



## DEPARTMENT OF THE TREASURY

### Funding Highlights:

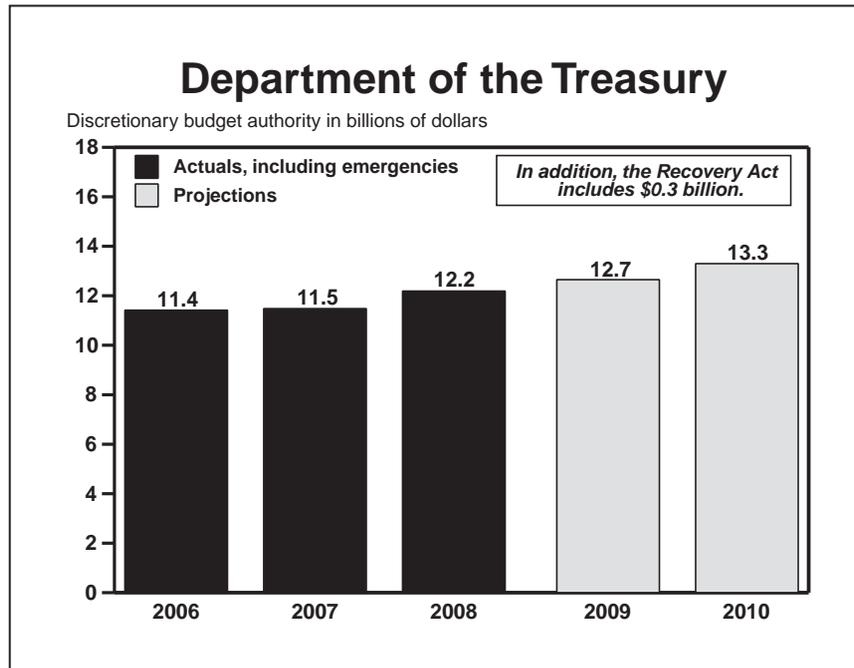
- Supports the Administration's new Financial Stability Plan, as well as financial regulatory reform efforts and the effective, transparent governance of the Troubled Assets Relief Program and its successors.
- Expands funding for effective Internal Revenue Service (IRS) enforcement and invests in high return-on-investment activities that generate improved compliance and fairness in the application of tax laws.
- Improves the responsiveness and efficiency of taxpayer services to improve the accuracy of taxpayer filing and the quality of taxpayers' experience when they interact with the IRS.
- Expands job-creating investments and access to credit in disadvantaged communities by doubling funding for the Community Development Financial Institutions Fund.

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

**Supports the New Financial Stability Plan and the Administration of the Troubled Assets Relief Program (TARP).** The Budget supports the Administration's new Financial Stability Plan as well as the management of the TARP, emphasizing effective, transparent, and accountable program management.

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

**Collects Taxes Owed Here and Abroad.** The scope, complexity, and sheer magnitude of the international financial system pose significant enforcement challenges for the IRS in carrying out its tax administration responsibilities. The 2010 Budget includes funding for a robust portfolio of IRS international tax



compliance initiatives, and sustains and improves IRS efforts to narrow the annual tax gap of over \$300 billion.

**Enhances IRS Services to Taxpayers.**

The Administration will pursue plans to improve the quality of taxpayers' experience when they interact with the IRS. This strategy includes improving relationships with critical third-party stakeholders, such as tax preparers, volunteers and practitioners, as well as enhancing electronic filing capabilities. The end goal envisions an IRS that correctly answers a tax-

payer's question the first time asked, through the most efficient and taxpayer-friendly means.

**Expands Lending in Disadvantaged Communities.**

The Budget expands lending in underserved neighborhoods by doubling funding for the Community Development Financial Institutions (CDFI) Fund. Through merit-based grant programs, the CDFI Fund helps locally based financial institutions offer small business, consumer and home loans in communities and populations that lack access to affordable credit.



## DEPARTMENT OF THE TREASURY

### Funding Highlights:

- Includes resources to implement the Administration's proposal to reform financial regulation including a new agency to protect consumers, and increases the security and convenience of Federal payment and collection transactions.
- Manages responsibly Troubled Asset Relief Program (TARP) investments to protect taxpayer interests while winding down extraordinary market interventions.
- Provides \$250 million to expand job-creating investments and access to credit in disadvantaged communities through the Community Development Financial Institutions Fund.
- Invests over \$8 billion in the Internal Revenue Service's enforcement and modernization programs, while continuing to drive innovation and responsiveness in taxpayer services. The Budget supports significant new revenue-generating initiatives that will target critical areas of non-compliance, and enhances a multi-year modernization strategy that will deliver a vastly improved IRS within the next five years.
- Supports the capacity of the Department to respond to future economic challenges by expanding Treasury's finance and tax policy resources. This increased analytical capability will also fund the Administration's plan to strengthen oversight of financial institutions and markets so that the system is safer for consumers and investors.

The Department of the Treasury is a leader in the President's efforts to promote the economic prosperity and financial security of the United States. Treasury operations are critical to the core functions of government, including collecting over \$2.3 trillion in revenue and disbursing over \$2.3 trillion in payments, managing Federal finances, and protecting the financial system from threats. Treasury also plays a key role in modernizing the American financial regulatory framework and ensuring effective, transparent administration of programs designed to strengthen the economy.

**Supports the Administration's Reform of Financial Regulation and Consumer Protection.** In June 2009, the Administration proposed comprehensive financial reform legislation designed to create a robust financial regulatory system that could help prevent future economic crises. The proposal includes changes to improve the safety and soundness of the financial sector, especially large and interconnected firms, and creates a new Government entity responsible for monitoring financial businesses and practices that impact consumers directly.

**Redirects TARP to Small Businesses and Homeowners.** The Budget continues to support activities authorized under the Emergency Economic Stability Act of 2008 and the Housing and Economic Recovery Act of 2008 that help stabilize the financial system and restart markets critical to financing American households and businesses, through new and existing investment agreements with financial institutions including banks, servicers, insurance companies, and the Government-Sponsored Enterprises Fannie Mae and Freddie Mac. New TARP agreements will be directed toward assisting homeowners threatened with foreclosure and small businesses needing access to affordable credit. The Budget emphasizes effective, transparent, and accountable management of the TARP. Over the past year, financial markets have rebounded faster than expected, and as a result the Budget reflects a significantly lower cost and volume of TARP asset purchases than previously estimated.

**Supports Lending in Low-Income Communities.** The Budget supports the availability of affordable financing in low-income communities by providing targeted support to Community Development Financial Institutions throughout the Nation. The \$250 million in financial support will help these local financial institutions offer affordable loans to small businesses, consumers, nonprofit developers, and home buyers in communities that lack access to affordable credit. These resources will also be coordinated with resources in other agencies to support the Administration's place-based initiatives. New initiatives will expand financing for access to healthy foods and access to financial services in underserved communities. Supporting the Department's efforts to improve protections for consumers of complicated financial products, Treasury will continue its work to improve financial literacy, especially among youth and young adult populations. Treasury along with its partners, will work to improve access to financial services for America's unbanked and underbanked, building upon findings from its multi-year community financial access pilot, which concludes in 2010.

**Improves Services to Taxpayers.** The Administration will improve the quality of IRS services to taxpayers, providing for a better tax filing experience. The Budget provides additional resources for high-quality phone service so that taxpayers' questions are answered quickly and correctly. A top priority of the IRS is to promptly and correctly answer a taxpayer's question the first time asked, through the most efficient and taxpayer-friendly means. The IRS will also work to improve interactions between taxpayers and tax preparation service providers through a new targeted strategy, and will further enhance electronic filing capabilities through increased availability of electronic forms and improved information technology infrastructure.

**Streamlines Internal Processes to Deliver Tax Fairness while Targeting Waste and Fraud.** The Budget supports the IRS' continued progress in reducing the tax gap through fair, robust, and equal application of the tax laws—including new revenue-generating enforcement initiatives that will increase recovery of tax debts by nearly \$2 billion a year once the initiatives are fully mature in 2013. This set of initiatives will be balanced with an increased focus on IRS modernization, for which the Budget makes a significant commitment through nearly \$200 million in targeted investments in the IRS' new core taxpayer database and processing platform. Once complete, this modernized system will improve both the taxpayer experience through, for example, enhanced service capabilities such as more individualized self-service offerings, as well as the IRS' operational effectiveness, creating a more responsive, nimble organization. The Budget also includes a set of innovative legislative proposals to improve the fairness, effectiveness and efficiency of tax administration, which will also narrow the tax gap.

**Achieves New Savings Through Commonsense Reforms.** The Budget will increase collections of delinquent debt owed to the Federal Government, as well as child support payments through States, expand the use of electronic payment and collection transactions, and propose other cross-cutting initiatives that are expected

to yield approximately \$2 billion in savings over the next 10 years. The Budget eliminates nearly \$250 million in Federal subsidies to insurance companies for terrorism insurance. These subsidies are no longer necessary given the robust private market for such insurance, and domestic terrorism insurance policies are now sufficiently available and affordable to meet demand. According to industry data, property and casualty insurers' surpluses—the balances available to pay claims associated with covered terrorist attacks—are currently estimated at over \$490 billion.

**Strengthens the Analytic Capacity of Departmental Offices.** The Budget funds additional staff with expertise in finance and tax policy. This investment will allow the Department to identify more effectively and address emerging economic challenges and improve policy-making capacity. Some of the new positions will support implementation of Financial Regulation Reform initiatives, including the launch of the Office of National Insurance and the Financial Services Oversight Council, which will improve supervision and regulation of financial institutions and markets.

**Department of the Treasury**  
(In millions of dollars)

	Actual 2009	Estimate	
		2010	2011
<b>Spending <sup>1</sup></b>			
Discretionary Budget Authority:			
Internal Revenue Service .....	11,522	12,147	12,633
Financial Management Service .....	240	244	235
Departmental Offices .....	279	305	346
Department-wide Systems and Capital Investments Programs .....	27	10	22
Bureau of the Public Debt .....	179	182	176
Department and IRS Inspectors General.....	172	182	185
Special Inspector General for TARP.....	—	23	50
Alcohol and Tobacco Tax and Trade Bureau .....	99	103	—
Financial Crimes Enforcement Network .....	91	111	100
Community Development Financial Institutions Fund .....	107	247	250
All other .....	-92	—	-62
Total, Discretionary budget authority .....	12,624	13,554	13,935
<i>Memorandum:</i>			
<i>Budget authority from American Recovery and Reinvestment Act .....</i>	<i>318</i>	<i>—</i>	<i>—</i>
Total, Discretionary outlays .....	12,224	13,278	13,738
<i>Memorandum: Outlays from American Recovery and Reinvestment Act ...</i>	<i>139</i>	<i>149</i>	<i>16</i>
Mandatory Outlays:			
Payment where tax credit exceeds liability for tax (multiple programs)..	78,604	71,821	59,438
GSE MBS and HFA Purchases .....	-4,500	-9,879	—

**Department of the Treasury—Continued**  
(In millions of dollars)

	Actual 2009	Estimate	
		2010	2011
GSE Preferred Stock Purchase Agreements and Dividends .....	91,264	56,746	5,435
Troubled Asset Relief Program (TARP) .....	151,151	41,427	10,734
TARP Downward Reestimate of Subsidies .....	—	-114,531	—
Office of Financial Stability .....	90	443	309
Special Inspector General for TARP .....	12	37	11
Internal Revenue Collections for Puerto Rico .....	473	356	348
Legislative Proposal .....	—	66	91
Terrorism Insurance Program .....	2	104	236
Legislative proposal .....	—	—	-26
All other .....	-2,633	5,239	3,163
Total, Mandatory outlays .....	314,463	51,763	79,674
<i>Memorandum: Outlays from American Recovery and Reinvestment Act ...</i>	<i>2,433</i>	<i>49,156</i>	<i>44,181</i>
Total, Outlays .....	326,687	65,041	93,412
<b>Credit activity</b>			
Direct Loan Disbursements:			
GSE MBS and HFA Purchases .....	190,574	48,676	—
Troubled Asset Relief Program .....	363,825	85,713	5,168
Total, Direct loan disbursements .....	554,399	134,389	5,168
Guaranteed Loan Commitments:			
Troubled Assets Relief Program .....	301,000	—	—
Total, Guaranteed loan commitments .....	301,000	—	—

<sup>1</sup> Excludes International Programs.



## DEPARTMENT OF THE TREASURY

### Funding Highlights:

- Provides \$14 billion, a 4 percent increase above the 2010 enacted level. This increase is due to costs associated with implementation of legislation and new investments in IRS tax compliance activities that help reduce the deficit. In all other areas of the Treasury budget, funding remains highly constrained—more than 1 percent below the 2010 enacted level.
- Enables the implementation of critical reforms to the U.S. financial regulatory system through support for the Dodd-Frank Wall Street Reform and Consumer Protection Act, which will create a stronger, fairer financial system and foster continued growth.
- Increases small business lending and responsibly manages Troubled Asset Relief Program investments to protect taxpayer interests while winding down extraordinary interventions in the financial market.
- Expands job-creating investments and access to credit in disadvantaged communities through the Community Development Financial Institutions Fund.
- Saves money for taxpayers through a robust set of administrative savings and efficiencies that will streamline operations and provide considerable savings into the future.
- Ensures high-quality taxpayer services through targeted investments in the IRS, moving forward key technology modernization projects, and continuing sophisticated compliance programs to reduce the deficit and better achieve a tax system that is fair for all.
- Proposes a suite of legislative and administrative debt collection reforms that will yield more than \$5 billion of additional collections over the next 10 years from individuals and businesses that have failed to pay taxes or repay Government loans, a significant portion of which will be returned to States.

The Department of the Treasury is at the forefront of the President's efforts to promote the economic prosperity, fiscal stability, and financial security of the United States. Treasury's core operations include collecting over \$2.94 trillion in revenues and other collections, disbursing over \$2.3 trillion in payments, managing Federal finances, and protecting the financial system

from a variety of threats. Treasury also plays a key role in modernizing the Nation's financial regulatory framework and ensuring effective, transparent administration of critical economic programs, such as the stewardship of the Troubled Asset Relief Program (TARP) investments and consumer financial protection. Further, Treasury has been instrumental in Amer-

ica's economic recovery, fostering growth and job creation. It will continue to administer roughly \$300 billion in critical tax benefits provided through the American Recovery and Reinvestment Act and ensure robust program oversight in 2012 and beyond.

The President's Budget includes \$14 billion for the Department. This is an increase of over 4 percent from the 2010 enacted level, largely to support new investments in Internal Revenue Service (IRS) tax compliance activities that reduce the deficit and to support the implementation of new legislation, such as the Wall Street Reform and Consumer Protection Act, which is critical to protecting American families and our economy from future threats. Aside from these key investments, funding throughout the Department remains highly constrained at over 1 percent below the 2010 enacted level, and cuts are even made to uniquely valuable programs like the Community Development Financial Institution (CDFI) Fund.

### ***Fosters a Stronger, Fairer Financial System for Growth and Competitiveness***

#### **Supports Implementation of the Wall Street Reform and Consumer Protection Act.**

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted on July 21, 2010, was the most sweeping improvement of U.S. financial regulations since the 1930s. The Administration supports regulators' efforts to fully and effectively implement the requirements of the Act to create a more stable and resilient financial system. The Administration also fully supports the oversight and analytic work of the independent Financial Stability Oversight Council and Treasury's Office of Financial Research. The Act also created the landmark Consumer Financial Protection Bureau (CFPB), which will provide citizens with the tools and information they need to make wise financial decisions and will assure their protection in the financial products marketplace. The Treasury Department's interim authority to stand-up the CFPB will terminate on July 21, 2011, and the CFPB will then be established as an independent bureau within the Federal Reserve. Begin-

ning on this date, the CFPB will assume some of the consumer protection authorities currently performed by existing Federal regulators, as well as its new role in overseeing similar authorities for non-bank financial institutions to ensure that all aspects of the American financial system are subject to appropriate oversight. As part of this transition, numerous staff performing these activities now will transfer from the Federal banking regulators and the Department of Housing and Urban Development to the CFPB.

**Supports Homeowners and Small Businesses While Winding Down Programs for Large Financial Firms.** Treasury's authority to enter into new financial commitments through TARP ended on October 3, 2010, but the Administration supports legacy TARP activities targeted to assisting homeowners threatened by foreclosure and small businesses facing shortages of affordable credit. The enactment of the Small Business Jobs Act of 2010 redoubled Treasury's commitment to facilitate the restoration of credit markets for small businesses. Separate from TARP, Treasury is implementing the Small Business Lending Fund, which is authorized to provide up to \$30 billion in funding to community banks and offers incentives for these institutions to increase their small business lending portfolios, and the \$1.5 billion State Small Business Credit Initiative, which will boost state-sponsored small business loan funds. The President's Budget also emphasizes the effective, transparent, and accountable winding down of TARP programs that have helped stabilize the financial system and restart markets critical to financing American households and businesses. The progressing economic recovery and prudent management of TARP have resulted in an estimated cost of \$48 billion, significantly lower than the \$341 billion cost estimated in the 2010 Budget Mid-Session Review or even the \$114.5 billion cost estimated in the 2011 Budget Mid-Session Review.

**Reduces Spending While Continuing to Support Vital Lending in Low-Income Communities.** The Administration continues to support robust CDFI investments within a more constrained budget, through activities that

improve the ability of local financial institutions to provide affordable credit in underserved and lower-income communities. In particular, the Administration targets initiatives that will increase the availability of healthy foods in areas now lacking them and improve the financial literacy of disadvantaged populations. Overall, CDFI funding is reduced by \$20 million from the 2010 enacted level.

**Implements Significant New Tax Legislation and Regulations.** The Administration supports effective implementation of a number of recently-passed tax laws, including the Hiring Incentives to Restore Employment Act, the Foreign Account Tax Compliance Act, and the Affordable Care Act. Together, these reforms represent some of the most important changes to the tax code in a generation and will require significant interactions with partner agencies, major regulatory actions, and substantial changes to the way IRS conducts business both organizationally and with taxpayers. Additionally, the Administration supports the implementation of several recent regulatory improvements, such as the IRS' tax return preparer initiative that protects taxpayers from unqualified and/or unethical tax preparers. These efforts also help maintain tax revenue integrity through, for example, the reduction of unscrupulous preparer fraud and abuse.

### ***Reduces Costs to Taxpayer and Improves Service Through Reforms***

**Achieves Savings through Administrative and Overhead Reductions.** The Administration supports Treasury's continued efforts to reduce administrative expenses through streamlining acquisition and procurement operations and by reducing information technology (IT), contracting and other administrative costs. The Budget proposes to consolidate the Financial Management Service and Bureau of Public Debt data centers, streamline management functions

among Treasury's Departmental Offices, and reduce overhead and administrative expenses across the IRS including, for example, \$75 million in savings from improved IT infrastructure investment practices. Together, Treasury's administrative streamlining will save the American taxpayers approximately \$200 million in 2012 and will continue to advance efficiencies, such as Treasury's initiative to "go paperless," generating additional savings in the future.

**Improves Debt Collection Activities.** The Budget includes several commonsense initiatives through which Treasury can lead partner agencies to maximize collection of unpaid debt from individuals and businesses. These reforms will allow taxpayers to be paid in full before Government contractors and Medicare providers with past-due debt receive a Federal payment, help States collect a portion of the sizable State income tax debt owed by former residents, and implement a number of management improvements. These proposals will increase collections by more than \$5 billion over the next 10 years.

**Modernizes the IRS to Improve Customer Service and Boost Tax Collections.** The Administration proposes investments in core IRS programs that will improve service to taxpayers through increasing the response rate to taxpayer inquiries, deploying tax enforcement resources in support of high return program integrity activities, and modernizing IT systems to make interactions with the IRS more smooth and effective. The result will be a more nimble, responsive, data-driven IRS that is better able to manage the complex tax administration environment posed by a more global and interconnected economy. The Administration also proposes more than \$240 million for a targeted set of new, revenue-generating tax enforcement initiatives aimed at closing the tax gap—the difference between taxes owed and taxes paid. When fully in place by 2014, these new efforts are expected to yield about \$1.3 billion a year in additional tax revenue.

**Department of the Treasury**  
(In millions of dollars)

	Actual 2010	Estimate	
		2011	2012
<b>Spending</b>			
Discretionary Budget Authority:			
Internal Revenue Service.....	12,146		13,284
Financial Management Service .....	244		219
Departmental Offices .....	315		325
Bureau of the Public Debt .....	182		166
Department and IRS Inspectors General.....	182		188
Special Inspector General for Troubled Asset Relief Program (TARP).....	23		47
Alcohol and Tobacco Tax and Trade Bureau .....	103		98
Financial Crimes Enforcement Network.....	111		84
Community Development Financial Institutions Fund .....	247		227
All Other .....	-135		-590
Total, Discretionary budget authority.....	13,418	13,935	14,048
<i>Memorandum:</i>			
Budget authority from supplementals .....	13	—	—
Total, Discretionary outlays .....	13,238	14,221	14,616
Mandatory Outlays:			
Tax Expenditure Program outlays .....	110,434	102,097	81,069
Legislative proposals.....	—	137	725
Government Sponsored Enterprise (GSE), Mortgage-Backed Securities (MBS,) and Housing Finance Agencies (HFA) purchases.....	-9,581	2,101	17
GSE Preferred Stock Purchase Agreements and Dividends .....	40,458	30,008	7,660
Troubled Asset Relief Program (TARP) .....	9,016	16,814	13,230
TARP Housing.....	543	9,813	13,230
TARP Equity .....	8,451	4,635	—
TARP Direct Loans.....	22	2,366	—
TARP Downward Reestimate of Subsidies .....	-116,556	-43,475	—
TARP Equity .....	-98,211	-35,267	—
TARP Direct Loans .....	-18,345	-8,208	—
Office of Financial Stability.....	239	536	328
Special Inspector General for TARP.....	11	19	4
Internal Revenue Collections for Puerto Rico .....	378	574	430
Legislative proposal .....	—	—	80
Terrorism Insurance Program .....	2	108	241
All Other .....	3,907	12,101	10,723
Total, Mandatory outlays <sup>1</sup> .....	38,308	121,020	114,507

**Department of the Treasury—Continued**  
(In millions of dollars)

	Actual 2010	Estimate	
		2011	2012
Total, Outlays .....	51,546	135,241	129,123
<b>Credit activity</b>			
Direct Loan Disbursements:			
GSE MBS and HFA Purchases.....	45,187	3,125	—
Troubled Asset Relief Program .....	23,373	31,914	—
Small Business Lending Fund .....	—	17,399	—
Community Development Financial Institutions Fund .....	—	—	10
Total, Direct loan disbursements.....	68,560	52,438	10
Guaranteed Loan Commitments:			
Troubled Asset Relief Program .....	—	60,000	83,681
Total, Guaranteed loan commitments .....	—	60,000	83,681

<sup>1</sup> Excludes International Affairs Programs.



## DEPARTMENT OF THE TREASURY

### Funding Highlights:

- Provides \$14 billion in total budgetary resources, including program integrity funding, for Treasury programs, a reduction of 2.7 percent below the 2012 enacted level when IRS funding is excluded. Overall, the Department's budget increases by 6.9 percent, including investments in robust IRS tax enforcement and compliance initiatives that can return \$5 for each dollar spent.
- Saves over \$100 million through reduced administrative costs and efficiency initiatives.
- Improves market transparency, protects consumers, and increases financial competitiveness by supporting implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
- Supports small business lending and protects vulnerable homeowners, while responsibly winding-down the Troubled Asset Relief Program.
- Promotes community development through capital, credit, and financial services to low-income communities.
- Proposes debt collection legislative reforms to increase collections over the next 10 years from individuals and businesses that have failed to pay taxes or repay Government loans.
- Consolidates the Bureau of the Public Debt and the Financial Management Service to streamline and modernize operations.
- Builds on the Treasury Secretary's December 2011 action to stop the overproduction of \$1 coins with an initiative to reduce the cost of producing pennies and nickels.
- Increases funding for the Healthy Food Financing Initiative, which helps make healthy foods more affordable and accessible to underserved communities.

The Department of the Treasury supports a strong U.S. economy by promoting economic growth, building a comprehensive financial regulatory framework, and identifying domestic and international economic threats. The Department also carries out many functions

that are essential to the financial integrity of the Government, such as collecting revenue, managing Federal finances, distributing payments, and producing currency. To support this mission, the President's Budget provides \$14 billion in total budgetary resources, including program integrity funding, for the Department, 6.9 percent above the 2012 enacted level. The increase is largely due to investments that strengthen the Internal Revenue Service's (IRS) tax enforcement activities, which are critical to a fair and cost-effective tax system and which significantly reduce the deficit. The Budget also provides funding to continue implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act (Wall Street Reform) and the Affordable Care Act (ACA). Wall Street Reform establishes a transparent, competitive, and fair financial system, and ACA expands health care access to millions of Americans.

Excluding the IRS, Treasury's budget decreases by 2.7 percent compared to the 2012 enacted level. Savings are achieved through program reductions and administrative reforms like information technology consolidations, telework expansions, and efficiency initiatives.

***Strengthens Financial Market Stability, Promotes Economic Growth, and Supports Homeowners***

**Protects Consumers and Supports Continued Implementation of Wall Street Reform.** Over one year after the enactment of Wall Street Reform, the Administration continues to support financial regulators' efforts to effectively implement the requirements of the Act in order to improve market transparency and operations, financial competitiveness, and consumer fairness. Through the Financial Stability Oversight Council chaired by the Treasury Secretary, the Administration supports efforts to identify, monitor, and respond to emerging threats to U.S. financial stability. The Administration also continues to vigorously support the protection of American consumers, and on July 21, 2011, Treasury successfully completed its role in standing up the Consumer Financial Protection Bureau (CFPB).

The CFPB is now exercising its full regulatory powers as an independent bureau in the Federal Reserve System.

**Encourages Small Business Lending.** The Small Business Lending Fund (SBLF) and the State Small Business Credit Initiative (SSBCI), both created by the Small Business Jobs Act of 2010, have committed over \$5 billion to facilitate the restoration of credit markets and financing options for small businesses for years to come. The SBLF has provided over \$4 billion to 332 banks across the country, providing low-cost capital to small and community banks to enable them to increase their small business lending. As of January 1, 2012, the \$1.5 billion SSBCI, which boosts State-sponsored small business loan funds, has approved funding for 47 States, 3 territories, and the District of Columbia, and is expected to spur at least \$15 billion in new lending. Treasury is working with the State funds to maximize the effectiveness of this assistance to small businesses.

**Supports Struggling Homeowners.** The Administration continues to actively implement ongoing Troubled Asset Relief Program (TARP) activities targeted to assist homeowners threatened by foreclosure, including unemployed homeowners and those with negative home equity. As of December 31, 2011, nearly 910,000 borrowers have received permanent modifications through the Home Affordable Modification Program (HAMP), which amounts to an estimated \$10 billion in realized aggregate savings for these homeowners. The Administration's TARP housing programs have also been a catalyst for private sector modifications. Between April 2009 and the end of October 2011, HAMP and the private-sector HOPE NOW alliance initiated more than 5.5 million mortgage modifications, which is more than double the number of foreclosure completions that were executed in the same period. Furthermore, through the HFA Hardest Hit Fund, the Administration has allocated \$7.6 billion to eligible States to implement innovative housing programs to bring stability to local housing markets and meet the unique needs of their communities.

**Responsibly Winds Down TARP.** The Treasury's authority to enter into new financial commitments through the TARP program ended on October 3, 2010. The President's Budget continues to support the effective, transparent, and accountable winding down of TARP programs that have helped stabilize the financial system, preserve jobs in the American automotive industry, and restart markets critical to financing American households and businesses. Moreover, TARP's banking programs have generated a positive return for taxpayers—with almost \$258 billion recovered as of December 31, 2011 compared to the \$245 billion originally invested in banks. The progressing economic recovery and the Administration's prudent management of TARP have also resulted in an estimated overall TARP cost of \$68 billion, significantly lower than the \$341 billion cost estimated for the program in its first year.

**Requires Wall Street to Pay Back the American Taxpayer.** The President's Budget proposes a \$61 billion Financial Crisis Responsibility Fee to be imposed on the largest financial firms in order to compensate the American people for the extraordinary assistance they provided to Wall Street, as well as to discourage excessive risk-taking. Many of the largest financial firms contributed to the financial crisis through the risks they took, and all of the largest firms benefited enormously from the extraordinary actions taken to stabilize the financial system. The Budget asks these firms to compensate Americans for benefits they received from these actions and to recoup TARP costs.

**Invests in Community Development.** The Budget maintains robust funding for Community Development Financial Institutions, including for the Healthy Food Financing Initiative, which promotes the development of healthy food outlets in underserved communities. The Budget also includes funding for the Bank on USA program to facilitate access to affordable, high quality financial services for individuals and families that may not have bank accounts or other fundamental financial services.

### ***Makes Necessary Cuts in a Constrained Fiscal Environment***

**Cuts Administrative Overhead.** The Administration proposes over \$100 million in reduced Treasury Department administrative costs through information technology consolidations, teleworking implementation, efficiency initiatives, and other overhead reductions that are consistent with the President's Campaign to Cut Waste. In particular, the Budget includes consolidation of Treasury data centers and a Paperless Treasury initiative that will save an estimated \$500 million over five years. As part of its Paperless Treasury initiative, the Department is using electronic payments rather than paper Social Security checks for new beneficiaries, such as millions of baby boomers and others applying for Federal benefits.

**Modernizes U.S. Currency.** Treasury has increased the use of electronic financial transactions to meet the needs of commerce while working to ensure efficient and secure currency and coin production. In December 2011, the Treasury Secretary suspended production of circulating Presidential \$1 Coins in light of the Federal Reserve Banks' inventories of 1.4 billion in \$1 coins. This measure will reduce the U.S. Mint's expenses by \$50 million annually. In addition, the Budget proposes legislation to provide the Secretary flexibility to change the composition of coins to more cost-effective materials, given that the current cost of making the penny is 2.4 cents and the nickel is 11.2 cents. Treasury is also taking additional actions to improve the efficiency of the coin and currency production efforts, including more than \$75 million in savings proposed in the 2013 Budget.

### ***Saves Taxpayer Money***

**Invests in and Modernizes Tax Administration to Prevent Evasion and Cheating.** The Budget funds the IRS at nearly \$12.8 billion, roughly \$950 million above the 2012 enacted level. About \$700 million of this total is provided through a "program integrity" adjustment to the

discretionary caps that recognizes the benefit to taxpayers of a strong tax enforcement program that can return \$5 for each additional IRS dollar spent. The Budget also continues significant investment in the IRS Business Systems Modernization program, which will yield substantial benefits to both taxpayers and the IRS by bringing tax data onto a fully modernized technology platform. Driven by up-to-date and comprehensive tax data, this modernized platform will revolutionize the efficiency and effectiveness with which the IRS serves taxpayers.

**Improves Efforts to Collect Debt.** The Budget proposes common sense debt collection reforms that will significantly increase Federal collections from individuals and businesses that have failed to pay taxes or repay Government loans, and help States collect a portion of the

sizable State income tax debt owed by former residents. These proposals will help enforce a fairer tax system in which everyone pays their share. These reforms will increase collections by more than \$2 billion over the next 10 years, a significant portion of which is owed to States and will be passed through to them.

**Streamlines Core Operations Through Bureau Consolidation.** The Budget supports a full consolidation by 2014 of the Bureau of the Public Debt and the Financial Management Service into the Fiscal Service. This allows Treasury to adopt more innovative strategies and streamline its core functions. The consolidation also strengthens Treasury's leadership of Federal financial management issues, reduces costs, and enhances efficiencies by further modernizing Federal financial management processes.

**Department of the Treasury**  
(In millions of dollars)

	Actual 2011	Estimate	
		2012	2013
<b>Spending</b>			
Discretionary Budget Authority:			
Internal Revenue Service.....	12,150	11,816	12,070
Fiscal Service .....	411	384	360
Departmental Offices .....	316	308	308
Department and IRS Inspectors General.....	181	182	183
Special Inspector General for Troubled Asset Relief Program (TARP).....	36	42	40
Alcohol and Tobacco Tax and Trade Bureau .....	101	100	97
Financial Crimes Enforcement Network.....	111	111	102
Community Development Financial Institutions Fund.....	228	221	221
All other.....	-85	—	—
Subtotal, Discretionary budget authority.....	13,449	13,164	13,381
Discretionary Changes in Mandatory Programs ( <i>non-add in 2012</i> ): <sup>1</sup>			
Treasury Forfeiture Fund.....		-950	-830
Total, Discretionary budget authority.....	13,449	13,164	12,551

**Department of the Treasury—Continued**  
(In millions of dollars)

	Actual 2011	Estimate	
		2012	2013
Discretionary Cap Adjustment: <sup>2</sup>			
Program Integrity .....	—	—	691
Total, Discretionary outlays .....	13,113	13,486	14,054
Mandatory Outlays:			
Tax Expenditure programs .....	108,383	87,473	87,891
Legislative proposals .....		139	3,889
Government Sponsored Enterprise (GSE), Mortgage-Backed Securities (MBS) and Housing Finance Agencies (HFA) purchases .....	12,633	12,317	-10,458
Troubled Asset Relief Program (TARP) .....	24,148	40,152	12,193
TARP Housing (non-add) .....	1,935	13,619	12,148
TARP Equity (non-add) .....	20,656	18,675	45
TARP Direct Loans (non-add) .....	1,557	7,858	—
TARP Downward Reestimate of Subsidies .....	-60,355	-5,206	—
TARP Equity (non-add) .....	-52,148	-3,567	—
TARP Direct Loans (non-add) .....	-8,207	-1,639	—
Office of Financial Stability .....	352	457	291
Special Inspector General for TARP .....	5	7	7
Internal Revenue Collections for Puerto Rico .....	452	390	370
Legislative proposal .....		97	96
Terrorism Insurance Program .....	2	105	245
State Small Business Credit Initiative .....	366	859	251
Financial Research Fund (Office of Financial Research and FSOC) .....	4	120	154
All other .....	5,783	11,801	1,294
Total, Mandatory outlays .....	91,773	148,711	96,223
Total, Outlays .....	104,886	162,197	110,277
<b>Credit activity</b>			
Direct Loan Disbursements:			
HFA Purchases .....	—	102	3,452
Troubled Asset Relief Program .....	23,840	3,389	615
Small Business Lending Fund .....	4,028	—	—
Community Development Financial Institutions Fund .....	—	10	8
Total, Direct loan disbursements .....	27,868	3,501	4,075

**Department of the Treasury—Continued**  
(In millions of dollars)

	Actual 2011	Estimate	
		2012	2013
Guaranteed Loan Disbursements by Private Lenders:			
Troubled Asset Relief Program .....	73	51,862	51,862
<b>Total, Guaranteed loan disbursements by private lenders .....</b>	<b>73</b>	<b>51,862</b>	<b>51,862</b>

<sup>1</sup> The 2012 amounts reflect OMB's scoring of the 2012 Appropriations acts (P.L. 112-55 and 112-74) as transmitted to the Congress. These amounts are displayed as non-add entries because they have been rebased as mandatory and are not included in any 2012 discretionary levels in the 2013 Budget.

<sup>2</sup> The Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended by the Budget Control Act of 2011, limits—or caps—budget authority available for discretionary programs each year through 2021. Section 251(b)(2) of BBEDCA authorizes certain adjustments to the caps after the enactment of appropriations.



## DEPARTMENT OF THE TREASURY

### Funding Highlights:

- Provides \$14.2 billion in discretionary funding for the Department of the Treasury, including a program integrity initiative. Excluding investments in the Internal Revenue Service, spending across other Treasury bureaus is reduced by 2.3 percent from the 2012 enacted level, while select investments are made in high-priority programs.
- Implements the Wall Street Reform Act to protect consumers in the financial marketplace.
- Supports small business lending and protects vulnerable homeowners.
- Continues to responsibly wind-down the Troubled Asset Relief Program.
- Promotes community development through capital, credit, and financial services to low-income communities.
- Supports innovative, evidence-based public-private partnerships that yield Federal, State, and local savings.
- Implements the Affordable Care Act tax provisions that become effective in 2014 and supports efforts to effectively respond to the expected increase in public inquiries pertaining to the law.
- Improves program integrity in tax enforcement, generating \$32.7 billion in net savings to reduce the deficit over the next 10 years. The multi-year initiative to narrow the gap between taxes owed and paid, increases tax revenues through enhanced compliance efforts.
- Invests in financial management innovations through online reporting and transparency platforms and Government-wide shared service reforms.

The Department of the Treasury (Treasury) supports a strong U.S. economy by promoting economic growth, building a comprehensive financial regulatory framework, and identifying and addressing domestic and international economic threats. The Department also carries out many functions that are essential to the financial integrity of the Federal Government

such as collecting revenue, managing finances, distributing payments, and producing currency. To support Treasury's mission, the President's Budget provides \$14.2 billion; a 7.7 percent increase above the 2012 enacted level. Excluding the Internal Revenue Service (IRS) where the Budget proposes a program integrity initiative to increase revenues, Treasury funding is

reduced by \$31 million, or 2.3 percent, from the 2012 enacted level.

***Strengthens Financial Market Stability, Promotes Economic Growth, Improves Healthcare Coverage, Supports Homeowners, and Improves Financial Management***

**Protects Consumers and Supports Continued Implementation of Wall Street Reform.** The Administration continues to support financial regulators' efforts to effectively implement the Wall Street Reform Act, enacted three years ago to improve market transparency and operations, strengthen financial institutions, and increase consumer protections. Through the Financial Stability Oversight Council chaired by the Treasury Secretary, the Administration supports efforts to identify, monitor, and respond to emerging threats to U.S. financial stability. The Administration also continues to vigorously support the protection of American consumers and investors, including through the new Consumer Financial Protection Bureau's efforts to protect consumers and penalize bad actors in the financial services marketplace, as well as through the Securities and Exchange Commission and the Commodity Futures Trading Commission, whose funding in the Budget increases 27 percent and 54 percent, respectively.

**Encourages Small Business Lending.** The Small Business Lending Fund (SBLF) and the State Small Business Credit Initiative (SSBCI), both created by the Small Business Jobs Act of 2010, have committed over \$5 billion to facilitate the restoration of credit markets and financing options for small businesses for years to come. The SBLF has provided over \$4 billion to 332 banks and community development loan funds across the United States, supplying low-cost capital to small and community banks to enable them to increase their small business lending. The SSBCI, which boosts State-sponsored small business loan funds, has approved funding for 47 States, five U.S. territories, four municipalities, and the District of Columbia, and is expected

to spur at least \$15 billion in new lending. The Budget provides \$2 million to enable the SSBCI to expand technical assistance provided to program participants beginning in 2013. These funds will focus on assistance tailored to each of these State-sponsored programs, designed to increase the effectiveness of the program to boost small business and entrepreneurial capital and create jobs.

**Responsibly Winds-Down the Troubled Asset Relief Program.** The Treasury's authority to enter into new financial commitments through the Troubled Asset Relief Program (TARP) program ended on October 3, 2010. The Budget continues to support the effective, transparent, and accountable winding down of TARP programs that have helped stabilize the financial system, preserve jobs in the American automotive industry, and restart markets critical to financing American households and businesses. Moreover, TARP's banking programs have generated a positive return for taxpayers, with over \$268 billion recovered for taxpayers as of December 31, 2012, compared to the \$245 billion originally invested in banks. The progressing economic recovery and the Administration's prudent management have resulted in an estimated lifetime TARP cost of \$47.5 billion, significantly lower than the \$341 billion cost originally estimated for the program in its first year.

**Supports Struggling Homeowners.** The Administration continues to implement ongoing TARP and other activities to assist homeowners threatened by foreclosure, including unemployed homeowners and those with negative home equity. As of December 31, 2012, over 1.1 million borrowers have received permanent modifications through the Home Affordable Modification Program (HAMP), which amounts to an estimated \$17.3 billion in realized aggregate savings for these homeowners. The Administration's TARP housing programs have also been a catalyst for private sector mortgage modifications. Between April 2009 and the end of November 2012, HAMP and the private sector HOPE NOW alliance initiated over 6.1 million mortgage modifications and loss mitigation interventions, approximately

double the number of foreclosure completions that were executed in the same period. Furthermore, the Administration has allocated \$7.6 billion to eligible States through the Housing Finance Agencies' Hardest Hit Fund to implement innovative housing programs that stabilize local housing markets and meet the unique needs of communities.

**Invests in Community Development.** The Budget increases funding for the Community Development Financial Institutions (CDFI) Fund, which provides financing to increase economic and community development and job opportunities in poor and underserved communities. It also expands the Fund's Healthy Food Financing Initiative that promotes the development of healthy food outlets in areas known as "food deserts"—low-income areas where a substantial number of residents have limited access to a supermarket or large grocery store. In addition, the Budget supports improvements in the Bank Enterprise Awards program that will better incentivize banks to invest in distressed communities. The Administration is dedicated to improving the CDFI Fund's effectiveness by investing in data collection and program analysis that will foster a better understanding of the impact of CDFI programs on poverty reduction and development investment in underserved communities.

**Invests in Partnerships and Innovation.** The Budget also creates a \$300 million Pay for Success Fund within Treasury. Non-profit intermediaries and State and local governments will be able to leverage the Fund to provide credit enhancements and success-based payments to investors in public programs that impact families and communities and generate Federal savings. The Fund is designed to encourage innovation and accelerate the use of evidence-based approaches by lowering the risk associated with initial investments.

**Supports Implementation of the Affordable Care Act.** The Affordable Care Act will ensure

that every American can access high-quality, affordable health care coverage, providing health insurance to nearly 30 million Americans who would otherwise be uninsured. Tax provisions play an important role in the health care law's implementation, and many of its provisions are scheduled to take effect in 2014. The Budget provides funding for the IRS to implement these tax provisions and to respond effectively to public inquiries about the Affordable Care Act's new benefits and standards.

**Invests in Financial Management Innovation and Leadership.** To help Federal agencies respond to the current fiscal realities, the Administration is focused on maximizing the effectiveness of Government-wide financial management practices. Increasing shared services among agencies, modernizing information systems, plans, and requirements, and facilitating Government-wide operational capabilities will improve the efficiency of the Federal Government—accomplishing more while spending less. To aid such efforts, the Budget invests in Treasury's leadership capacity to support implementation of several Government-wide financial innovation initiatives, including management of a simplified financial reporting system and expanding the use of Federal shared service arrangements to support future financial management needs.

**Improves and Expands Government Transparency.** The Budget capitalizes on Treasury's extensive financial expertise by having the Department assume responsibility for operating and expanding *USASpending.gov*. Treasury will increase the transparency of Government-wide programs by improving the publicly-accessible database that communicates financial information to the public and agencies. This program transfer from the General Services Administration is consistent with recommendations from the Government Accountability and Transparency Board to transition assets built by the Recovery Accountability and Transparency Board into the Federal Government's overall financial management framework.

### ***Makes Necessary Cuts and Saves Taxpayer Money***

**Cuts Administrative Overhead.** The Budget proposes over \$350 million in reduced Treasury administrative costs through technology consolidations, teleworking implementation, efficiency initiatives, and other overhead reductions that are consistent with the President's Campaign to Cut Waste.

**Modernizes and Streamlines U.S. Currency Production.** The Budget proposes legislation to grant the U.S. Mint and Bureau of Engraving and Printing increased flexibility to share services and engage in cooperative actions, in order to gain efficiency savings by reducing unnecessary duplication of effort. The Budget also proposes legislation to provide the Secretary flexibility to change the composition of coins to more cost-effective materials, given that the current cost of making the penny is two cents and the cost of making the nickel is 11 cents. Treasury is taking additional actions to improve the efficiency of coin and currency production efforts. For example, the Budget includes proposals that will save \$22 million from information technology efficiencies and reduced labor costs for currency production.

**Invests in and Modernizes Tax Administration to Prevent Evasion and Cheating.** The Budget funds IRS at nearly \$12.9 billion, roughly \$1 billion above the 2012 enacted level. More than \$400 million of this total is provided through a program integrity cap adjustment. This investment pays for itself several times over, with strong tax enforcement returning \$4 or more in revenue for each additional IRS dollar spent. The Budget also continues to support the IRS's major technology investment program that will yield substantial benefits to taxpayers by fundamentally changing how the IRS does business, vastly improving both the taxpayer experience and the effectiveness of the agency through faster taxpayer refunds and more accurate issue resolution.

**Improves Efforts to Collect Debt.** The Budget proposes common sense debt collection reforms that will significantly increase Federal collections from individuals and businesses that have failed to pay their taxes or repay Government loans, and will help States collect a portion of the sizable State income tax debt owed by former residents. These proposals will increase collections by approximately \$1 billion over the next 10 years and help enforce a tax system in which everyone pays their share.