NATIONAL CREDIT UNION ADMINISTRATION

The NCUA Staff Draft 2019–2020 Budget Justification

AGENCY: National Credit Union Administration (NCUA).

ACTION: Notice.

SUMMARY: The NCUA draft detailed business-type budget is being made available for public review as required by federal statute. The proposed resources will support the agency's annual operations and continue implementation of the agency's reorganization plan. The briefing schedule and comment instructions are included in the supplementary information section.

DATES: Requests to deliver a statement at the budget briefing must be received on or before Tuesday, October 9, 2018. Written statements and presentations for those scheduled to appear at the budget briefing must be received on or before Monday, October 15, 2018.

Written comments without public presentation at the budget briefing may be submitted by Friday, October 26, 2018.

ADDRESSES: You may submit comments by any of the following methods *(Please send comments by one method only)*:

- *Presentation at public budget briefing:* Submit requests to deliver a statement at the briefing to *BudgetBriefing@ncua.gov* by Tuesday, October 9, 2018. Include your name, title, affiliation, mailing address, email address, and telephone number. Copies of your presentation must be submitted to the same email address by Monday, October 15, 2018.
- *Written comments:* Submit comments to *BudgetComments@ncua.gov* by Friday, October 26, 2018. Include your name and the following subject line ''Comments on the NCUA Draft 2019–2020 Budget Justification.''

Public Inspection: Copies of the NCUA Draft 2019–2020 Budget Justification and associated materials are also available on the NCUA website at *https://www.ncua.gov/About/Pages/budget-strategic-planning/supplementary-materials.aspx*. Printed copies will be available at the October 17, 2018 budget briefing.

FOR FURTHER INFORMATION CONTACT: Rendell Jones, Chief Financial Officer, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314–3428 or telephone: (703) 518–6571.

SUPPLEMENTARY INFORMATION:

I. The NCUA Budget in Brief
II. Introduction and Strategic Context
III. Forecast and Enterprise Challenges
IV. Key Themes of the 2019–2020 Budget
V. Operating Budget
VI. Capital Budget
VII. Share Insurance Fund Administrative Budget
VIII. Financing the NCUA Budget
IX. Appendix A: Supplemental Budget Information
X: Appendix B: Capital Projects

Section 212 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (Pub. L. 115–174) amended 12 U.S.C. 1789(b)(1)(A) to require the NCUA Board (Board) to ''make publicly available and publish in the **Federal Register** a draft of the detailed business-type budget.'' Although 12 U.S.C. 1789(b)(1)(A) requires publication of a ''business-type budget'' only for the agency operations arising under the Federal Credit Union Act's subchapter on insurance activities, in the interest of transparency the Board is providing the agency's entire staff draft 2019–2020 Budget Justification (budget) in this Notice.

The draft budget details the resources required to support NCUA's mission as outlined in its 2018–2022 Strategic Plan. The draft budget includes personnel and dollar estimates for three major budget components: (1) The Operating Budget; (2) the Capital Budget; and (3) the Share Insurance Fund Administrative Budget. The resources proposed in the draft budget will be used to carry out the agency's annual operations and to continue implementation of the agency's reorganization plan.

The NCUA staff will present its draft budget to the Board at a budget briefing open to the public and scheduled for Wednesday, October 17, 2018 at 10 a.m. Eastern. The budget briefing will be held in the NCUA Board meeting room and run for approximately two hours. A livestream of the briefing also will be available through a link on *ncua.gov*.

If you wish to attend the briefing and deliver a statement, you must email a request to *BudgetBriefing@ncua.gov* by Tuesday, October 9, 2018. Your request must include your name, title, affiliation, mailing address, email address, and telephone number. The NCUA will work to accommodate as many public statements as possible at the October 17, 2018 budget briefing. The Board Secretary will inform you if you have been approved to make a presentation and how much time you will be allotted. A written copy of your presentation must be delivered to the Board Secretary via email at *BudgetBriefing@ncua.gov* by Monday, October 15, 2018.

Written comments on the draft budget will also be accepted by email at *BudgetComments@ncua.gov* until Friday, October 26, 2018. Include your name and the following subject line with your comments: ''Comments on the NCUA Draft 2019–2020 Budget Justification.''

All comments should provide specific, actionable recommendations rather than general remarks. The Board will review and consider any comments from the public prior to approving the budget.

I. 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* (*https://www.ncua.gov/About/Documents/AgendaItems/AG20160721Item2b.pdf*) 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.

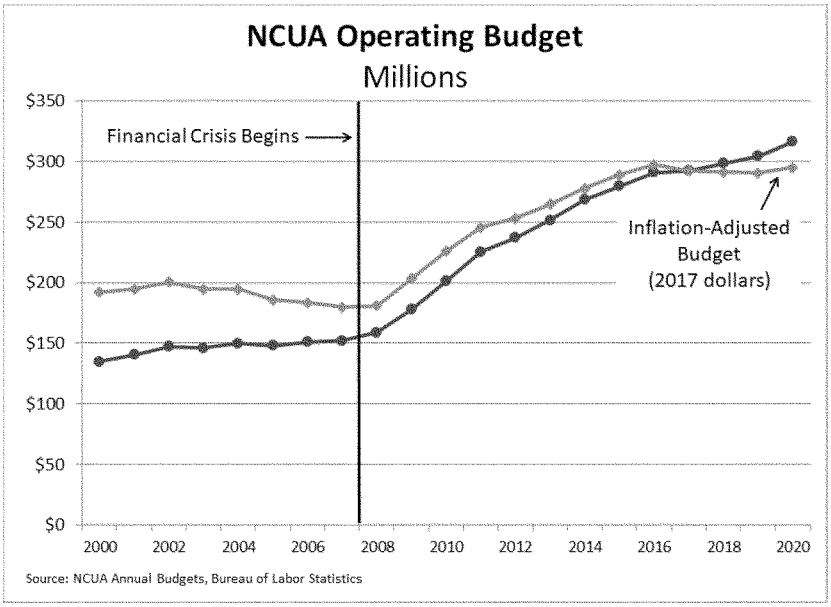
Operating Budget

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.

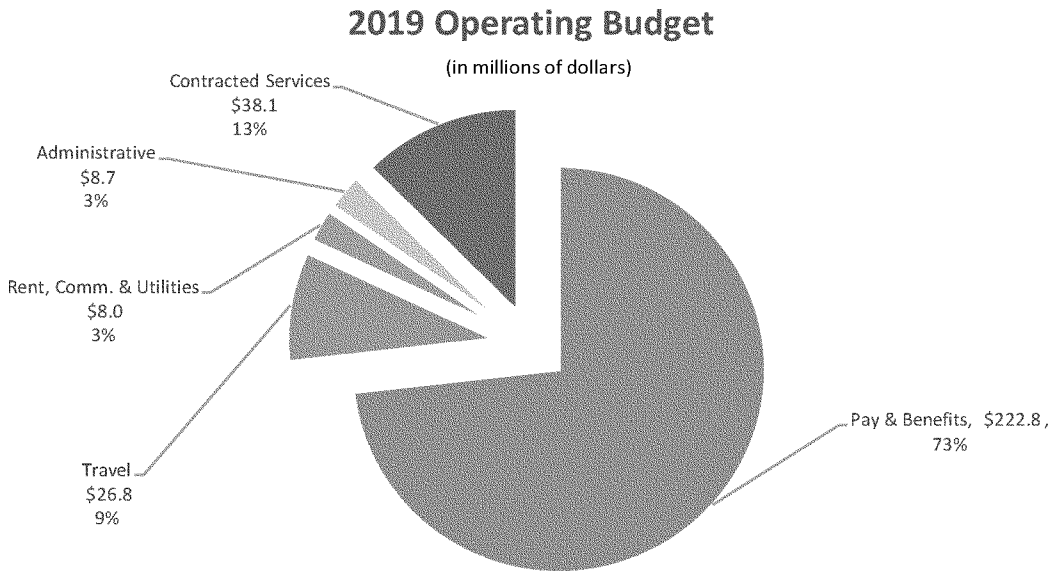
The 2019 Operating Budget, when adjusted for inflation, represents a real dollar decrease of approximately $624,000, or 0.2 percent, compared to the 2018 Board Approved Budget. In nominal dollars, the 2019 Budget increases by $6.3 million, or 2.1 percent, over the 2018 Board Approved Budget of $298.1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

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

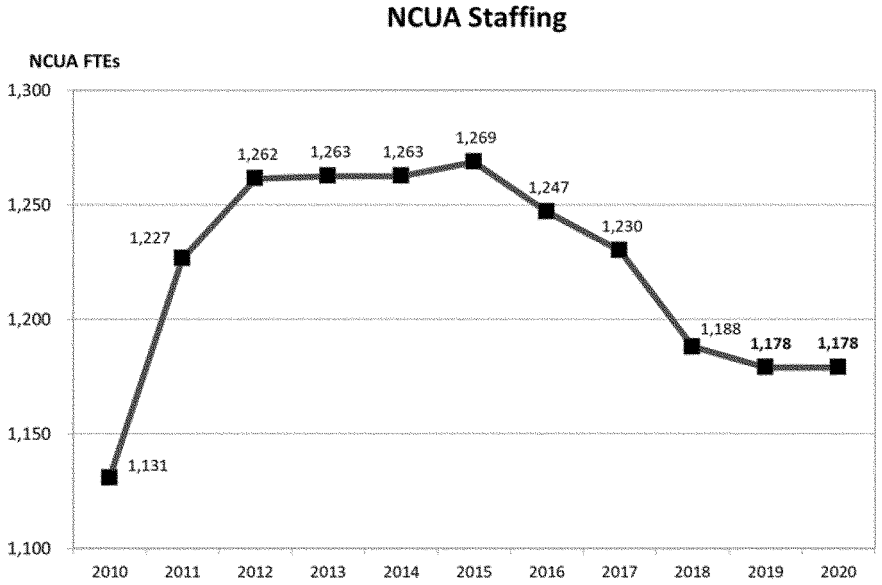
The following chart shows recent year-on-year trends for the NCUA Operating Budget, in both nominal (green line) and real dollar (blue line, inflation-adjusted) terms:



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

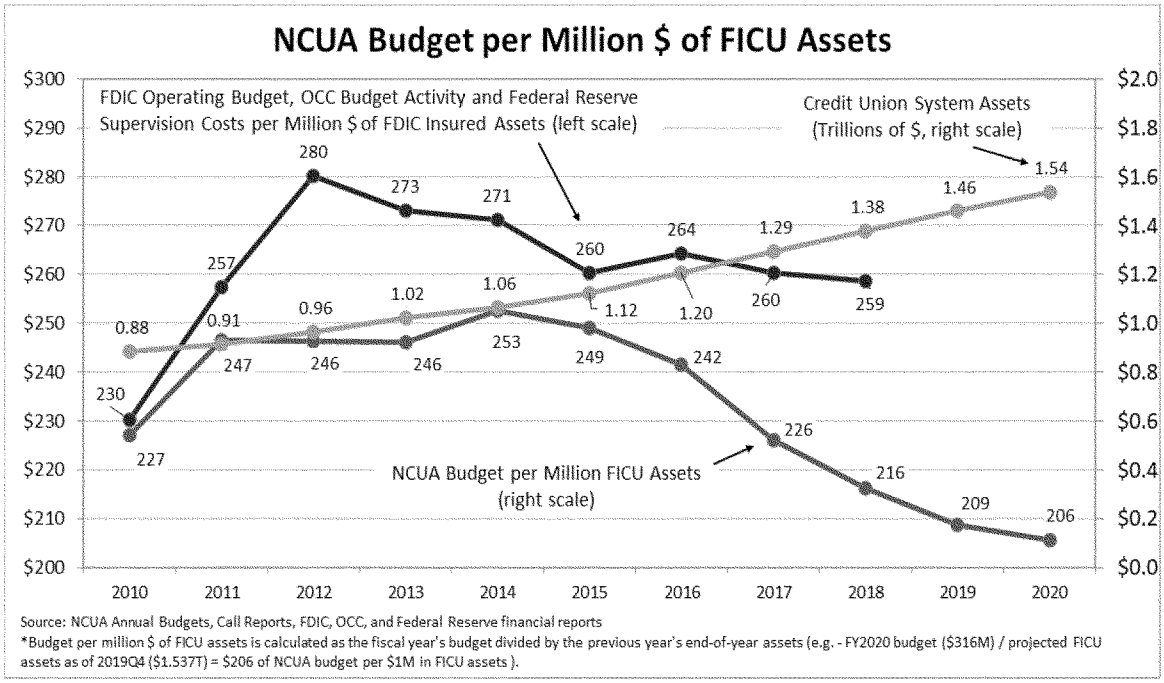
The proposed 2019 Share Insurance Fund Administrative budget is $8.4 million.

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

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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.

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II. Introduction and Strategic Context

History

For more than 100 years, credit unions have provided financial services to their members in the United States. Credit unions are unique depository institutions created not for profit, but to serve their members as credit cooperatives.

The NCUA is the independent federal agency created by the U.S. Congress to regulate, charter, and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, the NCUA operates and manages the National Credit Union Share Insurance Fund (NCUSIF), insuring the deposits of the account holders in all federal credit unions and the vast majority of state-chartered credit unions.

The NCUA, through its predecessors, was created in 1934 with the passage of the Federal Credit Union Act. As the products and services provided to members of credit unions changed over the years, the NCUA's supervision and regulation evolved as well. In 1970, Congress created the NCUSIF to protect deposits by providing the backing of the full faith and credit of the U.S. Government to credit union accounts. No credit union member has ever lost a penny of deposits insured by the NCUSIF.

The NCUA is responsible for the regulation and supervision of 5,480 federally insured credit unions [1] with approximately 114.1 million members [1] and more than $1.4 trillion [1] in assets across all states and U.S. territories.

Authority

Pursuant to the Federal Credit Union Act, authority for management of the NCUA is vested in the NCUA Board (the Board). It is the Board's responsibility to determine the resources necessary to carry out the NCUA's responsibilities under the Act.[2] The Board is authorized to expend such funds and perform such other functions or acts as it deems necessary or appropriate in accordance with the rules, regulations, or policies it establishes.[3]

Upon determination of the budgeted annual expenses for the agency's

[1] Source: The NCUA quarterly call report data, Q2 2018.

[2] *See* 12 U.S.C. 1752a(a).

[3] *See* 12 U.S.C. 1766(i)(2).

operations, the Board determines a fee schedule to assess federal credit unions. The Board gives consideration to the ability of federal credit unions to pay such a fee, and the necessity of the expenses the NCUA will incur in carrying out its responsibilities in connection with federal credit unions.[4] Pursuant to the law, fees collected are deposited in the agency's Operating Fund at the Treasury of the United States, and those fees are expended by the Board to defray the cost of carrying out the agency's operations, including the examination and supervision of federal credit unions.[5] In accordance with its authority to use the NCUSIF to carry out a portion of its responsibilities, the Board approves an annual Overhead Transfer Rate and transfers resources from the Share Insurance Fund to the Operating Fund on a monthly basis to account for insurance-related expenses.[6]

Mission, Goals, and Strategy

The NCUA's 2019–2020 Budget Submission supports the agency's second year implementing its *2018–2022 Strategic Plan* (*https://www.ncua.gov/About/Documents/AgendaItems/AG20160721Item2b.pdf*) to achieve its priorities and improve program performance.

Throughout 2019 and 2020, the NCUA will continue fulfilling its mission to ''*provide, through regulation and supervision, a safe and sound credit union system which promotes confidence in the national system of cooperative credit,*'' and its vision to ensure that the ''*NCUA protects credit unions and consumers who own them through effective supervision, regulation and insurance.*'' This budget commits the resources necessary to implement the NCUA's plans to identify key challenges facing the credit union industry and leverage agency strengths to help credit unions address those challenges.

The budget supports the NCUA's programs, which are focused on achieving the agency's three strategic goals:

- *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.*

Additional information about alignment of the budget to the NCUA's strategic goals is in Appendix A.

In support of its first strategic goal—*ensure a safe and sound credit union system*—the NCUA will continue to supervise federally insured credit unions effectively while insuring a growing and evolving credit union system. As highlighted in the Strategic Plan, the credit union system faces several key risks, including:

- How credit unions respond to a changing economic environment,
- technological changes in how consumers interact with financial institutions, in addition to more general technological advances,
- increasing competition and consolidation within the financial services industry,
- demographic shifts, such as aging credit union membership,
- forecasts that the U.S. population will become more diverse, implying changes in the services needed by credit union members, and
- generational shifts in consumer preferences.

Each risk requires continual monitoring and, where prudent, risk-mitigation strategies to protect the overall credit union system from preventable losses or failures. The NCUA staff of credit union examiners are the agency's most important assets for identifying and addressing risks before they threaten members' deposits. To do their jobs effectively in this complex and dynamic financial environment, the NCUA staff require the advanced skills, training, and tools supported by the budget.

To fulfill the NCUA's second strategic goal—*provide a regulatory framework that is transparent, efficient, and improves customer access*—the agency strives to issue balanced, clear, and straightforward regulations while addressing emerging adverse trends in a timely manner. The NCUA also seeks to improve consumer access and ensure consumer compliance, financial protection, and consumer education. The budget allocates resources to agency programs that keep regulations up to date and consistent with current law, assist existing and prospective credit unions with expansion and new chartering activities, and promote consumer awareness of sound financial practices.

Accomplishing the third strategic goal—*maximize organizational performance to enable mission success*—ensures the NCUA employees achieve the agency's mission by supporting them through efficient and effective business processes, modern and secure technology, and suitable tools and workspaces necessary to perform their duties. The budget makes investments in better process management and internal controls, improved tools and facilities for the NCUA staff, and technological enhancements including new systems that will improve operational effectiveness and efficiency.

Organization, Major Agency Programs, and Workforce

The NCUA employs regional offices to perform all the tasks in the agency's major program areas and support functions, a central office to administer and oversee its programs, and an Asset Management and Assistance Center (AMAC) to liquidate failed credit unions and recover assets.

Effective January 2019, the NCUA plans to consolidate its five regional offices into three—Eastern, Southern, and Western—as part of its on-going effort to strengthen agency operations while increasing efficiency. Reporting to these regional offices, the NCUA has credit union examiners responsible for a portfolio of credit unions covering all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. One-time costs associated with the NCUA reorganization are being funded by reprioritizing unspent balances from 2017 and 2018 budgets. These costs include: Salaries and benefits for current employees whose positions will be eliminated after their separation from the agency, leased office space in Albany, New York and Atlanta, Georgia that will be vacated at the end of 2018, central office renovation costs necessary to consolidate the former Region II office staff into the NCUA-owned central office building, and other miscellaneous one-time relocation, separation, and other contractual payments.

The NCUA organizational chart below reflects the new regional structure, and the map shows the new regions' geographical alignment:

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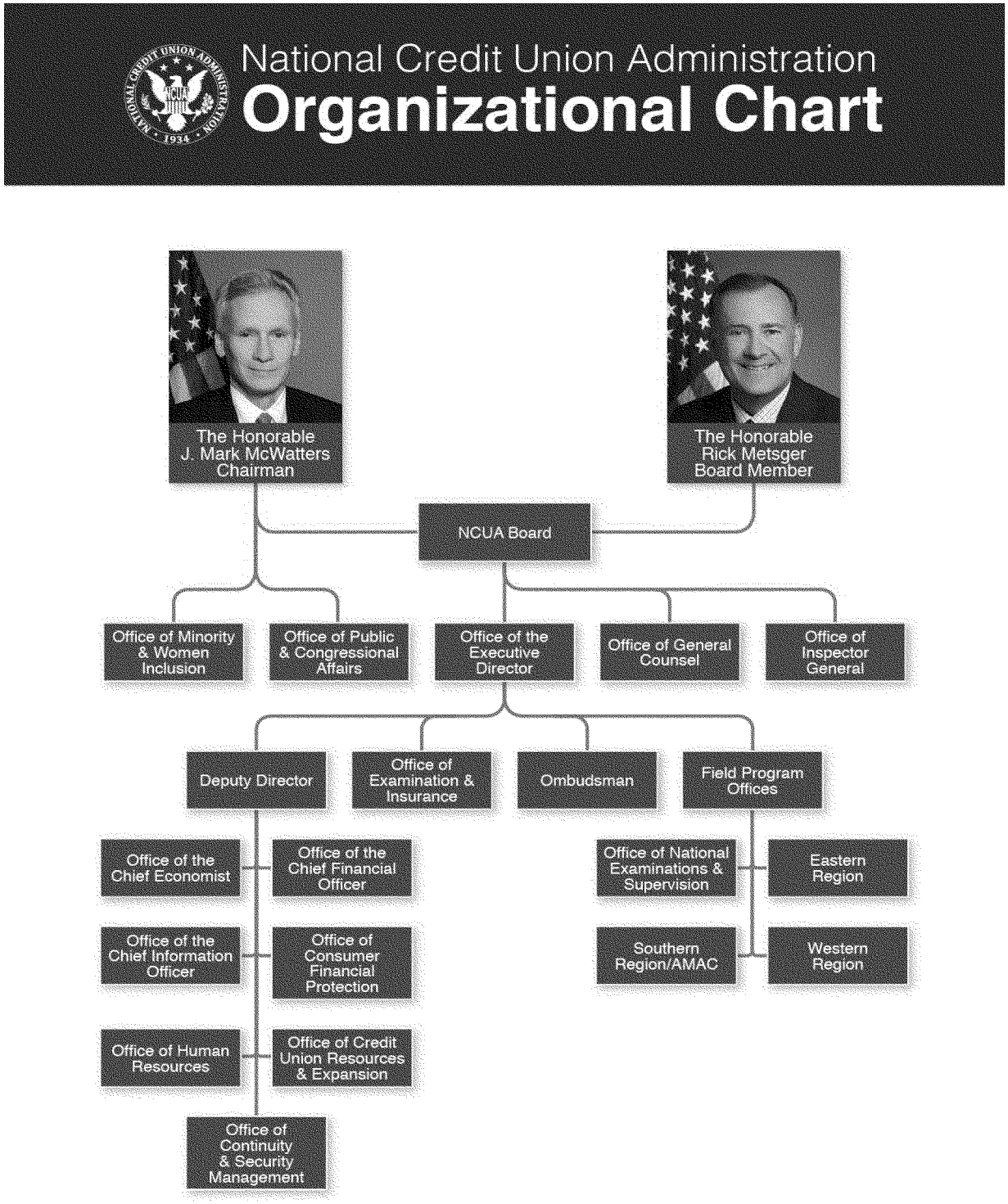
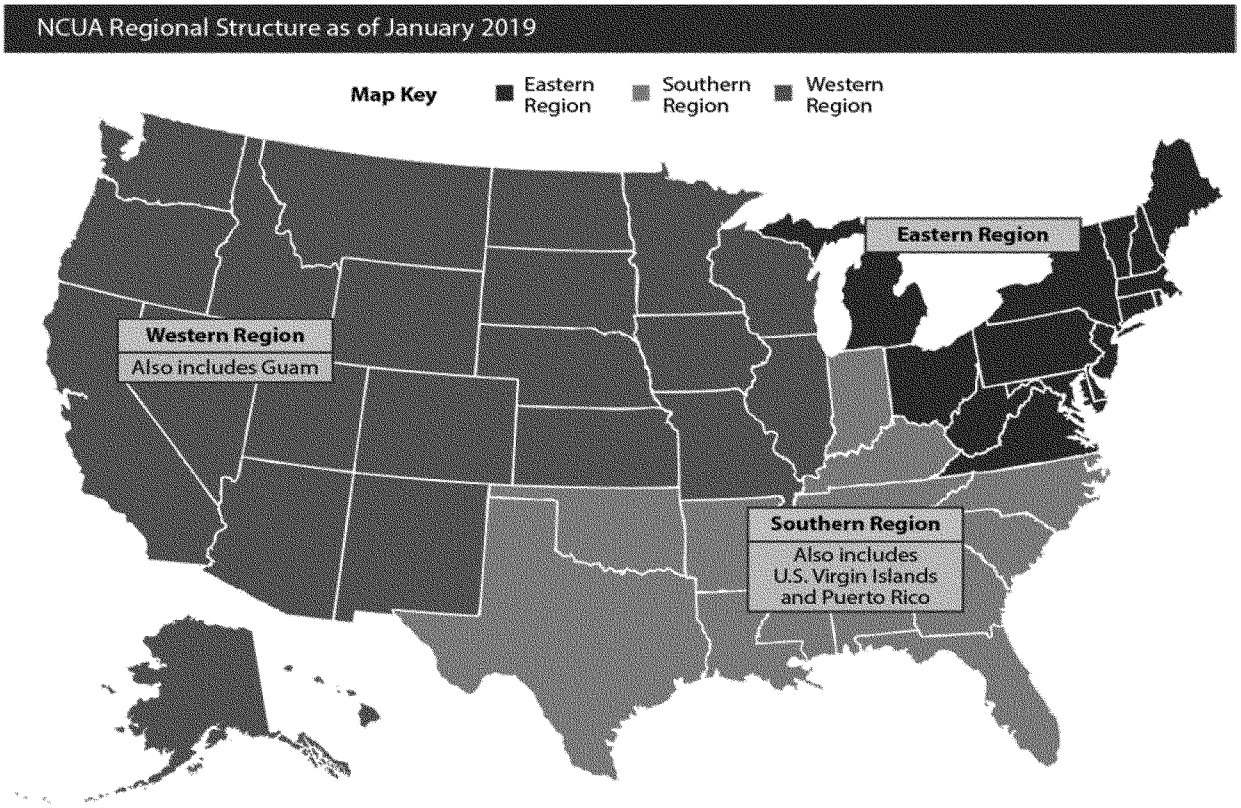
[4] *See* 12 U.S.C. 1755(a)–(b).

[5] *See* 12 U.S.C. 1755(d).

[6] *See* 12 U.S.C. 1783(a).


National Credit Union Administration
Organizational Chart
The Honorable
J. Mark McWatters
Chairman
The Honorable
Rick Metsger
Board Member
NCUA Board
Office of Minority & Women Inclusion
Office of Public & Congressional Affairs
Office of the Executive Director
Office of General Counsel
Office of Inspector General
Deputy Director
Office of Examination & Insurance
Ombudsman
Field Program Offices
Office of the Chief Economist
Office of the Chief Financial Officer
Office of the Chief Information Officer
Office of Consumer Financial Protection
Office of Human Resources
Office of Credit Union Resources & Expansion
Office of Continuity & Security Management
Office of National Examinations & Supervision
Eastern Region
Southern Region/AMAC
Western Region



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The NCUA's new regional office structure will carry out the agency's 2019 examination workload. Based on second quarter statistics from call reports, the number of credit unions, members, and assets shows a rough estimate of the how the workload will be divided among the new regional offices:

• *Eastern Region:* 2,055 credit unions with 30.6 million members and $386 billion in assets.

• *Southern Region:* 1,668 credit unions with 31.2 million members and $340 billion in assets.

• *Western Region:* 1,751 credit unions with 37.4 million members and $504 billion in assets.

In addition, the Office of National Examination and Supervision (ONES) will continue to examine credit unions with assets that total over $10 billion and that are located throughout the United States. Based on 2018 second quarter call report statistics, there are currently six such credit unions with 14.8 million members, accounting for $200 billion in credit union assets.

In 2019 and 2020, the agency's workforce will undertake tasks in all of the NCUA's major programs:

• *Supervision:* The NCUA supervises federally insured credit unions through examinations and regulatory enforcement including providing guidance through various publications, taking administrative actions and conserving, liquidating, or merging severely troubled institutions as necessary to manage risk.

• *Insurance:* The NCUA manages the $16 billion NCUSIF, which provides insurance for deposits up to $250,000 that are held at federally insured credit unions. The fund is capitalized by credit unions and through retained earnings.

• *Credit Union Development:* The NCUA charters new federal credit unions, as well as approves modifications to existing charters and fields of membership. Through training, partnerships and resource assistance, the NCUA fosters credit union development, particularly the expansion of services to eligible members provided by small, minority, newly chartered, and low-income designated credit unions.

• *Consumer Financial Protection:* The NCUA protects consumers' rights through effective enforcement of federal consumer financial protection laws, regulations, and requirements. The NCUA also develops and promotes financial education programs for credit unions to assist members in making smarter financial decisions.

• *Asset Management:* The NCUA conducts credit union liquidations and performs management and recovery of assets through the AMAC. The new Southern Region includes AMAC.

• *Stakeholder Outreach:* In order to clearly understand the needs of the credit union system, the NCUA seeks input from all of its stakeholders, including Congress, State Supervisory Authorities, credit union members, credit unions and their associations.

• *Cross-Agency Collaboration:* The NCUA is involved in numerous cross-agency initiatives by collaborating with the other financial regulatory agencies including through participation in several councils. Significant councils include the Financial Stability Oversight Council (FSOC), the Federal Financial Institutions Examination Council (FFIEC), and the Financial and Banking Information Infrastructure Committee (FBIIC).

Budget Process—Strategy to Budget

The NCUA's budget process starts with a review of the agency's goals and objectives set forth in the Strategic Plan (*https://www.ncua.gov/About/Documents/AgendaItems/AG20160721Item2b.pdf*). The Strategic Plan is a framework that sets the agency's direction and guides resource requests, so that the agency's resources and workforce are allocated and aligned to agency priorities and initiatives.

Each regional and central office director at the NCUA develops an initial budget request identifying the resources for their office to support the NCUA's

mission, strategic goals, and strategic objectives. These budgets are developed to ensure each office's requirements are individually justified and remain consistent with the agency's overall Strategic Plan.

For regional offices, one of the primary inputs in the development process is a comprehensive workload analysis that estimates the amount of time necessary to conduct examinations and to supervise federally insured credit unions in order to carry out the NCUA's dual mission as insurer and regulator. This analysis starts with a field-level review of every federally insured credit union to estimate the number of workload hours needed for the current year. The workload estimates are then refined by regional managers and submitted to the NCUA central office for the annual budget proposal. The workload analysis accounts for the efforts of nearly seventy percent of the NCUA workforce and is the foundation for budget requests from regional offices and the Office of National Examinations and Supervision (ONES).

In addition to the workload analysis, from which central office budget staff derive related personnel and travel cost estimates, each of the NCUA offices submit estimates for fixed and recurring expenses, such as rental payments for leased property, operations and maintenance for owned facilities or equipment, supplies, telecommunications services, major capital investments, and other administrative and contracted services costs.

Because information technology investments impact all offices within the agency, the NCUA has established an Information Technology Prioritization Council (ITPC). The ITPC meets several times each year to consider, analyze, and prioritize major information technology investments to ensure they are aligned with the NCUA's Strategic Plan. These focused reviews result in a mutually agreed-upon budget recommendation to support the NCUA's top short-term and long-term information technology needs and investment priorities.

Once compiled for the entire agency, all office budget submissions undergo thorough reviews by the responsible regional and central office directors, the Chief Financial Officer, and the NCUA executive leadership. Through a series of presentations and briefings by the relevant office executives, the NCUA Executive Director formulates an agency-wide budget recommendation for approval by the Board.

In recent years, the Board has emphasized the need for increased transparency of the NCUA's finances and its budgeting processes. In response, the Office of the Chief Financial Officer has made draft budgets available for public comment via the NCUA's website, and solicited public comments before presenting final budget recommendations for the Board's approval. Furthermore, the Economic Growth, Regulatory Relief, and Consumer Protection Act, Public Law 115–174, enacted May 24, 2018, requires in Section 212 that the NCUA ''make publicly available and publish in the **Federal Register** a draft of the detailed business-type budget.'' To fulfill this requirement, the Board delegated to the Executive Director the authority to publish the draft budget before submitting it for Board review.

This budget justification document includes comparisons to the Board approved budget for 2018—2019. As in the 2018 budget, this document includes a summary description of the major spending items in each budget category to provide transparency and understanding of the use of budgeted resources. Estimates are provided by major budget category, office, and cost element.

The NCUA also posts supporting documentation for its budget request on the NCUA website (*https://www.ncua.gov/About/Pages/budget-strategic-planning/supplementary-materials.aspx*) to assist the public in understanding its budget development process. The budget request for 2019 represents the NCUA's projections of operating and capital costs for the year, and is subject to approval by the Board.

Commitment to Financial Stewardship

The NCUA funds its activities through operating fees levied on all federal credit unions and through reimbursements from the Share Insurance Fund, funded by both federal credit unions and federally insured state-chartered credit unions. The Overhead Transfer Rate (OTR) calculation determines the annual amount that the Share Insurance Fund reimburses the Operating Fund to pay for the NCUA's insurance-related activities. At the end of each calendar year, the NCUA's financial transactions are subject to audit in accordance with Generally Accepted Accounting Principles.[7]

Since nearly all of the revenue to finance the NCUA's programs comes from non-profit credit unions, the Board and the agency are committed to providing sound financial stewardship. In recent years, the NCUA Chief Financial Officer, with support and direction from the Executive Director and Board, has worked to improve the NCUA's financial management, financial reporting, and budget processes. In addition, through prudent management of the Corporate System Resolution Program, in July 2018 the NCUA paid nearly $736 million in dividends to over 5,700 credit unions—an amount larger than the cumulative total of all previous cash distributions made since the agency's Share Insurance Fund was created.

In the 2018 budget, the NCUA revised its financial presentations to conform to Federal budgetary concepts and increase transparency of the agency's planned financial activity. The 2019 budget continues this presentation. The NCUA is the only Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) agency that publishes a detailed, draft budget and solicits public comments on it at a meeting with its Board or other agency leadership.

The NCUA works diligently to strengthen its internal controls for financial transactions, in accordance with sound financial management policies and practices. Based on the results of the NCUA's assessments conducted through the course of 2017, the agency provided an unmodified Statement of Assurance (signed 2/15/2018) that its management had established and maintained effective controls to achieve the objectives of the Federal Managers Financial Integrity Act (FMFIA) and Office of Management and Budget (OMB) Circular A–123. Specifically, the NCUA supports the internal control objectives of reporting, operations, and compliance, as well as its integration with overarching risk management activities. Within the Office of the Chief Financial Officer, the Internal Controls Assessment Team (ICAT) continues to mature the agency-wide internal control program and continues to strengthen the overall system of internal control, further promote the importance of identifying risk, and ensure that the agency has identified appropriate responses to mitigate identified risks, in accordance with the Government Accountability Office (GAO) Standards for Internal Controls in Federal Government (Green Book) requirements.

III. Forecast and Enterprise Challenges

Economic Outlook

The NCUA's mission is to provide, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit.

[7] *See* 12 U.S.C. 1783(b) and 1789(b).

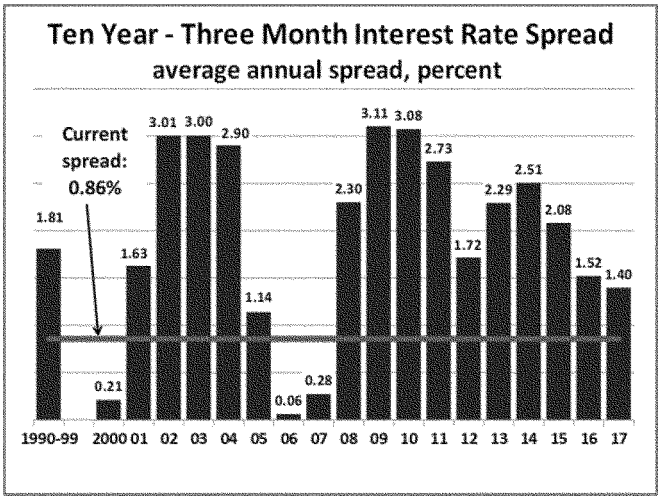
The challenges that the NCUA faces, and the resources the NCUA requires to fulfill its mission, depend on a variety of factors that directly or indirectly affect the health of the credit union system. The NCUA must anticipate, to the extent possible, developments that will affect the system, develop strategies, plans and processes to meet both the current and anticipated needs, and assemble the resources, including staff, necessary to ensure a safe and sound system.

One key determinant of credit union performance is the underlying economic environment in which they must operate. In general, for the past few years, the economy has supported solid financial system performance. The economy performed well in the first half of 2018. Real GDP grew at a relatively strong 3.2 percent annual rate, and the unemployment rate dipped below 4.0 percent—near or below the full-employment rate. Inflation edged higher, moving closer to the Federal Reserve's 2-percent inflation target, and Federal Reserve policymakers raised short-term interest rates. Longer-term rates also increased but a variety of factors have kept them from moving in lock-step with shorter-term rates.

With the support of a solid economic foundation, credit union lending, membership growth, and credit quality remained strong through the second quarter of 2018. Federally insured credit unions added 4.8 million members over the year, boosting credit union membership to 114.1 million in the second quarter of 2018. Credit union shares and deposits rose 5.4 percent over the year to $1.2 trillion. Total loans outstanding at federally insured credit unions increased 9.8 percent to $1.0 trillion, and the system-wide loan delinquency rate fell to 67 basis points, down from 75 basis points a year earlier. The credit union system's return on average assets rose to 90 basis points, and the system's net worth ratio increased to just over 11 percent in the second quarter.

The consensus of forecasters suggests the economic environment will continue to be a solid support to credit union performance over the 2019–2020 budget horizon. Forecasts for the next two years call for somewhat slower economic growth. Employment is projected to continue to rise and the unemployment rate—already below the level associated with full employment—is expected to remain low. Tight labor market conditions are projected to keep inflation near the Federal Reserve's 2.0 percent target. Solid economic conditions should remain a positive force for credit union lending, membership growth, and credit quality over the budget horizon.

However, analysts caution that the tight labor market conditions and higher inflation could be associated with higher interest rates. Federal Reserve policymakers indicate that the federal funds rate could move higher over the next three years to fulfill their dual mandate of maintaining maximum employment and low inflation. Analysts are projecting that short term interest rates—which largely determine interest payments credit unions make—could rise relative to longer term interest rates, which largely determine the interest payments credit unions receive.



In the consensus projected economic environment, credit unions' ability to manage and mitigate interest rate risk will become increasingly important to their success. On the liability side, rising deposit rates, if realized, could force credit unions to adapt more quickly than in the past, since many members have a number of financial institution alternatives and can move funds quickly between institutions.

On the asset side, the low interest rate environment of the past decade has led some credit unions to lengthen the term of investments to boost their portfolio's earnings or to lock in relatively low rates on long-term loans like mortgages. For affected credit unions, higher deposit rates will push up against low loan rates, which would compress net interest margins.

While the overall forecast appears largely supportive of credit unions, forecasts of the economic environment are far from perfect. Some analysts are suggesting the long expansion could end during the NCUA 2019–2020 budget period; a recession would pose significant challenges to the system in terms of rising delinquencies, reduced loan demand, and, potentially, an increase in shares as consumers move funds from riskier investments into safer, insured credit union deposits. The NCUA, like the credit unions themselves, needs to plan and prepare for a range of economic outcomes that could affect credit union performance and determine resource needs.

In addition to risks associated with movements in the general economy, the NCUA and credit unions will need to understand their increasing exposure to, and address risks associated with, the technological and structural changes facing the system. Over the longer-term, increased concentration of loan portfolios, development of alternative loan and deposit products, technology-driven changes in the financial landscape, continued industry

consolidation, and ongoing demographic changes will continue to shape the environment facing credit unions and will determine the resource needs of the NCUA.

Cybersecurity: Credit unions' increasing use of technology is making the credit union system more vulnerable to cyber-attacks. The prevalence of malware, ransomware, distributed denial of service (DDOS) attacks, and other forms of cyber intrusion are creating challenges at credit unions of all sizes, and will require ongoing measures for containment. These trends are likely to continue, and even accelerate, over the next two years.

Lending trends: Increasing concentrations in member business loans and private student loans, in addition to other new types of lending by credit unions, emphasize the need for long-term risk diversification and effective risk management tools and practices, along with expertise to properly manage increasing concentrations of risk.

Financial Landscape and Technology: New financial products that mimic deposit and loan accounts, such as Apple Pay, Walmart pre-paid cards and peer-to-peer lending, are emerging. These new products pose a competitive challenge to credit unions and banks alike. Credit unions also face a range of challenges from financial technology (fintech) companies in the areas of lending and the provision of other services. For example, underwriting and lending may be automated at a cost below levels associated with more traditional financial institutions, but may not be subject to the same regulations and safeguards that credit unions and other traditional financial institutions face. The emergence and increasing importance of digital currencies may pose both risks and opportunities for credit unions. As these institutions and products gain popularity, credit unions may have to be more active in marketing and rethink their business models.

Technological changes outside the financial sector may also lead to changes in consumer behavior that indirectly affect credit unions. For example, the increase in on-demand use of auto services and the potential for pay-as-you-go on-demand vehicle rental, could reduce purchases of consumer-owned vehicles. That could lead to a slowdown or reduction in the demand for vehicle loans, now slightly more than a third of the credit union system loan portfolio.

Membership trends: While overall credit union membership continues to grow strongly, 50 percent of federally insured credit unions had fewer members at the end of the second quarter of 2018 than a year earlier. Demographic and field of membership changes are likely to continue to result in declining membership at many credit unions. All credit unions need to consider whether their product mix is consistent with their members' needs and demographic profile. For example, in some areas, to be effective, credit unions may need to explore how to meet the needs of an aging population or of a growing Hispanic population.

Smaller credit unions' challenges and industry consolidation: Small credit unions face challenges to their long-term viability for a variety of reasons, including weak earnings, declining membership, high loan delinquencies, and elevated non-interest expenses. If current consolidation trends persist, there will be fewer credit unions in operation and those that remain will be considerably larger and more complex. As of June 30, 2018, there were 542 federally insured credit unions with assets of at least $500 million, 28 percent more than just five years earlier. These 542 credit unions accounted for 71 percent of credit union members and 77 percent of credit union assets. Large credit unions tend offer more complex products, services and investments. Increasingly complex institutions will pose management challenges for the institutions themselves, as well as the NCUA; consolidation means the risks posed by individual institutions will become more significant to the Share Insurance Fund.

Enterprise Risk Management

In light of the strategic direction and the challenges and issues described above, the NCUA employs an Enterprise Risk Management (ERM) program. The ERM program is a means by which agency leadership evaluates the various factors (both internal to the agency and external in the industry) that can impact the agency's performance relative to its mission, vision, and performance outcomes. Agency priority risks include both internal consideration such as the agency's internal controls framework, to external factors such as credit union concentration risk. All of these risks can materially impact the agency's ability to achieve its mission.

The NCUA's ERM Council provides oversight of the agency's enterprise risk management activities. Through the ERM program, the agency is identifying and managing risks that could affect the achievement of its mission. The ERM program was established in 2015 to include an enterprise risk appetite statement and risk taxonomy. In 2018, the NCUA identified a number of enterprise risks that helped inform the agency's planning and budget processes, and assigned roles and responsibilities for monitoring risks in several specific activities. Overall, the NCUA's ERM program promotes effective internal controls, which, when combined with robust measurement and communication, are central to cost-effective decision-making and risk optimization within the agency.

In its 2018–2022 iteration of its Strategic Plan, the NCUA adopted its first agency enterprise risk appetite statement, which is:

> The NCUA is vigilant and has an overall judicious risk appetite. The NCUA's primary goal is to ensure the safety and soundness of the credit union system and the agency recognizes it is not desirable or practical to avoid all risk. Acceptance of some risk is often necessary to foster innovation and agility. This risk appetite will guide the NCUA's actions to achieve its strategic objectives in support of providing, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit.

The agency's risk appetite will help align risks with opportunities when making decisions and allocating resources to achieve the agency's strategic goals and objectives. This enterprise risk appetite statement is part of the NCUA's overall management approach and is supported by detailed appetite statements for individual risk areas.

In practice, this means that the NCUA recognizes that risk is unavoidable and sometimes inherent in carrying out the agency's mandate. The NCUA is positioned to accept greater risks in some areas than in others; however, when consolidated, the risk appetite should be within the boundaries established for the entire agency. Cross-collaboration across programs and functions is a fundamental piece of ensuring the agency stays within its risk appetite boundaries. The NCUA will identify, assess, prioritize, respond to and monitor risks to an acceptable level. This budget proposal for 2019/2020 incorporates the NCUA's enterprise risk management program and agency risk appetite in recommending how best to allocate its resources.

IV. Key Themes of the 2019–2020 Budget

Overview

The budget supports the priorities and goals outlined in the agency's annual performance plan and the NCUA Strategic Plan 2018–2022 (*https://www.ncua.gov/About/Documents/*

AgendaItems/AG20160721Item2b.pdf). The resources and new initiatives proposed in the budget support the NCUA's mission to maintain a safe and sound credit union system.

The 2019–2020 budget carries forward a number of key ongoing initiatives, which include: The Exam Flexibility Initiative; the increased use of off-site examinations work and data analytics; the modernization of information technology systems; regulatory reform initiatives; and efforts to implement organizational efficiencies. Over the course of the next five years, these efforts will result in a more effective and efficient organization.

In the 2019–2020 budget, the NCUA continues to reduce its staffing, reflecting greater operational efficiency at the agency. The NCUA employees are the agency's most valuable resource for achieving its mission, and the agency is committed to a workplace and a workforce with integrity, accountability, transparency, inclusivity, and proficiency. As the NCUA continues its efforts to curb expenses and reduce overhead costs, we will continue investing in the workforce through training and development, helping employees develop the tools they need to do their work effectively.

At the same time, managing the size of the workforce is important from a budgetary standpoint, because employment-related costs are the single largest driver of the NCUA budget. As discussed in this document, the NCUA continues to use workload models to estimate the amount of time necessary to conduct examinations and supervise federally insured credit unions. This analysis results in an estimate of the staffing level required to carry out the NCUA's dual mission as insurer and regulator. The NCUA continues to assess and balance its mission workload needs with the financial costs the agency imposes on the credit union system. Although the number of credit unions continues to decline nationwide, the NCUA must also consider the increasing complexity and growing asset base of the entire credit union system.

The efficiency and effectiveness of the agency's workforce is dependent upon the resiliency of the NCUA's information technology infrastructure and availability of technological applications. The NCUA is committed to implementing new technology responsibly and delivering secure, reliable and innovative technological solutions to support its mission. This necessitates investments funded in the Capital Budget, to provide the analytical tools and technology the workforce needs to achieve the NCUA mission.

Reorganization/Restructuring

In July 2017, the NCUA's executive leadership committed to a bold plan that would invest in the agency's future, make critical organizational alignment changes, and reduce overall staffing of the agency. The Board approved a series of operational actions to improve the NCUA's efficiency, effectiveness, and focus on its core mission responsibilities.

The NCUA's reform plan positioned the agency to meet the ongoing changes in the industry it regulates and insures. The U.S. financial sector is subject to continuing advancements and emerging risks, which necessitate changes in the way the NCUA conducts its business. Advancements in the type and quantity of data available also demands a fresh way of thinking about our business model. At the same time, the continuing reality of smaller credit unions merging with larger ones, while existing credit unions grow significantly in size and complexity, requires an even more strategic, nimble and innovative way to carry out our responsibilities as established in the Federal Credit Union Act.

As a result of the NCUA's on-going implementation of its reform plan:

- The NCUA created an office focused exclusively on new charters and credit union expansion—the Credit Union Resources and Expansion (CURE) Office.
- The NCUA is lowering the agency's authorized staffing level from 1,247 positions in the 2016 approved budget, down to 1,178 in the 2019 budget, a reduction of 69 positions, or nearly 6 percent.
- Leased office space is being reduced by 80 percent.
- Examination reports are being improved through implementing enhanced quality measures.
- Two regional offices will close in January 2019.
- AMAC's staffing has been reduced, and support functions are now carried out by the central office.

The agency is on-track to meet the staffing reduction targets and other key outcomes identified in the reform plan. These actions are predicated on the understanding that the industry is consolidating and becoming more complex at the same time. The NCUA continues to examine how to best reshape its workforce to meet future needs, and to look for ways to contain operating costs to create a more efficient organization.

Modernizing the Examinations Process

In August 2018, the NCUA issued Letter to Credit Unions: 18–CU–01– ''Examination Modernization Initiatives.'' This letter outlined five initiatives the NCUA Board approved to modernize the agency's examinations processes. Some of the intended benefits of these initiatives are:

- More efficient examinations and supervision
- Reduced burden on credit unions
- More consistent and accurate supervisory determinations
- Greater ability to adapt to changes in the marketplace and credit union business models
- Enhanced coordination with State Supervisory Authorities
- Reduced travel costs
- Improved quality of life for examiners
- More secure, reliable, and flexible technology foundation able to support future expansion capabilities

These five initiatives are interrelated and complement each other. As these initiatives support and build upon each other, they will ultimately result in a fully modernized examination and supervision program with various incremental improvements occurring along the way. Throughout this budget, the NCUA aligns its resources in support of these improvements. Below is a more in-depth discussion of each of the initiatives:

Flexible Examination Program (FLEX). FLEX is a pilot program in the Southern Region. FLEX is evaluating conducting offsite certain existing exam procedures. The pilot was developed to assess examiners working remotely on elements of examinations of well-run credit unions that have the technology and platforms to provide electronic data securely. This program reflects the NCUA's most immediate solution to the agency's efforts to reduce, but not eliminate, onsite presence during exams.

In 2017, the NCUA tested the pilot with five examiner groups in 28 credit unions located in a variety of geographical locations. The pilot was tested on credit unions as small as $4 million in assets to those as large as $9.4 billion in assets.

Preliminary results from the pilot show cost savings to the NCUA, realized in part by reducing travel time and costs for examiners. In designated FLEX reviews, over 35 percent of the total exam hours were performed offsite. Credit union feedback has also been positive, with the majority of credit unions reporting positive experiences with the modified exam approach.

However, the pilot identified the need for the NCUA to have a secure file transfer portal to support much of this offsite work efficiently. The secure file

transfer portal was fully deployed in July 2018. The agency is currently testing the portal and expects to move forward developing plans to increase agency use of offsite procedures.

ONES Data-Driven Supervision. This initiative began in 2018 as an effort to move to a continuous supervision model for the large, natural-person credit unions supervised by the Office of National Examinations and Supervision. The continuous supervision model will use data-driven analytics to monitor and identify credit union risk while supporting the transition to credit union-driven stress testing. The data-driven supervision initiative may lead to analytical advancements that can be adapted for supervising some or all other insured credit unions.

Shared NCUA-State Regulator Federally-Insured State Credit Unions (FISCU) Program. In 2017, the NCUA created the Joint NCUA-State Supervisor Working Group (working group), which is tasked with improving coordination and scheduling for joint exams, providing scheduling flexibility, and reducing redundancy where possible. The group's goal is to minimize the burden on FISCUs resulting from having a separate financial regulator and insurer.

In addition, the working group is evaluating the efficacy, appropriateness, and feasibility of adopting an alternating-year examination approach for FISCUs. A pilot program is under development and will allow the NCUA, state regulators, and stakeholders to evaluate the benefits and challenges of an alternate-year examination program. The pilot will need to run about three years in order to evaluate one full alternating-year exam cycle, and will provide valuable insight into the advantages and risks of such an approach prior to finalizing a decision about a permanent alternating-year exam cycle.

For joint examinations of FISCUs, the working group is also exploring ways to minimize duplication and overlap through process improvements and greater use of technology. In addition, the working group is evaluating other areas of potential duplication that can be reduced or eliminated, such as loan participations, CUSO and third party vendor reviews, and other supervisory matters. The goal of these reviews is to better leverage the work of each regulatory party in examining and supervising FISCUs.

Enterprise Solution Modernization (ESM). In November 2015, the NCUA Board authorized the ESM program. This effort will replace legacy applications such as the examination system (AIRES) and the Call Report data collection tool (CU Online). ESM will also introduce emerging and secure technology that supports the NCUA's examination, data collection, and reporting efforts. The result will be a flexible technology architecture that integrates modernized systems and tools across the agency. The new systems will streamline processes and procedures helping create a more effective, less burdensome process.

ESM will also provide essential upgrades to the NCUA's technology foundation that supports the FLEX and Virtual Exam efforts with:

- More efficient ways to securely communicate with credit unions.
- Updated tools such as workflow management, data integration, document management, and customer relationship management capabilities.
- A flexible framework that will allow for integration of new solutions so the NCUA's supervisory systems can evolve with changes to regulations, data and analytical needs, and activities credit unions engage in.

The first of a series of technology upgrades from ESM are scheduled to begin in 2019. Throughout the multi-year implementation phase of this initiative, the NCUA will continue to provide updates and engage stakeholders.

Virtual Examination Program. In 2017, the NCUA Board approved the project and associated resources to research methods to conduct offsite as many aspects of the examination and supervision processes as possible. The virtual exam project team is researching ways to harness new and emerging data, advancements in analytical techniques, innovative technology, and improvements in supervisory approaches.

By identifying and adopting alternative methods to remotely analyze much of the financial and operational condition of a credit union, with equivalent or improved effectiveness relative to current examinations, it may be possible to significantly reduce the frequency and scope of onsite examinations. Onsite examination activities could potentially be limited to periodic data quality and governance reviews, interventions for material problems, and meetings or other examination activities that need to be handled in person.

The virtual exam should lead to greater use of standardized interaction protocols, advanced analytical capabilities, and more-informed subject matter experts. This should result in more consistent and accurate supervisory determinations, provide greater clarity and consistency with respect to how the agency conducts supervisory oversight, and reduce coordination challenges between agency and institution staff.

To be successful, it is likely examination staff will need to analyze more information about the credit union being examined and communicate more frequently with management at the credit union. However, it is not the agency's intent to intervene in credit unions' day-to-day operations or strategic planning.

The virtual examination team will deliver to the NCUA board by the end of 2020 a report discussing alternative methods identified to remotely analyze aspects of the financial and operational condition of a credit union. For credit unions that are compatible with this approach, the agency's goal is to transform the examination and supervision program into a predominately virtual one within the next five to ten years. The transformation is expected to occur through incremental adoption of the corresponding new techniques and approaches.

Reducing Regulatory Burden

The NCUA established a Regulatory Reform Task Force (Task Force) in March 2017 to oversee implementation of the agency's regulatory reform agenda. This is consistent with the spirit of Executive Order 13777 and the Trump administration's regulatory reform agenda. Although the NCUA, as an independent agency, is not required to comply with Executive Order 13777, the agency chose to review all of the NCUA's regulations, consistent with the spirit of initiative and the public benefit of periodic regulatory review. The Task Force published and sought comment on its first report in August 2017.

The NCUA has undertaken a series of regulatory changes as part of this effort, and continues to pursue a regulatory reform agenda, including matters such as advertising, field of membership, equity distribution, and securitization. The task force is in the process of preparing its second report, which should be issued in late 2018 or early 2019.

V. Operating Budget

Overview

The NCUA Operating Budget is the annual resource plan for the NCUA to conduct activities prescribed by the Federal Credit Union Act of 1934. These activities include: (1) Chartering new Federal credit unions; (2) approving

field of membership applications of Federal credit unions; (3) promulgating regulations and providing guidance; (4) performing regulatory compliance and safety and soundness examinations; (5) implementing and administering enforcement actions, such as prohibition orders, orders to cease and desist, orders of conservatorship and orders of liquidation; and (6) administering the National Credit Union Share Insurance Fund (NCUSIF or the Share Insurance Fund).

The NCUA funds its activities through operating fees levied on all Federal credit unions and through reimbursements from the Share Insurance Fund, which is funded by both Federal credit unions and federally-insured state-chartered credit unions.

As outlined in the NCUA Letter to Credit Unions 18–CU–01, dated August, 2018, there are several examination modernization initiatives in process to improve how the agency conducts examinations and supervision. The goals of these initiatives are to replace outdated, end-of-life examination systems, streamline processes, adopt enhanced examination techniques, and leverage new technology and data to maintain high quality supervision of insured credit unions with less on site presence. Modernizing agency systems and processes will reduce the burden on the credit union community and increase the effectiveness of the NCUA.

Staffing

The staffing levels proposed for 2019 reflect the resource requirements for steady state operations at the NCUA as it implements the agency reform plan and modernizes the examination process. The estimated resource level will fund the appropriate workload balance that supports extended exam cycles and enhanced examinations. The new positions supported by the budget include a Business Data Lead, two Business Innovation Officers, a Bank Secrecy Act Specialist, a Financial Technology Analyst, two Enforcement and litigation attorneys, and one Regulations and Legislation attorney. There will be a realignment of three regional office vacancies to offset three of the new positions.

In 2019, the agency is also establishing the Office of Business Innovation to lead the Enterprise Solution Modernization (ESM) program, as well as other modernization and business enterprise initiatives outside the scope of ESM. This includes the agency's initiative to modernize the member loan and share download, advance the information security program, and enhance analytics through data management. Previously, the employees assigned to Business Innovation were included in the Office of the Executive Director. By creating the new office structure, the budget will more clearly delineate these expenses and be more transparent to interested parties.

The budget for 2019 supports a total agency staffing level of 1,178 personnel. This is a net decrease of ten positions from the Board-approved level for 2018, or a decrease of 0.8 percent.

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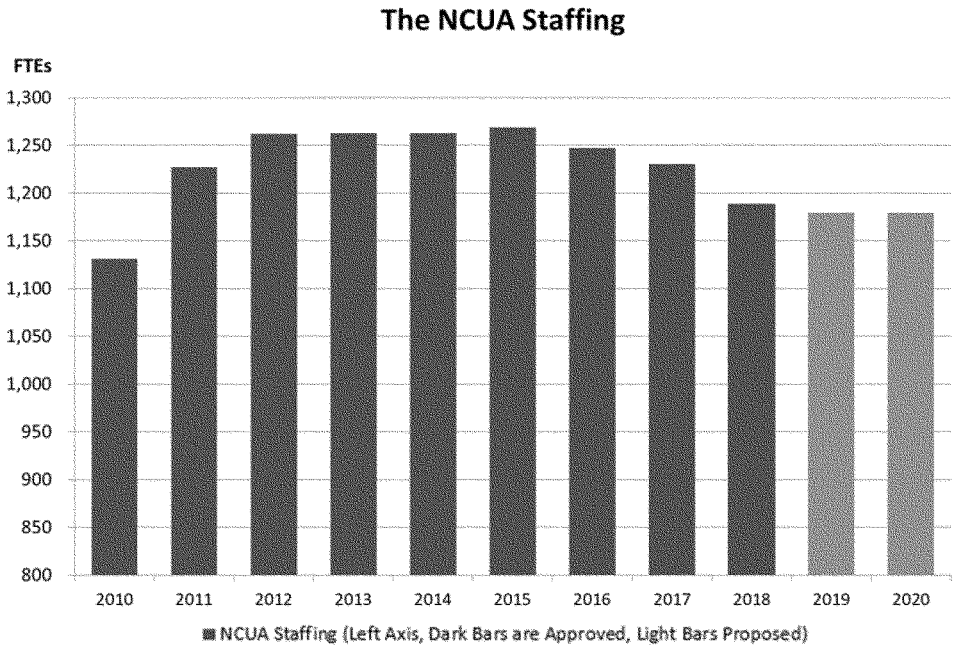

Actual Regional Examiner and Specialist Positions*	2013	2014	2015	2016	2017	2018
Credit Union Examiner	598	548	535	505	469	472
Regional Capital Market Specialist	15	19	23	25	23	24
Regional Information System Officer	6	11	14	18	17	18
Problem Case Officer	38	37	32	31	30	32
Regional Lending Specialist	22	25	31	31	28	30
Director of Special Actions	8	9	9	10	10	10
Supervisory CU Examiner	69	70	68	65	63	50
TOTAL	**756**	**719**	**712**	**685**	**640**	**636**

* 2013 - 2017 actual positions on board as of December 31. 2018 actual on board as of August 31.

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Request for New Staff in 2019

Business Data Lead (1 Position Reallocated From Regional Vacancies)

The Office of Business Innovation requires one full-time position to serve as the Business Data leader who will drive implementation of an agency-wide analytic data strategy and governance framework. This work will include: (1) Chairing an enterprise analytic data council; (2) supervising three enterprise data stewards; (3) working with contract consultants to assist the council and data stewards; (4) piloting the enterprise data strategy and governance framework; (5) initiating the enterprise data office study; and (6) recommending and running a future state for enterprise data management.

Business Innovation Officers (2 Positions Reallocated From Regional Vacancies)

The Office of Business Innovation requires two Business Innovation Officers to conduct the daily work to support development of an agency-wide analytic data strategy and governance framework, including: (1) Creating and executing a data governance framework, (2) defining business requirements to ensure initial proper configuration of the NCUA's analytic data repository, (3) researching data information to update the NCUA's data dictionary and develop data lineage requirements, and (4) working with system owners and other stakeholders to resolve conflicts and facilitate acceptance into the data framework.

Bank Secrecy Act Specialist (+1 New Position)

The Office of Examination and Insurance requires a full-time position to support Bank Secrecy Act (BSA) policies and workload requirements. The BSA has consumed considerable attention within the NCUA and throughout the government's regulatory responsibilities for the financial services industry. Interagency planning and policy development groups have already created significant new workload for the NCUA. This additional workload is expected to continue as the interagency groups develops new supervisory policies, coordinate BSA-related rulemaking, implement industry and supervisory guidance, and conduct industry outreach.

Financial Technology Analyst (+1 New Position)

The Office of the Chief Economist requires one new employee to research new financial technology innovations and organize and lead a working group to review these emerging technologies. This position will also expand the NCUA's policy expertise in cryptocurrencies.

Enforcement and Litigation Attorneys (+2 New Positions)

The Office of General Counsel requires two additional attorneys in the Enforcement and Litigation Division to support the agency and enable attorneys to work more collaboratively as supervisory offices' formal enforcement actions are being considered and planned. These additional employees will help improve the NCUA's overall enforcement process by focusing support and investigatory efforts more strategically and earlier in the enforcement process.

Regulations and Legislation Attorney (+1 New Position)

The Office of General Counsel requires an additional attorney for the Division of Regulations and Legislation. This attorney will focus on the review of legislation, provide technical drafting assistance for legislation when necessary, write responses to Congressional and interagency inquiries, and assist in drafting both oral and written testimony for Congressional hearings. The new attorney will also coordinate legislative efforts with other public and Congressional Affairs staff at the NCUA.

Budget Category Descriptions and Major Changes

There are five major expenditure categories in the NCUA's budget. This section explains how these expenditures support the NCUA's operations, and presents a transparent and comprehensive accounting of the Operating Budget.

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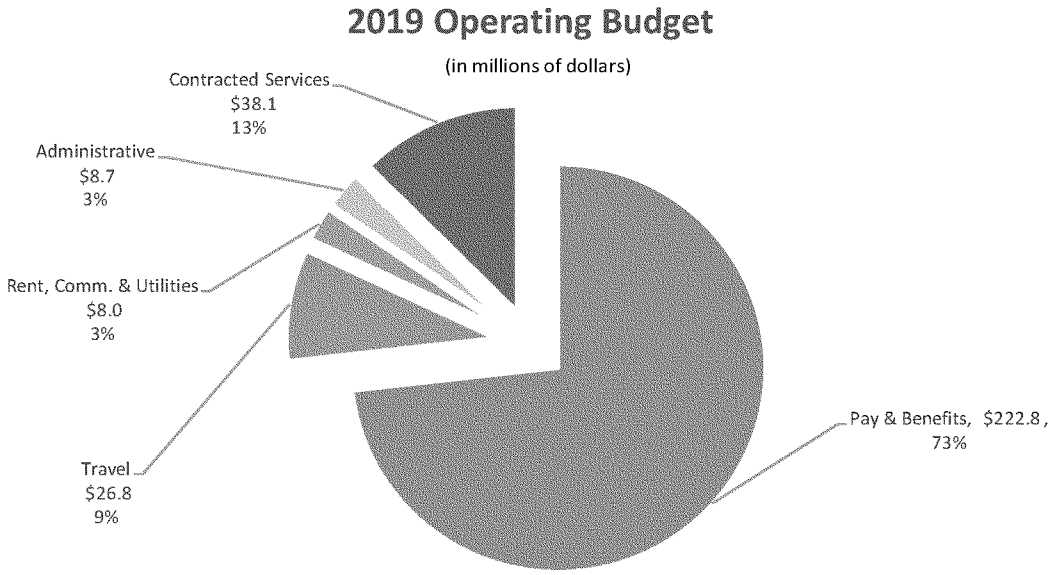
2019 - 2020 NCUA OPERATING BUDGET SUMMARY							
Budget Cost Category	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	2020 Requested Budget	2019-2020 Change	Change Percent
Employee compensation	220,700,000	222,827,000	2,127,000	1.0%	233,593,000	10,766,000	4.8%
Salaries	158,826,000	159,686,000	860,000	0.5%	166,952,000	7,266,000	4.6%
Benefits	61,874,000	63,141,000	1,267,000	2.0%	66,641,000	3,500,000	5.5%
Travel	26,448,000	26,774,000	326,000	1.2%	27,774,000	1,000,000	3.7%
Rent /Comm/Utilities	8,489,000	8,044,000	(445,000)	-5.2%	8,044,000	-	0.0%
Administrative	7,477,000	8,672,000	1,195,000	16.0%	8,672,000	-	0.0%
Contracted Services	34,983,000	38,081,000	3,098,000	8.9%	38,081,000	-	0.0%
Total	**$ 298,097,000**	**$ 304,398,000**	6,301,000	2.1%	**$ 316,164,000**	11,766,000	3.9%



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Salaries and Benefits

The budget includes $222.8 million for employee salaries and benefits in 2019. This change is a $2.1 million, or 1.0 percent, increase from the 2018 Board Approved Budget.

Salaries and benefits make up 73 percent of the total budget. The primary driver of increased costs in the Salaries and Benefits category is merit and locality pay increases for the NCUA's 1,173 personnel paid from the Operating Budget, in accordance with the agency's current Collective Bargaining Agreement (CBA) and its merit-based pay system. In 2019, the NCUA's compensation levels will continue to ''maintain comparability with other federal bank regulatory agencies,'' as required by the Federal Credit Union

Act.[8] The Salaries and Benefits category of the budget includes all employee pay raises for 2019, such as merit and locality increases, and those for promotions, reassignments, and other changes, as described below.

Consistent with other federal pay systems, the NCUA's compensation includes base pay and locality pay components. The NCUA staff will be eligible to receive an average merit-based increase of 3.0 percent, and an additional locality adjustment ranging from zero to 3.0 percent, depending on location. The average increase in locality pay is estimated to be 1.4 percent. Starting in 2019, the NCUA discontinued the annual, general pay scale increase of 1.25 percent in accordance with recent CBA negotiations. By merging the general pay scale increase into the annual merit-based pay increase, the NCUA expects to better reward employee performance while reducing future year payroll growth.

The first-year cost of the new positions added in 2019 is estimated to be $1.0 million, or approximately half the annual salaries and benefits associated with the positions since these new employees will be hired throughout the year. The full-year salaries and benefits costs of these employees will approximately double in 2020. Specific increases to individual offices' pay and benefits budgets will vary based on current pay levels, position changes, and promotions.

Personnel compensation at the NCUA varies among every office and region depending on work experience, skills, years of service, supervisory or non-supervisory responsibilities, and geographic locations. In general, more than 85 percent of the NCUA workforce has earned a bachelor's degree or higher, compared to approximately 35 percent of the private-sector workforce. This high level of educational achievement ensures the NCUA workforce is able to fulfill its mission effectively and efficiently, and attracting a well-qualified workforce requires the agency to pay employees competitive salaries.

Individual employees' compensation varies, depending on the cost of living in the location where the employee is stationed. The federal government sets locality pay standards, which are managed by the President's Pay Agent—a council established to make recommendations on federal pay. The council uses data from the Occupational Employment Statistics program, collected by the Bureau of Labor Statistics, to compare salaries in over 30 metropolitan areas, and establishes recommendations for equitable adjustments to employee salaries to account for cost-of-living differences between localities.

The Office of Personnel Management (OPM) economic assumptions for actuarial valuation of the Federal Employees Retirement System (FERS) remains unchanged in 2019, so all federal agencies are expected to contribute 13.7 percent of FERS employees' salary to the OPM retirement system. This mandatary contribution is expected to increase to 16.0 percent, or +230 basis points, in 2020, consistent with published actuarial updates. This change will result in an estimated $3.5 million in additional, mandatory retirement-related payments by the NCUA to OPM.

The average health insurance costs for the Federal Employees Health Benefits program for 2019 are consistent with historical actual expenses. The employee pay and benefits category also includes costs associated with other mandatory employer contributions such as Social Security, Medicare, transportation subsidies, unemployment, and workers' compensation. Notably, charges from the U.S. Department of Labor (DOL) for the NCUA's workers' compensation claims increased by nearly $250,000 between 2018 and 2019. DOL manages the workers' compensation system for all federal agencies.

The 2019 budget reflects a $4.0 million reduction, or the equivalent of a two percent vacancy rate (21 positions) during the year. This aligns with the NCUA's most recent attrition rates and the recruitment and retention challenges the agency expects to face in the current, high-employment labor market. The effect of this adjustment lowers the NCUA budget and results in reduced fees collected from credit unions.

The 2020 budget request for salaries and benefits is estimated at $233.6 million, a $10.8 million increase from the 2019 level, which accounts for merit and locality increases consistent with the CBA (approximately $6.3 million), the full-year cost impact of new positions (approximately $1 million), and the mandatory FERS retirement contributions to OPM (approximately $3.5 million).

Travel

The 2019 budget includes $26.8 million for Travel. This change is a $326,000, or 1.2 percent, increase to the 2018 Board Approved Budget. Travel comprises approximately nine percent of the overall 2019 budget. The cumulative reduction of the credit union examiner positions compared to past years, extended examination cycles, and increased use of offsite examinations all help contain the NCUA's travel costs. However, the General Services Administration has announced an increase of nearly eight percent for per diem rates in 2019, which drives the growth of estimated travel expenses in 2019.

The Travel cost category includes expenses for employees' airfare, lodging, meals, auto rentals, reimbursements for privately owned vehicle usage, and other travel-related expenses. These are necessary expenses for examiners' onsite work in credit unions. Close to two-thirds of the NCUA's workforce is comprised of field staff who spend a significant part of their year traveling to conduct the examination and supervision program.

The NCUA staff also travel for training, and there will be minor increases to training-related travel expenses to support field exams. For example, technical experts such as payment system, capital market, and lending specialists will assist field examiners with program examinations and training, while consumer access analysts will provide support on field consumer compliance issues and follow-up field assessments of business marketing plans for field-of-membership expansions.

The 2020 budget request for travel is estimated at $27.8 million, a $1 million increase to the 2019 level, which accounts for a national program examination training event. This one-time training conference is anticipated to coincide with full deployment of the new Examination and Supervision Solution system.

The NCUA plans to evaluate future cost avoidance for travel through continued expansion of offsite examination work. In addition, agency personnel will continue to utilize more virtual training options, where appropriate, to help minimize travel expenses.

Rent, Communications, and Utilities

The 2019 budget includes $8.0 million for Rent, Communications, and Utilities. This is a $445,000 reduction, or five percent less than the 2018 Board Approved Budget. The Rent, Communications, and Utilities category is the smallest component of the NCUA's budget and funds the agency's telecommunications and information

[8] The Federal Credit Union Act states that, ''In setting and adjusting the total amount of compensation and benefits for employees of the Board, the Board shall seek to maintain comparability with other [f]ederal bank regulatory agencies.'' *See* 12 U.S.C. 1766(j)(2).

technology network expenses, and facility rental costs. The agency telecommunications expense for 2019 is $3.2 million. Office building leases, meeting rentals, office utilities, and postage expenses are also included in this budget category. Facility costs total $2.6 million for 2019, which is $600,000 less than the prior year budget due to the closure of regional offices in Atlanta, Georgia and Albany, New York. Facility costs also include the NCUA's annual payment of $1.3 million to the Share Insurance Fund for its central office note, which is scheduled to be fully repaid in 2023.

The 2020 budget request for the Rent, Communications, and Utilities category is $8.0 million, and is unchanged from 2019. Additional savings from lease terminations are expected in 2021, once Eastern Region personnel are co-located in the NCUA-owned central office building.

Administrative Expenses

The 2019 budget includes $8.7 million for Administrative Expenses. This is an increase of $1.2 million, or 16 percent, compared to the 2018 Board Approved Budget. Recurring costs in the Administrative Expenses category include the annual reimbursement to the Federal Financial Institutions Examination Council (FFIEC), employee relocation expenses, recruitment and advertising, shipping, printing, subscriptions, examiner training and meeting supplies, office furniture, and employee supplies and materials.

Service contracts, maintenance fees, and end-user licensing for computer software and database management applications will cost $3.8 million in 2019. This includes annual software licenses and maintenance support fees for the call center managed by the Office of Consumer Financial Protection. This line item represents a $435,000 increase over the prior year budget to support purchases of critical financial and information services subscription services to manage risk.

As part of the FFIEC, the NCUA shares in costs for joint actions and services that affect the financial services industry. These costs are largely outside of the NCUA's control and are estimated at $1.4 million in 2019, which is $100,000 more than 2018.

Employee relocation expenses are adjusted in 2019 to reflect the historical average annual expenditures of $750,000. This is a $500,000 increase over the 2018 Board Approved Budget, which was lower than historical averages because of one-time agency reorganization funding set aside for relocations in 2018.

Due to reformed business processes and improved financial controls, costs for printing. Meeting support costs are estimated to be $150,000 less than in 2018.

Contracted Services

The 2019 budget includes $38.1 million for Contracted Services. This is a $3.1 million, or nine percent, increase compared to the 2018 Board Approved Budget.

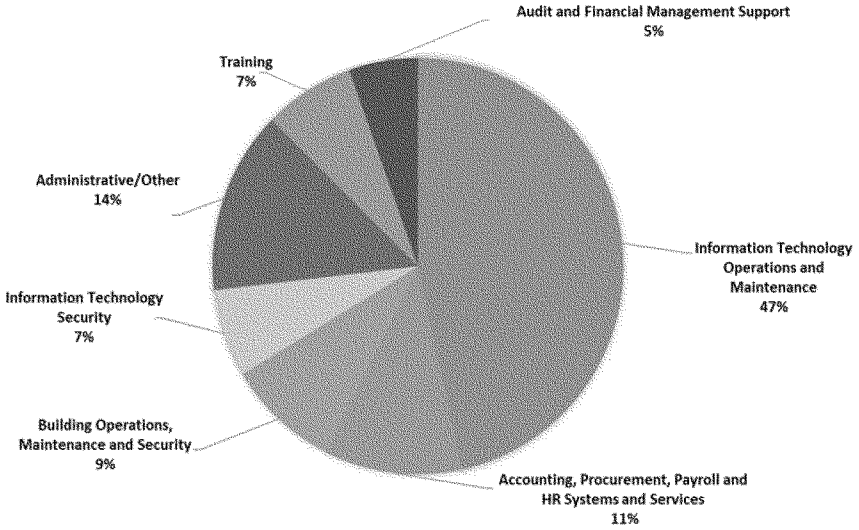
The Contracted Services budget category includes costs incurred when products and services are acquired in the commercial marketplace. Acquiring specific expertise or services from contract providers is often the most cost-effective approach to fulfill the NCUA's mission. Such services include critical mission support such as information technology hardware and software development, accounting and auditing services, and specialized subject matter expertise that enable staff to focus on core mission execution.

The majority of funding in the Contracted Services category is related to the NCUA's priority to implement a robust supervision framework by identifying and resolving traditional risk concerns such as interest rate risk, credit risk, and industry concentration risk, as well as by addressing new and evolving operational risks such as cybersecurity threats. Growth in the contracted services budget category results primarily from new operations and maintenance costs associated with ongoing capital investments, such as replacements for the Automated Integrated Regulatory Examination System (AIRES) and CU Online. Other costs include core agency business operation systems such as for payroll processing, and various recurring costs, as described in the seven major categories, below:

- Information Technology Operations and Maintenance (47 percent of contracted services)
  - —IT network support services and help desk support
  - —Contractor program and web support and network and equipment maintenance services
  - —Administration of software products such as Microsoft Office, Share Point and audio visual services
- Administrative Support and Other Services (14 percent of contracted services)
  - —Examination and Supervision program support
  - —Technical support for examination and cybersecurity training programs
  - —Equipment maintenance services
  - —Legal services and other expert consulting support
  - —Other administrative mission support services for the NCUA central office
- Accounting, Procurement, Payroll and Human Resources Systems (11 percent of contracted services)
  - —Accounting and procurement systems and support
  - —Human resources, payroll, and employee services
  - —Equal employment opportunity and diversity programs
- Building Operations, Maintenance, and Security (9 percent of contracted services)
  - —Central office facility operations and maintenance
  - —Building security and continuity programs
  - —Personnel security and administrative programs
- Information Technology Security (7 percent of contracted services)
  - —Enhanced secure data storage and operations
  - —Information security programs
  - —Security system assessment services
- Training (7 percent of contracted services)
  - —Examiner staff technical and specialized training and development
  - —Senior executive and mission support staff professional development
- Audit and Financial Management Support (5 percent of contracted services)
  - —Annual audit support services
  - —Material loss reviews
  - —Investigation support services
  - —Financial management support services

The following pie chart illustrates the breakout of the seven categories for the total contracted services budget of $38.1 million.

Contracted Services: $38.1 million



Major programs within the contracted services category include:

▪ *Training requirements for the examiner workforce.* The NCUA's most important resource is its highly educated, experienced, and skilled workforce. It is important that staff have the proper knowledge, skills, and abilities to perform assigned duties and meet emerging needs. Each year, Credit Union Examiners attend several levels of training, including in core areas such as capital markets, consumer compliance, and specialized lending. The training deliverables for 2019 include classes offered by the Federal Financial Institutions Examination Council, new examiner classes, and subject matter expert training sessions for the NCUA examiners and state regulators.

Contracted service providers will develop and design several subject matter expert training classes for examiners and conduct a triennial review of several modules of the NCUA's core course curriculum. Additionally, regional and central office staff will conduct change management and teambuilding training exercises to help integrate new operations as a result of the Agency reorganization.

▪ *The NCUA's information security program* supports ongoing efforts to strengthen cybersecurity and ensure compliance with the Federal Information System Management Act.

▪ *Agency financial management services, human resources technology support, and payroll services.* The NCUA contracts for these back-office support services with the U.S. Department of Transportation's Enterprise Service Center (DOT/ESC) and the General Services Administration. A new service provider offers the NCUA's human resource system, HR Links, also adopted by many federal agencies, the shared solution automates routine human resource tasks and improves time and attendance functionality.

▪ *Audit.* The NCUA Office of Inspector General contracts with an accounting firm to conduct the annual audit of the agency's four permanent funds. The results of these audits are posted annually on the NCUA website and also included as part of the agency's Annual Report.

A significant share of the budget for the Contracted Services category finances on-going infrastructure support for the agency. For example, the NCUA relies on recurring contracted services to maintain a number of the agency's systems including critical legacy systems such as AIRES and Credit Union Online. Several of the NCUA's core information technology systems and processes require additional contract support in 2019, which result in increased budgets in the Contracted Services category, as described below.

Within the budget for the Office of Chief Information Officer, an additional $3.2 million is required for various contractor support requirements in 2019, including:

• *Contract Realignment $1.5M.* Costs include transition to new Operations & Maintenance contract, increase in support skill set to cover service gap.

• *New Capabilities & Modernization $1.0M.* Costs include examination solution circuit's maintenance & program rent cost, new security tools implementation, and true-up for service management system licenses.

• *Cost Inflation $0.5M.* Costs include expected inflation for telecommunications, equipment repair and maintenance and contract services.

• *AMAC Support $0.2M.* Costs include establishing on-site information technology support for AMAC.

Within the budget for the Office of Chief Financial Officer, the annual fee paid to the Department of Transportation (DOT) for the NCUA's financial management system will increase by nearly $800,000 over the 2018 level. This is because DOT revised its cost allocation model for all of its financial system customers. In 2018, the NCUA also replaced its legacy human resources and time and attendance systems with a more modern platform called HR Links, which better supports the agency's workforce and personnel requirements. The 2019 cost for HR Links decreased from the 2018 level by $325,000 due to one-time start-up costs that were included in the 2018 Board Approved Budget.

VI. Capital Budget

Overview

The NCUA uses a rigorous process to identify the investment needs for information technology, facility improvements and repairs, and other

multi-year capital investments. The NCUA staff review the agency's inventory of owned facilities, equipment, information technology systems, and information technology hardware to determine what requires repair, major renovation, or replacement. The staff then make recommendations for prioritized investments to the Executive Director and the NCUA Board.

Routine repairs and lifecycle-driven property renovations are necessary to properly maintain the investments in the NCUA's central office building in Alexandria, Virginia and the agency's owned office building in Austin, Texas. The NCUA facility manager assesses the agency's properties to determine the need for essential repairs, replacement of building systems that have reached the end of their engineered lives, or renovations required to support changes in the agency's organizational structure or to address revisions to building standards and codes.

Information technology (IT) systems and hardware are another significant capital expenditure for modern organizations. The 2019 budget includes significant investment in current and replacement IT systems. The NCUA Examination and Supervision Solution (ESS) project, for example, will replace the legacy Automated Integrated Regulatory Examination System (AIRES) system, and is the largest single capital investment in the 2019 budget. Other IT investments include ongoing enhancements and upgrades to decades-old legacy systems, incident and vulnerability management systems to enhance the agency's cybersecurity posture, and various hardware investments to refresh agency networks and ensure staff have the tools necessary to maintain and increase their productivity.

The NCUA's 2019 capital budget is $22.0 million. The capital budget includes long-term investment projects. The Information Technology Prioritization Council recommended $17.1 million for IT software development projects and $4 million in other IT investments for 2019. The NCUA facilities require $0.9 million in capital investments. Detailed descriptions of all 2019 capital projects, including a discussion of how each project helps the agency achieve its strategic goals and objectives, are provided in Appendix C.

Summary of Capital Projects

Examination and Supervision Solution and Infrastructure Hosting (ESS&IH) ($8.4 million). The purpose of the ESS&IH project is to implement a new, flexible, technical foundation to enable current and future NCUA business process modernization initiatives, and replace the NCUA's legacy exam system, AIRES, with a new Commercial-Off-The-Shelf (COTS) solution.

Data Collection Solution (DCS)/ Enterprise Content Management (ECM) Analysis of Alternatives Study ($0.2 million). The purpose of this project is to award and complete an Analysis of Alternatives (AoA) to study the operational effectiveness, suitability, risks and life-cycle costs of alternative ECM solutions to support the NCUA's requirements for data collection, workflow, document management, customer relationship management and records management. An AoA needs to be completed to gather the requirements across these areas and to validate that the ECM solutions are the most effective and efficient way to meet the NCUA's data collection, document management, and records management needs.

Business Intelligence (BI) Tools and Capability Enhancement ($1.9 million). The purpose of this project is the collection, centralization, organization and storage of data collected by the Office of National Examination and Supervision (ONES) so that analysis is more accurate and efficient. This accessibility will integrate with BI tools to improve ONES's overall reporting and data analysis capabilities.

Enterprise Central Data Repository ($1.0 million). The Enterprise Central Data Repository (ECDR) project will implement a central data repository that will serve as the data integration point for Examination and Supervision Solution (ESS), ONES's analytic tools, the NCUA's legacy applications and the Data Collection Solution (DCS). The ECDR will become an enterprise solution for the NCUA allowing the agency to transition in a phased approach from the existing legacy databases to a cloud-based data repository serving the agency's needs.

Asset Management and Assistance Center (AMAC) Servicing System ($0.6 million). The purpose of this project is to enhance AMAC's legacy content management and servicing systems. Phase I of the project resulted in an enhanced, secure content management solution. During Phase II of the project, the NCUA will identify, acquire, and implement replacement solutions for AMAC's aging core data processor. The key project deliverables are the acquisition and deployment of a replacement core processing system.

Enterprise Data Analytics, Governance and Reporting Services ($0.6 million). The purpose of this project is the centralization, organization and storage of the NCUA data so analysis is more accurate, simple and easily distributed across the agency. This increased accessibility is combined with analytic tools to improve the NCUA's overall reporting and data analysis capabilities.

Asset and Liabilities Management Application ($3.2 million). The purpose of the Asset and Liabilities Management (ALM) application is for the NCUA to build internal analytical capabilities to run supervisory stress testing in house and to conduct regular quantitative risk assessments by procuring and configuring off-the-shelf analytical tools, models and software used commonly in stress testing and other risk management activities.

This effort delivers a complete solution that will focus on modernizing the NCUA's supervision tools and approaches, identifying material risks facing the covered credit unions, and tailoring resources to the material risks and risk focused exams. This effort will allow the NCUA to reduce the existing third party contractor's role to only consultation.

Enterprise Learning Management System Replacement ($0.6 million). The purpose of the Enterprise Learning Management System (LMS) Replacement project is to conduct market research, initiate an acquisition, create a project management plan, and execute the production and implementation of a cost-effective, cloud-based solution and training services that provides the NCUA with the full-range of eLearning functionality associated with a modern LMS. This will allow for enhanced examiner utilization and accessibility driven by quality content, ease of use and system reliability, role-based interface, ability to view personalized pages by role, centralized content, adherence to federally-mandated reporting requirements and records management adherence.

Governance, Risk Management, and Compliance (GRC) tool for Managing Compliance Information ($0.3 million). The purpose of the GRC Tool for Managing Compliance Information project is to acquire and implement a software platform that provides a structured repository for all system security and privacy documentation; security risk assessments; risk scoring; Plan of Actions and Milestones (POAM) management; and authorization workflow.

Financial Management Analysis of Alternatives ($0.35 million). The purpose of this project is to award and complete an Analysis of Alternatives

(AoA) for federal financial management system service providers. The NCUA's current financial management system service provider—the Department of Transportation's Enterprise Service Center (ESC)—will increase the fee it charges the NCUA in 2019 by approximately $800,000, or 40 percent more than the 2018 charge. As a result, the NCUA plans to review alternative service providers to determine whether it is possible to achieve similar or better financial management results in a cost-effective manner.

Enterprise Laptop Lease ($0.8 million). The purpose of the Enterprise Laptop Refresh project is to provide the NCUA with a more efficient, mobile friendly, and secure tool to help employees better perform their jobs at a reasonable cost.

Information Technology Infrastructure, Platform and Security Refresh ($2.4 million). The purpose of the Information Technology (IT) Infrastructure, Platform and Security Refresh project is to refresh and/or replace routers, switches virtual servers, wireless, virtual private network, end of life and end of service components in order to ensure that the NCUA data is secure and operations are stable.

Security Management Tool Upgrades ($0.7 million). The purpose of the Security Management Tool Upgrades (Security Event and Incident Management (SEIM)) project is to optimize event collection, monitoring, detection and response capabilities for information security and IT operations, which will enable data-driven proactive management of the agency's cybersecurity programs.

The purpose of the Security Management Tool Upgrade (Patch & Vulnerability Management) project is to comply with the Department of Homeland Security's requirements for its Continuous Diagnostics and Mitigation (CDM) program, which sets standards for effective IT cybersecurity service management for Federal agencies.

Refresh End of Life VOIP Phone System ($0.2 million). The purpose of the Refresh End of Life Voice over internet Protocol (VoIP) Phone System project is to replace the agency's phone system infrastructure and endpoints, which is at end of its service life. The new system will ensure voice communications capabilities via a cloud solution that provides business continuity and stable operations.

The NCUA Central Office Heating, Ventilation, and Air Conditioning (HVAC) System Replacement ($0.75 million). The NCUA central office HVAC system replacement project will recapitalize the HVAC system in the agency's central office building, including all cooling towers, air handlers, boilers and HVAC components. The current HVAC system is original to the facility, 24 years old and obsolete. The current system is at the end of its usable life and it is not working efficiently.

The NCUA Austin, Texas Office Building Modernization ($0.15 million). In 2019, the NCUA plans to repair or replace several priority projects at the Austin, Texas office building. These capital improvements are required for the facility to continue routine and safe operations, and align with the life cycle replacement required for critical infrastructure.

VII. Share Insurance Fund Administrative Budget

Overview

The Share Insurance Fund Administrative budget funds direct costs associated with authorized Share Insurance Fund activities. As in 2018, the 2019 budget has been developed to reflect the closure of the Temporary Corporate Credit Union Stabilization Fund into the Share Insurance Fund. The direct charges to the Share Insurance Fund are combined with the NGN program and administrative costs, and represent total estimated costs to the Share Insurance Fund.[9]

The cost of the NCUA Guaranteed Notes (NGN) program and the Corporate System Resolution Program, including costs associated with the administration of those programs, will be funded from the Share Insurance Fund Administrative Budget. These costs have no impact on the NCUA's current and future Operating Fund budgets. The budget for the Share Insurance Fund also includes funding for expenditures previously authorized as direct expenses of the Share Insurance Fund for items such as state examiner computer leases and training. Other direct expenses include contract support for stress testing for certain large credit unions and financial audit support.

The 2019 total Share Insurance Fund Administrative budget is estimated to be $8.4 million, $0.3 million, or 3.5 percent, more than 2018. The budget increase is primarily driven by increased support required for data-driven analytics on stress testing that large credit unions perform, partially offset by savings in other cost categories. The Share Insurance Fund Administrative budget also funds five positions that were formerly part of the Stabilization Fund budget. These costs will enable the NCUA to continue supporting the NGN program, which includes managing legacy assets within the NGN trusts. Legacy assets consist of over 1,000 investment securities that are secured by residential mortgages and other assets.

The 2020 requested budget supports similar workload and resources; however, one additional stress test would be added and is estimated to cost $750 thousand. The total administrative budget estimate is estimated to be $9.1 million.

Budget Category Descriptions and Major Changes

Salaries and Benefits

The employee pay and benefits expense category for the Share Insurance Fund Administrative budget is estimated to be $1.24 million, which represents a decrease of $22,000 compared to 2018. This decrease is due to aligning the budget to actual payroll costs for staff on board. Personnel compensation is 15 percent of the total budget. The financial analysts on the NGN team have specialized technical expertise to manage the remaining $7 billion of legacy assets. Personnel costs are estimated in a manner similar to the operating budget.

Travel

The estimated travel cost of $52,000 is less than one percent of the overall 2019 budget and decreases by 31 percent from last year's budget estimate. These costs cover all of the travel expenses for the five staff that manage and support the NGN program. Two of the five staff are remote employees and are expected to travel periodically to the NCUA's central office.

Administrative Training

Training expenses, which represent less than one percent of the budget, are estimated to be $27,000, a decrease of $3,000 from the 2018 budget based on updated projections of employee professional development plans and specialized training requirements.

Support for the NGN Program (Contract Support)

Contract costs to support the NGN program, which represent 35 percent of the budget, are estimated to be $2.9

[9] Note these direct costs are exclusive of any costs that are shared with the Operating Fund through the Overhead Transfer Rate, and with payments available upon requisition by the Board, without fiscal year limitation, for insurance under section 1787 of this title, and for providing assistance and making expenditures under section 1788 of this title in connection with the liquidation or threatened liquidation of insured credit unions as it may determine to be proper.

million, an increase of $0.3 million from the 2018 level. Funding is needed to fulfill Corporate System Resolution Program requirements and includes outside professional services such as external valuation experts, financial specialists, and accountants.

These experts are needed to assist the NCUA with the following types of services:

• *Consulting Services* in the amount of $1.0 million will support two NCUA offices: Examination and Insurance and the Chief Financial Officer. Services will include quarterly management reviews of asset valuations, as well as analyses of emerging issues. Support for the annual financial audit process and improvements in internal controls will also be provided by contractors. Tasks include: Supporting complex accounting and financial requirements for settlements, sale of legacy assets, parity payments, changing valuation model assumptions, and other asset disposition activities. Additionally, professional services will be used to assist with accounting, tax, financial reporting, and systems support for the corporate Asset Management Estates.

• *Valuation Services* in the amount of $1.1 million to fund valuation support for the NGN legacy assets. As supported by the NGN Oversight Committee, resources are also needed to conduct special analyses, including valuations for determining reasonable market prices for securities to be sold by auction.

• *Software and Data Subscription Services* in the amount of $0.8 million will support technical tools used to provide waterfall models, calculations, and metrics for the structured investment products underlying the NGN portfolio. The service provides coverage of all relevant asset classes, waterfall models that are seasoned and tested throughout the industry, and a broad array of calculations and metrics. Financial data analytics play a critical role in the surveillance, modeling, and pricing of the legacy assets that securitize the NGN Trusts, as well as supporting the management reviews that the NCUA performs on the cash flow projections. Now that some of the NCUA Guaranteed Notes have begun maturing, the NCUA has added data subscription services to provide additional valuation and has added support for the legacy asset disposition process.

• *Other annual subscriptions* provide important services related to surveillance of the portfolio of corporate bonds and mortgage-related bonds. *Independent credit research services* include fundamental capital structure research, credit analyses for surveillance of corporate bond portfolio and monoline insurer exposure, and direct access to various industry experts for discussion on specific credits.

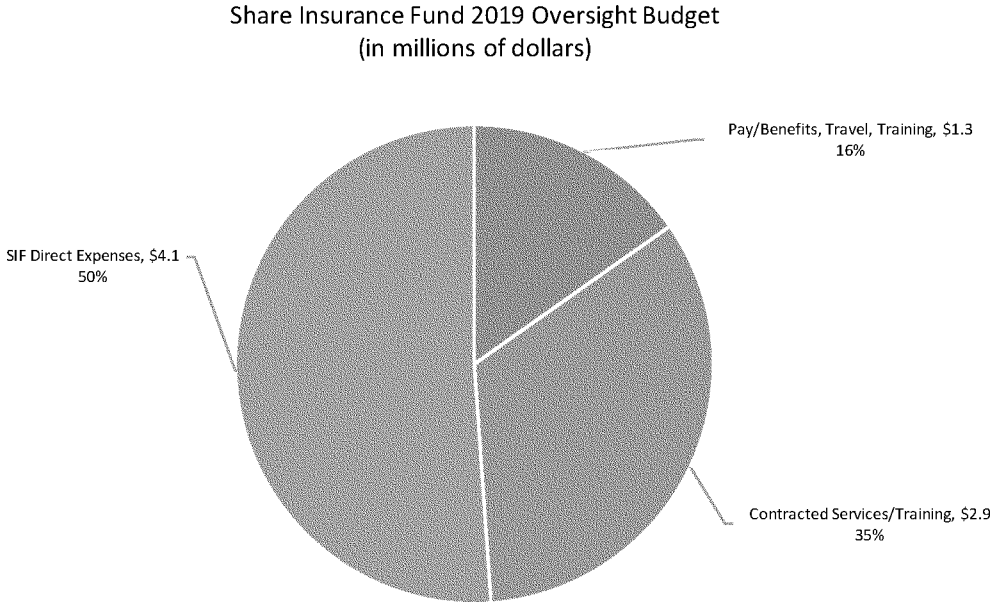
Other Direct Expenses

Other direct expenses of the Share Insurance Fund represent close to 50 percent of the budget, and are estimated to be $4.1 million. The estimated costs for state examiner computer leases and training in the amount of $1.2 million is slightly lower than prior years. This will allow the NCUA to analyze the stress testing that large credit unions perform. By 2020, additional credit unions are anticipated to be subject to stress testing. Financial audit support is also expected to remain the same as prior years.

2019 - 2020 SHARE INSURANCE FUND ADMINISTRATIVE BUDGET

By Cost Category	2018 Board Approved Budget	2019 Requested Budget	2020 Requested Budget	Change (2018- 19)	Change Percent (2018 -19)	2019 FTE	2020 FTE
Employee Pay and Benefits	$ 1,260,000	$ 1,238,000	$ 1,288,000	(22,000)	-1.7%	5	5
Travel	75,000	52,000	52,000	(23,000)	-30.7%		
Administrative (NGN Staff Training)	30,000	27,000	27,000	(3,000)	-10.0%		
Support for NCUA Guaranteed Note Program:	2,586,000	2,907,000	2,907,000	321,000	12.4%		
Consulting	695,000	1,015,000	1,015,000	320,000	46.0%		
Valuation Services	1,080,000	1,100,000	1,100,000	20,000	1.9%		
Software/Data Subscriptions	811,000	792,000	792,000	(19,000)	-2.3%		
Share Insurance Fund Direct Expenses:	4,140,000	4,147,000	4,847,000	7,000	0.2%		
State Examination computer leases	500,000	175,000	175,000	(325,000)	-65.0%		
State Examination Training	1,025,000	992,000	992,000	(33,000)	-3.2%		
Stress testing for large credit unions	2,165,000	2,500,000	3,200,000	335,000	15.5%		
Financial Audit Support	450,000	450,000	450,000	-	0.0%		
Bank Charges		30,000	30,000	30,000	100.0%		
Total	$ 8,091,000	$ 8,371,000	$ 9,121,000	$ 280,000	3.5%	5	5

The NCUA website has a dedicated section that provides financial reports for the Share Insurance Fund,[10] and a separate page that explains the NCUA Guaranteed Notes Program and provides comprehensive reporting and analysis on the legacy assets.[11]



VIII. Financing the NCUA Programs

Overview

As part of the annual budgetary process, the NCUA remains mindful that its operating funding comes directly from federal and state chartered credit unions. The agency strives to ensure that any allocation of these funds follows a thorough review of the necessity of the expenditures and whether programs are operating in an efficient, effective, transparent, and fully accountable manner.

To achieve its statutory mission, the NCUA incurs various expenses, including those involved in examining and supervising federally insured credit unions. The NCUA Board adopts an Operating Budget, including the Capital Budget, in the fall of each year to fund the vast majority of the costs of operating the agency.[12] The Federal Credit Union Act authorizes two primary sources to fund the Operating Budget:

(1) Requisitions from the Share Insurance Fund ''for such administrative and other expenses incurred in carrying out the purposes of [Title II of the Act] as [the Board] may determine to be proper'';[13] and

(2) ''fees and assessments (including income earned on insurance deposits) levied on insured credit unions under [the Act].''[14] Among the fees levied under the Act are annual Operating Fees, which are required for federal credit unions under 12 U.S.C. 1755 ''and may be expended by the Board to defray the expenses incurred in carrying out the provisions of [the Act,] including the examination and supervision of [federal credit unions].''

Taken together, these dual authorities effectively require the Board to determine which expenses are appropriately paid from each source while giving the Board broad discretion in allocating expenses.

In 1972, the Government Accountability Office recommended the NCUA adopt a method for properly allocating Operating Budget costs—that is, the portion of the NCUA's budget funded by requisitions from the Share Insurance Fund and the portion covered by Operating Fees paid by federal credit unions.[15] The NCUA has since used an allocation methodology, known as the Overhead Transfer Rate (OTR), to determine how much of the Operating Budget to fund with a requisition from the Share Insurance Fund.

To allocate agency expenses between these two primary funding sources, the NCUA uses the OTR methodology. The OTR is the formula the NCUA uses to allocate insurance-related expenses to the Share Insurance Fund under Title II. Almost all other operating expenses are collected through annual Operating Fees paid by federal credit unions.[16]

Two statutory provisions directly limit the Board's discretion with respect to Share Insurance Fund requisitions for the NCUA's Operating Budget and, hence, the OTR. First, expenses funded from the Share Insurance Fund must carry out the purposes of Title II of the Act, which relate to share insurance.[17] Second, the NCUA may not fund its entire Operating Budget through charges to the Share Insurance Fund.[18] The NCUA has not imposed additional policy or regulatory limitations on its discretion for determining the OTR.

[10] See: *https://www.ncua.gov/services/Pages/share-insurance/reports.aspx.*

[11] See: *https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes.aspx.*

[12] Some costs are directly charged to the Share Insurance Fund when appropriate to do so. For example, costs for training and equipment provided to State Supervisory Authorities are directly charged to the Share Insurance Fund.

[13] 12 U.S.C. 1783(a).

[14] 12 U.S.C. 1766(j)(3). Other sources of income for the Operating Budget have included interest income, funds from publication sales, parking fee income, and rental income.

[15] *http://www.gao.gov/assets/210/203181.pdf.*

[16] Annual Operating Fees must ''be determined according to a schedule, or schedules, or other method determined by the NCUA Board to be appropriate, which gives due consideration to the expenses of the [NCUA] in carrying out its responsibilities under the [Act] and to the ability of [FCUs] to pay the fee.'' 1755(b).

[17] 12 U.S.C. 1783(a).

[18] The Act in 12 U.S.C. 1755(a) states, ''[i]n accordance with rules prescribed by the Board, each [federal credit union] shall pay to the [NCUA] an annual operating fee which may be composed of one or more charges identified as to the function or functions for which assessed.'' See also 12 U.S.C. 1766(j)(3).

Overhead Transfer Rate (OTR) Methodology

The NCUA undertook a multi-year process to simplify and make more transparent its OTR methodology.[19] The OTR is designed to cover the NCUA's costs of examining and supervising the risk to the Share Insurance Fund posed by all federally insured credit unions, as well as the costs of administering the fund. The OTR represents the percentage of the agency's operating budget paid for by a transfer from the Share Insurance Fund. Federally insured credit unions are not billed for, and do not have to remit, the OTR amount; instead, it is transferred directly to the Operating Fund from the Share Insurance Fund. This transfer, therefore, represents a cost to all federally insured credit unions.

The NCUA Board approved the current methodology for calculating the OTR at its November 2017 open meeting. The current methodology is principles-based, simpler, more equitable and transparent, and will result in lower administrative costs.

The OTR formula is based on the following underlying principles to allocate agency operating costs:

1. Time spent examining and supervising federal credit unions is allocated as 50 percent insurance related.[20]

2. All time and costs the NCUA spends supervising or evaluating the risks posed by federally insured state-chartered credit unions or other entities the NCUA does not charter or regulate (for example, third-party vendors and CUSOs) is allocated as 100 percent insurance related.[21]

3. Time and costs related to the NCUA's role as charterer and enforcer of consumer protection and other non-insurance based laws governing the operation of credit unions (like field of membership requirements) are allocated as 0 percent insurance related.[22]

4. Time and costs related to the NCUA's role in administering federal share insurance and the Share Insurance Fund are allocated as 100 percent insurance related.[23]

These four principles are applied to the activities and costs of the agency, which results in the portion of the agency's Operating Budget that is transferred from the Share Insurance Fund. Based on the Board-approved methodology, the OTR for 2019 is estimated to be 60.4 percent; thus, 60.4 percent of the total operating budget is estimated to be paid out of the Share Insurance Fund. The remaining 39.6 percent of the Operating Budget is estimated be paid for through the FCU Operating Fee. The explicit and implicit distribution of total Operating Budget costs for FCUs and federally insured, state-chartered credit unions (FISCUs) is as follows:

Est. share of the operating budget covered by:	FCUs	FISCUs
FCU Operating Fee	39.6%	0.0%
OTR × Percent of Insured Shares	31.0% (60.4% × 51.3%)	29.4% (60.4% × 48.7%)
Total	70.6%	29.4%

In terms of accounting for funds transferred from the Share Insurance Fund to the Operating Fund, the OTR is applied to actual expenses incurred each month. Therefore, the rate calculated by the OTR formula is multiplied by each month's actual operating expenses and charged to the Share Insurance Fund. Because of this monthly reconciliation to actual operating expenditures, when the NCUA's expenditures are less than budgeted, the amount charged to the Share Insurance Fund is also less—and those lower expenditures benefit both federally chartered and state charted credit unions.

The following chart illustrates the share of the Operating Budget paid by Federally Insured Credit Unions (FCUs, 70.6%) and Federally Insured, State-Chartered Credit Unions (FISCUs, 29.4%).

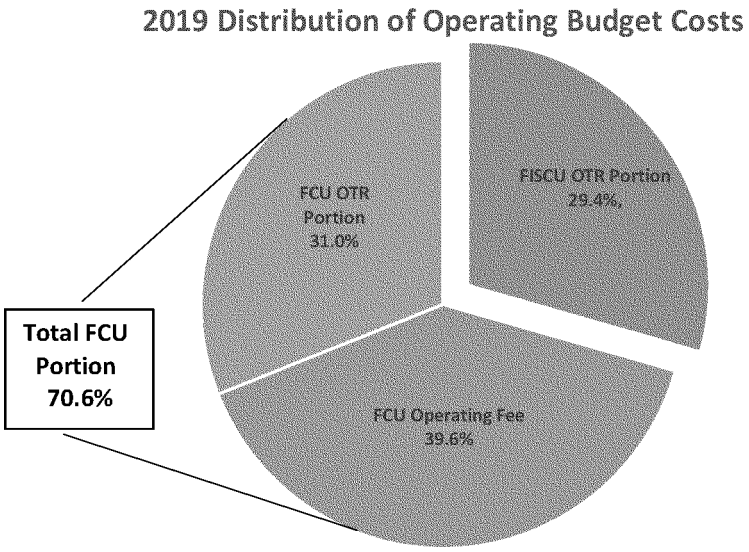
[19] 82 FR 55644 (Nov. 22, 2017).

[20] The 50 percent allocation mathematically emulates an examination and supervision program design where the NCUA would alternate examinations, and/or conduct joint examinations, between its insurance function and its prudential regulator function if they were separate units within the NCUA. It reflects an equal sharing of supervisory responsibilities between the NCUA's dual roles as charterer/prudential regulator and insurer given both roles have a vested interest in the safety and soundness of federal credit unions. It is consistent with the alternating examinations FDIC and state regulators conduct for insured state-chartered banks as mandated by Congress. Further, it reflects that the NCUA is responsible for managing risk to the Share Insurance Fund and therefore should not rely solely on examinations and supervision conducted by the prudential regulator.

[21] The NCUA does not charter state-chartered credit unions nor serve as their prudential regulator. The NCUA's role with respect to federally insured state-chartered credit unions is as insurer. Therefore, all examination and supervision work and other agency costs attributable to insured state-chartered credit unions is allocated as 100 percent insurance related.

[22] As the federal agency with the responsibility to charter federal credit unions and enforce non-insurance related laws governing how credit unions operate in the marketplace, the NCUA resources allocated to these functions are properly assigned to its role as charterer/prudential regulator.

[23] The NCUA conducts liquidations of credit unions, insured share payouts, and other resolution activities in its role as insurer. Also, activities related to share insurance, such as answering consumer inquiries about insurance coverage, are a function of the NCUA's role as insurer.



Operating Fee

The Board delegated authority to the Chief Financial Officer to administer the methodology approved by the Board for calculating the Operating Fees, and to set the fee schedule as calculated per the approved methodology outlined in this section. There is no change to the underlying approved Operating Fee methodology for 2019; the change in the assessments for 2019 are due to changes in the OTR rate and to indexing the fee schedule for projected asset growth.

For 2019, based on the OTR methodology discussed above, the resulting share of the budget that is funded from the Operating Fee is $140.859 million. This equates to 0.0185 percent of the estimated federal credit union assets for December 2018. The overall increase for the operating fee is 2.2 percent over 2018.

The Operating Fee will be assessed to federal credit unions based on estimated year-end assets. Credit unions with assets less than $1 million will not be assessed an Operating Fee. To set the assessment scale for 2019, federal credit union asset growth will be projected through December 31, 2018. Based on the June 30, 2018, Call Report data, annual growth is projected to be 6.2 percent at year end. The asset level dividing points will be increased by this same projected growth rate. Assets are indexed annually to preserve the same relative relationship of the scale to applicable asset base.

To establish the rate applicable to each asset level, the factors outlined in the table below result in an average Operating Fee rate increase of 2.2 percent for natural person federal credit unions. The corporate federal credit union rate scale remains unchanged from prior years.

To illustrate the rate impact for federal credit unions with assets under $1.5 billion, the fee increases from $264 per one million dollars of assets, to $270 per one million dollars of assets. This is an increase of $6 per million dollars of assets, or 2.2 percent.

Federal credit union assets between $1.5 billion and $4.5 billion would be assessed at a rate of $78.69 per million, and assets above $4.5 billion would be assessed at $26.28 per million. As noted above, these tiers were indexed to the 6.2 percent projected asset growth, and the rates are increased by 2.2 percent.

The following tables illustrate the methodology and calculations used to develop the Operating Fee.

PROPOSED 2019 OPERATING FEE SCALE

2018 Natural Person Federal Credit Union Scale

Asset Level		Operating Fee Assessment			
$0	$1,000,000	$0.00			
$1,000,000	$1,425,977,345	$0.00	+ 0.00026412	X total assets over	$0.00
$1,425,977,345	$4,314,986,023	$376,629	+ 0.00007698	X total assets over	$1,425,977,345
$4,314,986,023	and over	$599,025	+ 0.00002571	X total assets over	$4,314,986,023

2019 (Proposed) Natural Person Federal Credit Union Scale

Projected FCU asset growth rate	6.2%	Change in asset level dividing points
Operating fee rate change	2.2%	Change in assessment rate percentages

Asset Level		Operating Fee Assessment			
$0	$1,000,000	$0.00			
$1,000,000	$1,514,387,940	$0.00	+ 0.00026998	X total assets over	$0.00
$1,514,387,940	$4,582,515,156	$408,854	+ 0.00007869	X total assets over	$1,514,387,940
$4,582,515,156	and over	$650,285	+ 0.00002628	X total assets over	$4,582,515,156

FY2019 (Proposed) Corporate Federal Credit Union Scale

Asset Level		Operating Fee Assessment			
$50,000,000	$100,000,000	$11,034	+ 0.00019870	X total assets over	$50,000,000
$100,000,000	and over	$20,969	+ 0.00001230	X total assets over	$100,000,000

2019 OPERATING FEE REQUIREMENTS AND OPERATING FEE METHODOLOGY

Operating Fee Schedule explanation:

	Natural Person Federal Credit Union Operating Fee Calculation Factors and Explanation	Calculation Formula	2019 ($000s)
1	**Proposed Annual Operating Fund Budget** amount determines the baseline fee requirement.		**$ 304.398**
2	**Remove King Street Station Note from Calculation,** because the Share Insurance Fund cannot fund this expense since the building loan is from the Share Insurance Fund.	Subtract amount of KSS note payment	**$ (1.340)**
3	**Operating Fund Budget to apply OTR**	Sum lines 1 -2	**$ 303.058**
4	**Overhead Transfer Rate** determines the amount of the budget to be reimbursed by the Share Insurance Fund, pursuant to the Board-approved methodology. This amount is subtracted from the proposed budget amount.	OTR% x line 3	$ (183.047)
5	**Interest Income** projected for the year is estimated based on the latest financial statements, and is subtracted from the budget.		$ (1.500)
6	**Miscellaneous** (rents, publication fees, FOIA fees) is estimated based on the latest financial statements, and is subtracted from the budget.		$ (0.772)
7	**Net** Adjustment to Budget	Sum lines 3 - 6	**$ 117.739**
8	Reduction of any **Operating Fund** adjustment	*reduce cash collections*	
Removed non-cash items of depreciation and accrued annual leave previously adjusted since these non-cash line items are now excluded as part of the budget.			
9	**New investment projects requested in Capital Budget**	*increase cash collections*	$ 22.000
10	**Annual payment of King Street Station Note Payable** (scheduled principal payments)		$ 1.340
11	**Budgeted Operating Fee/Capital Requirements**	Sum lines 7 - 10	**$ 141.079**
12	Corporate federal credit union fees are collected and subtracted from natural person credit union fee requirement (based on corporate credit union scale)		$ (0.220)
13	**Natural Person Federal Credit Union Operating Fees Required**	Sum lines 11 - 12	**$ 140.859**
14	**Estimated Fee collections** for end of year (December 31). This projection uses the current operating fee scale with estimated asset growth from an internal NCUA economic forecasting model . Based on the June 30 assets, the year end assets are projected using the estimated asset growth to calculate fee collection estimates for the following year. The operating fee assessment is applied against the year end credit union asset value.		$ (137.800)
15	Difference between estimated operating fee collections and projected collections based on estimated asset growth.	Difference between lines 13 and 14	**$ 3.059**
16	**Average Rate Adjustment Indicated** (line 15 divided by line 14)	Line 15 divided by 14	**2.22%**

B: Operating Fee Scale explanation:

Projected federal credit union asset growth = change in asset level dividing points. Every year, the asset level scale is adjusted by the same percentage as the estimated growth rate.	Percent growth noted on line 14
Operating fee rate change = Change in assessment rate percentage	same as Line 16
The **Corporate Credit Union scale** remains unchanged from year to year as the number of CCUs and the collections continue to decrease to an immaterial amount.	

IX. Appendix A: Supplemental Budget Information

Operating Budget by Strategic Goal

Strategic Goal	2019 Proposeed Budget	
	Dollars (in millions)	Staffing (FTE*)
Goal 1: Ensure a safe and sound credit union system	$206.1	942.2
Goal 2:Provide a regulatory framework that is transparent, efficient and improves consumer access	$29.0	116.8
Goal 3: Maximize organizational performance to enable mission success	$69.3	119.0
Total	$304.4	1,178.0

Expenses for the Offices of the Board, Executive Director, Inspector General, Public and Congressional Affairs, and Chief Financial Officer are allocated across all strategic goals.
***NCUA's 2019/20 positions are funded by three different sources: the Central Liquidity Facility funds 3 full-time equivalents, and the Share Insurance Fund funds 5 full-time equivalents. NCUA's Operating Fund funds the remaining 1,173 full-time equivalents.**

Office Budget Summary

2019 - 2020 NCUA OPERATING BUDGET										
Office	2018 Board Approved Budget	2019 Requested Budget	2018 - 2019 Change		2020 Requested Budget	2019 - 2020 Change		Authorized Positions		
								2018	2019	2020
Eastern Region *	-	59,006,000	n/a		61,525,000	2,519,000	4.3%	303	288	288
Southern Region*	-	45,356,000	n/a		47,243,000	1,887,000	4.2%	320	231	231
Western Region*	-	49,363,000	n/a		51,405,000	2,042,000	4.1%	151	237	237
Office of National Examinations and Supervision	11,576,000	12,700,000	1,124,000	9.7%	13,224,000	524,000	4.1%	45	45	45
Supervision and Examination	***166,865,000***	***166,425,000***	***(440,000)***	***-0.3%***	***173,397,000***	***6,972,000***	***4.2%***	***819***	***801***	***801***
Office of the Board	2,695,000	2,742,000	47,000	1.7%	2,868,000	126,000	4.6%	11	11	11
Office of the Executive Director	2,047,000	1,931,000	(116,000)	-5.7%	2,013,000	82,000	4.2%	6	6	6
Federal Financial Institutions Examination Council	1,280,000	1,390,000	110,000	8.6%	1,390,000	-	0.0%			
Office of Business Innovations	1,782,000	2,975,000	1,193,000	66.9%	3,117,000	142,000	4.8%	9	12	12
Office of Continuity and Security Management	4,357,000	4,271,000	(86,000)	-2.0%	4,404,000	133,000	3.1%	12	12	12
Office of Minority and Women Inclusion	3,486,000	3,478,000	(8,000)	-0.2%	3,596,000	118,000	3.4%	10	10	10
Office of the Chief Economist	1,997,000	2,282,000	285,000	14.3%	2,387,000	105,000	4.6%	7	8	8
Office of Consumer Financial Protection	4,970,000	5,252,000	282,000	5.7%	5,494,000	242,000	4.6%	24	24	24
Office of the Chief Financial Officer	19,593,000	20,485,000	892,000	4.6%	21,008,000	523,000	2.6%	53	53	53
King Street Station Note	1,340,000	1,340,000	-	0.0%	1,340,000	-	0.0%			
Cross-cutting agency expenses	(603,000)	(1,420,000)	(817,000)	135.5%	(1,820,000)	(400,000)	28.2%			
Office of the Chief Information Officer	33,250,000	37,829,000	4,579,000	13.8%	38,348,000	519,000	1.4%	44	44	44
Credit Union Resources and Expansion	10,366,000	8,459,000	(1,907,000)	-18.4%	8,840,000	381,000	4.5%	36	36	36
Office of Examination & Insurance **	12,664,000	13,611,000	947,000	7.5%	14,197,000	586,000	4.3%	53	54	54
Office of General Counsel	10,725,000	11,973,000	1,248,000	11.6%	12,565,000	592,000	4.9%	44	47	47
Office of Inspector General	3,720,000	3,776,000	56,000	1.5%	3,903,000	127,000	3.4%	10	10	10
Office of Human Resources	15,752,000	15,757,000	5,000	0.0%	17,193,000	1,436,000	9.1%	43	43	43
Office of Public and Congressional Affairs	1,811,000	1,842,000	31,000	1.7%	1,924,000	82,000	4.5%	7	7	7
Mission Support	***131,232,000***	***137,973,000***	***6,741,000***	5.1%	***142,767,000***	***4,794,000***	***3.5%***	***369***	***377***	***377***
Total*	**$ 298,097,000**	**$ 304,398,000**	**$ 6,301,000**	**2.1%**	**$ 316,164,000**	**$ 11,766,000**	**3.9%**	**1,188**	**1,178**	**1,178**

* Regional budget comparisons from 2018 to 2019 are not comparable with agency reorganization. 2018 Board Approved Budget included $30.8 million for Region 1, $32.1 million for Region 2, $31.3 million for Region 3, $32.1 million for Region 4, and $33.7 million for Region 5.

** Budget includes 8 FTE related to other NCUA funds; 3 FTE are paid for by the Central Liquidity Facility and 5 FTE are paid for by the Share Insurance Fund.

Board Budgets

OFFICE OF THE CHAIRMAN: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	2020 Requested Budget	2019-2020 Change	Change Percent
FTE	**3.0**	**3.0**	**-**	**-**	**3.0**	**-**	**-**
Employee Compensation	705,859	713,780	7,920	1.1%	750,243	36,464	5.1%
Salaries	525,303	529,408	4,105	0.8%	554,440	25,032	4.7%
Benefits	180,557	184,372	3,815	2.1%	195,804	11,431	6.2%
Travel	70,000	60,000	(10,000)	-14.3%	60,000	-	0.0%
Rent /Comm/Util	150	250	100	66.7%	250	-	0.0%
Administrative	10,000	10,000	-	0.0%	10,000	-	0.0%
Contracted Services	42,000	27,000	(15,000)	-35.7%	27,000	-	0.0%
Total	**$ 828,009**	**$ 811,030**	**$ (16,980)**	**-2.1%**	**$ 847,493**	**$ 36,464**	**4.5%**

BOARD MEMBER A: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	2020 Requested Budget	2019-2020 Change	Change Percent
FTE	**3.0**	**3.0**	**-**	**-**	**3.0**	**-**	**-**
Employee Compensation	661,980	670,559	8,579	1.3%	704,611	34,052	5.1%
Salaries	489,288	494,397	5,109	1.0%	517,774	23,377	4.7%
Benefits	172,691	176,162	3,471	2.0%	186,838	10,676	6.1%
Travel	45,000	40,000	(5,000)	-11.1%	40,000	-	0.0%
Rent /Comm/Util	500	500	-	0.0%	500	-	0.0%
Administrative	6,000	9,000	3,000	50.0%	9,000	-	0.0%
Contracted Services	14,000	28,000	14,000	100.0%	28,000	-	0.0%
Total	**$ 727,480**	**$ 748,059**	**$ 20,579**	**2.8%**	**$ 782,111**	**$ 34,052**	**4.6%**

BOARD MEMBER B: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	2020 Requested Budget	2019-2020 Change	Change Percent
FTE	**3.0**	**3.0**	**-**	**-**	**3.0**	**-**	**-**
Employee Compensation	629,999	670,559	40,560	6.4%	704,611	34,052	5.1%
Salaries	460,000	494,397	34,397	7.5%	517,774	23,377	4.7%
Benefits	170,000	176,162	6,162	3.6%	186,838	10,676	6.1%
Travel	40,000	40,000	-	0.0%	40,000	-	0.0%
Rent /Comm/Util	500	500	-	0.0%	500	-	0.0%
Administrative	6,000	9,000	3,000	50.0%	9,000	-	0.0%
Contracted Services	40,000	28,000	(12,000)	-30.0%	28,000	-	0.0%
Total	**$ 716,499**	**$ 748,059**	**$ 31,560**	**4.4%**	**$ 782,111**	**$ 34,052**	**4.6%**

Note: minor rounding differences may occur in totals.

Office Budgets

EASTERN* REGION: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget^	2019 Requested Budget	2018-2019 Change	Change Percent	Requested Budget	2019-2020 Change	Change Percent
FTE		**288.0**	**N/A**	**N/A**	**288.0**	**-**	**-**
Employee Compensation		51,030,573	N/A	N/A	53,549,835	2,519,261	4.9%
Salaries		36,576,732	N/A	N/A	38,306,192	1,729,460	4.7%
Benefits		14,453,841	N/A	N/A	15,243,643	789,801	5.5%
Travel		6,800,000	N/A	N/A	6,800,000	-	0.0%
Rent /Comm/Util		726,163	N/A	N/A	726,163	-	0.0%
Administrative		252,080	N/A	N/A	252,080	-	0.0%
Contracted Services		197,450	N/A	N/A	197,450	-	0.0%
Total		**$ 59,006,266**	**N/A**	**N/A**	**$ 61,525,528**	**$ 2,519,261**	**4.3%**

SOUTHERN* REGION: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget^	2019 Requested Budget	2018-2019 Change	Change Percent	Requested Budget	2019-2020 Change	Change Percent
FTE		**231.0**	**N/A**	**N/A**	**231.0**	**-**	**-**
Employee Compensation		38,519,296	N/A	N/A	40,406,555	1,887,259	4.9%
Salaries		27,420,801	N/A	N/A	28,716,394	1,295,594	4.7%
Benefits		11,098,495	N/A	N/A	11,690,160	591,665	5.3%
Travel		6,100,000	N/A	N/A	6,100,000	-	0.0%
Rent /Comm/Util		178,738	N/A	N/A	178,738	-	0.0%
Administrative		193,075	N/A	N/A	193,075	-	0.0%
Contracted Services		364,500	N/A	N/A	364,500	-	0.0%
Total		**$ 45,355,609**	**N/A**	**N/A**	**$ 47,242,868**	**$ 1,887,259**	**4.2%**

WESTERN* REGION: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget^	2019 Requested Budget	2018-2019 Change	Change Percent	Requested Budget	2019-2020 Change	Change Percent
FTE		**237.0**	**N/A**	**N/A**	**237.0**	**-**	**-**
Employee Compensation		41,693,060	N/A	N/A	43,735,573	2,042,513	4.9%
Salaries		29,680,900	N/A	N/A	31,083,075	1,402,174	4.7%
Benefits		12,012,160	N/A	N/A	12,652,498	640,338	5.3%
Travel		6,550,000	N/A	N/A	6,550,000	-	0.0%
Rent /Comm/Util		625,000	N/A	N/A	625,000	-	0.0%
Administrative		290,000	N/A	N/A	290,000	-	0.0%
Contracted Services		205,000	N/A	N/A	205,000	-	0.0%
Total		**$ 49,363,060**	**N/A**	**N/A**	**$ 51,405,573**	**$ 2,042,513**	**4.1%**

** See above for a discussion of workload at Regional Offices. Note that Southern Region includes AMAC operations. ^ See above for explanation of Regional Office budgets in 2018*

Note: minor rounding differences may occur in totals.

OFFICE OF THE EXECUTIVE DIRECTOR: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	Requested Budget	2019-2020 Change	Change Percent
FTE	**6.0**	**6.0**	**-**	**-**	**6.0**	**-**	**-**
Employee Compensation	1,746,709	1,621,460	(125,249)	-7.2%	1,703,702	82,242	5.1%
Salaries	1,317,470	1,194,062	(123,408)	-9.4%	1,250,521	56,459	4.7%
Benefits	429,239	427,398	(1,841)	0.0%	453,181	25,783	0.0%
Travel	35,000	45,000	10,000	28.6%	45,000	-	0.0%
Rent /Comm/Util	20,500	20,250	(250)	-1.2%	20,250	-	0.0%
Administrative	1,305,000	1,415,000	110,000	8.4%	1,415,000	-	0.0%
ED Core	25,000	25,000	-	0.0%	25,000	-	0.0%
FFIEC	1,280,000	1,390,000	110,000	8.6%	1,390,000	-	0.0%
Contracted Services	219,500	219,500	-	0.0%	219,500	-	0.0%
Total	**$ 3,326,709**	**$ 3,321,210**	**$ (5,499)**	**-0.2%**	**$ 3,403,452**	**$ 82,242**	**2.5%**

OFFICE OF BUSINESS INNOVATION: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	Requested Budget	2019-2020 Change	Change Percent
FTE	**9.0**	**12.0**	**3.0**	**33%**	**12.0**	**-**	**-**
Employee Compensation	1,682,000	2,767,775	1,085,775	64.6%	2,910,465	142,690	5.2%
Salaries	1,232,000	2,071,694	839,694	68.2%	2,169,650	97,956	4.7%
Benefits	450,000	696,081	246,081	54.7%	740,815	44,734	6.4%
Travel	85,000	180,500	95,500	112.4%	180,500	-	0.0%
Rent /Comm/Util	-	2,400	2,400	0.0%	2,400	-	0.0%
Administrative	-	2,000	2,000	0.0%	2,000	-	0.0%
Contracted Services	15,000	22,000	7,000	0.0%	22,000	-	0.0%
Total	**$ 1,782,000**	**$ 2,974,675**	**$ 1,192,675**	**66.9%**	**$ 3,117,365**	**$ 142,690**	**4.8%**

OFFICE OF CONTINUITY AND SECURITY MANAGEMENT: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	Requested Budget	2019-2020 Change	Change Percent
FTE	**12.0**	**12.0**	**-**	**-**	**12.0**	**-**	**-**
Employee Compensation	2,492,727	2,602,123	109,396	4.4%	2,734,423	132,300	5.1%
Salaries	1,840,595	1,920,838	80,243	4.4%	2,011,661	90,823	4.7%
Benefits	652,132	681,285	29,153	4.5%	722,762	41,477	6.1%
Travel	39,800	34,000	(5,800)	-14.6%	34,000	-	0.0%
Rent /Comm/Util	-	35,000	35,000	0.0%	35,000	-	0.0%
Administrative	30,000	30,000	-	0.0%	30,000	-	0.0%
Contracted Services	1,794,642	1,570,353	(224,289)	-12.5%	1,570,353	-	0.0%
Total	**$ 4,357,169**	**$ 4,271,476**	**$ (85,693)**	**-2.0%**	**$ 4,403,776**	**$ 132,300**	**3.1%**

Note: minor rounding differences may occur in totals

OFFICE OF MINORITY AND WOMEN INCLUSION: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	Requested Budget	2019-2020 Change	Change Percent
FTE	**10.0**	**10.0**	**-**	**-**	**10.0**	**-**	**-**
Employee Compensation	2,159,801	2,300,654	140,853	6.5%	2,418,238.9	117,585	5.1%
Salaries	1,604,302	1,707,197	102,894	6.4%	1,787,918	80,721	4.7%
Benefits	555,499	593,457	37,959	6.8%	630,321	36,864	6.2%
Travel	74,399	75,000	601	0.8%	75,000	-	0.0%
Rent /Comm/Util	5,500	7,600	2,100	38.2%	7,600	-	0.0%
Administrative	115,650	141,658	26,008	22.5%	141,658	-	0.0%
Contracted Services	1,130,663	953,500	(177,163)	-15.7%	953,500	-	0.0%
Total	**$ 3,486,013**	**$ 3,478,412**	**$ (7,601)**	**-0.2%**	**$ 3,595,997**	**$ 117,585**	**3.4%**

OFFICE OF THE CHIEF ECONOMIST: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	Requested Budget	2019-2020 Change	Change Percent
FTE	**7.0**	**8.0**	**1.0**	**14%**	**8.0**	**-**	**-**
Employee Compensation	1,748,956	2,035,603	286,647	16.4%	2,140,391	104,788	5.1%
Salaries	1,310,090	1,521,399	211,309	16.1%	1,593,335	71,936	4.7%
Benefits	438,866	514,204	75,338	17.2%	547,056	32,852	6.4%
Travel	28,000	27,000	(1,000)	-3.6%	27,000	-	0.0%
Rent /Comm/Util	500	500	-	0.0%	500	-	0.0%
Administrative	215,839	215,839	-	0.0%	215,839	-	0.0%
Contracted Services	3,375	3,000	(375)	-11.1%	3,000	-	0.0%
Total	**$ 1,996,670**	**$ 2,281,942**	**$ 285,272**	**14.3%**	**$ 2,386,730**	**$ 104,788**	**4.6%**

OFFICE OF CONSUMER FINANCIAL PROTECTION: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	Requested Budget	2019-2020 Change	Change Percent
FTE	**24.0**	**24.0**	**-**	**-**	**24.0**	**-**	**-**
Employee Compensation	4,602,243	4,809,476	207,233	4.5%	5,051,502	242,026	5.0%
Salaries	3,361,813	3,513,939	152,126	4.5%	3,680,089	166,150	4.7%
Benefits	1,240,431	1,295,537	55,107	4.4%	1,371,413	75,876	5.9%
Travel	269,073	340,946	71,873	26.7%	340,946	-	0.0%
Rent /Comm/Util	24,245	38,250	14,005	57.8%	38,250	-	0.0%
Administrative	26,403	31,293	4,890	18.5%	31,293	-	0.0%
Contracted Services	48,572	32,004	(16,568)	-34.1%	32,004	-	0.0%
Total	**$ 4,970,537**	**$ 5,251,969**	**$ 281,433**	**5.7%**	**$ 5,493,996**	**$ 242,026**	**4.6%**

Note: minor rounding differences may occur in totals

OFFICE OF THE CHIEF FINANCIAL OFFICER: 2018-2019 BUDGET SUMMARY							
	2018 Board	2019 Requested	2018-2019	Change	2020	2019-2020	Change
FTE	**53.0**	**53.0**	**-**	**-**	**53.0**	**-**	**-**
Employee Compensation	10,160,644	10,394,574	233,930	2.3%	10,917,587	523,013	5.0%
Salaries	7,457,474	7,606,963	149,489	2.0%	7,966,243	359,280	4.7%
Benefits	2,703,171	2,787,611	84,440	3.1%	2,951,343	163,732	5.9%
Travel	65,000	74,000	9,000	13.8%	74,000	-	0.0%
Rent /Comm/Util	2,045,500	2,048,000	2,500	0.1%	2,048,000	-	0.0%
OCFO	705,500	708,000	2,500		708,000	-	
King Station Note	1,340,000	1,340,000	-		1,340,000	-	
Administrative	1,112,850	1,050,000	(62,850)	-5.6%	1,050,000	-	0.0%
Contracted Services	7,549,000	8,258,000	709,000	9.4%	8,258,000	-	0.0%
Crosscutting	(603,000)	(1,420,000)	(817,000)	135.5%	(1,820,000)	-	
Total	**$ 20,329,994**	**$ 20,404,574**	**$ 74,580**	**0.4%**	**$ 20,527,587**	**$ 123,013**	**0.6%**

OFFICE OF THE CHIEF INFORMATION OFFICER: 2018-2019 BUDGET SUMMARY CHECK							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	Requested Budget	2019-2020 Change	Change Percent
FTE	**44.0**	**44.0**	**-**	**-**	**44.0**	**-**	**-**
Employee Compensation	9,362,994	10,204,039	841,045	9.0%	10,723,537	519,498	5.1%
Salaries	6,934,509	7,572,503	637,995	9.2%	7,929,136	356,633	4.7%
Benefits	2,428,486	2,631,536	203,050	8.4%	2,794,401	162,865	6.2%
Travel	161,950	165,000	3,050	1.9%	165,000	-	0.0%
Rent /Comm/Util	3,907,000	4,015,008	108,008	2.8%	4,015,008	-	0.0%
Administrative	2,563,870	2,978,445	414,575	16.2%	2,978,445	-	0.0%
Contracted Services	17,253,940	20,466,221	3,212,281	18.6%	20,466,221	-	0.0%
Total	**$ 33,249,754**	**$ 37,828,713**	**$ 4,578,959**	**13.8%**	**$ 38,348,211**	**$ 519,498**	**1.4%**

OFFICE OF NATIONAL EXAMINATIONS AND SUPERVISION: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	Requested Budget	2019-2020 Change	Change Percent
FTE	**45.0**	**45.0**	**-**	**-**	**45.0**	**-**	**-**
Employee Compensation	9,094,944	10,402,148	1,307,204	14.4%	10,926,113	523,964	5.0%
Salaries	6,567,606	7,607,351	1,039,746	15.8%	7,967,050	359,699	4.7%
Benefits	2,527,339	2,794,797	267,458	10.6%	2,959,062	164,266	5.9%
Travel	1,808,189	1,600,000	(208,189)	-11.5%	1,600,000	-	0.0%
Rent /Comm/Util	16,805	21,012	4,207	25.0%	21,012	-	0.0%
Administrative	61,057	52,201	(8,856)	-14.5%	52,201	-	0.0%
Contracted Services	594,965	624,455	29,490	5.0%	624,455	-	0.0%
Total	**$ 11,575,960**	**$ 12,699,816**	**$ 1,123,856**	**9.7%**	**$ 13,223,781**	**$ 523,964**	**4.1%**

Note: minor rounding differences may occur in totals

OFFICE OF CREDIT UNION RESOURCE AND EXPANSION: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	2020 Requested Budget	2019-2020 Change	Change Percent
FTE	**36.0**	**36.0**	**-**	**-**	**36.0**	**-**	**-**
Employee Compensation	9,522,877	7,536,322	(1,986,554)	-20.9%	7,917,083	380,760	5.1%
Salaries	7,010,978	5,533,197	(1,477,781)	-21.1%	5,794,587	261,390	4.7%
Benefits	2,511,898	2,003,125	(508,773)	-20.3%	2,122,495	119,370	6.0%
Travel	538,000	620,000	82,000	15.2%	620,000	-	0.0%
Rent /Comm/Util	17,750	14,750	(3,000)	-16.9%	14,750	-	0.0%
Administrative	23,250	30,750	7,500	32.3%	30,750	-	0.0%
Contracted Services	264,400	257,000	(7,400)	-2.8%	257,000	-	0.0%
Total	**10,366,277**	**8,458,822**	**(1,907,454)**	**-18.4%**	**8,839,583**	**$ 380,760**	**4.5%**

OFFICE OF EXAMINATION AND INSURANCE: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	2020 Requested Budget	2019-2020 Change	Change Percent
FTE	**53.0**	**54.0**	**1.0**	**1.9%**	**54.0**	**-**	**-**
Employee Compensation	10,931,964	11,464,514	532,550	4.9%	12,050,629	586,115	5.1%
Salaries	8,124,044	8,509,711	385,667	4.7%	8,912,077	402,365	4.7%
Benefits	2,807,919	2,954,803	146,883	5.2%	3,138,553	183,750	6.2%
Travel	1,001,643	995,000	(6,643)	-0.7%	995,000	-	0.0%
Rent /Comm/Util	14,200	17,320	3,120	22.0%	17,320	-	0.0%
Administrative	267,216	621,500	354,284	132.6%	621,500	-	0.0%
Contracted Services	448,500	513,000	64,500	14.4%	513,000	-	0.0%
Total	**$ 12,663,523**	**$ 13,611,334**	**$ 947,811**	**7.5%**	**$ 14,197,449**	**$ 586,115**	**4.3%**

OFFICE OF GENERAL COUNSEL: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	2020 Requested Budget	2019-2020 Change	Change Percent
FTE	**44.0**	**47.0**	**3.0**	**6.8%**	**47.0**	**-**	**-**
Employee Compensation	10,226,711	11,496,869	1,270,158	12.4%	12,088,145	591,276	5.1%
Salaries	7,644,274	8,584,634	940,361	12.3%	8,990,542	405,908	4.7%
Benefits	2,582,437	2,912,235	329,797	12.8%	3,097,603	185,368	6.4%
Travel	156,000	150,000	(6,000)	-3.8%	150,000	-	0.0%
Rent /Comm/Util	-	-	-	-	-	-	0.0%
Administrative	6,000	1,500	(4,500)	-75.0%	1,500	-	0.0%
Contracted Services	336,000	325,000	(11,000)	-3.3%	325,000	-	0.0%
Total	**$ 10,724,711**	**$ 11,973,369**	**$ 1,248,658**	**11.6%**	**$ 12,564,645**	**$ 591,276**	**4.9%**

Note: minor rounding differences may occur in totals

OFFICE OF HUMAN RESOURCES: 2019-2020 BUDGET SUMMARYY							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	Requested Budget	2019-2020 Change	Change Percent
FTE	**43.0**	**43.0**	**-**	**-**	**43.0**	**-**	**-**
Employee Compensation	9,079,982	9,621,702	541,721	6.0%	10,057,995	436,293	4.5%
Salaries	6,171,019	6,359,464	188,445	3.1%	6,658,977	299,513	4.7%
Benefits	2,908,963	3,262,238	353,275	12.1%	3,399,018	136,780	4.2%
Travel	2,826,615	2,834,765	8,150	0.3%	3,834,765	1,000,000	35.3%
Rent /Comm/Util	294,180	290,900	(3,280)	-1.1%	290,900	-	0.0%
Administrative	532,601	454,677	(77,924)	-14.6%	454,677	-	0.0%
Contracted Services	3,018,943	2,554,787	(464,156)	-15.4%	2,554,787	-	0.0%
Total	**$ 15,752,321**	**$ 15,756,831**	**$ 4,511**	**0.0%**	**$ 17,193,124**	**$ 1,436,293**	**9.1%**

OFFICE OF PUBLIC AND CONGRESSIONAL AFFAIRS: 2019-2020 BUDGET SUMMARY							
	2018 Board Approved Budget	2019 Requested Budget	2018-2019 Change	Change Percent	Requested Budget	2019-2020 Change	Change Percent
FTE	**7.0**	**7.0**	**-**	**-**	**7.0**	**-**	**-**
Employee Compensation	1,545,155	1,613,383	68,228	4.4%	1,695,830	82,447	5.1%
Salaries	1,146,826	1,197,036	50,210	4.4%	1,253,635	56,600	4.7%
Benefits	398,329	416,348	18,018	4.5%	442,195	25,848	6.2%
Travel	12,300	12,000	(300)	-2.4%	12,000	-	0.0%
Rent /Comm/Util	-	500	500	0.0%	500	-	0.0%
Administrative	42,236	39,036	(3,200)	-7.6%	39,036	-	0.0%
Contracted Services	210,975	176,975	(34,000)	-16.1%	176,975	-	0.0%
Total	**$ 1,810,666**	**$ 1,841,894**	**$ 31,228**	**1.7%**	**$ 1,924,341**	**$ 82,447**	**4.5%**

Note: minor rounding differences may occur in totals

X. Appendix B: Capital Projects

CAPITAL INVESTMENT PROJECTS				
Description	2018 Board Approved Budget	2019 Board Approved Budget	2019 Requested Budget	2020 Requested Budget
Information technology software development investments	**$ 5,653,000**	**$ 15,051,000**	**$ 17,116,000**	**$ 15,758,000**
Examination and Supervision Solution	$ -	**$ 8,414,000**	**$ 8,414,000**	$ -
Data Collection Solution	$ -	**$ -**	**$ 200,000**	$ 2,400,000
Business Intelligence Tools and Capability Enhancement	$ 1,920,000	**$ 1,920,000**	**$ 1,920,000**	$ -
Enterprise Central Data Repository	$ -	**$ -**	**$ 990,000**	$ 1,096,000
AMAC Servicing System Solution	$ 2,100,000	**$ 600,000**	**$ 600,000**	$ 600,000
Enterprise Data Analytics, Governance and Reporting Services	$ 600,000	**$ 600,000**	**$ 600,000**	$ 450,000
Asset and Liabilities Management Application	$ 433,000	**$ 3,167,000**	**$ 3,167,000**	$ 3,600,000
Human Resource Business Solution	$ 350,000	**$ -**	**$ -**	$ -
Enterprise Learning Management System Replacement	$ 250,000	**$ 350,000**	**$ 550,000**	$ 112,000
GRC Tool: Managing Compliance Information	$ -	**$ -**	**$ 325,000**	$ -
Financial Management System Analysis of Alternatives	$ -	**$ -**	**$ 350,000**	$ -
Disaster Recovery Capabilities Enhancement	$ -	**$ -**	**$ -**	$ -
Anticipated additional software development investments	$ -	**$ -**	**$ -**	$ 7,500,000
Other Information technology investments	**$ 9,000,000**	**$ 5,495,000**	**$ 3,989,000**	**$ 1,800,000**
Enterprise Laptop Lease	$ 1,850,000	**$ 1,000,000**	**$ 800,000**	$ 800,000
IT Infrastructure, Platform and Security refresh	$ 3,700,000	**$ 1,700,000**	**$ 2,350,000**	$ -
Agency Modernization Infrastructure Support	$ 1,250,000	**$ -**	**$ -**	$ -
Agency Web Design and Platform modernization	$ 1,200,000	**$ -**	**$ -**	$ -
Home Mortgage Disclosure Act System Development (cost sharing)	$ 750,000	**$ -**	**$ -**	$ -
Credit and Deposit Analytic Solution	$ 250,000	**$ -**	**$ -**	$ -
Security management tool upgrades (Patch and Vulnerability)	$ -	**$ 670,000**	**$ 342,000**	$ -
Security management tool upgrades (Security Event/Incident Management)	$ -	**$ -**	**$ 327,000**	$ -
Refresh End of Life VoIP Phone System	$ -	**$ -**	**$ 170,000**	$ -
Enterpise Video Conference Collaboration Services and Upgrades	$ -	**$ 2,125,000**	**$ -**	$ -
Anticipated additional other information technology investments	$ -	**$ -**	**$ -**	$ 1,000,000
Capital building improvements and repairs	**$ 750,000**	**$ 600,000**	**$ 900,000**	**$ 1,050,000**
Headquarters HVAC System Replacement	$ 650,000	**$ -**	**$ 750,000**	$ 750,000
Central Office General Building Improvements	$ -	**$ 500,000**	**$ -**	$ -
Southern Region/AMAC General Building Improvements	$ 100,000	**$ 100,000**	**$ 150,000**	$ 300,000
TOTAL CAPITAL PROJECTS	$ 15,403,000	$ 21,146,000	$ 22,005,000	$ 18,608,000

Project name	**EXAMINATION AND SUPERVISION SOLUTION AND INFRASTRUCTURE HOSTING (ESS&IH) (2019.007)**					
Project sponsor	Business Innovation Director and Chief Information Officer					
Customers/ beneficiaries	Internal: E&I, All Field Program Offices, OCIO, and OCFP External: Credit Unions, State Supervisory Authorities (SSAs)					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$0	$8,414	TBD	TBD	
	Operations and Maintenance			TBD	$4,500	$3,600
Link to the NCUA strategic goals	Goal 1: Ensure a Safe and Sound Credit Union System. ESS will enable credit union examiners to fulfill the NCUA strategic objective 1.2, "provide high-quality and efficient supervision," by providing a more effective and secure examination tool. Goal 3: Maximize organizational performance to enable mission success. ESS will enable credit union examiners to perform their work more efficiently, helping the NCUA achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation."					
Project Performance	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	% of Exam and Supervision Contact Types by Program Transitioned to ESS		28% Release 1*	52% Release 2**	100% Release 3***	
	Development Sprint completion: Estimate versus Actual		Within +/- 20%	Within +/- 20%	Within +/- 20%	
	Testing Pass Rate: % of User Stories that Pass User Acceptance Testing on First attempt		90%	90%	90%	
	Production System Availability		99.9%	99.9%	99.9%	99.9%
	* Release 1 includes ESM Iterations 1-3: ONES Credit Union (CU) Exam Program (Contact Type 10,11, 22,23, 26,27,28) including 2 SSAs.					

* Release 1 includes ESM Iterations 1-3: ONES Credit Union (CU) Exam Program (Contact Type 10,11, 22,23, 26,27,28) including 2 SSAs. ** Release 2 includes ESM Iteration 4: All natural Person CU risk focused exam (10,11), Small CU (10), Corporate CU Exam (12,13), and Customer Complaints (32). *** Release 3 includes (ESM Iteration 5): Fair lending exam (3); Onsite Fair lending exam; NFICU Onsite/Offsite (15), Vendor Review (24), CUSO Review (29); On/Offsite Super Fraud (90,91); Consumer Compliance (96, 97); Liquidation (new); Bank Purchase (new); Conservatorship (50,51)
The ESS&IH projects will put access to the key examination and supervision capabilities into a streamlined toolset allowing Examiners and Supervisors to be more efficient, consistent and effective. The overarching ESS&IH project scope is to implement a new, flexible, technical foundation to enable current and future the NCUA business process modernization initiatives, and replace the NCUA's legacy exam system, AIRES, with a new Commercial-Off-The-Shelf (COTS) solution. This project represents the first five iterations of the ESM Program. This project includes the implementation of a central user interface (CUI), which will serve as a common point of access for future ESM applications and support secure transfer of data between the NCUA and third parties. Key project deliverables include a new COTS examination solution to replace the legacy system, AIRES, deployment of a CUI and establishment of the technical foundation. Investment objectives include: • Process Efficiency and Scalability – To enable the NCUA staff to effectively oversee all credit unions, from the smallest to the largest, with various types of examinations from a single platform; • Process Flexibility and Adaptability – To adjust to new regulatory processes, demands, and priorities rapidly to an increasingly sophisticated credit union industry; • Improved Analytics – To enhance the ability to identify and evaluate risk in credit unions effectively through deep, detailed, "vertical" and "horizontal" analysis of credit unions using various analytical techniques and tools; • Robust and Flexible Data Collection – To securely collect and share financial and non-financial data with flexible workflows to automate manual processes and efficiently route work assignments; and, • Risk-based Examination Approach – To focus examiner resources on credit unions and asset portfolios that pose the most risk to the credit union industry. • Modern IT Infrastructure – To enable current and future business process modernization including a single point of entry to related IT services. Time Management System (TMS), Management Automated Resource System (MARS), and National Supervision Policy Manual (NSPM) tools are not in scope of this project. Replacement of these legacy systems will be included in future procurement efforts under the ESM Program.

Quarterly project schedule and deliverables	March/2019	Stand-up, new ESS&IH "cloud" based infrastructure/technical platform and attain authority to operate (Enterprise Solutions Modernization (ESM) (Iteration 1)
	June/2019	Complete User Acceptance Testing of the first Release of the Central User Interface (CUI) and new examination tool
	September/2019	Deploy first release of the CUI and new examination tool to Small User Group (i.e., ONES) and complete training (ESM Iteration 2-3)
	December/2019	Complete discovery and requirements gathering for modernization of examination process for majority of users (ESM Iteration 4)
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	If changes continue to be made to legacy tools/applications, then the ESS configuration timelines may be impacted due to changing requirements.	Maintain regular monthly communications with E&I and the CRM team on the status, planned activities, and estimated timeline. ECDR integration will minimize impacts to ESS&IH.
	If the central data repository is not funded and stood up timely, the implementation timeline for ESS may be delayed.	Parallel development and focus on the ONES data.
	If during discovery our vendor's initial assumptions (e.g., Secure File Transfer) were incorrect and additional software or services are required, then costs could increase and additional funding would be required.	Obligate minimum amounts required for effective program execution in order to preserve management reserve (e.g., MTIPS, PMO, and Lease).

Project name	**DATA COLLECTION SOLUTION (DCS) / ENTERPRISE CONTENT MANAGEMENT (ECM) ANALYSIS OF ALTERNATIVES (AOA) STUDY (2019.008)**					
Project sponsor	OCIO and the Office of Business Innovation (OBI)					
Customers/ beneficiaries	Internal: OCIO and OBI External: N/A					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$0	$200	$2,400		
	Operations and Maintenance				TBD	TBD
Link to the NCUA strategic goals	Goal 1: Ensure a Safe and Sound Credit Union System. The Data Collection Solution (DCS) will enable credit union examiners to fulfill the NCUA strategic objective 1.2, "provide high-quality and efficient supervision," 1.2 by implementing an enterprise content management (ECM) platform that ingests data simply and with improved performance. Goal 3: Maximize organizational performance to enable mission success. The Data Collection Solution (DCS) will assist credit union examiners to perform their work more efficiently, helping the NCUA achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation" by implementing an enterprise content management (ECM) platform that will support the NCUA's requirements for data collection, workflow, document management, customer relationship management and records management thereby improving the NCUA's records management compliance.					
Project Performance (note: √ indicates achievement of performance measure in year)	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Complete AoA Study		√			
	Provide 3-4 ECM Alternative Solutions		√			
	Complete ECM Solicitation Package			TBD		
	Award ECM Solution Contract			TBD		
	Implement ECM Solution				TBD	
Detailed project description	In addition to its data collection needs, which the NCUA plans to address through the Data Collection Solution (DCS) project, the agency requires document management, records management, customer relationship management and workflow solutions. Initial research indicates that Enterprise Content					

Detailed project description	In addition to its data collection needs, which the NCUA plans to address through the Data Collection Solution (DCS) project, the agency requires document management, records management, customer relationship management and workflow solutions. Initial research indicates that Enterprise Content Management (ECM) platforms may provide the capability to address these broad range of needs. A study is required to validate whether ECM solutions can meet the NCUA's data collection as well as records/document/customer management needs and to produce 3-4 viable alternative solutions.
	
	The purpose of this pre-planning project phase is to award and complete an Analysis of Alternatives (AoA) to study the operational effectiveness, suitability, risks and life-cycle costs of alternative ECM solutions to support the NCUA's requirements for data collection, workflow, document management, customer relationship management and records management. An AoA needs to be completed to gather the requirements across these areas and to validate that the ECM solutions are the most effective and efficient way to meet the NCUA's data collection, document management, records management needs. Additionally, the project will provide a roadmap for acquiring and implementing an ECM platform and will be followed by a subsequent project to solicit and implement the solution.
	
	The scope of this project in 2019 is an AoA of ECM platforms and identification of 3-4 viable alternative solutions to address the following requirements:
	• Data Collection Solution (DCS)
	  • Call Report
	  • CU Profile
	  • CUSO
	  • GENISIS/FOMIA
	  • Grants & Loans
	  • Regional (e.g. Correspondence)
	  • Customer Assistance Center
	• Workflow
	  • Logging
	  • GENISIS
	• CRM
	• Records Management
	  Enterprise Document Management
	The results of the AoA will aid the agency's decision making on major IT investments and the suitability of ECM as a viable solution.	

Quarterly project schedule and deliverables	March/2019	
	June/2019	Complete AoA Study
	September/2019	Identify and scope 3-4 viable ECM alternative solutions

Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	If the scope of the DCS AoA study is not properly defined, then the study may not yield suitable alternatives for the NCUA's data collection, records management, document management and workflow requirements.	Project sponsor will ensure early collaboration with OCIO and OBI leadership to define the scope of the AoA study. Additionally, the project sponsor will be prepared to spin off a second AoA study to address unrelated requirements.

Project name	**BUSINESS INTELLIGENCE (BI) TOOLS AND CAPABILITY ENHANCEMENT (2019.009)**					
Project sponsor	Office of National Examination and Supervision (ONES)					
Customers/ beneficiaries	Internal: ONES External: Large and Corporate Credit Unions					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$1,920	$1,920	TBD	---	---
	Operations and Maintenance	---	---	$1,375	$1,375	$1,375
Link to the NCUA strategic goals	Goal 1: Ensure a Safe and Sound Credit Union System. The BI Tool and Capability Enhancement project will enable credit union examiners to fulfill the NCUA strategic objective 1.2, "provide high-quality and efficient supervision," by consolidating the historic and on-going information collected by ONES in a central, standardized data warehouse. ONES will acquire and analyze risk data sets independent of the risk reporting provided by the credit unions themselves, enhancing both the quality and depth of ONES assessment of the safety and soundness of covered credit unions. Goal 3: Maximize organizational performance to enable mission success. The BI Tool and Capability Enhancement project will enable credit union examiners perform their work more efficiently, helping the NCUA achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation" by providing a centralized source of information team to implement Data Driven Supervision which will improve overall understanding of, and quantification of, material risks, provide the ability to conduct regular and ad-hoc sensitivity testing, reverse stress testing, and focused risk testing.					
Project Performance (note: √ indicates achievement of performance measure in year)	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Continue to ingest quarterly data from the CUs	√	√	√	√	√
	Cleanse quarterly data for ingestion into the warehouse	√	√	√	√	√
	Modify template(s) for data ingestion in accordance with approved business rules	√	√		√	

Create new templates for additional data collection	√	√		√	
Develop business user dashboards and reports	√	√	√	√	√
Percentage of data successfully ingested		Baseline established	TBD	TBD	TBD
Amount of data received (quarterly)		Baseline established	TBD	TBD	TBD

The purpose of this project is the collection, centralization, organization and storage of ONES data so that analysis is more accurate and efficient. This accessibility will integrate with BI tools to improve ONES's overall reporting and data analysis capabilities.

The primary goal for this project is an organized and governed data warehouse that hosts clean and accurate data from legacy, enhanced and new systems in a manner that allows for timely, distributed reporting (BI tools) and can adapt to fluctuating market conditions.

The continued buildout of the data warehouse will allow the ONES financial analysts to perform data driven assessments and challenge of capital analysis and supervisory stress tests developed by its covered credit unions, and provide a more informed assessment of credit union capital needs relative to overall risk profile. The data warehouse buildout also enhances management reporting and supports the ability of ONES National Lending Specialists (NLS) to prepare for and conduct risk-based examination of credit risk exposures and management practices in ONES covered credit unions. These new functions will improve management's supervision of ONES activities as well as all ONES staffs' ability to prepare in advance for exams and quickly identify and quantify areas of risk.

March/2019	Buildout of the BI data warehouse architecture
June/2019	Enhancements and buildout of the BI data warehouse environment Refinement and new reporting functionality;
September/2019	Refinement and new dashboards
December/2019	Delivery of data warehouse and for ONES staff

Risk	**Mitigation**
If the credit unions do not provide data in the correct format each quarter, then portfolio information for the credit unions will be inaccurate or incomplete.	Provide clear updated instructions for each template that include acceptable lists of values for each field where possible.
If credit union data is inaccurate or incomplete, then processing of quarterly credit union data will be delayed due to time to analyze and correct input data issues.	Continue to develop additional statistical routines that will quickly identify data file quality issues; this will improve the data issue identification and speed up the process of addressing data quality issues.

Project name	**ENTERPRISE CENTRAL DATA REPOSITORY (ECDR) (2019.012)**					
Project sponsor	OCIO					
Customers/ beneficiaries	Internal: All Offices at the NCUA External: Credit Unions, Credit Union members and the public will indirectly benefit from this project.					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$0	$990	$1,096		
	Operations and Maintenance			$1,129	$2,709	$2,933
Link to NCUA strategic goals	Goal 1: Ensure a Safe and Sound Credit Union System. The Enterprise Central Data Repository (ECDR) project will enable credit union examiners to fulfill strategic objective 1.2, "provide high-quality and efficient supervision," by providing a data platform that will enable the NCUA to more accurately and cost-effectively assess risks to the credit union system that will enable the NCUA to better identify and evaluate credit union risk more efficiently to conduct its mission through data analytics. Goal 3: Maximize organizational performance to enable mission success. The Enterprise Central Data Repository (ECDR) project will enable credit union examiners to perform their work more effectively and efficiently, helping the NCUA achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation" by providing the central data repository on which the agency's enterprise data analytics and Enterprise Solutions Modernization (ESM) initiative will rely that will improve the integrity, security and business value of the NCUA's data.					
Project Performance (note: √ indicates achievement of performance measure in year)	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Expand infrastructure to support legacy data required for ESS	√	√			
	Continue to ingest ONES quarterly loan data	√	√	√	√	√
	Eliminate duplicate data tables	√	√			
	Accurately categorize data (enterprise, analytics, etc.)		√			
	Number of data source consolidated into ECDR		Baseline established	TBD	TBD	TBD

Detailed project description	The Enterprise Central Data Repository (ECDR) project will implement a central data repository that will serve as the data integration point for ESS, ONES's analytic tools, the NCUA's legacy applications and the Data Collection Solution (DCS). The ECDR will become an enterprise solution for the NCUA allowing the organization to transition in a phased approach the from the existing legacy databases to a cloud-based data repository serving the agency's needs.	
Quarterly project schedule and deliverables	December/2018	Signed ATO for ECDR, not including ISA/MOU's
	March/2019	Phase 0/1: ECDR Infrastructure + Support for ESS Iterations 2 & 3 (ONES Examination Data and Institutional Financial Data) integrated in Test environment.
	June/2019	Phase 0/1: ECDR Infrastructure + Support for ESS Iterations 2 & 3 (ONES Examination Data and Institutional Financial Data) in Production
	September/2019	
	December/2019	Phase 1: Support for ESS Iteration 4 (Examination Data & Institutional Financial Data for Remaining Credit Unions)
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	If resources assigned to this project are needed to support high priority tasks, then there may be impacts to this project.	Continuous communication with OCIO Management on task prioritization and/or resource conflicts.
	If requirement changes are needed, then there may be impact to the schedule.	Hold regular status meetings with project team to keep requirements delivery on schedule. Escalate any requirements changes or expansion of requirements immediately to determine the impact of such changes.
	If there are schedule delays with the cloud environment, then additional storage may be required on premise.	Continue to communicate with the ESS team. Prepare for possible delays in moving to cloud be creating CR to increase storage by the time solution is scheduled to migrate to Test.

Project name	**AMAC SERVICING SYSTEM SOLUTION (2019.015)**					
Project sponsor	Asset Management and Assistance Center (AMAC)					
Customers/ beneficiaries	Internal: Asset Management and Assistance Center (AMAC) External: All Credit Unions					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$2,100	$600	$600	TBD	
	Operations and Maintenance				TBD	TBD
Link to the NCUA strategic goals	Goal 1: Ensure a Safe and Sound Credit Union System. A new AMAC Servicing System Solution will help the NCUA achieve strategic objective 1.1, "maintain a strong Share Insurance Fund," by enhancing AMAC's legacy content management and servicing systems. This will improve management of credit union liquidations while increasing asset recovery, thereby minimizing costs to the Share Insurance Fund and credit union members. Goal 3: Maximize organizational performance to enable mission success. A new AMAC Servicing System Solution will assist AMAC staff to perform their work more effectively and efficiently, helping the NCUA achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation." The new system will enhance AMAC's legacy content management and servicing systems, which will enable AMAC to perform its loan and member servicing duties more effectively, while continuing to fulfill its regulatory reporting responsibilities.					
Project Performance (note: √ indicates achievement of performance measure in year)	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Initiate and plan the acquisition of a new core processor	√				
	Acquire a modern, scalable and cloud-based core processor replacement		√			
	Integrate, configure and provide AMAC personnel with access to a new core processor solution		√			
Detailed project description	The purpose of this project is to enhance AMAC's legacy content management and servicing systems. Phase I of the project resulted in an enhanced, secure content					

The purpose of this project is to enhance AMAC's legacy content management and servicing systems. Phase I of the project resulted in an enhanced, secure content management solution. During Phase II of the project, the NCUA will identify, acquire, and implement replacement solutions for AMAC's aging core data processor. The key project deliverables are the acquisition and deployment of a replacement core processing system.	
March/2019	Award contracts for the core processor replacement solution and implementation services.
June/2019	Complete solution configuration and data migration.
September/2019	Complete testing.
December/2019	Deploy new solution.
Risk	**Mitigation**
The agency's existing core processor will go end-of-life (EoL) in 2019	Identify, acquire and implement a replacement solution in 2019
If a FedRAMP-compliant (or SOC 2, Type II audit compliant) solution is not acquired, then an Authority to Operate (ATO) may be difficult or impossible to obtain	Conduct thorough market research to identify vendors that offer either FedRAMP or SOC 2, Type II compliant solutions
If data migration issues are encountered, the project's budget and/or schedule would likely be negatively impacted	Assess data migration tools and data/database compatibility during market research and use this as qualifying factor

Project name	**ENTERPRISE DATA ANALYTICS, GOVERNANCE AND REPORTING SERVICES (2019.010)**					
Project sponsor	Office of Business Innovation Division (OBI)					
Customers/ beneficiaries	Internal: All Offices at the NCUA External: N/A					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$600	$600	$450		
	Operations and Maintenance				$150	$150
Link to the NCUA strategic goals	Goal 1: Ensure a Safe and Sound Credit Union System. The Enterprise Data Analytics, Governance and Reporting Services project will enable credit union examiners to fulfill the NCUA strategic objective 1.2, "provide high-quality and efficient supervision," by facilitating the centralization, organization and storage of the NCUA data so analysis is more accurate, simple and easily distributed across the agency to improve the NCUA's overall reporting and data analysis capabilities. Goal 3: Maximize organizational performance to enable mission success. The Enterprise Data Analytics, Governance and Reporting Services project will enable credit union examiners to perform their work more effectively and efficiently, helping the NCUA achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation," by establishing an enterprise repository for reporting purposes that will allow for consistent, centralized reporting and eliminating the duplicative reporting responsibilities for numerous staff.					
Project Performance (note: √ indicates achievement of performance measure in year)	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Create draft templates for governance body to identify enterprise data	√				
	Provide training sessions for Data Stewards		√			
	Develop draft charter for review by Enterprise Data Council		√			
	Establish and Operate the Enterprise Data Council		√			
	Create Enterprise Data Instruction		√			

Validate Data Governance Framework		√			
Conduct Critical Data Element Inventory for Exam and Institutional Data Domains		√			
Conduct Metadata Gap Assessment for Exam and Institutional Data Domains		√			
Provide Data Governance training sessions for the Enterprise Data Council members		√			
Implement data governance for additional data domains			√	√	√
Number of data elements consolidated across enterprise domains		Baseline established	TBD	TBD	TBD

The purpose of this project is project is to establish a data governance program comprised of a policy, a central data governing body, and data steward teams. The primary goal for this project is organized and governed data including clean and accurate data from legacy, enhanced, and new systems. This data will allow for timely, distributed reporting (BI tools) and can adapt to fluctuating market conditions. This project will facilitate the centralization, organization and storage of the NCUA data so analysis is more accurate, simple and easily distributed across the agency. This increased accessibility will combine with analytic tools to improve the NCUA's overall reporting and data analysis capabilities.

March/2019	• Provide training sessions for Data Stewards • Develop draft charter for review by Enterprise Data Council • Validate Data Governance Framework with Data Stewards • Conduct Critical Data Element Inventory for Exam and Institutional Data Domains
June/2019	• Create Enterprise Data Instruction • Establish and Operate the Enterprise Data Council • Provide Data Governance training sessions for the Enterprise Data Council members
September/2019	• Formalize Data Governance Framework with the Enterprise Data Council • Conduct Metadata Gap Assessment for Exam and Institutional Data Domains

	September/2019	• Formalize Data Governance Framework with the Enterprise Data Council • Conduct Metadata Gap Assessment for Exam and Institutional Data Domains
	December/2019	• Begin Critical Data Element Inventory for Member Financial Data Domains • Begin Metadata Gap Assessment for Member Financial Data Domains
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	If the business does not actively provide input to the Analytic Strategy for Data, then the scope of Analytic services, roles, and responsibilities may not be clearly defined and understood by all stakeholders.	1. Work to integrate with other ESM work streams in order to leverage business resources. 2. Work with OBI to provide input
	If the scope of the Enterprise Analytic Data Council is not appropriately defined in the Instruction, then the authority and effectiveness of the Council may be compromised. Additionally, support may wain from offices whose data domains and priorities are not part of the programs near term scope.	1. Work with OBI, OCIO and other stakeholders to right-size the Council's scope, ensuring that the scope is not too narrow to limit its effectiveness, and not too broad to paralyze its decision-making ability. 2. Work with OBI and OCIO to build a roadmap to take on additional scope as the framework matures and resources allow

Project name	**ASSET & LIABILITIES MANAGEMENT (ALM) APPLICATION (2019.011)**					
Project sponsor	Office of National Examination and Supervision (ONES)					
Customers/ beneficiaries	Internal: Office of National Examination and Supervision External: Large and Corporate Credit Unions					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$433	$3,167	$3,600	TBD	
	Operations and Maintenance				$3,600	$3,600
Link to the NCUA strategic goals	Goal 1: Ensure a Safe and Sound Credit Union System. The Asset & Liabilities Management (ALM) Application will enable credit union examiners to fulfill their responsibility to achieve strategic objective 1.2, "provide high-quality and efficient supervision," by building an internal analytical capabilities to run supervisory stress testing in house and to conduct regular quantitative risk assessments. Goal 3: Maximize organizational performance to enable mission success. The Asset & Liabilities Management (ALM) Application will enable credit union examiners to perform their work more effectively and efficiently, helping the NCUA achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation," by modernizing the NCUA's supervision tools and approaches, identifying material risks facing the covered credit unions, and tailoring resources to the material risks and risk focused exams.					
Project Performance (note: √ indicates achievement of performance measure in year)	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Procure ALM tool for Stress Testing	√				
	Complete software development lifecycle deployment into production		√			
	Perform data extraction and integration		√			
	Identify remaining software tools		√			
	Procure remaining tools		√			
	Perform stress testing and validate			√		
	Continue to perform internal stress testing				√	√

	Number of Credit Unions that ALM tools are used to conduct supervisory stress testing		Baseline established	TBD	TBD	TBD
Detailed project description	This project will allow the NCUA to build internal analytical capabilities to run supervisory stress testing in house and to conduct regular quantitative risk assessments by procuring and configuring off-the-shelf analytical tools, models, and software used commonly in financial industry stress testing and other risk management activities. This effort delivers a complete solution that will focus on modernizing the NCUA's supervision tools and approaches, identifying material risks facing the covered credit unions, and tailoring resources to the material risks and risk focused exams. This effort will allow the NCUA to reduce the existing third party contractor's role to only consultation.					
Quarterly project schedule and deliverables	March/2019	Pilot of ALM Application Complete				
	June/2019	Refine configuration of ALM Application				
	September/2019	Complete supervisory stress testing using ALM Application				
	December/2019	Determine if reliance on third party vendor can be eliminated				
Project Risks and Mitigation Strategies	**Risk**		**Mitigation**			
	If the ALM Tool does not configure easily, then the NCUA will be contractually bound to a solution that does not meet the needs.		Structure contract with pilot period and additional options to enable the NCUA to exit contract with minimal financial exposure.			
	If the ALM Tool provides results that are inaccurate, then the NCUA will need identify other tools for consideration.		Allow adequate time to validate results against existing third party vendor's findings. Continue utilizing existing third party vendor contract to perform supervisory stress testing.			

Project name	**ENTERPRISE LEARNING MANAGEMENT SYSTEM (LMS) REPLACEMENT (2019.016)**					
Project sponsor	Office of Human Resources (OHR)					
Customers/ beneficiaries	Internal: All Offices at the NCUA External: N/A					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$250	$550			
	Operations and Maintenance			$112	$112	$112
Link to the NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. The Enterprise Learning Management System (LMS) Replacement project will assist all the NCUA employees perform their work more effectively and efficiently, helping the NCUA achieve strategic objective 3.1, "attract, engage and retain highly-skilled, diverse workforce and cultivate an inclusive environment." The new LMS will be the NCUA's primary system for hosting and delivering eLearning courses and will allow for increased access to training and eLearning.					
Project Performance (note: √ indicates achievement of performance measure in year)	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Initiate and plan the acquisition of a new LMS	√				
	Acquire a modern, cost-efficient cloud-based LMS that meets agency requirements		√			
	Prepare and provide access to a new LMS and a full array of learning services to ~2,500 end users		√			
Detailed project description	The purpose of the Enterprise Learning Management System (LMS) Replacement project is to conduct market research, initiate an acquisition, create a project management plan, and execute production implementation a cost-effective, cloud-based solution and training services that provides the NCUA with the full-range of eLearning functionality associated with a modern LMS. This will allow for enhanced examiner utilization and accessibility driven by quality content, ease of use and system reliability, role-based interface: ability to view personalized pages by role, centralized content, adherence to federally-mandated reporting requirements and records management adherence.					

Quarterly project schedule and deliverables	March/2019	Complete capturing requirements, market research, and request for proposals	
	June/2019	Award contract	
	September/2019	Complete testing and implementation	
	December/2019	Deploy	
Project Risks and Mitigation Strategies	**Risk**		**Mitigation**
	If HTML 5 is not enabled in the agency's web browser to support Adobe Flash content in the current LMS, then the existing training system will not work. Support for Adobe Flash is scheduled to be discontinued in 2020.		Procure learning content constructed using modern web standards and that is compatible with the latest version of the agency web browser.
	If technical issues arise during the data migration process, it could result in the loss of training records, content or other data.		Assess data compatibility during market research and use compatibility as a qualifying factor.

Project name	**GOVERNANCE, RISK MANAGEMENT, AND COMPLIANCE (GRC) TOOL FOR MANAGING COMPLIANCE INFORMATION (2019.005)**					
Project sponsor	Office of the Chief Information Officer (OCIO), Office of the Chief Financial Officer (OCFO), Office of the General Council (OGC)					
Customers/ beneficiaries	Internal: All Offices at the NCUA External: All Credit Unions					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$0	$325			
	Operations and Maintenance			$60	$60	$60
Link to the NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. The GRC Tool project will help the NCUA achieve strategic objective 3.3, "ensure sound corporate governance" by acquiring and implementing a GRC tool that provides a structured repository for all system security and privacy documentation; security risk assessments; risk scoring; Plan of Actions and Milestones (POAM) management; and authorization workflow information.					
Project Performance	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Reduce manual compilation of security info and event reports by: - implementing an aggregated repository, - utilizing a standard near real-time reporting capability, and - leveraging integration with incident management and reporting dashboards.	Baseline under development				

	Improve performance through enhanced capabilities resulting in visibility into security posture for all levels of NCUA and automated reporting to both internal and external stakeholders.	Baseline under development				
Detailed project description	The purpose of this project is to acquire and implement a single, structured repository for compliance-related records for the NCUA's information technology, financial management, and legal processes. . Once implemented, the GRC tool will enhance the NCUA risk management and its internal control environment while improving business continuity.					
Quarterly project schedule and deliverables	March/2019	Implement GRC Tool for managing compliance information				
	June/2019					
	September/2019					
	December/2019					
Project Risks and Mitigation Strategies	**Risk**		**Mitigation**			
	If the acquisition timeframe is extended, then the implementation schedule will be delayed.		Provide all required procurement artifacts well in advance of deadlines and manage all activities closely with clear escalation paths for higher level issue resolution.			
	If resources are assigned to other assignments, then the implementation schedule will be delayed.		Create integrated master schedule with clear process for resource prioritization and scheduling			

Project name	**FINANICAL MANAGEMENT SYSTEM ANALYSIS OF ALTERNATIVES (AOA) (2019.018)**					
Project sponsor	Office of the Chief Financial Officer					
Customers/ beneficiaries	Internal: OCFO External: All Credit Unions and All Vendors Doing Business with the NCUA					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$0	$350			
	Operations and Maintenance			TBD	TBD	TBD
Link to the NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. The Financial Management Analysis of Alternatives will help the NCUA achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation" by ensuring the agency is using the most cost-effective Financial Management System (FMS) solution.					
Project Performance (note: √ indicates achievement of performance measure in year)	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Complete AoA Study		√			
	Provide FMS Alternative Solutions		√			
Detailed project description	The NCUA is seeking a fully integrated, vendor supported, and upgradeable software system. This system is necessary for the NCUA to properly manage its finances, and will require fund-accounting based solutions that support governmental accounting and are fully compliant with appropriate governmental accounting standards. The NCUA requires a system that includes modules and functionalities common with Federal Agencies, such as: General Ledger and US Standard General Ledger (USSGL) Charts of Accounts, Accounts Payable, Accounts Receivable, Vendor File Maintenance & Management, Purchase Orders and Requisitions, Contracts and Solicitations, Project and Grants Accounting, Invoicing and Billing Management, Inventory Management and Accountable Property, Travel Management, Cost Accounting, Budget Preparation and Management, Budget Accounting, Execution, and Funds Control, Fund Accounting, Capital and Fixed Assets, Financial Reporting, Human Resources/Payroll Interface, Business Intelligence and Ad hoc Reporting, Federal Financial Reporting Requirements					

Detailed project description	The NCUA is seeking a fully integrated, vendor supported, and upgradeable software system. This system is necessary for the NCUA to properly manage its finances, and will require fund-accounting based solutions that support governmental accounting and are fully compliant with appropriate governmental accounting standards. The NCUA requires a system that includes modules and functionalities common with Federal Agencies, such as: General Ledger and US Standard General Ledger (USSGL) Charts of Accounts, Accounts Payable, Accounts Receivable, Vendor File Maintenance & Management, Purchase Orders and Requisitions, Contracts and Solicitations, Project and Grants Accounting, Invoicing and Billing Management, Inventory Management and Accountable Property, Travel Management, Cost Accounting, Budget Preparation and Management, Budget Accounting, Execution, and Funds Control, Fund Accounting, Capital and Fixed Assets, Financial Reporting, Human Resources/Payroll Interface, Business Intelligence and Ad hoc Reporting, Federal Financial Reporting Requirements (OMB A-136), Travel Expense Report and Reimbursement, GSA SmartPay® 3 Charge Card Interface, and System Generated Financial Statements.	
Quarterly project schedule and deliverables	March/2019	
	June/2019	Complete AoA Study
	September/2019	Identify and scope viable FMS alternative solutions
	December/2019	
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	If the scope of the FMS AoA study is not properly defined, then the study may not yield suitable alternatives for the NCUA's financial management requirements.	OCFO will ensure early collaboration with OCIO leadership to define the scope of the AoA study.

Project name	**DISASTER RECOVERY (2019.006)**					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All Offices at the NCUA External: All Credit Unions					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$1,200	$0			
	Operations and Maintenance		$0	$360	$360	$360
Link to NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. The Disaster Recovery project will help NCUA achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation" by enabling infrastructure and platform to alignment with the Data Center for continuity of operations and backup and recovery capabilities for Mission Essential Functions (MEFs) and Essential Supporting Activities (ESAs).					
Project Performance	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Reduce administrative burden by: - eliminating ad hoc support for End of Life (EOL) equipment, - updating more robust platforms with enhanced troubleshooting and management consoles, and - reducing maintenance requirements.	Baseline under development				
	Enhance capabilities resulting in: - lower support costs, greater integration from modernize interfaces and software, and	Baseline under development				

	Enhance capabilities resulting in: - lower support costs, greater integration from modernize interfaces and software, and - predictable upgrade and vulnerability management paths	Baseline under development				
Detailed project description	The purpose of the Disaster Recovery project is to enable infrastructure and platform to alignment with the NCUA data center for continuity of operations and backup and recovery capabilities for MEFs and ESAs in order to ensure that the NCUA operations are stable.					
Quarterly project schedule and deliverables	March/2019					
	June/2019					
	September/2019	Enable disaster recovery capabilities.				
	December/2019	Close out.				
Project Risks and Mitigation Strategies	**Risk**		**Mitigation**			
	If the acquisition timeframe is extended, then the implementation schedule will be delayed.		Provide all required procurement artifacts well in advance of deadlines and manage all activities closely with clear escalation paths for higher level issue resolution.			
	If resources are assigned to other assignments, then the implementation schedule will be delayed.		Create integrated master schedule with clear process for resource prioritization and scheduling			

Project name	**ENTERPRISE LAPTOP LEASE (2019.017)**					
Project sponsor	Office of the Chief Information Officer (OCIO)					
Customers/ beneficiaries	Internal: All Offices at the NCUA External: State Supervisory Authority (SSA)					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$2,501*	$800	$800	$2,035*	$800
	Operations and Maintenance					
	* Compatibility and infrastructure issues delayed the project in 2018, and required $651,000 in repurposed funding, which was approved by the NCUA board through a budget reprogramming. ** The laptop refresh budget assumes the devices will be acquired by way of a 3-year lease. Consequently, the refresh cycle is anticipated to begin again in 2021.					
Link to the NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. The Enterprise Laptop Lease project will assist all employees to perform their work more effectively and efficiently, helping the NCUA achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation." New hardware for the NCUA's employees provides staff with new functionality and the NCUA improved security features that enhance user productivity, increased mobile functionality, and lower IT administrative costs due to a decreased need for support services.					
Project Performance (note: √ indicates achievement of performance measure in year)	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Upgrade IT infrastructure to support the Windows 10 platform	√				
	Ensure operability of critical, legacy business applications on the Windows 10 platform	√				
	Deploy new Windows 10-based laptops to all eligible NCUA employees, contractors, and SSAs	√				
	Enhance centralized management of agency laptops and applications during the O&M phase	√	√			

Detailed project description	The purpose of the Enterprise Laptop Lease project is to provide the NCUA with a more efficient, mobile friendly, and secure tool to help better perform their jobs at a reasonable cost. The project scope includes: (1) the selection of new, standard laptop configurations; (2) image and compatibility testing; (3) device acquisition; and (4) the managed deployment of the new devices to end users. Out year costs are associated with the required lease payments. All stakeholders who use the NCUA-provided and supported laptops to perform their work will receive the new laptops. By including hardware and OS support into the lease agreement contract, and following a three-year replacement lifecycle, the NCUA will be able to keep pace with changes in workstation and OS technology in a cost effective manner.		
Quarterly project schedule and deliverables	September/2018	~1,500 laptops deployed to all eligible NCUA employees, contractors, and SSAs	
	December/2018	Project closed and transitioned to Operations & Maintenance (O&M)	
	March/2019	O&M of this capital lease	
	June/2019	O&M of this capital lease	
Project Risks and Mitigation Strategies	**Risk**		**Mitigation**
	Unforeseen shipping delays (weather, traffic, etc.) could result in field and remote staff not receiving laptops and peripherals on their scheduled arrival date		Agency staff and contractor partners collaborated to create a logistics and shipping plan that focused on ensuring timely product delivery, traceability and redirect capability for recipients
	Failure of the automated virtual private network (VPN) connection process could result in field and remote staff not being able to access the NCUA's network without additional support		Agency staff worked closely with the VPN vendor to ensure the automated network connectivity solution was viable, robust and secure. Internal technical staff as well as business staff tested the solution under real-world working conditions to ensure it would meet agency requirements

Project name	**INFORMATION TECHNOLOGY (IT) INFRASTRUCTURE, PLATFORM AND SECURITY REFRESH (2019.001)**					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All Offices at the NCUA External: All Credit Unions					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$0	$2,350			
	Operations and Maintenance			$620	$620	$620
Link to the NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. Information Technology (IT) Infrastructure, Platform and Security Refresh project will enable credit union examiners to perform their work more effectively and efficiently, helping the NCUA achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation" by refreshing and/or replacing COLO and Regional routers, switches virtual servers, wireless, virtual private network, end of life and end of service components which ensure business continuity.					
Project Performance	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Reduce administrative burden by: - eliminating ad hoc support for End of Life (EOL) equipment, - updating more robust platforms with enhanced troubleshooting and management consoles, and	Baseline under development				

	Improve performance through: - enhanced capabilities resulting in lower support costs, - greater integration from modernize interfaces and software, and - predictable upgrade and vulnerability management paths	Baseline under development				
Detailed project description	The purpose of the Information Technology (IT) Infrastructure, Platform and Security Refresh project is to ensure that the NCUA data is secure and operations are stable by refreshing and/or replacing COLO and Regional routers, switches virtual servers, wireless, virtual private network, and other network end-of-life and end-of-service components.					
Quarterly project schedule and deliverables	March/2019	Complete refresh and/or replace of COLO and Regional IT appliances.				
	June/2019	Close out.				
	September/2019					
	December/2019					
Project Risks and Mitigation Strategies	**Risk**		**Mitigation**			
	If the acquisition timeframe is extended, then the implementation schedule will be delayed.		Provide all required procurement artifacts well in advance of deadlines and manage all activities closely with clear escalation paths for higher level issue resolution.			
	If resources are assigned to other assignments, then the implementation schedule will be delayed.		Create integrated master schedule with clear process for resource prioritization and scheduling.			

Project name	**SECURITY MANAGEMENT TOOL UPGRADE (PATCH & VULNERABILITY MANAGEMENT) (2019.004)**					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All Offices at the NCUA External: All Credit Unions					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$0	$342			
	Operations and Maintenance			$60	$60	$60
Link to the NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. The Security Management Tool Upgrade (Patch & Vulnerability Management) project will help the NCUA achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation" by upgrading the NCUA information technology systems to ensure business continuity and comply with the DHS Continuous Diagnostics and Mitigation (CDM) Federal requirements for effective IT service management.					
Project Performance	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Enhance security posture through centralized system patch and vulnerability management resulting in: • efficiencies by creating a single technology and repository for patch vulnerability management for all systems and software, • reduce learning curve around multiple solutions, • standardizing reports and audit responses, and	Baseline under development				

	Enhance security posture through centralized system patch and vulnerability management resulting in: • efficiencies by creating a single technology and repository for patch vulnerability management for all systems and software, • reduce learning curve around multiple solutions, • standardizing reports and audit responses, and • Automating reporting to both internal and external stakeholders.	Baseline under development				
Detailed project description	The purpose of the Security Management Tool Upgrade (Patch & Vulnerability Management) project is to comply with the DHS Continuous Diagnostics and Mitigation (CDM) Federal requirements for effective IT service management. This will enhance the NCUA security posture and establish the convergence of operational risk and resilience management via operational and technical controls/solutions that ensure business continuity. In addition to ensuring the existing business continuity, these activities ensure the appropriate preparation for future modernization and organizational changes.					
Quarterly project schedule and deliverables	March/2019					
	June/2019					
	September/2019	Implement Security Management Tool Upgrade (Patch & Vulnerability Management)				
	December/2019					
Project Risks and Mitigation Strategies	**Risk**		**Mitigation**			
	If the acquisition timeframe is extended, then the implementation schedule will be delayed.		Provide all required procurement artifacts well in advance of deadlines and manage all activities closely with			

Project name	**SECURITY MANAGEMENT TOOL UPGRADES (SECURITY INFORMATION AND EVENT MANAGEMENT (SIEM)) (2019.003)**					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All Offices at the NCUA External: All Credit Unions					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$0	$327			
	Operations and Maintenance			$60	$60	$60
Link to the NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. The Security Management Tool Upgrades (Security Information and Event Management (SIEM)) project will help the NCUA achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation" by optimizing event collection, monitoring, detection and response capabilities for InfoSec and IT Operations which ensure business continuity.					
Project Performance	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Improve performance by: - reducing manual compilation of security info and event reports by implementing an aggregated repository - utilizing a standard near real-time reporting capability, and - leveraging integration with incident management and reporting dashboards.	Baseline under development				

	Improve effectiveness through: - enhanced capabilities resulting in visibility into security posture for all levels of the NCUA, - Automated reporting to both internal and external stakeholders, and - Monitoring capabilities for all IT functions eliminating redundant acquisitions.	Baseline under development				

Detailed project description	The purpose of the Security Management Tool Upgrades (Security Event and Incident Management (SEIM)) project is to optimize collection, monitoring, detection and response capabilities for security incidents on the NCUA networks, which will improve business processes by enabling data-driven and proactive management.	
Quarterly project schedule and deliverables	March/2019	Acquisition Award
	June/2019	Implement Security Management Tool Upgrades (Security Event and Incident Management (SEIM).
	September/2019	
	December/2019	
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	If the acquisition timeframe is extended, then the implementation schedule will be delayed.	Provide all required procurement artifacts well in advance of deadlines and manage all activities closely with clear escalation paths for higher level issue resolution.
	If resources are assigned to other assignments, then the implementation schedule will be delayed.	Create integrated master schedule with clear process for resource prioritization and scheduling

Project name	**REFRESH END OF LIFE VOICE OVER INTERNET PROTOCOL (VOIP) PHONE SYSTEM (2019.002)**					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All Offices at the NCUA External: General public contacting the NCUA by telephone					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$800	$170			
	Operations and Maintenance			$240	$240	$240
Link to the NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. Refresh End of Life Voice over Internet Protocol (VoIP) Phone System project will enable credit union examiners to perform their work more effectively and efficiently, helping the NCUA achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation" by fully replacing the end of life infrastructure, platform and endpoints to ensure voice communications capabilities which ensure business continuity.					
Project Performance	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Reduce administrative burden by: - eliminating ad hoc support for End of Life (EOL) equipment, - updating more robust platforms with enhanced troubleshooting and management consoles, and - reducing maintenance requirements.	Baseline under development				
	Improve performance through: - enhanced capabilities resulting in lower support costs, - greater integration from modernize	Baseline under development				

	Improve performance through: - enhanced capabilities resulting in lower support costs, - greater integration from modernize interfaces and software, and - predictable upgrade and vulnerability management paths.	Baseline under development				
Detailed project description	The purpose of the Refresh End of Life Voice over Internet Protocol (VoIP) Phone System project is to fully replace the NCUA's end-of-life telephone system (infrastructure, platform, and endpoints) to ensure voice communications capabilities in order to ensure that business continuity and operations are stable. Once installed, the new phone system will help ensure business continuity, since the current system is no longer supported by the manufacturer, presenting a high risk of permanent, unanticipated failure.					
Quarterly project schedule and deliverables	March/2019	Acquisition Award				
	June/2019	Begin replacement of VoIP appliances.				
	September/2019	Complete VoIP replacement of all appliances.				
	December/2019	Close out.				
Project Risks and Mitigation Strategies	**Risk**		**Mitigation**			
	If the acquisition timeframe is extended, then the implementation schedule will be delayed.		Provide all required procurement artifacts well in advance of deadlines and manage all activities closely with clear escalation paths for higher level issue resolution.			
	If resources are assigned to other assignments, then the implementation schedule will be delayed.		Create integrated master schedule with clear process for resource prioritization and scheduling			

Project name	**CENTRAL OFFICE HVAC SYSTEM REPLACEMENT PROJECT (2019.019)**					
Project sponsor	Office of the Chief Financial Officer					
Customers/ beneficiaries	Internal: All Central Office Building Occupants External: All Central Office Building Visitors					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	650	750	750	---	---
Link to the NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. The NCUA central office Heating, Ventilation, and Air Conditioning (HVAC) system replacement project will improve the operations of the agency's largest building while lowering energy consumption by installing more energy-efficient systems, helping achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation." The current HVAC system is 24 years old, and by replacing it the NCUA will ensure its infrastructure meets all current codes for life safety, accessibility, and security. The new system will result increased energy and operational efficiency and lower maintenance costs.					
Project Performance	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Energy Consumption* (kWh/degree days)	1.95K	1.8K	1.6K	=<1.55K	=<1.55K
	System Outages (unscheduled repair visits)	40+	<30	<20	<10	<10
	Customer Complaints (temp-related service calls)	<80	<50	<30	=<25	=<25
	*Estimate based on 18,000 annual degree days. Will be updated with actual performance.					
Detailed project description	This project will replace all HVAC systems in the NCUA central office building to include all cooling towers, air handlers, boilers and HVAC components. The current HVAC system is original to the facility, 24 years old and obsolete. HVAC systems are the biggest users of electricity in a facility, and the anticipated life span of these systems' major components is approximately 20-25 years. The current system is at the end of its usable life and it is not working efficiently. Additionally the maintenance and operating costs have increased considerably and system components are failing more frequently, which are clear signs of decreased reliability.					

Detailed project description	This project will replace all HVAC systems in the NCUA central office building to include all cooling towers, air handlers, boilers and HVAC components. The current HVAC system is original to the facility, 24 years old and obsolete. HVAC systems are the biggest users of electricity in a facility, and the anticipated life span of these systems' major components is approximately 20-25 years. The current system is at the end of its usable life and it is not working efficiently. Additionally the maintenance and operating costs have increased considerably and system components are failing more frequently, which are clear signs of decreased reliability. In the last 23 years, technology and codes governing HVAC systems have dramatically changed. A modern, reliable HVAC system will not only increase energy and operational efficiency, but will allow better comfort and more efficient temperature control. A new HVAC system will: 1) be better for the environment, 2) reduce the NCUA downtime from emergency replacements, 3) maintain a more comfortable environment for building occupants, 4) keep the Roof Top Units (RTU) technologically current with more efficient units, and 5) follow the federal mandate for more environmentally friendly refrigerants. This is a capital improvement that is required in order for the facility to continue normal HVAC operation and it is consistent with the life cycle replacement required for critical infrastructure. Due to the age of the equipment, there are opportunities for significant gains to energy efficiency and reliability simply because of the technological advancements that have taken place since the original installation. Aging equipment is a large contributor to less sustainable facilities and higher operating cost. Modernized equipment will bring considerable savings and ensure another 15-20 years of high reliability HVAC operation.	
Quarterly project schedule and deliverables	March/2019	Design Complete full design, permits and construction schedule.
	November/2019	System components - updates all thermostats and obsolete Variable Airflow Boxes
	March/2020	First Chiller Plant - Replacement of first cooling tower for the facility
	March/2021	Second Chiller Plant - Replacement of the Second Cooling tower for the facility
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	Schedule. Central office renovation work will affect all floors and will be ongoing through 2019.	Project managers have developed an integrated master schedule for Central Office Renovation and HVAC System

Project name	**THE NCUA FACILITY REPAIRS, AUSTIN TEXAS OFFICE BUILDING (2019.020)**					
Project sponsor	Office of the Chief Financial Officer					
Customers/ beneficiaries	AMAC/Central Region staff					
Budget	**$ in thousands**	**2018**	**2019**	**2020**	**2021**	**2022**
	Acquisition	$100	$150	$300	$230	$200
Link to the NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. Repairs to NCUA's Austin, Texas office building will improve operations at the facility and help enable the agency to meet its strategic objective 3.3 "ensure sound corporate governance." Many of the systems and building elements in the Austin office building have not been adequately maintained, and this investment will ensure that facility infrastructure meets current building codes for life safety, accessibility, and security. Once the investments have been completed, replaced equipment and better management of maintenance schedules will result in increased energy and operational efficiency.					
Project Performance	**Performance measure**	**2018**	**2019**	**2020**	**2021**	**2022**
	Cost Of Ownership (building O&M/employee)	$3,500	$3,200	$2,900	$2,900	$2,900
Detailed project description	The NCUA assessed the condition of its office building in Austin, Texas in 2018 and identified over $750,000 in high priority improvements, such as replacing the fire alarm system, repairing and replacing doors and sensors, and installing fire-proof roofing. The 2019 investment of $150,000 will support fixing/replacing all priority items. These capital improvements are required in order for the facility to continue routine and safe operations, and align with the life cycle replacement required for critical infrastructure. Future year budgets will fund additional major repair or replacement projects in a priority order.					
Quarterly project schedule and deliverables	2nd Quarter/2019	Critical Items:	Roof Repairs Fire Proofing Garage Ventilation Louver Repair Electrical Repairs (Code Deficiency) Fire Alarm System Repairs			

	2nd Quarter/2020	Potentially Critical Items:	Exterior Window Repair Attic Insulation Repair Exterior Building Envelope Repairs HVAC Insulation Repairs Roof Drains Insulation
	2nd Quarter/2021	Necessary Items:	Remodel Restrooms Replace carpet in selected areas Replace Misc HVAC Components
	2nd Quarter/2022	Recommended Items:	Partial Elevator Replacement Lighting Protection Sustainability Improvements

Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	Cost. Managing facilities on a proactive replacement schedule will likely result in higher short-term costs than addressing problems as they arise, a so-called "break-fix" maintenance strategy.	The NCUA has developed a prioritized, scheduled maintenance and building system replacement plan for the Austin office building, which provides projected, sustained funding levels over several years.

By the National Credit Union Administration Board on September 26, 2018.

Gerard S. Poliquin,

Secretary of the Board.

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