



The NCUA Budget in Brief

Proposed 2019 and 2020 Budgets

The goals and objectives set forth in the National Credit Union Administration's (NCUA) [Strategic Plan 2018 - 2022](#) form the basis for determining agency resource needs and allocations. The annual budget provides the resources to execute the strategic plan, to implement the agency reorganization, and to undertake the NCUA's major programs: examination and supervision, insurance, credit union development, consumer financial protection, and asset management.

| 2019 - 2020 NCUA BUDGET RESOURCES | | | | | | | | | | |
|------------------------------------|----------------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|--------------------------|--------------|--------------|------------------------|
| Budget | 2019 Board Approved Budget | 2019 Revised Budget | Change (2019) | Change Percent (2019) | 2020 Requested Budget | Change (2019-20) | Change Percent (2019-20) | 2019 FTE | 2020 FTE | FTE Change 2019 - 2020 |
| Operating Budget | \$ 302,688,000 | \$ 304,398,000 | 1,710,000 | 0.6% | \$ 316,164,000 | \$ 11,766,000 | 3.9% | 1,173 | 1,173 | - |
| Capital Budget | 21,146,000 | 22,005,000 | 859,000 | 4.1% | 18,608,000 | \$ (3,397,000) | -15.4% | - | - | - |
| Share Insurance Fund Admin. Budget | 7,454,000 | 8,371,000 | 917,000 | 12.3% | 9,121,000 | \$ 750,000 | 9.0% | 5 | 5 | - |
| Total | \$ 331,288,000 | \$ 334,774,000 | \$ 3,486,000 | 1.1% | \$ 343,893,000 | \$ 9,119,000 | 2.7% | 1,178 | 1,178 | - |

The NCUA's 2019-2020 budget justification consists of three separate budgets: the Operating Budget, the Capital Budget, and the Share Insurance Fund Administrative Budget. Combined, these three budgets total \$334.8 million for 2019, which is 1.1 percent more than the 2019 funding level approved by the NCUA Board (the Board) in November, 2017, and 4.3 percent more than the comparable 2018 Board Approved Budget. Personnel levels for 2019 and 2020 reflect the agency's expected staffing after completing implementation of its reorganization plan, and are lower than the 2018 levels by 10 positions.

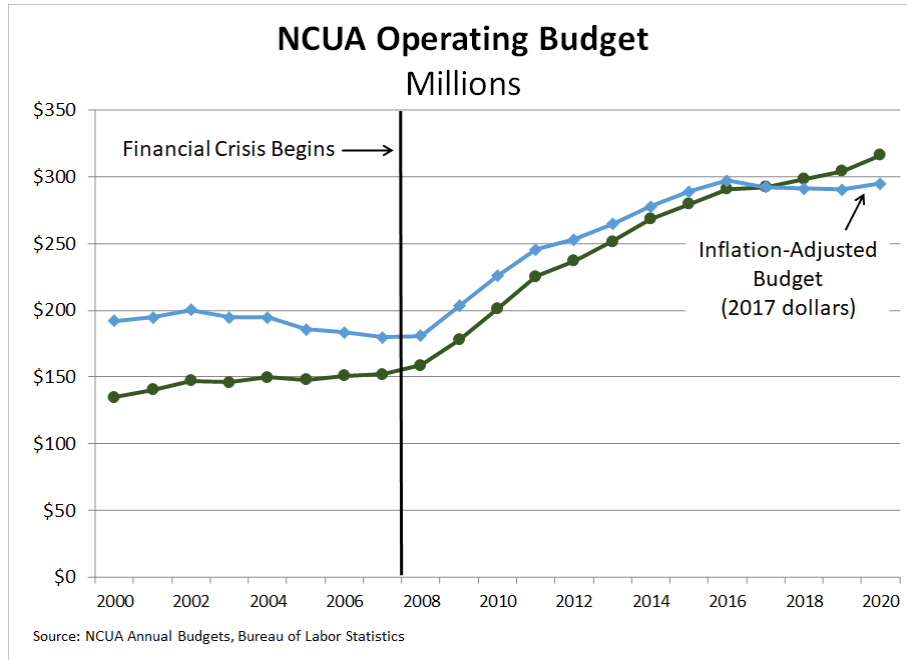
Operating Budget

The proposed 2019 Operating Budget is \$304.4 million. Personnel levels decrease by ten full-time equivalents (FTE) compared to the 2018 Board Approved Budget.

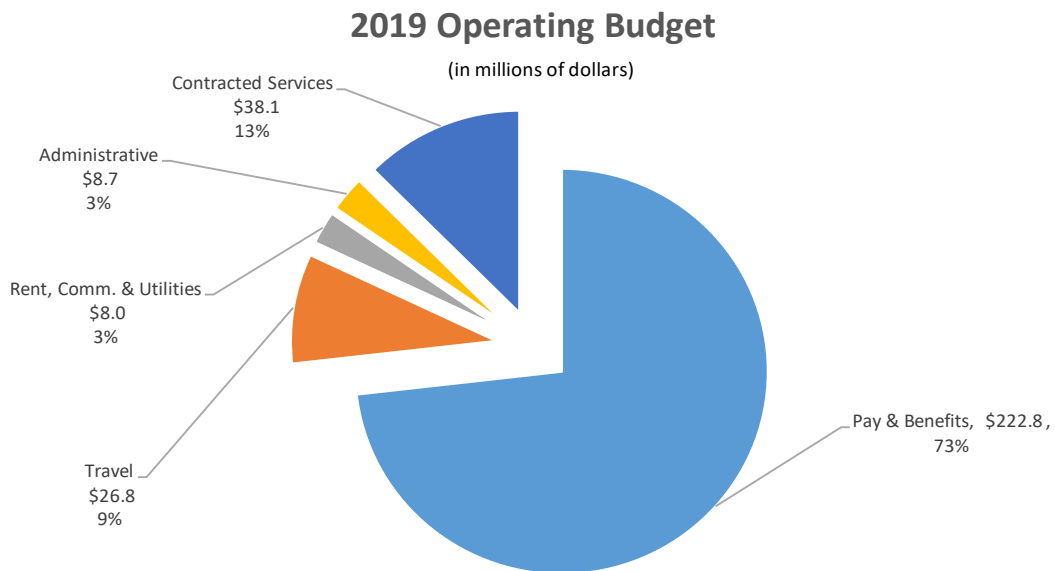
The 2019 Operating Budget, when adjusted for inflation, represents a real dollar decrease of approximately \$624,000, or 0.2 percent, compared to the 2018 Board Approved Budget. In nominal dollars, the 2019 Budget increases by \$6.3 million, or 2.1 percent, over the 2018 Board Approved Budget of \$298.1 million.

The Operating Budget estimate for 2020 is \$316.2 million and reflects no change to authorized positions.

The following chart shows recent year-on-year trends for the NCUA Operating Budget, in both nominal (green line) and real dollar (blue line, inflation-adjusted) terms:

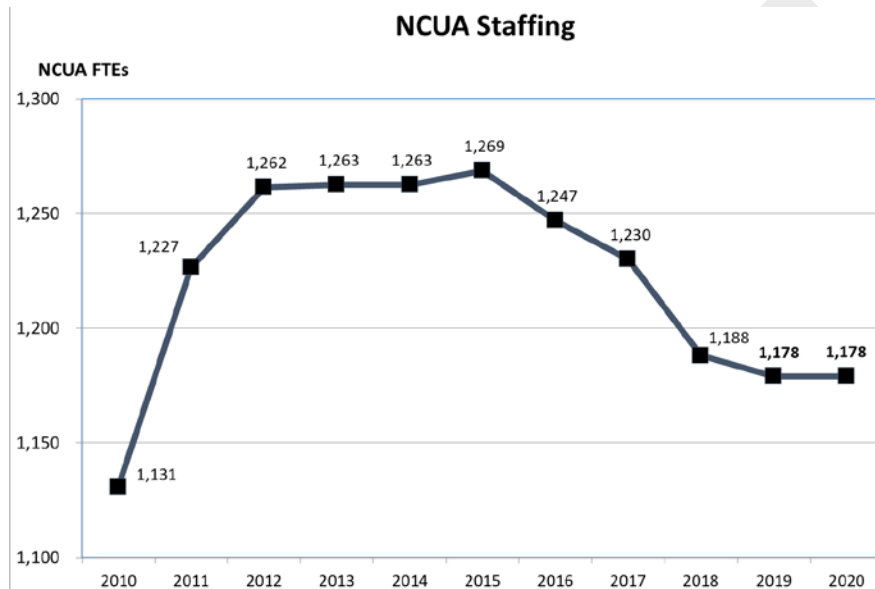


The following chart presents the major categories of spending supported by the 2019 budget, while specific adjustments to the 2018 Board Approved Budget are discussed in further detail, below:





Staffing. The budget supports 1,178 FTE in 2019, a decrease of ten FTEs from 2018. For 2019, the reorganization plan eliminated 15 positions in the NCUA’s regional offices, and the budget proposes five new positions in the Offices of Examination and Insurance, the Chief Economist, and the General Counsel. Three positions focused on Business Innovation will be filled by reallocating vacancies. As shown in the chart below, the NCUA staffing has decreased in recent years despite significant credit union asset growth.



Pay and Benefits. Pay and benefits increase by \$2.1 million in 2019, or one percent, for a budget of \$222.8 million. This increase supports the merit and locality pay adjustments required by the NCUA’s current collective bargaining agreement, the new positions described above, anticipated staff promotions, position changes, and increased costs for other mandatory employer contributions such as health insurance and retirement contributions. The 2020 pay and benefits budget is estimated at \$233.6 million, which reflects increases associated with merit and locality pay inflation, the full cost of new positions added in 2019, and an increase in required retirement fund payments to the Office of Personnel Management (OPM), which manages government employees’ retirement programs for nearly all federal agencies.

The Federal Employees Retirement System (FERS) covers most NCUA employees and includes a defined pension benefit, which is funded by both employee and employer contributions. OPM will charge the NCUA a mandatory employer contribution of 13.7 percent of total FERS employee salaries in 2019, which will increase to 16 percent in 2020, a change of 230 basis points. This increase will require the NCUA to pay OPM approximately \$3.5 million more in retirement contributions in 2020. Excluding additional employer contributions from the 2020 budget, total personnel compensation growth would be 3.3 percent instead of 4.8 percent, and total Operating Budget growth would be 2.7 percent instead of 3.9 percent.

Travel. The travel budget increases by \$326,000 in 2019, or one percent, for a budget of \$26.8 million. The NCUA has constrained the growth of travel costs by continuing to expand offsite examination work and use technology-driven training. Government-wide per diem rates published by the General Services Administration (GSA) are expected to increase by almost eight percent in 2019, accounting for a significant



share of the travel budget growth. The NCUA plans to hold a national program examination training event in 2020 that will coincide with full deployment of the new Examination and Supervision Solution system.

Rent, Communications, and Utilities. Rent, communications, and utilities will decrease by \$445,000 in 2019, or five percent, for a budget of \$8.0 million. This funding pays for essential telecommunications services, data capacity contracts, and information technology network support. The decrease is primarily due to a reduction in leased office space as a result of regional consolidation.

Administrative Expenses. Administrative expenses increase by \$1.2 million in 2019, or 16 percent, for a total budget of \$8.7 million. Increases are attributable to recurring cost items such as shared Federal Financial Institutions Examination Council fees, relocation expenses, and software licenses.

Contracted Services. Contracted services expenses increase by \$3.1 million in 2019, or nine percent, for a total budget of \$38.1 million. This funding pays for products and services acquired in the commercial marketplace, and includes critical mission support services such as information technology hardware and software support, accounting and auditing services, and specialized subject matter expertise. The increase of information technology operations and maintenance, and mandatory accounting system service provider costs are the primary drivers of the increase.

Capital Budget

The proposed 2019 Capital Budget is \$22.0 million.

The 2019 Capital Budget is \$0.9 million more than the 2019 funding level approved by the Board in November, 2017, and \$6.6 million more than the 2018 Board Approved Budget

The Capital Budget pays for continued investments in technology and infrastructure projects, as well as several new initiatives that will start in 2019, including a replacement of the agency's antiquated AIRES examination software, which is used by both federal and state examiners in almost all credit union examinations. The NCUA's Information Technology Prioritization Council recommended \$17.1 million for IT software development projects that continue to replace the NCUA's decades-old and functionally obsolete information technology systems, and \$4 million in other IT investments for 2019. The NCUA facilities require \$0.9 million in capital investments.

Share Insurance Fund Administrative Expenses

The proposed 2019 Share Insurance Fund Administrative budget is \$8.4 million.

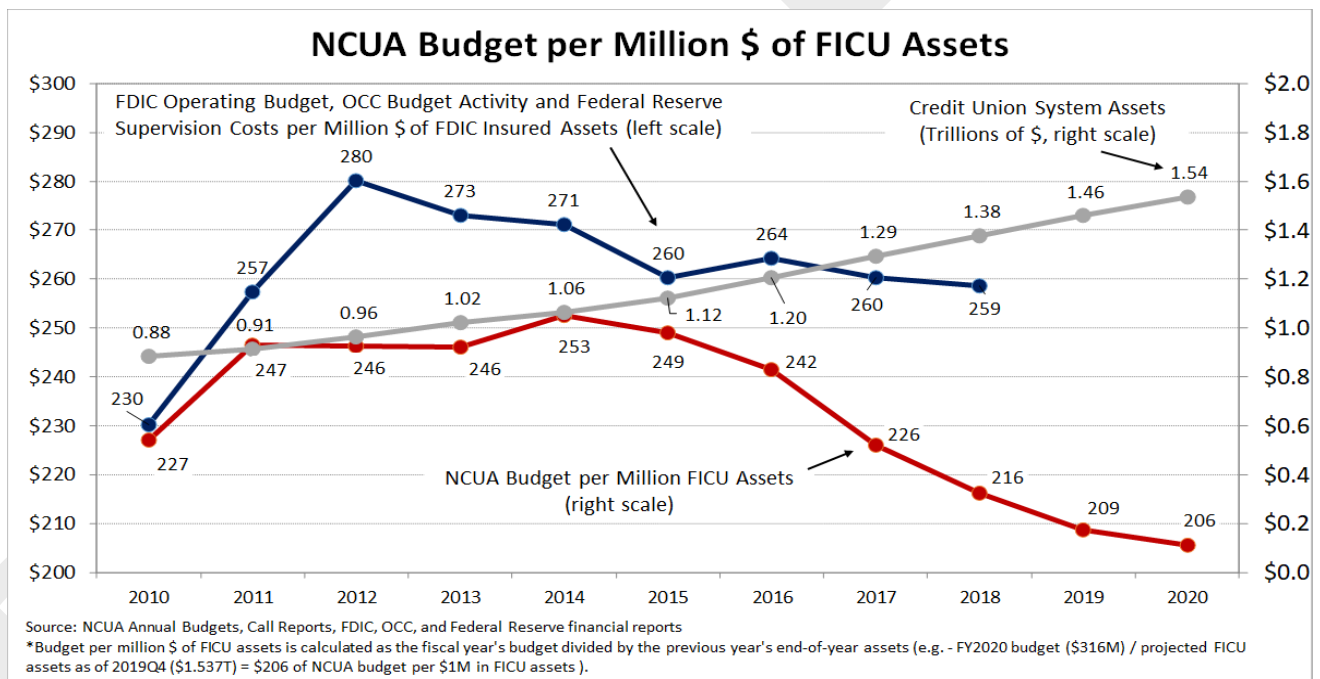
The 2019 Share Insurance Fund Administrative Budget is \$0.9 million more than the 2019 funding level approved by the Board in November, 2017, and \$0.3 million more than the 2018 Board Approved Budget. The increase is primarily attributed to increased use of consultants and contractor support for credit union stress testing. Direct charges within this budget include administration of the NCUA Guaranteed Note (NGN) program, state examiner training and laptop leases, as well as financial audit support.



Budget Trends

Since 2017, inflation has matched or outpaced the growth of the NCUA budget. While the NCUA’s annual Operating Budget is projected to increase 2.1 percent from 2018 to 2019, inflation is forecast to be 2.3 percent. Therefore, in real dollar terms, the NCUA Operating Budget is 0.2 percent lower in 2019 than in 2018 (i.e., 2.1 percent budgetary growth less 2.3 percent inflation). Likewise, the projected 2.7 percent total budget growth between 2019 and 2020 represents an inflation-adjusted increase of only 0.4 percent, based on the assumption that 2020 economic inflation remains constant at 2.3 percent (i.e., 2.7 percent budgetary growth less 2.3 percent inflation).

In addition, as shown in the chart below, the relative size of the NCUA budget (red line) continues to decline when compared to balance sheets at federally-insured credit unions (gray line). This trend illustrates the greater operating efficiencies the NCUA has attained in the last several years. Additionally, the NCUA has improved its operating efficiencies more aggressively than other financial industry regulators (red line compared to blue line).



It is also notable that the NCUA’s operations have become more efficient relative to the size of the credit union system because consolidation in the industry has led to growth in the number of large credit unions, specifically those with more than \$10 billion in assets. This results in additional complexity in the balance sheets of such credit unions, and a corresponding increase in the supervisory review required to ensure the safety and soundness of such large institutions. The NCUA has responded to this increasing complexity through several initiatives: creation of the specialized Office of National Examination and Supervision (ONES), development of an improved analytic model for large credit unions’ financial condition, and improved quality of examination reports through enhanced quality review processes.



2019 Budget in Brief: Summary Table

| (dollars in millions) | Budget | Change from 2018 Budget | % Change | Description |
|---|----------------|-------------------------|---------------|--|
| 2019 Operating Budget | \$304.4 | ↑ \$6.3 | +2.1% | The 2019 budget provides the resources required to execute the priorities outlined in the NCUA's Strategic Plan (2018-2022). |
| Total Staffing (FTE) | 1,178.0 | ↓ 10 | -0.8% | The 2019 FTE level decreases by a net change of ten positions from 1,188 authorized in 2018. |
| Budget Category | | | | |
| Pay & Benefits | \$222.8 | ↑ \$ 2.1 | +1.0% | The pay and benefits adjustment covers merit and locality pay changes required by the Collective Bargaining Agreement. The increase also funds mandatory employer contributions for health insurance and retirement, and new FTEs. |
| Travel | \$26.8 | ↑ \$ 0.3 | +1.2% | The travel budget increases by \$326,000. Travel requirements align with program examination workload. GSA 2019 per diem increases also account for the growth in estimated travel. |
| Rent, Communications & Utilities | \$8.0 | ↓ \$0.4 | -5.2% | Rent, communications, and utilities budget maintains essential telecommunications, data capacity, and network support. |
| Administration | \$8.7 | ↑ \$1.2 | +16.0% | Administration expenses primarily support operational requirements, FFIEC fees, relocation expenses, and employee supplies. |
| Contracted Services | \$38.1 | ↑ \$3.1 | +8.9% | Contracted services reflect costs incurred when products and services are acquired in the commercial marketplace and include critical mission support services such as information technology hardware and software development support, accounting and auditing services, and specialized subject matter expertise. |



2020 Budget in Brief: Summary Table

| Dollars in millions | Budget | Change from 2019 Budget | % Change | Description |
|--|----------------|-------------------------|--------------|---|
| 2020 Operating Budget | \$316.2 | ↑ \$11.8 | +3.9% | The 2020 budget provides the resources required to execute the priorities outlined in the NCUA's Strategic Plan (2018-2022). |
| Total Staffing (FTE) | 1,178.0 | 0 | 0% | The 2020 budget includes no change from the 2019 FTE levels. |
| Budget Category | | | | |
| Pay & Benefits | \$233.6 | ↑ \$10.8 | +4.8% | The pay and benefits adjustment covers merit and locality pay changes required by the Collective Bargaining Agreement. The increase also funds mandatory employer contributions for health insurance and retirement. Other 2020 cost drivers include full cost for new FTEs added in 2019, and increased mandatory FERS contributions estimated at \$3.5 million. |
| Travel | \$27.8 | ↑ \$1.0 | +3.7% | Travel increase for the national program exam training that coincides with full deployment of the new Examination and Supervision Solution system. |
| Rent Communications & Utilities | \$8.0 | \$0.0 | 0% | Rent, communications, and utilities expenses include utilities, space rental, software licenses and other recurring costs. |
| Administration | \$8.7 | \$0.0 | 0% | Administration expenses primarily support operational requirements, FFIEC fees, relocation expenses, and employee supplies. |
| Contracted Services | \$38.1 | \$0.0 | 0% | Contracted services reflect costs incurred for products and services acquired in the commercial marketplace. These services include critical mission support such as information technology hardware and software development support, accounting and auditing services, and specialized subject matter expertise. |