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Summary of the President's Budget

DEPARTMENT OF THE TREASURY
Fiscal Year 2001 Budget Request

SUMMARY OF TREASURY'S BUDGET

FY 2000: Total Program Level of \$12.639 Billion
(Net appropriation of \$12.461 billion)

FY 2001: Total Program Level Request of \$14.245 Billion
(Net appropriation request of \$13.992 billion)

Budget proposes to offset the program level as follows:

- \$210 million through implementation of a fee on Customs' commercial trade operations; and
- \$42.5 million from the Treasury Forfeiture Fund's Super Surplus available balance.

★ ★ ★ ★ ★ ★ ★

HIGHLIGHTS OF TREASURY'S REQUEST

Treasury proposes a performance budget that provides the American public the customer service and program reliability they demand and deserve. Our FY 2001 Budget request continues the Department's recent achievements and proposes further improvements to support Treasury's four mission areas and their related goals. The following pages present Treasury's key FY 2001 budget priorities and investments.

FY 2001 KEY PRIORITIES

- Support Continued IRS Reform**
- Strengthen our Ability to Fight Drugs and Crime**
- Enhance Financial Reporting and Resource Accountability**
- Invest in Community Development and Economic Growth**
- Maintain Support for Management Operations**

Support Continued IRS Reform

Supports the following Treasury Strategic Goals: Improve Program Performance and Collect Revenue Due to the Federal Government.

- IRS modernization and reform remains a top priority for Treasury. Our request continues critical support toward implementation of the IRS Restructuring and Reform Act of 1998 and Commissioner Rossotti's modernization concept.
 - Proposed funds support the fundamental changes in the ways IRS does business under the new organizational structure. More specifically, the FY 2001 Budget includes funds to: (1) continue the extensive IRS organizational restructuring efforts, the first since the 1950s; (2) support the technology modernization program that will update IRS' 30-year old system; and (3) progress toward achievement of its performance goals in high-quality customer service and compliance.
 - The program of modernization and reform is well underway. This is a unique time in the history of IRS and we cannot allow this opportunity to be lost by less-than-adequate funding.
- A major concern has been the continued erosion of the IRS staffing base over the past five years. In some areas, there have been reductions of up to 20 percent of IRS' experienced, professional staff. This budget embarks on a program that restores and strengthens IRS customer service and compliance staffing to the capacity required to meet service standards and occurs at a very appropriate time as we continue our efforts to build a new organization.
- In addition, the request will sustain operational and maintenance requirements for IRS systems and continue critical technology investments to move the IRS into the 21st Century.

- In FY 2000, we deferred new requests for major technological investments funded by the Information Technology Investment Account (ITIA). Despite initial delays, the IRS expects to be fully engaged in its system modernization during the second half of FY 2000 using prior year balances. Consistent with the IRS' Technology Blueprint, the budget request continues funding in FY 2001 for modernizing long-term, core business systems. *(Remaining balances from prior year appropriations plus the new \$119 million request in this budget will support an estimated need in FY 2001 of \$325 million.)*
- In FY 2000, the IRS invested significant resources from other operational and programmatic needs to ensure Y2K compliance, selectively deferring improvements to core business systems. This budget redirects these resources to support existing operations of IRS legacy systems and to resume investments in the previously deferred improvements until the PRIME Systems Modernization is completed.
- To meet Congress' FY 2007 goal of 80 percent electronic filing of tax and information returns, the budget also provides additional funding for increased e-file marketing.

Strengthen our Ability to Fight Drugs and Crime

Supports the following Treasury Strategic Goals: Reduce the Trafficking, Smuggling and Use of Illicit Drugs; Fight Violent Crime, Financial Crimes and Money Laundering; Protect our Nation's Leaders and Visiting World Leaders; and Provide High Quality Training for Law Enforcement Personnel.

- Treasury's law enforcement bureaus perform critical roles in the Administration's anti-crime strategy, including efforts to: (1) reduce firearms violence; (2) reduce the smuggling and trafficking of drugs, weapons of mass destruction, and child pornography; (3) combat financial crimes and money laundering; (4) protect our nation's leaders; and (5) provide quality training.
- This budget continues its commitment in these areas with enhanced technology and additional human resources for Treasury law enforcement operations.
- *Selected Treasury law enforcement programs are supplemented by the Treasury Forfeiture Fund (TFF). The budget earmarks \$42.5 million from TFF's anticipated available balance to support Treasury's enforcement bureaus' non-recurring operations and investments.*

□ Reduce Firearms Violence

- Treasury's FY 2001 Budget request reflects the Administration's priority of reducing armed violence and the illegal supply of firearms to felons, unauthorized juveniles, and other prohibited persons. The President's national gun enforcement initiative envisions a comprehensive strategic Federal program that combines Federal, State and local resources to allow each community to develop its own tailored enforcement strategy to reduce gun violence.

- The request expands funding for critical Administration programs: (1) the Integrated Violence Reduction Strategy (IVRS), (2) the Youth Crime Gun Interdiction Initiative (YCGII), (3) nationwide crime gun tracing; and (4) the National Integrated Ballistics Information Network (NIBIN). The request does this by:
 - Supporting 651 additional special agent, inspector and other positions to provide cities and localities with relief from the effects of criminal acquisition, possession, misuse, and trafficking of firearms, including the illegal supply of firearms by federally licensed dealers.
 - Continuing implementation of the YCGII enforcement program aimed at reducing juvenile gun violence to 12 additional cities, bringing the total to 50 cities in FY 2001.
 - Bolstering firearms enforcement by supporting: (1) a crime gun tracing system for law enforcement agencies nationwide that includes crime gun tracing support for 250 cities; crime gun enforcement information for State and local enforcement agencies; faster tracing results; and training and legal support for Federal, State and local enforcement personnel; and (2) the Treasury and Justice Department's unified effort to provide Federal, State and local law enforcement agencies with automated ballistics imaging technology.

□ Reduce the Trafficking, Smuggling and Use of Illicit Drugs

- Our request supports the Administration's counter-narcotics strategy by providing Treasury with resources critical to reducing the trafficking, smuggling, and use of illicit drugs across our borders.
- This budget supports Customs' responsibility to facilitate legitimate trade while interdicting contraband through the use of enhanced technology and equipment.
 - Replacement of Customs' antiquated Automated Commercial System (ACS) becomes more critical as the frequency of system outages and the volume of commercial trade transactions continue to rise. The budget provides funding to maintain existing trade operations supported by ACS.
 - More specifically, the request funds Customs technology requirements through general fund appropriations to: (1) maintain ACS (*\$123 million, \$56 million additional above FY 2000 levels*); (2) continue development of the interface for the International Trade Data System (ITDS - *\$5.4 million*); and (3) development work on the Automated Commercial Environment (ACE - *\$210 million*). A legislative proposal using receipts from a user fee would offset ACE funding.

- Customs remains committed to improving the efficiency and effectiveness of its drug interdiction. This budget supports: (1) aircraft with upgraded interdiction and surveillance equipment; (2) non-intrusive inspection equipment for expanding interdiction efforts along the southwest border; and (3) additional personnel and investigative equipment to support Customs' Counterdrug Initiative.
- On December 3, 1999, the President signed the Foreign Narcotics Kingpin Designation Act mandating a global sanctions program targeting foreign narcotics traffickers and organizations. Enhanced staffing of 39 positions for Treasury's staff to implement this legislation, including annualization of staffing proposed in the FY 2000 Supplemental, will support the Kingpin strategy and expand Treasury's efforts to enforce a global narcotics sanctions program.

□ **Combat Financial Crimes and Money Laundering**

- Enforcement of money laundering laws is vital to stemming the flow of drugs, weapons and other contraband.
- In September 1999, the Secretary of the Treasury and the Attorney General released the Federal government's first National Money Laundering Strategy. Our budget supports Treasury's role in the Strategy with a program that provides: (1) technical assistance to financial institutions and Federal law enforcement agencies; (2) enhanced approaches to capture analytical data; (3) interdiction of outbound currency; (4) investigation of complex illegal transactions; (5) specialized training for enforcement agents; and (6) partnership grants to state and local governments.
- The budget provides corporate funding for on-going Departmental and bureau money laundering efforts, including designation of high-risk money laundering and related financial crime areas (HIFCAs).
- The budget also adds support for Customs and the Financial Crimes Enforcement Network (FinCEN) to strengthen money laundering prevention and to address the expanded reporting requirements for Non-Bank Financial Institutions. In addition, this budget supports continued efforts by the IRS, in cooperation with other law enforcement agencies, to address this ongoing threat.
 - Additional resources will permit FinCEN to advance its efforts to establish coalitions to address money laundering and provide technical/logistical support to agencies seeking to develop and complete critical law enforcement investigations.
 - The budget provides funding for FinCEN to implement the national Money Service Business (MSB) Registration program, as required under the Money Laundering Suppression Act of 1994 and to enforce regulatory compliance over the MSB industry.

❑ **Address Increased Demands on Law Enforcement Operations**

- Dramatic increases in global terrorism and protection requirements have intensified demands on the Secret Service. Consequently, the pressure to meet these expanded workload demands has undermined Service's working conditions, staff morale, and ultimately its ability to retain their highly trained workforce. To balance the Service's workload and retain its workforce, the budget supports 250 new positions and annualization for 234 positions enacted in the FY 2000 supplemental request.
- Treasury remains committed to providing the highest quality training for law enforcement professionals. This budget continues implementation of the Federal Law Enforcement Training Center's five-year Master Plan, and funds the expanded workload related to training new ATF and Secret Service agents and inspectors.
- Treasury is required to meet many additional externally mandated challenges.
 - Enforcement of laws against forced child labor requires frequent and assertive interaction with foreign countries harboring facilities that produce goods by this illegal and cruel practice. The request provides a modest amount of funding for Customs enforcement of forced child labor laws.
 - The budget supports Customs and Secret Service counter-terrorism efforts, required under Presidential Decision Directive 62, with funding to provide airspace security for special national events in the Washington area.
 - The Counter-Terrorism Fund was established in 1997 to support emergency efforts to investigate and prosecute counter-terrorism. This budget replenishes the Fund's resources.
- The budget provides 88 additional positions to support ATF's tobacco regulation and compliance efforts, specifically related to section 9302 of Public Law 105-33.

Enhance Financial Reporting and Resource Accountability

Supports the following Treasury Strategic Goals: Manage the Federal Government Accounts and Improve the Efficiency of Production Operations and Maintain the Integrity of U.S. Coin and Currency.

- ❑ Treasury remains committed to the Administration's policy of promoting fiscal responsibility.

- Through the excellent stewardship of Treasury's fiscal bureaus, including redirection of base resources and reinvestment of productivity savings, the budgets for the Financial Management Service (FMS) and the Bureau of the Public Debt (BPD) are comparable to the FY 2000 level. Within the levels requested, both bureaus continue to address important technology goals.
 - The budget for FMS supports critical systems modernization for: (1) electronic certification, check payment and reconciliation; (2) Internet platform expansion; (3) FMS-wide computer and network security and safety; and (4) government-wide financial accounting and ADP infrastructure.
 - This request also continues support for Public Debt's efforts to manage its operations cost-effectively and ensure that its financial technological infrastructure remains current with global economic standards.
- The U.S. Mint, financed by a revolving public enterprise fund, will continue meeting the significant growth in coinage demand that has occurred over the past several years, and producing and successfully marketing numismatic and bullion products.
- The budget of the Bureau of Engraving and Printing, also financed by a revolving fund, supports continued production of U.S. currency, postage stamp, and security documents.

Invest in Community Development and Economic Growth

Supports Treasury Strategic Goal: Promote Domestic and Economic Growth.

- Treasury remains a primary advocate for domestic and international economic growth.
 - The Community Development Financial Institutions Fund (CDFI) promotes access to capital in under-served markets by investing directly in and supporting community development financial institutions, and by expanding financial service organizations' lending, investments, and services. The budget expands funding for this high priority Presidential initiative.
 - The budget continues funding for the Community Adjustment and Investment Program (CAIP) to provide loans, grants and other assistance to trade-constrained communities.
 - A proposed new account will fund expanded access to financial services, increase the availability of low-cost banking accounts, and provide financial education to low- and moderate-income communities.

Maintain Support for Management Operations

Supports the following Treasury Strategic Goals: *Improve Management Operations and Maintain U.S. Leadership on Global Economic Issues.*

- Departmental Offices provides the programmatic oversight and technical support essential to the Secretary's leadership role in law enforcement, revenue collection, and financial management. The budget supports these functions with:
 - Increases for core infrastructure operational requirements, including technology upgrades for enhanced market analyses that support Treasury's leadership role on economic issues;
 - Essential resources required in Domestic Finance to oversee the implementation of the recently enacted Financial Modernization Act, the most sweeping change in the regulation and management of financial institutions since the 1930's; and
 - Funding for the multi-year program to repair and restore the Main Treasury Building and Annex begun in December 1998 and outlined in the original plan provided to the Congress in 1997.
- The Department-wide Systems and Capital Investment Programs account funds projects serving Treasury's corporate management and enforcement objectives. Four major projects are included for FY 2001: Human Resources Information System; Integrated Treasury (Wireless) Network; Critical Infrastructure Protection, including the banking finance sector; and the Public Key Infrastructure (PKI) pilots.
- The Treasury Office of Inspector General budget strengthens its audit and investigative efforts with funding for additional investigators and enhancement of its information technology infrastructure.
- This budget enhances the Treasury Inspector General for Tax Administration's capability to conduct mandated and discretionary review of IRS operations, and bolsters its mandated responsibility to provide an independent Counsel Office.

**Department of the Treasury
FY 2001 President's Budget**

Appropriation Account	FY 1999	FY 2000			FY 2001				
	Enacted w/ LE Supp. & Admin. Resc.	Enacted (w/Res.&Supp.) (Program Level)	Less SuperSurplus Forf. Fund	Enacted (w/Res.&Supp.) (Direct Approp.)	Pres. Budget (Program Level)	Less SuperSurplus Forf. Fund	Pres. Budget (Direct Appropriation)	Less Customs Fee	Pres. Budget (Direct Approp. w/ Legis. Prop.)
Tax Administration	\$7,726,853	\$8,112,272	—	\$8,112,272	\$8,841,084	—	\$8,841,084	—	\$8,841,084
Internal Revenue Service (Operations)	7,515,853	8,112,272		8,112,272	8,722,084		8,722,084		8,722,084
IRS Information Technology Investment Account	211,000	—		—	119,000		119,000		119,000
Law Enforcement	\$3,580,274	\$3,554,694	(\$174,906)	\$3,379,788	\$4,271,210	(\$42,500)	\$4,228,710	(\$210,000)	\$4,018,710
Financial Crimes Enforcement Network	25,365	29,568		29,568	34,694		34,694		34,694
Federal Law Enforcement Training Center	110,087	114,402		114,402	125,081	(14,267)	110,814		110,814
Bureau of Alcohol, Tobacco, and Firearms	557,574	639,520	(34,947)	604,573	769,216	(13,313)	755,903		755,903
U.S. Customs Service	2,100,725	1,935,408	(64,493)	1,870,915	2,368,207	(11,000)	2,357,207	(210,000)	2,147,207
U.S. Secret Service	710,623	760,533	(75,466)	685,067	830,537	(3,920)	826,617		826,617
Interagency Crime and Drug Enforcement (OCDETF)	75,900	75,263		75,263	103,476		103,476		103,476
Counter-Terrorism Contingency Fund					25,000		25,000		25,000
Money Laundering Strategy					15,000		15,000		15,000
Fiscal Service Operations	\$368,140	\$377,698	—	\$377,698	\$385,752	—	\$385,752	—	\$385,752
Financial Management Service	196,490	200,555		200,555	202,851		202,851		202,851
Bureau of the Public Debt	171,650	177,143		177,143	182,901		182,901		182,901
Management	\$210,362	\$345,562	(\$3,000)	\$342,562	\$466,896	—	\$466,896	—	\$466,896
Departmental Offices	124,036	134,034		134,034	154,582		154,582		154,582
Treas Bldg & Annex Repairs & Restoration	27,000	22,700		22,700	31,000		31,000		31,000
Office of Inspector General	30,636	30,599		30,599	33,608		33,608		33,608
Treasury Inspector General for Tax Administration	—	111,781		111,781	118,427		118,427		118,427
Department-wide Systems & Capital Invest. Program	28,690	46,448	(3,000)	43,448	99,279		99,279		99,279
Expanded Access for Financial Services					30,000		30,000		30,000
Subtotal, Treasury Appropriation Committee	\$11,885,629	\$12,390,226	(\$177,906)	\$12,212,320	\$13,964,942	(\$42,500)	\$13,922,442	(\$210,000)	\$13,712,442
Earned Income Tax Credit Compliance (Outside Caps)	143,000	144,000		144,000	145,000		145,000		145,000
Total, Treasury Appropriation Committee	\$12,028,629	\$12,534,226	(\$177,906)	\$12,356,320	\$14,109,942	(\$42,500)	\$14,067,442	(\$210,000)	\$13,857,442
Grants/Technical Assistance									
Community Development Financial Institutions Fund	94,992	95,000		95,000	125,000		125,000		125,000
Community Adjustment and Investment Program	10,000	9,962		9,962	10,000		10,000		10,000
International Affairs Technical Assistance	1,500	—		—	—		—		—
Total, Treasury Level	\$12,135,121	\$12,639,188	(\$177,906)	\$12,461,282	\$14,244,942	(\$42,500)	\$14,202,442	(\$210,000)	\$13,992,442