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## 2017–2018 Budget Justification

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Prepared by the Office of the Chief Financial Officer

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## Budget in Brief

### 2017–2018 Budget in Brief: Narrative Overview

NCUA's budget process uses the agency's strategic goals and objectives set forth in the *NCUA Strategic Plan 2017 through 2021* as a framework to ensure agency priorities and initiatives drive resulting resources needs and allocations. The annual budget provides the resources to execute against the strategic plan and undertake tasks in NCUA's major programs: examination and supervision, insurance, small credit union initiatives, consumer protection, and asset management.

**The 2017 Revised Operating Fund Budget is \$298.2 million, and includes a net decrease of 17 full-time equivalents (FTE) from the 2017 Board Approved Budget and the 2016 Board Approved Budget. The 2017 Revised Budget represents a decrease of 1.6 percent, or \$4.8 million, from the 2017 Board Approved Budget of \$303 million, and a 2.5% increase, or \$7.2 million, from the 2016 Board Approved Budget.** The estimate for 2018 is \$312.1 million. The 2018 budget request for authorized FTE will reflect a decline of 61 positions from a peak of 1,269 authorized FTE in 2015. Adjustments to last year's 2017 Board Approved Budget are summarized below.

**Staffing.** The 2017 FTE level is decreased to a revised authorized level of 1,230. The net decrease of 17 FTEs includes a reduction of 25 credit union examiner positions to be achieved through attrition, which reflects the Examination Flexibility Initiative (EFI) working group recommendations that extend the length of the examination cycle to provide relief to well-managed, low-risk credit unions. The budget reallocates nine of these positions to add mission-support staff to further support NCUA's Continual Quality Improvement initiative and provide critical support for the credit union examination program. One senior staff position is also being eliminated in 2017 and 2018. The 2018 budget requests an additional reduction of 22 positions as part of the EFI through attrition. An additional two FTEs will be repurposed to administer the records management program.

**Pay and Benefits.** Pay and benefits decreased by \$4 million, or 1.8 percent, for a budget of \$216.3 million. The increase supports the merit and locality pay adjustments required by NCUA's current collective bargaining agreement, as well as the new positions, promotions, position changes, and other mandatory employer contributions including health insurance and retirement contributions. The 2018 pay and benefits budget request of \$224.4 million reflects the additional net reduction of 22 FTEs as outlined in the staffing section.

**Travel.** The revised travel budget decreased by \$1.1 million, or 3.8 percent, for a budget of \$28.5 million. Although the standard lodging per diem rates for fiscal year 2017 will increase, overall travel costs will be lower, in line with the reduction of 25 credit union examiners. The 2018 budget also includes travel reductions associated with the reduction of another 22 examiner positions. The 2018 request of \$28.9 million includes an increase for the agency's biennial National Exam Program Training.

**Rent, Communications, and Utilities.** Rent, communications, and utilities budget decreased by \$0.2 million, or 3 percent, for a budget of \$6.7 million to maintain essential telecommunications, data capacity, and network support. The 2018 request is expected to remain unchanged at \$6.7 million.

**Administrative Expenses.** Administrative expenses decreased by \$2.4 million, or 15.2 percent, for a total budget of \$13.4 million. Most of this reduction is attributed to a reallocation of software expense to contracted services. The administrative expenses primarily include depreciation and amortization expenses of capital acquisition and software licenses, Federal Financial Institutions Examination

Council fees, relocation expenses, and examiner supplies and materials. The 2018 request is expected to remain unchanged at \$13.4 million.

**Contracted Services.** Contracted services expenses increased by \$3.0 million or 9.8 percent, for a total budget of \$33.3 million. The contracted services line items of the budget reflect costs incurred when products and services are acquired in the commercial marketplace. These services include critical mission support such as information technology hardware and software development support, accounting and auditing services, and specialized subject matter expertise. The 2018 request is expected to increase by \$5.3 million for operations and maintenance costs associated with 2017 capital budget investment projects.



**2017 Budget in Brief: Summary Table**

	<b>2017 Revised Budget</b>	<b>Change from 2017 Board Approved</b>	<b>Percent Change</b>	<b>Description</b>
<b>Total 2017 Operating Budget (millions)</b>	<b>\$298.2</b>	<b>↓ \$4.8</b>	<b>-1.6%</b>	The 2017 Revised Budget provides the resources required to execute the priorities outlined in NCUA’s Strategic Plan (2017–2021).
<b>Total Staffing (FTEs)</b>	<b>1,230.0</b>	<b>↓ 17</b>	<b>-1.4%</b>	NCUA’s budget proposes to reduce 25 credit union examiner positions and reallocate nine FTEs to add mission support staff to further support the stated priorities of a robust supervision framework, consumer access programs, and to strengthen information technology, security, legal and acquisition infrastructure support. One senior staff position will also be removed for 2017 and 2018.
<b>Budget Category (millions of dollars)</b>				
<b>Pay &amp; Benefits</b>	<b>\$216.3</b>	<b>↓ \$4.0</b>	<b>-1.8%</b>	<p>Pay and benefits adjustment is for merit and locality pay changes as required by the Collective Bargaining Agreement.</p> <p>The budget proposes to reduce 25 credit union examiner positions as recommended by the Exam Flexibility Initiative to extend the examination cycle. Nine new mission support positions are also funded while a senior staff position is removed. The increase also funds the new FTEs and other mandatory employer contributions, including health insurance and retirement.</p>
<b>Travel</b>	<b>\$28.5</b>	<b>↓ \$1.1</b>	<b>-3.8%</b>	Although standard daily lodging rates increase, overall travel costs will be adjusted in line with the reduction of 25 credit union examiners.
<b>Rent, Communications, and Utilities</b>	<b>\$6.7</b>	<b>↓ \$0.2</b>	<b>-3.0%</b>	The reduced cost elements are essentially unchanged and maintain essential telecommunications, data capacity, and network support.
<b>Administrative</b>	<b>\$13.4</b>	<b>↓ \$2.4</b>	<b>-15.2%</b>	The reduction is due to reallocating software expense to contracted services. Expenses primarily include depreciation and amortization expenses of capital acquisition and software licenses that support operational requirements, fees paid to the Federal Financial Institutions Examination Council, relocation expenses, and employee supplies and materials.
<b>Contracted Services</b>	<b>\$33.3</b>	<b>↑ \$3.0</b>	<b>+9.8%</b>	The contracted services line items reflect costs incurred when products and services are acquired in the commercial marketplace. These services include critical mission-support such as information technology hardware and software development support, accounting and auditing services, and specialized subject matter expertise.



**2018 Budget in Brief: Summary Table**

	2018 Requested Budget	Change from 2017 Board Approved Budget	Percent Change	Description
<b>Total 2018 Operating Budget (millions)</b>	\$312.1	↑ \$9.1	+3.0%	The 2018 budget provides the resources required to execute the priorities outlined in NCUA's Strategic Plan (2017–2021).
<b>Total Staffing (FTEs)</b>	1,208.0	↓ 39	-3.1%	NCUA's budget proposes to reduce an additional 22 credit union examiner positions to support the Exam Flexibility Initiative recommendations. Combined with the 2017 reduction of 25, a total reduction of 47 FTEs will be reduced over two years. An additional two positions will be repurposed to help administer NCUA's records management program.
<b>Budget Category (millions of dollars)</b>				
<b>Pay &amp; Benefits</b>	\$224.4	↑ \$4.2	+1.9%	<p>Pay and benefits adjustment includes merit and locality pay changes as required by the Collective Bargaining Agreement.</p> <p>The budget proposes to reduce an additional 22 credit union examiner positions as recommended by the Exam Flexibility Initiative to extend the examination cycle for well-managed, low-risk credit unions. An additional two positions will be repurposed to help administer NCUA's records management program. The increase also funds other mandatory employer contributions, including health insurance and retirement.</p>
<b>Travel</b>	\$28.9	↓ \$0.7	-2.3%	The travel adjustment made in line with the reduction of 22 credit union examiners is offset by the travel cost increases associated with the 2018 National Exam Program Training planned for April 2018.
<b>Rent, Communications, and Utilities</b>	\$6.7	↓ \$0.2	-3.0%	The rent, communications, and utility line items are expected to remain unchanged and will provide the current level of recurring expenses.
<b>Administrative</b>	\$13.4	↓ \$2.4	-15.2%	Administrative costs are expected to remain unchanged and will provide the current level of recurring expenses.
<b>Contracted Services</b>	\$38.6	↑ \$8.3	+27.2%	The contracted services line items reflect costs incurred when products and services are acquired in the commercial marketplace. These services include critical mission support such as information technology hardware and software development support, accounting and auditing services, and specialized subject matter expertise. The 2018 request is expected to increase by \$5.3 million for operations and maintenance costs associated with 2017 capital budget projects.

## Overview of the National Credit Union Administration

### Introduction

NCUA is an independent government agency and through its Operating Fund, conducts activities prescribed by the Federal Credit Union Act of 1934, as amended, which include the following:

- chartering new federal credit unions;
- approving field of membership applications of federal credit unions;
- promulgating regulations and providing guidance;
- performing regulatory compliance and safety and soundness examinations;
- implementing and administering enforcement actions, such as prohibition orders, orders to cease and desist, and orders of conservatorship and liquidation; and
- administering the National Credit Union Share Insurance Fund.

NCUA's 2017–2018 Budget Submission supports *NCUA's Annual Performance Plan* and the *NCUA 2017 through 2021 Strategic Plan* to achieve agency priorities and improve agency performance.

The budget supports NCUA's three strategic goals:

- Ensuring a safe and sound credit union system;
- Promoting consumer protection and financial literacy; and
- Cultivating an inclusive, collaborative workplace that maximizes productivity and enhances impact.

Throughout 2017 and 2018, NCUA will resource and implement initiatives to continue meeting its mission to *“provide, through regulation and supervision, a safe and sound credit union system which promotes confidence in the national system of cooperative credit,”* and its vision to ensure that *“NCUA will protect consumer rights and member deposits.”* This budget enables NCUA's plans to address key challenges and leverage agency strengths.

The agency will continue to effectively supervise and insure a growing and evolving credit union system. Future risks to credit unions include escalating cybersecurity threats, interest rate and liquidity challenges, real estate and member business loan concentrations, and rapid changes in technology. Each risk requires continual monitoring and, where prudent, risk-mitigation strategies to protect the overall credit union system from preventable losses or failures. NCUA staff are the agency's most important assets, and must have the skills, training, and tools necessary to do their jobs in this complex and dynamic financial environment.

In 2017, NCUA will rely upon 1,230 employees to perform all the tasks in NCUA's major program areas and support functions. The budget provides the resources to execute against the strategic plan and undertake tasks in NCUA's major programs: examination and supervision, insurance, small credit union initiatives, consumer protection, and asset management. NCUA operates a central office, an Asset Management and Assistance Center to liquidate credit unions and recover assets, and five regional offices. Reporting to these regional offices, 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.

Credit unions are privately owned, cooperative associations organized for the purpose of promoting thrift among their members and creating a source of credit for provident and productive purposes. Credit unions provide a valuable service to the public as accessible financial institutions that are not-for-profit. The NCUA Board and staff will continue to promote the success of the credit union system by funding and providing the framework for a safe, sound system that is responsibly managed and capable of providing desired financial services to current and future members.

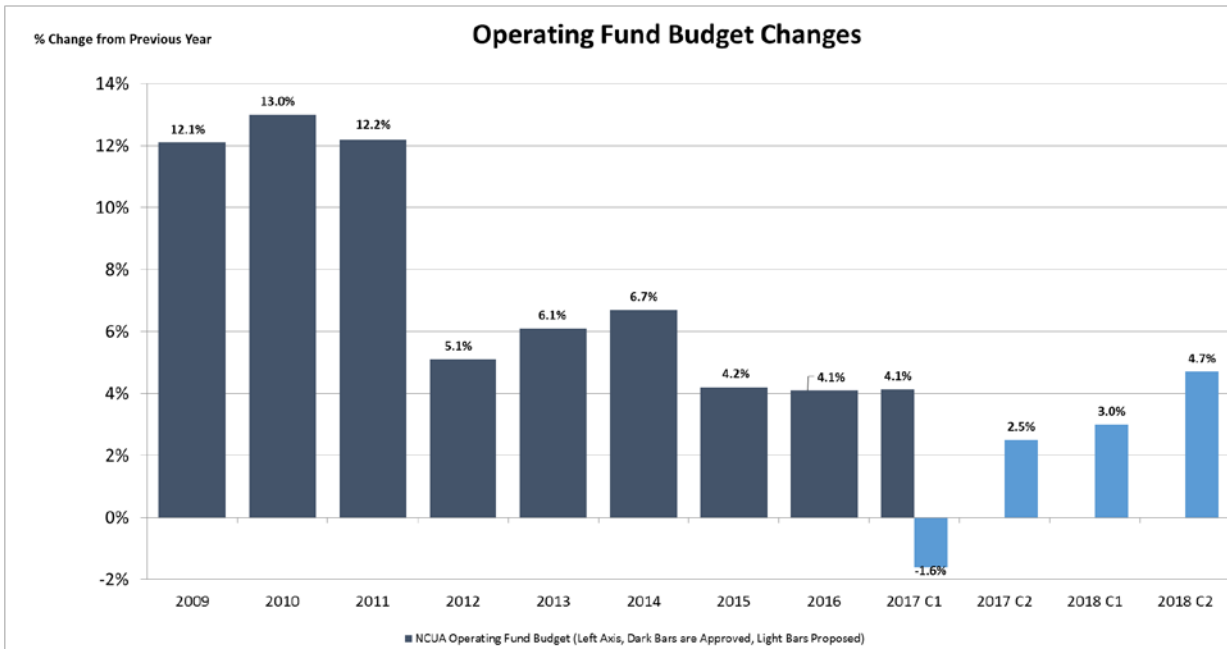
NCUA funds its activities through operating fees levied on all federal credit unions and through reimbursements from the Share Insurance Fund, funded by both federal credit unions and federally insured state-chartered credit unions. The annual overhead transfer rate determines the amount of the Share Insurance Fund to reimburse the Operating Fund.

### Summary of Revised 2017 Budget

NCUA continues to normalize its operations in a post-recession environment and reinstated the two-year budget cycle in 2016. This was standard practice at NCUA for many years and is commonplace in federal government agencies today. The second-year budget estimate represents our best current estimate, and will be revisited again the following year with updated and more accurate information. The Board approved a 2017 Budget of \$303 million in November 2015 with the expectation that the 2017 Budget would be restated the following year using zero-based budgeting techniques at the office and line-item detail level.

The 2017 Revised Budget of **\$298.2 million** represents a decrease of **1.6 percent**, or **\$4.8 million**, from the 2017 Board Approved Budget estimate of \$303 million, and an increase of 2.5 percent, or \$7.2 million from the 2016 Board Approved Budget. The budget reflects necessary expenditures to ensure successful execution of the agency's mission and strategic plan. The 2018 Requested Budget is estimated to be \$312.1 million, a 3.0 percent increase from the 2017 Board Approved Budget.



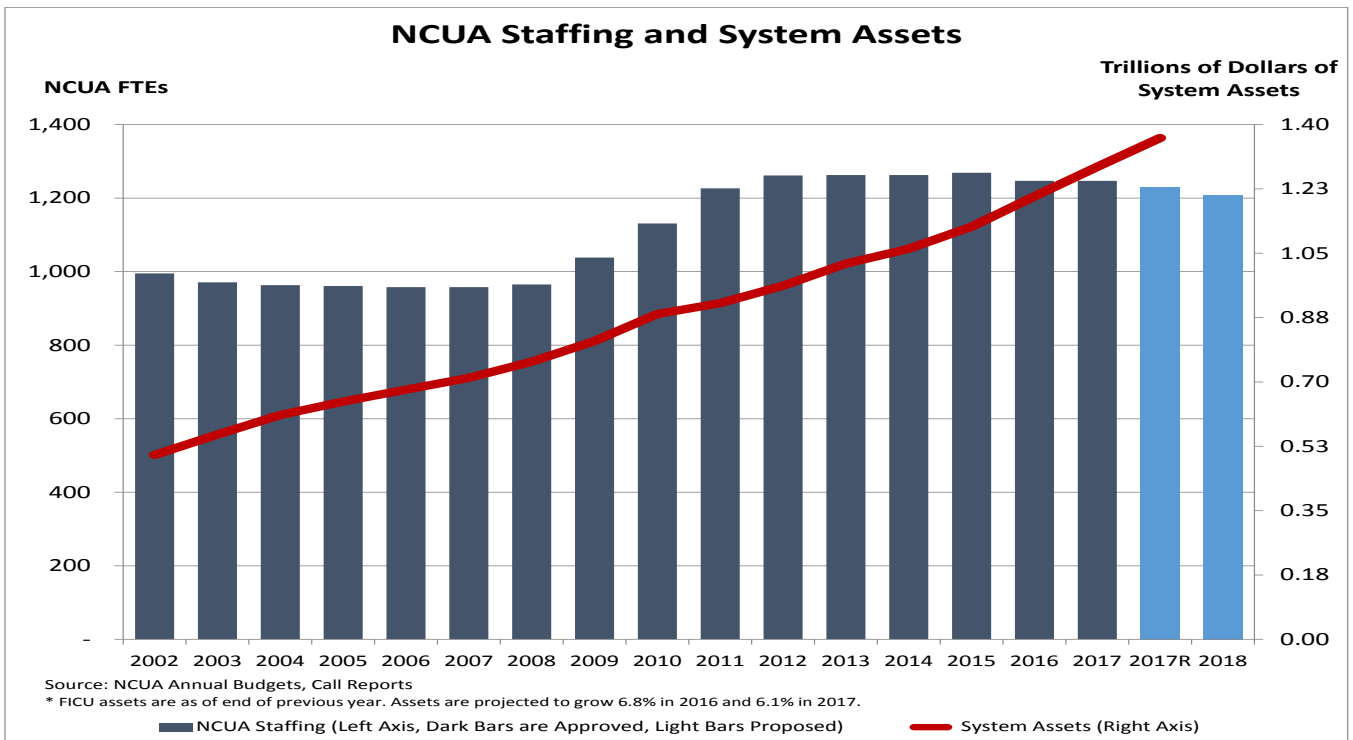


Light Blue = Proposed:

2017 C1 = Change from the 2017 Board Approved Budget  
2018 C1 = Change from the 2017 Board Approved Budget

2017 C2 = Change from the 2016 Board Approved Budget  
2018 C2 = Change from the 2017 Revised Budget

The 2017 Revised Budget adjusts the authorized staffing levels approved in the 2017 Board Approved Budget at the November 2015 Board meeting. The Full-Time Equivalent (FTE) authorized level of **1,247 is reduced by 17 to 1,230**. The credit union examiner positions will be adjusted by attrition and slowed hiring. NCUA staffing growth continues to remain well below credit union asset growth.



## Summary of Revised 2018 Budget

The 2018 budget request will reduce authorized personnel by an additional 22 positions through attrition, for a revised FTE level of 1,208. This adjustment supports the Exam Flexibility Initiative's recommendations to extend the examination cycle for well-managed, low-risk credit unions and reduce NCUA credit union examiners by a total of 47 personnel over two years.

An additional two positions will be repurposed to support the increased requirements for records management and keep pace with the higher expectations for protection of information and records. As part of the ongoing effort to strengthen the agency's information management programs, NCUA anticipates hiring up to two agency record positions to help administer NCUA's records management program. The positions will help ensure that NCUA fully complies with all applicable statutes and regulations regarding federal records management. Increased emphasis and requirements are addressed in the Office of Management and Budget's Circular A-130, *Managing Information as a Strategic Resource*, revised in July 2016 and OMB M-12-18, *Managing Government Records Directive*. The latter sets forth various compliance dates by year-end 2019. The core requirements for federal agency compliance with records management requirements are addressed in 36 CFR Chapter XII, Subchapter B – *Records Management*; and USC Title 44 at Chapter 31 – *Records Management by Federal Agencies*, to name a couple. NCUA believes that, even apart from its requirements to do so, maintaining a robust records management system promotes openness and accountability and reduces costs in the long term.

The pay and benefits growth will be adjusted in accordance with the collective bargaining agreement. Travel will be reduced by a net \$0.7 million, including \$0.5 million in accordance with the reduced examiner workload and offset by the agency's biennial National Exam Program Training planned for 2018. The administrative, rent, communications, and utility budget line items are all assumed to remain the same as the 2017 Revised Budget. The contracted services budget request is estimated to increase \$5.3 million to support operations and maintenance costs associated with the 2017 capital budget investment projects.

## Authority

Pursuant to the Federal Credit Union Act, the management of NCUA is vested in the NCUA Board. It is the Board's responsibility to determine the expenses necessary to carry out its responsibilities under the Act.<sup>1</sup> The Board is authorized to expend such funds and perform such other functions or acts as it may deem necessary or appropriate in accordance with the rules and regulations or policies established by the Board.<sup>2</sup>

Upon determination of the budgeted expenses, the Board determines a fee schedule with respect to federal credit unions, giving consideration to the expenses of the NCUA in carrying out its

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<sup>1</sup> See 12 U.S.C. 1752a(a).

<sup>2</sup> See 12 U.S.C. 1766(i)(2).

responsibilities in connection with federal credit unions and the ability of federal credit unions to pay a fee.<sup>3</sup> Fees collected are required to be deposited with the Treasury of the United States for the account of the Administration, and these fees must be expended by the Board to defray the expenses incurred in carrying out the agency's operations, including the examination and supervision of federal credit unions.<sup>4</sup> In accordance with its authority to use the Share Insurance Fund to carry out its responsibilities, pursuant to the Overhead Transfer Rate, the Board transfers resources from the Share Insurance Fund to its Operating Fund on a monthly basis to account for insurance-related budgeted expenses.<sup>5</sup> At the end of the calendar year, NCUA's financial transactions are subject to audit in accordance with Generally Accepted Accounting Principles.<sup>6</sup>

## **Budget Process**

NCUA's budget process starts with the agency's strategic goals and objectives set forth in the *NCUA Strategic Plan 2017 through 2021* as a framework to ensure agency priorities and initiatives drive resulting resources needs and allocations.

Each regional and central office director developed a budget request identifying resources required to support NCUA's mission and strategic goals and objectives. These budgets were developed using zero-based budgeting techniques (described below) to ensure each office's requirements were individually justified and consistent with the agency's overall strategic plan. One of the primary inputs in the development process is a comprehensive workload analysis that captures the amount of time necessary to conduct examinations and supervision of federally insured credit unions in order to carry out NCUA's dual mission as insurer and regulator.

This process starts with a field-level review of every federally insured credit union to determine the number of workload hours needed for the current year. The workload estimates are refined by management in the field program until the final budget proposal is completed and forwarded to the central office for review and analysis. The final workload analysis establishes the foundation for the NCUA's five regional office budget requests and for the Office of National Examinations and Supervision, representing approximately three-quarters of NCUA personnel. In addition to the workload analysis, which is used to develop personnel and travel costs, all offices developed cost estimates for fixed and recurring items such as rent or leased property, operations and maintenance, repair on owned facilities, supplies, telecommunications, and other administrative and contracted services costs.

All office budget submissions within NCUA underwent thorough reviews by the responsible regional and central office directors, the Chief Financial Officer, and executive leadership. NCUA's Information Technology Prioritization Council meets several times during the year to consider, analyze and prioritize software initiatives and align those IT investments with NCUA's mission. These focused reviews result in a mutually agreed-upon budget recommendation to support NCUA's top priorities.

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<sup>3</sup> See 12 U.S.C. 1755(a)-(b).

<sup>4</sup> See 12 U.S.C. 1755(d).

<sup>5</sup> See 12 U.S.C. 1783(a).

<sup>6</sup> See 12 U.S.C. 1783(b) and 1789(b).

Comparisons to last year's 2017 Board Approved Budget are included in this document. In addition, comparisons to the 2016 Budget are also included in this document. A summary description of the major spending items in each budget category is included to provide improved transparency and understanding of how the budget resources will be used. The 2017 Revised Budget and the 2018 Requested Budget are provided by major budget category, office, and detail by cost element. 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 2018 represents NCUA's current projections of operating costs for 2018 at this time.

## Budget Priorities and Initiatives

The 2017 Revised Budget supports the agency priorities and goals outlined in the annual performance plan and the *NCUA Strategic Plan 2017 through 2021*. The requested resources and new initiatives support NCUA's mission to maintain a safe and sound credit union system.

### Supervision

The supervision program contributes to the safety and soundness of the credit union system. Through its supervision program, NCUA conducts credit union examinations, enforces regulations, and provides guidance to assist credit unions in understanding regulations and emerging risks. Examinations, onsite and offsite supervision, and the collection of credit union 5300 Call Report data provide information that helps to identify risks to the system and high-risk credit unions. Risks to the credit union system are typically resolved through the modernization of regulations, increased supervisory guidance, and administrative actions.

To maintain safety and soundness for credit unions, NCUA will continue to provide high-quality, effective, and efficient supervision that is agile and risk-based. In 2017, requested resources will be focused towards institutionalizing cybersecurity training and development, developing and refining examination programs, and critical infrastructure and risk management at the policy level. An additional objective of the supervision program in 2017 is to advance examiner specialization to effectively identify and evaluate risk in larger, more complex credit union portfolios. This includes individuals with specialized expertise in capital markets, business lending, investments, information technology, cybersecurity, economics, statistics, and other relevant fields.

### Consumer Protection and Access

NCUA protects credit union members through effective enforcement of federal consumer financial protection laws, regulations, and requirements. The consumer protection program is responsible for overseeing NCUA's consumer protection and access, chartering, field-of-membership programs and policies, and fair lending. The program also focuses on developing and promoting financial literacy education programs for credit unions and providing information directly to consumers on [MyCreditUnion.gov](http://MyCreditUnion.gov). The NCUA Board and program staff continue to foster an environment allowing credit unions to better serve their members while maintaining safety and soundness of the system. It is NCUA's objective to protect consumer rights and member deposits by enforcing appropriate consumer protection regulations, enhancing consumer confidence, and providing financial literacy and education. In 2017, NCUA will focus additional requested resources on ensuring access to federally insured financial services for consumers of all backgrounds and income levels, with an emphasis on those of modest means and supporting broader economic inclusion by increasing the usability of contemporary information on [MyCreditUnion.gov](http://MyCreditUnion.gov), including the Pocket Cents financial literacy microsite.

### Asset Management

NCUA conducts credit union liquidations and performs management and recovery of assets through the Asset Management and Assistance Center (AMAC). AMAC strives to maximize the recovery of assets in liquidations and minimize costs to the Share Insurance Fund and credit union members.

AMAC assists NCUA regional offices with the review of large, complex loan portfolios and actual or potential bond claims. It also participates extensively in the operational phases of conservatorships and records reconstruction.

The requested resource levels support capable and trained personnel, systems, and infrastructure to effectively manage liquidation activity. Maintaining and updating AMAC's internal systems and processes will ensure capabilities are in place to handle the straightforward as well as complex liquidation when credit unions fail. NCUA's proposed investments in AMAC systems will modernize the financial operations and create efficiencies in the prompt payment of members' confirmed insured shares upon involuntary liquidation of a credit union.

### **Information Technology Modernization**

Many of NCUA's key IT platforms do not leverage current technology in terms of capabilities and security. *NCUA Strategic Plan 2017 through 2021* addresses the investment and upgrade of technology software systems. The agency's Enterprise Solutions Modernization initiative is a series of IT upgrades that will replace outdated systems, some of which are nearly two decades old, reduce costs, and streamline many processes for credit unions. ESM will deliver secure, reliable, and innovative technology solutions to support NCUA business imperatives with a focus on replacing end-of-life technology with a modern, robust platform to address technical risk and provide a foundation for future expansion of capabilities. Additional objectives for the IT modernization efforts include raising the minimum standards for our data to increase the completeness and accuracy of our information as well as increasing virtual, remote, and telework employee efficiency through the use of technology.

Implementing market leading analytic tools allows NCUA to further risk analysis, identify key trends, and target examinations where most needed. The new IT applications include modernization of Automated Integrated Regulatory Examination System and Credit Union Online, as well as development of a new field-of-membership system. These investments will provide enhancements to carry NCUA forward.

The capital budget includes \$10.4 million for ESM investments in 2017 and \$7.5 million in 2018 as outlined in the capital budget request.

### **Infrastructure**

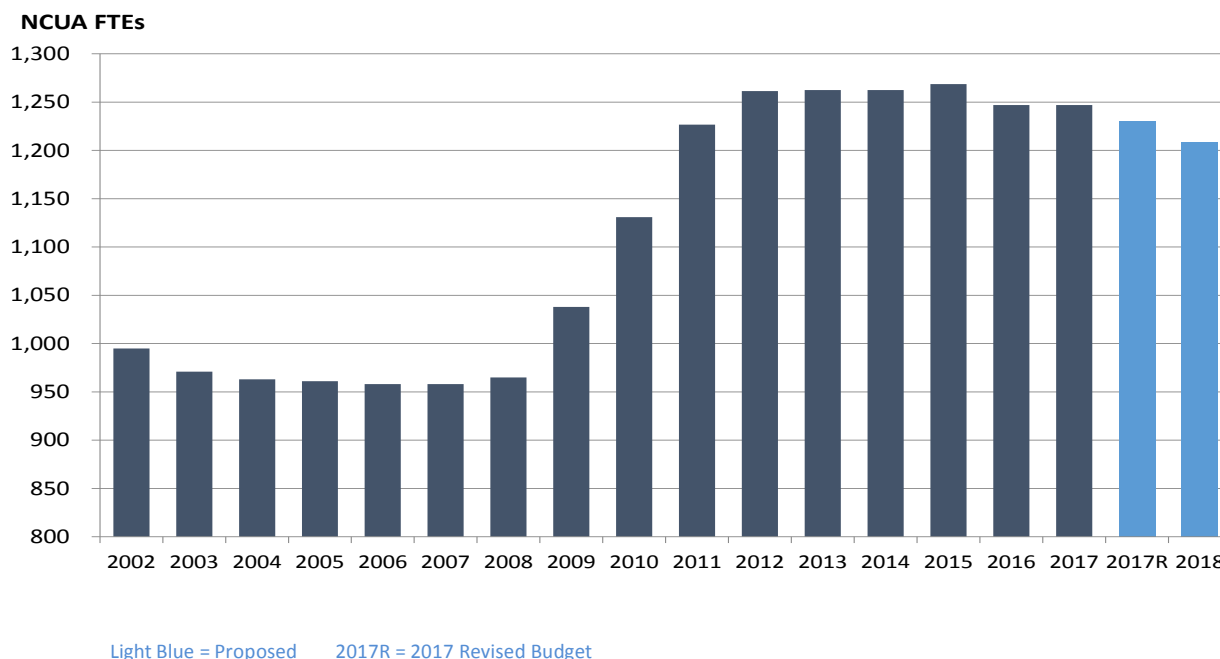
NCUA's mission support resources are critical to the agency's operations. The agency's new strategic plan prioritizes continual quality improvement to make our operations more efficient and effective and emphasizes upgrades to our technology, systems, and processes to improve the quality of the support to our examination and supervision program. The increased budget resources in the revised 2017 Budget focus on supporting IT operations and maintenance, enhancing personnel and physical security, strengthening recruitment tools, redesigning components of the program examination training content, modernizing examination support systems and analytical tools, strengthening enterprise risk management, and modernizing financial management support services.

## Operating Fund Budget

### Staffing Levels

The Revised 2017 Budget reflects an overall decrease from NCUA’s current authorized staffing level of 1,247. Based on the recommendations from the Exam Flexibility Initiative, additional reductions to regional credit union examiners (primarily through attrition) will reduce staffing by 25 full-time equivalents spread across all five regional offices. In 2018, another proposed reduction of 22 regional credit union examiners, also primarily through attrition, are recommended to achieve the appropriate workload balance to support the extended exam cycle and enhance examinations. Another two positions will be repurposed to help administer NCUA’s records management program. A senior staff position will also be removed for 2017 and 2018.

**NCUA Staffing**



While the examination and supervision program will achieve savings from the Exam Flexibility Initiative, an analysis of current workload gaps has identified additional mission support functions to support continual quality improvement and critical support for the credit union examination program. As a result, nine new authorized positions are recommended to support the growing workload in consumer protection, information technology security program, procurement, personnel security, enforcement and litigation, cybersecurity, and credit union exam program accounting standards.

### *Consumer Protection and Access*

The Office of Consumer Protection and Access requests two consumer access program officers to help the office improve overall customer service and more efficiently implement significant changes to NCUA’s field-of-membership rule. The new rule, once effective, will provide increased opportunities for credit unions to grant access to reliable financial services. It will also result in the office receiving greater numbers of field-of-membership requests, as well as requests that are more complex and labor

intensive. By adding program officers with significant institutional knowledge and experience in processing field-of-membership matters in a timely and appropriate manner, the office can more readily accommodate the new rule and improve customer service.

In addition to providing subject matter expertise on chartering and field-of-membership matters, the new program officers will assist with quality control efforts and the development and implementation of a new agency online tracking system to determine the status of charter and field-of-membership applications. The new computer system will improve customer service by providing a greater level of efficiency and accountability. The program officer positions cannot be contracted out because of the confidentiality associated with regulatory policy expertise and interactions with credit unions, stakeholder groups, and state regulators.

### *Cybersecurity*

The Office of Examination and Insurance requests a third information system officer to deal with the growing complexity and importance of cybersecurity exam program issues. Institutionalizing cybersecurity training and development, developing and refining examination programs, and maintaining our obligations on the wide range of interagency activities pertaining to critical infrastructure and risk management requires greater resource commitments to this functional area at the policy level.

The additional expertise and resource will expand the office's ability to improve information sharing and stakeholder communication by coordinating and implementing resources for credit unions, providing expanded training for credit unions, and enhancing the agency's ability to analyze and share threat information with the credit union system and state regulators. The additional resources will improve information for credit unions and assist with ongoing industry training and guidance initiatives, such as developing resilience exercises and aids, developing and disseminating relevant threat information, and building additional credit union specific tools and resources to more effectively and efficiently manage cybersecurity.

### *Examination Program Accounting Standards*

The Office of Examination and Insurance requests an assistant chief accountant for the exam and supervision program to provide necessary resources for the needs associated with accounting standards applicable to credit unions, internal controls, fraud detection and prevention, and anti-money laundering activities. These operational risks continue to grow in scope and complexity as does the need for interagency and industry coordination. There is also a growing need to provide leadership over the related subject matter examiner disciplines, along with a greater demand for training in these areas.

It is critical that NCUA have increased depth in the chief accountant function. The position will improve continuity relating to oversight of NCUA policy relating to accounting, and reporting, fraud detection and prevention and enhanced skills and procedures in identifying operational risks. These improvements will help to increase efficiency and improve the value of examination reviews for credit unions, helping to reduce losses. Credit unions will benefit from increasing efficiencies and better guidance through policy statements, as well as, during supervision contacts.



### *Information Technology Security Program*

The Office of the Chief Information Officer requests two IT program managers to establish and maintain a holistic security program. These positions augment the strategic and policy-based roles of the Chief Information Security Officer and the incident management and forensics analysis. The IT security specialists will ensure the successful implementation of critical program areas while maintaining separation of duty.

The Federal Information Security Management Act requires federal departments and agencies to implement policies and information security controls, inventory and categorize information systems according to risk level, conduct risk assessments, and conduct continuous monitoring to reduce IT security risks to an acceptable level. As a federal agency, NCUA is required to adhere to National Institute of Standards and Technology's guidance and publications related to security configuration, operations, management, incident response, accreditation of information systems, and other recommended guidelines. Investments in IT support safeguarding information entrusted to NCUA.

### *Acquisition Management*

The Office of the Chief Financial Officer requests a senior contract specialist to provide necessary increased oversight and controls over contracting while also supporting NCUA's growing acquisition workload associated with technology projects. Over the past 18 months, extensive efforts have occurred to strengthen NCUA's contracting program. For example, the recently updated NCUA Procurement Policy Manual guide assists NCUA offices and the contract team in solicitations for commercial services.

Because NCUA has a burgeoning workload associated with technology projects, additional support is needed to manage the contract lifecycle for the Enterprise Solutions Management program, including pre-award, competition, post-award activity and working in partnership with the Office of the Chief Information Officer to resolve any contractual issues that may arise during the life of the project. With the increasing reliance on contractors to deliver goods and services, it is essential to have sufficient resources to manage these investments in an effective, efficient, and accountable manner and improve the value delivered to benefit the credit union system.

### *Personnel Security*

The Office of Continuity and Security Management requests an additional personnel security specialist to meet the growing workload estimated to be 100 percent higher in 2017 with 1,300 actions anticipated in 2017 compared with 664 in 2016. The additional specialist is needed to comply with the requirement to review state credit union examiners who have access to NCUA's systems and networks. Ensuring that state regulators are appropriately vetted and credentialed protects NCUA's information technology infrastructure. The Federal Information Security Management Act, the Homeland Security Presidential Directive 12 of 2004, and National Institute of Standards and Technology guidance mandate that individuals who require access to federally-owned sensitive information and IT systems must be appropriately vetted in accordance with federal standards. Failure to ensure state regulators are appropriately vetted for access to NCUA sensitive information and IT systems poses a significant risk to critical infrastructure, personnel, and information. Proper vetting protects public confidence in NCUA and the credit union system.

### *Enforcement and Litigation*

The Office of General Counsel requests an additional attorney in the Enforcement and Litigation Division to support the agency and enable attorneys to work more collaboratively with the supervisory offices formal enforcement actions are being considered. This change would improve NCUA's overall enforcement process by focusing the support efforts, investigations, or both more strategically and earlier in the process.

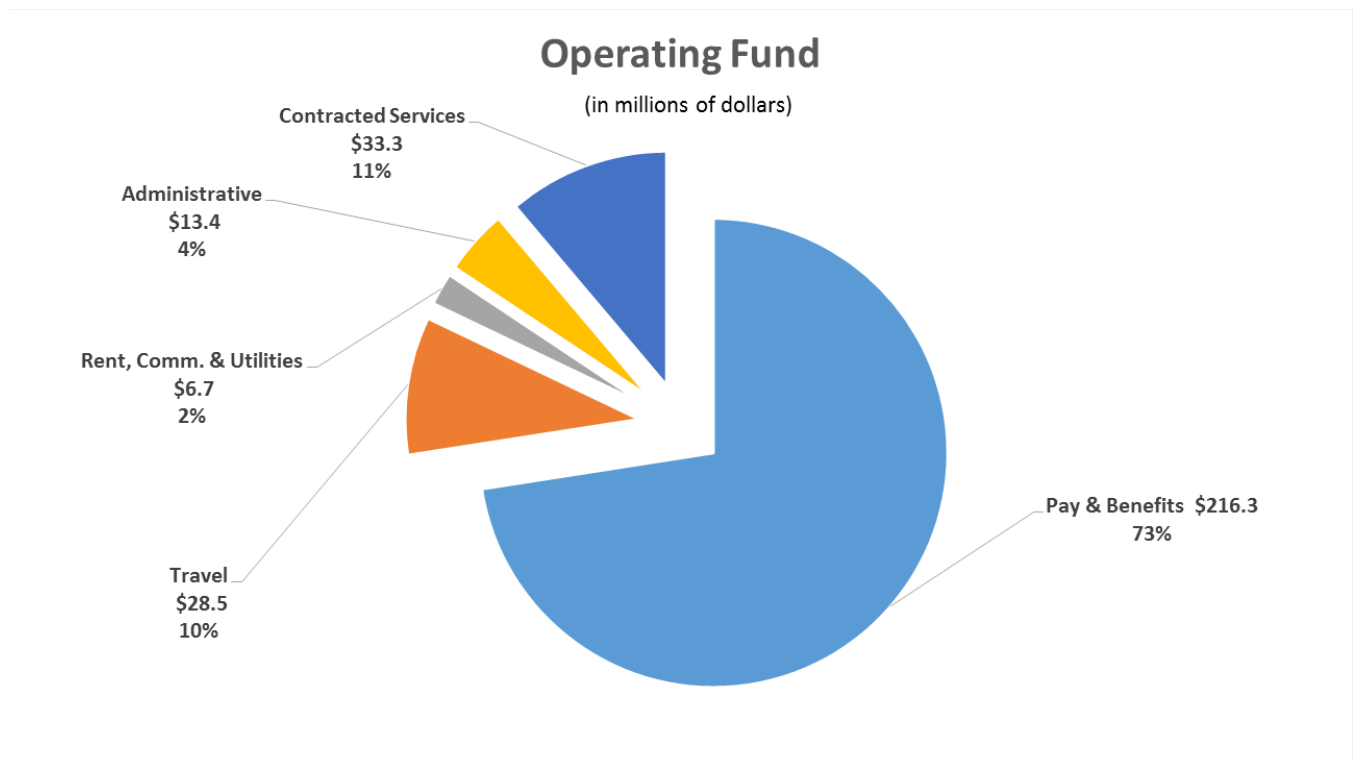
With current staffing levels, typically enforcement and litigation staff are only available to assist at a later stage of an enforcement action. In addition, the division currently has a significant backlog in prohibition actions, specifically those where the agency must prove its case rather than relying on criminal convictions. The press of defensive matters and deadline-driven concurrences of other office's work prevent existing staff from reaching backlogged cases. Finally, enforcement and litigation attorney support is required to meet the growing legal requirements of the Asset Management and Assistance Center.

The credit union system will benefit in at least three ways from the addition of this attorney. First, improved coordination with the regional offices on formal enforcement actions will improve consistency in NCUA's enforcement work, and thereby improve its effectiveness, and this will ultimately improve NCUA's performance. Second, additional resources for prohibition actions will directly improve safety and soundness by keeping out of the system people who have committed serious misconduct; insufficient resources risks having them remain a threat to safety and soundness both directly through the possibility of further misconduct and indirectly by sending a message that misconduct might be tolerated. Third, the credit union system will benefit from increased efficiency, consistency, and transparency in the Asset Management and Assistance Center's operations, but achieving that will require more legal support than the office is currently positioned to provide.

## Budget Category Descriptions and Major Changes

NCUA’s budget is comprised of five major budget categories. The types of expenses that support NCUA’s operations are explained in this section to provide a more comprehensive level of detail of the Operating Fund budget components.

2017 - 2018 NCUA BUDGET SUMMARY								
By Cost Category	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change (2017 Board Approved vs. revised)	Change Percent (2017/17 R)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
Employee compensation	210,928,398	220,269,122	216,253,000	(4,016,122)	-1.8%	224,449,000	4,179,878	1.9%
Salaries	151,053,793	157,700,160	153,948,000	(3,752,160)	-2.4%	161,209,000	3,508,840	2.2%
Benefits	59,874,605	62,568,962	62,305,000	(263,962)	-0.4%	63,240,000	671,038	1.1%
Travel	29,293,388	29,586,322	28,465,000	(1,121,322)	-3.8%	28,915,000	(671,322)	-2.3%
Rent /Comm/Utilities	6,765,525	6,934,663	6,724,000	(210,663)	-3.0%	6,724,000	(210,663)	-3.0%
Administrative	15,701,976	15,827,592	13,414,000	(2,413,592)	-15.2%	13,414,000	(2,413,592)	-15.2%
Contracted Services	28,226,641	30,343,640	33,308,000	2,964,360	9.8%	38,607,000	8,263,360	27.2%
<b>Total</b>	<b>\$ 290,915,928</b>	<b>\$ 302,961,339</b>	<b>\$ 298,164,000</b>	<b>\$ (4,797,339)</b>	<b>-1.6%</b>	<b>\$ 312,109,000</b>	<b>\$ 9,147,661</b>	<b>3.0%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget</b>				<b>\$ 7,248,072</b>	<b>2.5%</b>			
<b>2018 Requested Budget Change from 2017 Revised Budget</b>						<b>\$ 13,945,000</b>	<b>4.7%</b>	





**Employee Pay and Benefits**

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
Employee compensation	210,928,398	220,269,122	216,253,000	(4,016,122)	-1.8%	224,449,000	4,179,878	1.9%
Salaries	151,053,793	157,700,160	153,948,000	(3,752,160)	-2.4%	161,209,000	3,508,840	2.2%
Benefits	59,874,605	62,568,962	62,305,000	(263,962)	-0.4%	63,240,000	671,038	1.1%

**The employee pay and benefits budget is revised to \$216.3 million.** This change is a \$4 million decrease, or a 1.8 percent reduction, as compared to the 2017 Board Approved Budget. Pay and benefits represent 73 percent of the total budget request. A driver of the change is merit and locality pay increases, in accordance with NCUA’s current Collective Bargaining Agreement. NCUA’s compensation continues to “maintain comparability with other federal bank regulatory agencies” as stipulated in the Federal Credit Union Act.<sup>7</sup>

Consistent with other federal pay systems, NCUA’s compensation includes base pay and locality pay components. NCUA staff will be eligible to receive an average merit-based increase of 4 percent and a locality adjustment ranging from zero to 3 percent, depending on location. The increased cost of the nine new proposed positions is estimated at \$795,000 and assumes the personnel will be on board for one-half of the year to account for the hiring and on-boarding process. The increases by office will vary based on current pay levels, position changes, and promotions.

The Office of Personnel Management has not adjusted the economic assumptions used for actuarial valuation of the Federal Employees Retirement System (FERS). For 2017, all federal agencies are expected to contribute 13.7 percent of FERS employees’ salary to the retirement system. The estimated cost of NCUA’s FERS benefits is \$20 million.

While the Office of Personnel Management has indicated the average health insurance increase for the Federal Employees Health Benefits program will be close to 4.4 percent, the revised budget assumes average growth of 3 percent based on historical expenditures. The estimated cost of NCUA’s health benefits in 2017 is \$14 million. The employee pay and benefits category also includes increased costs associated with promotions, position changes, and other mandatory employer contributions such as Social Security, Medicare, retirement, transportation subsidies, and workers’ compensation.

NCUA also projects savings in the employee pay and benefits line item. The planned reduction of 25 examiner positions through attrition will reduce personnel compensation costs by \$4.4 million. In addition, the agency adjusted its assumptions related to staff turnover to better reflect pay and benefits for more experienced personnel who continue to separate from NCUA with retirements and who are assumed to be replaced by a combination of entry-level and midcareer employees. An adjustment is also built into the budget estimate to account for normal annual attrition and turnover and lowers the budget amount.

<sup>7</sup> The Federal Credit Union Act states that, “In setting and adjusting the total amount of compensation and benefits for employees of the Board, the Board shall seek to maintain comparability with other [f]ederal bank regulatory agencies.” See 12 U.S.C. 1766(j)(2).



The 2018 budget includes the same estimates for personnel costs while a further reduction of 22 FTEs is factored into the personnel compensation costs for the EFI, and a reassignment of another two positions will help administer the records management program. The 2018 pay and benefits costs is requested at \$224.4 million to support the 1,208 authorized FTE.

**Travel**

By Cost Category	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change (2017 Board Approved vs. revised)	Change Percent (2017/17 R)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
Travel	29,293,388	29,586,322	28,465,000	(1,121,322)	-3.8%	28,915,000	(671,322)	-2.3%

**The travel budget is revised to \$28.5 million.** This change is a \$1.1 million decrease, or a 3.8 percent reduction, as compared to the 2017 Board Approved Budget. Travel comprises 10 percent of the overall 2017 budget. The decrease is primarily attributed to the reduction of the 25 credit union examiner positions. The total travel budget includes expenses to cover meals and lodging, airfare, reimbursements for privately owned vehicle usage, auto rentals, and other travel costs. These are necessary expenses for examiners’ onsite work in credit unions. Close to two-thirds of NCUA’s workforce is comprised of virtual field staff who spend part of their time traveling to conduct the examination and supervision program and, to a lesser degree, to attend training.

Although the average standard U.S. General Services Administration lodging per diem rates for 2017 will increase by 2 percent, the overall travel costs will be reduced due to the reduction of 25 credit union examiner positions. Training-related travel expenses will increase to support field exams. For example, technical experts such as payment system, capital market, and lending specialists will assist field examiners with program examinations and training, while consumer access analysts will support field consumer compliance issues and follow-up field assessments of business marketing plans for field-of-membership expansions.

One area where additional costs savings are likely is through a reduction in the amount of onsite examination time spent at credit unions. There is currently a study underway to find ways to do more offsite examination work. It is too early to determine the actual level of savings regarding the examination and supervision time spent offsite, but once implemented, it will reduce travel costs.

The 2018 budget request is \$28.9 million and accounts for the reduced travel associated with 22 less credit union examiners, while also including additional resources for the biennial National Exam Program Training.

**Rent, Communications, and Utilities**

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
Rent /Comm/Utilities	6,765,525	6,934,663	6,724,000	(210,663)	-3.0%	6,724,000	(210,663)	-3.0%

**The rent, communications and utilities budget is revised to \$6.7 million.** This change is a \$211,000 decrease, or a 3 percent reduction, as compared to the 2017 Board Approved Budget.

This budget category is the smallest component of NCUA’s budget and covers mainly the agency’s telecommunications and network expenses. Office leases, meeting rentals, office utilities, and postage are expenses in this budget category. The \$3.1 million telecommunications reflects a reduction of \$94,000 from the 2017 Board Approved Budget estimates to more accurately reflect the cost for headquarters and regional offices. The space rental line item includes office leases in the amount of \$1.7 million, an increase of \$139,000, or 8 percent, attributed to the expiration of a rental credit.

The agency identified cost savings in this budget category. The miscellaneous rental line item is \$217,000 less than the initial 2017 Board Approved Budget to more accurately reflect the meeting rental costs for examiner training events and meetings scheduled for 2017. NCUA continues to support its green initiatives and reduced its postage and utility expenditures by \$43,000.

The 2018 budget request is unchanged and will also be \$6.7 million for these recurring expenses.

**Administrative Expenses**

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
Administrative	15,701,976	15,827,592	13,414,000	(2,413,592)	-15.2%	13,414,000	(2,413,592)	-15.2%

**The administrative budget is revised to \$13.4 million.** This change is a \$2.4 million decrease, or a 15.2 percent reduction, as compared to the 2017 Board Approved Budget. This budget category includes depreciation and amortization expenses of capital acquisition and software licenses that support operational requirements. Other costs include the annual Federal Financial Institutions Examination Council reimbursement fees, employee relocation expenses, recruitment and advertising, shipping, printing, subscriptions and publications, examiner training and meeting supplies, office furniture, and employee supplies and materials. Although the budget reflects a decrease, \$2 million of the adjustment is attributed to a realignment of software licensing fees to contracted services line items.

Funding for service and end-user licensing costs for office products and database management applications and other software licenses and maintenance fees will cost \$2.2 million in 2017. This includes the annual license maintenance fee of \$663,000 for the call center managed by the Office of Consumer Financial Protection and Access.

NCUA also identified cost savings in this budget category. As part of the Federal Financial Institutions Examination Council, NCUA shares in costs for joint actions and services that involve all financial institutions. These costs are largely outside NCUA’s control. The fees are \$150,000 less than originally estimated. Meeting supply costs were reduced less than originally estimated at \$110,000, in line with updated meeting and travel schedules. The employee relocation estimates are reduced by \$250,000 to more accurately align with historical actual expenditures.

## Contracted Services

By Cost Category	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change (2017 Board Approved vs. revised)	Change Percent (2017/17 R)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
Contracted Services	28,226,641	30,343,640	33,308,000	2,964,360	9.8%	38,607,000	8,263,360	27.2%

**The contracted services budget is revised to \$33.3 million.** This change is a \$3.0 million increase, or a 9.8 percent increase, compared to the 2017 Board Approved Budget. It includes a realignment of \$2 million of software licenses from the administrative budget category. Excluding this adjustment, the change is a 3.2 percent increase compared to the 2017 Board Approved Budget.

Contracting specific expertise is often a cost-effective approach to support NCUA’s mission. The contracted services line items of the budget reflect costs incurred when products and services are acquired in the commercial marketplace through a competitive process for all contracts over \$7,500. These services include critical mission support such as information technology hardware and software development support, accounting and auditing services, and specialized subject matter expertise that enable NCUA to meet its mission.

The majority of contracted services funding is related to NCUA’s priority goal of implementing a robust supervision framework, to include identifying and resolving traditional risk concerns such as interest rate risk, credit risk, and concentration risk, as well as new and evolving operational risks including cybersecurity risks.

Most of the funding requested for the contracted services category is for recurring infrastructure costs to the agency. For example, the agency incurs recurring contracted services to maintain a number of NCUA systems including critical legacy systems such as the Automated Integrated Regulatory Examination System and Credit Union Online. Here are other items requiring funding:

- Funds are needed to meet **training requirements of the examiner workforce**. NCUA’s most important resource is a highly qualified, skilled workforce. It is important that staff have the proper knowledge, skills, and abilities to perform assigned duties and meet emerging needs. Examiners are required to attend several levels of examiner training, followed by training in core areas such as capital markets, consumer compliance, and specialized lending. The training deliverables for 2017 include classes offered by the Federal Financial Institutions Examination Council, new examiner classes, and several subject matter expert training events for NCUA examiners and state regulators. Contracted resources will be used to develop and redesign several core training classes for examiners and training plans for subject matter experts. Leadership training for NCUA executive and managerial staff will also provide professional development opportunities.
- Funds are needed for **information security program costs that** support ongoing efforts to strengthen cybersecurity and to ensure compliance with the Federal Information System Management Act.

- Funds are needed for **agency financial management services, human resources technology support, and payroll services**. NCUA contracts for these services with the U.S. Department of Transportation’s Enterprise Service Center and the General Services Administration.
- Funds are needed to conduct the annual audit for NCUA’s five funds.

The contracted services have been divided into seven major categories to improve the clarity of the types of recurring annual expenditures:

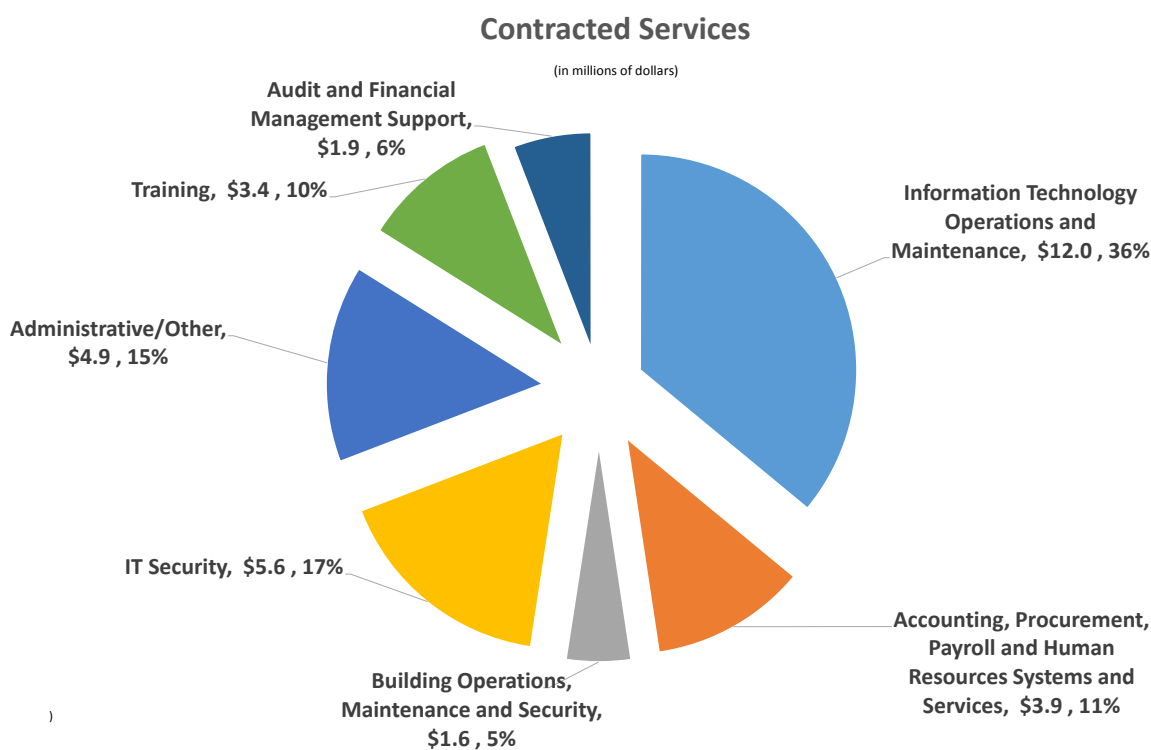
- Information Technology Operations and Maintenance (36 percent of contracted services budget)
  - IT network support services and help desk support
  - Contractor program and web support, and network and equipment maintenance services
  - Administration of software products such as Microsoft Office tools, Share Point and audio visual services
- Accounting, Procurement, Payroll and Human Resources Systems (11 percent)
  - Accounting and procurement systems and support
  - Human resources, payroll, and employee services
  - Equal employment opportunity and diversity programs
- Building Operations, Maintenance, and Security (5 percent)
  - Central office facility operations and maintenance
  - Building security and continuity programs
  - Personnel security and administrative programs
- Information Technology Security (17 percent)
  - Enhanced secure data storage and operations
  - Information security programs
  - Security system assessment services
- Administrative Support and Other Services (15 percent)
  - 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 central office
- Training (10 percent)
  - Examiner staff technical and specialized training and development
  - Senior executive and mission support staff professional development
- Audit and Financial Management Support (6 percent)
  - Annual audit support services
  - Material loss reviews
  - Investigation support services



- Financial management support services

The pie chart summarizes each of the seven categories for contracted services.

The 2018 Requested Budget includes an increase of \$8.3 million over the 2017 Board Approved Budget. This is primarily due to the estimated \$5.3 million of operations and maintenance costs associated with the 2017 capital budget projects. These include systems that support the modernization of NCUA’s IT tools including the Automated Integrated Regulatory Examination System and Credit Union Online. The Enterprise Solutions Management program will improve future operational efficiency and flexibility through improved user experiences for NCUA staff and credit unions. Other agency contract services represent recurring costs as described in the seven major categories above and are consistent with the 2017 Revised Budget resource level.



**New Initiatives**

There are \$4.2 million of new contract initiatives proposed for the 2017 Revised Budget.

The **Office of Security and Continuity Management** proposed to enhance the physical security program at an estimated cost of \$136,000. This funding entails installation of electronic surveillance systems at regional facilities and integration of the monitoring at the central office. The increased cost for operations and maintenance will maintain leased security equipment and provide offsite monitoring of security detection systems at the central office and regional facilities. Enhancements to the electronic surveillance systems comply with Interagency Security Committee standards for ongoing inspections and renewal of security equipment at federal facilities, and thereby, ensures a safer and securer working environment.

The **Office of Chief Financial Officer** estimates an additional \$820,000 of contractor support requirements in 2017. Details about this additional requested spending follows.

*Travel Support – \$150,000*

Concur, the electronic travel system used by NCUA, is more sophisticated and complex and implemented many internal controls, as compared to the previous electronic travel system. Requests for new functionality are continuous and growing at an accelerated pace. This takes substantial time to design, develop, test, and deploy. At the current staffing level, OCFO is limited in its ability to keep up with the growing workload. Additional contractor support would fill this need.

*Security Improvements – \$170,000*

To comply with current federal security requirements, additional screening services are needed to minimize physical security risks at the central office and improve the safety of the work environment.

*Enterprise Risk Management – \$200,000*

Contracted services are essential to strengthen NCUA's enterprise risk-management foundation and to further implementation. Planned efforts include refining risk appetite and risk tolerances for the NCUA enterprise-wide and incorporating enterprise risk-management processes into existing governance processes and developing tools like heat maps, decision templates, and system needs. The support services will also assist in determining future long-term resource technology needs for sustaining the enterprise risk-management program in support of NCUA's strategic plan.

*Financial Management Modernization (Phase 1) – \$300,000*

In many areas, NCUA has opportunities to modernize its fiscal processes to promote efficiency and continuous improvement to further strengthen internal controls. In 2017, resources will focus on improving agency processes and controls for cash receipts, cash disbursements, and procurement.

The **Office of Chief Information Officer** estimates an additional \$1.5 million of contractor support requirements in 2017.

*Enterprise Architecture – \$504,000*

Enterprise architecture and expanded portfolio management support will ensure NCUA's investments in modernizing its legacy IT systems are aligned with the agency's needs and reduce solution delivery time and development costs. This support will bring practices and controls that enhance coordination among solution stakeholders, simplifying the integration of the solutions and build a consistent infrastructure to run the solutions. The portfolio management support will help reduce redundant development efforts and encourage the development of technology that can be reused across the organization.

*Website Support – \$461,000*

Expanded website support is needed to comply with federal requirements under section 508 of the Rehabilitation Act that all electronic and information technology developed, procured, maintained, or used by the federal government be accessible to people with disabilities. In addition, the website enhancements will meet the growing demands of visitors with mobile devices.

*IT Service Desk – \$374,000*

NCUA needs to expand its IT support to meet growing customer service demands from the central office, the five regional offices, and state regulators. Contractors will increase the capacity of the help

desk and provide unique skills to address improvements to the current service desk delivery model. The additional support will enable NCUA technical staff more time to focus on complex technical issues while delegating routine troubleshooting to less-costly contractor support.

*Asset Management and Assistance Center IT Modernization – \$200,000*

IT support for the Asset Management and Assistance Center will provide technical expertise, manage the legacy information systems, and transition to a modernized platform to minimize risk and adverse business impacts.

The **Office of Examination and Insurance** estimates \$800,000 of contractor support requirements.

*Program Training – \$275,000*

The Office of Examination and Insurance requests a project continuation to institutionalize cybersecurity training and exam procedures. Currently, training is underway and will continue into 2017. In addition, new examiner and core training will be developed and incorporated into these curriculums. This portable multimedia training will be on initial and in-depth cybersecurity topics for new and developing examiners. The exam plan and data collection tools will be automated to complement cybersecurity reviews into the examination program in 2017.

*System Modeling – \$225,000*

The office also proposes using surveillance systems and risk modeling by statistical experts and modeling specialists to develop and institutionalize a series of enhanced surveillance and data reports. Resources will be used to identify critical correlations, risk, and current and future data elements to construct repeatable and scalable models to constitute the foundation of our next generation of risk surveillance systems.

*Reporting Enhancements – \$150,000*

The Call Report Modernization project will identify future data needs and techniques to structure and improve the data elements NCUA collects in line with our federal and international counterparts in the financial regulatory space. This project also includes outreach and research in specialized accounting and financial institution information systems.

*Fraud Detection – \$150,000*

Fraud and anti-money laundering program enhancements will use expert resources from diverse backgrounds to further enhance systems, tools, procedures, and training to reinforce and improve organizational capabilities in anti-money laundering and fraud detection and prevention techniques.

The **Office of Human Resources** estimates an additional \$950,000 of contractor support requirements in 2017.

*Training Redesign – \$600,000*

Examiner training curriculum updates require the development and redesign of several courses. A vendor would design and develop course content on topics like commercial credit, transaction risk and recordkeeping, portfolio analytics, capital markets, and information systems and technology. Some of the training would be available online to improve accessibility and save time and resources.

*Recruitment Support – \$350,000*

Workforce recruitment and staffing workload requires contractor assistance to meet growing demands and sustain outreach efforts to recruit and retain quality and diverse staff for NCUA. This funding would include extending intern hours to provide administrative and research support. Contractor support will assist with various staffing initiatives that include support for workload surges during peak recruitment times to minimize staff overtime requirements and meet customer referral expectations. Additional initiatives supported with contractor expertise include the development of structured interviews and expanded applicant skill evaluations to improve the vetting and identification of qualified job applicants.

## Capital Budget

NCUA also uses a zero-based budget process to identify the new investment needs for information technology and building improvements and repairs. NCUA has enhanced its information security program to comply with federal requirements as well as safeguard against cyberthreats. The IT investments also include ongoing enhancements and upgrades to decades-old legacy systems that currently support the exam program. Hardware replacement also occurs periodically to refresh agency equipment and provide staff with essential tools to enhance their productivity.

Maintaining the investment in NCUA's central office building is a necessary resource requirement. Every year, new assessments are made to determine any essential repairs, replacements, or renovations needed to the infrastructure.

**NCUA's 2017 total capital budget is estimated to be \$15.8 million.** The capital budget includes long-term investment projects that are acquired through a competitive bid process. The Information Technology Prioritization Council recommended \$11.8 million for IT software development projects in 2017. This includes \$10.4 million to support the Enterprise System Modernization program. These projects represent a scaled priority list reduced from original submissions from all of NCUA's offices.

- **Examination and Supervision Solution.** By modernizing the current systems (with the replacement of the Automated Integrated Regulatory Examination System at the center), the examination and supervision solution effort will put access to the key examination and supervision capabilities into a streamlined toolset allowing examiners and supervisors to be more efficient, consistent and effective. Workflow, resource allocation, relationship, case, and document management all comprise the examination and supervision support needs of NCUA.
- **Data Collection Solution.** This is the multi-year Enterprise Solutions Modernization effort focused on replacing NCUA's current disparate systems used to collect key pieces of data. The Credit Union Online replacement is at the center of this effort with replacement solutions targeting the 360-degree view of the credit union. Impacted capabilities are charter, field of membership, profile, call report, diversity and inclusion, loan and share, and secure file transfer portal.
- **Enterprise Data Reporting and Warehousing.** This project will modify the collection, centralization, organization, and storage of NCUA data so that analysis is simpler and more accurate and so that access can be distributed across the agency. This accessibility will combine with business intelligence tools to improve NCUA's overall reporting and data analysis capabilities.
- **Enterprise Records Management.** Compliance with the requirements of the National Archives Records Administration drives the changes needed to NCUA's records management program. The deadline of proving records management capability by the end of 2019 requires that the organizing and process establishment begin now. This effort will leverage an enterprise document management solution that will be launched at a later time.
- **Asset Management and Assistance Center Servicing System, Document Management, Customer Relations Management, Case Management, Business Intelligence, and**

**Analytics.** NCUA is developing an acquisition strategy to modernize the core systems and processes of the Asset Management and Assistance Center.

- **Human Resource Systems.** The new General Services Administration system that manages our pay, benefits, and administrative tracking for employees begins in 2017. NCUA will fund the associated costs related to support the data clean-up activities needed prior to transition.

A total of \$2.1 million is also requested for IT hardware including the annual lease payment for NCUA staff laptops. A series of IT efforts are included to refresh and upgrade existing services that include Windows 10 Server, security architecture, and analysis for disaster recovery planning. NCUA's cost-sharing portion to support the new requirements under the Home Mortgage Disclosure Act is expected to be \$750,000 per year for the next two years. NCUA also expects to contribute an estimated \$100,000 to the interagency consumer lending software replacement system currently operated by the Office of the Comptroller of the Currency.

A total of \$1.8 million is requested for central office building renovation projects. Ongoing office renovations in the central office continue to ensure the space will be used more efficiently and will avoid the expense of purchasing or leasing additional outside space in future years. The second year of the elevator project will modernize the equipment and ensure reliable and safe long-term operations. Other routine building renovation, improvement, and maintenance projects will prolong the investment in NCUA's office facility.

Appendix C includes detail project descriptions for each of the 2017 capital projects with information on scope and key deliverables, schedule, operations and maintenance cost estimates, risk management, and technical benefits.



CAPITAL INVESTMENTS AND ACQUISITIONS				
Description	2016 Board Approved Budget *	2017 Board Approved Budget	2017 Revised Budget	2018 Requested Budget
<b>Information technology software development investments</b>	\$ 6,428,920	\$ 9,400,000	\$ 11,746,000	\$ 13,100,000
Examination and Supervision Solution	\$ 2,704,681	\$ 8,000,000	\$ <b>8,000,000</b>	\$ 5,400,000
Data Collection Solution	\$ 494,239	\$ 1,400,000	\$ <b>700,000</b>	\$ 2,100,000
Business Intelligence Tools and Analytics	\$ 1,817,000		\$ <b>1,705,000</b>	
GENESIS System and Field of Membership Replacement	\$ 1,000,000			
Enterprise Records Management Solution	\$ 300,000		\$ <b>241,000</b>	
Administrative Legacy Systems Replacement	\$ 113,000			
AMAC Servicing Systems			\$ <b>700,000</b>	\$ 3,500,000
Human Resource Systems			\$ <b>400,000</b>	
Disaster Recovery Capability Solution				\$ 1,500,000
Migration to Email Cloud Service Solution				\$ 350,000
Enterprise Document Management (alternative analysis)				\$ 250,000
<b>Other information technology investments</b>	\$ 2,550,000	\$ 2,525,000	\$ 2,225,000	\$ 1,750,000
Legacy Infrastructure and Security Technology Refresh and Expansion			\$ <b>460,000</b>	
Nimble Storage Device - Upgrade Expansion		\$ 185,000		
Nimble Storage Controller Refresh		\$ 150,000		
Desk Phone (VoIP) Upgrade		\$ 350,000		
Video Telecom Conferencing Gateway Refresh		\$ 175,000		
NCUA Laptop lease (3-year agreement)	\$ 915,000	\$ 915,000	\$ <b>915,000</b>	\$ 1,000,000
Home Mortgage Disclosure Act System Development (cost sharing)	\$ 750,000	\$ 750,000	\$ <b>750,000</b>	\$ 750,000
Consumer Lending Software (APRWIN & APYWIN cost sharing)			\$ <b>100,000</b>	
Implement FISMA Required Two Factor Authentication	\$ 500,000			
Strengthen Malware Detection Software	\$ 250,000			
Refresh End-of-life Hardware (production servers, router and profiler)	\$ 135,000			
<b>Capital building improvements and repairs</b>	\$ 1,090,000	\$ 1,746,826	\$ 1,820,000	\$ 500,000
Central Office Elevator Replacement	\$ 340,000	\$ 1,246,826	\$ <b>1,250,000</b>	
Central Office Building Renovations	\$ 650,000	\$ 500,000	\$ <b>400,000</b>	\$ 500,000
Central Office Building Improvements	\$ 100,000		\$ <b>170,000</b>	
<b>TOTAL CAPITAL ACQUISITIONS</b>	\$ 10,068,920	\$ 13,671,826	\$ 15,791,000	\$ 15,350,000

\*2016 Board Approved Capital Projects listed for reference purposes.

## Temporary Corporate Credit Union Stabilization Fund

Congress authorized NCUA to create the Stabilization Fund to accrue the losses of the corporate credit unions during the financial crisis that began in 2008 and to recover such losses over time through mitigation efforts and assessments on federally insured credit unions. Federally insured credit unions have already paid assessments totaling \$4.8 billion to cover losses from the 2008 credit crisis.

As of the end of second quarter 2016, the remaining resolution costs of corporate credit union failures are projected to range from negative \$2.4 billion to negative \$4 billion. On June 30, 2016, the Stabilization Fund also had a \$1 billion loan outstanding from the U.S. Treasury, down from a peak of \$5.1 billion in 2012. These figures do not include the recent \$1.1 billion settlement reached with the Royal Bank of Scotland.

Total recoveries from various financial institutions are expected to reach \$4.3 billion by the end of 2016. Principal and interest on the NCUA Guaranteed Notes, as well as other obligations of the Stabilization Fund, also must be fully repaid before NCUA can distribute any remaining funds to credit unions.

### Authority

The Helping Families Save their Homes Act of 2009 created the Stabilization Fund to accrue the losses of the corporate credit union system and, over time, assess the credit union system for the recovery of such losses.<sup>8</sup> Pursuant to these amendments to the Federal Credit Union Act, the NCUA Board administers the Stabilization Fund.<sup>9</sup> The Board must submit certifications and annual reports to Congress, and the Stabilization Fund's operations are subject to audit in accordance with generally accepted accounting principles.<sup>10</sup> The NCUA Board adopts an annual budget in connection with anticipated payments for administration of the Stabilization Fund.<sup>11</sup>

### Background

The Stabilization Fund budget includes the costs of the NCUA Guaranteed Notes Securities Management and Oversight Committee, as well as costs incurred by other NCUA offices in support of the Corporate System Resolution Program. The budget will be funded from the Stabilization Fund and will have no impact on the 2017 or 2018 NCUA Operating Fund budget.

### Summary

The revised 2017 Stabilization Fund budget is \$4.1 million, a decrease of 0.1 percent from the 2017 Board Approved Stabilization Fund budget. There are no changes in staffing. A portion of the 2017 Stabilization Fund budget will fund five FTEs included as part of the NCUA's 2017 Operating Fund budget. These costs will enable NCUA to manage and support approximately \$15 billion of complex securities over 11 separate trusts. At issuance, the legacy assets included in these trusts consisted of

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<sup>8</sup> See Public Law 111-22.

<sup>9</sup> See 12 U.S.C. 1790e(a)-(b).

<sup>10</sup> See 12 U.S.C. 1789(b), 1790e(b)(2), and 1789e(g).

<sup>11</sup> See 12 U.S.C. 1790e(a) and (b)(1).



over 2,000 investment securities, secured by approximately 1.6 million residential mortgages, as well as commercial mortgages and other securitized assets.

The 2018 requested budget supports the same level of resources and would reflect minor inflationary adjustments for a total of \$4.2 million.

### **Pay and Benefits**

The employee pay and benefits expense category is estimated to be \$1.2 million, which represents a net decrease of \$15,000. Personnel compensation is 29 percent of the total Stabilization Fund budget. Four of the staff funded by the Stabilization fund budget are part of NCUA's Central Office, while one is assigned to the Asset Management and Assistance Center. The financial analysts on the NCUA Guaranteed Notes team have specialized technical expertise to manage the remaining \$15 billion of legacy assets.

A major driver of the personnel cost is merit and locality pay in accordance with NCUA's Collective Bargaining Agreement. The U.S. Office of Personnel Management has not adjusted the economic assumptions used for actuarial valuation of the Federal Employees Retirement System (FERS). For 2017, all federal agencies are expected to contribute 13.7 of FERS employees' salary to the retirement system. While OPM has indicated the average health insurance increase for the Federal Employees Health Benefits program will be close to 4.4 percent, the revised budget assumes average growth of 3 percent based on historical expenditures. The employee pay and benefits category includes other mandatory employer contributions such as Social Security, Medicare, retirement, transportation subsidies, and worker's compensation.

### **Travel**

The estimated travel cost of \$70,000 is 1.7 percent of the overall 2017 Stabilization Fund budget and increases by 8.0 percent from last year's budget estimate. These costs cover all of the travel expenses for the five FTEs that manage and support the NCUA Guaranteed Notes program. Two of the five staff are remote employees and expected to travel periodically to the central office and the Asset Management and Assistance Center. The travel also includes trips to review and perform oversight over the contract management of the NCUA Guaranteed Notes portfolio. Travel costs reflect increased requirements and more direct staff oversight and analysis of the program and less assistance from consultants.

### **Administrative Training**

Training expenses, which represent less than one percent of the budget, are estimated to be \$19,000, an increase of \$5,000 from the 2017 Board Approved Budget based on updated projections of employee professional development plans.

### **Contracts**

Contract costs, which represent 69 percent of the budget, are estimated to be \$2.8 million, which is unchanged from the Board Approved 2017 Budget. Funding is needed to fulfill Corporate System Resolution Program needs to include outside professional services such as external valuation experts, tax consultants, financial specialists, and accountants.

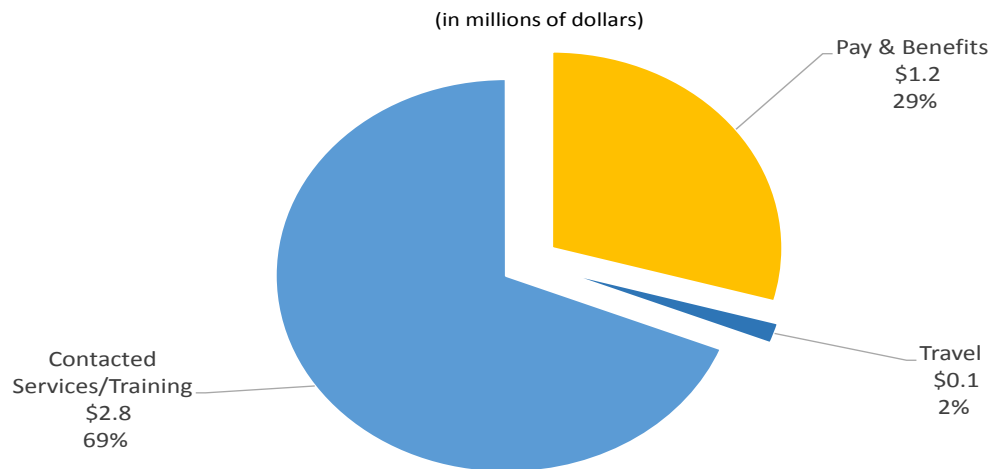
These experts are needed to assist NCUA with the following types of services:

- **Valuation Services** in the amount of \$1,080,000 to fund valuation and due diligence support around the legacy asset disposition process. As supported by the NCUA Guaranteed Notes Oversight Committee, resources are also needed to run special analyses.
- **Consulting Services** in the amount of \$923,000 will support two central offices in NCUA: Examination and Insurance and the Chief Financial Officer. Services will include the quarterly due diligence process on contract valuations, as well as analyses on emerging issues. Support for the annual financial audit process will also be provided by contractors. Some of the tasks include supporting complex accounting and financial requirements for settlements, sale of legacy assets, parity payments, changing valuation model assumptions, and disposition planning such as re-securitization. Other accounting services include performing internal control assessments and providing accounting services in support of the annual financial statement audit.
- **Software and Data Subscription Services** in the amount of \$805,000 will support standard tools used to provide waterfall models, calculations, and metrics for the structured investment products underlying the NCUA Guaranteed Notes portfolio. The service provides coverage of all relevant asset classes, waterfall models that are seasoned and tested throughout the industry, and a broad array of calculations and metrics. Financial analytics data play a critical role in the surveillance, modeling, and pricing of the legacy assets that comprise the NCUA Guaranteed Notes Trusts, as well as supporting the due diligence NCUA performs on the cash flow projections provided by its contract support. Now that the NCUA Guaranteed Notes have begun maturing, NCUA has added and may continue to add data subscription services to provide additional valuation and due diligence support around the legacy asset disposition process.

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

2017 - 2018 STABILIZATION FUND OVERSIGHT BUDGET											
By Cost Category	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change (2017 Board approved vs. revised)		2018 Requested Budget	2018 Change from 2017 Board Approved		2017 FTE	2018 FTE	FTE Change 2017 - 2018
				\$	%		\$	%			
Employee Pay and Benefits	\$ 1,038,079	\$ 1,207,922	\$ 1,193,000	\$ (14,922)	-1%	\$ 1,270,000	\$ 62,078	5%	5	5	-
Travel	73,440	65,000	70,000	5,000	8%	70,000	5,000	8%			
Administrative (Training)	11,000	14,000	19,000	5,000	36%	19,000	5,000	36%			
Contracted Services:											
Consulting	992,000	795,491	923,000	127,509	16%	923,000	127,509	16%			
Valuation Services	1,250,000	1,250,000	1,080,000	(170,000)	-14%	1,080,000	(170,000)	-14%			
Software/Data Subscriptions	757,000	763,000	805,000	42,000	6%	805,000	42,000	6%			
<b>Total</b>	<b>\$ 4,121,519</b>	<b>\$ 4,095,413</b>	<b>\$ 4,090,000</b>	<b>\$ (5,413)</b>	<b>-0.1%</b>	<b>\$ 4,167,000</b>	<b>\$ 71,587</b>	<b>2%</b>	<b>5</b>	<b>5</b>	<b>-</b>

### Corporate Stabilization Fund 2017 Oversight Budget



The [NCUA Website](https://www.ncua.gov) has a dedicated section to explain the NCUA Guaranteed Notes Program and provides comprehensive reporting and analysis on the legacy assets that are managed by the Stabilization Fund budget resources.<sup>12</sup>

<sup>12</sup> See <https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes.aspx>.

## Appendix A: Supplemental Budget Information

### Budget by Strategic Goal

Strategic Goal	Dollars (in Millions)		Full-Time Equivalents*	
	2017 Approved	2017 Revised	2017 Approved	2017 Revised
Goal 1: Ensure a safe and sound credit union system	\$225.2	\$219.5	1,063.7	1,041.5
Goal 2: Promote consumer protection and financial literacy	\$18.3	\$18.3	76.3	78.4
Goal 3: Cultivate an inclusive, collaborative workplace that maximizes productivity and enhances impact	\$59.4	\$60.4	107.0	110.1
<b>total</b>	<b>\$302.9</b>	<b>\$298.2</b>	<b>1,247.0</b>	<b>1,230.0</b>
Expenses for the Offices of the Board, Executive Director, Inspector General and Chief Financial Officer are allocated across all strategic goals. *NCUA's 2017 full-time equivalents are funded by three different sources: the Central Liquidity Facility funds 3 full-time equivalents, and the Temporary Corporate Credit Union Stabilization Fund funds 5 full-time equivalents. NCUA's Operating Fund funds the remaining 1,222 full-time equivalents.				



**Board Budgets**

OFFICE OF THE CHAIRMAN 2017 - 2018 BUDGET SUMMARY								
	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
FTE	4.0	4.0	3.0	(1.0)	-25.0%	3.0	(1.0)	-25.0%
Salaries	779,056	813,334	530,759	(282,575)	-34.7%	562,074	(251,261)	-30.9%
Benefits	233,741	244,260	184,942	(59,317)	-24.3%	187,716	(56,543)	-23.1%
Travel	50,000	50,500	49,800	(700)	-1.4%	49,800	(700)	-1.4%
Rent /Comm/Util	250	256	150	(106)	-41.5%	150	(106)	-41.5%
Administrative	7,500	7,560	7,500	(60)	-0.8%	7,500	(60)	-0.8%
Contracted Services	45,000	48,375	41,000	(7,375)	-15.2%	41,000	(7,375)	-15.2%
<b>Total</b>	<b>\$ 1,115,547</b>	<b>\$ 1,164,285</b>	<b>\$ 814,151</b>	<b>\$ (350,134)</b>	<b>-30.1%</b>	<b>\$ 848,240</b>	<b>\$ (316,045)</b>	<b>-27.1%</b>
2017 Revised Budget Change from 2016 Board Approved Budget:					\$ (301,396)	-27.0%		
2018 Requested Budget Change from 2017 Revised Budget:							\$ 34,089	4.2%

BOARD MEMBER (vacant) 2017 -2018 BUDGET SUMMARY								
	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
FTE	3.0	3.0	3.0	-	0.0%	3.0	-	0.0%
Salaries	443,798	463,325	451,147	(12,178)	-2.6%	477,764	14,440	3.1%
Benefits	170,376	178,043	140,173	(37,870)	-21.3%	142,276	(35,767)	-20.1%
Travel	45,000	45,450	45,000	(450)	-1.0%	45,000	(450)	-1.0%
Rent /Comm/Util	1,000	1,025	500	(525)	-51.2%	500	(525)	-51.2%
Administrative	6,000	6,048	6,000	(48)	-0.8%	6,000	(48)	-0.8%
Contracted Services	5,000	5,375	41,000	35,625	662.8%	41,000	35,625	662.8%
<b>Total</b>	<b>\$ 671,173</b>	<b>\$ 699,266</b>	<b>\$ 683,820</b>	<b>\$ (15,446)</b>	<b>-2.2%</b>	<b>\$ 712,540</b>	<b>\$ 13,275</b>	<b>1.9%</b>
2017 Revised Budget Change from 2016 Board Approved Budget:					\$ 12,646	1.9%		
2018 Requested Budget Change from 2017 Revised Budget:							\$ 28,720	4.2%

BOARD MEMBER MCWATTERS 2017 - 2018 BUDGET SUMMARY								
	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
FTE	3.0	3.0	3.0	-	0.0%	3.0	-	0.0%
Salaries	448,636	468,376	456,576	(11,800)	-2.5%	483,514	15,138	3.2%
Benefits	157,663	164,757	150,803	(13,955)	-8.5%	153,065	(11,693)	-7.1%
Travel	70,000	70,700	70,000	(700)	-1.0%	70,000	(700)	-1.0%
Rent /Comm/Util	750	769	750	(19)	-2.4%	750	(19)	-2.4%
Administrative	17,000	17,136	18,500	1,364	8.0%	18,500	1,364	8.0%
Contracted Services	45,000	48,375	45,000	(3,375)	-7.0%	45,000	(3,375)	-7.0%
<b>Total</b>	<b>\$ 739,048</b>	<b>\$ 770,113</b>	<b>\$ 741,629</b>	<b>\$ (28,484)</b>	<b>-3.7%</b>	<b>\$ 770,829</b>	<b>\$ 716</b>	<b>0.1%</b>
2017 Revised Budget Change from 2016 Board Approved Budget:					\$ 2,580	0.3%		
2018 Requested Budget Change from 2017 Revised Budget:							\$ 29,200	3.9%

\*Note minor rounding differences may occur in totals.



**Office Budget Summary**

Office	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change (2017 Board Approved vs. Revised)	2018 Requested Budget	2018 Change from 2017 Board Approved	Full-Time Equivalents				
							2017 Board Approved	2017 Revised	2017 Change	2018 Requested	
							2017 -2018 Change				
Office of the Board	2,935,680	3,061,912	2,659,000	(402,912) -13.2%	2,770,000	(291,912) -9.5%	12.0	11.0	(1.0)	11.0	-
Office of the Executive Director											
Office of the Executive Director (core)	1,810,929	1,895,430	1,949,000	53,570 2.8%	2,035,000	139,570 7.4%	6.0	7.0	1.0	7.0	7.0
Enterprise Systems Management (1)			929,000	929,000 0.0%	960,000	960,000 0.0%	-	3.0	3.0	3.0	3.0
Office of Continuity and Security Management	3,729,940	3,943,218	4,164,000	220,782 5.6%	4,272,000	328,782 8.3%	10.0	12.0	2.0	12.0	-
Office of Minority and Women Inclusion	2,935,637	3,079,363	3,367,000	287,637 9.3%	3,465,000	385,637 12.5%	11.0	10.0	(1.0)	10.0	-
Office of the Chief Economist	1,785,741	1,855,359	1,788,000	(67,359) -3.6%	1,862,000	6,641 0.4%	7.0	7.0	-	7.0	-
Office of Consumer Financial Protection and Access	9,535,944	9,908,146	9,884,000	(24,146) -0.2%	10,282,000	373,854 3.8%	44.0	46.0	2.0	46.0	-
Office of the Chief Financial Officer (2)	13,495,617	14,262,857	15,046,000	783,143 5.5%	17,073,000	2,810,143 19.7%	38.0	39.0	1.0	39.0	-
Non-Cash expenses	6,500,000	6,500,000	7,400,000	900,000 13.8%	7,500,000	1,000,000 15.4%					
Office of the Chief Information Officer	29,004,822	30,452,616	30,571,000	118,384 0.4%	36,273,000	5,820,384 19.1%	38.0	40.0	2.0	40.0	-
Office of National Examinations and Supervision	10,479,185	10,896,724	10,974,000	77,276 0.7%	11,373,000	476,276 4.4%	38.0	38.0	-	38.0	-
Office of Small Credit Union Initiatives	6,374,355	6,645,626	6,454,000	(191,626) -2.9%	6,729,000	83,374 1.3%	28.0	28.0	-	28.0	-
Office of Examination & Insurance (3)	11,574,931	12,077,623	12,251,000	173,377 1.4%	12,722,000	644,377 5.3%	49.0	51.0	2.0	51.0	-
Office of General Counsel	7,145,754	7,463,329	7,502,000	38,671 0.5%	7,842,000	378,671 5.1%	29.8	30.8	1.0	30.8	-
Office of Inspector General	3,638,611	3,836,878	3,665,000	(171,878) -4.5%	3,777,000	(59,878) -1.6%	10.0	10.0	-	10.0	-
Office of Human Resources (2)	15,547,400	16,165,641	16,034,000	(131,641) -0.8%	17,431,000	1,265,359 7.8%	43.0	42.0	(1.0)	42.0	-
Office of Public and Congressional Affairs	2,007,270	2,110,237	2,205,000	94,763 4.5%	2,276,000	165,763 7.9%	7.0	7.0	-	7.0	-
Region I - Albany	29,490,209	30,660,102	30,774,000	113,898 0.4%	31,999,000	1,338,898 4.4%	166.0	166.0	-	166.0	-
Region II - Capital	30,778,661	32,018,276	32,132,000	113,724 0.4%	33,427,000	1,408,724 4.4%	172.0	171.0	(1.0)	171.0	-
Region III - Atlanta	30,941,703	32,150,283	31,255,000	(895,283) -2.8%	32,452,000	301,717 0.9%	166.0	165.0	(1.0)	165.0	-
Region IV - Austin	32,071,828	33,304,689	32,098,000	(1,206,689) -3.6%	33,313,000	8,311 0.0%	168.2	167.2	(1.0)	167.2	-
Region V - Tempe	32,210,204	33,454,697	33,681,000	226,303 0.7%	34,980,000	1,525,303 4.6%	166.0	166.0	-	166.0	-
Asset Management & Assistance Center (4)	6,921,507	7,218,333	7,382,000	163,667 2.3%	7,696,000	477,667 6.6%	38.0	38.0	-	38.0	-
EFI/Other Program Adjustments			(6,000,000)	(6,000,000) 0.0%	(10,400,000)	(10,400,000) 0.0%		(25.0)	(25.0)	(47.0)	(22)
<b>Total</b>	<b>\$ 290,915,928</b>	<b>\$ 302,961,339</b>	<b>\$ 298,164,000</b>	<b>\$ (4,797,339) -1.6%</b>	<b>\$ 312,109,000</b>	<b>\$ 9,147,661 3.0%</b>	<b>1,247.0</b>	<b>1,230.0</b>	<b>(17.0)</b>	<b>1,208.0</b>	<b>(22)</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget</b>				<b>\$ 7,248,072 2.5%</b>		<b>\$ 13,945,000 4.7%</b>					
<b>2018 Requested Budget Change from 2017 Revised Budget</b>											

(1) Temporary staffing previously approved by NCUA Board.  
 (2) OCF and OHR positions adjusted by one FTE to reflect current approval levels. 2016 BAM included FFIEC detail position in OCF that is now in OHR.  
 (3) E&I includes 7 FTE related to other NCUA funds; 3 FTE are paid for by the Central Liquidity Facility and 4 FTE are paid for by the Stabilization Fund.  
 (4) AMAC includes 1.0 FTE paid for by the Stabilization Fund.



OFFICE OF THE BOARD 2017-2018 NCUA BUDGET SUMMARY								
	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
FTE	12.0	12.0	11.0	(1.0)	-8.3%	11.0	(1.0)	-8.3%
Salaries	1,953,772	2,039,738	1,729,743	(309,996)	-15.2%	1,831,798	(207,941)	-10.2%
Benefits	673,033	703,319	593,499	(109,821)	-15.6%	602,401	(100,918)	-14.3%
Travel	169,600	171,296	166,650	(4,646)	-2.7%	166,650	(4,646)	-2.7%
Rent /Comm/Util	2,000	2,050	1,400	(650)	-31.7%	1,400	(650)	-31.7%
Administrative	30,775	31,021	32,275	1,254	4.0%	32,275	1,254	4.0%
Contracted Services	106,500	114,488	135,000	20,513	17.9%	135,000	20,513	17.9%
<b>Total</b>	<b>\$ 2,935,680</b>	<b>\$ 3,061,912</b>	<b>\$ 2,658,567</b>	<b>\$ (403,346)</b>	<b>-13.2%</b>	<b>\$ 2,769,524</b>	<b>\$ (292,389)</b>	<b>-9.5%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>					<b>\$ (277,114)</b>			
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 110,957</b>	<b>4.2%</b>	

OFFICE OF THE EXECUTIVE DIRECTOR 2017-2018 NCUA BUDGET SUMMARY								
	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
FTE	6.0	6.0	10.0	4.0	66.7%	10.0	4.0	66.7%
Salaries	1,095,957	1,144,179	1,826,966	682,787	59.7%	1,934,757	790,578	69.1%
ED Core	1,095,957	1,144,179	1,187,528	43,349	3.8%	1,257,592	113,413	9.9%
ESM			639,438	639,438	0.0%	677,165	677,165	0.0%
Benefits	377,972	394,981	634,488	239,508	60.6%	644,006	249,025	63.0%
ED Core	377,972	394,981	412,417	17,437	4.4%	418,604	23,623	6.0%
ESM			222,071	222,071	0.0%	225,402	225,402	0.0%
Travel	33,500	33,835	103,900	70,065	207.1%	103,900	70,065	207.1%
ED Core	33,500	33,835	28,900	(4,935)	-14.6%	28,900	(4,935)	-14.6%
ESM	-	-	75,000	75,000	0.0%	75,000	-	0.0%
Rent /Comm/Util	17,250	17,681	20,600	2,919	16.5%	20,600	2,919	16.5%
Administrative	44,250	44,604	24,500	(20,104)	-45.1%	24,500	(20,104)	-45.1%
Contracted Services	242,000	260,150	267,500	7,350	2.8%	267,500	7,350	2.8%
<b>Total</b>	<b>\$ 1,810,929</b>	<b>\$ 1,895,430</b>	<b>\$ 2,877,955</b>	<b>\$ 982,525</b>	<b>51.8%</b>	<b>\$ 2,995,263</b>	<b>\$ 1,099,833</b>	<b>58.0%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>					<b>\$ 1,067,026</b>	<b>58.9%</b>		
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 117,308</b>	<b>4.1%</b>	

OFFICE OF CONTINUITY AND SECURITY MANAGEMENT 2017-2018 NCUA BUDGET SUMMARY								
	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
FTE	10.0	10.0	12.0	2.0	20.0%	12.0	2.0	20.0%
Salaries	1,407,654	1,469,591	1,682,491	212,900	14.5%	1,781,758	312,167	21.2%
Benefits	483,937	505,714	566,773	61,059	12.1%	575,275	69,561	13.8%
Travel	42,638	43,064	39,925	(3,139)	-7.3%	39,925	(3,139)	-7.3%
Rent /Comm/Util	1,200	1,230	-	(1,230)	-100.0%	-	(1,230)	-100.0%
Administrative	81,800	82,454	71,500	(10,954)	-13.3%	71,500	(10,954)	-13.3%
Contracted Services	1,712,711	1,841,164	1,803,522	(37,642)	-2.0%	1,803,522	(37,642)	-2.0%
<b>Total</b>	<b>\$ 3,729,940</b>	<b>\$ 3,943,218</b>	<b>\$ 4,164,211</b>	<b>\$ 220,993</b>	<b>5.6%</b>	<b>\$ 4,271,980</b>	<b>\$ 328,761</b>	<b>8.3%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>					<b>\$ 434,271</b>	<b>11.6%</b>		
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 107,769</b>	<b>2.6%</b>	

\*Note minor rounding differences may occur in totals.



OFFICE OF MINORITY AND WOMEN INCLUSION 2017-2018 NCUA BUDGET SUMMARY

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
FTE	11.0	11.0	10.0	(1.0)	-9.1%	10.0	(1.0)	-9.1%
Salaries	1,518,884	1,585,714	1,548,377	(37,337)	-2.4%	1,639,731	54,017	3.4%
Benefits	518,807	542,154	501,302	(40,851)	-7.5%	508,822	(33,332)	-6.1%
Travel	84,119	84,960	83,136	(1,824)	-2.1%	83,136	(1,824)	-2.1%
Rent /Comm/Util	4,500	4,613	5,500	888	19.2%	5,500	888	19.2%
Administrative	120,958	121,926	115,885	(6,041)	-5.0%	115,885	(6,041)	-5.0%
Contracted Services	688,369	739,997	1,112,390	372,393	50.3%	1,112,390	372,393	50.3%
<b>Total</b>	<b>\$ 2,935,637</b>	<b>\$ 3,079,363</b>	<b>\$ 3,366,590</b>	<b>\$ 287,227</b>	<b>9.3%</b>	<b>\$ 3,465,464</b>	<b>\$ 386,101</b>	<b>12.5%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>				<b>\$ 430,953</b>	<b>14.7%</b>			
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 98,874</b>	<b>2.9%</b>	

OFFICE OF THE CHIEF ECONOMIST 2017-2018 NCUA BUDGET SUMMARY

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
FTE	7.0	7.0	7.0	-	0.0%	7.0	-	0.0%
Salaries	1,119,200	1,168,445	1,146,692	(21,753)	-1.9%	1,214,347	45,902	3.9%
Benefits	396,430	414,269	397,757	(16,512)	-4.0%	403,723	(10,546)	-2.5%
Travel	31,500	31,815	28,000	(3,815)	-12.0%	28,000	(3,815)	-12.0%
Rent /Comm/Util	500	513	500	(13)	-2.4%	500	(13)	-2.4%
Administrative	233,611	235,480	211,011	(24,469)	-10.4%	211,011	(24,469)	-10.4%
Contracted Services	4,500	4,838	4,500	(338)	-7.0%	4,500	(338)	-7.0%
<b>Total</b>	<b>\$ 1,785,741</b>	<b>\$ 1,855,359</b>	<b>\$ 1,788,460</b>	<b>\$ (66,899)</b>	<b>-3.6%</b>	<b>\$ 1,862,081</b>	<b>\$ 6,722</b>	<b>0.4%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>				<b>\$ 2,719</b>	<b>0.2%</b>			
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 73,621</b>	<b>4.1%</b>	

OFFICE OF THE CHIEF FINANCIAL PROTECTION AND ACCESS 2017-2018 NCUA BUDGET SUMMARY

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
FTE	44.0	44.0	46.0	2.0	4.5%	46.0	2.0	4.5%
Salaries	5,841,266	6,098,282	6,150,491	52,209	0.9%	6,513,370	415,088	6.8%
Benefits	2,173,359	2,271,160	2,334,212	63,052	2.8%	2,369,225	98,066	4.3%
Travel	720,925	728,134	761,903	33,769	4.6%	761,903	33,769	4.6%
Rent /Comm/Util	29,325	30,058	34,350	4,292	14.3%	34,350	4,292	14.3%
Administrative	722,202	727,980	511,503	(216,477)	-29.7%	511,503	(216,477)	-29.7%
Contracted Services	48,867	52,532	91,388	38,856	74.0%	91,388	38,856	74.0%
<b>Total</b>	<b>\$ 9,535,944</b>	<b>\$ 9,908,146</b>	<b>\$ 9,883,847</b>	<b>\$ (24,299)</b>	<b>-0.2%</b>	<b>\$ 10,281,739</b>	<b>\$ 373,594</b>	<b>3.8%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>				<b>\$ 347,903</b>	<b>3.6%</b>			
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 397,892</b>	<b>4.0%</b>	

\*Note minor rounding differences may occur in totals.





OFFICE OF THE CHIEF FINANCIAL OFFICER 2017-2018 NCUA BUDGET SUMMARY

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
<b>FTE</b>	<b>38.0</b>	<b>38.0</b>	<b>39.0</b>	<b>1.0</b>	<b>2.6%</b>	<b>39.0</b>	<b>1.0</b>	<b>2.6%</b>
Salaries	4,544,639	4,744,603	5,502,400	757,797	16.0%	7,596,804	2,852,201	60.1%
Benefits	1,548,708	1,618,400	2,171,800	553,400	34.2%	2,204,396	585,996	36.2%
Travel	(226,200)	(228,562)	72,200	300,762	-131.6%	72,200	300,762	-131.6%
Rent /Comm/Util	547,879	561,576	514,100	(47,476)	-8.5%	514,100	(47,476)	-8.5%
Administrative	7,946,211	8,009,781	7,858,000	(151,781)	-1.9%	7,858,000	(151,781)	-1.9%
Contracted Services	5,634,380	6,056,959	6,327,500	270,541	4.5%	6,327,500	270,541	4.5%
<b>Total</b>	<b>\$ 19,995,617</b>	<b>\$ 20,762,756</b>	<b>\$ 22,446,000</b>	<b>\$ 1,683,243</b>	<b>8.1%</b>	<b>\$ 24,573,000</b>	<b>\$ 3,810,243</b>	<b>18.4%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>				<b>\$ 2,450,383</b>	<b>12.3%</b>			
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 2,127,000</b>	<b>9.5%</b>	

OFFICE OF THE CHIEF INFORMATION OFFICER 2017-2018 NCUA BUDGET SUMMARY

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
<b>FTE</b>	<b>38.0</b>	<b>38.0</b>	<b>40.0</b>	<b>2.0</b>	<b>5.3%</b>	<b>40.0</b>	<b>2.0</b>	<b>5.3%</b>
Salaries	5,869,719	6,127,986	6,241,790	113,803	1.9%	6,610,055	482,069	7.9%
Benefits	2,136,726	2,232,879	2,252,186	19,307	0.9%	2,285,969	53,090	2.4%
Travel	154,050	155,591	169,850	14,260	9.2%	169,850	14,260	9.2%
Rent /Comm/Util	3,844,592	3,940,707	3,782,000	(158,707)	-4.0%	3,782,000	(158,707)	-4.0%
Administrative	4,168,083	4,201,428	2,199,970	(2,001,458)	-47.6%	2,199,970	(2,001,458)	-47.6%
Contracted Services	12,831,652	13,794,026	15,925,599	2,131,573	15.5%	21,225,599	7,431,573	53.9%
<b>Total</b>	<b>\$ 29,004,822</b>	<b>\$ 30,452,616</b>	<b>\$ 30,571,394</b>	<b>\$ 118,778</b>	<b>0.4%</b>	<b>\$ 36,273,442</b>	<b>\$ 5,820,826</b>	<b>19.1%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>				<b>\$ 1,566,572</b>	<b>5.4%</b>			
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 5,702,048</b>	<b>18.7%</b>	

OFFICE OF NATIONAL EXAMINATIONS AND SUPERVISION 2017-2018 NCUA BUDGET SUMMARY

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
<b>FTE</b>	<b>38.0</b>	<b>38.0</b>	<b>38.0</b>	<b>-</b>	<b>0.0%</b>	<b>38.0</b>	<b>-</b>	<b>0.0%</b>
Salaries	5,929,934	6,190,851	6,158,731	(32,120)	-0.5%	6,522,096	331,245	5.4%
Benefits	2,296,868	2,400,226	2,378,118	(22,109)	-0.9%	2,413,789	13,563	0.6%
Travel	1,730,415	1,747,719	1,900,500	152,781	8.7%	1,900,500	152,781	8.7%
Rent /Comm/Util	14,183	14,538	16,325	1,787	12.3%	16,325	1,787	12.3%
Administrative	37,013	37,309	40,100	2,791	7.5%	40,100	2,791	7.5%
Contracted Services	470,773	506,080	480,370	(25,710)	-5.1%	480,370	(25,710)	-5.1%
<b>Total</b>	<b>\$ 10,479,185</b>	<b>\$ 10,896,724</b>	<b>\$ 10,974,143</b>	<b>\$ 77,420</b>	<b>0.7%</b>	<b>\$ 11,373,180</b>	<b>\$ 476,457</b>	<b>4.4%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>				<b>\$ 494,958</b>	<b>4.7%</b>			
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 399,037</b>	<b>3.6%</b>	

\*Note minor rounding differences may occur in totals.



OFFICE OF SMALL CREDIT UNION INITIATIVES 2017-2018 NCUA BUDGET SUMMARY

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
<b>FTE</b>	<b>28.0</b>	<b>28.0</b>	<b>28.0</b>	<b>-</b>	<b>0.0%</b>	<b>28.0</b>	<b>-</b>	<b>0.0%</b>
Salaries	4,202,961	4,387,891	4,269,467	(118,425)	-2.7%	4,521,365	133,474	3.0%
Benefits	1,486,770	1,553,675	1,510,539	(43,136)	-2.8%	1,533,197	(20,478)	-1.3%
Travel	440,974	445,384	428,866	(16,518)	-3.7%	428,866	(16,518)	-3.7%
Rent /Comm/Util	22,750	23,319	22,750	(569)	-2.4%	22,750	(569)	-2.4%
Administrative	31,500	31,752	27,425	(4,327)	-13.6%	27,425	(4,327)	-13.6%
Contracted Services	189,400	203,605	195,400	(8,205)	-4.0%	195,400	(8,205)	-4.0%
<b>Total</b>	<b>6,374,355</b>	<b>6,645,626</b>	<b>6,454,446</b>	<b>(191,180)</b>	<b>-2.9%</b>	<b>6,729,002</b>	<b>83,377</b>	<b>1.3%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>					<b>\$ 80,090</b>	<b>1.3%</b>		
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 274,557</b>	<b>4.3%</b>	

OFFICE OF EXAMINATION AND INSURANCE 2017-2018 NCUA BUDGET SUMMARY

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
<b>FTE</b>	<b>49.0</b>	<b>49.0</b>	<b>51.0</b>	<b>2.0</b>	<b>4.1%</b>	<b>51.0</b>	<b>2.0</b>	<b>4.1%</b>
Salaries	6,590,971	6,880,973	7,295,358	414,384	6.0%	7,725,784	844,811	12.3%
Benefits	2,861,681	2,990,457	2,652,546	(337,911)	-11.3%	2,692,334	(298,123)	-10.0%
Travel	843,860	852,299	1,050,000	197,701	23.2%	1,050,000	197,701	23.2%
Rent /Comm/Util	13,200	13,530	12,600	(930)	-6.9%	12,600	(930)	-6.9%
Administrative	294,719	297,077	353,000	55,923	18.8%	353,000	55,923	18.8%
Contracted Services	970,500	1,043,288	888,000	(155,288)	-14.9%	888,000	(155,288)	-14.9%
<b>Total</b>	<b>\$ 11,574,931</b>	<b>\$ 12,077,623</b>	<b>\$ 12,251,503</b>	<b>\$ 173,880</b>	<b>1.4%</b>	<b>\$ 12,721,718</b>	<b>\$ 644,095</b>	<b>5.3%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>					<b>\$ 676,573</b>	<b>5.8%</b>		
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 470,214</b>	<b>3.8%</b>	

OFFICE OF GENERAL COUNSEL 2017-2018 NCUA BUDGET SUMMARY

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
<b>FTE</b>	<b>29.8</b>	<b>29.8</b>	<b>30.8</b>	<b>1.0</b>	<b>3.4%</b>	<b>30.8</b>	<b>1.0</b>	<b>3.4%</b>
Salaries	5,059,693	5,282,319	5,315,698	33,379	0.6%	5,629,324	347,005	6.6%
Benefits	1,699,061	1,775,519	1,792,682	17,163	1.0%	1,819,572	44,054	2.5%
Travel	155,500	157,055	156,000	(1,055)	-0.7%	156,000	(1,055)	-0.7%
Rent /Comm/Util	500	513	500	(13)	-2.4%	500	(13)	-2.4%
Administrative	6,000	6,048	6,000	(48)	-0.8%	6,000	(48)	-0.8%
Contracted Services	225,000	241,875	231,000	(10,875)	-4.5%	231,000	(10,875)	-4.5%
<b>Total</b>	<b>\$ 7,145,754</b>	<b>\$ 7,463,329</b>	<b>\$ 7,501,880</b>	<b>\$ 38,552</b>	<b>0.5%</b>	<b>\$ 7,842,397</b>	<b>\$ 379,068</b>	<b>5.1%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>					<b>\$ 356,126</b>	<b>5.0%</b>		
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 340,516</b>	<b>4.5%</b>	

\*Note minor rounding differences may occur in totals.



OFFICE OF HUMAN RESOURCES 2017-2018 NCUA BUDGET SUMMARY

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
<b>FTE</b>	<b>43.0</b>	<b>43.0</b>	<b>42.0</b>	<b>(1.0)</b>	<b>-2.3%</b>	<b>42.0</b>	<b>(1.0)</b>	<b>-2.3%</b>
Salaries	5,827,516	6,083,927	6,037,042	(46,885)	-0.8%	6,393,227	309,300	5.1%
Benefits	2,639,080	2,757,838	2,711,566	(46,272)	-1.7%	2,752,240	(5,598)	-0.2%
Travel	3,016,625	3,046,791	2,656,605	(390,186)	-12.8%	3,656,605	609,814	20.0%
Rent /Comm/Util	413,835	424,181	238,325	(185,856)	-43.8%	238,325	(185,856)	-43.8%
Administrative	1,062,934	1,071,437	983,891	(87,547)	-8.2%	983,891	(87,547)	-8.2%
Contracted Services	2,587,411	2,781,467	3,406,221	624,754	22.5%	3,406,221	624,754	22.5%
<b>Total</b>	<b>\$ 15,547,400</b>	<b>\$ 16,165,641</b>	<b>\$ 16,033,650</b>	<b>\$ (131,991)</b>	<b>-0.8%</b>	<b>\$ 17,430,509</b>	<b>\$ 1,264,868</b>	<b>7.8%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>				<b>\$ 486,250</b>	<b>3.1%</b>			
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 1,396,859</b>	<b>8.7%</b>	

OFFICE OF PUBLIC AND CONGRESSIONAL AFFAIRS 2017-2018 NCUA BUDGET SUMMARY

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
<b>FTE</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>-</b>	<b>0.0%</b>	<b>7.0</b>	<b>-</b>	<b>0.0%</b>
Salaries	1,036,695	1,082,309	1,105,649	23,340	2.2%	1,170,882	88,573	8.2%
Benefits	376,830	393,787	388,404	(5,384)	-1.4%	394,230	443	0.1%
Travel	21,045	21,255	14,700	(6,555)	-30.8%	14,700	(6,555)	-30.8%
Rent /Comm/Util	-	-	-	-	0.0%	-	-	0.0%
Administrative	41,300	41,630	42,510	880	2.1%	42,510	880	2.1%
Contracted Services	531,400	571,255	653,325	82,070	14.4%	653,325	82,070	14.4%
<b>Total</b>	<b>\$ 2,007,270</b>	<b>\$ 2,110,237</b>	<b>\$ 2,204,588</b>	<b>\$ 94,350</b>	<b>4.5%</b>	<b>\$ 2,275,647</b>	<b>\$ 165,410</b>	<b>7.8%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>				<b>\$ 197,318</b>	<b>9.8%</b>			
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 71,059</b>	<b>3.2%</b>	

REGION 1 2017-2018 NCUA BUDGET SUMMARY

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
<b>FTE</b>	<b>166.0</b>	<b>166.0</b>	<b>166.0</b>	<b>-</b>	<b>0.0%</b>	<b>166.0</b>	<b>-</b>	<b>0.0%</b>
Salaries	18,018,481	18,811,294	18,845,169	33,875	0.2%	19,957,034	1,145,740	6.1%
Benefits	7,177,181	7,500,154	7,508,996	8,842	0.1%	7,621,631	121,477	1.6%
Travel	3,689,256	3,776,650	3,770,000	(6,650)	-0.2%	3,770,000	(6,650)	-0.2%
Rent /Comm/Util	277,310	284,243	276,500	(7,743)	-2.7%	276,500	(7,743)	-2.7%
Administrative	165,185	166,505	176,800	10,295	6.2%	176,800	10,295	6.2%
Contracted Services	162,796	121,256	197,000	75,744	62.5%	197,000	75,744	62.5%
<b>Total</b>	<b>\$ 29,490,209</b>	<b>\$ 30,660,102</b>	<b>\$ 30,774,465</b>	<b>\$ 114,363</b>	<b>0.4%</b>	<b>\$ 31,998,965</b>	<b>\$ 1,338,863</b>	<b>4.4%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>				<b>\$ 1,284,256</b>	<b>4.4%</b>			
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 1,224,500</b>	<b>4.0%</b>	

\*Note minor rounding differences may occur in totals.



**REGION 2 2017-2018 NCUA BUDGET SUMMARY**

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
<b>FTE</b>	<b>172.0</b>	<b>172.0</b>	<b>171.0</b>	<b>(1.0)</b>	<b>-0.6%</b>	<b>171.0</b>	<b>(1.0)</b>	<b>-0.6%</b>
Salaries	19,071,156	19,910,286	19,913,935	3,648	0.0%	21,088,857	1,178,571	5.9%
Benefits	7,605,580	7,947,831	8,017,211	69,380	0.9%	8,137,469	189,638	2.4%
Travel	3,281,350	3,314,164	3,223,350	(90,814)	-2.7%	3,223,350	(90,814)	-2.7%
Rent /Comm/Util	570,681	584,948	622,925	37,977	6.5%	622,925	37,977	6.5%
Administrative	113,279	114,185	133,178	18,993	16.6%	133,178	18,993	16.6%
Contracted Services	136,615	146,861	221,312	74,451	50.7%	221,312	74,451	50.7%
<b>Total</b>	<b>\$ 30,778,660</b>	<b>\$ 32,018,276</b>	<b>\$ 32,131,910</b>	<b>\$ 113,635</b>	<b>0.4%</b>	<b>\$ 33,427,091</b>	<b>\$ 1,408,815</b>	<b>4.4%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>					<b>\$ 1,353,250</b>	<b>4.4%</b>		
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>							<b>\$ 1,295,180</b>	<b>4.0%</b>

**REGION 3 2017-2018 NCUA BUDGET SUMMARY**

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
<b>FTE</b>	<b>166.0</b>	<b>166.0</b>	<b>165.0</b>	<b>(1.0)</b>	<b>-0.6%</b>	<b>165.0</b>	<b>(1.0)</b>	<b>-0.6%</b>
Salaries	18,224,321	19,026,191	18,317,425	(708,766)	-3.7%	19,398,153	371,962	2.0%
Benefits	7,717,622	8,051,951	7,773,402	(278,549)	-3.5%	7,890,003	(161,948)	-2.0%
Travel	4,492,195	4,537,117	4,471,000	(66,117)	-1.5%	4,471,000	(66,117)	-1.5%
Rent /Comm/Util	258,826	265,297	404,000	138,703	52.3%	404,000	138,703	52.3%
Administrative	164,220	165,534	161,300	(4,234)	-2.6%	161,300	(4,234)	-2.6%
Contracted Services	96,925	104,194	128,000	23,806	22.8%	128,000	23,806	22.8%
<b>Total</b>	<b>\$ 30,941,703</b>	<b>\$ 32,150,283</b>	<b>\$ 31,255,127</b>	<b>\$ (895,156)</b>	<b>-2.8%</b>	<b>\$ 32,452,456</b>	<b>\$ 302,173</b>	<b>0.9%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>					<b>\$ 313,424</b>	<b>1.0%</b>		
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>							<b>\$ 1,197,329</b>	<b>3.8%</b>

**REGION 4 2017-2018 NCUA BUDGET SUMMARY**

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
<b>FTE</b>	<b>168.2</b>	<b>168.2</b>	<b>167.2</b>	<b>(1.0)</b>	<b>-0.6%</b>	<b>167.2</b>	<b>(1.0)</b>	<b>-0.6%</b>
Salaries	18,632,715	19,452,555	18,628,404	(824,151)	-4.2%	19,727,480	274,925	1.4%
Benefits	7,717,622	8,064,915	7,735,666	(329,249)	-4.1%	7,851,701	(213,214)	-2.6%
Travel	5,298,464	5,351,449	5,287,664	(63,785)	-1.2%	5,287,664	(63,785)	-1.2%
Rent /Comm/Util	160,279	164,286	168,587	4,301	2.6%	168,587	4,301	2.6%
Administrative	163,722	165,032	164,565	(467)	-0.3%	164,565	(467)	-0.3%
Contracted Services	99,026	106,453	112,639	6,186	5.8%	112,639	6,186	5.8%
<b>Total</b>	<b>\$ 32,071,828</b>	<b>\$ 33,304,689</b>	<b>\$ 32,097,524</b>	<b>\$ (1,207,164)</b>	<b>-3.6%</b>	<b>\$ 33,312,635</b>	<b>\$ 7,946</b>	<b>0.0%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>					<b>\$ 25,696</b>	<b>0.1%</b>		
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>							<b>\$ 1,215,111</b>	<b>3.8%</b>

\*Note minor rounding differences may occur in totals.



**REGION 5 2017-2018 NCUA BUDGET SUMMARY**

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
<b>FTE</b>	<b>166.0</b>	<b>166.0</b>	<b>166.0</b>	<b>-</b>	<b>0.0%</b>	<b>166.0</b>	<b>-</b>	<b>0.0%</b>
Salaries	18,941,303	19,774,720	20,003,935	229,215	1.2%	21,184,167	1,409,447	7.1%
Benefits	7,594,950	7,936,722	7,976,436	39,713	0.5%	8,096,082	159,360	2.0%
Travel	5,016,971	5,067,141	4,930,000	(137,141)	-2.7%	4,930,000	(137,141)	-2.7%
Rent /Comm/Util	384,000	393,600	404,130	10,530	2.7%	404,130	10,530	2.7%
Administrative	163,281	164,586	190,568	25,982	15.8%	190,568	25,982	15.8%
Contracted Services	109,700	117,928	175,500	57,573	48.8%	175,500	57,573	48.8%
<b>Total</b>	<b>\$ 32,210,205</b>	<b>\$ 33,454,697</b>	<b>\$ 33,680,569</b>	<b>\$ 225,872</b>	<b>0.7%</b>	<b>\$ 34,980,448</b>	<b>\$ 1,525,750</b>	<b>4.6%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>				<b>\$ 1,470,363</b>	<b>4.6%</b>			
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 1,299,879</b>	<b>3.9%</b>	

**ASSET MANAGEMENT & ASSISTANCE CENTER 2017-2018 NCUA BUDGET SUMMARY**

	2016 Board Approved Budget	2017 Board Approved Budget	2017 Revised Budget	2017 Change from 2017 Board Approved	Change Percent (prior column)	2018 Requested Budget	2018 Change from 2017 Board Approved	Change Percent (prior column)
<b>FTE</b>	<b>38.0</b>	<b>38.0</b>	<b>38.0</b>	<b>-</b>	<b>0.0%</b>	<b>38.0</b>	<b>-</b>	<b>0.0%</b>
Salaries	4,448,409	4,644,140	4,859,598	215,459	4.6%	5,146,314	502,175	10.8%
Benefits	1,817,161	1,898,933	1,814,551	(84,383)	-4.4%	1,841,769	(57,164)	-3.0%
Travel	212,000	214,120	242,000	27,880	13.0%	242,000	27,880	13.0%
Rent /Comm/Util	201,175	206,204	197,005	(9,199)	-4.5%	197,005	(9,199)	-4.5%
Administrative	90,050	90,770	88,530	(2,240)	-2.5%	88,530	(2,240)	-2.5%
Contracted Services	152,712	164,165	180,300	16,135	9.8%	180,300	16,135	9.8%
<b>Total</b>	<b>\$ 6,921,507</b>	<b>\$ 7,218,333</b>	<b>\$ 7,381,984</b>	<b>\$ 163,651</b>	<b>2.3%</b>	<b>\$ 7,695,918</b>	<b>\$ 477,585</b>	<b>6.6%</b>
<b>2017 Revised Budget Change from 2016 Board Approved Budget:</b>				<b>\$ 460,476</b>	<b>6.7%</b>			
<b>2018 Requested Budget Change from 2017 Revised Budget:</b>						<b>\$ 313,935</b>	<b>4.3%</b>	

\*Note minor rounding differences may occur in totals.

## Appendix B: Fact Sheets

### Budget Process Fact Sheet

#### *Overview*

The National Credit Union Administration continues to strengthen the integration of planning and budget to ensure agency resources are aligned to strategic priorities, identify areas for continuous improvement, and identify opportunities to save budget resources.

Each summer, under the leadership of the NCUA Chief Financial Officer, NCUA develops its budget using zero-based budgeting techniques, which ensure each activity is individually justified to the Board in order to be considered for funding. Under this process, the budget for each office is rigorously evaluated to ensure NCUA resources are allocated efficiently and priority needs are funded, regardless of the prior year funding level. NCUA requires each office to explain the merits of every line item, the specific needs for each category of spending, and the basis of developing each cost estimate.

After receiving the proposed budget for each NCUA office, the Chief Financial Officer and Executive Director meet individually with office directors and regional directors so that each budget and associated line item can be reviewed, explained, and justified.

As the budget formulation process is iterative, refinements are continually made, resulting in rolling adjustments to the budget proposal. During the budget development process, the Executive Director and Chief Financial Officer brief the Chairman and each NCUA Board Member multiple times on the budget proposals submitted, updated, and recommended. In addition, analytical and summary information is also prepared to provide for comparison to prior years and to highlight material increases or decreases to budget items.

#### *Budget Development*

Given the nature of NCUA's mission and strategic plan goals and objectives, funding to support staffing levels is the single largest budget category.

In developing the budget proposal, the examination and supervision workload is estimated to determine the number of staff hours necessary to carry out NCUA's dual mission as insurer and regulator. The workload analysis is a bottom-up process with the field staff reviewing the condition and supervision needs for each credit union and recommending the hours for each. The estimates are refined by management in the field program until the final budget proposal is completed.

The workload analysis establishes the foundation for the Office of National Examinations and Supervision and the five regional budget requests, which represent over 71 percent of NCUA personnel. Based on the workload analysis, NCUA determines staffing levels and requisite personnel compensation and benefits required to support the workload hours.

In addition, all twenty-one NCUA offices develop a bottom-up resource request. Each position must be validated and updated with the requisite personnel information to accurately project salary and benefit costs with the approved merit, locality and other inflationary adjustments such as health care costs. Any new resource requirements supporting a new position are presented and must be justified by the applicable office director to NCUA's Executive Director and Chief Financial Officer.

When the Executive Director and Chief Financial Officer complete their analysis of requested positions, their analysis is presented in detailed briefings to each Board Member for their consideration. Where possible, the Board makes every effort to curtail any net addition of full-time equivalent positions, by use of attrition and strategic allocation of resources. After evaluating all alternatives, the Board ultimately determines whether any new net FTE positions are warranted. Other specific estimation procedures include:

- Travel requirements for all examination program staff are identified and justified based on workload analysis, meeting and conference plans, and individual development plans.
- Rent, communication and utility expenses are reviewed for valid operational recurring requirements. Historical spending is used to assist in calculating the out-year costs; however, all costs are examined and estimated. NCUA staff also examine for cost savings. Examples of cost reductions that can be identified include efficiency savings associated with utilities, postage savings or lease renegotiations.
- Administrative expenses are reviewed for valid operational recurring requirements. Historical spending is used to assist in calculating the out-year costs, and all costs are examined and estimated. Costs typically include large recurring expenses such as software licenses and maintenance fees, depreciation expense, laptop computer leases, and mandatory expenses such as Federal Financial Institutions Examination Council fees.
- Contract expenses, which include a variety of projects, are assessed based on priority requirements as determined by the agency's strategic plan and statutory requirements. Annual project reviews are conducted to ensure plans are consistent with the goals and objectives in NCUA's Strategic Plan. In addition, contract spending associated with software development is prioritized by NCUA's Information Technology Priority Council.

### ***Two-Year Budget***

The NCUA Board reinstated the two-year budget process in 2016. This was standard practice in NCUA for many years prior to the 2008 financial crisis. It also is commonplace in federal government agencies today. The second year budget estimate represents our best current estimate and will be revisited again the following year with updated and more accurate information.

### ***Capital Budget***

NCUA's capital budget is also zero-based to identify the new investment needs for information technology and building improvements and repairs.

NCUA has enhanced its information security program to comply with federal requirements as well as safeguard against cyber threats. The information technology investments also include ongoing enhancements and upgrades to decades old legacy systems that support the exam program. Hardware replacement occurs periodically to refresh agency equipment that provide staff with essential tools to enhance their productivity.

Maintaining the investment in NCUA's central office building is a necessary resource requirement. Every year, new assessments are made to determine any essential repairs, replacements, or renovations needed to the infrastructure.

## Budget Savings Fact Sheet

NCUA's budget is a product of thorough planning and evaluation by all offices to effectively use the agency's resources in the most efficient manner without sacrificing our core mission of protecting safety and soundness. Every office must explain the merit of all requested line items and the methodology used to develop the cost estimate. The requests are then thoroughly reviewed by the Chief Financial Officer and Executive Director, who in turn make recommendations on funding levels to the NCUA Board.

An important part of the analysis leading up to the annual budget proposal is identifying options to streamline NCUA operations and recognize methods to both reduce current costs and avoid future costs.

A few examples of savings from the 2017 Revised NCUA Budget include:

- NCUA **avoided costs of approximately \$5 million** in pay, benefits, travel, and other support costs by reducing 25 credit union examiner positions to align with current projected workload as recommended by the Exam Flexibility Initiative.
- NCUA reduced miscellaneous rental line item by **\$217,000** from the 2017 Board Approved Budget to more accurately reflect the meeting rental costs for examiner training events and meetings scheduled for 2017.
- NCUA reduced meeting supply costs by **\$110,000** in line with updated meeting and travel schedules compared to the 2017 Board Approved Budget.
- NCUA reduced the cost of postage and utility expenditures by **\$43,000** compared with the 2017 Board Approved Budget.



## Budget and Financial Transparency Fact Sheet

The National Credit Union Administration is committed to financial transparency by regularly providing the public with information concerning its budget and spending.

NCUA discloses more information about its budget and spending than independent federal financial services regulatory agencies are required to make available to the public. In fact, NCUA provides more financial information than its regulated credit unions are required to provide to their own members.

### *Monthly and Quarterly Financial Reports*

NCUA's Chief Financial Officer reports quarterly to the NCUA Board at public meetings on the financial status of the National Credit Union Share Insurance Fund and the Temporary Corporate Credit Union Stabilization Fund. Video, audio and written transcripts of these public quarterly financial reports are posted on NCUA's [website](#) for a full year.

In addition, NCUA posts publicly reports on the fiscal status of the four permanent funds and one temporary fund managed by the agency. These include:

- **Operating Fund**
- National Credit Union **Share Insurance Fund**
- **Central Liquidity Facility**
- **Community Development Revolving Loan Fund**
- **Temporary Corporate Union Stabilization Fund**

### *Annual Financial Reports*

The [NCUA website](#) hosts a dedicated **budget resource center**. Further, NCUA's **Strategic Plan and Annual Performance Plans** are also released to the public. Finally, NCUA's **Audited Financial Statements** for all four permanent funds and the **Temporary Corporate Credit Union Stabilization Fund** are initially released publicly through NCUA's **Office of Inspector General**. NCUA also publishes its **Annual Report**. Together, these financial reports provide a comprehensive picture of NCUA's spending and financial performance.

Each year, NCUA's Chief Financial Officer presents the proposed Operating Budget and Capital Budget during the public meeting of the NCUA Board in November. As part of this process, NCUA releases a memorandum that describes the proposed budgets in detail and requested staffing levels.

At the request of stakeholders, shortly after the NCUA Board approved the 2016 Operating Budget, the agency also posted non-aggregated budgets for each NCUA office. The non-aggregated budgets break down the top five budget components and the cost element detail for each of the 15 Central Offices, five Regional Offices, and the Asset Management and Assistance Center.

In addition, the Chief Financial Officer also conducts a mid-session budget review and presents the results, including any proposed budget adjustments, to the NCUA Board's public meeting every July.

### ***Reading NCUA Financial Statements and Budget Materials***

NCUA financial statement presentation and note disclosures are presented as required by generally accepted accounting principles, as applicable for government agencies, as evidenced by all funds receiving a unmodified (or clean) audit opinion from the independent auditors. Detailed expenditure information is presented on the face of the financial statements for the Operating Fund, Central Liquidity Facility, and Community Development Revolving Loan Fund.

For the Share Insurance Fund, expenditure data is aggregated within the principal financial statements as required by GAAP; however, *more detailed information can be found within the financial statement note disclosures*. For example, on the face of the 2015 Share Insurance Fund's Statements of Net Cost, an aggregate balance is presented for Operating Expenses. However, within the financial statement notes, Operating Expenses are detailed by the following specific line-item categories: employee salaries; employee benefits; employee travel; contracted services; administrative costs; and rent, communications, and utilities.

In compliance with federal law, a portion of the Operating Budget is reimbursed from the Share Insurance Fund through the Overhead Transfer Rate. The percentage of the Operating Budget paid for by the Share Insurance Fund is also presented to the NCUA Board each year at the November meeting. NCUA's methodology for calculating the Overhead Transfer Rate was validated by an independent study which was also released publicly.

The Temporary Corporate Credit Union Stabilization Fund follows a similar budget formulation and presentation process with its annual budget now presented to the Board concurrently with the Operating Fund at the November open Board meeting, and it is integrated into one Board Action Memorandum budget document.

## Procurement Process Fact Sheet

The National Credit Union Administration is committed to providing an efficient and effective contracting framework that promotes competition while purchasing the goods and services necessary for the agency to achieve its mission.

Contracted services include critical mission support and infrastructure such as IT hardware and software development support, accounting and auditing services, hotel lodging, and training rooms. Contracting specialized subject matter expertise is often a cost-effective approach to support career staff. To that end, NCUA uses the commercial marketplace to obtain necessary goods and services which offer the best value to the agency.

NCUA administers its procurement program to achieve the following objectives:

- **Robust Competition and Research.** Robust competition and market research serves the public interest and is the preferred method of source selection. For contracts valued more than \$7,500 and up to and including \$100,000, a minimum of three vendors are invited to participate in a competition. For contract requirements over \$100,000, ten or more vendors are invited to participate in a competition.
- **Best Value.** NCUA makes awards based on the best value to NCUA, taking advantage of the competitive marketplace, by balancing proposed solutions, price, and schedule, among other factors.
- **Fair Opportunities.** NCUA works to ensure the inclusion of women and minority-owned businesses in the agency's contracting opportunities to the maximum extent possible. Specifically, NCUA provides minority and women-owned businesses with fair opportunities to participate in NCUA's bidding process by ensuring that they comprise one-third of the vendors invited to participate in each competition. NCUA takes these actions to comply with the law.

The application of best practices in procurement and contract management results in the receipt of best-in-class products and services, on schedule, and at fair and reasonable prices. It also enables innovative and creative tailoring of procurement processes to meet individual requirements, so that the right contractor is selected for each requirement.

NCUA recently updated its Procurement Policy Manual that governs the relationship with its contractors and establishes internal guiding principle for NCUA procurements. Extensive procurement training initiatives will improve NCUA staff knowledge related to procurement policy changes and support the implementation of advanced acquisition planning.

NCUA plans to implement a new procurement system called Delphi PRISM in January 2017 that will be integrated with the current financial management system hosted by the U.S Department of Transportation Enterprise Service Center, a federal shared-service provider. Process improvements and management efficiencies are expected with implementation of the new system.

## Prioritizing Information Technology Expenditures Fact Sheet

As part of an effort to ensure effective and efficient use of information technology, in January 2013, National Credit Union Administration Board Chairman created the NCUA Information Technology Prioritization Council. The purpose of the council is to set the strategic direction for information technology by prioritizing projects and better aligning IT investments with NCUA's mission and strategic plan.

The council fosters collaboration and accountability in the selection and prioritization of NCUA's application development efforts. The council is the official governing body for prioritizing and recommending to the NCUA Board all software projects for investments and for ensuring those investments align with NCUA's mission and strategic plan.

### *Functioning of the Information Technology Prioritization Council*

The NCUA ITPC is comprised of the following members:

- Deputy Executive Director (Council Chair)
- Chief Information Officer (Council Co-Chair)
- Chief Financial Officer
- Director, Office of Examination and Insurance
- Central Office Director (rotating)
- Regional Director (rotating)
- Regional Director (rotating)

The council meets at least quarterly to conduct its work. The council evaluates each proposed IT project against a series of prioritization standards. Projects that are designed to meet statutory or regulatory requirements receive top priority.

Information technology projects recommended by the council form proposals for consideration in NCUA's Operating Budget and Capital Budget. All proposals recommended by the council are subject to consideration and approval by the NCUA Board prior to initiation of the project.

## Mid-Session Budget Review Process Fact Sheet

Each spring, under the leadership of the NCUA Chief Financial Officer, NCUA reevaluates budget estimates for each agency office and region. All budget activities are reviewed during this process and compared with most recent actual spending to ensure resources are allocated efficiently to adequately support priority needs.

After receiving the requested budget adjustments for each NCUA office, the Chief Financial Officer analyzes all requests and conducts in-person reevaluations as necessary to ensure material changes are assessed thoroughly.

During the mid-session budget review process, the Executive Director and Chief Financial Officer brief the Chairman and each Board Member on the requested budget adjustments. Analytical and summary information are prepared to compare prior year spending and to highlight material increases or decreases to major budget line items.

All five NCUA budget categories are reevaluated during the mid-session review:

- **Pay and Benefits** funding is managed centrally and re-estimated based on recent year-to-date spending and projected hiring to meet requirements for all examination and support program staff.
- **Travel** requirements for all examination program staff are reassessed and supported with workload analysis, meetings, and required training plans.
- **Rent, Communications and Utilities** expenses are reviewed for valid operational recurring requirements and year-to-date spending to ensure accurate forecasting.
- **Administrative** expenses are reviewed for valid operational recurring requirements. Historical spending and year-to-date spending assist in reviewing the current estimates.
- **Contracted Services** expenses, which include a variety of projects, are assessed based on priority requirements as determined by statutory requirements and the agency's strategic plan. Project reviews are also conducted to ensure plans remain consistent with the goals and objectives in the Strategic Plan. In addition, contract spending associated with software development is prioritized by NCUA's Information Technology Prioritization Council.

The **Capital Budget** is also reassessed to ensure there are sufficient resources to cover existing projects. Any new, critical requirements that require funding may be identified and included as part of the mid-session adjustment. The agency cash position is also reevaluated during mid-session to ensure sufficient resources are available to cover all requirements through at least April of the following year when annual operating fees are collected. Cash is monitored on a monthly basis and a final determination of any credit adjustment applicable to the operating fee schedule is briefed to the NCUA Board.



## Appendix C: Capital Budget Project Summaries

CAPITAL PROJECT: Examination and Supervision Solution
<p><b>Project name:</b> <u>Automated Integrated Regulatory Examination System (AIRES) Redesign</u> is currently referred to as Examination and Supervision Solution (ESS)</p>
<p><b>Strategic goal and objective link:</b></p> <p>1.0 Ensure a Safe and Sound Credit Union System</p> <p style="padding-left: 20px;">1.2 Provide high-quality, effective, and efficient supervision that is agile and risk-based.</p> <p style="padding-left: 40px;">1.2.1 Implement market leading analytic tools to enable risk analysis, identify key trends and target examinations where most needed.</p> <p>3.0 Cultivate an Inclusive, Collaborative Workplace at NCUA that Maximizes Productivity and Enhances Impact.</p> <p style="padding-left: 20px;">3.2 Deliver secure, reliable and innovative technology solutions to support NCUA business imperatives.</p> <p style="padding-left: 40px;">3.2.2 Implement the Enterprise Business Information Technology Vision &amp; Strategy to ensure technology investments are prioritized and focused on delivering the highest return to the mission of NCUA.</p> <p style="padding-left: 40px;">3.2.4 Increase virtual, remote and telework employee efficiency through the use of technology.</p>
<p><b>Performance metric:</b></p> <p>Initiate acquisition and develop an actionable roadmap and plan for modernizing NCUA’s examination system (i.e. AIRES).</p>
<p><b>Project description, scope, and key deliverable:</b> By modernizing the current systems (with AIRES replacement at the center) the ESS effort will put access to the key examination and supervision capabilities into a streamlined toolset allowing Examiners and Supervisors to be more efficient, consistent and effective. Workflow, resource allocation, relationship, case and document management all comprise the examination and supervision support needs of NCUA.</p> <p>The overarching ESS project <b>scope</b> is to replace the existing legacy examination system and related supporting systems with a configurable, adaptable, and scalable Commercial Off The Shelf (COTS - commercially available software with standard functions that apply to all users) solution. The specific legacy systems and related processes in scope for the ESS project are the Automated Integrated Regulatory Examination System (AIRES), Time Management System (TMS), Management Automated Resource System (MARS), and National Supervision Policy Manual (NSPM) tools.</p> <p>The <b>key deliverable</b> is a replacement examination management, resource management and time management system(s).</p>
<p><b>Project timeline and schedule*:</b></p> <p>The key project milestones are as follows:</p>

- 2017 – Award Contract
- 2018 – Release Initial System

**Note:** \*Project timelines are estimates and subject to change.

Cost Estimates (\$ thousands)*	2017	2018	2019	2020	2021
Acquisition cost:	\$8,000	\$5,400			
Future year operations and maintenance**:		\$1,250	\$2,117	\$2,159	\$1,500

**Note:**

\*Costs are estimates and subject to change.

\*\*Future year operations and maintenance costs are projected to decrease as legacy systems are retired and the associated maintenance is no longer required. Costs presented here for operations are subject to change after contract award when a specific solution is known.

**Business value and risk management:**

With this investment, NCUA will be able to increase the productivity and quality of its credit union examination and supervision process, key mission activities. After careful review by NCUA management, in consultation with independent contractors and vested stakeholders of the organizational and enterprise level needs of the agency, the project is well aligned with the agency’s strategic plan. The focus is on upgrading technology, systems and processes to improve the quality of examinations, while reducing the onsite burden on credit unions and improving the efficiency of the examination process.

The key business value drivers are:

- The ESS project impacts the entire agency as the examination and supervision systems, processes, information, and data are used throughout the organization.
- The ESS project will utilize technology to improve the efficiency and accuracy of examination and supervision functions, while enhancing the overall examination and supervision experience.
- Planned benefits to the agency include better and more robust analytical capabilities to assist in the monitoring and evaluation of credit union financial risk, while enhancing the consistency and quality of the data produced as part of the examination and supervision program.
- Anticipated benefits for credit unions are reduced on-site examination overtime and better facilitation and coordination of examination and supervision contacts and follow-up activities.



- Both the agency and credit unions will benefit from enhanced analytics of financial and other data to better identify and mitigate potential financial and operational risk.

The strategic plan and business imperatives, combined with technical obsolescence and system maintenance and consolidation needs, serve as the guiding objectives for the ESS project.

**Benchmark and peer comparison:**

As a part of this initiative, NCUA is actively communicating with financial regulatory agencies who are or planning to modernize their examination systems. NCUA is leveraging lessons learned from these agencies as well as industry.

**Results and technical benefits:**

As the existing systems are replaced by the new system, technical benefits will be realized and reported. It is anticipated that the new ESS will enable examiners to accomplish more exam activities off-site or virtually, thereby reducing examination time and travel. In addition, the new solution will consolidate the various tools and systems that examiners currently use and automate many manual activities. By eliminating the need to access and manually integrate multiple tools and by pre-loading data already entered, the examination process will be more efficient and require less time for examiners to complete their exams. The new system also will address deficiencies associated with the existing solution that relies on 20-year-old technology.

Additionally, the ESS will be designed to support a revamped Credit Union examination processes to improve supervision and risk analysis. Specifically, to enable Examiners to:

- Perform deep, detailed, “vertical” analysis of a Credit Union;
- Analyze broader “horizontal” insights of Credit Union cohorts;
- Incorporate best practices and adapt to an increasingly sophisticated Credit Union industry;
- Increase expert analysis time during onsite exams (i.e., reducing data entry and manipulation); and,
- Access a single unified view of all Credit Union information acquired across all NCUA offices and regions

**CAPITAL PROJECT: Data Collection Solution**

**Project name:** CU-online System replacement is currently referred to as Data Collection and Sharing Solution (DCS)

**Strategic goal and objective link:**

1.0 Ensure a Safe and Sound Credit Union System

1.2 Provide high-quality, effective, and efficient supervision that is agile and risk-based.

1.2.1 Implement market leading analytic tools to enable risk analysis, identify key trends and target examinations where most needed.

3.0 Cultivate an Inclusive, Collaborative Workplace at NCUA that Maximizes Productivity and Enhances Impact.

3.2 Deliver secure, reliable and innovative technology solutions to support NCUA business imperatives.

3.2.2 Implement the Enterprise Business Information Technology Vision & Strategy to ensure technology investments are prioritized and focused on delivering the highest return to the mission of NCUA.

**Performance metric:**

Initiate acquisition and develop an actionable roadmap and plan for modernizing NCUA’s Call Report system (i.e. CUOnline).

**Project description, scope, and key deliverable:**

The purpose of the Data Collection and Sharing Solution is to replace NCUA’s current disparate systems used to collect information from credit unions and to introduce a common, centralized platform to securely collect and share financial and non-financial data. The replacement of CUOnline, the system used to collect credit union call reports or financial information, is at the center of this effort along with the creation of a 360 degree view of the credit union (provides NCUA with a single, integrated view of all interactions and information associated with a given credit union).

The **scope** of this project includes the replacement or integration of systems that collect information for the following purposes:

- Credit Union Call Report
- Credit Union Service Organizations (CUSO) Registry
- Grant and Loan Applications
- Charter Requests
- Credit Union Conversions
- Credit Union Mergers
- Field of Membership Expansions
- Low Income Designation

Additionally, this project includes the implementation of a Secure File Transfer Portal, which will enable the secure transfer of data between NCUA and third parties.

The **key deliverable** is the implementation and rollout of the Data Collection and Sharing Solution.

**Project timeline and schedule\*:**

The key project milestones are as follows:

- 2017 – Develop Procurement Package
- 2018 – Award Contract
- 2019 – Release Initial System

**Note:** \*Project timelines are estimates and subject to change.

Cost Estimates (\$ thousands)**	2017	2018	2019	2020	2021
Acquisition cost:	<b>\$700</b>	<b>\$2,100</b>			
Future year operations and maintenance:		<b>\$275</b>	<b>\$550</b>	<b>\$1,122</b>	<b>\$1,144</b>

**Note:** \*\*Costs are estimates and subject to change. Costs presented here for operations are subject to change after contract award when a specific solution is known.

**Business value and risk management:**

To regulate, charter and supervise credit unions, NCUA relies heavily on the timeliness, accessibility and accuracy of data. Currently, data is collected from various third parties via a wide variety of collection mechanisms and processes. NCUA’s current environment consists of many outdated, legacy data collection systems used in combination with manual processes.

The goal of the DCS project is to drive the following business value:

1. Enhance the examination and supervision of credit unions for all stakeholders (credit unions, NCUA staff, state partners, other regulators) by providing more accurate and timely credit union data
2. Enhance the Credit Union (and other third parties such as CUSOs) user experience by providing a one-stop-shop for submitting data to NCUA, eliminating redundant data entry and facilitating secure data sharing and use
3. Improve the efficiency with which NCUA designs data capture methods (i.e. Call Report questions, loan applications, etc.) and validates and processes data submissions

The new solution also will address deficiencies associated with the existing systems, several of which rely on 20-year-old technology.

**Benchmark and peer comparison:**

As a part of this initiative, NCUA is actively communicating with other financial regulators who are currently or planning to collect and share data from and with their constituents. NCUA is leveraging lessons learned from these agencies as well as industry, as provided by industry analysts.

**Results and technical benefits:**

The DCS project will result in a secure and centralized data entry point for entities (credit unions, states, etc.) with a need to provide and/or exchange data with NCUA through the provision of the following

- A portal that provides credit unions with a single point of entry to all interactions NCUA
- An activity center where credit unions and other third parties will receive custom alerts and be able to securely submit data to NCUA (i.e. Call Reports, Mergers, Loan Applications, CUSO Registrations, etc.)
- A 360 degree of all interactions and information related to a given credit union
- An activity center for NCUA staff to design data collection methods, validate credit union and third party data and process submissions

The outcome of the project will be a more streamlined and automated means of capturing information required for the examination and supervision program.

**CAPITAL PROJECT: Business Intelligence Tools and Analytics**

**Project name:** Business Intelligence Tools and Data Analytics is currently referred to as Enterprise Data Reporting & Warehousing

**Strategic goal and objective link:**

1.0 Ensure a Safe and Sound Credit Union System

1.2 Provide high-quality, effective, and efficient supervision that is agile and risk-based.

1.2.1 Implement market leading analytic tools to enable risk analysis, identify key trends and target examinations where most needed.

3.0 Cultivate an Inclusive, Collaborative Workplace at NCUA that Maximizes Productivity and Enhances Impact

3.2 Deliver secure, reliable and innovative technology solutions to support NCUA business imperatives.

3.2.3 Raise the minimum standards for our data to increase the completeness and accuracy of our information, while still accommodating new data points.

**Performance metrics:**

Expansion of business intelligence (BI) tools and data analytics to strengthen reporting services and risk monitoring.

**Project description, scope, and key deliverable:** The purpose of this project is the collection, centralization, organization and storage of NCUA data so that analysis is more accurate, simple and can be distributed across the agency. This accessibility will combine with BI tools to improve NCUA’s overall reporting and data analysis capabilities.

The **scope** of this effort includes the existing (legacy) data that supports our current systems as well as the new or enhanced data that will be associated with current and upcoming IT initiatives (e.g., Examination and Supervision Solution and Data Collection and Sharing Solution).

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

**Project timeline and schedule:** An initial backlog of reporting needs is being addressed simultaneously with the governance and strategic planning that will allow the data warehouse to efficiently support other IT projects. By 2018, the Enterprise Data and Warehousing effort should be shifted into an operational mode where ongoing support is part of operations and maintenance.



Cost Estimates (\$ thousands)*	2017	2018	2019	2020	2021
Acquisition cost:	\$1,705				
Future year operations and maintenance:		\$1,562	\$1,738	\$1,773	\$1,808

**Note:** \*Costs are estimates and subject to change.

**Business value and risk management:**

The ability to deliver accurate and timely reports across the agency for existing and future systems is the primary **benefit** of Enterprise Data Reporting & Warehousing. Accurate and clean data that is centrally stored where there is a clear understanding of the authoritative source manages many of the **risks** facing the current data environment.

**Benchmark and peer comparison:**

NCUA plans to communicate with financial regulatory agencies and leverage lessons learned from these agencies as well as industry.

**Results and technical benefits:**

The results of this effort will be the ability to create reports that are accurate over time and to pass the report generation onto end-users via reporting tools. This project will result in one authoritative source of data and the source will be understood. The combination of these two benefits will lead to better analysis of trends and more exploration within the data. By establishing a warehouse for reporting purposes, the current systems will not be burdened by report generation.

**CAPITAL PROJECT: Enterprise Records Management Solution**

**Project name:** Enterprise Records Management Solution

**Strategic goal and objective link:**

3.0 Cultivate an Inclusive, Collaborative Workplace at NCUA that Maximizes Productivity and Enhances Impact.

3.2 Deliver secure, reliable and innovative technology solutions to support NCUA business imperatives.

3.2.3 Raise the minimum standards for our data to increase the completeness and accuracy of our information, while still accommodating new data points.

**Performance metric:**

Complete alternatives analysis and roadmap for implementing policy, processes, and technology for managing all permanent records in an accessible, electronic format per National Archives and Records Administration (NARA) directives.

**Project description, scope, and key deliverable:** NARA compliance motivates the needs for Records Management. The deadline of proving record management capability by the end of 2019 requires that the organizing and process establishment begin now. This effort will leverage an enterprise document management solution that will be implemented later.

The scope of this project in 2017 is the records management alternatives analysis. This alternatives analysis will include an assessment of NCUA’s enterprise document management needs. The deliverable of this project in 2017 is the records management alternatives analysis.

**Project timeline and schedule:** The records management initiative for NCUA will be a set of multi-year, incremental activities that will run through the year 2021. Records management is closely linked to document management and there will be a combined analysis of alternatives in 2017 to set strategy. Activity resumes in earnest in 2019 as there is a need to show specific, NARA approved records management capability by the end of 2019. Following proof of the capability will be the incremental rollout across NCUA.

Cost Estimates (\$ thousands)*	2017	2018	2019	2020	2021
Acquisition cost:	\$241	TBD	TBD	TBD	TBD
Future year operations and maintenance:		\$60			

**Note:** \*Costs are estimates and subject to change. Future year cost estimates will be revised in 2018 after completion of the alternatives analysis.

**Business value and risk management:**

Records Management is a compliance driven set of activities to meet NCUA's legal obligation as a federal agency. It is also recognized that additional guidelines may be introduced and provided over time. Aligning with the NARA guidelines avoids the risk of being in violation of a federal law. It is the complementary activity associated with document management that introduces a direct business value to NCUA.

**Benchmark and peer comparison:**

NCUA will reach out to other federal agencies to understand how they are complying with their legal requirements and what their timeline is to completion. The current system of records management that includes boxes of documents will be assessed as a benchmark to which future solutions will be compared. Much of the actual benchmarking and comparison will be done around the document management initiative.

**Results and technical benefits:**

The technical benefits driven by Records Management will all be in the document management area. Along with the benefit of being able to prove alignment with the NARA directives, increased efficiency of retention and retrieval, system led archiving of outdated material, improved search-ability and simplified storage will all result from the combined Records/Document Management efforts.



**CAPITAL PROJECT: AMAC Servicing Systems**

**Project name:** Financial Asset Management - AMAC Servicing Solution is currently referred to as AMAC Servicing Systems. AMAC is the Asset Management and Assistance Center.

**Strategic goal and objective link:**

1.0 Ensure a Safe and Sound Credit Union System

1.1 Identify, measure, monitor, and promptly responds to risks in the credit union industry to mitigate loss to the NCUSIF.

1.1.4 Conduct credit union resolutions effectively and efficiently.

3.0 Cultivate an Inclusive, Collaborative Workplace at NCUA that Maximizes Productivity and Enhances Impact.

3.2 Deliver secure, reliable and innovative technology solutions to support NCUA business imperatives.

3.2.1 Replace end-of-life technology with a modern, robust platform to address technical risk and provide a foundation for future expansion of capabilities.

**Performance metric:**

To be determined

**Project description, scope, and key deliverable:** The purpose of this project is to replace the aging AMAC servicing systems with modern servicing, document management, customer relationship management (CRM), case management, business intelligence (BI) and analytics capabilities. AMAC conducts credit union liquidations and performs management and recovery of assets. NCUA plans to research and procure a solution to replace the current set of separate systems that support AMAC.

The **scope** of this project is specific to the AMAC office and the procurement of a servicing, document management, CRM, case management, BI and analytics solution.

The **key deliverables** are the requirements, solicitation package, selection, award and related contract negotiations for the solution.

**Project timeline and schedule:**

The key project milestones are as follows:

- 2017 – Phase 1: Pre-solicitation Support
- 2017 – Phase 2: Vendor Selection Support

Details for timeline and schedule for subsequent activities will be determined by the 2017 efforts.

Cost Estimates (\$ thousands)*	2017	2018	2019	2020	2021
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Acquisition cost:	\$700	\$3,500	\$8,100		
Future year operations and maintenance:			\$650	\$2,600	\$2,652

**Note:** \*Costs are estimates and subject to change. Costs presented here for operations are subject to change after contract award when a specific solution is known.



**Business value and risk management:** The AMAC Servicing Systems project will provide the following business benefits/risk management:

- Address operational risks posed by aging systems
- Improve data consistency, which will enable more timely and accurate operations and management reporting
- Automate manual activities across 40+ systems and databases, improving quality, consistency and efficiency
- Improve member engagement and confidence through CRM solutions
- Improved communication and collaboration with by integrating business processes that are currently in silos
- Provide integrated IT operational and governance framework

**Benchmark and peer comparison:**  
Benchmark and peer comparison will be activities completed in 2017 as part of the activities listed above in the “Project timeline and schedule” section.

**Results and technical benefits:**  
In addition to the benefits listed above in the “Business value and risk management” section, AMAC strives to maximize the recovery of assets in liquidations where fraud occurred. AMAC assists NCUA regional offices with the review of large, complex loan portfolios and actual or potential bond claims. It also participates extensively in the operational phases of conservatorships and records reconstruction. The purpose of AMAC is to minimize costs to the Share Insurance Fund and credit union members.



**CAPITAL PROJECT: Human Resource Systems**

**Project name:** Human Resource Functions

**Strategic goal and objective link:**

- 3.0 Cultivate an Inclusive, Collaborative Workplace at NCUA that Maximizes Productivity and Enhances Impact
- 3.1 Deliver secure, reliable and innovative technology solutions to support NCUA business imperatives.
  - 3.2.1 Replace end-of-life technology with a modern, robust platform to address technical risk and provide a foundation for future expansion of capabilities

**Performance metric:**

Integrate and rollout General Service Administration’s replacement to Comprehensive Human Resources Integrated System (CHRIS).

**Project description, scope, and key deliverable:**

The purpose of this project is to replace NCUA’s existing HR system, CHRIS, with GSA’s replacement to CHRIS. CHRIS is an automated tool used by HR professionals to document employment (i.e., changes in salary, position, benefits, etc.), which in turn creates a comprehensive employment history. This is a GSA driven Line of Business Transition, which includes employee time and attendance, and is scheduled to be completed in 2017. Although GSA should support most transition costs, there will be associated costs related to support for the effort and possible data clean-up activities that need to take place prior to transition.

The **scope** of the project is replacement of NCUA’s current CHRIS, to include time and attendance.

The **key deliverable** will be the integration and rollout of the CHRIS replacement.

**Project timeline and schedule\*:**

The integration of the CHRIS replacement is scheduled for 2017.

**Note:** \*Milestones are estimates and subject to change.

<b>Cost Estimates (\$ thousands)**</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Acquisition cost:	<b>\$400</b>				
Future year operations and maintenance:		TBD	TBD	TBD	TBD

**Note:** \*\*Costs are estimates and subject to change.

**Business value and risk management:**

By adopting the CHRIS replacement, NCUA will benefit both from the efficiencies gained through outsourcing a shared solution as well as the automation of additional routine HR tasks and the time and attendance functionality.

**Benchmark and peer comparison:**

A key driver behind NCUA's decision to adopt the CHRIS replacement is because many Federal agencies, NCUA's peers, are planning to adopt the new system.

**Results and technical benefits:**

With the integration and rollout of the CHRIS replacement, NCUA anticipates that it will be able to more efficiently operate and maintain its HR system. Additionally, by providing expanded online, self-service, and time and attendance for employees, both HR staff and employees will save time on managing day-to-day administrative tasks.

By sharing with other federal agencies in the cost to operate and maintain the CHRIS replacement, NCUA anticipates enjoying a lower total cost of ownership for the capability over managing an HR system on its own.

**CAPITAL PROJECT: Legacy Infrastructure and Security Technology Update**

**Project name:** Legacy Infrastructure and Security Technology Refresh and Expansion

**Strategic goal and objective link:**

3.0 Cultivate an Inclusive, Collaborative Workplace at NCUA that Maximizes Productivity and Enhances Impact

3.2 Deliver secure, reliable and innovative technology solutions to support NCUA business imperatives.

3.2.2 Implement the Enterprise Business Information Technology Vision & Strategy to ensure technology investments are prioritized and focused on delivering the highest return to the mission of NCUA.

3.2.4 Increase virtual, remote and telework employee efficiency through the use of technology.

3.4 Ensure a secure environment that protects the safety of our staff and security of our facilities.

3.4.1 Strengthen the security program in the areas of personnel, facilities, continuity of operations and secure communications.

**Performance metric:**

To be determined

**Project description, scope, and key deliverable:** Legacy Infrastructure and Security Technology Refresh and Expansion is a series of IT efforts to Refresh and Upgrade existing services: Windows 10 Server, Security Architecture and Analysis for the Disaster Recovery effort scheduled for 2018.

The **scope** is systems and services that are within OCIO control and improvements to them.

The four **key deliverables** are:

- Increased security protection for NCUA systems
- Improved Disaster Recovery
- Web Conferencing expansion across the enterprise
- Upgrades to Windows servers

**Project timeline and schedule:** This project is actually several smaller effort within OCIO.

Quarter 1 2017 - Security Architecture Refresh

Quarter 1 2017 - Business Process Analysis for Disaster Recovery

Quarter 2 2017 - Enterprise Web Conferencing

Quarter 2 2017 - Server OS Upgrade

Cost Estimates (\$ thousands)*	2017	2018	2019	2020	2021
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Acquisition cost:	\$460				
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Future year operations and maintenance:					
<b>Note:</b> *Costs are estimates and subject to change.					
<p><b>Business value and risk management:</b> The security architecture refresh and server operating system upgrade protect NCUA and its partners against technological risks and cyber-attacks. The business process analysis for disaster recovery effort allows for redundancy and timely recovery in the event that a service interruption takes place. In addition, the enterprise web conferencing improves communication within the agency (between regions, the central office and the mobile workforce as well as offering increased opportunities for partners to interface with NCUA remotely.)</p>					
<p><b>Benchmark and peer comparison:</b> NCUA plans to communicate with financial regulatory agencies and leverage lessons learned from these agencies as well as industry.</p>					
<p><b>Results and technical benefits:</b> The technical benefits and results will be in the continuous availability of NCUA services to its staff and partners as well as increased productivity and decreased travel. In addition, a complete plan for the disaster recovery project set for 2018 will be a benefit of 2017 activities.</p>					

**CAPITAL PROJECT: Laptop Lease**

**Project name:** NCUA Laptop lease (3-year agreement)

**Strategic goal and objective link:**

- 3.0 Cultivate an Inclusive, Collaborative Workplace at NCUA that Maximizes Productivity and Enhances Impact
- 3.2 Deliver secure, reliable and innovative technology solutions to support NCUA business imperatives.
  - 3.2.1 Replace end-of-life technology with a modern, robust platform to address technical risk and provide a foundation for future expansion of capabilities.

**Performance metric:**

To be determined

**Project description, scope, and key deliverable:**

Upgrade laptops that are three years old including newer operating system. This project includes the selection of new laptops, testing and acquisition, the rollout of the new laptops running Windows 10 to NCUA staff and the return of the current laptops to the leasing agent. The **scope** includes everyone that uses an NCUA provided and supported laptop to do their job (mobile staff, regional and office staff, contractors and some state representatives). The **key deliverable** is new laptops across NCUA.

**Project timeline and schedule:**

The planning and preparation will all take place in 2017 and the rollout to all staff will start in 2017 and span into the first quarter of 2018.

<b>Cost Estimates (\$ thousands)*</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Acquisition cost:	<b>\$915</b>	<b>\$1,000</b>			
Future year operations and maintenance:	n/a	n/a	n/a	n/a	n/a

**Note:** \*Costs are estimates and subject to change.

**Business value and risk management:**

Previous studies showed a cost and performance benefit to leasing laptops instead of buying them. By including hardware support and the operating system into the contract, response time for support was improved. A replacement timeline of every three years avoids where there is an increase in hardware related issues and coincides well with the Microsoft schedule of operating system rollouts.

**Benchmark and peer comparison:**

Establishing a benchmark and researching what other similar organizations are doing is part of the alternatives analysis scheduled for first quarter 2017.

**Results and technical benefits:**

The technical benefits are a staff that is leveraging current, stable and secure systems to do their jobs. Minimizing hardware related issues by replacing laptops that are three years old avoids the increase in issues associated with laptops that have been in use longer than three years.



**CAPITAL PROJECT: Home Mortgage Disclosure Act (HMDA) System Development**

**Project name:** Home Mortgage Disclosure Act System Development (HMDA) cost sharing

**Strategic goal and objective link:**

2.0 Promote Consumer Protection and Financial Literacy

2.1 Effectively enforce federal consumer financial laws and regulations in federal credit unions.

**Performance metric:** Ensure consistency with other regulators in enforcing HMDA compliance to safeguard member interests. Use data from the system to detect trends and increase guidance to the credit union system to improve compliance with consumer protection laws.

**Project description, scope, and key deliverable:** HMDA requires most mortgage lenders located in metropolitan areas to collect data about their housing-related lending activity, report the data annually to the government, and make the data publicly available. NCUA enforces compliance with HMDA requirements in all federally insured credit unions. Historically, NCUA, as a Federal Financial Institutions Examination Council (FFIEC) member agency, has contributed to the costs of HMDA data collection and processing.

The HMDA operations were moved from the Federal Reserve Board to the Consumer Financial Protection Bureau (CFPB) to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA). Implementation of the DFA changes to HMDA, including additional data element requirements, provide an opportunity to streamline and modernize the HMDA data collection and processing system. The goal of the new system is to allow for more efficient submissions by reporting financial institutions, processing for FFIEC member agencies and HUD, and quicker release of the data.

**Project timeline and schedule:** The project is expected to be completed and implemented in 2018. Operations and maintenance (O&M) cost will be provided by CFPB.

Cost Estimates (\$ thousands)	2017	2018	2019	2020	2021
Acquisition cost:	\$750	\$750	\$0	\$0	\$0
Future year operations and maintenance:		TBD	TBD	TBD	TBD

**Business value and risk management:**

The system will be designed in a manner that makes best use of limited government funds and, where possible, leverages CFPB’s already developed capabilities. The CFPB is committed to protecting and ensuring the security of HMDA data. The CFPB’s information security practices will adhere to the requirements of the Federal Information Security Management Act of 2002 (FISMA), based on guidance and standards provided by the National Institute of Standards and Technology (NIST).

The CFPB has carefully considered the potential risks for the HMDA system development and has proposed several mitigation factors so these risks never become issues. As they continue development on the HMDA collection, processing and reporting system, they will continuously assess, prioritize, monitor and control for risks and uncertainty with the success of the project.

**Benchmark and peer comparison:** The CFPB proposes an “even split” of the Capital budget between all of the FFIEC agencies and HUD, as this new system build benefits all agencies, as well as their reporting institutions. The CFPB has a goal of maintaining the ongoing O&M budget constant upon transition to the Bureau.

**Results and technical benefits:** The system was pilot tested with financial institutions and received several improvements over the current process. They gave the pilot a four out of five rating. Some of the enhanced features included a simple, online design; export feature to allow for machine readable reports, and an edit process done prior to submission that eliminated back and forth or scanning/emailing.

Operational drivers include:

- 1) Cost avoidance: Develop ongoing staffing structure changes from more efficient data reporting, less manual processes, and improved compliance structures.
- 2) Productivity gains: Mitigate the manual burden of HMDA data collection and reporting and increase the efficiency of HMDA data collection, processing, and publication through automated, open systems.
- 3) Returns to the public: make improvements to timeliness, accuracy, utility and availability of data to allow for timelier and data-driven decision-making and reporting.

**CAPITAL PROJECT: Consumer Lending Software**

**Project name:** Consumer Lending Software (APRWIN and APYWIN) cost sharing

**Strategic goal and objective link:**

2.0 Promote Consumer Protection and Financial Literacy

2.1 Effectively enforce federal consumer financial laws and regulations in federal credit unions.

2.1.1 Administer the risk-based fair lending exam program to identify compliance issues and required corrective actions.

2.1.2 Ensure consistency with other regulators on consumer issues to safeguard member interests.

3.0 Cultivate an Inclusive, Collaborative Workplace at NCUA that Maximizes Productivity and Enhances Impact

3.2 Deliver secure, reliable and innovative technology solutions to support NCUA business imperatives.

3.2.1 Replace end-of-life technology with a modern, robust platform to address technical risk and provide a foundation for future expansion of capabilities.

**Performance metric:**

Implementation and rollout of the cross-agency-developed APR and APY replacement applications.

**Project description, scope, and key deliverable:**

The purpose of this project is to replace NCUA’s consumer lending applications, which calculate annual percentage rate (APR) and annual percentage yield (APY). NCUA is participating in an interagency working group to replace its consumer lending applications, APRWIN and APYWIN, with a shared solution. APRWIN and APYWIN are legacy applications developed by the Office of the Comptroller of the Currency and used by federal and state regulators – including NCUA, Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation, Federal Reserve Board, Office of the Comptroller of the Currency (OCC), and the Conference of State Banking Supervisors – to calculate APR and APY in limited settings. The applications were last updated in 2008 by OCC. APRWIN calculates APR according to methods prescribed in the Truth in Lending Act (TILA) and Regulation Z, but only for certain types of credit transactions; APYWIN calculates yield for deposit products. Examiners use the programs to determine the accuracy of disclosures required under TILA/Regulation Z, for the types of credit supported, and the Truth in Savings Act (implemented by NCUA regulation).

The **scope** of the project is to replace the APRWIN and APYWIN applications.

The **key deliverable** is the implementation and rollout of the replacement consumer lending software.

**Project timeline and schedule:**

The interagency working group that is leading the development of the replacement applications has not yet finalized a project timeline and schedule for delivery of the new applications.

Cost Estimates (\$ thousands)*	2017	2018	2019	2020	2021
Acquisition cost:	\$100				
Future year operations and maintenance:		\$100	\$100	\$100	\$100

**Note:**

\*Costs are estimates and subject to change.

**Business value and risk management:**

This project is designed to improve the efficiency and quality of the examination process with regulations involving APR and APY. The key business value drivers of replacing APR and APY are :

- Provide all NCUA staff with a single tool with which to calculate APR and APY
- Permit NCUA staff to make APR calculations for virtually all credit products, including a variety of adjustable rate mortgages
- Provide NCUA examiners a tool by which to determine compliance with the 36 percent MAPR under the revised MLA (although not by the October 3, 2016, compliance date)
- Create consistency among the financial regulators when examining for compliance with regulations involving APR and APY
- Provide a tool with which calculation results can be integrated into reports and other systems
- If made available to credit unions, the replacement will enhance compliance by enabling credit unions to calculate APR and APY with the same tool used by their regulator

By sharing with other federal agencies in the cost to develop and maintain the APR and APY replacement applications, NCUA anticipates enjoying a lower total cost of ownership and lower risk associated with developing the applications. However, attention needs to be given to the potential scope and schedule risks associated with jointly developed and maintained applications.

**Benchmark and peer comparison:**

As NCUA is participating in an interagency working group to replace its consumer lending applications with a shared solution, leveraging best practices of NCUA’s peer group will be integral to the project.

**Results and technical benefits:**

NCUA anticipates that the replacement systems will expand the scope of products for which staff can determine APR and APY using the same tool for both calculations. The replacement applications will allow examination staff and others to more easily use data obtained from use of the tools, thereby increasing productivity and eliminating manual functions currently used. Additionally, the updated and enhanced tools will allow the NCUA to overcome external risks with greater customer service and internal risk associated with the obsolete operating system, which the current applications use.

**CAPITAL PROJECT: Central Office Building Improvements and Repairs**

**Projects:** Central Office Facilities – Elevator Replacement (\$1,250,000), Building Renovations (\$400,000), and Improvements (\$170,000)

**Strategic goal and objective link:**

3.0 Cultivate an Inclusive, Collaborative Workplace at NCUA that Maximizes Productivity and Enhances Impact

3.4 Ensure a secure environment that protects the safety of our staff and security of our facilities

- To upkeep and maintain current facility infrastructure to include life cycle and replacement of critical components.
- To upgrade obsolete and outdated facility infrastructure.
- To install facility infrastructure that will meet all current codes for life safety, accessibility, security, and increased energy and operational efficiency.
- To maximize the space usage by integrating smart density principles that allow the maximum and best use of available space.
- To introduce the best use of current government assets.
- To better align NCUA space allocation with federal targets for space utilization.

**Performance metric:** To be determined

**Project description, scope, and key deliverable:**

- A. Replace four traction elevators, including the machine room equipment, new call buttons and software. Elevator floors and walls will be preserved to save money. The current elevators are original to the facility, 23 years old, and obsolete; parts are no longer available. In accordance with the National Elevator Code, American Society of Mechanical Engineers, A17.1 (ASME A17.1), it is recommended elevators be replaced every 20 years. Despite a strict maintenance program, age has become apparent by the vibration and slower response time of the equipment, not to mention the increasing maintenance and operating cost for the elevators with more recurrent service calls, which are clear signs of decreased reliability. In the last 23 years, technology and codes governing elevator systems have dramatically changed; a modern reliable elevator will not only meet all current codes for life safety, accessibility and security, but will increase energy and operational efficiency.
- B. The central office renovations will accommodate staff at the central office while consolidating Region 2 space. This renovation will allow for increased number of work stations, and personnel in the same amount of allotted existing central office gross square footage. A modernized and updated design that allows better use of the space, while setting pleasant aesthetics will have positive effects on productivity and the general appearance of the facility. Some of the areas have remained untouched from major upgrades since the building construction over 23 years ago. A modernized space will take advantage of the latest technological construction options that will increase



productivity and efficiency while reducing operating cost. Renovations will include offices, cubicles, and conference (meeting) room space.

**Project timeline and schedule:** 12 months

Cost Estimates (\$ thousands)	2017	2018	2019	2020	2021
Acquisition cost:	\$1.820				
Future year operations and maintenance:			\$20	\$20	\$20

**Business value and risk management:**

This is a capital improvement required in order for the facility to continue normal elevator operation and it is associated with the life cycle replacement required for critical infrastructure. Due to the age of the equipment there are opportunities for significant gains to energy efficiency and reliability simply because of the technological advancements that have taken place since the original installation. Aging equipment is a large contributor to less sustainable facilities and higher operating cost. Modernized equipment will bring considerable savings and ensure another 15 - 20 years of high reliability elevator operation.

The implementation of smart design practices in the office renovation will result in a more productive and sustainable office space. The incorporation of design principles that are specifically applied to enhance the productivity of employees and conservation of resources brings tremendous benefits and long term cost saving to the organization. Incorporating design methods that can be implemented to drastically improve the performance and flexibility of office space in terms of space, energy consumption or the lifecycle of materials used, will provide a functional workplace that will meet the needs of employees for years to come without any unnecessary reconfigurations or modifications. Additionally, by relocating Region 2 to the central office facility there will be future savings of approximately \$350,000 annually from leasing and operating cost.

**Benchmark and peer comparison:** NCUA is taking on this renovation in order to make more efficient use of our space. Some areas will have offices smaller than current size; for example, some cubicle sizes will decrease.

**Results and technical benefits:** Elevator operating cost are estimated to be approximately 5 percent of NCUA's facility energy operating cost or approximately \$15,000 - 27,000 annually. New energy efficient elevator equipment can represent up to 40 percent savings compared to old equipment. Not only are these savings represented on energy usage but also in efficiency in terms of time and heat generation, as equipment will operate for shorter periods of time compared to the old equipment. Increasing the functionality and usefulness of workspace allows employees to best perform their daily tasks. An attractive, modern renovation that incorporates smart design and space planning can greatly increase the efficiency of output by an individual and, in turn, provides a more economically viable and productive solution.