

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 2018 balance sheets for the Financing Corporation and Resolution Funding Corporation are as of December 31, 2018, and the 2019 balance sheets are as of September 30, 2019.

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. FICO paid off its last long-term debt obligation on September 26, 2019, and on October 2, 2019, commenced the process of dissolution in accordance with relevant statutory requirements and the terms of a plan of dissolution approved by the Director of the Federal Housing Finance Agency (FHFA) on November 30, 2018.

The Act provided formulas pursuant to which the Federal Home Loan Banks (FHLBanks) 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 were the primary source of repayment of the principal of FICO obligations. Securities in the segregated account were kept separate from other FICO accounts and funds, but were not specifically pledged as collateral for the payment of obligations. The primary source of payment of interest on the obligations was the receipt of assessments imposed on and collected from institutions' accounts, which are insured by the Federal Deposit Insurance Corporation's Deposit Insurance Fund.

Subject to the satisfaction of any claims and the payment of other administrative expenses upon FICO's dissolution, which is expected to occur in the first half of 2020, any surplus and remaining cash on hand of FICO is expected to be distributed to the FHLBanks, as FICO's sole stockholders, in proportion to their ownership in FICO's nonvoting capital stock. The receipt by the FHLBanks of any such distribution from FICO will be treated as a partial return of their prior capital contributions to FICO and credited to their unrestricted retained earnings. The FHLBanks do not expect any distribution from FICO to materially affect the FHLBanks' combined financial condition or combined results of operations.

Balance Sheet (in millions of dollars)

Identification code 920-4980-0-4-373	2018 actual	2019 actual
ASSETS:		
Federal assets:		
Investments in U.S. securities:		
1102 Segregated accounts investment, net	2,482
1801 Other Federal assets: Cash, cash equivalents	85	198
1999 Total assets	2,567	198
LIABILITIES:		
Non-Federal liabilities:		
2202 Interest payable	49
2203 Debt	2,320
2207 Other	36	2
2999 Total liabilities	2,405	2
NET POSITION:		
3100 FICO capital stock purchased by FHLBanks	680	680
3300 Cumulative results of operations	7,653	7,686
3300 FSLIC capital certificates	-8,170	-8,170
3999 Total net position	163	196
4999 Total liabilities and net position	2,568	198

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, with the exception of funds derived from the sale of former RTC assets managed by the Federal Deposit Insurance Corporation's Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund, 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.

RESOLUTION FUNDING CORPORATION—Continued

Balance Sheet (in millions of dollars)

Identification code 920-4981-0-4-373	2018 actual	2019 actual
ASSETS:		
Federal assets:		
Investments in U.S. securities:		
1102 Principal fund account investment, net	21,809	23,119
1206 Non-Federal assets: Assessments receivable for interest expense	886	888
1999 Total assets	22,695	24,007
LIABILITIES:		
Non-Federal liabilities:		
2202 Accrued interest payable on long-term obligations	886	888
2203 Debt	30,055	30,053
2999 Total liabilities	30,941	30,941
NET POSITION:		
3100 Nonvoting capital stock issued to FHLBanks	2,513	2,513
3300 Cumulative results of operations	19,470	20,782
3300 RTC nonredeemable capital certificates	-31,286	-31,286
3300 Contributed capital - principal fund assessments	1,057	1,057
3999 Total net position	-8,246	-6,934
4999 Total liabilities and net position	22,695	24,007

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Program and Financing (in millions of dollars)

Identification code 920-4982-0-4-803	2018 actual	2019 est.	2020 est.
Obligations by program activity:			
0801 Monetary policy	173	199	199
0802 Public programs	18	22	22
0803 Supervision and regulation	178	190	190
0804 Reserve Bank oversight	36	35	35
0805 Currency operating expenses (Board incurred)	44	50	50
0806 Support and overhead	334	348	348
0809 Reimbursable program activities, subtotal	783	844	844
0810 Office of Inspector General operating expenses	33	35	29
0900 Total new obligations, unexpired accounts	816	879	873
Budgetary resources:			
Financing authority:			
Spending authority from offsetting collections, mandatory:			
1800 Collected	816	879	873
1930 Total budgetary resources available	816	879	873
Change in obligated balance:			
Unpaid obligations:			
3010 New obligations, unexpired accounts	816	879	873
3020 Outlays (gross)	-816	-879	-873
Financing authority and disbursements, net:			
Mandatory:			
4090 Budget authority, gross	816	879	873
4110 Outlays, gross (total)	816	879	873
Offsets against gross financing authority and disbursements:			
Offsetting collections (collected) from:			
4123 Non-Federal sources	-816	-879	-873
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	2018 actual	2019 est.	2020 est.
Reimbursable obligations:			
11.1 Personnel compensation: Full-time permanent	456	483	487
12.1 Civilian personnel benefits	94	97	98
13.0 Benefits for former personnel	16	17	17
21.0 Travel and transportation of persons	16	16	17
22.0 Transportation of things	21	23	19
23.2 Rental payments to others	37	37	34
23.3 Communications, utilities, and miscellaneous charges	8	8	8
24.0 Printing and reproduction		1	1
25.1 Advisory and assistance services	80	107	107
25.2 Other services from non-Federal sources	55	54	49
25.4 Operation and maintenance of facilities	3	3	3
25.7 Operation and maintenance of equipment	4	5	5
26.0 Supplies and materials	1	1	1
31.0 Equipment	25	27	27
99.9 Total new obligations, unexpired accounts	816	879	873