




BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

DATE: June 29, 2021

TO: Board of Governors

VIA: Governor Lael Brainard 

FROM: Pat McClanahan, Chief Operating Officer
Ricardo Aguilera, Chief Financial Officer

SUBJECT: Amendment: 2021 Board Operating Budget¹

Actions Requested

Staff² recommends the Board approve the following:

1. A \$884.4 million revised operating budget for 2021, which is an increase of \$14.9 million, or 1.7 percent, over the 2021 initial budget, as presented in Appendix 2 by division/office and parent account³; and
2. An increase of 92 in the Board's authorized position count to 2,979 positions to address critical needs; of the 92 new authorized positions, 15 will be used to convert previously approved term positions and incumbents into permanent authorized positions (no financial impact).

Discussion

In December 2020, the Board approved a \$869.5 million operating budget for 2021. Staff based the 2021 initial budget on the principles established by the 2020-23 Strategic Plan⁴, which helps ensure the organization uses resources to advance the Board's mission, and provides a structure to fund strategic priorities over the four-year time horizon.

Since the Board approved the 2021 budget, divisions identified new and/or emerging resources needed to address critical workload and projects. The 2021 revised operating budget represents a \$14.9 million, or 1.7 percent, increase over the 2021 initial budget. The 2021 revised operating budget includes growth in personnel services costs of \$3.4 million (0.5 percent) over the 2021

¹ This memorandum does not include the costs related to the budget of the Office of Inspector General (OIG) or Currency. Those budgets are submitted separately from the Board's budget.

² Steve Bernard, Karen Vassallo, William Futrell, Troy Dibley, and Kevin Brooks co-authored this memo.

³ The information presented in Appendices 1 and 3 through 6 are for background information only.

⁴ The Plan is located at: <https://www.federalreserve.gov/publications/files/2020-2023-gpra-strategic-plan.pdf>.

initial budget to fund 92 new authorized positions to address critical needs and cover a forecasted overrun, as discussed below. The 2021 revised operating budget also includes growth in goods and services costs of \$11.5 million (4.9 percent) to fund personnel-driven components, strategic technology projects, the NextGen transformation project, and return to office costs, as discussed in more detail below.

Figure 1 displays the 2021 requested increase to the operating budget, along with the 2022 potential impact of this budget amendment by major driver.

- 92 new authorized positions (\$2.6 million for 2021):** Divisions requested 92 new authorized positions to address critical needs in the areas of research and production capacity, data and technology, climate, financial technology (“fintech”), diversity,

equity, and inclusion, and general workload, as detailed in Appendix 1. Of the 92 new authorized positions, 15 will be used to convert previously approved term positions and incumbents into permanent authorized positions. These 15 conversions have no financial impact as funding is already factored into divisions’ existing salary liability.

- Forecasted overrun of 2021 initial budget (\$0.8 million for 2021):** Staff forecast⁵ the Board to overrun its 2021 initial operating budget by \$0.8 million, or 0.1 percent. A forecasted overrun in personnel services, driven by higher accrued annual leave expenses and higher than anticipated pension expenses, is mostly offset by a forecasted underrun in goods and services, driven by reduced travel and training due to the COVID-19 pandemic and a shift in the substantial completion of the Martin building renovation project.
- Personnel-driven goods and services growth (\$0.8 million for 2021):** Includes targeted increases to goods and services accounts driven by personnel, such as travel, training, data, furniture, and equipment. Travel expenses were modeled using a gradual step-up approach, which is aligned with similar assumptions used by the Reserve Banks. For 2022, includes new data purchases, including climate data, and start-up costs for a centralized, enterprise-wide data governance structure.
- Strategic technology projects (\$1.8 million for 2021):** Funding for additional strategic technology projects assessed and prioritized by the Technology Investment Committee

Figure 1. Major Drivers

Millions of dollars	2021 Requested Budget Increase	2022 Potential Impact
Major Driver		
92 Positions	\$ 2.6	\$ 15.4
Forecasted Overrun of 2021 Initial Budget	0.8	
Sub-Total, Personnel Services	\$ 3.4	\$ 15.4
Personnel-Driven Goods & Services Growth ¹	0.8	3.6
Strategic Technology Projects	1.8	5.5
NextGen Transformation Project	6.0	1.2
Return to Office	2.9	2.9
Sub-Total, Goods & Services	\$ 11.5	\$ 13.2
Grand Total	\$ 14.9	\$ 28.6

1. Includes travel, training, data, furniture, and equipment.

⁵ Projected spending is based on actual expenses incurred through March 2021, current staffing levels, approved personnel actions, and anticipated spending for the remaining months of the year.

(TIC). The TIC assesses each project based on its strategic alignment, business-enterprise value, risk, and operations cost savings. The Board delegates to the TIC the allocation of these resources to specific enterprise and division projects. Also includes initial funding to start up the Identity, Credential, and Access Management (ICAM) program in response to the Executive Order on Improving the Nation’s Cybersecurity (issued May 12, 2021).

- **NextGen transformation project⁶ (\$6.0 million for 2021):** Additional funding for design, configuration, and implementation consulting, and contract negotiation and integration costs, as discussed in more detail below.
- **Return to office costs (\$2.9 million for 2021):** Includes return to office costs due to the COVID-19 pandemic, including audio-visual and technology needs to support a hybrid workplace, medical services, and increased building cleaning and sanitation.

We will include the full-year impact of these items as part of the 2022 operating budget request.

Figure 2 presents the 2021 initial operating budget, amendment, and 2021 revised budget by functional area. Appendix 2 presents the 2021 revised budget by division/office and parent account. Appendices 3 and 4 presents the 2021 initial operating budget, amendment, and 2021 revised budget by division/office and account, respectively.

Figure 2. Board 2021 Revised Operating Budget by Functional Area

Millions of dollars Functional Area	2021 Initial Budget	Amend- ment	2021 Revised Budget	Variance	
				2021 Initial Budget To 2021 Revised Budget Amount	Percent
Monetary Policy and Financial Stability	\$ 205.8	\$ 1.7	\$ 207.5	\$ 1.7	0.8%
Supervision	195.8	0.9	196.7	0.9	0.5%
Payment System and Reserve Bank Oversight	43.1	0.2	43.3	0.2	0.4%
Development	20.6	0.1	20.7	0.1	0.3%
Mission Enablement (Support and Overhead)	402.0	12.1	414.0	12.1	3.0%
Total Without Survey	\$ 867.4	\$ 14.9	\$ 882.3	\$ 14.9	1.7%
Survey of Consumer Finances	2.1	-	2.1	-	0.0%
Grand Total	\$ 869.5	\$ 14.9	\$ 884.4	\$ 14.9	1.7%

Note: Each functional area includes allocations related to centrally-managed retirement and post-retirement benefits, which fluctuate due to changes in actuarial assumptions and demographics. Divisions/sections are mapped into functional areas based on work performed. Annual mapping validations may cause adjustments from one year to the next. Components may not sum to totals and may not yield percentages shown because of rounding.

⁶ The NextGen transformation project replaces the Board’s human capital, financial management, and procurement systems which will offer opportunities to enhance organizational efficiencies while providing automation and analytical capabilities that respond to stakeholder needs.

If approved, the budget amendment would increase current authorized positions by 92 – from 2,887 to 2,979 positions, or 3.2 percent.⁷ Appendix 5 reflects positions by division/office.

Figure 3 presents the 2021 initial budget and 2021 revised budget for ANP by functional area while appendix 6 reflects ANP by division/office.

Figure 3. ANP by Functional Area

Functional Area	2021 ANP Initial Budget	2021 ANP Revised Budget	Variance	
			2021 Initial Budget To 2021 Revised Budget Amount	Percent
Monetary Policy and Financial Stability	752	759	7	0.9%
Supervision	691	698	7	1.1%
Payment System and Reserve Bank Oversight	146	143	(2)	-1.7%
Public Engagement and Community Development	92	94	2	2.2%
Mission Enablement (Support and Overhead)	1,291	1,319	28	2.2%
Grand Total	2,971	3,013	42	1.4%

Note: Divisions/sections are mapped into functional areas based on work performed. Annual mapping validations may cause adjustments from one year to the next. Average number of personnel (ANP) includes Board staff and contractors. Components may not sum to totals and may not yield percentages shown because of rounding.

If approved, the budget amendment would increase average number of personnel (ANP) for 2021. The 2021 revised budget for ANP represents a 42, or 1.4 percent, increase over the 2021 initial budget for ANP. The increase of 42 is increase is driven by the following:

- Staff forecast the Board to overrun its 2021 initial ANP budget by 20 ANP, or 0.7%, due to lower than anticipated vacancy rates in 2021 and additional contractors supporting technology projects; and
- Staff forecast that the hiring of 92 new positions (with an average hire date in the fourth quarter 2021) and additional contractors for strategic technology projects will have an ANP impact of 22 for 2021.

⁷ As of the 2021 initial budget, authorized positions were 2,883. In January 2021, the Administrative Governor, under delegated authority, approved an increase of 4 authorized positions – one for each economic division – to provide workload capacity and meet additional responsibilities. Current authorized positions are 2,887.

Figure 4 summarizes the project life budgets of two significant, multi-year projects:

- Long-term space plan (\$2,770.0 million): No changes since the approval of the 2021 initial budget.
- NextGen transformation (\$112.4 million, an increase of \$15.4 million): As previously discussed, we request additional funding for design, configuration, and implementation consulting, and contract negotiation and integration costs. Also included is a project contingency. We have included the 2021 impact as part of the 2021 revised budget.

Figure 4. Multi-Year Projects

Millions of dollars			
Project	Current Project Life Budget	Changes	New Project Life Budget
Long-Term Space Plan	\$ 2,770.0		\$ 2,770.0
NextGen Transformation	97.0	15.4	112.4

Note: Components may not sum to totals and may not yield percentages shown because of rounding. The NextGen transformation project includes internal labor costs.

APPENDICES

Appendix 1. Authorized Position Request Detail

Divisions requested 92 new authorized positions to address critical needs, as detailed below:

- **Research and production capacity (22 positions):** Includes the following:
 - Increasing economic and financial stability research and production capacity (13 positions);
 - Conducting research, analysis, and policy development on Treasury market structure and resilience and nonbank financial institutions, financial intermediation, and the connections between monetary policy and financial stability (2 positions);
 - Providing management oversight of critical functions and personnel involved in monetary policy strategy, tools, and communications, Federal Open Market Committee (FOMC) framework review support, and analysis of nonbank financial intermediation (2 positions);
 - Drafting content to expand the reach and presence of supervision, research, analysis, and community development efforts (2 positions); and
 - Expanding research on disparities in economic and financial outcomes by race and underserved communities and groups, including low- and moderate-income, and augmenting small business expertise dedicated to working across the Federal Reserve System to identify and elevate best practices and policy solutions (3 positions).
- **Data and technology (21 positions):** Includes enhancing cloud capabilities in support of key Board technology and data management needs and providing an organization support structure to transform how technology services are prioritized and implemented across the Board; addressing emergent cyber security risks; moving economic research's increasingly complex data into a modern infrastructure to take advantage of modern visualization tools and flexibility, transforming how data is ingested, organized, analyzed, and visualized to increase efficiency and effectiveness; and enhancing the data and technology infrastructure that supports existing work as well as innovative methods and techniques, including data science, big data, and machine learning.
- **Climate (14 positions):** Includes supporting policymakers' understanding of the effects of climate developments on economic activity, financial conditions, and monetary policy; developing and adapting macro models; researching and contributing to the financial stability analysis related to climate; and establishing a supervision and regulatory program that addresses climate risks and is appropriately tailored for banks' sizes and risk profiles.
- **Financial technology (“fintech”) (14 positions):** Includes the following:
 - Developing deeper expertise and addressing emerging issues in fintech, including artificial intelligence and modeling;
 - Augmenting fair lending expertise on the use of fintech, models, and data used in the marketing, underwriting, pricing, and servicing of consumer and small business products and services;

- Addressing the high level of activity in the current innovation policy workplan within the Supervision function;
- Conducting research, analysis, and policy development on financial innovation, digital currencies, and payments and their implications for the implementation and effectiveness of monetary policy;
- Supporting payment infrastructure modernization by augmenting the Board's focus on policy issues and research on and technical experimentation with emerging technologies for digital innovations in the payments space; and
- Addressing emerging issues in FedNow design and implementation.
- Responding to increased cyber and other third-party risk associated with fintech and other technology adoption and to address persistently high and increasing workload;
- **Diversity, equity, and inclusion (6 positions):** Includes supporting diversity, equity, and inclusion initiatives to attract, develop, and retain diverse talent.
- **General workload (15 positions):** Includes the following:
 - Analyzing and engaging with domestic and international partners to manage issues related to the wind-down of lending facilities and formulate financial reform policies; bolstering existing work streams related to financial stability and nonbank financial institutions; and deepening expertise in post-COVID-19 reform areas (5 positions);
 - Centralizing the Board's financial planning services and improving the effectiveness of financial management services (3 positions);
 - Supporting the Board's human resource efforts, including attracting, developing, and retaining diverse talent (3 positions);
 - Supporting internal operations and front office support (2 positions);
 - Expanding coordination and project management capabilities and supporting the division senior leadership team (1 position); and
 - Addressing increased Freedom of Information Act (FOIA) and Privacy Act (PA) workload driven by the pandemic, changing regulations, and ongoing technology modernization efforts (1 position).

Appendix 2. Board 2021 Revised Operating Budget by Division/Office and Parent Account

Millions of dollars Division/Office	Parent Account		2021 Revised Budget
	Personnel Services	Goods & Services	
Research & Statistics (R&S)	\$ 79.7	\$ 13.8	\$ 93.5
International Finance (IF)	34.2	3.1	37.3
Monetary Affairs (MA)	40.4	2.1	42.6
Financial Stability (FS)	16.1	0.9	17.0
Supervision & Regulation (S&R)	110.7	12.8	123.5
Consumer & Community Affairs (C&CA)	31.5	4.4	35.9
Reserve Bank Operations & Payment Systems (RBOPS)	36.8	10.1	46.9
Board Members (BDM)	22.3	3.9	26.2
Secretary (OSEC)	9.1	0.6	9.8
Legal	31.9	2.5	34.5
Chief Operating Officer (COO)	12.8	2.4	15.1
Financial Management (DFM)	13.7	0.9	14.6
Information Technology (IT)	72.5	67.6	140.0
Management (MGT)	78.7	89.0	167.6
Special Projects ¹	9.2	3.0	12.2
Centrally-Managed Benefits ²	34.7	0.1	34.8
Extraordinary Items ³	2.1	49.1	51.1
Savings & Reallocations ⁴	(1.5)	(18.8)	(20.3)
Total Without Survey	\$ 634.7	\$ 247.6	\$ 882.3
Survey of Consumer Finances	-	2.1	2.1
Grand Total	\$ 634.7	\$ 249.7	\$ 884.4

Note: Components may not sum to totals and may not yield percentages shown because of rounding. Strategic initiatives will continue to be centralized within Extraordinary Items. Savings and Reallocations includes Board support and overhead allocations to the OIG and Currency.

1. Includes centralized Boardwide benefit programs.
2. Includes retirement and post-retirement benefits, which fluctuate due to changes in actuarial assumptions and demographics.
3. Includes several strategic projects, including the Martin renovation project, strategic technology projects, the NextGen transformation project, and the centralized position pool.
4. Includes negative centralized budget execution and forecast adjustments and Board

Appendix 3. Board 2021 Revised Operating Budget by Division/Office

Millions of dollars Division/Office	2021 Initial Budget	Amend- ment	2021 Revised Budget	Variance	
				2021 Initial Budget To 2021 Revised Budget Amount	Percent
Research & Statistics (R&S)	\$ 92.9	\$ 0.6	\$ 93.5	\$ 0.6	0.6%
International Finance (IF)	37.1	0.2	37.3	0.2	0.5%
Monetary Affairs (MA)	42.4	0.2	42.6	0.2	0.4%
Financial Stability (FS)	16.3	0.6	17.0	0.6	4.0%
Supervision & Regulation (S&R)	123.2	0.2	123.5	0.2	0.2%
Consumer & Community Affairs (C&CA)	35.7	0.2	35.9	0.2	0.6%
Reserve Bank Operations & Payment Systems (RBOPS)	46.7	0.2	46.9	0.2	0.4%
Board Members (BDM)	26.2	-	26.2	-	0.0%
Secretary (OSEC)	9.7	0.1	9.8	0.1	0.8%
Legal	34.4	0.1	34.5	0.1	0.4%
Chief Operating Officer (COO)	15.0	0.2	15.1	0.2	1.1%
Financial Management (DFM)	14.5	0.1	14.6	0.1	0.5%
Information Technology (IT)	139.6	0.4	140.0	0.4	0.3%
Management (MGT)	167.3	0.3	167.6	0.3	0.2%
Special Projects ¹	11.4	0.8	12.2	0.8	7.2%
Centrally-Managed Benefits ²	34.8	-	34.8	-	0.0%
Extraordinary Items ³	40.4	10.7	51.1	10.7	26.5%
Savings & Reallocations ⁴	(20.3)	-	(20.3)	-	0.0%
Total Without Survey	\$ 867.4	\$ 14.9	\$ 882.3	\$ 14.9	1.7%
Survey of Consumer Finances	2.1	-	2.1	-	0.0%
Grand Total	\$ 869.5	\$ 14.9	\$ 884.4	\$ 14.9	1.7%

Note: Components may not sum to totals and may not yield percentages shown because of rounding.

1. Includes centralized Boardwide benefit programs.

2. Includes retirement and post-retirement benefits, which fluctuate due to changes in actuarial assumptions and demographics.

3. Includes several strategic projects, including the Martin renovation project, strategic technology projects, the NextGen transformation project, and the centralized position pool.

4. Includes Board support and overhead allocations to the OIG and Currency and centralized budget execution and forecast adjustments.

Appendix 4. Board 2021 Revised Operating Budget by Account

Account	2021 Initial Budget	Amendment	2021 Revised Budget	Variance	
				2021 Initial Budget To 2021 Revised Budget Amount	Percent
Salaries	\$ 500.8	\$ 3.2	\$ 503.9	\$ 3.2	0.6%
Retirement/Thrift Plans	70.2	0.1	70.3	0.1	0.2%
Employee Insurance	43.8	0.1	43.9	0.1	0.2%
Net Periodic Benefits Costs ¹	16.5	-	16.5	-	0.0%
Sub-Total, Personnel Services	\$ 631.3	\$ 3.4	\$ 634.7	\$ 3.4	0.5%
Postage & Shipping	0.6	-	0.6	-	0.0%
Travel	9.4	0.0	9.4	0.0	0.4%
Telecommunications	8.3	-	8.3	-	0.0%
Printing & Binding	0.7	-	0.7	-	0.0%
Publications	0.3	-	0.3	-	0.0%
Stationery & Supplies	1.0	-	1.0	-	0.0%
Software	29.2	0.6	29.8	0.6	1.9%
Furniture & Equipment (F&E)	6.1	0.8	6.9	0.8	12.3%
Rentals	38.0	-	38.0	-	0.0%
Data, News, & Research	16.1	0.3	16.4	0.3	1.8%
Utilities	1.7	-	1.7	-	0.0%
Repairs & Alterations - Building	4.7	-	4.7	-	0.0%
Repairs & Maintenance - F&E	5.0	-	5.0	-	0.0%
Contractual Professional Services (CPS)	67.6	9.8	77.4	9.8	14.5%
Interest	0.0	-	0.0	-	0.0%
Training & Dues	4.9	0.1	4.9	0.1	1.3%
Subsidies & Contributions	3.2	-	3.2	-	0.0%
All Other	4.0	-	4.0	-	0.0%
Depreciation/Amortization	56.2	-	56.2	-	0.0%
Support & Overhead Allocations ²	(16.9)	-	(16.9)	-	0.0%
IT Income ³	(0.3)	-	(0.3)	-	0.0%
Income	(3.9)	-	(3.9)	-	0.0%
Sub-Total, Goods & Services	\$ 236.1	\$ 11.5	\$ 247.6	\$ 11.5	4.9%
Total Without Survey	\$ 867.4	\$ 14.9	\$ 882.3	\$ 14.9	1.7%
Survey of Consumer Finances	2.1	-	2.1	-	0.0%
Grand Total	\$ 869.5	\$ 14.9	\$ 884.4	\$ 14.9	1.7%

Note: Components may not sum to totals and may not yield percentages shown because of rounding.

1. Net periodic benefits costs other than services costs related to pension and post-retirement benefits.

2. Support & Overhead Allocations include a net zero transfer of costs from the Board operating budget to the OIG and Currency operating budgets for Board support and overhead expenses attributable to the OIG and Currency.

3. This account includes other earned income collected from the Currency budget.

Appendix 5. Positions by Division/Office

Division/Office	2021 Initial Budget	2021 Current	Variance 2021 Current To 2021 Initial Budget		Amendment	2021 Revised Budget	Variance 2021 Current To 2021 Revised Budget	
			Amount	Percent			Amount	Percent
Research & Statistics (R&S) ¹	356	357	1	0.3%	7	364	7	2.0%
International Finance (IF) ¹	158	159	1	0.6%	7	166	7	4.4%
Monetary Affairs (MA) ¹	171	172	1	0.6%	14	186	14	8.1%
Financial Stability (FS) ¹	57	59	2	3.5%	21	80	21	35.6%
Supervision & Regulation (S&R)	489	489	-	0.0%	8	497	8	1.6%
Consumer & Community Affairs (C&CA)	131	131	-	0.0%	7	138	7	5.3%
Reserve Bank Operations & Payment Systems (RBOPS)	182	182	-	0.0%	5	187	5	2.7%
Board Members (BDM)	121	121	-	0.0%		121	-	0.0%
Secretary (OSEC)	53	53	-	0.0%	1	54	1	1.9%
Legal	129	129	-	0.0%	3	132	3	2.3%
Chief Operating Officer (COO)	62	62	-	0.0%	3	65	3	4.8%
Financial Management (DFM)	69	69	-	0.0%	3	72	3	4.3%
Information Technology (IT)	413	413	-	0.0%	5	418	5	1.2%
Management (MGT)	478	481	3	0.6%	4	485	4	0.8%
Extraordinary Items ²	14	10	(4)	-28.6%	4	14	4	40.0%
Grand Total	2,883	2,887	4	0.1%	92	2,979	92	3.2%

1. In January 2021, the Administrative Governor, under delegated authority, approved an increase of 4 authorized positions – one for each economic division – to provide workload capacity and meet additional responsibilities.

2. Includes the centralized position pool.

Appendix 6. ANP by Division/Office

Division/Office	2021 Initial Budget	2021 Revised Budget	Variance	
			2021 Initial Budget To 2021 Revised Budget Amount	Percent
Research & Statistics (R&S)	347	353	6	1.7%
International Finance (IF)	154	155	2	1.3%
Monetary Affairs (MA)	173	174	2	0.9%
Financial Stability (FS)	66	68	2	2.8%
Supervision & Regulation (S&R)	476	482	6	1.3%
Consumer & Community Affairs (C&CA)	132	133	2	1.4%
Reserve Bank Operations & Payment Systems (RBOPS)	169	172	4	2.2%
Board Members (BDM)	120	124	4	3.2%
Secretary (OSEC)	50	51	1	1.4%
Legal	119	119	0	0.1%
Chief Operating Officer (COO)	57	56	(1)	-1.9%
Financial Management (DFM)	71	71	(0)	0.0%
Information Technology (IT)	485	494	9	1.9%
Management (MGT)	489	497	8	1.6%
Extraordinary Items	65	67	2	2.8%
Savings & Reallocations ¹	(1)	(5)	(4)	421.2%
Grand Total	2,971	3,013	42	1.4%

Note: Includes Board staff and contractors. Components may not sum to totals and may not yield percentages shown because of rounding.

1. Includes negative centralized budget execution and forecast adjustments.