FY 2008

BUDGET IN BRIEF

DEPARTMENT OF THE TREASURY

THE DEPARTMENT OF THE TREASURY 1789

U.S. Department of the Treasury
FY 2008 Budget in Brief

Summary of FY 2008 President's Budget

Appropriated Accounts - Bureau Program Detail

Non-Appropriated Accounts - Bureau Program Detail

Treasury International Programs

Supplemental Information

The information presented in this FY 2008 Budget in Brief is accurate and complete as of February 5, 2007. Any updated information will be reflected in the budget available on the Treasury Department website, www.treas.gov.

Executive Summary

FY 2008 President's Budget by Function

(Dollars in Thousands)

Appropriation	FY 2006	FY 2007		FY 2008		
	Enacted	President's Budget	CR-rate	President's Budget	$ Change over CR-rate	% Change over CR-rate
Management & Financial	$597,759	$601,946	$565,975	$635,770	$69,795	12.3%
Departmental Offices Salaries and Expenses	194,626	223,874	192,171	250,141	57,970	30.2%*
Treas Building & Annex Repair & Restoration	9,900	0	0	0	0	0.0%
Dept-wide Systems & Capital Invest. Program	24,168	34,032	24,046	18,710	(5,336)	(22.2%)
Air Transportation Stabilization Program**	2,723	0	0	0	0	0.0%
Office of Inspector General	16,830	17,352	17,022	18,450	1,428	8.4%
Treasury IG for Tax Administration	131,953	136,469	131,953	140,553	8,600	6.5%
Community Development Financial Institutions Fund	54,450	7,821	40,000	28,557	(11,443)	(28.6%)
Financial Crimes Enforcement Network	72,894	89,794	70,568	85,844	15,276	21.6%
Alcohol & Tobacco Tax and Trade Bureau	90,215	92,604	90,215	93,515	3,300	3.7%
Fiscal Service Operations	$412,035	$414,443	$411,908	$418,062	$6,154	1.5%
Financial Management Service	233,881	233,654	233,292	235,191	1,899	0.8%
Bureau of the Public Debt***	178,154	180,789	178,616	182,871	4,255	2.4%
Tax Administration	$10,573,706	$10,591,837	$10,438,364	$11,095,499	$657,135	6.3%
IRS Taxpayer Services	2,142,042	2,079,151	2,059,151	2,103,089	43,938	2.1%
IRS Enforcement	4,708,441	4,797,126	4,708,405	4,925,498	217,093	4.6%
IRS Operations Support	3,461,205	3,488,404	3,459,152	3,769,587	310,435	9.0%
IRS Business Systems Modernization	242,010	212,310	196,810	282,090	85,280	43.3%
IRS Health Insurance Tax Credit Administration	20,008	14,846	14,846	15,235	389	2.6%
Total, Treasury Appropriations Committee	$11,583,500	$11,608,226	$11,416,247	$12,149,331	$733,084	6.4%
Treasury International Programs	$1,374,385	$1,535,467	$1,109,898	$1,731,050	$621,152	56.0%
International Financial Institutions	1,277,235	1,328,968	1,066,198	1,498,950	432,752	40.6%
Technical Assistance	32,800	23,700	23,700	24,800	1,100	4.6%
Debt Restructuring	64,350	182,799	20,000	207,300	187,300	936.5%
Total	**$12,957,885**	**$13,143,693**	**$12,526,145**	**$13,880,381**	**$1,354,236**	**10.8%**

* FY 2008 request is a 11.7 percent increase over the FY 2007 President's Budget.
** The FY 2008 budget proposes cancellation of the remaining balances from ATSB, currently estimated at $3.6M
*** Does not include estimated user fee offset

Overview

The U.S. Department of Treasury's budget priorities reflect the Department's dedication to promoting economic growth and opportunity, strengthening national security and exercising fiscal discipline while steadily improving the Department's operations to ensure it remains a world-class organization.

The FY 2008 President's Budget identifies the resources required to support Treasury's role as the steward of U.S. economic and financial systems, and as an influential participant in the international economy. The FY 2008 Budget emphasizes initiatives that directly support its five strategic goals:

- Promote Prosperous U.S. and World Economies
- Promote Stable U.S. and World Economies
- Preserve the Integrity of Financial Systems
- Manage the U.S. Government's Finances Effectively
- Ensure Professionalism, Excellence, Integrity, and Accountability in the Management and Conduct of the Department of the Treasury

While promoting financial and economic growth at home and abroad, Treasury performs a critical and far-reaching role in national security. The Department battles national security threats by coordinating financial intelligence, targeting and sanctioning supporters of terrorism and proliferators of weapons of mass destruction (WMD), improving the safeguards of our financial systems, and promoting international relationships to combat the financial underpinnings of terrorist and other criminal networks.

Managing these complex tasks requires expanded capabilities in Treasury's Departmental Offices, which, in addition to providing policy direction, management oversight, and administrative support for Treasury's 13 bureaus, makes direct and unique contributions to national security through the Office of Terrorism and Financial Intelligence and the Office of International Affairs. Adequate funding for this leadership role is critical to Treasury's ability to protect

FY 2008 President's Budget by Strategic Goal

(Dollars in Thousands)

Treasury Goal/Objective	Promote Prosperous US/World Economies (E1)		Promote Stable US/World Economies (E2)		Preserve the Integrity of Financial Systems (F3)		Manage US Gov Finances Effectively (F4)		Management Excellence & Accountability (M5)		Total	
	Direct $	Reimb. $	Direct $	Reimb. $	Direct $	Reimb. $	Direct $	Reimb. $	Direct $	Reimb. $	Direct $	Reimb. $
Management & Financial	$91,235	$3,172	$79,020	$4,001	$178,344	$6,655	$70,674	$3,857	$216,497	$7,856	$635,770	$25,541
Departmental Offices Salaries and Expenses	62,678	3,172	33,198	3,168	92,500	5,114	22,981	2,990	38,784	5,356	250,141	19,800
Dept-wide Systems & Capital Invest. Program									18,710		18,710	0
Office of Inspector General									18,450	1,300	18,450	1,300
Treasury IG for Tax Administration									140,553	1,200	140,553	1,200
Community Development Financial Institutions Fund	28,557										28,557	0
Financial Crimes Enforcement Network					85,844	1,541					85,844	1,541
Alcohol & Tobacco Tax and Trade Bureau			45,822	833			47,693	867			93,515	1,700
Fiscal Service Operations	$0	$0	$0	$0	$0	$0	$418,062	$230,911	$0	$0	$418,062	$230,911
Financial Management Service							235,191	215,179			235,191	215,179
Bureau of the Public Debt							182,871	15,732			182,871	15,732
Tax Administration	$0	$0	$0	$0	$267,970	$13,012	$10,827,529	$120,486	$0	$0	$11,095,499	$133,498
IRS Taxpayer Service							2,103,089	27,414			2,103,089	27,414
IRS Enforcement					205,126	13,012	4,720,372	36,341			4,925,498	49,353
IRS Operations Support					62,844		3,706,743	56,731			3,769,587	56,731
Business Systems Modernization							282,090				282,090	0
Health Insurance Tax Credit Administration							15,235				15,235	0
Total, Treasury Appropriations Committee	$91,235	$3,172	$79,020	$4,001	$446,314	$19,667	$11,316,265	$355,254	$216,497	$7,856	$12,149,331	$389,950
Treasury International Programs	1,731,050										1,731,050	0
Total, Appropriated Level	$1,822,285	$3,172	$79,020	$4,001	$446,314	$19,667	$11,316,265	$355,254	$216,497	$7,856	$13,880,381	$389,950
Non Appropriated Bureaus	$0	$132,031	$0	$0	$0	$3,313,117	$0	$0	$0	$797,312	$0	$4,242,460
Treasury Franchise Fund										797,312	0	797,312
Bureau of Engraving and Printing						602,000					0	602,000
U.S. Mint						1,899,035					0	1,899,035
Office of the Comptroller of the Currency		108,200				597,600					0	705,800
Office of Thrift Supervision		23,831				214,482					0	238,313
Subtotal, Direct $	$1,822,285		$79,020		$446,314		$11,316,265		$216,497		$13,880,381	
Subtotal, Reimbursable $		$135,203		$4,001		$3,332,784		$355,254		$805,168		$4,632,410
Total, Treasury Level		**$1,957,488**		**$83,021**		**$3,779,098**		**$11,671,519**		**$1,021,665**		**$18,512,791**

the American people. This Budget request reflects the adjustments and funding increases required to meet Treasury's mission in this area.

FY 2008 Budget Request

The President's FY 2008 Budget request of $12.1 billion for the Department of the Treasury focuses resources on key programs necessary to promote economic growth and effectively fight the war on terror. The request is $736 million above the FY 2007 Continuing Resolution rate (CR-rate), a 6.4 percent increase. The FY 2008 Budget increase reflects Treasury's ability to bring a demonstrable return on investment that no other federal agency can provide. By collecting the revenue due to the federal government and working to reduce illicit threats to the financial system, Treasury solidifies the financial integrity of the United States. While the majority of the Department's Budget is funded through the Department of the Treasury Appropriations Act, $1.5 billion for the Department's international programs is funded through the State, Foreign Operations, and Related Programs Appropriations Act.

Promoting Economic Growth, Security and Opportunity

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

The FY 2008 Budget request funds Treasury's efforts to promote domestic and international economic growth through financial diplomacy. Treasury stimulates economic growth and job creation by working to open trade and investment, encouraging growth in developing countries, and promoting responsible policies regarding international debt, finance, and economics. Treasury supports trade liberalization and budget discipline through its role in negotiating and implementing international agreements pertaining to export subsidies. These agreements open markets, level the playing field for U.S. exporters, and provide effective subsidy reductions that save the U.S. taxpayer millions annually. Since 1991, cumulative budget savings from these arrangements are estimated at over $10 billion. The growth of these activities makes it necessary to enhance policy coordination and resources through the addition of regional experts. This initiative is for additional staff to support key policy dialogues across the globe.

Treasury also remains committed to protecting the homeland from international investments that may threaten our national security. The Committee on Foreign Investment in the United States (CFIUS) is responsible for investigating the merger or acquisition of U.S. companies by foreign persons for national security, and Treasury's Office of International Affairs manages this function on the Secretary's behalf. The growth and economic importance of foreign investment in the United States has increased exponentially the number of cases reviewed by CFIUS. The President's FY 2008 Budget request provides additional resources to support Treasury in its role as Chair of CFIUS, including administering the interagency CFIUS process.

The FY 2008 request also includes $28.6 million for the Community Development Financial Institutions Fund (CDFI), $11.4 million below the FY 2007 CR-rate. CDFI's mission is to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the United States. The Budget does not request funding for the Bank Enterprise Award.

The FY 2008 President's Budget request for Treasury's International Assistance Programs supports key objectives of the President's agenda, such as the G-8 Multilateral Debt Relief Initiative, measuring results, improving debt sustainability, increasing grants, improving transparency and fighting corruption.

Strengthening National Security

The sponsorship of terrorism and potential acquisition of weapons of mass destruction (WMD) by rogue regimes and non-state entities represents a grave threat to U.S. national security and the security of all free and open societies.

Terrorists, WMD proliferators and other non-state threats require vast support networks through which money and material flow. The Treasury Department draws on financial and other all-source intelligence and utilizes its unique regulatory and law enforcement authorities to combat national security threats and safeguard the financial system.

The Office of Terrorism and Financial Intelligence (TFI) provides financial intelligence analysis; develops and implements systems to combat money laundering and terrorist financing; administers the Bank Secrecy Act; and administers and enforces the U.S. Government's economic sanctions programs.

Treasury exercises a full range of intelligence, regulatory, policy, and enforcement tools in tracking and disrupting terrorists' support networks, proliferators of weapons of mass destruction, rogue regimes, and international narco-traffickers, both as a vital source of intelligence and as a means of degrading the terrorists' ability to function. Treasury's actions include:

- Freezing the assets of terrorists, proliferators, drug kingpins, and other criminals; and shutting down the channels through which they raise and move money.
- Cutting off corrupt foreign jurisdictions and financial institutions from the U.S. financial system.
- Developing and enforcing regulations to reduce terrorist financing and money laundering.
- Tracing and repatriating assets looted by corrupt foreign officials.
- Promoting a meaningful exchange of information with the private financial sector to help detect and address threats to the financial system.

The FY 2008 President's Budget will enable Treasury to enhance these capabilities. The President's Budget requests funding for investments to further the Department's national security mission in three critical areas: expanding the Department's capacity to identify potential national security threats and to enforce U.S. policies to counter those threats; enhancing the information technology and physical infrastructure of TFI and its component bureaus and offices to improve data security, access, and quality; and further integrating TFI into the broader Intelligence Community. This request includes:

- \$5.3 million to respond to emerging national security threats, provide strategic policy coordination in regions key to the fight against terrorist financing, and to enhance implementation of sanctions against state sponsors of terrorism and WMD proliferation.
- \$12.6 million for infrastructure and information technology projects to enhance data access, security, and quality, including construction of a Sensitive, Compartmented Information Facility (SCIF) and investments to stabilize and enhance the Department's classified information systems.
- \$1 million for initiatives to further Treasury's integration into the broader Intelligence Community.

The Financial Crimes Enforcement Network (FinCEN), a bureau within Treasury's Office of Terrorism and Financial Intelligence, is responsible for administering the Bank Secrecy Act (BSA). The FY 2008 Budget request provides funding to upgrade BSA E-Filing; strengthen recovery capability for mission-critical information technology systems and emergency operation capabilities; and improve information technology planning and oversight.

Managing U.S. Government Finances

The Treasury Department manages the nation's finances by collecting money due the United States, making its payments, managing its borrowing, investing when appropriate, and performing central accounting functions. Key priorities in managing the government's finances effectively include maximizing voluntary compliance with tax laws and regulations, continually improving financial management processes, and financing the government at the lowest possible cost over time. The FY 2008 Budget request provides the funding necessary to properly administer these functions.

Collecting the Taxes

Collecting taxes in a fair and consistent manner is a core mission of the Treasury Department. Treasury's priorities in tax administration are enforcing the nation's tax laws fairly and efficiently while balancing service and education to promote voluntary compliance and reduce taxpayer burden. In September 2006, Treasury published a comprehensive plan to improve tax compliance. The FY 2008 Budget funds implementation of this plan with new investments in enforcement, taxpayer service and technology. It includes $11,095 million for the IRS, which is an increase of $657 million (6.3 percent) above the FY 2007 CR-rate. As in FY 2006 and FY 2007, the Administration proposes to fund the portion of the IRS budget increase attributable to improved tax enforcement ($440 million above the CR-rate) through a program integrity cap adjustment to help increase revenue. Highlights include:

- $291 million for new enforcement initiatives and $149 million for inflationary cost increases. This is a $440 million increase above the FY 2007 CR-rate. The IRS Enforcement Program is funded in the Enforcement and Operations Support appropriations. IRS will enhance coverage of high-risk compliance areas, as well as address the tax gap associated with small business and self-employed taxpayers. Enforcement will focus on critical reporting, filing, and payment compliance programs, and highlight abusive tax avoidance transactions and high income individual examinations involving pass-through entities (e.g. partnerships, trusts). The IRS will continue to reengineer its examination and collection procedures to reduce time, increase yield, and expand coverage. It will expand compliance research to help target its programs more effectively.

- $56 million for new taxpayer service initiatives and $75 million for inflationary costs. This is a $131 million increase above the FY 2007 CR-rate. The IRS Taxpayer Service Program is funded in the Service and Operations Support appropriations. The IRS will continue efforts to increase and improve services offered to taxpayers through efforts such as adding an estimated wait time message for taxpayers on hold for telephone service. The IRS will also increase self-service applications, continue to ensure web navigation is user-friendly, and improve the quality and accuracy of its telephone responses. The IRS will expand its research and evaluate information regarding taxpayer service needs, priorities, and preferences in order to improve delivery services.

- $60 million for critical IT infrastructure upgrades (included in the enforcement and taxpayer service totals above). IRS will continue to invest in technology, process improvements, and training to achieve consistent quality service with reduced costs.

- $282 million for the IRS' Business Systems Modernization program to give IRS employees the tools they need to continue to administer and improve both service and enforcement programs.

Treasury also regulates the manufacture and sale of alcohol, tobacco, firearms, and ammunition, and collects excise taxes on the sale of these products. The Alcohol and Tobacco Tax and Trade Bureau collected $14.8 billion in excise taxes, interest, and other revenues.

Ensuring Efficient Fiscal Service Operations

The FY 2008 Budget request provides the funds necessary for Treasury to meet its responsibilities as the federal government's financial manager.

Treasury's management of the federal government's finances includes making payments, collecting revenue, and preparing public financial statements through the Financial Management Service. Treasury oversees a daily cash flow in excess of $50 billion and disburses 85 percent of all federal payments. The Department is working to improve its payments and collections processes by moving toward an all-electronic Treasury. In FY 2006, Treasury issued 742 million electronic payments including income tax refunds, Social Security benefits, and veterans' benefits. Treasury is also encouraging Social Security and Supplemental Security Income recipients to switch to direct deposit through the Go Direct campaign. Direct Deposit represents a cost savings to the taxpayer of 75 cents per transaction.

Treasury manages more than $7.9 trillion of public debt through its Bureau of Public Debt. Public debt includes marketable securities, savings bonds, and other instruments held by state and local governments, federal agencies, foreign governments, corporations, and individuals. To improve debt management and offer better customer service, Treasury offers Treasury Direct, an electronic, web-based system that electronically issues securities to retail customers and enables investors to manage their accounts on-line.

Managing Treasury Effectively

Treasury is committed to using the resources provided by taxpayers in the most efficient manner possible. The Department will drive improved results through decision-making that considers performance and cost. The Treasury Department strives to serve its stakeholders in the most effective way while working to leverage resources across the Department and across the government.

Funding requested in Treasury's Departmental Offices and Department-wide Systems and Capital Investments Program (DSCIP) seeks to build an efficient information technology infrastructure, ensuring that Treasury remains a world-class organization that meets the President's standard of a citizen-centered, results-oriented government.

The DSCIP account funds technology investments to modernize business processes throughout Treasury, helping the Department improve efficiency. The President's 2008 Budget requests $18.71 million for ongoing modernization and critical information technology infrastructure projects, and to invest in other new technologies that will improve efficiency and service to the American people. The Budget request includes:

- $6 million implement a pilot Enterprise Content Management (ECM) system, which will address the critical and urgent business need of the Office of Foreign Asset Control (OFAC) and the Financial Crimes Enforcement Network. The pilot ECM system will align with government-wide initiatives, promote common standards across the Treasury Department, and position the Treasury for a Department-wide ECM system.
- $2 million for the continued operation and maintenance of the Treasury Secure Data Network.
- $4 million to improve Treasury's FISMA performance and strengthen the Department's overall security posture; and completing required milestones as part of Treasury's Presidential E-Government Implementation Plan.

The Budget request also includes funding for Treasury's Inspectors General. The Office of the Inspector General and the Treasury Inspector General for Tax Administration play an important oversight role in the overall management of the Department and the fair administration of the nation's tax laws.

Strengthening Financial Institutions

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

Treasury, through the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS), maintains the integrity of the financial system of the United States by chartering, regulating, and supervising national banks and savings associations. In FY 2006, OCC and OTS oversaw financial assets held by these financial institutions totaling $8.1 trillion.

The U.S. Mint (Mint) and the Bureau of Engraving and Printing (BEP) are responsible for producing the nation's coins and currency. In FY 2006, the Mint and BEP produced 16.1 billion coins and 8.2 billion paper currency notes, respectively. The Mint issued five new quarters from the 50 State Quarters program and BEP introduced the new $10 currency note into circulation. Also, due to recently improved operating results and profits, the Mint returned $750 million to the Treasury General Fund in FY 2006.

Funding for the OCC, OTS, Mint, and BEP is not included in the Department's annual budget requests, because they have non-appropriated funding sources. OCC's operations are funded primarily by semi-annual assessments levied on national banks. Revenue from licensing, other fees, and investments in U.S. Treasury securities provides the remaining revenue. OTS's operations are funded from assessments on thrifts and savings and loan holding companies; examination, application, and security filing fees; interest on investments in U.S. government obligations; and rent and other sources. The Mint's operations are financed by proceeds from the sales of circulating coins to the Federal Reserve Bank System and numismatic items to the public. BEP operations are financed primarily by the printing of currency for the Federal Reserve Bank System. Other BEP revenues are derived from the printing of securities for the Public Debt and commissions, certificates, invitations for various Government agencies; and space rental fees.

President's Management Agenda

Initiative	Status		Q1 FY 2007	
	FY 2005	FY 2006	Status	Progress
Human Capital	Y	G	G	G
Competitive Sourcing	G	G	G	Y
Financial Performance	R	R	R	G
E-Government	R	Y	Y	R
Budget-Performance Integration	Y	Y	Y	G
Improper Payments	R	R	R	Y

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

President's Management Agenda (PMA)

The Department of the Treasury works to manage the Department effectively through the principles of the President's Management Agenda (PMA). The Department of the Treasury is responsible for six initiatives identified by the PMA, five standard initiatives that are government-wide and one (Improper Payments) that is specific to the Department.

The President holds each agency accountable for its performance in carrying out the PMA, and performance results are demonstrated through quarterly scorecards issued by OMB.

Human Capital: In FY 2006, the Treasury Department's Human Capital initiative was successful by continuing to align its workforce with its human capital goals and objectives. Consistent with its human capital vision, the Department used strategic workforce planning and flexible tools to recruit, retain, and reward employees, fostering a diverse and high-performing workforce.

In FY 2006, the Department's human capital activities focused on results-oriented performance, leadership succession planning, and accountability. The Office of Personnel Management approved the Treasury Department's program for succession planning and accountability, a condition for remaining successful in the PMA Human Capital initiative. This program ensures that future management acquires appropriate skills to enable them to lead the Department in an ever-changing environment.

FY 2006 human capital successes included:

- Achieving a goal of 100 percent of supervisors', managers', and executives' performance plans that contain elements directly linked to the Department's mission;
- Training over 1,300 current and future managers in leadership competencies; and
- Strengthening the accountability system through Department-wide policy which emphasizes compliance with federal laws and regulations, and merit system principles.

Competitive Sourcing: Through Competitive Sourcing, the Treasury Department utilizes public-private competition to effectively deliver services at the lowest possible cost to the American taxpayer. Competitive Sourcing allows the Department to look internally and externally for the most efficient ways to achieve its mission.

In FY 2006, the Department of the Treasury remained successful in the Competitive Sourcing initiative by:

- Migrating and conducting the Federal Activities Inventory Reform (FAIR) Act in HR Connect, the Department's on-line human capital system;
- Proposing a plan to include all Treasury efforts (Lines of Business, Strategic Sourcing, etc.) to close competitiveness gaps;
- Improving its demand analysis system for conducting potential studies; and
- Stressing coordination of competitive sourcing activities Department-wide.

Improved Financial Performance: The Treasury Department continued to work toward full compliance with the Federal Managers Financial Improvement Act (FMFIA) and improved financial management processes to produce accurate and timely information that supports operating, budget, and policy decisions.

In FY 2006, the Department of the Treasury accounted for public funds accurately and in a timely manner through a successful three day closing process at the end of each month. The Department's Financial Performance team met its reporting deadlines and was provided a clean annual audit. Treasury will continue to make progress in implementing Custodial Detail Database revenue accounting system enhancements.

In addition, the Treasury Department continued emphasis on reducing material weaknesses during the year resulting in a reduction from seven to six material weaknesses.

Expanded E-government: Expanding electronic government products and services Department-wide improves internal efficiency and effectiveness, and enhances service to the public. In FY 2006, the Treasury Department continued to improve its enterprise architecture, information technology (IT) capital planning processes, and cyber security practices Department-wide. The Department worked to manage projects to meet cost, schedule, and performance goals; to certify and accredit Treasury systems to protect information from unauthorized access and theft; and fully participated in Presidential E-Government Initiatives.

During FY 2006, accomplishments included:

- Improving Treasury-wide Capital Planning and Investment Control policies and processes, including executive certification of quarterly project performance reporting and
- Applying standard definitions for systems under the Federal Information Security Management Act (FISMA) and establishing a new system inventory to improve future management and reporting;
- Integrating Treasury Enterprise Architecture (EA) and IT Capital Planning processes.

Budget and Performance Integration: In FY 2006, the Treasury Department embarked on revising its Strategic Plan. This plan clearly defines the strategic priorities and articulates outcome-oriented goals and objectives. The Department's senior leadership sponsored the effort and served as champions for the teams developing outcomes, strategies, and measures. Treasury will continue to develop the Budget Formulation and Execution Module (BFEM) to produce the Congressional Justification and Budget in Brief.

The Treasury Department tested its mission, goals, and strategies against a set of future possibilities to ensure their robustness. The Department identified ten value chains (groups of programs with a common purpose), recognizing that outcomes connect the Treasury Department's programs across different programs and organizations. The new Treasury Strategic Plan will add a vision statement and a set of core values, both of which serve to integrate and draw the Department toward a compelling picture of its future. Finally, the Strategic Plan will establish an integrated management system that links budget and cost to outcomes, enabling the Department to measure the value it produces for the American people.

Eliminating Improper Payments: The Department continuously works with the Office of Management and Budget (OMB) to develop improved error measurement methodology for the Internal Revenue

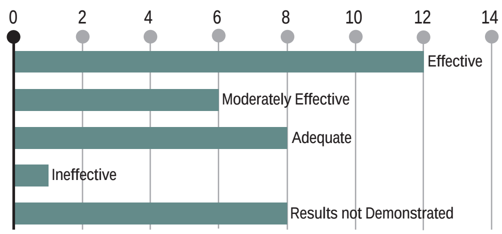
Service (IRS) Earned Income Tax Credit (EITC) program. EITC, due to erroneous payments, is the only program in the Treasury Department considered a high risk for fraud, waste and abuse. Treasury has committed to providing a corrective action plan to OMB, which includes aggressive reduction targets for EITC's erroneous payments that will produce effective results.

Program Rating and Assessment Tool (PART) Summary

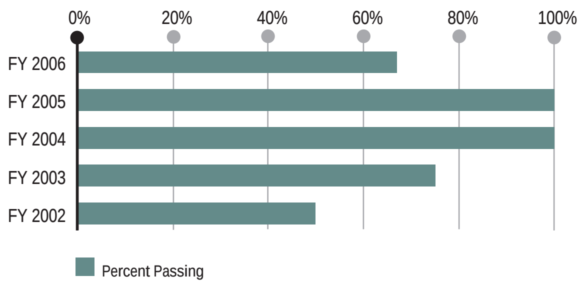
Program evaluation is a core management tool used by Treasury to allocate resources and promote efficiency and effectiveness. In addition to regular independent program evaluations conducted by Treasury bureaus, Treasury also works with OMB to evaluate 20 percent of its programs each year through the PART process. All programs that undergo a PART evaluation receive weighted scores in four categories: program purpose and design, strategic planning, program management, and program results and accountability.

The PART process gives the Treasury Department a framework for assessing performance in its major programs. Through the use of in-depth performance questions, the PART allows leadership to evaluate how well a program is meeting its intended objectives, how effectively and efficiently it is managed, the extent to which the program supports the Department's overarching strategic goals and how well the program achieves results.

PART Scoring History



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



Programs Evaluated for the FY 2007 Budget Cycle

Program	Bureau	Rating
FinCen BSA Collection & Dissemination	FinCen	Moderately Effective
FMS Payments	FMS	Effective
IRS Exam	IRS	Moderately Effective
IRS Criminal Investigations	IRS	Moderately Effective
Submission Processing - Re-do	IRS	Moderately Effective
Mint Protection	Mint	Effective
TTB Collect the Revenue	TTB	Effective

Programs Evaluated for the FY 2008 Budget Cycle

Program	Bureau	Rating
Protection	BEP	Effective
BSA Administration	FinCen	Results Not Demonstrated
BSA Analysis	FinCen	Adequate
Government Wide Accounting	FMS	Moderately Effective
HITCA	IRS	Results Not Demonstrated
IRS Retirement Savings Regulatory	IRS	Adequate

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

(Direct and Reimbursable)

Appropriation	FY 2006 Actual			FY 2007 Estimated			FY 2008 President's Budget		
	Direct	Reimb.	Total	Direct	Reimb.	Total	Direct	Reimb.	Total
Departmental Offices Salaries and Expenses	900	97	997	1,058	90	1,148	1,136	90	1,226
98145.452	3	0	3	0	0	0	0	0	0
Air Transportation Stabilization Program	2	0	2	0	0	0	0	0	0
Office of Inspector General	116	4	120	115	2	117	115	0	115
Treasury IG for Tax Administration	835	3	838	817	3	820	835	3	838
Community Development Financial Institutions Fund	48	0	48	63	0	63	63	0	63
Financial Crimes Enforcement Network	296	1	297	334	1	335	356	1	357
Alcohol & Tobacco Tax and Trade Bureau	524	10	534	544	15	559	544	15	559
Financial Management Service	1,604	373	1,977	1,761	370	2,131	1,692	428	2,120
Bureau of the Public Debt	1,299	69	1,368	1,390	18	1,408	1,390	21	1,411
Internal Revenue Service	91,717	1,129	92,846	91,722	682	92,404	92,118	696	92,814
Subtotal, Treasury Appropriated Level	97,344	1,686	99,030	97,804	1,181	98,985	98,249	1,254	99,503
Working Capital Fund	0	200	200	0	233	233	0	233	233
Treasury Franchise Fund	0	645	645	0	827	827	0	909	909
Bureau of Engraving and Printing	0	2,190	2,190	0	2,300	2,300	0	2,250	2,250
U.S. Mint	0	1,927	1,927	0	1,975	1,975	0	1,975	1,975
Office of the Comptroller of the Currency	0	2,812	2,812	0	2,977	2,977	0	3,041	3,041
Office of Thrift Supervision	0	918	918	0	1,046	1,046	0	1,046	1,046
Terrorism Insurance Program	10	0	10	10	0	10	8	0	8
Sallie Mae Assessments	2	0	2	0	0	0	0	0	0
Total	**97,356**	**10,378**	**107,734**	**97,814**	**10,539**	**108,353**	**98,257**	**10,708**	**108,965**

Summary of FY 2008 Increases and Decreases

(Dollars in Thousands)

Appropriations	DO	DSCIP	OIG	TIGTA	CDFI	FINCEN	TTB	FMS	BPD	IRS	Total
FY 2007 President's Budget	$223,874	$34,032	$17,352	$136,469	$7,821	$89,794	$92,604	$233,654	$180,789	$10,591,837	$11,608,226
CR-rate Adjustment	(31,703)	(9,986)	(330)	(4,516)	32,179	(19,226)	(2,389)	(362)	(2,173)	(153,473)	(191,979)
FY 2007 CR-rate	$192,171	$24,046	$17,022	$131,953	$40,000	$70,568	$90,215	$233,292	$178,616	$10,438,364	$11,416,247
Non-Pay Inflation Adjustments	2,342	0	95	672	77	1,335	931	2,079	1,666	66,893	76,090
Pay Annualization Adjustments	669	0	71	579	24	203	287	778	590	40,484	43,685
Pay Inflation Adjustments	4,129	0	380	3,623	149	1,239	1,678	4,829	3,456	232,630	252,113
Maintaining Current Levels	$7,140	$0	$546	$4,874	$250	$2,777	$2,896	$7,686	$5,712	$340,007	$371,888
Technical Adjustments Due to CR	29,319	0	882	3,726	0	9,266	404	(2,043)	336	27,573	69,463
Non-Recurring Costs	(2,360)	(18,946)	0	0	0	0	0	(1,224)	0	0	(22,530)
Initiative Annualizations	7,877	0	0	0	0	740	0	0	0	0	8,617
Transfers	5,100	(5,100)	0	0	0	0	0	0	0	0	0
Productivity and Efficiency Savings	0	0	0	0	0	0	0	0	0	(119,981)	(119,981)
Adjustments to FY 2007 CR-rate	$39,936	($24,046)	$882	$3,726	$0	$10,006	$404	($3,267)	$336	($92,408)	($64,431)
FY 2008 Base	$239,247	$0	$18,450	$140,553	$40,250	$83,351	$93,515	$237,711	$184,664	$10,685,963	$11,723,704
Program Decreases	0	0	0	0	(13,191)	0	(441)	(12,013)	(2,793)	(6,479)	(34,917)
Program Reinvestments	0	0	0	0	0	0	441	9,493	1,000	6,479	17,413
Program Increases	10,894	18,710	0	0	1,498	2,493	0	0	0	409,536	443,131
FY 2008 President's Budget	$250,141	$18,710	$18,450	$140,553	$28,557	$85,844	$93,515	$235,191	$182,871	$11,095,499	$12,149,331
Offsetting Fees	0	0	0	0	0	0	0	0	(10,000)	0	(10,000)
FY 2008 President's Budget less Offsetting Fees	$250,141	$18,710	$18,450	$140,553	$28,557	$85,844	$93,515	$235,191	$172,871	$11,095,499	$12,139,331

Departmental Offices

Program Summary by Appropriations Account
(Dollars in thousands)

Appropriation	FY 2006	FY 2007		FY 2008		
	Enacted	President's Budget	CR-rate	President's Budget	$ Change over CR-rate	% Change over CR-rate
Salaries and Expenses	$194,626	$223,874	$192,171	$250,141	$57,970	30.2%
Executive Direction	16,329	17,501	16,325	19,815	3,490	21.4%
Economic Policies and Programs	31,691	41,947	31,581	45,450	13,869	43.9%
Financial Policies and Programs	26,308	25,336	26,254	28,869	2,615	10.0%
Terrorism and Financial Intelligence	39,540	45,401	39,263	56,224	16,961	43.2%
Treasury-wide Management and Programs	16,674	20,372	16,556	20,810	4,254	25.7%
Administration Programs	63,094	73,316	62,191	78,972	16,781	27.0%
Currency Manipulation	990	0	0	0	0	0.0%
Subtotal, Departmental Offices - S & E	$194,626	$223,874	$192,171	$250,141	$57,970	30.2%*
Offsetting Collections - Reimbursables	19,800	19,800	19,800	19,800	0	0.0%
Total Program Operating Level	$214,426	$243,674	$211,971	$269,941	$57,970	27.3%

*FY 2008 request is a 11.7 percent increase over the FY 2007 President's Budget

Explanation of Request

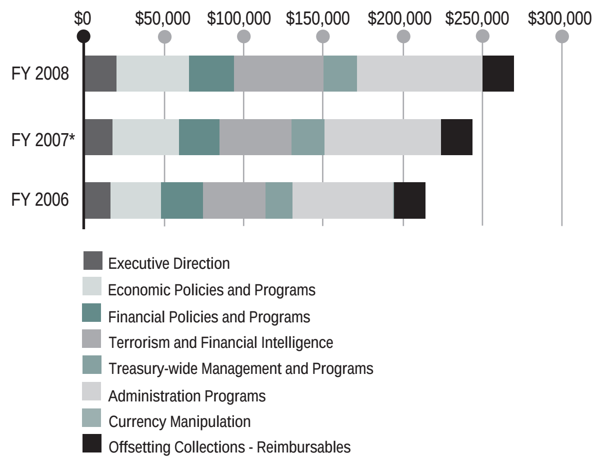
The FY 2008 President's Budget request for the Departmental Offices (DO) Salaries and Expenses account would provide resources to create a platform for global growth and security by fortifying economic relations with the international community; and increasing analysis of corporate mergers and acquisitions in the U.S. for national security concerns. This request would also provide additional resources to: combat attempts by Specially Designated Global Terrorists and their support networks to evade U.S. and international sanctions; track, identify, and designate the financiers and other supporters of weapons of mass destruction (WMD) proliferation; allow for an increase in policy advisors dedicated to the Western Hemisphere, Africa and the Middle East-South Asia nexus; and would provide secure facilities in which Treasury intelligence analysts can perform their work.

DO's top priorities support the Department's strategic goals: Strengthening National Security, Promoting Economic Growth and Security, and Maintaining a World-class Treasury. As a lead Federal agency responsible for promoting economic prosperity and security in both domestic and international markets, the Treasury Department serves as a key advisor to the President on economic and financial issues.

Total resources requested to support DO activities for FY 2008 are $269,941,000, including $250,141,000 from direct appropriations and $19,800,000 in offsetting collections and reimbursable programs.

DO Funding History

[Dollars in Thousands]



* President's Budget

Purpose of Program

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

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, and general management. DO is responsible for Treasury policy direction and formulation and supports Treasury's role in leading the country and the world to more prosperous and stable economies through improving financial and economic systems, promoting a safe and secure America, and collecting the revenue due to the government.

DO FY 2008 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2006 Enacted	$194,627
FY 2007 President's Budget	$223,874
CR-rate Adjustment	(31,703)
FY 2007 CR-rate	$192,171
Changes to base:	
Technical Adjustment to FY 2007 Base due to CR:	$29,319
FY 2007 Annualizations	2,511
FY 2007 Initiatives	19,477
FY 2007 MCLs	2,131
FY 2007 Transfers In	5,200
Base Realignment:	$0
OIA - Security Personnel	
Maintaining Current Levels (MCLs):	$7,140
Non-Pay Inflation Adjustment	2,342
Pay Annualization	669
Pay Inflation Adjustment	4,129
Initiative Annualization:	$7,877
IA - Annualization of FY 2007 Initiative	2,580
OFAC - Annualization of FY 2007 Initiatives	2,429
OGC - Annualization of FY 2007 Initiatives	1,034
OIA - Annualization of FY 2007 Initiative	1,261
TP - Annualization of FY 2007 Initiative	573
Non-Recurring Costs:	($2,360)
Non-recur SCIF	(1,000)
Non-recur of Declassification Project	(676)
Non-recur of IA	(684)
Transfers In:	$5,100
DF - Critical Infrastructure Protection Transfer from DSCIP	2,100
OIA - TFIN Transfer from DSCIP	3,000
Subtotal FY 2008 Changes to Base	$47,076
FY 2008 Base	$239,247
Program Changes:	
Program Increases:	$10,894
ED - Enhanced International Economic Policy Coordination	618
IA - CFIUS	940
OFAC - Economic Sanctions against State Terrorism	1,392
OFAC - Sanctions against WMD Proliferation	889
OIA - Emerging National Security Threats	1,973
OIA - Intelligence Community Integration	219
OIA - Intelligence Support	215
OIA - Overseas Travel	148
OIA - SCIF	3,000
OIA - Special Security Program	477
TFFC - Disrupt and Dismantle Financial Networks	638
TFFC - Disrupt and Dismantle Rogue Regimes	385
Subtotal FY 2008 Program Changes	$10,894
FY 2008 President's Budget	**$250,141**

FY 2008 Budget Adjustments

FY 2007 President's Budget

The FY 2007 President's Budget request for DO is $223,874,000.

Adjustments

CR-rate Adjustment -$31,703,000 / +0 FTE
Adjustment from the FY 2007 President's Budget to reach the FY 2007 Continuing Resolution annualized rate (CR-rate).

Technical Adjustment to FY 2007 Base due to CR

FY 2007 Annualizations +$2,511,000 / +0 FTE
Funding is requested for completing the full-year cost and FTE realization from initiatives enacted in FY 2006 which support the Office of Terrorism and Financial Intelligence (TFI).

FY 2007 Initiatives +$19,477,000 / +0 FTE This appropriation provides resources to: develop policies and implement strategies to safeguard the United States and international financial systems from national security threats; manage the public debt; represent the United States on international monetary, trade, and investment issues; recommend and implement United States domestic and international economic and tax policy.

FY 2007 MCLs +$2,131,000 / +0 FTE Funds are requested for: the FY 2007 cost of the January 2006 pay increase; the January 2007 pay raise and benefits; non-labor related items such as contracts, travel, supplies, equipment, and General Services Administration (GSA) rent adjustments; and Department of State overseas Capital Security Cost Sharing.

FY 2007 Transfers In +$5,200,000 / +0 FTE Transfer in of $1,000,000 and 0 FTE from Treasury Building and Annex Repair and Restoration (TBARR) to re-establish a Repair and Improvements (R&I) account. A recurring baseline for major repairs and improvements is needed for the Main Treasury (Historic Landmark) and Annex (Historic Register) infrastructure. Prior to the existence of the TBARR account, DO had a no-year account for this purpose. Additionally, transfer in of $4,200,000 and 0 FTE to cover the cost of the U.S. Secret Service security detail provided to the Secretary of the Treasury.

Base Realignment

OIA - Security Personnel +$0 / +5 FTE Transfer of security personnel from WCF Secure Communications to Office of Intelligence and Analysis (OIA).

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$7,140,000 / +0 FTE Funds are requested for: FY 2008 cost of the January 2007 pay increase of $669,000; proposed January 2008 pay raise of $4,129,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $2,342,000.

Initiative Annualization

IA - Annualization of FY 2007 Initiative +$2,580,000 / +8 FTE In FY 2007, additional resources were requested to expand the Treasury attaché program in countries such as Iraq, China and Afghanistan. Treasury attachés work in tandem with the Office of International Affairs (IA) and the Office of Terrorism and Financial Intelligence (TFI) to build relationships with foreign officials and work with local U.S. industry and agency representatives to advance U.S. interests. They also provide much-needed intelligence and expertise to U.S. officials in Washington formulating policy on international economics, trade, finance and terrorist finance. Funding is requested for the full FY 2008 cost and FTE realization from this FY 2007 initiative.

OFAC - Annualization of FY 2007 Initiatives +$2,429,000 / +12 FTE Specially Designated Global Terrorists and their support networks continuously seek new ways of evading U.S. and international sanctions by changing the names and locations of their support organizations and financing methods. Positions were requested in FY 2007 for the Office of Foreign Assets Control (OFAC) to monitor and update existing designations; and, to capture these evasions and track the development of new support structures and funding sources. In FY 2007 resources were requested to identify, target, designate and implement sanctions against the financiers and facilitators of WMD proliferation. Funding is requested for the full FY 2008 cost and FTE realization from these FY 2007 initiatives.

OGC - Annualization of FY 2007 Initiatives +$1,034,000 / +6 FTE The 2007 President's Budget provides funding for three FTEs to finalize the staffing needs of the recently created Office of the Assistant General Counsel for Enforcement and Intelligence (AGC E&I) and three FTEs for OFAC Chief Counsel's Office to meet Treasury's need for essential legal services in support of the Department's most critical anti-terrorism missions. The AGC E& I attorneys provide legal counsel for the Department's essential and growing terrorist financing, money laundering, WMD proliferation, narco-trafficking and economic sanctions programs, and a wide range of intelligence and information-sharing initiatives that are critical to the success of those programs. OFAC's Chief Counsel's Office supports an "operational" client, and its responsibilities include drafting Executive Orders and regulations and working closely with OFAC and the Justice Department on litigation matters. Funding is requested for the full FY 2008 cost and FTE realization from the FY 2007 initiatives.

OIA - Annualization of FY 2007 Initiative +$1,261,000 / +6 FTE Additional analyst positions were requested in FY 2007 to effectively address transnational terrorist and illicit finance issues, such as terrorist finance, decentralization and proliferation of terrorist groups, counter-proliferation and critical infrastructure protection. These resources will provide the ability to engage in analyst exchanges with other national security and intelligence community agencies in accordance with the Intelligence Reform and Terrorism Prevention Act of 2005. Funding is requested for the full FY 2008 cost and FTE realization from this FY 2007 initiative.

TP - Annualization of FY 2007 Initiative +$573,000 / +3 FTE Dynamic analysis of tax policy proposals (analysis incorporating changes in taxpayer behavior), including their macroeconomic effects, enhance the information provided to decision-makers regarding the effects of their tax policy determinations. The FY 2007 President's Budget proposed addition of a Dynamic Analysis Division (including a division director and economists) to the Office of Tax Policy facilitates the production of such dynamic analyses relating to proposed federal tax legislation. Funding is requested for the full FY 2008 cost and FTE realization from this FY 2007 initiative.

Non-Recurring Costs

Non-recur SCIF -$1,000,000 / +0 FTE FY 2008 savings achieved from non-recurring cost: -$1,000,000 and 0 FTE associated with the establishment of a Sensitive Compartmented Information Facility (SCIF) in FY 2007.

Non-recur of Declassification Project -$676,000 / +0 FTE FY 2008 savings achieved from non-recurring costs: $-676,000 and 0 FTE for project expenses for declassification of records.

Non-recur of IA -$684,000 / +0 FTE FY 2008 savings achieved from non-recurring costs: -$684,000 and 0 FTE for one-time expense related to transfer of new staff to overseas posts in FY 2007.

Transfers In

DF - Critical Infrastructure Protection Transfer from DSCIP +$2,100,000 / +10 FTE Homeland Security Presidential Directive 7 (HSPD-7) designates Treasury as the lead agency for the Banking and Finance sector. The Office of Critical Infrastructure Protection (CIP) discharges this obligation for the Department, and works to identify, prioritize and determine the interdependencies of critical assets in order to provide an appropriate level of protection. This initiative, which is also one of the Department's President's Management Agenda milestones, will assist in ensuring the resilience of the financial services sector in the event of serious risks from either man-made attacks or natural disasters. This request represents the transfer of CIP salaries from DSCIP to Domestic Finance, and recognizes that important milestones have been achieved and that permanent staffing will be required to implement these resilience efforts.

OIA - TFIN Transfer from DSCIP +$3,000,000 / +0 FTE Treasury Foreign Intelligence Network (TFIN) system supports the Department of the Treasury's capabilities in providing and analyzing meaningful intelligence for senior Treasury Department staff, as well as for other agencies within the Intelligence Community. The data from the TFIN system is utilized by the Secretary of the Treasury, the Deputy Secretary of the Treasury, the Under Secretary for TFI, the Under Secretary for International Affairs, the Office of Intelligence Analysis (OIA), OFAC, the Financial Crimes Enforcement Network (FinCEN), and other components. The development phase of the TFIN stabilization and modernization project will be completed by the end of FY 2007, requiring funds for user support and ongoing operations and maintenance of the system.

Program Increases

ED - Enhanced International Economic Policy Coordination +$618,000 / +3 FTE The Department of the Treasury is committed to the critical task of fortifying economic relations with foreign countries and financial institutions, working towards creating a platform for global growth and security. To this end, it is necessary to enhance policy coordination and resources through the addition of regional experts. This initiative is for additional staff to support key policy dialogues with countries like China.

IA - CFIUS +$940,000 / +4 FTE The Committee on Foreign Investment in the United States (CFIUS) is responsible for investigating the merger or acquisition of U.S. companies by foreign persons for national security implications. This function is mandated under the Exxon-Florio Legislation amendment to the Defense Production Act, and is managed by Treasury's Office of International Affairs on the Secretary's behalf. The significance of this work has grown exponentially with the growth of foreign investment into the United States and the sharp increase in transactions filed with CFIUS. Requested resources will be used to recruit investment flow analysts and other specialists. This function is necessary to provide adequate support for, and measure progress toward, achieving the International Affairs objective of ensuring national security and increasing economic growth.

OFAC - Economic Sanctions against State Terrorism +$1,392,000 / +2 FTE OFAC is committed to combating terrorist networks and state sponsors of terrorism. New Executive Orders with respect to Sudan and Syria were issued in 2006, and the Administration is also extensively engaged with respect to Iran. Each new Executive Order and/or OFAC designation of terrorists and their financial networks brings increasing demands on OFAC's enforcement, licensing, compliance and administrative support components. Additional resources in these areas are requested to match the increased tempo of new Executive Orders and Treasury designations.

OFAC - Sanctions against WMD Proliferation +$889,000 / +3 FTE The WMD sanctions program is a Presidential national security priority, and resources are requested to strengthen OFAC's ability to track, identify, and designate financiers and other supporters of WMD proliferation. Publicizing the designations, and assigning resources to work with the U.S. public and with government agencies will greatly assist the Treasury Department in effectively isolating financiers and facilitators of WMD proliferation from the U.S. and international commercial communities.

OIA - Emerging National Security Threats +$1,973,000 / +10 FTE The FY 2008 President's Budget requests eleven additional analysts and five production officers to support OIA's ability to address pressing national security issues. This request will also allow OIA to establish a permanent intelligence production structure, an essential component to the timely and accurate production of intelligence information.

OIA - Intelligence Community Integration +$219,000 / +1 FTE Integrating Treasury further into the Intelligence Community (IC) remains a top priority for OIA. Improvements in this arena will increase access to critical intelligence, and expand Treasury's ability to coordinate on terrorist-financing and WMD proliferation matters with the IC, law enforcement, and foreign partners. OIA's participation as a full fledged IC member is closely aligned with the Director of National Intelligence's (DNI) objective to improve the integration of the IC. This initiative will allow OIA to hire additional personnel to engage in analytic exchanges/detail assignments with the National Counterterrorism Center and the Central Intelligence Agency (CIA) – two of Treasury's key intelligence partners.

OIA - Intelligence Support +$215,000 / +1 FTE The Office of Intelligence Support (OIS) provides intelligence on a range of political, economic, and security matters to senior Treasury leadership. The information supports the Department's senior leaders' participation in the National Security Council policymaking process. The additional positions will provide briefing support and facilitate OIA's role in the review process for transactions filed with the Committee on Foreign Investment in the United States. The request also provides additional watch officers to fully staff the Department's intelligence operations center.

OIA - Overseas Travel +$148,000 / +0 FTE This initiative enables OIA intelligence analysts to engage in intelligence exchanges in key countries, improving Treasury's access to information on terrorist financing targets. The OIA analysts would travel to countries where terrorist financing remains a serious problem, and the host governments have not taken sufficient action in response to this threat. Analysts need to build institutional relationships with key counterterrorism intelligence authorities in these governments, which could result in greater cooperation and more aggressive action by the host countries. Improving the host countries' understanding of Treasury's unique authorities to combat terrorism would benefit the U.S. Government's Counterterrorist Financing efforts.

OIA - SCIF +$3,000,000 / +0 FTE This initiative is for additional secure space to accommodate the new hires in OIA and OFAC's terrorism and WMD proliferation programs. The highly classified work of these expanding units can only be accomplished in specially constructed secure areas, known as Sensitive Compartmented Information Facilities (SCIF). Adequate security infrastructure is critical to protecting the intelligence and national security functions of the Department. OIA's increasing reliance on highly classified intelligence information necessitates additional space requirements, as there is currently a lack of remaining available SCIF space in the Treasury building.

OIA - Special Security Program +$477,000 / +1 FTE Safeguarding the sensitive information provided to the Treasury Department by the National Security Counsel (NSC) and the IC, as outlined in Director of Central Intelligence Directives and Executive Orders, is a critical responsibility of OIA. Disclosure of this information could do grave damage to national security. TFI's expansion has increased demands on the small staff responsible for special security programs. With OIA's integration into the IC, OIA is also participating in the IC reciprocity programs, which are required by the DNI of IC members. The expansion of OIA has significantly increased the responsibilities of the Office of Special Security Programs. This initiative will allow OIA to hire security specialists to cover these various issues.

TFFC - Disrupt and Dismantle Financial Networks +$638,000 / +3 FTE This request would provide the

Office of Terrorist Financing and Financial Crimes (TFFC) with additional resources to devote specific policy advisors to critical regions in the Western Hemisphere, Africa, and the Middle East – South Asia nexus. Countries in these regions continue to provide a financial base for terrorists. Additional advisors would allow TFFC to increase it efforts in disrupting terrorist financial networks and assisting foreign governments to combat terrorist financing.

TFFC - Disrupt and Dismantle Rogue Regimes +$385,000 / +2 FTE This initiative would fund additional policy advisors to cover North Korea, Iran, and Syria on pressing financial issues. This funding would allow the Treasury Department to fully leverage tactical successes to develop ongoing strategic approaches to bring additional financial pressures. This initiative is consistent and in support of Executive Orders 13338 and 13382 and Section 311 of the U.S. PATRIOT Act.

Explanation of Budget Activities

Salaries and Expenses

Executive Direction ($19,815,440 from direct appropriations and $590,000 from reimbursable programs) Provides direction and policy formulation to the Department and DO, and interacts with Congress and the public on Departmental policy matters.

Economic Policies and Programs ($45,450,170 from direct appropriations and $3,839,000 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 ($28,868,940 from direct appropriations and $4,665,000 from reimbursable programs) Monitors and provides economic and financial policy expertise in the areas of domestic finance and tax policy.

Terrorism and Financial Intelligence ($56,224,450 from direct appropriations and $3,242,000 from reimbursable programs) Develops and implements strategies to counter terrorist financing and money laundering.

Treasury-wide Management and Programs ($20,809,970 from direct appropriations and $4,681,000 from reimbursable programs) Provides strategic plans and policy direction in the fields of human resources, information technology security, and financial administration, including the formulation and management of the Treasury budget.

Administration Programs ($78,972,030 from direct appropriations and $2,783,000 from reimbursable programs) Provides operational support and shared services to all offices within DO. Activities include accounting, budget, human resources, information technology, procurement, facilities support, and travel services.

DO Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
Economic Policies and Programs	Number of new Free Trade Agreement (FTA) negotiations and Bilateral Investment Treaty (BIT) negotiations underway or completed (Oe)	N/A	7	12	✓	7	7
Financial Policies and Programs	Audit opinion received on government-wide financial statements (Oe)	Met	Met	Met	✓	Met	Met
Treasury-wide Management and Programs	Complete investigations of EEO complaints within 180 days (%) (Oe)	31	36	20	✗	50	50
	Injury and illness rate Treasurywide-including DO (Oe)	3.94	2.8	1	✓	3	2
Terrorism and Financial Intelligence	Number of countries that are assessed for compliance with the Financial Action Task Force (FATF) 40+9 recommendations (Ot)	N/A	49	5	✗	12	12

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

Legislative Proposals

Expand the Secretary of the Treasury's authority to invest excess cash on behalf of the government. The FY 2008 President's Budget proposes legislation to give the Secretary of the Treasury the ability to manage the government's short-term excess operating cash more efficiently. Under the current authority, which is codified at 31 U.S.C. 323, the Government is authorized to invest its short-term excess cash in obligations of the United States Government and depositary institutions, principally, banks, savings and loan associations and credit unions. This initiative would enable the Secretary of the Treasury to broaden investment options and improve earnings on investments while not increasing the risk of those investments. This initiative is expected to increase interest earnings on the Treasury's investment of short-term excess cash by approximately $10 million annually. Such earnings would be deposited in the general fund of the Treasury.

Additional Assistant Secretary for International Affairs. In FY 2007, the Administration will seek legislation to establish a second assistant secretary for International Affairs, funded with existing budgetary resources. One assistant secretary would focus on the Treasury Department's development and regional policy responsibilities while the other would be focused on matters of international capital and trade flows.

Description of Performance[1]

Economic Policies and Programs Description of Performance: Treasury has engaged in and supported economic dialogue with countries, including China, and provided technical advice and assistance so these countries will be able to transition from fixed to flexible regimes. Treasury also works with foreign governments to open financial services markets to U.S. providers. This goal is accomplished by increasing the number of new Free Trade Agreement (FTA) negotiations and Bilateral Investment Treaty (BIT) negotiations. In FY 2006, Treasury negotiated 12 such agreements, which surpassed its target of nine.

Financial Policies and Programs Description of Performance: In FY 2006, the Treasury Department's Office of Domestic Finance released the federal government-wide financial statements on time. The Treasury Department has met this performance target since FY 2004. To optimize cash management, the Treasury Department measures the difference between actual and projected receipts. In FY 2006, Treasury continued to improve in forecasting receipts, outlays, debt and overall cash, and met its targeted variance level of five percent.

Terrorism and Financial Intelligence Description of Performance: In FY 2006, five countries were assessed for compliance with the international standards for anti-money laundering/counter terrorist financing designed to deny terrorists access to a country's financial systems. The baseline for this performance measure has changed, as classified assessments will no longer be included, resulting in the reduction of reported recommendations. The Department also established baselines for a new efficiency measure relating to the processing of license and interpretive guidance requests, and a workload measure relating to the resolution of civil penalty cases. The Treasury Department also plays an important role in collecting, analyzing and, when appropriate, disseminating intelligence about how terrorists and other criminal networks operate. A composite measure of the impact of the Department's intelligence and analytical activities is under development.

Treasury-wide Management Description of Performance: In FY 2006, the average number of EEO closures completed within 180 days was 20 percent. This is well below the target goal of 50 percent. Also in 2006, Treasury continued its aggressive occupational safety and health program and had a 1.8 percent reduction in the injury rate. The cost per FTE for a Treasury-wide management employee in the FY 2006 was $40.59.

FY 2007 Supplemental

The FY 2008 President's Budget request includes a FY 2007 supplemental request of $2,538,000 to be

[1] The Executive Direction and Administrative Programs budget areas do not have performance measures due to the fact that their activity is captured in other Treasury budget activities.

used for funding the Iraq Threat Finance Cell and Treasury's Deputy Attaché in Baghdad. Treasury and the Department of Defense (DOD) are co-chairing the Iraq Threat Finance Cell in support of the Global War on Terrorism. The unit will work to enhance the collection, analysis and dissemination of financial intelligence to combat the financiers, facilitators, and financial networks supporting the Iraqi insurgency. This funding is critical in supporting and strengthening U.S., Iraqi and Coalition efforts to disrupt and eliminate financial and other material support to the insurgency.

The Deputy Attaché for Baghdad will perform a variety of activities, including: engaging regularly with senior officials in the Iraqi Ministry of Finance and Central Bank; advising and assisting the U.S. Ambassador on economic and financial matters; briefing U.S. Government agencies on the developments on the ground; tracking down data and economic updates requested by the U.S. Government; and coordinating and monitoring Treasury Technical Assistance policy in fiscal and financial areas. Treasury has only one Attaché in Iraq, and funding for the Deputy Attaché is essential to providing critical support to the Administration's fiscal, monetary, and financial sector reform efforts.

Department-wide Systems and Capital Investments Program

Program Summary by Appropriations Account
(Dollars in thousands)

Appropriation	FY 2006	FY 2007		FY 2008		
	Enacted	President's Budget	CR-rate	President's Budget	$ Change over CR-rate	% Change over CR-rate
Department-wide Systems and Capital Investments Program	$24,168	$34,032	$24,046	$18,710	($5,336)	(22.2%)
Department-wide Systems and Capital Investments Program	24,168	34,032	24,046	18,710	(5,336)	(22.2%)
Subtotal, Department-wide Systems and Capital Investments Program	$24,168	$34,032	$24,046	$18,710	($5,336)	(22.2%)
Total Program Operating Level	$24,168	$34,032	$24,046	$18,710	($5,336)	(22.2%)

Explanation of Request

The FY 2008 President's Budget request for the Department-wide Systems and Capital Investments Program (DSCIP) is $18,710,000 in direct appropriations. This account is authorized to be used by or on behalf of Treasury Department's bureaus, at the Secretary's discretion, to modernize business processes and increase efficiency through technology investments. Continuing investments include the Enterprise Architecture, Disaster Recovery (DR) capacity, Integrated Wireless Network, Enterprise Content Management, Cyber Security Critical Infrastructure Protection (CIP), Cyber Security Information Security, Treasury Secure Data Network (TSDN) and E-Government initiatives.

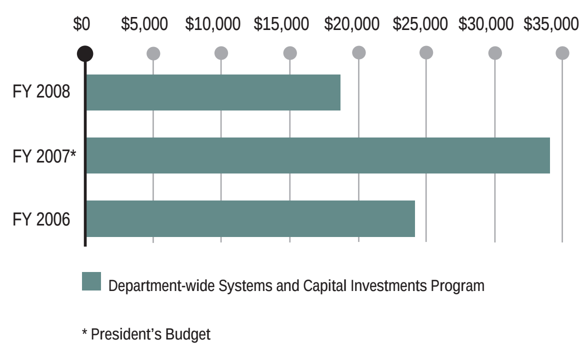
Enterprise Content Management: Developing a Department-wide ECM system is a critical component to improving the work processes and productivity of the Department. The initiative will establish a pilot ECM project that aligns with Government-wide initiatives, promotes common standards across the Treasury Department, and positions the Department of the Treasury for an enterprise-wide ECM system.

Cyber Security Assurance: Ensuring the Department of the Treasury is able to protect its critical infrastructure/key resources from attack, to address cyber security weaknesses, and to provide a Department-wide capability for real time assessment of security posture and alerts to threats that will promote mission assurance.

Disaster Recovery Capabilities: This upgrade is critical to ensure the stability of essential operations of the Department of the Treasury in the event of an emergency. The upgrade will enable the Treasury Department's information technology infrastructure to recover in the event of a disaster or major service failure.

Implementation of E-Government Initiatives: The President's Management Agenda (PMA) and E-Government initiatives drive the Treasury Department to identify opportunities to leverage existing systems and services in order to reduce costs and duplication within the Department of the Treasury and across government. The Treasury Department continues to review and monitor projects targeted for migration and eventual shut-down.

DSCIP Funding History
[Dollars in Thousands]



Purpose of Program

Mission:
The Department-wide Systems and Capital Investments Program (DSCIP) is authorized to be used by or on behalf of Treasury Department bureaus, at the Secretary's discretion, to modernize business processes and increase efficiency through technology investments.

The Treasury Department has made significant progress in key initiatives under the DSCIP program.

Highlights of these accomplishments include:

Treasury Foreign Intelligence Network (TFIN): The TFIN was stabilized in FY 2006 and the development of the enhanced analytical capability has begun. The modernization of this system is on schedule and on budget.

Cyber Security - Critical Infrastructure Protection (CIP): Homeland Security Presidential Directive 7 (HSPD-7) requires that federal agencies identify, prioritize, and determine the interdependencies of critical assets in order to provide an appropriate level of cyber and physical asset protection. The Department of the Treasury completed the Project Matrix Refresh effort, an assessment and evaluation of the Treasury Department's critical cyber and physical assets and key resources.

E-Government Initiatives: The Department of the Treasury funds 12 of the 25 E-Government initiatives and six of the nine E-Government Lines of Business. The Treasury Department has worked diligently with the Managing Partners of the Presidential E-Government initiatives and completed all required Memoranda of Understanding with other federal agencies by March 30, 2006. By facilitating discussions between Departmental E-Government representatives and the federal Managing Partners, Treasury-wide coordination has improved and transition activities have begun to identify and eliminate duplicative systems. The Treasury Department has also taken a significant leadership role within the Budget Formulation and Execution Line of Business by making the Budget Formulation and Execution Manager toolset available on a multi-agency basis.

DSCIP FY 2008 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2006 Enacted	$24,168
FY 2007 President's Budget	$34,032
CR-rate Adjustment	(9,986)
FY 2007 CR-rate	$24,046
Changes to base:	
Non-Recurring Costs:	($18,946)
DSCIP Base	(18,946)
Transfers Out:	($5,100)
CIP Transfer to Departmental Offices S&E	(2,100)
TFIN - Operations and Maintenance	(3,000)
Subtotal FY 2008 Changes to Base	($24,046)
FY 2008 Base	$0
Program Changes:	
Program Increases:	$18,710
Cyber Security - CIP	400
Cyber Security - Information Security	1,844
E-Government Enterprise Architecture	300
E-Government Initiatives	2,166
Enterprise Content Management	6,000
Integrated Wireless Network	2,000
Treasury Back-up Disaster Recovery	4,000
Treasury Secure Data Network	2,000
Subtotal FY 2008 Program Changes	$18,710
Total FY 2008 President's Budget	**$18,710**

FY 2008 Budget Adjustments

FY 2007 President's Budget

The FY 2007 President's Budget request for DSCIP is $34,032,000.

Adjustments

CR-rate Adjustment -$9,986,000 / +0 FTE Adjustment from the FY 2007 President's Budget to reach the FY 2007 Continuing Resolution annualized rate (CR-rate).

Non-Recurring Costs

DSCIP Base -$18,946,000 / +0 FTE DSCIP is a non-recurring, zero-based budget.

Transfers Out

CIP Transfer to Departmental Offices S&E -$2,100,000 / +0 FTE Homeland Security Presidential Directive 7 (HSPD-7) requires that federal agencies identify, prioritize and determine the interdependencies of critical assets in order to provide an appropriate level of protection. Since the project has been fully developed and is in steady state, this request represents the transfer of CIP from DSCIP to Economic Policy.

TFIN - Operations and Maintenance -$3,000,000 / +0 FTE Operations and Maintenance funding for the Treasury Foreign Intelligence Network (TFIN) system is now included in the Salaries and Expenses budget for the Departmental Offices.

Program Increases

Enterprise Content Management +$6,000,000 / +0 FTE Funding for Enterprise Content Management (ECM) will be used to implement a pilot enterprise-wide ECM project, which will address the critical and urgent business needs of the Office of Foreign Asset Control (OFAC) and the Financial Crimes Enforcement Network (FinCEN), both of which are struggling under an increasingly burdensome paper-based system of operations. This approach to ECM will minimize duplication of effort and infrastructure investments by capitalizing on Department and government-wide efforts.

Cyber Security - CIP +$400,000 / +0 FTE Cyber Security – Critical Infrastructure Protection funds support the direct protection of designated Treasury Department Critical Infrastructure / Key Resources against terrorist activity.

Cyber Security - Information Security +$1,844,000 / +0 FTE This initiative will strengthen the Department of the Treasury's information security programs, thereby improving compliance with the Federal Information Security Management Act (FISMA).

E-Government Enterprise Architecture +$300,000 / +0 FTE Funding will allow for the development of the Treasury Department's Enterprise Repository (ER), a component of Enterprise Architecture (EA) information used for the modeling and analytic development of Department of the Treasury business processes and supporting technology.

E-Government Initiatives +$2,166,000 / +0 FTE Funding supports the development and implementation of needs assessments, functional requirements, and implementation of applicable E-Government initiatives.

Integrated Wireless Network +$2,000,000 / +0 FTE This investment will enable the Treasury Department to participate in the Integrated Wireless Network (IWN) as well as continue to upgrade existing land-mobile-radio equipment.

Treasury Back-up Disaster Recovery +$4,000,000 / +0 FTE Funding provides for server infrastructure and Storage Area Network (SAN) upgrades and services to facilitate disaster recovery business solutions.

Treasury Secure Data Network +$2,000,000 / +0 FTE Funding provides for the stabilization and enhancement to the Treasury Secure Data Network (TSDN), a classified system that is critical to Treasury's expanding financial intelligence mission.

Explanation of Budget Activities

Department-wide Systems and Capital Investments Program ($18,710,000 from direct appropriations)

Enterprise Content Management +$6,000,000 / +0 FTE This funding will enable the Department of the Treasury to implement a pilot enterprise-wide Enterprise Content Management (ECM) solution for the Department, initially meeting the business requirements of the Office of Foreign Assets Control (OFAC) and the Financial Crimes Enforcement Network (FinCEN). The Department of Treasury processes a massive volume of files and data, much of which is subject to statutory/regulatory handling requirements, and subsequently has an urgent need for an enterprise-wide approach to an ECM system to minimize duplication of effort and infrastructure investments to address workflow, document and case management, and reporting issues. The enterprise-wide approach, under the oversight of the Treasury Department's Chief Information Officer, will ensure that all Department-wide ECM efforts map to consistent standards, are aligned with related government-wide initiatives, and leverage commonalities in requirements among Treasury Department components, thereby achieving economies of scale and efficiencies in information sharing.

Cyber Security - CIP +$400,000 / +0 FTE In accordance with HSPD-7, this initiative supports the direct protection of designated Treasury Critical Infrastructure/ Key Resources (CI/KR) against terrorist activity. The official Treasury list of designated CI/KR was signed by the Assistant Secretary for Management in January 2006. Increased risks to these systems and networks are attributable to the enormous growth in interoperability and connectivity, and have been designated by the Office of Management and Budget (OMB) to be protected in accordance with NIST guidance (FIPS-199 High). These assets require the highest level of protection in order to provide for meeting the most critical functions of the Department of the Treasury and in providing the highest level of confidence to the general public and Congress for the U.S. Government's commitment to the banking and finance sector. This initiative is essential for the Treasury Department and its bureaus to respond effectively to the potentially debilitating impact of an attack on its critical infrastructures from both cyber and physical threats. This initiative will support the Treasury Department's policy, guidance, and oversight activities necessary for the protection of these assets.

Cyber Security - Information Security +$1,844,000 / +0 FTE The Cyber Security Program performs a critical function in protecting the integrity and adequacy of the defense of Treasury Department systems and information. FY 2008 funding is requested to continue strengthening the Treasury Department's information security programs, thereby improving compliance with the Federal Information Security Management Act (FISMA) and related Federal information security policies and guidance. These efforts will also address the information security challenge identified by the Inspector General (IG). In last year's FISMA report, the IG stated, "[t]he Department faces serious challenges in bringing its systems into compliance with information technology security policies, procedures, standards and guidelines." The IG continued, "the Department has significant deficiencies in information security that constitutes substantial non-compliance with the FISMA requirements." The initiatives that will be supported for this proposal include identifying, tracking, and addressing cyber security weaknesses; operating the Treasury Computer Security Incident Response Capability to meet Department of Homeland Security, OMB, and FISMA requirements; developing enhanced security policy for departmental systems in response to evolving threats and technological developments; and conducting the Department's annual FISMA review.

E-Government Enterprise Architecture +$300,000 / +0 FTE This funding is for development of the Treasury Enterprise Repository (ER), a component of Enterprise Architecture (EA) information used for the modeling and analytic development of the Treasury Department's business processes and supporting technology. The EA repository will provide the Treasury Department's users with the capability to store, retrieve, and display relevant business and Information Technology-related data in a myriad of views to address the needs of different organizational components. These views allow users to assess processes and Information Technology infrastructure and systems, and to ascertain how to restructure those processes and systems to increase organizational efficiency and effectiveness. The ER allows Treasury-wide EA information for each of the sub-architecture levels to be captured centrally. Each Treasury Department bureau is configured to interface with the EA tool, which allows immediate access to current information across the Department of the Treasury.

E-Government Initiatives +$2,166,000 / +0 FTE This funding provides for the development and implementation of needs assessments, functional requirements, and implementation of applicable E-Government initiatives. The Office of the Chief Information Officer (OCIO) provides program management oversight and departmental coordination for each of the initiatives, assuring compliance by all bureaus. If not funded, the Treasury Department will be at risk of not meeting the mandates of the E-Government component of the President's Management Agenda (PMA). This funding will enable the Treasury Department to continue to meet the implementation milestones in the OMB-approved E-Government Implementation Plan, positively impacting the Department of the Treasury's ability to achieve a "Green" rating for the expanding E-Government initiatives of the PMA.

Integrated Wireless Network +$2,000,000 / +0 FTE This investment will enable the Treasury Department to participate in the Integrated Wireless Network (IWN) as well as continue to upgrade existing land-mobile-radio equipment. The new equipment acquired will be based on the Project-25 suite of standards for public safety communications, which supports law enforcement, first responders, and homeland security requirements with integrated communication services (voice, data, and multimedia) in a wireless environment. The Department of the Treasury relies on these systems to accomplish its mission, which includes agent safety, investigations, surveillance, and facility protection and security. Funding will make it possible for the Treasury Department to meet the National Telecommunications and Information Administration (NTIA) narrow banding mandate, National Institute of Standards and Technology

(NIST) security standards for Advanced Encryption Standards, and the Association of Public Safety Communications Officials Project 25 standards for public safety digital radio.

Treasury Back-up Disaster Recovery +$4,000,000 / +0 FTE The disaster recovery site for the Departmental Offices (DO) does not provide the capability to run many mission-critical applications. Continuity of Operations Plan (COOP) exercises have demonstrated that the current capability of the disaster recovery site does not meet the disaster scenario requirements of offices such as the Office of the Secretary, Office of Terrorism and Financial Intelligence (TFI), and the Office of Domestic Finance. Funding is required to provide server infrastructure and storage area network (SAN) upgrades and services to facilitate disaster recovery business solutions for DO. These upgrades will enable DO to meet critical requirements in the event of a disaster.

Treasury Secure Data Network +$2,000,000 / +0 FTE The Treasury Secure Data Network (TSDN) is the computer and network infrastructure that enables the communication and distribution of classified (Secret level) information to over 400 Departmental Offices and bureau users. TSDN also provides Treasury users with access to the Secret Internet Protocol Router Network (SPIRNET) and the Department of Defense classified communications network. This access is vital to ensuring TFI and its components (Office of Foreign Assets Control and Office of Intelligence and Analysis), FinCEN, and Internal Revenue Service Criminal Investigations can communicate effectively with colleagues in the law enforcement, Defense, and State Department communities. Treasury's expanding role in financial intelligence has significantly increased the demand for TSDN seats and services; however, TSDN remains an out-of-date and unstable system. This funding will allow for the continued stabilization and enhancement of the system to meet the growing user demand.

Legislative Proposals

DSCIP has no legislative proposals for FY 2008.

Office of Inspector General

Program Summary by Appropriations Account
(Dollars in thousands)

Appropriation	FY 2006	FY 2007		FY 2008		
	Enacted	President's Budget	CR-rate	President's Budget	$ Change over CR-rate	% Change over CR-rate
Salaries and Expenses	$16,830	$17,352	$17,022	$18,450	$1,428	8.4%
Audit	11,549	11,908	11,682	12,661	979	8.4%
Investigations	5,281	5,444	5,340	5,789	449	8.4%
Subtotal, Office of Inspector General	$16,830	$17,352	$17,022	$18,450	$1,428	8.4%
Offsetting Collections - Reimbursables	2,342	2,342	2,342	1,300	(1,042)	(44.5%)
Total Program Operating Level	$19,172	$19,694	$19,364	$19,750	$386	2.0%

Explanation of Request

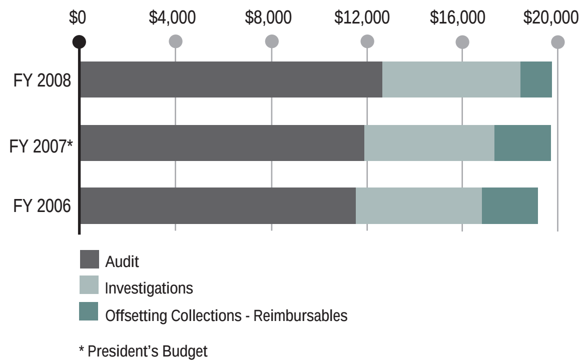
The FY 2008 President's Budget request for the Office of Inspector General (OIG) will be used to provide critical audit and investigative services, ensuring the effectiveness and integrity of the Department of the Treasury's programs and operations. While there are a number of critical areas where the OIG will provide oversight, highlights of three of the Department's most serious management challenges where the OIG will focus resources include:

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

The requested funding will also allow OIG to continue to prevent, detect and investigate complaints of fraud, waste and abuse at eight Treasury bureaus and all non-Internal Revenue Service (IRS) Treasury offices, including detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury.

Total resources required to support OIG operations for FY 2008 are $19,750,000, including $18,450,000 from direct appropriations, and $1,300,000 from reimbursable agreements for contract audits of other Treasury bureaus.

OIG Funding History
[Dollars in Thousands]



Purpose of Program

The Treasury OIG plays a major role in support of the Department of the Treasury's goal to 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 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.

OIG FY 2008 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2006 Enacted	$16,830
FY 2007 President's Budget	$17,352
CR-rate Adjustment	(330)
FY 2007 CR-rate	$17,022
Changes to base:	
Technical Adjustment to FY 2007 Base due to CR:	$882
Base Adjustment	882
Maintaining Current Levels (MCLs):	$546
Non-Pay Inflation Adjustment	95
Pay Annualization	71
Pay Inflation Adjustment	380
Subtotal FY 2008 Changes to Base	$1,428
FY 2008 Base	$18,450
Total FY 2008 President's Budget	**$18,450**

FY 2008 Budget Adjustments

FY 2007 President's Budget
The FY 2007 President's Budget request for OIG is $17,352,000.

Adjustments

CR-rate Adjustment -$330,000 / +0 FTE Adjustment from the FY 2007 President's Budget to reach the FY 2007 Continuing Resolution annualized rate (CR-rate).

Technical Adjustment to FY 2007 Base due to CR

Base Adjustment +$882,000 / +0 FTE Technical adjustment to FY 2007 base due to CR.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$546,000 / +0 FTE Funds are requested for: FY 2008 cost of the January 2007 pay increase of $71,000; proposed January 2008 pay raise of $380,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $95,000.

Explanation of Budget Activities

Salaries and Expenses

Audit ($12,661,000 from direct appropriations and $1,300,000 from reimbursable programs) The Office of Audit conducts audits of eight Treasury bureaus and all non-IRS Treasury offices; produces more than 50 reports annually; and provides firsthand, unbiased perspectives and recommendations for improving the economy, efficiency, and effectiveness of Treasury programs and operations. The Office of Audit often identifies significant cost savings to the government, principally through self-initiated audits. The Office of Audit also responds to requests by Treasury officials and the Congress for specific work. While certain audits are required by law to be conducted every year, the number of additional congressionally-required and requested audits has increased in recent years.

Investigations ($5,789,000 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 2008.

Description of Performance

In FY 2006, OIG efforts resulted in 57 audits completed, 68 new cases opened, 149 investigations referred, potential monetary benefits of $35 million identified, and nearly $600 thousand collected in fines, restitution, recoveries, and settlements.

In FY 2007, the Office of Audit will perform or supervise contractors to meet mandated audit requirements. The Office of Audit will also continue to work with the Department and focus a substantial amount of its self-initiated audit resources to address the major management and performance challenges identified by the Inspector General. Those challenges are (1) Corporate Management, (2) Management of Capital Investments, (3) Information Security, (4) Linking Resources to Results, and (5) Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement.

In FY 2007, the Office of Investigations plans to continue investigating all reports of fraud, waste and abuse and other criminal activity. FY 2007 resources will enable the Office of Investigations to maintain the improvements being made in an effort

OIG Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
Audit	Number of completed audits and evaluations (Ot)	49	54	57	✓	56	56
	Percent of statutory audits completed by the required date (%)	100	100	100	✓	100	100
Investigations	Number of investigations referred for criminal prosecution, civil litigation or corrective administrative action.	N/A	85	144	✓	105	105

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

to aggressively investigate, close, and refer cases in a timely manner. The Office of Investigations will also continue to conduct a limited number of proactive integrity projects such as the fraudulent improper payments project initiated in FY 2006.

FY 2008 requested resources will allow OIG to maintain performance at a level consistent with FY 2006 and FY 2007. OIG has continued to direct a significant portion of its limited resources to auditing Treasury programs that combat terrorist financing and money laundering, including a number of important audits at the Financial Crimes Enforcement Network, OFAC, OCC, and OTS. OIG expects to complete 56 audits and evaluations and refer 105 investigations in FY 2008.

Treasury Inspector General for Tax Administration

Program Summary by Appropriations Account
(Dollars in thousands)

Appropriation	FY 2006	FY 2007		FY 2008		
	Enacted	President's Budget	CR-rate	President's Budget	$ Change over CR-rate	% Change over CR-rate
Salaries and Expenses	$131,953	$136,469	$131,953	$140,553	$8,600	6.5%
Audit	49,761	51,521	49,686	52,959	3,273	6.6%
Investigations	82,192	84,948	82,267	87,594	5,327	6.5%
Subtotal, Inspector General for Tax Administration	$131,953	$136,469	$131,953	$140,553	$8,600	6.5%
Offsetting Collections - Reimbursables	1,200	1,200	1,200	1,200	0	0.0%
Total Program Operating Level	$133,153	$137,669	$133,153	$141,753	$8,600	6.5%

Explanation of Request

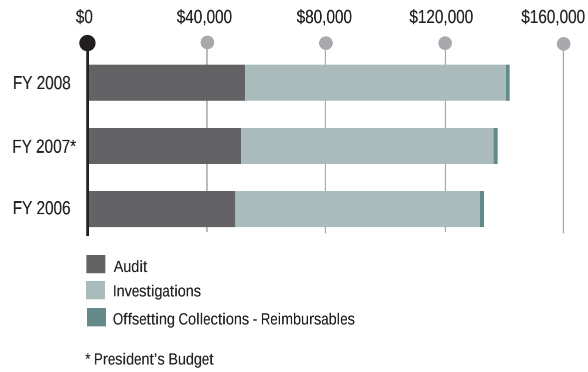
The FY 2008 President's Budget request for the Treasury Inspector General for Tax Administration (TIGTA) will be used to continue to provide critical audit and investigative services, ensuring the integrity of tax administration on behalf of the nation's taxpayers. While there are a number of critical areas where TIGTA will provide oversight, highlights of TIGTA's investigative and audit priorities include:

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

Total resources required in FY 2008 to support TIGTA's mission are $141,753,000, including $140,553,000 from direct appropriations, and approximately $1,200,000 from reimbursable agreements.

TIGTA Funding History

[Dollars in Thousands]



Purpose of Program

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

TIGTA FY 2008 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2006 Enacted	$131,953
FY 2007 President's Budget	$136,469
CR-rate Adjustment	(4,516)
FY 2007 CR-rate	$131,953
Changes to base:	
Technical Adjustment to FY 2007 Base due to CR:	$3,726
Base Adjustment	3,726
Maintaining Current Levels (MCLs):	$4,874
Non-Pay Inflation Adjustment	672
Pay Annualization	579
Pay Inflation Adjustment	3,623
Subtotal FY 2008 Changes to Base	$8,600
FY 2008 Base	$140,553
Total FY 2008 President's Budget	**$140,553**

FY 2008 Budget Adjustments

FY 2007 President's Budget

The FY 2007 President's Budget request for TIGTA is $136,469,000.

Adjustments

CR-rate Adjustment -$4,516,000 / -33 FTE Adjustment from the FY 2007 President's Budget to reach the FY 2007 Continuing Resolution annualized rate (CR-rate).

Technical Adjustment to FY 2007 Base due to CR

Base Adjustment +$3,726,000 / +18 FTE Technical adjustment to FY 2007 base due to CR.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$4,874,000 / +0 FTE Funds are requested for: FY 2008 cost of the January 2007 pay increase of $579,000; proposed January 2008 pay raise of $3,623,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $672,000.

Explanation of Budget Activities

Salaries and Expenses

Audit ($52,959,000 from direct appropriations and $725,000 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 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. Overall, as of September 30, 2006, audit reports potentially produced financial accomplishments of $1.8 billion, and potentially impacted approximately 1.8 million taxpayer accounts in areas such as taxpayer burden, rights, and entitlements. OA develops an annual audit plan that communicates oversight priorities to Congress, the Department of the Treasury, and the IRS. Emphasis is placed on mandatory coverage imposed by RRA 98 and other statutory authorities, as well as issues impacting computer security, taxpayer rights and privacy, and financial-related audits. OA's work focuses on IRS' major management challenges, IRS' progress in achieving its strategic goals, eliminating IRS' systemic weaknesses, and IRS' response to the President's Management Agenda initiatives.

Investigations ($87,594,000 from direct appropriations and $475,000 from reimbursable programs) TIGTA's mission includes 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's Office of Investigations (OI) 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. Employee investigations include extortion, theft, taxpayer abuses, false statements, financial fraud, and unauthorized access (UNAX) of confidential taxpayer records by IRS employees. Investigations of external attempts to corrupt 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. TIGTA assists in maintaining IRS employee and infrastructure security by investigating incidents of sabotage, threats or assaults made against IRS employees, facilities, and infrastructure.

Legislative Proposals

TIGTA has no legislative proposals for FY 2008.

TIGTA Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
Audit	Percentage of Audit Products Delivered When Promised to Stakeholders	N/A	N/A	N/A	N/A	Baseline	N/A
	Percentage of Recommendations Made That Have Been Implemented	N/A	N/A	N/A	N/A	Baseline	N/A
Investigations	Percentage of positive results from investigative activities (%) (Oe)	Baseline	82	79	✓	73	73

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

Description of Performance

- Produced 171 audit reports potentially impacting approximately 1.8 million taxpayer accounts in areas such as taxpayer burden, rights, and entitlements, and identified approximately $1.8 billion in potential costs savings and protected revenue.
- Closed 3,412 investigations, and achieved 79 percent positive results (e.g., referrals for prosecution or administrative action), including 1,485 cases of employee misconduct referred to the IRS for administrative action and 268 cases accepted for prosecution.

Community Development Financial Institutions Fund

Program Summary by Appropriations Account

(Dollars in thousands)

Appropriation	FY 2006 Enacted	FY 2007 President's Budget	FY 2007 CR-rate	FY 2008 President's Budget	FY 2008 $ Change over CR-rate	FY 2008 % Change over CR-rate
Program Account	$54,450	$7,821	$40,000	$28,557	($11,443)	(28.6%)
Community Development Financial Institutions Program	30,969	0	23,007	24,437	1,430	6.2%
New Markets Tax Credit Program	4,254	4,314	3,802	4,120	318	8.4%
Bank Enterprise Award	13,417	0	9,591	0	(9,591)	(100.0%)
Native Initiatives	5,810	0	3,600	0	(3,600)	(100.0%)
Portfolio Management	0	3,507	0	0	0	0.0%
Subtotal, Community Development Financial Institutions Fund	$54,450	$7,821	$40,000	$28,557	($11,443)	(28.6%)
Total Program Operating Level	$54,450	$7,821	$40,000	$28,557	($11,443)	(28.6%)

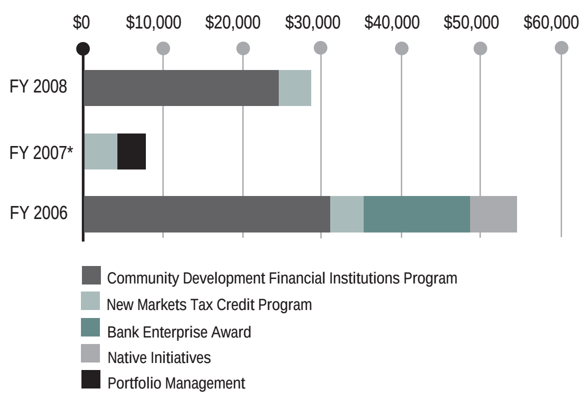
Explanation of Request

The FY 2008 President's Budget request for the Community Development Financial Institutions (CDFI) Fund will help the Fund meet its mission of promoting access to capital and local economic growth in urban and rural low-income communities across the nation. Through its various programs, the CDFI Fund enables locally based organizations to further goals such as economic development; affordable housing; and community development financial services. No funding is being requested for the Bank Enterprise Award Program.

Total resources required to support CDFI Fund activities for FY 2008 are $28,557,000 from direct appropriations.

CDFI Funding History

[Dollars in Thousands]



* President's Budget

Purpose of Program

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

CDFI FY 2008 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2006 Enacted	$54,450
FY 2007 President's Budget	$7,821
CR-rate Adjustment	32,179
FY 2007 CR-rate	$40,000
Changes to base:	
Maintaining Current Levels (MCLs):	$250
Non-Pay Inflation Adjustment	77
Pay Annualization	24
Pay Inflation Adjustment	149
Subtotal FY 2008 Changes to Base	$250
FY 2008 Base	$40,250
Program Changes:	
Program Decreases:	($13,191)
Bank Enterprise Award Program	(9,591)
Native Initiatives	(3,600)
Program Increases:	$1,498
Community Development Financial Institutions Prog.	1,309
New Markets Tax Credit Program	189
Subtotal FY 2008 Program Changes	($11,693)
Total FY 2008 President's Budget	**$28,557**

FY 2008 Budget Adjustments

FY 2007 President's Budget

The FY 2007 President's Budget request for the CDFI Fund is $7,821,000.

Adjustments

CR-rate Adjustment +$32,179,000 / +28 FTE Adjustment from the FY 2007 President's Budget to reach the FY 2007 Continuing Resolution annualized rate (CR-rate).

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$250,000 / +0 FTE Funds are requested for: FY 2008 cost of the January 2007 pay increase of $24,000; proposed January 2008 pay raise of $149,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $77,000.

Program Decreases

Bank Enterprise Award Program -$9,591,000 / -7 FTE The Fund is not requesting resources for the Bank Enterprise Award (BEA) Program in FY 2008.

Native Initiatives -$3,600,000 / -6 FTE No separate authorization exists for Native Initiatives so no separate set aside is being requested in FY 2008.

Program Increases

Community Development Financial Institutions Program +$1,309,000 / +11 FTE The Fund is seeking an increased level of funding for this program. Because no separate authorization exists for Native Initiatives, no separate funding is being requested in FY 2008 for Native Initiatives and the related 6 FTEs used to administer Native Initiatives will instead be used to administer the CDFI Program.

In addition, due to no funding being requested for the BEA Program in FY 2008, five of the seven FTEs utilized by the BEA Program will be moved to the CDFI Program.

New Markets Tax Credit Program +$189,000 / +2 FTE Due to no funding being requested for the BEA Program in FY 2008, 2 (of the 7) FTEs utilized by the BEA Program will be moved to the NMTC Program.

Explanation of Budget Activities

Program Account

Community Development Financial Institutions Program ($24,437,000 from direct appropriations) The CDFI Program uses federal resources to invest in and build the capacity of CDFIs to serve low-income people and communities lacking adequate access to affordable financial products and services. The CDFI Program provides monetary awards for financial assistance to further economic development (job creation, business development, and commercial real estate development); affordable housing (housing development and homeownership); and community development financial services (provision of basic banking services to underserved communities and financial literacy training). The CDFI Program also provides technical assistance awards to help start-up and existing CDFIs build their capacity to serve their target markets through the acquisition of consulting services, technology purchases, and staff or board training.

New Markets Tax Credit Program ($4,120,000 from direct appropriations) The NMTC Program attracts private sector capital into low-income communities. Community Development Entities (CDEs) apply to the Fund for allocations of tax credits in annual competitive rounds. The CDEs, in turn, provide tax credits to private investors in exchange for equity investments, which are invested in low-income communities. In addition to awarding tax credits, the Fund monitors CDE compliance with the terms of their allocation agreements.

Legislative Proposals

The CDFI Fund has no legislative proposals for FY 2008.

CDFI Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
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. (in millions) (Oe)	1,300	1,800	1,400	✓	861	643
	Number of full-time equivalent jobs created or maintained in underserved communities by businesses financed by CDFI Program Awardees and New Markets Tax Credit (NMTC) Allocatees (Oe)	9,212	23,656	22,329	✗	34,009	37,000
New Markets Tax Credit Program	Amount of investments in low-income communities that Community Development Entitites (CDEs) have made with capital raised through their New Markets Tax Credit (NMTC) tax credit allocations ($ in billions)(Oe)	Baseline	1.1	2	✓	2.1	2.5

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

Description of Performance

The CDFI Fund expects to achieve the following performance objectives in selected program areas with requested funding in FY 2008:

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

Financial Crimes Enforcement Network

Program Summary by Appropriations Account
(Dollars in thousands)

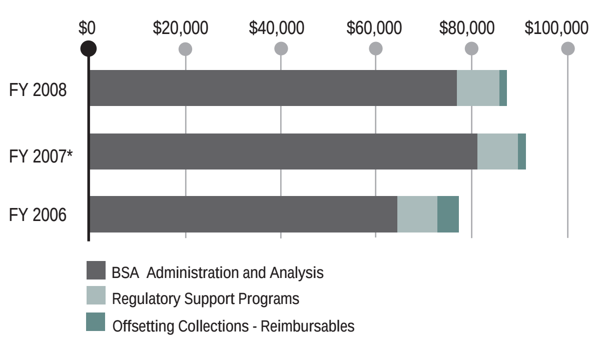
Appropriation	FY 2006 Enacted	FY 2007 President's Budget	FY 2007 CR-rate	FY 2008 President's Budget	FY 2008 $ Change over CR-rate	FY 2008 % Change over CR-rate
Salaries and Expenses	$72,894	$89,794	$70,568	$85,844	$15,276	21.6%
BSA Administration and Analysis	64,458	81,143	62,132	76,889	14,757	23.8%
Regulatory Support Programs	8,436	8,651	8,436	8,955	519	6.2%
Subtotal, Financial Crimes Enforcement Network	$72,894	$89,794	$70,568	$85,844	$15,276	21.6%
Offsetting Collections - Reimbursables	4,473	1,541	1,541	1,541	0	0.0%
Total Program Operating Level	$77,367	$91,335	$72,109	$87,385	$15,276	21.2%

Explanation of Request

The FY 2008 President's Budget request for the Financial Crimes Enforcement Network (FinCEN) 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 strengthens FinCEN's disaster recovery capability of critical information technology systems, and enhances its project management capabilities. These enhancements will help FinCEN meet OMB, Treasury and GAO requirements to improve its project management capability.

Total requested resources to support FinCEN activities for FY 2008 are $87,385,000, including $85,844,000 from direct appropriations and $1,514,000 from offsetting collections and reimbursable agreements.

FinCEN Funding History
[Dollars in Thousands]



* President's Budget

Purpose of Program

The Financial Crimes Enforcement Network (FinCEN), a bureau within Treasury's Office of Terrorism and Financial Intelligence, is responsible for safeguarding the nation's financial system from the abuses of financial crime including terrorist financing, money laundering, and other illicit activity. FinCEN fulfills its responsibility to safeguard the financial system from the abuses of financial crime through the administration of the BSA; supporting law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence; building global cooperation with its counterpart financial intelligence units; and networking people, ideas, and information.

FinCEN's activities have helped create transparency in the financial system, thus strengthening the nation's

FinCEN FY 2008 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2006 Enacted	$72,894
FY 2007 President's Budget	$89,794
CR-rate Adjustment	(19,226)
FY 2007 CR-rate	$70,568
Changes to base:	
Technical Adjustment to FY 2007 Base due to CR:	$9,266
Annualization of the FY 2006 Initiatives	2,498
FY 2007 Initiatives	3,373
FY 2007 MCL	3,395
Maintaining Current Levels (MCLs):	$2,777
Non-Pay Inflation Adjustment	1,335
Pay Annualization	203
Pay Inflation Adjustment	1,239
Initiative Annualization:	$740
Annualization of FY 2007 Initiative: BSA E-Filing	740
Subtotal FY 2008 Changes to Base	$12,783
FY 2008 Base	$83,351
Program Changes:	
Program Increases:	$2,493
Disaster Recovery Capability	743
Enhance Project Management Capability	1,750
Subtotal FY 2008 Program Changes	$2,493
Total FY 2008 President's Budget	**$85,844**

defenses against criminals that launder illicit proceeds in the United States. FinCEN's use of powerful tools, such as the BSA and the USA PATRIOT Act, help accomplish its mission of protecting the financial system from abuse.

FY 2008 Budget Adjustments

FY 2007 President's Budget

The FY 2007 President's Budget request for FinCEN is $89,794,000.

Adjustments

CR-rate Adjustment -$19,226,000 / -18 FTE Adjustment from the FY 2007 President's Budget to reach the FY 2007 Continuing Resolution annualized rate (CR-rate).

Technical Adjustment to FY 2007 Base due to CR

Annualization of the FY 2006 Initiatives +$2,498,000 / +18 FTE This provides additional funding to annualize the staffing initiative approved in FY 2006. The increased staff enables the bureau to better assess and respond to the challenges posed by terrorist financiers and operatives, money launderers, and other perpetrators of financial crime against domestic and global financial systems.

FY 2007 Initiatives +$3,373,000 / +0 FTE Restores requested funding for FY 2007 increases for BSA E-Filing ($873,000) and the Cross-Border Wire Transfer ($2,500,000). The BSA E-Filing funds will enable FinCEN to implement enhancements to improve operations of the Bank Secrecy Act (BSA) collection processes, including reference number assignment, error notification or other correspondence, and improved editing of certain types of filing errors. The requested Cross-Border Wire Transfer System funds will enable FinCEN to begin the design and, if the Secretary gives final approval, initial development of the technological systems required to receive, securely store, analyze, and disseminate reports of cross-border electronic funds transfers. This is in accordance with the Intelligence Reform Act of 2004, Section 6302.

FY 2007 MCL +$3,395,000 / +0 FTE This provides restoration of funding required for the FY 2007 costs of the FY 2006 pay increase of $229,000; the proposed January 2007 pay raise and other labor related benefits of $635,000; non-labor related items such as contracts, travel, supplies, equipments, and GSA rent adjustments of $1,065,000, and deferred replacement of information technology equipment and other planned contracts of $1,466,000.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$2,777,000 / +0 FTE Funds are requested for: FY 2008 cost of the January 2007 pay increase of $203,000; proposed January 2008 pay raise of $1,239,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $1,335,000.

Initiative Annualization

Annualization of FY 2007 Initiative: BSA E-Filing +$740,000 / +0 FTE This provides additional funding to annualize the remaining required modernization and service level increases that were included in the FY 2007 Budget Request. The BSA E-Filing program has experienced continued success in increasing the number of filers and electronic filings. These funds will enable FinCEN to increase support to users necessary to meet the future 90 percent E-filing target, expand options for single form filers, add system capacity and implement network equipment upgrades and back up capabilities.

Program Increases

Disaster Recovery Capability +$743,000 / +0 FTE Funds are requested to provide ongoing site maintenance, telecommunications and system hosting for the critical information technology system disaster recovery site established in FY 2006/2007 through redirection of one-time prior year funding. By establishing this capability for critical system redundancy, FinCEN has reduced the system recovery time from 6 months to 4 hours and significantly reduced the risk of losing access to critical systems. The maintenance of the disaster recovery capability will allow FinCEN, in the event of a sustained outage or other emergency, to continue critical systems that access the BSA data through the Secure Outreach portal.

Enhance Project Management Capability +$1,750,000 / +4 FTE A recent review of FinCEN's programs identified a need to strengthen project management practices throughout the organization for information technology and non-information technology projects. A portion of this initiative will fund IT program and support activities such as capital planning and information security. Another portion of this initiative will fund project management oversight to ensure successful planning and execution for all of FinCEN's project management efforts.

Explanation of Budget Activities

Salaries and Expenses

BSA Administration and Analysis ($76,889,000 from direct appropriations and $1,541,000 from reimbursable programs) This activity comprises FinCEN's efforts to administer the Bank Secrecy Act (BSA), such as promulgating regulations, providing outreach and guidance to the regulated industries, initiating regulatory enforcement actions, providing oversight of the compliance with the Bank Secrecy Act, and, with the Internal Revenue Service (IRS), managing the information filed by the regulated industries. Internationally, FinCEN promotes the development of anti-money laundering regimes through training and technical assistance. This activity also incorporates efforts to support large-scale, complex law enforcement investigations involving terrorist financing, money laundering, and other financial crimes. It also includes facilitating the exchange of investigative information with foreign jurisdictions, and 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.

Regulatory Support Programs ($8,955,000 from direct appropriations) This activity supports implementation, strengthening and clarification of the anti-money laundering program, recordkeeping, and reporting requirements of the BSA for financial institutions subject to those requirements. FinCEN will also continue efforts with the IRS, especially related to the money services business industry, to ensure compliance, respond to public inquiries, distribute forms and publications, and support collection and maintenance of the BSA data. These resources also fund IRS BSA compliance activities for non-banking financial institutions, especially related to the money services business industry.

Legislative Proposals

FinCEN has no legislative proposals for FY 2008.

Description of Performance

FinCEN met the majority of its suite of performance measures. Some highlights of this performance are listed below:

FinCEN Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
BSA Administration and Analysis	Average time to process enforcement matters (in Years) (E)	1	1.3	1	✓	1	1
	Percentage of FinCEN's Resource Center customers rating the regulatory guidance received as understandable (Ot)	N/A	N/A	94	Baseline	90	90
	Percentage of customers finding FinCEN's analytic reports highly valuable (Oe).	N/A	N/A	N/A	N/A	78	79
	Percentage of customers satisfied with the BSA Direct E-Filing component (Oe)	N/A	N/A	92	Baseline	90	90

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

FinCEN conducted a baseline survey of the Regulatory Resource Center customers rating the regulatory guidance received as understandable and established an FY 2006 baseline of 94 percent. Providing understandable guidance to financial institutions is critical to establishing programs that comply with the BSA.

FinCEN works closely with its regulatory partners to take action against institutions that violate the compliance and enforcement provisions of the BSA; an example of an action taken includes the imposition of stiff monetary penalties as appropriate. Timely enforcement action communicates urgency to financial institutions, and is paramount to deterring non-compliance. In FY 2006, FinCEN met their target measure of 1.0 years average time to process cases. The year-to-date actual result of 1.0 years reflects effective use of resources. In addition, FinCEN is continuing to work toward developing measures of the impact of program activities on preventing the misuse of the financial system by those engaged in illicit activities.

FinCEN supports law enforcement and its regulatory industry partners by facilitating information sharing and providing analyses of BSA data. In FY 2006, a survey of FinCEN's customers found that 69 percent rated FinCEN's analytic products as valuable, not meeting its target. FinCEN revised this measure as a result of the FY 2006 Program Assessment Rating tool (PART) process. The reformatted measure will more closely tie to how BSA data is used by law enforcement, regulators, and international partners to identify, stop, and prevent abuse of the financial systems.

FinCEN also conducted a baseline survey of their users of the BSA Direct E-Filing system to determine the overall satisfaction level and to identify where improvements are needed. The FY 2006, 92 percent of the respondents were satisfied with the BSA Direct E-Filing system.

Alcohol and Tobacco Tax and Trade Bureau

Program Summary by Appropriations Account
(Dollars in thousands)

Appropriation	FY 2006	FY 2007		FY 2008		
	Enacted	President's Budget	CR-rate	President's Budget	$ Change over CR-rate	% Change over CR-rate
Salaries and Expenses	$90,215	$92,604	$90,215	$93,515	$3,300	3.7%
Collect the Revenue	49,618	45,376	46,010	47,693	1,683	3.7%
Protect the Public	40,597	47,228	44,205	45,822	1,617	3.7%
Subtotal, Alcohol and Tobacco Tax and Trade Bureau	$90,215	$92,604	$90,215	$93,515	$3,300	3.7%
Offsetting Collections - Reimbursables	1,700	1,700	1,700	1,700	0	0.0%
Total Program Operating Level	$91,915	$94,304	$91,915	$95,215	$3,300	3.6%

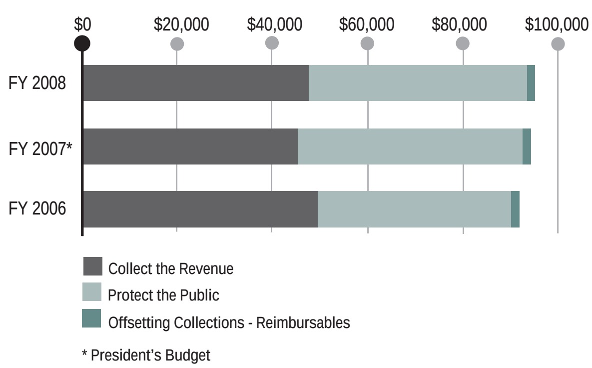
Explanation of Request

The Alcohol and Tobacco Tax and Trade Bureau (TTB) will continue to focus efforts on helping industry members comply with alcohol and tobacco laws and regulations, thus ensuring that all the appropriate excise taxes are collected and that consumers are provided with alcohol beverages that meet all federal production, labeling, advertising and marketing standards. The FY 2008 President's Budget request for TTB enables the continuation of efforts to meet the performance measures that support TTB's strategic goals to collect the revenue and protect the public.

Total resources required to support TTB activities for FY 2008 are $95,215,000, including $93,515,000 from direct appropriations and an estimate of $1,700,000 in offsetting collections and reimbursable programs.

TTB Funding History

[Dollars in Thousands]



Purpose of Program

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

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

The excise taxes collected by TTB come from approximately 7,500 businesses, and the taxes are imposed and collected at the producer and importer level of operations. Members of the regulated industries paying excise taxes are distilleries, breweries, bonded wineries, bonded wine cellars, manufacturers of paper and tubes for tobacco products, manufacturers of tobacco products, and manufacturers and importers of firearms and ammunition. About 200 of the largest taxpayers account for 98 percent of the annual excise tax collected. In FY 2006, the majority of taxes collected were from tobacco (50 percent) and alcohol

(48 percent), with the remainder from firearms and ammunition (2 percent).

Strategies used to collect all the revenue rightfully due include 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 targets non-compliant industry members, and establishing an identifiable presence within the 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 40,000 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 to 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 2008 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2006 Enacted	$90,215
FY 2007 President's Budget	$92,604
CR-rate Adjustment	(2,389)
FY 2007 CR-rate	$90,215
Changes to base:	
Technical Adjustment to FY 2007 Base due to CR:	$404
Non-Pay Inflation Adjustment	404
Maintaining Current Levels (MCLs):	$2,896
Non-Pay Inflation Adjustment	931
Pay Annualization	287
Pay Inflation Adjustment	1,678
Subtotal FY 2008 Changes to Base	$3,300
FY 2008 Base	$93,515
Program Changes:	
Program Decreases:	($441)
Field Operations / National Revenue Center	(441)
Program Reinvestment:	$441
Field Operations / Tobacco Enforcement Division	441
Subtotal FY 2008 Program Changes	$0
Total FY 2008 President's Budget	**$93,515**

FY 2008 Budget Adjustments

FY 2007 President's Budget

The FY 2007 President's Budget request for TTB is $92,604,000.

Adjustments

CR-rate Adjustment -$2,389,000 / +0 FTE Adjustment from the FY 2007 President's Budget to reach the FY 2007 Continuing Resolution annualized rate (CR-rate).

Technical Adjustment to FY 2007 Base due to CR

Non-Pay Inflation Adjustment +$404,000 / +0 FTE Adjustment to restore FY 2007 base due to CR.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$2,896,000 / +0 FTE Funds are requested for: FY 2008 cost of the January 2007 pay increase of $287,000; proposed January 2008 pay raise of $1,678,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $931,000.

Program Decreases

Field Operations / National Revenue Center -$441,000 / +0 FTE TTB realigned its staff resources from the National Revenue Center to create the Tobacco Enforcement Division.

Program Reinvestment

Field Operations / Tobacco Enforcement Division +$441,000 / +0 FTE TTB realigned its staff resources to create the Tobacco Enforcement Division to monitor domestic tobacco trade and act as the bureau's tobacco coordinator. This action will improve identification of potential targets for investigation, and TTB will be able to ensure that only qualified applicants enter the tobacco trade, ensure compliance with the tax laws, and to facilitate voluntary compliance.

Explanation of Budget Activities

Salaries and Expenses

Collect the Revenue ($47,693,000 from direct appropriations and $867,000 from reimbursable programs) The Collect the Revenue activity works toward providing the most effective and efficient systems for the collection of tax revenue, eliminating or preventing tax evasion and other criminal conduct, and providing high quality service while imposing the least regulatory burden on taxpayers. This program includes projects designed to allow taxpayers to report and pay excise taxes electronically.

Protect the Public ($45,822,000 from direct appropriations and $833,000 from reimbursable programs) The Protect the Public activity ensures the integrity of products and industry members in the marketplace, ensures compliance with laws and regulations by regulated industries, and provides information to the public as a means to prevent consumer deception. Under this activity, TTB enforces compliance with federal laws related to the issuance of permits to industry members and the production, 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 one additional year. TTB proposes to continue the Pay Demonstration Program by amending the general provision language to extend the program one additional year.

Description of Performance

TTB met all of its performance measures under the Collect the Revenue strategy. Investments in the Collect the Revenue Activity resulted in several accomplishments during FY 2006:

- TTB collected $14.8 billion in excise taxes, interest, and other revenues from alcohol, tobacco, firearms, and ammunition industries from 7,500 excise taxpayers holding permits.
- TTB 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. TTB has registered over 1,600 taxpayers to use Pay.Gov. In FY 2006, 98 percent of TTB's tax receipts were collected electronically.
- Voluntary compliance – 76 percent of taxpayers filed payments on or before the scheduled due date.
- TTB processed $359 million in cover-over payments to Puerto Rico and $6 million to the Virgin Islands. Federal excise taxes collected on rum produced in Puerto Rico and the Virgin Islands and imported into the United States are "covered-over" (or paid into) the treasuries of Puerto Rico and the Virgin Islands.

TTB met two of its three performance measures under the Protect the Public strategy. The only measure not met is the percentage of Certificates of Label Approval applications processed within nine calendar days following receipt. This measure is difficult to achieve because the Certificate of Label Approval workloads are expected to continue to rise while staff will remain at a constant level.

TTB Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
Collect the Revenue	Percentage of Voluntary Compliance in filing tax payments timely and accurately (in terms of number of compliant industry members)(%) (Oe)	N/A	70	75.95	✓	78	76
	Percentage of Voluntary Compliance in filing tax payments timely and accurately (in terms of revenue) (%) (Oe)	81.2	86.3	87.2	✓	88	87
	Percentage of total tax receipts collected electronically (%) (E)	97.3	98	98	✓	98	98
Protect the Public	Percentage of permit application (original and amended) processed by the National Revenue Center within 60 days (%) (E)	N/A	81	86	✓	82	82

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

Investments in the Protect the Public Activity resulted in several accomplishments during FY 2006:

- TTB processed 114,000 Certificate of Label Approval (COLAs) applications, 37 percent of which were e-filed through COLAs Online. The Federal Alcohol Administration Act requires importers and bottlers of alcoholic beverages to obtain a COLA prior to introduction of the product into commerce.

- TTB issued 5,400 original and 21,000 amended permits. 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.

- TTB participated in negotiations between the United States and Mexico regarding cross-border trade in tequila, which resulted in a signed agreement on January 17, 2006. This agreement protects approximately $560 million per year of tequila imports in terms of gross revenues to major members of the distilled spirits industry.

- TTB played a significant role in negotiating a March 2006 agreement between the U.S. and the European community regarding trade in wine. The signed agreement covers wine-making practices and labeling, and will facilitate bilateral trade in wine valued at $2.8 billion annually.

Financial Management Service

Program Summary by Appropriations Account
(Dollars in thousands)

Appropriation	FY 2006	FY 2007		FY 2008		
	Enacted	President's Budget	CR-rate	President's Budget	$ Change over CR-rate	% Change over CR-rate
Salaries and Expenses	$233,881	$233,654	$233,292	$235,191	$1,899	0.8%
Payments	144,135	147,358	147,130	146,465	(665)	(0.5%)
Collections	16,931	17,396	17,367	19,869	2,502	14.4%
Debt Collection	10,162	5,250	5,250	0	(5,250)	(100.0%)
Government-wide Accounting and Reporting	62,653	63,650	63,545	68,857	5,312	8.4%
Subtotal, Financial Management Service	$233,881	$233,654	$233,292	$235,191	$1,899	0.8%
Offsetting Collections - Reimbursables	167,770	196,282	196,282	215,179	18,897	9.6%
Total Program Operating Level	$401,651	$429,936	$429,574	$450,370	$20,796	4.8%

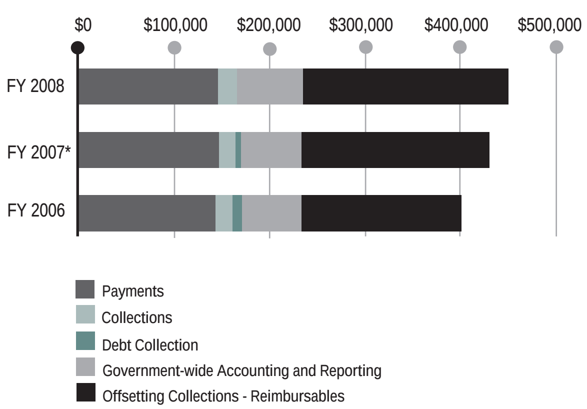
Explanation of Request

The FY 2008 President's Budget request for Financial Management Service (FMS) includes initiatives to enhance and improve operations. The primary initiatives include (1) Realignment/Restructuring; (2) Capital Assets Refresh; and (3) the Financial Information Reporting Standardization (FIRST) program. The Realignment/Restructuring calls for FMS to relocate and transfer the functions performed at the Hyattsville Regional Operation Center (HROC) to the Kansas City Regional Operations Center (KROC). This addresses several issues with a main focus on continuity of operations and disaster recovery. The Capital Refresh Program will upgrade equipment for the FMS data center relocation to Kansas City. Currently, 73 percent of FMS' capital assets are past their useful life. The FIRST initiative will improve the accuracy and integrity of budgetary and proprietary accounting information both at the agencies and in the central accounting systems. It will also integrate budgetary accounting and government-wide accounting with the proprietary information in the Financial Report (FR) which will improve the quality and accuracy of the FR. These initiatives are fully funded internally through redirection of resources.

Total resources required to support FMS activities for FY 2008 are $450,370,000 including $235,191,000 from direct appropriations and $215,179,000 from offsetting collections and reimbursable agreements.

FMS Funding History

[Dollars in Thousands]



* President's Budget

Purpose of Program

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

As the government's financial manager, FMS oversees a daily cash flow in excess of $50 billion, disbursing 85 percent of the federal government's payments, including income tax refunds, Social Security benefits, veterans' benefits and other federal payments to individuals and businesses. FMS also administers the world's largest collection system, collecting approximately $2.9 trillion in FY 2006. It also 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, it serves as the government's central debt collection agency for delinquent non-tax debt.

FMS FY 2008 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2006 Enacted	$233,881
FY 2007 President's Budget	$233,654
CR-rate Adjustment	(362)
FY 2007 CR-rate	$233,292
Changes to base:	
Technical Adjustment to FY 2007 Base due to CR:	($2,043)
Base Adjustment	(2,043)
Maintaining Current Levels (MCLs):	$7,686
Non-Pay Inflation Adjustment	2,079
Pay Annualization	778
Pay Inflation Adjustment	4,829
Non-Recurring Costs:	($1,224)
Accounting Architecture	(424)
Workstation Replacement	(800)
Subtotal FY 2008 Changes to Base	$4,419
FY 2008 Base	$237,711
Program Changes:	
Program Decreases:	($12,013)
Claims Contract Support	(210)
Debt Fee Revenue	(5,250)
Government Financial Reporting System (GFRS)	(533)
Government-wide Accounting and Reporting	(400)
Payments Capital Investments (PCI)	(920)
Enhancement to Clct/Govt-wide Acctg & Reprtg	(4,700)
Program Reinvestment:	$9,493
Realignment/Restructuring Study	2,000
Capital Assets Refresh	1,400
Rlgnmnt to Enhance Clct/Govt-wide Acctg & Reprtg	3,700
Financial Info Reprtg Standardization (FIRST)	2,393
Subtotal FY 2008 Program Changes	($2,520)
Total FY 2008 President's Budget	**$235,191**

FY 2008 Budget Adjustments

FY 2007 President's Budget

The FY 2007 President's Budget request for FMS is $233,654,000.

Adjustments

CR-rate Adjustment -$362,000 / +0 FTE Adjustment from the FY 2007 President's Budget to reach the FY 2007 Continuing Resolution annualized rate (CR-rate).

Technical Adjustment to FY 2007 Base due to CR

Base Adjustment -$2,043,000 / +0 FTE Technical adjustment to FY 2007 base due to CR.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$7,686,000 / +0 FTE Funds are requested for: FY 2008 cost of the January 2007 pay increase of $778,000; proposed January 2008 pay raise of $4,829,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $2,079,000.

Non-Recurring Costs

Accounting Architecture -$424,000 / +0 FTE Funding has been identified in Government-wide Accounting and Reporting from prior year Accounting Architecture initiatives.

Workstation Replacement -$800,000 / +0 FTE A portion of prior year funds from Workstation Replacement initiatives is non-recurred.

Program Decreases

Claims Contract Support -$210,000 / +0 FTE Funding from improvements in the payments claims activity can be redirected to the Financial Information Reporting Standardization (FIRST) initiative.

Debt Fee Revenue -$5,250,000 / -56 FTE As a result of projected increased debt revenues, FMS is able to redirect the remaining funds allocated to the debt collection activity without adversely impacting the program.

Government Financial Reporting System (GFRS) -$533,000 / +0 FTE Funding identified in GFRS will be redirected to the FIRST initiative.

Government-wide Accounting and Reporting -$400,000 / +0 FTE As a result of efficiencies gained through modernization and a decreased requirement for contractor support for legacy applications, program funds in Government-wide Accounting and Reporting can be redirected.

Payments Capital Investments (PCI) -$920,000 / +0 FTE Funding in the PCI project will be redirected.

Realignment to Enhance Collections/Government-wide Accounting and Reporting -$4,700,000 / -61 FTE Due to continued modernization of the Payments function by FMS, there has been a major shift from routine transaction processing to highly complex analytical reviews of data and information relating to trend analysis, comparative analysis, and error resolution along with customer relationship management. Associated dollars and FTE can be redirected from

Payments and be realigned to Collections and Government-wide Accounting and Reporting which will more accurately reflect program requirements.

Program Reinvestment

Realignment/Restructuring Study +$2,000,000 / +0 FTE As a result of examining the functional distribution of key operations and physical location of employees, capital assets and other property, this initiative will relocate and transfer FMS' Hyattsville Regional Operation Center data center functions to the Kansas City Regional Operations Center. Improved national security, continuity of operations and disaster recovery will be possible by reestablishing critical applications, some which are part of the National Financial Critical Infrastructure, away from the current location. In addition, the safety of FMS' employees will increase as a result of separating primary data center and platforms from operational activities. This initiative is fully funded from redirection of Debt Fee Revenue.

Capital Assets Refresh +$1,400,000 / +0 FTE FMS needs to "refresh" its capital assets to maintain a healthy and viable enterprise information technology infrastructure. These assets host system applications that support the National Financial Critical Infrastructure and support FMS' mission. Therefore, FMS' must ensure that its systems, assets and software are reliable, as they are used to issue close to a billion payments a year valued at $1.5 trillion, to collect information to calculate the daily cash position and the cash forecasting needs of the United States Treasury. This initiative is fully funded with redirects from Debt Fee Revenue.

Enhancements to Collections/Government-wide Accounting and Reporting +$3,700,000 / +48 FTE FMS continued modernization of the payments function has resulted in a major shift from routine transaction processing to highly complex analytical reviews of data and information relating to trend analysis, comparative analysis, error resolution and customer relationship management. Associated dollars and FTE from Payments can be realigned to Collections and Government-wide Accounting and Reporting which will more accurately reflect program requirements.

Financial Information Reporting Standardization (FIRST) +$2,393,000 / +0 FTE FIRST is designed to move FMS closer to achieving its strategic goal of producing accurate, accessible and timely government-wide financial information and reports that contribute to improved quality of the nation's financial decision making. FIRST can be funded by redirecting: $533,000 from Government Financial Reporting System, $1,650,000 from Debt Fee Collection Revenue, and $210,000 from Claims Contract Support.

Explanation of Budget Activities

Salaries and Expenses

Payments ($146,465,000 from direct appropriations and $137,849,000 from reimbursable programs) The Payments activity issues and distributes payments, develops and implements federal payment policy and procedures, promotes the use of electronics in the payment process, and assists agencies in converting payments from paper checks to Electronic Funds Transfer (EFT). This activity controls and provides financial integrity to the payments process through reconciliation, accounting and claims activities. The claims activity settles claims against the United States resulting from federal government checks which have been forged, lost, stolen or destroyed, and collects monies from those parties liable for fraudulent or otherwise improper negotiation of government checks. It also includes processing claims and reclamations for EFT payments.

Collections ($19,869,000 from direct appropriations) The Collections activity collects revenues needed to operate the federal government through the management of the federal government's collections infrastructure. FMS collected approximately $2.9 trillion in FY 2006 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, fines and proceeds from leases. FMS establishes and implements collection policies, regulations, standards and procedures for the federal government.

Debt Collection ($77,330,000 from reimbursable programs) The Debt Collection activity collects delinquent government and child support debt by providing centralized debt collection, oversight and operational services to Federal Program Agencies (FPAs) and states as required by the Debt Collection Improvement Act of 1996 and related legislation. The services include, but are not limited to, collecting delinquent debts through cross-servicing and offsetting federal payments, providing a database for use as a tool for barring delinquent debtors, providing post-judgment collection, advising and educating agencies towards improving debt management, and referrals to the Department of Justice.

Government-wide Accounting and Reporting ($68,857,000 from direct appropriations) The function of the Government-wide Accounting and Reporting activity is to maintain the federal government's books and account 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 Federal Program Agencies in improving their government-wide accounting and reporting responsibilities. FMS gathers and publishes government-wide financial information which is used in establishing fiscal and debt management policies and is also used by the public and private sectors to monitor the government's financial status.

Legislative Proposals

Payment Transaction Integrity – Allow the federal government to trace and recover federal payments sent electronically to the wrong account. The proposal, which amends 12 U.S.C. 3413, revises an existing exception to the Right to Financial Privacy Act so that improper electronic payments and improperly negotiated Treasury checks can be traced and recovered. This revision will also permit the federal government to verify that the correct party is making electronic payments to or receiving electronic payments from the government.

Eliminate the Ten-Year Limitations Period on Offset – This proposal would eliminate the ten-year limitation on the collection of delinquent non-tax federal debts by administrative offset. Delinquent debts could be collected by offset without regard to any statutory, regulatory or administrative limitation on the period within which debts may be collected. The proposed change would allow for the collection by offset of other federal debts consistent with the current law for student loans.

Assessment of the Transaction Costs for the Referral of Tax Debts from the IRS to the Financial Management Service for Debt Collection Levy – Under current law, when the Internal Revenue Service (IRS) levies a federal payment to collect a delinquent tax debt under the Federal Payment Levy Program operated by FMS, the IRS pays a fee out of its annual appropriation to FMS to process the transaction. The budget proposes to instead have the debtor pay the transaction costs

FMS Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
Payments	Percentage of paper check and Electronic Funds Transfer (EFT) payments made accurately and on time (%) (Oe)	100	100	100	✓	100	100
Collections	Percentage collected electronically of total dollar amount of Federal government receipts (%) (Oe)	81	79	79	✗	80	81
Debt Collection	Amount of delinquent debt collected through all available tools (Billions $) (Ot)	3	3.25	3.34	✓	3.2	3.25
Government-wide Accounting and Reporting	Percentage of Governmentwide accounting reports issued accurately (%) (Oe)	100	100	100	✓	100	100
	Percentage of Governmentwide accounting reports issued timely (%) (E)	100	100	100	✓	100	100

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

in addition to their original debt. This would allow the IRS to fully utilize the levy program, maximize revenue, and shift the cost of enforcement to delinquent tax debtors.

Description of Performance

Payments: In FY 2006, FMS issued over 964 million non-Defense payments, with a dollar value of approximately $1.5 trillion. Seventy seven percent of these transactions are issued by Electronic Funds Transfer, an increase of one percent over FY 2005. Paper checks account for the remainder of disbursements. FMS continues to expand and market the use of electronic media to deliver federal payments, improve service to payment recipients, and reduce government program costs.

Collections: FMS collected approximately $2.9 trillion in FY 2006 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, fines, and proceeds from leases. FMS establishes and implements collection policies, regulations, standards and procedures for the federal government. FMS develops and operates a variety of collection mechanisms and systems (e.g. Electronic Federal Tax Payment System (EFTPS), lockboxes, Treasury General Accounts, debit/credit cards, and Pay.gov) to meet program agency needs. The majority of the dollar amounts of FMS collections are made electronically; 79 percent for FY 2006. The Treasury is also collecting more payments to the government electronically; $2.3 trillion in 2006 which represents about a 10 percent increase over 2005. In FY 2006, taxpayers paid $1.9 trillion using EFTPS, up 16 percent from FY 2005, and the number of payments to the government rose 11 percent to 80.4 million. FMS continues to promote the use of technology in the collections process and assists agencies in converting collections from paper to electronic media.

Debt Collection: In FY 2006, FMS collected a record $3.34 billion in delinquent debt, including $1.59 billion in past due child support, $1.23 billion in federal non-tax debt, and more than $520 million in federal tax levies and state tax debt offsets. Debt referrals from creditor agencies were at 95 percent of eligible debt at the end of FY 2006. As a result of our continued improvements to the program, collections have steadily increased to more than $27.7 billion since the enactment of the Debt Collection Improvement Act in 1996. In calendar year 2006, IRS referred an additional $47 billion of tax debts for continuous levy, a 25 percent increase from calendar year 2005 for the same period.

Government-wide Accounting and Reporting: FMS issues 100 percent of its Government-wide accounting reports accurately and timely. For the third consecutive year, FMS released the Financial Report of the United States Government (FR) 75 days after the fiscal year-end, which is better than many private sector companies. To complement and support the accelerated release of the FR, Treasury continues to release the Monthly Treasury Statement (the monthly public source of budgetary results) on the eighth workday of each month. FMS established a new measure, "Unit cost to manage $1 million of cash flow", which will begin in FY 2007.

Bureau of the Public Debt

Program Summary by Appropriations Account
(Dollars in thousands)

Appropriation	FY 2006	FY 2007		FY 2008		
	Enacted	President's Budget	CR-rate	President's Budget	$ Change over CR-rate	% Change over CR-rate
Administering the Public Debt	$178,154	$180,789	$178,616	$182,871	$4,255	2.4%
Wholesale Securities Services	11,812	11,986	11,842	12,474	632	5.3%
Government Agency Investment Services	13,255	13,451	13,289	13,239	(50)	(0.4%)
Retail Securities Services	147,529	149,711	147,912	151,359	3,447	2.3%
Summary Debt Accounting	5,558	5,641	5,573	5,799	226	4.1%
Subtotal, Bureau of the Public Debt	$178,154	$180,789	$178,616	$182,871	$4,255	2.4%
User Fees	($3,000)	($3,000)	($3,000)	($10,000)	(7,000)	233.3%
Net Program Operating Level	$175,154	$177,789	$175,616	$172,871	($2,745)	(1.6%)
Offsetting Collections - Reimbursables	16,730	15,204	15,204	15,732	528	3.5%
Total Program Operating Level	$191,884	$192,993	$190,820	$188,603	($2,217)	(1.2%)

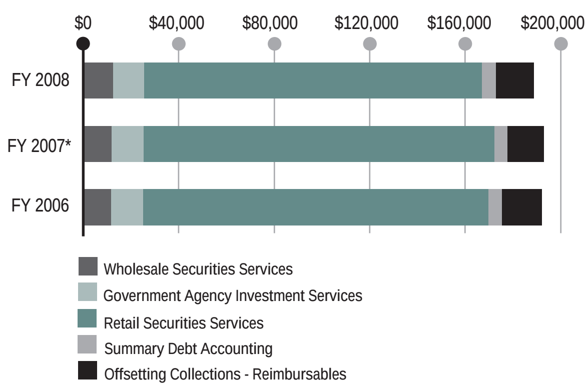
Explanation of Request

The FY 2008 President's Budget request for the Bureau of the Public Debt (BPD) includes funding to support the Department of the Treasury's objective to finance the needs of the federal government at the lowest cost over time. Public Debt's top priority is to ensure that the most efficient and secure systems are in place to conduct borrowing and deliver securities services to investors.

Total resources required to support BPD activities for FY 2008 are $198,603,000 including $182,871,000 from direct appropriations of which $10,000,000 is in user fees and $15,732,000 from offsetting collections and reimbursable programs.

BPD Funding History

[Dollars in Thousands]



* President's Budget

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 light of its mission, BPD annually auctions and issues more than $4 trillion in Treasury bills, notes, bonds and Treasury Inflation-Protected Securities (TIPS); effectively administers the regulation of the primary and secondary Treasury securities markets; ensures that reliable systems and processes are in place for issuing, transferring, paying interest on, and redeeming Treasury securities; issues and redeems more than 79 million paper savings bonds each year; administers approximately $3.76 trillion in investments for about 230 federal trust funds; and provides timely and accurate information on the public debt.

In support of the Department of the Treasury's objective to finance the needs of the federal government at the lowest cost over time, Public Debt's top priority is to ensure that the most efficient systems are in place to conduct borrowing and deliver securities services to investors. To that end, BPD continues to enhance its TreasuryDirect system through which retail customers can purchase and manage their holdings of electronic Treasury securities through the internet. With the increased reliance on conducting business electronically, Public Debt places a high priority on adopting technological advances to ensure that its systems remain secure.

BPD FY 2008 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2006 Enacted	$178,154
FY 2007 President's Budget	$180,789
CR-rate Adjustment	(2,173)
FY 2007 CR-rate	$178,616
Changes to base:	
Technical Adjustment to FY 2007 Base due to CR:	$336
Pay Inflation Adjustment	336
Maintaining Current Levels (MCLs):	$5,712
Non-Pay Inflation Adjustment	1,666
Pay Annualization	590
Pay Inflation Adjustment	3,456
Subtotal FY 2008 Changes to Base	$6,048
FY 2008 Base	$184,664
Program Changes:	
Program Decreases:	($2,793)
Decline in non-recurring DME Spending for SaBRe	(233)
Decline in non-recurring spending for GAISS	(563)
Projected Growth in TreasuryDirect	(1,997)
Program Reinvestment:	$1,000
E-Commerce Risk Management Program	1,000
Subtotal FY 2008 Program Changes	($1,793)
Total FY 2008 President's Budget*	**$182,871**

*The FY 2008 President's Budget is offset by $10,000,000 in user fees.

FY 2008 Budget Adjustments

FY 2007 President's Budget

The FY 2007 President's Budget request for BPD is $180,789,000.

Adjustments

CR-rate Adjustment -$2,173,000 / +0 FTE Adjustment from the FY 2007 President's Budget to reach the FY 2007 Continuing Resolution annualized rate (CR-rate).

Technical Adjustment to FY 2007 Base due to CR

Pay Inflation Adjustment +$336,000 / +0 FTE Technical adjustment to restore FY 2007 base due to CR.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$5,712,000 / +0 FTE Funds are requested for: FY 2008 cost of the January 2007 pay increase of $590,000; proposed January 2008 pay raise of $3,456,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $1,666,000.

Program Decreases

Decline in non-recurring DME Spending for SaBRe -$233,000 / +0 FTE Funds are reduced for the Savings Bond Replacement System due to non-recurring Development Modernization and Enhancement spending.

Decline in non-recurring spending for GAISS -$563,000 / +0 FTE Funds are reduced for the Government Agency Investment Services System due to non-recurring spending.

Projected Growth in TreasuryDirect -$1,997,000 / +0 FTE Projected reduction in costs due to the growth of TreasuryDirect and as investors choose to transfer legacy system holdings to TreasuryDirect accounts.

Program Reinvestment

E-Commerce Risk Management Program +$1,000,000 / +0 FTE To strengthen security for the TreasuryDirect program, the purchase of software licenses and technology will provide for the implementation of two-factor authentication. It will also fund the renewal of software licenses, enhancement of security features, customer support and the cyclical replacement of security tokens. This enhancement will strengthen an E-Commerce program that is critical to effective and efficient debt management and further reduction of paper transactions.

Adjustments to Request

User Fees -$10,000,000 / +0 FTE The account maintenance fees that BPD charges to account holders in the Legacy TreasuryDirect system with an account balance of more than $100,000 in par value, will be raised from $25 to $100 per year. The increased fees will help to partially offset the cost to the Treasury of providing these services. Although the fees may induce some customers to transfer their account holdings to the new internet-accessed TreasuryDirect system, the expected receipts are adjusted to reflect this possibility.

Explanation of Budget Activities

Administering the Public Debt

Wholesale Securities Services ($12,474,000 from direct appropriations and $1,354,000 from reimbursable programs) BPD announces, auctions, and issues marketable Treasury bills, notes, bonds and Treasury Inflation-Protected Securities (TIPS). This program ensures that the government's critical financing needs are met and that an infrastructure is in place for the custody and transfer of Treasury securities in the wholesale market. This program also administers regulations to ensure the integrity and efficiency of the primary and secondary markets for Treasury securities.

Government Agency Investment Services ($13,239,000 from direct appropriations and $3,068,000 from reimbursable programs) BPD supports federal, state, and local government agency investments in non-marketable Treasury securities as well as federal agency borrowing from the Department. There are currently about 230 trust and investment funds held by some 75 agencies. For 18 of these funds, BPD maintains the investment accounts and provides additional administrative support on behalf of the Secretary of the Treasury.

Retail Securities Services ($151,359,000 from direct appropriations, including $10,000,000 from user fee collections, and $10,768,000 from offsetting collections and reimbursable programs) BPD serves more than 50 million retail customers who hold marketable and savings securities directly with Treasury in support of the government's financing needs. This program includes the issuing and servicing of marketable and savings securities in book-entry and paper form.

Summary Debt Accounting ($5,799,000 from direct appropriations and $542,000 from reimbursable programs) BPD accounts for and reports on all financial activity related to the public debt. The program provides accounting controls for funds received from the sale of securities, funds disbursed as interest and principal payments, and for the accurate and timely reporting of the outstanding public debt.

Legislative Proposals

BPD has no legislative proposals for FY 2008.

BPD Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
Wholesale Securities Services	Percent of auction results released in 2 minutes +/- 30 seconds (%) (Oe)	99.53	95	100	✓	95	95
Government Agency Investment Services	Percentage of Government Agency customer initiated transactions conducted online (%) (Oe)	N/A	Baseline	97.03	✓	75	80
Retail Securities Services	Percentage of retail customer service transactions completed within 12 business days (%) (Oe)	92.5	88.7	98	✓	90	90
Summary Debt Accounting	Cost per summary debt accounting transaction ($) (E)	N/A	Baseline	10.96	✓	10.34	10.49

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

Description of Performance

BPD 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 2006, BPD met its target timeframe of announcing Treasury auction results; received 95 percent of government agency transactions online because of technology upgrades, regulatory changes, and a comprehensive conversion and education program; processed 90 percent of retail customer service transactions within 13 business days; and met its targeted cost per summary debt accounting transaction efficiency measure.

Internal Revenue Service

Program Summary by Appropriations Account
(Dollars in thousands)

Appropriation	FY 2006 Enacted	FY 2007 President's Budget	FY 2007 CR-rate	FY 2008 President's Budget	FY 2008 $ Change over CR-rate	FY 2008 % Change over CR-rate
Taxpayer Services	$2,142,042	$2,079,151	$2,046,908	$2,103,089	$56,181	2.74%
Pre-filing Taxpayer Assistance and Education	577,425	575,694	556,693	578,078	21,385	3.84%
Filing and Account Services	1,564,617	1,503,457	1,490,215	1,525,011	34,796	2.33%
Enforcement	4,708,441	4,797,126	4,660,572	4,925,498	264,926	5.68%
Investigations	579,555	591,090	579,883	602,872	22,989	3.96%
Exam and Collections	3,919,275	4,054,760	3,932,599	4,165,233	232,634	5.92%
Regulatory	209,611	151,276	148,090	157,393	9,303	6.28%
Operations Support	3,461,205	3,488,404	3,519,228	3,769,587	250,359	7.11%
Infrastructure	864,403	873,146	873,146	908,095	34,949	4.00%
Shared Services and Support	1,176,202	1,129,617	1,163,846	1,223,351	59,505	5.11%
Information Services	1,420,600	1,485,641	1,482,236	1,638,141	155,905	10.52%
Business Systems Modernization	242,010	212,310	196,810	282,090	85,280	43.33%
Health Insurance Tax Credit Administration	20,008	14,846	14,846	15,235	389	2.62%
Subtotal, Internal Revenue Service	$10,573,706	$10,591,837	$10,438,364	$11,095,499	$657,135	6.30%
Offsetting Collections - Reimbursable	137,110	125,723	125,723	133,498	7,775	6.18%
Mandatory Appropriation - User Fees	100,000	242,000	242,000	180,000	(62,000)	-25.62%
Total Program Operating Level	**$10,810,816**	**$10,959,560**	**$10,806,087**	**$11,408,997**	**$602,910**	**5.58%**

FY 2006 Enacted is presented in the new budget structure for comparability across fiscal years. This differs from the FY 2008 President's Budget Appendix which presents FY 2006 as it was executed. The FY 2006 enacted level excludes rescission of unobligated balances ($29 million from Taxpayer Services and $9 million from HITCA). In addition, FY 2007 CR-rate includes proposed interappropriation transfers.

Explanation of Request

The FY 2008 President's Budget for the Internal Revenue Service (IRS) includes funding to implement Treasury's tax strategy (see http://www.treasury.gov/press/releases/ hp111.htm) to increase tax compliance while minimizing additional taxpayer burden. Also, the IRS will continue its efforts to increase and improve the delivery of services offered to taxpayers by expanding its research and implementing new technology (e.g., Spanish "Where's My Refund?" and an estimated calling wait time feature). The IRS will invest in information technology to give its employees the tools they need to administer and improve both taxpayer service and enforcement programs.

Total resources to support the IRS' activities for FY 2008 are $11,408,997,000. This includes $11,095,499,000 from direct appropriation, $133,498,000 from reimbursable programs, and $180,000,000 from user fees. The direct appropriation is a $657,135,000 increase, or 6.3 percent, over the FY 2007 Continuing Resolution (CR) rate of $10,438,364,000.

The IRS administers America's tax laws and collects the revenue that funds most government operations and public services. The IRS' taxpayer service programs provide assistance to millions of taxpayers to help them understand and meet their tax obligations. The IRS' enforcement programs are aimed at deterring taxpayers inclined to evade their responsibilities while vigorously pursuing those who violate tax laws. Delivering these programs demand a secure and modernized infrastructure capable to fairly, effectively, and efficiently collect taxes while minimizing taxpayer burden. The IRS FY 2008 President's Budget request supports its five-year strategic plan and Treasury's compliance improvement strategy. These documents underscore the Treasury Department commitment to provide quality service to taxpayers while enforcing America's tax laws in a balanced manner. The IRS' strategic plan goals are:

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

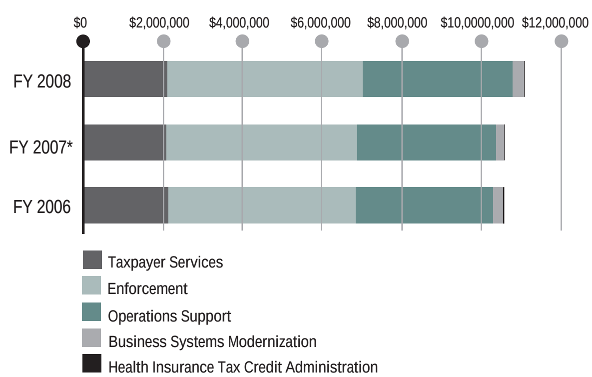
In FY 2007, Congress implemented a new appropriations structure for the IRS which realigned resources from its three major operating appropriations into three new accounts – Taxpayer Service (TS), Enforcement (ENF), and Operations Support (OS). In addition, funding for the IRS' staffing associated with direct management of its Business Systems Modernization (BSM) program was realigned from the previous Information Systems appropriation to the BSM appropriation to reflect full program funding.

The FY 2008 President's Budget request for the IRS increases funding as part of a strategy to improve compliance by:

- Implementing legislative and regulatory changes;
- Increasing front-line enforcement resources;
- Increasing voluntary compliance through improved taxpayer service options and enhanced research; and
- Investing in technology to reverse infrastructure deterioration, accelerate modernization, and improve the productivity of existing resources.

IRS Funding History

[Dollars in Thousands]



* President's Budget

Tax Enforcement Program: The IRS continues its emphasis on tax enforcement, increasing collections of delinquent tax debt from $34 billion in 2002 to $49 billion in 2006, an increase of 44 percent. Since 2003, federal government receipts have also increased by over $600 billion, with revenue growth the greatest in the areas of corporate taxes and high-income individual taxes. In FY 2008, the President's Budget increases funding for enforcement by $440,264,000, which includes $291,332,000 for new enforcement initiatives and $148,932,000 in cost increases. As in 2006 and 2007, the Administration proposes to include enforcement increases as a Budget Enforcement Act program integrity cap adjustment (see chapter 15, Budget Reform Proposals in the Analytical Perspectives volume of the 2008 Budget). The IRS' enforcement resources are funded in the Enforcement and Operations Support appropriations.

Increased resources for the IRS' exam and collection programs yield direct measurable results. Once the new staff proposed in this request are trained and gain more experience, the enforcement revenue generated each year will be $699 million. However, this estimate excludes the likely larger revenue impact from the deterrence value of these and other IRS enforcement programs (e.g., criminal investigations). It also excludes the impact of taxpayer services on voluntary compliance.

The IRS cannot currently measure either the impact of deterrence or service, but they are positive. The complexity of the nation's current tax system is a significant reason for the tax gap, and even sophisticated taxpayers make honest mistakes on their tax returns. Accordingly, helping taxpayers understand their obligations under the tax law is a critical part of improving voluntary compliance. To this end, the IRS remains committed to a balanced program assisting taxpayers in both understanding the tax law and remitting the proper amount of tax.

Taxpayer Service and Enforcement Programs
(Dollars in thousands)

Programs	FY 2006 Enacted	FY 2007 CR-rate	FY 2008 President's Budget	FY 2008 % Change over CR-rate
Taxpayer Service	$3,498,473	$3,438,758	$3,569,960	3.8%
Direct Appropriation	$2,142,042	$2,046,908	$2,103,089	
Operations Support	$1,356,431	$1,391,850	$1,466,871	
Enforcement	$6,813,215	$6,787,950	$7,228,214	6.5%
Direct Appropriation	$4,708,441	$4,660,572	$4,925,498	
Operations Support	$2,104,774	$2,127,378	$2,302,716	
Total	**$10,311,688**	**$10,226,708**	**$10,798,174**	**5.6%**

Taxpayer Service Program: Helping the public understand its tax reporting and payment obligations is a cornerstone of taxpayer compliance. In FY 2008, the President's Budget increases funding for taxpayer service by $131,202,000. This includes $56,055,000 for new service initiatives and $75,147,000 in cost increases. The IRS' taxpayer service resources are funded in the Taxpayer Service and Operations Support appropriations.

Purpose of Program

The IRS and its employees represent the face of the Federal Government to more American citizens than any other government agency. The IRS collects 95 percent of the revenues that fund the Federal Government. The IRS FY 2008 President's Budget request will help strengthen the government's ability to collect more of taxes that are legally owed.

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

The FY 2008 President's Budget request supports improving compliance by funding activities that promote better tax administration and compliance with the tax laws and focus on the following program priorities and objectives:

- Modernize information systems and business processes to maximize resources and improve service and enforcement;
- Enhance research to better allocate resources to IRS programs;
- Discourage and deter non-compliance with emphasis on corrosive activity by corporations, high-income taxpayers and abusive domestic and off-shore tax entities;
- Deter abuse within the tax-exempt community; and
- Simplify the tax process and improve service options for the taxpaying public.

IRS FY 2008 Budget Highlights
(Dollars in thousands)

Appropriation	Taxpayer Services	Enforce-ment	Operations Support	Business Systems Moderniza-tion	Health Insurance Tax Credit Administra-tion	Total
FY 2006 Enacted	$2,142,042	$4,708,441	$3,461,205	$242,010	$20,008	$10,573,706
FY 2007 President's Budget	$2,079,151	$4,797,126	$3,488,404	$212,310	$14,846	$10,591,837
CR-rate Adjustment	(20,000)	(88,721)	(29,252)	(15,500)		(153,473)
FY 2007 CR-Rate	$2,059,151	$4,708,405	$3,459,152	$196,810	$14,846	$10,438,364
Interappropriation Transfer Corrections to Budget Restructure	(12,243)	(47,833)	60,076			0
FY 2007 Operating Plan at CR-rate	$2,046,908	$4,660,572	$3,519,228	$196,810	$14,846	$10,438,364
Changes to Base						
Technical Adjustments to FY 2007 Base due to CR	$0	$0	$5,687	$21,886	$0	$27,573
Base Adjustment	0	0	5,687	21,886	0	27,573
Maintaining Current Levels (MCLs)	$71,500	$162,373	$104,500	$1,245	$389	$340,007
Pay Annualization	10,190	23,083	6,970	226	15	40,484
Pay Inflation Adjustment	58,424	131,573	41,532	1,019	82	232,630
Non-Pay Inflation Adjustment	2,886	7,717	55,998		292	66,893
Efficiency Savings	(23,407)	(60,166)	(36,408)			(119,981)
Subtotal FY 2008 Changes to Base	$48,093	$102,207	$73,779	$23,131	$389	$247,599
FY 2008 Base	$2,095,001	$4,762,779	$3,593,007	$219,941	$15,235	$10,685,963
Program Changes	$8,088	$162,719	$176,580	$62,149	$0	$409,536
Program Decreases/Savings:	($5,968)	$0	($511)	$0	$0	($6,479)
Increased e-File Savings	(5,968)		(511)			(6,479)
Program Reinvestments:	$5,968	$0	$511	$0	$0	$6,479
Increase Efficiency through Submission Processing Site Consolidations	5,968		511			6,479
Program Increases:	$8,088	$162,719	$176,580	$62,149	$0	$409,536
Infrastructure Initiatives	$0	$0	$81,000	$62,149	$0	$143,149
Upgrade Critical IT Infrastructure			60,000			60,000
Enhance Computer Security Incident Response Center (CSIRC) and Network Infrastructure Security			21,000			21,000
Fund Business Systems Modernization				62,149		62,149
Enforcement Initiatives	$4,235	$162,719	$79,433	$0	$0	$246,387
Improve Compliance Estimates, Measures, and Detection of Non-Compliance		29,054	11,968			41,022
Improve Compliance Among Small Business and Self-Employed Taxpayers	2,437	55,480	15,248			73,165
Implement Tax Gap Legislative Proposals to Improve Compliance			23,045			23,045
Increase Compliance for Large Multinational Businesses	1,055	19,916	5,229			26,200
Expand Document Matching in Existing Sites		18,536	9,422			27,958
Establish New Document Matching - Kansas City	248	15,669	7,536			23,453
Increase Individual Filing Compliance	495	3,806	2,243			6,544
Increase Tax-Exempt Entity Compliance		11,794	3,206			15,000
Increase Criminal Tax Investigations		8,464	1,536			10,000
Taxpayer Service Initiatives	$3,853	$0	$16,147	$0	$0	$20,000
Research Effect of Service on Taxpayer Compliance			5,000			5,000
Expand Volunteer Income Tax Assistance	3,853		1,147			5,000
Implement Taxpayer Assistance Blueprint			10,000			10,000
Subtotal FY 2008 Program Changes	$8,088	$162,719	$176,580	$62,149	$0	$409,536
Total FY 2008 President's Budget Request	**$2,103,089**	**$4,925,498**	**$3,769,587**	**$282,090**	**$15,235**	**$11,095,499**

FY 2008 Budget Adjustments

The IRS' total funding increase for FY 2008 is $657,135,000, which includes $27,573,000 for a technical adjustment to the FY 2007 base; $340,007,000 for maintaining current levels; $119,981,000 from efficiency savings; and a net program increase of $409,536,000 to enhance the IRS' infrastructure, modernization, enforcement, and taxpayer service programs that focus on improving compliance, and implement tax compliance improvement legislation. By 2010, these investments are projected to increase annual enforcement revenue by $699 million dollars a year. In addition, the tax compliance improvement legislative proposals will generate $29 billion over the next ten years.

The IRS' program initiatives focus on the most significant needs for FY 2008:

- $143,149,000 to improve the IRS' information technology (IT) infrastructure, including $62,149,000 for the BSM program and $81,000,000 for security and infrastructure enhancements;
- $246,387,000 to expand enforcement activities targeted at improving compliance; and
- $20,000,000 to enhance taxpayer service through expanded volunteer tax assistance, increased funding for research to determine the most effective means to help taxpayers, and implementing new technology to improve taxpayer service.

FY 2007 Continuing Resolution (CR) Rate

The FY 2007 CR-rate for the IRS is $10,438,364,000, supporting an estimated 91,718 FTE. This amount reflects a reduction of $153,473,000 and 1,318 FTE from the FY 2007 President's Budget request.

Adjustments

Technical Adjustments to the FY 2007 Base Attributed to the CR +$27,573,000/0 FTE This adjustment restores $21,886,000 for BSM projects and management costs and $5,687,000 for critical IT and other supporting infrastructure.

Maintaining Current Levels +$340,007,000/0 FTE Funds are requested for annualizing the cost of the January 2007 pay increase ($40,484,000), the proposed January 2008 pay raise ($232,630,000), and non-pay inflation for items such as contracts, travel, supplies, equipment, and rent adjustments ($66,893,000).

Efficiency Savings –$119,981,000/–1,184 FTE The IRS continues to improve the efficiency of its taxpayer service and enforcement programs. Enhancement of technology; improved workload selection models; on-going productivity and efficiency improvements; and streamlining, centralizing, and consolidating of work processes and programs will lead to operational efficiencies resulting in significant savings in FY 2008.

Program Decreases/Savings

Increased e-File Savings –$6,479,000/0 FTE This program decrease is a result of savings from increased electronic filing (e-File) and a projected decrease of 4.2 million paper returns filed (3.7 million individual and 0.5 million business) in FY 2008. This budget request proposes to reinvest these savings toward related cost associated with the ramp down of the Philadelphia Processing Center.

Program Reinvestments

Increase Efficiency through Submission Processing Site Consolidations +6,479,000/ 0 FTE Increased e-File savings will be reinvested to fund $5,968,000 in severance pay and $511,000 for support costs associated with the ramp down of the Philadelphia Processing Center. However, the IRS will maintain a large staff of service and enforcement personnel in Philadelphia. Increased use of e-File continues to have a significant impact on Submission Processing Centers as individual paper return volumes decline. As a result, the IRS is consolidating the processing of individual paper returns at fewer submission processing sites.

Program Increases

Upgrade Critical IT Infrastructure +$60,000,000/0 FTE This infrastructure initiative will provide funding to upgrade the backlog of the IRS' equipment that has exceeded its life cycle. Failure to replace the IRS' IT infrastructure will lead to increased maintenance costs and increase the risk of disrupting business operations. Planned expenditures in FY 2008 include procuring and replacing desktop computers; automated call distributor hardware; mission critical servers; and Wide Area Network/Local Area Network routers and switches.

Enhance Computer Security Incident Response Center (CSIRC) and Network Infrastructure Security +$21,000,000/0 FTE This infrastructure initiative will provide $13,100,000 to fund enhancements to the CSIRC necessary to keep pace with the ever-changing security threat environment through enhanced detection and analysis capability, improved forensics, and the capacity to identify and respond to potential intrusions before they occur. The remaining $7,900,000 will fund enhancements to the IRS' network infrastructure security, providing the capability to perform continuous monitoring of the security of operational systems, using security tools, tactics, techniques and procedures to perform network security compliance monitoring of all IT assets on the network.

Fund Business Systems Modernization +$62,149,000/0 FTE This initiative will provide funding to continue the development and deployment of the IRS' modernization program in line with the recommendations identified in the IRS' Modernization, Vision, and Strategy. This increase will allow the IRS to continue progress on modernized projects, such as the Customer Account Data Engine (CADE), Account Management Services (AMS), Modernized e-File (MeF), and Common Services Projects (CSP).

CADE is the IRS' lynchpin modernization project that will replace the antiquated master file system, which is based on 1960s architecture. The IRS is developing CADE in stages and expects to retire the Individual Master File in 2012. When fully operational, the CADE database will house tax information for more than 200 million individual and business taxpayers.

AMS will provide a Common User Interface for access and update of taxpayer accounts managed by CADE and Individual Master File, Corporate Files on Line, and the Integrated Data Retrieval System. AMS will provide immediate access to integrated account data, which improves the ability to resolve account inquiries with minimal taxpayer interaction and facilitates the taxpayer's ability to self assist or self correct.

MeF is the future of electronic filing. It provides a single Extensible Markup Language-based standard for filing electronic tax returns. Standardizing the formats/ structures for all filings will allow transmitters to submit multiple return types in the same transmission, something that restrains e-file growth currently. In FY 2008, the IRS will start development and implementation of the 1040 on the MeF platform, which is expected to take two years.

CSP will provide funding for new portals, which are technology platforms that meet many IRS business needs through web-based front-ends and provide secure access to data, applications, and services. The portals are mission-critical components of the enterprise infrastructure required to support key business processes and compliance initiatives.

The benefits accruing from the delivery and implementation of BSM projects not only provide value to taxpayers, the business community, and government, but also contribute to operational improvements and efficiencies within the IRS.

Improve Compliance Estimates, Measures, and Detection of Non-Compliance +$41,022,000/ +258 FTE This enforcement initiative will fund research studies of compliance data for new segments of taxpayers needed to update existing estimates of reporting compliance. Unlike the past, the IRS will conduct an annual study of compliance among 1040 filers based on a smaller sample size than the 2001 National Research Program study. This will provide some fresh compliance data each year, and by combining samples over several years will provide a regular update to the larger sample size needed to keep the IRS' targeting systems and compliance estimates up to date. The data captured during the studies will enable the IRS to develop strategies to combat specific areas of non-compliance, improve voluntary compliance, and allocate resources more effectively. This initiative benefits taxpayers by significantly improving workload selection formulas that reduce the burden of unnecessary taxpayer contacts. This initiative will produce almost $9 million in additional annual enforcement revenue, once the new hires reach full potential in FY 2010.

Improve Compliance Among Small Business and Self-Employed Taxpayers +$73,165,000/ +485 FTE This enforcement initiative will address and improve compliance among small business and self-employed taxpayers in the elements of reporting, filing, and payment compliance by increasing audits of high-risk tax returns, collecting unpaid taxes from filed and unfiled tax returns, and investigating and, where appropriate, prosecuting persons who have evaded taxes. This request will produce $144 million in additional annual enforcement revenue, once new hires reach full potential in FY 2010,

Implement Legislative Proposals to Improve Compliance +$23,045,000/0 FTE While the IRS continues to address compliance problems by improving customer service and using traditional methods of enforcement, the FY 2008 President's Budget includes several legislative proposals that would provide the IRS with additional enforcement tools to improve compliance. It is estimated that these proposals could generate approximately $29 billion in revenue over the next ten years. These proposals would expand information reporting, improve compliance by businesses, strengthen tax administration, and expand penalties (see Receipts in the Analytical Perspectives volume of the 2008 President's Budget). This enforcement initiative includes funding for purchasing software and making modifications to the IRS' IT systems necessary to implement these legislative proposals.

Increase Compliance for Large Multinational Businesses +$26,200,000/+158 FTE This enforcement initiative will increase examination coverage for large, complex business returns; foreign residents; and smaller corporations with significant international activity. The initiative addresses risks arising from the rapid increase in globalization, and the related increase in foreign business activity and multi-national transactions where the potential for non-compliance is significant in the reporting of transactions that occur across differing tax jurisdictions. With this funding, coverage for large corporate and flow-through returns will increase from 7.9 to 8.2 percent in FY 2008, and produce over $74 million in additional annual enforcement revenue, once the new hires reach full potential in FY 2010.

Expand Document Matching in Existing Sites +$27,958,000/+214 FTE This enforcement initiative will increase coverage within the Automated Underreporter (AUR) program by minimizing revenue loss through increased document matching of individual taxpayer account information. The additional resources will result in an increase in AUR closures from 2.05 million in FY 2007 to 2.64 million in FY 2010 and $208 million of additional enforcement revenue per year, once the new hires reach full potential in FY 2010.

Establish New Document Matching – Kansas City +$23,453,000/+208 FTE This enforcement initiative will fund a new AUR site within the existing IRS space in Kansas City to address the misreporting of income by individual taxpayers. The establishment of this new AUR site will result in over $183 million in additional enforcement revenue per year, once the new hires reach full potential in FY 2010.

Increase Individual Filing Compliance +$6,544,000/+61 FTE This enforcement initiative will help address voluntary compliance. The Automated Substitute for Return Refund Hold Program minimizes revenue loss by holding the current-year refunds of taxpayers who are delinquent in filing individual income tax returns and are expected to owe additional taxes. This initiative will result in securing more than 90,000 delinquent returns in FY 2008 and produce $82 million of additional enforcement revenue per year, once the new hires reach full potential in FY 2010.

Increase Tax-Exempt Entity Compliance +$15,000,000/+109 FTE This enforcement initiative will deter abuse within tax-exempt and governmental entities (TEGE) and misuse of such entities by third parties for tax avoidance or other unintended purposes. The funding will aid in increasing the number of TEGE compliance contacts by 1,700 (6 percent) and employee plan/exempt organization determinations closures by over 9,000 (8 percent) by FY 2010.

Increase Criminal Tax Investigations +$10,000,000/+37 FTE This enforcement initiative will help the IRS aggressively attack abusive tax schemes, corporate fraud, non-filers, employment tax fraud, and other tax and financial crimes identified through Bank Secrecy Act related examinations and case development efforts, which includes an emphasis on the fraud referral program. The IRS' robust pursuit of tax violators and the resulting publicity, foster deterrence and enhance voluntary compliance.

Research Effect of Service on Taxpayer Compliance +$5,000,000/+8 FTE This taxpayer service initiative will provide additional resources to enhance understanding of the role of taxpayer service on compliance by undertaking new research on the needs of taxpayers. The research will focus on four areas:

- Meeting taxpayer needs by providing the right channel of communication;
- Better understanding of taxpayer burden;
- Understanding taxpayer needs through the errors they make; and
- Researching the impact of service on overall levels of voluntary compliance.

Expand Volunteer Income Tax Assistance +$5,000,000/+46 FTE This taxpayer service initiative will help expand the IRS' volunteer return preparation, outreach and education, and asset building services to low-income, elderly, Limited English Proficient, and disabled taxpayers.

Implement Taxpayer Assistance Blueprint (TAB) +$10,000,000/0 FTE The IRS conducted a comprehensive review of its current portfolio of services to individual taxpayers to determine which services should be provided and improved. Based on the findings of the TAB study, the funding for this initiative will implement the following telephone service and Web site interaction enhancements:

- *Contact Analytics* – a tool for evaluating contact center recordings for the purpose of identifying improvements.
- *Estimated Wait Time* – this enhancement will inform taxpayers about their expected wait time in queue.
- *Expanded Portfolio of Tax Law Decision Support Tools* – this will enable users to conduct key word and natural language queries to get answers to tax law questions through the Frequently Asked Questions database accessed on IRS.gov.
- *Spanish "Where's My Refund?"* – this feature adds the refund status to the Spanish web page on IRS.gov, enabling the Spanish-speaking community to receive the same level of customer service on the web as available to the English web page.

Continued technological advancements offer significant opportunities such as the initiative for the IRS to improve the efficiency and effectiveness of call center services. Website enhancements are designed to maximize the value of IRS.gov, making the website taxpayers' first choice for obtaining the information and services required to comply with their tax obligations.

Explanation of Budget Activities

Taxpayer Services (TS)

The FY 2008 President's Budget request is $2,103,089,000 in direct appropriation, $27,414,000 from reimbursable programs, and $108,000,000 from user fees, for a total operating level of $2,238,503,000. The direct appropriation level is an increase of 2.7 percent from the FY 2007 CR-rate. This appropriation funds the following budget activities.

Pre-Filing Taxpayer Assistance and Education ($578,078,000 in direct appropriation, $1,059,000 from reimbursable programs, and $76,000,000 from user fees) This budget activity provides funds for services to assist with tax return filing, including interpretation of the tax laws, media, and publications. 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 ($1,525,011,000 in direct appropriation, $26,355,000 from reimbursable programs, and $32,000,000 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. The IRS is also increasing both the capacity and effectiveness of its telephone and in-person taxpayer support.

Enforcement (ENF)

The FY 2008 President's Budget request is $4,925,498,000 in direct appropriation and $49,353,000 from reimbursable programs, for a total operating level of $4,974,851,000. The direct appropriation level is an increase of 5.7 percent from the FY 2007 CR-rate. This appropriation funds the following budget activities.

Investigations ($602,872,000 in direct appropriation and $37,716,000 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 ($4,165,233,000 in direct appropriation and $11,637,000 from reimbursable programs) This budget activity funds programs that enforce the tax laws and compliance through examination and collection programs that ensure proper payment and tax reporting. The budget activity also supports appeals and litigation activities associated with exam and collection.

Regulatory ($157,393,000 in direct appropriation) This budget activity provides resources for the development and print of published guidance materials; interpretation of and guidance on tax laws; enforcement of regulatory rules, laws, and approved business practices; and supporting taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The Office of Professional Responsibility is also funded within this budget activity and is responsible for identifying, communicating, and enforcing the Treasury Circular 230 standards of competence, integrity, and conduct of professionals representing taxpayers before the IRS.

Operations Support (OS)

The FY 2008 President's Budget request is $3,769,587,000 in direct appropriation, $56,731,000 from reimbursable programs, and $72,000,000 from user fees, for a total operating level of $3,898,318,000. The direct appropriation level is an increase of 7.1 percent from the FY 2007 CR-rate. This appropriation funds the following budget activities.

Infrastructure ($908,095,000 in direct appropriation) This budget activity provides resources for administrative services related to space and housing, rent and space alterations, building services, maintenance, guard services, and non-automated data processing equipment.

Shared Services and Support ($1,223,351,000 in direct appropriation, $50,990,000 from reimbursable programs, and $10,000,000 from user fees) This budget activity funds policy management and 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 ($1,638,141,000 in direct appropriation, $5,741,000 from reimbursable programs, and $62,000,000 from user fees) This budget activity provides funding for 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 2008 President's Budget request is $282,090,000 in direct appropriation. This is an increase of 43.3 percent from the FY 2007 CR-rate. This appropriation funds the following budget activity.

BSM ($282,090,000 in direct appropriation) This budget activity provides resources for the planning and capital asset acquisition of information technology to modernize the IRS' business systems. The program combines best practices and expertise in business solutions and internal management from the IRS, business, and technology to develop a world-class tax administration system that fulfills the revenue collection requirements of the United States as well as taxpayers' needs and expectations.

Health Insurance Tax Credit Administration (HITCA)

The FY 2008 President's Budget request is $15,235,000 in direct appropriation. This is an increase of 2.6 percent from the FY 2007 CR-rate. This appropriation funds the following budget activity.

HITCA ($15,235,000 in direct appropriation) This budget activity provides resources 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 2008 President's Budget includes a number of legislative proposals intended to improve tax compliance with minimum taxpayer burden. When implemented, these proposals will generate $29 billion over 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 proposals to expand information reporting would:

  1) require information reporting on payments to corporations;
  2) require basis reporting on security sales;
  3) expand broker information reporting;
  4) require information reporting on merchant payment card reimbursements;
  5) require a certified taxpayer identification number (TIN) from non-employee service providers;
  6) require increased information reporting for certain government payments for property and services; and
  7) 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:

  1) require electronic filing by certain large businesses;
  2) implement standards clarifying when employee leasing companies can be held liable for their clients' Federal employment taxes; and
  3) amend collection due process procedures applicable to employment tax liabilities.

- *Strengthen tax administration* – The IRS has taken a number of steps under existing law to improve compliance. Specific proposals to enhance tax administration would:

  1) expand IRS access to information in the National Directory of New Hires database;
  2) permit the IRS to disclose to prison officials return information about tax violations; and
  3) make repeated failure to file a tax return a felony.

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

  1) expand preparer penalties;
  2) impose a penalty on failure to comply with electronic filing requirements; and
  3) create an erroneous refund claim penalty.

Improve Tax Administration and Other Miscellaneous Proposals

The Administration has four proposals relating to IRS administrative reforms.

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

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

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

The fourth proposal modifies the way that Financial Management Services (FMS) recovers its transaction fees for processing the IRS' levies by permitting FMS to add the fee to the liability being recovered, thereby shifting the cost of collection to the delinquent taxpayer. The offset amount would be included as part of the 15-percent limit on continuous levies against income.

IRS Performance by Programs

Programs	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target[1]	Target
Taxpayer Service	Customer Service Representative (CSR) Level of Service (%) Oe	87.3%	82.6%	82.0%	✓	78.0%	81.0%
	Customer Accuracy - Tax Law Phones (%) - Ot	80.0%	89.0%	90.9%	✓	91.0%	91.2%
	Percent of Individual Returns Processed Electronically (%) - Oe (L)	46.5%	51.1%	54.1%	✗	57.0%	61.6%
Enforcement	Collection Coverage - units (%) Ot (L)	**	53.0%	54.0%	✓	54.0%	54.0%
	Examination Coverage-Individual (%) Oe (L)	0.8%	0.9%	1.0%	✓	1.0%	1.0%
	Automated Underreporter Efficiency E (L)	1,514	1,701	1,832	✓	1,932	1,808

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

[1] Changes to the FY 2007 performance targets are attributed to funding adjustments under the Continuing Resolution, the implementation of new tax legislation, and improvements resulting from program efficiencies

** Prior performance reported as 39 percent under old methodology

Description of Performance

The following is a summary, outlined by the IRS' strategic goals, of significant program performance improvements.

Improve Taxpayer Service

Assisting the public to understand their tax reporting and payment obligations is the cornerstone of taxpayer compliance and is vital for maintaining public confidence in the tax system. The IRS continues to meet this challenge by improving the quality and accuracy of responses from its call centers and Taxpayer Assistance Centers (TACs) and expanding electronic self-service options. The following information highlights the IRS' taxpayer service achievements in FY 2006.

- The IRS delivered the first phase of the Taxpayer Assistance Blueprint, a comprehensive study that reviewed the IRS' current taxpayer service options provided to taxpayers and identified areas for improvements, including expanded taxpayer education and awareness, optimized use of partner services, increased self-service options, and expanded training and support tools for taxpayers. The Phase II report, which will be delivered in early 2007, includes additional research and establishes the framework to develop short and long-term outcome goals and metrics for measuring the IRS' progress on service improvements for taxpayers.
- Electronic filing for individuals continued to increase and, for two years in a row, more than half of all individual returns were filed electronically. The American Customer Satisfaction Index (ACSI) shows that e-File taxpayers are significantly more satisfied with their interaction with the IRS than paper filers. Also, in FY 2006, nearly 14,000 large corporate taxpayers subject to the electronic filing mandate successfully e-filed their returns without delay or backlog.
- Overall customer satisfaction with the award-winning IRS.gov website increased five percentage points based on the ACSI and use continued to grow. More than 1.3 billion web pages were viewed on IRS.gov and over 24 million taxpayers used the web application "Where's My Refund?" to check the status of their refunds. The IRS also introduced a set of web-based business products, such as

Internet-Employer Identification Number service and Transcript Delivery System, for practitioners and other third parties.

- The IRS provided a high level of service for taxpayers seeking traditional phone-based or in-person assistance. In FY 2006, the IRS' customer assistance call centers answered 32.7 million assistor telephone calls and met the 82 percent level of service goal, with an accuracy rate of 91 percent for tax law questions. The accuracy of responses to tax law questions at the TACs increased to 83 percent, compared to 75 percent in FY 2005. Waiting time at the TACs was minimized with more than eight out of ten customers being served in 30 minutes or less.

- The IRS provided unprecedented tax relief in the wake of the hurricanes that occurred along the Gulf Coast in August and September of 2005. In addition to direct support for FEMA call centers, the IRS provided assistance to the Small Business Administration and the Department of Labor to expedite income verification for disaster loans and unemployment benefits.

Enhance Enforcement

In FY 2006, enhancing the IRS' enforcement presence remained a top priority. The IRS also focused its efforts on improving business processes and modernizing its information systems, both powerful enablers of the IRS' business goals. Focusing more on limited scope examinations and productivity enhancements including improved analytics, workload identification, and selection systems that targeted high-risk cases, resulted in the completion of more individual, high income and small business audits in FY 2006 compared to FY 2005. The following information highlights the IRS' enforcement achievements in FY 2006.

- Reached a record level of $48.7 billion in enforcement revenue in FY 2006, as a result of the IRS' focus on corrosive activities of corporations, high income taxpayers and other major areas of non-compliance.

- Increased high income audits (audits of taxpayers earning $100,000 or more) 18 percent over FY 2005.

- Increased collection case closures by 15 percent, with a 9 percent increase in revenue received from collection activities.

- Increased the use of substitute for return authority by 66 percent (substitute for return authority allows the IRS to file a tax return for an individual or business when it does not file a required return). Examiners prepared and filed 665,000 returns for individuals and 182,000 returns for businesses classified as non-filers.

- Continued to improve quality of the largest corporate examinations. In FY 2006, Examination Quality for Industry and Coordinated Industry Examinations exceeded targets and increased to 85 percent and 96 percent, respectively.

In addition, the IRS strengthened its enforcement presence among entities with special tax statuses that may attract fraud and abuse. For example, in response to changes in the credit counseling industry and new bankruptcy requirements, the IRS halted the growth in abusive credit counseling agencies and undertook audits of the largest credit counseling agencies that resulted in the revocation of exemption for a substantial share of this industry.

Modernize the IRS through its People, Processes, and Technology

The IRS must manage its resources, business processes, and technology systems optimally to effectively and efficiently support its service and enforcement mission. The IRS strives to become a "first choice" employer where talented people want to work and can excel in a culture of high performance, empowerment, and a quality work environment. The following information highlights the IRS' modernization achievements in FY 2006.

- For the seventh consecutive year, the IRS achieved an unqualified audit opinion from the Government Accountability Office on all financial statements.

- The IRS completed and introduced its Human Capital (HC) Strategic Implementation Plan which focuses on promoting a highly productive and engaged workforce. The plan aligns Treasury's HC Strategic Goals, the IRS' Strategic

Goals, and the IRS' HC Strategic Goals, and establishes performance monitoring against objectives, processes, and projects.

- Successful BSM program delivery during the past two years demonstrates that the IRS has established a foundation of disciplined project delivery and accomplishment. Overall, the program delivered within the target of +/- 10 percent variance for both cost and schedule components for major release and sub-release milestones, a significant achievement that validates BSM program management effectiveness. This accomplishment is especially noteworthy because it was achieved while transitioning from a contractor-led program to an IRS-led program.

Modernization efforts will continue to focus on four key tax administration systems that provide additional benefits to taxpayers and IRS employees: CADE, AMS, MeF, and Filing and Payment Compliance (F&PC).

- CADE will ultimately replace the IRS' antiquated Master File system. CADE allows faster refunds (processing refunds on a daily basis), improved taxpayer service, faster issue detection, more timely account settlement, and a robust foundation for integrated and flexible modernized systems. New capabilities were introduced in January 2006, which increased the number of returns processed to over 7.3 million and generated refunds in excess of $3.4 billion. CADE is expected to process between 25 million to 30 million returns in 2007.
- AMS will enable real-time access to taxpayer account information in order to support faster resolution of taxpayer issues by the IRS' customer service representatives. The first release of the AMS is due the summer of 2007 to support real-time address change capability in CADE and enable faster notice processing for a number of math error notices.
- MeF expanded the electronic filing of both federal and state corporate income tax returns and will begin efforts to automate partnership income tax forms enabling nearly 2.7 million small business and self-employed taxpayers to benefit from electronic filing. MeF processed 550,000 corporate returns for the 2006 filing season.
- F&PC delivered the first release, which analyzes tax collection cases and separates cases that require direct IRS involvement from those that can be handled by Private Collection Agencies (PCAs). The system identified and delivered the first 12,500 cases to three PCAs in September 2006.

Treasury Franchise Fund

Program Summary by Account
(Dollars in thousands)

Budget Activity	FY 2006	FY 2007	FY 2008		
	Obligated	Estimated	Estimated	Increase/ Decrease	Percent Change
Consolidate/Integrated Admin Mgt	540,586	595,160	689,460	94,300	15.8%
Fin Mgt Admin Support Services	88,735	90,861	98,685	7,824	8.6%
Financial Systems, Consulting and Training	13,133	8,650	9,167	517	6.0%
Total Cost of Operations	$642,454	$694,671	$797,312	$102,641	14.8%

Explanation of Budget Estimate

The Treasury Franchise Fund is made up of four individual franchise businesses that are rolled into three budget activities which provide similar services. The Franchise Fund businesses have been leaders in redefining the processes and methods for delivering administrative products and services that combine streamlined processes, simplified rules, full accountability, competitive costing, timely completion, and one-stop shopping for customers.

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

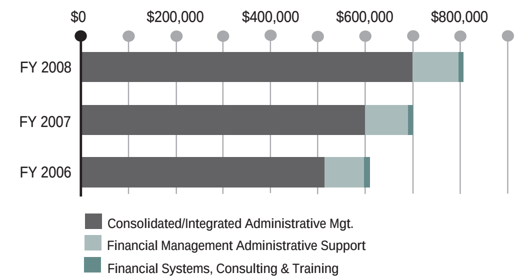
- Promote efficiencies in the delivery of administrative products and services,
- Reduce duplication of effort,
- Foster competition,
- Achieve full cost/self sufficiency, and
- Enhance customer satisfaction.

The FY 2008 budget estimate anticipates further growth due to the development of the Financial Management Line of Business and the Fund's status as a Center of Excellence. The Administrative Resources Center (ARC) already has agreements in place to add customers through FY 2008. The Fund's growth seeks to maintain high customer satisfaction levels for the services provided, while keeping operating expenses low. Customers should continue to realize reduced pricing, rebates, and volume discounts as a result of the economies of scale and improved efficiencies.

Purpose of Program

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

TFF Revenue History
[Dollars in Thousands]



Through FY 2008 the Fund will maintain its commitment to excellence and will continue to meet or exceed all strategic goals and benchmarks. Additionally, the Fund should continue to see controlled growth.

In FY 2006, the Fund:

- Provided 31 organizations with administrative accounting services,
- Provided 38 organizations with travel services,

TFF Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
Financial Systems, Consulting and Training	Operating expenses as a percentage of revenue--Financial Systems, Consulting and Training (%) (E)	Baseline	11	10	✓	12	12
Fin Mgt Admin Support Services	Customer Satisfaction Index - Financial Mgmt Admin Support Services (%) (Oe)	N/A	Baseline	75	✓	80	80
Consolidate/Integrated Admin Mgt	Operating expenses as a percentage of revenue--Consolidated/Integrated Administrative Management (%)(E)	Baseline	4	4	✓	12	12

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

- Provided 30 organizations with procurement services, and
- Provided 25 organizations with personnel services.

Explanation of Budget Activities

Consolidate/Integrated Admin Mgt ($689,460,000 from reimbursable programs) This Franchise Fund budget activity provides government customers with entrepreneurial business solutions for the acquisition and financial management of common administrative services and products.

Fin Mgt Admin Support Services ($98,685,000 from reimbursable programs) This Franchise Fund budget activity provides traditional administrative support functions with a focus on accounting, procurement, travel, and human resource services. This program is a Center of Excellence for Financial Management.

Financial Systems, Consulting and Training ($9,167,000 from reimbursable programs) This Franchise Fund budget activity consults with other federal government agencies to support their transformation efforts to become more efficient, effective, citizen-centric, and results-oriented. Customers are provided with executive coaching, measuring performance and customer satisfaction, and innovative solutions using the latest management and information technology tools, techniques, and best practices.

Legislative Proposals

The Treasury Franchise Fund has no legislative proposals for FY 2008.

Description of Performance

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

In FY 2006, the Fund did not meet all of its performance targets. However, two of the three business lines exceeded the government's American Customer Satisfaction Index average score. In addition, two of the three business lines were able to keep their operating expenses below the target of 12 percent. The Fund is currently streamlining and consolidating its processes and procedures to ensure lower operating costs.

Bureau of Engraving and Printing

Program Summary by Account
(Dollars in thousands)

Budget Activity	FY 2006	FY 2007	FY 2008		
	Obligated	Estimated	Estimated	Increase/ Decrease	Percent Change
Manufacturing	445,000	493,000	537,000	44,000	8.9%
Protection and Accountability of Assets	61,000	63,000	65,000	2,000	3.2%
Total Cost of Operations	$506,000	$556,000	$602,000	$46,000	8.3%

Explanation of Budget Estimate

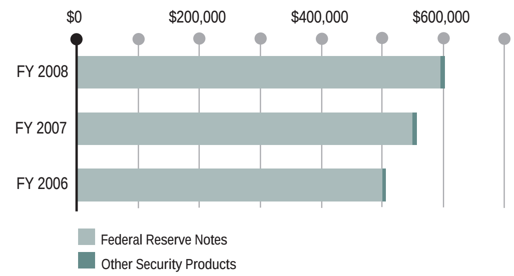
The Bureau of Engraving and Printing (BEP) began printing currency in 1862. It operates on the basis of authority conferred upon the Secretary of the Treasury by 31 U.S.C. 321(a) (4) to engrave and print currency and other security documents. Operations at BEP are financed by a revolving fund established 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 key priorities for FY 2008 include:

- Produce and deliver the most secure currency for the Nation in the most cost effective manner possible. BEP expects to produce and deliver 9.7 billion notes to the Federal Reserve System in 2008, an increase of nearly 7 percent over the 2007 program.
- Redesign the $5 and $100 notes. The redesigned $5 note will begin circulating in spring 2008; the new $100 note should begin circulating in FY 2009. The new notes are part of the current multi-year initiative to implement the most ambitious currency redesign in U.S. history.
- 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.
- Continue to work with the Advanced Counterfeit Deterrent Committee to research and develop state-of-the-art counterfeit deterrent features to enhance and protect future currency notes.

Estimated BEP revenue and expenditures for FY 2008 is $602,000,000.

BEP Revenue History
[Dollars in Thousands]



Purpose of Program

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

BEP's vision is to maintain its position as a world-class securities printer providing customers and the public superior products through excellence in manufacturing and technological innovation. It strives to produce United States currency of the highest quality, as well as many other security documents issued by the federal government. Other activities include engraving plates and dies; manufacturing inks used to print security products; purchasing materials, supplies and equipment; and storing and delivering products in accordance with the requirements of its customers. In addition, the bureau provides technical assistance and advice to other federal agencies in the design and production of documents, 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 2008 to achieve it's mission are the introduction of a new $5 note into circulation in spring 2008, and a new $100 note should begin circulating in

2009. These new notes will contain enhanced security features including subtle background colors. Background colors help consumers, particularly those who are visually impaired, to tell the denominations apart. BEP is also developing and testing several new overt counterfeit deterrent features for possible inclusion in the new $100 note. Collaboration continues between BEP and the Advanced Counterfeit Deterrent Committee to research and develop possible new features and designs that will enhance and protect future currency notes.

Explanation of Budget Activities

Manufacturing ($537,000,000 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 Bureau's Manufacturing activity supports the Department of the Treasury's strategic objective, Increase the Reliability of the U.S. Financial System.

Protection and Accountability of Assets ($65,000,000 from reimbursable programs) BEP's Protection and Accountability of Assets activity also supports the Department of the Treasury's strategic objective, Increase the Reliability of the U.S. Financial System. BEP provides effective and efficient product security and accountability during the manufacture and delivery of currency notes to the Federal Reserve System which preserves the integrity of the nation's currency.

Legislative Proposals

BEP has no legislative proposals for FY 2008.

Capital Investments Summary

BEP has no major IT investments for FY 2008.

BEP Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
Manufacturing	Manufacturing costs for currency (dollar costs per thousand notes produced) ($) (E)	28.06	28.83	27.49	✓	30	33
Protection and Accountability of Assets	Currency shipment discrepancies per million notes ($) (Oe)	0.01	0	0.01	✓	0.01	0.01

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 1000 notes produced) is an indicator of manufacturing efficiency and effectiveness of program management. This measure is developed 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 six years.

Currency Shipment Discrepancies are 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. For several years, this measure has had an annual target of .01 percent. The bureau has been able to meet or exceed this target on a regular basis. BEP continually strives to meet its long-term goal of zero percent, and has been able to do so several times.

United States Mint

Program Summary by Account
(Dollars in thousands)

Budget Activity	FY 2006 Obligated	FY 2007 Estimated	FY 2008 Estimated	FY 2008 Increase/ Decrease	FY 2008 Percent Change
Manufacturing	1,469,100	1,911,439	1,859,892	(51,547)	(2.7%)
Protection	36,917	38,121	39,143	1,022	2.7%
Total Cost of Operations	$1,506,017	$1,949,560	$1,899,035	($50,525)	(2.6%)
Capital Investments	$21,284	$38,484	$38,469	($1,015)	2.6%

(Not included in Total Cost of Operations above)

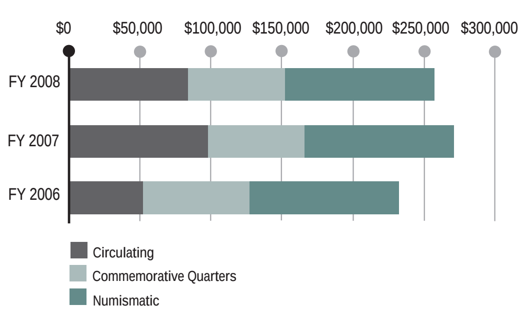
Explanation of Budget Estimate

The United States Mint manufactures and delivers domestic circulating coinage, numismatic coinage, and bullion products. Furthermore it 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 2008 include:

- Efficiently and effectively produce and distribute approximately 15.1 billion coins to meet demand for circulation during FY 2008.
- Continue to produce and ship Presidential $1 Coin Act products, including Presidential $1 coins for circulation, Sacagawea $1 coins for circulation, 24-karat First Spouse Gold coins and 24-karat Gold Bullion coins.
- Produce and distribute required numismatic products and sets, as well as other numismatic items, in quantities sufficient to make them accessible, available, and affordable to Americans who chose to purchase them.
- Produce coins for the final year of the United States Mint 50 State Quarters® Program to honor the following states: Oklahoma, New Mexico, Arizona, Alaska, and Hawaii. These five states conclude the 50 State Quarters Program.

United States Mint Revenue History
[Dollars in Thousands]



For FY 2008 United States Mint estimated total revenues are $2,574,112,000, total expenses are $1,899,035,000, capital investments are $38,469,000, and net results are $675,077,000.

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 ($1,859,892,000 from reimbursable programs) The United States Mint manufactures and sells coin products. For budget reporting purposes, these products are grouped into three programs: Circulating Coinage, 50 State Quarters, and Numismatic.

Circulating Coinage includes the one-cent coin, five-cent coin, dime, half-dollar and dollar used to conduct trade and commerce. The focus of this program is to produce and deliver coins for circulation to meet the needs of the United States in a cost efficient and safe manner with state-of-the-art manufacturing technology and equipment. The United States Mint delivers the circulating coinage to the Federal Reserve Banks for distribution as demanded by commerce.

In FY 2007, the United States Mint will introduce the Presidential $1 Coin program which commemorates the service of former United States Presidents in the order in which they served the nation. Four different coin designs will be minted each year. The year 2007 will feature Presidents Washington, Adams, Jefferson and Madison. The year 2008 will feature Presidents Monroe, (John Quincy) Adams, Jackson and Van Buren.

50 State Quarters Program

The 50 State Quarters Program began in 1999 to commemorate and honor each of the 50 states over a ten-year period. Five new commemorative quarter-dollar coins are produced each year. Each quarter's reverse celebrates one of the 50 states with a design honoring that state's unique history, traditions, and symbols. The quarters are released in the same order that the states ratified the United States Constitution or were admitted into the Union. The releases for 2007 are Montana, Washington, Idaho, Wyoming, and Utah. The 2008 quarters will depict designs for Oklahoma, New Mexico, Arizona, Alaska and Hawaii. The quarters are circulating coins; however, by statute, the revenue from this program is considered numismatic for budgetary reporting purposes. The Program is displayed separately in the narrative and the financial schedules to present a clearer picture of its impact. The United States Mint plans to spend $410 million to produce and ship approximately 2.7 billion quarters, generating revenues of $687 million dollars in FY 2008.

Numismatic Program

The Numismatic Program includes six types of coin products, which the United States Mint markets and sells to the public, including: 1) Bullion Coins, 2) American Eagle Proof Coins, 3) 24-karat Proof Program, 4) Recurring Coin Programs, 5) Commemorative Coins, and 6) Medals. The program focuses on providing quality products and services, expanding markets and supporting the long-term objectives. The current FY 2008 budget estimate includes resource needs of $1,041 million to generate $1,050 million in revenues from the sale of these products.

Protection ($39,143,000 from reimbursable programs)
The United States Mint secures over $100 billion in market value of the nation's gold reserves, silver, and other assets. The United States Mint Police protects assets while safeguarding United States Mint 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; increasing coordination with various federal, state and local law enforcement agencies; and ensuring 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 2008.

Capital Investments Summary

The Retail Sales System (RS2), formerly reported as the e-Business Solution Project (eSP), was developed in response to a growing need to meet the rapidly expanding numismatic market and to take advantage of new technology that would better support business requirements. RS2 was designed to meet high public demand for E-Government services and provide an easy and secure way for customers to order products directly from the United States Mint. An integrated mail order and cataloging system supports both the United States Mint's core mission.

United States Mint Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
Manufacturing	Cost per 1,000 Coin Equivalents ($)(E)	7.93	7.42	7.55	✗	7.27	7.15
Protection	Total Losses ($) (Oe)	Baseline	1,135	0	✓	10,000	5,000

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

Description of Performance

The United States Mint's costs vary by product, and the product mix has been variable over time. This makes it difficult to compare operating results from year to year. The coin equivalent calculation converts the production output to a common denominator based on the circulating quarter. Production costs, excluding metal and fabrication, are then divided by this standardized production level, thus resulting in "conversion costs per 1,000 coin equivalents." This allows comparison of performance over time by negating the effects of changes in the product mix. The Cost per 1,000 Coin Equivalents for FY 2006 is $7.55, a slight increase from $7.42 in FY 2005. The performance did not meet the target of $6.62. This ambitious target was a stretch goal, an 11 percent drop from the FY 2005 actual result, and was set based upon forecasted volume, product mix, and cost estimates. Differences in the actual volumes or the product mix from forecast affects the achievement of specific targets in any given year.

Total losses through FY 2006 were $0 (zero) compared with $1,135 in FY 2005. This performance exceeds the target of $15,000. This measures the results of fraud cases (e.g. credit card fraud during the purchase of United States Mint products by the public), theft cases, or intrusions that cause damage to United States Mint property. Results are from cases that have been investigated and closed during the fiscal year.

Office of the Comptroller of the Currency

Program Summary by Account
(Dollars in thousands)

Budget Activity	FY 2006	FY 2007	FY 2008		
	Obligated	Estimated	Estimated	Increase/ Decrease	Percent Change
Supervise	471,882	569,137	597,600	28,463	5.0%
Regulate	70,992	81,508	87,000	5,492	6.7%
Charter	13,952	20,544	21,200	656	3.2%
Total Cost of Operations	$556,826	$671,189	$705,800	$34,611	5.2%
Capital Investments	$6,360	$7,389	$6,137	($1,252)	(16.9%)

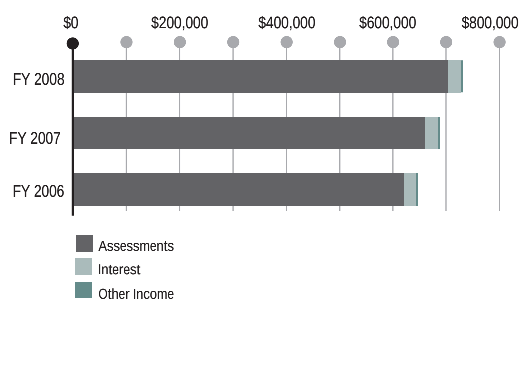
(Included in Total Cost of Operations above)

Explanation of Budget Estimate

The Office of the Comptroller of the Currency (OCC) supervises approximately 1,830 institutions with national bank charters and 49 federal branches of foreign banks in the United States. Total assets under OCC supervision are nearly $6.5 trillion or 67 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 FY 2007 priorities include supervisory issues related to potential adverse changes in national bank asset quality and risk profiles, continued work on proposed revisions to the federal banking agencies' risk-based capital standards, compliance with Bank Secrecy Act/anti-money laundering (BSA/AML) and USA PATRIOT Act (USAPA) requirements, and addressing issues raised by the range of retail banking products offered by national banks. Critical issues concerning national bank powers and preemption of state laws will continue to be significant for the agency and the industry. Filling key experienced and specialty examiner and bank supervision policy analyst positions, enhancing retention of entry-level examiners at the critical three/four year point of their careers, and developing the next generation of bank supervision leadership are critical initiatives for the OCC.

OCC Revenue History
[Dollars in Thousands]



In FY 2007, an estimated $671,189,000 is needed to fund ongoing OCC operations and address program priorities effectively. Estimated OCC revenue for FY 2007 is $687,200,000, which is collected primarily from semiannual assessments levied on national banks. OCC receives no appropriated funds from Congress.

Purpose of Program

OCC was created by Congress to charter national banks, to oversee a nationwide system of banking institutions, and to assure 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 to 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 ($569,137,000) The Supervise program consists of those ongoing supervision and enforcement activities undertaken to assure 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 ($81,508,000) 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. The program also provides analysis and legal opinions on federal preemption of state law. This program includes the establishment of examination policies, handbooks, and interpretations for examiners as well as representing the OCC's regulatory authorities and interpretations in administrative, judicial, and congressional hearings.

Charter ($20,544,000) 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

Three major investments are planned for FY 2007: the Workflow and Information Systems and Document Manager (WISDM) for the OCC's large bank line of business, the Mid-size/Community Bank Supervision Project (MCB) for that line of business, and the Web Content Management System (WCMS).

WISDM is an innovative, integrated solution that will streamline the Large Bank Supervision (LBS) processes, improve collaboration, and enhance the security of sensitive documents while providing OCC management greater visibility into the status of ongoing examinations. The resulting business management information system will provide LBS examiners and management the ability to collaboratively develop, securely store, search, and report on the status of their work documents.

MCB reengineers OCC's Examiner View. Examiner View documents findings from safety and soundness examinations for midsize and community-sized banks. The reengineering process will update the system into the Microsoft.Net environment, allowing for increased network users; easier integration of Microsoft Office capabilities and ease maintenance releases.

WCMS facilitates 1) automation of OCC's web publishing process using one system across three web platforms, 2) publishing of web content from a single, authoritative database, 3) management of the full content life cycle across all platforms, 4) metadata capture to improve search results, and 5) the unification of the web site infrastructure for improved web technology management.

OCC Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
Supervise	Percentage of national banks that are well capitalized (%) (Oe)	99	99	99	✓	95	95
	Percentage of national banks with composite CAMELS rating 1 or 2 (%) (Oe)	94	94	95	✓	90	90
	Percentage of national banks with consumer compliance rating of 1 or 2 (%) (Oe)	96	94	94	✓	94	94
	Rehabilitated problem national banks as a percentage of the problem national banks one year ago (CAMELS 3, 4 or 5) (%) (Oe)	40	44	46	✓	40	40
Charter	Percentage of licensing applications and notices completed within established timeframes. (%) (Oe)	96	96	94	✗	95	95

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

Description of Performance

As a whole, the national banking system is healthy and in compliance with consumer protection laws and other regulations. At the end of FY 2006, 99 percent of national banks were classified as well-capitalized. National banks' capital has remained at this consistently high level for the past several years.

Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for evaluating all significant financial, operational and compliance factors inherent in a bank. Evaluations are made on: Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk. The rating scale is 1 through 5 where 1 is the highest rating granted. CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a change in CAMELS. In FY 2006, 95 percent of national banks earned a composite CAMELS rating of either 1 or 2, signifying an overall safe and sound national banking system and a foundation for a strong U.S. economy. Forty-six percent of banks with composite CAMELS rating of 3, 4 or 5 one year ago have improved their ratings to either 1 or 2 this year. This is an improvement from 44 percent achieved in FY 2005 and the 40 percent achieved in FY 2004.

National banks continue to show strong compliance with consumer protection regulations with 94 percent earning a consumer compliance rating of either 1 or 2.

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. Delayed decisions can deprive a bank of a competitive or business opportunity, create business uncertainties, or diminish financial results. OCC completed 94 percent of applications and notices within the time standard during FY 2006. The target of 95 percent wasn't met as the result of several applications that initially appeared to be routine in nature requiring additional time due to unique circumstances. 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—Total OCC Costs Relative to Every $100,000 in Bank Assets Regulated—that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex national banking system. OCC costs are those reported as total program costs on the annual audited Statement of Net Cost. Bank assets are those reported quarterly by national banks on their Reports of Condition and Income. Total bank assets represent the growth and complexity of the national banking system. This measure supports the OCC's strategic goal of efficient use of agency resources. The OCC's ability to control its costs while ensuring the safety and soundness of the banking system benefits all national bank customers.

Office of Thrift Supervision

Program Summary by Account
(Dollars in thousands)

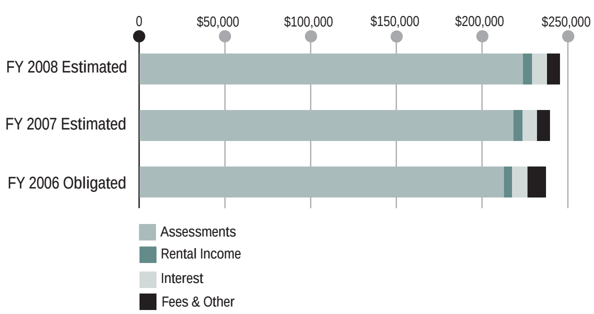
Budget Activity	FY 2006 Obligated	FY 2007 Estimated	FY 2008 Estimated	FY 2008 Increase/ Decrease	FY 2008 Percent Change
Supervision of the Thrift Industry	199,497	232,500	238,313	5,813	2.5%
Total Cost of Operations	$199,497	$232,500	$238,313	$5,813	2.5%

Explanation of Budget Estimate

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

In FY 2007, an estimated $232,500,000 is needed to fund ongoing OTS operations and address program priorities effectively. Estimated OTS revenue for FY 2007 is $239,000,000, which is derived principally from assessments on savings associations and savings and loan holding companies. OTS receives no appropriated funds from Congress.

OTS Revenue History
[Dollars in Thousands]



Purpose of Program

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

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 and other affiliates.

OTS activities address the following key strategic issues and challenges:

- Comprehensive and Risk–Focused Examinations,
- Interest Rate and Credit Risks,
- Compliance Risks, Financial Crimes, and Data Breaches,
- Disaster and Emergency Preparedness,
- Global Financial Services,
- Regulatory Burden Reduction,
- Promotion of the Thrift Charter, and
- Succession Planning and Management of OTS Resources.

Explanation of Budget Activities

Supervision of the Thrift Industry ($232,500,000 from reimbursable programs) OTS examines savings associations every 12-18 months for safety and soundness and compliance with consumer protection laws and regulations. During these exams, the association's ability to identify, measure, monitor, and control risk is evaluated, including the risk posed by other entities within the corporate structure. When weaknesses are identified, supervisory action is taken.

Legislative Proposals

OTS currently has no legislative proposals.

Capital Investments Summary

OTS has no major IT investments planned for FY 2007.

OTS Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2006 Target Met?	FY 2007 Target	FY 2008 Target
Supervision of the Thrift Industry	Difference between the inflation rate and the OTS assessment rate increase (%) (E)	0	0	0	✓	0	0
	Percent of safety and soundness exams started as scheduled (%) (Ot)	94	93	94	✓	90	90
	Percent of thrifts that are well capitalized (%) (Oe)	99.4	99.5	99.9	✓	95	95
	Percent of thrifts with compliance examination ratings of 1 or 2 (%) (Oe)	94	94	93	✓	90	90
	Percent of thrifts with composite CAMELS ratings of 1 or 2 (%) (Oe)	93	94	93	✓	90	90

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

Description of Performance

OTS met all its performance measure targets in FY 2006. The following is a brief description of each performance measure:

Percent of Safety and Soundness Exams Started as Scheduled. OTS performs safety and soundness examinations of its regulated savings associations consistent with the requirements in the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) as amended by the Riegle Community Development and Regulatory Improvement Act of 1994. 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.

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 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. "CAMELS" stands for Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to market risk. 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 an 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 began 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.

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

Treasury International Programs

Program Summary by Appropriations Account
(Dollars in thousands)

Appropriations	FY 2006 Enacted	FY 2007 President's Budget	FY 2007 CR-rate	FY 2008 President's Budget
International Financial Institutions	$1,277,236	$1,328,968	$1,066,198	$1,498,950
International Development Association	940,500	950,000	752,400	1,060,000
Multilateral Investment Guarantee Agency	1,287	0	1,288	1,082
Global Environment Facility**	79,200	80,000	56,250	106,763
Inter-American Development Bank				
Multilateral Investment Fund	1,724	25,000	1,724	29,232
Inter-American Investment Corporation	1,724	0	1,724	7,264
Asian Development Bank**	0	0	0	0
Asian Development Fund	99,000	115,250	99,000	133,906
African Development Bank	3,602	5,018	3,613	2,037
African Development Fund	134,343	135,700	134,343	140,584
European Bank for Reconstruction and Development	1,006	0	1,006	10
International Fund for Agricultural Development	14,850	18,000	14,850	18,072
Arrears***	[5,453]	[0]	[4,018]	[175,000]
Debt Restructuring	$64,350	$182,799	$20,000	$207,300
Treasury Technical Assistance*	$32,800	$23,700	$23,700	$24,800
Total Program Level	$1,374,386	$1,535,467	$1,109,898	$1,731,050

*FY 2006 amount includes $13M in supplemental funds
**FY 2007 amount is an amended budget request
*** Arrears are included in the budget request

Explanation of Request

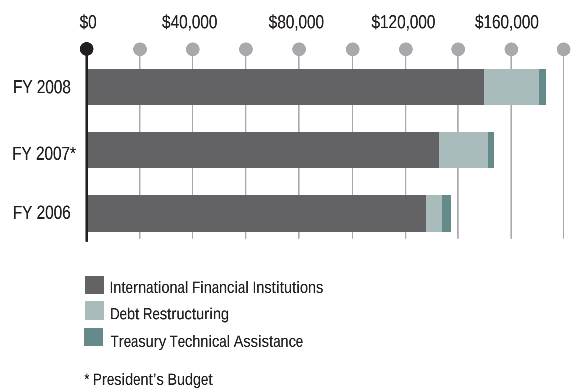
The FY 2008 President's Budget request for the Department of the Treasury's International Assistance Programs supports key objectives of the President's agenda, such as the G-8 Multilateral Debt Relief Initiative, measuring results, improving debt sustainability, increasing grants, improving transparency and fighting corruption. Total resources required to support the Treasury International Assistance Programs for FY 2008 are $1.731 billion, including contributions to the International Financial Institutions (IFIs) of $1.499 billion, $207.3 million for Debt Restructuring, and $24.8 million for Treasury's International 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 Funding History

[Dollars in Thousands]



International Programs FY 2008 Budget Highlights
(Dollars in thousands)

Appropriation	International Financial Institutions	Technical Assistance	Debt Restructuring	Total
FY 2006 Enacted*	$1,277,235	$32,800	$64,350	$1,374,385
FY 2007 President's Budget	$1,328,968	$23,700	$182,799	$1,535,467
CR-rate Adjustment	(262,771)	-	(162,799)	(405,570)
FY 2007 CR-rate	$1,066,198	$23,700	$20,000	$1,109,898
Increases	432,752	1,100	187,300	621,152
FY 2008 President's Budget	**$1,498,950**	**$24,800**	**$207,300**	**$1,731,050**

*Technical Assistance amount includes $13M in supplemental funds

FY 2008 Program Estimates

International Financial Institutions (IFIs) ($1,498,950,000)

The FY 2008 President's Budget requests $1.499 billion for the multilateral development banks (MDBs), including $175 million to pay a portion of outstanding U.S. arrears.

International Development Association (IDA) ($1,060,000,000) IDA is a member of the World Bank Group and provides development financing on highly concessional and grant terms to the world's poorest nations, including the exceptional challenges faced by countries in Africa. The FY 2008 President's Budget requests $950.0 million for the last of three payments to the fourteenth replenishment of IDA (IDA-14) and $110 million to clear a portion of outstanding U.S. arrears to IDA. U.S. leadership secured a number of key objectives in the agreement, including: a debt sustainability framework that allocates resources to help countries avoid crippling debt burdens; grants totalling approximately 31 percent of total assistance to the poorest countries; and an expanded results measurement system that will help assess the impact of IDA funding at the project, sector and country levels.

Multilateral Investment Guarantee Agency (MIGA) ($1,082,000) MIGA, a member of the World Bank Group, is chartered to encourage foreign direct investment by providing investment insurance (guarantees) and political risk insurance against non-commerical risks (i.e, expropriation, transfer restrictions, currency inconvertibilty, and political violence) in developing countries. The FY 2008 President's Budget requests $1.1 million to pay a portion of outstanding U.S. arrears to MIGA.

Global Environment Facility (GEF) ($106,763,000) The GEF is the largest multilateral funder of projects and programs that protect the global environment, particularly in the areas of biodiversity conservation, climate change, and international waters. The FY 2008 President's Budget requests $80.0 million for the second of four payments to the fourth replenishment of the Global Environment Facility (GEF-4) and $26.8 million to clear a portion of outstanding U.S. arrears to the GEF. During GEF-4 replenishment negotiations, finalized in 2006, the United States achieved an important set of policy reforms to improve the GEF's overall effectiveness, particularly with regard to project quality, portfolio management, resource allocations, transparency, and anti-corruption efforts.

Multilateral Investment Fund (MIF) ($29,232,000) The MIF, administered by the Inter-American Development Bank (IDB), works directly with private and public sector partners to strengthen the environment for business, build the capabilites and skills of the workforce, and broaden the economic participation of smaller enterprises. The FY 2008 President's Budget requests $25.0 million for the second of six payments to the first replenishment of the MIF (MIF-II) and $4.2 million to pay for a portion of outstanding U.S. arrears to the MIF. The United States achieved its key objectives in the replenishment negotiations, including: a strengthened commitment to measurable results; a strong focus on grants; allocation of resources to maximize innovation; and reform of the IDB's procurement guidelines.

Inter-American Investment Corporation (IIC) ($7,264,000) The IIC, a member of the Inter-American Development Bank Group, promotes private small and medium-sized enterprises in Latin America and in the Carribbean, providing loans for capital to either start, expand or modernize their operations. The FY 2008 President's Budget requests $7.3 million to clear a portion of outstanding U.S. arrears to the IIC.

Asian Development Fund (AsDF) ($133,906,000) The AsDF, the Asian Development Bank's concessional window, provides development financing for investments in health, education, environment, and social protection, as well as policy advice to the poorest countries in the Asia-Pacific region. The FY 2008 President's Budget requests $115.3 million for the third of four payments to the eighth replenishment of the AsDF (AsDF-9) and $18.7 million for outstanding U.S. arrears to the AsDF. In the AsDF-9 Agreement, the United States secured a number of important policy reforms, including: the formation of a grants window through which grants will comprise 30 percent of assistance to the poorest countries; a significant increase in the weight of governance in determining country assistance allocations; strengthened internal oversight, risk management, and results measurement; increased transparency; and a stronger focus on private sector development.

African Development Bank (AfDB) ($2,036,730) and the African Development Fund (AfDF) ($140,584,113) The AfDB provides development financing for creditworthy African countries to promote sustainable economic growth and to help reduce poverty. For the AfDB, The FY 2008 President's Budget requests $2.0 million to pay outstanding arrears to the AfDB. The AfDF provides highly concessional loans and grants to Africa's poorest countries to help promote economic growth and reduce poverty. The FY 2008 President's Budget requests $135.7 million for the last of three payments to the tenth replenishment of the AfDF (AfDF-10) and $4.9 million to pay a portion of outstanding U.S. arrears to the AfDF. U.S. leadership secured key objectives in the replenishment, including: a substantial increase in grant funding under an agreed debt sustainability framework; enhanced effectiveness to achieve measurable results on the ground; improved transparency and increased activities to fight corruption; and greater support to post-conflict countries.

European Bank for Reconstruction and Development (EBRD) ($10,157) The EBRD supports market-oriented economic reform through private sector lending and investment in the nations of Central and Eastern Europe and the former Soviet Union. The FY 2008 President's Budget requests $10,157 to pay outstanding arrears to the EBRD.

International Fund for Agricultural Development (IFAD) ($18,072,000) IFAD is a multilateral institution focused on promoting rural agricultural development in poorer countries. The FY 2008 President's Budget requests $18.0 million for the second of three payments to the seventh replenishment of IFAD (IFAD-7) and $72,000 to help clear outstanding U.S. arrears. Negotiations on IFAD-7 concluded in December 2005, and the United States exercised significant leadership to achieve key objectives, including: an action plan to address key findings of the independent external evaluation for increasing the effectiveness of IFAD operations; a stronger performance based allocation system; a debt sustainability framework; and increased transparency and anti-corruption measures.

Debt Restructuring ($207,300,000)

The FY 2008 President's Budget requests funding of $207.3 million for the cost of debt restructuring programs, including bilateral Heavily Indebted Poor Countries initiative (HIPC) debt reduction for Liberia and the Democratic Republic of the Congo (DRC), the HIPC Trust Fund, and the Tropical Forest Conservation Act. The bulk of this amount will be needed to cover the cost of canceling the remainder of the DRC's debt to the United States when the DRC reaches its Completion Point under the HIPC initiative. The United States Government is the largest creditor of the DRC; lack of U.S. participation in debt relief would likely cause other creditors to withhold their debt relief. An amount of $20 million would be used for debt treatment under the Tropical Forest Conservation Act (TFCA).

Technical Assistance ($24,800,000)

The FY 2008 President's Budget requests $24.8 million for the cost of the technical assistance program, which provides highly experienced financial advisors to reform-minded developing countries, transitional economies, and nations recovering from conflict. The increase over the FY 2007 President's Budget request is justified by growing evidence of the importance of strong financial sectors and sound public financial management for the achievement of U.S. international policy priorities, and the growing need for Treasury technical assistance. Treasury assistance focuses on strengthening the financial and economic management capacity of aid recipient countries. Such capacity is essential for aid recipients to make effective use of foreign assistance, to reduce their vulnerability to economic shocks, terrorist financing and financial crime, and ultimately to eliminate their dependence on aid. This increase in funding will provide Treasury's Technical Assistance the ability to address significant needs in Sub-Saharan Africa, the Greater Middle East, Asia, and Latin America.

Explanation of Programs

International Financial Institutions ($1,498,950,000 from direct appropriations) International Financial Institutions (IFIs) provide loans, grants and investments to developing and transition economies and private sector enterprises in countries where risks are too high for private financing alone and where leverage is needed to encourage private financing. The United States strongly advocates bank policies and assistance programs that reflect U.S. priorities in promoting growth, increasing productivity, and reducing poverty in developing countries.

Debt Restructuring ($207,300,000 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 ($24,800,000 from direct appropriations) International Affairs Technical Assistance provides financial advisors to countries seeking assistance in implementing significant economic reforms, especially during critical periods of transition to market-based economies. The program supports economic policy and financial management reforms focusing on the functional areas of budget, taxation, government debt, financial institutions and financial crimes law enforcement.

Description of Performance

Through U.S. leadership in the IFI replenishment negotiations, key policy reforms were initiated, reinforced and extended in the international financial institutions. These reforms focus on improving debt sustainability, increasing grants, measuring results, increasing transparency and fighting corruption. Through the landmark G-8 Multilateral Debt Relief Initiative, 42 of the world's poorest and most debt vulnerable countries will be eligible to receive 100 percent cancellation of their MDB debt.

Debt sustainability frameworks adopted in IDA and the AfDF will help break the destabilizing lend-and-forgive cycle. IDA will provide approximately 30 percent of its total resources to the world's poorest and most debt vulnerable countries as grants, and the AfDF is also extending nearly one-third of its available resources as grants. The AsDF-9 replenishment agreement established, for the first time in the AsDF, a grant window where approximately 30 percent of assistance to the poorest countries will be in the form of grants.

Results measurement systems have been expanded significantly through the IDA-14 and AfDF-10 replenishment agreements with the adoption of clear, measurable goals and targets, and results-based management processes and standards. Continuing work is needed to ensure full implementation of results-based management in all the MDBs.

Measures to improve transparency and efforts to fight corruption in countries, on bank projects, and in the institutions themselves have been strengthened. For example, the AfDB established a new anti-corruption and investigative unit, the IDB overhauled its procurement policies and practices to conform to best international practices, and AsDB significantly increased its in-country governance programs. In FY 2008, IDA will continue its independent assessment of its internal controls framework.

Going forward, the Treasury Department will continue to reinforce these key reforms and build upon achievements in the IFIs on managing for results, increasing transparency and fighting corruption, and ensuring the debt sustainability of the world's poorest countries.

Summary of FY 2008 Appropriations Language

A regular FY 2007 appropriation had not been enacted for the Department of the Treasury at the time the FY 2008 President's Budget was prepared; therefore, the FY 2008 appropriations language is presented as all new language.

Departmental Offices

Salaries and Expenses

(Including Transfer of Funds)

For necessary expenses of the Departmental Offices including operation and maintenance of the Treasury Building and Annex; hire of passenger motor vehicles; maintenance, repairs, and improvements of, and purchase of commercial insurance policies for, real properties leased or owned overseas, when necessary for the performance of official business, $250,141,000, of which not to exceed $3,000,000, to remain available until September 30, 2009, for information technology modernization requirements; not to exceed $200,000 for official reception and representation expenses; not to exceed $258,000 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; $5,114,000, to remain available until September 30, 2009, 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, That this transfer authority shall be in addition to any other provided in this Act; of which $3,000,000, to remain available until September 30, 2009 is for secure space requirements; $2,300,000, to remain available until September 30, 2009 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; and $2,100,000, to remain available until September 30, 2010, is to develop and implement programs within the Office of Critical Infrastructure Protection and Compliance Policy, including entering into cooperative agreements.

Department-wide Systems and Capital Investment Programs

(Including Transfer of Funds)

For development and acquisition of automatic data processing equipment, software, and services for the Department of the Treasury, $18,710,000, to remain available until September 30, 2010: Provided, That these funds shall be transferred to accounts and in amounts as necessary to satisfy the requirements of the Department's offices, bureaus, and other organizations: Provided further, That this transfer authority shall be in addition to any other transfer authority provided in this Act: Provided further, That none of the funds appropriated shall be used to support or supplement "Internal Revenue Service, Information Systems" or "Internal Revenue Service, Business Systems Modernization".

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, $18,450,000, of which not to exceed $2,000,000 for official travel expenses, including hire of passenger motor vehicles; 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; and of which not to exceed $2,500 shall be available for official reception and representation expenses.

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; $140,533,000, of *which not to exceed $6,000,000 for official travel expenses; of which not to exceed $500,000 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.*

Air Transportation Stabilization Program Account

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

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, $28,557,000, to remain available until September 30, 2009, of which up to $12,200,000 may be used for administrative expenses, including administration of the New Markets Tax Credit, up to $2,500,000 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, as amended: Provided further, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed $5,000,000.

Financial Crimes Enforcement Network

Salaries and Expenses

For necessary expenses of the Financial Crimes Enforcement Network, including hire of passenger motor vehicles; travel and training expenses of non-Federal and foreign government personnel to attend meetings and training concerned with domestic and foreign financial intelligence activities, law enforcement, and financial regulation; not to exceed $14,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, $85,844,000, of which not to exceed $16,340,000 shall remain available until September 30, 2010; and of which $8,955,000 shall remain available until September 30, 2009: Provided, That funds appropriated in this account may be used to procure personal services contracts.

Financial Management Service

Salaries and Expenses

For necessary expenses of the Financial Management Service, $235,191,000, of which not to exceed $9,220,000 shall remain available until September 30, 2010, for information systems modernization initiatives; and of which not to exceed $2,500 shall be available for official reception and representation expenses.

Alcohol and Tobacco Tax and Trade Bureau

Salaries and Expenses

For necessary expenses of carrying out section 1111 of the Homeland Security Act of 2002, including hire of passenger motor vehicles, $93,515,000; of which not to exceed $6,000 for official reception and representation expenses; not to exceed $50,000 for cooperative research and development programs for laboratory services; and provision of laboratory assistance to State and local agencies with or without reimbursement.

United States Mint

United States Mint Public Enterprise Fund

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

Bureau of the Public Debt

Administering the Public Debt

For necessary expenses connected with any public-debt issues of the United States, $182,871,000, of which not to exceed $2,500 shall be available for official reception *and representation expenses, and of which not to exceed $2,000,000 shall remain available until September 30, 2010 for systems modernization: Provided, That the sum appropriated herein from the general fund for fiscal year 2008 shall be reduced by not more than $10,000,000 as definitive securities issue fees and Legacy Treasury Direct Investor Account Maintenance fees are collected, so as to result in a final fiscal year 2008 appropriation from the general fund estimated at $172,871,000. In addition, $70,000 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.*

Internal Revenue Service

Taxpayer Services

For necessary expenses of the Internal Revenue Service to provide taxpayer services, including pre-filing taxpayer assistance and education, filing and account services, taxpayer advocacy services, and services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, $2,103,089,000, of which up to $4,100,000 shall be for the Tax Counseling for the Elderly Program, and of which $8,000,000 shall be for low-income taxpayer clinic grants.

Enforcement

(Including Transfer of Funds)

For necessary expenses of the Internal Revenue Service to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investigations, to enforce criminal statutes related to violations of internal revenue laws and other financial crimes, to purchase (for police-type use, not to exceed 850) and hire of passenger motor vehicles (31 U.S.C. 1343(b)), and services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, $4,925,498,000, of which not less than $57,252,000 shall be for the Interagency Crime and Drug Enforcement program: Provided, That up to $10,000,000 may be transferred as necessary from this account to Internal Revenue Service, "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.

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 services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner; $3,769,587,000 of which $75,000,000 shall remain available until September 30, 2009, for information technology support; of which not to exceed $1,000,000 shall remain available until September 30, 2010, for research; of which not to exceed $1,600,000 shall be for the Internal Revenue Service Oversight Board; and of which not to exceed $25,000 shall be for official reception and representation.

Business Systems Modernization

For necessary expenses of the Internal Revenue Service's business systems modernization program, $282,090,000, to remain available until September 30, 2010, 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, a plan for expenditure that: (1) meets the capital planning and investment control review requirements established by the Office of Management and Budget, including Circular A–11; (2) complies with the Internal Revenue Service's enterprise architecture, including the modernization blueprint; (3) conforms with the Internal Revenue Service's enterprise life cycle methodology; (4) is approved by the Internal Revenue Service, the Department of the Treasury, and the Office of Management and Budget; (5) has been reviewed by the Government Accountability Office; and (6) complies with the acquisition rules, requirements, guidelines, and systems acquisition management practices of the Federal Government.

Health Insurance Tax Credit Administration

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

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

SEC. 201. 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 notification of the Committees on Appropriations.

SEC. 202. The Internal Revenue Service shall maintain a training program to ensure that Internal Revenue Service employees are trained in taxpayers' rights, in dealing courteously with taxpayers, and in cross-cultural relations.

SEC. 203. The Internal Revenue Service shall institute and enforce policies and procedures that will safeguard the confidentiality of taxpayer information.

SEC. 204. Of the funds made available by this Act to the Internal Revenue Service, not less than $6,787,950,000 shall be available only for tax enforcement and related support activities funded in Internal Revenue Service, "Enforcement" and "Operations Support." In addition, of the funds made available by this Act to the Internal Revenue Service, and subject to the same terms and conditions, an additional $440,264,000 shall be available for tax enforcement and related support activities.

SEC. 205. Section 9503(a) of title 5, United States Code, is amended by striking the clause "for a period of 10 years after the date of enactment of this section" and replacing it with "before July 23, 2013".

SEC. 206. Sections 9504(a) and (b), and 9505(a) of title 5, United States Code, are amended by striking the clause "For a period of 10 years after the date of enactment" each place it occurs, and replacing it with "Before July 23, 2013".

SEC. 207. Section 9502(a) of title 5, United States Code, is further amended by striking "Office of Management and Budget" and replacing it with "Office of Personnel Management".

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

SEC. 210. Appropriations to the Department of the Treasury in this Act shall be available for uniforms or allowances therefor, as authorized by law (5 U.S.C. 5901), including maintenance, repairs, and cleaning; purchase of insurance for official motor vehicles operated in foreign countries; purchase of motor vehicles without regard to the general purchase price limitations for vehicles purchased and used overseas for the current fiscal year; entering into contracts with the Department of State for the furnishing of health and medical services to employees and their dependents serving in foreign countries; and services authorized by 5 U.S.C. 3109.

SEC. 211. 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 notification of the Committees on Appropriations: Provided, That no transfer may increase or decrease any such appropriation by more than 2 percent.

SEC. 212. 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 notification of the Committees on Appropriations: Provided, That no transfer may increase or decrease any such appropriation by more than 2 percent.

SEC. 213. 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. 214. 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. 215. The Secretary of the Treasury may transfer funds from Financial Management Services, Salaries *and Expenses, to Debt Collection Fund as necessary to cover the costs of debt collection: Provided, That such amounts shall be reimbursed to such salaries and expenses account from debt collections received in the Debt Collection Fund.*

SEC. 216. Section 122(g)(1) of Public Law 105–119, as amended (5 U.S.C. 3104 note), is further amended by striking "8 years" and inserting "10 years".

SEC. 217. Section 3333(a) of Title 31, United States Code, is amended by deleting paragraph (3) and inserting in lieu thereof the following: "(3) The amount of the relief, and the amount of any relief granted to an official or agent of the Department of the Treasury under 31 U.S.C. 3527, shall be charged to the Check Forgery Insurance Fund (31 U.S.C. 3343). A recovery or repayment of a loss for which replacement is made out of the fund shall be credited to the fund and is available for the purposes for which the fund was established."

Total Funding Levels for the FY 2008 President's Budget – Treasury Chapter

Total Funding Levels for the FY 2008 President's Budget - Treasury Chapter
(Dollars in Millions)

Appropriations	FY 2006 Enacted	FY 2007 Estimate	FY 2008 Estimate	Increase/ Decrease	Percent Increase/ Decrease
Annual Appropriations	$11,554	$11,429	$12,136	$707	6.2%
Interest Payments:					
Interest on Public Debt	405,872	433,004	469,919	36,915	8.5%
Refunding Internal Revenue Collections, Interest	4,172	4,580	4,124	-456	-10.0%
Interest on Uninvested Funds	7	8	8	0	0.0%
Interest Paid To Credit Financing Accounts	5,200	5,067	4,787	-280	-5.5%
Restitution of Foregone Interest	157	0	0	0	0.0%
Fed. Interest Liabilities to States	1	3	3	0	0.0%
Subtotal, Interest Payments	415,409	442,662	478,841	36,179	8.2%
Trust Funds And Other Funds:					
Payment to Resolution Funding Corp	1,979	2,140	2,140	0	0.0%
Payment to Terrestrial Wildlife Habitat Restoration Trust Fund	5	5	5	0	0.0%
Community Development Financial Institutions Program Account	0	1	0	-1	
Subtotal, Trust Funds And Other	1,984	2,146	2,145	-1	-0.1%
Permanent Authority Appropriations:					
Pres. Election Campaign Fund	50	50	42	-8	-16.0%
Government Losses in Shipment.	2	1	1	0	0.0%
Continued Dumping and Subsidy Offset	476	356	364	8	2.2%
Treasury Forfeiture Fund	271	270	270	0	0.0%
Debt Collection Special Fund	47	46	79	33	71.7%
Claims, Judgments & Relief Acts	677	825	819	-6	-0.7%
Federal Reserve Bank Reimbursement by –					
FMS.	280	245	295	50	20.4%
BPD	100	128	96	-32	-25.0%
Financial Agent Services	390	386	426	40	10.4%
Spectrum Relocation					
TIGTA	0	1	0	-1	-100.0%
IRS	0	4	0	-4	-100.0%
Internal Revenue Collections for Puerto Rico	360	448	484	36	8.0%
IRS New and Existing Fees	19	242	180	-62	-25.6%
IRS Informant Payments	25	12	12	0	0.0%
Private Collection Agent Program	0	22	42	20	100.0%
Payment where AMT Credit exceeds liability for tax	0	0	349	349	100.0%
Payment where Child Credit exceeds liab. for tax	15,473	14,931	14,312	-619	-4.1%
Payment where EIC exceeds liability for tax	36,166	36,461	37,236	775	2.1%
Payment where Health Care Credit exceeds liab. for tax	94	102	114	12	11.8%
Subtotal, Permanent Auth. Approp	54,430	54,530	55,121	591	1.1%
Offsetting Collections	-16,791	-18,821	-22,358	-3,537	18.8%
Total, Department of the Treasury	**$466,586**	**$491,946**	**$525,885**	**$33,939**	**6.9%**

Detail of Other Treasury Accounts

Total Treasury Department Budget

The Treasury Chapter of the FY 2008 President's Budget covers the following areas:

Interest Payments — $478.8 billion
These are permanent, indefinite funds for interest payments needed: to finance the public debt; by the IRS on refunds of taxes to taxpayers; and on special accounts handled through the Treasury.

Permanent Authority Appropriations and Trust Funds — $57.3 billion
These are special accounts for which the Congress has given the Department of the 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 — $22.4 billion
Treasury receipts from other government agencies and private sources are subtracted from the total Treasury budget as an offset.

Annual Operating Appropriations (Most Treasury Bureaus) — $12.1 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 2008 President's Budget" section.

Interest Payments

Interest on the Public Debt

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

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

Interest on IRS Refunds

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

Interest on Uninvested Funds

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

Interest Paid to Credit Financing Accounts

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

Restitution of Foregone Interest

In certain situations the Secretary of the Treasury pays interest to the Government Securities Investment Fund from the general fund of the Treasury when funds could not be invested as a result of a debt issuance suspension.

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 in a timely manner.

Trust Funds and Other

Payment to Resolution Funding Corporation

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

Payment to Terrestrial Wildlife Habitat Restoration Trust Fund

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

Community Development Financial Institutions Program Account

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

Permanent Authority Appropriations

Presidential Election Campaign Fund

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

Government Losses in Shipment

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

Continued Dumping and Subsidy Offset

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

Treasury Forfeiture Fund

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

Debt Collection Special Fund

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

Claims, Judgments and Relief Acts

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

Reimbursement to Federal Reserve Banks

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

Financial Agent Services

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

Spectrum Relocation

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

Internal Revenue Collections for Puerto Rico

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

Internal Revenue Service – New and Existing Fees

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

Internal Revenue Service – Informant Payments

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

Internal Revenue Service – Private Collection Agent Program

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

Payment Where Alternative Minimum Tax Credit Exceeds Liability for Tax

The Tax Relief and Health Care Act of 2006 allows certain taxpayers to claim a refundable credit for a portion of their unused long-term alternative minimum tax credits.

Payment Where Child Credit Exceeds Liability for Tax

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

Payment Where Earned Income Credit Exceeds Liability for Tax

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

Payment Where Health Care Credit Exceeds Liability for Tax

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

Offsetting Collections

In general, amounts collected by the federal government are classified in two major categories:

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

- *Offsetting Receipts* - Collections that are offset against the budget authority and outlays of the collecting agency rather than reflected as governmental receipts in computing budget totals. Offsetting receipts are comprised of:
  - *Proprietary Receipts* - These receipts from the public are market-oriented and are derived from activities operated as business-type enterprises.
  - *Intragovernmental Receipts* - These are collections from other governmental accounts deposited in receipt accounts. These are further classified as follows:
    - *Interfund Receipts* - These are amounts derived from payments between federal and trust funds.
    - *Intrafund Receipts* - These are amounts derived from payments within the same fund group (i.e., within the federal fund group or within the trust fund group).

(dollars in billions)

	FY 2006 Actual	FY 2006 Estimate	FY 2007 Estimate
Proprietary	13.5	14.5	15.5
Interfund	1.8	1.8	4.1
Interfund	1.6	2.5	2.7
Total	16.8	18.8	22.4

FY 2008 BUDGET IN BRIEF

www.treas.gov