BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Date: December 15, 2004

To: Board of Governors

From: Mark W. Olson

Subject: 2005 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 2005. In aggregate, the 2005 Reserve Bank budgets total $2,663.1 million, an increase of $82.0 million or 3.2 percent over 2004 estimated expenses. I am forwarding the attached staff memorandum to the Board for its consideration, along with draft letters to the Reserve Bank presidents and the directors of FRIT and OEB.

Attachments

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

Date: December 8, 2004

To: Committee on Federal Reserve Bank Affairs

From: Lauren Oriente, Cathie Austin, Stuart Sperry, Dorothy LaChapelle, and Paul Bettge

Subject: 2005 Final Reserve Bank Budgets

ACTION REQUESTED

Staff requests Committee review of its recommendation that the Board approve the 2005 Reserve Banks' budgets totaling $2,663.1 million, an increase of $82.0 million or 3.2 percent over 2004 estimated expenses.[1] Staff also requests Committee review of its recommendation that the Board approve the 2005 Reserve Bank and FRIT capital budgets totaling $430.5 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-2619). We have attached additional statistical information, which provides detail on expenses, staffing, and capital outlays.

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

The 2004 estimate, developed in late 2004, is the latest forecast of current-year expenses by the Reserve Banks and allows for a comparison of spending and staffing levels to the 2004 approved budget, which was approved in December, 2003, and the proposed 2005 budget.

TOTAL EXPENSE AND EMPLOYMENT SUMMARY

In 2004, the Reserve Banks adopted a change in eligibility criteria for post-retirement medical benefits (FAS 106). In accordance with generally accepted accounting principles, a one-time curtailment gain associated with this change will be realized in 2004, totaling approximately $85 million. Largely because of this one-time curtailment gain in 2004, the Reserve Banks' 2005 budget reflects an $82 million, or 3.2 percent increase. As shown in Table 1, when the one-time gain is excluded from the 2004 estimate, 2005 budgeted expense is lower than the 2004 estimate by $3.2 million. To reflect the 2005 change in ongoing operating expense more accurately, data presented in this memorandum approximates the expense effect of various initiatives, excluding the effect of this significant one-time event.

Table 1
Budget Year Summary
(dollars in millions)

	2004 Estimate	2005 Budget	04E-05B Change Amount	Percent
Total Expense	$2,581.1	$2,663.1	$82.0	3.2
FAS106 curtailment gain	-$85.2	-	$85.2	na
Total Expense excluding FAS 106	$2,666.3	$2,663.1	-$3.2	-0.1

The 2005 budget reflects the effect of existing and new initiatives to manage cost growth aggressively through operational efficiencies, including additional restructuring and consolidation efforts. These efforts, in large part, are driven by the need to reduce check costs commensurate with declining revenue. Many areas of the Banks have reduced costs, with significant reductions in the support functions in an effort to align these functions with a shrinking demand for their services. In 2005, further check restructuring is planned along with consolidations in Reserve Bank customer support and marketing functions and in Treasury's retail securities operations (*TreasuryDirect* and savings bonds).

Approximately 50 percent of Reserve Bank expenses in the 2005 budget are offset by priced service revenues (34 percent) and reimbursable claims for services provided to the Treasury and other agencies (16 percent). Budgeted 2005 revenue is lower than the 2004 estimated level, primarily as a result of declining check volume, offset slightly by higher imputed net income on clearing balances (NICB) and electronic

Table 2
Federal Reserve System Costs and Reimbursables/Revenues
(dollars in millions)

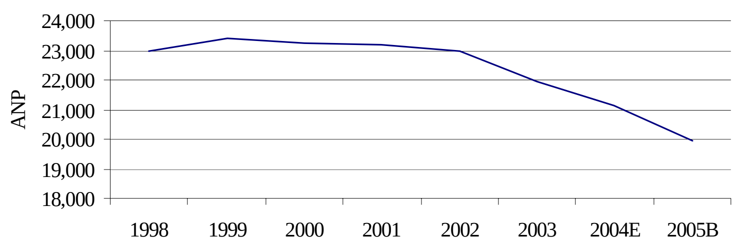
	Costs[1]		**Reimbursables/Revenues[2]**		**Net Expense (Revenues)**	
	2004 Estimate	**2005 Budget**	**2004 Estimate**	**2005 Budget**	**2004 Estimate**	**2005 Budget**
Reimbursable Fiscal Agency Services	$384.9	$424.9	$384.9	$424.9	-	-
Priced Services[3]	$818.9	$758.4	$913.6	$901.7	($94.7)	($143.3)
Central Bank	$1,377.3	$1,479.8	-	-	$1,377.3	$1,479.8
Monetary and Economic Policy	*$259.9*	*$287.6*				
Services to DIs and the Public	*$623.3*	*$672.8*				
Supervision and Regulation	*$494.1*	*$519.4*				
Total	**$2,581.1**	**$2,663.1**	**$1,298.4**	**$1,326.7**	**$1,282.6**	**$1,336.4**

[1] Costs represent operational costs only. Float and the Private Sector Adjustment Factor (PSAF) are not included in these totals.
[2] Revenues include Net Income on Clearing Balances.
[3] For details on priced services costs and revenues, see the November 4, 2004 press release on the approval of 2005 fee schedules for Federal Reserve Bank priced services on the Board of Governor's website.

connection revenue. Reimbursable claims will increase 10.4 percent in 2005, reflecting additional efforts by the Reserve Banks on behalf of the Treasury.

Total 2005 projected employment for the Reserve Banks, FRIT, and OEB is 19,967 ANP, a decrease of 1,193 ANP or 5.6 percent from 2004 estimated staff levels.[2] The 2005 staffing decrease continues the trend of workforce reductions that began in 1999 (see Figure 1) and is the lowest staffing level since the early 1970s. The 2005 budget reduction reflects Treasury and check restructuring efforts, initiatives to increase

Figure 1
Trends in Staffing Levels



[2] 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.

productivity and efficiency in support and overheard areas, and the full-year effect of early retirement programs offered by most Banks in 2004.

2004 BUDGET PERFORMANCE

Total 2004 expenses are estimated to be $2,581.1 million, which represents a decrease of $85.3 million or 3.2 percent from the approved 2004 budget. The Banks, FRIT, and OEB estimate 2004 ANP at 21,160, a decrease of 140 ANP from budgeted 2004 levels. The expense underrun is driven mainly by the $85.2 million curtailment gain associated with accounting for post-retirement medical benefits discussed above. Reductions in check and cash operations and many support areas also contribute to the decrease. Partially offsetting these savings are increased costs related to additional requests for services by the Treasury.

Table 3
Current Year Expenses and ANP

	2004 Budget	2004 Estimate	04B-04E
Total Expense	$2,666.4	$2,581.1	-$85.3
FAS106 curtailment gain	-	-$85.2	-$85.2
Total Expense excluding FAS 106	$2,666.4	$2,666.3	-$0.1
ANP	21,300	21,160	-140

Estimated 2004 check costs are decreasing by approximately 3 percent and staffing levels are decreasing by 78 ANP compared to the 2004 budget as Reserve Banks trim staff in response to further volume declines and increased efficiencies. Partially offsetting the decrease are severance costs included in the estimate related to a mid-year decision to undertake a second phase of check restructuring.

Expenses in cash are remaining flat compared to the original budget. Spending restraint in the cash area has been facilitated by productivity improvements, resulting in a decrease of 52 ANP. In addition, depreciation costs are lower due to a decision to extent the useful life of currency processing machines. Somewhat offsetting these reductions is an increase in the Standard Cash Automation (SCA) project – a standard software platform that Reserve Banks use to manage their cash operations.

Estimated 2004 support costs are approximately 1 percent lower than budget as Banks continue to reduce support levels. Staffing levels are declining by 112 ANP from budgeted levels, largely as a result of efforts to streamline the business development (36 ANP), information technology (12 ANP), and facilities (37 ANP) functions.

Expenses associated with the Treasury Web Applications Infrastructure (TWAI) project are $16.0 million higher than the approved 2004 budget. TWAI provides a multi-tiered web environment that balances the business need for a secure access system with the need to provide public access to Treasury applications. The increase is due primarily to the expansion of the TWAI project that had not been budgeted and the effect of contract revisions with the vendor supporting TWAI. These changes were all made at Treasury's request and are fully reimbursable by the Treasury.

After the 2004 budgets were approved, the Bureau of Public Debt announced that Treasury retail securities, which include *TreasuryDirect* and savings bonds operations, will be further consolidated from seven offices into two offices. This consolidation is expected to be completed by October 2005. The 2004 estimate includes $5.6 million for an additional 82 ANP hired at the consolidated sites in preparation for the additional volume. The estimate also includes $5.2 million in severance costs in the non-consolidated sites for staff that will be displaced in 2005.

Estimated costs in the monetary and economic policy and supervision and regulation areas are near 2004 budgeted levels. Monetary and economic policy costs are increasing slightly from the budget (about 1 percent), reflecting an additional 5 ANP. Supervision and regulation costs are estimated to be about 1 percent lower than the budget due to a 19 ANP decrease. The estimated decline in staffing primarily is due to positions budgeted but not filled.

FACTORS AFFECTING THE 2005 BUDGET

For 2005, the Reserve Banks' budgets reflect continued focus on several efforts currently underway to reduce costs. As previously mentioned, these efforts are largely in response to check cost recovery shortfalls over the last several years. The Bank budgets reflect efforts to streamline operations through increased efficiencies, including downsizing support operations in response to staff reductions. Decisions by the Treasury will result in further consolidation of its retail securities operations and continued expansion of TWAI. The 2005 budget also reflects funding and staffing to support an increased focus on community outreach and economic and financial literacy programs in many Banks.

Over the past five years, the Federal Reserve's check processing environment has undergone considerable change to improve operational efficiency. In 2000, the Banks launched their check modernization effort (composed of the Check Standardization, Enterprise Wide Adjustments, FedImage, and Check Electronic Access and Delivery projects) to install uniform software and hardware for check processing, imaging, and adjustments at all Federal Reserve check processing sites and to provide web access to check services. This initiative was completed in 2004. In 2003, the Banks began efforts to reduce the number of check processing sites to better align the Federal Reserve check processing infrastructure with the evolving market environment. By year-end 2004, the Banks will have closed 13 check processing sites, and a second phase of restructuring, announced in 2004, will result in the closure of an additional nine check operations by early 2006. Check volume from sites eliminating check operations will be processed at other Reserve Bank offices. Also in 2004, the Banks made operational preparations to implement the authority provided by the Check Clearing for the 21st Century Act (Check 21).

Overall, the results of these initiatives and continued efforts to increase productivity in check result in an approximate 13 percent reduction in costs and a 712 ANP decline in staffing from the 2004 estimate. The 2005 budget includes the full-year effect of savings from the completion of the check modernization projects and the 2004 check processing site closures. The amount of the reduction also reflects the non-recurrence of severance costs accounted for in the 2004 estimate associated with the second phase of restructuring. Support costs to the check area are decreasing by 38 percent from the 2004 estimate. This reduction is the combination of two factors – an overall reduction in support costs and a lower percentage of support costs flowing to the check service.

Costs for Treasury services continue to increase, largely driven by additional work for TWAI. The $20.0 million increase in project costs budgeted in 2005 is primarily the full-year effect of changes made to the vendor contract in 2004 and additional staff and equipment at FRIT dedicated to this project. Costs related to egovernment projects, Pay.gov and Paper Check Conversion (PCC), are increasing, largely as a result of an additional 14 ANP to support project technical and operational workloads, as well as increased software amortization related to new application enhancements and consultant fees. Pay.gov allows individuals and organizations to make payments to the government for services and fees using the Internet to initiate ACH transactions. The PCC project involves imaging checks and converting them to ACH payments.

Consolidation of the Treasury's retail securities operations are expected to yield net savings of $15.8 million and 83 ANP in 2005 as savings bonds and *TreasuryDirect* operations are consolidated into two offices. The reduction reflects the full-year effect of the restructuring, which began in 2004.

Total cash expenses are budgeted to increase approximately 2 percent, driven mainly by additional costs and staffing to support the cash centralized business administration function (CBAF). The cash CBAF has responsibility for cash automation user support, training, quality assurance testing, and project management for cash application implementations across the System. Reserve Banks project cash operation expenses to remain at 2004 levels due to efforts to increase operational efficiencies and production.

Support functions are decreasing costs by approximately 2.5 percent and staffing levels by 478 ANP from the 2004 estimate. The decrease is driven mainly by efforts to reorganize the business development function, resulting in reductions of $14 million and 66 ANP. The initiative, approved early in 2004, involves national management of the marketing function, with all marketing performed by staff reporting to the Customer Relations and Support Office (CRSO). Some additional customer support functions will also be managed nationally, and national product offices will exercise greater control over the costs of the remaining customer support functions. Reserve Bank sales functions also have been downsized to reflect more targeted efforts.

Other support function cost-containment efforts are reflected in the information technology and human resource budgets. Total IT costs are increasing by approximately 1 percent, facilitated in large part by a reduction of 111 ANP primarily as a result of efficiencies gained from the implementation of System standardized desktop hardware and software applications and reduced demand as a result of lower overall Bank staffing levels. In 2005, total human resource administration costs are budgeted to decrease about 1.5 percent and human resource staffing is projected to decrease by 45 ANP from the 2004 estimate largely as a result of efficiencies gained through the consolidations of functions, such as PeopleSoft and payroll, and adjustments to staffing levels commensurate with overall reductions in Reserve Bank workforces.

Costs for the public programs function, including community outreach and financial and economic education efforts, are increasing $14.2 million or 12.0 percent in the 2005 budget and staffing is increasing by 34 ANP. Many Banks have noted an increased need to enhance financial literacy and economic education and improve community outreach efforts within its region.

Monetary and economic policy and supervision and regulation functions are projecting higher staffing levels in the 2005 budget. Monetary and economic policy costs are increasing approximately 6 percent, driven primarily by a 15 ANP increase in staffing levels. The staffing increase is largely in support of expanded regional research initiatives in a few Banks. In supervision and regulation, costs are increasing about 2 percent from the 2004 estimate and staffing levels are increasing 6 ANP.

2005 PERSONNEL EXPENSES

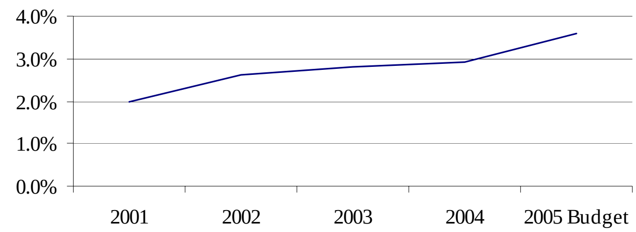
Budgeted officer and employee salaries and other personnel expenses total $1,338.6 million, which is 2.0 percent below the 2004 estimate. This total includes an increase of $60.9 million to fund salary administration programs for officers and employees.[3] The budget includes $24.0 million for officer salary administration and $74.6 million for employees, reflecting an average merit increase of 3.6 percent for officers and 3.5 percent for employees, somewhat higher than the 2004 average merits of 3.4 percent for officers and 3.2 percent for employees.

In the 2005 budget, officer variable pay programs total $15.2 million, and employee variable pay programs total $29.8 million. As shown in Figure 2, the Reserve Banks have devoted an increasingly higher percent of their salary expense to variable

[3] Salary administration represents the budgeted funds that are available to increase compensation to officers and employees in the upcoming year. It does not include adjustments for changes in staffing levels, turnover and lag in hiring, and overtime.

pay. This increase reflects the Reserve Banks' increased emphasis on pay-for-performance over the past several years.

Figure 2
Variable Pay as a Percent of Salary Expense



Of the projected 2,381 ANP leaving Reserve Banks, FRIT and OEB in 2005, an estimated 45 percent will not be replaced (Table 4), primarily due to planned staff reductions associated with check restructuring, business development, and Treasury retail securities consolidation. Turnover in 2005 is lower than the previous year due in large part to the completion of voluntary retirement programs approved in 2003 by the Committee on Employee Benefits for nine Reserve Banks and FRIT.

Table 4
2005 Turnover

	Officers	Employees	Total
Total Number of ANP Leaving the System	**43**	**2,338**	**2,381**
Total ANP not to be replaced	**16**	**1,057**	**1,073**
Total to be Replaced	**27**	**1,281**	**1,308**
ANP to be Replaced due to retirement	*14*	*171*	*185*
ANP to be Replaced due to other reasons	*13*	*1,110*	*1,123*

Retirement and other benefit expenses account for 14 percent of 2005 Reserve Bank budgets. Excluding the effect of the change in the eligibility criteria for post-retirement medical expenses (FAS 106), retirement and other benefits are anticipated to increase by approximately $18 million or 5 percent in 2005. Factors driving the increase include higher health care costs and group life insurance costs.

RISKS IN THE 2005 BUDGET

The continued effect of check restructuring initiatives, the implementation of Check 21, and projected volume declines pose continued risk to the check area in 2005. In addition, changes in the scope or direction of the various Treasury projects and continued unbudgeted Treasury requests also present risks for this budget year.

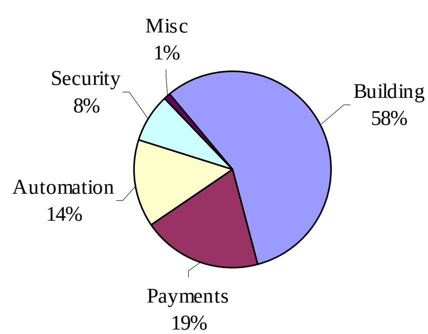
The check service continues to be an area where Banks have identified a considerable amount of budget risk. All planned restructuring efforts in thirteen offices were completed in 2004. In August, the Reserve Banks announced that another nine sites would discontinue check processing during 2005 and early 2006. At the same time, the Retail Payments Office (RPO) is moving toward national management of check adjustments, float management, and product pricing. Delays in the check restructuring schedule could result in the need for higher-than-budgeted staffing, overtime, and facility costs. In addition, the budget would be affected by any large reconcilement issues resulting in unbudgeted write-offs. Projected check volume declines of 15 percent are anticipated due to the continued decline in the use of paper checks in the United States, price increases, and the reduction in the number of check processing sites. While the Banks are positioned to react to shifts in volumes, a significant change from plan would affect operations. The RPO also cites as a 2005 risk increased check transportation costs associated with higher-than-planned fuel costs and additional changes in carrier routes related to further check restructuring efforts.

As in the past, unforeseen requests from the Treasury or changes in scope and direction would add costs and could require additional resources in 2005. For 2004, Treasury costs are estimated to be about 8.0 percent higher than the original budget largely due to an increased request for services by the Treasury.

2005 CAPITAL PLAN

The 2005 capital budget submitted by the Reserve Banks, FRIT, and OEB totals $430.5 million, a $39.2 million decrease from 2004 estimated levels. The decrease from the 2004 estimate is largely due to the completion of the Houston building, planned for mid-2005.

Figure 3
2005 Capital Budget Summary



As in previous years, the 2005 capital budget includes funding for projects that support the strategic direction outlined by the individual Reserve Bank and System plans. These strategies focus on investments that improve operational efficiencies and services to Bank customers and on providing a safe and quality work environment. In support of these strategies, the 2005 budget identifies five major categories of capital outlays: building projects and facility improvements, payment system improvements, automation and communication initiatives, security enhancements, and miscellaneous acquisitions.

The proposed capital budget includes $245.2 million for building-related projects and facility improvements. Almost half of this total, $112.5 million, is related to new building projects in Detroit, Houston, Kansas City, and Seattle. The remaining outlays in this category will fund various building renovation and refurbishment projects, as well as miscellaneous facility improvement and energy efficiency projects.

The budget includes $83.5 million for initiatives related to payment system improvements. Almost two-thirds of these funds ($50.5 million) support reimbursable initiatives for the Treasury, mainly software for several Treasury projects across the System.

Banks have included $61.7 million in funding for major automation and communication initiatives. These initiatives do not include the automation components of building or payment systems initiatives discussed separately. Of the total automation-related outlays, FRIT projects and acquisitions account for over one-third, or $24.1 million. Aside from FRIT, the District budgets include $23.6 million for equipment, mainly for servers and telecommunications upgrades, and $14.0 million for various software projects to support local and System initiatives.

The proposed capital budget includes $35.4 million for security enhancements and $4.6 million for miscellaneous capital items. Miscellaneous capital includes funding for other equipment and software not falling into the other defined categories.

APPENDIX
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 Service Line
Table 4	Total Employment of the FR Banks, by Service Line
Table 5	Capital Outlays of the FR Banks, by District
Table 6	Capital Outlays of the FR Banks, by Category

Notes: In the following tables, Reserve Bank expenses include those budgeted by Federal Reserve Information Technology (FRIT) and the Office of Employee Benefits (OEB) that are chargeable to the Reserve Banks.

Estimated 2004 expenses shown in the tables include the curtailment gain of $85.2 million.

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

Table 1

2005 Final Budget

TOTAL EXPENSES OF THE FEDERAL RESERVE BANKS
by District, 2004 and 2005
(Dollars in Thousands)

District	2004 Budget	2004 Estimate	2005 Budget	Percent Change 04B to 04E	Percent Change 04E to 05B
Boston	161,412	154,914	155,553	-4.0%	0.4%
New York	494,436	486,960	500,686	-1.5%	2.8%
Philadelphia	129,646	118,547	128,516	-8.6%	8.4%
Cleveland	163,398	167,175	184,225	2.3%	10.2%
Richmond	201,216	201,111	192,960	-0.1%	-4.1%
Atlanta	323,960	298,810	296,587	-7.8%	-0.7%
Chicago	263,081	249,565	254,035	-5.1%	1.8%
St. Louis	186,643	193,192	215,553	3.5%	11.6%
Minneapolis	135,191	132,190	144,866	-2.2%	9.6%
Kansas City	166,730	156,871	159,878	-5.9%	1.9%
Dallas	166,539	163,295	170,815	-1.9%	4.6%
San Francisco	274,112	258,456	259,450	-5.7%	0.4%
Total	**2,666,364**	**2,581,085**	**2,663,125**	**-3.2%**	**3.2%**

Table 2

2005 Final Budget

TOTAL EMPLOYMENT OF THE FEDERAL RESERVE BANKS

by District, 2004 and 2005

(Average Number of Personnel)

District	2004 Budget	2004 Estimate	2005 Budget	Change 04B to 04E	Change 04E to 05B
Boston	1,152	1,136	1,099	-16	-37
New York	3,066	3,040	2,947	-26	-94
Philadelphia	1,205	1,177	1,110	-28	-67
Cleveland	1,409	1,433	1,543	24	111
Richmond	1,995	2,009	1,832	13	-176
Atlanta	2,178	2,194	2,042	16	-152
Chicago	1,857	1,883	1,577	26	-306
St. Louis	1,284	1,283	1,123	-1	-159
Minneapolis	1,248	1,270	1,298	22	28
Kansas City	1,609	1,536	1,429	-73	-107
Dallas	1,365	1,347	1,243	-18	-103
San Francisco	2,182	2,058	1,924	-124	-134
Subtotal	**20,550**	**20,365**	**19,168**	**-185**	**-1,197**
FRIT	713	758	759	45	2
OEB	37	38	40	1	2
Total	**21,300**	**21,160**	**19,967**	**-140**	**-1,193**

Table 3

2005 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
2001	2,451,270	232,829	261,272	580,436	443,483	933,250
2002	2,532,512	241,732	286,729	603,385	463,349	937,317
2003	2,620,538	263,221	307,868	627,119	493,569	928,762
2004 Estimate	2,581,085	263,731	364,681	623,301	494,132	835,239
2005 Budget	2,663,125	291,841	403,619	672,802	519,391	775,471
AAGR 2001-2005	**2.1%**	**5.8%**	**11.5%**	**3.8%**	**4.0%**	**-4.5%**

Table 4

2005 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	Support, Overhead, and Centralized Providers
2001	23,205	885	1,384	2,819	2,574	5,397	10,146
2002	22,993	856	1,291	2,848	2,604	5,139	10,255
2003	21,923	862	1,221	2,769	2,577	4,701	9,792
2004 Estimate	21,160	863	1,331	2,748	2,587	4,381	9,251
2005 Budget	19,967	878	1,303	2,799	2,592	3,114 [2]	9,281
AAGR 2001-2005	**-3.7%**	**-0.2%**	**-1.5%**	**-0.2%**	**0.2%**	**-12.8%**	**-2.2%**

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

[2] The 2004 estimate to 2005 budget decrease 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.

Table 5

2005 Final Budget

CAPITAL OUTLAYS OF THE FEDERAL RESERVE BANKS
by District, 2004 and 2005
(Dollars in Thousands)

District	2004 Budget	2004 Estimate	2005 Budget	Percent Change 04B to 04E	Percent Change 04E to 05B
Boston	20,140	24,608	22,130	22.2%	-10.1%
New York	56,379	54,687	59,454	-3.0%	8.7%
Philadelphia	10,178	9,722	10,225	-4.5%	5.2%
Cleveland	29,086	40,373	34,592	38.8%	-14.3%
Richmond	22,005	15,094	41,249	-31.4%	173.3%
Atlanta	12,633	16,621	9,521	31.6%	-42.7%
Chicago	77,219	64,502	71,651	-16.5%	11.1%
St. Louis	29,375	35,126	25,472	19.6%	-27.5%
Minneapolis	3,766	4,628	5,192	22.9%	12.2%
Kansas City	22,204	34,208	28,339	54.1%	-17.2%
Dallas	86,151	90,201	33,113	4.7%	-63.3%
San Francisco	29,709	16,233	38,547	-45.4%	137.5%
Subtotal	**398,845**	**406,003**	**379,484**	**1.8%**	**-6.5%**
FRIT	67,408	63,326	51,010	-6.1%	-19.4%
OEB	1,150	350	-	-69.6%	-100.0%
Total	**467,402**	**469,679**	**430,494**	**0.5%**	**-8.3%**

Table 6

2005 Final Budget

CAPITAL OUTLAYS OF THE FEDERAL RESERVE BANKS[1]
by Category, 2004 and 2005
(Dollars in Thousands)

	2004 Budget	2004 Estimate	2005 Budget	Percent Change 04B to 04E	Percent Change 04E to 05B
Building Related Projects and Facility Improvements	249,884	248,035	245,245	-0.7%	-1.1%
Payment System Improvement Initiatives					
Retail Payment Initiatives	45,708	37,209	17,871	-18.6%	-52.0%
Cash Services Initiatives	9,813	7,676	15,155	-21.8%	97.4%
Treasury Initiatives	41,551	55,692	50,490	34.0%	-9.3%
Automation and Communication Initiatives	61,566	72,573	61,704	17.9%	-15.0%
Security Enhancements	53,950	41,387	35,431	-23.3%	-14.4%
Miscellaneous[2]	4,930	7,107	4,599	44.2%	-35.3%
TOTAL	**467,402**	**469,679**	**430,494**	**0.5%**	**-8.3%**

[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.