

## **Summary**

**DEPARTMENT OF THE TREASURY**  
**Fiscal Year 2002 Budget Request**

**SUMMARY OF TREASURY'S BUDGET REQUEST**

**FY 2001: Appropriation of \$14.003 Billion**

**FY 2002: President's Request of \$14.705 Billion**

*Note: The above funding levels do not include scoring adjusted amounts for:  
(1) the U.S. Mint - \$18 million, (2) Small Airports - \$3 million, and  
(3) Sallie Mae - \$1 million*

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**HIGHLIGHTS OF TREASURY'S REQUEST**

Treasury proposes a budget that supports the Administration's major policy objectives and government-wide priorities. Our FY 2002 Budget request balances responsibilities of prudent stewardship and fiscal accountability for Treasury's four mission areas with the resources required to maintain Treasury's operations. The following pages present Treasury's key FY 2002 budget priorities and investments.

**FY 2002 KEY PRIORITIES**

- Administer Prudent Stewardship and Fiscal Responsibility**
- Enhance Operations and Investments of Key Programs**
- Support Technological Infrastructures**
- Continue Efforts to Fight Drugs and Crime**
- Improve Management and Performance**

**Administer Prudent Stewardship and Fiscal Responsibility**

*Supports the following Treasury Strategic Goals: Cost-Effectively Finance the Government's Operations; Manage the Federal Government Accounts; Improve Management Operations; Improve the Efficiency of Production Operations; Maintain the Integrity of U.S. Coin and Currency; and Support the Achievement of Business Results.*

- The Department's FY 2002 budget provides a level of funding to maintain Treasury's operations.
  - The five percent requested increase over Treasury's FY 2001 appropriated funding level incorporates savings anticipated from administrative and programmatic efficiencies with modest increases for pay adjustments, inflation, and several key Presidential priorities.
- Treasury is committed to supporting the Administration's policy of promoting fiscal responsibility and achieving efficiencies. The following Treasury bureaus exemplify government agencies committed to the Administration's and the Department's mutual fiscal and management goals:
  - The Internal Revenue Service (IRS) implements and enforces the mandates of the Restructuring and Reform Act of 1998. The budget supports the IRS' ongoing efforts to modernize its organization and technology.
  - The Financial Management Service and the Bureau of the Public Debt, supported by funding levels comparable to the FY 2001 appropriated level, will address important technology and management goals, while continuing to perform their ongoing responsibilities to support the Secretary in managing the Government's finances.

- The U.S. Mint, financed by a revolving public enterprise fund, produces circulating coins for sale to the Federal Reserve System, as determined by public demand. It also produces various numismatic products, including commemorative coins, medals and bullion coins.
- The budget of the Bureau of Engraving and Printing, also financed by a revolving fund, supports production of U.S. currency, postage stamps, and security documents.
- The Departmental Offices (DO) provides the programmatic oversight and technical support essential to the Secretary's leadership in domestic and international economic policy, law enforcement, revenue collection, and financial management.
  - The budget requests additional funding for important management investments to:  
(1) enhance Treasury's Department-wide Motor Vehicle Management System; and  
(2) renovate the Departmental Offices' Records Management System. These two systems will provide DO with the technical tools to efficiently and effectively provide oversight, as well as to meet the mandates of the Government Paperwork Elimination Act.
- The Treasury Office of Inspector General and the Treasury Inspector General for Tax Administration continue to promote economic, efficient and effective methods to improve programs and operations.

### **Enhance Operations and Investments of Key Programs**

*Supports the following Treasury Strategic Goals: Improve Customer Satisfaction; Collect Revenue Due to the Federal Government; Provide High Quality Training for Law Enforcement Personnel; Promote Domestic and Economic Growth; Improve Customer Satisfaction; and Improve Employee Satisfaction.*

- Government accountability and customer satisfaction are two key objectives of this Administration.
  - The Budget includes sufficient funding in FY 2002 to sustain IRS' multi-year staffing initiative known as "*Staffing Tax Administration for Balance and Equity*" (*STABLE*).
  - These funds will complete the hiring of almost 4,000 staff, while enabling the IRS to achieve the appropriate level of customer service and to halt the decline in audits that has occurred over the past several years.
  - Along with productivity increases expected from effective implementation of the IRS' organizational modernization, the staffing infusion should increase IRS effectiveness in answering taxpayer phone inquiries and conducting audits to ensure that our tax laws are enforced fairly and vigorously.

- Treasury remains committed to providing the highest quality training for law enforcement professionals.
  - This budget provides \$650 thousand in additional funding for the Federal Law Enforcement Training Center to work with other Federal law enforcement agencies to conduct research and to establish a training accreditation model, organizational structure, and processes.
  - The new accreditation model will be used to implement Federal law enforcement training standards and to evaluate the facilities, policies, and procedures by which these standards are met.
- Providing a safe work environment and facility for Treasury employees are important priorities of the Department.
  - The budget supports continued funding for the multi-year program to repair and restore the Main Treasury Building and Annex. Additional funding is also requested to address two significant and unforeseen site conditions related to deterioration of the Treasury building's ceiling and pipes.
  - The budget also provides resources to develop a Treasury Safety and Health System, which will track Treasury occupational injuries and identify high hazard, injury or ill health inducing conditions.

### **Support Technological Infrastructures**

*Supports the following Treasury Strategic Goals: Collect Revenue Due to the Federal Government; Promote Domestic and Economic Growth; Reduce Violent Crime and the Threat of Terrorism; Support the Achievement of Business Results; and Improve Customer Satisfaction.*

- The Department strives to ensure proper stewardship and effective implementation of Treasury's technology modernization efforts.
  - Major technological investments currently underway include: (1) modernization of the IRS' computer system; (2) replacement of Customs' antiquated commercial trade system; and (3) enhancements to the Department-wide security infrastructure.
  - IRS modernization and reform supports the goal to increase efficiency through modernized technology, enhanced business processes, and improved customer service.
    - IRS will continue its effort to make fundamental improvements in its operations efficiency and performance by adopting best business practices and state-of-the-art technology.

- The budget provides \$400 million in additional investments (\$325 million above the FY 2001 appropriated level) to continue the IRS' effort to re-engineer business processes and develop new business systems to replace the existing, obsolete 35 year-old system.
- This multi-year project will provide IRS with the technological tools needed to deliver first class customer service to America's taxpayers and to ensure that compliance programs are administered efficiently and fairly.
- The challenge of processing vastly increased legitimate trade, combined with law enforcement demands to facilitate contraband detection, require Customs to modernize and replace its commercial trade processing system.
  - The budget includes: (1) additional investments in the automation modernization program to facilitate and manage trade operations through the Automated Commercial System (\$130 million) and to provide for a government-wide trade data interface through the International Trade Data System (\$5.4 million); and (2) sufficient funding to maintain the existing Automated Commercial System (ACS) while the modernization effort is underway.
  - Continued rapid growth in trade transactions has magnified both the urgency of proceeding with the modernization effort and the critical need to maintain viability of the existing Automated Commercial System, which is subject to an increasing number of system outages.
- Information security is a top concern of Congress. Federal agencies are required to ensure that their computer security systems and networks are adequately protected.
  - The *Department-wide Systems and Capital Investment Program (DSCIP)* funds projects serving Treasury's corporate management and enforcement objectives, which include the Human Resources Information System, Integrated Treasury (Wireless) Network, and Critical Infrastructure Protection for the banking and finance sectors.
  - Through the DSCIP account, the budget provides additional corporate funding to: (1) protect the Treasury Department's and bureaus' critical information systems against physical and cyber attacks; and (2) optimize the Departmental Offices' and Customs' back-up and disaster recovery capacity.
  - The Treasury Secure Data Network (TSDN) is a system critical to Treasury's formulation and analysis of national and international financial and economic policy. This request supports additional resources for the Department to provide increased security and minor upgrades to this system.

## **Continue Efforts to Fight Drugs and Crime**

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

- Treasury's law enforcement bureaus perform critical roles, which reinforce the Administration's anti-drug and anti-crime policies.
- The budget continues to support Treasury's responsibilities in law enforcement and oversight, including efforts to: (1) reduce the smuggling and trafficking of drugs, weapons of mass destruction, and child pornography; (2) deter firearms violence; (3) combat financial crimes and money laundering; (4) protect our nation's leaders; and (5) provide quality training.
- The following list highlights specific examples of Treasury efforts that support the President's priority to Combat Crime and Drug Abuse, as well as emphasize improved safety and enhanced security.
  - In recognition of the President's promise to increase spending to implement the Western Hemisphere Drug Elimination Act, the Customs Service, in coordination with the United States Coast Guard, requests \$35 million for acquisition of selected air and water craft, and surveillance and safety equipment, to improve interdiction efforts against illegally imported drugs.
  - The Bureau of Alcohol, Tobacco and Firearms (ATF) will continue to pursue collaborative efforts with other Federal, state and local law enforcement agencies to enforce and prevent crime. Specific ATF crime enforcement and prevention programs include: the Integrated Violence Reduction Strategy (IVRS), the Youth Crime Gun Interdiction Initiative (YCGII), nationwide crime gun tracing, and the National Integrated Ballistics Information Network (NIBIN).
  - Global terrorism and protection requirements have intensified demands on Treasury's enforcement bureaus.
    - The Department's Budget request maintains support for the Secret Service to address their complex workload and multiple mission requirements, including protecting our nation's leaders and the public against terrorist acts.
    - Funding for Pay Reform for the U.S. Secret Service Uniformed Division (authorized in December 2000) is requested to provide adequate incentive to attract highly qualified recruits and retain skilled and seasoned personnel.

- Enforcement of money laundering laws also contributes immensely to stemming the flow of drugs, weapons and other contraband.
  - This request maintains support for the Financial Crimes Enforcement Network to strengthen anti-money laundering efforts, and enforce regulatory compliance of the Money Services Business (MSB) industry, as required under the Money Laundering Suppression Act of 1994.
- The Department will ensure proper stewardship of specialized funding sources to support unique programmatic requirements.
  - The Department will continue the practice of supplementing selected Treasury law enforcement bureaus' non-recurring operations and investments through the Treasury Forfeiture Fund's (TFF) available balance.
  - The Counterterrorism Fund, initially established in 1997, supports emergency efforts across the Department related to investigation and prosecution of counter-terrorism. This budget provides continued funding in FY 2002 for the Fund to meet such critical requirements.
    - Treasury will rely on the Fund to cover costs associated with, among other priorities, Treasury's participation in the upcoming Salt Lake City Winter Olympics.

### **Improve Management and Performance**

*Supports the following Treasury Strategic Goals: Cost-Effectively Finance the Government's Operations; Support the Achievement of Business Results; Improve Customer Satisfaction; and Improve Employee Satisfaction.*

- The Administration proposes a comprehensive agenda aimed at improved Federal performance and management reform across the government.
- The agenda builds on existing laws covering a range of financial management, performance reporting, and accountability responsibilities. It also integrates a new emphasis on specific reforms, including a reduction or elimination of programs that have completed their mission, or are redundant, ineffective, or obsolete.
  - Two specific Treasury programs proposed for funding reductions are the Community Development Financial Institutions Fund (CDFI) and the Expanded Access program.
    - Although its overall program effort will be reduced, the Community Development Financial Institutions Fund (CDFI) will continue to play a lead role for Treasury in the administration of: **(1)** the New Markets Tax Credit Program; **(2)** the CDFI Program, including the Small and Emerging CDFI Assistance program (SECA); and **(3)** the Bank Enterprise Awards (BEA) Program.



- The Expanded Access to Financial Services program will be incorporated into other similar, ongoing Treasury efforts, such as the Electronic Funds Transfer '99 program and the Electronic Transfer Account. No new funding is requested for this program for FY 2002.
- Treasury is also working to develop new performance goals to reflect this Administration's vision of a government that is citizen-focused, results-oriented and, where possible, market-driven. Additional Departmental efforts to improve management and efficiency include:
  - **Elimination of superfluous management layers** - Treasury will develop and implement a plan to redistribute positions and resources from high-level managerial positions to front-line, service delivery jobs. In addition, Treasury will continue to review existing operations and implement new approaches to reduce and realign its management ranks.
    - Consistent with this goal, the Department intends to continue to empower its employees by giving them the tools to do their work and rewarding high performers.
    - Current workforce reform examples already in progress within the Department include: organizational restructuring at IRS; increased use of technology through HR connect to provide more information to supervisors to help them manager better; and the recognition of high performers at the IRS and ATF through pay-banding.
  - **Reducing Erroneous Payments of Government Funds** - In response to a study showing a high rate of non-compliance with the Earned Income Tax Credit tax rules, the IRS developed an action plan to improve compliance on several fronts.
    - The plan has the following objectives: improve awareness of the EITC eligibility and process; expand assistance on EITC related issues through increased toll-free availability; prevent unintentional non-compliance by educating and informing paid tax preparers and taxpayers; prevent intentional non-compliance by informing taxpayers and tax preparers of enforcement programs and penalties; and carryout compliance and enforcement activities.
    - As a result of implementing these new objectives, the IRS has successfully increased outreach activities, improved promotional materials to better explain eligibility requirements, and increased toll-free assistance availability to EITC-eligible taxpayers. In addition, the IRS continued its research efforts, enhanced computer identification and selection of questionable EITC claims, as well as expanded examination and criminal investigation activities.
  - **Increasing the Use of Performance-based Contracts** - Performance-based contracting requires the development of acquisition requirements based on the purpose of the work to be performed. It emphasizes quantifiable, measurable performance requirements and quality standards in developing statements of work, selecting contractors, determining contract type, incentives and performing contract administration, including surveillance.

- Treasury's FY 2002 performance plan includes the performance goal of making greater use of performance-based contractual actions, with the target of awarding 20 percent of total eligible service contracting dollars on a performance-based contractual action basis.
- **Pursuing On-line Procurement and other E-Government services** - E-commerce is the conducting of procurement business activity through electronic means. This includes the use of information technology, portals, digital cash, electronic signatures, etc.
  - In FY 2002, Treasury plans to expand the application of on-line procurement and other E-Government services and information by ensuring that all synopses and associated solicitations (excluding exempted actions) will be posted on the government-wide point-of-entry website.
- **Expanding A-76 Competitions and Improving the Accuracy of FAIR Act Inventories** - OMB Circular A-76, "Performance of Commercial Activities," procedures are designed to use competition to encourage efficiency and savings to the Government. Through A-76, the government determines whether it is less expensive to obtain the essential commercial activities from a contractor or to perform the work in-house.
  - In FY 2002, Treasury plans to expand A-76 competitions and provide more accurate FAIR Act inventories. The target is to complete at least five percent of FTE on the FAIR Act inventory in accordance with A-76 procedures.
- **Enhance Financial Accountability by Improving Financial Systems and Processes** - Treasury is continuing with its initiatives to integrate its financial management systems to provide financial information that is timely, accurate, and relevant.
  - These initiatives include: (1) implementing the Financial Analysis and Reporting System, standardizing key financial data elements at the Departmental level; (2) updating and/or replacing bureau financial management and administrative systems; and (3) implementing a Department-wide human resources system.
  - Through this integrated effort, the Department will be able to produce consolidated financial statements in a timely, accurate, and efficient manner; and the bureaus will have the capabilities to better manage their resources and comply with government-wide requirements, including improved compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996.
- **Strengthening Treasury's Asset Management Activities** – The Department has developed a proactive strategy to enhance Treasury's asset management oversight responsibility. To implement this management strategy, the Department will examine existing asset management activities Department-wide and within each Treasury bureau to identify opportunities for improvement.

**Department of the Treasury  
FY 2002 President's Budget**

<b>Appropriation Account</b>	<b>FY 2000 Enacted</b>	<b>FY 2001 Enacted</b>	<b>FY 2002 President's Request</b>
<b>Tax Administration</b>	<b>\$8,072,489</b>	<b>\$8,696,045</b>	<b>\$9,276,387</b>
Internal Revenue Service (Operations)	8,072,489	8,624,452	8,879,794
IRS Information Technology Investment Account	---	71,593	396,593
<b>Law Enforcement</b>	<b>\$3,409,788</b>	<b>\$4,233,220</b>	<b>\$4,368,339</b>
Financial Crimes Enforcement Network	29,568	37,493	45,155
Federal Law Enforcement Training Center	113,402	153,350	122,602
Bureau of Alcohol, Tobacco, and Firearms	604,573	771,143	803,521
U.S. Customs Service	1,870,915	2,279,301	2,385,226
U.S. Secret Service	716,067	833,806	860,469
Interagency Crime and Drug Enforcement (OCDETF)	75,263	103,248	106,487
Counter-Terrorism Contingency Fund	---	54,879	44,879
<b>Fiscal Service Operations</b>	<b>\$377,698</b>	<b>\$389,095</b>	<b>\$396,964</b>
Financial Management Service	200,555	206,396	211,594
Bureau of the Public Debt	177,143	182,699	185,370
<b>Management</b>	<b>\$362,913</b>	<b>\$416,434</b>	<b>\$443,020</b>
Departmental Offices	158,934	162,381	181,768
Treas Bldg & Annex Repairs & Restoration	22,700	30,932	32,932
Office of Inspector General	30,599	32,827	35,150
Treasury Inspector General for Tax Administration	111,781	118,166	122,342
Department-wide Systems & Capital Invest. Program	38,899	62,150	70,828
Expanded Access for Financial Services	---	9,978	---
<b>Subtotal, Treasury Appropriation Committee</b>	<b>\$12,222,888</b>	<b>\$13,734,794</b>	<b>\$14,484,710</b>
Earned Income Tax Credit Compliance	144,000	144,681	146,000
<b>Total, Treasury Appropriation Committee</b>	<b>\$12,366,888</b>	<b>\$13,879,475</b>	<b>\$14,630,710</b>
<b>Grants/Technical Assistance</b>			
Community Development Financial Institutions Fund	95,000	117,740	67,948
Community Adjustment and Investment Program	9,962	---	500
International Affairs Technical Assistance	1,500	5,987	6,000
<b>Total, Treasury Level</b>	<b>\$12,473,350</b>	<b>\$14,003,202</b>	<b>\$14,705,158</b>