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Statement by

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before the

Committee on Banking, Housing and Urban Affairs

United States Senate

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Mr. Chairman, I welcome the opportunity to appear before your Committee today to discuss the Federal Reserve System's budget performance for 1979 and budget outlook for 1980. This marks the fourth consecutive year I have testified before your distinguished Committee, and as before, I am pleased to report continuing success in holding the line on expense growth while achieving unit cost reductions and productivity increases in the face of increased responsibilities, inflation and volume expansion. This success is a tribute to the exceptional Reserve Bank and Board senior and line management, to the planning and budget control processes, and to the painstaking efforts of all involved in preparing and adjusting to the District and Board budgets.

#### 1979 Budget Performance

Before commenting on the System's 1980 budget, I would like to review our budget experience in 1979. As indicated in my testimony last year, the 1979 Reserve Bank budgets were adjusted upward for implementation of the Community Reinvestment Act and improved Civil Rights examination procedures, bringing the approved 1979 budget to a level of \$754.4 million, \$39.9 million or 5.6 percent above 1978 actual expenses. Total expenses for 1979 are now estimated to be \$762.1 million, \$47.4 million or 6.6 percent above the year earlier. The biggest contributing factor to the one percent budget overrun was the largely uncontrollable expense for the cost of Federal Reserve currency.

Despite mounting work pressures in 1979, the Reserve Banks were able to reduce staff by 1.3 percent from the 1978 level, as compared to a budgeted decline of 1.1 percent. Our estimates for 1979 further reveal that Reserve Bank unit costs continued to decline in 1979 and productivity gains continued to exceed the private sector's experience.

Operating expenses for the Board of Governors for 1979 are estimated at \$51,454,000 or about 3 percent over the initially authorized budget of \$49,862,000 reflecting both new demands placed on the Board during the year and the additional costs for the semi-annual cost of living allowance for retirees. Expenses for the renovation of the old building and completion of the podium enclosure of the new building were other added factors.

#### 1980 Budget for the Federal Reserve Banks

The Board of Governors has approved 1980 Reserve Bank operating expense budgets totaling \$832.1 million, an increase of \$70.0 million or 9.2 percent over estimated 1979 expenses. This increase compares with an average annual expense growth of 13.6 percent from 1970 through 1974 and a 6.8 percent average increase from 1974 through 1979.

Approved Reserve Bank capital schedules project 1980 outlays of \$134.7 million, an increase of \$66.1 million over estimated 1979 capital outlays.

The 1980 staffing level was established at 23,095, a decline of 73 or 0.3 percent from the 1979 estimated level. This staffing level would bring the net reduction in staff to 3,624 or 13.6 percent since 1974. From 1974 through 1979 the System's productivity improvements have been averaging 9 percent per annum. The budget year estimate of productivity gain is 8 percent.

The budgeted expense increase for 1980 results from the upward pressure on costs due to exogenous factors, such as inflation, volume levels, labor market conditions, and legislative mandates as well as endogenous factors such as upgrading and improving System services, facilities, internal

management systems and procedures, and our investment in the people who work for the System.

Of the \$70.0 million increase, salaries and benefits account for \$40.2 million or 57 percent of the increase. Officers' and employees' salary expenses are increasing 7.8 percent or \$26.6 million. Expenses for retirement and other benefits are increasing \$13.6 million primarily due to increased benefits to current staff and retirees, the Social Security base increase, and hospital/medical insurance increases. The 1980 budget review process focused on assuring that the Reserve Banks' personnel compensation programs remain within the wage guidelines of the Council on Wage and Price Stability.

Total equipment expense for 1980 is expected to increase \$9.1 million accounting for 13 percent of the total budget rise. Higher maintenance fees on equipment, particularly the new high-speed currency equipment, and higher depreciation costs for capital purchases in 1979 and planned for 1980 are partially offset by a decline in rentals.

Shipping expenses are expected to advance \$6.0 million and account for 9 percent of the total budget increase. The sharp rise in shipping costs is a result of courier rate increases due to higher fuel and labor costs, and System-directed efforts to decrease float and improve service. In addition, the System's compliance with the Service Contract Act affects our contracts for the transportation of cash and checks by requiring vendors to pay "prevailing wages" set by the Department of Labor. Obtaining full compliance with the Service Contract Act adds \$500,000 to our 1980 budget increase.

Six percent of the total budget increase reflects the \$4.0 million rise in the cost of Federal Reserve currency following the 13.3 percent

increase in 1979. There continues to be a marked increase in the rate of currency payments in some Districts both because of the proliferation of automated teller machines which require new or high-quality used currency in order to function reliably, and because of our attempts to improve the quality of currency in circulation. A System effort to establish an overall currency quality standard and new technological advances in ATM technology allowing equipment to handle better mixed grade currency quality should provide some cost relief in future years.

The five objects of expense -- salaries, benefits, equipment, shipping and Federal Reserve currency -- account for 85 percent of the total budgeted increase for 1980. Other sizeable increases are expected in costs for materials, forms and supplies, utilities, travel and rent, which together account for 9 percent of the total budget advance.

On a Service Line basis, the largest percentage expense increase in 1980 is expected in Supervision and Regulation where the 1980 budget totals \$77.1 million, a 12.3 percent or \$8.4 million increase. These activities are highly labor intensive and the increase in fact reflects a net staff addition of 53 in 1980 primarily for: (1) full implementation of the Community Reinvestment and Electronic Funds Transfer Acts; (2) expanded compliance reviews related to consumer protection and civil rights laws; (3) full implementation of the Board's expanded bank holding company inspection program; (4) expanded scope examinations for the Financial Institutions Regulatory and Interest Rate Control Act (FIRA), and interagency EDP examination procedures; (5) intensified efforts to detect problem situations in bank holding companies and member banks; and (6) assistance as required by

the States in the examination of uninsured state-chartered branches and agencies of foreign banks under the International Banking Act. The 1980 budget provides for an increase of \$1.0 million for the impact of IBA.

The System has experienced relatively high turnover in the examination staffs in several Districts in 1979 due to the competitive demand for qualified people for bank management and other industry jobs. This problem will continue to add to expenditures in order to maintain and recruit qualified staff and enhance training and education programs.

Expenses for Services to Financial Institutions and the Public constitute the largest portion of the System's total 1980 budget and are expected to increase by 9.2 percent or \$52.6 million. Expenses for Services to the U.S. Treasury and Government Agencies are projected to increase 6.9 percent or \$5.6 million partly as a result of a projected volume increase of 7.9 percent. Even without adjusting for inflation, unit costs are expected to decline at an average annual rate of about 3.3 percent from 1977 through 1980. Staff reductions totaling 165 are budgeted for these Service Lines.

Major System initiatives are underway in the payments mechanism area which affect the expense increase in Services to Financial Institutions and the Public. During 1979 and continuing into 1980 considerable energy has been expended on encouraging the use of automated clearing house services in place of the current check clearing system, in order to serve better the needs of the financial and business communities and reduce float from transportation delays. Two obstacles to ACH expansion have been overcome by linking regional ACH's into a nationwide network and by improving the ACH funds availability and deposit deadline schedules. The expanded ACH schedules went into effect in the

latter half of 1979 along with efforts to improve the commercial sector's understanding and participation in ACH payments services. We estimate an incremental \$1.2 million will be expended in 1980 to improve ACH services.

System efforts are also being mobilized to achieve a level of float that is acceptable and appropriate to maintaining an efficient check collection system without incurring excessive costs and without exacerbating our membership problem. Because the level of float experienced over the last several years is of particular concern to me, and to you also, let me digress for a moment to inform you of our varied efforts to reduce the level of float without jeopardizing the achievement of other System goals.

There are several ways a reduction in float can be accomplished. Actions taken during the past year and those endorsed for 1980 fall into the categories of managerial techniques to improve the efficiency of check clearing operations, resource expenditures to speed up Federal Reserve processing, and policy changes regarding operations. These actions include (1) discouraging the use of remote disbursement, (2) developing and improving systems to monitor System float to reduce direct shipment float, (3) establishing annual float targets for each Reserve Bank, (4) reducing holdover float by increasing staff and equipment, and (5) reducing interterritory transportation float by improving the design, flexibility and timeliness of our interoffice transportation. These efforts have reduced the level of float from a high of \$9.6 billion in January to \$6.4 billion in June to \$5.9 billion in December 1979. Attachment No. 1 shows actual System float levels by quarter since 1975. Given historical experience, we could have expected a fourth quarter float level around \$9 to \$11 billion without System intervention in the form of the

above actions. The effect of these programs on the 1980 budget increase is \$1.8 million, exclusive of transportation improvements currently under study.

To achieve further substantial reductions in float requires a change in System policy which may increase operating costs for member banks and could affect our membership problem. Nevertheless, the Board has endorsed changing the methods for handling large dollar value checks by requiring outsort of all checks of \$250,000 and above, and has asked staff for prompt preparation of a plan for electronic check presentment. In addition, the Board has instructed staff to review other means of reducing float such as increasing the on-time performance requirements for direct sending banks. Lengthening the availability schedules to reflect more closely actual collection experience was rejected as a regressive step in the improvement of the payments mechanism and as a reduction in Federal Reserve services.

The steps we are taking to reduce float may be perceived by banks as increasing the burden of membership which adds to the urgent need for Congress to act on membership legislation. Just as float is seen as reducing Federal Reserve earnings returned to the Treasury, the withdrawal of more member banks from the System, because of efforts to reduce float, would also diminish System earnings returned to the Treasury. It should be noted that Federal Reserve payments to the Treasury rose \$2.3 billion or 32.4 percent to \$9.279 billion in 1979.

Returning to our 1980 budget, there are several automation efforts being undertaken which have a significant effect on the direct and support expense increases for Services to Financial Institutions and the Public and Services to the U.S. Treasury and Government Agencies. The System has



formulated a Long-Range Automation Plan designed to standardize operating environments to allow standardized application software. Implementation of the plan, which has as its goal to increase the commonality of data processing operations in the twelve Districts and the Board, is to begin in 1980. The 1980 budget increase includes \$4.5 million in operating expenses for salaries, benefits, software, travel, education and equipment expenses to support the standardization program. The benefits of such a plan focus on the increased responsiveness of the System to policy changes and technological innovations, faster response to changing service needs of the national market, and a lessened growth of data processing personnel.

During 1979 the network design and implementation planning phase for a new Federal Reserve Communications System were completed. In 1980 we will turn toward software development, equipment acquisition, and pilot operations. The project, referred to as FRCS-80, involves the implementation of a successor to the present data communications network. Such a successor would satisfy the internal communications requirements of the System, including contingency backup, standardization, resource sharing and flexibility, and would provide a communications capability for services to the financial community, the Treasury, and other Government agencies. The impact on the 1980 budget increase is \$1.1 million.

Another key automation effort impacting the 1980 budget is the implementation of high-speed currency equipment to achieve improvements in operating efficiency and productivity. Installation of these machines began in 1978 and will continue through 1982. Several different vendors were involved in developing prototypes, for competitive purposes, but only two appear to

offer a cost effective potential. Although the machines require a heavy capital expenditure, the benefits are substantial in terms of increased efficiency, security, and long-run staff reductions.

The projected staff declines in 1980 for Services to Financial Institutions and the Public (-135) and Services to the U.S. Treasury and Government Agencies (-30) are the result of completed automation programs and operational improvements. The new currency processing equipment is already yielding savings in the New York, Cleveland, Atlanta, Chicago and Minneapolis Districts. Automation efforts in the areas of return items, cash functions, savings bond operations and Government securities have yielded staff reductions in several Districts. Boston, Cleveland and Richmond have found staff savings through consolidating fiscal departments and centralizing the savings bond activity. The completion of revised custody control standards has allowed New York to reduce staff and the Minneapolis program to reduce coin wrapping has allowed this District to cut staff. Chicago anticipates the reduction of 80 people in 1980 through the expansion of the RCPC clearing territory in late 1979.

The fourth Service Line is Monetary and Economic Policy which includes the Open Market function at New York and the research and statistical function in all Banks. Expenses are expected to increase 8.7 percent or \$3.4 million, while employment is expected to increase by 13 or 2.2 percent. The increases in expenses and employment are primarily attributable to new and revised Board-mandated data reporting requirements for more effective monetary control.

Capital outlays for 1980 are significantly higher than estimates for 1979 and are primarily for automation requirements, and construction and

renovation programs for our facilities. Outlays for Data Processing/Data Communications equipment total \$45.6 million and include computer systems at Richmond, St. Louis, Minneapolis, Kansas City and Dallas; telecommunications equipment at New York; and acquisition of check processing equipment in the New York, Philadelphia, Chicago, Dallas and San Francisco Districts. Outlays for Other Equipment total \$16.8 million primarily for high-speed currency processing equipment. The budgeted outlays for Building Machinery and Equipment (\$8.3 million), Furniture, Furnishings and Fixtures (\$7.4 million); and Buildings (\$49.6 million) are primarily for new buildings at Baltimore, Miami and San Francisco, and renovation projects at New York, Omaha, Kansas City and offices in the Dallas District.

The 1980 budget planning process began in early 1979 and culminated in the approval of a 1980 Reserve Bank Budget Objective setting an upper limit of 8.0 percent on expense growth for known factors and adding 1.0 percent to cover the uncertain impact of legislation and System-directed programs in the areas of communication, automation, and payments mechanism. Exclusive of resources budgeted for these developments, the 1980 Reserve Bank budget increase is 7.9 percent -- within the established budget target. Our success in meeting budget targets for the last several years is attributable to the detailed planning efforts which go into coordinating the adoption of System policies in line with resource objectives.

#### 1980 Budget for the Board of Governors

The 1980 Board of Governors' budget is \$56.1 million, an increase of 9 percent over 1979 estimated operating expenses and 6 percent over the total

of operating and capital expenditures for 1979. This increase compares with our estimate of the Federal Government's fiscal year 1980 increase over 1979 of something like 13 percent and fiscal year 1981 increase over fiscal year 1980 of about 9.5 percent. There are no capital funds for 1980 for the Board.

The Board authorized staffing level for 1980 is 1,561 which compares with 1,537 and 1,578 for 1979 and 1978 respectively. The increase from 1979 to 1980 is largely a result of new legislative requirements, and the System's automation standardization plans. It should be pointed out that there was a 2.6 percent drop in authorized positions from 1978 to 1979. Actual employment is, of course, somewhat less than authorized and we accommodate the difference by funding our staff at a level lower than full authorization.

The Board's budget continues the trend of increases in the regulatory areas consistent with new legislative responsibilities, particularly with respect to the Community Reinvestment Act, the International Banking Act and the Financial Institutions Interest Rate Control Act, other new consumer legislation and Equal Employment Opportunity requirements. Increased expenses also reflect support to the new Federal Financial Institutions Examinations Council and a continuing effort to improve our regulations.

Since personal services accounts for 82 percent of the Board's budget, the Federal Government's pay policies which we largely follow have a significant effect and, indeed, the 11 percent increase in personal services costs had to be offset by a much lower increase in non-personal services to meet the final 9 percent budget. The lower non-personal services increase of 5 percent is a result of savings in space rentals now that we are contained in our two owned buildings, and continued economy measures. In addition we have

imposed a \$400,000 savings target which we expect to meet through managerial actions to be taken during the year. The multi-year construction projects to renovate the Board building and provide new space in our Annex building have been completed.

The Board's 1980 budget formulation process was built upon the extensive 1979 zero base reviews. By concentrating on increments couched within the zero base format, providing early budget guidance, and instituting additional automated budget presentation aids, the Board was able to reduce paperwork by 35 percent while increasing productivity of budget preparation and review. The Board's 1980 budget continues the constraints of the past few years with internal reallocations and minimal increases in staff to meet high priority initiatives.

### Summary

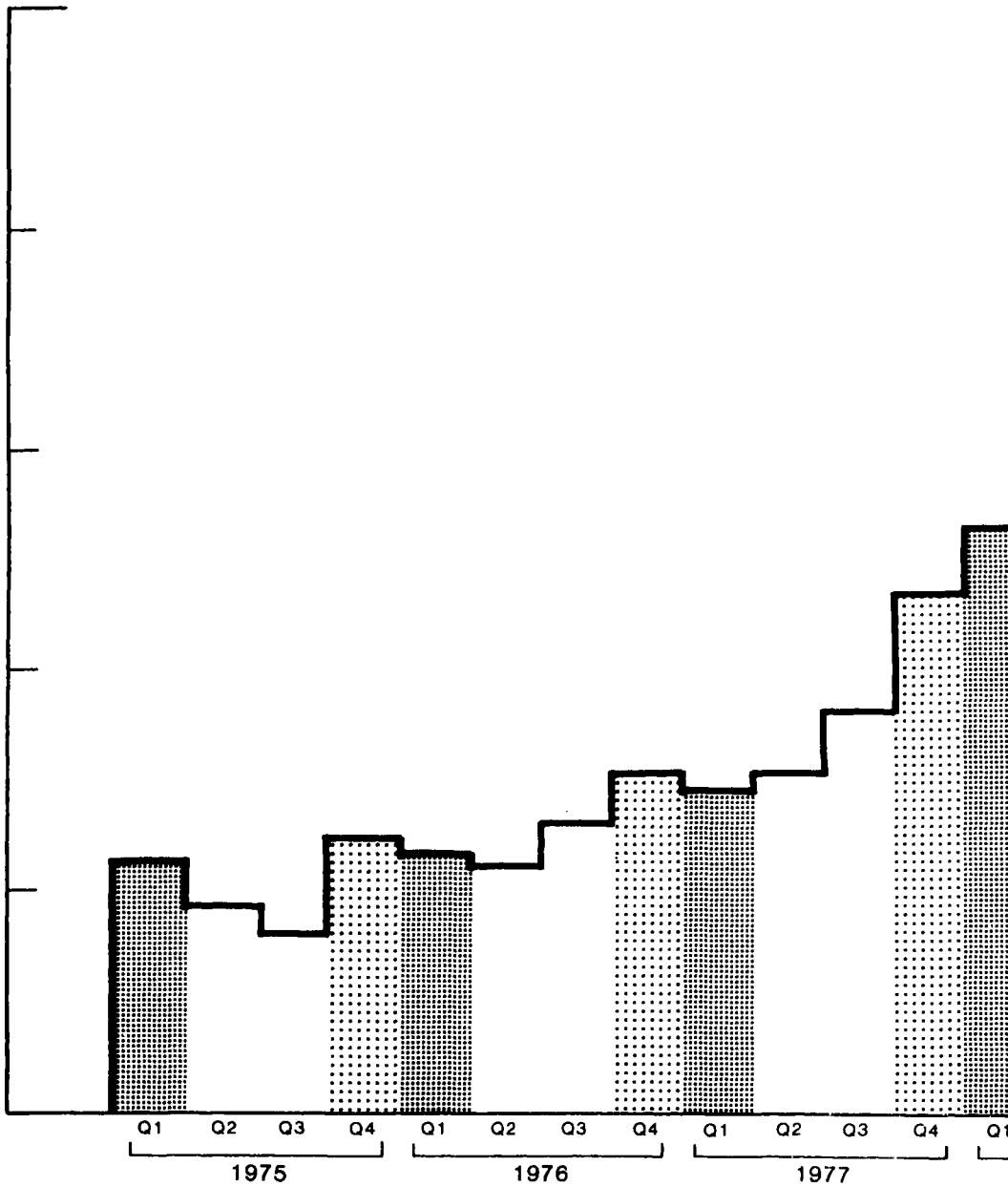
We are proud of our record of keeping expense increases well below the inflation rate, of reducing cost per unit of output, and of improving output per manhour while maintaining the integrity, security, reliability and quality of Federal Reserve services.

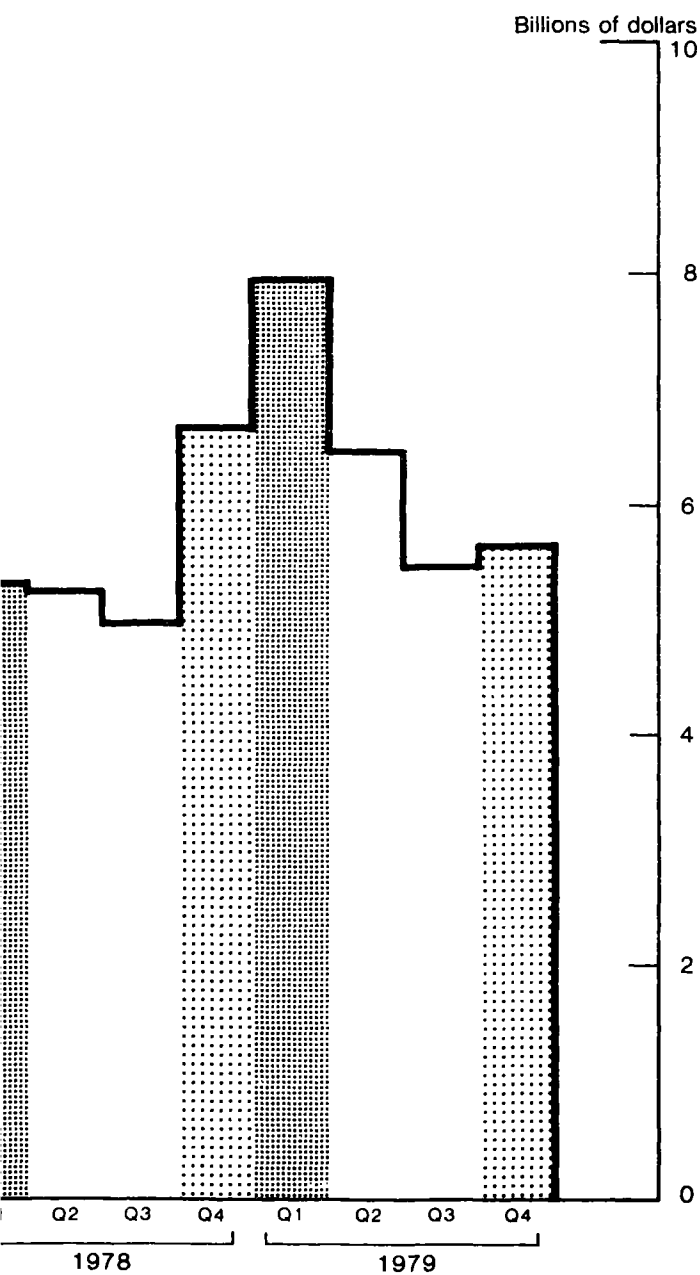
This year will be a year of challenge for the Federal Reserve System as changes in the financial industry and the economic and financial environment demand intensive regulatory, supervisory, and monetary analysis. The cost control and employment reductions of the past provide a streamlined organization to which in 1980 will be added emphasis on the quality and levels of System services, improvements in the operating work environments in the Districts, and a spirit of increased cooperative sharing of ideas, talents and resources.

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- Attachment No. 7 -- Summary of Capital Outlays By Class for Districts and Board - 1978 to 1980 Budget
- Attachment No. 8 -- Summary Tables of Board of Governors Expenses and Employment - 1978 to 1980 Budget

## Net Statement Float







THE FEDERAL RESERVE SYSTEM  
SUMMARY OF EMPLOYMENT AND OPERATING EXPENSES BY DISTRICT AND BOARD OF GOVERNORS  
1978 ACTUAL - 1980 BUDGET  
(dollars in thousands)

Federal Reserve Districts	1978 Actual		1979 Estimate		1980 Budget		Increase or Decrease (-) 1980 over 1979	
	ANP*	Amount	ANP*	Amount	ANP*	Amount	ANP*	Amount
Boston	1,512	\$ 51,087	1,487	\$ 51,970	1,493	\$ 56,734	6	\$ 4,764
New York	4,699	149,912	4,499	159,879	4,391	175,089	-108	15,210
Philadelphia	1,156	36,831	1,155	38,948	1,166	42,480	11	3,532
Cleveland	1,546	47,069	1,495	49,505	1,495	52,278	0	2,773
Richmond	2,064	59,995	2,065	64,821	2,030	69,931	-35	5,110
Atlanta	2,368	65,836	2,332	69,553	2,314	74,722	-18	5,169
Chicago	3,021	90,091	2,983	95,582	2,892	100,886	-91	5,304
St. Louis	1,297	37,040	1,255	38,583	1,293	42,887	38	4,304
Minneapolis	956	28,139	955	29,691	982	33,287	27	3,596
Kansas City	1,665	45,752	1,670	49,831	1,640	54,109	-30	4,278
Dallas	1,246	36,481	1,287	40,958	1,342	46,223	55	5,265
San Francisco	1,950	66,460	1,985	72,773	2,057	83,515	72	10,742
TOTAL DISTRICTS	23,479	\$714,692	23,168	\$762,094	23,095	\$832,141	-73	\$70,046
Board of Govs.	1,469**	46,944	1,457**	51,454	1,486**	56,100	29	4,646
TOTAL SYSTEM	24,948	\$761,636	24,625	\$813,548	24,581	\$888,241	-44	\$74,692

\*Average Number of Personnel

\*\*End-of-Year Employment

THE FEDERAL RESERVE DISTRICTS  
SUMMARY OF OPERATING EXPENSES BY OBJECT OF EXPENSE  
1978 ACTUAL - 1980 BUDGET  
(dollars in thousands)

Object of Expense	1978 Actual	1979 Estimate	1980 Budget	Increase or Decrease (-) 1980 over 1979	
				Amount	Percent
Salaries -- Officers	\$ 25,374	\$ 26,602	\$ 29,448	\$ 2,846	10.7%
Salaries --- Employees	299,587	313,940	337,676	23,736	7.6
Other Personnel Expenses	3,026	4,931	3,416	-1,515	-30.7
Retirement and Other Benefits	89,828	98,596	112,175	13,579	13.8
Materials, Forms and Supplies	26,024	28,701	30,777	2,076	7.2
Equipment Rentals	41,633	40,323	38,600	-1,723	-4.3
Equipment Depreciation	7,787	11,073	17,306	6,233	56.3
Equipment Repairs and Maintenance	5,037	7,150	11,747	4,597	64.3
Postage	12,270	13,170	13,467	297	2.3
Other Shipping Expenses	61,311	62,987	69,025	6,039	9.6
Travel	8,421	9,865	11,177	1,312	13.3
Communications	9,632	12,587	13,135	548	4.4
Building Insurance	226	240	282	43	17.8
Taxes on Real Estate	13,905	13,287	14,405	1,118	8.4
Property Depreciation	8,567	10,531	11,608	1,077	10.2
Utilities	11,981	13,105	14,719	1,614	12.3
Rent	8,749	8,269	9,592	1,323	16.0
Other Building Expenses	6,135	6,859	7,242	383	5.6
Federal Reserve Currency	60,101	68,116	72,145	4,030	5.9
Fees	4,553	4,138	4,712	574	13.9
Other	10,545	12,103	14,294	2,191	18.1
FRCS Distributions	--	-1,676	-2,017	-341	.3
Contra Expense	--	-2,800	-2,791	9	-0.3
TOTAL EXPENSES	\$714,692	\$762,094	\$832,141	\$70,046	9.2%
Reimbursements and Recoveries	62,104	67,453	71,844	4,391	6.5
NET EXPENSES	\$652,589	\$694,641	\$760,297	\$65,656	9.5%

Note: Details may not add to totals due to rounding.

THE FEDERAL RESERVE DISTRICTS  
EXPLANATION OF SIGNIFICANT INCREASES  
1980 BUDGET OVER 1979 ESTIMATE BY OBJECT OF EXPENSE  
(dollars in thousands)

	Increase or Decrease (-) 1980 Budget over 1979 Estimate	
	<u>Amount</u>	<u>Percent</u>
<u>Salaries -- Officers</u>	\$ 2,846	10.7%
The increase provides for the net addition of four officers for all Districts in 1980 and merit increases for existing officers in line with wage guidelines of the Council on Wage and Price Stability		
<u>Salaries -- Employees</u>	23,736	7.6
The increase provides for merit, promotion and structure adjustments in accordance with the wage guidelines of the Council on Wage and Price Stability offset by a projected decline of 68 average number of employees in 1980.		
<u>Retirement and Other Benefits</u>	13,579	13.8
Benefit costs are higher in 1980 due to the higher salary base, an increase in the social security wage base, an increase in pension payments to retirees, increases in contributions to hospital/medical insurance in eleven Districts, an increase in matching contributions to the Thrift Plan, and provisions for dental insurance in six Districts.		
<u>Equipment Depreciation</u>	6,233	56.3
Depreciation on computer equipment purchased in 1979 and planned for 1980 accounts for \$4,430 of the expense increase. Other Equipment depreciation, mainly for high-speed currency processing equipment and general office equipment, accounts for the remaining increase of \$1,803.		
<u>Equipment Repairs and Maintenance</u>	4,597	64.3
Maintenance fees on computer and telecommunications equipment purchased in 1979 and planned for 1980 account for \$3,590 of the expense increase. Higher maintenance charges on existing equipment and maintenance fees associated with the continuing implementation of high-speed currency processing equipment account for the remaining increase of \$1,007.		

Increase or Decrease (-)	
1980 Budget over 1979 Estimate	
<u>Amount</u>	<u>Percent</u>

Other Shipping Expenses

\$ 6,039

9.6%

Armored carrier service expenses account for \$2,489 of the increase due to contract rate increases associated with higher fuel and labor costs and the effect of the Service Contract Act. Other contract carrier service expenses account for \$3,663 of the increase due to rate increases for check carrier service, service enhancements, and provision for alternative shipping arrangements in an effort to decrease float. Offsetting these increases is a decrease in other expressware charges.

Travel

1,312

13.3

Expanded responsibilities in the supervision and regulation of bank holding companies, and implementation of the Community Reinvestment Act and the International Banking Act are the principal factors causing the expense increase. Higher costs of transportation, lodging and food and increased system-related projects also add to the expense increase. Foreign travel expenses are expected to decline in 1980.

Property Depreciation

1,077

10.2

Depreciation on buildings is increasing \$448 primarily due to building renovations at Kansas City, San Francisco and three offices in the Cleveland District, preparations for tenant occupancy in the new Richmond building, and expenses related to the new Miami building. Depreciation on building machinery and equipment is increasing \$307 primarily due to the new Miami building, a water recirculation system at Cleveland, an environmental control system at Cincinnati, new security systems at Chicago, and the automation of bank elevators and air conditioning repairs at Kansas City. Depreciation on furniture, furnishings and fixtures is increasing \$322 primarily due to refurbishment expenditures during 1979 at Dallas, and a furniture upgrade program at San Francisco.

Increase or Decrease (-)  
1980 Budget over 1979 Estimate

Amount	Percent
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Utilities

\$ 1,614	12.3%
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Higher costs in all Districts for fuel oil and electrical service as well as the full year impact of higher steam usage for a Major Power and Refrigeration Project at New York are offset by reductions in usage in several Districts due to energy conservation measures.

Rent

1,323	16.0
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A temporary rental expense increase at New York associated with the District's building and space improvement program accounts for most of the expense increase. The leasing of additional space at Helena and San Francisco and price increases on current rental space in the San Francisco District account for the remainder of the expense increase.

Federal Reserve Currency

4,030	5.9
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The higher volume of Federal Reserve notes expected to be paid into circulation with an improved overall quality of circulating currency and rising costs of printing notes are the factors causing the expense increase.

Other

2,191	18.1
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The expense increase is due to computer software costs associated with implementation of System-wide initiatives, higher education and tuition expenses also associated with System-wide initiatives, higher cafeteria concessions and fees at several Districts, increases in advertising for employees, and the development of a System film on electronic funds transfer.

**BOSTON**  
**OBJECTS OF EXPENSE**  
**FEDERAL RESERVE DISTRICT**  
**(dollars in thousands)**

<u>Object of Expense</u>	<u>1978 Actual</u>	<u>1979 Estimate</u>	<u>1980 Budget</u>	<u>Increase or Decrease (-) 1980 over 1979</u>	
				<u>Amount</u>	<u>Percent</u>
Salaries -- Officers	\$ 1,719	\$ 1,816	\$ 1,963	\$ 147	8.1 %
Salaries -- Employees	20,041	20,881	22,658	1,776	8.5
Other Personnel Expenses	156	52	55	3	5.8
Retirement and Other Benefits	6,171	6,813	7,681	868	12.7
Materials, Forms and Supplies	1,846	2,014	2,104	90	4.5
Equipment Rentals	2,850	1,755	1,822	66	3.8
Equipment Depreciation	532	854	1,158	304	35.5
Equipment Repairs and Maintenance	233	467	666	198	42.4
Postage	626	632	662	29	4.6
Other Shipping Expenses	3,381	3,531	3,705	174	4.9
Travel	511	534	606	72	13.5
Communications	764	788	788	-	-
Building Insurance	28	19	19	-	-
Taxes on Real Estate	2,616	2,218	2,760	543	24.5
Property Depreciation	2,214	2,230	2,259	29	1.3
Utilities	1,813	1,440	1,594	154	10.7
Rent	415	447	451	4	1.0
Other Building Expenses	276	463	553	89	19.3
Federal Reserve Currency	3,402	3,600	3,800	200	5.6
Fees	362	287	325	37	13.0
Other	1,134	1,318	1,353	35	2.6
Contra-Expense		- 190	- 245	- 55	- 30.0
<b>TOTAL EXPENSES</b>	<u>\$51,087</u>	<u>\$51,970</u>	<u>\$56,734</u>	<u>\$4,764</u>	<u>9.2%</u>
Reimbursements and Recoveries	<u>4,277</u>	<u>5,885</u>	<u>6,677</u>	<u>793</u>	<u>13.5%</u>
<b>NET EXPENSES</b>	<u>\$46,810</u>	<u>\$46,085</u>	<u>\$50,056</u>	<u>\$3,971</u>	<u>8.6%</u>

**Note:** Details may not add to totals due to rounding.

**OBJECTS OF EXPENSE**  
**NEW YORK FEDERAL RESERVE DISTRICT**  
(dollars in thousands)

Attachment No. 4  
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	<u>1978</u> <u>Actual</u>	<u>1979</u> <u>Estimate</u>	<u>1980</u> <u>Budget</u>	<u>Increase or Decrease (-)</u> <u>1980 over 1979</u>	
				<u>Amount</u>	<u>Percent</u>
Salaries -- Officers	\$ 5,808	\$ 6,240	\$ 6,711	\$ 471	7.5%
Salaries -- Employees	70,332	71,689	75,100	3,411	4.8
Other Personnel Expenses	956	1,783	1,742	-41	-2.3
Retirement and Other Benefits	19,745	21,859	24,633	2,774	12.7
Materials, Forms and Supplies	4,941	5,462	5,845	383	7.0
Equipment Rentals	5,885	6,519	7,213	694	10.6
Equipment Depreciation	1,906	2,388	3,681	293	54.1
Equipment Repairs and Maintenance	1,553	1,947	2,822	875	44.9
Postage	1,977	2,126	2,188	62	2.9
Other Shipping Expenses	8,054	8,411	9,276	865	10.3
Travel	1,373	1,550	1,682	132	8.5
Communications	2,724	2,629	2,801	172	6.5
Building Insurance	46	42	51	9	21.4
Taxes on Real Estate	2,399	2,315	2,396	81	3.5
Property Depreciation	243	337	396	59	17.5
Utilities	2,077	2,779	3,183	404	14.5
Rent	5,248	4,669	6,083	1,414	30.3
Other Building Expenses	760	755	564	-191	-25.3
Federal Reserve Currency	10,887	13,146	14,461	1,315	10.0
Fees	1,350	1,050	1,662	612	58.3
Other	1,647	2,183	2,599	416	19.1
Contra-Expense	--	--	--	--	--
<b>TOTAL EXPENSES</b>	<b>\$149,912</b>	<b>\$159,879</b>	<b>\$175,089</b>	<b>\$15,210</b>	<b>9.5%</b>
Reimbursements and Recoveries	14,346	15,343	16,040	697	4.5
<b>NET EXPENSES</b>	<b>\$135,566</b>	<b>\$144,536</b>	<b>\$159,049</b>	<b>\$14,513</b>	<b>10.0%</b>

**Note:** Details may not add to totals due to rounding.

**OBJECTS OF EXPENSE**  
**PHILADELPHIA FEDERAL RESERVE DISTRICT**  
(dollars in thousands)

	<u>1978 Actual</u>	<u>1979 Estimate</u>	<u>1980 Budget</u>	<u>Increase or Decrease (- 1980 over 1979)</u>	
				<u>Amount</u>	<u>Percent</u>
Salaries -- Officers	\$ 1,434	\$ 1,495	\$ 1,717	\$ 222	14.8%
Salaries -- Employees	14,249	15,369	16,632	1,263	8.2
Other Personnel Expenses	161	228	211	-17	-7.4
Retirement and Other Benefits	4,676	5,206	6,079	873	16.8
Materials, Forms and Supplies	1,234	1,320	1,353	33	2.5
Equipment Rentals	1,762	1,746	1,111	-635	-36.4
Equipment Depreciation	760	858	1,352	494	57.5
Equipment Repairs and Maintenance	251	373	556	183	49.2
Postage	460	488	503	15	3.1
Other Shipping Expenses	2,419	2,564	2,952	388	15.1
Travel	273	299	317	18	6.0
Communications	467	551	607	56	10.2
Building Insurance	37	46	49	2	5.0
Taxes on Real Estate	1,226	1,226	1,287	61	5.0
Property Depreciation	1,432	1,452	1,472	20	1.4
Utilities	1,166	1,129	1,238	110	9.7
Rent	16	16	17	1	5.6
Other Building Expenses	774	717	742	24	3.4
Federal Reserve Currency	3,283	3,245	3,381	136	4.2
Fees	298	249	228	-21	-8.5
Other	453	416	677	262	62.9
Contra-Expense	--	-45	--	45	100.0
<b>TOTAL EXPENSES</b>	<u>\$ 36,831</u>	<u>\$ 38,948</u>	<u>\$ 42,480</u>	<u>\$ 3,532</u>	<u>9.1%</u>
Reimbursements and Recoveries	3,067	3,315	3,761	446	13.5
<b>NET EXPENSES</b>	<u>\$ 33,764</u>	<u>\$ 35,633</u>	<u>\$ 38,719</u>	<u>\$ 3,086</u>	<u>8.7%</u>

**Note:** Details may not add to totals due to rounding.



**OBJECTS OF EXPENSE**  
**CLEVELAND FEDERAL RESERVE DISTRICT**  
 (dollars in thousands)

<u>Object of Expense</u>	<u>1978 Actual</u>	<u>1979 Estimate</u>	<u>1980 Budget</u>	<u>Increase or Decrease (-) 1980 over 1979</u>	
				<u>Amount</u>	<u>Percent</u>
Salaries -- Officers	\$ 1,440	\$ 1,467	\$ 1,737	\$ 270	18.4 %
Salaries -- Employees	18,578	18,959	20,327	1,368	7.2
Other Personnel Expenses	108	1,079	135	- 944	-87.5
Retirement and Other Benefits	5,723	6,031	6,666	635	10.5
Materials, Forms and Supplies	1,477	1,693	1,835	142	8.4
Equipment Rentals	2,993	2,738	2,881	143	5.2
Equipment Depreciation	410	715	900	185	25.9
Equipment Repairs and Maintenance	262	451	530	78	17.4
Postage	727	769	751	- 19	- 2.5
Other Shipping Expenses	6,141	5,395	5,527	131	2.4
Travel	717	823	911	88	10.6
Communications	721	827	844	17	2.1
Building Insurance	18	30	31	1	3.4
Taxes on Real Estate	760	799	837	39	4.8
Property Depreciation	644	704	796	92	13.1
Utilities	983	1,017	1,048	32	3.1
Rent	71	135	135	- 1	- 0.4
Other Building Expenses	312	346	331	- 15	- 4.3
Federal Reserve Currency	3,871	4,414	4,874	460	10.4
Fees	216	273	183	- 90	-32.9
Other	898	1,007	1,182	176	17.5
Contra-Expense	-	- 166	- 180	- 15	8.9
<b>TOTAL EXPENSES</b>	<u>\$47,069</u>	<u>\$49,505</u>	<u>\$52,278</u>	<u>\$2,773</u>	<u>5.6%</u>
Reimbursements and Recoveries	<u>5,107</u>	<u>5,315</u>	<u>5,435</u>	<u>120</u>	<u>2.3</u>
<b>NET EXPENSES</b>	<u>\$41,962</u>	<u>\$44,190</u>	<u>\$46,844</u>	<u>\$2,653</u>	<u>6.0%</u>

**Note:** Details may not add to totals due to rounding.

Richmond      OBJECTS OF EXPENSE  
FEDERAL RESERVE DISTRICT  
(dollars in thousands)

Objects of Expense	1978 Actual	1979 Estimate	1980 Budget	Increase or Decrease (-) 1980 over 1979	
				Amount	Percent
Salaries -- Officers	\$ 2,261	\$ 2,326	\$ 2,533	\$ 207	8.9 %
Salaries -- Employees	23,196	24,282	26,215	1,933	8.0
Other Personnel Expenses	157	192	156	- 36	-18.5
Retirement and Other Benefits	6,939	7,543	8,473	931	12.3
Materials, Forms and Supplies	2,332	2,563	2,744	181	7.1
Equipment Rentals	5,263	4,841	4,279	-562	-11.6
Equipment Depreciation	292	612	1,265	653	106.8
Equipment Repairs and Maintenance	431	555	885	330	59.5
Postage	1,006	1,148	1,186	38	3.3
Other Shipping Expenses	6,916	7,080	7,591	512	7.2
Travel	664	768	839	71	9.2
Communications	1,069	1,093	1,125	32	3.0
Building Insurance	15	13	13	-	3.1
Taxes on Real Estate	1,234	1,289	1,295	6	.5
Property Depreciation	1,056	2,459	2,581	122	5.0
Utilities	910	1,339	1,465	126	9.4
Rent	839	804	802	- 3	- .3
Other Building Expenses	365	662	739	77	11.6
Federal Reserve Currency	6,131	7,045	7,555	510	7.2
Fees	434	351	263	-88	-25.2
Other	838	888	919	31	3.5
FRCS Distributions*	-2,355	-2,800	-2,791	9	.3
Contra-Expense	-	- 229	- 199	30	13.0
TOTAL EXPENSE	\$59,995	\$64,821	\$69,931	\$5,110	7.9%
Reimbursements and Recoveries	<u>4,058</u>	<u>4,421</u>	<u>4,963</u>	<u>542</u>	<u>12.3</u>
NET EXPENSES	\$55,937	\$60,400	\$64,968	\$4,568	7.6

Note: Details may not add to totals due to rounding.

**ATLANTA**  
**OBJECTS OF EXPENSE**  
**FEDERAL RESERVE DISTRICT**  
**(dollars in thousands)**

<u>Object of Expense</u>	<u>1978 Actual</u>	<u>1979 Estimate</u>	<u>1980 Budget</u>	<u>Increase or Decrease (-) 1980 over 1979</u>	
				<u>Amount</u>	<u>Percent</u>
Salaries -- Officers	\$ 2,245	\$ 2,367	\$ 2,661	\$ 294	12.4 %
Salaries -- Employees	28,144	29,196	30,728	1,532	5.2
Other Personnel Expenses	132	173	72	- 101	-58.2
Retirement and Other Benefits	7,828	8,698	9,754	1,056	12.1
Materials, Forms and Supplies	2,846	3,277	3,184	- 93	- 2.8
Equipment Rentals	4,044	3,734	4,008	274	7.3
Equipment Depreciation	541	911	1,121	211	23.0
Equipment Repairs and Maintenance	453	751	929	178	23.8
Postage	910	1,027	1,016	- 11	- 1.0
Other Shipping Expenses	7,288	7,356	7,782	426	5.8
Travel	882	932	1,164	232	24.9
Communications	1,058	1,135	1,235	99	8.8
Building Insurance	4	7	10	3	40.2
Taxes on Real Estate	626	665	866	201	30.2
Property Depreciation	297	347	620	273	78.8
Utilities	888	924	1,184	260	28.2
Rent	622	578	319	-258	-44.8
Other Building Expenses	381	439	450	12	2.7
Federal Reserve Currency	5,840	6,250	6,669	419	6.7
Fees	152	274	271	- 3	- 1.2
Other	655	751	939	188	25.1
Contra-Expense	-	- 237	- 260	- 23	9.5
<b>TOTAL EXPENSES</b>	<b>\$65,836</b>	<b>\$69,553</b>	<b>\$74,722</b>	<b>\$5,169</b>	<b>7.4</b>
<b>Reimbursements and Recoveries</b>	<b>6,545</b>	<b>6,631</b>	<b>6,826</b>	<b>195</b>	<b>2.9</b>
<b>NET EXPENSES</b>	<b>\$59,291</b>	<b>\$62,923</b>	<b>\$67,896</b>	<b>\$4,973</b>	<b>7.9%</b>

**Note:** Details may not add to totals due to rounding.

CHICAGO      OBJECTS OF EXPENSE  
FEDERAL RESERVE DISTRICT  
(dollars in thousands)

Object of Expense	1978 Actual	1979 Estimate	1980 Budget	Increase or Decrease (-) 1980 over 1979	
				Amount	Percent
Salaries -- Officers	\$ 2,207	\$ 2,185	\$ 2,433	\$ 248	11.3 %
Salaries -- Employees	38,533	40,198	42,632	2,434	6.0
Other Personnel Expenses	195	460	314	- 146	- 31.7
Retirement and Other Benefits	11,725	12,622	14,365	1,743	13.8
Materials, Forms and Supplies	3,586	3,899	4,149	250	6.4
Equipment Rentals	6,533	6,253	5,082	-1,171	- 18.7
Equipment Depreciation	320	701	1,286	585	83.3
Equipment Repairs and Maintenance	351	527	1,454	927	176.0
Postage	1,253	1,321	1,291	- 30	- 2.3
Other Shipping Expenses	7,997	8,403	9,089	686	8.2
Travel	928	1,085	1,194	109	10.1
Communications	1,525	1,516	1,528	12	.8
Building Insurance	14	18	20	2	11.3
Taxes on Real Estate	1,530	1,579	1,658	79	5.0
Property Depreciation	409	463	512	49	10.6
Utilities	1,095	1,155	1,256	101	8.7
Rent	864	926	962	36	3.9
Other Building Expenses	1,512	1,484	1,636	152	10.2
Federal Reserve Currency	8,412	9,691	8,530	-1,162	-12.0
Fees	281	267	269	2	.8
Other	823	1,064	1,460	396	37.2
Contra-Expense	-	- 234	- 233	1	.6
<b>TOTAL EXPENSES</b>	<b>\$90,091</b>	<b>\$95,582</b>	<b>\$100,886</b>	<b>\$5,304</b>	<b>5.5</b>
<b>Reimbursements and Recoveries</b>	<b>7,307</b>	<b>7,622</b>	<b>8,051</b>	<b>430</b>	<b>5.6</b>
<b>NET EXPENSES</b>	<b>\$82,784</b>	<b>\$87,960</b>	<b>\$ 92,835</b>	<b>\$4,874</b>	<b>5.5</b>

Note: Details may not add to totals due to rounding.

**OBJECTS OF EXPENSE**  
**ST. LOUIS      FEDERAL RESERVE DISTRICT**  
**(dollars in thousands)**

<u>Object of Expense</u>	<u>1978 Actual</u>	<u>1979 Estimate</u>	<u>1980 Budget</u>	<u>Increase or Decrease (-) 1980 over 1979</u>	
				<u>Amount</u>	<u>Percent</u>
Salaries -- Officers	\$ 1,553	\$ 1,549	\$ 1,717	\$ 167	10.8 %
Salaries -- Employees	15,040	15,662	17,209	1,546	9.9
Other Personnel Expenses	293	254	158	- 95	-37.5
Retirement and Other Benefits	4,928	5,276	5,937	661	12.5
Materials, Forms and Supplies	1,355	1,450	1,572	122	8.4
Equipment Rentals	1,874	2,001	2,440	440	22.0
Equipment Depreciation	592	683	917	234	34.3
Equipment Repairs and Maintenance	264	280	448	168	60.0
Postage	887	953	971	18	1.9
Other Shipping Expenses	4,172	3,971	4,371	400	10.1
Travel	375	502	576	74	14.7
Communications	473	529	552	23	4.3
Building Insurance	11	8	27	20	265.3
Taxes on Real Estate	449	449	450	0	.1
Property Depreciation	378	399	459	61	15.3
Utilities	663	707	823	116	16.3
Rent	119	134	141	7	5.1
Other Building Expenses	394	302	420	118	38.9
Federal Reserve Currency	2,668	2,867	2,968	101	3.5
Fees	200	203	233	30	14.5
Other	352	482	598	116	24.1
Contra-Expense	-	- 79	- 101	- 22	- 27.1
<b>TOTAL EXPENSES</b>	<b>\$37,040</b>	<b>\$38,583</b>	<b>\$42,887</b>	<b>\$4,304</b>	<b>11.2%</b>
Reimbursements and Recoveries	3,283	3,463	3,571	108	3.1
<b>NET EXPENSES</b>	<b>\$33,757</b>	<b>\$35,120</b>	<b>\$39,316</b>	<b>\$4,196</b>	<b>11.9</b>

**Note:** Details may not add to totals due to rounding.

**OBJECTS OF EXPENSE**  
**Minneapolis FEDERAL RESERVE DISTRICT**  
**(dollars in thousands)**

<u>Object of Expense</u>	<u>1978 Actual</u>	<u>1979 Estimate</u>	<u>1980 Budget</u>	<u>Increase or Decrease (-) 1980 over 1979</u>	
				<u>Amount</u>	<u>Percent</u>
Salaries -- Officers	\$ 1,206	\$ 1,260	\$ 1,358	\$ 97	7.7 %
Salaries -- Employees	11,714	12,448	13,835	1,387	11.1
Other Personnel Expenses	117	78	36	- 42	-53.8
Retirement and Other Benefits	3,242	3,560	3,984	425	11.9
Materials, Forms and Supplies	945	1,012	1,066	55	5.4
Equipment Rentals	1,115	895	1,324	430	48.0
Equipment Depreciation	334	528	850	322	61.0
Equipment Repairs and Maintenance	179	305	460	155	50.9
Postage	881	917	935	18	2.0
Other Shipping Expenses	2,254	2,321	2,647	326	14.0
Travel	420	542	581	39	7.3
Communications	585	570	645	75	13.2
Building Insurance	11	10	11	1	11.0
Taxes on Real Estate	1,521	1,323	1,192	- 131	- 9.9
Property Depreciation	880	891	910	19	2.1
Utilities	489	505	526	21	4.2
Rent	50	49	76	27	56.5
Other Building Expenses	301	447	424	- 24	- 5.3
Federal Reserve Currency	992	1,013	1,200	187	18.5
Fees	197	274	290	16	6.0
Other	708	790	981	191	24.2
Contra-Expense	-	- 43	- 42	1	2.6
<b>TOTAL EXPENSES</b>	<b>\$28,139</b>	<b>\$29,691</b>	<b>\$33,287</b>	<b>\$3,596</b>	<b>12.1</b>
Reimbursements and Recoveries	1,942	2,408	2,390	- 18	.7
<b>NET EXPENSES</b>	<b>\$26,197</b>	<b>\$27,283</b>	<b>\$30,897</b>	<b>\$3,614</b>	<b>13.2</b>

Note: Details may not add to totals due to rounding.

**OBJECTS OF EXPENSE**  
**KANSAS CITY    FEDERAL RESERVE DISTRICT**  
**(dollars in thousands)**

<u>Object of Expense</u>	<u>1978 Actual</u>	<u>1979 Estimate</u>	<u>1980 Budget</u>	<u>Increase or Decrease (-) 1980 over 1979</u>	
				<u>Amount</u>	<u>Percent</u>
Salaries -- Officers	\$ 1,697	\$ 1,837	\$ 2,081	\$ 244	13.3 %
Salaries -- Employees	19,192	20,575	22,110	1,535	7.5
Other Personnel Expenses	143	128	85	- 43	- 33.9
Retirement and Other Benefits	5,815	6,494	7,484	990	15.3
Materials, Forms and Supplies	1,858	2,136	2,327	190	8.9
Equipment Rentals	3,473	3,531	2,805	- 727	-20.6
Equipment Depreciation	541	786	1,511	725	92.2
Equipment Repairs and Maintenance	314	410	667	257	62.6
Postage	1,408	1,564	1,551	- 13	.8
Other Shipping Expenses	3,574	3,864	4,245	380	9.8
Travel	704	946	1,064	118	12.5
Communications	867	941	888	- 54	- 5.7
Building Insurance	18	17	21	4	20.6
Taxes on Real Estate	496	487	476	- 11	- 2.2
Property Depreciation	478	523	624	101	19.3
Utilities	671	740	842	102	13.8
Rent	26	28	29	1	1.4
Other Building Expenses	304	334	307	- 27	- 8.0
Federal Reserve Currency	3,350	3,774	4,313	539	14.3
Fees	174	247	287	41	16.5
Other	650	808	834	26	3.3
Contra-Expense		- 340	- 440	- 100	-29.5
<b>TOTAL EXPENSES</b>	<b>\$45,752</b>	<b>\$49,831</b>	<b>\$54,109</b>	<b>\$4,278</b>	<b>8.6</b>
<b>Reimbursements and Recoveries</b>	<b>3,964</b>	<b>4,044</b>	<b>4,264</b>	<b>220</b>	<b>5.4</b>
<b>NET EXPENSES</b>	<b>\$41,788</b>	<b>\$45,787</b>	<b>\$49,845</b>	<b>\$4,058</b>	<b>8.9</b>

**Note:** Details may not add to totals due to rounding.

DALLAS **OBJECTS OF EXPENSE**  
**FEDERAL RESERVE DISTRICT**  
(dollars in thousands)

Attachment No. 4  
Page 11 of 12

Object of Expense	1978 Actual	1979 Estimate	1980 Budget	Increase or Decrease (-) 1980 over 1979	
				Amount	Percent
Salaries -- Officers	\$ 1,248	\$ 1,334	\$ 1,527	\$ 192	14.4 %
Salaries -- Employees	14,268	15,806	17,679	1,873	11.9
Other Personnel Expenses	282	205	131	- 74	-36.2
Retirement and Other Benefits	4,431	4,682	5,461	779	16.6
Materials, Forms and Supplies	1,262	1,589	1,741	152	9.6
Equipment Rentals	2,422	2,501	2,015	- 486	-19.4
Equipment Depreciation	540	722	1,184	461	63.9
Equipment Repairs and Maintenance	212	356	980	625	175.6
Postage	605	642	669	26	4.1
Other Shipping Expenses	3,193	3,418	4,100	682	20.0
Travel	510	687	767	80	11.6
Communications	685	812	776	- 36	- 4.4
Building Insurance	9	10	10	0	4.2
Taxes on Real Estate	458	451	455	4	1.0
Property Depreciation	183	237	333	96	40.4
Utilities	593	659	730	71	10.8
Rent	9	10	11	0	3.9
Other Building Expenses	426	584	755	171	29.2
Federal Reserve Currency	4,085	4,903	5,451	548	11.2
Fees	125	281	260	- 20	- 7.2
Other	933	1,183	1,309	126	10.7
Contra-Expense	-	- 114	- 121	- 7	- 6.2
<b>TOTAL EXPENSES</b>	<b>\$36,481</b>	<b>\$40,958</b>	<b>\$46,223</b>	<b>\$5,265</b>	<b>12.9</b>
Reimbursements and Recoveries	2,150	2,473	2,598	125	5.0
<b>NET EXPENSES</b>	<b>34,331</b>	<b>38,485</b>	<b>43,625</b>	<b>5,141</b>	<b>13.4</b>

Note: Details may not add to totals due to rounding.



THE FEDERAL RESERVE DISTRICTS  
SUMMARY OF AVERAGE NUMBER OF PERSONNEL  
BY SERVICE LINE AND SERVICE  
1978 ACTUAL - 1980 BUDGET

<u>Service Line/Service</u>	<u>1978 Actual</u>	<u>1979 Estimate</u>	<u>1980 Budget</u>	<u>Increase or Decrease (-) 1980 over 1979</u>
I. Monetary and Economic Policy	609	602	615	13
Economic Policy Determination	491	489	499	10
Open Market Trading	118	113	116	3
II. Services to the U.S. Treasury and Government Agencies	1,919	1,855	1,825	-30
Savings Bonds	708	708	696	-12
Other Treasury Issues	448	430	420	-10
Government Agency Issues	96	90	85	-5
Other Treasury and Government Agency Services	134	132	133	1
Treasury and Government Agency Coupons	80	78	78	--
Food Coupons	229	188	184	-4
Government Accounts	224	233	229	-4
III. Services to Financial Institutions and the Public	9,851	9,827	9,692	-135
Currency	1,604	1,532	1,466	-66
Coin	390	362	351	-11
Electronic Funds Transfer	353	393	422	29
Commercial Checks	5,713	5,694	5,622	-72
Other Checks	259	317	308	-9
Securities	393	369	355	-14
Loans to Members and Others	115	118	123	5
Reserve Accounts	252	244	240	-4

THE FEDERAL RESERVE DISTRICTS  
SUMMARY OF AVERAGE NUMBER OF PERSONNEL  
BY SERVICE LINE AND SERVICE  
1978 ACTUAL - 1980 BUDGET

<u>Service Line/Service</u>	<u>1978 Actual</u>	<u>1979 Estimate</u>	<u>1980 Budget</u>	<u>Increase or Decrease (-) 1980 over 1979</u>
III. Services to Financial Institutions and the Public (cont'd)				
Non-Cash Collection	180	179	171	-8
Bank and Public Relations	381	401	416	15
Other	211	218	218	--
IV. Supervision and Regulations	1,337	1,439	1,492	53
Supervision of District Financial Institutions	905	1,024	1,068	44
Administration of Laws and Regulations Related to Banking	365	352	361	9
Banking and Financial Market Structure Studies	67	64	64	--
V. Support Services	4,239	4,074	4,154	80
Data Processing	2,081	2,039	2,122	83
Occupancy	1,371	1,338	1,346	8
Printing and Supplies	288	281	277	-4
Planning	245	200	202	2
Office Equipment Maintenance	144	121	121	--
District Projects	110	96	87	-9
VI. Overhead Services	5,524	5,371	5,317	-54
Administration	460	492	480	-12
System Projects	69	61	78	17
Mail	401	366	365	-1
Legal	98	105	103	-2

THE FEDERAL RESERVE DISTRICTS  
SUMMARY OF OPERATING EXPENSES BY  
SERVICE LINE AND SERVICE  
1978 ACTUAL - 1980 BUDGET

(dollars in thousands)

<u>Service Lines/Services</u>	<u>1978 Actual</u>	<u>1979 Estimate</u>	<u>1980 Budget</u>	<u>Increase or Decrease (-) 1980 over 1979</u>
III. Services to Financial Institutions and the Public (cont'd)				
Loans to Members and Others	5,059	5,564	6,499	935
Reserve Accounts	14,383	15,516	16,998	1,483
Non-Cash Collection	7,884	8,359	8,716	357
Bank and Public Relations	21,975	26,187	28,609	2,422
Other	14,382	21,493	23,995	2,502
IV. Supervision and Regulations	58,291	68,647	77,093	8,446
Supervision of District Financial Institutions	37,068	45,223	51,716	6,493
Administration of Laws and Regula- tions Related to Banking	17,729	19,597	21,232	1,634
Banking and Financial Market Structure Studies	3,494	3,826	4,146	320
TOTAL DISTRICT EXPENSES	714,692	762,094	832,141	70,045
MEMORANDUM:				
V. Support Services	183,947	203,648	232,052	28,404
Data Processing	93,015	104,918	122,020	17,101
Occupancy	71,489	79,226	86,426	7,201
Printing and Supplies	5,515	6,417	7,038	621
Planning	6,116	5,733	7,082	1,349
Office Equipment Maintenance	2,747	4,481	5,398	918

THE FEDERAL RESERVE DISTRICTS  
SUMMARY OF OPERATING EXPENSES BY  
SERVICE LINE AND SERVICE  
1978 ACTUAL - 1980 BUDGET  
(dollars in thousands)

<u>Service Lines/Services</u>	<u>1978 Actual</u>	<u>1979 Estimate</u>	<u>1980 Budget</u>	<u>Increase or Decrease (-) 1980 over 1979</u>
V. Support Services (cont'd)				
District Projects	5,066	2,873	4,087	1,214
VI. Overhead Services	190,002	209,324	233,769	24,446
Administration	35,215	44,698	54,349	9,652
System Projects	5,006	5,911	11,885	5,974
Mail	8,270	8,415	8,937	523
Legal	4,495	4,610	4,708	98
General Books and Budget and Expense Control	23,279	26,916	27,409	492
Files and Records Storage	8,389	7,758	8,255	497
Personnel	44,182	47,304	50,477	3,172
Purchasing	9,950	10,693	11,431	737
Protection	28,534	28,686	30,338	1,652
Motor Vehicles	1,820	1,820	1,991	170
Library	2,714	2,965	3,191	226
Telephone and Telegraph Operations	5,255	5,628	5,980	352
Audit	12,893	13,919	14,819	901

NOTE: Expenses for the four Output Service Lines are on a fully costed basis, i.e., support and overhead expenses are redistributed and reallocated to these Service Lines. Support expenses are direct costs only; Overhead expense include support expense redistributions.

Details may not add to totals due to rounding.

THE FEDERAL RESERVE DISTRICTS  
SUMMARY OF AVERAGE NUMBER OF PERSONNEL  
BY SERVICE LINE AND SERVICE  
1978 ACTUAL - 1980 BUDGET

<u>Service Line/Service</u>	<u>1978 Actual</u>	<u>1979 Estimate</u>	<u>1980 Budget</u>	<u>Increase or Decrease (-) 1980 over 1979</u>
I. Monetary and Economic Policy	609	602	615	13
Economic Policy Determination	491	489	499	10
Open Market Trading	118	113	116	3
II. Services to the U.S. Treasury and Government Agencies	1,919	1,855	1,825	-30
Savings Bonds	708	708	696	-12
Other Treasury Issues	448	430	420	-10
Government Agency Issues	96	90	85	-5
Other Treasury and Government Agency Services	134	132	133	1
Treasury and Government Agency Coupons	80	78	78	--
Food Coupons	229	188	184	-4
Government Accounts	224	233	229	-4
III. Services to Financial Institutions and the Public	9,851	9,827	9,692	-135
Currency	1,604	1,532	1,466	-66
Coin	390	362	351	-11
Electronic Funds Transfer	353	393	422	29
Commercial Checks	5,713	5,694	5,622	-72
Other Checks	259	317	308	-9
Securities	393	369	355	-14
Loans to Members and Others	115	118	123	5
Reserve Accounts	252	244	240	-4

THE FEDERAL RESERVE DISTRICTS  
SUMMARY OF AVERAGE NUMBER OF PERSONNEL  
BY SERVICE LINE AND SERVICE  
1978 ACTUAL - 1980 BUDGET

<u>Service Line/Service</u>	<u>1978 Actual</u>	<u>1979 Estimate</u>	<u>1980 Budget</u>	<u>Increase or Decrease (-) 1980 over 1979</u>
III. Services to Financial Institutions and the Public (cont'd)				
Non-Cash Collection	180	179	171	-8
Bank and Public Relations	381	401	416	15
Other	211	218	218	--
IV. Supervision and Regulations	1,337	1,439	1,492	53
Supervision of District Financial Institutions	905	1,024	1,068	44
Administration of Laws and Regulations Related to Banking	365	352	361	9
Banking and Financial Market Structure Studies	67	64	64	--
V. Support Services	4,239	4,074	4,154	80
Data Processing	2,081	2,039	2,122	83
Occupancy	1,371	1,338	1,346	8
Printing and Supplies	288	281	277	-4
Planning	245	200	202	2
Office Equipment Maintenance	144	121	121	--
District Projects	110	96	87	-9
VI. Overhead Services	5,524	5,371	5,317	-54
Administration	460	492	480	-12
System Projects	69	61	78	17
Mail	401	366	365	-1
Legal	98	105	103	-2

THE FEDERAL RESERVE DISTRICTS  
SUMMARY OF AVERAGE NUMBER OF PERSONNEL  
BY SERVICE LINE AND SERVICE  
1978 ACTUAL - 1980 BUDGET

<u>Service Line/Services</u>	<u>1978 Actual</u>	<u>1979 Estimate</u>	<u>1980 Budget</u>	<u>Increase or Decrease (-) 1980 over 1979</u>
VI. Overhead Services (cont'd)				
General Books and Budget and Expense Control	649	659	654	-5
Files and Records Storage	191	184	181	-3
Personnel	1,194	1,148	1,128	-20
Purchasing	293	280	280	--
Protection	1,428	1,344	1,320	-24
Motor Vehicles	51	49	48	-1
Library	87	85	84	-1
Telephone and Telegraph Operations	149	152	151	-1
Audit	454	443	441	-2
TOTAL DISTRICTS -- Average Number of Personnel	23,479	23,168	23,095	-73

NOTE: In line with the accounting system requirements, no redistribution of average number of personnel made from the Support and Overhead Services to the Output Services. Accordingly, expenses for the Output Service Lines and Services do not correlate with the Average Number of Personnel reported for the Output Service Lines and Services.

THE FEDERAL RESERVE SYSTEM  
SUMMARY OF CAPITAL OUTLAYS BY CLASS AND BOARD OF GOVERNORS  
(dollars in thousands)

<u>Total Districts By Class</u>	<u>1978 Actual</u>	<u>1979 Estimate</u>	<u>1980 Budget</u>
Data Processing/Data Communications Equipment	\$14,193	\$20,967	\$ 45,586
Furniture, Furnishings and Fixtures	6,999	3,640	7,421
Other Equipment	8,516	13,158	16,809
Land and Other Real Estate	2,075	2,328	4,868
Buildings	19,416	18,992	49,608
Building Machinery and Equipment	2,406	8,307	8,294
Building and Leasehold Improvements	2,614	1,278	2,159
TOTAL DISTRICTS	<u>\$50,210</u>	<u>\$68,670</u>	<u>\$134,744</u>
Board of Governors			
Renovation -- Board Building	6,917	998	0
Construction -- Annex Building	1,252	426	0
TOTAL SYSTEM	<u>\$64,387</u>	<u>\$70,094</u>	<u>\$134,744</u>



Summary -- Major Data Processing/Data Communications  
Equipment Purchases - 1980

<u>District</u>	
Boston	-- Burroughs Type 206 Disk Pack and 5N Disk; \$.3 million.
New York	-- IBM 3032 switch computer and peripherals; \$3.0 million. Ten IBM-3-115 check computers, one IBM 4331 check computer , eight check reader/sorters, and other peripheral check equipment; \$6.0 million.
Philadelphia	-- IBM 3890 Document Processors; \$1.7 million. IBM 370/158 AP; \$.5 million. NCR 7750 Check Reject system; \$.3 million.
Cleveland	-- Three IBM-4331 communications processors; \$.5 million.
Richmond	-- IBM 3032 Computer; \$2.3 million. Burroughs 4890 Computer; \$.4 million. Three Burroughs 3890 Processing Units; \$.5 million. One Burroughs 4890 Processor; \$.3 million.
Atlanta	-- One Burroughs 4890 CPU; \$.4 million.
Chicago	-- Four Burroughs 4890 CPU's with peripherals; \$1.5 million.
St. Louis	-- One IBM 168 MP Complex Computer; \$3.5 million.
Minneapolis	-- One IBM 370/158 Computer and peripherals; \$1.4 million.
Kansas City	-- One IBM 3033 Computer; \$3.1 million. Twenty-three 3330/3333/3350 Disk Drives; \$.6 million. Fourteen 3420 Tape Drives and two 3803 Control Units; \$.3 million. Two IBM 4341 computers; \$.5 million.
Dallas	-- Two IBM 370/168 Computers; \$3.5million. Eight IBM 3890 document processors; \$2.6 million.
San Francisco	-- Nine IBM 3890 Reader/Sorters; \$2.8 million. Six IBM 3350 Disk Drives; \$.4 million.

Summary -- New Building Projects - 1980

- Baltimore\* -- This project was approved by the Board of Governors in March 1977 and is scheduled for completion in February 1982. Construction outlays anticipated for 1980 are \$12.8 million. Total cost of project is estimated to be \$40.6 million. The building site is located in downtown Baltimore and is part of the Camden Renewal Area adjacent to the Inner Harbour Renewal Area. At move-in the building will house 475 employees.
- Miami\* -- The Miami new building project will be completed in the first half of 1980. Construction outlays in 1980 are expected to be \$1.7 million. Total cost of the project is estimated to be \$18.5 million. The building site is located in metropolitan Dade County on North West 36th Street approximately four miles from Miami International Airport. At move-in the building will house 380 employees.
- San Francisco\* -- Construction phase will begin during 1980 with completion scheduled for 1982. Construction outlays in 1980 are expected to be \$20.6 million. A firm estimate of total project cost is not currently available since analysis and evaluation of many options are still in process. The building site is located in downtown San Francisco on Market Street. At move-in the building will house 1,100 employees.

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\*The Federal Reserve's Building Program is not large enough to influence National economic conditions and no deliberate effort is made to relate decisions on buildings to the business cycle. Space needs for each office are projected for 5, 15 and 25 year periods. Banking offices with space problems in the 5 year category are analyzed to determine the most cost effective approach to solve the space problem.

Board of Governors of the Federal Reserve System  
Summary of Employment & Expenditures by Division  
1978-1980  
(dollars in thousands)

	<u>1978</u>		<u>1979</u>		<u>1980</u>		<u>Variation from 1979</u>	
	<u>Emp.</u>	<u>Act Exp</u>	<u>Est Emp</u>	<u>Est Exp</u>	<u>Est Emp</u>	<u>Budget</u>	<u>Emp</u>	<u>Budget</u>
Office of Board Members	37	\$ 1,500	31	\$ 1,317	31	\$ 1,415	0	\$ 98
OSD-Management	7	308	6	201	5	198	(1)	(3)
OSD-Monetary & Financial Policy	14	505	13	574	13	601	0	27
OSD-FR Bank Activities	11	156	8	371	7	284	(1)	(87)
Office of the Secretary	59	1,180	54	1,266	55	1,451	1	185
Legal Division	52	1,682	54	1,935	56	2,094	2	159
Research & Statistics	296	8,267	305	8,983	307	9,831	2	848
International Finance	93	2,768	98	2,926	98	3,208	0	282
Banking Sup. & Reg.	126	3,379	127	3,847	135	4,353	8	506
Consumer & Community Affairs	41	1,199	43	1,326	48	1,533	5	207
FR Bank Operations	91	3,703	86	3,831	87	4,093	1	262
Personnel	43	1,381	42	1,596	42	1,572	0	(24)
Equal Employment Opportunity	12	149	11	224	15	346	4	123
Support Services	286	9,416	281	9,997	283	10,499	2	502
Office of the Controller	30	730	28	789	29	845	1	56
Data Processing	271	8,414	268	8,810	273	9,744	5	934
Residual Retirement	-	2,207	-	3,414	-	3,563	0	149
Fed. Fin. Inst. Exams Council	-	-	2	47	2	59	0	12
Pay Increases	-	-	-	-	-	810	-	810
Savings Target	-	-	-	-	-	(400)	-	(400)
Total Operating Programs	<u>1,469</u>	<u>\$ 46,944</u>	<u>1,457</u>	<u>\$ 51,454</u>	<u>1,486</u>	<u>\$ 56,100</u>	<u>29</u>	<u>\$ 4,646</u>
Construction - Annex Bldg	-	1,252	-	998	-	0	-	-
Renovation - Board Bldg	<u>4</u>	<u>6,917</u>	<u>-</u>	<u>426</u>	<u>-</u>	<u>0</u>	<u>-</u>	<u>-</u>
Grand Total	<u>1,473</u>	<u>\$ 55,113</u>	<u>1,457</u>	<u>\$ 52,878</u>	<u>1,486</u>	<u>\$ 56,100</u>	<u>29</u>	<u>\$ 4,646</u>

Board of Governors of the  
Federal Reserve System  
Summary of Expenditures  
by Object of Expense  
1978-1980  
(dollars in thousands)

<u>Object</u>	<u>1978 Actual</u>	<u>1979 Est</u>	<u>1980 Budget</u>	<u>Variation from</u> <u>1979 Est Exp</u>	
				<u>\$</u>	<u>%</u>
Salaries	\$ 31,213	\$ 33,562	\$ 37,257	\$ 3,695	11.0%
Retirement Contribution	3,556	4,113	4,676	563	13.7
Retiree Cost of Living Allowance	2,070	3,270	3,400	130	4.0
Employee Insurance	687	685	845	160	23.4
Consulting Fees	281	262	256	(6)	(2.3)
Travel	1,175	1,321	1,533	212	16.0
Postage & Expressage	416	580	757	177	30.5
Telephone & Telegraph	683	731	746	15	2.1
Printing & Publications	1,328	1,435	1,548	113	7.9
Stationery & Supplies	406	428	488	60	14.0
Furniture & Equipment	516	403	368	(35)	(8.7)
Rentals	1,688	1,192	915	(277)	(23.2)
Books & Subscriptions	130	145	160	15	10.3
Heat, Light, & Power	877	995	1,070	75	7.5
Repairs & Alterations (Bldg/Grds)	155	227	310	83	36.6
Repairs & Maintenance (Furn/Equip)	247	269	310	41	15.2
Contractual Prof. Services	776	905	874	(31)	(3.4)
Other	740	931	987	56	6.0
Savings Target	-	-	(400)	(400)	-
	\$ 46,944	\$ 51,454	\$ 56,100	\$ 4,646	9.0%

Board of Governors of the  
Federal Reserve System  
Explanation of Significant Variances  
of 1980 Budget over 1979 Estimates  
by Object of Expenditure  
(dollars in thousands)

<u>Object of Expenditure</u>	Increase or Decrease	
	<u>1980 Budget over 1979 Est</u>	<u>Exp</u>
	<u>Amount</u>	<u>Percent</u>
<u>Salaries &amp; Fringe Benefits</u>	\$ 4,548	10.9%
<p>The increase in salaries is directly attributable to the 1980 effect of 1979 General Pay Increases (GPI) of 7% (\$1.99 mil). The fall 1980 GPI (\$525,000), annualization of 1979 salary actions (\$569,000) and 1980 salary actions (\$780,000), anticipated 1980 new positions (\$393,000), the effect of the extra days pay in 1980 (\$144,000), an increase in health insurance premium costs and in retirement plan contributions (\$406,000) and the Board Plan retiree cost of living adjustment (\$130,000) which is tied to the consumer price index, less planned management actions to delay hiring, hiring planned lower grades and other savings actions.</p>		
<u>Travel</u>	212	16.0
<p>The largest travel increase (\$100,000) is for visits of members of the Central Bank of the Peoples Republic of China to our country and a reciprocal visit to their country. The remainder is associated, mostly, with examination of Foreign Banks and Branches as directed by the International Banking Act and FIRA, standardization of automated systems, and the higher cost of travel.</p>		
<u>Postage &amp; Expressage</u>	177	30.5
<p>Higher postage rates plus increases in the number of publications to be distributed in 1980 account for this significant percentage increase. Examples are the planned 1980 distribution of 2 million copies of the consumer handbook and distribution of truth-in-lending publications and updates to regulations.</p>		
<u>Stationery &amp; Supplies</u>	60	14.0

Inflationary costs are the determinant in this object class

<u>Rentals</u>	\$ (277)	(23.2)%
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The major reason for this decrease is the final consolidation of the staff into two owned buildings. Equipment rentals have actually increased slightly.

<u>Repairs &amp; Alterations (Buildings &amp; Grounds)</u>	83	36.6
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The full time operation of two fully occupied buildings entails an increase in maintenance costs over that required during the renovation projects.

<u>Savings Target</u>	(400)
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An aggregate targets for cost reductions throughout the year to be achieved by individual division managerial actions.

Board of Governors of the  
Federal Reserve System  
Summary of Employment & Expenditures  
by Board Program Structure  
1978-1980  
(dollars in thousands)

	<u>1978 Actual</u>		<u>1979 Estimated</u>		<u>1980 Estimated</u>		<u>Variation</u>	
	<u>Empl</u>	<u>\$</u>	<u>Empl</u>	<u>\$</u>	<u>Empl</u>	<u>\$</u>	<u>\$</u>	<u>%</u>
Formulation of Monetary Policy	382	\$ 11,015	389	\$ 11,820	392	\$ 12,876	1,056	8.9%
Development & dissemination of Economic Intelligence	275	7,357	283	8,048	286	8,964	916	11.4
Program Direction & Support	107	3,658	106	3,772	106	3,912	140	3.7
Supervision & Regulation of Financial Institutions	313	9,448	316	10,588	325	11,552	964	9.1
Federal Reserve Banks & Branches	77	3,030	75	2,985	72	3,154	169	5.7
Commercial Bank Operations/ Banking Structure	152	3,978	153	4,419	158	5,046	627	14.2
Securities Credit Regulation	12	340	12	352	12	413	61	17.3
Regulation of Consumer Credit	30	704	29	866	35	1,002	136	15.7
Reviewing Regulations	3	41	3	115	3	120	5	4.3
Program Direction/Support	39	1,355	44	1,803	45	1,758	(45)	(2.5)
Examinations Council Assessmt	0	0	0	47	0	59	12	25.5
Financial Services	14	478	12	748	16	749	1	0.1
System Policy Direction & Board Support	760	26,003	740	28,298	753	31,323	3,025	10.7
System Policy Direction	52	2,038	47	1,768	44	1,910	142	8.0
Board Support	698	21,728	681	22,800	695	24,709	1,909	8.4
EEO	9	-	11	227	13	329	102	44.9
Other	1	2,237	1	3,503	1	3,565	62	1.8
GPI	-	-	-	-	-	810	810	-
Savings Target	-	-	-	-	-	(400)	(400)	-
<b>Total</b>	<b>1,469</b>	<b>\$ 46,944</b>	<b>1,457</b>	<b>\$ 51,454</b>	<b>1,486</b>	<b>\$ 56,100</b>	<b>646</b>	<b>9.0%</b>