the transfer of funds in this Act, for the Department of the Treasury's intelligence or intelligence related activities are deemed to be specifically authorized by the Congress for purposes of section 504 of the National Security Act of 1947 (50 U.S.C. 414) during fiscal year [2008] *2009* until the enactment of the Intelligence Authorization Act for Fiscal Year [2008] *2009*.

[Sec. 119. Section 3333(a) of title 31, United States Code, is amended by deleting paragraph (3) and inserting in lieu thereof the following:] "(3) The amount of the relief and the amount of any relief granted to an official or agent of the Department of the Treasury under 31 U.S.C. 3527, shall be charged to the Check Forgery Insurance Fund (31 U.S.C. 3343). A recovery or repayment of a loss for which replacement is made out of the fund shall be credited to the fund and is available for the purposes for which the fund was established.".] *(Department of the Treasury Appropriations Act, 2008.)*

Sec. *117. Section 118 of the National Security Act of 1947 (50 U.S.C. 404m) is amended: (a) by striking "SEMINANNUAL REPORT ON" from the title, and inserting "EMERGENCY NOTIFICATION REGARDING"; (b) by striking subsections (a) and (c); and (c) by renumbering paragraphs (b) and (d) as (a) and (b) respectively.*

Total Funding Levels for the FY 2009 President's Budget – Treasury Chapter

Total Funding Levels for the FY 2009 President's Budget - Treasury Chapter
(dollars in millions)

Appropriations	FY 2007 Enacted	FY 2008 Estimate	FY 2009 Estimate	Increase/ Decrease	Percent Increase/ Decrease
Annual Appropriations	$11,626	$12,009	$12,471	$462	3.8%
Interest Payments:					
Interest on Public Debt	429,978	459,186	487,300	28,114	6.1%
Refunding Internal Revenue Collections, Interest	3,282	3,683	3,745	62	1.7%
Interest on Uninvested Funds	8	8	8	0	0.0%
Interest Paid To Credit Financing Accounts	4,632	4,560	4,363	-197	-4.3%
Fed. Interest Liabilities to States	2	3	3	0	0.0%
Subtotal, Interest Payments	$437,902	$467,440	$495,419	$27,979	6.0%
Trust Funds and Other Funds:					
Payment to Resolution Funding Corp	1,987	1,533	1,533	0	0.0%
Payment to Terrestrial Wildlife Habitat Restoration Trust Fund	5	5	5	0	0.0%
Community Development Financial Institutions Program Account	1	1	0	-1	
Subtotal, Trust Funds and Other	$1,993	$1,539	$1,538	-$1	-0.1%
Permanent Authority Appropriations:					
Pres. Election Campaign Fund	50	50	50	0	0.0%
Terrorism Risk Insurance Program	0	150	425	275	183.3%
Government Losses in Shipment	0	1	1	0	0.0%
Continued Dumping and Subsidy Offset	388	396	394	-2	-0.5%
Treasury Forfeiture Fund	451	356	356	0	0.0%
Biomass Energy Development	-5	-9	-11	-2	22.2%
Debt Collection Special Fund	58	62	59	-3	-4.8%
Claims, Judgments & Relief Acts	1,221	821	821	0	0.0%
Check Forgery Insurance Fund	5	2	2	0	0.0%
Federal Reserve Bank Reimbursement by --					
FMS	295	277	305	28	10.1%
BPD	128	138	130	-8	-5.8%
Financial Agent Services	411	542	593	51	9.4%
Spectrum Relocation					
TIGTA	1	0	0	0	0.0%
IRS	4	0	0	0	0.0%
Internal Revenue Collections for Puerto Rico	462	479	491	12	2.5%
IRS New and Existing Fees	138	258	178	-80	-31.0%
IRS Informant Payments	13	8	8	0	0.0%
Private Collection Agent Program	11	12	12	0	0.0%
Payment where AMT Credit exceeds liability for tax	0	357	306	-51	-14.3%
Payment where Child Credit exceeds liab. for tax	16,159	16,321	16,783	462	2.8%
Payment where EIC exceeds liability for tax	38,274	39,463	40,982	1,519	3.8%
Payment where Health Care Credit exceeds liab. for tax	102	107	116	9	8.4%
Federal Financing Bank	-268	0	0	0	0.0%
Subtotal, Permanent Auth. Approp	$57,898	$59,791	$62,001	$2,210	3.7%
Offsetting Collections	-$16,676	-$18,275	-$21,458	-$3,183	17.4%
Total, Department of the Treasury	**$492,743**	**$522,504**	**$549,971**	**$27,467**	**5.3%**

Detail of Other Treasury Accounts

Total Treasury Department Budget

The Treasury Chapter of the FY 2009 President's Budget covers the following areas:

Interest Payments – $495.4 billion
These are permanent, indefinite funds for interest payments needed: to finance the public debt; by the IRS on refunds of taxes to taxpayers; and on special accounts handled through the Treasury.

Permanent Authority Appropriations and Trust Funds – $63.5 billion
These are special accounts for which the Congress has given the Department of Treasury permanent authority to expend funds as appropriations, such as: payments made when the earned income credit, child credit, and health care credit exceeds the taxpayer's tax liability; payments to the Resolution Funding Corporation; reimbursements to Federal Reserve Banks; special claims and damage payments required as a result of judgments against the U.S. government; payments to Presidential candidates and their parties in accordance with Federal Election Commission certification; and other accounts.

Offsetting Collections – $21.5 billion
Treasury receipts from other government agencies and private sources are subtracted from the total Treasury budget as an offset.

Annual Operating Appropriations (Most Treasury Bureaus) – $12.5 billion
These are funds for Treasury operations which require annual appropriation action by the Congress. Bureau operating budget details are provided in the "Analysis of FY 2009 President's Budget" section.

Interest Payments

Interest on the Public Debt
The Federal Government's outstanding debt requirements are financed through borrowing (e.g., auctions of Treasury Bills, Notes, and Bonds). Funds paid to lenders for the use of their money is paid from the Interest on the Public Debt appropriation.

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

Interest on IRS Refunds
Under certain conditions in the tax law, the IRS must pay interest on Internal Revenue collections that must be refunded -- amended returns, delayed refunds of more than 45 days from the due date of the return, corporation losses covering prior year returns, results of tax audits, etc. The rate of interest changes every three months to reflect the prime interest rate then in effect.

Interest on Uninvested Funds
Under conditions of the law creating each trust account, interest accruing and payable from the general fund of the Treasury is appropriated to this account for payment to the proper fund receipt accounts.

Interest Paid to Credit Financing Accounts
Loan guarantee financing accounts receive various payments and fees and make payment on defaults. When cash balances result from an excess of receipts over outlays, these balances are deposited with Treasury and earn interest. This account pays such interest to credit loan guarantee financing accounts from the general fund of the Treasury in accordance with Section 505(c) of the Federal Credit Reform Act of 1990.

Federal Interest Liabilities to the States
As provided in U.S.C. 3335, U.S.C. 6503, and 31 C.F.R. 205, interest is paid to states when federal funds are not transferred timely.

Trust Funds and Other

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

(RTC) in order to resolve savings institution insolvencies.

Payment to Terrestrial Wildlife Habitat Restoration Trust Fund

Under P.L. 106-53, the Secretary of the Treasury is required to invest funds deposited in the Cheyenne River Sioux Tribe Terrestrial Wildlife Restoration Trust Fund and the Lower Brule Sioux Tribe Terrestrial Wildlife Restoration Trust Fund, until the funds are fully capitalized.

Community Development Financial Institutions Program Account

This program is authorized to make loans to Community Development Financial Institutions and insured financial institutions. The loan funding is permanent, indefinite authority from the general fund.

Permanent Authority Appropriations

Presidential Election Campaign Fund

The fund supports payments to the candidates running for President during the primaries and the general election, as well as support of nominating conventions. Appropriations to the fund represent receipts from the Presidential Election check-off on taxpayers' income tax returns. Upon certification by the Federal Election Commission, payments are made for the above purposes. Major expenditures occur during the year of the Presidential election -- appropriations represent collections from the check-off.

Terrorism Risk Insurance Program

The Terrorism Risk Insurance Act of 2002 establishes the Terrorism Insured Loss Shared Compensation Program in the Department of the Treasury. The Program has authority to pay the Federal share of compensation for insured commercial property and casualty losses resulting from acts of terrorism. The Act provides a permanent, indefinite appropriation for the program and its administration. The Program was extended by Public Law 110-160 until December 31, 2014.

Government Losses in Shipment

This account was created as self-insurance to cover losses in shipment of Government property such as coins, currency, securities, and some other losses.

Continued Dumping and Subsidy Offset

P.L. 106-387 provided for relief for certain domestic producers that may be impacted by injurious dumping and/or subsidization of imported products. Assessed duties are deposited into a special fund, and distributed to domestic producers, based on a determination that a domestic producer has been injured by these unfair trade practices.

Treasury Forfeiture Fund

Public Law 102-393 established this permanent appropriation to be used to pay or reimburse certain seizure and forfeiture costs that occur pursuant to the laws enforced by the bureaus participating in the Fund and other expenses authorized by 31 U.S.C. 9703.

Biomass Energy Development:

This account provided loan guarantees for the construction of biomass-to-ethanol facilities, as authorized under Title II of the Energy Security Act. All loans went into default, and the assets of all but one project have been liquidated.

Debt Collection Special Fund

The Financial Management Service provides debt collection operational services to client agencies which include collection of delinquent accounts; offset of federal payments against debts owed the government; collection of unclaimed financial assets; and disposition of foreclosed property.

Claims, Judgments and Relief Acts

Appropriations are made for payment of claims and interest for damages not chargeable to appropriations of individual agencies, and for payment of private and public relief acts. Public Law 95-26 authorized a permanent, indefinite appropriation to pay certain judgments from the general fund of the Treasury.

Check Forgery Insurance Fund

This fund was established as a permanent, indefinite appropriation in order to maintain adequate funding for the Check Forgery Insurance Fund (Fund). The Fund facilitates timely payments for replacement Treasury checks necessitated due to a claim of forgery. The fund recoups disbursements through reclamations made against banks negotiating forged checks. To reduce hardships sustained by payees of Government checks that have been stolen and forged, settlement is made in advance of the receipt of funds from the endorsers of the checks. If the U.S. Treasury is unable to recover funds through reclamation procedures, the Fund sustains the loss.

Reimbursement to Federal Reserve Banks

Permanent, indefinite appropriations were established at the Bureau of the Public Debt and Financial Management Service to reimburse Federal Reserve Banks for their services as fiscal agents and/or depositaries for the United States for all services required or directed by the Secretary of the Treasury to be performed on behalf of the Treasury or other Federal agencies.

Financial Agent Services

This permanent, indefinite appropriation allows the Financial Management Service to reimburse financial institutions for services provided in their capacity as depositaries and fiscal agents for the United States. The services provided are authorized under numerous statutes, including, but not limited to, 12 U.S.C. 90 and 265. The services include the acceptance and processing of deposits of public money, as well as services essential to the disbursement of and accounting for public monies.

Spectrum Relocation

The Commercial Spectrum Enhancement Act created the Spectrum Relocation Fund (SRF) in 2004 to relocate Federal communications systems from the 1710 – 1755 MHz band of spectrum to accommodate commercial use. The Federal Communications Commission has auctioned licenses for reallocated Federal spectrum, which will facilitate the provision of Advanced Wireless Services to consumers. Funds were made available to affected agencies in fiscal year 2007 for the relocation of communications systems.

Duties, Taxes and Fees (Puerto Rico)

Treasury's Alcohol and Tobacco Tax and Trade Bureau collects excise taxes on articles produced in Puerto Rico. After the bureau deducts its cost of collecting these funds, the balance is refunded back to Puerto Rico. The repayment is required to be included in total Treasury expenditures.

Internal Revenue Service – New and Existing Fees

The Secretary of the Treasury may establish new fees or raise existing fees for services provided by the IRS. The fees may be spent to supplement IRS appropriations.

Internal Revenue Service – Informant Payments

The Secretary of the Treasury may make payments to individuals resulting from information given that leads to the collection of Internal Revenue taxes. The Taxpayer Bill of Rights of 1996 authorizes these payments from the proceeds of amounts (other than interest) collected as a result of the information provided.

Internal Revenue Service – Private Collection Agent Program

The American Jobs Creation Act of 2004 (Public Law 108–357) included a new tax enforcement tool. The IRS will now be able to hire private collection contractors to supplement its own collection staff's efforts to ensure that all taxpayers pay what they owe. The legislation ensures contractors respect taxpayer rights. The statute further authorizes the Secretary of the Treasury to retain and use an amount not in excess of 25 percent of the amount collected under any qualified tax collection contract for payments to private collection agents, and an amount not in excess of 25 percent of the amount collected for collection enforcement activities of the IRS.

Payment Where Alternative Minimum Tax Exceeds Liability for Tax

The Tax Relief and Health Care Act of 2006 (P.L. 109-432) allows certain taxpayers to claim a refundable credit for 20 percent of their unused long-term alternative minimum tax (AMT) credits (up to $5,000) per year. The refundable credit phases out for high-income taxpayers; the phase-out is based on the personal exemption phase-out. The refundable AMT credits can generally only be claimed for tax years 2007-2012.

Payment Where Child Credit Exceeds Liability for Tax

The child credit (originally authorized under the Taxpayer Relief Act of 1997) calls for an additional payment to the tax filer. This account is used only in those instances when the credit will exceed the amount of the tax liability owed through the individual income tax system.

Payment Where Earned Income Credit Exceeds Liability for Tax

The earned income credit (originally authorized under the Tax Reduction Act of 1975) calls for absolute tax credits to low income taxpayers who meet certain qualifications. This account is used only when the tax credit exceeds the taxpayer's total liability for taxes, and only by the amount that the tax liability is exceeded.

Payment Where Health Care Credit Exceeds Liability for Tax

The health care credit calls for a refundable tax credit for health insurance purchased by individuals and families who are not covered by employer-sponsored insurance nor eligible for public programs.

Federal Financing Bank

The Federal Financing Bank (FFB) was created in 1973 to ensure the coordination of federal and federally assisted borrowing from the public in a manner least disruptive to private financial markets and institutions. FFB loans are now used primarily to finance direct agency activities such as construction of Federal buildings by the General Services Administration, and U.S. Postal Service.

Offsetting Collections

In general, amounts collected by the Federal Government are classified in two major categories:

Governmental receipts – Revenues that arise from the sovereign and regulatory powers unique to the Federal Government. They consist primarily of tax receipts, but also include customs duties, court fines, certain licenses, etc. All governmental receipts are deposited into receipt accounts. These receipts are always reported in total (rather than as an offset to budget authority and outlays).

Offsetting receipts - Collections that are offset against the budget authority and outlays of the collecting agency rather than reflected as governmental receipts in computing budget totals. Offsetting receipts are comprised of:

- *Proprietary Receipts* - These receipts from the public are market-oriented and are derived from activities operated as business-type enterprises.
- *Intragovernmental Receipts* - These are collections from other governmental accounts deposited in receipt accounts. These are further classified as follows:
  - § *Interfund Receipts* - These are amounts derived from payments between federal and trust funds.
  - § *Intrafund Receipts* - These are amounts derived from payments within the same fund group (i.e., within the federal fund group or within the trust fund group).

(dollars in billions)

	FY 2007 Actual	FY 2008 Estimate	FY 2009 Estimate
Proprietary	12.0	14.2	14.8
Interfund	1.7	1.9	4.2
Intrafund	3.0	2.2	2.4

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