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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. 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 of Governors of the Federal Reserve System'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 schedules and statements are not subject to review by the President.

Amounts are on a calendar year basis, with the exception of the 2010 balance sheets for the Financing Corporation and Resolution Funding Corporation, which are as of September 30, 2010.

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 (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 make 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 99–4033–0–3–373	2010 actual	2011 actual
ASSETS:		
Federal assets: Investments in US securities:		
1102 Segregated accounts investment, net	4,562	4,863
Other Federal assets:		
1801 Cash, cash equivalents	207	288
1901 Other assets	9	8
1999 Total assets	4,778	5,159
LIABILITIES:		
Non-Federal liabilities:		
2202 Interest payable	156	236
2203 Debt	8,149	8,150
2207 Other	80	80
2999 Total liabilities	8,385	8,466
NET POSITION:		
3100 FICO capital stock purchased by FHLBanks	680	680
3300 Cumulative results of operations	3,883	4,183
3300 FSLIC capital certificates	–8,170	–8,170
3999 Total net position	–3,607	–3,307
4999 Total liabilities and net position	4,778	5,159

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 (FIRREA). 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 comprised of the Director of the Office of Finance of the Federal Home Loan Banks and two members selected from among the presidents of the 12 Federal Home Loan Banks (FHLBanks). 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 Federal Home Loan Banks (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.

Balance Sheet (in millions of dollars)

Identification code 99–4029–0–3–373	2010 actual	2011 actual
ASSETS:		
Federal assets: Investments in US securities:		
1102 Principal fund account investment, net	11,691	12,391
1206 Non-Federal assets: Assessments receivable for interest expense	886	888
1999 Total assets	12,577	13,279
LIABILITIES:		
Non-Federal liabilities:		
2202 Accrued interest payable on long-term obligations	886	888
2203 Debt	30,073	30,071
2999 Total liabilities	30,959	30,959
NET POSITION:		
3100 Nonvoting capital stock issued to FHLBanks	2,513	2,513
3300 Cumulative results of operations	9,335	10,037
3300 RTC nonredeemable capital certificates	–31,286	–31,286
3300 Contributed capital - principal fund assessments	1,056	1,056
3999 Total net position	–18,382	–17,680
4999 Total liabilities and net position	12,577	13,279

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Program and Financing (in millions of dollars)

Identification code 99–4450–0–3–803		2010 actual	2011 est.	2012 est.
	Obligations by program activity:			
0801	Monetary and economic policy	92	107	114
0802	Federal Reserve System policy direction	35	39	34
0803	Supervisory, regulatory, and legal services	141	157	169
0804	Support and security services	148	173	194
0805	Extraordinary items	11	1	1
0809	Reimbursable program activities, subtotal	427	477	512
0810	Office of Inspector General operating expenses	11	18	21
0900	Total new obligations	438	495	533
	Budgetary Resources:			
	Financing authority:			
	Spending authority from offsetting collections, mandatory:			
1800	Collected	438	495	533
1850	Spending auth from offsetting collections, mand (total)	438	495	533
1930	Total budgetary resources available	438	495	533
	Change in obligated balance:			
3030	Obligations incurred, unexpired accounts	438	495	533
3040	Financing disbursements (gross)	–438	–495	–533
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	438	495	533
4110	Financing disbursements, gross	438	495	533
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4123	Non-Federal sources	–438	–495	–533

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 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 Federal Reserve 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 of Governors levies upon the Federal Reserve banks, in proportion to their capital and surplus, an assessment sufficient to pay its estimated expenses. The Board, under this Act, 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 this 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 information presented pertains to Board operations only. Expenditures made on behalf of the Federal Reserve banks for production, issuance, retirement, and shipment of Federal Reserve notes are not included, since they are reimbursed in full by the Federal Reserve banks.

Object Classification (in millions of dollars)

Identification code 99–4450–0–3–803		2010 actual	2011 est.	2012 est.
	Reimbursable obligations:			
	Personnel compensation:			
11.1	Full-time permanent	264	288	302
11.3	Other than full-time permanent	3	3	3
11.5	Other personnel compensation	2	2	2
11.9	Total personnel compensation	269	293	307
12.1	Civilian personnel benefits	53	60	59
13.0	Benefits for former personnel	4	7	7
21.0	Travel and transportation of persons	11	14	14
22.0	Transportation of things		1	1
23.3	Communications, utilities, and miscellaneous charges	9	9	12
24.0	Printing and reproduction	2	3	3
25.1	Advisory and assistance services	52	52	61
25.2	Other services from non-Federal sources	13	17	23
26.0	Supplies and materials	10	14	15
31.0	Equipment	15	25	31
99.9	Total new obligations	438	495	533