Federal Deposit Insurance Corporation

MEMO

TO: Board of Directors

FROM: Bret D. Edwards
Deputy to the Chairman and Chief Financial Officer

DATE: December 18, 2023

RE: Proposed 2024 FDIC Operating Budget

Proposal

This memorandum requests that the Board of Directors approve the proposed 2024 FDIC Operating Budget totaling $2,961,534,531. The proposed budget is $197,544,036 (6.3 percent) lower than the 2023 FDIC Operating Budget. It includes $2,560,997,281 for ongoing operations, an increase of $275,003,513 (12.0 percent) from 2023; $350,000,000 for receivership funding, a decrease of $475,000,000 (57.6 percent) from 2023; and $50,537,250 for the Office of Inspector General (OIG), an increase of $2,452,451 (5.1 percent) from 2023. Approval is also requested for a total authorized 2024 staffing level of 6,817 full-time equivalent (FTE) positions (6,486 permanent, 331 non-permanent), a net increase of 189 positions from the currently-authorized 2023 staffing level of 6,628 positions (6,325 permanent, 303 non-permanent).[1]

The proposed ongoing operations budget increase is largely attributable to two factors: (1) targeted staffing increases approved in 2023 and proposed for 2024; and (2) scheduled salary and benefit increases under the existing compensation agreement with the FDIC's employee union. Most of the proposed new positions are intended to strengthen the FDIC's ability to monitor and oversee the risks in and, if necessary, resolve the failure of large and complex insured depository institutions (IDIs). In many cases, they reflect the lessons learned from the three large regional bank failures earlier this year.

Background

Structure of the FDIC Operating Budget

The FDIC's proposed annual operating budget is composed of three separate and distinct components: ongoing operations, receivership funding, and the OIG budget. Funds approved for one budget component cannot be reprogrammed to another component. The segregation of annual operating expenditures into these three components facilitates more effective cost management by isolating the FDIC's more stable ongoing operational expenses from the potentially highly variable

[1]The requested approval encompasses the proposed individual division and office staffing authorizations shown in Exhibit 5.

annual expenses associated with bank closings and subsequent receivership management activities. It also reflects the separate appropriations process applicable to the OIG. [2]

The receivership funding component provides resources to address the failure or near failure of FDIC-insured institutions and the management of receiverships established in connection with those failures.[3] The separation of the receivership funding component from the ongoing operations component is an acknowledgement that the number of failures and the expenses associated with those failures in any given year are to a large extent outside of the control of the FDIC and that the actual expenses incurred for resolutions and receivership management activities may, therefore, vary considerably from the estimates made during the annual planning and budget process. From 2010 through 2023, annual receivership funding expenses ranged from a high of $2.0 billion to a low of $41 million. The FDIC recovers most receivership funding expenditures through the billing of failed institution receiverships for FDIC-provided services, although these recoveries are largely offset by reductions in recoveries on subrogated claims.

2024 Workload Analysis and Projections

The FDIC's proposed annual operating budget and staffing authorizations are based on an analysis of projected workload associated with each of the FDIC's major ongoing mission responsibilities. These include the FDIC's risk management and consumer protection supervision programs, its resolution and receivership management program, its large bank resolution planning responsibilities, and its deposit insurance and research programs. The FDIC's supervisory and resolutions/receivership management workloads are generally a reflection of economic conditions within the banking industry. While the financial condition of the banking industry remains strong, certain emerging economic factors could lead to banking sector deterioration in 2024, most notably identified stress within the commercial real estate (CRE) sector of the economy and the effect of rising rates on leveraged borrowers and bank earnings.

The FDIC's risk management supervision workload varies primarily based upon the number, size, and complexity of the institutions it supervises. While the number of FDIC-supervised institutions continues to decline, industry assets and the size and complexity of insured institutions have increased significantly in recent years as a result of organic growth; mergers and acquisitions; and the addition of new products, services, and technologies. Approximately 50 percent of FDIC-supervised assets are in institutions with total assets above $10 billion.

As of October 31, 2023, the FDIC was the primary Federal regulator for 2,958 IDIs with approximately $4.19 trillion in assets, including 58 IDIs having more than $10 billion in assets. Since the beginning of 2023, the total number of FDIC-supervised IDIs has declined by 88, including three institutions with

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[2]The references in this memorandum to the OIG budget are for informational purposes only, since the OIG budget is separately appropriated by the Congress and is not subject to Board review and approval.
[3]Expenses for the salaries and benefits of permanent staff associated with the FDIC's receivership management business line (primarily in the Division of Resolutions and Receiverships, the Division of Complex Institution Supervision and Resolution (CISR), and the Legal Division) and for the maintenance of other base resolution and receivership management capabilities, such as information systems development and maintenance and readiness-related contractor support, are funded from the ongoing operations component of the budget, because they would be incurred regardless of whether any failures actually occurred.

more than $10 billion in assets, although a significant percentage of the assets in those institutions were assumed by an FDIC-supervised institution. In addition, there are also 1,665 IDIs with approximately $19.36 trillion in assets for which the FDIC is not the primary Federal supervisor, but has back-up supervisory responsibilities as insurer. This compares to 1,678 IDIs with $19.21 trillion in assets at the start of 2023. The trend toward fewer but larger, more complex FDIC-insured and supervised institutions requiring substantial staff hours to effectively supervise and monitor is expected to persist into the future.

Risk management supervision workload is also a function of the number of problem banks the FDIC supervises. The length and frequency of risk management examinations and the extent of ongoing supervisory contacts increase substantially for institutions in troubled financial condition, including those supervised by other Federal regulators. As reported in the most recent Quarterly Banking Profile, there were 44 problem institutions with approximately $53.5 billion in assets as of September 30, 2023, compared to 39 institutions with approximately $47 billion in assets at the beginning of 2023. This number is expected to continue to rise in 2024. As a result of the reduction in the number of FDIC-supervised institutions, partially offset by a slightly less favorable risk profile of FDIC-supervised institutions, the number of risk management (safety and soundness) examinations that the FDIC expects to conduct in 2024 will decline by 1.2 percent, from 1,292 in 2023 to 1,277. However, the workload associated with the reduction in the number of community banks examined will be offset by the increased level of effort required for supervision of the remaining FDIC-supervised institutions that are larger and more complex.

In fact, risk management examination timeframes are expected to be extended somewhat in 2024. Close supervisory attention will be paid to potentially significant downside risks that could directly impact the financial condition of some banks. These include persistent economic uncertainty, elevated interest rates, inflationary pressures, and geopolitical concerns. For example, non-owner occupied CRE loans are showing signs of weakness. The volume of noncurrent non-owner occupied CRE loans increased by $4.1 billion, or 36.4 percent, quarter over quarter. In addition, non-owner occupied CRE loans had a noncurrent rate of 1.31 percent in the third quarter, the highest noncurrent rate reported for this loan portfolio since the third quarter of 2014. In addition, unrealized losses on investment securities remain elevated because of increases in market interest rates. Longer asset maturities in combination with a moderate decline in deposits underscores the risk of actual losses should banks need to sell investments to meet liquidity needs. While the Federal Reserve Bank Term Funding Program has effectively mitigated these risks over the near term, the FDIC will be alert to these potential issues during risk management examinations and will be prepared to respond quickly to any unexpected deterioration in the financial condition of individual institutions throughout 2024.

The FDIC's compliance and Community Reinvestment Act (CRA) supervisory workload is based largely on the number of institutions supervised by the FDIC. Compliance and CRA ratings have only a limited impact on this workload. The number of compliance and fair lending examinations to be conducted by the FDIC is projected to be relatively constant in 2024, declining from 1,057 in 2023 to 1,050 in 2024. No material change is expected in the number of institutions with unfavorable ratings.

The primary drivers of the FDIC's resolution and receivership management workload are the number and complexity of both failures and near-failures of FDIC-insured institutions,[4] the number of active

[4]The FDIC can expend considerable effort preparing for a bank failure that ultimately does not occur.

receiverships being managed by the FDIC, and the remaining post-failure workload for those receiverships. Thus far in 2023, five financial institutions with $548.7 billion in total assets have failed. As of October 31, 2023, there were 83 active receiverships and approximately $53.94 billion (book value) of assets in liquidation, compared to 132 active receiverships with $38 million (book value) in assets at the beginning of the year. The number of active receiverships is projected to decline by approximately 33 percent in 2024. The FDIC does not currently foresee substantial failure activity in 2024, but will be prepared to respond quickly to any increase in new insured institution failures that may occur.

Highlights of the Proposed 2024 Operating Budget

Overview of the Proposed 2024 Budget by Component

As noted above, the proposed 2024 FDIC Operating Budget totals $2,961,534,531, including $2,560,997,281 for ongoing operations, $350,000,000 for receivership funding, and $50,537,250 for the OIG. This represents an increase of $275,003,513 (12.0 percent) in the ongoing operations budget component, a decrease of $475,000,000 (57.6 percent) in the receivership funding budget component,[5] and an increase of $2,452,451 (5.1 percent) in the budget for the OIG.

The increase in the proposed ongoing operations budget results primarily from targeted increases in authorized staffing since 2022, increases in salaries and benefits costs attributable to the three-year compensation agreement negotiated last year with the FDIC's employee union,[6] increased funding for the FDIC's multi-year IT Modernization Program, and one-time funding for facilities expansion, modernization, and maintenance projects. The proposed ongoing operations budget includes a $30 million Corporate Unassigned contingency reserve, up from $15 million budgeted in 2023, to ensure that the FDIC is able to respond quickly to unanticipated budget requirements that may emerge during the year.[7] That is particularly important in 2024 because of continued macroeconomic uncertainty and the potential economic stresses on the commercial real estate lending portfolios of many insured institutions.

The proposed receivership funding budget is down $475,000,000 (57.6 percent) from 2023 and provides funding for expected new failure activity and continuation of receivership management activities associated with past bank failures. The reduction in this proposed budget reflects the completion of much of the post-failure workload associated with the three large regional bank failures that occurred earlier this year. A Corporate Unassigned contingency reserve is also included in the receivership funding budget component to ensure that the FDIC has the resources to respond quickly to an unexpected increase in new bank failure activity. The amount of that reserve is based on the

[5]An initial 2023 receivership funding budget of $75.0 million was approved by the Board of Directors in December 2022. But, in May 2023, the Board approved an increase in that budget to $825 million to address projected expenses related to the three large regional bank failures that occurred in early 2023.
[6]That agreement provided for the three-year period from 2023 through 2025 annual merit pay and bonus increases that were substantially higher than the prior agreement. Those increases were adopted to address the impact of inflation on employee salaries and the statutory requirement under FIRREA that the FDIC seek to maintain comparability with the salaries and benefits of other bank regulatory agencies.
[7]Consistent with past practice, the CFO will administer the budgeted contingency reserve in the ongoing operations budget component subject to appropriate notice to and consultation with the Board, as specified in the proposed 2024 Budget Resolution.

funding required to bring the proposed receivership budget up to a total of $350,000,000 after accounting for the estimated funding requirements submitted by individual divisions and offices.

As noted previously, the OIG budget component is provided for informational purposes only since the OIG budget is separately appropriated by the Congress and is not subject to Board approval.[8] The increase in the OIG budget component primarily reflects a $3.0 million (7.2 percent) increase in the Salaries and Compensation major expense category, reflecting the increased cost of pay and benefits and planned hiring to fill authorized vacancies.

Overview of the Proposed 2024 Budget by Major Expense Category

Overall, the proposed 2024 FDIC Operating Budget is $197,544,036 (6.3 percent) lower than the 2023 budget. Exhibit 1 itemizes the proposed budget by major expense category.

- The proposed 2024 Salaries and Compensation budget is $1,797,021,933, which is $229,073,009 (14.6 percent) higher than the 2023 Salaries and Compensation budget. The proposed increase is attributable both to higher staffing authorizations for certain organizations since 2022, as discussed below, and scheduled 2024 salary increases for FDIC employees under the compensation agreement negotiated last year. The proposed budget also includes approximately $30 million for targeted salary increases and other incentives to ensure that the FDIC is able to maintain adequate staffing for the dedicated examination teams assigned to the supervision of the largest FDIC-supervised IDIs.[9] These measures are intended to address specific concerns identified in post-failure reviews of the large bank failures that occurred earlier this year and are critical to attracting employees to these positions because of the complex and high pressure nature of the work they perform. Incentives are also included to attract employees to both high-cost and remote locations where it has been difficult to fill vacant FDIC positions. The Salaries and Compensation expense category represents 60.2 percent of the total proposed 2024 FDIC Operating Budget (excluding the OIG) and 66.7 percent of the ongoing operations budget component. However, it represents only 12.4 percent of the receivership funding budget component, since the FDIC expects to rely on contractors to address most resolution and receivership management workload in 2024.

- The proposed 2024 Outside Services-Personnel budget (for contractor-provided services) is $722,976,931, which is $15,310,299 (2.1 percent) lower than the 2023 budget. This decrease is due to expected lower resolution costs for failed banks, partially offset by increased costs for operations and maintenance of IT platforms, one-time IT initiatives and security, the use of outside legal counsel, and various other ongoing operating costs. The proposed budget for contract services increases by $54,525,798 (14.3 percent) from 2023 to 2024 in the ongoing operations budget component and decreases by $70,139,107 (19.7 percent) in the receivership

[8] OIG funding is appropriated on the fiscal year basis applicable to the rest of the Federal Government (October-September). Consistent with the practice in past years, 75 percent of the OIG's proposed 2024 FDIC budget is based on its FY 2024 appropriation request pending approval by the Congress, and 25 percent is based upon its proposed FY 2025 appropriation request currently under review by the U.S. Office of Management and Budget.
[9] Some of the proposed incentives are subject to negotiation with the FDIC's employee union, which could impact their actual cost.

funding budget component. The Outside Services-Personnel expense category constitutes about 24.8 percent of the total proposed 2024 FDIC Operating Budget (excluding the OIG); 17.0 percent of the ongoing operations budget component; and 81.5 percent of the receivership funding budget component.

- The proposed 2024 Travel budget is $75,751,607, down $15,305,678 (16.8 percent) from 2023, largely reflecting reduced travel for examinations and other business activities following the pandemic. Pandemic-related travel restrictions were fully lifted in September 2022 and the FDIC has resumed on-site bank examinations, but more of the work is being performed off-site than before the pandemic. The Travel expense category represents about 2.6 percent of the proposed 2024 FDIC Operating Budget (excluding the OIG); 2.8 percent of the ongoing operations budget component; and 1.2 percent of the receivership funding budget component.

- The proposed 2024 Buildings and Leased Space budget is $143,266,600, up $18,683,023 (15.0 percent) from 2023. This increase is largely attributable to planned Dallas and Atlanta Regional Office expansion projects. Major 2024 expenses in this category are also projected for continuation of a multi-year field office modernization initiative and various lifecycle maintenance projects at FDIC-owned facilities in the Washington, DC, metropolitan area and in San Francisco. The Buildings and Leased Space expense category represents about 4.9 percent of the proposed 2024 FDIC Operating Budget (excluding the OIG), 5.6 percent of the ongoing operations budget component; and 0.3 percent of the receivership funding budget component.

- The proposed 2024 Equipment budget is $184,414,118, up $17,511,857 (10.5 percent) from 2023, due to furniture and equipment purchases associated with the Dallas and Atlanta Regional Office expansions, continuing field office modernization projects, increasing costs for IT software subscriptions, and the cost of laptops and other computer equipment for new employees. The Equipment expense category represents about 6.2 percent of the proposed 2024 FDIC Operating Budget (excluding the OIG); 6.6 percent of the ongoing operations budget component; and 3.8 percent of the receivership funding budget component.

- The proposed 2024 Outside Services-Other budget is $19,424,047, down $2,633,994 (11.9 percent) from 2023, due primarily to a reduction in planned media purchases for the deposit insurance awareness campaign, which will be completed during the first half of 2024. The Outside Services-Other expense category represents about 0.7 percent of the proposed 2024 FDIC Operating Budget (excluding the OIG); 0.7 percent of the ongoing operations budget component; and 0.1 percent of the receivership funding budget component.

- The proposed 2024 Other Expenses budget is $18,679,295, down $429,561,954 (95.8 percent) from 2023. This reduction is almost entirely due to the expectation that the extraordinary costs for payroll and other administrative expenses paid in connection with the three large regional bank failures that occurred in 2023 will not recur at those levels in 2024. The Other Expenses category represents about 0.6 percent of the proposed 2024 FDIC Operating Budget (excluding the OIG); 0.6 percent of the ongoing operations budget component; and 0.6 percent of the receivership funding budget component.

Highlights of Proposed 2024 Staffing Authorizations

The proposed 2024 FDIC Operating Budget includes a total authorized staffing level of 6,817 FTE positions (6,486 permanent, 331 non-permanent), as shown in Exhibit 5. This represents a net increase of 189 positions, or 2.9 percent, from the FDIC's current 2023 authorized staffing level. A substantial number of these new positions are intended, in combination with new authorized positions approved earlier this year, to address the continued growth in the size and complexity of FDIC-supervised institutions, additional supervision workload projected for 2024, and responses to audit findings and the lessons learned from the three large bank failures in early 2023. Although the FDIC successfully managed the failures of those institutions, they placed considerable stress on the FDIC's existing staff capabilities and revealed areas of weakness in those capabilities. Some of those deficiencies were documented in a review, conducted by the FDIC's Chief Risk Officer (CRO), of the supervision of Signature Bank.

A substantial increase in authorized staffing was approved for RMS in mid-2023, partially in response to that review, including establishment of a new horizontal risk management section in the Large Bank Supervision Branch in RMS's Washington office and new case manager and assistant regional director positions in several RMS regional offices. In addition, current policies and procedures were enhanced to require the quarterly validation of CAMELS ratings, escalation of supervisory recommendations not addressed in a timely manner, expansion of the types of matters to be reported to the Washington office, and other actions to address specific findings in the review. Enhanced off-site review requirements were also established for case managers, with an emphasis on quarterly ratings validation, interim rating changes, follow up on supervisory recommendations and Matters Requiring Board Attention, and reporting of significant events for banks with more than $50 billion in assets. Examination and monitoring procedures and the Large Insured Depository Institutions (LIDI) off-site review program are being modified to reflect these enhanced off-site review requirements and recommendations from a periodic review to of the effectiveness of the LIDI Program.

In recognition of the additional workload resulting from these changes, the proposed 2024 staffing authorization for RMS includes additional positions, beyond those already approved in mid-2023, for large bank supervision and monitoring. A net increase of 26 positions (27 permanent, -1 non-permanent) is proposed for RMS, including 13 new case manager positions directly attributable to the expanded off-site review requirements, five new Deputy Examiner-in-Charge positions on the dedicated examination teams assigned to the largest FDIC-supervised banks, and additional positions in Washington and the regions to address the technology risks in large banks and significant service providers. The proposed 2024 RMS staffing authorization also includes new positions to perform internal review activities at the regional level and to administer the nationwide hiring and training of new entry-level examiners. With the additional positions approved during 2023, total proposed 2024 RMS staffing totals 2,802 (2,670 permanent, 132 non-permanent), an increase of 128 positions from RMS's staffing authorization at the beginning of 2023.

In addition to the new staffing proposed for large bank supervision, a substantial staffing increase is proposed to ensure the FDIC's readiness to resolve large- and medium-sized bank failures similar to those that occurred in early 2023. An increase of 71 new permanent positions is proposed for the Division of Resolutions and Receiverships (DRR), and four new permanent positions are proposed for the Division of Complex Institution Supervision and Resolution (CISR). If approved, authorized DRR staffing would increase from 481 (355 permanent, 126 non-permanent) to 552 (426 permanent, 126 non-permanent).[10] DRR's permanent staffing platform would grow by 20 percent. Authorized CISR staffing would increase from 369 to 373 (372 permanent, 1 non-permanent) to provide additional support for large bank resolution planning.

Although CISR has the leadership role in the resolution of failures of IDIs with more than $100 billion in assets, DRR was called upon to provide operational support for the three large regional bank failures earlier this year and has been responsible for all of the post-resolution receivership management work associated with those failures. Although the FDIC has successfully managed those failures and the ensuing workload, that effort has placed considerable strain on DRR's permanent staffing platform. In addition, although the bank failures historically resolved by DRR have typically been smaller community banks, FDIC-insured institutions are steadily becoming larger and more complex as a result of continuing consolidation within the banking industry. That increases the likelihood that DRR will in the near future have lead responsibility for resolving and managing the post-failure receivership management activities of more large and more complex IDIs.

The remaining 88 new positions proposed for 2024 include the following:

- A net increase of 25 new positions (30 permanent, -5 non-permanent) in the Division of Depositor and Consumer Protection (DCP), primarily to increase examiner staffing for DCP's Complex Bank Program and to add positions in Washington focused on potential new risks of consumer harm, including deposit insurance misrepresentation, emerging supervisory challenges related to technology and artificial intelligence, and complex enforcement cases.

- 10 new positions (8 permanent, 2 non-permanent) in the Legal Division, including three permanent positions to support large bank resolutions planning and receivership management activities and seven positions (5 permanent, 2 non-permanent) to provide operational support for litigation and other matters.

- 33 new non-permanent positions in the Division of Information Technology to provide enhanced user support to RMS and DCP field examiners and to provide additional project management capacity to carry out the multiyear IT Modernization Program.

- Nine new positions (net) in the Division of Administration (10 permanent, -1 non-permanent), seven new permanent positions in the Office of Communications, three new permanent positions in the Division of Finance, and one new permanent position in the Division of Insurance and Research to address workload requirements in each organization.

Nearly one-third of the FDIC's workforce is composed of non-supervisory field examination positions. During 2023, field examination staffing in RMS increased by 79 permanent positions. If the proposed staffing changes are approved, authorized 2024 field examination staffing in RMS will total 1,778 positions (1,678 permanent, 100 non-permanent),[11] a net decrease of 20 FTEs from 2023. This includes 1,257 permanent and 100 non-permanent FTEs to perform community bank supervision activities (a decrease of 23 FTEs from 2023); 396 FTEs (all permanent) to perform supervisory responsibilities for

[10] Authorized DRR staffing was increased by 126 non-permanent positions in mid-2023 to address the temporary receivership management workload associated with the three large bank failures earlier in the year.
[11] Includes two CX-graded Examiners-in-Charge assigned to lead dedicated examination teams at the two largest FDIC-supervised large banks.

FDIC-supervised large banks (an increase of three permanent positions from 2023); and 25 permanent information technology (IT) examiner FTEs (unchanged from 2023).

Risk management examination staffing requirements for 2024 continue to include 100 non-permanent examination positions authorized in 2022 to help address the disproportionate percentage of pre-commissioned examiners in the current examination workforce. Full restoration of an appropriate balance between commissioned and pre-commissioned examiners will require several years to correct, and examination staffing requirements will remain temporarily higher during that time. While the need to recruit and train more entry-level examiners is being addressed, experienced loan review specialists are being hired on non-permanent appointments to assist with the risk management examination workload so that commissioned examiners can devote more time to the training and mentoring of pre-commissioned examiners. In addition, retired examiners are being brought back into the examination workforce to assist with training and mentoring.

Authorized 2024 field examination staffing in DCP is proposed to increase by four positions, to 479 FTEs (all permanent). This increase reflects an increase of 10 positions, from 41 to 51, in the number of examiners assigned to DCP's Complex Bank Examination Program, partially offset by a reduction of six community bank examiner positions. The Complex Bank Examination Program provides increased supervisory attention to those institutions that are heavily engaged in activities that the FDIC deems to pose the greatest risk of consumer harm.

IT Modernization Program

As noted in the Board case presenting the proposed 2023 FDIC Operating Budget, the FDIC is in the midst of a multi-year IT Modernization Program that will align the FDIC with key Federal IT policies, including the Federal Cloud-Smart Strategy, the Federal Data Strategy for advancing data as a strategic asset, and numerous IT security mandates, such as the Zero Trust Architecture framework. Under the IT Modernization Program, most FDIC systems and data will be migrated from the on-premise data center to cloud environments in order to enhance their security, scalability, and resiliency. A large number of aging application systems that currently support the FDIC's core mission responsibilities, but rely on obsolete technology, will also be replaced or modernized using cloud-based, low-code/no-code platforms and tools that will speed development time and simplify application maintenance in the future. In addition, the FDIC will enhance its management of data as a corporate asset, automate operational processes, and implement new technologies to promote more streamlined and efficient business processes.

Substantial progress was made in 2023 in building out the target cloud infrastructure and mapping the data relationships among mission-critical systems. The 2024 budget proposal includes $79.2 million to support continuation of IT modernization efforts. This is an increase of about $7.5 million over the funding budgeted for this effort in 2023.[12]

[12]During the first half of 2024, two new Investment Budget cases supporting major IT Modernization initiatives are also expected to be submitted to the Board for its consideration. If approved, those cases will add substantially to IT Modernization spending in 2024.

Facilities Modernization Initiative

The 2024 budget proposal includes about $73.5 million for a multi-year Facilities Modernization Initiative to address current and often long-deferred capital improvement and major repair requirements at FDIC-owned buildings, renovate a large number of field offices, and provide adequate office space to accommodate an increased number of FDIC employees. Proposed construction and renovations associated with leasehold expansions at the Atlanta and Dallas Regional Offices are expected to cost roughly $28.1 million. Approximately $21.8 million is proposed for capital improvements and major repairs of FDIC-owned buildings in the Washington, DC, metropolitan area and the FDIC-owned San Francisco Regional Office building.

Approximately $23.6 million is proposed for 2024 to complete or begin modernization of 56 FDIC field offices, continuing the multi-year effort to provide workspace designed to better support collaboration and hybrid work environments. Remaining field offices will be modernized as leases expire in 2025 and future years.

Projected 2024 Investment Budget Spending

The FDIC has an Investment Budget that is separate and distinct from the annual operating budget. Under the Investment Budget, the Board approves funding for major projects on an individual basis. This funding remains available on a multi-year basis, but is accompanied by enhanced controls and governance requirements because of the inherently higher execution risk that has historically characterized these projects. Funding is approved on an individual project basis and may not be reallocated to other projects. Any unused budget authority for a project expires when the project is completed. The Capital Investment Review Committee (CIRC) monitors the progress of approved IT investment projects and reports on them quarterly to the Board of Directors.

The Investment Budget currently has two active investment projects: the Framework for Oversight of Compliance and CRA Activities User Suite (FOCUS) project and the RMS Business Process Modernization (RMS BPM) project. The FOCUS project is expected to be completed by mid-2024. The RMS BPM project was approved by the Board in June 2023 and is expected to get underway in the second quarter of 2024, following award of a contract for a solution developer to support development activities. The Structure Information Management System (SIMS) Redesign project was completed in 2023.

Overview of Attached Exhibits

The following is a summary of the exhibits accompanying this case:

- Exhibit 1 displays the proposed 2024 FDIC Operating Budget by major expense category.
- Exhibit 2 displays the proposed 2024 FDIC Operating Budget by division and office.
- Exhibit 3 displays the proposed 2024 budgets by division and office for the ongoing operations and OIG budget components.
- Exhibit 4 displays the proposed 2024 budgets by division and office for the receivership funding budget component.

- Exhibit 5 displays the proposed 2024 staffing authorizations (permanent and non-permanent) for each division and office.
- Exhibit 6 displays the projected allocation of the proposed budget by major program.

Also attached is the proposed 2024 Budget Resolution reflecting the budget and staffing authorizations outlined above.

Contact Information

If you have questions or need additional information, please contact Thomas E. Peddicord, Deputy Director, Division of Finance.

Attachments