



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

DATE: December 11, 2007  
TO: Board of Governors  
VIA: Governor Kevin <sup>KMW</sup>Warsh and Stephen <sup>SRM</sup>Malphrus  
FROM: <sup>HP</sup>H. Fay Peters, <sup>DRP</sup>Darrell Pauley, <sup>MR</sup>Marsha Reidhill, and <sup>TT</sup>Theresa Trimble  
SUBJECT: 2008-09 Budget

**Action Requested**

Staff requests that the Board approve a \$706.3 million operating budget and a \$47.8 million capital budget for 2008-09.

**Summary**

The Board approved an operating budget objective of \$706.3 million on November 7, 2007, including \$15.7 million to fund recommendations from the recent Compensation Study and a 4.6 percent merit pay pool for 2008. New initiatives of \$14.9 million are funded in part by cost savings of \$10.2 million identified in the strategic planning process. The divisions and offices have developed budgets for ongoing operations and new initiatives within the approved budget objective. The following table summarizes the proposed final 2008-09 operating and capital budgets:

\$ in millions

| Operating Budget      | 2008-09  |
|-----------------------|----------|
| Salaries and Benefits | \$ 526.6 |
| Goods and Services    | \$ 179.7 |
| Total                 | \$ 706.3 |
| Capital Budget        | \$ 47.8  |

For additional detail, please see the appendix to this memorandum, which lists each division's operating and capital budgets and existing and proposed positions. If you have any questions, please contact Theresa Trimble at extension 2964.

Attachment

## Appendix

| Division, Office, or Special Account      | \$ in millions                 |   |
|---|--------------------------------|---|
|   | 2008-09<br>Operating<br>Budget | 2008-09<br>Capital<br>Budget <sup>1</sup> |
| Board Members                             | \$ 30.2                        | \$ 2.71                                   |
| Staff Director - Management               | 21.6                           | 0.45                                      |
| Secretary                                 | 14.6                           | 0.04                                      |
| Research & Statistics                     | 98.7                           | 0.60                                      |
| International Finance                     | 36.7                           | -   |
| Monetary Affairs                          | 33.8                           | 0.01                                      |
| Banking Supervision & Regulation          | 106.0                          | 5.52                                      |
| Consumer & Community Affairs              | 38.2                           | 0.10                                      |
| Legal                                     | 29.4                           | -   |
| Reserve Bank Operations & Payment Systems | 58.5                           | -   |
| Information Technology                    | 105.8                          | 5.12                                      |
| Management                                | 148.4                          | 33.21                                     |
| IRM Income                                | (44.4)                         | -   |
| Residual Retirement                       | 13.3                           | -   |
| Special Projects                          | 13.7                           | -   |
| Extraordinary Items                       | 2.0                            | -   |
| <b>Total, Board Operations</b>            | <b>\$ 706.3</b>                | <b>\$ 47.76</b>                           |

<sup>1</sup> In general, items totaling \$5,000 or more are capitalized. Higher thresholds apply to building additions and purchased software (\$50,000) and internally developed software (\$500,000).

| Division, Office, or Special Account                          | Positions as<br>of Dec. 31,<br>2007 | 2008-09<br>Budgeted<br>Positions |
|---|-------------------------------------|----------------------------------|
| Board Members   | 80                                  | 81                               |
| Staff Director - Management                                   | 46                                  | 48                               |
| Secretary   | 50                                  | 50                               |
| Research & Statistics   | 275                                 | 285                              |
| International Finance   | 114                                 | 115                              |
| Monetary Affairs  | 78                                  | 81                               |
| Banking Supervision & Regulation                              | 258                                 | 248                              |
| Consumer & Community Affairs                                  | 101                                 | 105                              |
| Legal   | 80                                  | 80                               |
| Reserve Bank Operations & Payment Systems                     | 138                                 | 138                              |
| Information Technology  | 288                                 | 288                              |
| Management Division   | 456                                 | 456                              |
| <b>Sub-total</b>  | <b>1,964</b>                        | <b>1,975</b>                     |
| Targeted Intern Programs - Management Division <sup>1</sup>   | 31                                  | 31                               |
| Fully Reimbursable IT Support to the FFIEC and Other Agencies | 30                                  | 30                               |
| <b>Total</b>  | <b>2,025</b>                        | <b>2,036</b>                     |

<sup>1</sup> Co-op, worker trainee, and student aide programs