



NCUA Budget Briefing and Public Forum

November 1, 2001

Agenda

- Overview of 2002 budget
- Historical trends (10 years)
- Budget formulation
 - Budget development process & issues
 - Current trends & comparisons
- Funding of budget
- Questions & Answers
- Statements/written comments from the public
- *Preliminary recommendations**



NCUA Board Vision



Strategic Vision:

- Streamline business processes
- Increase efficiencies
- More effective examination product
- Reduce FTE & budget growth

Board Actions to Achieve:

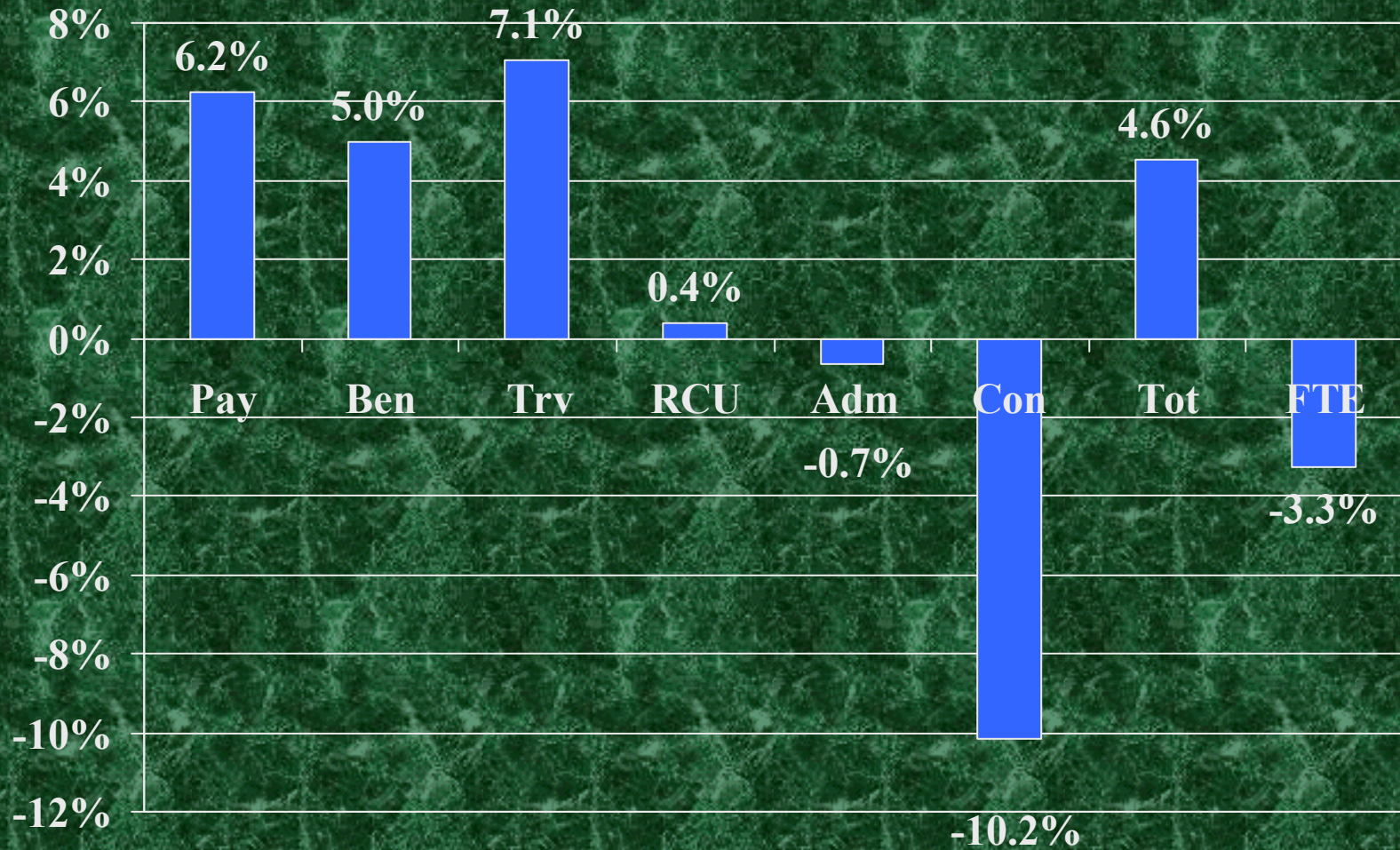
- Risk focused examination
- AIM study
- More flexible rules & regulations
- Increased efficiencies from technology

Budget Development Process

- Workload & program needs from regions & field staff assessed by E&I (Jul/Aug)
- Budgets formulated by offices based on safety & soundness program, historical actual expenditures (Aug)
- Review & analysis by OCFO (Sep/Oct)
- Budget briefings with office directors (Oct)
- Adjustments by OCFO (Oct)
- Board member briefings (Nov)
- Public briefing (Nov)
- Final adjustments (Nov)
- Board meeting (Nov)

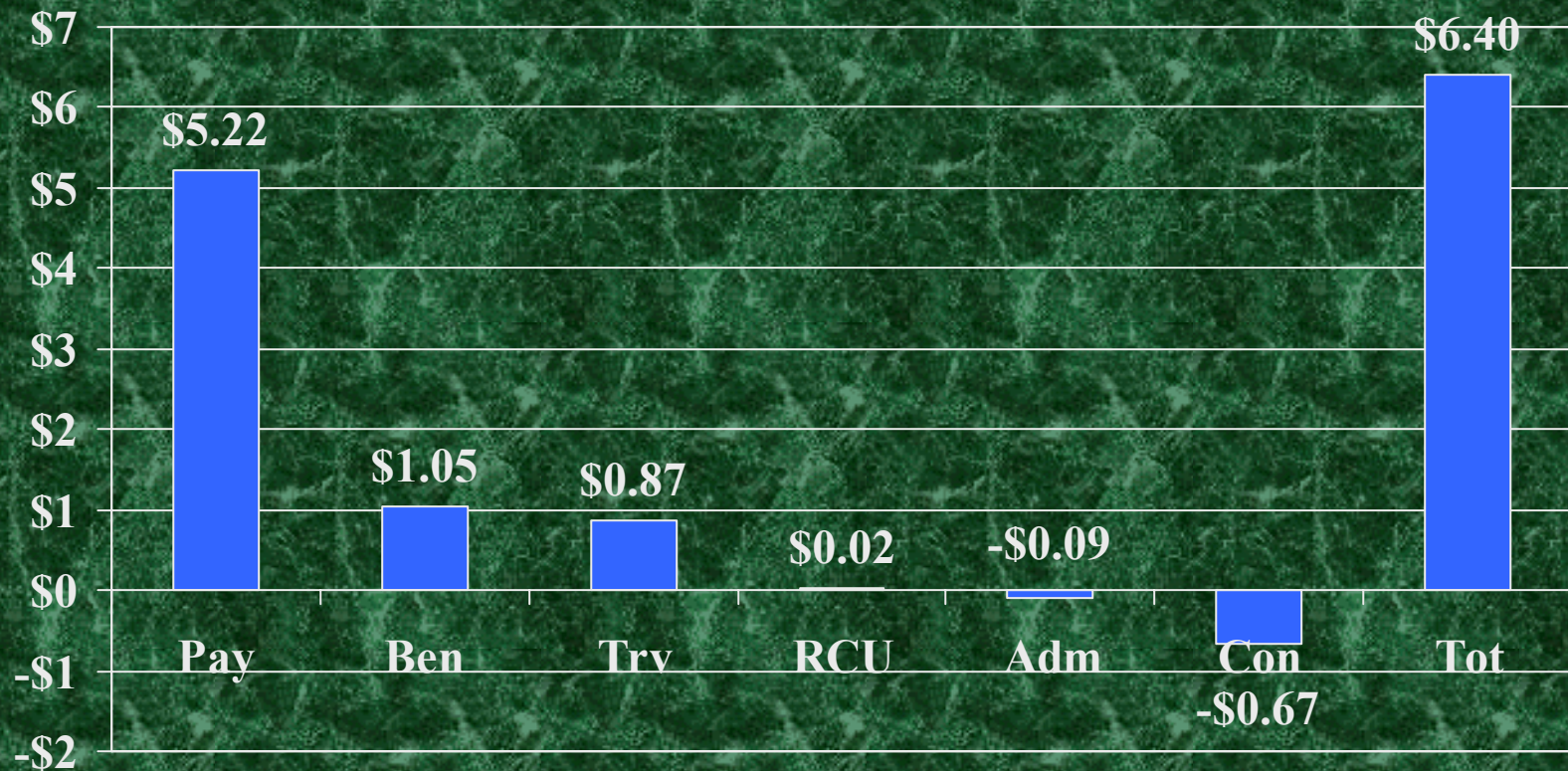


Overview of 2002 Budget (Percent Change)

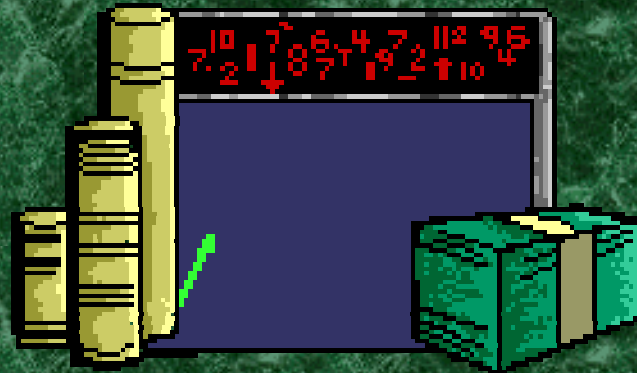


Overview of 2002 Budget (\$)

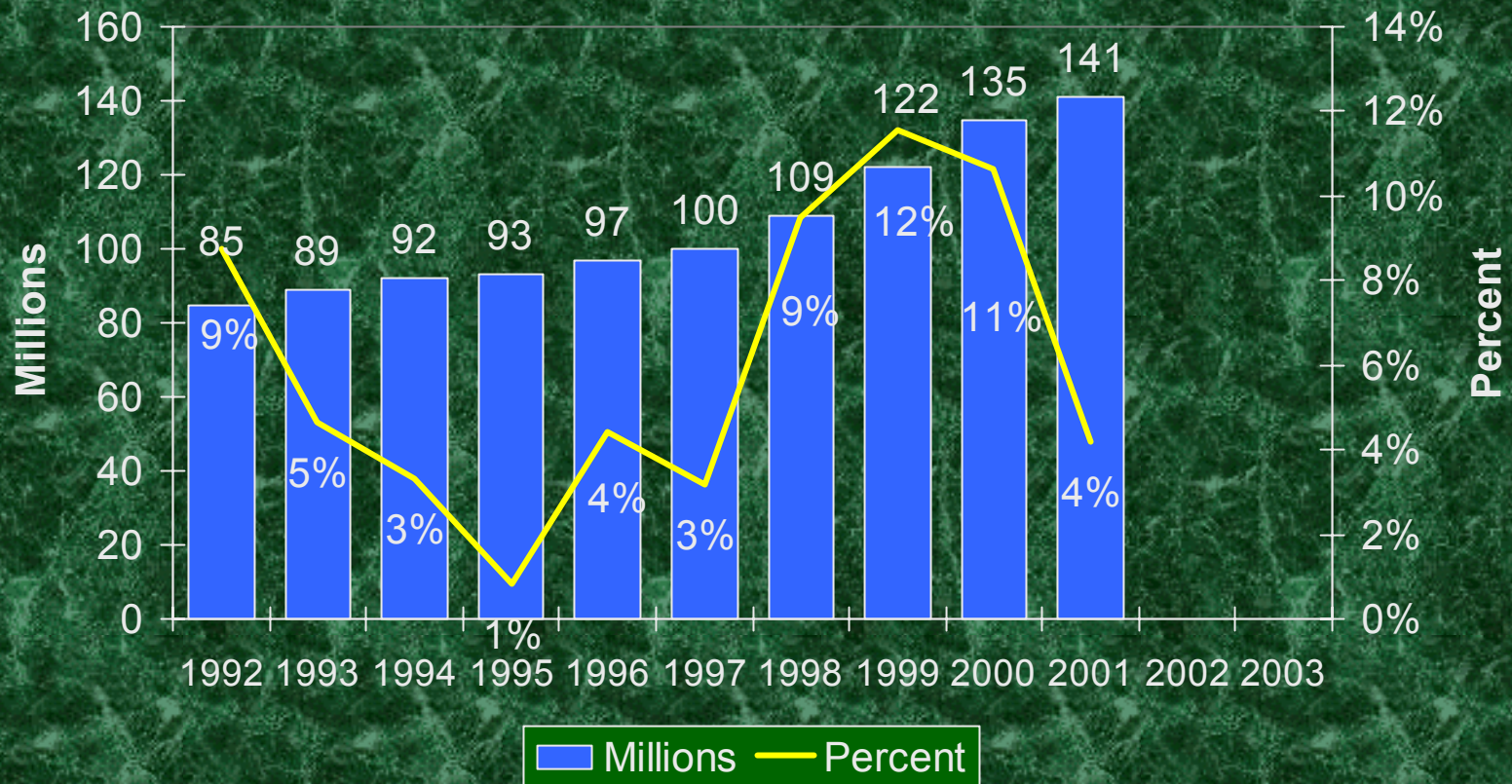
(Change in Millions)



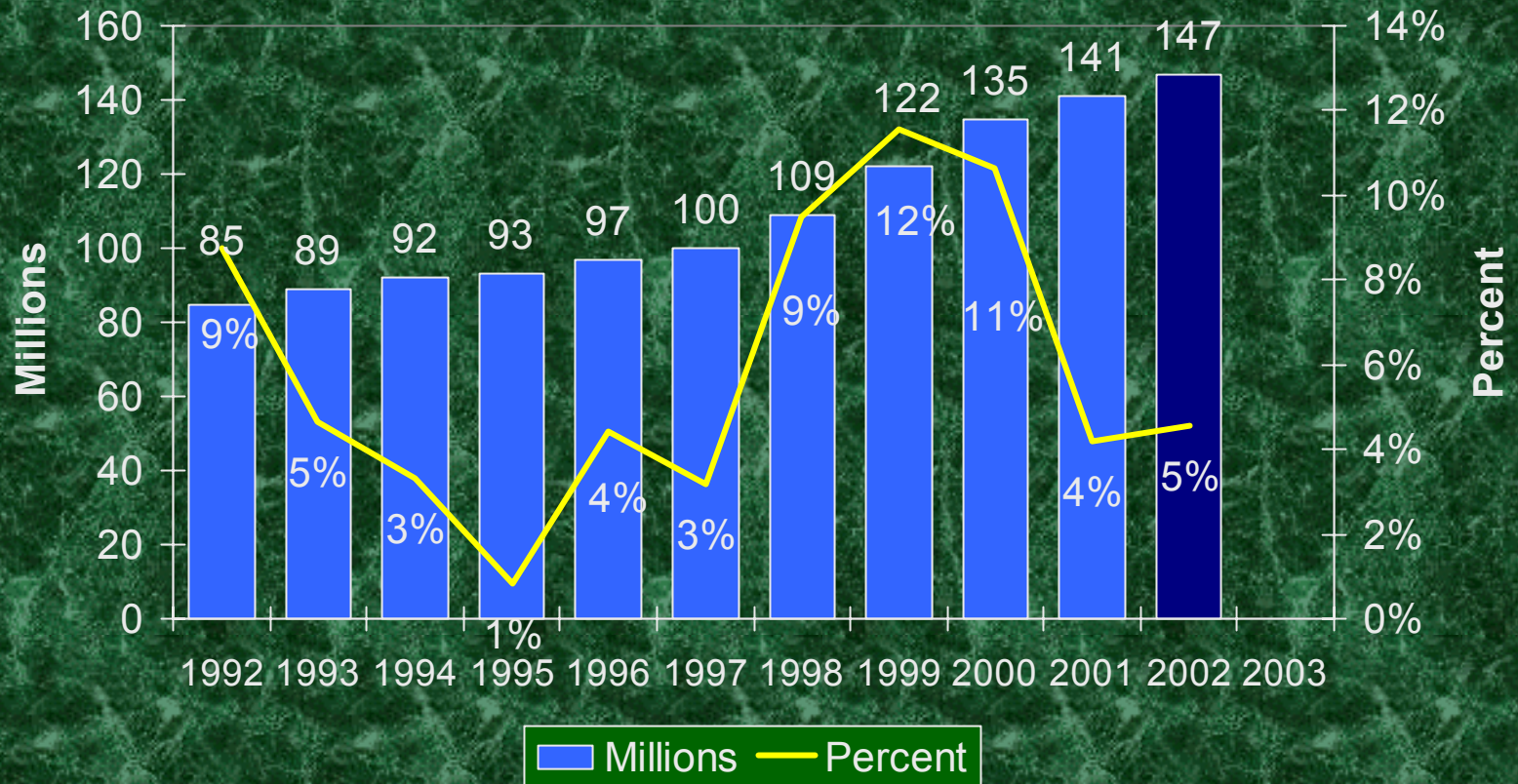
HISTORICAL TRENDS



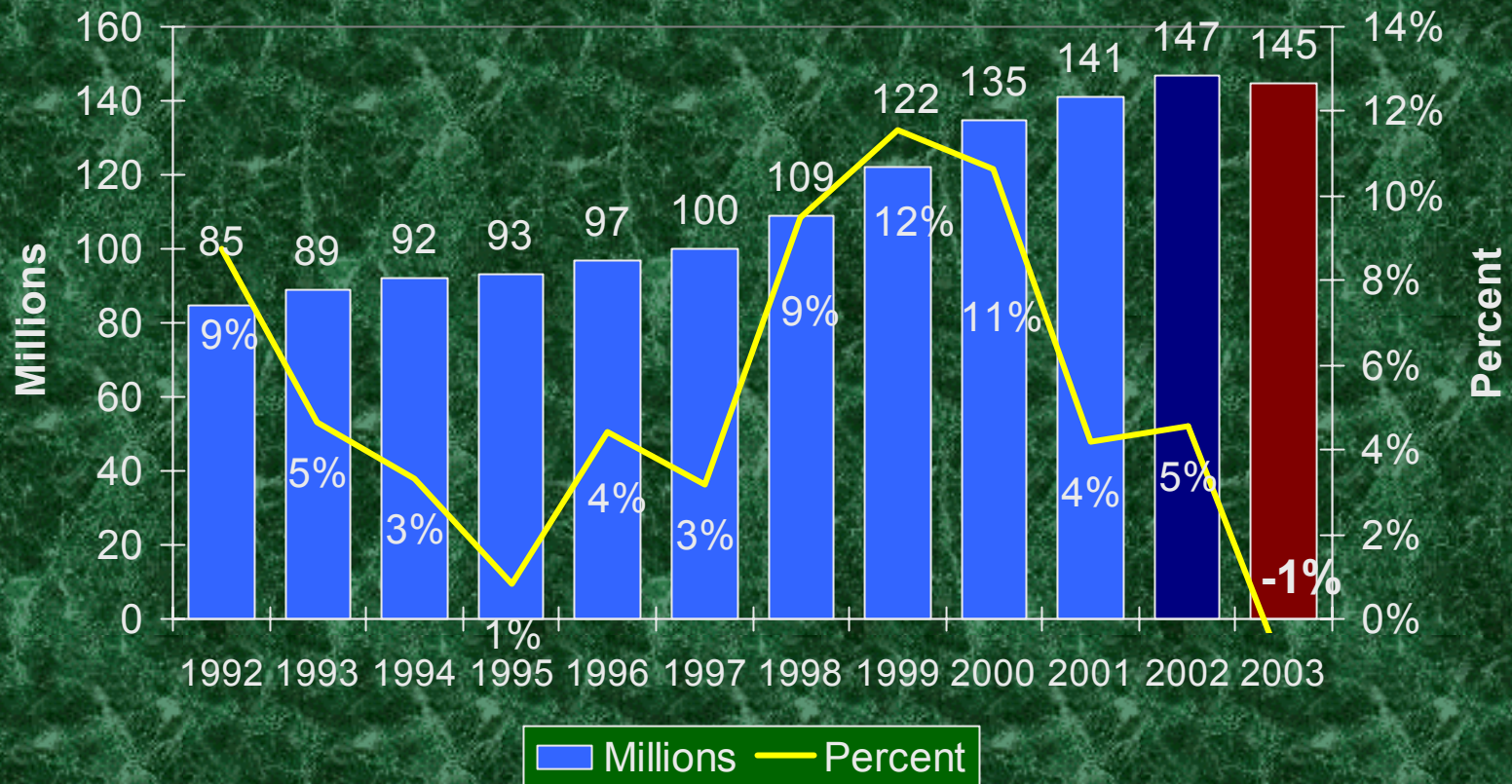
Budget 1992-2003



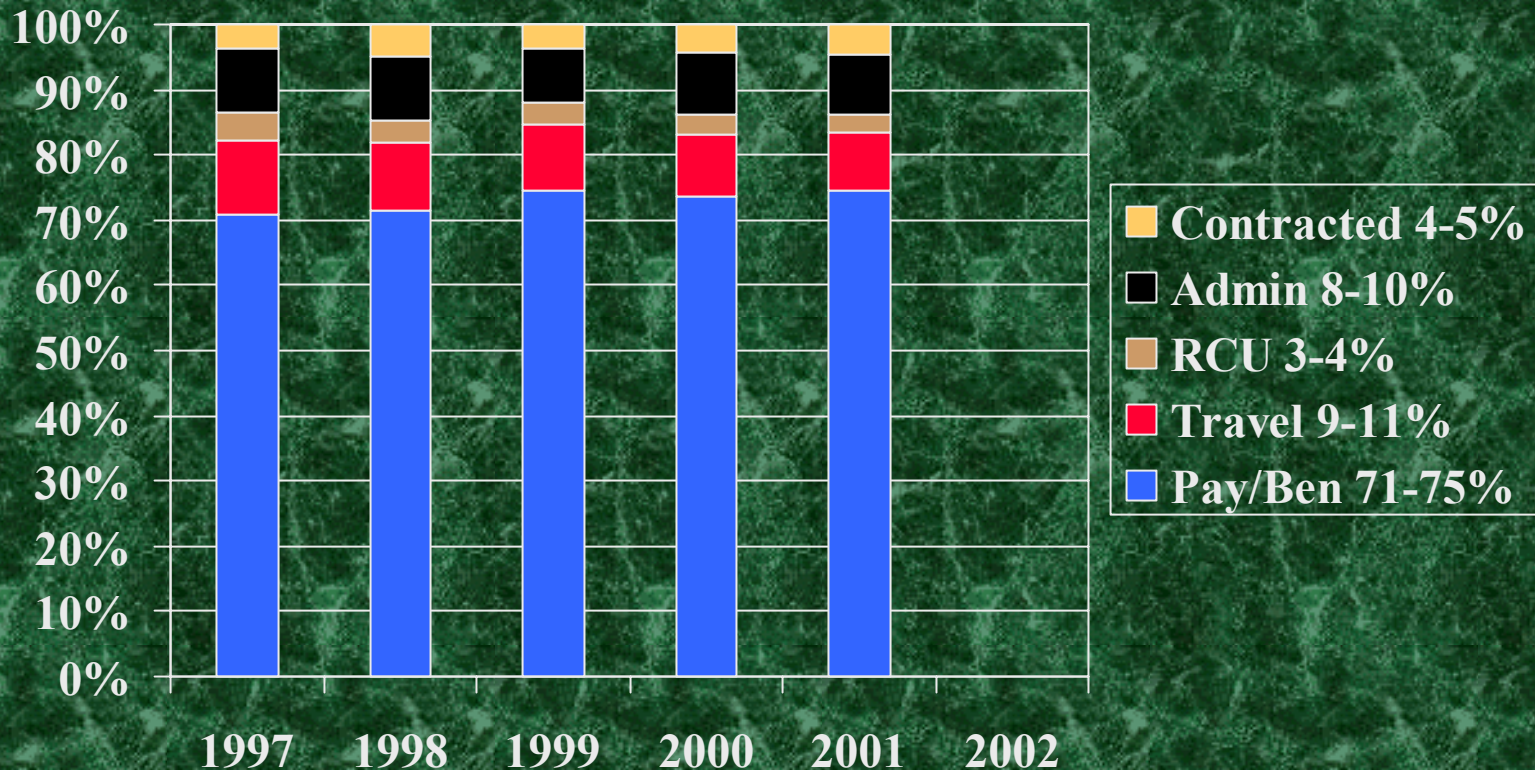
Budget 1992-2003



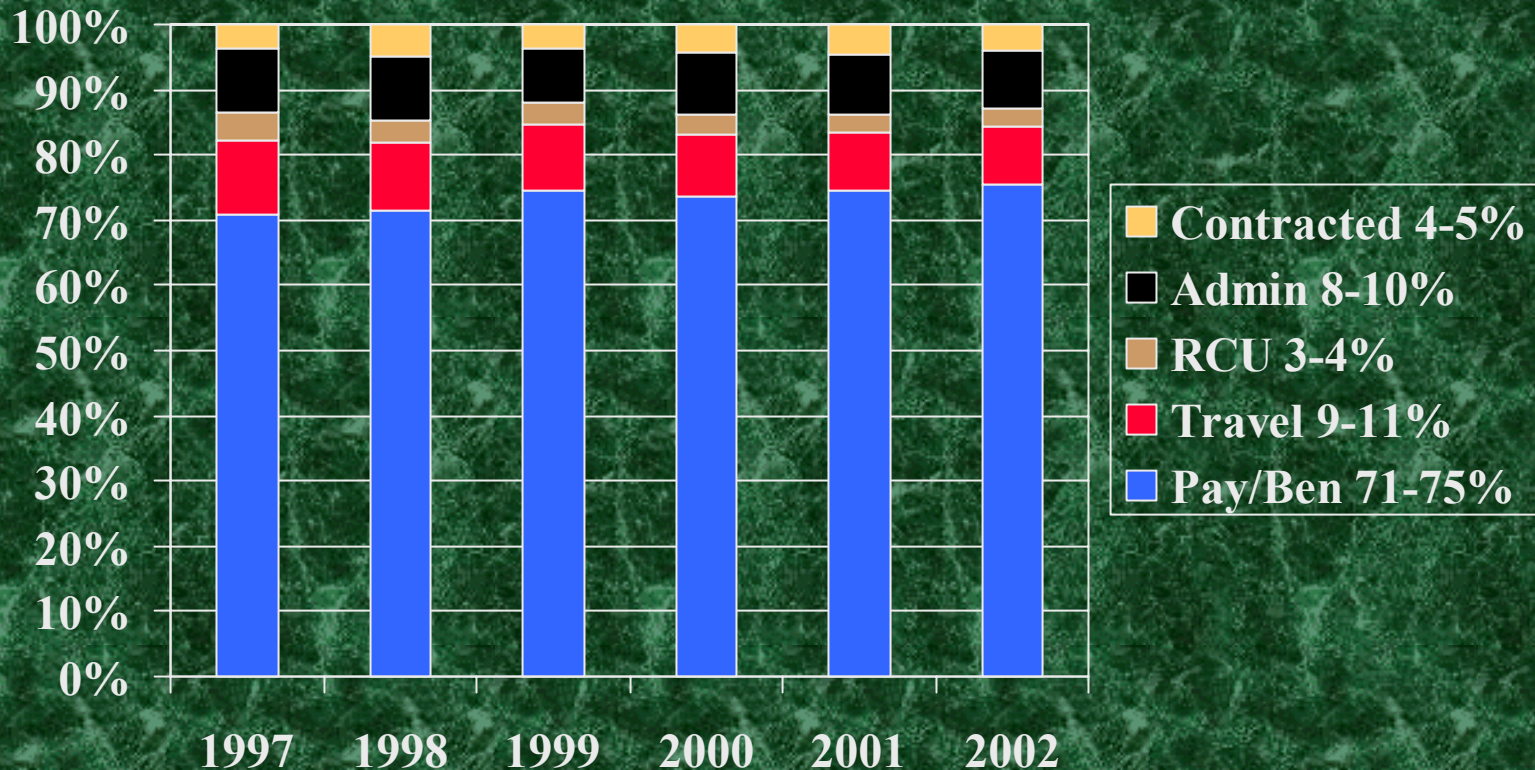
Budget 1992-2003



Major Expense Categories

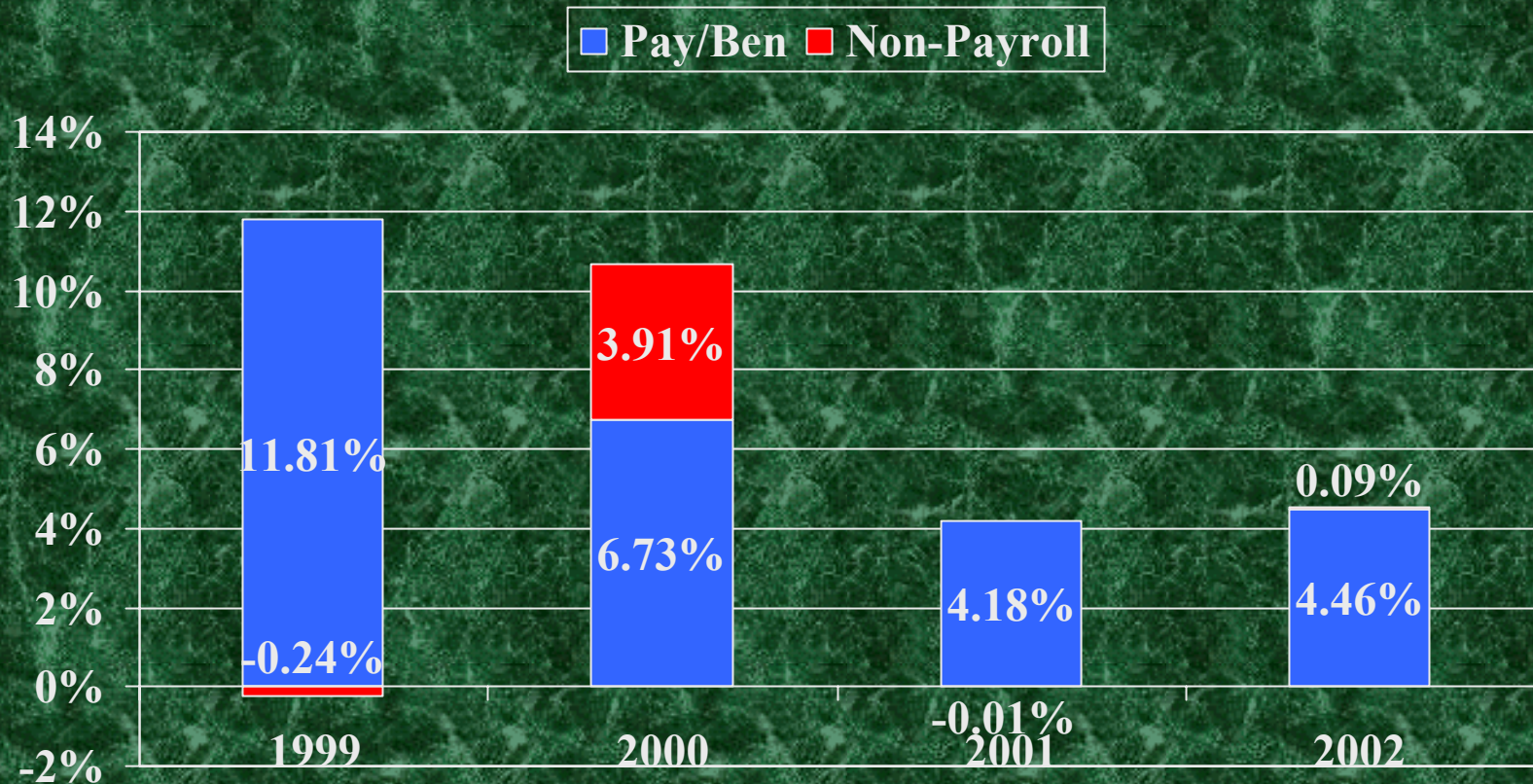


Major Expense Categories



Contribution to Budget Growth

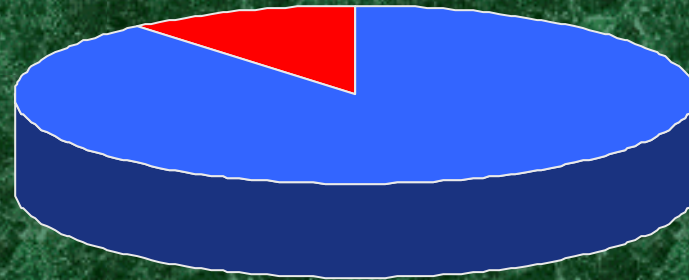
Note: CPI inflation same period = 2.93%



Distribution of Budget Growth

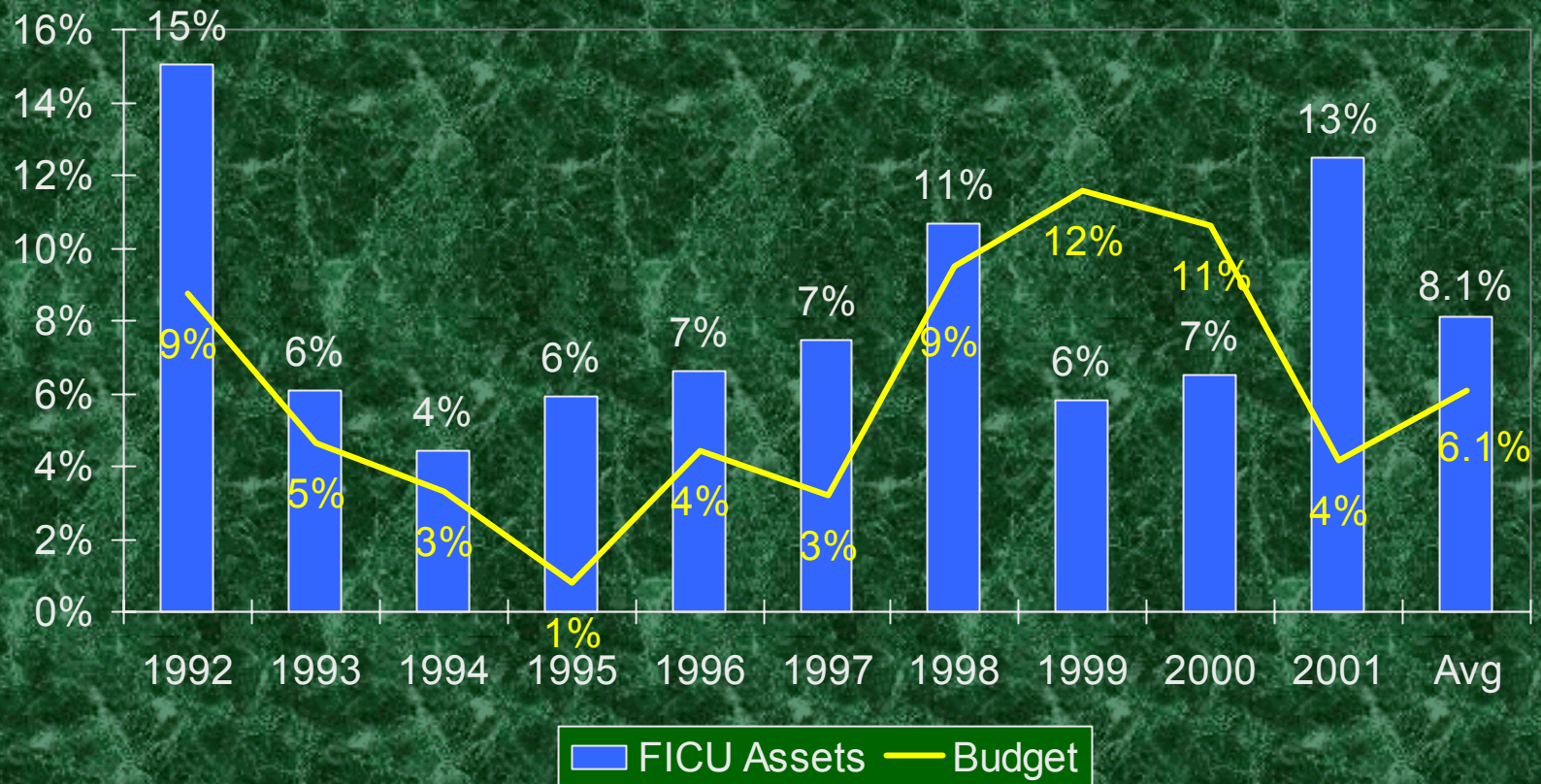
1999-2002

Non-Payroll
11%

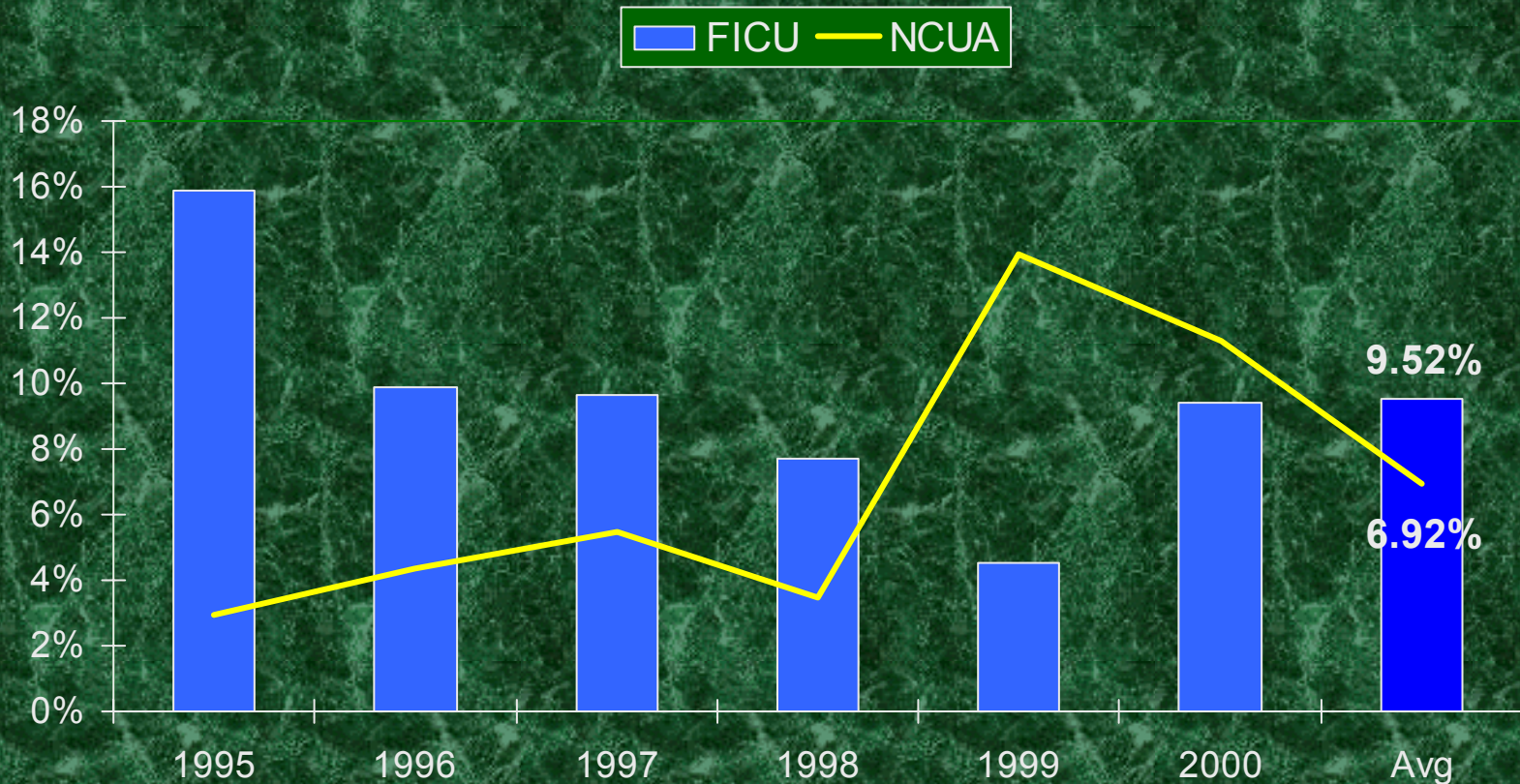


Pay & Benefits
89%

FICU Asset Growth vs. NCUA Budget Growth

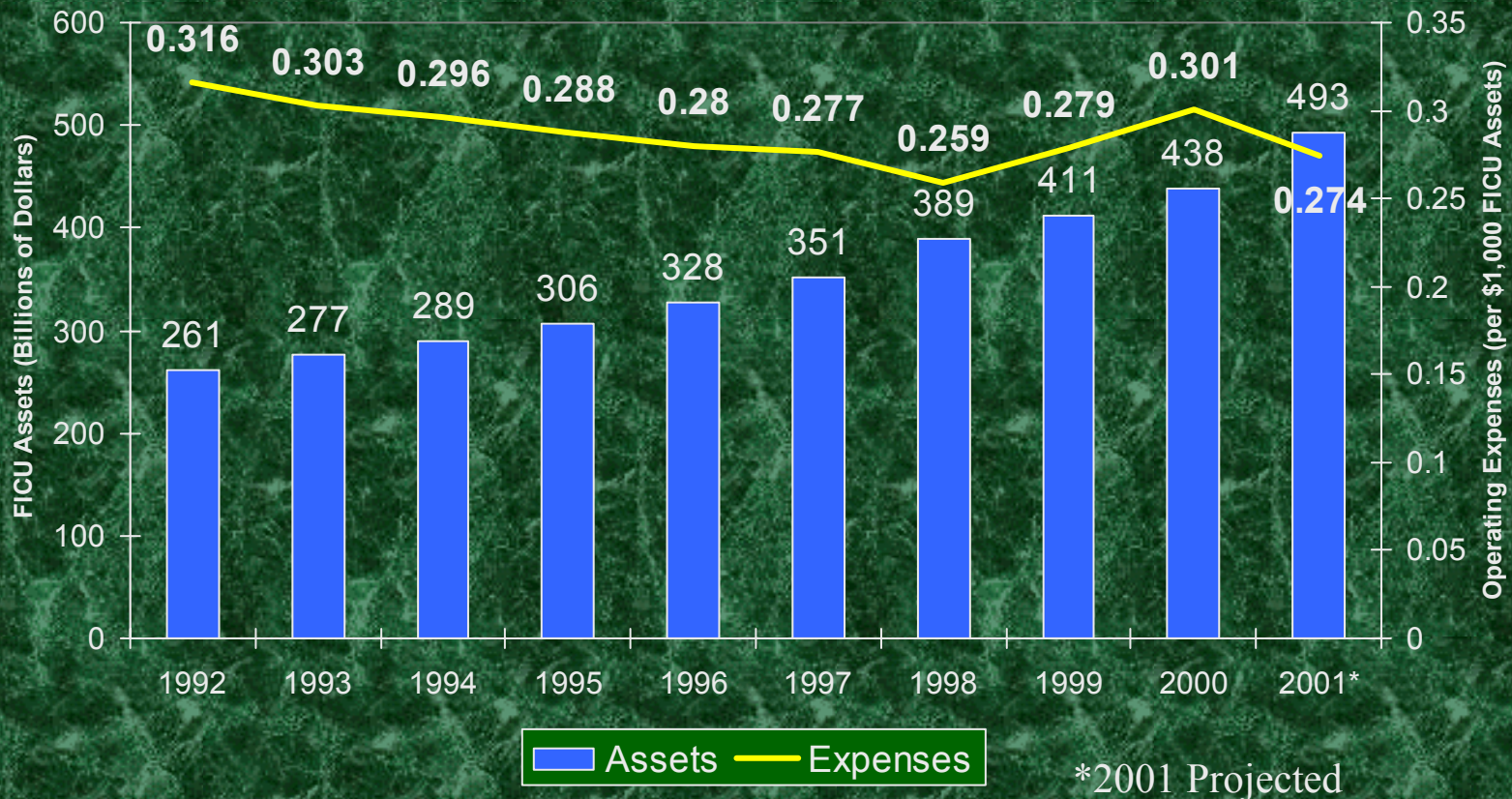


Change in Total Expenses FICU & NCUA



NCUA Total Expenses

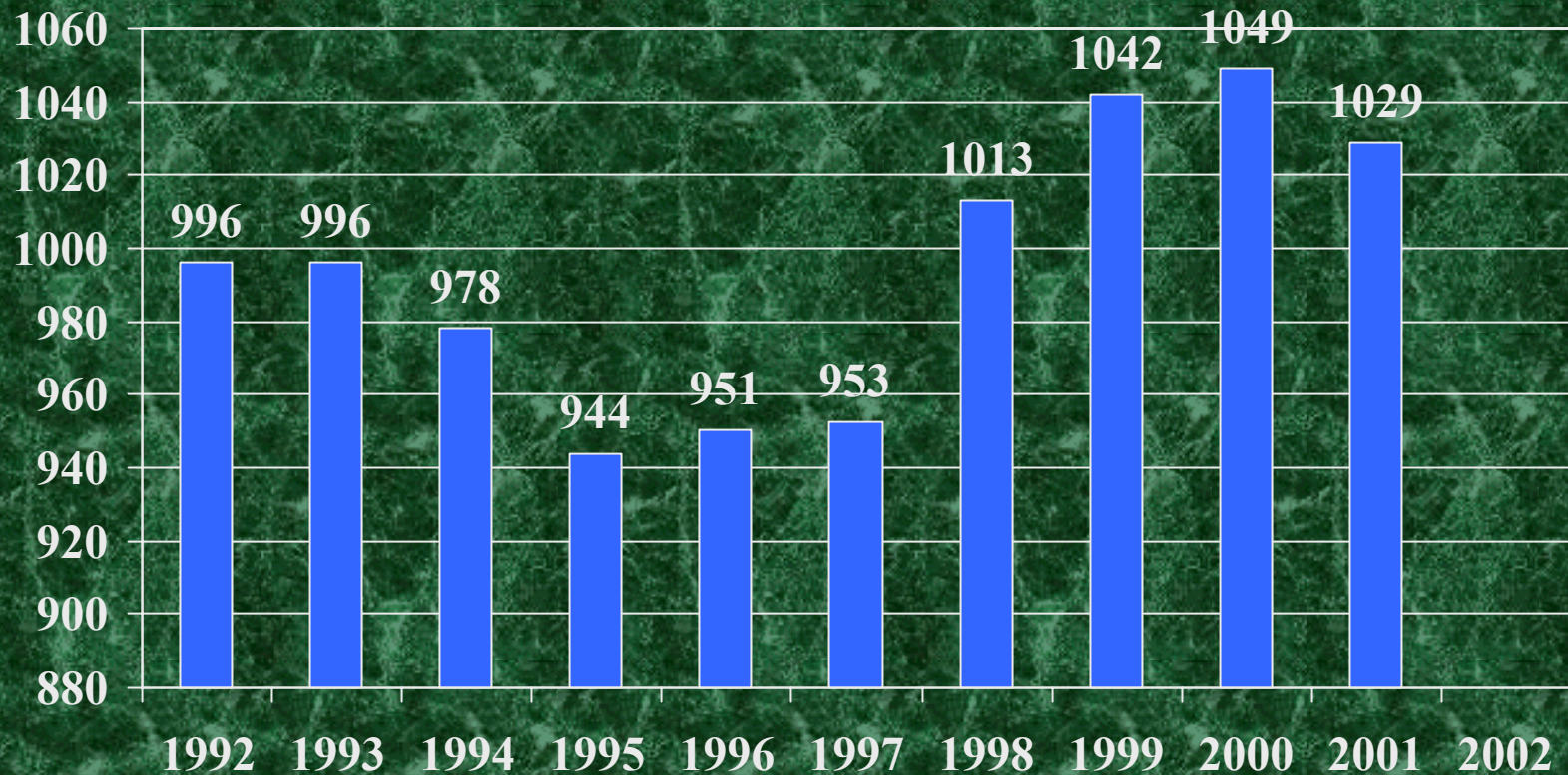
Actual Expenses per \$1,000 FICU Assets



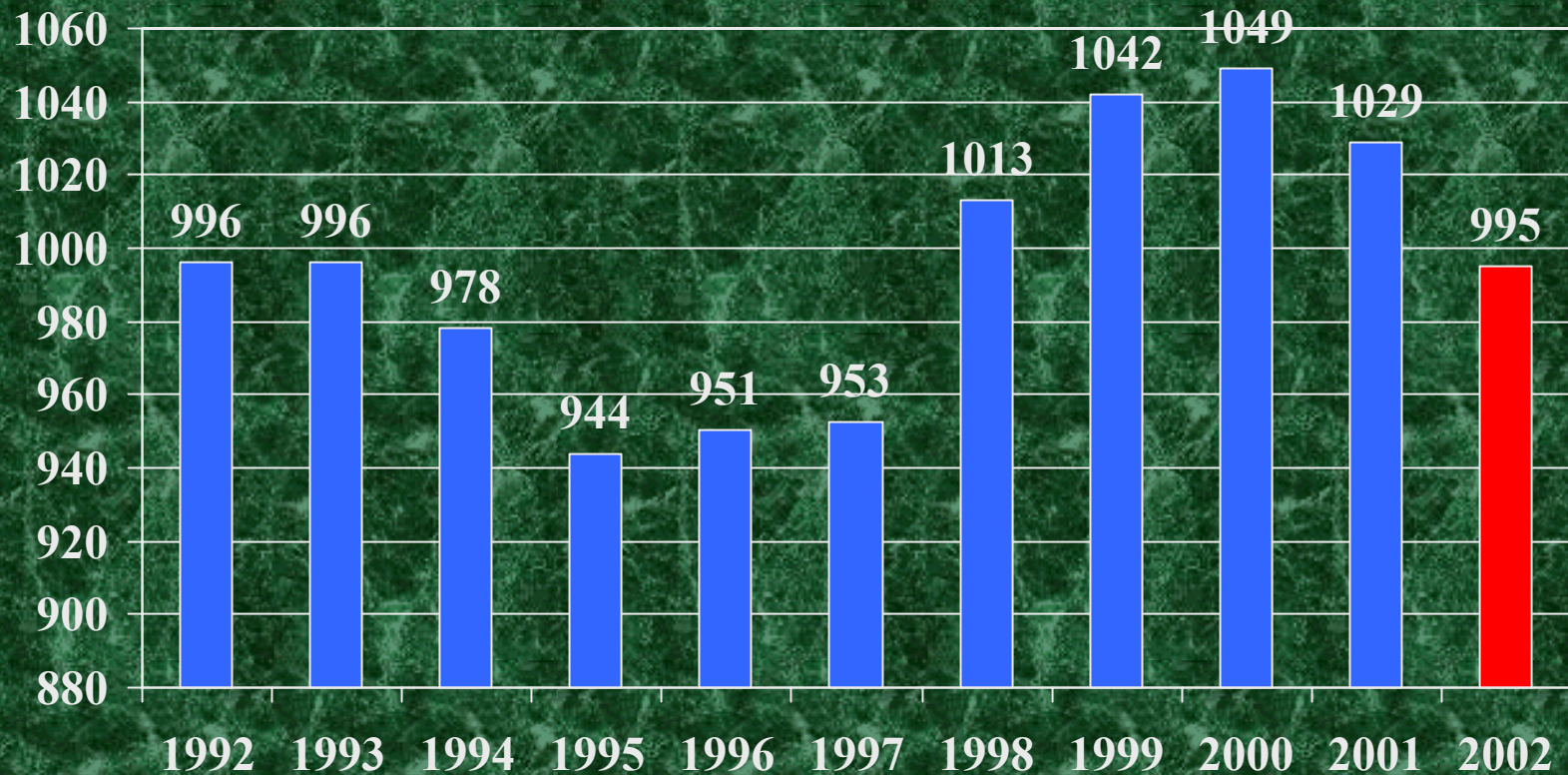
FULL-TIME EQUIVALENT (FTE)



Full-Time Equivalent (FTE)

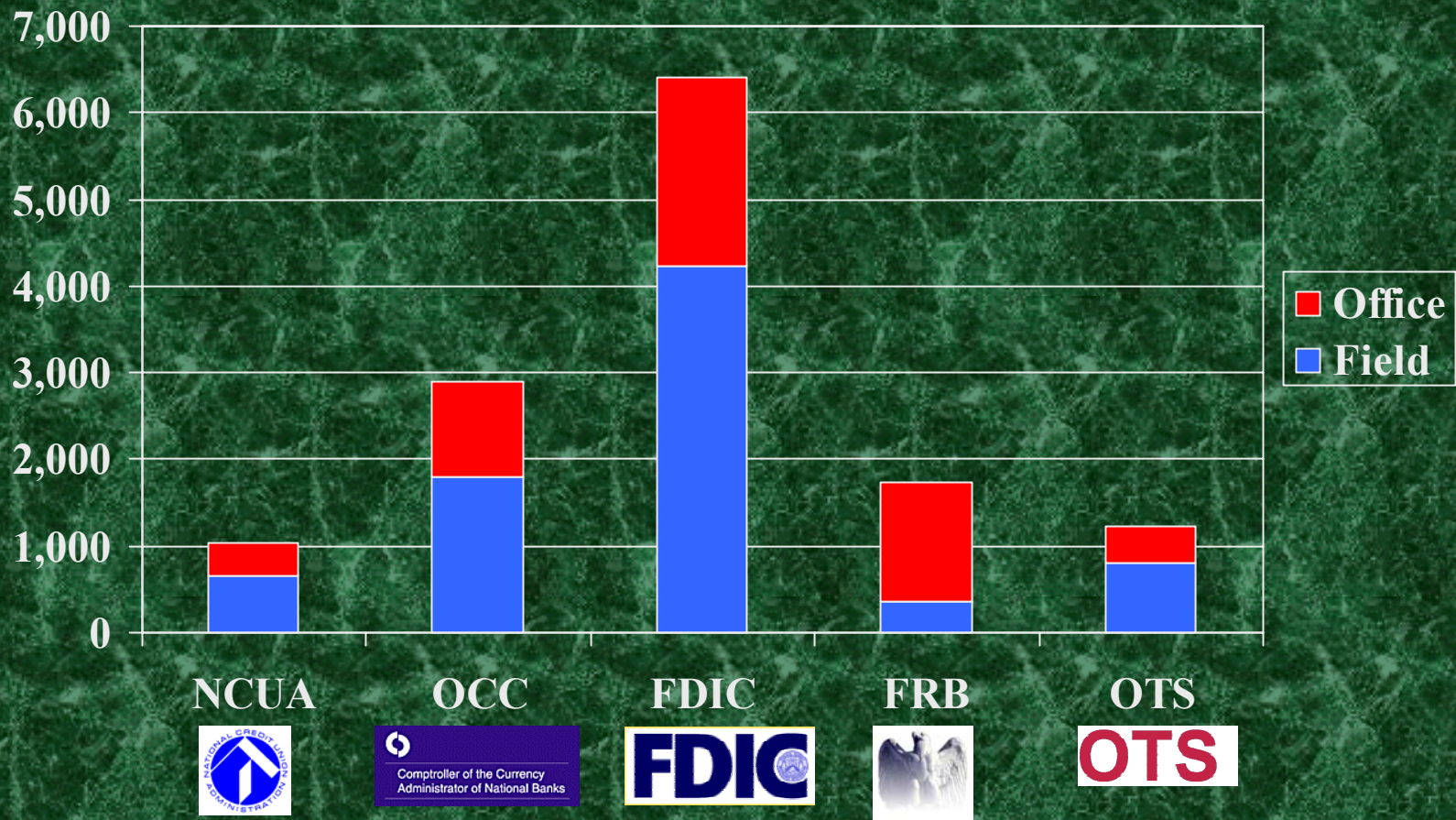


Full-Time Equivalent (FTE)



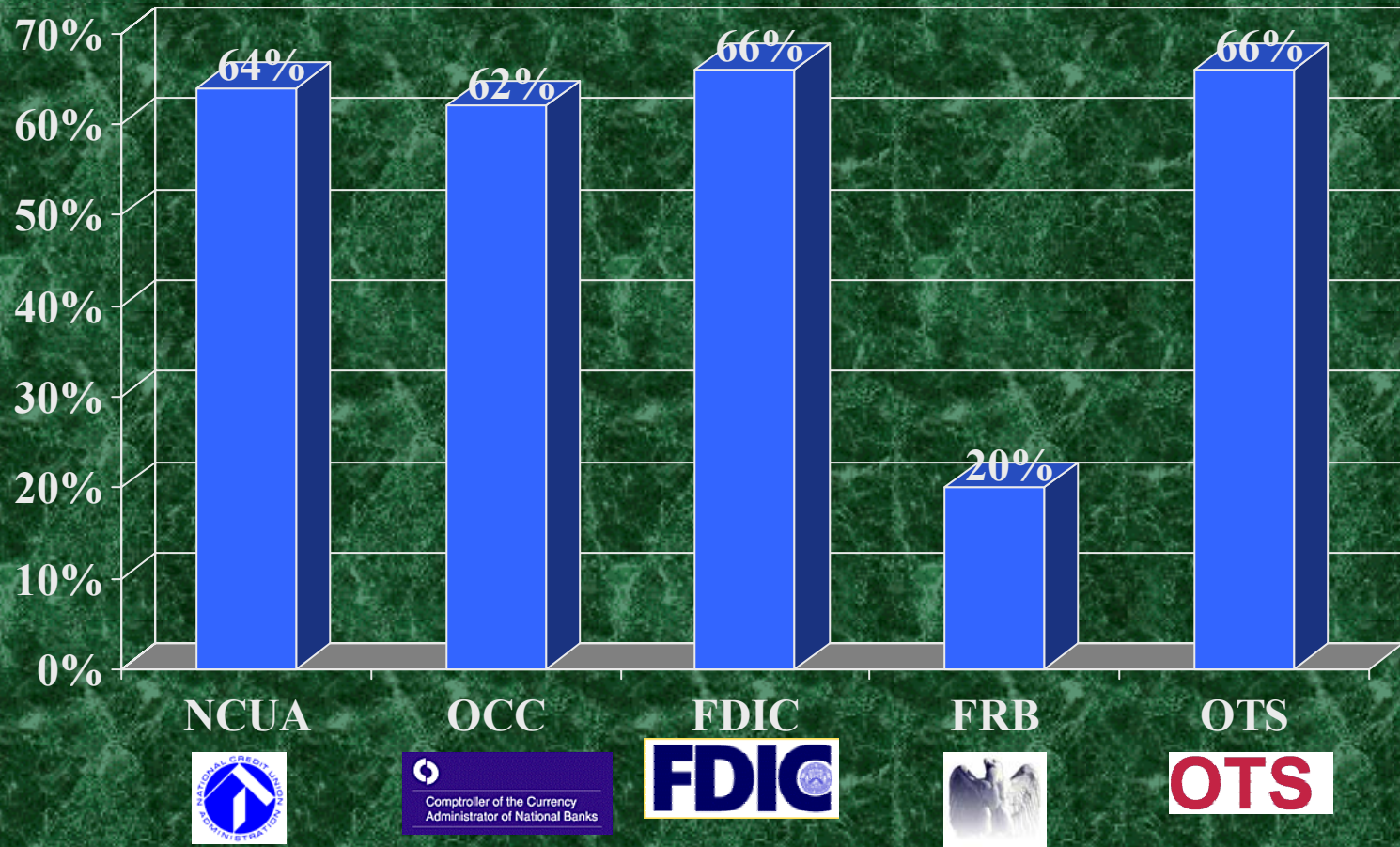
FIRREA: FTE

Source: 2000 actual data in the President's Budget FY 2002 Appendix



FIRREA: % Field FTE

Source: 2000 actual data in the President's Budget FY 2002 Appendix



FTE Reductions 2002

- -18.30 Examiners
- -3.00 Supervisory Examiners
- -2.17 Regional Office staff
- -10.08 Central Office staff

Total -33.55

Budget Formulation



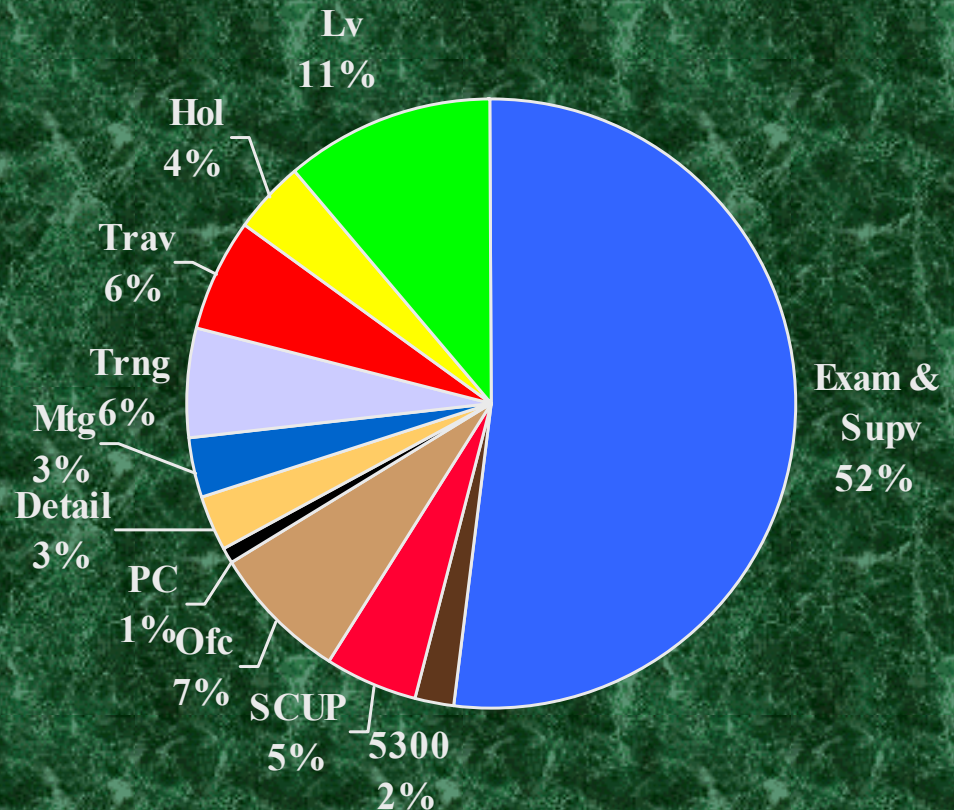
Externally Mandated Budgetary Requirements 2002

- FIRREA pay comparability
- OPM health benefits
- GISRA (Govt Information Security Reform Act)
- Section 508/Rehabilitation Act
- GPRA (Govt Performance Results Act)



Pay & Benefits

- Program hours
 - Drive FTE
 - Determines pay
 - Determines benefits
- Benefits determined by OPM
- Accounts for 75% of the budget



Pay & Benefits “Easy” Math

- Pay = Authorized FTE x Pay x Merit
- Benefits mandated by OPM (% of pay)
 - Civil Service Retirement System = 8.51%
 - Federal Employees Retirement Service = 11.4%
 - Old Age Survivors & Disability Insurance = 6.2%
 - Medicare = 1.45%
 - Group Life Insurance = 0.26%
 - Thrift Savings Plan = matching up to 5%
 - Health Benefits cost = Average \$3,375/year plus 15% increase for 2002 per OPM (govt portion \$3.8 million 2002 vs. \$3.5 million 2001)



CSRS vs. FERS

CSRS

- Hired pre 1984
- Benefits 15% of pay
- 1983 FTE = 100%
- 2001 FTE = 28%
- *Includes:* CSRS, HBI, GLI, Medicare
- *Not included:* FERS, OASDI, TSP

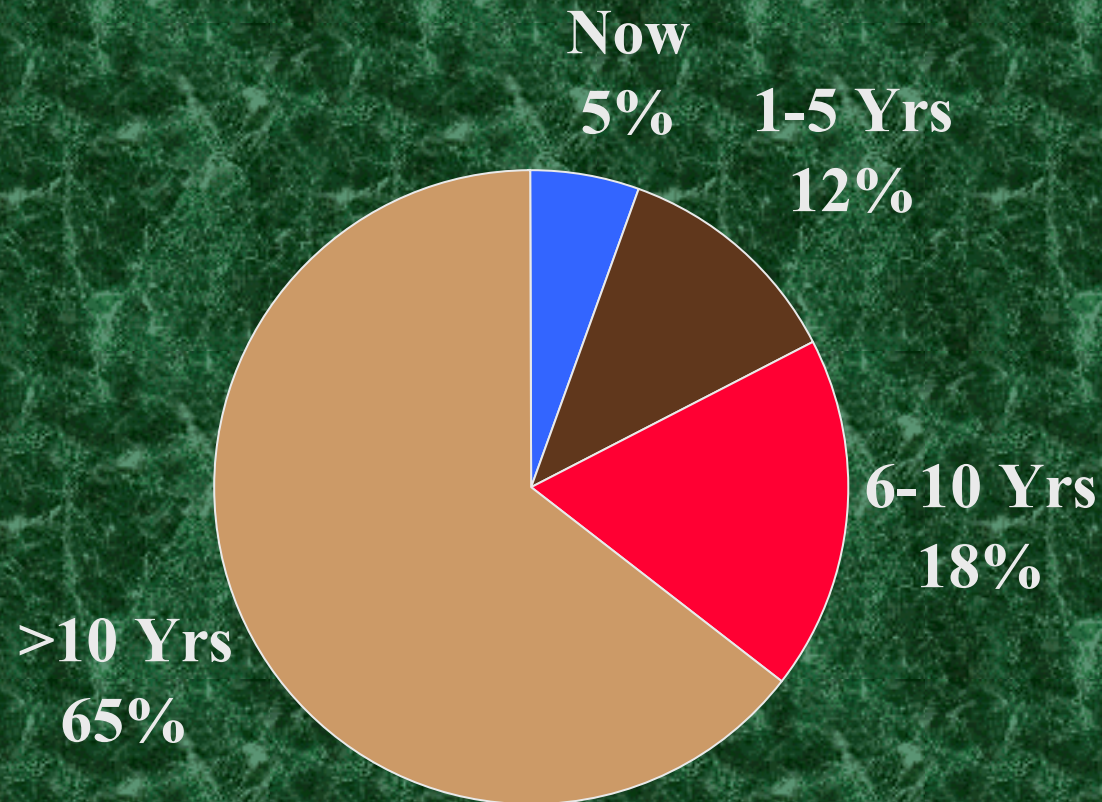


FERS

- Hired post 1983
- Benefits 28% of pay
- 1983 FTE = 0%
- 2001 FTE = 72% +
- *Includes:* FERS, HBI, GLI, Medicare, *plus* OASDI, TSP
- *Not included:* CSRS

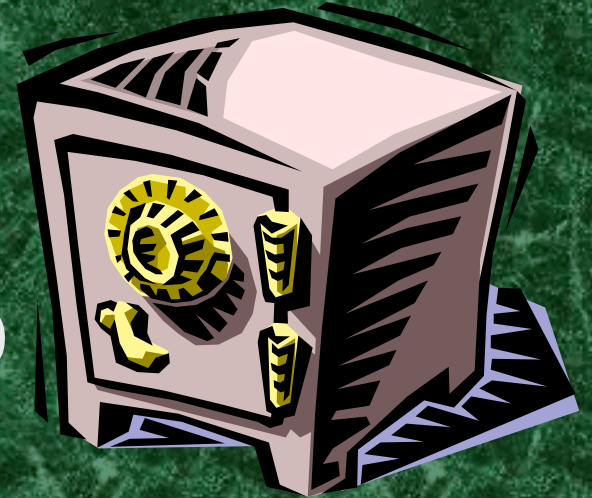
Retirement Eligible

(Agency Wide FTE)



GISRA/Security 2002

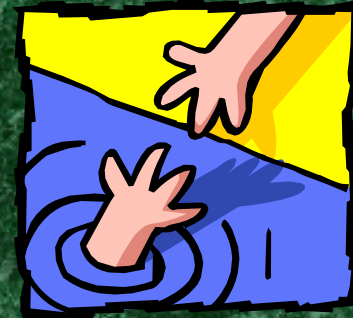
- Audits \$140,000
- Software & licenses \$43,000
- Capital acquisitions \$177,000



Total expenses & capital costs \$360,000

Section 508 (2002 Expenses)

- Rehabilitation Act (Accessibility) amended in 1998
- Focusing on Internet & Intranet accessibility for disabilities
- Audit, consulting, training \$21,000



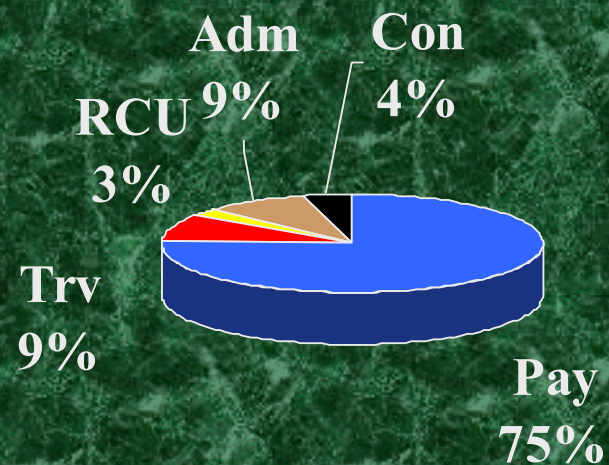
GPRA 2002

- Strategic planning
- FTE = 4.00
- Budget = \$613,000



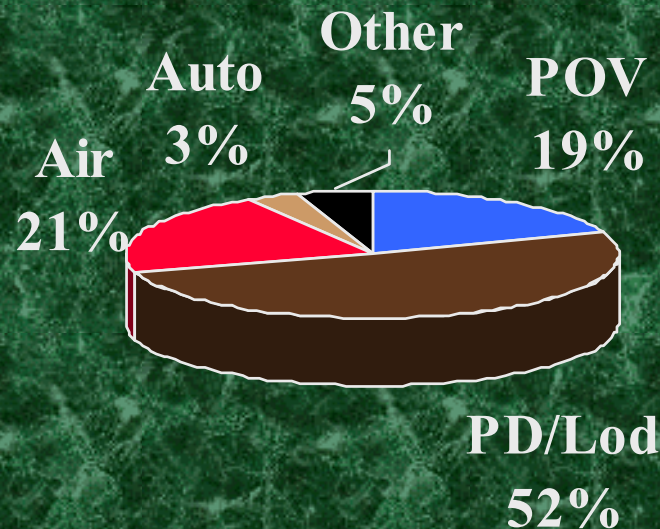
Non-Payroll

- Total = 25% of total budget
- Travel
- Rent, communications, & utilities
- Administrative
- Contracted services



Travel

- Travel \$13.2 million
- Regional conferences \$1.3 million
- Historically \$14 million during regional conference years



Budget 2002 Summary



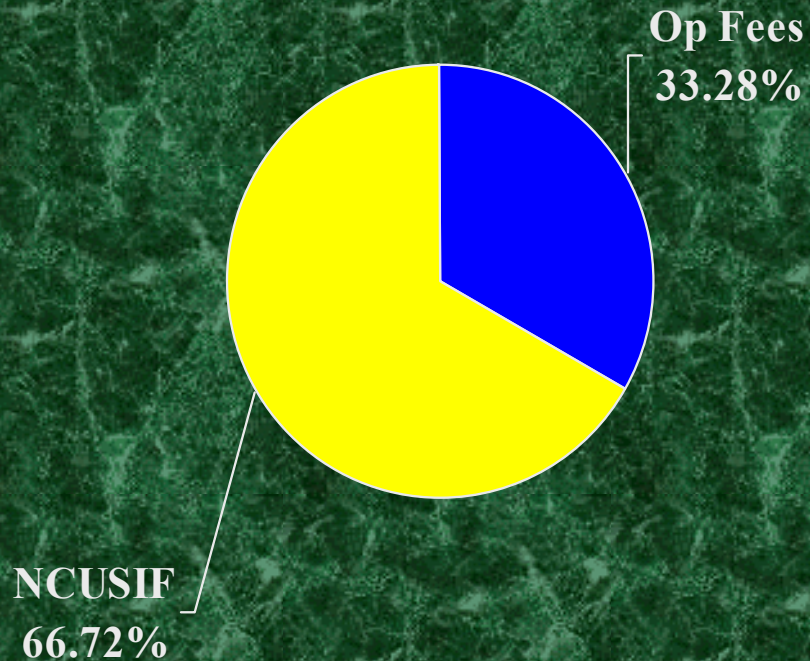
- Total 27 offices
- FTE ↓ 13 offices (all others neutral)
- Budget ↓ 10 offices (before pay adjustment)
- Budget ↑ 2.71% before pay & benefits adjustment
- Pay adjustment 4.5% (Congress 4.6%)
- Budget ↑ less than 5% after pay & benefits adjustment

FUNDING OF BUDGET



Funding of Budget FY 2001

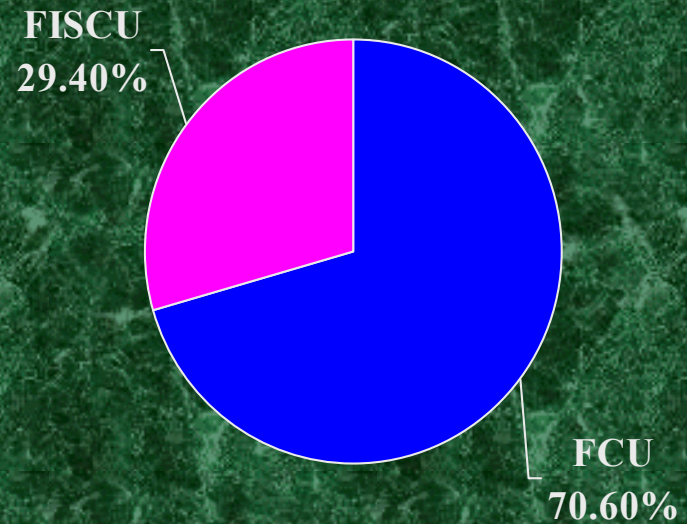
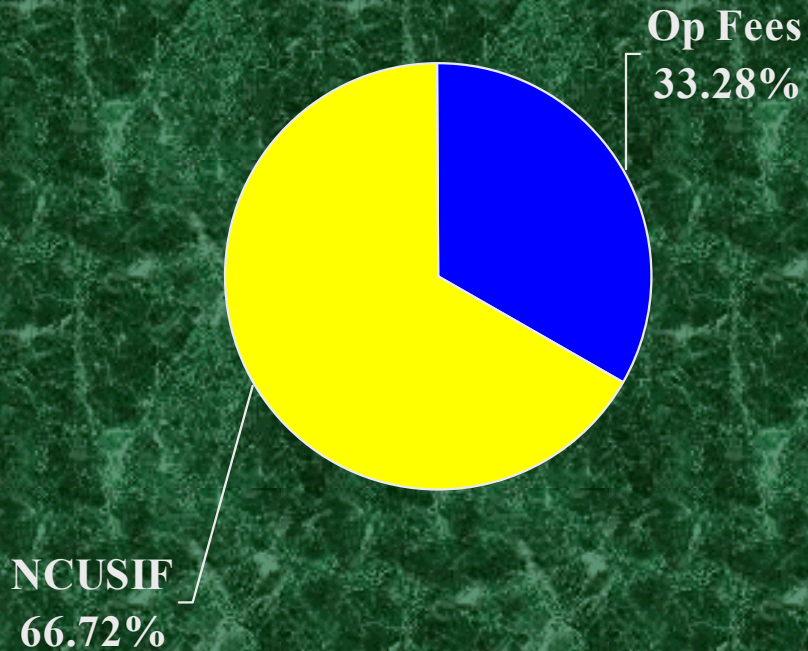
By Fund



Funding of Budget FY 2001

By Fund

Effect By CU Charter



NCUSIF split based on insured shares of FCU (56.13%) & FISCO (43.87%) as of December 31, 2000

Paying Bills & Invoices

- Pay on monthly basis
- Only actual expenses charged to the NCUSIF & Operating Fund



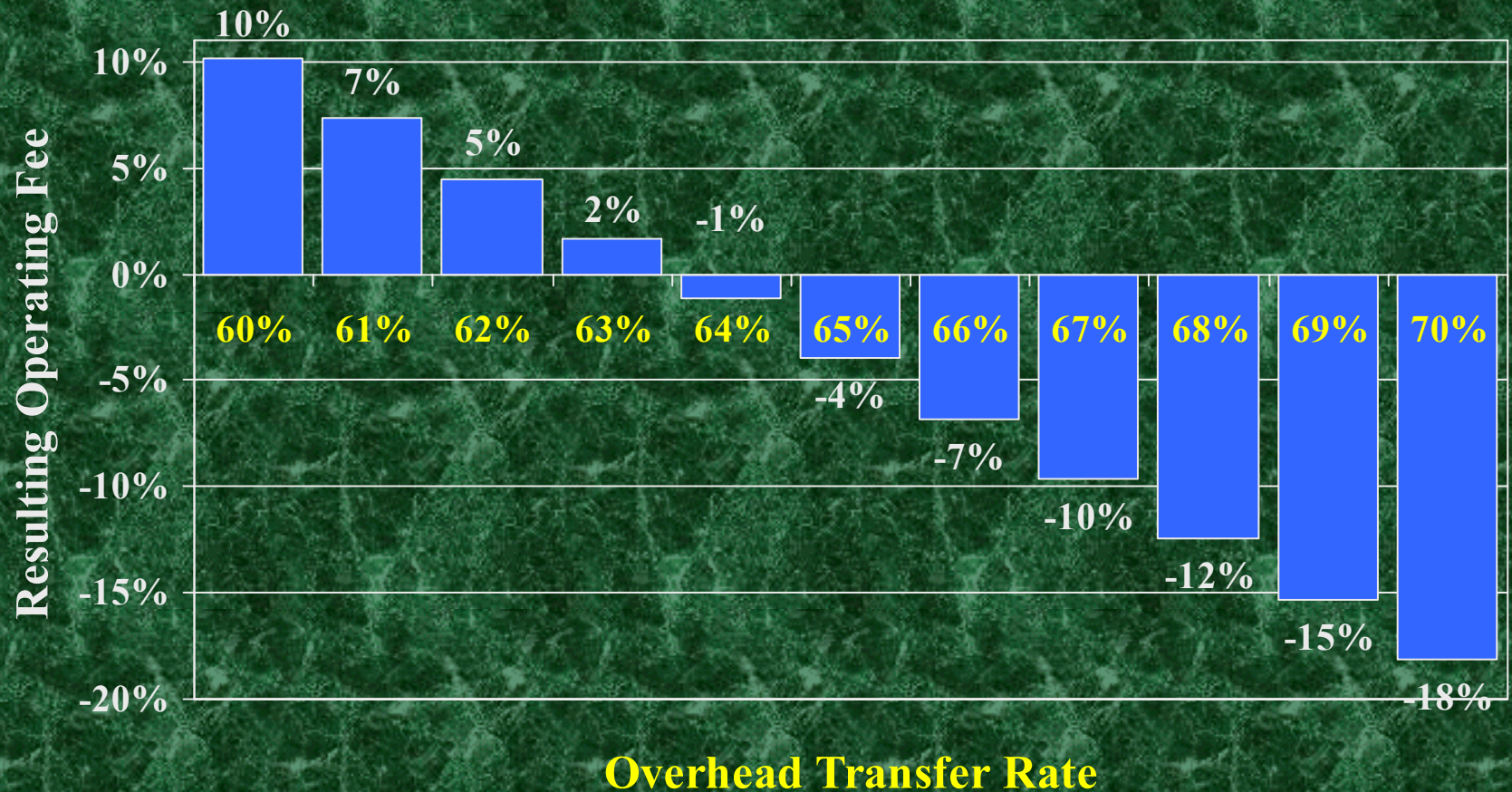
Operating Fee 2002

- Current overhead transfer rate 66.72%
- FCU asset growth estimated 12.5%
- Budget growth less than 5%
- To collect = About \$47.2 million
- Operating fee rate scale - approximate decrease 9%



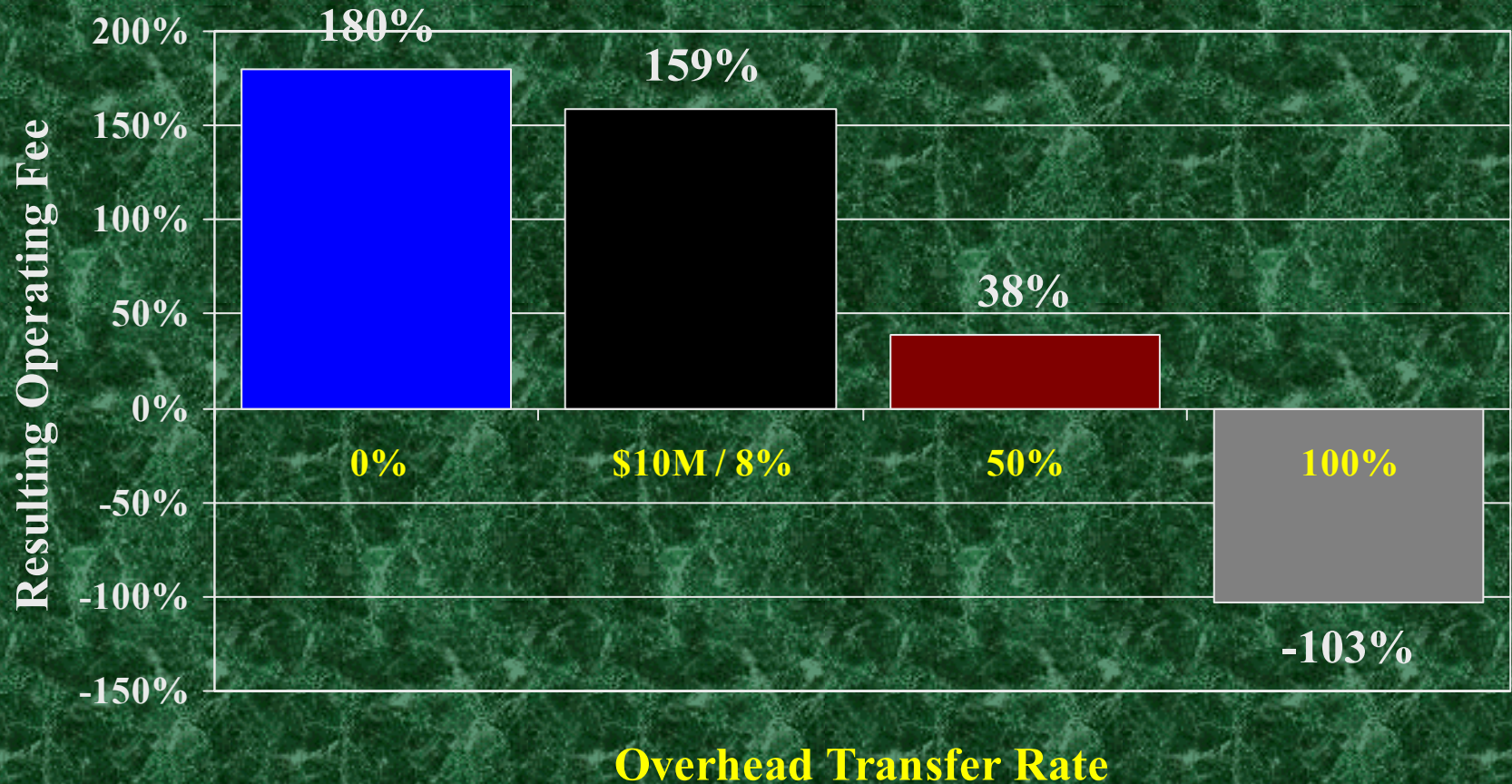
FCU Operating Fee Change

Using Various Overhead Transfer Rates



FCU Operating Fee Change

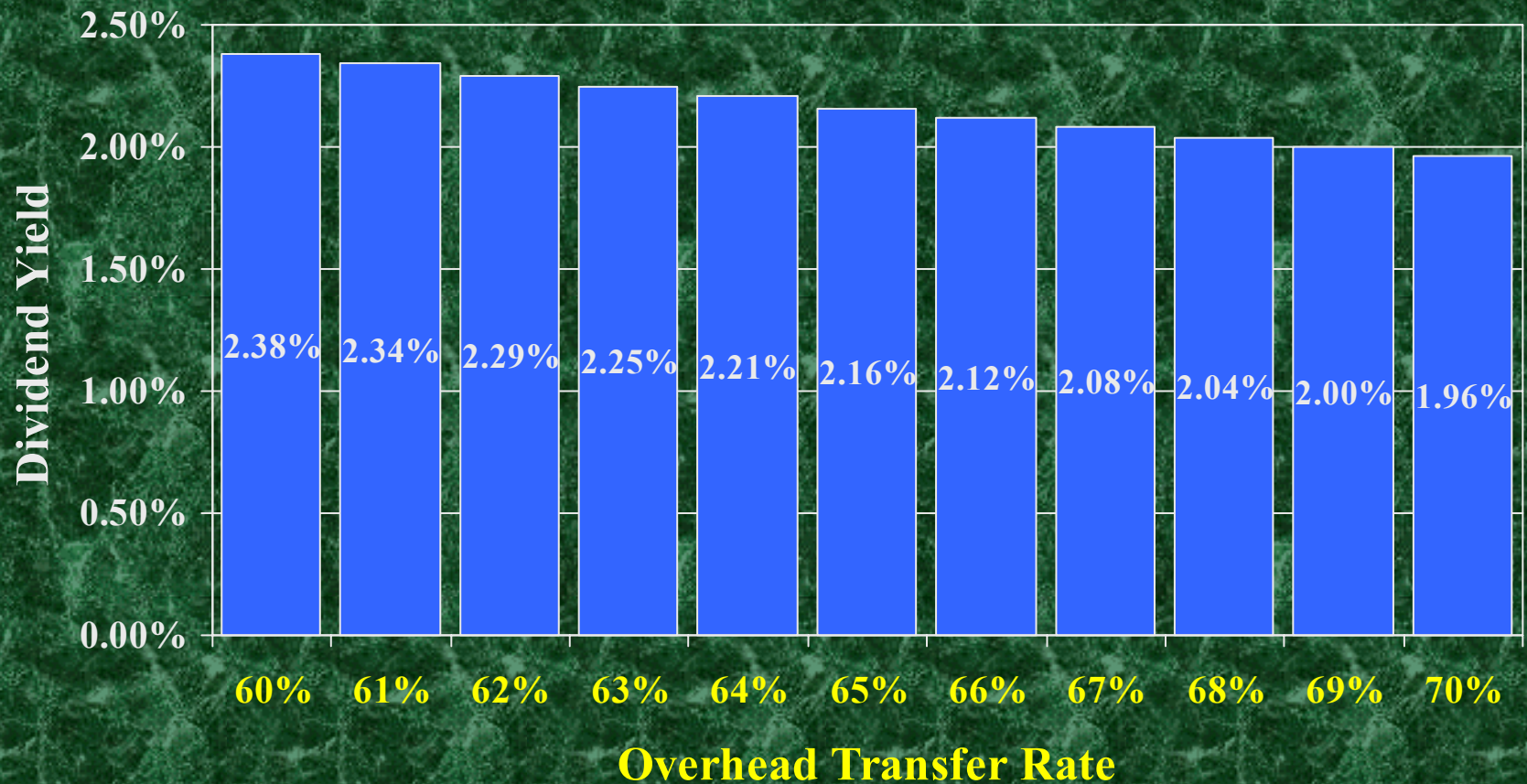
Using Various Overhead Transfer Rates



NCUSIF Dividend Yield

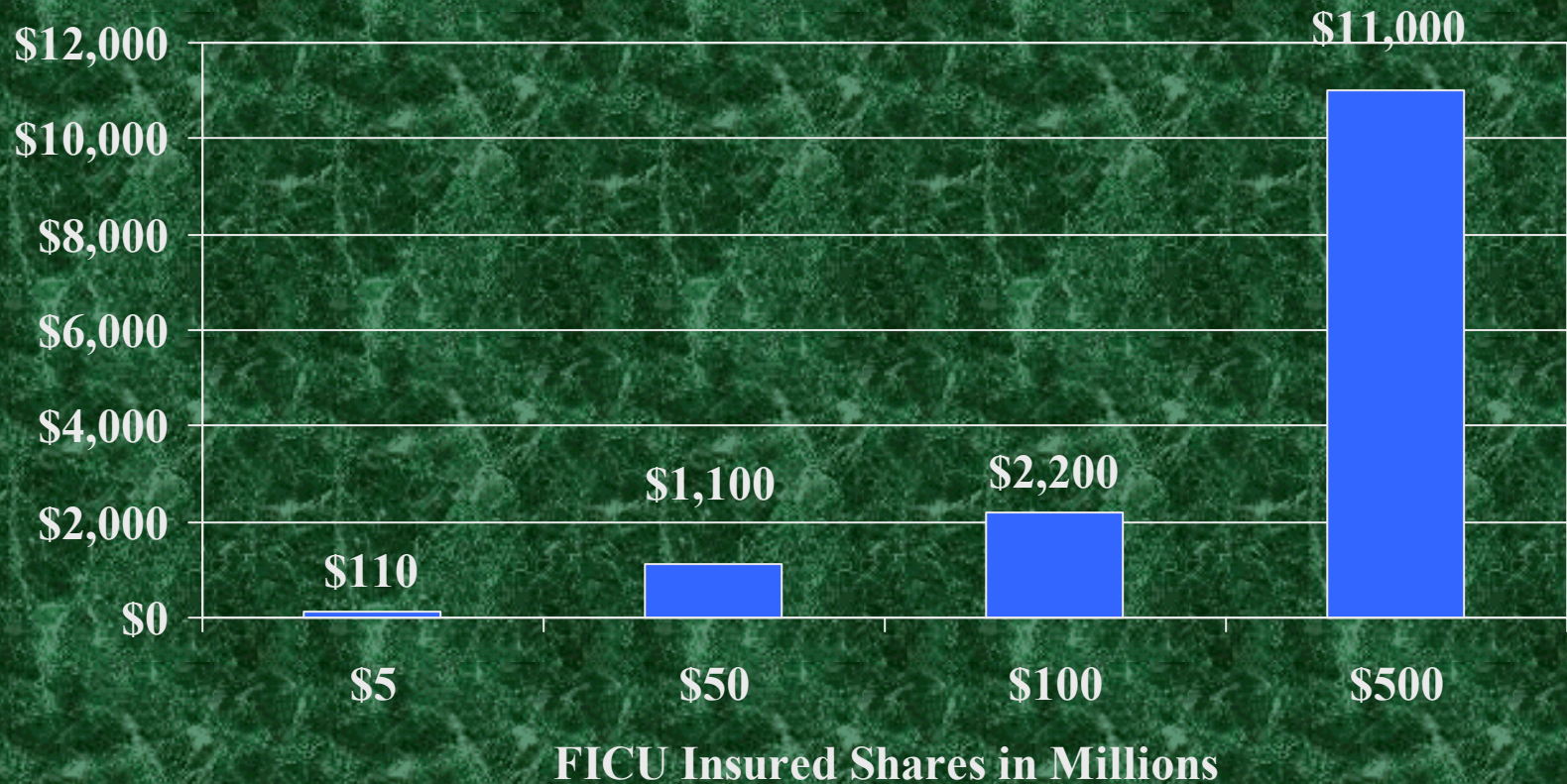
Using Various Overhead Transfer Rates

Based on December 2000 actual expenses & insured shares



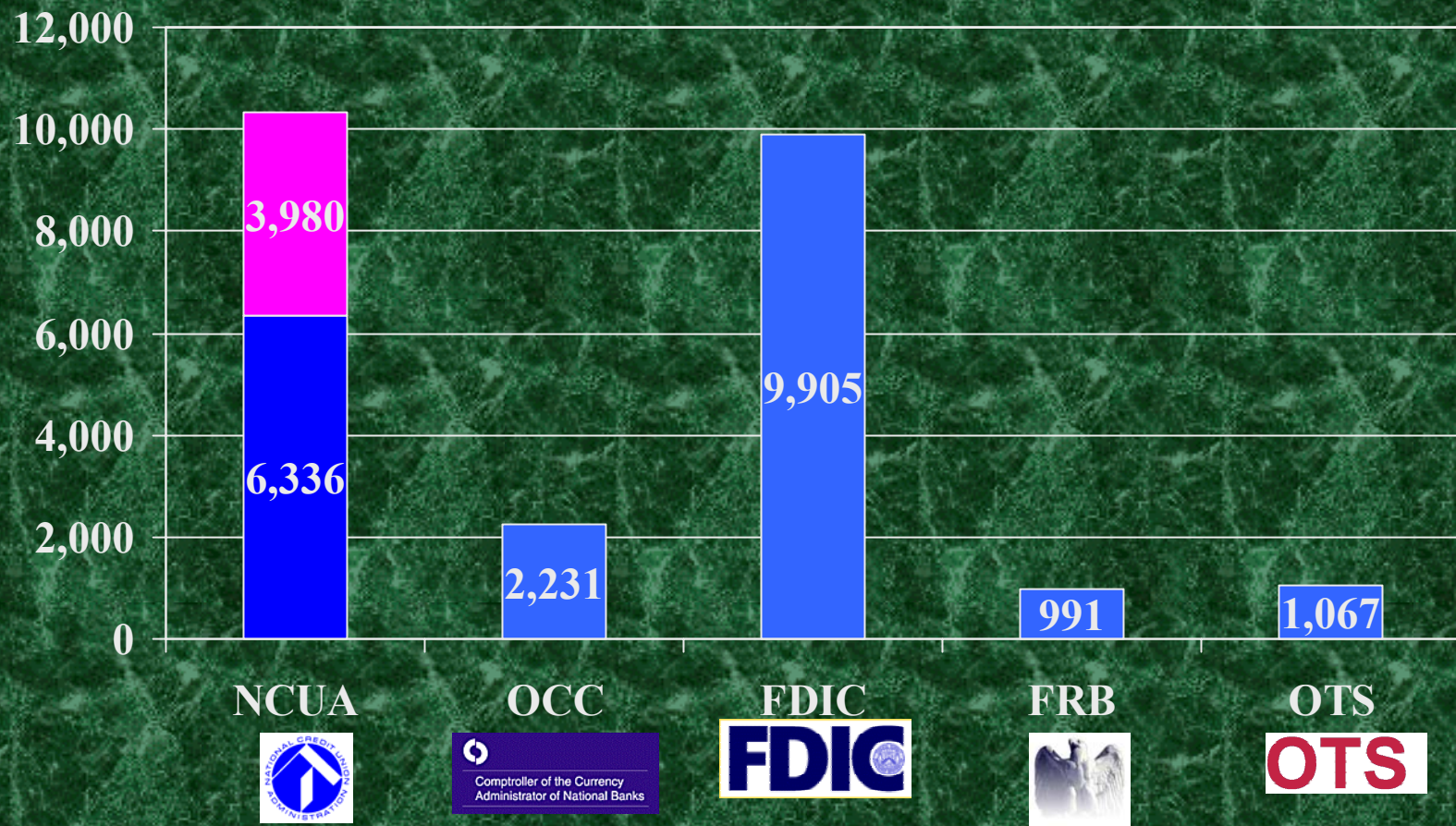
Difference in Dividend Amount

Using an Overhead Transfer Rate of 61% vs. 66%



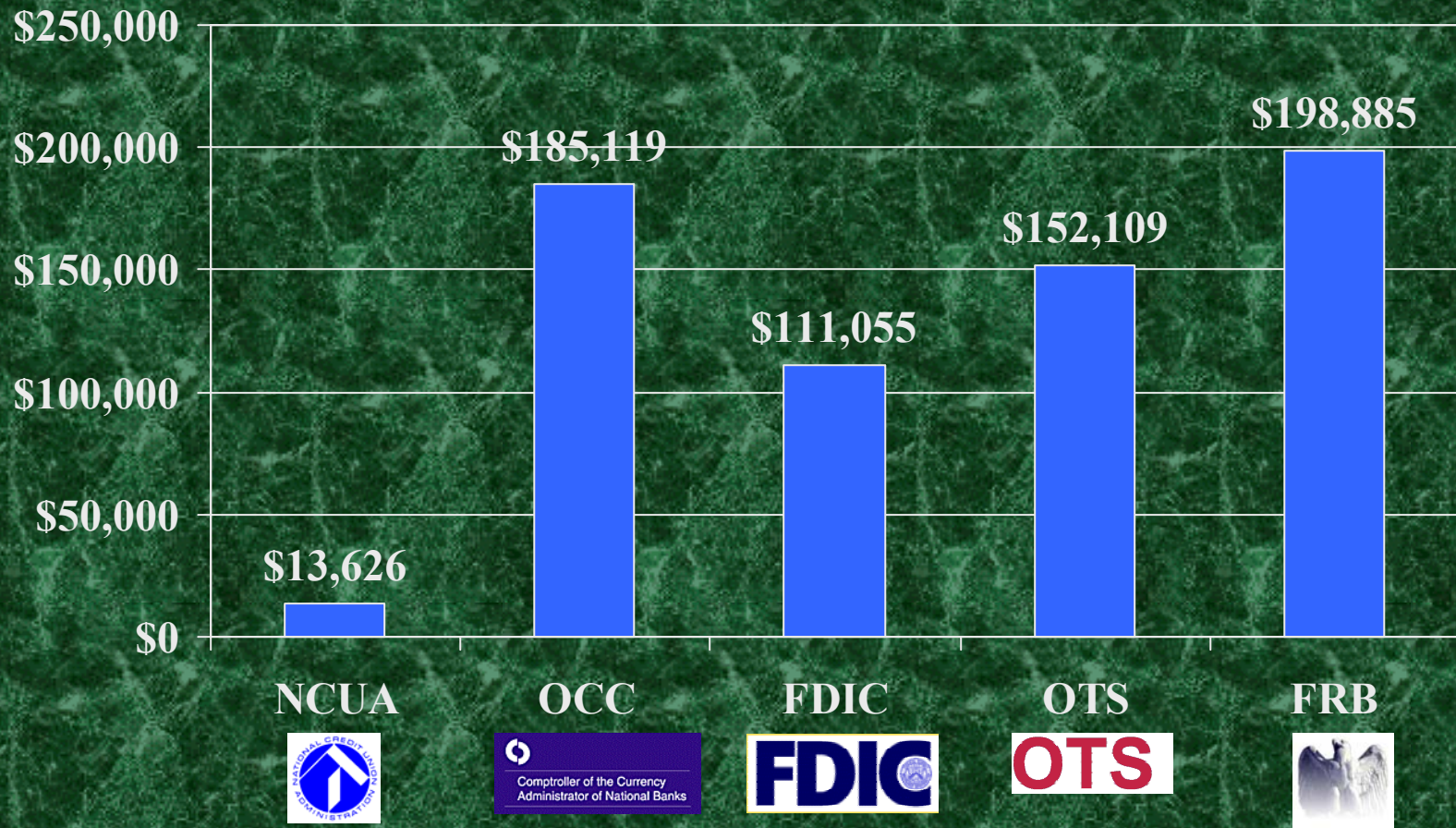
FIRREA: Number of Institutions

as of December 31, 2000



FIRREA: Budget per Institution

December 31, 2000



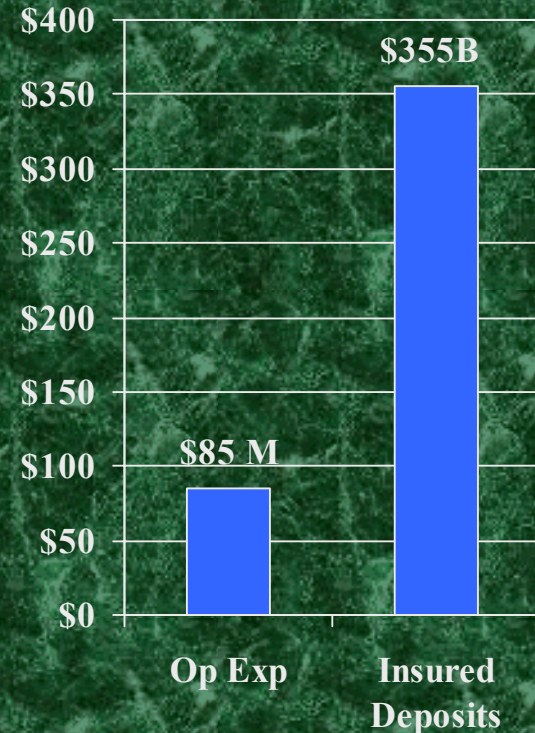
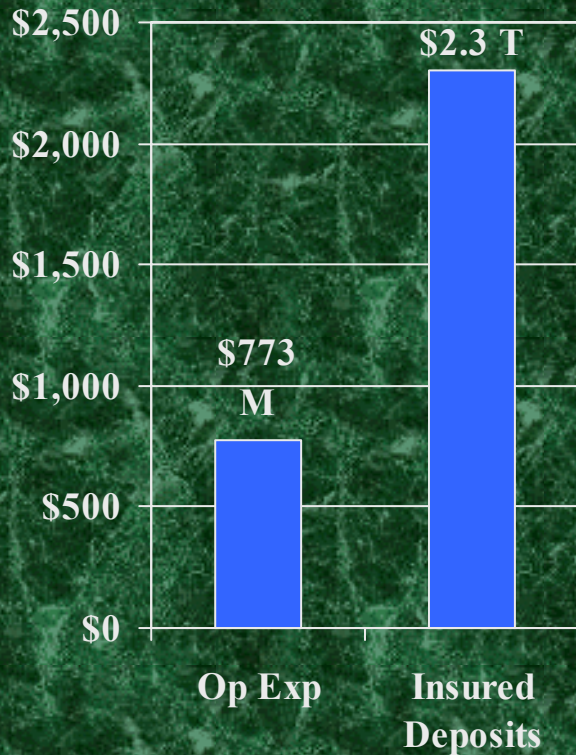
Operating Expenses Per Million Insured Deposits

(12/31/2000)

FDIC/BIF

NCUA/NCUSIF

(at 66.72%)



\$336



\$240

END OF BUDGET BRIEFING

Questions
Answers



November 1, 2001

NCUA Budget Briefing

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