



## NEWS RELEASE

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### FDIC BOARD ADOPTS OPERATING BUDGET BASED ON STRENGTHENED BANK SUPERVISORY PROGRAM

Continued enhancement of bank supervision, including a 19 percent increase in safety and soundness bank examinations, is the key objective embodied in the 1989 operating budget approved today by the Board of Directors of the Federal Deposit Insurance Corporation.

The \$592.8 million operating budget is \$3.5 million, or 0.6 percent, over 1988 estimated expenditures. It represents all budgeted expenses relating to the FDIC's day-to-day operations, including the administration of a new Inspector General's office. An additional operating budget of \$80.1 million is being provided for asset workout groups formed as a result of bank assistance agreements.

"This budget was established before we were asked to use some of our supervisory resources to help the Federal Savings and Loan Insurance Corporation deal with its inventory of insolvent thrift institutions," FDIC Chairman L. William Seidman said. "We expect to reevaluate our budget projections later this year to assess the impact of this activity on our productivity goals."

According to J. Russell Cherry, Director of the FDIC's Office of Budget and Corporate Planning, about 57-percent of the budget (\$337.8 million) is allocated to liquidation activities relating to past and future bank failures. Regulation and supervision activities--the major growth component for 1989--have been budgeted at \$255 million.

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"Almost all of the year-to-year change is for the increased staffing in the Division of Bank Supervision (DBS) needed to conduct the expanded examination program mandated by the Board of Directors," Cherry said. "Budgeted staffing for bank supervisory activities will increase by 172 positions to a total of 2,772 and the Division's budget will grow by \$25.4 million, an increase of 16.5 percent. The Division's budget envisions 4,872 safety and soundness examinations during 1989, a 19 percent increase over the 1988 level," he added.

Cherry noted the increase in budget authority for bank supervision and legal activity is offset by a \$31.5 million reduction in the Division of Liquidation (DOL). "DOL staffing is down about one-third since the beginning of 1987," he noted. "Further reductions, however, are on hold until the extent of FDIC involvement in resolving the inventory of insolvent thrifts is clarified."

As in 1988, the budgets of the FDIC's four major divisions--Accounting and Corporate Services, Legal, DOL and DBS--comprise 96 percent of the total budget. Salaries and benefits represent \$349.5 million, or 59 percent of the total budget. Although overall FDIC budgeted staffing levels will decline by six percent in 1989, mandatory cost of living increases and other salary adjustments increased personnel costs by \$25.6 million, or eight percent. Except for salaries and supplies, all other expenses such as services, travel and equipment are down \$22.7 million, or nine percent.

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