



NCUA
National Credit Union Administration

2021–2022 Budget Justification

December 18, 2020



NCUA

National Credit Union Administration

[THIS PAGE INTENTIONALLY LEFT BLANK]

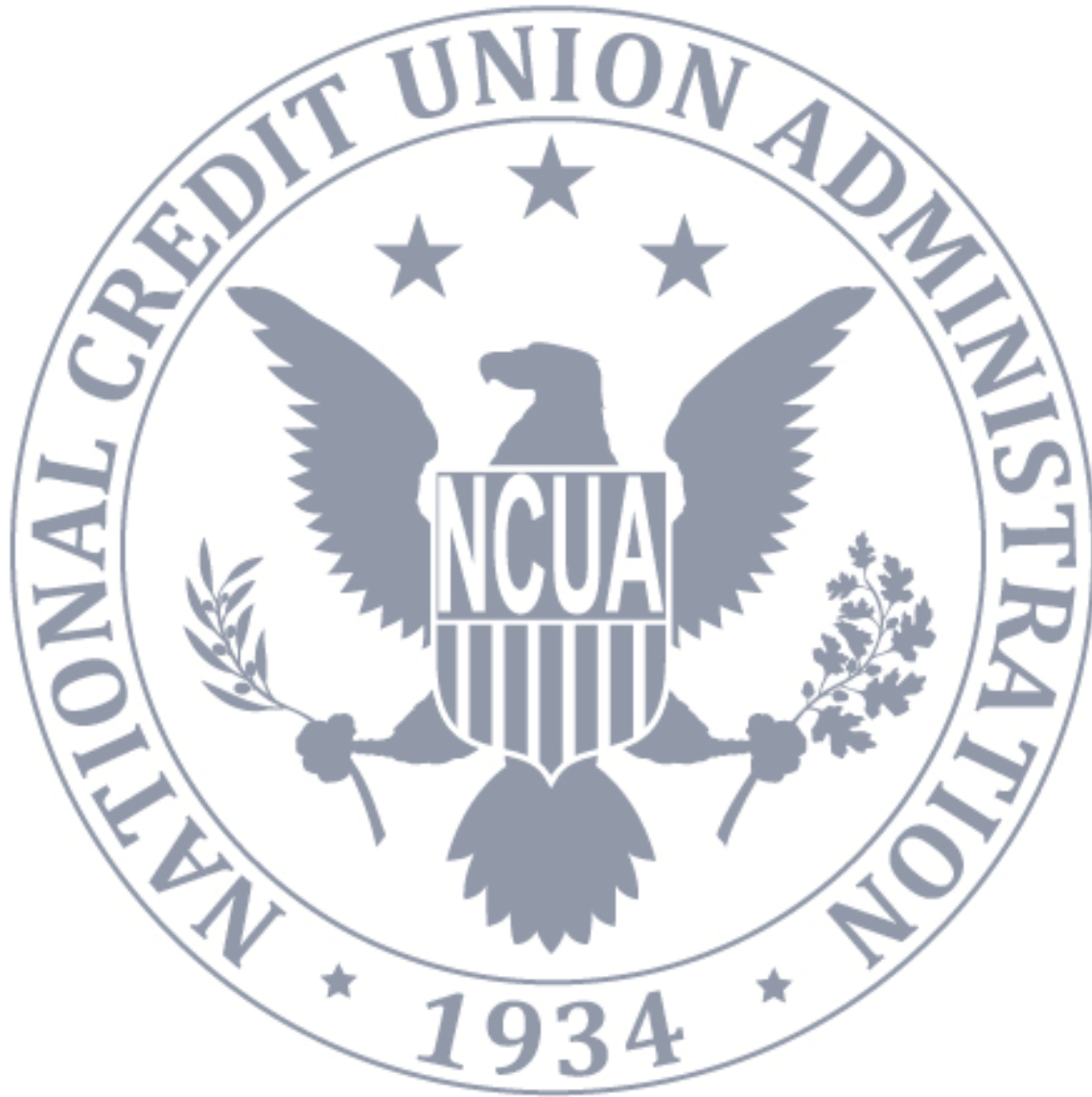




Table of Contents

THE NCUA BUDGET IN BRIEF	1
PROPOSED 2021 AND 2022 BUDGETS	1
OPERATING BUDGET	2
CAPITAL BUDGET	4
SHARE INSURANCE FUND ADMINISTRATIVE EXPENSES	5
2020 OPERATING BUDGET – USE OF BUDGET SURPLUS RESULTING FROM COVID-19 OPERATING ADJUSTMENTS	5
BUDGET TRENDS.....	6
INTRODUCTION AND STRATEGIC CONTEXT.....	12
HISTORY	12
AUTHORITY.....	12
MISSION, GOALS, AND STRATEGY	13
ORGANIZATION, MAJOR AGENCY PROGRAMS, AND WORKFORCE	15
BUDGET PROCESS – STRATEGY TO BUDGET	17
COMMITMENT TO FINANCIAL STEWARDSHIP	19
ENTERPRISE RISK MANAGEMENT	20
FORECAST AND ENTERPRISE CHALLENGES	21
ECONOMIC OUTLOOK	21
OTHER RISK FACTORS AND TRENDS	23
KEY THEMES OF THE 2021 – 2022 BUDGET.....	25
OVERVIEW	25
FINANCIAL INCLUSION	26
VIRTUAL EXAMINATION PROJECT	26
ENTERPRISE SOLUTION MODERNIZATION	27
KEY PRIORITIES FOR 2021.....	30
IMPACT OF COVID-19 ON NCUA OPERATIONS.....	31
REGULATORY REFORM	32
OPERATING BUDGET	33
OVERVIEW	33
STAFFING.....	33
BUDGET CATEGORY DESCRIPTIONS AND MAJOR CHANGES	38
CAPITAL BUDGET	47
OVERVIEW	47
SUMMARY OF CAPITAL PROJECTS.....	48



SHARE INSURANCE FUND ADMINISTRATIVE BUDGET	51
OVERVIEW	51
BUDGET CATEGORY DESCRIPTIONS AND MAJOR CHANGES	51
FINANCING THE NCUA PROGRAMS	55
OVERVIEW	55
OVERHEAD TRANSFER RATE (OTR)	56
OPERATING FEE	60
APPENDIX A: SUPPLEMENTAL BUDGET INFORMATION	64
2021 BUDGET BY STRATEGIC GOAL.....	64
OFFICE BUDGET SUMMARY	65
BOARD BUDGETS	66
OFFICE BUDGETS	67
APPENDIX B: CAPITAL PROJECTS	74



The NCUA Budget in Brief

Proposed 2021 and 2022 Budgets

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

2021–2022 NCUA BUDGET RESOURCES										
Budget	2020 Board Approved Budget	2021 Requested Budget	Change (2020–2021)	Change Percent (2020–2021)	2022 Requested Budget	Change (2021–2022)	Change Percent (2021–2022)	2021 FTE	2022 FTE	FTE Change
Operating Budget	315,883,000	314,560,000	(1,323,000)	-0.4%	316,890,000	2,330,000	0.7%	1,187	1,182	(5)
Capital Budget	25,076,000	18,845,000	(6,231,000)	-24.8%	18,845,000	-	0.0%	-	-	-
Share Insurance Fund Admin. Budget	6,450,000	7,973,000	1,523,000	23.6%	7,755,000	(218,000)	-2.7%	5	5	-
Total	\$347,409,000	\$341,378,000	\$(6,031,000)	-1.7%	\$343,490,000	\$ 2,112,000	0.6%	1,192	1,187	(5)

The NCUA’s 2021 – 2022 budget justification consists of three separate budgets: the Operating Budget, the Capital Budget, and the National Credit Union Share Insurance Fund Administrative Budget. Combined, these three budgets total \$341.4 million for 2021, which is 5.2 percent less than the 2021 funding level approved by the NCUA Board in December 2019 as part of the two-year 2020 – 2021 budget, and 1.7 percent less than the comparable level funded by the Board for 2020.

Three significant factors drive the 2021 budget lower than the 2020 level.

1. The NCUA anticipates the continuation of remote/off-site examinations into the first few months of 2021, as the result of on-going concerns about the COVID-19 pandemic, and that examinations-related and other travel will begin to resume as we continue through 2021, albeit at a lower level than in previous years due to lessons learned about remote work during the pandemic. Accordingly, travel spending estimates in the 2021 budget are reduced by approximately 33 percent.
2. The NCUA reduced its 2021 budget for travel by an additional 25 percent because it proposes to use surplus funds that resulted from reduced travel in 2020. Combined with the first factor, these reductions account for approximately \$13.3 million in travel-related budget that would otherwise have been included in the 2021 Operating Budget. Had the travel budget for 2021 included this \$13.3 million, the overall Operating Budget would have increased by approximately 3.8 percent.



- 3. A final factor driving lower overall spending in 2021 is the reduction in the Capital Budget, largely driven by the completion of the latest phase of the MERIT project.

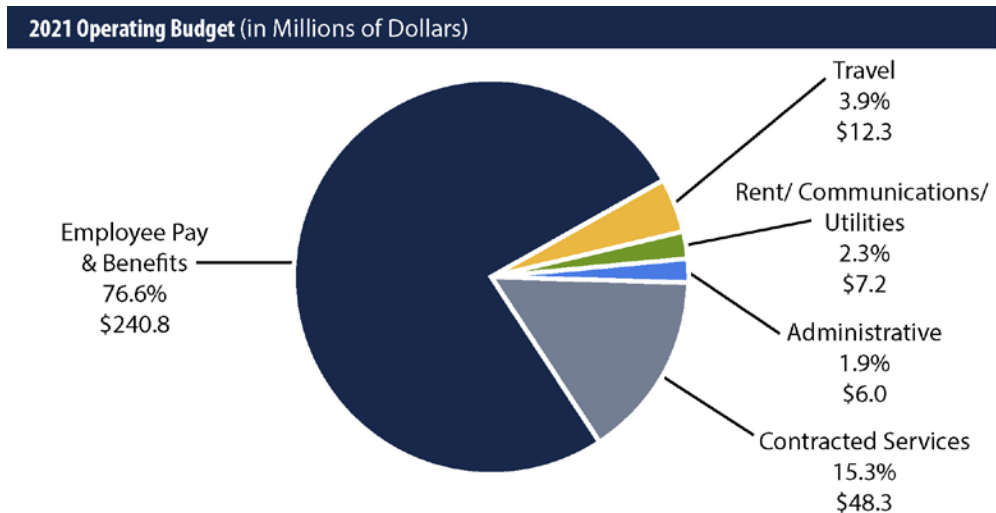
Staffing levels for 2021 and 2022 reflect the agency’s current staffing requirements and proposed staffing enhancements related to high-priority initiatives.

Operating Budget

The proposed 2021 Operating Budget is \$314.6 million. Staffing levels are requested to increase by six full-time equivalents (FTE) compared to the 2020 Board-approved budget¹.

The 2021 Operating Budget, decreases approximately \$1.3 million, or 0.4 percent, compared to the 2020 Board-approved budget. The Operating Budget estimate for 2022 is \$316.9 million and reflects five fewer FTE compared to the 2021 proposed level.

The following chart presents the major categories of spending supported by the 2021 budget, while specific adjustments to the 2020 Board-approved budget are discussed in further detail, below:



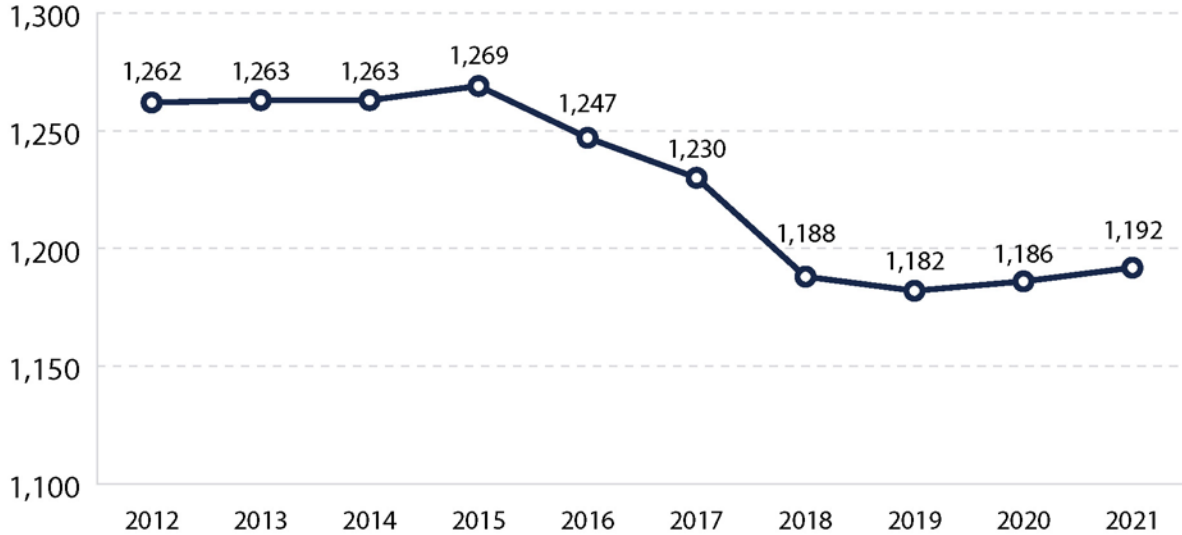
note: minor rounding differences may occur in totals

Total Staffing. The budget supports 1,192 FTE in total for 2021, of which five are funded by the Share Insurance Fund Administrative Budget. The Operating Budget funds 1,187 FTE in 2021, a net increase of six FTEs from the 2020 levels approved by the Board. Additional staff have been added to several offices as discussed later in this document. Since 2018 and despite significant credit union asset growth, total NCUA staffing has remained within a relatively narrow range, as shown in the chart below.

¹ The published 2020 FTE level approved by the Board was 1,180 for the Operating Budget. In March 2020, the NCUA Board approved one additional FTE. The revised 2021 Operating Budget proposes six more FTE, for a total of 1,187.



NCUA Staffing (FTEs)



Pay and Benefits. Pay and benefits increase by \$9.5 million in 2021, or 4.1 percent, for a budget of \$240.8 million. A substantial amount of the growth in pay and benefits – nearly \$2.3 million – is the result of OPM increasing the mandatory employer contribution for the Federal Employee Retirement System (FERS). Required FERS payments to OPM increase from 16 percent of covered employees’ salaries to 17.3 percent, a change of 130 basis points.² Nearly all NCUA employees are covered by FERS, which includes a defined pension benefit funded by both employee and employer contributions. Because almost every federal agency is required to participate in FERS, the employer share of contributions increases throughout the government in 2021.

The remaining increase in pay and benefits accounts for the merit and locality pay adjustments required by the NCUA’s current collective bargaining agreement, the six new positions proposed for 2021, anticipated staff promotions, position changes, and increased costs for other mandatory employer contributions such as health insurance.

Travel. The travel budget decreases by \$15.1 million in 2021, or 55.2 percent, for a budget of \$12.3 million. Included in this total and as previously mentioned, the NCUA reduced the 2021 travel budget by approximately \$13.3 million because: first, the agency expects travel in the first quarter of the year will remain at minimal levels due to the COVID-19 pandemic, second, when travel resumes it will be at a lower level than in previous years due to lessons learned about remote work during the pandemic, and third, because the agency plans to use surplus 2020 travel funds to pay for a portion of 2021 travel costs. In addition, the cost of training the examiner workforce to use the new MERIT system was already funded in 2020; most training was rescheduled for 2021 but do not require additional resources to carry out.

² <https://www.opm.gov/retirement-services/publications-forms/benefits-administration-letters/2020/20-304.pdf>



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

Rent, Communications, and Utilities. The budget for rent, communications, and utilities decreases by \$1 million in 2021, or 12.6 percent, for a budget of \$7.2 million. This funding pays for space-related costs, telecommunications services, data capacity contracts, and information technology network support. The decrease in 2021 is primarily due to the termination of a lease for office space in Alexandria VA and the elimination of payments for the NCUA Central Office Building note from the Share Insurance Fund, which would be retired by paying off all principal balances using surplus 2020 travel funds.

Administrative Expenses. Administrative expenses increase by \$0.4 million in 2021, or 7.0 percent, for a budget of \$6.0 million. The increase to the administrative expenses budget category largely results from including the anticipated costs of employee relocations in the 2021 budget. In 2020, employee relocation costs were paid from surplus salaries and benefits funds available at the end of 2019.

Contracted Services. Contracted services expenses increase by \$4.9 million in 2021, or 11.4 percent, for a total budget of \$48.3 million. The increase in spending for contract services primarily results from the operating and maintenance costs that will result from deployment of the MERIT system.

Contracted services funding pays for products and services acquired in the commercial marketplace, and includes critical mission support services such as information technology hardware and software support, accounting and auditing services, and specialized subject matter expertise.

Capital Budget

The proposed 2021 Capital Budget is \$18.8 million.

The 2021 Capital Budget is \$6.4 million less than the 2021 funding level approved by the Board in December 2019, and \$6.2 million less than the 2020 Board-approved budget.

The Capital Budget pays for continued investments in critical technology and infrastructure projects. For the past several years, major component of the Capital Budget has been development of the first phases of the Enterprise Solution Modernization (ESM) program, which includes a new technical platform and security infrastructure, a central user interface for stakeholders to transact business with the NCUA, integration of business intelligence tools into the supervision function, and the MERIT examination system, which will replace the agency's antiquated AIRES examination software and will be used by both federal and state examiners in almost all credit union examinations. The MERIT system is scheduled for deployment to all examiners in 2021, and MERIT costs will transition to operating and maintenance budgets. The NCUA's Information Technology Prioritization Council recommended \$12 million for IT software development projects that continue to replace the NCUA's decades-old and functionally obsolete information technology systems, and \$5.6 million in other IT investments for 2021. The NCUA's facilities require \$1.25 million in capital investments.



Share Insurance Fund Administrative Expenses

The proposed 2021 Share Insurance Fund Administrative budget is \$8.0 million.

The 2021 Share Insurance Fund (SIF) Administrative Budget is \$1.0 million more than the 2021 funding level approved by the Board in December 2019, and \$1.5 million more than the 2020 Board-approved budget. The increase in the SIF Administrative Budget is primarily attributed to the costs associated with tools and technology used by the Office of National Examinations and Supervision to oversee credit union-run stress testing for the largest Credit Unions using its own proprietary models. The cost to develop such models was included in past years' capital budgets and the tools and technology were deployed in 2020; the 2021 operating and maintenance costs for ONES tools is now included in the SIF Administrative Budget. Direct charges within this budget include administration of the NCUA Guaranteed Note (NGN) program, state examiner training and laptop leases for state examiners, as well as financial audit and internal control support for the Share Insurance Fund.

2020 Operating Budget – Use of Budget Surplus Resulting from COVID-19 Operating Adjustments

Various public health restrictions instituted in response to the COVID-19 pandemic resulted in much lower-than-planned spending on NCUA employee travel in 2020, as the NCUA pivoted to remote and offsite examinations and work. The NCUA currently estimates that the agency will end 2020 having under-spent the Board-approved budget by approximately \$18.3 million, mostly due to a reduction in travel as well as other operating expenses.

The NCUA's response to the coronavirus pandemic has also led to a number of unplanned and unbudgeted expenses, particularly for information technology and operational support activities. Through November 2020, the NCUA reallocated \$7.9 million of the projected travel surplus for the following purposes:

- \$3.2 million for the liquidation of a portion of NCUA's liabilities associated with disbursements to employees for leave earned in 2020, reducing the anticipated end of year balance for employee leave, as well as increased expenses for items such as remote communications and supply reimbursements due to required off-site work, information technology licensing and equipment costs, cleaning supplies, and facility cleaning and maintenance. These items were discussed as part of the mid-session budget briefing presented at the July 2020 Board meeting.
- \$2.1 million for 2020 COVID-related expenses, which were largely of a one-time nature and are not anticipated to result in a long-term expense to the agency, such as:
 - The increase data capacity for computer networks, revised data reporting, conference calling services, and virtual meeting software, all of which spiked due to the remote/off-site work situation.



- Modifications to facilities operations and maintenance, including improvements to air handling and filtration systems; increased facility cleaning and cleaning supplies; and medical consultant support to assess operating status and issues.
- An assessment of virtual exams in light of the shift to remote and off-site examination and supervision in 2020 as a result of COVID-19, to evaluate opportunities and long-term changes to the supervision program.
- \$2.6 million for the final phase of facilities modernization at the Central Office. This project was originally planned in the original 2021 Capital Budget for \$3.0 million. Over the past three years, the NCUA has been modernizing and updating the Central Office, much of which has not been updated in over 20 years. The project also supports security upgrades at the Central and regional offices. Accelerating the funding enables much of the work to be done while a number of staff continue to work remotely, and will allow NCUA to terminate the lease it has at 1900 Duke Street rather than keep it for 2021, avoiding a cost of approximately \$600,000. Therefore, in total, the use of the surplus for this project reduced the overall 2021 budget by \$3.6 million.

Deducting the \$7.9 million that has been reallocated from the \$18.3 million, leaves a balance of \$10.4 million, which – subject to approval by the NCUA Board – is being proposed for use in the following way:

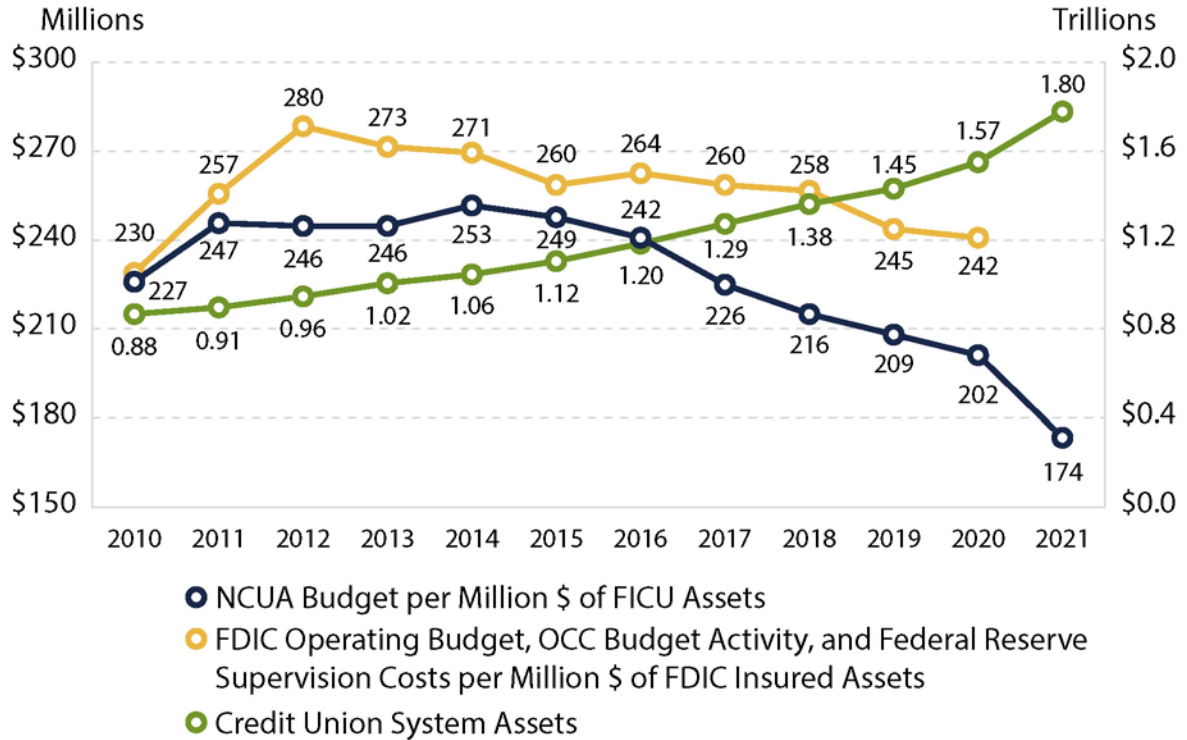
- \$5.8 million of the budget surplus for 2020 would be made available in 2021, to offset 2021's travel budget. For 2021, the NCUA is currently forecasting a need for about 66% of its annual travel budget, due to the anticipated ongoing travel and on-site work restrictions related to COVID. In addition to the \$12.3 million included in this 2021 budget, an additional \$5.8 million would be made available from the 2020 surplus, to fund travel at about 66% of the typical need.
- \$3.7 million of the surplus would be used to retire the note owed by the Operating Budget to the Share Insurance Fund for the Central Office building at 1775 Duke Street, Alexandria, VA. When the NCUA purchased the building, it was financed by the Share Insurance Fund, and the Operating Fund makes annual principal and interest payments. This action would retire the note three years ahead of schedule, fully repaying the Share Insurance Fund. This will reduce the Operating Budget by about \$1.3 million in annual principal payments scheduled for 2021 through 2023, and also avoid additional interest payments for the remaining three years of the loan.
- \$0.9 million of the surplus would be used for expected COVID-related expenses in 2021, such as for continued enhanced office cleaning and cleaning supplies, medical consultant services, and other miscellaneous costs.

Budget Trends

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



NCUA Budget per Million Dollars of FICU Assets



Source: NCUA Annual Budgets, Call Reports, FDIC, OCC, and Federal Reserve financial reports
 *Budget per million \$ of FICU assets is calculated as the fiscal year's budget divided by the previous year's end-of-year assets (e.g. - FY2021 budget (\$315.6M) / projected FICU assets as of 2020Q4 (\$1.8T) = \$174 of NCUA budget per \$1M in FICU assets).

It is also notable that the NCUA’s operations have become more efficient relative to the size of the credit union system because consolidation in the industry has led to growth in the number of large credit unions. This results in additional complexity in the balance sheets of such credit unions, and a corresponding increase in the supervisory review required to ensure the safety and soundness of such large institutions. The NCUA responded to this increasing complexity through several initiatives: creation of the specialized Office of National Examination and Supervision, development of in-house capabilities to oversee large credit unions’ stress testing, use of specialist examiners with expertise in cybersecurity and capital markets, and improved quality of examination reports through enhanced quality review processes.

Federal Compliance Cost

As a federal agency, the NCUA is required to devote significant resources to numerous compliance activities required by federal law, regulations, or, in some cases, Executive Orders. These requirements dictate how many of the agency’s activities are implemented and the associated costs. These compliance activities affect the level of resources needed in areas such as information technology acquisitions and management, human capital processes, financial management processes and reporting, privacy compliance, and physical and



cyber security programs. While agency managers are responsible for these activities, required compliance activities can add additional processes and procedures.

Financial Management

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

Information Technology (IT)

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

Human Capital and Equal Opportunity

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

Security

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

General Compliance Activities

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



Federal retirement costs are an example of mandatory payments to other federal agencies. As discussed earlier in this document, the cost of mandatory contributions to OPM for most NCUA employees' retirement system will increase from 16.0 to 17.3 percent of their salaries, based on the OPM Board of Actuaries of the Civil Service Retirement System recommendations. The budget impact of these additional retirement costs in 2021 is an increase of approximately \$2.3 million over 2020.



2021 Budget in Brief: Summary Table

(dollars in millions)	Budget	Change from 2020 Budget	% Change ³	Description
2021 Operating Budget	\$314.6	↓ \$1.3	-0.4%	The 2021 budget provides the resources required to execute the priorities outlined in the NCUA's Strategic Plan (2018-2022).
Total Staffing (FTE)	1,192	↑ 6	+ 0.5%	The 2021 FTE level increases by six positions from 1,186 authorized by the Board in 2020 ⁴ .
Budget Category				
Pay & Benefits	\$ 240.8	↑ \$9.5	+ 4.1%	The pay and benefits adjustment covers merit and locality pay changes required by the Collective Bargaining Agreement. The increase also funds \$2.3 million in mandatory employer contributions for retirement, as well as health benefits and the compensation costs for new FTEs.
Travel	\$12.3	↓ \$15.1	-55.2%	The travel budget decreases by slightly more than half in 2021 compared to 2020. The NCUA anticipates minimal travel through the first quarter of 2021 because of the COVID-19 pandemic and also recommends using approximately \$6 million in surplus 2020 travel funds in 2021.
Rent, Communications & Utilities	\$7.2	↓ \$1.0	-12.6%	Rent, communications, and utilities budgets maintain essential working space, telecommunications, data capacity, and network support. This budget decreases due to the cancellation of an office lease and the payoff of the NCUA's loan that financed construction of the Central Office building.
Administrative	\$6.0	↑ \$0.4	+7.0%	Administrative expenses primarily support operational requirements, FFIEC fees, relocation expenses, and employee supplies. This budget increases because employee relocation budgets funded in 2020 with prior-year surplus funds were added back to the 2021 budget.
Contracted Services	\$48.3	↑ \$4.9	+11.4%	Contracted services reflect costs incurred when products and services are acquired in the commercial marketplace and include critical mission support services such as information technology hardware and software development support, accounting and auditing services, and specialized subject matter expertise.

³ percent change is based on exact amounts shown on page 38.

⁴ The published 2020 FTE level approved by the Board was 1,185. In March 2020, the NCUA Board approved one additional FTE.



2022 Budget in Brief: Summary Table

(dollars in millions)	Budget	Change from 2021 Budget	% Change ⁵	Description
2022 Operating Budget	\$316.9	↑ \$2.3	+0.7%	The 2022 budget provides the resources required to execute the priorities outlined in the NCUA's Strategic Plan (2018-2022).
Total Staffing (FTE)	1,187	↓ 2	-0.2%	The 2022 FTE level decreases by five positions from 1,192 recommended in 2021.
Budget Category				
Pay & Benefits	\$239.3	↓ \$1.6	-0.6%	Pay and benefits costs are projected to decrease in 2022 as the NCUA returns to its historic level of staff vacancies.
Travel	\$13.7	↑ \$1.5	+11.9%	Travels costs will increase in 2022 after the COVID-19 pandemic subsides and because surplus 2020 travel funds will be fully spent. The travel budget pays for carrying out the examination and supervision workload and other agency business.
Rent Communications & Utilities	\$8.4	↑ \$1.2	+17.2%	Rent, communications, and utilities costs will increase in 2022 as the NCUA continues to deploy new technology that consumes more data and telecommunications bandwidth. Rent, communications, and utilities expenses include utilities, space rental, software licenses and other recurring costs.
Administrative	\$6.2	↑ \$0.2	+3.1%	Administrative expenses support operational requirements, FFIEC fees, relocation expenses, and employee supplies.
Contracted Services	\$49.2	↑ \$1.0	+2.0%	Contracted services reflect costs incurred for products and services acquired in the commercial marketplace. The increase for 2022 reflects expected inflationary growth in contract pricing.

⁵ percent change is based on exact amounts shown on page 38.



Introduction and Strategic Context

History

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

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

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

As of September 2020, the NCUA is responsible for the regulation and supervision of 5,133 federally insured credit unions, which have approximately 123.7 million members and more than \$1.79 trillion in assets across all states and U.S. territories.⁶

Authority

Pursuant to the Federal Credit Union Act, authority for management of the NCUA is vested in the NCUA Board. It is the Board's responsibility to determine the resources necessary to carry out the NCUA's responsibilities under the Act.⁷ The Board is authorized to expend such funds and perform such other functions or acts as it deems necessary or appropriate in accordance with the rules, regulations, or policies it establishes.⁸

Upon determination of the budgeted annual expenses for the agency's operations, the Board determines a fee schedule to assess federal credit unions. The Board gives consideration to the ability of federal credit unions to pay such a fee, and the necessity of the expenses the NCUA will incur in carrying out its responsibilities in connection with federal credit unions.⁹ In July 2020, the Board approved for publication in the *Federal*

⁶ Source: The NCUA quarterly call report data, Q3 2020

⁷ See 12 U.S.C. 1752a(a).

⁸ See 12 U.S.C. 1766(i)(2).

⁹ See 12 U.S.C. 1755(a)-(b).



Register proposed changes to its regulation and methodology for determining the fees due from federal credit unions, and has invited public comment on the proposals.¹⁰

Pursuant to the law, fees collected are deposited in the agency's Operating Fund at the Treasury of the United States, and those fees are expended by the Board to defray the cost of carrying out the agency's operations, including the examination and supervision of federal credit unions.¹¹ In accordance with its authority¹² to use the Share Insurance Fund to carry out a portion of its responsibilities, the Board approved an Overhead Transfer Rate methodology, and authorized the Office of the Chief Financial Officer to transfer resources from the Share Insurance Fund to the Operating Fund to account for insurance-related expenses.

Mission, Goals, and Strategy

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

Throughout 2021 and 2022, the NCUA will continue fulfilling its mission to “*provide, through regulation and supervision, a safe and sound credit union system which promotes confidence in the national system of cooperative credit,*” and its vision to ensure that the “*NCUA protects credit unions and consumers who own them through effective supervision, regulation and insurance.*” This budget commits the resources necessary to implement the NCUA's plans to identify key challenges facing the credit union industry and leverage agency strengths to help credit unions address those challenges.

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

- Ensure a safe and sound credit union system;
- Provide a regulatory framework that is transparent, efficient, and improves consumer access; and
- Maximize organizational performance to enable mission success.

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

In support of its first strategic goal – *ensure a safe and sound credit union system* - the NCUA will continue to supervise federally insured credit unions effectively and maintain a strong Share Insurance Fund.

The NCUA's primary function is to identify credit union system risks, determine the magnitude of those risks, and mitigate unacceptable levels through the examination and supervision program. The agency identifies supervision program priorities each year, aligning budgeted resources to these priorities while addressing emerging issues in order to minimize losses to the Share Insurance Fund. Program priorities in 2021 include ongoing efforts to:

- ensure compliance with Bank Secrecy Act and Anti-Money Laundering laws and regulations;

¹⁰ See <https://www.federalregister.gov/d/2020-16981> and <https://www.federalregister.gov/d/2020-17009>

¹¹ See 12 U.S.C. 1755(d).

¹² See 12 U.S.C. 1783(a).



- examine credit union operations for compliance with applicable consumer financial protection regulations;
- review credit union policies and the use of loan workout strategies, risk management practices, and new strategies implemented to assist borrowers impacted by the COVID-19 pandemic, including new programs authorized through the Coronavirus Aid, Relief and Economic Security Act (CARES Act);
- ensure that credit unions have evaluated and effectively managed the economic impact of COVID-19 on their credit risk, capital position, and overall financial stability;
- evaluate critical security controls for credit union information systems in response to emerging cyber-attacks, which are a persistent threat to the financial sector;
- assess credit unions' exposure and planning related to a transition away from LIBOR; and,
- review liquidity risk management and planning in all credit unions.

The NCUA staff of credit union examiners are the agency's most important assets for identifying and addressing risks before they threaten members' deposits. To do their jobs effectively in this complex and dynamic financial environment, the NCUA staff require the advanced skills, training, and tools supported by the budget. The multi-year Enterprise Solution Modernization (ESM) program will reach a major milestone in 2021 with the deployment of the Modern Examination and Risk Identification Tool (MERIT), the agency's modernized examination tool replacing the Automated Integrated Regulatory Examination System (AIRES), to all credit union examiners and state regulators. As the agency transitions to this new tool, which will result in more efficient and effective supervision, the NCUA must ensure its staff is prepared to use it. Training originally scheduled and paid for in the 2020 budget has been postponed to 2021 because of COVID-19 related travel restrictions.

To fulfill the NCUA's second strategic goal – *provide a regulatory framework that is transparent, efficient, and improves customer access* – the agency continues its efforts to review its regulations in a manner that encourages innovation, provides flexibility, and fulfills its primary mission of protecting safety and soundness. The budget allocates resources to agency programs that keep regulations up to date and consistent with current law, and that assist existing and prospective credit unions with expansion and new chartering activities. The NCUA also seeks to promote financial inclusion through its Advancing Communities through Credit, Education, Stability, and Support (ACCESS) initiative to better serve a changing population and economy while simultaneously ensuring compliance with consumer and financial protections.

Accomplishing the third strategic goal – *maximize organizational performance to enable mission success* – ensures the NCUA employees achieve the agency's mission by supporting them through efficient and effective business processes, modern and secure technology, and suitable tools necessary to perform their duties. The budget makes investments in improved tools and facilities for the NCUA staff, and technological enhancements including new systems that will improve operational effectiveness and efficiency. The budget also allocates resources to developing better human capital planning and processes including a new leadership development strategy and a focus on training for the transition to MERIT.

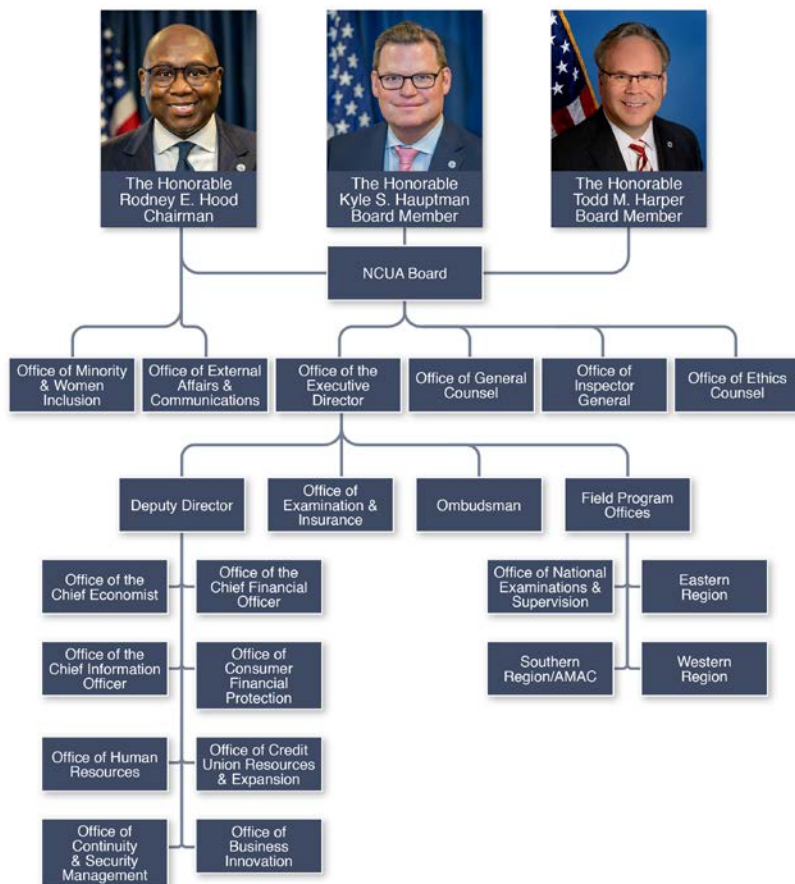


Organization, Major Agency Programs, and Workforce

The NCUA operates its headquarters in Alexandria, Virginia, to administer and oversee its major programs and support functions; its Asset Management and Assistance Center (AMAC) in Austin, Texas, to liquidate credit unions and recover assets; and three regional offices, to carry out the agency’s supervision and examination program. Reporting to these regional offices, the NCUA has credit union examiners responsible for a portfolio of credit unions covering all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

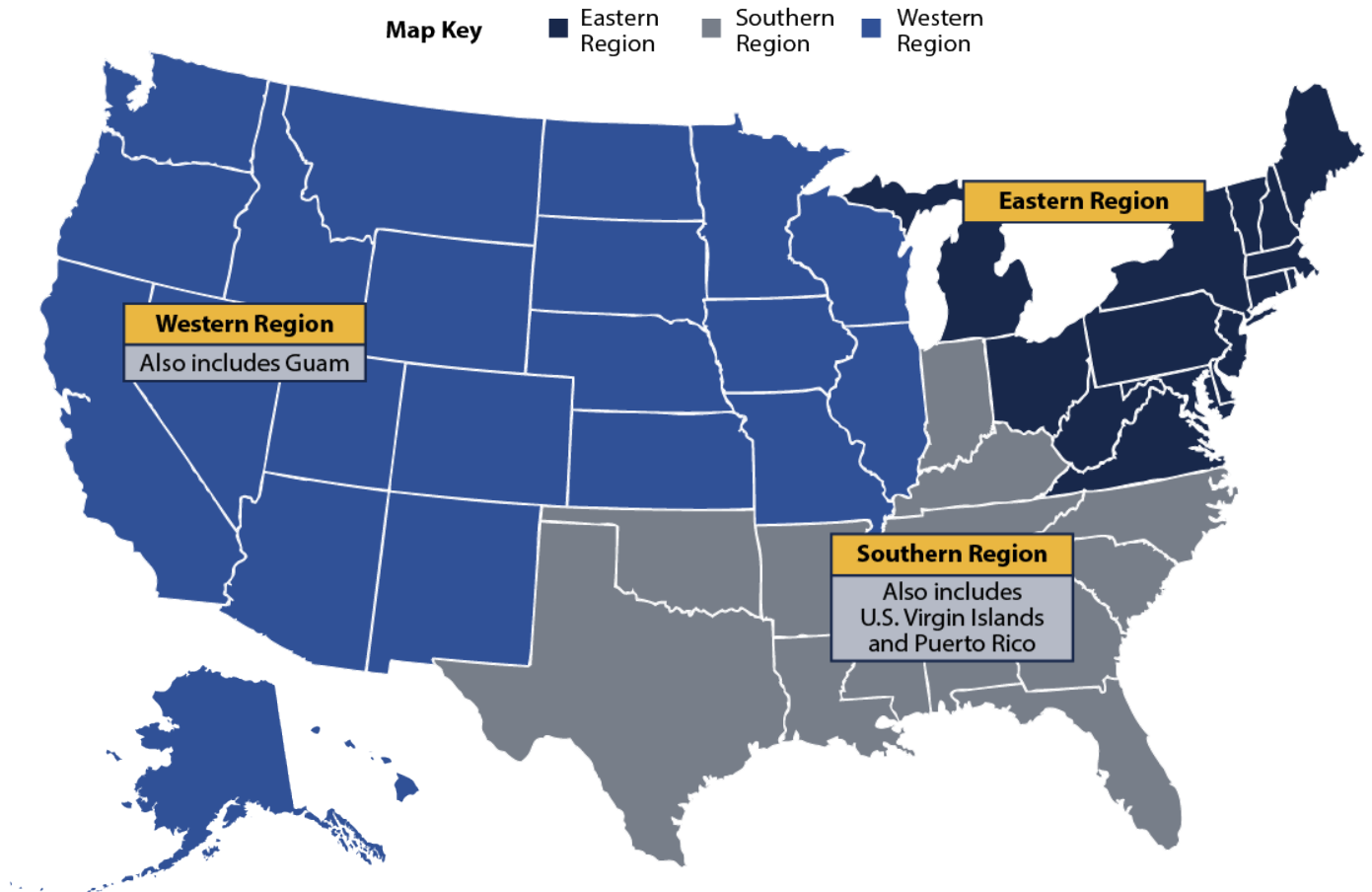
The NCUA organizational chart below reflects the agency’s current structure, and the map shows each region’s geographical alignment:

National Credit Union Administration Organizational Chart





NCUA Regional Structure as of January 2019



The NCUA’s regional offices will carry out the agency’s 2021 examination program. The NCUA uses an extended examination cycle for well-managed, low-risk federal credit unions with assets of less than \$1 billion. Additionally, the NCUA’s examiners perform streamlined examination procedures for financially and operationally sound credit unions with assets less than \$50 million. In addition, the Office of National Examination and Supervision (ONES) will continue to examine corporate credit unions and large consumer credit unions with assets that total over \$10 billion. Consumer credit unions fall within ONES’ purview based on assets reported on the first quarter call report for the preceding year. Therefore, based on 2020 first quarter call report statistics, in 2021 ONES will examine and supervise 11 consumer credit unions with 21.5 million members, accounting for \$324.5 billion in credit union assets. For the 2022 examination cycle, an additional seven credit unions are projected to cross the \$10 billion threshold and under existing regulations fall within the supervisory purview of ONES.



In 2021 and 2022, the agency's workforce will undertake tasks in all of the NCUA's major programs:

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

Insurance: The NCUA manages the \$19.2 billion¹³ Share Insurance Fund, which provides insurance to at least \$250,000 for shares held at federally insured credit unions. The fund is capitalized by credit unions and through retained earnings.

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

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

Asset Management: The NCUA conducts credit union liquidations and performs management and recovery of assets through AMAC. This office effectively and efficiently manages and disposes assets acquired from liquidations.

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

The NCUA collaborates with the other financial regulatory agencies including through participation in several councils. Significant councils include the Financial Stability Oversight Council (FSOC), the Federal Financial Institutions Examination Council (FFIEC), and the Financial and Banking Information Infrastructure Committee (FBIIC). These councils and relationships help ensure consistent policy and standards within the nation's financial system, where appropriate.

Budget Process – Strategy to Budget

The NCUA's budget process starts with a review of the agency's goals and objectives set forth in the strategic plan. The strategic plan is a framework that sets the agency's direction and guides resource requests, ensuring the agency's resources and workforce are allocated and aligned to agency priorities and initiatives.

¹³ See <https://www.ncua.gov/files/publications/share-insurance-fund-financial-highlights-2020-sept.pdf>



Each regional and central office director at the NCUA develops an initial budget request identifying the resources necessary for their office to support the NCUA’s mission, strategic goals, and strategic objectives. These budgets are developed to ensure each office’s requirements are individually justified and remain consistent with the agency’s overall strategic plan.

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

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

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

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

In recent years, the Board has emphasized the need for increased transparency of the NCUA’s finances and its budgeting processes. In response, the Office of the Chief Financial Officer has made draft budgets available for public comment via the NCUA’s website, and solicited public comments before presenting final budget recommendations for the Board’s approval. Furthermore, the Economic Growth, Regulatory Relief, and Consumer Protection Act, P.L. 115-174, enacted May 24, 2018, requires in Section 212 that the NCUA “make publicly available and publish in the Federal Register a draft of the detailed business-type budget.” To fulfill this requirement, the Board delegated to the Executive Director the authority to publish the draft budget before submitting it for Board review and the draft budget appeared in the November 19, 2020 issue of the Federal Register.

This 2021 – 2022 budget justification document includes comparisons to the Board approved 2020 – 2021 budget, and includes a summary description of the major spending items in each budget category to provide



transparency and understanding of the use of budgeted resources. Estimates are provided by major budget category, office, and cost element.

The NCUA also posts supporting documentation for its budget request on the NCUA website to assist the public in understanding its budget development process. The budget request for 2021 represents the NCUA's projections of operating and capital costs for the year, and is subject to approval by the Board.

Commitment to Financial Stewardship

The NCUA funds its activities through operating fees levied on all federal credit unions and through reimbursements from the Share Insurance Fund, which is funded by both federal credit unions and federally insured state-chartered credit unions. The Overhead Transfer Rate (OTR) calculation determines the annual amount that the Share Insurance Fund reimburses the Operating Fund to pay for the NCUA's insurance-related activities. At the end of each calendar year, the NCUA's financial transactions are subject to audit in accordance with Generally Accepted Government Auditing Standards.¹⁴

The Board and the agency are committed to providing sound financial stewardship. In recent years, the NCUA Chief Financial Officer, with support and direction from the Executive Director and Board, has worked to improve the NCUA's financial management, financial reporting, and budget processes.

The NCUA revised its financial presentations to conform to federal budgetary concepts and increase transparency of the agency's planned financial activity, starting with the 2018 budget. The 2021 – 2022 budget continues this presentation. The NCUA is the only Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) agency that publishes a detailed, draft budget and solicits public comments on it at a meeting with its Board and other agency leadership.

The NCUA continues to work diligently to strengthen its internal controls for financial transactions, in accordance with sound financial management policies and practices. Based on the results of the NCUA's assessments conducted through the course of 2019, the agency provided an unmodified Statement of Assurance (signed February 14, 2020) that its management had established and maintained effective controls to achieve the objectives of the Federal Managers Financial Integrity Act (FMFIA) and Office of Management and Budget (OMB) Circular A-123. Specifically, the NCUA supports the internal control objectives of reporting, operations, and compliance, as well as its integration with overarching risk management activities. Within the Office of the Chief Financial Officer, the Internal Controls Assessment Team (ICAT) continues to mature the agency-wide internal control program and continues to strengthen the overall system of internal control, further promote the importance of identifying risk, and ensure the agency has identified appropriate responses to mitigate identified risks, in accordance with the Government Accountability Office's Standards for Internal Controls in the Federal Government (Green Book) requirements.

¹⁴ See 12 U.S.C. 1783(b) and 1789(b).



Enterprise Risk Management

The NCUA uses an Enterprise Risk Management (ERM) program to evaluate various factors arising from its operations and activities (both internal to the agency and external in the industry) that can impact the agency's performance relative to its mission, vision, and performance outcomes. Agency priority risks include both internal considerations such as the agency's control framework, information security posture, and external factors such as credit union diversification risk. All of these risks can materially impact the agency's ability to achieve its mission.

The NCUA's ERM Council provides oversight of the agency's enterprise risk management activities. Through the ERM program, established in 2015, the agency is identifying, analyzing, and managing risks that could affect the achievement of its strategic objectives. In 2020, the NCUA utilized ERM principles to respond to the operational challenges and opportunities created by the COVID-19 pandemic. In 2021, the NCUA plans to continue its efforts to mature its ERM program, analyze high-priority enterprise risks using its assessment framework, and refresh its inventory of enterprise risks.

Overall, the NCUA's ERM program promotes effective awareness and management of risks, which, when combined with robust measurement and communication, are central to cost-effective decision-making and risk optimization within the agency. This holistic evaluation of how the agency pursues its goals and objectives is guided by the agency's appetite for risk and considers resource availability or limitations. The NCUA believes that for many strategic decisions about its programs, ERM offers a better framework for evaluating both the quantitative and qualitative aspects of enterprise-level decisions than the types of cost-benefit analyses used for regulatory development. In addition, the agency's risk appetite helps the NCUA's employees align risks with opportunities when making decisions and allocating resources to achieve the agency's strategic goals and objectives.

The NCUA adopted its enterprise risk appetite statement in the *2018 – 2022 Strategic Plan*, which is:

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

This enterprise risk appetite statement is part of the NCUA's overall management approach and is supported by detailed appetite statements for individual risk areas.

In practice, this means that the NCUA recognizes that risk is unavoidable and sometimes inherent in carrying out the agency's mandate. The NCUA is positioned to accept greater risks in some areas than in others; however, when consolidated, the risk appetite establishes boundaries for the entire agency and all of its programs. Collaboration across programs and functions is a fundamental part of ensuring the agency stays within its risk appetite boundaries, and the NCUA will identify, assess, prioritize, respond to, and monitor risks to an acceptable level. This budget proposal for 2021 – 2022 incorporates several programmatic



investments that resulted from the NCUA's enterprise risk management reviews, such as acquiring data loss prevention and other network security tools, strengthening analytical focus on emerging financial risks within the credit union system, and assessing process and technology improvements that could improve the NCUA's financial management and reporting functions.

Forecast and Enterprise Challenges

Economic Outlook

The economic environment is a key determinant of credit union performance. After several years of solid growth, the economy entered a recession at the start of 2020. The significant pull-back in spending that occurred as a result of COVID-19 and government efforts to slow its spread (including business closures and stay-at-home orders) led to an unprecedented drop in real gross domestic product (GDP) and a sharp increase in the unemployment rate from a five-decade low of 3.5 percent in February 2020, to a post-war high of 14.7 percent in April 2020. The Federal Government responded quickly, establishing loan programs for affected businesses and providing financial relief to households as well as enhanced benefit payments to unemployed workers. Federal Reserve policymakers cut short-term interest rates, increased the Federal Reserve's asset holdings, and established a number of lending programs to support financial conditions and the flow of credit to households, businesses, and state and local governments. Interest rates across the maturity spectrum fell to historically low levels.

Despite the severity of the downturn, credit unions in the aggregate turned in a relatively solid performance in the first half of 2020. Federally-insured credit unions added 4.0 million members over the year, boosting credit union membership to 122.3 million in the second quarter of 2020. Credit union assets rose by 15.1 percent to \$1.75 trillion. Total loans outstanding at federally insured credit unions increased 6.6 percent to \$1.14 trillion, and the system-wide delinquency rate declined 5 basis points to 58 basis points. Credit union shares and deposits increased by 16.5 percent over the year to \$1.49 trillion in the second quarter of 2020, reflecting the boost to income from CARES Act payments to individuals and the sharp, economy-wide increase in personal saving.

The credit union system's net worth increased by 6.8 percent over the year to \$182.9 billion in the second quarter of 2020. The jump in assets led to a drop in the credit union system's composite net worth ratio to 10.46 percent but the credit union system remained well-capitalized. The overall liquidity position of credit unions improved. Cash and short-term investments as a percentage of assets rose from 13 percent in the second quarter of 2019 to 18 percent in the second quarter of 2020, reflecting a 55 percent increase in cash and short-term investments.

By late spring, economic conditions had started to improve. Employment began to rise again in May and by September the unemployment rate had fallen to 7.9 percent. A consensus of forecasters¹⁵ expects the

¹⁵ Estimates and projections in this paragraph are based on forecasts submitted on October 5 and 6, 2020 and published in Blue Chip Economic Indicators, October 10, 2020.

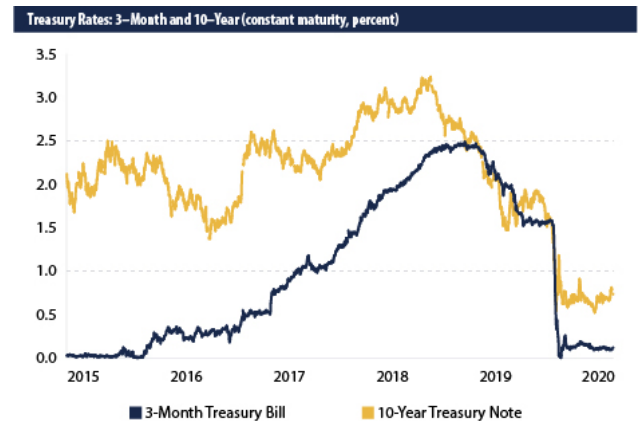


recovery in labor markets and the broader economy to continue. Real GDP is projected to grow 3.9 percent in 2021, following an anticipated 4.0 percent drop in 2020. However, given the depth of the recession – which is on track to be the most severe downturn since the Great Depression – forecasters do not expect the economy to return to its pre-recession, late 2019 peak before the end of 2021. Forecasters expect the labor market recovery will take longer. Although employment is expected to rise and the unemployment rate will continue to decline, the unemployment rate is not forecast to return to pre-recession levels during the 2021-2022 budget window. The unemployment rate is projected to average 6.3% in the fourth quarter of 2021 and 5.5% at the end of 2022.

In light of these expectations, Federal Reserve policymakers anticipate that it could be appropriate to hold the federal funds target rate in its current range of 0 to 0.25 percent until at least 2023.¹⁶ Analysts expect other short-term interest rates, which largely determine the interest payments credit unions make, will remain near their current low levels through 2021 and move modestly higher in 2022. Longer-term rates, which largely determine the interest payments credit unions receive, are expected to edge higher later this year and continue to rise as economic conditions improve.

Even if the economy continues to expand as expected, the recent downturn will likely affect credit union performance through the end of the budget period. For example, a sustained, high level of unemployment could reduce loan demand, particularly for non-mortgage consumer loans, and affect credit quality. System-wide delinquency rates, which remained low through the second quarter, could begin to rise as the forbearance programs put in place during the spring come to an end. Credit union shares could remain elevated as consumers eschew riskier investments and opt to keep their funds in insured credit union deposits. A prolonged period of low interest rates also poses risks, particularly to credit unions that rely primarily on investment income for funding their operations.

While the recovery in economic activity and labor markets is widely expected to continue, there is a high risk of a worse-than-expected outcome. Much will depend on the path of the coronavirus in the months ahead. If COVID-19 cases rise to levels that necessitate another wave of temporary business closures and other measures that hinder economic activity, the recovery could falter, leading to more job losses and higher unemployment. Weaker-than-expected economic conditions or another downturn would keep interest rates low or cause them to decline, particularly at the long end of the yield curve, and pose more significant challenges for the credit union system. The NCUA, like credit unions, needs to plan and prepare for a range of economic outcomes that could affect credit union performance and determine resource needs.



¹⁶ Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, September 16, 2020 available at: <https://www.federalreserve.gov/monetarypolicy/files/fomcprojt20200916.pdf>



Other Risk Factors and Trends

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

Cybersecurity: Credit unions' increasing dependency on technology is making the credit union system vulnerable to emerging cyber-enabled risks and threats. The prevalence of social engineering, malware/ransomware, distributed denial of service (DDOS) attacks, and other forms of cyber -attacks are creating challenges at credit unions of all sizes, and will require ongoing measures for rapid detection, protection, response and recovery. These trends are likely to continue, and even accelerate, over the foreseeable future.

Lending trends: Increasing concentrations in select loan types and the introduction of new types of lending by credit unions, emphasize the need for long-term risk diversification and effective risk management tools and practices, along with expertise to properly manage increasing concentrations of risk.

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

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

Membership trends: While overall credit union membership continues to grow, roughly half of federally insured credit unions had fewer members at the end of the second quarter of 2020 than a year earlier. Demographic and field of membership changes are likely to continue leading to declining membership at many credit unions. All credit unions need to consider whether their product mix is consistent with their members' needs and demographic profile.

Smaller credit unions' challenges and industry consolidation: Small credit unions face challenges to their long-term viability for a variety of reasons. If current consolidation trends persist, there will be fewer credit



unions in operation in future years and those that remain will be considerably larger and more complex. As of June 30, 2020, there were 627 federally insured credit unions with assets of at least \$500 million, 34 percent more than just five years earlier. These 627 credit unions accounted for 76 percent of credit union members and 81 percent of credit union assets. Large credit unions tend to offer more complex products, services and investments. Increasingly complex institutions will pose management challenges for the institutions themselves, as well as the NCUA; consolidation means the risks posed by individual institutions will become more significant to the Share Insurance Fund.



Key Themes of the 2021 – 2022 Budget

Overview

The budget supports the priorities and goals outlined in the agency’s strategic plan and its annual performance plan. The resources and initiatives proposed in the budget support the NCUA’s mission to maintain a safe and sound credit union system.

The COVID-19 pandemic, which onset early in 2020, remains a dominant consideration for the agency’s priorities in 2021 and 2022 and for its budget for those years. The spread of COVID-19 has presented a multitude of challenges to the credit union industry and the NCUA, from the economic downturn and its impacts on individuals, business and institutions, to legislation such as the CARES act, to how the NCUA operates, to new cybersecurity concerns. The impacts of COVID-19 are most readily apparent in the 2021 – 2022 budget due to the shift to remote/off-site supervision and work, which reduces travel expenses but also increases certain other expenses such as information technology.

The 2021 – 2022 budget includes funding for the NCUA to increase permanent staffing in critical areas necessary to operate as an effective federal financial regulator capable of addressing emerging issues. Importantly, the agency has made efforts through 2020 to fill examination-related positions, so that NCUA is best prepared to address the economic impacts from the ongoing COVID-19 pandemic. The NCUA employees are the agency’s most valuable resource for achieving its mission, and the agency is committed to a workplace and a workforce with integrity, accountability, transparency, inclusivity, and proficiency. We will continue investing in the workforce through training and development, helping employees develop the tools they need to do their work effectively.

The 2021 – 2022 budget also invests in a number of agency priorities, including: the Advancing Communities through Credit, Education, Stability, and Support or ACCESS initiative focused on financial inclusion; increased use of off-site examinations work and data analytics through the Virtual Examination project; deployment of the MERIT system to all examiners; ongoing implementation of examination priorities updated in response to the COVID-19 pandemic; regulatory reform initiatives; and efforts to implement organizational efficiencies. The NCUA expects these efforts will result in a more effective organization.

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



Financial Inclusion

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

The NCUA recently announced its Advancing Communities through Credit, Education, Stability, and Support or ACCESS initiative, which will bring together agency leaders to develop policies and programs that support financial inclusion within the NCUA and more broadly throughout the credit union system.¹⁷ The NCUA has dedicated resources from across the agency offices to ensure an inclusive and open-minded approach to refreshing and modernizing regulations, policies, and processes.

Addressing the various aspects of inclusion, the agency will look at the unique role credit unions can fill by providing access to unbanked and underserved individuals and communities, how credit unions can remain competitive within the financial services industry, and what steps can be taken to modernize the rules and processes for chartering new credit unions to provide consumers with services that meet their needs.

Virtual Examination Project

In 2017, the NCUA Board approved the Virtual Examination project and provided funding to research methods to conduct offsite as many aspects of the examination and supervision processes as possible. The Virtual Examination project team is researching ways to harness new and emerging data, advancements in analytical techniques, innovative technology, and improvements in supervisory approaches. Additionally, the COVID-19 pandemic necessitated a switch to an offsite examination posture, and the project team plans to build upon its work to date by integrating lessons learned during the pandemic in planning for enhanced offsite procedures.

By identifying and adopting alternative methods to remotely analyze the financial and operational condition of a credit union, while maintaining or improving effectiveness relative to current examinations, it may be possible to significantly reduce the frequency and scope of onsite examinations. Onsite examination activities could potentially be limited to periodic data quality and governance reviews, interventions for material problems, and meetings or other examination activities that need to be handled in person. To be successful, examination staff will likely need to analyze more information about the credit union being examined and to communicate more frequently with management at the credit union. However, by conducting this analytic work offsite, the NCUA expects to have less impact on credit unions' day-to-day operations.

¹⁷ <https://www.ncua.gov/access>



The NCUA believes that effective Virtual Examinations should lead to greater use of standardized interaction protocols, advanced analytical capabilities, and better-informed subject matter experts. This should result in more consistent and accurate supervisory determinations, provide greater clarity and consistency with respect to how the agency conducts supervisory oversight, and reduce coordination challenges between agency and credit union staff.

The virtual examination team will deliver to the NCUA Board in 2021 an initial report discussing alternative methods identified to remotely analyze aspects of the financial and operational condition of a credit union.

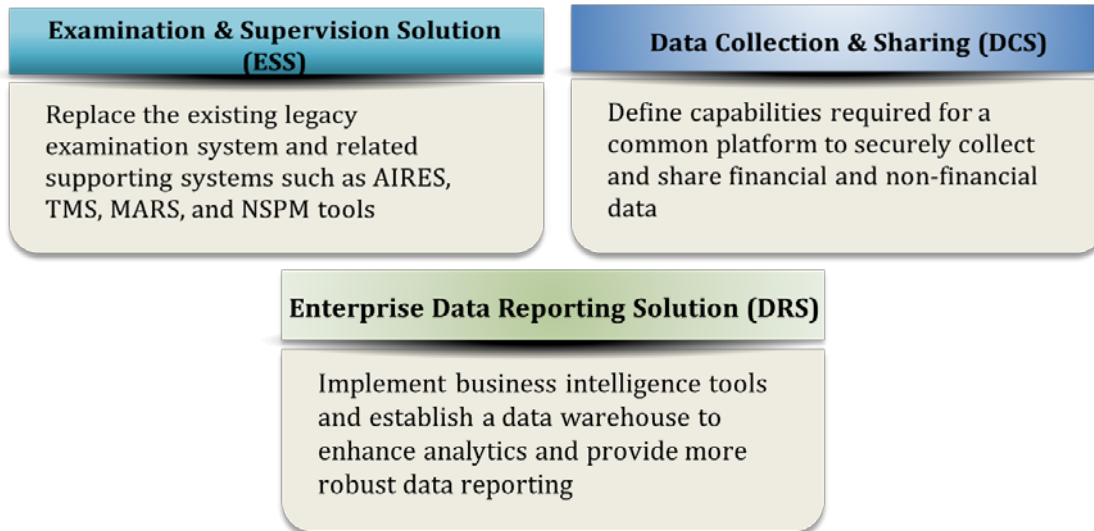
Enterprise Solution Modernization

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

At that time, the NCUA acknowledged a technology revamp of this magnitude as a high-risk endeavor, both in terms of cost and delivered functionality. The risk stems from the number of systems impacted and the unique nature of the NCUA’s applications, many of which require a high degree of customization. However, the agency required a major modernization after many years of under-investment in software and application development. In November 2015, the NCUA Board approved a plan for modernizing the agency’s IT systems known as the Enterprise Solution Modernization (ESM) program. The ESM program recognizes the following legacy systems, capabilities and strategies need to be modernized:

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

Primary Legacy Systems	Capabilities	Strategies
<ul style="list-style-type: none"> • Exam System (AIRES) • Data Gathering System (CU Online) • Field of Membership Systems (FOMIA, GENISIS) 	<ul style="list-style-type: none"> • Workflow management • Resource and time management • Document and records management • Customer relationship management 	<ul style="list-style-type: none"> • Better information security across the organization • Technical platform and foundation • Business intelligence for enhanced analytical capabilities • Data integration



The NCUA 2021-2022 budget includes funding to complete the roll-out of the first Examination and Supervision Solution project as well as to initiate the first project under the Data Collection and Sharing Solution sub program.

Examination and Supervision Solution

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

- Better information security across the organization.
- Technical platform and foundation for new applications.
- AIRES replacement (Examination and Supervision Solution), including financial analytics.
- Central user interface for stakeholders to interact with the NCUA.
- Business Intelligence tools for enhanced analytical capabilities (added later to the initial phase as explained below).

To deploy the Examination and Supervision Solution, it was first necessary to stand up new agency infrastructure that supports the full modernization program: the technology architecture, infrastructure, and security posture required to operate modernized systems. The necessary infrastructure was acquired and put in place in 2019.

The new examination solution, which is named the Modern Examination and Risk Identification Tool (MERIT), was released as a pilot to the Office of National Examinations and Supervision (ONES) and the State Supervisory Authorities (SSA) in North Carolina and Washington in September 2019. The ESS program capabilities were further developed and were on schedule to be released to all users in the summer of 2020. However, the training rollout was delayed because of the coronavirus pandemic. Instead, the agency deployed the second release to current pilot users in July 2020 and began an extended pilot in September 2020 for additional users from the NCUA’s three Regional offices, the Wisconsin SSA, select corporate credit unions, and natural person credit unions of various asset sizes. The NCUA now plans to



conduct training for its examiner workforce and other users in 2021, with deployment to all remaining system users in the third quarter of 2021.

Enhancing NCUA's analytic capabilities is an important objective of the ESM program. As the MERIT development progressed, the agency identified an opportunity to incorporate a robust business intelligence solution into the MERIT deployment. Though not originally included as part of the initial MERIT project plan, this addition advances the agency's analytic capabilities and is central to the strategy to shift more exam work offsite.

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

- Better controlled access to examination data across the organization.
- Ability to request and submit items for the examination in an organized manner that is easily accessible to members of an exam team.
- Collaboration and real-time information for examiners, team members, and supervisors, including state supervisory authorities on joint exams.
- Opportunities for credit union users to manage examination findings and view completed examination reports.
- Business process improvements to achieve exam efficiencies, including less data redundancy and relational support between scope tasks, questionnaires, and findings.

From 2015 to 2020, the NCUA has spent approximately \$40.4 million on the ESM program, which includes the costs for ESS and MERIT. This total includes spending on program planning, a modernized and more secure IT infrastructure, the MERIT central user interface, and multiple releases of MERIT and associated examination systems.

Through September 2020, the NCUA accomplished the following:

- Established the ESM technical program infrastructure platform, including enhanced IT security.
- Developed the central user interface known as NCUA Connect, achieving a secure, single entry point into NCUA applications.
- Deployed the new MERIT examination tool to pilot users to support examination and supervision activities.
- Deployed the Admin Portal which provides confirmed, delegated credit union and SSA administrative users the ability to add and manage user access to NCUA Connect for their organization.
- Deployed the Data Exchange Application to ingest credit union member loan and share data requested during the examination and supervision process.
- Developed financial analytics and new loan and share analytics with dashboards and visualizations designed to assist the examiner in identifying risk.

The NCUA's 2021 budget includes \$14.6 million for MERIT, split between the operating, capital and SIF administrative expenses budgets. Of this total, \$14.3 million in the operating and capital budgets will



support technical and system platform upgrades, surge support for functionality enhancements prior to the broad user rollout, and ongoing operations and maintenance enhancements, fixes, and technological upgrades for the deployed system. An additional \$0.3 million for MERIT is in the SIF administrative expenses budget, reflecting the cost of making MERIT available for those state supervisory agencies that use it.

The project is on schedule and met its 2019 performance target for deployment to and use by ONES and State regulators in Washington and North Carolina to carry out examinations and supervision contacts for all relevant federal credit unions with assets greater than \$10 billion. Due to the economic, travel, and social disruptions caused by the coronavirus pandemic, the NCUA has delayed the MERIT training rollout for all NCUA examiners originally planned for the third quarter of 2020. The MERIT project's performance goal for 2021 is:

Finalize deployment and training of NCUA and SSA users on MERIT and associated examination systems to begin the transition from AIRES to MERIT by December 31, 2021.

Data Collection and Sharing Solution

With the Examination and Supervision Solution project transitioning to an operations and maintenance state in 2021, the NCUA will next prioritize work on the Data Collection and Sharing (DCS) Solution initiative. The NCUA vision of the DCS project is to replace legacy systems and to streamline workflow processes. Activities to date have included the development and validation of high-level requirements with all NCUA stakeholders.

During the next phase of DCS development, the NCUA will refine the validated requirements for use in an analysis of alternatives (AoA) study. The AoA study will provide a roadmap for acquiring and implementing a solution or set of solutions. The AoA will recommend the best approach for a phased rollout strategy needed to implement DCS capabilities and the replacement of legacy systems. This analysis will also be used to support DCS acquisition planning efforts.

Key Priorities for 2021¹⁸

The NCUA will continue to update its examination and supervision program to address economic conditions that have emerged as a result of the COVID-19 pandemic, as well as various statutory and regulatory changes that occur. For 2021, the NCUA is focusing its examination activities on areas that pose elevated risk to the credit union industry and the National Credit Union Share Insurance Fund. Additional information about the NCUA's response to the pandemic is available on the agency's COVID-19 webpage.¹⁹

¹⁸ A detailed list of all of the NCUA's supervisory priorities for 2021 will be published in a Letter to Credit Unions in January 2021.

¹⁹ <https://www.ncua.gov/coronavirus>²⁰ Full-time equivalent (FTE) employment is the total number of regular straight-time hours (i.e., not including comp time or holiday hours) worked by employees divided by the number of compensable hours applicable to the fiscal year, as defined by the Office of Management and Budget, Circular No. A-11. The NCUA uses the number of FTE projected in the budget to build its estimated pay and benefits calculations. The actual number of persons employed will vary at any point in time, based on vacancies, use of part-time employees, etc.



Coronavirus Aid, Relief and Economic Security Act

President Trump signed the Coronavirus Aid, Relief and Economic Security Act (CARES Act) into law on March 27, 2020. The NCUA has added the CARES Act as a supervisory priority to reflect the importance of the provisions outlined in the Act.

Consumer Financial Protection

The COVID-19 pandemic continues to affect consumers and could result in increased consumer compliance risk in certain areas; consumer financial protection, therefore, remains an NCUA supervisory priority.

Credit Risk Management

The NCUA's emphasis will be reviewing actions taken by credit unions to assist borrowers facing financial hardship and to mitigate credit losses. NCUA examiners will review credit union policies and the use of loan workout strategies, risk management practices, and new strategies implemented to assist borrowers impacted by the COVID-19 pandemic, including new programs authorized through the CARES Act.

Information Systems and Assurance (Cybersecurity)

Emerging cyber-attacks continue to pose a persistent threat to the financial sector, including credit unions, financial regulators, and the broader financial system. Advances in financial technology, an increased remote workforce, and increased use of mobile technology and cyberspace for financial transactions means more opportunities for cybersecurity threats and other technology-related issues. As a result, cybersecurity is one of the top priorities of the NCUA.

Liquidity Risk

The economic impact of the COVID-19 pandemic may result in additional stress on credit union balance sheets, potentially requiring robust liquidity management in 2021. As a result, examiners will continue to review liquidity risk management and planning in all credit unions.

Impact of COVID-19 on NCUA Operations

Since March 16, 2020, the NCUA has been operating in a remote work posture in response to the COVID-19 pandemic. The NCUA has drafted a resumption plan to enable a safe and orderly return to onsite work.

The draft NCUA resumption plan is currently designed as a three-phased approach to restoring those on-site activities that have been suspended during the pandemic. Since the NCUA has been successful in maintaining all essential functions and activities under its remote posture, any decision to move to a new phase and resume some or all suspended activity will be made with caution, and supported by metrics and advice from public health professionals.

The NCUA anticipates that as specific phases of the resumption plan are activated, these activations will take place on a county or local level, specific to the on-the-ground conditions reported by government authorities. As such, different portions of the NCUA workforce may operate under different resumption phases based upon local health conditions.



The NCUA has also implemented enhanced cleaning procedures at all of the NCUA's facilities to ensure all NCUA owned or leased worksites are operated in a manner consistent with health guidance from the Centers for Disease Control.

Regulatory Reform

The NCUA established a Regulatory Reform Task Force (Task Force) in March 2017 to oversee implementation of the agency's regulatory reform agenda. This is consistent with the spirit of Executive Order 13777 and the Trump administration's regulatory reform agenda. Although the NCUA, as an independent agency, is not required to comply with Executive Order 13777, the agency chose to review all of the NCUA's regulations, consistent with the spirit of initiative and the public benefit of periodic regulatory review. The NCUA has undertaken a series of regulatory changes as part of this effort, and continues to pursue a regulatory reform agenda.

The NCUA's Regulatory Reform Task Force published its final report in December 2018. Since that time, the NCUA established an annual performance indicator to measure the regulatory reviews it completes on an yearly basis. The NCUA's current performance target for regulatory review is to complete review of one third of the agency's regulations on an annual basis.



Operating Budget

Overview

The NCUA Operating Budget is the annual resource plan for the NCUA to conduct activities prescribed by the Federal Credit Union Act of 1934. These activities include: 1) chartering new federal credit unions; 2) approving field of membership applications of federal credit unions; 3) promulgating regulations and providing guidance; 4) performing regulatory compliance and safety and soundness examinations; 5) implementing and administering enforcement actions, such as prohibition orders, orders to cease and desist, orders of conservatorship and orders of liquidation; and 6) administering the National Credit Union Share Insurance Fund.

Staffing

The staffing levels proposed for 2021 reflect the resource requirements that support the NCUA's continued efforts to modernize the examination process and enhance the efficiency and effectiveness of the supervisory process.

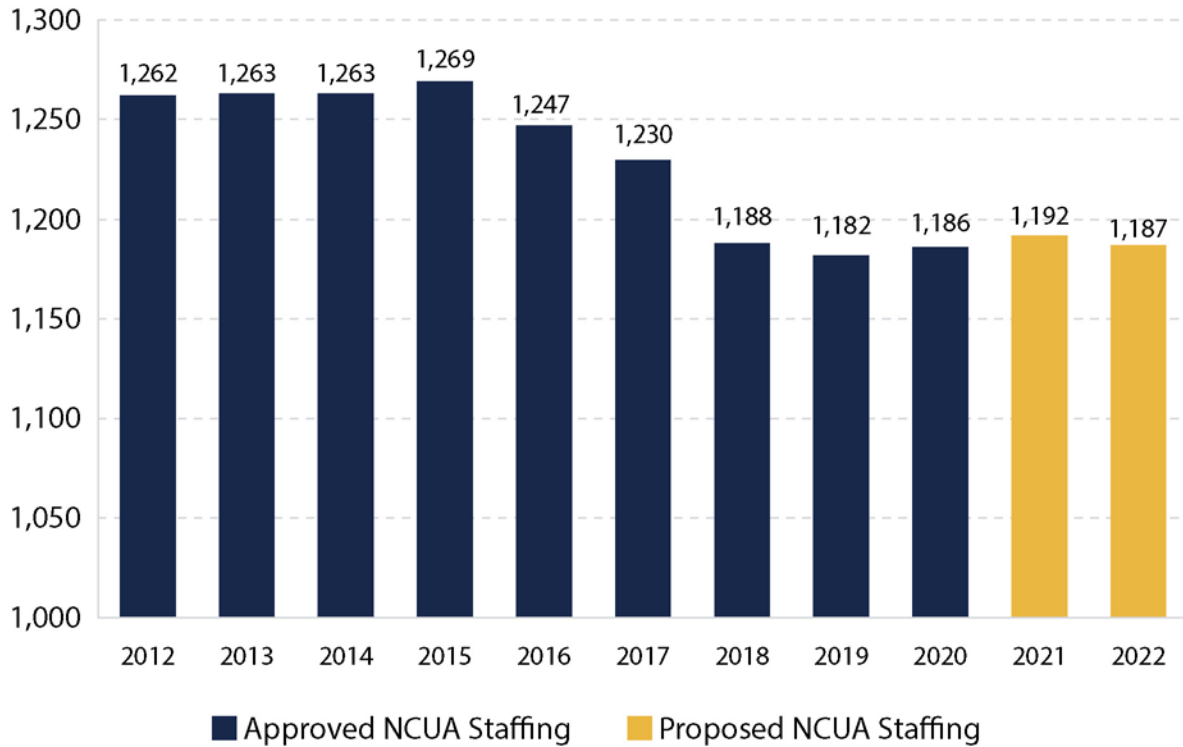
In March 2020, the NCUA Board approved one position to support the agency's new Office of Ethics Counsel to support agency compliance with relevant ethics laws and regulations, to promote accountability and ethical conduct, and ensure the success of the NCUA's ethics programs. The full cost of this new position is included in the 2021 budget.

The 2021 budget supports a total agency staffing level of 1,192 full-time equivalents (FTE), of which 1,186 are funded in the Operating Budget. This is a net increase of six FTE, or 0.5 percent, compared to the Board-approved level for 2020. The new 2021 FTE are described in greater detail below.²⁰

²⁰ Full-time equivalent (FTE) employment is the total number of regular straight-time hours (i.e., not including comp time or holiday hours) worked by employees divided by the number of compensable hours applicable to the fiscal year, as defined by the Office of Management and Budget, Circular No. A-11. The NCUA uses the number of FTE projected in the budget to build its estimated pay and benefits calculations. The actual number of persons employed will vary at any point in time, based on vacancies, use of part-time employees, etc.



NCUA Staffing (FTEs)



Authorized Regional Examiners and Specialists	2013	2014	2015	2016	2017	2018	2019	2020
Credit Union Examiner	600	566	571	541	517	472	471	470
Regional Capital Market Specialist	12	18	24	24	25	24	25	25
Regional Information System Officer	7	8	13	17	18	18	20	20
Problem Case Officer	41	46	37	31	31	32	32	31
Regional Lending Specialist	21	28	27	31	30	30	30	31
Director of Special Actions	7	10	9	10	10	10	10	10
Supervisory CU Examiner	71	73	68	67	64	50	50	51
Other Regional Staff	117	120	116	117	115	117	118	117
TOTAL	876	869	865	838	810	753	756	755

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



Request for New Staff in 2021 – +6 FTE

The staff draft budget includes funding for an increase or adjustment to NCUA staffing that equates to six FTEs. This funding covers the following specific positions:

Consumer Compliance Program Officer – +1 FTE

The additional Consumer Compliance Program Officer position to be added to the Office of Consumer Financial Protection (OCFP) is intended to provide an additional resource to aid in developing a proposal to enhance consumer compliance examination procedures for the largest credit unions that are not primarily examined for consumer financial protection by CFPB. The new program officer will develop tiered examination procedures up to and including FFIEC-approved examination procedures, may also lead consumer financial protection compliance reviews conducted at credit unions with higher compliance risk profiles and assist in developing training materials for examiners and credit unions. The Director of OCFP will deliver a report to the NCUA Board no later than October 15, 2021, with options regarding the enhanced procedures and the cohort of credit unions that would be subject to them. As with any significant potential change in program, the NCUA Board will review the planned consumer compliance functions and must approve any such program before implementation.

Financial Literacy Specialist – +1 FTE

This new position, within OCFP, will support and encourage financial inclusion throughout the credit union industry with informative financial literacy outreach activities. The NCUA currently employs one Program Officer in OCFP to implement the agency's Financial Literacy and Outreach programs. The new position will support this Program Officer and help collaborate and contribute to the National Strategy on Financial Literacy, and the U.S. Department of the Treasury's Financial Literacy and Education Commission (FLEC) and its designated working groups and sub-committees. The new specialist will provide financial literacy and financial inclusion subject matter and policy expertise on a range of consumer financial protection, financial inclusion and financial literacy issues to other offices in the agency and broader credit union industry.

The financial literacy program is designed to support and promote credit unions' statutory mission to promote thrift and responsible credit use among members. The program also leads the Agency's required interagency role on the Financial Literacy and Education Commission (FLEC). It also contributes to and supports the Agency's digital and social media platforms such as NCUA.gov, MyCreditUnion.gov, Facebook, Twitter and others. Many of the NCUA's financial literacy program outreach efforts are national, collaborative campaigns composed of government, non-profit and private sector entities.

Additional financial literacy program staff will allow the NCUA to improve programming and outreach, increase engagement and industry support, and conduct policy analysis, data analysis, research, and product development. The additional staff member will ensure the NCUA fulfills its statutory role on the FLEC while



expanding access to vital credit union products and services and improving the financial literacy of credit union member-owners and consumers.

Senior Credit Specialist – +1 FTE

This new position, within the Office of Examination and Insurance, will provide enhanced risk mitigation and program support for the credit risk area. Credit risk, and credit unions' lending functions in particular, represents the largest portion of the credit union system's business and continues to grow increasingly diverse and complex. The NCUA currently has several specialists who analyze the growing complexity of the commercial, residential mortgage, and consumer lending markets. This additional position will ensure that the Office of Examination and Insurance identifies the increased risks and program needs of the credit union system by focusing on emergent credit risks, developing guidance and program policies needed to effectively implement risk management, and executing increasingly complex analytic portfolios. The additional senior credit specialist will further assist in the development of risk management models, specialized training for examiners, and development of guidance for the credit union industry with the added dimension and focus on consumer and alternative lending platforms.

Financial Technology (FinTech) and Access – +2 FTE

Technology is rapidly changing operations within the financial services industry and simultaneously improving consumers' ability to access the financial services that they need. This focus is expected to include efforts to encourage the use of FinTech and innovation to expand financial inclusion and drive consumer access to affordable financial services products.

Two new positions within the Office of the Executive Director will provide the NCUA with a dedicated focus on FinTech practices and needs in the credit union system. The budget includes funding for one new SSP-2 position and one additional CU-14/15 career ladder position to support this function. These new staff will work with credit unions and FinTech companies to harness the opportunities that innovation provides to support financial inclusion efforts and make financial services more accessible to underserved communities. Specifically, this unit will help credit unions understand how FinTech can be leveraged to connect with minority communities, rural communities, and other underserved populations, including by providing support as credit unions consider types of services offered to members, how these services are accessed, and ways to streamline regulations to expand access.

The work carried out by these new staff will help inform the agency's examination program and regulatory initiatives. Such efforts will also provide important context and FinTech industry insight for the Office of the Chief Information Office and the Office of Business Innovation to ensure that awareness of FinTech is integrated into the agency's new information technology products and systems. This initiative will also realign and make permanent the one virtual examination position from the Office of Examination and Insurance to report to the new Director of Financial Technology and Access, which will help ensure strong collaboration between the FinTech and Access functions and the Office of Examination and Insurance.



Central Liquidity Facility President – +1 FTE

The Central Liquidity Facility (CLF) plays a critical backup role within NCUA and the broader credit union system as a federal contingent liquidity source. Recent developments in the U.S. economy stemming from the COVID-19 pandemic have caused significant uncertainty and volatility in financial markets and elevated potential future threats to liquidity within the depository system, which includes credit unions. In conjunction with these developments, the NCUA Board has recently emphasized the need for a stronger contingent-liquidity apparatus for the NCUSIF and federally insured credit unions. An independent CLF office is an important step towards elevating its role and stature within the NCUA's contingency planning framework and will serve to make the NCUA more resilient and responsive in the face of any emerging liquidity crisis.

The CLF has been domiciled within various offices since the mid-1990s. Throughout this period, it has been managed by staff members whose time has been only partially dedicated to the CLF. Management has divided their time between official CLF responsibilities and other unrelated duties within the primary office where the CLF was housed. The CLF has always been a sparingly used and episodic lender. It consistently has experienced long intervals of time during which no lending activity occurred. During such periods of relatively dormant CLF lending activity, the practice of making the CLF duties and responsibilities a part-time responsibility was deemed to be an efficient and practical way to maintain the CLF's operational readiness while not unduly increasing its expenses. This practice enabled the CLF to upkeep its financial functions and readiness using a small cadre of part-time management.

Despite the part-time approach for CLF management, establishing a dedicated CLF President position at the SSP-2 level offers two beneficial advantages: it would enhance the ability for the CLF to rapidly transition from a dormant status (i.e., no loan activity) to a high-volume lending episode; and, it would enable the CLF to be more proactive developing and maintaining membership and agent relationships going forward. Although this new position will be added to the total NCUA employee count, the CLF President's compensation will be paid from CLF investment earnings and no additional funds are included in the Operating Fund budget for this role.

Additionally, within the overall existing 2020 staffing level of 1,186 FTE, the NCUA is adjusting its staffing plan to accomplish the following in 2021:

- Office of National Examinations and Supervision (ONES): to support the additional large consumer credit unions that will come under ONES supervision: one national supervision technician, one national lending specialist, one national supervision analyst, one financial data analyst, and one national information systems officer.
- Office of the Chief Information Officer: one data cloud infrastructure specialist and one network specialist to support the increasing demands and complexity of the agency's information technology systems and networks.
- Office of Examinations and Insurance: one additional risk officer to support anticipated increase in risk management actions.

Also, the NCUA Board is providing temporary COVID-19 hiring authority in 2021 to be better positioned to respond to the uncertainties associated with the COVID-19 pandemic. This authority provides the NCUA



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

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

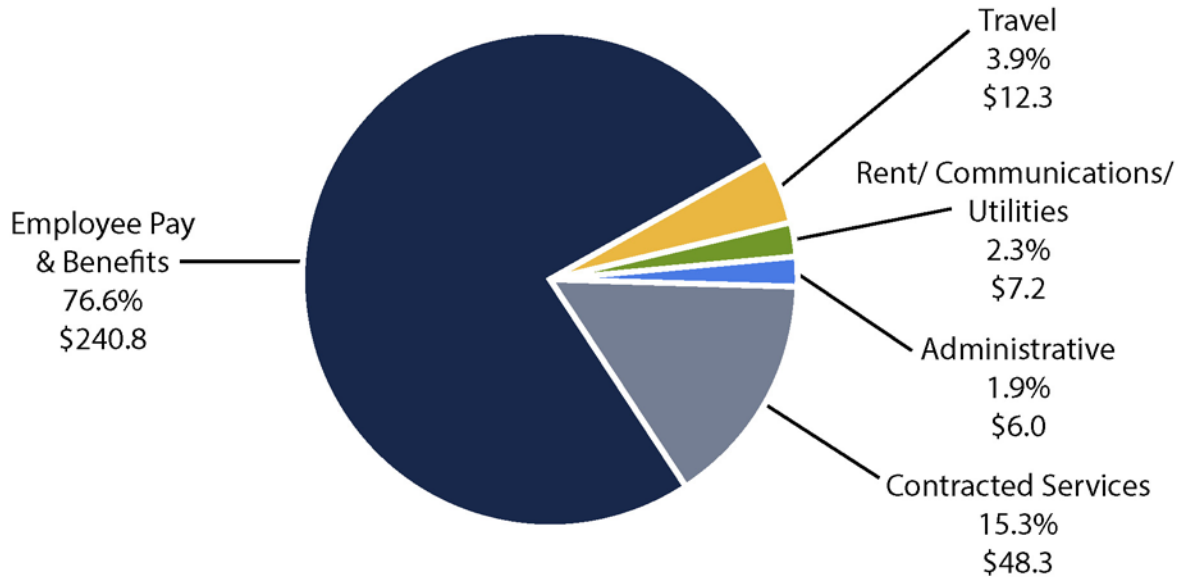
Budget Category Descriptions and Major Changes

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

2021-2022 NCUA OPERATING BUDGET SUMMARY							
Budget Cost Category	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
Employee compensation	231,311,000	240,811,000	9,500,000	4.1%	239,282,000	(1,529,000)	-0.6%
Salaries	162,513,000	167,718,000	5,205,000	3.2%	164,360,000	(3,358,000)	-2.0%
Benefits	68,798,000	73,093,000	4,295,000	6.2%	74,922,000	1,829,000	2.5%
Travel	27,379,000	12,257,000	(15,122,000)	-55.2%	13,711,000	1,454,000	11.9%
Rent/Comm/Utilities	8,232,000	7,198,000	(1,034,000)	-12.6%	8,438,000	1,240,000	17.2%
Administrative	5,630,000	6,026,000	396,000	7.0%	6,211,000	185,000	3.1%
Contracted Services	43,331,000	48,268,000	4,937,000	11.4%	49,248,000	980,000	2.0%
Total	\$ 315,883,000	\$ 314,560,000	(1,323,000)	-0.4%	\$ 316,890,000	2,330,000	0.7%



2021 Operating Budget (in Millions of Dollars)



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

Salaries and Benefits

The budget includes \$240.8 million for employee salaries and benefits in 2021. This change is a \$9.5 million, or 4.1 percent, increase from the 2020 Board-approved budget.

Salaries and benefits costs make up 76.6 percent of the total budget. There are two primary drivers of increased costs in 2021 for the Salaries and Benefits category:

- Merit and locality pay increases for the NCUA’s employees are paid in accordance with the agency’s current Collective Bargaining Agreement (CBA) and its merit-based pay system. Salaries are estimated to increase 3.2 percent in aggregate compared to 2020.
- Contributions for employee retirement to the Federal Employee Retirement System (FERS), which are unilaterally set by the Office of Personnel Management, cannot be negotiated or changed by the NCUA. Driven largely by the mandatory FERS rate adjustment, total NCUA benefits costs increase 6.2 percent in 2021 compared to 2020.

These changes are described in more detail below.



In 2021, the NCUA’s compensation levels will continue to “maintain comparability with other federal bank regulatory agencies,” as required by the Federal Credit Union Act.²¹ The Salaries and Benefits category of the budget includes all employee pay raises for 2021, such as merit and locality increases, and those for promotions, reassignments, and other changes, as described below.

Consistent with other federal pay systems, the NCUA’s compensation includes base pay and locality pay components. The NCUA staff will be eligible to receive an average merit-based increase of 3.0 percent, and an additional locality adjustment ranging from 1.0 percent to 3.0 percent, depending on the geographic location.

The first-year cost of the new positions added in 2021 is estimated to be \$890,000. Specific increases to individual offices’ salaries and benefits budgets will vary based on current pay levels, position changes, and promotions.

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

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

The OPM economic assumptions for actuarial valuation of the FERS have increased significantly for 2021. All federal agencies are expected to contribute 17.3 percent of FERS employees’ salaries to the OPM retirement system, an increase of 130 basis points compared to the 2020 level. This mandatory contribution is prescribed in the OPM Benefits Administration Letter dated May 2020. The estimated impact on the NCUA budget is an increase of approximately \$2.3 million in mandatory payments to OPM, or approximately 0.7 percentage points of overall budgetary growth, compared to 2020 levels.

The average health insurance costs for the Federal Employees Health Benefits (FEHBP) program for 2021 are consistent with historical actual expenses and the OPM estimate that the government share of FEHBP premiums will increase 3.0 percent in 2021. The employee salary and benefits category also includes costs associated with other mandatory employer contributions such as Social Security, Medicare, transportation subsidies, unemployment, and workers’ compensation.

²¹ 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).



In past years, the NCUA adjusted its budget downward by an expected vacancy rate for positions that are not filled during the year because of a time lag between employee separations and hiring new staff. Since 2018, the NCUA has lowered its vacancy rate by more than 50 percent, and continues to closely monitor the hiring and attrition trends within its workforce. In anticipation of the need for a full complement of staff in 2021, and because of ongoing acceleration in the agency's hiring cycle time, the proposed 2021 budget does not include a vacancy adjustment.

The 2022 budget request for salaries and benefits is estimated at \$239.3 million, a \$1.5 million decrease from the 2021 level. Included within this total are merit and locality increases consistent with the CBA (approximately \$5.6 million), the full-year cost impact of new positions (approximately \$880,000), and associated increases in benefits for all employees (approximately \$1.8 million), all of which is offset by an adjustment that reflects the NCUA's expected return to historic vacancy rates in 2022 (-\$10.2 million). The assumptions used for compensation-related adjustments are based on the CBA currently in force.

Travel

The 2021 budget includes \$12.3 million for Travel. This change is a 55.2 percent decrease to the 2020 Board-approved budget.

There are three reasons for the significant reduction in the 2021 travel budget. First, the NCUA expects that pandemic-related travel restrictions will continue through the first quarter of 2021, and adjusted the budget downward as a result. Second, as examinations-related and other travel begin to resume through 2021, it will occur at a lower level than in previous years due to lessons learned about remote work during the pandemic. Third, and subject to approval by the NCUA Board, the agency will use approximately \$6 million of unspent 2020 travel funds to offset the 2021 travel budget. Historically, the travel budget comprises approximately nine percent of the overall NCUA budget, however the share of travel in the 2021 budget will be only 3.9 percent.

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

The NCUA staff also travel for routine and specialized training. In 2020, the NCUA had planned to conduct a series of training events to support the nationwide roll-out of MERIT; however, these training events were postponed to 2021 due to pandemic-related travel restrictions. Amounts budgeted for MERIT training in 2020 will be used to pay for the events' costs in 2021. The NCUA roll-out will be a labor intensive effort requiring travel for many of the NCUA's staff, and will provide hands-on training for this new system, which will be officially deployed in the fourth quarter of 2021.

During the COVID-19 pandemic, the agency and its employees successfully transitioned to an offsite examination posture, developing new procedures and processes to continue examination and supervisory work. In 2021, the NCUA will continue evaluating how it can conduct examinations remotely and offsite,



which should result in future cost avoidance for travel. In addition, agency personnel will continue to utilize more virtual training options, where appropriate, to help minimize travel expenses.

The 2022 budget request for travel is estimated to be \$13.7 million, or an 11.9 percent increase over the 2021 level. This increase results from returning to a full year of scheduled travel and from using up the unspent 2020 travel balances in 2021.

Rent, Communications, and Utilities

The 2021 budget includes \$7.2 million for Rent, Communications, and Utilities. This is a \$1.0 million, decrease, or 12.6 percent less than the 2020 Board-approved budget. The Rent, Communications, and Utilities budget funds the agency's telecommunications and information technology network expenses, and facility rental costs.

Subject to Board approval, the NCUA expects to use approximately \$3.7 million of unspent 2020 travel funds to pay the balance of a loan taken from the Share Insurance Fund for construction of the NCUA's Central Office building. This reduces the Rent, Communications, and Utilities budget by approximately \$1.3 million per year from 2021 through 2023.

Telecommunication charges include leased data lines, domestic and international voice (including mobile), and other network charges. Telecommunication costs also include the circuits and any associated usage fees for providing voice or data telecommunications service between data centers, office locations, the internet and any customer, supplier or partner.

The 2021 budget includes funding to support the NCUA's bandwidth at the NCUA disaster recovery sites, procurement of additional circuits and express routes for Microsoft365 implementation, and transition to the GSA-managed Enterprise Infrastructure Solutions (EIS). EIS is the federal government's contract for enterprise telecommunications and networking solutions. By transitioning to EIS, the NCUA will benefit from the comprehensive solution EIS provides to address all aspects of federal agency IT telecommunications, and infrastructure requirements.

Office building leases, meeting rentals, office utilities, and postage expenses are also included in this budget category. Facility costs are approximately \$700,000 in 2021 for office space rental for the Western Region, insurance, and ancillary costs for the NCUA Central Office. The annual utility costs for the Central Office and regional offices are estimated at \$383,000.

The 2021 budget also includes \$627,000 for event rental costs for examiner meetings and other training events. This is a decrease of approximately \$500,000 compared to 2020 since the costs of MERIT-related training were already incurred in 2020 but the classes were rescheduled to 2021 because of the COVID-19 pandemic.

The 2022 budget request for the Rent, Communications, and Utilities category is estimated to be \$8.4 million, an increase of \$1.2 million over the 2021 level, which includes an additional \$740,000 for telecommunications transitions and \$500,000 for space rentals for a national conference.



Administrative Expenses

The 2021 budget includes \$6.0 million for Administrative Expenses. This is an increase of \$396,000, or 7.0 percent, compared to the 2020 Board-approved budget. Recurring costs in the Administrative Expenses category include the annual reimbursement to the Federal Financial Institutions Examination Council (FFIEC), employee relocation expenses, recruitment and advertising, shipping, printing, subscriptions, examiner training and meeting supplies, office furniture, and employee supplies and materials.

As part of the FFIEC, the NCUA shares in costs for joint actions and services that affect the financial services industry. The FFIEC costs increased by \$28,000 from 2020 to 2021.

The 2020 budget did not include funds for employee relocation but instead used approximately \$1,000,000 of unspent balances from prior years to pay for 2020 employee relocation costs. The 2021 budget includes an increase of \$750,000 for employee relocations compared to the 2020 budget. Relocation costs are paid by the NCUA to employees who are competitively selected for a promotion or new job within the agency in a different geographic area than where they live.

The 2022 budget request for Administrative Services is projected to be \$6.2 million, an increase of \$185,000, or 3.1 percent, over the 2021 recommended level.

Contracted Services

The 2021 budget includes \$48.3 million for Contracted Services. This is a \$4.9 million, or 11.4 percent, increase compared to the 2020 Board-approved budget. The Contracted Services budget category includes costs incurred when products and services are acquired in the commercial marketplace. Acquiring specific expertise or services from contract providers is often the most cost-effective approach to fulfill the NCUA's mission. Such services include critical mission support such as information technology equipment and software development, accounting and auditing services, and specialized subject matter expertise that enable staff to focus on core mission execution.

The majority of funding in the Contracted Services category supports the NCUA's robust supervision framework, and includes funding for tools used to identify and resolve traditional risk concerns such as interest rate risk, credit risk, and industry concentration risk, as well as by addressing new and evolving operational risks such as cybersecurity threats. Growth in the contracted services budget category results primarily from new operations and maintenance costs associated with capital investments, such as the Examinations and Supervision Solution, or MERIT system. Other costs include core agency business operation systems such as accounting and payroll processing, and various recurring costs, as described in the seven major categories, below:

- Information Technology Operations and Maintenance (47.7 percent of contracted services)
 - IT network support services and help desk support
 - Contractor program and web support and network and equipment maintenance services
 - Administration of software products such as Microsoft Office, Share Point and audio visual services

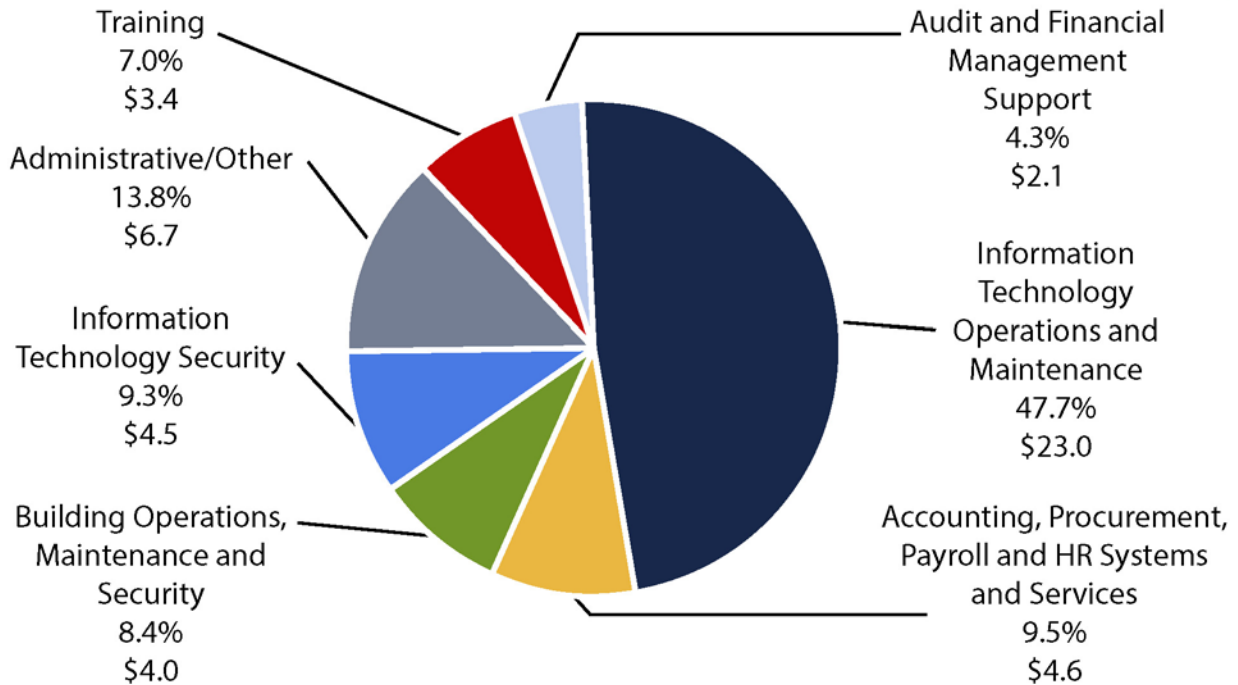


- Administrative Support and Other Services (13.8 percent of contracted services)
 - Examination and Supervision program support
 - Technical support for examination and cybersecurity training programs
 - Equipment maintenance services
 - Legal services and other expert consulting support
 - Other administrative mission support services for the NCUA central office
- Accounting, Procurement, Payroll and Human Resources Systems (9.5 percent of contracted services)
 - Accounting and procurement systems and support
 - Human resources, payroll, and employee services
 - Equal employment opportunity and diversity programs
- Building Operations, Maintenance, and Security (8.4 percent of contracted services)
 - Central office facility operations and maintenance
 - Building security and continuity programs
 - Personnel security and administrative programs
- Information Technology Security (9.3 percent of contracted services)
 - Enhanced secure data storage and operations
 - Information security programs
 - Security system assessment services
- Training (7.0 percent of contracted services)
 - Examiner staff, technical and specialized training and development
 - Senior executive and mission support staff professional development
- Audit and Financial Management Support (4.3 percent of contracted services)
 - Annual audit support services
 - Material loss reviews
 - Investigation support services
 - Financial management support services

The following pie chart illustrates the breakout of the seven categories for the total 2021 contracted services budget of \$48.3 million.



2021 Contracted Services Budget by Category (in Millions of Dollars)



Note: minor rounding differences may occur in totals

Major programs within the contracted services category include:

- Training requirements for the examiner workforce.** The NCUA’s most important resource is its highly educated, experienced, and skilled workforce. It is important that staff have the proper knowledge, skills, and abilities to perform assigned duties and meet emerging needs. Each year, Credit Union Examiners complete a variety of training classes to ensure their skills and industry knowledge are kept up to date, including in core areas such as capital markets, consumer compliance, and specialized lending. Major training deliverables for 2021 include the rescheduled MERIT training sessions discussed elsewhere in this document, classes offered by the Federal Financial Institutions Examination Council, updated examiner classes, and subject matter expert training sessions for the NCUA examiners.

Contracted service providers, in partnership with the NCUA subject matter experts, will develop and design training classes for examiners and continue work on the triennial review of the NCUA’s Subject Matter Examiner (SME) course curriculum. The NCUA plans to implement a new Talent Management System in 2021, and will simultaneously update some of the current online course content. Additionally, contracted service providers and central office staff will continue conducting organizational development, leadership and teambuilding training.



- **The NCUA’s information security program** supports ongoing efforts to strengthen the agency’s cybersecurity and ensure its compliance with the Federal Information System Management Act.
- **Agency financial management services, human resources technology support, and payroll services.** The NCUA contracts for these back-office support services with the U.S. Department of Transportation’s Enterprise Service Center (DOT/ESC) and the General Services Administration. The NCUA’s human resource system, HR Links, also adopted by other federal agencies, is a shared solution that automates routine human resource tasks and improves time and attendance functionality.
- **Audit.** The NCUA Office of Inspector General contracts with an accounting firm to conduct the annual audit of the agency’s four permanent funds. The results of these audits are posted annually on the NCUA website and also included as part of the agency’s Annual Report.

A significant share of the budget for the Contracted Services category finances on-going infrastructure support for the agency. The 2021 budget includes the first year of funding for that annual Operation and Maintenance costs for the MERIT system, which will replace the legacy AIRES examination system. Several other of the NCUA’s core information technology systems and processes also require additional contract support in 2021, which result in increased budgets in the Contracted Services category, as described below.

Within the budget for the **Office of Chief Information Officer (OCIO)**, an additional \$3.8 million is required primarily for the operations and maintenance costs of capital projects, including the MERIT system. Funding for the contract services that support the NCUA’s website – approximately \$1.5 million – has been moved from the Office of the Chief Information Officer to the **Office of External Affairs and Communications** in the 2021 budget. With the rollout of MERIT and new digital training courses for employees, website-related Americans with Disabilities Act compliance requests are expected to increase in 2021.

Within the **Office of Examination and Insurance**, contract reductions of \$500,000 are associated with technical accounting and security consultant support purchased in 2020 but not required in 2021.

The 2021 contracted serviced budget includes \$250,000 for the NCUA’s ACCESS initiative, which will bring together agency leaders to develop policies and programs that support financial inclusion within the NCUA and more broadly throughout the credit union system. By building on our successes, ACCESS will expand existing efforts to address the financial services and financial literacy needs of underserved and diverse communities, as well as expand opportunities for employment.

Funding in the amount of \$300,000 for contracted services budget has been added to the OED budget for 2021 to develop and implement a mechanism(s), such as an examination survey, to get feedback from credit unions on their interactions with the agency.

The 2022 budget for Contracted Services is estimated to increase by \$1.0 million, or 2.0 percent, compared to 2021, largely due to expected inflationary growth in contract pricing.



Capital Budget

Overview

Annually, the NCUA carries out a rigorous investment review process to identify the agency’s needs for information technology (IT), facility improvements and repairs, and other multi-year capital investments. The NCUA staff review the agency’s inventory of owned facilities, equipment, IT systems, and IT hardware to determine what requires repair, major renovation, or replacement. The staff then make recommendations for prioritized investments to the NCUA Board.

IT systems and hardware are another significant capital expenditure for modern organizations. The 2021 budget continues the NCUA’s multi-year investment in current and replacement IT systems. The budget fully supports the NCUA’s effort to modernize its IT infrastructure and applications, including the full rollout of MERIT, the NCUA’s Examination and Supervision Solution (ESS) project, which will replace the legacy Automated Integrated Regulatory Examination System (AIRES) system. Other IT investments include ongoing enhancements and upgrades to enhance decades-old legacy systems, network servers, systems to ensure the agency’s cybersecurity posture, and various hardware investments to refresh agency networks and ensure staff have the tools necessary to maintain and increase their productivity.

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

The NCUA’s 2021 capital budget is \$18.8 million. The capital budget funds the NCUA’s long-term investments. The Information Technology Prioritization Council recommended \$12.0 million for IT software development projects and \$5.6 million in other IT investments for 2021. The NCUA facilities require \$1.3 million in capital investments.

2021 – 2022 NCUA CAPITAL BUDGET							
	2020 Board Approved Budget	2021 Requested Budget	Change (2020–2021)	Change Percent (2020–2021)	2022 Requested Budget	Change (2021–2022)	Change Percent (2021–2022)
IT software development investments	20,902,000	11,968,000	(8,934,000)	-42.7%	15,320,000	3,352,000	28.0%
Other information technology investments	2,650,000	5,627,000	2,977,000	112.3%	3,275,000	(2,352,000)	-41.8%
Capital building improvements and repairs	1,524,000	1,250,000	(274,000)	-18.0%	250,000	(1,000,000)	-80.0%
Total	\$ 25,076,000	\$ 18,845,000	\$ (6,231,000)	-24.8%	\$ 18,845,000	\$ -	0.0%



Detailed descriptions of all 2021 capital projects, including a discussion of how each project helps the agency achieve its strategic goals and objectives, are provided in Appendix B.

Summary of Capital Projects

Examination and Supervision Solution and Infrastructure Hosting (\$7.4 million)

The purpose of the Examination and Supervision Solution and Infrastructure Hosting (ESS&IH) project is to implement a new, flexible, technical foundation to enable current and future NCUA business process modernization initiatives, and replace the NCUA's legacy exam system, AIRES, with a new, customized Commercial-Off-The-Shelf (COTS) solution that will allow the NCUA's examiners and supervisors to be more efficient, consistent, and effective. In 2021, all NCUA examiners will be trained to use the new MERIT system, with full implementation expected by the end of the year. After the MERIT system is fully deployed to the examiner workforce, the NCUA expects to include the system's on-going operating and maintenance costs in the operating budget.

Enterprise Central Data Repository (\$1.6 million)

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

Enterprise Data Program (\$0.4 million)

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

NCUA Website Development (\$0.1 million)

The purpose of the Website Development project is to serve the web-related needs of the internal NCUA stakeholders and the public. The project provides on-going improvements to the website, such as an improved user experience, and provides support for design, development, and maintenance of the agency's public websites: NCUA.gov and MyCreditUnion.gov.

Performance Management System Replacement (\$0.2 million)

A replacement system is needed to enable employees to complete all phases of NCUA's performance management program. The system will standardize the workflows and management of employees' performance plans, facilitating employee performance plan issuance, plan acknowledgement, progress review acknowledgment, and the issuance of a final year-end evaluation for all NCUA employees.



Continuous Diagnostic Mitigation (\$0.9 million)

The objective of the Continuous Diagnostics and Mitigation (CDM) project is to enhance the overall security posture of NCUA with capabilities to monitor vulnerabilities and threats in near real-time. This is achieved by implementing capabilities and technical controls to identify what is on the network, who is on the network, what is happening on the network, and to protect data in use, transit, and at rest. This increased situational awareness will allow NCUA to prioritize actions to mitigate or accept cybersecurity risks based on the potential impact to the NCUA mission.

Microsoft Office M365 Implementation (\$1.5 million)

The goal of the M365 Implementation project is to empower the NCUA's employees by delivering the most advanced innovations in management, collaboration, enterprise security, and business analytics through cloud services. Once implemented, M365 will reduce security risks as well as reduce the cost and effort to maintain and manage software nearing the end of its service life.

Enterprise Laptop Lease (\$0.8 million)

The purpose of the Enterprise Laptop Lease project is to ensure the NCUA workforce has an efficient, mobile friendly, and secure computer that helps employees better perform their jobs at a reasonable cost. Because of the priority deployment of the MERIT system in 2021, the NCUA plans to purchase its current fleet of laptops at the end of the current lease in 2021. The NCUA now plans to replace its laptops in 2022.

Information Technology Infrastructure, Platform and Security Refresh (\$3.9 million)

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

Refresh VoIP Phone System (\$1.0 million)

The purpose of the Refresh Voice over Internet Protocol (VoIP) Phone System project is to fully replace NCUA's telephone system (infrastructure, platform, and endpoints) to ensure voice communications capabilities in order to ensure that business continuity and operations are stable. NCUA VoIP voice components include Session Initiation Protocol (SIP), call control, external and internal call routing, local and long-distance call plans, international calling plans and VoIP desk/soft phone. In addition, NCUA plans to integrate the VoIP infrastructure with the M365 project to optimize the workforce's collaboration experience.

Central Office Heating, Ventilation, and Air Conditioning (HVAC) System Replacement (\$0.5 million)

The NCUA central office HVAC system replacement project will recapitalize the HVAC system in the agency's central office building, including all cooling towers, air handlers, boilers and HVAC components. The current HVAC system is original to the facility, 27 years old, at the end of its useful life, not working



efficiently, and obsolete. The 2021 budget provides funding to complete the multi-year HVAC replacement project.

Austin, Texas Office Building Modernization (\$0.8 million)

In 2021, the NCUA will continue its multi-year improvement project at the Austin, Texas office building. These capital improvements are required for the facility to continue routine and safe operations, and align with the lifecycle replacement required for critical infrastructure.



Share Insurance Fund Administrative Budget

Overview

The Share Insurance Fund Administrative budget funds direct costs associated with authorized Share Insurance Fund activities. The direct charges to the Share Insurance Fund include costs associated with the NCUA Guaranteed Note (NGN) program and other administrative costs, and represent the total estimated direct costs to the Share Insurance Fund.²² The Share Insurance Fund Administrative budget funds five positions that were formerly part of the Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund) budget.

The cost of the NGN program and the Corporate System Resolution Program, including costs associated with the administration of those programs, are funded from the Share Insurance Fund Administrative budget. These costs have no impact on the NCUA's current and future Operating Fund budgets. The budget for the Share Insurance Fund also includes funding for expenditures previously authorized as direct expenses of the Share Insurance Fund for items such as state examiner computer leases, training and financial audit support.

The 2021 Share Insurance Fund Administrative budget is estimated to be \$8.0 million, \$1.5 million, or 23.6 percent, more than 2020.

The 2021 budget increase is primarily driven by the addition of operations and maintenance costs for technology systems and data used by the NCUA to validate stress testing at large credit unions, and the addition of the costs of making MERIT, the new examination solution and replacement to AIRES, available to those state supervisory agencies that use it.

The 2022 requested budget supports similar workload and resources, but is projected to decrease by \$218,000, or 2.7 percent, compared to the 2021 funding level because the one-time nature of the cost of providing the MERIT system to state supervisory authorities.

Budget Category Descriptions and Major Changes

Salaries and Benefits

The employee pay and benefits expense category for the Share Insurance Fund Administrative budget is estimated to be \$1.5 million, which represents an increase of \$30,000 compared to 2020. This increase is due to aligning the budget to actual payroll costs for staff on board, as well as an increase to mandatory agency contribution rates to the FERS retirement program. Personnel compensation is 19 percent of the total budget. The financial analysts on the NGN team have specialized technical expertise to manage the

²² Note these direct costs are exclusive of any costs that are shared with the Operating Fund through the Overhead Transfer Rate, and with payments available upon requisition by the Board, without fiscal year limitation, for insurance under section 1787 of this title, and for providing assistance and making expenditures under section 1788 of this title in connection with the liquidation or threatened liquidation of insured credit unions as it may determine to be proper.



remaining \$5 billion of legacy assets the NCUA will control in 2021. Personnel costs are estimated in a manner similar to the operating budget.

Travel

The estimated travel cost of \$52,000 is less than one percent of the overall 2021 budget and remains the same as the 2020 budget estimate. These costs cover all of the travel expenses for the five staff that manage and support the NGN program. Two of the five staff are remote employees and are expected to travel periodically to the NCUA's central office.

Administrative: Training

Training expenses, which represent less than one percent of the overall 2021 budget, are estimated to remain at \$27,000, identical to the 2020 level, based on projections of employee professional development plans and specialized training requirements.

Support for the NGN Program (Contract Support)

Contract costs to support the NGN program, which represent 29 percent of the overall 2021 budget, are estimated to be \$2.4 million, a decrease of \$0.3 million from the 2020 level. Funding is needed to fulfill Corporate System Resolution Program requirements and includes outside professional services such as external valuation experts, financial specialists, and accountants.

These experts assist the NCUA with the following services:

Consulting Services in the amount of \$0.9 million to support two NCUA offices: Examination and Insurance and the Chief Financial Officer. Services include quarterly management reviews of asset valuations, as well as analyses of emerging issues. Contractors also provide support for the annual financial audit process and improvements in internal controls. Tasks include: supporting complex accounting and financial requirements for settlements, sale of legacy assets, parity payments, changing valuation model assumptions, and other asset disposition activities. Additionally, professional services are used to assist with accounting, tax, financial reporting, and systems support for the corporate Asset Management Estates.

Valuation Services in the amount of \$0.9 million funds valuation support for the NGN legacy assets. As supported by the NGN Oversight Committee, resources are also needed to conduct special analyses, including valuations for determining reasonable market prices for securities to be sold by auction.

Software and Data Subscription Services in the amount of \$0.6 million supports technical tools used to provide waterfall models, calculations, and metrics for the structured investment products underlying the NGN portfolio. The service provides coverage of all relevant asset classes, waterfall models that are seasoned and tested throughout the industry, and a broad array of calculations and metrics. Financial data analytics play a critical role in the surveillance, modeling, and pricing of the legacy assets that securitize the NGN Trusts, as well as supporting the management reviews that the NCUA performs on the cash flow projections. Now that the NGNs are maturing, the NCUA requires data subscription services to provide additional valuation as well as support for the legacy asset disposition process.



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

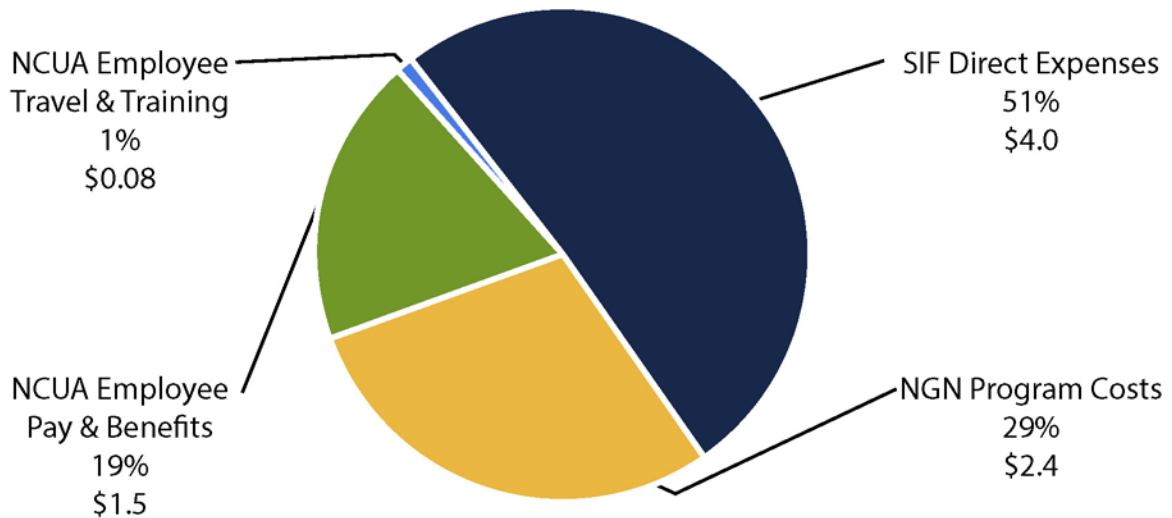
Other Direct Expenses

Other direct expenses of the Share Insurance Fund are estimated to be \$4.0 million in 2021, an increase of \$1.8 million, or 82.4 percent, compared to the 2020 budget level.

The NCUA is required to validate annual stress testing conducted by certain large credit unions to help ensure these credit unions can remain financially sound through challenging economic cycles. Over a multi-year endeavor, the NCUA has developed and implemented its Assets and Liabilities Management (ALM) system, which in part allows the NCUA to build internal analytical capabilities and run supervisory stress testing analyses. The NCUA also uses the ALM system and associated data to conduct regular quantitative risk assessments. Development of the ALM system was funded from the NCUA capital budget in 2020 and prior years, but now that the system is in use, \$1.4 million for operations and maintenance costs will be funded from the SIF budget in 2021 and future budgets.

The 2021 budget also includes \$0.3 million that will be spent to make the MERIT examination and supervision system available to State Supervisory Authorities that oversee state-chartered credit unions. This is expected to be a one-time cost for specific technology development.

2021 Share Insurance Fund Administrative Budget (in Millions of Dollars)





2021–2022 SHARE INSURANCE FUND ADMINISTRATIVE BUDGET

By Cost Category	2020 Board Approved Budget	2021 Requested Budget	Change (2020-21)	Change Percent (2020-21)	2022 Requested Budget	2021 FTE	2022 FTE
Employee Pay and Benefits	\$ 1,470,000	\$ 1,500,000	\$ 30,000	2.0%	\$ 1,500,000	5	5
Travel	52,000	52,000	-	0.0%	52,000		
Administrative (NGN Staff Training)	27,000	27,000	-	0.0%	27,000		
Support for NCUA Guaranteed Note (NGN) Program:	2,689,000	2,359,000	(330,000)	-12.3%	2,359,000		
Consulting	1,015,000	920,000	(95,000)	-9.4%	920,000		
Valuation Services	875,000	875,000	-	0.0%	875,000		
Software/Data Subscriptions	799,000	564,000	(235,000)	-29.4%	564,000		
Share Insurance Fund Direct Expenses:	2,212,000	4,035,000	1,823,000	82.4%	3,817,000		
State Examination computer leases	62,000	62,000	-	0.0%	62,000		
State Examiner Training	1,670,000	1,754,000	84,000	5.0%	1,754,000		
State Supervisory Agencies: MERIT costs	-	277,000	277,000	n/a	-		
Analytic tools for large credit union stress tests	-	1,441,000	1,441,000	n/a	1,500,000		
Financial Audit Support	450,000	471,000	21,000	4.7%	471,000		
Bank Charges	30,000	30,000	-	0.0%	30,000		
Total	\$ 6,450,000	\$ 7,973,000	\$ 1,523,000	23.6%	\$ 7,755,000	5	5



Financing the NCUA Programs

Overview

When formulating the annual budget, the NCUA is mindful that its operating funding comes directly from federal and state chartered credit unions. The agency strives to ensure that any use or allocation of these funds follows a thorough review that evaluates the necessity of the expenditures and whether programs are operating in an efficient, effective, transparent, and fully accountable manner.

To achieve its statutory mission, the NCUA incurs various expenses, including those involved in examining and supervising federally insured credit unions. The NCUA Board adopts an Operating Budget, which includes the Capital Budget, in the fall of each year to fund the vast majority of the costs of operating the agency.²³ The Federal Credit Union Act authorizes two primary sources to fund the Operating Budget:

- (1) Requisitions from the Share Insurance Fund “for such administrative and other expenses incurred in carrying out the purposes of [Title II of the Act] as [the Board] may determine to be proper”;²⁴ and
- (2) “fees and assessments (including income earned on insurance deposits) levied on insured credit unions under [the Act].”²⁵ Among the fees levied under the Act are annual Operating Fees, which are required for federal credit unions under 12 U.S.C. 1755 “and may be expended by the Board to defray the expenses incurred in carrying out the provisions of [the Act,] including the examination and supervision of [federal credit unions].”

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

In 1972, the Government Accountability Office recommended the NCUA adopt a method for properly allocating Operating Budget costs – that is, the portion of the NCUA’s budget funded by requisitions from the Share Insurance Fund and the portion covered by Operating Fees paid by federal credit unions.²⁶ The NCUA has since used an allocation methodology, known as the Overhead Transfer Rate (OTR), to determine how much of the Operating Budget to fund with a requisition from the Share Insurance Fund.

²³ Some costs are directly charged to the Share Insurance Fund when appropriate to do so. For example, costs for training and equipment provided to State Supervisory Authorities are directly charged to the Share Insurance Fund.

²⁴ 12 U.S.C. 1783(a).

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

²⁶ <http://www.gao.gov/assets/210/203181.pdf>.



The NCUA uses the OTR methodology to allocate agency expenses between these two primary funding sources. Specifically, the OTR is the formula the NCUA uses to allocate insurance-related expenses to the Share Insurance Fund under Title II. Almost all other operating expenses are funded through collecting annual Operating Fees paid by federal credit unions.²⁷

Two statutory provisions directly limit the Board's discretion with respect to Share Insurance Fund requisitions for the NCUA's Operating Budget and, hence, the OTR. First, expenses funded from the Share Insurance Fund must carry out the purposes of Title II of the Act, which relate to share insurance.²⁸ Second, the NCUA may not fund its entire Operating Budget through charges to the Share Insurance Fund.²⁹ The NCUA has not imposed additional policy or regulatory limitations on its discretion for determining the OTR.

Overhead Transfer Rate (OTR)

The NCUA conducts a comprehensive workload analysis annually. This analysis estimates the amount of time necessary to conduct examinations and supervise federally insured credit unions in order to carry out the NCUA's dual mission as insurer and regulator. This analysis starts with a field-level review of every federally insured credit union to estimate the number of workload hours needed for the current year. These estimates are informed by the overall parameters of the NCUA's examination program, as most recently updated by the Exam Flexibility Initiative approved by the Board.³⁰ The workload estimates are then refined by regional managers and submitted to the NCUA central office for the annual budget proposal. The OTR methodology accounts for the costs of the NCUA, not the costs of state regulators. Therefore, there are no calculations made for state examiner hours.

There have not been any major changes to the parameters of the examination program since the current OTR methodology went into effect.³¹ The minor variations in the OTR since 2018 are the result of routine, small fluctuations in the variables that affect the OTR, including normal fluctuations in the workload budget from one calendar year to the next.

²⁷ Annual Operating Fees must "be determined according to a schedule, or schedules, or other method determined by the NCUA Board to be appropriate, which gives due consideration to the expenses of the [NCUA] in carrying out its responsibilities under the [Act] and to the ability of [FCUs] to pay the fee." 12 U.S.C. 1755(b).

²⁸ 12 U.S.C. 1783(a).

²⁹ The Act in 12 U.S.C. 1755(a) states, "[i]n accordance with rules prescribed by the Board, each [federal credit union] shall pay to the [NCUA] an annual operating fee which may be composed of one or more charges identified as to the function or functions for which assessed." See also 12 U.S.C. 1766(j)(3).

³⁰ The Exam Flexibility Initiative started with the January 1, 2017 examination cycle and it allows for extended examination cycles for eligible credit unions. Letters to Credit Unions 16-CU-12, December 2016.

³¹ On November 16, 2017, the NCUA Board adopted a new methodology for calculating the OTR starting with the 2018 OTR. 82 FR 55644, November 22, 2017.



The NCUA Board approved the current methodology for calculating the OTR at its November 2017 open meeting.³² In 2020, the Board published³³ in the *Federal Register* a request for comment regarding the OTR methodology, but did not propose any changes to the current methodology. The OTR is designed to cover the NCUA's costs of examining and supervising the risk to the Share Insurance Fund posed by all federally insured credit unions, as well as the costs of administering the fund. The OTR represents the percentage of the agency's operating budget paid for by a transfer from the Share Insurance Fund. Federally insured credit unions are not billed for and do not have to remit the OTR amount; instead, it is transferred directly to the Operating Fund from the Share Insurance Fund. This transfer, therefore, represents a cost to all federally insured credit unions.

The OTR formula uses the following underlying principles to allocate agency operating costs:

1. Time spent examining and supervising federal credit unions is allocated as 50 percent insurance related.³⁴
2. All time and costs the NCUA spends supervising or evaluating the risks posed by federally insured, state-chartered credit unions or other entities that the NCUA does not charter or regulate (for example, third-party vendors and CUSOs) are allocated as 100 percent insurance related.³⁵
3. Time and costs related to the NCUA's role as charterer and enforcer of consumer protection and other non-insurance based laws governing the operation of credit unions (like field of membership requirements) are allocated as 0 percent insurance related.³⁶
4. Time and costs related to the NCUA's role in administering federal share insurance and the Share Insurance Fund are allocated as 100 percent insurance related.³⁷

³² 82 FR 55644 (Nov. 22, 2017).

³³ <https://www.federalregister.gov/documents/2020/08/31/2020-17009/request-for-comment-regarding-national-credit-union-administration-overhead-transfer-rate>

³⁴ The 50 percent allocation mathematically emulates an examination and supervision program design where the NCUA would alternate examinations, and/or conduct joint examinations, between its insurance function and its prudential regulator function if they were separate units within the NCUA. It reflects an equal sharing of supervisory responsibilities between the NCUA's dual roles as charterer/prudential regulator and insurer given both roles have a vested interest in the safety and soundness of federal credit unions. It is consistent with the alternating examinations the FDIC and state regulators conduct for insured state-chartered banks as mandated by Congress. Further, it reflects that the NCUA is responsible for managing risk to the Share Insurance Fund and therefore should not rely solely on examinations and supervision conducted by the prudential regulator.

³⁵ The NCUA does not charter state-chartered credit unions nor serve as their prudential regulator. The NCUA's role with respect to federally insured state-chartered credit unions is as insurer. Therefore, all examination and supervision work and other agency costs attributable to insured state-chartered credit unions is allocated as 100 percent insurance related.

³⁶ As the federal agency with the responsibility to charter federal credit unions and enforce non-insurance related laws governing how credit unions operate in the marketplace, the NCUA resources allocated to these functions are properly assigned to its role as charterer/prudential regulator.

³⁷ The NCUA conducts liquidations of credit unions, insured share payouts, and other resolution activities in its role as insurer. Also, activities related to share insurance, such as answering consumer inquiries about insurance coverage, are a function of the NCUA's role as insurer.



These four principles are applied to the activities and costs of the agency to determine the portion of the agency’s budget that is funded by the Share Insurance Fund. Based on the Board-approved methodology, the OTR for 2021 is one percentage point higher than 2020, and estimated to be 62.3 percent. Thus, 62.3 percent of the total Operating Budget is estimated to be paid out of the Share Insurance Fund. The remaining 37.7 percent of the Operating Budget is estimated to be paid for by Operating Fees collected from federal credit unions. The explicit and implicit distribution of total Operating Budget costs for federal credit unions and federally insured, state-chartered credit unions is outlined in the table below:

2021 Estimated Distribution: OTR and Operating Fee		
Est. Share of the Operating Budget covered by:	Federal Credit Unions	Federally Insured, State-Chartered Credit Unions
Federal Credit Union Operating Fee	37.7%	0.0%
OTR x Percent of Insured Shares	31.3% (62.3% x 50.3%)	31.0% (62.3% x 49.7%)
Total	69.0%	31.0%

Concurrent with its request for comment regarding the OTR methodology, the Board also published proposed changes to the methodology used to compute the NCUA’s Operating Fee³⁸. Included as part of the proposed changes, the Board proposed applying the OTR to the NCUA’s Capital Budget in the same manner as it applies the OTR to the Operating Budget. The Board reviewed public comments received about this proposal which were generally supportive in applying the OTR to the Capital Budget.

By applying the four principles in a manner that incorporates all Operating and Capital Budget activities, the OTR for 2021 is estimated to be 62.3 percent, the same result as applying the four principles to the Operating Budget alone.

To determine the funds transferred from the Share Insurance Fund to the Operating Fund, the OTR is applied to actual expenses incurred each month. Therefore, the rate calculated by the OTR formula is multiplied by each month’s actual operating expenditures and the product of that calculation is transferred from the Share Insurance Fund to the Operating Fund. This monthly reconciliation to actual operating expenditures captures the variance between actual and budgeted amounts, so when the NCUA’s expenditures are less than budgeted, the amount charged to the Share Insurance Fund is also less – and those lower expenditures benefit both federally chartered and state chartered credit unions.

³⁸ <https://www.federalregister.gov/documents/2020/08/31/2020-17009/request-for-comment-regarding-national-credit-union-administration-overhead-transfer-rate>



The use of insured shares in calculating the OTR was eliminated from the OTR methodology adopted by the Board in 2017. However, insured shares are used for informational purposes to reflect the fundamental economics with respect to how the implicit costs of the OTR are borne by federal and state-chartered credit unions. Use of insured shares is consistent with the mutual nature of the Share Insurance Fund and part of the statutory scheme related to Share Insurance Fund deposits, premiums and dividends.³⁹ The number, size, and health of federal and state credit unions affects the NCUA's workload budget, which in turn is one of the variables in the OTR methodology.

The primary driver of the increase in the estimated 2021 OTR is the increase in examination and supervision time for federally insured state-chartered credit unions. Calendar year 2021 marks the end of the first, five-year cycle associated with the Exam Flexibility Initiative that extended the NCUA exam time for eligible institutions. The increase in budgeted time for FISCO examination and supervision for 2021 is due to program obligations associated with examination scheduling and scope requirements. Normal fluctuations in the workload budget from one calendar year to the next are also variables that tend to influence the change in the calculated OTR compared to previous years. Workload budget variables include, but are not limited to, changes in CAMEL ratings, the number and size of credit unions that meet the annual exam and extended exam eligibility criteria, credit unions with emerging risk indicators, variations in individual state regulator programs, and fluctuations in the timing of examinations related to a particular calendar year.

CUSOs are at times subject to review during the examination of a federally insured credit union. The OTR methodology captures CUSO-related time within the scope of the examination and supervision of federally insured credit unions under Principle 1 for federal credit unions and Principle 2 for federally insured state-chartered credit unions.

The time designated for separate, stand-alone reviews of CUSOs and third-party vendors is accounted for separately in the NCUA's workload budget and is covered by Principle 2 only. The Board has no direct regulatory authority with respect to CUSOs and there is no support to allocate time specifically designated for CUSO and third-party vendor reviews as anything other than the NCUA's role as insurer. The stand-alone review of CUSOs and third-party vendors is to identify and address risk to federally insured credit unions. These reviews are not intended to identify whether credit unions are complying with the lending and investment limitations with CUSOs. That is determined as part of the examination of the credit union.

The following chart illustrates the share of the Operating Budget paid by federal credit unions (FCUs, 69%) and federally insured, state-chartered credit unions (FISCOs, 31%).

³⁹ 12 U.S.C. 1782(c)(2) and (3).



2021 Distribution of Operating Budget Costs



Operating Fee

The Board delegated authority to the Chief Financial Officer to administer the methodology approved by the Board for calculating the Operating Fee, and to set the fee schedule as calculated per the approved methodology. In 2020, the Board published⁴⁰ in the *Federal Register* several proposed changes to the Operating Fee methodology, and requested public comments about those changes. This section illustrates how the Operating Fee is calculated using the current, Board-approved Operating Fee methodology and also shows how the Operating Fee would be calculated if the Board adopts all of the changes it has proposed to the methodology.

Current Board-Approved Methodology

Based on the estimated 2021 OTR and the current methodology for computing the Operating Fee, the share of the 2021 budget funded by the Operating Fee is \$136.6 million. This equates to 0.0149 percent of projected federal credit union assets for December 2020. The overall decrease for the Operating Fee is estimated at 17.9 percent below the 2020 level under the current methodology, as shown on the table on page 62.

The Operating Fee is assessed on federal credit unions based on projected year-end assets under the current methodology. Credit unions with assets less than \$1 million are not assessed an Operating Fee. To set the assessment scale for 2021, federal credit union asset growth is projected through December 31, 2020. Based

⁴⁰ <https://www.federalregister.gov/documents/2020/08/31/2020-17009/request-for-comment-regarding-national-credit-union-administration-overhead-transfer-rate>



on the June 30, 2020 Call Report data, annual growth is projected to be 14.3 percent at year end. The asset level dividing points would be increased by this same projected growth rate. Under the current methodology, assets are indexed annually by the projected annual growth in total federal credit union assets, which preserves the same relative relationship of the scale to the applicable asset base.

Proposed Changes to Operating Fee Methodology

In 2020, the NCUA Board proposed changes to the methodology it uses to determine how it apportions the Operating Fees and requested public comment about the changes. Specifically, the Board proposed: (1) clarifying the treatment of capital project budgets when calculating the operating fees; (2) clarifying the treatment of miscellaneous revenues when calculating the operating fees; and (3) modifying the approach for calculating the annual inflationary adjustments to the thresholds for the operating fee rate tiers.

In a separate notice⁴¹, the Board also proposed amending its rule for determining total assets used as the basis for calculating the Operating Fee by (1) excluding Paycheck Protection Program (PPP) loans from the computation of a credit union's total assets and (2) using the average of the four quarters' call report data available at the time the Board approves the annual budget to compute total assets instead of using the projected fourth quarter total assets.

Based on the proposed changes to the Operating Fee methodology and the proposed changes for determining credit unions' total assets, the share of the 2021 budget funded by the Operating Fee would be \$125.0 million. This equates to 0.0146 percent of the actual average of federal credit union assets for the quarters ending on September 30, 2020. The overall decrease for the Operating Fee would be 19.6 percent less than 2020, as shown on the table on page 62. The Board is reviewing comments from the public about the proposals, as well as responses to questions the Board asked of the public about the Operating Fee rate scale, and may revise the Operating Fee rule, methodology, or rate scale based on these comments.

Under the proposed changes to the determination of total assets, the Operating Fee would be assessed on federal credit unions based on the average of total assets reported in the fourth quarter 2019 and the first three quarters of 2020, net of any reported PPP loans. Credit unions with assets less than \$1 million would not be assessed an Operating Fee.

To set the assessment scale for 2021, total growth in federal credit union assets would be calculated as the change between the average of the four most-current quarters (i.e., the fourth quarter of 2019 and the first three quarters of 2020 in the case of the 2021 budget) and the previous four quarters (i.e., the fourth quarter of 2018 and the first three quarters of 2019), which is estimated to be 12.1 percent.⁴² Under the proposed methodology, asset level dividing points would be increased by this same growth rate in order to preserve the same relative relationship of the scale to the applicable asset base.

⁴¹ <https://www.federalregister.gov/documents/2020/08/31/2020-16981/fees-paid-by-federal-credit-unions>

⁴² Total assets are determined using the 2020 third-quarter data based on actual call report data.



OPERATING FEE CALCULATION FOR DRAFT 2021 BUDGET COMPARED TO PROPOSED OPERATING FEE REVISIONS

(\$ millions)

		Current Methodology	Proposed Methodology
1	Operating Budget recommendation - staff draft	\$ 314.560	\$ 314.560
	<i>Capital Budget</i>	\$ -	\$ 18.845
	<i>Miscellaneous Revenue (rent and publication fees)</i>	\$ -	\$ (0.469)
2	Remove King Street Station Note from Calculation	\$ -	\$ -
3	Operating Budget (current methodology) or Operating and Capital Budgets (proposed methodology) to apply OTR	\$ 314.560	\$ 332.936
4	2021 est. Overhead Transfer Rate 62.3%	\$ (195.971)	\$ (207.419)
5	Interest Income	\$ (0.355)	\$ (0.355)
6	Miscellaneous Revenue (rent and publication fees)	\$ (0.469)	\$ -
7	Net (sum lines 3 - 6)	\$ 117.765	\$ 125.162
8	Operating Fund adjustment	\$ -	\$ -
9	Capital Budget	\$ 18.845	\$ -
10	Payment of King Street Note Payable (scheduled principal payments)	\$ -	\$ -
11	Budgeted Operating Fee/Capital Requirements (sum lines 5 - 10)	\$ 136.610	\$ 125.162
12	Corporate Federal CU Operating Fees	\$ (0.200)	\$ (0.200)
13	Natural Person FCU Operating Fees Required (sum lines 11 - 12)	\$ 136.410	\$ 124.962
14	Fees projected with Annual Q4 Asset Growth of 14.3%	\$ (166.216)	
	Fees projected with 4Q Average Asset Growth of 12.1%		\$ (155.435)
15	Difference (lines 13 & 14)	\$ (29.806)	\$ (30.473)
16	Average Rate Adjustment Indicated (line 15 divided by line 14)	-17.93%	-19.60%

Operating Fee Scale

To illustrate the rate for each asset tier for which Operating Fees are charged, the tables below show the effect of the average 17.9 percent decrease in the Operating Fee for natural person federal credit unions under the current Board-approved methodology and the 19.6 percent decrease in the Operating Fee for natural person credit unions under the proposed changes to the methodology. The corporate federal credit union rate scale remains unchanged from prior years.



PROPOSED 2021 OPERATING FEE SCALE

2020 Natural Person Federal Credit Union Scale

<u>Asset Level</u>		<u>Operating Fee Assessment</u>			
\$0	TO \$1,000,000	\$0.00			
\$1,000,000	TO \$1,599,193,665	\$0.00	+ 0.00027245	X total assets over	\$0.00
\$1,599,193,665	TO \$4,839,136,005	\$435,700	+ 0.00007941	X total assets over	\$1,599,193,665
\$4,839,136,005	AND Over	\$692,984	+ 0.00002652	X total assets over	\$4,839,136,005

2021 Estimated Natural Person Federal Credit Union Scale: Current Methodology

Projected FCU asset growth rate	14.27%	Change in asset level dividing points
Operating fee rate change	-17.93%	Change in assessment rate percentages

<u>Asset Level</u>		<u>Operating Fee Assessment</u>			
\$0	TO \$1,000,000	\$0.00			
\$1,000,000	TO \$1,827,468,579	\$0.00	+ 0.00022359	X total assets over	\$0.00
\$1,827,468,579	TO \$5,529,892,465	\$408,604	+ 0.00006517	X total assets over	\$1,827,468,579
\$5,529,892,465	AND Over	\$649,891	+ 0.00002176	X total assets over	\$5,529,892,465

2021 Estimated Natural Person Federal Credit Union Scale: Proposed Methodology

Projected FCU asset growth rate	12.05%	Change in asset level dividing points
Operating fee rate change	-19.60%	Change in assessment rate percentages

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

FY2021 Estimated Corporate Federal Credit Union Scale

<u>Asset Level</u>		<u>Operating Fee Assessment</u>			
\$50,000,000	TO \$100,000,000	\$10,779	+ 0.00019870	X total assets over	\$50,000,000
\$100,000,000	AND Over	\$20,714	+ 0.00001230	X total assets over	\$100,000,000

Operating Fee Scale explanation:

Projected federal credit union asset growth = change in asset level dividing points. Every year, the asset level scale is adjusted by the same percentage as the estimated growth rate.

Percent growth noted on Page 64, line 14

Operating fee rate change = Change in assessment rate percentage

Same as Page 64, line 16

The **Corporate Credit Union scale** remains unchanged from year to year. The number of CCUs is small and stable. Collections from CCUs do not vary significantly between years.



Appendix A: Supplemental Budget Information

2021 Budget by Strategic Goal

Strategic Goal	2021 Proposed Budget	
	Dollars (in Millions)	Full-Time Equivalents*
Goal 1: Ensure a safe and sound credit union system	\$217.09	933.7
Goal 2: Provide a regulatory framework that is transparent, efficient, and improves consumer access	\$32.76	117.7
Goal 3: Maximize organizational performance to enable mission success	\$87.51	130.6
Office of Inspector General	\$4.02	10.0
Total	\$341.38	1,192.0

Expenses for the Offices of the Board, Executive Director, Inspector General, External Affairs and Communications, and Chief Financial Officer are allocated across all strategic goals.

*NCUA's 2021 positions are funded by three different sources: the Central Liquidity Facility funds 3 full-time equivalents, and the Share Insurance Fund funds 5 full-time equivalents. NCUA's Operating Fund funds the remaining 1,183 full-time equivalents.

note: minor rounding differences may occur in totals.



Office Budget Summary

2021-2022 NCUA OPERATING BUDGET										
Office	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change		2022 Requested Budget	2021-2022 Change		Authorized Positions		
								2020**	2021***	2022***
Eastern Region	59,229,654	55,790,374	(3,439,280)	-5.8%	57,140,060	1,349,686	2.4%	285	285	285
Southern Region	47,083,762	44,243,608	(2,840,154)	-6.0%	45,276,532	1,032,924	2.3%	233	233	228
Western Region	50,911,527	46,840,638	(4,070,889)	-8.0%	47,616,606	775,968	1.7%	237	237	237
Office of National Examinations and Supervision	12,877,247	12,340,885	(536,362)	-4.2%	12,669,286	328,401	2.7%	45	45	45
Supervision and Examination	170,102,190	159,215,505	(10,886,685)	-6.4%	162,702,484	3,486,979	2.2%	800	800	795
Office of the Board	3,025,411	3,158,614	133,203	4.4%	3,224,686	66,072	2.1%	12	12	12
Office of the Executive Director	2,044,060	3,197,536	1,153,476	56.4%	2,949,613	(247,923)	-7.8%	6	9	9
Federal Financial Institutions Examination Council	1,344,185	1,371,852	27,667	2.1%	1,371,852	-	0.0%	-	-	-
Office of Ethics Counsel	-	908,471	908,471	0.0%	936,074	27,603	3.0%	3	3	3
Office of Business Innovation	3,325,535	3,237,552	(87,983)	-2.6%	3,362,506	124,954	3.9%	12	12	12
Office of Continuity and Security Management	5,080,583	4,999,557	(81,026)	-1.6%	4,971,724	(27,833)	-0.6%	12	12	12
Office of Minority and Women Inclusion	3,503,191	3,502,845	(346)	0.0%	3,579,719	76,874	2.2%	10	10	10
Office of the Chief Economist	2,357,494	2,468,812	111,318	4.7%	2,536,693	67,881	2.7%	8	8	8
Office of Consumer Financial Protection	5,526,606	5,486,225	(40,381)	-0.7%	6,253,125	766,900	14.0%	23	25	25
Office of the Chief Financial Officer	20,980,522	21,308,605	328,083	1.6%	21,657,556	348,951	1.6%	54	54	54
King Street Station Note	1,340,000	-	(1,340,000)	-100.0%	-	-	0.0%	-	-	-
Cross-cutting agency expenses	(2,666,081)	1,856,581	4,522,662	-169.6%	(7,429,368)	(9,285,949)	-500.2%	-	-	-
Office of the Chief Information Officer	39,270,622	44,026,198	4,755,576	12.1%	46,451,869	2,425,671	5.5%	43	43	43
Credit Union Resources and Expansion	8,795,066	8,656,705	(138,361)	-1.6%	9,727,691	1,070,986	12.4%	36	36	36
Office of Examination & Insurance*	15,614,627	14,836,689	(777,938)	-5.0%	15,392,980	556,291	3.7%	56	57	57
Office of General Counsel	12,379,765	12,491,302	111,537	0.9%	12,481,139	(10,163)	-0.1%	45	45	45
Office of Inspector General	3,906,512	4,022,421	115,909	3.0%	4,086,975	64,554	1.6%	10	10	10
Office of Human Resources	17,303,833	15,384,947	(1,918,886)	-11.1%	18,104,098	2,719,151	17.7%	43	43	43
Office of External Affairs and Communication	2,648,879	4,429,909	1,781,030	67.2%	4,528,836	98,927	2.2%	13	13	13
Mission Support	145,780,809	155,344,821	9,564,012	6.6%	154,187,767	(1,157,053)	-0.7%	386	392	392
Total*	\$315,883,000	\$314,560,326	\$(1,322,673)	-0.4%	\$316,890,251	\$ 2,329,926	0.7%	1,186	1,192	1,187

*Budget includes 8 FTE related to other NCUA funds; 4.5 FTE are paid for by the Central Liquidity Facility and 5 FTE are paid for by the Share Insurance Fund.

**2020 Budget adjusted with one additional position for the new Office of Ethics Counsel and the overall positions increased from 1,185 to 1,186.

***2021 and 2022 OED FTE levels include 2 unallocated FTE



Board Budgets

OFFICE OF THE CHAIRMAN: 2021-2022 BUDGET SUMMARY							
	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	4.0	4.0	-	0.0%	4.0	-	-
Employee Compensation	901,043	933,861	32,818	3.6%	955,181	21,320	2.3%
Salaries	656,680	664,178	7,498	1.1%	680,678	16,500	2.5%
Benefits	244,363	269,684	25,321	10.4%	274,503	4,819	1.8%
Travel	75,000	39,000	(36,000)	-48.0%	39,000	-	0.0%
Rent /Comm/Util	250	1,700	1,450	580.0%	1,700	-	0.0%
Administrative	10,000	10,000	-	0.0%	10,000	-	0.0%
Contracted Services	12,000	43,000	31,000	258.3%	43,000	-	0.0%
Total	\$ 998,293	\$ 1,027,561	\$ 29,268	2.9%	\$ 1,048,881	\$ 21,320	2.1%

BOARD MEMBER HAUPTMAN: 2021-2022 BUDGET SUMMARY							
	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	3.0	3.0	-	0.0%	3.0	-	-
Employee Compensation	744,311	699,816	(44,495)	-6.0%	716,278	16,462	2.4%
Salaries	534,043	496,137	(37,906)	-7.1%	508,789	12,652	2.6%
Benefits	210,268	203,679	(6,589)	-3.1%	207,489	3,810	1.9%
Travel	40,000	34,000	(6,000)	-15.0%	34,000	-	0.0%
Rent /Comm/Util	500	1,400	900	180.0%	1,400	-	0.0%
Administrative	9,000	9,000	-	0.0%	9,000	-	0.0%
Contracted Services	8,000	43,000	35,000	437.5%	43,000	-	0.0%
Total	\$ 801,811	\$ 787,216	\$ (14,595)	-1.8%	\$ 803,678	\$ 16,462	2.1%

BOARD MEMBER Harper: 2021-2022 BUDGET SUMMARY							
	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	3.0	3.0	-	-	3.0	-	-
Employee Compensation	688,079	788,187	100,107	14.5%	802,598	14,412	1.8%
Salaries	497,395	564,755	67,360	13.5%	576,018	11,263	2.0%
Benefits	190,685	223,432	32,748	17.2%	226,580	3,148	1.4%
Travel	50,000	34,000	(16,000)	-32.0%	34,000	-	0.0%
Rent /Comm/Util	500	1,400	900	180.0%	1,400	-	0.0%
Administrative	9,000	9,000	-	0.0%	9,000	-	0.0%
Contracted Services	18,000	43,000	25,000	138.9%	43,000	-	0.0%
Total	\$ 765,579	\$ 875,587	\$ 110,007	14.4%	\$ 889,998	\$ 14,412	1.6%

note: minor rounding differences may occur in totals.



Office Budgets

OFFICE OF THE BOARD: 2021-2022 BUDGET SUMMARY							
	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	12.0	12.0	-	-	12.0	-	-
Employee Compensation	2,777,661	2,873,114	95,453	3.4%	2,939,186	66,071	2.3%
Salaries	2,010,424	2,046,829	36,405	1.8%	2,097,953	51,125	2.5%
Benefits	767,237	826,286	59,049	7.7%	841,233	14,947	1.8%
Travel	167,000	109,000	(58,000)	-34.7%	109,000	-	0.0%
Rent /Comm/Util	1,250	5,500	4,250	340.0%	5,500	-	0.0%
Administrative	28,000	28,500	500	1.8%	28,500	-	0.0%
Contracted Services	51,500	142,500	91,000	176.7%	142,500	-	0.0%
Total	\$ 3,025,411	\$ 3,158,614	\$ 133,203	4.4%	\$ 3,224,686	\$ 66,071	2.1%

OFFICE OF THE EXECUTIVE DIRECTOR: 2021-2022 BUDGET SUMMARY							
	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE*	6.0	9.0	3.0	50.0%	9.0	-	-
Employee Compensation	1,730,310	2,359,536	629,226	36.4%	2,412,613	53,078	2.2%
Salaries	1,250,843	1,689,391	438,548	35.1%	1,730,541	41,149	2.4%
Benefits	479,467	670,144	190,678	39.8%	682,073	11,928	1.8%
Travel	45,000	22,000	(23,000)	-51.1%	21,000	(1,000)	-4.5%
Rent /Comm/Util	20,250	20,250	-	0.0%	20,250	-	0.0%
Administrative	1,369,185	1,397,102	27,917	2.0%	1,397,102	-	0.0%
ED Core	25,000	25,250	250	1.0%	25,250	-	0.0%
FFIEC	1,344,185	1,371,852	27,667	2.1%	1,371,852	-	0.0%
Contracted Services	223,500	770,500	547,000	244.7%	470,500	(300,000)	-38.9%
Total	\$ 3,388,245	\$ 4,569,388	\$ 1,181,143	34.9%	\$ 4,321,465	\$ (247,922)	-5.4%

* 2021 and 2022 OED FTE levels include 2 unallocated FTE

OFFICE OF ETHICS COUNSEL: 2021-2022 BUDGET SUMMARY							
	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	3.0	3.0	-	-	3.0	-	-
Employee Compensation	0	893,471	893,471	0.0%	921,074	27,603	3.1%
Salaries		648,212	648,212	0.0%	669,786	21,574	3.3%
Benefits		245,259	245,259	0.0%	251,288	6,030	2.5%
Travel		10,000	10,000	0.0%	10,000	-	0.0%
Rent /Comm/Util		2,000	2,000	0.0%	2,000	-	0.0%
Administrative		3,000	3,000	0.0%	3,000	-	0.0%
Contracted Services		-	-	0.0%	-	-	0.0%
Total	\$ -	\$ 908,471	\$ 908,471	0.0%	\$ 936,074	\$ 27,603	3.0%

note: minor rounding differences may occur in totals.



OFFICE OF BUSINESS INNOVATION: 2021–2022 BUDGET SUMMARY							
	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	12.0	12.0	-	-	12.0	-	-
Employee Compensation	3,049,685	3,115,002	65,317	2.1%	3,210,956	95,953	3.1%
Salaries	2,228,475	2,234,028	5,553	0.2%	2,308,381	74,352	3.3%
Benefits	821,210	880,974	59,764	7.3%	902,575	21,601	2.5%
Travel	224,000	71,000	(153,000)	-68.3%	100,000	29,000	40.8%
Rent /Comm/Util	3,600	4,650	1,050	29.2%	4,650	-	0.0%
Administrative	10,000	8,100	(1,900)	-19.0%	8,100	-	0.0%
Contracted Services	38,250	38,800	550	1.4%	38,800	-	0.0%
Total	\$ 3,325,535	\$ 3,237,552	\$ (87,983)	-2.6%	\$ 3,362,506	\$ 124,953	3.9%

OFFICE OF CONTINUITY AND SECURITY MANAGEMENT: 2021–2022 BUDGET SUMMARY							
	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	12.0	12.0	-	-	12.0	-	-
Employee Compensation	2,782,988	3,011,617	228,629	8.2%	2,983,784	(27,833)	-0.9%
Salaries	2,020,314	2,157,167	136,853	6.8%	2,135,572	(21,596)	-1.0%
Benefits	762,674	854,450	91,776	12.0%	848,213	(6,237)	-0.7%
Travel	30,000	10,000	(20,000)	-66.7%	10,000	-	0.0%
Rent /Comm/Util	35,000	35,000	-	0.0%	35,000	-	0.0%
Administrative	36,000	36,000	-	0.0%	36,000	-	0.0%
Contracted Services	2,196,595	1,906,940	(289,655)	-13.2%	1,906,940	-	0.0%
Total	\$ 5,080,583	\$ 4,999,557	\$ (81,026)	-1.6%	\$ 4,971,724	\$ (27,833)	-0.6%

OFFICE OF MINORITY AND WOMEN INCLUSION: 2021–2022 BUDGET SUMMARY							
	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	10.0	10.0	-	-	10.0	-	-
Employee Compensation	2,271,894	2,545,846	273,951	12.1%	2,623,720.4	77,875	3.1%
Salaries	1,653,089	1,824,521	171,432	10.4%	1,885,244	60,723	3.3%
Benefits	618,805	721,325	102,519	16.6%	738,476	17,152	2.4%
Travel	157,349	76,169	(81,180)	-51.6%	75,169	(1,000)	-1.3%
Rent /Comm/Util	19,750	18,700	(1,050)	-5.3%	18,700	-	0.0%
Administrative	211,067	207,091	(3,976)	-1.9%	207,091	-	0.0%
Contracted Services	843,131	655,039	(188,092)	-22.3%	655,039	-	0.0%
Total	\$ 3,503,191	\$ 3,502,845	\$ (347)	0.0%	\$ 3,579,719	\$ 76,875	2.2%

note: minor rounding differences may occur in totals.



OFFICE OF THE CHIEF ECONOMIST: 2021-2022 BUDGET SUMMARY							
	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	8.0	8.0	-	-	8.0	-	-
Employee Compensation	2,117,041	2,241,359	124,318	5.9%	2,310,240	68,881	3.1%
Salaries	1,552,568	1,617,535	64,967	4.2%	1,671,370	53,834	3.3%
Benefits	564,473	623,824	59,351	10.5%	638,870	15,047	2.4%
Travel	25,000	12,000	(13,000)	-52.0%	11,000	(1,000)	-8.3%
Rent /Comm/Util	300	4,200	3,900	1300.0%	4,200	-	0.0%
Administrative	210,839	206,939	(3,900)	-1.8%	206,939	-	0.0%
Contracted Services	4,314	4,314	(0)	0.0%	4,314	-	0.0%
Total	\$ 2,357,494	\$ 2,468,812	\$ 111,318	4.7%	\$ 2,536,693	\$ 67,881	2.7%

OFFICE OF CONSUMER FINANCIAL PROTECTION: 2021-2022 BUDGET SUMMARY							
	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	23.0	25.0	2.0	8.7%	25.0	-	0%
Employee Compensation	5,051,759	5,217,891	166,132	3.3%	5,988,149	770,258	14.8%
Salaries	3,623,066	3,687,530	64,465	1.8%	4,238,328	550,798	14.9%
Benefits	1,428,694	1,530,361	101,667	7.1%	1,749,821	219,460	14.3%
Travel	384,423	174,596	(209,827)	-54.6%	171,238	(3,358)	-1.9%
Rent /Comm/Util	39,950	37,200	(2,750)	-6.9%	37,200	-	0.0%
Administrative	20,815	26,430	5,615	27.0%	26,430	-	0.0%
Contracted Services	29,659	30,108	449	1.5%	30,108	-	0.0%
Total	\$ 5,526,606	\$ 5,486,225	\$ (40,381)	-0.7%	\$ 6,253,125	\$ 766,900	14.0%

note: minor rounding differences may occur in totals.



OFFICE OF THE CHIEF FINANCIAL OFFICER: 2021-2022 BUDGET SUMMARY

	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	54.0	54.0	-	-	54.0	-	-
Employee Compensation	7,907,346	12,246,554	4,339,209	54.9%	3,310,555	(8,935,999)	-73.0%
Salaries	4,458,749	8,576,122	4,117,373	92.3%	(440,572)	(9,016,694)	-105.1%
OCFO	8,016,797	8,090,173	73,376	0.9%	8,359,428	269,255	
Crosscutting	(3,558,048)	485,949	4,043,997	-113.7%	(8,800,000)	(9,285,949)	
Benefits	3,448,597	3,670,432	221,836	6.4%	3,751,127	80,695	2.2%
OCFO	3,127,597	3,356,432	228,836	7.3%	3,437,127	80,695	
Crosscutting	321,000	314,000	(7,000)	-2.2%	314,000	-	
Travel	90,000	38,000	(52,000)	-57.8%	37,000	(1,000)	-2.6%
OCFO	90,000	38,000	(52,000)	-57.8%	37,000	(1,000)	
Crosscutting	-	-	-	-	-	-	
Rent /Comm/Util	2,095,500	618,000	(1,477,500)	-70.5%	618,000	-	0.0%
OCFO	755,500	618,000	(137,500)	-18.2%	618,000	-	
King Station Note	1,340,000	-	(1,340,000)	-100.0%	-	-	
Administrative	1,040,000	1,794,000	754,000	72.5%	1,794,000	-	0.0%
OCFO	940,000	944,000	4,000	0.4%	944,000	-	
Crosscutting	100,000	850,000	750,000	750.0%	850,000	-	
Contracted Services	8,521,595	8,468,632	(52,963)	-0.6%	8,468,632	-	0.0%
OCFO	8,050,628	8,262,000	211,372	2.6%	8,262,000	-	
Crosscutting	470,967	206,632	(264,335)	-56.1%	206,632	-	
Total	\$ 19,654,441	\$ 23,165,186	\$ 3,510,746	17.9%	\$ 14,228,187	\$ (8,936,999)	-38.6%
OCFO Total	22,320,522	21,308,605	(1,011,916)	-4.5%	21,657,555	348,950	1.6%
Crosscutting	(2,666,081)	1,856,581	4,522,662	-169.6%	(7,429,368)	(9,285,949)	-500.2%

OFFICE OF THE CHIEF INFORMATION OFFICER: 2021-2022 BUDGET SUMMARY

	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	43.0	43.0	-	-	43.0	-	-
Employee Compensation	10,850,291	10,996,943	146,652	1.4%	11,333,612	336,669	3.1%
Salaries	7,910,059	7,879,267	(30,792)	-0.4%	8,141,503	262,236	3.3%
Benefits	2,940,232	3,117,676	177,444	6.0%	3,192,109	74,434	2.4%
Travel	50,000	31,000	(19,000)	-38.0%	30,000	(1,000)	-3.2%
Rent /Comm/Util	4,553,060	5,337,135	784,075	17.2%	6,077,135	740,000	13.9%
Administrative	4,500	30,000	25,500	566.7%	30,000	-	0.0%
Contracted Services	23,812,771	27,631,120	3,818,350	16.0%	28,981,122	1,350,001	4.9%
Total	\$ 39,270,622	\$ 44,026,198	\$ 4,755,577	12.1%	\$ 46,451,869	\$ 2,425,671	5.5%

note: minor rounding differences may occur in totals.



OFFICE OF NATIONAL EXAMINATIONS AND SUPERVISION: 2021-2022 BUDGET SUMMARY

	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	45.0	45.0	-	-	45.0	-	-
Employee Compensation	10,852,318	11,305,615	453,297	4.2%	11,649,016	343,401	3.0%
Salaries	7,798,101	8,030,194	232,093	3.0%	8,297,453	267,259	3.3%
Benefits	3,054,216	3,275,420	221,204	7.2%	3,351,562	76,142	2.3%
Travel	1,455,000	676,000	(779,000)	-53.5%	661,000	(15,000)	-2.2%
Rent /Comm/Util	14,500	21,600	7,100	49.0%	21,600	-	0.0%
Administrative	36,429	45,070	8,641	23.7%	45,070	-	0.0%
Contracted Services	519,000	292,600	(226,400)	-43.6%	292,600	-	0.0%
Total	\$ 12,877,247	\$ 12,340,885	\$ (536,362)	-4.2%	\$ 12,669,286	\$ 328,401	2.7%

OFFICE OF CREDIT UNION RESOURCE AND EXPANSION: 2021-2022 BUDGET SUMMARY

	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	36.0	36.0	-	-	36.0	-	-
Employee Compensation	7,882,689	7,956,705	74,016	0.9%	9,033,691	1,076,986	13.5%
Salaries	5,674,658	5,625,467	(49,191)	-0.9%	6,464,360	838,892	14.9%
Benefits	2,208,031	2,331,238	123,207	5.6%	2,569,331	238,093	10.2%
Travel	580,000	276,000	(304,000)	-52.4%	270,000	(6,000)	-2.2%
Rent /Comm/Util	24,750	33,000	8,250	33.3%	33,000	-	0.0%
Administrative	30,000	38,000	8,000	26.7%	38,000	-	0.0%
Contracted Services	277,627	353,000	75,373	27.1%	353,000	-	0.0%
Total	\$ 8,795,066	\$ 8,656,705	\$ (138,361)	-1.6%	\$ 9,727,691	\$ 1,070,986	12.4%

OFFICE OF EXAMINATION AND INSURANCE: 2021-2022 BUDGET SUMMARY

	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	56.0	57.0	1.0	1.8%	57.0	-	-
Employee Compensation	12,028,189	12,388,794	360,605	3.0%	12,857,085	468,291	3.8%
Salaries	8,753,933	8,855,876	101,942	1.2%	9,219,244	363,368	4.1%
Benefits	3,274,255	3,532,918	258,663	7.9%	3,637,841	104,923	3.0%
Travel	1,008,244	462,180	(546,064)	-54.2%	550,180	88,000	19.0%
Rent /Comm/Util	20,877	23,100	2,223	10.6%	23,100	-	0.0%
Administrative	805,317	708,615	(96,702)	-12.0%	708,615	-	0.0%
Contracted Services	1,752,000	1,254,000	(498,000)	-28.4%	1,254,000	-	0.0%
Total	\$ 15,614,627	\$ 14,836,689	\$ (777,937)	-5.0%	\$ 15,392,980	\$ 556,291	3.7%

note: minor rounding differences may occur in totals.



OFFICE OF GENERAL COUNSEL: 2021-2022 BUDGET SUMMARY

	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	45.0	45.0	-	-	45.0	-	-
Employee Compensation	12,025,265	12,053,302	28,037	0.2%	12,114,139	60,837	0.5%
Salaries	8,815,622	8,688,862	(126,760)	-1.4%	8,735,222	46,360	0.5%
Benefits	3,209,643	3,364,441	154,797	4.8%	3,378,917	14,477	0.4%
Travel	150,000	48,000	(102,000)	-68%	47,000	(1,000)	-2.1%
Rent /Comm/Util	500	5,000	4,500	900%	5,000	-	0.0%
Administrative	1,500	5,000	3,500	233%	5,000	-	0.0%
Contracted Services	202,500	380,000	177,500	87.7%	310,000	(70,000)	-18.4%
Total	\$ 12,379,765	\$ 12,491,302	\$ 111,537	0.9%	\$ 12,481,139	\$ (10,163)	-0.1%

OFFICE OF HUMAN RESOURCES: 2021-2022 BUDGET SUMMARY

	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	43.0	43.0	-	-	43.0	-	-
Employee Compensation	10,082,718	10,609,324	526,606	5.2%	10,901,375	292,051	2.8%
Salaries	6,556,141	6,800,495	244,354	3.7%	7,025,995	225,500	3.3%
Benefits	3,526,577	3,808,829	282,252	8.0%	3,875,380	66,551	1.7%
Travel	3,086,815	1,048,600	(2,038,215)	-66.0%	2,790,600	1,742,000	166.1%
Rent /Comm/Util	482,085	40,400	(441,685)	-91.6%	540,500	500,100	1237.9%
Administrative	982,500	785,540	(196,960)	-20.0%	970,540	185,000	23.6%
Contracted Services	2,669,714	2,901,083	231,369	8.7%	2,901,083	-	0.0%
Total	\$ 17,303,833	\$ 15,384,947	\$ (1,918,886)	-11.1%	\$ 18,104,098	\$ 2,719,151	17.7%

OFFICE OF EXTERNAL AFFAIRS AND COMMUNICATION: 2021-2022 BUDGET SUMMARY

	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	13.0	13.0	-	-	13.0	-	-
Employee Compensation	2,263,316	2,746,796	483,480	21.4%	2,830,723	83,927	3.1%
Salaries	1,627,003	1,941,846	314,843	19.4%	2,006,474	64,628	3.3%
Benefits	636,313	804,950	168,637	26.5%	824,249	19,299	2.4%
Travel	36,000	17,000	(19,000)	-52.8%	32,000	15,000	88.2%
Rent /Comm/Util	-	500	500	-	500	-	0.0%
Administrative	51,888	66,938	15,050	29.0%	66,938	-	0.0%
Contracted Services	297,675	1,598,675	1,301,000	437.1%	1,598,675	-	0.0%
Total	\$ 2,648,879	\$ 4,429,909	\$ 1,781,030	67.2%	\$ 4,528,836	\$ 98,927	2.2%

note: minor rounding differences may occur in totals.



EASTERN REGION: 2021-2022 BUDGET SUMMARY							
	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	285.0	285.0	-	-	285.0	-	-
Employee Compensation	52,021,801	52,147,653	125,852	0.2%	53,690,494	1,542,841	3.0%
Salaries	36,570,573	36,046,234	(524,339)	-1.4%	37,220,625	1,174,391	3.3%
Benefits	15,451,228	16,101,419	650,191	4.2%	16,469,869	368,450	2.3%
Travel	6,654,236	3,168,155	(3,486,081)	-52.4%	2,975,000	(193,155)	-6.1%
Rent /Comm/Util	148,300	102,622	(45,678)	-30.8%	102,622	-	0.0%
Administrative	203,819	170,896	(32,923)	-16.2%	170,896	-	0.0%
Contracted Services	201,498	201,048	(450)	-0.2%	201,048	-	0.0%
Total	\$ 59,229,654	\$ 55,790,374	\$ (3,439,280)	-5.8%	\$ 57,140,060	\$ 1,349,686	2.4%

SOUTHERN REGION: 2021-2022 BUDGET SUMMARY							
	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	233.0	233.0	-	-	228.0	(5.0)	-2.1%
Employee Compensation	40,347,162	40,882,543	535,381	1.3%	42,039,467	1,156,925	2.8%
Salaries	28,366,086	28,278,961	(87,125)	-0.3%	29,161,850	882,889	3.1%
Benefits	11,981,076	12,603,581	622,506	5.2%	12,877,617	274,036	2.2%
Travel	6,100,000	2,647,000	(3,453,000)	-56.6%	2,523,000	(124,000)	-4.7%
Rent /Comm/Util	200,500	318,488	117,988	58.8%	318,488	-	0.0%
Administrative	233,100	186,544	(46,556)	-20.0%	186,544	-	0.0%
Contracted Services	203,000	209,033	6,033	3.0%	209,033	-	0.0%
Total	\$ 47,083,762	\$ 44,243,608	\$ (2,840,154)	-6.0%	\$ 45,276,532	\$ 1,032,925	2.3%

WESTERN REGION: 2021-2022 BUDGET SUMMARY							
	2020 Board Approved Budget	2021 Requested Budget	2020-2021 Change	Change Percent	2022 Requested Budget	2021-2022 Change	Change Percent
FTE	237.0	237.0	-	-	237.0	-	-
Employee Compensation	42,647,527	42,434,238	(213,290)	-0.5%	43,291,206	856,968	2.0%
Salaries	29,741,955	29,104,594	(637,361)	-2.1%	29,761,879	657,286	2.3%
Benefits	12,905,572	13,329,644	424,072	3.3%	13,529,326	199,683	1.5%
Travel	7,110,000	3,346,000	(3,764,000)	-52.9%	3,265,000	(81,000)	-2.4%
Rent /Comm/Util	570,000	570,500	500	0.1%	570,500	-	0.0%
Administrative	334,300	258,900	(75,400)	-22.6%	258,900	-	0.0%
Contracted Services	249,700	231,000	(18,700)	-7.5%	231,000	-	0.0%
Total	\$ 50,911,527	\$ 46,840,638	\$ (4,070,890)	-8.0%	\$ 47,616,606	\$ 775,968	1.7%

note: minor rounding differences may occur in totals.



Appendix B: Capital Projects

NATIONAL CREDIT UNION ADMINISTRATION: CAPITAL INVESTMENT PROJECTS				
Description	2020 Board Approved	2021 Board Approved	2021 Requested	2022 Requested
IT software development investments				
Examination and Supervision Solution and Infrastructure Hosting	15,782,000	4,000,000	7,388,000	597,000
Data Collection and Sharing Solution	-	5,000,000	-	-
Enterprise Central Data Repository	1,096,000	2,000,000	1,626,000	-
Enterprise Data Program	450,000	-	350,000	350,000
Asset and Liabilities Management Application	2,074,000	-	-	-
Enterprise Learning Management System Replacement	1,000,000	-	-	-
NCUA Website Development	100,000	100,000	100,000	100,000
Performance Management System Replacement	-	-	154,000	-
Continuous Diagnostic Mitigation (CDM)	-	-	900,000	-
Integrated Financial Management System Analysis	400,000	400,000	-	-
Microsoft Office M365 Implementation	-	-	1,450,000	-
Anticipated New Software Development Investments	-	5,500,000	-	14,273,000
Total, IT software development investments	\$ 20,902,000	\$ 17,000,000	\$ 11,968,000	\$ 15,320,000
Other information technology investments				
Enterprise Laptop Lease	650,000	2,475,000	807,000	2,075,000
Information Technology Infrastructure, Platform and Security Refresh	2,000,000	2,000,000	3,870,000	1,200,000
Refresh VoIP Phone System	-	-	950,000	-
Total, Other information technology investments	\$ 2,650,000	\$ 4,475,000	\$ 5,627,000	\$ 3,275,000
Capital building improvements and repairs				
Central Office Renovations	500,000	3,000,000	-	-
Central Office HVAC System Replacement	750,000	500,000	500,000	-
Austin, TX Office Building Improvements	274,000	230,000	750,000	250,000
Total, Capital building improvements and repairs	\$ 1,524,000	\$ 3,730,000	\$ 1,250,000	\$ 250,000
Grand Total, Capital Projects	\$ 25,076,000	\$ 25,205,000	\$ 18,845,000	\$ 18,845,000



Project name	Examination and Supervision Solution and Infrastructure Hosting (ESS&IH)/MERIT					
Project sponsor	Office of Business Innovation and Office of the Chief Information Officer					
Customers/beneficiaries	Internal: E&I, ONES, All Field Program Offices, OCIO, CURE, OHR, and OCFP External: Credit Unions, State Supervisory Authorities (SSAs)					
Budget	\$ in thousands	2020	2021*	2022	2023	2024
	Acquisition	\$15,782	\$7,388	\$597	\$1,277	TBD
	Operations and Maintenance	\$0	\$6,952	\$10,169	\$10,470	TBD
	*Note: \$276k will be funded from the 2021 Share and Insurance Fund Administrative Expenses Budget to make the system available to State Examiners.					
Link to NCUA strategic goals	<p><u>Goal 1: Ensure a Safe and Sound Credit Union System.</u> ESS will enable credit union examiners to fulfill NCUA strategic objective 1.2, “provide high-quality and efficient supervision,” by providing a more effective and secure examination tool.</p> <p><u>Goal 3: Maximize organizational performance to enable mission success.</u> ESS will enable credit union examiners to perform their work more efficiently, helping the NCUA achieve strategic objective 3.2, “deliver an efficient organizational design supported by improved business processes and innovation.”</p>					
Project Performance	Performance measure	2020	2021	2022	2023	2024
	<u>Conduct ONES</u> examinations and supervision contacts for all federal credit unions with assets greater than \$10 billion and joint exams with state regulators in federally insured state-chartered credit unions with assets greater than \$10 billion in Washington and North Carolina using the Modern Examination and Risk Identification Tool	100% of contacts identified for Release 2**				



	(MERIT), commencing October 7, 2019.					
	Expand the MERIT Pilot to include additional states, corporate credit unions, regional natural person credit union examiners, and other contact types to gather additional feedback for enhancing MERIT and the ESS applications while supporting user adoption.		Minimum 15 credit unions, 50 examiners, and one state will be on-boarded			
	Finalize deployment and training of NCUA and SSA users on MERIT and associated examination systems to begin the transition from AIRES to MERIT by December 31, 2021		100% staff and SSA partners trained.			
	All FCU and FISCU contacts created and completed in MERIT.			75% of contacts	95% of contacts	
	Development Sprint completion: Estimate versus Actual	Within +/- 20%				
	Testing Pass Rate: % of User Stories that Pass User Acceptance Testing on First attempt	90% 75% (Actual)				
	Production System Availability	99.9% (Planned) 99.9% (Actual)	99.9%	99.9%	99.9%	99.9%
	<p>* Release 1 includes ESM Iterations 1-3: ONES natural person federal credit union exam Program (Contact Type 10, 11, 22, 23, 26, 27, and 28) and joint exam programs with two SSAs.</p> <p>** Release 2 includes ESM Iteration 4: Core examination and supervision functionality including Consumer Complaints, Corporate CU, Fair Lending, Risk Focused Exam, ONES Quarterly, SCUPEP, Bank Purchase, Compliance, Conservatorship Admin, Fraud, NFICU, Loan</p>					



	<p>and Share ingest and analytics capability. Liquidations contact configuration and enhancements to core functionality will continue into operations and maintenance.</p>
<p>Detailed project description</p>	<p>The ESS&IH projects will put access to the key examination and supervision capabilities into a streamlined toolset allowing the NCUA’s Examiners and Supervisors to be more efficient, consistent, and effective.</p> <p>The overarching ESS&IH project scope and key deliverables include a new, flexible, technical foundation to enable current and future NCUA business process modernization initiatives, a central user interface (CUI), which will serve as a common point of access for future ESM applications, secure transfer of data between the NCUA and third parties, and replacement of the NCUA’s legacy exam system, AIRES, with new Commercial-Off-The-Shelf (COTS) solutions. This project represents the first deliverable of the NCUA’s Enterprise System Modernization program.</p> <p>In 2020, OBI/OCIO enhanced and expanded the Modern Examination and Risk Identification tool (MERIT) and its related suite of examination and supervision solutions (ESS) (e.g., NCUA Connect, DEXA, Admin Portal) and distributed ESS to a pilot group of NCUA, SSA, and credit union users. This release completed the core ESS&IH project scope/IT capability; however, because of the coronavirus pandemic, the NCUA delayed deploying MERIT to all NCUA staff, SSAs, and credit union users on its use until 2021. Through the end of 2020, the NCUA will continue to add staff and states onto the MERIT system for select contacts as part of an expanded pilot.</p> <p>In 2021, the NCUA will continue to enhance MERIT and the ESS suite of applications based on pilot user feedback. Capital funds will be used to upgrade platforms and surge contractor support in conjunction with the Agency’s plans to deploy the system to all remaining users and train them, and initiate the transition from AIRES to MERIT.</p> <p>Investment objectives include:</p> <ul style="list-style-type: none"> • Process Efficiency and Scalability – To enable the NCUA staff to effectively oversee all credit unions, from the smallest to the largest, with various types of examinations from a single platform; • Process Flexibility and Adaptability – To adjust to new regulatory processes, demands, and priorities rapidly to an increasingly sophisticated credit union industry; • Improved Analytics – To enhance the ability to identify and evaluate risk in credit unions effectively through deep, detailed, “vertical” and “horizontal” analysis of credit unions using various analytical techniques and tools; • Robust and Flexible Data Collection – To securely collect and share financial and non-financial data with flexible workflows to automate manual processes and efficiently route work assignments;



	<ul style="list-style-type: none"> Risk-based Examination Approach – To focus examiner resources on credit unions and asset portfolios that pose the most risk to the credit union industry; and, Modern IT Infrastructure – To enable current and future business process modernization including a single point of entry to related IT services. <p>Time Management System (TMS), Management Automated Resource System (MARS), and National Supervision Policy Manual (NSPM) tools are not in scope of this project. Replacement of these legacy systems will be included in future efforts under the ESM program.</p>	
Quarterly project schedule and deliverables	March/2021	Complete the on-boarding and training of expanded pilot users.
	June/2021	Complete priority enhancements informed from the expanded pilot.
	August/2021	Start training and onboarding of NCUA Staff and SSAs.
	December/2021	Complete training and onboarding of NCUA staff and SSAs.
Performance Benchmark for Investment	<p>As a result of implementation of Modern Examination and Risk Identification tool (MERIT) and its related suite of examination and supervision solutions (ESS) (e.g., NCUA Connect, DEXA, Admin Portal) the users will be able to achieve</p> <ul style="list-style-type: none"> Better controlled access to examination data across the organization. Faster and well-organized ability to request and submit items for the examination. Collaboration and real-time information for examiners, team members, and supervisors, including state supervisory authorities on joint exams. Opportunities for credit union users to manage examination findings and view completed examination reports. Business process improvements to achieve exam efficiencies, including less data redundancy and relational support between scope tasks, questionnaires, and findings. 	
Project Risks and Mitigation Strategies	Risk	Mitigation
	<p>If significant policy changes are made to support the Agency response to CARES/COVID-19 and the MERIT O&M team doesn't have the resources to support the changes, then users may be required to utilize workarounds with impacts to user adoption and data collection.</p> <p>If COVID-19 interrupts travel in 2021 or users are unable to attend the planned training, then the MERIT training strategy will be impacted.</p>	<p>Maintain regular monthly communications with the Office of Examination & Insurance team on planned activities and estimated timelines. Prioritize and reserve contractor capacity for high-priority enhancements.</p> <p>Monitor ongoing developments and changes related to the pandemic. Develop alternative training strategies to address potential roadblocks.</p>



	<p>If the response to user reported system bugs and requests for help are slow, then users may become frustrated and user adoption could be impacted.</p>	<p>Define O&M service levels and manage user expectations. Actively manage O&M backlog and pro-actively communicate status and plans to users.</p>
--	---	--



Project name	Enterprise Central Data Repository (ECDR)					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All NCUA Offices External: Credit Unions, Credit Union members and the public will indirectly benefit from this project.					
Budget	\$ in thousands	2020	2021	2022	2023	2024
	Acquisition	\$1,096*	\$1,626	\$0	\$0	\$0
	Operations and Maintenance	\$0	\$587	\$1,787	\$1,757	\$1,750
Link to NCUA strategic goals	<p><u>Goal 1: Ensure a Safe and Sound Credit Union System.</u> The Enterprise Central Data Repository (ECDR) project will enable credit union examiners to fulfill strategic objective 1.2, “provide high-quality and efficient supervision,” by providing a data platform that will enable NCUA to more accurately and cost-effectively assess risks to the credit union system. In turn, the system will enable the NCUA to better identify and evaluate credit union risk and more efficiently conduct its mission through data analytics.</p> <p><u>Goal 3: Maximize organizational performance to enable mission success.</u> The Enterprise Central Data Repository (ECDR) project will enable credit union examiners to perform their work more effectively and efficiently, helping the NCUA achieve strategic objective 3.2, “deliver an efficient organizational design supported by improved business processes and innovation” by providing the central data repository on which the agency’s enterprise data analytics and ESM initiative will rely, and that will improve the integrity, security and business value of NCUA’s data.</p>					
Project Performance (note: <input checked="" type="checkbox"/> indicates achievement of performance measure in year)	Performance measure	2020	2021	2022	2023	2024
	Expand infrastructure to support legacy data required for MERIT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
	Continue to ingest ONES quarterly loan data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Continue to ingest MERIT data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Eliminate duplicate data tables	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
	Accurately categorize data (enterprise, analytics, etc.)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
	Migrate infrastructure to the cloud				<input checked="" type="checkbox"/>	



	Call Report tables consolidated into ECDR	<input checked="" type="checkbox"/>				
	Exam tables consolidated into ECDR	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
	Member Financial tables consolidated into ECDR		<input checked="" type="checkbox"/>			
	Expand BI Reporting & Analytics across the Agency	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Detailed project description	<p>The Enterprise Central Data Repository (ECDR) project will implement a data repository that will serve as the enterprise data integration point for MERIT, ONES' analytic tools the NCUA's legacy applications and provide a platform to support future data and analytic initiatives. ECDR is a critical component used for the import/export of data to and from the Modern Examination and Risk Management Tool (MERIT) and is the repository for the Home Mortgage Disclosure Act (HMDA) data as well as other sources. ECDR supports NCUA's goal to leverage and expand existing data capabilities, integrate new data sources, develop dashboards, and supports advanced data modeling/predictive analysis efforts.</p> <p>The ECDR is an enterprise solution for the NCUA that will allow the organization to transition through a phased approach from the existing legacy databases to a cloud-based data repository while meeting the agency's requirements.</p>					
Quarterly project schedule and deliverables	March/2021	<ul style="list-style-type: none"> Enhanced Credit Union Dashboard system 				
	June/2021	<ul style="list-style-type: none"> Complete Exam data migrated to ECDR for analytical purposes Complete Institutional Financial (Call Report) data migrated to ECDR for analytical purposes Support for MERIT Iteration 4 (Institutional Financial Data for All Credit Unions) 				
	September/2021	<ul style="list-style-type: none"> Member Financial Data ALM for Production 				
	December/2021	<ul style="list-style-type: none"> Shared application data in ECDR 				
Performance Benchmark for Investment	<ul style="list-style-type: none"> Improved data quality by governing enterprise data in one place, better ensuring consistency, accuracy and availability of data across NCUA Provides ability to access and analyze historical data allowing for more ease of in-depth analysis NCUA will build a central data repository to support enterprise data analytics leveraging lessons learned from federal agencies and private industry. 					



	<ul style="list-style-type: none"> • The data repository will be scalable to accommodate additional data requirements. • ALM integration with ECDR will be automated so that ONES can directly access data from ECDR to use in ALM models for stress testing. • MERIT integration with ECDR will be automated so that legacy regional reports can be maintained until modernization. 	
Project Risks and Mitigation Strategies	Risk	Mitigation
	If resources assigned to this project are needed to support high priority tasks, then there may be impacts to this project.	Continuous communication with OCIO Management on task prioritization and/or resource conflicts.
	If requirement changes are needed, then there may be impact to the schedule.	Hold regular status meetings with project teams and OPIs to keep requirements delivery on schedule. Escalate any requirements changes or expansion of requirements immediately to determine the impact of such changes.
	If there are schedule delays with the cloud environment, then additional storage may be required on premise.	Continue to communicate with the ESS team. Prepare for possible delays in moving to cloud by increasing storage by the time solution is scheduled to migrate to Test.



Project name	Enterprise Data Program (EDP) <i>formerly Enterprise Data Analytics, Governance and Reporting Services</i>					
Project sponsor	Office of Business Innovation					
Customers/ beneficiaries	Internal: All NCUA Offices External: N/A					
Budget	\$ in thousands	2020	2021	2022	2023	2024
	Acquisition	\$450	\$350	\$350	\$350	\$200
	Operations and Maintenance	\$0	\$0	\$0	\$0	\$150
Link to NCUA strategic goals	<p>Goal 1: Ensure a Safe and Sound Credit Union System. The EDP will enable agency staff to better fulfill their responsibility to “provide high-quality and efficient supervision,” which is NCUA strategic objective 1.2 by maturing data management practices in order to ensure the use of high-quality data in operations, reporting, and analytics.</p> <p>Goal 3: Maximize organizational performance to enable mission success. The EDP will enable agency staff to perform their work more effectively and efficiently, helping the NCUA achieve strategic objective 3.2, “deliver an efficient organizational design supported by improved business processes and innovation” by managing enterprise data via effective collaboration among stakeholders on new data standards - as the data lifecycle of involves multiple offices across the agency.</p>					
Project Performance	Performance measure	2020	2021	2022	2023	2024
	Assess and align EDP with Federal Data Strategy and Evidence-Based Policy Making Act	☑	☑	☑	☑	☑
	Continue Training and Support of Operation of the Enterprise Data Governance Council	☑	☑	☑	☑	☑
	Implement data governance for initial data standards for Exam and Institutional Financial Data Domains	☑	☑			
	Conduct Critical Data Element Inventory for Exam and Institutional Financial Data Domains	☑	☑			
	Develop initial business requirements for enterprise business intelligence	☑	☑			



	capability for reporting and analytics					
	Develop and implement a collaborative framework to design and validate an enterprise business intelligence capability for reporting and analytics	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Conduct Business Metadata Gap Assessment for Exam and Institutional Financial Data Domains		<input checked="" type="checkbox"/>			
	Conduct market research on tools to meet business meta data catalogue needs		<input checked="" type="checkbox"/>			
	Implement data governance for additional data domains and phases of the data lifecycle		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Detailed project description	<p>The NCUA’s Chief Data Officer leads the Enterprise Data Program, which is comprised of a business data lead, a data steward team, a representative central data governing body, and data subject matter experts throughout the agency. The primary goal is to enable the NCUA to manage enterprise data as a strategic asset through its full lifecycle.</p> <p>Early discovery efforts for an Enterprise Data Reporting Solution (DRS) as part of NCUA’s Enterprise Solution Modernization program identified the need to first develop an enterprise-level data governance strategy and framework as the foundation to facilitate business intelligence capability for enhanced reporting and analytics. The resulting business construct is NCUA’s EDP.</p> <p>The EDP will reduce risks facing the current data environment and improve NCUA’s overall reporting and data analysis capabilities. This will be accomplished through governed data and implementation of enterprise business intelligence capability to conduct risk analysis and target exams and supervision where needed to enhance the agency’s ability to adapt to institution and industry conditions.</p> <p>The initial collaborative efforts of the EDP concentrate on enhancing clarity of enterprise data used in reporting and analytics for examination and credit union financial data. This work will complement, not replace, other aspects of the agency’s existing data management and compliance processes (e.g. collection decisions, security, privacy, records management). The scope will evolve over time based on priorities and capacity.</p>					



Project name	NCUA Website Development					
Project sponsor	Office of External Affairs and Communications					
Customers/ beneficiaries	External: Visitors to NCUA Public Websites					
Budget	\$ in thousands	2020	2021	2022	2023	2024
	Acquisition	\$100	\$100	\$100	\$100	\$100
Link to NCUA strategic goals	<p><u>Goal 2: Provide a regulatory framework that is transparent, efficient and improves consumer access.</u> The website development project will assist the NCUA to share information with the public, credit unions, Congress, and the media about the agency and its functions, Board actions, and other matters. The project helps the NCUA achieve Strategic Objective 2.1, “deliver an effective and transparent regulatory framework,” and Strategic Objective 2.2, “Enforce federal consumer financial protection laws and regulations in federal credit unions.” The web services contract provides on-demand, agile support for the completion and delivery of special web projects and tasks requested by various NCUA offices of primary interest on behalf of the NCUA Chairman, Board members, Executive and Deputy Executive Director.</p> <p><u>Goal 3: Maximize organizational performance to enable mission success.</u> The website development project ensures that the NCUA is utilizing the efficient technology and business processes for managing the content of its public-facing websites.</p>					
Project Performance	Performance measure	2020	2021	2022	2023	2024
	N/A					
Detailed project description	<p>The website development project serves the web-related needs of the NCUA and visitors to its public websites. This funding request supports improvements to the website, such as an improved user experience, and provides support for design, development, and maintenance of the NCUA.gov and MyCreditUnion.gov.</p> <p>The project scope includes: (1) search engine optimization; (2) a digital asset management system; (3) data visualization and other improvements to how data is presented on the public website; (4) migrating legacy systems and utilities over to the agency’s current content management system; and (5) improve the websites’ compliance with Section 508 is a part of the Rehabilitation Act of 1973.</p>					



Quarterly project schedule and deliverables	March/2021	ITSS web services contract implemented
	June/2021	High-priority projects implemented on a continuous basis on NCUA.gov will improve the presentation of financial performance data, and highlight the ACCESS initiative (Advancing Communities through credit, Education, Stability and Support).
	September/2021	
	December/2021	
Performance Benchmark for Investment	The completion of updated visual design, content that conforms with Section 508 and usability standards, improved website traffic and engagement rates and design documents that conform with <i>NCUA Web Style Guide</i> .	
Project Risks and Mitigation Strategies	Risk	Mitigation
	Urgent requests for website updates could result in content not compliant with approved style guides and accessibility standards.	OEAC will ensure content complies with requirements of the <i>NCUA Communications Manual</i> , <i>NCUA Web Style Guide</i> , Section 508, and Web Content Accessibility Guides (WCAG). OEAC will follow the change request process by creating OneStop requests for every project or request.
	New high priority project requests may result in unfunded requirements exceeding the contract budget.	OEAC will work with the agency's business units to forecast potential projects and develop project plans that are efficient and that support the agency's strategic objectives.



Project name	Performance Management System (PMS) Replacement					
Project sponsor	Office of Human Resources					
Customers/ beneficiaries	Internal: All NCUA staff					
Budget	\$ in thousands	2020	2021	2022	2023	2024
	Acquisition	\$0	\$154	\$0	\$0	\$0
	Operations and Maintenance			\$36	\$36	\$36
Link to NCUA strategic goals	<p><u>Goal 3: Maximize organizational performance to enable mission success.</u> The Performance Management System (PMS) Replacement project will assist all NCUA employees to perform their work more effectively and efficiently, helping NCUA achieve strategic objective 3.2, “Deliver an efficient organizational design supported by improved business processes and innovation.” The new PMS will be the NCUA’s primary system for maintaining performance plans.</p>					
Project Performance	Performance measure	2020	2021	2022	2023	2024
	Initiate and plan the acquisition of a new PMS	☑				
	Acquire a modern, cost-efficient cloud-based PMS that meets agency requirements		☑			
	Prepare and provide access to a new PMS to ~1,200 end users		☑			
Detailed project description	<p>NCUA’s current performance management solution, ePerformance, was acquired in 2012 through a sole source acquisition.</p> <ul style="list-style-type: none"> • The current ePerformance system contract will end April 27, 2022. • As a best practice, OCIO reviews major technological systems every five years for replacement/renewal • ePerformance has not been reevaluated since it was acquired eight years ago <p>A replacement system is needed to enable employees to complete all phases of NCUA’s performance management program. The system will facilitate employee performance plan issuance, plan acknowledgement, progress review acknowledgment,</p>					



	and the establishment of a final year-end evaluation for 1200 employees. The system will support standardized workflows and management of over 350 performance plan packages. Without the funding requested, NCUA would need to extend the current contract via sole source or maintain records as hard copies.	
Quarterly project schedule and deliverables	March/2021	
	June/2021	
	September/2021	Award contract and configure PMS
	December/2021	Implementation of PMS
Performance Benchmark for Investment	<p>The planned PMS will</p> <ul style="list-style-type: none"> • Facilitate employee performance plan issuance, plan acknowledgement, progress review acknowledgment, and the establishment of a final year-end evaluation. • The planned PMS will provide Single Sign-on (SSO). • The planned PMS will be hosted on FedRAMP environment. • The planned PMS will provide a COTS product that integrated with the Learning Management system and automate the Individual Development Plan (IDP) workflow. 	
Project Risks and Mitigation Strategies	Risk	Mitigation
	If technical issues arise during the data migration process, it could result in the loss of performance records, content or other data.	Maintain additional copy of data prior to migration.



Project name	Continuous Diagnostics and Mitigation					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All NCUA External: All Credit Unions					
Budget	\$ in thousands	2020	2021	2022	2023	2024
	Acquisition	\$0	\$900	\$0	\$0	\$0
	Operations and Maintenance	\$0	\$0	\$300	\$300	\$300
Link to NCUA strategic goals	Goal 3: <u>Maximize organizational performance to enable mission success.</u> The Continuous Diagnostics and Mitigation project will help NCUA achieve strategic objective 3.2, “deliver an efficient organizational design supported by improved business processes and innovation” by implementing secure, reliable, and innovative technology solutions that will ensure the confidentiality, integrity, and availability of NCUA information and information systems.					
Project Performance	Performance measure	2020	2021	2022	2023	2024
	Optimize existing technology and capabilities.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
	Implement the capabilities required of the Federal Continuous Diagnostics and Mitigation program.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
	Identify data attributes and reporting required of the Federal Continuous Diagnostics and Mitigation program.		<input checked="" type="checkbox"/>			
	Enhance visibility of NCUA assets, users, and activities on the network.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
	Define and track metrics for detection, alerting, and reporting of anomalous asset, users, and network activity.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			



Detailed project description	<p>The objective of the Continuous Diagnostics and Mitigation (CDM) project is to enhance the overall security posture of NCUA with capabilities to monitor vulnerabilities and threats in near real-time. This is achieved by implementing capabilities and technical controls to identify what is on the network, who is on the network, what is happening on the network, and to protect data in use, transit, and at rest. This increased situational awareness will allow NCUA to prioritize actions to mitigate or accept cybersecurity risks based on the potential impact to the NCUA mission.</p> <p>Specific technologies for 2021 include endpoint and data protection capabilities with ongoing evaluation of enterprise cloud provider security stacks (e.g., M365) and prioritized investments based upon protection gap analyses.</p>					
Quarterly project schedule and deliverables	January/2021	Establish Data Protection program with OPI stakeholders.				
	April/2021	Create/update policies for data protection. Acquire tools and capabilities for endpoint protection.				
	June/2021	Acquire tools and capabilities for data protection. Conduct pilot test of endpoint protection capabilities.				
	December/2021	Conduct pilot test of data protection capabilities. Deploy endpoint protection capabilities agency-wide.				
Performance Benchmark for Investment	<p>Return on Security/Infrastructure Investment (ROSI) –</p> <p>This project improves system security and infrastructure stability while mitigating the risk of catastrophic system failure. Therefore, to gauge the benefit of the investment, the cost of acquiring the new system can be compared to an estimate of the economic loss that will be prevented by improved system performance. This calculation is shown in the ROSI equation:</p> $ROSI = \frac{\text{reduction in economic loss} - \text{cost of solution}}{\text{cost of the solution}}$ <ul style="list-style-type: none"> The reduction in economic loss is the difference between the annual measured loss prior to the investment and the projected loss after the investment, inclusive of any compliance benefits or potential impact on corporate goodwill. The economic loss is calculated using average contract labor rates and average workforce labor rates representing a potential loss of productivity for a given timeframe. 					
Project Risks and Mitigation Strategies	<table border="1"> <thead> <tr> <th data-bbox="415 1745 1002 1787">Risk</th> </tr> </thead> <tbody> <tr> <td data-bbox="415 1787 1002 1892">The NCUA Information Security Support Services contract will be recompeted which</td> </tr> </tbody> </table>	Risk	The NCUA Information Security Support Services contract will be recompeted which	<table border="1"> <thead> <tr> <th data-bbox="1021 1745 1557 1787">Mitigation</th> </tr> </thead> <tbody> <tr> <td data-bbox="1021 1787 1557 1892">Create integrated master schedule with clear process for resource prioritization and scheduling.</td> </tr> </tbody> </table>	Mitigation	Create integrated master schedule with clear process for resource prioritization and scheduling.
Risk						
The NCUA Information Security Support Services contract will be recompeted which						
Mitigation						
Create integrated master schedule with clear process for resource prioritization and scheduling.						



	may result in a new contract team that may impact the schedule of activities for 2021.	
	If the acquisition timeframe is extended, then the implementation schedule will be delayed.	Provide all required procurement artifacts well in advance of deadlines and manage all activities closely with clear escalation paths for higher level issue resolution.
	If resources are assigned to other assignments, then the implementation schedule will be delayed.	Create integrated master schedule with clear process for resource prioritization and scheduling.



Project name	Microsoft Office M365 Implementation					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All NCUA External: All Credit Unions					
Budget	\$ in thousands	2020	2021	2022	2023	2024
	Acquisition	\$0	\$1,450	\$0	\$0	\$0
	Operations and Maintenance	\$0	\$0	\$0	\$0	\$0
Link to NCUA strategic goals	<p><u>Goal 3: Maximize organizational performance to enable mission success.</u> The Microsoft Office 365 Implementation project will enable credit union examiners and all NCUA staff to perform their work more effectively and efficiently, helping NCUA achieve strategic objective 3.2, “deliver an efficient organizational design supported by improved business processes and innovation” by utilizing Microsoft 365 applications, which includes: Excel, OneNote, Outlook, PowerPoint, Groups, Teams, Planner, and Word. Users will be able to connect with Office M365 services such as SharePoint Online, Exchange Online, OneDrive and Teams for collaboration and business productivity. Investment in these projects helps ensure business continuity and efficient operations by improving system availability and stability.</p>					
Project Performance Reduce administrative overhead by 75 percent (administrative overhead to monitor and mitigate risk for end of life (EOL) and failing systems is approximately 5% of total contract spend) through: - eliminating ad hoc support for EOL equipment,	Performance measure	2020	2021	2022	2023	2024
	Complete Readiness Assessment	<input checked="" type="checkbox"/>				
	Acquire M365 Licenses	<input checked="" type="checkbox"/>				
	Prepare/Develop Environments/Networks/Exchanges, and AD.	<input checked="" type="checkbox"/>				
	Acquire Premier Services including O365 DSE	<input checked="" type="checkbox"/>				
	Complete OCIO Business Pilot	<input checked="" type="checkbox"/>				
	Initiate Initial Velocity Migration to Exchange and Teams		<input checked="" type="checkbox"/>			
	Begin SharePoint Migrations		<input checked="" type="checkbox"/>			
	Complete OneDrive Migration		<input checked="" type="checkbox"/>			
Complete SharePoint Migrations			<input checked="" type="checkbox"/>			



<p>- reducing maintenance requirements.</p> <p>(note: <input checked="" type="checkbox"/> indicates achievement of performance measure in year)</p>						
<p>Detailed project description</p>	<p>The purpose of the M365 Implementation is to empower our NCUA employees by delivering the most advanced innovations in management, collaboration, enterprise security, and business analytics, through cloud services. Modernized technology solution to M365 will reduce abundant security risks as well as reduce the footprint to maintain and manage antiquated, i.e. near end-of-life, products specifically Exchange 2010.</p>					
<p>Quarterly project schedule and deliverables</p>	<p>March/2021</p>	<p>Begin SharePoint Migration</p>				
	<p>June/2021</p>	<p>Complete OneDrive Migration</p>				
	<p>September/2021</p>					
	<p>December/2021</p>	<p>Complete SharePoint Migration – Close to 50 apps over 1TB data</p>				
<p>Performance Benchmark for Investment</p>	<ul style="list-style-type: none"> • Enhanced capabilities resulting in lower contract support costs, • Greater integration from modernized interfaces and software, and • Predictable upgrade and vulnerability management paths 					
<p>Project Risks and Mitigation Strategies</p>	<p>Risk</p>		<p>Mitigation</p>			
	<p>If Ops and Security teams are not trained to support M365 for the business pilot, the two M365 architects/engineers and Tech Lead will not be able to sustain support for all end-users throughout the business pilot and beyond.</p>		<p>Allow for necessary training and workshops for Tier1-3 Operations as well as Security</p>			
	<p>If dedicated resources are assigned to other assignments, then the implementation schedules will be delayed.</p>		<p>Create integrated master schedule with clear process for resource prioritization and scheduling.</p>			



Project name	Enterprise Laptop Lease					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All NCUA External: State Supervisory Authority (SSA)					
Budget	\$ in thousands	2020	2021	2022	2023	2024
	Acquisition	\$650	\$807*	\$2,075	TBD	TBD
	Operations and Maintenance					
	*To lessen the impact on end-users who will be transitioning to M365 and receiving MERIT training in 2021, the NCUA plans to undertake a laptop refresh cycle in 2022.					
Link to NCUA strategic goals	<p><u>Goal 3: Maximize organizational performance to enable mission success.</u> The Enterprise Laptop Lease project will assist all employees to perform their work more effectively and efficiently, helping NCUA achieve strategic objective 3.2, “deliver an efficient organizational design supported by improved business processes and innovation.” New hardware for NCUA’s employees provides staff with new functionality and NCUA improved security features that enhance user productivity, increased mobile functionality, and lower IT administrative costs due to a decreased need for support services.</p>					
Project Performance	Performance measure	2020	2021	2022	2023	2024
	Purchase NCUA’s existing fleet of laptops near end of Q2 2021	N/A	<input checked="" type="checkbox"/>	N/A	N/A	N/A
Detailed project description	<p>The purpose of the Enterprise Laptop Lease project is to provide the NCUA with a more efficient, mobile friendly, and secure tool to help better perform their jobs at a reasonable cost.</p> <p>The project scope includes: (1) the selection of new, standard laptop configurations; (2) image and compatibility testing; (3) device acquisition; and (4) the managed deployment of the new devices to end users. Out year costs are associated with the required lease payments. All stakeholders who use the NCUA-provided and supported laptops to perform their work will receive the new laptops.</p> <p>By including hardware and OS support into the lease agreement contract, and following a three-to-four year replacement lifecycle, the NCUA will be able to keep pace with changes in workstation and OS technology in a cost-effective manner.</p>					



Quarterly project schedule and deliverables	March/2021	
	June/2021	
	September/2021	
	December/2021	Purchase the entire fleet of laptops
Performance Benchmark for Investment	The NCUA business requirements will be compared to device performance benchmarks to determine the necessary standard workstation configurations. The NCUA will follow the Office of Management and Budget's (OMB's) Category Management Policy guidance pertaining to the acquisition of desktops and laptops as applicable.	
Project Risks and Mitigation Strategies	Risk	Mitigation
	N/A, project completed.	N/A, project completed.



Project name	Information Technology (IT) Infrastructure, Platform and Security Refresh					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All NCUA External: All Credit Unions					
Budget	\$ in thousands	2020	2021	2022	2023	2024
	Acquisition	\$2,000	\$3,870	\$1,200	TBD	TBD
	Operations and Maintenance	\$0	\$1,068	\$1,068	\$1,068	\$1,068
Link to NCUA strategic goals	<p><u>Goal 3: Maximize organizational performance to enable mission success.</u> The Information Technology (IT) Infrastructure, Platform and Security Refresh project will enable credit union examiners to perform their work more effectively and efficiently, helping NCUA achieve strategic objective 3.2, “deliver an efficient organizational design supported by improved business processes and innovation” by refreshing and/or replacing co-located and Regional routers, switches, production storage, virtual servers, wireless infrastructure and equipment, virtual private networks, firewalls, security tools (endpoint protection, password manager, derived credential, security information and event management, governance and risk compliance (GRC), and data loss prevention (DLP)) and end-of-life and end-of-service components. Investment in these projects helps ensure business continuity and efficient operations by improving system availability and stability.</p>					
Project Performance	Performance measure	2020	2021	2022	2023	2024
	Reduce administrative overhead by 3.75%		<input checked="" type="checkbox"/>			
	Award of more cost-effective infrastructure and security support contracts will save ~\$4M		<input checked="" type="checkbox"/>			
Detailed project description	<p>The purpose of the Information Technology (IT) Infrastructure, Platform and Security Refresh project is to ensure that NCUA data is secure and operations are stable by refreshing and/or replacing COLO and Regional routers, switches, firewalls, virtual servers, wireless infrastructure and equipment, virtual private networks, security tools (to include GRC and DLP) and other network end-of-life and end-of-service components.</p>					



Quarterly project schedule and deliverables	March/2021	<ul style="list-style-type: none"> Complete Phase I of refresh and/or replacement: Servers and Storage devices (Server 2008 replacement, potential cloud infrastructure initial implementation (M365)), and complete derived credentials capability for mobile device access to NCUA business applications
	June/2021	<ul style="list-style-type: none"> Complete the replacement of Network Security Scan devices and Cybersecurity tools (endpoint protection, GRC and DLP)
	September/2021	<ul style="list-style-type: none"> Complete Phase II of refresh and/or replacement: Network devices and switches
	December/2021	<ul style="list-style-type: none"> Complete the replacement of NCUA wide wireless antennas and routers
Performance Benchmark for Investment	<p>Return on Security/Infrastructure Investment (ROSI) –</p> <p>This project improves system security and infrastructure stability while mitigating the risk of catastrophic system failure. Therefore, to gauge the benefit of the investment, the cost of acquiring the new system can be compared to an estimate of the economic loss that will be prevented by improved system performance. This calculation is shown in the ROSI equation:</p> $ROSI = \frac{\text{reduction in economic loss} - \text{cost of solution}}{\text{cost of the solution}}$ <p>The reduction in economic loss is the difference between the annual measured loss prior to the investment and the projected loss after the investment, inclusive of any compliance benefits or potential impact on corporate goodwill. The economic loss is calculated using average contract labor rates and average workforce labor rates representing a potential loss of productivity for a given timeframe.</p>	
Project Risks and Mitigation Strategies	Risk	Mitigation
	<p>If the acquisition timeframe is extended, then the implementation schedule will be delayed.</p> <p>If resources are assigned to other assignments, then the implementation schedule will be delayed.</p>	<p>Provide all required procurement artifacts well in advance of deadlines and manage all activities closely with clear escalation paths for higher level issue resolution.</p> <p>Create integrated master schedule with clear process for resource prioritization and scheduling.</p>



Project name	Refresh VOIP Phone System					
Project sponsor	Office of the Chief Information Officer					
Customers/ beneficiaries	Internal: All NCUA External: All Credit Unions					
Budget	\$ in thousands	2020	2021	2022	2023	2024
	Acquisition	\$0	\$950	\$0	\$0	\$0
	Operations and Maintenance	\$0	\$0	\$0	\$0	\$0
Link to NCUA strategic goals	<p><u>Goal 3: Maximize organizational performance to enable mission success.</u> The Refresh Voice over Internet Protocol (VoIP) Phone System project will enable credit union examiners to perform their work more effectively and efficiently, helping NCUA achieve strategic objective 3.2, “deliver an efficient organizational design supported by improved business processes and innovation” by fully replacing the end of life infrastructure, platform and endpoints to ensure voice communications capabilities which ensure business continuity.</p>					
Project Performance	Performance measure	2020	2021	2022	2023	2024
	Stand up VoIP infrastructure, deploy and configure VoIP platform, and deploy all user and conference room endpoints*		☑			
	*Full project completion is dependent upon the NCUA’s return to normal, onsite operation.					
Detailed project description	<p>The purpose of the Refresh Voice over Internet Protocol (VoIP) Phone System project is to fully replace NCUA’s telephone system (infrastructure, platform, and endpoints) to ensure voice communications capabilities in order to ensure that business continuity and operations are stable. NCUA VoIP voice components include Session Initiation Protocol (SIP), call control, external and internal call routing, local and long-distance call plans, international calling plans and VoIP desk/soft phone. In addition, NCUA is evaluating how to integrate the VoIP infrastructure with M365, which would give NCUA users a better collaboration experience.</p> <p>Once installed, the new phone system will help ensure business continuity, since the current system is no longer supported by the manufacturer, presenting a high risk of permanent, unanticipated failure.</p>					



Quarterly project schedule and deliverables	March/2021	Acquisition Award
	June/2021	Begin replacement of VoIP appliances.
	September/2021	
	December/2021	Complete VoIP replacement of all appliances and close out.
Project Risks and Mitigation Strategies	Risk	Mitigation
	If the acquisition timeframe is extended, then the implementation schedule will be delayed.	Provide all required procurement artifacts well in advance of deadlines and manage all activities closely with clear escalation paths for higher level issue resolution.
	If resources are assigned to other assignments, then the implementation schedule will be delayed.	Create integrated master schedule with clear process for resource prioritization and scheduling.
	If onsite access to NCUA offices continues to be restricted due to the COVID-19 pandemic, hardware installation and testing could be delayed.	Utilize local OCIO and NCUA resources to perform physical installation and testing with assistance from Central Office resources.



Project name	Central Office HVAC System Replacement					
Project sponsor	Office of the Chief Financial Officer					
Customers/ beneficiaries	Internal: All NCUA Headquarters Building Occupants External: All NCUA Headquarters Building Visitors					
Budget	\$ in thousands	2020	2021	2022	2023	2024
	Acquisition	\$750	\$500	\$0	\$0	\$0
Link to NCUA strategic goals	<p><u>Goal 3: Maximize organizational performance to enable mission success.</u> The NCUA headquarters Heating, Ventilation, and Air Conditioning (HVAC) system replacement project will improve the operations of the agency’s largest building while lowering utility costs by installing more energy-efficient systems, helping achieve strategic objective 3.2, “deliver an efficient organizational design supported by improved business processes and innovation.”</p> <p>The current HVAC system is 27 years old, and by replacing it the NCUA will ensure its infrastructure meets all current codes for life safety, accessibility, and security. The new system will result in cost savings, increased energy and operational efficiency, and lower maintenance costs.</p>					
Project Performance	Performance measure	2020	2021	2022	2023	2024
	Energy Consumption (kWh/degree days)	1.8K	1.6K	=<1.55K	=<1.55K	=<1.55K
	System Outages (unscheduled repair visits)	<30	<20	<10	<10	<10
Detailed project description	<p>The project will replace all HVAC systems in the headquarters building to include all cooling towers, air handlers, boilers and HVAC components. The current HVAC system is original to the facility, 27 years old and obsolete; some component parts are no longer available. HVAC systems are the biggest users of electricity in a facility, and the anticipated life span of these system’s major components is approximately 20-25 years. The current system is at the end of its usable life and it is not working efficiently. Additionally the maintenance and operating costs have increased considerably and system components are failing more frequently, which are clear signs of decreased reliability.</p> <p>A design and proposal has been completed with the anticipated replacement of the first cooling tower beginning the fall of 2021. Additionally all building HVAC controls are in the</p>					



	process of being replaced. Follow on phases include the replacement of the second cooling tower and boiler system.	
Quarterly project schedule and deliverables	March/2021	Solicit cooling tower vendors.
	June/2021	Award contract for first cooling tower.
	September/2021	Begin installation of first cooling tower.
	December/2021	Complete first cooling tower project.
Performance Benchmark for Investment	The replacement will improve building efficiency by an estimated 15 percent, which exceeds the 2011 Energy Code that mandates, for existing nonresidential buildings 10,000 square feet and larger: (1) an energy efficiency audit must be performed once every 5 years identifying specific cost-effective measures that would save energy; and (2) the reduction of energy consumption of 5% by the introduction of more efficient systems.	
Project Risks and Mitigation Strategies	Risk	Mitigation
	Schedule. The schedule can be impacted by demand and cooling tower manufacturing lead times.	Cooling tower installation will be planned for the fall or winter months, allowing adequate lead time, to prevent disruption of building operations during spring and summer.
	Ongoing existing system failures. In 2020, the NCUA headquarters building experienced over 20 HVAC isolated system failures due to aging equipment.	HVAC System Replacement plan encompasses replacing parts showing high levels of deterioration first to address the most common failure types



Project name	Austin, TX Office Building Modernization					
Project sponsor	Office of the Chief Financial Officer					
Customers/ beneficiaries	Internal: All Austin, TX Building Occupants External: All Austin, TX Building Visitors					
Budget	\$ in thousands	2020	2021	2022	2023	2024
	Acquisition	\$274	\$750	\$250	\$0	\$0
	O&M			\$25	\$25	\$25
Link to NCUA strategic goals	<p><u>Goal 3: Maximize organizational performance to enable mission success.</u> Repairs to NCUA’s Austin, Texas office building will improve operations at the facility and help enable the agency to meet its strategic objective 3.2, “deliver an efficient organizational design supported by improved business processes and innovation.” Many of the systems and building elements in the Austin office building have not been adequately maintained or modernized, and this investment will ensure that facility infrastructure meets current building codes for life safety, accessibility, and security. Once the investments have been completed, equipment replaced, and areas modernized, better management of maintenance schedules will result in increased energy and operational efficiency. In addition to addressing deferred maintenance, the NCUA will also use these funds to determine the most effective and cost-efficient approach to meet its current and future space requirements for Southern Region employees.</p>					
Project Performance	Performance measure	2020	2021	2022	2023	2024
(note: <input checked="" type="checkbox"/> indicates achievement of performance measure in year)	Repair Critical items identified in field assessments	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
	Repair Potentially Critical items identified in field assessments		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Detailed project description	<p>The NCUA assessed the condition of its office building in Austin, Texas in 2018 and identified a significant amount of required improvements, such as replacing the fire alarm system, repairing and replacing doors and sensors, and installing fire-proof roofing. In addition, nearly all of the windows in the 30+ year old building required replacement in 2019. The 2020 and 2021 investments will support repairing or replacing all of the items identified as critical and potentially critical, and will modernize the facility generally. These capital improvements are required in order for the facility to continue routine and safe</p>					



	operations, align with the life cycle replacement required for critical infrastructure, and provide a productive workforce environment. Future year budgets will fund additional repair or replacement projects in a priority order.	
Quarterly project schedule and deliverables	March/2021	Repair of critical and potentially critical items, as identified in field assessments.
	June/2021	
	September/2021	
	December/2021	
Performance Benchmark for Investment	The repairs are expected to improve building efficiency by at least 20%, which will reduce the general cost of ownership for NCUA facilities.	
Project Risks and Mitigation Strategies	Risk	Mitigation
	Facility systems will continue to fail due to lack of maintenance	Depending on priorities, resources may be reprogrammed to repair failing equipment
	Cost. Construction cost increases.	Adjust the scope, schedule, or priority of planned renovation work.
	Schedule. Projects may not be delivered on time.	Contractor support services have been acquired to provide additional construction management and oversight.