

FINANCING VEHICLES AND THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE

This chapter contains descriptions of, and data on, financing vehicles and the Board of Governors of the Federal Reserve System (Board). The Financing Corporation functions as a financing vehicle for the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund. The Resolution Funding Corporation provided financing for the Resolution Trust Corporation (RTC) and is subject to the general oversight and direction of the Secretary of the Treasury.

The Board's transactions are not included in the Budget because of its unique status in the conduct of monetary policy. The Board provides data on its administrative budget, which is included here for information. Its budget is not subject to review by the President and is executed and presented here on a calendar-year basis. The previous year's data reflects the final budget, as approved by the Board.

The 2017 balance sheets for the Financing Corporation and Resolution Funding Corporation are as of December 31, 2017, and the 2018 balance sheets are as of September 30, 2018.

FINANCING CORPORATION

The Financing Corporation (FICO) is a mixed-ownership Government corporation, chartered by the Federal Home Loan Bank Board pursuant to the Federal Savings and Loan Insurance Corporation Recapitalization Act of 1987, as amended (the Act). FICO's sole purpose is to function as a financing vehicle for the FSLIC Resolution Fund, formerly the Federal Savings and Loan Insurance Corporation. Pursuant to the Act, FICO was authorized to issue debentures, bonds, and other obligations subject to limitations contained in the Act, the net proceeds of which were to be used solely to purchase capital certificates issued by the FSLIC Resolution Fund or to refund any previously issued obligations. The Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 terminated FICO's borrowing authority.

The Act provided formulas pursuant to which the Federal Home Loan Banks made capital contributions to FICO. FICO used the proceeds received from the sales of such capital stock to purchase non-interest bearing securities for deposit in a segregated account as required by the Act. The non-interest bearing securities held in the segregated account are the primary source of repayment of the principal of FICO obligations. Securities in the segregated account are kept separate from other FICO accounts and funds, but are not specifically pledged as collateral for the payment of obligations. The primary source of payment of interest on the obligations is the receipt of assessments imposed on and collected from institutions' accounts, which are insured by the Federal Deposit Insurance Corporation's Deposit Insurance Fund.

Balance Sheet (in millions of dollars)

Identification code 920-4980-0-4-373	2017 actual	2018 actual
ASSETS:		
Federal assets:		
Investments in U.S. securities:		
1102 Segregated accounts investment, net	6,860	4,529
1801 Other Federal assets: Cash, cash equivalents	187	176
1999 Total assets	7,047	4,705
LIABILITIES:		
Non-Federal liabilities:		
2202 Interest payable	136	112
2203 Debt	6,968	4,419
2207 Other	53	65
2999 Total liabilities	7,157	4,596
NET POSITION:		
3100 FICO capital stock purchased by FHLBanks	680	680
3300 Cumulative results of operations	7,380	7,599
3300 FSLIC capital certificates	-8,170	-8,170
3999 Total net position	-110	109

4999 Total liabilities and net position	7,047	4,705
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RESOLUTION FUNDING CORPORATION

The Resolution Funding Corporation (REFCORP) is a mixed-ownership Government corporation established by Title V of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 or FIRREA (P.L. 101-73). The sole purpose of REFCORP was to provide financing for the Resolution Trust Corporation (RTC). Pursuant to FIRREA, REFCORP was authorized to issue debentures, bonds, and other obligations, subject to limitations contained in the Act and regulations established by the Thrift Depositor Protection Oversight Board. The proceeds of the debt (less any discount, plus any premium, net of issuance cost) were used solely to purchase nonredeemable capital certificates of RTC or to refund any previously issued obligations.

Until October 29, 1998, REFCORP was subject to the general oversight and direction of the Thrift Depositor Protection Oversight Board. At that time, the Oversight Board was abolished and its authority and duties were transferred to the Secretary of the Treasury. The day-to-day operations of REFCORP are under the management of a three-member Directorate composed of the Chief Executive Officer of the Office of Finance of the Federal Home Loan Banks and two members selected from among the presidents of the 11 Federal Home Loan Banks (FHLBs). Members of the Directorate serve without compensation, and REFCORP is not permitted to have any paid employees.

FIRREA, as amended, and the regulations adopted by the Thrift Depositor Protection Oversight Board and the Secretary of the Treasury required that FHLBs contribute 20 percent of net earnings annually to assist in the payment of interest on bonds issued by REFCORP until such time as the total payments are equivalent to a \$300 million annual annuity with a final maturity date of April 15, 2030. The FHLBs fulfilled this obligation on August 5, 2011. Since then, only the U.S. Treasury has paid interest on REFCORP's long-term obligations. For details, please see the Payment to the Resolution Funding Corporation account in the Department of the Treasury section of the Appendix volume of the Budget.

Balance Sheet (in millions of dollars)

Identification code 920-4981-0-4-373	2017 actual	2018 actual
ASSETS:		
Federal assets:		
Investments in U.S. securities:		
1102 Principal fund account investment, net	20,174	21,385
1206 Non-Federal assets: Assessments receivable for interest expense	886	888
1999 Total assets	21,060	22,273
LIABILITIES:		
Non-Federal liabilities:		
2202 Accrued interest payable on long-term obligations	886	888
2203 Debt	30,058	30,056
2999 Total liabilities	30,944	30,944
NET POSITION:		
3100 Nonvoting capital stock issued to FHLBanks	2,513	2,513
3300 Cumulative results of operations	17,832	19,045
3300 RTC nonredeemable capital certificates	-31,286	-31,286
3300 Contributed capital - principal fund assessments	1,057	1,057
3999 Total net position	-9,884	-8,671
4999 Total liabilities and net position	21,060	22,273

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Program and Financing (in millions of dollars)

Identification code 920-4982-0-4-803	2017 actual	2018 est.	2019 est.
Obligations by program activity:			
0801 Monetary and economic policy	160	176	179
0802 Federal Reserve System policy direction	38	40	41
0803 Supervisory, regulatory, and legal services	239	261	267
0804 Support and security services	254	267	261
0805 Currency operating expenses (Board incurred)	44	56	49
0806 Extraordinary items	16	22	46
0809 Reimbursable program activities, subtotal	751	822	843
0810 Office of Inspector General operating expenses	34	36	35
0900 Total new obligations, unexpired accounts	785	858	878
Budgetary resources:			
Financing authority:			
Spending authority from offsetting collections, mandatory:			
1800 Collected	785	858	878
1930 Total budgetary resources available	785	858	878
Change in obligated balance:			
Unpaid obligations:			
3010 New obligations, unexpired accounts	785	858	878
3020 Outlays (gross)	-785	-858	-878
Financing authority and disbursements, net:			
Mandatory:			
4090 Budget authority, gross	785	858	878
4110 Outlays, gross (total)	785	858	878
Offsets against gross financing authority and disbursements:			
Offsetting collections (collected) from:			
4123 Non-Federal sources	-785	-858	-878
4180 Budget authority, net (total)			
4190 Outlays, net (total)			

The Federal Reserve System operates under the provisions of the Federal Reserve Act of 1913, as amended, and other acts of the Congress. To carry out its responsibilities under this Act, the Board of Governors (Board) determines general monetary, credit, and operating policies for the System as a whole and formulates the rules and regulations necessary to carry out the purposes of the Act. The Board's principal duties consist of exerting an influence over credit conditions and supervising the Federal Reserve banks and member banks.

Under the provisions of section 10 of the Federal Reserve Act, the Board levies upon the Federal Reserve banks, in proportion to their capital and surplus, an assessment sufficient to pay its estimated expenses. Also under the Act, the Board determines and prescribes the manner in which its obligations are incurred and its expenses paid. Funds derived from assessments are deposited in the Federal Reserve Bank of Richmond and the Act provides that such funds "not be construed to be Government funds or appropriated moneys." No Government appropriation is required to support operations of the Board.

The Board issues U.S. currency (Federal Reserve notes) and the Reserve Banks distribute currency through depository institutions. The Board incurs costs and assesses the Reserve Banks for these costs related to producing, issuing, and retiring Federal Reserve notes, as well as providing other services. The assessment is allocated based on each Reserve Bank's share of the number of notes comprising the System's net liability for Federal Reserve notes on December 31 of the prior year. The Board recognizes the assessment in the year in which the associated costs are incurred.

Since 2017, the Board has undertaken a greater role in the currency program, including in research and development and quality assurance. This expanded role is reflected in the reclassification of certain transactions compared to prior years. The information presented pertains to Board operations only, which includes these new programs; expenditures for the currency program costs specific to the work performed by Treasury, including production, issuance and retirement, are not included.

The Dodd-Frank Act (P.L. 111-203), enacted July 21, 2010, directed the Board to collect assessments, fees, or other charges equal to the total expenses the Board estimates are necessary or appropriate to carry out the supervisory and regulatory responsibilities of the Board for certain bank holding companies and savings and loan holding companies, as well as nonbank financial companies designated for Board supervision by the Financial Stability Oversight Council (FSOC). The Board does not recognize the supervision and regulation assessments as revenue nor does the Board use the collections to fund Board expenses; the funds are transferred to the Treasury. The Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA, P.L. 115-174), enacted May 24, 2018, directed the Board to collect these assessments, fees, or other charges on such companies with total consolidated assets of \$100 billion (from \$50 billion in the Dodd-Frank Act), as well as to adjust amounts charged to reflect changes in supervisory and regulatory responsibilities resulting from EGRRCPA on firms with total consolidated assets less than \$250 billion.

Object Classification (in millions of dollars)

Identification code 920-4982-0-4-803	2017 actual	2018 est.	2019 est.
Reimbursable obligations:			
11.1 Personnel compensation: Full-time permanent	437	471	483
12.1 Civilian personnel benefits	92	97	97
13.0 Benefits for former personnel	13	13	17
21.0 Travel and transportation of persons	14	18	16
22.0 Transportation of things	22	25	23
23.2 Rental payments to others	31	35	36
23.3 Communications, utilities, and miscellaneous charges	8	10	8
24.0 Printing and reproduction	12	11	8
25.1 Advisory and assistance services	69	85	99
25.2 Other services from non-Federal sources	50	60	56
25.4 Operation and maintenance of facilities	4	3	3
25.7 Operation and maintenance of equipment	5	5	4
26.0 Supplies and materials	1	1	1
31.0 Equipment	27	24	27
99.9 Total new obligations, unexpired accounts	785	858	878