# U.S. Department of the Treasury
# FY 2010 Budget in Brief

## Summary of FY 2010 President's Budget



## Appropriated Accounts – Bureau Program Detail



## Non-Appropriated Accounts – Bureau Program Detail



## Treasury International Programs



## Supplemental Information

# Executive Summary

**FY 2010 President's Budget by Function**
(Dollars in Thousands)

| | FY 2008 | FY 2009 | | FY 2010 | | |
|---|---|---|---|---|---|---|
| | Enacted* | ARRA | Enacted | President's Budget | Increase/ Decrease | Percent Change |
| Management & Financial | $699,412 | $238,000 | $745,583 | $808,992 | $63,409 | 8.5% |
| Departmental Offices Salaries and Expenses** | 248,360 | 131,000 | 278,870 | 302,388 | 23,518 | 8.4% |
| Dept-wide Systems & Capital Invest. Programs | 18,710 | | 26,975 | 9,544 | (17,431) | -64.6% |
| Office of Inspector General | 18,450 | | 26,125 | 26,700 | 575 | 2.2% |
| Treasury IG for Tax Administration | 140,533 | 7,000 | 146,083 | 149,000 | 2,917 | 2.0% |
| Community Development Financial Institutions Fund | 94,000 | 100,000 | 107,000 | 243,600 | 136,600 | 127.7% |
| Financial Crimes Enforcement Network | 85,844 | | 91,465 | 102,760 | 11,295 | 12.3% |
| Alcohol & Tobacco Tax and Trade Bureau | 93,515 | | 99,065 | 105,000 | 5,935 | 6.0% |
| *Less Offsetting Fees* | | | 0 | *-80,000* | *(80,000)* | *100.0%* |
| Net, ATTB | | | 99,065 | 25,000 | (74,065) | -74.8% |
| Treasury Forfeiture Fund | | | -30,000 | -50,000 | (20,000) | 66.7% |
| Fiscal Service Operations | $481,469 | $0 | $417,137 | $426,376 | $9,239 | 2.2% |
| Financial Management Service | 298,598 | | 239,785 | 244,132 | 4,347 | 1.8% |
| Bureau of the Public Debt | 172,871 | | 187,352 | 192,244 | 4,892 | 2.6% |
| *Less Offsetting Fees* | *10,000* | | *-10,000* | *-10,000* | *0* | *0.0%* |
| Net, BPD | 182,871 | | 177,352 | 182,244 | 4,892 | 2.8% |
| Tax Administration | $11,094,519 | $80,000 | $11,522,598 | $12,126,000 | $603,402 | 5.2% |
| IRS Taxpayer Services | 2,191,085 | | 2,293,000 | 2,269,830 | (23,170) | -1.0% |
| IRS Enforcement | 4,780,000 | | 5,117,267 | 5,504,000 | 386,733 | 7.6% |
| IRS Operations Support | 3,841,109 | | 3,867,011 | 4,082,984 | 215,973 | 5.6% |
| IRS Business Systems Modernization | 267,090 | | 229,914 | 253,674 | 23,760 | 10.3% |
| IRS Health Insurance Tax Credit Administration | 15,235 | 80,000 | 15,406 | 15,512 | 106 | 0.7% |
| Total, Treasury Appropriations Committee | $12,275,400 | $318,000 | $12,685,318 | $13,361,368 | $676,050 | 5.3% |
| Treasury International Programs | $1,327,579 | | $1,578,000 | $2,483,375 | $905,375 | 57.4% |
| International Financial Institutions | 1,277,289 | | 1,493,000 | 2,341,305 | 848,305 | 56.8% |
| Technical Assistance | 20,235 | | 25,000 | 31,440 | 6,440 | 25.8% |
| Debt Restructuring | 30,055 | | 60,000 | 110,630 | 50,630 | 84.4% |
| Total | $13,602,979 | $318,000 | $14,263,318 | $15,844,743 | $1,581,425 | 11.1% |

* The FY 2008 Enacted includes Economic Stimulus funding of $202.1 Million for the IRS and $64.2 Million for FMS.
**ARRA funding includes $123 Million for IRS and $7 Million for FMS.

## Overview

The Department of the Treasury's mission is to promote the economic prosperity and financial security of the United States. Treasury operates 13 bureaus with a vast array of activities that are critical to the core functions of Federal Government, including collecting revenue and disbursing payments, managing federal finances, and protecting the financial system from threats. Treasury also plays a key role in modernizing the American financial regulatory system and ensuring effective, transparent administration of programs designed to revive and strengthen the economy.

The FY 2010 Budget requests $13.4 billion to fund the activities at the Department's nine appropriated bureaus. The request provides $676 million over the FY 2009 enacted level, a 5.3 percent increase. The request also includes $2.5 billion to support Treasury's International assistance programs.

The FY 2010 Budget has been developed in order to make significant progress towards the Department's four strategic goals:

- U.S. and World Economies Perform at Full Economic Potential
- Effectively Managed U.S. Government Finances
- Prevented Terrorism and Promoted the Nation's Security Through Strengthened Financial Systems
- Management and Organizational Excellence

The Department's proposed funding increases are targeted to address current and future economic challenges. The budget will support additional staff in Domestic Finance and Tax Policy offices, as well various management areas to ensure Treasury maintains expertise in an array of complex finance and government fields ; provide resources to strengthen tax collection; and expand the availability of affordable credit in distressed communities by significantly increasing resources for the Community Development Financial Institutions (CDFI) Fund, including funding for the Capital Magnet Fund, a new affordable housing grant program.

In addition to providing justification for the Department's appropriated bureaus, this document provides summary level information on the Department's non-appropriated bureaus and financial stability activities. Together, the appropriated and non-appropriated funding at the Department will provide the resources Treasury needs to strengthen and protect the financial system and the Department's ability to effectively manage U.S. Government finances.

## FY 2010 President's Budget by Strategic Goal
(Dollars in Thousands)

| Treasury Goal/Objective | Effectively Managed US Government Finances | | U.S. and World Economies Perform at Full Economic Potential | | Prevented Terrorism & Promoted Nation's Security | | Management and Organizational Excellence | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Direct $ | Reimb. $ | Direct $ | Reimb. $ | Direct $ | Reimb. $ | Direct $ | Reimb. $ | Direct $ | Reimb. $ |
| Management & Financial | $68,339 | $8,113 | $352,184 | $12,866 | $212,425 | $36,374 | $226,044 | $15,123 | $858,992 | $72,476 |
| Departmental Offices Salaries and Expenses | 55,839 | 5,996 | 96,084 | 10,749 | 104,665 | 10,374 | 45,800 | 6,723 | 302,388 | 33,842 |
| Dept-wide Systems & Capital Invest. Program | | | | | 5,000 | | 4,544 | | 9,544 | 0 |
| Office of Inspector General | | | | | | | 26,700 | 8,000 | 26,700 | 8,000 |
| Treasury IG for Tax Administration | | | | | | | 149,000 | 400 | 149,000 | 400 |
| Community Development Financial Institutions Fund | | | 243,600 | | | | | | 243,600 | 0 |
| Financial Crimes Enforcement Network | | | | | 102,760 | 26,000 | | | 102,760 | 26,000 |
| Alcohol & Tobacco Tax and Trade Bureau | 12,500 | 2,117 | 12,500 | 2,117 | | | | | 25,000 | 4,234 |
| Fiscal Service Operations | $426,376 | $256,522 | $0 | $0 | $0 | $0 | $0 | $0 | $426,376 | $256,522 |
| Financial Management Service | 244,132 | 234,690 | | | | | | | 244,132 | 234,690 |
| Bureau of the Public Debt | 182,244 | 21,832 | | | | | | | 182,244 | 21,832 |
| Tax Administration | $11,856,572 | $131,120 | $0 | $0 | $269,428 | $15,981 | $0 | $0 | $12,126,000 | $147,101 |
| IRS Taxpayer Services | 2,269,830 | 39,000 | | | | | | | 2,269,830 | 39,000 |
| IRS Enforcement | 5,306,315 | 44,816 | | | 197,685 | 15,981 | | | 5,504,000 | 60,797 |
| IRS Operations Support | 4,011,241 | 47,304 | | | 71,743 | | | | 4,082,984 | 47,304 |
| Business Systems Modernization | 253,674 | | | | | | | | 253,674 | 0 |
| Health Insurance Tax Credit Administration | 15,512 | | | | | | | | 15,512 | 0 |
| **Total, Treasury Appropriations Committee [1/]** | $12,351,287 | $395,755 | $352,184 | $12,866 | $481,853 | $52,355 | $226,044 | $15,123 | $13,411,368 | $476,099 |
| Treasury International Programs | 2,483,375 | | | | | | | | 2,483,375 | 0 |
| **Total, Appropriated Level** | $14,834,662 | $395,755 | $352,184 | $12,866 | $481,853 | $52,355 | $226,044 | $15,123 | $15,894,743 | $476,099 |
| Non Appropriated Bureaus | $0 | $0 | $0 | $3,632,348 | $0 | $0 | $0 | $147,968 | $0 | $3,632,348 |
| Treasury Franchise Fund | | | | | | | | 147,968 | 0 | 147,968 |
| Bureau of Engraving and Printing | | | | 591,000 | | | | | 0 | 591,000 |
| U.S. Mint | | | | 2,030,067 | | | | | 0 | 2,030,067 |
| Office of the Comptroller of the Currency | | | | 830,281 | | | | | 0 | 830,281 |
| Office of Thrift Supervision | | | | 181,000 | | | | | 0 | 181,000 |
| Subtotal, Direct $ | $14,834,662 | | $352,184 | | $481,853 | | $226,044 | | $15,894,743 | |
| Subtotal, Reimbursable $ | | $395,755 | | $3,645,214 | | $52,355 | | $163,091 | | $4,256,415 |
| **Total, Treasury Level** | $15,230,417 | | $3,997,398 | | $534,208 | | $389,135 | | $20,151,158 | |

[1/] Total does not include $50 million Forfeiture Fund Reduction

## U.S. and World Economies Perform at Full Economic Potential

The current economic turmoil facing the United States calls for broad and extraordinary measures. The Administration has five primary goals for Treasury's economic programs:

- Restore confidence in the strength of the U.S. financial system
- Restart the flow of credit critical to financing American households and businesses
- Preserve homeownership and avoid preventable foreclosures
- Restore net jobs creation and positive economic growth
- Safeguard taxpayer interests

The Treasury Department is committed to playing an active role in building a healthy, more stable and more competitive free-market economic system that can encourage people to invest, innovate, create jobs, and build stronger communities and better lives. In order to do so, it will require action on a scale that has not been seen in generation – and it will require more high quality people to execute this vision. The FY 2010 budget provides $8.7 million in additional funds over FY 2009 appropriated levels to significantly increase the staffing and resources available to the Office of Domestic Finance. The initiative will create two new Deputy Assistant Secretary (DAS) positions: one DAS for Housing Finance, Small Business and Consumer Issues and one DAS for Capital Markets. The two DASs will lead teams designed to support the economic research and modeling for these critical areas.

The FY 2010 Budget includes an additional $4.9 million for the Office of Tax Policy. Tax specialists are needed to ensure that the Treasury Department is able to respond to the challenges of the financial crisis, support the financial stimulus plan, and address key tax policy issues, such as climate change and health care. The new resources will provide the Department with the tools needed to respond in a more flexible manner to new challenges and to ensure policy revisions are made to support the Administration's priorities in key areas.

The Department has put in place under the Financial Stability Plan a series of financial initiatives to help lay the foundation for economic recovery, including: 1) a broad program to stabilize the housing market by encouraging lower mortgage rates and making it easier for millions to refinance and avoid foreclosure; 2) a new capital program to provide banks with a safeguard against a deeper recession; 3) a major new lending program with the Federal Reserve targeted at the securitization markets critical for consumer and small business lending; 4) a program to set up funds to provide a market for the legacy loans and securities that currently burden the financial system; and 5) a program to ensure available and affordable credit for small businesses.

Funding for the management of the $700 billion Troubled Asset Relief Program (TARP) was provided by the Emergency Economic Stabilization Act of 2008. The chart below presents the public commitments that the Department has made for the various programs handled under the TARP umbrella. The $700 billion is expected to be fully committed in FY 2009, but the programs will take several years to complete.

## Emergency Economic Stabilization Act Programs

| | Purchase Cap[1] |
|---|---|
| Capital Purchase Program | $218,000,000 |
| Public-Private Investment Program[2,3] | $75,000,000 |
| Systemically Significant Failing Institutions Program | $70,000,000 |
| Consumer and Business Lending Initiative[2] | |
| TALF 1.0 | $20,000,000 |
| TALF Asset Expansion | $35,000,000 |
| TALF for Legacy Securities | $25,000,000 |
| Unlocking SBA Lending Markets | $15,000,000 |
| Home Affordable Modification Program | $50,000,000 |
| Targeted Investment Program | $40,000,000 |
| Automotive Industry Financing Program and Auto Supplier Support Program | $35,400,000 |
| Asset Guarantee Program[4] | $12,500,000 |
| Estimate of Redemption | ($25,000,000) |
| Capital Assistance and Other TBD Programs[2] | $129,100,000 |
| **Total** | **$700,000,000** |

[1]Amount applied to the Section 115 Purchase Cap.
[2]Subsidy rate will be revised from the current 33.33% placeholder.
[3]The TALF for Legacy Securities program categorized under the Consumer and Business Lending Initiative in this table will be implemented under the Public-Private Investment program.
[4] Loan Guarantees are expected to be $419 billion, but Treasury will be limited to a $12.5 billion second loss.

The President's FY 2010 Budget includes a $250 billion contingent reserve for further efforts to stabilize the financial system. (The reserve, which reflects a net cost to the Government, would support $750 billion in asset purchases.) The existence of this reserve in the Budget does not represent a specific request. Rather as events warrant, the Administration will work with Congress to determine the appropriate size and shape of any such efforts, and as more information becomes available the Administration will define an estimate of potential costs.

Treasury also has assumed responsibility for the Housing Government Sponsored Enterprise (GSE) Programs, using authority granted under the Housing and Economic Recovery Act of 2008 (HERA). The GSE effort consists of three different programs with respect to the two GSEs, the Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal Home Loan Banks (FHLBs). These programs were created to support mortgage availability and financial market stability while protecting taxpayer interests. The chart below presents existing and expected disbursements for the three programs. Treasury's authority to enter into new agreements under HERA expires on December 31, 2009.

## Housing Government Sponsored Enterprise Programs

(Dollars in Thousands)

| | | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|
| **Program** | **Activity** | **Actual** | **Estimated** | **Estimated** |
| Preferred Stock Purchase Agreements | Obligations | $0 | $105,900,000 | $41,293,000 |
| GSE MBS Purchase Program | Securities Purchased | $5,000,000 | $249,000,000 | $60,000,000 |
| GSE Credit Facility | Loan Levels | $0 | $0 | $0 |

The Budget also significantly increases funding for Community Development.

Financial Institutions (CDFI) Fund, to a level of $243.6 million. Through merit-based grant programs, the CDFI Fund helps locally based financial institutions offer small business, consumer and home loans in communities and populations that lack access to affordable credit. The funding level for the CDFI Fund includes $80 million for the Capital Magnet Fund, which is a new grant program established by the Housing and Economic Recovery Act (HERA) of 2008. This important new program will increase financing for the development, preservation, rehabilitation, and purchase of affordable housing or economic development projects (such as day care centers, workforce development centers, and health care clinics) in low-income communities. CMF will complement the CDFI Fund's existing programs to support community development in low-income and underserved rural neighborhoods.

The Department's non-appropriated bureaus also play a critical role in providing the regulation and currency needed for the economy to run smoothly. The Office of the Comptroller of the Currency (OCC) supervises approximately 1,629 national bank charters and 49 federal branches of foreign banks in the United States. Total assets under the OCC supervision are approximately $8.3 trillion or 70 percent of total U.S. commercial banking assets. The downturn in housing and the broader economy is having an adverse effect on national banks' loan portfolios, with the levels of nonperforming and past due loans increasing. Responding to deteriorating credit quality and ensuring adequate liquidity, loan loss reserves, and capital buffers are maintained, will continue to be major focal points for the agency and the industry in the coming year.

The Office of Thrift Supervision (OTS) regulated 818 thrifts at the end of the FY 2008 with total assets of $1.18 trillion; OTS also supervised 469 holding company enterprises with approximately $8.1 trillion in U.S. domiciled consolidated assets. In response to the decline in the housing market, OTS has urged thrifts to bolster reserves for potential loan losses by significantly adding to their loan loss provisions. OTS is also encouraging thrifts to strike the appropriate balance between working with distressed borrowers to restructure loans to prevent avoidable foreclosures and ensuring sufficient recoveries to avoid further erosions in capital.

The Bureau of Engraving and Printing (BEP) and the U.S. Mint are responsible for providing the nation's currency and coins, which are essential for the Federal Reserve's banking policies and for customer demands at banks and thrifts. BEP expects to produce and deliver 7.2 billion notes to the Federal Reserve System in 2010, an increase of six percent over the 2009 program. The Mint expects to produce and distribute approximately 8.5 billion coins to meet demand for circulating coins during FY 2010, a decrease of 13.1 percent over estimated FY 2009 levels.

### Effectively Managed U.S. Government Finances

Collecting the revenue that funds the Federal government is a core mission of the Department of the Treasury. The Department's priorities are to enforce the nation's tax laws in a fair and uniform manner, minimize taxpayer burden, and provide service to taxpayers to maximize voluntary compliance and reduce the tax gap. The IRS serves every individual, business, and non-profit organization in the nation, and processes over 250 million tax returns annually.

The FY 2010 budget request includes $12.126 billion for the IRS, which is an increase of $603 million above the FY 2009 enacted level. This includes:

- $8 billion for the enforcement program, which is funded in the Enforcement and Operations Support appropriations. In FY 2008 direct revenue from enforcement activities totaled $56.4 billion, yielding a return on investment of over five to one for all IRS activities. Additionally, vigorous enforcement encourages voluntary compliance, further increasing revenue. This impact is conservatively estimated to be at least three times the direct revenue impact. New enforcement initiatives, totaling $332 million will allow the IRS to address underreporting of tax associated with international activities and reduce noncompliance among businesses and high-income taxpayers. These initiatives will generate $2.0 billion in additional annual enforcement revenue once the new hires reach full potential in FY 2012.

- $3.9 billion for the taxpayer service program, which is funded in the Taxpayer Service and Operations Support appropriations. This funding will support continued improvements to both the quality and efficiency of taxpayer service, using a variety of person-to-person, telephone, and web-based methods to help people understand their tax obligations and pay their taxes. In FY 2010, the IRS will increase self-service applications, continue to ensure web navigation is user-friendly and improve the quality and accuracy of its telephone responses.

- $254 million for Business Systems Modernization. This funding will support continued investments to modernize core IT systems, giving IRS employees the technology they need to continue to administer and improve both service and enforcement. In 2009, the IRS shifted its focus from concurrent development of a database and associated applications to a strategy that focuses on completion of the core taxpayer account database. This approach will allow the IRS to accelerate data conversion to the new database while also addressing security, financial material weaknesses, and long-term architectural planning concerns. Once completed, the core database will improve the overall functionality of existing modernization systems, as well as improve overall customer service to taxpayers.

The Alcohol and Tobacco Tax and Trade Bureau (TTB) serves as the Nation's primary federal authority in the regulation of the alcohol and tobacco industries. In FY 2008, the TTB collected $14.6 billion in excise taxes, interest, and other revenues. In FY 2010 TTB is funded at $105 million, including $80 million in new user fees. The increase in user fees is attributable to the Administration's legislative proposal to transition the alcohol and tobacco regulatory system from an appropriated resources based system to a user fee based system that utilizes resources provided by licenses and other fees.

In addition to collecting revenue, Treasury's management of the Federal Government's finances includes disbursing payments, preparing public financial statements, and issuing debt. The Financial Management Service (FMS) provides central payment services to Federal Program Agencies (FPAs), operates the Federal Government's collections and deposit systems, provides government-wide accounting and reporting services, and manages the collection of delinquent debt owed to the Government. In FY 2008, FMS issued nearly 1 billion non-Defense payments worth $1.8 trillion to a wide variety of recipients (79 percent issued electronically). In addition to its normal duties, in FY 2008 FMS administered 119 million payments under the Economic Stimulus Act of 2008. In FY 2009, FMS expects to administer an additional 64 million payments under the American Recovery and Reinvestment Act. The FY 2010 Budget provides $244.1 million for FMS activities.

The Bureau of Public Debt (BPD) borrows the money needed to operate the federal government, account for the resulting debt and provide reimbursable support services to Federal agencies through the Treasury Franchise Fund. BPD annually auctions and issues more than $4.6 trillion in Treasury bills, notes, bonds and Treasury Inflation-Protected Securities (TIPS); effectively regulates the primary and secondary Treasury securities markets; ensures reliable systems and processes are in place for issuing, transferring, paying interest on and redeeming Treasury securities; issues and redeems more than 70 million paper savings bonds each year; administers in excess of $4 trillion in investments for more than 240 federal trust funds; and provides timely and accurate information on the public debt. The FY 2010 Budget provides $182.2, including $10 million in offsetting collections, for BPD activities.

## Promoting National Security

The Treasury Department, through its Office of Terrorism and Financial Intelligence (TFI), supports the Department's intelligence and enforcement functions with the twin aims of safeguarding the financial system against illicit use and combating rogue nations, terrorist facilitators, weapons of mass destruction (WMD) proliferators, money launderers, drug kingpins, and other national security threats.

TFI had a number of successes in FY 2008, which it plans to build upon for a successful FY 2009 and FY 2010. These achievements included persuading a number of the world's leading financial institutions of the risks of dealing with Iran and Iranian banks; designating and blocking key Zimbabwe regime supporters; completing actions against FARC (Revolution Armed Forces of Colombia); leading efforts within the Financial Action Task Force; and increasing collaboration with Intelligence Community.

The FY 2010 Budget provides $64.6 million for TFI activities, a four percent increase over FY 2009 appropriated levels. This funding level includes resources the Afghanistan Threat Finance Cell. In addition, the FY 2010 budget provides resources to increase the protection of the Department's IT systems from external threats and support Top Secret/SCI information technology systems.

In addition to the resources requested for TFI, Treasury requests $102.8 million for the Financial Crimes Enforcement Network (FinCEN), which is responsible for administering the Bank Secrecy Act (BSA). FinCEN enhances U.S. national security, deters and detect criminal activity, and safeguards financial systems from abuse by promoting transparency in the U.S. and international financial systems. The Budget provides additional resources to improve FinCEN's collection, storage, sharing and analysis of BSA data. This is part of a multi-year investment which will enrich and standardize BSA data to maximize value, integrate data with other tate and federal sources, deploy advanced analystical and stoarge technologies, and establish more effective security and audit technologies to enhance data confidentiallity and integrity.

### Management and Organizational Excellence

Strengthening the management & infrastructure of the Treasury Department, across all bureaus, is one of the critical priorities for the FY 2010 budget. The financial crisis has strained an already thin management infrastructure. Key support functions – human resources, information technology, facilities and space, accounting and financial management – are essential services supporting the Treasury offices working on which financial recovery efforts. The Budget provides $3 million to the Department to provide IT, human resource, procurement, and financial management support. The Budget also allows $4.5 million to continue repairs to the Treasury Annex building, to ensure the safety and health of the occupants.

The Office of Inspector General is required to keep both the Secretary and the Congress fully and currently informed about the problems and deficiencies relating to the administration of department programs and operations and the necessity for corrective action. The Budget provides $26.7 million for OIG activities. The OIG is mandated to conduct a material loss review on significant bank failures; in the past, this activity has been limited to one or two reviews a year. Due to the economic crisis, OIG is facing a tenfold increase in this mandatory workload. In FY 2010, the OIG expects to complete 62 Audit products, meet all statutory audit requirements, and meet or exceed the investigative targets.

The Treasury Inspector General for Tax Administration (TIGTA) provides audits and investigative services that promote economy, efficiency, and integrity in the administration of the internal revenue laws. The FY 2010 President's Budget request for TIGTA will be used to adapt to the IRS's continuously evolving operations and mitigate intensified risks associated with modernization, security, addressing the Tax Gap, and human capital challenges facing the IRS. The Budget will also allow TIGTA to respond to threats and attacks against IRS employees, property, and sensitive information; improve the integrity of IRS operations by detecting and deterring fraud, waste, abuse or misconduct by IRS employees; and conduct comprehensive audits, inspections, and evaluations that include recommendations for monetary benefits and enhancing IRS' service to taxpayers. Finally, with these resources TIGTA will inform the American people, Congress, and the Secretary of the Treasury of problems and progress made to resolve them. The FY 2010 Budget provides $149 million for TIGTA activities.

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

| Appropriation | FY 2008 Actual | | | FY 2009 Estimated | | | FY 2010 President's Budget | | |
|---|---|---|---|---|---|---|---|---|---|
| | Direct | Reimb. | Total | Direct | Reimb. | Total | Direct | Reimb. | Total |
| Departmental Offices Salaries and Expenses | 1,022 | 106 | 1,128 | 1,204 | 137 | 1,341 | 1,266 | 137 | 1,403 |
| Administrative Expenses, Recovery Act | | | | 570 | | 570 | 892 | | 892 |
| Office of Inspector General | 103 | 0 | 103 | 154 | 0 | 154 | 154 | 0 | 154 |
| Treasury IG for Tax Administration | 781 | 3 | 784 | 835 | 3 | 838 | 835 | 3 | 838 |
| Office of Financial Stability | | | | 134 | 0 | 134 | 225 | 0 | 225 |
| Community Development Financial Institutions Fund | 58 | 0 | 58 | 75 | 0 | 75 | 75 | 0 | 75 |
| Financial Crimes Enforcement Network | 311 | 1 | 312 | 330 | 1 | 331 | 331 | 1 | 332 |
| Alcohol & Tobacco Tax and Trade Bureau | 510 | 10 | 520 | 525 | 15 | 540 | 550 | 15 | 565 |
| Financial Management Service | 1,643 | 242 | 1,885 | 1,681 | 260 | 1,941 | 1,681 | 260 | 1,941 |
| Bureau of the Public Debt | 1,265 | 16 | 1,281 | 1,042 | 0 | 1,042 | 1,042 | 0 | 1,042 |
| Internal Revenue Service | 90,647 | 1,038 | 91,685 | 94,209 | 1,077 | 95,286 | 95,081 | 1,088 | 96,169 |
| Subtotal, Treasury Appropriated Level | 96,340 | 1,416 | 97,756 | 100,759 | 1,493 | 102,252 | 102,132 | 1,504 | 103,636 |
| Working Capital Fund | 0 | 205 | 205 | 0 | 205 | 205 | 0 | 205 | 205 |
| Treasury Franchise Fund | 0 | 767 | 767 | 0 | 982 | 982 | 0 | 965 | 965 |
| Bureau of Engraving and Printing | 0 | 2,018 | 2,018 | 0 | 2,075 | 2,075 | 0 | 2,050 | 2,050 |
| U.S. Mint | 0 | 1,908 | 1,908 | 0 | 1,947 | 1,947 | 0 | 1,979 | 1,979 |
| Office of the Comptroller of the Currency | 0 | 3,028 | 3,028 | 0 | 3,127 | 3,127 | 0 | 3,161 | 3,161 |
| Office of Thrift Supervision | 0 | 1,029 | 1,029 | 0 | 1,095 | 1,095 | 0 | 847 | 847 |
| Terrorism Insurance Program | 9 | 0 | 9 | 10 | 0 | 10 | 10 | 0 | 10 |
| Special Inspector General for the TARP | 0 | 0 | 0 | 100 | 0 | 100 | 150 | 0 | 150 |
| Total | 96,349 | 10,371 | 106,720 | 100,869 | 10,924 | 111,793 | 102,292 | 10,711 | 113,003 |

## Summary of FY 2010 Increases and Decreases
(Dollars in Thousands)

| | DO | DSCIP | OIG | TIGTA | CDFI | FINCEN | TTB | TFF | FMS | BPD | IRS | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY 2009 Enacted | $278,870 | $26,975 | $26,125 | $146,083 | $107,000 | $91,465 | $99,065 | | $239,785 | $187,352 | $11,522,598 | $12,725,318 |
| Across the Board Program Reduction | ($1,464) | | ($9) | ($504) | ($69) | ($323) | ($217) | | ($1,174) | ($944) | ($13,732) | (18,436) |
| GAO Audit | | | | | | | | | | $1,500 | $10,000 | 11,500 |
| Non-Pay Inflation Adjustments | 1,531 | 0 | 90 | 318 | 107 | 495 | 421 | | 808 | 706 | 31,113 | 35,589 |
| Pay Annualization Adjustments | 1,587 | 0 | 166 | 1,110 | 76 | 419 | 556 | | 1,558 | 1,135 | 80,054 | 86,661 |
| Pay Inflation Adjustments | 3,259 | 0 | 328 | 2,340 | 136 | 834 | 1,014 | | 3,155 | 2,495 | 148,894 | 162,455 |
| Maintaining Current Levels | $4,913 | $0 | $575 | $3,264 | $250 | $1,425 | $1,774 | | $4,347 | $4,892 | $256,329 | $277,769 |
| Base Realignment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| Non-Recurring Costs | 0 | (26,975) | 0 | (347) | 0 | (130) | 0 | | 0 | 0 | (109,765) | (137,217) |
| Initiative Annualizations | 1,731 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 1,731 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| Efficiency/Savings | 0 | 0 | 0 | 0 | 0 | 0 | (1,339) | | 0 | 0 | (8,360) | (9,699) |
| Base Reinvestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 2,331 | 2,331 |
| Adjustments to Base | $1,731 | ($26,975) | $0 | ($347) | $0 | ($130) | ($1,339) | | $0 | $0 | ($115,794) | ($142,854) |
| FY 2009 Base | $285,514 | $0 | $26,700 | $149,000 | $107,250 | $92,760 | $99,500 | | $244,132 | $192,244 | $11,663,133 | $12,860,233 |
| Program Decreases | 0 | 0 | 0 | 0 | (2,000) | 0 | 0 | | (958) | (1,734) | 0 | (4,692) |
| Program Reinvestments | (2,110) | 0 | 0 | 0 | 0 | 0 | 0 | | 958 | 1,734 | 0 | 582 |
| Program Increases | 18,984 | 9,544 | 0 | 0 | 138,350 | 10,000 | 5,500 | | 0 | 0 | 462,867 | 645,245 |
| FY 2010 President's Budget | $302,388 | $9,544 | $26,700 | $149,000 | $243,600 | $102,760 | $105,000 | | $244,132 | $192,244 | $12,126,000 | $13,501,368 |
| Offsetting Fees and Cancellation of Unobligated Balances | 0 | 0 | 0 | 0 | 0 | 0 | (80,000) | (50,000) | 0 | (10,000) | 0 | (140,000) |
| FY 2010 President's Budget less Offsetting Fees | $302,388 | $9,544 | $26,700 | $149,000 | $243,600 | $102,760 | $25,000 | ($50,000) | $244,132 | $182,244 | $12,126,000 | $13,361,368 |

# Departmental Offices - S & E

**Program Summary by Budget Activity**

(Dollars in thousands)

| Appropriation | FY 2008 | FY 2009 | | FY 2010 | | |
|---|---|---|---|---|---|---|
| | Enacted | ARRA 1/ | Enacted | Request | $ Change | % Change |
| **Salaries and Expenses** | **$248,360** | **$131,000** | **$278,870** | **$302,388** | **$23,518** | **8.4%** |
| Executive Direction | $20,749 | $0 | $21,619 | $22,383 | $764 | 3.5% |
| Economic Policies and Programs | $44,242 | $0 | $45,910 | $44,749 | ($1,161) | -2.5% |
| Financial Policies and Programs | $29,465 | $1,000 | $36,038 | $47,580 | $11,542 | 32.0% |
| Terrorism and Financial Intelligence | $56,775 | $0 | $62,098 | $64,611 | $2,512 | 4.1% |
| Treasury-wide Management and Programs | $18,505 | $130,000 | $21,600 | $22,779 | $1,179 | 5.5% |
| Administration Programs | $78,624 | $0 | $91,604 | $100,286 | $8,682 | 9.5% |
| **Subtotal, Departmental Offices - S & E** | **$248,360** | **$131,000** | **$278,870** | **$302,388** | **$23,518** | **8.4%** |
| Offsetting Collections - Reimbursables | $19,800 | $0 | $38,642 | $33,842 | ($4,800) | -12.4% |
| **Total Program Operating Level** | **$268,160** | **$131,000** | **$317,512** | **$336,230** | **$18,718** | **5.9%** |

1/ ARRA funding includes $123 Million for IRS and $7 Million for FMS.

## Explanation of Request

The Fiscal Year (FY) 2010 President's Budget Request for the Salaries and Expenses appropriation provides new resources to develop superior capabilities in Offices of Domestic Finance and Tax Policy, as well as various management areas within the Department of the Treasury. In order to meet current and future economic challenges, Treasury staff must maintain vast expertise in an array of complex finance and government fields. The Budget supports this need, particularly in the areas of housing finance, capital markets, and tax administration. The Budget also provides resources for the Afghanistan Threat Finance Cell and covers administrative expenses associated with the tax credit exchange programs authorized in the American Recovery and Reinvestment Act of 2009.

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

Total resources requested to support DO activities for FY 2010 are $336,230,000, including $302,388,000 from direct appropriations and $33,842,000 from offsetting collections and reimbursable programs.

## Purpose of Program

Departmental Offices, as the headquarters bureau for the Department of the Treasury, provides leadership in such critical areas as economic and financial policy, terrorism and financial intelligence, financial crimes, and general management.  The Secretary of the Treasury has the primary role in formulating and managing the domestic and international tax and financial policies of the Federal Government. Through effective management, policies, and leadership, the Treasury Department develops and implements strategies to counter terrorist financing and money laundering, promotes the stability of the nation's financial markets and ensures the government's ability to collect revenue.

## DO FY 2010 Budget Highlights

(Dollars in thousands)

| Appropriation | Amount |
|---|---|
| FY 2009 Enacted | 278,870 |
| Changes to Base: | |
| Maintaining Current Levels (MCLs): | $4,913 |
| Across the Board program reduction | (1,464) |
| Non-Pay Inflation Adjustment | 1,531 |
| Pay Annualization | 1,587 |
| Pay Inflation | 3,259 |
| Initiative Annualization: | $1,731 |
| DF - Debt Management Office Analytical Support | 307 |
| GSE Support | 464 |
| OGC - General Counsel Support for CFIUS | 338 |
| OIA - Counterintelligence and Security Capabilities Enhancement | 622 |
| Subtotal FY 2010 Changes to Base | $6,644 |
| Total FY 2010 Base | 285,514 |
| Program Changes: | |
| Program Reinvestment: | ($2,110) |
| International Affairs Reduction | (2,110) |
| Program Increases: | $18,984 |
| Domestic Finance Staffing | 8,731 |
| Tax Policy Staffing | 4,863 |
| Management Staffing | 3,000 |
| Recovery Act Program Support | 400 |
| Afghanistan Threat Finance Cell and International Dues | 790 |
| CIO Treasury Foreign Intelligence Network (TFIN) | 1,200 |
| Subtotal FY 2010 Program Changes | $16,874 |
| **Total FY 2010 President's Budget Request** | **302,388** |

## FY 2010 Budget Adjustments

### FY 2009 Enacted

The FY 2009 enacted direct appropriation for DO is $278,870,000.

### Maintaining Current Levels (MCLs)

***Adjustments Necessary to Maintain Current Levels +$4,913,000 / +0 FTE*** Funds are requested for: FY 2010 cost of the January 2009 pay increase of $1,587,000; proposed January 2010 pay raise of $3,259,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $1,531,000. In addition, there is an across the board program reduction of $1,464,000.

### Initiative Annualization

***DF - Debt Management Office Analytical Support +$307,000 / +2 FTE*** Annualization of the FY 2009 Domestic Finance initiative to modify the debt management system and provide dedicated analytical staff.

***GSE Support +$464,000 / +4 FTE*** Annualization of the FY 2009 Domestic Finance initiative provided for the executing and managing of the Government Sponsored Enterprises (GSE) program. The funding is used for program personnel and their administrative expenses as well as audit and consulting services.

***OGC - General Counsel Support for CFIUS +$338,000 / +2 FTE*** Annualization of the FY 2009 initiative which provided legal support to the Office of the Assistant General Counsel (OGC) for IA. Additional resources will enable IA and OGC to meet the increased demand to support clients on the Treasury-chaired Committee on Foreign Investment in the United States.

***OIA - Counterintelligence and Security Capabilities Enhancement +$622,000 / +3 FTE*** Annualization of the FY 2009 initiative which augmented the Department's efforts to address current and emerging threats that affect its national security mission. These include: preventing espionage in the Department; thwarting adversarial threats to our personnel, programs, and facilities; and identifying and mitigating threats from compromise of Treasury critical programs or theft.

### Program Reinvestment

***International Affairs Reduction -$2,110,000 / -4 FTE*** The Department considers its attaché program to be a valuable asset for building relationships with foreign officials and working with local U.S. industry and agency representatives to advance U.S. interests, but it does recognize that with current economic conditions a partial amount of the funding for this program must be realigned to other offices that are focused on the domestic economic situation. The Department has identified funds in the attaché program, and will reallocate these resources to meet the increased workload on the Office of Domestic Finance for the initiative described in the program increases section below.

**Program Increases**

***Domestic Finance Staffing +$8,731,000 / +26 FTE*** In order to meet current and future economic challenges, Treasury must maintain a vast expertise is complex finance and government fields, particularly housing finance, small business and capital markets. In support of this objective, this initiative will fund additional staff in the Office of Domestic Finance, including two new Deputy Assistant Secretary (DAS) positions: one DAS for Housing Finance, Small Business and Consumer Issues and one DAS for Capital Markets. The two DASs will lead teams designed to support the economic research and modeling for these critical areas.

***Tax Policy +$4,863,000 / +15 FTE*** To ensure Treasury possesses capabilities sufficient to support rigorous analysis and implementation of revenue policy, the Budget includes funding for an additional 15 tax specialists in Treasury's Office of Tax Policy. These new tax specialists will apply tax expertise in of the following key areas: (1) the financial crisis; (2) the financial stimulus plan; (3) climate change; and (4) health care reform.

***Management Staffing +$3,000,000 / +13 FTE*** DO has identified a number of staffing shortfalls in the areas of Treasury-wide human capital, IT and procurement policy. The Office of the Chief Information Officer (OCIO) needs additional staff to support the increasingly sophisticated technology needs of Treasury leadership and policy offices. As the Department takes on broader and more complex financial and fiscal issues, policymakers and advisors require more IT support and programs for their work, in order to effectively meet these needs. The new staff will support the implementation of new procurement requirements associated with the Administration's efforts for increased transparency in Federal contracting, as well as provide additional support to process large, complex IT contracts. In addition, the additional HR staff and privacy directives staff will ensure that Treasury's directives, both for HR and otherwise, are codified and made accessible to Treasury employees.

***Recovery Act Program Support +$400,000 / +1 FTE*** In accordance with sections 1602 and 1603 of the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Secretary is implementing two new grant programs: (1) Grants to States for Low-Income Housing Projects in Lieu of Low-Income Housing Tax Credits and (2) Grants for Specified Energy Property in Lieu of Tax Credits. Funding is requested to continue the administration of these programs in FY 2010.

***TFI Afghanistan Threat Finance Cell and International Dues +$790,000 / +1 FTE*** Resources are requested to provide designated Treasury staff for the Afghanistan Threat Finance Cell and support annual dues to international anti-money laundering or-ganizations. The Afghanistan Threat Finance Cell (ATFC) was established in FY 2009 on the model of the successful Iraq Threat Finance Cell as a joint Treasury, State and Defense Department initiative. Treasury requests resources to provide one dedicated, full-time staff member for this important effort. Treasury leads the United States delegation at the Asia-Pacific Group and the Financial Action Task Force, international bodies dedicated to combating money laundering and terrorist financing, and streng-thening the financial systems of member states. Treasury requests funds to support dues payments.

***CIO Treasury Foreign Intelligence Network (TFIN) +$1,200,000 / +0 FTE*** Provide on-going Operations and Maintenance (O&M) support for the TFIN system, including program management, O&M managed services provider contractor support, telecommunications and circuit costs, hardware and software maintenance, and technology refresh.

## Explanation of Budget Activities

### Salaries and Expenses

***Executive Direction ($22,383,000 from direct appropriations and $1,092,000 from reimbursable programs)*** Provides direction and policy formulation to the Department, and interacts with Congress and the public on Departmental policy matters.

***Economic Policies and Programs ($44,749,000 from direct appropriations and $5,097,000 from reimbursable programs)*** Monitors domestic and international economic conditions and collects and analyzes financial data, including foreign credits and credit guarantees.

***Financial Policies and Programs ($47,580,000 from direct appropriations and $5,225,000 from reimbursable programs)*** Monitors and provides economic and financial policy expertise in the areas of domestic finance and tax policy.

***Terrorism and Financial Intelligence ($64,610,000 from direct appropriations and $5,637,000 from reimbursable programs)*** Develops and implements strategies to counter terrorist financing and money laundering.

***Treasury-wide Management and Programs ($22,779,000 from direct appropriations and $4,575,000 from reimbursable programs)*** Provides strategic plans, and policy direction in the fields of human resources, information technology security, and financial administration that include the formulation and management of the budget.

***Administration Programs ($100,286,000 from direct appropriations and $12,216,000 from reimbursable programs)*** Provides operational support and shared services to all offices within DO.  Activities include accounting, budget, human resources, information technology, procurement, facilities support and travel services.

## Legislative Proposals

The Budget proposes one new Administrative Provisions. The Provision would authorize a permanent indefinite authority to establish new Treasury fund symbols for the payment of tax refunds and related interest by Alcohol and Tobacco Tax & Trade Bureau, Customs and Border Protection, and the Bureau of Alcohol, Tobacco, Firearms and Explosives.

The proposed Administrative Provision  will greatly improve the efficiency of the payment of various types of tax refunds and related interest.

### DO Performance by Budget Activity

| Budget Activity | Performance Measure | FY 2006 | FY 2007 | FY 2008 | | FY 2009 | FY 2010 |
|---|---|---|---|---|---|---|---|
| | | Actual | Actual | Actual | Target Met? | Target | Target |
| Economic Policies and Programs | Number of new trade and investment negotiations underway or completed (Oe) | N/A | N/A | 14 | Baseline | 6 | 2 |
| Terrorism and Financial Intelligence | Number of countries that are assessed for compliance with the Financial Action Task Force (FATF) 40 + 9 recommendations (Ot) | 5 | 6 | 12 | Yes | Discon-tinued | Discon-tinued |
| Treasury-wide Management and Programs | Completed investigations of EEO complaints within 180 days (%) (Oe) | 20 | 52 | 56 | Yes | 50 | 50 |
| Treasury-wide Management and Programs | Injury and illness rate Treasurywide - including DO (Oe) | 1 | 0 | 1.29 | Yes | Discon-tinued | Discon-tinued |

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

## Description of Performance

The Treasury Department is committed to participating in the negotiation and implementation of international agreements, which help to remove trade and investment barriers and stimulate domestic and global growth. Treasury's Office of International Affairs advises and assists in the formulation and execution of U.S. international economic and financial policy. In FY 2008, the office met or exceeded its targets for all of its performance measures. During the year, the office modified its measure related to trade and investment negotiations to broaden its scope and added a new measure related to the enactment, implementation and enforcement of US trade law and international agreements. For FY 2009 and FY 2010, it is anticipated that completion of new international trade and investment agreements will be challenged by protectionist sentiment associated with the global recession. Commitments by G-20 nations to resume the World Trade Organization's Doha Round of trade negotiations and limit protection are extremely favorable, but the performance results of FY 2008 are likely to be
The Department is continuing in its efforts to develop and replace performance measures for the Offices of International

unrepeatable in the current climate. Performance targets for FY 2009 and FY 2010 for both measures have consequently been set to reflect these economic challenges.

Departmental Offices are primarily responsible for managing Treasury-wide management programs and initiatives. For FY 2008, DO met or exceeded its performance measures related to Equal Opportunity Employment and Department-wide injury and illness rates. During FY 2008 the Office of the Deputy Assistant Secretary for Human Resources / Chief Human Capital Officer (DASHR/CHCO) began using two performance measures to assess how well employee expectations align with organization performance. DASHR/CHCO also implemented its first human capital operating plan to ensure steady progress towards the goals laid out in the Human Capital Strategic Plan. These new initiatives have significantly improved insight into human capital programs and additional measures are being developed to determine the effectiveness of strategies articulated in the plan.

Affairs, Economic Policy, Domestic Finance, Foreign Asset Control, Intelligence and Analysis, and Terrorism Financing and

Financial Crimes to improve alignment with the 2007-2012 Treasury Strategic Plan. In FY 2008 the Office of Technical Assistance established two new, comprehensive performance measures to assess the effectiveness of assistance programs for client countries. Additional measures of this type are currently being considered for other policy offices

# Department-wide Systems and Capital Investments Programs

**Program Summary by Budget Activity**

(Dollars in thousands)

| Appropriation | FY 2008 | FY 2009 | FY 2010 | | |
|---|---|---|---|---|---|
| | Enacted | Enacted | Request | $ Change | % Change |
| **Department-wide Systems and Capital Investments Programs** | **$18,710** | **$26,975** | **$9,544** | **($17,431)** | **(64.62%)** |
| Department-wide Systems and Capital Investments Programs | $18,710 | $26,975 | $9,544 | ($17,431) | (64.62%) |
| **Total Appropriated Resources** | **$18,710** | **$26,975** | **$9,544** | **($17,431)** | **(64.62%)** |

## Explanation of Request

The Department-wide Systems and Capital Investments Programs (DSCIP) request includes funds for Treasury Annex Repair and Maintenance (ARM), the Departmental Cyber Security program, and enhancements to the Treasury Foreign Intelligence Network (TFIN).

**Annex Repair and Maintenance:** The 90-year old Treasury Annex, owned by the Department, is considered an American treasure; the building is part of the Lafayette Square National Register Historic District. With no major system overhaul in decades, the condition of the building has deteriorated. The FY 2010 request for the Annex Repair and Maintenance (ARM) project will enable Treasury to address the immediate need to correct critical building and system deficiencies to ensure the safety and health of the occupants. Substantial corrective measures are necessary to address the infrastructure that is at the end of its life cycle. The FY 2010 ARM priority will be the replacement of the existing elevators, which have exceeded their life expectancy.

**Cyber Security:** Cyber Security funds will be used to help ensure the protection of Treasury systems and information against threats, identify and mitigate vulnerabilities, provide for cyber security governance throughout the Department, and ensure that the Department's Critical Infrastructure / Key Resources (CI/KR) are identified The funds will also be used to develop security metrics and ensure they are regularly measured, advance the Department's cyber security requirements to meet new threats and vulnerabilities, and to conduct security reviews to help ensure full implementation of security measures to protect the Department. This program will provide greater protection against network intrusions, which can result in significant disruptions and delays in its business activities. Funding in this area will also support reviews of selected bureau security programs and support enhanced protection of the Department's classified systems, thus directly supporting the goal of better protecting the national security, by reducing the risk to those systems.

**Treasury Foreign Intelligence Network:** The TFIN system is the Department's only Sensitive Compartmented Information-level system that receives and stores information used for daily intelligence analysis for senior Treasury policymakers as well as actionable intelligence for use by other agencies within the Intelligence Community (IC). The system enables analysts to provide critical insights into the threats to economic stability in countries/regions important to U.S. interests and policy objectives, and to assess financial vulnerabilities, impact of sanctions, and threats to critical financial infrastructure. Program management goals will be achieved by ensuring reliable, secure, efficient, effective, and technologically current IT infrastructure and software applications. Progress towards these goals will be measured through diligent monitoring of meaningful cost, schedule, and performance metrics focused on supporting the Treasury's intelligence mission.

## Purpose of Program

The Department-wide Systems and Capital Investments Programs (DSCIP) provides the Secretary of the Treasury resources to improve Departmental infrastructure and modernize business processes through strategic use of information technology in order to achieve operational efficiency and effectiveness.

**DSCIP FY 2010 Budget Highlights**
(Dollars in thousands)

| Appropriation | |
|---|---|
| FY 2009 Enacted | 26,975 |
| Changes to Base: | |
| Non-Recurring Costs: | ($26,975) |
| Zero-based Budget | (26,975) |
| Subtotal FY 2010 Changes to Base | ($26,975) |
| Total FY 2010 Base | - |
| Program Changes: | |
| Program Increases: | $9,544 |
| Annex Repair and Maintenance | 4,544 |
| Cyber Security | 3,000 |
| Treasury Foreign Intelligence Network (TFIN) | 2,000 |
| Subtotal FY 2010 Program Changes | $9,544 |
| **Total FY 2010 President's Budget Request** | **9,544** |

## FY 2010 Budget Adjustments

**FY 2009 Enacted**
The FY 2009 enacted direct appropriation for DSCIP is $26,975,000.

**Non-Recurring Costs**
***Zero-based Budget -$26,975,000 / +0 FTE***
DSCIP is a zero-based budget.

**Program Increases**

***Annex Repair and Maintenance +$4,544,000 / +0 FTE*** The FY 2010 Budget proposed funding for the Annex Repair and Maintenance (ARM) project will enable Treasury to continue to address the immediate need to correct building and system deficiencies in order to ensure the safety and health of the building occupants. The FY 2010 ARM priority will be the replacement of the existing elevators which have exceeded their life expectancy. This work will be possible, in part, due to the new building electrical service that is financed with funding in FY 2009.

***Cyber Security +$3,000,000 / +0 FTE*** The Cyber Security program protects the security of Treasury systems, and related information and services. This Department-wide program supports: the comprehensive security policy and compliance framework to protect cyber assets throughout the Department; protection of Departmental cyber critical infrastructure resources against attack; protection of classified systems and information through the National Security Program; and operation of both the Department-wide cyber security program for sensitive systems and the Treasury Computer Security Incident Response Center.

***Treasury Foreign Intelligence Network (TFIN) +$2,000,000 / +0 FTE*** For FY 2010, DSCIP funding is required to enhance the high priority, classified intelligence capabilities of TFIN, including application development designed to comport with changes that the Office of the Director for National Intelligence (ODNI)/CIO makes to the IC enterprise architecture to facilitate more timely intelligence information sharing and analysis.

## Explanation of Budget Activities

### Salaries and Expenses

***Department-wide Systems and Capital Investments Programs ($9,544,000 from direct appropriation) -***
The purpose of DSCIP funds is to improve Departmental infrastructure and modernize business processes through strategic use of information technology in order to achieve operational efficiency and effectiveness. All of the DSCIP efforts provide tangible benefits in their specific areas to produce an improved overall environment for the Department of the Treasury. Improvements to the Treasury Annex will allow the department to maximize the utility of the facility while ensuring that Treasury employees are working in a safe and secure environment. The Departmental Cyber Security program enables Treasury to protect the sensitive information entrusted to the Department by the public, while also ensuring the availability of IT resources necessary for Treasury to perform its missions. Investments in TFIN facilitate Treasury's contributions to national security.

## Legislative Proposals

DSCIP has no legislative proposals for FY 2010.

## Description of Performance

The Treasury Department has four strategic goals:

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

The Department uses DSCIP funds to make investments necessary to facilitate achievement of these goals.

For FY 2010, the Annex Repair and Maintenance (ARM) project will enable Treasury to continue to address building and system deficiencies and thereby contributes to the achievement of the goal of ensuring management and organizational excellence. The FY 2010 ARM investment will build off of similar FY 2009 DSCIP investments in the program.

In support of Treasury's strategic goal to prevent terrorism and promote the nation's security through strengthened international financial systems, FY 2010 DSCIP resources will be used to enhance the analytical capabilities available to intelligence analysts using the Treasury Financial Intelligence Network (TFIN). The planned enhancements will ensure the system remains compliant with increased security requirements and that Treasury intelligence systems facilitate the increasingly dynamic information exchange between agencies of the intelligence community.

By enabling protection of information and information systems across Treasury, the Cyber Security program contributes to the accomplishment of all four Treasury strategic goals. Because Treasury is highly dependent on IT and is highly inter-connected with other agencies, the private sector and the public, a strong Departmental Cyber Security program is essential for Treasury mission success, particularly given the highly-advanced threats posed against the Department's systems.

# Office of Inspector General

**Program Summary by Budget Activity**

(Dollars in thousands)

| Appropriation | FY 2008 | FY 2009 | FY 2010 | | |
|---|---|---|---|---|---|
| | Enacted | Enacted | Request | $ Change | % Change |
| **Salaries and Expenses** | **$18,450** | **$26,125** | **$26,700** | **$575** | **2.2%** |
| Audit | $12,658 | $20,116 | $20,559 | $443 | 2.2% |
| Investigations | $5,792 | $6,009 | $6,141 | $132 | 2.2% |
| **Subtotal, Office of Inspector General** | **$18,450** | **$26,125** | **$26,700** | **$575** | **2.2%** |
| Offsetting Collections - Reimbursables | $6,361 | $7,381 | $8,000 | $619 | 8.4% |
| **Total Program Operating Level** | **$24,811** | **$33,506** | **$34,700** | **$1,194** | **3.6%** |

## Explanation of Request

The Fiscal Year (FY) 2010 President's Budget request for the Office of Inspector General (OIG) will be used to provide critical audit and investigative services, ensuring the effectiveness and integrity of Treasury's programs and operations. The OIG will continue to address mandated requirements related to (1) audits of the Department's financial statements, (2) information security, and (3) failed institutions regulated by the Office of the Comptroller of the Currency or the Office of Thrift Supervision resulting in material losses to the deposit insurance fund (material loss is currently defined as the greater of $25 million or 2 percent of the institution's assets). To the extent that resources are available, the OIG will conduct audits of the Department's highest risk programs and operations. Five of those programs and operations are discussed below. This list is not all inclusive, and risks change over time and circumstance.

**Programs to Ensure the Safety and Soundness of the Nation's Financial Markets** – The wave of bank failures that started in 2008 underscore the need for increased audit coverage of a more prospective nature. Material loss reviews are a backward look at the quality of supervision as it relates to the failed institution under review. The OIG believes that it is important for regulators to address emerging risks in financial markets and products. The subprime mortgage crises was a costly lesson that serves to remind us that regulators need to anticipate, recognize, and control business practices that create unreasonable risk.

Another area that the OIG believes requires vigorous oversight is Treasury's responsibilities under the Housing and Economic Recovery Act of 2008. Treasury has taken on an important role to complement the Federal Housing Finance Agency's September 2008 decision to place Fannie Mae and Freddie Mac in conservatorship.

**Programs to Promote Economic Recovery** - With the enactment of the American Recovery and Reinvestment Act of 2009 (Recovery Act), Treasury was provided with, among other things, over $4 billion for low-income housing projects and specified energy properties of which the OIG has jurisdiction or joint jurisdiction with the Treasury Inspector General for Tax Administration. Additionally, the Community Development Financial Institutions Fund received $100 million to supplement its FY 2009 funding round for qualified program applicants.

**Programs to Combat Terrorist Financing and Money Laundering** – Treasury faces unique challenges in carrying out its responsibilities under the Bank Secrecy Act

(BSA) and USA PATRIOT Act to prevent and detect money laundering and terrorist financing. Past audits and Congressional hearings have surfaced serious regulatory gaps in the detection of and/or timely enforcement action against financial institutions for BSA and related violations. Furthermore, with the current distress facing so many financial institutions throughout our country, we believe that there is an increased risk that compliance with BSA may have deteriorated further and may continue to worsen.

**Efforts to Ensure the Security of Treasury's Information Systems --** The Department faces serious challenges in bringing its systems into compliance with information technology security policies, procedures, standards, and guidelines. In its FY 2008 Federal Information Security Management Act independent audit, the OIG continued to report deficiencies in the Department's information security programs and practices.

**Treasury's Management of Capital Investments --** Treasury needs to ensure that large acquisitions of systems and other capital investments are properly managed. The Department's record in this regard has been mixed and requires continued attention.

The requested funding will also allow the OIG to: continue to prevent fraud, waste and abuse, at all Treasury non-IRS bureaus and offices, including investigating complaints of alleged employee misconduct, and allegations of fraud and other crimes involving Treasury programs; performing oversight of the Treasury's police operations at the Bureau of Engraving and Printing and the U.S. Mint; continuing review and investigation of instances where the U.S. Mint's Coin Redemption and Bureau of Engraving and Printing's Currency Redemption Programs are used to facilitate money laundering, structuring, and other unlawful activities; and conducting proactive efforts to detect, investigate, and deter electronic crimes and other threats to the Department's physical and cyber critical infrastructure.

Resources required to support OIG operations for FY 2010 are $26,700,000 from direct appropriations, and $8,000,000 from offsetting collections and reimbursable agreements for contract financial statement audits of other Treasury bureaus.

## Purpose of Program

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

There are also appropriated to the Department of the Treasury funds specifically identified for the annual audit of the Treasury-wide financial statements.

**OIG FY 2010 Budget Highlights**
(Dollars in thousands)

| Appropriation | Amount |
|---|---|
| FY 2009 Enacted | 26,125 |
| Changes to Base: | |
| Maintaining Current Levels (MCLs): | $575 |
| Across the Board program reduction | (9) |
| Non-Pay Inflation Adjustment | 90 |
| Pay Annualization | 166 |
| Pay Inflation Adjustment | 328 |
| Subtotal FY 2010 Changes to Base | $575 |
| Total FY 2010 Base | 26,700 |
| **Total FY 2010 President's Budget Request** | **26,700** |

## FY 2010 Budget Adjustments

### FY 2009 Enacted

The FY 2009 enacted direct appropriation for OIG is $26,125,000.

### Maintaining Current Levels (MCLs)

***Adjustments Necessary to Maintain Current Levels +$575,000 / +0 FTE*** Funds are requested for: FY 2010 cost of the January 2009 pay increase of $166,000; proposed January 2010 pay raise of $328,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $90,000.

## Explanation of Budget Activities

### Salaries and Expenses

***Audit ($20,559,000 from direct appropriations and $8,000,000 from reimbursable programs)*** The Treasury OIG plays a major role in support of the Department of the Treasury's goal to ensure accountability and transparency, to protect the integrity of the Department, and to improve overall efficiency and effectiveness in Treasury programs and operations. OIG conducts audits and investigations of eight Treasury bureaus and all non-IRS Treasury offices in accordance with the Inspector General Act, as amended, to (a) promote economy, efficiency, and effectiveness in the administration of Treasury programs and
OIG Performance by Budget Activity
operations, (b) prevent and detect fraud, waste, and abuse in Treasury programs and operations; and (c) keep the Secretary and the Congress fully and currently informed about problems, abuses, and deficiencies in Treasury programs and operations.

There are also appropriated to the Department of the Treasury funds specifically identified for the annual audit of the Treasury-wide financial statements. This audit is performed by an independent public accounting firm under the supervision of OIG. These funds are not available for OIG programs and operations.

***Investigations ($6,141,000 from direct appropriations)*** The Office of Investigations prevents, detects and investigates complaints of fraud, waste and abuse at eight Treasury bureaus and all non-IRS Treasury offices. This includes the detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury. The Office of Investigations refers its cases to the Department of Justice and state or local prosecutors for criminal prosecution or civil litigation, or to agency officials for corrective administrative action.

## Legislative Proposals

The OIG has no legislative proposals for FY 2010.

| Budget Activity | Performance Measure | FY 2006 | FY 2007 | FY 2008 | | FY 2009 | FY 2010 |
|---|---|---|---|---|---|---|---|
| | | Actual | Actual | Actual | Target Met? | Target | Target |
| Audit | Number of completed audit products (Ot) | 57 | 64 | 64 | Yes | 60 | 62 |
| Audit | Percent of statutory audits completed by the required date (%) (E) | 100 | 100 | 100 | Yes | 100 | 100 |
| Investigations | Percent of all cases that were accepted by prosecutors, referred for agency action, or closed during fiscal year and were completed within 18 months of case initiation (Oe) | | | | | Baseline | 70 |
| Investigations | Percentage of all cases closed during fiscal year that were referred for criminal/civil prosecution or Treasury Administrative action (%) (E) | | | | | Baseline | 70 |

## Description of Performance

In FYs 2007 and 2008, the Office of Audit completed 128 audit products, identified potential monetary benefits totaling nearly $7 million for bureaus and programs and completed all statutory audits by the required deadlines.

In FY 2008, the Office of Audit performed or supervised contractors to meet its financial statement and information security mandated audit requirements. It also performed mandated material loss reviews of failed financial institutions supervised by Treasury. Furthermore, the Office of Audit directed its self-initiated work toward addressing Treasury's major management and performance challenges. The Office of Audit completed 64 audit products, and met all statutory completion requirements.

In FY 2008, the Office of Investigations continued investigating all reports of fraud, waste and abuse and other criminal activity. The Office of Investigations also continued to conduct a limited number of proactive integrity projects such as the fraudulent improper payments project initiated in FY 2006. The Office of Investigations referred 93 investigations for criminal prosecution, civil litigation, or corrective administrative action. The Office of Investigations undertook a thorough review of its performance measure methodology, and has developed better and more realistic measures with which to gauge its investigative performance. These new measures went into effect in FY 2009, and will be evaluated throughout the year.

In FY 2009, the OIG expects to maintain performance at a level consistent with FY 2008, and will continue to direct a significant portion of its limited resources to conducting the increasing number of material loss reviews of failed banks. Furthermore, the OIG will begin to provide oversight of more than $4 billion for low-income housing projects and specified energy properties grants authorized by the Recovery Act.

FY 2010 requested resources will enhance OIG's ability to complete mandated material loss reviews by the statutory deadline. OIG will continue to direct much of its remaining resources to auditing Treasury programs: to ensure the safety and soundness of the Nation's financial markets; to promote economic recovery; to combat terrorist financing and money laundering; to ensure the security of treasury's information systems, and; to improve Treasury's management of capital investments. The OIG expects to meet the revised investigative targets of 70 percent of all cases that were accepted by prosecutors, referred for agency action, closed, or exonerated during the fiscal year and were completed within 18 months of case initiation; and 70 percent of all cases closed during the fiscal year that were referred for criminal/civil prosecution or Treasury Administrative action.; complete 62 audit products, and complete 100 percent of statutory audits on time in FY 2010.

# Inspector General for Tax Administration

**Program Summary by Budget Activity**

(Dollars in thousands)

| Appropriation | FY 2008 | FY 2009 | | FY 2010 | | |
|---|---|---|---|---|---|---|
| | Enacted | ARRA | Enacted | Request | $ Change | % Change |
| **Salaries and Expenses** | **$140,533** | **$7,000** | **$146,083** | **$149,000** | **$2,917** | **2.0%** |
| Audit | $52,959 | $5,600 | $55,186 | $56,289 | $1,103 | 2.0% |
| Investigations | $87,574 | $1,400 | $90,897 | $92,711 | $1,814 | 2.0% |
| **Subtotal, Inspector General for Tax Administration** | **$140,533** | **$7,000** | **$146,083** | **$149,000** | **$2,917** | **2.0%** |
| Offsetting Collections - Reimbursables | $900 | $0 | $900 | $1,300 | $400 | 44.4% |
| **Total Program Operating Level** | **$141,733** | **$7,000** | **$146,983** | **$150,300** | **$3,317** | **2.3%** |

## Explanation of Request

The FY 2010 President's Budget request for Treasury Inspector General for Tax Administration (TIGTA) will be used to continue to provide critical audit, investigative, and inspection and evaluation services, promoting the integrity of tax administration on behalf of the Nation's taxpayers. While there are a number of critical areas where TIGTA will provide oversight, highlights of TIGTA's investigative and audit priorities include:

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

Total resources required in FY 2010 to support TIGTA's mission are $150,300,000, including $149,000,000 from direct appropriations, and approximately $1,300,000 from reimbursable agreements.

## Purpose of Program

The Treasury Inspector General for Tax Administration (TIGTA) was created by Congress as a part of the *Internal Revenue Service Restructuring and Reform Act of 1998 (*RRA 98*)*. TIGTA's audits and investigations protect and promote the fair administration of the American tax system. TIGTA conducts audits that advise the American people, Congress, the Secretary of the Treasury, and IRS management of high-risk issues, problems, and deficiencies related to the administration of IRS programs and operations. TIGTA's audit recommendations aim to improve IRS systems and operations, while maintaining fair and equitable treatment of taxpayers. TIGTA's investigations ensure the integrity of IRS employees, contractors, and other tax professionals; provide for infrastructure security; and protect the IRS from external attempts to threaten or corrupt the administration of the tax laws. TIGTA's Office of Inspections and Evaluations (I&E) provides responsive, timely, and cost-effective inspections and evaluations of IRS challenge areas. TIGTA's oversight is essential to the efficiency and equity of the Federal tax administration system. TIGTA ensures that the American taxpayer can have confidence that the IRS collects nearly $3 trillion in tax revenue in an effective and efficient manner using a system which is just and equitable.

**TIGTA FY 2010 Budget Highlights**
(Dollars in thousands)

| Appropriation | Amount |
|---|---|
| FY 2009 Enacted | 146,083 |
| Changes to Base: | |
| Maintaining Current Levels (MCLs): | $3,264 |
| Across the Board Program Reduction | (504) |
| Non-Pay Inflation Adjustment | 318 |
| Pay Annualization | 1,110 |
| Pay Inflation Adjustment | 2,340 |
| Non-Recurring Costs: | ($347) |
| No obligation to fund CIGIE | (347) |
| Subtotal FY 2010 Changes to Base | $2,917 |
| Total FY 2010 Base | 149,000 |
| **Total FY 2010 President's Budget Request** | **149,000** |

## FY 2010 Budget Adjustments

### FY 2009 Enacted

The FY 2009 enacted direct appropriation for TIGTA is $146,083,000.

**Maintaining Current Levels (MCLs)**

***Adjustments Necessary to Maintain Current Levels +$3,264,000 / +0 FTE*** Funds are requested for: FY 2010 cost of the January 2009 pay increase of $1,110,000; proposed January 2010 pay raise of $2,340,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $318,000.

**Non-Recurring Costs**

***No obligation to fund CIGIE -$347,000 / +0 FTE*** There will be no interagency funding provided for the Council of Inspectors General on Integrity and Efficiency (CIGIE) in this request.

## Explanation of Budget Activities

### Salaries and Expenses

***Audit ($56,289,000 from direct appropriations and $551,000 from reimbursable programs)*** The Office of Audit's (OA) mission is to provide comprehensive coverage and oversight of all aspects of the IRS' daily operations. Audits, inspections, and evaluations not only focus on the economy and efficiency of IRS functions but also ensure that taxpayers' rights are protected and the taxpaying public is adequately served. Moreover, the IRS' implementation of audit recommendations results in: cost savings and increased or protected revenue; reduction of taxpayer burden; protection of taxpayer rights and entitlements, taxpayer privacy and security; and protection of IRS resources. Overall, as of September 30, 2008, audit reports produced potential financial benefits of approximately $2.4 billion, and potentially impacted approximately 5.7 million taxpayer accounts in areas such as taxpayer burden, rights and entitlements, taxpayer privacy and security, protection of resources/reliability of information, and increased revenue/revenue protected. Each fiscal year, OA develops an annual audit plan that communicates oversight priorities to Congress, the Department of the Treasury, and the IRS. This plan strikes a balance between statutory audit coverage and high risk audit work. The statutory coverage includes audits mandated by the IRS Restructuring and Reform Act of 1998, as well as reviews that address computer security and financial management. The high-risk workload includes issues pertaining to the IRS' modernization efforts, its major management challenges, its progress in achieving its strategic goals, as well as Congressional and other stakeholder requests for audit coverage.

***Investigations ($92,711,000 from direct appropriations and $749,000 from reimbursable programs)*** While most Offices of Inspector General focus primarily on fraud, waste and abuse, TIGTA's mission is more extensive. TIGTA has the statutory responsibility to protect the integrity of tax administration and to protect the ability of the IRS to collect revenue for the federal government. To accomplish this, TIGTA investigates allegations of criminal violations and administrative misconduct by IRS employees, protects the IRS against external attempts to corrupt tax administration, and ensures IRS employee safety and IRS data and infrastructure security. The following summaries highlight TIGTA's investigative efforts in these three core areas:

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

*Employee and Infrastructure Security:* In 1998, The President of the United States designated IRS operations as a critical infrastructure.[1] TIGTA meets the challenge of maintaining IRS employee and infrastructure security by conducting investigations in reaction to incidents in which IRS employees, facilities, and infrastructure are sabotaged, threatened, or assaulted. Potential threats to tax administration are identified by TIGTA's administration of a Criminal Intelligence Program that utilizes law enforcement and intelligence resources to proactively identify individuals and groups who may pose a threat to tax administration.

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

## Legislative Proposals

TIGTA has no legislative proposals for FY 2010.

[1] *Presidential Decision Directive NSC-63.*

### TIGTA Performance by Budget Activity

| Budget Activity | Performance Measure | FY 2006 | FY 2007 | FY 2008 | | FY 2009 | | FY 2010 |
|---|---|---|---|---|---|---|---|---|
| | | Actual | Actual | Actual | Target Met? | ARRA | Target | Target |
| Investigations | Percentage of results from investigative activities (%) (Oe) | 79 | 81 | 78 | Yes | 78 | 78 | 78 |
| Audit | Percentage of audit products delivered when promised to stakeholders (%) (Oe) | 0 | 68 | 65 | Yes | 65 | 65 | 65 |
| Audit | Percentage of recommendations made that have been implemented (%) (Oe) | 0 | 90 | 85 | Yes | 83 | 83 | 83 |

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

## Description of Performance

- Issued 179 audit, inspection, and evaluation reports, identifying approximately $2.4 billion in potential financial benefits (i.e., costs savings, increased or protected revenue, taxpayer rights and entitlements, and inefficient use of resources).

- Closed 78 percent of the 3,662 final closed investigations which generated results, including 1,569 cases of employee misconduct referred for action and 179 cases accepted for criminal prosecution with final legal action.

# Community Development Financial Institutions Fund

**Program Summary by Budget Activity**

(Dollars in thousands)

| Appropriation | FY 2008 | FY 2009 | | FY 2010 | | |
|---|---|---|---|---|---|---|
| | Enacted | ARRA | Enacted | Request | $ Change | % Change |
| **Program Account** | **$94,000** | **$100,000** | **$107,000** | **$243,600** | **$136,600** | **127.7%** |
| Community Development Financial Institutions Program | $52,250 | $90,000 | $59,750 | $113,600 | $53,850 | 90.1% |
| New Markets Tax Credit Program | $4,120 | $67 | $4,200 | $4,203 | $3 | 0.1% |
| Bank Enterprise Award Program | $20,000 | $0 | $22,000 | $22,000 | $0 | - |
| Native Initiatives | $8,000 | $8,000 | $8,500 | $10,000 | $1,500 | 17.6% |
| Capital Magnet Fund | $0 | $0 | $0 | $80,000 | $80,000 | 100.0% |
| Administration | $9,630 | $1,933 | $10,550 | $13,797 | $3,247 | 30.8% |
| Financial Education and Counseling | $0 | $0 | $2,000 | $0 | ($2,000) | (100.0%) |
| **Total Appropriated Resources** | **$94,000** | **$100,000** | **$107,000** | **$243,600** | **$136,600** | **127.7%** |

/1The CDFI Fund will seek to implement additional reforms to the BEA program to enhance the capacity of CDFI banks, and to strengthen partnerships between small community banks and CDFIs.

/2 The Administration budget activity excludes resources to administer the New Markets Tax Credit program.

## Explanation of Request

The FY 2010 request for the Community Development Financial Institutions (CDFI) Fund will ensure the Fund meets its mission of promoting access to capital and local economic growth in urban and rural low-income communities across the nation. Through its various programs, the CDFI Fund enables locally based organizations to further goals such as economic development; affordable housing; and community development financial services.

Total resources required to support CDFI Fund activities for FY 2010 are $243,600,000 from direct appropriations.

## Purpose of Program

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

The Capital Magnet Fund (CMF) will be a newly authorized program that will be administered by the CDFI Fund beginning in FY 2010. The purpose of the CMF is to increase capital investment for the development, preservation, rehabilitation, or the purchase of affordable housing for low-, very low-, and extremely low-income families, and related economic development activities.

**CDFI FY 2010 Budget Highlights**
(Dollars in thousands)

| Appropriation | Amount |
|---|---|
| FY 2009 Enacted | 107,000 |
| Changes to Base: | |
| Maintaining Current Levels (MCLs): | $250 |
| Across the Board Program Reduction | (69) |
| Non-Pay Inflation Adjustment | 107 |
| Pay Annualization | 76 |
| Pay Inflation Adjustment | 136 |
| Subtotal FY 2010 Changes to Base | $250 |
| Total FY 2010 Base | 107,250 |
| Program Changes: | |
| Program Decreases: | ($2,000) |
| Financial Counseling Grants program | (2,000) |
| Program Increases: | $138,350 |
| CDFI program | 53,850 |
| Native Initiatives | 1,500 |
| Capital Magnet Fund | 80,000 |
| Capital Magnet Fund Implementation | 1,300 |
| Research, Evaluation & Performance | 850 |
| Transition to Departmental Offices' IT LAN | 850 |
| Subtotal FY 2010 Program Changes | $136,350 |
| Total FY 2010 President's Budget Request | 243,600 |

## FY 2010 Budget Adjustments

### FY 2009 Enacted

The FY 2009 enacted direct appropriation for CDFI is $107,000,000.

### Maintaining Current Levels (MCLs)

***Adjustments Necessary to Maintain Current Levels +$250,000 / +0 FTE*** Funds are requested for: Across the Board Program Reduction of $69,000; FY 2010 cost of the January 2009 pay increase of $76,000; proposed January 2010 pay raise of $136,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $107,000.

### Program Decreases

***Financial Counseling Grants program -$2,000,000 / +0 FTE*** The CDFI Fund will discontinue the financial counseling grants pilot program, begun in FY 2009, and reinvest these resources in its existing financial assistance and technical assistance grants programs.

### Program Increases

***CDFI program +$53,850,000 / +0 FTE*** The FY 2010 budget request seeks to increase funding to support the increased demand for CDFI Program grants. CDFIs use these grants to increase their overall capacity, and their ability to offer loans, investments and other financial services in underserved communities. Awards are used by CDFIs to, among other things, increase their net assets, create loan loss reserves, and offer subordinated debt products. As a result, CDFIs are able to leverage CDFI Program awards by approximately 15:1.

***Native Initiatives +$1,500,000 / +0 FTE***
Through the Native Initiatives, the CDFI Fund assists Native Communities (Native American, Alaskan Native and Native Hawaiian communities) to overcome certain barriers to financial services. The budget requests an additional $1.5 million, bringing the total program funding to $10 million.

***Capital Magnet Fund +$80,000,000 / +0 FTE***
The Capital Magnet Fund seeks to increase capital investment for the development, preservation, rehabilitation, or purchase of affordable housing, and related economic development activities. The budget requests $80 million in funding to begin this important program, which will stimulate the economy in the nation's most distressed neighborhoods.

***Capital Magnet Fund Implementation +$1,300,000 / +6 FTE*** These resources will enable the CDFI Fund to hire additional grants and program compliance staff with expertise in programs designed to facilitate affordable housing and related investments.

***Research, Evaluation & Performance +$850,000 / +2 FTE*** To conduct strategic research to analyze the impact and outcomes of the CDFI Fund's programs, including the effect of changing economic conditions.

***Transition to Departmental Offices' IT LAN +$850,000 / +2 FTE*** In FY 2010, the CDFI Fund will transition from its separate information technology LAN to a shared service provided model, leveraging the Department of Treasury Departmental Offices LAN capabilities. This transition will result in a one time cost estimated at $1.5 million.

## Explanation of Budget Activities

### Salaries and Expenses

***Community Development Financial Institutions Program ($113,600,000 from direct appropriations)*** The Community Development Financial Institutions (CDFI) Program uses federal resources to invest in and build the capacity of CDFIs to serve low-income people and communities lacking adequate access to affordable financial products and services. The CDFI Program provides monetary awards for financial assistance to further economic development (job creation, business development, and commercial real estate development); affordable housing (housing development and homeownership); and community development financial services (provision of basic baking services to underserved communities and financial literacy training). The CDFI Program also provides technical assistance awards to help start-up and existing CDFIs build their capacity to serve their target markets through the acquisition of consulting services, technology purchases, and staff or board training.

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

***Bank Enterprise Award Program ($22,000,000 from direct appropriations)*** The CDFI Fund instituted program changes in 2009 requiring most awardees to reinvest their award dollars in support of CDFIs or in additional qualifying low-income community activities. In FY 2010, the CDFI Fund will seek to make additional reforms to the BEA Program to enhance the capacity of CDFI banks, and to strengthen partnerships between community banks and CDFIs. The CDFI Fund will work with Congress, the Office of Management and Budget and other stakeholders in the development of proposed reforms, and seek Congressional approval as appropriate.

***Native Initiatives ($10,000,000 from direct appropriations)*** The Native Initiatives comprises two components: (i) the Native American CDFI Assistance (NACA) Program through which FA and TA awards are provided to build the capacity of new or existing CDFIs serving Native American Communities (Native American CDFIs), and (ii) complementary capacity-building initiatives that seek to foster the development of Native American CDFIs through training and technical assistance. The CDFI Fund achieves these objectives through two principal strategies: (i) the Native American CDFI Assistance (NACA) Program, which provides financial assistance and technical assistance awards to new or existing Native CDFIs, and (ii) a complementary series of training programs, called Expanding Native Opportunities, that foster the development of new Native CDFIs, strengthen the operational capacity of existing Native CDFIs, and guide

Native CDFIs in the creation of important financial education and asset building programs for their communities.

***Capital Magnet Fund ($80,000,000 from direct appropriations)*** The Capital Magnet Fund was enacted through the Housing and Economic Recovery Act of 2008. Through the Capital Magnet Fund, the CDFI Fund will carry out a competitive grant program for CDFIs and nonprofit organizations (if their principal purposes is the development or management of affordable housing) to attract private capital for increase investment in (i) develop, preserve, rehabilitate, and purchase affordable housing for primarily extremely low-, very low-, and low-income families; and (ii) undertake economic development activities or community services facilities (such as day care centers, workforce development centers, and health care clinics) which in conjunction with affordable housing activities will implement a concerted strategy to stabilize or revitalize a low-income area or underserved rural area. The Act established the Capital Magnet Fund as a program that will be administered by the CDFI Fund.

***Administration ($13,797,000 from direct appropriations)*** Administration encompasses the CDFI Fund's operational support and management activities for each of the grant and tax credit programs it administers. This includes finalizing the terms of assistance agreements with awardees, making disbursements, and monitoring awardee compliance with the terms of their three-year award assistance and seven-year allocation agreements.

## Legislative Proposals

For purposes of the CDFI Fund's FY 2010 appropriations, the CDFI Fund is requesting a waiver of the statutory cap on award amounts (12 U.S.C. 4707 (d)) and a waiver of the matching funds requirements (12 U.S.C. 4707 (e)) for the FY 2010 funding rounds, given the current need to stabilize the economy.

Award Cap Waiver
The CDFI Fund proposes waiving the 3-year, $5 million cap (12 U.S.C. 4707(d)(1)-(2)) for FY 2010. The FY 2010 Budget includes a significant increase in CDFI Program resources, and the CDFI Fund requires the option to use some of the additional resources to fully fund high quality applicants that received awards in previous resources. Due to additional resources made available through the Recovery Act, and the increase of the FY 2010 budget request, the Administration supports waiving the award cap.

Matching Fund Waiver
The second proposal waives the CDFI Programs matching funds provision in 2010, which requires applicants to match awards on a 1:1 basis with private funding. Given current credit market conditions, CDFIs may find it difficult to obtain affordable private credit. Under this proposal, highly qualified CDFIs will be able to apply even if they are struggling to find a private match. Given the market challenges in the credit and equities markets, many CDFIs are encountering a significant contraction of capital support to obtain matching funds.

This contraction in capital support is coming at a time when many CDFIs are seeing an increased demand for their products, as many of the traditional mainstream lenders are reducing their lending activities. The Administration supports waiving the matching funds requirement to enable all CDFIs that are able to serving distressed communities to be eligible to apply regardless of the market conditions that have impacted the ability to obtain matching funds.

**CDFI Performance by Budget Activity**

| Budget Activity | Performance Measure | FY 2006 | FY 2007 | FY 2008 | | FY 2009 | | FY 2010 |
|---|---|---|---|---|---|---|---|---|
| | | Actual | Actual | Actual | Target Met? | ARRA | Target | Target |
| Bank Enterprise Award | Increase in community development activities over prior year for all BEA program applicants ($ millions) (Oe) | 318 | 227 | 232 | Yes | NA | 202 | 210 |
| Community Development Financial Institutions Program | Dollars of private and non-CDFI Fund investments that CDFIs are able to leverage because of their CDFI Fund Financial Assistance ($ millions) (Oe) | 1,400 | 778 | 621 | No | NA | 635 | 725 |
| Community Development Financial Institutions Program | Number of full-time equivalent jobs created or maintained in underserved communities by businesses financed by CDFI program awardees (Oe) | 22,329 | 35,022 | 29,539 | Yes | 76,000 | 44,000 | 85,000 |
| New Markets Tax Credit Program | Community Development Entities' annual investments in low-income communities ($ billions) (Oe) | 2 | 2.5 | 3.3 | Yes | NA | 2.5 | 2.5 |
| Native Initiatives | Annual percentage increase in the total assets of Native CDFIs (%) (Oe) | 182 | 19 | 19 | Yes | NA | 15 | 15 |

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

## Description of Performance

*Description of Performance: In* In FY 2008, the CDFI Fund leveraged $621 million in private and non-CDFI Program dollars, which was less than the target of $750 million. The shortfall was due to two reasons: (i) in FY 2008 there was a decrease in the amount of FA disbursements compared to that which was projected; and (ii) the calculated leverage ratio actually increased from $19:1, to $21:1. The leverage ratio will change over time simply because the size and composition of the group of CDFIs that provides leverage information changes every year. Different CDFIs have varying ability to raise equity and borrow against that equity, and will invest in widely different projects.

In FY 2008, the CDFI Fund created or maintained 29,539 full-time equivalent jobs in underserved communities, a slight improvement over its goal of 28,676 jobs.

# Financial Crimes Enforcement Network

**Program Summary by Budget Activity**
(Dollars in thousands)

| Appropriation | FY 2008 | FY 2009 | FY 2010 | | |
|---|---|---|---|---|---|
| | Enacted | Enacted | Request | $ Change | % Change |
| **Salaries and Expenses** | **$90,098** | **$91,465** | **$102,760** | **$11,295** | **12.3%** |
| BSA Administration and Analysis | $76,889 | $82,287 | $93,444 | $11,157 | 13.6% |
| Regulatory Support Programs | $8,955 | $9,178 | $9,316 | $138 | 1.5% |
| **Subtotal, Financial Crimes Enforcement Network** | **$85,844** | **$91,465** | **$102,760** | **$11,295** | **12.3%** |
| Offsetting Collections - Reimbursables | $1,541 | $6,000 | $3,000 | $-3,000 | -50% |
| **Total Program Operating Level** | **$91,639** | **$97,465** | **$105,760** | **$8,295** | **8.5%** |

## Explanation of Request

The Financial Crimes Enforcement Network (FinCEN) FY 2010 President's Budget request includes funding to strengthen its capability to safeguard the nation's financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity. Specifically, the funding request maintains current operating levels, and initiates modernization of Bank Secrecy Act (BSA) information management and analysis.

Total resources required to support FinCEN activities for FY 2010 are $105,760,000 including $3,000,000 from offsetting collections and reimbursable agreements.

## Purpose of Program

The mission of FinCEN, a bureau within Treasury's Office of Terrorism and Financial Intelligence, is to enhance U.S. national security, deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems. FinCEN fulfills its mission, goals and priorities by: administering the BSA; supporting law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence; enhancing international anti-money laundering and counter-terrorist financing efforts and cooperation; and networking people, entities, ideas, and information.

**FinCEN FY 2010 Budget Highlights**
(Dollars in thousands)

| Appropriation | Amount |
|---|---|
| FY 2009 Enacted | 91,465 |
| Changes to Base: | |
| Maintaining Current Levels (MCLs): | $1,295 |
| Across the Board Program Reduction | (453) |
| Non-Pay Inflation Adjustment | 495 |
| Pay Annualization | 419 |
| Pay Inflation Adjustment | 834 |
| Subtotal FY 2010 Changes to Base | $1,295 |
| Total FY 2010 Base | 92,760 |
| Program Changes: | |
| Program Increases: | $10,000 |
| Implement Information Technology Modernization | 10,000 |
| Subtotal FY 2010 Program Changes | $10,000 |
| **Total FY 2010 President's Budget Request** | **102,760** |

## FY 2010 Budget Adjustments

**FY 2009 Enacted**
The FY 2009 enacted direct appropriation for FinCEN is $91,465,000.
**Maintaining Current Levels (MCLs)**
***Adjustments Necessary to Maintain Current Levels +$1,295,000 / +0 FTE*** Funds are requested for: Across the Board Program Reduction of $453,000; FY 2010 cost of the January 2009 pay increase of $419,000; proposed January 2010 pay raise of $834,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $495,000.

**Program Increases**

***Implement Information Technology Modernization +$10,000,000 / +1 FTE*** The request supports a subset of efforts FinCEN has identified to modernize the BSA technical environment. This effort will begin to enrich and standardize BSA data to maximize value, integrate data with other state and federal sources, deploy advanced analytical and storage technologies, and establish more effective security and audit technologies to enhance data confidentiality and integrity.

## Explanation of Budget Activities

**Salaries and Expenses**

***BSA Administration and Analysis ($93,444,000 from direct appropriations and $3,000,000 from reimbursable programs)*** This activity comprises FinCEN's efforts to administer the BSA, including promulgating regulations, providing outreach and issuing guidance to the regulated industries, providing oversight of BSA compliance, initiating enforcement actions, and, with the IRS, managing the information filed by the regulated industries, as well as analytic activities. Internationally, FinCEN promotes the development of anti-money laundering regimes through training and technical assistance. Analytical programs include support to U.S. law enforcement and international FIUs in combating financial crime by facilitating the exchange of investigative information; identifying foreign and domestic money laundering and terrorist financing trends, patterns, and techniques; and liaison with and support of intelligence initiatives within the intelligence community and within Treasury. This activity also incorporates efforts to support large-scale, complex law enforcement investigations involving terrorist financing, money laundering, and other financial crimes.

***Regulatory Support Programs ($9,316,000 from direct appropriations)*** This activity supports implementation, strengthening and clarification of the programmatic (anti-money laundering, Customer Identification Program, and suspicious activity reporting), recordkeeping, and reporting requirements of the BSA for financial institutions subject to those requirements. FinCEN will continue efforts with the IRS, especially related to the money services business (MSB) industry to ensure compliance, respond to public inquiries, distribute forms and publications, and support collection and maintenance of BSA information. This may include enhancing the capability to correct identified data quality issues, enhance electronic filing, potentially explore overall forms design, and other related enhancements to the BSA collection and dissemination systems. These resources also fund IRS BSA compliance activities for non-bank financial institutions, especially related to the MSB industry.

## Legislative Proposals

FinCEN does not have any legislative proposals for FY 2010.

**FinCEN Performance by Budget Activity**

| Budget Activity | Performance Measure | FY 2006 | FY 2007 | FY 2008 | | FY 2009 | FY 2010 |
|---|---|---|---|---|---|---|---|
| | | Actual | Actual | Actual | Target Met? | Target | Target |
| BSA Administration and Analysis | Percentage of customers satisfied with the BSA E-Filing (%) (Ot) | 92 | 94 | 93 | Yes | 90 | 90 |
| BSA Administration and Analysis | Percentage of FinCEN's Regulatory Resource Center customers rating the guidance received as understandable (%) (Ot) | 94 | 91 | 94 | Yes | 90 | 90 |
| BSA Administration and Analysis | The percentage of domestic law enforcement and foreign financial intelligence units finding FinCEN's analytical reports highly valuable (%) (Oe) | 77 | 82 | 83 | Yes | 80 | 80 |
| BSA Administration and Analysis | Average time to process enforcement matters (in years) (E) | 1 | 1.1 | 0.7 | Yes | 1 | 1 |

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

## Description of Performance

In the regulatory area, FinCEN's goal to provide financial institutions with understandable guidance is critical to institutions establishing anti-money laundering programs that comply appropriately with the BSA. FinCEN's FY 2008 goal was to maintain a 90 percent satisfaction level and it surpassed the target with 94 percent of customers rating the guidance received as "understandable."

FinCEN also works closely with its regulatory partners to take enforcement action against financial institutions that systemically and egregiously violate the provisions of the BSA, including through imposition of civil money penalties when appropriate. Timely enforcement action is essential to deter non-compliance with the BSA. In FY 2008, FinCEN surpassed its target of an average time to process enforcement matters of 1.0 years with an average time of 0.7 years.

In the analytical area, FinCEN supports domestic law enforcement and international Foreign Intelligence Unit (FIU) partners by both providing analyses of BSA information, and measuring the percentage of customers finding FinCEN's analytical reports highly valuable. The measure closely ties to how BSA information is used by both law enforcement and international FIUs to identify, investigate, and prevent abuse of the financial system. In FY 2008, FinCEN surpassed its target of 79 percent with 83 percent of its customers finding the analytic products highly valuable.

For the efficient management, safeguarding, and use of BSA information, FinCEN conducts a survey of the users of the BSA E-Filing system to determine the overall satisfaction level and to identify where improvements are needed. The FY 2008 target was to maintain at least a 90 percent satisfaction level, and FinCEN surpassed its target with 93 percent.

# Alcohol and Tobacco Tax and Trade Bureau

**Program Summary by Budget Activity**

(Dollars in thousands)

| Appropriation | FY 2008 | FY 2009 | FY 2010 | | |
|---|---|---|---|---|---|
| | Enacted | Enacted | Request | $ Change | % Change |
| **Salaries and Expenses** | **$93,515** | **$99,065** | **$105,000** | **$5,935** | **6.0%** |
| Collect the Revenue | $47,693 | $50,523 | $52,500 | $1,977 | 3.9% |
| Protect the Public | $45,822 | $48,542 | $52,500 | $3,958 | 8.2% |
| **Subtotal, Alcohol and Tobacco Tax and Trade Bureau** | **$93,515** | **$99,065** | **$105,000** | **$5,935** | **6.0%** |
| Offsetting Collections - Reimbursables | $3,755 | $5,154 | $4,234 | ($920) | (17.9%) |
| **Total Program Operating Level** | **$97,270** | **$104,219** | **$109,234** | **$5,015** | **4.6%** |

Note: The FY 2010 Budget Request includes $80 million in offsetting collections from fee revenues. To the extent that these allocations differ from the Budget, the reader should refer to the figures presented in this document.

## Explanation of Request

In FY 2010, the Alcohol Tobacco Tax and Trade bureau (TTB) will continue to focus its efforts on helping industry members comply with alcohol, tobacco, firearms and ammunition laws and regulations, in the interest of collecting all appropriate excise taxes and promoting a marketplace for alcohol beverages that complies fully with federal production, labeling, advertising, and marketing standards. The FY 2010 President's budget request enables TTB to continue its programs and activities necessary to meet the performance measures that support TTB's strategic goals of collecting revenue and protecting the public.

Total resources required to support TTB activities for FY 2010 are $109,234,000, and 552 FTE, including $25,000,000 from direct appropriations and $84,234,000 in offsetting collections. The offsetting collections include $80,000,000 from annual fee receipts, and $4,234,000 from other offsetting collections and reimbursable programs.

## Purpose of Program

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

**Collect the Revenue -** TTB is charged with collecting alcohol, tobacco, firearms, and ammunition excise taxes. These products generate nearly $22 billion in tax revenue annually, making TTB the third largest tax collection agency in the federal government. Alcohol and tobacco taxes collected by TTB are remitted to the Department of the Treasury General Fund. Firearms and ammunition excise taxes are remitted to the Fish and Wildlife Restoration Fund under provisions of the Pittman-Robertson Act of 1937.

The excise taxes collected by TTB come from taxes imposed and collected at the producer and importers level of operations. Members of the regulated industries paying excise taxes are distilleries, breweries, bonded wineries, bonded wine cellars, manufacturers of paper and tubes for tobacco products, manufacturers of tobacco products, and manufacturers and importer of firearms and ammunition. About 200 of the largest taxpayers account for 98 percent of the annual excise tax collected. In FY 2008, the majority of taxes collected were from tobacco (49 percent) and alcohol (49 percent), with the remainder from firearms and ammunition (2 percent).

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

**Protect the Public** - TTB works to ensure the integrity of the alcohol and tobacco industries and of beverage alcohol products found in the marketplace, and regulates roughly 46,200 alcohol and tobacco businesses. Under this activity, TTB enforces Federal laws related to the issuance of permits to industry members and the production, labeling, advertising, and marketing of alcohol products. TTB conducts these activities through investigations, application reviews, laboratory testing, and educational programs. TTB works with industry, foreign and state governments, and other interested parties to make it easier to comply with regulatory requirements and maintain the appropriate level of oversight to ensure public safety. Education, partnerships, and open communication are paramount strategies in facilitating compliance with regulatory requirements

**TTB FY 2010 Budget Highlights**
(Dollars in thousands)

| Appropriation | Amount |
|---|---|
| FY 2009 Enacted | 99,065 |
| Changes to Base: | |
| Base Realignment: | $0 |
| Base Realignment from Collect the Revenue | (990) |
| Base Realignment to Protect the Public | 990 |
| Maintaining Current Levels (MCLs): | |
| Across the Board Program Reduction | (1,556) |
| Pay Annualization | 556 |
| Pay Inflation Adjustment | 1,014 |
| Non-Pay Inflation Adjustment | 421 |
| Subtotal FY 2010 Changes to Base | $435 |
| Total FY 2010 Base | 99,500 |
| Program Changes: | |
| Program Increases: | $5,500 |
| Annual Licensing and Registration Fee Program | 5,500 |
| Subtotal FY 2010 Program Changes | $5,500 |
| **Total FY 2010 President's Budget Request** | **105,000** |
| Annual Fees | (80,000) |
| **Total FY 2010 President's Budget Request (Net)** | **25,000** |

## FY 2010 Budget Adjustments

### FY 2009 Enacted

The FY 2009 enacted direct appropriation for TTB is $99,065,000.

### Base Realignment

***Base Realignment from Collect the Revenue -$990,000 / +0 FTE*** Realignment of funds from the Collect the Revenue budget activity

***Base Realignment to Protect the Public +$990,000 / +0 FTE*** Realignment from Collect the Revenue to Protect the Public.

### Maintaining Current Levels (MCLs)

***Adjustments Necessary to Maintain Current Levels +$435,000 / +0 FTE*** Funds are requested for: Across the Board Reduction of $1,556,000; FY 2010 cost of the January 2009 pay increase of $556,000; proposed January 2010 pay raise of $1,014,000; non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $421,000

**Program Increases**

***Annual Licensing and Registration Fee Program +$5,500,000 / +12 FTE*** Funds are needed to implement the proposed legislation designed to establish a permanent program for FY 2010 and each fiscal year thereafter, requiring the payment of annual fees from alcohol industry members. The $5.5 million in program costs are principally recurring costs, and will cover labor and other program operating costs. This program will conduct key business activities including the mailing and processing of returns, issuance of non compliance letters, maintaining a client registry, responding to customer inquiries, along with processing of collections and accounting for the revenues.

**Adjustments to Request**

***Special Receipts (Annual Fees) - $80,000,000 / -410 FTE*** Special Receipts (Annual Fees)

## Explanation of Budget Activities

**Salaries and Expenses**

***Collect the Revenue ($12,500,000 from direct appropriations, $40,000,000 from special fund receipts (annual fees), and $2,117,000 from reimbursable programs)*** The FY 2010 President's Budget request is $12,500,000[2] from direct appropriations, $40,000,000 from offsetting collections (annual fees) and $2,117,000 from reimbursable programs, for a total operating level of $54,617,000. The Collect the Revenue activity works toward providing the most effective and efficient systems for the collection of tax revenue, eliminating or preventing tax evasion and other criminal conduct, and providing high quality service while imposing the least regulatory burden on taxpayers. This program includes projects designed to allow taxpayers to report and pay excise taxes electronically.

***Protect the Public ($12,500,000 from direct appropriations, $40,000,000 from special fund receipts (annual fees), and $2,117,000 from reimbursable programs)*** The FY 2010 President's Budget request is $12,500,000 from direct appropriations, $40,000,000 from offsetting collections (annual fees) and $2,117,000 from reimbursable programs, for a total operating level of $54,617,000. The Protect the Public activity ensures the integrity of products and industry members in the marketplace, ensures compliance with laws and regulations by regulated industries, and provides information to the public as a means to prevent consumer deception. Under this activity, TTB enforces compliance with federal laws related to the issuance of permits to industry members and the production, importation, exportation, labeling, advertising, and marketing of alcohol products. TTB conducts investigations, application reviews, laboratory testing, and educational programs in support of its mission.

## Legislative Proposals

*Extend Pay Demonstration Program for one additional year:* TTB proposes to continue the Pay Demonstration Program by amending the General Provision language to extend the program for one additional year.

*Annual Licensing and Registration Fee Program:* Legislation will be proposed to allow TTB to establish a permanent program for FY 2010 and for future fiscal years requiring the payment of annual fees from its industry members. In the first year, the annual estimated offsetting fee collections will be less, but it is anticipated that the annual collections from this program will reach $105 million each year thereafter. In general, these fees will support the Bureau's core mission

[2] The allocation of appropriated resources presented in the President's Budget has been updated in this document. To the extent that these allocations differ from the Budget, the reader should refer to the figures presented in this document.

and the funds will be used to continue to provide benefits to retailers, wholesalers, breweries, wineries, distilleries, and industrial alcohol businesses. In particular, TTB's efforts help ensure that alcohol products are not contaminated, misbranded, illegally marketed, and prevent dishonest persons from entering into the alcohol distribution system. This promotes fair competition among all industry members. Regulation of these industries also protects the public against adulterated alcohol products, and misleading labels and advertisements.

**TTB Performance by Budget Activity**

| Budget Activity | Performance Measure | FY 2006 | FY 2007 | FY 2008 | | FY 2009 | FY 2010 |
|---|---|---|---|---|---|---|---|
| | | Actual | Actual | Actual | Target Met? | Target | Target |
| Collect the Revenue | Amount of revenue collected per program dollar (E) | N/A | N/A | 313 | Yes | 300 | 260 |
| Collect the Revenue | Percentage of Voluntary Compliance from large tax payers in filing tax payments timely and accurately (in terms of revenue) (Oe) | N/A | N/A | 94 | Yes | 92 | 92 |
| Protect the Public | Percent of electronically filed Certificate of Label Approval applications (%) (E) | 38 | 51 | 62 | Yes | 53 | 54 |
| Protect the Public | National Revenue Center (NRC) customer satisfaction results (Oe) | N/A | N/A | 90 | Yes | 85 | 85 |
| Protect the Public | Average number of days to process an original permit application at the National Revenue Center (E) | N/A | N/A | 64 | Yes | 72 | 78 |
| Protect the Public | Percentage of importers identified by TTB as illegally operating without a Federal permit (%) | N/A | N/A | 22 | N/A | 20 | 19 |

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

## Description of Performance

The Bureau continues to collect the federal excise taxes in a highly efficient manner, and continues to help industry members comply with alcohol and tobacco laws and regulations. During FY 2008, TTB met all of its performance goals, while showing continued improvements in performance scores. The Bureau plans to continue to monitor its performance, and will continue to capture performance information on program operations to both measure and improve the effectiveness of its operation.

The investments in the Collect the Revenue Activity resulted in the following performance highlights and accomplishments during FY 2008:

- Collected $14.6 billion in excise taxes, interest, and other revenues from alcohol, tobacco, firearms, and ammunition industries from 8,500 excise taxpayers holding permits.
- Expanded the e-filing program to allow all excise taxpayers to file and pay taxes, and file monthly operational reports, electronically through the Pay.Gov system. The number of Pay.gov registrants is over 3,600.
- Processed $373 million in cover-over payments to Puerto Rico and $8 million to the Virgin Islands. Federal excise taxes collected on rum produced in

Puerto Rico and the Virgin Islands that are subsequently imported into the United States are "covered-over" (or paid into) the treasuries of Puerto Rico and the Virgin Islands.
- Processed $283 million in drawback claims. Under current law, persons who use non-beverage alcohol in the manufacture of medicines, food products, flavors, extracts, or perfume and other non-potable products may be eligible to claim drawback of excise taxes paid on distilled spirits used in their products. The TTB laboratory analyzes and approves a product formula before a company can manufacture a product and file a claim.

The investments in Protect the Public Activity have resulted in the following performance highlights and accomplishments during FY 2008:
- Processed 133,427 Certificate of Label Approval (COLAs) applications through the bureau's COLAs Online system for electronic filing of label applications. The number of electronic filed applications increased from the prior year from fifty one percent to sixty two percent. The Federal Alcohol Administration Act requires importers and bottlers of alcoholic beverages to obtain a COLA prior to introduction of the product into commerce.
- Issued 4,600 original permits and approved 21,400 amended permits and related correspondence. TTB issues original and amended permits to persons who are engaged in the alcohol and tobacco industries. Illicit activity in these industries has the potential to be highly lucrative so it is crucial that organized crime and terrorists are kept out of these industries.
- Conducted more than 900 field application investigations of industry members regarding applications, consumer complaints, tax fraud, trade practice violations, and product and labeling integrity verifications.

# Financial Management Service

**Program Summary by Budget Activity**

(Dollars in thousands)

| Appropriation | FY 2008 Enacted | FY 2009 Enacted | FY 2010 Request | FY 2010 $ Change | FY 2010 % Change |
|---|---|---|---|---|---|
| **Salaries and Expenses** | **$298,598** | **$239,785** | **$244,132** | **$4,347** | **1.8%** |
| Payments | $210,152 | $147,717 | $150,395 | $2,678 | 1.8% |
| Collections | $19,804 | $21,521 | $21,911 | $390 | 1.8% |
| Government-wide Accounting and Reporting | $68,642 | $70,547 | $71,826 | $1,279 | 1.8% |
| **Subtotal, Financial Management Service** | **$298,598** | **$239,785** | **$244,132** | **$4,347** | **1.8%** |
| Offsetting Collections - Reimbursables | $215,179 | $228,010 | $234,690 | $6,680 | 2.9% |
| **Total Program Operating Level** | **$513,777** | **$467,795** | **$478,822** | **$11,022** | **2.4%** |

Note: The FY 2008 Enacted Column includes $64.2 Million in Economic Stimulus Funds.

## Explanation of Request

The Financial Management Service (FMS) FY 2010 President's Budget request focuses on continued implementation of modernization initiatives in FMS' payments, collections, debt collection, and government-wide accounting functions. One such initiative is the Financial Information Reporting Standardization (FIRST) which will enhance and improve operations by improving accuracy and integrating budgetary and government-wide accounting with proprietary information. Another initiative is the Collections and Cash Management Modernization (CCMM) program which is streamlining, modernizing and improving the process of Treasury's collections and cash management programs.

Total resources required to support FMS activities for FY 2010 are $478,822,000, including $244,132,000 from direct appropriations, and $234,690,000 from offsetting collections and reimbursable programs.

## Purpose of Program

The Financial Management Service (FMS) plays a key role in supporting the Department of the Treasury's strategic goal of managing the United States Government's finances effectively by operating as the financial manager and principal fiscal agent for the Federal Government. This role includes managing the nation's finances by collecting money due to the United States, disbursing its payments, and performing central accounting functions.

As the Government's financial manager, FMS oversees a daily cash flow in excess of $60 billion, disbursing 85 percent of the Federal Government's payments. These payments include income tax refunds, Social Security benefits, veterans' benefits and other Federal payments to individuals and businesses. FMS also administers the world's largest collection system, collecting over $3.1 trillion in FY 2008. FMS provides cash management guidance to Federal Program Agencies (FPAs), maintains the Government's accounting books, and compiles and publishes government-wide financial information used to monitor the Government's financial status. Finally, FMS serves as the Government's central debt collection agency for delinquent non-tax debt.

**FMS FY 2010 Budget Highlights**
(Dollars in thousands)

| Appropriation | Amount |
|---|---|
| FY 2009 Enacted | 239,785 |
| Changes to Base: | |
| Maintaining Current Levels (MCLs): | $4,347 |
| Across the Board Program Reduction | (1,174) |
| Pay Annualization | 1,558 |
| Pay Inflation Adjustment | 3,155 |
| Non-Pay Inflation Adjustment | 808 |
| Subtotal FY 2010 Changes to Base | $4,347 |
| Total FY 2010 Base | 244,132 |
| **Total FY 2010 President's Budget Request** | **244,132** |

## FY 2010 Budget Adjustments

**FY 2009 Enacted**
The FY 2009 enacted direct appropriation for FMS is $239,785,000.

**Maintaining Current Levels (MCLs)**
***Adjustments Necessary to Maintain Current Levels +$4,347,000 / +0 FTE***
Funds are requested for: Across the Board Program Reduction of $1,174,000; FY 2010 cost of the January 2009 pay increase of $1,558,000; proposed January 2010 pay raise of $3,155,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $808,000.

## Explanation of Budget Activities

**Salaries and Expenses**
***Payments ($150,395,000 from direct appropriations and $137,057,000 from reimbursable programs)*** FMS issues and distributes payments, develops and implements Federal payment policy and procedures, promotes the use of electronics in the payment process, and assists agencies in converting payments from paper checks to Electronic Funds Transfer (EFT). This activity also includes controlling and providing financial integrity to the payments process through reconciliation, accounting, and claims activities. Included in this activity is the claims activity which settles claims against the United States. These claims result from Federal Government checks that have been forged, lost, stolen, or destroyed. FMS collects monies from those parties liable for fraudulent or otherwise improper negotiation of Government checks. It also includes processing claims and reclamations for EFT payments.

***Collections ($21,911,000 from direct appropriations and $113,000 from reimbursable programs)*** FMS collects revenues needed to operate the Federal Government through the management of the Federal Government's collections infrastructure. FMS collected a record of $3.2 trillion in FY 2008 through a network of more than 9,000 financial institutions. It also manages the collection of Federal revenues such as individual and corporate income tax deposits, customs duties, loan repayments, and fines and proceeds from leases.

***Debt Collection ($93,397,000 from reimbursable programs)*** The Debt Collection activity collects delinquent Government and child support debt by providing centralized debt collection, oversight, and operational services to FPAs and states as required by the Debt Collection Improvement Act (DCIA) of 1996 and related legislation. The services include, but are not limited to, collecting delinquent debts through Cross-Servicing and offsetting Federal payments, providing a database for use as a tool for barring delinquent debtors, providing post-judgment collection, advising and educating agencies towards improving debt management, and referrals to the Department of Justice.

***Government-wide Accounting and Reporting ($71,826,000 from direct appropriations and $4,123,000 from reimbursable programs)*** The Government-wide Accounting and Reporting activity maintains the Federal Government's books and accounts for its monetary assets and liabilities by operating and overseeing the Government's central accounting and reporting system. It also works with Federal agencies to adopt uniform accounting and reporting standards and systems and provides support, guidance, and training to assist FPAs in improving their government-wide accounting and reporting responsibilities. FMS gathers and publishes government-wide financial information which is used in establishing fiscal and debt management policies and is also used by the public and private sectors to monitor the Government's financial status. These publications include: the Daily Treasury Statement, the Monthly Treasury Statement, the Treasury Bulletin, the Combined Statement of the United States Government, and the Financial Report of the United States Government (FR).

## Legislative Proposals

### Authorize Post-Levy Due Process for Levies Under the Federal Payment Levy Program

This proposal would further expand the exception to the requirement for pre-levy collection due process (CDP) hearing proceedings. This would include levies issued to collect Federal tax liabilities from Federal vendor payments under the Federal Payment Levy Program. The proposal will allow IRS to levy the payment at the time the payment is identified. Debtors will have an opportunity for a CDP hearing within a reasonable period after the levy. This proposal is estimated to result in an additional $1.2 billion in collections over ten years.

### Technical Correction to Allow IRS to Levy 100 Percent of All Vendor Payments to Collect Delinquent Taxes

The current language, which was intended to cover all Federal vendor payments, refers to payments for "goods and services." This has been interpreted to exclude payments for the purchase or lease of real estate. Therefore, a technical correction is proposed to ensure that all Federal vendor payments are covered. This proposal is estimated to result in an additional $845 million in collections over ten years.

**FMS Performance by Budget Activity**

| Budget Activity | Performance Measure | FY 2006 | FY 2007 | FY 2008 | | FY 2009 | FY 2010 |
|---|---|---|---|---|---|---|---|
| | | Actual | Actual | Actual | Target Met? | Target | Target |
| Payments | Percentage of Treasury payments and associated information made electronically (%) (Oe) | 77.00 | 78.00 | 79.00 | Yes | 80.00 | 81.00 |
| Collections | Percentage collected electronically of total dollar amount of Federal government receipts (%) (Oe) | 79.00 | 79.00 | 80.00 | Yes | 80.00 | 80.00 |
| Debt Collection | Amount of delinquent debt collected through all available tools ($ billions) (Ot) | 3.34 | 3.76 | 4.41 | Yes | 3.90 | 3.70 |
| Government wide Accounting and Reporting | Percentage of Government-wide accounting reports issued accurately (%) (Oe) | 100 | 100 | 100 | Yes | 100 | 100 |
| Government wide Accounting and Reporting | Percentage of Government-wide accounting reports issued timely (%) (E) | 100 | 100 | 100 | Yes | 100 | 100 |

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

## Description of Performance

*Payments:* In FY 2008, FMS issued nearly 1 billion non-Defense payments worth $1.8 trillion to a wide variety of recipients, such as those who receive Social Security benefits, IRS tax refunds, and veterans' benefits. Seventy-nine percent of all payments disbursed were issued via direct deposit. In addition, FMS issued an additional 119 million Economic Stimulus Payments valued at over $96 billion. Over 36 percent of the Economic Stimulus Payments were issued by direct deposit. In FY 2010, FMS will continue to expand the use of electronic media to deliver Federal payments. Electronic media provides a safer, more secure and reliable method of payment for recipients. It also decreases the number of paper checks issued, which minimizes costs and inefficiencies associated with the delivery of non-electronic benefits.

*Collections:* In FY 2008, FMS collected a record $3.2 trillion of which 80 percent was collected electronically through a network of more than 9,000 financial institutions. Dollar revenues collected in FY 2008 exceeded those collected in FY 2007. FMS is in the process of developing a comprehensive effort to streamline, modernize, and improve the processes and systems supporting Treasury's collections and cash management program. This effort, Collections and Cash Management Modernization (CCMM), will improve financial performance by enabling FMS and government agencies to more effectively manage financial transaction information and improve the efficiency of the collections information reporting processes.

*Debt Collection:* In FY 2008, FMS collected a record $5.9 billion in delinquent debt which includes $1.5 billion in Economic Stimulus payment offsets. As a result of FMS' program improvements, total collections since the enactment of the DCIA in 1996 are over $37.4 billion through FY 2008. FMS will continue to roll out Debt Check, an online program used to help agencies bar delinquent debtors from obtaining new loans or loan guarantees

*Government-wide Accounting and Reporting:* For FY 2008, FMS released the Financial Report of the United States Government (FR) 75 days after the fiscal year-end. The FR presents a picture of government-wide finances that complements the traditional Federal Government budget information. Additionally, FMS issued 100 percent of its government-wide accounting reports accurately and timely. FMS will continue to revamp and implement government-wide accounting processes to provide more useful and reliable financial information on a regular basis. FMS will continue moving forward on the Financial Information and Reporting Standardization (FIRST) initiative. This initiative integrates budget and financial reports from FPAs. FIRST will improve the consistency of the budgetary and proprietary accounting data recorded in agency financial statements and reported to FMS through its trial balance.

# Bureau of the Public Debt

**Program Summary by Budget Activity**

(Dollars in thousands)

| Appropriation | FY 2008 Enacted | FY 2009 Enacted | FY 2010 Request | FY 2010 $ Change | FY 2010 % Change |
|---|---|---|---|---|---|
| **Administering the Public Debt** | **$182,871** | **$187,352** | **$192,244** | **$4,892** | **2.6%** |
| Wholesale Securities Services | $23,828 | $23,438 | $24,492 | $1,054 | 4.5% |
| Government Agency Investment Services | $15,745 | $17,723 | $16,264 | ($1,459) | (8.2%) |
| Retail Securities Services | $135,690 | $139,109 | $142,645 | $3,536 | 2.5% |
| Summary Debt Accounting | $7,608 | $7,082 | $8,843 | $1,761 | 24.9% |
| **Subtotal, Bureau of the Public Debt** | **$182,871** | **$187,352** | **$192,244** | **$4,892** | **2.6%** |
| Offsetting Collections - Reimbursables | $15,294 | $21,196 | $21,832 | $636 | 3.0% |
| **Total Program Operating Level** | **$198,165** | **$208,548** | **$214,076** | **$5,528** | **2.6%** |

Note: The FY 2010 Budget Request includes $10 Million in projected user fee collections.

## Explanation of Request

The FY 2010 President's Budget request for the Bureau of the Public Debt (BPD) includes funding to support the Department of the Treasury's strategic outcome of financing the government at the lowest possible cost over time. Public Debt's top priority is to ensure that the most efficient systems are in place to conduct borrowing operations and deliver securities services to investors.

Total resources to support Public Debt activities in FY 2010 are $214,076,000, including $192,244,000 from direct appropriations, of which $10,000,000 are user fees, and $21,832,000 from offsetting collections.

## Purpose of Program

BPD's mission is to borrow the money needed to operate the federal government, account for the resulting debt, and provide reimbursable support services to federal agencies. In carrying out its mission and vision, Public Debt annually auctions and issues more than $4 trillion in Treasury bills, notes, bonds and Treasury Inflation-Protected Securities (TIPS); effectively administers the regulations that govern the primary and secondary Treasury securities markets; ensures reliable systems and processes are in place for issuing, transferring, paying interest on and redeeming Treasury securities; issues and redeems more than 70 million paper savings bonds each year; administers in excess of $4 trillion in investments for more than 240 federal trust funds; and provides timely and accurate information on the public debt.

In support of Treasury's strategic outcome of financing the government at the lowest possible cost over time, Public Debt's top priority is to ensure the most efficient systems are in place to conduct borrowing operations and deliver securities services to investors. To this end, in FY 2008, Public Debt introduced an enhanced auction system. The new Treasury Automated Auction Processing System (TAAPS) provides improved bid-entry, more timely and easier access to data, and greater reliability and security. The bureau also continues to enhance its TreasuryDirect system where retail customers can purchase and manage their holdings of Treasury securities online.

**BPD FY 2010 Budget Highlights**
(Dollars in thousands)

| Appropriation | Amount |
|---|---|
| FY 2009 Enacted | $187,352 |
| Changes to Base: | |
| Maintaining Current Levels (MCLs): | $4,892 |
| GAO Audit | 1,500 |
| Across the Board program reduction | (944) |
| Pay Annualization | 1,135 |
| Pay Inflation Adjustment | 2,495 |
| Non-Pay Inflation Adjustment | 706 |
| Subtotal FY 2010 Changes to Base | $4,892 |
| Total FY 2010 Base | $192,244 |
| Program Changes: | |
| Program Decreases: | ($1,734) |
| Government Agency Investment Services System (GAISS) Savings | (1,734) |
| Program Reinvestment: | $1,734 |
| Hot-site Disk Storage Replacement | 498 |
| Intrusion Detection and Security Infrastructure Refresh and Update | 338 |
| Mainframe Software Upgrade | 598 |
| Trusted Internet Connection Initiative | 300 |
| Subtotal FY 2010 Program Changes | $0 |
| **Total FY 2010 President's Budget Request** | **$192,244** |
| User Fees | (10,000) |
| **Total FY 2010 President's Budget Request (Net)** | **$182,244** |

## FY 2010 Budget Adjustments

### FY 2009 Enacted
The FY 2009 enacted direct appropriation for BPD is $187,352,000.

### Maintaining Current Levels (MCLs)
***Adjustments Necessary to Maintain Current Levels +$4,892,000 / +0 FTE*** Funds are requested for: GAO audit reimbursement of $1,500,000; Across the Board program reduction -944,000: FY 2010 cost of the January 2009 pay increase of $1,135,000; proposed January 2010 pay raise of $2,495,000; and (4) non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $706,000.

### Program Decreases
***Government Agency Investment Services System (GAISS) Savings -$1,734,000 / +0 FTE*** Due to the completion of the final phase of the development, modernization and enhancement (DME) project, Public Debt will realize $1,734,000 in savings for GAISS.

### Program Reinvestment
***Hot-site Disk Storage Replacement +$498,000 / +0 FTE*** Public Debt expects disk storage at the Kansas City disaster recovery hot-site to exceed its current service life and capacity. New disk storage will ensure continued disaster recovery capabilities for systems that support Public Debt's mission essential functions.

***Intrusion Detection and Security Infrastructure Refresh +$338,000 / +0 FTE*** Aging technology requires Public Debt to upgrade the majority of its Intrusion Detection and Security Event Management Infrastructure in FY 2010. The refresh will ensure continued availability and heightened security awareness of customer systems, including GAISS, TreasuryDirect and Public Debt's website TreasuryDirect.gov.

***Mainframe Software Upgrade +$598,000 / +0 FTE*** An increase in BPD's mainframe processing capacity is required. As the number of transactions processed by the mainframe increases, so do operating software costs. This upgrade will allow BPD to meet current and future capacity needs.

***Trusted Internet Connection Initiative +$300,000 / +0 FTE*** All BPD internet and external connectivity must traverse a Trusted Internet Connection Access Provider (TICAP). Public Debt will procure security devices and support in order to fully meet this objective.

### Adjustments to Request
***User Fees -$10,000,000 / +0 FTE*** Public Debt charges Legacy Treasury Direct system account holders a $100 account maintenance fee on accounts with a balance of more than $100,000 in par value.

## Explanation of Budget Activities

### Administering the Public Debt

***Wholesale Securities Services ($24,492,000 from direct appropriations and $2,781,000 from reimbursable programs)*** Public Debt announces, auctions and issues marketable Treasury bills, notes, bonds and Treasury Inflation-Protected Securities (TIPS). This program ensures that the government's critical financing needs are met and that an efficient infrastructure is in place for the transfer, custody and redemption of Treasury securities in the wholesale market. Public Debt also administers Treasury's regulations that provide investor protection and maintain the integrity, liquidity and efficiency in the government securities market.

***Government Agency Investment Services ($16,264,000 from direct appropriations and $1,847,000 from reimbursable programs)*** Public Debt supports federal, state and local government agency investments in non-marketable Treasury securities as well as federal agency borrowing from the Department of the Treasury. There are more than 240 trust and investment funds held by federal agencies. For 18 of the funds, Public Debt also maintains the investment accounts and performs additional administrative functions on behalf of the Secretary of the Treasury.

***Retail Securities Services ($142,645,000 from direct appropriations and $16,200,000 from reimbursable programs)*** Public Debt serves more than 50 million retail customers who have invested in marketable and savings securities directly with Treasury. Investors may hold these securities in book-entry or paper form. BPD will position Treasury to eliminate new issues of paper savings bonds. The program will also focus on improving the quality and efficiency of customer service by implementing the first phases of the new Treasury Retail E-Services customer service environment.

***Summary Debt Accounting ($8,843,000 from direct appropriations and $1,004,000 from reimbursable programs)*** This program is key to meeting Public Debt's responsibility to account for the public debt and related annual interest expenses. Public Debt produces daily reports on the balance and composition of the public debt and also provides the overarching control structure for numerous subsidiary securities systems and their related transactions and cash flows.

## Legislative Proposals

Public Debt has no legislative proposals for FY 2010.

**BPD Performance by Budget Activity**

| Budget Activity | Performance Measure | FY 2006 Actual | FY 2007 Actual | FY 2008 Actual | FY 2008 Target Met? | FY 2009 Target | FY 2010 Target |
|---|---|---|---|---|---|---|---|
| Wholesale Securities Services | Percent of auction results released in two minutes +/- 30 seconds (%) (Oe) | 100 | 99.10 | 100 | Yes | 95 | 95 |
| Government Agency Investment Services | Cost per federal funds investment transaction ($) (E) | 62.64 | 68.53 | 64.98 | Yes | 69.11 | 54.69 |
| Government Agency Investment Services | Number of Government Agency Investment Services control processes consolidated (Oe) | N/A | 3 | 2 | Yes | 0 | 5 |
| Retail Securities Services | Percentage of retail customer service transactions completed within 5 business days (%) (Ot) | N/A | N/A | N/A | N/A | Baseline | TBD |
| Summary Debt Accounting | Cost per summary debt accounting transaction ($) (E) | 10.96 | 9.29 | 9.11 | Yes | 10.01 | 12.28 |

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

## Description of Performance

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

In FY 2008, Public Debt released auction results within two minutes, plus or minus 30 seconds, 100 percent of the time, surpassing its performance target of 95 percent. In addition, Public Debt processed over 99 percent of retail customer transactions within 11 business days and met its targeted costs for summary debt accounting and federal funds investment transactions.

# Internal Revenue Service

| Appropriation / Budget Activity | FY 2008 Enacted[1] | FY 2009 ARRA | FY 2009 Enacted[2] | FY 2010 Request | FY 2010 $ Change | FY 2010 % Change |
|---|---|---|---|---|---|---|
| Taxpayer Services | $2,191,085 | | $2,293,000 | $2,269,830 | ($23,170) | -1.01% |
| Pre-filing Taxpayer Assistance and Education | 645,253 | | 661,000 | 676,063 | 15,063 | 2.28% |
| Filing and Account Services | 1,545,832 | | 1,632,000 | 1,593,767 | (38,233) | -2.34% |
| Enforcement | 4,780,000 | | 5,117,267 | 5,504,000 | 386,733 | 7.56% |
| Investigations | 592,906 | | 603,466 | 637,694 | 34,228 | 5.67% |
| Exam and Collections | 4,037,812 | | 4,363,826 | 4,706,350 | 342,524 | 7.85% |
| Regulatory | 149,282 | | 149,975 | 159,956 | 9,981 | 6.66% |
| Operations Support | 3,841,109 | | 3,867,011 | 4,082,984 | 215,973 | 5.59% |
| Infrastructure | 826,313 | | 883,325 | 900,852 | 17,527 | 1.98% |
| Shared Services and Support | 1,291,296 | | 1,254,542 | 1,296,629 | 42,087 | 3.35% |
| Information Services | 1,723,500 | | 1,729,144 | 1,885,503 | 156,359 | 9.04% |
| Business Systems Modernization | 267,090 | | 229,914 | 253,674 | 23,760 | 10.33% |
| Health Insurance Tax Credit Administration | 15,235 | 80,000 | 15,406 | 15,512 | 106 | 0.69% |
| Subtotal, Internal Revenue Service | $11,094,519 | $80,000 | $11,522,598 | $12,126,000 | $603,402 | 5.24% |
| Offsetting Collections - Reimbusable | 140,207 | | 143,611 | 147,101 | 3,490 | 2.43% |
| Mandatory Appropriation - User Fees | 246,946 | | 175,700 | 167,700 | (8,000) | -4.55% |
| **Total Program Operating Level** | **$11,481,672** | **$80,000** | **$11,841,909** | **$12,440,801** | **$598,892** | **5.06%** |

[1] The FY 2008 Enacted Budget reflects the FY 2008 Operating Plan which includes a transfer of $9.6M between Taxpayer Services and Operations Support and includes supplemental funding for Economic Stimulus payment of $202.1M.

[2] The FY 2009 Enacted column excludes the Recovery Act, Administrative Expenses account, funded in the Treasury Departmental Offices ($123M).

## Explanation of Request

The Internal Revenue Service (IRS) collects the revenue that funds the government and administers the nation's tax laws. The IRS collected $2.7 trillion in FY 2008, 96 percent of total federal receipts. In order to protect the flow of revenues to the government, the IRS pursues a robust service and enforcement agenda. The service agenda is designed to support and protect the trillions in revenue from hundreds of millions of taxpayers that already come into the Treasury every year. The enforcement agenda is designed to vigorously pursue those who evade their responsibility to pay the taxes they owe.

Total resources to support the IRS activities for FY 2010 are $12,440,801,000. This includes $12,126,000,000 from direct appropriation, an estimated $147,101,000 from reimbursable programs, and an estimated $167,700,000 from user fees. The direct appropriation is a $603,402,000 increase, or an increase of 5.2 percent, over the FY 2009 enacted level of $11,522,598,000 (excludes funding to implement the American Recovery and Reinvestment Act (ARRA) of 2009 (Public Law 111-5)).

The *IRS Strategic Plan 2009-2013* guides program and budget decisions and supports the Department of the Treasury Strategic Plan. The IRS Strategic Plan recognizes the increasing complexity of tax laws, changing business models, expanding use of electronic data and related security risks, accelerating growth in international tax activities, and growing human capital challenges.

The IRS strategic plan goals and objectives are:

*Goal 1* *Improve Service to Make Voluntary Compliance Easier*

*Goal 2* *Enforce the Law to Ensure Everyone Meets Their Obligation to Pay Taxes*

To improve service and make voluntary compliance easier, the IRS must:

- Incorporate taxpayer perspectives to improve all service interactions;
- Expedite and improve issue resolution across all interactions with taxpayers, making it easier to navigate IRS;
- Provide taxpayers with targeted, timely guidance and outreach; and
- Strengthen partnerships with tax practitioners, preparers, and other third parties to ensure effective tax administration.

To enforce the law to ensure everyone meets their obligation to pay taxes, the IRS must:

- Proactively enforce the law in a timely manner while respecting taxpayer rights and minimizing taxpayer burden;
- Expand enforcement approaches and tools;
- Meet the challenges of international tax administration;
- Allocate compliance resources using a data-driven approach to target existing and emerging high-risk areas;
- Continue focused oversight of the tax-exempt sector; and
- Ensure that all tax practitioners, tax preparers, and other third parties in the tax system adhere to professional standards and follow the law.

To achieve the service and enforcement goals, the IRS must:

- Make the IRS the best place to work in government;
- Build and deploy advanced information technology systems, processes, and tools to improve IRS efficiency and productivity;
- Use data and research across the organization to make informed decisions and allocate resources; and
- Ensure the privacy and security of data and safety and security of employees.

The FY 2010 President's Budget Request for IRS provides the funding needed to implement key strategic priorities.

**Enforcement Program**: The FY 2010 President's Budget request includes program increases of $332.2 million for investments in strong compliance programs, including a robust portfolio of international enforcement initiatives. The Budget request includes additional resources for enhanced tax enforcement through a program integrity allocation adjustment.

Increased resources for the IRS compliance programs yield direct measurable results through high return-on-investment activities. The new enforcement personnel funded in the FY 2010 President's Budget will generate $2.0 billion in additional annual enforcement revenue once the new hires reach full potential in FY 2012. This estimate does not account for the deterrent effect of IRS enforcement programs, which are conservatively estimated to be at least three times larger than the direct revenue impact.

The tax law is complex, and even sophisticated taxpayers make honest mistakes on their tax returns. Accordingly, helping taxpayers understand their obligations under the tax law is a critical to improving compliance. To this end, the IRS remains committed to a balanced program of assisting taxpayers in both understanding the tax law and remitting the proper amount of tax.

**Taxpayer Service Program**: The FY 2010 President's Budget request continues improvements to both the quality and efficiency of taxpayer service, using a variety of person-to-person, telephone, and web-based methods to help people understand their tax obligations and pay their taxes. The IRS taxpayer service program is funded in the

Taxpayer Services and Operations Support appropriations.

Providing quality taxpayer service is fundamental to keeping honest taxpayers in the system. It also helps them avoid making unintentional errors before returns are filed, which in turn reduces the need for follow up correspondence from the IRS. The IRS provides year-round assistance to millions of taxpayers, including outreach and education programs, issuance of tax forms and publications, rulings and regulations, toll-free call centers, the IRS.gov web site, Taxpayer Assistance Centers (TACs), Volunteer Income Tax Assistance (VITA) sites, and Tax Counseling for the Elderly (TCE) sites.

**American Recovery and Reinvestment Act:** ARRA includes a number of tax provisions for which IRS implementation is now underway, including among others: individual tax credits; tax incentives for business; bond incentives along with tax exempt and tax-favored bonds for economic recovery; and a tax credit to provide discounted health benefits to certain workers who have lost their jobs. IRS will be able to continue to implement and administer these critical tax programs within the levels contained in this Budget request.

## Purpose of Program

The IRS serves individuals, businesses, and non-profit organizations, and processes over 249 million tax returns annually. Our system of voluntary tax compliance requires the IRS to excel at taxpayer service for those who are trying to meet their obligations under the law and enforcement programs for those who shirk their responsibilities to their fellow citizens. Most taxpayers comply with the law by filing returns and paying their taxes on time, but some do not comply either because they do not understand their obligations under our complex tax laws, or because they seek to avoid those obligations.

The FY 2010 President's Budget request seeks funding to improve the responsiveness of taxpayer service, to support a robust portfolio of international tax and other compliance initiatives, and to address critical information technology infrastructure needs to allow the IRS to adapt to the complex and constantly changing environment in which the IRS operates.

**IRS FY 2010 Budget Highlights**

(Dollars in thousands)

| Appropriation | Taxpayer Services | Enforcement | Operations Support | Business Systems Modernization | Health Insurance Tax Credit Administration | Total |
|---|---|---|---|---|---|---|
| **FY 2009 Enacted** | **$2,293,000** | **$5,117,267** | **$3,867,011** | **$229,914** | **$15,406** | **$11,522,598** |
| **Changes to Base** | | | | | | |
| **Maintaining Current Levels (MCLs)** | **$60,195** | **$133,815** | **$61,060** | **$1,153** | **$106** | **$256,329** |
| Pay Annualization | 20,135 | 46,489 | 13,005 | 412 | 13 | 80,054 |
| Pay Inflation Adjustment | 38,828 | 85,486 | 23,816 | 741 | 23 | 148,894 |
| Non-Pay Inflation Adjustment | 2,463 | 3,680 | 24,829 | | 141 | 31,113 |
| Government-wide Reduction for Productivity Improvements | (1,231) | (1,840) | (10,590) | | (71) | (13,732) |
| GAO Audit Reimbursement Pursuant to P.L. 110-323 | | | 10,000 | | | 10,000 |
| **Efficiencies/Savings** | **($90,918)** | | **($27,207)** | | | **($118,125)** |
| Increase e-File Savings | (8,227) | | (133) | | | (8,360) |
| Non-Recur Savings | | | (27,074) | | | (27,074) |
| Non-Recur Stimulus Savings | (67,900) | | | | | (67,900) |
| Non-Recur FY08 Reduction Adjustment / Correspondence Inventory | (13,439) | | | | | (13,439) |
| Non-Recur Pension Plan | (1,352) | | | | | (1,352) |
| **Reinvestment** | **$2,025** | | **$306** | | | **$2,331** |
| Submission Processing Consolidation (Andover) | 2,025 | | 306 | | | 2,331 |
| **Subtotal, FY 2010 Changes to the Base** | **($28,698)** | **$133,815** | **$34,159** | **$1,153** | **$106** | **$140,535** |
| **Total FY 2010 Base** | **$2,264,302** | **$5,251,082** | **$3,901,170** | **$231,067** | **$15,512** | **$11,663,133** |
| **Program Changes** | | | | | | |
| **Program Increases** | | | | | | |
| **Enforcement Initiatives** | **$5,528** | **$252,918** | **$73,714** | | | **$332,160** |
| Reduce the Tax Gap Attributable to International Activities | $3,124 | $104,113 | $20,827 | | | 128,064 |
| Improve Reporting Compliance of SB/SE Taxpayers | 267 | 75,114 | 18,834 | | | 94,215 |
| Expand Document Matching for Business Taxpayers | 1,425 | 17,955 | 6,857 | | | 26,237 |
| Address Nonfiling/Underpayment and Collection Coverage | 712 | 55,736 | 27,196 | | | 83,644 |
| **Infrastructure Initiatives** | | | **108,100** | | | **108,100** |
| Address IT Security and Material Weakness | | | 90,000 | | | 90,000 |
| Implement Return Review Program (RRP) | | | 18,100 | | | 18,100 |
| **Business Systems Modernization Initiative** | | | | **22,607** | | **22,607** |
| **Subtotal, FY 2010 Program Changes** | **$5,528** | **$252,918** | **$181,814** | **$22,607** | | **$462,867** |
| **Total FY 2010 President's Budget Request** | **$2,269,830** | **$5,504,000** | **$4,082,984** | **$253,674** | **$15,512** | **$12,126,000** |

## FY 2010 Budget Adjustments

The IRS funding increase for FY 2010 is $603,402,000, which includes $256,329,000 for maintaining current levels; a net decrease of $115,794,000 from efficiency/savings and reinvestments; and a program increase of $462,867,000 to strengthen enforcement, address IT security needs and deploy information technology systems. These investments fund increased front-line enforcement efforts. By FY 2012, these investments are projected to increase annual enforcement revenue by $2.0 billion.

The budget request supports these activities by proposing:

- $332,160,000 to target the tax gap by addressing underreporting of tax associated with complex international activities; expanding enforcement efforts on noncompliance among business and high-income taxpayers; and minimizing revenue loss by increasing document matching efforts;
- $108,100,000 to address critical IT operational and security infrastructure needs; and
- $22,607,000 to accelerate efforts to modernize the core taxpayer account database.

### FY 2009 Enacted

The FY 2009 enacted level for the IRS is $11,522,598,000, supporting an estimated 94,209 FTE.

### Maintaining Current Levels

***Adjustments Necessary to Maintain Current Levels +$260,061,000 / 0 FTE***
Funds are requested for: FY 2010 cost of the January 2009 pay increase of $80,054,000, the proposed January 2010 pay raise of $148,894,000, and non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments of $31,113,000.

***Government-wide Reduction for Productivity Improvements -$13,732,000 / 0 FTE*** The IRS continues to focus on improving the efficiency of its operations through a disciplined process of productivity improvement. Note that the IRS outlines additional efficiency savings in the next section.

***GAO Audit Reimbursement Pursuant to Public Law 110-323 +$10,000,000 / 0 FTE***
This adjustment will provide funds up to $10 million to reimburse the Government Accountability Office (GAO) for the audit of the IRS annual financial statements. The IRS must pay this cost pursuant to Public Law 110-323. In prior years, GAO conducted the financial statement audit for which it did not receive reimbursement.

### Efficiency Savings

***Increase e-File Savings -$8,360,000 / -182 FTE*** This decrease is a result of savings from increased electronic filing (e-File), which is projected to lead to 4.6 million fewer returns filed on paper (2.9 million individual and 1.7 million business) in FY 2010. This is projected to result in a savings of 182 FTE in submission processing.

***Non-Recur Savings -$27,074,000 / 0 FTE***
This is the net reduction of one-time costs associated with the IRS FY 2009 enforcement initiatives.

***Non-Recur Stimulus Savings -$67,900,000 / -1,322 FTE*** One-time resources were provided in FY 2009 to meet the requirements of the Economic Stimulus Act of 2008 (Public Law 110-185).

***Non-Recur FY 2009 Reduction Adjustment/ Correspondence Inventory -$13,439,000 / 0 FTE*** One-time resources were provided in FY 2009 to handle the increased adjustment/correspondence workload that resulted from diverting staff from paper correspondence to telephone service to meet the requirements of the Economic Stimulus Act of 2008 (Public Law 110-185).

***Non-Recur Pension Plan Form Processing -$1,352,000 / 0 FTE*** This is a decrease resulting from the funding of the one-time cost in FY 2009 to test the IRS ERISA (Employee Retirement Income Security Act of 1974) Residual Solution (IERS) system. This system will process the electronic Form 5500, *Annual Return/Report of Employee Benefit Plan* from the new Department of Labor ERISA Filing Acceptance system and the paper Form 5500EZ, *Annual Return of One-Participant (Owners and Their Spouses) Retirement.*

**Reinvestment**

***Submission Processing Consolidation (Andover) +$2,331,000 / 0 FTE*** Increased use of electronic filing options has led to consolidation of the individual return processing sites. Increased e-File savings will be reinvested to fund one-time severance pay costs for the ramp down of the Andover submissions processing site. As the Andover consolidation approaches, the IRS will continue to assist employees in finding employment either in or outside the IRS.

**Program Increases**

***Reduce the Tax Gap Attributable to International Activities +$128,064,000 / +784 FTE*** The IRS plans a multi-year investment, beginning in FY 2010, to deal more effectively with increasing international tax activities of individual and business taxpayers. This effort will address the underreporting of tax associated with international transactions as well as domestic taxpayers involved with offshore activities. It will also expand the IRS presence in the tax-exempt and governmental sectors and confront international tax evasion schemes.

This initiative will increase examinations of additional international issues of complex international structures involving tiered pass-through entities and cross-border transactions by a projected 5,357; close an estimated additional 1,057 related corporate and individual returns; increase the number of additional examinations of individual and small business returns with offshore activity by an estimated 1,145; and resolve approximately 18,362 additional collection cases. These additional activities will generate $736.6 million in additional enforcement revenue once the new hires reach full potential in FY 2012.

***Improve Reporting Compliance of Small Business and High Income Taxpayers +$94,215,000 / +755 FTE*** This initiative will improve reporting compliance by increasing examinations of business and high-income returns and exams involving flow-through entities by 47,400; audits targeting employment, excise, and estate and gift taxes by 6,350; and investigations of business non-filers by 183,000. This request will generate $567.2 million in additional enforcement revenue once new hires reach full potential in FY 2012.

***Expand Document Matching for Business Taxpayers +$26,237,000 / +300 FTE*** This initiative will increase the coverage of the document matching program to reduce the number of business taxpayers who misreport their income. This request will generate $386.5 million in additional revenue once new hires reach full potential in FY 2012.

***Address Nonfiling/Underpayment and Collection Coverage +$83,644,000 / +491 FTE*** With expanded enforcement efforts in recent years, the IRS must invest in improving its collection operations to ensure appropriate overall balance and coverage. This initiative will generate $359.4 million in additional revenue once new hires reach full potential in FY 2012. In addition, this initiative will fund the rent, furniture, telecommunication, and IT costs to build two new Automated Collection System (ACS) sites.

**Return on Investment for Enforcement Initiatives**

Dollars in Millions

| | First Year (FY 2010) | | | Full Performance (FY 2012) | | |
|---|---|---|---|---|---|---|
| **FY 2010 Enforcement Investment** | **Cost** | **Revenue** | **ROI** | **Cost** | **Revenue** | **ROI** |
| **Direct Revenue Producing Initiatives** | **$332.1** | **$611.1** | **1.8** | **$262.8** | **$2,049.7** | **7.8** |
| Reduce the Tax Gap Attributable to International Activities | 128.1 | 93.8 | 0.7 | 103.4 | 736.6 | 7.1 |
| Improve Reporting Compliance of SB/SE Taxpayers | 94.2 | 159.6 | 1.7 | 72.6 | 567.2 | 7.8 |
| Expand Document Matching for Business Taxpayers | 26.2 | 191.8 | 7.3 | 22.8 | 386.5 | 17.0 |
| Address Nonfiling/Underpayment and Collection Coverage | 83.6 | 165.9 | 2.0 | 64.0 | 359.4 | 5.6 |

***Address IT Security and Material Weakness***
***+$90,000,000 / +36 FTE*** Improving IT security is necessary to ensure the integrity of the tax system and maintain taxpayer confidence. This initiative will allow the IRS to enhance enterprise security risk management; harden software applications and network infrastructure security; improve security compliance monitoring and reporting; and provide an enterprise solution to deploy end-to-end audit log collection.

***Implement Return Review Program (RRP) +$18,100,000 / +10 FTE*** In FY 2008 the Electronic Fraud Detection (EFDS) System stopped $1.4 billion in erroneous refunds. This initiative will complete modernization of the IRS fraudulent refund detection systems. It will deliver an integrated and unified RRP system that will enhance IRS capabilities to detect, resolve, and prevent criminal and civil tax refund and abuse.

***Business System Modernization (BSM) +$22,607,000 / 0 FTE*** This initiative will provide funding for the continued modernization of the core taxpayer account database. This effort is a critical underpinning of the next generation of IRS service and enforcement initiatives. The integration strategy includes a particular focus on enhanced information technology security practices and robust accounting and financial management controls.

## Explanation of Budget Activities

### Enforcement

The FY 2010 President's Budget request is $5,504,000,000 in direct appropriations and an estimated $60,797,000 from reimbursable programs, and an estimated $7,800,000 from user fees, for a total operating level of $5,572,597,000. The direct appropriations level is an increase of 7.6 percent from the FY 2009 enacted level and includes enhanced tax enforcement activities funded by an allocation adjustment. This appropriation funds the following budget activities.

***Investigations ($637,694,000 from direct appropriations and an estimated $51,553,000 from reimbursable programs)*** This budget activity funds the criminal investigations programs that explore potential criminal violations of the internal revenue tax laws, enforce criminal statutes relating to these violations, and recommend prosecution as warranted. These programs identify and document the movement of both legal and illegal sources of income to identify and document cases of suspected intent to defraud. It also includes investigation and prosecution of tax and money laundering violations associated with narcotics organizations.

***Exam and Collections ($4,706,350 from direct appropriations, an estimated $8,783,000 from reimbursable programs, and an estimated $7,800,000 from user fees)*** This budget activity funds programs that enforce the tax laws and compliance through examination and collection programs that ensure proper payment and tax reporting. The budget activity also supports appeals and litigation activities associated with exam and collection.

***Regulatory ($159,956,000 from direct appropriations and an estimated $461,000 from reimbursable programs)*** This budget activity funds the development and printing of published IRS guidance materials; interpretation of tax laws; advice on general legal servicing, ruling and agreements; enforcement of regulatory rules, laws, and approved business practices; and supporting taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The Office of Professional Responsibility is funded within this budget activity and is responsible for identifying, communicating, and enforcing the Treasury Circular 230 standards of competence, integrity, and conduct of professionals representing taxpayers before the IRS.

### Taxpayer Services

The FY 2010 President's Budget request is $2,269,830,000 in direct appropriations, an estimated $39,000,000 from reimbursable programs, and an estimated $127,000,000 from user fees, for a total operating level of $2,435,830,000. The direct appropriations level is a reduction of 1.0 percent from the FY 2009 enacted level though it does not represent a program reduction due to non-recurrent activities and savings. This appropriation funds the following budget activities.

***Pre-Filing Taxpayer Assistance and Education ($676,063,000 from direct appropriations, an estimated $819,000 from reimbursable programs, and an estimated $18,700,000 from user fees)*** This budget activity funds services to assist with tax return preparation, including tax law interpretation, publication production, and advocate services. In addition, funding for these programs continues to emphasize taxpayer education, outreach, increased volunteer support time and locations, and enhancing pre-filing taxpayer support through electronic media.

***Filing and Account Services ($1,593,767,000 from direct appropriations, an estimated***

***$38,181,000 from reimbursable programs, and an estimated $108,300,000 from user fees)*** This budget activity funds programs that provide filing and account services to taxpayers, process paper and electronically submitted tax returns, issue refunds, and maintain taxpayer accounts. The IRS continues to make progress in decreasing paper returns and increasing the use of electronic filing and payment methods.

**Operations Support**
The FY 2010 President's Budget request is $4,082,984,000 in direct appropriations, an estimated $47,304,000 from reimbursable programs, and an estimated $32,900,000 from user fees, for a total operating level of $4,163,188,000. The direct appropriation level is an increase of 5.6 percent from the FY 2009 enacted level and includes dedicated support funding for enhanced enforcement activities. This appropriation funds the following budget activities.

***Infrastructure ($900,852,000 from direct appropriations, an estimated $155,000 from reimbursable programs, and an estimated $16,100,000 from user fees)*** This budget activity funds administrative services related to space and housing, rent and space alterations, building services, maintenance, guard services, and non-Automated Data Processing (ADP) equipment.

***Shared Services and Support ($1,296,629,000 from direct appropriations and an estimated $32,228,000 from reimbursable programs)*** This budget activity funds policy management, IRS-wide support for research, strategic planning, communications and liaison, finance, human resources, and equal employment opportunity and diversity services and programs. It also funds printing and postage, business systems planning, security, corporate training, legal services, procurement, and specific employee benefits programs.

***Information Services ($1,885,503,000 from direct appropriations, an estimated $14,921,000 from reimbursable programs, and an estimated $16,800,000 from user fees)*** This budget activity funds staffing, equipment, and related costs to manage, maintain, and operate the information systems critical to the support of tax administration programs. The IRS business programs rely on these systems to process tax and information returns, account for tax revenues collected, send bills for taxes owed, issue refunds, assist in the selection of tax returns for audit, and provide telecommunications services for all business activities including the public's toll-free access to tax information.

**Business Systems Modernization (BSM)**
The FY 2010 President's Budget request is $253,674,000 in direct appropriation. This is an increase of 10.3 percent from the FY 2009 enacted level. This appropriation funds the following budget activity.

***BSM ($253,674,000 from direct appropriations)*** This budget activity funds the planning and capital asset acquisition of information technology (IT) to continued modernization of the core taxpayer account database. This effort is a critical underpinning of the next generation of IRS service and enforcement initiatives. The integration strategy includes a particular focus on enhanced information technology security practices and robust accounting and financial management controls. This activity also funds the ongoing development of the Modernized e-File platform for filing tax returns electronically. BSM labor (salaries and expense dollars) and related contract costs also are funded.

**Health Insurance Tax Credit Administration (HITCA)**

The FY 2010 President's Budget request is $15,512,000 in direct appropriations. This is an increase of 0.7 percent from the FY 2009 enacted level. This appropriation funds the following budget activity.

***HITCA ($15,512,000 from direct appropriations)*** This budget activity funds costs to administer a refundable tax credit for health insurance to qualified individuals, which was enacted as part of the Trade Adjustment Assistance Reform Act of 2002.

## Legislative Proposals

The FY 2010 President's Budget includes a number of legislative proposals intended to improve tax compliance with minimum taxpayer burden. These proposals will specifically target the tax gap and generate nearly $11 billion over the next ten years. The Administration proposes to expand information reporting, improve compliance by businesses, strengthen tax administration, and expand penalties.

*Expand information reporting* – Compliance with the tax laws is highest when payments are subject to information reporting to the IRS. Specific information reporting proposals would:

- Require information reporting on payments to corporations;
- Require a certified taxpayer identification number (TIN) from contractors;
- Require increased information reporting on certain government payments; and
- Increase information return penalties.

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

- Require electronic filing by certain large organizations; and
- Implement standards clarifying when employee leasing companies can be held liable for their clients' federal employment taxes.

*Strengthen tax administration* – The IRS has taken a number of steps under existing law to improve compliance. These efforts would be enhanced by specific tax administration proposals that would:

- Expand IRS access to information in the National Directory of New Hires for tax administration purposes;
- Make repeated willful failure to file a tax return a felony;
- Facilitate tax compliance with local jurisdictions;
- Extend statutes of limitations where state tax adjustments affect federal tax liability;
- Improve the investigative disclosure statute;
- Expand electronic filing requirements for tax return preparers;
- Repeal the requirement of a partial payment with an application for an offer-in-compromise; and
- Allow assessment of criminal restitution as tax.

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

- Impose a penalty on failure to comply with electronic filing requirements; and
- Clarify that the bad check penalty applies to electronic checks and other forms of payment.

**Improve Tax Administration and Other Miscellaneous Proposals**

The Administration has put forward additional proposals relating to IRS administrative reforms. These proposals would:

- Require information reporting on expense payments relating to rental property;
- Improve the foreign trust reporting penalty;
- Apply the Federal Payment Levy Program to contractors before providing Collection Due Process; and
- Clarify that vendor levy on "goods and services" would not exclude "property."

**IRS Performance by Programs**

| Programs | Performance Measure | FY 2006 Actual | FY 2007 Actual | FY 2008 Actual | FY 2008 Target Met? | FY 2009 Target | FY 2010 Target |
|---|---|---|---|---|---|---|---|
| Taxpayer Service | Customer Contacts Resolved per Staff Year - E | 7,414 | 7,648 | 12,634 | Yes | 10,386 | 8,919 |
| | Customer Accuracy - Tax Law Phones (%) - Ot | 90.9% | 91.2% | 91.2% | Yes | 91.0% | 91.2% |
| | Percent of Individual Returns Processed Electronically (%) - Oe (L) | 54.1% | 57.1% | 57.6% | No | 64.0% | 67.3% |
| Enforcement | Examination Efficiency - Individual (1040) - E (L) | 128 | 137 | 138 | Yes | 132 | 130 |
| | Automated Collection System Accuracy (%) - Oe | 91.0% | 92.9% | 95.3% | Yes | 92.0% | 93.5% |
| | AUR Efficiency E (L) | 1,832 | 1,956 | 1,982 | Yes | 1,855 | 1,894 |

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

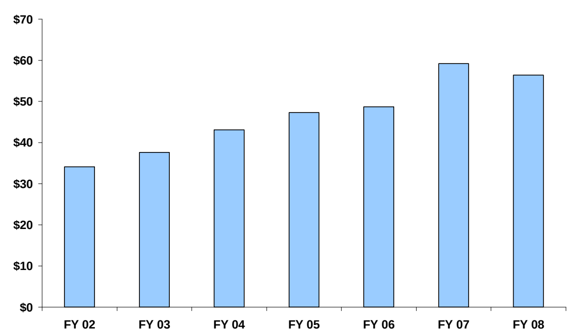
## Description of Performance

In FY 2008 the IRS continued to provide excellent service to taxpayers and enforced the tax laws in a balanced manner. The following is a summary of significant program performance improvements:

**Enforcement**

Enforcement of the tax laws is an integral component of the IRS effort to enhance voluntary compliance and close the tax gap. IRS enforcement activities, such as examination and collection, target elements of the tax gap, remained a high priority in FY 2008, and will continue to be a high priority in the future.

**IRS Enforcement Revenue (In Billions)**




In FY 2008 the IRS collected $56.4 billion in enforcement revenue.

In FY 2008, IRS enforcement performance improved over FY 2007 in the following key areas:

- Increased high-income taxpayer audits almost 16 percent;
- Increased small business audits 3 percent;
- Increased tax-exempt and government entities compliance contacts 6 percent;

- Increased Automated Underreporter (AUR) contact closures by almost 4 percent; and dollars collected through AUR and information return processing by 22 percent; and
- Increased collection case closures 1.4 percent.

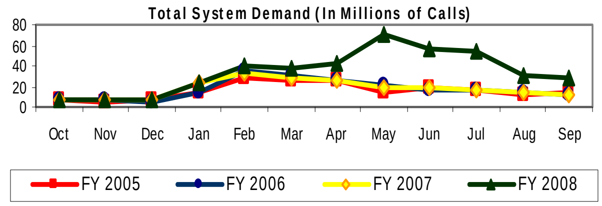
The IRS continued to investigate vigorously egregious tax, money laundering, and other financial crimes that adversely affect tax administration. Performance levels for the criminal investigation program remained high in FY 2008 with 4,044 completed criminal investigations and 2,144 convictions.

Maintaining a strong enforcement presence in the tax-exempt sector is important to ensure that charitable organizations are not used for non-charitable or illegal purposes. In FY 2008, the IRS increased tax-exempt and government entities compliance contacts 6 percent over FY 2007 levels.

Research allows the IRS to target specific areas of noncompliance to improve voluntary compliance and allocate resources more effectively to reduce the tax gap. Improved research data also refine the workload selection models to reduce audits of compliant taxpayers and ultimately help the IRS achieve high rates of return from its enforcement programs. Current National Research Program (NRP) efforts include analyzing individual income tax returns for Tax Years 2006, 2007, and 2008. In addition, an employment tax reporting compliance study is in the planning stages. Results from these studies will be used to develop additional approaches to addressing the tax gap.

### Taxpayer Service

In 2008, the IRS served taxpayers through multiple channels during the tax filing




season while also delivering $94.3 billion in economic stimulus payments to 116.2 million taxpayers and successfully implementing Alternative Minimum Tax legislation enacted late in 2007. Demand for telephone services was unprecedented in 2008, and as a result, the overall telephone level of service was 53 percent, well below the target of 82 percent.

In FY 2008, there were nearly 350 million visits to IRS.gov, up over 61 percent from 215 million in FY 2007. Taxpayers visited the website to obtain information on the economic stimulus package, determine if they qualify for the Earned Income Tax Credit (EITC), and track the status of their returns using the "Where's My Refund?" feature. The IRS answered 92.4 million calls and served over 6.9 million taxpayers at 401 Taxpayer Assistance Centers. Taxpayer service improvements are reflected in increases in IRS Customer Satisfaction scores as measured by the independent American Customer Satisfaction Index showing improvement from 53 percent in 1998 to 68 percent in 2008. For the thirteenth year in a row, the number of individual returns that were filed electronically, excluding taxpayers who filed solely to claim an economic stimulus payment, increased, with over 63 percent of all individual income tax returns e-filed in FY 2008.

FY 2009 continues to bring significant challenges to IRS service programs. Workload remains high from taxpayers seeking assistance in resolving issues from the Economic Stimulus Act of 2008 (Public Law 110-185). At the same time, the IRS is implementing the ARRA tax provisions.

**Business System Modernization**

IRS modernization efforts continued to focus on its core tax administration systems designed to provide more sophisticated tools to taxpayers and the IRS employees.

The following highlights the IRS efforts in FY 2008 in advancing these core systems:

- *CADE*– The 2008 CADE release was delivered on time for the filing season, and over 30.6 million taxpayers were processed using a modernized account database, a substantial increase from 11.2 million in 2007.
- *Modernized e-File (MeF)* – In 2008, MeF accepted over 3.7 million returns, a 55 percent increase over the same period in 2007; and
- *Account Management Services (AMS)* **–** The 2008 releases of AMS delivered the capability to update account data on a daily cycle to over 33,000 IRS customer service representatives and provided improved customer support with new inventory and workflow functionalities.

**Human Capital**

In late FY 2008, the IRS Commissioner established a *Workforce of Tomorrow* task force to address recruitment and retention issues so that the IRS has the necessary leadership and workforce to address future challenges.

The IRS considers employee engagement fundamental to the overall success of the organization and believes that employee engagement is an ongoing process. The IRS conducts an annual survey to assess the level of engagement of employees. Overall satisfaction showed steady improvement from a score of 3.48 in 2002 to a score of 3.79 in 2008, on a scale of 1 to 5, with 5 being the most satisfied.

IRS job satisfaction is higher than most other federal agencies according to the Office of Personnel Management’s Federal Human Capital Survey.

# Emergency Economic Stabilization Act Programs

**Program Summary by Budget Activity**
(Dollars in Thousands)

| | FY 2009 | | FY 2010 | |
|---|---|---|---|---|
| | Purchase Cap[1] | Obligations[2] | Purchase Cap[1] | Obligations[2] |
| Capital Purchase Program | $218,000,000 | $58,830,700 | $0 | $0 |
| Public-Private Investment Program[3, 4] | $75,000,000 | $24,997,500 | $0 | $0 |
| Systemically Significant Failing Institutions Program | $70,000,000 | $57,946,000 | $0 | $0 |
| Consumer and Business Lending Initiative[3] | | | | |
| TALF 1.0 | $20,000,000 | $6,666,000 | $0 | $0 |
| TALF Asset Expansion | $35,000,000 | $11,665,500 | $0 | $0 |
| TALF for Legacy Securities | $25,000,000 | $8,332,500 | $0 | $0 |
| Unlocking SBA Lending Markets | $15,000,000 | $4,999,500 | $0 | $0 |
| Home Affordable Modification Program | $50,000,000 | $50,000,000 | $0 | $0 |
| Targeted Investment Program | $40,000,000 | $19,540,000 | $0 | $0 |
| Automotive Industry Financing Program and Auto Supplier Support Program | $35,400,000 | $18,235,070 | $0 | $0 |
| Asset Guarantee Program[5] | $12,500,000 | ($752,500) | $0 | $0 |
| Estimate of Redemption | ($25,000,000) | NA | $0 | $0 |
| Capital Assistance and Other TBD Programs[3] | $129,100,000 | $43,029,030 | $0 | $0 |
| **Total** | **$700,000,000** | **$303,489,300** | **$0** | **$0** |

[1]Amount applied to the Section 115 Purchase Cap.
[2]Estimated program costs or savings do not include $1,998,749,041 in estimated modification costs due to revisions of the initial loan and equity purchase terms.
[3]Subsidy rate will be revised from the current 33.33% placeholder.
[4] The TALF for Legacy Securities program categorized under the Consumer and Business Lending Initiative in this table will be implemented under the Public-Private Investment program.
[5] Loan Guarantees are expected to be $419 billion, but Treasury will be limited to a $12.5 billion second loss.

## Explanation of Budget Estimate

The Office of Financial Stability (OFS) budget includes funding to carry out the authorities delegated to the OFS by the Secretary of the Treasury to implement the Troubled Assets Relief Program (TARP). These authorities were vested to the Treasury Secretary by the Emergency Economic Stabilization Act of 2008 (EESA), which authorized the Secretary of the Treasury to establish the TARP to "purchase, and to make and fund commitments to purchase troubled assets from any financial institution, on terms and conditions as are determined by the Secretary."

The EESA further authorized that the Secretary implement the TARP through an Office of Financial Stability.

The purposes of the EESA are to —
(1) immediately provide authority and facilities that the Secretary of the Treasury can use to restore liquidity and stability to the financial system of the United States; and
(2) ensure that such authority and such facilities are used in a manner that —

(A) protects home values, college funds, retirement accounts, and life savings;
(B) preserves homeownership and promotes jobs and economic growth;
(C) maximizes overall returns to the taxpayers of the United States; and
(D) provides public accountability for the exercise of such authority.

**Purpose of the Program**
Since the passage of EESA in October 2008, the OFS has implemented a number of programs aimed to stabilize the financial system and restore the flow of credit to consumers and businesses.

These include:

**Capital Purchase Program**
The Capital Purchase Program (CPP) was created to stabilize the financial system by building the capital base of healthy, viable U.S. financial institutions, which in turn will increase the capacity of those institutions to lend to businesses and consumers and support the economy. Under this program, Treasury is purchasing senior preferred shares from qualifying U.S. controlled banks, savings associations, and certain bank and savings and loan holding companies.

**Systemically Significant Failing Institution**
The Systemically Significant Failing Institution program (SSFI) is intended to provide stability and prevent disruptions to financial markets from the failure of a systemically significant institution. The Treasury will determine the eligibility of participants on a case-by-case basis. In determining whether an institution is systemically significant and at substantial risk of failure, Treasury may consider, among other things:

1. The extent to which the failure of an institution could threaten the viability of its creditors and counterparties because of their direct exposures to the institution;

2. Whether the institution is sufficiently important to the nation's financial and economic system; or

3. The extent and probability of the institution's ability to access alternative sources of capital and liquidity.

**Targeted Investment Program**
The Targeted Investment Program (TIP) is designed to prevent a loss of confidence in financial institutions that could result in significant market disruptions, threatening the financial strength of similarly situated financial institutions, impairing broader financial markets, and undermining the overall economy. Treasury will consider institutions as candidates, based on a number of factors including the threats posed by destabilization of the institution, the risks caused by a loss of confidence in the institution, and the institution's importance to the nation's economy.

**Automotive Industry Financing Program**
The Automotive Industry Financing Program (AIFP) is intended to prevent a significant disruption of the American automotive industry, which would pose a systemic risk to financial market

stability and have a negative effect on the economy of the United States. The program requires participating institutions to implement plans that will achieve long-term viability.

**Asset Guarantee Program**

The Asset Guarantee Program (AGP) provides guarantees for assets held by systemically significant financial institutions that face a risk of losing market confidence due in large part to a portfolio of distressed or illiquid assets. The AGP will be applied with extreme discretion in order to improve market confidence in the systemically significant institution and in financial markets broadly. Treasury does not anticipate that the program will be made widely available and notes that the EESA requires that premiums under section 102 be set to ensure that taxpayers are fully protected.

**The Consumer and Business Lending Initiative (CBLI)**

***Term Asset-Backed Securities Loan Facility***

The creation of the Term Asset-Backed Securities Loan Facility (TALF) was announced in November 2008 as a Federal Reserve facility to which Treasury will provide $20 billion in funding through the TARP. The Federal Reserve will lend on a non-recourse basis to holders of certain AAA-rated asset-backed securities (ABS) secured by newly and recently originated consumer and small business loans. TALF loans will have a term of three years and will be secured solely by eligible collateral. Haircuts (a percentage reduction used for collateral valuation) will be determined based on the riskiness of each type of eligible collateral and the maturity of the eligible collateral pledged to the Federal Reserve. The haircuts will provide additional protection to taxpayers by protecting the Federal Government from loss.

***Initiative to Unlock Credit for Small Businesses***

In March, Treasury announced a program to unlock credit for small businesses as part of the Consumer and Business Lending Initiative. As part of the program, Treasury will make up to $15 billion in TARP funds available to make direct purchases to unlock the secondary market for the government-guaranteed portion of SBA 7(a) loans as well as first-lien mortgages made through the 504 program. These purchases, combined with higher loan guarantees and reduced fees implemented under the American Recovery and Reinvestment Act of 2009, will help provide lenders with the confidence that they need to extend credit, knowing that if they make an SBA loan, they will be able to sell it and access the liquidity necessary to do further lending.

**Making Home Affordable**

Making Home Affordable includes two separate programs: the Home Affordable Refinance Program and the Home Affordable Modification Program. Together, these programs will assist as many as nine million homeowners making a good-faith effort to stay current on their mortgage payments and will also work to prevent the destructive impact of foreclosures on families and communities.

**Capital Assistance Program**
The Capital Assistance Program (CAP) is designed to ensure the continued ability of U.S. financial institutions to lend to creditworthy borrowers in the face of a weaker than expected economic environment and larger than expected potential losses. The CAP consists of two elements aimed at restoring confidence in the conditions of the U.S. banking system: a supervisory exercise and a new capital access program for qualifying financial institutions.

**Public-Private Investment Program**
To address the challenge of legacy assets, Treasury – in conjunction with the FDIC and the Federal Reserve – is announcing the Public-Private Investment Program (PPIP) as part of its efforts to repair balance sheets throughout our financial system and ensure that credit is available to the households and businesses, large and small, that will help drive us toward recovery.

## Legislative Proposals

The TARP has no legislative proposals in FY 2010.

## Performance Measures

Performance metrics are currently in development for the Troubled Assets Relief Programs and will be available by FY 2010.

# Special Inspector General for TARP

**Program Summary**

(Dollars in thousands)

| | FY 2008 | FY 2009 | FY 2010 | | |
|---|---|---|---|---|---|
| | Obligated | Estimated | Estimated | $ Change | % Change |
| Appropriation | n/a | $50,000 | n/a | $0 | 0% |
| Estimated Obligations | n/a | $25,000 | $25,000 | $0 | 0% |
| **Total FTE** | **n/a** | **100** | **150** | **-** | **-** |

## Purpose of Program

SIGTARP's mission is to advance economic stability by promoting the efficiency and effectiveness of Troubled Assets Relief Program (TARP) management, through transparency, through coordinated oversight, and through robust enforcement against those, whether inside or outside of Government, who waste, steal or abuse TARP funds.

**Transparency**
Promoting transparency in the management and operation of TARP is one of SIGTARP's primary roles. Through the Emergency Economic Stabilization Act of FY 2008 (EESA), the American taxpayer has been asked to fund - to the tune of hundreds of billions of dollars - an unprecedented effort to stabilize the financial system and promote economic recovery; in this context, the public has a right to know how that money is being spent. Transparency is a powerful tool to ensure that all those managing the TARP funds will act appropriately, consistent with the law and in the best interests of the country.

**Coordinated Oversight**
SIGTARP plays a vital role in promoting the economy and efficiency in the management of TARP and views its oversight role both prospectively (by advising TARP managers on issues relating to internal controls and oversight, for example) and retrospectively (by assessing the effectiveness of TARP activities over time and suggesting improvements and making recommendations for positive change). SIGTARP closely coordinates its oversight activities with the other TARP oversight bodies to ensure maximum oversight coverage and to avoid redundant and unduly burdensome requests.

**Robust Enforcement**
SIGTARP's third primary role is to prevent, detect and investigate cases of fraud, waste and abuse of TARP funds and programs. SIGTARP, through its own investigative resources and through partnership with other relevant law enforcement agencies, is committed to robust criminal and civil enforcement against those, whether inside or outside of Government, who waste, steal or abuse TARP funds.

In 2010, SIGTARP will continue to design and conduct programmatic audits of Treasury's TARP operations, as well as recipients' compliance with their obligations under relevant law and contract. SIGTARP will also conduct and supervise criminal and civil investigations into any parties suspected of TARP-related fraud, waste, or abuse and it must remain flexible at all times to respond to future changes to the TARP programs.

SIGTARP faces the administrative realities of any new organization, and is working to formulate a full strategic plan, and to identify the resource requirements that it will enable it to fully and effectively carry out its mission. Future funding needs are under review. If additional resources are necessary, a request will be made.

### Legislative Proposals

SIGTARP has no legislative proposals for FY 2010.

# Housing Government Sponsored Enterprise Programs

**Program Summary by Budget Activity**
(Dollars in Thousands)

| Housing Government Sponsored Enterprise Programs | Activity | FY 2008 Actual | FY 2009 Estimated | FY 2010 Estimated | FY 2010 $ Change | FY 2010 % Change |
|---|---|---|---|---|---|---|
| Preferred Stock Purchase Agreements | Obligations | $0 | $105,900,000 | $41,293,000 | ($64,607,000) | -61.01% |
| GSE MBS Purchase Program | Securities Purchased | $5,000,000 | $249,000,000 | $60,000,000 | ($189,000,000) | -75.90% |
| GSE Credit Facility | Loan Levels | $0 | $0 | $0 | $0 | 0% |

## Explanation of Budget Estimate

The Housing Government Sponsored Enterprise (GSE) Programs consist of three different programs with respect to, Fannie Mae and Freddie Mac, and the Federal Home Loan Banks (FHLBs) outlined below. These programs were created to provide stability to the financial markets and promote mortgage affordability while at the same time protecting the taxpayer. These programs include Preferred Stock Purchase Agreements (PSPAs) with Fannie Mae and Freddie Mac, a Mortgage-Backed Securities (MBS) Purchase Program limited to such securities issued by Fannie Mae and Freddie Mac, and a Treasury credit facility for all three entities.

These programs are designed to meet the following priorities:

- To promote stability in financial markets.
- To improve the availability of mortgage credit to American homebuyers.
- To ensure investor confidence in the GSEs by maintaining and/or increasing the PSPAs.

The FY 2010 budget estimate anticipates decreases in two of the programs due to reduced draws under the PSPAs as housing market conditions improve; and the authority to make purchases under the GSE MBS Program expiring on December 31, 2009. Treasury does not expect to use the Credit Facility in FY 2010.

## Purpose of Program

The function of the PSPAs is to instill confidence in investors that Fannie Mae and Freddie Mac will remain viable entities critical to the functioning of the housing and mortgage markets. The PSPAs provide up to $200 billion for each GSE to ensure that each enterprise maintains a positive net worth.

The function of the GSE MBS Purchase Program is to help improve the availability of mortgage credit to American homebuyers and mitigate pressures on mortgage rates. To promote the stability of the mortgage market, Treasury has purchased GSE MBS in the secondary market. By purchasing these guaranteed securities, Treasury sought to broaden access to mortgage funding for current and prospective homeowners as well as to promote market stability.

The function of the GSE Credit Facility is to ensure credit availability to the housing GSEs by providing secured funding on an as needed basis under terms and conditions established by the Secretary of the Treasury to protect taxpayers. Fannie Mae, Freddie Mac, and FHLBs are eligible to borrow under this program if needed. This facility offers liquidity if needed until December 31, 2009. Treasury does not expect to use this program in FY 2010.

## Explanation of Budget Activities
## Preferred Stock Purchase

**Agreements ($41.293 billion in obligations)**
This measure enhances market stability by providing additional security to holders of Fannie Mae and Freddie Mac securities, which, in turn, leads to increased mortgage affordability by providing additional confidence to investors in GSE mortgage-backed securities. This commitment also significantly diminishes the potential for mandatory triggering of receivership. To this end, the PSPAs are an effective means of averting systemic risk while at the same time protecting the taxpayer. They are more efficient than a one-time equity injection, in that Treasury will use them only as needed and on terms that the Treasury deems appropriate.

**GSE MBS Purchase Program ($60 billion in purchases)**
The size and timing of this program is subject to the discretion of the Secretary of the Treasury. The scale of the program is based on developments in the capital markets and housing markets. Given that Treasury can hold these securities to maturity, the spreads between Treasury issuances and GSE MBS indicate that there is little likelihood to expect taxpayer losses from this program, and, the program could produce gains. Treasury's authority to purchase GSE MBS expires on December 31, 2009.

**GSE Credit Facility Program (No funding)**
Loans would be for short-term durations and would in general be expected to be for less than one month but no shorter than one week. The rate on a loan request ordinarily would be based on the daily LIBOR fix for a similar term of the loan plus 50 basis points. The rate is set at the discretion of the Secretary of the Treasury with the objective of protecting the taxpayer, and is subject to change. All loans would be collateralized and collateral is limited to mortgage backed securities issued by Freddie Mac and Fannie Mae and advances made by the FHLBs. Loans will not be made with a maturity date beyond December 31, 2009.

## Legislative Proposals

The Housing GSE programs have no legislative proposals for FY 2010.

## Performance Measures

Performance metrics are currently in development for Housing Government Sponsored Enterprise Programs. Finalization of program metrics is expected by the end of the third quarter of FY 2009.

# Treasury Franchise Fund

**Program Summary by Budget Activity**

(Dollars in thousands)

| Budget Activity | FY 2008 | FY 2009 | FY 2010 | | |
|---|---|---|---|---|---|
| | Obligated | Estimated | Estimated | $ Change | % Change |
| Consolidated/Integrated Administrative Management | $180,361 | $11,293 | $0 | ($11,293) | (100.00%) |
| Financial Management Administrative Support Services | $96,952 | $146,828 | $147,968 | $1,140 | (78.0%) |
| Financial Systems, Consulting and Training | $13,691 | $2,117 | $0 | ($2,117) | (100.0%) |
| **Total Cost of Operations** | **$291,004** | **$160,238** | **$147,968** | **($12,270)** | **(7.66%)** |

## Explanation of Budget Estimate

Historically, the Treasury Franchise Fund (the Fund) has reported activity in the following budget activities.

- Consolidated/Integrated Administrative Management
- Financial Management Administrative Support Systems
- Financial Systems, Consulting and Training

In FY 2010, the Fund is reporting only the Financial Management Administrative Support Systems budget activity, Public Debt's Administrative Resource Center (ARC). The remaining activities were eliminated due to Treasury decisions to transition out of those business lines because they were not consistent with Treasury's core mission or are not advantageous to be offered as a shared service. ARC is projecting a net increase in budgetary resources of 2 percent for FY 2010. The net increase is comprised of increases due to estimated inflation adjustments and anticipated new customers, and a decrease due in the assisted acquisition service line.

## Purpose of Program

The Treasury Franchise Fund (the Fund) is a revolving fund that supplies financial and administrative services on a fee-for-service basis. The Fund has transformed the administrative support arena in the Federal Government through a shared services business model that offers marketplace success through competition. The Fund became permanent in the Consolidated Appropriations Act, 2005 (Public Law 108-447) and is codified in U.S.C. 322, note. In addition, Public Debt's Administrative Resource Center (ARC) is a federal shared service center and was recognized as a Center of Excellence in 2005.

Since inception, the Fund has been a leader in redefining the processes and methods for delivering administrative products and services to federal customers. The Fund offers one-stop shopping to customers and we use streamlined processes, ensure full accountability, offer competitive prices and timely services. In FY 2010, the Fund will maintain its commitment to excellence and will meet or exceed all applicable strategic goals and benchmarks.

## Explanation of Budget Activities

***Consolidated/Integrated Administrative Management (No funding)*** In previous fiscal years, FedSource was reported under this budget activity. With Treasury's decision to transition out of the FedSource service line, the Franchise Fund has discontinued this budget activity in 2010.

***Financial Management Administrative Support Services ($147,968,000 from reimbursable programs)*** This Franchise Fund budget activity includes Public Debt's Administrative Resource Center (ARC), an OMB approved federal shared service provider. ARC provides accounting, procurement, travel, human resources, and information technology services to federal customers and is a Center of Excellence for Financial Management.

***Financial Systems, Consulting and Training (No funding)*** In previous fiscal years, the Federal Consulting Group and Treasury Agency Services were reported under this budget activity. With Treasury's decision to transition out of these service lines, the Franchise Fund has discontinued this budget activity in 2010.

## Legislative Proposals

The Treasury Franchise Fund has no legislative proposals for FY 2010.

**TFF Performance by Budget Activity**

| Budget Activity | Performance Measure | FY 2006 | FY 2007 | FY 2008 | | FY 2009 | FY 2010 |
|---|---|---|---|---|---|---|---|
| | | Actual | Actual | Actual | Target Met? | Target | Target |
| Consolidated/Integrated Administrative Management | Operating expenses as a percentage of revenue –Consolidated/Integrated Administrative Management (%) (E) | 4.00 | 4.30 | 17.70 | Yes | N/A | N/A |
| Financial Management Administrative Support Services | Operating expenses as a percentage of revenue—Financial Management Administrative Support (%) (E) | 17.00 | 15.10 | 3.60 | Yes | 12.00 | 12.00 |
| Financial Systems, Consulting and Training | Operating expenses as a percentage of revenue—Financial Systems, Consulting and Training (%) (E) | 10.00 | 6.70 | 6.49 | Yes | N/A | N/A |

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

## Description of Performance

The Treasury Franchise Fund (the Fund) has defined customer satisfaction and operating expenses as a percentage of revenue as key performance measurement areas.

In FY 2008, all budget activities did not meet the Fund's performance targets. Specifically, the Consolidated/Integrated Administrative
Management activity (FedSource) failed to meet the operating expense performance target due to decreased revenue and increased operating costs caused by closeout activities.

The Fund discontinued the customer satisfaction performance metric in FY 2008 for the budget activities being closed out (FedSource, Federal Consulting Group and Treasury Agency Services) and discontinued all performance metrics for these activities in FY 2009. The remaining budget activity (Administrative Resource Center) exceeded all of the Fund's performance metrics in FY 2008 and is expected to meet them in FY 2009 and FY 2010.

# Bureau of Engraving and Printing

**Program Summary by Budget Activity**

(Dollars in thousands)

| Budget Activity | FY 2008 | FY 2009 | FY 2010 | | |
|---|---|---|---|---|---|
| | Obligated | Estimated | Estimated | $ Change | % Change |
| Manufacturing | $476,700 | $519,650 | $530,000 | $10,350 | 2.0% |
| Protection and Accountability of Assets | $61,500 | $61,000 | $61,000 | $0 | 0.0% |
| **Total Cost of Operations** | **$538,200** | **$580,650** | **$591,000** | **$10,350** | **1.8%** |

## Explanation of Budget Estimate

The Bureau of Engraving and Printing (BEP) began printing currency in 1862. It operates on the basis of authority conferred upon the Secretary of the Treasury by 31 U.S.C. 321(a) (4) to engrave and print currency and other security documents. Operations at BEP are financed by a revolving fund established in 1950 in accordance with Public Law 81-656. This fund is reimbursed through product sales for direct and indirect costs of operations including administrative expenses. In 1977, Public Law 95-81 authorized the Bureau to include an amount sufficient to fund capital investments and to meet working capital requirements in the prices charged for products. This funding mechanism eliminated the need for appropriations from Congress.

BEP's key priorities for FY 2010 include:

- Redesign the $100 note. Development of a redesigned $100 note is currently in process. BEP expects to gain design approval by the Secretary of Treasury and to begin production in the 2009/2010 time frame. The redesign of the $100 note will mark the completion of the current multi-year initiative to implement the most ambitious currency redesign in United States history.

- Continue re-tooling and retrofitting of the currency production process. Successful implementation of new technology will improve productivity, reduce BEP's environmental impact, and provide needed capabilities to produce increasingly more complex currency note designs.

- Train and prepare the workforce for increasingly sophisticated technology integrated into 21st century manufacturing processes.

- Improve the Nation's currency to better serve the needs of Americans and others around the world, including the blind and visually impaired. To this end, The Bureau, in coordination with the Department of Treasury, commissioned a study that began in 2008 to assess improved methods for denominating currency for the blind and visually impaired; the results of the study will be released for public comment in 2009.

- Install a new wastewater recycling system that will recycle approximately 95% of water used in the printing process. This investment is indicative of the Bureau's commitment to keeping the greenback and the environment "green".

- Continue process improvements as required of an ISO 9001 certified organization, a designation that indicates to current and prospective customers that the Bureau employs a rigorous quality management program.

- Work in concert with the Advanced Counterfeit Deterrent Committee, and other Government agencies to research and develop state-of-the-art counterfeit deterrent features and systems for use in currency notes that will enhance and protect future notes.

## Purpose of Program

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

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

In line with BEP's vision, the Bureau's top priorities for FY 2010 include the continued re-tooling and retrofitting of the currency production process which will allow the BEP to improve productivity and reduce its environmental impact. This initiative will also provide the needed capabilities to produce increasingly more complex currency note designs which would improve the nation's currency to better serve the needs of Americans and others, including the blind and visually impaired. The new equipment will also ensure that the BEP continues to operate in an efficient and cost-effective manner. Another top priority for FY 2010 is the redesign the $100 note. Development of a redesigned $100 note is currently in process. BEP expects to gain design approval by the Secretary of Treasury and begin production in the 2009/2010 time frame. The Federal Reserve will determine when the new note is issued to the public. Because aggressive law enforcement, effective design, and public education are all essential components of a concerted anti-counterfeiting program, the Bureau will continue its work with the Advanced Counterfeit Deterrent Committee to research and develop future currency designs that will enhance and protect future notes.

## Explanation of Budget Activities

***Manufacturing ($530,000,000 from reimbursable programs)*** BEP manufactures high quality security documents that deter counterfeiting. These manufactured products are grouped into two programs: Federal Reserve notes and other security documents. The manufacturing of state-of –the-art currency deters counterfeiting, contributes to public confidence, and facilitates daily commerce ensuring seamless, "business as usual" transactions as new currency designs are introduced to the public.

***Protection and Accountability of Assets ($61,000,000 from reimbursable programs)*** BEP protects and accounts for its assets by providing effective and efficient product security and accountability during the manufacture and delivery of currency notes to the Federal Reserve which preserves the integrity of the nation's currency. Protection and Accountability of Assets includes the protection of thousands of BEP employees and contractors, facilities and equipment.

## Legislative Proposals

Representation Funds - This legislative proposal would authorize the Bureau of Engraving and Printing to expend up to $5,000 per fiscal year from its revolving fund for official reception and representation expenses.

The Bureau's head will use these funds to pay for expenses associated with official Bureau events, characterized by a mix of social and/or business purpose when hosting foreign dignitaries involved in the security printing and banking industries.

## Capital Investments Summary

Major Investments: BEP has no planned independent major investments for 2010. BEP participates as a partner in significant Treasury-wide enterprise level investments such as T/Net (Treasury's implementation of General Services Administration's (GSA) Networx), Homeland Security Presidential Directive -12 (again through Treasury's partnership with GSA), HRConnect (an Human Resources Line of Business service provider) and Internet Protocol version 6.

**BEP Performance by Budget Activity**

| Budget Activity | Performance Measure | FY 2006 | FY 2007 | FY 2008 | | FY 2009 | FY 2010 |
|---|---|---|---|---|---|---|---|
| | | Actual | Actual | Actual | Target Met? | Target | Target |
| Manufacturing for BEP | Manufacturing costs for currency (dollar costs per thousand notes produced) ($) (E) | 27.49 | 28.71 | 29.47 | Yes | 34 | 37 |
| Manufacturing for BEP | Percent of currency notes delivered to the Federal Reserve that meet customer quality requirements (%) (Oe) | 99.90 | 100.00 | 100.00 | Yes | 99.90 | 99.90 |
| Protection and Accountability of Assets | Currency shipment discrepancies per million notes (%) (Oe) | 0.01 | 0.01 | 0.01 | Yes | 0.01 | 0.01 |
| Protection and Accountability of Assets | Security costs per 1000 notes delivered ($) (E) | 6.25 | 6.00 | 5.65 | No | 5.65 | 5.10 |

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

## Description of Performance

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

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

# United States Mint

**Program Summary by Budget Activity**

(Dollars in thousands)

| Budget Activity | FY 2008 Obligated | FY 2009 Estimated | FY 2010 Estimated | FY 2010 $ Change | FY 2010 % Change |
|---|---|---|---|---|---|
| Manufacturing | $2,015,699 | $2,055,945 | $1,981,643 | ($74,302) | (3.6%) |
| Protection | $42,598 | $47,441 | $48,424 | $983 | 2.1% |
| **Total Cost of Operations** | **$2,058,297** | **$2,103,386** | **$2,030,067** | **($73,319)** | **(3.5%)** |
| Capital Investments<br>(Not included in Total Cost of Operations above) | $34,499 | $36,810 | $38,512 | 1,702 | 4.6% |

## Explanation of Budget Estimate

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

The United States Mint's key priorities for FY 2010 include:

- Efficiently and effectively produce and distribute approximately 8.5 billion coins to meet demand for circulating coins during FY 2010 to enable commerce, an important strategic objective for the Department of the Treasury.
- Mint and issue Presidential $1 Coins for circulation to honor the following Presidents: Zachary Taylor, Millard Fillmore, Franklin Pierce and James Buchanan.
- Mint and issue coins and products required by the America's Beautiful National Parks Quarter-Dollar Coin Act.
- Mint and issue the Native American $1 Coin.
- Prepare and distribute recurring numismatic and bullion products and sets, as well as other numismatic items, in quantities sufficient to make them accessible, available, and affordable to Americans who choose to purchase them.
- Mint for sale to the public the American Veterans Disabled for Life Commemorative Coin and the Boy Scouts of America Centennial Commemorative Coin.

FY 2010 United States Mint estimated total revenues are $2,449,400,000, total expenses are $2,030,067,000, capital investments are $38,512,000, and net results are $419,333,000.

## Purpose of Program

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

## Explanation of Budget Activities

***Manufacturing ($1,981,643,000 from reimbursable programs)*** The United States Mint manufactures and sells products. For budget reporting purposes, these products are grouped into two programs: Circulating Coinage and Numismatic Program.

*Circulating Coinage* includes the one-cent coin, 5-cent coin, dime, half-dollar and dollar used to enable the conduct of trade and commerce. The primary mission of the United States Mint is to enable commerce by minting and issuing circulating coinage to meet the needs of the United States. The United States Mint delivers the circulating coinage to the Federal Reserve Banks for distribution as demanded by commerce.

Beginning in 2010 through 2018, the United States Mint will mint and issue "America's Beautiful National Parks Quarter Dollar Coins" in accordance with Public Law 110-456. This program honors national parks and sites in each of the 50 states in the order in which they were first established as a national park or site. Similar to the issuance of the 50 State Quarters Program, five different coin designs will be issued each year of this program.

*The Numismatic Program* prepares and distributes a variety of numismatic products directly to the public. For some numismatic products, authorizing legislation specifies program requirements, such as design theme, mintage level and duration of product availability. Other programs are structured by law to grant the Secretary of the Treasury discretion in determining product specifications. The Numismatic Program includes the American Eagle Program, the American Buffalo Program, the recurring programs, commemorative coins, and medals. The United States Mint also produces bullion coins under American Eagle and American Buffalo Programs to fulfill investor demand. The current FY 2010 budget estimate includes resource needs of $1,405 million to generate $1,422 million in revenues from the sale of these products.

***Protection ($48,424,000 from reimbursable programs)*** The United States Mint secures over $200 billion in market value of the nation's gold reserves, silver, and other assets. The United States Mint Police protects United States Mint assets while safeguarding its employees against potential threats at its facilities across the country. The United States Mint Police addresses possible threats by ensuring good perimeter security at all sites, and increasing coordination with various Federal, state and local law enforcement agencies. It also ensures that proper policies are in place, and procedures followed, in handling the assets used to produce and transport coinage.

## Legislative Proposals

The United States Mint has no legislative proposals for FY 2010.

## Capital Investments Summary

The United States Mint's FY 2010 circulating and protection capital request is $20.5 million, which is $6.2 million below the projected circulation and protection depreciation (capital limit) amount of $26.7 million.

Each year, the United States Mint commits funds for capital projects to maintain, upgrade or acquire physical structures, equipment, physical security, and information technology systems. Total capital projects are estimated to be $38.5 million in FY 2010. This includes approximately $12.5 million for circulating projects, $8.0 million for security improvement projects, and $18.0 million for numismatic projects.

**Mint Performance by Budget Activity**

| Budget Activity | Performance Measure | FY 2006 Actual | FY 2007 Actual | FY 2008 Actual | FY 2008 Target Met? | FY 2009 Target | FY 2010 Target |
|---|---|---|---|---|---|---|---|
| Manufacturing for Mint | Conversion cost per 1000 coin equivalents ($) (E) | 7.55 | 7.23 | 8.46 | No | N/A | N/A |
| Protection for Mint | Protection cost per square foot ($) (E) | 32.49 | 31.75 | 31.76 | Yes | 31.75 | 31.70 |

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

## Description of Performance

*Conversion Cost per 1,000 Coin Equivalents*
The United States Mint's costs vary by the volume and mix of products sold each year. This makes it difficult to compare operating results from year to year. A Coin Equivalent (CE) calculation is used to convert production output to a common denominator based on a fixed product cost ratio. In FY 2008, the conversion cost was $8.46 per 1000 CEs, 11 percent above the baseline of $7.62. CE production decreased to 21.3 billion in FY 2008 from 24.0 billion in FY 2007, because of significantly lower FRB orders for circulating coins. As a result, this FY 2008 performance measure was not met.

*Cost per Square Foot*
Protection cost per square foot is the Office of Protection's total operating cost divided by the United States Mint's area of usable space, which is 90 percent of the total square footage. The cost per square foot provides a measurement of efficiency over time. Total square footage of usable space at the United States Mint is a stable figure and will only change significantly with major events such as the addition, removal or expansion of a facility. Protection cost per square foot for FY 2008 was $31.76, below the target of $32.50.

# Office of Comptroller of the Currency

**Program Summary by Budget Activity**

(Dollars in thousands)

| Appropriation | FY 2008 | FY 2009 | FY 2010 | | |
|---|---|---|---|---|---|
| | Obligated | Estimated | Estimated | $ Change | % Change |
| Supervise | $565,921 | $647,400 | $693,285 | $45,885 | 7.09% |
| Regulate | $87,583 | $102,343 | $109,597 | $7,254 | 7.09% |
| Charter | $20,212 | $25,586 | $27,399 | $1,813 | 7.09% |
| **Total Cost of Operations** | **$673,716** | **$775,329** | **$830,281** | **$54,952** | **7.09%** |

*FY 2010 data provided for informational purposes only. The budget information presented below is for FY 2009.

## Explanation of Budget Estimate

As of December 31, 2008, The Office of the Comptroller of the Currency (OCC) supervised approximately 1,605 national bank charters and 50 federal branches of foreign banks in the United States (U.S.). Total assets under the OCC supervision were approximately $8.7 trillion or 70 percent of total U.S. commercial banking assets. The average size and complexity of the institutions in the national banking system continue to grow, creating increasing and diverse challenges for the OCC.

The OCC's priorities for fiscal year (FY) 2009 include conducting examinations based on the risk profile of individual national banks to ensure they are safe and sound, sufficiently capitalized, and comply with consumer protection laws. The OCC is working closely with the Department of Treasury to implement provisions of the Emergency Economic Stabilization Act (ESSA) of 2008 and the administration's Financial Stability Plan. Other significant activities include assessing national banks' compliance with BSA/AML and USA PATRIOT Act requirements, addressing issues raised by the range of retail banking products offered by national banks, and identifying and ensuring appropriate follow-up to continued disruption and volatility in the financial and credit markets. The latter activities include work underway with other global supervisors to enhance the risk-based Basel II capital standards in response to the recent market turmoil and coordination among the federal banking agencies to oversee the implementation of those standards at large U.S. banking organizations. Coordination and cooperation with state regulators will be a significant focus for the agency. Filling key experienced and specialty examiner and bank supervision policy analyst positions, recruiting entry-level examiners and enhancing their retention at the critical three/four-year point of their careers, and continuing to develop the next generation of bank supervision leadership are also critical initiatives of the OCC.

In FY 2009, an estimated $775,329,000 is needed to fund ongoing OCC operations and address program priorities effectively. Estimated OCC revenue for FY 2009 is $784,000,000.

The OCC collects revenue primarily from semiannual assessments levied on national banks. The OCC receives no appropriated funds from Congress.

## Purpose of Program

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

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

## Explanation of Budget Activities

***Supervise ($647,400,000 from reimbursable programs):*** The Supervise program consists of those ongoing supervision and enforcement activities undertaken to ensure that each national bank is operating in a safe and sound manner and is complying with applicable laws, rules, and regulations relative to the bank and the customers and communities it serves. This program includes bank examinations and enforcement activities; resolution of disputes through the National Bank Appeals process; ongoing monitoring of banks; and analysis of systemic risks and market trends in the national banking system or groups of national banks, the financial services industry, and the economic and regulatory environment.

***Regulate ($102,343,000 from reimbursable programs):*** The Regulate program consists of those ongoing activities that result in the establishment of regulations, policies, operating guidance, and interpretations of general applicability to national banks. These regulations, policies, and interpretations may establish system-wide standards, define acceptable banking practices, provide guidance on risks and responsibilities facing national banks, or prohibit (or restrict) banking practices deemed to be imprudent or unsafe. This program includes the establishment of examination policies, handbooks, and interpretations for examiners as well as representation of the OCC's regulatory authorities and interpretations in administrative, judicial, and congressional hearings.

***Charter ($25,586,000 from reimbursable programs):*** The Charter program involves those ongoing activities that result in the chartering of national banks as well as the evaluation of the permissibility of structures and activities of national banks and their subsidiaries. This includes the review and approval of new national bank charters, federal branches and agencies, mergers, acquisitions, conversions, business combinations, corporate reorganizations, changes in control, operating subsidiaries, branches, relocations, and subordinated debt issues.

## Legislative Proposals

OCC currently has no legislative proposals.

## Capital Investments Summary

In FY 2008, OCC implemented the Workflow and Information Systems and Document Manager (WISDM). WISDM streamlines the Large Bank Supervision (LBS) supervisory processes, improves collaboration, and enhances the security of sensitive documents while providing the OCC management greater visibility into the status of ongoing examinations. The system will provides LBS examiners and management the ability to collaboratively develop, securely store, search, and report on the status of their work documents. Enhancements and upgrades to WISDM continue into FY 2009.

The OCC continues to develop an HSPD-12 program for Smartcard ID issuance and subsequent use of that card for both physical access to OCC facilities and logical access to OCC information systems. The OCC continued its close coordination with the Treasury HSPD-12 Program Management Office and General Services Administration (GSA) Managed Service Office to implement the Treasury Enterprise Solution for HSPD-12. This Treasury and GSA solution will satisfy goals pertaining to the E-Government initiatives for sharing government-wide services and those goals relating to ensuring the interoperability of the HSPD-12 credentials across the Government.

The OCC Information Security program expanded to enable increased focus on policy, compliance, training, technical oversight and audit. A revised Federal Information Security Management Act (FISMA) compliant IT Security Policy was published. In addition to aligning the OCC information security program with FISMA requirements, the new security policy establishes a framework for addressing other information security related issues.

**OCC Performance by Budget Activity**

| Budget Activity | Performance Measure | FY 2006 | FY 2007 | FY 2008 | | FY 2009 | FY 2010 |
|---|---|---|---|---|---|---|---|
| | | Actual | Actual | Actual | Target Met? | Target | Target |
| Supervision | Percentage of national banks that are categorized as well-capitalized (%) (Oe) | 99 | 99 | 99 | Yes | 95 | 95 |
| Supervision | Percentage of national banks with composite CAMELS rating of 1 or 2 (%) (Oe) | 95 | 96 | 92 | Yes | 90 | 90 |
| Supervision | Percentage of national banks with consumer compliance rating of 1 or 2 (%) (Oe) | 94 | 97 | 97 | Yes | 94 | 94 |
| Supervision | Rehabilitated national banks as a percentage of the problem national banks one year ago (CAMELS 3, 4 or 5) (%) (Oe) | 46 | 52 | 47 | Yes | 40 | 40 |
| Charter | Percentages of licensing applications and notices completed within established timeframes. (%)(Oe) | 96 | 94 | 95 | Yes | 95 | 95 |

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

## Description of Performance

While the national banking system remains fundamentally sound, the effects of disruption and volatility in the financial and credit markets are working through the financial system. At the beginning of FY 2009, banks rated 1 or 2 represented 92 percent of all national banks. However, the impact of economic conditions on national banks will likely result in a decline from that level. As of September 30, 2008, 99 percent of national banks were classified as well capitalized and 97 percent had a consumer compliance rating of either 1 or 2.

Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for evaluating all significant financial, operational and compliance factors inherent in a bank. Evaluations are made on **C**apital adequacy, **A**sset quality, **M**anagement, **E**arnings, **L**iquidity, and **S**ensitivity to market risk. The rating scale is 1 through 5 of which 1 is the best rating granted. CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a change in CAMELS. Although the absolute number of problem banks increased in FY 2008, during that period 47 percent of banks with composite CAMELS rating of 3, 4, or 5 improved their ratings to either 1 or 2. This exceeded the OCC goal of 40 percent.

The OCC's timely and effective approval of corporate applications contributes to the nation's economy by enabling national banks to complete various corporate transactions and introduce new financial products and services. Delays in providing prompt decisions on applications and notices can deprive a bank of a competitive or business opportunity, create business uncertainties, or diminish financial results. Time frames have been established for completing each type of application and notice. The OCC completed 95 percent of applications and notices within the time standard through September 30, 2008. Institutions receiving decisions on their corporate applications and notices rated the OCC's overall licensing services an average of 1.2. The licensing survey is based on a five-point rating scale, in which 1 indicates outstanding and 5 indicates significantly deficient.

Beginning in FY 2006, the OCC implemented a performance measure that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex national banking system. This measure supports the OCC's strategic goal of efficient use of agency resources. The OCC's ability to control its costs while ensuring the safety and soundness of the banking system benefits all national bank customers.

# Office of Thrift Supervision

**Program Summary by Budget Activity**

(Dollars in thousands)

| Budget Activity | FY 2008 | FY 2009 | FY 2010 | | |
|---|---|---|---|---|---|
| | Obligated | Estimated | Estimated | $ Change | % Change |
| Supervision of the Thrift Industry | $245,699 | $246,706 | $181,000 | ($65,706) | (26.6%) |
| **Total Cost of Operations** | **$245,699** | **$246,706** | **$181,000** | **($65,706)** | **(26.6%)** |

## Explanation of Budget Estimate

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

For FY 2009, OTS estimates that its revenues will total $248,850,000 and its expenditures will be $246,706,000. OTS receives no appropriated funds from Congress. The income of the bureau is derived principally from assessments on savings associations and savings and loan holding companies. Other sources of income include fees, rents, and interest on investments.

## Purpose of Program

OTS was established by Congress as a bureau of the Department of the Treasury on August 9, 1989. The bureau's mission is to supervise savings associations and their holding companies in order to maintain their safety and soundness and compliance with consumer laws and to encourage a competitive industry that meets America's financial services needs. OTS's vision is to perform, and to be recognized, as the premier regulator of financial institutions and holding companies.

OTS charters, examines, supervises, and regulates federal savings associations insured by the Federal Deposit Insurance Corporation (FDIC). OTS also examines, supervises, and regulates state-chartered savings associations insured by the FDIC and provides for the registration, examination, and regulation of savings and loan holding companies (SLHCs) and other affiliates.

## Explanation of Budget Activities

***Supervision of the Thrift Industry ($181,000,000 from reimbursable programs)*** OTS examines savings associations every 12 – 18 months for safety and soundness and compliance with consumer protection laws and regulations. During these exams, the association's ability to identify, measure, monitor, and control risk is evaluated, including the risk posed by other entities within the corporate structure. When weaknesses are identified, supervisory action is taken.

OTS receives no appropriated funds from Congress; its revenue is derived principally from assessments on savings associations and savings and loan holding companies. While the FY 2009 projected assessment revenue is consistent with FY 2008 levels, OTS continues to monitor the impact of recent thrift failures and ongoing industry consolidation, driven in part by the current financial crisis. The bureau has experienced surpluses in recent years which led to an increase in the agency's cash reserves in excess of $200 million. Existing reserves will be sufficient to cover any FY 2009 shortfall. In addition, OTS is limiting new hires and prudently managing other expenses to adjust to any revenue reductions. With efficient operations and demonstrated prudent use of funds, OTS will be able to continue supervising savings associations and holding companies while maintaining the safety and soundness of the thrift industry for years to come.

## Legislative Proposals

OTS currently has no legislative proposals.

## Capital Investments Summary

OTS has no major IT investments planned for FY 2009.

**OTS Performance by Budget Activity**

| Budget Activity | Performance Measure | FY 2006 | FY 2007 | FY 2008 | | FY 2009 | FY 2010 |
|---|---|---|---|---|---|---|---|
| | | Actual | Actual | Actual | Target Met? | Target | Target |
| Supervision of the Thrift Industry | Percent of safety and soundness exams started as scheduled (%) (Oe) | 94.00 | 95.00 | 94.00 | Yes | 90.00 | 90.00 |
| Supervision of the Thrift Industry | Percent of thrifts that are well capitalized (%) (Oe) | 99.90 | 99.00 | 98.40 | Yes | 95.00 | 95.00 |
| Supervision of the Thrift Industry | Percent of thrifts with a compliance examination rating of 1 or 2 (%) (Oe) | 93.00 | 97.00 | 95.80 | Yes | 90.00 | 90.00 |
| Supervision of the Thrift Industry | Percent of thrifts with composite CAMELS ratings of 1 or 2 (%) (Oe) | 93.00 | 93.00 | 90.00 | Yes | 90.00 | 90.00 |

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

## Description of Performance

OTS met all of its performance measure targets for FY 2008 except for "Total OTS Cost per $100,000 in Savings Association Assets Regulated," which missed by only one-tenth of one percent (.1%). OTS is presently repositioning its resources to meet the requirements of supervising a smaller asset base. The FY 2009 Performance Budget describes the goals, strategies, and priorities that will guide OTS's operations. The FY 2009 budget enables OTS to continue tailoring supervisory examinations to the risk profile of the institutions, while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of the thrift industry. The following is a brief description of each performance measure:

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

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

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

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

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

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

# Treasury International Programs

Program Summary by Appropriations Account
(Dollars in Thousands)

| Appropriations | FY 2008 Enacted | FY 2009 Enacted | FY 2010 President's Budget |
|---|---|---|---|
| International Financial Institutions | $1,277,289 | $1,493,000 | $2,341,305 |
| International Development Association | 942,305 | 1,115,000 | 1,320,000 |
| Multilateral Investment Guarantee Agency | 0 | 0 | 0 |
| Global Environment Facility | 81,101 | 80,000 | 86,500 |
| Clean Technology Fund | | | 500,000 |
| Strategic Investment Fund | 0 | 0 | 100,000 |
| Inter-American Development Bank: | | | |
| Multilateral Investment Fund | 24,798 | 25,000 | 25,000 |
| Inter-American Investment Corporation | 0 | 0 | 4,670 |
| Asian Development Bank | 0 | 0 | 0 |
| Asian Development Fund | 74,544 | 105,000 | 115,250 |
| African Development Bank | 2,021 | 0 | 0 |
| African Development Fund | 134,585 | 150,000 | 159,885 |
| European Bank for Reconstruction and Development | 10 | 0 | 0 |
| International Fund for Agricultural Development | 17,926 | 18,000 | 30,000 |
| Debt Restructuring | $30,055 | $60,000 | $110,630 |
| Treasury Technical Assistance | $20,235 | $25,000 | $31,440 |
| Total Program Level | $1,327,578 | $1,578,000 | $2,483,375 |

## Explanation of Request

The FY 2010 President's Budget request for the Department of the Treasury's International Assistance Programs supports key objectives of the President's international assistance agenda, such as responding to the financial crisis, addressing global climate change, the Multilateral Debt Relief Initiative (MDRI), measuring results, improving debt sustainability, supporting grants, improving transparency and fighting corruption.  Total resources required to support Treasury International Assistance Programs for FY 2010 are $2.483 billion, including contributions to the International Financial Institutions (IFIs) of $2.341 billion, $110.63 million for Debt Restructuring, and $31.44 million for Treasury's International Affairs Technical Assistance Programs.

## Purpose of Program

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

**International Programs FY 2009 Budget Highlights**
(Dollars in Thousands)

| | International Financial Institutions | Technical Assistance | Debt Restructuring | Total |
|---|---|---|---|---|
| FY 2008 Enacted | $1,277,289 | $20,235 | $30,055 | $1,327,578 |
| Increases/(Decreases) | 215,711 | 4,765 | 29,945 | 250,422 |
| FY 2009 Enacted | $1,493,000 | $25,000 | $60,000 | $1,578,000 |
| **FY 2010 President's Budget Request** | **$2,341,305** | **$31,440** | **$110,630** | $2,483,375 |

## FY 2010 Program Requests

**International Financial Institutions (IFIs) ($2,341,305,000)**

The FY 2010 President's Budget requests $2.34 billion to the multilateral development banks (MDBs), including $600.0 million to the Climate Investment Funds and $100.0 million to pay a portion of outstanding U.S. arrears, which now exceed $1 billion.).

*International Development Association (IDA) ($1,320,000,000)*

The request of $1,320.0 million includes the second installment of the U.S. three-year commitment to the IDA15 replenishment ($1,235.0 million) and $85 million to pay down arrears to IDA. Through IDA, the World Bank supports 78 of the world's poorest countries by providing the largest source of interest-free loans, grants and debt relief of any multilateral development institution. Major IDA15 initiatives and policy reforms include: an expanded results measurement system; improvements to World Bank engagement in fragile and post-conflict states, measures to further improve debt sustainability, and progress towards greater transparency and accountability at the institution. IDA funding is also necessary to meet the U.S. share of the costs of debt relief for the poorest indebted countries through the Multilateral Debt Relief Initiative (MDRI).

*Global Environment Facility (GEF) ($86,500,000)*

The FY 2010 President's Budget requests $80.0 million for the final installment to the fourth replenishment of the Global Environment Facility (GEF-4) and an additional $6.5 million to pay off a portion on U.S. arrears to the GEF. The GEF is the leading multilateral financier of projects in developing countries benefiting the global environment. It provides partial funding for projects in six environmental sectors, including projects that reduce greenhouse gas emissions, conserve global biodiversity, and prevent or reduce the release of long-lived, toxic chemicals. The GEF also helps developing countries strengthen their environmental management capacity enabling their economies to grow in a more environmentally sustainable manner. The GEF serves as the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) and several other international environmental conventions, and its role is expected to increase in the post-Kyoto Protocol period.

*Climate Investment Funds (CIF) ($600,000,000)*

The request provides $600.0 million to the Climate Investment Funds, two new multilateral trust funds at the World Bank. $500.0 million is for the Clean Technology Fund (CTF), an effort to reduce the growth of greenhouse gas emissions in emerging economies by catalyzing large-scale private sector investments through financing the additional costs of commercially available cleaner technologies over dirtier, conventional alternatives. Efforts to create the fund were led by the United States, the United Kingdom, and Japan with considerable input and support from other donor and potential recipient countries, including China, India, and Brazil. The remaining $100.0 million is for the Strategic Climate Fund (SCF), which will help to pilot new, transformative approaches to adaptation, forestry, and energy for the poor. CTF and SCF will serve as interim measures to immediately address climate challenges in developing countries and to constructively inform the development of a post-Kyoto international climate agreement.

*Multilateral Investment Fund (MIF) ($25,000,000)*

The request of $25.0 million is for the fourth installment of the U.S. contribution to the first replenishment of the MIF. The MIF works directly with private sector and public sector partners to strengthen the environment for business, build the capabilities and skills standards of the workforce, and broaden the economic participation of smaller enterprises. MIF projects incorporate a significant degree of counterpart financing, with a goal of having 50% of project costs financed by local counterpart contributions. The MIF is providing highly-focused support for private sector development in Latin America and the Caribbean through the provision of technical assistance on regulatory and legal reforms, re-training of the workforce, and increasing productivity and competitiveness of small businesses and micro-enterprises.

*Inter-American Investment Corporation (IIC) ($4,670,000)*

The request of $4.7 million will cover 10% of current cumulative U.S. arrears to the IIC. Ten percent of U.S. arrears must be paid by 2010 in order for the United States to not lose capital shares. If shares are lost, the United States loses considerable authority at the IIC including veto over transfers of shares among members and charter amendments. Also, shares lost by the United States will likely be purchased by other shareholder countries. The IIC promotes private small and medium-size enterprises (SMEs) in Latin America and the Caribbean. Through a combination of direct loans to and equity investments in individual companies, lending through private local banks, and participation in regional equity funds, the IIC helps SMEs obtain affordable capital to start up, expand, or modernize their operations.

*Asian Development Fund (AsDF) ($115,250,000)*

The request of $115.3 million is for the first of four installments of the U.S. contribution to the ninth replenishment of the AsDF (AsDF10). The AsDF, the Asian Development Bank's concessional window, provides development financing for investments in infrastructure, health, education, environment, and private-sector development, as well as policy advice to the poorest countries in the Asia-Pacific region. In the AsDF10 Agreement, the United States secured a number of important policy reforms, including: the completion of a grants framework through which grants will comprise 25% or more of assistance; a significant improvement in the results framework governing AsDF and AsDB operations; strengthened internal oversight and safeguards; and increased transparency.

*African Development Fund (AfDF) ($159,885,000)*

The request of $159.9 million includes the second of three installments of the U.S. contribution to the AfDF11 replenishment ($156.1 million) and $3.8 million to pay down arrears to AfDF10. AfDF is the African Development Bank's concessional window and serves 40 of the poorest countries in Africa, by providing interest-free loans, grants and debt relief. Funding of the U.S. AfDF11 commitment is needed to ensuring that reforms championed by the United States during the replenishment process, such as the performance-based allocation system and the results-measuring system, are implemented fully. AfDF11 also created a Fragile States Facility to provide additional assistance to post-conflict countries to accelerate the transition process from conflict and decline to stability and growth. AfDF funding is also necessary to meet the U.S. share of the costs of debt relief for the poorest indebted countries through the MDRI.

*International Fund for Agricultural Development (IFAD) ($30,000,000)*

The request of $30.0 million will cover the first of three payments of the U.S. contribution to IFAD's eighth replenishment. IFAD is the only multilateral development institution focused exclusively on reducing rural poverty and hunger through improving agricultural productivity. Because of its mission and expertise, IFAD plays a key role in supporting the renewed focus on agricultural development, as well as responding to the food price crisis. Although prices have fallen from their peak, the rural poor remain profoundly vulnerable to the volatility of food, fertilizer, and food prices. IFAD8 makes key commitments to a number of U.S. priorities: a strengthened results measurement framework; human resources reform; a renewed performance-based allocation system; and a commitment to developing a comprehensive environmental strategy that will help poor farmers adapt to the likely impacts of climate change.

**Debt Restructuring ($110,630,000)**

The FY 2010 President's Budget requests $110.63 million for the cost of debt restructuring programs, including bilateral Heavily Indebted Poor Countries (HIPC) initiative debt reduction, the HIPC Trust Fund, and the Tropical Forest Conservation Act (TFCA). The enhanced HIPC initiative was launched to provide deeper, broader, and faster debt reduction for the poor, heavily-indebted countries that have made a real commitment to economic reform and poverty reduction. For the poorest and most heavily indebted countries, the United States will continue support for bilateral debt relief though the Paris Club of official creditors and the enhanced HIPC Initiative. The Administration requests a total of $90.63 million in funding for the cost of debt restructuring programs, including bilateral HIPC and poorest country debt reduction and the HIPC Trust Fund. Under the enhanced HIPC initiative, funding is needed to complete United States bilateral debt reduction for the Democratic Republic of the Congo (DRC) when the DRC reaches its HIPC Completion Point. Funding is also needed to help satisfy the $75.4 million in outstanding U.S. pledges to the HIPC Trust Fund to support debt relief from the regional development banks. $20.0 million is requested for the Tropical Forest Conservation Act (TFCA) which authorizes debt relief for low and middle-income countries to support conservation of tropical forests. Under the program, treated debt is "redirected" to enable a forest fund in the beneficiary country to make grants to local NGOs and other entities engaged in forest conservation. The United States uses appropriated funds to pay for the budget cost of this debt reduction/redirection.

**Technical Assistance ($31,440,000)**
The FY 2010 President's Budget requests $31.440 million for the cost of the Department of Treasury's International Affairs Technical Assistance Program. Through the Office of Technical Assistance (OTA), U.S. Treasury provides highly experienced financial advisors to reform-minded developing countries, transitional economies, and nations recovering from conflict. The program supports economic policy and financial management reforms, focusing on five core areas: budget and financial accountability; tax policy and administration; government debt issuance and management; banking and financial institutions; and economic crimes. The FY 2010 budget request, which is $6.4 million higher than the enacted level for FY 2009, will support approximately 70 technical assistance projects worldwide. This increase is justified by the growing need for Treasury technical assistance from countries directly affected by the international financial crisis and to maintain support for low-income countries (primarily in Africa and Latin America.), many of which are under increased stress due to the global economic downturn and other indirect effects of the financial crisis. There is strong demand for U.S. Treasury's technical assistance because of the program's ability to field highly experienced advisors quickly. Based on currently available information, Treasury foresees financial-crisis related assistance needs in Central and Eastern Europe, Latin America, Africa, and certain parts of Asia. Funding to support Treasury technical assistance in Iraq and Afghanistan is not included in this request. Funding for Iraq and Afghanistan will be part of a broader interagency package that reflects the administration's strategy in these countries.

## Explanation of Programs

*International Financial Institutions ($2,341,305,000 from direct appropriations)*
International Financial Institutions (IFIs) provide loans, grants and investments to developing and transition economies to promote growth and poverty reduction through their support of public and private projects, programs, and policy reforms. The IFIs are responding to the financial crisis by accelerating grants and lending programs; leveraging resources of donor governments, bilateral aid agencies and private sector investors; providing guarantees for trade finance; and coordinating assistance from diverse sources.

*Debt Restructuring ($**110,630,000** from direct appropriations)*
Debt Restructuring for the poorest countries provides an incentive to implement macro-economic and structural reforms necessary for economic growth and also frees up resources for poverty reduction efforts. Debt reduction under the Tropical Forest Conservation Act allows for reduction of U.S. concessional debt and redirection of payments in local currency in eligible countries to support programs to conserve tropical forests.

*International Affairs Technical Assistance ($31,440,000 from direct appropriations)*
International Affairs Technical Assistance provides financial advisors to countries seeking assistance in implementing significant economic reforms, especially during critical periods of transition to market-based economies. The program supports

economic policy and financial management reforms focusing on the functional areas of budget, revenue, government debt, financial institutions and financial crimes law enforcement.

**International Monetary Fund**

Realigning IMF quotas is part of a larger effort to reform the Fund's governance structure to ensure country voting weights reflect the rapid growth and increasing significance of dynamic emerging economies. Because the Fund's overall quota resources will be expanded to facilitate the realignment, an increase in the U.S. nominal quota is necessary to keep the U.S. voting share constant at 16.7 percent of total voting power in the Fund, and thus maintain our leadership role and our ability to shape the future of the institution.

The present financial crisis demonstrates that, in a world of globalization and substantial international capital flows, the magnitude of crises can be larger than in earlier decades. The IMF does not have sufficient resources to cope with the problems facing member countries in today's world. The G-20 has called for a very substantial increase in the IMF New Arrangements to Borrow (NAB) and expanding NAB membership to more G-20 countries.

Consistent with the budgetary treatment recommended by the President's Commission on Budget Concepts in 1967, the U.S. transactions with the IMF under the quota and NAB are monetary exchanges that would not increase the deficit in any year.

## Description of Performance

**International Financial Institutions**

*Responding to Financial and Food Crises*

The IFIs have responded aggressively to the financial and food crises of the last year and full funding of the FY 2010 request for the MDBs is necessary to help ensure that they continue to assist developing countries withstand the impact of these crises and meet other pressing needs. To counter the impact of the financial crisis, IFIs are taking a number of steps to support emerging market governments, the poorest countries, and the developing world’s private sector. For example, to meet the critical needs of the poorest countries the IFIs are making up to $3 billion in concessional resources available faster than these window’s replenishments originally planned. The IFIs have also made a concerted effort to support the private sector, including new investments of over $13 billion in bank recapitalization and liquidity facilities, trade finance, and infrastructure financing.

The IFIs have also responded with a number of initiatives and programs to respond to emerging food and agricultural needs. The World Bank approved a $1.2 billion Global Food Crisis Response Program in May 2008, the African Development Bank is seeking to provide up to $600 million in support for food crisis response and prevention, and the Asian Development Bank is planning to provide up to $500 million in budgetary support over the next year to strengthening social safety net programs and facilitate access to agricultural inputs. Finally, the International Fund for Agricultural Development approved approximately $650 million in loans and grants in 2008, a 10% increase over 2007, including $200 million to give poor farmers access to essential inputs such as seed and fertilizer.

*Reforms within International Financial Institutions*

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

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

*Debt Relief*

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

*Results Measurement*

Results measurement systems have been expanded significantly through the IDA14 and 15, AfDF10 and 11, and AsDF9 and 10 replenishment agreements which adopt clear, measurable goals and targets, and results-based management processes and standards. The management for results agenda emphasizes measures to strengthen the focus on delivering positive development results on the ground and the institutional management policies and procedures required to deliver them. A two-tiered results measurement framework is in place in IDA and the AfDF to measure, monitor, and report on outcomes and outputs at the project, country, regional and institutional levels. The AsDF replenishment agreement went further to cover the entire institution (that is, both tha AsDF and AsDB) across a four-tiered results measurement framework.

*Transparency and Fighting Corruption*

Through U.S. leadership, the MDBs have continued strong efforts to improve transparency, including disclosure of MDB documents and processes, and to fight corruption at the project, country and institutional levels. For example, the World Bank is fully implementing the recommendations made in the 2007 Volcker Panel Report which was a review and evaluation of the work and oversight mechanisms of the Bank's Department of Institutional Integrity.

### Debt Restructuring

The Enhanced Heavily Indebted Poor Country (HIPC) Initiative continues to make more resources available to poor, heavily indebted countries, while providing a framework for growth enhancing reforms. Thirty-three countries demonstrated sufficient progress to reach their HIPC Decision Points as of the end of FY 2008. Creditors have committed to reduce the external debt of these 33 countries by over $68 billion (nominal terms) under the HIPC framework, freeing resources to support poverty reduction and economic growth, particularly in areas prioritized in their Poverty Reduction Strategy. In 2000, poverty-reducing expenditures in the post-Decision Point HIPCs were only about 50% larger than debt service payments. Consistent with the goal of increasing poverty reducing expenditures, by 2007 poverty reducing expenditures were estimated to be over eight times as large as debt service payments.

Under the Tropical Forest Conservation Act (TFCA), a total of 14 agreements have now been signed with 12 countries, generating more than $188 million over time for tropical forest conservation. The TFCA debt swap mechanism has also developed a unique public/private partnership in which environmental NGOs provide additional funds for debt reduction, increasing the size of individual agreements, and contributing additional expertise in the management of resulting programs.

### Technical Assistance

The Office of Technical Assistance (OTA) continues to provide financial technical assistance worldwide; currently 49 resident projects and 55 intermittent projects are being conducted in 48 countries around the globe. OTA programming in counterpart countries strengthens laws, systems, and processes and sustains financial institutions (ministries, banks, bond markets, financial crime investigation and prosecution, and revenue collection). While OTA sometimes assists in policy development, its principal focus is on practical applications such as: drafting laws and regulations to reform financial and administrative policies; establishing procedures for auditing large taxpayer accounts; setting up bond markets; building working financial intelligence units on detection and prosecution of crime; or closing non-performing banks.

In most projects, OTA assists transition and developing countries to build strong government systems and services that increase financial integrity, build capacity (both human and systems), integrate public and private aspects of the economy, eliminate weak or non-functioning organizations of government financial management, draft improved legislation, and fight corruption and terrorist financing. Some projects are assist countries with weak and fragile financial systems. In FY 2008, OTA provided assistance to 17 countries in various states of HIPC completion–Afghanistan, Burundi, Ethiopia, Ghana, Haiti, Honduras, the Kyrgyz Republic, Liberia, Madagascar, Malawi, Mozambique, Nicaragua, Niger, Rwanda, Sao Tome & Principe, Uganda, and Zambia. In some instances, OTA acts as a first-responder in conflict and post-conflict countries (as it did and continues to do in Afghanistan, Bosnia, Kosovo, and Iraq). In such cases, the OTA projects become part of the military-civilian struggle to bring an end to the chaos of war and take steps toward reestablishing civil society through the building of strong government financial systems.

*Examples of results achieved by OTA in FY 2008:*
A regional project supported the Latin America Small Business Lending Initiative (LASBI) to increase the number of loans made to small businesses and micro-finance institutions, and leverage the $20.5 million non-reimbursable line of credit extended by the Inter-American Development Bank. Support provided in Paraguay to the Central Bank and the Ministry of Finance resulted in development of the country's first National Debt Strategy. In Niger, the tax administration gave significant credit to OTA assistance in raising tax revenues from 10.3% to 11.7% over a two-year period. The OTA Debt project in Rwanda has resulted in issuance of two and three year government bonds; and set the stage for corporate issuance of a 5 year bond. Through an Economic Crimes project, the Philippines has been removed from the Non-Cooperating Countries and Territories list, become a member of the Egmont group and of the Steering Committee of the Asia Pacific Group (FATF), and completed training for 1,000 law enforcement personnel. OTA recommended eighteen improved performance indicators to the government of Costa Rica that have proved so effective in pilot ministries that they are being expanded to government-wide application. A Revenue project in Honduras has resulted in a planned government roll-out of civil service reform including legal prohibitions against non-merit based human resources decisions. Improvements in Nicaragua's tax administration recommended by OTA resulted in a 34% ($10.6 million) increase in enforced collections from January to August 2008.

Although it is difficult to measure activities related to such varied technical assistance projects (quantitative measures fail to fully describe the impact of this important work), OTA conducted three separate organizational evaluation efforts in FY 2008: a systematic client/customer survey; a program peer revue carried out by the Australian Treasury; and a revised measurement system approved by OMB and highlighted as an innovative practice at the annual Excellence in Government conference. Each of these performance evaluation initiatives provided both positive confirmation of OTA's past and current effectiveness, and has provided precise information on areas where further program strengthening may be realized.

# Summary of FY 2010 Appropriations Language

Below is a summary of proposed appropriations language changes from the FY 2009 enacted level. Please note that brackets indicate which material will be deleted, and italics indicate which material will be inserted.

## Departmental Offices

### Salaries and Expense

*(Including Transfer of Funds)*

For necessary expenses of the Departmental Offices including operation and maintenance of the Treasury Building and Annex; hire of passenger motor vehicles; maintenance, repairs, and improvements of, and purchase of commercial insurance policies for, real properties leased or owned overseas, when necessary for the performance of official business, **[**$278,870,000, of which not to exceed $21,619,000 is for executive direction program activities; not to exceed $45,910,000 is for economic policies and programs activities; not to exceed $36,039,000 is for financial policies and programs activities; not to exceed $62,098,000 is for terrorism and financial intelligence activities; not to exceed $21,600,000 is for Treasury-wide management policies and programs activities; and not to exceed $91,604,000 is for administration programs activities: *Provided*, That the Secretary of the Treasury is authorized to transfer funds appropriated for any program activity of the Departmental Offices to any other program activity of the Departmental Offices upon notification to the House and Senate Committees on Appropriations: *Provided further*, That no appropriation for any program activity shall be increased or decreased by more than 4 percent by all such transfers: *Provided further*, That any change in funding greater than 4 percent shall be submitted for approval to the House and Senate Committees on Appropriations**]** *$302,388,000*: *Provided*, That of the amount appropriated under this heading, not to exceed $3,000,000, to remain available until September 30, **[**2010**]** *2011*, is for information technology modernization requirements; not to exceed $200,000 is for official reception and representation expenses; and not to exceed $258,000 is for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Secretary of the Treasury and to be accounted for solely on his certificate: *Provided further*, That of the amount appropriated under this heading, **[**$5,232,443**]** *$6,787,000*, to remain available until September 30, **[**2010**]** *2011*, is for the Treasury-wide Financial Statement Audit and Internal Control Program, of which such amounts as may be necessary may be transferred to accounts of the Department's offices and bureaus to conduct audits: *Provided further*, That this transfer authority shall be in addition to any other provided in this Act: *Provided further*, That of the amount appropriated under this heading, $500,000, to remain available until September 30, **[**2010**]** *2011*, is for secure space requirements: **[***Provided further*, That of the amount appropriated under this heading, $1,100,000, to remain available until September 30, 2010, is for salary and benefits for hiring of personnel whose work will require completion of a security clearance investigation in order to perform highly classified work to further the activities of the Office of Terrorism and Financial Intelligence:**]** *Provided further*, That of the amount appropriated under this heading, $3,400,000, to remain available until September 30, **[**2011**]** *2012*, is to develop and implement programs within the Office of Critical Infrastructure Protection and Compliance Policy, including entering into cooperative agreements: *Provided further*, That of the amount appropriated under this heading $3,000,000 to remain available until September 30, **[**2011**]** *2012*, is for modernizing the Office of Debt Management's information technology.

*(Department of the Treasury Appropriations Act, 2009.)*

### Department-wide Systems and Capital Investments Programs

*(Including Transfer of Funds)*

For development and acquisition of automatic data processing equipment, software, and services for the Department of the Treasury, **[**$26,975,000**]** *$9,544,000*, to remain available until September 30, **[**2011**]** *2012*: *Provided*, That **[**$11,518,000**]** *$4,544,000* is for repairs to the Treasury Annex Building: *Provided further*, That these funds shall be transferred to accounts and in amounts as necessary to satisfy the requirements of the Department's offices, bureaus, and other organizations: *Provided further*, That this transfer authority shall be in addition to any other transfer authority provided in this Act: *Provided further*, That none of the funds appropriated under this heading shall be used to support or supplement "Internal Revenue Service, Operations Support" or "Internal Revenue Service, Business Systems Modernization". *(Department of the Treasury Appropriations Act, 2009.)*

### Office of Inspector General

**Salaries and Expenses**

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, *as amended, $26,700,000, of which* not to exceed $2,000,000 for official travel expenses, including hire of passenger motor vehicles; and *of which* not to exceed $100,000 for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General of the Treasury**[**, $26,125,000, of which not to exceed $2,500 shall be available for official reception and representation expenses**]**. *(Department of the Treasury Appropriations Act, 2009.)*

### Treasury Inspector General for Tax Administration

**Salaries and Expenses**

For necessary expenses of the Treasury Inspector General for Tax Administration in carrying out the Inspector General Act of 1978, *as amended*, including purchase (not to exceed 150 for replacement only for police-type use) and hire of passenger motor vehicles (31 U.S.C. 1343(b)); services authorized by 5 U.S.C. 3109, at such rates as may be determined by the Inspector General for Tax Administration; **[**$146,083,000**]** *$149,000,000*, of which not to exceed $6,000,000 shall be available for official travel expenses; *and* of which not to exceed $500,000 shall be available for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General for Tax Administration**[**; and of which not to exceed $1,500 shall be available for official reception and representation expenses**]**. *(Department of the Treasury Appropriations Act, 2009.)*

### Treasury Forfeiture Fund

**[(Rescission)]** ***(Cancellation)***

Of the unobligated balances available under this heading, **[**$30,000,000**]** *$50,000,000* are **[**rescinded**]** *hereby permanently cancelled*. *(Department of the Treasury Appropriations Act, 2009.)*

### Community Development Financial Institutions Fund

**Program Account**

To carry out the Community Development Banking and Financial Institutions Act of 1994 (Public Law 103-325), including services authorized by 5 U.S.C. 3109, but at rates for individuals not to exceed the per diem rate equivalent to the rate for ES-3, **[**$107,000,000**]** *$243,600,000*, to remain available until September 30, **[**2010**]** *2011*, of which

**[**$8,500,000**]** *$113,600,000* shall be for *the Community Development Financial Institutions Program; of which $10,000,000 shall be for* financial assistance, technical assistance, training and outreach programs *under sections 105 through 109 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4704-4708),* designed to benefit Native**[** American, Native Hawaiian, and Alaskan Native**]** communities and provided primarily through qualified community development lender organizations with experience and expertise in community development banking and lending in Indian country, Native American organizations, tribes and tribal organizations and other suitable providers**[**, $2,000,000 shall be available for the pilot project grant program under section 1132(d) of division A of the Housing and Economic Recovery Act of 2008 (Public Law 110-289)**]**, *notwithstanding sections 108(d) and 108(e) of such Act (12 U.S.C. 4707(d) and 4707(e)); and of which $80,000,000 shall be transferred to the "Capital Magnet Fund", as authorized by section 1339 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 1301 et seq.), as amended by section 1331 of the Housing and Economic Recovery Act of 2008 ("HERA"; Public Law 110-289), to support financing for affordable housing and economic development projects: Provided further, That section 1339(h)(3) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by section 1131 of HERA, shall be applied by substituting the term "at least 10 times the grant amount or such other amount (including none) that the Secretary may require" for "at least 10 times the grant amount"; and* up to **[**$14,750,000**]** *$18,000,000* may be used for administrative expenses, including administration of the New Markets Tax Credit**[**, up to $7,500,000 may be used for the cost of direct loans, and up to $250,000 may be used for administrative expenses to carry out the direct loan program: *Provided*, That the cost of direct loans, including
the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: *Provided further*, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed $16,000,000**]** *Program*.
*(Department of the Treasury Appropriations Act, 2009.)*

## Financial Crimes Enforcement Network

### Salaries and Expenses

For necessary expenses of the Financial Crimes Enforcement Network, including hire of passenger motor vehicles; travel and training expenses, *including for course development*, of non-Federal and foreign government personnel to attend meetings and training concerned with domestic and foreign financial intelligence activities, law enforcement, and financial regulation; not to exceed $14,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, **[**$91,465,000**]** *$102,760,000*, of which not to exceed **[**$16,340,000**]** *$26,085,000* shall remain available until September 30, **[**2011**]** *2012*; and of which **[**$9,178,000**]** *$9,316,000* shall remain available until September 30, **[**2010**]** *2011*: *Provided*, That funds appropriated in this account may be used to procure personal services contracts.
*(Department of the Treasury Appropriations Act, 2009.)*

## Financial Management Service

### Salaries and Expenses

For necessary expenses of the Financial Management Service, **[**$239,785,000**]** *$244,132,000*, of which not to exceed $9,220,000 shall remain available until September 30, **[**2011**]** *2012*, for information systems modernization initiatives; and of which not to exceed $2,500 shall be available for official reception and representation expenses. *(Department of the Treasury Appropriations Act, 2009.)*

## Alcohol and Tobacco Tax and Trade Bureau

### Salaries and Expenses

For necessary expenses of carrying out section 1111 of the Homeland Security Act of 2002, including hire of passenger motor vehicles, **[**$99,065,000**]** *$105,000,000*; of which *not to exceed $5,500,000 for administrative expenses related to implementation of the fees authorized by 27U.S.C. Section 202, as amended by this Act, to remain available until September 30, 2011;* not to exceed $6,000 for official reception and representation expenses; not to exceed $50,000 for cooperative research and development programs for laboratory services; and provision of laboratory assistance to State and local agencies with or without reimbursement: *Provided*, That **[**of the amount appropriated under this heading, $2,000,000, to remain available until September 30, 2010, is for information technology management**]** *the sum herein appropriated from the general fund shall be reduced as offsetting collections assessed and collected pursuant to the Federal Alcohol Administration Act (27 U.S.C. 201 et seq.), as amended by this Act, are received during fiscal year 2010, so as to result in a fiscal year 2010 appropriation from the general fund estimated at $25,000,000: Provided further, That any amount received in excess of $80,000,000 in fiscal year 2010 shall be available only to the extent provided in subsequent appropriations acts*. *(Department of the Treasury Appropriations Act, 2009.)*

## United States Mint

### United States Mind Public Enterprise Fund

Pursuant to section 5136 of title 31, United States Code, the United States Mint is provided funding through the United States Mint Public Enterprise Fund for costs associated with the production of circulating coins, numismatic coins, and protective services, including both operating expenses and capital investments. The aggregate amount of new liabilities and obligations incurred during fiscal year **[**2009**]** *2010* under such section 5136 for circulating coinage and protective service capital investments of the United States Mint shall not exceed **[**$42,150,000**]** *$26,700,000*. *(Department of the Treasury Appropriations Act, 2009.)*

## Bureau of the Public Debt

### Administering the Public Debt

For necessary expenses connected with any public-debt issues of the United States, **[**$187,352,000**]** *$192,244,000*, of which not to exceed $2,500 shall be available for official reception and representation expenses, and of which not to exceed $2,000,000 shall remain available until September 30, **[**2011**]** *2012*, for systems modernization: *Provided*, That the sum appropriated herein from the general fund for fiscal year **[**2009**]** *2010* shall be reduced by not more than $10,000,000 as definitive security issue fees and Legacy Treasury Direct Investor Account Maintenance fees are collected, so as to result in a final fiscal year **[**2009**]** *2010* appropriation from the general fund estimated at **[**$177,352,000**]** *$182,244,000*. In addition, $90,000 to be derived from the Oil Spill Liability Trust Fund to reimburse the Bureau for administrative and personnel expenses for financial management of the Fund, as authorized by section 1012 of Public Law 101-380. *(Department of the Treasury Appropriations Act, 2009.)*

## Internal Revenue Service

### Taxpayer Services

For necessary expenses of the Internal Revenue Service to provide taxpayer services, including pre-filing assistance and education, filing and account services, taxpayer advocacy services, and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the

Commissioner, **[**$2,293,000,000**]** *$2,269,830,000*, of which not less than $5,100,000 shall be for the Tax Counseling for the Elderly Program, of which not less than $9,500,000 shall be available for low-income taxpayer clinic grants, **[**of which not less than $8,000,000, to remain available until September 30, 2010, shall be available for a Community Volunteer Income Tax Assistance matching grants demonstration program for tax return preparation assistance, and of which not less than $193,000,000 shall be available for operating expenses of the Taxpayer Advocate Service**]** *of which not more than $8,000,000, to remain available until September 30, 2011, shall be available for Community Volunteer Tax Assistance matching grants*. *(Department of the Treasury Appropriations Act, 2009.)*

**Enforcement**

*(Including Transfer of Funds)*

For necessary expenses *for tax enforcement activities* of the Internal Revenue Service to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investigations, to enforce criminal statutes related to violations of internal revenue laws and other financial crimes, **[**to**]***for the* purchase (for police-type use, not to exceed 850) and hire passenger motor vehicles (31 U.S.C. 1343(b)), and to provide other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, **[**$5,117,267,000**]***$4,904,000,000*, of which not less than **[**$57,252,000**]***$59,206,000* shall be for the Interagency Crime and Drug Enforcement program*; and of which not to exceed $126,500 shall be for official reception and representation expenses associated with hosting the Leeds Castle Meeting in the United States during 2010*: *Provided*, That up to $10,000,000 may be transferred as necessary from this account to "Operations Support" solely for the purposes of the Interagency Crime and Drug Enforcement program: *Provided further*, That this transfer authority shall be in addition to any other transfer authority provided in this Act. *In addition to amounts made available above, $600,000,000 shall be made available for enhanced tax enforcement activities. (Department of the Treasury Appropriations Act, 2009.)*

**Operations Support**

For necessary expenses of the Internal Revenue Service to support taxpayer services and enforcement programs, including rent payments; facilities services; printing; postage; physical security; headquarters and other IRS-wide administration activities; research and statistics of income; telecommunications; information technology development, enhancement, operations, maintenance, and security; the hire of passenger motor vehicles (31 U.S.C. 1343(b)); and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner; **[**$3,867,011,000**]** *$4,082,984,000*, of which up to $75,000,000 shall remain available until September 30, **[**2010**]** *2011*, for information technology support; of which not to exceed $1,000,000 shall remain available until September 30, **[**2011**]** *2012*, for research; of which not **[**less than $2,000,000**]** *to exceed $1,750,000* shall be for the Internal Revenue Service Oversight Board; **[**and**]** of which not to exceed $25,000 shall be for official reception and representation*; and of which $290,000,000 shall be made available to support enhanced tax enforcement activities: Provided, That of the amounts provided under this heading, such sums as are necessary shall be available to fully support tax enforcement and enhanced tax enforcement activities*. *(Department of the Treasury Appropriations Act, 2009.)*

**Business Systems Modernization**

For necessary expenses of the Internal Revenue Service's business systems modernization program, **[**$229,914,000**]** *$253,674,000*, to remain available until September 30, **[**2011**]** *2012*, for the capital asset acquisition of information technology systems, including management and related contractual costs of said acquisitions, including related Internal Revenue Service labor costs, and contractual costs associated with operations authorized by 5 U.S.C. 3109: *Provided*, That, with the exception of labor costs, none of these funds may be obligated until the Internal Revenue Service submits to the Committees on Appropriations**[**, and such Committees approve,**]** a plan for expenditure that: (1) meets the capital planning and investment control review requirements established by the Office of Management and Budget, including Circular A-11; (2) complies with the Internal Revenue Service's enterprise architecture, including the modernization blueprint; (3) conforms with the Internal Revenue Service's enterprise life cycle methodology; (4) is approved by the Internal Revenue Service, the Department of the Treasury, and the Office of Management and Budget; (5) has been **[**reviewed**]** *received* by the Government Accountability Office; and (6) complies with the acquisition rules, requirements, guidelines, and systems acquisition management practices of the Federal Government. *(Department of the Treasury Appropriations Act, 2009.)*

**Health Insurance Tax Credit Administration**

For expenses necessary to implement the health insurance tax credit included in the Trade Act of 2002 (Public Law 107-210), **[**$15,406,000**]***$15,512,000. (Department of the Treasury Appropriations Act, 2009.)*

## Administrative Provisions-Internal Revenue Service
## (Including Transfer of Funds)

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

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

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

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

**[**SEC. 105. Of the funds made available by this Act to the Internal Revenue Service, not less than $6,997,000,000 shall be available only for tax enforcement. In addition, of the funds made available by this Act to the Internal Revenue Service, and subject to the same terms and conditions, $490,000,000 shall be available for enhanced tax law enforcement.**]**

**[**SEC. 106. None of the funds made available in this Act may be used to enter into, renew, extend, administer, implement, enforce, or provide oversight of any qualified tax collection contract (as defined in section 6306 of the Internal Revenue Code of 1986). **]** *(Department of the Treasury Appropriations Act, 2009.)*

## Administrative Provisions—Department of the Treasury

## (Including Transfer of Funds)

SEC. 107. Appropriations to the Department of the Treasury in this Act shall be available for uniforms or allowances therefore, as authorized by law (5 U.S.C. 5901), including maintenance, repairs, and cleaning; purchase of insurance for official motor vehicles operated in foreign countries; purchase of motor vehicles without regard to the general purchase price limitations for vehicles purchased and used overseas for the current fiscal year; entering into contracts with the Department of State for the furnishing of health and medical services to employees and their dependents serving in foreign countries; and services authorized by 5 U.S.C. 3109.

SEC. 108. Not to exceed 2 percent of any appropriations in this Act made available to the Departmental Offices—Salaries and Expenses, Office of Inspector General, Financial Management Service, Alcohol and Tobacco Tax and Trade Bureau, Financial Crimes Enforcement Network, and Bureau of the Public Debt, may be transferred between such appropriations upon the advance **[**approval of**]***notification to* the Committees on Appropriations: *Provided*, That no transfer may increase or decrease any such appropriation by more than 2 percent.

SEC. 109. Not to exceed 2 percent of any appropriation made available in this Act to the Internal Revenue Service may be transferred to the Treasury Inspector General for Tax Administration's appropriation upon the advance **[**approval of**]***notification to* the Committees on Appropriations: *Provided*, That no transfer may increase or decrease any such appropriation by more than 2 percent.

SEC. 110. Of the funds available for the purchase of law enforcement vehicles, no funds may be obligated until the Secretary of the Treasury certifies that the purchase by the respective Treasury bureau is consistent with departmental vehicle management principles: *Provided*, That the Secretary may delegate this authority to the Assistant Secretary for Management.

SEC. 111. None of the funds appropriated in this Act or otherwise available to the Department of the Treasury or the Bureau of Engraving and Printing may be used to redesign the $1 Federal Reserve note.

SEC. 112. The Secretary of the Treasury may transfer funds from Financial Management Service, Salaries and Expenses to the Debt Collection Fund as necessary to cover the costs of debt collection: *Provided*, That such amounts shall be reimbursed to such salaries and expenses account from debt collections received in the Debt Collection Fund.

SEC. 113. Section 122(g)(1) of Public Law 105-119 (5 U.S.C. 3104 note), is further amended by striking "**[**10**]** *11* years" and inserting "**[**11**]** *12* years".

**[**SEC. 114. None of the funds appropriated or otherwise made available by this or any other Act may be used by the United States Mint to construct or operate any museum without the explicit approval of the Committees on Appropriations of the House of Representatives and the Senate, the House Committee on Financial Services, and the Senate Committee on Banking, Housing, and Urban Affairs.**]**

**[**SEC. 115. None of the funds appropriated or otherwise made available by this or any other Act or source to the Department of the Treasury, the Bureau of Engraving and Printing, and the United States Mint, individually or collectively, may be used to consolidate any or all functions of the Bureau of Engraving and Printing and the United States Mint without the explicit approval of the House Committee on

Financial Services; the Senate Committee on Banking, Housing, and Urban Affairs; the

House Committee on Appropriations; and the Senate Committee on Appropriations.**]**

SEC. **[**116**]***114*. Funds appropriated by this Act, or made available by the transfer of funds in this Act, for the Department of the Treasury's intelligence or intelligence related activities are deemed to be specifically authorized by the Congress for purposes of section 504 of the National Security Act of 1947 (50 U.S.C. 414) during fiscal year **[**2009**]** *2010* until the enactment of the Intelligence Authorization Act for Fiscal Year **[**2009**]** *2010*.

SEC. **[**117**]***115*. Not to exceed $5,000 shall be made available from the Bureau of Engraving and Printing's Industrial Revolving Fund for necessary official reception and representation expenses.

SEC. *116. The Secretary is authorized to establish additional Treasury accounts for the Alcohol & Tobacco Tax and Trade Bureau, Department of the Treasury; U.S. Customs and Border Protection, Department of Homeland Security; and the Bureau of Alcohol, Tobacco Firearms and Explosives, Department of Justice, for purposes of administering refunds under 31 U.S.C. 1324. (Department of the Treasury Appropriations Act, 2009.)*

# Total Funding Levels for the FY 2010 President's Budget – Treasury Chapter

| Appropriations (Dollars in Millions) | FY 2008 Enacted | FY 2009 Estimate | FY 2010 Estimate | Increase/ Decrease | Increase/ Decrease |
|---|---|---|---|---|---|
| **ANNUAL APPROPRIATIONS** | **$12,275** | **$12,685** | **$13,361** | **$676** | **5.3%** |
| **INTEREST PAYMENTS:** | | | | | |
| Interest on Public Debt | 451,154 | 392,321 | 454,493 | $62,172 | 15.8% |
| Refunding Internal Revenue Collections, Interest | 4,487 | 3,290 | 3,499 | $209 | 6.4% |
| Interest on Uninvested Funds | 9 | 8 | 8 | $0 | 0.0% |
| Interest Paid To Credit Financing Accounts | 5,378 | 69,889 | 18,680 | -$51,209 | -73.3% |
| Fed. Interest Liabilities to States | 1 | 2 | 2 | $0 | 0.0% |
| Payment to Resolution Funding Corp | 1,393 | 2,157 | 2,185 | $28 | 1.3% |
| **Subtotal, INTEREST PAYMENTS** | **$462,422** | **$467,667** | **$478,867** | **$11,200** | 2.4% |
| **OTHER INTEREST: [1/]** | **-$13,972** | **-$132,310** | **-$130,337** | **$1,973** | **-1.5%** |
| **Subtotal, Net Interest** | **$448,450** | **$335,357** | **$348,530** | **$13,173** | **3.9%** |
| **PERMANENT AUTHORITY APPROPRIATIONS:** | | | | | |
| Terrorism Insurance Program | 3 | 108 | 365 | $257 | 238.0% |
| GSE Preferred Stock Purchase Program | 200,000 | 200,000 | 0 | -$200,000 | 0.0% |
| GSE Mortgage-Backed Securities Purchase Program | 0 | 50 | 13 | -$37 | -74.0% |
| Office of Financial Stability | 0 | 279 | 262 | -$17 | -6.1% |
| Troubled Asset Relief Program (TARP) | 0 | 114,686 | 0 | -$114,686 | -100.0% |
| Troubled Asset Relief Program Equity Purchase Program | 0 | 141,555 | 0 | -$141,555 | -100.0% |
| Troubled Asset Relief Program Home Affordable Modification Program | 0 | 50,000 | 0 | -$50,000 | -100.0% |
| Financial Stabilization Reserve | 0 | 250,000 | 0 | -$250,000 | -100.0% |
| Special Inspector General for Troubled Asset Relief Program | 0 | 50 | 0 | -$50 | -100.0% |
| Grants to States for Low-Income Housing Projects | 0 | 2,930 | 0 | -$2,930 | -100.0% |
| Grants for Specified Energy Property | 0 | 346 | 551 | $205 | 59.2% |
| Exchange Stabilization Fund-Money Market Mutual Fund | 0 | 1,687 | 0 | -$1,687 | -100.0% |
| Community Development Financial Institutions Fund Program | 1 | | | | |
| Presidential Election Campaign Fund | 49 | 50 | 50 | $0 | 0.0% |
| Treasury Forfeiture Fund | 579 | 655 | 358 | -$297 | -45.3% |
| Biomass Energy Development | -8 | -11 | -11 | $0 | 0.0% |
| Payment to Terrestrial Wildlife Habitat Restoration Trust Fund | 5 | 5 | 5 | $0 | 0.0% |
| Debt Collection Special Fund (FMS) | 97 | 63 | 63 | $0 | 0.0% |
| Financial Agent Services | 536 | 581 | 596 | $15 | 2.6% |
| Federal Reserve Bank Reimbursement by -- | | | | | |
| FMS | 304 | 305 | 321 | $16 | 5.2% |
| BPD | 138 | 113 | 142 | $29 | 25.7% |
| Claims, Judgments and Relief Acts | 786 | 962 | 819 | -$143 | -14.9% |
| Check Forgery Insurance Fund | 0 | 2 | 2 | $0 | 0.0% |
| Continued Dumping and Subsidy Offset | 396 | 396 | 0 | -$396 | 0.0% |
| Internal Revenue Collections for Puerto Rico | 373 | 491 | 486 | -$5 | -1.0% |
| Payment of Government Losses in Shipment | 1 | 1 | 1 | $0 | 0.0% |
| IRS User Fees | 118 | 106 | 98 | -$8 | -7.5% |
| Payment Where Recovery Rebate Exceeds Liability for Tax | 15,281 | 3,002 | 0 | -$3,002 | -100.0% |
| Payment Where EIC Exceeds Liability for Tax | 40,600 | 41,461 | 45,674 | $4,213 | 10.2% |
| Payment Where Child Credit Exceeds Liability for Tax | 34,019 | 23,196 | 25,573 | $2,377 | 10.2% |
| Payment Where Health Care Credit Exceeds Liability for Tax | 97 | 156 | 257 | $101 | 64.7% |
| Payment where AMT Credit Exceeds Liability for Tax | 0 | 1,279 | 849 | -$430 | -33.6% |
| Payment where Certain Tax Credit Exceeds Liability for Corporate | 0 | 269 | 0 | -$269 | -100.0% |
| Payment Where Tax Credit to Aid First-Time Homebuyers Exceeds Liability for Tax | 0 | 3,861 | 1,421 | -$2,440 | -63.2% |
| Payment Where American Opportunity Credit Exceeds Liability for Tax | 0 | 0 | 1,616 | $1,616 | 100.0% |
| Making Work Pay Tax Credit | 0 | 662 | 19,669 | $19,007 | 2871.1% |
| Build American Bond Payments, Recovery Act | 0 | 91 | 340 | $249 | 273.6% |
| Payment Where COBRA Credit Exceeds Liability for Tax | 0 | 1,922 | 1,018 | -$904 | -47.0% |
| Payment Where Tax Credit for Certain Government Retirees Exceeds Liability for Tax | 0 | 0 | 99 | $99 | 100.0% |
| IRS Miscellaneous Retained Fees | 70 | 70 | 70 | $0 | 0.0% |
| IRS Informant Payments | 21 | 50 | 75 | $25 | 50.0% |
| Private Collection Agent Program | 13 | 9 | 0 | -$9 | -100.0% |
| ***Offsets:*** | | | | | |
| GSE Mortgage-Backed Securities Direct Loans, Negative Subsidies | -54 | -5,876 | -2,238 | $3,638 | -61.9% |
| Troubled Asset Relief Program, Negative Subsidies | 0 | -752 | 0 | $752 | -100.0% |
| Proceeds, GSE Equity Related Transactions | 0 | -4,241 | -6,680 | -$2,439 | 57.5% |
| Excess of Proceeds from Debt Obligations Issued by Black Lung | 0 | -2,496 | 0 | $2,496 | -100.0% |
| Other Offsets | -2,874 | -2,285 | -2,094 | $191 | -8.4% |
| ***Subtotal Offsets:*** | ***-2,928*** | ***-15,650*** | ***-11,012*** | ***$4,638*** | ***-29.6%*** |
| **Subtotal, PERMANENT AUTH. APPROP** | **$290,551** | **$825,788** | **$89,770** | **-$736,018** | **-89.1%** |
| **TOTAL, DEPARTMENT OF THE TREASURY** | **$751,276** | **$1,173,830** | **$451,661** | **-$722,169** | **-61.5%** |

[1/] Change from FY 2008 to FY2009 and FY 2010 is mostly due to increase in interest received from TARP and GSE Credit Financing Accounts .

# Detail of Other Treasury Accounts

## Total Treasury Department Budget

The Treasury Chapter of the FY 2010 President's Budget covers the following areas:

**Annual Operating Appropriations (Most Treasury Bureaus) – $13.4 billion**

These are funds for Treasury operations which require annual appropriation action by the Congress. Bureau operating budget details are provided in the "Analysis of FY 2010 President's Budget" section.

**Interest Payments and other interest – $477.5 billion**

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

**Permanent Authority Appropriations and other Offsets – $89.8 billion**

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

**Offsetting Collections – $11.0 billion**

Treasury receipts from other government agencies and private sources are subtracted from the total Treasury budget as an offset.

## Interest Payments

**Interest on the Public Debt**

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

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

**Interest on IRS Refunds**

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

**Interest on Uninvested Funds**

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

**Interest Paid to Credit Financing Accounts**

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

**Federal Interest Liabilities to the States**

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

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

## Permanent Authority Appropriations

**Terrorism Risk Insurance Program**
The Terrorism Risk Insurance Extension Act of 2007 (P.L. 110-160) reauthorized and revised the program established by the Terrorism Risk Insurance Act (TRIA) of 2002 (P.L. 107-297). The 2007 Act extended the Terrorism Insurance Program for seven years, through December 31, 2014. This extension of TRIA added a requirement for commercial property and casualty insurers to make available coverage for losses from domestic as well as foreign acts of terrorism and extends TRIA coverage for those losses.

***GSE* Preferred Stock Purchase Agreement Program (PSPA)**
Section 1117 of the Housing and Economic Recovery Act of 2008 (P.L. 110-289) provides temporary authority for the Secretary of the Treasury to purchase obligations and other securities issued by three housing related Government Sponsored Enterprises (GSEs): Fannie Mae, Freddie Mac and the Federal Home Loan Banks (FHLBs). Under this authority, Treasury established the PSPAs, to instill confidence in investors that Fannie Mae and Freddie Mac will remain viable entities critical to the functioning of the housing and mortgage markets.

**GSE Mortgage-Backed Securities Purchase Program**
Section 1117 of the Housing and Economic Recovery Act of 2008 (P.L. 110-289) provides temporary authority for the Secretary of the Treasury to purchase obligations and other securities issued by three housing related Government Sponsored Enterprises (GSEs): Fannie Mae, Freddie Mac and the Federal Home Loan Banks (FHLBs). Under this authority, Treasury established the GSE MBS Purchase Program to help improve the availability of mortgage credit to American homebuyers and mitigate pressures on mortgage rates.

**Office of Financial Stability**
The Emergency Economic Stabilization Act (EESA) of 2008 (PL 110-343) authorized the establishment of the Troubled Asset Relief Program (TARP) and the Office of Financial Stability (OFS) to purchase and insure certain types of troubled assets for the purpose of providing stability to and preventing disruption in the economy and financial systems and protecting taxpayers. The Act gives the Treasury Secretary broad and flexible authority to purchase and insure mortgage and other troubled assets, as well as inject capital by taking limited equity positions, as needed to stabilize the financial markets. This account provides for the administrative costs for the OFS.

**Troubled Asset Relief Program**
As authorized by Emergency Economic Stabilization Act of 2008 (PL 110-343) and required by the Federal Credit Reform Act of 1990, as amended, this account records the subsidy costs associated with the direct loans obligated and loan guarantees committed in 2008 and beyond. The direct loan programs serviced by this account include the Automotive Industry Financing

Program (AIFP) and other Section 101 loans. The AIFP was developed to prevent a significant disruption of the American automotive industry, which would pose a systemic risk to financial market stability and have a negative effect on the economy of the United States. The guaranteed loan commitments serviced by this account include the Asset Guarantee Program (AGP). The AGP provides guarantees for assets held by systemically significant financial institutions that face a risk of losing market confidence due in large part to a portfolio of distressed or illiquid assets.

**Troubled Asset Relief Program Equity Purchase Program**

As authorized by Emergency Economic Stabilization Act of 2008 (PL 110-343) and required by the Federal Credit Reform Act of 1990, as amended, this account records the subsidy costs associated with the equity purchase obligations committed in 2008 and beyond. The equity purchase programs serviced by this account include the Capital Purchase Program (CAP), Systemically Significant Failing Institutions Program (SSFI), Targeted Investment Program (TIP), Automotive Industry Financing Program (AIFP), and the Capital Assistance Program (CAP).

**Troubled Asset Relief Program Home Affordable Modification Program**

As authorized by Sections 101 and 109 of the Emergency Economic Stabilization Act of 2008 (P.L. 110-343), the Housing Affordable Modification Program announced in March 2009 will offer assistance to as many as 4 million homeowners making a good-faith effort to stay current on their mortgage payments, while attempting to prevent the destructive impact of foreclosures on families and communities.

**Financial Stabilization Reserve**

As authorized by Emergency Economic Stabilization Act of 2008 (PL 110-343). The President's Budget includes a $250 billion contingent reserve for further efforts to stabilize the financial system.

**Special Inspector General for Troubled Asset Relief Program**

The Office of the Special Inspector General for the Troubled Assets Relief Program ("SIGTARP") was created by the Emergency Economic Stabilization Act of 2008 ("EESA") and is funded by a permanent appropriation. SIGTARP has the duty to conduct, supervise, and coordinate audits and investigations of funding provided under the Troubled Assets Relief Program ("TARP"). SIGTARP's mission is to advance the goal of economic stability through transparency, coordinated oversight, and robust enforcement of relief funding, thereby being a voice for, and protecting the interests of, those who fund the TARP programs --- the American taxpayers.

**Grants to States for Low-Income Housing Projects**

Section 1602 of the American Recovery and Reinvestment Act of 2009 (Recovery Act) authorizes and directs the Secretary of the Treasury to establish grants to states for low-income housing projects in lieu of low-income housing tax credits (LIHTC). This account presents the estimated disbursements for this program.

**Grants for Specified Energy Property**

Section 1603 of the American Recovery and Reinvestment Act of 2009 authorizes and directs the Secretary of the Treasury to establish a grant in lieu of a tax credit for persons that place into service qualified renewable energy properties. This account presents the estimated disbursements for this program.

**Exchange Stabilization Fund-Money Market Mutual Fund**

On September 19, 2008, the Treasury Department announced the establishment of the Temporary Guarantee Program for Money Market Funds. The Program is designed to enhance market and investor confidence and address temporary disruptions experienced in the U.S. money market mutual fund industry and dislocations in credit markets. The Program is supported through the use of funds from the ESF. The Emergency Economic Stabilization Act of 2008 requires that the ESF be reimbursed for any losses under the Program from funds authorized under that Act. The Program is set to expire on September 18, 2009.

**Community Development Financial Institutions Program Account**

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

**Presidential Election Campaign Fund**

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

**Treasury Forfeiture Fund**

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

**Biomass Energy Development:**

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

**Payment to Terrestrial Wildlife Habitat Restoration Trust Fund**

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

**Debt Collection Special Fund**

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

**Financial Agent Services**

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

**Reimbursement to Federal Reserve Banks**

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

**Claims, Judgments and Relief Acts**

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

**Check Forgery Insurance Fund**

This fund was established as a permanent, indefinite appropriation in order to maintain adequate funding for the Check Forgery Insurance Fund (Fund). The Fund facilitates timely payments for replacement Treasury checks necessitated due to a claim of forgery. The fund recoups disbursements through reclamations made against banks negotiating forged checks.

To reduce hardships sustained by payees of Government checks that have been stolen and forged, settlement is made in advance of the receipt of funds from the endorsers of the checks. If the U.S. Treasury is unable to recover funds through reclamation procedures, the Fund sustains the loss.

**Continued Dumping and Subsidy Offset**

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

**Internal Revenue Collections for Puerto Rico**

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

**Government Losses in Shipment**

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

**Payment Where Recovery Rebate Exceeds Liability for Tax**

The Economic Stimulus Act of 2008 (Public Law 110-185) allowed for the issuance of tax rebates (economic stimulus payments) to certain eligible taxpayers through December 31, 2008. This tax rebate was a one-time benefit provided to taxpayers to stimulate the economy. Additionally, in 2009 the rebate were provided to taxpayers who did not receive the full economic stimulus payment in 2008 and whose circumstances may have changed, making them eligible for some or all of the unpaid portion. No outlays are expected from this account in 2010, as the one-time program is no longer active.

**Payment Where Earned Income Credit Exceeds Liability for Tax**

As provided by law, there are instances wherein the earned income tax credit (EITC) exceeds the amount of tax liability owed through the individual income tax system, resulting in an additional payment to the tax filer. The EITC was originally authorized by the Tax Reduction Act of 1975 (Public Law 94-12) and made permanent by the Revenue Adjustment Act of 1978 (Public Law 95-600). The Tax Reform Act of 1986 and the Omnibus Budget Reconciliation Acts of 1990 and 1993 increased the credit amount and expanded the eligibility for the EITC.

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5) temporarily increases the EITC for working families with three or more children, and increases the threshold for the phase-out range for all married couples filing a joint return.

**Internal Revenue Service – User Fees**

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

**Payment Where Child Credit Exceeds Liability for Tax**

As provided by law, there are instances wherein the child credit exceeds the amount of tax liability owed through the individual income tax system, resulting in an additional payment to the tax filer. The child credit was originally authorized by the Taxpayer Relief Act of 1997 (Public Law 105-34). The American Recovery and Reinvestment Act of 2009 (Public Law 111-5) expanded the pool of eligible low-income earners. The credit is refundable to the extent of 15 percent of an individual's earned income in excess of $3,000 for 2009 and 2010.

**Payment Where Health Care Credit Exceeds Liability for Tax**

The Trade Act of 2002 established the Health Coverage Tax Credit (HCTC), an advanceable, refundable tax credit for a portion of the cost of qualified insurance. This credit is available to certain recipients of trade adjustment assistance (TAA) and Pension Benefit Guaranty Corporation pension beneficiaries who are aged 55-64. The American Recovery and Reinvestment Act of 2009 (Public Law 111-5) significantly increased the benefits for certain HCTC eligible individuals.

**Payment Where Alternative Minimum Tax Exceeds Liability for Tax**

The Tax Relief and Health Care Act of 2006 (Public Law 109-432) allows certain taxpayers to claim a refundable credit for a portion of their unused long-term alternative minimum tax (AMT) credits each year. The Emergency Economic Stabilization Act of 2008 (Public Law 110-343) increases the AMT refundable credit portion from 20 percent to 50 percent of the unused long-term minimum tax credits for the taxable year in question.

**Payment Where Certain Tax Credits Exceeds Liability for Corporate Tax**

The Housing and Economic Recovery Act of 2008 (Public Law 110-289) allows certain businesses to accelerate the recognition of a portion of their historic AMT or research and development (R&D) credits in lieu of taking bonus depreciation. The amount is capped at the lesser of $30 million or 6 percent of historic AMT and R&D credits. The American Recovery and Reinvestment Act of 2009 (Public Law 111-5) extends this temporary benefit through 2009.

**Payment Where Tax Credit to Aid First-Time Homebuyers Exceeds Liability for Tax**

The Housing and Economic Recovery Act of 2008 provided a refundable tax credit of up to $7,500 for first-time homebuyers. The credit allows for up to 10 percent of the purchase price for qualified residences. Taxpayers who qualify are allowed a one-time credit against their income tax for principal residences purchased on or after April 9, 2008, and before July 1, 2009. They must repay the credit over a 15-year period.

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5) expanded the credit and eliminated the repayment requirement. Taxpayers have the option of claiming up to $8,000 on either their 2008 or 2009 tax returns for qualifying 2009 purchases. The credit is available for qualifying purchases made between January 1, 2009 and November 30, 2009.

**Payment Where American Opportunity Credit Exceeds Liability for Tax**

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5) allows certain taxpayers to claim a refundable Hope Scholarship Credit. Up to 40 percent of the credit is refundable. The credit applies dollar-for-dollar to the first $2,000 of qualified tuition, fees and course materials paid by the taxpayer, and applies at a rate of 25 percent to the next $2,000 in qualified tuition, fees and course materials for a total credit of up to $2,500. This tax credit is subject to a phase-out for high-income taxpayers.

**Making Work Pay Tax Credit**

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5) allows certain taxpayers to claim a refundable Making Work Pay tax credit of 6.2 percent of earned income, up to $400 for single taxpayers and up to $800 for married couples filing joint returns. The refundable credit phases out for high-income taxpayers. The Making Work Pay credit is claimed by taxpayers when they file their 2009 and 2010 returns, and in order to accelerate the credit, it is being delivered in small increments through reduced payroll withholding.

**Build American Bond Payments, Recovery Act**

The Recovery and Reinvestment Act of 2009 (Public Law 111-5) allows State and local governments to issue "Build America Bonds," through December 31, 2010. These tax credit bonds, which include Recovery Zone Bonds, differ from tax-exempt governmental obligation bonds in two principal ways: (1) interest paid on tax credit bonds is taxable; and (2) a portion of the interest paid on tax credit bonds takes the form of a federal tax credit. The bond issuer may elect to receive a direct payment in the amount of the tax credit.

**Payment Where COBRA Credit Exceeds Liability for Tax**

COBRA gives workers who lose their jobs, and thus their health benefits, the right to purchase group health coverage provided by the plan under certain circumstances.
The American Recovery and Reinvestment Act of 2009 (Public Law 111-5) treats assistance eligible individuals who pay 35 percent of their COBRA premium as having paid the full amount. The remaining 65 percent is reimbursed to the employer, insurer or health plan as a credit against certain employment taxes. This schedule reflects the cases where the credit exceeds the tax liability resulting in payment to the tax filer.

**Payment Where Tax Credit for Certain Government Retirees Exceeds Liability for Tax**

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5) allows certain federal and state retirees to claim a one-time refundable credit of up to $250 ($500 in the case of a joint return where both spouses are eligible individuals).

**Internal Revenue Service – Informant Payments**

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

**Internal Revenue Service – Private Collection Agent Program**

The American Jobs Creation Act of 2004 (Public Law 108-357) allows the IRS to use private collection contractors to supplement its own collection staff's efforts to ensure that all taxpayers pay what they owe. The IRS used this authority to contract with several private debt collection agencies starting in 2006. In March 2009, the IRS allowed its private debt collection contracts to expire, thereby administratively terminating the program.

## Offsetting Collections

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

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

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

- *Proprietary Receipts* - These receipts from the public are market-oriented and are derived from activities operated as business-type enterprises.

- *Intragovernmental Receipts* - These are collections from other governmental accounts deposited in receipt accounts. These are further classified as follows:

    - *Interfund Receipts* - These are amounts derived from payments between federal and trust funds.

    - *Intrafund Receipts* - These are amounts derived from payments within the same fund group (i.e., within the federal fund group or within the trust fund group).