NATIONAL CREDIT UNION ADMINISTRATION

[NCUA–2021–0149]

The NCUA Staff Draft 2022–2023 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 November 30, 2021. Written statements and presentations for those scheduled to appear at the budget briefing must be received on or before 5 p.m. Eastern, December 3, 2021.

Written comments without public presentation at the budget briefing may be submitted by December 9, 2021.

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 November 30, 2021. 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 5 p.m. Eastern, December 3, 2021.
- *Written comments:* Submit comments by December 9, 2021, through the Federal eRulemaking Portal: *http://www.regulations.gov.* The docket number is NCUA–2021–0149. Follow the instructions for submitting comments.
- Copies of the NCUA Draft 2022–2023 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.*

FOR FURTHER INFORMATION CONTACT: Eugene H. Schied, 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 2022–2023 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 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 2022–2023 Budget Justification (draft budget) in this Notice.

The draft budget details the resources required to support NCUA's mission. 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, December 8, 2021 at 2:00 p.m. Eastern. Due to the COVID–19 pandemic, the budget briefing will be open to the public via live webcast only. Visit the agency's homepage (*www.ncua.gov*) to access the provided webcast link.

If you wish to participate in the briefing and deliver a statement, you must email a request to *BudgetBriefing@ncua.gov* by November 30, 2021. 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 December 7, 2021 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 5 p.m. Eastern, December 3, 2021.

Written comments on the draft budget will also be accepted by December 9, 2021, through the Federal eRulemaking Portal: *http://www.regulations.gov.* The docket number is NCUA–2021–0149. Commenters should follow the portal instructions for submitting comments.

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 November 17, 2021.

Melane Conyers-Ausbrooks,

Secretary of the Board.

I. The NCUA Budget in Brief

Proposed 2022 and 2023 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.

2022–2023 NCUA BUDGET RESOURCES

Budget	2021 Board Approved Budget	2022 Requested Budget	Change (2021–2022)	Change Percent (2021–2022)	2023 Requested Budget	Change (2022–2023)	Change Percent (2022–2023)	2022 FTE*	2023 FTE*	FTE Change
Operating Budget	$ 314,560,000	$ 326,004,000	$ 11,444,000	3.6%	$ 369,322,000	$ 43,318,000	13.3%	1,242	1,250	8
Capital Budget	$ 18,845,000	$ 13,069,000	$ (5,776,000)	-30.7%	$ 13,069,000	$ -	0.0%	-	-	-
Share Insurance Fund Admin. Budget	$ 7,973,000	$ 6,246,000	$ (1,727,000)	-21.7%	$ 4,770,000	$ (1,476,000)	-23.6%	-	-	-
Total	$341,378,000	$345,319,000	$ 3,941,000	1.2%	$ 387,161,000	$41,842,000	12.1%	1,242	1,250	8

** Note: 2022 and 2023 FTE levels do not incude five FTEs funded by the Central Liquidity Facility (CLF).*

The NCUA's 2022–2023 budget justification includes three separate budgets: The Operating Budget, the Capital Budget, and the National Credit Union Share Insurance Fund Administrative Budget. Combined, these three budgets total $345.3 million for 2022, which is 0.5 percent more than the initial 2022 funding level approved by the NCUA Board as part of the two-year 2021–2022 budget, and 1.2 percent higher than the comparable level funded by the Board for 2021.

Four significant factors, when combined, result in the 1.2 percent budget growth between 2021 and 2022:

1. A proposed 48 FTE net increase in permanent agency staffing compared to 2021, which will support critical areas necessary to operate as an effective federal financial regulator capable of addressing emerging issues.
2. A proposed increase of $8.6 million in travel funding for 2022 compared to 2021. Although the agency expects pandemic-related considerations will result in continued remote and offsite examinations during the first quarter of 2022, the draft budget assumes that onsite examinations and related travel will resume in the spring of 2022. The agency anticipates that travel in 2022 will occur at a lower level than in previous years due to lessons learned during the pandemic about remote work.
3. A proposed reduction to the Capital Budget of $5.8 million in 2022 compared to 2021, mainly driven by the completion of the latest phase of the Modern Examination and Risk Identification Tool (MERIT) project. In 2021, all NCUA examiners were trained to use the new MERIT system. MERIT was fully deployed to all NCUA examiners in the fall of 2021. In 2022, capital investments in Examination and Supervision Solution and Infrastructure Hosting (ESS&IH) will allow the NCUA to address rollout issues reported by the broader user base and continue to enhance MERIT and the ESS suite of applications based on user feedback.
4. A proposed decrease of $1.7 million to the Share Insurance Fund (SIF) Administrative Expenses Budget, which results from the wind down of the NCUA Guaranteed Notes (NGN) program in 2022.

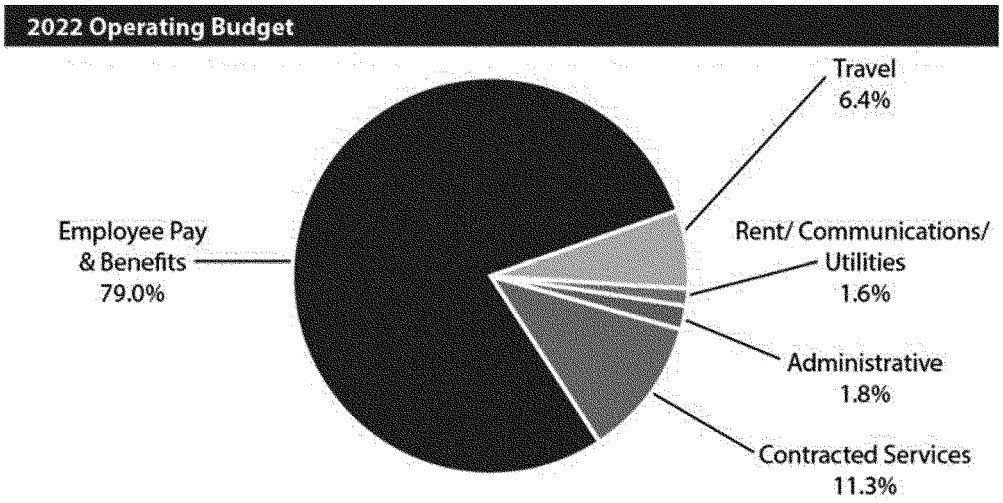
Staffing levels for 2021 and 2022 reflect the agency's current staffing requirements and proposed staffing enhancements related to agency programs and initiatives.

Operating Budget

The proposed 2022 Operating Budget is $326.0 million. Staffing levels are requested to increase by a net 48 FTEs compared to the 2021 Board-approved budget.[1]

The 2022 Operating Budget increases approximately $11.4 million, or 3.6 percent, compared to the 2021 Board-approved budget. The Operating Budget estimate for 2023 is $369.3 million and includes eight additional FTEs compared to the 2022 proposed level.

The following chart presents the major categories of spending supported by the 2022 budget, while specific adjustments to the 2021 Board-approved budget are discussed in further detail below:

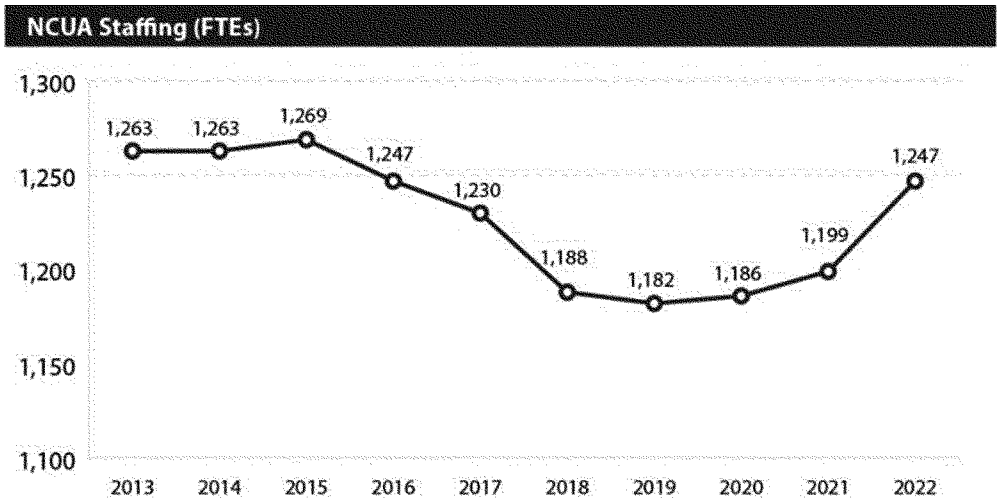


Note: Minor rounding differences may occur in totals.

Total Staffing. The Operating Budget funds 1,242 FTEs in 2022, while five additional FTEs are funded by the CLF, resulting in a net increase of 48 FTEs

[1] The published 2021 FTE level approved by the Board was 1,187 for the Operating Budget. In August 2021, the NCUA Board approved seven additional FTEs. The revised 2022 Operating Budget proposes 48 more FTEs, for a total of 1,242.

compared to the 2021 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 relatively narrow range, as shown in the chart below.



Note: Total NCUA staffing includes five FTEs funded by the Central Liquidity Facility in 2022.

Pay and Benefits. Pay and benefits increase by $16.7 million in 2022, or 6.9 percent, for a budget of $257.5 million. The increase is mainly due to the proposed staffing of critical areas necessary to operate as an effective federal financial regulator capable of addressing emerging issues. The 2022 budget recommends 48 new FTEs, which includes 29 new regional FTEs to support expanded examination criteria for federal credit unions, three new regional FTEs to support expanded specialist examiners, five new FTEs for the Office of Consumer and Financial Protection (OCFP) positions to support fair lending and financial education and literacy programs, two new FTEs for the Office of Credit Union Resource Expansion (CURE) positions to support a new small credit union program initiative, and making permanent eight FTEs that are currently filled within the total NCUA staffing plan. These increases are offset by a reduction of one FTE in the Office of Examination and Insurance (E&I) and a reduction of five other FTEs by concluding the NGN program.

The remaining increase in pay and benefits—nearly $2.3 million—is the result of the Office of Personnel Management (OPM) increasing the mandatory employer contribution for the Federal Employee Retirement System (FERS). Required FERS payments to OPM increase from 17.3 percent of covered employees' salaries to 18.4 percent, a change of 110 basis points. Nearly all NCUA employees are covered by FERS, which includes a defined benefit pension funded by both employee and employer contributions.

Travel. The travel budget increases by $8.5 million in 2022, or 69.7 percent, for a budget of $20.8 million. The large increase in travel does not represent a typical annual travel adjustment because the 2021 budget was unusually low due to restricted travel during the pandemic. The 2022 requested budget assumes that pandemic-related travel reductions will continue through the first quarter of 2022 and will resume to near pre-pandemic levels later in the year. Additionally, the NCUA plans to hold more internal and external meeting events in 2022 than in the pandemic-restricted environment of 2021. A leadership and training conference is planned for the NCUA senior leaders and managers to support professional development and employee engagement. The NCUA also plans to host three outreach roundtables to support stakeholder discussions about issues affecting the credit union system.

The NCUA continues working to contain travel costs by expanding offsite examination work and using technology-driven training. In future budgets, the NCUA will determine how such adjustments to its examination approach will help mitigate growth in travel costs.

Rent, Communications, and Utilities. The budget for rent, communications, and utilities decreases by $2.0 million in 2022, or 28.2 percent, for a budget of $5.2 million. This funding pays for space-related costs, telecommunications services, data capacity contracts, and information technology network support. The decrease in 2022 is primarily due to the agency's transition to the General Services Administration (GSA)-managed Enterprise Infrastructure Solutions (EIS). EIS is the federal government's contract for enterprise telecommunications and networking solutions. By transitioning to EIS, the NCUA's annual telecommunications costs will decrease by approximately $2.2 million, as well as benefit from the comprehensive solution EIS provides to address all aspects of federal agency IT telecommunications and infrastructure requirements.

Administrative Expenses. Administrative expenses decrease by $0.2 million in 2022, or 4.0 percent, for a budget of $5.8 million. The decrease to the administrative expenses budget category largely results from lower costs for the NCUA's share of the Federal Financial Institutions Examination Council (FFIEC) costs and lower supplies, materials, and subscription costs from the ongoing use of telework in 2022.

Contracted Services. Contracted services expenses decrease by $11.6 million in 2022, or 23.9 percent, for a total budget of $36.7 million. However, $23.0 million of unspent budget amounts from prior years will be used to pay for 2022 Contracted Services expenses. Therefore, the total cost of all contracted services in 2022 is estimated to be $59.7 million, an increase of $11.4 million compared to the 2021 budget.

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. The majority of funding in the contracted services category supports the NCUA's robust supervision framework and includes funding for tools used to identify and resolve risk concerns such as interest rate risk, credit risk, and industry concentration risk. Further, it addresses new and evolving operational risks such as cybersecurity threats.

Capital Budget

The proposed 2022 Capital Budget is $13.1 million.

The 2022 Capital Budget is $5.8 million less than the preliminary 2022 funding level approved by the Board in December 2020, and $5.8 million less than the 2021 Board-approved budget.

The Capital Budget fully supports the NCUA's effort to modernize its IT infrastructure and applications. The 2022 budget for capital projects decreases largely because of the deployment of MERIT, the replacement for the legacy Automated Integrated Regulatory Examination System (AIRES). Capital funding for MERIT in 2022 will fund bug fixes and other modest system enhancements. Other IT investments funded in the 2022 Capital Budget include the planned deployment of new laptops on the Windows 11 platform, ongoing enhancements and upgrades to decades-old legacy systems, network servers, and systems to ensure the agency's cybersecurity posture complies with Executive Order 14208, and various hardware investments to refresh agency networks and ensure staff have the tools necessary to achieve the agency's mission. The 2022 budget includes $3.3 million for IT software development projects that will continue replacement of the NCUA's decades-old and obsolete information technology systems, and $8.3 million in other IT investments for 2022. The NCUA's facilities require $1.5 million in capital investments.

Share Insurance Fund Administrative Expenses

The proposed 2022 Share Insurance Fund Administrative budget is $6.2 million.

The 2022 Share Insurance Fund Administrative Budget is $1.5 million less than the preliminary 2022 funding level approved by the Board in December 2020, and $1.7 million less than the 2021 Board-approved budget. The decrease in the Share Insurance Fund Administrative Budget is primarily driven by the completion of the NGN program, which is expected to substantially conclude in 2022. The remaining costs are attributed to the costs associated with tools and technology used by the Office of National Examinations and Supervision (ONES) to oversee credit union-run stress testing for the largest credit unions, travel for state examiners attending NCUA-sponsored training, audit support for the Share Insurance Fund's financial statements, and certain insurance-related expenses for Asset Management and Assistance Center (AMAC) operations.

2022 Operating Budget—Use of Surplus Funds

Various public health restrictions instituted in response to the COVID–19 pandemic resulted in much lower-than-planned spending on employee travel in 2021, as the agency continued remote and offsite examinations and work. The NCUA currently estimates that the agency will end 2021 having under-spent the Board-approved budget by approximately $15.0 million, mostly due to a reduction in travel and other operating expenses. Approximately $14.0 million in surplus budget from 2020 is also projected to remain available at the end of the year.

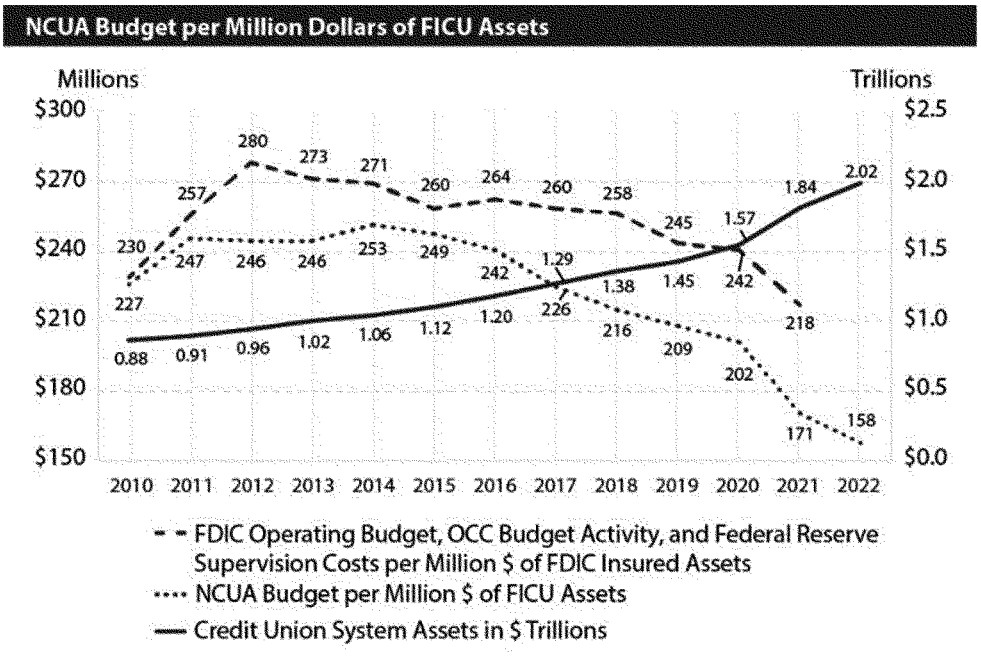
The NCUA's response to the coronavirus pandemic led to a number of unplanned and unbudgeted expenses, particularly for new requirements for cybersecurity, employee relocations, human capital support, and executive briefings and analysis support. In September 2021, the NCUA Board reallocated $4.0 million of the projected surplus for the following purposes:

- *Cybersecurity Support*: $906,780 was approved to implement cybersecurity requirements in 2021 for the NCUA's systems, services, and information holdings.
- *Employee Relocations:* $939,686 was approved for expected employee relocation costs in 2021.
- *Human Capital Analytical Support:* $550,000 was approved for analysis of the NCUA's compensation plans and for support analytic and consultative work about the NCUA's diversity, equity, and inclusion programs and practices.
- *Executive Briefings and Analysis:* $40,000 was approved for new executive briefings and analysis support.
- *Employees' accrued leave payout:* $1.6 million was approved for payout of employees' accrued leave in 2021.

Of the remaining surplus balances, the 2022 budget proposes using $23.0 million to offset the costs of planned contract services spending, reducing the agency's overall budget by that amount.

Budget Trends

As shown in the chart below, the relative size of the NCUA budget (dotted line) continues to decline when compared to balance sheets at federally insured credit unions (solid line).



Source: NCUA Annual Budgets, Call Reports, FDIC, OCC, and Federal Reserve financial reports
*Budget per million $ of FICU assets is calculated as the fiscal year's budget divided by the previous year's end-of-year assets (e.g. - FY2022 budget ($318.7M) / projected FICU assets as of 2021Q4 ($2.0T) = $158 of NCUA budget per $1M in FICU assets).

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 (dotted line compared to dashed line).

Federal Compliance Cost

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 the associated costs. These compliance activities affect the level of resources needed 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.

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, and 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 and Equal Opportunity

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 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, the Department of Defense, 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 17.3 to 18.4 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 2022 is an increase of approximately $3.4 million over 2021.

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2022 Budget in Brief: Summary Table

(dollars in millions)	Budget	Change from 2021 Budget	% Change*	Description
2022 Operating Budget	**$326.0**	**↑ $11.4**	**+ 3.6%**	The 2022 budget provides the resources required to achieve the agency's mission.
Total Staffing (FTE)**	**1,247**	**↑ 48**	**+ 4.0%**	The 2021 FTE level increases by 48 positions from 1,199 authorized by the Board in 2021.
Budget Category				
Pay & Benefits	**$257.5**	**↑ $16.7**	**+ 6.9%**	The pay and benefits adjustment includes the proposed staffing of 48 new FTEs for critical areas necessary to operate as an effective federal financial regulator capable of addressing emerging issues. Additionally, the increase in pay and benefits includes the merit and locality pay changes required by the Collective Bargaining Agreement and $3.4 million in mandatory employer contributions for retirement.
Travel	**$20.8**	**↑ $8.5**	**+ 69.7%**	The travel budget increases by $8.5 million in 2022 compared to 2021. During 2021, travel was restricted due to the pandemic and, therefore, the 2021 budget was unusually low.
Rent, Communications, & Utilities	**$5.2**	**↓ $2.0**	**- 27.8%**	Rent, communications, and utilities budgets maintain essential working space, telecommunications, data capacity, and network support. This budget decreases due to savings from the NCUA's transition to the federal government's contract for enterprise telecommunications and networking solutions.
Administrative	**$5.8**	**↓ $0.2**	**- 3.3%**	Administrative expenses primarily support operational requirements, FFIEC fees, relocation expenses, and employee supplies. This budget decreases because ongoing telework is expected to lower administrative costs in 2022.
Contracted Services	**$36.7**	**↓ $11.6**	**- 24.0%**	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.

* Percent change is based on exact amounts shown below.

** The published 2021 FTE level approved by the Board was 1,192. In September 2021, the NCUA Board approved seven additional FTEs for a total authorized FTE of 1,199. Staffing levels for 2021, 2022, and 2023 include five FTEs funded by the CLF.

2023 Budget in Brief: Summary Table

(dollars in millions)	Budget	Change from 2022 Budget	% Change *	Description
2023 Operating Budget	**$369.3**	**↑ $43.3**	**+ 13.3%**	The 2023 budget provides the resources required to achieve the agency's mission.
Total Staffing (FTE)	**1,255**	**↑ 8**	**+ 0.6%**	The 2023 FTE level increases by eight positions from 1,247 recommended in 2022.
Budget Category				
Pay & Benefits	**$273.6**	**↑ $16.1**	**+ 6.3%**	Pay and benefits costs are projected to increase in 2023 to pay for the costs of new staff hired in 2022 and 2023.
Travel	**$24.4**	**↑ $3.6**	**+ 17.5%**	Travel costs in 2023 reflect a full year of travel spending without pandemic-related restrictions and support for a national training conference.
Rent, Communications, & Utilities	**$5.4**	**↑ $0.2**	**+ 3.9%**	Rent, communications, and utilities costs are projected to increase in 2023. The increase is mostly associated with the planned national training conference.
Administrative	**$6.0**	**↑ $0.2**	**+ 3.9%**	Administrative expenses support operational requirements, FFIEC fees, relocation expenses, and employee supplies.
Contracted Services	**$59.9**	**↑ $23.1**	**+ 63.0%**	Contracted services reflect costs incurred for products and services acquired in the commercial marketplace. The increase reflects that surplus funds used to offset 2022 contract costs will not be available in 2023.

* Percent change is based on exact amounts shown below.

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.

President Franklin Roosevelt signed the Federal Credit Union Act into law in 1934 during the Great Depression, enabling credit unions to be organized throughout the United States under charters approved by the federal government. The law's goal 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.

As of June 2021, the NCUA is responsible for the regulation and supervision of 5,029 federally insured credit unions, which have approximately 127.2 million members and nearly $2 trillion in assets across all states and U.S. territories.[2]

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 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] In December 2020, the Board approved a final rule with changes to its regulation and methodology for determining the fees due from federal credit unions.[6]

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

[2] Source: The NCUA quarterly call report data, Q2 2021.

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

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

[5] *See* 12 U.S.C. 1755(a)–(b).

[6] *See https://www.govinfo.gov/content/pkg/FR-2020-12-31/pdf/2020-28490.pdf.*

the examination and supervision of federal credit unions.[7] In accordance with its authority [8] to use the Share Insurance Fund to carry out its insurance-related 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.

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

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

Mission, Goals, and Strategy

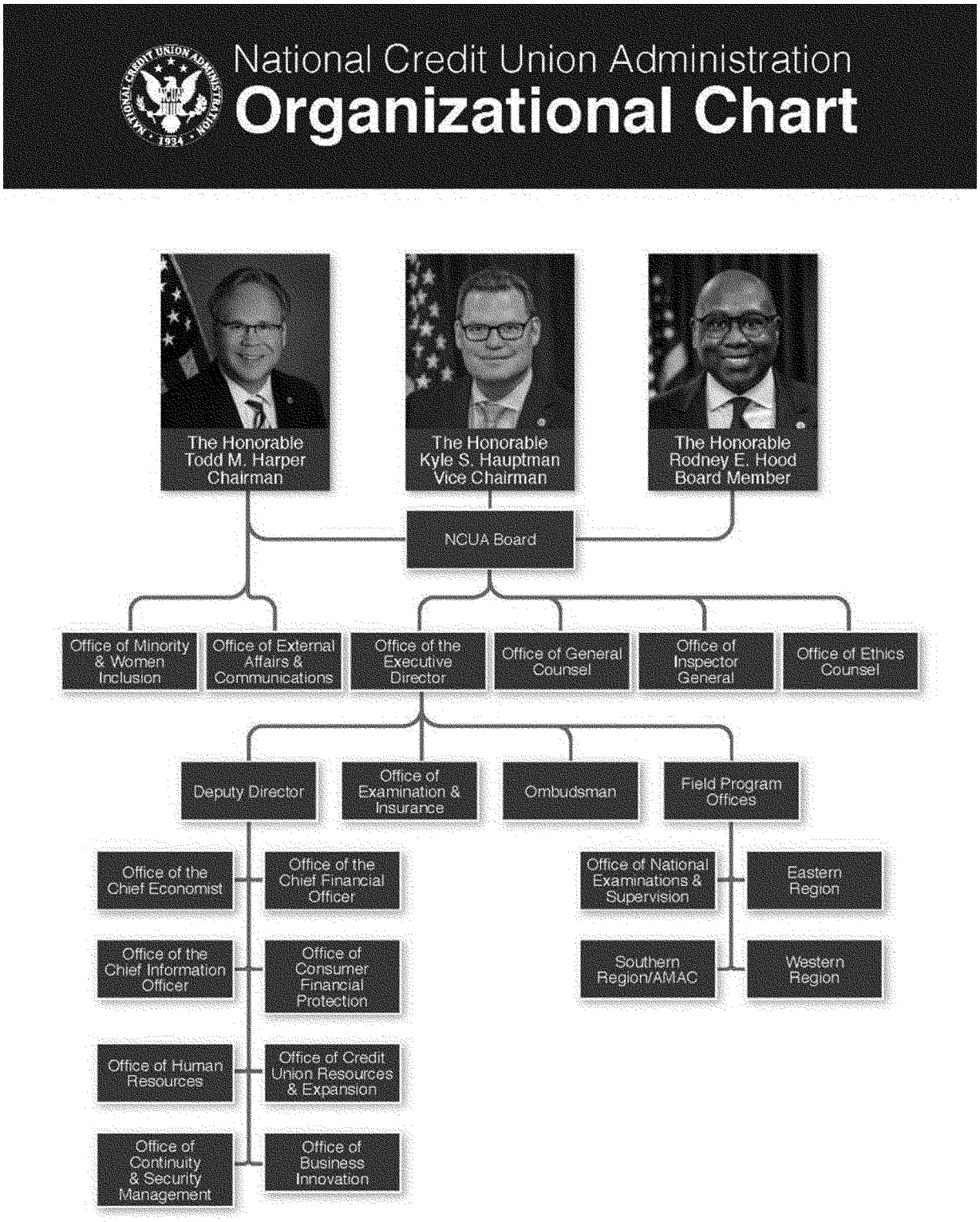
The NCUA's *2022–2026 Strategic Plan* is currently under development. The NCUA budget provides the resources necessary for the NCUA to address the agency's strategic priorities and related programs, to identify key challenges facing the credit union industry, and to leverage agency strengths to help credit unions address those challenges.

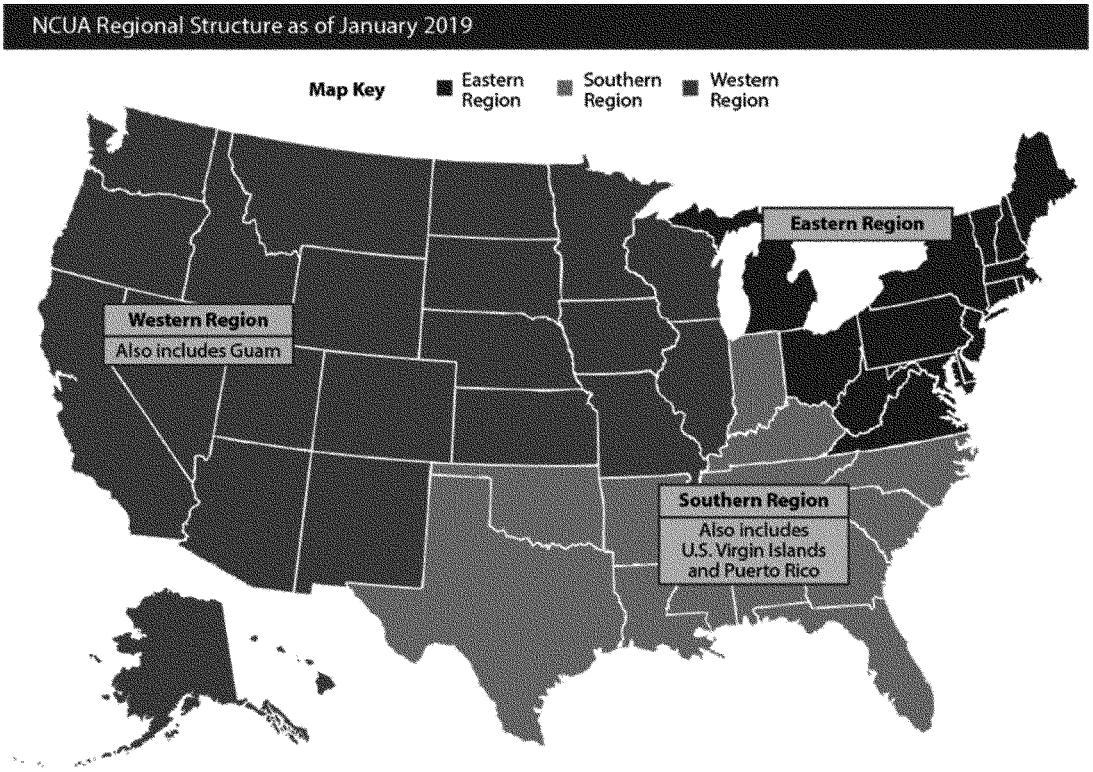
Organization, Major Agency Programs, and Workforce

The NCUA operates its headquarters in Alexandria, Virginia, to administer and oversee its major programs and support functions; its 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. 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 following organizational chart [9] reflects the agency's current structure, and the map shows each region's geographical alignment:

[9] The Board Secretary is an organizational component of the NCUA Board.


National Credit Union Administration
Organizational Chart
The Honorable Todd M. Harper Chairman
The Honorable Kyle S. Hauptman Vice Chairman
The Honorable Rodney E. Hood 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
Office of Ethics Counsel
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 carry out the agency's 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 ONES examines corporate credit unions and large consumer credit unions with assets over $10 billion. Consumer credit unions fall within ONES' purview based on assets reported on the first quarter call report for the preceding year. In April 2020, the NCUA Board provided regulatory relief to credit unions meeting certain asset thresholds, which were effective through year-end 2020. This asset threshold relief was subsequently extended through year-end 2021. The relief allows credit unions to use assets reported on their March 31, 2020, call report to determine applicability of certain regulations. As a result of this relief, no new large credit unions will enter ONES in 2022. ONES will continue to examine and supervise 11 consumer credit unions with 23.5 million members, accounting for $369.5 billion in credit union assets. The next effective measurement period, which will use actual assets reported, is the March 31, 2022, call report. ONES anticipates at least nine credit unions will meet or exceed the $10 billion threshold, and under existing regulations will fall within the supervisory purview of ONES beginning January 1, 2023. The staff draft budget proposes the resources necessary for examiners in the NCUA regions, in conjunction with ONES, to continue to supervise credit unions with reported assets between $10 billion and $15 billion in 2022. Any formal change to the $10 billion threshold for a consumer credit union to be supervised by ONES must be approved by the NCUA Board.

In 2022 and 2023, the agency's workforce will undertake tasks in all of the NCUA's major programs:

Supervision: The supervision program contributes to the safety and soundness of the credit union system, thereby protecting the interests of all credit union stakeholders. The NCUA's supervision is driven by identifying and resolving risk in seven primary areas:

- Interest rate risk,
- liquidity risk,
- credit risk, including asset concentration risk,
- reputation risk,
- transaction risk,
- compliance risk, and,
- strategic risk, including operational risks such as cybersecurity and fraud.

The NCUA supervises federally insured credit unions through examinations by enforcing regulations, taking administrative actions, and conserving or liquidating severely troubled institutions as needed to manage risk.

Insurance: The NCUA manages the Share Insurance Fund, which provides insurance up to at least $250,000 per individual depositor for funds held at federally insured credit unions. The Share Insurance Fund is capitalized by credit unions and through retained earnings. The equity ratio is the overall capitalization of the insurance fund to protect against unexpected losses from the failure of credit unions. The Normal Operating Level (NOL) is the desired equity level for the Share Insurance Fund. Pursuant to the Federal Credit Union Act, the NCUA Board sets the NOL between 1.20 percent and 1.50 percent.

Credit Union Development: Through chartering and field of membership services, training, and resource assistance, the NCUA supports development of small, minority, newly chartered, and low-income designated credit unions. One source of assistance is the Community Development Revolving Loan Fund, which provides loans and technical assistance grants to credit unions serving low-income members. This support results in improved access to financial services, an opportunity for increased member savings, and improved employment opportunities in low-income communities.

The NCUA charters new federal credit unions, as well as approves

modifications to existing federal charters and their fields of membership.

Consumer Financial Protection: The NCUA protects consumers through supervision and enforcement of federal consumer financial protection laws, regulations, and requirements. The NCUA also develops financial literacy tools and information for consumers and promotes financial education programs for credit unions to assist members in making more informed financial decisions.

NCUA's consumer financial protection mission goes hand-in-hand with the agency's safety and soundness mission. The agency strives to achieve a proper balance between the oversight needed to ensure consumers are protected and credit unions' ability to provide service to their member-owners. In addition, the NCUA's Consumer Assistance Center provides an avenue through which credit union members can report and resolve concerns they may have about the products and services they have received from their credit unions.

When it comes to working with credit unions, the NCUA's goal is to facilitate their safe and sound operation while ensuring they fully comply with applicable laws, including consumer financial protection and fair lending laws. Toward that end, the agency emphasizes a compliance approach over an enforcement approach. We strive to detect and resolve problems and violations in credit unions through supervision and examination procedures before they become insurmountable.

Asset Management: The NCUA conducts liquidations of failed credit unions and performs management and recovery of assets through the AMAC. This office manages and resolves assets acquired from liquidated credit unions. The AMAC provides specialized resources to the NCUA regional offices with reviews of large, complex loan portfolios and actual or potential bond claims. It also participates in the operational phases of conservatorships and records reconstruction. The AMAC seeks to minimize credit union failure costs to the Share Insurance Fund.

ACCESS (Advancing Communities through Credit, Education, Stability, and Support): The ACCESS Initiative is intended to foster financial inclusion and address the financial disparities experienced by minority, underserved, and unbanked populations. Through ACCESS, the NCUA provides resources to assist credit unions with their outreach strategies. Resources include educational webinars and the identification of grants and other financial resources to support the development and implementation of financial products and services to assist members experiencing financial hardship. The NCUA will also evaluate ways to refresh and modernize regulations, policies, and programs in support of greater financial inclusion within the credit union system.

Cross-Agency Collaboration: 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 through several financial councils. Significant councils include the Financial Stability Oversight Council, the FFIEC, and the Financial and Banking Information Infrastructure Committee. These councils and their many associated taskforces and working groups contribute to the success of the NCUA's mission by providing the agency with access to critical financial and market information and opportunities to share information on critical issues and threats to the nation's financial infrastructure, among other benefits.

Budget Process—Strategy to Budget

The NCUA's budget process starts with a review of the agency's strategic framework, including its goals and objectives. The strategic framework 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, goals, and objectives. These budgets are developed to ensure each office's requirements are individually justified and remain consistent with the agency's overall strategic framework.

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 budget year. The workload estimates are then refined by regional managers and further reviewed by NCUA executive leadership for the annual budget proposal. The workload analysis accounts for the efforts of over 66 percent of the NCUA workforce and is the foundation for the budgets of the regional offices and ONES.

In addition to the workload analysis, from which central office budget staff derive related personnel and travel cost estimates, each NCUA office submits 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 framework. 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.

The NCUA Board has an ongoing commitment to transparency around the agency's finances and budgeting processes. As such, the Office of the Chief Financial Officer has made draft budgets available for public comment via the agency's website and solicited public comments before presenting final budget recommendations for the Board's approval. Furthermore, Section 212 of the Economic Growth, Regulatory Relief, and Consumer Protection Act, Public Law 115–174, enacted May 24, 2018, requires 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 approval. This

draft budget will appear in the **Federal Register** for public comment.

This 2022–2023 budget justification document includes comparisons to the Board approved 2021–2022 budget and includes a summary description of the major spending items in each budget category to provide transparency and promote 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 2022 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, which is 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.[10]

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.

The NCUA is the only Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) agency that publishes a detailed draft budget in the **Federal Register** and solicits public comments on it at a meeting with its Board and other agency leadership. The NCUA's 2022–2023 budget justification conforms with federal budgetary concepts, which increases transparency of the agency's planned financial activity. The NCUA first revised its financial presentations for such consistency in its 2018–2019 budget.

The NCUA works diligently to maintain strong 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 2020, the agency provided an unmodified Statement of Assurance (signed February 16, 2021) that its management had established and maintained effective controls to achieve the objectives of the Federal Managers Financial Integrity Act (FMFIA) and 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, strengthen the overall system of internal controls, promote the importance of identifying risk, and ensure the agency has identified appropriate responses to mitigate identified risks. The agency's internal controls are designed and operated in accordance with the requirements of the Government Accountability Office's Standards for Internal Controls in the Federal Government (Green Book).

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, analyzing, and managing risks that could affect the achievement of its strategic objectives.

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. This holistic evaluation of how the agency pursues its goals and objectives is guided by the agency's appetite for risk and considers resource availability or limitations. In addition, the agency's risk appetite helps the NCUA's employees align risks with opportunities when making decisions and allocating resources to achieve the agency's strategic goals and objectives.

The NCUA first adopted its enterprise risk appetite statement in the *2018–2022 Strategic Plan.*[11] The enterprise risk appetite statement is part of the NCUA's overall management approach.

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, the risk appetite establishes boundaries for the agency and 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.

III. Forecast and Enterprise Challenges

Economic Outlook

The economic environment is a key determinant of credit union performance. Last year was one of the most challenging for the economy in U.S. history. The global pandemic and measures taken to combat the spread of COVID–19 plunged the U.S. economy into recession at the start of 2020. More than 22 million nonfarm payroll jobs were lost, and the unemployment rate increased to an 80-year high of 14.8 percent.

The federal government responded quickly, establishing loan programs for affected businesses and providing financial relief to households in the form of stimulus payments and enhanced benefit payments to unemployed workers. Federal Reserve policymakers cut short-term interest rates, increased the Federal Reserve's asset holdings, and established a number of lending programs to support the flow of credit to households, businesses, and state and local governments. Interest rates across the maturity spectrum fell to historically low levels.

Economic activity picked up considerably in mid-2020, in response to these policy measures and the relaxation of restrictions on business and consumer activity put in place by state and local governments in the early days of the pandemic. The availability of a COVID–19 vaccine also provided significant support for economic activity. By the spring of 2021 the economy had returned to its pre-recession level of output. As of September 2021, just over 17 million

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

[11] *https://www.ncua.gov/files/agenda-items/AG20180125Item3b.pdf.*

jobs had been added back to nonfarm payrolls, and the unemployment rate had declined to 4.8 percent.

Credit union performance over the past year has been influenced by the pandemic and associated recession, but credit unions in the aggregate turned in a solid performance. Federally insured credit unions added 4.9 million members over the year, boosting credit union membership to 127.2 million in the second quarter of 2021. Credit union assets rose by 13.0 percent to $1.98 trillion. Total loans outstanding at federally insured credit unions increased 5.0 percent to $1.19 trillion, and the system-wide delinquency rate declined 12 basis points to a modest 46 basis points. Credit union shares and deposits increased by 15.0 percent over the year to $1.71 trillion in the second quarter of 2021, reflecting the boost to income from federal emergency relief payments to individuals and the sharp, economy-wide increase in personal savings.

The credit union system's net worth increased by 9.9 percent over the year to $201.1 billion in the second quarter of 2021. The jump in assets led to a drop in the credit union system's composite net worth ratio. However, at a composite net worth ratio of 10.17 percent, the credit union system remains very well-capitalized. The overall liquidity position of credit unions improved. Cash and short-term investments as a percentage of assets rose from 17.6 percent in the second quarter of 2020 to 18.5 percent in the second quarter of 2021, reflecting a 19 percent increase in cash and short-term investments.

The near-term outlook for the U.S. economy and credit unions is generally favorable. A consensus of forecasters [12] projects strong growth, falling unemployment, and low interest rates over the next year. Real Gross Domestic Product (GDP) is projected to grow 3.5 percent over the four quarters of 2022 following a strong 5.5 percent increase during 2021. Robust growth will continue to spur job creation, driving the unemployment rate down to 4 percent by the fourth quarter of 2022.

Inflation climbed sharply in 2021, reflecting the combination of strong demand as the economy rebounds and COVID-related supply-chain dislocations that have curtailed production and distribution and contributed to shortages of some products. Consumer price inflation was 5.4 percent over the year ending in September 2021, up sharply from levels closer to 1.75 percent during the last period of economic expansion from mid-2009 through 2019. The consensus view is that recent high inflation readings are temporary, and price pressures will ease as supply bottlenecks are resolved. Forecasters expect price growth to retreat to around 2.25 percent by mid-2022 and hold there over the next several years. These forecasts are consistent with the Federal Reserve's stated objective for inflation to ''moderately exceed 2 percent for some time'' so that inflation over time averages 2 percent.

The most recent projections prepared by Federal Reserve policymakers, published in late September 2021, indicate inflation is expected to ease in 2022 and that the Federal Reserve is likely to hold off on raising the federal funds target rate until late next year.[13] The median policymaker forecast shows the Federal Reserve's short-term policy rate rising slightly from its current range of 0 to 0.25 percent to 0.3 percent in the fourth quarter of 2022 and reaching 1.0 percent in late 2023. Analysts expect other short-term interest rates, which largely determine credit union interest payments, will remain close to their current historically low levels through the end of 2022 and move modestly higher in 2023. Longer-term rates, which largely determine the interest payments received by credit unions, are expected to edge higher as the economy strengthens.

Improving economic conditions should benefit credit unions. Strong growth and rising employment will boost household income, spending, and loan demand. Lower unemployment will bolster credit quality. Rising longer-term interest rates imply higher loan rates, and relatively low short-term interest rates will keep deposit rates in check.

Despite the favorable near-term outlook, credit unions may still face a difficult environment in the upcoming budget year. The end of forbearance programs, moratoria on evictions and foreclosures, and other COVID-related support will lead to financial stress for many households, particularly those at the bottom of the income distribution that were hit hardest by the recession. Credit union delinquency rates could begin to rise. The low interest rate environment may also pose a challenge, especially for credit unions that rely primarily on investment income.

There are also risks on the horizon that could hinder the economic recovery, affecting credit union performance. For example, the emergence of a new COVID–19 variant could exacerbate existing economic dislocations or trigger new dislocations, delaying the economy's return to more normal performance. If economic conditions weaken, the labor market recovery could stall. Under these circumstances, interest rates could remain low for an extended period of time. Alternatively, higher-than-expected inflation for a prolonged period could spur Federal Reserve policymakers to remove monetary policy accommodation earlier and more aggressively than expected, causing short-term interest rates to rise sooner than anticipated. Tighter credit conditions typically constrain consumer and business borrowing and spending and cause economic growth to slow. If short-term interest rates rise more than long-term interest rates, the yield curve will flatten, putting downward pressure on credit union net interest margins. The NCUA, like credit unions, will need to remain flexible and prepare for a variety of economic outcomes that could affect credit union performance and agency resource requirements.

Other Risk Factors and Trends

In addition to the risks associated with movements and trends in the general economy, the NCUA and credit unions will need to address increasing exposure to the risks associated with a variety of technological and structural changes. 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. The physical effects of climate change along with efforts to address climate change and transition to a low-carbon economy pose significant risks to the U.S. economy and the U.S. financial system.

Cybersecurity: Credit unions' use of technology exposes the credit union system to emerging cyber-enabled risk and threats. The prevalence of ransomware, malware, social engineering, business email compromise attacks, and other forms of cyber intrusion create ongoing challenges at credit unions of all sizes and will require ongoing efforts for rapid detection, protection, response, and recovery. These trends are likely to continue, and even accelerate, in the foreseeable future.

[12] Based on forecasts submitted in early October 2021 and published in *Blue Chip Economic Indicators,* October 11, 2021.

[13] Federal Open Market Committee, *Summary of Economic Projections,* September 22, 2021 (*https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20210922.pdf*).

Lending trends: Increasing concentrations in select loan types and the introduction of 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 concentrations of risk.

Financial Landscape and Technology: Financial products that mimic deposit and loan accounts, such as mobile payment systems, pre-paid shopping cards, and peer-to-peer lending platforms, pose a competitive challenge to credit unions and banks alike. The increasing popularity and adoption of these products and services could lead to a reduction in financial intermediation. 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 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. Technological changes outside the financial sector may also lead to changes in consumer behavior that indirectly affect credit unions. COVID–19 is accelerating many of these trends, resulting in a profound reshaping of consumer behaviors.

Membership trends: While overall credit union membership continues to grow, more than half (55 percent) of federally insured credit unions had fewer members at the end of the second quarter of 2021 than a year earlier. Demographic changes are likely to lead to further declines in membership at some credit unions. All credit unions need to consider whether their product mix is consistent with their members' needs and demographic profile.

Fraud: There is increased opportunity for fraud due to challenges caused by the COVID–19 pandemic. These frauds could create additional risks to credit unions or the Share Insurance Fund.

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. These challenges have contributed to the steady downward trend in the number of small, federally insured credit unions in operation. As of June 30, 2021, there were 2,582 small federally insured credit unions holding less than $50 million in assets −29 percent less than five years earlier.[14] Over the same period the number of federally insured credit unions with assets of at least $500 million rose 38 percent to 680. These 680 credit unions account for 79 percent of credit union members and 83 percent of credit union assets. If current consolidation trends persist, there will be fewer credit unions in operation in future years, and those that remain will be considerably larger and more complex. Large credit unions tend to offer more complex products and services. Consolidation means the risks posed by individual institutions will become more significant to the Share Insurance Fund.

Climate-related financial risks: On October 21, 2021, the Financial Stability Oversight Council (FSOC), of which NCUA is a member agency, released its Report on Climate-Related Financial Risk.[15] The report finds that ''climate change is an emerging threat to the financial stability of the United States,'' and that the number—and cost—of extreme weather and climate-related disaster events is increasing. Each year, natural disasters like hurricanes, wildfires, droughts, and floods impose a substantial financial toll on households and businesses alike. Economic and financial disruptions, and uncertainties arising from both the physical effects of climate change and efforts to transition away from carbon-intensive energy sources and industrial processes, could affect credit unions across many dimensions. For instance, disruptions in economic activity caused by climate-related weather events (*e.g.,* flooding or wildfires) may affect household income and the ability to stay current on household financial obligations in affected areas. The property damage associated with such events could affect the value of homes and any associated mortgages. The collateral value of motor vehicles may also be affected as consumers transition away from fossil fuels towards electric and hybrid automobiles. Finally, a credit union's field of membership is often tied to a specific industry, like oil refining or agriculture. The movement to renewable energy and changing weather patterns will likely impact many of these industries in the years ahead.

Credit unions will need to consider climate-related financial risks and how they could affect their membership and institutional performance. Measuring, monitoring, and mitigating climate-related financial risks presents a number of complex conceptual and practical challenges not only for credit unions but also for the NCUA. The NCUA Board will determine the appropriateness of adapting its risk monitoring framework to account for climate-related threats to financial stability, the credit union system, and the Share Insurance Fund. In 2021, the NCUA convened an internal Climate Financial Risk Working Group composed of experts from across the agency to develop in-house expertise on climate-related financial risks and evaluate whether existing regulatory tools, policies, and examination procedures are sufficient for capturing and addressing these risks.

IV. Key Themes of the 2022–2023 Budget

Overview

The staff draft 2022–2023 budget supports the agency's priorities and goals. The resources and initiatives proposed in the budget support the NCUA's mission to maintain a safe and sound credit union system.

The draft budget includes funding for the NCUA to increase permanent staffing in critical areas necessary to operate as an effective federal financial regulator capable of addressing emerging issues and responding to changes in economic conditions that may impact the credit union system. 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. The agency will continue investing in its workforce through training and development, ensuring employees have the skills they need to do their work effectively.

The draft 2022–2023 budget proposes investments across a range of agency priorities, including:

- Additional examiner staff in the NCUA's three regions, which will enable the NCUA to address the growing complexity within the credit union system and increase annual examinations for certain credit unions;
- New program and staff resources to provide greater assistance to small credit unions;
- Additional staff dedicated to fair lending;
- Resources for the NCUA's ACCESS initiative, which is focused on improving financial inclusion;
- Expanded and ongoing efforts to ensure robust cybersecurity in the credit union system and at the agency;

[14] Note: The decrease in the number of small credit unions includes those for which asset growth resulted in exceeding the small credit union threshold at the end of the reported period.

[15] *https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf.*

• Increased offsite examination work and use of data analytics through the Virtual Examination project; and,

• Critical investments in new information technology systems and infrastructure, including enhancements to the agency's data reporting services and MERIT.

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

The COVID–19 pandemic also remains a consideration for the agency's priorities and budgets for 2022 and 2023. The effects of the pandemic impact the draft budget by reducing planned travel expenses due to the shift to more remote and offsite examination and other work and by increasing information technology expenses required to support this offsite and remote work.

Examination Outlook and Virtual Examinations

Plans for the NCUA's 2022 examination program priorities are in place to incorporate updates related to regulatory considerations and revisions to some of the exam program components. The priorities for the 2022 examination program will include information security, payment systems, credit risk, the Allowance for Loan and Lease Losses account, Bank Secrecy Act (BSA) and Anti-Money Laundering (AML), internal controls, and consumer protections. The draft budget includes resources to increase the NCUA's cadre of highly-trained specialist examiners and to expand requirements for annual examinations for certain credit unions that had previously been on an extended examination cycle.

Cyberattacks pose significant risks to the financial system. Because of continued attacks on the nation's financial sector and the broader national critical infrastructure, the NCUA places credit union cybersecurity as a top supervisory priority and enterprise risk objective.

To meet these challenges, the NCUA engages in interagency cybersecurity preparedness as members of the Federal Financial Institutions Examination Council and the Financial and Banking Information Infrastructure Committee. The NCUA monitors cyber threats identified by federal and non-federal sources and shares relevant information about them with the credit union industry and financial sector partners.

In 2021 the NCUA piloted a new information security examination program. The NCUA established a working group of regional and headquarters staff to review and incorporate changes into the program to be scalable to the institution's complexity and size. The NCUA plans to provide examiner training and testing of the program for the first six months of 2022 and deploy the improved program no later than the end of the third quarter 2022.

In November 2017, the NCUA Board approved funding to explore methods to conduct more examination work offsite—referred to as the Virtual Examination project. Staff is identifying new and emerging data sources and methods to access the data, exploring advancements in analytical techniques, and considering how other technologies can be harnessed to automate or streamline various aspects of the examination process. Since March 2020, the NCUA staff has conducted the majority of its examination work while fully offsite, with only a few exceptions for the most problematic and challenging cases. The Virtual Examination project team plans to build upon this work by integrating lessons learned during the pandemic.

Effective virtual examinations will lead to greater use of standardized interaction protocols, advanced analytical capabilities, and better-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. A full transformation involves iterative and incremental steps over several years.

Support for Small Credit Unions

Small credit unions with less than $100 million in assets are in a unique position to improve financial inclusion by offering their communities access to credit and other services. The draft budget proposes new staff and resources for the NCUA to improve the support provided to small credit unions. Such support includes efforts to better tailor regulations and supervision to the needs of small credit unions, staff training about the unique needs of small credit unions and their role serving underserved communities, expanding opportunities for small credit unions to receive support through NCUA grants, training, and other initiatives, and fostering partnerships with external organizations that can support small credit unions.

Fair Lending

The NCUA uses onsite examinations, supervision contacts, and data analysis to ensure credit unions comply with fair lending laws and regulations. The draft budget proposes staff resources to enhance the NCUA's fair lending programs and increase fair lending examinations by 50 percent and fair lending supervision contacts by 25 percent. Consumer financial protection and fair and equitable access to credit is vital to members of credit unions. These additional resources will enable the NCUA to strengthen its consumer financial protection program.

ACCESS and Financial Inclusion

At its heart, financial inclusion means expanding access to safe and affordable financial services for unbanked and underserved people and communities. The financial services industry—of which credit unions are an important part—plays a key role in helping families achieve financial freedom by building generational wealth, helping entrepreneurs to get their small businesses off the ground, and helping to create jobs and strengthen communities. The NCUA has a role to play in making sure that credit unions can support overlooked or underserved areas.

The NCUA's ACCESS initiative—Advancing Communities through Credit, Education, Stability, and Support—began by reviewing NCUA regulations, processes, and procedures to expand opportunities for greater access to savings, credit, and other financial services provided by credit unions.[16] The five initial ACCESS focus areas are:

• Chartering new credit unions;

• Field of membership;

• Low-income designation;

• Minority depository institution (MDI) preservation; and

• Consumer engagement and outreach.

For 2022, the NCUA's ACCESS initiative will build on the work done in 2021 and begin to actively engage credit union industry leaders and stakeholders to identify additional ways to help new, small, low-income designated and MDI credit unions to grow and prosper. The ACCESS initiative will also be focused on ways credit unions can help close the wealth gap, better address the financial needs of communities of color,

[16] *https://www.ncua.gov/access.*

and better appeal to the unserved and underserved.

NCUA Cybersecurity

The NCUA's approach to agency cybersecurity is founded on the National Institute of Standards and Technology's (NIST) Cybersecurity Framework (CSF), which guides and constrains how network boundaries, mobile and fixed end points (*e.g.,* an iPhone or computer), and data are provisioned, managed and protected. The CSF requirements are reinforced by *Executive Order 14208: Improving the Nation's Cybersecurity.* The draft budget bolsters the NCUA's to-date cybersecurity efforts and enables the agency to align its efforts with the requirements of the Executive Order. To effectively manage cybersecurity risk to systems, assets, data, and mission capabilities, and to prioritize efforts consistent with the NCUA's risk management strategy and business needs, the budget invests in resources and technologies to enhance several of the NCUA's CSF functional areas.

The draft budget will strengthen the NCUA's ''Identify'' functional area by making investments in asset management, governance, and risk assessment. The draft budget will strengthen the NCUA's ''Protect'' functional area by making investments in enterprise protection capabilities, automated patch management, and enterprise comply-to-connect capabilities, and by incorporating cloud-native capabilities into defensive network operations. These investments will help the NCUA further develop and implement appropriate safeguards for critical information technology infrastructure services and strengthen NCUA capabilities to limit or contain the impact of potential cybersecurity events. The draft budget will strengthen the NCUA's ''Detect'' functional area by making investments in cybersecurity situational awareness through ''big data'' analytics. Investments in both human and technology resources will help the NCUA enhance existing processes and ability to identify cybersecurity events.

Regulatory Improvements

The NCUA has undertaken a series of regulatory improvements in recent years and will continue to update and improve regulations to maintain a modern and effective regulatory framework. The NCUA website includes additional detailed information about all proposed and final rules for the past several years at: *https://www.ncua.gov/regulation-supervision/rules-regulations/proposed-pending-recently-final-regulations/.*

The NCUA's Annual Report includes the results of the regulatory reviews the agency completes on a yearly basis. The NCUA's current performance target for regulatory review is to review one-third of the agency's regulations on an annual basis.

V. Operating Budget

Overview

The NCUA Operating Budget is the annual plan for resources required for the agency 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 2022 reflect the resource requirements that support the NCUA's continued efforts to improve the examination process and enhance the efficiency and effectiveness of the supervisory process. The 2022–2023 budget includes funding for the NCUA to increase permanent staffing in critical areas necessary to operate as an effective federal financial regulator capable of addressing emerging issues.

The 2022 budget supports a total agency staffing level of 1,247 full-time equivalents.[17] This is an increase of 48 FTEs compared to the agency's revised 2021 staffing level of 1,199. The 2021 budget, approved by the NCUA Board on December 18, 2020, funded a staffing level of 1,192 FTEs. On September 23, 2021, the NCUA Board approved seven additional FTEs. The additional Board-approved FTEs for 2021 included: Three positions for the Office of Ethics Counsel (Ethics Attorney, Ethics Specialist, and Staff Assistant), two positions for the Chief Information Officer (Cybersecurity Operations and Service Delivery Manager), one new Cybersecurity Advisory and Coordinator position in the Office of the Executive Director, and one new Special Assistant position in the Office of the Board Secretary.

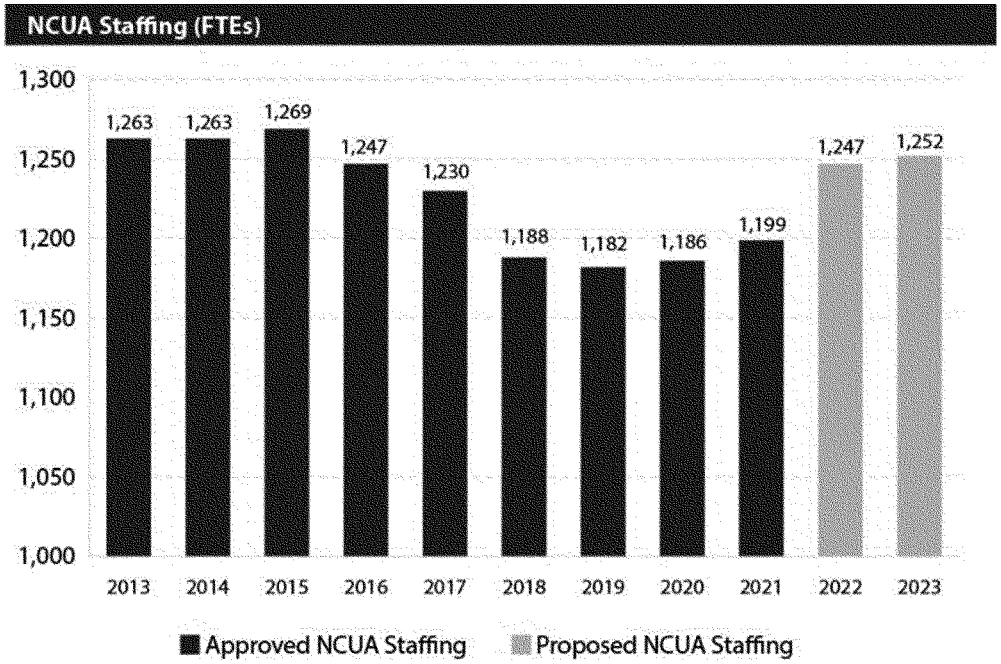
The proposed changes for the 2022 staffing level include:

- Increasing by 29 FTEs the NCUA's regional staff of examiners and supervisory examiners to support more frequent examinations for certain federal credit unions;
- Increasing by three FTEs the NCUA's regional staff to expand the agency's cadre of specialist examiners;
- Increasing by five FTEs the Office of Consumer and Financial Protection to increase the number of fair lending examinations and reviews and to strengthen the agency's efforts to promote financial inclusion and outreach;
- Increasing by two FTEs the Office of Credit Union Resources and Expansion to initiate a new program that supports small credit unions;
- Adding seven new FTEs in various other NCUA headquarters offices;
- Making permanent eight FTEs that are currently filled within the total NCUA staffing plan;
- Reducing by five FTEs the Office of the Chief Financial Officer and the Office of Examination and Insurance (E&I) by concluding the NGN program; and
- Reducing by one FTE the Office of E&I by reorganizing responsibilities within the office.

The new 2022 FTEs are described in greater detail below, while the chart illustrates the NCUA's staffing levels in recent years.[18]

[17] 1,242 FTEs are funded by the Operating Budget and five FTEs are funded by the Central Liquidity Facility.

[18] Full-time equivalent employment is the total number of regular straight-time hours (*i.e.,* not including comp time or holiday hours) worked by employees, divided by the number of compensable hours applicable to the fiscal year, as defined by OMB Circular No. A–11. The NCUA uses the number of full-time equivalent employees projected in the budget to build its estimated pay and benefits calculations. The actual number of persons employed will vary at any point in time, based on vacancies, use of part-time employees, etc.



Note: total NCUA staffing includes five FTEs funded by the Central Liquidity Facility in 2022.

Request for New Staff in 2022: +46 FTEs

The staff draft budget includes funding for 46 new FTEs in 2022, as detailed below:

Regional Credit Union Examiners +29 FTEs

The COVID–19 pandemic has resulted in challenging economic conditions that may take years to resolve fully. While federal policy and spending have managed to blunt the most severe economic effects of the pandemic, future economic conditions may change rapidly, particularly in communities of modest means that are served by credit unions. Therefore, it is prudent to expand the criteria for credit unions that meet the requirements for an annual examination to include (1) credit unions with assets between $500 million and $1 billion that have otherwise previously qualified for an extended examination cycle based on the current Exam Flexibility Initiative criteria, and (2) credit unions with assets more than $250 million and evaluated as facing a higher risk of business or economic challenges. This expansion of the annual examination requirement necessitates an increase in the examination workforce by 29 FTEs.

Regional Specialist Examiners +3 FTEs

The NCUA last evaluated its needs for specialist examiners in 2018. Since that time the number of credit unions with more than $100 million in assets has grown and the complexity of and risks to financial services' information and payments systems has also increased. In response to these dynamics within the credit union system, the NCUA conducted an analysis of its needs for specialist examiners. Three disciplines in particular are in need of additional specialists: Regional electronic payments specialists (REPSs), regional information systems officers (RISOs), and regional lending specialists (RLSs). The NCUA expects to establish 11 new REPSs, 8 new RISOs, and 4 new RLSs in its three regions. Specialist Examiners contribute to conducting examination and supervision work, but at a lower level than examiners. Therefore, the repurposing of existing authorized positions necessitates a net increase of three examiner FTEs to account for the reduction in productive time.

Small Credit Union Program Officers +2 FTEs

The NCUA, as administrator of the Federal Credit Union Act, assists credit unions with their mission and purpose of promoting thrift among their members and creating a source of credit for provident or productive purposes. Small credit unions with less than $100 million in assets are in a unique position to improve financial inclusion by offering credit and other services to their communities. These two new positions in CURE will be responsible for identifying and developing additional programs to address the needs of small credit unions. Such support could include efforts to recognize the differences between small and large credit unions in regulations, policies, and guidance; developing training for examination staff about the unique needs of small credit unions and their role serving underserved communities; promoting opportunities for small credit unions to receive support through NCUA grants, training, and other initiatives; and developing partnerships with external organizations that can support small credit unions.

Fair Lending Analysts +3 FTEs

Three new positions within OCFP will enhance the NCUA's fair lending function by increasing fair lending examinations by 50 percent (from 30 to 45 annually) and fair lending supervision contacts by 25 percent (from 40 to 50 annually). The additional staff will focus on serving as Examiner-In-Charge for and performing fair lending examinations and supervision

contacts, and recommending corrective action when required. These analysts will also serve as technical advisors and function as a regional resource for fair lending and other consumer financial protection laws and regulations affecting credit unions. Additionally, the analysts will participate on FFIEC subcommittees as well as other interagency and internal working groups.

Fair Lending Supervisor +1 FTE

The expansion of NCUA's fair lending work will require a full-time supervisor to oversee the added examination workload and ensure a more equitably balanced supervisor-to-staff ratio within OCFP. Adding an additional supervisor to oversee workload focused primarily on conducting examinations will also help foster a more independent quality control process. The new supervisor will provide leadership and direction to staff responsible for developing, monitoring, evaluating, and maintaining NCUA's fair lending program.

Financial Inclusion and Outreach Analyst +1 FTE

This new position within OCFP will be responsible for developing, coordinating, and implementing the NCUA's strategic stakeholder relationships related to community affairs, economic inclusion, and financial education and literacy activities. The new analyst's portfolio will include consumer financial inclusion/literacy issues that will require stakeholder engagement and coordination (*e.g.,* Elder Financial Abuse, Cybersecurity, FinTech and Financial Literacy, Financial Counseling/Education, Young Savings and Financial Education Programs, Underserved Outreach/Economic Inclusion). This analyst will work with NCUA's other financial literacy staff to bring together the appropriate parties, resources, and information in order to advance NCUA's financial literacy and consumer financial protection policy priorities. Such efforts will include hosting annual consumer financial protection forums, hosting regional consumer financial protection summits, holding meetings with external groups and regional and central office stakeholders, creating memorandums of understanding (MOUs) or formal collaborations, hosting webinars or training workshops, and creating industry or supervisory guidance to support the financial education and inclusion needs of credit unions, their member-owners, and the communities served.

Associate Director, Office of Examination and Insurance +1 FTE

This new position within E&I will provide executive leadership and oversight for development of the agency's examination and supervision programs. Additionally, this position will oversee policy and rulemaking functions that help ensure the safety and soundness of the credit union system and help manage expanded workload while ensuring timely delivery of agency initiatives.

System Specialist, Office of Examination and Insurance +1 FTE

This new position within E&I will manage the continuing operations and maintenance of the new MERIT system as well as other software updates planned for ongoing maintenance in 2022. Systems-related workload has generally grown within the E&I Systems Division because of tasks required to comply with increasing levels of security and administrative requirements.

Bank Secrecy Officer, Office of Examination and Insurance +1 FTE

This new position within E&I will support the growing requirements related to Bank Secrecy Act (BSA) policy, guidance, and interagency and law enforcement engagement. BSA has received increased focus and reform and efficiency improvements, and interagency initiatives have increased materially over the last two years. The workload is expected to increase as fintech, digital currency, distributed payments, and the broad range of new requirements associated with the Anti-Money Laundering Act and the Corporate Transparency Act of 2020 are developed and implemented. The NCUA, like the other financial service agencies, has an active role to play in virtually all of the new requirements, including staffing and supporting two new subcommittees of the BSA Advisory Group focusing on privacy, security, and innovation.

Division Director, Human Capital Systems and Planning +1 FTE

This new position within the Office of Human Resources will manage human capital, strategic workforce and succession planning, data analytics, workforce management prioritization, human capital systems administration, reporting, and compensation analysis. This role is essential for the day-to-day management of the Division's functions and the continuing human capital data analysis and planning needed to recruit, hire, and retain a high-performing workforce.

Senior Website Administrator, Office of External Affairs and Communications +1 FTE

This new position within the Office of External Affairs and Communications (OEAC) will supplement the existing website Administrator. Currently, the agency has one federal employee overseeing and managing the NCUA website and Section 508 compliance requirements, supported by contract staff. Demand for website support and Section 508 compliance continues to increase; new compliance requests are 25 percent higher in 2021 than 2019. The growing workload also includes compliance testing as part of the development of new systems under the Enterprise Solution Modernization program and as part of the new emphasis for NCUA online/virtual training.

Speechwriter, Office of External Affairs and Communications +1 FTE

This new position within OEAC will manage the increasing demand for external communications. The new speechwriter position would work side-by-side with OEAC's current Writer/Editor. Prior to 2019, the number of speaking events was limited to a few dozen per year. However, starting in 2019, the tempo of Board and Chairman remarks increased—setting a new standard for communications.

Asset Management and Assistance Center (AMAC) President +1 FTE

The NCUA requires a dedicated AMAC President position to provide leadership and serve as the key advisor to the NCUA Board on AMAC matters, including liquidation payouts, managing assets acquired from liquidations, and managing recoveries for the National Credit Union Share Insurance Fund (NCUSIF). This position is necessary to separate oversight of AMAC's activities from those of the Southern Region and provide dedicated leadership over AMAC operations. This role will also oversee AMAC's responsibility for providing assistance and advice pertaining to conservatorships, real estate and consumer loans, appraisals, bond claim analysis, and reconstructing accounting records.

Additional Adjustments to Authorized Staffing: +2 FTEs (NET)

In addition to the new positions proposed for 2022, the budget also includes resources to make permanent the following adjustments to the agency's staffing and within the overall 2021 Board-authorized staffing levels:

• *Office of National Examinations and Supervision:* Five FTEs to support the supervision of large consumer credit unions: One national supervision technician, one national lending specialist, one national supervision analyst, one financial data analyst, and one national information systems officer.

• *Office of Business Innovation:* One special assistant to support the growing systems requirements, analytics development expansion, and implementation and execution of a business intelligence capability plan.

• *Office of General Counsel:* One labor relations attorney to manage growing workload requirements.

• *Office of the Executive Director:* One ACCESS coordinator position will serve as a Program Officer and technical authority for NCUA's Advancing Communities through Credit, Education, Stability and Support programs. This position will be responsible for development and implementation of policies, strategies, and programs to support the goals and objectives of ACCESS, and will serve as a point of contact between the public and NCUA Regions and Offices to address questions or resolve issues regarding financial equity and inclusion.

• *NCUA Guaranteed Notes Program:* Reduction of five positions that supported the NGN program, which will be concluded in 2022.

• *Office of Examinations and Insurance:* Reduction of one supervisory position by reorganizing responsibilities within the office.

Like any government agency, the NCUA manages its changing workload within its overall authorized budgetary and staff resource levels. The NCUA Board has delegated to the Executive Director the authority to adjust staffing within total allocated resources to best respond to changing agency priorities and trends within the credit union system. The Executive Director must maintain total NCUA staffing at or below the resource levels approved within the budget, and promptly inform the Board of any significant changes to the agency's staffing allocations within the approved resource totals.

Special Surge Workforce

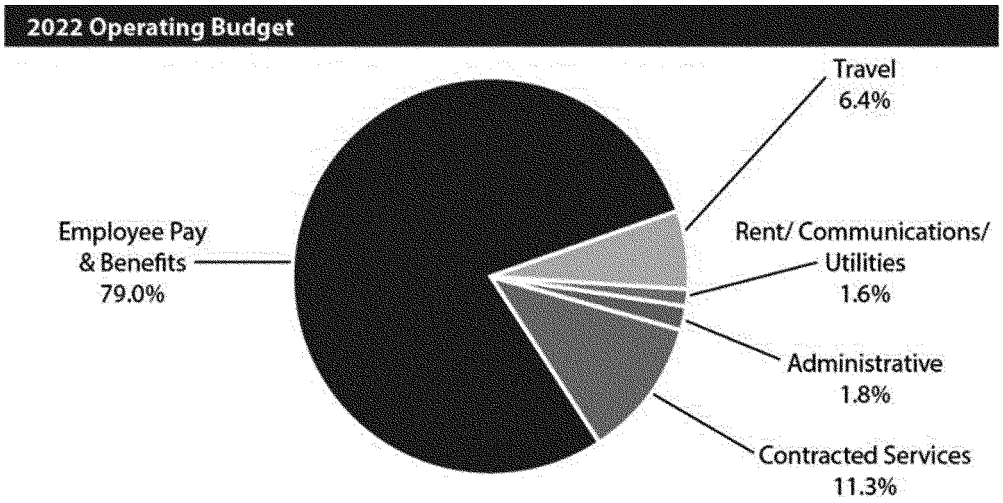
In 2021, the NCUA Board provided temporary COVID–19 hiring authority to respond to uncertainties in the credit union system. This authority continues through 2022 and provides the NCUA the ability to hire and retain for a term appointment, without a reduction to their federal annuity, up to 30 individuals who have retired from federal service into a position classified in the Credit Union Examiner 0580 occupational series. This authority allows the NCUA to add staff who are already trained and have experience examining depository financial institutions so as to be better prepared to respond to any elevated levels of problem institutions that occur in 2022. These positions are two-year, not-to-exceed appointments, meaning that any employees hired under this program can serve a maximum of two years, and the appointments can be ended prior to the end of the two-year term if they are no longer needed. These positions are funded in 2022 by using unspent 2020 Operating Budget funds not otherwise made available to offset the costs of 2022 agency operations, which is anticipated to be sufficient to fund the positions in 2022.

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 overview of the Operating Budget.

2022–2023 NCUA OPERATING BUDGET SUMMARY

Budget Cost Category	2021 Board Approved Budget	2022 Requested Budget	2021–2022 Change	Change Percent	2023 Requested Budget	2022–2023 Change	Change Percent
Employee compensation	240,811,000	257,530,000	16,719,000	6.9%	273,645,000	16,115,000	6.3%
Salaries	167,718,000	178,293,000	10,575,000	6.3%	191,023,000	12,730,000	7.1%
Benefits	73,093,000	79,237,000	6,144,000	8.4%	82,622,000	3,385,000	4.3%
Travel	12,257,000	20,806,000	8,549,000	69.7%	24,446,000	3,640,000	17.5%
Rent/Comm/Utilities	7,198,000	5,166,000	(2,032,000)	-28.2%	5,366,000	200,000	3.9%
Administrative	6,026,000	5,785,000	(241,000)	-4.0%	6,011,000	226,000	3.9%
Contracted Services	48,268,000	36,717,000	(11,551,000)	-23.9%	59,854,000	23,137,000	63.0%
Total	**$ 314,560,000**	**$ 326,004,000**	**11,444,000**	**3.6%**	**$ 369,322,000**	**43,318,000**	**13.3%**



Actual expenses for the Operating Fund are reported monthly in the Operating Fund Financial Highlights posted on the NCUA website. Share Insurance Fund Financial Reports and Statements, which are also posted to the NCUA website, detail reimbursements made to the Operating Fund for NCUA expenses.

Salaries and Benefits

The budget includes $257.5 million for employee salaries and benefits in 2022. This change is a $16.7 million, or 6.9 percent, increase from the 2021 Board-approved budget. Salaries and benefits costs make up 79 percent of the annual NCUA budget. There are two primary drivers of increased costs in 2022 for the Salaries and Benefits category:

Merit and locality pay increases for the NCUA's employees are paid in accordance with the agency's current Collective Bargaining Agreement (CBA) and its merit-based pay system. Salaries are estimated to increase 3.6 percent in aggregate compared to 2021.

Contributions for employee retirement to the Federal Employee Retirement System, which are set by the Office of Personnel Management and cannot be negotiated or changed by the NCUA. Driven largely by the mandatory FERS rate adjustment, total NCUA benefits costs increase 8.4 percent in 2022 compared to 2021.

In 2022, the NCUA's compensation levels will continue to ''maintain comparability with other federal bank regulatory agencies,'' as required by the Federal Credit Union Act.[19] The Salaries and Benefits category of the budget includes all employee pay raises for 2022, 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 first-year cost of the 48 new positions added in 2022 is estimated to be $4.0 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 based on 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 differences between localities.

The Office of Personnel Management's economic assumptions for actuarial valuation of the FERS have increased significantly for 2022. All federal agencies are expected to contribute 18.4 percent of FERS employees' salaries to the OPM retirement system, an increase of 110 basis points compared to the 2021 level of 17.3 percent. This mandatary contribution is prescribed in the OPM Benefits Administration Letter, dated May 2021. The estimated impact on the NCUA budget is an increase of approximately $3.4 million in mandatory payments to OPM, or approximately 21 percent of the salary and benefits growth compared to 2021 levels.

The average health insurance costs for the Federal Employees Health Benefits (FEHBP) program for 2022 are consistent with historical actual expenses and the OPM estimate that the government share of FEHBP premiums will increase 1.9 percent in 2022. 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.

In past years, the NCUA adjusted its budget downward by an expected vacancy rate for positions that are not filled during the year because of a time lag between employee separations and hiring new staff. Since 2018, the NCUA has lowered its vacancy rate and continues to closely monitor the hiring and attrition trends within its

[19] 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 federal bank regulatory agencies.'' *See* 12 U.S.C. 1766(j)(2).

workforce. In anticipation of the need for a full complement of staff in 2022, and because of ongoing efforts to accelerate the agency's hiring cycle time, the proposed 2022 budget does not include a vacancy adjustment.

The 2023 budget request for salaries and benefits is estimated at $273.6 million, a $16.1 million increase from the 2022 level. Included within this total is the full-year cost impact of new positions proposed for 2022 (approximately $4.0 million), $564,000 for eight additional positions expected for 2023, merit and locality pay increases consistent with the CBA and promotions (approximately $8.2 million), and associated increases in benefits for all employees (approximately $3.4 million). The 2023 budget also includes an inflationary adjustment given the potential for a new labor contract with the NCUA employees' union that is currently under negotiation.

Travel

The 2022 budget includes $20.8 million for travel. This change is a 69.7 percent increase to the 2021 Board-approved budget.

There are three primary reasons for the significant travel budget increase compared to the 2021 levels. First, the 2021 travel budget of $12.3 million was unusually low compared to historic levels because of pandemic-related travel restrictions. Therefore, comparisons between 2021 and 2022 travel levels are not representative of typical annual travel adjustments. Second, the NCUA expects that although pandemic-related travel reductions will likely continue through the first quarter of 2022, travel will approach pre-pandemic levels for the remainder of the upcoming year. And third, the NCUA plans an expanded schedule of internal and external meeting events in 2022. A leadership and training conference is planned for senior leaders and managers to support professional development and employee engagement. The NCUA also expects to host three outreach roundtables to support stakeholder discussions on credit union industry issues.

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. During the COVID–19 pandemic, the agency and its employees successfully transitioned to an offsite examination posture, developing new procedures and processes to continue examination and supervisory work. In 2022, the NCUA will continue evaluating how it can conduct portions of its examinations remotely and offsite, which should help constrain the growth of future travel budgets.

The NCUA staff also travel for routine and specialized training. In 2021, the NCUA had planned to conduct a series of training events to support the nationwide rollout of MERIT; however, these training events were changed to virtual events in 2021 due to pandemic-related restrictions. In 2022, the NCUA expects the majority of its staff to return to in-person training starting in the second quarter of the year. As appropriate, agency personnel will continue to utilize more virtual training options to help reduce travel expenses.

The 2023 budget request for travel is estimated to be $24.4 million, or a 17.5 percent increase compared to the 2022 level. This increase reflects the return to a full-year of travel spending without pandemic-related restrictions and supports travel for a national training conference for all employees.

Rent, Communications, and Utilities

The 2022 budget includes $5.2 million for rent, communications, and utilities. This is a $2.0 million decrease, or 28.2 percent less than the 2021 Board-approved budget. The Rent, Communications, and Utilities budget funds the agency's telecommunications and information technology network expenses and facility rental costs.

Telecommunication charges include leased data lines, domestic and international voice (including mobile), and other network charges. Telecommunication costs also 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 2022 budget includes funding to support procurement of additional circuits and express routers for Microsoft365 implementation, the agency's data connectivity at NCUA disaster recovery sites, and transition to the GSA-managed Enterprise Infrastructure Solutions. EIS is the federal government's contract for enterprise telecommunications and networking solutions. By transitioning to EIS, the NCUA will benefit from the comprehensive solution EIS provides to address all aspects of federal agency IT, telecommunications, and infrastructure requirements. This new acquisition strategy with a new vendor reduced the agency's annual telecommunications by approximately $2.2 million, accounting for most of the Rent, Communications, and Utilities budget decrease compared to 2021. Other cost reductions were attributed to a new award for Federal Relay Services, saving $170,000.

Office building leases, meeting space rentals, office utilities, and postage expenses are also included in this budget category. Facility costs are approximately $720,000 in 2022 for office space rental for the Western Region, insurance, and ancillary costs for the NCUA Central Office. The annual utility costs for the Central Office and regional offices are estimated at $453,000.

The 2022 budget also includes $686,000 for event rental costs for examiner meetings, a leadership conference, three roundtable events, and credit union examiner training events.

The 2023 budget request for the Rent, Communications, and Utilities category is estimated to be $5.4 million, or a 4.0 percent increase compared to 2022. The $200,000 increase is primarily associated with audio-visual and telecommunication expenses for the planned NCUA national training conference.

Administrative Expenses

The 2022 budget includes $5.8 million for administrative expenses. This is a decrease of $241,000, or 4.0 percent, compared to the 2021 Board-approved budget. Recurring costs in the Administrative Expenses category include the annual reimbursement to the Federal Financial Institutions Examination Council, employee relocation expenses, recruitment and advertising expenses, shipping, printing, subscriptions, examiner training and meeting supplies, office furniture, and employee supplies and materials.

As part of the FFIEC, the NCUA shares in costs for joint actions and services that affect the financial services industry. The FFIEC costs are estimated to be $82,000 lower in 2022 than 2021 for a total NCUA cost sharing payment of $1.3 million.

The ongoing use of telework in 2022 is expect to lower supplies, materials, and subscription costs for an estimated savings of $294,000 compared with the 2021 budget.

The 2022 budget includes $1.0 million for employee relocations, an increase of $250,000 compared to the 2021 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.

The 2023 budget request for Administrative Services is estimated to be $6.0 million, or a 3.9 percent increase to support administrative expenses for the planned NCUA national training conference.

Contracted Services

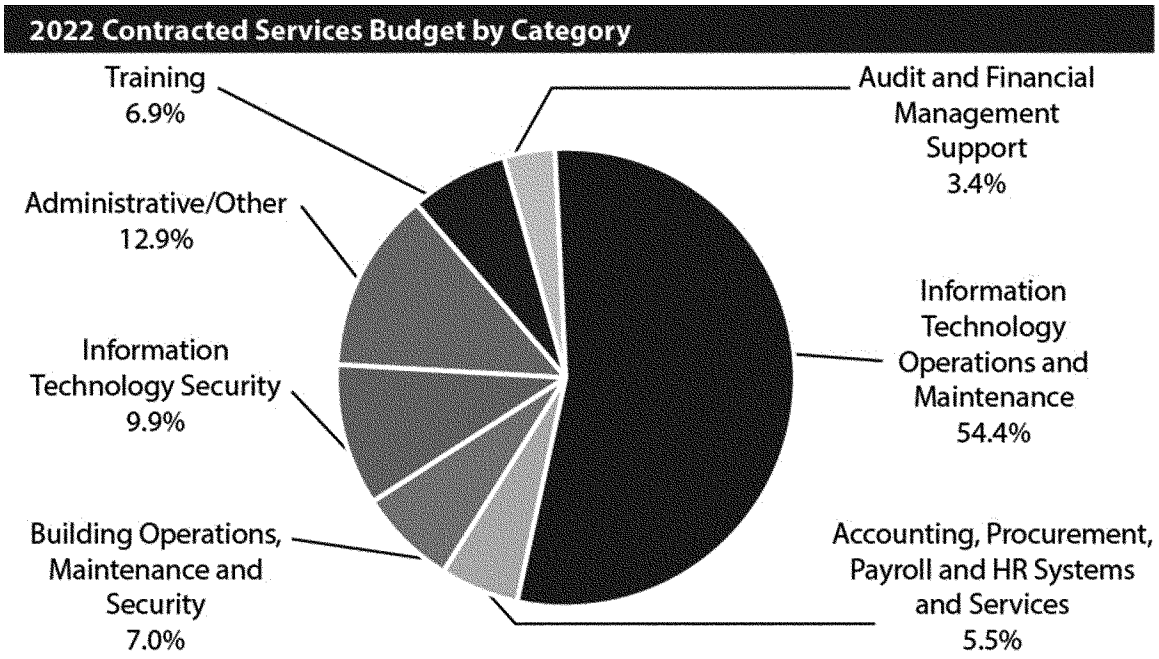
The 2022 budget includes $36.7 million for contracted services. This is a $11.6 million decrease, or 23.9 percent, compared to the 2021 Board-approved budget. However, $23.0 million of unspent budget amounts from prior years will be used to pay for 2022 contracted services expenses. Therefore, the total planned budget for contracted services in 2022 is approximately $59.7 million.

The Contracted Services budget category includes the agency's 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 supports the NCUA's robust supervision framework and includes funding for tools used to identify and resolve 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 capital investments, such as the Examination and Supervision Solution system, which is commonly known as MERIT. Other costs include core agency business operation systems such as accounting and payroll processing, and various recurring costs, as described in the following seven major categories:

- Information Technology Operations and Maintenance (54.4 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 (12.9 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 (5.5 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 (7.0 percent of contracted services)
  - Central office facility operations and maintenance
  - Building security and continuity programs
  - Personnel security and administrative programs
- Information Technology Security (9.9 percent of contracted services)
  - Enhanced secure data storage and operations
  - Information security programs
  - Security system assessment services
- Training (6.9 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 (3.4 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 2022 Contracted Services budget of $59.7 million, with $36.7 million funded from 2022, and $23.0 million funded from prior year available balances.



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, examiners complete a wide range of training classes to ensure their skills and industry knowledge are kept up to date, including in core areas such as capital markets, consumer compliance, and specialized lending. Major training deliverables for 2022 include classes offered by the Federal Financial Institutions Examination Council, updated examiner classes, and subject matter expert training sessions for the NCUA examiners. All examiner courses will be updated to reflect changes from the AIRES to MERIT systems.

Contracted service providers, in partnership with the NCUA subject matter experts, will develop and design training classes for examiners and continue work on the triennial review of the NCUA's Subject Matter Examiner (SME) course curriculum. The NCUA's new Talent Management System will continue to be updated to refine the current online courses. Additionally, contracted service providers and central office staff will continue conducting organizational development, leadership, and teambuilding training.

• *Information security program.* This NCUA program supports ongoing efforts to strengthen the agency's cybersecurity and ensure its 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 ongoing information technology infrastructure support for the agency. The 2022 budget includes the second year of funding for operations and maintenance of the MERIT system, which replaced the legacy AIRES examination system in 2021. Several other of the NCUA's core information technology systems and processes also require additional contract support in 2022, which results in increased budgets in the Contracted Services category, as described below.

Within the budget for the Office of Chief Information Officer (OCIO), an additional $10.9 million compared to the 2021 budget level is required for:

• Information technology infrastructure operations and maintenance labor support for MERIT and other NCUA legacy systems;

• Application tools that support the new MERIT system and other mission critical and business applications; and

• Enhanced cybersecurity operations to support the implementation of the Executive Order on *Improving the Nation's Cybersecurity.*

Within the Office of Human Resources, contracted services increase by $335,000 compared to the 2021 budget level, primarily for program support for human resource capital and workforce programs, projects, training support, and management systems.

Within the Office of Credit Union Resources and Expansion, contracted services increase by $450,000 compared to the 2021 budget level. Of this amount, $350,000 will support a new initiative to support small credit unions, while $100,000 will be used to support the NCUA's grants program and other activities that cultivate small, minority-designated, and low-income-designated credit unions.

The Office of Minority Women and Inclusion's (OMWI) contract budget increases by $223,000 compared to the 2021 budget level. This increase will help OMWI achieve the goals established in the agency's Diversity and Inclusion Strategic Plan to promote diversity and inclusion within the agency and the credit union industry

and ensure equal opportunity in accordance with the mandates of Section 342 of the Dodd-Frank Act. OMWI expects to host an in-person *Diversity Equity and Inclusion Summit* in 2022 to bring together credit union professionals to: Promote the value of diversity, equity, and inclusion for credit unions; share best diversity, equity, and inclusion practices; and develop solutions to industry-specific challenges in this arena. Additionally, OMWI expects to automate a critical internal business process to ensure the agency can respond efficiently to federally mandated Equal Employment Opportunity Commission management directives.

Within the Office of the Chief Financial Officer, 2022 contracted service reductions of $369,000 compared to the 2021 budget level are associated with decreased operational costs for administrative and logistical support (*e.g.,* mail, distribution, copying) and reductions of one-time 2021 contract items. In addition, parking expenses for Central Office staff are reduced in anticipation of an increase in employee telework.

Contracted services spending for 2023 is estimated at $59.9 million, roughly the same as 2022. Because unspent prior-year budgets are not expected to be available again in 2023, the Contracted Services budget increases by $23.0 million between 2022 and 2023.

VI. Capital Budget

Overview

Annually, the NCUA carries out a rigorous 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, IT systems, and IT hardware to determine what requires repair, major renovation, or replacement. The staff then make recommendations for prioritized investments to the NCUA Board.

IT systems and hardware require significant capital expenditures for modern organizations. The 2022 budget continues the NCUA's multi-year investment in current and replacement IT systems. The budget fully supports the NCUA's effort to modernize its IT infrastructure and applications, including the first full year for field staff to use MERIT, which is the NCUA's Examination and Supervision Solution (ESS) project that replaces the legacy Automated Integrated Regulatory Examination System. Other IT investments include the deployment of new laptops on the Windows 11 platform, ongoing enhancements and upgrades to decades-old legacy systems, network servers, and systems to ensure the agency's cybersecurity posture complies with Executive Order 14208, and various hardware investments to refresh agency networks and ensure staff have the tools necessary to maintain and increase their productivity.

Routine repairs and lifecycle-driven property renovations are also necessary to properly maintain investments in the NCUA-owned properties. The NCUA Facilities 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 address revisions to building standards and codes.

The NCUA's staff draft 2022 capital budget is $13.1 million. The capital budget funds the NCUA's long-term investments. The 2022 capital budget provides $3.3 million for IT software development projects and $8.3 million in other IT investments for 2022. The NCUA facilities require $1.5 million in capital investments.

2022 – 2023 NCUA CAPITAL BUDGET

	2021 Board Approved Budget	2022 Requested Budget	Change (2021-2022)	Change Percent (2021-2022)	2023 Requested Budget	Change (2022-2023)	Change Percent (2022-2023)
IT software development investments	$ 11,968,000	$ 3,304,000	$ (8,664,000)	-72.4%	$ 8,399,000	$ 5,095,000	154.2%
Other Information technology investments	$ 5,627,000	$ 8,265,000	$ 2,638,000	46.9%	$ 4,670,000	$ (3,595,000)	-43.5%
Capital building improvements and repairs	$ 1,250,000	$ 1,500,000	$ 250,000	20.0%	$ -	$ (1,500,000)	-100.0%
Total	**$ 18,845,000**	**$ 13,069,000**	**$ (5,776,000)**	**-30.7%**	**$ 13,069,000**	**$ -**	**0.0%**

Detailed descriptions of all 2022 capital projects, including a discussion of how each project helps the agency achieve its goals and objectives, are provided in Appendix B.

Summary of Capital Projects

Examination and Supervision Solution and Infrastructure Hosting ($0.9 Million)

The purpose of the Examination and Supervision Solution and Infrastructure Hosting (ESS&IH) project is to deliver a new, flexible, technical foundation to enable current and future NCUA business process modernization initiatives. ESS&IH replaces the NCUA's legacy examination system, AIRES, with the new MERIT system. In 2021, all NCUA examiners were trained to use the new MERIT system. MERIT was fully deployed to all NCUA examiners in the fall of 2021. In 2022, capital investments in ESS&IH will allow the NCUA to address system bugs reported by the broader user base, continue to enhance MERIT and the ESS suite of applications based on user feedback, and bring additional NCUA applications onto *NCUA Connect* to leverage this new enterprise service to meet multi-factor authentication security requirements.

Data Reporting Solution (DRS) ($0.7 Million)

The purpose of this project is to support the NCUA's Enterprise Solution Modernization (ESM) program. The DRS is part of the overarching Enterprise System Modernization (ESM) program, and focused on implementing a business intelligence (BI) solution for enhanced data access, integrity, analytics and reporting. DRS will provide a modern self-service BI tool for the enterprise, as well as access to data

to enable staff to efficiently and effectively utilize the tool. DRS leverages other key modernization initiatives: The Enterprise Central Data Repository (ECDR), the new enterprise data integration point and platform to support data and analytic initiatives, as well as expanded examination data in MERIT.

Enterprise Data Program ($0.4 Million)

The purpose of this project is the centralization, organization, and storage of the NCUA's 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). For 2022, the Enterprise Data Program (EDP) capital funds will be used to improve the agency's effectiveness by maturing data management practices. This will help ensure the use of high-quality data in operations, reporting, and analytics. This is a highly collaborative effort to facilitate alignment across offices and will make data-related work more effective and efficient.

NCUA Website Development ($0.1 Million)

This project provides ongoing improvements to the website, such as an improved user experience, and supports the ongoing maintenance needs of the agency's public websites: *NCUA.gov* and *MyCreditUnion.gov*.

Significant Regulatory Changes ($1.0 Million)

These funds will allow for applications and databases to be updated to accommodate any regulatory changes going into effect in 2022, which can impact multiple legacy systems. These changes can be significant, requiring additional time and resources to ensure affected systems are updated before final regulations become effective. Examples of Board-approved initiatives from 2021 include: Adding the sensitivity or ''S'' component rating to the existing CAMEL system and approval of the Current Expected Credit Losses (CECL) Phase-in Final Rule in June of 2021.

Credit Union Locator and Research a Credit Union Updates ($0.2 Million)

The current CU Locator and Research a Credit Union websites are public-facing websites that can be accessed through *NCUA.gov*. Both websites are used externally by credit unions, credit union members, and the public. These websites are not currently optimized for use on mobile devices, nor Section 508 compliant. This investment will update both CU Locator and Research a Credit Union websites to make them responsive for mobile devices (*e.g.,* automatically resize to the screen size of a phone or tablet), Section 508 compliant, and add functionalities based upon requirements gathered.

Enterprise Laptop Refresh ($5.0 Million)

The agency's current laptops are more than four years old and in need of replacement. This capital investment will fund (1) the selection of new, standard laptop configurations, (2) testing the new laptops and operating system with the NCUA's existing business and productivity applications, network, and peripherals (*e.g.,* keyboards, printers and scanners), (3) device acquisition, and (4) the deployment of the new devices to all NCUA employees and contractors.

Information Technology Infrastructure, Platform and Security Refresh ($1.6 Million)

The purpose of the Information Technology (IT) Infrastructure, Platform and Security Refresh project is to replace outdated or end-of-life network and platform hardware, as well as to prepare the NCUA for cloud computing adoption. This investment helps ensure business continuity and efficient operations by improving system availability and stability.

Hybrid Work Environment Updates ($0.3 Million)

The NCUA's current inventory of Voice over Internet Protocol (VoIP) desk and speaker phones are end-of-life and will be replaced in 2022. This investment will provide Microsoft Teams-compatible VoIP speaker phones. This project will also integrate the reservation system for the conference rooms into the NCUA's M365 service platform.

Executive Order on Improving the Nation's Cybersecurity ($1.4 Million)

This investment will ensure the NCUA complies with Executive Order 14208, *Improving the Nation's Cybersecurity*. The project funds will enable the NCUA to accelerate (1) implementation of Multi-Factor Authentication (MFA) for all NCUA applications, (2) use of a zero-trust architecture for the NCUA's infrastructure and applications, and (3) transition of computing and storage resources from on-premise to a cloud service provider.

Central Office Heating, Ventilation, and Air Conditioning (HVAC) System Replacement ($1.5 Million)

The NCUA central office HVAC system replacement project will replace all HVAC systems in the headquarters building, including cooling towers, air handlers, boilers, and all other HVAC components. The current HVAC system is original to the facility—it is 29 years old, obsolete, and some component parts are no longer available. HVAC systems are the biggest users of electricity in a facility, and the anticipated life span of major system components is approximately 20 to 25 years. The current system is at the end of its useful life, and it is not working efficiently. In recent years, the maintenance and operating costs have increased considerably and system components are failing more frequently, which are clear signs of decreased reliability.

VII. Share Insurance Fund Administrative Budget

Overview

The Share Insurance Fund Administrative Budget funds direct costs associated with authorized Share Insurance Fund activities.[20] Direct costs to the Share Insurance Fund include items such as data subscriptions and technology tools for ONES analysis of large credit unions, travel for state examiners attending NCUA-sponsored training, and audit support for the Share Insurance Fund's financial statements. Beginning in 2022 the Share Insurance Fund Administrative Budget will also include certain insurance-related expenses for AMAC operations.

The Share Insurance Fund Administrative Budget also pays for costs associated with the Corporate System Resolution Program and related NGN program. On June 14, 2021, the last outstanding NGN Trust matured. Most of the remaining Corporate System Resolution Program assets held by the NCUA will be sold in 2022. The budget for the NGN program therefore decreases in 2022 compared to the 2021 NGN funding levels.

Budget Requirements and Description

The 2022 Share Insurance Fund Administrative budget is estimated to be

[20] 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.

$6.2 million, which is $1.7 million, or 21.7 percent, less than 2021.

The 2022 budget decrease is primarily driven by phase out of the NGN program. Therefore the expenses required to maintain the program decrease compared to 2021.

The 2023 requested budget supports similar workload and resources for Share Insurance Fund direct expenses, which are expected to remain the same as 2022 at $4.8 million, and includes no NGN related costs.

Share Insurance Fund Direct Expenses

Direct expenses to the Share Insurance Fund are estimated to be $4.8 million in 2022, an increase of $0.3 million, or 7.4 percent, compared to the 2021 budget level.

Direct charges to the Share Insurance Fund include $2 million for operating and maintenance costs of the Asset and Liabilities Management system (ALM), which allows the NCUA to build internal analytical capabilities to conduct supervisory stress testing analyses and to perform other quantitative risk assessments of large credit unions.

In 2022 the Share Insurance Fund will begin paying for certain insurance-related activities and expenses of AMAC. The Share Insurance Fund budget includes $0.4 million for these AMAC activities, such as consulting expenses necessary to prevent or attempt to prevent a liquidation or conservatorship, staff travel for consultation on complex or problem cases, and an initial review of the successes and challenges of the Corporate System Resolution Program.

The 2022 budget also includes funds related to the supervisory responsibilities that the NCUA shares with State Supervisory Authorities (SSAs). The Share Insurance Fund Administrative Budget includes $1.2 million for state examiner travel to NCUA-sponsored training classes, and $0.2 million to ensure that SSAs can use the full functionality of the recently deployed MERIT examination system. The 2021 budget included similar amounts for these activities.

Finally, the Share Insurance Fund Administrative Budget includes $0.9 million for the related annual financial audit and for contractor support to ensure effective internal controls for the fund.

NGN Program

In 2017 the Board voted to close the Temporary Corporate Credit Union Stabilization Fund. Since 2018 the Share Insurance Fund has funded the NGN program and related administrative costs to include employee pay, benefits, travel, and contract support required to support the program.

The NGN program will substantially conclude in 2022, and the 2022 budget for this program decreases as a result. The NGN budget falls in 2022 by almost 60 percent, to $1.5 million from $3.5 million in 2021. The largest expenses remaining in this budget include $0.5 million for employee compensation and $0.6 million for third-party valuation services required for the remaining legacy assets. The five positions associated with the NGN program will be eliminated.

Because the NGN program will wind down in 2022, there will be no NGN budget in 2023.

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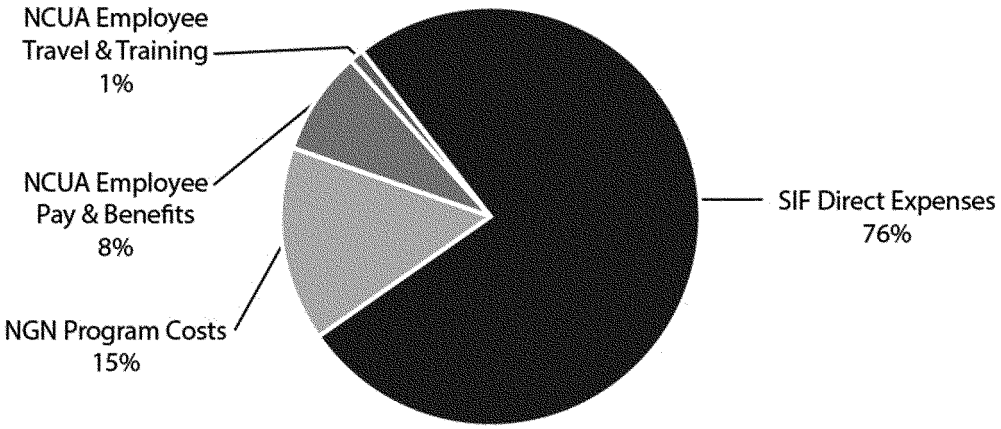
2022 Share Insurance Fund Administrative Budget



2022–2023 SHARE INSURANCE FUND ADMINISTRATIVE BUDGET

	2021 Board Approved Budget	2022 Requested Budget	Change (2021–22)	Change Percent (2021–22)	2023 Requested Budget	2022 FTE	2023 FTE
SIF Direct Expenses							
Travel							
OHR: State Examiner Training	1,754,000	1,185,000	(569,000)	-32.4%	1,185,000		
AMAC: Staff travel for problem cases	n/a	15,000	15,000	-	15,000		
Subtotal, Travel (SIF Direct Expenses)	**1,754,000**	**1,200,000**	**(554,000)**	**-31.6%**	**1,200,000**		
Administrative Expenses							
ONES: Analytic Tools for Large Credit Unions	-	30,000	30,000	-	30,000		
AMAC: Shipping and Miscellaneous Admin	n/a	20,000	20,000	-	20,000		
Subtotal Administrative Expenses (SIF Direct Expenses)	-	**50,000**	**50,000**	-	**50,000**		
Contracted Services							
OCIO: State Examiner Computer Leases	62,000	-	(62,000)	-100.0%	-		
ONES: Analytic Tools for Large Credit Unions	1,441,000	2,000,000	559,000	38.8%	2,000,000		
OCFO: Financial Accounting, Audit Support, Bank Charges	906,000	915,000	9,000	1.0%	915,000		
OBI: SSA costs for MERIT	277,000	200,000	(77,000)	-27.8%	200,000		
AMAC: Corp. Resolution Study, legal, other contracts	n/a	405,000	405,000	-	405,000		
Subtotal, Contracted Services (SIF Direct Expenses)	**2,686,000**	**3,520,000**	**834,000**	**31.0%**	**3,520,000**		
Total, SIF Direct Expenses	**4,440,000**	**4,770,000**	**330,000**	**7.4%**	**4,770,000**		
NGN Support							
Personnel Compensation	**1,500,000**	**500,000**	**(1,000,000)**	**-66.7%**	-	-	-
Travel	**52,000**	**26,000**	**(26,000)**	**-50.0%**	-		
Administrative Expenses							
E&I: Software and Data Subscriptions	**564,000**	**360,000**	**(204,000)**	**-36.2%**	-		
Contracted Services							
E&I: Valuation Services, Contract Support, Training	**1,417,000**	**590,000**	**(827,000)**	**-58.4%**	-		
Total, NGN Support	**3,533,000**	**1,476,000**	**(2,057,000)**	**-58.2%**	-		
Total SIF BUDGET	**$ 7,973,000**	**$ 6,246,000**	**$(1,727,000)**	**-21.7%**	**$ 4,770,000**	-	-

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VIII. Financing the NCUA Programs

Overview

The NCUA incurs various expenses to achieve its statutory mission, including those involved in examining and supervising federally insured credit unions. The NCUA Board adopts an Operating Budget, a Capital Budget, and a Share Insurance Fund Administrative Budget each year to fund the vast majority of the costs of operating the agency.[21] When formulating the annual budget, the NCUA is mindful that its operating funding comes from credit unions. The agency strives to ensure the agency operates in an efficient, effective, transparent, and fully accountable manner.

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''; [22] and
2. ''fees and assessments (including income earned on insurance deposits) levied on insured credit unions under [the Act].'' [23]

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 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 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.[24] The NCUA has since used an allocation methodology known as the Overhead Transfer Rate (OTR) to

[21] 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.

[22] 12 U.S.C. 1783(a).

[23] 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.

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

determine how much of the Operating Budget to fund with a requisition from the Share Insurance Fund.

The NCUA uses the OTR methodology to allocate agency expenses between these two primary funding sources. Specifically, the OTR is the formula the NCUA uses to allocate insurance-related expenses to the Share Insurance Fund under Title II of the Act. Almost all other operating expenses are funded through collecting annual Operating Fees paid by federal credit unions.[25]

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.[26] Second, the NCUA may not fund its entire Operating Budget through charges to the Share Insurance Fund.[27] The NCUA has not imposed additional policy or regulatory limitations on its discretion for determining the OTR.

Overhead Transfer Rate (OTR)

The NCUA conducts a comprehensive workload analysis annually. This analysis 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. These estimates are informed by the overall parameters of the NCUA's examination program, as most recently updated by the Exam Flexibility Initiative approved by the Board.[28] The workload estimates are then refined by regional managers and submitted to the NCUA headquarters for the annual budget proposal. The OTR methodology accounts for the costs of the NCUA, not the costs of state regulators. Therefore, there are no calculations made for state examiner hours.

There have not been any major changes to the parameters of the examination program since the current OTR methodology went into effect.[29] The minor variations in the OTR since 2018 are the result of routine, small fluctuations in the variables that affect the OTR, including normal fluctuations in the workload budget from one calendar year to the next.

The NCUA Board approved the current methodology for calculating the OTR at its November 2017 open meeting.[30] In 2020, the Board published in the **Federal Register** a request for comment regarding the OTR methodology but did not propose or adopt any changes to the current methodology.[31] 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 uses 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.[32]

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 Credit Union Service Organizations (CUSOs)) are allocated as 100 percent insurance related.[33]

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.[34]

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.[35]

These four principles are applied to the activities and costs of the agency to determine the portion of the agency's budget that is funded by the Share Insurance Fund. Based on the Board-approved methodology and the proposed staff draft budget, the OTR for 2022 is 110 basis points (1.1 percent) higher than 2021, and estimated to be 63.4 percent. Thus, 63.4 percent of the total Operating Budget is estimated to be paid out of the Share Insurance Fund. The remaining 36.6 percent of the Operating Budget is estimated to be paid for by Operating Fees collected from federal credit unions. The explicit and implicit distribution of total Operating Budget costs for federal credit unions and federally insured, state-chartered credit unions is outlined in the table below:

[25] 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).

[26] 12 U.S.C. 1783(a).

[27] 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).

[28] The Exam Flexibility Initiative started with the January 1, 2017, examination cycle, and it allows for extended examination cycles for eligible credit unions. Letters to Credit Unions 16–CU–12, December 2016.

[29] On November 16, 2017, the NCUA Board adopted a new methodology for calculating the OTR starting with the 2018 OTR. 82 FR 55644, November 22, 2017.

[30] 82 FR 55644 (Nov. 22, 2017).

[31] *https://www.federalregister.gov/documents/2020/08/31/2020-17009/request-for-comment-regarding-national-credit-union-administration-overhead-transfer-rate.*

[32] 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.

[33] 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.

[34] 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.

[35] 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.

2022 Estimated Distribution: OTR and Operating Fee		
Est. Share of the Operating Budget covered by:	Federal Credit Unions	Federally Insured, State-Chartered Credit Unions
Federal Credit Union Operating Fee	36.6%	0.0%
OTR x Percent of Insured Shares	31.7% (63.4% x 49.9%)	31.7% (63.4% x 50.1%)
Total	**68.3%**	**31.7%**

To determine the 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 expenditures and the product of that calculation is transferred from the Share Insurance Fund to the Operating Fund. This monthly reconciliation to actual operating expenditures captures the variance between actual and budgeted amounts, so 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 chartered credit unions.

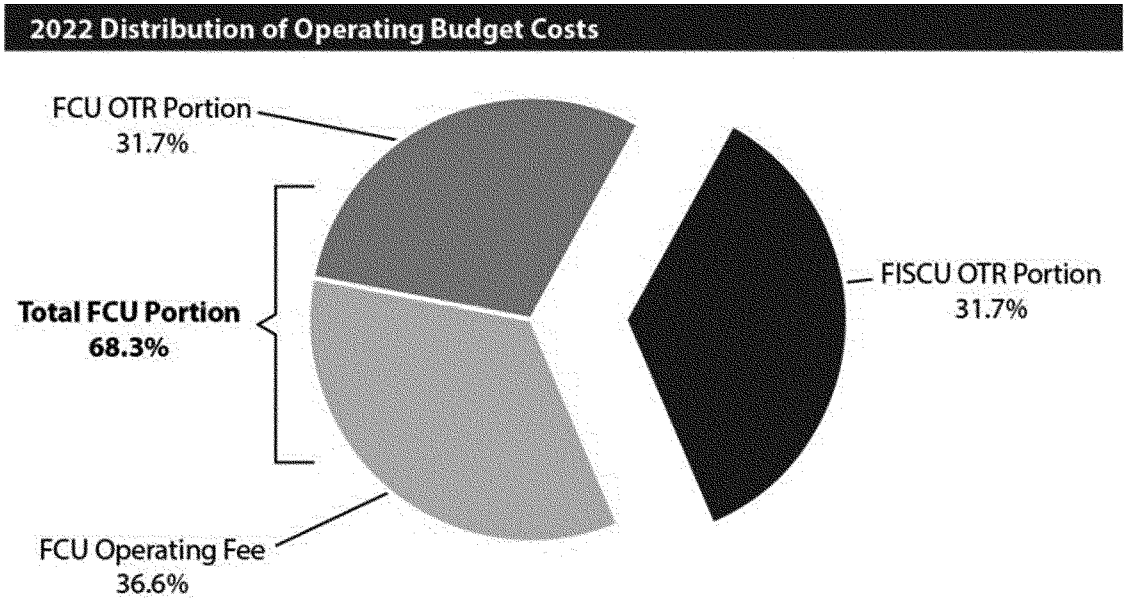
The use of insured shares in calculating the OTR was eliminated from the OTR methodology adopted by the Board in 2017. However, insured shares are used for informational purposes to reflect the fundamental economics with respect to how the implicit costs of the OTR are borne by federal and state-chartered credit unions. Use of insured shares is consistent with the mutual nature of the Share Insurance Fund and part of the statutory scheme related to Share Insurance Fund deposits, premiums, and dividends.[36] The number, size, and health of federal and state credit unions affects the NCUA's workload budget, which in turn is one of the variables in the OTR methodology.

The primary driver of the increase in the estimated 2022 OTR is the proposed increase in examination and supervision time for federally insured credit unions that results from proposals in the staff draft budget to conduct annual examinations for certain credit unions, and other program obligations associated with examination scheduling and scope requirements. Normal fluctuations in the workload budget from one calendar year to the next are also variables that influence the change in the calculated OTR compared to previous years. Workload budget variables include, but are not limited to, changes in CAMEL ratings, the number and size of credit unions that meet the annual exam and extended exam eligibility criteria, credit unions with emerging risk indicators, variations in individual state regulator programs, one-time events (*e.g.,* the implementation of the new MERIT examination system, COVID–19 pandemic economic impacts) and fluctuations in the timing of examinations related to a particular calendar year.

CUSOs are at times subject to review during the examination of a federally insured credit union. The OTR methodology captures CUSO-related time within the scope of the examination and supervision of federally insured credit unions under Principle 1 for federal credit unions and Principle 2 for federally insured state-chartered credit unions. The time designated for separate, standalone reviews of CUSOs and third-party vendors is accounted for separately in the NCUA's workload budget and is covered by Principle 2 only. The standalone review of CUSOs and third-party vendors is to identify and address risk to federally insured credit unions.

The following chart illustrates the share of the Operating Budget paid by federal credit unions (FCUs, 68.3%) and federally insured, state-chartered credit unions (FISCUs, 31.7%).

[36] 12 U.S.C. 1782(c)(2) and (3).



Operating Fee

The Board delegated authority to the Chief Financial Officer to administer the methodology approved by the Board for calculating the Operating Fee and to set the fee schedule as calculated per the approved methodology. In 2020, the Board approved and published in the **Federal Register** several changes to the Operating Fee methodology, which form the basis for how the Operating Fee is calculated in this section.[37]

To determine the annual Operating Fee assessed on federal credit unions, the NCUA first calculates the average of total assets reported in the preceding year's fourth quarter and the first three quarters of the current year, net of any reported Paycheck Protection Program (PPP) loans. Credit unions with assets less than $1 million are not assessed an Operating Fee and their assets are therefore excluded from this calculation.

Based on the Board-approved Operating Fee methodology, which is summarized in the following tables, the share of the 2022 budget funded by the Operating Fee is $123.6 million. This equates to 0.0128 percent of the estimated actual average of federal credit union assets for the four quarters ending on September 30, 2021. The overall decrease for the Operating Fee would be 11.2 percent less than 2021, as shown on the table on page 59.

As part of the Board-approved Operating Fee methodology, the NCUA can adjust the share of the budget funded by the Operating Fee based on an analysis of the agency's forward cash flow requirements compared to past years' collections that were not spent as planned. Any projected surplus cash from past years' fee collections not required to finance agency operations can accordingly be used to lower the Operating Fee share of the proposed budget. Because such cash surpluses result from past years' Operating Fee collections, they do not offset the portion of the budget funded by the Overhead Transfer Rate.

To set the assessment scale for 2022, total growth in federal credit union assets is calculated as the change between the average of the four most-current quarters (*i.e.,* the fourth quarter of 2020 and the first three quarters of 2021) and the previous four quarters (*i.e.,* the fourth quarter of 2019 and the first three quarters of 2020), which is estimated to be 14.3 percent.[38] Asset level dividing points are likewise increased by this same growth rate in order to preserve the same relative relationship of the scale to the applicable asset base.

BILLING CODE 7535–01–P

[37] *https://www.govinfo.gov/content/pkg/FR-2020-12-31/pdf/2020-28490.pdf.*

[38] For the staff draft budget, total assets are determined using the 2021 second quarter data based on actual call report data.

PROJECTED FISCAL YEAR 2022 OPERATING FEE REQUIREMENTS

($ in millions)

				2022 Request
1	Proposed Operating Budget		$	326.004
2	Add Capital Investments		$	13.069
3	Miscellaneous Revenue		$	(0.432)
4	**Operating Budget to apply OTR**		**$**	**338.641**
5	Overhead Transfer Rate	**63.4%**	$	(214.698)
6	Interest Income		$	(0.049)
7	**Net** (sum lines 4 - 6)		**$**	**123.894**
8	Operating Fund adjustment		$	-
9	**Budgeted Operating Fee/Capital Requirements** (sum lines 7 - 8)		**$**	**123.894**
10	Corporate Federal CU Operating Fees		$	(0.275)
11	**Natural Person FCU Operating Fees Required** (sum lines 9 -10)		**$**	**123.619**
12	Fees projected with Asset Growth of	**14.3%**	$	(139.146)
13	**Difference** (lines 11 & 12)		**$**	**(15.528)**
14	**Average Rate Adjustment Indicated** (line 13 divided by line 12)			**-11.16%**

Operating Fee Scale

To illustrate the rate for each asset tier for which Operating Fees are charged, the tables below show the effect of the average 11.2 percent decrease in the Operating Fee for natural person federal credit unions. The corporate federal credit union rate scale remains unchanged from prior years.

PROPOSED 2022 OPERATING FEE SCALE

2021 Natural Person Federal Credit Union Scale

Asset Level			Operating Fee Assessment				
$0	TO	$1,000,000	$0.00				
$1,000,000	TO	$1,791,928,486	$0.00	+	0.00021904	X total assets over	$0.00
$1,791,928,486	TO	$5,422,348,676	$392,504	+	0.00006384	X total assets over	$1,791,928,486
$5,422,348,676	AND	Over	$624,270	+	0.00002132	X total assets over	$5,422,348,676

2022 (Proposed) Natural Person Federal Credit Union Scale

Projected FCU asset growth rate	14.31%	Change in asset level dividing points
Operating fee rate change	-11.16%	Change in assessment rate percentages

Asset Level			Operating Fee Assessment				
$0	TO	$1,000,000	$0.00				
$1,000,000	TO	$2,048,353,452	$0.00	+	0.00019460	X total assets over	$0.00
$2,048,353,452	TO	$6,198,286,772	$398,610	+	0.00005672	X total assets over	$2,048,353,452
$6,198,286,772	AND	Over	$633,994	+	0.00001894	X total assets over	$6,198,286,772

FY2022 (Proposed) Corporate Federal Credit Union Scale

Asset Level			Operating Fee Assessment				
$50,000,000	TO	$100,000,000	$10,657	+	0.00019870	X total assets over	$50,000,000
$100,000,000	AND	Over	$20,592	+	0.00001230	X total assets over	$100,000,000

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 12
Operating fee rate change = Change in assessment rate percentage	Same as line 14
The **Corporate Credit Union scale** remains unchanged from year to year. The number of CCUs is small and stable. Collections from CCUs do not vary significantly between years.	

IX. Appendix A: Supplemental Budget Information

Office Budget Summary

2022 – 2023 NCUA OPERATING BUDGET

Office	2021 Board Approved Budget	2022 Requested Budget	2021 – 2022 Change		2023 Requested Budget	2022 – 2023 Change		Authorized Positions		
								2021**	2022	2023
Eastern Region	55,790,374	60,249,706	4,459,332	8.0%	64,664,280	4,414,575	7.3%	285	298	299
Southern Region	44,243,608	49,587,680	5,344,072	12.1%	53,355,938	3,768,258	7.6%	233	243	244
Western Region	46,840,638	51,715,471	4,874,833	10.4%	55,022,524	3,307,052	6.4%	237	247	248
Office of National Examinations and Supervision	12,340,885	14,080,875	1,739,990	14.1%	15,238,176	1,157,300	8.2%	45	50	54
Supervision and Examination	**159,215,505**	**175,633,733**	**16,418,228**	**10.3%**	**188,280,918**	**12,647,185**	**7.2%**	**800**	**838**	**845**
Office of the Board**	3,158,614	3,595,833	437,219	13.8%	3,731,120	135,287	3.8%	13	13	13
Office of the Executive Director**	3,197,536	3,420,459	222,923	7.0%	3,841,509	421,051	12.3%	10	11	12
Federal Financial Institutions Examination Council	1,371,852	1,290,000	(81,852)	-6.0%	1,290,000	-	0.0%	-	-	-
Office of Ethics Counsel**	908,471	1,673,855	765,384	84.2%	1,776,048	102,193	6.1%	6	6	6
Office of Business Innovation	3,237,552	3,653,909	416,357	12.9%	3,829,427	175,518	4.8%	12	13	13
Office of Continuity and Security Management	4,999,557	5,187,310	187,753	3.8%	5,337,777	150,467	2.9%	12	12	12
Office of Minority and Women Inclusion	3,502,845	3,841,792	338,947	9.7%	3,973,730	131,938	3.4%	10	10	10
Office of the Chief Economist	2,468,812	2,539,681	70,869	2.9%	2,654,408	114,727	4.5%	8	8	8
Office of Consumer Financial Protection	5,486,225	6,869,093	1,382,868	25.2%	7,844,136	975,043	14.2%	25	30	30
Office of the Chief Financial Officer	21,308,605	21,283,704	(24,901)	-0.1%	21,879,714	596,010	2.8%	54	53	53
Cross-cutting agency expenses	1,856,581	(20,346,000)	(22,202,581)	-1195.9%	1,192,000	21,538,000	-105.9%	-	-	-
Office of the Chief Information Officer	44,026,198	53,146,616	9,120,418	20.7%	53,738,725	592,109	1.1%	45	45	45
Credit Union Resources and Expansion	8,656,705	9,679,247	1,022,542	11.8%	10,445,134	765,888	7.9%	36	38	38
Office of Examination & Insurance*	14,836,689	15,120,900	284,211	1.9%	16,205,253	1,084,353	7.2%	57	55	55
Office of General Counsel	12,491,302	13,459,264	967,962	7.7%	14,096,623	637,359	4.7%	45	46	46
Office of Inspector General	4,022,421	4,048,411	25,990	0.6%	4,189,111	140,700	3.5%	10	10	10
Office of Human Resources	15,384,947	16,401,969	1,017,022	6.6%	19,114,197	2,712,228	16.5%	43	44	44
Office of External Affairs and Communication	4,429,909	5,503,797	1,073,888	24.2%	5,902,708	398,912	7.2%	13	15	15
Mission Support	**155,344,821**	**150,369,838**	**(4,974,983)**	**-3.2%**	**181,041,619**	**30,671,781**	**20.4%**	**399**	**409**	**410**
Total*	**$314,560,326**	**$326,003,571**	**$11,443,245**	**3.6%**	**$369,322,537**	**$43,318,966**	**13.3%**	**1,199**	**1,247**	**1,255**

* Budget includes 5 FTEs related to other Central Liquidity Fund.
** 2021 Mid-session Budget authorized seven new FTEs: Board (1), Office of the Executive Director (1), Office of Ethics Counsel (3), and the Office of Chief Information Officer (2).

Board Budgets

OFFICE OF THE CHAIRMAN: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**4.0**	**4.0**	**-**	**0.0%**	**4.0**	**-**	**-**
Employee Compensation	933,861	1,002,110	68,249	7.3%	1,040,061	37,951	3.8%
Salaries	664,178	708,342	44,165	6.6%	737,424	29,082	4.1%
Benefits	269,684	293,768	24,084	8.9%	302,637	8,869	3.0%
Travel	39,000	50,000	11,000	28.2%	50,000	-	0.0%
Rent /Comm/Util	1,700	2,250	550	32.4%	2,250	-	0.0%
Administrative	10,000	10,000	-	0.0%	10,000	-	0.0%
Contracted Services	43,000	43,000	-	0.0%	43,000	-	0.0%
Total	**$ 1,027,561**	**$ 1,107,360**	**$ 79,799**	**7.8%**	**$ 1,145,311**	**$ 37,951**	**3.4%**

BOARD MEMBER HAUPTMAN: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**3.0**	**3.0**	**-**	**0.0%**	**3.0**	**-**	**-**
Employee Compensation	699,816	711,778	11,962	1.7%	735,951	24,174	3.4%
Salaries	496,137	500,324	4,187	0.8%	518,735	18,411	3.7%
Benefits	203,679	211,454	7,774	3.8%	217,216	5,763	2.7%
Travel	34,000	50,000	16,000	47.1%	50,000	-	0.0%
Rent /Comm/Util	1,400	1,750	350	25.0%	1,750	-	0.0%
Administrative	9,000	9,000	-	0.0%	9,000	-	0.0%
Contracted Services	43,000	43,000	-	0.0%	43,000	-	0.0%
Total	**$ 787,216**	**$ 815,528**	**$ 28,312**	**3.6%**	**$ 839,701**	**$ 24,174**	**3.0%**

BOARD MEMBER HOOD: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**3.0**	**3.0**	**-**	**-**	**3.0**	**-**	**-**
Employee Compensation	788,187	794,794	6,607	0.8%	822,941	28,147	3.5%
Salaries	564,755	563,762	(992)	-0.2%	585,590	21,828	3.9%
Benefits	223,432	231,032	7,600	3.4%	237,351	6,319	2.7%
Travel	34,000	50,000	16,000	47.1%	50,000	-	0.0%
Rent /Comm/Util	1,400	1,750	350	25.0%	1,750	-	0.0%
Administrative	9,000	9,000	-	0.0%	9,000	-	0.0%
Contracted Services	43,000	43,000	-	0.0%	43,000	-	0.0%
Total	**$ 875,587**	**$ 898,544**	**$ 22,957**	**2.6%**	**$ 926,691**	**$ 28,147**	**3.1%**

Note: Minor rounding differences may occur in totals.

Office Budgets

OFFICE OF THE BOARD: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**13.0**	**13.0**	**-**	**-**	**13.0**	**-**	**-**
Employee Compensation	2,873,114	3,206,083	332,969	11.6%	3,341,370	135,287	4.2%
Salaries	2,046,829	2,272,044	225,215	11.0%	2,376,052	104,008	4.6%
Benefits	826,286	934,039	107,754	13.0%	965,318	31,279	3.3%
Travel	109,000	152,000	43,000	39.4%	152,000	-	0.0%
Rent /Comm/Util	5,500	7,750	2,250	40.9%	7,750	-	0.0%
Administrative	28,500	29,000	500	1.8%	29,000	-	0.0%
Contracted Services	142,500	201,000	58,500	41.1%	201,000	-	0.0%
Total	**$ 3,158,614**	**$ 3,595,833**	**$ 437,219**	**13.8%**	**$ 3,731,120**	**$ 135,287**	**3.8%**

OFFICE OF THE EXECUTIVE DIRECTOR: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE*	**10.0**	**11.0**	**1.0**	**10.0%**	**12.0**	**1.0**	**9.1%**
Employee Compensation	2,359,536	2,862,709	503,173	21.3%	3,283,759	421,051	14.7%
Salaries	1,689,391	2,019,561	330,170	19.5%	2,332,796	313,235	15.5%
Benefits	670,144	843,147	173,003	25.8%	950,963	107,816	12.8%
Travel	22,000	30,000	8,000	36.4%	30,000	-	0.0%
Rent /Comm/Util	20,250	22,000	1,750	8.6%	22,000	-	0.0%
Administrative	1,397,102	1,315,250	(81,852)	-5.9%	1,315,250	-	0.0%
ED Core	25,250	25,250	-	0.0%	25,250	-	0.0%
FFIEC	1,371,852	1,290,000	(81,852)	-6.0%	1,290,000	-	0.0%
Contracted Services	770,500	480,500	(290,000)	-37.6%	480,500	-	0.0%
Total	**$ 4,569,388**	**$ 4,710,459**	**$ 141,071**	**3.1%**	**$ 5,131,509**	**$ 421,051**	**8.9%**

* 2021 and 2022 OED FTE levels include 2 unallocated FTE

OFFICE OF ETHICS COUNSEL: 2022-2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**6.0**	**6.0**	**-**	**-**	**6.0**	**-**	**-**
Employee Compensation	893,471	1,586,755	693,284	77.6%	1,688,948	102,193	6.4%
Salaries	648,212	1,148,773	500,561	77.2%	1,228,023	79,250	6.9%
Benefits	245,259	437,982	192,724	78.6%	460,925	22,943	5.2%
Travel	10,000	15,000	5,000	50.0%	15,000	-	0.0%
Rent /Comm/Util	2,000	3,600	1,600	80.0%	3,600	-	0.0%
Administrative	3,000	3,000	-	0.0%	3,000	-	0.0%
Contracted Services	-	65,500	65,500	0.0%	65,500	-	0.0%
Total	**$ 908,471**	**$ 1,673,855**	**$ 765,384**	**84.2%**	**$ 1,776,048**	**$ 102,193**	**6.1%**

Note: Minor rounding differences may occur in totals.

OFFICE OF BUSINESS INNOVATION: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**12.0**	**13.0**	**1.0**	**8.3%**	**13.0**	**-**	**-**
Employee Compensation	3,115,002	3,510,809	395,806	12.7%	3,686,327	175,518	5.0%
Salaries	2,234,028	2,507,186	273,158	12.2%	2,642,226	135,040	5.4%
Benefits	880,974	1,003,623	122,648	13.9%	1,044,101	40,478	4.0%
Travel	71,000	96,800	25,800	36.3%	96,800	-	0.0%
Rent /Comm/Util	4,650	7,800	3,150	67.7%	7,800	-	0.0%
Administrative	8,100	5,500	(2,600)	-32.1%	5,500	-	0.0%
Contracted Services	38,800	33,000	(5,800)	-14.9%	33,000	-	0.0%
Total	**$ 3,237,552**	**$ 3,653,909**	**$ 416,356**	**12.9%**	**$ 3,829,427**	**$ 175,518**	**4.8%**

OFFICE OF CONTINUITY AND SECURITY MANAGEMENT: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**12.0**	**12.0**	**-**	**-**	**12.0**	**-**	**-**
Employee Compensation	3,011,617	3,032,683	21,066	0.7%	3,183,150	150,467	5.0%
Salaries	2,157,167	2,150,670	(6,498)	-0.3%	2,266,507	115,837	5.4%
Benefits	854,450	882,013	27,564	3.2%	916,643	34,630	3.9%
Travel	10,000	20,000	10,000	100.0%	20,000	-	0.0%
Rent /Comm/Util	35,000	35,000	-	0.0%	35,000	-	0.0%
Administrative	36,000	36,000	-	0.0%	36,000	-	0.0%
Contracted Services	1,906,940	2,063,627	156,687	8.2%	2,063,627	-	0.0%
Total	**$ 4,999,557**	**$ 5,187,310**	**$ 187,753**	**3.8%**	**$ 5,337,777**	**$ 150,467**	**2.9%**

OFFICE OF MINORITY AND WOMEN INCLUSION: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**10.0**	**10.0**	**-**	**-**	**10.0**	**-**	**-**
Employee Compensation	2,545,846	2,663,102	117,256	4.6%	2,795,040	131,938	5.0%
Salaries	1,824,521	1,895,178	70,657	3.9%	1,997,254	102,076	5.4%
Benefits	721,325	767,924	46,599	6.5%	797,786	29,862	3.9%
Travel	76,169	75,001	(1,168)	-1.5%	75,001	-	0.0%
Rent /Comm/Util	18,700	13,941	(4,759)	-25.4%	13,941	-	0.0%
Administrative	207,091	211,759	4,668	2.3%	211,759	-	0.0%
Contracted Services	655,039	877,989	222,950	34.0%	877,989	-	0.0%
Total	**$ 3,502,845**	**$ 3,841,792**	**$ 338,947**	**9.7%**	**$ 3,973,730**	**$ 131,938**	**3.4%**

Note: Minor rounding differences may occur in totals.

OFFICE OF THE CHIEF ECONOMIST: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**8.0**	**8.0**	-	-	**8.0**	-	-
Employee Compensation	2,241,359	2,307,745	66,386	3.0%	2,422,472	114,727	5.0%
Salaries	1,617,535	1,651,843	34,308	2.1%	1,740,813	88,970	5.4%
Benefits	623,824	655,902	32,079	5.1%	681,659	25,757	3.9%
Travel	12,000	20,000	8,000	66.7%	20,000	-	0.0%
Rent /Comm/Util	4,200	4,200	-	0.0%	4,200	-	0.0%
Administrative	206,939	203,422	(3,517)	-1.7%	203,422	-	0.0%
Contracted Services	4,314	4,314	-	0.0%	4,314	-	0.0%
Total	**$ 2,468,812**	**$ 2,539,681**	**$ 70,869**	**2.9%**	**$ 2,654,408**	**$ 114,727**	**4.5%**

OFFICE OF CONSUMER FINANCIAL PROTECTION: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**25.0**	**30.0**	**5.0**	**20.0%**	**30.0**	-	-
Employee Compensation	5,217,891	6,356,866	1,138,975	21.8%	7,331,909	975,043	15.3%
Salaries	3,687,530	4,485,888	798,358	21.7%	5,214,866	728,978	16.3%
Benefits	1,530,361	1,870,978	340,617	22.3%	2,117,043	246,065	13.2%
Travel	174,596	353,547	178,951	102.5%	353,547	-	0.0%
Rent /Comm/Util	37,200	42,150	4,950	13.3%	42,150	-	0.0%
Administrative	26,430	27,430	1,000	3.8%	27,430	-	0.0%
Contracted Services	30,108	89,100	58,992	195.9%	89,100	-	0.0%
Total	**$5,486,225**	**$6,869,093**	**$1,382,868**	**25.2%**	**$7,844,136**	**$975,043**	**14.2%**

Note: Minor rounding differences may occur in totals.

OFFICE OF THE CHIEF FINANCIAL OFFICER: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**54.0**	**53.0**	**(1.0)**	**-1.9%**	**53.0**	**-**	**-**
Employee Compensation	12,246,554	13,592,420	1,345,865	11.0%	12,726,430	(865,990)	-6.4%
Salaries	8,576,122	9,720,869	1,144,747	13.3%	9,803,311	82,442	0.8%
OCFO	8,090,173	8,455,869	365,696	4.5%	8,911,311	455,442	5.4%
Crosscutting	485,949	1,265,000	779,051	160.3%	892,000	(373,000)	-29.5%
Benefits	3,670,432	3,871,550	201,118	5.5%	2,923,119	(948,432)	-24.5%
OCFO	3,356,432	3,582,550	226,118	6.7%	3,723,119	140,568	3.9%
Crosscutting	314,000	289,000	(25,000)	-8.0%	(800,000)	(1,089,000)	-376.8%
Travel	38,000	40,000	2,000	5.3%	40,000	-	0.0%
OCFO	38,000	40,000	2,000	5.3%	40,000	-	0.0%
Rent /Comm/Util	618,000	674,705	56,705	9.2%	674,705	-	0.0%
OCFO	618,000	674,705	56,705	9.2%	674,705	-	0.0%
Administrative	1,794,000	1,737,900	(56,100)	-3.1%	1,737,900	-	0.0%
OCFO	944,000	637,900	(306,100)	-32.4%	637,900	-	0.0%
Crosscutting	850,000	1,100,000	250,000	29.4%	1,100,000	-	0.0%
Contracted Services	8,468,632	(15,107,321)	(23,575,953)	-278.4%	7,892,679	23,000,000	-152.2%
OCFO	8,262,000	7,892,679	(369,321)	-4.5%	7,892,679	-	0.0%
Crosscutting	206,632	(23,000,000)	(23,206,632)	-11230.9%		23,000,000	-100.0%
Total	**$ 23,165,186**	**$ 937,704**	**$ (22,227,483)**	**-96.0%**	**$ 23,071,714**	**$ 22,134,010**	**2360.4%**
OCFO Total	21,308,605	21,283,704	(24,902)	-0.1%	21,879,714	596,010	2.8%
Crosscutting	1,856,581	(20,346,000)	(22,202,581)	-1195.9%	1,192,000	21,538,000	-105.9%

OFFICE OF THE CHIEF INFORMATION OFFICER: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**45.0**	**45.0**	**-**	**-**	**45.0**	**-**	**-**
Employee Compensation	10,996,943	11,587,343	590,400	5.4%	12,179,452	592,109	5.1%
Salaries	7,879,267	8,236,674	357,406	4.5%	8,693,353	456,679	5.5%
Benefits	3,117,676	3,350,670	232,994	7.5%	3,486,099	135,429	4.0%
Travel	31,000	60,000	29,000	93.5%	60,000	-	0.0%
Rent /Comm/Util	5,337,135	2,906,500	(2,430,635)	-45.5%	2,906,500	-	0.0%
Administrative	30,000	30,000	-	0.0%	30,000	-	0.0%
Contracted Services	27,631,120	38,562,773	10,931,653	39.6%	38,562,773	-	0.0%
Total	**$ 44,026,198**	**$ 53,146,616**	**$ 9,120,418**	**20.7%**	**$ 53,738,725**	**$ 592,109**	**1.1%**

Note: Minor rounding differences may occur in totals.

OFFICE OF NATIONAL EXAMINATIONS AND SUPERVISION: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**45.0**	**50.0**	**5.0**	**11.1%**	**54.0**	**4.0**	**8.0%**
Employee Compensation	11,305,615	12,652,680	1,347,066	11.9%	13,683,981	1,031,300	8.2%
Salaries	8,030,194	8,898,368	868,173	10.8%	9,676,459	778,091	8.7%
Benefits	3,275,420	3,754,313	478,892	14.6%	4,007,521	253,209	6.7%
Travel	676,000	1,080,000	404,000	59.8%	1,206,000	126,000	11.7%
Rent /Comm/Util	21,600	24,500	2,900	13.4%	24,500	-	0.0%
Administrative	45,070	41,595	(3,475)	-7.7%	41,595	-	0.0%
Contracted Services	292,600	282,100	(10,500)	-3.6%	282,100	-	0.0%
Total	**$ 12,340,885**	**$ 14,080,875**	**$ 1,739,991**	**14.1%**	**$ 15,238,176**	**$ 1,157,300**	**8.2%**

OFFICE OF CREDIT UNION RESOURCE AND EXPANSION: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**36.0**	**38.0**	**2.0**	**5.6%**	**38.0**	**-**	**0.0%**
Employee Compensation	7,956,705	8,366,247	409,541	5.1%	9,082,134	715,888	8.6%
Salaries	5,625,467	5,873,832	248,365	4.4%	6,414,177	540,345	9.2%
Benefits	2,331,238	2,492,414	161,176	6.9%	2,667,957	175,543	7.0%
Travel	276,000	439,000	163,000	59.1%	489,000	50,000	11.4%
Rent /Comm/Util	33,000	33,000	-	0.0%	33,000	-	0.0%
Administrative	38,000	38,000	-	0.0%	38,000	-	0.0%
Contracted Services	353,000	803,000	450,000	127.5%	803,000	-	0.0%
Total	**$ 8,656,705**	**$ 9,679,247**	**$ 1,022,541**	**11.8%**	**$ 10,445,134**	**$ 765,888**	**7.9%**

OFFICE OF EXAMINATION AND INSURANCE: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**57.0**	**55.0**	**(2.0)**	**-3.5%**	**55.0**	**-**	**-**
Employee Compensation	12,388,794	12,510,743	121,949	1.0%	13,485,096	974,353	7.8%
Salaries	8,855,876	8,863,876	8,000	0.1%	9,598,359	734,483	8.3%
Benefits	3,532,918	3,646,868	113,949	3.2%	3,886,738	239,870	6.6%
Travel	462,180	943,425	481,245	104.1%	1,053,425	110,000	11.7%
Rent /Comm/Util	23,100	28,940	5,840	25.3%	28,940	-	0.0%
Administrative	708,615	513,912	(194,703)	-27.5%	513,912	-	0.0%
Contracted Services	1,254,000	1,123,880	(130,120)	-10.4%	1,123,880	-	0.0%
Total	**$ 14,836,689**	**$ 15,120,900**	**$ 284,211**	**1.9%**	**$ 16,205,253**	**$ 1,084,353**	**7.2%**

Note: Minor rounding differences may occur in totals.

OFFICE OF GENERAL COUNSEL: 2022–2023 BUDGET SUMMARY

	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**45.0**	**46.0**	**1.0**	**2.2%**	**46.0**	-	-
Employee Compensation	12,053,302	12,893,264	839,961	7.0%	13,530,623	637,359	4.9%
Salaries	8,688,862	9,226,019	537,157	6.2%	9,718,766	492,747	5.3%
Benefits	3,364,441	3,667,245	302,804	9.0%	3,811,857	144,612	3.9%
Travel	48,000	150,000	102,000	212.5%	150,000	-	0.0%
Rent /Comm/Util	5,000	14,000	9,000	180.0%	14,000	-	0.0%
Administrative	5,000	5,000	-	0%	5,000	-	0.0%
Contracted Services	380,000	397,000	17,000	4.5%	397,000	-	0.0%
Total	**$12,491,302**	**$13,459,264**	**$967,961**	**7.7%**	**$14,096,623**	**$637,359**	**4.7%**

OFFICE OF HUMAN RESOURCES: 2022–2023 BUDGET SUMMARY

	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**43.0**	**44.0**	**1.0**	**2.3%**	**44.0**	-	-
Employee Compensation	10,609,324	11,040,194	430,870	4.1%	11,657,422	617,228	5.6%
Salaries	6,800,495	7,028,848	228,353	3.4%	7,496,364	467,516	6.7%
Benefits	3,808,829	4,011,346	202,517	5.3%	4,161,058	149,712	3.7%
Travel	1,048,600	1,352,000	303,400	28.9%	2,884,000	1,532,000	113.3%
Rent /Comm/Util	40,400	59,500	19,100	47.3%	285,500	226,000	379.8%
Administrative	785,540	714,000	(71,540)	-9.1%	914,000	200,000	28.0%
Contracted Services	2,901,083	3,236,275	335,192	11.6%	3,373,275	137,000	4.2%
Total	**$ 15,384,947**	**$ 16,401,969**	**$ 1,017,022**	**6.6%**	**$ 19,114,197**	**$ 2,712,228**	**16.5%**

OFFICE OF EXTERNAL AFFAIRS AND COMMUNICATION: 2022–2023 BUDGET SUMMARY

	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**13.0**	**15.0**	**2.0**	**13.3%**	**15.0**	-	-
Employee Compensation	2,746,796	3,408,797	662,001	24.1%	3,807,708	398,912	11.7%
Salaries	1,941,846	2,418,058	476,212	24.5%	2,716,198	298,140	12.3%
Benefits	804,950	990,739	185,789	23.1%	1,091,511	100,772	10.2%
Travel	17,000	242,000	225,000	1323.5%	242,000	-	0.0%
Rent /Comm/Util	500	59,500	59,000	11800.0%	59,500	-	0.0%
Administrative	66,938	118,000	51,062	76.3%	118,000	-	0.0%
Contracted Services	1,598,675	1,675,500	76,825	4.8%	1,675,500	-	0.0%
Total	**$ 4,429,909**	**$ 5,503,797**	**$ 1,073,888**	**24.2%**	**$ 5,902,708**	**$ 398,912**	**7.2%**

Note: Minor rounding differences may occur in totals.

EASTERN REGION: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**285.0**	**298.0**	**13.00**	**4.6%**	**299.0**	**1.0**	**0.3%**
Employee Compensation	52,147,653	54,484,735	2,337,082	4.5%	58,304,310	3,819,575	7.0%
Salaries	36,046,234	37,361,421	1,315,186	3.6%	40,163,598	2,802,178	7.5%
Benefits	16,101,419	17,123,315	1,021,895	6.3%	18,140,712	1,017,397	5.9%
Travel	3,168,155	5,109,000	1,940,845	61.3%	5,704,000	595,000	11.6%
Rent /Comm/Util	102,622	262,868	160,246	156.2%	262,868	-	0.0%
Administrative	170,896	221,103	50,207	29.4%	221,103	-	0.0%
Contracted Services	201,048	172,000	(29,048)	-14.4%	172,000	-	0.0%
Total	**$55,790,374**	**$60,249,706**	**$4,459,331**	**8.0%**	**$64,664,280**	**$4,414,575**	**7.3%**

SOUTHERN REGION: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**233.0**	**243.0**	**10.00**	**4.3%**	**244.0**	**1.0**	**0.4%**
Employee Compensation	40,882,543	43,716,164	2,833,622	6.9%	46,912,422	3,196,258	7.3%
Salaries	28,278,961	29,828,074	1,549,113	5.5%	32,182,950	2,354,877	7.9%
Benefits	12,603,581	13,888,091	1,284,509	10.2%	14,729,472	841,381	6.1%
Travel	2,647,000	4,912,912	2,265,912	85.6%	5,484,912	572,000	11.6%
Rent /Comm/Util	318,488	318,000	(488)	-0.2%	318,000	-	0.0%
Administrative	186,544	209,254	22,710	12.2%	209,254	-	0.0%
Contracted Services	209,033	431,350	222,317	106.4%	431,350	-	0.0%
Total	**$ 44,243,608**	**$ 49,587,680**	**$ 5,344,073**	**12.1%**	**$ 53,355,938**	**$ 3,768,258**	**7.6%**

WESTERN REGION: 2022–2023 BUDGET SUMMARY							
	2021 Board Approved Budget	2022 Requested Budget	2021-2022 Change	Change Percent	2023 Requested Budget	2022-2023 Change	Change Percent
FTE	**237.0**	**247.0**	**10.0**	**4.2%**	**248.0**	**1.0**	**0.4%**
Employee Compensation	42,434,238	44,890,771	2,456,533	5.8%	47,542,823	2,652,052	5.9%
Salaries	29,104,594	30,684,491	1,579,897	5.4%	32,631,549	1,947,058	6.3%
Benefits	13,329,644	14,206,280	876,636	6.6%	14,911,274	704,994	5.0%
Travel	3,346,000	5,689,000	2,343,000	70.0%	6,344,000	655,000	11.5%
Rent /Comm/Util	570,500	648,500	78,000	13.7%	648,500	-	0.0%
Administrative	258,900	261,200	2,300	0.9%	261,200	-	0.0%
Contracted Services	231,000	226,000	(5,000)	-2.2%	226,000	-	0.0%
Total	**$ 46,840,638**	**$ 51,715,471**	**$ 4,874,834**	**10.4%**	**$ 55,022,524**	**$ 3,307,052**	**6.4%**

Note: Minor rounding differences may occur in totals.

X. Appendix B: Capital Projects

NATIONAL CREDIT UNION ADMINISTRATION: CAPITAL INVESTMENT PROJECTS

Description	2021 Board Approved	2022 Board Approved	2022 Requested	2023 Requested
IT software development investments				
Examination and Supervision Solution and Infrastructure Hosting	$ 7,388,000	$ 597,000	$ 875,000	$ 1,375,000
Enterprise Systems Modernization (ESM) Data Reporting Services	$ -	$ -	$ 739,000	$ 1,283,000
Enterprise Data Program	$ 350,000	$ 350,000	$ 350,000	$ 350,000
Enterprise Central Data Repository	$ 1,626,000	$ -	$ -	$ -
Data Collection and Sharing Solution	$ -	$ -	$ -	$ 3,000,000
NCUA Website Development	$ 100,000	$ 100,000	$ 100,000	$ -
Performance Management System Replacement	$ 154,000	$ -	$ -	$ -
Continuous Diagnostic Mitigation (CDM)	$ 900,000	$ -	$ -	$ -
Anticipated New Software Development Investments (M365)	$ 1,450,000	$ -	$ -	$ -
System Updates for Significant Regulatory Changes	$ -	$ -	$ 1,000,000	$ -
CU Locator and Research a Credit Union Updates	$ -	$ -	$ 240,000	$ -
Anticipated additional software development investments	$ -	$ 14,273,000	$ -	$ 2,391,000
Total, IT software development investments	**$ 11,968,000**	**$ 15,320,000**	**$ 3,304,000**	**$ 8,399,000**
Other Information technology investments				
Enterprise Laptop Lease	$ 807,000	$ 2,075,000	$ 5,000,000	$ 100,000
Information Technology Infrastructure, Platform and Security Refresh	$ 3,870,000	$ 1,200,000	$ 1,600,000	$ 1,500,000
Refresh VoIP Phone System	$ 950,000	$ -	$ -	$ -
Hybrid Work Environment (Conference room and equipment upgrades)	$ -	$ -	$ 265,000	$ -
Executive Order on Cybersecurity	$ -	$ -	$ 1,400,000	$ 3,070,000
Total, Other Information technology investments	**$ 5,627,000**	**$ 3,275,000**	**$ 8,265,000**	**$ 4,670,000**
Capital building improvements and repairs				
Central Office Rennovations	$ 500,000	$ -	$ -	$ -
Central Office HVAC System Replacement	$ -	$ -	$ 1,500,000	$ -
Austin, TX Office Building Improvements	$ 750,000	$ 250,000	$ -	$ -
Total, Capital building improvements and repairs	**$ 1,250,000**	**$ 250,000**	**$ 1,500,000**	**$ -**
Grand Total, Capital Projects	**$ 18,845,000**	**$ 18,845,000**	**$ 13,069,000**	**$ 13,069,000**

Project name	**Examination and Supervision Solution and Infrastructure Hosting (ESS&IH)/ MERIT Enhancements**					
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**	**2021***	**2022****	**2023**	**2024**	**2025**
	Acquisition	$7,388	$875	$1,375	TBD	TBD
	Operations and Maintenance	$6,952	$11,322	$10,764	$11,559	TBD
	Notes: *An additional $276k was funded from the 2021 Share Insurance Fund (SIF) Administrative Budget to make the system available to State Examiners. **An additional $200k is funded from the 2022 SIF Administrative Budget to support State Supervisory Authority (SSA) data feeds.					
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**	**2021**	**2022**	**2023**	**2024**	**2025**
	Expand the MERIT Pilot to include additional states, corporate credit unions, regional natural person credit union	Minimum 15 credit unions, 50 examiners, and one state will be on-boarded 28 credit unions, 202				

	examiners, and other contact types to gather additional feedback for enhancing MERIT and the ESS applications while supporting user adoption.	NCUA Examiners, 4 States were onboarded (Actual)				
	Finalize deployment and training of NCUA and SSA users on MERIT and associated examination systems to begin the transition from AIRES to MERIT by December 31, 2021	100% staff and SSA partners trained 100% staff and SSA partners trained (Actual)				
	Production System Availability	99.9% (Planned) 99.9% (Actual)	99.9%	99.9%	99.9%	99.9%
Detailed project description	Because of the COVID-19 pandemic, the NCUA delayed deployment of the Modern Examination and Risk Identification (MERIT) tool and its related suite of examination and supervision solutions (ESS) tools (e.g., NCUA Connect, DEXA, Admin Portal) in 2020. The NCUA continued to enhance IT services and add staff and states onto the MERIT system for select contacts as part of an expanded 2020 pilot. Starting in the summer of 2021, the NCUA deployed MERIT and trained all applicable NCUA staff, SSAs, and credit union users on the new applications.					

	In 2022, the NCUA will address system bugs reported by the broader user base and, as funds are available, will continue to enhance MERIT and the ESS suite of applications based on user feedback. The NCUA also plans to bring additional applications onto NCUA Connect to leverage this new enterprise service and meet multi-factor authentication security requirements. Capital funds will be used to upgrade platforms and contractor support for system enhancements including better security controls, Section 508 compliance, more efficient configuration capabilities, and new functionality such as improved access to data for SSAs and user experience improvements.	
Quarterly project schedule and deliverables	March 2022	Complete rollout support of MERIT with expanded Help Desk assistance augmented by regional staff.
	June 2022	Complete MERIT Platform Upgrades.
	August 2022	Complete development and testing of SSA Data export service.
	December 2022	Complete onboarding of new applications onto NCUA Connect and conduct MERIT refresher training webinar and/or attend regional meetings to address user questions and concerns.
Performance benchmark for investment	As a result of implementation of the Modern Examination and Risk Identification tool (MERIT) and its related suite of examination and supervision solutions (ESS) (e.g., NCUA Connect, DEXA, Admin Portal), users will be able to achieve: • 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.	
Project risks and mitigation strategies	**Risk**	**Mitigation**
	If the response to user-reported system bugs and requests for help are slow, then users may become frustrated and user adoption could be impacted.	Define Operating and Maintenance (O&M) service levels and manage user expectations. Actively manage O&M backlog and pro-actively communicate status and plans to users.
	If the timeline for issuing regulatory changes to industry changes, then program plans will need to adjust to align.	Carefully monitor policy decisions and actively manage the ESS&IH product backlog, making adjustments to timelines, as needed, to align with business priorities.

Project name	**Data Reporting Solution (DRS)**					
Project sponsor	Office of Business Innovation and Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All NCUA Offices External: N/A					
Budget	**$ in thousands**	**2021**	**2022**	**2023**	**2024**	**2025**
	Acquisition	$0	$739	$1,283	$300	$300
	Operations and Maintenance	$0	$0	$0	$383	$383
Link to NCUA strategic goals	Goal 1: Ensure a Safe and Sound Credit Union System. The DRS will enable agency staff to better fulfill their responsibility to "provide high-quality and efficient supervision," which is NCUA strategic objective 1.2. This will provide staff with a modern, self-service business intelligence environment enabling more responsive, powerful, and innovative data analysis and reporting capabilities. Goal 3: Maximize organizational performance to enable mission success. The DRS 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." It will provide a modern business intelligence data environment designed to meet the self-service capability needs of staff across the agency for efficient and effective data access, use, collaboration, and communication.					
Project performance	**Performance measures**	**2021**	**2022**	**2023**	**2024**	**2025**
	Provide business data staff with self-service enterprise BI tool leveraging core legacy data sources		☑			
	Develop new self-service analytic data structures in ECDR with an initial subset of enterprise data		☑			
	Iteratively extend new self-service analytic data structures in ECDR with additional enterprise data			☑	☑	☑
	Iteratively transition the self-service enterprise BI tool data sources to newly developed self-service analytic data structures in the ECDR once validated for business use			☑	☑	☑

	Phase 1 - Integrate MERIT data from MetricStream into ECDR and make ready for consumption into new self-service analytic data marts			☑		
	Phase 2 - Integrate remaining MERIT data from MetricStream into ECDR and make ready for consumption into new self-service analytic data marts			☑		
	Procure and implement metadata management software			☑	☑	☑

Detailed project description	The Data Reporting Solution (DRS) is part of the NCUA's Enterprise Solution Modernization (ESM) program. ESM's purpose is to modernize NCUA's technology solutions to create an integrated examination and data environment and facilitate a safe and sound credit union system. DRS is focused on implementing a business intelligence solution for enhanced data access, integrity, analytics, and reporting.
	The Enterprise Data Program (EDP) provides leadership on business and governance process needs for DRS. DRS' data-related investments iteratively build towards the objective of integrating our legacy enterprise data and new MERIT data into structures that can be leveraged by the business for self-service development of reporting and analytic work products. NCUA's 2020 data maturity assessment confirmed the need for improved access and functionality in using data, with a strong desire for a common self-service BI capability for efficient and effective use by staff. DRS will provide a modern self-service BI tool for the enterprise, as well as access to data to enable staff to efficiently and effectively utilize the tool.
	DRS leverages other key modernization initiatives — the Enterprise Central Data Repository (ECDR), the new enterprise data integration point and platform to support data and analytic initiatives as well as expanded examination data in MERIT, the NCUA's new examination platform.
	Delivering a new BI environment will be an iterative process, including:
	• Rolling out an enterprise BI tool (e.g., tool access, data access, and training) for self-service to business data staff to use with the legacy data environment.
	• Developing new analytic data structures in the ECDR designed and organized for increased business value and self-service.
	  ○ The initial data set necessary to address many NCUA reporting and analytic use cases (focused largely around available exam and call report data) will only be a minimum subset of NCUA's enterprise data.
	  ○ Iterative ongoing development will continue for incorporation of other critical enterprise data over time based on prioritization of available data.
	• Iteratively transitioning the BI tool data sources from legacy to newly developed ECDR-based analytic data structures optimized and validated for business use.
	• Integrating MERIT exam data from MetricStream into the ECDR so it is ready to					

	incorporate into the new analytic data structures for self-service. • Obtaining and implementing metadata management software to provide a business data glossary, quality, lineage, and governance functionality. • Sunsetting, repointing (to new analytic data sources in ECDR), and/or recreating key legacy enterprise reports. • Maintaining the new analytic data structures as part of the ECDR environment, as well as the licensing to enable enterprise-level functionality of the BI tool, and the metadata management solution.	
Quarterly project schedule and deliverables	March 2022	Contractor procurement to build analytic data structures optimized for business self-service in the ECDR. Procurement for a subscription for enterprise functionality of the self-service BI tool.
	June 2022	Self-service BI tool rollout to staff.
	September 2022	NCUA data staff start using the enterprise self-service BI tool to develop and transition reports.
	December 2022	Initial baseline analytic data structures in ECDR ready for validation by business.
Performance benchmark for investment	• Create reporting and analysis efficiencies by reducing the time required to access data, prepare data for analysis and correct data anomalies. • Reduce agency risk by improving accuracy and consistency in reporting and analytics. • Enable more responsive analytics and reporting to meet dynamic nature of agency needs. • Enable advanced analytics to enhance risk assessment of credit unions.	
Project risks and mitigation strategies	**Risk**	**Mitigation**
	If staff resources assigned to this project are needed to support unforeseen higher priority tasks, then there may be delays with project deliverables.	Continuous communication with OCIO and NCUA leadership on task prioritization and/or resource conflicts that could affect this ESM-level project.
	If an enterprise approach to designing and delivering business intelligence capability is not appropriately aligned with current business needs and culture, the effectiveness and user adoption may be significantly impacted.	Solicit business feedback, establish a refined project plan with clear milestones, establish an effective collaboration model, establish phased accountability checkpoints, and ensure senior executive management is presented with options and recommendations during critical junctions of the project.
	If the development of ECDR-based analytic data structures optimized for business use take longer than planned, then their use with the enterprise self-service BI tool will be delayed.	In the interim, business users will have the benefit of utilizing the enterprise self-service BI tool in the current legacy data environment, which would still provide data analytic and reporting capabilities to meet the mission.

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**	**2021**	**2022**	**2023**	**2024**	**2025**
	Acquisition	$350	$350	$350	$200	$200
	Operations and Maintenance	$0	$0	$0	$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 data lifecycle involves multiple offices across the agency.					
Project performance	**Performance measure**	**2021**	**2022**	**2023**	**2024**	**2025**
	Assess and align EDP with Federal Data Strategy and Evidence-Based Policy Making Act	☑	☑	☑	☑	☑
	Continue Training and Support of Operation of the Enterprise Data Governance Council	☑	☑	☑	☑	☑
	Implement data governance for initial data standards for Exam and Institutional Financial Data Domains	☑				
	Conduct Critical Data Element Inventory for Exam and Institutional Financial Data Domains	☑				

	Support Critical Data Element Inventory for MERIT data		☑	☑		
	Develop initial business requirements for enterprise business intelligence capability for reporting and analytics	☑				
	Develop and implement a collaborative framework to design and validate an enterprise business intelligence capability for reporting and analytics	☑	☑	☑	☑	☑
	Develop and implement a governance model for enterprise reporting publishing and distribution		☑	☑	☑	☑
	Support development and integration of self-service analytic and reporting environment best practices and innovation		☑	☑	☑	☑
	Conduct Business Metadata Gap Assessment for Exam and Institutional Financial Data Domains	☑	☑			
	Conduct market research on tools to meet business metadata catalogue needs		☑			
	Develop and maintain business processes to operate an enterprise metadata catalog and data dictionary			☑	☑	☑
	Define and implement requirements for data quality and compliance monitoring for enterprise data domains			☑	☑	☑
	Support extension of data governance for additional data domains and phases of the data lifecycle	☑	☑	☑	☑	☑
Detailed project description	The NCUA's Chief Data Officer leads the Enterprise Data Program. The primary goal is to enable the NCUA to manage enterprise data as a strategic asset through its full lifecycle. The program focus is to improve the agency's effectiveness by maturing data management practices to ensure the use of high-quality data in operations, reporting, and analytics. This is a highly collaborative effort to facilitate alignment across offices and performance of data-related work. Additionally, the EDP provides the overall business leadership and strategic direction for the Data Reporting Solution (DRS) as part of the NCUA's Enterprise Solution Modernization Program. The EDP reduces risks facing the current data environment and improves the NCUA's overall reporting and data analysis capabilities. This will be accomplished through governed data and as well as a governed self-service business intelligence capability to conduct risk analysis and target					

	exams and supervision where needed to enhance the agency's ability to adapt to institution and industry conditions.	
Quarterly project schedule and deliverables	March 2022	Develop and implement a model for collaborative business intelligence capability, validation, and delivery.
	June 2022	Complete market research on tools to meet business metadata needs.
	September 2022	Develop and socialize an enterprise analytic governance plan.
	December 2022	Execute enterprise analytic governance plan.
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 design and implementation of data-related organizational processes are not adequately informed and based on technical and strategic data management best practices, then the effectiveness of the agency's analytic and reporting capabilities may be reduced.	Leverage external technical expertise and industry knowledge to effectively mature data practices and advance the NCUA's internal analytic capabilities.

Project name	**NCUA Website Development**					
Project sponsor	Office of External Affairs and Communications					
Customers/ beneficiaries	External: Visitors to NCUA Public Websites					
Budget	**$ in thousands**	**2021**	**2022**	**2023**	**2024**	**2025**
	Acquisition	$100	$100	$0	$0	$0
Link to NCUA strategic goals	Goal 2: Provide a regulatory framework that is transparent, efficient, and improves consumer access. The website development project will improve how the NCUA shares information with the public, credit unions, Congress, and the media about the agency and its functions, Board actions, and other matters. The project helps the NCUA achieve Strategic Objective 2.1, "deliver an effective and transparent regulatory framework," and Strategic Objective 2.2, "enforce federal consumer financial protection laws and regulations in federal credit unions." The web services contract provides on-demand, agile support for the completion and delivery of special web projects and tasks. Goal 3: Maximize organizational performance to enable mission success. The website development project ensures that the NCUA utilizes efficient technology and business processes for managing the content of its public-facing websites.					
Project performance	**Performance measure**	**2021**	**2022**	**2023**	**2024**	**2025**
	Better data presentations will make credit union performance information accessible to more audiences, including academics, data/business intelligence firms, and reporters. Additional UX/UI improvements will make the website more accessible to an increasingly mobile audience and ensure the website adapts to changes in user behavior.	Increase Users 4%	Increase Users 4%			
Detailed project description	The website development project serves the web-related needs of the NCUA and visitors to its public websites. This funding request supports improvements to the website, such as an improved					

	user experience, and provides support for design, development, and maintenance of NCUA.gov and MyCreditUnion.gov. The project scope includes: (1) search engine optimization; (2) data visualization and other improvements to how data is presented on the public website; and (3) migrating legacy systems and utilities over to the agency's current content management system.	
Quarterly project schedule and deliverables	March 2022	Modified ITSS web services contract implemented.
	June 2022	High-priority projects implemented on a continuous basis on NCUA.gov will improve the presentation of financial performance data.
	September 2022	
	December 2022	
Performance benchmark for investment	The completion of updated visual design, content that conforms with Section 508 and usability standards, improved website traffic and engagement rates, and design documents that conform with the *NCUA Web Style Guide*.	
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.	OEAC will ensure content complies with requirements of the *NCUA Communications Manual*, *NCUA Web Style Guide*, Section 508, and Web Content Accessibility Guides (WCAG). OEAC 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.	OEAC will work with the agency's business units to forecast potential projects and develop project plans that are efficient and that support the agency's strategic objectives.

Project name	**Significant Regulatory Changes**					
Project sponsor	Office of the Chief Information Officer (OCIO)					
Customers/ beneficiaries	Internal: Various External: Credit Unions, Credit Union Members, State Supervisory Authorities (SSAs)					
Budget	**$ in thousands**	**2021**	**2022**	**2023**	**2024**	**2025**
	Acquisition	$0	$1,000	TBD	TBD	TBD
	Operations and Maintenance	$0	$0	$0	$0	$0
Link to NCUA strategic goals	Goal 1: Ensure a Safe and Sound Credit Union System. By making changes to systems to support new rules approved by the Board, the OCIO will enable credit union examiners to fulfill NCUA Strategic Objective 1.2, "provide high-quality and efficient supervision." Goal 2: Provide a Regulatory Framework that is Transparent, Efficient, and Improves Customer Access. OCIO will enable staff to perform their work more effectively, helping the NCUA achieve Strategic Objective 2.1, "deliver an effective and transparent regulatory framework."					
Project performance	**Performance measures**	**2021**	**2022**	**2023**	**2024**	**2025**
	TBD					
	Performance measures are "TBD" because they will depend on which initiatives are approved by the Board in 2022. A more detailed project schedule, detailed deliverables, and performance measures will be identified once the Board initiative(s) is approved.					
Detailed project description	This investment will allow for applications and databases to be updated to accommodate the NCUA Board initiatives. Often, when Board initiatives are passed, the regulatory changes impact multiple legacy systems. These changes can be significant, requiring additional time and resources to ensure affected systems are updated before the rule goes into effect. Examples of Board-approved initiatives from 2021 include: approval for adding a sensitivity or "S" component rating to the existing CAMEL system in October 2021; approval of the Current Expected Credit Losses (CECL) Final Rule in June of 2021. This investment would allow for the OCIO to implement Board priorities in the necessary systems, thereby supporting the over-arching NCUA mission. Should any additional rules approved by the Board take effect in 2022, OCIO would need to immediately start assessing the impact to systems and how they need to be modified to support the rule change. Depending on the approved rule: • OCIO would assess the impacts to the NCUA application portfolio. During this process, OCIO may need to involve the appropriate internal and external stakeholders and system(s) owners. • Determine the level of effort (LOE) to address the rule change in the affected system(s).					

	• Acquire (as necessary) the resource(s) needed to make the change(s). • Develop a project schedule, deliverables list, and performance benchmarks to ensure funding is appropriately monitored. • Update the affected system(s). • Conduct user acceptance testing (UAT) with system owner(s) and end users. • Implement the change(s) to the system(s) in the production environment.	
Quarterly project schedule and deliverables	March 2022	TBD
	June 2022	TBD
	September 2022	TBD
	December 2022	TBD
	The items listed above are all "TBD" as they will depend on which initiatives are approved by the Board in 2022. A more detailed project schedule and detailed deliverables will be identified once the Board initiative(s) are approved, so that this investment can be appropriately tracked.	
Performance benchmark for investment	The performance benchmark for the investment will be defined once a Board initiative is approved. However, each benchmark will clearly define the system(s) affected; the due date for when the data field(s) and/or database(s) would need to be modified to support the initiative; and the acceptance of the change(s) by the relevant NCUA office.	
Project risks and mitigation strategies	**Risk**	**Mitigation**
	If regulatory changes require more system revisions than planned, then O&M work would have to be re-prioritized to address requirements or users may be required to utilize workarounds that impact the overall adoption and collection of regulatory data.	Prioritize enhancements and changes with the Board and affected stakeholders. Maintain regular communications with the Board and affected stakeholders.

Project name	**Credit Union (CU) Locator and Research a Credit Union Updates**					
Project sponsor	Office of Business Intelligence (OBI)					
Customers/ beneficiaries	Internal: E&I, CURE, OCFP, OEAC, Regions, and OBI External: Credit Unions, Credit Union Members, and the Public					
Budget	**$ in thousands**	**2021**	**2024**	**2025**	**2026**	**2027**
	Acquisition	$0	$240	$0	$0	$0
	Operations and Maintenance	$0	$0	$0	$0	$0
Link to NCUA strategic goals	Goal 2: Provide a regulatory framework that is transparent, efficient and improves consumer access. Updating CU Locator and Research a Credit Union websites will allow the NCUA to fulfill Strategic Objective 2.3, "facilitate access to federally-insured credit union financial services," by providing the public with a more user friendly tool to search for and find information on federally insured credit unions. Goal 3: Maximize organizational performance to enable mission success. Updating CU Locator and Research a Credit Union websites will help the NCUA achieve Strategic Objective 3.2.3, to "implement secure, reliable, and innovative technology solutions," by providing a more accessible website to search for and find information on federally insured credit unions.					
Project performance	**Performance measures**	**2021**	**2022**	**2023**	**2024**	**2025**
	Update CU Locator to be a mobile-responsive website and 508 compliant		100%			
	Update Research a Credit Union to be a mobile-responsive website and Section 508 compliant		100%			
	Complete CU Locator Additional Functionalities		100%			
	Complete Research a Credit Union Additional Functionalities		100%			
Detailed project description	The current CU Locator and Research a Credit Union websites are public-facing websites that can be accessed through NCUA.gov. Both websites are used externally by credit unions, credit union members, and the public to find the addresses, contact information, and member services of credit unions, and to quickly find profile and call report data. The current websites are not mobile-responsive, nor Section 508 compliant. The purpose of this investment is to update both CU Locator and Research a Credit Union websites to make them mobile-responsive websites (e.g., automatically resize to the screen size of a phone or tablet), 508 compliant, and add functionalities based upon requirements gathered.					
Quarterly project schedule and deliverables	March 2022	Complete pre-award acquisition activities and issue solicitation.				
	June 2022	Contract award.				
	September 2022	Complete CU Locator and Research a Credit Union updates.				
	December 2022	Project closeout.				
Performance benchmark for investment	As a result of updating CU Locator and Research a Credit Union websites, the NCUA will reduce its risk for having a public-facing website that is not 508 compliant. Additionally, users will have a positive user experience accessing these responsive websites from mobile devices or tablets.					
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 project staff resources are assigned to other assignments, then the implementation schedule will be delayed.	Create integrated master schedule with clear process for resource prioritization and scheduling.				

Project name	**Enterprise Laptop Refresh**					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	All NCUA					
Budget	**$ in thousands**	**2021**	**2022**	**2023**	**2024**	**2025**
	Acquisition	$807	$5,000	$100	$0	$0
	Operations and Maintenance	$0	$0	$0	$0	$0
Link to NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. The Enterprise Laptop Refresh project will help employees perform their work more effectively and efficiently, supporting Strategic Objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation." New hardware provides staff with new functionality and improved security features that enhance user productivity, increase mobile functionality, and lower IT administrative costs due to a decreased need for support services.					
Project performance	**Performance measures**	**2021**	**2022**	**2023**	**2024**	**2025**
	Ensure operability of critical, legacy business applications on the Windows 11 platform.		☑			
	Deploy new Windows 11-based laptops to all eligible NCUA employees and contractors.		☑			
	Enhance centralized management of agency laptops and applications during the O&M phase.		☑			
Detailed project description	The purpose of the Enterprise Laptop Refresh project is to provide the NCUA staff with a more efficient, mobile friendly, and secure business productivity tool to help them better perform their jobs at a reasonable cost. The project scope includes: (1) the selection of new, standard laptop configurations, (2) testing the new laptops and operating system with the NCUA's existing business and productivity applications, network, and peripherals (e.g., keyboards, printers, and scanners), (3) device acquisition, and (4) the managed deployment of the new devices to					

	all of the NCUA's employees and contractors. Future year costs are associated with the expected purchase of additional laptops and/or peripherals. By including hardware and operating system support in the purchase contract, and following a three-year replacement lifecycle, the NCUA will be able to keep pace with changes in workstation and operating system technology in a cost-effective manner.	
Quarterly project schedule and deliverables	March 2022	Complete solicitation process and award new laptop contract.
	June 2022	Test applications and complete pilot/User Acceptance Testing.
	September 2022	Deploy new laptops to all NCUA employees.
	December 2022	Complete collection and sanitization/disposition of legacy laptops.
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 OMB's Category Management Policy guidance on the acquisition of desktops and laptops as applicable.	
Project risks and mitigation strategies	**Risk**	**Mitigation**
	If COVID-19 continues to impact the global supply chain, we may encounter delays in acquiring hardware (e.g., laptops, peripherals).	Identify metrics and service level agreements for vendors to manage the risks and meet demands.
	If OneDrive for Business is not enabled, the Windows 10 Autopilot out-of-box experience will be significantly degraded.	Implement OneDrive sync capability prior to the Laptop Refresh business pilot.
	If the resident workforce does not return to Central and Regional offices, laptop and peripheral standards may need to be renegotiated.	Develop a contingency plan for NCUA office installs and end-user remote/telework office standards.

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**	**2021**	**2022**	**2023**	**2024**	**2025**
	Acquisition	$3,870	$1,600	$1,500	$0	$0
	Operations and Maintenance	$1,068	$1,068	$1,068	$1,068	$0
Link to NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. The Information Technology (IT) Infrastructure, Platform, and Security Refresh project will enable credit union examiners to perform their work more effectively and efficiently, helping the NCUA achieve Strategic Objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation".					
Project performance	**Performance measures**	**2021**	**2022**	**2023**	**2024**	**2025**
	Award of more cost-effective infrastructure and security support contracts	☑	☑			
Detailed project description	This project will allow the NCUA to perform refresh of network and platform hardware, as well as begin readiness for cloud adoption. Investment in these projects helps ensure business continuity and efficient operations by improving system availability and stability.					
Quarterly project schedule and deliverables	March 2022	Submit acquisitions for refresh. Begin cloud readiness planning.				
	June 2022	Continue acquisition process and monitoring. Begin cloud transition pilot test.				
	September 2022	Award contracts for refresh. Begin refresh implementation.				
	December 2022	Continue refresh implementation. Complete cloud migration roadmap.				
Performance benchmark for investment	Return on Technology Infrastructure Investment (ROTII) – This project improves system security and infrastructure stability while mitigating the risk of catastrophic system failure. Therefore, to gauge the benefit of the investment, the cost of acquiring the new system can be compared to an estimate of the economic loss that will be prevented by improved system performance. This calculation is shown in the ROTII equation:					

	$$ROTII = \frac{reduction\ in\ economic\ loss\ - cost\ of\ solution}{cost\ of\ the\ solution}$$ The reduction in economic loss is the difference between the annual measured loss prior to the investment and the projected loss after the investment, inclusive of any compliance benefits or potential impact on corporate goodwill. The economic loss is calculated using average contract labor rates and average workforce labor rates representing a potential loss of productivity for a given timeframe.
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 staff 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	**Hybrid Work Environment** (Conference Room and Senior Executive Equipment Upgrades)					
Project sponsor	Office of the Executive Director					
Customers/ beneficiaries	Internal: All NCUA					
Budget	**$ in thousands**	**2021**	**2022**	**2023**	**2024**	**2025**
	Acquisition	$0	$265	TBD	TBD	TBD
	Operations and Maintenance	$0	$0	TBD	TBD	TBD
Link to NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. Replacing the hardware in NCUA Central Office conference rooms allows users to continue to use the conference rooms and senior executive offices.					
Project performance	**Performance measures**	**2021**	**2022**	**2023**	**2024**	**2025**
	Deployment 100% complete		☑			
Detailed project description	VoIP phones are planned to be removed in 2022, which eliminates the conference room phone services from all Central Office conference rooms. This project provides Microsoft Teams compatible conference phones and integrates the conference rooms into the NCUA M365 services for conference reservations.					
Quarterly project schedule and deliverables	March 2022	Create and submit procurement package for equipment.				
	June 2022	Finalize rollout plan for central office conference rooms and senior executive offices.				
	September 2022	Complete rollout of central office conference room equipment.				
	December 2022	Complete rollout of central office senior executive equipment.				
Performance benchmark for investment	Conference equipment remains functional in the Central Office through the VoIP refresh and integrates with M365 services already in the acquisition process.					
Project risks and mitigation strategies	**Risk**		**Mitigation**			
	If the acquisition is delayed, then conference room and senior executive conference equipment will no longer function.		Notify users and delay the rollout of updated conference equipment.			

Project name	**Executive Order on Improving the Nation's Cybersecurity**					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All NCUA External: All Credit Unions					
Budget	**$ in thousands**	**2021**	**2022**	**2023**	**2024***	**2025***
	Acquisition	$0	$1,400	$3,070	TBD	TBD
	Operations and Maintenance			TBD	TBD	TBD
	* Estimated budget for 2024 – 2025 is "TBD" because investments will depend on the results of the gap analysis scheduled for 2022.					
Link to NCUA strategic goals	Goal 3: Maximize organizational performance to enable mission success. This multi-year capital investment will enable the NCUA to comply with Executive Order 14208, helping the NCUA achieve Strategic Objective 3.2, to "deliver an efficient organizational design supported by improved business processes and innovation."					
Project performance	**Performance measures**	**2021**	**2022**	**2023**	**2024**	**2025**
	Complete Gap Analysis and Recommendations Report		100%			
	Multi-Factor Authentication Updates		100%			
	Update Zero Trust Architecture Based Upon Gap Analysis and Recommendations Report			TBD	TBD	TBD
	Cloud Migration Based upon Gap Analysis and Recommendations Report			TBD	TBD	TBD
Detailed project description	The purpose of the Executive Order on Cybersecurity capital investment is to ensure the NCUA complies with Executive Order (EO) 14208, *Improving the Nation's Cybersecurity*. The project will enable the appropriate applications to use Multi-Factor Authentication (MFA), implement a zero-trust architecture for the NCUA's infrastructure and applications, and shift compute and storage resources from on-premise to a cloud service provider.					
Quarterly project schedule and deliverables	March 2022	Complete pre-award acquisition activities and issue solicitation for Gap Analysis and Recommendations Report.				
	June 2022	Contract Award.				
	September 2022	Complete Gap Analysis and Recommendations Report.				
	December 2022	Complete MFA identified application(s).				

Performance benchmark for investment	The performance benchmarks for the investment will be defined by the various high-level initiatives (MFA, zero trust architecture, and Cloud) within EO 14208. Each benchmark will be clearly defined based upon the high-level initiative. In 2022, the benchmark will be completing MFA for the identified application(s).	
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 staff resources are assigned to other assignments, then the implementation schedule will be delayed.	Create integrated master schedule with clear process for resource prioritization and scheduling.

Project name	**Central Office HVAC System Replacement**					
Project sponsor	Office of the Chief Financial Officer					
Customers/ beneficiaries	Internal: All NCUA Headquarters Building Occupants External: All NCUA Headquarters Building Visitors					
Budget	**$ in thousands**	**2021**	**2022**	**2023**	**2024**	**2025**
	Acquisition	$0	$1,500	$0	$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 operations in the agency's largest building while lowering utility costs by replacing end-of-life systems with more energy-efficient ones, helping achieve Strategic Objective 3.2, "deliver an efficient organizational design supported by improved business processes and innovation."					
Project performance	**Performance measure**	**2021**	**2022**	**2023**	**2024**	**2025**
	Energy Consumption (percentage reduction in energy used)	n/a	-10%	-15%	-18%	-18%
	System Outages (percentage reduction)	n/a	-20%	-40%	-60%	-70%
Detailed project description	The project will replace all HVAC systems in the headquarters building to include all cooling towers, air handlers, boilers, and other HVAC components. The current HVAC system is original to the facility (29 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 systems' major components is approximately 20–25 years. The current system is at the end of its useful life and 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. By replacing the HVAC system, the NCUA will ensure its infrastructure meets all current codes for life safety, accessibility, and security. The HVAC new system will result in cost savings, increased energy and operational efficiency, and lower maintenance costs. The first phase of the HVAC project — replacing two chiller towers for the system and pre-purchasing equipment for phase two — is being executed and it is anticipated to be					

	completed by the summer of 2022. Phase two — installing chiller tower three, installing air handlers and circulators, and replacing the boiler — will be executed concurrently to reduce mobilization cost.	
Quarterly project schedule and deliverables	January 2022	Sign contract for phase two for concurrent execution with phase one.
	March-April 2022	Replace cooling tower three, air handlers one, two, and three.
	July 2022	Replace boiler.
	Nov 2022	Final test and balance of all system.
Performance benchmark for investment	The replacement will improve building efficiency by an estimated 15 percent, which exceeds the 2011 Energy Code that mandates, for existing nonresidential buildings 10,000 square feet and larger, (1) an energy efficiency audit must be performed once every 5 years identifying specific cost-effective measures that would save energy; and (2) the reduction of energy consumption of 5 percent by the introduction of more efficient systems.	
Project risks and mitigation strategies	**Risk**	**Mitigation**
	Schedule. The schedule can be impacted by demand and cooling tower manufacturing lead times. COVID-19 affected production and equipment availability, adding delays of up to 80 percent for equipment manufacturing.	Cooling tower installation will be planned for the fall or winter months, allowing adequate lead time, to prevent disruption of building operations during spring and summer. Equipment will be pre-purchased to avoid manufacturing delays and increased cost.
	Ongoing existing system failures. In 2021, the NCUA headquarters building experienced over 20 HVAC system failures due to aging equipment. It additionally experienced a major chiller failure that reduced the building cooling capacity to 50 percent.	HVAC System Replacement plan encompasses replacing parts showing high levels of deterioration first to address the most common failure types.

[FR Doc. 2021–25486 Filed 11–23–21; 8:45 am]
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