

## FEDERAL RESERVE BOARD

WASHINGTON

X-7247

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

September 20, 1932.

SUBJECT: Decision of Comptroller General re  
cost of Federal reserve notes.

Dear Sir:

Reference is made to the Board's letter of September 1, 1932, X-7236, on the subject of the "Charge for printing Federal reserve notes during fiscal year 1933," and there is inclosed herewith, for your information, copy of a letter addressed to the Secretary of the Treasury by the Comptroller General of the United States, under date of September 13, 1932, which quotes and replies to a letter which the Secretary addressed to the Comptroller General on September 1, 1932, requesting a reconsideration of the decision that no reduction in the charge made against Federal reserve banks for the printing of Federal reserve notes may be made as a result of the reduction in the compensation of employees engaged in the printing of such notes by the operation of the Economy Act of 1932.

In view of the Comptroller General's affirmation of his previous decision, the charge against the Federal reserve banks for the printing of Federal reserve notes during the fiscal year 1933 will be at the rate of \$90.50 per one thousand sheets.

Very truly yours,

Chester Morrill,  
Secretary.

Inclosure.

TO GOVERNORS OF ALL F. R. BANKS.

COPY

## COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON

A-43585

September 13, 1932.

The Honorable,

The Secretary of the Treasury.

Sir:

There has been received your letter of September 1, 1932,  
as follows:

"Reference is made to your letter of August 5, 1932 (A-43585) in which you held in response to question No. 5 set forth in my letter of July 22, 1932, that employees of the Bureau of Engraving and Printing engaged upon repay work are subject to the provisions of section 101 of the Economy Act, that the amounts withheld from the compensation of such employees by reason of the operation of this statute must be impounded, and that the fact that the compensation actually paid such employees has been reduced by the operation of the Economy Act does not authorize any reduction in the amount of the cost of printing Federal Reserve notes and postage stamps which is to be reimbursed to the Government by other agencies.

"The Federal Reserve Board has invited my attention to the fact that in making this ruling you apparently did not have before you section 16 of the Federal Reserve Act, which provides for the payment by the Federal Reserve Banks of the expenses necessarily incurred in connection with the printing and issue of Federal reserve notes; and, accordingly, at the instance of the Board, I am again presenting this matter to you with the request that it be given reconsideration in the light of the provisions of this statute.

"Section 16 of the Federal Reserve Act contains the following provisions on this subject:

" The plates and dyes to be procured by the Comptroller of the Currency for the printing of such circulating notes shall remain under his control and direction, and the expenses necessarily incurred in executing the laws relating to the procuring of such notes, and all other expenses incidental to their issue

A-43585

-2-

and retirement, shall be paid by the Federal reserve banks, and the Federal Reserve Board shall include in its estimate of expenses levied against the Federal Reserve Banks a sufficient amount to cover the expenses herein provided for.

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" 'Any appropriation heretofore made out of the general funds of the Treasury for engraving plates and dies, the purchase of distinctive paper, or to cover any other expense in connection with the printing of national-bank notes or notes provided for by the act of May thirtieth, nineteen hundred and eight, and any distinctive paper that may be on hand at the time of the passage of this Act may be used in the discretion of the Secretary for the purposes of this Act, and should the appropriations heretofore made be insufficient to meet the requirements of this Act in addition to circulating notes provided for by existing law, the Secretary is hereby authorized to use so much of any funds in the Treasury not otherwise appropriated for the purpose of furnishing the notes aforesaid: Provided, however, That nothing in this section contained shall be construed as exemption national banks or Federal reserve banks from their liability to reimburse the United States for any expenses incurred in printing and issuing circulating notes.'

"Under these provisions of the statute, the Federal reserve banks are authorized and required to pay the necessary expenses of printing and issuing Federal reserve notes; and they have no authority to include in their payments covering such expenses amounts which are to be used for other purposes. Amounts impounded in the Treasury of the United States under the provisions of the Economy Act clearly do not constitute any part of the expenses of printing or issuing Federal reserve notes. It is respectfully submitted, therefore, that since the law governing the printing and issue of these notes specifically prescribes the basis of reimbursement of the Treasury by the Federal reserve banks there may not lawfully be included in the amounts which the Federal reserve banks are asked to pay additional sums which are to be impounded in the Treasury of the United States.

"Moreover, I am advised that the appropriation by Congress for the Bureau of Engraving and Printing does not include any amount for the expenses of 'repay work', i.e., work as to which the expenses are repaid by other agencies, but the only appropriation for the Bureau is for work 'exclusive of repay work.' It is the practice of the Bureau to make payments of the salaries of its employees engaged either in repay work or in non-repay work

A-43585

-3-

out of the fund thus appropriated by Congress, but that part of the compensation of employees which is applicable to repay work is reimbursed to the Bureau from time to time by the agencies for which the work is performed. In the case of Federal reserve notes, such reimbursement is made by the Federal Reserve Board from assessments levied upon the Federal reserve banks, and the amounts obtained through such reimbursements are placed to the credit of the appropriation made by Congress for the expenses of the Bureau for non-repay work.

"Inasmuch as the only appropriation by Congress for the Bureau of Engraving and Printing is for the work of the Bureau 'exclusive of repay work,' it is submitted that section 110 of the Economy Act providing that 'The appropriations or portions of appropriations unexpended by reason of the operation of this title shall not be used for any purpose, but shall be impounded and returned to the Treasury' is not applicable in the case of amounts withheld from the compensation of the employees of the Bureau which is applicable to repay work. There is no appropriation covering such compensation and, therefore, no amount to which the terms of the impounding provision are applicable. The part of the appropriation for the compensation of employees of the Bureau engaged in non-repay work which is unexpended by reason of Title 1 of the Economy Act is, of course, subject to the impounding provision; but it would seem clearly improper to impound an additional amount equal to a portion of the compensation paid employees for repay work which is not included in the appropriation by Congress for non-repay work.

"For the reasons stated, it is respectfully submitted that amounts unexpended by reason of the operation of Title 1 of the Economy Act upon the compensation of Employees of the Bureau which is applicable to repay work are not properly subject to the impounding provision of the Economy Act, because not derived from an appropriation by Congress; and further, that, notwithstanding the impounding provision of the Economy Act, the Federal Reserve Act does not obligate or empower the Federal reserve banks to pay the Bureau of Engraving and Printing amounts which are not to be used for the expenses of printing and issuing Federal reserve notes, but are to be impounded in the Treasury of the United States, and consequently the Treasury cannot include such amounts in its charges against the banks."

It will be noted that the decision to you of August 5, 1932, did not require any reduction in compensation or any impounding with respect to employees, if such there be, whose compensation

is paid entirely from funds collected by assessment against the federal reserve banks and that, as to such employees, the gross amount of their compensation would, of course, be charged against the banks. Your present submission, however, appears to be concerned with those employees whose compensation is not entirely paid from assessments, but who are engaged more or less upon repay work.

Section 104 of Title 1 of the Economy Act of June 30, 1932, 47 Stat., 400, excepts from the definition of "officers" and "employees" as used in that title "public officials and employees whose compensation is derived from assessments on banks and/or is not paid from the Federal Treasury". If the compensation of particular employees is not paid entirely from assessments on banks they do not come within the exception and the reduction in compensation and the impounding required either by section 101 (a), section 101 (b), or section 105 (d), of the Economy Act is compulsory. As the appropriations for the Bureau of Printing and Engraving are specifically "exclusive of repay work" the amount of such reduction and impounding, if not included in the cost of repay work, would result in reducing the amount available for the other work of the bureau.

Section 803 of the Economy Act, 47 Stat. 419. expressly makes all appropriations for the fiscal year 1933 subject to the provisions of that act. As section 16 of the Federal Reserve Act, while authorizing expenses involved in the production of

A-43585

-5-

Federal reserve notes to be assessed against the banks, does not define such expenses, and in view of the express provisions of the Economy Act, said section 16 may be considered as modified or amplified by the later act in so far as not specifically excepted therefrom.

The Economy Act was not enacted in aid of the Federal reserve banks but for the purpose of effecting savings during the fiscal year 1933 and balancing the Federal budget and, in effect requires the officers and employees to whom its provisions are applicable to contribute a part of their earnings for that purpose. If the amount of such contributions were to be passed on to the banks, the purpose of the act would to that extent be defeated.

Careful consideration has been given to the arguments advanced in your submission, but in view of the evident intent and purpose of the Economy Act, I am constrained to adhere to the previous decision that the amount required to be withheld and impounded from the compensation of employees paid only in part from assessed funds is to be included as a part of the cost to be reimbursed by Federal reserve banks; in other words, that the cost to be reimbursed is not to be reduced by the operation of sections 101 or 105 of the Economy Act.

Respectfully,

Comptroller General  
of the United States.