



NCUA
National Credit Union Administration

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Office of the Chief Financial Officer

Overview of the National Credit Union Administration's Staff Draft Budget 2023–2024

Public Briefing
October 19, 2022

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

Overview: 2023 – 2024 NCUA Resources

2023–2024 NCUA BUDGET* RESOURCES

Budget	2022 Board Approved Budget	2023 Requested Budget	Change (2022–2023)	Change Percent (2022–2023)	2024 Requested Budget	Change (2023–2024)	Change Percent (2023–2024)	2022 Pos**	2023 Pos**	2024 Pos**	Position Change	
											(22–23)	(23–24)
Operating Budget	\$ 320,138,000	\$ 350,817,278	\$ 30,679,278	9.6%	\$ 388,199,518	\$ 37,382,240	10.7%	1,196	1,221	1,243	25	22
Capital Budget	\$ 13,069,000	\$ 11,229,000	\$ (1,840,000)	-14.1%	\$ 11,234,000	\$ 5,000	0.0%	-	-	-	-	-
Share Insurance Fund Admin. Budget	\$ 6,246,000	\$ 4,906,000	\$ (1,340,000)	-21.5%	\$ 4,304,000	\$ (602,000)	-12.3%	-	-	-	-	-
Total	\$ 339,453,000	\$ 366,952,278	\$ 27,499,278	8.1%	\$ 403,737,518	\$ 36,785,240	10.0%	1,196	1,221	1,243	25	22

* Budget information excludes funding for the Central Liquidity Facility (CLF), which has its own budget that will be reviewed and decided upon separately by the CLF Board.

** The 2023–2024 budget reflects NCUA staffing levels as positions in order to simplify the presentation of current and proposed employee levels. Positions include all full-time and part-time positions as well as positions funded for only a portion of the year. In past years, the NCUA reflected budgeted staffing levels as full-time equivalents (FTEs), which is a presentation that accounts for staffing vacancies, part-time schedules, and other variability in employee levels. All position levels exclude positions funded by the CLF.

Overview: 2023 – 2024 NCUA Resources

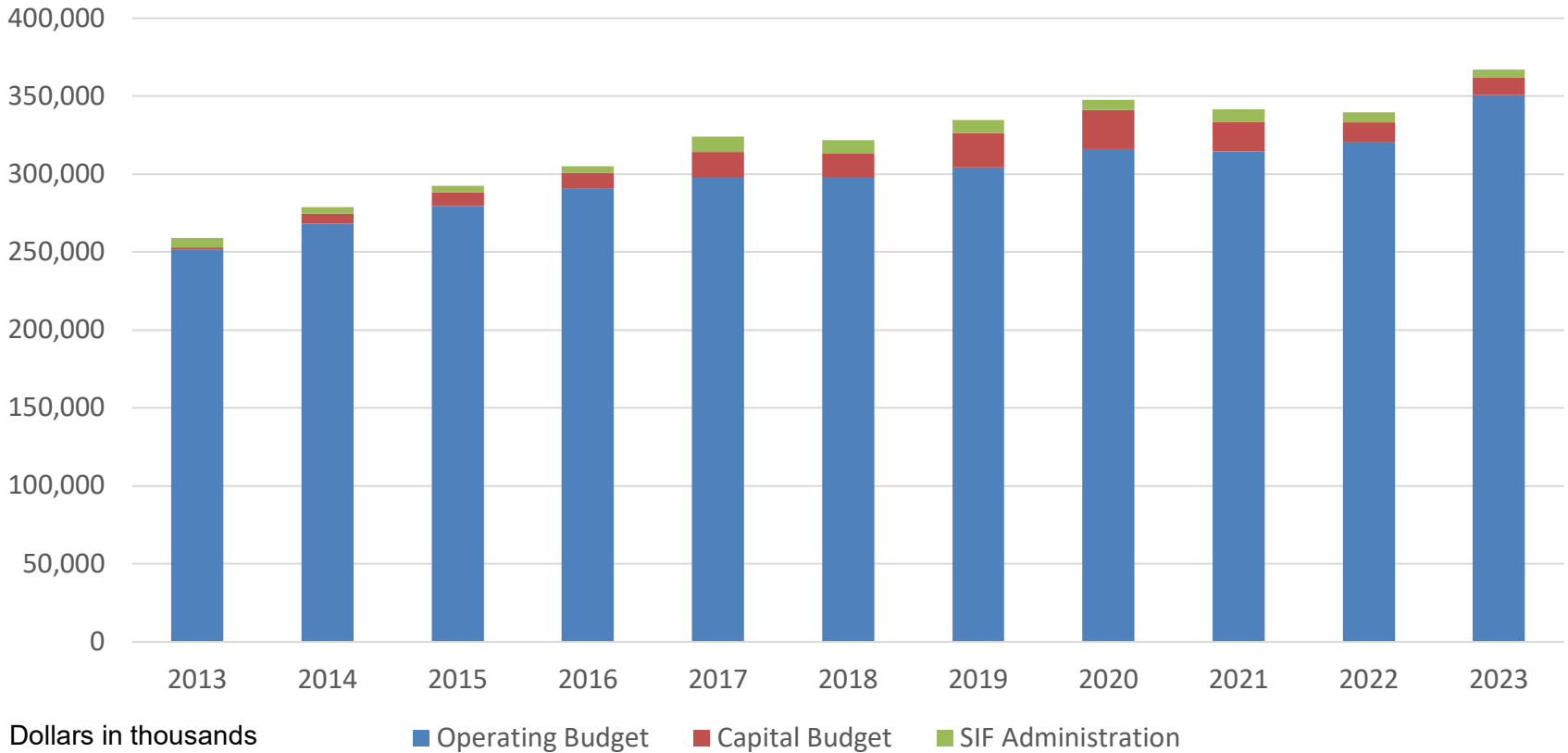
- **The Draft Budget for 2023 totals \$367.0 million.**
 - The combined budgets are 8.1% above the level approved by the Board for 2022, which is lower than the 12.3% increase in the initial 2023 budget approved last year as part of the 2-year budget.
 - In addition, the proposal includes the use in 2023 of unspent prior year balances estimated to be \$18.0 million.

Key Themes of the 2023-2024 Budget

- Specialized examination and analytics staff both in the field and in headquarters dedicated to areas of emerging complexity and risk in the credit union system and to support offsite examination work and use of data analytics through the Virtual Examination project.
- Expanded and ongoing efforts to ensure robust cybersecurity in the credit union system and at the agency.
- Resources for the NCUA's Advancing Communities through Credit, Education, Stability, and Support (ACCESS) initiative, which is focused on improving financial inclusion.
- Resources to provide greater assistance to small credit unions.
- Additional staff for continued enhancements to the NCUA's fair lending program.
- Critical investments in new information technology systems and infrastructure, including enhancements to the agency's data reporting services and Model Examination and Risk Identification Tool (MERIT).

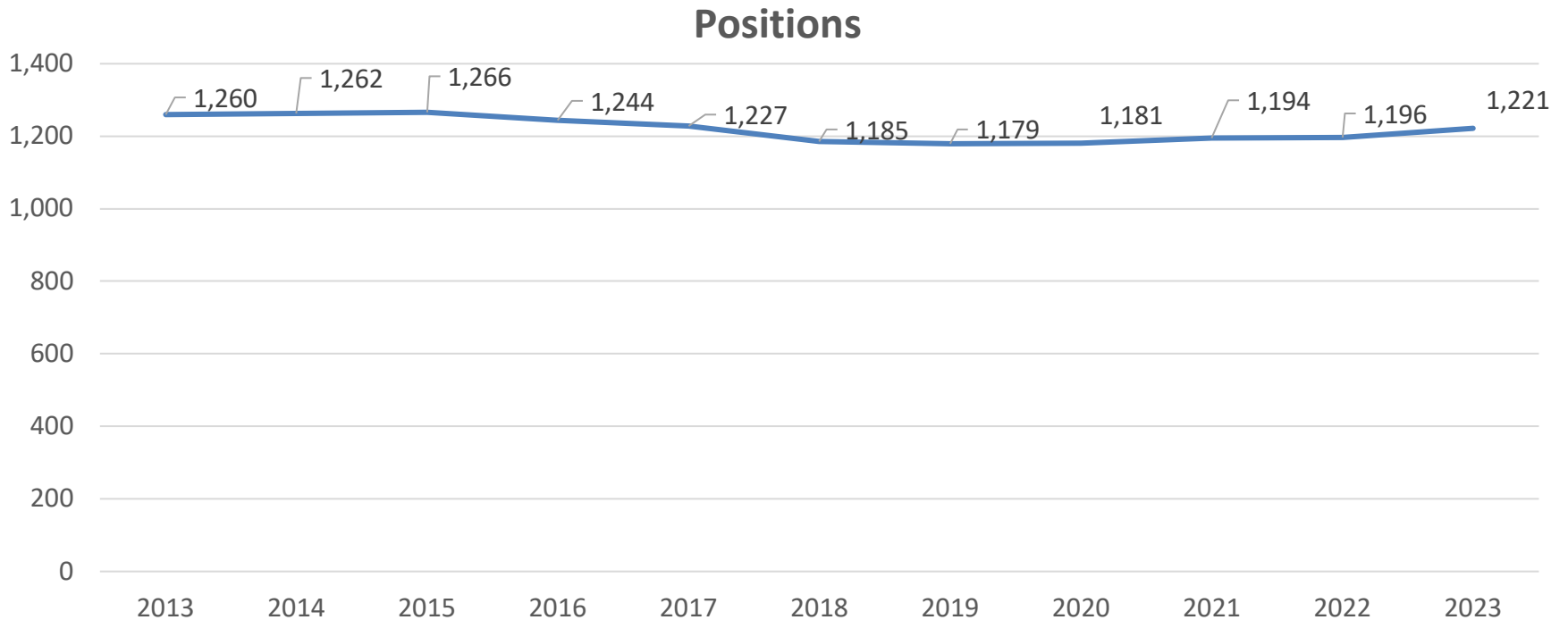
Budget Trends

- Total 2023 proposed budget compared to Board approved levels since 2013.



Budget Trends

- Total 2023 proposed staffing as compared to Board approved levels since 2013.

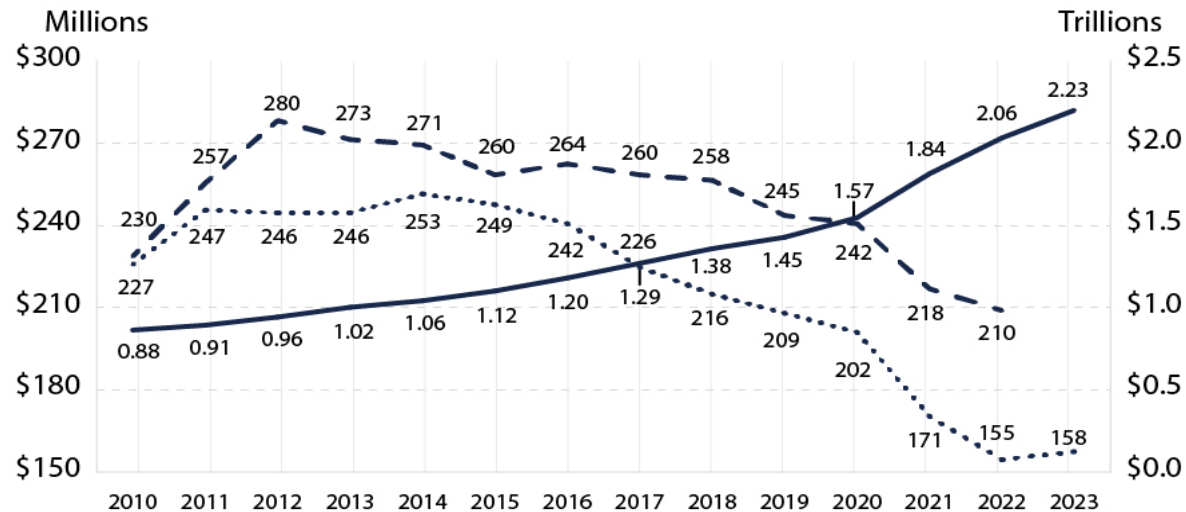


* Excludes positions funded by the Central Liquidity Fund (CLF); in 2023 there are five CLF positions.

Budget Trends

- Compared to credit union system assets, the relative size of the NCUA's Operating Budget has trended downward.

NCUA Budget per Million Dollars of FICU Assets



- - FDIC Operating Budget, OCC Budget Activity, and Federal Reserve Supervision Costs per Million \$ of FDIC Insured Assets (left scale)
- NCUA Budget per Million \$ of FICU Assets (left scale)*
- Credit Union System Assets in \$ Trillions (right scale)

Source: NCUA Annual Budgets, Call Reports, FDIC, OCC, and Federal Reserve financial reports

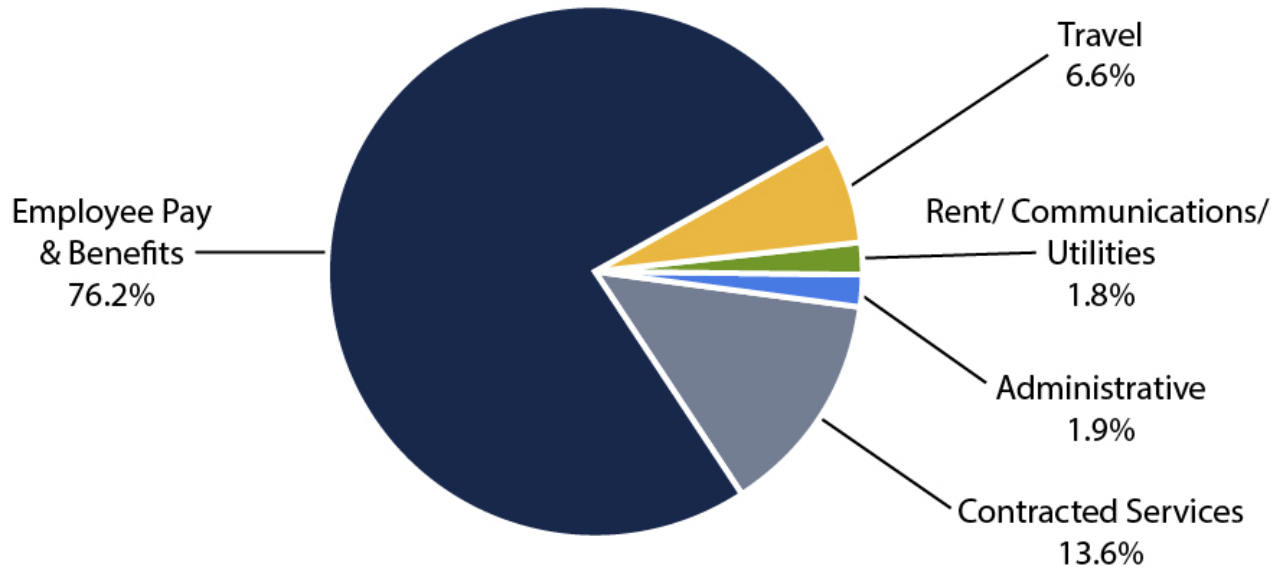
*Budget per million \$ of FICU assets is calculated as the fiscal year's budget divided by the previous year's end-of-year assets (e.g. - FY2023 budget (\$350.8M) / projected FICU assets as of 2022Q4 (\$2.2T) = \$158 of NCUA budget per \$1M in FICU assets).

2023 Operating Budget

(\$ millions)	2022 Board Approved Budget	2023 Requested Budget	\$ Change	% Change
Budget	\$320.1	\$350.8	\$30.7	9.6%
Positions*	1,196	1,221	25	2.1%

* Operating Budget positions do not include five positions funded by the Central Liquidity Fund.

2023 Operating Budget



Key Operating Budget Changes

- **The Operating Budget is proposed to increase \$30.7 million. This change is due to:**
 - \$12.9 million for pay and benefits increases, including the cost of proposed additional staff;
 - \$6.1 million for additional contracted services costs;
 - \$5.0 million for additional travel-related costs;
 - \$5.0 million that results from a decrease in year-over-year carryover funds; and
 - \$1.8 million for other administrative costs.

Key Operating Budget Changes

- **The proposed budget for employee compensation increases by \$12.9 million (5.1%). Employee compensation makes up 76% of the NCUA operating budget.**
 - Merit and locality pay for the current workforce is paid in accordance with the Collective Bargaining Agreement. Employee salaries are estimated to increase by 3.6%.
 - Benefits costs are projected to increase overall by 5.4%. This increase is driven largely by the mandatory retirement contribution paid by NCUA as the employer and contributions for employee health insurance. Both are set by OPM.
 - The 2023 cost impact of proposed additional staff in the budget accounts for \$4.0 million of the compensation increase.

Proposed Staffing Changes

The 25 additional staff would be allocated to the following functions:

- 17 staff for increased specialist & analysts positions in the field program and headquarters programs.
- 2 staff in the Credit Union Resources and Expansion program.
- 2 attorneys for ethics and regulatory programs.
- 2 staff to support creation of Ombudsman Office.
- 2 staff for support in the Offices of the Chief Financial Officer and Minority and Women Inclusion.

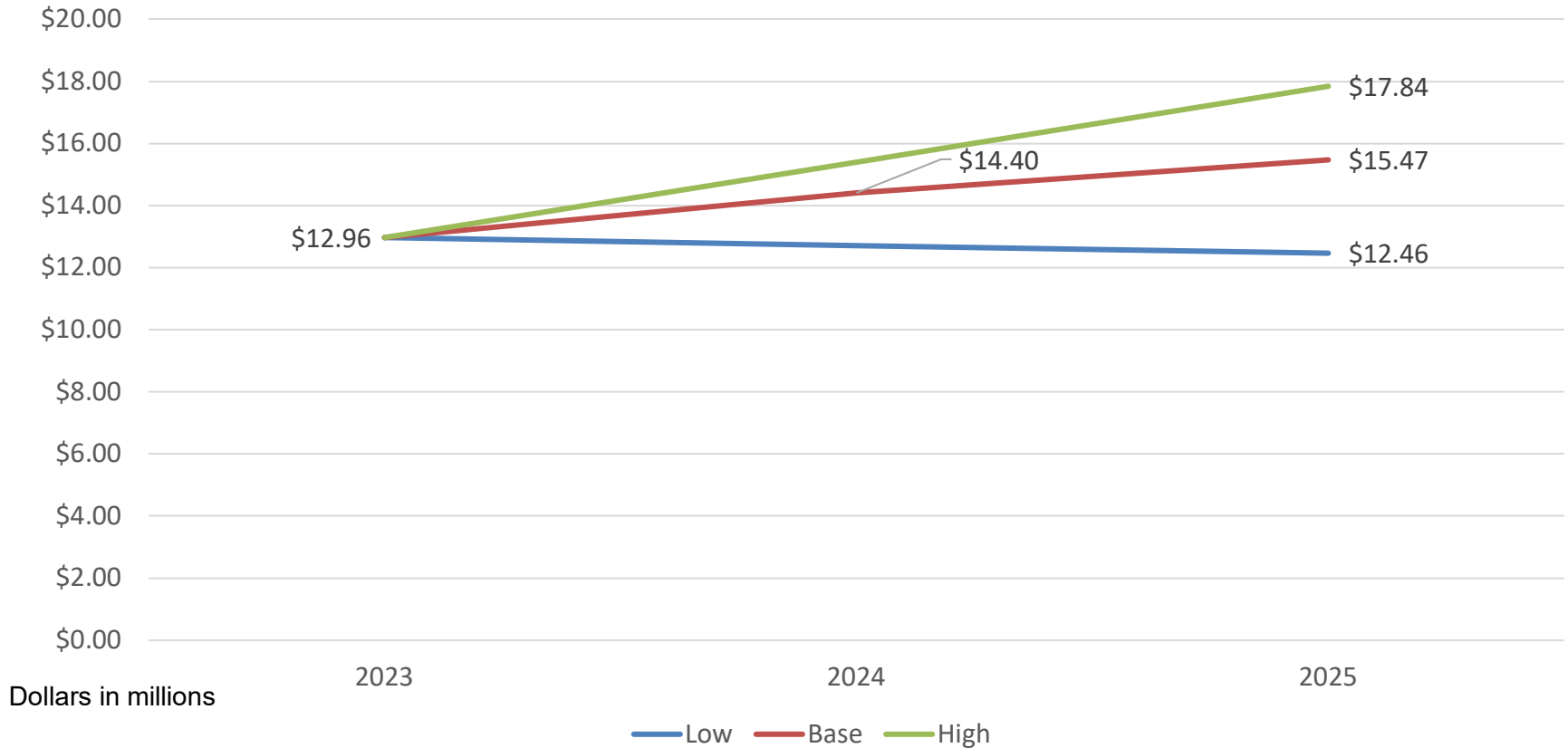
Key Operating Budget Changes

Non-Personnel Budget Categories

- Contracted Services: Increases by a net of \$6.1 million, primarily in support of MERIT system operations and maintenance, staff training and human capital management support, and the virtual exams project.
- Travel: Increases \$5.0 million predominantly due to an increase in travel for credit union examinations and training programs.
- Administration, Rent, Communications & Utilities. Increases \$1.8 million dollars, primarily due to the planned lease of the NCUA office in Austin, Texas, increased regional training and meetings, and increased on-site operations costs.

Range of Estimated MERIT Annual O&M Costs

The chart below summarizes the projected range of estimated O&M costs. These estimates are based on assumptions that involve a high degree of uncertainty, and therefore are subject to change.



2023 Capital Budget

- The capital budget includes \$11.2 million for 12 discrete projects. The largest share supports the Executive Order on Cybersecurity and refreshing IT Infrastructure.

	2023 Requested Budget
Information Technology Investments	
Executive Order on Cybersecurity	3,070,000
Continuous Diagnostics and Mitigation (CDM)	520,000
Information Technology Infrastructure, Platform and Security Refresh	3,139,000
MERIT Enhancements	713,000
Enterprise Systems Modernization (ESM) Data Reporting Services	790,000
Enterprise Data Program	350,000
Consumer Access Process and Reporting Information System (CAPRIS)	400,000
Mobile Device Refresh	959,000
Enhanced Testing Capability	250,000
Independent Verification and Validation (IV&V) Testing Team	466,000
NCUA Website Development	100,000
Capital building improvements and repairs	
Central Office maintenance and repair	472,000
Grand Total, Capital Projects	\$11,229,000

- More detailed descriptions are available in the 2023-2024 Budget Justification.

2023 Share Insurance Fund Administrative Budget

Budget Category (\$ thousands)	2022 Board Approved Budget	2023 Requested Budget	\$ Change	% Change
SIF Direct Expenses				
Travel	\$1,200	\$1,009	-\$191	-15.9%
Administrative	\$50	\$78	\$28	56.0%
Contracted Services	\$3,520	\$3,217	-\$303	-8.6%
Subtotal, Direct Expenses	\$4,770	\$4,304	-\$466	-9.8%
Corporate Resolution Program	\$1,476	\$602	-\$874	-59.2%
Total, Share Insurance Fund Administrative Budget	\$6,246	\$4,906	-\$1,340	-21.5%

Financing the NCUA Programs

2023 Distribution of Operating Budget Costs



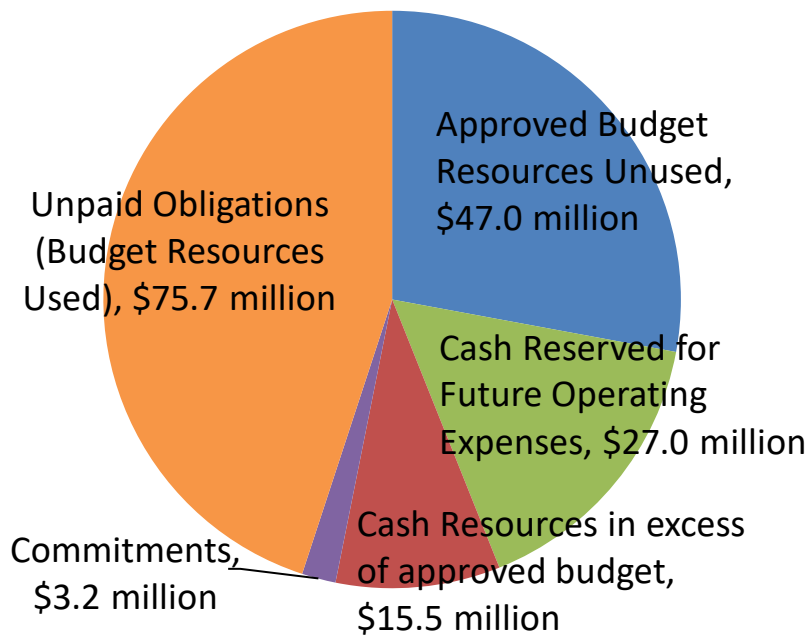
*Note: FISCUs typically pay supervisory fees to their respective State regulator.

Est. Share of the Operating Budget covered by:	FCUs	FISCUs
FCU Operating Fee	37.6%	0.0%
OTR x Percent of Insured Shares	31.2% (62.4% x 49.9%)	31.2% (62.4% x 50.1%)
TOTAL	68.8%	31.2%

OTR is preliminary based on draft budget.

Operating Fee Cash Analysis

Comparison of Current Cash and Cash Equivalents Balance to Status of Available Resources as of August 31, 2022 (\$ in millions)



Fund had \$168.4 million in cash and cash equivalents as of Aug 31, 2022

- \$75.7 million is needed to support contracting and similar agreements made by NCUA, but which have not yet been paid.
- \$47.0 million is for budget approvals made by the Board, but not yet used, such as payroll for the remainder of this year.
- \$3.2 million is for contracting actions in process.
- \$27.0 million is cash reserved for cash flow and future operating expenses needs.
- \$15.5 million is available and unobligated from prior years that are not currently allocated to a Board approved purpose and could potentially be used to offset the 2023 Operating Fee.

2024 Operating Budget Estimate

Budget Category (\$ thousands)	2023 Requested Budget	2024 Estimate	\$ Change	% Change
Employee Pay	\$184,739	\$197,602	\$12,863	7.0%
Employee Benefits	82,523	88,124	5,601	6.8%
Total Compensation	267,262	285,726	18,464	6.9%
Travel	23,032	22,852	-180	-0.8%
Rent/Comm./Utilities	6,291	6,032	-260	-4.1%
Administrative	6,652	6,460	-191	-2.9%
Contracted Services ¹	47,580	67,129	19,550	41.1%
Total, Operating Budget	\$350,817	\$388,200	\$37,382	10.7%

¹ The \$18.0 million surplus applied to 2023 would pay for contracted services. The apparent increase in 2024 reflects the one-time use of the surplus in 2023.

Budget Background

Funds presented in the FY 2023 President's Budget Appendix:

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

Document location:

https://www.whitehouse.gov/wp-content/uploads/2022/03/oia_fy2023.pdf

National Credit Union Administration
Federal Funds

1289

NATIONAL CREDIT UNION ADMINISTRATION

Federal Funds

OPERATING FUND

Program and Financing (in millions of dollars)

Identification code 025-4056-0-3-373	2021 actual	2022 est.	2023 est.
Obligations by program activity:			
0801 Safety, Soundness, and Consumer Protection	200	221	252
0803 Improve Access to Equitable Financial Services	14	14	16
0804 Mission Support	91	94	105
0805 Office of Inspector General	3	4	4
0900 Total new obligations, unexpired accounts	308	333	377
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	151	176	175
Budget authority:			
Spending authority from offsetting collections, mandatory:			
1800 Collected	320	332	365
1801 Change in uncollected payments, Federal sources	13		
1850 Spending auth from offsetting collections, mand (total)	333	332	365
1930 Total budgetary resources available	484	508	540
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	176	175	163