

## Bureau of Engraving and Printing

### Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2014	FY 2015	FY 2016	FY 2015 TO FY 2016	
	Actual	Estimated	Estimated	\$ Change	% Change
Manufacturing	\$733,208	\$778,592	\$863,940	\$85,348	10.96%
<b>Total Cost of Operations</b>	<b>\$733,208</b>	<b>\$778,592</b>	<b>\$863,940</b>	<b>\$85,348</b>	<b>10.96%</b>
<b>FTE</b>	<b>1,925</b>	<b>1,944</b>	<b>1,924</b>	<b>(20)</b>	<b>-1.03%</b>

#### Summary

In support of Treasury's strategic goal of "Enhance U.S. Competitiveness and Promote International Financial Stability and Balanced Global Growth", the mission of the Bureau of Engraving and Printing (BEP) is to develop and produce United States currency notes trusted worldwide.

#### FY 2016 Priorities

Produce U.S. currency that functions flawlessly in commerce and create innovative currency designs that provide effective counterfeit deterrence, and meaningful access. Achieve organizational excellence and customer satisfaction through balanced investment in people, processes, facilities, and technology.

**Product quality** – Produce and deliver currency notes ordered by the Federal Reserve Board (FRB) that consistently meet the customer's high quality standards.

**Counterfeit Deterrence** – Conduct research and development, and collaborate with key stakeholders in order to deter counterfeiting and maintain the public's trust in the security and reliability of U.S. currency notes.

**Meaningful Access** – Assist users of U.S. currency, including the blind and visually impaired, with the use and denomination of currency.

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

The Bureau produces the paper currency notes ordered by the FRB. During FY 2016, BEP expects to produce and deliver 8.3 billion notes to the FRB to meet currency demand. The FY 2016 order represents a 13 percent increase in the number of notes delivered from the FY 2015 program. In order to meet continued international demand, the FY 2016 order includes a large proportion of higher denomination notes.

Research and development of new technologies for use in currency note production is a priority at the Bureau as more sophisticated counterfeit deterrent features are needed to protect future generations of currency notes. Via its website [www.bep.gov](http://www.bep.gov), BEP seeks information about technologies or materials that may have potential application

in the development of new counterfeit deterrent features in currency notes.

BEP supports a comprehensive anti-counterfeiting program built around effective note design, public education, and aggressive law enforcement. The Bureau will continue working with the Advanced Counterfeit Deterrent (ACD) Steering Committee to develop future designs that will enhance and protect U.S. currency notes. The ACD Committee includes representatives from BEP, the Department of the Treasury, the U.S. Secret Service, and the FRB.

Work will continue in FY 2016 on enabling the Nation's currency to better serve users, including the blind and visually impaired. The Bureau will be incorporating features into the next redesign of currency that will assist every American to better use and denominate currency. BEP will continue to research and develop tactile features that will enhance future note designs. Testing and refinement of features will continue to determine which processes and features work best at the volumes needed for U.S. currency. While no timetable has been set for the introduction of this currency, the next redesign will incorporate changes to make U.S. currency more accessible to those who are blind and visually impaired.

The FY 2016 Budget requests funding to continue the BEP Currency reader distribution program in coordination with the Library of Congress' National Library Service. Under this program, United States citizens and legal residents who are blind or visually impaired are provided a currency reader to aid in the denomination of US currency. The majority of Currency Readers will be distributed in 2015, however readers will continue to be distributed in 2016 and beyond in numbers necessary to meet public demand.

In addition, funding is requested to continue the Currency Quality Assurance (CQA) Program. The Bureau, in collaboration with the FRB and other stakeholders, developed a robust CQA Program in 2014. This re-invention is moving BEP from inspecting to remove poor quality notes to building quality in at the onset of all production processes. Throughout FY 2015 and FY 2016, the Bureau will fill skill gaps with respect to production engineers, quality assurance specialists and specialists in related science and engineering disciplines, while reorganizing to become quality focused and customer driven, leaner, flexible and and accountable for results. Completion of this change management process will improve the work place and drive continuous improvement throughout the organization.

Funds are requested to support BEP's Phase II of a retooling equipment project which includes an equipment replacement plan, tactile feature testing equipment, labor relations/staffing strategy and alternatives for material handling.

Treasury is continuing its comprehensive review of U.S. currency including a review of both the production and use of coins, in order to efficiently promote commerce in the 21st Century. Treasury expects to announce the results of its review this fiscal year.

BEP requests FY 2016 funds for the acquisition of advisory and technical support to assist with planning and implementation of a new facility project. The Federal Reserve Board, which would pay for a replacement of the Washington, DC facility, has expressed support for this project. Future production equipment upgrades and production processes will soon exceed the support capacity of the current Washington, DC facility. It is estimated that the process of putting a new facility into production will take 10 years.

## BEP FY 2016 Budget Highlights

Dollars in Thousands

Bureau of Engraving and Printing	FTE	Materials	Operating & Capital	Total
<b>FY 2015 Estimated</b>	<b>1,944</b>	<b>\$292,250</b>	<b>\$486,342</b>	<b>\$778,592</b>
Changes to Base:				
Maintaining Current Levels (MCLs):	-	-	\$7,848	\$7,848
Pay-Raise	-	-	\$2,418	\$2,418
Pay Annualization	-	-	\$618	\$618
FERS Contribution Increase	-	-	\$842	\$842
Non-Pay	-	-	\$3,970	\$3,970
Efficiency Savings:	-	-	(\$1,500)	(\$1,500)
Reduced Labor Costs Due to Spoilage Reductions	-	-	(\$1,500)	(\$1,500)
Subtotal Changes to Base	-	-	\$6,348	\$6,348
<b>Total FY 2016 Base</b>	<b>1,944</b>	<b>\$292,250</b>	<b>\$492,690</b>	<b>\$784,940</b>
Program Changes:				
Program Decreases:	(20)	-	(\$11,000)	(\$11,000)
Attrition Without Backfill (Goal 20 FTE)	(20)	-	(\$2,500)	(\$2,500)
Reduced Lease Parking Spaces	-	-	(\$250)	(\$250)
Water Usage Reduction/Recycling	-	-	(\$750)	(\$750)
Defer Targeted Facilities Investments	-	-	(\$7,500)	(\$7,500)
Program Increases:	-	-	\$90,000	\$90,000
New Facility	-	-	\$40,000	\$40,000
Phase II - Retooling (Scheduled Replacement of Obsolete Production Equipment)	-	-	\$50,000	\$50,000
<b>Total FY 2016 Estimated</b>	<b>1,924</b>	<b>\$292,250</b>	<b>\$571,690</b>	<b>\$863,940</b>

### FY 2014 Budget Adjustments

#### Adjustment to Estimates

##### Maintaining Current Level (MCLs)

##### *Pay-Raise* +\$2,418,000 / +0 FTE

Funds are required for the proposed January 2016 pay-raise.

##### *Pay Annualization* +\$618,000 / +0 FTE

Funds are required for the Annualization of the proposed January 2015 pay-raise.

##### *FERS Contribution Increase* +\$842,000 / +0 FTE

Funds are required for increases in agency contributions to the Federal Employee Retirement System.

##### *Non-Pay* +\$3,970,000 / +0 FTE

Funds are required for inflation adjustments in non-labor costs such as travel, contracts, rent, supplies, and equipment.

#### Efficiency Savings

##### *Reduced Labor Costs Due to Spoilage Reductions* -\$1,500,000 / +0 FTE

Due to CQA driven improvements, better production yields are anticipated reducing overtime costs.

#### Program Decreases

##### *Defer Targeted Facilities Investments* -\$7,500,000 / +0 FTE

Defer facility improvements to the DC facility pending the building replacement proposal.

##### *Attrition Without Backfill (Goal 20 FTE)* -\$2,500,000 / -20 FTE

BEP plans for savings in Labor and Benefits by not backfilling targeted vacancies.

##### *Reduced Lease Parking Spaces* -\$250,000 / +0 FTE

BEP will reduce leased parking space costs.

**Water Usage Reduction/Recycling -\$750,000 / +0 FTE**

A new waste water recycling plant will reduce water and chemical usage in processing waste water/wiping solutions

**Program Increases**

**Phase II - Retooling (Scheduled Replacement of Obsolete Production Equipment) +\$50,000,000 / +0 FTE**

Replacement of fully depreciated production equipment at BEP facilities is scheduled.

**New Facility +\$40,000,000 / +0 FTE**

Architecture & engineering services and a construction management contractor to perform architectural, environmental, and related services are required.

**Explanation of Budget Activities**

**Manufacturing (\$863,940,000 from revenue/offsetting collections)**

The BEP has one budget activity: Manufacturing. This budget activity supports all of BEP's strategic goals.

**Legislative Proposals**

BEP has no legislative proposals.

**BEP Performance by Budget Activity**

Budget Activity	Performance Measure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
		Actual	Actual	Actual	Target	Target
Manufacturing	Best Places to Work in Federal Government Ranking	178	47	N/A	99	99
Manufacturing	Lost Time Accident Rate per 100 Employees	1.9	1.63	N/A	1.6	1.6
Manufacturing	Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced)	43.34	50.45	44.22	55.0	55.0
Manufacturing	Percent of Currency Notes Delivered Returned Due to Defects	.0	.466	.0	.0	.0
Manufacturing	Reduction to BEP's Three Major Regulated Waste Streams (Air Emissions, Waste water, and Solid Waste)	31.2	31.2	29.1	N/A	N/A

Key: DISC - Discontinued and B - Baseline

**Description of Performance**

*BEP's Best Places to Work in Federal Government Ranking* is based on the results of the Partnership for Public Service data on three questions in the Federal Employee Viewpoint Survey. BEP's 2014 ranking improved to 47 out of 300. BEP will continue to target achievement of an improvement in rank.

*Lost Time Accident Rate per 100 Employees* measures the Bureau's ability to reduce injuries and illnesses in the workplace. During FY 2014 BEP's lost time case rate increased unfavorably during the fiscal year to 2.08 against a target of 1.7 cases per 100 employees. The Bureau remains committed to improving the safety of its employees and

has undertaken analysis to determine the root causes of injury and to identify best

practices in safety. BEP's target for this performance metric will be held constant at 1.7 per 100 employees for FY 2015 and FY 2016

*Manufacturing Costs for Currency (dollar cost per 1,000 notes produced)* is an indicator of manufacturing efficiency and effectiveness of program management. The measure is based on contracted price factors, productivity improvements, as well as the mix of denominations ordered. Actual performance against standard cost depends on BEP's ability to meet spoilage, efficiency, and capacity utilization goals. In 2014 the cost of manufacturing was lower than anticipated; the actual result realized was \$44.22 per 1,000 notes produced against a target of \$55.00. The performance goal is set at \$55.00 per 1,000 notes produced in FY 2015 and FY 2016.

*Percent of currency notes returned due to defects* is an indicator of the Bureau's ability to provide a quality product. BEP's FY 2014 target for this performance metric was 0.0001 percent, and the actual result realized for this measure was 0.00001 percent. BEP's target for this performance metric will be held constant at 0.0001 percent for both FY 2015 and FY 2016.

*Reduction in Regulated Waste (Pounds of waste per 1000 notes delivered of regulated air emissions, wastewater, and solid waste combined)* is a quantitative indicator of the effectiveness of BEP environmental programs, which are assessed through the BEP ISO 14001 certified Environmental Management System (EMS). BEP's FY 2014 performance of 29.4 pounds of regulated waste for this metric was against a target of 31 pounds per 1000 notes delivered.