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

- Key Accomplishments
- The NCUA’s Draft 2019-2020 Budget
  - Strategic Context
  - Organizational Changes
  - Budget Trends
  - Operating Budget
  - Capital Budget
  - Share Insurance Fund Administrative Budget
  - Financing the NCUA Programs
- Conclusion
Key Accomplishments

- Initiatives aimed at increasing agency efficiency and reducing examination and reporting burdens
  - Exam flexibility initiative
  - Enterprise Solution Modernization program
  - Call report modernization project

- Initiatives aimed at increasing agency effectiveness in maintaining safety and soundness of the credit union system and the Share Insurance Fund
  - Improved risk identification techniques
  - Increased use of specialists
  - Expanded examiner training and guidance
  - Enhanced examination quality control
Key Accomplishments

- **Implementation of the Economic Growth, Regulatory Relief, and Consumer Protection Act**
  - Member business lending (loans for non-primary residences)
  - Exemption from appraisals in rural areas
  - Budget transparency and public hearing
  - Home Mortgage Disclosure Act

- **Efforts to reduce regulatory and examination burden**
  - Reform Agenda with 40 regulatory relief recommendations (9 completed & initiated 5 others)
  - Capital (risk-based capital, stress testing, CCU standards, alternative capital)
  - Additional Flexibility in Credit Union Lending (payday alternative loan program, maturity limits, and maximum loan rate ceiling)

- **Distributed $736M of SIF dividends for 5,700 Credit Unions**
The NCUA’s 2018 – 2022 Strategic Goals underlie the 2019 – 2020 Budget

- Ensure a safe and sound credit union system
- Provide a regulatory framework that is transparent, efficient, and improves consumer access; and
- Maximize organizational performance to enable mission success.

Developments that may affect the credit union system

- Credit Union responses to a changing economic environment
- Technology changes and consumers’ use of financial institutions
- Increasing competition and consolidation in the financial services sector
- Demographic shifts, a changing U.S. population, and generational preferences for credit union services
Strategic Context: Credit Union System

• Credit Union membership and assets are growing while the total number of credit unions is declining.

- FICU Asset Growth vs. Membership Growth

- Consolidation and the growth of large credit unions can result in more system complexity.
Organizational Changes

- **Budget reflects the new agency structure**
  - Three new regional offices will result in closure of the NCUA’s Atlanta, GA and Albany, NY locations and an 80% reduction in leased office space:
    - Eastern – Alexandria, VA, to be physically co-located in NCUA central office
    - Southern – Austin, TX
    - Western – Tempe, AZ
  - Asset Management Assistance Center (AMAC) now part of the Southern region

- **Budget supports modernizing the examinations process**
  - Flexible Examination Program (FLEX)
  - ONES Data-Driven Supervision
  - Shared NCUA-FISCU examinations
  - Enterprise Solutions Modernization
New NCUA Regional Structure

*Southern Region also includes the Asset Management and Assistance Center
The NCUA’s operational efficiency has improved relative to the size of the credit union system.
The 2019 Operating Budget, when adjusted for inflation, decreases 0.2 percent compared to 2018.
## 2019 Operating Budget Summary

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>2018 Board Approved Budget</th>
<th>2019 Draft Budget</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>$298.1</td>
<td>$304.4</td>
<td>$6.3</td>
<td>2.1%</td>
</tr>
<tr>
<td>Positions</td>
<td>1,183</td>
<td>1,173</td>
<td>-10</td>
<td>-0.8%</td>
</tr>
</tbody>
</table>

**2019/20 Budget Presentation**
## 2019 Operating Budget Categories

<table>
<thead>
<tr>
<th>Budget Category ($ millions)</th>
<th>2018 Board Approved Budget</th>
<th>2019 Draft Budget</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Pay</td>
<td>$158.8</td>
<td>$159.7</td>
<td>$0.9</td>
<td>0.5%</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>61.9</td>
<td>63.1</td>
<td>1.3</td>
<td>2.1%</td>
</tr>
<tr>
<td>Total Pay &amp; Benefits</td>
<td>220.7</td>
<td>222.8</td>
<td>2.1</td>
<td>1.0%</td>
</tr>
<tr>
<td>Travel</td>
<td>26.4</td>
<td>26.8</td>
<td>0.3</td>
<td>1.2%</td>
</tr>
<tr>
<td>Rent/Comm./Utilities</td>
<td>8.5</td>
<td>8.0</td>
<td>-0.4</td>
<td>-5.2%</td>
</tr>
<tr>
<td>Administrative</td>
<td>7.5</td>
<td>8.7</td>
<td>1.2</td>
<td>16.0%</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>35.0</td>
<td>38.1</td>
<td>3.1</td>
<td>8.9%</td>
</tr>
<tr>
<td><strong>Total, Operating Budget</strong></td>
<td><strong>$298.1</strong></td>
<td><strong>$304.4</strong></td>
<td><strong>$6.3</strong></td>
<td><strong>2.1%</strong></td>
</tr>
</tbody>
</table>
## Pay and Benefits

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>2018</th>
<th>2019</th>
<th>Change 2018 to 2019</th>
<th>% Change 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>$220.7</td>
<td>$222.8</td>
<td>$2.1</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

- Increases to employee pay are required by law to “maintain comparability with other federal bank regulatory agencies” (Federal Credit Union Act)
  - Collective Bargaining Agreement (CBA) stipulates an agency-wide average merit increase of three percent
  - Locality pay adjustment ranges from zero to three percent, set by the President’s Pay Agent
- General pay increases were discontinued for 2019 CBA
- Personnel benefits include mandatory employer contributions for Social Security, Medicare, retirement, health insurance, and workers compensation
The budget supports 1,178 positions, a decrease of ten from the 2018 authorized level of 1,188.

NCUA Staffing

<table>
<thead>
<tr>
<th>Year</th>
<th>NCUA FTEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,131</td>
</tr>
<tr>
<td>2011</td>
<td>1,227</td>
</tr>
<tr>
<td>2012</td>
<td>1,262</td>
</tr>
<tr>
<td>2013</td>
<td>1,263</td>
</tr>
<tr>
<td>2014</td>
<td>1,263</td>
</tr>
<tr>
<td>2015</td>
<td>1,269</td>
</tr>
<tr>
<td>2016</td>
<td>1,247</td>
</tr>
<tr>
<td>2017</td>
<td>1,230</td>
</tr>
<tr>
<td>2018</td>
<td>1,188</td>
</tr>
<tr>
<td>2019</td>
<td>1,178</td>
</tr>
<tr>
<td>2020</td>
<td>1,178</td>
</tr>
<tr>
<td>($ millions)</td>
<td>2018</td>
</tr>
<tr>
<td>------------</td>
<td>------</td>
</tr>
<tr>
<td>Budget</td>
<td>$26.4</td>
</tr>
</tbody>
</table>

- Credit Union examiners make up two-thirds of the NCUA workforce and travel to perform work and to attend training.
- Extended exam cycles and increased use of offsite examinations help contain travel costs.
- Government per diem rates set by GSA increase nearly eight percent in 2019.
- Expansion of offsite exam work and more virtual training will help contain travel costs in the future.
Rent, Communications and Utilities

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>2018</th>
<th>2019</th>
<th>Change 2018 to 2019</th>
<th>% Change 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>$ 8.5</td>
<td>$ 8.0</td>
<td>- $ 0.4</td>
<td>- 5.2%</td>
</tr>
</tbody>
</table>

- Costs for the NCUA’s infrastructure and business operations. Major cost categories include:
  - Telecommunications (phone, networks, internet)
  - Office utilities and postage
  - Space rental for Western Regional office in Tempe, AZ
**Administrative Services**

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>2018</th>
<th>2019</th>
<th>Change 2018 to 2019</th>
<th>% Change 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>$ 7.5</td>
<td>$ 8.7</td>
<td>$ 1.2</td>
<td>16.0%</td>
</tr>
</tbody>
</table>

- Costs for ongoing operations such as Federal Financial Institutions Examination Council (FFIEC) fees, employee relocations, recruitment and advertising, shipping, printing, and supplies.
- Increased FFIEC fees and relocation expenses for NCUA employees in 2019.
- General administrative cost savings expected: reductions to recruitment and advertising, printing, supplies, and shipping expenses.
Contracted Services

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>2018</th>
<th>2019</th>
<th>Change 2018 to 2018</th>
<th>% Change 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>$35.0</td>
<td>$38.1</td>
<td>$3.1</td>
<td>8.9%</td>
</tr>
</tbody>
</table>

- Recurring contract support includes:
  - IT support for enterprise architecture, website support, IT service desk, and IT modernization.
  - Ongoing operations and maintenance costs for legacy and new IT systems.
  - Examiner training requirements.
  - Shared service agreements for accounting, human resources, and travel systems.
  - Enterprise Risk Management and financial management support.
  - Building physical security and IT information security program.
Contracted Services

- Information Technology Operations and Maintenance: 47%
- Information Technology Security: 7%
- Accounting, Procurement, Payroll and HR Systems and Services: 11%
- Audit and Financial Management Support: 5%
- Administrative/Other: 14%
- Building Operations, Maintenance and Security: 9%
- Training: 7%
2019 Capital Budget

• Information Technology investments
  – Information Technology Policy Council oversees the recommended IT software development investments.
  – NCUA’s largest development project is MERIT (the Examination and Supervision Solution to replace AIRES), which will be used by both NCUA and state examiners.
  – Assessment of other hardware replacements and upgrades.

• NCUA-owned facility investments
  – Southern regional office capital improvements.
  – Central Office Heating, Ventilation, and Air Conditioning (HVAC) replacement project.

*NCUA is considering accelerating the loan and share analytical advancements from 2020 to 2019 and may move budgeted funds accordingly.
## 2019 Capital Budget

<table>
<thead>
<tr>
<th>Capital Project Summary ($ millions)</th>
<th>2019 Draft Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology software development</td>
<td>$ 17.1</td>
</tr>
<tr>
<td>Other Information Technology investments</td>
<td>$ 4.0</td>
</tr>
<tr>
<td>Capital building improvements and repairs</td>
<td>$ 0.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 22.0</strong></td>
</tr>
</tbody>
</table>

*NCUA is considering accelerating the loan and share analytical advancements from 2020 to 2019 and may move budgeted funds accordingly.*
Share Insurance Fund Administrative Budget

• Direct costs of Share Insurance Fund (SIF) administration and management.

• Supports the NCUA Guarantee Note (NGN) program and the Corporate System Resolution Program.

• Drivers of expected cost changes in 2019:
  ▪ Consulting services to support NGN program
  ▪ Stress testing for large credit unions
  ▪ Lower expected costs in 2019 for state examiner laptop leases and state examiner training

• Technical assumptions for cost growth (e.g., salary and benefits inflation, travel, etc.) identical to the Operating Budget.

• SIF Admin budget is 2.5% of total NCUA Budget Resources.
# Share Insurance Fund Administrative Budget

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>2018</th>
<th>2019</th>
<th>$Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>$8.1</td>
<td>$8.4</td>
<td>$0.3</td>
<td>3.5%</td>
</tr>
<tr>
<td>Positions</td>
<td>5</td>
<td>5</td>
<td>0</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

### Pie Chart
- **SIF Direct Expenses, $4.1** (50%)
- **Contracted Services/Training, $2.9** (35%)
- **Pay/Benefits, Travel, Training, $1.3** (16%)

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2019/20 Budget Presentation
## Share Insurance Fund Administrative Budget

<table>
<thead>
<tr>
<th>Category ($ millions)</th>
<th>2018</th>
<th>2019</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Benefits</td>
<td>$1.3</td>
<td>$1.2</td>
<td>-$0.1</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Travel and Training</td>
<td>0.1</td>
<td>0.1</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>NGN support</td>
<td>2.6</td>
<td>2.9</td>
<td>0.3</td>
<td>12.4%</td>
</tr>
<tr>
<td>SIF Direct Expenses</td>
<td>4.1</td>
<td>4.1</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 8.1</strong></td>
<td><strong>$ 8.4</strong></td>
<td><strong>$ 0.3</strong></td>
<td><strong>3.5%</strong></td>
</tr>
</tbody>
</table>
Financing the NCUA Programs

2019 Distribution of Operating Budget Costs

- **Total FCU Portion**: 70.6%
- **FCU OTR Portion**: 31.0%
- **FISCU OTR Portion**: 29.4%

<table>
<thead>
<tr>
<th>Share of Operating Budget covered by:</th>
<th>FCUs</th>
<th>FISCUs</th>
</tr>
</thead>
<tbody>
<tr>
<td>FCU Operating Fee</td>
<td>39.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>OTR x Percent of Insured Shares</td>
<td>31.0%</td>
<td>29.4%</td>
</tr>
<tr>
<td>(60.4% x 51.3%)</td>
<td></td>
<td>(60.4% x 48.7%)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>70.6%</strong></td>
<td><strong>29.4%</strong></td>
</tr>
</tbody>
</table>
Budget Resources

Key NCUA Budget and Supplementary Materials:
https://www.ncua.gov/About/Pages/budget-strategic-planning/supplementary-materials.aspx

- Budget Proposals and Presentations
- Budget Justifications
- Line Item Budget Detail
- Budget FAQs
- Operating Fees
- Overhead Transfer Rate analyses
- Budget-related Board Action Memoranda

Budget and Strategic Planning

Find current and past publications on NCUA’s performance, strategy, budget planning and diversity efforts.

Strategic Planning
This multi-year plan outlines NCUA’s strategic and performance goals along with critical factors that affect NCUA’s performance.

Budget & Financial
NCUA’s dedicated budget resource center includes annual fund audits, budget summaries, office-by-office budget details, and budget FAQs.

Annual Reports
NCUA’s annual plan identifies performance goals consistent with the agency’s strategic plan and method for measuring performance.

NCUA’s Diversity & Inclusion Strategic Plan
NCUA’s Diversity and Inclusion Strategic Plan highlights the agency’s continued efforts to promote diversity and inclusion.

Operating Fund Financial Highlights
The NCUA Operating Fund is supported by operating fees paid by all federal credit unions. These operating fees fund a wide variety of activities, including market research, policy development, and regulatory oversight.

More...
Office Contact

Please contact my office with questions or comments.

Rendell L. Jones  
Chief Financial Officer  
rljones@ncua.gov  
(703) 518-6570

https://www.ncua.gov/About/Pages/budget-strategic-planning/supplementary-materials.aspx
APPENDIX SLIDES

- Industry Trends
- One-time agency reform costs
- Revolving Funds
- Budget Background
Industry Trends

Membership
Millions of members in the Quarter

Membership Growth
Quarter over Same Quarter a Year Earlier, Percent

Number of Federally Insured Credit Unions in Quarter Shown

Assets
Billions of $, End of Quarter
One-Time Agency Reorganization Costs

• Outside this budget, the NCUA has one-time costs associated with its reorganization. The planned source of the one-time costs is savings from 2017 and 2018 operations.

• One-time costs cover these expenses:
  • Employee separation expenses
  • Employee relocation expenses
  • Facilities alterations
  • Analytical studies
The NCUA: Four Revolving Funds

1. **Operating Fund**
   Per the Federal Credit Union Act, the management of the Administration is vested in the National Credit Union Administration (NCUA) Board. The Board approves the Operating Fund budget to pay the expenses necessary to carry out its responsibilities under the Act.

2. **Share Insurance Fund**
   The National Credit Union Share Insurance Fund is the federal fund created by Congress in 1970 to insure member's deposits in federally insured credit unions.

3. **Central Liquidity Fund**
   The CLF is a mixed ownership government corporation created to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls.

4. **Community Development Revolving Loan Fund**
   (appropriated)
   The Community Development Revolving Loan Fund provides grants and loans to low-income designated credit unions.
The NCUA Budget Background

Calendar Year versus Government Fiscal Year

• The NCUA operates on a calendar year

• Budgets and financial reporting coincide with the calendar year

• The NCUA Operating Fee and Share Insurance Fund 1% deposit assessments are based on previous December 31 year-end balance of credit union assets and insured shares, respectively

Budget submissions to Congress

• NCUA’s calendar year budgets are converted to the federal government’s fiscal year
The NCUA Budget Background

NCUA presentation in the FY 2019 Budget Appendix:

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

On-line document location: