



BOARD ACTION MEMORANDUM

TO: The NCUA Board **DATE:** July 18, 2023
FROM: Chief Financial Officer **SUBJ:** 2023 Midsession Budget

ACTION REQUESTED: NCUA Board approval to reprogram budgeted funds and add six full-time positions.

DATE ACTION REQUESTED: July 20, 2023

OTHER OFFICES CONSULTED: All Offices and Regions

BUDGET IMPACT, IF ANY: \$737,000 for 2023

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes

RESPONSIBLE STAFF MEMBERS: Chief Financial Officer Eugene H. Schied

SUMMARY:

The Board-approved Operating Budget for 2023, inclusive of carryover funds unspent from prior years, totals \$371.3 million. Based on projections for the remainder of the year, staff estimates that spending will be approximately \$5.1 million lower than the Board-approved 2023 Operating Budget. Reprogramming a portion of this projected surplus would provide funding for new requirements related to cybersecurity in the Office of the Chief Information Officer (OCIO), support to credit unions provided through the Consumer Access Division in the Office of Credit Union Resources and Expansion (CURE), reasonable accommodations, and the hiring initiative. The estimated cost of these proposals is \$737,000 for 2023, which is factored into the estimated budget surplus stated above. Six new full-time positions related to the NCUA's cybersecurity efforts and CURE are part of the proposed action for Board consideration. No changes are proposed for the Capital Budget and the Share Insurance Fund Administrative Budget.

BACKGROUND:

Based on year-to-date spending and a review of historic spending trends, the 2023 Operating Budget is projected to end the year with a surplus of approximately \$5.1 million if the proposed reprogramming actions are approved. About one-third of the surplus, or \$1.6 million, is attributable to slightly lower-than-projected pay and benefits costs for 2023. As of the start of June, 71 employees have entered on duty in the prior six months, outpacing by 18 the number of departed employees. This is in keeping with the priority for 2023 to fill vacant positions, especially credit union examiners.

The remaining two-thirds of the projected 2023 budget surplus, or about \$3.5 million, is in the non-payroll categories. Travel spending, which was the source of significant budget surplus in 2020, 2021, and 2022, is occurring at a rate more consistent with the approved 2023 budget. Whereas only 6.8 percent of the approved travel budget had been spent through May 2022, through May 2023 31.3 percent of the approved travel budget has been spent.

Within the Operating Budget, \$737,000 is proposed for reprogramming. The four proposed items are as follows:

- **Cybersecurity Support:** An addition of four positions is requested to augment the NCUA's cybersecurity and is consistent with independent, third-party assessments of the NCUA's cybersecurity efforts. Two positions would focus on vulnerability analysis. Worldwide cybersecurity vulnerabilities disclosed in 2022 increased by over 25% to 25,227, with 56% of those being exploited within one week after disclosure. To counter this growing risk, OCIO has made significant efforts over the last several years to reduce response times for threat mitigation; however, the continued increase in the number of vulnerabilities and the workload this creates warrant the addition of two positions. The other two positions requested would help with cloud architecture and security, and management of the NCUA's cloud strategy. Moving information technology services to the cloud changes the cybersecurity responsibility model and requires a strategy for a secure move while capturing the new risk landscape after the move. For this effort OCIO requires two additional positions to manage and secure the NCUA's enterprise architecture in the cloud while minimizing the impact of cloud migration to on-premises systems.
- **Support to Credit Unions:** An addition of two positions is requested to augment CURE's consumer access efforts. The Consumer Access 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, the division has received an increased number of applications of all types, which have simultaneously become more voluminous and complex. Based on estimated work hours for these transactions, the workload for 2023 is more than double what it was in 2018. The additional positions will allow CURE to better support the agency's mission to assist credit unions with providing access to safe, fair, and affordable financial products and services to current and potential members, including those of modest means.

CURE is committed to the continuous review of the field-of-membership process and procedures to ensure an efficient and positive customer service experience which include the streamlining of information requirements and improving clarity in application forms. Management will analyze and identify potential adjustments and clarifications that will reduce staff time for processing applications. This includes field-of-membership expansions and new credit union charters. CURE will support customer service by implementing technical changes that will reduce duplicative or unnecessary administrative requirements, follow the time requirements for certain field-of-membership transaction codes, and implement enhancements to the CAPRIS system that will allow CURE to process all occupational and associational common bond groups, regardless of potential membership size. Currently, credit unions that request changes to their field-of-membership exceeding 3,000 individuals must use paper-based forms, and NCUA staff reviews and processes these requests manually. The enhancements to CAPRIS are scheduled to begin in August.

- **Reasonable Accommodations:** An additional \$200,000 is sought to provide reasonable accommodations for job applicants and employees, consistent with Equal Employment

Opportunity Commission regulations and other applicable guidelines. Costs have increased in 2023 as the agency has been filling vacancies, including hiring persons who require reasonable accommodations.

- **Hiring Expenses:** An additional \$143,000 is sought for the expense of additional background security investigations for new employees, consistent with current hiring projections.

Costs for the six additional positions will be about \$394,000 for the current year, with a full-year cost for 2024 projected to be about \$1.7 million. The 2023 personnel compensation costs can be accommodated within the already-approved payroll budget. The \$343,000 for the reasonable accommodations and hiring expenses can be funded from the projected travel surplus.

RECOMMENDED ACTION:

It is recommended that the NCUA Board approve:

1. The approval of six additional positions: four for OCIO's cybersecurity programs and two for CURE's Consumer Access Division; and
2. The reprogramming of \$343,000 of projected travel surplus to fund the increased cost estimates for the reasonable accommodations and background security investigations for new employees.

ATTACHMENT: 2023 Midsession Budget Review