



NCUA
National Credit Union Administration

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2023 Midsession Budget Review

2023 Operating Budget

2023 MID-SESSION BUDGET SUMMARY

(dollars in thousands)

| | 2022 Revised Budget * | 2022 Jan-May Results | | 2023 Budget** | 2023 Jan-May Results | | 2023 EOY Projection | \$ Change vs. Budget | % Change vs. Budget |
|---|--------------------------|----------------------|-------------------|------------------|----------------------|-------------------|------------------------|-------------------------|------------------------|
| | | Spent | % Budget Spent | | Spent | % Budget Spent | | | |
| Operating Budget | | | | | | | | | |
| Employee Pay | 177,348 | 53,561 | 30.2% | 185,383 | 58,914 | 31.8% | 183,983 | -1,400 | -0.8% |
| Employee Benefits | 78,309 | 24,288 | 31.0% | 82,118 | 26,554 | 32.3% | 81,518 | -600 | -0.7% |
| Employee Pay & Benefits..... | 255,657 | 77,849 | 30.5% | 267,501 | 85,468 | 32.0% | 265,501 | -2,000 | -0.7% |
| Proposed new personnel costs..... | --- | --- | N/A | --- | --- | N/A | 394 | 394 | N/A |
| Employee Pay & Benefits, including new personnel..... | 255,657 | 77,849 | 30.5% | 267,501 | 85,468 | 32.0% | 265,895 | -1,606 | -0.6% |
| Travel | 17,299 | 1,170 | 6.8% | 21,950 | 6,863 | 31.3% | 21,208 | -741 | -3.4% |
| Rent/Communications/Utilities | 5,237 | 3,287 | 62.8% | 6,292 | 4,027 | 64.0% | 6,110 | -182 | -2.9% |
| Administrative | 6,004 | 3,376 | 56.2% | 7,265 | 3,539 | 48.7% | 5,994 | -1,271 | -17.5% |
| Contracted Services | 64,215 | 46,093 | 71.8% | 68,275 | 50,217 | 73.6% | 67,002 | -1,273 | -1.9% |
| Non-Pay & Benefits..... | 92,755 | 53,926 | 58.1% | 103,781 | 64,645 | 62.3% | 100,313 | -3,467 | -3.3% |
| Total, Operating Budget..... | 348,412 | 131,775 | 37.8% | 371,282 | 150,113 | 40.4% | 366,209 | -5,073 | -1.4% |
| Authorized Positions vs. On-Board Headcount..... | 1,196 | 1,138 | 95.2% | 1,214 | 1,162 | 95.7% | 1,200 | -14 | -1.2% |
| Proposed New Personnel..... | | | | | | | 6 | | |

- Estimated \$1.6 million pay and benefits surplus, factoring in 6 new positions for Credit Union Resources and Expansion (CURE) and the Office of the Chief Information Officer (OCIO).
- Estimated \$3.5 million surplus in non-payroll expenses.
- Total estimated budget surplus is approximately \$5.1 million for 2023, lower than the surplus in the prior two fiscal years.

** 2022 and 2023 Budgets include carryover funding and have been updated for all reprogrammings approved through 5/31/2023.

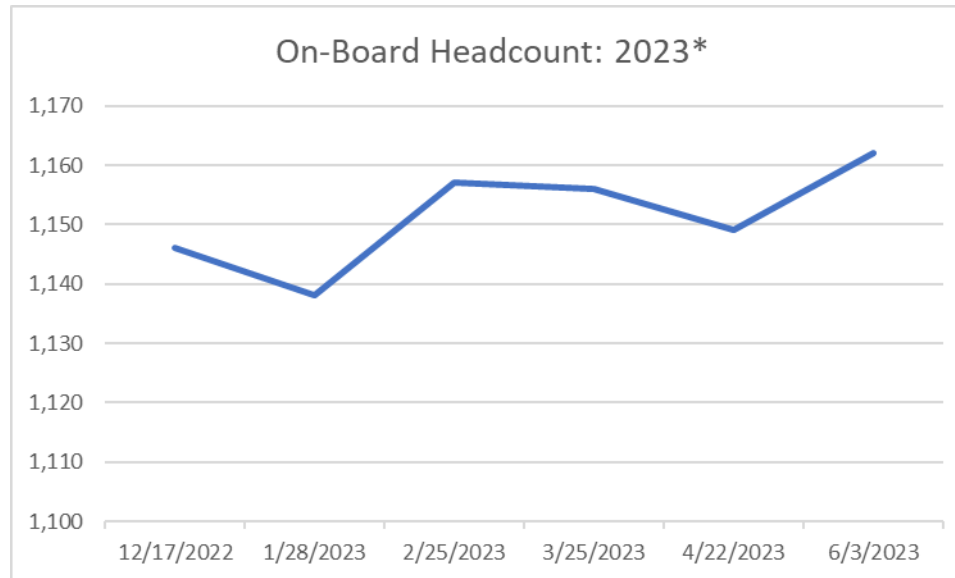
Midsession Review

- Offices assessed their Board-approved budgets against spending trends and plans and OCFO used historic and trend analyses to project end-of-year surpluses.
- The midyear surplus projection is \$5.1M; well below projections for 2020-2022. 2023 surplus is likely to be much smaller due to fewer vacant positions and higher travel.

| 2023 MID-SESSION BUDGET: SURPLUS SOURCES | | |
|---|---------------------------|--|
| (dollars in thousands) | | |
| Operating Budget | Surplus Projection | Description |
| Employee Pay and Benefits | -1,606 | Based on OCFO analysis of year-to-date spending and historic vacancy patterns. |
| Travel | | |
| East Region | -439 | Surplus projected by office. |
| South Region | -100 | Based on OCFO analysis of year-to-date spending and shared with regional office. |
| E&I | -170 | Surplus projected by office. |
| Historic Trend | -32 | Across-the-board projection for spending by all offices, net of proposed reprogrammings. |
| Rent/Communications/Utilities | | |
| Historic Trend | -182 | Across-the-board projection for spending by all offices, net of proposed reprogrammings. |
| Administrative Expenses | | |
| Historic Trend | -1,271 | Across-the-board projection for spending by all offices, net of proposed reprogrammings. |
| Contracted Services | | |
| E&I | -120 | Surplus projected by office. |
| Historic Trend | -1,153 | Across-the-board projection for spending by all offices, net of proposed reprogrammings. |
| Total, projected 2023 surplus..... | -5,073 | |

Staffing/Hiring Efforts

- An agency priority for 2023 is to increase on-board staff in positions approved by the Board, especially in the field.



| | 12/17/2022 | 1/28/2023 | 2/25/2023 | 3/25/2023 | 4/22/2023 | 6/3/2023 |
|-----------------------------|------------|-----------|-----------|-----------|-----------|----------|
| Starting On-Board Headcount | 1,145 | 1,146 | 1,138 | 1,157 | 1,156 | 1,149 |
| Separations | -5 | -15 | -3 | -7 | -13 | -10 |
| Transfer to CLF | -1 | --- | --- | --- | --- | --- |
| New Hires | 7 | 7 | 22 | 6 | 6 | 23 |
| Ending On-Board Headcount | 1,146 | 1,138 | 1,157 | 1,156 | 1,149 | 1,162 |

* Headcount excludes positions funded by the Central Liquidity Facility.

Board Reprogrammings

- Four items from the midsession review require Board approval, summarized in the table below. The cost of these four proposals is estimated to be \$737,000 for 2023, which will be funded from projected salary and travel surplus.

| 2023 NCUA OPERATING BUDGET: MIDSESSION REPROGRAMMINGS | | | | | | | | | | |
|---|---------------------------|---------------|--------------------|-------|-------|------------|-------------------|-----------|----------|---|
| <i>(dollars in thousands)</i> | | | | | | | | | | |
| | 2023 Non-Pay Budget | Pay & Ben. | Non-Pay & Benefits | | | | Revised 2023 | | | Description |
| | | | Travel | R/C/U | Admin | Contracts | Non P&B Budget | \$ Change | % Change | |
| Board level | | | | | | | | | | |
| 1 OHR | 8,564 | --- | --- | --- | --- | 200 | 8,764 | 200 | 2.3% | \$200K for reasonable accommodations. |
| East | 5,338 | --- | -200 | --- | --- | --- | 5,138 | -200 | -3.7% | Projected East region Travel surplus. |
| 2 OCSM | 2,330 | --- | --- | --- | --- | 143 | 2,473 | 143 | 6.1% | \$143k for background checks based on OHR hiring projection. |
| East | 5,338 | --- | -143 | --- | --- | --- | 5,195 | -143 | -2.7% | Projected East region Travel surplus. |
| 3 CURE staffing | N/A | 119 | --- | --- | --- | --- | N/A | 119 | N/A | Two new consumer access staff to handle increased workload. |
| Vacancy surplus | --- | -119 | --- | --- | --- | --- | N/A | -119 | N/A | Projected compensation surplus from vacancies. |
| 4 OCIO staffing | N/A | 275 | --- | --- | --- | --- | N/A | 275 | N/A | Four new cybersecurity staff to respond to increased threats. |
| Vacancy surplus | --- | -275 | --- | --- | --- | --- | N/A | -275 | N/A | Projected compensation surplus from vacancies. |
| TOTAL Board-level | | --- | -343 | --- | --- | 343 | | | | |

Recommended Midsession Staffing Adjustments

- CURE requested the addition of two (2) consumer access positions in CURE.
 - The Consumer Access (CA) division processes field-of-membership expansions and conversions, bylaw amendments, low-income designation requests, charter conversions, and ad hoc special projects.
 - In the past few years, CA has received an increased number applications of all types, which have simultaneously become more voluminous and complex.

| Transaction Type | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| Underserved Area Expansions | 27 | 44 | 45 | 75 | 113 |
| Potential Underserved Areas | 42 | 54 | 63 | 87 | 182 |
| Community Expansions | 66 | 51 | 63 | 88 | 81 |
| Community Conversions | 16 | 24 | 19 | 14 | 21 |
| Total | 151 | 173 | 190 | 264 | 397 |

- Based on estimated work hours for these transactions, the workload for 2022 is more than double what it was in 2018.

Recommended Midsession Staffing Adjustments

- Staff requested the addition of four (4) cybersecurity positions in OCIO. These positions are consistent with recommendations the NCUA received from independent, third-party assessments.
- Two positions would focus on vulnerability analysis:
 - Worldwide cybersecurity vulnerabilities disclosed in 2022 increased by over 25% to 25,227 with 56% being exploited within one week after disclosure.
 - Given the growth of vulnerabilities, OCIO requires two more positions to support vulnerability management.
- Two positions would focus on cloud cybersecurity:
 - Moving IT services to the cloud changes the cybersecurity responsibility model and requires a strategy to for a secure move while capturing the new risk landscape after the move.
 - For this effort OCIO requires two more positions to manage and secure NCUA enterprise architecture in the cloud while minimizing the impact of cloud migration to on-premise systems.

Costs for Midsession Staffing Adjustments

- Costs for the 2 new CURE positions and 4 new cybersecurity positions are estimated at \$394,000 in 2023 (assumes staff hired in 4th quarter).
- This cost can be funded from the employee Pay and Benefits budget already approved by the Board for 2023.
- Approximately \$1,700,000 for full-year compensation and other expenses will need to be included in the 2024 budget for these 6 positions, if approved.

Recommended Non-Personnel Adjustments

- Board-level reprogramming items:
 - \$200,000 increase for funding of reasonable accommodations for job applicants and employees, consistent with EEOC regulations and other applicable guidelines.
 - \$143,000 increase for additional background security investigations for new employees, consistent with current hiring projections.
 - These costs will be offset by a reduction of \$343,000 to the travel budget.

Capital Budget

| NATIONAL CREDIT UNION ADMINISTRATION: CAPITAL INVESTMENT PROJECTS | | | |
|--|----------------------|--------------------------|------------------------|
| Description | 2023 Budget* | 2023 Obligated YTD (May) | 2023 Balance Available |
| Information Technology Investments | | | |
| Executive Order on Cybersecurity | \$ 3,070,000 | \$ 391,746 | \$ 2,678,254 |
| Continuous Diagnostics and Mitigation (CDM) | \$ 520,000 | \$ - | \$ 520,000 |
| Information Technology Infrastructure, Platform and Security Refresh | \$ 3,139,000 | \$ 1,288,661 | \$ 1,850,339 |
| MERIT Enhancements | \$ 1,260,000 | \$ 795,099 | \$ 464,901 |
| Enterprise Systems Modernization (ESM) Data Reporting Services | \$ 790,000 | \$ - | \$ 790,000 |
| Enterprise Data Program | \$ 350,000 | \$ - | \$ 350,000 |
| Consumer Access Process and Reporting Information System (CAPRIS) | \$ 400,000 | \$ - | \$ 400,000 |
| Mobile Device Refresh | \$ 959,000 | \$ - | \$ 959,000 |
| Enhanced Testing Capability | \$ 250,000 | \$ 249,951 | \$ 49 |
| Independent Verification and Validation (IV&V) Testing Team | \$ 466,000 | \$ - | \$ 466,000 |
| NCUA Website Development | \$ 100,000 | \$ - | \$ 100,000 |
| Total, Information Technology Investments | \$ 11,304,000 | \$ 2,725,457 | \$ 8,578,543 |
| Capital building improvements and repairs | | | |
| Central Office maintenance and repair | \$ 472,000 | \$ 472,000 | \$ - |
| Disaster recovery site move | \$ 500,000 | \$ - | \$ 500,000 |
| Total, Capital building improvements and repairs | \$ 972,000 | \$ 472,000 | \$ 500,000 |
| Grand Total, Capital Projects | \$ 12,276,000 | \$ 3,197,457 | \$ 9,078,543 |

- Capital budget obligations are aligned with project plans and expected milestone dates; no Board action is sought on the Capital Budget.

* 2023 Budget includes \$1 million in carryover capital project funding.

Share Insurance Fund Admin. Budget

| 2023 SHARE INSURANCE FUND ADMINISTRATIVE BUDGET | | | |
|---|---------------|----------------------|-----------------|
| (dollars in thousands) | | 2023 Jan-May Results | |
| | <u>2023</u> | | <u>% Budget</u> |
| <u>SIF Administrative Budget</u> | <u>Budget</u> | <u>Spent</u> | <u>Spent</u> |
| <u>Share Insurance Fund Direct Expenses:</u> | | | |
| Travel | 1,009 | 279 | 28% |
| Administrative Expenses | 78 | 34 | 44% |
| Contracted Services | 3,267 | 2,976 | 91% |
| Total, SIF Direct Expenses..... | 4,354 | 3,289 | 76% |
| <u>NGN Support</u> | | | |
| Administrative Expenses | 402 | 271 | 67% |
| Contracted Services | 200 | --- | 0% |
| Total, NGN Support..... | 602 | 271 | 45% |
| Total, Share Insurance Fund Budget..... | 4,956 | 3,559 | 72% |

- Share Insurance Fund obligations are in line with projected budget; no Board action is required.