

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, April 14, 1954. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans
Mr. Robertson

Mr. Sherman, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Leonard, Director, Division of Bank Operations
Mr. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics
Mr. Allen, Director, Division of Personnel Administration
Mr. Farrell, Chief, Reserve Bank Budget and Expense Section, Division of Bank Operations
Mr. Massey, Technical Assistant, Division of Bank Operations

There was presented a request from Mr. Fauver, Special Assistant to the Board, for authority to travel to Frederick, Maryland, on April 21, 1954, for the purpose of addressing the Frederick Rotary Club.

Approved unanimously.

Chairman Martin stated that he had received a letter from Mr. John W. Macy, Jr., Executive Director, United States Civil Service Commission, dated April 7, 1954, requesting that the Board furnish information with respect to excess annual leave accumulations of Board employees to assist the Commission in furnishing a report to the Congress for the entire Federal service, pursuant to Public Law 102, 83d Congress. He noted that this letter was a follow-up of a routine request made in the Civil Service Commission's Departmental Circular No. 725, dated September 8, 1953, to

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which no response had been made on the assumption that the circular had been sent to the Board through inadvertence. Chairman Martin then read a proposed draft of reply to Mr. Macy which indicated that although the annual and sick leave of Board employees was governed by the provisions of the Federal Reserve Act rather than by the provisions of the Annual and Sick Leave Act of 1951, the Board was pleased to furnish the Civil Service Commission with information regarding accumulated annual leave of Board employees.

In a brief discussion which followed the reading of the letter, it was suggested that copies be sent direct to the Chairmen of the Banking and Currency Committees of the Senate and the House of Representatives for their information and that the letter to Mr. Macy be changed to indicate that this was being done.

Thereupon, unanimous approval was given to a letter to Mr. Macy reading as follows:

This refers to your letter of April 7, 1954, regarding your Departmental Circular No. 725 dated September 8, 1953, which relates to accumulated annual leave which is in excess of the amounts allowable under the applicable provisions of section 203 of the Annual and Sick Leave Act of 1951, as amended.

The Federal Reserve Act provides in section 10 that "leave ... (of Board employees) shall be governed solely by the provisions of this Act, specific amendments thereof, and rules and regulations of the Board not inconsistent therewith." The annual and sick leave of the Board employees is thus governed by the provisions of the Federal Reserve Act rather than by the provisions of the Annual and Sick Leave Act of 1951 and its amendments; and in the circumstances the Board assumed that Circular No. 725 was sent to it through inadvertence.

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Nevertheless, the Board is pleased to advise you as to the policies which it has prescribed regarding accumulated annual leave. On September 29, 1953 the Board notified all members of its staff that in the future all employees should be given, and it was hoped that they would take, every reasonable opportunity to use annual leave accumulated in excess of 30 days, so that over a period of years this excess would be reduced. The Board's Division of Personnel Administration was instructed to report to the Board at the end of each year regarding the status of such excess accumulated leave. On January 1, 1953 the Board had 563 employees, of whom 200 had accumulated annual leave in excess of the 30 days which may be accumulated under the Board's present leave regulations. On January 1, 1954 the Board had 576 employees, of whom 190 had accumulated annual leave in excess of the maximum mentioned above.

If you should desire any further information regarding the Board's leave regulations under the Federal Reserve Act, or the status of leave accumulated thereunder, we shall, of course, be happy to furnish it. Copies of this letter are being furnished to the Chairmen of the Banking and Currency Committees of the Senate and House of Representatives for their information.

Mr. Vest withdrew from the meeting at this point and Mr. Fauver, Special Assistant to the Board, entered the room.

Before this meeting there had been sent to the members of the Board a memorandum prepared in the Division of Bank Operations under date of March 31, 1954, with respect to the revised 1954 Reserve Bank budgets, along with statements analyzing changes in the budgets of each of the Federal Reserve Banks as well as statements analyzing in some detail changes in the budgets for the personnel, bank and public relations, and research functions.

At Chairman Martin's request, Mr. Leonard made a statement with respect to the revisions that had been made in the budgets as a result of

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the Board's request in a letter approved at a meeting on December 17, 1953. In Mr. Leonard's statement, he noted that the review made by the various Banks and branches of their 1954 budgets had resulted in an over-all reduction of \$2.3 million, or 1.6 per cent. However, substantial parts of the budget cuts represented deferment of expenses to a later year rather than outright savings. Mr. Leonard also noted that the reduction would have been greater than the amount indicated had it not been for the fact that subsequent to preparing their 1954 budgets, three of the Federal Reserve Banks had begun the work of handling postmasters' deposits for the Post Office Department and in their revised budgets had provided a total of \$135,000 to cover the costs of this operation. Mr. Leonard stated that the other Reserve Banks were about to undertake this function and that none of them had budgeted for the item but that System expense for the work during 1954 was expected to total about \$300,000 more than was reflected in the revised budgets. Mr. Leonard then reviewed the adjustments made in the revised budgets by object of expenditures.

During a discussion of the revised budgets Governor Robertson raised a question as to whether the Board was obtaining as much benefit from field surveys being made by representatives of Federal Reserve Banks in connection with their bank visitation programs as might be desirable, and Messrs. Young and Leonard commented on the possible value of reports that might be submitted to the Board by the individual Federal Reserve

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Banks based upon such information. It was understood that Mr. Young would give further consideration to whether it would be desirable to request the submission of reports of the type mentioned by Governor Robertson.

Mr. Farrell then reviewed changes in the budgets of the twelve individual Federal Reserve Banks, comparing both unit costs and relative man-hour costs among the different Banks for such functions as counting of currency and handling of checks.

At the conclusion of the presentation Chairman Martin expressed the view that the Board should continue to press for savings in costs at the Federal Reserve Banks and the other members of the Board agreed with this approach.

Mr. Evans stated that he felt the review of the budgets had been helpful and that it should be continued in future years.

Mr. Leonard stated that he felt the review of the budgets as proposed in the Board's letter approved at the meeting on December 17, 1953, had been one of the most significant developments in the System's budgetary procedure. It had been worth-while not only because of the economies that had been made in proposed expenditures for 1954, but more importantly, because it would have a continuing effect in the maintenance of an improved budget procedure.

Following further discussion, all of the members of the Board who were present agreed that the 1954 Reserve Bank budgets should be

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accepted as revised, and unanimous approval was given to a letter reading as follows, with the understanding that it would not be mailed to the Federal Reserve Banks until it had been approved by Governor Vardaman and Governor Mills and that in the event either of them wished to do so, the matter would be considered further at a meeting of the Board:

The Board of Governors has reviewed and accepts the revised 1954 budget of the Federal Reserve Bank of _____, submitted with your letter of _____, 1954. This acceptance is with the full expectation that throughout the year the directors and officers of the Bank will maintain close control over expenses and endeavor to keep them at a minimum consistent with efficient operations and within the budget provisions.

The Board appreciates the time and effort that have gone into the review of the budgets as originally submitted and believes that, on a System-wide basis, the review has been well worth while, and will result in significant accomplishments.

Secretary's note: The letter, having been approved by Governors Vardaman and Mills, was mailed to the twelve Federal Reserve Banks under date of April 20, 1954.

The meeting then adjourned. During the day the following additional actions were taken by the Board with all of the members except Governors Vardaman and Mills present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 13, 1954, were approved unanimously.

Letter to the Board of Directors, The Central Trust Company, Cincinnati, Ohio, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch approximately 585 feet south of the southeast corner of Reading Road and Glendale-Milford Road, Evendale,

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Hamilton County, Ohio, by The Central Trust Company, Cincinnati, Ohio, provided the branch is established within one year of the date of this letter.

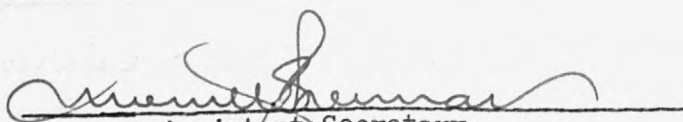
Approved unanimously, for transmittal through the Federal Reserve Bank of Cleveland.

Letter to the Board of Directors, The Provident Savings Bank and Trust Company, Cincinnati, Ohio, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch at the southeast corner of Colerain Avenue and Galbraith Road, Colerain Township, Hamilton County, Ohio, by The Provident Savings Bank and Trust Company, Cincinnati, Ohio, provided the branch is established by September 25, 1954.

Approved unanimously, for transmittal through the Federal Reserve Bank of Cleveland, with a letter to Mr. Stetzelberger, Vice President of the Reserve Bank, containing the following paragraph:

From the information submitted, it appears that the bank has not as yet made definite arrangements for the branch site, and there may be some delay in establishing the branch. Therefore, the Board is limiting the time for establishing the branch to that prescribed by the State authorities and would not look with favor on extending the time unless steps are taken to establish the branch without undue delay.


Assistant Secretary