



## **Fact Sheet: National Credit Union Administration Budget Process**

### **Overview**

The National Credit Union Administration (NCUA) is committed to integrating strategic and annual planning into its budget formulation process. Through the integration, the NCUA Board ensures that resources are aligned to the agency's highest priorities.

Each summer, under the leadership of the NCUA Chief Financial Officer (CFO), NCUA develops its budget using zero-based budgeting techniques, which ensure each activity is individually justified to the Board in order to be considered for funding. Under this process, the budget for each office is rigorously evaluated to ensure NCUA resources are allocated efficiently and priority needs are funded, regardless of the prior year funding level. NCUA requires each office to explain the merits of every line item, the specific needs for each category of spending, and the basis of developing each cost estimate.

After receiving the proposed budget for each NCUA office, the Chief Financial Officer and Executive Director meet individually with Office Directors and Regional Directors so that each budget and budget line item can be explained, justified, and reviewed.

As the budget formulation process is iterative, refinements are continually made, resulting in rolling adjustments to the budget proposal. During the budget development process, the Executive Director and Chief Financial Officer brief the Chairman and each Board Member multiple times on the budget proposals submitted, updated, and recommended. In addition, analytical and summary information is also prepared to provide for comparison to prior years and to highlight material increases or decreases to budget items.

### **Budget Development**

Given the nature of NCUA's mission and strategic plan goals and objectives, funding to support staffing levels is the single largest budget category.

In developing the budget proposal, the examination and supervision workload is estimated to determine the number of staff hours necessary to carry out NCUA's dual mission as insurer and regulator. The workload analysis is a bottom-up process with the field staff reviewing the condition and supervision needs for each credit union and

recommending the hours for each. The estimates are refined by management in the field program until the final budget proposal is completed.

The workload analysis establishes the foundation for the Office of National Examinations and Supervision and the five regional budget requests, which represent over 72 percent of NCUA personnel. Based on the workload analysis, NCUA determines staffing levels and requisite personnel compensation and benefits required to support the workload hours.

In addition, all 21 NCUA offices develop a bottom-up resource request. Each position must be validated and updated with the requisite personnel information to accurately project salary and benefit costs with the approved merit, locality and other inflationary adjustments such as health care costs. Any new resource requirements supporting a new position are presented and defended by the applicable Office Director to the Executive Director and Chief Financial Officer.

When the Executive Director and Chief Financial Officer complete their analysis of requested positions, their analysis is presented in detailed briefings to each Board Member for their consideration. Where possible, the Board makes every effort to curtail any net addition of full-time equivalent (FTE) positions, by use of attrition and strategic allocation of resources. After evaluating all alternatives, the Board ultimately determines whether any new net FTE positions are warranted. Other specific estimation procedures include:

- Travel requirements for all examination program staff are identified and justified based on workload analysis, meeting and conference plans, and individual development plans.
- Rent, communication and utility expenses are reviewed for valid operational recurring requirements. Historical spending is used to assist in calculating the out-year costs; however, all costs are examined and estimated. NCUA staff also examine for cost savings. Examples of cost reductions that can be identified include efficiency savings associated with utilities, postage savings or lease renegotiations.
- Administrative expenses are reviewed for valid operational recurring requirements. Historical spending is used to assist in calculating the out-year costs, and all costs are examined and estimated. Costs for 2015 include large recurring expenses such as software licenses and maintenance fees, depreciation expense, laptop computer leases, and mandatory expenses such as Federal Financial Institutions Examination Council fees.
- Contract expenses, which include a variety of projects, are assessed based on priority requirements as determined by the agency's strategic plan and statutory requirements. Annual project reviews are conducted to ensure plans are consistent with the goals and objectives in NCUA's Strategic Plan. In addition, contract spending associated with software development is prioritized by NCUA's Information Technology Priority Council.

## **Two-Year Budget**

The two-year budget process will be reinstated in 2016. This was standard practice in NCUA for many years, and is commonplace in federal government agencies today. The second year budget estimate represents our best current estimate, and will be revisited again the following year with updated and more accurate information.

## **Capital Budget**

NCUA's capital budget is also zero-based to identify the new investment needs for information technology and building improvements and repairs.

NCUA has enhanced its information security program to comply with federal requirements as well as safeguard against cyber threats. The information technology investments also include ongoing enhancements and upgrades to decades old legacy systems that support the exam program. Hardware replacement occurs periodically to refresh agency equipment that provide staff with essential tools to enhance their productivity.

Maintaining the investment in NCUA's central office building is a necessary resource requirement. Every year, new assessments are made to determine any essential repairs, replacements, or renovations needed to the infrastructure.