U.S. Department of the Treasury
FY 2006 Budget in Brief

Summary of FY 2006 President's Budget

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Executive Summary

FY 2006 President's Budget by Function
(Dollars in Thousands)

Appropriation	FY 2004 Enacted	FY 2005 Enacted	FY 2006 President's Budget	FY 2006 Increase/ Decrease	% Change
Tax Administration	$10,184,517	$10,236,087	$10,679,261	$443,174	4.3%
IRS Tax Administration and Operations	$9,762,024	$9,998,165	$10,460,051	$461,886	4.6%
Business Systems Modernization	$387,699	$203,360	$199,000	($4,360)	(2.1%)
HITCA	$34,794	$34,562	$20,210	($14,352)	(41.5%)
Fiscal Service Operations	$399,837	$402,848	$413,166	$10,318	2.6%
Financial Management Service	$227,210	$229,083	$236,243	$7,160	3.1%
Bureau of the Public Debt	$172,627	$173,765	$176,923	$3,158	1.8%
Management & Financial	$515,592	$523,334	$547,371	$24,037	4.6%
Departmental Offices	$238,631	$224,615	$232,607	$7,992	3.6%
Salaries and Expenses	$175,070	$178,412	$195,253	$16,841	9.4%
Treas Building & Annex Repair & Restoration	$24,853	$12,217	$10,000	($2,217)	(18.1%)
Dept-wide Systems & Capital Invest. Program	$36,185	$32,002	$24,412	($7,590)	(23.7%)
Air Transportation Stabilization Program	$2,523	$1,984	$2,942	$958	48.3%
Financial Crimes Enforcement Network	$57,231	$71,922	$73,630	$1,708	2.4%
Alcohol &Tobacco Tax and Trade Bureau	$79,528	$82,336	$91,126	$8,790	10.7%
Office of Inspector General	$12,923	$16,368	$16,722	$354	2.2%
Treasury IG for Tax Administration	$127,279	$128,093	$133,286	$5,193	4.1%
Total, Treasury Appropriations Committee	$11,099,946	$11,162,269	$11,639,798	$477,529	4.3%
Community Development Financial Institutions Fund	$60,640	$55,078	$7,900	($47,178)	(85.7%)
Total, Treasury Level	$11,160,586	$11,217,347	$11,647,698	$430,351	3.8%
Treasury International Programs	$1,496,370	$1,337,247	$1,455,079	$117,832	8.8%
International Financial Institutions	$1,383,042	$1,219,199	$1,335,329	$116,130	9.5%
Technical Assistance	$18,888	$18,848	$20,000	$1,152	6.1%
Debt Restructuring	$94,440	$99,200	$99,750	$550	0.6%
Total	$12,656,956	$12,554,594	$13,102,778	$548,183	4.4%

Overview

The U.S. Department of the Treasury's FY 2006 budget reflects the Department's commitment to the President's top policy priorities: promoting economic opportunity and ownership, protecting America and making government more effective.

The FY 2006 performance 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 Department's budget allows Treasury to wage the financial war on terror, collect the nation's taxes, manage and account for the U.S. public debt, administer the Government's finances, regulate and supervise financial institutions and produce coins and currency.

Treasury's FY 2006 budget supports its strategic goals to promote financial security and promote prosperous and stable economies at home and abroad, and to manage for results across the Department. This Budget in Brief requests funding for initiatives for the Department's offices and bureaus and provides additional detail about the total scope of Treasury budget activity.

FY 2006 Budget Request

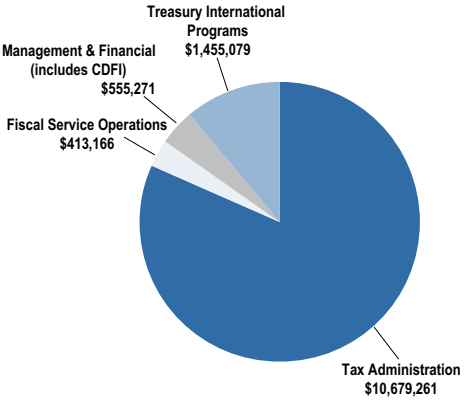
The FY 2006 request for appropriations for the Department of the Treasury totals $11,647.7 million. This amount represents an increase of $430.4 million over the FY 2005 enacted level, including supplementals, and reflects a 3.8 percent increase over the previous year. Treasury's budget funds its highest priority initiatives and reflects efforts to capitalize on efficiency and reinvest savings to fund initiatives wherever possible.

Summary of Program Operating Levels by Treasury Goal

(Dollars in Thousands)

Treasury Goal/Objective	Promote Prosperous US/World Economies (E1)		Promote Stable US/World Economies (E2)		Preserve Integrity of Financial Systems (F3)		Manage US Gov Finances Effectively (F4)		Management Excellence and Accountability (M5)		Total	
	Direct $	Reimb. $	Direct $	Reimb. $	Direct $	Reimb. $	Direct $	Reimb. $	Direct $	Reimb. $	Direct $	Reimb. $
Tax Administration	$0	$0	$0	$0	$207,565	$67,895	$10,471,696	$35,105	$0	$0	$10,679,261	$103,000
IRS Tax Administration and Operations					$207,565	$67,895	$10,252,486	$35,105			$10,460,051	$103,000
Business Systems Modernization							$199,000				$199,000	$0
HITCA							$20,210				$20,210	$0
Fiscal Service Operations	$0	$0	$0	$0	$0	$0	$413,166	$176,148	$0	$0	$413,166	$176,148
Financial Management Service							$236,243	$167,770			$236,243	$167,770
Bureau of the Public Debt							$176,923	$8,378			$176,923	$8,378
Management & Financial	$52,685	$232	$71,248	$3,006	$143,823	$5,775	$67,841	$935	$211,774	$9,971	$547,371	$19,919
Departmental Offices												
Salaries and Expenses	$52,685	$232	$27,299	$2,241	$70,193	$4,234	$17,722		$27,354	$4,679	$195,253	$11,386
Treas Bldg & Annex Repair & Restoration									$10,000		$10,000	$0
Dept-wide Systems & Capital Invest. Program									$24,412		$24,412	$0
Air Transportation Stabilization Program			$2,942								$2,942	$0
Financial Crimes Enforcement Network					$73,630	$1,541					$73,630	$1,541
Alcohol & Tobacco Tax and Trade Bureau			$41,007	$765			$50,119	$935			$91,126	$1,700
Office of Inspector General									$16,722	$2,342	$16,722	$2,342
Treasury IG for Tax Administration									$133,286	$2,950	$133,286	$2,950
Total, Treasury Appropriations Committee	$52,685	$232	$71,248	$3,006	$351,388	$73,670	$10,952,703	$212,188	$211,774	$9,971	$11,639,798	$299,067
Community Development Financial Institutions Fund	$7,900										$7,900	$0
Treasury International Programs	$1,455,079										$1,455,079	$0
Total, Treasury Appropriated Level	$1,515,664	$232	$71,248	$3,006	$351,388	$73,670	$10,952,703	$212,188	$211,774	$9,971	$13,102,777	$299,067
Non Appropriated Bureaus	$0	$85,190	$0	$0	$0	$2,426,649	$0	$0	$0	$801,587	$0	$3,313,426
Treasury Franchise Fund										$801,587	$0	$801,587
U.S. Mint						$1,214,233					$0	$1,214,233
Bureau of Engraving and Printing						$575,000					$0	$575,000
Office of the Comptroller of the Currency		$65,930				$464,078					$0	$530,008
Office of Thrift Supervision		$19,260				$173,338				$0	$0	$192,598
Subtotal, Direct $	$1,515,664		$71,248		$351,388		$10,952,703		$211,774		$13,102,777	$0
Subtotal, Reimbursable $		$85,422		$3,006		$2,500,319		$212,188		$811,558		$3,612,493
Total, Treasury Level	$1,601,086		$74,254		$2,851,707		$11,164,891		$1,023,332		$16,715,270	

Proposed FY 2006 Treasury Appropriated Budget by Function



Ensure Financial Security

Managing the U.S. Government's finances effectively is key to the nation's financial security. Treasury's request provides $10,679.3 million for the Internal Revenue Service (IRS) to ensure that the nation's taxes are collected fairly. Taxes on alcohol and tobacco products are collected by the Alcohol and Tobacco Tax and Trade Bureau (TTB), which conducts investigations in the commodities area. TTB requests $91.1 million in funding in the FY 2006 budget.

The FY 2006 budget request includes investments for the Internal Revenue Service (IRS) to increase tax compliance through enforcement and infrastructure modernization. Both efforts are investments that ultimately increase federal revenues while also increasing essential simplification and fairness for taxpayers. Continuing to fund the modernization of the IRS infrastructure by deploying information technology is an important goal of the FY 2006 budget.

Treasury's request includes $199.0 million to fund IRS' Business Systems Modernization efforts. These efforts to modernize the infrastructure require short-term expenditures that will be investments in long-term change and savings. Prior modernization initiatives at the IRS have already demonstrated results – eFile and eServices being two good examples of programs that work – and a continuing effort is central to the Department's pursuit of more fair and simple taxation.

Supporting enforcement initiatives is a critical part of increasing fairness in our tax system. Investing in enforcement is proven to increase revenues as well as long-term compliance. Treasury's budget includes a $265 million increase for enforcement efforts that will work to close the tax gap between taxes paid and taxes owed.

Making tax preparation and filing less complicated is also a priority of Treasury's FY 2006 budget. The budget provides funding to directly impact the public through the promotion of increased electronic tax filing, which benefits taxpayers by improving the accuracy of filed returns, providing an acknowledgement that the return has been received by the IRS, and speeding the processing of refunds.

Treasury's budget contains funding to streamline payments and collections processes and invest in state-of-the-art technology to move toward an "all-electronic Treasury" where citizens can pay taxes, receive Federal payments and buy Treasury securities in a secure online environment.

The budget includes a request for $236.2 million in appropriations for the Financial Management Service (FMS), which administers the Government's payments and collections systems. In 2004, FMS issued more than 705 million electronic payments and 235 million paper checks. FMS annually issues more than 940 million non-Defense payments valued at $1.5 trillion, including Social Security benefits, tax refunds, and veterans' benefits.

The budget request also includes a request for $176.9 million in direct appropriations for the Bureau of the Public Debt (BPD), which accounts for the nation's public debt and issues U.S. Government securities. The funding will allow BPD to continue to improve the efficiency of the securities services to customers by expanding TreasuryDirect, an investment system which will enable Treasury customers to manage their investment accounts online. Currently, the system includes more than $1 billion in securities holdings.

Finally, to support the nation's financial system, it is essential that Treasury meets global demand for the world's most accepted coins and currency. Through the Bureau of Engraving and Printing (BEP) and the United States Mint, Treasury produces moneys that are distributed across the nation and around the globe

as a visible symbol of the United States. Treasury also continues to manufacture popular numismatic products and develop new designs of next generation currency to guard against counterfeiting. All 2006 nickels will commemorate the achievements of Thomas Jefferson, and during 2006, the United States Mint will also roll out the next installment of the popular 50 State Quarters® Program, with quarters for Nevada, Nebraska, Colorado, North Dakota and South Dakota.

Strengthen National Security

Financial security begins with a strong and safe nation. Treasury's request provides more than $100 million to support the financial war on terror and fund key activities that thwart illegal financial activity around the globe, including strengthening Treasury's financial intelligence capabilities. Through its Office of Terrorism and Financial Intelligence (TFI), which was created in 2004, Treasury is at the center of the war against terrorist financing through its efforts to fight financial crimes, money laundering and terrorist financing across the globe.

Treasury's FY 2006 request includes increases for resources to enhance Treasury's analytical capability so that senior officials have access to actionable financial intelligence. The request also supports TFI by helping to create a 21st century information technology infrastructure to assist in the global fight against terror.

With improved capacity, TFI will more effectively pursue terrorist financing and have the ability to better support USA PATRIOT Act activities and curtail other illegal financial transactions.

Through this request, Treasury will improve its collaboration with international counterparts, increase anti-money laundering efforts, and improve Bank Secrecy Act oversight. This budget also supports the mission of the Office of Foreign Assets Control (OFAC) in administering international economic and trade sanctions and targeting international narcotics traffickers and other activity in violation of U.S. foreign policy and national security goals.

To support its efforts to increase anti-money laundering efforts and Bank Secrecy oversight, Treasury's FY 2006 budget request also includes $73.6 million for the Financial Crimes Enforcement Network (FinCEN).

Promote Economic Opportunity

Treasury supports the President's commitment to promoting economic opportunity and ownership by stimulating economic growth and promoting sensible economic policies that impact the domestic and international economy. In FY 2006, Treasury is requesting $132.6 million in appropriations to support economic development activities.

The majority of these funds will support Treasury's policymaking activities. The request funds policy offices through which Treasury develops and implements policies that guide domestic economic development, tax programs, financial institutions and other fiscal matters. These policies are essential as Treasury works to simplify the U.S. tax code, improve the economies of distressed communities, and create a legal and regulatory framework that allows the nation's businesses to thrive.

A strong national economy must have a strong banking system. Treasury maintains the health of the national banking and thrift system through the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS). OCC and OTS protect the safety and soundness of national banks and thrifts through regulatory activities to ensure institutions are soundly managed and in compliance with consumer banking laws. OCC and OTS also contribute to the integrity of our financial institutions by working with FinCEN to enforce anti-money laundering laws and regulations.

Treasury is working with the Office of Management and Budget (OMB) and other agencies to streamline the Government's community development programs in order to maximize effectiveness. Treasury's FY 2006 budget includes a reduction of program funding for the Community Development Financial Institutions (CDFI) Fund. The request for $7.9 million in direct funding in FY 2006 will ensure the administration of the New Markets Tax Credit Program (NMTC) and management of the existing awards under the Community Development Financial Institutions Program, the Bank Enterprise Award Program,

and the Native Initiatives Program. Other program funds will be consolidated with Federal community development programs within the Department of Commerce.

Treasury also promotes prosperity around the globe through its International programs. Contributions support the U.S. Government's participation in international financial institutions including the World Bank and the International Monetary Fund. Funding supports technical assistance to developing nations to strengthen their financial systems and support debt relief efforts for Highly Indebted Poor Countries (HIPC). The funding facilitates U.S. efforts to liberalize the financial aspects of trade and investment and provides millions of dollars in loans and grants to developing nations. This budget request includes $1,455.1 million in funding for International programs, which is requested as part of the Foreign Operations, Export Financing, and Related Programs Appropriations Act.

Manage For Results

Treasury's budget includes funding requests to ensure that the Department remains a world-class organization and has the infrastructure it needs to operate effectively. The request provides a total of $232.6 million to fund management priorities at the Department through the Departmental Offices (DO) and to ensure the Department continues to manage for results.

The proposed budget request includes $7.9 million in new funding to provide for an improved technology infrastructure. This is essential for keeping pace with the Department's needs to enhance productivity, improve communication, interact effectively with the world-wide financial community, and to meet other management needs. Funding will be used to improve the Department's information technology (IT) infrastructure to ensure effectiveness in managing federal finances and combating financial crimes and terrorist financing.

The request also ensures that the Department will continue its major facilities projects and services for the Main Treasury and Treasury Annex buildings to ensure the safety and health of occupants and perform structural repairs and improvements.

Treasury's budget demonstrates its commitment to management priorities that improve transparency and accountability. The request includes a total of $16.7 million to fund the Office of the Inspector General (OIG) and augment audit and investigative capabilities. It includes $133.3 million to support the Treasury Inspector General for Tax Administration (TIGTA) and its efforts to oversee the nation's tax administration.

Finally, through its Franchise Fund, Treasury promotes excellence in its management by increasing competition for government and financial administrative services. Through its services provided to Federal agencies, the Franchise Fund lowers costs and delivers higher quality goods and services to its customers on a fee-for-service basis. Established in 1996 by Congress as a pilot project, the Franchise Fund was made permanent in 2004 through P.L. 108-447. It was recognized as a Center of Excellence in the Financial Management Line of Business by the Office of Management and Budget in 2004.

Summary of FY 2006 Program Changes

(Dollars in Thousands)

		Amount	Direct FTEs
FY 2005 Consolidated Appropriations		$11,662,818	105,355
Rescission (H.R. 4818)		($445,471)	(2,948)
FY 2005 Enacted		$11,217,347	102,407
Maintaining Current Levels		$307,510	35
Pay Inflation Adjustment		$236,440	
Non-Pay Inflation Adjustment		$64,012	
Annualizations of FY 2005 Initiatives		$1,276	8
TFI Start Annualization		$5,782	27
One-Time Cost Savings		($77,085)	(43)
CDFI	Non-Recur All but NMTC Administration	($47,304)	(33)
FinCen	Non-Recur Cost for BSA Direct	($5,000)	
DSCIP	HR Connect	($17,490)	
DO	Critical Infrastructure Protection	($1,000)	
DO	Financial Literacy Initiative	($1,000)	
DO	Hiring Freeze/Attrition FTE	($1,740)	(10)
DO	Office of Financial Education	($334)	
DO	Turkey Loan	($1,000)	
T-BARR	Treasury Bldg & Annex Repair & Restoration	($2,217)	
Base Re-Engineering & Program Reductions		($257,978)	(2,258)
IRS-TAO	Taxpayer Service Reengineering	($134,103)	(1,205)
IRS-TAO	Savings from Increased IMF E-filing	($7,700)	(190)
IRS-TAO	Consolidate Case Processing	($66,654)	(649)
IRS-TAO	Consolidate Insolvency Activities	($14,928)	(134)
IRS-TAO	Detect and Deter Corrosive Corporate Non-Compliance	($6,711)	(52)
IRS-BSM	Business System Modernization	($4,360)	
IRS-HITCA	Reduce Health Insurance Tax Credit Administration	($15,392)	
BPD	Bond Stock Reduction	($35)	
BPD	FAIR Act Inventory Reduction	($100)	
BPD	Issuing Agent Fees and Postage Reduction	($2,185)	
BPD	Paying Agent Fees	($1,600)	
BPD	Retired Bond Imaging	($185)	(12)
BPD	TreasuryDirect Backup Servers	($287)	
FinCEN	Redirect Analysis Efforts to Higher Priorities	($2,184)	(16)
FMS	Accounting Information Infrastructure Efficiencies	($425)	
FMS	Automation of Standard Application Payments	($179)	
FMS	Check Reconciliation and Claims Improvements	($250)	
FMS	Rent - Relocation of San Francisco Center	($700)	
Tansfers and Adjustments		$55,584	329
DO	Transfer from OFAC	$22,113	
OFAC	Transfer to S&E	($22,113)	
TIGTA	Transfer from IRS (FECA)	$201	
IRS	Transfer from IRS-TAO	$202	
IRS	Transfer ICDE from Justice	$55,584	329
IRS	Transfer to HITCA	($202)	
IRS	Transfer to TIGTA (FECA)	($201)	
FY 2005 Current Service Level		$11,245,378	100,470

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		Amount	Direct FTEs
Program Initiatives - Base Reinvestment		$103,261	821
IRS - TAO	Increase Returns Processing Efficiency	$7,600	12
IRS - TAO	Consolidate Case Processing	$66,654	585
IRS - TAO	Consolidate Insolvency Activities	$14,928	156
IRS - TAO	Detect and Deter Corrosive Corporate Non-Compliance	$6,711	52
FMS	Workstation Replacement	$1,554	
BPD	Accelerate Conversion of Paper Bonds to NBES	$504	
BPD	Litigation Support	$2,243	
BPD	Locating Mature Unredeemed Debt Owners	$173	
BPD	New TreasuryDirect Workload	$289	
BPD	TreasuryDirect Application Development	$421	
FinCEN	Enhance Capability to Prove Comprehensive Analysis	$2,184	16
Program Initiatives - Increases		$299,059	1,717
ATSB	Loan Monitoring/Restructuring	$958	
DO	Modernization of DO IT Infrastructure	$1,755	
DO	Financial Statement Audit	$1,807	
DO	Declassification Project	$676	
DO	Upgrade Fiscal Projections Program	$300	2
DO	Building Safety and Structural Repairs	$1,000	
DO	Foreign Credit Reporting System Ops & Maintenance	$295	
DO	Overseas Presence	$200	1
DO	Legislative Affairs Support for TFI	$162	1
DO	Office of Foreign Assets Control Staffing	$1,721	9
DO	General Counsel Support for TFI	$171	1
DO	Cuba Sanctions Support Litigation Unit	$81	1
DO	Integration Multi-Media Room	$720	
DO	Office of Intelligence Analysis Analysts	$1,843	10
DO	Office of Terrorism Financing Staff	$587	3
DO	Personnel Security Investigations	$115	
DSCIP	Documents Management	$600	
DSCIP	Treasury Secure Data Network (TSDN)	$2,800	
DSCIP	Defense Messaging System	$500	
DSCIP	TS/SCI Network	$6,000	
FinCEN	Terrorist Data Analysis and Filing Environment/Enhance Anti-Money Laundering	$698	2
FinCEN	Enhance Anti-Money Laundering/Terrorist Regulatory Structure	$1,093	6
FinCEN	Expansion International Terrorist Financing Information Exchange	$790	4
FinCEN	Strengthen Overall Analytical Support Services	$1,383	1
FMS	Mail Sorting Equipment	$799	
FMS	FASAB	$519	
IRS - TAO	Attack Corrosive Non-Compliance Activities Driving the Tax Gap	$149,700	920
IRS - TAO	Detect & Deter Corrosive Corporate Non-Compliance	$51,800	236
IRS - TAO	Increase Individual Taxpayer Compliance	$37,900	417
IRS - TAO	Curtailing Fraudulent Refund Crimes	$10,772	22
IRS - TAO	Combat Abusive Transactions by Special Tax Status Entities	$14,460	77
TIGTA	Collection Contract Initiatives	$750	4
TTB	IT Enterprise Information Services	$4,404	
TTB	Integrated Revenue Information System (IRIS)	$1,700	
FY 2006 President's Budget		$11,647,698	103,008

Summary of FY 2006 Increases and Decreases

(Dollars in Thousands)

Bureaus/Accounts	DO	ATSB	OIG	TIGTA	FINCEN	FMS	TTB	BPD	IRS	CDFI	Total
FY 2005 Consolidated Appropriations	$236,239	$2,000	$16,500	$129,126	$72,502	$230,930	$83,000	$176,566	$10,318,636	$55,522	$11,321,021
Rescission (H.R. 4818)	($13,608)	($16)	($132)	($1,033)	($580)	($1,847)	($664)	($1,401)	($82,549)	($444)	($102,274)
FY 2005 Enacted	$222,631	$1,984	$16,368	$128,093	$71,922	$229,083	$82,336	$175,165	$10,236,087	$55,078	$11,218,747
Pay Inflation Adjustments	$3,267	$0	$245	$2,672	$842	$4,076	$1,420	$2,602	$220,973	$189	$236,286
Non-Pay Inflation Adjustments	$1,433	$0	$109	$1,570	$626	$1,766	$1,266	$1,318	$56,141	($63)	$64,166
Annualization of FY 2005 Initiatives	$5,782	$0	$0	$0	$1,276	$0	$0	$0	$0	$0	$7,058
Maintaining Current Services Level	$10,482	$0	$354	$4,242	$2,744	$5,842	$2,686	$3,920	$277,114	$126	$307,510
Non-Recurring Costs	($24,781)	$0	$0	$0	($5,000)	$0	$0	$0		($47,304)	($77,085)
One-Time Costs/Savings	($24,781)	$0	$0	$0	($5,000)	$0	$0	$0	$0	($47,304)	($77,085)
Base Re-engineering	$0	$0	$0	$0	($2,184)	$0	$0	$0	($230,096)	$0	($232,280)
Proposed Transfers & Adjustments	$0	$0	$0	$201	$0	$0	$0	$0	$55,383	$0	$55,584
Program Reductions	$0	$0	$0	$0	$0	($1,554)	$0	($5,792)	($19,752)	$0	($27,098)
Base Re-Engineering, Reductions & Adjustments	$0	$0	$0	$201	($2,184)	($1,554)	$0	($5,792)	($194,465)	$0	($203,794)
FY 2005 Current Service Level	$208,332	$1,984	$16,722	$132,536	$67,482	$233,371	$85,022	$173,293	$10,318,736	$7,900	$11,245,378
Program Initiatives - Reinvestments	$0	$0	$0	$0	$2,184	$1,554	$0	$3,630	$95,893	$0	$103,261
Program Initiatives - Increases	$21,333	$958	$0	$750	$3,964	$1,318	$6,104	$0	$264,632	$0	$299,059
FY 2006 President's Budget	$229,665	$2,942	$16,722	$133,286	$73,630	$236,243	$91,126	$176,923	$10,679,261	$7,900	$11,647,698

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

(Direct and Reimbursable)

Appropriation	FY 2004 Actual			FY 2005 Estimated			FY 2006 President's Budget		
	Direct	Reimb..	Total	Direct	Reimb..	Total	Direct	Reimb.	Total
Internal Revenue Service:									
Tax Administration and Operations	97,585	1,138	98,723	96,417	1,006	97,423	96,993	669	97,662
Health Insurance Tax Credit Administration	12		12	17	-	17	17	-	17
Financial Management Service	1,654	352	2,006	1,818	316	2,134	1,818	320	2,138
Bureau of the Public Debt	1,251	5	1,256	1,301	17	1,318	1,289	17	1,306
Departmental Offices	884	290	1,174	960	311	1,271	1,005	321	1,326
Air Transportation Stabilization Program	6	-	6	6	-	6	6	-	6
Expanded Access to Financial Services	2	-	2	-	-	0	-	-	0
Treasury Building & Annex Repair & Restoration	10	-	10	-	-	-		-	0
Financial Crimes Enforcement Network	250	1	251	309	-	309	330	-	330
Alcohol and Tobacco Tax & Trade Bureau	492	13	505	544	15	559	544	15	559
Office of the Inspector General	99	7	106	115	6	121	115	6	121
Treasury Inspector General for Tax Administration	862	15	877	852	15	867	856	15	871
Community Development Financial Institutions Fund	50	-	50	68	-	68	35	-	35
Subtotal, Treasury Appropriated Level	103,157	1,821	104,978	102,407	1,686	104,093	103,008	1,363	104,371
Treasury Franchise Fund	-	602	602	-	678	678	-	713	713
United States Mint	-	2,115	2,115	-	2,108	2,108	-	2,024	2,024
Bureau of Engraving and Printing	-	2,331	2,331	-	2,400	2,400	-	2,400	2,400
Office of the Comptroller of the Currency	-	2,678	2,678	-	2,791	2,791	-	2,812	2,812
Office of Thrift Supervision	-	886	886	-	920	920	-	920	920
Sallie Mae Assessments	3	-	3	3	-	3	-	-	0
Terrorism Insurance Program	9	-	9	9	-	9	2	-	2
Total	103,169	10,433	113,602	102,419	10,583	113,002	103,010	10,232	113,242

Total Funding Levels for the FY 2006 President's Budget

(Dollars in Millions)

	FY 2004	FY 2005	FY 2006		
	Enacted	Estimate	President's Budget	Increase/ Decrease	% Change
Annual Appropriations	$11,161	$11,217	$11,648	$431	3.8%
Interest Payments					
Interest on Public Debt[1]	$321,566	$347,890	$392,430	$44,540	12.8%
Restoration of Interest, Medicare Trust Funds	$123	$0	$0	$0	0.0%
Refunding Internal Revenue Collections, Interest	$5,118	$6,023	$3,636	($2,387)	(39.6%)
Interest on Uninvested Funds	$8	$5	$5	$0	0.0%
Interest Paid To Credit Financing Accounts	$3,712	$4,085	$4,392	$307	7.5%
Restitution of Foregone Interest	$0	$142	$0	($142)	0.0%
Fed. Interest Liabilities to States	$1	$1	$1	$0	0.0%
Subtotal, Interest Payments	$330,528	$358,146	$400,464	$42,318	11.8%
Trust Funds and Other Funds					
Federal Financing Bank	($596)	($49)	$0	$49	(100.0%)
Payment to Resolution Funding Corp	$2,187	$2,187	$2,187	$0	0.0%
Check Forgery Insurance Fund	$0	$0	$3	$3	100.0%
Payment to Terrestrial Wildlife Habitat Restoration Trust Fund	$5	$5	$5	$0	0.0%
Air Transportation Stabilization Program	$26	$341	$0	($341)	(100.0%)
Subtotal, Trust Funds and Other Funds	$1,622	$2,484	$2,195	($289)	(11.6%)
Permanent Authority Appropriations					
Pres. Election Campaign Fund	$56	$55	$55	$0	0.0%
Biomass Energy Development	$0	($5)	($5)	$0	0.0%
Government Losses in Shipment	$0	$3	$0	($3)	(100.0%)
Terrorist Insurance Program	$4	$6	$3	($3)	(50.0%)
Sallie Mae Assessments	$1	$0	$0	$0	0.0%
Continued Dumping and Subsidy Offset[1]	$303	($83)	$0	$83	(100.0%)
Treasury Forfeiture Fund	$313	$251	$251	$0	0.0%
Debt Collection Special Fund	$37	$32	$32	$0	0.0%
Claims, Judgments & Relief Acts	$871	$732	$820	$88	12.0%
Confiscated and Vested Iraqi Property and Assets	$18	$0	$0	$0	0.0%
Federal Reserve Bank Reimbursement by					
FMS	$190	$200	$220	$20	10.0%
BPD	$131	$131	$126	($5)	(3.8%)
Financial Agent Services	$258	$333	$312	($21)	(6.3%)
Temporary State Fiscal Assistance Fund	$5,000	$0	$0	$0	0.0%
Internal Revenue Collections for Puerto Rico[1]	$336	$404	$359	($45)	(11.1%)
IRS New and Existing Fees	$63	$100	$100	$0	0.0%
IRS Informant Payments	$4	$4	$4	$0	0.0%
Private Collection Agent Program	$0	$0	$2	$2	100.0%
Payment where Child Credit exceeds liab. for tax[1]	$8,857	$13,516	$13,146	($370)	(2.7%)
Payment where EIC exceeds liability for tax[1]	$33,134	$33,790	$34,051	$261	0.8%
Payment where Health Care Credit exceeds liab. for tax[1]	$82	$91	$202	$111	122.0%
Subtotal, Permanent Authority Appropriations	$49,658	$49,560	$49,678	$118	0.2%
Offsetting Collections[1]	($17,034)	($17,602)	($21,454)	($3,852)	21.9%
Subtotal	$375,935	$403,805	$442,531	$38,726	9.6%
International Assistance Programs	$1,710	$1,337	$1,456	$119	8.9%
Total, Department of the Treasury[1]	$377,645	$405,142	$443,987	$38,845	9.6%

[1] Includes legislative proposals for FY 2006.

Note: Detail of accounts is found on page 87 of the supplemental information section.

Internal Revenue Service

Program Summary by Appropriations Account
(Dollars in Thousands)

Appropriation	FY 2004 Enacted	FY 2005 Enacted	FY 2006 President's Budget	FY 2006 Increase/ Decrease	FY 2006 % change
Tax Administration & Operations	$9,762,024	$9,998,165	$10,460,051	$461,886	4.6%
Assistance	$1,828,373	$1,829,190	$1,805,965	($23,225)	(1.3%)
Outreach	$544,146	$500,329	$466,217	($34,112)	(6.8%)
Processing	$1,337,128	$1,276,459	$1,295,273	$18,814	1.5%
Subtotal, Taxpayer Service	$3,709,647	$3,605,978	$3,567,455	($38,523)	(1.1%)
Examination	$3,214,410	$3,477,623	$3,711,889	$234,266	6.7%
Collection	$1,779,233	$1,825,715	$1,990,562	$164,847	9.0%
Investigations	$656,131	$681,980	$767,418	$85,438	12.5%
Regulatory Compliance	$256,248	$252,993	$264,855	$11,862	4.7%
Research	$146,355	$153,876	$157,872	$3,996	2.6%
Subtotal, Enforcement	$6,052,377	$6,392,187	$6,892,596	$500,409	7.8%
Business Systems Modernization	$387,699	$203,360	$199,000	($4,360)	(2.1%)
Health Insurance Tax Credit Administration	$34,794	$34,562	$20,210	($14,352)	(41.5%)
Subtotal, All Appropriations Accounts	$10,184,517	$10,236,087	$10,679,261	$443,174	4.3%
Offsetting Collections - Reimbursables	$165,635	$159,000	$103,000	($56,000)	(35.2%)
Mandatory Appropriations - User Fees	$62,524	$100,000	$100,000	$0	0.0%
Total Program Operating Level	$10,412,676	$10,495,087	$10,882,261	$387,174	3.7%

Explanation of Request

The Internal Revenue Service (IRS) budget request for FY 2006 is $10,679,261,000, a $443,174,088 increase, or 4.3 percent, over the FY 2005 enacted budget of $10,236,086,912. This represents a 1 percent decrease in Taxpayer Service and a 2 percent decrease in Business Systems Modernization, respectively, and an 8 percent increase in Enforcement.

This budget request supports the IRS' five-year strategic plan. This plan, which guides the agency's operations from October 1, 2004, through September 30, 2009, underscores the IRS' commitment to provide quality service to taxpayers and enforce America's tax laws in a balanced manner. The three themes of the strategic plan guiding the future direction of the IRS are:

- *Improve Taxpayer Service*. Improve service by helping people understand their tax obligations and 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.
- *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.

Taxpayer service is improving in key areas. In FY 2004, almost 62 million individuals filed their returns electronically – up 16 percent over last year. Electronic filing is faster and more reliable, both for the taxpayer and the IRS. The IRS is moving forward on its modernization efforts. This year, the IRS is beginning to process 1040EZ returns and issue refunds from its new computer system, the Customer Account Data Engine (CADE). At the same time, the IRS is modernizing its workforce including consolidating back-office operations to more efficiently and effectively deliver the IRS' taxpayer service and enforcement programs.

While our commitment to service continues, the IRS request includes $264,632,000 for initiatives aimed at enhancing enforcement of the tax laws. The great majority of Americans pay their fair share of taxes, but there is still a significant tax gap – the difference between what taxpayers are supposed to pay and what they actually do – due to non-filing, underreporting and nonpayment. Combating this tax non-compliance is a top priority. Americans deserve to feel confident that when they pay their taxes their neighbors and competitors are doing the same. These new investments will yield substantial additional revenue. The $264.6 million is above increases to fund the pay raise and other cost adjustments ($182 million) – for a total of $446 million for new enforcement investments and cost increases.

It is important that these cost increases and new enforcement investments be fully funded. The Administration is proposing to fund them as contingent appropriations. To ensure full funding of the new enforcement investments, the Administration

proposes to employ a budget enforcement mechanism that allows for an adjustment by the Budget Committees to the section 302(a) allocation to the Appropriations Committees found in the concurrent resolution on the budget. In addition, the Administration will also seek to establish statutory spending limits, as defined by section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985, and to adjust them for this purpose. To ensure full funding of the cost increases, either of these adjustments would only be permissible if the base level for IRS enforcement was funded at $6,446 million and if the use of the funds was clearly restricted to the specified purpose. The maximum allowable adjustment to the 302(a) allocation and/or the statutory spending limit would be $446 million for 2006, bringing the total enforcement level in the IRS to $6,893 million.

The IRS yields more than four dollars in direct revenue from its enforcement efforts for every dollar invested in its total budget. In FY 2004, the IRS brought in a record $43.1 billion in enforcement revenue – an increase of $5.5 billion from the year before, or 15 percent. Beyond the direct revenues generated by increasing audits, collection, and criminal investigations, IRS enforcement efforts have a deterrent effect on those who might be tempted to skirt their tax obligations.

Purpose of Program

The IRS administers America's tax laws and collects the revenues that fund most government operations and public services. Each year, IRS employees make hundreds of millions of contacts with the American taxpayers and businesses. The IRS and its employees represent the face of government to more U.S. citizens than any other agency.

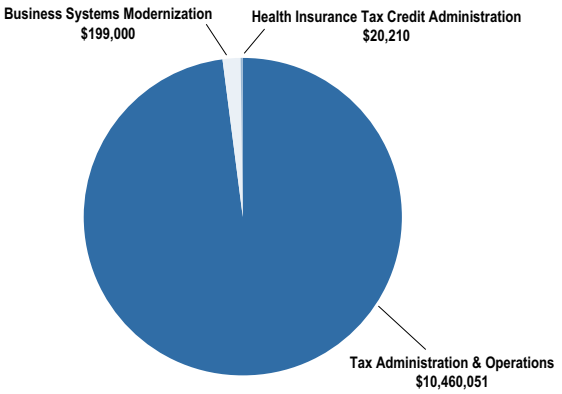
The IRS provides service to millions of taxpayers to help them understand and meet their tax obligations. The IRS also deters people inclined to evade their responsibilities and vigorously pursues those who violate tax laws.

To facilitate full alignment and integration of the IRS's goals and measures with its resources, the IRS proposes to restructure its budget beginning in FY 2006. The new budget structure has a more direct relationship to major IRS program areas and its Strategic Plan. The proposed budget structure combines the three major appropriations – Processing, Assistance, and Management (PAM); Tax Law Enforcement (TLE); and Information Systems (IS), into one appropriation called Tax Administration and Operations (TAO). The Health Insurance Tax Credit Administration (HITCA) and Business Systems Modernization (BSM) appropriations remain unchanged.

The Taxpayer Service and Enforcement programs of the TAO appropriation are divided among eight critical program areas. These budget activities focus on Assistance, Outreach, Processing, Examination, Collection, Investigations, Regulatory Compliance and Research. Full funding for each activity will be reflected in the budget, along with key outcome measures. As the IRS continues to move toward the development and implementation of this new structure, these program areas and the associated resource distributions will be refined to provide more accurate costing.

Highlights of the IRS' appropriations follow:

IRS Budget by Account
(Dollars in Thousands)



Tax Administration and Operations (TAO)

For FY 2006, the IRS requests funding of $10,460,051,000, an increase of 4.6 percent over the FY 2005 appropriation of $9,998,164,640 for programs previously funded from the PAM, TLE and IS appropriations.

The TAO appropriation provides resources for the IRS' service and enforcement programs. The IRS is responsible for ensuring that each taxpayer receives prompt and professional service. To that end, the

IRS' assistance, outreach and processing activities funded in the TAO appropriation are dedicated to providing assistance to taxpayers in all forms – electronic interaction, published guidance, paper correspondence, telephone contact and face-to-face communication – so that taxpayers may fulfill their tax obligations timely and accurately. It also includes the resources the IRS requires to handle the processing and disposition of tax returns, refunds and other filing materials.

The IRS is also responsible for the fair enforcement of the nation's tax laws. Each year, a small percentage of taxpayers file erroneous returns or, for reasons both innocent and less benign, fail to file a return at all. The IRS conducts enforcement activities using a variety of methods, including correspondence audits, matching reporting documents (such as Forms W-2) to information on taxpayer returns, in-person audits, criminal investigations of those suspected of violating tax laws and participation in joint governmental task forces. The IRS' examination, collection, investigations, regulatory compliance and research activities funded in the TAO appropriation provide the resources required for equitable enforcement of the tax code and the investigation and prosecution of individuals and organizations that circumvent tax laws.

Business Systems Modernization (BSM)

For FY 2006, the IRS requests funding of $199,000,000, substantially the same funding as the FY 2005 appropriated level of $203,360,000. The BSM appropriation provides resources for the planning and capital asset acquisition of information technology systems to modernize the IRS' antiquated business systems.

The IRS collects $2 trillion in revenues annually through a network of computer systems developed over a 40-year period. These outdated systems need to be replaced. Recognizing the long-term commitment needed to solve the problem of modernizing these antiquated systems, Congress created a special Business Systems Modernization account in FY 1998. Failure to modernize the IRS' tax administration business systems will result in a significant increase in the resources required to maintain the IRS' legacy systems – systems that no longer efficiently serve America's taxpayers.

The IRS' modernization program is providing real business benefits to taxpayers and IRS employees by delivering several modernized systems. For example, the Customer Account Data Engine (CADE) is a modern database, which will eventually house tax information for more than 200 million individual and business taxpayers, replacing the outdated legacy system. The IRS began using CADE to process 1040 EZ returns in late FY 2004. The IRS also implemented the first release of the Integrated Financial System (IFS), which replaces the core financial systems, including expenditure controls, accounts payable, accounts receivable, general ledger and purchasing controls. The IRS also fully deployed online e-Services functionality for tax practitioners and other third parties, such as banks and brokerage firms that file Form 1099s. Under P.L. 108-447, the IRS is permitted to use Private Collection Agencies (PCAs); the IRS plans to leverage the need to manage the use of PCAs with the first release of Filing & Payment Compliance (F&PC) (formerly known as Collection Contract Support). The IRS deployed Modernized e-File, which provides e-filing for the first time to businesses and exempt organizations.

Health Insurance Tax Credit Administration (HITCA)

For FY 2006, the IRS requests funding of $20,210,000, a decrease of 41.5 percent below the FY 2005 appropriation of $34,562,272. The Health Insurance Tax Credit Administration (HITCA) Appropriation funds the costs to administer a refundable tax credit for health insurance to qualified individuals. In August 2002, the President signed Public Law 107-210, the Trade Act of 2002, which, among other things, provides a refundable tax credit for the cost of health insurance for certain individuals who receive a trade readjustment allowance or a benefit from the Pension Benefit Guaranty Corporation (PBGC). The tax credit is equal to 65 percent of the health insurance premium paid by eligible persons for themselves and qualifying family members.

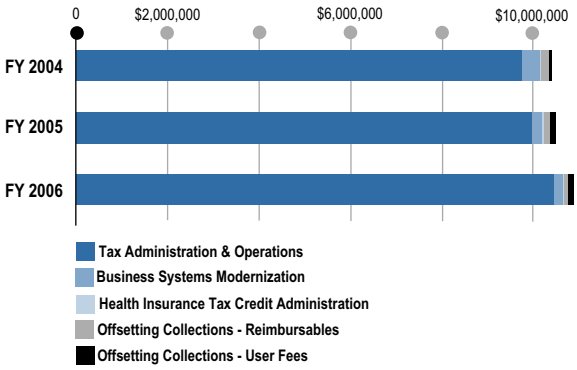
Offsetting Collections and User Fees

The FY 2006 budget includes an estimate of $103,000,000 in offsetting collections from reimbursable agreements with other U.S. Government agencies, and an estimate of $100,000,000 in spending from user fees.

Program Description

The IRS request of $10,882,261,000 includes $10,679,261,000 from appropriations and an estimated $203,000,000 from offsetting collections and user fees.

IRS Funding History
(Dollars in Thousands)



Explanation of Budget Activities

Tax Administration and Operations (TAO)

The following Budget Activities support Taxpayer Service programs. These activities support the IRS' strategic goal to improve taxpayer service and Treasury's strategic objective to collect Federal tax revenue when due through a fair and uniform application of the law. Total direct resources for Taxpayer Service programs are $3,567,455,000.

Assistance ($1,805,965,000) The Assistance activity provides resources to taxpayers who have tax-related questions and need to resolve account inquiries via correspondence, face-to-face meetings, telephone calls and electronic communications. Resources provided by this activity enable taxpayers to fulfill their tax obligations timely and accurately, while minimizing taxpayer burden. Funds are also included for the Taxpayer Advocate Service to assure taxpayers' problems are resolved promptly and fairly. Cost for forms and other published documents are also paid from this activity.

Outreach ($466,217,000) This activity funds proactive programs for taxpayers, businesses, non-profit organizations, tax practitioners and others to ensure that taxpayers understand their tax obligations and have the information and materials necessary to fulfill their responsibilities. These resources are used to develop understandable notices, produce tax forms and publications, provide media services and develop published information for the visually impaired. Outreach manages educational programs such as Tax Counseling for the Elderly and Volunteer Income Tax Assistance, provides multi-lingual services and develops stakeholder partnerships.

Processing ($1,295,273,000) The processing activity includes resources to track, process and resolve all electronic and paper returns. This activity also funds the issuance of refunds, payments and tax notices, and the receipt and processing of the information returns that permit the IRS to match data provided on a taxpayer's return.

The following Budget Activities support the IRS' Enforcement programs. These activities support the IRS' strategic goal to enhance enforcement of the tax laws and Treasury's strategic objectives to collect Federal tax revenue when due through a fair and uniform application of the tax law and to disrupt and dismantle the financial infrastructure of terrorists, drug traffickers, and to detect and deter other financial crimes. Total direct resources for Enforcement programs are $6,892,596,000.

Examination ($3,711,889,000) This activity supports the verification of information provided on tax returns as well as conducting audits at various levels of complexity. The IRS matches documents using computer databases which compare information reported on tax returns to information reported to the IRS by employers, banks and brokerage firms, ensuring the accuracy of tax returns. This activity also provides resources for tax auditors to conduct on-site examinations, for revenue agents to conduct business and corporate audits, and for cooperation with treaty partners and international organizations.

Collection ($1,990,562,000) The collection activity provides resources to collect income tax due from all sources: individuals, small and large corporations, partnerships and the self-employed. Collection primarily occurs in field offices and compliance campuses. IRS uses a variety of approaches and techniques, including full payment demands, installment agreements, offers-in-compromise, liens, levies, bankruptcy procedures and property seizures.

Such activities may be related to correspondence, or notices, or may require litigation or more stringent collection efforts. Collection procedures help to ensure that the tax law is applied with integrity and fairness to all.

Investigations ($767,418,000) Investigation funds the exploration of potential criminal violations of the tax laws in a manner that fosters confidence in the tax system. This function ensures the tax laws are applied with integrity and fairness to all. The major goal in a financial investigation is to identify and document the movement of money during the course of a crime. The link between the source of money, who gets it, when it is received and where it is stored or deposited, can provide proof of criminal activity. Resources are dedicated to combating abusive schemes and scams, curtailing fraudulent refund crimes, enforcing money laundering statutes, documenting financial transactions related to narcotics trafficking, dismantling the financial infrastructure of terrorists, exposing Bank Secrecy Act violations, and participating in various intra-governmental task forces. Beginning in FY 2006, this activity will also include organized crime and drug enforcement resources previously reimbursed by the Department of Justice.

Regulatory Compliance ($264,855,000) The regulatory compliance activity provides resources for: the interpretation of and guidance on tax laws; the development of published guidance materials; the enforcement of regulatory rules, laws and approved business practices; and the monitoring of currency transaction reporting requirements for financial institutions. These resources also support the IRS' increased focus on offshore credit cards, abusive schemes, technical tax shelters and high-income taxpayers. This is accomplished through published guidance and acceleration of the issuance of notices identifying abusive tax avoidance transactions. Regulatory compliance protects the integrity of tax administration by resolving tax law issues before returns are filed. This increases taxpayer voluntary compliance and accelerates issue resolution.

Research ($157,872,000) The research activity includes analyses of IRS-wide operations and performance, economic and demographic comparisons related to taxpayer behavior, statistical evaluations of IRS' program activities and specialized studies in all areas of tax administration. This activity enables IRS and Treasury to access the necessary information to make decisions on tax policy and administration issues. Research ranges from multi-year studies to short-term program evaluations. In addition, this activity provides regular data sets to the Treasury Department, the Joint Committee on Taxation and other Federal agencies; publishes tax data for the general public; and provides research and reference tools for front-line IRS employees.

Business Systems Modernization (BSM)

Information Technology Investments ($199,000,000) The BSM appropriation provides resources for the planning and capital asset acquisition of information technology to modernize the IRS' business systems. Projects funded in FY 2006 include the Customer Account Data Engine, Modernized e-File, and Filing and Payment Compliance.

Health Insurance Tax Credit Administration (HITCA)

Health Care Tax Administration ($20,210,000) The Health Insurance Tax Credit Administration (HITCA) activity funds costs to administer a refundable tax credit for health insurance to qualified individuals.

Explanation of FY 2005 Current Estimate

The FY 2005 current estimate of IRS appropriations is a total of $10,236,086,912. This is comprised of three appropriations:

- $9,998,164,640 for Tax Administration Operations
- $203,360,000 for Business System Modernization
- $34,562,272 for Health Insurance Tax Credit Administration.

Explanation of FY 2006 Built-In Changes – Decreases

Tax Administration and Operations (TAO)

Savings from Increased Individual Master File (IMF) E-Filing -$7,700,000/-190 FTE These savings are based on the projected decrease in IMF paper returns and processing costs for electronically filed IMF returns

FY 2006 Budget Highlights
(Dollars in Thousands)

Appropriation	Tax Administration & Operations	Business Systems Modernization	Health Insurance Tax Credit Administration	Total
FY 2004 Enacted	$9,762,024	$387,699	$34,794	$10,184,517
FY 2005 Consolidated Appropriations	$10,078,795	$205,000	$34,841	$10,318,636
Rescission H.R. (4818)	($80,630)	($1,640)	($279)	($82,549)
FY 2005 Current Estimates	$9,998,165	$203,360	$34,562	$10,236,087
Current Services				
Adjustments to Base	$331,457	($4,360)	($14,352)	$312,745
Pay Inflation Adjustment	$220,909		$64	$220,973
Non-Pay Inflation Adjustment	$55,367		$774	$56,141
Transfer to TIGTA (FECA)	($201)			($201)
Adjustment for Full Costing of HITCA	($202)		$202	$0
Transfer from Justice	$55,584			$55,584
Business Systems Modernization		($4,360)		($4,360)
Reduce Health Insurance Tax Credit Administration			($15,392)	($15,392)
Base Re-Engineering	($230,096)			($230,096)
Taxpayer Service Re-Engineering	($134,103)			($134,103)
Savings from Increased Individual Master File (IMF) E-Filing	($7,700)			($7,700)
Consolidate Case Processing Activities to Maximize Resources Devoted to Front-Line Operations	($66,654)			($66,654)
Consolidate Insolvency Activities to Maximize Resources Devoted to Front-Line Operations	($14,928)			($14,928)
Detect and Deter Corrosive Corporate Non-Compliance	($6,711)			($6,711)
FY 2005 Current Services Level	$10,099,526	$199,000	$20,210	$10,318,736
Program Initiatives - Reinvestments	$95,893			$95,893
Increasing Returns Processing Efficiencies	$7,600			$7,600
Consolidate Case Processing Activities to Maximize Resources Devoted to Front-Line Operations	$66,654			$66,654
Consolidate Insolvency Activities to Maximize Resources Devoted to Front-Line Operations	$14,928			$14,928
Detect and Deter Corrosive Corporate Non-Compliance	$6,711			$6,711
Program Initiatives - Increases	$264,632			$264,632
Attack Corrosive Non-Compliance Activity Driving the Tax Gap	$149,700			$149,700
Detect and Deter Corrosive Corporate Non-Compliance	$51,800			$51,800
Increase Individual Taxpayer Compliance	$37,900			$37,900
Curtailing Fraudulent Refund Crimes	$10,772			$10,772
Combat Abusive Transactions by Special Tax Status Entities	$14,460			$14,460
FY 2006 President's Budget	$10,460,051	$199,000	$20,210	$10,679,261

in Submission Processing Centers. IMF e-filing rates rose from 31 percent in FY 2001 to 46.5 percent in FY 2004. The projected e-file rate in FY 2006 is 55 percent. In FY 2006, IMF paper return filings are projected to decrease by four million as a direct result of the increase in electronic filing.

Consolidate Case Processing Activities to Maximize Resources Devoted to Front-Line Operations -$66,654,000/-649 FTE Case Processing activities support the IRS' examination, collection and lien processing programs. This initiative is a continuation of the project to consolidate the IRS' Case Processing operations currently performed at over 86 field locations into four campus sites (Cincinnati, Memphis, Ogden and Philadelphia). These important processes will be standardized, efficiencies implemented and expertise enhanced to improve service to customers. Consolidation will ultimately allow improved response to peak demand and better management of the workload. *(See offsetting program reinvestment under program initiatives.)*

Consolidate Insolvency Activities to Maximize Resources Devoted to Front-Line Operations -$14,928,000/-134 FTE Insolvency operations protect the government's interest in bankruptcy proceedings.

This initiative is a continuation of the project to consolidate administrative activities into the Philadelphia campus. The consolidation will retain professional employees in all existing offices while centralizing and standardizing clerical and para-professional processes. This effort will increase efficiencies, eliminate duplication of effort and provide clarity and convenience for taxpayers. Standardized workloads that correspond with appropriate job categories will provide improved work products with quality reviews. *(See offsetting program reinvestment under program initiatives.)*

Detect and Deter Corrosive Corporate Non-Compliance -$6,711,000/-52 FTE By using improved issue management and risk assessment strategies for examining corporations, the IRS expects to realize productivity improvements for FY 2006. *(See offsetting program reinvestment under program initiatives.)*

Taxpayer Service Re-Engineering -$134,103,000/ -1,205 FTE IRS is working aggressively to improve productivity and achieve cost savings. Efforts such as expanded use of pay-for-performance incentives, legislative proposals to accelerate full growth, competitive sourcing and reducing dependence on walk-in taxpayer service will save $134 million in taxpayer service programs in 2006. This also includes a $750,000 reduction in the Oversight Board's budget.

Business Systems Modernization (BSM)

Business Systems Modernization Savings -$4,360,000/ 0 FTE This reduction reflects a reduced portfolio of projects and scaled-back infrastructure and management activities associated with program-level operations.

Health Insurance Tax Credit Administration (HITCA):

Reduce Health Insurance Tax Credit Administration -$15,392,000/0 FTE Costs for the HITCA program have declined since implementation due to the IRS' active program oversight and management and several cost-cutting initiatives currently in process since March 2004. A comprehensive action plan outlining cost reduction initiatives was developed and is being followed to achieve these savings. This plan includes program improvements in customer service, reductions in information technology support, and space consolidation. The plan also includes protection of several key features of the program to assure continued delivery of high quality service while driving down program costs. For example, the plan assumes no extension of the current cycle for registration, maintenance of accurate and complete customer accounts, timely payments, and no increase in burden.

Explanation of FY 2006 Built-In Changes – Increases

Adjustments Necessary to Maintain Current Levels +$276,913,000/0 FTE Funds are requested for pay raise and annualization of $220,973,000 and non-labor items, $56,141,000. It also includes a technical adjustment to Treasury Inspector General for Tax Administration (TIGTA) of $201,000 for its share of unemployment costs currently funded by the IRS.

Transfer from the U.S. Department of Justice +$55,584,000/+329 FTE The FY 2006 budget transfers the IRS' portion of the Interagency Crime and Drug Enforcement (ICDE) appropriation from the Department of Justice in FY 2006. Of this amount, $53,913,000 is the 2005 enacted level transferred from Justice and $1,671,000 is for maintaining current levels.

Explanation of FY 2006 Program Changes

Program Initiatives – Base Reinvestments

Increase Returns Processing Efficiencies +$7,600,000/ +12 FTE This initiative reinvests savings realized from processing efficiencies to enable the IRS to continue its consolidation of Individual Master File (IMF) returns processing into fewer Submission Processing sites. Funds will cover the costs associated with the ramp-down of the Memphis Submission Processing Site and include staff separation costs (e.g., buyouts and severance pay), real estate restacking costs, equipment and furniture relocation and costs related to information technology equipment. The IRS initiative to increase electronic filing will continue to have a significant impact on Submission Processing Centers as IMF paper volumes decline.

Consolidate Case Processing Activities to Maximize Resources Devoted to Front-Line Operations +$66,654,000/+585 FTE This reinvestment is a continuation of the FY 2005 project to consolidate case processing activities. These resources are necessary to cover costs to consolidate front-line resources from 86 field locations to four campus sites. *(See offsetting program reductions under initiative decreases.)*

Benefits from the centralization of Case Processing operations will occur in FY 2006 and years forward. The reduced staffing levels necessary to maintain case processing in a centralized environment will create resource savings for redirection to front-line enforcement activities in FY 2006.

Consolidate Insolvency Activities to Maximize Resources Devoted to Front-Line Operations +$14,928,000/+156 FTE This reinvestment is a continuation of the FY 2005 project to consolidate insolvency activities. This reinvestment initiative provides the required resources to centralize the Insolvency administrative processes. *(See offsetting program reductions under initiative decreases.)*

Benefits from centralizing Insolvency administrative functions will occur in FY 2006. Benefits include improved taxpayer service through the creation of a toll-free telephone service to answer questions from taxpayers who have filed or are contemplating filing bankruptcy. Hours of service will be extended to both taxpayers and employees, because the centralized site will operate day and swing shifts. This initiative will also provide taxpayers with a single point of contact for mail processing.

Detect and Deter Corrosive Corporate Non-Compliance +$6,711,000/+52 FTE This initiative reinvests savings resulting from improved issue management and risk assessment strategies for examining corporations to fund front-line enforcement activities. This reinvestment will provide a pipeline of skilled and knowledgeable agents for addressing complex, high-risk issues, tax shelter promoter compliance and ensuring compliance among tax professionals. *(See offsetting program reductions under initiative decreases.)*

Program Initiatives – Increases

Attack Corrosive Non-Compliance Activity Driving the Tax Gap +$149,700,000/+920 FTE The concern over the proliferation of abusive trusts and shelters, including offshore credit cards and organized tax resistance, require new and innovative approaches to combat noncompliance. Traditional approaches aimed at maintaining audit coverage and managing growing case inventories have failed to adequately address the complex enforcement issues associated with high-income individuals who use structured transactions to conceal tax liability and avoid payment of taxes owed. The increasingly global economy requires that the IRS devise strategies to assure that the worldwide revenues due the United States are assessed and collected. Audit closures by tax compliance officers will increase by approximately 3,000 units, and correspondence examiner hires will expect to close an additional 25,600 audits.

This enforcement initiative provides resources to increase coverage of the growing number of high-risk compliance problems and to address the largest portion of the tax gap – the underreporting of tax. The initiative includes a funding increase across all major domestic and international compliance programs to leverage new workload selection systems and case building approaches from continuing reengineering efforts.

This initiative will contribute to reducing reporting noncompliance by providing personnel to bolster coverage and presence in this area. Increased staffing will also provide enhanced compliance coverage of approximately 4.6 million Americans living abroad.

Detect and Deter Corrosive Corporate Non-Compliance +$51,800,000/+236 FTE This initiative will allow the IRS to address complex, high-risk issues in abusive tax avoidance transactions, promoter activities, corporate fraud and aggressive domestic and off-shore transactions, resulting in increased corporate and high-income audit coverage and audit closures. This initiative strengthens enforcement and corporate governance for the largest corporate taxpayers by providing resources to combat corrosive non-compliance. It will enable the Service to attack complex abusive tax avoidance transactions on a global

basis and to challenge those who promote their use. Additionally, critical post-filing support provided by outside experts will facilitate increased resolution of issues at the field examination level, reducing taxpayer burden and increasing the credibility of the Service's positions on the most complex and potentially highest compliance impact issues sent to court.

Increase Individual Taxpayer Compliance +$37,900,000/+417 FTE This initiative will bolster enforcement presence to address widespread concerns regarding the continued growth in non-compliance reported by the Treasury Inspector General for Tax Administration (TIGTA), the General Accounting Office (GAO), Congress and the media. It is comprised of four components aimed at addressing the tax gap: identifying and implementing actions to address non-compliance with filing requirements; increasing Automated Underreporter resources to address the reporting compliance tax gap; increasing audit coverage; and expanding collection work in Taxpayer Assistance Centers (TACs). The IRS expects to increase audit coverage by 81,800 cases and increase the verification of income through information matching by 362,000 cases.

Combat Abusive Transactions by Entities with Special Tax Status +$14,460,000/+77 FTE This initiative strengthens the IRS' ability to address its strategic objective to deter tax avoidance of tax-exempt and governmental entities. The tools and resources funded by this initiative will improve the Service's ability to identify compliance risks and significantly expand coverage of regulated communities. Improved access to information will help focus on the most egregious cases of non-compliance and identify compliance risks sooner, reducing burden on compliant customers and enabling the development of new interventions to curtail the growth of abusive transactions.

Funding for this initiative will support the following activities: initiating examinations more promptly after the detection of a risk and equipping agents with better information prior to their first contact with taxpayers; safeguarding compliant customers from unscrupulous promoters through earlier detection of abusive schemes and heightened efforts to prevent their proliferation; and increasing vigilance to ensure that the assets of tax-exempt organizations are put to their intended tax-preferred purpose and not misdirected to fund terrorism or for private gain, including enhanced processing of questionable exemption applications and increased technical support to the examination process. The IRS estimates an additional 1,050 cases will be closed.

Curtailing Fraudulent Refund Crimes +$10,772,000/+22 FTE This initiative allows the IRS to attack questionable refunds and return preparer fraud identified through expanded operations of the Fraud Detection Centers located on IRS campuses. Fraudulent refund schemes are one of the most serious threats to voluntary compliance and an IRS investigative priority. The number of false claims for refunds has tripled since 2000 and is expected to again double by 2008. Additional investigative resources are needed to combat this threat. In addition, access to the Department of Health and Human Services' National Directory of New Hires will be used to more efficiently identify fraudulent refund crimes. This will reduce taxpayer burden by releasing legitimate refunds promptly, streamline the investigative process and ensure the integrity of the tax system.

The IRS estimates to initiate twenty new subject criminal investigations in FY 2006 and close four of these cases within the year.

Legislative Proposals

The proposals below reflect the IRS' ongoing effort to manage the agency efficiently and effectively. They reshape the IRS workload by: 1) allowing the IRS to concentrate its resources on high-income, high-risk areas; 2) automating a number of routine actions; 3) consolidating resources related to judicial and counsel review; 4) using electronically available data and resources to reduce manual actions; and 5) broadening administrative authorities and accesses to support further electronic administration and tax reform.

- Make Section 1203 of the IRS Restructuring and Reform Act of 1998 more effective and fair.
- Curb the use of frivolous submissions and filings made to impede or delay tax administration.
- Allow for the termination of installment agreements for failure to file returns and for failure to make tax deposits.

- Consolidate judicial review of collection due process cases in the United States Tax Court.
- Eliminate the monetary threshold for counsel review of offers in compromise
- Allow the Financial Management Service to retain transaction fees from levied amounts to recover delinquent taxes.
- Extend the due date for electronically filed returns to provide additional incentive for taxpayers to e-file and expand the authority to require electronic filing by businesses and exempt organizations.
- Allow IRS to access information in the National Directory of New Hires for tax administration purposes.

Financial Management Service

Program Summary by Appropriations Account
(Dollars in Thousands)

Appropriation	FY 2004 Enacted	FY 2005 Enacted	FY 2006 President's Budget	FY 2006 Increase/ Decrease	FY 2006 % change
Salaries and Expenses	$227,210	$229,083	$236,243	$7,160	3.1%
Payments	$136,534	$141,287	$145,591	$4,304	3.1%
Collections	$16,426	$16,693	$17,102	$409	2.5%
Debt Collection	$14,696	$9,855	$10,264	$409	4.2%
Government-wide Accounting	$59,554	$61,248	$63,286	$2,038	3.3%
Subtotal, Financial Management Service	$227,210	$229,083	$236,243	$7,160	3.1%
Offsetting Collections - Reimbursables	$161,899	$151,135	$167,770	$16,635	11.0%
Total Program Operating Level	$389,109	$380,218	$404,013	$23,795	6.3%

Total resources required to support FMS activities for FY 2006 are $404,013,000, including $236,243,000 from appropriations and $167,770,000 from offsetting collections and reimbursable agreements.

Explanation of Request

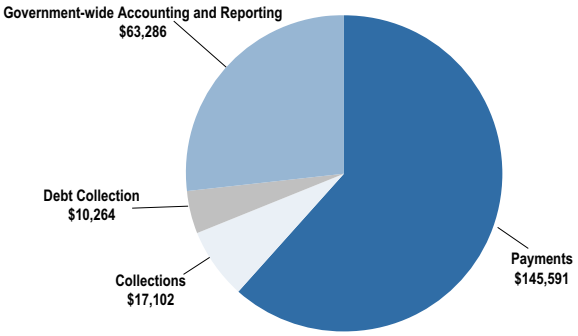
The mission of the Financial Management Service (FMS) is to provide central payment services to Federal program agencies, operate the Federal Government's collections and deposit systems, provide Government-wide accounting and reporting services, and manage the collection of delinquent debt. This is accomplished by providing financial services, information, advice and assistance to customers, including taxpayers, the Department of the Treasury, Federal agencies, Government policymakers, and Congress. FMS' activities are divided among four budget activities: Payments, Collections, Debt Collection, and Government-wide Accounting.

The FMS FY 2006 President's budget request includes funding to continue to modernize its capital equipment to ensure the flawless issuance of Federal payments. This will include the purchase of presort equipment to: 1) allow FMS to sort payment files according to zip codes, and qualify the daily mail pieces for a discount postage rate of up to $.06 per mail piece; and 2) provide an estimated savings of approximately $1.5 million per year Government-wide based on projected mail volumes after full implementation, as well as contain FMS' postage costs. In addition, this request includes increased funding provided for payments to the Federal Accounting Standards Advisory Board (FASAB), which will streamline the payment and budget process and consolidate the Executive Branch's contribution to FASAB. The FMS budget also includes investments in information technology paid for by savings produced by productivity gains, investments in technology and other methods.

Purpose of Program

FMS' activities encompass all work performed to improve the quality of government financial management and include implementing payment policy and procedures for the Federal Government, issuing and distributing payments, promoting the use of electronic methods in payment and collection processes, assisting agencies in converting payments from paper checks to electronic funds transfer (EFT), operating the Federal Government's collection and deposit systems, centrally managing and collecting delinquent debts owed to the Federal Government, and providing Government-wide accounting and reporting services.

FMS Funding by Budget Activity
(Dollars in Thousands)



Salaries and Expenses

The total FY 2006 salaries and expenses appropriations request for FMS is $236,243,000. The $7,160,000 increase over the FY 2005 base estimates is to fund adjustments to maintain current services, modernize capital equipment for payment functions, and increase funding for payments to the Federal Accounting Standards Advisory Board.

Offsetting Collections and Reimbursable Amounts

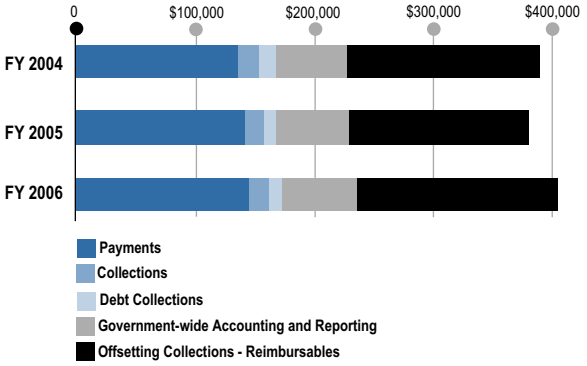
FMS' offsetting collections and reimbursable agreements for FY 2006 are estimated at $167,770,000. FMS' offsetting collections and reimbursable activities include:

- Disbursement of Federal Agency payments to beneficiaries, including Social Security payments, Railroad Retirement Board payments, tax refunds and Department of Veterans Affairs benefit payments (Payments);
- Debt collection services for Federal Agencies and states through the Treasury Offset Program, State Tax Debt Program, Federal Tax Levy, and the Cross-Servicing Program (Debt Collection); and
- Administrative support and accounting and reporting services to Treasury Agency Services, the FMS Franchise Fund organization (Government-wide Accounting).

Program Description

The FMS request of $404,013,000, includes $236,243,000 from direct appropriations and $167,770,000 from offsetting collections and reimbursable agreements to process Federal payments and collections, conduct debt collection activities and provide government-wide accounting and reporting services. Program funding supports Treasury's efforts to increase the use of an all-electronic Treasury and conduct the government's financial transactions in a timely, accurate and efficient matter.

FMS Funding History
(Dollars in Thousands)



Explanation of Budget Activities

Salaries and Expenses

FMS' appropriation is divided into four budget activities: Payments, Collections, Debt Collection and Government-wide Accounting.

Payments ($272,676,000, including $145,591,000 from direct appropriations and $127,085,000 from offsetting collections and reimbursements)
FMS' Payments program disburses 85 percent of the Federal Government's payments to a wide variety of recipients, such as those who receive Social Security payments, Internal Revenue Service (IRS) tax refunds, and veterans' benefits. The function of the Payments Activity is to develop and implement Federal payment policy and procedures, issue and distribute payments, promote the use of electronics in the payment process, and assist agencies in converting payments from paper checks to Electronic Funds Transfer (EFT). FMS continues to expand the use of electronic media to deliver Federal payments (projected at 78 percent in FY 2006), improve service to payment recipients, and reduce government program costs.

Collections ($17,102,000 from direct appropriations)
FMS' Collections program collects more than $2.3 trillion annually through a network of more than 10,000 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 mechanism 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. FMS continues to promote the use of electronics in the collections process and assists agencies in converting collections from paper to electronic media, projected at 83 percent in FY 2006.

Debt Collection ($50,449,000, including $10,264,000 from direct appropriations and $40,185,000 from offsetting collections and reimbursements) FMS' Debt Collections program maximizes collection of government delinquent debt by managing

government-wide delinquent debt collections as required by the Debt Collection Improvement Act of 1996 (DCIA). This includes maintaining and operating the Treasury Offset Program (TOP), a centralized offset program developed by FMS to assist Federal agencies and states in the collection of delinquent debts. FMS also operates the Cross-servicing Program, a centralized debt collection process that collects delinquent debts referred from Federal program agencies through the use of various tools, including private collection agencies.

Government-wide Accounting and Reporting ($63,786,000, including $63,286,000 from direct appropriations and $500,000 from offsetting collections and reimbursements) FMS' Government-wide Accounting program maintains the Federal Government's central accounting and reporting system, keeping track of its monetary assets and liabilities. 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 (FPAs) to improve their government-wide accounting and reporting responsibilities. FMS gathers and publishes government-wide financial information that is used in establishing fiscal and debt management policies and also used by the public and private sectors to monitor the government's financial status.

FY 2006 Budget Highlights
(Dollars in Thousands)

Appropriation	Salaries & Expenses
FY 2004 Enacted	$227,210
FY 2005 Consolidated Appropriations (H.R. 4818)	$230,930
Rescission (H.R. 4818)	($1,847)
FY 2005 Current Estimates	$229,083
Current Services	
Reductions, Non-Recurring Costs and Savings Total	($1,554)
Rent -relocation of San Francisco Center	($700)
Accounting Information Infrastructure Efficiencies	($425)
Check Reconciliation and Claims Improvements	($250)
Automation of Standard Application Payments	($179)
Adjustments to Maintain Current Services	$5,842
Pay Inflation Adjustment	$4,076
Non-Pay Inflation Adjustment	$1,766
FY 2005 Current Services Level	$233,371
Program Initiatives - Base Reinvestments	$1,554
Workstation Replacement	$1,554
Program Initiatives- Increases	$1,318
Mail Sorting Equipment	$799
FASAB	$519
FY 2006 President's Budget	$236,243

Explanation of FY 2005 Current Estimate

The FY 2005 current estimate of FMS appropriations is a total of $229,082,560 to fund Salaries and Expenses.

Explanation of FY 2006 Built-In Changes – Decreases

Program Reductions/Redirection of Base Resources -$1,554,000/0 FTE FMS continuously reviews its operations to identify opportunities to realign resources to fund priority requirements, meet mission objectives and support Treasury's goal of managing the government's finances effectively within its budgetary constraints. For the FY 2006 Budget Cycle, FMS reviewed its programs to identify low-value efforts, non-recurring costs, and opportunities to re-engineer its business processes to seek optimal uses of limited resources. As a result of this review, FMS was able to redirect funding to higher mission critical needs, while remaining within current funding levels. These decreases consisted of savings of: (1) $700,000 of reduced rental expenses realized as a result of moving one of our Regional Finance Centers from San Francisco to Oakland, CA; (2) $429,000 in funding realized as a result of improved efficiencies in our payments and claims processes due to the implementation of the Treasury Check Information System (TCIS) and efficiencies created by the Automated Standard Application for Payments (ASAP); and (3) $425,000 of non-recurred funding from the development phase of FMS' FY 2005 Accounting Information Infrastructure Initiative to standardize access to Federal accounting terminology. These savings ($1,554,000) will be redirected in full to support computer security needs. In FY 2006, FMS will need to replace computer workstations that pose security risks to its network and Enterprise platform due to technical/operating software obsolescence. The net effect of this redirection is $0.

Explanation of FY 2006 Built-In Changes – Increases

Adjustments Necessary to Maintain Current Levels +$5,842,000/0 FTE Funds are requested for: FY 2006 cost of the January 2005 pay increase of $1,302,000; proposed January 2006 pay raise of $2,774,000; other labor related benefits; and non-labor related items

such as contracts, travel, supplies, equipment, and GSA rent adjustments of $1,766,000.

Explanation of FY 2006 Program Changes

Program Initiatives - Base Reinvestments

Workstation Replacement +$1,554,000/0 FTE In FY 2006, FMS will need to replace computer workstations that pose security risks to its network and Enterprise platform due to technical/operating software obsolescence. Funding for this project will come from the program reduction and redirection identified above. No new program funding is requested for the workstation replacement project. The net effect of this redirection is $0.

Program Initiatives - Increases

Capital Investments +$799,000/0 FTE In FY 2006, FMS is requesting funding to continue to modernize its capital equipment to ensure the flawless issuance of Federal payments. This will include the purchase of presort equipment to allow FMS to sort payment files according to zip codes, and qualify the daily mail pieces for a discount postage rate of up to $.06 per mail piece. Each year approximately 28.5 million daily mail pieces are mailed out at the standard postage rate. These mail pieces are daily vendor, miscellaneous, and salary payments, claims mailings and letters from various Federal agencies. Based on projected mail volumes, in addition to containing FMS' postage costs, this initiative is estimated to generate savings of over $1.5 million per year government-wide after full implementation.

Financial Accounting Standards Advisory Board (FASAB) Increase +$519,000/0 FTE The FMS appropriation includes an additional $519,000 that would have otherwise been appropriated to the Office of Management and Budget (OMB). This amount represents OMB's portion of the annual payment to the Financial Accounting Standards Advisory Board (FASAB). Both OMB and Treasury share operating costs ($519,000 and $429,000, respectively) and responsibilities for improving government accounting standards as the two Executive Branch sponsors of FASAB. Under this new approach, the Financial Management Service (FMS) will forward a payment of $938,000 to the FASAB. This single payment will streamline the payment and budget process and consolidate the Executive Branch's contribution to FASAB.

Legislative Proposals

The following legislative proposals are being resubmitted as a part of FMS' FY 2006 President's budget request. These proposals are part of FMS' recommended follow-up actions to the Program Assessment Rating Tool (PART) review of the Debt Collection activity.

- Allow the offset of past-due, legally enforceable state unemployment compensation debts against overpayments. This initiative would allow FMS to offset Federal tax refunds to collect past-due, legally enforceable state unemployment compensation debts. Presently, FMS offsets Federal tax refunds to collect delinquent debt owed to Federal agencies, delinquent child support obligations, and delinquent state income tax debt. FMS would match information about state unemployment compensation debts with Federal tax returns, deduct amounts due from the Federal income tax refunds, and credit those amounts to the appropriate state unemployment insurance trust fund maintained by Treasury. This change would yield an estimated increase in collections of $281 million in the first year. This would require an amendment to section 6402 of the Internal Revenue Code (26 U.S.C. 6402) and minimal system and operational changes to implement this proposal.

- Eliminate the 10-year limitation on collection of debts owed to the United States. This initiative would eliminate the 10-year limitation on the collection of delinquent Federal debts through the Treasury Offset Program. Presently, the collection of delinquent Department of Education student loans has no limitation period. This change would yield an estimated increase in collections of $11 million in the first year. For the offset of non-tax payments, this would require an amendment to the Debt Collection Act (31 U.S.C. 3716 (e)) and conforming regulatory amendments. For the offset of tax refund payments, no statutory change would be required; however, minimal system and operational changes would be required.

Bureau of the Public Debt

Program Summary by Appropriations Account
(Dollars in Thousands

Appropriation	FY 2004 Enacted	FY 2005 Enacted	FY 2006 President's Budget	FY 2006 Increase/ Decrease	FY 2006 % change
Salaries and Expenses[1]	$177,027	$178,165	$179,923	$1,758	1.0%
Wholesale Securities Services	$12,064	$11,905	$12,306	$401	3.4%
Government Agency Investment Services	$13,756	$13,360	$13,812	$452	3.4%
Retail Securities Services	$145,419	$147,298	$148,014	$716	0.5%
Summary Debt Accounting	$5,788	$5,602	$5,791	$189	3.4%
Subtotal, Bureau of the Public Debt[1]	$177,027	$178,165	$179,923	$1,758	1.0%
Offsetting Collections - Reimbursables	$6,195	$7,190	$8,378	$1,188	16.5%
Other - Unobligated Balance Lapsing	$2,101				
Total Program Operating Level[1]	$183,222	$185,355	$188,301	$2,946	1.6%

[1]Includes direct appropriations and user fees.

Explanation of Request

The Bureau of the Public Debt's (BPD) mission is to borrow the money needed to operate the Federal Government and account for the resulting debt. BPD conducts the Department's debt finance operations by issuing and servicing marketable and non-marketable Treasury securities sold to wholesale and retail investors as well as government entities. The bureau also administers the regulations for the Government Securities market. BPD has four budget activities: Wholesale Securities Services, Government Agency Investment Services, Retail Securities Services, and Summary Debt Accounting.

BPD's FY 2006 Budget request includes five program changes, not including inflation, paid for by savings realized by productivity gains, investments in technology, and other methods.

Total resources required to support BPD activities for FY 2006 are $188,301,000, including $176,923,000 from direct appropriations, $3,000,000 from user fee collections and $8,378,000 from reimbursable agreements.

Purpose of Program

On behalf of the Department of the Treasury, BPD borrows the money needed to operate the Federal Government and refund maturing debt.

Salaries and Expenses

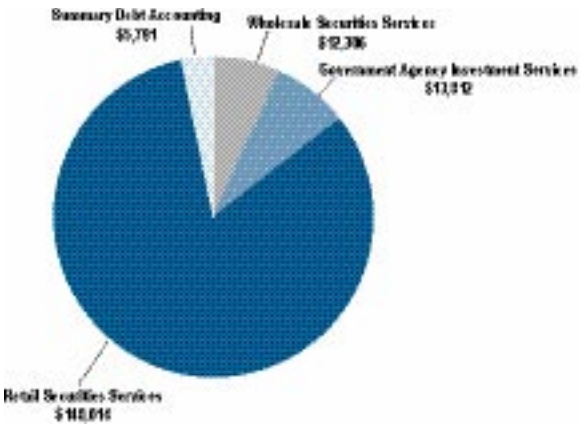
The total FY 2006 direct appropriation request for BPD is $176,923,000. New budget authority is only requested for inflationary increases. All other increases are funded through base reinvestments.

Offsetting Collections and Reimbursable Amounts

The FY 2006 program includes $3,000,000 in user fee collections and an estimate of $8,378,000 in reimbursable agreements with other agencies for services performed by BPD, which include:

- Administrative support (space, mainframe and network use, training, and legal services, etc.) to the Treasury Franchise Fund, Administrative Resource Center (All budget activities).
- Investment accounting to numerous trust funds on behalf of the Secretary of Treasury (Government Agency Investment Services).
- Postage meter use (All budget activities).
- Performing savings bond/social security income matches to identify unreported or underreported resources (Retail Securities Services).
- Collecting user fees from the public for TreasuryDirect accounts that exceed $100,000 in par value and for the issuance of definitive marketable securities (Retail Securities Services).

BPD Funding by Budget Activity
(Dollars in Thousands)

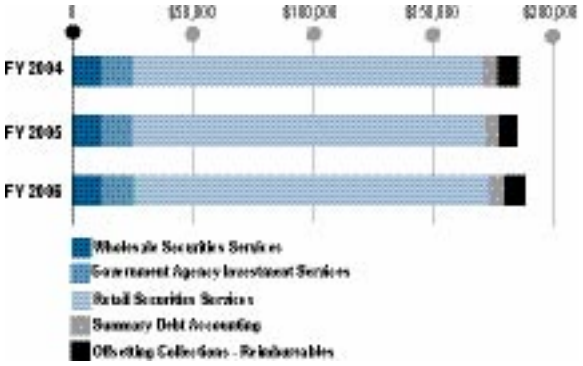


Program Description

The BPD's operating level of $188,301,000 includes $176,923,000 from direct appropriations, $3,000,000 from user fee collections and $8,378,000 from reimbursable agreements to continue fully servicing wholesale and retail securities, providing government agency investment services, and fully accounting for the resulting debt. Program funding supports Treasury's efforts to realize the goal of an all-electronic Treasury, and conduct the Government's financial transactions in a timely, accurate, and efficient manner.

BPD's appropriation is divided into four budget activities: Wholesale Securities Services (WSS), Government Agency Investment Services (GAIS), Retail Securities Services (RSS), and Summary Debt Accounting (SDA).

BPD Funding History
(Dollars in Thousands)



Explanation of Budget Activities

Salaries and Expenses

Wholesale Securities Services ($12,675,000, including $12,306,000 from direct appropriations plus reimbursements of $369,000) This activity involves the auction and issue of marketable Treasury bills notes and Treasury Inflation Protected Securities (TIPS). WSS provides an efficient infrastructure for the custody and transfer of those securities. BPD conducts some 200 marketable securities auctions annually, resulting in the issue of more than $4.6 trillion in Treasury bills and notes. The Commercial Book-Entry System holds approximately $3.9 trillion, or 98 percent, of Treasury bills, notes and TIPS purchased by market participants and their customers. Some $900 billion marketable Treasury issues are transferred among account holders each day in the Commercial Book-Entry System.

Government Agency Investment Services ($17,009,000, including $13,812,000 from direct appropriations plus reimbursements of $3,197,000) BPD supports local, State, and Federal agencies' investments in non-marketable Treasury securities as well as Federal agency borrowing from Treasury. The two major non-marketable special purpose securities involved are the Government Account Series (GAS) and the State and Local Government Series (SLGS). GAS securities are issued only to funds managed by Federal agencies with statutory investment authority. With approximately $3.1 trillion in investments, GAS securities comprise approximately around 42 percent of the public debt outstanding. SLGS securities are offered to State and local governments as investment alternatives to assist issuers of tax-exempt securities in complying with yield restriction and arbitrage rebate provisions of the Internal Revenue Code. BPD manages approximately 5,600 SLGS active accounts valued at $160 billion.

Retail Securities Services ($152,653,000, including $148,014,000 from direct appropriations, reimbursements of $1,639,000 and user fee collections of $3,000,000) This activity serves the more than 50 million retail customers who hold marketable and savings securities directly with Treasury. Marketable securities have been issued solely in electronic (book-entry) form for many years, while savings bonds are still available in paper form. BPD's implementation of the Internet-accessed TreasuryDirect system, which currently allows customers to purchase and manage electronic savings bonds, responds to increasing customer demand for electronic services. TreasuryDirect is positioning the Department to achieve its goal of an all-electronic retail environment leading to the eventual discontinuance of issuing savings bonds in paper form. Investors will be able to convert the 700 million paper bonds they hold to book-entry, which will also help in improving the operational efficiency of the savings bond program and, over the longer-term, lower operational costs.

Summary Debt Accounting ($5,964,000, including $5,791,000 from direct appropriations plus reimbursements of $173,000) Through this program BPD accounts for and reports on the balance and composition of the public debt and reconciles more than $78 trillion in securities transactions reported from numerous systems to cash flowing in and out of the Federal Government annually. BPD's summary level accounts represent the control totals for dozens of subordinate securities systems that provide detailed information on the more than $7.5 trillion public debt. This is the single largest liability on the Federal Government's balance sheet.

FY 2006 Budget Highlights
(Dollars in Thousands)

Appropriation	Salaries & Expenses
FY 2004 Enacted	$177,027
FY 2005 Consolidated Appropriations (H.R. 4818)	$179,566
Rescission (H.R. 4818)	($1,401)
FY 2005 Current Estimates	$178,165
Current Services	
Reductions, Non-Recurring Costs and Savings Total	($5,792)
User Fee Reduction	($1,400)
Issuing Agent Fees and Postage	($2,185)
Paying Agent Fees	($1,600)
TreasuryDirect Back-up Servers	($287)
Retired Bond Imaging	($185)
FAIR Act Inventory	($100)
Bond Stock Reduction	($35)
Adjustments to Maintain Current Levels	$3,920
Pay Inflation Adjustment	$2,602
Non-Pay Inflation Adjustment	$1,318
FY 2005 Current Services Level	$176,293
Program Initiatives - Base Reinvestments	$3,630
Litigation Support	$2,243
Accelerated Conversions of Savings Bonds	$504
TreasuryDirect Application Development	$421
TreasuryDirect Workload Volume	$289
Locating Owners of Matured, Unredeemed Savings Bonds	$173
FY 2006 President's Budget[1]	$179,923

[1]Includes $3,000 in user fees.

Explanation of FY 2005 Current Estimate

The FY 2005 current estimate for BPD is a total of $178,164,672, including $173,764,672 from direct appropriations and $4,400,000 from user fee collections.

Explanation of FY 2006 Built-In Changes – Decreases

User Fee Reduction -$1,400,000/0 FTE BPD proposes a reduction of $1,400,000 due to a decline in *TreasuryDirect* account maintenance and definitive marketable securities user fee collections.

Program Reductions -$4,392,000/-12 FTE BPD continuously reviews its operations to identify opportunities to realign resources to fund priority requirements, meet mission objectives and support Treasury's goal of managing the government's finances effectively within its budgetary constraints. For the FY 2006 Budget Cycle, BPD reviewed its programs to identify low-value efforts, non-recurring costs, and opportunities to re-engineer its business processes to seek optimal uses of limited resources. As a result of this review, BPD was able to redirect funding to higher mission-critical needs, while remaining within current funding levels. Savings of $4,392,000 and 12 FTEs are anticipated from: 1) declining issuing agent fees and postage ($2,185,000); 2) declining paying agent fees ($1,600,000); 3) a partial non-recur of the expenses for back-up servers for TreasuryDirect ($287,000); 4) increased productivity produced from BPD's Retired Bond Imaging project ($185,000 and 12 FTEs); 5) a non-recur of FAIR Act funding ($100,000); and 6) a non-recur of funding for savings bond stock due to the decline in issues ($35,000).

The program reductions listed above will be redirected to fund: 1) litigation support ($2,243,000) for the ongoing *Cobell v. Norton* litigation and 24 other lawsuits filed by Native American tribes against the Federal Government; 2) accelerated savings bond conversions ($504,000); 3) accelerated TreasuryDirect application development ($421,000); 4) increased TreasuryDirect customer service workload ($289,000) and 5) efforts to locate owners of matured, unredeemed savings bonds ($173,000). The net effect of this redirection is an overall reduction of $762,000 and 12 FTE.

Explanation of FY 2005 Built-In Changes – Increases

Adjustments Necessary to Maintain Current Levels +$3,920,000/0 FTE Funds are requested for: FY 2005 cost of the January 2005 pay increase of $822,000; proposed January 2006 pay raise of $1,780,000; other

labor related benefits; and non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments of $1,318,000.

Explanation of FY 2006 Program Changes

Program Initiatives – Base Reinvestments

Litigation Support +$2,243,000/0 FTE (All Budget Activities) Public Debt proposes to reinvest $2,243,000 in resources toward litigation support. In addition to the ongoing *Cobell* litigation, numerous American Indian tribes have filed lawsuits against the Federal Government relating to its administration and management of tribal trust funds and property. At present, 24 lawsuits have been filed, and this number could rise. The Bureau has been, and will likely continue to be involved in these litigations and must stand ready to meet all regulatory and court-ordered instructions related to the preservation and production of records in connection with these suits. This initiative is funded through redirection of program funding. No new funding is requested.

Accelerate Conversion of Paper Savings Bonds to Book Entry +$504,000/0 FTE (Retail Securities Services) This reinvestment will allow BPD to accelerate conversions of paper savings bonds to electronic form by funding an additional 10 positions that will assist with conversion transactions. This conversion feature will also encourage investors to buy electronic savings bonds rather than paper securities. Increasing the percentage of retail securities held in electronic form will help BPD meet stated performance goals. That said, processing conversions is potentially a massive undertaking. Investors hold about 700 million paper bonds worth about $150 billion that they could choose to convert to electronic securities. If, over a three-year period, they presented just 10 percent of those bonds, Public Debt would have to manually handle 23 million paper bonds each year. Although the potential volume is significant, the process for converting paper savings bonds to electronic form is straightforward. After setting up a TreasuryDirect account, investors will initiate a conversion requests by accessing the TreasuryDirect website (treasurydirect.gov), enter key information related to bonds considered for conversion and send the bonds to Public Debt to be placed in their accounts. This initiative is funded through redirection of program funding. No new funding is requested.

TreasuryDirect Application Development +$421,000/0 FTE (Retail Securities Services) TreasuryDirect system's design is predicated on maximizing customer self-sufficiency and minimizing off-line processing by customer service and related personnel. BPD anticipates functional releases of the software – which add additional capacity of the system – at the rate of about three per year. The request for funding for an additional 5 positions will allow BPD to develop and deploy more robust releases, and implement more system functionality faster. This initiative is funded through redirection of program funding. No new funding is requested.

TreasuryDirect Workload +$289,000/0 FTE (Retail Securities Services) BPD proposes to reinvest $289,000 to fund 5 additional positions to process customer service transactions for TreasuryDirect. Future enhancements to TreasuryDirect include issuing marketable securities, conversion of existing paper savings bonds to book-entry, and conversion of existing marketable accounts from the legacy system. All of these changes will increase the number of TreasuryDirect customers and accounts. While TreasuryDirect is designed to allow investors to purchase and manage Treasury securities online, there are times when they need assistance to complete a transaction. Customer service representatives handle phone and Internet inquiries, offline authentication forms processing, and deceased owner cases. The additional FTEs will allow BPD to continue to provide quality, timely customer service for the increasing number of investors who buy and hold securities in TreasuryDirect. This initiative is funded through redirection of program funding. No new funding is requested

Locating Owners of Matured, Unredeemed Savings Bonds +$173,000/0 FTE (Retail Securities Services) BPD proposes to reinvest $173,000 to fund 5 additional positions to locate owners of matured unredeemed debt (MUD). MUD is created when savings securities reach maturity and stop earning interest, but investors have not redeemed the

securities. The securities may remain unredeemed due to death of the owner, loss of the securities, lack of recognition that the security has matured, forgetfulness, etc. As of May 2004, nearly $11 billion of unredeemed savings securities have stopped earning interest. The additional FTEs will enable BPD to increase the number of customer contacts. This initiative is funded through redirection of program funding. No new funding is requested.

Legislative Proposals

None requested.

Departmental Offices

Program Summary by Appropriations Account

(Dollars in Thousands)

Appropriation	FY 2004 Enacted	FY 2005 Enacted	FY 2006 President's Budget	FY 2006 Increase/ Decrease	FY 2006 % change
Salaries and Expenses[1]	$175,070	$156,299	$195,253	$38,954	24.9%
Executive Direction		$14,683	$16,656	$1,973	13.4%
Economic Policies and Programs		$29,936	$32,011	$2,075	6.9%
Financial Policies and Programs		$25,127	$24,721	($406)	(1.6%)
Financial Crimes Policies and Programs		$9,642	$39,938	$30,296	314.2%
Treasury-wide Management and Programs		$15,987	$16,843	$856	5.4%
Administration		$60,924	$65,084	$4,160	6.8%
Office of Foreign Assets Control	$0	$22,113	$0	($22,113)	(100.0%)
Treasury Bldg & Annex Repair and Restoration	$24,852	$12,217	$10,000	($2,217)	(18.1%)
Department-wide Systems & Capital Invest. Program	$36,185	$32,002	$24,412	($7,590)	(23.7%)
HR Connect		$15,367	$0	($15,367)	(100.0%)
Critical Infrastructure Program		$5,754	$5,800	$46	0.8%
E-Government Initiatives		$2,740	$2,762	$22	0.8%
Treasury Back-up Disaster Recovery Capacity		$1,732	$1,746	$14	0.8%
Integrated Wireless Network		$1,488	$1,500	$12	0.8%
Cyber Security (Includes Operational Security, Information Assurance & Identification Management)		$2,540	$2,304	($236)	(9.3%)
Enterprise Architecture		$397	$400	$3	0.8%
Appliance-Based Computer Security		$1,488	$0	($1,488)	(100.0%)
Certificate-Based Internet Security		$496	$0	($496)	(100.0%)
TS/SCI Network		$0	$6,000	$6,000	0.0%
Treasury Secure Data Network (TSDN)		$0	$2,800	$2,800	0.0%
Defense Messaging System		$0	$500	$500	0.0%
Documents Management		$0	$600	$600	0.0%
Air Transportation Stabilization Program	$2,523	$1,984	$2,942	$958	48.3%
Subtotal, All Appropriations Accounts	$238,631	$224,615	$232,607	$7,992	3.6%
Offsetting Collections-Reimbursables	$0	$0	$11,386	$11,386	100.0%
Total Program Operating Level	$238,631	$224,615	$243,993	$19,378	8.6%

[1]Includes legislative proposal to restore OFAC into the Salaries and Expenses appropriation under Financial Crimes Policies and Programs.

Explanation of Request

Treasury's Departmental Offices (DO) has a unique role as the headquarters for the Department of the Treasury. DO must provide leadership in critical areas such as economic and financial policy, law enforcement, and general management of the Treasury Department. As such, DO is the primary organization responsible for Treasury Department policy direction and formulation.

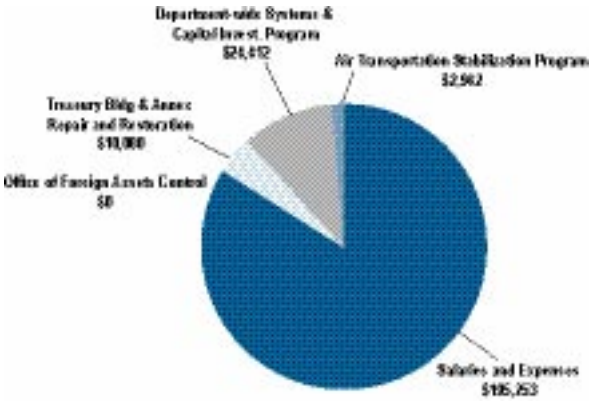
This request includes funding to enhance support of DO's mission and to continue operational excellence. The Office of Terrorism and Financial Intelligence (TFI) provides policy, strategic, and operational direction to the Department on issues relating to terrorist financing and financial crimes, including money laundering, counterfeiting, and other offenses threatening the integrity of the financial system. The establishment of TFI unifies, the functions of the Office of Intelligence Analysis and Security Programs, the Office of Terrorist Financing and Financial Crimes, the Financial Crimes Enforcement Network, the Office of Foreign Assets Control, and the Treasury Executive Office for Asset Forfeiture.

In addition to the Treasury Building and Annex Repair and Restoration project, DO will continue major facilities projects and services for the Main Treasury and Treasury Annex buildings to ensure the safety and health of occupants and to perform critical and non-critical structural repairs and improvements.

DO will provide significant support for the President's Management Agenda to improve the Treasury's financial performance and expanded electronic government initiatives. In addition, the budget request supports the on-going effort in the areas of information and operational security. The Chief

Information Officer will continue to modernize the IT infrastructure, including upgrading the Storage Area Network and DO Exchange Server. It also requests funding to upgrade technology for the Media Room in the Main Treasury building and enhance remote access. The FY 2006 request includes $232,607,000 in appropriations required to support DO. Planned spending from offsetting collections and reimbursable programs totals $11,386,000.

DO Funding by Account
(Dollars in Thousands)



Purpose of Program

DO formulates and oversees implementation of domestic and international financial, tax, economic, enforcement, and management policies of both the Department and of the Federal Government. These responsibilities include:

- Recommending and implementing U.S. domestic and international economic, financial services, tax, and fiscal policy;
- Managing the development of financial policy on the public debt;
- Overseeing the fiscal operations of the Federal Government;
- Representing the U.S. on international monetary, trade, and investment issues;
- Fighting the war on terrorist finance by countering, investigating, and prosecuting terrorists;
- Maintaining foreign assets control;
- Managing Treasury's overseas operations and major regulatory functions relative to international trade, depository institutions, the collection of revenue related to domestic consumption of alcohol and tobacco; and
- Setting policy, directing and overseeing bureaus and programs, and managing the internal management operations of the Department. DO does not have a separate strategic plan but is fully covered by the Treasury-wide strategic plan. Thus DO's strategic goals and objectives follow the Department's plan.

Salaries and Expenses

The FY 2006 request for Salaries and Expenses is $195,253,000, an increase of $16,842,000 above the FY 2005 enacted appropriation, which includes the Office of Foreign Assets Control (OFAC). This request continues funding in critical areas that affect domestic and international economics, finance, the war on terrorist financing, and general management of the Department. In FY 2005, Congress provided funding to OFAC as a separate appropriation. The FY 2006 request proposes restoring OFAC to the Salaries and Expenses appropriation which will allow for proper alignment with the Office of Terrorism and Financial Intelligence. This proposal also involves the realignment of the Office of Emergency Preparedness and the Foreign Terrorist Division within TFI.

Treasury Building and Annex Repair and Restoration

The FY 2006 request for Treasury Building and Annex Repair and Restoration (TBARR) is $10,000,000. The FY 2005 enacted TBARR appropriation was $8,000,000 below the FY 2005 President's Budget. The FY 2005 enacted level leaves the Department unable to complete the renovation project and, therefore, part of the Main Treasury building remains uninhabitable. Additional funds requested in FY 2006 are needed to complete the project and re-occupy the affected space.

Department-wide Systems and Capital Investment Program

The FY 2006 request for the Department-wide Systems and Capital Investment Program is $24,412,000, a decrease of $7,590,000 below the FY 2005 enacted level. This request continues funding in critical areas cutting across multiple Treasury bureaus or involving Treasury work with other government agencies.

Air Transportation Stabilization Program

The FY 2006 request for Air Transportation Stabilization Program is $2,942,000, an increase of $958,000 above the FY 2005 enacted level. Funding will continue to be used for monitoring loans provided to airlines under the Air Transportation Stabilization Program.

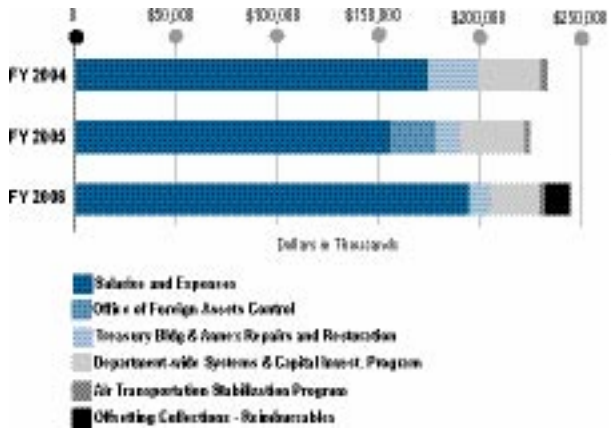
Offsetting Collections and Reimbursable Amounts

The FY 2006 program includes an estimate of $11,386,000 in offsetting collections from reimbursable agreements with other U.S. Government Agencies who buy services from DO.

Program Description

The Departmental Offices' request of $243,993,000 includes $232,607,000 from appropriations and $11,386,000 from offsetting collections to continue support of the policy and oversight activities of the Secretary and his staff for the Treasury Department's areas of responsibility. The resources requested are critical to the successful implementation and management of federal domestic and international economic, financial, tax, and financial crimes policies.

DO Funding History
(Dollars in Thousands)



Explanation of Budget Activities

Salaries and Expenses

Executive Direction ($16,656,312 in direct funding) Direction, policy formulation, and coordination are provided by the Secretary, the Deputy Secretary and their immediate staff with the assistance of the Office of General Counsel. They are also supported by the Offices of Legislative Affairs and Public Affairs, who interact with Congress and the public on Departmental policy matters.

Economic Policies and Programs ($34,251,626, including $32,010,626 in direct funding, plus reimbursements of $2,241,000) Offices include Economic Policy and International Affairs. They monitor and analyze current and prospective macro- and micro-economic developments, as well as collect and analyze international financial data, including foreign credits and credit guarantees. They support consistency of government-wide economic programs, execute U.S. international financial policies analysis of international trade investments, and provide economic and financial technical assistance to foreign governments.

Financial Policies and Programs ($26,517,468, including $24,720,468 in direct funding, plus $1,797,000 in reimbursable funding) Offices include Domestic Finance and Tax Policy. They provide official estimates of all U.S. governmental receipts, support development of tax policies and programs, review regulations and rulings in administration of the Internal Revenue Code, and negotiate tax treaties for the U.S. They also provide economic and legal policy analysis, oversee domestic finance, banking and financial institutions and financial markets, and monitor government asset privatization, public debt financing and daily government cash flow.

Financial Crimes Policies and Programs ($42,607,450 including $39,938,450 in direct funding plus $2,669,000 in reimbursable funding) This activity includes the Office of Terrorism and Financial Intelligence (TFI) which oversees Terrorist Financing and Financial Crimes, Intelligence Analysis, and the Office of Foreign Assets Control. These offices provide advice to the Secretary on matters related to fighting financial crimes, money laundering, and terrorist financing. TFI provides policy development and direction to safeguard the financial system against illicit use and use Treasury's array of economic tools against rogue nations, terrorist facilitators, money launderers, drug kingpins, and other national security threats. TFI also provides oversight for the Financial Crimes Enforcement Network and the Office of Foreign Assets Control,

as well as coordinates with the Internal Revenue Service-Criminal Investigations Division. It manages and provides policy development and support for enforcement funds; coordinates development and ensures delivery of technical assistance in support of counter-terrorist financing and counter-financial crimes initiatives; and develops and implements strategies to counter money laundering and terrorist financing.

Treasury-wide Management Policies and Programs ($21,522,447, including $16,843,447 in direct funding plus $4,679,000 in reimbursable funding) This activity supports the Chief Financial Officer (CFO) Act, the Government Performance and Results Act (GPRA), and the Information Technology Management Reform Act and the Chief Human Capital Officer (CHCO).

Administration ($65,083,697) This activity provides operational support to all Headquarters offices. These activities include financial and budget, human resources, informational technology, procurement, facilities support, and travel services.

Treasury Building and Annex Repair and Restoration (TBARR)

TBARR ($10,000,000) This activity funds the completion of the repair and restoration of the Main Treasury building. Major repairs and restoration have resulted in a more modernized working environment while preserving the historic integrity of the Treasury Building and, and have ensured improved working conditions for the health and safety of Treasury employees and visitors.

Department-wide Systems and Capital Investment Program

Critical Infrastructure Protection ($5,800,000) Critical Infrastructure Protection (CIP) resources are required to sustain current CIP efforts including those associated with National Security Emergency Preparedness and Homeland Security. The Department's CIP efforts are also focused on the protection of the Banking and Financial sector of our National Critical Infrastructure. Research and development efforts are focused on addressing emerging threats posed from unfriendly foreign nations, terrorists, and criminals, which create increased vulnerabilities, particularly as the Banking and Financial community moves more heavily into the world of E-Commerce and internet banking. In direct support of Homeland Security Presidential Decision Directive-7, Treasury must also continue developing and implementing plans for the protection of its critical IT assets, conduct interdependency analyses of CIP assets, develop policy and standards, and provide necessary training.

E-Government Initiatives ($2,762,000) The Department's implementation of the Expanding Electronic Government component of the President's Management Agenda (PMA) supports the government-wide consolidation of redundant information systems, enhances government-wide efficiency and effectiveness, and improves service delivery to citizens, businesses, and government. This request will support the Department's participation in the following E-Government initiatives in FY 2006: Business Gateway, E-Authentication, E-Rulemaking, E-Travel, Integrated Acquisition Environment, Geospatial One-Stop, Grants.gov, Financial Management Line of Business, Human Resources Line of Business, and Grants Management Line of Business.

Treasury Back-up Disaster Recovery Capacity ($1,746,000) Treasury must maintain and enhance, as necessary, the Departmental Offices (DO) disaster recovery capabilities. These critical efforts protect many of Treasury's technology systems and provide for the continuity of operations for key Treasury officials and functions in the event of a disaster. This funding provides ongoing support for existing servers, software for DO critical services such as email, shared drive and mainframe applications, email archiving and Internet access.

Integrated Wireless Treasury Network ($1,500,000) Funding is requested to continue managing its wireless assets for the Internal Revenue Service-Criminal Investigation, Treasury Inspector General for Tax Administration, Bureau of Engraving and Printing, the U.S. Mint, and the Department's Headquarters Operations.

Cyber Security – (Includes Operational Security, Information Assurance, and Identity Management) ($2,304,000) Funding is requested to continue

strengthening the Department's information assurance and operational security programs, thereby improving compliance with the Federal Information Security Management Act (FISMA) and related Federal information security policies and guidance. Supported initiatives include: identifying cyber security weaknesses, maintaining and implementing enterprise-wide hardware and software solutions and processes to mitigate pervasive vulnerabilities (such as the Treasury Computer Security Incident Response Capability), tracking and validating program and system level cyber security plan of action and milestones, and conducting the Department's annual FISMA review.

Enterprise Architecture ($400,000) Funding is requested to continue implementation of the Treasury Enterprise Architecture (EA) to ensure that IT investments align with functional requirements and strategic goals. Treasury EA is needed to effectively manage its IT portfolio and to fulfill the Office of Management and Budget (OMB) Federal Enterprise Architecture (FEA) requirements.

Air Transportation Stabilization Program (ATSP)

ATSP ($2,942,000) On September 22, 2001, President Bush signed into law the Air Transportation Safety and Systems Stabilization Act, P.L. 107-42. The Act establishes the Air Transportation Stabilization Program. The Program may issue up to $10 billion in loan guarantees. The Program is currently managing a portfolio of loan guarantees to a number of airlines; however, it does not anticipate making any new loan guarantees in 2006.

Explanation of FY 2005 Current Estimate

The FY 2005 current estimate for Departmental Offices appropriations of $224,615,584 consists of the following amounts:

- $156,299,520 for Salaries and Expenses
- $22,112,672 for the Office of Foreign Assets Control
- $12,217,472 for Treasury Building and Annex Repair and Restoration
- $32,001,920 for Department-wide Systems and Capital Investment Program
- $1,984,000 for Air Transportation Stabilization Program

Explanation of FY 2006 Built-In Changes – Decreases

Program Reduction: -$5,074,000/-10 FTE In FY 2006 resources will be reduced for staffing in certain offices, as well as the Turkey Loan Financing Facility, the Office of Financial Education, and two previously funded programs which were funded by Congress but were not requested in the FY 2005 President's Budget.

- Hiring Freeze - $1,740,000/- 10 FTE
- Turkey Loan Financing Facility - $1,000,000/ 0 FTE
- Office of Financial Education - $334,000/0 FTE
- Financial Literacy (not requested in the FY 2005 President's Budget) - $1,000,000/0 FTE
- Critical Infrastructure (not requested in the FY 2005 President's Budget) - $1,000,000/ 0 FTE

Non-Recurring Costs: Development for HR Connect -$15,368,000/0 FTE By FY 2006 all primary development projects for HR Connect will be completed, so funding will be transferred from the Department-wide Systems Capital Investment Program (DSCIP) to the Working Capital Fund (WCF). Development and implementation of modest new functionality and services as part of its baseline service adopting a release approach to deliver new functionality will continue however additional implementations or major enhancements will be funded through the requesting clients. HR Connect will maintain one outsourced production environment with a single code line, and training responsibility will consist of the development of course materials only and "train-the-trainer."

Explanation of FY 2006 Built-In Changes – Increases

Adjustments Necessary to Maintain Current Levels + $4,700,000/0 FTE Funding requested includes the cost of the January 2005 pay increase, the proposed January 2006 pay raise and non-labor related items

FY 2006 Budget Highlights

(Dollars in Thousands)

Appropriation	Salaries & Expenses	Office of Foreign Assets Control	Treasury Bldg & Annex Repair & Restoration	Department-wide Systems & Capital Invest. Program	Air Transportation Stabilization Program	Total
FY 2004 Enacted	$175,070	$0	$24,852	$36,188	$2,523	$238,631
FY 2005 Consolidated Appropriations (H.R. 4818)	$157,560	$22,291	$20,316	$36,072	$2,000	$238,239
Rescission (H.R. 4818)	($1,261)	($178)	($8,099)	($4,070)	($16)	($13,624)
FY 2005 Current Estimates	$156,299	$22,113	$12,217	$32,002	$1,984	$224,615
Current Services						
Reductions, Non-Recurring Costs and Savings Total	($5,074)	($22,113)	($2,217)	($17,490)	$0	($46,894)
Critical Infrastructure Protection	($1,000)	$0	$0	$0	$0	($1,000)
Financial Literacy Initiative	($1,000)	$0	$0	$0	$0	($1,000)
Hiring Freeze/Attrition FTE	($1,740)	$0	$0		$0	($1,740)
Office of Financial Education	($334)	$0	$0	$0	$0	($334)
Turkey Loan	($1,000)	$0	$0	$0	$0	($1,000)
Office of Foreign Assets Control - Transfer to S&E	$0	($22,113)	$0	$0	$0	($22,113)
HR Connect	$0	$0	$0	($17,490)	$0	($17,490)
Treasury Bldg & Annex Repair & Restoration	$0	$0	($2,217)	$0	$0	($2,217)
Transfers in	$22,113	$0	$0	$0	$0	$22,113
Office of Foreign Assets Control	$22,113	$0	$0	$0	$0	$22,113
FY 2005 Annualizations	$5,782	$0	$0	$0	$0	$5,782
TFI Start Annualization	$5,782	$0	$0	$0	$0	$5,782
Adjustments to Maintain Current Services	$4,700	$0	$0	$0	$0	$4,700
Pay Inflation Adjustment	$3,267	$0	$0	$0	$0	$3,267
Non-Pay Inflation Adjustment	$1,433	$0	$0	$0	$0	$1,433
FY 2005 Current Services Level	$183,820	$0	$10,000	$14,512	$1,984	$210,316
Program Initiative - Increases	$11,433	$0	$0	$9,900	$958	$22,291
Office of Intelligence Analysis Analysts	$1,843	$0	$0	$0	$0	$1,843
Office of Terrorism Financing Staff	$587	$0	$0	$0	$0	$587
Personnel Security Investigations	$115	$0	$0	$0	$0	$115
General Counsel Support for TFI	$171	$0	$0	$0	$0	$171
Legislative Affairs Support for TFI	$162	$0	$0	$0	$0	$162
Building Safety and Structural Repairs	$1,000	$0	$0	$0	$0	$1,000
Financial Statement Audits	$1,807	$0	$0	$0	$0	$1,807
Modernization of DO IT Infrastructure	$1,755	$0	$0	$0	$0	$1,755
Integration of Multi-Media Room	$720	$0	$0	$0	$0	$720
Upgrade Fiscal Projections Program	$300	$0	$0	$0	$0	$300
Overseas Presence	$200	$0	$0	$0	$0	$200
Foreign Credit Reporting System Ops. & Maintenance	$295	$0	$0	$0	$0	$295
Declassification Project	$676	$0	$0	$0	$0	$676
Cuban Sanctions Litigation Unit	$81	$0	$0	$0	$0	$81
Office of Foreign Assets Control Staffing	$1,721	$0	$0	$0	$0	$1,721
TS/SCI Network	$0	$0	$0	$6,000	$0	$6,000
Treasury Secure Data Network (TSDN)	$0	$0	$0	$2,800	$0	$2,800
Defense Messaging System	$0	$0	$0	$500	$0	$500
Documents Management	$0	$0	$0	$600	$0	$600
Monitoring of ATSP loan portfolio	$0	$0	$0	$0	$958	$958
FY 2006 President's Budget	$195,253	$0	$10,000	$24,412	$2,942	$232,607

such as contracts, travel, supplies, equipment, and GSA rent adjustments.

Annualization of Positions used to create the Office of Terrorism and Financial Intelligence +$5,782,000/ +27 FTE This level of funding annualizes the start-up cost and FTE realization of the FY 2004 positions for the Office of Terrorism and Financial Intelligence.

Explanation of FY 2006 Program Changes

Program Initiatives – Increases

Office of Intelligence Analysis Analysts (TFI) +$1,843,000/+10 FTE Funding for a total of 21 intelligence analyst positions will ensure that Treasury accesses actionable intelligence to fulfill its mission and integrates intelligence that supports Treasury linking directly to the intelligence community. The primary functions of the analysts will be to build a robust terrorist financing analytical capability and to provide intelligence support to senior Treasury officials on a wide range of international economic and political issues of concern to the Department.

Office of Terrorism Financing Staff (TFI) +$587,000/ +3 FTE Funding for five positions will enable the Office of Terrorism Financing (OTF) to enhance resources in the following areas:

- *Regional Analytical/Policy* OTF is responsible for all international issues and Treasury engagement related to terrorist financing, money laundering, and financial crimes. Additional resources are needed for a more robust regional/international coverage and flexibility or deeper engagement with specific jurisdictions. Additional expertise is critical and flexibility to engage bilaterally, regionally, and multilaterally with jurisdictions on all matters related to effective creation and enforcement of anti-money laundering and anti-terrorist financing regimes.

- *Rogue Regime and Institution Asset Tracking* OTF has led the U.S. Government's efforts to freeze and repatriate Iraqi and Saddam Hussein-related assets with very limited resources. Additional resources are needed for strategic forecasting and implementation of the tracking of rogue regimes and related leadership assets. In addition, no devoted capacity exists to strategically implement the provisions of Section 311 of the USA PATRIOT Act, which allows for the Secretary to designate foreign governments, entities, and classes of transactions as "primary money laundering concerns."

- *Compliance and Regulatory Oversight* Treasury is responsible for the effective implementation and enforcement of the Bank Secrecy Act (BSA) and the related oversight of the Financial Crimes Enforcement Network. Additional resources are needed to strategically review and expand the U.S. anti-money laundering regime. This team will be devoted to outreach efforts and exploring the use of new technologies to ensure the most efficient money laundering regime possible.

- *Terrorist Financing and Money Laundering Systems Expertise* It is essential that Treasury serve as a reservoir of expertise for policy makers, the private sector, other agencies, and the international community regarding systems that are abused by terrorist groups and international criminal networks to raise and move money. Additional resources are requested to expand expertise in areas of anti-terrorist financing concern.

Personnel Security Investigations +$115,000/0 FTE With creation of the Office of Terrorism and Financial Intelligence (TFI) and additional personnel, more personnel security investigations are needed to clear employees at appropriate clearance levels. Additional resources are requested for this and a perpetual backlog of files that need periodic re-investigation.

General Counsel Support for TFI (OGC) +$171,000/ +1 FTE Creation of the new Office of Terrorism and Financial Intelligence (TFI) requires new skill sets within the Office of the General Counsel (OGC), particularly in the area of intelligence law. OGC requests one position, as it currently has no full-time experts in this field, but expects demand for these skills from the new Assistant Secretary for Intelligence and Analysis and their staff.

Legislative Affairs Support for TFI (LA) +$162,000/ +1 FTE Creation of the Office of Terrorism and Financial Intelligence (TFI) increases the workload and representation requirements for the Office of Legislative Affairs. Currently Legislative Affairs splits the duties of TFI among its existing staff. Additional

resources are requested to adequately accommodate the workload increase and representation requirements generated by TFI.

Office of Foreign Assets Control (OFAC) Staffing +$1,721,000/+9 FTE OFAC faces increasing responsibilities and growing importance in the war against terrorism, narcotics trafficking, and other enemies. OFAC intends to use these increased resources to achieve three key components of Treasury's overall strategic plan:

- Disrupt and dismantle financial infrastructure of terrorists, drug traffickers, and other criminals and isolate their support networks
- Execute the nation's financial sanctions policies
- Manage Treasury resources to effectively accomplish the mission and provide quality customer service

Nine additional positions are requested to ensure continued success of the U.S. Government's sanctions policies. OFAC must make more designations, increase its public education, catch more violators, and mete out appropriate penalties to deter additional potential violators. It must integrate internal systems, ensure precise record management, and monitor compliance. Timeliness and transparency are key to ensuring effective administration and enforcement of a growing number of programs. These additional positions will improve OFAC's focus on countering terrorism, countering drug trafficking, transparency/customer service, management enhancements, enforcement of Cuba travel restrictions, and the effective administration of 29 sanctions programs.

Cuba Sanctions Litigation Unit +$81,000 /+1 FTE The Office of Foreign Assets Control (OFAC) imposes civil penalties for violations of the U.S. sanctions against Cuba and North Korea which went into effect in 2003. Alleged violators have a right to a hearing before an administrative law judge (ALJ) who reviews these cases. Therefore the Office of General Counsel needs one additional attorney position to manage anticipated caseload generated by these ALJ hearings. Funding for this position will be provided by OFAC.

Building Safety and Structural Repairs +$1,000,000/0 FTE Additional funding is requested for major facilities projects and services. Projects categories include: Safety, Health and Environmental; Functional and Non-Critical Structural; and Repair and Improvements (R&I). Treasury's Annex building requires repair, replacement or modernization of component systems to comply with building and fire codes, and the Americans with Disabilities Act (ADA). Non-compliant areas include: fire life safety systems (sprinklers, smoke detectors, fire control panels). ADA concerns include: elevator control panels, elevator cabs, fire alarm pull stations. Far past their cyclical maintenance are (mortar repairs, cleaning of the exterior, repair of limestone block, repair of ornamental fencing, and window refurbishment.

Financial Statement Audits +$1,807,000/0 FTE The Office of the Inspector General (OIG) is responsible for annual Departmental-level audits. Treasury lacks the resources to perform these audits so it is necessary to procure the services of an external accounting firm. The cost of these audit contracts is expected to increase in FY 2005, partly because the scope of audits changes annually and the FY 2006 audit is expected to be broader in scope. This request covers the financial statement audits and the cost of internal control audits which were not required in previous years.

Modernization of DO IT Infrastructure +$1,755,000/0 FTE The Departmental Offices (DO) Information Technology (IT) requires a program of continued modernization to meet increased demands and refresh existing and obsolete infrastructure. Funding is requested for needed upgrades to the Storage Area Network and the DO Exchange Server, enhancements to remote access service and other communication improvements for new application and functionality requirements. This will enhance the DO IT infrastructure so it can handle increasing data communication loads and reduce recurring single points of network failure. Multi-year authority is requested to accommodate a three-year refresh cycle.

Integration of the Multi-Media Room +$720,000/0 FTE The media room in the Main Treasury building has become a focal point for high level meetings, teleconferences, press briefings, and the Secretary's press conferences. It is used by all senior Treasury officials - the Secretary, Deputy Secretary

and the Under Secretaries. Additional funding is needed to provide resources that meet current technological standards for live transmissions of critical economic information, web casts, satellite broadcasts, teleconferences with other countries and the transmission of media room events on the local Treasury TV station.

Upgrade of Fiscal Projections Program +$300,000/ +2 FTE The Office of Domestic Finance's Office of Fiscal Projections (OFP) tracks and monitors Treasury's daily cash position and forecasts cash needs to ensure effective cash and debt management. Current staffing levels are severely strained, and inadequate to monitor the U.S. Government's cash flow (outlays, receipts and debt) which is approximately $4 trillion annually. Additional resources are requested to meet daily operational demands, increased requests for complex forecasting analysis, to improve and refine the forecasting process, and to implement improved investment techniques.

Overseas Presence +$200,000 /+1 FTE In support of the United States' goal to promote political stability and economic growth in the Middle East, the Office of International Affairs requests additional resources to establish a financial attaché office in Baghdad, Iraq. Treasury already has a temporary long-term presence in Baghdad and needs to establish a presence there to assist with restoring peace and stability in FY 2006 and beyond.

Foreign Credit Reporting System Operation and Maintenance +$295,000/0 FTE The Foreign Credit Reporting System (FCRS) is the central web-based modern repository of foreign credit owed to the U.S. Government by other countries. Operation funding is critical as the FCRS transitions from development to operation and maintenance. The FCRS automates a historically manual process which allows much quicker and efficient production of reports such as the Annual "Salmon Book" on U.S. Government Foreign Credit Exposure which the Office of International Affairs is statutorily required to publish. Inadequate funding of operation and maintenance for the FCRS may force Treasury and its interagency partners to resort to the manual process, which will consume thousands of labor hours.

Declassification Project +$676,000/0 FTE Treasury needs to meet the President's deadline to review approximately 3.5 million pages of classified records 25 years old and older by December 31, 2006. Failure to do this will result in the wholesale automatic declassification of Treasury and other government agencies' classified permanent records without first determining whether these records should be exempt from declassification based upon specific exemption criteria. Absent additional funding, a massive effort by subject matter experts, primarily in the offices of International Affairs and Terrorism and Financial Intelligence, will be necessary to meet the deadline. It is estimated that this will require an estimated 14.27 man-years of work over the next two years which these staffs will have to divert from their missions.

Treasury Building and Annex Repair and Restoration (TBARR) +$10,000,000/0 FTE FY 2006 funding for TBARR is needed to complete Phase IV renovations (approximately 100,000 square feet) of the Treasury Building in a cost effective and timely manner. If funding is not approved in FY 2006, the project completion costs will increase to an estimated total of $18,500,000 and the overall delay to reoccupy the space could exceed two years. Further, securing the facility for shutdown will cost an estimated $1,000,000 that could otherwise be used towards construction completion. Extending the use of swing space and associated security and courier services will cost approximately $1,900,000 annually. Delay in completing Phase IV will also require new design and bid documents, and procurement of a new construction contract.

In addition, the unfinished status and lack of environmental controls in the unusable portion will accelerate the deterioration of historic spaces. Relocation of senior officials to spaces specifically designed for their protection will also be delayed. Finally, the unavailability of office space within the building will delay efforts for co-location of policy offices including the new Office of Terrorism and Financial Intelligence.

TFI Top Secret/Sensitive Compartmented Information (TS/SCI) Network +$6,000,000/0 FTE Treasury's increasing counterterrorism responsibilities require it to upgrade its TS/SCI network infrastructure that

supports ongoing programs that combat terrorist financing, money laundering, and organized crime. This will strengthen Treasury's exchange of critical intelligence information with the Terrorist Threat Integration Center, Department of Homeland Security, Department of Defense, and others within the intelligence community.

Treasury Secure Data Network (TSDN) +$2,800,000/0 FTE TSDN is the computer and network infrastructure that enables the communication and distribution of classified information to over 400 Treasury users. It also provides Treasury users with access to the Secret Internet Protocol Router Network and the Department of Defense classified communications network. Access is vital to ensure that the newly created Office of Terrorism and Financial Intelligence and its components: the Office of Foreign Assets Control, and Office of Intelligence and Analysis, Financial Crimes Enforcement Network, and IRS Criminal Investigations have the capability to communicate effectively with colleagues within the law enforcement and intelligence communities.

Documents Management +$600,000/0 FTE Funds are requested to develop and pilot an enterprise document management and records management system for the Department of the Treasury. The system will improve information sharing by capturing and storing documents throughout their lifecycle while providing decision makers with more timely, accurate, and complete information.

Defense Messaging System +$500,000/0 FTE Funds are requested to complete implementation of the Defense Messaging System on the Department's internal secure networks and the wider defense and intelligence community networks.

Loan Monitoring and Restructuring +$958,000/0 FTE A funding increase of $958,000 is requested for the Air Transportation Stabilization program. In the event that an air carrier suffers a financial crisis (e.g. bankruptcy), a full examination and analysis of loan repayment options must be undertaken. These resources are necessary for analysis related to loan restructuring should an air carrier enter into bankruptcy.

Legislative Proposals

None requested.

Office of Terrorism and Financial Intelligence Program Summary

The Office of Terrorism and Financial Intelligence (TFI), created within Treasury's Departmental Offices, continues to focus on protecting the United States and international financial sectors against abuse and wielding Treasury's array of economic authorities against national security threats, including terrorist financiers, proliferators of weapons of mass destruction, and rogue regimes.

The Office of Terrorist Financing and Financial Crimes (TFFC), the Office of Intelligence and Analysis (OIA), the Financial Crimes Enforcement Network (FinCEN), the Office of Foreign Assets Control (OFAC) and the Treasury Executive Office for Asset Forfeiture (TEOAF) are all organized under the leadership of TFI.

This past May, the Treasury Department designated the Commercial Bank of Syria (CBS) as a "primary money laundering concern," based on issues relating to financial transparency, and problems the Department observed with that institution, including terrorist financing. Pursuant to this designation, the Department has issued a proposed rule that, when issued in final form, will obligate U.S. financial institutions to sever all correspondent relations with CBS. The Commercial Bank of Syria will either take effective steps to address our concerns, or the Department will cut it off from the U.S. financial system. Actions of this type spur jurisdictions and institutions to adopt real reforms that impose an acceptable degree of financial transparency, and help protect the integrity of our financial system.

TFI remains fully engaged in the pursuit of assets looted from the Iraqi people by the Saddam Hussein regime. Thanks to collaborative efforts by TFI and other U.S. agencies, the United States has facilitated the finding and freezing of nearly $6 billion in Iraqi assets outside of Iraq, the return of over $2.7 billion of those funds, and the recovery of more than $1 billion in cash inside Iraq. To date, the U.S. has also designated 232 entities and individuals tied to the former Hussein regime and submitted their names to the United Nations for global asset freezing.

TFI has designated and frozen the assets of prominent terrorist financiers and organizations, including Adel Batterjee, a Saudi financier of al Qaida, and the Islamic African Relief Agency (IARA), a corrupt charity that supported Usama bin Laden and HAMAS. Since September 2001, the United States and our allies have designated 397 terrorist related entities and frozen nearly $146 million in terrorist assets.

TFI is the United States representative to and a world leader at the Financial Action Task Force (FATF), which sets anti-money laundering and counter-terrorist financing standards for more than 120 countries. In 2004, TFI was instrumental in the effort to introduce a new FATF standard targeting cross-border cash smuggling. FATF-style regional bodies (FSRBs), which hold members to FATF's standards, already exist in South America, the Caribbean, Africa, Europe, and Asia. With significant guidance and assistance from TFI, two new FATF-style regional bodies were established in Central Asia and in the Middle East/North Africa region late last year. This is a major achievement that will bring a range of critical jurisdictions under the financial standards of the international community.

Financial Crimes Enforcement Network

Program Summary by Appropriations Account
(Dollars in Thousands)

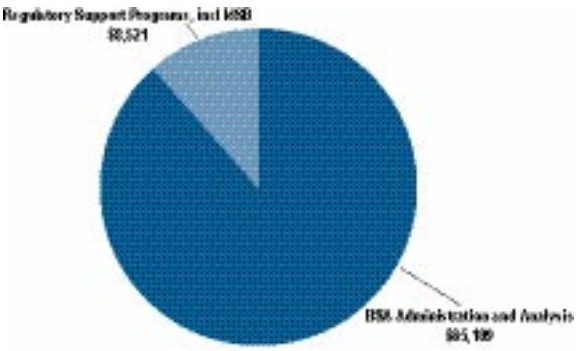
Appropriation	FY 2004 Enacted	FY 2005 Enacted	FY 2006 President's Budget	FY 2006 Increase/ Decrease	FY 2006 % change
Salaries & Expenses	$57,231	$71,922	$73,630	$1,708	2.4%
BSA Administration & Analysis	$49,127	$63,635	$65,109	$1,474	2.3%
Regulatory Support Programs, including MSB	$8,104	$8,287	$8,521	$234	2.8%
Subtotal, FinCEN	$57,231	$71,922	$73,630	$1,708	2.4%
Offsetting Collections - Reimbursables	$3,341	$1,541	$1,541	$0	0.0%
Total Program Operating Level	$60,572	$73,463	$75,171	$1,708	2.3%

Explanation of Request

The Financial Crimes Enforcement Network (FinCEN) is a key organizational element in Treasury Department's Office of Terrorism and Financial Intelligence (TFI), reporting directly to the Under Secretary of Treasury for the office of TFI. FinCEN's mission is to safeguard the financial system from the abuses of financial crime; including terrorist financing, money laundering, and other illicit activity. This is accomplished by administering the Bank Secrecy Act (BSA); supporting law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence; building global cooperation with our counterpart financial intelligence units; and networking people, ideas, and information. FinCEN works in close coordination with TFI's Office of Intelligence and Analysis in developing strategic analysis for Treasury policymakers.

FinCEN's FY 2006 Budget request includes four critical areas. These increases will position FinCEN 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. These increases will: 1) enhance outreach to financial institutions newly covered by Bank Secrecy Act Regulations, and strengthen FinCEN's oversight of Bank Secrecy Act examination and enforcement activities; 2) strengthen analytical support services by building a secure support structure to fully integrate all data sources; 3) expand FinCEN's support to international Financial Intelligence Units to facilitate information exchange and coordination with law enforcement, enhance international regulatory efforts, and increase technical support and training functions associated with expanded use of the Egmont secure network; and 4) upgrade the Bank Secrecy Act (BSA) filing environment by improving marketing and outreach for electronic filing and augment analytical tools to improve search capabilities. The FY 2006 appropriations required to support these initiatives for FinCEN are $73,630,000. Planned spending from offsetting collections and reimbursable programs totals $1,541,000.

FinCEN Funding by Budget Activity
(Dollars in Thousands)



Purpose of Program

The purpose of this program is to safeguard the financial system from the abuses of financial crime. Among a broad range of interrelated activities, FinCEN:

- Issues, interprets, and enforces compliance with regulations implementing the Bank Secrecy Act, which includes key provisions of Title III of the USA PATRIOT Act;
- Supports and oversees compliance examination functions delegated to other federal regulators;
- Manages the collection, processing, storage, and dissemination of Bank Secrecy Act data;
- Maintains a government-wide access service to the Bank Secrecy Act data, and network users with overlapping interests;
- Conducts analysis in support of policy makers; law enforcement, regulatory, and intelligence agencies; and the financial industry; and

- Coordinates with and collaborates on anti-terrorism and anti-money laundering initiatives with domestic law enforcement and intelligence agencies, and with our foreign financial intelligence unit counterparts.

Salaries and Expenses

The total FY 2006 appropriations request for FinCEN is $73,630,000. The $1,708,000 increase over the FY 2005 base maintains current levels of services and strengthens critical programs.

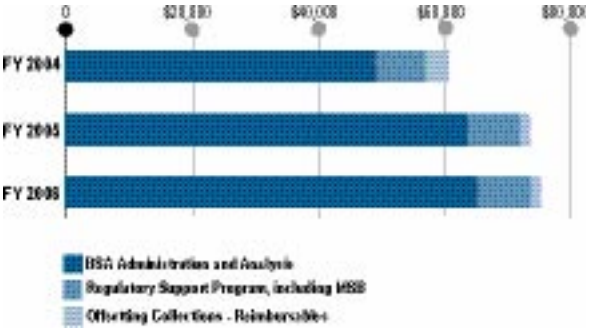
Offsetting Collections and Reimbursable Amounts

The FY 2005 program includes an estimate of $1,541,000 from: (a) funding from IRS to maintain the BSA electronic filing system, a shared development effort; and (b) technical assistance funding from Department of State to support international anti-money laundering training for developing Financial Intelligence Units.

Program Description

The Financial Crimes Enforcement Network (FinCEN) request of $75,171,000 includes $73,630,000 from direct appropriation and $1,541,000 from reimbursable agreements to continue our efforts to safeguard the financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity.

FinCEN Funding History
(Dollars in Thousands)



Explanation of Budget Activities

Salaries and Expenses

FinCEN's appropriation is divided into two budget activities: BSA Administration and Analysis and Regulatory Support Programs, including Money Services Businesses.

BSA Administration and Analysis ($66,650,000, including $65,109,000 from direct appropriation plus offsetting collections of $1,541,000) This activity supports FinCEN's efforts to administer the BSA such as promulgating regulations, providing outreach and guidance to the regulated industries, initiating regulatory enforcement actions, and providing oversight of the compliance with the Bank Secrecy Act by the financial services industry through expanded partnership with the federal regulators. Internationally, FinCEN promotes the development of anti-money laundering regimes through training and technical assistance. This activity also incorporates FinCEN's efforts to support law enforcement, such as providing investigative case research, facilitating the exchange of investigative information with foreign jurisdictions, and identifying foreign and domestic money laundering and terrorist financing trends, patterns, and techniques.

Regulatory Support Programs, including Money Services Businesses ($8,521,000 from direct appropriations) This activity supports requirements to strengthen anti-money laundering controls within the money services businesses industry, casinos, broker/dealers, securities, and other industries with new program or reporting requirements under the Bank Secrecy Act. This activity also supports FinCEN's efforts with the Internal Revenue Service, especially related to the money services businesses industry, to assure compliance, respond to public inquiries, distribute forms and publications, and support information processing of BSA data.

Explanation of FY 2005 Current Estimate

The current estimate of FinCEN's appropriation is $71,922,000 to fund Salaries and Expenses. This includes $63,635,000 for BSA Administration and Analysis and $8,287,000 for Regulatory Support Programs, including Money Services Businesses. In addition, FinCEN will invest $2,100,000 of unexpended prior year funding to enhance regulatory outreach to new industries and strengthen a number of information technology systems. Specifically, these one-time investments include studies of industries that are newly covered by anti-money laundering requirements, developing systems to support a centralized BSA regulatory assistance call

FY 2006 Budget Highlights
(Dollars in Thousands)

Appropriations	Salaries & Expenses
FY 2004 Enacted	$57,231
FY 2005 Consolidated Appropriations (H.R. 4818)	$72,502
Rescission (H.R. 4818)	($580)
FY 2005 Current Estimates	$71,922
Current Services	
Reductions, Non-Recurring Costs and Savings Total	($7,184)
Non-Recur Costs for BSA Direct	($5,000)
Redirect Analysis Efforts to Higher Priorities	($2,184)
Adjustments to Maintain Current Levels	$2,744
Annualization of FY 2005 Initiatives	$1,276
Pay Inflation Adjustment	$842
Non-Pay Inflation Adjustment	$626
FY 2005 Current Services Level	$67,482
Program Initiatives - Base Reinvestments	$2,184
Enhance Capability to Provide Comprehensive Analysis	$2,184
Program Initiatives - Increases	$3,964
Enhance Anti-Money Laundering/Terrorist Regulatory Structure	$1,093
Expansion of International Terrorist Financing Information Exchange	$790
Strengthen Overall Analytical Support Services	$1,383
Terrorist Data Analysis and Filing Environment/Enhance Anti-Money Laundering	$698
FY 2006 President's Budget	$73,630

center, enhancing the BSA electronic filing system, and upgrading the Egmont Secure Web. Due to the urgency of these requirements, these efforts will begin in FY 2005.

Explanation of FY 2006 Built-In Changes – Decreases

Non-Recurring Costs for BSA Direct -$5,000,000/ 0 FTE One-time development funding of $5,000,000 provided in FY 2005 will not recur. This funding was provided for the initial design and development of the BSA Direct data retrieval system. FinCEN's FY 2006 base contains $2,500,000 to maintain the system.

Redirect Analysis Efforts to Higher Priorities -$2,184,000/-16 FTE FinCEN continually reviews its overall activities and programs to identify opportunities to redirect resources to the highest priorities. As part of the recent reorganization, FinCEN examined its analysis functions and gained efficiencies from consolidating case development, intelligence analysis, and strategic analysis into one division. In addition, efficiencies were realized from consolidating and streamlining some administrative processes related to case processing and networking and decreasing, to some extent, case support efforts related to data checks and data retrieval. This allowed FinCEN to redirect FTE to enhance capabilities to provide comprehensive analysis as described below.

Explanation of FY 2006 Built-In Changes – Increases

Adjustments Necessary to Maintain Current Levels +$1,468,000/ 0 FTE Funding is required for: the FY 2006 cost of the January 2005 pay increase of $268,000; the proposed January 2006 pay raise of $574,000; and non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments of $626,000.

Annualization of FY 2005 Initiatives +$1,276,000/+8 FTE Additional funding is required to annualize the staffing initiative approved in FY 2005. FinCEN will continue to develop an expert cadre in support of expanded anti-money laundering programs and suspicious activity reporting requirements to additional industries. By the end of FY 2005, anti-money laundering programs will be required for mutual funds, operators of credit card systems, life insurance companies, unregistered investment companies, and the precious metal, stones, and jewelry industries. Further, by 2005, FinCEN will expand Suspicious Activity Reporting (SAR) requirements to additional segments of the financial services industry and segments of the insurance industry. These additional resources will also support FinCEN's efforts to enhance the overall quality of its customer support efforts. In addition, this provides funding for two FTE to expand customer support to users accessing BSA data directly through FinCEN's Gateway process. This will allow FinCEN to provide two coordinators in each of the six geographic regions to support training and overall customer interface. These enhancements are scheduled to complement the overall modernization of the data retrieval aspects of the system through BSA Direct and will allow FinCEN to establish a process to support its future client base in a cost effective manner.

Explanation of FY 2006 Program Changes

Program Initiatives – Base Reinvestments

Enhance Capability to Provide Comprehensive Analysis +$2,184,000/+16 FTE As part of the reorganization, FinCEN reviewed its analytical efforts and redirected FTE to strengthen its capacity related to financial analysis of terrorism activities. This included redirecting FTE resources to: (1) provide on-site analysis to the National Terrorism Center; (2) improve overall terrorist investigative analysis - especially SAR analysis; (3) identify targets for possible special measures under the USA PATRIOT Act Section 311 as primary money laundering concerns; (4) proactively monitor the Bank Secrecy Act data to identify potential compliance deficiencies; and (5) provide collaborative international predictive analysis through joint collaborative projects with the financial intelligence units (FIUs). These enhanced analytical efforts have already begun in conjunction with the reorganization.

Program Initiatives - Increases

Enhance Anti-Money Laundering/Terrorist Regulatory Structure +$1,093,000/+6 FTE FinCEN must improve its outreach to financial institutions newly covered by Bank Secrecy Act Regulations and also strengthen its oversight of Bank Secrecy Act compliance examination activities of the federal regulators. These activities are critical to FinCEN's ability to assess the level of compliance in the industry and the effectiveness of the examination process. The USA PATRIOT Act greatly expanded regulatory support needs by extending the BSA regulatory framework and anti-money laundering requirements to a vast array of financial industries, from three in FY 2001 to more than fifteen by FY 2006. To meet this additional workload, FinCEN must increase staffing and related resources to provide the necessary support, assistance, and oversight to ensure the appropriate implementation and maintenance of the regulatory regime. Financial institutions are the first line of defense for money laundering and combating the financing of terrorism so it is imperative to provide adequate oversight of their implementation of the regulatory regime.

FinCEN will also improve the effectiveness and efficiency of its essential customer service functions, through its Financial Regulatory Help Line, Financial Institutions Hot Line, and Webmaster electronic mail systems, by establishing a full service resource/call center that would provide both the administrative assistance and interpretive guidance to financial institutions subject to the BSA. This will ensure quality and consistency in guidance and support, as well as provide the most efficient deployment of FinCEN resources to these functions. Given the growth in the number of industries covered by the anti-money laundering rules and suspicious activity reporting, sufficient time has passed for the education and outreach phase and a significant increase in enforcement actions is anticipated by FY 2006. An increase in this area was not included in previous budget submissions since there is an expected lag of a couple of years before it is prudent to focus on enforcement actions. As FinCEN begins its enforcement actions for these new industries, the workload demands will also require additional dedicated legal staff to work with this regulatory enforcement team.

Strengthen Overall Analytical Support Services +$1,383,000/+1 FTE The single most important operational priority for FinCEN is countering terrorism by identifying the techniques and methodologies used for financing terrorists and their operations, as well as industry and regional vulnerabilities to terrorist abuse. FinCEN must continue to add value to the nation's anti-terrorist efforts through FinCEN's expertise in mining information and providing link analyses that follow the money of criminals and terrorists to uncover its source, show the existence of terrorist networks, identify systemic or geographic weaknesses, and predict trends and patterns. As evidenced by the hearings related to September 11, 2001, intelligence information needs to be better integrated into all efforts to sever the lines of financial support to international terrorists. To accomplish this, FinCEN will need to retool and build the necessary security related support structure to allow full integration of all data sources. FinCEN will need additional funding to upgrade and sustain the clearance for all intelligence research analysts at the top-secret status. This initiative will also include funding to bring additional Treasury Secure Data Network (TSDN) terminals, through Treasury's

seat management contract, to allow the analysts to efficiently integrate data from sensitive sources, both classified and unclassified for their analysis. This new environment will require an upgrade in the overall security support structure, including upgrades to the COOP/Alternate Site, guard service, and overall information, personnel and document security. Finally, FinCEN must invest significant new resources in its most critical asset – FinCEN's employees, to ensure that they have the training and skills necessary to continue this country's war on terrorism, money laundering, and other financial threats to our nation's financial infrastructure.

Expansion of International Terrorist Financing Information Exchange +$790,000/+4 FTE FinCEN is a charter member of the Egmont Group of Financial Intelligence Units, created in 1994 as an offshoot from the G-7 Financial Action Task Force to facilitate the exchange of financial transaction information on subjects of interest to national law enforcement and judicial authorities. FinCEN believes that it should significantly upgrade its use of the financial intelligence unit network to take advantage of inherent opportunities to rapidly identify account and financial transaction information linked to terrorist subjects and related entities. The Egmont Secure Web housed by FinCEN provides unparalleled opportunities to move time-sensitive information requests rapidly among any or all of the governmental organizations established to receive suspicious or unusual activity reports from financial institutions in each of the 100-plus Egmont participant nations.

FinCEN intends to use its leadership role within Egmont to implement information exchange policies and procedures to systematize terrorism-related financial record checks and analysis throughout the global network. To do so, FinCEN will need to upgrade its cadre of country desk officers to decrease the current ratio of countries per desk officer to assure adequate information exchange coverage and coordination with law enforcement; to enhance its international regulatory efforts within international organizations, and to increase staff performing Egmont technical support and training functions to support expanded use of the secure network.

Enhance Anti-money Laundering/Terrorist Data Analysis and E-Filing Environment +$698,000/+2 FTE This initiative combines two projects to upgrade the overall regulatory filing environment by improving marketing and outreach for electronic filing (e.g. PATRIOT Act Communication System) and to enhance FinCEN's analytical tools to improve text retrieval search capabilities. FinCEN has set as an immediate goal increasing the percentage of top filers who e-file through the BSA Electronic Filing System (PACS) to 90% over the next 2-5 years. To accomplish this goal, FinCEN will need to reach out to these filers, educate them about this system and the benefits of e-filing, and offer assistance to help them make the transition to e-filing. Currently, only 161 of the top 1,500 filers are enrolled in BSA E-filing. FinCEN's business goal is to encourage the entities that file the greatest number of BSA forms to utilize the system. For example, the first outreach priority would be to the top 1,500 filers, which accounted for 91.28% of all filings. This outreach effort is necessary to advance electronic filing since many of the covered institutions already have in place both business processes and systems that support either paper or magnetic filing. As a result, financial institutions are reluctant to invest funding to change their systems to allow electronic filing. These investments in additional outreach will achieve future savings through the reduced collection and processing costs associated with paper filings.

This initiative will also improve our technology tools to enhance our capability for text retrieval, including searching Suspicious Activity Report (SAR) narratives for key words, but these are limited. Essentially, our current technology performs the proverbial haystack search for a person or word already known to be of interest. Technology now exists to extract meaning from unstructured text (such as the SAR narratives) to pre-categorize and aggregate topics of key interest, to use mathematical algorithms to synopsize and infer meaning from the text, and to identify previously undetected patterns and associations among entities and even topics referred to in text. FinCEN plans to leverage the benefits of such text mining in two ways: First, these capabilities will allow FinCEN analysts to identify far more connections in the SAR narratives than are possible with existing tools. The result will

be improved analytical products, including industry, U.S. geographic, and country analyses that FinCEN can then provide to its regulatory, international, and law enforcement partners. Second, FinCEN plans to make text-mining tools available to external agencies that access the BSA data through BSA Direct. This will allow other users at the Federal, state, and local level to mine all, or a subset of, SAR narratives for patterns and connections of particular interest to them.

Legislative Proposals

None requested.

Alcohol and Tobacco Tax and Trade Bureau

Program Summary by Appropriations Account
(Dollars in Thousands)

Appropriation	FY 2004 Enacted	FY 2005 Enacted	FY 2006 President's Budget	FY 2006 Increase/ Decrease	FY 2006 % change
Salaries and Expenses	$79,528	$82,336	$91,126	$8,790	10.7%
Collect the Revenue	$56,801	$45,285	$50,119	$4,834	10.7%
Protect the Public	$22,727	$37,051	$41,007	$3,956	10.7%
Subtotal, Alcohol and Tobacco Tax and Trade	$79,528	$82,336	$91,126	$8,790	10.7%
Offsetting Collections - Reimbursables	$1,700	$1,700	$1,700	$0	0.0%
Total Program Operating Level	$81,228	$84,036	$92,826	$8,790	10.5%

Explanation of Request

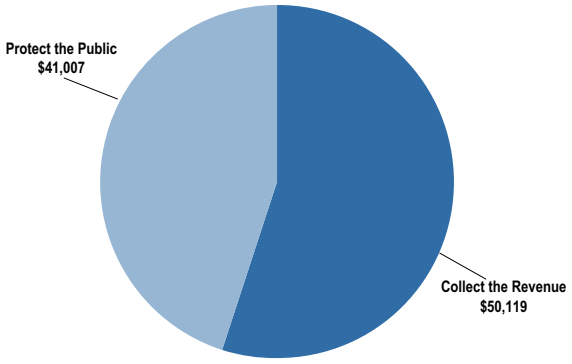
The Alcohol and Tobacco Tax and Trade Bureau (TTB) FY 2006 request maintains a program level consistent with the current level of effort necessary to support TTB's responsibility for revenue collection and enforcement of laws and regulations governing alcohol and tobacco commodities, and requests additional support for an information technology (IT) infrastructure, needed to replace IT support from the U.S. Department of Justice's Bureau of Alcohol, Tobacco, Firearms and Explosives, scheduled to end with FY 2006. The FY 2006 appropriations required to support these initiatives for TTB are $91,126,000 and planned spending from offsetting collections and reimbursable programs totals $1,700,000.

The Budget proposes to establish user fees to cover the costs of TTB's regulatory functions under its "Protect the Public" line-of-business. The new user fees include administrative fees for "drawbacks" from Manufacturers of Non Beverage Products (MNBP), filing fees for Certificate of Label Approvals (COLAs) for distilled spirits, wine and beer, American Viticultural Areas (AVA), proposed formulas, and new permit applications. The industry would pay for the benefits it receives from TTB's regulatory efforts. These efforts assure the public of unadulterated alcohol and tobacco products, help product sales, and promote fair competition among industry members. User fees would not apply to the "Collect the Revenue" activities.

Purpose of Program

The passage of the Homeland Security Act of 2002 established the Alcohol and Tobacco Tax and Trade Bureau within the Department of the Treasury on January 24, 2003. The Act transferred the firearms, explosives, and arson functions of the Bureau of Alcohol, Tobacco and Firearms (ATF) to the Department of Justice and retained the tax collection and consumer protection provisions of the Internal Revenue Code (IRC) of 1986 and Federal Alcohol Administration Act in TTB, within the Department of the Treasury. While TTB is a relatively new agency, the history of TTB's regulatory responsibility dates back to the creation of the Department of the Treasury and the first federal taxes being levied on distilled spirits in 1791.

TTB Funding by Budget Activity
(Dollars in Thousands)



TTB collects significant revenues for the government and performs crucial investigations of tax fraud and consumer deception associated with alcohol and tobacco commodities. In addition to collecting alcohol, tobacco, firearms, and ammunition excise taxes, TTB protects the consumer by ensuring that alcohol beverages are labeled, advertised, and marketed in accordance with the law.

TTB enforces Federal laws related to the production and distribution of alcohol and tobacco products through education, inspection, laboratory testing, and investigation. TTB works with industry, state governments, and other interested parties to facilitate compliance with regulatory requirements. TTB provides technical expertise, training, information, and research results to industry members, government agencies and others in order to better protect and serve the public.

The Administration proposes permanent legislation this year to collect user fees as noted above. Language in the appropriations bill will allow the spending from these receipts to be scored against the appropriations bill for 2006 only. The 10-year savings credited to the authorizers would equal $297 million. OMB will work with Congress to reclassify these enacted fees as discretionary in 2007 so that they may be used by TTB to fund its ongoing regulatory efforts. In an effort to assure TTB's mission is uninterrupted, the appropriations are to be structured to insulate the bureau so that fluctuations in user fee revenue will not have an adverse impact on operations. TTB is authorized to draw funds from the Treasury in advance of the user fee collections so that such Bureau's appropriations will not be affected in the event that fees collected in any fiscal year are less than appropriations for that year.

Salaries and Expenses

The FY 2006 request for Salaries and Expenses is $91,126,000, an increase of $8,790,000 above the FY 2005 enacted budget. The associated FTE level is 544, the same level as FY 2005. This request supports TTB's transition from ATF's IT infrastructure and investments in its core business applications.

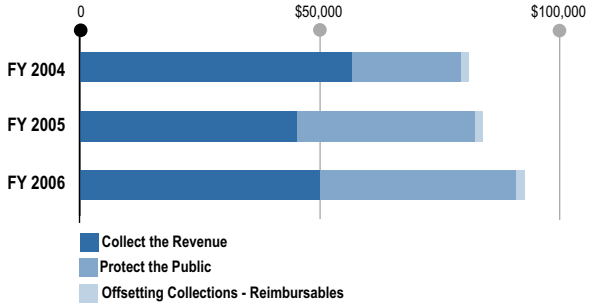
Offsetting Collections and Reimbursable Amounts

The FY 2006 program includes an estimate of $1,700,000 in offsetting collections relating to necessary expenses for conducting the Puerto Rican enforcement operations. All costs associated with the functioning and support of this office are paid from the "cover-over" (return) which is offset from the roughly $300 million in cover over taxes collected in the United States on products originating in Puerto Rico and the Virgin Islands. In Puerto Rico, TTB conducts annual audit/investigations of industry members regarding the collection of revenue, application processing and product integrity. Revenue inspections are used to conduct tax examinations on major producers of alcohol and tobacco. This is critical due to the requirements of verifying tax payments under the IRC and subsequent accountability of all cover-over amounts due the Puerto Rico government. All distilled spirits producers/processors, wineries, wholesalers, importers, Manufacturer of Non-Beverage Products claimants and Specially Denatured Alcohol permit applicants, including those in Puerto Rico, are subjected to a qualification inspection under the IRC. Additionally, major producers of distilled spirits, wine, and malt beverages are subjected to inspection and audits.

Program Description

The FY 2006 Bureau budget of $92,826,000, consists of direct appropriations of $91,126,000 and offsetting collections of $1,700,000. The resources requested are critical to enforce the Federal laws and regulations relating to alcohol and tobacco by working directly and in cooperation with others.

TTB Funding History
(Dollars in Thousands)



Explanation of Budget Activities

Salaries and Expenses:

Collect the Revenue ($51,054,000, including $50,119,000 in direct funding plus $935,000 in reimbursable funding) The Collect the Revenue budget activity encompasses TTB's revenue strategy and goal to provide the most effective and efficient system for the collection of all revenue that is rightfully due; prevent or eliminate tax evasion and other criminal conduct; and provide high quality service while imposing the least regulatory burden. This program includes projects designed to allow taxpayers to report and pay excise taxes electronically; enable industry customers to access the Pay.Gov system; and consolidate the tax collection and reporting databases at the NRC into a single integrated state of the art system that will promote greater efficiency and reduce costs.

Protect the Public ($41,772,000, including $41,007,000 in direct funding plus $765,000 in reimbursable funding) The Protect the Public budget activity encompasses TTB's strategy and goal to ensure compliance with laws and regulations by regulated industries by providing adequate information to the public as to the identity of alcohol beverages and preventing consumer deception. Under this activity, TTB enforces compliance with federal laws related to the production and distribution of alcohol products through education, inspection, investigation, and laboratory testing. TTB provides technical expertise, training, information, and research results to industry members, government agencies and others in order to better protect the public. TTB relies on innovation, partnerships, and open communication to ensure the safety of the public.

FY 2006 Budget Highlights
(Dollars in Thousands)

Appropriation	Salaries & Expenses
FY 2004 Enacted	$79,528
FY 2005 Consolidated Appropriations (H.R. 4818)	$83,000
Rescission (H.R. 4818)	($664)
FY 2005 Current Estimates	$82,336
Current Services	
Adjustments to Maintain Current Levels	$2,686
Pay Inflation Adjustment	$1,420
Non-Pay Inflation Adjustment	$1,266
FY 2006 Current Services Level	$85,022
Program Initiatives-Increases	$6,104
IT Enterprise Information Services	$4,404
Integrated Revenue Information System (IRIS)	$1,700
FY 2006 President's Budget	$91,126

Explanation of FY 2005 Current Estimate

The FY 2005 enacted appropriations is $84,036,000, including $82,336,000 from direct appropriations and offsetting collections of $1,700,000.

Explanation of FY 2006 Built-in Changes – Increases

Adjustments Necessary to Maintaining Current Levels +$2,686,000/0 FTE Funds requested for FY 2006 include the cost of the FY 2006 pay increase of $979,000; annualization of a FY 2005 pay raise of $441,000 and non-labor costs of $1,266,000.

Explanation of FY 2006 Program Changes

Program Initiatives

IT Infrastructure +$4,404,000/0 FTE This investment is needed to ensure the successful migration off of the Department of Justice's Bureau of Alcohol, Tobacco, Firearms and Explosives' (ATFE) IT infrastructure platform. When TTB was created, all IT infrastructure and support was provided by ATFE. That support is scheduled to terminate at the end of FY 2005. The TTB Enterprise Information Services initiative provides the underlying infrastructure required for all TTB applications. It provides essential support to the applications and systems, which TTB relies on to meet its strategic goals. The IT Infrastructure portion of the initiative provides the critical infrastructure (hardware, software, and services) TTB requires to function, as well as meet its strategic goals and objectives and carry out mission critical activities for the Bureau. Without its own infrastructure, TTB's ability to collect over $14 billion annually in federal excise taxes would be severely impaired. Furthermore, were this initiative not funded, TTB would be unable to support other applications that interface with industry to facilitate its compliance with regulations, and thus protect the public. Finally, without the IT infrastructure, TTB would be unable to design and deploy new e-Government solutions through which the Bureau refines its management practices.

Integrated Revenue Information System (IRIS) +$1,700,000/0 FTE The IRIS system was created to provide a single integrated system (which had originally functioned as multiple stand-alone databases) and has already merged the industry operational reports database with the alcohol and tobacco permit database. The FY 2006 request will provide $1.7 million to consolidate the Federal Excise Tax database into IRIS. This investment will provide TTB with a means to coordinate and consolidate records relating to regulated industry member activities. Information managed by IRIS can be effectively used to support timely, complete and informed decision-making, enhance service delivery, and ensure accountability. IRIS will also provide for sharing of information between TTB and its industry members; streamline and increase the efficiency of compliance processes; and realize significant cost savings to industry members and

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

Legislative Proposals

The following legislative proposals are being resubmitted as a part of the FY 2006 President's budget request:

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

  The Omnibus Consolidated and Emergency Supplemental Appropriations Act for FY 1999 authorized the Secretary of the Treasury to establish in the Department of the Treasury a personnel management demonstration project ("pay demonstration project") for designated critical technical positions. This project was established to enhance Treasury's ability to effectively recruit and retain highly qualified employees. The Treasury Department authorized TTB's predecessor to establish a pay demonstration project and the Homeland Security Act of 2002, which established TTB, provided for the continuation of the pay demonstration project in TTB. The pay demonstration project has been extended several times to cover successive fiscal years to include FY 2005. This change would extend the project through FY 2006.

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

Office of the Inspector General

Program Summary by Appropriations Account
(Dollars in Thousands)

	FY 2004	FY 2005	FY 2006		
Appropriation	Enacted	Enacted	President's Budget	Increase/ Decrease	% change
Salaries and Expenses	$12,923	$16,368	$16,722	$354	2.2%
Audits	$9,434	$11,299	$11,476	$177	1.6%
Investigations	$3,489	$5,069	$5,246	$177	3.5%
Subtotal, OIG	$12,923	$16,368	$16,722	$354	2.2%
Offsetting Collections - Reimbursables	$1,272	$2,342	$2,342	$0	0.0%
Total Program Operating Level	$14,195	$18,710	$19,064	$354	1.9%

Purpose of Program

The Treasury OIG mission, based directly on responsibilities established in law, is to:

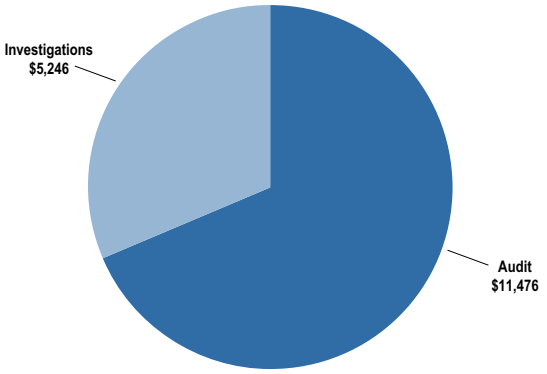
- Conduct and supervise audits, evaluations, and investigations relating to Treasury programs and operations.
- Promote economy, efficiency, and effectiveness in the administration of Treasury programs and operations.
- Provide leadership and promote policies designed to prevent and detect fraud, waste, and abuse in Treasury programs and operations.
- Keep the Secretary of the Treasury and Congress fully and currently informed about problems and deficiencies in Treasury programs and operations, and the need for and progress of corrective actions.

Explanation of Request

The Office of the Inspector General (OIG) requests resources for the audit and investigations programs to meet the requirements of the Inspector General Act. The OIG is made up of an audit and an investigation program. In FY 2006, the OIG is requesting funds to maintain current service levels. The audit program performs audits, attestation engagements, and evaluations that: (1) are mandated by law; (2) support the President's Management Agenda; and (3) address areas of high risk in Treasury programs and operations. The investigations program performs investigative activities relating to complaints of fraud, waste, and abuse in Treasury programs and operations.

Total resources required to support OIG activities for FY 2006 are $19,063,925 including $16,722,000 from direct appropriations and $2,341,925 from reimbursable agreements.

OIG Funding by Budget Activity
(Dollars in Thousands)



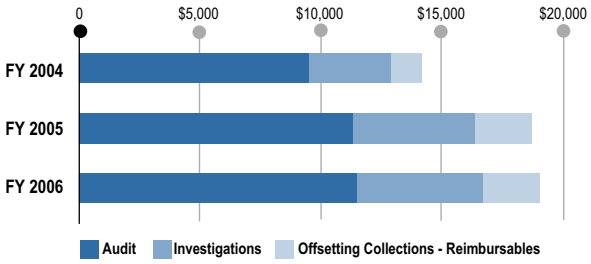
Salaries and Expenses

In FY 2006, the OIG requests $16,722,000 in direct appropriation funding supporting 115 direct FTE. This is an increase of $354,000 over the FY 2005 enacted appropriation.

Offsetting Collections and Reimbursable Amounts

The FY 2006 request includes an estimate of $2,341,925 in reimbursable agreements with other agencies for work performed by the OIG's Inspector General Auditor Training Institute.

OIG Funding History
(Dollars in Thousands)



Program Description

OIG's request of $19,063,925 includes $16,722,000 from direct appropriations and $2,341,925 from reimbursable agreements to continue OIG's mission.

Explanation of Budget Activities

OIG's appropriation is divided into two budget activities: audit and investigations.

Office of Audit ($11,476,000 from direct appropriations) The Office of Audit conducts or supervises financial, IT, program, and contract audits, attestation engagements, and evaluations to improve the quality, reduce the cost, and ensure the integrity of Treasury's operations. Employees perform this work in compliance with the standards and guidelines established by the Comptroller General of the United States, the President's Council on Integrity and Efficiency (PCIE), and other professional organizations. Program work is: (1) mandated by law; (2) requested by management, the Office of Management and Budget, or members of Congress; or (3) self-initiated through an annual planning process.

Office of Investigations ($5,246,000 from direct appropriations) The Office of Investigations provides leadership and promotes policies designed to prevent and detect fraud, waste, and abuse in Treasury programs and operations. This includes the detection and prevention or deterrence of employee misconduct and fraud or related financial crimes within or directed against Treasury. Criminal investigators perform this work in compliance with the standards and guidelines established by PCIE, other professional organizations, and U.S. Law and Regulations.

Inspector General Audit Training Institute (IGATI) ($2,341,925 in reimbursable authority) IGATI provides specialized training to enhance the skills, abilities and knowledge of Federal Offices of Inspector General auditors. It serves as the focal point of professional development and growth for auditors, inspectors, and evaluators across government.

FY 2006 Budget Highlights
(Dollars in Thousands)

Appropriation	Salaries & Expenses
FY 2004 Enacted	$12,923
FY 2005 Consolidated Appropriations (H.R. 4818)	$16,500
Rescission (H.R. 4818)	($132)
FY 2005 Current Estimates	$16,368
Current Services	
Adjustments to Maintain Current Services	$354
Pay Inflation Adjustment	$245
Non-Pay Inflation Adjustment	$109
FY 2005 Current Services Level	
FY 2006 President's Budget	$16,722

Explanation of FY 2005 Current Estimate

The FY 2005 enacted direct appropriation for OIG is a total of $16,368,000.

Explanation of FY 2006 Built-In Changes – Increases

Adjustments Necessary to Maintain Current Levels +$354,000/0 FTE Funds requested for FY 2006 include the cost of the January 2005 pay increase of $94,000; the proposed January 2006 pay raise of $151,000; non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $109,000.

Explanation of FY 2006 Program Changes

No program changes.

Legislative Proposals

None requested.

Treasury Inspector General for Tax Administration

Program Summary by Appropriations Account
(Dollars in Thousands)

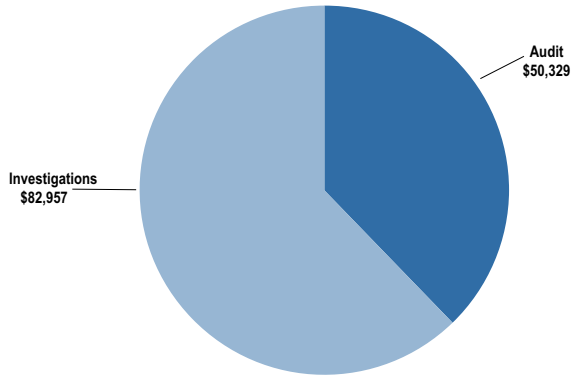
Appropriation	FY 2004 Enacted	FY 2005 Enacted	FY 2006 President's Budget	FY 2006 Increase/ Decrease	FY 2006 % change
Salaries and Expenses	$127,279	$128,093	$133,286	$5,193	4.1%
Audit	$48,347	$48,392	$50,329	$1,937	4.0%
Investigations	$78,932	$79,701	$82,957	$3,256	4.1%
Subtotal, TIGTA	$127,279	$128,093	$133,286	$5,193	4.1%
Offsetting Collections - Reimbursables	$3,073	$3,041	$2,950	($91)	(3.0%)
Total Program Operating Level	$130,352	$131,134	$136,236	$5,102	3.9%

Explanation of Request

The Treasury Inspector General for Tax Administration's (TIGTA) mission is to provide audit and investigative services that promote economy, efficiency, and integrity in the administration of the internal revenue laws. In order to ensure the Internal Revenue Service (IRS) is accountable in its administration of almost $2 trillion in revenue, TIGTA performs audits and investigations that foster economy and efficiency, while maintaining protection against any internal or external corruption activities.

TIGTA's FY 2006 request includes an initiative that responds to recent legislation allowing the IRS to use private debt collection agents. Total resources required for FY 2006 to support TIGTA's mission are $136,236,000, which includes $133,286,000 from direct appropriations and approximately $2,950,000 from reimbursable agreements.

TIGTA Funding by Budget Activity
(Dollars in Thousands)



Purpose of Program

TIGTA structures its audit and investigative activities to identify opportunities to improve the administration of the nation's tax laws. The management challenges facing the IRS and its susceptibility to risks that could potentially harm the nation's tax base are carefully reviewed by TIGTA on an annual basis. TIGTA reviews IRS priorities, considering input from IRS, Congress, and other stakeholders to develop an audit plan designed to identify and overcome programmatic and operational weaknesses. To combat fraud and abuse, investigative casework is centered on three core performance areas: employee integrity, employee and infrastructure security, and external attempts to corrupt tax administration. Criminal and administrative misconduct by IRS employees weakens the public's trust in government and impedes effective tax administration.

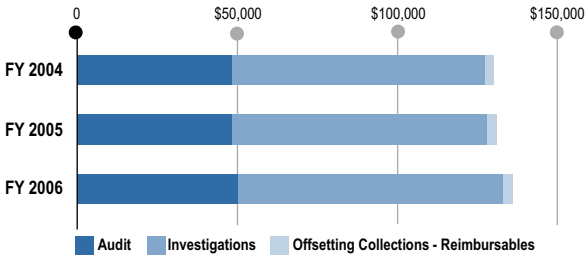
Salaries and Expenses

The FY 2006 request for Salaries and Expenses is $133,286,000, which is $5,193,000 above the FY 2005 appropriation of $128,093,000. This request continues funding in the two program areas: audit and investigations.

Offsetting Collections and Reimbursable Amounts

The FY 2006 request includes an estimate of $2,950,000 in reimbursable agreements with other agencies for work performed by TIGTA.

TIGTA Funding History
(Dollars in Thousands)



Program Description

TIGTA's request of $136,236,000 includes $133,286,000 from direct appropriations and $2,950,000 from reimbursable agreements to continue TIGTA's mission to ensure integrity of

the nation's tax system. Program funding supports audit and investigations that provide useful, balanced information that assists Treasury, the IRS and ultimately the American taxpayer.

Salaries and Expenses

Office of Audit ($50,454,000, including $50,329,000 from direct appropriations plus reimbursements of $125,000) Audits are focused on providing a responsive and comprehensive analysis of IRS systems and operations, including independent performance and financial audits; assessing efficiency, effectiveness and economy of programs; ensuring compliance with applicable tax laws and regulations; and preventing, detecting and deterring fraud, waste and abuse. Audits are focused on IRS' major management challenges such as ensuring effective customer service and enforcement, modernizing computer systems, complying with financial stewardship duties, and meeting human capital requirements, while ensuring the security of staff, the computer systems, the data, and property. In addition, TIGTA performs audits required by statute, and addresses areas of concern to the Congress, the IRS Oversight Board, and other interested parties. Recommendations from these audits result in cost savings, increased or protected revenue, reduction of taxpayer burden, and protection of IRS resources and taxpayer rights, entitlements, privacy and security.

Office of Investigations ($85,782,000, including $82,957,000 from direct appropriations plus reimbursements of $2,825,000) The United States' system of taxation rests on a foundation of voluntary compliance. Taxpayers are expected to voluntarily fulfill their Federal tax obligations. In return taxpayers expect that those charged with administering the Federal tax laws adhere to high standards of honesty and treat all taxpayers equitably. If the government fails to detect and prevent IRS internal misconduct or external manipulation of the tax system, the result could be extensive non-compliance with the tax laws, jeopardizing its main source of revenue and endangering U.S. security and economic welfare. TIGTA works to maintain U.S. citizens' belief in the integrity of the Federal tax infrastructure by ensuring that the tax system is managed fairly and effectively and those violators of the public's trust can and will be investigated. Investigative activities involve the protection of the integrity of tax administration and Treasury's ability to collect revenue owed to the Federal government. As much of the work is reactive in nature, TIGTA must balance resources to ensure complete and thorough responses to allegations of criminal activity and IRS employee misconduct; while preserving proactive efforts to explore and detect fraud and criminal vulnerabilities.

FY 2006 Budget Highlights
(Dollars in Thousands)

Appropriation	Salaries & Expenses
FY 2004 Enacted	$127,279
FY 2005 Consolidated Appropriations (H.R. 4818)	$129,126
Rescission (H.R. 4818)	($1,033)
FY 2005 Current Estimates	$128,093
Current Services	
Adjustments to Maintain Current Services	$4,443
Pay Inflation Adjustment	$2,672
Non-Pay Inflation Adjustment	$1,570
FECA Transfer from IRS	$201
FY 2005 Current Services Level	$132,536
Program Initiatives-Increases	$750
Collection Contract Initiative	$750
FY 2006 President's Budget	$133,286

Explanation of FY 2005 Current Estimate

The FY 2005 current estimate for TIGTA is a total of $128,093,000 to fund Salaries and Expenses.

Explanation of FY 2006 Built-In Changes – Increases

Adjustments Necessary to Maintain Current Levels +$4,443,000/0 FTE Funds requested for FY 2006 include cost of the January 2005 pay increase of $908,000; the proposed January 2006 pay raise of $1,764,000; non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $1,570,000; and $201,000 from a transfer from the IRS to cover TIGTA's Federal Employee Compensation Act costs which had previously been paid by the IRS.

Explanation of FY 2006 Program Changes

Collection Contract Initiative +$750,000/+4 FTE TIGTA is requesting resources to ensure the success of the IRS' use of private debt collectors. The IRS

will engage approximately 12 contractors involving 2,500 contract employees to pursue outstanding revenue due to the Federal government. TIGTA's statutory responsibilities provide the basis for our request for critical audit and investigative oversight of the process and implementation; further ensuring the fair and equitable treatment of taxpayers. Ensuring tax compliance is a cornerstone of Treasury's mission and therefore, it is critical that oversight be in place to assist in the success of this endeavor. This initiative ensures that TIGTA is involved in providing oversight at the start-up as opposed to later, to make certain that both taxpayer rights and the government's interests are protected. The debt collection contract will go beyond the typical private contract in terms of potential risks and potential bad publicity because the contractor compensation is based on collection incentives.

Legislative Proposals

None requested.

Community Development Financial Institutions Fund

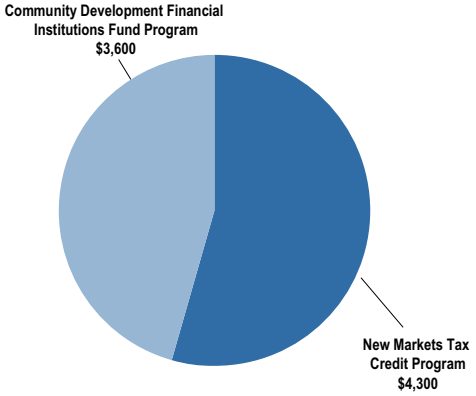
Program Summary by Appropriations Account
(Dollars in Thousands)

Appropriation	FY 2004 Enacted	FY 2005 Enacted	FY 2006 President's Budget	FY 2006 Increase/ Decrease	FY 2006 % change
Salaries and Expenses	$60,640	$55,078	$7,900	($47,178)	(85.7%)
Community Development Financial Institutions Fund Program	$41,160	$31,421	$3,600	($27,821)	(88.5%)
New Markets Tax Credit	$4,700	$6,221	$4,300	($1,921)	(30.9%)
Bank Enterprise Award Program	$14,780	$11,415	$0	($11,415)	(100.0%)
Native Initiatives	$0	$6,021	$0	($6,021)	(100.0%)
Subtotal, Community Development Financial Institutions Fund	$60,640	$55,078	$7,900	($47,178)	(85.7%)
Total Program Operating Level	$60,640	$55,078	$7,900	($47,178)	(85.7%)

Explanation of Request

The Community Development Financial Institutions Fund is requesting $7,900,000 in direct appropriations. The resources will allow the Fund (CDFI) to administer the New Markets Tax Credit (NMTC) and manage the Fund's existing award portfolio.

CDFI Funding by Budget Activity
(Dollars in Thousands)



Purpose of Program

The mission of the NMTC is to attract private sector capital into low-income communities through Community Development Entities (CDEs). The Community Renewal Tax Relief Act of 2000 created the NMTC program, which is designed to spur investment of private capital into privately managed investment vehicles called CDEs. CDEs make loans and equity investments in new markets businesses located in and serving economically distressed communities.

While funding is no longer requested for the Native Initiatives, Bank Enterprise Award, and the Financial and Technical Assistance programs, disbursements of awards under outstanding legal agreements must still be made, and awardee performance under these awards will require compliance and monitoring activities. As a result, the Fund seeks resources to manage the existing loan/grant portfolio.

The CDFI budget is requested in conjunction with the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act.

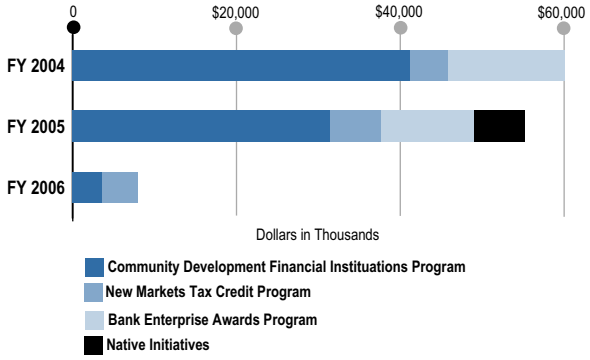
Salaries and Expenses

The FY 2006 request for salaries and expenses is $7,900,000. This is a reduction of $47,178,000 from the FY 2005 enacted budget. The associated FTE level is 35, a reduction of 33 FTE from FY 2005. This request represents the Fund's needed requirements to administer the NMTC Program, manage the award portfolio, and conduct compliance and monitoring for NMTC and the existing loan/grant portfolio.

Program Description

The Community Development Financial Institutions Fund requests $7,900,000 in direct funding in FY 2006. All funding requested for FY 2006 is for the administration of the New Markets Tax Credit Program, and management of the existing awards under the Community Development Financial Institutions Program, the Bank Enterprise Award Program, and Native Initiatives. The latter programs are proposed to be consolidated with other Federal community development programs within the Department of Commerce. The intent of this consolidation is to achieve greater results and focus on communities most in need of assistance. The FY 2006 appropriations required to support the administration of the NMTC and manage existing award programs is $7,900,000.

CDFI Funding History
(Dollars in Thousands)



Explanation of Budget Activities

Salaries and Expenses

New Market Tax Credit Program ($4,300,000 in direct funding) The NMTC spurs investment of private capital into a range of privately managed investment vehicles. The program offers a credit against income taxes for qualified equity investments made through investment vehicles called Community Development Entities (CDEs). In turn, CDEs make loans and equity investments in commercial enterprises located in economically distressed communities. In FY 2006 and 2007, CDEs will create $7 billion in private sector equity investments.

Community Development Financial Institutions Program ($3,600,000 in direct funding) The Fund projects that there will be over 400 undisbursed awards as of the end of FY 2005 (100 of these awards will require disbursement in FY 2006). The remaining 300 awards will be disbursed subsequent to FY 2006. CDFI also requires funding to wind down operations of these programs including a termination fee required for leased space through the General Services Administration, payment of annual leave, retention bonuses and employee buyouts, and the operation of program and financial management systems.

FY 2006 Budget Highlights
(Dollars in Thousands)

Appropriation	Salaries & Expenses
FY 2004 Enacted	$60,640
FY 2005 Consolidated Appropriations (H.R. 4818)	$55,522
Rescission (H.R. 4818)	($444)
FY 2005 Current Estimates	$55,078
Current Services	
Reductions, Non-Recurring Costs and Savings Total	($47,304)
Non-Recur All but NMTC Administration	($47,304)
Adjustments to Maintain Current Levels	$126
Pay Inflation Adjustment	$189
Non-Pay Inflation Adjustment	($63)
FY 2005 Current Services Level	$7,900
FY 2006 President's Budget	$7,900

Explanation of FY 2005 Current Estimate

The FY 2005 enacted appropriation for CDFI is $55,078,000, to fund Salaries and Expenses.

Explanation of FY 2006 Built-in Changes – Increases

Adjustments Necessary to Maintaining Current Levels +189,000/0 FTE Funds are requested for: the FY 2006 cost of $130,000 to pay for the January 2005 pay increase and $59,000 to pay for the annualization of the FY 2005 pay raise.

Explanation of FY 2006 Built-in Changes – Decrease

Adjustments Necessary to Maintaining Current Levels -$63,000/0 FTE This decrease is made up of a FY 2005 reduction in non-labor costs of $63,000.

Explanation of FY 2006 Program Changes

Program Reductions -$47,304,000/-33 FTE The FY 2006 budget decreases $47,304,000 of program funding for the Community Development Financial Institutions Program, the Bank Enterprise Award Program, and Native Initiatives programs within CDFI. As mentioned previously, these programs are proposed to be consolidated with other Federal community development programs within the Department of Commerce.

Legislative Proposals

The FY 2006 budget includes a proposal to consolidate most of the current activities of the Community Development Financial Institutions Funds programs into a new economic and community development program at the Department of Commerce. The Fund would maintain the administration of the New Markets Tax Credit program and the life-cycle management of existing awards under the Community Development Financial Institutions Program, the Bank Enterprise Award Program, and Native Initiatives. The request changes CDFI funding from two-year funding to one-year funding.

Bureau of Engraving and Printing

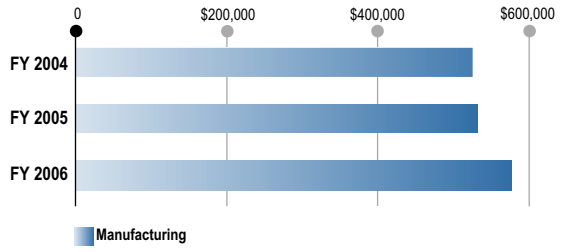
Total Program Operating Level
(Dollars in Thousands)

	FY 2004	FY 2005	FY 2006	
	Enacted	Estimate	Estimate	Increase/ Decrease
Total Cost of Operations (All Budget Activities)	$518,000	$470,000	$520,000	$50,000
Capital Investments	$36,000	$60,000	$55,000	($5,000)
Total Operations and Capital Investments	$554,000	$530,000	$575,000	$45,000
Total FTE Usage	2,331	2,400	2,400	0

Explanation of FY 2006 Budget Estimate

The Bureau of Engraving and Printing (BEP) is one of the world's largest currency manufacturers with operations in Washington, D.C. and Fort Worth, TX. Since 1950, the Bureau of Engraving and Printing has been operating under an industrial revolving fund as authorized by Public Law 81-656, effective August 4, 1950. This fund is reimbursed through billings to BEP's customers for products delivered. Public Law 95-81 authorized the BEP to include in its product prices an amount to provide funding for the acquisition of capital equipment and future working capital. This eliminates the need for appropriations to support the mission of the BEP, and makes the proceeds from the sale of currency to the Federal Reserve and other miscellaneous sales of securities the BEP's sole source for funding its operations. In accordance with the inter-agency agreement with the U.S. Postal Service, FY 2005 will mark the final year of postage stamp production at BEP. BEP's Budget is divided into two budget activities: 1) Manufacturing and Sales; and 2) Protection and Accountability of Assets.

BEP Revenue
(Dollars in Thousands)



Program Description

Manufacturing and Sales ($463,000,000 and 1900 FTE) Manufacturing of currency accounts for 98% of total annual revenues. The focus of this program is to produce and deliver counterfeit deterrent currency for circulation in a cost efficient and safe manner with state of the art manufacturing technology and equipment.

Security and Accountability of Assets ($57,000,000 and 500 FTE) The Bureau of Engraving and Printing will deliver 10 billion notes to the Federal Reserve in fiscal year 2006. The BEP must maintain an accurate and cost effective system of accountability for all BEP products, which will ensure that products are accounted for during production and that customers receive the correct quantities of product ordered. Currency shipment discrepancies are prevented by a series of automated quality and accountability checks performed throughout the entire production process as well as a final manual verification prior to shipment to the customer. Rigorous and redundant accountability controls must be maintained to prevent shipment discrepancies and satisfy Federal Reserve expectations for the control of U.S. currency. The BEP Police Force protects these assets and safeguards BEP employees against potential threats at two facilities. This activity maintains a highly professional security and accountability program with the tools and resources needed to respond to changing threats.

Total Production of Notes
(Dollars in Thousands)

	FY 2004	FY 2005	FY 2006
	Enacted	Estimate	Estimate
Manufacturing			
Federal Reserve Notes	8,800,000	8,600,000	10,000,000
U.S. Postage Stamps	6,100,000	5,000,000	0

Capital Investments Summary

Capital ($55,000,000) Capital investment over the next five years will focus on replacement of currency production lines in both production facilities with updated currency printing and processing technology. Current printing and processing equipment identified for replacement has been fully depreciated and in continuous operation from 15-25 years.

Legislative Proposals

None requested.

United States Mint

Total Program Operating Level
(Dollars in Thousands)

	FY 2004	FY 2005	FY 2006	
	Enacted	Estimate	Estimate	Increase/ (Decrease)
Cost of Operations by Budget Activity	$995,148	$1,226,310	$1,214,233	($12,077)
Manufacturing and Sales	$956,173	$1,190,081	$1,175,292	($14,789)
Protection	$38,975	$36,229	$38,941	$2,712
Capital Investments	$20,942	$28,811	$26,768	($2,043)
Total Operations and Capital Investments	$1,016,090	$1,255,121	$1,241,001	($14,120)
Total FTE Usage	2,115	2,108	2,024	(84)

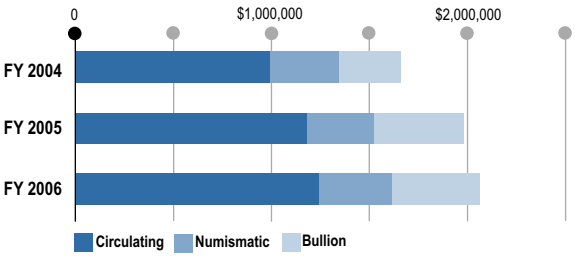
Explanation of FY 2006 Budget Estimate

The United States Mint, with operations in California, Colorado, Kentucky, New York, Pennsylvania, and Washington, D.C., is the world's largest coin manufacturer. The mission of the United States Mint is to apply world-class business practices in making, selling, and protecting the nation's coinage and assets.

Since FY 1996, the United States Mint has been operating under a 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 sale of circulating coins and the sale of numismatic items to the public are the United States Mint's sole source of funding. Funding for costs associated with the manufacturing and delivery of circulating coins, numismatic coins, protective services, operating expenses, and capital investments are funded through these sales. The United States Mint remains committed to holding down costs, streamlining operations, and providing value to the American people.

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

United States Mint Revenue
(Dollars in Thousands)



Program Description

Manufacturing and Sales ($1,175,292,000 and 1,641 FTEs) Manufacturing and Sales are grouped into three programs: Circulating Coinage, 50 State Quarters®, and Numismatic.

Circulating coinage, used to conduct trade and commerce, includes the penny, nickel, dime, half-dollar and dollar. The focus of this program is to produce and deliver coins for circulation 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 Bank System (FRB) for distribution as demanded by commerce.

The 50 State Quarters® program was launched in 1999 to commemorate and honor the history of each of the 50 states over a ten-year period. Five new State Quarters 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 were admitted into the Union. The planned releases for 2006 are Nevada, Nebraska, Colorado, North Dakota and South Dakota.

The numismatic program includes four 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) Recurring Coin Programs; and 4) Commemorative Coins. The Numismatic program focuses on fostering the health of numismatics by providing quality products and service, expanding markets, and supporting the long-term value of Numismatic products.

Protection ($38,941,000 and 383 FTEs) The United States Mint secures approximately $102 billion in market value of the nation's gold and silver reserves. The United States Mint Police protect assets while safeguarding employees against potential threats at the facilities across the country. The Protection activity maintains a highly professional police force with the tools and resources needed to respond to changing threats in the environment.

Total Coin Shipments
(In Thousands)

	FY 2004	FY 2005	FY 2006	
	Enacted	Estimate	Estimate	Increase/ (Decrease)
Circulating				
Pennies	7,126,000	8,000,000	7,900,000	(100,000)
Nickels	1,393,000	1,879,000	1,690,000	(189,000)
Dimes	2,569,000	2,900,000	3,050,000	150,000
Quarters	2,242,000	2,620,000	2,872,000	252,000
Other	39,000	60,000	55,000	(5,000)
Numismatic				
Total	12,000	12,000	12,000	0
Bullion				
Total	12,000	10,000	10,000	0

Capital Investment Summary

Capital ($26,768,000) Investment is crucial to the Unites States Mint's ability to meet commercial demands for coinage, sell numismatic products to the public, and protect facilities and assets. Proper capital planning and effective investment management is part of the United States Mint's efforts to become a world-class manufacturing organization. In doing so, the United States Mint is actively developing and assessing new technologies that will allow significant improvement in the time-to-market for new products, enhanced research and development capabilities, and expanded design and new product making capacities.

Examples of capital improvements include: automated feed and takeaway equipment for clad coin production lines, heating and cooling systems for production areas at the Philadelphia Mint, and other equipment replacements at United States Mint production facilities. Other capital improvements will protect assets, operations, and employees via improvements to physical structures such as vaults and external barrier systems.

Legislative Proposals

None requested.

Office of the Comptroller of the Currency

Total Program Operating Level
(Dollars in Thousands)

	FY 2004	FY 2005	FY 2006	
	Actual	Estimate	Estimate	Increase/ Decrease
Cost of Operations by Budget Activity				
Charter	$16,448	$13,940	$14,215	$275
Regulate	$61,763	$50,796	$51,715	$919
Supervise	$371,252	$454,673	$464,078	$9,405
Total Cost of Operations	$449,463	$519,409	$530,008	$10,599
Total FTE Usage	2,678	2,791	2,812	21
Capital Investments (Included in Total Cost of Operations above)	$5,570	$15,991	$16,740	$749

Explanation of FY 2005 Budget Estimate

The Office of the Comptroller of the Currency (OCC) is responsible for chartering, regulating, and supervising the nation's federally chartered banks. There are approximately 1,900 national banks and 52 federal branches of foreign banks in the U.S. National banks hold approximately $4.6 trillion in assets or 57 percent of total assets of all U.S. commercial banks. There are approximately 2,700 OCC employees, including over 1,800 bank examiners.

The OCC's operations are funded primarily by semiannual assessments levied on national banks. The OCC derives approximately one percent of its funding from interest revenue from its investments in U.S. Treasury securities and licensing and other fees combined. The OCC does not receive congressional appropriations to fund any of its operations.

The national banking system remains strong with 99 percent of national banks well-capitalized at the end of FY 2004. The OCC's budget is divided into three programs: Charter, Regulate, and Supervise.

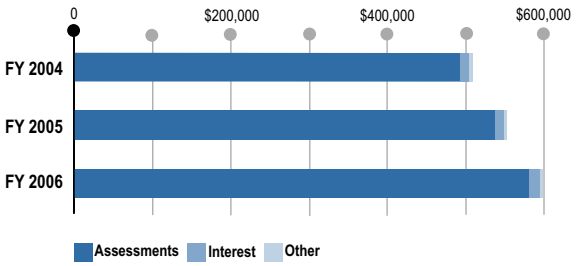
Program Description

Charter ($13,940,000 and 70 FTE) 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 stock and debt issues.

Regulate ($50,796,000 and 247 FTE) 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 systemwide 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.

Supervise ($454,673,000 and 2,474 FTE) 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; facilitation of the resolution of consumer complaints; and analysis of systemic risk and market trends in the national banking system or groups of national banks, the financial services industry, and the economic and regulatory environment.

OCC Revenue
(Dollars in Thousands)



Capital Investments Summary

The OCC has five major capital investments in FY 2005: Supervisory Information System (SIS), Management and Accountability Reporting Tools System ($MART), Licensing Information System (LIS), Enterprise-Wide Information Management (EWIM), and the Relocation of the Central District. SIS is a multi-year project that provides examiners with more efficient, risk-based supervision tools and improves documentation of ongoing supervision of complex and diverse institutions. $MART is the OCC's integrated financial and acquisitions management system that was implemented in October 2001, and FY 2005 funding is for system enhancements. LIS is a replacement system for the OCC's current mainframe-based tracking and monitoring system for corporate applications. EWIM will provide an effective and efficient agency-wide approach for managing the creation, promulgation, collaboration and use, repurposing, dissemination, and storage and disposition of electronic content. The OCC is acquiring new space for the Central District Office in Chicago that will allow for the more cost effective use of space as well as accommodate a Learning Center. LIS, EWIM and the Central District Relocation project are new initiatives with expenses to begin in FY 2005.

Legislative Proposals

None requested.

Office of Thrift Supervision

Total Program Operating Level
(Dollars in Thousands)

	FY 2004	FY 2005	FY 2006	
	Actual	Estimate	Estimate	Increase / Decrease
Total Cost of Operations (All Budget Activities)	$178,713	$187,900	$192,598	$4,698
Total Operations and Capital Investments	$178,713	$187,900	$192,598	$4,698
Total FTE Usage	886	920	920	0

Explanation of FY 2005 Budget Estimate

The Office of Thrift Supervision (OTS) charters, examines, supervises, and regulates federal savings associations 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 also examines, supervises, and regulates state-chartered savings associations belonging to the Savings Association Insurance Fund and savings association affiliates and holding companies.

OTS supervised 896 thrifts with total assets of $1.23 trillion as of September 30, 2004. OTS also supervises approximately 950 savings and loan holding companies in 481 corporate structures. Over half of all thrifts and 80 percent of total thrift assets are owned by holding companies. The holding company structures control approximately $6.9 trillion in consolidated assets and vary widely in their operations and structure. Almost 60 structures are engaged in significant lines of business other than banking and financial services, such as agriculture, real estate, retailing and manufacturing. As of December 31, 2004, there were 881 OTS employees.

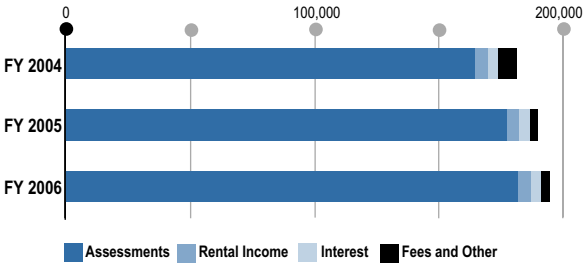
OTS receives no appropriated funds from Congress. Income of the bureau is derived principally from assessments on thrifts and savings and loan holding companies, examination fees, and interest on investments in U.S. government obligations. Without compromising responsibilities and the risk-based examination approach, OTS strives to manage its operations and budget to ensure that assessment rate increases for thrift institutions and holding companies do not exceed the inflation rate. OTS's budget supports the supervision program.

Program Description

Through the examination process, OTS assesses the financial condition and risk profile of thrift institutions and identifies and addresses unsafe and unsound practices and violations of law and regulation. Through the off-site monitoring process, OTS regularly monitors the financial performance of individual institutions and the industry enabling early identification of emerging trends or problems. When safety and soundness or compliance issues are identified, OTS acts promptly to ensure thrift management and directors institute corrective actions to address supervisory concerns. OTS ensures that its staff is well trained to identify and address current and emerging risks and that examiner guidance is appropriate and current.

OTS strives to reduce the regulatory burden on thrifts and has reduced the amount of on-site examination time, redesigned regulations to make them easier to understand, and eliminated unnecessary restrictions. It tailors examinations to the risk profile of the individual institutions, streamlines the examination procedures for small institutions, and conducts comprehensive safety and soundness and compliance examinations. Due to favorable economic conditions, a stable industry, and the regulatory oversight that OTS provides, the thrift industry has been operating in a safe and sound manner and performing extremely well. Capital measures for the industry were strong and, as of September 2004, over 99.8 percent of the industry exceeded well-capitalized standards. Assets of problem thrifts declined to $294 million as of September 2004 from $602 million as of September 2003.

OTS Revenue
(Dollars in Thousands)



Legislative Proposals

None requested.

Treasury Franchise Fund

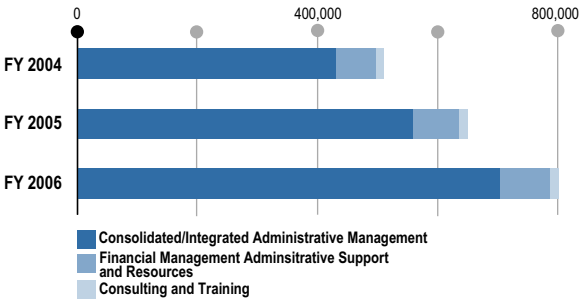
Total Program Operating Level
(Dollars in Thousands)

	FY 2004	FY 2005	FY 2006	
	Enacted	Estimate	Estimate	Increase/ (Decrease)
Cost of Operations by Budget Activity				
Consolidated/Integrated Administrative Management	$473,446	$555,651	$698,732	$143,081
Financial Management Adminsitrative Support Services	$66,887	$75,360	$82,838	$7,478
Financial Systems, Consulting and Training	$12,788	$12,791	$13,410	$619
Total Operations and Capital Investments	$553,121	$643,802	$794,980	$151,178
Total FTE Usage	633	678	713	35

Explanation of FY 2006 Budget Estimate

The Department of the Treasury was authorized to pilot a franchise fund under P.L. 103-356, the Government Management and Reform Act of 1994. The purpose of the franchise fund pilots was to bring about lower costs and higher quality through greater competition for government and financial administrative services. The Treasury Franchise Fund (The Fund) was established by P.L. 104-208 and was made permanent by P.L. 108-447. The Fund is a revolving fund that is used to supply financial and administrative services on a fee-for-service basis. The Fund was recognized as a Center of Excellence in the Financial Management Line of Business in 2005, making it eligible to enter into competitions to provide cross-agency financial management services on a government-wide basis. Activities include: Consolidated/Integrated Administrative Management; Financial Management Administrative Support; and Financial Systems, Consulting, and Training Services.

Franchise Fund Revenue
(Dollars in Thousands)



Program Description

Consolidated/Integrated Administrative Management ($704,041,000 in sales) Through FedSource, the Franchise Fund provides government customers with entrepreneurial business solutions for the acquisition and financial management of common administrative services and products in support of agency missions and objectives. FedSource offers a "first choice" option or alternate source for the acquisition of these services and products in a fast, cost-effective manner while continuing to ensure quality and customer service.

Financial Management Administrative Support and Financial Systems ($83,509,000 in sales) The Administrative Resources Center (ARC) provides traditional administrative support functions with a focus on accounting, procurement and HR services. Other services include budget, facilities management, printing and graphics, and web support. ARC's mission is to aid in the improvement of overall government effectiveness by delivering responsive and cost effective administrative support to customers, thereby improving the customers' ability to effectively discharge their missions.

Consulting and Training ($14,037,000 in sales) The Fund's Consulting and Training program consists of two business activities, the Federal Consulting Group (FCG) and Treasury Agency Services (TAS).

The mission of the FCG is to consult with other Federal government agencies to facilitate transformation efforts to help them become a more efficient and results-oriented agency. The FCG achieves its mission through its three programs: Customized and Collaborative Consulting and Facilitation Services, Executive Coaching through its National Network of Qualified Coaches, and Strategies for Customer Service Improvement. The programs are provide facilitation services, business process redesign, strategic planning, executive coaching, and team building. The FCG partners with both political and senior career leaders to create solutions specifically designed to meet unique organizational needs.

TAS shares one common mission with Treasury's Financial Management Service (FMS)—help agencies improve the quality of government financial

Percent Increase in Sales

	FY 2004 Enacted	FY 2005 Estimate	FY 2006 Estimate
Consolidated/Integrated Administrative Management	35.40%	16.15%	25.75%
Financial Management Administrative Support Services	28.88%	11.82%	10.00%
Financial Systems, Consulting and Training	6.56%	2.93%	4.87%

management. TAS is a reimbursable provider of information, advice, assistance, and training that is customized to meet today's environment and client agencies' requirements. These services provide the venue for linking program objectives and services with financial management best practices.

Capital Investments Summary

The Fund has no immediate plans for significant capital investments. However, as the Fund continues to position itself to be a successful OMB-approved Center of Excellence in the Financial Management Line of Business, likely significant capital investments projects will be initiated in future years.

Legislative Proposals

None requested.

Treasury International Programs

Program Summary by Appropriations Account
(Dollars in Thousands)

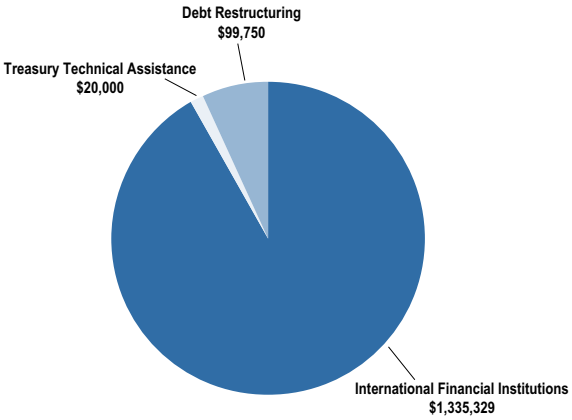
Appropriation	FY 2004 Enacted	FY 2005 Enacted	FY 2006 President's Budget
International Financial Institutions	$1,383,042	$1,219,199	$1,335,329
Global Environment Facility	$138,418	$106,640	$107,500
International Development Association	$907,812	$843,200	$950,000
Multilateral Investment Guarantee Agency	$1,117	$0	$1,742
Asian Development Fund	$143,569	$99,200	$115,250
African Development Fund	$112,060	$105,152	$135,700
African Development Bank	$5,075	$4,067	$5,638
European Bank for Reconstruction and Development	$35,222	$35,148	$1,016
Inter-American Development Bank - Multilateral Investment Fund	$24,853	$10,912	$1,742
Inter-American Investment Corporation	$0	$0	$1,742
International Fund for Agricultural Development	$14,916	$14,880	$15,000
Arrears	[$97,457]	[$10,912]	[$6,570]
Treasury Technical Assistance	$18,888	$18,848	$20,000
Debt Restructuring	$94,440	$99,200	$99,750
Total Program Level	$1,496,370	$1,337,247	$1,455,079

Explanation of Request

The request for the Department of the Treasury's International Assistance Programs can be divided into three categories: International Financial Institutions (IFIs); International Affairs Technical Assistance, and Debt Restructuring.

The FY 2006 request includes $1,335,329,000 for the U.S. contribution to the IFIs, of which $1,328,759,000 is for scheduled annual commitments and $6,570,000 is to clear a portion of outstanding U.S. arrears, which currently total $687.04 million. The request for International Affairs Technical Assistance is $20,000,000. The request for Debt Restructuring is $99,750,000 for bilateral debt reduction to Heavily Indebted Poor Countries (HIPC), contributions to the HIPC Trust Fund, and Tropical Forest Conservation Act (TFCA) debt reduction programs. The total FY 2006 request for Treasury's International Assistance Programs is $1,455,079,000.

International Program Funding by Account
(Dollars in Thousands)



Purpose of Program

International Financial Institutions (IFIs) provide loans, grants and investments in 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. Bank policies and assistance programs reflect U.S. priorities in promoting growth, increasing productivity, and reducing poverty in developing countries.

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.

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.

Explanation of FY 2005 Current Estimate

The FY 2005 appropriation for Treasury's International Assistance Programs is $1,337,247,000:

- $1,219,199,000 for International Financial Institutions
- $18,848,000 for International Affairs Technical Assistance
- $99,200,000 for Debt Restructuring

FY 2006 Budget Highlights
(Dollars in Thousands)

Appropriation	International Financial Institutions	Technical Assistance	Debt Restructuring	Total
FY 2004 Enacted	$1,477,481	$18,888	$94,440	$1,590,809
FY 2005 Consolidated Appropriations (H.R. 4818)	$1,229,031	$19,000	$100,000	$1,348,031
Rescission	($9,832)	($152)	($800)	($10,784)
FY 2005 Current Estimates	$1,219,199	$18,848	$99,200	$1,337,247
International Financial Institutions	$116,130			$116,130
Treasury Technical Assistance		$1,152		$1,152
Debt Restructuring			$550	$550
FY 2006 President's Budget	$1,335,329	$20,000	$99,750	$1,455,079

Explanation of FY 2006 Programs

International Financial Institutions ($1,335,329,000) The FY 2006 request includes the initial scheduled commitment to three new replenishments: the fourteenth replenishment of the International Development Association (IDA-14); the tenth replenishment of the African Development Fund (AfDF-10); and the eighth replenishment of the Asian Development Fund (AsDF-9).

International Development Association (IDA) U.S. leadership in the IDA-14 replenishment negotiations achieved a number of key reforms, most notably a significant increase in grant financing. The share of new funding disbursed to the poorest countries through grants, rather than loans, will increase from about 25% to approximately 45%. Agreement was also reached on an expanded results measurement system and progress toward greater transparency.

African Development Fund (AfDF) In the AfDF-10 replenishment negotiations, the U.S. was also successful in attaining a substantial increase in grant financing to the poorest countries, from a level of about 20% to approximately 45%. The replenishment also achieved greater selectivity and effectiveness of operations, enhanced transparency and anti-corruption measures, and greater support to post-conflict countries.

Asian Development Fund (AsDF) The AsDF-9 replenishment negotiations established, for the first time in the AsDF, a grant window where approximately 30% of assistance to the poorest countries will be in the form of grants. Agreement was also reached to increase the weight given to good governance and strong policy performance in the system used to allocate AsDF resources to countries, to provide a significant increase in resources for anti-corruption activities, and to establish a results management unit to oversee the implementation of a new results measurement strategy throughout the institution.

International Affairs Technical Assistance ($20,000,000) Financial advisors are provided 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. In FY 2006, it is estimated that $8.5 million of the request will be used by International Affairs Technical Assistance to fund resident and short-term advisor projects to countries combating terrorist finance activity. A large portion of the request will be used for assistance programs in sub-Sahara Africa, supporting economic and financial reforms in countries receiving bilateral Heavily Indebted Poor Countries (HIPC) debt relief, and other areas of emphasis.

Debt Restructuring ($99,750,000) The FY 2006 request is $99.75 million for HIPC and poorest country debt reduction, contribution to the HIPC Trust Fund, and Tropical Forest Conservation Act (TFCA) debt reduction programs. For the poorest countries, debt reduction provides an incentive to implement macro-economic and structural reforms necessary for economic growth and also frees up resources for poverty reduction efforts. The request would provide funding for the cost of bilateral HIPC and poorest country debt reduction and for additional contributions to the HIPC Trust Fund, which is administered by the World Bank and helps regional development banks and other multilateral institutions to meet their costs of debt relief. The TFCA received strong bipartisan support and was signed into law in 1998. It allows for the reduction of U.S. concessional debt and redirection of payments in local currency in eligible countries to support programs to conserve tropical forests.

Proposed Legislative Changes

None requested.

Performance Accomplishments

Treasury Performance Snapshot

Under the Government Performance and Results Act of 1993 (GPRA), the Department of the Treasury maintains a strategic plan, establishes performance measures to identify program performance, and sets targets to monitor the Department's value to the public. The performance snapshot ("snapshot") presented here summarizes important performance information, including an overview of how well Treasury met its performance goals. Through its strategic goals, Treasury seeks to:

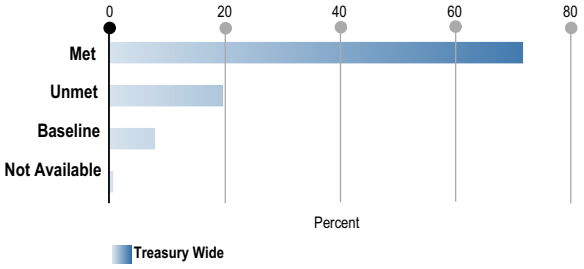
- Promote Prosperous U.S. and World Economies (E1);
- Promote Stable U.S. and World Economies (E2);
- Preserve the Integrity of Financial Systems (F3);
- Manage the U.S. Government's Finances Effectively (F4); and
- Ensure Professionalism, Excellence, Integrity, and Accountability in the Management and Conduct of the Department of Treasury (M5)

Treasury's overall performance is shown in a bar chart, indicating the percentage of performance measure targets met, unmet, not available, or baseline. Performance by strategic goal is also represented in the column chart. Treasury also works with the Office of Management and Budget (OMB) to coordinate program evaluation and management initiatives through the President's Management Agenda (PMA) and Program Assessment Rating Tool (PART). The snapshot also includes charts that indicate Treasury's results in these two important arenas. The PMA chart shows the status Treasury achieved on six core management initiatives for both FY 2004 and the first quarter of FY 2005. The PART graph indicates the total number of programs evaluated by OMB and how Treasury programs were rated.

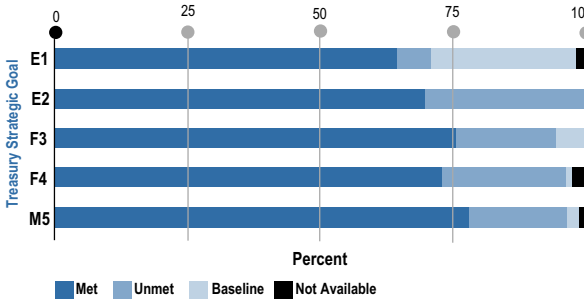
Performance Results

In FY 2004, Treasury improved its performance by meeting 71% of its performance targets as compared to 63% of its targets last year. Treasury also reduced the percentage of targets unmet from 23% last year to 20% this year and the percentage of baseline measures or those that had no data available was also reduced from 13% in FY 2003 to 9% in FY 2004.

Treasury Overall Performance, FY 2004



Treasury Performance by Strategic Goal, FY 2004



Performance Summary by Focus Area

- *Treasury Economic Goals (E1 and E2)* While Treasury achieved nearly two of every three performance targets, a significant number of measures had no available data. It should be noted that, many of the twenty measures that had no data available or were baseline, have been slated to be discontinued.
- *Treasury Financial Goals (F3 and F4)* Treasury achieved nearly three of every four performance targets, and will continue to improve on performance targets that were not achieved.
- *Treasury Management and Operations Goals (M5)* Treasury achieved nearly four of every five M5 performance targets, and with management initiatives, will continue to improve.

Performance Measure Streamlining

In response to requests from stakeholders to streamline and make performance information more meaningful, Treasury is discontinuing 216 performance measures in FY 2006, a 64% reduction in this budget. The original baseline was 338 measures. Fewer measures does not mean less insight into Treasury programs.

Instead, the Department is focusing on a smaller, higher-quality, higher-impact set of measures. This smaller set of measures will evolve and improve over the next year. Reducing the number of measures is simply a first step. Through the streamlining process, Treasury will:

- Increase the value of the information provided to our stakeholders.
- Respond to Congressional report language that suggested excessive performance information be omitted from the budget submissions.
- Respond to the President's Management Agenda for making government more effective.
- Focus on Treasury's top management priorities.
- Identify important measures for the Treasury Performance Management Framework.
- Reduce administrative burden.
- Provide more clarity on performance.

The benefits of the more streamlined set of measures will become apparent in next year's budget, as well as the upcoming FY 2005 Performance and Accountability Report (PAR).

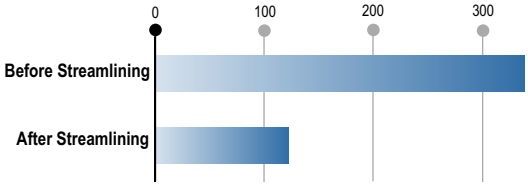
Streamlining Methodology

Treasury utilized a technique called value-mapping to assess the value of each performance measure. Each measure was rated against eight, weighted criteria ranging from alignment to Treasury outcome to whether or not the measure could be benchmarked. Each measure was then scored and ranked relative to one another. The end result produced a definitive set of measures that correlated highly to the desired criteria, and consequently, the needs of decision-makers. Bureaus were engaged in a collaborative fashion throughout the entire process, and a full review was provided to OMB.

Results

For both FY 2005 and 2006, Treasury has reduced its measure set from 338 to approximately 122 – a 64% reduction. A breakdown on total measures reduced and the number of measures reduced by bureau is shown below:

Overall Performance Measure Reduction
(Number of Measures)



Performance Measure Reduction by Bureau

	Measures Data	
Bureau	Before Streamlining	After Streamlining
BEP	11	4
BPD	22	8
CDFI	47	9
Do	65	33
FinCEN	11	4
FMS	21	10
Franchise Fund	41	6
IRS	43	22
MINT	12	5
OCC	16	5
OIG	6	3
OTS	21	5
TIGTA	8	3
TTB	14	5
Total	338	122

Treasury Results Highlights

This summary provides a brief overview of Treasury policy and program deliverables for FY 2004.

The War on Terror. Terror designation actions through Treasury have resulted in a reduction to the threat of terrorism and have supported Treasury's efforts to combat financial crimes making it more difficult for terrorist groups, like al Qaida, to raise money.

- Under Executive Order 13224, organizations (e.g., Treasury) designated a total of 361 individuals and entities.
- Approximately $200 million of terrorist-related funds worldwide were frozen or seized.
- Designated six jurisdictions, financial institutions, class of transactions or financial accounts as "primary money laundering concerns."

- Collected more than 600,000 Suspicious Activity Reports from financial institutions to assist in identifying money laundering and terrorist financing activities.

Iraq. Treasury, working closely with other parts of the United States Government, has achieved important results in returning assets to the Iraqi people and in uncovering the schemes and networks used by the regime to steal from Iraq. These include:

- Identification and freezing of over $2 billion of Iraqi assets outside the U.S. and Iraq since March 2003.
- Approximately $847 million has been transferred by foreign sources to the Development Fund for Iraq (DFI).
- The U.S., foreign countries and the Bank for International Settlements have transferred over $2.7 billion in frozen Iraqi funds back to Iraq.

Operational Successes. Treasury made progress in our core missions of economy and finance in FY 2004. Some of these accomplishments are shown below:

- Collected $2.0 trillion in Federal Revenue.
- 81% of revenues collected electronically at a lower cost.
- Issued new $20 and $50 notes with improved anti-counterfeiting features.
- Processed more than 131 million individual tax returns.
- Increased the percentage of all individual tax returns filed electronically to 47%.
- Issued more than $4.6 trillion in securities to finance government operations.
- Collected more than 600,000 Suspicious Activity Reports from financial institutions; analyzed and disseminated those reports to law enforcement entities.
- Produced 13.5 billion coins and printed 8.7 billion currency notes.
- Paid $321.6 billion in interest payments on outstanding U.S. Government debt.
- Increased Treasury Direct System holdings to over $1 billion in Series I and EE savings bonds.
- Collected more than $3 billion in delinquent debt through FMS programs.
- Issued 75% of more than 940 million payments electronically.

Management Effectiveness. Treasury achieved the following in FY 2004:

- Improved status score on 3 of 5 PMA initiatives.
- Certified and accredited 86% of computer systems are secure.
- Reduced financial material weaknesses by one.
- Completed formulation and initiated the implementation of the Human Capital Strategic Plan and linked Departmental performance to senior employee compensation.
- Converted all Treasury Senior Executive Service leaders to a new performance system linked to the Treasury Strategic Plan.
- Finished implementation of HR Connect, a self-service employee human resource portal, at all bureaus except one (Office of Thrift Supervision).
- Performed a three-day close of its books at the end of each month to make important financial information available in a timely manner.
- Issued the FY 2004 Financial Report of the U.S. Government on December 15, 2004, just 75 days after the close of the fiscal year and 2.5 months faster than the previous year.

President's Management Agenda Summary

The President's Management Agenda (PMA) is a management initiative that Treasury uses as a means to strengthen Treasury's performance by promoting efficiency, effectiveness and responsiveness to the public.

OMB grades Treasury on five management initiatives – Human Capital, Competitive Sourcing, Financial Performance, E-Government, and Budget and Performance Integration – on a quarterly basis. Starting in FY 2005, Treasury will also be scored on a sixth initiative, its efforts to eliminate Improper Payments.

Initiative	Status			Progress
	FY 2003	FY 2004	Q1 FY 2005	Q1 FY 2005
Human Capital	Red	Yellow	Yellow	Green
Competitive Sourcing	Red	Yellow	Green	Yellow
Financial Performance	Red	Red	Red	Yellow
E-Government	Red	Red	Red	Green
Budget and Performance Integration	Red	Yellow	Yellow	Green
Improper Payments	N/A	N/A	Red	N/A

As of Q1 FY 2005, Treasury improved three of its five status scores for the PMA over the prior year. Overall, Treasury improved its Human Capital, Competitive Sourcing and Budget and Performance Integration status scores, demonstrating Treasury's commitment to building a world-class organization and providing the best value and service for its customers. Financial Performance and E-Government remained red. However, several key criteria have been met for these two important initiatives, and while Treasury has not met the criteria for a Green score, Treasury does have concrete and substantial results and both areas are on solid footing. For FY 2005, Treasury's commitment to improving efficiency and effectiveness through Competitive Sourcing was rewarded with the Department's first-ever Green status score for the PMA. Treasury's progress scores reflect the quality and execution of Treasury's implementation plan.

Program Assessment Rating Tool Summary

In addition to regular independent program evaluations conducted by Treasury bureaus, Treasury also works with OMB to evaluate 20% of its programs each year through the Program Assessment Rating Tool (PART) process.

Five Treasury programs were evaluated for FY 2004. Three of the five programs were rated as "Effective," while two were rated as "Results Not Demonstrated," meaning that the programs results could not be verified. While Treasury's percentage of programs rated as "Effective" doubled as compared to the previous year, there is still work to be done on the balance of the programs. For FY 2005 budget cycle, all programs were rated as "Adequate" or better, improving our standing from the previous year.

Programs evaluated for the FY 2005 budget cycle include:

Program	Bureau	Rating
Administering the Public Debt	BPD	Effective
New Currency Manufacturing	BEP	Effective
African Development Fund	DO	Results Not Demonstrated
Debt Collection	FMS	Effective
Submission Processing	IRS	Results Not Demonstrated

Programs evaluated for the FY 2006 budget cycle include:

Program	Bureau	Rating
IRS Advocate	IRS	Moderately Effective
IRS Service	IRS	Adequate
Financial & Technical Assistance	CDFI	Adequate
New Markets Tax Credits	CDFI	Adequate
FMS Collections	FMS	Effective
Numismatics	Mint	Effective

Programs to be evaluated for the FY 2007 budget cycle include:

Program	Bureau
BSA Collection and Dissemination	FinCen
Payments	FMS
Examination	IRS
Criminal Investigations	IRS
Protection	Mint
Collect the Revenue	TTB

PART Ratings Summary

PART Rating	2004	2005	2006
Effective	3	3	2
Moderately Effective	0	0	1
Adequate	2	0	3
Ineffective	1	0	0
Results Not Demonstrated	4	2	0

Summary of FY 2006 Appropriations Language Changes

Summary of FY 2006 Appropriations Language Changes

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,[$157,559,000] *$195,253,000*, of which not to exceed [$7,274,000] *$16,656,000* for executive direction program activities; [not to exceed $7,200,000 for general counsel program activities;] not to exceed [$31,657,000] *$32,011,000* for economic policies and programs activities; not to exceed [$26,072,000] *$24,721,000* for financial policies and programs activities; not to exceed [$10,633,000] *$39,938,000* for [terrorism and financial intelligence] *financial crimes* policies and programs activities; not to exceed [$16,760,000] *$16,843,000* for Treasury-wide management policies and programs activities; not to exceed [$57,963,000] *$65,084,000* for administration programs activities: [*Provided,* That the Secretary of the Treasury is authorized to transfer funds appropriated for any program activity of the Departmental Offices to any other program activity of the Departmental Offices upon notification to the House and Senate Committees on Appropriations; *Provided further*, That no appropriation for any program activity shall be increased or decreased by more than 2.5 percent by all such transfers: *Provided further,* That *notification of* any change in funding greater than 2.5 percent shall be submitted for approval to the House and Senate Committees on Appropriations: *Provided further,* That the funds identified within the administration program activity to support the Office of Foreign Assets Control shall be transferred to "Office of Foreign Assets Control": *Provided further,* That this transfer authority shall be in addition to any other provided in this Act:] *Provided further,* That of the amount appropriated under this heading, not to exceed $3,000,000, to remain available until September 30, [2006] *2007,* for information technology modernization requirements; not to exceed [$100,000] *$150,000* for official reception and representation expenses; and 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: *Provided further,* That of the amount appropriated under this heading, [$3,393,000] *$5,173,000*, to remain available until September 30, [2006] *2007*, is for the Treasury-Wide Financial Statement Audit Program, of which such amounts as may be necessary may be transferred to accounts of the Department's offices and bureaus to conduct audits: *Provided further*, That this transfer authority shall be in addition to any other provided in this Act. *(Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

[Office of Foreign Assets Control]

[Salaries and Expenses]

[For necessary expenses of the Office of Foreign Assets Control, $22,291,000: *Provided*, That the funding available shall support no less than 138 full time equivalent positions.] *(Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

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, [$32,260,000] *$24,412,000,* to remain available until September 30, [2007] *2008*: *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 the "Internal Revenue Service, [Information Systems] *Tax Administration and Operations*" or "Internal Revenue Service, Business Systems Modernization." *(Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

Office of the 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, not to exceed $2,000,000 for official travel expenses, including hire of passenger motor vehicles; and 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, [$16,500,000] *$16,722,000*, of which not to exceed $2,500 shall be available for official reception and representation expenses. *(Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

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; not to exceed $6,000,000 for official travel expenses; and 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, [$129,126,000] *$133,286,000*; and of which not to exceed $1,500 shall be available for official reception and representation expenses. *(Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

Treasury Building and Annex Repair and Restoration

For the repair, alteration and improvement of the Treasury Building and Annex, [$12,316,000] *$10,000,000,* to remain available until September 30, [2007] *2008*. *(Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

[Expanded Access to Financial Services]

[(Rescission)]

[Of the unobligated balances available under this heading, $4,000,000 are rescinded.] *(Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

Air Transportation Stabilization Program Account

For necessary expenses to administer the Air Transportation Stabilization Board, established by section 102 of the Air Transportation Safety and System Stabilization Act (Public Law 107-42), [$2,000,000] *$2,942,000*, to remain available until expended. *In fiscal year 2006, the Air Transportation Stabilization Board may charge fees to a borrower for the costs to the ATSB associated with bankruptcy proceedings of the borrower. Such fees shall be collected and deposited in the Air Transportation Stabilization Program Account, to be available for such costs. (Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

Community Development Financial Institutions Fund

Program Account

To carry out the Community Development Banking and Financial Institutions Act of 1994, including services authorized by 5 U.S.C. 8109, but at rates for individuals not to exceed the per diem rate equivalent to the rate for ES-3, [$55,522,000, to remain available until September 30, 2006, of which $4,000,000 shall be for financial assistance, technical assistance, training and outreach programs designed to benefit Native American, Native Hawaiian, and Alaskan Native communities and provided primarily through qualified community development lender organizations with experience and expertise in community development banking and lending in Indian country, Native American organizations, tribes, and tribal organizations and other suitable providers, and up to $14,900,000 may] *$7,900,000*, to be used for [administrative expenses, including] administration of the New Markets Tax Credit[, up to $6,000,000 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 $11,000,000] *Program and for management of the existing portfolio of awards to the Community Development Financial Institutions and insured financial institutions. (Departments of Veterans Affairs, and Housing and Urban Development, and Independent Agencies Appropriations Act, 2005.)*

Financial Crimes Enforcement Network

Salaries and Expenses

For necessary expenses of the Financial Crimes Enforcement Network, including hire of passenger motor vehicles; travel expenses of non-Federal law enforcement personnel to attend meetings concerned with 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, [$72,502,000, of which $7,500,000 shall be available for BSA Direct;] *$73,630,000* of which not to exceed [$7,000,000] *$6,944,000* shall remain available until September 30, [2007] *2008*; and of which [$8,354,000] *$8,521,000* shall remain available until September 30, [2006] *2007*: *Provided,* That funds appropriated in this account may be used to procure personal services contracts[: *Provided further,* That up to $350,000 of the funds under this heading may be available for planning, sponsoring, administering, receiving, and such other expenses as the Director deems necessary, including reception and representation expenses, to host the 2005 Annual Plenary of the Egmont Group]. *(Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

Financial Management Service

Salaries and Expenses

For necessary expenses of the Financial Management Service, [$230,930,000] *$236,243,000* of which not to exceed $9,220,000 shall remain available until September 30, [2007] *2008*, for information systems modernization initiatives; and of which not to exceed $2,500 shall be available for official reception and representation expenses. *(Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

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, [$83,000,000] *$62,486,000*; of which not to exceed $6,000 for official reception and representation expenses; not to exceed $50,000 for cooperative research and development programs for Laboratory Services; and provision of laboratory assistance to State and local agencies with or without reimbursement. *(Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

Salaries and Expenses
(Legislative Proposal, not subject to PAYGO)

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

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 [2005] *2006* under such section 5136 for circulating coinage and protective service capital investments of the United States Mint shall not exceed [$24,000,000] *$36,900,000. (Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

Bureau of the Public Debt

Administering the Public Debt

For necessary expenses connected with any public-debt issues of the United States [$179,566,000] *$179,923,000*, 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 expended for systems modernization: *Provided,* That the sum appropriated herein from the General Fund for fiscal year [2005] *2006* shall be reduced by not more than [$4,400,000] *$3,000,000* as definitive security issue fees and Treasury Direct Investor Account Maintenance fees are collected, so as to result in a final fiscal year [2005] *2006* appropriation from the general fund estimated at [$175,166,000] *$176,923,000*. In addition, [$60,000] *$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. *(Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

Internal Revenue Service
Tax Administration and Operations

For necessary expenses of the Internal Revenue Service for tax administration operations, as authorized by law: purchase (for police-type use, not to exceed 850) and hire of passenger motor vehicles (31 U.S.C. 1343(b)); including developmental information systems and operational information systems; and services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, $10,013,555,000, of which $55,584,000 shall be for the Interagency Crime and Drug Enforcement program; of which up to $4,100,000 shall be for the Tax Counseling for the Elderly Program; of which up to $8,000,000 shall be available for low-income taxpayer clinic grants; and of which not to exceed $25,000 shall be for official reception and representation expenses: Provided further, That of the funding available for research not to exceed $1,000,000 shall remain available until September 30, 2007: Provided further, That of the funding available for information technology management and development not to exceed $75,000,000 shall remain available until September 30, 2007: Provided, That not less than $6,446,100,000 shall be available only for tax enforcement.

In addition to funding already available under this heading, and subject to the same terms and conditions, $446,496,000 for enhanced tax enforcement: Provided, That the Secretary shall provide not later than 180 days following the end of fiscal year 2006 to the Congress a report on tax enforcement which includes estimates for the entire tax enforcement program and for the tax enforcement initiative of:

(A) tax enforcement spending,
(B) tax enforcement workload indicators,
(C) direct tax enforcement revenue, and
(D) an explanation of the methodology and accuracy of the estimates provided.

[Processing, Assistance and Management]

[For necessary expenses of the Internal Revenue Service for pre-filing taxpayer assistance and education, filing and account services, shared services support, general management and administration; and services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, $4,089,574,000, of which up to $4,100,000 shall be for the Tax Counseling for the Elderly Program, of which $8,000,000 shall be available for low-income taxpayer clinic grants, and of which not to exceed $25,000 shall be for official reception and representation expenses.]

[Tax Law Enforcement]

[Including Transfer of Funds]

[For necessary expenses of the Internal Revenue Service for determining and establishing tax liabilities; providing litigation support; conducting criminal investigation and enforcement activities; securing unfiled tax returns; collecting unpaid accounts; conducting a document matching program; resolving taxpayer problems through prompt identification, referral and settlement; expanded customer service and public outreach programs, strengthened enforcement activities, and enhanced research efforts to reduce erroneous filings associated with the earned income tax credit; compiling statistics of income and conducting compliance research; 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, $4,398,729,000, of which not to exceed $1,000,000 shall remain available until September 30, 2007, for research: *Provided,* That up to $10,000,000 may be transferred as necessary from this account to the IRS Processing, Assistance, and Management appropriation or the IRS Information Systems appropriation solely for the purposes of management of the Earned Income

Tax Credit compliance program and to reimburse the Social Security Administration for the cost of implementing section 1090 of the Taxpayer Relief Act of 1997 (Public Law 105-33): *Provided further,* That this transfer authority shall be in addition to any other transfer authority provided in this Act.]

[Information Systems]

[For necessary expenses of the Internal Revenue Service for information systems and telecommunications support, including developmental information systems and operational information systems; 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, $1,590,492,000, of which $200,000,000 shall remain available until September 30, 2006.] *(Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

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), [$34,841,000] *$20,210,000. (Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

Business Systems Modernization

For necessary expenses of the Internal Revenue Service, [$205,000,000] *$199,000,000* to remain available until September 30, [2007] *2008*, for the capital asset acquisition of information technology systems, including management and related contractual costs of said acquisitions, including contractual costs associated with operations authorized by 5 U.S.C. 3109: *Provided*, That none of these funds may be obligated until the Internal Revenue Service submits to the Committees on Appropriations[, and such Committees approve,] a plan for expenditure that: (1) meets the capital planning and investment control review requirements established by the Office of Management and Budget, including Circular A-11[part 3]; (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. *(Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

Administrative Provisions – Internal Revenue Service

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 "Tax Law Enforcement"] may be transferred to any other Internal Revenue Service appropriation [upon the advance approval] *fifteen days after notification* of the Committees on Appropriations: *Provided, That no such transfer may reduce funding for tax enforcement.*

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 the 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. Funds made available by this or any other Act to the Internal Revenue Service shall be available for improved facilities and increased manpower to provide sufficient and effective 1-800 help line service for taxpayers. The Commissioner shall continue to make the improvement of the Internal Revenue Service 1-800 help line service a priority and allocate resources necessary to increase phone lines and staff to improve the Internal Revenue Service 1-800 help line service.] *(Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

General Provisions – Department of the Treasury

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 approval of] *15 days after notification to* 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 approval of] *15 days after notification to* 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 service, salaries and expenses'] *Financial Management Service, Salaries and Expenses* to [`Debt services'] *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 [Services Account] *Collection Fund*.

SEC. 216. Section 122(g)(1) of Public Law 105-119 (5 U.S.C. 3104 note), is further amended by striking `[6] *7* years' and inserting `[7] *8* years'.

[SEC. 217. None of the funds appropriated or otherwise made available by this or any other Act may be used by the United States Mint to construct or operate any museum without the explicit approval of the House Committee on Financial Services and the Senate Committee on Banking, Housing, and Urban Affairs.]

[SEC. 218. None of the funds appropriated or otherwise made available by this or any other Act or source to the Department of the Treasury, the Bureau of Engraving and Printing, and the United States Mint, individually or collectively, may be used to consolidate any or all functions of the Bureau of Engraving and Printing and the United States Mint without the explicit approval of the House Committee on Financial Services; the Senate Committee on Banking, Housing, and Urban Affairs; the House Committee on Appropriations; and the Senate Committee on Appropriations.]

[SEC. 219. Section 101(f) of the Treasury Department Appropriations Act, 1997 (division A of Public Law 104-208), as amended, is further amended by striking `hereby' and `until October 1, 2004,' and inserting `Hereafter' before the phrase `there is established'.]

[SEC. 220. (a) Section 3333 of title 31, United States Code, is amended as follows:

(1) By revising paragraph (a)(1) to read as follows:

`(a)(1) The Secretary of the Treasury is not liable for a payment made by the Secretary or depositary in due course and without negligence, of--

`(A) a check, draft, or warrant drawn on the Treasury or the depositary;

`(B) an electronic payment issued by the Treasury or the depositary; and

`(C) a debt obligation guaranteed or assumed by the United States Government.';

(2) By inserting after paragraph (a)(2) the following new paragraph:

`(3) The amount of the relief 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.'.

(b) The Check Forgery Insurance Fund (31 U.S.C. 3343) shall be available to fund amounts relating to the payment of items listed in 31 U.S.C. 3333(a)(1), as amended above, prior to the enactment of this Act.]

[SEC. 221. Not later than 60 days after enactment of this Act, the Secretary of the Treasury shall submit to the Committees on Appropriations a report describing how statutory provisions addressing currency manipulation by America's trading partners contained in, and relating to, title 22 U.S.C. 5304, 5305, and 286y can be better clarified administratively to provide for improved and more predictable evaluation, and to enable the problem of currency manipulation to be better understood by the American people and the Congress.]

[SEC. 222. TERRORISM AND FINANCIAL INTELLIGENCE. (a) IN GENERAL- Subchapter I of chapter 3 of title 31, United States Code, is amended by adding at the end the following:

`Sec. 313. Terrorism and financial intelligence

`(a) OFFICE OF TERRORISM AND FINANCIAL INTELLIGENCE-

`(1) ESTABLISHMENT- There is established within the Department of the Treasury the Office of Terrorism and Financial Intelligence (in this section referred to as `OTFI'), which shall be the successor to any such office in existence on the date of enactment of this section.

`(2) LEADERSHIP-

`(A) UNDERSECRETARY- There is established within the Department of the Treasury, the Office of the Undersecretary for Terrorism and Financial Crimes, who shall serve as the head of the OTFI, and shall report to the Secretary of the Treasury through the Deputy Secretary of the Treasury. The Office of the Undersecretary for Terrorism and Financial Crimes shall be the successor to the Office of the Undersecretary for Enforcement.

`(B) APPOINTMENT- The Undersecretary for Terrorism and Financial Crimes shall be appointed by the President, by and with the advice and consent of the Senate.

`(3) ASSISTANT SECRETARY FOR TERRORIST FINANCING-

`(A) ESTABLISHMENT- There is established within the OTFI the position of Assistant Secretary for Terrorist Financing.

`(B) APPOINTMENT- The Assistant Secretary for Terrorist Financing shall be appointed by the President, by and with the advice and consent of the Senate.

`(C) DUTIES- The Assistant Secretary for Terrorist Financing shall be responsible for formulating and coordinating the counter terrorist financing and anti-money laundering efforts of the Department of the Treasury, and shall report directly to the Undersecretary for Terrorism and Financial Crimes.

`(4) FUNCTIONS- The functions of the OTFI include providing policy, strategic, and operational direction to the Department on issues relating to--

`(A) implementation of titles I and II of the Bank Secrecy Act;

`(B) United States economic sanctions programs;

`(C) combating terrorist financing;

`(D) combating financial crimes, including money laundering, counterfeiting, and other offenses threatening the integrity of the banking and financial systems;

`(E) other enforcement matters;

`(F) those intelligence analysis and coordination functions described in subsection (b); and

`(G) the security functions and programs of the Department of the Treasury.

`(5) REPORTS TO CONGRESS ON PROPOSED MEASURES- The Undersecretary for Terrorism

and Financial Crimes and the Assistant Secretary for Terrorist Financing shall report to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives not later than 72 hours after proposing by rule, regulation, order, or otherwise, any measure to reorganize the structure of the Department for combatting money laundering and terrorist financing, before any such proposal becomes effective.

`(6) OTHER OFFICES WITHIN OTFI- Notwithstanding any other provision of law, the following offices of the Department of the Treasury shall be within the OTFI:

`(A) The Office of the Assistant Secretary for Intelligence and Analysis, which shall report directly to the Undersecretary for Terrorism and Financial Crimes.

`(B) The Office of the Assistant Secretary for Terrorist Financing, which shall report directly to the Undersecretary for Terrorism and Financial Crimes.

`(C) The Office of Foreign Assets Control (in this section referred to as the `OFAC'), which shall report directly to the Undersecretary for Terrorism and Financial Crimes.

`(D) The Executive Office for Asset Forfeiture, which shall report to the Undersecretary for Terrorism and Financial Crimes.

`(E) The Office of Intelligence and Analysis (in this section referred to as the `OIA'), which shall report to the Assistant Secretary for Intelligence and Analysis.

`(F) The Office of Terrorist Financing, which shall report to the Assistant Secretary for Terrorist Financing.

`(7) FINCEN-

`(A) REPORTING TO UNDERSECRETARY- The Financial Crimes Enforcement Network (in this section referred to as `FinCEN'), a bureau of the Department of the Treasury, shall report to the Undersecretary for Terrorism and Financial Crimes. The Undersecretary for Terrorism and Financial Crimes may not redelegate its reporting authority over FinCEN.

`(B) OFFICE OF COMPLIANCE- There is established within FinCEN, an Office of Compliance.

`(b) OFFICE OF INTELLIGENCE AND ANALYSIS-

`(1) ASSISTANT SECRETARY FOR INTELLIGENCE AND ANALYSIS- The Assistant Secretary for Intelligence and Analysis shall head the OIA.

`(2) RESPONSIBILITIES- The OIA shall be responsible for the receipt, analysis, collation, and dissemination of intelligence and counterintelligence information related to the operations and responsibilities of the entire Department of the Treasury, including all components and bureaus of the Department.

`(3) PRIMARY FUNCTIONS- The primary functions of the OIA are--

`(A) to build a robust analytical capability on terrorist finance by coordinating and overseeing work involving intelligence analysts in all components of the Department of the Treasury, focusing on the highest priorities of the Department, as well as ensuring that the existing intelligence needs of the OFAC and FinCEN are met; and

`(B) to provide intelligence support to senior officials of the Department on a wide range of international economic and other relevant issues.

`(4) OTHER FUNCTIONS AND DUTIES- The OIA shall--

`(A) carry out the intelligence support functions that are assigned, to the Office of Intelligence Support under section 311 (pursuant to section 105 of the Intelligence Authorization Act for Fiscal Year 2004);

`(B) serve in a liaison capacity with the intelligence community; and

`(C) represent the Department in various intelligence related activities.

`(5) DUTIES OF THE ASSISTANT SECRETARY- The Assistant Secretary for Intelligence and Analysis shall serve as the Senior Officer Intelligence Community, and shall represent the Department in intelligence community fora, including the National Foreign Intelligence Board committees and the Intelligence Community Management Staff.

`(c) DELEGATION- To the extent that any authorities, powers, and responsibilities over enforcement matters delegated to the Undersecretary for Terrorism and Financial Crimes, or the positions of Assistant Secretary for Terrorism and Financial Crimes, Assistant Secretary for Enforcement and Operations, or Deputy Assistant Secretary for Terrorist Financing and Financial Crimes, have not been transferred to the Department of Homeland Security, the Department of Justice, or the Assistant Secretary for Tax Policy (related to the customs revenue functions of the Bureau of Alcohol and Tobacco Tax and Trade), those remaining authorities, powers, and responsibilities are delegated to the Undersecretary for Terrorism and Financial Crimes.

`(d) DESIGNATION AS ENFORCEMENT ORGANIZATION- The Office of Terrorism and Financial Intelligence (including any components thereof) is designated as a law enforcement organization of the Department of the Treasury for purposes of section 9703 of title 31, United States Code, and other relevant authorities.

`(e) USE OF EXISTING RESOURCES- The Secretary may employ personnel, facilities, and other Department of the Treasury resources available to the Secretary on the date of enactment of this section in carrying out this section, except as otherwise prohibited by law.

`(f) REFERENCES- References in this section to the `Secretary', `Undersecretary', `Deputy Secretary', `Deputy Assistant Secretary', `Office', `Assistant Secretary', and `Department' are references to positions and offices of the Department of the Treasury, unless otherwise specified.'.

(b) CONFORMING AMENDMENTS-

(1) TITLE 31- Section 311 of title 31, United States Code, is amended--

(A) in subsection (a)--

(i) by redesignating paragraphs (1) and (2) as paragraphs (2) and (3), respectively; and

(ii) by inserting before paragraph (2), as so redesignated, the following:

`(1) be within the Office of Terrorism and Financial Intelligence;'; and

(B) in subsection (b), by striking `Enforcement' and inserting `Terrorism and Financial Crimes'.

(2) OTHER OFFICE ABOLISHED- The Office of the Undersecretary for Enforcement of the Department of the Treasury, established in accordance with section 103 of the Treasury Department Appropriations Act, 1994 (Public Law 103-123) is abolished, and all rights, duties, and responsibilities of that office are transferred on the date of enactment of this Act to the Office of the Undersecretary for Terrorism and Financial Crimes of the Department of the Treasury in accordance with this section and the amendments made by this section, except as otherwise specifically provided in this section or the amendments made by this section, or other applicable law.]

SEC. 217. Not to exceed 5 percent of any appropriations in this Act made available to the Departmental Offices – Salaries and Expenses and Financial Crimes Enforcement Network, may be transferred between such appropriations 15 days after notification to the Committees on Appropriations: Provided, That no transfer may increase or decrease any such appropriation by more than 5 percent: Provided further, That this transfer authority shall be in addition to any other transfer authority provided in this Act. (Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)

Detail of Other Treasury Accounts

Total Treasury Department Budget

Treasury's FY 2006 budget request covers the following areas:

Interest Payments -- $400.5 billion

These are funds for interest payments needed to finance the public debt ($392 billion); interest payments by the IRS on refunds of taxes to taxpayers ($3.6 billion); selected interest payments on special accounts handled through the Treasury ($4.3 billion).

Permanent Authority Appropriations and Trust Funds -- $51.9 billion

These are funds for special accounts for which the Congress has given the Department of Treasury permanent authority to expend as appropriations. These accounts include primarily repayments of taxes collected for Puerto Rico, payments made when the earned income 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, and payments to Presidential candidates and their parties in accordance with Federal Election Commission certification.

Offsetting Collections -- -$21.5 billion

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

Annual Operating Appropriations (Funding for All Treasury Bureaus) -- $11.6 billion

These are funds for the Treasury bureaus' activities. Funding for these require appropriation action by the Congress. Details of bureau operating budgets are provided in the section titled, "Analysis of FY 2006 President's Budget".

Detail of Other Accounts

Interest Payments

Interest on the Public Debt The Federal Government's current deficit and 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. This appropriation is permanent, indefinite, meaning that an annual appropriation request is not required to obtain this budget authority.

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.

The Federal Government pays and receives interest, and in some cases pays itself. A better display of the Federal Government's interest cost is shown in net interest outlay estimates, comprised of:

- ✓Interest on the public debt, plus interest on tax collection refunds; and
- ✓Interest collections from federal agencies and the public (interest on loans to the Federal Financing Bank is the largest item of offsetting interest collections), and interest received by federal trust funds for securities held by these funds.

Restoration of Interest, Medicare Trust Funds The account was established to transfer amounts appropriated from the General Fund of Treasury to the Medicare Trust Fund(s) in order to make the trust fund(s) whole, when as a result of a clerical error there is a loss of interest income.

Interest on IRS Refunds Under certain conditions set forth 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 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 timely. Further, states are reimbursed for specific costs.

Trust Funds and Other

Federal Financing Bank

The Federal Financing Bank (FFB) was created in 1973 to ensure the coordination of federal and federally assisted borrowing from the public in a manner least disruptive to private financial markets and institutions. FFB loans are now used primarily to finance direct agency activities such as resolution of failed thrift institutions by the deposit insurance agencies, construction of federal buildings by the General Services Administration, and meeting the financial requirements of the U.S. Postal Service.

Payment to Resolution Funding Corporation

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 authorized and appropriated to the Secretary of the Treasury, for fiscal year 1989 and thereafter, 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.

Check Forgery Insurance Fund

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

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

Payment to Terrestrial Wildlife 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.

Air Transportation Stabilization Program Account

The Air Transportation Safety and System Stabilization Act, P.L. 107-42 established the Air Transportation Stabilization Program which may issue up to $10 billion in loan guarantees. Amounts include estimates for loan guarantees that have received either conditional or final approval.

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.

Biomass Energy Development

This account provided loan guarantees for the construction of biomass-to-ethanol facilities, as authorized under Title II of the Energy Security Act.

All loans went into default, and the assets of all but one project have been liquidated.

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.

Terrorism Risk Insurance Program

The Terrorism Risk Insurance Act of 2002 (P.L. 107-297) was signed into law on November 26, 2002. The Act establishes in the Department of the Treasury, the Terrorism Insured Loss Shared Compensation Program, administered by the Secretary of the Treasury, who shall have general Program authorities and pay the Federal share of compensation for insured commercial property and casualty losses resulting from acts of terrorism. The Act provides a permanent, indefinite appropriation for the program and its administration. By law, the Program terminates on December 31, 2005.

Sallie Mae Assessments

The FY 1997 Omnibus Consolidated Appropriations Act authorizes the Secretary of the Treasury to establish and collect from the Sallie Mae Association an annual assessment of up to $800,000 (adjusted for each fiscal year ending after September 30, 1997 by the CPI) to cover the expenses related to providing financial oversight of the Association. Treasury officials announced that Sallie Mae became a fully private company on December 29, 2004.

Continued Dumping and Subsidy Offset

P.L. 106-387 provides 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

The Treasury, Postal Service, and General Government Appropriation Act, 1993 (P.L. 102-393) established this permanent appropriation to be used to pay for all seizures and forfeiture costs that occur pursuant to the Treasury Department's law enforcement activities.

Debt Collection Special Fund

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

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.

Confiscated and Vested Iraqi Property and Assets

Executive Order 13290 of March 20, 2003 authorized the use of seized Iraqi assets for the relief and reconstruction of Iraq.

Reimbursement to Federal Reserve Banks

Public Law 101-509 established a permanent, indefinite appropriation to reimburse Federal Reserve Banks for their services as fiscal agents for the Bureau of the Public Debt beginning in FY 1994.

In addition, an appropriation was established for the Financial Management Service to reimburse Federal Reserve Banks in their capacity as depositaries and fiscal agents for the United States for all services required or directed by the Secretary of the Treasury to be performed by such banks on behalf of the Treasury or other Federal agencies.

Financial Agent Services

A permanent, indefinite appropriation was included in the FY 2004 Omnibus Appropriation Conference Report that 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.

Temporary State Fiscal Assistance Fund

This account was established under Public Law 108-27 (Title VI, Sec. 601(a)). Upon submission of a certification to the Financial Management Service (FMS), FMS will make payments to the States, the District of Columbia, and U.S. territories (Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, and American Samoa). The certification must state how the funds will be used and the purposes should be in accordance with the P.L. requirements. Payments are based on population and all funds have been disbursed.

Duties, Taxes and Fees (Puerto Rico)

Treasury's Alcohol and Tobacco Tax and Trade Bureau collects duties and excise taxes for Puerto Rico. These funds are deposited in a Treasury receipt account. After the bureau deducts its cost of collecting these funds, the balance is refunded back to Puerto Rico through this account, which is shown as a Treasury outlay. In total, the activity (receipts/outlays) generally balances to zero, although 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 to increase receipts, where such fees are authorized by another law. The fees may be spent to supplement appropriations.

Internal Revenue Service – Informant Payments

The Secretary of the Treasury may make payments to individuals resulting from information given that leads to the collection of Internal Revenue taxes. The Taxpayer Bill of Rights of 1996 (Public Law 104-168) provides for payments of such sums to individuals from the proceeds of amounts (other than interest) collected by reason of the information provided, and any amount collected shall be available for such payments.

Internal Revenue Service- Private Collection Agent Program

The American Jobs Creation Act of 2004 (Public Law 108-357) included an important new tax enforcement tool. Like many states and other Federal agencies, the IRS will now be able to hire private collection agencies 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 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 Credit Exceeds Tax Liability (Earned Income Credit)

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).

Offsetting Collections
(dollars in billions)

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
Proprietary	13.6	14.3	14.7
Interfund	1.3	1.6	5.0
Intrafund	2.1	1.7	1.8
TOTAL	17.0	17.6	21.5