

Chapter 1

Federal Reserve System

For 1990, the Federal Reserve System has budgeted operating expenses of \$1,523.8 million, an increase of 6.0 percent over 1989 estimated expenses.¹ The budgeted operating expenses of the System comprise those of the Reserve Banks, \$1,419.0 million, and those of the Board of Governors, \$104.9 million (table 1.1).

Not included in these costs are special projects, budgeted at \$6.7 million for 1990, down from \$9.0 million estimated for 1989.² Also excluded is the budgeted cost of currency, \$188.7 million, an increase of 8.2 percent from the 1989 cost of \$174.4 million.³ With special projects and the cost of currency added to operating expenses, the Reserve Banks account for 82.9 percent of the total; the Board, 6.1 percent; special projects, 0.4 percent; and currency, 10.6 percent (chart 1.1). This distribution of expenses is essentially the same as in 1989.

1. The budget information presented in the text, tables, and charts does not include the cuts made in conjunction with the Balanced Budget and Emergency Deficit Control Act of 1985 (commonly known as Gramm-Rudman-Hollings). Appendix G discusses these cuts.

2. As research and development efforts, special projects are separate from the continuing operations of the System and, therefore, are not included in System operating expenses. These relatively costly, short-term projects are expected to benefit both the System and the banking industry as a whole. A description of the special projects for 1990 appears in appendix C.

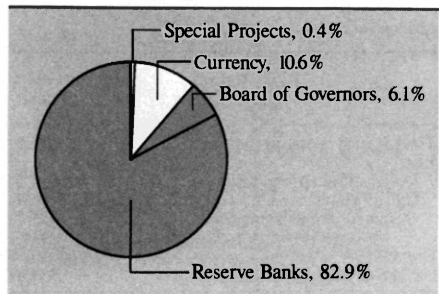
3. The Federal Reserve bears the cost associated with printing new currency at the Bureau of Engraving and Printing. Because this cost is determined largely by public demand for new currency, it is not included in Federal Reserve operating expenses. See appendix C.

Chapter 2 discusses the budget for the Board of Governors; chapter 3 details the budgets of the Reserve Banks. The budget by operational area is provided later in this chapter. Appendix A describes in more detail the operational areas; appendix B describes the budget processes of the Board and of the Reserve Banks.

Net Expenses

The System expects to recover 59 percent of the expenses it incurs during 1990. The following items are deducted from System operating expenses to derive the net cost: (1) receipts for payments mechanism services provided to depository institutions, (2) other income for services on behalf of the U.S. Treasury that are charged to depository institutions using the services, and (3) expenses that are reimbursable by the U.S. Treasury and other government agencies for fiscal agency services. After deducting these items, net expenses of the System are

Chart 1.1
Distribution of Expenses of the
Federal Reserve System, 1990¹



1. See text notes 1, 2, and 3.

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expected to equal \$626.2 million, or 41 percent of total budgeted operating expenses (table 1.2).

As required by the Monetary Control Act, receipts for priced services represent fees that are set to recover the full cost of providing these services to depository institutions, including the imputed costs of float and the return on capital that would have been provided and the taxes that would have been paid had a commercial entity in the private sector furnished

the services. The revenue from priced services is detailed in table 1.3; the constraint imposed on Federal Reserve budgets by the need to keep such services competitive and the calculation of fees are discussed in appendix C. All sources and uses of funds are presented in appendix D; the audits of the System are listed in appendix E.

The "other income" category in table 1.2 includes fees from services such as the transfer of book-entry U.S. Treasury

Table 1.1

Operating Expenses, Special Projects, and Cost of Currency of the Federal Reserve System, 1988-90¹

Millions of dollars, except as noted

Entity and type of expense	1988 actual	1989 estimate	1990 budget	Percent change	
				1988-89	1989-90
Reserve Banks ²	1,262.4	1,341.4	1,419.0	6.3	5.8
Personnel	794.5	852.6	904.8	7.3	6.1
Nonpersonnel	467.9	488.8	514.1	4.5	5.2
Board of Governors ³	90.5	96.3	104.9	6.5	8.8
Personnel	63.8	69.7	79.4	9.2	14.0
Nonpersonnel	26.7	26.6	25.4	-.3	-4.6
System operating expenses	1,352.9	1,437.7	1,523.8	6.3	6.0
Personnel	858.8	922.3	984.2	7.4	6.7
Nonpersonnel	494.1	515.4	539.6	4.3	4.7
Special projects ⁴	4.6	9.0	6.7	...	...
Currency ⁵	165.0	174.4	188.7	5.7	8.2

1. In this and subsequent tables in this volume, details may not sum to totals and may not yield percentage changes shown because of rounding.

2. For detailed information, see chap. 3.

3. Includes expenses of the Office of Inspector General. For detailed information, see chap. 2.

4. See text note 2 and appendix C.

5. See text note 3 and appendix C.

Table 1.2

Operating Expenses of the Federal Reserve System, Net of Receipts and Claims for Reimbursement, 1988-90

Millions of dollars, except as noted

Item	1988 actual	1989 estimate	1990 budget	Percent change	
				1988-89	1989-90
Total System operating expenses	1,352.9	1,437.7	1,523.8	6.3	6.0
LESS					
Revenue from priced services	656.8	702.4	756.5	6.9	7.7
Other income	16.4	17.0	18.0	3.7	5.9
Claims for reimbursement ¹	115.7	116.6	123.1	.8	5.5
EQUALS					
Net System operating expenses	564.0	601.7	626.2	6.7	4.1

1. The costs of fiscal agency services to the U.S. Treasury and other government agencies for which the

agencies have agreed to reimburse the Federal Reserve. In practice, not all these claims are paid.

Table 1.3
Revenue from Priced Services, 1988-90
Millions of dollars

Service	1988 actual	1989 estimate	1990 budget
Funds transfer and net settlement	69.2	76.8	79.2
Automated clearinghouse ..	42.4	48.9	52.4
Commercial check	503.7	535.1	582.5
Book-entry securities	8.7	10.2	11.1
Definitive securities	6.7	5.9	5.9
Noncash collection	11.2	11.1	11.1
Cash services	14.9	14.4	14.4
Total	656.8	702.4	756.5

securities in the secondary market, the settlement of such transfers among depository institutions, and the wire transfer of funds between a depository institution and the Treasury.

Claims for reimbursement represent the expenses incurred by Reserve Banks in providing fiscal agency services to the U.S. Treasury or to other government agencies and for which the agencies have agreed to reimburse the Federal Reserve.

Trends in Expenses and Employment

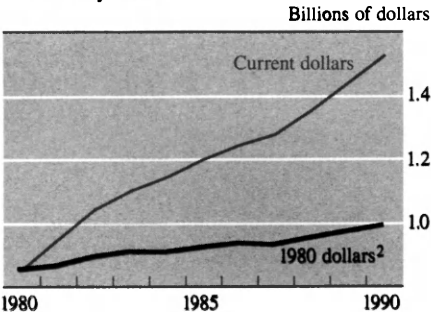
From 1980 to the level budgeted for 1990, the expenses of the System have

increased an average of 6 percent per year in current dollars and 1.5 percent when adjusted for inflation (chart 1.2). Over the same period, System employment increased a total of 185, or 0.1 percent per year (chart 1.3).

Over the past decade, the Monetary Control Act of 1980 (MCA) greatly affected System expenses and employment. It extended reserve requirements to all nonmember banks and thrift institutions, requiring the Federal Reserve to establish new systems for the collection of data and maintenance of deposit accounts. The MCA also extended access to Federal Reserve services to all depository institutions. Accordingly, System employment rose significantly during 1980 and 1981.

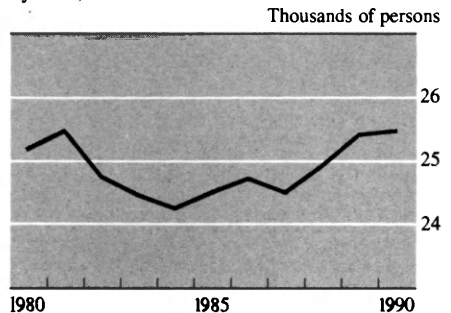
From 1982, when the transition to the requirements of the MCA was completed, through 1984, System expenses remained essentially flat when adjusted for inflation, and employment declined. In 1985, the Federal Reserve increased the staff in a pronounced effort to strengthen supervision and regulation of member banks and bank holding companies. The System was able to offset partially the increase in staff through reductions in employment in other areas,

Chart 1.2
Operating Expenses of the Federal Reserve System, 1980-90¹



1. For 1989, estimate; for 1990, budget.
2. Calculated with the GNP price deflator.

Chart 1.3
Employment in the Federal Reserve System, 1980-90¹



1. For 1989, estimate; for 1990, budget.

primarily in services to financial institutions and the public and in support and overhead.

In 1988, the Expedited Funds Availability Act (title VI of Public Law 100-86, the Competitive Equality Banking Act of 1987) became effective. The act requires the Federal Reserve to issue regulations to ensure the prompt availability of funds and the expeditious return of checks. Increases in staff throughout the System in 1988 and 1989 resulted from implementing the provisions of this legislation.

Operational Areas

Federal Reserve expenses are classified for budgeting purposes according to the major operational areas of the System: monetary and economic policy, supervision and regulation, services to financial institutions and the public, and services to the U.S. Treasury and other government agencies (table 1.4). Costs for

support and overhead are redistributed or allocated to these four areas. Only the Reserve Banks perform services to the Treasury and other government agencies. The operational area unique to the Board of Governors, System policy direction and oversight, is considered an overhead expense of the System (see chapter 2).

1990 Budget Initiatives

The Reserve Banks and the Board are beginning or continuing several major initiatives in 1990. Projects involving programs for the U.S. Treasury and for the Food and Nutrition Service will significantly affect the budget. On behalf of the Treasury, the System continues the nationwide expansion of the Regional Delivery System, which involves centralized issuance of over-the-counter savings bonds (chapter 4). The Food and Nutrition Service has requested changes in processing food coupons.

Table 1.4

Operating Expenses of the Federal Reserve System, by Operational Area, 1988-90¹

Millions of dollars, except as noted

Operational area and entity	1988 actual	1989 estimate	1990 budget	Percent change	
				1988-89	1989-90
Monetary and economic policy	147.2	157.5	166.4	7.0	5.6
Reserve Banks	87.3	93.2	98.9	6.8	6.1
Board of Governors	59.9	64.3	67.5	7.3	5.0
Supervision and regulation	212.4	226.0	248.4	6.4	9.9
Reserve Banks	185.1	196.9	214.5	6.4	8.9
Board of Governors	27.4	29.1	33.9	6.2	16.7
Services to financial institutions and the public	851.7	906.5	950.4	6.4	4.8
Reserve Banks	848.5	903.5	947.0	6.5	4.8
Board of Governors	3.2	3.0	3.4	-8.0	15.0
Services to the U.S. Treasury and other government agencies ²	141.5	147.7	158.6	4.4	7.4
Total	1,352.9	1,437.7	1,523.8	6.3	6.0
Reserve Banks	1,262.4	1,341.4	1,419.0	6.3	5.8
Board of Governors ³	90.5	96.3	104.9	6.5	8.8

1. Operating expenses reflect all allocations for support and overhead and exclude capital outlays. The operational area unique to the Board of Governors, System policy direction and oversight, which is shown separately in chap. 2, has been allocated across the operational areas shown above. As a result, the numbers in chap. 2 for the

operational areas are not the same as the ones listed in this table.

2. Reserve Banks only. The Board of Governors does not provide these services.

3. Includes expenses of the Office of Inspector General.

The System will continue projects in automation related to contingency processing for critical operations, improved availability of mainframe systems, expansion of computer capacity, system conversions, and office automation initiatives.

Supervision and regulation efforts continue to receive a major emphasis in the budgets. Spending in this area will be larger than 1989 estimated expenses to accommodate the greater complexity of examinations, more holding company examinations, ongoing attention to problem institutions, and the enactment of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). The Board and the Reserve Banks are also continuing the development of the National Information Center to provide a single source for information on financial institutions needed to process applications, to monitor safety and soundness, and to maintain the accuracy of published data series.

Finally, in 1990 the Board will experience its first full year of its new compensation program. This new structure was implemented to improve the Board's ability to attract and retain a good staff that will help the Board meet its critical responsibilities. ■

Chapter 1

Federal Reserve System

For 1991, the Federal Reserve System has budgeted net operating expenses of \$675.4 million. It expects to realize \$779.4 million, or 48 percent of total budgeted operating expenses, from revenues for priced services. Total operating expenses are budgeted at \$1,613.6 million, an increase of 6.2 percent over 1990 estimated expenses. The budgeted operating expenses of the System comprise those of the Reserve Banks, \$1,501.0 million, and the Board of Governors, \$112.6 million (tables 1.1 and 1.2).

Not included in these costs are special projects, budgeted at \$7.6 million for 1991, up from \$6.6 million estimated for 1990.¹ Also excluded is the budgeted cost of currency at \$259.2 million for 1991, an increase of 36.3 percent from the estimated 1990 cost of \$190.1 million.² When special projects and the cost of currency are added to operating expenses, the Reserve Banks account for 79.8 percent of the total; the Board, 6.0 percent; special projects, 0.4 percent; and currency, 13.8 percent (chart 1.1). This distribution of expenses is similar to that in 1990.

1. As research and development efforts, special projects are separate from the continuing operations of the System and, therefore, are not included in System operating expenses. These relatively costly, short-term projects are expected to benefit both the System and the banking industry as a whole. A description of the special projects for 1991 appears in appendix C.

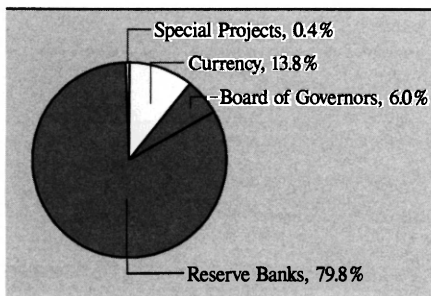
2. The Federal Reserve bears the cost associated with the printing of new currency at the Bureau of Engraving and Printing. Because this cost is determined largely by public demand for new currency, it is not included in Federal Reserve operating expenses. See appendix C.

Net Expenses

The System expects to recover 58 percent of the expenses it incurs during 1991. The following items are deducted from System operating expenses to derive the net cost: (1) receipts for payments mechanism services provided to depository institutions, (2) other income for services on behalf of the U.S. Treasury that are charged to depository institutions using the services, and (3) expenses that are reimbursable by the U.S. Treasury and other government agencies for fiscal agency services. After deducting these items, the net expenses of the System of \$675.4 million show an increase of 10.1 percent over net System operating expenses for 1990.

As required by the Monetary Control Act, receipts for priced services represent fees that are set to recover the full cost of providing these services to depository institutions, including the imputed costs of float and the return on capital that would have been provided and the taxes

Chart 1.1
Distribution of Expenses of the
Federal Reserve System, 1991¹



1. See text notes 1 and 2.

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that would have been paid had a commercial entity in the private sector furnished the services. The revenue from priced services is detailed in table 1.3; the constraint imposed on Federal Reserve budgets by the need to keep such services competitive and the calculation of fees are discussed in appendix C. All sources and uses of funds are presented in appendix D; the audits of the System are listed in appendix E.

The category "other income" in table 1.2 includes fees from services such as the transfer of U.S. Treasury book-entry securities in the secondary market, the settlement of such transfers among depository institutions, and wire transfer of funds between a depository institution and the Treasury.

Claims for reimbursement represent the expenses incurred by Reserve Banks in providing fiscal agency services to the

Table 1.1
Operating Expenses, Special Projects, and Cost of Currency
of the Federal Reserve System, 1989-91¹

Millions of dollars, except as noted

Entity and type of expense	1989 actual	1990 estimate	1991 budget	Percent change	
				1989-90	1990-91
Reserve Banks ²	1,350.5	1,414.6	1,501.0	4.7	6.1
Personnel	851.3	901.5	969.1	5.9	7.5
Nonpersonnel	499.2	513.1	531.8	2.8	3.7
Board of Governors ³	96.0	104.4	112.6	8.8	7.9
Personnel	70.2	79.0	86.0	12.5	8.9
Nonpersonnel	25.8	25.4	26.6	-1.5	4.7
System operating expenses	1,446.5	1,519.0	1,613.6	5.0	6.2
Personnel	921.5	980.5	1,055.1	6.4	7.6
Nonpersonnel	525.0	538.5	558.5	2.6	3.7
Special projects ⁴	7.5	6.6	7.6	...	...
Currency ⁵	174.4	190.1	259.2	9.0	36.3

1. In this and subsequent tables in this volume, details may not sum to totals and may not yield percentage changes shown because of rounding.

2. For detailed information, see chapter 3.

3. Includes expenses of the Office of Inspector General. For detailed information, see chapter 2.

4. See text note 1 and appendix C.

5. See text note 2 and appendix C.

Table 1.2
Operating Expenses of the Federal Reserve System, Net of Receipts
and Claims for Reimbursement, 1989-91

Millions of dollars, except as noted

Item	1989 actual	1990 estimate	1991 budget	Percent change	
				1989-90	1990-91
Total System operating expenses	1,446.5	1,519.0	1,613.6	5.0	6.2
LESS					
Revenue from priced services	718.7	754.9	779.4	5.0	3.2
Other income	18.9	18.3	17.9	-3.2	-2.2
Claims for reimbursement ¹	127.1	132.2	140.9	4.1	6.5
EQUALS					
Net System operating expenses	581.8	613.6	675.4	5.5	10.1

1. The costs of fiscal agency services to the U.S. Treasury and other government agencies for which the

agencies have agreed to reimburse the Federal Reserve. In practice, not all these claims are paid.

Table 1.3
Revenue from Priced Services, 1989-91
Millions of dollars

Service	1989 actual	1990 estimate	1991 budget
Funds transfer and net settlement	77.6	80.2	82.6
Automated clearinghouse ..	49.5	52.8	57.7
Commercial check	549.3	580.3	596.9
Book-entry securities	10.4	10.8	11.2
Definitive securities	6.0	5.4	4.9
Noncash collection	11.3	10.6	10.5
Cash services	14.6	14.7	15.6
Total	718.7	754.9	779.4

U.S. Treasury or to other government agencies and for which the agencies have agreed to reimburse the Federal Reserve.

Trends in Expenses and Employment

From expenditures in 1981 to the level budgeted for 1991, the expenses of the Federal Reserve System have increased an average of 5.5 percent per year in current dollars and 3.8 percent when adjusted for inflation (chart 1.2). Over the same ten-year period, System employment has increased by only 114 (chart 1.3).

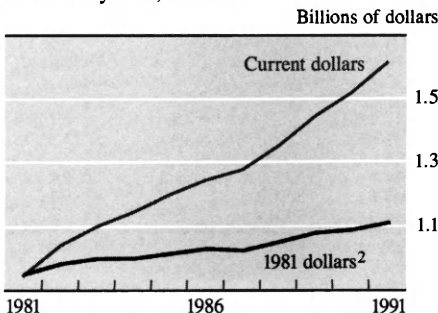
Over the past decade, the Monetary Control Act of 1980 (MCA) has greatly

affected System expenses and employment. By extending reserve requirements to all nonmember banks and thrift institutions, it required the Federal Reserve to establish new systems for collecting data and maintaining deposit accounts. The MCA also extended access to Federal Reserve services to all depository institutions. Accordingly, System employment rose significantly during 1980 and 1981.

From 1982, when the transition to the requirement of the MCA was completed, through 1984, System expenses remained essentially flat when adjusted for inflation, and employment declined. In 1985, the Federal Reserve increased the staff in a pronounced effort to strengthen supervision and regulation of member banks and bank holding companies. The System was able partially to offset the increase in staff through reductions in employment in other areas, primarily in services to financial institutions and the public and in support and overhead.

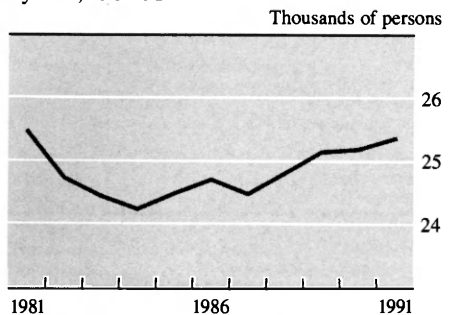
In 1988, the Expedited Funds Availability Act (title VI of Public Law 100-86, the Competitive Equality Banking Act of 1987) became effective. The act requires the Federal Reserve to issue regulations to ensure the prompt availability of funds and the expeditious return of checks.

Chart 1.2
Operating Expenses of the Federal Reserve System, 1981-91¹



1. For 1990, estimate; for 1991, budget.
2. Calculated with the GNP price deflator.

Chart 1.3
Employment in the Federal Reserve System, 1981-91¹



1. For 1989, estimate; for 1990, budget.

Increases in staff throughout the System in 1988 and 1989 resulted from implementing the provisions of this legislation.

In 1990, several major factors influenced expenses and staffing levels in the System. The System continued to expand nationwide the Regional Delivery System to centralize the issuance of over-the-counter savings bonds. An increase in the number and complexity of examinations, greater attention to problem institutions, and the passage of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) caused spending on bank supervision to expand.

Operational Areas

Federal Reserve expenses are classified for budgeting purposes according to the four major operational areas of the System: monetary and economic policy, services to the U.S. Treasury and other government agencies, services to finan-

cial institutions and the public, and supervision and regulation (table 1.4). Costs for support and overhead are redistributed or allocated to these four areas. Only the Reserve Banks perform services for the Treasury and other government agencies. The operational area unique to the Board of Governors, System policy direction and oversight, is considered an overhead expense of the System (see chapter 2).

1991 Budget Initiatives

Several major initiatives will continue or will begin in 1991. The move toward nationwide implementation of the Regional Delivery System for savings bonds continues in 1991, with full implementation scheduled for 1993.

The System will continue to improve facilities at several head office and branch buildings. Recently completed projects will be subject to real estate tax increases.

Table 1.4

Operating Expenses of the Federal Reserve System, by Operational Area, 1989-91¹

Millions of dollars, except as noted

Operational area and entity	1989 actual	1990 estimate	1991 budget	Percent change	
				1989-90	1990-91
Monetary and economic policy	156.9	167.1	177.7	6.5	6.3
Reserve Banks	93.6	99.7	107.5	6.5	7.9
Board of Governors	63.3	67.4	70.2	6.5	4.2
Services to the U.S. Treasury and other government agencies ²	145.5	156.1	167.2	7.3	7.1
Services to financial institutions and the public	919.3	947.6	995.7	3.1	5.1
Reserve Banks	916.3	944.4	992.1	3.1	5.0
Board of Governors	3.0	3.2	3.6	6.7	12.5
Supervision and regulation	224.8	248.2	273.0	10.4	10.0
Reserve Banks	195.1	214.4	234.2	9.9	9.2
Board of Governors	29.7	33.8	38.8	13.8	14.8
Total	1,446.5	1,519.0	1,613.6	5.0	6.2
Reserve Banks	1,350.5	1,414.6	1,501.0	4.7	6.1
Board of Governors ³	96.0	104.4	112.6	8.8	7.9

1. Operating expenses reflect all allocations for support and overhead and exclude capital outlays. The operational area unique to the Board of Governors, System policy direction and oversight, which is shown separately in chapter 2, has been allocated across the operational areas shown above. As a result, the numbers in chapter 2 for the

operational areas are not the same as the ones listed in this table.

2. Reserve Banks only. The Board of Governors does not provide these services.

3. Includes expenses of the Office of Inspector General.

Automation projects related to contingency, expansion of computer capacity, and office automation will continue. Several offices that upgraded CPUs in 1990 will incur higher operating expenses.

The upward pressures on expenses and staffing associated with supervision and regulation activities will carry over from 1990 into 1991.

Finally, in 1991 several Reserve Banks will upgrade cash operations and software to improve the efficiency of check processing.

Besides these initiatives, the continued rise in health care costs and an increase in the matching contribution under the thrift plan for System employees have contributed to the 1991 budget increase.

Chapter 1

Federal Reserve System

For 1992, the Federal Reserve System has budgeted net operating expenses of \$776.2 million. It expects to realize \$786.1 million, or 45.6 percent of total budgeted operating expenses, from revenues from priced services. Total operating expenses are budgeted at \$1,725.2 million, an increase of 6.9 percent over 1991 estimated expenses. The budgeted operating expenses of the System comprise those of the Reserve Banks, \$1,596.4 million, and the Board of Governors, \$128.8 million (tables 1.1 and 1.2).

Not included in these costs are Reserve Bank special projects, budgeted at \$20.1 million for 1992, up from \$6.8 million estimated for 1991.¹ Also excluded is the budgeted cost of currency at \$325.8 million for 1992, an increase of 25.2 percent over the estimated 1991 cost of \$260.2 million.² When special projects and the cost of currency are added to operating expenses, the Reserve Banks account for 77.1 percent of the total; the Board, 6.2 percent; special projects, 1.0 percent; and currency, 15.7 percent (chart 1.1). This distribution of expenses is similar to that in 1991.

1. As research and development efforts, special projects are separate from the continuing operations of the System and, therefore, are not included in System operating expenses. These relatively costly, short-term projects are expected to benefit both the System and the banking industry as a whole. A description of the special projects for 1992 appears in appendix C.

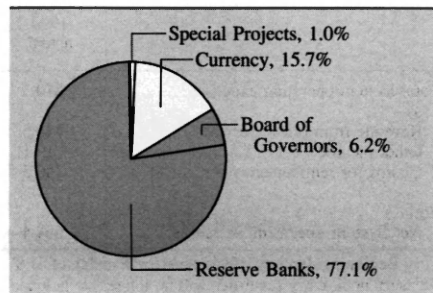
2. The Federal Reserve bears the cost associated with the printing of new currency at the Bureau of Engraving and Printing. Because this cost is determined largely by public demand for new currency, it is not included in Federal Reserve operating expenses. See appendix C.

Net Expenses

The System expects to recover 55.0 percent of the expenses it incurs during 1992. The following items are deducted from System operating expenses to derive net expenses: (1) revenue from priced payments mechanism services provided to depository institutions, (2) other income from services on behalf of the U.S. Treasury that are paid for by depository institutions using the services, and (3) claims for reimbursement by the U.S. Treasury and other government agencies for fiscal agency services. After deducting these items, the net expenses of the System of \$776.2 million show an increase of 13.0 percent over net System operating expenses estimated for 1991.

As required by the Monetary Control Act, receipts for priced services represent fees that are set to recover the full cost of providing these services to depository institutions, including the imputed costs of float and the return on capital that would have been provided and the taxes

Chart 1.1
Distribution of Expenses of the
Federal Reserve System, 1992¹



1. See text notes 1 and 2.

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that would have been paid had a commercial entity in the private sector furnished the services. The revenue from priced services is detailed in table 1.3; the constraint imposed on Federal Reserve budgets by the need to keep such services competitive and the calculation of fees are discussed in appendix C. All sources and uses of funds are presented in appen-

dx D; the audits of the System are listed in appendix E.

The category "Other income" in table 1.2 includes fees from such services as the transfer of U.S. Treasury book-entry securities in the secondary market, the settlement of such transfers among depository institutions, and wire transfer of funds between a depository institution

*Table 1.1*Operating Expenses, Special Projects, and Cost of Currency of the Federal Reserve System, 1990-92¹

Millions of dollars, except as noted

Entity and type of expense	1990 actual	1991 estimate	1992 budget	Percent change	
				1990-91	1991-92
Reserve Banks ²	1,406.6	1,501.5	1,596.4	6.7	6.3
Personnel	897.6	971.2	1,037.6	8.2	6.8
Nonpersonnel	509.0	530.3	558.8	4.2	5.4
Board of Governors ³	103.7	112.9	128.8	8.9	14.1
Personnel	79.0	86.8	94.5	9.9	8.9
Nonpersonnel	24.7	26.1	34.3	5.7	31.4
System operating expenses	1,510.3	1,614.4	1,725.2	6.9	6.9
Personnel	976.6	1,058.0	1,132.1	8.3	7.0
Nonpersonnel	533.7	556.4	593.1	4.3	6.6
Special projects ⁴	5.2	6.8	20.1	...	...
Currency ⁵	192.9	260.2	325.8	34.9	25.2

1. In this and subsequent tables in this volume, details may not sum to totals and may not yield percentage changes shown because of rounding.

2. For detailed information, see chapter 3.

3. Includes expenses of the Office of Inspector General. For detailed information, see chapter 2.

4. See text note 1 and appendix C.

5. See text note 2 and appendix C.

Table 1.2

Operating Expenses of the Federal Reserve System, Net of Receipts and Claims for Reimbursement, 1990-92

Millions of dollars, except as noted

Item	1990 actual	1991 estimate	1992 budget	Percent change	
				1990-91	1991-92
Total System operating expenses	1,510.3	1,614.5	1,725.2	6.9	6.9
LESS					
Revenue from priced services	746.5	758.4	786.1	1.6	3.7
Other income	19.1	19.4	5.0 ¹	1.6	-74.2
Claims for reimbursement ²	140.3	149.7	157.9	6.7	5.5
EQUALS					
Net System operating expenses	604.4	687.0	776.2	13.7	13.0

1. Beginning January 1992, fees for transfer of U.S. Treasury book-entry securities will no longer be included in "Other income," but will be forwarded directly to the Treasury's account.

2. Costs of fiscal agency services provided to the U.S. Treasury and other government agencies for which the agencies have agreed to reimburse the Federal Reserve. In practice, not all these claims are paid.

Table 1.3
Revenue from Priced Services, 1990-92
Millions of dollars

Service	1990 actual	1991 estimate	1992 budget
Funds transfers and net settlement	79.7	79.6	87.6
Automated clearinghouse services	53.5	58.8	64.9
Commercial checks.....	571.9	578.2	592.7
Book-entry securities transfers.....	10.7	11.6	12.3
Definitive securities safekeeping	5.3	4.5	3.9
Noncash collection	10.8	10.6	9.4
Special cash services	14.5	15.1	15.4
Total	746.4	758.4	786.2

and the Treasury. (But see note 2 in table 1.2.)

Claims for reimbursement represent the expenses incurred by Reserve Banks in providing fiscal agency services to the U.S. Treasury or to other government agencies and for which the agencies have agreed to reimburse the Federal Reserve.

Trends in Expenses and Employment

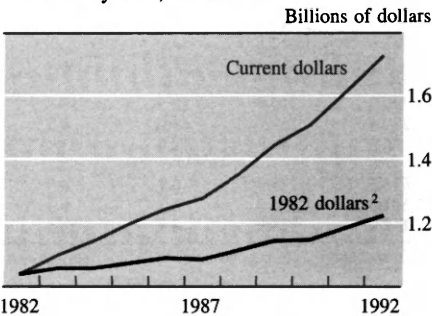
From 1982 (actual expenditures) to 1992 (amount budgeted), the expenses of the Federal Reserve System have increased

an average of 5.2 percent per year in current dollars and 1.6 percent when adjusted for inflation (chart 1.2). Over the same ten-year period, System employment has increased by 666 (chart 1.3).

From 1982, when the transition to the requirements of the Monetary Control Act of 1980 was completed, through 1984, System expenses remained essentially flat when adjusted for inflation, and employment declined. In 1985, the Federal Reserve increased the staff in a pronounced effort to strengthen supervision and regulation of member banks and bank holding companies. The System was able partially to offset the increase in staff through reductions in employment in other areas, primarily in services to financial institutions and the public and in support and overhead.

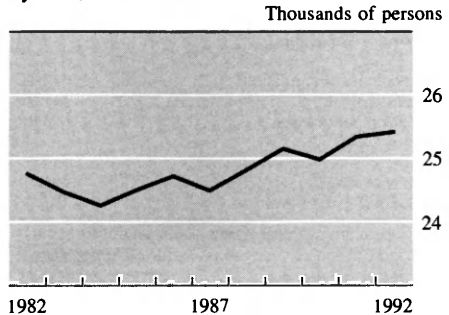
In 1988, the Expedited Funds Availability Act (title VI of Public Law 100-86, the Competitive Equality Banking Act of 1987) became effective. The act requires the Federal Reserve to issue regulations to ensure the prompt availability of funds and the expeditious return of checks. Increases in staff throughout the System in 1988 and 1989 resulted from implementing the provisions of this legislation.

Chart 1.2
Operating Expenses of the Federal Reserve System, 1982-92¹



1. For 1991, estimate; for 1992, budget.
2. Calculated with the GNP price deflator.

Chart 1.3
Employment in the Federal Reserve System, 1982-92¹



1. For 1991, estimate; for 1992, budget.

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In 1990 and 1991, several major factors influenced expense and staffing levels in the System. The System continued nationwide expansion of the Regional Delivery System, which will centralize the issuance of over-the-counter savings bonds. Spending on bank supervision expanded, reflecting an increase in the number and complexity of examinations, increased attention to problem institutions, and passage of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA).

Operational Areas

Federal Reserve expenses are classified for budgeting purposes according to the four major operational areas of the System: monetary and economic policy, services to the U.S. Treasury and other government agencies, services to finan-

cial institutions and the public, and supervision and regulation (table 1.4). Costs for support and overhead are redistributed or allocated to these four areas. Only the Reserve Banks perform services for the Treasury and other government agencies. The operational area unique to the Board of Governors, System policy direction and oversight, is considered an overhead expense of the System (see chapter 2).

1992 Budget Initiatives

Several major initiatives will continue or will begin in 1992. The System will continue to improve facilities at several head office and branch buildings, and recently completed projects will be subject to real estate tax increases.

The upward pressures on expenses and staffing associated with supervision

Table 1.4

Operating Expenses of the Federal Reserve System, by Operational Area, 1990-92¹

Millions of dollars, except as noted

Operational area and entity	1990 actual	1991 estimate	1992 budget	Percent change	
				1990-91	1991-92
Monetary and economic policy.....	162.9	176.5	188.8	8.3	7.0
Reserve Banks.....	99.0	107.5	113.0	8.6	5.1
Board of Governors.....	63.9	69.0	75.8	8.0	9.9
Services to the U.S. Treasury and other government agencies ²	156.9	169.4	180.1	8.0	6.3
Services to financial institutions and the public.....	942.4	988.9	1,046.3	4.9	5.8
Reserve Banks.....	938.9	985.3	1,042.1	4.9	5.8
Board of Governors.....	3.5	3.6	4.2	2.9	16.7
Supervision and regulation.....	248.2	279.7	310.0	12.7	10.8
Reserve Banks.....	211.9	239.4	261.2	13.0	9.1
Board of Governors.....	36.3	40.3	48.8	11.0	21.1
Total.....	1,510.4	1,614.5	1,725.2	6.9	6.9
Reserve Banks.....	1,406.7	1,501.6	1,596.4	6.7	6.3
Board of Governors ³	103.7	112.9	128.8	8.9	14.1

1. Operating expenses reflect all allocations for support and overhead and exclude capital outlays. The operational area unique to the Board of Governors, System policy direction and oversight, which is shown separately in chapter 2, has been allocated across the operational areas listed here. As a result, the numbers for the operational

areas in chapter 2 are not the same as the numbers shown in this table.

2. Reserve Banks only. The Board of Governors does not provide these services.

3. Expenses of the Office of Inspector General.

and regulation activities will carry over from 1991 into 1992.

Nine Reserve Banks will upgrade check systems to improve the efficiency of check processing.

The System will continue automation projects related to office automation, contingency, and increased computer capacity.

Expenses for fiscal services will continue to increase as the System moves into the final phase of implementing the Regional Delivery System for savings bonds.

Besides these initiatives, the continued rise in health care costs and an increase in the matching contribution under the thrift plan for System employees have contributed to the 1992 budget increase.

Partly offsetting these increases are productivity and operational improvements in a number of areas. ■

Chapter 1

Federal Reserve System

For 1993, the Federal Reserve System has budgeted net operating expenses of \$886.7 million. It expects to realize \$784.1 million, or 42.1 percent of total budgeted operating expenses, from revenues from priced services. Total operating expenses are budgeted at \$1,862.9 million, an increase of 8.0 percent over estimated 1992 expenses (table 1.1). This total includes \$1,722.5 million for the Reserve Banks and \$140.4 million for the Board of Governors.

Not included in these expenses are Reserve Bank special projects, budgeted at \$80.3 million for 1993, up from \$32.6 million estimated for 1992.¹ Also excluded is the budgeted cost of currency at \$347.3 million for 1993, an increase of 17.7 percent over the estimated 1992 cost of \$295.1 million.² The distribution of expenses is similar to that in previous years, with the Reserve Banks accounting for approximately three-fourths of the total (chart 1.1).³

1. As research and development efforts, special projects are separate from the continuing operations of the System and therefore are not included in System operating expenses. These relatively costly, short-term projects are expected to benefit both the System and the banking industry as a whole. A description of special projects for 1993 appears in appendix A.

2. The Federal Reserve bears the cost associated with printing new currency at the Bureau of Engraving and Printing. Because this cost is determined largely by public demand for new currency, it is not included in Federal Reserve operating expenses. See appendix A.

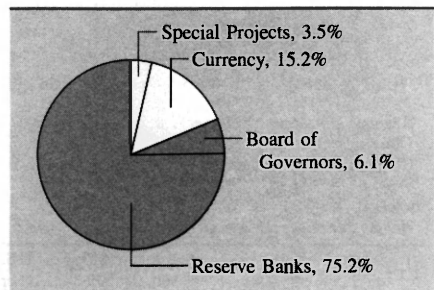
3. A fourth category of expense, capital outlays, is treated separately; see chapters 2 and 3 and appendix A.

Net Expenses

The System expects to recover 52.4 percent of the expenses it incurs during 1993. The following items are deducted from System operating expenses to derive net expenses: (1) revenue from priced payments mechanism services provided to depository institutions, (2) other income from services on behalf of the U.S. Treasury that are paid for by depository institutions using the services, and (3) claims for reimbursement by the U.S. Treasury and other government agencies for fiscal agency services. After these items are deducted, the net expenses of the System of \$886.7 million show an increase of 13.9 percent over net System operating expenses estimated for 1992 (table 1.2).

The receipts from priced services represent fees that are set to recover the full cost of providing these services to depository institutions (as required by the Monetary Control Act of 1980), including the imputed costs of float and the return on capital that would have

Chart 1.1
Distribution of Expenses of the
Federal Reserve System, 1993¹



1. See text notes 1 and 2.

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been received and the taxes that would have been paid had a commercial entity in the private sector furnished the services. The revenue from priced services is detailed in table 1.3; the constraint imposed on Federal Reserve budgets by the need to keep such services competitive and the calculation

of fees are discussed in appendix A. All sources and uses of funds are presented in appendix B, and the audits of the System are listed in appendix C.

“Other income” includes fees from such services as settlement of transfers among depository institutions and wire transfer of funds between depository

Table 1.1

Expenses of the Federal Reserve System for Operations, Special Projects, and Currency, 1991-93¹

Millions of dollars, except as noted

Entity and type of expense	1991 actual	1992 estimate	1993 budget	Percentage change	
				1991 to 1992	1992 to 1993
Reserve Banks ²	1,493.9	1,596.3	1,722.5	6.9	7.9
Personnel	967.7	1048.8	1,150.0	8.4	9.6
Nonpersonnel	526.2	547.5	572.5	4.0	4.6
Board of Governors ³	111.7	128.9	140.4	15.4	8.9
Personnel	86.6	94.9	105.1	9.6	10.7
Nonpersonnel	25.1	34.0	35.3	35.5	3.8
Total System operating expenses	1,605.6	1,725.2	1,862.9	7.4	8.0
Personnel	1,054.3	1,143.7	1,255.1	8.5	9.7
Nonpersonnel	551.3	581.5	607.8	5.5	4.5
Special projects ⁴	6.7	32.6	80.3	...	...
Currency ⁵	261.3	295.1	347.3	12.9	17.7

1. In this and subsequent tables in this volume, details may not sum to totals and may not yield percentages shown because of rounding.

2. For detailed information, see chapter 3.

3. Includes expenses of the Office of Inspector General and extraordinary items. For detailed information, see chapter 2.

4. See text note 1 and appendix A.

5. See text note 2 and appendix A.

Table 1.2

Operating Expenses of the Federal Reserve System, Net of Receipts and Claims for Reimbursement, 1991-93

Millions of dollars, except as noted

Item	1991 actual	1992 estimate	1993 budget	Percentage change	
				1991 to 1992	1992 to 1993
Total System operating expenses	1,605.6	1,725.2	1,862.9	7.4	8.0
LESS					
Revenue from priced services	750.0	767.6	784.1	2.3	2.1
Other income ¹	18.6	5.3	5.4	-71.5	1.9
Claims for reimbursement ²	152.1	174.0	186.7	14.4	7.3
EQUALS					
Net System operating expenses	684.9	778.3	886.7	13.6	13.9

1. Before January 1992, fees for transfer of U.S. Treasury book-entry securities were included in other income; now they are forwarded directly to the U.S. Treasury general account.

2. Costs of fiscal agency services provided to the U.S. Treasury and other government agencies for which the agencies have agreed to reimburse the Federal Reserve. In practice, not all these claims are paid.

Table 1.3
Revenue from Priced Services, 1991-93

Millions of dollars

Service	1991 actual	1992 estimate	1993 budget
Funds transfers and net settlement	79.1	86.5	90.6
Automated clearinghouse services	58.1	60.5	61.5
Commercial checks	571.8	583.4	603.0
Book-entry securities transfers	11.6	13.1	14.2
Definitive securities safekeeping	4.2	3.3	2.1
Noncash collection	9.8	7.8	5.9
Special cash services	15.4	13.0	6.8
Total	750.0	767.6	784.1

institutions and the Treasury. Claims for reimbursement represent expenses incurred by Reserve Banks in providing fiscal agency services to the Treasury and other government agencies for which the agencies have agreed to reimburse the Federal Reserve.

Trends in Expenses and Employment

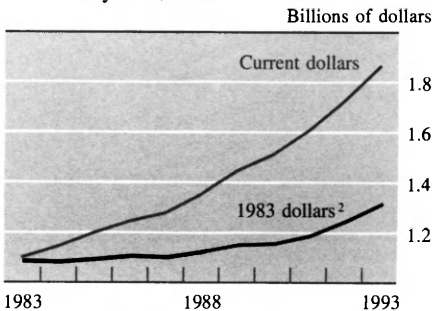
From 1983 (actual expenditures) to 1993 (amount budgeted), the expenses of the Federal Reserve System have increased an average of 5.4 percent per

year in current dollars and 1.8 percent per year when adjusted for inflation (chart 1.2). Over the same ten-year period, System employment, including staff working on special projects, has increased 1,803 (chart 1.3).

From 1982, when the transition to the requirements of the Monetary Control Act was completed, through 1984, System expenses remained essentially flat when adjusted for inflation, and employment declined. In 1985, the staffing level was increased in a pronounced effort to strengthen supervision and regulation of member banks and bank holding companies. The System was able to partially offset the increase in staff through reductions in employment in other areas, primarily in services to financial institutions and the public and in support and overhead.

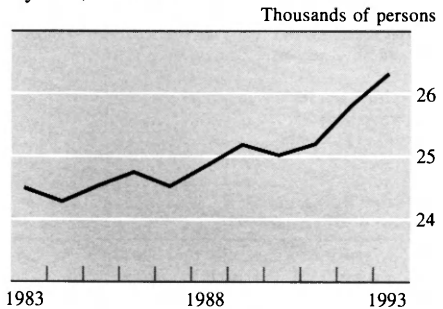
In 1988, the Expedited Funds Availability Act, which requires the Federal Reserve to issue regulations to ensure the prompt availability of funds and the expeditious return of checks, became effective. Increases in staff throughout the System in 1988 and 1989 resulted from implementation of the provisions of this legislation. In 1991 and continuing through projected 1993, spending on

Chart 1.2
Operating Expenses of the Federal Reserve System, 1983-93¹



1. For 1992, estimate; for 1993, budget.
2. Calculated with the GDP price deflator.

Chart 1.3
Employment in the Federal Reserve System, 1983-93¹



1. For 1992, estimate; for 1993, budget. Includes special project staff.

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bank supervision grew, reflecting an increase in the number and complexity of examinations, greater attention to problem institutions, passage of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), and passage of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA).

Operational Areas

For budgeting purposes, expenses of the Federal Reserve are classified according to the four major operational areas of the System (see table 1.4). The costs for support and overhead (including Board expenditures for System policy direction and oversight, considered an overhead expense of the System) are redistributed or allocated to these four areas.

1993 Budget Initiatives

Several major initiatives will continue or begin in 1993:

- Improvement of facilities at several Reserve Banks and Branches will continue.
- The upward pressure on expenses and staffing associated with supervision and regulation activities will carry over from 1992 because of expanded responsibilities mandated by the FDICIA.
- Projects related to office automation and consolidation of System automation will continue.

Partly offsetting the increased expenses associated with these initiatives will be productivity and operational improvements in a number of areas. ■

Table 1.4
Operating Expenses of the Federal Reserve System, by Operational Area, 1991-93¹

Millions of dollars, except as noted

Operational area and entity	1991 actual	1992 estimate	1993 budget	Percentage change	
				1991 to 1992	1992 to 1993
Monetary and economic policy	175.0	185.6	198.5	6.1	7.0
Reserve Banks	106.7	110.5	119.6	3.6	8.2
Board of Governors	68.3	75.1	78.9	10.0	5.1
Services to the U.S. Treasury and other government agencies ²	169.5	181.4	196.7	7.0	8.5
Services to financial institutions and the public	984.0	1,030.7	1,088.4	4.8	5.6
Reserve Banks	980.4	1,027.6	1,084.9	4.8	5.6
Board of Governors	3.6	3.1	3.5	-13.9	12.9
Supervision and regulation	277.3	327.4	379.2	18.1	15.8
Reserve Banks	237.4	276.7	321.2	16.6	16.1
Board of Governors	39.9	50.7	58.0	27.1	14.4
Total	1,605.6	1,725.2	1,862.9	7.4	8.0
Reserve Banks	1,493.9	1,596.3	1,722.5	6.8	7.9
Board of Governors ³	111.8	128.9	140.4	15.4	8.9

1. Operating expenses reflect all allocations for support and overhead and exclude capital outlays. The operational area unique to the Board of Governors, System policy direction and oversight, which is shown separately in chapter 2, has been allocated across the operational areas listed here. As a result, the numbers for

the operational areas in chapter 2 are not the same as the numbers shown in this table.

2. Reserve Banks only. The Board of Governors does not provide these services.

3. Includes expenses of the Office of Inspector General and extraordinary items.

Chapter 1

Federal Reserve System

For 1994, the Federal Reserve System has budgeted net operating expenses of \$969.6 million. Revenue from priced services provided to depository institutions is expected to total \$772.7 million, or 39.5 percent of total budgeted operating expenses. Total operating expenses are budgeted at \$1,954.9 million, an increase of 5.1 percent over estimated 1993 expenses. This total comprises \$1,808.2 million for the Reserve Banks and \$146.7 million for the Board of Governors (table 1.1).

Not included in the budget for operations are expenses for Reserve Bank special projects, budgeted at \$68.3 million for 1994, down from \$83.3 million estimated for 1993.¹ Also excluded is the budgeted cost of currency, \$366.8 million, an increase of 3.0 percent over the estimated 1993 cost of \$356.1 million.² The distribution of expenses is similar to that in previous years, with the Reserve Banks accounting for approximately three-fourths of the total (chart 1.1).

System employment (including staff for the special projects) is budgeted at 26,278 for 1994, a decline of 207 from the estimated 1993 level. (Details are given in chapters 2 and 3.)

1. As research and development efforts, special projects are separate from the continuing operations of the System and are therefore not included in the System operations budget. These relatively costly, short-term projects are expected to benefit both the System and the banking industry as a whole. A description of special projects for 1994 appears in appendix A.

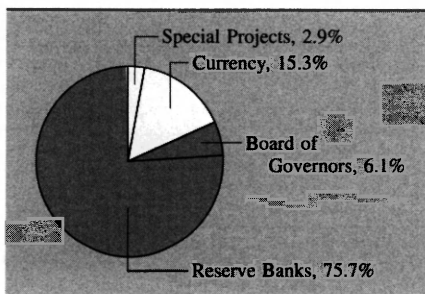
2. The Federal Reserve bears the cost associated with the printing of new currency at the Bureau of Engraving and Printing. Because this cost is determined largely by public demand for new currency, it is not included in Federal Reserve operating expenses. See appendix A.

Net Expenses

The System expects to recover 50.4 percent of the expenses it incurs during 1994. In addition to revenue from priced services, the budget includes other income for services provided on behalf of the U.S. Treasury that are paid for by the depository institutions using the services and claims for reimbursement by the U.S. Treasury and other government agencies for fiscal agency services. After these items are deducted from budgeted 1994 operating expenses, the net expenses of the System show an increase of 7.0 percent over estimated 1993 net operating expenses (table 1.2).

Revenue from priced services represents fees that are set so as to recover the full cost of providing the services (as required by the Monetary Control Act of 1980), including the imputed cost of float and the return on capital that would have been received, and the taxes that would have been paid, had a commercial entity in the private sector furnished the services. Projected revenue from priced

Chart 1.1
Distribution of Expenses of the
Federal Reserve System, 1994¹



1. See text notes 1 and 2.

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services is detailed in table 1.3; the constraint imposed on Federal Reserve budgets by the need to keep such services competitive and the calculation of fees are discussed in appendix A. "Other income" includes fees for such

services as the settlement of transfers among depository institutions and the wire transfer of funds between depository institutions and the Treasury. Claims for reimbursement represent the expenses incurred by Reserve Banks in

Table 1.1

Expenses of the Federal Reserve System for Operations, Special Projects, and Currency, 1992-94¹

Millions of dollars, except as noted

Entity and type of expense	1992 actual	1993 estimate	1994 budget	Percentage change	
				1992 to 1993	1993 to 1994
<i>Operating expenses</i> ²					
Reserve Banks ³	1,589.3	1,719.4	1,808.2	8.2	5.2
Personnel	1,043.1	1,148.0	1,175.4	10.1	2.4
Nonpersonnel	546.2	571.4	632.8	4.6	10.7
Board of Governors ⁴	127.8	140.4	146.7	9.9	4.5
Personnel	94.2	104.1	108.9	10.5	4.6
Nonpersonnel	33.6	36.3	37.8	8.0	4.1
Total System operating expenses	1,717.1	1,859.8	1,954.9	8.3	5.1
Personnel	1,137.3	1,252.1	1,284.3	10.1	2.6
Nonpersonnel	579.8	607.7	670.6	4.8	10.4
Special projects ⁵	28.6	83.3	68.3	...	...
Currency ⁶	295.1	356.1	366.8	20.7	3.0

1. In this and subsequent tables in this volume, components may not sum to totals and may not yield percentages shown because of rounding.

2. Operating expenses reflect all redistributions for support and allocations for overhead and exclude capital outlays (as well as Reserve Bank special projects, which are shown separately).

3. For detailed information, see chapter 3.

4. Includes extraordinary items and expenses of the Office of Inspector General. For detailed information, see chapter 2.

5. See text note 1 and appendix A.

6. See text note 2 and appendix A.

Table 1.2

Operating Expenses of the Federal Reserve System, Net of Receipts and Claims for Reimbursement, 1992-94

Millions of dollars, except as noted

Item	1992 actual	1993 estimate	1994 budget	Percentage change	
				1992 to 1993	1993 to 1994
Total System operating expenses	1,717.1	1,859.8	1,954.9	8.3	5.1
LESS					
Revenue from priced services	760.8	761.3	772.7	.1	1.5
Other income ¹	5.3	5.3	5.4	*	1.9
Claims for reimbursement ²	180.4	187.1	207.2	3.7	10.7
EQUALS					
Net System operating expenses	770.6	906.1	969.6	17.6	7.0

1. Before January 1992, fees for transfer of U.S. Treasury book-entry securities were included in Other income; now they are forwarded directly to the U.S. Treasury general account.

2. Costs of fiscal agency services provided to the U.S. Treasury and other government agencies for which the agencies have agreed to reimburse the Federal Reserve. In practice, not all these claims are paid.

* Less than 0.05 percent.

Table 1.3
Revenue from Priced Services, 1992-94
Millions of dollars

Service	1992 actual	1993 estimate	1994 budget
Funds transfers and net settlement	85.6	86.9	86.5
Automated clearinghouse services	60.2	58.6	66.2
Commercial checks	578.4	589.3	593.6
Book-entry securities transfers	13.1	14.0	15.9
Definitive securities safekeeping ¹	3.1	1.6	...
Noncash collection	7.5	4.8	4.5
Special cash services	12.9	6.1	6.0
Total	760.8	761.3	772.7

1. This service has been discontinued.

providing fiscal agency services to the Treasury and other government agencies for which the agencies have agreed to reimburse the Federal Reserve.

Sources and uses of funds are presented in appendix B, and the audits of the System are listed in appendix C.

Trends in Expenses and Employment

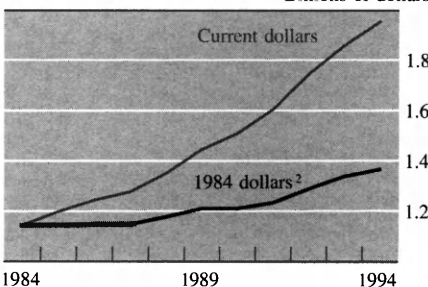
From actual 1984 expenditures to budgeted 1994 amounts, the operating expenses of the Federal Reserve System

have increased an average of 5.5 percent a year in current dollars and 1.8 percent a year when adjusted for inflation (chart 1.2). Over the same ten-year period, System employment, including staff working on special projects, has increased by 1,814 (chart 1.3).

From 1982, when the transition to the requirements of the Monetary Control Act of 1980 was completed, through 1984, System expenses remained essentially flat when adjusted for inflation, and employment declined. In 1985, the staffing level was increased in a pronounced effort to strengthen supervision and regulation of member banks and bank holding companies. The System was able to partly offset the increase in staff through reductions in employment in other areas, mainly services to financial institutions and the public, support, and overhead.

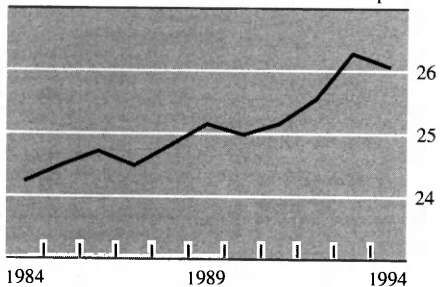
In 1988, the Expedited Funds Availability Act, which requires the Federal Reserve to issue regulations to ensure the prompt availability of funds and the expeditious return of checks, became effective. Increases in staff throughout the System in 1988 and 1989 resulted from implementation of the provisions of this legislation. In 1991 and continu-

Chart 1.2
Operating Expenses of the Federal Reserve System, 1984-94¹
Billions of dollars



1. For 1993, estimate; for 1994, budget.
2. Calculated with the GDP price deflator.

Chart 1.3
Employment in the Federal Reserve System, 1984-94¹
Thousands of persons



1. For 1993, estimate; for 1994, budget. Includes special projects staff.

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ing through projected 1994, spending on bank supervision rose, reflecting an increase in the number and complexity of examinations, greater attention to problem institutions, and the requirements of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) and the the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA).

Operational Areas

For budgeting purposes, expenses of the Federal Reserve are classified according to the four major operational areas of the System (table 1.4). The costs of support and overhead (including Board expenditures for System policy direction and oversight, considered an overhead expense of the System) are redistributed or allocated to these four areas.

1994 Budget Initiatives

Several major initiatives that have an impact on budgets will continue or begin in 1994:

- Continuing expansion of supervision and regulation efforts due to greater responsibilities mandated by the FDICIA
- Office automation, and consolidation of System automation
- Upgrading of check-processing equipment, and preparation for and installation of new cash-processing equipment.

Partly offsetting the increased expenses associated with these initiatives will be lower expenses resulting from check volume losses due to implementation of same-day settlement requirements and from early retirement programs in several Districts. ■

Table 1.4

Operating Expenses of the Federal Reserve System, by Operational Area, 1992-94¹

Millions of dollars, except as noted

Operational area and entity	1992 actual	1993 estimate	1994 budget	Percentage change	
				1992 to 1993	1993 to 1994
Monetary and economic policy	181.8	192.8	202.8	6.1	5.2
Reserve Banks	110.0	116.2	123.9	5.6	6.6
Board of Governors	71.8	76.6	78.9	6.7	3.0
Services to the U.S. Treasury and other government agencies ²	182.3	198.1	218.0	8.7	10.1
Services to financial institutions and the public	1,023.8	1,079.9	1,113.3	5.5	3.1
Reserve Banks	1,021.0	1,076.4	1,109.5	5.4	3.1
Board of Governors	2.8	3.5	3.8	25.0	8.6
Supervision and regulation	329.2	389.0	420.8	18.2	8.2
Reserve Banks	276.0	328.7	356.8	19.1	8.5
Board of Governors	53.2	60.3	64.0	13.3	6.1
Total	1,717.1	1,859.8	1,954.9	8.3	5.1
Reserve Banks	1,589.3	1,719.4	1,808.2	8.2	5.2
Board of Governors ³	127.8	140.4	146.7	9.9	4.5

1. Operating expenses reflect all redistributions for support and allocations for overhead and exclude capital outlays and special projects. The operational area unique to the Board of Governors, System policy direction and oversight, which is shown separately in chapter 2, has been allocated across the operational areas listed here. As

a result, the numbers for the operational areas in chapter 2 are not the same as the numbers shown in this table.

2. Reserve Banks only. The Board of Governors does not provide these services.

3. Includes expenses of the Office of Inspector General and extraordinary items.