

**DEPARTMENT OF TREASURY**

**ALCOHOL AND TOBACCO TAX AND TRADE BUREAU**

**FISCAL YEAR 2006  
CONGRESSIONAL BUDGET SUBMISSION**

**ALCOHOL AND TOBACCO TAX AND TRADE BUREAU  
FY 2006 BUDGET JUSTIFICATION**

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**EXECUTIVE SUMMARY**

The Alcohol and Tobacco Tax and Trade Bureau (TTB) was established on January 24, 2003, as a result of the Homeland Security Act of 2002. The Act transferred firearms, explosives, and arson functions of the Bureau of Alcohol, Tobacco and Firearms (ATF) to the Department of Justice and retained the tax collection and consumer protection provisions of the Internal Revenue Code (IRC) and Federal Alcohol Administration Act in TTB within the Department of the Treasury. While the agency has a new name, the history of TTB's regulatory responsibility dates back to the creation of the Department of the Treasury and the first federal taxes being levied on distilled spirits in 1791. TTB collects alcohol, tobacco, firearms, and ammunition excise taxes, protects the consumer by ensuring that alcohol beverages are labeled, advertised, and marketed in accordance with the law, and facilitates trade in beverage and industrial alcohols.

In FY 2004, TTB collected \$14.7 billion in revenue. Alcohol represents about 46 percent of the annual tax receipts and the revenue collections from tobacco represent about 51 percent. The remaining three percent represents firearms, ammunition, and special occupational tax collections. It is important to note that about 400 taxpayers (8 percent) account for roughly 95 percent of the annual excise tax collections. On October 22, 2004, the President signed Public Law 108-357, the American Jobs Creation Act of 2004, into law, thereby suspending the requirement to pay Special Occupational Tax (SOT) for most businesses engaged in the alcohol industries at the manufacturing, wholesaling/importing, and retailing levels. The suspension will end on June 30, 2008.

When TTB was established, all information technology (IT) resources, including capital assets, IT personnel and the resources to develop core business applications remained with ATF. Since that time, TTB was funded at a level adequate to reimburse ATF for existing service. In April 2004, ATF officially notified TTB that all IT support services provided by ATF would be terminated at the end of FY 2005. Consequently, for FY 2006, TTB is requesting \$4.04 million for IT infrastructure and \$1.7 million for the development of core business applications.

**SECTION 1 - STRATEGIC CONTEXT**

**STRATEGIC CONTEXT FOR THE FY 2006 BUDGET/PERFORMANCE PLAN (EXHIBIT 1a)**

The purpose of this document is to justify the Alcohol and Tobacco Trade and Tax Bureau’s (TTB) FY 2006 budget by demonstrating how funding enables achievement of TTB’s strategic objectives and how achievement of those objectives is ascertained through its performance goals and measures.

**Mission**

TTB’s mission is to collect alcohol, tobacco, firearms and ammunition excises taxes, to ensure that alcohol beverages are labeled, advertised and marketed in accordance with the law, and to administer the laws and regulations in a manner that protects the revenue, protects the consumer, and promotes voluntary compliance.

The following exhibit displays the major commodity categories and federal excise tax collections administered during FY 2003 and FY 2004.

<b>FY 2003 &amp; FY 2004 Federal Excise and Special Tax Collection and Other Collections</b>		
<b>Collections</b>	<b>FY 2003</b>	<b>FY 2004</b>
SPECIAL OCCUPATIONAL TAX	\$102,232,594	\$100,561,642
SPECIAL OCCUPATIONAL TAX – National Firearms Act (NFA)	1,551,265	0
ALCOHOL & TOBACCO EXCISE TAX	13,934,021,116	14,093,110,888
PUERTO RICO & VIRGIN ISLANDS / ALCOHOL TOBACCO	357,303,307	336,107,091
FIREARMS / AMMO EXCISE TAX	200,419,923	216,005,637
FLOOR STOCK TAX (Tobacco)	1,627,653	125
Offers in Compromise / NON TAX	387,000	357,000
<b>Total Revenue Received</b>	<b>\$14,597,542,857</b>	<b>\$14,746,142,383</b>

In addition to collecting taxes on these commodities, TTB protects the public by preventing consumer deception and fraud and ensures that alcohol beverage products comply with federal commodity, safety and distribution standards. TTB provides regulatory and tax collection functions as well as technical, scientific, and legal expertise relating to these products. In FY 2006, TTB will continue to develop policies, regulations, procedures, rulings, directives, and other materials that guide the operations of the regulated industries and of the field personnel in the bureau. Regulations will be created or amended based on sound research, studies, field visits, and

pilot programs. This unique combination of tools and skills allows TTB to provide a focused, flexible, and balanced approach to fulfilling its key missions of protecting the public and collecting revenue.

### **Key Strategic Issues**

TTB inherited a number of challenges from ATF when it established itself as a separate bureau in January 2003. Over a period of years, ATF had gradually shifted away from alcohol and tobacco programs to firearms and explosives enforcement. As a result, alcohol and tobacco initiatives, such as an active field program and a consistent, professional excise tax audit program for regulating these industries, had not been fully staffed. Jump-starting these initiatives and programs has been and will continue to be a challenge for TTB.

#### ***COLLECT THE REVENUE***

The Bureau's Collect the Revenue strategy recognizes the effectiveness that can be obtained by providing the option of electronically filing tax returns, reports, applications, claims, and other related forms and documents. A balanced field approach of audit and investigations targets non-compliant industry members and helps ensure voluntary compliance. Another key tactic supporting the Collect the Revenue strategy includes the application of statistically validated and state-of-the-art methods to measure and analyze compliance with tax law, and to identify any gaps in tax payment. These include implementation of electronic means to file tax returns, make payments, and submit operational reports through Pay.gov. These systems allow for both online and hardcopy reconciliations using Discoverer software (Oracle Financial Reporting System). Successful analysis, evaluation and monitoring make for a more effective and efficient use of limited field resources. In FY 2004, TTB completed 54 excise tax audits, and had 27 in process. As a result of these audits, TTB validated over \$16.8 billion of the bureau's collected taxes, which represents over one-third of the Federal excise taxes collected between 2001 and 2003. TTB identified \$7.2 million in additional taxes due, of which \$862,000 has been collected. In addition, a number of compliance issues have surfaced as a result of audit findings.

The Federal Excise Tax sampling and risk assessment strategies target the audit staff resources on those taxpayers based on size of taxpayer collections (large taxpayer), high-risk assessments, and sound application of statistical sampling techniques. The large taxpayers (roughly 400) account for 95 percent of the Federal excise tax collections. The objective is to audit at least 90 percent of the revenue on a three to four year cycle. The large taxpayer audits will take place in the following industries: Distilled Spirits Plants, Breweries, Wineries, Tobacco Products Manufacturers, and Firearms and Ammunition Producers. The remaining taxpayers, who account for roughly 5 percent of the Federal excise tax collections, will be selected for audit on the basis of risk and random sampling.

The TTB field operations represent almost two-thirds of this organization's staffing resources. Those positions are used to operate the National Revenue Center (NRC), the Trade Investigations Division (TID), and the Tax Audit Division (TAD).

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In FY 2004, TTB collected nearly \$15 billion in federal excise taxes. The majority of the taxes collected are from alcohol (46 percent of annual tax receipts) and tobacco (51 percent of revenue collections). The remaining three percent represents firearms, ammunition, and special occupational tax (SOT) collections. SOT collections, which represent approximately \$100 million in annual receipts, have been suspended from 2005 through 2008 (per P.L. 108-357). It is important to note that 8 percent of taxpayers (400 people) account for 95 percent of the annual excise tax collections. As a result, 70 to 75 percent of audit resources were dedicated to the top 400 taxpayers, 20 to 25 percent of audit resources were dedicated to the remaining taxpayers and the remainder of the audit resources was dedicated to Manufacturers of Non-Beverage Products who claim drawbacks on the tax on distilled spirits that they use.

As part of TTB's overall effort to reduce taxpayer burden and increase compliance through 2008, TTB will revise all Title 27 regulations by rewriting several hundred pages in plain language, except for necessary technical terms.

Another component of TTB's strategy is educating the taxpayer on laws and regulations and keeping the industry informed on pending issues. An open line of communication with the taxpayer is essential in achieving our goal of collecting all the revenue due while limiting the taxpayer burden. The industry members and the public are kept informed through a number of media and methods, including the Internet, seminars, surveys, TTB website, and publications.

The National Revenue Center (NRC) in Cincinnati, Ohio, consists of 188 employees and 46 contractors who process 400,000 tax returns and operational reports each year. These returns account for nearly \$15 billion in tax revenue from excise taxes and special occupational taxes. The NRC processes and screens over 4,000 original applications for commencing operations in alcohol and tobacco related businesses, nearly 7,000 amended applications, and manages the permits for 36,000 active permit holders. Handling over 80,000 phone calls annually, the NRC is usually the first contact point within TTB for customers regarding tax and permit application issues.

The NRC is responsible for coordinating and implementing many important programs vital to TTB. The office calculates the Puerto Rico/Virgin Islands Cover Over payment on alcohol tax, assists Trade Investigations Division (TID)/Tax Audit Division (TAD) in developing risk factors for investigations and audits, and leads the way on numerous e-Gov initiatives such as Integrated Revenue Information System (IRIS) integration, Pay.gov tax payment/filing program, and the planning of an E-Application system. The NRC maintains several TTB databases which will be integrated into a single system (IRIS).

***PROTECT THE PUBLIC***

TTB's Protect the Public strategy assures 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 labeling, advertising and marketing of alcohol products through education, investigation, and laboratory testing. TTB works with industry, other federal and state governments, and other interested parties to make it easier to comply with regulatory requirements, while maintaining the appropriate level of oversight to ensure the public's safety. Innovation, partnerships, and open communication are paramount to achieving this strategic goal. Pursuant to provisions of the Internal Revenue Code (IRC) of 1986, TTB has agreements with 40 States to share tax information.

TTB monitors trade practices of the alcohol industry and takes enforcement actions on violations or discrepancies; monitors and reviews international trade in alcoholic beverages to identify trade barriers; promotes free access to foreign markets; and suppresses incidents of international fraud and contaminated products. TTB also processes applications for certificates of label approval and proposed formulas for imported and domestic distilled spirits, beer, and wine products to ensure that products are manufactured in accordance with standards of identity, are properly classified for excise tax, and that labels and advertisements are not misleading.

Keeping ineligible persons from entering the industry is vital to TTB's mission. The tobacco and alcohol industries have the potential to be financially lucrative through illicit activity in these commodities, and it is crucial that unscrupulous individuals, organized crime and terrorists are kept out of these industries. TTB's National Revenue Center (NRC) receives over 4,000 original applications for various permits annually. To ensure that only eligible persons enter into the business, criminal, personal and financial background investigations are conducted, and in-depth interviews with prospective industry members are initiated as part of the qualification process. Applications are screened using a detailed criteria worksheet to determine which ones should be considered for further field investigation of the operations premises. In FY 2004, TTB completed over 500 investigations on permit applications. As a result of the TTB's screening and investigation efforts, an average of 10 percent of all original applications are denied or withdrawn annually.

TTB is charged with enforcing the Federal Alcohol Administration Act, which requires importers and bottlers of beverage alcohol to obtain certificates of label approval or certificates of exemption from label approval (COLAs) for most alcoholic beverages prior to their introduction into interstate commerce. TTB reviews COLAs to ensure that products are labeled in accordance with federal laws and regulations aimed at protecting the consumer. TTB receives over 100,000 COLA applications annually (paper and e-filed applications), and that number has increased more than 50 percent over the past five years.

In late 2003, TTB launched a web-based and entirely paperless system called COLAs Online that gives alcohol industry members and third party filers the option to file these applications via the TTB web site. This system also provides a way for TTB to process the

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application electronically, to return approved or rejected COLAs to applicants electronically, and to provide electronic notification to applicants of approval or rejection. TTB's focus for FY 2006 is to continue to encourage the use of COLAs Online.

One of the key activities in TTB's Protect the Public strategy is its Scientific Services Division (SSD), which consists of three laboratories: the Beverage Alcohol Laboratory, the Non-beverage Products Laboratory and the Compliance Monitoring Laboratory. All three laboratories support the Bureau's mission of protecting the public and collecting the revenue by performing analyses on alcohol and tobacco products and reporting the findings to internal and external customers.

The SSD provides scientific support to the Bureau on programs such as the classification of tobacco products for tax purposes, approval of non-beverage and specially denatured alcohol formulas, analysis of pre-import and marketed alcohol beverage products for class and type designation, determining product safety, monitoring of marketed products for TTB regulatory compliance, and technical guidance in formulating regulations on new issues. The invaluable information provided by the SSD allows Bureau personnel to make knowledgeable regulatory decisions and proper tax assessment on regulated products.

### **Key Strategy Impacts**

When ATFE and TTB were established on January 24, 2003, all IT resources supporting both TTB and ATFE remained with ATFE, including 100 percent of all capital assets, infrastructure, IT support personnel, and resources necessary to continue development of core business applications. TTB's FY 2004 base appropriation was funded at a level adequate to reimburse ATF for continued IT services.

In FY 2004, TTB implemented a business strategy of separating its administrative support services from ATF, including time and attendance, procurement, human resource, travel, property, accounting and financial management services. TTB's initial focus has been on transitioning the administrative functions, under a joint venture with the Department of the Treasury. Effective June 13, 2004, a reimbursable services agreement was made between TTB and the Bureau of the Public Debt's Administrative Resource Center (ARC). This agreement addresses all Human Resources services previously provided by ATF, including employee relations; staffing, recruitment, and classification; personnel actions and payroll processing; employee benefits and retirement; personnel security (now performed through the Department of the Treasury); time and attendance (through WebTA); and drug testing.

Moreover, at the beginning of FY 2005, TTB moved its accounting system and several related financial management administrative support services to the Bureau of the Public Debt (BPD) Administrative Resource Center (ARC). The ARC accounting system platform improves TTB's management reporting capability through web-based pre-defined reports and an ad hoc reporting tool (e.g., Discoverer), and also provides a number of integrated systems to support our business activities. The migration of Human Resources



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and Financial Management services not only preserves a continuity of operations for TTB, but also creates a high-quality, customer-focused administrative business environment at no additional recurring cost (owing to one time costs absorbed in FY 2004).

The strategic objective is to consolidate all of the tax databases into a single integrated system known as the Integrated Revenue Information System (IRIS), which currently hosts application processing data and operational reports data, and to provide an automated interface of that subsidiary data to the accounting system. Currently, the tax databases maintained by the National Revenue Center (NRC) in Cincinnati, Ohio, and the accounting system are not integrated. The Federal Excise Tax (FET) database along with the Special Occupational Tax (SOT) database, and the Floor Stock Tax database (FST) serve as subsidiary records to the summary data incorporated in the accounting system. The FET database maintains each taxpayer's account information as well as a detailed transaction history for each taxpayer, data currently not available in the accounting system. TTB is requesting \$1.7 million in FY 2006 to fund Phase 2 of the IRIS implementation, which will integrate the FET database into IRIS and provide enhanced functionality, including supporting electronic payments and developing a plan to automate an interface between IRIS and the accounting system.

In FY 2003 and FY 2004, all information technology support and infrastructure for TTB was provided by ATF on a fully reimbursable basis through a memorandum of understanding (MOU). In FY 2005, TTB renewed this agreement for ATF to provide IT support to TTB. This support includes all desktop computers, application servers, office productivity software, local and wide area networks, telephones and contractor support.

On April 29, 2004, ATF Deputy Assistant Director for Management issued notification to TTB of its decision to terminate these IT infrastructures and support services at the end of FY 2005. Although ATF agreed to extend the IT agreement through FY 2005, TTB must initiate its move to support its systems and standards by the end of FY 2005. TTB is required to separate the information technology infrastructure and core business applications from the ATF platform, then fully support this infrastructure starting in FY 2006 to effect this transition. This budget request includes these critical resources to ensure this transition of IT infrastructure and support services and the subsequent support of this infrastructure.

A key element of TTB's mission, *Collect the Revenue*, encompasses TTB's revenue strategy and goal to provide the most effective and efficient system for the collection of all revenue that is rightfully due; eliminate or prevent tax evasion and other criminal conduct; and provide high quality service while imposing the least regulatory burden. In light of this goal, the Collect the Revenue program plans to engage in projects designed to allow taxpayers to report and pay excise taxes electronically; enable industry customers to access the Pay.Gov system and consolidate the tax collection and reporting databases at the NRC from an antiquated and obsolete database technology into a single integrated state of the art system that will promote greater efficiency and reduce costs.

A second element of TTB's mission, *Protect the Public*, is TTB's strategy to prevent consumer deception/fraud and ensure the regulated alcohol products comply with federal labeling, advertising, and distribution standards. This goal uses community, industry,

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and government partnerships to supplement TTB programs to reduce public safety risks and potential consumer deception on regulated commodities. Future information technology investments will allow industry members to file alcohol formulas online; and allow industry members to apply for and receive approval for permits that are required by law for conducting business that we regulate.

**ALCOHOL AND TOBACCO TAX AND TRADE BUREAU SUPPORT OF TREASURY GOALS AND OBJECTIVES  
(TABLE 1.1)**

The table below displays the relationship between TTB’s strategic and performance goals to Treasury’s Strategic Plan.

<b>Treasury Strategic Goal: Manage the Government’s Finances Effectively (F4) /1</b>		
<b>Treasury Strategic Objective</b>	<b>TTB Strategic Goal</b>	<b>Performance Goals Linked to Strategic Goal</b>
Collect federal tax revenue when due, through a fair and uniform application of the law. (F4A)	<p><b>Collect the Revenue:</b></p> <p>Provide the most effective and efficient system for the collection of all revenue that is rightfully due; eliminate or prevent tax evasion and other criminal conduct; and provide high quality service while imposing the least regulatory burden.</p>	<p>A. Reduce the paperwork burden by continuing to create alternative reporting and filing methods through electronic government.</p> <p>B. Provide online information for industry members so that it is easier to comply voluntarily with regulation.</p> <p>C. Apply statistically valid state-of-the-art methods to measure and analyze compliance with tax laws, and identify any gaps in tax payment.</p>
<b>Treasury Strategic Goal: Promote Stable U.S. and World Economies (E2)</b>		
Increase citizens’ economic security. (E2A)	<p><b>Protect the Public:</b></p> <p>Prevent consumer deception; ensure that regulated alcohol and tobacco products comply with Federal commodity, safety, and distribution requirements; and provide high quality customer service.</p>	<p>A. Improve customer service by decreasing turn-around times for Certification and Label Approval (COLA) processing (electronic and paper). Promote use of COLAs Online in an effort to improve the completeness and accuracy of submitted COLA applications while allowing TTB and the regulated industry to exchange information instantly via electronic means, thus reducing the burden to industry.</p> <p>B. Improve customer service by meeting or exceeding customer service standards for analyzing samples received through the Alcohol and Tobacco Laboratory.</p> <p>C. Monitor alcohol beverages in the marketplace through the Alcohol Beverage Sampling Program in order to detect contaminated and adulterated products and to ensure compliance with the appropriate Federal labeling and marketing laws and regulations.</p> <p>D. Decrease the number and impact of unsafe products (alcohol).</p> <p>E. Provide online information for industry members so that it is easier to comply voluntarily with regulations.</p>

/1 Source: New FY 2005 Strategic Plan linking Treasury Goals and Objectives to Bureau program and Budget Activities.

**APPROPRIATION LANGUAGE SHEET & JUSTIFICATION OF LANGUAGE CHANGES (EXHIBIT 1c)**

DEPARTMENT OF THE TREASURY  
ALCOHOL and TOBACCO TAX and TRADE BUREAU

Federal Funds

General and Special Funds:

**SALARIES AND EXPENSES**

For necessary expenses of carrying out section 1111 of the Homeland Security Act of 2002, including hire of passenger motor vehicles, [\$83,000,000] \$62,486,000; 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. (*Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.*)

*In addition, \$28,640,000 from the General Fund: Provided, That such amount shall be reduced by such sums as may be deposited to the Alcohol and Tobacco Regulatory Fund, so as to result in a final fiscal year 2006 appropriation from the General Fund under this paragraph estimated at \$0: Provided further, That amounts from the Alcohol and Tobacco Regulatory Fund may be transferred to this account, to be merged with and available for the same purposes as this account, to remain available until expended.*

Treasury General Provisions:

Sec. 216. Section 122(g)(1) of Public Law 105-119 (5 U.S.C. 3104 note), is further amended by striking “7 years” and inserting “8 years”.

**JUSTIFICATION OF LANGUAGE CHANGES (EXHIBIT 1c)**

The Budget proposes to establish user fees to cover the costs of TTB's regulatory functions under its "Protect the Public" line-of-business. The new user fees include administrative fees for “drawbacks” from Manufacturers of Non Beverage Products (MNBP), filing fees for Certificate of Label Approvals (COLAs) for distilled spirits, wine and beer, American Viticultural Areas (AVA), proposed formulas, and new permit applications. The industry would pay for the benefits it receives from TTB’s regulatory efforts.

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These efforts assure the public of unadulterated alcohol and tobacco products, help product sales, and promote fair competition among industry members. User fees would not apply to the “Collect the Revenue” activities.

The Homeland Security Act of 2002 authorized the new Alcohol and Tobacco Tax and Trade Bureau. The Act provided for the continuation of the personnel management demonstration project, which is contained in the Treasury Department’s General Provision language. The Homeland Security Act of 2002 also provided for the establishment of the Bureau of Alcohol, Tobacco, Firearms, and Explosives under the Department of Justice.

The Omnibus Consolidated and Emergency Supplemental Appropriations Act for FY 1999 authorized by the Secretary of the Treasury to establish a Department of the Treasury demonstration project for designated critical occupations. This project was established to enhance Treasury’s ability to effectively recruit and retain highly qualified employees.

### **PROPOSED LEGISLATIVE CHANGES (EXHIBIT 1d)**

The Budget proposes to establish user fees to cover the costs of TTB's regulatory functions under its "Protect the Public" line-of-business. The new user fees include administrative fees for “drawbacks” from Manufacturers of Non Beverage Products (MNBP), filing fees for Certificate of Label Approvals (COLAs) for distilled spirits, wine and beer, American Viticultural Areas (AVA), proposed formulas, and new permit applications. This change would generate estimated user fee collections of \$28,640,000 annually. Authorizing legislation will be proposed that amends the Internal Revenue Code (Title Internal Revenue Code of 1986, 26 U.S.C.) and the Federal Alcohol Administration Act (27 U.S.C.), and system and operational changes would be needed to implement the new fees. Language in the appropriations bill would allow the spending from these receipts to be scored against the appropriations bill for 2006.

The FY 2005 President’s Budget includes a general provision to extend the Pay Demonstration Program an additional year. The Omnibus Consolidated and Emergency Supplemental Appropriations Act for FY 1999 authorized by the Secretary of the Treasury to establish a Department of the Treasury demonstration project for designated critical occupations. This project was established to enhance Treasury’s ability to effectively recruit and retain highly qualified employees. It seeks to do so by implementing changes in personnel management practices for designated occupations. For FY 2006, TTB proposes to continue the Pay Demonstration Program by amending the general provision language to extend the program an additional year.

**SECTION 2 – THE PERFORMANCE BUDGET**

SUMMARY OF TOTAL PROGRAM OPERATING LEVEL BY TREASURY GOAL AND OBJECTIVE (TABLE 2.1) (Dollars in Thousands)			
TREASURY GOAL/OBJECTIVE	FY 2004 Actual	FY 2005 Actual	FY 2006 Estimate
<b>TREASURY GOAL: Manage the Government's Finances Effectively (F4)</b>			
<b>Appropriated Budget Obligations</b>	\$56,801	\$45,285	\$50,119
<b>Appropriated Full-time Equivalents (FTE)</b>	363	299	299
<b>Reimbursable Budget Obligations</b>	\$1,700	\$935	\$935
<b>Reimbursable Full-time Equivalents (FTE)</b>	15	8	8
<b>Total Budget Obligations</b>	\$58,501	\$46,220	\$51,054
<b>Total Full-time Equivalents (FTE)</b>	378	307	307
<i>Objective : Collect Federal Tax Revenue When Due, Through a Fair and Uniform Application of the Law (F4A)</i>			
Appropriated Budget Obligations	\$56,801	\$45,285	\$50,119
Direct Full-time Equivalents	363	299	299
Reimbursable Budget Obligations	\$1,700	\$935	\$935
Reimbursable Full-time Equivalents	15	8	8
<b>Total Budget Obligations</b>	\$58,501	\$46,220	\$51,054
<b>Total Full-time Equivalents</b>	378	307	307
<b>TREASURY GOAL: Promote Stable U.S. and World Economies (E2)</b>			
<b>Appropriated Budget Obligations</b>	\$22,727	\$37,051	\$12,367
<b>Appropriated Full-time Equivalents (FTE)</b>	181	245	75
<b>Reimbursable User Fees</b>	0	0	\$28,640
<b>Reimbursable User Fees/Full-time Equivalents (FTE)</b>	0	0	170
<b>Reimbursable Budget Obligations</b>	\$0	\$765	\$765
<b>Reimbursable Full-time Equivalents (FTE)</b>	0	7	7
<b>Total Budget Obligations</b>	\$22,727	\$37,816	\$41,772
<b>Total Full-time Equivalents (FTE)</b>	181	252	252
<i>Objective : Increase citizens' economic security (E2A)</i>			
Appropriated Budget Obligations	\$22,727	\$37,051	\$12,367
Direct Full-time Equivalents	181	245	75
Reimbursable User Fees	0	0	\$28,640
Reimbursable User Fees/Full-time Equivalents	0	0	170
Reimbursable Budget Obligations	\$0	\$765	\$765
Reimbursable Full-time Equivalents	0	7	7
<b>Total Budget Obligations</b>	\$22,727	\$37,816	\$41,772
<b>Total Full-time Equivalents</b>	181	252	252

1/ Budget and FTE information reported by activity is based on FY 2005 estimates of staff participation in projects and programs under each activity year to date.

Alcohol and Tobacco Tax and Trade Bureau

ANALYSIS OF FY 2005 APPROPRIATED LEVEL (Table 2.2)

	FTE	Amount (\$000)
FY 2005 President's Budget.....	544	\$81,942
Adjustments (+/-):		
Appropriation.....	0	1,058
Rescission.....	0	(664)
Subtotal Adjustments.....	0	394
FY 2005 Estimate.....	544	82,336

DIGEST OF FY 2006 BUDGET ESTIMATES BY ACTIVITY (Table 2.3)

(Dollars in Thousands)

BUDGET ACTIVITY	FY 2004 Actual		FY 2005 Budget Estimate		FY 2006 Budget Estimate		INCREASE (+) OR DECREASE (-) FOR FY 2006					
							TOTAL CHANGES		PROGRAM CHANGES		OTHER CHANGES	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>Appropriated Resources (all sources)</b>												
1. Collect the Revenue	363	\$56,801	299	\$45,285	299	\$50,119	0	\$4,834	0	\$3,357	0	\$1,477
2. Protect the Public 1/	181	\$22,727	245	\$37,051	75	\$12,367	(170)	(\$24,684)	0	2,747	0	(\$27,431)
<b>Total, Appropriated Resources</b>	<b>544</b>	<b>\$79,528</b>	<b>544</b>	<b>\$82,336</b>	<b>374</b>	<b>\$62,486</b>	<b>(170)</b>	<b>(\$19,850)</b>	<b>0</b>	<b>\$6,104</b>	<b>0</b>	<b>(\$25,954)</b>
<b>Adjustments (+/-):</b>												
Unobligated balance lapsing												
User Fees 1/	0	\$0	0	\$0	170	\$28,640	170	\$28,640	0	\$0	0	\$28,640
Offsetting Collections - Reimbursable 2/	15	\$1,700	15	\$1,700	15	\$1,700	0	\$0	0	\$0	0	\$0
<b>Subtotal, Adjustments</b>	<b>15</b>	<b>\$1,700</b>	<b>15</b>	<b>\$1,700</b>	<b>185</b>	<b>\$30,340</b>	<b>170</b>	<b>\$28,640</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$28,640</b>
<b>Program Operating Level</b>												
1. Collect the Revenue	378	\$58,501	307	\$46,220	307	\$51,054	0	\$4,834	0	\$3,357	0	\$1,477
2. Protect the Public	181	\$22,727	252	\$37,816	252	\$41,772	0	3,956	0	2,747	0	\$1,209
							0	0	0	0	0	0
							0	0	0	0	0	0
<b>Total, Program Operating Level</b>	<b>559</b>	<b>\$81,228</b>	<b>559</b>	<b>\$84,036</b>	<b>559</b>	<b>\$92,826</b>	<b>0</b>	<b>\$8,790</b>	<b>0</b>	<b>\$6,104</b>	<b>0</b>	<b>\$2,686</b>

1/ The FY 2006 Protect the Public regulatory activity is to be funded partially from new proposed user fees in the amount of \$28,640. See proposed new user fee language covered within Section 1. See Table 4.4 for breakout of the budget object class detail to be funded from both direct and the proposed new user fees.

2/ Reimbursable Funds from the "cover over" (return with Puerto Rico) covers the cost of the Puerto Rico Operations.

3/ Budget and FTE information reported by activity is based on FY 2005 estimates of staff participation in projects and programs under each activity year to date.

**SUMMARY EXPLANATIONS OF FY 2006 REQUESTED CHANGES BY ACTIVITY (TABLE 2.6)**

In FY 2006, appropriated funding requirements for the Alcohol and Tobacco Tax and Trade Bureau (TTB) are projected to be \$91,126,000. This is a total increase of \$8,790,000 over the FY 2005 total funding level of approximately \$82,336,000 (appropriations of \$83,000,000 less rescission of \$664,000) for salaries and expenses. The associated FY 2006 direct FTE level is 544, the same level of FTEs as in FY 2005. For FY 2006, TTB is requesting program increases of \$6,104,000 for TTB Enterprise Information Services which will fund the cost of transitioning off of ATF's IT infrastructure and investing in a core business application, and approximately \$2,686,000 to maintain current service levels.

**SUMMARY OF PROGRAM INCREASES AND DECREASES (EXHIBIT 2a)**

In FY 2006, appropriated funding requirements for the Alcohol and Tobacco Tax and Trade Bureau (TTB) are projected to be \$91,126,000. This is a total increase of \$8,790,000 over the FY 2005 total funding level of \$82,336,000 for salaries and expenses. The associated FY 2006 direct FTE level is 544, the same level of FTEs as in FY 2005.



<b>SUMMARY EXPLANATIONS OF FY 2006 REQUESTED CHANGES BY ACTIVITY (Table 2.6)</b> (ALL INITIATIVES ARE LISTED IN ORDER OF PRIORITY) (Dollars in Thousands)						
Requested Changes	Collect the Revenue		Protect the Public		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
<b>1. PROGRAM REDUCTIONS:</b>						
a. Re-engineer	0	0	0	0	0	0
b. Reinvestment	0	0	0	0	0	0
<b>SUBTOTAL, PROGRAM REDUCTIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2. PROGRAM INCREASES / REINVESTMENTS (in order of priority):</b>						
a. TTB Enterprise Information Services 1/	0	3,357	0	2,747	0	6,104
<b>SUBTOTAL, PROGRAM INCREASES / REINVESTMENTS</b>	<b>0</b>	<b>3,357</b>	<b>0</b>	<b>2,747</b>	<b>0</b>	<b>6,104</b>
<b>3. TOTAL ADJUSTMENTS TO BASE:</b>						
a. Adjustments Necessary to Maintain Current Levels:	0	1,477	0	1,209	0	2,686
<b>SUBTOTAL, TOTAL ADJUSTMENTS TO BASE:</b>	<b>0</b>	<b>1,477</b>	<b>0</b>	<b>1,209</b>	<b>0</b>	<b>2,686</b>
<b>TOTAL CHANGES, BUDGET AUTHORITY</b>	<b>0</b>	<b>4,834</b>	<b>0</b>	<b>3,956</b>	<b>0</b>	<b>8,790</b>

1/ IT infrastructure \$4.404M and IT Core Business Application (IRIS) \$1.7M

**TOTAL REQUESTED PROGRAM CHANGES..... +\$ 8,790,000 / 0 FTE**

**1. PROGRAM INCREASES/REINVESTMENTS..... +\$6,104,000 / 0 FTE**

**a. TTB Enterprise Information Services ..... + \$4,404,000 / 0 FTE**

The Alcohol and Tobacco Tax and Trade Bureau (TTB) is a new bureau within the Department of Treasury and was formerly a component of the Bureau of Alcohol, Tobacco, and Firearms (ATF). ATF's firearms, explosives and arson components were moved to the Department of Justice as a result of the Homeland Security Act of 2002, while the tax and trade component (e.g., TTB) remained at the Department of Treasury. All existing information technology (IT) resources, 100 percent of IT capital assets, and all IT personnel remained with ATF. Since that time, TTB has paid a fee to continue to utilize the ATF IT infrastructure and carry out its critical tax collection mission. ATF has officially notified TTB that this agreement will no longer be honored as of September 30, 2005 and all IT support services provided by ATF will be terminated at that time.

The TTB Enterprise Information Services initiative provides the underlying infrastructure required for all TTB applications. It provides essential support to the applications and systems, which TTB relies on to meet its strategic goals. The IT Infrastructure portion of the initiative provides the critical infrastructure (hardware, software, and services) TTB requires to function, as well as meet its strategic goals and objectives and carry out mission critical activities for the Bureau. Without an infrastructure, TTB's ability to collect nearly \$15 billion annually that is rightfully due would be severely impaired. Furthermore, were this initiative not funded, TTB would be unable to support other applications that interface with industry to facilitate its compliance with regulations, and thus protect the public. Finally, without the IT infrastructure, TTB would be unable to design and deploy new e-Government solutions through which the Bureau refines its management practices.

The TTB FY 2006 IT funding request is a multifaceted consolidation of the following infrastructure and mission critical IT support services funding needs. For FY 2006, TTB is requesting \$4.404 million to support various infrastructure requirements such as:

- **BPD Administrative Resource Center Services for TTB.** TTB has negotiated a reimbursable agreement with the Bureau of Public Debt's (BPD) Administrative Resource Center (ARC) to host several of TTB's essential administrative systems, which include Financial Management Services, Travel Services, Procurement Services, Property Management Services, Human Resources Services and Administrative Services. This involves

transferring TTB franchised activities from ATF to the BPD ARC and is a direct response to TTB's need to separate from ATF's infrastructure, systems and services.

- **Information Technology Program Management Services.** Provides support across the entire TTB organization that is essential to the accomplishment of TTB's mission. The objective of this initiative is to augment and provide general support to the TTB Office of the Chief Information Officer (OCIO) in the areas of infrastructure; quality assurance, software development and maintenance; IT governance, including enterprise architecture and capital planning; and IT security.
- **Voice services provided through the Treasury Digital Telecommunications Solutions (DTS) contract.** TTB is currently a customer of DTS, which provides telephones, voice messaging, and telephone help desk support to Treasury bureaus in the Washington, DC metropolitan area.
- **Data network connectivity provided through the Treasury Communications Solutions (TCS) contract.** This program provides data communications products such as network connectivity between TTB sites and Internet access. It offers network services that support e-mail, e-commerce initiatives, videoconferencing, and other applications.
- **Office automation applications, such as email, file and print sharing, etc.** These applications are required to provide support for all TTB missions and business processes. This initiative includes hardware, software, and maintenance required to support TTB electronic mail, and integrated desktop application (Microsoft Office 2003) electronic file storage and printing capabilities.
- **Facilities and network support.** This component provides the underlying network required for all TTB desktops, laptops, and servers to communicate with each other. This includes building cables, network equipment, and access control systems.
- **Desktop and end user support services.** This component includes all TTB desktop and laptop hardware, software, and end user support. Currently, TTB is renting outdated equipment and software from ATF.
- **Specialized application support.** This component will provide full application to user management and maintenance of all TTB applications that cannot be outsourced.
- **Custom applications hosting and maintenance.** As part of the transition to an independent infrastructure, TTB plans to outsource custom applications. Outsourcing includes full application to user management and operational maintenance of all TTB custom applications by a third party vendor. All TTB custom applications also require periodic service releases to correct defect/enhancements after the system becomes operational. This includes performing design, development, and testing to enhance functionality of existing steady-state systems. Hosting and maintenance will be provided for the TTB's custom applications:
  - **National Revenue Center (NRC) Imaging System.** The NRC imaging system is responsible for imaging the large volume documents received at the NRC for processing such as Federal Excise Tax (FET) returns,

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- Special Occupational Tax (SOT) returns, Floor Stocks Tax (FST) returns, claims, and monthly operational reports.
- **Federal Excise Tax (FET).** FET is responsible for processing, maintaining, and reporting the financial data for the \$14 billion dollars in federal excise tax collected annually at the NRC.
- **Special Occupational Tax/Floor Stock Tax (SOT/FST).** SOT/FST is responsible for processing, maintaining, and reporting the financial data for the 100 million dollars in federal excise tax collected annually at the NRC (National Revenue Center).
- **Rockville Lab Imaging System (RLIS).** RLIS is the system into which data for Forms 5150.19 (Formula and/or Process for Article Made with Specially Denatured Spirits) and Forms 5154.1 (Formula and Process for Non-beverage Products) and their associated images are stored. This is a critical system for the Non-beverage Products Lab (NPL) to retrieve and track submissions received from companies requesting drawback of tax and approval to use specially denatured alcohol (SDA) in their products.
- **TTB Docs.** This initiative creates a single repository for historical documentation relating to Bureau history, regulations, precedent and enforcement. Funding will maintain TTB Docs capacity to convert hard-copy paper documents into digital images retrievable from the user desktop.
- **Auto Audit.** Auto Audit is a comprehensive, fully integrated audit automation system with function modules that provide: work paper creation and management, staff and assignment scheduling, report writing, time reporting, expense reporting, and quality assurance. This system is critical for standardizing; analyzing and tracking results of audits and investigations to ensure Field Operations processes operate in an economical and efficient manner.

**b. Integrated Revenue Information System (IRIS).....+ \$1,700,000 / 0 FTE**

- The following custom application is an e-Government solution for TTB and an integral part of TTB’s IT infrastructure. This custom application works in conjunction with the infrastructure to ensure a totally independent functioning IT environment for TTB. In addition, this application will improve TTB’s service to industry members and other stakeholders as well as collecting revenue. The IRIS will consolidate multiple stand alone databases into a single integrated system. The FY 2006 request will provide \$1.7 million to consolidate the Federal Excise Tax database into IRIS. This investment will provide TTB with a means to coordinate and consolidate records relating to regulated industry member activities. Information managed by IRIS can be effectively used to support timely, complete and informed decision-making, enhance service delivery, and ensure accountability. IRIS will also provide for sharing of information between TTB and its industry members; streamline and increase the efficiency of compliance processes; and realize significant cost savings to industry

members and improved productivity (e.g., reduce paperwork to industry, eases burden on production and tax reporting requirements, improve industry data reliability and accuracy, etc.).

**FY 2006 TTB Enterprise Information Services Cost Breakout by Function**

<b>Infrastructure</b>	<b>Total Costs</b>
Information Technology Program Management Services	3,207,000
Accounting & Management Applications Hosted at Bureau of Public Debt / WCF	3,200,000
Network and Phone Services (TCS,DTS, LAN)	2,414,000
Infrastructure Hosting Facilities	2,105,000
Custom Applications Support	3,862,000
Client/Desktop Support	3,974,000
Subtotal IT Requirements For Infrastructure	<b>18,762,000</b>
<b>FY Integrated Revenue Information System (IRIS)</b>	<b>1,700,000</b>
<b>Total It investment for infrastructure and e Gov Applications</b>	<b>20,462,000</b>

**2. TOTAL ADJUSTMENTS TO BASE..... +\$2,686,000 / 0 FTE**

Other Changes include adjustments necessary to maintain current levels (MCLs) and any other adjustments that may be required. They are as follows:

**a. Adjustments Necessary to Maintain Current Levels.....+ \$2,686,000 / 0 FTE**

Funds are requested for the FY 2006 costs of the January 2005 pay increase (\$0.441 million and 0 FTE); the proposed January 2006 pay raise (\$.664 million and 0 FTE); other labor related benefits (\$0.315 million and 0 FTE); and non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments (\$1.266 and 0 FTE).

**SECTION 3 - EXPLANATION OF PERFORMANCE AND RESOURCES BY BUDGET ACTIVITY**

**NARRATIVE SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (EXHIBIT 3a)**

In the first quarter of FY 2005, Treasury launched a process to streamline its current set of performance measures. Its purpose was to increase the value of the information provided to our stakeholders, respond to congressional requests, focus our priorities, and reduce administrative burden. Results of the process indicated a 60-70 percent reduction in the number of performance measures overall at the Treasury level. At the bureau level, measures that are no longer included in the budget submission are classified as “discontinued,” and are indicated as such. The end result will be apparent in next year’s performance report and budget submission, in the form of a more concise explanation of program performance relative to prior years.

The Alcohol and Tobacco Tax and Trade Bureau (TTB) FY 2006 performance budget is presented programmatically to align resources with performance. TTB’s operations are divided into two major budget activities: Collect the Revenue and Protect the Public. For each activity, budget and performance information are provided to explain historical trends and performance challenges and expectations.

TTB continues to explore new, revised, and discontinued performance measures. To this end, TTB has contracted with the Performance Institute to assist with assessing the Bureau's performance measures and targets. The Performance Institute will assist TTB to maintain focus on outputs, end outcomes, and efficiency measures.

Using the Performance Logic Model Approach, the Institute will work with TTB to assess the current performance management system and to develop performance measurements for more effective and consistent use across TTB while simultaneously imparting the knowledge, skills, and tools to successfully implement the enhanced performance management system. The Performance Logic Model Approach not only allows for the management and evaluation of a government program as a whole, demonstrating the relationship and contributions to results among various program activities, but also allows for enhanced individual and team performance through the development of individual performance contracts. It also allows for ongoing evaluation of not only management issues, but also program policies and strategies and eventually end-outcome results. As such, the Performance Logic Model contains only the most important and indicative performance measures of the program.

The Government Performance Logic Model will provide value and guidance to TTB in its annual budget submission and other planning documents. More importantly, TTB will develop those most important and indicative performance measures (both internal and external) that will gauge TTB's performance and status in meeting stated goals while simultaneously providing the capability for change and growth. The development of this overall performance framework will provide the tools necessary for TTB to develop and

present performance-based budgets that allow both TTB and Treasury to see the allocation and performance of appropriated programs, activities and services.

### **Budget Activity: Collect the Revenue**

TTB serves as the nation's leader on uniquely regulated consumer products: alcohol and tobacco. TTB is charged with collecting alcohol, tobacco, firearms, and ammunition excise taxes. These products generate significant tax revenue (nearly \$15 billion annually), making TTB the third largest tax collection agency in the U.S. Government. Key to collecting all the revenue rightfully due is a field approach that uses analysis to target non-compliant industry members and establishes an identifiable presence within all of industry that encourages voluntary compliance. As a result, TTB strives to provide the most effective and efficient system for the collection of all revenue that is rightfully due in addition to eliminating or preventing tax evasion and providing high quality service to its customers while imposing the least regulatory burden.

Reducing the taxpayer burden is a primary strategy for the Collect the Revenue program. To accomplish this strategy, TTB's future plans include the pursuit of electronic government initiatives as stated in the President's Management Agenda (PMA). The Bureau's Collect the Revenue strategy recognizes the need to provide the regulated industries with the option of electronically filing tax returns, reports, applications, claims, and other related forms and documents.

Educating the taxpayer on laws and regulations and keeping the industry informed on pending issues facilitate the ability for industry to voluntarily comply with taxes, and ensure that the valuable ideas of these stakeholders are considered with regards to limiting the burden placed on them. An open line of communication with the taxpayer is essential in achieving our goal of collecting all the revenue due while limiting the taxpayer burden. The industry members and the public are kept informed through a number of media and methods, including the Internet, seminars and surveys.

TTB's FY 2006 request supports Treasury's Financial strategic goal to "Manage the Government's Finances Effectively" by maintaining a level of funding that effectively collects nearly \$15 billion in excise taxes through the following strategic objectives:

#### **Reduce taxpayer burden and improve service**

- Use Electronic Government.
- Reduce the taxpayer paperwork burden associated with collection of the revenue by creating alternative filing methods.
- On-line filing and payment of tax returns, business activity reports, claims, applications, COLAs, and other required forms.
- Increase program effectiveness through partnerships with industry, States, and other Federal agencies.

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- Continue to automate business applications at the National Revenue Center (NRC).
- Improve collections and efficiency of service through information sharing efforts such as seminars, publications and industry meetings.
- Ensure consistent tax administration.

### **Collect all the revenue that is rightfully due**

- Account accurately for the revenue assessed and collected.
- Increase review of taxpayer returns and collect delinquencies to ensure voluntary compliance.
- Ensure correct payment of taxes through audit of “at-risk” taxpayers.
- Implement and refine ways to identify potential tax jeopardy patterns.
- Through partnership with industry, states, and other federal agencies, develop alternative methods of promoting voluntary tax compliance.

### **Prevent tax evasion and other criminal conduct in the regulated industries**

- Investigate and recommend for prosecution those involved in tax evasion schemes.
- Reduce illegal diversion and smuggling of taxable commodities.
- Prevent entry of persons likely to evade tax payment into the alcohol and tobacco industries.
- Seek criminal or civil sanctions that will deter tax evasion.



Alcohol and Tobacco Tax and Trade Bureau

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (Table 3.1) (Dollars in Thousands)							
Treasury Goal: Managing the Government's Finances Effectively (F4)							
COLLECT THE REVENUE BUDGET ACTIVITY	FY 2001	FY 2002	FY 2003	FY 2004		FY 2005	FY 2006
	Actual	Actual	Actual	Target	Actual	Estimate	Estimate
Total Operating Level (appropriated and user fees) 1/	\$0	\$66,096	\$66,267	\$58,501	\$58,501	\$46,220	\$51,054
Total FTE (direct)	0	388	404	378	378	307	307
Treasury Objective: Collect federal tax revenue when due, through a fair and uniform application of the law (F4A)							
Appropriated Direct Resources [Salaries and Expense Account]	\$0	\$65,096	\$65,096	\$56,431	\$56,801	\$45,285	\$50,119
Direct FTE	0	388	388	363	363	299	299
Offsetting Collections [reimbursable]		\$1,000	\$1,171	\$1,700	\$1,700	\$935	\$935
Reimbursable FTE		0	16	15	15	8	8
Performance Goal: Reduce the paperwork burden by continuing to create alternative reporting and filing methods through electronic government. (F4A)							
1. Percentage of tax-related transactions (applications, reports, returns) received electronically. (E)	NA	0.1%	0.1%	0.2%	0.7%	Discontinued	Discontinued
2. Percentage of total tax receipts collected electronically. (E)	NA	0%	98%	98%	97%	98%	98%
3. Percent of Voluntary Compliance in filing tax payments timely and accurately. (Oe)	NA	NA	80%	82%	81%	92%	95%
Performance Goal: Provide online information for industry members so that it is easier to comply voluntarily with regulations. (F4A)							
1. Level of customer satisfaction with services and information provided by TTB. (M) New	NA	NA	NA	NA	NA	Discontinued	Discontinued
Performance Goal: Apply statistically valid state-of-the art methods to measure and analyze compliance with tax laws, and identify any gaps in tax payment. (F4A)							
1. Taxes collected from the alcohol and tobacco industries and FAET taxpayers. (Ot)	\$14B	\$15.1B	\$14.6B	\$14.6B	14.7B	Discontinued	Discontinued
2. Ratio of taxes collected vs. resources expended. (E)	272:1	325:1 2/	258:1	250:1	251:1	318:1	288:1
3. Cumulative percentage of excise tax revenue audited over the 4-5 year period. (Ot) New	NA	NA	NA	NA	NA	Discontinued	Discontinued
4. Annual compliance rate: Percentage of large taxpayers audited during the year that have no material findings, thereby validating that the amount of tax paid for the audit period was accurate and rightfully due. (Oe) New	NA	NA	NA	Baseline	Baseline	Discontinued	Discontinued
Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Customer Satisfaction Measure							
* Performance reported after close of fiscal year							
1/ Budget Resources/Operating level and FTE tie to digest table, which reflects the establishment of TTB pursuant to the Homeland Security Act of 2002, includes direct and reimbursable resources and FTE.							

## **Budget Activity: Protect the Public**

TTB enforces federal laws related to the labeling, advertising and marketing of alcohol and tobacco products through education, inspection, laboratory testing, and investigation. TTB works with industry, state governments, and other interested parties to facilitate compliance with regulatory requirements. Technical expertise, training, information, and research results are provided to industry members, government agencies and others in order to better protect and serve the public. TTB relies on innovation, partnerships, and open communication to achieve this strategic goal.

### **Assure the integrity of the products, people, and companies in the marketplace**

- Ensure that only qualified applicants enter the regulated industries.
- Perform appropriate testing, laboratory analyses, and review documents of regulated commodities to ensure product safety and integrity.
- Review and act on labels and formulas for domestic and imported beverage alcohol products. Maintain public access to approved COLAs.

### **Ensure compliance with laws and regulations through education, inspection and investigation**

- Respond to industry and consumer complaints. Investigate product contamination and adulteration.
- Investigate thefts of regulated commodities.
- Investigate violations of trade practices, labeling, and advertising in the beverage alcohol industry.
- Inspect alcohol beverages at producer and importer premises to detect consumer deception on health issues.
- Educate interested parties on the laws and regulations of the United States and other countries in areas concerning the regulated industries.

### **Inform the public**

- Publicize information on TTB policies and regulations, product safety, and theft prevention using the Internet, trade publications, seminars, and industry meetings.
- Work in partnership with others to better inform, advise, and educate the public.
- Inform and guide the regulated industries on the Federal laws and regulations and their compliance responsibilities.

## **User Fees (Inclusions/Exclusions) for Protect the Public Mission**

### **Inclusions**

The Budget proposes to establish user fees to cover the costs of TTB's regulatory functions under its "Protect the Public" line-of-business, and system and operational changes would be needed to implement the new fees. The new user fees include administrative fees to cover the cost of processing claims for drawback of tax, processing applications for Certificate of Label Approvals (COLA's) for distilled spirits, wine and beer, applications for new American Viticultural Areas (AVA), submissions of proposed formulas, and applications for new permits. The industry would pay for the benefits it receives from TTB's regulatory efforts. These efforts protect the public against misleading labels and adulterated alcohol products, and prevent dishonest persons from entering the alcohol and tobacco trade, while promoting fair competition among industry members.

- **Manufacturers of Non Beverage Products (MNBP)**
  - Under current law, manufacturers of nonbeverage products may be eligible to claim a refund of tax for the use of tax paid distilled spirits in its products (26 U.S.C. 5134). Currently, there is a fee of \$1 per proof gallon to process such claims. This fee is to cover administrative costs in processing the claims. The proposal includes an increase of fee from \$1 to \$2 per proof gallon. This fee has not been increased in over fifty years.
- **COLAs User Fee**
  - Application Fees for COLAs/Certificates of Exemption: Under 27 U.S.C. 205(e), producers, bottlers and wholesalers of alcohol beverage products must first obtain a COLA before bottling such alcohol beverage products. Those who will sell the alcohol beverage products intrastate must apply for a Certificate of Label Exemption. These requirements also apply to importers; a COLA must be obtained as a condition for removal of the alcohol beverage product from Customs custody. TTB must review each label submitted to determine compliance with its labeling regulations. The COLA user fee would cover the costs of reviewing and processing such COLA applications. A key feature of the proposal is to encourage businesses to file their applications electronically, so a two-tier (electronic vs. paper) fee structure would be introduced as an incentive for businesses to file their applications on an electronic basis rather than the traditional paper submission.
- **Petition for American Viticultural Areas (AVA) User Fee**
  - Applications for new American Viticultural Areas (AVAs): A viticultural area is a delimited place or region with boundaries that are recognized for use on labels of wine (27 C.F.R. 4.25(e)). Petitions

may be made to TTB for recognition of new AVAs. TTB must review the petition and submit it for formal rulemaking.

- **Formula Reviews User Fees**
  - Review of Formulas: TTB regulations require industry members to submit various formulas and statements of process for certain alcohol beverage products (27 C.F.R. 5.25, et seq). In its review, TTB may also conduct lab analyses of such products. Such work is necessary for TTB to determine the proper labeling classifications of the products, and to determine whether a proposed manufacturing process results in a change of character, composition, class or type of product.
  
- **Lab Analysis for Sulfur Dioxide Waiver and/or Methanol in Grappa**
  - Lab Analysis: A user fee is proposed on work related to Lab analysis and issuance of a report for waiver of sulfur dioxide and/or methanol in grappa warning statement on the label.(Grappa may be generically defined as a spirit--dry and high in alcohol).
  
- **Permits Original Application User Fee**
  - Applications for New Permits: Under 27 U.S.C. 203(a), a person may not engage in the business of manufacturing or importing, bottling or warehousing alcohol beverage products without a permit. TTB must review and investigate the qualifications of the applicant, including the applicant's potential criminal background and whether he or she is likely to operate in conformity with Federal law.

## Exclusions

New user fees are not to be proposed in cases where an excise tax currently finances those Government services that benefit specific individuals, and should not apply to the “Collect the Revenue” activities. In addition, certain services and activities covered under the “Protect the Public” mission do not lend themselves to the user fee initiative. As a result, the following activities are not intended to be subject to user fees:

- **Enforcement of Regulatory Provisions.** Enforcement of TTB’s laws and regulations is designed primarily to protect the public. Investigators conduct product integrity inspections and other fieldwork that provides an assurance to the general public that the product they purchase is what it is represented to be.
- **Market Compliance (including import/export activities).** TTB has excluded those services provided under Advertising, Labeling and Formulation Division (ALFD), the International Trade Division (ITD), and the Trade Investigations Division on the basis that the underlying activities are directed more to protecting the public than benefiting any industry member. TTB has excluded those efforts of ALFD with regards to responding to consumer complaints. Activities that ALFD conducts with regard to case processing on product integrity inspections; the Alcohol Sampling Program; and the Alcohol Advertising Program have been excluded. In addition, activities covered under ITD that facilitate trade of alcohol beverages in the international area have also been excluded, because imposing user fees discourages free trade with other countries.
- **Lab Analysis Regarding Contaminants.** Lab analysis of beverage alcohol products to examine for contaminants provides benefits to the general public and provides no specific benefit to the user.
- **Permit Renewal Fees for Existing Permittees or for Amended Applications.** User fees on permits would not apply to existing permittees or amended applications. There are roughly 4,000 existing permittees that pay nearly \$15 billion in excise taxes per year. Implementing user fees on existing members who pay excise taxes is contradictory to OMB Circular A-25. Amended applications occur when permittees change addresses, board members, etc. To charge members for amendments to their existing permits would likely result in a reduction in reporting and voluntary compliance. TTB needs the information provided by industry members to effectively enforce its statutory mandate in regulating the persons in the alcohol market. TTB also provides statistical data for use by both government and industry sources. TTB processes roughly 14,000 amended applications per year.

Alcohol and Tobacco Tax and Trade Bureau

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (Table 3.1) (Dollars in Thousands)							
Treasury Goal: Promote Stable U.S. and World Economies (E2)							
PROTECT THE PUBLIC BUDGET ACTIVITY	FY 2001	FY 2002	FY 2003	FY 2004		FY 2005	FY 2006
	Actual	Actual	Actual	Target	Enacted	Enacted	President's Budget
Total Operating Level (appropriated and reimbursable) 1/	\$0	\$7,904	\$23,049	\$22,727	\$22,727	\$37,816	\$41,772
Total FTE (direct and reimbursable)	0	0	181	181	181	252	252
Treasury Objective: Increase citizens' economic security (E2A)							
Appropriated Direct Resources [Salaries and Expense Account]	\$0	\$7,904	\$23,049	\$22,727	\$22,727	\$37,051	\$12,367
Direct FTE	0	155	181	181	181	245	75
User Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$28,640
User Fees FTE	0	0	0	0	0	0	170
Offsetting Collections [reimbursable]	\$0	\$0	\$0	\$0	\$0	\$765	\$765
Reimbursable FTE	0	0	0	0	0	7	7
Performance Goal: Improve customer service by decreasing turn-around times for Certification and Label Approval (COLA) processing (electronic and paper). Promote use of COLAs Online in an effort to improve the completeness and accuracy of submitted COLA applications while allowing TTB and the regulated							
1. Percentage of COLA approval applications processed within 9 calendar days following receipt. (E)	0%	0%	57%	60%	23%	35%	50%
2. Percentage of electronically filed COLA applications. (E)	NA	NA	3%	10%	14%	15%	16%
Performance Goal: Improve customer service by meeting or exceeding customer service standards for analyzing samples received through the Alcohol and Tobacco Laboratory.							
1. Percentage of non-beverage formula submissions processed within 10 working days of receipt. (E)	NA	NA	65%	90%	95%	Discontinued	Discontinued
2. Percentage of Specially Denatured Alcohol formula submissions completed within 10 days of receipt. (E) Revised	NA	NA	NA	90%	80%	Discontinued	Discontinued
Performance Goal: Decrease the number and impact of unsafe products (alcohol).							
1. Response to unsafe conditions and product deficiencies discovered (alcohol). (Discontinued, see revised measure below)	NA	NA	191	55	20	Discontinued	Discontinued
Percentage of unsafe products responded to with appropriate action within 48 hours. (E)	NA	NA	NA	NA	N/A	Discontinued	Discontinued
Performance Goal: Provide online information for industry members so that it is easier to comply voluntarily with regulations.							
1. Level of customer satisfaction with services and information provided by TTB. (M) New	NA	NA	NA	NA	N/A	Discontinued	Discontinued
Performance Goal: Monitor alcohol beverages in the marketplace through the Alcohol Beverage Sampling Program in order to detect contaminated and adulterated products and to ensure compliance with the appropriate Federal labeling and marketing laws and regulations.							
1. Percent of Alcohol Beverage Sampling Program samples that disclose labeling violations. (Ot)	NA	NA	NA	NA	N/A	Discontinued	Discontinued
Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Customer Satisfaction Measure							
* Performance reported after close of fiscal year							
1/ Budget Resources/Operating level and FTE tie to digest table, which reflects the establishment of TTB pursuant to the Homeland Security Act of 2002, includes direct, reimbursable resources, and proposed user fees and FTE.							

**SUMMARY OF REIMBURSABLE RESOURCES (TABLE 3.2)**

Puerto Rico Operations conducts Revenue, Application, and Product Integrity investigations of major industry members annually. Medium and small producers are targeted in response to specific problems and risk indicators. Revenue inspections are used to conduct tax examinations on major producers of alcohol and tobacco. This is critical due to the requirements of verifying tax payments under the Internal Revenue Code (IRC) of 1986 and subsequent accountability of all cover-over amounts due the Puerto Rico government. All distilled spirits producers/processors, wineries, wholesalers, importers, Manufacturer of Non-Beverage Products (MNBP) claimants and Specially Denatured Alcohol (SDA) permit applicants are subjected to qualification inspection due to the lack of local controls and potential issues in commerce with the U.S. Additionally, major producers of distilled spirits, wine and malt beverages are subjected to inspection due to the lack of local controls and potential issues in commerce with the U.S. All costs associated with the functioning and support of this office are paid from the “cover-over” (return) of taxes collected in the United States on products originating in Puerto Rico and the Virgin Islands.

**Puerto Rico Operations – Summary of Reimbursable Resources (Table 3.2)**

**(Dollars in Thousands)**

Program/Client – Description of Services	FY 2004 Enacted	FY 2004	FY 2005	FY 2005	FY 2006	FY 2006
		FTE	President’s Budget	FTE	Proposed	FTE
<b>Puerto Rico Operations</b> – This office conducts Revenue, Application, and Product Integrity investigations. All costs associated with the functioning and support of this office are paid from the “cover-over” (return) of taxes collected in the United States on products originating in Puerto Rico and the Virgin Islands.						
	\$1,700	15	\$1,700	15	\$1,700	15
<b>Total Reimbursement:</b>	<b>\$1,700</b>	<b>15</b>	<b>\$1,700</b>	<b>15</b>	<b>\$1,700</b>	<b>15</b>

**EVALUATION OF FY 2005 PERFORMANCE PLAN (EXHIBIT 3b)**

**Budget Activity: Collect the Revenue**

Evaluation of FY 2005 Program Performance Compared to FY 2004:

The FY 2006 request enables the continuation of efforts underway in FY 2005 towards achieving the performance measures supporting TTB's strategic goal of providing the most effective and efficient system for the collection of all revenue that is rightfully due; eliminate or prevent tax evasion and other criminal conduct; and provide high quality service while imposing the least regulatory burden.

Accomplishments for FY 2004 included the establishment of an entire field structure for tax audit and trade investigation. This involved recruiting and hiring supervisors, auditors, investigators, locating, equipping, and opening 18 field offices. Several audits of large taxpayers were conducted and investigations took place. Total revenue receipts for FY 2003 and FY 2004 were \$14.6 billion and \$14.7 billion respectively. In FY 2003, revenues fell approximately three percent below target. This decrease in revenue can be primarily attributed to lower consumption and increased imports of tobacco products.

TTB will employ a number of key strategies to ensure that all the revenue that is rightfully due is collected. Several taxpayers will be audited by the Tax Audit Division, establishing a baseline of risk data upon which to select future audits. As discussed earlier, 54 audits have been completed and 27 are in process. In FY 2004, as a result of these 54 audits, TTB identified \$7.2 million in additional tax due, of which we collected \$862,000 in federal excise taxes. The Office of Field Operations will: provide industry outreach/seminars to encourage compliance; investigate allegations/indications of tax fraud where a full tax audit is not contemplated; verify destruction of large quantities of taxable commodities; and conduct compliance inspections of non-taxpaying permittees who have substantial potential for tax liability. TTB conducted 33 industry outreach seminars in FY 2004. Furthermore, TTB completed the following types of investigations: 540 permit application qualifications; 421 product integrity investigations/inspections; and 11 trade practices.

Additionally, TTB will continue a five-year project to increase the number of taxpayers who can file their returns electronically. The ultimate goal is to allow permittees and taxpayers to file all payments, returns, and applications online with the National Revenue Center. In order to achieve this goal, TTB will continue working to integrate databases necessary to facilitate electronic government.

TTB is planning to expand the Pay.gov pilot to include all excise taxpayers to file and pay electronically. This project has the potential to expand the number of taxpayers paying in this manner from six in the original pilot to over 5,000 taxpayers. TTB offered



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Pay.gov to all excise taxpayers by the summer of 2004. Our goal is to increase electronic excise tax transactions from .2 percent received during the pilot to 10 percent for FY 2005.

## **Budget Activity: Protect the Public**

### Evaluation of FY 2005 Program Performance Compared to FY 2004:

TTB enforces federal laws related to the labeling, advertising and marketing of alcohol and tobacco products through education, inspection, laboratory testing, and investigation. TTB works with industry, state governments, and other interested parties to facilitate compliance with regulatory requirements. Technical expertise, training, information, and research results are provided to industry members, government agencies, and others in order to better protect and serve the public.

The performance measures supporting the “Protect the Public” programs will remain in line with the FY 2004 measures and will be enhanced by additional measures outlined below.

To ensure alcohol beverage labels do not contain misleading information and adhere to regulatory mandates, TTB examines all alcohol labels prior to their use and issues a certificate of label approval (COLA) as evidence. While regulations grant the government 120 days to review and process COLAs, TTB has a long-standing customer service goal to process COLAs within nine calendar days of receipt. For FY 2004, TTB’s target for this measure is 23 percent. TTB expects this figure to reach 35 and 50 percent in FY 2005 and FY 2006 respectively. TTB is faced with many challenges, including the increase in the number of COLA submissions and increase in new staff assigned to this area that require at least one year to be fully trained and proficient in processing COLAs.

On May 21, 2003, TTB launched COLAs Online, the first facet of TTB’s E-government initiative. This system enables the submission and processing of COLA applications via the Internet. This innovation improved the submission and review process for alcohol beverage labels by providing an expedient and paperless means of obtaining Federal label approval. The number of electronically filed COLAs is expected to increase to 15 percent in FY 2005 and 16 percent in FY 2006.

Users of specially denatured alcohol (SDA) are required to submit a formula to the TTB Laboratory. Likewise, those using alcohol for non-beverage purposes, such as in the manufacture of flavorings or medicines, must also gain approval of their formula in order to file a claim for drawback of excise taxes previously paid. In both cases, the TTB Lab reviews the formula and analyzes samples to grant or deny the action requested by the applicant. TTB’s Non-beverage Products Laboratory (NPL) has pledged in its Customer Service Plans to process 90 percent of the non-beverage and SDA formulas within 10 working days of receipt. The NPL is meeting the target of 10 days for non-beverage formulas 95 percent of the time to date in FY 2004. In FY 2005, the NPL aims to monitor and improve the turn-around time and increase the number of those returned within 10 working days.

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In FY 2004 TTB did not perform the Beverage Alcohol Sampling Program, which affected the results of our measure to respond to instances where alcohol products were found or were reported to be unsafe for human consumption. In FY 2004, TTB documented 163 instances of product deficiencies, which include products out of tolerance for alcohol content and fill. This measure—not the program—has been discontinued in FY 2005; one key reason for discontinuing this measure is that there are considerable variances in the definitions of a product deficiency. Minor variances may unnecessarily alarm the public.

**FY 2006 PERFORMANCE PLAN (EXHIBIT 3c)**

**Budget Activity: Collect the Revenue**

FY 2006 Proposed Program Performance:

A TTB strategic goal is to provide the most effective and efficient systems for the collection of all revenue that is rightfully due; eliminate or prevent tax evasion and other criminal conduct; and provide high quality service while imposing the least regulatory burden on our stakeholders.

TTB will also continue efforts to integrate systems at the NRC, to establish the groundwork necessary for analytical processing and trend analysis (e.g. identify if plant operations are within in norms and if unusual patterns/trends in operations exist – including increases in exports). The FY 2006 request includes a key initiative that will enhance our collection efforts, the Integrated Revenue Information System (IRIS). This effort will limit work done on time consuming, manual processes, which are currently stretching resources, ultimately enabling more essential analytical review. Another key strategy that maximizes the effectiveness of the available resources is identifying industry members with weakened financial or operating controls, poor compliance history, or tax evasion schemes and referring them for field audits during FY 2006.

In addition to collecting the revenue rightfully due, the goals of reducing taxpayer burden and improving service remain a priority. TTB will continue working to increase the number of taxpayers who can file their returns electronically. The ultimate goal is to allow permittees and taxpayers to file all payments, returns and applications online with the National Revenue Center, which will require additional funding beyond FY 2006.

**Budget Activity: Protect the Public**

FY 2006 Proposed Program Performance:

TTB's goal to protect the public complements its goal of collecting the revenue with training and prevention strategies through industry regulation, industry partnership, and reducing public safety risk and consumer deception on regulated commodities. The FY 2006 resource request enables the continuation of efforts underway in FY 2005 toward achieving the performance measures within this strategic goal.

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In FY 2006, TTB plans to continue to increase the percentage of COLA applications processed in nine calendar days to 50 percent and plans to have up to 16 percent of all COLA applications received electronically. TTB also plans to turn around applications for SDA and non-beverage alcohol in 10 days, 90 percent of the time. These goals have significant impact on customer satisfaction.

In addition, in order to protect the consumer TTB will continue to document responses internally to unsafe conditions and product deficiencies discovered related to alcohol products and labels, although as mentioned previously, this activity will not be measured for external reporting. TTB does this through various methods including responding to consumer complaints, responding to referrals from foreign governments, market basket sampling at retail locations, and product integrity inspections conducted at domestic alcohol plants. Through these programs, TTB tests samples of alcoholic beverages sold at the retail level and obtained directly from producers to ensure that alcoholic beverages marketed in the United States meet formulation and labeling requirements, do not contain unauthorized substances or contaminants, and are properly classified for tax purposes.

In FY 2005, TTB established a customer satisfaction measure to monitor the level of satisfaction with the services and information we provide regarding TTB's mission to protect the public. This can be accomplished by tracking satisfaction with the quality and quantity of information on our web site, the frequency of and quality of information we present at industry seminars or meetings, satisfaction with our responses to inquiries via email, regular mail, or telephone, and a variety of other ways. This information will be invaluable in our efforts to educate consumers and industry regarding labeling, advertising, and formulation requirements for alcohol products in the U.S.

**SECTION 4 - SUPPORTING MATERIAL**

**MAJOR MANAGEMENT CHALLENGES AND HIGH RISK AREAS (EXHIBIT 4a)**

The Alcohol and Tobacco Tax and Trade Bureau (TTB) does not have any management challenges and/or high-risk areas identified by the Inspector General or the Government Accountability Office (GAO).

**CROSS-CUTTING COORDINATION EFFORTS (EXHIBIT 4c)**

TTB has formal Memoranda of Understanding (MOU) and informal relationships with other federal agencies in addition to working with state and local agencies in the regulation of the alcohol and tobacco industries.

**Budget Activity: Collect the Revenue**

**Performance Goal:** Provide the most effective and efficient system for the collection of all revenue that is rightfully due, eliminate or prevent tax evasion and other criminal conduct, and provide high quality service while imposing the least regulatory burden.

- U.S. Bureau of Immigration and Customs Enforcement (ICE) and U.S. Bureau of Customs and Border Protection (CBP). The Homeland Security Act of 2002 created these agencies within the Department of Homeland Security to assume the responsibilities of the former Customs Service. CBP collects alcohol and tobacco excise taxes on imported packaged products. TTB coordinates its Internal Revenue Code tobacco enforcement activities with ICE and CBP's enforcement of the Imported Cigarette Compliance Act of 2000.
- U. S. Bureau of Customs and Border Protection (CBP). TTB interacts with CBP in the area of alcohol and tobacco importation. TTB often provides CBP with confirmation that a Certificate of Label Approval has been issued for imported bottled beverage alcohol products, if individuals have been licensed as alcohol or tobacco importers, or in verification of the authenticity or classification of alcohol beverage products to ensure that the proper excise tax and duty rates are applied. TTB consults with CBP to determine information about the importer of record for various alcohol and tobacco products and verifies if certain products have been imported into the U.S. TTB also plays an important role, along with several other Federal agencies, in assisting CBP in the development of an integrated International Trade Data System. This database will provide a data tracking mechanism instrumental to the requirements of the Bioterrorism Act of 2002 to verify the authenticity of commercial goods being shipped into U.S. ports.

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- Federation of Tax Administrators (FTA). The FTA represents State agencies that collect taxes. TTB attends FTA meetings that focus on the collection of excise taxes on alcohol and tobacco products. During these meetings, TTB and representatives of the various State agencies share information and foster relationships to improve efforts on the Federal and State levels to collect excise taxes that are rightfully due.
- National Association of State Attorney Generals (NAAG). NAAG is the coordinator of the Master Settlement Agreements (MSA) concerning cigarettes and smokeless tobacco among the various State governments. Because NAAG is interested in collecting MSA payments from domestic manufacturers and importers, TTB has provided domestic production and import information to NAAG in accordance with the provisions of the Internal Revenue Code of 1986. We continue to offer assistance and provide information to NAAG and the State governments.
- Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF). TTB and ATF have signed an MOU on the sharing of information that gives both bureaus access to the information essential for the accomplishment of their programs. This includes investigations of diversion of alcohol and tobacco products to avoid tax payment.

### **Budget Activity: Protect the Public**

**Performance Goal:** Prevent consumer deception, ensure that regulated alcohol and tobacco products comply with federal commodity, safety, and distribution requirements, and provide high quality customer service.

- Food and Drug Administration (FDA). TTB examines alcohol beverage labels and routinely tests product samples for compliance with laws and regulations. Where label/product analysis indicates a potential risk to public health or safety, immediate action is required. Any food product (including an alcohol beverage) is considered adulterated under the Federal Food, Drug and Cosmetic Act if it contains a poisonous or deleterious substance, or an unapproved food additive. Contaminated alcohol beverages would be considered adulterated for purposes of the Food, Drug and Cosmetic Act and subject to enforcement action by FDA as well as by TTB. Under the terms of the MOU between the two agencies, TTB will notify FDA when an adulterated alcohol beverage is encountered, consult with FDA before implementing a voluntary recall, and keep FDA apprised of the situation. In the event product contamination does not fall within TTB's jurisdiction as primary agency, the TTB response will be coordinated with the agency having jurisdiction.
- United States Department of Agriculture (USDA). On October 21, 2002, USDA finalized rules implementing the National Organic Program. This program establishes national standards for the production and handling of organically produced products, including alcohol beverages. Consequently, USDA and TTB share in the regulatory control of alcohol products that

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bear an organic claim on their labeling. An MOU between USDA and TTB establishes procedures that allow for a timely concurrent review of these labels to ensure that they comply with all federal-labeling regulations.

- Office of the U.S. Trade Representative (USTR). In the area of U.S. trade policy, TTB works closely with the USTR. As part of a USTR interagency work group, TTB serves as technical advisor and authority on U.S. alcohol beverage laws, regulations and policy. TTB provides assistance to the USTR in alcohol beverage and tobacco matters within the World Trade Organization Council on Trade-Related Aspects of Intellectual Property, its Technical Barriers to Trade Committee, and other groups. Through these activities, TTB assists the USTR in the worldwide expansion of market access for U.S. goods and services, participates in trade-related intellectual property protection issues, and assists in the negotiation of bilateral and multilateral free trade agreement issues related to wine and spirits.
- Federal Trade Commission (FTC). FTC and TTB have cross-jurisdictional authority in the area of beverage alcohol advertising. TTB has worked with FTC on several occasions in response to complaints about alcohol advertisements, most recently regarding the advertisement and placement of “malternatives” in retail shops. TTB recently expanded its advertising enforcement program, which will provide ample opportunities for working together with FTC.
- Joint Committee of the States. The Joint Committee is an organization of State liquor control administrators. Many States have limited resources to apply towards programs such as alcohol label approval, trade practice investigations or laboratory analysis of samples, and they look to TTB to assist where possible. TTB has agreements with the Joint Committee to provide information regarding certificates of label approval and is a regular participant at Joint Committee meetings and conferences in an effort to promote open communications and frequent interaction.

TTB works with the two primary organizations of State alcohol beverage regulators, the National Conference of State Liquor Administrators (NCSLA) and the National Association of Beverage Control Administrators (NABCA) to promote cooperative efforts and programs for alcohol beverage regulation and taxation.

- The National Conference of State Liquor Administrators (NCSLA) is an association whose purpose is to "promote the enactment of the most effective and equitable types of state alcoholic beverage control laws; to devise and promote the use of methods which provide the best enforcement of the particular alcoholic beverage control laws in each state; to work for the adoption of uniform laws insofar as they may be practicable; to promote harmony with the federal government in its administration of the Federal Alcohol Administration Act; and to strive for harmony in the administration of the alcoholic beverage control laws among the several states." The “several states” mentioned above are the States that require licensing and that act as regulators/tax collectors. ([www.ncsla.org](http://www.ncsla.org))

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- The National Association of Beverage Control Administrators (NABCA) is a trade association representing 19 jurisdictions known as the "control states" which not only regulate alcohol beverage distribution within their respective borders, but also sell these products at the wholesale and, in many cases, retail level. By participating in the marketplace, the control jurisdictions are able to serve their citizens with a broader and more flexible range of policy options for promoting moderation in the consumption of alcohol beverages and for reducing alcohol abuse ([www.nabca.org](http://www.nabca.org)).



**DETAIL OF FULL-TIME EQUIVALENT POSITIONS BY CATEGORY (Table 4.1)**

Position Category	Enacted FY 2004	Estimated		Changes 1/
		FY 2005	FY 2006 1/	
Auditors.....	95	95	101	6
Investigators.....	72	72	77	5
Alcohol and Tobacco Specialists.....	204	204	222	18
Chemists.....	27	27	24	(3)
Attorneys.....	17	17	17	-
Professional and general support personnel.....	121	121	99	(22)
<b>Subtotal.....</b>	<b>536</b>	<b>536</b>	<b>540</b>	<b>4</b>
Part-time & temporary full-time equivalent positions.....	8	8	4	(4)
<b>Total full-time equivalent positions .....</b>	<b>544</b>	<b>544</b>	<b>544</b>	<b>-</b>

1/ The changes reflect TTB's workforce strategy which focused on placing employees in field operations and industry related support services.

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DETAIL OF FULL-TIME EQUIVALENT STAFF YEARS BY GRADE (Table 4.2)

Grade	FY 2004 Enacted	FY 2005 Estimated Operating Level	FY 2006 Budget Estimate 2/	Changes 2/
Senior Executive Service Pay Band 1/.....	4	4	4	-
<b>Subtotal.....</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>-</b>
GS-15.....	19	19	19	-
GS-14.....	44	44	39	-
GS-13.....	82	82	84	-
GS-12.....	45	45	35	-
GS-11.....	44	44	135	-
GS-10.....	-	-	-	-
GS-09.....	98	98	18	-
GS-08.....	3	3	12	-
GS-07.....	26	26	8	-
GS-06.....	12	12	11	-
GS-05.....	43	43	35	-
GS-04.....	4	4	3	-
GS-03.....	-	-	1	-
GS-02.....	-	-	1	-
GS-01.....	-	-	2	-
<b>Subtotal.....</b>	<b>420</b>	<b>420</b>	<b>403</b>	<b>-</b>
Other (Pay Demonstration Project)				
Pay Band Level 4.....	3	3	13	-
Pay Band Level 3.....	50	50	59	-
Pay Band Level 2.....	31	31	35	-
Pay Band Level 1.....	36	36	30	-
<b>Subtotal.....</b>	<b>120</b>	<b>120</b>	<b>137</b>	<b>-</b>
<b>Total full-time equivalent positions .....</b>	<b>544</b>	<b>544</b>	<b>544</b>	<b>-</b>

1/ P.L. 108-136 abolishes the six levels of SES pay and replaces it with a new performance-based system effective January 2004.

2/ The changes reflect TTB's workforce strategy which focused on placing employees in field operations and industry related support services.

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EXPLANATION OF PROPOSED FY 2005 OPERATING BUDGET (Table 4.3)  
(Dollars in Thousands)

OBJECT CLASS	FY 2005 Pres. Budget as Amended		+ or - Congressional Action		FY 2005 Enacted Level		Other Proposed Reprogrammings		Effect of Transfers, Prop. Supp./ Rescission 1/		FY 2005 Proposed Operating Level	
	\$	FTE	\$	FTE	\$	FTE	\$	FTE	\$	FTE	\$	FTE
11.1 Full-Time Permanent Positions.....	37,292	544			37,292	544	(783)		(465)		36,044	544
11.1 Other than Full-Time Permanent Positions.....												
11.5 Other Personnel Compensation.....	884				884		(476)				408	
11.8 Special Personal Services Payments.....											-	
11.9 Personnel Compensation (Total).....	38,176	544	-		38,176	544	(1,259)	-	(465)	-	36,452	544
12.0 Personnel Benefits.....	10,232				10,232		224		(199)		10,257	
13.0 Ben. Former Personnel.....												
21.0 Travel.....	4,219				4,219		(333)				3,886	
22.0 Transportation of Things.....					-		117				117	
23.1 Rental Paym'ts to GSA...2/.....	4,229				4,229		1,019				5,248	
23.2 Rent Paym'ts to Others.....											-	
23.3 Commun., Util., & Misc.....	529		46		575		3,211				3,786	
24.0 Printing and Reprod.....											-	
25.1 Advisory & Assistance Services.....											-	
25.2 Other Services.....	23,000		862		23,862		(3,305)				20,557	
25.3 Purchase of Goods/Serv. from Govt. Accts...											-	
25.4 Operation & Maintenance of Facilities.....											-	
25.5 Research & Development Contracts.....											-	
25.6 Medical Care.....											-	
25.7 Operation & Maintenance of Equipment.....											-	
25.8 Subsistence & Support of Persons.....											-	
26.0 Supplies and Materials.....	547				547		114				661	
31.0 Equipment.....	985				985		237				1,222	
32.0 Lands and Structures.....			150		150		-				150	
33.0 Investments & Loans.....											-	
41.0 Grants, Subsidies.....											-	
42.0 Insur. Claims & Indemn.....	25				25		(25)				-	
44.0 Refunds.....											-	
<b>TOTAL BUDGET AUTHORITY</b>	<b>81,942</b>	<b>544</b>	<b>1,058</b>	<b>-</b>	<b>83,000</b>	<b>544</b>	<b>-</b>	<b>-</b>	<b>(664)</b>	<b>-</b>	<b>82,336</b>	<b>544</b>
<b>ACTIVITIES</b>												
1) Collect the Revenue	58,384	363	751	-	59,135	363	(13,379)		(471)		45,285	299
2) Protect the Public.....	23,558	181	307	-	23,865	181	13,379		(193)		37,051	245
<b>TOTAL BUDGET AUTHORITY</b>	<b>81,942</b>	<b>544</b>	<b>1,058</b>	<b>-</b>	<b>83,000</b>	<b>544</b>	<b>-</b>	<b>-</b>	<b>(664)</b>	<b>-</b>	<b>82,336</b>	<b>544</b>

1/ Consolidated Appropriations, HR 4818, P.L. 108-447 Enacted \$83,000 less rescission of \$664, equals the \$82,336.

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STANDARD OBJECT CLASSIFICATION SCHEDULE - Direct Obligations (Table 4.4)  
(Dollars in Thousands)

Object Class	FY 2004 Actual	FY 2005 Proposed Operating Level 1/	FY 2006			Total Increases/ Decreases for FY 2006
			Total Budget Estimate	Direct Funding	Reimbursable (Proposed User Fees)	
Object Classification						
Personnel compensation:						
Permanent positions.....	34,819	36,044	39,012	26,751	12,261	2,968
Positions other than permanent.....	-	-	-	-	-	-
Other personnel compensation.....	884	408	-	-	-	(408)
Special personal services payments.....	78	-	-	-	-	-
<b>Total personnel compensation.....</b>	<b>35,781</b>	<b>36,452</b>	<b>39,012</b>	<b>26,751</b>	<b>12,261</b>	<b>2,560</b>
<b>Civilian personnel benefits.....</b>	<b>9,740</b>	<b>10,257</b>	<b>10,799</b>	<b>7,405</b>	<b>3,394</b>	<b>542</b>
Benefits to former personnel.....	-	-	-	-	-	-
Travel and transportation of persons.....	4,017	3,886	4,282	2,936	1,346	396
Transportation of things.....	182	-	-	-	-	-
Rents, communications and utilities:						
<b>Rental payments to GSA.....</b>	<b>4,229</b>	<b>5,248</b>	<b>5,405</b>	<b>3,707</b>	<b>1,699</b>	<b>157</b>
Rental payments to others.....	174	-	-	-	-	-
Other rents, communications and utilities.....	529	3,757	4,570	3,134	1,436	813
Printing and reproduction.....	-	-	-	-	-	-
Other services:						
Advisory & assistance services.....	-	-	-	-	-	-
Other services.....	23,319	20,853	23,240	15,936	7,304	2,387
Purchase of goods/services from Govt. accts.....	-	-	-	-	-	-
Operation & maintenance of facilities.....	-	-	-	-	-	-
Research & development contracts.....	-	-	-	-	-	-
Medical care.....	-	-	-	-	-	-
Operation & maintenance of equipment.....	-	-	-	-	-	-
Subsistence & support of persons.....	-	-	-	-	-	-
Supplies and materials.....	547	661	661	453	208	-
Equipment.....	985	1,222	2,656	1,821	835	1,434
Lands and structures.....	-	-	500	343	157	500
Insurance claims and indemnities.....	25	-	-	-	-	-
Interest and Dividends.....	-	-	-	-	-	-
Confidential expenditures.....	-	-	-	-	-	-
<b>Total obligations.....</b>	<b>79,528</b>	<b>82,336</b>	<b>91,126</b>	<b>35,735</b>	<b>16,379</b>	<b>8,790</b>
Unobligated balance available, SOY.....	-	-	-	-	-	-
Unobligated balance available, EOY.....	-	-	-	-	-	-
Unobligated balance expiring.....	-	-	-	-	-	-
<b>Total enacted appropriations and budget estimate .....</b>	<b>79,528</b>	<b>82,336</b>	<b>91,126</b>	<b>62,486</b>	<b>28,640</b>	<b>8,790</b>

1/ Congressional enacted \$83,000 ( less rescission of \$664) adjusted to \$82,336.

**VERIFICATION AND VALIDATION OF DATA AND PERFORMANCE MEASUREMENT (EXHIBIT 4f)**

The following list presents the definitions and verification and validation information for each performance measure that supports TTB's annual performance plan and as reported in TTB's Summary of Program Resources and Performance Tables. Based on the verification and validation information, TTB rated each measure's data as having either: "Reasonable Accuracy" (judged to be sufficiently accurate for program management and performance reporting purposes) or as "Questionable or Unknown Accuracy" (judged to have insufficient accuracy for program management and performance reporting purposes). In instances where statistical confidence intervals are available for a measure, the confidence interval is presented instead of the rating statements above.

**BUDGET ACTIVITY: COLLECT THE REVENUE**

*Treasury Strategic Goal: Managing the Government's Finances Effectively*

*Performance Goal: Reduce the paperwork burden by continuing to create alternative reporting and filing methods through electronic government.*

**Performance Measure 1:** Percentage of tax-related transactions (applications, reports, returns) received electronically.

Definition: Represents the percent of tax-related documents received electronically from alcohol and tobacco customers, as well as the firearms excise taxpayers, who use electronic filing instead of paper filing. Burden will be lower because the cost of processing electronically is vastly lower than paper filing.

How Data are Captured: Tax returns and payments received at the lockboxes are assigned a unique control number. The control number consists of the two-digit lockbox number, year, Julian date of the deposit, batch series, and sequence number. Nightly transmissions are received from the various lockboxes and loaded into the tax systems. Tax returns and payments received directly at NRC are input into the Mail Control Module of the SOT/FST system and assigned a similar tracking number. Tax returns and payments are released and uploaded to the tax systems after Revenue Accounting deposits the funds.

Data Verification and Validation: The Revenue Accounting Unit performs daily reconciliations. All monthly reports are entered into a tracking system, indexed and imaged prior to forwarding to data entry.

Data Accuracy: Reasonable Accuracy.

Data Frequency: Quarterly

Alcohol and Tobacco Tax and Trade Bureau

**Performance Measure 2: Percentage of total tax receipts collected electronically.**

Definition: The portion of total tax collected from taxpayers via electronic funds transfer (EFT).

How Data are Captured: Data on tax payments made electronically are recorded in Cashlink.

Data Verification and Validation: The Revenue Accounting Unit retrieves the wire transfer information from Cashlink. The detail records are input into the Electronic Wire Transfer table using the Federal Excise Tax System. When the tax return is processed the system displays all unmatched EFT messages for the taxpayer. The NRC selects the payment that matches the tax return. The system then records the control number of the tax return in the Electronic Wire Transfer table, updates the Returns table to show the return closed and posts tax liability and payment transactions to the Audit table.

Data Accuracy: Reasonable Accuracy.

Data Frequency: Quarterly

**Performance Measure 3: Percent of Voluntary Compliance in filing tax payments timely and accurately.**

Definition: The portion of total taxpayers that file payments on or before the scheduled due date, without notification of any delinquency.

How Data are Captured: Late filed tax payments are maintained in the Federal Excise Tax system (FET).

Data Verification and Validation: The Unit Supervisor has the capability to run canned reports to identify late filed returns and payments in FET.

Data Accuracy: Reasonable Accuracy.

Data Frequency: Bi-weekly

*Performance Goal: Provide online information for industry members so that it is easier to comply voluntarily with regulations.*

**Performance Measure 1: Level of customer satisfaction with services and information provided by TTB (New)**

Alcohol and Tobacco Tax and Trade Bureau

Definition: The level of customer satisfaction will be reflected by respondents' answers to a telephone survey. The survey is conducted once the application process is completed to determine the ease of completing and understanding the application process, amount of time spent completing the application and the quality of the assistance provided by TTB. These measures will be quantifiable, allowing us to tally how respondents rate these dimensions on a numeric scale, from 1 to 5. In addition, comments or suggestions are requested during each survey. The quantifiable measures and free-response feedback are important, permitting TTB to determine, in detail, how well it is serving its customers, and accordingly make any adjustments to improve efficiency, effectiveness, and responsiveness.

How Data are Captured: All contact is made via telephone and a survey form is rated on a scale of 1 to 5 from very unsatisfied to very satisfied. Free-response feedback is also solicited. The results are then tabulated and evaluated and will provide feedback to assist in improving the application process.

Data Verification and Validation: All contact is made via telephone and a survey form is rated on a scale of 1 to 5 from very unsatisfied to very satisfied. Free-response feedback is also solicited. The results are then tabulated and evaluated and will provide feedback to assist in improving the application process.

Data Accuracy: Reasonable Accuracy

Data Frequency: Monthly

*Performance Goal: Apply statistically valid state-of-the-art methods to measure and analyze compliance with tax laws, and identify gaps in tax payment.*

Definition: The total taxes collected from alcohol, tobacco, and FAET taxpayers in a fiscal year.

How Data are Captured: Taxes collected for alcohol, tobacco, and FAET taxpayers are maintained in the FET and SOT systems.

Data Verification and Validation: The Revenue Accounting Unit performs daily reconciliations by comparing the subsidiary ledgers from FET and SOT to the revenue accounting system. The information reported is subject to annual financial audit or review.

Data Accuracy: Reasonable Accuracy.

Alcohol and Tobacco Tax and Trade Bureau

Data Frequency: Monthly

**Performance Measure 2:** Ratio of taxes collected vs. resources expended.

Definition: Represents the amount of taxes collected, divided by the amount of resources expended to collect such taxes. The purpose of this computation is to show that for every dollar invested the amount of resources collected from Federal excise taxes within this bureau for the alcohol and tobacco commodities.

How Data are Captured: The amount collected in federal excise taxes is collected in the Federal Excise Tax database maintained at the National Revenue Center. The amount of resources expended is tracked in the budget module of the core accounting system maintained at ATF.

Data Verification and Validation: Both of these components represent information that is subject to annual audits and routine reconciliation.

Data Accuracy: Reasonable Accuracy.

Data Frequency: Annually

**Performance Measure 3:** Cumulative percentage of excise tax revenue audited over the 3-4 year period. (New)

Definition: The portion of total excise tax revenue that is audited in the fiscal years covered in the 3-4 year period.

How Data are Captured: Tracking of all scheduled audits completed.

Data Verification and Validation: Audit results - The audit is designed to verify and validate the accuracy of the revenue collected for the entity (entities) audited in the given fiscal year.

Data Accuracy: Reasonable Accuracy.

Data Frequency: Monthly



Alcohol and Tobacco Tax and Trade Bureau

**Performance Measure 4:** Annual compliance rate: Percentage of large taxpayers audited during the year that have no material findings, thereby validating that the amount of tax paid for the audit period was accurate and rightfully due. (New)

Definition: Portion of the taxpayers that have been audited that have no findings indicating adverse financial conditions, significant decline/change in the industry, weak internal controls and/or unfavorable business practices.

How Data are Captured: Based on audit reports/findings issued for large taxpayers audited.

Data Verification and Validation: Based on field audits and the TTB historical knowledge of the large taxpayer history.

Data Accuracy: Reasonable Accuracy.

Data Frequency: Annually

**BUDGET ACTIVITY: PROTECT THE PUBLIC**

*Treasury Strategic Goal: Promote Stable U.S. and World Economies*

*Performance Goal: Improve customer service by decreasing turn-around times for Certification and Label Approval (COLA) processing (electronic and paper). Promote use of COLAs Online in an effort to improve the completeness and accuracy of submitted COLA applications while allowing TTB and the regulated industry to exchange information instantly via electronic means, thus reducing the burden to industry.*

**Performance Measure 1:** Percentage of COLA applications processed within 9 calendar days following receipt.

Definition: The percentage of COLA applications processed electronically and by paper.

How Data are Captured: Data are captured thru the COLAs Online data base system. There are periodic statistical reports, searches, and queries that are generated.

Data Verification and Validation: There are statistical reports, searches and queries that are generated. In addition, there are data integrity controls in place within the application to validate the data.

Data Accuracy: Reasonable Accuracy.

Data Frequency: Monthly

**Performance Measure 2:** Percentage of electronically filed COLA applications. (In comparison to paper filed).

Definition: Measure calculated by dividing the number of e-filed applications by the total COLA submissions (paper and electronic).

How Data are Captured: Data are captured thru the COLAs Online data base system. There are periodic statistical reports, searches, and queries that are generated.

Data Verification and Validation: There are statistical reports, searches and queries that are generated. In addition, there are data integrity controls in place within the application to validate the data. Checks will be developed as the COLAs Online database is developed.

Data Accuracy: Reasonable Accuracy.

Data Frequency: Monthly

Alcohol and Tobacco Tax and Trade Bureau

*Performance Goal: Improve customer service by meeting or exceeding customer service standards for analyzing samples received through the Alcohol and Tobacco Laboratory.*

**Performance Measure 1:** Percentage of non-beverage formula submissions processed within 10 working days of receipt.

Definition: It tracks the ability of the laboratory to examine samples and report findings within 10 days of receipt.

How Data are Captured: The data are compiled monthly from the sample entry log maintained by the laboratory to track receipt and completion of submissions.

Data Verification and Validation: Monthly data from the RLIS database is reconciled at the end of the year to ensure that year-end reporting is accurate and consistent with monthly reporting.

Data Accuracy: Reasonable accuracy.

Data Frequency: Monthly

**Performance Measure 2:** Percentage of Specially Denatured Alcohol formula submissions completed within 10 days of receipt.

Definition: It tracks the ability of the laboratory to examine samples and report findings within 10 days of receipt.

How Data are Captured: The data are compiled monthly from the sample entry log maintained by the laboratory to track receipt and completion of submissions.

Data Verification and Validation: Monthly data entry is reconciled at the end of the year to ensure that year-end reporting is accurate and consistent with monthly reporting.

Data Accuracy: Reasonable accuracy.

Data Frequency: Monthly

*Performance Goal: Decrease the number and impact of unsafe products (alcohol).*

**Performance Measure 1:** Response to unsafe conditions and product deficiencies discovered (alcohol). Discontinued FY 2005.

Definition: This measure tracks the number of corrections made to unsafe conditions and product deficiencies reported to TTB and discovered from inspector activities. TTB responds to consumer complaints concerning unsafe products and conducts a program of product integrity to ensure products do not pose potential risks to public health and are not fraudulently labeled.

How Data is Captured: Data obtained by TTB's Field Operations through the results of inspections and from records maintained by Market Compliance Team through the results of referrals.

Data Verification and Validation: To ensure validity, Field Operations reviews the lab analyses and makes a recommendation before the assignment is closed. All entries are made by the project manager and reviewed by Field Operations personnel. Should there be any concern as to the accuracy of the findings, the appropriate staff member will validate.

Data Accuracy: Reasonable Accuracy.

Data Frequency: Monthly

**Performance Measure 2:** Percentage of unsafe products responded to with appropriate actions within 48 hours.

Definition: This measure tracks the percentage of unsafe products responded to with appropriate actions within 48 hours. TTB responds to complaints from consumers or other reports of unsafe products from other informants and sources to ensure products do not pose potential risks to public health. TTB will implement this measure through a comprehensive program, which can include sampling and lab testing of products, sharing information with federal, state, and local agencies, and initiation/monitoring of product recalls of unsafe products.

How Data are Captured: Data are captured from information received from various sources such as consumers, permit holders, Federal, State, and local agencies, and from TTB field operations through the results of investigations.

Data Verification and Validation: The project manager reviews the acquired information, including product lab analysis, records as needed, and captures the overall results, making a recommendation before the assignment is closed. Should there be any concern as to the accuracy of the findings, the appropriate staff member will validate.

Data Accuracy: Reasonable Accuracy.

Data Frequency: Monthly

*Performance Goal: Provide online information for industry members so that it is easier to comply voluntarily with regulations.*

**Performance Measure 1:** Level of Customer Satisfaction with services and information provided by TTB.

Definition: The level of customer satisfaction will be reflected by respondents' answers to an online survey as they rate the adequacy of TTB's web site in meeting their needs for critical information and services. The survey will measure dimensions of the site, such as usefulness, access to and quality of information, organization, ease of navigation, and visual appeal. These measures will be quantifiable, allowing us to tally how many respondents rate these dimensions on a numeric scale, from 1 to 4. The survey will also ask for free-response, narrative feedback about the respondents' main reason for visiting the site, the most valuable feature of the site, the biggest problem with the site, and what features and content the respondents would like to see added to the site. Both the quantifiable measures and free-response feedback are important, permitting TTB to determine, in detail, how well it is serving its customers, and accordingly make any adjustments to improve efficiency, effectiveness, and responsiveness.

How Data Are Captured: Industry members and the public will respond to an online survey designed to rate several dimensions of TTB's web site, and then electronically submit their evaluations for tabulation and analysis. The ratings include, for example, Very dissatisfied, Dissatisfied, Satisfied, and Very satisfied. Each rating has a numerical equivalency—1 through 4, respectively—to permit quantification of results. Respondents also will respond in narrative form to free-response questions about the site's adequacy and possible improvements. Both kinds of feedback will prove actionable, providing insights that TTB will be able to take into account in modifying the web site.

Data Verification and Validation: The number of people responding to the survey questions will be tabulated in a spreadsheet or database and analyzed for each dimension of TTB's web site being judged. The analysis will allow TTB to gauge how well the web site is meeting the needs of industry members and the public. We will check, monthly, the adequacy of data collected, by examining the total number of returned surveys, the number of fully (rather than partially) completed surveys, and, to the degree possible, the source of returned surveys. The degree of statistical significance will depend on both the sample size and the range of responses.

Data Accuracy: TTB expects to achieve "reasonable accuracy" of the data collected. That is, the data will be sufficiently accurate for performance reporting and program management, including decisions about how to improve the content and services provided by TTB through its web site, as well as how to allocate resources.

Data Frequency: TTB will collect performance data continually and will produce summary reports monthly. Analysis of the reports will enable us to improve the content and services of the web site, which in turn will enhance TTB's responsiveness to its customers.

Alcohol and Tobacco Tax and Trade Bureau

We will place quarterly announcements on the web site to inform visitors about the ways we have improved the site in response to their survey answers.

*Performance Goal: Monitor alcohol beverages in the marketplace through the Alcohol Beverage Sampling Program in order to detect contaminated and adulterated products and to ensure compliance with the appropriate Federal labeling and marketing laws and regulations.*

**Performance Measure 1:** Percent of Alcohol Beverage Sampling Program samples that disclose labeling violations.

Definition: This measure identifies the percentage of alcohol beverages in the marketplace obtained through the Alcohol Beverage Sampling Program that do not comply with appropriate Federal labeling and marketing laws and regulations.

How Data are Captured: Investigators from the Trade Investigations Division acquire samples of alcohol beverages from various retail and supplier locations. These products are delivered to and then analyzed by the TTB testing laboratory to ascertain compliance with Federal labeling and marketing laws and regulations.

Data Verification and Validation: The program manager receives the TTB laboratory sample test results, and makes recommendation as to the appropriate course of action, and implements accordingly. Should there be any concern as to the accuracy of the findings, the appropriate staff member will validate.

Data Accuracy: Reasonable accuracy.

Data Frequency: Monthly