

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 2016 balance sheets for the Financing Corporation and Resolution Funding Corporation are as of December 31, 2016, and the 2017 balance sheets are as of September 30, 2017.

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	2016 actual	2017 actual
ASSETS:		
Federal assets:		
Investments in US securities:		
1102 Segregated accounts investment, net	7,602	7,976
1801 Other Federal assets: Cash, cash equivalents	216	291
1999 Total assets	7,818	8,267
LIABILITIES:		
Non-Federal liabilities:		
2202 Interest payable	157	236
2203 Debt	8,162	8,166
2207 Other	67	58
2999 Total liabilities	8,386	8,460
NET POSITION:		
3100 FICO capital stock purchased by FHLBanks	680	680
3300 Cumulative results of operations	6,922	7,297
3300 FSLIC capital certificates	-8,170	-8,170
3999 Total net position	-568	-193

4999 Total liabilities and net position	7,818	8,267
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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	2016 actual	2017 actual
ASSETS:		
Federal assets:		
Investments in US securities:		
1102 Principal fund account investment, net	18,662	19,782
1206 Non-Federal assets: Assessments receivable for interest expense	886	888
1999 Total assets	19,548	20,670
LIABILITIES:		
Non-Federal liabilities:		
2202 Accrued interest payable on long-term obligations	886	888
2203 Debt	30,061	30,058
2999 Total liabilities	30,947	30,946
NET POSITION:		
3100 Nonvoting capital stock issued to FHLBanks	2,513	2,513
3300 Cumulative results of operations	16,317	17,440
3300 RTC nonredeemable capital certificates	-31,286	-31,286
3300 Contributed capital - principal fund assessments	1,057	1,057
3999 Total net position	-11,399	-10,276
4999 Total liabilities and net position	19,548	20,670

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Program and Financing (in millions of dollars)

Identification code 920-4982-0-4-803	2016 actual	2017 est.	2018 est.
Obligations by program activity:			
0801 Monetary and economic policy	151	167	176
0802 Federal Reserve System policy direction	37	40	40
0803 Supervisory, regulatory, and legal services	236	255	261
0804 Support and security services	227	265	267
0805 Extraordinary items	38	17	22
0806 Below reporting threshold	1	1
0809 Reimbursable program activities, subtotal	689	745	767
0810 Office of Inspector General operating expenses	31	34	36
0900 Total new obligations, unexpired accounts	720	779	803
Budgetary resources:			
Financing authority:			
Spending authority from offsetting collections, mandatory:			
1800 Collected	720	779	803
1930 Total budgetary resources available	720	779	803
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	720	720	720
3010 New obligations, unexpired accounts	720	779	803
3020 Outlays (gross)	-720	-779	-803
3050 Unpaid obligations, end of year	720	720	720
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	720	720	720
3200 Obligated balance, end of year	720	720	720
Financing authority and disbursements, net:			
Mandatory:			
4090 Budget authority, gross	720	779	803
4110 Outlays, gross (total)	720	779	803
Offsets against gross financing authority and disbursements:			
Offsetting collections (collected) from:			
4123 Non-Federal sources	-720	-779	-803
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 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 of Governors 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 information presented pertains to Board operations only; expenditures made for production, issuance, retirement, and shipment of Federal Reserve notes are not included because those costs are reimbursed in full by the Federal Reserve banks.

Object Classification (in millions of dollars)

Identification code 920-4982-0-4-803	2016 actual	2017 est.	2018 est.
Reimbursable obligations:			
11.1 Personnel compensation: Full-time permanent	416	454	472
12.1 Civilian personnel benefits	86	94	97
13.0 Benefits for former personnel	9	10	13
21.0 Travel and transportation of persons	15	18	18
23.2 Rental payments to others	29	33	35
23.3 Communications, utilities, and miscellaneous charges	9	11	10
24.0 Printing and reproduction	2	3	2
25.1 Advisory and assistance services	80	70	70
25.2 Other services from non-Federal sources	43	47	53
25.4 Operation and maintenance of facilities	4	3	3
25.7 Operation and maintenance of equipment	5	5	5
26.0 Supplies and materials	1	2	1
31.0 Equipment	21	29	24
99.9 Total new obligations, unexpired accounts	720	779	803