



NCUA
National Credit Union Administration

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2020 Mid-Session Budget Review

July 30, 2020

Overview

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Mid-Session Review Process

- Based on year-to-date spending trends, NCUA Offices provide OCFO updated annual spending estimates as compared to the Board-approved budget for 2020. The 2020 Board-approved budget included:
 - Operating Budget: \$315.9 million* and 1,185 positions*;
 - Capital Budget: \$25.1 million; and,
 - Share Insurance Fund Administrative Budget: \$6.5 million and 5 positions.

* 2020 Operating Budget does not include \$2 million in funding from prior-year collections; 2020 position count does not include 1 new position approved in March 2020 for the Office of Ethics Council.

Operating Budget

2020 MID-SESSION BUDGET SUMMARY

(dollars in thousands)

| | | 2019 Jan-May Results | | | 2020 Jan-May Results | | OCFO Projection - 2020 EOY | | |
|--|-------------|----------------------|----------|--------------|----------------------|----------|----------------------------|---------------|------------|
| | | | % Budget | | | % Budget | Projected | \$ Change vs. | % Change |
| Operating Budget | 2019 Budget | Spent | Spent | 2020 Budget* | Spent | Spent | Spending | Budget | vs. Budget |
| Employee Pay | 159,686 | 63,226 | 39.6% | 162,513 | 64,811 | 39.9% | 166,910 | 4,397 | 2.7% |
| Employee Benefits | 63,141 | 25,869 | 41.0% | 68,798 | 28,093 | 40.8% | 68,927 | 129 | 0.2% |
| Employee Pay & Benefits..... | 222,827 | 89,095 | 40.0% | 231,311 | 92,904 | 40.2% | 235,837 | 4,526 | 2.0% |
| | | | | | | | | | |
| Travel | 26,774 | 10,474 | 39.1% | 27,379 | 6,425 | 23.5% | 14,379 | -13,000 | -47.5% |
| Rent/Communications/Utilities | 8,044 | 6,785 | 84.3% | 8,232 | 7,101 | 86.3% | 8,356 | 124 | 1.5% |
| Administrative | 8,672 | 5,475 | 63.1% | 5,630 | 3,885 | 69.0% | 6,050 | 420 | 7.5% |
| Contracted Services | 38,081 | 31,341 | 82.3% | 43,331 | 31,853 | 73.5% | 44,078 | 747 | 1.7% |
| Non-Pay & Benefits..... | 81,571 | 54,075 | 66.3% | 84,572 | 49,263 | 58.3% | 72,863 | -11,709 | -13.8% |
| | | | | | | | | | |
| Total, Operating Budget..... | 304,398 | 143,170 | 47.0% | 315,883 | 142,168 | 45.0% | 308,700 | -7,183 | -2.3% |
| | | | | | | | | | |
| Capital Budget..... | 22,005 | 13,503 | 61.4% | 25,076 | 15,696 | 62.6% | 25,076 | --- | 0.0% |
| | | | | | | | | | |
| Authorized Positions** vs. On-Board Headcour | 1,182 | 1,129 | 95.5% | 1,185 | 1,141 | 96.3% | 1,185 | --- | 0.0% |
| | | | | | | | | | |
| * 2020 Budget excludes \$2 million in Board-approved spending from carry-forward balances: \$1,000,000 for employee relocations, \$600,000 for rental payments, \$400,000 for contracted services. | | | | | | | | | |
| | | | | | | | | | |
| ** Authorized Positions includes 5 positions funded by the Share Insurance Fund and Corporate Liquidity Facility. | | | | | | | | | |

Operating Budget: Pay & Benefits

- Projected 2020 Employee Pay and Benefits expenses are projected to be approximately 2% higher than in published budget approved by the Board in December 2019.
 - Overall staffing trends show a modest decline in the vacancy rate during through May 2020, as compared to the same period of the prior year.
 - Projected benefits costs are on target to December 2019 published budget.
 - The midsession compensation projections reflect the liquidation of a portion of NCUA's liabilities associated with disbursements to employee for leave earned in 2020, reducing the anticipated end of year balance.

Operating Budget: Other Expenses

- Other non-personnel expenses are trending lower in total, due to a sharp reduction in employee travel. Overall, non-personnel spending is projected to be 14% lower than the published budget.
 - Due to the restrictions placed on employee travel due to COVID-19 precautions and the shift to remote examinations, travel is forecast to be about 48% lower than in the 2020 budget. This is a conservative estimate assumes that some level of examinations-related travel resumes later in this calendar year, but a resumption depends on NCUA's on-site plans later in 2020.
 - The remaining other expense categories are projected to be slightly higher than originally budgeted, also as a result of the shift to off-site work resulting from COVID-19. This is anticipated to include increased expenses for items such as remote communications and supply reimbursements due to required off-site, licensing and supporting technology equipment, cleaning supplies, and facility cleaning and maintenance.

Capital Budget

- No budgetary changes are required for the NCUA's 2020 capital projects, for which the Board approved \$25.1 million in 2020.
- Project spending estimates and project timelines generally remain consistent with the project details and descriptions NCUA published as part of the 2020 budget.
- Amounts provided by the NCUA Board through the budget process for a capital project are generally available for that project for multiple years.
- We will publish to the NCUA website a mid-session update on the capital projects.

Share Insurance Fund Admin. Budget

- No changes are required to the SIF Administrative budget.
- State examiner travel for 2020 is lower than budgeted because of COVID-related travel restrictions.

| 2020 SHARE INSURANCE FUND ADMINISTRATIVE BUDGET | | | | | | | | | |
|--|----------------------|--------------|----------------|----------------------|--------------|----------------|----------------------------|----------------------|---------------------|
| (dollars in thousands) | | | | | | | | | |
| | 2019 Jan-May Results | | | 2020 Jan-May Results | | | OCFO Projection - 2020 EOY | | |
| | 2019 Budget | Spent | % Budget Spent | 2020 Budget | Spent | % Budget Spent | Projected Spending | \$ Change vs. Budget | % Change vs. Budget |
| SIF Admin. | | | | | | | | | |
| Employee Pay and Benefits | 1,238 | 557 | 45% | 1,470 | 574 | 39% | 1,470 | --- | 0% |
| Travel | 52 | 8 | 15% | 52 | 11 | 22% | 52 | --- | 0% |
| Administrative (NGN Staff Training) | 27 | --- | 0% | 27 | --- | 0% | 27 | --- | 0% |
| Support for NCUA Guaranteed Note Program: | | | | | | | | | |
| Consulting | 1,015 | 979 | 96% | 1,015 | 746 | 73% | 1,090 | 75 | 7% |
| Valuation Services | 1,100 | 875 | 80% | 875 | 875 | 100% | 875 | --- | 0% |
| Software/Data Subscriptions | 792 | 725 | 92% | 799 | 507 | 63% | 534 | -265 | -50% |
| Total, Support for NGN program..... | 2,907 | 2,579 | 89% | 2,689 | 2,128 | 79% | 2,499 | -190 | -8% |
| Share Insurance Fund Direct Expenses: | | | | | | | | | |
| State Examination computer leases | 175 | --- | 0% | 62 | --- | 0% | 62 | --- | 0% |
| State Examiner Training | 992 | 367 | 37% | 1,670 | 876 | 52% | 1,042 | -628 | -60% |
| Stress testing for large credit unions | 2,500 | 2,495 | 100% | --- | --- | n/a | --- | --- | n/a |
| Financial Audit Support | 450 | 420 | 93% | 450 | 443 | 98% | 468 | 18 | 4% |
| Bank Charges | 30 | --- | n/a | 30 | 30 | 100% | 30 | --- | 0% |
| Total, Direct Expenses..... | 4,147 | 3,282 | 79% | 2,212 | 1,349 | 61% | 1,602 | -610 | -38% |
| Total, Share Insurance Fund Budget..... | 8,371 | 6,426 | 76.8% | 6,450 | 4,062 | 63.0% | 5,650 | -800 | -14.2% |
| <i>FTE planned vs. on-board.....</i> | <i>5</i> | <i>5</i> | <i>100.0%</i> | <i>5</i> | <i>5</i> | <i>100.0%</i> | <i>5</i> | <i>---</i> | <i>0.0%</i> |

Conclusions


- For the Operating Budget, we anticipate to have a small year-end surplus compared to the budget the Board approved.
 - A minor increase on compensation-related expenses will be more than offset by a reduction in travel expenses.
 - Projected travel expenses are forecasted to be almost 50% lower than the approved budget. This assumes some resumption of on-site examinations later in the year, although that determination has not yet been made.
 - We continue to refine estimates for other non-compensation cost categories in conjunction with the continued development of our return to on-site operations, which could offset some projected travel savings.
- No change is proposed for the Capital Budget.
- For the SIF administrative budget, modest travel savings are projected.

Budget Resources

Key NCUA Budget and Supplementary Materials:

<https://www.ncua.gov/about-ncua/budget-strategic-planning/budget-supplementary-materials>

- Board Action Memoranda
- Budget Justifications
- Budget Proposals and Presentations
- Line Item Budget Detail
- Operating Fee Calculations
- Overhead Transfer Rate Calculations



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NCUA Budget and Supplementary Materials

The NCUA regulates, charters and supervises all federal credit unions and insures members' deposits in all federally insured credit unions to the limits of federal law. Each year, the NCUA Board considers and approves a budget to support these activities.

The NCUA is committed to providing transparency about the agency's budget. The agency uses zero-based budgeting where every projected expense is justified. Below you will find materials related to previous budgets, including budget summaries, fact sheets, and information on the overhead transfer rate and operating fee. You will also find information describing historical trends related to the agency's budget.

| Year(s) | Budget Documents | Proposed Budget Documents |
|-------------|--|--|
| 2020 - 2021 | <ul style="list-style-type: none">• 2020/2021 Budget Board Action Memorandum• 2020/2021 Budget Justification• 2020/2021 Line Item Budget• 2020 Overhead Transfer Rate Summary | <ul style="list-style-type: none">• 2020/2021 Budget Presentation• 2020/2021 Budget Justification• 2020/2021 Budget Comments |
| 2019 - 2020 | <ul style="list-style-type: none">• Mid-Session Budget Briefing<ul style="list-style-type: none">• Board Action Memorandum• 2019 Capital Projects Update• 2019 Budget Summary Estimates• 2019/2020 Budget Board Action Memorandum• 2019/2020 Budget Justification• 2019/2020 Line Item Budget• 2019 Overhead Transfer Rate Summary | <ul style="list-style-type: none">• 2019/2020 Budget Hearing Video• NCUA Board Chairman J. Mark McWatters Statement on the NCUA Budget Hearing for the Public and Stakeholders• 2019/2020 Budget Presentation• 2019/2020 Budget in Brief• 2019/2020 Budget Justification• 2019/2020 Budget Justification Federal Register Posting |

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