NATIONAL CREDIT UNION ADMINISTRATION

The NCUA Staff Draft 2020—2021 Budget Justification

AGENCY: National Credit Union Administration (NCUA).

ACTION: Notice.

SUMMARY: The NCUA's draft, ''detailed business-type budget'' is being made available for public review as required by federal statute. The proposed resources will finance the agency's annual operations and capital projects, both of which are necessary for the agency to accomplish its mission. 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, November 12, 2019. In order for the NCUA to produce copies for public distribution at the budget briefing, written statements and presentations for those scheduled to appear at the budget briefing must be received on or before Monday, November 18, 2019.

Written comments without public presentation at the budget briefing may be submitted by Monday, December 2, 2019.

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, November 12, 2019. 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, November 18, 2019.
- *Written comments:* submit comments to *BudgetComments@ncua.gov* by Monday, December 2, 2019. Include your name and the following subject line ''Comments on the NCUA Draft 2020–2021 Budget Justification.''

Copies of the NCUA Draft 2020–2021 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 November 20, 2019 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: The following itemized list details the documents attached to this notice and made available for public review:

I. The NCUA Budget in Brief
II. Introduction and Strategic Context
III. Forecast and Enterprise Challenges
IV. Key Themes of the 2020–2021 Budget
V. Operating Budget
VI. Capital Budget
VII. Share Insurance Fund Administrative Budget
VIII. Financing The NCUA Programs
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 2020–2021 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.

The NCUA staff will present its draft budget to the Board at a budget briefing open to the public and scheduled for Wednesday, November 20, 2019 from 10:00 a.m. to 12:00 p.m. Eastern. The budget briefing will be held in the NCUA Board meeting room. 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, November 12, 2019. 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 November 20, 2019 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, November 18, 2019.

Written comments on the draft budget will also be accepted by email at *BudgetComments@ncua.gov* until Monday, December 2, 2019. Include your name and the following subject line with your comments: ''Comments on the NCUA Draft 2020–2021 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.

By the National Credit Union Administration Board on October 28, 2019.

Gerard S. Poliquin,

Secretary of the Board.

I. The NCUA Budget in Brief

Proposed 2020 and 2021 Budgets

The National Credit Union Administration's (NCUA) *2018–2022 Strategic Plan* sets forth the agency's goals and objectives that form the basis for determining resource needs and allocations. The annual budget provides the resources to execute the strategic plan, to implement important initiatives, and to undertake the NCUA's major programs: Examination and supervision, insurance, credit union development, consumer financial protection, and asset management.

2020–2021 NCUA BUDGET RESOURCES

Budget	2020 Board Approved Budget	2020 Revised Budget	Change (2020)	Change Percent (2020)	2021 Requested Budget	Change (2020-21)	Change Percent (2020–21)	2020 FTE	2021 FTE	FTE Change 2020–2021
Operating Budget	316,164,000	316,213,000	49,000	0.0%	325,973,000	9,760,000	3.1%	1,180	1,180	-
Capital Budget	18,608,000	25,075,541	6,467,541	34.8%	25,205,000	129,459	0.5%	-	-	-
Share Insurance Fund Admin. Budget	9,121,000	6,450,000	(2,671,000)	-29.3%	6,932,000	482,000	7.5%	5	5	-
Total	**$ 343,893,000**	**$ 347,738,541**	**$ 3,845,541**	**1.1%**	**$ 358,110,000**	**$ 10,371,459**	**3.0%**	**1,185**	**1,185**	**-**

The NCUA's 2020–2021 budget justification consists of three separate budgets: The Operating Budget, the Capital Budget, and the National Credit Union Share Insurance Fund Administrative Budget. Combined, these three budgets total $347.7 million for 2020, which is 1.1 percent more than the 2020 funding level approved by the NCUA Board in November 2018, and 3.9 percent more than the comparable 2019 Board-approved budget.

A significant cost driver in the 2020 budget is the increase in mandatory contributions all federal agencies must make to the Office of Personnel Management (OPM) for the Federal Employee Retirement System (FERS). Of the total 3.9 percent budget increase between 2019 and 2020, 1.6 percentage points of growth are directly attributable to the increased cost of FERS contributions and 2.3 percentage points of growth are the result of changes in agency operations.

The 2.3 percent growth in agency operations also includes absorbing the equivalent of 0.8 percentage points of growth for costs avoided in the Share Insurance Fund Administrative Budget. This means the actual budget increase to fund the agency's operations is the equivalent of 1.5 percent growth.

Personnel levels for 2020 and 2021 reflect the agency's current staffing requirements and proposed staffing enhancements related to high-priority initiatives.

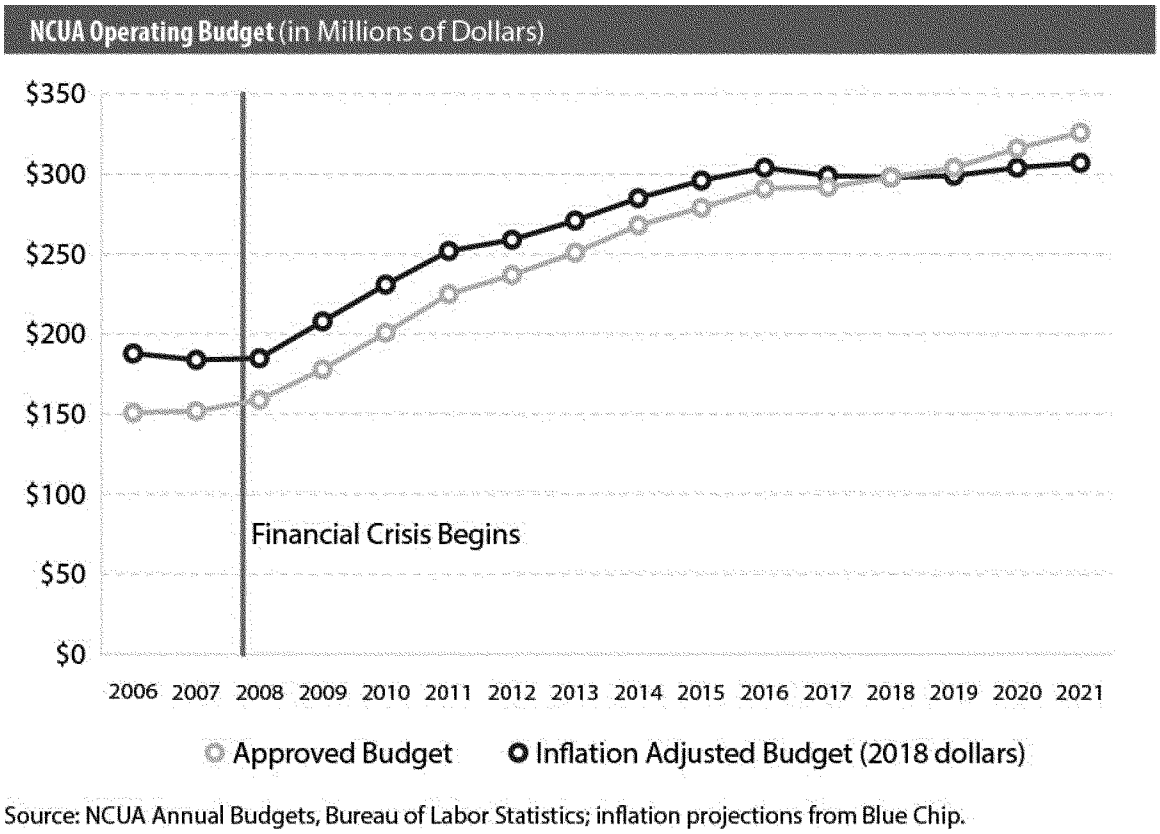
Operating Budget

The proposed 2020 Operating Budget is $316.2 million. Personnel levels increase by three full-time equivalents (FTE) compared to the 2019 Board-approved budget.[1]

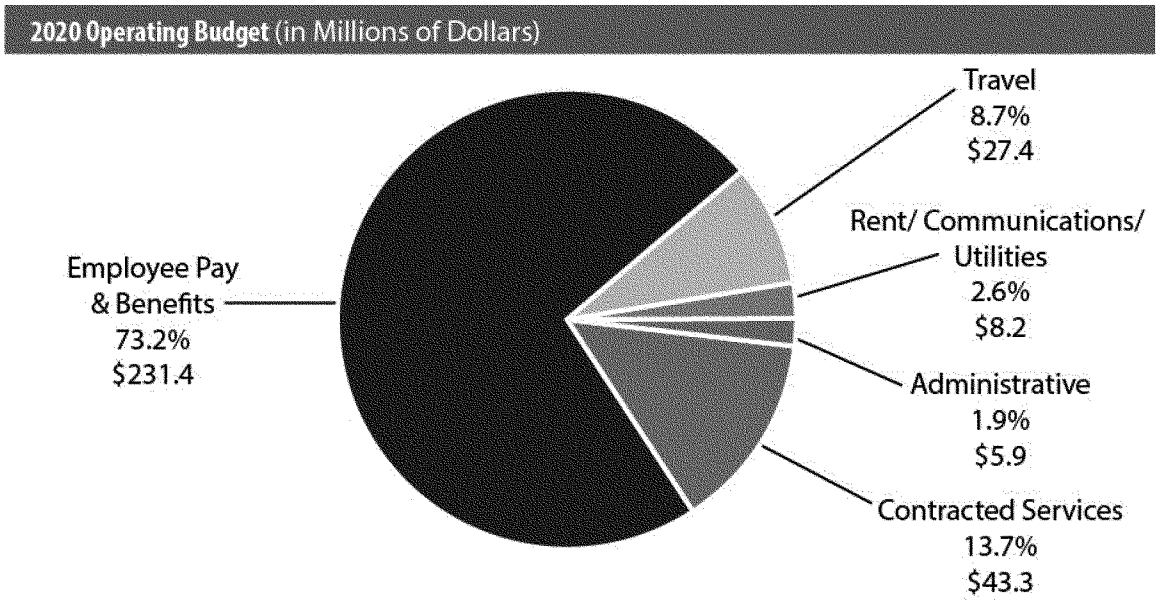
The 2020 Operating Budget, when adjusted for inflation, represents a real dollar increase of approximately $5.2 million, or 1.7 percent, compared to the 2019 Board-approved budget. In nominal dollars, the 2019 Budget increases by $11.8 million, or 3.9 percent, over the 2019 Board-approved budget of $304.4 million. The Operating Budget estimate for 2021 is $326 million and reflects no change to authorized positions.

The following chart shows recent year-on-year trends for the NCUA Operating Budget, in both real dollar and nominal terms:

[1] The published 2019 FTE level approved by the Board on November 15, 2018 was 1,173 for the Operating Budget. On July 18, 2019, the NCUA Board approved an additional four FTE. The revised 2020 Operating Budget proposes three more FTE, for a total of 1,180.



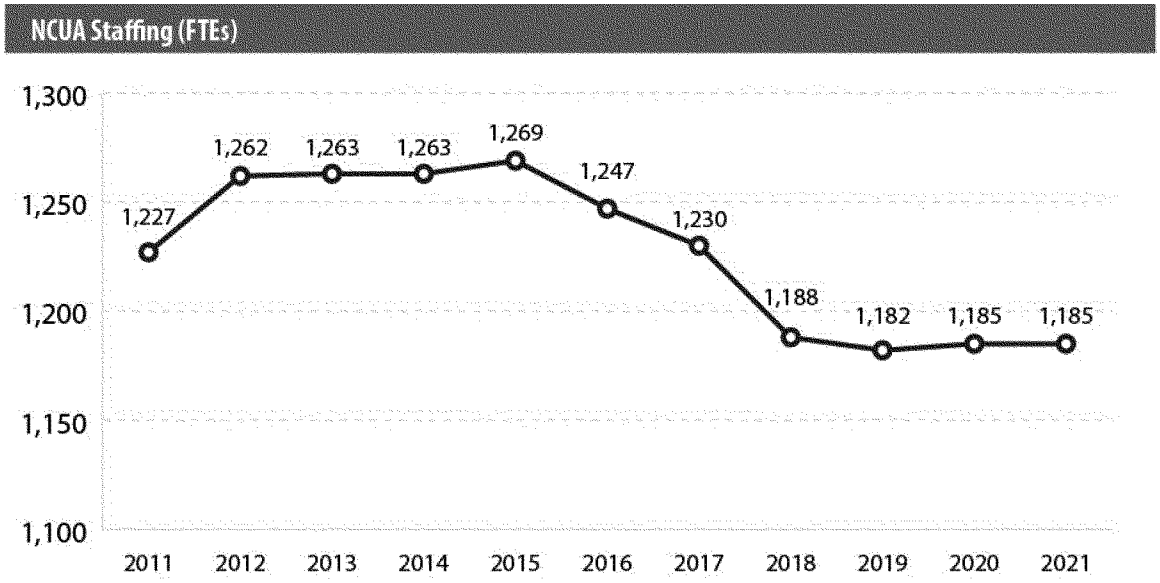
The following chart presents the major categories of spending supported by the 2020 budget, while specific adjustments to the 2019 Board-approved budget are discussed in further detail, below:



note: minor rounding differences may occur in totals

Total Staffing. The budget supports 1,185 FTE in total for 2020, of which five are funded by the Share Insurance Fund Administrative Budget. The Operating Budget funds 1,180 FTE in 2020, a net increase of three FTEs from the 2019 levels approved by the Board. Additional staff have been added to several offices as discussed later in this document. Since 2018 and despite significant credit union asset growth, total NCUA staffing has remained

within a range of approximately five positions, as shown in the chart below.



Pay and Benefits. Pay and benefits increase by $8.5 million in 2020, or 3.8 percent, for a budget of $231.4 million. Over 50 percent of the growth in pay and benefits—nearly $5 million—is the result of OPM increasing the mandatory employer contribution for the FERS. Required FERS payments to OPM increase from 13.7 percent of covered employees' salaries to 16 percent, a change of 230 basis points. Nearly all NCUA employees are covered by FERS, which includes a defined pension benefit funded by both employee and employer contributions. Because almost every federal agency is required to participate in FERS, the employer share of contributions increases throughout the government in 2020. Excluding additional FERS contributions from the 2020 budget, total personnel compensation growth would be 1.6 percent instead of 3.8 percent, and total Operating Budget growth would be 2.2 percent instead of 3.9 percent.

The remaining increase in pay and benefits accounts for the merit and locality pay adjustments required by the NCUA's current collective bargaining agreement, the three new positions proposed for 2020, anticipated staff promotions, position changes, and increased costs for other mandatory employer contributions such as health insurance and retirement contributions.

Travel. The travel budget increases by $590,000 in 2020, or 2.2 percent, for a budget of $27.4 million. In 2020, the NCUA plans to train its Credit Union Examiner workforce to conduct examinations using the Modern Examination and Risk Identification Tool (MERIT) system, which is planned for full implementation in the fourth quarter of 2020. State credit union examiners will also be trained to use MERIT. The Operating Budget includes approximately $1.0 million in one-time travel costs associated with the 778 NCUA employees who will participate in MERIT training meetings in 2020.

In general, the NCUA continues working to contain the growth of travel costs by expanding offsite examination work and using technology-driven training. Government-wide per diem rates published by the General Services Administration (GSA) are expected to increase by almost 1.3 percent in 2020, accounting for a share of the travel budget growth. In addition, starting in 2019 GSA instituted a cost recovery fee for airline tickets purchased at negotiated government rates, which adds approximately $20,000 annually to the agency's cost of purchasing airline tickets at government rates.

Rent, Communications, and Utilities. Rent, communications, and utilities increase by $188,000 in 2020, or 2.3 percent, for a budget of $8.2 million. This funding pays for telecommunications services, data capacity contracts, and information technology network support. The increase is primarily due to additional data capacity that will be required as a result of implementing the new MERIT examination system, which will be cloud-based and consume more data bandwidth than the AIRES system it is replacing.

Administrative Expenses. Administrative expenses decrease by $2.8 million in 2020, or 31.9 percent, for a total budget of $5.9 million. Decreases to the administrative expenses budget category largely result from reclassifying $2.6 million in software licensing costs as contracted services, not administrative expenses, in order to reflect these costs consistently with other federal budgetary presentations.

Contracted Services. Contracted services expenses increase by $5.3 million in 2020 for a total budget of $43.3 million. However, as discussed above, approximately $2.6 million of this increase results from costs previously shown as administrative expenses being reclassified as contracted services in order to reflect these costs consistently with other federal budgetary presentations. The actual increase in the contracted services budget is approximately $2.7 million, or 7 percent.

Contracted services 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. Certain information technology costs that were previously reported as administrative expenses are now included as contracted services, which accounts for a portion of this increase. Expected price inflation for services to be purchased in 2020 accounts for the

remainder of the growth in this category.

Capital Budget. The proposed 2020 Capital Budget is $25.1 million. The 2020 Capital Budget is $6.5 million more than the 2020 funding level approved by the Board in November 2018, and $3.1 million than the 2019 Board-approved budget.

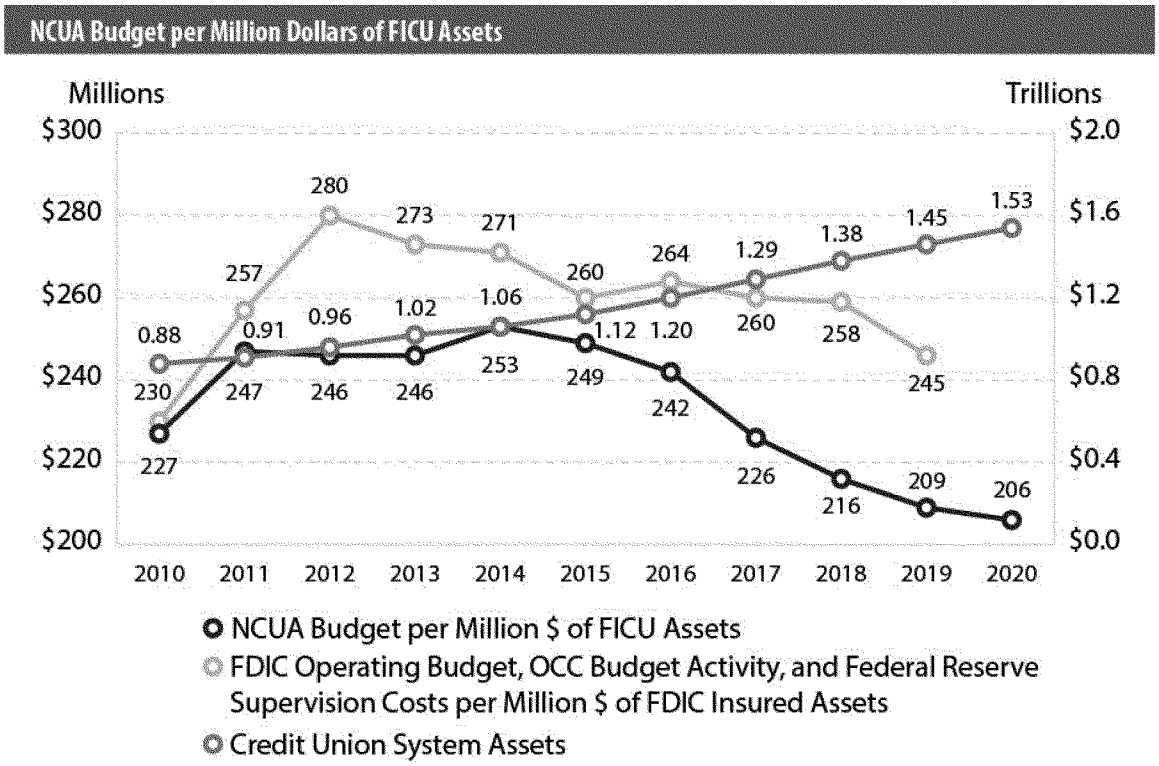
The Capital Budget pays for continued investments in technology and infrastructure projects. A major component of the Capital Budget is the development of the first phases of the Enterprise Solution Modernization (ESM) program, which includes a new technical platform and security infrastructure, a central user interface for stakeholders to transact business with the NCUA, integration of business intelligence tools into the supervision function, and the MERIT examination system, which will replace the agency's antiquated AIRES examination software and will be used by both federal and state examiners in almost all credit union examinations. The business intelligence capabilities were slated for a later iteration of ESM, but were added to the first phase when it was determined they could be integrated into MERIT for the 2020 release. The NCUA's Information Technology Prioritization Council recommended $20.9 million for IT software development projects that continue to replace the NCUA's decades-old and functionally obsolete information technology systems, and $2.7 million in other IT investments for 2020. The NCUA's facilities require $1.5 million in capital investments.

Share Insurance Fund Administrative Expenses. The proposed 2020 Share Insurance Fund Administrative budget is $6.5 million.

The 2020 Share Insurance Fund (SIF) Administrative Budget is $2.7 million less than the 2020 funding level approved by the Board in November 2018, and $1.9 million less than the 2019 Board-approved budget. The decrease in the SIF Administrative Budget is primarily attributed to the Office of National Examinations and Supervision plan to oversee credit union-run stress testing for the largest Credit Unions using its own proprietary models in 2020. 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. The reduction in the SIF Administrative Expenses budget reflects that costs related to the oversight of credit union-run stress testing will be financed by the Operating Budget.

Budget Trends.

As shown in the chart below, the relative size of the NCUA budget continues to decline when compared to balance sheets at federally insured credit unions. This trend illustrates the greater operating efficiencies the NCUA has attained in the last several years relative to the size of the credit union system. Additionally, the NCUA has improved its operating efficiencies more aggressively than other financial industry regulators.



Source: NCUA Annual Budgets, Call Reports, FDIC, OCC, and Federal Reserve financial reports
*Budget per million dollars of FICU assets is calculated as the fiscal year's budget divided by the previous year's end-of-year assets (e.g. - FY2020 budget ($316M) / projected FICU assets as of 2019Q4 ($1.537T) = $206 of NCUA budget per $1M in FICU assets).

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, development of in-house capabilities to oversee large credit unions' stress testing, use of specialist examiners with expertise in cybersecurity and capital markets, and improved quality of examination reports through enhanced quality review processes.

Federal Compliance Cost Burden

As a federal agency, the NCUA is required to devote significant resources to numerous compliance activities required by federal law, regulations, or, in some cases, Executive Orders. These requirements dictate how many of the agency's activities are implemented, and generally result in increasing costs. These compliance activities require additional effort in areas such as information technology acquisitions and management, human capital processes, financial management processes and reporting, privacy compliance, and physical and cyber security programs. While agency managers are responsible for these activities, required compliance activities add additional layers of review and procedures that make processes more challenging and expensive.

Financial Management

Federal law, regulations, and government-wide guidance promulgated by the Office of Management and Budget (OMB), the Government Accountability Office (GAO), and the Department of the Treasury place numerous requirements on federal agencies including the NCUA regarding the management of public funds. Government-wide financial management compliance requirements include: Financial statement audits, improper payments, prompt payments, internal controls, procurement, audits, enterprise risk management, strategic planning, and public reporting of financial and other information.

Information Technology (IT)

There are numerous laws, regulations and required guidance concerning information technology used by the federal government. Many of the requirements cover IT security such as the Federal Information Security Management Act. Other requirements cover records management, paperwork reduction, information technology acquisition, cybersecurity spending, and accessible technology and continuity.

Human Capital

Like other federal agencies, the NCUA is subject to an array of human capital-related laws, regulations, and other mandatory guidance issued by OPM, the Equal Employment Opportunity Commission, and OMB. Human capital compliance requirements include procedures for engagement related to hiring; management engagement with public unions and collective bargaining; employee discipline and removal procedures; required training for supervisors and employees; employee work-life and benefits programs; equal employment opportunity and required diversity and inclusion programs; and storage and retention of human resource records. The NCUA is also required by law to ''maintain comparability with other federal bank regulatory agencies'' when setting employee salaries.

Security

The NCUA's security posture is driven by numerous legal and regulatory requirements covering the full range of security functions. The NCUA is required to comply with mandatory requirements for personnel security; physical security; emergency management and continuity; communications and information security; and insider threat activities. In addition to meeting specific legislative mandates, as a federal agency, the NCUA is required to follow guidance from, but not limited to, the Office of the Director of National Intelligence, OPM, and the Federal Emergency Management Agency.

General Compliance Activities

The NCUA also has other general compliance activities that cut across numerous offices. For example, the NCUA expends resources complying with the Privacy Act; Government in the Sunshine Act; multiple laws and regulations related to government ethics standards; and various reporting and other requirements set forth by the Federal Credit Union Act and other statutes.

Federal retirement costs are an example of mandatory payments to other federal agencies. As discussed earlier in this document, the cost of mandatory contributions to OPM for most NCUA employees' retirement system will increase from 13.7 to 16.0 percent of their salaries, based on the OPM Board of Actuaries of the Civil Service Retirement System recommendations. The budget impact of these additional retirement costs in 2020 is an increase of approximately $5 million over 2019.

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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)	**1,185**	**↑ 3**	**+ 0.3%**	The 2020 FTE level increases by three positions from 1,182 authorized by the Board in 2019[1].
Budget Category				
Pay & Benefits	**$231.4**	**↑ $8.5**	**+ 3.8%**	The pay and benefits adjustment covers merit and locality pay changes required by the Collective Bargaining Agreement. The increase also funds $5 million in one-time mandatory employer contributions for retirement, as well as health benefits and the compensation costs for new FTEs.
Travel	**$27.4**	**↑ $0.6**	**+ 2.2%**	The travel budget increases by $590,000. In 2020, the NCUA will conduct one-time MERIT training for credit union examiners. Other travel spending aligns with the examination workload.
Rent, Communications & Utilities	**$8.2**	**↑ $0.2**	**+2.3%**	Rent, communications, and utilities budgets maintain essential telecommunications, data capacity, and network support. This budget increases due to an anticipated increase in data capacity required for the MERIT examination system.
Administrative	**$5.9**	**↓ $2.8**	**-31.9%**	Administrative expenses primarily support operational requirements, FFIEC fees, relocation expenses, and employee supplies. This budget decreases because certain information technology costs were reclassified to the Contracted Services cost category.
Contracted Services	**$43.3**	**↑ $5.3**	**+13.8%**	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.

[1] The published 2019 FTE level approved by the Board on November 15, 2018 was 1,178. On July 18, 2019, the NCUA Board approved an additional four FTE.

2021 Budget in Brief: Summary Table

(dollars in millions)	Budget	Change from 2020 Budget	% Change	Description
2021 Operating Budget	**$326.0**	**↑ $9.8**	**+3.1%**	The 2021 budget provides the resources required to execute the priorities outlined in the NCUA's Strategic Plan (2018-2022).
Total Staffing (FTE)	**1,185**	**0**	**0%**	The 2021 budget includes no change from the 2020 FTE levels.
Budget Category				
Pay & Benefits	**$237.8**	**↑ $6.4**	**+ 2.8%**	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 2021 cost drivers include full cost for new FTEs added in 2020.
Travel	**$26.7**	**↓ $0.7**	**-2.4%**	Travels costs for carrying out the examination and supervision workload and other agency business.
Rent Communications & Utilities	**$8.0**	**↓ $0.2**	**-2.7%**	Rent, communications, and utilities expenses include utilities, space rental, software licenses and other recurring costs.
Administration	**$6.2**	**↑ $0.3**	**+4.2%**	Administration expenses primarily support operational requirements, FFIEC fees, relocation expenses, and employee supplies.
Contracted Services	**$47.4**	**$4.0**	**9.3%**	Contracted services reflect costs incurred for products and services acquired in the commercial marketplace. The increase for 2021 reflects system operations and maintenance support related to implementation of the MERIT examination and supervision solution.

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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.

On June 26, 2019, the NCUA celebrated the 85th Anniversary of President Franklin Roosevelt's signing of the Federal Credit Union Act. The law was enacted during the Great Depression, in 1934, enabling credit unions to be organized throughout the United States under charters approved by the federal government. The purpose of the federal law was to make credit available to Americans and promote thrift through a national system of nonprofit, cooperative credit unions. In the years since the passage of the Federal Credit Union Act, credit unions have evolved and are larger and more complex today than those first institutions. But, credit unions continue to provide needed financial services to millions of Americans.

The NCUA is the independent federal agency established in 1970 by the U.S. Congress to regulate, charter, and supervise federal credit unions. With the backing of the full faith and credit of the United States, the NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of the account holders in all federal credit unions and the vast majority of state-chartered credit unions. No credit union member has ever lost a penny of deposits insured by the Share Insurance Fund.

Today, the NCUA is responsible for the regulation and supervision of 5,308 federally insured credit unions [2] with approximately 118.3 million members [3] and more than $1.5 trillion [3] 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. It is the Board's responsibility to determine the resources necessary to carry out the NCUA's responsibilities under the Act.[3] 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.[4]

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

[2] Source: The NCUA quarterly call report data, Q2 2019.

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

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

such a fee, and the necessity of the expenses the NCUA will incur in carrying out its responsibilities in connection with federal credit unions.[5] 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.[6] In accordance with its authority [7] to use the Share Insurance Fund to carry out a portion of its responsibilities, the Board approved an Overhead Transfer Rate methodology, and authorized the Office of the Chief Financial Officer to transfer resources from the Share Insurance Fund to the Operating Fund to account for insurance-related expenses.

Mission, Goals, and Strategy

The NCUA's 2020–2021 Budget Submission supports the agency's third year implementing its *2018–2022 Strategic Plan* to achieve its priorities and improve program performance.

Throughout 2020 and 2021, 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 and maintain a strong Share Insurance Fund.

The NCUA's primary function is to identify credit union system risks, determine the magnitude of those risks, and mitigate unacceptable levels through the examination and supervision program. The agency identifies supervision program priorities each year, aligning budgeted resources to these priorities while addressing emerging issues in order to minimize losses to the Share Insurance Fund. Program priorities in 2020 include addressing broad market risks and emerging cybersecurity threats that could threaten financial stability generally, including the safety and soundness of the credit union system.

Cybersecurity threats and other technology-related issues continue to be of key interest and concern to the NCUA. Increasingly sophisticated cyber-attacks pose a significant threat to credit unions, financial regulators, and the broader financial services sector. The availability, confidentiality, and integrity of credit union member information remains a key supervisory priority for the NCUA. As such, the 2020 budget includes resources to continue to improve and standardize supervision related to information protection and cybersecurity risks and threats.

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. The multi-year ESM program will reach a major milestone in 2020 with the release of the Modern Examination and Risk Identification Tool (MERIT), the agency's modernized examination tool replacing the Automated Integrated Regulatory Examination System (AIRES), to all credit union examiners and state regulators. As the agency transitions to this new tool, which will result in more efficient and effective supervision, the NCUA must ensure its staff is prepared. The 2020 budget includes resources to train and prepare the NCUA staff as they transition to using MERIT.

To fulfill the NCUA's second strategic goal—*provide a regulatory framework that is transparent, efficient, and improves customer access*—the agency is committed to creating a more responsive system that will encourage innovation, provide flexibility, and fulfill its primary mission of protecting safety and soundness. The NCUA also seeks to promote financial inclusion to better serve a changing population and economy. The NCUA also seeks to ensure consumer compliance, and financial protection. 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.

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 necessary to perform their duties. The budget makes investments in improved tools and facilities for the NCUA staff, and technological enhancements including new systems that will improve operational effectiveness and efficiency. The budget also allocates resources to developing better human capital planning and processes including a new leadership development strategy and a focus on training for the transition to MERIT.

Organization, Major Agency Programs, and Workforce

The NCUA operates its headquarters in Alexandria, Virginia, to administer and oversee its major programs and support functions; its Asset Management and Assistance Center (AMAC) in Austin, Texas, to liquidate credit unions and recover assets; and three regional offices, to carry out the agency's supervision and examination program.

In January 2019, the NCUA consolidated 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.

The NCUA organizational chart below reflects the agency's current structure, and the map shows each region's geographical alignment:

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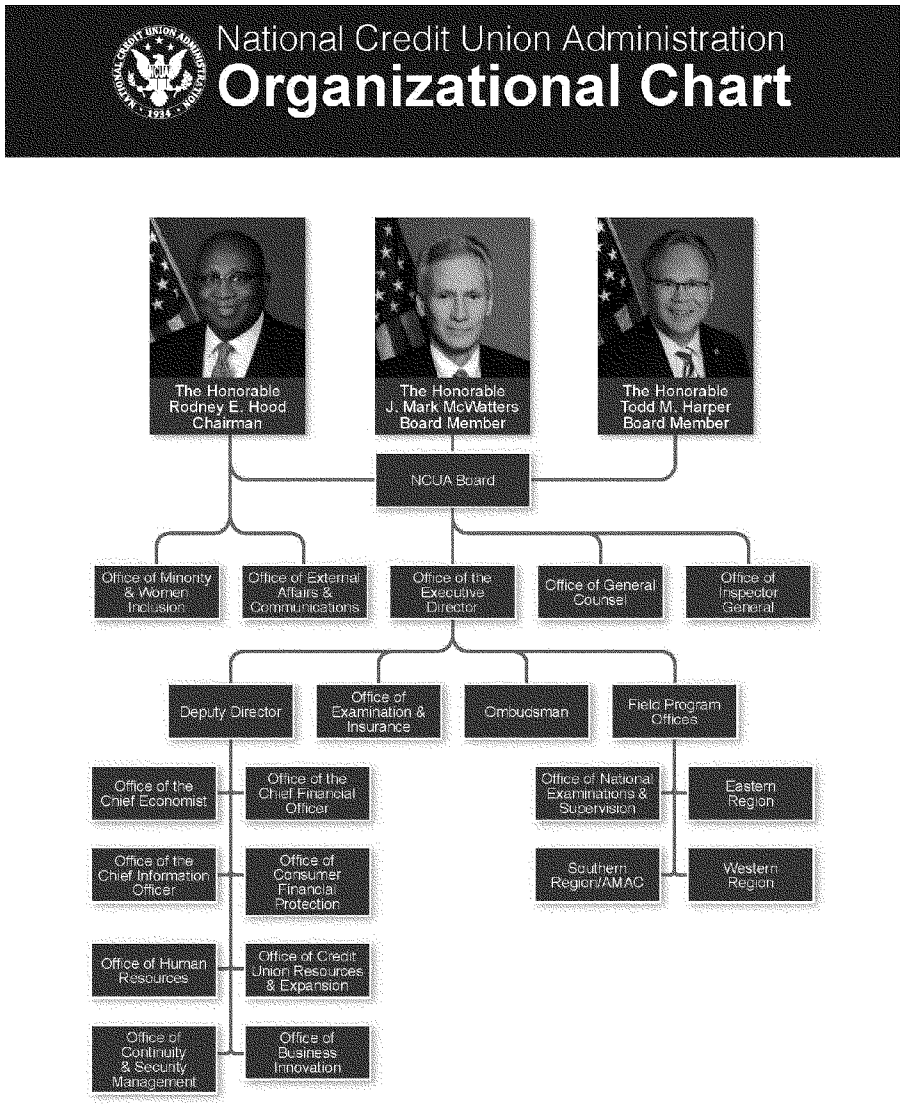
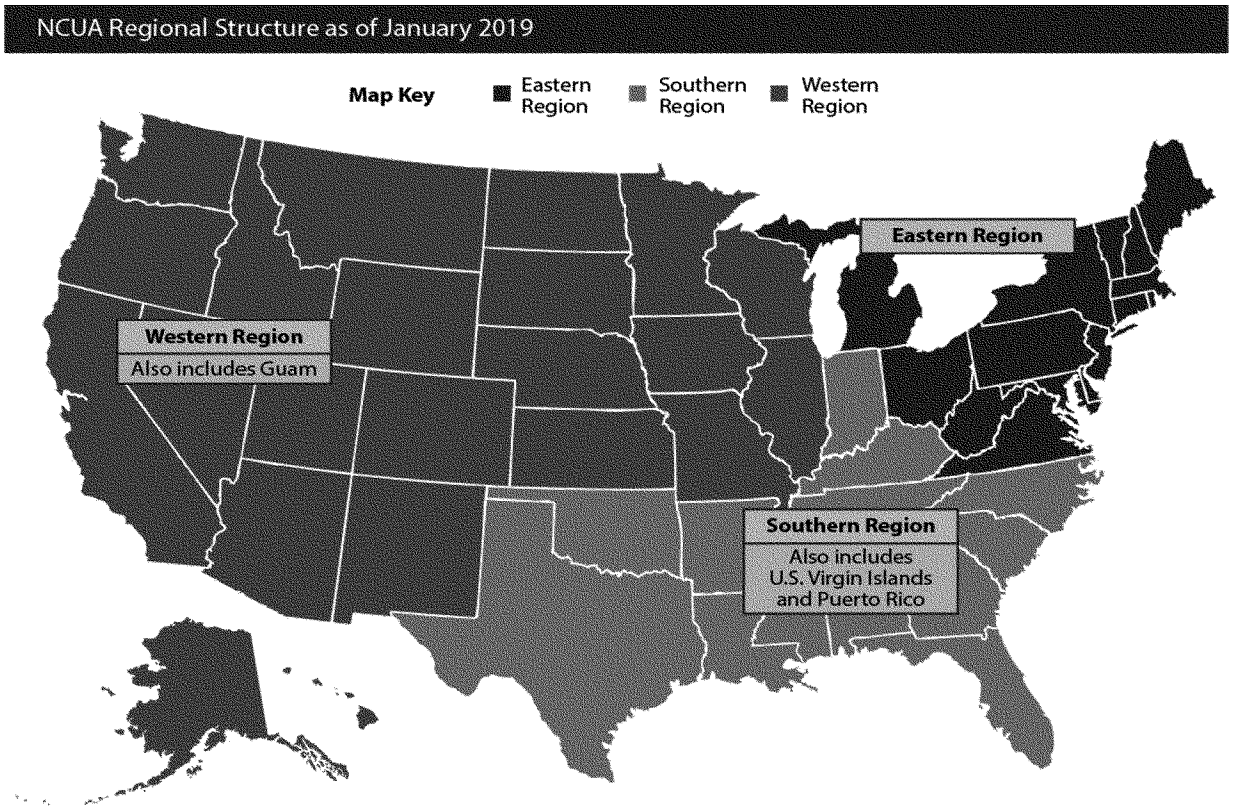
[5] *See* 12 U.S.C. 1755(a)–(b).

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

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


National Credit Union Administration
Organizational Chart
The Honorable Rodney E. Hood Chairman
The Honorable J. Mark McWatters Board Member
The Honorable Todd M. Harper Board Member
NCUA Board
Office of Minority & Women Inclusion
Office of External Affairs & Communications
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 Business Innovation
Office of National Examinations & Supervision
Eastern Region
Southern Region/AMAC
Western Region



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The NCUA's regional offices will carry out the agency's 2020 examination program. The NCUA uses an extended examination cycle for well-managed, low-risk federal credit unions with assets of less than $1 billion. Additionally, the NCUA's examiners perform streamlined examination procedures for financially and operationally sound credit unions with assets less than $50 million. In addition, the Office of National Examination and Supervision (ONES) will continue to examine credit unions with assets that total over $10 billion that are located throughout the United States. Based on 2019 second quarter call report statistics, there are currently nine such credit unions with 18.0 million members, accounting for $256 billion in credit union assets.

In 2020 and 2021, 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 Share Insurance Fund, which provides insurance to at least $250,000 for deposits held at federally insured credit unions. The fund is capitalized by credit unions and through retained earnings.

Credit Union Development: 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. The NCUA also charters new federal credit unions, as well as approves modifications to existing charters and fields of membership.

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 AMAC. This office effectively and efficiently manages and disposes assets acquired from liquidations.

The NCUA also performs stakeholder outreach and is involved in numerous cross-agency initiatives. The NCUA conducts stakeholder outreach to clearly understand the needs of the credit union system. The NCUA seeks input from all of its stakeholders, including the Administration, Congress, State Supervisory Authorities, credit union members, credit unions, and their associations.

The NCUA collaborates 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). These councils and relationships help ensure consistent policy and standards within the nation's financial system, where appropriate.

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. The strategic plan is a framework that sets the agency's direction and guides resource requests, ensuring 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 necessary 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 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 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's 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 consideration 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 2020–2021 budget justification document includes comparisons to the Board approved 2019–2020 budget, and 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 to assist the public in understanding its budget development process. The budget request for 2020 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 Government Auditing Standards.[8]

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, the NCUA has paid nearly $900 million in dividends to eligible credit unions over the last two years.

The NCUA revised its financial presentations to conform to federal budgetary concepts and increase transparency of the agency's planned financial activity, starting with the 2018 budget. The 2020–2021 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 and other agency leadership.

The NCUA continues to work 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 2018, the agency provided an unmodified Statement of Assurance (signed February 14, 2019) 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 the agency has identified appropriate responses to mitigate identified risks, in accordance with the Government Accountability Office's Standards for Internal Controls in the 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. 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

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

both the current and anticipated needs, and assemble the resources, including staff, necessary to ensure a safe and sound system.

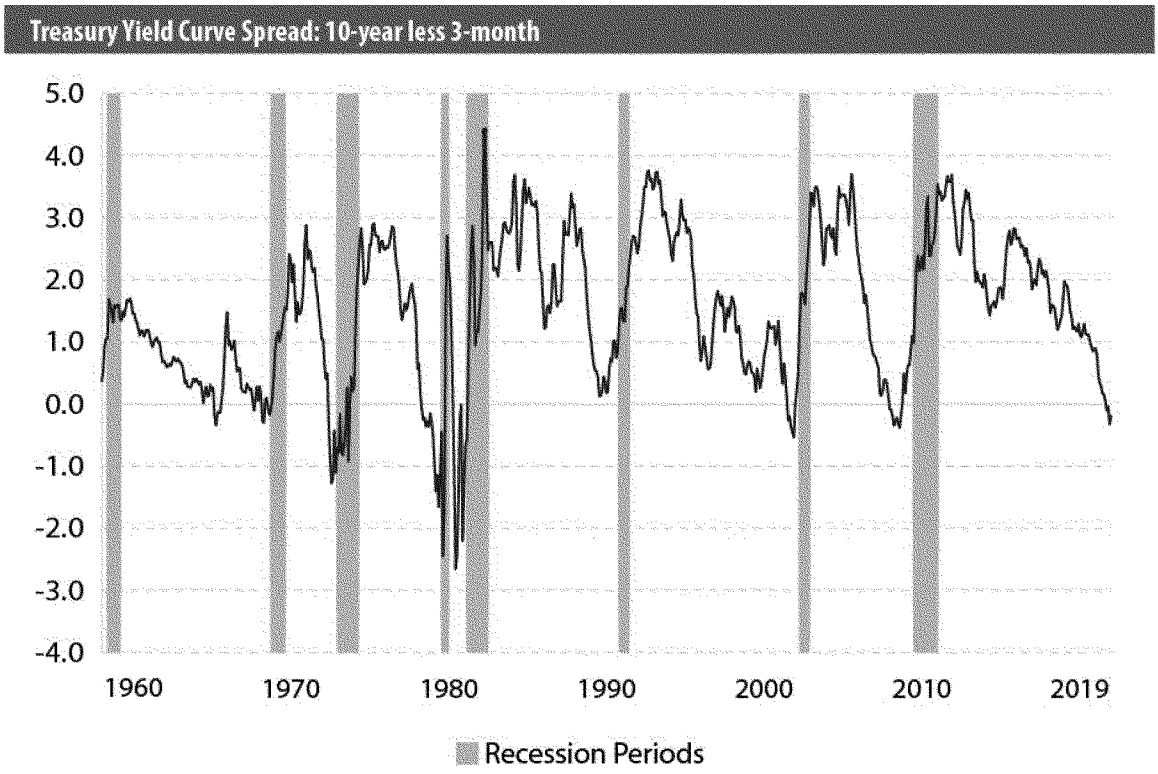
One key determinant of credit union performance is the underlying economic environment in which they must operate. In general, for the past few years, the economy has supported solid financial system performance. The economy continued to perform well in the first half of 2019. Real gross domestic product expanded by 2.6 percent at an annual rate and, in July, the current economic expansion reached the 10-year mark, making it the longest post-war expansion on record. Employment has risen steadily for close to a decade and the unemployment rate at mid-year was at a five-decade low. Inflation remained subdued.

With the support of a solid economic foundation, credit union lending, membership growth, and credit quality remained strong through the second quarter of 2019. Federally insured credit unions added 4.3 million members over the year, boosting credit union membership to 118.3 million in the second quarter of 2019. Credit union shares and deposits rose 5.5 percent over the year ending in the second quarter to $1.5 trillion. Total loans outstanding at federally insured credit unions increased 6.4 percent to $1.1 trillion, and the system-wide loan delinquency rate fell to 63 basis points from 67 basis points a year earlier. The credit union system's return on average assets rose to 97 basis points, and the system's net worth ratio increased to 11.27 percent in the second quarter.

Although economic conditions were generally favorable heading into the second half of 2019, a number of downside risks exist. Growth in several major economies overseas showed signs of weakness. This has generated a level of uncertainty, which weighs on business activity, boosts financial market volatility, has pushed long-term interest rates in the U.S. downward, and has contributed to the Federal Reserve's decision to loosen monetary policy and lower their short-term policy rate in two 25 basis point moves during the summer after four years of tightening.

As of early October, long-term interest rates had fallen by about 160 basis points from their most recent peaks in late 2018, and short-term rates had declined roughly 50 basis points. With long-term rates falling more than short-term rates, the yield curve shifted down and flattened.

In late May, the spread between the 10-year Treasury note and 3-month Treasury bond turned negative; it remained negative through the start of October. Yield curve inversion has preceded every recession in the last 50 years, but the timing between initial inversion and the onset of recession has varied, as shown in the chart. Most analysts expect the current expansion to continue during the NCUA 2020–2021 budget horizon.



Even though the number of negative risks to the economy has risen, the near-term outlook for the U.S. economy remains positive. Forecasts for the next two years call for somewhat slower—but still solid—economic growth compared with 2018. Employment is projected 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. Federal Reserve policymakers have lowered the federal funds target rate by 50 basis points since July. Their most recent forecast, released in September, suggests they could leave the federal funds rate unchanged in a range of 1.75 percent and 2.00 percent through next year, but there is a wide range of views on the appropriate path of short-term interest rates going forward. Analysts are expecting the federal funds target rate to decline by an additional 25 basis points before the end of 2019 and are projecting that other short-term interest rates—which largely determine the interest payments credit unions make—will also move lower in the months

ahead. Longer-term rates—which largely determine the interest payments credit unions receive—are expected to stabilize in the second half of 2019 and edge higher in 2020, as the recent flight to safety reverses.

Solid economic conditions should remain a positive force for credit union lending, membership growth, and credit quality over the 2020–2021 budget horizon. In addition, the wider term spread implied by current interest rate forecasts should translate into less pressure on credit union net interest margins and net income going forward.

However, forecasts of the economic environment are far from perfect. A recession would pose significant challenges to the credit union system, leading to rising delinquencies, reduced loan demand, and, potentially, an increase in shares as consumers move funds from riskier investments into safer, insured credit union deposits. A downturn in the economy would likely lead to lower interest rates as well. Credit union balance sheets should be robust to a variety of rate environments. 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.

Other Risk Factors and Trends

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, continue to emerge. 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 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, roughly half of federally insured credit unions had fewer members at the end of the second quarter of 2019 than a year earlier. Demographic and field of membership changes are likely to continue leading to 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.

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, 2019, there were 576 federally insured credit unions with assets of at least $500 million, 29 percent more than just five years earlier. These 576 credit unions accounted for 73 percent of credit union members and 79 percent of credit union assets. Large credit unions tend to 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

The NCUA uses an Enterprise Risk Management (ERM) program to evaluate various factors arising from its operations and activities (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 considerations such as the agency's control framework, information security posture, and external factors such as credit union diversification 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, established in 2015, the agency is identifying and managing risks that could affect the achievement of its strategic objectives. In 2018 and 2019, the NCUA developed and implemented processes for analyzing and responding to enterprise risks. The NCUA has conducted several risk response assessments for priority areas including credit union business diversification, credit union cybersecurity, agency controls, and information security. These assessments help inform the agency's activities, operations, and planning and budget processes. Overall, the NCUA's ERM program promotes effective awareness and management of risks, which, when combined with robust measurement and communication, are central to cost-effective decision-making and risk optimization within the agency.

The NCUA adopted its enterprise risk appetite statement in the *2018–2022 Strategic Plan,* 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 helps 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 establishes boundaries for the entire agency and all of its programs. Collaboration across programs and functions is a fundamental part of ensuring the agency stays within its risk appetite boundaries, and the NCUA will identify, assess, prioritize, respond to and monitor risks to an acceptable level. This budget proposal for 2020–2021 incorporates several specific programmatic changes that resulted from the NCUA's enterprise risk management reviews, such as hiring new personnel focused on cybersecurity, acquiring data loss prevention and other network security tools, and strengthening analytical focus on emerging financial risks within the credit union system.

IV. Key Themes of the 2020–2021 Budget

Overview

The budget supports the priorities and goals outlined in the agency's annual performance plan and the *2018–2022 Strategic Plan.* The resources and new initiatives proposed in the budget support the NCUA's mission to maintain a safe and sound credit union system.

The 2020–2021 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 organization.

In the 2020–2021 budget, the NCUA will increase staffing in critical areas necessary to operate as an effective federal financial regulator capable of addressing emerging issues and continuing to modernize the examination program. 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. We will continue investing in the workforce through training and development, helping employees develop the tools they need to do their work effectively.

Employment-related costs are the single largest driver of the NCUA budget; therefore, managing the size of the workforce is important from a budgetary standpoint. Increases to the agency's staffing levels in 2020 address gaps in the agency's workforce that must be filled in order to execute the agency's mission and foster an innovative, responsive and sound credit union system that meets the needs of all Americans. 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.

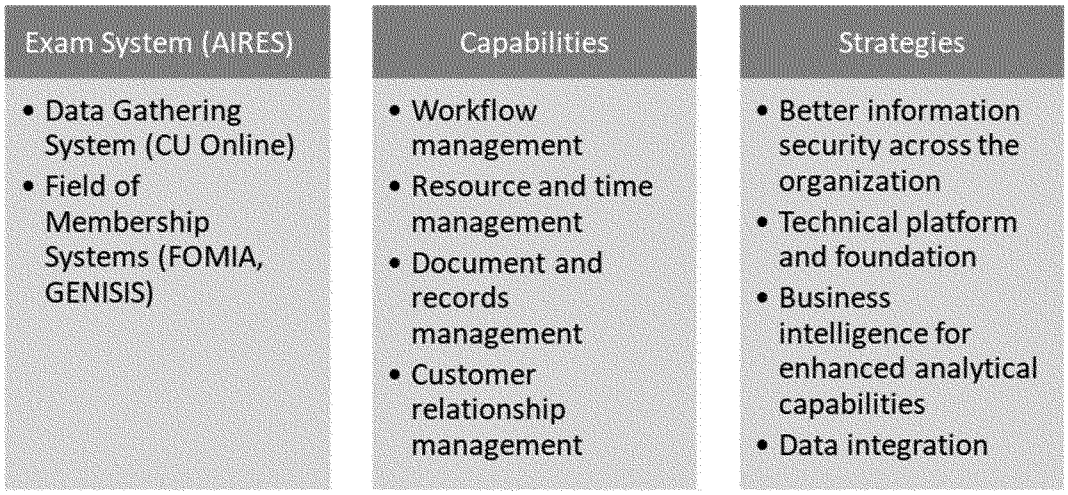
The efficiency and effectiveness of the agency's workforce is dependent upon the resiliency of the NCUA's information technology infrastructure and availability of technological applications. The NCUA is committed to implementing new technology responsibly and delivering secure, reliable and innovative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

Enterprise Solution Modernization

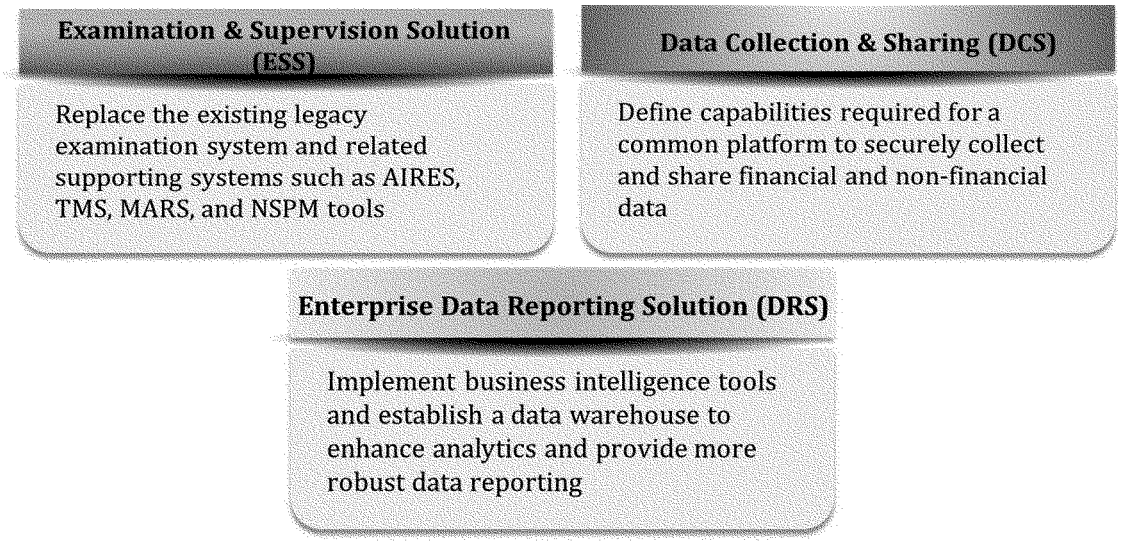
In 2015, the NCUA conducted an assessment of the information technology (IT) needs across the agency and developed a business case for replacing its antiquated legacy systems. This assessment recognized the full range of industry leading, cost-effective alternative strategies, services, and products for implementing the agency's next generation of IT information management, examination, supervisory, and data collection solutions.

At that time, the NCUA acknowledged a technology revamp of this magnitude as a high-risk endeavor, both in terms of cost and delivered functionality. The risk stems from the number of systems impacted and the unique nature of the NCUA's applications, many of which require a high degree of customization. However, the agency required a major modernization after many years of under-investment in software and application development.

In November 2015, the NCUA Board approved a plan for modernizing the agency's IT systems known as the Enterprise Solution Modernization (ESM) program. The ESM program recognizes the following legacy systems, capabilities and strategies need to be modernized:



To better manage the complexity of the ESM Program, the NCUA established three sub-programs to modernize the NCUA's technology solutions and create an integrated examination and data environment that facilitates a safe and sound credit union system:



Given the age of the NCUA's legacy examination systems and their importance to the mission of the agency, priority was given to the following parts of the modernization effort in the first phase of ESM development:

○ Better information security across the organization.

○ Technical platform and foundation for new applications.

○ AIRES replacement (Examination and Supervision Solution), including financial analytics.

○ Central user interface for stakeholders to interact with the NCUA.

○ Business Intelligence tools for enhanced analytical capabilities (added later to the initial phase as explained below).

To deploy the Examination and Supervision Solution, it was first necessary to stand up new agency infrastructure that supports the full modernization program: The technology architecture, infrastructure, and security posture required to operate modernized systems. The necessary infrastructure was acquired and put in place in 2019. The ESS program capabilities have been deployed in part in 2019 and will be rolled out nationwide in 2020. The new examination solution, which is named the Modern Examination and Risk Identification Tool (MERIT), was released to the Office of National Examinations and Supervision in September 2019, while the release to the remaining Regional staff is scheduled for the summer of 2020.

Though not originally included as part of the initial ESM plan, the agency has incorporated a robust business intelligence solution into the MERIT deployment, which advances the agency's analytic capabilities during this phase. The need for better analytics is central to the strategy to shift more exam work offsite.

In addition to better data analytics, MERIT provides numerous improvements over the legacy AIRES examination system, including:

○ Implementation of better controlled access to examination data across the organization.

○ Faster and well-organized ability to request and submit items for the examination.

○ Collaboration and real-time information for examiners, team members, and supervisors, including state supervisory authorities on joint exams.

○ Opportunities for credit union users to manage examination findings and view completed examination reports.

○ Business process improvements to achieve exam efficiencies, including less data redundancy and relational support between scope tasks, questionnaires, and findings.

Cost Estimates

The NCUA engaged an independent market research firm to estimate the cost of the initial ESM phases, including MERIT. Their research estimated a range in costs of $18.9 to $37.9 million.

From 2015 to 2019, the NCUA Board approved a total budget of $20.8 million for the MERIT program. This total included the modernized and more secure IT infrastructure, central user interface, and the first release of MERIT.

The total expected acquisition costs for this phase of ESM, including actual costs through 2019 and the budget for 2020, is $36.6 million. This will provide additional needed functionality in the second release of MERIT, including the loan and share download business intelligence integration.

The NCUA awarded the Examination and Supervision Solution agile development contract in 2018. For the first three-month discovery phase of the contract, the NCUA and the systems integrator worked diligently to translate the business process context and identify tool-based implications and functional gaps. After discovery concluded, the NCUA determined the full funding needed to meet developmental, organizational change management, and scheduling requirements. As discussed above, the funding total now includes the advanced business intelligence capabilities.

Through September 2019, the NCUA accomplished the following:

○ Established the ESM technical program infrastructure platform, including enhanced IT security.

○ Developed the central user interface known as NCUA Connect, achieving a secure, single entry point into NCUA applications.

○ Deployed the new MERIT examination tool to ONES to support examination and supervision of the largest credit unions.

○ Developed financial analytics with dashboards and visualizations designed to assist the examiner in identifying risk.

The project is on schedule to meet the following performance targets:

○ *2019:* Conduct ONES examinations and supervision contacts for all federal credit unions with assets greater than $10 billion and joint exams with state regulators in federally insured state-chartered credit unions with assets greater than $10 billion in Washington and North Carolina using the MERIT solution, which commenced on October 7, 2019.

○ *2020:* Deploy second release of MERIT for the majority of the NCUA staff, state supervisory authorities, and credit unions in the third quarter of 2020.

Cybersecurity Priorities

Cyber-attacks pose a threat to credit unions, financial regulators, and the broader financial system. Advances in technology and increased use of cyberspace for financial transactions means more opportunities for cybersecurity threats and other technology-related issues. As a result, cybersecurity is one of the top priorities of the NCUA Board. In June 2019, Chairman Rodney E. Hood appointed a special advisor for cybersecurity who not only will provide strategic counsel on cybersecurity policy but will also engage with other federal financial institution regulators and external stakeholders.

In 2018, the NCUA began implementing a new Automated Cybersecurity Examination Tool (ACET) maturity assessment for credit unions with assets greater than $1 billion. The focus of the ACET implementation was to baseline individual credit unions' cybersecurity maturity consistently while benchmarking the entirety of the sector. In 2019, the maturity assessments were conducted on credit unions with assets greater than $250 million; in 2020, the agency will conduct maturity assessments on credit unions with assets between $100 million and $250 million. The NCUA continues to evaluate the feasibility for conducting the maturity assessments on even smaller, less complex institutions.

Concurrently, the NCUA is developing a tailored examination program based on the Information Technology Risk Examination (InTREx) solution leveraged by the Federal Deposit Insurance Corporation, the Federal Reserve Board and state regulators to ensure a harmonized, repeatable, measurable and transparent process for examining the compliance, safety and soundness of the credit unions' information security programs.

The examination procedures will be maintained within the NCUA MERIT solution. The agency expects the results of both the maturity assessment and the examination program to help focus and prioritize cybersecurity for credit unions and make it an integral part of their risk-management strategies.

The NCUA will further build upon its cybersecurity capabilities and programs to continue helping credit unions and consumers protect themselves. Specifically, the 2020 budget allocates resources to the following cybersecurity-related activities:

○ Advancing consistency, transparency and accountability within the cybersecurity examination and supervision program;

○ Expanding cybersecurity analytics to better inform examination and supervision decisions;

○ Enhancing interoperability of the maturity assessment capability for broad credit union system distribution and full integration into the new examination system, MERIT;

○ Stimulating due diligence for supply chain and third-party service provider management within the credit union sub-sector;

○ Assisting institutions with resources to improve operational cybersecurity hygiene and resilience;

○ Performing skills assessments of credit union examiners and taking steps to build skill set of examination staff in accordance with the National Initiative of Cybersecurity Education (NICE) Framework;

○ Enhancing the professional expertise and knowledge management of

○ agency specialists on cybersecurity and emerging technical innovation in the delivery of financial services, cybersecurity trends and risk/threat; and

○ Expanding collaboration and coordination with relevant agencies towards a more harmonized examination and critical infrastructure protection capability.

These initiatives—focused on supervisory program development, training, industry analysis and exercises, combined with interagency coordination and industry outreach—will require additional personnel. The 2020 budget includes two new cybersecurity positions within the Office of Examination and Insurance to improve the agency's ability to be prepared for and respond to the broadening responsibilities tied to cybersecurity and critical infrastructure protection.

The NCUA also places strong emphasis on ensuring the security of the agency's systems and the controlled, unclassified information it collects. The NCUA's Office of the Chief Information Officer is continually taking steps to enhance the agency's information security posture and ensure the NCUA's systems and information are protected

from compromise, including the work done as part of ESM. The 2020 budget allocates $500,000 to acquire and implement data loss prevention (DLP) as part of the Information Technology (IT) Infrastructure, Platform and Security Refresh Capital Initiative. DLP is a set of tools and processes used to ensure that sensitive data is not lost, misused, or accessed by unauthorized users.

Bank Secrecy Act Compliance

The NCUA continues to budget resources to comply with the statutory mandate from Congress to enforce federal credit union compliance with Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) laws and regulations. Technological advancements may expose even the smallest credit unions to potential illicit finance activities. The NCUA examines federal credit union compliance with BSA during every examination. Additionally, the NCUA assists state regulators by conducting BSA examinations in federally insured, state-chartered credit unions where state resources are limited.

In 2019, the NCUA's field staff began more in-depth reviews of credit unions' BSA and AML policies, procedures, and processes to assess compliance with new customer due diligence (31 CFR 1020.210(b)(5)) and beneficial ownership requirements (31 CFR 1010.230) which became effective May 11, 2018.

The NCUA's BSA reviews are risk-focused and include procedures to review an institution's compliance with the pillars of the BSA. These procedures are based on the examination procedures in the FFIEC BSA/AML Examination Manual the NCUA issues jointly with the other federal financial institution regulators. The NCUA's examiners tailor examinations based on the unique risk characteristics of each federal credit union. Additional or more in depth reviews are performed for those with higher risk activities; reviews at credit unions with lower risk activities are scaled appropriately.

The NCUA coordinates regularly with our counterparts at the other federal financial institution regulatory agencies, as well as the Financial Crimes Enforcement Network (FinCEN). The NCUA actively participates in the Bank Secrecy Act Advisory Group (BSAAG), the FFIEC BSA/AML Working Group and an interagency working group to improve effectiveness and streamline, where possible, regulations and supervisory processes. The NCUA also partners with the other federal financial institution regulators to issue joint BSA statements, including the *Joint Statement on Risk-Focused BSA/AML Supervision,* dated July 22, 2019. Interagency groups are currently updating the *Interagency Statement on Enforcement of BSA/AML Requirements,* originally issued in 2007, and the *FFIEC BSA/AML Examination Manual,* last revised in 2014. The NCUA intends to continue collaborating with our regulatory counterparts, including FinCEN.

In 2019, the NCUA issued Regulatory Alert 19–RA–02, *Serving Hemp Businesses,* to update federally insured credit unions about changes in federal law and regulation related to hemp. Specifically, the guidance clarifies that credit unions may provide the customary range of financial services for business accounts, including loans, to lawfully operating hemp related businesses within their fields of membership, and provides information to help credit unions better understand what they should consider providing financial services to lawfully operating hemp businesses.

Stakeholder Engagement

In 2020, the agency is allocating resources for engagement summits with stakeholders. These events will include credit union officials, staff, and volunteers in order to discuss many of the priorities the agency has funded through this budget process. Topics of interest at these summits may include financial inclusion, minority depository institutions, cybersecurity or risk and risk mitigation strategies in the current environment. The NCUA Board is committed to understanding how these priority areas impact credit unions and engaging in a thoughtful dialogue to determine whether there are additional actions the NCUA should and shouldn't take to ensure credit unions are best prepared to serve their members while doing so in a safe and sound manner.

Examination Initiatives

The NCUA is focused on several additional examination modernization efforts as outlined in the August 2018 Letter to Credit Unions: 18–CU–01—''Examination Modernization Initiatives.'' This letter outlined five initiatives to modernize the agency's examinations processes, including the ESM program outlined above. Intended benefits of these initiatives include:

- More efficient and less burdensome examinations and supervision
- More consistent and accurate supervisory determinations
- Enhanced coordination with State Supervisory Authorities
- More secure, reliable, and flexible technology to support future expansion capabilities

These modernization 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 along the way. The budget allocates resources in support of these improvements. Below is a more in-depth discussion of four of the initiatives. The fifth initiative, the ESM program, is discussed in detail above.

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 ONES. This ongoing supervision program will use data-driven analytics to monitor and identify credit union risk while supporting the oversight of credit union-driven stress testing. The NCUA's ONES travel costs are projected to decrease by 10 percent as a result of implementing this program and the transition to the NCUA's in-house oversight of credit union run stress-testing will allow the NCUSIF to avoid $3 million in costs in 2020. 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-Chartered Credit Unions 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 federally insured, state-chartered credit unions resulting from having a separate financial regulator and insurer.

In addition, the working group is evaluating the appropriateness and feasibility of adopting an alternating-year examination approach for federally insured, state-chartered credit unions. A pilot program launched January 2019 and will allow the NCUA, state regulators, and stakeholders to evaluate the benefits and challenges of an alternate-year examination program. The pilot will last approximately three years in order to collect enough information to evaluate one full alternating-year exam cycle. The results of the pilot 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.

To support joint examinations in federally insured, state-chartered credit unions, the working group developed a new template framework for improved coordination and cooperation between the NCUA regions and the respective state regulators. The working group is also exploring ways to minimize duplication and overlap through examination and procedure 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, Credit Union Service Organizations (CUSOs) 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 federally insured, state-chartered credit unions.

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. When approving the 2019 budget, the NCUA Board approved using past years' unspent balances to complete the research and discovery phase for virtualizing key elements of the examination; this work will continue through 2020.

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 credit union 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.

Offsite Examination Procedures

Starting in 2016, the NCUA's Southern Region piloted a flexible exam program—commonly called FLEX. The pilot program ran through 2018 and evaluated conducting certain existing exam procedures offsite. The pilot assessed examiners working remotely on elements of examinations of well-run credit unions with the technology and platforms to provide electronic data securely.

In 2019, the NCUA adopted the best practices from the FLEX pilot nationally. Now known as offsite examination procedures, the NCUA updated its National Supervision Policy Manual to indicate the agency's support for providing staff with the flexibility to conduct examination work offsite when appropriate conditions are met. The NCUA continues to develop plans to increase agency use of offsite procedures.

Regulatory Reform

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 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 published its final report in December 2018.

Reorganization/Restructuring

In July 2017, the NCUA's executive leadership committed to a comprehensive plan that would invest in the agency's future, make critical organizational alignment changes, and improve the NCUA's efficiency, effectiveness, and focus on its core mission responsibilities. The agency has completed the operational actions related to its reform plan.

As a result of the NCUA's reform plan:

- The NCUA created an office focused exclusively on credit union service needs including new charters, credit union expansion, and training—the Credit Union Resources and Expansion (CURE) Office.
- Examination reports have been improved through enhanced quality measures.
- Two regional offices closed in January 2019 and leased office space has been reduced.
- AMAC's staffing has been reduced, and support functions are now better aligned with the central office.

The NCUA continues to examine how to best balance meeting workforce and technology needs while containing operating costs.

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.

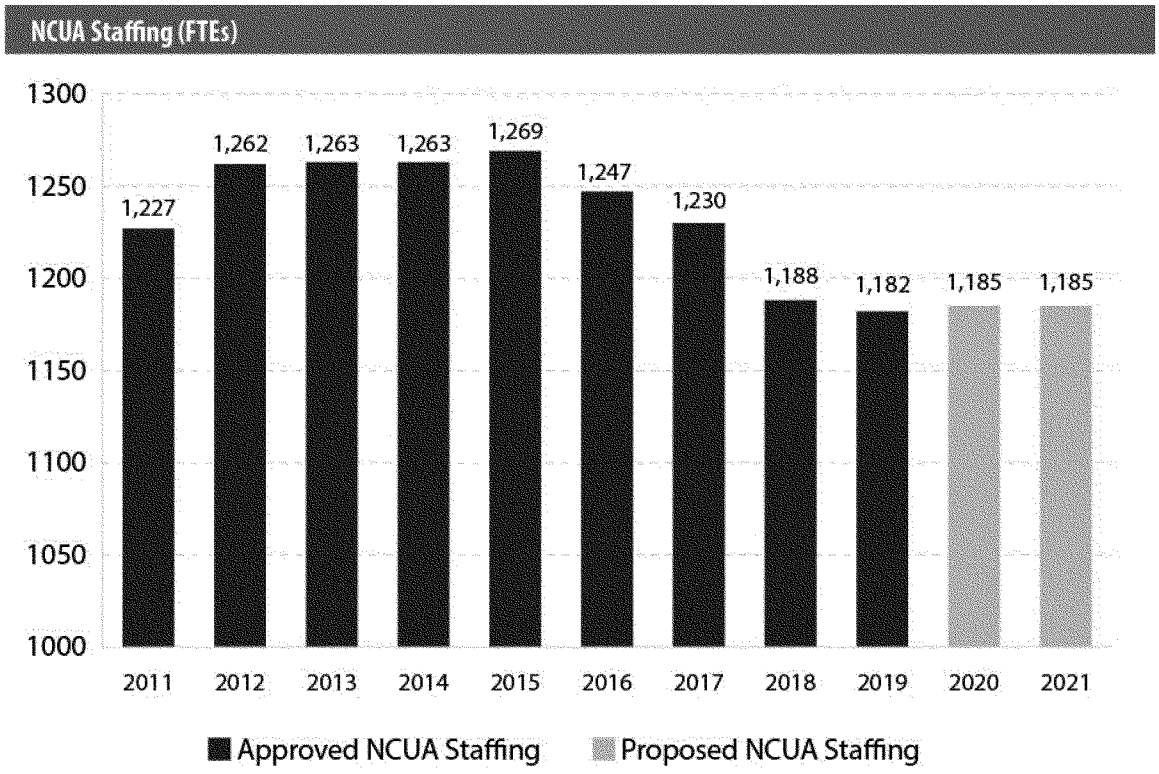
Staffing

The staffing levels proposed for 2020 reflect the resource requirements for steady state operations at the NCUA as it continues to modernize the examination process to enhance the efficiency and effectiveness of the supervisory process. Two new information systems officers in the Office of Examinations and Insurance will support expanded responsibilities for cybersecurity and critical infrastructure protection. A third position will be created in the

Chairman's office to support the NCUA through strategic outreach and engagement with stakeholders in the credit union system, including credit union management, associations and leagues, and journalists who cover the industry.

During the July 2019 mid-session review, the NCUA Board approved four additional staff to support the agency's growing engagement with the Administration, Congress, industry stakeholders, and the general public. The newly authorized positions for the Office of External Affairs and Communications include a Deputy Director, a Communications Specialist, a Technical Writer and Editor, and a Program Analyst for External Affairs. The full cost of these positions are included in the 2020 budget.

The 2020 budget supports a total agency staffing level of 1,185 personnel, of which 1,180 are funded in the Operating Budget. This is a net increase of three positions, or 0.25 percent, compared to the Board-approved level for 2019, as modified at the July 2019 Board meeting. The new 2020 positions are described in greater detail below.



Authorized Regional Examiners and Specialists	2013	2014	2015	2016	2017	2018	2019
Credit Union Examiner	600	566	571	541	517	472	471
Regional Capital Market Specialist	12	18	24	24	25	24	25
Regional Information System Officer	7	8	13	17	18	18	20
Problem Case Officer	41	46	37	31	31	32	32
Regional Lending Specialist	21	28	27	31	30	30	30
Director of Special Actions	7	10	9	10	10	10	10
Supervisory CU Examiner	71	73	68	67	64	50	50
Other Regional Staff	117	120	116	117	115	117	118
TOTAL	**876**	**869**	**865**	**838**	**810**	**753**	**756**

In addition to the staff assigned to regional offices, most of the staff in ONES are remote field staff who also travel to credit unions as part of their examination responsibilities.

Request for New Staff in 2020

Information Systems Officers (+2 New Positions)

These new employees, requested in the Office of Examination and Insurance, will be responsible for expanded cybersecurity responsibilities that include: Management of interagency activities, development of industry policy related to information security, and improvement of credit union cybersecurity resilience. The goal of these positions is to increase institutional knowledge of cybersecurity best practices within the credit union

system and broaden skills within the NCUA to ensure a consistent and professional approach during credit union supervision.

Senior Adviser to the Chairman for Communications and Engagement (+1 New Position)

This new employee will support the NCUA through strategic outreach and engagement with stakeholders in the credit union system, including credit union management, associations and leagues, and journalists who cover the industry. This employee will also assist the NCUA Board by keeping members up to date about challenges and changes within the system.

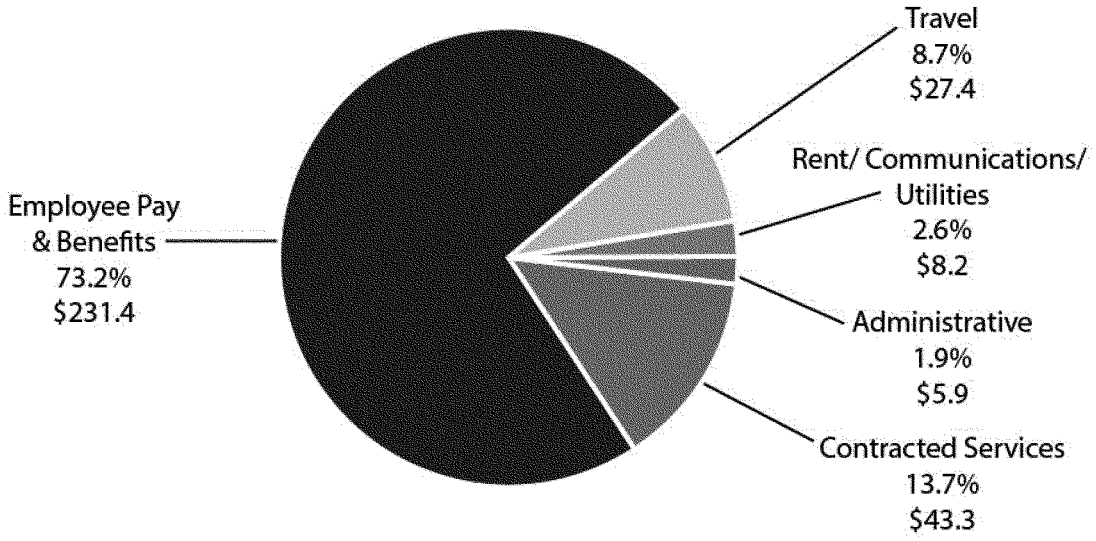
Budget Category Descriptions and Major Changes

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

2020–2021 NCUA OPERATING BUDGET SUMMARY

Budget Cost Category	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
Employee compensation	222,827,000	231,365,000	8,538,000	3.8%	237,754,000	6,389,000	2.8%
Salaries	159,686,000	162,566,000	2,880,000	1.8%	167,257,000	4,691,000	2.9%
Benefits	63,141,000	68,799,000	5,658,000	9.0%	70,497,000	1,698,000	2.5%
Travel	26,774,000	27,364,000	590,000	2.2%	26,694,000	(670,000)	-2.4%
Rent/Comm/Utilities	8,044,000	8,232,000	188,000	2.3%	8,012,000	(220,000)	-2.7%
Administrative	8,672,000	5,907,000	(2,765,000)	-31.9%	6,157,000	250,000	4.2%
Contracted Services	38,081,000	43,345,000	5,264,000	13.8%	47,356,000	4,011,000	9.3%
Total	**$ 304,398,000**	**$ 316,213,000**	**11,815,000**	**3.9%**	**$ 325,973,000**	**9,760,000**	**3.1%**

2020 Operating Budget (in Millions of Dollars)



note: minor rounding differences may occur in totals

Salaries and Benefits

The budget includes $231.4 million for employee salaries and benefits in 2020. This change is an $8.5 million, or 3.8 percent, increase from the 2019 Board-approved budget.

Salaries and benefits costs make up 73.2 percent of the total budget. There are two primary drivers of increased costs in 2020 for the Salaries and Benefits category:

○ Merit and locality pay increases for the NCUA's 1,180 personnel paid from the Operating Budget, in accordance with the agency's current Collective Bargaining Agreement (CBA) and its merit-based pay system. Salaries are estimated to increase 1.8 percent in aggregate compared to 2019. This growth is lower than prior years due to new employee starting salaries being set at the lower end of pay ranges when turnover occurs and because of some staff reaching the salary caps for their pay grades.

○ Contributions for employee retirement to the Federal Employee

Retirement System (FERS), which are unilaterally set by the Office of Personnel Management, and which cannot be negotiated or changed by the NCUA. Driven by the mandatory rate adjustment, the 2020 benefits costs increase 9.0 percent compared to 2019.

These changes are described in more detail below.

In 2020, the NCUA's compensation levels will continue to ''maintain comparability with other federal bank regulatory agencies,'' as required by the Federal Credit Union Act.[9] The Salaries and Benefits category of the budget includes all employee pay raises for 2020, 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 −1.0 percent to +3.0 percent, depending on the geographic location. The average increase in locality pay is estimated to be 1.52 percent. Starting in 2018, the NCUA discontinued the annual, general pay scale increase of 1.25 percent in accordance with the most-recent CBA negotiations.

The first-year cost of the new positions added in 2020 is estimated to be $0.9 million. Specific increases to individual offices' salaries 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 employee 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 OPM economic assumptions for actuarial valuation of the FERS have increased significantly for 2020. All federal agencies are expected to contribute 16.0 percent of FERS employees' salaries to the OPM retirement system, an increase of 230 basis points compared to the 2019 level. This mandatary contribution is prescribed in the OPM Benefits Administration Letter dated June 2019. The estimated impact on the NCUA budget is an increase of approximately $5.0 million in mandatory payments to OPM, or 1.6 percentage points of budgetary growth, compared to 2019 levels.

The average health insurance costs for the Federal Employees Health Benefits program for 2020 are consistent with historical actual expenses. The employee salary and benefits category also includes costs associated with other mandatory employer contributions such as Social Security, Medicare, transportation subsidies, unemployment, and workers' compensation.

The 2020 budget estimate for pay and benefits includes the assumption of a 2.2 percent vacancy rate (roughly 26 full-time positions) during the year. This aligns with the NCUA's recent attrition rates and workforce management efforts to carefully review every vacancy created in the agency in 2020 before a hiring notice is published. The effect of this adjustment lowers the NCUA budget estimate and results in reduced fees collected from credit unions.

The 2021 budget request for salaries and benefits is estimated at $237.8 million, a $6.4 million increase from the 2020 level, which accounts for merit and locality increases consistent with the CBA (approximately $4.1 million), the full-year cost impact of new positions (approximately $0.6 million), and associated increases in benefits for all employees (approximately $1.7 million). The assumptions used for compensation-related adjustments are based on the CBA currently in force. The NCUA CBA will be renegotiated during 2020, with any changes reflected in future budget cycles.

Travel

The 2020 budget includes $27.4 million for Travel. This change is a $590,000, or 2.2 percent, increase to the 2019 Board-approved budget. Travel comprises approximately nine percent of the overall 2020 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 (GSA) announced an increase to standard lodging rates to $96 dollars in 2020, an increase of four dollars, or four percent compared to 2019, which contributes to the growth of estimated travel expenses in 2020. In addition, effective with 2019, GSA will charge the NCUA fees for the city pair program that provides discounted and flexible air passenger transportation services to federal government travelers. Although the NCUA has always participated in the mandatory program, prior year fee payments were not applied to the NCUA. The annual cost of $20,000 to GSA for all the NCUA employee travel fees may increase depending on future travel schedules.

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 routine and specialized training. In 2020, the NCUA will conduct a series of training events to support the nationwide roll-out of MERIT. The NCUA's planning staff conducted extensive research to identify low-cost locations for these events. The roll-out will be a labor intensive effort requiring up to six weeks of travel for many of the NCUA's staff, and will provide hands-on training for this new system, which will be officially deployed in the fourth quarter of 2020. The estimated travel costs for MERIT-related training funded in the 2020 Operating Budget is $1.0 million.

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. The 2021 budget request for

[9] 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).

the travel is estimated to be $26.7 million, less than 2020 because of the exclusion of one-time MERIT training costs.

Rent, Communications, and Utilities

The 2020 budget includes $8.2 million for Rent, Communications, and Utilities. This is an $188,000 increase, or 2.3 percent more than the 2019 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 technology network expenses, and facility rental costs.

The agency telecommunications budget for 2020 is $4.5 million and accounts for most of the increase in this budget category. The telecommunication charges include leased lines, domestic and international voice (including mobile), and other network charges. Telecommunication costs include the circuits and any associated usage fees for providing voice or data telecommunications service between data centers, office locations, the internet and any customer, supplier or partner. The increased costs support trusted internet protocol services due to higher data consumption and use of cloud-based services.

Office building leases, meeting rentals, office utilities, and postage expenses are also included in this budget category. Facility costs total $2.1 million for 2020 and 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 annual utility costs for the central office and regional offices are estimated at $483,000.

The 2020 budget also includes $1.1 million for event rental costs for examiner meetings and other training events. This includes the one-time costs of $220,000 for space rental for the MERIT training events planned in 2020.

The 2021 budget request for the Rent, Communications, and Utilities category is estimated to be $8.0 million, less than 2020 because of the exclusion of one-time MERIT training costs.

Administrative Expenses

The 2020 budget includes $5.9 million for Administrative Expenses. This is a decrease of $2.8 million, or 31.9 percent, compared to the 2019 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.

Most of the decrease in the Administrative Expenses budget results from realigning the costs of various service contracts, maintenance fees, and end-user licensing for computer software and database management applications to the Contracted Services budget. Approximately $3.8 million, unchanged from 2019, will be permanently included in Contract Services, which is consistent with standard government reporting for software costs. This includes annual software licenses and maintenance support fees for the call center managed by the Office of Consumer Financial Protection.

As part of the FFIEC, the NCUA shares in costs for joint actions and services that affect the financial services industry. The overall decrease is $78,000 less than the 2019 budget levels since the state examiner training costs will be reduced next year.

The 2020 budget includes $100,000 for employee relocation expenses, although expected relocation expenses are estimated to be more. The budget proposes using $900,000 of unspent balances from prior years to pay for these additional costs, for a total relocation budget of $1,000,000. This spending level reflects recent average annual expenditures for employee relocations and is a $250,000 increase over the 2019 Board-approved budget. Relocation costs are paid by the NCUA to employees who are competitively selected for a promotion or new job within the agency in a different geographic area than where they live. Employee relocations have increased in quantity and cost per employee in recent years, especially in 2019. The larger number of employee relocations is partly the result of additional hiring and partly from the effects of the 2018 NCUA reorganization. The increase in relocation costs is also related to changes in the 2017 tax law that now treats all relocation reimbursements as taxable income. Like other government agencies and private sector employees, the NCUA must now reimburse employees not just for their relocation expenses, but also for the personal tax liability resulting from those payments.

Continuous business process improvements and financial controls have decreased costs for printing, and other administrative costs, which are estimated to be $112,000 less than in 2019.

The 2021 budget request for the Administrative Services category is expected to increase by $250,000, or 4.2 percent, due to increases in the employee relocation budget.

Contracted Services

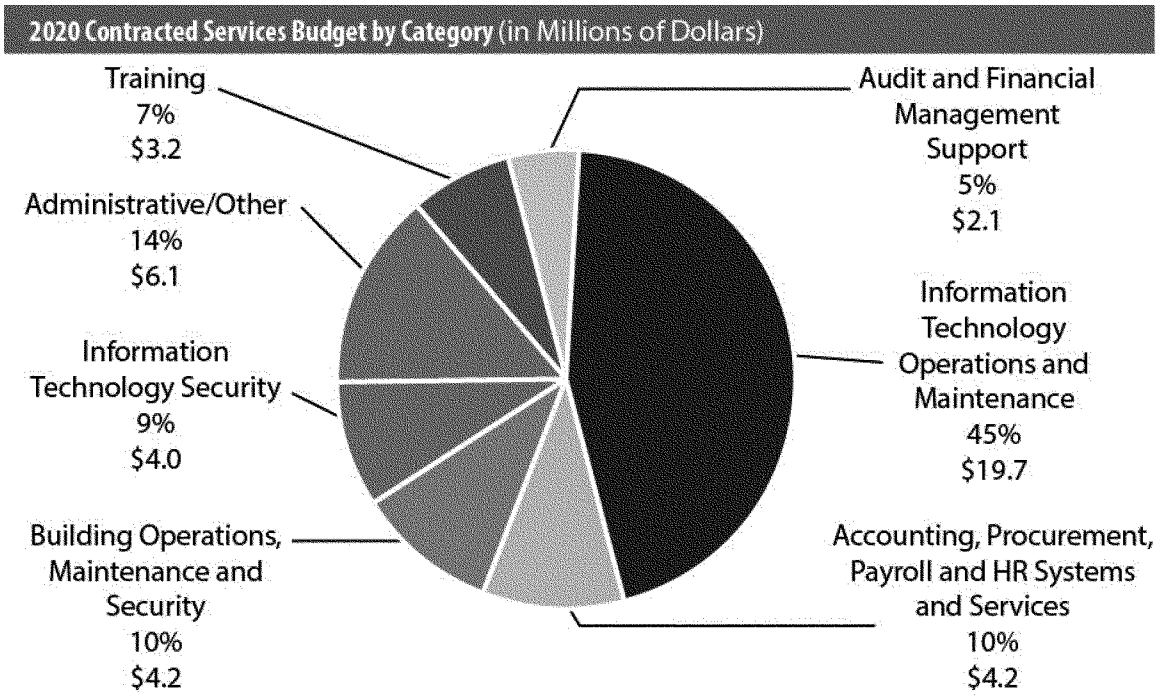
The 2020 budget includes $43.3 million for Contracted Services. This is a $5.3 million, or 13.8 percent, increase compared to the 2019 Board-approved budget. The Contracted Services budget category includes costs incurred when products and services are acquired in the commercial marketplace. Acquiring 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 equipment 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 AIRES and CU Online. Other costs include core agency business operation systems such as accounting and payroll processing, and various recurring costs, as described in the seven major categories, below:

- Information Technology Operations and Maintenance (45 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 (10 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 (10 percent of contracted services)
  - —Central office facility operations and maintenance
  - —Building security and continuity programs
  - —Personnel security and administrative programs
- Information Technology Security (9 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 2020 contracted services budget of $43.3 million.



note: minor rounding differences may occur in totals

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 2020 include the MERIT training sessions discussed elsewhere in this document, classes offered by the Federal Financial Institutions Examination Council, new examiner classes, and subject matter expert training sessions for the NCUA examiners.

Starting in 2020, the NCUA is reducing its financial support for training for state examiners. Budgets for state examiner training at the FFIEC have been reduced by approximately 50 percent.

Contracted service providers, in partnership with the NCUA subject matter experts, will develop and design subject matter expert training classes for examiners and conduct a triennial review of several modules of the NCUA's core course curriculum. Additionally, contracted service providers and central office staff will continue conducting organizational development and teambuilding training to help support new team 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. The NCUA's human resource system, HR Links, also adopted by other federal agencies, is a shared solution that 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 examination systems that will replace legacy systems such as AIRES and CU Online. In future budgets, annual Operation and Maintenance costs for the MERIT system will be included in the Contract Services spending category. Several of the NCUA's core information technology systems and processes also require additional contract support in 2020, 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 $0.7 million is required primarily for the operations and maintenance costs of capital projects delivered in 2019 and 2020, and for other information technology hardware critical to ensure business continuity.

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 is roughly the same as the 2019 level of $1.2 million.

Within the budget for the Office of Continuity and Security Management, the Central Office building's physical access controls will be replaced in 2020, which is expected to cost approximately $600,000. In addition, mandatory reimbursement to the Office of Personnel Management for background investigations will increase by an estimated $125,000 in 2020.

The 2021 budget for Contracted Services is estimated to increase by $4,000,000, or 9.3 percent, compared to 2020, largely due to the operations and maintenance costs resulting from the delivery of capital projects funded in prior years.

VI. Capital Budget

Overview

Annually, the NCUA uses a rigorous investment review process to identify the agency's needs for information technology (IT), 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 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.

IT systems and hardware are another significant capital expenditure for modern organizations. The 2019 budget allowed the NCUA to deliver and deploy a number of cybersecurity and governance tools, and the first iteration of ESM with several projects included, such as the first release of MERIT in 2019. The 2020 budget maintains the investment in current and replacement IT systems.

The budget fully supports the NCUA's effort to modernize its IT infrastructure and applications, including the full rollout of MERIT, the NCUA's Examination and Supervision Solution (ESS) project, which will replace the legacy Automated Integrated Regulatory Examination System (AIRES) system. Other IT investments include ongoing enhancements and upgrades to enhance decades-old legacy systems, network servers, 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 2020 capital budget is $25.1 million. The capital budget funds the NCUA's long-term investments. The Information Technology Prioritization Council recommended $20.9 million for IT software development projects and $2.7 million in other IT investments for 2020. The NCUA facilities require $1.5 million in capital investments. Detailed descriptions of all 2020 capital projects, including a discussion of how each project helps the agency achieve its strategic goals and objectives, are provided in Appendix B.

Summary of Capital Projects

Examination and Supervision Solution and Infrastructure Hosting ($15.8 Million)

The purpose of the Examination and Supervision Solution and Infrastructure Hosting (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 customized Commercial-Off-The-Shelf (COTS) solution. In 2020, all NCUA examiners will be trained to use the new MERIT system, with full implementation expected by the fourth quarter.

Enterprise Central Data Repository ($1.1 Million)

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 agency to transition in a phased approach from the existing legacy databases to a cloud-based data repository serving the agency's needs.

Enterprise Data Program ($0.45 Million)

The purpose of this project is the centralization, organization and storage of the NCUA data. The primary goal is to enable the NCUA to manage enterprise data as a strategic asset through its full lifecycle (create/collect, manage/move, consume, dispose). The Enterprise Data Program (EDP) will also facilitate the centralization and organization of the NCUA's data with an authoritative source so analysis is more accurate, simple and easily distributed across the agency.

Asset and Liabilities Management Application ($2.1 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 ($1.0 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 and, adherence to federally mandated reporting requirements and records management requirements.

Integrated Financial Management System Analysis ($0.4 Million)

The purpose of this project is to analyze financial system improvements. The NCUA's current financial management system service provider increased the fee it charges the NCUA in 2019 by 40 percent. The NCUA plans to review various options to obtain better financial management results in a cost-effective manner.

Enterprise Laptop Lease ($0.65 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 ($2.0 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, infrastructure appliances, end of life and end of service components in order to ensure that the NCUA data is secure and operations are stable.

NCUA Website Development ($0.1 Million)

The purpose of the Web Services project is to serve the web-related needs of the internal NCUA stakeholders and the public. The project provides design, development, and maintenance of the agency's public websites: *NCUA.gov* and *MyCreditUnion.gov.*

Central Office Renovations ($0.5 Million)

NCUA headquarters renovation project will improve overall space utilization in the NCUA-owned Central Office. The goal of the project is to improve operational efficiency while decreasing operating cost by discontinuing commercial office leases and consolidating all Washington-region operations within one owned building. The project will increase the NCUA headquarters building capacity and some offices currently on separate floors will be collocated onto one floor, increasing operational efficiency.

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.

Austin, Texas Office Building Modernization ($0.27 million)

In 2020, the NCUA will continue its multi-year improvement project at the Austin, Texas office building. These capital improvements are required for the facility to continue routine and safe operations, and align with the lifecycle 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. The direct charges to the Share Insurance Fund include costs associated with the NCUA Guaranteed Note (NGN) program and administrative costs, and represent total estimated costs to the Share Insurance Fund.[10] The Share Insurance Fund Administrative budget funds five positions that were formerly part of the Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund) budget.

The cost of the NGN program and the Corporate System Resolution Program, including costs associated with the administration of those programs, are 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, training and financial audit support.

The 2020 Share Insurance Fund Administrative budget is estimated to be $6.5 million, $1.9 million, or 23 percent, less than 2019. The budget decrease is primarily driven by the removal of third-party stress testing on large credit unions and the decrease in costs for valuation services for the NGN program. These services 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 2021 requested budget supports similar workload and resources, increasing $482,000, or 7.5 percent, compared to the 2020 funding level.

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 $1.47 million, which represents an increase of $232,000 compared to 2019. This increase is due to aligning the budget to actual payroll costs for staff on board, as well as an increase to mandatory agency contribution rates to the FERS retirement program. Personnel compensation is 23 percent of the total budget. The financial analysts on the NGN team have specialized technical expertise to manage the remaining $6 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 remains the same as the 2020 budget estimate. These costs cover all of the travel expenses for the five staff that manage and support the NGN

[10] 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.

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 remain at $27,000, based on 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 42 percent of the budget, are estimated to be $2.7 million, a decrease of $0.2 million from the 2019 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 assist the NCUA with the following services:

Consulting Services in the amount of $1.0 million support two NCUA offices: Examination and Insurance and the Chief Financial Officer. Services include quarterly management reviews of asset valuations, as well as analyses of emerging issues. Contractors also provide support for the annual financial audit process and improvements in internal controls. 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 are used to assist with accounting, tax, financial reporting, and systems support for the corporate Asset Management Estates.

Valuation Services in the amount of $0.9 million funds 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 supports 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 NGNs have begun maturing, the NCUA has added data subscription services to provide additional valuation as well as 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 are estimated to be $2.2 million in 2020, a decrease of $1.9 million, or 47 percent, compared to the 2019 budget level. NCUA is required to conduct annual stress testing of certain large credit unions to ensure the credit unions remain financially sound through challenging economic cycles. In previous years the NCUA engaged BlackRock Solutions as its partner to challenge the stress test results prepared by the covered credit unions. Over a multi-year endeavor, the NCUA has procured the personnel, data, and systems to conduct this analysis internally. Accordingly, the NCUA has determined it will not engage BlackRock Solutions for the 2020 stress test cycle and has removed this cost from the budget. Had BlackRock been engaged for the 2020 cycle, the agency would have incurred $3 million in costs.

The $0.7 million increase in the estimated costs for state examiner training is driven by the MERIT travel and training requirement.

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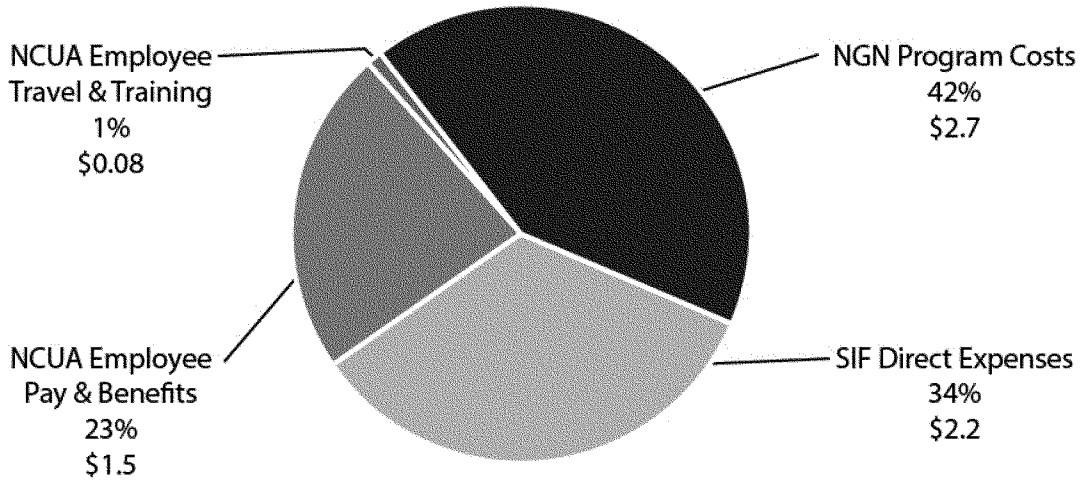
2020–2021 SHARE INSURANCE FUND ADMINISTRATIVE BUDGET

By Cost Category	2019 Board Approved Budget	2020 Requested Budget	2021 Requested Budget	Change (2019–20)	Change Percent (2019–20)	2019 FTE	2020 FTE
Employee Pay and Benefits	**1,238,000**	**1,470,000**	**1,514,000**	**232,000**	**18.7%**	5	5
Travel	**52,000**	**52,000**	**52,000**	**-**	**0.0%**		
Administrative (NGN Staff Training)	**27,000**	**27,000**	**27,000**	**-**	**0.0%**		
Support for NCUA Guaranteed Note Program:	**2,907,000**	**2,689,000**	**2,689,000**	**(218,000)**	**-7.5%**		
Consulting	1,015,000	1,015,000	1,015,000	-	0.0%		
Valuation Services	1,100,000	875,000	875,000	(225,000)	-20.5%		
Software/Data Subscriptions	792,000	799,000	799,000	7,000	0.9%		
Share Insurance Fund Direct Expenses:	**4,147,000**	**2,212,000**	**1,879,508**	**(1,935,000)**	**-46.7%**		
State Examination computer leases	175,000	62,000	500,000	(113,000)	-64.6%		
State Examiner Training	992,000	1,670,000	899,508	678,000	68.3%		
Stress testing for large credit unions	2,500,000	-	-	(2,500,000)	-100.0%		
Financial Audit Support	450,000	450,000	450,000	-	0.0%		
Bank Charges	30,000	30,000	30,000	-	0.0%		
Total	**$ 8,371,000**	**$ 6,450,000**	**$ 6,161,508**	**$ (1,921,000)**	**-22.9%**	**5**	**5**

2020 Share Insurance Fund Administrative Budget (in Millions of Dollars)



note: minor rounding differences may occur in totals

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The NCUA website has a dedicated section that provides financial reports for the Share Insurance Fund, [11] and a separate page that explains the NCUA Guaranteed Notes Program and provides comprehensive reporting and analysis on the legacy assets.[12]

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

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

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

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.[13] 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''; [14] and

(2) ''fees and assessments (including income earned on insurance deposits) levied on insured credit unions under [the Act].'' [15] 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.[16] 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.[17]

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.[18] Second, the NCUA may not fund its entire Operating Budget through charges to the Share Insurance Fund.[19] The NCUA has not imposed additional policy or regulatory limitations on its discretion for determining the OTR.

Overhead Transfer Rate (OTR)

The NCUA Board approved the current methodology for calculating the OTR at its November 2017 open meeting.[20] 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 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.[21]

2. All time and costs the NCUA spends supervising or evaluating the risks posed by federally insured, state-chartered credit unions or other entities that the NCUA does not charter or regulate (for example, third-party vendors and CUSOs) are allocated as 100 percent insurance related.[22]

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.[23]

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.[24]

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 2020 is modestly higher than 2019, and estimated to be 61.3 percent. Thus, 61.3 percent of the total Operating Budget is estimated to be paid out of the Share Insurance Fund. The remaining 38.7 percent of the Operating Budget is estimated to be paid for through the Operating Fee. The explicit and implicit distribution of total Operating Budget costs for federal credit unions and federally insured, state-chartered credit unions is as follows:

[13] 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.

[14] 12 U.S.C. 1783(a).

[15] 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.

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

[17] 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.'' 12 U.S.C. 1755(b).

[18] 12 U.S.C. 1783(a).

[19] 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).

[20] 82 FR 55644 (Nov. 22, 2017).

[21] 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 the 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.

[22] 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.

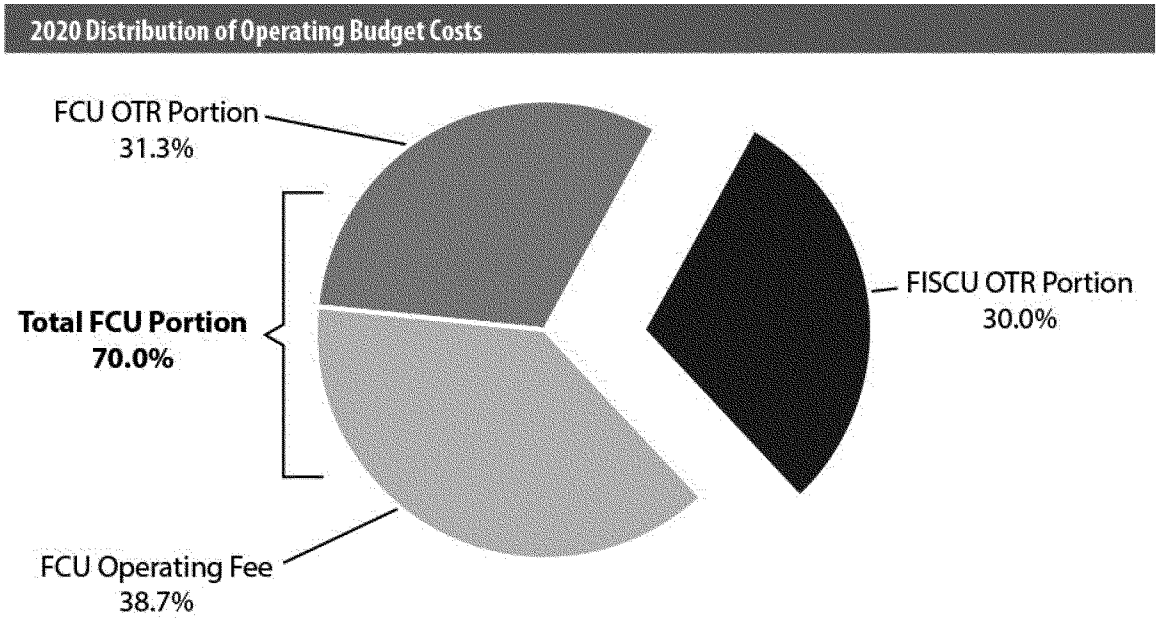
[23] As the federal agency with the responsibility to charter federal credit unions and enforce non-insurance related laws governing how credit unions operate in the marketplace, the NCUA resources allocated to these functions are properly assigned to its role as charterer/prudential regulator.

[24] 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.

Est. share of the operating budget covered by:	Federal credit unions (percent)	Federally insured, state-chartered credit unions (percent)
Federal Credit Union Operating Fee	38.7	0.0
OTR × Percent of Insured Shares	31.3 (61.3 × 51.1)	30.0 (61.3 × 48.9)
Total	70.0	30.0

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 federal credit unions (FCUs, 70.0%) and federally insured, state-chartered credit unions (FISCUs, 30.0%).



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 2020; the change in the assessments for 2020 are due to changes in the OTR rate and to indexing the fee schedule for projected asset growth.

For 2020, based on the OTR methodology discussed above, the resulting share of the budget that is funded from the Operating Fee is $144.8 million. This equates to 0.0181 percent of the estimated federal credit union assets for December 2019. The overall increase for the operating fee is 1.2 percent over 2019.

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 2020, federal credit union asset growth will be projected through December 31, 2019. Based on the June 30, 2019, Call Report data, annual growth is projected to be 5.6 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 1.2 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 $269.4 per million dollars of assets, to $272.7 per one million dollars of assets. This is an increase of $3.3 per million dollars of assets, or 1.2 percent.

Federal credit union assets between $1.5 billion and $4.8 billion would be assessed at a rate of $79.48 per million, and assets above $4.8 billion would be

assessed at $26.54 per million. As noted above, these tiers were indexed to the 5.6 percent projected asset growth, and the rates are increased by 1.2 percent.

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

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2020 OPERATING FEE REQUIREMENTS AND OPERATING FEE METHODOLOGY

Operating Fee Schedule explanation:

	Natural Person Federal Credit Union Operating Fee Calculation Factors and Explanation	Calculation Formula	2020
1	**Proposed Annual Operating Fund Budget** amount determines the baseline fee requirement.		**$ 316.213**
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 (61.3%)**	Sum lines 1–2	$ 314.873
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	**$ (193.017)**
5	**Interest Income** projected for the year is estimated based on the latest financial statements, and is subtracted from the budget.		$ (2.250)
6	**Miscellaneous** (publication and FOIA fees) is estimated based on the latest financial statements, and is subtracted from the budget.		$ (1.000)
7	**Net** Adjustment to Budget	Sum lines 3–6	**$ 118.606**
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*	$ 25.075
10	**Annual payment of King Street Station Note Payable** (scheduled principal payments)		$ 1.340
11	**Budgeted Operating Fee/Capital Requirements**	Sum lines 7–10	**$ 145.021**
12	Corporate federal credit union fees are collected and subtracted from natural person credit union fee requirement (based on corporate credit union scale)		$ (0.200)
13	**Natural Person Federal Credit Union Operating Fees Required**	Sum lines 11–12	**$ 144.821**
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.		$ (143.072)
15	Difference between estimated operating fee collections and projected collections based on estimated asset growth.	Difference between lines 13 and 14	**$ 1.749**
16	**Average Rate Adjustment Indicated** (line 15 divided by line 14)	Line 15 divided by 14	**1.21%**

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.	

PROPOSED 2020 OPERATING FEE SCALE

2019 Natural Person Federal Credit Union Scale

Asset Level			Operating Fee Assessment				
$0	to	$1,000,000	$0.00				
$1,000,000	to	$1,514,387,940	$0.00	+	0.00026940	X total assets over	$0.00
$1,514,387,940	to	$4,582,515,156	$407,976	+	0.00007852	X total assets over	$1,514,387,940
$4,582,515,156	and	over	$648,885	+	0.00002622	X total assets over	$4,582,515,156

2020 (Proposed) Natural Person Federal Credit Union Scale

Projected FCU asset growth rate	5.6%	Change in asset level dividing points
Operating fee rate change	1.2%	Change in assessment rate percentages

Asset Level			Operating Fee Assessment				
$0	to	$1,000,000	$0.00				
$1,000,000	to	$1,599,193,665	$0.00	+	0.00027269	X total assets over	$0.00
$1,599,193,665	to	$4,839,136,005	$436,084	+	0.00007948	X total assets over	$1,599,193,665
$4,839,136,005	and	over	$693,595	+	0.00002654	X total assets over	$4,839,136,005

FY2020 (Proposed) Corporate Federal Credit Union Scale

Asset Level			Operating Fee Assessment				
$50,000,000	to	$100,000,000	$11,047	+	0.00019870	X total assets over	$50,000,000
$100,000,000	and	over	$20,982	+	0.00001230	X total assets over	$100,000,000

IX. Appendix A: Supplemental Budget Information

2020 Budget by Strategic Goal

Strategic Goal	2020 Proposed Budget	
	Dollars (in Millions)	Full-Time Equivalents*
Goal 1: Ensure a safe and sound credit union system	$227.9	929.6
Goal 2: Provide a regulatory framework that is transparent, efficient, and improves consumer access	$32.9	115.3
Goal 3: Maximize organizational performance to enable mission success	$83.0	130.2
Office of Inspector General	$3.9	10.0
Total	**$347.8**	**1,185.0**

Expenses for the Offices of the Board, Executive Director, Inspector General, External Affairs and Communications, and Chief Financial Officer are allocated across all strategic goals.
*NCUA's 2020 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 1,177 full-time equivalents.

note: minor rounding differences may occur in totals.

Office Budget Summary

2020–2021 NCUA OPERATING BUDGET										
Office	**2019 Board Approved Budget**	**2020 Requested Budget**	**2019–2020 Change**		**2021 Requested Budget**	**2020–2021 Change**		**Authorized Positions**		
								2019**	**2020**	**2021**
Eastern Region	59,006,000	59,230,000	224,000	0.4%	60,570,000	1,340,000	2.3%	285	285	285
Southern Region	45,356,000	47,084,000	1,728,000	3.8%	48,126,000	1,042,000	2.2%	233	233	233
Western Region	49,363,000	50,911,000	1,548,000	3.1%	52,000,000	1,089,000	2.1%	237	237	237
Office of National Examinations and Supervision	12,700,000	12,877,000	177,000	1.4%	13,158,000	281,000	2.2%	45	45	45
Supervision and Examination	**166,425,000**	**170,102,000**	**3,677,000**	**2.2%**	**173,854,000**	**3,752,000**	**2.2%**	**800**	**800**	**800**
Office of the Board	2,742,000	3,068,000	326,000	11.9%	3,123,000	55,000	1.8%	11	12	12
Office of the Executive Director	1,931,000	2,044,000	113,000	5.9%	2,089,000	45,000	2.2%	6	6	6
Federal Financial Institutions Examination Council	1,390,000	1,314,000	(76,000)	-5.5%	1,314,000	-	0.0%			
Office of Business Innovations	2,975,000	3,325,000	350,000	11.8%	3,406,000	81,000	2.4%	12	12	12
Office of Continuity and Security Management	4,271,000	5,080,000	809,000	18.9%	5,154,000	74,000	1.5%	12	12	12
Office of Minority and Women Inclusion	3,478,000	3,503,000	25,000	0.7%	3,556,000	53,000	1.5%	10	10	10
Office of the Chief Economist	2,282,000	2,357,000	75,000	3.3%	2,413,000	56,000	2.4%	8	8	8
Office of Consumer Financial Protection	5,252,000	5,526,000	274,000	5.2%	5,658,000	132,000	2.4%	24	24	24
Office of the Chief Financial Officer	20,485,000	20,981,000	496,000	2.4%	21,271,000	290,000	1.4%	54	54	54
King Street Station Note	1,340,000	1,340,000	-	0.0%	1,340,000	-	0.0%			
Cross-cutting agency expenses	(1,420,000)	(2,348,000)	(928,000)	65.4%	(1,582,000)	766,000	-32.6%			
Office of the Chief Information Officer	37,829,000	39,271,000	1,442,000	3.8%	43,555,000	4,284,000	10.9%	44	44	44
Credit Union Resources and Expansion	8,459,000	8,795,000	336,000	4.0%	9,000,000	205,000	2.3%	36	36	36
Office of Examination & Insurance*	13,611,000	15,615,000	2,004,000	14.7%	15,924,000	309,000	2.0%	54	56	56
Office of General Counsel	11,973,000	12,380,000	407,000	3.4%	12,639,000	259,000	2.1%	47	47	47
Office of Inspector General	3,776,000	3,907,000	131,000	3.5%	3,975,000	68,000	1.7%	10	10	10
Office of Human Resources	15,757,000	17,304,000	1,547,000	9.8%	16,500,000	(804,000)	-4.6%	43	43	43
Office of External Affairs and Communication	1,842,000	2,649,000	807,000	43.8%	2,784,000	135,000	5.1%	11	11	11
Mission Support	**137,973,000**	**146,111,000**	**8,138,000**	**5.9%**	**152,119,000**	**6,008,000**	**4.1%**	**382**	**385**	**385**
Total*	**$ 304,398,000**	**$ 316,213,000**	**$ 11,815,000**	**3.9%**	**$ 325,973,000**	**$ 9,760,000**	**3.1%**	**1,182**	**1,185**	**1,185**

*Budget includes 8 FTEs related to other NCUA funds; 3 FTEs are paid-for by the Central Liquidity Facility, and 5 FTEs are paid-for by the Share Insurance Fund.
**2019 Budget adjusted with mid-season approval of 4 FTEs that support the office of External Affairs and Communications. The overall number of FTEs increased from 1,178 to 1,182. Other internal office FTE reallocation adjustments for the Eastern and Southern regions and the Chief Financial Officer did not affect the bottom line of 1,182 authorized FTEs.

Board Budgets

OFFICE OF THE CHAIRMAN: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**3.0**	**4.0**	**1.0**	**33.3%**	**4.0**	**-**	**-**
Employee Compensation	713,780	953,556	239,776	33.6%	972,546	18,990	2.0%
Salaries	529,408	698,308	168,900	31.9%	713,361	15,053	2.2%
Benefits	184,372	255,248	70,876	38.4%	259,185	3,936	1.5%
Travel	60,000	60,000	-	0.0%	60,000	-	0.0%
Rent /Comm/Util	250	250	-	0.0%	250	-	0.0%
Administrative	10,000	10,000	-	0.0%	10,000	-	0.0%
Contracted Services	27,000	27,000	-	0.0%	27,000	-	0.0%
Total	**$ 811,030**	**$ 1,050,806**	**$ 239,776**	**29.6%**	**$ 1,069,796**	**$ 18,990**	**1.8%**

BOARD MEMBER McWatters: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**3.0**	**3.0**	**-**	**0.0%**	**3.0**	**-**	**-**
Employee Compensation	670,559	734,311	63,752	9.5%	747,224	12,913	1.8%
Salaries	494,397	534,043	39,646	8.0%	544,279	10,236	1.9%
Benefits	176,162	200,268	24,106	13.7%	202,945	2,677	1.3%
Travel	40,000	40,000	-	0.0%	40,000	-	0.0%
Rent /Comm/Util	500	500	-	0.0%	500	-	0.0%
Administrative	9,000	9,000	-	0.0%	9,000	-	0.0%
Contracted Services	28,000	8,000	(20,000)	-71.4%	8,000	-	0.0%
Total	**$ 748,059**	**$ 791,811**	**$ 43,752**	**5.8%**	**$ 804,724**	**$ 12,913**	**1.6%**

BOARD MEMBER Harper: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**3.0**	**3.0**	**-**	**-**	**3.0**	**-**	**-**
Employee Compensation	670,559	688,079	17,520	2.6%	699,693	11,614	1.7%
Salaries	494,397	497,395	2,998	0.6%	506,601	9,206	1.9%
Benefits	176,162	190,685	14,523	8.2%	193,092	2,407	1.3%
Travel	40,000	50,000	10,000	25.0%	50,000	-	0.0%
Rent /Comm/Util	500	500	-	0.0%	500	-	0.0%
Administrative	9,000	9,000	-	0.0%	9,000	-	0.0%
Contracted Services	28,000	18,000	(10,000)	-35.7%	18,000	-	0.0%
Total	**$ 748,059**	**$ 765,579**	**$ 17,520**	**2.3%**	**$ 777,193**	**$ 11,614**	**1.5%**

note: minor rounding differences may occur in totals.

Office Budgets

EASTERN REGION: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**285.0**	**285.0**	**0.00**	**0.0%**	**285.0**	**-**	**-**
Employee Compensation	51,030,573	52,021,801	991,228	1.9%	53,362,425	1,340,624	2.6%
Salaries	36,576,732	36,570,573	(6,159)	0.0%	37,613,193	1,042,620	2.9%
Benefits	14,453,841	15,451,228	997,387	6.9%	15,749,232	298,003	1.9%
Travel	6,800,000	6,654,236	(145,764)	-2.1%	6,654,236	-	0.0%
Rent /Comm/Util	726,163	148,300	(577,863)	-79.6%	148,300	-	0.0%
Administrative	252,080	203,819	(48,261)	-19.1%	203,819	-	0.0%
Contracted Services	197,450	201,498	4,048	2.1%	201,498	-	0.0%
Total	**$ 59,006,266**	**$ 59,229,654**	**$ 223,388**	**0.4%**	**$ 60,570,278**	**$ 1,340,624**	**2.3%**

SOUTHERN REGION: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**233.0**	**233.0**	**0.0**	**0.0%**	**233.0**	**-**	**-**
Employee Compensation	38,519,296	40,347,162	1,827,866	4.7%	41,388,945	1,041,783	2.6%
Salaries	27,420,801	28,366,086	945,286	3.4%	29,174,270	808,183	2.8%
Benefits	11,098,495	11,981,076	882,581	8.0%	12,214,675	233,600	1.9%
Travel	6,100,000	6,100,000	-	-	6,100,000	-	0.0%
Rent /Comm/Util	178,738	200,500	21,762	12.2%	200,500	-	0.0%
Administrative	193,075	233,100	40,025	20.7%	233,100	-	0.0%
Contracted Services	364,500	203,000	(161,500)	-44.3%	203,000	-	0.0%
Total	**$ 45,355,609**	**$ 47,083,762**	**$ 1,728,153**	**3.8%**	**$ 48,125,545**	**$ 1,041,783**	**2.2%**

WESTERN REGION: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**237.0**	**237.0**	**-**	**-**	**237.0**	**-**	**-**
Employee Compensation	41,693,060	42,647,527	954,467	2.3%	43,736,375	1,088,847	2.6%
Salaries	29,680,900	29,741,955	61,055	0.2%	30,589,367	847,411	2.8%
Benefits	12,012,160	12,905,572	893,412	7.4%	13,147,008	241,436	1.9%
Travel	6,550,000	7,110,000	560,000	8.5%	7,110,000	-	0.0%
Rent /Comm/Util	625,000	570,000	(55,000)	-8.8%	570,000	-	0.0%
Administrative	290,000	334,300	44,300	15.3%	334,300	-	0.0%
Contracted Services	205,000	249,700	44,700	21.8%	249,700	-	0.0%
Total	**$ 49,363,060**	**$ 50,911,527**	**$ 1,548,467**	**3.1%**	**$ 52,000,375**	**$ 1,088,847**	**2.1%**

note: minor rounding differences may occur in totals.

OFFICE OF THE BOARD: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**11.0**	**12.0**	**1.0**	**9.1%**	**12.0**	**-**	**-**
Employee Compensation	2,476,380	2,820,175	343,795	13.9%	2,875,433	55,258	2.0%
Salaries	1,829,488	2,052,052	222,564	12.2%	2,095,737	43,685	2.1%
Benefits	646,892	768,123	121,231	18.7%	779,696	11,573	1.5%
Travel	141,500	152,000	10,500	7.4%	152,000	-	0.0%
Rent /Comm/Util	1,250	1,250	-	-	1,250	-	0.0%
Administrative	28,000	28,000	-	-	28,000	-	0.0%
Contracted Services	94,500	66,500	(28,000)	-29.6%	66,500	-	0.0%
Total	**$ 2,741,630**	**$ 3,067,925**	**$ 326,295**	**11.9%**	**$ 3,123,183**	**$ 55,258**	**1.8%**

OFFICE OF THE EXECUTIVE DIRECTOR: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**6.0**	**6.0**	**-**	**-**	**6.0**	**-**	**-**
Employee Compensation	1,621,460	1,730,310	108,850	6.7%	1,775,619	45,309	2.6%
Salaries	1,194,062	1,250,843	56,781	4.8%	1,286,506	35,663	2.9%
Benefits	427,398	479,467	52,069	12.2%	489,112	9,646	2.0%
Travel	45,000	45,000	-	-	45,000	-	0.0%
Rent /Comm/Util	20,250	20,250	-	0.0%	20,250	-	0.0%
Administrative	1,415,000	1,339,000	(76,000)	-5.4%	1,339,000	-	0.0%
ED Core	25,000	25,000	-	0.0%	25,000	-	0.0%
FFIEC	1,390,000	1,314,000	(76,000)	-5.5%	1,314,000	-	0.0%
Contracted Services	219,500	223,500	4,000	1.8%	223,500	-	0.0%
Total	**$ 3,321,210**	**$ 3,358,060**	**$ 36,850**	**1.1%**	**$ 3,403,369**	**$ 45,309**	**1.3%**

OFFICE OF BUSINESS INNOVATION: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**12.0**	**12.0**	**-**	**-**	**12.0**	**-**	**-**
Employee Compensation	2,767,775	3,049,685	281,910	10.2%	3,129,837	80,152	2.6%
Salaries	2,071,694	2,228,475	156,781	7.6%	2,292,012	63,537	2.9%
Benefits	696,081	821,210	125,129	18.0%	837,825	16,615	2.0%
Travel	180,500	224,000	43,500	24.1%	224,000	-	0.0%
Rent /Comm/Util	2,400	3,600	1,200	50.0%	3,600	-	0.0%
Administrative	2,000	10,000	8,000	400.0%	10,000	-	0.0%
Contracted Services	22,000	38,250	16,250	73.9%	38,250	-	0.0%
Total	**$ 2,974,675**	**$ 3,325,535**	**$ 350,860**	**11.8%**	**$ 3,405,687**	**$ 80,152**	**2.4%**

note: minor rounding differences may occur in totals.

OFFICE OF CONTINUITY AND SECURITY MANAGEMENT: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**12.0**	**12.0**	**-**	**-**	**12.0**	**-**	**-**
Employee Compensation	2,602,123	2,782,988	180,864	7.0%	2,856,178	73,190	2.6%
Salaries	1,920,838	2,020,314	99,476	5.2%	2,077,916	57,602	2.9%
Benefits	681,285	762,674	81,388	11.9%	778,262	15,589	2.0%
Travel	34,000	30,000	(4,000)	-11.8%	30,000	-	0.0%
Rent /Comm/Util	35,000	35,000	-	0.0%	35,000	-	0.0%
Administrative	30,000	36,000	6,000	20.0%	36,000	-	0.0%
Contracted Services	1,570,353	2,196,595	626,242	39.9%	2,196,595	-	0.0%
Total	**$ 4,271,476**	**$ 5,080,583**	**$ 809,106**	**18.9%**	**$ 5,153,773**	**$ 73,190**	**1.4%**

OFFICE OF MINORITY AND WOMEN INCLUSION: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**10.0**	**10.0**	**-**	**-**	**10.0**	**-**	**-**
Employee Compensation	2,300,654	2,271,894	(28,760)	-1.3%	2,324,721.8	52,827	2.3%
Salaries	1,707,197	1,653,089	(54,108)	-3.2%	1,694,989	41,900	2.5%
Benefits	593,457	618,805	25,348	4.3%	629,733	10,927	1.8%
Travel	75,000	157,349	82,349	109.8%	157,349	-	0.0%
Rent /Comm/Util	7,600	19,750	12,150	159.9%	19,750	-	0.0%
Administrative	141,658	211,067	69,409	49.0%	211,067	-	0.0%
Contracted Services	953,500	843,131	(110,369)	-11.6%	843,131	-	0.0%
Total	**$ 3,478,412**	**$ 3,503,191**	**$ 24,779**	**0.7%**	**$ 3,556,019**	**$ 52,827**	**1.5%**

OFFICE OF THE CHIEF ECONOMIST: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**8.0**	**8.0**	**-**	**-**	**8.0**	**-**	**-**
Employee Compensation	2,035,603	2,117,041	81,438	4.0%	2,172,882	55,841	2.6%
Salaries	1,521,399	1,552,568	31,170	2.0%	1,596,834	44,266	2.9%
Benefits	514,204	564,473	50,269	9.8%	576,048	11,575	2.1%
Travel	27,000	25,000	(2,000)	-7.4%	25,000	-	0.0%
Rent /Comm/Util	500	300	(200)	-40.0%	300	-	0.0%
Administrative	215,839	210,839	(5,000)	-2.3%	210,839	-	0.0%
Contracted Services	3,000	4,314	1,314	43.8%	4,314	-	0.0%
Total	**$ 2,281,942**	**$ 2,357,494**	**$ 75,552**	**3.3%**	**$ 2,413,335**	**$ 55,841**	**2.4%**

note: minor rounding differences may occur in totals.

OFFICE OF CONSUMER FINANCIAL PROTECTION: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**24.0**	**24.0**	**-**	**-**	**24.0**	**-**	**-**
Employee Compensation	4,809,476	5,051,759	242,283	5.0%	5,183,001	131,242	2.6%
Salaries	3,513,939	3,623,066	109,127	3.1%	3,726,364	103,298	2.9%
Benefits	1,295,537	1,428,694	133,157	10.3%	1,456,637	27,943	2.0%
Travel	340,946	384,423	43,477	12.8%	384,423	-	0.0%
Rent /Comm/Util	38,250	39,950	1,700	4.4%	39,950	-	0.0%
Administrative	31,293	20,815	(10,478)	-33.5%	20,815	-	0.0%
Contracted Services	32,004	29,659	(2,345)	-7.3%	29,659	-	0.0%
Total	**$ 5,251,969**	**$ 5,526,606**	**$ 274,637**	**5.2%**	**$ 5,657,848**	**$ 131,242**	**2.4%**

OFFICE OF THE CHIEF FINANCIAL OFFICER: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**54.0**	**54.0**	**-**	**0.0%**	**54.0**	**-**	**-**
Employee Compensation	8,149,574	7,918,394	(231,181)	-2.8%	8,563,934	645,540	8.2%
Salaries	5,056,963	4,469,797	(587,166)	-11.6%	4,670,066	200,269	2.5%
OCFO	7,606,963	8,016,797	409,834	5.4%	8,245,366	228,569	
Crosscutting	(2,550,000)	(3,547,000)	(997,000)	39.1%	(3,575,300)	(28,300)	
Benefits	3,092,611	3,448,597	355,986	11.5%	3,893,868	445,271	12.9%
OCFO	2,787,611	3,127,597	339,986	12.2%	3,189,268	61,671	
Crosscutting	305,000	321,000	16,000	5.2%	704,600	383,600	
Travel	74,000	90,000	16,000	21.6%	90,000	-	0.0%
OCFO	74,000	90,000	16,000	21.6%	90,000	-	
Crosscutting	-	-	-			-	
Rent /Comm/Util	2,048,000	2,095,500	47,500	2.3%	2,095,500	-	0.0%
OCFO	708,000	755,500	47,500	6.7%	755,500	-	
King Station Note	1,340,000	1,340,000	-	0.0%	1,340,000	-	
Administrative	1,875,000	1,347,000	(528,000)	-28.2%	1,747,000	400,000	29.7%
OCFO	1,050,000	940,000	(110,000)	-10.5%	940,000	-	
Crosscutting	825,000	407,000	(418,000)	-50.7%	807,000	400,000	
Contracted Services	8,258,000	8,521,595	263,595	3.2%	8,532,040	10,445	0.1%
OCFO	8,258,000	8,050,628	(207,372)	-2.5%	8,050,628	-	
Crosscutting		470,967	470,967		481,412	10,445	
Total	**$ 20,404,574**	**$ 19,972,489**	**$ (432,086)**	**-2.1%**	**$ 21,028,474**	**$ 1,055,985**	**5.3%**
OCFO Total	21,824,574	22,320,522	495,947	2.3%	22,610,762	290,240	1.3%
Crosscutting	(1,420,000)	(2,348,033)	(928,033)	65.4%	(1,582,288)	765,745	

note: minor rounding differences may occur in totals.

OFFICE OF THE CHIEF INFORMATION OFFICER: 2020–2021 BUDGET SUMMARY

	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**44.0**	**44.0**	**-**	**-**	**44.0**	**-**	**-**
Employee Compensation	10,204,039	10,850,291	646,252	6.3%	11,134,988	284,697	2.6%
Salaries	7,572,503	7,910,059	337,556	4.5%	8,135,452	225,393	2.8%
Benefits	2,631,536	2,940,232	308,696	11.7%	2,999,536	59,304	2.0%
Travel	165,000	50,000	(115,000)	-69.7%	50,000	-	0.0%
Rent /Comm/Util	4,015,008	4,553,060	538,052	13.4%	4,553,060	-	0.0%
Administrative	2,978,445	4,500	(2,973,945)	-99.8%	4,500	-	0.0%
Contracted Services	20,466,221	23,812,771	3,346,550	16.4%	27,812,771	4,000,000	16.8%
Total	**$ 37,828,713**	**$ 39,270,622**	**$ 1,441,908**	**3.8%**	**$ 43,555,318**	**$ 4,284,697**	**10.9%**

OFFICE OF NATIONAL EXAMINATIONS AND SUPERVISION: 2020–2021 BUDGET SUMMARY

	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**45.0**	**45.0**	**-**	**-**	**45.0**	**-**	**-**
Employee Compensation	10,402,148	10,852,318	450,169	4.3%	11,133,318	281,001	2.6%
Salaries	7,607,351	7,798,101	190,750	2.5%	8,020,435	222,334	2.9%
Benefits	2,794,797	3,054,216	259,419	9.3%	3,112,883	58,667	1.9%
Travel	1,600,000	1,455,000	(145,000)	-9.1%	1,455,000	-	0.0%
Rent /Comm/Util	21,012	14,500	(6,512)	-31.0%	14,500	-	0.0%
Administrative	52,201	36,429	(15,772)	-30.2%	36,429	-	0.0%
Contracted Services	624,455	519,000	(105,455)	-16.9%	519,000	-	0.0%
Total	**$ 12,699,816**	**$ 12,877,247**	**$ 177,430**	**1.4%**	**$ 13,158,247**	**$ 281,001**	**2.2%**

OFFICE OF CREDIT UNION RESOURCE AND EXPANSION: 2020–2021 BUDGET SUMMARY

	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**36.0**	**36.0**	**-**	**-**	**36.0**	**-**	**-**
Employee Compensation	7,536,322	7,882,689	346,367	4.6%	8,087,926	205,237	2.6%
Salaries	5,533,197	5,674,658	141,461	2.6%	5,836,165	161,507	2.8%
Benefits	2,003,125	2,208,031	204,906	10.2%	2,251,761	43,730	2.0%
Travel	620,000	580,000	(40,000)	-6.5%	580,000	-	0.0%
Rent /Comm/Util	14,750	24,750	10,000	67.8%	24,750	-	0.0%
Administrative	30,750	30,000	(750)	-2.4%	30,000	-	0.0%
Contracted Services	257,000	277,627	20,627	8.0%	277,627	-	0.0%
Total	**$ 8,458,822**	**$ 8,795,066**	**$ 336,244**	**4.0%**	**$ 9,000,303**	**$ 205,237**	**2.3%**

note: minor rounding differences may occur in totals.

OFFICE OF EXAMINATION AND INSURANCE: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**54.0**	**56.0**	**2.0**	**3.7%**	**56.0**	**-**	**-**
Employee Compensation	11,464,514	12,028,189	563,675	4.9%	12,337,505	309,316	2.6%
Salaries	8,509,711	8,753,933	244,222	2.9%	8,998,904	244,971	2.8%
Benefits	2,954,803	3,274,255	319,453	10.8%	3,338,601	64,345	2.0%
Travel	995,000	1,008,244	13,244	1.3%	1,008,244	-	0.0%
Rent /Comm/Util	17,320	20,877	3,557	20.5%	20,877	-	0.0%
Administrative	621,500	805,317	183,817	29.6%	805,317	-	0.0%
Contracted Services	513,000	1,752,000	1,239,000	241.5%	1,752,000	-	0.0%
Total	**$ 13,611,334**	**$ 15,614,627**	**$ 2,003,293**	**14.7%**	**$ 15,923,942**	**$ 309,316**	**2.0%**

OFFICE OF GENERAL COUNSEL: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**47.0**	**47.0**	**-**	**0.0%**	**47.0**	**-**	**-**
Employee Compensation	11,496,869	12,025,265	528,396	4.6%	12,284,017	258,752	2.2%
Salaries	8,584,634	8,815,622	230,987	2.7%	9,020,055	204,433	2.3%
Benefits	2,912,235	3,209,643	297,409	10.2%	3,263,962	54,319	1.7%
Travel	150,000	150,000	-	-	150,000	-	0.0%
Rent /Comm/Util	-	500	500	-	500	-	0.0%
Administrative	1,500	1,500	-	-	1,500	-	0.0%
Contracted Services	325,000	202,500	(122,500)	-37.7%	202,500	-	0.0%
Total	**$ 11,973,369**	**$ 12,379,765**	**$ 406,396**	**3.4%**	**$ 12,638,517**	**$ 258,752**	**2.1%**

OFFICE OF HUMAN RESOURCES: 2019–2020 BUDGET SUMMARYY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**43.0**	**43.0**	**-**	**-**	**43.0**	**-**	**-**
Employee Compensation	9,621,702	10,082,718	461,016	4.8%	10,319,402	236,684	2.3%
Salaries	6,359,464	6,556,141	196,677	3.1%	6,742,353	186,211	2.8%
Benefits	3,262,238	3,526,577	264,339	8.1%	3,577,050	50,473	1.4%
Travel	2,834,765	3,086,815	252,050	8.9%	2,416,448	(670,367)	-21.7%
Rent /Comm/Util	290,900	482,085	191,185	65.7%	261,885	(220,200)	-45.7%
Administrative	454,677	982,500	527,823	116.1%	832,300	(150,200)	-15.3%
Contracted Services	2,554,787	2,669,714	114,927	4.5%	2,669,714	-	0.0%
Total	**$ 15,756,831**	**$ 17,303,833**	**$ 1,547,002**	**9.8%**	**$ 16,499,749**	**$ (804,083)**	**-4.6%**

note: minor rounding differences may occur in totals.

OFFICE OF EXTERNAL AFFAIRS AND COMMUNICATION: 2020–2021 BUDGET SUMMARY							
	2019 Board Approved Budget	2020 Requested Budget	2019–2020 Change	Change Percent	2021 Requested Budget	2020–2021 Change	Change Percent
FTE	**11.0**	**11.0**	**-**	**0.0%**	**11.0**	**-**	**-**
Employee Compensation	1,613,383	2,263,316	649,932	40.3%	2,398,403	135,088	6.0%
Salaries	1,197,036	1,627,003	429,967	35.9%	1,731,350	104,347	6.4%
Benefits	416,348	636,313	219,965	52.8%	667,053	30,741	4.8%
Travel	12,000	36,000	24,000	200.0%	36,000	-	0.0%
Rent /Comm/Util	500	-	(500)	-	-	-	0.0%
Administrative	39,036	51,888	12,852	32.9%	51,888	-	0.0%
Contracted Services	176,975	297,675	120,700	68.2%	297,675	-	0.0%
Total	**$ 1,841,894**	**$ 2,648,879**	**$ 806,984**	**43.8%**	**$ 2,783,966**	**$ 135,088**	**5.1%**

note: minor rounding differences may occur in totals.

X. Appendix B. Capital Projects

NATIONAL CREDIT UNION ADMINISTRATION: CAPITAL INVESTMENT PROJECTS				
Description	**2019 Board Approved**	**2020 Board Approved**	**2020 Requested**	**2021 Requested**
IT software development investments				
Examination and Supervision Solution and Infrastructure Hosting	8,414,000	7,500,000	15,781,954	4,000,000
Data Collection Solution	200,000	2,400,000	-	5,000,000
Business Intelligence Tools and Capability Enhancement	1,920,000	-	-	-
Enterprise Central Data Repository	990,000	1,096,000	1,096,000	2,000,000
AMAC Servicing System Solution	600,000	600,000	-	-
Enterprise Data Program	600,000	450,000	450,000	-
Asset and Liabilities Management Application	3,167,000	3,600,000	2,073,587	-
Enterprise Learning Management System Replacement	550,000	112,000	1,000,000	-
GRC Tool: Managing Compliance Information	325,000	-	-	-
Integrated Financial Management System Analysis	350,000	-	400,000	400,000
Anticipated additional software development investments	-	-	-	2,000,000
Total, IT software development investments	**$ 17,116,000**	**$ 15,758,000**	**$ 20,801,541**	**$ 13,400,000**
Other Information technology investments				
Enterprise Laptop Lease	800,000	800,000	650,000	2,475,000
IT Infrastructure, Platform and Security refresh	2,350,000	-	2,000,000	2,000,000
Security management (Patch and Vulnerability)	342,000	-	-	-
Security management (Security Event/Incident Management)	327,000	-	-	-
Refresh End of Life VoIP Phone System	170,000	-	-	-
NCUA Website Development	-	-	100,000	100,000
Anticipated additional information technology investments	-	1,000,000	-	-
Total, Other Information technology investments	**$ 3,989,000**	**$ 1,800,000**	**$ 2,750,000**	**$ 4,575,000**
Capital building improvements and repairs				
Central Office Rennovations	-	-	500,000	3,000,000
Central Office HVAC System Replacement	750,000	750,000	750,000	500,000
Austin, TX Office Building Improvements	150,000	300,000	274,000	230,000
Total, Capital building improvements and repairs	**$ 900,000**	**$ 1,050,000**	**$ 1,524,000**	**$ 3,730,000**
Grand Total, Capital Projects	**$ 22,005,000**	**$ 18,608,000**	**$ 25,075,541**	**$ 21,705,000**

Project name	**Examination and Supervision Solution and Infrastructure Hosting (ESS&IH)/MERIT**					
Project sponsor	Office of Business Innovation and Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: E&I, ONES, All Field Program Offices, OCIO, CURE, OHR, and OCFP External: Credit Unions, State Supervisory Authorities (SSAs)					
Budget	**$ in thousands**	**2019**	**2020**	**2021**	**2022**	**2023**
	Acquisition	$8,414	$15,782	$4,000	TBD	TBD
	Operations and Maintenance	$0	$0	TBD	TBD	TBD
Link to NCUA strategic goals	Goal 1: Ensure a Safe and Sound Credit Union System. ESS will enable credit union examiners to fulfill 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**	**2019**	**2020**	**2021**	**2022**	**2023**
	Release 1 (2019): Starting October 7, 2019, use MERIT to conduct examinations and supervision for all identified contacts.* Release 2 (2020): Starting the fourth quarter, 2020, use MERIT to conduct examinations and supervision for all identified contacts.*	100% of contacts identified for Release 1* (achieved)	100% of contacts identified for Release 2**			

	Development Sprint completion: Estimate versus Actual	Within +/- 20% (Planned) Within +/- 10% (Actual)	Within +/- 20%			
	Testing Pass Rate: % of User Stories that Pass User Acceptance Testing on First attempt	90% (Planned) 72% (Actual)	90%			
	Production System Availability	99.9% (Planned) 99.9% (Actual)	99.9%	99.9%	99.9%	99.9%
	* Release 1 includes ESM Iterations 1-3: ONES natural person federal credit union exam Program (Contact Type 10, 11, 22, 23, 26, 27, and 28) and joint exam programs with two SSAs. ** Release 2 includes ESM Iteration 4: Core examination and supervision functionality including Consumer Complaints, Corporate CU, Fair Lending, Risk Focused Exam, ONES Quarterly, SCUEP, Bank Purchase, Compliance, Conservatorship Admin, Fraud, Liquidations, NFICU, Loan and Share ingest and analytics capability. Enhancements to core functionality will continue into operations and maintenance.					
Detailed project description	The ESS&IH projects will put access to the key examination and supervision capabilities into a streamlined toolset allowing the NCUA's Examiners and Supervisors to be more efficient, consistent and effective. The overarching ESS&IH project scope and key deliverables include a new, flexible, technical foundation to enable current and future NCUA business process modernization initiatives, a central user interface (CUI), which will serve as a common point of access for future ESM applications, secure transfer of data between the NCUA and third parties, and replacement of the NCUA's legacy exam system, AIRES, with new Commercial-Off-The-Shelf (COTS) solutions. This project represents the first deliverable of the NCUA's Enterprise System Modernization program. 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; • Risk-based Examination Approach – To focus examiner resources on credit unions and asset portfolios that pose the most risk to the credit union industry; and, • 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. Schedule updates reflect completion of the initial development of key deliverables in 2020, a year earlier than previously planned. Transition to an Operations and Maintenance (O&M) state, with ongoing enhancements to the examination solution, is anticipated to begin in the 3rd quarter of 2020.	
Quarterly project schedule and deliverables	March/2020	Release 2 – Complete system development for product increments 1-2 out of 3 and conduct a hands-on system demo.
	June/2020	Release 2 – Complete system development and system integration testing.
	August/2020	Release 2 – Examination and supervision functionality for all planned credit union contacts deployed and end user training started.
	December/2020	Release 2 – End User Training and transition to operations and maintenance support team is complete.
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	If significant policy changes are made then the ESS configuration timelines and planned functionality may be impacted due to changing requirements.	Maintain regular monthly communications with Examination & Insurance team on the status, planned activities, and estimated timeline.
	If vendor discovery requirements and level of effort assumptions are incorrect, then costs, schedule, or scope could be impacted and additional funding would be required.	Validate Release 2 requirements and technical implementation in FY 19 Q4; prioritize important, complex functionality for development earlier in the schedule; down-scope R-2 functionality to fit budget; and preserve management reserve for most important needs.
	If Release 1 updates, enhancements, or support service levels are prioritized over Release 2 development then cost, schedule, scope could be impacted.	Only address the highest priority Release 1 updates, enhancements, and service level improvements required to preserve capacity for Release 2 development.

Project name	**Data Collection and Sharing (DCS) Solution.** Phase I: Analysis of Alternatives (AoA) Study					
Project sponsor	Office of Business Innovation and Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: OCIO and OBI External: N/A					
Budget	**$ in thousands**	**2019**	**2020**	**2021**	**2022**	**2023**
	Acquisition	$200	$0*	$5,000	TBD	TBD
	Operations and Maintenance	$0	$0	TBD	TBD	TBD
	* 2019 budget remains available in 2020 for the AoA study.					
Link to NCUA strategic goals	Goal 1: Ensure a Safe and Sound Credit Union System. DCS will enable credit union examiners to fulfill NCUA strategic objective 1.2, "provide high-quality and efficient supervision," by implementing a solution that ingests data simply and with improved performance. Goal 3: Maximize organizational performance to enable mission success. 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 a 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**	**2019**	**2020**	**2021**	**2022**	**2023**
	Capture and Validate Requirements	☑	☑			
	Complete DCS AoA Solicitation Package		☑			
	Award DCS AoA contract			☑		
	Complete AoA Study			☑		
	Provide, Scope and Review 3-4 Viable Alternative Solutions			☑		
	Complete DCS Solution Solicitation Package			☑		
	Award DCS Solution Contract			☑		
	Develop and Implement DCS Solution				☑	☑

Detailed project description	DCS will deliver a common platform to securely request, collect and share periodically or on an *ad hoc* basis both financial and non-financial data including the following: data from natural person and corporate credit union call reports and profiles; data from NCUA regional offices; customer complaints and inquiries; share and loan downloads; low income designation data; Credit Union Service Organization (CUSO) registry data; grants and loan applications; and credit union charter, expansion, conversion, and merger data. DCS will enable data collection and sharing with increased efficiency, decreased errors, and reduced redundancy by integrating data systems to efficiently receive and share information collected through a single point of entry. The common platform will also provide flexible routing of incoming data, complaints, inquiries, or requests to appropriate points of contact and track assignments from initiation to completion. DCS will allow designing of prototypical forms and applications with context sensitive input of data, provide automatic notification to all stakeholders, and integrate with in-house and third party applications. DCS will support collection, management, and retention of information within the agency and facilitate a comprehensive view of each credit union. This initiative will enable the NCUA to efficiently collect and share data in support of enterprise reporting, analytics, and examination solutions. The scope for Phase I of the DCS project is to award and complete an AoA study to identify a solution or set of solutions to replace the following legacy systems: • Credit Union and Corporate Credit Union Online (CUOnline) • CUSO Registry • Generated Efficient National Information System for Insurance Services (GENISIS) • Field of Membership Internet Application (FOMIA) • Management Information System (MIS) In addition, the AoA will evaluate a solution or set of solutions to meet the following capabilities requirements: • Workflow Management • Case Management • Content Management • Customer Relationship Management (CRM) • Document and Records Management • Logging (Assignment and Transaction Tracking) • Secure File Sharing The purpose of Phase I is to provide the requirements needed to award and complete an AoA study. The AoA will provide insight into what solution the NCUA can acquire to improve

	operational effectiveness, suitability, and the risks and life-cycle costs of alternative solutions that will support the NCUA's capability requirements as outlined above. An AoA needs to be completed to evaluate tools available in the market and how they would meet the needs of the NCUA. Additionally, the project will provide a roadmap for acquiring and implementing a solution to meet the agency's needs. It will be followed by a subsequent project to solicit and implement the selected solution(s).	
Quarterly project schedule and deliverables	March/2020	Capture and Validate Requirements for AoA
	June/2020	Complete Requirements Capture for AoA
	September/2020	Complete DCS AoA Solicitation Package
	December/2020	Issue DCS AoA Solicitation to Vendors
Performance Benchmark for Investment	This is a pre-planning project, with the anticipated outcomes being 3-4 viable alternative solutions and an acquisition and implementation roadmap. The Return on Investment (ROI) for the solution will be determined as a part of the AoA study and will be provided as a part of the follow-on solicitation and implementation of the project. As a part of the AoA, the NCUA will perform market research to determine the best acquisition plan to meet the agency's requirements for a data collection and sharing solution. The NCUA will also leverage industry experts and research organizations to assess alternatives available to meet the document and data collection needs.	
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	If the scope and requirements of the DCS AoA study are not properly defined, then the study may not yield suitable alternatives and solutions for the NCUA's DCS project.	Project sponsor will engage in early collaboration with OCIO and OBI leadership to define the scope and requirements needed for the AoA study.

Project name	**Enterprise Central Data Repository (ECDR)**					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All NCUA Offices External: Credit Unions, Credit Union members and the public will indirectly benefit from this project.					
Budget	**$ in thousands**	**2019**	**2020**	**2021**	**2022**	**2023**
	Acquisition	$990	$1,096	$2,000	TBD	TBD
	Operations and Maintenance	$0	$0	$2,709	$2,933	TBD
Link to NCUA strategic goals	Goal 1: Ensure a Safe and Sound Credit Union System. The 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. In turn, the system will enable the NCUA to better identify and evaluate credit union risk and more efficiently conduct its mission through data analytics. Goal 3: Maximize organizational performance to enable mission success. The 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 ESM initiative will rely, and 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**	**2019**	**2020**	**2021**	**2022**	**2023**
	Expand infrastructure to support legacy data required for MERIT	☑	☑			
	Continue to ingest ONES quarterly loan data	☑	☑	☑	☑	☑
	Eliminate duplicate data tables	☑	☑			
	Accurately categorize data (enterprise, analytics, etc.)	☑	☑			

	Migrate infrastructure to the cloud			☑	☑	
	Expand infrastructure to support DCS			☑	☑	☑
	Number of legacy data sources consolidated into ECDR	Establish Baseline # Tables	Call Report: 29 Tables	Exam Tables: # TBD	Member Financial Tables: # TBD	

Detailed project description	The ECDR project will implement a data repository that will serve as the enterprise data integration point for MERIT, ONES' analytic tools, the NCUA's legacy applications, the Data Collection and Sharing Solution (DCS), and provide a platform to support future data and analytic initiatives. The ECDR is an enterprise solution for the NCUA that will allow the organization to transition through a phased approach from the existing legacy databases to a cloud-based data repository while meeting the agency's requirements.	
Quarterly project schedule and deliverables	March/2020	Phase 1: Support for MERIT Iteration 4 (Examination Data & Institutional Financial Data for All Credit Unions)
	June/2020	Phase 2: Member Financial Data ALM for Production
	September/2020	
	December/2020	Institutional Financial data (Call Report) migrated to ECDR for analytical purposes.
Performance Benchmark for Investment	• Improved data quality by governing enterprise data in one place, better ensuring consistency, accuracy and availability of data across the NCUA • Provides ability to access and analyze historical data allowing for more ease of in-depth analysis • The NCUA will build a central data repository to support enterprise data analytics leveraging lessons learned from federal agencies and private industry. • The data repository will be scalable to accommodate additional data requirements. • ALM integration with the ECDR will be automated so that ONES can directly access data from the ECDR to use in ALM models for stress testing.	
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 by increasing storage by the time solution is scheduled to migrate to Test.

Project name	**Enterprise Data Program (EDP)** *formerly Enterprise Data Analytics, Governance and Reporting Services*					
Project sponsor	Office of Business Innovation					
Customers/ beneficiaries	Internal: All NCUA Offices External: N/A					
Budget	**$ in thousands**	**2019**	**2020**	**2021**	**2022**	**2023**
	Acquisition	$600	$450	$0	$0	$0
	Operations and Maintenance	$0	$0	$150	$150	$150
Link to NCUA strategic goals	Goal 1: Ensure a Safe and Sound Credit Union System. The EDP will enable agency staff to better fulfill their responsibility to "provide high-quality and efficient supervision," which is NCUA strategic objective 1.2 by maturing data management practices in order to ensure the use of high-quality data in operations, reporting, and analytics. Goal 3: Maximize organizational performance to enable mission success. The EDP will enable agency 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" by managing enterprise data via effective collaboration among stakeholders on new data standards - as the lifecycle of data involves multiple offices across the agency.					
Project Performance (note: ☑ indicates achievement of performance measure in year)	**Performance measure**	**2019**	**2020**	**2021**	**2022**	**2023**
	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 Financial Data Domains	☑	☑			

	Conduct Business Metadata Gap Assessment for Exam and Institutional Financial Data Domains		☑			
	Provide Data Governance training sessions for the Enterprise Data Council members	☑	☑			
	Implement data governance for initial data standards for Exam and Institutional Financial Data Domains	☑	☑			
	Develop initial business requirements for agency reporting and analytics		☑			
	Discovery and analysis on create/collect phase of data lifecycle		☑	☑		
	Implement data governance for additional data domains			☑	☑	☑
	Assess and align EDP with Federal Data Strategy and Evidence-Based Policy Making Act	☑	☑	☑	☑	☑
Detailed project description	The purpose is to establish and support the implementation of a data governance program under the OBI comprised of a policy, a data lead, data steward team, and a representative central data governing body. The primary goal is to enable the NCUA to manage enterprise data as a strategic asset through its full lifecycle (create/collect, manage/move, consume, dispose). The EDP will also facilitate the centralization, organization and storage of NCUA data with an authoritative source so analysis is more accurate, simple and easily distributed across the agency. The EDP will reduce risks facing the current data environment and improve NCUA's overall reporting and data analysis capabilities. Organized and governed data from legacy and new systems will allow for timely reporting (BI tools) to conduct risk analysis and target exams and supervision where needed to enhance the agency's ability to adapt to institution and industry conditions. The early emphasis is on the specific stakeholder-driven discovery results and related recommendations regarding the consumption lifecycle phase from the 2017-2018 Data Strategy & Framework project. Initial focus is on examination and credit union financial data domains. The first collaborative efforts will concentrate on enhancing clarity of enterprise data used in reporting and analytics for these two domains. This work will complement, not replace, other aspects of the agency's existing data management and					

	compliance processes (e.g. collection decisions, security, privacy, records management). The scope will evolve over time based on priorities and capacity.	
Quarterly project schedule and deliverables	March/2020	• Catalogue additional priority consumption issues in Institutional Financial and Exam Data Domains from Stakeholders/SMEs/Enterprise Data Governance Council (EDGC) • Plan and Operate the EDGC
	June/2020	• Develop business meta data glossary template
	September/2020	• Develop additional priority consumption standards for Institutional Financial and Exam Data Domains • Align data governance and software development requirements
	December/2020	• Complete updated data management maturity assessment • Assess pain points with internal representative working group regarding the create/collect data lifecycle phase
Performance Benchmark for Investment	• Create reporting and analysis efficiencies by reducing the time required to prepare data for analysis and correct data anomalies. • Reduce agency risk by improving accuracy in reporting and analytics. Standardizing critical data and driving increased consistency in reporting processes will mitigate risk of inconsistent reporting processes. • Enable advanced analytics to enhance risk assessment of credit unions.	
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	If the EDGC members are not adequately prepared to address data governance issues, or to participate with an enterprise perspective, the council's effectiveness will be limited and data governance objectives may not be fully met.	1. Brief Data SMEs on Data Issues and enlist their assistance in preparing EDGC members for EDGC meetings. 2. Solicit feedback on Data Issues from Data SMEs. 3. Develop clear and thorough Data Issue briefing materials. 4. Provide sufficient time for EDGC members to review Data Issue materials and appropriately engage their offices in advance of council meetings. 5. Emphasize timely engagement with the Enterprise Data Team.
	If the scope of the EDP is not appropriately managed, then the effectiveness may be compromised.	1. Work with the OED, OBI, and OCIO to build a roadmap to take on additional scope as the EDP matures and resources allow. 2. Work with the OED, OBI, OCIO and other stakeholders to manage the EDGC's scope, ensuring that the scope is not too narrow to limit its effectiveness, and not too broad to paralyze its decision-making ability.

Project name	**Asset & Liabilities Management (ALM) Application**					
Project sponsor	Office of National Examination and Supervision					
Customers/ beneficiaries	Internal: ONES External: Large and Corporate Credit Unions					
Budget	**$ in thousands**	**2019**	**2020**	**2021**	**2022**	**2023**
	Acquisition	$3,167*	$2,074	$0	$0	$0
	Operations and Maintenance	$0	$0	$2,282	$3,600	$3,600
	* $1.4 million of 2019 capital funds will be carried over and programmed in 2020.					
Link to NCUA strategic goals	Goal 1: Ensure a Safe and Sound Credit Union System. The 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 internal analytical capabilities to run supervisory stress testing in house and to conduct quantitative risk assessments. Goal 3: Maximize organizational performance to enable mission success. The 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 improving 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**	**2019**	**2020**	**2021**	**2022**	**2023**
	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 in-house stress testing to challenge credit		☑			

	unions' self-run Supervisory Stress Testing					
	Continue to perform in-house stress testing and risk assessments			☑	☑	☑

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 transforming 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 while also improving the NCUA's ability to perform independent credit union risk assessments.	
Quarterly project schedule and deliverables	March/2020	ALM Process Ready for In-House Stress Testing
	June/2020	Complete Stand-Up of In-House Stress Testing
	September/2020	
	December/2020	
Performance Benchmark for Investment	• Increased efficiencies by providing immediate access to the data required to perform risk assessment of credit unions • Increased Supervisory quality through improved ability to develop the NCUA's independent assessment of credit union risk • Reduction in cost of supervisory stress testing by removal of third party vendor contract	
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	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 results. Continue utilizing existing third party vendor contract to perform supervisory stress testing.

Project name	**Enterprise Learning Management System (LMS) Replacement**					
Project sponsor	Office of Human Resources					
Customers/ beneficiaries	Internal: All NCUA staff External: State Supervisory Authority (SSA) and Contractors					
Budget	**$ in thousands**	**2019**	**2020**	**2021**	**2022**	**2023**
	Acquisition	$550*	$1,000*	$0	$0	$0
	Operations and Maintenance	$0	$0	$105	$112	$112
	*Note: 2019 funds reprogrammed in mid-session to support higher priority needs. If additional resources are required in 2020 to deliver the LMS project, additional project reprioritization may be required.					
Link to NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. The LMS Replacement project will assist all NCUA employees to 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**	**2019**	**2020**	**2021**	**2022**	**2023**
	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*		☑			
	* includes users from State Supervisory Authorities and contract staff.					
Detailed project description	The purpose of the LMS Replacement project is to initiate an acquisition, create a project management plan, and execute production 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. The new system will also support role-based interface or the ability to view					

	personalized pages by role, and allow for centralized content, adherence to federally mandated reporting requirements and adherence to records management best practices.	
Quarterly project schedule and deliverables	January/2020	Release package to vendors.
	April/2020	Evaluations ongoing
	June/2020	Award contract
	December/2020	Implementation of LMS
Performance Benchmark for Investment	The planned LMS will: • support collection of request, authorization, agreement, and certification of training • provide Single Sign-on (SSO) • provide a customized, automated Individual Development Plan (IDP) workflow • provide a competency management system to evaluate training needs within the agency	
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	**Integrated Financial Management System (IFMS) Analysis**					
Project sponsor	Office of Chief Financial Officer					
Customers/ beneficiaries	Internal: OCFO External: N/A					
Budget	**$ in thousands**	**2019**	**2020**	**2021**	**2022**	**2023**
	Acquisition	$350*	$400	$400	TBD	TBD
	Operations and Maintenance	$0	$0	TBD	TBD	TBD
	*Funds reprogrammed in 2019 mid-session to support higher priority needs.					
Link to NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. The primary purpose of the IFMS Analysis will be to plan for changes needed to efficiently implement a new IFMS or make improvements to the existing financial management services environment. To maximize performance and efficiency and to minimize long-term operational costs, the desired path is to update the NCUA's processes, practices and accounting structure so that they better align with the system capabilities and service offerings of a federal Shared Service Provider (SSP). The benefits of this would include leveraging processes that already exist and minimizing future upgrade costs since such costs will be shared among other government agencies.					
Project Performance (note: ☑ indicates achievement of performance measure in year)	**Performance measure**	**2019**	**2020**	**2021**	**2022**	**2023**
	Initiate and plan the IFMS Analysis	☑				
	Acquire a vendor to conduct an analysis.		☑			
	Report on the feasibility, changes needed, costs, data migration strategy, and implementation recommendations.		☑			
Detailed project description	The IFMS Analysis will conduct a study of the NCUA's accounting operations, financial reporting, and budget and procurement processes for the purpose of determining and recommending changes needed, both to the NCUA's processes and to a target federal IFMS SSP. The project will include: • Business Analysis – Review and supplement the NCUA's requirements for a financial management system, contract writing and related services for budget, payments, receivables and reporting.					

	• Business Reengineering – Identification of business processes that may be candidates for modification to enable the efficient adoption of a recommended SSP. • SSP Research – Evaluate the NCUA's requirements against current offerings from SSPs. This includes assessing SSP processes to assess whether processes can be adopted by the NCUA with or without customization. • Lifecycle Cost Estimation and Analysis – Provide a cost breakdown for installation, training, hosting, operations and maintenance and disposition. Consider data migration costs, although assume historical transaction data is not migrated. • Risk Analysis –Identify risks and opportunities associated with SSP products or services as they relate to the NCUA.	
Quarterly project schedule and deliverables	March/2020	Release procurement and award contract for IFMS Analysis.
	June/2020	Conduct analysis of the NCUA's IFMS requirements and business processes, assess offerings from federal SSPs.
	September/2020	
	December/2020	Analysis complete.
Performance Benchmark for Investment	1. The study of federal shared service providers will identify the capability of an IFMS to meet the NCUA's needs. 2. Make a determination of transition costs for Delphi to the recommended federal shared service provider. 3. Report will define the gaps between the NCUA's requirements and system capabilities.	
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	Vendor proposals exceed the estimated project costs.	Understand the underlying cost assumptions for vendors' proposals; identify lower-priority projects from which funding can be reallocated, if needed; descope project, if necessary.

Project name	**Enterprise Laptop Lease**					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All NCUA External: State Supervisory Authority (SSA)					
Budget	**$ in thousands**	**2019**	**2020**	**2021**	**2022**	**2023**
	Acquisition	$800	$650	$2,475	$700	$700
Link to 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 NCUA achieve strategic objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation." New hardware for NCUA's employees provides staff with new functionality and 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	**Performance measure**	**2019**	**2020**	**2021**	**2022**	**2023**
	N/A					
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. The current lease for NCUA laptops ends in early 2021. During the last year of the current lease, the NCUA's staff will analyze options for the next laptop acquisition, comparing the lifecycle costs for leasing and purchasing of the equipment. Once the most cost-effective solution is determined, the NCUA will update this project with refined cost estimates. Programmed funding levels for 2021 and future years approximate spending on the current lease agreement.					
Quarterly project schedule and deliverables	March/2020	Make final payment for current laptop lease				
	June/2020	Conduct analysis of 2021 laptop lease vs. purchase options.				
	September/2020					
	December/2020	Issue request for proposals for new laptop acquisition.				
Performance Benchmark for Investment	The NCUA business requirements will be compared to device performance benchmarks to determine the necessary standard workstation configurations. The NCUA will follow the Office of Management and Budget's Category Management Policy guidance pertaining to the acquisition of desktops and laptops as applicable.					
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**				
	If the NCUA does not adequately account for the changes in its operating processes and technology management approach, then it may spend more than required to acquire laptop computers.	The NCUA staff will analyze the lifecycle cost for leasing and purchasing laptop computers to determine the most cost-effective approach.				

Project name	**Information Technology (IT) Infrastructure, Platform and Security Refresh**					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All NCUA External: All Credit Unions					
Budget	**$ in thousands**	**2019**	**2020**	**2021**	**2022**	**2023**
	Acquisition	$2,350	$2,000	$2,000	TBD	TBD
	Operations and Maintenance	$0	$1,068	$1,068	$1,068	$1,068
Link to NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. The 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 co-located (COLO) and Regional routers, switches, virtual servers, wireless infrastructure and equipment, virtual private networks, firewalls, security tools (endpoint protection, password managers, derived credential, security information and event management, governance and risk compliance (GRC), and data loss prevention (DLP)) and end-of-life and end-of-service components. Investment in these projects helps ensure business continuity and efficient operations by improving system availability and stability.					
Project Performance	**Performance measure**	**2019**	**2020**	**2021**	**2022**	**2023**
	Reduce OCIO administrative overhead on end-of-life (EOL) and failing systems by 75 percent through: - eliminating ad hoc support for EOL equipment, - updating platforms with enhanced troubleshooting and management consoles, and	Developed baseline estimate of OCIO administrative overhead: 5% of total contract spending	Reduce OCIO administrative overhead to 3.75%	3.75%	3.75%	3.75%

	- reducing maintenance requirements. (note: administrative overhead to monitor and mitigate risk for EOL and failing systems estimated at approximately 5% of total OCIO contract spending)					
	Gain efficiencies through: - enhanced capabilities resulting in lower contract support costs , - greater integration from modernized interfaces and software, and - predictable upgrade and vulnerability management paths	Developed baseline support contract estimate of $5.25M/ year	Reduce support contract to $4.2M/ year	$4.2M/ year	$4.2M/ year	$4.2M/ year

Detailed project description	The purpose of the IT Infrastructure, Platform and Security Refresh project is to ensure that NCUA data is secure and operations are stable by refreshing and/or replacing COLO and Regional routers, switches, firewalls, virtual servers, wireless infrastructure and equipment, virtual private networks, security tools (including GRC and DLP) and other network end-of-life and end-of-service components.	
Quarterly project schedule and deliverables	March/2020	Complete Phase I of refresh and/or replacement: Servers and Storage devices (Server 2008 replacement, potential cloud infrastructure initial implementation (M365)), and complete derived credentials capability for mobile device access to NCUA business applications
	June/2020	Complete the replacement of Network Security Scan devices and Cybersecurity tools (endpoint protection, GRC and DLP)
	September/2020	Complete Phase II of refresh and/or replacement: Network devices and switches
	December/2020	Complete the replacement of NCUA wide wireless antennas and routers
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	**NCUA Public Websites Updates**					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: OEAC External: Visitors to NCUA Public Websites					
Budget	**$ in thousands**	**2019**	**2020**	**2021**	**2022**	**2023**
	Acquisition	$0	$100*	$100	$100	$100
	*Note: web services contract will be re-competed and awarded in December 2019. New contract begins in January 2020.					
Link to NCUA strategic goals	Goal 2: Provide a regulatory framework that is transparent, efficient and improves consumer access. The web services program will assist the NCUA to share information with the public, credit unions, Congress, the media and NCUA employees about the agency and its functions, Board actions and other matters. The program will help the NCUA achieve strategic objective 2.1, "deliver an effective and transparent regulatory framework." The web services contract provides on-demand, agile support for the completion and delivery of special web projects and tasks requested by various NCUA offices of primary interest on behalf of the NCUA Chairman, Board members, Executive and Deputy Executive Director. Goal 3: Maximize organizational performance to enable mission success. The web services program will ensure that the NCUA is utilizing the efficient technology and business processes for managing the content of its public-facing websites.					
Project Performance	**Performance measure**	**2019**	**2020**	**2021**	**2022**	**2023**
	N/A					
Detailed project description	The purpose of the Web Services project is to serve the web-related needs of the internal NCUA stakeholders and the public. The project provides design, development, and maintenance of the NCUA.gov. The project scope includes: (1) support for NCUA special projects and tasks; (2) website publishing; (3) website operations and maintenance; (4) accessibility/Section 508 and usability; and, (5) Spanish website content translation.					
Quarterly project schedule and deliverables	March/2020	ITSS web services contract implemented				
	June/2020	High-priority projects implemented on a continuous basis on NCUA.gov				
	September/2020					
	December/2020					

Performance Benchmark for Investment	NCUA.gov includes redesigned website content, such as updated visual design, content that conforms with Section 508 an usability standards, and design documents that conform with NCUA web style guides.	
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	Urgent requests for website updates could result in content not compliant with approved style guides and accessibility standards.	OCIO will coordinate with OEAC to ensure content complies with requirements of the NCUA Communications manual, NCUA Web Style Guide, Section 508, and Web Content Accessibility Guides (WCAG). OCIO will follow the change request process by creating OneStop requests for every project or request.
	New high priority project requests may result in unfunded requirements exceeding the contract budget.	OCIO will work closely with OEAC to forecast potential projects.

Project name	**Central Office Renovations**					
Project sponsor	Office of the Chief Financial Officer					
Customers/ beneficiaries	Internal: All NCUA Central Office Building Occupants External: All NCUA Central Office Building Visitors					
Budget	**$ in thousands**	**2019**	**2020**	**2021**	**2022**	**2023**
	Acquisition	$0	$500	$3,000	TBD	TBD
Link to NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. The NCUA headquarters renovation project will improve overall space utilization in the NCUA-owned Central Office. The goal of the project is to improve operational efficiency while decreasing operating cost by discontinuing commercial office leases and consolidating all Washington-region operations within one owned building. The project will increase the NCUA headquarters building capacity by approximately 25%. Additionally, some offices currently on separate floors will be collocated onto one floor, increasing operational efficiency.					
Project Performance	**Performance measure**	**2019**	**2020**	**2021**	**2022**	**2023**
	Share of Central Office and Eastern Region employees in NCUA-owned office space	92%	96%	96%	100%	100%
Detailed project description	As approved by the Board, the NCUA has financed the majority of its headquarters renovation project using unspent past years' collections. The remaining renovation of the headquarters building – space that was formerly leased to commercial tenants – is expected to be converted into a flexible mix of office and multi-purpose meeting space, enabling the agency to meet its future space needs while reducing its reliance on commercial leases in the Alexandria area. The project will include modest reconfiguration of the building entrances and lobby to fulfill modern accessibility and security requirements.					
Quarterly project schedule and deliverables	March/2020					
	June/2020	Complete final design for first floor space.				
	September/2020	Issue request for proposals for construction.				
	December/2020	Award construction contract for completion in 2021.				
Performance Benchmark for Investment	The Central Office renovation will improve the building space utilization ratio by an estimated 25%, which will reduce the general cost of ownership for NCUA facilities. Additionally by building multi-purpose meeting space in the NCUA's owned building, there will be potential annual savings in leasing and operating costs for external venues beginning in 2021.					
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**				
	Cost. Construction cost may be higher than anticipated once construction bids are received.	Adjust the scope or schedule of planned renovation work.				
	Schedule. Renovation may not be completed on schedule.	The project has been phased to control schedule and to mitigate the impact of delays to specific phases rather than the overall project. Support services have been acquired to provide additional construction management and oversight.				

Project name	**Central Office HVAC Replacement Project**					
Project sponsor	Office of the Chief Financial Officer					
Customers/ beneficiaries	Internal: All NCUA Headquarters Building Occupants External: All NCUA Headquarters Building Visitors					
Budget	**$ in thousands**	**2019**	**2020**	**2021**	**2022**	**2023**
	Acquisition	$750	$750	$500	$0	$0
Link to NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. The NCUA headquarters Heating, Ventilation, and Air Conditioning (HVAC) system replacement project will improve the operations of the agency's largest building while lowering utility costs 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 in cost savings through and increased energy and operational efficiency and lower maintenance costs.					
Project Performance	**Performance measure**	**2019**	**2020**	**2021**	**2022**	**2023**
	Energy Consumption (kWh/degree days)	1.8K	1.6K	=<1.55K	=<1.55K	=<1.55K
	System Outages (unscheduled repair visits)	<30	<20	<10	<10	<10
Detailed project description	The project will replace all HVAC systems in the headquarters 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; some component parts are no longer available. HVAC systems are the biggest users of electricity in a facility, and the anticipated life span of these system's 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. A design and proposal has been completed with the anticipated replacement of the first cooling tower during the spring of 2020. Additionally all building HVAC controls are in the					

	process of being replaced. Follow on phases include the replacement of the second cooling tower and boiler system.	
Quarterly project schedule and deliverables	March/2020	First cooling tower replaced
	June/2020	
	September/2020	
	December/2020	Updates to 70% of thermostats and obsolete Variable Airflow Boxes
Performance Benchmark for Investment	The replacement will improve building efficiency by an estimated 15%, which exceeds the 2011 Energy Code that mandates that requires, for existing nonresidential buildings 10,000 square feet and larger: (1) an energy efficiency audit has to be performed once every 5 years identifying specific cost-effective measures that would save energy; and (2) the reduction of energy consumption of 5% by the introduction of more efficient systems.	
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	Schedule. Headquarters renovation work will affect all floors and will be ongoing through 2020.	Project managers have developed an integrated master schedule for Headquarters Renovation and HVAC System Replacement to avoid scheduling conflicts for work.
	Ongoing existing system failures. In 2019 the NCUA headquarters building experienced over 28 HVAC isolated system failures due to aging equipment.	HVAC System Replacement plan encompasses replacing parts showing high levels of deterioration first to address the most common failure types

Project name	**Austin, TX Office Building Improvements**					
Project sponsor	Office of the Chief Financial Officer					
Customers/ beneficiaries	Internal: All Austin, TX Building Occupants External: All Austin, TX Building Visitors					
Budget	**$ in thousands**	**2019**	**2020**	**2021**	**2022**	**2023**
	Acquisition	$150	$274	$230	$230	$0
Link to 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 (note: ☑ indicates achievement of performance measure in year)	**Performance measure**	**2019**	**2020**	**2021**	**2022**	**2023**
	Repair Critical items identified in field assessments	☑	☑			
	Repair Potentially Critical items identified in field assessments		☑	☑	☑	
Detailed project description	The NCUA assessed the condition of its office building in Austin, Texas in 2018 and identified a significant amount of required improvements, such as replacing the fire alarm system, repairing and replacing doors and sensors, and installing fire-proof roofing. In addition, nearly all of the windows in the 30+ year old building required replacement in 2019. The 2020 investment of $274,000 will support repairing or replacing all of the items identified as critical and potentially critical. 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	March/2020	Repair of critical and potentially critical items, as identified in field assessments.
	June/2020	
	September/2020	
	December/2020	
Performance Benchmark for Investment	The repairs are expected to improve building efficiency by at least 20%, which will reduce the general cost of ownership for NCUA facilities.	
Project Risks and Mitigation Strategies	**Risk**	**Mitigation**
	Facility systems will continue to fail due to lack of maintenance	Depending on priorities, resources may be reprogrammed to repair failing equipment
	Cost. Construction costs have increased while the economy strengthened.	Adjust the scope, schedule, or priority of planned renovation work.
	Schedule. Projects may not be delivered on time.	Contractor support services have been acquired to provide additional construction management and oversight.

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