

Note about the implementation of the 2025 Currency Budget

The currency budget represents the maximum amount that is authorized for particular purposes related to the Board's role as the issuing authority for U.S. currency. It does not constitute an obligation to spend funds, and actual spending on budget items may be reduced or eliminated without formal amendment to the budget.

With particular relevance to the 2025 budget, and as has been done historically, the Federal Reserve System has sought to align where appropriate and within the law with executive orders, including with the federal government hiring freeze announced on January 20, 2025. The Federal Reserve System also announced in May that it has initiated a plan to reduce its overall headcount by ten percent over the next few years.

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

The currency budget is primarily used to reimburse the Treasury Department's Bureau of Engraving and Printing (BEP) for their expenses related to the production of currency. As noted in the below memo, decisions on two of the multiyear strategic initiatives: the denominational release sequence for the next family of notes; and the BEP's planned replacement of the Washington D.C. facility, are made by the Treasury Department. Board staff will recommend adjustments to the currency budget as needed as these programs continue to evolve.

Below is the 2025 currency budget that was approved on December 15, 2024. In the intervening period, the Board of Governors aligned where appropriate and within the law with executive orders, including with the federal government hiring freeze. This alignment relates to positions noted in the approved budget reported below.

2025 Currency Budget

Action

On December 2, 2024, the Board approved the following:

1. A \$1,040.0 million single-cycle operating budget for 2025 (see figure 1).
2. An increase to the Board currency program's authorized position count by 3, to 27 total positions (see figure 1).
3. A \$50,000 single-cycle capital budget for adversarial analysis equipment for Board staff use for 2025.

There were no requested actions related to the multicycle project budget (see figure 3).¹

Discussion

Statutory Responsibility

The currency budget provides funds to reimburse the Bureau of Engraving and Printing (BEP) for expenses necessarily incurred related to the production of banknotes and the

¹ The multicycle project budget is a Board operating budget. Although the multicycle project budget funds capital projects, the assets belong to the BEP, and the budget is an operating expense for the Board. The Board has previously reviewed and approved the lifetime project budget for the two multicycle projects that have planned 2025 spend; the Washington, D.C. replacement facility (DCRF) (\$1,784.1 million) and note production equipment (\$1,265.0 million).

Board's activities that support the Board's role as the issuing authority for banknotes.² As the issuing authority, the Board is responsible for ensuring that there is an adequate supply of banknotes in circulation, that the banknotes meet defined quality standards, and that the development of banknote security features and new design concepts is robust against counterfeiting. To support the Board's role, the budget includes BEP note production costs, consistent with the annual calendar year print order submitted by the director of the Board's Division of Reserve Bank Operations and Payment Systems (RBOPS) on behalf of the Board.³ The budget also funds Board costs to ship new currency from the BEP to Reserve Banks, Board costs to ship currency between the Reserve Banks, and program management expenses to support long-term issuance strategies and resiliency. Program management expenses include work by Board staff, with support from the Reserve Banks, the Treasury Department, the BEP, and the U.S. Secret Service (USSS), to ensure that notes meet quality standards and have suitable security and design features to discourage or prevent counterfeiting.

More broadly, the Board plays a central role in protecting the integrity of, and maintaining public confidence in, U.S. currency. Working with other U.S. Currency Program (USCP) stakeholders, that is the BEP, the Treasury Department, and USSS, Board staff performs development and testing of security features and designs in support of the next banknote family. Board staff also monitors counterfeiting threats for each denomination and conducts adversarial analysis to ensure resistance to counterfeiting. The currency budget also funds the currency education program, housed in RBOPS, which aims to protect and maintain confidence in U.S. currency worldwide by facilitating counterfeit-detection trainings for Reserve Bank and foreign central bank staff and providing education and information about banknote security features to the public. The currency education program also conducts outreach on USCP initiatives to key stakeholders, including commercial banks, retailers, cash-intensive industries, and law enforcement agencies.

² Throughout this memo, Federal Reserve notes, banknotes, notes, and currency are used interchangeably. The Board reimburses the BEP for all costs related to the production of currency because the BEP does not normally receive federal appropriations. Section 16 of the Federal Reserve Act requires that all costs necessarily incurred for the issuance of notes be paid for by the Board and included in its assessments to the Reserve Banks. All operations and capital investments of the BEP are financed by a revolving fund that is reimbursed through product sales, nearly all of which are sales of Federal Reserve notes to the Board to fulfill its annual print order.

³ The Board delivers the annual print order to the BEP director in July of each year, and copies are available on [the Board's public website](#).

Currency Budget Overview

The currency budget comprises a single-cycle operating budget and a multicycle project budget. The single-cycle operating budget includes both BEP and Board costs. The BEP submits a budget proposal that includes fixed and variable costs for printing Federal Reserve notes. The banknote printing and related support costs constitute 93.9 percent of the 2025 single-cycle currency operating budget. The Board's portion of the 2025 single-cycle operating budget makes up the remaining 6.1 percent and aligns with the Board's strategic priorities. In 2025, multicycle project costs for the BEP's large-scale capital investments include the Washington, D.C., replacement facility (DCRF) project and note production equipment. The Fort Worth, Texas, western currency facility (WCF) expansion project was successfully completed in 2024.

On an annual basis, Board staff reviews BEP and Board budget proposals and recommends approval to the Board. Following Board approval of the currency budget, the actual costs of currency are recorded monthly and assessed to each Federal Reserve Bank. A key distinction between the single-cycle and multicycle budget approval is the timing of Board reimbursements as budget approval for the multicycle budget does not necessarily provide reimbursement in the same calendar year.

Multiyear Strategic Initiatives

There are large-scale, strategic initiatives at the BEP and in the Federal Reserve System that are critical to the evolution of the USCP. The following programs will have impacts in the current-year budget proposal, with significant cost increases expected in future years, most notably for production costs of the next family of notes.

- Next family of notes: The next family of notes is currently planned to include new security features and updated designs to increase public engagement and reduce counterfeiting risks. These security features require new materials and production equipment, leading to increased production costs across the entire family.⁴ The denominational release sequence currently approved by the Secretary of the Treasury, begins with the release of a new \$10 note in 2026, followed by the release of a new denomination approximately every two years until all denominations (other than \$1 and \$2 notes) have been updated. In addition to increased production costs, ensuring that an

⁴ By statute, the Secretary of the Treasury decides the themes and subject matter of banknotes. The work of Board staff in these new designs is focused upon improving security features and related anti-counterfeiting efforts.

adequate supply of notes is available during the transition may require additional inventory of both current notes and the next family of notes. The annual print order may be adjusted to support other program needs of the USCP. This adjustment could result in additional or reduced printing costs.

- DCRF: A new BEP production facility is planned to replace the original downtown building on 14th Street SW in Washington, D.C. The new building is designed to meet modern production requirements that are critical to the future of the USCP.⁵ In addition to the lifetime project budget of \$1,784.1 million approved by the Board in October 2023, indirect production cost and BEP-to-Reserve Bank transportation costs are projected to increase during the transition from the current facility to the new facility from 2027 to 2030. A decline in production is expected during the transition that may necessitate increasing currency production and transportation in advance of the move.
- NextGen Program: NextGen is a System initiative to replace the existing, decades-old high-speed currency processing equipment with new equipment and technology. This equipment plays a critical role in the USCP's ability to fulfill its mission and maintain confidence in U.S. currency by meeting demand for fit currency, maintaining currency quality, preventing the recirculation of potentially counterfeit notes, and ensuring effective risk and cost management for Reserve Bank cash operations. While the program's cost is included in the Reserve Banks' budgets, there are also indirect currency expenses associated with the program's deployment. During the deployment period between 2025 and 2028, Reserve Banks will need to manage inventory while processing capabilities are reduced and until machines are operating with optimal output. The 2025 budget includes additional transportation costs for shipments needed to support pilot and testing efforts of NextGen as select offices undergo construction to prepare for 2025 deployment. These additional costs will likely continue each year of NextGen deployment.

⁵ The rationale for the new facility is laid out in a Government Accountability Office (GAO) report published in April 2018: <https://www.gao.gov/products/gao-18-338>.

2024 Budget Performance and 2025 Budget Request

Figure 1 provides single-cycle operating costs and position counts included in the Board's 2024 budget, 2024 forecast, and 2025 budget. Figure 2 provides details on the volume of notes the Board included in its 2024 budget, 2024 forecast, and 2025 budget.

Figure 1: Single-cycle operating budget

Millions of dollars	2024 Budget	2024 Forecast	2025 Budget	Variance 24F to 24B		Variance 25B to 24F	
				Amount	Percent	Amount	Percent
BEP costs	\$1,033.7	\$976.8	\$976.9	-\$56.9	-5.5%	\$0.1	0.0%
Printing Federal Reserve notes^a	1,027.4	972.4	972.0	-55.0	-5.4%	-0.4	0.0%
Fixed printing costs	665.5	659.8	688.6	-5.7	-0.9%	28.8	4.4%
Variable printing costs	361.9	312.6	283.4	-49.3	-13.6%	-29.2	-9.3%
BEP support costs	6.3	4.5	5.0	-1.9	-29.5%	0.5	10.8%
Currency reader	1.1	1.1	1.2	-0.1	-5.5%	0.1	8.9%
Mutilated currency	5.2	3.4	3.8	-1.8	-34.8%	0.4	11.4%
Board costs	70.2	57.7	63.1	-12.5	-17.9%	5.4	9.4%
Currency issuance	31.7	21.6	25.0	-10.0	-31.6%	3.4	15.6%
Banknote development	32.6	29.8	24.7	-2.7	-8.4%	-5.1	-17.2%
Currency education	6.0	6.2	7.1	0.2	3.5%	0.8	13.3%
Counterfeit threat analysis	0.0	0.0	6.3	0.0		6.3	
Operating budget	\$1,104.0	\$1,034.5	\$1,040.0	-\$69.4	-6.3%	\$5.5	0.5%

Positions^b	24	24	27	0	0.0%	3	12.5%
Currency issuance	5	5	5	0	0.0%	0	0.0%
Banknote development	10	10	10	0	0.0%	0	0.0%
Currency education	6	6	6	0	0.0%	0	0.0%
Counterfeit threat analysis	0	0	3	0		3	
Program direction ^c	3	3	3	0	0.0%	0	0.0%

Note: Here and in subsequent tables, components may not sum to totals and may not yield percentages shown because of rounding.

a. BEP forecast figures represent the Board payments to the BEP based on budgeted billing rates.

b. Position figures represent authorized Board employment count for the currency budget.

c. All officers providing direction for currency issuance, banknote development, currency education, and counterfeit threat analysis are shown under program direction.

Figure 2: Production of notes

Millions of notes	2024 Budget	2024 Forecast	2025 Budget	Variance 24F to 24B		Variance 25B to 24F	
				Amount	Percent	Amount	Percent
Calendar year print order	6,320.0	5,772.4	4,656.0	-547.6	-8.7%	-1,116.4	-19.3%

Note: The print order for 2024 shifted from a fiscal year basis to a calendar year basis, largely driven by the need for increased supply chain lead time and longer production planning horizons for the BEP. The print order for calendar year 2025 was issued in July of 2024.

2024 Budget Performance

BEP Single-Cycle Operating Costs and Revolving Fund Update

Total 2024 BEP single-cycle operating expenses are forecast to be \$976.8 million, which is \$56.9 million, or 5.5 percent, less than the budgeted amount. The 2024 forecast, based on Board reimbursements, is anticipated to be under budget in both fixed and variable printing costs. Fixed costs in 2024 are below budget because several planned capital projects have been delayed and are expected to be realized in 2025. Variable costs are expected to be below budget because BEP and Board staff agreed to reduce forecasted note deliveries to reflect the most-recent data from 2024, which suggests less demand for certain denominations.

In 2024, the Board estimates \$1,185.8 million in reimbursements to the BEP; \$976.8 million for single cycle and \$209.0 million for multicycle expenses. As previously noted, the Board provides reimbursements throughout the year based on budgeted expenses, and the timing of these reimbursements differs based on the type of expenses. Because of these timing differences, in 2024 the BEP began to perform an annual reconciliation of actual year-end costs against actual year-end Board reimbursements to calculate any credits or debits, which are then applied to forthcoming invoices. Board staff work with the BEP to identify these entries, which affect the revolving fund balance. Board and BEP staff conduct periodic reviews of the BEP's revolving fund and agree that the projected 2024 balance is appropriate.⁶

Board Single-Cycle Operating Costs

Total 2024 Board single-cycle operating expenses are forecast to be \$57.7 million, which is \$12.5 million, or 17.9 percent, less than the budgeted amount. The primary drivers are lower currency issuance costs for banknote transportation and an underrun in banknote development. The underrun in currency issuance costs result from lower-than-expected demand for currency, healthy inventory levels among Reserve Banks, better-than-expected results at managing transportation contract price increases, and one-time factors related to shifts in NextGen program timelines. Future forecasts will aim to incorporate pricing increases based on most-recently obtained contract proposals and will continue to strive to balance the volatility

⁶ Board and BEP staff have agreed that the revolving fund balance should include 60 days of operating expenses plus 90 days of forecast capital expenditures. There can be large fluctuations in the BEP's revolving fund balance, given the timing of invoice payments, which can then result in an amount that differs from the agreed-upon balance.

of currency demand, domestically and internationally, with inventory needs associated with ongoing System initiatives.

The underrun in banknote development's budget was primarily due to a smaller scope for banknote development process consulting and decreased membership fees for the Central Bank Counterfeit Deterrence Group (CBCDG).

2025 Operating Budget Request Overview

BEP Single-Cycle Operating Costs

The 2025 BEP budget, which funds BEP printing and support costs, is \$976.9 million, which is \$0.1 million, or 0.01 percent, higher than the 2024 forecast. In 2025, variable printing costs are declining by \$29.2 million, or 9.3 percent, largely as a result of the reduced print order between 2024 (6.3 billion notes) and 2025 (4.7 billion notes). While total variable costs are expected to be lower given the decreased order volume, the per unit costs to print each denomination is increasing due to the loss of a volume-based paper discount. That decline is partially offset by a \$28.8 million, or 4.4 percent, increase in fixed printing costs that reflects additional BEP staffing to support the new family of notes and several cybersecurity initiatives to support a new requirement from the May 2021 executive order from the National Institute of Standards and Technology.

Board Single-Cycle Operating Costs

The Board single-cycle operating costs for 2025 are projected to be \$63.1 million, which is \$5.4 million, or 9.4 percent, higher than the 2024 forecast. The variance is primarily driven by increases for currency shipments and to support the inclusion of new counterfeit threat analysis work. The Board single-cycle operating budget includes personnel, contractual, and overhead costs in four areas: currency issuance, banknote development, currency education, and counterfeit threat analysis.⁷

The currency issuance budget funds transportation, consulting, and personnel costs and is projected to increase by \$3.4 million, or 15.6 percent, from the 2024 forecast. Increased transportation costs reflect updated contract pricing, additional shipments to support

⁷ The currency budget receives indirect costs for enterprise IT, facilities, law enforcement, human resources, and other services that are allocated based on full-time equivalent (FTE) personnel.

inventories at Reserve Bank cash offices undergoing NextGen renovations, and heavier reliance on shipments to manage inventory balances across the System given the lower print order.

The banknote development budget funds security feature development, counterfeit deterrence, annual memberships, and banknote manufacturing support initiatives and is projected to decrease \$5.1 million, or 17.2 percent, from the 2024 forecast. The decrease is primarily attributable to the completion of a long-term counterfeit-detection initiative, and a reduction in contractual expenses for cross-program coordination as Board staff look to transition efforts internally. These expense reductions are partially offset by an increase in CBCDG membership fees based on newly defined work in 2025 and deferred work from 2024.

The currency education budget is anticipated to be \$0.8 million, or 13.3 percent, higher than the 2024 forecast. The currency education budget will continue to fund efforts to protect and maintain confidence in U.S. currency worldwide through training, education, and communication. In the coming year, the program will focus on public outreach efforts and brand strategy to prepare for changes in currency packaging and the release of the next family of notes.

In 2025, the Board's single-cycle operating budget includes \$6.3 million to provide three new positions and additional contract resources to support counterfeit threat analysis. Historically, Board staff has collaborated with other central banks and U.S. government agencies to conduct counterfeit threat, adversarial, and intelligence analysis related to the security of U.S. currency. However, over the last several years there has been a change in priorities and focus for these external organizations as they necessarily shifted resources toward areas more central to their respective missions. This shift leaves less capacity, and at some times no capacity, for these external agencies to contribute to banknote security and related analysis.

The funding for the three new positions will allow hiring staff with experience in analyzing and curating intelligence focused on the Board's currency issuance role. The new staff will work closely with the Board's existing counterfeit intelligence team, which collaborates closely with other agencies. These three analysts will bring additional expertise and perspective on banknote issues, including security features and circulation patterns, currently unavailable at the Board or at other agencies that work with intelligence information.

The additional contract funding will support three efforts focused on counterfeit threat analysis. Two of these will assess options for counterfeit processing currently done by Reserve Banks and the USSS in their Counterfeit Currency Processing Facility (CCPF) and the third will enable us to better respond to counterfeiting threats. The first effort will examine the

feasibility of using artificial intelligence (AI) tools to analyze suspect counterfeit notes as they are processed by Reserve Banks, applying existing Board-funded AI-based research on counterfeit detection. The second effort includes identifying improvements in resource efficiency, data throughput, and analytical yield of counterfeit processing at the Reserve Banks and the CCPF. The third effort focuses on developing a standardized risk management process to identify, categorize, assess, and prioritize counterfeit risks and their responses. These improvements will allow USCP agencies to more effectively coordinate their efforts to combat the production and distribution of counterfeit notes.

In light of the enduring prominence of the U.S dollar as a global reserve currency and thus as a target for nation-state and other counterfeiting attacks, the Board concurred with staff recommendations for investments in intelligence and adversarial analysis that will directly inform decision making by agencies of the USCP, including decisions on security features and currency distribution. While we will continue to rely heavily on our external partners for general intelligence and threat analysis, we will position ourselves to do some of the work related specifically to banknote security, and to provide the related deep and focused technical expertise that is not available from other agencies.

Board Single-Cycle Capital Budget

The workspace at the Board contains an adversarial analysis laboratory to assess the counterfeiting threat to potential new security features. The \$50,000 single-cycle capital budget for 2025 is needed to replace aging equipment to enable staff to assess various levels of counterfeiting attacks.

BEP Multicycle Project Costs

Figure 3: Multicycle projects in the currency budget

Millions of dollars	2023 and prior actual	2024 Budget	2024 Forecast	2025 Budget	2026 and subsequent forecast	Prior Board approval	Board reimbursable limit ^a	Lifetime project budget
Washington, D.C. replacement facility (DCRF) ^b	\$120.9	\$39.2	\$25.4	\$117.9	\$1,519.7	\$1,784.1	\$1,784.1	\$1,784.1
Note production equipment ^c	190.9	215.3	183.6	105.6	784.9	1,265.0	1,224.8	1,265.0
Total	\$311.9	\$254.5	\$209.0	\$223.5	\$2,304.7	\$3,049.1	\$3,008.9	\$3,049.1

Note: Funding for facility projects is provided a quarter in advance of the BEP's expected capital outlays. Figures represent Board reimbursements to the BEP, which may vary from BEP's actual expenses.

a. Board approval represents support for a budgeted project and the authority for the BEP to enter into procurement agreements. This differs from the Board reimbursable limit, which represents the Board's commitment to reimburse the BEP.

b. The Board approved the DCRF in phases. In December of 2022, the Board approved \$134.1 million. In October of 2023, the Board approved an additional \$1,650.0 million.

c. In August of 2023, under delegated authority, the director of RBOPS approved \$746.8 million. In May of 2024, under delegated authority, the director of RBOPS approved an additional \$478.0 million. There is \$40.2 million remaining in contingency funding that has not been released.

The multicycle project budget submitted by the BEP includes requests to support budget authority for DCRF and note production equipment (see figure 3).⁸ In 2022, the Board approved shifting large-scale capital investment projects from a single-year approval to a multiyear total cost approval process to ensure that the BEP has sufficient cash to pay obligations that span multiple budget years, provide regular reporting of lifetime project costs, and provide flexibility to manage inherent project changes. For those reasons, the Board approved the inclusion of funding for DCRF and note production equipment within the multicycle project budget. As of May 2024, there was a total of \$3,049.1 million in approved multicycle project funding, which includes \$1,784.1 million for the new DCRF facility and \$1,265.0 million for a generational upgrade of note production equipment. The Fort Worth facility expansion project has been completed and is therefore no longer reflected in figure 3. The BEP anticipates spending \$266.1 million in total project cost, within the existing Board reimbursable limit (\$273.3 million). However, the possibility exists for final funding to be released up to the lifetime project budget (\$282.8 million) dependent on final project closeout tasks and potential contractor requests for equitable adjustment remaining.

Funding for DCRF has been approved in phases. In late 2022, the Board approved an initial funding amount of \$134.1 million to fund design, project management, and specific portions of preparatory construction expenses. In October 2023, the Board approved an additional \$1,650.0 million primarily to fund construction costs and contingency, reaffirming a total lifetime project budget of \$1,784.1 million for DCRF. During 2024, the Board estimates \$25.4 million in reimbursements to the BEP for design related expenditures, including design for the off-site roadway, and construction tasks such as demolition and site preparation. In 2025, the Board estimates \$117.9 million in reimbursements to conduct site preparation and begin construction, in addition to ongoing architectural, engineering, project management, and design management work.

Funding for modernized BEP note production equipment has also been approved in phases. In 2016, the director of RBOPS and the director of the BEP agreed to a multiyear

⁸ Budget authority approval for the multicycle project differs from the single-cycle budget in that funds are approved prior to the BEP entering into any procurement agreements and will only be reimbursed after the Board is invoiced. Invoices should be remitted one quarter prior to when the funds will be spent.

manufacturing strategic plan to replace aging production equipment.⁹ This strategy is reviewed annually by Board and BEP staff to ensure continued alignment on long-term equipment and capital investments to support production needs.¹⁰ To determine the appropriate replacement strategy, BEP staff completed an engineering analysis to determine the right balance of equipment to meet the long-term capacity objective of issuing a baseline of 7.5 billion notes annually. Board staff reviewed and supported the BEP's assessment. In addition to replacement equipment, the budget also includes equipment to support the new family of notes that introduces new security features. Note production equipment carries a lifetime project budget of \$1,265.0 million, which funds the replacement of nine production equipment projects at the BEP through 2033.¹¹ Seven out of the nine projects have been awarded, and the contract awards are aligned with the budget.¹² The remaining projects are expected to be awarded before the end of 2024. During 2024, the Board estimates \$183.6 million in reimbursements to the BEP for expenditures related to initial payments, testing, design reviews, and initial shipping of various equipment. In 2025, the Board estimates \$105.6 million in reimbursements to cover payments as equipment is manufactured, delivered, and installed at the BEP.

⁹ In August 2023, under delegated authority, the director of RBOPS approved \$746.8 million for printing presses and examination and inspection equipment. In December 2023, the Board conditionally approved a portion of the note production equipment budget (\$478.0 million), requiring additional review and approval by the director of RBOPS. In May 2024, under delegated authority, the director of RBOPS released \$478.0 million from conditional approval to fund the remaining finishing systems, presses, and examination equipment. There is \$40.2 million remaining in contingency funding that has not been released.

¹⁰ Per the current memorandum of understanding, the BEP can acquire agreed-upon production equipment as part of the long-term manufacturing strategic plan without consulting with the director of RBOPS. The BEP will consult with the director of RBOPS for capital projects that exceed \$1 million that are not part of the plan. The memorandum of understanding was updated in 2024 to document guidance for approving and funding capital projects.

¹¹ BEP staff estimates that the equipment will have a life expectancy of 15-20 years and will require mid-lifecycle upgrades 7-10 years after it has been placed in service.

¹² Contracts for the hot foil press, rotary screen press, inspection finishing system, and intaglio have been awarded. Remaining contracts to be awarded are for offset and nonsequential large examining printing equipment (ns-LEPE).