



**BOARD ACTION MEMORANDUM**

**TO:** NCUA Board **DATE:** July 21, 2011  
**FROM:** Chief Financial Officer **SUBJECT:** FY 2011 Mid-Session Budget Review

**ACTION REQUESTED:** Board approval of the reprogrammed 2011 Operating Budget as documented in the Board Action Memorandum and attachments.

**DATE ACTION REQUESTED:** July 21, 2011

**OTHER OFFICES CONSULTED:** All Office Directors

**VIEWS OF OTHER OFFICES CONSULTED:** Budget analyses provided by all office directors are summarized in this Board Action Memorandum.

**SUBMITTED TO THE INSPECTOR GENERAL FOR REVIEW:** Yes

**BUDGET IMPACT:** The recommended actions will result in a net decrease of \$2 million to the FY 2011 Board-approved Operating Budget.

**RESPONSIBLE STAFF MEMBERS:** Chief Financial Officer Mary Ann Woodson

**BACKGROUND:** A mid-session budget review involving the participation of all NCUA offices was conducted. Offices were directed to promote stewardship of agency funds, increase efficiencies, and reduce line items wherever possible. The purpose of this review was to assess the agency's budget at mid-year, project spending through the end of the fiscal year, and request Board approval of any adjustments to the original 2011 budget.

Projections of 2011 support an Operating Budget reduction of \$2 million. This reduction will help offset 2012 budget requirements, which will be formulated and presented to the Board in November 2011.

**BUDGET REPROGRAMMING:** Total budgeted operating costs for the year ending December 31, 2011, are reduced by \$2 million for a total budget of **\$223,404,840**. Total staffing is increased by five (5) field positions, bringing total Full Time Equivalents (FTE) to **1,213.60**.

The following table summarizes the reprogrammings to the original 2011 Operating Budget. These reprogrammings require no new funds and represent technical adjustments to support program needs.

Operating Budget	Board		Revised
	Approved	Mid-Session	Budget
	Budget	Reprogramming	Needs
Employee Pay & Benefits	\$ 163,217,202	\$ (2,952,398)	\$ 160,264,804
Travel	24,445,865	229,563	24,675,428
Rent/Communications/Utilities	5,128,023	(73,425)	5,054,598
Administrative	13,451,886	214,000	13,665,886
Contracted Services	19,161,012	583,112	19,744,124
Total	<u>\$ 225,403,988</u>	<u>\$ (1,999,148)</u>	<u>\$ 223,404,840</u>

1) Employee Pay and Benefits, decrease of \$2,952,398.

Projecting the cost of agency-wide staffing for the remainder of 2011 provides a significant reduction to the budget. This projection includes the reassignment of personnel into the Office of Consumer Protection (OCP) and the addition of five (5) positions needed to support essential field operations. Region II (Capital) requests two (2) Regional Lending Specialist positions to assist with loan analysis, member business loans and the related risks within credit unions. Region III (Atlanta) requests one (1) Supervision Analyst position to address additional caseload. Asset Management and Assistance Center requests two (2) Accountants to assist with asset liquidation activities as a result of corporate and natural person credit union liquidations.

2) Travel, increase of \$229,563.

Travel costs are trending higher than originally budgeted due to rising airfares and the IRS standard mileage rate. Also, travel costs related to training new examiners are increasing. Since 2009, more than 241 examiners have been hired. During their first several years at NCUA, examiners are required to attend trainings that begin with the necessary basic examiner skill sets and continue to develop areas of expertise.

3) Rent, Communications, and Utilities, decrease of \$73,425.

The decrease is primarily savings in office rent: \$60,000.

4) Administrative, increase of \$214,000.

The Office of the Chief Information Officer (OCIO) requests to reprogram \$100,000 of its funds to update customer support software. The solution should minimize future maintenance and support costs.

The Federal Financial Institutions Examination Council (FFIEC) conducts standardized trainings for federal and state examiners. NCUA reimburses FFIEC for training its staff; the 2011 cost has increased by \$90,000.

5) Contracted Services, increase of \$583,112.

The Office of the Inspector General requests \$260,000 to complete the audit of the Temporary Corporate Credit Union Stabilization Fund. Due to the complexity of auditing transactions related to the NCUA Guaranteed Note program, additional audit fees will be incurred.

In compliance with findings of independent auditors, the Office of Small Credit Union Initiatives requests \$110,000 for contract accountants and consultants to support the accounting activities of the Community Development Revolving Loan Fund (CDRLF). This includes supporting the audit of the CDRLF financial statements and implementing a loan system and grants online system.

The Office of Human Resources (OHR) requests \$100,000 for outside consultants primarily to support Principal Examiner testing. OHR's Division of Training and Development requests \$92,000 to fulfill examiner training requests as class registration by staff has exceeded initial estimates. OHR is offsetting these increases through reductions elsewhere within its budget to fund these requests.

**RECOMMENDATION:**

It is recommended that the NCUA Board approve the following items:

1. The reprogramming of the fiscal year 2011 Operating Budget with a net decrease of \$2 million resulting in a budget of \$223,404,840, as presented in the Attachment.
2. The increasing of total full-time equivalent (FTE) staffing by 5.00 FTE to result in an authorized level of 1,213.60, as presented in the Attachment.

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Chief Financial Officer

Attachment

## 2011 MID-SESSION BUDGET

By Office	Budget			Full-Time Equivalents		
	2011	Mid-session	Change	2011	Mid-session	Change
Office of the Board	2,675,950	2,675,950	-	12.00	12.00	-
Office of the Executive Director	3,228,313	3,238,313	10,000	11.00	11.00	-
Office of Minority and Women Inclusion	1,034,200	804,200	(230,000)	6.00	6.00	-
Office of the Chief Economist	1,024,753	1,024,753	-	5.00	5.00	-
Office of Consumer Protection	4,840,975	5,292,684	451,709	30.00	30.00	-
Office of the Chief Financial Officer	19,024,960	18,515,415	(509,545)	37.00	37.00	-
Office of the Chief Information Officer	14,854,408	14,554,408	(300,000)	33.00	33.00	-
Office of Corporate Credit Unions	8,183,167	7,933,167	(250,000)	37.00	37.00	-
Office of Small Credit Union Initiatives	5,406,844	5,156,844	(250,000)	26.00	26.00	-
Office of Examination & Insurance	8,253,330	8,238,529	(14,800)	39.50	39.50	-
Office of General Counsel	5,713,580	5,713,580	-	27.60	27.60	-
Office of Inspector General	4,295,171	4,555,204	260,033	9.00	9.00	-
Office of Human Resources	11,738,738	11,798,018	59,280	40.00	40.00	-
Office of Public and Congressional Affairs	1,519,289	1,463,289	(56,000)	6.00	6.00	-
Region I - Albany	24,257,070	23,832,070	(425,000)	165.00	165.00	-
Region II - Capital	35,553,329	35,431,004	(122,325)	228.00	230.00	2.00
Region III - Atlanta	25,132,043	25,197,543	65,500	168.00	169.00	1.00
Region IV - Austin	26,030,016	25,800,016	(230,000)	178.50	178.50	-
Region V - Tempe	17,842,699	17,854,699	12,000	117.00	117.00	-
Asset Management & Assistance Center	4,795,154	4,325,154	(470,000)	33.00	35.00	2.00
<b>Total</b>	<b>225,403,988</b>	<b>223,404,840</b>	<b>(1,999,148)</b>	<b>1,208.60</b>	<b>1,213.60</b>	<b>5.00</b>

Notes:

The Board acted on June 17, 2011 to realign the Office of Capital Markets as a new division within the Office of Examination and Insurance. This change better integrates all natural person credit union examination program activities and promotes consistent national standards. For presentation purposes, this exhibit has been modified to present this change.

The 2011 budgets by office have been adjusted to reflect beginning of year transfers of FTE into the Office of Consumer Protection.

The Office of Consumer Protection is authorized 38.00 FTE. The remaining positions will be filled by voluntary transfers and will not increase overall agency staffing.