



NCUA

National Credit Union Administration

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Office of the Chief Financial Officer



2022 – 2023 PROPOSED BUDGET



Staff Draft
Presentation

Public Briefing
December 8, 2021

This presentation contains estimates that are pre-decisional and subject to change.

Outline

- **Draft Budget Overview**
- **Trends, Context & Themes**
- **Operating Budget Proposal**
 - Pay, Benefits & Staffing
 - Travel
 - Contracting
- **Capital Budget Proposal**
- **Share Insurance Fund Administrative Budget**
- **Financing**

Overview: 2022 – 2023 NCUA Resources

2022 - 2023 NCUA BUDGET RESOURCES

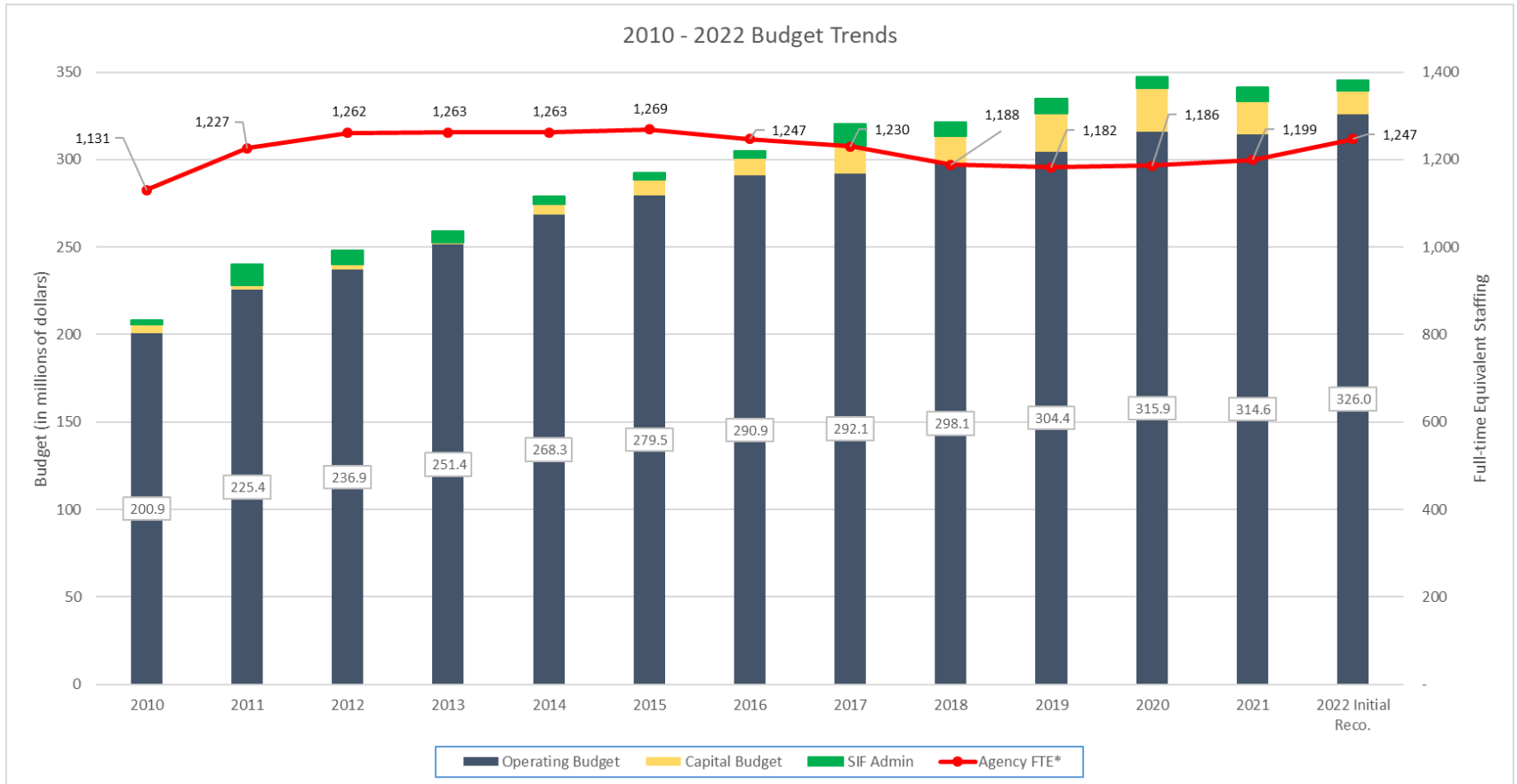
Budget	2021 Board Approved Budget	2022 Requested Budget	Change (2021-2022)	Change Percent (2021-2022)	2023 Requested Budget	Change (2022-2023)	Change Percent (2022-2023)	2021 FTE*	2022 FTE*	2023 FTE*	FTE Change (21-22)	FTE Change (22-23)
Operating Budget	\$ 314,560,000	\$ 326,004,000	\$ 11,444,000	3.6%	\$ 369,322,000	\$ 43,318,000	13.3%	1,194	1,242	1,250	48	8
Capital Budget	\$ 18,845,000	\$ 13,069,000	\$ (5,776,000)	-30.7%	\$ 13,069,000	\$ -	0.0%	-	-	-	-	-
Share Insurance Fund Admin. Budget	\$ 7,973,000	\$ 6,246,000	\$ (1,727,000)	-21.7%	\$ 4,770,000	\$ (1,476,000)	-23.6%	-	-	-	-	-
Total	\$ 341,378,000	\$ 345,319,000	\$ 3,941,000	1.2%	\$ 387,161,000	\$ 41,842,000	12.1%	1,194	1,242	1,250	48	8

* Note: 2021 FTE level includes 7 positions approved by the NCUA Board in 2021 Midsession; all FTE levels exclude five FTEs funded by the Central Liquidity Facility (CLF).

- The Staff Draft Budget for 2022 proposes \$345.3 million in budget resources, an increase of 1.2% over the resources approved by the Board for 2021.
 - In addition, the proposal includes the use in 2022 of unspent 2021 budget estimated to be \$23 million.
 - Comparing the 2022 budget including carryover to the Board approved 2021 budget with carryover, the comparable year-over-year increase is 5.8%.

Budget Trends

- Total 2022 proposed budget and staffing as compared to Board approved levels since 2010.

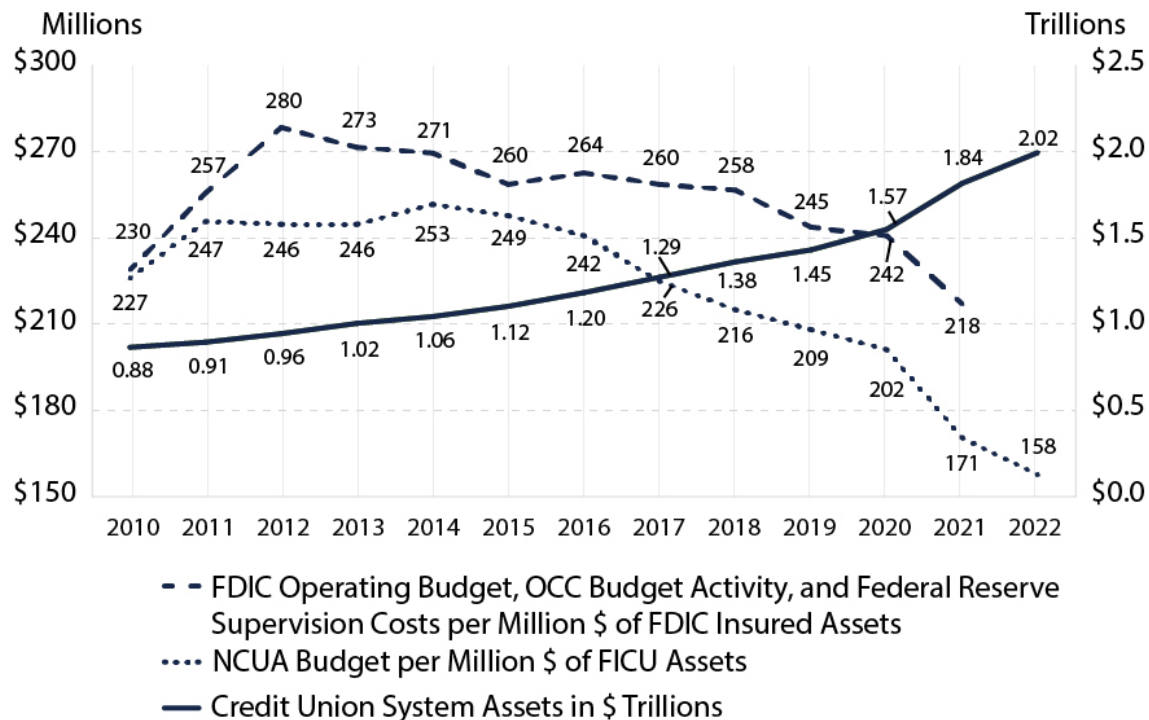


* Agency FTE includes positions funded by the Central Liquidity Fund (CLF); in 2022 there are five CLF positions.

Budget Trends

- As compared to Credit Union system assets, the relative size of the NCUA's Operating Budget continues to decrease.

NCUA Budget per Million Dollars of FICU Assets



Source: NCUA Annual Budgets, Call Reports, FDIC, OCC, and Federal Reserve financial reports

*Budget per million \$ of FICU assets is calculated as the fiscal year's budget divided by the previous year's end-of-year assets (e.g. - FY2022 budget (\$318.7M) / projected FICU assets as of 2021Q4 (\$2.0T) = \$158 of NCUA budget per \$1M in FICU assets).

Context: Strategy and Budget

- **The Board approved the release of the Draft NCUA Strategic Plan 2022-2026 at its November Meeting.**
- **The 2022-2023 staff draft budget was developed to support the draft Strategic Plan.**
- **The 3 strategic goals in the draft Plan are:**
 1. Ensure a safe, sound, and viable system of cooperative credit that protects consumers
 2. Improve the financial well-being of individuals and communities through access to affordable and equitable financial products and services
 3. Maximize organizational performance to enable mission success

Context: Economic Outlook & Other Risks

- **Ongoing Recovery From the Pandemic Recession**
- **Cybersecurity**
- **Fiscal Landscape and Technology**
- **Industry Consolidation and Smaller Credit Unions**
- **Fraud**
- **Climate-Related Financial Risk**

Key NCUA Programmatic Themes

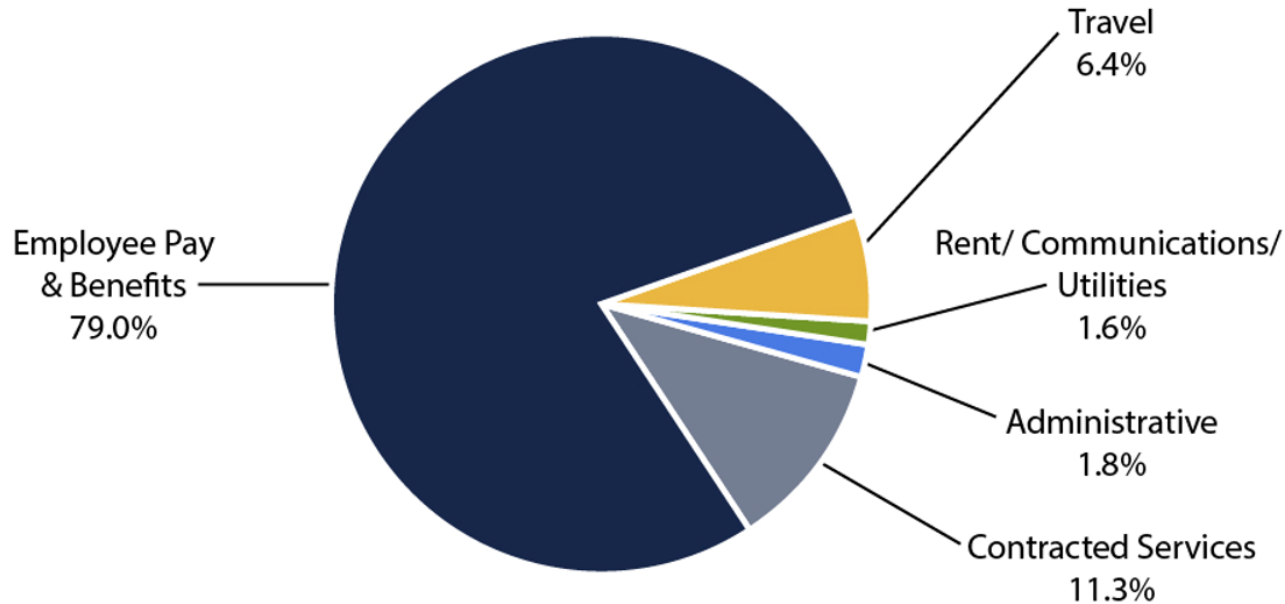
- **MERIT Deployment**
- **Examinations Outlook and Virtual Exams**
- **NCUA Cybersecurity**
- **ACCESS and Financial Inclusion**
- **Support for Small Credit Unions**
- **Fair Lending**
- **Regulatory Improvements**

2022 Operating Budget

(\$ millions)	2021 Board Approved Budget	2022 Requested Budget	\$ Change	% Change
Budget	\$314.6	\$326.0	\$11.4	3.6%
Positions*	1,194	1,242	48	4.0%

* Operating Budget positions do not include five positions funded by the Central Liquidity Fund.

2022 Operating Budget



2022 Operating Budget Categories

Budget Category (\$ thousands)	2021 Board Approved Budget	2022 Requested Budget	\$ Change	% Change
Employee Pay	\$167,718	\$178,293	\$10,575	6.3%
Employee Benefits	73,093	79,237	6,144	8.4%
Total Compensation	240,811	257,530	16,719	6.9%
Travel	12,257	20,806	8,549	69.7%
Rent/Comm./Utilities	7,198	5,166	-2,032	-28.2%
Administrative	6,026	5,785	-241	-4.0%
Contracted Services ¹	48,268	36,717	-11,551	-23.9%
Total, Operating Budget	\$314,560	\$326,004	\$11,444	3.6%

1. The contracted services budget proposal is offset by the use of an estimated \$23 million budget surplus from the 2021 budget. This makes the total planned contracted services spend in 2022 \$59.7 million, or an increase of 24%.

Salaries and Benefits Changes

- **The proposed budget for compensation increases by \$16.7 million (6.9%). Employment compensation comprises 79% of the NCUA operating budget.**
 - Merit and locality pay for the current workforce is paid in accordance with the Collective Bargaining Agreement. Employee salaries are estimated to increase by 3.6%.
 - Benefits costs are projected to increase overall by 8.4%. This increase is driven largely by the mandatory retirement contribution paid by NCUA as the employer to OPM. The change in required retirement contributions to OPM comprises 21 percent of the growth in salaries and benefits.
 - The 2022 cost impact of proposed additional staff in the budget accounts for \$4.0 million of the compensation increase.

Proposed Staffing Changes

Position	Explanation
Regional Credit Union Examiners (+29 FTE)	Expand the requirement for annual examinations to include: (1) credit unions with assets between \$500 million and \$1 billion that have otherwise previously qualified for an extended examination cycle based on the current Exam Flexibility Initiative criteria, and (2) credit unions with assets more than \$250 million and evaluated as facing a higher risk of business or economic challenges. This expansion of the annual examination requirement necessitates an increase in the examination workforce by 29 FTEs.
Regional Specialist Examiners (+3 FTE)	Three disciplines in particular are in need of additional specialists: regional electronic payments specialists (REPSs), regional information systems officers (RISOs), and regional lending specialists (RLSs). Specialist Examiners contribute to conducting examination and supervision work, but at a lower level than examiners. Therefore, the repurposing of existing positions necessitates a net increase of three examiner FTEs .

Proposed Staffing Changes

Position	Explanation
Small Credit Union Program Officers (+2 FTE)	Small credit unions with less than \$100 million in assets are in a unique position to improve financial inclusion by offering credit and other services to their communities. These two new positions will be responsible for identifying and developing additional programs to address the needs of small credit unions.
Fair Lending Staff (+4 FTE)	These additional positions will enhance the NCUA's fair lending function by increasing fair lending examinations by 50 percent (from 30 to 45 annually) and fair lending supervision contacts by 25 percent (from 40 to 50 annually). The additional staff will focus on serving as Examiner-In-Charge for and performing fair lending examinations and supervision contacts, and recommending corrective action when required.
Financial Inclusion and Outreach (+1 FTE)	This position will be responsible for developing, coordinating, and implementing the NCUA's strategic stakeholder relationships related to community affairs, economic inclusion, and financial education and literacy activities.

Proposed Staffing Changes

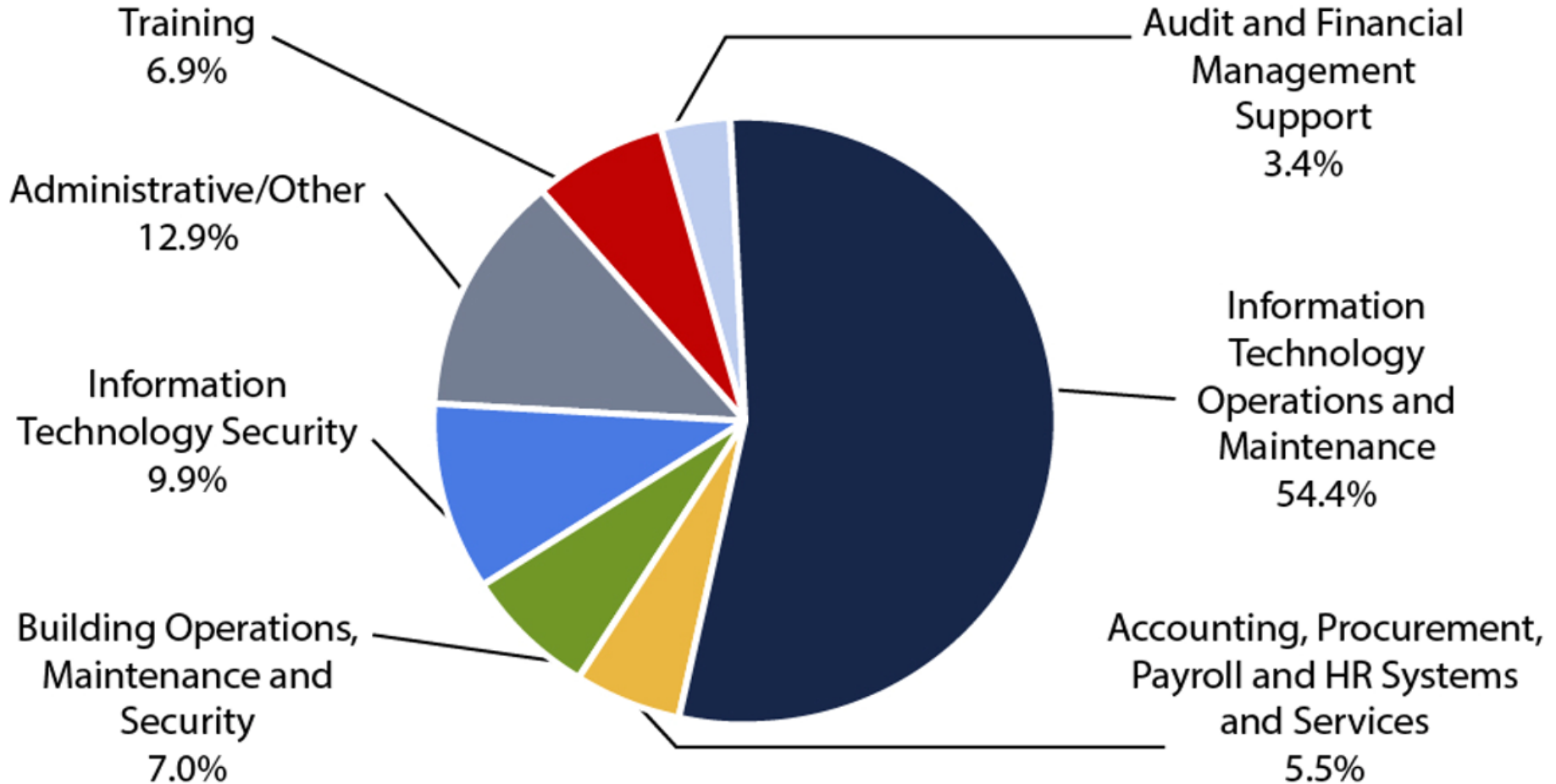
Position	Explanation
Office of Examination and Insurance Staff (+2 FTE)	Adds Systems Specialist to manage aspects of the MERIT system as well as other software; and adds a bank secrecy officer to support the growing Bank Secrecy Act requirements.
Division Director, Human Capital Systems and Planning (+1 FTE)	Adds a new position within the Office of Human Resources will manage human capital, strategic workforce and succession planning, data analytics, workforce management prioritization, human capital systems administration, reporting, and compensation analysis.
Office of External Affairs and Communications (+2 FTE)	Adds a senior website administrator and speechwriter to support the increasing workload associated with Section 508 compliance and the increased demand for external communications support.
Asset Management and Assistance Center (+1 FTE)	This position is necessary to separate oversight of AMAC's activities from those of the Southern Region and provide dedicated leadership over AMAC operations.
NGN Position Reduction (-5 FTE)	Reduce 5 positions that were dedicated to the NGN program, which will be substantially concluded in 2022.

Travel Budget Changes

- **The 2022 budget includes \$20.8 million for travel.**
 - This change is a 69.7 percent increase over the 2021 Board-approved budget.
 - Since the onset of the COVID pandemic in March 2020, employee travel has been sharply curtailed. Comparisons between 2021 and 2022 travel levels are not representative of typical annual travel adjustments.
 - This budget anticipates that staff will begin to resume some onsite exams in Q1 2022, and gradually increase during the year but at a rate less than pre-pandemic. The pre-pandemic budget approved by the Board for 2020 was \$27.4 million, making the 2022 travel budget request 24% lower than 2020.
 - Savings from the unused 2021 travel budget is discussed on slide 23.

Operating Budget: Contracted Services

2022 Contracted Services Budget by Category



Operating Budget: Contracted Services

- Major programs within the Contracted Services budget include:
 - Information Technology (IT) Operations and Maintenance (54.4 percent): the NCUA contracts for IT network support, help desk services, and other systems support.
 - Administrative Support and Other Services (12.9 percent): the NCUA relies on contract support for various operational, technical, and legal expertise.
 - Accounting, Procurement, Payroll, and Human Resources Systems (5.5 percent): the NCUA contracts for back-office support functions such as financial management services, human resources technology, and payroll services.
 - Building Operations, Maintenance, and Security (7.0 percent): the NCUA utilizes contract services to operate, maintain, and secure its facilities.
 - IT Security (9.9 percent): the NCUA's IT security program aims to strengthen cybersecurity and ensure compliance with the Federal Information Security Management Act.
 - Training (6.9 percent): Credit Union examiners attend extensive training annually, much of which is delivered utilizing contract support.
 - Audit and Financial Management Support (3.4 percent): The NCUA Office of Inspector General contracts with an accounting firm to conduct the annual audit of the agency's four permanent funds.

2022 Capital Budget

- The capital budget includes \$13.1 million for 11 discrete projects. The largest share is for replacing the agency’s laptops and refreshing IT infrastructure.

	2022 Requested Budget
IT software development investments	
Examination and Supervision Solution and Infrastructure Hosting (MERIT)	\$875,000
Enterprise Systems Modernization (ESM) Data Reporting Services	739,000
Enterprise Data Program	350,000
NCUA Website Development	100,000
System Updates for Significant Regulatory Changes	1,000,000
CU Locator and Research a Credit Union Updates	240,000
Other Information technology investments	
Enterprise Laptop Lease	5,000,000
IT Infrastructure, Platform and Security Refresh	1,600,000
Hybrid Work Environment (Conference room and equipment upgrades)	265,000
Executive Order on Cybersecurity	1,400,000
Capital building improvements and repairs	
Central Office HVAC System Replacement	1,500,000
Grand Total, Capital Projects	\$13,069,000

- More detailed descriptions are available in the 2022-2023 Budget Justification.

2022 Share Insurance Fund Administrative Budget

(\$ millions)	2021 Board Approved Budget	2022 Requested Budget	\$ Change	% Change
Budget	\$8.0	\$6.2	-\$1.7	-21.7%
Positions	5	---	- 5	-100.0 %

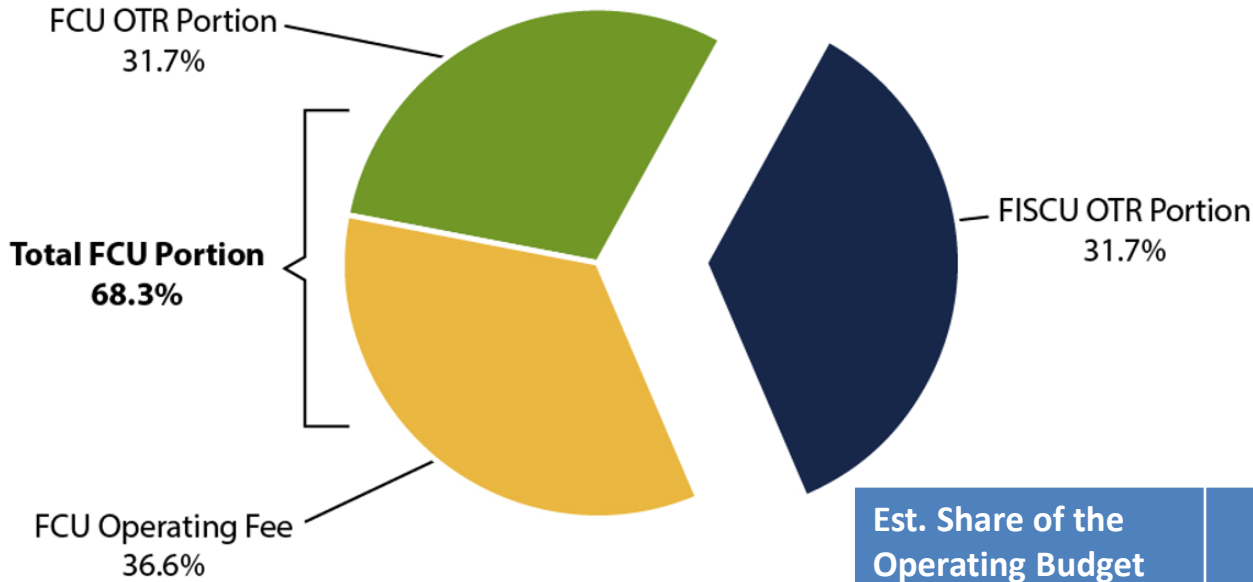
- Funds the direct costs of Share Insurance Fund (SIF) administration and management.
- Supports the NCUA Guarantee Notes (NGN) program and the Corporate System Resolution Program (CSRP).
- The reduction in the SIF Administrative Budget reflects the wind down of the NGN program. The last NGN note matured in June 2021. The program will substantially conclude in 2022.

2022 Share Insurance Fund Administrative Budget

Budget Category (\$ thousands)	2021 Board Approved Budget	2022 Requested Budget	\$ Change	% Change
SIF Direct Expenses				
Travel	\$1,754	\$1,200	-\$554	-31.6%
Administrative	---	\$50	\$50	n/a
Contracted Services	\$2,686	\$3,520	\$834	31.0%
Subtotal, Direct Expenses	\$4,440	\$4,770	\$330	7.4%
NGN support	\$3,533	\$1,476	-\$2,057	-58.2%
GRAND TOTAL	\$7,973	\$6,246	-\$1,727	-21.7%

Financing the NCUA Programs

2022 Distribution of Operating Budget Costs



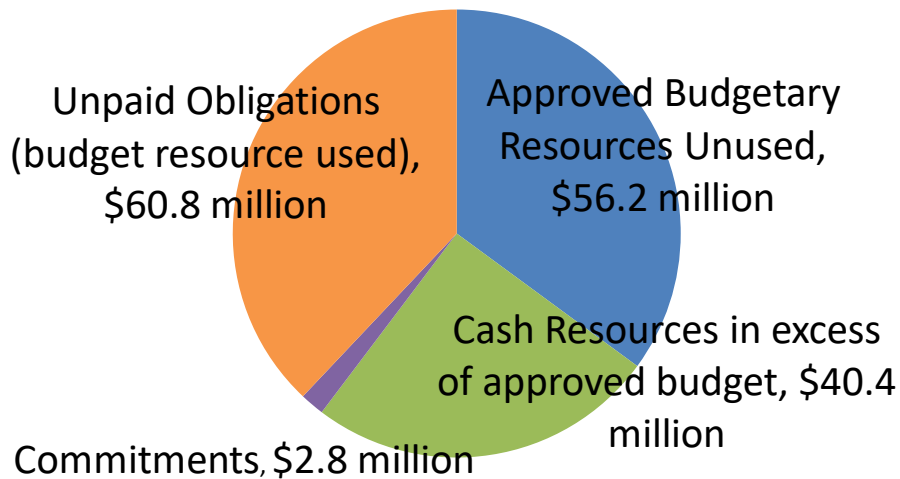
Est. Share of the Operating Budget covered by:	FCUs	FISCOs
FCU Operating Fee	36.6%	0.0%
OTR x Percent of Insured Shares	31.7% (63.4% x 49.9%)	31.7% (63.4% x 50.1%)
TOTAL	68.3%	31.7%

Use of Surplus 2021 Budget

- **The draft budget proposes the carryover and use of approximately \$23.0 million approved by the Board for 2021.**
 - Factoring the use of operating surplus into the year-over-year comparison, the 2022 draft budget is 5.8% higher than 2021.
 - The surplus is largely the result of the ongoing COVID-related travel restrictions, as well as some surplus in compensation and contracts.
 - In the 2022 staff draft budget, the \$23.0 million surplus is credited to offset the contracted services budget.

Operating Fee Cash Analysis

Comparison of Current Cash and Cash Equivalents Balance to Status of Available Resources as of September 30, 2021
(\$ in millions)



Status of Cash and Cash Equivalents, September 2021

- \$60.8 million is needed to support contracting and similar agreements made by NCUA, but which have yet been paid.
- \$56.2 million is for budget approvals made by the Board, but not yet used, such as payroll for the remainder of this year.
- \$2.8 million is for contracting actions in process.
- \$40.4 million is available and unobligated from prior years that are not currently allocated to a Board approved purpose.

Operating Fee Cash Analysis

- **The Operating Fund had \$160.2 million in cash and cash equivalents as of Sept 30, 2021.**
 - \$119.8 million is needed to pay outstanding invoices, contractual agreements, or other expenses already made by the NCUA, and for budget activity already approved by the Board, but not yet obligated (such as future payroll and contracts).
 - \$40.4 million is cash in excess of current budgetary needs.
 - Because the Operating Fee is not collected until April, the operating fund should retain a reserve to meet Q1 cash needs estimated to average \$25.3 million.
 - The NCUA also has unbudgeted future operating fund accrued liabilities of \$29.5 million, mostly for accrued employee leave. These are unlikely to become a significant actual cash expense in a particular year.

2023 Operating Budget Estimate

Budget Category (\$ thousands)	2022 Requested Budget	2023 Requested Budget	\$ Change	% Change
Employee Pay	\$178,293	\$191,023	\$12,730	7.1%
Employee Benefits	79,237	82,622	3,385	4.3%
Total Compensation	257,530	273,645	16,115	6.3%
Travel	20,806	24,446	3,640	17.5%
Rent/Comm./Utilities	5,166	5,366	200	3.9%
Administrative	5,785	6,011	226	3.9%
Contracted Services ¹	36,717	59,854	23,137	63.0%
Total, Operating Budget	\$326,004	\$369,322	\$43,318	13.3%

1. The \$23 million in budget availability applied to 2022 is applied to contracted services. The apparent increase in 2023 reflects the one-time use of the budget savings in 2023.

2023 Operating Budget Estimate

- **The Operating Budget will increase in 2023 for three primary reasons:**
 - The Contracted Services budget will increase because the pandemic surplus will be spent in 2022.
 - The Travel budget will increase because we assume pandemic-related travel restrictions will be ended.
 - The Employee Salaries budget will increase because of staffing growth in 2022, routine promotions, and implementation of a new Collective Bargaining Agreement.
- **Comparing 2023 to 2022 with the one-time use of the \$23 million, the growth in 2023 is 5.7%**

Budget Background

Funds presented in the FY 2022 President's Budget Appendix:

- Operating Fund
- National Credit Union Share Insurance Fund
- Central Liquidity Facility
- Community Development Revolving Loan Program

Document location:

https://www.whitehouse.gov/wp-content/uploads/2021/05/oia_fy22.pdf

1316 National Credit Union Administration—Continued Federal Funds—Continued				THE BUDGET FOR FISCAL YEAR 2022			
OPERATING FUND—Continued Program and Financing—Continued				CREDIT UNION SHARE INSURANCE FUND Program and Financing (in millions of dollars)			
Identification code 025-4856-0-3-373	2020 actual	2021 est.	2022 est.	Identification code 025-4468-0-3-373	2020 actual	2021 est.	2022 est.
4180 Budget authority, net (total)				Outlays by program activity:			
4190 Outlays, net (total)	-20	48	20	0801 Payments to the Operating Fund for services and facilities	219	199	203
				0802 Other Administrative Expenses	6	6	6
				0803 Working Capital	46	57	57
				0804 Liquidation Expenses	206	283	286
				0805 NCUA Guaranteed Notes program	271	1,361	
				0900 Total new obligations, unexpired accounts	748	1,906	552
Memorandum (non-add) entries:				Budgetary resources:			
5000 Total investments, SOV, Federal securities, Par value	120	140	140	Unobligated balance			
5001 Total investments, EOY, Federal securities, Par value	140	140	140	Unobligated balance brought forward, Oct 1	15,232	16,556	18,086
				Budget authority			
				Spending authority from offsetting collections, mandatory			
				1800 Collected	2,058	3,436	2,947
				1801 Change in uncollected payments, Federal sources	14		
				1850 Spending auth from offsetting collections, mand (total)	2,072	3,436	2,947
				1930 Total budgetary resources available	17,304	19,992	21,033
				Memorandum (non-add) entries:			
				1941 Unexpd unobligated balance, end of year	16,556	18,086	20,481
				Change in obligated balance:			
				Unpaid obligations:			
				Unpaid obligations, brought forward, Oct 1	51	71	4
				3030 New obligations, unexpired accounts	748	1,906	552
				3020 Outlays (gross)	-728	-1,973	-552
				3050 Unpaid obligations, end of year	71	4	4
				Uncollected payments:			
				3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-71	-85	-85
				3070 Change in uncollected pymts, Fed sources, unexpired	-14		
				3090 Uncollected pymts, Fed sources, end of year	-85	-85	-85
				Memorandum (non-add) entries:			
				3100 Obligated balance, start of year	-30	-14	-81
				3200 Obligated balance, end of year	-14	-81	-81
				Budget authority and outlays, net:			
				Mandatory:			
				4090 Budget authority, gross	2,072	3,436	2,947
				4100 Outlays from new mandatory authority	602	1,906	552
				4101 Outlays from mandatory balances	126	67	
				4110 Outlays, gross (total)	728	1,973	552
				Offsets against gross budget authority and outlays:			
				4120 Offsetting collections (collected) from:			
				4120 Federal sources	-1		
				4121 Interest on Federal securities	-30	-236	-251
				4123 Non-Federal sources	-1,129	-1,080	-377
				4124 Offsetting governmental collections	-888	-2,120	-2,319
				4130 Offsets against gross budget authority and outlays (total)	-2,058	-3,436	-2,947
				Additional offsets against gross budget authority only:			
				4140 Change in uncollected pymts, Fed sources, unexpired	-14		
				4170 Outlays, net (mandatory)	-1,330	-1,463	-2,395
				4180 Budget authority, net (total)			
				4190 Outlays, net (total)	-1,330	-1,463	-2,395
				Memorandum (non-add) entries:			
				5000 Total investments, SOV, Federal securities, Par value	15,276	16,610	18,073
				5001 Total investments, EOY, Federal securities, Par value	16,610	18,073	20,468
				Status of Guaranteed Loans (in millions of dollars)			
				Identification code 025-4468-0-3-373	2020 actual	2021 est.	2022 est.
				2230 Cumulative balance of guaranteed loans outstanding:			
				2230 Outstanding, start of year	3,449	2,337	
				2231 Disbursements of new guaranteed loans		-2,337	
				2251 Repayments and prepayments	-1,110		
				2251 Repayments and prepayments		-2	
				2290 Outstanding, end of year	2,337		
				Memorandum:			
				2295 Guaranteed amount of guaranteed loans outstanding, end of year	2,337		

Employment Summary			
Identification code 025-4856-0-3-373	2020 actual	2021 est.	2022 est.
2001 Reimbursable civilian full-time equivalent employment	1,131	1,186	1,186

Additional Information

- **The detailed Staff Draft Budget document is available on the NCUA website:**
 - <https://www.ncua.gov/files/publications/budget/budget-justification-proposed-2022-2023.pdf>
- **The public is invited to comment on the Staff Draft Budget through December 9, 2021:**
 - Comment online at:
<https://www.regulations.gov/document/NCUA-2021-0149-0002>
 - Comment by mail or fax as instructed in the *Federal Register* notice.