

## Overview

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### Mission Statement

Collect the Federal excise taxes on alcohol, tobacco, firearms, and ammunition, and assure compliance with Federal tobacco permitting and alcohol permitting, labeling, and marketing requirements to protect consumers.

### Program Summary by Budget Activity

Dollars in Thousands

Appropriation	FY 2010	FY 2011	FY 2012	FY 2010 to FY 2012	
	Enacted	Annualized CR Level	Request	\$ Change	% Change
Collect the Revenue	\$53,000	\$53,000	\$48,939	(\$4,061)	(7.7%)
Protect the Public	\$50,000	\$50,000	\$48,939	(\$1,061)	(2.1%)
<b>Total Appropriated Resources</b>	<b>\$103,000</b>	<b>\$103,000</b>	<b>\$97,878</b>	<b>(\$5,122)</b>	<b>(5.0%)</b>
<b>Total FTE</b>	<b>535</b>	<b>535</b>	<b>502</b>	<b>(33)</b>	<b>(6.2%)</b>

*Note:* In FY 2010, Congress appropriated \$3 million in two-year funds for the hiring, training, and equipping of special agents and related support personnel. This funding expires September 30, 2011.

### FY 2012 Priorities

- Collect roughly \$24 billion in annual excise tax revenues due to the federal government;
- Reduce the burden of compliance by expanding and promoting electronic filing options for industry members, including the online system that will allow industry members to apply for an original permit to start a new alcohol or tobacco business or file for an amended permit for an existing business;
- Promote voluntary compliance through industry outreach and education programs;
- Complete audits and investigations of TTB taxpayers based upon risk and random selection to ensure lawful operations and tax reporting and payment compliance;
- Assure compliance with federal alcohol beverage production, labeling, and marketing requirements;
- Detect criminal diversion activity, including counterfeit alcohol and tobacco products, to protect the federal revenue stream, U.S. consumers, and industry by even enforcement of laws and addressing criminal activity in the fair market;
- Conduct statistically valid marketplace sampling programs to determine industry-wide compliance with advertising, labeling, and formulation regulations for alcohol beverages;
- Enhance TTB product safety activities focusing on the integrity and safety of domestic and imported alcohol beverage products; and
- Promote U.S. exports by facilitating industry compliance with foreign requirements and by working with foreign regulators to reduce barriers to trade.

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## **Section 1 – Purpose**

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### **1A – Description of Bureau Vision and Priorities**

TTB is responsible for the administration and enforcement of those sections of the Internal Revenue Code of 1986 (IRC) associated with the collection of excise taxes on alcohol, tobacco, firearms, and ammunition, and the Federal Alcohol Administration Act, which provides for the regulation of the alcohol beverage industry and the protection of consumers of alcohol beverages. The bureau also administers the Webb-Kenyon Act, which prohibits the shipment of alcohol beverages into a state in violation of state law.

In Fiscal Year (FY) 2012, TTB will continue to focus its efforts on helping industry members comply with federal alcohol, tobacco, firearms, and ammunition laws and regulations, in the interest of collecting excise taxes due upon those commodities, and enforcing the tax code by addressing tax evasion and the illicit trade in alcohol and tobacco products. The bureau will also transition from a pre-market review to a post-market evaluation of alcohol beverage products, which will promote a marketplace for alcohol beverages that complies fully with federal production, labeling, advertising, and marketing requirements.

TTB's priorities are directly linked to the following key strategic objectives:

#### ***Collect All Revenue Due to the Federal Government--***

##### *Tax Verification and Validation:*

- Ensure correct payment of federal excise taxes, focusing on audits of large and high risk taxpayers; and
- Identify and address tax evasion and other criminal violations of the IRC in the regulated industries, including diversion and smuggling of taxable commodities.

##### *Voluntary Compliance:*

- Develop methods of promoting voluntary tax compliance through partnerships with industry, states, and other federal agencies; and
- Participate in industry seminars and provide web-based education seminars to instruct industry members regarding federal compliance requirements.

##### *Effective and Efficient Tax Collection Systems:*

- Reduce the taxpayer paperwork burden associated with filing tax payments by creating alternative electronic filing methods.

#### ***Protect the Public Through Education, Product Testing, and Investigation--***

##### *Business Integrity:*

- Ensure that only qualified permit applicants operate in the alcohol beverage and tobacco products industries.

##### *Product Integrity:*

- Enforce compliance with federal laws related to the production of alcohol beverage products;
- Perform appropriate sampling, evaluation, and laboratory analyses of regulated commodities to ensure the integrity and safety of alcohol beverage products in the marketplace;

- Review and act on labels, formulas, and advertising for domestic and imported beverage alcohol products to ensure consumers have complete and accurate product information; and
- Respond to industry and consumer complaints regarding the regulated commodities by investigating incidents and allegations of product contamination and adulteration.

*Market Integrity:*

- Investigate cases of unfair trade practices and violations of labeling and advertising standards in the alcohol beverage industry;
- Regulate the international import/export trade in beverage and industrial alcohol; and
- Facilitate growth in U.S. exports by working with foreign regulators to reduce barriers to trade and by facilitating industry compliance with foreign trade requirements.

*Effective and Efficient Regulatory Systems to Facilitate Economic Growth:*

- Use electronic government solutions to reduce taxpayer burden and improve service through online filing solutions for permit applications, COLA applications, formula submissions, and other required information.

The total resources required to support TTB activities for FY 2012 are \$100,875,000, including \$97,878,000 from direct appropriations and \$2,997,000 from reimbursable activities (offsetting collections), mainly from the Puerto Rico cover-over program.

**Treasury High Priority Performance Goals**

TTB expects to accomplish the following in FY 2012 in support of Treasury's high priority performance goals:

***Increase Voluntary Tax Compliance***

TTB's outreach and education programs help taxpayers understand and comply with federal tax requirements. The bureau will:

- Participate in industry seminars and provide training to educate taxpayers, especially small business owners, regarding federal compliance issues; and
- Continue the Customer Care program, implemented in FY 2010, to monitor, evaluate, and assist newly permitted industry members with their required tax returns and operational report filings. Under this program, TTB specialists review the tax returns and operational reports of new industry members within the first 90 to 180 days of operation for accuracy and common errors, and follow up when necessary in order to bring industry members into compliance and ensure an understanding of federal requirements.

***Significantly Increase the Number of Paperless Transactions with the Public***

TTB has made progress in automating its tax and regulatory filing processes to reduce the paperwork burden and enable members of the alcohol and tobacco industries to submit mandatory applications and requests in an online environment. Through outreach efforts to industry, the bureau expects to:

- Increase the electronic filing rate for alcohol beverage label applications to above 80 percent;
- Increase electronic filings of permit applications. Permits Online is an e-filing solution introduced in FY 2011 for original and amended permit applications; and

- Increase Pay.gov registrations to enable taxpayers to file operational reports and tax returns online by continuing to register and educate new permittees.

### **“Going Green” Goals**

TTB will support the continuation of environmentally sound policies and practices in the management of Information Technology (IT) equipment, fleet management, and in the acquisitions process.

#### ***Increased Energy Efficiency***

TTB currently leverages technologies to ensure that electronic equipment uses efficient power management settings. The power management settings on work stations include powering down computer monitors, hard drives, and machines during periods of inactivity. TTB also has the capability to audit machines to assure use of the assigned power management settings. In addition, the policies that govern the bureau acquisition process assure that energy efficiency is a consideration in all equipment purchases.

#### ***Electronic Stewardship and Data Centers***

TTB extensively employs green technologies to reduce its energy consumption. Through the success of the server virtualization program, TTB has targeted a 50 percent reduction in the physical server footprint. In addition, TTB deploys highly efficient computer room air conditioning, programmable thermostats, and Energy Star servers are procured when possible.

#### ***Pollution Prevention & Waste Elimination***

TTB uses environmentally sound management practices in disposing of its assets. In FY 2010, TTB recycled 23,574 pounds of electronics and reused or recycled 100 percent of its surplus or End-of-Life electronics by working with UNICOR and qualified vendors. TTB also purchases office supplies made from post-consumer materials. Finally, TTB laboratories operate an Ethanol Waste Recycling Program that recycles pure ethanol from samples submitted to the National Laboratory Center and uses the recycled denatured alcohol as a fuel mix for the building’s power generator.

### **1B – Program History and Future Outlook**

TTB has two budget activities that focus on collecting the revenue rightfully due the federal government and ensuring alcohol beverage products meet regulatory standards.

***Collect the Revenue*** - This activity collects alcohol, tobacco, firearms, and ammunition excise taxes. These products generate nearly \$24 billion in tax revenue annually, making TTB the third largest tax collection agency in the federal government.

The excise taxes collected by TTB come from roughly 7,100 businesses that had operations resulting in tax payments in a given year. Members of the regulated industries paying excise taxes are distilleries, breweries, bonded wineries, bonded wine cellars, manufacturers of cigarette papers and tubes, manufacturers of tobacco products, and manufacturers and importers of firearms and ammunition. Approximately 200 of the largest taxpayers account for about 98 percent of the annual excise tax collected.

Fostering voluntary compliance is a primary tax administration strategy and, to support this objective, the bureau is working toward allowing TTB permittees and taxpayers to file all payments, returns, and applications online with TTB's National Revenue Center. The FY 2012 President's Budget enables the continuation of efforts to provide the most effective and efficient system for the collection of all revenue that is rightfully due, eliminate or prevent tax evasion and other criminal conduct, and provide high quality service while imposing the least regulatory burden.

The investments in this activity resulted in the following performance highlights and accomplishments during FY 2010:

- Collected approximately \$24 billion in excise taxes, interest, and other revenues from alcohol, tobacco, firearms, and ammunition industries. The bureau collected \$478 for every \$1 expended on collection activities;
- Collected roughly \$9 million in additional floor stocks tax due from the manufacturers, importers, wholesalers, and retailers of tobacco products as a result of the tax rate increase passed under the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA);
- Achieved a 94 percent voluntary compliance rate among taxpayers who paid greater than \$50,000 in annual excise taxes, measured in terms of timely remittance of tax payments. TTB's educational outreach efforts at industry seminars and premises, and improvements in online filing options, assisted in this effort;
- Processed \$387 million in cover-over payments to Puerto Rico and the U.S. Virgin Islands. Federal excise taxes collected on all imported rum, and on rum produced in Puerto Rico and the Virgin Islands and subsequently brought into the United States, are "covered-over" (or paid into) the treasuries of Puerto Rico and the Virgin Islands;
- Processed \$298 million in drawback claims. Under current law, persons who use nonbeverage alcohol in the manufacture of medicines, food products, flavors, extracts, or perfume and other non-potable products may be eligible to claim drawback of excise taxes paid on distilled spirits used in their products;
- Analyzed beverage alcohol and tobacco product samples to assign or verify a tax classification. For this purpose, TTB analyzed roughly 1,000 beverage alcohol samples associated with pre-import evaluations, the 5010 tax credit, and enforcement activities. Another 375 tobacco product samples were analyzed to ensure products were appropriately classified for tax purposes; and
- Completed targeted field work of 145 audits and roughly 340 revenue-related investigations that resulted in the identification of \$8 million in additional tax, penalties, and interest. TTB's field presence also has a deterrent effect that promotes voluntary tax compliance from industry members.

The following displays the historical collections at TTB from FY 2001 to 2010 by revenue type:

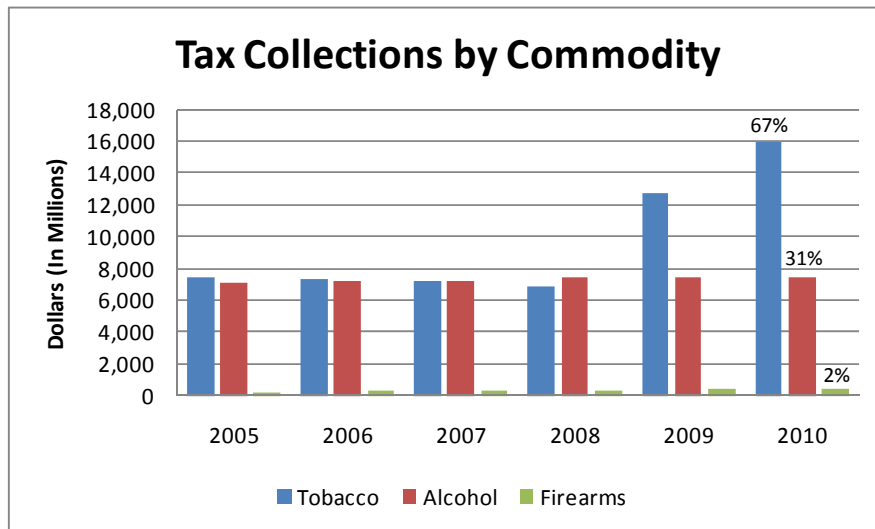
### **Excise Tax and Other Collections by Fiscal Year**

Dollars in Thousands

Fiscal Year	Alcohol	Tobacco	FAET	SOT	FST	Other	Total
2001	\$ 6,674,425	\$ 7,119,726	\$ 175,959	\$ 103,610	\$ 528	\$ 168	\$ 14,074,416
2002	6,889,401	7,763,652	205,027	101,893	115,609	159	15,075,741
2003	6,910,631	7,380,807	193,414	103,781	1,628	-	14,590,261
2004	6,995,366	7,433,852	216,006	100,562	-	359	14,746,145
2005	7,074,076	7,409,608	225,818	10,190	9	141	14,719,842
2006	7,182,940	7,350,058	249,578	2,895	638	146	14,786,255
2007	7,232,138	7,194,081	287,835	2,808	-	32	14,716,894
2008	7,420,576	6,851,705	312,622	448	-	634	14,585,985
2009	7,424,292	11,548,504	452,693	272	1,192,375	970	20,619,106
2010	7,476,789	15,913,479	360,813	300	8,558	180	23,760,119
<b>Average</b>	<b>\$ 7,128,063</b>	<b>\$ 8,596,547</b>	<b>\$ 267,977</b>	<b>\$ 42,676</b>	<b>\$ 131,935</b>	<b>\$ 279</b>	<b>\$ 16,167,476</b>

FAET - Firearms and Ammunition Excise Tax    SOT - Special Occupational Tax    FST - Floor Stock Tax    Other - Suspense Account

Note: Tobacco revenue increased in 2009 as a result of the passage of the Children’s Health Insurance Program Reauthorization Act (CHIPRA) legislation, which increased the tax rate on tobacco products. Also, legislation was enacted in July 2005 that repealed the SOT for all alcohol taxpayers. The SOT for tobacco permittees remains intact.



### **Alcohol Beverage Tax Collections**

The alcohol beverage industry in the United States pays \$7.5 billion in federal excise taxes each year and also provides a source of tax revenue for state and local governments. Economic forecasts predict continued modest growth in the alcohol industry, and taxes collected on alcohol beverages are expected to continue to rise throughout the period of FY 2011 – FY 2012. TTB expects that the increase in new alcohol businesses will be most prominent in the number of wineries, craft breweries, and craft distilleries.

### **Tobacco Tax Collections and Floor Stocks Tax**

In FY 2010, TTB tobacco excise tax collections spiked to an historic high of \$15.9 billion as a result of a full year of collections under the increased tax rate imposed by the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA). This legislation provided for a tax increase on all tobacco products (except large cigars), and cigarette papers and cigarette tubes, effective April 1, 2009.

CHIPRA also imposed a floor stocks tax on tobacco products, a one-time excise tax placed on commodities subject to a tax increase that is equal to the difference between the new tax rate and the previous rate. The last floor stocks tax on tobacco enacted by Congress was in 2002. Floor stocks tax collections for FY 2009 totaled \$1.2 billion and represent collections from hundreds of thousands of wholesaler and retailer dealers (who do not hold a permit with TTB) and manufacturers and importers (who are required to hold a TTB permit). In FY 2010, TTB continued its enforcement of the floor stocks tax, identifying tobacco wholesalers and retailers that did not file and/or pay floor stocks tax or significantly underpaid this tax. TTB collected nearly \$9 million of additional floor stocks tax plus penalties and interest. TTB continues its floor stocks tax enforcement efforts and is finding many wholesalers that appear to be willfully not reporting or underreporting their tobacco inventory and associated tax payments. TTB will continue to audit high risk non-filers and under-filers of floor stocks tax.

### **Firearms and Ammunition Excise Tax (FAET) Collections**

Firearms and ammunition excise taxes are remitted to the Fish and Wildlife Restoration Fund under provisions of the Pittman-Robertson Act of 1937. The U.S. Fish and Wildlife Service, which oversees the fund, apportions the money to state governments for wildlife restoration and research, and hunter education programs. Federal excise tax collections on firearms and ammunition have increased from \$193 million in FY 2003 to \$361 million in FY 2010, an increase of \$168 million over the past seven years, or an 87 percent growth in federal FAET revenues. The increase in reported tax revenue can be attributed to industry growth, effective outreach and collection initiatives at the bureau, and the field presence of TTB's auditors, which continues to promote voluntary taxpayer compliance.

***Protect the Public*** - This activity ensures the integrity of the alcohol and tobacco industries and of beverage alcohol products found in the marketplace, and regulates roughly 53,000 alcohol and tobacco businesses. TTB enforces federal laws related to the issuance of permits to industry members and the production, importation, exportation, labeling, advertising, and marketing of alcohol products.



The investments in this budget activity have resulted in the following performance highlights and accomplishments during FY 2010:

- Approved 102,500 of the 132,600 COLA applications received; the remaining 30,100 (23 percent) were rejected, returned for correction, withdrawn, or expired. About 79 percent of COLA applications were filed electronically through COLAs Online. This proprietary TTB system has been in operation since 2003;
- Processed 5,770 original and 18,230 amended permits. TTB averaged 65 days to process original permit applications. TTB protects consumers by screening permit applicants to ensure only qualified persons engage in operations in the regulated industries;
- Evaluated about 6,700 beverage alcohol formulas and analyzed about 2,300 alcohol beverage samples in support of audits and investigations, as well as the product integrity, pre-import, Alcohol Beverage Sampling Program, 5010 tax credit, and consumer complaints programs;
- Issued 190 cease and desist letters to tobacco importers operating without permits. Through its effective information sharing relationship with U.S. Customs and Border Protection, TTB was able to compare import data in the customs International Trade Data System with permit information in TTB's Integrated Revenue Information System and determined that 15 percent of entities reporting importations of tobacco products had done so without a permit. TTB's issuance of cease and desist letters, and appropriate follow up activities, ensured that the responsible parties ended operations or obtained a permit; and
- Initiated more than 700 field investigations of industry members regarding permit applications, consumer complaints, trade practice violations, and product integrity verifications. Included are high-risk permit applications to meet TTB's public protection objectives.

### **TTB Permitting Process**

TTB's vision for the Permits Online investment is to provide a secure, web-based solution that allows members of the alcohol and tobacco industries to electronically submit applications for permits to operate. Applicants who plan to produce finished distilled spirits, wines, malt beverages, and tobacco products, and persons wishing to operate businesses such as alcohol wholesalers, alcohol importers, tobacco importers, specially denatured spirits users and dealers, tax-free alcohol users, alcohol fuel plants, tobacco processors, and tobacco export warehouses, must submit original and amended permit applications. The National Revenue Center currently processes original application packets for 23 types of permits/registrations.

New or existing industry members file these application packets to request permission to commence a new regulated industry operation, or to update critical industry member information such as trade names and changes in control. Over the past several years, the volume of paper applications has increased making it difficult to maintain current service levels. The bureau purchased a commercial off-the-shelf software package that will be the core of the electronic system to automate the submission process for all permit applications. TTB engaged in an intensive development effort in FY 2010, and devised a schedule for the phased release of the Permits Online system. The system will be deployed in stages, with the initial release targeted for FY 2011, and subsequent releases scheduled through FY 2012. Once the commercial product is fully implemented, industry can expect reduced processing time, electronically guided assistance through the application process, improved communications with TTB, and an overall

reduction in mailing and materials costs. The FY 2012 President's Budget includes a staff reduction of 3 FTE as a result of the efficiencies gained by the introduction of this technology.

## **Specific Challenges in FY 2012**

### **Tobacco Product Diversion**

Given the increased rate of tax (since 2009) upon tobacco products, there is an increased incentive to evade the tax to gain an illegal profit. Tobacco diversion refers broadly to the movement of tobacco products into domestic commerce without the payment of taxes due.

Diversion schemes include:

- Tobacco products are removed from the manufacturer's premises in excess of the quantity reported to TTB, thus evading the tax on the unreported quantity of products removed;
- Tobacco products are removed from the manufacturer's premises for export (which is a removal not subject to federal excise tax) and either the manufacturer or an export warehouse proprietor diverts the products into domestic commerce before export, thus illegally avoiding tax payment;
- Tobacco products are removed from the manufacturer's premises without tax payment for export, are exported, and are smuggled back into the United States without the required importation entry and associated tax payment;
- Tobacco products are smuggled from abroad into the United States, disguised and declared as something other than tobacco products, or are declared as a smaller quantity than actually imported, thus illegally evading the applicable tax payment requirements;
- Tobacco products are sold by mail order, phone, and over the Internet from domestic and foreign vendors and are delivered directly to the consumer, thus bypassing applicable federal and/or state tax payment requirements; and
- Tobacco products are produced by a manufacturer operating without a permit and are removed for domestic consumption without the payment of applicable taxes.

TTB has been involved with cases that touch on each of these diversion schemes and has either addressed them administratively (where permittees have been involved) or worked with state or other federal agencies to address the unlawful conduct and to collect the tax due.

The Department of the Treasury Report to Congress on Federal Tax Receipts Lost Due to Illicit Trade and Recommendations for Increased Enforcement ("Report"), dated February 4, 2010, presented a study estimating the amount of federal tax receipts lost as a result of tobacco diversion. The Report also made several recommendations that, taken together and assuming appropriate resources to implement, TTB believes would reasonably be expected to limit tobacco diversion. The study emphasized that the substantial uncertainty surrounding the degree of underreporting of cigarette consumption in survey data necessarily results in uncertainty about the magnitude of the federal tax receipts lost due to cigarette diversion. The Bureau will continue to conduct this study to analyze post-CHIPRA revenue loss once data regarding cigarette consumption rates for 2009 and 2010 become available.

Additionally, since the enactment of CHIPRA, TTB has seen a number of changes in the tobacco products industry, apparently in response to the new incentives created by the different tax rates

imposed on the tobacco product categories. Those industry trends have included shifts within the industry in terms of the types of tobacco products removed from manufacturing premises for commercial distribution, specifically in regard to small and large cigars, and pipe tobacco and roll-your-own tobacco products. This shift can be attributed to consumers consciously purchasing lower-tax tobacco products.

In FY 2010, TTB was provided \$3 million in two-year (FY 2010-2011) funding that will expire on September 30, 2011. Congress specified that the funds would be for the hiring, equipping, and training of special agents and related support personnel. To assist the bureau with enforcing its criminal jurisdiction, TTB entered into an interagency agreement for the services of law enforcement agents on a reimbursable basis from the Internal Revenue Service Criminal Investigation division. The TTB criminal cases involving alcohol and tobacco diversion activity are in the investigative stage and, due to their complex nature, will take time to develop and bring to closure. TTB expects measurable results from the current caseload, and has identified additional leads for potential criminal referrals.

### **Alcohol Fuel Plants**

TTB has issued approximately 1,700 alcohol fuel plant permits, which it regulates as distilled spirits plants. The establishment of these new plants creates new challenges because of the possibility for significant revenue losses due to the unlawful diversion of alcohol. The Energy Independence and Security Act of 2007 mandates the use of 36 billion gallons of renewable fuel per year by 2022. In comparison, total U.S. consumption of beverage distilled spirits is about 420 million gallons per year – and beverage spirits contain less than half the ethanol that is in alcohol fuel. Most alcohol fuel production comes from fewer than 150 large plants, but hundreds of smaller plants have applied for TTB permits in each of the last few years.

### **Succession Planning**

Succession planning is high on the list of TTB's strategic priorities. TTB could lose approximately 30 percent of its workforce by 2012 due to retirements and other attrition. To mitigate these losses, TTB continues to use the personnel interventions identified in the Pay Demonstration Project to enable the bureau to improve its capacity to recruit, develop, and retain high-caliber employees. Continuation of this authority is key to closing skill gaps in mission critical occupations and is requested for an additional year in the FY 2012 budget.

### **Rulemaking**

TTB's regulatory actions will support its mission objectives to collect the revenue and protect the public. The bureau will work on a number of regulatory projects in FY 2012, and several key regulatory initiatives are detailed below.

#### Key Regulatory Initiatives

*Collect the Revenue and Protect the Public - Modernization of Title 27, Code of Federal Regulations.* In FY 2012, TTB will continue to pursue its multi-year program of modernizing its regulations in title 27 of the Code of Federal Regulations. This program involves updating and revising the regulations to be more clear, current, and concise, with an emphasis on the application of plain language principles. Modernizing the regulations will ultimately result in greater compliance by industry members, thus protecting both the

revenue and the public, as well as cost savings to TTB through the use of more efficient regulatory processes. In FY 2010, TTB drafted an advance notice of proposed rulemaking on Part 25, Beer regulations and expects to publish it in early FY 2011.

*Collect the Revenue--Alcohol Fuel Plants.* In FY 2012, TTB intends to publish amendments to the alcohol fuel plant regulations, in recognition of the significant growth in this industry segment. TTB anticipates these changes would include updated procedures for producers of distilled spirits intended for fuel use that will provide TTB with improved methods to protect the revenue, and also clarify or ease certain operational requirements.

The regulatory proposal will provide for more frequent reporting to TTB by larger alcohol fuel plants to enable TTB to better protect the revenue. TTB will also propose to remove the recordkeeping requirement for samples used at the alcohol fuel plant, and will provide clarification as to the disposition of distiller's grain and other bi-products that result from ethanol production.

*Collect the Revenue - Simplify Reporting Requirements for Distilled Spirits Plants.* TTB will need to undertake a rulemaking project to revise its regulations related to reporting requirements for distilled spirits plants (DSP). In order to realize the anticipated savings from staff reductions, as incorporated into the FY 2012 budget request, TTB must publish a final rule that updates the regulations to consolidate the required monthly operations reports for non-industrial DSP.

## Section 2 – Budget Adjustments and Appropriation Language

### 2.1 – Budget Adjustments Table

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau	FTE	Amount
<b>FY 2010 Enacted</b>	<b>535</b>	<b>\$103,000</b>
<b>FY 2011 Annualized CR Level</b>	<b>535</b>	<b>\$103,000</b>
Changes to Base:		
Adjustment to Reach Policy Level:	12	\$2,571
Adjustment to Reach FY 2011 President's Policy	12	\$2,571
Maintaining Current Levels (MCLs):	-	\$832
Maintaining Current Levels	-	\$832
Efficiencies, Savings & Base Reductions:	(45)	(\$8,525)
Audits, Investigations, Outreach & Trade Facilitation	(15)	(\$1,584)
Law Enforcement/Special Agents	(10)	\$0
Licensing and Registration Fees Initiative	(12)	(\$5,500)
New Regulations to Simplify Reporting Requirements	(3)	(\$300)
Overhead/Operating (Reduced Staffing/Overtime/Travel/Contracts, etc.)	(2)	(\$841)
Paperless Initiative (Permits Online)	(3)	(\$300)
Subtotal FY 2012 Changes to Base	(33)	(\$5,122)
<b>Total FY 2012 Base</b>	<b>502</b>	<b>\$97,878</b>
<b>Total FY 2012 Request</b>	<b>502</b>	<b>\$97,878</b>

### 2A – Budget Increases and Decreases Description

**Adjustment to Reach Policy Level ..... +\$2,571,000 / +12 FTE**  
Adjustment to Reach FY 2011 President's Policy +\$2,571,000 / +12 FTE

Adjustment from the FY 2011 Annualized Continuing Resolution (CR) Rate to reach the FY 2011 President's Policy Level. The President's Policy Level is equal to the FY 2011 President's Budget as adjusted for the proposed pay freeze.

**Maintaining Current Levels (MCLs) ..... +\$832,000 / +0 FTE**  
Maintaining Current Levels +\$832,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment and health benefits and the increase in Federal Employee Retirement System participation. No inflation adjustment is requested for pay in FY 2012.

**Efficiencies, Savings & Base Reductions ..... -\$8,525,000 / -45 FTE**  
Audits, Investigations, Outreach & Trade Facilitation -\$1,584,000 / -15 FTE

Savings realized from a reduction of staff, combined with an improved strategy for tax and regulatory enforcement that focuses on the areas that present the highest revenue risk, and a reinvented approach to industry outreach and international trade activities.

Law Enforcement/Special Agents +\$0 / -10 FTE

Reduction of 10 FTE due to the expiration of two-year funding (FY 2010-2011) for law enforcement agents and related support personnel whose focus was on criminal activities surrounding the alcohol and tobacco commodities.

Licensing and Registration Fees Initiative -\$5,500,000 / -12 FTE

Reduction due to the exclusion from the FY 2012 Presidents Budget of a licensing and registration fee program, which would have required the collection of annual fees from alcohol and tobacco industry members to fund TTB operations.

New Regulations to Simplify Reporting Requirements -\$300,000 / -3 FTE

Savings realized from simplifying the reporting requirements for distilled spirits plants (DSP) by updating the regulations to consolidate the required monthly operations reports for non-industrial DSP.

Overhead/Operating (Reduced Staffing/Overtime/Travel/Contracts, etc.) -\$841,000 / -2 FTE

Savings realized from the reduction of operating costs such as overtime, travel, supplies, GSA rent, equipment, software, and the reduction of management staff.

Paperless Initiative (Permits Online) -\$300,000 / -3 FTE

Savings realized from staffing reduction enabled by efficiencies gained from the Permits Online electronic filing system due to processing time reduction and the streamlining of business processes.

## 2.2 – Operating Levels Table

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau	FY 2010 Enacted	FY 2011 Annualized CR Level	Proposed Reprogram mings	FY 2011 Proposed Operating Level	FY 2012 Request
<b>FTE</b>	<b>535</b>	<b>535</b>	<b>-</b>	<b>535</b>	<b>502</b>
<b>Object Classification</b>					
11.1 - Full-time permanent	\$47,375	\$47,375	\$0	\$47,375	\$45,389
11.5 - Other personnel compensation	\$794	\$794	\$0	\$794	\$785
12 - Personnel benefits	\$11,706	\$11,706	\$0	\$11,706	\$11,582
21 - Travel and transportation of persons	\$3,508	\$3,508	\$0	\$3,508	\$2,990
22 - Transportation of things	\$102	\$102	\$0	\$102	\$96
23.1 - Rental payments to GSA	\$4,796	\$4,796	\$0	\$4,796	\$4,763
23.3 - Communication, utilities, and misc charges	\$5,132	\$5,132	\$0	\$5,132	\$5,178
24 - Printing and reproduction	\$388	\$388	\$0	\$388	\$393
25.2 - Other services	\$16,628	\$16,628	\$0	\$16,628	\$16,548
25.3 - Other purchases of goods and services from Govt. accounts	\$7,159	\$7,159	\$0	\$7,159	\$6,420
26 - Supplies and materials	\$740	\$740	\$0	\$740	\$636
31 - Equipment	\$4,645	\$4,645	\$0	\$4,645	\$3,071
42 - Insurance claims and indemnities	\$27	\$27	\$0	\$27	\$27
<b>Total Budget Authority</b>	<b>\$103,000</b>	<b>\$103,000</b>	<b>\$0</b>	<b>\$103,000</b>	<b>\$97,878</b>
<b>Budget Activities</b>					
Collect the Revenue	\$53,000	\$53,000	\$0	\$53,000	\$48,939
Protect the Public	\$50,000	\$50,000	\$0	\$50,000	\$48,939
<b>Total Budget Authority</b>	<b>\$103,000</b>	<b>\$103,000</b>	<b>\$0</b>	<b>\$103,000</b>	<b>\$97,878</b>

## 2.3 – Appropriations Detail Table

Dollars in Thousands

Resources Available for Obligation	FY 2010		FY 2010		FY 2011		FY 2012		% Change	
	Obligations		Enacted		Annualized CR Level		Request		FY 2010 to FY 2012	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>Appropriated Resources:</b>										
Collect the Revenue	268	\$49,553	268	\$53,000	268	\$53,000	251	\$48,939	-6.34%	-7.66%
Protect the Public	267	50,190	267	50,000	267	50,000	251	48,939	-5.99%	-2.12%
<b>Subtotal New Appropriated Resources</b>	<b>535</b>	<b>\$99,743</b>	<b>535</b>	<b>\$103,000</b>	<b>535</b>	<b>\$103,000</b>	<b>502</b>	<b>\$97,878</b>	<b>-6.17%</b>	<b>-4.97%</b>
<b>Other Resources:</b>										
Offsetting Collections - Reimbursable	15	4,234	15	4,234	15	3,050	15	2,997	0.00%	-29.23%
<b>Subtotal Other Resources</b>	<b>15</b>	<b>\$4,234</b>	<b>15</b>	<b>\$4,234</b>	<b>15</b>	<b>\$3,050</b>	<b>15</b>	<b>\$2,997</b>	<b>0.00%</b>	<b>-29.23%</b>
<b>Total Resources Available for Obligation</b>	<b>550</b>	<b>\$103,977</b>	<b>550</b>	<b>\$107,234</b>	<b>550</b>	<b>\$106,050</b>	<b>517</b>	<b>\$100,875</b>	<b>-6.00%</b>	<b>-5.93%</b>

Note: The obligations related to the 2-year FY 2010/2011 funding in the amount of \$3 million for the hiring, training and equipping of special agents and related support personnel was outsourced in the first quarter of FY 2011 with another government agency.

## 2B – Appropriations Language and Explanation of Changes

<p>DEPARTMENT OF THE TREASURY ALCOHOL AND TOBACCO TAX AND TRADE BUREAU Federal Funds</p> <p><b><u>SALARIES AND EXPENSES:</u></b> <i>For necessary expenses of carrying out section 1111 of the Homeland Security Act of 2002, including hire of passenger motor vehicles, \$97,878,000; 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.</i></p> <p><b><u>Treasury Administrative Provisions:</u></b> <i>Section 122(g)(1) of Public Law 105-119 (5 U.S.C. 3104 note), is further amended by striking " 12 years" and inserting " 14 years".</i></p>	<p>TTB proposes to continue the Pay Demonstration Project by amending the language to extend the program for one additional year.</p>
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## 2C – Legislative Proposals

### **Extend Pay Demonstration Project**

TTB proposes to continue the Pay Demonstration Project (Pay Demo) by amending the General Provision language to extend the project for one additional year. This project was established to enhance Treasury's ability to effectively recruit and retain highly qualified employees. Pay Demo has been extended every year since it was first established in FY 1999, and has been a successful intervention tool in the recruitment and retention of critical staff positions.



- The continuation of the Pay Demo authority has proven to be an effective recruitment strategy that enables the bureau to timely fill its positions with the right people, with the right skills, minimizing loss and skill gaps caused by an aging workforce and employee turnover;
- The Pay Demo authority fosters a results-oriented organizational culture since the employees' compensation is based upon the level of performance, therefore, improving the bureau's overall performance;
- The Pay Demo authority has resulted in a more diverse workforce, with increased representation of various groups (e.g., women, persons with disabilities, veterans, and persons from different age groups) across all occupations and band/grade groupings under the authority.

## Section 3 – Budget and Performance Plan

This table lists all FY 2012 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan provides a description of what the agency intends to accomplish over the next five years.

For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to: <http://www.treasury.gov/about/budget-performance/strategic-plan/Pages/index.aspx>

### 3.1 – Budget by Strategic Outcome

Dollars in Thousands

Treasury Strategic Outcome	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	% Change FY10 to FY12
Strong U.S. economic competitiveness	55,117	54,525	50,437	-8.49%
Revenue collected when due through a fair and uniform application of the law	52,117	51,525	50,438	-3.22%
<b>Total</b>	<b>\$107,234</b>	<b>\$106,050</b>	<b>\$100,875</b>	<b>-5.93%</b>

**3A - Collect the Revenue** (\$48,939,000 from direct appropriations, and \$1,499,000 from reimbursable programs): This budget activity includes all tax processing, verification, enforcement, and outreach efforts related to tax administration performed by TTB. Collect the Revenue includes three programs: 1) Alcohol and Tobacco Tax Collections, 2) Firearms and Ammunition Excise Tax Collections, and 3) Outreach and Voluntary Compliance. Principal business activities within these programs include:

- *Tax Collection, Claims, Refunds, and Classification*, which involves preparing taxpayer notices and assessments, processing claims and settlement agreements, and assigning a tax classification to a product based on regulatory standards;
- *Tax Verification, Audits, and Investigations*, which includes the reconciling and auditing of tax returns and reports of business operations; on-site audits of alcohol, tobacco, firearms, and ammunition industry members; investigating criminal allegations or indications of tax fraud; conducting compliance investigations of permittees who have substantial potential for tax liability; and initiating adverse actions for willful violations of the Internal Revenue Code; and
- *Voluntary Compliance*, which supports outreach and education efforts for members of the regulated industries, and includes preparing regulatory guidance, web site postings, and newsletters; participating in and/or hosting conferences and seminars; and industry and state liaison activities.

Strategies used to collect the revenue rightfully due the federal government focus on identifying any gaps in tax payment from illegal entities and individuals operating outside the excise tax system; developing a balanced field approach of audits and investigations that targets non-compliant industry members; and establishing an identifiable presence within the industry that encourages voluntary compliance. TTB uses an interagency approach in applying these

enforcement strategies that involves cooperation with local, state, federal, and foreign government counterpart agencies to maximize the deterrent impact of enforcement actions.

**Offsetting Collections.....Total \$1,499,000**  
*Non-Federal Sources (Puerto Rico).....\$1,450,000*  
*Federal Sources (Laboratory Services).....\$17,000*  
*Federal Sources (IT Network Services).....\$32,000*

The non-federal reimbursable funds cover the costs associated with the functioning and support of the Puerto Rico office, and are paid from the “cover-over” (return), which is offset from the cover-over taxes collected in the United States. The bureau collects a nominal amount of reimbursable funding for lab services performed to support criminal investigations at the Bureau of Alcohol, Tobacco, Firearms, and Explosives. Also, the bureau collects reimbursable funding for the cost of providing information technology network services for the Community Development Financial Institutions Fund.

### 3.2.1 Collect the Revenue Budget and Performance Plan

#### Collect the Revenue Budget Activity

Resource Level	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request
Appropriated Resources	\$46,758	\$50,524	\$53,000	\$53,000	\$48,939
Reimbursable Resources	\$1,878	\$2,576	\$2,117	\$1,525	\$1,499
<b>Total Resources</b>	<b>\$48,636</b>	<b>\$53,100</b>	<b>\$55,117</b>	<b>\$54,525</b>	<b>\$50,438</b>

<b>Budget Activity Total</b>	<b>\$48,636</b>	<b>\$53,100</b>	<b>\$55,117</b>	<b>\$54,525</b>	<b>\$50,438</b>
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Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Amount of Revenue Collected Per Program Dollar (E)	313.0	427.0	478.0	400.0	410.0
Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Payments Timely and Accurately (In Terms of Revenue) (Oe)	94.0	94.0	94.0	92.0	94.0

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

#### Description of Performance:

In FY 2010, TTB met all of its performance measures under the Collect the Revenue budget activity, and showed continued improvements in performance levels.

The amount of revenue collected per program dollar measure quantifies the efficiency of the tax collection program and, in FY 2010, TTB reported a return on investment of \$478 for every dollar spent on collection activities. In just two years, the return on investment for the Collect

the Revenue program increased by more than 50 percent, principally because of the higher federal excise tax rate imposed on tobacco products under the February 2009 CHIPRA legislation. The bureau used Congressional Budget Office revenue projections for increased tobacco excise tax collections to determine its targeted performance levels for fiscal years 2010 - 2012 and, due to ongoing and successful compliance audit and investigation efforts, exceeded the performance target for FY 2010 by 20 percent. Additionally, through on premises visits to industry and targeted post-audit verifications, TTB auditors continued to enforce the collection of the tobacco floor stocks tax from the manufacturers, importers, wholesalers, and retailers who held tobacco products in inventory at the time of the tax rate increase. This field work resulted in nearly \$9 million in additional floor stocks tax collections in FY 2010.

TTB collected nearly \$24 billion in federal excise taxes in a highly efficient manner. Key performance metrics show that 94 percent of industry members voluntarily file their tax payments on or before the scheduled due date. During an economic downturn, this compliance rate from business is especially notable, and is a function of TTB's enforcement presence and the service and outreach TTB provides to its industry members.

**3B - Protect the Public** (*\$48,939,000 from direct appropriations, and \$1,498,000 from reimbursable programs*): This budget activity funds the programs that ensure the integrity of products and industry members in the marketplace, promote compliance with laws and regulations by TTB-regulated businesses, and provide information to the public as a means to prevent consumer deception. Protect the Public includes four programs: 1) Permits and Business Assurance; 2) Advertising, Labeling, and Product Safety; 3) Trade Facilitation; and 4) Outreach and Voluntary Compliance. Principle business activities within these programs include:

- *Business Integrity*, which involves enforcing compliance with federal laws related to the issuance of permits to those who wish to operate in the alcohol, tobacco, firearms, and ammunition industries;
- *Product Integrity*, which includes reviewing alcohol beverage label applications; evaluating alcohol beverage product advertisements; reviewing alcohol beverage formula submissions; evaluating specially denatured alcohol and other nonbeverage alcohol formulas to verify the tax drawback claim of the applicant; investigating incidents of suspected unsafe conditions or product deficiencies related to the production and labeling of alcohol beverages; and testing samples of beverage alcohol sold at the retail and producer levels to ensure that these products meet formulation and labeling requirements, do not contain unauthorized substances or contaminants, and are properly classified for tax purposes; and
- *Market Integrity*, which includes monitoring the trade practices of the alcohol industry and taking enforcement actions on violations, monitoring and reviewing international trade in alcohol beverages to identify trade barriers and incidents of international fraud and contaminated products, and promoting international agreements on product integrity.

TTB works with industry, foreign and state governments, and other interested parties to reduce the burden of compliance with regulatory requirements and to maintain the appropriate level of oversight to ensure public safety. Industry education, interagency partnerships, international

cooperation, and open communication are paramount strategies in facilitating compliance with regulatory product and trade requirements.

U.S. exports of alcohol beverages totaled more than \$2 billion in 2009. TTB seeks to promote U.S. exports by facilitating industry compliance with foreign requirements and by working with foreign regulators to reduce barriers to trade. In FY 2010, TTB issued over 10,000 export certificates for beer, wine, and distilled spirits. Without these certificates, which are only issued by TTB, U.S. producers of alcohol beverages cannot sell their products in major markets abroad. Further, through its international outreach, TTB has arranged for the elimination or reduction of certification requirements for wine exported to the European Union, Argentina, Australia, Canada, Chile, Georgia, New Zealand, and South Africa.

**Offsetting Collections.....Total \$1,498,000**  
*Non-Federal Sources (Puerto Rico).....\$1,450,000*  
*Federal Sources (Laboratory Services).....\$17,000*  
*Federal Sources (IT Network Services).....\$31,000*

The non-federal reimbursable funds cover the costs associated with the functioning and support of the Puerto Rico office, and are offset from the cover-over taxes collected in the United States. Also, the bureau collects a nominal amount of reimbursable funding for lab services performed to support criminal investigations being conducted at the Bureau of Alcohol, Tobacco, Firearms, and Explosives. Also, the bureau collects reimbursable funding for the cost of providing information technology network services for the Community Development Financial Institutions Fund.

### 3.2.2 Protect the Public Budget and Performance Plan

#### Protect the Public Budget Activity

Resource Level	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request
Appropriated Resources	\$46,758	\$48,541	\$50,000	\$50,000	\$48,939
Reimbursable Resources	\$1,878	\$2,578	\$2,117	\$1,525	\$1,498
<b>Total Resources</b>	<b>\$48,636</b>	<b>\$51,119</b>	<b>\$52,117</b>	<b>\$51,525</b>	<b>\$50,437</b>

<b>Budget Activity Total</b>	<b>\$48,636</b>	<b>\$51,119</b>	<b>\$52,117</b>	<b>\$51,525</b>	<b>\$50,437</b>
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Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Average Number of Days to Process an Original Permit Application at the National Revenue Center (E)	64.0	64.0	65.0	72.0	65.0
National Revenue Center (NRC) Customer Satisfaction Survey Results (%) (Oe)	90.0	89.0	89.0	85.0	85.0

Percent of Electronically Filed Certificate of Label Approval Applications (E)	62.0	74.0	79.0	81.0	83.0
Percentage of Importers Identified by TTB as Illegally Operating without a Federal Permit (%) (Oe)	22.0	15.0	15.0	19.0	14.0

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

*Description of Performance:*

In FY 2010, TTB met or exceeded its targeted performance for each of its Protect the Public measures.

The bureau reported increases in the percent of electronically filed COLA applications, which in FY 2010 reached 79 percent of all applications. The ongoing rise in electronic filing is due to successful industry outreach events sponsored by the bureau, and system enhancements that simplify the filing process for industry members. TTB has set aggressive performance targets for fiscal years 2011 and 2012 and will effectively deploy its resources to meet these performance goals.

The NRC customer survey measures satisfaction with application and claims processing times and the level of service provided to the industry. The survey solicits feedback on the level of service provided to applicants for an original or amended permit, and those industry members who file a claim to recover taxes paid on nonbeverage alcohol or overpayments of tax. TTB exceeded its target of a sustained score of 85 percent on customer satisfaction for permit application and claims processing, and achieved a composite score of 89 percent in FY 2010. Planned service enhancements, including the online filing solution for original and amended permit applications which will be released in FY 2011, will contribute to the bureau continuing to meet its targeted performance level. This target factors in anticipated efficiencies from realignments to staff and improvements to technology and business processes.

TTB expects automation efforts that commenced in FY 2011 to expedite permit processing times. With full system functionality for Permits Online slated for deployment in 2012, and considering the requisite transition and training period for industry members, TTB anticipates achieving considerable improvements in processing times beginning in the latter quarters of FY 2012. Once this process improvement is implemented, and with resources directed toward promoting Permits Online and training industry on its use, the bureau expects to achieve and sustain a 65-day average turnaround time in permit processing in FY 2012. This will support the government’s efforts in facilitating economic growth, as permits must be issued before new businesses can commence operations.

TTB continues its enforcement of federal permit requirements, targeting entities identified as importing cigarettes and other tobacco products without a TTB permit. By monitoring the U.S. Customs and Border Protection’s International Trade Data System, and comparing import data against the permittees on file with TTB, the bureau is able to identify and take action against those entities engaging in unlawful operations. The bureau exceeded its targeted performance level for FY 2010.

For detailed information about each performance measure, including definition, verification and validation, please go to: <http://www.treasury.gov/offices/management/dcfo/accountability-reports/>

## **Section 4 – Supporting Materials**

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### **4A – Human Capital Strategy Description**

The TTB Human Capital Strategic Plan aligns with the TTB Strategic Plan and Treasury Human Capital Strategic Plan, and documents strategies to improve skill and competency gaps, workplace demographics, succession planning, workforce management, and performance measurement efforts. The model for strategically assessing the skills gap for future years is predicated on assumptions regarding future changes in the workforce, including retirement eligibility rules and rates of attrition.

One of TTB’s key indicators of how successfully it manages human capital declined compared to prior year results. Expanding mission requirements from the CHIPRA legislation, with short timeframes for implementation, and increased workloads contributed to declines in employee satisfaction, as evidenced by the OPM employee survey, FedView. TTB ranked 83rd out of 224 sub-component agencies on the FY 2010 Best Places to Work in the Federal Government rankings, a decline from its 2008 ranking of 7th out of 216. In response to this government-wide employee survey, TTB spearheaded an effort to solicit feedback from both employees and managers which involved creating processes for feedback loops, engaging employees in the decision making process, and leveraging employee talents to meet the bureau’s programmatic needs.

While TTB’s ranking decreased from the prior year survey, the positive response rate on the FedView survey compares favorably to the Department of the Treasury and government overall. The positive response rate for TTB in all survey categories, with one exception, remained at or above the government-wide average. These results can be attributed, in part, to TTB’s use of its Pay Demonstration Project (Pay Demo) authority, which provides a number of human capital management and compensation flexibilities, and the promotion of telework and alternative work schedules. Currently, 56 percent of employees telework on a regular recurring schedule, and 74 percent of the workforce telework at least on an occasional basis.

By properly managing its human capital needs, TTB supports the Department of the Treasury’s strategic goals of:

- Effectively Managed U.S. Government Finances; and
- U.S. and World Economies Perform at Full Economic Potential.

Succession planning is a strategic priority for TTB, especially as it relates to the bureau’s mission-critical positions. The bureau could lose approximately 30 percent of its workforce between FY 2010 and FY 2012 due to retirements and other attrition. Many of these positions are auditors and investigators who enforce compliance from permittees and taxpayers. To mitigate these losses, it is vital that the personnel interventions identified in the Pay Demo project are available to improve its ability to recruit, develop, and retain high-caliber employees in mission-critical positions. The bureau has roughly 130 participants in this project in positions such as chemists, industry analysts, auditors, and information technology specialists. The bureau also extensively uses federal programs to recruit new employees and increase skill levels such as the Presidential Management Fellows Program and other special emphasis hiring. TTB



emphasizes employee development through training programs such as the Emerging Leaders Program and supports specialized training through TTB-sponsored courses like the Integrated Field Operations (InFO) course, which trains new auditors and investigators on legal authorities, policies, and specific industry knowledge.

### **Interagency and Contract Services**

TTB uses the Bureau of Public Debt Administrative Resource Center (BPD ARC), a government shared service provider, for the majority of its administrative functions, including financial services, human resources, travel, procurement, and timekeeping functions. Outsourcing these functions provides a cost savings from economies of scale and allows the bureau to better focus resources on its core mission. With this very low rate of administrative overhead, the bureau directly hires only those positions necessary to administer policy and provide appropriate oversight of the shared service provider. In addition, TTB outsources all IT functions to a commercial service provider, directly hiring only positions necessary to administer policy and provide appropriate oversight of the IT contractor.

### **Wellness**

TTB maintains contracts with Federal Occupational Health and with the BPD ARC for employee assistance programs and medical services. TTB has a Health Improvement Program that allows time for exercise. A multitude of health and wellness services and opportunities are offered to employees, including “heart healthy” choices in snack machines; extensive Employee Assistance Program services (e.g., substance abuse counseling, smoking cessation programs, grief counseling, and stress management); occupational health services (such as immunizations) through the Federal Occupational Health program; and participation in federal government programs such as FedsGetFit, HealthierFeds, and Health Care Flexible Spending Accounts. TTB also publishes a monthly informational bulletin about health and wellness programs. Bureau managers coordinate voluntary wellness activities such as creating teams for charity walks. Plans are in development to reach the Administration’s goal of 75 percent employee participation in wellness programs.

#### 4.1 – Summary of IT Resources Table

Dollars in Thousands

Major IT Investments / Funding Source	Budget Activity	FY 2009 Enacted	FY 2010 Enacted	% Change from FY09 to FY10	FY 2011 Annualized CR Level	FY 2012 Request	% Change from FY10 to FY12
No Major Investments		\$0	\$0	N/A	\$0	\$0	N/A
Subtotal, Major IT Investments	Collect the Revenue/Protect the Public	\$0	\$0	N/A	\$0	\$0	N/A
Non-Major IT Investments	Collect the Revenue/Protect the Public	\$4,480	\$4,480	0.0%	\$4,480	\$5,780	29.0%
Infrastructure Investments	Collect the Revenue/Protect the Public	\$17,258	\$16,260	-5.8%	\$16,260	\$15,128	-7.0%
Enterprise Architecture	Collect the Revenue/Protect the Public	\$644	\$644	0.0%	\$644	\$513	-20.3%
Enterprise Identity and Access Management	Collect the Revenue/Protect the Public	N/A	N/A	N/A	N/A	\$172	100.0%
Total IT Investments	Collect the Revenue/Protect the Public	\$22,382	\$21,384	-4.5%	\$21,384	\$21,593	1.0%

Note: In past budget submissions (FY 2011 and prior), TTB's Enterprise Identity and Access Management (EIdAM) funding was spread across the entire portfolio of investments and was not depicted as a standalone investment/line item within the Table 4.1 as it was not a requirement to do so. As part of the FY 2012 submission (per OMB and Treasury CPIC guidance), TTB's Table 4.1 now includes the EIdAM investment as a separate line item with associated projected costs in FY 2012.

#### **4B – Information Technology Strategy**

TTB's Strategic Plan establishes the vision and objectives for the bureau in the business context. TTB's Information Technology (IT) Strategic Plan is a five-year plan based on the business strategy, which includes the bureau's mission, vision, goals, and objectives from the IT perspective. This plan charts the course the bureau will follow in the coming years to develop and implement IT solutions that are aimed at streamlining the collection of data, leveraging web technologies, and making the Internet the method of choice for the reporting and exchanging of information. By aligning business and technical strategy, the bureau is able to leverage technology to enable the bureau to meet its objectives in the most efficient and cost-effective manner while identifying ways to minimize system redundancy.

TTB has no major IT investments based on the OMB and the Department of Treasury criteria. Several non-major investments, however, directly support the mission, strategy, and day-to-day operations of the bureau. These include:

**TTB Tax System** – This investment consists of several component applications that ensure fair and proper collection of revenue from the industry members for alcohol, tobacco, firearms, and ammunition excise taxes and ensures compliance with the excise tax regulations.

**TTB Regulatory System** – This investment includes applications that streamline the beverage and non-beverage alcohol formula approval process and COLA issuance for tax and regulatory compliance.

**TTB General Support Services** – This investment provides TTB users with the infrastructure applications necessary to conduct daily business.

**TTB Enterprise Architecture** – This investment is integrated with the strategic planning, portfolio management, and capital planning processes.

In addition to leveraging IT to support the mission, strategy, and day-to-day operations of the bureau, TTB supports and maintains strategy alignment with OMB and Treasury through enterprise wide IT initiatives. These include: Cyber Security; IT Infrastructure; Electronic Identity and Access Management (HSPD-12); Enterprise-wide Contracts and Services; and Program Metrics and Milestones.