BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Date: December 11, 2008

To: Board of Governors

From: Donald L. Kohn DLK

Subject: 2009 Final Reserve Bank Budgets

The Committee on Federal Reserve Bank Affairs has reviewed staff's recommendation that the Board approve the Reserve Bank budgets for 2009. In aggregate, the Reserve Bank budgets total $3,086.2 million, an increase of $50.4 million or 1.7 percent over 2008 estimated expenses. I am forwarding the attached staff memorandum to the Board for its consideration.

Attachment

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
DIVISION OF RESERVE BANK OPERATIONS AND PAYMENT SYSTEMS

Date: December 11, 2008

To: Board of Governors

From: Becky Royer, Lauren Guerin, Dorothy LaChapelle, Paul Bettge, Don Hammond

Subject: 2009 Final Reserve Bank Budgets

ACTION REQUESTED

Staff requests that the Board approve the 2009 Reserve Bank budgets totaling $3,086.2 million, an increase of $50.4 million or 1.7 percent from the 2008 estimated expenses and $19.2 million, or 0.6 percent, from the approved 2008 budget.[1] Staff also requests that the Board approve the 2009 Reserve Bank, Federal Reserve Information Technology (FRIT), and the Office of Employee Benefits (OEB) capital budgets totaling $519.4 million. The capital budgets are 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 (S-2634). We have attached additional statistical information that provides details on expenses, staffing, and capital outlays.

[1] These expenses include those budgeted by Federal Reserve Information Technology (FRIT) and the Office of Employee Benefits (OEB) that are chargeable to the Reserve Banks.

Total Expense and Employment Summary

The 2009 expense increase of $50.4 million, or 1.7 percent, from the 2008 estimate is driven by increases in central bank functions specifically those related to growth in monetary policy and public programs, supervision and regulation, and cash operations. These increases are significantly offset by decreases in priced services expenses, due largely to the decline in paper-check volume, as a result of the electronification of check services and due to associated reductions in check processing infrastructure.

Table 1
Reserve Bank Expenses and ANP
(dollars in millions)

	2008 Budget	**2008 Estimate**	**2009 Budget**	**Change 2008 Est. vs. 2009 Bud. Amount**	**Percent**
Central Bank Services	$1,806 5	$1,799 4	$1,984 6	$185 2	10 3%
Treasury Services	$449 5	$443 9	$443 0	-$0 9	-0 2%
Priced Services	$810 9	$792 5	$658 6	-$133 9	-16 9%
Total Expense	**$3,067.0**	**$3,035.8**	**$3,086.2**	**$50.4**	**1.7%**
ANP	**19,255**	**18,812**	**18,020**	**-792**	**-4.2%**

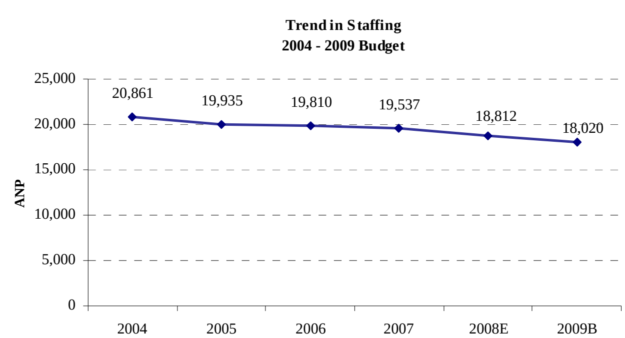
Expenses net of revenue and reimbursements are expected to increase $210.6 million, or 12.2 percent. More than one-third of Reserve Bank expenses in the 2009 budget are offset by priced service revenues (22 percent) and reimbursable claims for services provided to the Treasury and other agencies (15 percent).[2] Budgeted 2009 priced services revenue is lower than the 2008 estimated level, primarily as a result of declining paper check volume. Reimbursable claims are expected to decrease slightly in 2009, reflecting an ongoing effort by the Treasury and the Reserve Banks to contain costs while maintaining support for key programs and advancing new initiatives.

Table 2
Change in Net Expenses
(dollars in millions)

	2008 Budget	**2008 Estimate**	**2009 Budget**	**Percent Change 08B vs. 09B**	**08E vs. 09B**
Total Expense	$3,067.0	$3,035.8	$3,086.2	0.6%	1.7%
Less:					
Priced Services Revenue[1]	$896.3	$851.9	$692.4	-22.8%	-18.7%
Reimbursable Claims	$474.1	$462.4	$461.7	-2.6%	-0.1%
Net Expenses	**$1,696.6**	**$1,721.5**	**$1,932.1**	**13.9%**	**12.2%**

[1] Based on the final budget submission

Total 2009 projected employment for the Reserve Banks, FRIT, and OEB is 18,020 ANP, a decrease of 792 ANP, or 4.2 percent, from 2008 estimated staff levels.[3] The 2009 staffing decrease continues the trend of workforce reductions that began in the late 1990s and is the lowest in more than 30 years. In the 2009 budget, staffing increases in central bank functions are



[2] Reimbursable claims include costs of fiscal agency and depository services provided to the U.S. Treasury, other government entities, and other fiscal principals that are billed to and reimbursed by these entities.

[3] 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.

more than offset by reductions in check as a result of infrastructure changes and paper check volume declines.

2008 Budget Performance

Total 2008 expenses are estimated to be $3,035.8 million, which represents a decrease of $31.2 million, or 1.0 percent, from the approved 2008 budget of $3,067 million. Total 2008 estimated staffing of 18,812 ANP represents a decrease of 443 ANP from the 2008 budgeted level of 19,255 ANP.

Reserve Banks significantly accelerated the closing of check-processing sites in 2008. Despite unbudgeted severance of $25 million, check service costs decreased $16.3 million, or 2.6 percent, because of significant cost-containment efforts and a reduction in resources commensurate with the faster-than-expected decline in paper-check volumes. In 2007, the Reserve Banks planned to reduce check processing sites from 22 to 4 by 2011, but now plan to contract to 1 full-service paper check-processing site by the end of 2009.

Expenses in the cash area decreased $10.3 million or 2.3 percent. The underrun reflects lower personnel costs of $5.9 million, including lower staffing levels in response to currency volume declines, and delays in equipment upgrades of $1.9 million. These cost reductions are partially offset by lower-than-projected recirculation policy related recoveries in several Districts ($1.0 million).[4] Timing shifts in projects account for the majority of the remainder of the underrun.

The underrun in Treasury services ($5.6 million, or 1.3 percent) reflects a reduction of $7.3 million in Treasury Web Application Infrastructure (TWAI) expenses, resulting from the TWAI optimization program, an effort to identify efficiencies and cost savings, which began in 2007. Staffing reductions resulting primarily from volume declines in Treasury retail securities, Treasury checks, and postal money orders, and from delays in the Treasury's Collections and Cash Management Modernization (CCMM) initiative, have resulted in a reduction of $7.5 million in expenses.[5] Partially offsetting these declines are increases in costs for the development of the Treasury Debt Management System ($2.8 million), an extension of the Go Direct marketing campaign ($2.6 million), and increased FRIT costs for the Treasury Automated Auction Processing System ($1.3 million).

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[4] Under the recirculation policy, depository institutions are charged a fee if they deposit large amounts of fit $10 and $20 notes and order notes in the same denomination within the same week.

[5] CCMM is a comprehensive multiyear enterprise architecture initiative to streamline, modernize, and improve the services, systems, and processes supporting the Treasury's collections and cash management programs. The goal is to improve efficiency and reduce costs to the Treasury, both of which provide a savings to the taxpayers.

Increased expenses in the supervision and regulation and monetary policy areas slightly offset the underrun in the estimate. Expenses are over budget in banking supervision and regulation by $2.8 million, or 0.4 percent, for enhanced automation resources. Staffing levels, however, declined 9 ANP as hiring delays in some Districts offset the resources added in others. Costs for monetary and economic policy were slightly over budget ($3.3 million or 0.8 percent) because of efforts to strengthen analysis, enhance effectiveness, and increase regional economic information.

Staffing levels in the estimate were 443 ANP lower than approved budget levels, as a result of lower staffing in several areas: Check operations are 271 ANP under budget because of higher-than-projected volume declines; Treasury Services are 59 ANP under budget as a result of reductions in several business lines that are experiencing volume declines and because of delays in several of the CCMM initiatives; cash operations are 38 ANP under budget as a result of volume declines and productivity gains; facilities is 28 ANP under budget because of the outsourcing of housekeeping functions in one District and reduced building and housekeeping needs in some Branch operations. Efficiencies and hiring delays in several areas account for the remaining staff reductions.

Initiatives Affecting the 2009 Budget

Several initiatives planned for 2009 are affecting the increase in the budget. In the central bank area, which includes monetary policy, public programs, supervision and regulation, and cash operations, total expenses are increasing $185.2 million, or 10.3 percent, in 2009, and staffing levels are increasing 213 ANP. Expenses in supervision and regulation are increasing $70.9 million, or 11.0 percent, for additional resources to address financial stability issues and deterioration in banking conditions. Staff levels are expected to increase 121 ANP. Total costs for monetary policy and public programs are increasing $52.6 million or 9.5 percent primarily because of salary-related costs and for enhancements to resiliency and other aspect of open market operations.

Cash operations are increasing $42.4 million, or 9.7 percent. The Currency and Coin Handling Environment (CACHE) project and increased support charges, primarily for building and protection services, are driving the increase. [6] These expenses are slightly offset by staffing reductions resulting from lower-than-expected volumes.

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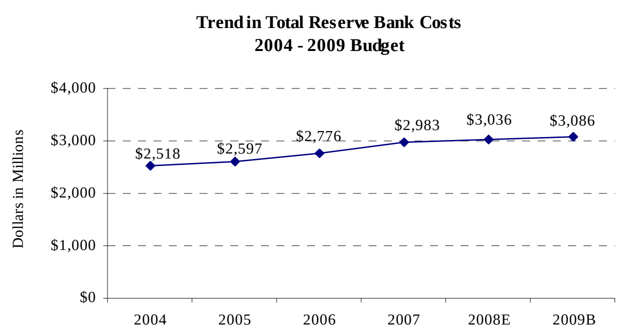
[6] The CACHE project was formerly named the Future Cash Automation Project (FCAP). The aim of CACHE is to develop and deploy a new cash software application and technical architecture across the Federal Reserve System to streamline operations, improve controls, provide more robust data management tools, and present a more standardized face to the customer.

Total costs to provide services to the Treasury, which are fully reimbursed, are decreasing $0.9 million or 0.2 percent. The CCMM initiative, which will transition several Treasury business lines to private-sector financial agents at the end of 2008, and continued volume declines in Treasury retail securities, government checks, and postal money orders will reduce costs and staffing levels 47 ANP. These reductions are largely offset by increased charges from FRIT and the TWAI. Expenses related to the TWAI are increasing as the number of applications hosted in the infrastructure expands in connection with the CCMM initiative.

Total check expenses are decreasing $146.1 million or 23.8 percent, reflecting the check restructuring costs recognized in 2008, the accelerated restructuring changes planned for 2009, and continued paper-check volume declines. As a result of these actions, staffing levels and associated costs are decreasing 1,063 ANP in the 2009 budget. Despite these cost reduction efforts, Reserve Banks have budgeted a recovery rate of 91.5 percent in 2009. The Reserve Banks will be reviewing additional steps needed to meet long-term cost-recovery objectives.

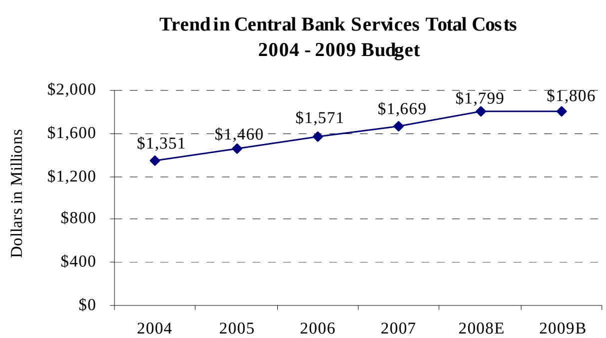
Five-year Trend in Reserve Bank Expenses

Total expenses for the Reserve Banks have grown an average of 4.2 percent annually over the past five years, with the largest growth in monetary and economic policy.



Trends in Central Bank Services Total Cost

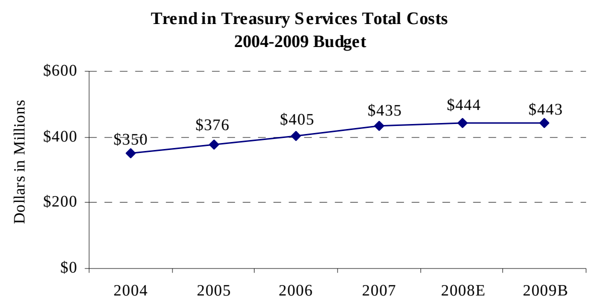
Central bank services have grown an average of 6.0 percent annually over the past five years. The increase is primarily in the monetary policy and public programs areas, where expenses have grown on average 9.6 percent annually, as Banks have increased resources dedicated to community outreach, financial literacy, and regional economic research efforts. Expenses in the supervision and regulation function have grown 8.1 percent over the past five years because of additional resources necessary to recruit and retain supervisory staff with specialized skills, to implement the Basel II capital accord, and more recently, to address financial market turmoil and



deteriorating banking and economic conditions. There have been ongoing efficiency improvements in the cash operation over the past five years. Overall, expenses in the cash operations, however, have increased on average 5.0 percent annually reflecting increased costs to modernize the cash-processing and inventory-tracking infrastructure, along with and higher support costs, particularly protection costs.

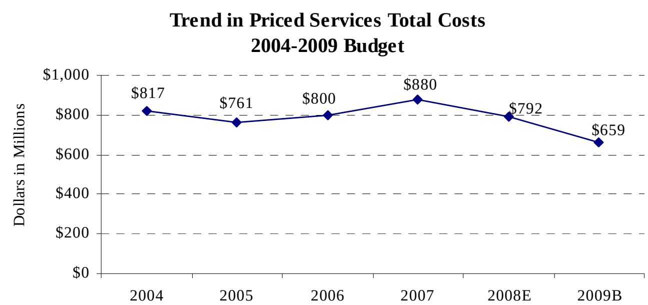
Trends in Treasury Services Total Cost

Treasury services expenses have grown on average 4.8 percent annually since 2004. Recent efforts by the Treasury to limit expense growth and delays in some projects have resulted in a decline in 2009 budgeted expenses from 2008 estimated expenses. The growth from 2004 to 2007 was driven primarily by the expansion of the TWAI to host a growing number of Treasury applications.



Trends in Priced Services Total Cost

Priced services expenses have been declining an average of 4.2 percent annually, driven by the check service. Efforts to reduce the size of the System's paper check operations, consistent with volume declines, have resulted in an average annual decline of 7.2 percent in check services expenses since 2004. The decrease in check expense reflects significant ongoing staff reductions resulting from the consolidation of check operations.



2009 Personnel Expenses

Reserve Bank officer and employee salaries and other personnel expenses budgeted for 2009 total $1,613 million, an increase of $68.8 million, or 4.5 percent, from the 2008 estimate. The increase results from budgeted salary administration programs, including merit increases, market increases, and promotions, which are partially offset by reductions in staff related to restructuring and consolidation. The 2009 funding for officer and employee salary administration programs is $72.1 million; merit pools for officers and employees total $52.7 million, and market increases and promotions total $19.4 million. The merit budget reflects weighted-average increases of 4.2 percent and 4.0 percent in base salaries for officers and employees, respectively. The 2009 budget for variable-pay programs is increasing $18 million, or 25.7 percent, from the 2008 estimate, reflecting an increase in variable pay pools, which average 12.3 percent for officers and 5.2 percent for exempt staff and 1.6 percent for non-exempt staff.

The 2009 employee turnover projection of 13.3 percent reflects continued System downsizing, particularly in the check area. Excluding positions that will not be replaced (36 percent of the total), employee turnover is 8.6 percent. The Reserve Banks project 6.1 percent officer turnover in 2009, 5.3 percent after excluding positions that will not be replaced.

Risks in the 2009 Budget

There are several risks in the 2009 budget. The ongoing challenges in the financial industry and the broader economy present a considerable amount of risk, especially in the Banks' ability to recruit and retain the necessary supervision staff. In addition, there is uncertainty about the resource needs resulting from any further market events or new legislation that might affect the Federal Reserve's responsibilities.

Rapid declines in paper-check volumes and the increase in Check 21 image volume continue to make the check service an area with considerable risk. Paper check volumes are expected to decline 75 percent in 2009. If the budgeted decline fails to materialize, the Banks could incur costs for higher-than-planned staffing levels; however, the increased costs would also be offset by additional revenue associated with higher paper check fees. In response to the continuing decline in paper check volumes, the Reserve Banks recently determined that the Federal Reserve Bank of Cleveland will serve as the single paper check-processing and adjustments site, and that the Federal Reserve Bank of Atlanta will serve as the single electronic check processing site for the Federal Reserve System, likely by year end 2009. The continued rapid growth of Check 21 volumes could present operational challenges and, if the adoption of FedReceipt is slower than anticipated, the Banks could incur additional costs beyond those budgeted.

In addition, cash and Treasury project changes and delays could increase budgeted expenses. The ongoing CACHE development effort poses risks for the 2009 budget, as project details continue to be refined and business resources to support the implementation are fully assessed. Unforeseen requests from the Treasury or changes in scope and direction could add costs and could require additional resources in 2009. In connection with the CCMM initiative, 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. These efforts create a risk because of potential changes in project timing and scope for the 2009 budget.

2009 Capital Plan

The 2009 capital budget submitted by the Reserve Banks, FRIT, and OEB totals $519.4 million, a $104.5 million, or 25.2 percent increase, from the 2008 estimated levels. Over 70 percent of the increase is related to information technology and cash services initiatives; the 2009 capital budget reflects the CACHE project and initiatives by the Federal Reserve Bank of New York to enhance resiliency.[7] The 2009 budget also includes $18.3 million for multiyear efforts to migrate applications off the mainframe, including FedACH, Fedwire, and the internal accounting system.

As in previous years, the 2009 capital budget includes funding for projects that support the strategic direction outlined by the individual Reserve Banks and the System. These strategies focus on investments that improve operational efficiencies, enhance services to Bank customers, and ensure a safe and high-quality work environment. In support of these strategies, the 2009 budget identifies seven categories of capital outlays: building projects and facility improvements, payment system improvements, cash services initiatives, Treasury initiatives, information technology initiatives, security enhancements, and miscellaneous acquisitions.

The proposed capital budget includes $179.2 million for building-related projects and facility improvements. Of the total building capital, $64.8 million is related to major projects begun in previous years in Boston, New York, Philadelphia, Richmond, and St. Louis. The remaining outlays in this category will fund various building renovation and refurbishment projects as well as miscellaneous facility improvement projects.

Initiatives related to payment systems, cash, and Treasury initiatives represent $182.4 million of the capital budget. Of this total, $72.6 million represents cash services initiatives, including the CACHE development effort ($39.5 million) and the upgrade of cash-processing machines Systemwide ($21.0 million). The budget also includes $44.7 million for reimbursable Treasury initiatives, including support of the Treasury Debt Management System, CCMM related efforts, and various other initiatives.

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[7] The New York resiliency project, a multiyear project with total capital outlays of $56.3 million, accounts for $43.4 million of the 2009 capital budget.

The Reserve Banks and FRIT included $105.8 million in funding for major information technology initiatives. These initiatives do not include the automation components of building or payment systems initiatives discussed separately. Of the automation-related outlays, FRIT projects and acquisitions account for $25.6 million, and New York projects, including resiliency, account for $54.5 million. In addition, the budget includes $5.8 million in funding for local server equipment at the Reserve Banks.

The proposed capital budget includes $48.7 million for security enhancements and $3.3 million for equipment not falling into the categories defined above.

Attachment

ATTACHMENT

Statistical Supplement

Table 1	Total Expenses of the FR Banks, by District
Table 2	Total Employment of the FR Banks, by District
Table 3	Total Expenses of the FR Banks, by Functional Area
Table 4	Total Employment of the FR Banks, by Functional Area
Table 5	Salary Administration Expenses of the FR Banks, by District
Table 6	Capital Outlays of the FR Banks, by District
Table 7	Capital Outlays of the FR 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.

2009 Final Budget

TOTAL EXPENSES OF THE FEDERAL RESERVE BANKS
by District, 2008 and 2009
(Dollars in Thousands)

District	2008 Budget	2008 Estimate	2009 Budget	Percent Change 08B vs. 08E	Percent Change 08E vs. 09B
Boston	157,796	154,984	153,479	-1.8%	-1.0%
New York	599,736	602,861	646,993	0.5%	7.3%
Philadelphia	157,028	157,477	152,724	0.3%	-3.0%
Cleveland	218,332	214,151	171,007	-1.9%	-20.1%
Richmond	245,270	241,305	283,005	-1.6%	17.3%
Atlanta	355,650	362,849	387,155	2.0%	6.7%
Chicago	277,736	267,057	274,078	-3.8%	2.6%
St. Louis	227,877	217,748	222,717	-4.4%	2.3%
Minneapolis	168,218	161,593	154,652	-3.9%	-4.3%
Kansas City	181,033	182,112	169,232	0.6%	-7.1%
Dallas	190,820	193,925	182,399	1.6%	-5.9%
San Francisco	287,474	279,690	288,730	-2.7%	3.2%
Total	**3,066,970**	**3,035,753**	**3,086,172**	**-1.0%**	**1.7%**

2009 Final Budget

TOTAL EMPLOYMENT OF THE FEDERAL RESERVE BANKS

by District, 2008 and 2009

(Average Number of Personnel)

District	2008 Budget	2008 Estimate	2009 Budget	Change 08B vs. 08E	Change 08E vs. 09B
Boston	1,000	963	899	-37	-64
New York	2,764	2,788	2,877	24	90
Philadelphia	1,063	1,027	1,009	-35	-18
Cleveland	1,581	1,513	1,367	-69	-146
Richmond	1,827	1,749	1,638	-78	-111
Atlanta	1,939	1,894	1,776	-45	-117
Chicago	1,457	1,414	1,339	-44	-74
St. Louis	1,074	1,018	964	-56	-54
Minneapolis	1,235	1,177	1,082	-58	-95
Kansas City	1,330	1,322	1,213	-9	-108
Dallas	1,316	1,290	1,235	-26	-55
San Francisco	1,781	1,727	1,686	-53	-41
Subtotal	**18,366**	**17,879**	**17,086**	**-486**	**-793**
FRIT	844	889	889	45	0
OEB	45	44	45	-1	2
Total	**19,255**	**18,812**	**18,020**	**-443**	**-792**

2009 Final Budget

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

Year	Total	Monetary and Economic Policy	Services to U.S. Treasury and Gov't Agencies	Services to Financial Institutions and the Public	Supervision and Regulation	Fee Based Services to Financial Institutions
2004	2,517,679	259,263	350,158	608,075	483,315	816,868
2005	2,597,013	290,839	376,164	660,496	508,920	760,594
2006	2,776,028	320,150	405,010	700,397	550,494	799,978
2007	2,983,492	351,221	434,578	724,909	593,222	879,561
2008 Est	3,035,753	393,502	443,867	762,625	643,289	792,470
2009 Bud	3,086,172	433,013	442,978	837,378	714,224	658,578
AAGR 2004-2009	**4.2%**	**10.8%**	**4.8%**	**6.6%**	**8.1%**	**-4.2%**

Table 4

2009 Final Budget

TOTAL EMPLOYMENT OF THE FEDERAL RESERVE BANKS[1]

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 and Regulation	Fee Based Services to Financial Institutions[2]	Support, Overhead, and Centralized Providers
2004	20,861	846	1,302	2,698	2,562	4,347	9,106
2005	19,935	877	1,288	2,683	2,539	3,323	9,225
2006	19,810	914	1,267	2,646	2,656	3,101	9,226
2007	19,535	934	1,258	2,615	2,657	2,693	9,379
2008 Est	18,812	1,010	1,187	2,482	2,664	1,949	9,520
2009 Bud	18,020	1,067	1,140	2,517	2,785	1,033	9,478
AAGR 2004-2009	**-2.9%**	**4.8%**	**-2.6%**	**-1.4%**	**1.7%**	**-25.0%**	**0.8%**

[1] Includes average number of personnel at FRIT and OEB.

[2] The decrease in 2004 actual to 2005 estimate in Fee Based Services to Financial Institutions ANP reflects an accounting change that resulted in a shift of 554 ANP to national support included in the Support, Overhead, and Centralized Providers category.

2009 Final Budget

SALARY ADMINISTRATION EXPENSES OF THE FEDERAL RESERVE BANKS

Officers and Employees by District, 2009

(Dollars in Thousands)

	Additions to Salary Base						
District	**Merit**	**Promo & Reclass**	**Equity & Market Adjustments**	**Subtotal**	**Variable Pay**	**Total**	**Percent[1]**
Boston	2,787	563	242	4.6%	532	**4,124**	**4.9%**
New York	13,079	2,794	2,606	6.2%	7,805	**26,285**	**8.0%**
Philadelphia	2,518	608	357	5.1%	476	**3,959**	**5.5%**
Cleveland	2,704	668	325	4.3%	457	**4,154**	**4.5%**
Richmond	4,405	623	1,830	5.9%	504	**7,362**	**5.8%**
Atlanta	3,293	666	121	3.2%	591	**4,672**	**3.4%**
Chicago	4,085	697	2,264	6.6%	1,924	**8,970**	**7.9%**
St. Louis	2,760	0	728	4.9%	385	**3,873**	**5.1%**
Minneapolis	2,856	357	250	4.8%	639	**4,103**	**5.1%**
Kansas City	3,222	941	21	4.8%	636	**4,820**	**4.9%**
Dallas	2,562	55	81	3.3%	902	**3,601**	**4.2%**
San Francisco	5,492	1,057	603	5.1%	1,865	**9,017**	**6.0%**
FRIT	2,717	853	0	4.6%	1,213	**4,783**	**5.1%**
OEB	204	100	0	5.9%	42	**346**	**6.0%**
Total	**52,685**	**9,983**	**9,427**	**5.1%**	**17,972**	**90,068**	**5.8%**

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

Promo & Reclass: 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.

Variable Pay: the change in the amount of incentive payments (payment for the achievement of pre-determined goals) and cash awards (awards in recognition of exceptional achievements)

[1] Percent represents the total of the stated payments as a percentage of total salary and other personnel expense.

2009 Final Budget

CAPITAL OUTLAYS OF THE FEDERAL RESERVE BANKS

by District, 2008 and 2009
(Dollars in Thousands)

District	2008 Budget	2008 Estimate	2009 Budget	Percent Change 08B vs. 08E	Percent Change 08E vs. 09B
Boston	28,439	26,087	27,241	-8.3%	4.4%
New York	138,452	79,283	154,713	-42.7%	95.1%
Philadelphia	22,615	14,142	21,648	-37.5%	53.1%
Cleveland	24,817	15,248	11,669	-38.6%	-23.5%
Richmond	69,707	67,474	32,224	-3.2%	-52.2%
Atlanta	22,889	14,093	36,735	-38.4%	160.7%
Chicago	23,768	27,755	23,259	16.8%	-16.2%
St. Louis	33,299	29,126	21,507	-12.5%	-26.2%
Minneapolis	7,008	10,693	10,444	52.6%	-2.3%
Kansas City	16,193	23,753	7,152	46.7%	-69.9%
Dallas	25,776	11,642	29,729	-54.8%	155.4%
San Francisco	56,691	36,998	62,239	-34.7%	68.2%
Subtotal	**469,655**	**356,293**	**438,560**	**-24.1%**	**23.1%**
FRIT	64,907	58,529	79,758	-9.8%	36.3%
OEB	-	-	1,050	N/A	N/A
Total	**534,562**	**414,823**	**519,368**	**-22.4%**	**25.2%**

CAPITAL OUTLAYS OF THE FEDERAL RESERVE BANKS [1]
by Category, 2008 and 2009
(Dollars in Thousands)

	2008 Budget	2008 Estimate	2009 Budget	Percent Change	
				08B vs. 08E	08E vs. 09B
Building Related Projects and Facility Improvements	209,209	166,748	179,159	-20.3%	7.4%
Payment System Improvement Initiatives	37,583	52,139	65,133	38.7%	24.9%
Cash Services Initiatives	61,801	41,302	72,593	-33.2%	75.8%
Treasury Initiatives	38,953	28,833	44,718	-26.0%	55.1%
Information Technology Initiatives	106,265	62,410	105,770	-41.3%	69.5%
Security Enhancements	76,336	58,627	48,742	-23.2%	-16.9%
Miscellaneous[2]	4,416	4,764	3,254	7.9%	-31.7%
TOTAL	**534,562**	**414,823**	**519,368**	**-22.4%**	**25.2%**

[1] Capital outlays for the Federal Reserve System include the twelve Districts, FRIT, and OEB.

[2] Miscellaneous includes other equipment and software not falling into the other defined categories.