

# BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF RESERVE BANK OPERATIONS AND PAYMENT SYSTEMS

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## 2012 Reserve Bank Budgets

### **Action**

On December 21, 2011, the Board approved the 2012 Reserve Bank operating budgets totaling \$3,441.3 million, an increase of \$166.6 million, or 5.1 percent, from the 2011 estimated expenses and \$90.1 million, or 2.7 percent, from the approved 2011 budget.<sup>1</sup> The Board also approved the 2012 Reserve Bank, Federal Reserve Information Technology (FRIT), and the Office of Employee Benefits (OEB) capital budgets, which total \$404.2 million. The capital budgets were approved with the understanding that approval for actual capital outlays will be in accordance with the Board's Policies and Guidelines Concerning Reserve Bank Operations (FRAM 1-049). The attached statistical information provides details on expenses, staffing, and capital outlays.

The Reserve Banks' salary administration budgets reflect a 2012 program for merit adjustments for eligible staff of 2.0 percent and no merit funding for officers and senior professionals. This is consistent with the 2010 federal salary-freeze legislation and with the funding approved in the 2011 Reserve Bank budgets.

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\*File updated on March 9, 2012, to reflect final version approved by the Board of Governors of the Federal Reserve System.

<sup>1</sup> These expenses include those budgeted by Federal Reserve Information Technology and the Office of Employee Benefits that are chargeable to the Reserve Banks. Expenses exclude assessments for the Board of Governors operating expenses, pension costs, the cost of currency, the Consumer Financial Protection Bureau, and the Office of Financial Research.

## Total Expense and Employment Summary

The 2012 operating budgets of the Reserve Banks total \$3,441.3 million. The 2012 budget is \$166.6 million, or 5.1 percent, higher than the 2011 estimate. Total 2012 projected employment for the Reserve Banks, FRIT, and OEB is 18,102 ANP, an increase of 388 ANP, or 2.2 percent, from 2011 estimated staff levels.<sup>2</sup> The expense growth is driven by increases in central bank functions, specifically in supervision, which represents 30 percent of total expenses. Implementation of the Dodd-Frank Wall Street Reform and Consumer Protection

<b>Table 1</b> <b>Reserve Bank Expenses and Staffing</b> (dollars in millions)							
	<b>2011 Budget</b>	<b>2011 Estimate</b>	<b>2011 Bud. vs. 2011 Est.</b>		<b>2012 Budget</b>	<b>2011 Est. vs. 2012 Bud.</b>	
			<b>Amount</b>	<b>Percent</b>		<b>Amount</b>	<b>Percent</b>
Central Bank Services	\$2,462.2	\$2,407.0	-\$55.3	-2.2%	\$2,570.4	\$163.4	6.8%
Treasury Services	\$471.1	\$465.5	-\$5.7	-1.2%	\$474.7	\$9.2	2.0%
Priced Services	\$417.9	\$402.2	-\$15.6	-3.7%	\$396.2	-\$6.0	-1.5%
<b>Total Expense</b>	<b>\$3,351.2</b>	<b>\$3,274.6</b>	<b>-\$76.6</b>	<b>-2.3%</b>	<b>\$3,441.3</b>	<b>\$166.6</b>	<b>5.1%</b>
Supervision	\$934.2	\$917.8	-\$16.4	-1.8%	\$1,032.5	\$114.7	12.5%
Check	\$220.0	\$200.8	-\$19.2	-8.7%	\$174.4	-\$26.4	-13.1%
<b>Total Expense, less Check and Supervision</b>	<b>\$2,197.0</b>	<b>\$2,156.0</b>	<b>-\$41.0</b>	<b>-1.9%</b>	<b>\$2,234.3</b>	<b>\$78.3</b>	<b>3.6%</b>
<b>Total Staffing<sup>1</sup></b>	<b>17,979</b>	<b>17,714</b>	<b>-265</b>	<b>-1.5%</b>	<b>18,102</b>	<b>388</b>	<b>2.2%</b>
Supervision	3,397	3,335	-62	-1.8%	3,688	353	10.6%
Check <sup>2</sup>	648	584	-64	-9.8%	459	-125	-21.4%
<b>Total Staffing, less Check and Supervision</b>	<b>13,934</b>	<b>13,795</b>	<b>-139</b>	<b>-1.0%</b>	<b>13,955</b>	<b>161</b>	<b>1.2%</b>

<sup>1</sup> Staffing is stated in Average Number of Personnel (ANP), which includes the average projected employment at the Reserve Banks, FRIT, and OEB.

<sup>2</sup> Check staffing includes associated nationally provided support services.

Act (Dodd-Frank Act) continues to be a significant factor in budget growth. These increases are somewhat offset by decreases in priced services costs as a result of continued declines in check volume and associated infrastructure, and a reduction in vendor fees and staffing related to the winding down or closing of the liquidity facilities in FRB New York.<sup>3</sup>

Budgeted expenses for 2012, net of revenue and reimbursements, are expected to increase \$190.3 million, or 8.2 percent, from 2011 estimated expenses. More than 27 percent of

<sup>2</sup> ANP is the average number of employees in terms of full-time positions for the period. For instance, a full-time employee who works one-half of the year counts as 0.5 ANP for that calendar year; two half-time employees who work the full year count as 1 ANP.

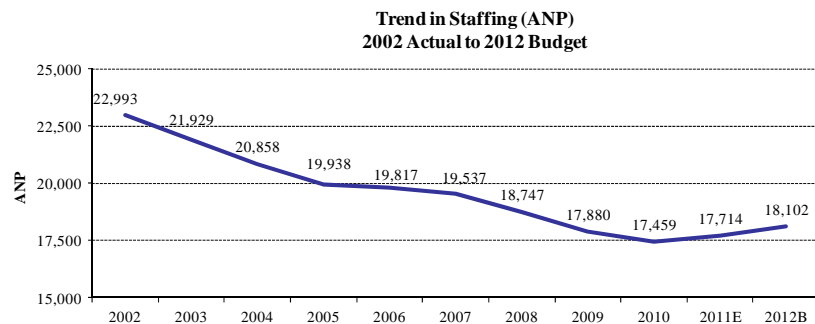
<sup>3</sup> Although most of the liquidity programs have ended, FRB New York continues to support several liquidity programs, including Maiden Lane, Maiden Lane II, Maiden Lane III, and Term Asset-Backed Securities Loan Facility (TALF).

Reserve Bank expenses in the 2012 budget are offset by either priced service revenues (12.7 percent) or reimbursable claims for services provided to the Treasury and other agencies (14.5 percent).<sup>4</sup> Budgeted 2012 priced services revenue is 7.3 percent lower than the 2011 estimated level, reflecting continued declines in check volume as customers shift to other payment methods. Reimbursable claims remain fairly stable in 2012.

	<b>2011 Budget</b>	<b>2011 Estimate</b>	<b>2012 Budget</b>	<b>Percent Change</b>	
				<b>11B vs. 12B</b>	<b>11Es. 12B</b>
Total Expense	\$3,351.2	\$3,274.6	\$3,441.3	2.7%	5.1%
Less:					
Priced Services Revenue	\$497.2	\$471.2	\$436.8	-12.2%	-7.3%
Reimbursable Claims	\$492.2	\$486.8	\$497.6	1.1%	2.2%
<b>Net Expenses<sup>1</sup></b>	<b>\$2,361.8</b>	<b>\$2,316.7</b>	<b>\$2,507.0</b>	<b>6.1%</b>	<b>8.2%</b>

<sup>1</sup>Section 318 of the Dodd-Frank Act directs the Board of Governors to assess a fee to certain bank holding companies and other entities to carry out its supervisory and regulatory responsibilities with respect to such companies. When these assessments, which are based on the System's estimated cost to carry out this function, are implemented, they will further reduce net expenses.

Staffing levels in 2012 are projected to increase slightly as supervision resources are added in all Districts. From 2002 - 2010, total staffing levels consistently decreased, primarily the result of the multiyear restructuring efforts in the check-processing function. During this period, staffing reached its lowest level of 17,459 in 2010. Subsequent increases reflect hiring, mainly in supervision, initially to address the financial crisis and, beginning in 2011, to implement the Dodd-Frank Act, along with growing resources in monetary policy and information technology.



## 2011 Budget Performance

Total 2011 expenses are estimated to be \$3,274.6 million, which represents a decrease of \$76.6 million, or 2.3 percent, from the approved 2011 budget of \$3,351.2 million. Total 2011 estimated staffing of 17,714 ANP represents a decrease of 265 ANP from 2011 budgeted levels of 17,979 ANP.

<sup>4</sup> Reimbursable claims include the costs of fiscal agency and depository services provided to the U.S. Treasury, other government agencies, and other fiscal principals. Reimbursable claims are slightly higher than Treasury service expenses shown in table 1 because the reimbursable claims also include costs associated with the government's use of the Reserve Banks' check, ACH, Fedwire Funds, and Fedwire Securities services; these costs are included in priced services expense in table 1.

The 2011 budget underrun is driven by the faster-than-projected decline in the volume of check and adjustment items, and the associated shrinking of the check infrastructure (-\$19.2 million). Another significant factor contributing to the underrun is lower-than-budgeted expenses in supervision, primarily caused by hiring delays for staff with specialized skills, and higher-than-anticipated turnover (-\$16.4 million). The research function also experienced hiring delays which resulted in lower-than-planned expenses (-\$6.7 million).

Lower loan volume affected expenses associated with loans to depository institutions and others by decreasing vendor costs, dedicated staff, and operating expenses for the Maiden Lanes, TALF facilities, and the AIG credit facility (-\$13.0 million). Additionally, the cash function is under budget due to greater-than-anticipated productivity and efficiency gains from the implementation of machine upgrades. As a result, several Reserve Bank cash functions reduced the number of machine shifts and experienced lower equipment repairs and maintenance costs (-\$12.8 million).

Treasury Services is under budget as a result of a net underrun across its various programs (-\$5.7 million). The primary drivers of the underrun are the decision by the Treasury to cancel the planned expansion of the Stored Value Card program, accelerated consolidation of Treasury Retail Securities operations, and decommissioning of other programs. These decreases are partially offset by the implementation of new projects, such as the Improper Payments Initiative (GOVerify).<sup>5</sup>

Total staffing is below budget by 265 ANP, including 132 ANP in central bank services. As detailed in table 3, the underrun reflects reductions in check adjustments, Treasury retail securities and other Treasury programs, as well as hiring delays, operational efficiencies, and adjustments to align resources to changing external and internal factors. Offsetting these underruns is higher-than-budgeted staffing, primarily to support the System's server consolidation initiative.

Table 3 Significant Staffing (ANP) Changes 2011 Budget to 2011 Estimate	
<b>2011 Budget</b>	<b>17,979</b>
<b>Reductions:</b>	
Central Bank Services	
Research	-18
Cash	-27
Loans to Depository Institutions and Others	-28
Supervision	-62
Treasury Services	-90
Check Services	-64
Support	-56
Other Refinements	-11
<b>Additions:</b>	
Centralized IT Services	73
Open Market	18
<b>2011 Estimate</b>	<b>17,714</b>

<sup>5</sup> GOVerify is a project in which FRB Kansas City is developing a data repository portal for the Bureau of Public Debt that will allow federal program agencies to verify the propriety of federal payments before they are disbursed.

## **Initiatives Affecting the 2012 Budget**

The 2012 growth of \$166.6 million, or 5.1 percent, in the Reserve Banks' budgets reflects several initiatives, primarily for financial stability and enhanced resiliency, implementation of the Dodd-Frank Act, and application development projects for Treasury and priced services. A majority of the growth is driven by costs associated with the projected staff increases.

### *Central Bank Services*

In the central bank services area, which includes monetary policy, services to financial institutions and the public, and supervision, total expenses are increasing \$163.4 million, or 6.8 percent, compared to 2011 estimated expenses, and staffing levels are increasing 354 ANP, or 4.9 percent. The majority of the increase is in the supervision function, which is increasing \$114.7 million, or 12.5 percent, for additional staffing to implement the requirements of the Dodd-Frank Act, as well as to address training initiatives and increased workload (353 ANP).

Cash operations expenses are increasing \$23.0 million, or 4.5 percent, as work continues on the CashForward project. Although expenses are increasing for national project investments, cash operations are decreasing 30 ANP as a result of continued operational efficiencies.

Total 2012 budgeted costs for monetary policy are increasing \$18.4 million, or 3.4 percent. Staffing is increasing 47 ANP, mainly in the FRB New York open market function, due to the full-year effect of 2011 staff additions for financial stability work, including the Dodd-Frank Act, as well as investments in data and data analytical tools and support for improved capabilities for mortgage backed securities sales.

The increases in central bank services expenses are being partially offset by a decrease of \$6.3 million, or 6.8 percent, in expenses related to the loans to depository institutions and others function, primarily in FRB New York, as a result of lower vendor fees and staffing reductions of 13 ANP as the liquidity facilities created during the financial crisis continue to wind down.

### *Treasury-Related Functions*

The budgeted expenses for services to the Treasury, which are fully reimbursable, show a net increase of \$9.2 million, or 2.0 percent, in the 2012 budget as the result of continued work on several Treasury projects including GOVerify, the All-Electronic Treasury Initiative, and increased costs for the Treasury Collateral Management and Monitoring project.<sup>6</sup> These expense increases are being offset largely by cost decreases related to the consolidation of the Treasury Retail Securities operation. Overall staffing for the Treasury function is budgeted to decrease by 18 ANP.

### *Priced Services*

Total priced services expenses are decreasing \$6.0 million, or 1.5 percent, from the 2011 estimate. The major driver of the decrease is check operations. Check expenses are decreasing \$26.4 million, or 13.1 percent, reflecting lower costs associated with declining check volume, as well as continued operational efficiencies, and lower IT support costs. Check staffing levels are decreasing 125 ANP, or 21.4 percent, in the 2012 budget as a result of these actions. Partially offsetting this decrease are increases of \$14.6 million for the Fedwire Funds and Securities services, primarily due to work for the Fedwire Modernization program. Full cost recovery is projected in the aggregate for the priced services in 2012.<sup>7</sup>

## **2012 Personnel Expenses**

Reserve Bank officer and staff salaries and other personnel expenses for 2012 total \$1,877.1 million, an increase of \$106.2 million, or 6.0 percent, over 2011 estimated expenses. The increase reflects costs associated with additional staff and budgeted salary administration programs, including merit increases, promotions, and variable pay.

In December 2010, Congress enacted legislation prohibiting statutory pay adjustments for most federal civilian employees for a two-year period ending December 31, 2012. Although not required to do so under the legislation, the Reserve Banks comply with the spirit of the civilian federal government salary freeze enacted by Congress and interpreted in

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<sup>6</sup> The All-Electronic Treasury Initiative implements the requirement for all federal payments to be made electronically and eliminates paper payroll savings bonds.

<sup>7</sup> When the priced services fee schedule was approved by the Board in October 2011, cost recovery for each priced service was projected to be 100 percent or greater for 2012. Based on the Reserve Banks' subsequent final budget submissions, 2012 cost recovery for the Fedwire Funds Service is now projected to be 99.2 percent.

subsequent Office of Personnel Management (OPM) guidance, which permits increases under performance-based compensation systems such as those used by the Reserve Banks. Consistent with the funding approved in the 2011 Reserve Bank budgets, the 2012 Reserve Bank budgets reflect a 2.0 percent merit program for eligible staff (\$23.8 million).<sup>8</sup> There is no 2012 merit funding for officer and senior professionals.

The budgets also include funding for promotions and variable pay, which are unaffected by the salary-freeze legislation. The 2012 budgets include \$2.6 million for officer promotions and \$11.3 million for staff promotions. Funding for variable pay programs for officers and staff totals \$114.4 million, an increase of \$16.5 million from 2011 budgeted levels. The increased funding will be used to address targeted needs in certain areas.

### Five-Year Trend in Reserve Bank Expenses

Total expenses for the Reserve Banks have grown an average of 2.9 percent annually from 2007 to the 2012 budget.

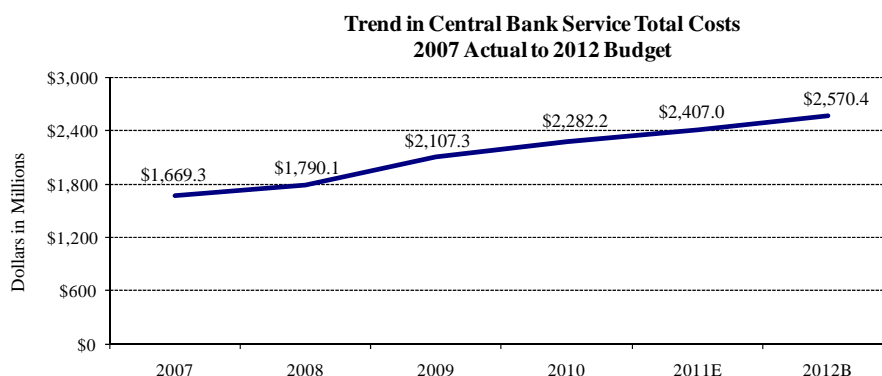
#### *Trends in Central Bank Services Total Cost*

Central bank services have grown an average of 9.0 percent annually over the past five years. The largest expense growth is in supervision, where expenses have grown on average 11.7 percent per

year over the past five years. Staffing in the area has increased by 1,031 ANP since 2007 due to additional resources necessary

to address the

financial crisis and changing banking conditions, as well as to implement the Dodd-Frank Act requirements. Monetary policy expenses have grown on average 9.5 percent annually. The increase reflects growth in the open market function in FRB New York due to increased staffing resources, data analysis, and data analytical tools to address increased responsibilities and



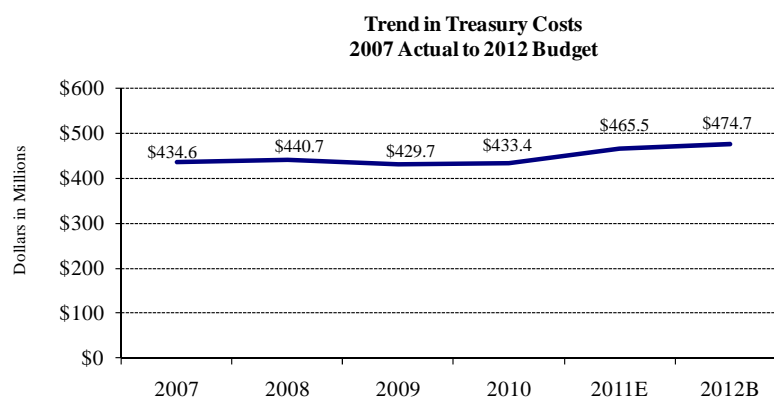
<sup>8</sup> Reserve Banks have the discretion to allocate a portion of the merit pool to equity adjustments.

lessons learned as a result of the financial crisis. Also contributing to the monetary policy growth are increased resources dedicated to regional economic research.

Expenses in loans to depository institutions and others have grown at an average annual rate of 23.7 percent over the past five years due to increased resources to support the emergency liquidity programs and other lending activities during the financial crisis. Expenses associated with these activities peaked in 2010 and have since declined, as most of the liquidity programs have wound down.<sup>9</sup> Cash operations expenses increased on average 5.2 percent annually, reflecting a multiyear effort to modernize the cash processing and inventory-tracking infrastructure. The increases for cash project expenses have been partially offset by efficiency improvements.

#### *Trends in Treasury Services Total Cost*

Treasury services expenses have grown on average 1.8 percent annually since 2007. Costs have increased for initiatives related to the All-Electronic Treasury Initiative, the Treasury Web Application Infrastructure (TWAII), the Collections and Cash Management (CCMM) implementation, and other requested projects; efficiency improvements and program changes initiated by Treasury have offset some of the growth.



#### *Trends in Priced Services Total Cost*

Priced services expenses are decreasing at an average of 14.7 percent annually. As paper-check volume declined, check service expenses declined at an average of 24.5 percent annually since 2007. Slightly offsetting the declines in check services are increases in Fedwire

<sup>9</sup> Expenses associated with the remaining programs will continue to diminish, but this decrease will be gradual depending on continued activity, especially for the Maiden Lane facilities. In addition, the higher expenses reflect an increase in activities related to assessing value and margining collateral pledged to the Reserve Banks and steps that FRB New York, in particular, took structurally to manage its risk more effectively. These expenses are not likely to decrease over time and reflect additional ongoing activities.



funds and securities costs as a result of work on the Fedwire Modernization project.

### **Risks in the 2012 budget**

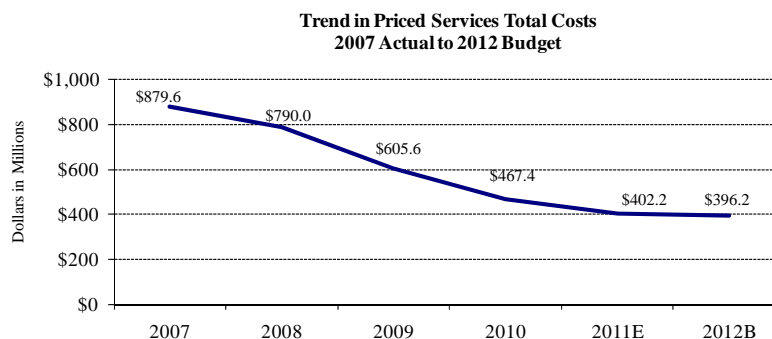
The most significant risks in the 2012 budget are related to staffing. Most Reserve Banks have aggressive hiring plans, particularly in supervision, to address current banking conditions and to meet the responsibilities mandated by the Dodd-Frank Act. Attracting qualified staff and hiring as scheduled was challenging during 2011 and is expected to remain so in 2012. Increases in market demand could lead to significant turnover in key business areas and Reserve Banks could be further challenged to retain the necessary resources to meet critical business objectives. The Banks' compliance with the spirit of the federal government's current salary freeze also influences hiring and retention of staff. Conversely, there is a risk that Reserve Banks will not achieve the projected staff reductions associated with the IT and the accounts payable consolidation efforts.

Another risk to the 2012 budget is management of information technology costs. Continued growth in System projects could strain already stretched information technology resources, which could result in project delays or increased costs.

In addition, Treasury project changes and delays could affect budgeted expenses. The Treasury continues to refine its future vision for collections, payments, and cash management systems, along with the timing of different components of the project.

### **2012 Capital Plan**

The 2012 capital budgets submitted by the Reserve Banks, FRIT, and OEB total \$404.2 million, an \$88.8 million, or 28.2 percent, increase from the 2011 estimated levels but 3.2 percent below the 2011 budget. The variance reflects a few new initiatives but is largely explained by project delays in multiyear building and automation initiatives, which shift the timing of outlays from 2011 to 2012.<sup>10</sup> The capital budgets include funding for projects to support strategies that improve operational efficiencies, enhance services to Bank customers, and



<sup>10</sup> FRB New York expects to underspend its 2011 capital budget by \$54.0 million, largely reflecting delayed or postponed building projects as well as delays in the Fedwire Migration program.

ensure a safe and productive work environment. In support of these strategies, the 2012 budgets include three categories of capital initiatives: building and infrastructure, information technology and System automation projects, and Treasury initiatives.

Building and infrastructure projects represent \$177.4 million of the proposed capital budgets. Of the total building capital, \$73.1 million is related to major projects in FRB Boston, FRB New York, FRB Chicago, and FRB San Francisco, including new initiatives in FRB New York for office reconfiguration (\$4.2 million) to accommodate increased supervision staff and for vault automation (\$5.0 million) in FRB Chicago. Other significant projects include emergency generators and uninterruptible power source equipment (\$17.3 million) and security enhancements (\$16.6 million) at several Banks. The remaining outlays in this category will fund other building renovation and refurbishment projects and various facility improvement projects.

The Reserve Banks and FRIT included \$186.4 million in funding for major information technology initiatives and System automation projects. Multiyear projects currently underway to migrate major applications off the mainframe represent \$51.1 million of the 2012 capital budget.<sup>11</sup> Cash services initiatives represent \$39.7 million of the total capital budgets, including \$16.5 million for the CashForward project and \$3.0 million for cash sensor upgrades. The Reserve Bank server consolidation effort and related network services account for an additional \$18.1 million. The remaining budgets will fund other initiatives, such as data security, scheduled software and equipment upgrades, as well as telecommunications and LAN equipment for renovated or expanded office space.

The capital budgets also include \$40.4 million for reimbursable Treasury initiatives, including support of TWAI (\$9.5 million), GWA (Government-Wide Accounting, \$8.1 million), CCMM-related efforts (\$3.0 million), and various other projects.

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<sup>11</sup> The System's migration strategy involves moving a majority of applications from the mainframe to alternate processing environments. The migration strategy is managed in stages to minimize excess capacity and expenses. Projects included in the 2012 budget include the migration of the Fedwire, FedACH, check, accounting, and statistics/reserves systems.

**ATTACHMENT**

**Statistical Supplement**

Table A	Total Expenses of the Federal Reserve Banks, by District
Table B	Total Employment of the Federal Reserve Banks, by District
Table C	Total Expenses of the Federal Reserve Banks, by Functional Area
Table D	Total Employment of the Federal Reserve Banks, by Functional Area
Table E	Components of Compensation of the Federal Reserve Banks, by District
Table F	Capital Outlays of the Federal Reserve Banks, by District
Table G	Capital Outlays of the Federal Reserve Banks, by Category

Notes: In the following tables, Reserve Bank expenses include those budgeted by FRIT and OEB that are chargeable to the Reserve Banks.

Components may not add to totals because of rounding. Table-to-table comparisons may also differ due to rounding.

Table A

**TOTAL EXPENSES OF THE FEDERAL RESERVE BANKS**  
**by District, 2011 and 2012**  
**(Dollars in Thousands)**

<b>District</b>	<b>2011 Budget</b>	<b>2011 Estimate</b>	<b>2012 Budget</b>	<b>Percent Change</b>	
				<b>11B vs. 11E</b>	<b>11E vs. 12B</b>
Boston	173,988	164,469	177,695	-5.5%	8.0%
New York	808,668	802,960	846,686	-0.7%	5.4%
Philadelphia	163,181	159,151	181,300	-2.5%	13.9%
Cleveland	182,753	182,393	158,538	-0.2%	-13.1%
Richmond	324,123	328,493	342,050	1.3%	4.1%
Atlanta	326,549	311,278	314,765	-4.7%	1.1%
Chicago	291,191	285,558	307,244	-1.9%	7.6%
St. Louis	236,880	224,638	234,550	-5.2%	4.4%
Minneapolis	159,059	157,597	172,357	-0.9%	9.4%
Kansas City	186,130	181,614	195,114	-2.4%	7.4%
Dallas	205,545	198,775	206,961	-3.3%	4.1%
San Francisco	293,164	277,717	304,027	-5.3%	9.5%
<b>Total</b>	<b>3,351,230</b>	<b>3,274,641</b>	<b>3,441,287</b>	<b>-2.3%</b>	<b>5.1%</b>

Table B

**TOTAL EMPLOYMENT OF THE FEDERAL RESERVE BANKS**  
**by District, 2011 and 2012**  
**(Average Number of Personnel)**

<b>District</b>	<b>2011 Budget</b>	<b>2011 Estimate</b>	<b>2012 Budget</b>	<b>Change</b>	
				<b>11B vs. 11E</b>	<b>11E vs. 12B</b>
Boston	929	908	968	-22	61
New York	3,205	3,156	3,254	-49	98
Philadelphia	873	871	917	-3	46
Cleveland	1,302	1,179	973	-123	-205
Richmond	1,538	1,489	1,506	-49	18
Atlanta	1,648	1,617	1,593	-30	-24
Chicago	1,358	1,351	1,425	-7	74
St. Louis	979	955	1,006	-24	51
Minneapolis	1,036	1,042	1,109	6	67
Kansas City	1,262	1,283	1,343	21	60
Dallas	1,290	1,242	1,340	-47	97
San Francisco	1,546	1,520	1,568	-26	48
<b>Subtotal</b>	<b>16,965</b>	<b>16,612</b>	<b>17,003</b>	<b>-353</b>	<b>391</b>
FRIT	965	1,055	1,048	90	-6
OEB	49	47	51	-2	3
<b>Total</b>	<b>17,979</b>	<b>17,714</b>	<b>18,102</b>	<b>-265</b>	<b>388</b>

Table C

**TOTAL EXPENSES OF THE FEDERAL RESERVE BANKS**  
by Service Line  
(Dollars in Thousands)

<b>Year</b>	<b>Total</b>	<b>Monetary and Economic Policy</b>	<b>Services to U.S. Treasury and Gov't Agencies</b>	<b>Services to Financial Institutions and the Public</b>	<b>Supervision</b>	<b>Fee Based Services to Financial Institutions</b>
2007	2,983,489	351,221	434,578	724,907	593,222	879,561
2008	3,020,762	389,219	440,669	758,595	642,238	790,042
2009	3,142,535	501,297	429,658	880,714	725,253	605,613
2010	3,183,011	497,719	433,417	982,559	801,910	467,404
2011E	3,274,641	533,787	465,450	955,360	917,809	402,235
2012B	3,441,287	552,149	474,653	985,700	1,032,540	396,244
<b>AAGR 2007-2012</b>	<b>2.9%</b>	<b>9.5%</b>	<b>1.8%</b>	<b>6.3%</b>	<b>11.7%</b>	<b>-14.7%</b>

Table D

# **TOTAL EMPLOYMENT OF THE FEDERAL RESERVE BANKS<sup>1</sup>**

**by Service Line**  
**(Average Number of Personnel)**

Year	Total	Monetary and Economic Policy	Services to U.S. Treasury and Gov't Agencies	Services to Financial Institutions and the Public	Supervision	Fee Based Services to Financial Institutions	Local Support and Overhead	Nationally Provided Support	Centralized Service Providers
2007	19,537	934	1,293	2,708	2,657	3,891	6,366	874	813
2008	18,747	1,010	1,220	2,594	2,674	3,064	6,362	957	865
2009	17,880	1,081	1,147	2,727	2,863	1,772	6,461	969	861
2010	17,459	1,115	1,092	2,764	3,052	1,147	6,379	1,037	873
2011E	17,714	1,190	1,122	2,670	3,335	915	6,350	1,161	972
2012B	18,102	1,236	1,104	2,625	3,688	803	6,405	1,246	994
<b>AAGR 2007-2012</b>	<b>-1.5%</b>	<b>5.8%</b>	<b>-3.1%</b>	<b>-0.6%</b>	<b>6.8%</b>	<b>-27.1%</b>	<b>0.1%</b>	<b>7.3%</b>	<b>4.1%</b>

<sup>1</sup> Includes average number of personnel (ANP) at FRIT and OEB.

**Nationally Provided Support:** Support services performed on behalf of multiple Districts under a regionalized or centralized function. In this table, select nationally provided support ANP have been included in the associated service lines.

**Centralized Service Providers:** Support services provided by FRIT and OEB.

Table E

**COMPONENTS OF COMPENSATION PROGRAMS OF THE FEDERAL RESERVE BANKS**  
**Officers and Staff by District, 2012**  
(Dollars in Thousands)

District	Additions to Salary Base				Incremental Variable Pay		Total	
	Merit	Equity & Market Adjustments	Promotions and Reclasses	Percent of Total Salary Expense	Dollars	Percent of Total Salary Expense	Dollars	Percent of Total Salary Expense
Boston	1,468	0	479	2.1%	1,667	1.8%	<b>3,614</b>	3.9%
New York	5,391	0	5,294	2.7%	2,570	0.7%	<b>13,255</b>	3.4%
Philadelphia	1,143	0	650	2.4%	481	0.7%	<b>2,274</b>	3.1%
Cleveland	1,038	0	658	2.2%	382	0.5%	<b>2,077</b>	2.7%
Richmond	1,992	0	309	1.8%	1,485	1.2%	<b>3,787</b>	3.0%
Atlanta	1,647	0	1,218	2.1%	917	0.7%	<b>3,782</b>	2.8%
Chicago	1,585	0	1,625	2.4%	1,564	1.2%	<b>4,774</b>	3.6%
St. Louis	1,240	0	595	2.2%	690	0.8%	<b>2,525</b>	3.0%
Minneapolis	1,380	0	391	2.2%	651	0.8%	<b>2,423</b>	3.0%
Kansas City	1,543	0	1,105	2.7%	1,314	1.3%	<b>3,962</b>	4.0%
Dallas	1,122	0	436	1.7%	2,247	2.5%	<b>3,805</b>	4.2%
San Francisco	2,509	0	753	2.1%	1,779	1.2%	<b>5,042</b>	3.3%
FRIT	1,621	0	292	1.8%	662	0.6%	<b>2,576</b>	2.5%
OEB	79	0	145	3.3%	103	1.5%	<b>327</b>	4.8%
<b>Total</b>	<b>23,760</b>	<b>0</b>	<b>13,951</b>	<b>2.3%</b>	<b>16,513</b>	<b>1.0%</b>	<b>54,223</b>	<b>3.3%</b>

**Merit:** the amount of budgeted salary expense that reflects the cumulative effect of planned salary increases based on performance.

**Promo & Reclasses:** the amount of budgeted salary expense that reflects the cumulative impact of salary increases for individuals as a result of grade promotions and reclassifications resulting from a job evaluation.

**Equity & Market Adjustments:** the amount of budgeted salary expense to bring individual salaries to the minimum of a grade range or to better align salaries with the market. In 2012 Reserve Banks may reallocate some of the budgeted merit funds to equity. This allocation would not affect the total expense.

**Variable Pay:** the incremental amount of incentive payments (payment for the achievement of pre-determined goals) and cash awards (awards in recognition of exceptional achievements). Represents the expense change from 2011.



Table F

**CAPITAL OUTLAYS OF THE FEDERAL RESERVE BANKS**  
**by District, 2011 and 2012**  
**(Dollars in Thousands)**

<b>District</b>	<b>2011 Budget</b>	<b>2011 Estimate</b>	<b>2012 Budget</b>	<b>Percent Change</b>	
				<b>11B vs. 11E</b>	<b>11E vs. 12B</b>
Boston	22,558	19,600	29,573	-13.1%	50.9%
New York	128,183	74,193	122,319	-42.1%	64.9%
Philadelphia	12,731	13,096	15,181	2.9%	15.9%
Cleveland	13,781	10,023	14,471	-27.3%	44.4%
Richmond	18,311	12,895	21,797	-29.6%	69.0%
Atlanta	27,754	19,421	19,081	-30.0%	-1.7%
Chicago	31,446	28,118	39,384	-10.6%	40.1%
St. Louis	19,418	13,352	8,378	-31.2%	-37.3%
Minneapolis	16,110	15,441	15,401	-4.1%	-0.3%
Kansas City	1,233	5,392	7,160	337.2%	32.8%
Dallas	18,676	18,277	13,385	-2.1%	-26.8%
San Francisco	34,402	24,893	43,393	-27.6%	74.3%
<b>Subtotal</b>	<b>344,603</b>	<b>254,701</b>	<b>349,523</b>	<b>-26.1%</b>	<b>37.2%</b>
FRIT	70,687	59,777	53,727	-15.4%	-10.1%
OEB	2,300	933	950	-59.4%	1.8%
<b>Total</b>	<b>417,590</b>	<b>315,411</b>	<b>404,200</b>	<b>-24.5%</b>	<b>28.2%</b>

Table G

**CAPITAL OUTLAYS OF THE FEDERAL RESERVE BANKS<sup>1</sup>**  
**by Category, 2011 and 2012**  
**(Dollars in Thousands)**

	<b>2011 Budget</b>	<b>2011 Estimate</b>	<b>2012 Budget</b>	<b>Percent Change</b>	
				<b>11B vs. 11E</b>	<b>11E vs. 12B</b>
Building/Infrastructure Projects	208,838	132,090	177,446	-36.7%	34.3%
IT & System Automation Projects	163,301	138,686	186,352	-15.1%	34.4%
Treasury Initiatives	45,451	44,635	40,401	-1.8%	-9.5%
<b>TOTAL</b>	<b>417,590</b>	<b>315,411</b>	<b>404,200</b>	<b>-24.5%</b>	<b>28.2%</b>

<sup>1</sup> Includes capital outlays for the twelve Reserve Banks, FRIT, and OEB.