



NCUA
National Credit Union Administration

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2019 Mid-Session Budget Review

July 18, 2019

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Mid-Session Review Process

- Based on year-to-date spending trends, NCUA Offices provide OCFO updated estimates of their annual funding requirements supported by the following 2019 Board-approved budgets:
 - Operating Budget: \$304.4 million and 1,173 FTEs;
 - Capital Budget: \$22.0 million; and,
 - Share Insurance Fund Administrative Budget: \$8.4 million and 5 FTEs.

Operating Budget Pay & Benefits

- Projected 2019 Employee Pay and Benefits costs are estimated to be approximately \$4.2 million lower than budgeted.
 - Although hiring has accelerated in May and June, the NCUA started the year with over 80 vacancies in Regional Offices and the Central Office.
 - Revised Pay and Benefits estimates are based on year-to-date changes to on-board staff levels, which includes both hiring actions and separations. Estimates assume that agency headcount will reach the Board-authorized staffing level for 2019 by the end of the year.
- Of these amounts, approximately \$0.6 million was reprogrammed prior to the July 2019 Board meeting using delegated authorities or by Board notation vote, leaving approximately \$3.6 million available.

Updated Operating Budget Requirements

- Within the Operating Budget, \$2.4 million of the \$3.6 million available is proposed for reprogramming to:

Requirement	Amount	Notes
Employee relocations*	\$1,625,000	Costs have increased due to a higher number of participants and higher costs per relocation.
Legal services	\$600,000	Support is required from outside counsel to develop complex and highly technical regulatory proposals.
AMAC servicing system and Southern Region facility	\$132,000	Support for the legacy AMAC servicing system must be continued while the new system is configured. The NCUA's Austin, TX facility requires additional maintenance.
Contract support and training	\$68,000	Additional contract support and training funds are required.
Total	\$2,425,000	

- The remaining \$1.2 million of the \$3.6 million employee pay savings is proposed for reprogramming to the Capital budget.

*Note: reprogrammings for an additional \$525,000 in 2019 relocation funds were approved prior to the July 2019 Board meeting.

Updated Capital Budget Requirements

- Within the Capital Budget, \$2.7 million is required, of which \$1.2 million is recommended to come from the estimated employee pay savings and \$1.5 million will be reprioritized from other projects.

Requirement	Amount	Notes
CU Online	\$1,300,000	The CU Online system is used to collect Call Reports from Credit Unions.
GENISIS/FOMIA	\$1,044,000	The GENISIS/FOMIA system is used to collect Field of Membership and other Credit Union information.
Examination and Supervision Solution/ MERIT	\$410,000	The MERIT system will replace the AIRES system used for examinations.
Total	\$2,754,000	

Capital Budget Reprioritization

- OCIO reviewed its 2019 priorities and proposes reallocating approximately \$1.5 million away from lower-priority projects and unspent balances from completed projects:

Project	Amount	Notes
Enterprise Learning Management System Replacement	\$550,000	Although the NCUA's Learning Management System does not meet all of the agency's business requirements, it remains stable and functional.
Financial Management System Analysis of Alternatives (AoA)	\$350,000	The NCUA will defer its financial management system AoA and instead implement improvements to existing financial management processes.
Asset and Liabilities Management (ALM) Application	\$345,000	Contracts for development of the ALM were awarded for approximately \$345,000 less than the Board-approved budget.
Agency Web Design and Platform Modernization	\$300,000	Costs for redesign of the NCUA website, which was launched in December 2018, were approximately \$300,000 less than the 2018 Board-approved budget.
Total	\$1,545,000	

Mid-Session Revised Estimates

- The table below summarizes the proposed changes to the Operating and Capital budgets:

2019 Mid-Session Budget Adjustments			
Summary of Proposed Changes (dollars in millions)			
<u>Operating Budget</u>		<u>Capital Budget</u>	
\$4.2	Projected Pay and Benefits savings	\$1.5	Available to reallocate from lower-priority projects/estimated savings
(\$0.6)	Less prior reprogrammings	\$1.2	Proposed for reallocation from Pay and Benefits savings
\$3.6	Available for Mid-Session Operating budget	\$2.7	Available for Mid-Session Capital budget
(\$2.4)	Proposed for updated Operating budget requirements		
(\$1.2)	Proposed for reallocation to Capital Projects	(\$2.7)	Proposed for updated Capital priorities
\$0.0	Remaining Operating budget available balance	\$0.0	Remaining Capital budget available balance

Mid-Session Revised Estimates

2019 MID-SESSION BUDGET SUMMARY (dollars in thousands)

	<u>2019 Board- Approved Budget</u>	<u>Revised 2019 Budget Estimate</u>	<u>\$ Change vs. Budget</u>	<u>% Change vs. Budget</u>
Operating Budget				
Employee Pay & Benefits.....	222,827	218,613	-4,214	-1.9%
Travel.....	26,774	26,567	-207	-0.8%
Rent/Communications/Utilities.....	8,044	8,082	38	0.5%
Administrative.....	8,672	10,769	2,097	24.2%
Contracted Services.....	38,081	39,158	1,077	2.8%
Non-Pay & Benefits.....	81,571	84,576	3,005	3.7%
Total, Operating Budget.....	304,398	303,189	-1,209	-0.4%
Capital Budget.....	22,005	23,214	1,209	5.5%

Share Insurance Fund Admin. Budget

- Within the **Share Insurance Fund Administrative Budget**, OCFO estimates an additional \$162,000 is required for Employee Pay and Benefits costs for the remainder of 2019.
- Spending on program support contracts for the NCUA Guaranteed Notes program is projected to be lower than the 2019 Board-approved budget levels. With Board approval, these funds can be repurposed for the Employee Pay and Benefits requirement.

Mid-Session Revised Estimates

2019 MID-SESSION BUDGET SUMMARY

(dollars in thousands)

<u>SIF Admin. Budget</u>	<u>2019 Board- Approved Budget</u>	<u>Revised 2019 Budget Estimate</u>	<u>\$ Change vs. Budget</u>	<u>% Change vs. Budget</u>
Employee Pay and Benefits.....	1,238,000	1,400,000	162,000	13.1%
Travel.....	52,000	52,000	---	---
Training.....	27,000	27,000	---	---
<u>Support for NCUA Guaranteed Note Program:</u>				
Consulting.....	1,015,000	1,015,000	---	---
Valuation Services.....	1,100,000	938,000	-162,000	-14.7%
Software/Data Subscriptions.....	792,000	792,000	---	---
Total, Support for NGN program.....	2,907,000	2,745,000	-162,000	-5.6%
<u>Share Insurance Fund Direct Expenses:</u>				
State Examination computer leases....	175,000	175,000	---	---
State Examination travel.....	992,000	992,000	---	---
Stress testing for large credit unions..	2,500,000	2,500,000	---	---
Financial Audit Support.....	450,000	450,000	---	---
Bank Charges.....	30,000	30,000	---	---
Total, Direct Expenses.....	4,147,000	4,147,000	---	---
Total, SIF Admin. Budget.....	8,371,000	8,371,000	---	---

Office of External Affairs and Communications

- The NCUA's engagement with Congress, industry stakeholders, and the general public continues to grow.
- To reflect the entirety of responsibilities handled by the NCUA's communications professionals, it is recommended that the Board rename the Office of Public and Congressional Affairs (PACA) to the Office of External Affairs and Communications.
- To fulfill the enhanced role of the Office, it is also recommended that the Board authorize an additional four staff positions.
 - First-year costs for these positions will be absorbed within current Pay and Benefits budgets.
 - Future-year Pay and Benefits costs for these positions is estimated at approximately \$0.9 million, and will be included in future Budget submissions.

Recommended Actions

It is recommended that the NCUA Board approve reprogramming the following amounts:

- \$2.4 million within the Operating Budget from Employee Pay and Benefits to Administrative Expenses and Contracted Services;
- \$1.2 million away from the Operating Budget, Employee Pay and Benefits, to the Capital Budget for high-priority projects;
- \$1.5 million, which includes \$0.3 million from a 2018 capital project, within the Capital Budget from lower-priority projects to higher-priority projects; and,
- \$0.2 million within the Share Insurance Fund Administrative Budget from Contracted Services to Employee Pay and Benefits.

It is also recommended that the NCUA Board rename PACA as the Office of External Affairs and Communications and authorize four new staff positions for it.

Budget Resources

Key NCUA Budget and Supplementary Materials:

<https://www.ncua.gov/about-ncua/budget-strategic-planning/budget-supplementary-materials>

- Board Action Memoranda
- Budget Justifications
- Budget Proposals and Presentations
- Line Item Budget Detail
- Operating Fee Calculations
- Overhead Transfer Rate Calculations



The screenshot shows the NCUA website page for "Budget and Supplementary Materials". The page header includes the NCUA logo, the text "National Credit Union Administration", a search bar, and navigation links for "Español", "Contact Us", and "Site map". The main navigation menu includes "About NCUA", "Regulation & Supervision", "Analysis", "Support Services", "Consumers", and "News". The page title is "NCUA Budget and Supplementary Materials". The main content area contains two paragraphs of text and two lists of links. The first list is titled "2019/2020 Budget Documents" and includes links for "NCUA 2019/2020 Budget Board Action Memorandum", "NCUA 2019/2020 Budget Justification", "NCUA 2019/2020 Line Item Budget", and "NCUA 2019 Overhead Transfer Rate Summary". The second list is titled "2019/2020 Proposed Budget Documents" and includes links for "NCUA 2019/2020 Budget Hearing Video", "NCUA Board Chairman J. Mark McWatters Statement on the NCUA Budget Hearing for the Public and Stakeholders", "NCUA 2019/2020 Budget Presentation", "NCUA 2019/2020 Budget in Brief", and "NCUA 2019/2020 Budget Justification".

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NCUA Budget and Supplementary Materials

The NCUA regulates, charters and supervises all federal credit unions and insures members' deposits in all federally insured credit unions to the limits of federal law. Each year, the NCUA Board considers and approves a budget to support these activities.

The NCUA is committed to providing transparency about the agency's budget. The agency uses zero-based budgeting where every projected expense is justified. Below you will find materials related to previous budgets, including budget summaries, fact sheets, and information on the overhead transfer rate and operating fee. You will also find information describing historical trends related to the agency's budget.

2019/2020 Budget Documents

- [NCUA 2019/2020 Budget Board Action Memorandum](#)
- [NCUA 2019/2020 Budget Justification](#)
- [NCUA 2019/2020 Line Item Budget](#)
- [NCUA 2019 Overhead Transfer Rate Summary](#)

2019/2020 Proposed Budget Documents

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