

[FR Doc. 2020–19037 Filed 8–28–20; 8:45 am]

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## NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

[Notice (20–069)]

### Heliophysics Advisory Committee; Meeting.

**AGENCY:** National Aeronautics and Space Administration.

**ACTION:** Notice of meeting.

**SUMMARY:** In accordance with the Federal Advisory Committee Act, as amended, the National Aeronautics and Space Administration (NASA) announces a meeting of the Heliophysics Advisory Committee (HPAC). This Committee functions in an advisory capacity to the Director, Heliophysics Division, in the NASA Science Mission Directorate. The meeting will be held for the purpose of soliciting, from the science community and other persons, scientific and technical information relevant to program planning.

**DATES:** Monday, September 21, 2020, 1:00 p.m.–5:00 p.m., Eastern Time.

**ADDRESSES:** Meeting will be virtual only, see dial-in and WebEx information below under **SUPPLEMENTARY INFORMATION**.

**FOR FURTHER INFORMATION CONTACT:** Dr. Janet Kozyra, Designated Federal Officer, Science Mission Directorate, NASA Headquarters, Washington, DC 20546, at [janet.kozyra@nasa.gov](mailto:janet.kozyra@nasa.gov), 202–358–1258.

**SUPPLEMENTARY INFORMATION:** This meeting will be open to the public. The meeting will take place telephonically and via WebEx only. Any interested person must use a touch-tone phone to participate in this meeting. Any interested person may call the USA toll free number 1–800–857–9728, or toll number 1–415–228–3890, passcode 5951905 followed by the # sign to participate in this meeting by telephone on both days. The WebEx link is <https://nasaenterprise.webex.com/>; the meeting number is 199 049 7836 and the password is SeptHPAC2020! (case sensitive).

The agenda for the meeting includes the following topic:

- Heliophysics Program Annual Performance Review According to the Government Performance and Results Act Modernization Act.

It is imperative that the meeting be held on these dates to accommodate the

scheduling priorities of the key participants.

**Patricia Rausch,**

*Advisory Committee Management Officer,  
National Aeronautics and Space Administration.*

[FR Doc. 2020–19166 Filed 8–28–20; 8:45 am]

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## NATIONAL CREDIT UNION ADMINISTRATION

### Request for Comment Regarding National Credit Union Administration Overhead Transfer Rate Methodology and Operating Fee Schedule Methodology

**AGENCY:** National Credit Union Administration (NCUA).

**ACTION:** Notice; request for comment.

**SUMMARY:** The NCUA Board (Board) is inviting comment on the methodology used to determine the Overhead Transfer Rate (OTR). The Board applies the OTR to the NCUA’s operating budget to determine the portion of the budget that will be funded from the National Credit Union Share Insurance Fund (Share Insurance Fund). The Board welcomes all comments but specifically invites comments on the four principles used in the methodology to calculate the OTR as discussed below. The Board is also requesting comment on proposed changes to the methodology it uses to determine how it apportions operating fees charged to federal credit unions (FCUs). The Board uses operating fees to fund part of the NCUA’s annual budget. In this notice, the Board proposes: Clarifying the treatment of capital project budgets when calculating the operating fees; clarifying the treatment of miscellaneous revenues when calculating the operating fees; and modifying the approach for calculating the annual inflationary adjustments to the thresholds for the operating fee rate tiers. The Board solicits comment on these proposed changes and also solicits comment on several questions to gather information on potential future enhancements to the methodology.

**DATES:** Comments must be received on or before October 30, 2020 to be assured of consideration.

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

- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.

- *Fax:* (703) 518–6319. Include “[Your Name]—Request for Comment: Operating Fee Schedule Methodology” in the transmittal.

- *Mail:* Address to Gerard S. Poliquin, Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314–3428.

**Public Inspection:** You may view all public comments on the Federal eRulemaking Portal at <http://www.regulations.gov> as submitted, except for those we cannot post for technical reasons. The NCUA will not edit or remove any identifying or contact information from the public comments submitted. Due to social distancing measures in effect, the usual opportunity to inspect paper copies of comments in the NCUA’s law library is not currently available. After social distancing measures are relaxed, visitors may make an appointment to review paper copies by calling (703) 518–6540 or emailing [OGCMail@ncua.gov](mailto:OGCMail@ncua.gov).

**FOR FURTHER INFORMATION CONTACT:** James Holm, Supervisory Budget Analyst, Office of the Chief Financial Officer, at (703) 518–6570, Amy Ward or Julie Decker, Risk Officers, Office of Examination and Insurance at (703) 819–1770 or (703) 518–6384.

**SUPPLEMENTARY INFORMATION:** The Board has separately proposed amending its rule for determining total assets used as the basis for calculating the operating fee due from any FCU. Members of the public are encouraged to comment on this proposed amendment by responding to the appropriate proposed rule. A proposed rule relating to Fees Paid by Federal Credit Unions is published elsewhere in this issue of the **Federal Register**.

### I. Legal Background

The NCUA charters, regulates, and insures deposits in FCUs and insures deposits in state-chartered credit unions that have their shares insured through the Share Insurance Fund (FISCU). To cover expenses related to its tasks, the Board adopts an annual budget in the fall of each year. The Federal Credit Union Act (FCU Act) provides two primary sources to fund the budget: (1) Requisitions from the Share Insurance Fund, referred to as the OTR;<sup>1</sup> and (2) Operating Fees charged against FCUs.<sup>2</sup>

<sup>1</sup> See, e.g., 12 U.S.C. 1783(a) (making the Share Insurance Fund available “for such administrative and other expenses incurred in carrying out the purpose of [Title II of the FCU Act] as [the Board] may determine to be proper.”).

<sup>2</sup> 12 U.S.C. 1755(a) (“In accordance with rules prescribed by the Board, each [FCU] shall pay to the [NCUA] an annual operating fee which may be composed of one or more charges identified as to

The first budget funding source, the OTR, represents the formula the NCUA uses to allocate insurance-related expenses to the Share Insurance Fund under Title II of the FCU Act. Two statutory provisions directly limit the Board's discretion with respect to 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.<sup>3</sup> Second, the NCUA may not fund its entire annual budget through charges to the Share Insurance Fund.<sup>4</sup> The NCUA has not imposed additional policy or regulatory limitations on its discretion for determining the OTR.

With regard to the Operating Fee, the FCU Act requires each FCU to, "in accordance with rules prescribed by the Board, . . . 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."<sup>5</sup> The fee must "be determined according to a schedule, or schedules, or other method determined by the Board to be appropriate, which gives due consideration to the expenses of the [NCUA] in carrying out its responsibilities under the [FCU Act] and to the ability of [FCUs] to pay the fee."<sup>6</sup> The statute requires the Board to, among other things, "determine the periods for which the fee shall be assessed and the date or dates for the payment of the fee or increments thereof."<sup>7</sup>

Accordingly, the FCU Act imposes three requirements on the Board in connection with assessing an operating fee on all FCUs: (1) The fee must be assessed according to a schedule or schedules, or other method that the Board determines to be appropriate, which gives due consideration to NCUA's responsibilities in carrying out the FCU Act and the ability of FCUs to pay the fee; (2) the Board must determine the period for which the fee will be assessed and the due date for payment; and (3) the Board must deposit collected fees into the Treasury to defray the Board's expenses in carrying out the FCU Act. Once collected, Operating Fees, "may be expended by the Board to defray the expenses incurred in carrying out the provisions of [the FCU Act,] including

the function or functions for which assessed.") and 12 U.S.C. 1766(j)(3). Other sources of income for the Operating Budget include interest income, funds from publication sales, parking fee income, and rental income.

<sup>3</sup> 12 U.S.C. 1783(a).

<sup>4</sup> 12 U.S.C. 1755.

<sup>5</sup> 12 U.S.C. 1755(a).

<sup>6</sup> 12 U.S.C. 1755(b).

<sup>7</sup> *Id.*

the examination and supervision of [FCUs]."<sup>8</sup>

## II. Historical Practice in Determining the Overhead Transfer Rate and Assessing the Operating Fee

### *Overhead Transfer Rate*

The Share Insurance Fund was established by Title II of the FCU Act on October 19, 1970. Section 1783(a) of Title II authorizes the Board to use Share Insurance Funds to pay for "such administrative and other expenses incurred in carrying out the purposes of this title as it may determine to be proper."

In 1973, a Government Accountability Office audit<sup>9</sup> recommended the NCUA adopt a method of allocating costs between the operating fund and the newly formed Share Insurance Fund. Between 1973 and 1980, various cost allocation methods were employed, including direct charges to the Share Insurance Fund for insurance expenses including costs to liquidate or merge credit unions and examiner time spent conducting safety and soundness examinations. Starting in 1981, the OTR ranged between 30 and 34 percent, and stayed in that range through 1984.

From 1985 through 1994, the NCUA conducted annual examiner time surveys (ETS) to determine an appropriate factor for apportioning the agency's total operating expenses. The survey results supported a transfer rate between 50.1 percent and 60.4 percent for insurance related activities; however, the Board maintained the OTR at 50 percent.

Following the 1994 survey, the Board approved surveys that were conducted every three years. Three-year surveys covered fiscal years 1995 through 1997 and fiscal years 1998 through 2000. During that period, the OTR was kept at 50 percent. The Board voted to resume annual ETS in 2000 and expanded the survey to include more examiners. The 2000 survey results supported an OTR of 66.72 percent and, after 15 years of holding the OTR at 50 percent, the Board increased the OTR to 66.72 percent for fiscal year 2001.

In 2001, the Board hired an independent party, Deloitte & Touche, to assess the OTR process. Deloitte & Touche's review<sup>10</sup> of the OTR process was issued on September 5, 2001 and included several recommendations to

<sup>8</sup> 12 U.S.C. 1755(d).

<sup>9</sup> Gen. Accounting Off., Examination of Financial Statements of the Nat'l Credit Union Admin. (Sept. 18, 1973), available at <http://www.gao.gov/assets/210/203181.pdf>.

<sup>10</sup> <https://www.ncua.gov/files/publications/budget/2001DeloitteReportonOTRProcess.pdf>.

improve the OTR process. These recommendations were implemented in 2002.

At the November 20, 2003 Board meeting,<sup>11</sup> the Board adopted a revised, comprehensive methodology for calculating the OTR that was in place until 2017. The methodology used the results of an automated annual ETS process. The following were also factored into the methodology:

- The value to the Share Insurance Fund of the insurance-related work performed by state supervisory authorities (SSAs).
- The cost of the NCUA resources and programs with different allocation factors from the examination and supervision program.
- The distribution of insured shares between FCUs and FISCUs.
- Operational costs charged directly to the Share Insurance Fund.

In 2016, the NCUA published in the **Federal Register** the OTR methodology used to calculate the OTR and requested comments from the public.<sup>12</sup> In conjunction with the 2016 **Federal Register** notice, the Board committed to periodically review the methodologies for calculating both the OTR and the Operating Fee, and to propose changes to the methodologies that would result in more equitable alignment of fees to the resource levels required to supervise and regulate both FCUs and FISCUs.

In 2017, the NCUA published in the **Federal Register** a request for comment regarding a revised OTR methodology based on the Board's internal assessment and comments received from the 2016 notice.<sup>13</sup> The primary goal of the proposed changes to the OTR methodology at that time was to simplify and streamline the methodology and reduce the resources needed to administer the OTR. The simplified OTR methodology focused on assigning a percentage share of work to insurance costs in four categories of activities:

1. 50 percent insurance related—Time spent examining and supervising FCUs.
2. 100 percent insurance related—All time and costs the NCUA spends supervising or evaluating the risks posed by FISCUs or other entities the NCUA does not charter or regulate (*e.g.*, third-party vendors and credit union service organizations).
3. Zero percent insurance related—Time and costs related to the NCUA's role as charterer and enforcer of consumer protection and other noninsurance based laws governing the

<sup>11</sup> The methodology was refined in 2013.

<sup>12</sup> 81 FR 4804 (Jan. 27, 2016).

<sup>13</sup> 82 FR 29935 (June 30, 2017).

operation of credit unions, for example, field of membership requirements.

4. 100 percent insurance related—Time and costs related to the NCUA's role in administering federal share insurance and the Share Insurance Fund.

The Board adopted this principles-based OTR methodology in 2017.<sup>14</sup> At that time, the Board committed to subject the four principles, but not the particulars of their application, to public comment every three years and in the event it proposes a change to one or more of the principles.

### III. Overhead Transfer Rate Methodology

To calculate the OTR, the four principles are applied to the activities and costs of the agency to arrive at the portion of the agency's budget to be charged to the Share Insurance Fund.

#### Step 1—Workload Program

Annually, the NCUA develops a workload budget based on the NCUA's examination and supervision program to carry out the agency's core mission. The workload budget reflects the time necessary to examine and supervise federally insured credit unions (FICUs), along with other related activities, and therefore the level of field staff needed to implement the exam program. Applying principles 1, 2, and 3 (those relevant to the workload budget) to the applicable elements of the workload budget results in a composite rate that reflects the portion of the agency's overall insurance related mission program activities.

#### Step 2—Annual Budget

The annual budget represents the costs of the activities associated with achieving the strategic goals and objectives set forth in the NCUA's Strategic Plan. The annual budget is based on agency priorities and initiatives that drive resulting resource needs and allocations. Information related to the NCUA's budget process, including details on the Board-approved budgets, is available on the agency's website.<sup>15</sup>

The agency achieves its primary mission through the examination and supervision program. The percentage of insurance-related workload hours derived from Step 1 represents the main allocation factor used in Step 2 and is applied to the budgets for the examination and supervision programs to calculate the insurance-related costs

of the offices conducting field work (currently the Regions and ONES). A few agency offices have roles distinct enough to warrant their own allocation factors, which are developed by applying the four factors described above to their respective activities. Each of these offices tracks their activities annually to determine their factors. These factors are then applied to the respective offices' budgets to determine their insurance-related costs.

A weighted average allocation factor, calculated by dividing the aggregate insurance-related costs for the field offices conducting the examination and supervision program and the agency offices with their own unique allocation factors by their aggregate total budgets, is applied to the central offices that design or oversee the examination and supervision program or support the agency's overall operations. This factor is then applied to the aggregate budgets for the remaining offices. As such, the proportion of insurance-related activities for these offices corresponds to that of the mission offices. The NCUA's total insurance-related costs are calculated by summing the insurance cost calculated for the field offices, the offices with unique allocations factors, and the insurance cost for all other NCUA offices.

#### Step 3—Calculate the OTR

The OTR represents the percentage of the NCUA budget funded by a transfer from the Share Insurance Fund.<sup>16</sup> The OTR is calculated by dividing the total insurance-related costs determined in Step 2 by the NCUA's total annual budget.

#### Request for Comment on OTR Methodology

This principles-based OTR methodology has streamlined the process for calculating the OTR and reduced the resources needed to gather the cost center time allocation used in the calculation. In addition, the methodology established some consistency in the calculated OTR each year, seen previously only briefly during the three-year period ended 2013.

The consistency in the calculation allows for the minor variations in the OTR to be driven by the variables that affect the OTR, not the calculation itself. These variables include, but are not limited to, the normal fluctuations in the workload budget from one calendar year to the next, changes in FICU CAMEL ratings, variation in the number

and size of FICUs that meet the annual exam and extended exam eligibility criteria, emerging risk indicators inherent in FICU operational changes, variations in individual state regulator programs, and small fluctuations in the timing of the examinations related to a particular calendar year. This streamlined and simplified approach to calculating the OTR has provided a level trend in the OTR, with only minor fluctuations due to the variables that affect the OTR.

The Board finds the current OTR methodology to be fair and equitable, more transparent and less complex than prior methodologies, reduced administrative costs related to the OTR, and recognizes that safety and soundness is not the sole domain of the NCUA as insurer. As a result, the NCUA Board does not propose any changes to the methodology at this time. The Board nevertheless invites comments on its OTR methodology. The Board specifically invites comments on the four principles used in the methodology to calculate the OTR discussed above.<sup>17</sup>

#### Operating Fee

The NCUA's regulations govern certain of the operating fee processes.<sup>18</sup> The regulation establishes: (i) The basis for charging operating fees (total assets); (ii) a notice process; (iii) rules for new charters, conversions, mergers, and liquidations; and (iv) administrative fees and interest for late payment, among other principles and processes.<sup>19</sup> Certain aspects of and adjustments to the operating fee process, such as changes to which FCUs are exempt from operating fees or the multipliers used to determine fees applicable to FCUs that fall within designated asset tiers, are usually not published in the **Federal Register**. Instead, in November 2015, the Board delegated authority to the NCUA's Chief Financial Officer to administer the Board-approved methodology, and to set the operating fees as calculated per the approved methodology during each annual budget cycle beginning with 2016. Although it is not required to do so under the Administrative Procedure Act,<sup>20</sup> in January 2016, the Board published its methodology in the **Federal Register** and requested comment.<sup>21</sup> The Board is doing so again now to provide notice of a clarification and seek comment on several potential updates to the

<sup>17</sup> <https://www.ncua.gov/files/publications/budget/overhead-transfer-rate-summary-2020.pdf>.

<sup>18</sup> 12 CFR 701.6.

<sup>19</sup> *Id.*

<sup>20</sup> 5 U.S.C. 551 *et seq.*

<sup>21</sup> 81 FR 4674 (Jan. 27, 2016).

<sup>14</sup> 82 FR 55644 (Nov. 22, 2017).

<sup>15</sup> <https://www.ncua.gov/About/Pages/budget-strategic-planning/supplementary-materials.aspx>.

<sup>16</sup> The percentage of actual expenses funded by the Share Insurance Fund as they are incurred each month.

methodology, as described in more detail in Section V below.

The Board proposed the current operating fee methodology in 1979, after Congress passed the Financial Institutions Regulatory and Interest Rate Control Act of 1978.<sup>22</sup> This legislation permitted the Board to consolidate previously separate chartering, supervision, and examination fees into a single operating fee, charged “in accordance with schedules, and for time periods, as determined by the Board, in an amount necessary to offset the expenses of the Administration at a rate consistent with a credit union’s ability to pay.”<sup>23</sup> In combination with a proposed change to § 701.6 of the NCUA’s regulations in 1979, the Board proposed an initial fee schedule in the **Federal Register**, including rates for 12 asset tiers.<sup>24</sup> It later published a final rule in the **Federal Register**, which included a finalized fee schedule for 1979.<sup>25</sup>

On four additional occasions, the Board has requested comments on potential changes to the operating fee schedule through a **Federal Register** notice, independent of any changes to 12 CFR 701.6. First, in 1990, the Board provided notice to the public that it was considering consolidating the operating fee schedule from 14 asset tiers to two asset tiers, retaining an exemption for FCUs under \$50,000 in assets and implementing a \$100 minimum fee.<sup>26</sup> Second, in 1992, the Board requested comments on a plan to limit operating fees to the first \$1 billion of each FCU’s assets.<sup>27</sup> Third, in 1995, the Board requested comments on a plan to restructure the operating fee schedule for natural person FCUs, to exempt FCUs with assets of \$500,000 or less based on concern about small FCUs’ ability to pay the fees.<sup>28</sup> The Board also requested comments on imposing a minimum fee of \$100 on all natural person FCUs with assets over \$500,000 but less than or equal to \$750,000.<sup>29</sup>

Most recently, in 2016, the Board published its current methodology in detail in the **Federal Register** and solicited comment. The Board made no changes in response to comments on the methodology published in 2016 and delegated authority to the NCUA Chief Financial Officer to apply the published methodology. Since then, the Chief

Financial Officer has applied the published Operating Fee methodology and explained its application in the NCUA’s annual budget documents.

In general, the Board has not used **Federal Register** notices in connection with annual adjustments to the asset tiers and rates of the operating fee schedule. Instead, the Board has opted to adopt such changes at open meetings. As recently as 2012, for example, the Board increased the asset threshold used to exempt FCUs from operating fees from \$500,000 to \$1 million at an open meeting, without requesting advance comment in the **Federal Register**.<sup>30</sup> While the Board has varied its practice with respect to fee schedule changes, it has done so within the FCU Act’s broad directive that the fee schedule should be as “determined by the Board to be appropriate,” subject to its consideration of its expenses and the ability of FCUs to pay.<sup>31</sup> In addition, the NCUA’s regulation on operating fee processes includes a standing invitation for written comments from FCUs on existing fee schedules<sup>32</sup> and each year the Board invites comments on the draft NCUA budget, which includes a detailed explanation of how the operating fee is calculated and how changes to the operating fee rate are determined based on application of the published methodology.

#### IV. Methodology for Determining the Aggregate Operating Fee Amount

The Board adopts an annual budget in the fall of each year, which includes as an operating budget the costs of day-to-day operations such as employee compensation, travel and training expenses, support purchased through contracts with service providers that have expertise outside of the agency’s core capabilities, and other miscellaneous administrative expenses. The annual budget also includes as a capital budget the estimated spending on capital projects, such as for computer hardware and software, and for investments in agency owned real property and equipment, and provides the resources required to execute the goals and objectives as outlined in the NCUA’s strategic plan.<sup>33</sup> As discussed above, two primary sources fund the annual budget: (1) Requisitions from the Share Insurance Fund, determined

through the OTR and (2) operating fees paid by FCUs.

*Adjustments to the Budget.* When calculating the aggregate annual operating fee requirements, the Board first subtracts amounts transferred from the Share Insurance Fund through the OTR and other expected income amounts, as discussed below, from the operating budget, which funds the day-to-day needs for the upcoming year.

*Overhead Transfer Rate:* As discussed above, the FCU Act authorizes the NCUA to expend funds from the Share Insurance Fund for administrative and other expenses related to federal share insurance.<sup>34</sup> An overhead transfer from the Share Insurance Fund covers the expenses associated with insurance-related functions of the NCUA’s operations. The OTR is one of the funding sources for the budget, but the OTR does not affect the amount of the annual budget. The Board approves the annual budget separately and without regard to the OTR. The OTR is applied to actual expenses incurred each month.

*Other Income:* Other income reduces the required operating fees by providing an additional source of funds to cover regulatory (*i.e.*, non-insurance) related aspects of operating the NCUA. Other income is projected based on the latest financial statements and includes interest income and miscellaneous revenues. Interest income includes interest on operating fund balances invested in short-term Treasury securities because the funds are not immediately required to pay expenses. Other income includes miscellaneous revenues, such as revenues from the production or sale of NCUA reports and publications, rent collected from other federal agencies that share NCUA facilities, and parking fee revenues. The NCUA owns a share of the parking garage underneath the complex of buildings that includes the agency’s Central Office, and the NCUA receives its share of the revenue collected from fees charged to those who park in the garage.

*Adjustments for capital project budgets and notes payable.* The budgets for capital projects and notes payable are added to the balance remaining after deducting the estimated overhead transfer share of the operating budget. These budgets include capital acquisitions planned for the year and the annual payment of the note payable for the NCUA Central Office building on King Street.

*Capital Projects.* Each year the NCUA conducts a rigorous assessment of its needs for information technology (IT),

<sup>22</sup> 44 FR 11785 (Mar. 2, 1979).

<sup>23</sup> *Id.* at 11786.

<sup>24</sup> *Id.* at 11787.

<sup>25</sup> 44 FR 27379 (May 10, 1979).

<sup>26</sup> 55 FR 29857 (July 23, 1990).

<sup>27</sup> 57 FR 34152 (Aug. 3, 1992).

<sup>28</sup> 60 FR 32925 (June 26, 1995).

<sup>29</sup> *Id.*

<sup>30</sup> Board Action Memorandum on 2013 Operating Fee (Nov. 15, 2012).

<sup>31</sup> 12 U.S.C. 1755(b).

<sup>32</sup> 12 CFR 701.6(c).

<sup>33</sup> Additional information on the NCUA budget may be found at the following Web address: <http://www.ncua.gov/About/Pages/budget-strategic-planning/supplementary-materials.aspx>.

<sup>34</sup> 12 U.S.C. 1783(a).

facility improvements and repairs, and other multi-year capital investments. 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 office building in Austin, Texas. IT systems and hardware are another significant capital expenditure for modern organizations, and the budget includes investments both for maintaining and upgrading currently operational systems and networks as well for developing replacements for systems and hardware that has reached the end of its useful life.

*Repayment of NCUA Central Office on King Street, Note Payable.* In 1992, the Operating Fund entered into a commitment to borrow up to \$42.0 million in a 30-year secured term note with the Share Insurance Fund to fund the costs of constructing the NCUA's Central Office in 1993. Since the Operating Fund borrowed monies from the Share Insurance Fund, the annual scheduled principal payments are excluded from the OTR and overhead transfer amount. The annual scheduled principal payments are treated as a cash need and applied as an increase to operating fee requirements.

*Operating Fee Requirements.* The result after adjustments for capital project and notes payable needs is the total budget subject to the operating fee and payable by both natural person and corporate FCUs. The natural person FCU operating fees are determined by deducting the corporate FCU operating fees from the total budget operating fee requirements.

#### **V. Methodology for Determining the Operating Fee Schedule**

The corporate credit union fee schedule was established in 1979 and has changed little over the years. Corporate FCUs hold assets of natural person credit unions, which are already assessed under the natural person operating fees for those members that are FCUs. Assessing corporate FCUs at the same rate would, effectively, assess the same assets twice for natural person FCU members of corporate FCUs. Corporate FCUs return a large portion of their earnings to natural person credit unions in the form of lower fees and higher dividends. Raising operating fee assessments for corporate FCUs would result in higher expenses for corporate FCUs. Corporate FCUs would need to pass the higher expenses to natural person credit unions in the form of higher fees and lower investment yields. The corporate FCU fee schedule is a method of charging corporate FCUs a

supervisory fee to defray costs and is now published annually in the budget.

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, beginning in 2016. After determining the operating fee requirements for natural person FCUs, the Chief Financial Officer creates the natural person FCU operating fee schedule for the upcoming year. The FCU operating fee schedule is published annually in the budget.

The current fee schedule for natural person FCUs uses three asset tiers. A different assessment rate is applied to each tier, and the threshold for each tier is adjusted annually to reflect inflationary growth of the credit union system. FCUs with \$1 million or less in assets pay no operating fee.

There are two steps used to determine adjustments to the operating fee schedule for the upcoming year. They are: (1) Updating the prior-year asset tier thresholds using the projected asset growth rate and (2) updating the prior-year assessment rates for each asset tier by determining the average assessment rate adjustment.

*Updating prior year asset levels.* The first step in determining the new operating fee schedule is to increase the threshold for each asset tier from the prior-year by the projected asset growth rate. Tier thresholds are adjusted annually to preserve the same relative relationship of the scale to the applicable asset base.

The projected asset growth rate is a forecast of FCU asset growth rates for a year. The NCUA's Office of Chief Economist (OCE) uses three different methods to forecast asset growth and combines them to generate an overall asset growth rate forecast.

Forecasting method one uses Call Report data for the first half of the year to predict full-year asset growth. This is done by first calculating the ratio of first-half asset growth to full-year asset growth. The percentage of full-year growth accounted for by first-half asset growth varies from year to year but, on average, nearly 80 percent of the asset growth for FCUs occurs in the first half of the year. Using the growth rate in the first half of the year, OCE projects the full-year growth rate.

Forecasting Method two uses Call Report data to determine the most recent four-quarter growth rate and sets this rate to the full-year asset growth rate. This approach is based on the idea that an FCU is likely to establish and maintain a relatively constant growth rate over a short period, after accounting

for variations in the growth rate that is attributable to seasonal fluctuations. This implies that a good forecast of full-year asset growth is the most recently available four-quarter asset growth.

Forecasting method three uses a time series statistical model. Using quarterly Call Report data, NCUA predicts future four-quarter asset growth using the four-quarter growth in assets for the period ending two quarters earlier (that is, four-quarter asset growth lagged two quarters).

In general, forecasting literature shows that combining forecasts from different approaches can improve forecast accuracy and decrease the likelihood of forecast errors. Using the root mean squared error statistic to calculate the accuracy of the individual approaches and combined forecast approaches, NCUA has found that the combined forecast approach is better at predicting the final asset growth rate than any of the individual approaches. NCUA therefore averages the forecasts from the three approaches to maximize accuracy.

*Updating the prior year's assessment rates.* After updating the prior-year asset tier thresholds, the next step is to project operating fees using the updated asset tier thresholds and the prior year assessment rates charged for each tier. The percentage difference between the projected operating fee collections and the operating fee collections required to support the budget is the average rate adjustment.

The average rate adjustment is used to amend the prior-year's assessment rates for each asset tier either upwards or downwards. If the projected amount of operating fees is less than the required budgeted amount, then the assessment rates for each asset tier are adjusted upwards. If the projected amount is more than the required budgeted amount, then the assessment rates for each asset tier are adjusted downwards.

The resulting new operating fee schedule and due date are communicated via a Letter to Federal Credit Unions and posted to *NCUA.gov* at least 30 days after Board approval of the annual budget. The Board also makes available an online operating fee calculator on the NCUA website for FCUs to estimate their individual fees for the upcoming year. No later than March of each year, natural person FCUs with assets greater than \$1 million will receive an invoice for their operating fee. Operating fees are based on actual assets reported as of December 31 of the previous year. The NCUA combines operating fee and capitalization deposit adjustment into a single invoice normally due in April. As

required by the FCU Act, the NCUA will deposit the collected fees in the United States Treasury.<sup>35</sup>

## VI. Proposed Changes to Methodology

As summarized above, the Board seeks comment on three proposed changes to the Operating Fee methodology and details each below. The Board will review the comments received through this notice and consider adopting these changes through subsequent Board action prior to assessment of the 2021 Operating Fees.

### 1. Treatment of Capital Budget

Currently, the Board initially funds the NCUA's planned capital projects budget entirely through operating fees assessed on FCUs. The Board proposes to change this practice by reimbursing the appropriate portion of these expenditures through the OTR.

In recent years, the NCUA Office of the Chief Financial Officer (OCFO) has worked to improve the agency's financial management processes and modified some of its practices to align

with contemporary Federal financial management standards. This allows the agency to manage its cash flow more effectively and to record appropriately on its books the contractual commitments it makes, particularly for complex and multi-year capital projects.

As a result of these improvements and modifications, in the 2018 budget NCUA clarified how non-cash transactions such as the estimated value of employees' earned but unused annual leave and projected depreciation expenses for capital assets would be treated from a budgetary perspective. Namely, such amounts would no longer be included in annual budgets presented to the Board as they result in no expenditure tied to the recognition of an expense under GAAP. Since that time, the calculation for the operating fee has also excluded such items when determining the allocation of the annual budget between the share paid through the OTR and the share paid through the operating fee.

The NCUA Board now proposes to clarify that for the purposes of calculating the operating fee, the budget for capital projects will be included within the total annual budget subject to the OTR. This approach ensures that the

cost of new capital acquisitions is borne equitably between FCUs and FISCUs *at the time such acquisitions are made* and is consistent with the 2018 change that excluded other non-cash expenses from the budget. Under the existing methodology, the Share Insurance Fund reimburses the operating fund for capital projects at the OTR and over several years according to depreciation schedules, which are non-cash transactions. Including capital project budgets in the total annual amount subject to the OTR at the point of acquisition effectively accelerates OTR reimbursements for capital project spending to the point at which such expenditures occur. This change also increases consistency with the current OTR methodology, which generally requires that a proportionate share of expenses not exclusively related to the regulation of FCUs be borne in part by the Share Insurance Fund.

The following table provides a comparison of how the operating fee calculation for the 2020 budget would have differed had funds for capital projects been subject to the OTR like for the other parts of the annual budget for that year.

**BILLING CODE 7535-01-P**

<sup>35</sup> <https://www.ncua.gov/files/agenda-items/AG20191212Item1b.pdf>, pages 57 to 64.

**OPERATING FEE CALCULATION FOR BOARD-APPROVED 2020 BUDGET COMPARED TO  
2020 OPERATING FEE CALCULATION SHOWING PROPOSED CAPITAL BUDGET TREATMENT**

(\$ millions)

	Board-Approved 2020 Budget	2020 w/ Capital Budget Change
1 Proposed Operating Budget	\$ 315.883	\$ 315.883
<i>Capital Acquisitions</i>	\$ -	\$ 25.076
2 Remove King Street Station Note from Calculation	\$ (1.340)	\$ (1.340)
3 Operating Budget to apply OTR	\$ 314.543	\$ 339.619
4 Overhead Transfer Rate <b>61.3%</b>	\$ (192.815)	\$ (208.186)
5 Interest Income	\$ (2.250)	\$ (2.250)
6 Miscellaneous (rent and publication fees)	\$ (1.000)	\$ (1.000)
<b>7 Net (sum lines 3 - 6)</b>	<b>\$ 118.478</b>	<b>\$ 128.183</b>
8 Operating Fund adjustment	\$ -	\$ -
9 Capital Acquisitions	\$ 25.076	\$ -
10 Payment of King Street Note Payable (scheduled principal payments)*	\$ 1.340	\$ 1.340
<b>11 Budgeted Operating Fee/Capital Requirements (sum lines 5 -10)</b>	<b>\$ 144.894</b>	<b>\$ 129.523</b>
12 Corporate Federal CU Operating Fees	\$ (0.200)	\$ (0.200)
<b>13 Natural Person FCU Operating Fees Required (sum lines 11 -12)</b>	<b>\$ 144.694</b>	<b>\$ 129.323</b>
14 Fees projected with Asset Growth of <b>5.6%</b>	\$ (143.072)	\$ (143.072)
<b>15 Difference (lines 13 &amp; 14)</b>	<b>\$ 1.622</b>	<b>\$ (13.749)</b>
<b>16 Average Rate Adjustment Indicated (line 15 divided by line 14)</b>	<b>1.13%</b>	<b>-9.61%</b>

## 2. Treatment of Miscellaneous Revenues

Currently, miscellaneous revenues collected by the NCUA reduce operating fees charged to FCUs. The Board proposes changing the treatment of miscellaneous revenues, reducing the percentage of the NCUA budget funded by the OTR transfer from the Share Insurance Fund.

As discussed above miscellaneous revenues includes revenues from the production and sale of NCUA reports

and publications, rent collected from other federal agencies that share NCUA facilities, and parking fee revenues. The NCUA's miscellaneous revenues vary from year to year, but typically total approximately \$1,000,000.

The Board proposes to clarify that for the purposes of calculating the operating fee, projected miscellaneous revenues will be included within the total annual budget subject to the OTR. The Board believes this approach is

consistent with its proposed change to the treatment of capital project budgets, and that it better reflects the equitable distribution of the agency's net expenses between FCUs and FISCUs.

The table below provides a comparison of how the operating fee calculation for the 2020 budget would have differed had miscellaneous revenues reduced the amount of the budget funded through the OTR for that year.

**OPERATING FEE CALCULATION FOR BOARD-APPROVED 2020 BUDGET COMPARED TO  
2020 OPERATING FEE CALCULATION SHOWING PROPOSED MISC. REVENUE TREATMENT**

(\$ millions)

	<b>Board-Approved 2020 Budget</b>	<b>2020 w/ Misc. Revenue Change</b>
1 Proposed Operating Budget	\$ 315.883	\$ 315.883
<i>Miscellaneous Revenue (rent and publication fees)</i>	\$ -	\$ (1.000)
2 Remove King Street Station Note from Calculation	\$ (1.340)	\$ (1.340)
3 Operating Budget to apply OTR	\$ 314.543	\$ 313.543
4 Overhead Transfer Rate 61.3%	\$ (192.815)	\$ (192.202)
5 Interest Income	\$ (2.250)	\$ (2.250)
6 Miscellaneous (rent and publication fees)	\$ (1.000)	\$ -
<b>7 Net (sum lines 3 - 6)</b>	<b>\$ 118.478</b>	<b>\$ 119.091</b>
8 Operating Fund adjustment	\$ -	\$ -
9 Capital Acquisitions	\$ 25.076	\$ 25.076
10 Payment of King Street Note Payable (scheduled principal payments)*	\$ 1.340	\$ 1.340
<b>11 Budgeted Operating Fee/Capital Requirements (sum lines 5 -10)</b>	<b>\$ 144.894</b>	<b>\$ 145.507</b>
12 Corporate Federal CU Operating Fees	\$ (0.200)	\$ (0.200)
<b>13 Natural Person FCU Operating Fees Required (sum lines 11 -12)</b>	<b>\$ 144.694</b>	<b>\$ 145.307</b>
14 Fees projected with Asset Growth of 5.6%	\$ (143.072)	\$ (143.072)
<b>15 Difference (lines 13 &amp; 14)</b>	<b>\$ 1.622</b>	<b>\$ 2.235</b>
<b>16 Average Rate Adjustment Indicated (line 15 divided by line 14)</b>	<b>1.13%</b>	<b>1.56%</b>

**BILLING CODE 7535-01-C**

3. Annual inflationary updates to operating fee schedule asset tier thresholds

The Board has separately proposed amending its rule at 12 CFR 701.6 for determining total assets used as the basis for calculating the operating fee due from any FCU. Under the proposed rule, total assets would be calculated as the average of total assets reported on an FCU's previous four Call Reports available at the time the NCUA Board approves the agency's budget for the upcoming year. Members of the public

are encouraged to comment on this proposed amendment by responding to the appropriate **Federal Register** notice.

To maintain consistency between the total assets used for billing the operating fee to an individual FCU and the asset thresholds used for determining the rate tier into which each FCU falls, the Board proposes changing its approach for adjusting the rate tier thresholds. Specifically, for purposes of determining the annual adjustment to the rate tier thresholds, the Board proposes comparing the average of total system assets reported in Call Reports

for the four quarters available at the time it approves the budget to the average of total system assets in Call Reports for the four quarters of the respective previous years. In this way, the tier thresholds shown on the operating fee schedule would be increased each year based on the same reporting data that will be used for computing individual FCU invoice amounts.

Request for Comments

The Board solicits public comment on the proposed changes discussed above.

In addition, the Board solicits comment on the following questions to inform potential future enhancements to the methodology:

1. As discussed above, the Board has not substantially modified the current three-tier operating fee schedule since 1993. The current fee schedule is regressive; that is, credit unions with a larger amount of total assets pay a lower marginal rate on those assets above the threshold levels for the lower tiers. Given growth and consolidation in the credit union system, the Board is interested in whether such an approach is an equitable method for allocating the agency's operating costs. There is a potentially wide range of approaches for distributing the cost of the NCUA's budget that is funded by the operating fee. For example, the Board could adopt a single, flat-rate operating fee for all credit unions with total assets that exceed a standard exemption threshold. Overall, a flat-rate operating fee would

shift costs away from relatively smaller credit unions to relatively larger ones, making the fee schedule less regressive. The Board could also make the operating fee schedule less regressive by increasing the rates for the second and third tiers on the schedule. Alternatively, adjusting the rates upward for the first and second tiers of the current operating fee would create a more regressive schedule. The Board is interested in receiving public comments on whether or how it should consider modifying the operating fee schedule and what specific aspects and conditions of the credit union system it should evaluate when making such decisions.

2. Currently, the Board does not assess an operating fee to FCUs with assets less than \$1 million. This level was most recently adjusted in 2012 for the 2013 assessment. In the past, the Board has accounted for the ability of small FCUs to pay the fees by exempting

those under this threshold from paying any fee. In light of growth in total FCU assets, and of consolidation among FCUs, the Board is interested in understanding what factors it might consider when adjusting this threshold. For example, growth in the credit union system since 2012 would suggest an exemption threshold of approximately \$1,500,000. Alternatively, the FCU Act establishes that FCUs with less than \$10,000,000 in assets do not have to apply Generally Accepted Accounting Principles, and is also the level below which a credit union could still be considered "new" under the FCU Act's prompt corrective action provisions. To inform respondents to this inquiry, the table below illustrates the number of FCUs and potential reallocated revenue, based on 2020 operating fee invoices that would result from changing the exemption threshold to various new levels.

Revenue Impact of Increasing Exclusion Level to New Minimum Level											
(counts based on 2019 Q4 Call Report, amounts based on 2020 Operating Fee Invoices)											
Rate Tier	Current Structure		Exclude FCUs with <\$1.5M assets			Exclude FCUs with <\$5M assets			Exclude FCUs with <\$10M assets		
	Count	Revenue	Count	Revenue	Change in Revenue	Count	Revenue	Change in Revenue	Count	Revenue	Change in Revenue
Total Assets less than \$1 million	180	---	180	---	---	180	---	---	180	---	---
Additional CUs with Assets between \$1 million and new minimum	N/A	N/A	60	-\$ 20,315	-\$ 20,315	401	-\$ 317,170	-\$ 317,170	765	-\$ 1,054,870	-\$ 1,054,870
Total Assets more than exclusion threshold and less than \$1,599,193,665	3,005	\$ 90,483,240	2,945	\$ 90,495,885.69	\$ 12,646	2,604	\$ 90,680,673	\$ 197,433	2,240	\$ 91,139,878	\$ 656,638
Total Assets more than \$1,599,193,665 and less than \$4,839,136,005	70	\$ 35,838,526	70	\$ 35,843,535.10	\$ 5,009	70	\$ 35,916,725	\$ 78,199	70	\$ 36,098,607	\$ 260,081
Total Assets greater than \$4,839,136,005	20	\$ 19,036,855	20	\$ 19,039,515.37	\$ 2,661	20	\$ 19,078,393	\$ 41,538	20	\$ 19,175,006	\$ 138,151
<b>Total</b>	<b>3,275</b>	<b>\$ 145,358,621</b>	<b>3,275</b>	<b>\$ 145,358,621</b>	<b>---</b>	<b>3,275</b>	<b>\$ 145,358,621</b>	<b>---</b>	<b>3,275</b>	<b>\$ 145,358,621</b>	<b>---</b>

3. The NCUA provides credit unions an annual voluntary diversity self-assessment, as authorized by law.<sup>36</sup> The NCUA Board believes that diversity coupled with inclusion should be a strategic business goal for credit unions. The Board is interested in views on whether federal credit unions that complete an annual voluntary diversity self-assessment should receive a modest discount on the FCU operating fee due in the subsequent year. How much of a discount on operating fees would be a sufficient incentive to encourage participation in the voluntary diversity self-assessment? Because Federally Insured State-Chartered Credit Unions (FISCUs) pay an operating fee to their

state regulatory agency rather than to the NCUA, what appropriate incentives could the Board provide to encourage FISCUs to participate in the survey? Alternatively, what other non-financial incentives might encourage both FCUs and FISCUs to participate?

By the National Credit Union Administration Board on July 30, 2020.

**Gerard Poliquin,**

*Secretary of the Board.*

[FR Doc. 2020-17009 Filed 8-28-20; 8:45 am]

**BILLING CODE 7535-01-P**

**NATIONAL TRANSPORTATION SAFETY BOARD**

**Sunshine Act Meetings**

**TIME AND DATE:** 9:30am, Tuesday, September 15, 2020.

**PLACE:** Virtual.

**STATUS:** The one item may be viewed by the public through webcast only.

**MATTERS TO BE CONSIDERED:** 65869 Railroad Accident Report: Collision of Two CSX Transportation Freight Trains, Carey, Ohio, August 12, 2019.

**CONTACT PERSON FOR MORE INFORMATION:** Candi Bing at (202) 590-8384 or by email at [bingc@ntsb.gov](mailto:bingc@ntsb.gov).

*Media Information Contact:* Peter Knudson by email at [peter.knudson@ntsb.gov](mailto:peter.knudson@ntsb.gov) or at (202) 314-6100.

This meeting will take place virtually. The public may view it through a live

<sup>36</sup> Section 342(b)(2)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203.