



## NEWS RELEASE

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

Enhanced bank supervision, including a 28 percent increase in bank examinations, is the key component of the 1988 operating budget approved today by the Board of Directors of the Federal Deposit Insurance Corporation. The \$620.5 million operating budget represents an increase of \$25.5 million, or 4.3 percent, over 1987's estimated expenditures.

"Despite our expectation of near record bank failures again in 1988, the productivity gains we have achieved over the past two years and new approaches for dealing with failures have helped us contain our operating costs," FDIC Chairman L. William Seidman said.

"This budget will support our commitment to strengthen bank supervision, which is essential for limiting our annual insurance expenses and maintaining stability in the banking system," Mr. Seidman added.

According to Thomas P. Horton, Director of the FDIC's Office of Budget and Planning, about two-thirds of the budget (\$394.1 million) is allocated to liquidation activities relating to past and future bank failures. Regulation and supervision activities--the major growth component for 1988--have been budgeted at \$226.4 million.

"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," Horton said. "Our bank supervisory staff will increase by 163 positions to a total of 2,694 and the Division's budget will grow by \$23.4 million, an increase of 16.3 percent. These added resources will enable the Division to

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conduct 8,123 examinations during 1988, a 28 percent increase over the 1987 level."

The increase in budget authority for bank supervision is partially offset by a \$4.5 million reduction in the budget of the Division of Liquidation (DOL).

"For the first time since the rate of bank failures began escalating seven years ago, FDIC expenditures are expected to level off," Horton said. "We have absorbed many of the heavy startup expenses associated with establishing major liquidation sites throughout the country. Now, through consolidation, rigorous budgetary controls and comprehensive training programs we are receiving the benefits of reduced costs and resources while continuing to effectively manage a heavy workload."

As in 1987, the budgets of the FDIC's four major divisions--Accounting and Corporate Services, Legal, Liquidation and Bank Supervision--comprise 97 percent of the total budget. Budget allocations between DOL and DBS have changed, however, with the relative share for DBS rising by 11.6 percent due to staff increases and DOL's relative share declining by 5.6 percent.

The largest budget category is salaries and benefits, which accounts for \$341.4 million, or 55 percent of the total budget. Although overall FDIC staffing will decline in 1988, mandatory increases in fringe benefits associated with the new Federal Employee Retirement System and other salary adjustments increased personnel costs by \$19.3 million, or 6 percent.

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FEDERAL DEPOSIT INSURANCE CORPORATION

1988 BUDGET

EXPENSE CATEGORY SUMMARY

EXPENSE CATEGORIES	1987 ESTIMATED EXPENSES	PERCENT OF CORP 1987 EXPENSES	1988 PROPOSED BUDGET	PERCENT OF CORP 1988 BUDGET	DOLLAR CHANGE (+/-)	PERCENT CHANGE (+/-)
Salaries & Benefits	322,089,223	54.13	341,405,341	55.02	19,316,118	6.0
Outside Services	109,150,675	18.34	114,056,502	18.38	4,905,827	4.5
Travel	51,382,119	8.63	59,063,252	9.52	7,681,133	14.9
Bldgs & Leased Space	47,008,500	7.90	45,495,680	7.33	(1,512,820)	-3.2
Equipment	33,664,956	5.66	29,025,781	4.68	(4,639,175)	-13.8
Supplies	8,835,275	1.48	10,119,207	1.63	1,283,932	14.5
Other Expenses	22,918,385	3.85	21,347,460	3.44	(1,570,925)	-6.9
<b>TOTAL</b>	<b>\$595,049,133</b>	<b>100.00</b>	<b>\$620,513,223</b>	<b>100.00</b>	<b>\$25,464,090</b>	<b>4.3</b>