BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF RESERVE BANK OPERATIONS AND PAYMENT SYSTEMS

2017 Reserve Bank Budgets

ACTION

On December 2, 2016, the Board approved the 2017 Reserve Bank operating budgets totaling $4,312.4 million, an increase of $242.5 million, or 6.0 percent, from the 2016 estimated expenses and $195.9 million, or 4.8 percent, from the approved 2016 budget.[1] The Board also approved the Reserve Bank, Federal Reserve Information Technology (FRIT), and the Office of Employee Benefits (OEB) single and multiyear capital budgets in three categories:

a) Significant capital expenditures – multiyear approval for significant capital expenditures (typically expenditures exceeding $1 million) totaling $571.1 million for 2017 and the remaining term of these projects;

b) other capital expenditures – single-year capital expenditures, by asset class, for less significant expenditures (less than $1 million per project) totaling $78.7 million for 2017; and

c) conditional approval – the chair of the Committee on Federal Reserve Bank Affairs designated $85.6 million in 2017 for conditional approval.[2] The Reserve Banks are required to provide further information about these projects and obtain approval from the director of RBOPS prior to committing funds.[3]

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[1] 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, and the Consumer Financial Protection Bureau.

[2] See tables in the attachment for expense and capital amounts by Reserve Bank.

[3] Generally, capital expenditures that are designated for conditional approval include certain building projects, District expenditures that substantially affect or influence future System direction or the manner in which significant services are performed, expenditures that may be inconsistent with System direction or vary from previously negotiated purchasing agreements, and local expenditures that duplicate national efforts.

DISCUSSION

The Reserve Banks have prepared annual budgets for 2017 as part of their efforts to ensure appropriate stewardship and accountability. The budgets are formulated to ensure alignment with each Reserve Bank's and the System's strategic priorities, including

- promoting financial stability through effective monitoring, analysis, and policy development
- promoting safety and soundness of financial institutions through effective supervision
- contributing to the formulation of monetary policy and enhancing monetary policy implementation to become more effective, flexible, and resilient
- leading efforts to enhance the security, resiliency, functionality, and efficiency of financial services

Each Reserve Bank's budget is reviewed by the Bank's senior leadership and its board of directors. Board staff analyzes the Banks' budget submissions both individually and in the aggregate.

TOTAL EXPENSE AND EMPLOYMENT SUMMARY

Reserve Bank Expenses and Staffing
(dollars in millions)

	2016	2016	16E to 16B		2017	17B to 16E		17B to 16B	
	Budget	Estimate	Amount	Percent	Budget	Amount	Percent	Amount	Percent
Central Bank Services	**$3,087.7**	**$3,073.4**	**-$14.3**	**-0.5%**	**$3,238.5**	**$165.1**	**5.4%**	**$150.8**	**4.9%**
Monetary Policy	460.9	454.4	-6.5	-1.4%	490.1	35.8	7.9%	29.3	6.4%
Open Market	202.9	204.8	1.9	0.9%	207.6	2.8	1.3%	4.7	2.3%
Public Programs	217.5	220.5	3.0	1.4%	228.2	7.8	3.5%	10.8	5.0%
Supervision	1,311.6	1,318.3	6.7	0.5%	1,389.6	71.3	5.4%	78.0	5.9%
Cash	619.7	599.8	-20.0	-3.2%	648.8	49.1	8.2%	29.1	4.7%
Loans to Depository Institutions	76.6	75.3	-1.2	-1.6%	77.1	1.7	2.3%	0.5	0.7%
All Other Central Bank Services[1]	198.6	200.3	1.8	0.9%	197.1	-3.3	-1.6%	-1.5	-0.8%
Treasury Services	**605.6**	**580.0**	**-25.6**	**-4.2%**	**625.7**	**45.7**	**7.9%**	**20.1**	**3.3%**
Fee-Based Services[2]	**423.3**	**416.5**	**-6.7**	**-1.6%**	**448.2**	**31.7**	**7.6%**	**25.0**	**5.9%**
Total Expense	**$4,116.6**	**$4,070.0**	**-$46.6**	**-1.1%**	**$4,312.4**	**$242.5**	**6.0%**	**$195.9**	**4.8%**
Total ANP[3]	*19,424*	*19,393*	*-31*	*-0.2%*	*19,822*	*429*	*2.2%*	*398*	*2.0%*

[1] Includes Special Safekeeping Services, Reserve Accounts and Risk Administration, and Services to Other Central Banks.
[2] Fee-based services are all expenses associated with the Priced Services, including the check, FedACH, Fedwire Funds and National Settlement, and Fedwire Securities services.
[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.

2017 Operating Expenses, Net of Revenue and Reimbursements

The proposed 2017 operating budgets of the Reserve Banks total $4,312.4 million, which is $242.5 million, or 6.0 percent, higher than the 2016 estimate.[4] More than 25 percent of Reserve Bank expenses in the 2017 budget are offset by either priced services revenue (10.2 percent) or reimbursable claims for services provided to the Treasury and other agencies (15.7 percent).[5] Budgeted 2017 operating expenses, net of revenue and reimbursements, are expected to increase $188.3 million, or 6.3 percent, from 2016 estimated expenses.[6] Budgeted 2017 priced services revenue is 1.5 percent higher than the 2016 estimated level, driven largely by updated fee schedules. Reimbursable claims are expected to increase 7.6 percent in 2017, reflecting increased activity for new or expanded Treasury services and increased expenses for ACH and Securities services.

Change in Net Expenses
(dollars in millions)

	2016 Budget	2016 Estimate	2017 Budget	Percent Change 16E - 16B	Percent Change 17B - 16E
Total Expense	$4,116.6	$4,070.0	$4,312.4	-1.1%	6.0%
Less:					
Priced Services Revenue*	426.9	432.8	439.4	1.4%	1.5%
Reimbursable Claims	652.6	629.7	677.3	-3.5%	7.6%
Net Expenses	**$3,037.1**	**$3,007.4**	**$3,195.7**	**-1.0%**	**6.3%**

*Full cost recovery is projected in the aggregate for priced services in 2017.

2016 Budget Performance

Total 2016 operating expenses for the Reserve Banks are estimated to be $4,070.0 million, which is $46.6 million, or 1.1 percent, less than the approved 2016 budget of $4,116.6 million. Estimated ANP is slightly less than the 2016 budget. The 2016 budget underrun is largely due to updated benefits assumptions and revised project plans in the Treasury, cash, and fee-based services functions.

Treasury services operating expenses are less than budget because of updated business-line transition plans and hiring delays in ongoing services, partially offset by increased expenses

[4] The estimate is based on actual expenses incurred through September 2016 and a forecast for the remaining months of the year.
[5] Reimbursable claims include the expenses 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 the "Reserve Bank Expenses and Staffing" table because the reimbursable claims also include expenses associated with the government's use of the Reserve Banks' check, ACH, Fedwire Funds, and Fedwire Securities services; these expenses are included in the "Change in Net Expenses" table.
[6] Reimbursable claims exclude annual assessments for the supervision of large financial companies pursuant to Regulation TT, which are not recognized as revenue or used to fund System expenses. The supervision assessment represents approximately one-third of total supervision expenses.

for the Treasury Web Application Infrastructure (TWAI).[7,8] System cash expenses are also lower than expected because of continued improvements in cash productivity, the implementation of the evolving operations procedural changes, and lower-than-expected costs for the CashForward initiative.[9] Delays in development efforts for Fedwire post-modernization projects and decreased software amortization expenses for check projects were partially offset by increased expenses for the ACH modernization project.[10]

Central bank services expenses for supervision, public programs, and the open market operation are increasing. Supervision staffing increases support national programs, including quantitative skill set needs, the Examiner Commissioning Program, the Shared National Credit Program, and state member bank growth. Additional expenses for public programs were directed to building and maintaining public websites. Finally, investments in technology resulted in increased expenses in the open market function.

Total 2016 estimated employment for the Reserve Banks, FRIT, and OEB of 19,393 ANP is an underrun of 31 ANP, or 0.2 percent, from 2016 budgeted staff levels. The underruns are primarily in the Treasury and cash business lines and at the Customer Relations Support Office (CRSO), reflecting operational efficiencies, hiring delays, and updated project plans. These underruns are partially offset by unbudgeted resource needs for national programs in supervision, for information technology (IT), and for the ACH modernization initiative. Other adjustments reflect updated project plans, turnover, and hiring delays across most other areas.

Significant Staffing (ANP) Changes 2016 Budget to 2016 Estimate	
2016 Budget	**19,424**
Treasury	-79
Cash	-37
CRSO	-16
Supervision	53
IT	56
ACH	19
Other	-28
2016 Estimate	**19,393**

[7] In April 2014, the Treasury announced the consolidation of the fiscal agent services provided by the Federal Reserve Banks as part of its effort to increase operational efficiency and effectiveness. The Treasury anticipates long-term savings, once services are transitioned from ten sites to four consolidated sites. To date, nine of the fifteen business line transitions have been completed.
[8] TWAI is a dedicated, distributed computing environment that houses multiple Treasury applications. Total operating expense for TWAI is estimated at $88.5 million in 2016.
[9] The CashForward initiative will replace legacy software applications, automate business processes, and employ technologies to meet current and future needs for the cash function. Phase 1 was completed in 2010 and Phase 2 was completed in July 2012. The project's planned completion date is in 2017.
[10] The ACH Modernization initiative involves the transition of the ACH application from the legacy mainframe environment to a distributed platform.

2017 Budgeted Operating Expenses

The 2017 operating budgets of the Reserve Banks total $4,312.4 million, which is $242.5 million, or 6.0 percent, higher than the 2016 estimate. The largest increase is in the supervision function to support the continued buildout to meet the requirements of the Dodd-Frank Act, the cybersecurity supervision program, and strategic national initiatives. The increase is partially offset by supervisory portfolio changes and resource savings related to improving conditions and the extension of the exam cycle for qualifying depository institutions resulting from the implementation of the Fixing America's Surface Transportation (FAST) Act. In the monetary policy and public programs areas, several Reserve Banks plan to fill research and policy positions. Allocated expenses to monetary policy for law enforcement and expenses in the open market function for automation efforts are also projected to increase.

Budgeted expenses for services to the Treasury, which are fully reimbursable, are increasing primarily to support the migration of the Navy Cash program from a private financial institution to the Federal Reserve System, the continued expansion of the TWAI, and the Invoice Processing Platform and Post Payment System initiatives.

Increases in cash expenses are related to the implementation of the CashForward initiative and program planning expenses of the next-generation currency-processing machines, as well as increases in allocated support and overhead expenses. Expenses related to fee-based services are increasing to fund the ACH platform modernization initiative and development efforts for Fedwire enhancements.

2017 Personnel Expenses and Staffing

Total 2017 budgeted employment for the Reserve Banks, FRIT, and OEB is 19,822 ANP, an increase of 429 ANP, or 2.2 percent, from 2016 estimated staff levels. The increase is largely driven by support and overhead, Treasury services, IT, fee-based services, and monetary policy functions.

Significant Staffing (ANP) Changes 2016 Estimate to 2017 Budget	
2016 Estimate	**19,393**
Support and Overhead	134
Treasury	102
IT	62
Fee-Based Services	57
Monetary Policy	42
Other	32
2017 Budget	**19,822**

Support and overhead is increasing as Reserve Banks strengthen human resources capabilities; expand enterprise risk management capabilities; enhance facilities maintenance; and address a need for increased resources in multimedia, corporate planning, and internal audit. In the Treasury services function, ANP increases are due to updated requirements for ongoing projects, including Stored Value Card efforts, retail securities, collection services, and fiscal collateral monitoring services. IT staff is increasing to support application development projects, primarily for the national supervision initiatives and Treasury programs. Staff is also increasing in the fee-based services for the ACH platform modernization initiative and Fedwire enhancements, and in monetary policy to support regional economic research.

Reserve Bank officer and staff salaries and other personnel expenses for 2017 total $2,482.7 million, an increase of $138.4 million, or 5.9 percent, from 2016 estimated expenses. The increase reflects expenses associated with staff and budgeted salary adjustments, including merit increases, equity adjustments, promotions, and funding for variable pay.

Risks in the 2017 Budget

The most-significant risks in the 2017 budget are related to personnel. Changes in assumptions and updated demographic information that are used to determine benefit expense affect Reserve Bank budgets. Additionally, Banks are concerned about their ability to retain, hire, and replace staff with specialized skills and experience, particularly in monetary policy, supervision and IT. The increased focus on cybersecurity and application modernization may affect IT spending decisions. Mergers and acquisitions in the banking industry and potential changes in regulations with the new administration could shift supervisory responsibilities and influence Reserve Bank resource levels. The Bureau of the Fiscal Service's Fiscal Agent Consolidation effort will continue to affect projects in 2017 and over a longer-term planning horizon as business-line transition timelines are refined.

2017 Capital Budgets

The 2017 capital budgets submitted by the Reserve Banks, FRIT, and OEB total $416.6 million. The increase in the 2017 capital budget is $63.1 million, or 17.9 percent, above the 2016 estimated levels of $353.5 million, largely reflecting ongoing multiyear building and IT projects. New initiatives in the 2017 capital budget supporting workspace renovations, addressing aging building infrastructure, replacing the Treasury auction system, and providing application upgrades and releases. The chair of the Committee on Federal Reserve Bank Affairs designated a portion of these budgets, $85.6 million in 2017, for conditional approval, requiring additional review and approval by the director of the Division of Reserve Bank Operations and Payment Systems. The remainder of the budgets was approved in two categories: (1) approval for significant capital expenditures for 2017 and the remaining term of these projects ($571.1 million) and (2) single-year approval for all other capital expenditures by asset class ($78.7 million).

2017 Capital Budget
(dollars in millions)

	2017 Capital	2018 and Beyond Capital	Total
Capital expenditures designated as Conditional Approval[1]	**$85.6**	**$85.3**	**$170.9**
Projects previously designated	78.4	69.2	147.6
New Conditionally Approved projects	7.2	16.1	23.3
Significant Capital Expenditures	**252.3**	**318.8**	**571.1**
Other Capital Expenditures	**78.7**		**78.7**
Art	0.2		0.2
Building	16.5		16.5
Building, Machinery, & Equipment	11.5		11.5
Equipment	20.8		20.8
Furniture, Furnishings, & Fixtures	5.8		5.8
Land and Other Real Estate	1.5		1.5
Leasehold Improvements	0.0		0.0
Software	22.4		22.4
Total Capital Budget	**$416.6**	**$404.1**	**$820.7**

[1]Previously designated projects may include amounts that have already been approved by the Director of RBOPS that are not reflected on this chart.

Capital expenditures designated as conditional approval

The chair of the Committee on Federal Reserve Bank Affairs designated for conditional approval budgeted 2017 capital expenditures of $85.6 million and total multiyear budgeted expenditures of $170.9 million for 2017 and future years. The expenditures designated for conditional approval include large-scale building projects to renovate conference centers, cafeteria spaces, cash vault, and executive office spaces; mechanical and electrical infrastructure upgrades; and the migration of major applications off of the mainframe.[11]

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[11] The Reserve Bank migration strategy involves moving a majority of applications from the mainframe to alternate processing environments. 2017 budgeted projects include the migration of the statistics and reserves (STAR) application and the ACH processing platform.

Significant capital expenditures

Significant capital expenditures (typically expenditures exceeding $1 million) that have not been designated for conditional approval comprise budgeted 2017 expenditures of $252.3 million and total multiyear budgeted expenditures of $571.1 million for 2017 and future years. Projects in this category include IT support for Treasury, supervision, and monetary policy initiatives and building expenditures for office space renovations, security enhancements, and elevator upgrades.

Other capital expenditures

The 2017 capital budgets include $78.7 million for other capital expenditures. These projects are typically single-year, smaller (less than $1 million per project) building maintenance expenditures, equipment and furniture replacements, and scheduled software and equipment upgrades.

Five-Year Trend in Reserve Bank Expenses

Total expenses for the Reserve Banks have grown an average of 4.5 percent annually from 2012 actual through the 2017 budget.

Total Expenses of the Federal Reserve Banks, by Functional Area
(dollars in millions)

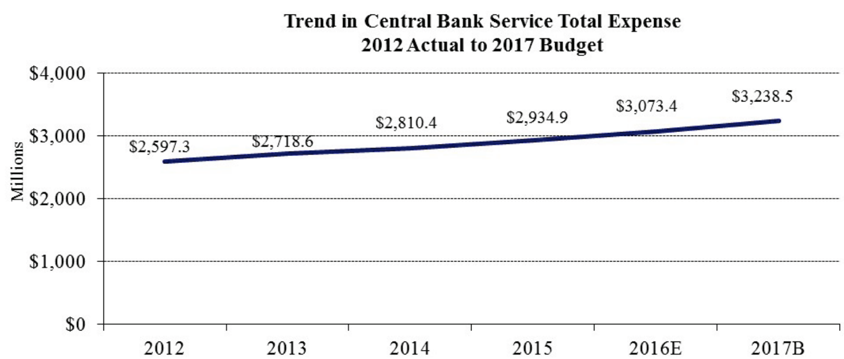
	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Estimate	2017 Budget	CAGR* 2012-2017
Monetary and Economic Policy	$563.3	$596.5	$609.2	$631.9	$659.2	$697.7	**4.4%**
Services to U.S. Treasury and Gov't Agencies	477.3	500.5	531.7	550.5	580.0	625.7	**5.6%**
Services to Financial Institutions and the Public	977.5	1,003.4	1,032.7	1,050.9	1,095.9	1,151.2	**3.3%**
Supervision	1,056.6	1,118.8	1,168.5	1,252.1	1,318.3	1,389.6	**5.6%**
Fee-Based Services to Financial Institutions	387.5	372.4	410.3	389.9	416.5	448.2	**3.0%**
Total	**$3,462.1**	**$3,591.6**	**$3,752.3**	**$3,875.3**	**$4,070.0**	**$4,312.4**	**4.5%**

*Compound Annual Growth Rate

Trends in Central Bank Total Expense

Expenses for central bank functions, which comprise monetary and economic policy, services to financial institutions and the public, and supervision, have grown an average of 4.5 percent annually over the past five years. Supervision has experienced the largest rate of growth, with an average of 5.6 percent annual expense growth over the past five years and a corresponding increase of 425 ANP since 2012. The additional resources and staffing were added over this period in response to the financial crisis, for the implementation of the Dodd-Frank Act requirements, and for the buildout of the cybersecurity supervision program.

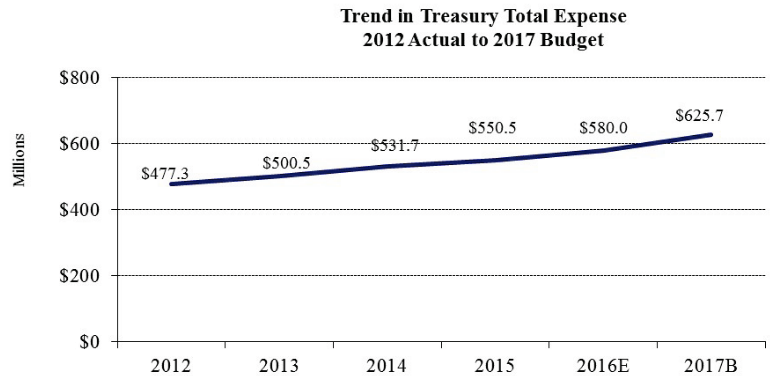
Monetary policy expenses have grown an average of 4.4 percent annually. This growth is largely driven by increases at the Federal Reserve Bank of New York, reflecting a focus on improving operational capabilities and restructuring analytical, technological, and operational activities to address the increased needs and responsibilities for financial stability monitoring. The Bank is also developing a sustainable technology platform to support post-crisis policy efforts. Additional growth in monetary policy expenses reflects increased resources dedicated to regional economic research.



Expenses in the cash area have increased an average of 4.1 percent annually, reflecting the multiyear development and implementation of a modernized cash processing and inventory-tracking infrastructure. These increases have been partially offset by lower expenses due to efficiency improvements in cash operations.

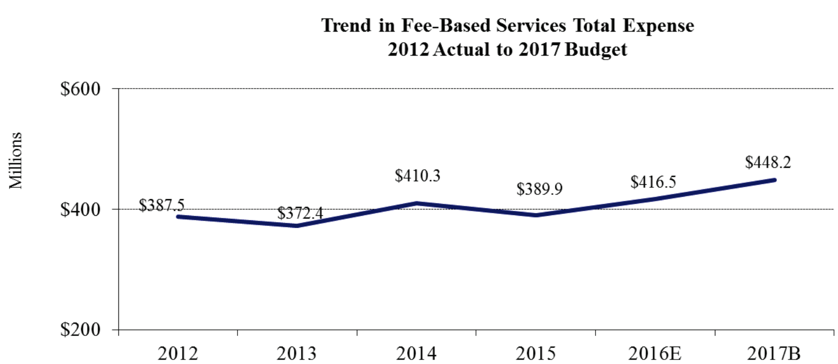
Trends in Treasury Services Expense

Treasury services expenses are projected to grow an average of 5.6 percent annually over the period of 2012 to 2017. Expenses have increased to meet the Treasury's evolving needs, including the automation of the Treasury's collection and payment services, the addition of Treasury applications to the TWAI, and other requested projects. Growth in recent years is largely attributable to the transition of the Collection Information Repository (CIR) from a financial institution, the expansion of the Financial Information Repository (FIR) to accommodate requirements of the DATA Act, the update and transition of the Invoice Processing Platform (IPP), the development of the Post Payment System (PPS), and the addition of NavyCash to the Stored Value Card business lines. A portion of this growth has been offset by staffing reductions and program changes initiated by the Treasury's multiphased retail program review.



Trends in Fee-Based Services Total Expense

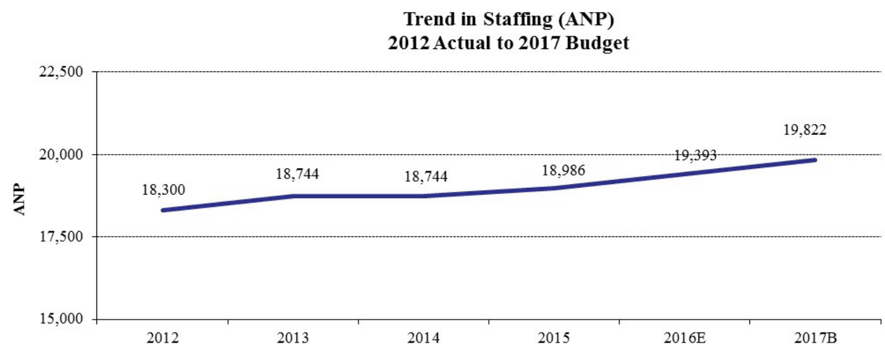
Fee-based services expenses have increased at an average of 3.0 percent annually. Expense increases are primarily for investments associated with multiyear technology initiatives to modernize processing platforms for Fedwire and ACH. These investments are expected to enhance efficiency, the overall quality of operations, and the Reserve Banks' ability to offer additional services to depository institutions. Partially offsetting these investments are check services expenses, which have declined an average of 4.7 percent annually since 2012, because



of the decline of paper-check volume and the efficiencies associated with electronic check processing.

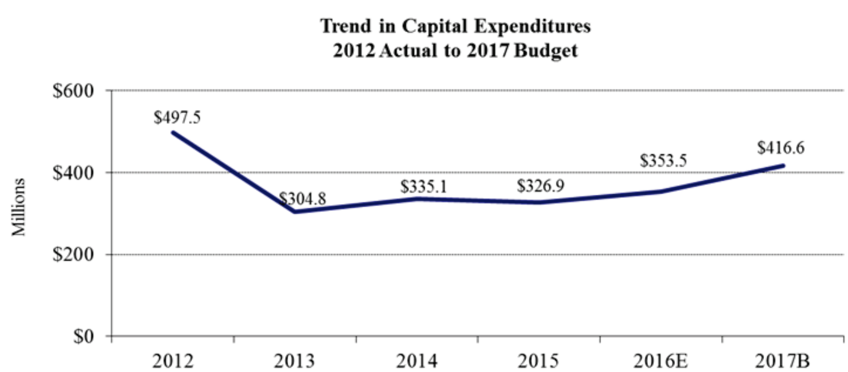
Trends in Staffing

Total staffing levels have increased at an average of 1.6 percent annually since 2012. The primary driver is in IT to support large application-development projects, information security efforts, end user services, and the central computing environment. Supervision resource levels were augmented to address supervision's capabilities to fulfill its responsibilities, including those added both by the Dodd-Frank Act implementation and by portfolio growth. New and ongoing Treasury-directed initiatives account for staffing increases in Treasury services. Monetary policy areas have grown modestly to support financial stability monitoring, operational activities, and regional economic research. These increases are offset, in part, by decreased staffing in fee-based services and cash functions.



Trends in Capital

Total capital spending is decreasing at an average of 3.5 percent annually since 2012. In 2012, FRB New York purchased the 33 Maiden Lane building. Excluding this large, one-time expenditure, total capital spending is increasing at an average of 5.1 percent annually.



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 Employment of the Federal Reserve Banks, by Functional Area
Table D	Budgeted Changes to the Cash Compensation Components of the Federal Reserve Banks, Officers and Staff, by District
Table E	Capital Outlays of the Federal Reserve Banks, by District

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 because of rounding.

Table A

TOTAL EXPENSES OF THE FEDERAL RESERVE BANKS
by District, 2016 and 2017
(Dollars in Thousands)

District	2016 Budget	2016 Estimate	2017 Budget	Variance 16E to 16B	17B to 16E	17B to 16B
Boston	236,482	232,637	230,478	-1.6%	-0.9%	-2.5%
New York	969,209	954,349	992,137	-1.5%	4.0%	2.4%
Philadelphia	194,010	189,057	191,425	-2.6%	1.3%	-1.3%
Cleveland	183,907	173,849	196,828	-5.5%	13.2%	7.0%
Richmond	352,315	358,551	450,638	1.8%	25.7%	27.9%
Atlanta	335,808	350,332	407,354	4.3%	16.3%	21.3%
Chicago	369,547	374,078	383,256	1.2%	2.5%	3.7%
St. Louis	374,243	366,944	399,126	-2.0%	8.8%	6.6%
Minneapolis	214,060	198,737	165,092	-7.2%	-16.9%	-22.9%
Kansas City	277,339	271,582	285,047	-2.1%	5.0%	2.8%
Dallas	231,059	230,593	229,120	-0.2%	-0.6%	-0.8%
San Francisco	378,598	369,243	381,941	-2.5%	3.4%	0.9%
Total	**4,116,578**	**4,069,953**	**4,312,443**	**-1.1%**	**6.0%**	**4.8%**

An accounting change implemented in 2017 results in cost shifts in all Districts. Expenses for IT activities performed on behalf of the System under a regionalized or centralized function are transferred to FRIT and billed back to all Districts, causing a one-time variance. In addition, because Richmond is the host Bank for FRIT, Richmond's budget includes FRIT common costs, which are resources that serve all users or beneficiaries of IT services.

In 2016, the Retail Product Office transferred 129 ANP from Minneapolis to Atlanta, resulting in a significant expense shift between the two Banks.

Table B

TOTAL EMPLOYMENT OF THE FEDERAL RESERVE BANKS
by District, 2016 and 2017
(Average Number of Personnel)

District	2016 Budget	2016 Estimate	2017 Budget	Variance		
				16E to 16B	17B to 16E	17B to 16B
Boston	1,130	1,111	1,131	-20	20	0
New York	3,311	3,254	3,319	-57	65	8
Philadelphia	892	903	914	11	11	22
Cleveland	1,010	967	995	-43	28	-15
Richmond	1,475	1,491	1,499	16	8	24
Atlanta	1,573	1,677	1,762	104	85	189
Chicago	1,551	1,544	1,600	-7	56	49
St. Louis	1,356	1,324	1,416	-32	92	60
Minneapolis	1,105	1,039	1,008	-66	-30	-96
Kansas City	1,722	1,756	1,850	34	94	128
Dallas	1,280	1,257	1,294	-22	37	15
San Francisco	1,695	1,712	1,697	17	-15	2
Subtotal	**18,101**	**18,036**	**18,487**	**-65**	**451**	**386**
FRIT	1,268	1,305	1,277	38	-28	10
OEB	55	51	58	-4	6	3
Total	**19,424**	**19,393**	**19,822**	**-31**	**429**	**398**

The 2016 estimate and 2017 budget include the effects of the Retail Product Office ANP transfer from Minneapolis to Atlanta.

Table C

TOTAL EMPLOYMENT OF THE FEDERAL RESERVE BANKS[1]

by Functional Area
(Average Number of Personnel)

	2012	2013	2014	2015	2016E	2017B	CAGR 2012-2017
Monetary and Economic Policy	1,223	1,237	1,247	1,262	1,289	1,330	**1.7%**
Services to U.S. Treasury and Gov't Agencies	1,071	1,138	1,049	1,101	1,162	1,264	**3.4%**
Services to Financial Institutions and the Public	2,659	2,670	2,648	2,618	2,583	2,606	**-0.4%**
Supervision	3,725	3,860	3,886	4,006	4,140	4,150	**2.2%**
Fee-Based Services to Financial Institutions	840	717	683	679	722	779	**-1.5%**
Local Support and Overhead	6,457	6,635	6,698	6,727	6,841	7,002	**1.6%**
Nationally Provided Support	1,274	1,305	1,328	1,317	1,378	1,376	**1.6%**
Centralized Service Providers	1,051	1,182	1,204	1,275	1,277	1,314	**4.6%**
Total	18,300	18,744	18,744	18,986	19,393	19,822	**1.6%**

[1] 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 functional areas. The table has been recategorized from previous years for consistency in reporting.

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

Table D

BUDGETED CHANGES TO CASH COMPENSATION PROGRAMS OF THE FEDERAL RESERVE BANKS

Officers and Staff by District, 2017

(Dollars in Thousands)

		Additions to Salary Base					Total	
District	Total 12/31/16 Salary Liability (a)	Merit (b)	Equity & Market Adjustments (c)	Promotions and Reclasses (d)	Percentage Increase to Total 12/31/16 Salary Liability (b + c + d) / (a)	Incremental Variable Pay (e)	Dollars (b + c + d + e)	Percentage Increase to Total 12/31/16 Salary Liability (b + c + d + e) / (a)
Boston	128,915	3,867	748	1,272	4.6%	529	**6,417**	5.0%
New York	457,290	13,719	2,286	4,310	4.4%	1,918	**22,233**	4.9%
Philadelphia	88,520	2,656	1,608	885	5.8%	475	**5,624**	6.4%
Cleveland	90,208	2,706	684	902	4.8%	830	**5,122**	5.7%
Richmond	144,877	4,333	717	435	3.8%	803	**6,288**	4.3%
Atlanta	165,198	4,956	476	1,125	4.0%	690	**7,248**	4.4%
Chicago	172,266	5,164	2,170	657	4.6%	1,313	**9,305**	5.4%
St. Louis	125,375	3,761	627	1,254	4.5%	1,942	**7,583**	6.0%
Minneapolis	87,681	2,630	609	438	4.2%	674	**4,353**	5.0%
Kansas City	161,174	4,835	914	1,999	4.8%	1,757	**9,504**	5.9%
Dallas	110,774	3,320	1,261	1,108	5.1%	743	**6,431**	5.8%
San Francisco	198,712	5,765	1,320	1,977	4.6%	1,168	**10,229**	5.1%
FRIT	142,914	4,287	715	1,429	4.5%	1,512	**7,943**	5.6%
OEB	8,213	246	41	82	4.5%	45	**414**	5.0%
Total	**2,082,119**	**62,246**	**14,176**	**17,873**	**4.5%**	**14,400**	**108,694**	**5.2%**

The table above shows the cash compensation components that add to base salary (merit, equity, and promotion) and the 2017 incremental increase in variable pay expense compared with those estimated for 2016.

December 31, 2016 Salary Liability: the annualized salary expense based on the salaries in effect on December 31.

Merit: the amount of 2017 budgeted salary expense that reflects salary increases for individuals based on performance.

Equity Adjustments: the amount of 2017 budgeted salary expense to bring individual salaries to the minimum of a salary range or to better align salaries based on internal or external compensation pressures.

Promotions: the amount of 2017 budgeted salary expense that reflects salary increases for individuals as a result of promotions resulting from a significant increase in job responsibilities.

Variable Pay: The change in 2017 budgeted incentive payments (payment for the achievement of pre-determined goals) and cash awards (awards in recognition of exceptional achievements) compared with the 2016 estimate.

Table E

CAPITAL OUTLAYS OF THE FEDERAL RESERVE BANKS

by District, 2016 and 2017

(Dollars in Thousands)

District	2016 Budget	2016 Estimate	2017 Budget	Variance 16E to 16B	17B to 16E	17B to 16B
Boston	21,578	19,820	26,625	-8.1%	34.3%	23.4%
New York	81,134	82,905	100,780	2.2%	21.6%	24.2%
Philadelphia	22,240	18,297	20,931	-17.7%	14.4%	-5.9%
Cleveland	18,140	18,148	32,836	0.0%	80.9%	81.0%
Richmond	15,620	9,992	21,265	-36.0%	112.8%	36.1%
Atlanta	33,826	26,171	25,806	-22.6%	-1.4%	-23.7%
Chicago	26,055	21,675	29,207	-16.8%	34.8%	12.1%
St. Louis	10,224	12,410	6,785	21.4%	-45.3%	-33.6%
Minneapolis	4,365	5,175	4,418	18.6%	-14.6%	1.2%
Kansas City	29,719	26,274	25,295	-11.6%	-3.7%	-14.9%
Dallas*	18,051	15,017	19,270	-16.8%	28.3%	6.8%
San Francisco	57,493	34,082	36,202	-40.7%	6.2%	-37.0%
Subtotal	**338,445**	**289,966**	**349,420**	**-14.3%**	**20.5%**	**3.2%**
FRIT	65,368	63,473	67,162	-2.9%	5.8%	2.7%
OEB	5	40	35	700.0%	-12.5%	600.0%
Total	**403,819**	**353,479**	**416,617**	**-12.5%**	**17.9%**	**3.2%**

*Excludes $1.0 million from the 2016B for the cancelled End-to-End Billing project at FRB Dallas.