Construction, Operation and Maintenance, Lake County, IN, Due: February 01, 1996, Contact: Keith Ryder (312) 353–6400.

EIS No. 950522, REVISED FINAL EIS, UAF, ME, Loring Air Force Base (AFB) Disposal and Reuse, Implementation, Aroostook County, ME, Due: December 08, 1995, Contact: Nancy Speake (210) 536–5630.

EIS No. 950523, DRAFT EIS, COE, MD, Poplar Island Restoration Project, Dredging, Construction and Placement of Dredged Materials, Implementation, Chesapeake Bay, Talbot County, MD, Due: December 28, 1995, Contact: Wesley E. Coleman (410) 962–4713.

EIS No. 950524, FINAL EIS, FHW, NH, NH–16 and US 302 Transportation Improvements, Funding, and COE Section 10 and 404 Permits Issuance, Villages of Conway and North Conway, Carroll County, NH, Due: December 08, 1995, Contact: William F. O'Donnell (603) 225–1608.

Amended Notices

EIS No. 950421, DRAFT EIS, USA, CA, Miramar Naval Air Station (NAS) Realignment or Conversion to Miramar Marine Corps Air Station, Implementation, San Diego, CA, Due: December 21, 1995, Contact: Ltc. George Martin (619) 537–6678.

Published FR 09–15–95—Review period extended.

Dated: November 06, 1995.

William D. Dickerson,

*Director, NEPA Compliance Division, Office of Federal Activities.*

[FR Doc. 95–27837 Filed 11–8–95; 8:45 am]

BILLING CODE 6560–50–P

## FEDERAL COMMUNICATIONS COMMISSION

**[Report No.1]**

### A Petition for Reconsideration of Action in Commission Proceedings

October 31, 1995.

A petition for reconsideration has been filed with respect to the Commission's Public Notice listed below. The full text of this document is available for viewing and copying in Room 610, 1919 M Street, N.W., Washington, D.C., by contacting Donna Viert ((202) 418–1725). In addition, copies may be purchased from the Commission's copy contractor, ITS, Inc. (202) 857–3800). In accordance with section 1.45(b) of the Commission's Rules (47 CFR 1.4(b)(1)) oppositions to this petition for reconsideration must be filed on or before November 24, 1995. Interested parties may file oppositions to this petition on or before November 22nd. Replies to an opposition must be filed within 10 days after the time for filing oppositions has expired.

Subject: FCC Waives Limitations on Payments to Dismissing Applicants in Universal Settlements of cases Subject to Comparative Proceedings Freeze Policy (FCC 95–391).

Field By: Gene A. Bechtel and Harry F. Cole, Bechtel & Cole, Chartered, Counsel for John W. Barger and August Communications Group, Inc. on October 16, 1995.

Action by the General Counsel

Federal Communications Commission.

William F. Caton,

*Acting Secretary.*

[FR Doc. 95–27722 Filed 11–8–95; 8:45 am]

BILLING CODE 6712–01–M

## FEDERAL RESERVE SYSTEM

**[Docket No. R–0899]**

### Federal Reserve Bank Services

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Notice.

**SUMMARY:** The Board has approved a private sector adjustment factor (PSAF) for 1996 of $85.8 million, as well as fee schedules for Federal Reserve priced services and electronic connections. These actions were taken in accordance with the requirements of the Monetary Control Act of 1980, which requires that, over the long run, fees for Federal Reserve priced services be established on the basis of all direct and indirect costs, including the PSAF.

**DATES:** The PSAF and the fee schedules become effective January 2, 1996.

**FOR FURTHER INFORMATION CONTACT:** For questions regarding the private sector adjustment factor: Elizabeth Tacik, Accounting Analyst (202/452–2303), Division of Reserve Bank Operations and Payment Systems; for questions regarding fees schedules: Scott Knudson, Senior Financial Services Analyst, ACH Payments (202/452–3959), Michele Braun, Senior Financial Services Analyst, Check Payments (202/452–2819), Darrell Mak, Financial Services Analyst, Funds Transfer and Book-Entry Securities Services, (202/452–3223), Ken Buckley, Manager, Information Technology (electronic connections), (202/452–3646), Michael Bermudez, Financial Services Analyst, (202/452–2216), or Marianne Hansberry, Financial Services Analyst, Cash Section, (202/452–2760), Division of Reserve Bank Operations and Payment Systems. For users of Telecommunications Device for the Deaf *only*, please contact Dorothea Thompson (202/452–3544).

Copies of the 1996 fee schedules for the check, automated clearing house (ACH), funds transfer and net settlement, book-entry securities, noncash collection, and special cash services, as well as electronic connections to Reserve Banks, are available from the Reserve Banks.

**SUPPLEMENTARY INFORMATION:**

I. Private Sector Adjustment Factor

A. *Overview*—The Board has approved a 1996 PSAF for Federal Reserve priced services of $85.8 million. This amount represents a decrease of $8.9 million or 9.4 percent from the PSAF of $94.7 million targeted for 1995.

As required by the Monetary Control Act (MCA) (12 U.S.C. 248a), the Federal Reserve's fee schedules for priced services include ''taxes that would have been paid and the return on capital that would have been provided had the services been furnished by a private business firm.'' These imputed costs are based on data developed in part from a model comprised of the nation's 50 largest (in asset size) bank holding companies (BHCs).

The methodology first entails determining the value of Federal Reserve assets that will be used in producing priced services during the coming year. Short-term assets are assumed to be financed by short-term liabilities; and long-term assets are assumed to be financed by a combination of long-term debt and equity derived from the BHC model. For 1995, the mix of long-term debt and equity was modified slightly to ensure an imputed equity to asset ratio of 4 percent as required for adequately capitalized institutions under provisions of Regulation F (12 CFR 206.5). This was not necessary for 1996.

Imputed capital costs are determined by applying related interest rates and rates of return on equity (ROE) derived from the BHC model to assets used in providing priced services. The rates drawn from the BHC model are based on consolidated financial data for the 50 largest BHCs in each of the last five years. Because short-term debt, by definition, matures within one year, only data for the most recent year are used for computing the short-term debt rate.

In addition to capital costs, the PSAF includes imputed sales taxes, expenses of the Board of Governors related to priced services, and an imputed Federal

Deposit Insurance Corporation (FDIC) insurance assessment on clearing balances held with the Federal Reserve to settle transactions.

B. *Asset Base*—The estimated value of Federal Reserve assets to be used in providing priced services in 1996 is reflected in table A–1. Table A–2 shows that the assets assumed to be financed through debt and equity are projected to total $637.3 million. As shown in table A–3, this represents a net increase of $14.4 million or 2.3 percent from 1995. This increase results primarily from a higher priced asset base at the Reserve Banks. A decrease of $10.6 million or 14.3 percent in the FRAS priced asset base due to a reduction in capital purchases and a reduction in the FRAS priced percentage sightly offset the increase in Reserve Bank asset levels.

C. *Cost of Capital, Taxes, and Other Imputed Costs*—Table A–3 shows the financing and tax rates, as well as the other required PSAF recoveries proposed for 1996, and compares the 1996 rates with the rates used for developing the PSAF for 1995. The pre-tax return on equity rate increased from 12.1 percent in 1995 to 14.2 percent for 1996. The increase is a result of stronger 1994 BHC financial performance included in the 1996 BHC model, relative to the 1989 BHC financial performance in the 1995 BHC model.

The decrease in the FDIC insurance assessment from $19.0 million in 1995 to $2.2 million in 1996, as shown in table A–3, is attributable to the impact of the new lower rate for deposit insurance and lower clearing balances. The FDIC rate of $0.26 for every $100 in clearing balances was reduced to $0.04 as of June 1, 1995.

D. *Capital Adequacy*—As shown on table A–4, the amount of capital imputed for the proposed 1996 PSAF totals 34.4 percent of risk-weighted assets, well in excess of the 8 percent capital guideline for state member banks and BHCs.

II. Priced Services

A. *Overview*—Over the period 1985 through 1994, the Reserve Banks recovered 100.7 percent of the total costs of providing priced services, including special project costs that were budgeted for recovery and targeted ROE.[1] Table 1 summarizes the cost and revenue performance for priced services since 1985.

B. *1995 Performance*—The 1995 fees approved by the Board were expected to recover 100.6 percent of the costs of providing priced services, including imputed expenses, automation consolidation special project costs budgeted for recovery, and targeted ROE. Through August 1995, the System recovered 98.7 percent of total priced services expenses, including automation consolidation special project costs and targeted ROE. The Reserve Banks now estimate that priced services revenues will yield a net income of $25.8 million for the year, compared with a targeted ROE of $31.5 million. The recovery rate after ROE is expected to be 99.3 percent. Approximately $19.8 million in automation consolidation special project costs will be recovered in 1995, leaving $36.0 million in accumulated costs to be financed and recovered later.[2]

The variation in the cost recovery performance from the original 1995 projections can be attributed to the following major factors. First, the pre-tax credits arising from accounting for pensions under the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 87 (SFAS 87) were revised downward by $16.1 million from the estimate used to set 1995 fees. This reduction was due primarily to a lower return on assets in 1994 and a slightly lower discount rate for valuing pension plan assets. On the other hand, the FDIC insurance assessment was reduced, which lowered imputed expenses by $9.4 million. If these two changes had not occurred, the Reserve Banks' estimated 1995 recovery rate would have been 99.8 percent, or 0.5 percentage points higher than now forecast.

TABLE 1.—PRO FORMA COST AND REVENUE PERFORMANCE (A)

[$ millions]

| Year | 1 Revenue (b) | 2 Operating costs and imputed expenses (c) | 3 Special project costs recovered (d) | 4 Total expense [2+3] | 5 Net income (ROE) [1–4] | 6 Target ROE (e) | 7 Recovery rate after target ROE (percent) [1/(4+6)] | 8 Special project costs deferred and financed (f) |
|---|---|---|---|---|---|---|---|---|
| 1985 | 613.8 | 555.3 | 0.0 | 555.3 | 58.5 | 23.9 | 106.0 | 0.0 |
| 1986 | 627.7 | 571.6 | 0.0 | 571.6 | 56.1 | 27.3 | 104.8 | 0.0 |
| 1987 | 649.7 | 598.2 | 0.0 | 598.2 | 51.5 | 29.3 | 103.5 | 0.0 |
| 1988 | 667.7 | 641.1 | 3.2 | 644.3 | 23.4 | 32.7 | 98.6 | 0.0 |
| 1989 | 718.6 | 692.1 | 4.6 | 696.7 | 21.9 | 32.9 | 98.5 | 0.0 |
| 1990 | 746.5 | 698.1 | 2.8 | 700.9 | 45.6 | 33.6 | 101.6 | 0.0 |
| 1991 | 750.2 | 710.0 | 1.6 | 711.6 | 38.6 | 32.5 | 100.8 | 0.0 |
| 1992 | 760.8 | 731.0 | 11.2 | 742.2 | 18.6 | 26.0 | 99.0 | 1.6 |
| 1993 | 774.5 | 722.4 | 27.1 | 749.5 | 25.0 | 24.9 | 100.0 | 12.5 |
| 1994 | 767.2 | 748.3 | 8.8 | 757.1 | 10.1 | 34.6 | 96.9 | 33.9 |
| 1995 (Est) | 757.7 | 712.1 | 19.8 | 731.9 | 25.8 | 31.5 | 99.3 | 36.0 |

[1] Certain offsets to costs and certain costs are treated differently in the *pro forma* income statement for Federal Reserve priced services that is published in the Board's *Annual Report* than they are for purposes of setting fees. For example, offsets to costs associated with the transition to and retroactive application of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 87 (SFAS 87), pension accounting, and SFAS 106, other post-retirement employee benefits accounting, have not been considered in setting fees for priced services. Under the procedures used to prepare the *pro forma* income statement, the Reserve Banks recovered 101.4 percent of the expenses incurred in providing priced services, including targeted ROE, from 1985 through 1994.

[2] In 1981, the Board adopted a policy that permits the Reserve Banks to defer and finance development costs if the development costs would have a material effect on unit costs, provided a conservative time period is set for full cost recovery and a financing factor is applied to the deferred portion of development costs.

TABLE 1.—PRO FORMA COST AND REVENUE PERFORMANCE (A)—Continued

[$ millions]

| Year | 1 Revenue (b) | 2 Operating costs and imputed expenses (c) | 3 Special project costs recovered (d) | 4 Total expense [2+3] | 5 Net income (ROE) [1–4] | 6 Target ROE (e) | 7 Recovery rate after target ROE (percent) [1/(4+6)] | 8 Special project costs deferred and financed (f) |
|---|---|---|---|---|---|---|---|---|
| 1996 (Bud) | 791.6 | 723.7 | 25.5 | 749.3 | 42.3 | 36.7 | 100.7 | 33.1 |

(a) Details may not sum to totals because of rounding. The revenues and expenses for 1985 through 1993 include the definitive safekeeping service, which was discontinued in 1993. The table includes revised revenue and expense data for 1992 and 1993.
(b) Beginning in 1987, net income on clearing balances is included in revenue.
(c) Imputed expenses include interest on debt, taxes, FDIC insurance, and the cost of float. Credits for prepaid pension costs under SFAS 87 and the charges for post-retirement benefits in accordance with SFAS 106 are included beginning in 1993.
(d) Special project costs include Electronic Payment System (EPS) costs from 1988 through 1990, check image project costs from 1988 through 1993, and certain categories of automation consolidation costs from 1992 through 1996.
(e) Targeted ROE is based on the ROE included in the PSAF and has been adjusted for taxes, which are included in column 2. Targeted ROE has not been adjusted to reflect automation consolidation special project costs deferred and financed. The Reserve Banks plan to recover these costs in the future.
(f) Totals are cumulative and include financing costs.

Second, for the second year, the check service's volume losses were greater than anticipated, reflecting increasing use of direct presentments and continuing consolidation in the banking industry. The Reserve Banks' current estimates indicate that check revenues will be about $10.0 million lower than original projections. Conversely, ACH volume has grown more rapidly than the Reserve Banks initially projected and revenues are nearly $4.0 million higher than anticipated.

C. *1996 Projection*—In 1996, all priced services expect to recover operating costs and imputed expenses, including targeted ROE. Total revenues in 1996 are projected to increase 4.5 percent compared with 1995 estimated revenues.[3] Based on the Reserve Banks' budgeted costs, volumes, and revenues, the proposed 1996 fees will yield net income of $42.3 million for the year, compared with a targeted ROE of $36.7 million. These estimates result in a 100.7 percent cost recovery rate, including automation consolidation special project costs budgeted for recovery and targeted ROE. Priced services expenses before special project costs are projected to increase 1.6 percent compared with estimated 1995 levels. Approximately $25.5 million in automated consolidation special project costs will be recovered, leaving $33.1 million of accumulated special project costs to be recovered in the future. The following sections discuss the 1994 and 1995 year-to-date performance for each priced service, as well as the changes to fees that were approved by the Board.

D. *Check*—Table 2 presents the actual 1994, estimated 1995, and projected 1996 cost recovery performance for the check service.

TABLE 2.—CHECK PRO FORMA COST AND REVENUE PERFORMANCE

[$ millions]

| Year | 1 Revenue | 2 Operating costs and imputed expenses | 3 Special project costs recovered | 4 Total expense [2+3] | 5 Net income (ROE) [1–4] | 6 Target ROE | 7 Recovery rate after target ROE (percent) [1/(4+6)] | 8 Special project costs deferred and financed |
|---|---|---|---|---|---|---|---|---|
| 1994 | 582.4 | 579.8 | 0.0 | 579.8 | 2.6 | 26.3 | 96.1 | 11.3 |
| 1995 (Est) | 569.2 | 548.9 | 5.3 | 554.2 | 15.0 | 24.0 | 98.4 | 12.0 |
| 1996 (Bud) | 595.0 | 561.3 | 5.6 | 566.9 | 28.1 | 28.0 | 100.0 | 10.9 |

1. *1994 Performance*—The check service recovered 96.1 percent of total expenses in 1994, including targeted ROE. The volume of checks collected decreased 13.3 percent from 1993 levels as a result of the implementation of the same-day settlement regulation, as well as bank consolidation and merger activity. Return item volume decreased 1.7 percent.

2. *1995 Performance*—Through August 1995, the check service recovered 98.2 percent of total expenses, including automation consolidation special projects costs and targeted ROE, compared with the targeted 1995 recovery rate of 100.0 percent. The volume of checks collected decreased 7.0 percent from 1994 levels, reflecting a 3.7 percent decrease in processed volume and a 19.2 percent decrease in fine sort volume. Return item volume increased 2.6 percent.

The Reserve Banks now estimate that 1995 net income will amount to $15.0 million, compared with the $24.0 million budgeted. Two significant factors contribute to the variation. First, the decline in check collection volume experienced through August is expected to accelerate. The Reserve Banks now expect volume to decline by 9.3 percent for the year, versus the budgeted volume loss of 2.4 percent. As a result, check revenues are expected to be

[3] The projected revenues include net income on clearing balances.

approximately $10 million lower than the Reserve Banks' original projections. Second, although the Reserve Banks took steps to reduce production costs, those steps were largely offset by a net increase in other expenses of $5.2 million. This increase is due to a $12.4 million pre-tax reduction in pension credits, which increased expenses, offset by a $7.2 million reduction in the FDIC insurance assessment. As a result, several Reserve Banks implemented selective price increases during the year to address the revenue shortfall. On a volume-weighted average basis, forward collection and return check fees were increased by about 1.5 percent and about 9.5 percent, respectively, since January 1995.

In addition, the Federal Reserve Bank of Chicago opened a new check processing facility in Peoria, Illinois in September, which is expected to contribute to processing efficiency over the long run.

3. *1996 Issues*—As in 1995, the Reserve Banks will be challenged by the changes occurring in the check processing environment. In particular, the evolution to interstate banking is likely to lead to significant changes in the interbank check collection market. To ensure that the Reserve Banks will be able to provide efficient, fairly priced check services and to contribute to improving the efficiency of the payments system, the Banks will (1) emphasize the use of electronic check products that increase the efficiency of the check collection process, (2) introduce a set of consistent national products, and (3) continue to pursue operational efficiencies.

To encourage the use of electronics, the Reserve Banks will continue to promote electronic check presentment (ECP) products. In addition, by year-end 1996, all Reserve offices will offer electronic cash letter (ECL) deposit products. These products reduce Reserve Bank operating costs by reducing manual processing. As a result, the Reserve Banks will offer ECL deposit products at lower per-item fees or later deposit deadlines than traditional check deposit products. The Reserve Banks believe that widespread use of ECL and ECP products ultimately will reduce the costs incurred in transporting and handling paper checks and, thus, will reduce the total costs of the check collection system.

To address the needs of multi-district depository institutions, the Reserve Banks will implement a set of national core check products. The core products will have identical features and names, although fees for the products will be set at the local office level to reflect the difference in the Reserve Banks' cost structures. In addition, Reserve Banks are expanding the use of tiered prices to ensure that fees take into consideration the cost of collecting checks drawn on various paying institutions, adding low-priced group sort products to provide depositing institutions increased options for reducing check collection costs, and improving deposit deadlines to improve funds availability.

Several Reserve Banks are also introducing digital image technology into their commercial check operations and offering image-enhanced check products to payor banks. The use of image technology has the potential to reduce Reserve Banks' operating costs and increase the acceptance of ECP and check truncation.

Total check service operating costs plus imputed expenses are projected to increase by $12.4 million, or 2.3 percent above estimated 1995 expenses. Total check collection volume is expected to decline by 1.1 percent in 1996. The Reserve Banks project an increase of approximately 0.7 percent in processed volume, a decrease of 9.5 percent in fine sort volume, and a decrease of 1.1 percent in return item volume.

4. *1996 Fees*—The check fees approved by the Board reflect more accurately the fixed and variable costs of providing check services. In addition, the fees reflect the Reserve Banks' continued efforts to encourage the use of electronics to improve the efficiency of the check collection mechanism.

Overall, 1996 fees for forward collection products will increase by about 1.8 percent on a volume-weighted average basis, compared with current prices.[4] The most significant increases are in processed cash-letter and fine sort per-item fees, which are increasing 10.6 percent and 5.9 percent, respectively. Forward processed per-item fee increases are modest. Of the 2,166 forward collection and fine sort fees, about 69 percent will remain unchanged, 22 percent will increase, 5 percent will be for new products, and 4 percent will be reduced. About 125 fees that were in place in 1995 will be discontinued.

Compared with current prices, the volume-weighted average increase in fees for return item products will increase approximately 4.0 percent.[5] Of the 1,442 return item fees, 63 percent will remain unchanged, 34 percent will increase, 2 percent will be for new products, and 1 percent will decline. About 76 fees that were in place in 1995 will be discontinued. No changes in the fees for the Interdistrict Transportation Service (ITS) are recommended.

Table 3 highlights selected 1995 and 1996 check fees.

TABLE 3.—SELECTED CHECK FEES

| Products | 1995 price ranges | 1996 price ranges |
|---|---|---|
| Items: | (per item) | (per item) |
| Forward processed | | |
| City | $0.003 to 0.049 | $0.003 to 0.080 |
| Regional Check Procesing Center (RCPC) | 0.003 to 0.069 | 0.003 to 0.079 |
| Fine Sort | | |
| City | 0.002 to 0.012 | 0.003 to 0.012 |
| RCPC | 0.002 to 0.017 | 0.002 to 0.017 |
| Qualified return items | | |
| City | 0.100 to 0.740 | 0.100 to 1.110 |
| RCPC | 0.120 to 1.040 | 0.120 to 1.560 |
| Raw return items | | |
| City | 0.580 to 2.180 | 0.580 to 4.000 |
| RCPC | 0.800 to 2.180 | 0.900 to 4.000 |

[4] Selected price increases were implemented during 1995. Combining the Reserve Banks' recommended price changes for January 1996 with the price increases that were implemented since January 1995, the volume-weighted average increase in fees for forward collection products is approximately 3 percent.

[5] Combining the Reserve Banks' recommended price changes for January 1996 with the price increases that were implemented since January 1995, the volume-weighted average increase in return fees is about 14 percent.

TABLE 3.—SELECTED CHECK FEES—Continued

| Products | 1995 price ranges | 1996 price ranges |
|---|---|---|
| Cash letters: | (per cash letter) | (per cash letter) |
| Forward processed | $1.50 to 8.00 | $1.50 to 9.00 |
| Forward fine-sort package | 2.50 to 11.00 | 2.50 to 11.00 |
| Return items: raw and qualified | 1.50 to 8.00 | 1.50 to 8.00 |

Payor bank service revenue is expected to grow by approximately 22 percent in 1996, primarily due to more widespread acceptance of the Reserve Banks' electronic presentment and image-enhanced check products.

The Reserve Banks project that the check service will recover 100 percent of total costs, including $5.6 million in automation consolidation special project costs and targeted ROE. Approximately $10.9 million in automation consolidation special project costs will be deferred and financed for recovery in future years.

While most Reserve Banks' plans for 1996 are conservative, several Reserve Banks have adopted fairly aggressive pricing and product development strategies and plan significant operational changes aimed at improving efficiency and reducing costs. Because of the aggressiveness of some plans, the Board believes that there are risks in achieving the Reserve Banks' aggregate volume projections, in particular. Because additional steps could be taken during 1996 to reduce operating costs if volume projections were not met, the Board approved the 1996 check fees proposed by the Reserve Banks.

E. *Automated Clearing House (ACH)*—Table 4 presents the actual 1994, estimated 1995, and projected 1996 cost recovery performance for the commercial ACH service.

TABLE 4.—ACH PRO FORMA COST AND REVENUE PERFORMANCE

[$ millions]

| Year | 1 Revenue | 2 Operating costs and imputed expenses | 3 Special project costs recovered | 4 Total expenses [2+3] | 5 Net income (ROE) [1 − 4] | 6 Target ROE | 7 Recovery rate after Target ROE (percent) [1/(4+6)] | 8 Special project costs deferred and financed |
|---|---|---|---|---|---|---|---|---|
| 1994 | 66.9 | 64.6 | 0.0 | 64.6 | 2.3 | 3.4 | 98.3 | 19.6 |
| 1995 (Est) | 74.7 | 66.3 | 4.0 | 70.2 | 4.5 | 3.1 | 101.9 | 21.5 |
| 1996 (Bud) | 78.9 | 66.0 | 9.2 | 75.2 | 3.6 | 3.6 | 100.0 | 17.3 |

1. *1994 Performance*—Revenues from the ACH service recovered 98.3 percent of total expenses, including targeted ROE, during 1994. The factors contributing to the net revenue shortfall included the costs associated with the transition to FRAS and Fednet and the expenses associated with the development of the new Fed ACH application software. Commercial ACH volume increased by 16.8 percent over the 1993 volume level.

2. *1995 Performance*—Through August 1995, the ACH service recovered 103.2 percent of total expenses, including automation consolidation special project costs and targeted ROE, compared with the targeted 1995 recovery rate of 100.0 percent. The higher cost recovery rate is due primarily to a higher than expected commercial volume growth rate. Year-to-date commercial ACH volume increased 18.4 percent over the 1994 level, compared with the projected 1995 increase of 12.9 percent. The Reserve Banks now project net income of $4.5 million, compared with the $3.1 million budgeted for 1995. Commercial ACH volume is expected to increase 17.5 percent over the 1994 level.

3. *1996 Issues*—During 1996, the Reserve Banks plan to complete implementation of the Fed ACH application software, which was developed over the last several years. Because no Reserve Banks had completed their transition to Fed ACH when the 1996 budgets were prepared, there is some uncertainty about the ongoing costs of operating the new software in the FRAS automation environment. The projected commercial volume growth rate of 17.5 percent may be aggressive in light of the continuing consolidation in the banking industry. The Reserve Banks believe, however, that their marketing efforts with the National Automated Clearing House Association have the potential to spur volume growth.

4. *1996 Fees*—The ACH service is capital intensive and demonstrates increasing returns to scale over wide volume ranges. As a result, the volume growth realized over the last several years has resulted in declining per-item processing costs. The Board anticipates that per-item costs will decline further after all ACH processing is consolidated, following the implementation of Fed ACH. The Board has approved several modifications to the current ACH fees for 1996. These modifications are shown in table 5.

TABLE 5

| Fee category | Current fees | Fees as of January 1996 |
|---|---|---|
| Interdistrict Items | $0.014 | $0.012 |
| Presorted Items | $0.012 | $0.010 |
| Interdistrict Addenda | $0.005 | $0.004 |
| Account Servicing Fee | $20.00 | $25.00 |
| Nonautomated Services | $10.00 | $15.00 |

As table 5 indicates, the Board has approved per-item fees reductions for unsorted and presorted interdistrict transactions of $0.002. In addition, the interdistrict fee for addenda items, which provide supplementary payment-related data, will be reduced by $0.001, eliminating the differential between local and interdistrict addenda items. Because of the high fixed costs

associated with providing the ACH service, the Board has approved an increase of $5.00 per month in the account servicing fee. Finally, the Board has approved a $5.00 increase in the fees for paper return items and notifications of change (NOC), government paper NOCs, telephone return items, and telephone advices to reflect the labor intensive nature of processing, and to provide an incentive for depository institutions to automate these processes.

After the Reserve Banks have fully implemented Fed ACH, they plan to propose further reductions in per-item fees and to offer a number of new products, including products designed to assist receiving institutions, as well as products designed to permit high-volume originating institutions to obtain lower fees by sorting transactions before transmitting them to the Federal Reserve. The Board anticipates that it will be requested to approve additional fee reductions and service enhancements in mid-1996.

Based on the fee schedule proposed by the Reserve Banks, they are projecting that the ACH service will recover 100.0 percent of costs, including $9.2 in automation consolidation special project costs and targeted ROE. Approximately $17.3 million in automation consolidation special project costs will continue to be deferred and financed for recovery in future years. The Board has approved the 1996 fees proposed by the Reserve Banks.

F. *Funds Transfer and Net Settlement*—Table 6 presents the actual 1994, estimated 1995, and projected 1996 cost recovery performance for the funds transfer and net settlement service.

TABLE 6.—FUNDS TRANSFER PRO FORMA COST AND REVENUE PERFORMANCE

[Dollars in millions]

| Year | 1<br>Revenue | 2<br>Operating costs and imputed expenses | 3<br>Special project costs recovered | 4<br>Total expense | 5<br>Net income (ROE) | 6<br>Target ROE | 7<br>Recovery rate after target ROE (percent) | 8<br>Special project costs deferred and financed |
|---|---|---|---|---|---|---|---|---|

[6] Includes Purchase and Sale Activity.

1. *1994 Performance*—Revenues from the book-entry securities service recovered 98.1 percent of total expenses, including automation consolidation special project costs and targeted ROE during 1994. Book-entry securities transfer volume increased only 1.6 percent over 1993 levels due to a sharp decline in trading activity associated with increasing mortgage interest rates in mid-1994.

2. *1995 Performance*—Through August 1995, the book-entry securities service recovered 99.3 percent of total expenses, including automation consolidation special project costs and targeted ROE, compared with the targeted 1995 recovery rate of 100.1 percent. During the same period, book-entry securities transfer volume decreased 4.2 percent compared with the 1994 level, reflecting the continuing decline in the volume of mortgage-backed securities activity. Although operating expenses are now expected to be slightly higher than originally projected, the Reserve Banks expect to achieve their targeted recovery rate for 1995. This projection is based on two factors. First, the volume of book-entry securities transfers, which declined through mid-1995, has begun to increase over 1994 levels. The Reserve Banks now project a decrease in book-entry securities transfers of only 0.8 percent for the year. Second, the number of accounts maintained and securities issues held, as well as the volume of off-line transfers, are expected to be higher than budgeted.

3. *1996 Issues*—The Reserve Banks expect book-entry securities transfer volume to remain at approximately the 1995 level. Participants Trust Company (PTC) announced its intent to expand its mortgage-backed securities business to include securities issued by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. PTC, however, has not indicated when these securities will be included in their system. The Reserve Banks anticipate that the effect on 1996 volume will be minimal, but the effect on volume levels in the future could be substantial.

The Reserve Banks plan to begin their conversion to the National Book-Entry System (NBES) in April 1996. Once the conversion is complete, the Reserve Banks expect to reduce data processing costs substantially. Unlike the current system, the NBES requires that securities held as collateral be held in separate securities accounts, rather than combined into one account. The Reserve Banks plan to analyze the effect of this change and recommend that the Board approve a modified fee in mid-1996.

4. *1996 Fees*—Although there are uncertainties with respect to volume projections beyond 1996, based on the approved fee schedule, the Reserve Banks project that the book-entry securities service will recover 100.0 percent of costs, including $1.4 million in automation consolidation special project costs and targeted ROE. The Board has approved retaining the 1995 book-entry securities fees for 1996.

H. *Electronic Connections*—The Federal Reserve Banks charge fees for the electronic connections used by depository institutions to access priced services. The costs and revenues associated with electronic connections are allocated to the various priced services based on the relative number of connections that are used to access each service.

In 1995, the Federal Reserve Board increased fees for several types of electronic connections due to the increasing costs of implementing Fednet. The Board also approved two new categories of electronic connections—(1) high-speed dedicated leased-line connections of 128 kilobits per second (kbps) and 256 kbps and (2) standard dedicated and shared options to support contingency testing by depository institutions with dedicated leased-line connections.

The Board has approved retaining the 1995 fees for electronic connections during 1996.

I. *Noncash Collection*—Table 8 presents the actual 1994, estimated 1995, and projected 1996 cost recovery performance for the noncash collection service.

TABLE 8.—NONCASH COLLECTION PRO FORMA COST AND REVENUE PERFORMANCE

[$ millions]

| Year | 1 Revenue | 2 Operating costs and imputed expenses | 3 Special project costs recovered | 4 Total expense [2+3] | 5 Net income (ROE) [1 – 4] | 6 Target ROE | 7 Recovery rate after target ROE (percent) [1/(4+6)] | 8 Special project costs deferred and financed |
|---|---|---|---|---|---|---|---|---|
| 1994 | 4.1 | 4.9 | 0.0 | 4.9 | (0.8) | 0.2 | 80.1 | 0.2 |
| 1995 (Est) | 3.8 | 4.2 | 0.0 | 4.2 | (0.4) | 0.2 | 86.3 | 0.2 |
| 1996 (Bud) | 4.8 | 4.5 | 0.0 | 4.5 | 0.2 | 0.2 | 100.0 | 0.2 |

1. *1994 Performance*—Revenues from the noncash collection service recovered 80.1 percent of total expenses, including targeted ROE, in 1994. The revenue shortfall is attributed to the costs associated with consolidating operations and a volume decline of approximately 37 percent from 1993 levels.

2. *1995 Performance*—Through August 1995, the noncash collection service recovered 81.8 percent of total expenses including targeted ROE, compared with the targeted 1995 recovery rate of 91.4 percent. The volume of noncash collection items increased 12.2 percent, compared with the projected 1995 increase of 21.6 percent. A recovery rate of 86.3 percent is now projected for 1995. The improvement compared with year-to-date performance reflects the Reserve Banks' projection of higher volume levels during the fourth quarter of 1995 because one of the major noncash collection service providers withdrew from the business in August. In addition, the consolidation of noncash collection operations at the Cleveland and Jacksonville offices was completed in July and should assist in controlling operating costs.

3. *1996 Issues*—The Reserve Banks are projecting an increase of 22.5 percent in noncash collection volume for 1996. Several factors may affect 1996 volume growth. All of the major service providers discontinued providing noncash collection services during 1995. At the same time, several smaller entities continue to provide noncash collection services. In addition, the Depository Trust Company (DTC), the largest national securities depository, has proposed to collect municipal

coupons on behalf of its participants. While some volume may shift to the Reserve Banks, the DTC's potential presence complicates forecasting 1996 volume levels.

Because of the changing environment, the Board believes that the Reserve Banks' presence in the business provides a degree of stability. In early 1996, the Reserve Banks plan to modify the geographical areas serviced by the two processing sites to increase processing efficiency and maintain high quality.

4. *1996 Fees*—The Reserve Banks proposed adoption of a national fee schedule for the noncash collection service. To standardize fees, the local and interregional coupon fees assessed by the Cleveland office will be increased by $0.50. In addition, to reflect more accurately the cost of collecting matured bonds, the bond collection fee will be increased from $40 to $50. Based on the proposed fee schedule, the Reserve Banks are projecting that the noncash collection service will recover 100.0 percent of total costs, including targeted ROE. The Board has approved the national fee schedule proposed by the Reserve Banks for the noncash collection service.

J. *Cash Services*—Cash services provided by the Federal Reserve Banks include cash transportation, coin wrapping, nonstandard packaging of currency orders and deposits, and nonstandard frequency of access to cash services.

Table 9 presents actual 1994 performance, estimated 1995, and projected 1996 cost recovery performance for the priced cash services.

TABLE 9.—CASH PRO FORMA COST AND REVENUE PERFORMANCE

[$ millions]

| Year | 1 Revenue | 2 Operating costs and imputed expenses | 3 Special project costs recovered | 4 Total expense [2+3] | 5 Net income (ROE) [1–4] | 6 Target ROE | 7 Recovery rate after target ROE (percent) [1/(4+6)] | 8 Special project costs deferred and financed |
|---|---|---|---|---|---|---|---|---|
| 1994 | 6.4 | 6.0 | 0.0 | 6.0 | 0.4 | 0.2 | 102.6 | 0.0 |
| 1995 (Est) | 5.2 | 5.1 | 0.0 | 5.1 | 0.1 | 0.1 | 99.5 | 0.0 |
| 1996 (Bud) | 6.7 | 6.3 | 0.0 | 6.3 | 0.4 | 0.2 | 102.2 | 0.0 |

The Reserve Banks expect that 1996 revenues will recover all costs for cash services, including targeted ROE. Projected revenues and costs are higher for 1996 because the San Francisco District will begin to charge fees for access to cash services beyond the basic service level.

III. Competitive Impact Analysis

All operational and legal changes considered by the Board that have a substantial effect on payment system participants are subject to the competitive impact analysis described in the March 1990 policy statement ''The Federal Reserve in the Payments System.'' In this analysis, the Board assesses whether the proposed change would have a direct and material adverse effect on the ability of other service providers to compete effectively with the Federal Reserve in providing similar services due to differing legal powers or constraints, or due to a dominant market position of the Federal Reserve deriving from such legal differences.

The Board believes that the recommended price and service level changes would not have a substantial effect on payments system participants, and would not have a direct and material effect on the ability of other service providers to compete effectively with the Federal Reserve in providing similar services. The 1996 fees approved by the Board result in a projected return on equity that meets the target return on equity based on the 50 bank holding company model. Therefore, the Board believes that approval of the proposed fees would not have an adverse effect on the ability of other service providers to compete with the Reserve Banks.

Attachments

TABLE A–1.—COMPARISON OF PRO FORMA BALANCE SHEETS FOR FEDERAL RESERVE PRICED SERVICES

[Millions of dollars—average for year]

| | 1996 | | 1995 | |
|---|---|---|---|---|
| Short-term assets: | | | | |
| Imputed reserve requirement on clearing balances | $ 409.6 | | $ 619.8 | |
| Investment in marketable securities | 3,686.7 | | 5,577.9 | |
| Receivables [1] | 64.4 | | 62.8 | |
| Materials and supplies [1] | 8.6 | | 5.7 | |
| Suspense & Difference [1] | 0.0 | | 0.1 | |
| Prepaid expenses [1] | 13.9 | | 16.1 | |
| Items in process of collection | 2,413.2 | | 2,592.5 | |
| Total short-term assets | | $6,596.4 | | $8,874.9 |
| Long-term assets: | | | | |
| Premises [1 2] | $ 346.4 | | $ 337.7 | |
| Furniture and equipment [1] | 189.4 | | 187.8 | |
| Leasehold improvements and long-term prepayments [1] | 14.6 | | 12.6 | |
| Capital leases | 2.3 | | 3.8 | |

TABLE A–1.—COMPARISON OF PRO FORMA BALANCE SHEETS FOR FEDERAL RESERVE PRICED SERVICES—Continued

[Millions of dollars—average for year]

| | 1996 | | 1995 | |
|---|---|---|---|---|
| Total long-term assets | | 552.7 | | 541.9 |
| Total assets | | $7,149.1 | | $9,416.8 |
| Short-term liabilities: | | | | |
| Clearing balances and balances arising from early credit of uncollected items | $4,096.3 | | $6,197.7 | |
| Deferred credit items | 2,413.2 | | 2,592.5 | |
| Short-term debt [3] | 86.8 | | 84.7 | |
| Total short-term liabilities | | $6,596.3 | | $8,874.9 |
| Long-term liabilities: | | | | |
| Obligations under capital leases | $ 2.3 | | $ 3.8 | |
| Long-term debt [3] | 182.7 | | 161.6 | |
| Total long-term liabilities | | 185.0 | | 165.4 |
| Total liabilities | | $6,781.3 | | $9,040.3 |
| Equity [3] | | 367.8 | | 376.5 |
| Total liabilities and equity | | $7,149.1 | | $9,416.8 |

[1] Financed through PSAF; other assets are self-financing.
[2] Includes allocations of Board of Governors' assets to priced services of $0.5 million for 1996 and $0.4 million for 1995.
[3] Imputed figures represent the source of financing for certain priced services assets.
**Note:** Details may not add to totals due to rounding.

TABLE A–2.—DERIVATION OF THE 1996 PSAF

[Millions of dollars]

| | | | |
|---|---|---|---|
| A. Assets to be Financed: [1] | | | |
| Short-term | $86.9 | | |
| Long-term [2] | 550.4 | | $637.3 |
| B. Weighted Average Cost: | | | |
| 1. Capital Structure [3] | | | |
| Short-term Debt | 13.6% | | |
| Long-term Debt | 28.7% | | |
| Equity | 57.7% | | |
| 2. Financing Rates/Costs [3] | | | |
| Short-term Debt | 3.9% | | |
| Long-term Debt | 7.6% | | |
| Pre-tax Equity [4] | 14.2% | | |
| 3. Elements of Capital Costs | | | |
| Short-term Debt | $86.9 | × 3.9% = | $3.4 |
| Long-term Debt | 182.7 | × 7.6% = | 13.8 |
| Equity | 367.8 | × 14.2% = | 52.3 |
| | | | $69.5 |
| C. Other Required PSAF Recoveries: | | | |
| Sales Taxes | $11.3 | | |
| Federal Deposit Insurance Assessment | 2.2 | | |
| Board of Governors Expenses | 2.8 | | $16.3 |
| D. Total PSAF Recoveries | | | $85.8 |
| As a percent of capital | | | 13.5% |
| As a percent of expenses [5] | | | 14.1% |

[1] Priced service asset base is based on the direct determination of assets method.
[2] Consists of total long-term assets, including the priced portion of FRAS assets, less self financing capital leases.
[3] All short-term assets are assumed to be financed by short-term debt. Of the total long-term assets, 33 percent are assumed to be financed by long-term debt and 67 percent by equity.
[4] The pre-tax rate of return on equity is based on the average after-tax rate of return on equity, adjusted by the effective tax rate to yield the pre-tax rate of return on equity for each bank holding company for each year. These data are then averaged over five years to yield the pre-tax return on equity for use in the PSAF.
[5] Systemwide 1995 budgeted priced service expenses less shipping are $610.3 million.

TABLE A–3.—COMPARISON BETWEEN 1996 AND 1995 PSAF COMPONENTS

| | 1996 | 1995 |
|---|---|---|
| A. Assets to be Financed (millions of dollars): | | |
| Short-term | $86.9 | $84.7 |
| Long-term | 550.4 | 538.2 |
| Total | $637.3 | $622.9 |
| B. Cost of Capital: | | |
| Short-term Debt Rate | 3.9% | 3.5% |
| Long-term Debt Rate | 7.6% | 8.2% |
| Pre-tax Return on Equity | 14.2% | 12.1% |
| Weighted Average Long-term Cost of Capital | 12.0% | 10.9% |
| C. Tax Rate | 29.9% | 31.0% |
| D. Capital Structure: | | |
| Short-term Debt | 13.6% | 15.4% |
| Long-term Debt | 28.7% | 25.4% |
| Equity | 57.7% | 59.2% |
| E. Other Required PSAF Recoveries (millions of dollars): | | |
| Sales Taxes | $11.3 | $11.3 |
| Federal Deposit Insurance Assessment | 2.2 | 19.0 |
| Board of Governors Expenses | 2.8 | 2.7 |
| F. Total PSAF: | | |
| Required Recovery | $85.8 | $94.7 |
| As Percent of Capital | 13.5% | 15.2% |
| As Percent of Expenses | 14.1% | 15.7% |

TABLE A–4—COMPUTATION OF CAPITAL ADEQUACY FOR FEDERAL RESERVE PRICED SERVICES

[millions of dollars]

| | Assets | Risk weight | Weighted assets |
|---|---|---|---|
| Imputed reserve requirement on clearing balances | $409.6 | 0.0 | $0.0 |
| Investment in marketable securities | 3,686.7 | 0.0 | 0.0 |
| Receivables | 64.4 | 0.2 | 12.9 |
| Materials and supplies | 8.6 | 1.0 | 8.6 |
| Suspense & Difference | 0.0 | 0.2 | 0.0 |
| Prepaid expenses | 13.9 | 1.0 | 13.9 |
| Items in process of collection | 2,413.2 | 0.2 | 482.6 |
| Premises | 346.4 | 1.0 | 346.4 |
| Furniture and equipment | 189.4 | 1.0 | 189.4 |
| Leases & long-term prepayments | 16.9 | 1.0 | 16.9 |
| Total | $7,149.1 | | $1,070.7 |
| Imputed Equity for 1995 | $367.8 | | |
| Capital to Risk-Weighted Assets | 34.4% | | |
| Capital to Total Assets | 5.1% | | |

By order of the Board of Governors of the Federal Reserve System, November 2, 1995.

William W. Wiles,

*Secretary of the Board.*

[FR Doc. 95–27631 Filed 11–8–95; 8:45 am]

BILLING CODE 6210–01–P

## David Andrew Barrett; Change in Bank Control Notice

## Acquisition of Shares of Banks or Bank Holding Companies

The notificant listed below has applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire a bank or bank holding company. The factors that are considered in acting on notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notice is available for immediate inspection at the Federal Reserve Bank indicated. Once the notice has been accepted for processing, it will also be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for the notice or to the offices of the Board of Governors. Comments must be received not later than November 24, 1995.

A. Federal Reserve Bank of Atlanta (Zane R. Kelley, Vice President) 104 Marietta Street, N.W., Atlanta, Georgia 30303:

*1. David Andrew Barrett*, Tallahassee, Florida; to acquire an additional 4.7 percent, for a total of 29.5 percent, of the voting shares of Evergreen Bancshares, Inc., Tallahassee, Florida, and thereby acquire Guaranty National Bank of Tallahassee, Tallahassee, Florida.

Board of Governors of the Federal Reserve System, November 3, 1995.

Jennifer J. Johnson,

*Deputy Secretary of the Board.*

[FR Doc. 95–27778 Filed 11–8–95; 8:45 am]

BILLING CODE 6210–01–F

## Pioneer Community Group, Inc., et al.; Formations of; Acquisitions by; and Mergers of Bank Holding Companies

The companies listed in this notice have applied for the Board's approval under section 3 of the Bank Holding Company Act (12 U.S.C. 1842) and §