CREDIT UNION COMMISSION MEETING

Credit Union Department Building
914 East Anderson Lane
Austin, Texas
June 4, 2021
9:00 a.m.

AGENDA

This meeting of the Texas Credit Union Commission will be held at the Credit Union Department Building and is open to the public. As authorized under Texas Government Code Sections 551.125 and 551.127, Commission members and members of the public may also participate in this meeting virtually by two-way audio or video conference. Those wishing to attend the meeting virtually will find a link to the meeting on the Department's webpage at www.cud.texas.gov on the day of the meeting. Members of the public wishing to provide testimony through virtual means will need to register through email with isabel.velasquez@cud.texas.gov.

An electronic copy of the agenda is now available at www.cud.texas.gov under Credit Union Commission, Commission Meetings, along with a copy of the meeting materials. A recording of the meeting will be available after June 11th, 2021. To obtain a recording, please contact Isabel Velasquez at 512-837-9236.

Public participants must email isabel.velasquez@cud.texas.gov in advance of the meeting if you would like to provide public comment through the video conference. When the Board reaches the public comment item, the Chairperson will recognize you by name and give you an opportunity to speak.

Public comment on any agenda item or issue under the jurisdiction of the Credit Union Commission is allowed. Unless authorized by a majority vote of the meeting quorum, the comments of any persons wishing to address the Commission will be limited to no more than ten (10) minutes.

The Commission may discuss and/or take action regarding any item on this agenda

TAB		PAGE
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F.	Proposed Revisions to Commission Policy Manual • VIII. Commission Member Training • X. Audit Committee (Standing) • Appendix. New Commission Member Training Program	**67**

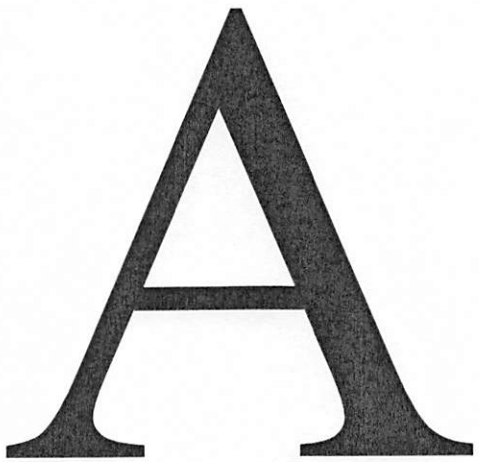
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	(a) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter A (General Rules), Sections 91.101, 91.103, 91.104, 91.105, 91.110, 91.115, 91.120, 91.121 and 91.125, and Re-adoption of Rules	
	(b) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter B (Organization Procedures), Sections 91.201, 91.202, 91.203, 91.205, 91.206, 91.208, 91.209 and 91.210, and Re-adoption of Rules	
	(c) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter J (Changes in Corporate Status), Sections 91.1003, 91.1005, 91.1006, 91.1007, 91.1008 and 91.1010, and Re-adoption of Rules	
	(d) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter L (Submission of Comments by Interested Parties), Section 91.3001 and 91.3002, and Re-adoption of Rules	
	(e) Adoption of New Rule 7 TAC, Part 6, Chapter 91, Subchapter H Section 91.809 (Purchase of Assets and Assumption of Liabilities)	
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O.	Future Commission Meetings: Agenda Items, Arrangements, and Dates (including proposed August 27, 2021 at 9:00 a.m.)	**117**

Adjournment

Note: The Credit Union Commission may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.

Meeting Recess: In the event the Commission does not finish deliberation of an item on the first day for which it was posted, the Commission might recess the meeting until the following day at the time and place announced at the time of recess.

Meeting Accessibility: Under the Americans with Disabilities Act, the Credit Union Commission will accommodate special needs. Those requesting auxiliary aids or services should notify Joel Arevalo, Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752--(512) 837-9236, as far in advance of the meeting as possible.



CALL TO ORDER

TEXAS CREDIT UNION COMMISSION MEMBERS

- *Yusuf E. Farran, Chair*
- *Elizabeth L. "Liz" Bayless*
- *Karyn C. Brownlee*
- *Beckie Stockstill Cobb*
- *Steven "Steve" Gilman*
- *Sherri B. Merket*
- *Jim Minge*
- *David F. Shurtz*
- *Kay Rankin-Swan*

Legal Counsel

- *Melissa Juarez*

Staff

- *John J. Kolhoff*
- *Robert W. Etheridge*
- *Joel R. Arevalo*
- *Isabel Velasquez*

FUTURE CREDIT UNION
COMMISSION MEETING DATES

Friday, August 27, 2021

Friday, November 5, 2021

Friday, March 4, 2022

All regular scheduled meetings will begin at 9:00 a.m. unless notified differently.

If anyone has conflicts with the proposed dates, please contact Isabel Velasquez at (512) 837-9236.

B

CREDIT UNION COMMISSION MEETING MINUTES

Draft copies of the minutes for the March 5, 2021 meeting, and the corresponding follow-up action report, are located under **Tab B.**

RECOMMENDED ACTION: The Department requests that the Commission approve the minutes as presented.

RECOMMENDED MOTION: I move that the minutes of the Commission's regular meeting of March 5, 2021 be approved as presented.

CREDIT UNION COMMISSION MEETING MINUTES
Credit Union Department Building
(Via video/teleconference only)
914 East Anderson Lane, Austin, Texas
March 5, 2021

A. CALL TO ORDER -- Chair Yusuf Farran called the meeting to order at 9:05 a.m. via video/teleconference, pursuant to Chapter 551 of the Government Code, and declared that a quorum was present. Other members present included, Liz Bayless, Karyn Brownlee, Beckie Stockstill Cobb, Steven "Steve" Gilman, Sherri Merket, Jim Minge, David Shurtz, and Kay Swan. Assistant Attorney General Melissa Juarez was in attendance to serve as legal counsel. Representing the Department staff were John J. Kolhoff, Commissioner, Robert E. Etheridge, Deputy Commissioner, and Director of Information and Technology Joel Arevalo. Chair Farran appointed Isabel Velasquez as Recording Secretary. The Chair inquired and the Commissioner confirmed that the notice of the meeting was properly posted with the Secretary of State **(February 22, 2021 TRD#2021001164)**.

❖ **GENERAL PUBLIC COMMENT --** Chair Farran invited public input on matters that were not scheduled items on the agenda for possible future consideration by the Commission. No public comments were received.

B. MINUTES OF PREVIOUS MEETING (November 6, 2020) -- The Chair referred the members to the draft minutes of the previous meeting included in the agenda packet and asked for any proposed edits. Mrs. Bayless pointed out that the minutes did not reflect her being present in the roll call of this meeting. The chair responded that the minutes would be corrected to reflect Mrs. Bayless being present at this meeting and asked for a motion to approve the amended minutes. Mrs. Cobb moved for approval of the minutes of November 6, 2020 as corrected. Mrs. Merket seconded the motion, and the commission carried the motion unanimously.

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C. DEPARTMENT'S ACTIVITIES RELATED TO COVID-19 -- Commissioner Kolhoff reported that the Department has taken significant actions in response to the COVID-19 outbreak to address the operational and supervisory aspects of their function. Due to the continuance of the health and operational hazards relating to potential COVID-19 exposure, the Department continues to follow local health agency standards to mitigate exposure to the virus. In regard to the operational impact of the virus, the Department restricted access to the office to only the necessary work staff. Office staff continues to be divided into two teams each working independent, 20-hour onsite skeleton crew shifts to limit the potential to spread the virus internally and maintain operations in the event of infection. The examination staff continues to work remotely to conduct their examinations on an ongoing basis and work with institutions to utilize the existing information-sharing tools the Department developed over the last three years to increase remote examination. The Department remains ready to enter a credit union, if necessary, to perform its duties; however, at this time all work has been effectively conducted offsite. Staff continue to conduct regular calls to credit union CEOs and to survey operational, credit, liquidity and sensitivity risks during the pandemic.

After a brief discussion, no formal action was taken by the Commission.

D. DEPARTMENT'S FY 2021 FINANCIAL PERFORMANCE – Commissioner Kolhoff reported that in 2020 the Commission adopted a strategic plan for Fiscal Years 2021-2025. The $4.3 million FY 2021 budget approved by the Commission in August 2020 includes the maintenance and operating and capital improvement budgets in support of the Strategic Plan. At the end of the five months ending in January 2021 total expenditures were $1.464 million or approximately 17% below budgeted projections of $1.756 million. Almost all lines performed below budgeted levels apart from additional technology upgrades costs for FY 2021. Mr. Kolhoff further reported that the remediation of the water intrusion issue on the west side of the building has been addressed on the external wall of the building and

DRAFT

final finish work on the interior is scheduled for completion. The full cost associated with this remediation project is expected to be approximately $20,000 and is not yet reflected in the financial information presented in the meeting materials.

After a brief discussion, no formal action was taken by the Commission.

E. DEPARTMENT'S GENERAL BUDGET ASSUMPTIONS AND PARAMETERS – Commissioner Kolhoff explained that the Finance Code, Section 16.003 gives the Commission the responsibility for approving the Department's budget each year. However, since the budget must be adopted at the June meeting, staff is seeking approval of the guidelines for developing the FY 2022 budget to present at the June meeting. Furthermore, Mr. Kolhoff reported that Texas Facilities Commission (TFC) has estimated the cost to replace the office roof to be approximately $271,000. We are working with the Comptroller's Office to establish an appropriate bid package to comply with state purchasing rules. Mr. Kolhoff reminded the Commission that no funds are appropriated for this project in the FY 2021 budget, and the current approved strategic plan calls for this project to be funded in FY 2023.

After a short discussion, Mr. Minge moved that the Commission adopt the proposed budget assumptions and parameters for FY 2022 as recommended by staff. Mrs. Brownlee seconded the motion, and the motion was unanimously adopted.

F. CREDIT UNION COMMISSION'S POLICY MANUAL, ANNUAL POLICY REVIEW — Commissioner Kolhoff reported that, in accordance with Commission policy, the Commission is required to review its policies manual at least one each year. At this time, staff has no recommendations for changes to any of the policies contained in the manual.

After a short discussion, the Commission reviewed the manual and made no modifications.

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G. STATE CREDIT UNION SYSTEM – Commissioner Kolhoff indicated the information presented in the meeting packet is based on the last financial numbers available and that Mr. Etheridge would proceed with a more detailed report on the state credit union system. Mr. Etheridge reported that, overall, Texas credit unions have performed well during the pandemic and remain generally safe and sound. While a few have experienced some financial performance deterioration, most do not evidence a material decline in their financial condition/strength. Fourth quarter net income trends indicate most credit unions generated adequate earnings to cover operating costs and maintain capital strength despite asset growth exceeding net worth growth due to the impact of an influx of deposits. Furthermore, credit unions encountered rapid asset growth in 2020 driven, in part, by stimulus deposits and flight to safety. He expressed that credit unions have weathered the COVID-19 storm relatively well. It remains imperative for the Department to continue to collaborate with Texas charters to safeguard the financial interests of millions of Texans and to work cooperatively with our credit unions in order that they may endure the serious hardships they continue to face.

After a brief discussion, the commission took no formal action.

H. SUNSET REVIEW – Commissioner Kolhoff reported that after the background included in the meeting packet went out, he was notified that the senate version of our Sunset bill, SB 707, has been filed and was being sponsored by Senator Paxton's office. Mr. Kolhoff noted having an appointment to virtually meet with the Senator's office and Sunset review staff to discuss the language of the bill later this Friday afternoon. He expressed that he did not see anything that would be problematic or controversial.

After a short discussion, the commission took no formal action.

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I. EQUAL EMPLOYMENT AND WORKFORCE DIVERSITY PLAN – Commissioner Kolhoff reported that Finance Code, Section 15.313 requires the Commission to prepare and maintain a written policy statement to assure implementation of a program of equal employment opportunity under which all personnel decisions are made without regard to race, color, disability, sex, religion, age, or national origin. Accordingly, the policy is presented for the Commission's consideration and approval.

After a short discussion, Mrs. Merket moved that the Commission adopt the Department's Equal Employment and Workforce Diversity Plan as recommended by staff with no changes. Mrs. Cobb seconded the motion, and the motion was unanimously adopted.

J. INTERNAL RISK ASSESSMENT REPORT – Commissioner Kolhoff pointed out that Section 2102.013 of the Texas Government Code requires state agencies which meet certain requirements to conduct a formal risk assessment each year and submit the assessment to the State Auditor's Office. The Department has completed the internal risk review and has prepared the required written assessment of the risks for submission.

After a brief discussion, Mr. Gilman moved that the Commission approve the Department's Internal Risk Assessment Report for FY 2021 and authorize the submission to the State Auditor's Office. Mr. Shurtz seconded the motion, and the motion was unanimously adopted.

K. RULEMAKING MATTERS – Chair Farran reminded everyone that recommendations from a Standing Committee do not require a second for us to consider and vote on the recommendation. Chair Gilman reported on March 4, 2021, in a public meeting the Rules Committee met to discuss and consider several formal recommendations:

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(1) In accordance with the Commission's Rule Review Plan, it was the Committee's determination that the reasons for adopting 7 TAC, Part 6, Chapter 97, Subchapter A, B, C, D, E, and F continue to exist and that the Commission readopt the rules in those chapters.

(2) The Committee reviewed proposed New Rule 7 TAC, Part 6, Chapter 91, Subchapter H, Section 91.809. The proposed new rule will provide the Department approval authority and federal credit union parity to state-chartered institutions exercising authority available to Federal credit unions under NCUA R&R, §741.8.

After a lengthy discussion, Mrs. Brownlee moved that the Commission approve for publication and comment the proposed new Rule 7, TAC, Section 91.809 with amended language to Section (e). Mrs. Cobb seconded the motion, and motion was unanimously adopted.

L. Future Commission Meetings: Agenda Items, Arrangements, and Dates. Chair Farran reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for June 4, 2021 at 9:00 a.m., in Austin.

ADJOURNMENT – There being no further business for the Credit Union Commission, Chair Farran adjourned the meeting at 10:38 a.m.

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Yusuf E. Farran
Chairman

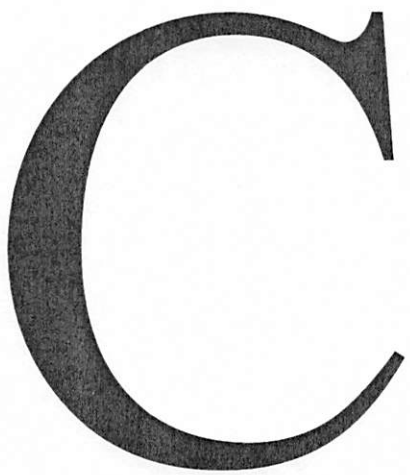
Isabel Velasquez
Recording Secretary

Distribution:

Legislative Reference Library

FOLLOW-UP ACTION REPORT
CREDIT UNION COMMISSION MEETINGS

MINUTES DATE AND REFERENCE/TOPIC	FOLLOW-UP ACTION REQUIRED	STATUS (As of 05-04-2021)
March 5, 2021		
7 TAC, Part 6, Chapter 97, Subchapter A, B, C, D, E, and F Relating to Commission Policies And Administrative Rules	Published in *Texas Register* as readopted rules.	Published in *Texas Register* on 03/19/21
7 TAC, Part 6, Chapter 91 Subchapter H, New Section 91.809	Published in *Texas Register* with a 31 day comment period.	Published in *Texas Register* on 03/19/21



C. Department Activities Related to COVID-19.

BACKGROUND: The Department has taken significant actions in response to the COVID-19 outbreak to address the operational and supervisory aspects of their function. Due to the continuance of the health and operational hazards relating to potential COVID-19 exposure the Department continues to follow local health agency standards to mitigate exposure to the virus. While Department staff members have been impacted, the Department was able to identify and eliminate possible exposure from spreading within the Agency.

OPERATIONAL FUNCTIONS: To address the operational impact of the virus the Department restricted access to the office to only that necessary. All employees were provided with sanitary supplies, facemasks and educational resources to understand and remain knowledgeable about what is known of the virus.

As of May 3, office staff have returned to working within the office. Staff are temperature tested daily upon arrival and masks are encouraged when working in proximity to other staff members.

All examination staff are phasing back into onsite procedures but remain authorized to work remotely to conduct their examinations on an ongoing basis where possible and practical.

SUPERVISORY FUNCTIONS: Department staff are continuing to monitor institution's operational, credit, liquidity and sensitivity risks during the pandemic.

Further, the Department continues to issue Informational Memorandums and informal emails addressing the pandemic to the industry which can be found **here**. The Department also issued an **emergency authorization to close branches** if necessary

RECOMMENDED ACTION: No action is anticipated.

Exhibit A

Credit Union Department

Report on the effects of COVID-19 on industry operations and existing statutory and regulatory barriers to

the

HOUSE OF REPRESENTATIVES
Committee on Pensions, Investments and Financial Services

August 28, 2020

John J. Kolhoff
Commissioner

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ABOUT THE DEPARTMENT

The Department's mission is to safeguard the public interest, protect the financial interests of credit union members, and promote public confidence in the credit union industry. Through its regulatory and supervisory functions, the Department ensures credit unions, chartered under state law, operate as sound and responsible institutions that enhance the financial well-being of their members.

The policy making body for the Department is the Credit Union Commission. The Commission is a nine-member board of private citizens appointed by the Governor of Texas and is not a separate state agency. Four of the Commission's members must have had at least five years' active experience as an executive, officer, director, or committee member of a credit union. Five of the members are designated as "public members" and may not be employed by or participate in managing or directing any type of financial institution. Current members of the Commission are:

Yusuf E. Farran, Chair	El Paso, Texas
Sherri Brannon Merket, Vice Chair	Midland, Texas
Elizabeth "Liz" Bayless	Austin, Texas
Beckie Stockstill Cobb	Deer Park, Texas
Steven "Steve" Gilman	Katy, Texas
Jim Minge	Arlington, Texas
Karyn C. Brownlee	Coppell, Texas
David F. Shurtz	Hudson Oaks, Texas
Kay Rankin-Swan	Monahans, Texas

The safety and soundness of the credit union industry and its compliance with laws, rules, and regulations is our primary objective. The Department promotes safe and prudent credit union practices through examinations, regular communication with credit union officials, and the review of applications submitted by credit unions to initiate and expand their activities. When appropriate, the Department has a range of informal and formal enforcement options available to resolve regulatory concerns identified at a credit union. The Department also helps ensure that credit union members receive fair and timely resolution of their complaints if they are unable to resolve their issues independently.

The Department supervises credit unions by conducting on-site examinations and by performing ongoing off-site monitoring. These activities help monitor the condition of individual credit unions and the overall stability of the Texas credit union system. The frequency of on-site examinations is determined by the credit union's size, complexity, risk profile, and condition. The on-site examinations are conducted at least every 18 months (more frequently if the credit union is experiencing problems).

SDSI Self-Funding Status

The Department was designated "self-directed and semi-independent" during the 81st Legislative Session. As a result of the SDSI status, the Credit Union Commission is responsible for annually setting the spending authority or limits for the Department and is focused on emphasizing transparency and accountability.

All revenues for operations are derived from assessments payed by Texas chartered credit unions. The assessments are placed in a separate account at the Texas Treasury Safekeeping Trust Company. The Department endeavors to match revenues with expenditures to ensure that credit

unions are not charged more than is required to maintain the agency's operations and meet its statutory mandates. The Department's FY 2020 budget is $4.5 million, with authorized FTEs of 30.

Accredited Credit Union Regulatory Agency

The Department is accredited by the National Association of State Credit Union Supervisors (NASCUS). The NASCUS accreditation program applies national standards of performance to all functional areas of a state credit union regulatory program. Initially accredited in 1996, the Department is re-accredited by NASCUS every five years through onsite review by peer state and federal regulators. Most recently, it received re-accreditation in 2016. Ongoing annual reviews by NASCUS are conducted to monitor maintenance of accreditation standards. Accreditation provides the Department with national recognition among its peers and professional respect from the institutions it regulates and supervises.

ABOUT THE INDUSTRY

The Department's supervisory authority is exercised over 177 credit unions that control approximately $48.6 billion in financial assets as of June 30, 2020. The agency also oversees branches of out-of-state credit unions operating in the state.

Credit unions are deposit pools formed by groups of affiliated people. These groups of members own and control the credit union. Credit union membership is limited to restrictions outlined within Texas statutes to groups that share the credit union's community of interest, such as having the same employer, belonging to the same social group, or living in the same city. Credit unions encourage thrift among their members and pool member funds to lend at reasonable terms to other members.

Credit unions typically specialize in consumer lending. Since the late 1970s, credit unions have received authority to engage in a wide range of financial services, including mortgage lending, credit card issuance, share draft accounts, and a certain degree of business lending.

Dual Chartering

You may have seen or heard the term "dual chartering system." This refers to the fact that both federal and state governments issue credit union charters for the convenience of their citizens. The National Credit Union Administration (NCUA) charters federal credit unions; the state credit union department charters state credit unions. "federal" or "state" credit union has nothing to do with where a credit union does business; it refers only to the kind of charter the credit union has. The NCUA, unlike other federal charterers of financial institutions, also provides federal deposit insurance.

The chartering agency is a credit union's primary regulator, with front-line duty to protect the public against unsafe and unsound credit union practices. Charterers conduct on-site examinations to assess credit union condition and monitor compliance with credit union laws. They issue regulations, take enforcement actions, and close credit unions if they fail.

All credit unions were organized under state law from 1913 until 1934, when the Farm Credit Administration began to charter federal credit unions. The NCUA, established in 1970, now charters federal credit unions.

Given these differences, the department only supervises Texas chartered credit unions, which as of June 30, 2020 represented the following statistics.

Number of Institutions	177
Aggregate Assets	$48.6 Million
Loans Outstanding	$33.4 Million
Aggregate Deposits Held	$42.1 Million
Aggregate Net Worth Ratio	10.36%
Aggregate ROAA Ratio	0.52%
Aggregate Delinquency Ratio	0.70%

Effects of COVID-19 on Industry or Business Operations

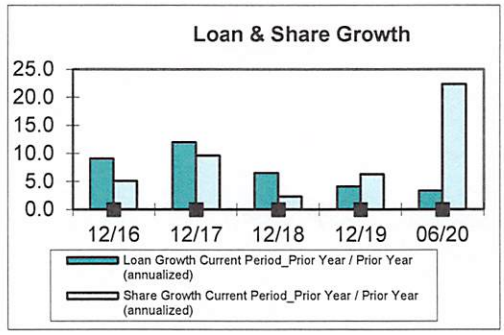
The Texas chartered credit union (TCCU) industry, as the entire nation, has been significantly impacted by the COVID-19 pandemic through the effects on credit union employees, members and operationally as organizations.

Due to the nature of the pandemic, credit unions shifted operations to safely meet the needs of consumers. Limitations on physical contact have necessitated restricting branch access and, in some cases, full branch closures. TCCUs have continued to provide depositors access to safe financial services through limited branch access, debit cards, ATM networks, drive-thru, internet and mobile applications. With potential exposure of the virus and need for responsiveness, the Department has provided regulatory relief relating to approvals of emergency branch closures and appraisal requirements. Further, the Department has provided significant information directly to credit union chief executives related to financial crimes, cybersecurity concerns, and a host of state and federal regulatory matters with implications to the pandemic.

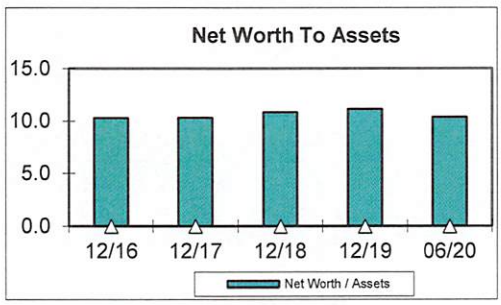
Lending activities have been significantly impacted by the virus as well as the related overall economic downturn. Limitations on physical access has slowed some lending processes. While credit unions have shifted resources appropriately, certain activities in the home equity/real estate arena require contact through appraisal, title work, document filing, etc. The Department has worked jointly with the Texas Finance Commission agencies to provide guidance across the financial services industries to ensure consistent application to consumers. While these guidelines have been well received, the industry continues efforts to address issues outside of Department jurisdiction relating to home equity loan closures in the pandemic environment and compliance with physical closing provisions of the Texas constitution.

The full credit union economic impact of the pandemic has yet to fully materialize as implications of the CARES Act, other regulatory relief measures, and industry forbearances/deferments during the initial phases of the pandemic have lessened the impact. Charge off and delinquency rates remain steady but are expected to rise unless economic stability improves, or additional relief measures are implemented. Due to the widespread environment of economic uncertainty the industry has also experienced a softening demand for loan products.

Financially, Texas chartered credit unions (TCCUs) continue to weather the ramifications as management teams appropriately shift resources to address the health implications of operating with limitations to physical interaction and the potential economic impact to membership credit risk.

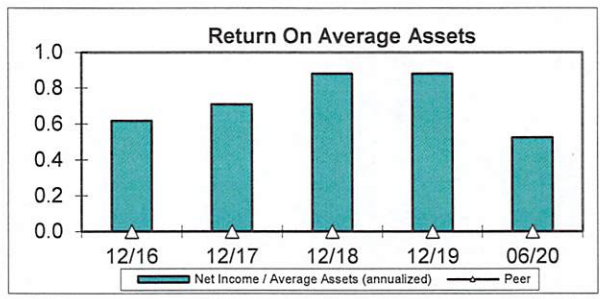


TCCUs experienced significant (20%) annualized asset growth for the calendar year-to-date ending June 30, 2020 to $48.6 Billion. This growth was funded by sharp increases in membership deposits. Member savings growth of this type is typical early in economic downturns as part of consumer flight to safety to decrease their own liquidity and credit risk. It appears stimulus funds paid during the 2nd quarter of 2020 also contributed to the rapid deposit growth.



While in aggregate, TCCUs remain well capitalized and with positive earnings, the significant growth of total assets has driven declines in the net worth (NW) and return on average assets (ROAA) ratios.

Despite over 5% growth in net worth dollars, the aggregate NW ratio for TCCUs has declined 75 basis points to 10.36% of total assets during 2020. Aggregate annualized ROAA for TCCUs has also been impacted by the significant increase in total assets falling approximately 36 basis points during 2020, to .52% of total average assets. Additional factors impacting the declines in financial performance trends include significant COVID-19 related pandemic expenses, stressed earnings capacity due to the low interest rate environment and repressed member loan demand due to economic uncertainty. As of June 30, 2020, thirty-nine TCCUs experienced year-to-date operating losses, three broke even and 135 were profitable.



The Department continues to perform its examination function and in March initiated regular informal follow-up contacts to ensure timely updates on the status of each institution chartered by Texas and any potential difficulties the institution is experiencing relative to the pandemic. The Department will continue to utilize its resources to closely monitor the impact of the COVID-19 pandemic and any other factors impacting the credit union industry to meet its mission as defined by the Texas Finance Code and assist, where possible and prudent, the industry to maintain its soundness and viability.

D

DEPARTMENT'S FY 2021 BUDGET FINANCIAL PERFORMANCE

D. Discussion and Consideration of the Department's FY 2021 Budget and Financial Performance.

BACKGROUND: In 2020 the Commission adopted a strategic plan for Fiscal Years 2021-2025. The $4.3 million FY 2021 Budget approved by the Commission in August 2020 includes the maintenance and operating budget and capital improvement budget in support of the Strategic Plan.

The following report highlights the Department's BY 2021 financial results for the period ending April 30, 2021. At the end of the eight months total expenditures were $2.298 million or approximately 17% less than budgeted projections of $2.781 million. Almost all lines performed below budgeted levels apart from maintenance costs for FY 2021.

The remediation of the water intrusion issue on the west side of the building has been addressed on the external wall of the building and final finish work on the interior is complete. The full costs associated with this remediation project approximated $20,000 and are now reflected in the financial information.

The second operating fee billing was completed February 25 and all payments have been received. The 2021 second billing was adjusted 45% with $1.125 million returned to the industry. The adjustment represents $465,000 of unspent appropriated funds from the FY 2020 budget and $660,000 excess funding provided by TAC 97.113 over the FY 2021 approved budget.

The unspent funds from the FY 2020 budget predominately represent travel related savings as a result of the pandemic and personnel savings due to vacancies, retirements, and a request from the Governor's Office to reduce operating costs.

The funding provided in excess of the approved 2021 budget represents the fixed nature of the schedule provided by TAC 97.113 and the inflated June 30, 2020 asset position of the industry due to COVID related economic measures and a flight to safety.

RECOMMENDED ACTION: No action is anticipated.

Credit Union Department
BY 2021 Budget Analysis
For the Period Ended 4/30/21

	BY 2021 Budget	BY 2021 YTD Budgeted	BY 2021 YTD Actual	Budget Variance	Percent of YTD Budget
REVENUES:					
Operating Income					
Operating Fees	$4,307,682	$4,307,682	$3,876,539	($431,143)	90%
Out-of-State Branch Fees	$0	$0	$9,000	$9,000	100%
Examination Fees	$0	$0	$0	$0	
Application Fees	$0	$0	$0	$0	
Penalties	$0	$0	$0	$0	
Other	($51,250)	($51,250)	($51,250)	$0	
Operating Income Subtotal	**$4,256,432**	**$4,256,432**	**$3,834,289**	**($422,143)**	90%
Interest Income (Operating Acct)	$0	$0	$332	$332	
Interest Income (Contingency Acct)	$0	$0	$145	$145	
TOTAL REVENUES - FUNDS AVAILABLE TO COVER EXPENDITURES	**$4,256,432**	**$4,256,432**	**$3,834,766**	**($421,666)**	**90%**
EXPENDITURES:					
Personnel Expenses:					
Salaries and Wages	$2,607,448	$1,710,699	$1,584,463	$126,236	93%
Employee Benefits	$856,646	$571,097	$512,664	$58,433	90%
Total Personnel Expenses	**$3,464,094**	**$2,281,796**	**$2,097,127**	**$184,669**	**92%**
Travel Expenses:					
In State					
Examinations			$5,762		
Training/Conferences			$0		
Meetings			$1,006		
Public Forums			$0		
Other			$454		
Total In-State	$369,894	$246,596	$7,223	$239,373	3%
Out-of-State	$24,000	$16,000	$200	$15,800	1%
Commission	$14,500	$9,667	$1,010	$8,656	10%
Total Travel Expenses	**$408,394**	**$272,263**	**$8,433**	**$263,829**	**3%**
Other Operating Expenses:					
Communication/Utilities	$49,471	$32,981	$33,172	($191)	101%
Professional Services/Fees	$151,790	$101,193	$69,980	$31,213	69%
Supplies/Materials	$71,070	$47,380	$45,791	$1,589	97%
Printing and Reproduction	$2,204	$1,469	$113	$1,357	8%
Repairs/Maintenance	$11,865	$7,910	$18,343	($10,433)	232%
Rentals and Leases	$6,725	$4,483	$2,611	$1,873	58%
Other Operating	$90,819	$32,013	$22,202	$9,811	69%
Total Other Operating Expenses	**$383,944**	**$227,429**	**$192,210**	**$35,219**	85%
TOTAL EXPENDITURES	**$4,256,432**	**$2,781,488**	**$2,297,770**	**$483,718**	**83%**
REMAINING FUNDS TO COVER EXPENDITURES (Actuals)			**$1,536,996**		

E

DEPARTMENT'S OPERATING PLAN AND FY 2022 BUDGET

E. Department's Operating Plan and Budget for Fiscal Year 2022.

BACKGROUND: Consistent with the Budget Assumptions approved by the Commission, the following pages detail a proposed budget for FY 2022 of $4,894,832 which represents a 13.63% increase from the FY 2021 budget.

The proposed budget includes strategic initiative funding for the costs related to establishing an internal audit function ($62,000); compensation program performance and equity-based amendments ($126,267); establishing a General Counsel position ($161,622) and enhancing the examiner training program ($15,000). The budget also includes capital improvement funding of $271,000 to replace the roof and $30,000 to maintain our internal network infrastructure.

Removing the impact of funding the new roof, the internal audit function and the general counsel position, the FY 2022 proposed budget represents only a 2.1% increase over the FY 2021 budget. As a reminder, last years approved budget represented a 3.1% decrease from the prior year to respond to Governor Abbott's requested budget reviews during the pandemic.

RECOMMENDED ACTION: The Department recommends that the Commission approve the proposed FY 2022 Operating Plan and Budget.

RECOMMENDED MOTION: I move that the Commission approve the proposed FY 2022 Operating Plan and Budget, with a total budget of $4,894,832 and 31 FTEs.

Credit Union Department
State of Texas

FY 2022 Annual Operating Plan & Budget

Approved by the Credit Union Commission
On: _____

INTRODUCTION

In accordance with Chapter 16 of the Finance Code, the Department has crafted the following *FY 2022 Annual Operating Plan and Budget.* This document aligns the goals and measures developed for the Department's *Strategic Plan for Fiscal Years 2021-2025* with the Department's proposed budget. It aims to improve the links between the Department's resource needs, effectiveness, and outcomes.

THE DEPARTMENT TODAY

The Department is a self-directed and semi-independent agency that is responsible for ensuring a safe and sound credit union system for all Texans. This is accomplished through the effective chartering, regulation, and supervision of Texas-chartered credit unions. The operations of the Department are funded primarily by semiannual assessments levied on credit unions. The Department receives no state monies from the General Revenue Fund.

As of December 31, 2020, the Department was responsible for regulating and supervising 176 credit unions. Based on the year-end call reports, Texas-chartered credit unions held $50.7 billion in assets or approximately 40 percent of total aggregate credit union assets in Texas.

GOALS AND OUTCOMES

The Credit Union Commission has established four strategic goals to guide the operations of the Department and to contribute to the achievement of its mission and performance goals. The Commission's goals are:

1. to ensure a safe and sound state credit union industry;
2. to provide a flexible regulatory framework that enables credit unions to provide a full competitive array of financial services;
3. to safeguard the interest of credit union members; and
4. to develop a professional and motivated staff that provides quality service to the citizens of Texas and supports achievement of the Department's statutory mission.

The Department works to meet these goals by, among other things, detecting violations and potential problems or issues in the Texas credit union system and ensuring that the violations are addressed; crafting rules that strengthen corporate governance and operations; ensuring credit union members are treated fairly; and making sure that the Department's human capital strategies, information technology initiatives, and resources are appropriately aligned to achieve the Department's mission, goals, and outcomes.

Like other regulatory agencies, the Department has found it challenging to develop measures that accurately depict the outcomes of the agency's activities. In many instances, the effects of the agency's efforts can only be indirectly assessed. The Department intends to continue refining its work in this area as it gains more experience in integrating its budget and performance functions. As part of this effort, the Department will continue to assess alternatives for measuring outcomes that help the public gauge the Department's progress in achieving its mission, as well as assisting staff in meeting their objectives.

Strategic Goal 1: To Ensure a Safe and Sound Credit Union Industry

Strategic Objective 1.1: The Department anticipates, understands, addresses, and communicates risk to credit unions. The Department seeks to fulfill this objective by:

1. establishing the appropriate regulatory framework;
2. being a prudent steward of Department resources;
3. ensuring risk-based supervision is properly implemented and focused on material risks to the industry and individual credit unions;
4. identifying emerging risk areas related to industry and individual credit unions;
5. complying with the examination requirements of 7 TAC Section 97.105;
6. resolving problem credit unions in a timely fashion, effectively, and when possible, without loss to the share insurance provider; and
7. taking prompt and effective enforcement actions when warranted.

Strategic Objective 1.2: The Department cooperates with other regulatory authorities on common interests. The Department seeks to fulfill this objective by:

1. working effectively with the NCUA, private share insurance providers, and other state regulators to identify and address risks and emerging issues; and
2. implementing and developing new coordination and collaboration agreements with NCUA, private share insurance providers, and other applicable state regulators regarding supervisory activities performed in credit unions and information exchange.

Strategic Objective 1.3: Supervisory methods and analytical tools keep pace with industry changes and appropriately support the broader mission of the Department. The Department seeks to fulfill this objective by:

1. utilizing analytical tools and reports to effectively use the data collected from credit unions to foster informed decision making for supervisory operations and policy;
2. deploying supervisory technology solutions to enhance data quality and provide user-friendly examiner access to key credit union and industry information; and
3. Providing transparency through the Department's reporting.

Key Performance Measures

- Percentage of credit unions receiving regular examination annually
  - Target for FY 2022: 75%
- Percentage of applications approved or denied within 60 days
  - Target for FY 2022: 100%
- Number of state-chartered credit unions
- Number of regular examinations performed
- Percentage of credit unions with composite CAMEL ratings of 1 or 2
  - Target for FY 2022: 85%
- Percentage of assets held in credit unions with CAMEL ratings of 1 or 2
  - Target for FY 2022: 95%

Internal Measures

- Number of follow-up contacts made
- Number of enforcement actions issued
- Percentage of credit unions that are "Well Capitalized" as defined by federal statute
  - Target for FY 2022: 95%
- Percentage of reports mailed to credit unions within 25 days
  - Target for FY 2022: 98%
- Percentage of total available work time utilized to conduct both regular and remedial examination work
  - Target for FY 2022: 65%
- Average Cost per Credit Union Examination
- Assets Examined per Examiner Day
  - Target for FY 2022: $14.0 million*
- Average time to complete analysis of quarterly financial data
  - Target for FY 2022: within 30 days after the submittal deadline for the most recent 5300 Call Report

*Target same as FY21. Will be amended for FY22, based upon 95% of actual level realized for entire FY21.

Strategic Goal 2: To Provide a Flexible Legal and Regulatory Framework that Enables Credit Unions to Provide a Competitive Array of Financial Services

Strategic Objective 2.1: Each Commission rule is current, clearly written, and necessary for an effective supervisory process. The Department seeks to fulfill this objective by:

1. drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current conditions;
2. conducting the mandatory rule review in accordance with Commission's approved plan; and

3. implementing rulemaking through successful collaboration and consultation with interested parties.

Strategic Objective 2.2: The Department supports credit union efforts to remain competitive, consistent with safety and soundness. The Department seeks to fulfill this objective by:

1. supporting the continued recognition of the attributes of the state credit union charter through appropriate opinions and rules;
2. developing and modernizing attributes of the credit union charter and the role and status of the industry;
3. enhancing communication with NCUA and other state regulators to facilitate better coordination on issues affecting credit unions; and
4. communicating attributes of the state charter within and outside the Department.

Strategic Objective 2.3: Application procedures are efficient and consistent with safety and soundness. The Department seeks to fulfill this objective by:

1. providing a standardized application package;
2. establishing policies and procedures that provide clear and comprehensive guidance;
3. implementing and maintaining processes for prompt screening of applications; and
4. enhancing existing technology solutions that support effective application operations.

Key Performance Measures

- Percentage of rule changes provided to credit unions within 60 days after adoption
  - Target FY 2022: 100%

Internal Measures

- Number of new rules adopted
- Number of rules amended
- Number of rules re-adopted without change
- Number of applications processed
- Number of requests for interpretations/opinions of Act and Rules
- Number of contested cases referred to SOAH
- Number of Public Information Act requests processed
- Number of public forums in which Department participates
- Total Assets in state-chartered credit unions
- Percentage increase in total aggregate credit union assets
- Percentage of interpretations/opinions issued within 30 days

- Target FY 2022: 100%

Strategic Goal 3: Safeguard the Interest of Credit Union Members

Strategic Objective 3.1: All credit union members have reasonable access to credit union services and are treated fairly and lawfully. The Department seeks to fulfill this objective by:

1. reinforcing the importance of fair and honest treatment of credit union members through appropriate supervisory and enforcement action;
2. expanding the agency's role in resolving and/or mediating member complaints handled by the Department;
3. strengthening role in addressing member privacy, information security, and identity theft; and
4. enhancing the Department's consumer compliance examination program.

Strategic Objective 3.2: Credit unions are involved in providing financial services in underserved communities within this State. The Department seeks to fulfill this objective by:

1. supporting the efforts of credit unions to expand their fields of membership to included underserved and low income communities;
2. facilitating the process for credit unions to obtain a low-income designation from NCUA; and
3. participating in financial literacy efforts by the industry and other agencies.

Key Performance Measure

- Percentage of credit unions providing services to low income or underserved populations

Internal Measures

- Number of complaints processed
- Percentage of complaints responded to within 30 days
  - Target FY 2022: 95%

Strategic Goal 4: Develop a Professional and Motivated Staff that Provides Quality Service and Supports Achievement of the Department's Statutory Mission.

Strategic Objective 4.1: The Department maintains a competent, highly motivated, and diverse workforce in a fair and inclusive work environment. The Department seeks to fulfill this objective by:

1. maintaining a comprehensive Equal Employment and Workforce Diversity Plan;
2. executing an aggressive recruiting and comprehensive training strategy for new entry-level examiners;
3. developing proactive initiatives focused on the retention of employees, including mentoring, employee feedback, incentives, and recognition programs;
4. creating a leadership development program to support and enhance management succession; and
5. implementing an external hiring strategy to augment specialized skills to enhance the Department's supervision of complex credit unions.

Strategic Objective 4.2: The Department is an efficient, effective, and ethical organization. The Department seeks to fulfill this objective by:

1. ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework;
2. ensuring compliance with the rules, policies and procedures for ethical conduct by its employees;
3. ensuring reliable, secure, modern information technology systems are in place in support of an environment that meets the Department's mission, goals, and objectives; and
4. leveraging technology, with particular focus on information management initiatives, such as records and knowledge management.

Internal Measures

- Percentage of exam related travel cost reduced by remote work
  - Target FY 2022: 20%

Strategic Objective 4.3: The Department's resource decisions and operations reflect sound financial, security, and risk management principles. The Department seeks to fulfill this objective by:

1. implementing security controls to mitigate risk and to protect confidential information;
2. improving contingency planning for business continuity, including information technology recovery, compliance with Homeland Security requirements, and crisis management strategies; and
3. achieving reliable, accurate and timely financial resources management information.

Internal Measures

- Annual examiner turnover rate
  - Target FY 2022: 16%

- Average regulated assets per examiner (billions)
  - Target FY 2022: $3.0 billion*
- Number of days of formal training attended by staff
- Number of purchases made from HUB vendors
- Percentage of purchases made from HUB vendors
  - Target FY 2022: Professional Services - 23.7%; Other Services - 26.0%; and Commodities - 21.1%
- Percentage of credit unions indicating quality service annually
  - Target FY 2022: 90%
- Staffing level
  - Target FY 2022: 95%
- Number of jobs fairs attended
  - Target FY 2022: 2
- Turnover ratio (excluding retirements)
  - Target FY 2022: Less than 15%
- Accreditation by NASCUS Maintained in Good Standing
  - Target FY 2022: Yes
- Total Department costs relative to every $100,000 in assets regulated
  - Target FY 2022: $9.44**

*Based on regulated assets as of February 28, 2021, divided by 17 examiners (fully staffed).
**Target based on FY19 cost of $8.99/$100k of regulated assets times 105%. FY20 actual costs were not used ($8.02/$100k of assets) due to examinations being conducted remotely for the last 5.5 months of the fiscal year. This resulted in restricted travel and greatly reduced costs. It is anticipated most exams in FY22 will be conducted on-site and examiner travel costs will resume.

DEPARTMENT BUDGET – FY 2022

REVENUE:		
Operating Fees		$4,894,832[1]
Examination Fees		
Application Fees		
Penalties		
Refund/Reimbursement of Expenditures		
Other		
TOTAL REVENUE		$4,894,832
EXPENDITURES:		
Personnel Expenses		
Salaries and Wages	$2,750,629	
Payroll Related Costs	899,511	
Total Personnel Expenses		$3,650,140
Travel Expenses		
In State	$375,073	
Out-of-State	30,000	
Commission	26,500	
Total Travel Expenses		$431,573
Other Operating Expenses		
Professional Services/Fees	$221,790	
Materials and Supplies	74,470	
Communications/Utilities	51,001	
Repairs/Maintenance	290,665	
Rentals and Leases	5,500	
Printing and Reproduction	2,755	
Other Expenditures	115,688	
Contingency Reserve Funding FY21	51,250	
Total Other Operating Expenses		$813,119
TOTAL EXPENDITURES		$4,894,832
CONTINGENCY RESERVE AFTER FY21 FUNDING		$947,500
FULL-TIME-EQUIVALENT POSITIONS (FTEs)		31.0

[1] Budgeted operating fees will be set to cover the actual budget approved by the Commission. Any funds in excess of the prescribed Contingency Fund Reserve aggregate limit as of August 31, 2021, will also be used to reduce the operating fees for Texas credit unions during the fiscal year.

	CUMULATIVE RESOURCES					
Budget Year	2016	2017	2018	2019	2020	2021
Authorized FTE	28.5	29.5	29.5	29.5	30.0	30.0
Actual FTE	28.0	29.0	28.5	29.0	29.0	28.0*
Budgeted Dollars	$3,700,917	$3,935,394	$4,063,453	$4,260,909	$4,445,694	$4,307,682
Actual Dollars Spent	$3,455,068	$3,850,838	$3,874,028	$3,903,856	$3,898,009	TBD

**As of February 28, 2021.*

BUDGET ASSUMPTIONS FOR BUDGET YEAR 2022

The following broad assumptions will establish the foundation for the development of the Department's Budget Year (BY) 2022 budget and provide a framework to staff and the Commission for setting priorities, determining service levels, and allocating limited financial resources.

1. **Balance Budget** – In accordance with Commission policy, the budget will be balanced using BY 2021 ending reserve balance funds in excess of the aggregate contingency reserves limit.
2. **Contractual Obligations** – The Department intends to meet all contractual obligations. Purchase orders or contracts which were placed and committed prior to the end of Fiscal Year (FY) 2021 for which the requested services performed until after the start of FY 2022 are considered obligated funds. The budget authority for these obligated funds will automatically be carried over to BY 2022 and the BY 2022 budget will be increased by an amount exactly equal to the obligated amount.
3. **Compliance** – The budget shall provide enough funding to continue compliance with all applicable statutes, governmental requirements, administrative rules, and Department policy in regulating and supervising the safety and soundness of credit unions.
4. **Strategic Plan Initiatives** – Consistent with the FY 2021-2025 strategic plan, the budget will provide appropriate funding to implement the delineated initiatives for FY 2022.
5. **Salary and Benefits** – The expenditures for FY 2022 will be based on authorized and existing positions as of August 31, 2021 and include any scheduled salary increases/promotions prescribed in the *Salary Administration Plan for Examination Staff.* Filled positions will be budgeted at the actual salary for the individual in that position and vacant examiner positions will be budgeted at the mid-point of the FEIII salary range for the positions. Vacant office positions will be budgeted at the mid-point of the salary range for the positions. Employee Benefits will be automatically calculated on all salaries with the appropriate benefit rates established for state agencies. The Department will also monitor legislative initiatives which could result in required legislative pay increases for State of Texas employees.
6. **Merit Increases** – To foster, support, and reward outstanding performance and to retain key high performing staff, aggregate merit increase awards for staff are estimated at an amount equivalent to 3.00% of the total salaries for those positions and will be awarded based on the established merit pay tiers. The corresponding increase in Employee Benefits,

resulting from the proposed merit awards, will also be properly reflected in the budget.

7. **Retiree Insurance Cost** – Retiree Insurance Cost are a result of staff retiring from the Department. Changes in retiree insurance cost are anticipated to be allowable budget adjustments.
8. **Inflation Factor** – No inflationary increases are anticipated, except for increases in the cost of utilities and in state staff travel. Increases in utility costs will be based on the prior year ending Consumer Price Index for the U.S. published by the U.S. Bureau of Labor Statistics.
9. **Statewide Indirect Cost** – Statewide indirect cost allocations are a result of a statewide plan established by the Comptroller of Public Accounts. Changes in indirect cost allocations are anticipated to be allowable budget adjustments.
10. **Out-of-State Travel** – Out of state travel related to examinations, conferences, training, or other authorized purposes will not exceed $10,000. Travel for NASCUS and FBIIC related meetings for the Commissioner will not exceed $20,000.
11. **Commission Travel** – At the November 2019 commission meeting, it was decided that the number of commission meetings would be increased from three to four per year. The budgeted annual travel costs for these meetings of $14,500 per year for BY 2021 budget, will remain the same for BY2022.
12. **Electronic Document Management System (EDMS)** – The budget shall provide for the costs associated with the further development and maintenance of our EDMS.
13. **Information Technology** – The budget shall provide enough funding for computer network upgrades and computer equipment replacement in accordance with the Department Technology Plan.
14. **Improvements** – The budget shall provide enough funding for scheduled maintenance and repairs in accordance with the Replacement/Capital Improvement Plan.
15. **NASCUS Dues** – The budget shall provide enough funding to accommodate the projected increase in the professional association's dues.
16. **Accreditation Fees** – The budget shall provide enough funding to accommodate the fees associated with the Department's continued NASCUS accreditation.
17. **Overnight Travel Stipend** – The budget shall provide enough funding to pay examiners an overnight travel stipend in accordance with the qualifying conditions included in the Department's policy. The stipend will not be considered a one-time merit award and may be paid to the eligible examiners regardless of their last merit pay or promotion action.
18. **Examiners' Laptops and Support** – During FY 2018, NCUA leased laptops to the Department examination staff for a period of three years. Upon expiration of the current lease, NCUA will no longer provide

laptops. Thus, the Department began replacing laptops for field and office staff with a phased-in approach during FY 2019, 2020 and 2021, prior to the expiration of the lease period with the NCUA. That transition is now complete. Beginning with the BY2022 budget, and annually thereafter, the budget will provide laddered funding for the replacement of Department laptops (office and field staff) every three years. Under this assumption, up to 11 laptops will be replaced each fiscal year. The budget will also include any additional costs associated with procuring all software licensing, security and support for the new machines. The Department will exercise diligence and discretion with this assumption and whenever possible, the life of certain laptops may be extended (i.e. from 3 to 4 years, etc.).

SUMMARY OF PROPOSED FY 2022 BUDGET

Budget Needed to Continue Existing Services		$4,228,941
Strategic Initiatives:		
Priority #1 – Annual Internal Audits of CUD	$ 62,000	
Priority #3 – Salary Plan for Examiners	$ 97,874	
Priority #4 – Merit Increase – Office Staff	$ 28,393	
Priority #5 – Add General Counsel	$ 161,622	
Priority #7 – Enhance Examiner Training	$ 15,000	
Total Strategic Initiatives		$364,889
Replacement/Capital Improvement Plan:		
Priority #2 – New Roof	$ 271,000	
Priority #6 – IT Related Maintenance	$ 30,000	
Total Replacement Capital Improvements		$301,000
Grand Total Agency Requested Budget FY22		**$4,894,832**
Grand Total Agency Budget FY21		**$4,307,682**
$ Increase versus FY20 budget		**$587,150**
% Increase below FY20 budget		**13.63%**
Full-Time-Equivalent Positions		**31.0**

BUDGET NEEDED TO CONTINUE EXISTING SERVICES

FY 2022 Base Budget Reconciliation			
Object of Expenses	**FY 2021 Budget**	**Adjustment**	**Base FY 2022**
Salaries and Wages	2,607,448	<93,374>[1]	2,514,074
Payroll Related Costs	856,645	<8,470>[2]	848,175
Travel	408,394	11,179[1a]	419,573
Professional Services/Fees	151,790	5,000[2a]	156,790
Supplies/Materials	71,070	<11,600>[3]	59,470
Communication/Utilities	49,471	1,530[4]	51,001
Repairs/Maintenance	11,865	<7,200>[4a]	4,665
Rentals and Leases	6,725	<1,225>[5]	5,500
Printing and Reproduction	2,204	551[6]	2,755
Other/State of Texas Services	142,070	24,868[7]	166,938
Grand Total	**$4,307,682**	**<$78,741>**	**$4,228,941**

[1]Reduced FY21 baseline salary and wages costs by $93,374 based on $2.5k increase in Commissioner salary (approved Nov. 20); $57,494 reduction in baseline salaries for staff based on current salary levels; $42k in decreased cost for lump sum vacation; and $3,620 increase in longevity pay.

[2]Decrease in Payroll Related Costs of $8,470 primarily attributed to decrease in baseline salaries and associated benefit costs which are tied to salary levels.

[1a]Travel increase of $11,179 due to 1.4% increase ($5,179) for in-state travel based on baseline budget assumptions and $6,000 increase in commission member travel costs to return to pre-pandemic baseline/budget amount prior to expense reduction request in 2020 from the Governor's Office.

[2a]Increase of $5k due to returning to baseline amount of $25k for Educational (training) costs, prior to expense reduction request in 2020 from the Governor's Office.

[3]Baseline reduced by $11,600 (#7977) due to discontinue of annual budget of $15k tied to expired Technology Plan and addition of funds to purchase up to eleven laptops in FY22, in conjunction with previously approved budgeted items and the budget assumptions.

[4]Increased by $1,530, based on CPI index add-on for Electric and Water utility bills, a $800 decrease to COBJ #7501 reallocated to COBJ #7204, a $1k increase to COBJ #7516 reallocated from COBJ #7300 and a $1,225 increase to COBJ #7526 reallocated from COBJ #7415.

[4a]Baseline reduced $7,200 due network firewall upgrade not completed in FY21, as originally budgeted.

[5]Baseline reduced by $1,225 due to reallocation of funds from COBJ #7415 to COBJ #7526.

[6] Increased the baseline amount by $525. Returned to baseline amount, prior to expense reduction request in 2020 from the Governor's Office.

[7]Increase of $24,868 due to $13,700 increase in NASCUS annual membership dues (#7201), $800 increase in #7204 (reallocated from #7501), $9,428 increase in #7274 for anticipated temp agency costs in Sept. 2021, $450 increase in COBJ #7286 reallocated form COBJ #7203 and $490 increase in COBJ #7203 (reallocated from #7286).

OVERVIEW OF AGENCY REQUESTED FY2022 BUDGET

Proposed Budget with Strategic Initiatives

Object of Expenses	Base Budget	Strategic Initiatives	Budget Request
Salaries and Wages	$2,514,074	236,555	$2,750,629
Payroll Related Costs	848,175	51,336	899,511
Travel	419,573	12,000	431,573
Professional Services/Fees	156,790	65,000	221,790
Supplies /Materials	59,470	15,000	74,470
Communication/Utilities	51,001	0	51,001
Repairs/Maintenance	4,665	286,000	290,665
Rentals and Leases	5,500	0	5,500
Printing & Reproduction	2,755	0	2,755
Other/State of Texas Services	115,688	0	115,688
Contingency Reserves	51,250	0	51,250
Grand Total	**$4,228,941**	**$665,891**	**$4,894,832**

Percentage Increase above FY 2021 Budget	13.63%

Potential Revenues and Proposed Expenditures[3]

Potential Revenues	$5,379,616[3]
Proposed Expenditures	$4,894,832
Est. FY22 Operating Fee Adjustment	$484,784
Est. % Operating Fee Adjustment	9.0%

Note: As required by Commission policy, staff reviewed all fees established by Rule 97.113 and recommends that the Commission make no changes to the fee structure at this time. The fee schedule currently ensures the funding of the full cost of operating the Department. The Department does plan to establish an advisory committee to analyze the structure of Rule 97.113 relative to Sunset Review Commission staff recommendations after the completion of this legislative cycle.

[3]Using assets as of March 31, 2021. Actual fees/revenues will be based on assets as of June 30, 2021.

REVENUE HISTORY

Fiscal Year 2019	
Total Fees Prescribed by Rule 97.113	$4,494,724
$ Installment Adjustment Permitted	<$ 448,299 >
% Operating Fee Installment Adjustment	10.0%
Actual Assessment Collected	$4,046,425

Fiscal Year 2020	
Total Fees Prescribed by Rule 97.113	$4,625,330
$ Installment Adjustment Permitted	<$291,033>
% Operating Fee Installment Adjustment	6.3%
Actual Assessment Collected	$4,334,297

Fiscal Year 2021	
Total Fees Prescribed by Rule 97.113	$5,006,667
$ Installment Adjustment Permitted	<$1,130,131>
% Operating Fee Installment Adjustment	22.6%
Actual Assessment Collected	$3,876,536

PERFORMANCE/KEY MEASURES

Measure	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 YTD - 2/21
Number of Credit Unions	187	185	181	177	176
Credit Union Total Assets (billions)	$39.6	$41.5	$43.4	$48.6	$50.7
Percent Increase in Credit Union Total Assets	10.3%	4.8%	4.6%	12.0%	4.3%
Average Regulated Assets per Examiner (billions)	$2.08	$2.30	$2.71	$3.04	$3.17
Number of Examinations	170	151	151	150	69
Percent of Credit Unions Examined	91%	82%	83%	85%	39%
Percent of Credit Union Assets Examined (based on assets at last regular exam)	89%	90%	92%	91%	33%
Number of Remedial Exams	28	34	31	30	13
Percent of Credit Unions Rated 1 or 2 (CAMELS)	89%	87%	87%	88%	90%
Percent of Assets in 1 or 2 Rated Credit Unions (CAMELS)	93%	97%	97%	96%	96%
Percent of Well-Capitalized Credit Unions	98%	97%	100%	99%	99%
Number of Credit Unions Rated 3, 4, or 5 (CAMELS)	21	24	23	21	17
Annual Examiner Turnover	5.3%	5.3%	5.6%	5.6%	11.5%
Average Tenure of Departing Examiners (Months)	14	33	51	53	39
Number of Examiners Hired	1	0	1	1	3
Annual Staff Turnover	10.5%	3.5%	10.8%	3.5%	7.2%
# of Formal Training Days	386	314	292	209	81
Number of Applications Processed	62	62	73	106	68
Number of Request – Interpretation/Opinion	3	0	0	3	0
Number of Public Information Requests	12	19	22	27	18
Number of Written Credit Union Complaints Processed	280	338	376	344	147
Depart. Costs/$100k Assets	$10.33	$9.33	$8.99	$8.02	TBD

STRATEGIC INITIATIVE FUNDING REQUEST #1

Initiative Name: **Implement Annual Internal Audits of Credit Union Department (CUD)**
Priority: **1**

Annual Internal Audits	
Objects of Expense	**Estimated Costs**
Annual Audit Costs	$50,000
Audit Committee Travel Costs	$12,000
Total	**$62,000**

Description/Justification: As outlined in the Sunset Review Commission's report on the Department in recommendation 2.3, the Department should move forward to establish an independent audit program. This process requires the Commission to establish a standing Audit Committee. The Department recommends changes to the Commission Policy Manual to establish such a Committee. The Commission is asked to approve the estimated travel costs and establish a budget for the Audit Committee's contracting of an internal audit vendor.

STRATEGIC INITIATIVE FUNDING REQUEST #3

Initiative Name: **Salary Plan for Examiners**
Priority: **3**

MERIT POOL FOR EXAMINERS	
Objects of Expense	**Estimated Costs**
Salary & Wages	$82,594
Payroll Related Costs	$15,280
Total	**$97,874**

Description/Justification: "Ensuring Texas has a safe and sound credit union system," is an undeniable mandate. Assessing credit unions' safety and soundness requires skilled examiners, and the ability to retain qualified examiners is essential in meeting this objective. Credit unions continue to grow in assets, complexity and sophistication. The average asset size of a Texas chartered credit union has increased approximately 30 percent, from $211.7 million at fiscal year-end 2017, to $274.7 million at fiscal year-end 2020. It is essential that the Department maintain controlled examiner turnover numbers. Offering an attractive overall benefit package, including a competitive salary, is a key component affecting examiner retention.

External/Internal Factors: If pay levels are perceived to be below market, it is difficult to attract and retain a qualified, motivated examiner work force, which ultimately affects examination effectiveness. Additionally, the complexity of work demanded from the examination staff continues to increase. Therefore, it is essential that the Department continues to be able to attract and maintain a skilled examiner work force. The Department must bring its examiner pay system more closely in line with the National Credit Union Administration and Department of Banking to sustain the retention rate and value of the Department's examination workforce, benefiting all stakeholders.

The following Salary Plan was developed as a result of, and includes the results of, a 2021 salary survey.

CREDIT UNION DEPARTMENT, STATE OF TEXAS

Salary Plan for Examiners

Introduction

The Department competes with credit unions, other state agencies, and federal regulatory agencies for its examiners. Thus, examiner compensation is an important component of the Department's overall recruitment and retention strategy for its examination staff. In FY 2021 there are 19 authorized examiner positions, including Field Supervisors. Salaries paid to the examination staff, especially the less tenured staff, have fallen below the levels offered by competitor agencies, both at the state (i.e. Texas) and federal level. To better motivate, retain, and attract skilled examiners, this salary plan for examination staff is being developed and presented to the Commission for its consideration.

It is important the Department recognize the importance of the examination staff and assure a program designed to compensate examiners fairly, to maintain a competitive pay structure, and reward performance. To achieve these objectives, the Department needs to create a pay structure which is consistently evaluated to ensure it is competitive externally, internally, and individually. It is important that examiners be paid fairly compared to people doing equivalent work external to the Department. The Department's closest proxies for salary comparability are the NCUA and the Department of Banking (i.e. Texas) pay scale for equivalent positions.

Internally, the Department staff must assign duties and responsibilities consistent with their position description and grade level. Each position's salary grade level is based on the job description for that position, so accurate job descriptions and workload assignments are crucial.

Individually, examiners should be rewarded for their performance relative to that of his/her peers consistent with their job descriptions. Based on that performance, an examiner should be awarded higher compensation within their current salary range or, when warranted based on achieving certain levels of performance, be promoted to a higher salary range.

Overall, examiner compensation is a major factor contributing to the Department's ability to sustain its regulatory and supervisory programs. Therefore, examiner compensation levels must be competitive and a high-priority element of budgetary planning each fiscal year.

"Examiner" Defined

The term "examiner," when used in this Plan, refers only to an individual classified as Financial Examiner (Class codes 1100, 1102, 1104, 1106, 1108, 1110, and 1112) who spends at least 50 percent of their time actually conducting on-site examinations of credit unions.

Mission Critical Staff

There is probably no one factor more critical to the Department's overall success or its ability to accomplish its mission than its examination staff. Acquiring, developing, and retaining a competent, highly motivated, and diverse examination workforce is one of the Department's top priorities and is one of its strategic goals. At the same time significant internal and external factors affect the Department's current and future examination workforce, challenging the Department's ability to ensure that the right people are in the right positions at the right time.

Background

The Department has worked diligently to earn the trust of the citizens of Texas, the credit union industry it supervises, and other governmental agencies with whom it cooperates. It has sought this trust through many avenues, but mainly around one objective – providing the highest quality supervision possible at the most efficient cost. To meet these challenges, the Department's staff, and its examiners, must be composed of qualified individuals to carry out and administer the agency's supervisory responsibilities.

The Department continues efforts to reduce and abate turnover in examiner positions and now more than ever the ability to retain skilled and knowledgeable examiners is an essential goal. The Commission has responded positively to the Department's needs by providing a competitive salary structure, which reduced turnover significantly over the last six to seven years. While these previous measures were significant steps, further action is needed to ensure competent examiners remain with the agency, and a sizeable compensation imbalance does not re-emerge.

Compensation for examiners currently consists of base salary and a package of benefits offered by the State of Texas. Benefits have a monetary value and both the Department and examiners should consider this value in reviewing overall compensation. This plan, however, solely describes the administration of the Department's examiner salary program.

The Department assigns each examiner job title to a specific pay grade that has an established minimum to maximum salary range. Examiners assigned a specific job title will be paid within the stated salary range.

The specific salary structure for the examiner series consists of seven pay grades, as shown in Table 1.

Table 1: Examiner Salary Structure

	Salary Range		
Grade	**Minimum**	**Mid-Point**	**Maximum**
B17	$36,976	$ 47,688	$ 58,399
B19	$42,244	$ 55,602	$ 68,960
B21	$48,278	$ 63,616	$ 78,953
B23	$55,184	$ 72,789	$ 90,393
B25	$63,104	$ 83,298	$103,491
B27	$76,356	$102,747	$129,137
B29	$92,390	$124,323	$156,256

An individual examiner's salary is based on an examiner's application of his or her knowledge, skills, abilities and competencies, as well as work experience, education, training, and certification (commissioned examiner). An examiner's salary is also based upon compensable factors such as job complexity, accountability, performance and results.

Examiner Turnover

The Department dedicates considerable resources (time and money) to hire and retain examiners who "best fit" the job and who enjoy putting in the effort to accomplish the mission and goals of the agency. Training during the developmental period (3-5 years) provides a journeyman examiner the skills needed to effectively and independently perform their assigned duties. The ability to retain journeyman examiners is essential to the Department's ability to achieve its mission.

Turnover of examiners has serious implications for the Department beyond the impact which lost knowledge and experience has on staff morale, performance levels, regulatory oversight and other aspects of agency performance. In addition, the direct financial cost of losing and replacing an examiner is significant. While it is difficult to fully calculate the cost of examiner turnover (including hiring and training cost), GALLUP reports (03/13/2019 a range between 50 percent and 200 percent of annual salary per exiting employee.

Since these turnover costs are largely hidden and it is not something contained in a line item in the budget, Table 2 summarizes examiner turnover for the last fifteen fiscal years and the estimated costs using a conservative 50 percent calculation.

Table 2: Examiner Turnover and Its Cost

Fiscal Year	Number of Terminations	Estimated Turnover Cost
2006	4	$82,362
2007	2	$36,000
2008	3	$68,382
2009	2	$42,650
2010	3	$67,314
2011	1	$23,364
2012	2	$50,274
2013	1	$23,004
2014	2	$62,322
2015	4	$114,874
2016	4	$120,930
2017	1	$28,152
2018	0	$0
2019	1	$31,026
2020	1	$32,268
2021 (YTD)	2	$63,822

The success of the Department depends on the ability of its examiners to detect problems early and tailor supervisory strategies for resolution. Key to this ability is a skilled examination staff who can independently perform extensive analysis and demonstrate sound judgment.

Virtually all the Department's examiner talent is homegrown. Typically, the Department hires new college graduates, and after following a developmental period of three to five years, examiners are deemed independently competent to handle most any situation. Unfortunately, in the past, the Department found itself in an almost constant process of hiring and replacing journeyman examiners who left before they reached a tenure where they became fully capable and productive. Specifically, an examiner that was hired during the last ten fiscal years and, has subsequently either voluntarily or involuntarily departed, was with the Department an average 29 months. While this average time of service has risen in recent years, an ongoing cycle of examiner hiring, and replacement can be a drain on the agency's resources that could be better utilized to improve examination quality and examiner achievement.

More detailed information on the Department's cycle of hiring and replacing examiners is shown in Table 3.

Table 3: New Hire's Average Tenure at termination

Fiscal Year	#Examiners Hired	# Still on Staff	Avg. Tenure of those Exiting
2005	4	0	22 months
2006	5	1	16 months
2007	1	0	1 month
2008	2	0	25 months
2009	3	0	26 months
2010	4	2	35 months
2011	0	N/A	N/A
2012	3	0	29 months
2013	2	0	28 months
2014	3	0	18 months
2015	4	3	32 months
2016	7	4	41 months
2017	1	1	N/A
2018	0	0	N/A
2019	2	1	22 months
2020	1	1	N/A
YTD 2021	3	3	N/A

Minimizing examiner turnover will become more important for the Department as the post pandemic economy continues to improve and the demand for many skills increase. Talented examiners who stayed put during the challenging pandemic economy could accept higher pay offers from other organizations.

Examiner Compensation

The Department recognizes the importance of its examination staff and the need to invest resources in them to develop and maintain the capacity to achieve its mission. Additionally, the Department strives to pay examiners in ways that reward contribution, recognized quality performance, and encourage growth and development.

The Department aspires to support this philosophy through a compensation program designed to:

- Support the mission of the Department;
- Attract and retain a well-qualified examination staff;
- Provided equitable and fair compensation for similar qualifications and work;
- Help the Department compete successfully for examiners with the mix of knowledge and skills vital to its mission;

- Ensure compliance with applicable laws and regulations;
- Recognize, motivate, and reward commendable performance; and
- Pay at fiscally responsible levels that are competitive with NCUA and the Department of Banking.

Base Level Salary

Base salary for examiners is based upon an individual's skill, education, and experience. The Department's goal is to have base salaries which are competitive on average with the NCUA and the Department of Banking. This means that the average salary of all the incumbents in any job should be close to the average of salaries for an equivalent position with NCUA or the Department of Banking. Individual salaries may be above or below the average, depending on factors such as performance and experience. An examiner who is paid a base salary at the midpoint of the salary range possesses full job knowledge, qualification, and experience for the position.

Starting Base Level Salary

a. If an examiner is being hired and the Department has one or more examiners in the same job title, the new examiner's starting salary should generally not exceed the current salary of any examiner with the same job title who has comparable qualifications. The assessment of comparable qualifications includes the following: experience, competencies, documented job-related performance, and education. If a new examiner's salary would create an inequity, the Department should consider an appropriate salary adjustment for existing examiners. Equity increases must be approved by the Commissioner before the examiner can be hired.

b. The minimum of the pay range is typically paid to examiners who meet, but do not exceed, the minimum qualifications of the position. Starting salaries above the minimum and up to the midpoint may be considered depending on such factors as:

- The extent to which the examiner's level of education and years of experience exceed the minimum requirements for the position.
- Job market-related pressure on salary levels.
- Internal equity considerations.
- Internal budget constraints.

Starting salaries above the midpoint may be considered for individuals who have directly related unique competencies or directly related experience or education that is extensively beyond the minimum requirements of the position, or in cases of unusually critical market-related pressure on salary levels.

Competitive (Market) Pay

It is important to differentiate between having a salary structure (grades, salary ranges and midpoints) that provides competitive rate "opportunity" and paying examiners at those rates. Some would describe this as whether the Department is "walking the talk."

For their part, examiners relate to what they are being paid, not the midpoint of a salary range or other such declared "opportunity." To some of them the Department's "competitiveness" can be more illusion than fact, especially if they have been with the Department for more than 3 years. Thus, it is important for the Department to keep its focus on actual versus opportunity pay.

As indicated in Table 4 below, circumstances outside the Department's control have adversely affected the relative position of the examiners' salaries that cannot be handled by typical annual merit increases. Specific salary information is difficult to obtain from NCUA, so we also included average salaries with those paid by the Department of Banking to ensure we have realistic, practical and measurable numbers.

Table 4: Salary Comparison with Comparable Regulatory Agencies

Title	CUD Average Salary	Banking Dept. Average Salary	NCUA Mid-Point Salary
Examiner I	49,878	56,988	47,496
Examiner II	56,316	60,936	58,626
Examiner III	65,679	66,943	75,030
Examiner IV	75,456	78,421	86,747
Examiner V	83,298*	88,008	100,211
Examiner VI	108,672	111,943	115,620
Examiner VII	133,356	140,221	133,605

**No employees currently employed at this level. Figure based on mid-point for position.*

Periodic Salary Increases

As indicated in Table 5, the Department's average salary for an entry level examiner is competitive with the NCUA but lags the Department of Banking. In addition, the Department does not keep pace with the periodic salary increases/promotions provided by these two agencies. To remain competitive and limit examiner turnover, funding must be allocated annually to examiner salary increases. Salary increases provided to examiners should be based upon performance rather than an across-the-board basis. An examiner that

has a completed current satisfactory performance review should be deemed to have performed at a level adequate to receive a pay increase by means of a salary increase or by a promotion. If an examiner receives an unsatisfactory evaluation, he/she should not be eligible for a salary increase.

Table 5: CUD Salaries as Percent of Salaries at Other Agencies

Title	CUD Average Salary	CUD Adjusted as Percent of Banking Dept.	CUD Adjusted as percent of NCUA
Examiner I	49,878	87.5	105.0
Examiner II	56,316	92.4	96.1
Examiner III	65,679	98.1	87.5
Examiner IV	75,456	96.2	87.0
Examiner V	83,298*	94.6	83.1
Examiner VI	108,672	97.1	94.0
Examiner VII	133,356	95.1	99.8

Performance Appraisals

Written performance appraisals are prepared by supervisors and reviewed with examiners annually. The goals of the Department's Performance Appraisal System are to:

- Improve the examiner's understanding of their assignments, the established standards for performance, and their progress in meeting these standards.
- Encourage examiner development for better job performance.
- Assist in identifying examiner training needs.
- Ensure objectivity, consistency and fairness in appraising examiners.

The Performance Appraisal System consists of performance factors, each weighted according to its degree of importance to the job, and goals and objectives. It is adaptable to each job classifications, changes in assignments and responsibilities, and variations in importance of performance factors. Appraisals are accomplished through the application of appropriate performance factors relating to the assigned task and using factor weighting applied to these performance factors. Examiners are rated from Unacceptable to Significantly Exceeds Standard, on a 1-5 rating scale.

Each examiner is given a final rating on an annual basis effective May 31 of each year. During the year the employee also receives a less formal Mid-period Review, effective November 30, indicating performance progress.

Progression within this Plan will be based on the acquisition and use of the required skills to the standard expected for the position. Performance reviews will identify any skill gaps and individual training requirements, which will provide input into each individual training plan and aggregate annual training budget. Both staff and the Department benefit from effective training and development.

As part of this Plan, the Department must ensure examiners have reasonable and equitable access to education and training to enable them to sustain the range of skills needed in their positions. The training required to reach the next level of skill will also be identified in each assessment period. This training may be in the form of on-the-job training, external courses, or seminars and conferences.

Proposed Base Level for Financial Examiners I-IV (FEI-IV)

Under this Salary Plan there are proposed base pay levels (annualized) for the Financial Examiner I through IV positions, as follows:

FEI - $52,932
FEII - $59,904
FEIII - $66,408
FEIV - $76,068

Merit/Equity Pay

Under this Plan, with consideration given to financial resources and overall Department strategy and goal achievement, examiners who receive a satisfactory performance appraisal rating will be eligible to receive a merit/equity pay increase. Examiners who receive an unsatisfactory performance appraisal rating will not be eligible to receive an increase.

As reflected in Table 6, the merit/equity pay funding for examiners will be allocated based on the tenure of an examiner in their current level position, as well as a satisfactory or higher performance review (i.e. most recent). The examiner levels eligible to receive the funding and their associated pay range is reflected in the following table:

Table 6: Qualifications for Merit/Equity Funding

A	B	C
Examiner Levels	**Tenure in Existing Position**	**Merit/Equity Pay Level**
Financial Examiners I-IV	Less than One (1) Year	Proposed Base Pay Level
Financial Examiners I-IV	One Year or More	Proposed Base Pay Level, plus 3%
Financial Examiners V-VII	Any	2.0% to 4.0%

Promotions

a. Journeyman Examiner Career Ladder. The journeyman examiner career ladder is a series of positions of increasing difficulty (Financial Examiner I, II, and III) which an examiner may progress through from the entry level to the full performance level. The full performance level is the highest-grade level (i.e. Financial Examiner III) to which an examiner may be promoted without successfully achieving the Commissioned Examiner Designation.

b. Advancement. While promotions within journeyman examiner career ladder are neither automatic nor mandatory, career advancement is the intent and expectation in the journeyman examiner career ladder system.

c. Career Ladder Promotion. Examiners who receive a journeyman examiner career ladder promotion to a higher graded position will normally receive a 7 percent increase in their salary but not higher than the base level of the new pay range. When being promoted from the journeyman level of an FEIII to the Commissioned Examiner position (FEIV), the examiner will normally receive an increase to the Department defined base level of the new pay range. Exceptions must be approved by the Commissioner with a documented reason maintained with the promotion document(s).

Funding for Merit/Equity Pay and Promotions

The concept of pay for performance is important for creating and communicating to examiners an effective compensation program that rewards and encourages high performance level. Therefore, as part of the budget process, a pool of resources will be allocated for merit/equity pay and scheduled promotions. This performance pool will be utilized for all salary adjustments and promotions throughout the fiscal year. While it is the intent of this Plan to provide examiners with annual salary increases when finances

permit, it is specifically noted that the Plan does not guarantee that such increases will occur every year, nor does it guarantee the level of annual increase.

Federal Locality Pay

With the passage of the Federal Employees Pay Comparability Act in 1990, the revised General Schedule (GS) scale established local salary schedules incorporating locality pay. The locality pay program provides for localized pay differentials (also known as comparability payments) for Federal employees paid under the GS who work in the continental United States. The processes for determining locality adjustments are highly technical and outside the scope of this plan. However, the basic hypotheses underlying locality pay is that the differences in the competitiveness of local labor markets affect the federal government's ability to recruit and retain federal workers.

Locality adjustments are paid within each area determined to have a Federal - non-Federal pay disparity greater than 5 percent. There currently are 54 locality pay areas, including Rest of U.S. area, Alaska, Hawaii, and other Nonforeign Areas, defined in 5 CFR Part 591. Locality pay counts toward accumulation of retirement benefits, life insurance coverage, Thrift Savings Plan investment levels, and most other benefits based on salary.

NCUA currently pays its Texas examiners a Locality Pay adjustment as shown below in Table 7. The amount of the adjustment is determined by increasing the base salary by the applicable locality rate (e.g., A Dallas Examiner IV with a base salary of $80,000 and the locality rate of 37.25% is actually paid a salary of $109,800).

Table 7: Federal Locality Pay in Texas – 2021

Pay Area	Locality Rate
Houston	45.06%
Dallas	37.25%
Austin	29.32%
Rest of United States*	16.32%

**Includes areas in Texas not listed.*

In keeping with the Legislature's philosophy, the Department has not paid examiners based on local labor market conditions. Despite regional differences in labor markets and costs of living, the Department pays the same wage for the same job regardless of location. For discussion purposes, however, Table 8 reflects the potential cost of adjusting the current examiner salaries by the Locality Rates used by NCUA in Texas.

Table 8: Current CUD Examiner Salaries with Locality Pay ***(for comparison only)***

Examiner	Current Salary	Locality Pay	Adjusted Salary
A	$75,408	$33,979	$109,387
B	$66,480	$29,956	$96,436
C	$70,992	$31,989	$102,981
D	$76,080	$34,282	$110,362
E	$70,308	$31,681	$101,989
F	$83,760	$37,742	$121,502
G	$49,284	$22,207	$71,491
H	$63,612	$28,664	$92,276
I	$133,356	$60,090	$193,446
J	$74,100	$27,602	$101,702
K	$51,660	$19,243	$70,903
L	$49,284	$18,358	$67,742
L	$133,356	$49,675	$183,031
M	$70,992	$26,445	$97,437
N	$66,480	$24,764	$91,244
O	$108,672	$40,480	$149,152
P	$49,284	$18,358	$67,642
Q	$63,924	$23,812	$87,736
R	$63,612	$23,695	$87,307
Total	$1,420,644	$583,023	$2,003,667

Proposed Salary Adjustments

In keeping with the purpose of this Plan and based upon our analysis, we recommend that a merit/equity pool for examiners be included in the FY 2022 Budget equal to 5.85 percent of the total aggregate baseline salaries for nineteen examiner positions. This funding will allow the Department to reward performance and bring examiner salaries up to a level that is more comparable with equivalent positions at the NCUA and the Department of Banking (absent a labor market differential).

Table 9: Proposed Merit/Equity Pool for Examiners

Current Aggregate Salaries	Percentage	Proposed Merit/Equity Pool
$1,420,644	5.85%	$82,594

STRATEGIC INITIATIVE FUNDING REQUEST #4

Initiative Name: **Merit Increase Pool – Office Staff**
Priority: **4**

MERIT INCREASE POOL – OFFICE STAFF	
Objects of Expense	**Estimated Costs**
Salary & Wages	$23,960
Payroll Related Costs	$4,433
Total	**$28,393**

Description/Justification: Merit pay has traditionally been one of the most effective tools to motivate and retain qualified staff. Recognizing and rewarding high performance is a key priority for driving excellence at the Department. A monetary reward is the strongest incentive for staff who exhibit greater enthusiasm, commitment and developmental skills than the other staff members around them. When budgeted, all office staff members participate in the Department's merit pay program. The last merit increases for the staff was budgeted for September 1, 2020.

The Department is proposing to establish a pool to fund merit and promotion increases for office staff. The aggregate amount of the pool will be equivalent to 3.0 percent of the total salaries for the applicable office staff positions. All awards made from the pool will be based on performance. In absence of a merit-based pay program, there is the risk of discouragement for the highest performing staff. The most talented staff is aware of their strengths and like to accept the challenges of performance linked pay.

External/Internal Factors:

Internal: Merit pay is an approach to compensation that rewards the higher performing employees with additional pay or incentive pay. Merit pay will help the Department differentiate between the performance of high performing and low performing employees and reward the higher performance accordingly. As a result, it is believed that merit pay is the best opportunity to ensure that your outstanding performers remain with the Department and continue to make their significant contributions.

External: The Commission approved a 3.0 percent merit increase to the existing FY22 salary pool at its March 2021 commission meeting. However, it should be noted that in 2020 (prior to the beginning of FY21) the Governor's Office requested that all state agencies under appropriations reduce operating costs by 5 percent or greater to reduce revenues (by 5 percent) for the FY20-21 biennium. However, no such request has been made to date for FY22-23 biennium. It should also be noted that as a Self-Directed, Semi-Independent agency, the Department is not under appropriations and our budget is approved annually by the Credit Union Commission.

STRATEGIC INITIATIVE FUNDING REQUEST #5

Initiative Name: **General Counsel Position**
Priority: **5**

Add General Counsel Position	
Objects of Expense	**Estimated Costs**
Salary and Wages	$130,000
Payroll Related Costs and Benefits	$31,622
Total	**$161,622**

Description/Justification: The addition of this position will increase the Departments number of Full-Time Equivalent employees from 30 to 31. The funding of this initiative is to allow the Department to add an internal General Counsel position, per the direction of the Commission.

The General Counsel position will provide internal legal expertise in the following endeavors:

- The development of administrative rules,
- Department policy development,
- Department contract reviews,
- Supervisory oversight activities including enforcement endeavors, and
- National and state legislative and regulatory research, including that necessary to address complaints related to non-credit union specific regulation.

STRATEGIC INITIATIVE FUNDING REQUEST #7

Initiative Name: **Enhance Examiner Training**
Priority: **8**

Enhance Training	
Objects of Expense	**Estimated Costs**
Enhance examiner training through outsourcing arrangements with training professionals. Provide for 1 to 3 days of additional training per examiner each year (est. using 19 examiners and 1 office staff @ $750 each)	$15,000.00
Total	**$15,000.00**

Description/Justification: The funding of this initiative is vital for the Department to maintain adequately trained examination staff. As the complexity and size of credit unions continues to increase, it has become more important than ever before, to provide training opportunities to ensure examinations of Texas credit unions are effectively performed and provide protection to Texas citizens from fraud, unethical conduct and any other deviations from appropriate standards in connection with services provided by credit unions. It is also essential that examiners are kept abreast and up to date of situations which are occurring throughout the industry.

The Department needs to devote additional resources to training field examiners to ensure they obtain/maintain the skills and expertise necessary to fulfill the Department's supervisory responsibilities and maintain a thorough understanding of the increasingly evolving industry environment. While on the job training and mentoring is provided by Field Supervisors to their respective field staff team members, external training opportunities will greatly enhance our examination staff's knowledge and skills. Approval of this initiative will result in the inclusion of these anticipated recurring costs in the Department's future baseline budgets.

External/Internal Factors:

Internal: The primary internal factors which have limited external training opportunities for our examination staff has been the costs of training and travel (time and money). The approval of this initiative would allow the

Department to provide quality training to its staff while minimizing/reducing some of the normal travel costs and time associated with attending external training/conferences. By providing enhanced training at annual examiner conferences, it is anticipated the cost of training and travel will be greatly reduced, all employees will receive the same training and such training will promote consistent application of key examination related topics.

External: Professional organizations such as CUNA Mutual, the National Association of State Credit Union Supervisors (NASCUS), the Cornerstone League, etc. provide a variety of training opportunities geared specifically toward credit union employees, as well as credit union regulators. Training offerings are varied and include topics pertaining to compliance, information security, operational needs, etc. Often, these organizations will provide their training at a site of the regulator's preference using a turnkey pricing model. Such training opportunities greatly reduce the "normal costs" associated with an examiner traveling out of their local area to attend.

REPLACEMENT/CAPTIAL IMPROVEMENT PLAN FY 2022-2024

FY2022

Proposed Capital Improvements:	**Estimated Cost**
Priority #2: Roof Replacement	$271,000
Priority #6: IT Maintenance Related Costs	$ 30,000

Priority #2: Roof Replacement

The Department's roofing is a low slope with built-up roof. It is deteriorated and is scheduled for replacement. The Department's current roof is out of its workmanship warranty making continued maintenance expensive and inefficient. The Texas Facilities Commission provided us the following roof options.

The Texas Facilities Commission (TFC) has provided the following pro-forma budget for the project and is currently assigning an engineer. The engineer will develop the formal statement of work so that TFC

The installation of new roof will not result in any new material operating or maintenance costs other than depreciation of the capital improvement.

Pro Forma %		ORIGINAL BUDGET	% of total	% of constr.
	Project Analysis	**$ -**	**0.00%**	
	Land	**$ -**	**0.00%**	
	Tech Services and Costs	**$ 57,900.00**	**21.37%**	**32.53%**
	Architect/Engineer	$ 35,000.00	12.92%	19.66%
	Project Manager - In House	$ 15,900.00	5.87%	8.93%
	Assessment	$ 7,000.00	2.58%	3.93%
	Site Improvements	**$ -**	**0.00%**	**0.00%**
	Building Construction	**$ 178,000.00**	**65.68%**	
	Contractor	**$ 178,000.00**	**65.68%**	
	Cost of Work	$ 178,000.00	100.00%	
	Pre-Con	$ -	0.00%	
	GCs	$ -	0.00%	
	CM Fee	$ -	0.00%	
	TFC Contingency	$ -	0.00%	
	Construction Material Testing	$ -	0.00%	0.00%
	HVAC Test Adjust Balance	$ -	0.00%	0.00%
	FF&E (incl purchasing)	**$ -**	**0.00%**	**0.00%**
	Miscellaneous	**$ -**	**0.00%**	**0.00%**
	Telecommunications	$ -	0.00%	0.00%

Legal & Misc.		0.00%	0.00%
Moving Costs	$ -	0.00%	0.00%
Interest	$ -	0.00%	0.00%
Other Misc	$ -	0.00%	0.00%
Contingency (15%)	**$ 35,100.00**	**12.95%**	**19.72%**
	$ 271,000.00	**100.00%**	

Priority #6: IT Maintenance Budget

The funding of this capital improvement is necessary to maintain the Department's network protection functionality and protection protocols. Funds are allocated $15,000 to maintain and update software and $15,0000 to maintain equipment.

F

PROPOSED REVISIONS TO COMMISSION POLICIES MANUAL

F. Discussion, Consideration, and Possible Vote to Take Action to Approve the Proposed Amendments to the Commission's Policies Manual, as Part of its Annual Policy Review, to Revise the Commission Member Training, Audit Committee (Standing), and the Appendix to include the New Commission Member Training Program.

BACKGROUND: The following amendments to the Commission's Policy Manual are recommended by the Department to address the recommendations from the Sunset Review Commission staff as outlined in SB707 currently working its way through the Texas legislature.

These changes include the addition of a standing Audit Committee under Section X, subsection C and amendments to Section VIII and Appendix B related to the implementation of a training manual with annual acknowledgement by the Commission members.

RECOMMENDED ACTION: The Department recommends that the Commission approve the suggested revisions and any others it deems necessary.

RECOMMENDED MOTION: I move that the record reflect that the Commission reviewed its policies manual and approved the proposed changes as recommended by staff.

VIII. NEW COMMISSION MEMBER TRAINING

The Texas Finance Code requires members newly appointed to the Commission to complete a training program before voting, deliberating, or being counted as a member in attendance at a meeting of the Commission. The training program provides the Commission member with information regarding the functions and operations of the Department, requirements of certain provisions of the Texas Government Code, conflicts of interest and ethical considerations, and the basic principles of credit union management.

The training program is divided into three required sections. ~~There is also one optional section~~. The training program will be encapsulated into formal training manual and each Commission member must sign and submit an annual statement acknowledging their receipt and review of the training manual. The name, purpose and outline of each section are presented in Appendix B.

X. STANDING COMMITTEES

C. Audit Committee

1. **Members.** The Commission Chair shall appoint an Audit Committee of at least three members and shall designate one member as Chair. The Commission Chair will serve as an ex- officio member of this committee.

2. **Purpose.** The purpose of the Committee is to implement and oversee an independent audit program of the Department's financial reporting process.

3. **Responsibilities and Duties.** In furtherance of the Committee's purpose, and in addition to any other responsibilities that may be assigned to it from time to time by the Commission, the Committee shall have the following responsibilities and duties:

a) Recommend to the Commission for approval of the development implementation and performance monitoring of an independent audit plan.

b) Recommend to the Commission for approval and oversight of appropriately qualified vendors to audit the Department.

c) Encourage and facilitate cooperation between auditors hired by the Commission and auditors assigned by other state agencies to audit the Department.

d) Recommend to the Commission for approval a solicitation document, a vendor, or a contract, for auditing services only if the solicitation document, vendor's proposal, or the proposed contract, as applicable, includes a clause that requires the selected vendor to cooperate with an auditor assigned by a state agency to audit the Department, and only if it includes any other clauses required by the Commission.

4. **Meetings.** All Committee meetings will be open to the public and should be publicized to encourage participation by credit unions and credit union members. Meetings will generally be held the day before each regularly scheduled meeting of the Commission.

APPENDIX
NEW COMMISSION MEMBER TRAINING PROGRAM

Section A: The Texas Credit Union Department (Required)

Purpose: Part one ~~One~~ ~~provides~~ provides the organizational background of the Credit Union Department, with an introduction to the laws, rules, and budgeting procedures that govern how the Department operates. Part ~~Two~~ two provides an introduction to the Department's supervisory authority to include its disciplinary tools and investigatory authority. Part ~~Three~~ three provides an introduction to the requirements and policies on administrative procedure law and ethical consideration for State officials (conflict of interest, reporting requirements, revolving door, and gifts to public servants).

Outline:

I. **Department**
- A. Composition of Commission
  1. Appointment; Terms
  2. Qualifications of Commission Members
  ~~2.~~3. Training Program
  ~~3.~~4. Vacancies; Removal
  ~~4.~~5. Expenses of Commission Members
  ~~5.~~6. Suit for Official Act or Omission
  7. Meetings.
  8. Sunset Provision
  ~~6.~~9. Officers
- B. Commissioner and Staff
  1. Commissioner
  2. Deputy Commissioner
  3. Examiners
- C. Powers and Duties of Commission
  1. Supervision of Commissioner
  2. Adoption of Rules
  3. Legislative Recommendations
  4. Attendance at Commission Meetings
  5. Official Committees
- D. Self-Directed Semi-Independent Status
  1. Budget Process
  2. Current Operating Plan
  3. Budget Assumptions
- E. Audits

II. Enforcement of Statutes and Rules

A. Regulation of Credit Unions
   1. Confidentiality
   2. Examinations
   3. Approval Authority for Bylaw & Articles of Incorporation

B. Disciplinary Actions
   1. Written Agreements; Orders
   2. Conservation
   3. Mergers
   4. Liquidations

III. Government Laws

A. Rulemaking
   1. Sources of Rules
   2. Notice of Proposed Rules
   3. Comments on Proposed Rules
   4. Emergency Rules
   5. Adopting Rules

B. Open Government
   1. Open Meeting Act
   2. Notice of Meetings
   3. Emergency Meetings
   4. Executive Sessions
   5. Minutes
   6. Violations
   7. Open Records Act
   8. Information Excepted from Disclosure
   9. Violations

C. Contested Cases
   1. Rights and Procedures
   2. Final Decisions
   3. Judicial Review
   4. Alternative Dispute Resolution

D. Ethics Laws
   1. The "Shoulds"
   2. Gifts, Gratuities, and Other Goodies
   3. Lobbying
   4. Official Misconduct
   5. Revolving Door
   6. Financial Disclosure

Section B: Open Government (Required)

Purpose: Appointed officials are required by a state law to receive training in Texas open government laws. The Office of the Attorney General has established formal training courses to ensure that all appointed government officials have a good command of both open

records and open meetings laws. The Attorney General's Web site contains links and information designed to assist public officials in complying with open government training requirement and Texas open government laws.

Outline: None. Newly appointed members should view the two videos online at and provide the "certificates of completion" to the Department. Otherwise, the training program must include the presentation of the two videos.

Section C: The Credit Union Movement (Required)

Purpose: Part One of this section provides the historical background of the credit union movement. Part Two provides an introduction to the basic principles and responsibilities of credit union management.

Outline:

I. The Credit Union Difference

~~A. History and Philosophy~~
~~B. Sources of Rules~~
~~C.~~A. ~~Notice of Proposed Rules~~ What is a Credit Union?
~~D.~~B. Uniqueness in the Financial Services Industry
~~E.~~C. ~~Ownership and Structure~~What's the History of Credit Unions?
D. ~~Credit Union Operating Principles~~Who Regulates and Charters Credit Unions?
E. Who Insures Credit Union Deposits?
F. How is the Insurance Fund Financed?
G. Why Preserve the Dual Chartering System?
~~F.~~H. What Sets Credit Unions Apart?
~~G.~~I. ~~State and Federal Charters~~State, National and International Associations

1. Texas Credit Union Department
2. National Association of State Credit Union Supervisors
3. National Credit Union Administration
4. National Share Insurance Fund
5. National Association of State Credit Union Supervisors
6. World Council of Credit Unions
~~4.~~7. International Credit Union Regulators Network

~~**II. The Credit Union Movement – Worldwide System Centered on The Member**~~

~~H. Member; Credit Union; Chapter~~
~~I. League; League Service Corp.; State Corporate Credit Union~~
~~J. U.S. Central; Credit Union National Association; CUNA Service Group; CUNA Mutual Insurance Group; Other National Associations~~
~~K. World Council of Credit Unions~~

G

G. New Commission Member Orientation and Training Manual.

BACKGROUND: As recommended by the Sunset Review Commission staff members, SB707 includes changes to the Texas Finance Code which would require a Commission member training manual. Further, the recommended changes require an annual acknowledgement of receipt and review of the training manual by all Commission Members.

RECOMMENDED ACTION: Every Commission member must sign the acknowledgement form located at the back of the manual to acknowledge receipt and review.

H

H. Status of the State Credit Union System.

BACKGROUND: The United States and Texas economies continue to be impacted by the COVID-19 pandemic. Although the national and local economies are improving quickly, there are heightened concerns about inflationary pressures tied to solid economic growth trends, which many anticipate accelerating rapidly during the next few quarters. The drivers of this anticipated growth are increasing vaccination rates, lowered COVID-19 cases and increased consumer spending. However, many believe that inflationary pressures will abate as the economic growth returns to more normal levels in 2022 and 2023.

The unemployment levels in the United States and Texas have consistently declined since April of 2020 but remain 1.5 to 2.0 times pre-pandemic levels. According to the U.S. Bureau of Labor Statistics, civilian unemployment levels in the United States declined from a high of 14.7 percent in April 2020 to a level of 7.8 percent at month-end September, to 6.0 percent as of March 2021. At the state level, Texas has experienced similar reductions with unemployment rates declining from a high of 13.5 percent in April 2020 to a September level of 8.3 percent, to 6.9 percent as of March 2021. Through the eight-month period ending March 2021, the number of unemployed in the U.S. has declined 58 percent to 9.7 million, from the April 2020 high of 23.1 million. Even with noted improvement, the number of unemployed remains approximately 1.7 times the pre-pandemic level of 5.7 million. Further economic improvement will continue to hinge significantly on improved employment levels, the effectiveness of COVID vaccines on infection trends and controlling inflation.

Overall, Texas credit unions have performed consistently during the pandemic and the industry remains safe and sound. While some credit unions have experienced a decline in financial performance, most have continued to recognize strong trends throughout the pandemic. In addition, the operating environment for Texas credit unions is being enhanced as COVID-19 limitations are lifting in 2021. First quarter earnings performance data for Texas credit unions is strong and reflects higher net income levels when compared to the last three quarters. Most credit unions are generating enough earnings to cover operating costs and maintain capital strength despite extreme deposit and asset growth tied to an influx of stimulus deposits and members flight to safety. However, the rapid asset growth has significantly impacted net worth ratios for Texas charters, as evidenced by an 82-basis point decline in average net worth ratios during the last twelve

months, to 10.04 percent. Federal credit unions have experienced a similar trend with capitalization.

The severe winter storm which caused havoc across the state in February 2021, appears to have been well managed and caused minimal impact to the overall financial performance and condition of Texas credit unions. The Department will continue to monitor credit union asset quality, liquidity and interest rate risk trends to continue to monitor the longer-term impact of the storm, as well as the COVID-19 pandemic. During the remainder of 2021, it is important for the Department to continue to collaborate and work cooperatively with Texas charters to safeguard the financial interests of millions of Texans.

INDUSTRY STATUS: At **March 31, 2021**, there were **176** state-chartered credit unions in Texas, down three charters from the previous twelve months. Assets supervised totaled **$53.6 billion**, an increase of **$7.9 billion** since **March 31, 2020**, for an annual growth rate of **17.3 percent**. Assets for state-chartered credit union have increased **$2.9** billion in the first quarter of 2021, representing annualized growth of **22.9 percent**. The average net worth ratio is **10.04 percent**, down 82 basis points from **10.86 percent level** at **March 31, 2020**, and down 32 basis points since year-end 2020.

Loans for Texas chartered credit unions totaled **$34.70 billion** as of **March 31, 2021**. This is an increase of **$1.81 billion** since **March 31, 2020,** for an annual growth rate of **5.4 percent**.

Shares for Texas chartered credit unions totaled **$47 billion** as of **March 31, 2021**. This is an increase of **$7.77 billion**, or **19.8 percent** since **March 31, 2020**.

Texas chartered credit unions reported an average loan delinquency ratio of **0.58 percent** as of **March 31, 2021**, compared to a ratio of **0.60 percent** as of **March 31, 2020**.

At **March 31, 2021**, **33** state-chartered credit unions reported year to date net operating losses of **$2.37 million;** while the remaining **143** credit unions reported aggregate net income of **$129.72 million**. A breakdown of credit unions with positive earnings performance, by asset category, is as follows:

Assets Size	# of CUs	# Profitable	% Profitable (03-31-2021)	% Profitable (12 mos. ago)
$1 Billion and Over	15	14	93%	92%
$500 to $999.9 Million	15	14	93%	79%
$250 to $499.9 Million	15	15	100%	86%
$100 to $249.9 Million	26	26	100%	87%
$50 to $99.9 Million	22	19	86%	83%
$10 to $49.9 Million	48	33	69%	78%
Under $10 Million	35	22	63%	56%
Totals	**176**	**143**	**81%**	**77%**

PROBLEM INSTITUTIONS: As of **March 31, 2021**, there were **16** credit unions assigned a CAMELS rating of 3 or higher, compared to **22** credit unions at **March 31, 2020**. Credit unions in this category are monitored through a combination of off-site monitoring, regular on-site or remote contacts, and ongoing reviews for compliance with outstanding Documents of Resolution and other supervisory agreements or orders.

ENFORCEMENT ISSUES: As of **March 31, 2021**, the Department had the following administrative sanctions outstanding:

Dividend Restrictions	**0**
LUAs	**0**
Determination Letters	**2**
Conservatorships	**1**
Cease and Desist	**2**

Chartering Activity

New Charters*	**0**

***Since last commission meeting**

RECOMMENDED ACTION: No formal action is anticipated.

I

SUNSET REVIEW

I. Sunset Review Status Update.

BACKGROUND: The Department submitted our Sunset review self-evaluation on August 29, 2019 prior to the deadline of September 3. A copy of the Sunset Self-Evaluation Report can be found on the Department's and the Sunset Commission's website.

On April 13, 2020 the Sunset Commission staff formally presented to the Department the Sunset review process. On the same day, the Department provided an orientation presentation to the Sunset Commission staff and Sunset Commission Member staff who wished to attend. Both agencies agreed to conduct the sunset review remotely, to mitigate COVID-19 related risks and all information and/or meetings are being conducted digitally.

Data requests from the Sunset Commission staff began the week of April 20th and interviews of Department personal began April 23rd and the last meeting was conducted on June 25th. An exit meeting with Sunset staff was tentatively scheduled for July 31st. As of the writing of this update that meeting has not been conducted.

The **Sunset Advisory Commission Staff Report** was issued August of 2020 noting minor issues but recommending continuation of the Department and the Commission as an independent, SDSI supervisory agency.

The Department responded to the Report, a copy of which can be found **here**. The Department agreed to address all the concerns addressed by the Sunset staff but did recommend two recommendations for statutory changes to be left to the Department to address as statutory language was not necessary.

The Commissioner, Chair and Vice-Chair attended the public Sunset Advisory Commission hearing on September 23, 2020 a recording of which can be found **here** at approximately 3 hours and 10 minutes into the video.

At a December 7, 2020 meeting the Sunset Commission adopted all recommendations with no changes from those made within the initial report. Commissioner Kolhoff was available online to answer any further questions that may have arisen; however, no questions were submitted by the Commission or its members. The report can be found **here** and a copy of

the video can be found **here** at approximately 4 hrs and 16 minutes into the video.

As a result, SB707 was filed on March 2nd by Senator Paxton and HB 1840 was filed on March 10th by Representative Lambert in each respective body. SB707 was voted favorably by the Senate Business and Commerce Committee on April 8th and passed by the Senate on April 19th. SB707 was then referred to the House Pension, Investments and Financial Services Committee which voted favorably. SB707 is now awaiting calendar assignment for a House vote.

A copy of SB707, as reported out by the House Committee, is attached.

RECOMMENDED ACTION: No formal action is anticipated.

By: Paxton, et al. S.B. No. 707
(Lambert, Canales, Paddie, Goldman, Cyrier)

A BILL TO BE ENTITLED

AN ACT

relating to the continuation and functions of the Credit Union Department and the Credit Union Commission.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter B, Chapter 15, Finance Code, is amended by adding Section 15.104 to read as follows:

Sec. 15.104. NOTIFICATION AND GUIDANCE ON ADOPTION OF CERTAIN FEDERAL LAWS OR REGULATIONS. The department shall promptly notify and issue guidance to all credit unions chartered in this state on the adoption of a federal law or regulation that:

(1) affects a power or authority conferred to credit unions under Section 123.003(a);

(2) takes effect immediately; and

(3) conflicts with state law.

SECTION 2. Section 15.2041, Finance Code, is amended by amending Subsection (b) and adding Subsection (d) to read as follows:

(b) The training program must provide the person with information regarding:

(1) the law governing department operations [~~legislation that created the department~~];

(2) the programs, functions, rules, and budget of the department;

(3) the scope of and limitations on the rulemaking

authority of the commission;

(4) the results of the most recent formal audit of the department;

(5) [~~(4)~~] the requirements of:

(A) laws relating to open meetings, public information, administrative procedure, and disclosing conflicts of interest; and

(B) other laws applicable to members of a state policy-making body in performing their duties; and

(6) [~~(5)~~] any applicable ethics policies adopted by the department or the Texas Ethics Commission[~~, and~~

[~~(6) the basic principles and responsibilities of credit union management~~].

(d) The commissioner shall create a training manual that includes the information required by Subsection (b). The commissioner shall distribute a copy of the training manual annually to each commission member. Each commission member shall sign and submit to the commissioner a statement acknowledging that the commission member received and has reviewed the training manual.

SECTION 3. Section 15.212, Finance Code, is amended to read as follows:

Sec. 15.212. SUNSET PROVISION. The Credit Union Department and the Credit Union Commission are subject to Chapter 325, Government Code (Texas Sunset Act). Unless continued in existence as provided by that chapter, the department and commission are abolished September 1, 2033 [~~2021~~].

SECTION 4. Sections 15.409(b), (c), and (d), Finance Code, are redesignated as Section 15.408, Finance Code, and amended to read as follows:

Sec. 15.408. CONSUMER COMPLAINTS. (a) [~~(b)~~] The department shall maintain a system to promptly and efficiently act on complaints filed with the department. The department shall maintain information about parties to the complaint, the subject matter of the complaint, a summary of the results of the review or investigation of the complaint, and its disposition.

(b) [~~(c)~~] The department shall make information available describing its procedures for complaint investigation and resolution.

(c) [~~(d)~~] The department shall periodically notify the complaint parties [~~person filing the complaint and each person who is the subject of the complaint~~] of the status of the complaint until final disposition unless the notice would jeopardize an investigation.

SECTION 5. Subchapter E, Chapter 15, Finance Code, is amended by adding Section 15.4081 to read as follows:

Sec. 15.4081. COMPLAINT TRACKING; ANNUAL STATISTICAL ANALYSIS. (a) To help identify and address regulatory issues and constraints, the department shall track all phases of the complaint and enforcement processes, including the receipt, investigation, and disposition of complaints. The department shall maintain the following information for each complaint:

(1) the basis for the complaint;

(2) the origin of the complaint, including whether the

complaint was issued from:

(A) another regulatory agency;

(B) a credit union member;

(C) a credit union employee;

(D) a member of the public; or

(E) a public or private entity;

(3) the number of days taken to resolve the complaint from the date the complaint was received; and

(4) the disposition of the complaint, including:

(A) if no disciplinary action was taken, the reasons no disciplinary action was taken;

(B) if disciplinary action was taken, the type of disciplinary action taken, including the amount of any administrative penalty or late fee;

(C) if dismissed or referred to another agency, the details regarding dismissal or referral; and

(D) if ongoing, the current status of the complaint.

(b) The department shall annually compile a statistical analysis of the department's complaint and enforcement processes for the preceding fiscal year. The analysis must include:

(1) the total number of complaints filed with the department against credit unions;

(2) the number of open investigations at the end of the fiscal year;

(3) the number of complaints that were resolved, disaggregated by:

(A) the source of the complaint;

(B) the type of alleged violation;

(C) jurisdictional and non-jurisdictional complaints;

(D) regulatory and nonregulatory complaints; and

(E) the disposition and type of action taken, including any administrative penalty or late fee assessed; and

(4) the average number of days taken to resolve a complaint, including complaints that were resolved through an examination of a credit union.

SECTION 6. The heading to Section 15.409, Finance Code, is amended to read as follows:

Sec. 15.409. CONSUMER INFORMATION [~~AND COMPLAINTS~~].

SECTION 7. Section 122.001(d), Finance Code, is repealed.

SECTION 8. The repeal of Section 122.001(d), Finance Code, by this Act applies only to articles of incorporation filed on or after the effective date of this Act. Articles of incorporation filed before the effective date of this Act are governed by the law in effect on the date the articles were filed, and the former law is continued in effect for that purpose.

SECTION 9. (a) Except as provided by Subsection (b) of this section, Section 15.2041, Finance Code, as amended by this Act, applies to a member of the Credit Union Commission appointed before, on, or after the effective date of this Act.

(b) A member of the Credit Union Commission who, before the effective date of this Act, completed the training program required by Section 15.2041, Finance Code, as that law existed before the

effective date of this Act, is only required to complete additional training on the subjects added by this Act to the training program required by Section 15.2041, Finance Code. A commission member described by this subsection may not vote, deliberate, or be counted as a member in attendance at a meeting of the commission held on or after December 1, 2021, until the member completes the additional training.

SECTION 10. This Act takes effect September 1, 2021.

J

COMMISSIONER SUCCESSION PLAN

J. Commissioner Succession Plan.

BACKGROUND: Annually the Commission reviews and approves the Commissioner Succession Plan found within the Commission Policy Manual. The plan provides the process under which the Commissioner Evaluation Committee and Commission will move forward in the event the Commissioner becomes incapacitated or unavailable.

The Department is not recommending any changes to the plan.

RECOMMENDED ACTION: No formal action is anticipated.

CREDIT UNION DEPARTMENT, STATE OF TEXAS
COMMISSIONER SUCCESSION PLAN

Purpose. The purpose of this succession plan ("the Plan") is to have a process for choosing a Commissioner in the event of a planned or unplanned departure of the incumbent.

Definitions.

A ***planned departure*** is a voluntary retirement or resignation, or a resignation requested by the Commission with an effective date of thirty days or more.

An ***unplanned departure*** is one that results by reason of death, an immediate termination of an incumbent Commissioner by the Commission, or the inability of the Commissioner to discharge the duties of the office. An unplanned departure may also be deemed to occur in the event of the Commissioner's resignation or retirement with an effective date of less than 30 days.

Inability of the Commissioner to discharge the duties of the office can be signified upon either:

1. A written declaration of the Commissioner that he or she is unable to discharge the duties and responsibilities of the office of Commissioner; or

2. Receipt by the Commission of information, which leads the Commission to conclude, in its sole judgment, that the Commissioner is unable to discharge the duties and responsibilities of the office of Commissioner.

Implementation. When this Plan becomes operative, the Commissioner Evaluation Committee ("the Committee") shall immediately assume responsibility for the succession process. The Committee will also serve as the Commission's search committee for purposes of carrying out the Plan. As soon as possible, the Chair of the Committee shall call for a meeting of the Committee to consider its action plan. This action plan should address, at least, the following matters:

1. If the incumbent Commissioner will continue in office, the effective date of the retirement or resignation. The date should be acceptable to the Commission and the Commissioner, should provide a reasonable time to search for a successor, and should be sufficiently in the future to permit orientation of the new Commissioner and an orderly transition.

2. If the incumbent Commissioner continues in office, whether there should be a change in the authority, duties, and responsibilities of the office.

3. The extent to which the Committee wishes to call upon the incumbent Commissioner and other staff members to assist the Committee during the transition to an interim or permanent Commissioner.

4. Whether an interim Commissioner will be required and, if so, the date upon which the person should assume office.

5. The identification of possible candidates for interim Commissioner and procedures for the selection of an interim Commissioner. The job description of the Deputy Commissioner specifies that he or she may exercise the powers and prerogatives of the Commissioner during the Commissioner's absence or inability to act.

6. Whether a search should be undertaken and, if so, how broad the search should be.

7. If a search is to be undertaken, whether to engage a consultant or search firm to assist the Committee with the search, and, if so, engaging the consultant or firm in accordance with State procurement requirements.

8. The Committee should also determine the specifics of the application process such as the deadline for applications, the confidentiality of its proceedings, procedures for identifying and interviewing candidates, whether to do background checks, procedures for narrowing the list of candidates, for checking references and for final interviews, whether final interviews should be conducted by the full Commission, and procedures for making an offer of employment.

Interim Commissioner. If the Committee determines that the appointment of an Interim Commissioner is necessary or advisable, the Chair of the Commission shall call for a meeting of the Commission to consider the matter. Any person appointed by the Commission as Interim Commissioner shall have the full authority for decision-making and independent action as the incumbent Commissioner. The Interim Commissioner shall receive a temporary salary increase to the entry-level salary of the Commissioner position (Schedule Exempt Position Salary Rates Group 5) or to 5% above his or her current salary, whichever is greater.

Transition Planning. In the case of any planned or unplanned departure of the incumbent Commissioner, the Chair of the Commission, the Chair of the Committee, and the incumbent or interim Commissioner shall meet as often as necessary to plan, among other matters, the following:

1. The availability of funds for the transition, including the potential compensation package to be offered to a Commissioner candidate.

2. The orderly transition of the duties and responsibilities of the office of Commissioner to any successor; and

3. The manner in which succession events (concerns with confidentiality, departure, selection process, press releases) are to be announced, including the notification of key interested persons.

Attributes. Candidates should have the requisite personal attributes for the office of Commissioner, including:

- Sufficient experience, stature, and reputation in the credit union movement, regulation, or professional life to command respect as Credit Union Commissioner.

- Professional and business management skills preferably gained in a credit union or regulatory agency.

- Experience of relationships at Board level in one or more major bodies.

- Intellectual strength, sound business acumen, integrity, and an ability to consider and discuss issues laterally and strategically.

- Awareness of political, regulatory, market, and consumer issues together with an understanding about not-for-profit cooperative financial institutions.

- Sound interpersonal skills and an ability to make good judgments of people.

Plan Review. The Committee shall review the Plan periodically in the context of current affairs within and outside of the Department. The review of the Plan should include a review of the most recent position description for the Commissioner. It should also include recommendations to the full Commission for any amendments to the Plan or to the Commissioner position description. In addition, after each use of the Plan, the Committee shall meet to discuss how the Plan worked and shall make recommendations for modifications to the Plan based on its experience with the Plan.

K

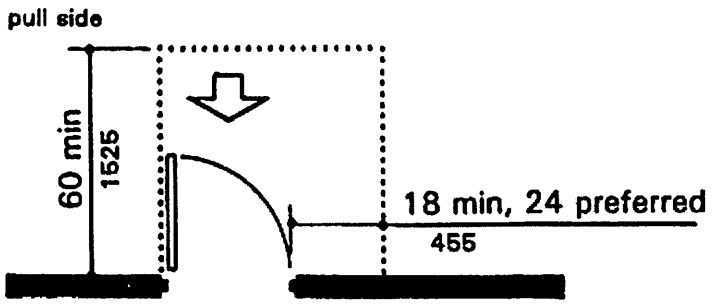
RESTROOM REMODEL

K. Restroom Remodel.

BACKGROUND: The Department contracted Texas Facilities Commission to perform an ADA inspection relating to the restrooms. Most deficiencies identified included changing height of fixtures/mirrors/signage and stalls height and wide. However, the deficiency listed below would require completely moving the men's restroom door 10' or moving the south wall 10' into the breakroom. Either would be a substantial construction project. Given the continuing development of the roof construction project I have decided to await completion of the roof project before moving forward with this project.

Door to Men's Toilet Room - Door Maneuvering Clear Area. At pull-side of door, 8-1/4" clear was measured from the strike side of the door to the wall. Per TAS 4.13.6 Figure A, 18" min clear required at the pull-side strike of the door.

(e) Maximum Doorway Depth
Fig. 24 Clear Doorway Width and Depth



RECOMMENDED ACTION: No formal action is anticipated.

L

FRONT ENTRANCE EXTERIOR REPAIR

L. Front Entrance Exterior Repair.

BACKGROUND: The landscaping and earthworks at the front of the building have deteriorated with several 6'x 6' posts breaking loose and becoming unanchored. This creates a potential for injury if the earth wall breaks away further. The February winter storm also permanently destroyed a significant portion of the plants within the landscaping.

The Department is in the process of seeking bids to repair and replant the front entrance landscaping but anticipates the costs to approximate $11,000.

The Department is seeking approval to redistribute $11,000 of the FY 2021 budget savings from travel related costs to address these repairs using current year allocated funds.

RECOMMENDED ACTION: I move that the Commission approve $11,000 of funds appropriated to cover FY 2021 travel costs toward repairs and maintenance to address the landscaping repairs at the front of the building.



RULEMAKING MATTERS

Five items are being presented to the Commission for its information, consideration, and/or possible action. Specifically, the Commission will discuss, consider and possibly take action on:

(a) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter A (General Rules), Sections 91.101, 91.103, 91.104, 91.105, 91.110, 91.115, 91.120, 91.121, and 91.125 and Re-adoption of Rules;

(b) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter B (Organization Procedures), Sections 91.201, 91.202, 91.203, 91.205, 91.206, 91.208, 91.209 and 91.210, and Re-adoption of Rules;

(c) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter J (Changes in Corporate Status), Sections 91.1003, 91.1005, 91.1006, 91.1007, 91.1008 and 91.1010, and Re-adoption of Rules;

(d) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter L (Submission of Comments by Interested Parties), Section 91.3001 and 91.3002, and Re-adoption of Rules;

(e) Adoption of New Rule 7 TAC, Part 6, Chapter 91, Subchapter H Section 91.809 (Purchase of Assets and Assumption of Liabilities).

RECOMMENDED ACTION: The Department requests that the Commission take action as indicated in the documents contained in **TAB M.**

PROCEDURES FOR ADOPTING A PROPOSED RULE

1. A proposed rule is prepared by Credit Union Department staff and presented to legal counsel (Attorney General) for review.

2. The proposed rule is presented to the commission for consideration.

3. The commission reviews, amends, adopts, refers back to staff, or tables the proposed rule.

4. The proposed rule is adjusted by staff (if required), furnished to legal counsel, and transmitted to the **Texas Register** for publication as a "proposed" rule.

5. A 30-day comment period follows initial publication which also is made in the Department's monthly newsletter or by a special mailing to credit unions.

6. The commission may reconsider the rule any time after the 30-day comment period. Any comments received are considered and the rule is available for adoption as "final" if no substantive changes are made. Any substantive change will result in the rule reverting to step four.

7. The rule is adopted as "final" and transmitted to the ***Texas Register*** for publication as a final rule. The rule becomes effective 20 days following filing for publication.

8. The rule is published or announced through the Department's newsletter.

EMERGENCY RULES

Rules, which are approved by the commission for emergency adoption, are transmitted to the ***Texas Register*** for filing. These rules become effective immediately upon filing unless another effective date is specified. They can be effective only for 120 days with a renewal provision for an additional 60 days a maximum of 180 days. "Day one" is the day of filing or the date specified as the effective date. While these emergency rules are in effect, regular rules should be initiated using the normal procedure described above. The Department rarely adopts emergency rules.

PROCEDURES FOR REQUIRED RULE REVIEW

Section 2001.39, Government Code, requires that a state agency review and consider for re-adoption each rule not later than the fourth anniversary of the date on which the rule took effect and every four years after that date. To comply with this requirement, the Commission follows the procedure below:

1. Every four years, the Commission adopts and publishes a Rule Review Plan, which establishes a date for the required review of each existing rule.
2. At least sixty days prior to a particular rule's scheduled review date, the Department publishes notice in the Newsletter reminding interested persons of the review and encouraging comments on the rules up for review.
3. Staff reviews each rule to determine whether it is obsolete, whether the rule reflects current legal and policy considerations, and whether the rule's structure as well as the specific language used is both clear and understandable.
4. If in reviewing existing rules, staff believes certain amendments may be appropriate, it provides an informal comment phase on any potential substantive amendments to all interested persons via its RuleRemarks blog on the Department's webpage.
5. After consideration of the informal comments, proposed amendments are prepared by staff and presented to the Rules Committee for review.
6. At a public meeting, the Rules Committee accepts public testimony on each rule subject to review and considers staff recommended changes. The Committee reviews each rule and then amends the staff proposal and refers it to the Commission, refers the proposal back to staff, or refers the proposal, as recommended by staff, to the Commission.
7. The Committee's recommendation is presented to the Commission for consideration.
8. The Commission reviews, amends, approves the proposal for publications, refers it back to the Committee, or tables the proposed amendment.
9. If the Commission approves the proposal for publication, it is transmitted to the *Texas Register* for publication as a "proposed" rule amendment.
10. A 30-day comment period follows initial publication which also is announced in the Department's monthly newsletter.
11. The commission may reconsider the rule any time after the 30-day comment period. Any comments received are considered and the rule is available for adoption as "final" if no substantive changes are made. Any substantive change will result in re-publication of the proposal.

12. The rule as amended is adopted and transmitted to the *Texas Register* for publication as a final rule. The rule becomes effective 20 days following filing for publication.
13. The amended rule is announced through the Department's newsletter and copies are made available to credit unions.

MANDATORY RULE REVIEW

M. (a) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter A (General Rules), Sections 91.101, 91.103, 97.104, 91.105, 91.110, 91.115, 91.120, 91.121 and 91.125, and Re-adoption of Rules.

BACKGROUND: Section 2001.039, Government Code, requires that a state agency review and consider for re-adoption each rule not later than the fourth anniversary of the date on which the rule took effect and every four years after that date. As provided in the noted section, the reviews must include, at a minimum, an assessment by the agency as to whether the reason for adopting the rule continues to exist. At its February 2020 meeting, the Commission approved a plan which establishes a date for the required review for each of the affected rules. In accordance with that plan, staff has reviewed 7 TAC, Part 6, Chapter 91, Subchapter A (General Rules) and is recommending that no changes be made.

Notice of the review and a request for comments on the rules in this chapter was published in the March 26, 2021 issue of the *Texas Register*. No comments were received regarding the review. The Department believes that the reasons for adopting the noted rules continue to exist.

RECOMMENDED ACTION: The Department recommends that the Commission adopt these rules.

RECOMMENDED MOTION: I move that the Commission find that the reasons for adopting **7 TAC, Part 6, Sections 91.101, 91.103, 97.104, 91.105, 91.110, 91.115, 91.120, 91.121 and 91.125** continue to exist and the Commission readopts these rules.

TITLE 7.	BANKING AND SECURITIES
Part 6.	Credit Union Department
Chapter 91.	Chartering, Operations, Mergers, Liquidations
Subchapter A.	General Rules

The Credit Union Commission (Commission) has completed its review of Chapter 91, Subchapter A (relating to General Rules), of the Texas Administrative Code, Title 7, Part 6, consisting of §§91.101, 91.103, 91.104, 91.105, 91.110, 91.115, 91.120, 91.121 and 91.125.

The rules were reviewed as a result of the Department's quadrennial rule review under Texas Government Code §2001.039.

Notice of the review of 7 TAC, Part 6, Chapter 91, Subchapter A, was published in the March 26, 2021, issue of the *Texas Register* (46 TexReg 2049). The Department received no comments on the notice of intention to review.

After reviewing these rules, the Commission finds that the reasons for initially adopting these rules continue to exist, and readopts Chapter 91, Subchapter A, §§91.101, 91.103, 91.104, 91.105, 91.110, 91.115, 91.120, 91.121 and 91.125 in their entirety in accordance with the requirements of Texas Government Code, §2001.039.

The Department hereby certifies that the adoption has been reviewed by legal counsel and found to be a valid exercise of the agency's legal authority.

MANDATORY RULE REVIEW

M. (b) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter B (Organization Procedures), Sections 91.201, 91.202, 91.203, 91.205, 91.206, 91.208, 91.209 and 91.210, and Re-adoption of Rules.

BACKGROUND: Section 2001.039, Government Code, requires that a state agency review and consider for re-adoption each rule not later than the fourth anniversary of the date on which the rule took effect and every four years after that date. As provided in the noted section, the reviews must include, at a minimum, an assessment by the agency as to whether the reason for adopting the rule continues to exist. At its February 2020 meeting, the Commission approved a plan which establishes a date for the required review for each of the affected rules. In accordance with that plan, staff has reviewed 7 TAC, Part 6, Chapter 91, Subchapter B (Organization Procedures) and is recommending that no changes be made.

Notice of the review and a request for comments on the rules in this chapter was published in the March 26, 2021 issue of the *Texas Register*. No comments were received regarding the review. The Department believes that the reasons for adopting the noted rules continue to exist.

RECOMMENDED ACTION: The Department recommends that the Commission adopt these rules.

RECOMMENDED MOTION: I move that the Commission find that the reasons for adopting **7 TAC, Part 6, Sections 91.201, 91.202, 91.203, 91.205, 91.206, 91.208, 91.209 and 91.210** continue to exist and the Commission readopts these rules.

TITLE 7. BANKING AND SECURITIES
Part 6. Credit Union Department
Chapter 91. Chartering, Operations, Mergers, Liquidations
Subchapter B. Organization Procedures

The Credit Union Commission (Commission) has completed its review of Chapter 91, Subchapter B (relating to Organization Procedures), of the Texas Administrative Code, Title 7, Part 6, consisting of §§91.203, 91.205, 91.206, 91.208, 91.209 and 91.210.

The rules were reviewed as a result of the Department's quadrennial rule review under Texas Government Code §2001.039.

Notice of the review of 7 TAC, Part 6, Chapter 91, Subchapter B, was published in the March 26, 2021, issue of the *Texas Register* (46 TexReg 2049). The Department received no comments on the notice of intention to review.

After reviewing these rules, the Commission finds that the reasons for initially adopting these rules continue to exist, and readopts Chapter 91, Subchapter B, §§91.203, 91.205, 91.206, 91.208, 91.209 and 91.210 in their entirety in accordance with the requirements of Texas Government Code, §2001.039.

The Department hereby certifies that the adoption has been reviewed by legal counsel and found to be a valid exercise of the agency's legal authority.

MANDATORY RULE REVIEW

M. (c) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter J (Changes in Corporate Status), Sections 91.1003, 91.1005, 91.1006, 91.1007, 91.1008 and 91.1010, and Re-adoption of Rules.

BACKGROUND: Section 2001.039, Government Code, requires that a state agency review and consider for re-adoption each rule not later than the fourth anniversary of the date on which the rule took effect and every four years after that date. As provided in the noted section, the reviews must include, at a minimum, an assessment by the agency as to whether the reason for adopting the rule continues to exist. At its February 2020 meeting, the Commission approved a plan which establishes a date for the required review for each of the affected rules. In accordance with that plan, staff has reviewed 7 TAC, Part 6, Chapter 91, Subchapter J (Changes in Corporate Status) and is recommending that no changes be made.

Notice of the review and a request for comments on the rules in this chapter was published in the March 26, 2021 issue of the *Texas Register*. No comments were received regarding the review. The Department believes that the reasons for adopting the noted rules continue to exist.

RECOMMENDED ACTION: The Department recommends that the Commission adopt these rules.

RECOMMENDED MOTION: I move that the Commission find that the reasons for adopting **7 TAC, Part 6, Sections 91.1003, 91.1005, 91.1006, 91.1007, 91.1008 and 91.1010** continue to exist and the Commission readopts these rules.

TITLE 7. BANKING AND SECURITIES
Part 6. Credit Union Department
Chapter 91. Chartering, Operations, Mergers, Liquidations
Subchapter J. Changes in Corporate Status

The Credit Union Commission (Commission) has completed its review of Chapter 91, Subchapter J (relating to Changes in Corporate Status), of the Texas Administrative Code, Title 7, Part 6, consisting of §§91.1003, 91.1005, 91.1006, 91.1007, 91.1008 and 91.1010.

The rules were reviewed as a result of the Department's quadrennial rule review under Texas Government Code §2001.039.

Notice of the review of 7 TAC, Part 6, Chapter 91, Subchapter J, was published in the March 26, 2021, issue of the *Texas Register* (46 TexReg 2049). The Department received no comments on the notice of intention to review.

After reviewing these rules, the Commission finds that the reasons for initially adopting these rules continue to exist, and readopts Chapter 91, Subchapter J, §§91.1003, 91.1005, 91.1006, 91.1007, 91.1008 and 91.1010 in their entirety in accordance with the requirements of Texas Government Code, §2001.039.

The Department hereby certifies that the adoption has been reviewed by legal counsel and found to be a valid exercise of the agency's legal authority.

MANDATORY RULE REVIEW

M. (d) Adoption of the Rule Review of 7 TAC, Part 6, Chapter 91, Subchapter L (Submission of Comments by Interested Parties), Sections 91.3001 and 91.3002, and Re-adoption of Rules.

BACKGROUND: Section 2001.039, Government Code, requires that a state agency review and consider for re-adoption each rule not later than the fourth anniversary of the date on which the rule took effect and every four years after that date. As provided in the noted section, the reviews must include, at a minimum, an assessment by the agency as to whether the reason for adopting the rule continues to exist. At its February 2020 meeting, the Commission approved a plan which establishes a date for the required review for each of the affected rules. In accordance with that plan, staff has reviewed 7 TAC, Part 6, Chapter 91, Subchapter L (Submission of Comments by Interested Parties) and is recommending that no changes be made.

Notice of the review and a request for comments on the rules in this chapter was published in the March 26, 2021 issue of the *Texas Register*. No comments were received regarding the review. The Department believes that the reasons for adopting the noted rules continue to exist.

RECOMMENDED ACTION: The Department recommends that the Commission adopt these rules.

RECOMMENDED MOTION: I move that the Commission find that the reasons for adopting **7 TAC, Part 6, Sections 91.3001 and 91.3002** continue to exist and the Commission readopts these rules.

TITLE 7. BANKING AND SECURITIES
Part 6. Credit Union Department
Chapter 91. Chartering, Operations, Mergers, Liquidations
Subchapter L. Submission of Comments by Interested Parties

The Credit Union Commission (Commission) has completed its review of Chapter 91, Subchapter L (relating to Submission of Comments by Interested Parties), of the Texas Administrative Code, Title 7, Part 6, consisting of §§91.3001 and 91.3002.

The rules were reviewed as a result of the Department's quadrennial rule review under Texas Government Code §2001.039.

Notice of the review of 7 TAC, Part 6, Chapter 91, Subchapter L, was published in the March 26, 2021, issue of the *Texas Register* (46 TexReg 2049). The Department received no comments on the notice of intention to review.

After reviewing these rules, the Commission finds that the reasons for initially adopting these rules continue to exist, and readopts Chapter 91, Subchapter J, §§91.3001 and 91.3002 in their entirety in accordance with the requirements of Texas Government Code, §2001.039.

The Department hereby certifies that the adoption has been reviewed by legal counsel and found to be a valid exercise of the agency's legal authority.

PURCHASE OF ASSETS AND ASSUMPTION OF LIABILITIES

M. (e) Adoption of New Rule 7 TAC, Part 6, Chapter 91, Subchapter H (Purchase of Assets and Assumption of Liabilities), Section 91.809.

BACKGROUND: At its March meeting the Commission approved for publication and comment in the *Texas Register* the proposed new Rule 91.809. No comments were received on the proposed amendments to the rule.

The proposed new rule will outline the authority of credit unions to initiate programs of purchasing loans or assuming an assignment of deposits, shares, or liabilities from any credit union, another financial-type institution, or any successor in interest to such an entity. The rule further outlines the requirement to seek Commissioner approval on certain transactions of this type and clarifies the approval application process.

RECOMMENDED ACTION: The Department recommends that the Commission adopt the new rule review as previously published.

RECOMMENDED MOTION: I move that we adopt the proposed new rule to 7 TAC, Part 6, Section 91.809 without changes to the proposed text as published in the *Texas Register*.

TITLE 7.	BANKING AND SECURITIES
Part 6.	Credit Union Department
Chapter 91.	Chartering, Operations, Mergers, Liquidations
Subchapter H.	Investments

The Credit Union Commission (the Commission) adopts new Section 91.809, concerning Purchase of Assets and Assumption of Liabilities, without changes to the proposed text as published in the March 19, 2021, issue of the *Texas Register* (46 TexReg 1718). The new rule will not be republished.

The new rule formally recognizes authority available to state-chartered credit unions due to the availability of those powers to federal credit unions, as granted through parity found under Texas Finance Code, Title 2, §123.003(a).

The new rule outlines the authority of credit unions to initiate programs of purchasing loans or assuming an assignment of deposits, shares, or liabilities from any credit union, another financial-type institution, or any successor in interest to such an entity. The rule further outlines the requirement to seek Commissioner approval on certain transactions of this type and clarifies the approval application process.

The Commissioner did not receive any comments on the proposed new rule.

The new rule is adopted under the authority granted by the Texas Legislature to the Commission pursuant Texas Finance Code, Section 15.402, which authorizes the Commission to adopt reasonable rules for administering Title 2, Chapter 15 and Title 3, Subtitle D of the Texas Finance Code.

The statutory provisions affected by this adoption are Texas Finance Code, Sections 124.351 and 124.352.

The agency certifies that legal counsel has reviewed the adoption and found it to be a valid exercise of the agency's legal authority.

<rule>

§91.809. Purchase of Assets and Assumption of Liabilities.

(a) With approval of the Commissioner, a credit union may initiate a program of purchasing loans or assuming an assignment of deposits, shares, or liabilities from:
(1) Any credit union
(2) Any other financial-type institution (including depository institutions, mortgage banks, consumer finance companies, insurance companies, loan brokers, and other loan sellers or liability traders); or
(3) Any successor in interest to any institution identified in subsection (a)(1) or (a)(2) of this section.
(b) Commissioner approval is not required for:

(1) Purchases of student loans or real estate secured loans to facilitate the packaging of a pool of loans to be sold or pledged on the secondary market under NCUA regulations 12 C.F.R. §701.23(b)(1)(iii) or (iv), or purchases of member loans under §91.711 of this title (relating to Purchase and Sale of Member Loans);
(2) Assumption of deposits, shares or liabilities as rollovers or transfers of member retirement accounts or in which an insured credit union perfects a security interest in connection with an extension of credit to any member.
(3) Purchases of assets, including loans, or assumptions of deposits, shares, or liabilities from any deposit insured credit union, except a purchase or assumption as a part of a merger under §91.1003 of this title (relating to Mergers/Consolidations); or
(4) Purchases of loan participations as defined in and meeting the requirements of §91.805 of this title (related to Loan Participation Investments).
(c) A credit union seeking approval under subsection (a) of this section must submit a letter application to the commissioner stating the nature of the transaction and describing the proposed program. The application must include:
(1) Copies of relevant transaction documents;
(2) The credit union board's resolution approving the credit union to submit the application and engage in the proposed activity;
(3) Evidence that the credit union board has reviewed and approved the credit union's due diligence efforts;
(4) Proposed policies under which the program will operate, and which must comply with the requirements outlined in §§91.802(b), 91.803 and 91.808 (relating to Other Investments; Investment Limits and Prohibitions; and Loan Participation Investments);
(5) Demonstrated internal expertise to understand and mitigate the risks associated with the activity proposed;
(6) Evidence of requested approval by NCUA under NCUA regulations 12 C.F.R. §741.8, if federally insured, or bond covenants from American Share Insurance if necessary;
(7) Any other information relevant to the transaction and the program; and
(8) Information requested by the Commissioner or the Department.
(d) A federally insured credit union purchasing assets or assuming liabilities of another entity must also comply with applicable requirements contained within the NCUA regulations 12 C.F.R. Part 741.
(e) A credit union shall submit the letter of application as defined in subsection (c) of this section no later than 60 days prior to the planned closing date of any program-related transaction(s). Late applications may be considered when there are extenuating circumstances deemed acceptable to the Commissioner. Final approval/disapproval shall be given in writing by the Commissioner and shall include the basis for the decision.

N

CHAIR APPOINTMENTS

N. The Chair's Designation of a Vice Chair and Appointments to the Commission's Three Standing Committees (Commissioner Evaluation, Rules, and Audit).

BACKGROUND: As required by Commission Policy, the Chair must designate a Vice Chair and appoint members to those committees established by the Commission.

- **Vice-Chair**

  - Sherri Merket

  The vice-chair serves at the will of the Chair and performs the duties of the presiding officer in the event of an absence or disability.

- **Commissioner Evaluation Committee**

  - Karyn Brownlee, Chair
  - Sherri Merket, Vice Chair
  - Kay Swan
  - David Shurtz

  The Commission Chair shall appoint a Commissioner Evaluation Committee of at least three members and shall designate one member as Chair. The Commission Chair will serve as an ex-officio member of this committee.

- **Rules Committee**

  - David Shurtz, Chair
  - Liz Bayless, Vice Chair
  - Beckie Stockstill Cobb
  - Steve Gilman

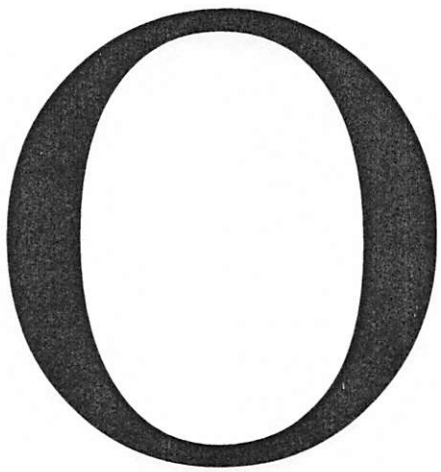
  The Commission Chair shall appoint a Rules Committee of at least three members and shall designate one member as Chair. The Commission Chair will serve as an ex-officio member of this committee.

➢ **Audit Committee**

- Jim Minge, Chair
- Kay Swan, Vice Chair
- Liz Bayless
- Karyn Brownlee

The Commission Chair shall appoint an Audit Committee of at least three members and shall designate one member as Chair. The Commission Chair will serve as an ex-officio member of this committee.

NOTE: Without objection, the minutes of the meeting will reflect the Chair's designation of a Vice Chair and appointments to the Rules, Commissioner Evaluation, and Audit Committees as presented.



FUTURE COMMISSION MEETING

O. Next Commission Meeting – The next regular meeting of the Commission has been tentatively scheduled for August 27, 2021.

CREDIT UNION DEPARTMENT

INDUSTRY STATUS

AND

DEPARTMENTAL OPERATION

TEXAS CREDIT UNION DEPARTMENT

Average Salary and Tenure by Race and Sex (ADMIN)

Race	Sex		Annual Salary	Tenure	
HISPA					
	Summary for F (3 detail records)		$ 55,896	14.85	Avg
	Summary for M (1 detail record)		$ 108,756	4.25	Avg
Summary for 'Race' = HISPA (4 detail records)			**$ 69,111**	**12.20**	**Avg**
MULTI					
	Summary for F (1 detail record)		$ 42,708	2.01	Avg
Summary for 'Race' = MULTI (1 detail record)			**$ 42,708**	**2.01**	**Avg**
NHOPI					
	Summary for F (1 detail record)		$ 37,080	1.15	Avg
Summary for 'Race' = NHOPI (1 detail record)			**$ 37,080**	**1.15**	**Avg**
WHITE					
	Summary for M (4 detail records)		$ 124,664	7.63	Avg
Summary for 'Race' = WHITE (4 detail records)			**$ 124,664**	**7.63**	**Avg**
TOTALS					
		10	**$ 85,489**	**8.25**	**Avg**

TEXAS CREDIT UNION DEPARTMENT

Average Salary and Tenure by Race and Sex

Race	Sex		Annual Salary	Tenure	
ASIAN					
	Summary for M (3 detail records)	$	79,692	10.57	Avg
Summary for 'Race' = ASIAN (3 detail records)		**$**	**79,692**	**10.57**	**Avg**
BLACK					
	Summary for F (5 detail records)	$	88,272	7.32	Avg
	Summary for M (2 detail records)	$	77,034	5.89	Avg
Summary for 'Race' = BLACK (7 detail records)		**$**	**85,061**	**6.92**	**Avg**
HISPA					
	Summary for F (5 detail records)	$	61,032	11.01	Avg
	Summary for M (1 detail record)	$	108,756	4.25	Avg
Summary for 'Race' = HISPA (6 detail records)		**$**	**68,986**	**9.88**	**Avg**
MULTI					
	Summary for F (1 detail record)	$	42,708	2.01	Avg
Summary for 'Race' = MULTI (1 detail record)		**$**	**42,708**	**2.01**	**Avg**
NHOPI					
	Summary for F (1 detail record)	$	37,080	1.15	Avg
Summary for 'Race' = NHOPI (1 detail record)		**$**	**37,080**	**1.15**	**Avg**
WHITE					
	Summary for M (10 detail records)	$	95,346	9.01	Avg
Summary for 'Race' = WHITE (10 detail records)		**$**	**95,346**	**9.01**	**Avg**
TOTALS					
	28	**$**	**81,488**	**8.31**	**Avg**

TEXAS CREDIT UNION DEPARTMENT

Average Salary and Tenure by Race and Sex (FIELD STAFF)

Race	Sex		Annual Salary	Tenure	
ASIAN					
	Summary for M (3 detail records)	$	79,692	10.57	Avg
Summary for 'Race' = ASIAN (3 detail records)		**$**	**79,692**	**10.57**	**Avg**
BLACK					
	Summary for F (5 detail records)	$	88,272	7.32	Avg
	Summary for M (2 detail records)	$	77,034	5.89	Avg
Summary for 'Race' = BLACK (7 detail records)		**$**	**85,061**	**6.92**	**Avg**
HISPA					
	Summary for F (2 detail records)	$	68,736	5.24	Avg
Summary for 'Race' = HISPA (2 detail records)		**$**	**68,736**	**5.24**	**Avg**
WHITE					
	Summary for M (6 detail records)	$	75,800	9.93	Avg
Summary for 'Race' = WHITE (6 detail records)		**$**	**75,800**	**9.93**	**Avg**
TOTALS					
	18	**$**	**79,265**	**8.34**	**Avg**

TEXAS CREDIT UNION DEPARTMENT

Employee Breakout by Experience Level (FIELD STAFF)

Summary for 'EXPLEVEL' = < 1 YEAR				
Count	4	$	49,878	Avg
Summary for 'EXPLEVEL' = 2 TO 5 YEARS				
Count	2	$	67,116	Avg
Summary for 'EXPLEVEL' = 5 TO 10 YEARS				
Count	8	$	80,444	Avg
Summary for 'EXPLEVEL' = MORE THAN 10 YEARS				
Count	4	$	112,371	Avg
	18	$	79,265	Avg

Examiner Turnover by Period

Monday, May 10, 2021
10:06:11 AM

09/01/2020 TO 04/30/2021

Reason for Leaving	Count
1	1
10	1
9	1
	3

Reason Code Definitions

1 - New position with higher pay
2 - Too much travel
3 - Combination of 1 and 2
4 - Perceived lack of opportunity
5 - Relocation
6 - Family situation
7 - Difficulty of position
8 - Other
9 - No reason given
10-Retirement
If multiple reasons use this format:
ex. reasons 1 and 7
"1, 7"

TEXAS CREDIT UNION DEPARTMENT

Current Ethnicity and Sex Breakout

Race	F	M	
WHITE		10	
ASIAN		3	
NHOPI	1		
MULTI	1		
HISPA	5	1	
BLACK	5	2	
	12	16	28
	42.86%	57.14%	

Credit Union Department

Executive Summary

As of 02/28/21

*Information from call report cycle

ACTIVITY	YTD 2019	YTD 2020	2021 FISCAL YEAR 1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD
MOVEMENT PROFILE							
Number of CUs	181	177	176	176			
Total Assets (Millions)	*43,4341	*48,620	*49,462	*50,700			
APPLICATIONS (Received)							
Charters	0	0	0	0			0
Foreign Branches	1	1	1	0			1
Conversions	0	0	0	0			0
Mergers	2	6	1	0			1
Bylaws	58	77	28	31			59
Articles of Incorporation	3	6	0	0			0
Total	64	90	29	31			61
EXAMINATION ACTIVITIES							
Regular	88	113	26	19			45
Joint	63	49	13	11			24
Remedial	31	30	10	3			13
Total	182	192	49	33	0	0	82
ENFORCEMENT ACTIONS (In Force)							
Determination Letters	1	2	2	2			
LUAs	0	0	0	0			
Cease & Desist Orders	2	1	2	2			
Dividend Restrictions	0	0	0	0			
Conservatorships	0	0	0	0			
Liquidations	1	1	1	1			
Total	4	4	5	5	0	0	
PERSONNEL STAFFING							
Field Examiners	19	18	17	18			
Total Personnel	29	29	27	28			
FINANCIAL OPERATIONS (In Thousands)							
Budgeted Expenditures	4,262	4,446	1,054	1,054			2,108
Actual Expenditures	3,904	3,898	949	835			1,784
Gifts and Bequests	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Actual Revenue	4,102	4,363	2,459	0			2,459

Credit Union Department
Application Activities - Detail

ACTIVITY	4th Qtr 2019	4th Qtr 2020	2021 FISCAL YEAR 1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
CHARTERS							
Pending at Beginning of Period	0	0	0	0	0	0	
Add: New Applications Filed	0	0	0	0	0	0	
Less: Approved	0	0	0	0	0	0	
Denied/Withdrawn	0	0	0	0	0	0	
Pending at End of Period	0	0	0	0	0	0	
FOREIGN BRANCH OFFICES							
Pending at Beginning of Period	1	0	1	0	0	0	
Add: New Applications Filed	0	1	0	0	0	0	
Less: Approved	1	0	1	0	0	0	
Denied/Withdrawn	0	0	0	0	0	0	
Pending at End of Period	0	1	0	0	0	0	
CONVERSIONS							
Pending at Beginning of Period	0	0	0	0	0	0	
Add: Applications Filed	0	0	0	0	0	0	
Less: Approved	0	0	0	0	0	0	
Denied/Withdrawn	0	0	0	0	0	0	
Pending at End of Period	0	0	0	0	0	0	
MERGERS							
Pending at Beginning of Period	4	5	2	2	0	0	
Add: Applications Filed	1	1	0	0	0	0	
Less: Approved	2	0	0	1	0	0	
Denied/Withdrawn	0	4	0	0	0	0	
Pending at End of Period	3	2	2	1	0	0	
BYLAWS							
Pending at Beginning of Period	16	0	7	8	0	0	
Add: Applications Filed	8	28	28	31	0	0	
Less: Approved	19	21	27	38	0	0	
Denied/Withdrawn	1	0	0	0	0	0	
Pending at End of Period	4	7	8	1	0	0	
ARTICLES OF INCORPORATION							
Pending at Beginning of Period	0	0	1	0	0	0	
Add: Applications Filed	1	1	0	0	0	0	
Less: Approved	0	0	1	0	0	0	
Denied/Withdrawn	0	0	0	0	0	0	
Pending at End of Period	1	1	0	0	0	0	

Credit Union Department
Movement Profile - Condition Summary

CAMEL RATING	4th Qtr 2019	4th Qtr 2020	2021 FISCAL YEAR *1st Qtr	*2nd Qtr	*3rd Qtr	*4th Qtr	
1	50	55	55	53			
2	110	101	103	107			
3	19	18	15	13			
4	2	3	3	3			
5	0	0	0	0			
Total	181	177	176	176	0	0	

* Information from exam master list

Texas Credit Union Department
Enforcement Actions - Detail

TYPE OF ACTION	In Force 8/31/2019	Issued	Activity Terminated	In Force 8/31/2020	Issued	Activity Terminated	In Force 02/28/2021
Determination Letters	0	2	0	2	0	0	2
LUAs	0	0	0	0	0	0	0
Cease & Desist Orders	2	1	2	1	1	0	2
Dividend Restrictions	0	0	0	0	0	0	0
Conservatorships	0	0	1	0	0	0	0
Liquidations	1	1	0	1	0	0	1
Total	3	4	3	4	1	0	5

Texas Credit Union Department
Examination Activities
Analysis of Current Year

TYPE OF EXAM	Budgeted Number	Actual Number	% Budget	% of Total	% Mailed Within 21 Days
Regular	40	19	95%	11%	100%
Joint	27	11	85%	6%	100%
Remedial	14	3	43%	2%	100%
Total	81	33	83%	20%	100%

Credit Union Department
Movement Profile - Consumer Complaints

CONSUMER COMPLAINTS	YTD 2019	YTD 2020	2021 FISCAL YEAR				
			1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD
Received	363	350	67	69			136
Closed	376	344	69	78			147
Avg. Days to Process	15.5	16.75	21	16	0	0	9.25
% Resolved in 30 Days	100%	97%	100%	97.4%			98.5%

Texas Credit Union Department
Consumer Complaint - Detail

TYPES OF COMPLAINTS	YTD 2019	YTD 2020	2021 FISCAL YEAR				
			1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD
LOAN ISSUES							
Collections/Loans	14	15	1				1
Denial	0	0					0
Loan Issues	5	11					0
Credit Report Issues	89	46	6	14			20
Insurance - CPI, GAAP, Property, etc	7	1		1			1
ACCOUNT ISSUES							
Discriminiation	0	2	1	1			2
Electronic Funds Transfer	10	21	5	5			10
Holds on Checks	10	12	4	7			11
Estate/Probate	2	0					0
Fraud/Unauthorized	33	38	18	10			28
Fees	26	25	5	6			11
Billing Disputes	13	15	9	11			20
Other	66	57	8	6			14
OTHER PRODUCTS/SERVICES							
Account/Loan Balance	39	32	2	5			7
Account Closed/Frozen	8	11	3	6			9
Customer Service	38	40	5	6			11
Deceptive Advertisment	5	4					0
Vehicle Title	7	5	2				2
Website Issues	2	9					0
TOTAL	374	344	69	78	0	0	147

Credit Union Department
Merger/Conversion Finalized

ACTIVITY	YTD 2019	YTD 2020	2021 FISCAL YEAR 1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD
MERGERS							
Number:							
State-to-State	1	1					**0**
Federal-to-State	2	4		1			**1**
State-to-Federal	1	2					**0**
Total	**4**	**7**	**0**	**1**	**0**	**0**	**1**
Assets:							
State-to-State	2,863,489	18,596,591					0
Federal-to-State	69,246,226	2,352,989		136,378,000			136,378,000
State-to-Federal	24,000,070	-					0
Total	**96,109,785**	**20,949,580**	**0**	**136,378,000**	**0**	**0**	**136,378,000**
CONVERSIONS							
Number:							
Federal-to-State	0	0	0	0	0	0	**0**
State-to-Federal	0	0	0	0	0	0	**0**
State-to-Mutual Bank	0	0	0	0	0	0	**0**
Assets:							**0**
Federal-to-State		-					**0**
State-to-Federal							**0**
State-to-Mutual Bank							**0**
Total	**-**	**-**	**0**	**0**	**0**	**0**	**0**

Credit Union Department
Web Site Statistics
Report Range: 12/01/2020 thru 02/28/2021

		Number
Total Visits:		
	Number of Visits	4,788
	Visitors	3,014
	Page Views	9,918
	Number of Repeat Visitors	2,044
	Average Pages per Visit	2.07
	Average Visit Duration	0:01:57
Most Requested Pages:	**Texas Rules for Credit Unions**	892
	Job Postings	527
	Department Newsletter	360
	Contact Us	303
Most Downloaded Files:	**Rules for Credit Unions**	468
	Job Position	178
	Texas Standard Bylaws	101
	Complaint Form	97
	Finance Code - Unofficial Compilation of CUs	95

CONSOLIDATED REPORT FOR
469 CREDIT UNION DEPARTMENT

PROCUREMENT CATEGORY	TOTAL EXPENDITURES	TOTAL $/% SPENT WITH NON HUBS	TOTAL $/% SPENT WITH HUBS	ANNUAL PROCUREMENT GOAL %
HEAVY CONSTRUCTION	$00	$00 / 0.00%	$00 / 0.00%	11.20%
BUILDING	$00	$00 / 0.00%	$00 / 0.00%	21.10%
SPECIAL TRADE	$00	$00 / 0.00%	$00 / 0.00%	32.90%
PROFESSIONAL	$00	$00 / 0.00%	$00 / 0.00%	23.70%
OTHER SERVICES	$73,860	$40,182 / 54.40%	$33,677 / 45.60%	26.00%
COMMODITY PURCHASING	$49,589	$12,137 / 24.48%	$37,452 / 75.52%	21.10%
	$123,449	$52,320 / 42.38%	$71,129 / 57.62%	

CONSOLIDATED REPORT FOR
THE STATE OF TEXAS

HEAVY CONSTRUCTION	$8,387,877,123	$8,226,011,313 / 98.07%	$445,096,593 / 5.31%	11.20%
BUILDING	$2,134,748,131	$2,033,030,309 / 95.24%	$408,586,692 / 19.14%	21.10%
SPECIAL TRADE	$931,750,334	$796,989,962 / 85.54%	$198,816,776 / 21.34%	32.90%
PROFESSIONAL	$1,348,986,108	$1,153,900,010 / 85.54%	$398,169,678 / 29.52%	23.70%
OTHER SERVICES	$5,647,165,037	$5,025,057,707 / 88.98%	$782,883,456 / 13.86%	26.00%
COMMODITY PURCHASING	$6,590,294,890	$5,908,424,766 / 89.65%	$707,403,161 / 10.73%	21.10%
	$25,040,821,627	$23,143,414,069 / 92.42%	$2,940,956,359 / 11.74%	

** ANALYSIS OF AWARDS FOR
469 CREDIT UNION DEPARTMENT

CERTIFIED HUB GROUP FOR HUB CREDIT	TOTAL # AND % OF HUB VIDS RECEIVING AWARDS	TOTAL DOLLAR AMOUNT AND % AWARDED TO HUBS
ASIAN PACIFIC	1 / 12.50%	$4,223 / 5.94%
BLACK	1 / 12.50%	$1,971 / 2.77%
HISPANIC	0 / 0.00%	$00 / 0.00%
NATIVE AMERICAN	1 / 12.50%	$1,895 / 2.66%
SERVICE-DISABLED VETERAN	0 / 0.00%	$00 / 0.00%
WOMAN	5 / 62.50%	$63,040 / 88.63%
TOTAL	8 / 100.00%	$71,129 / 100.00%

** ANALYSIS OF AWARDS FOR
THE STATE OF TEXAS

CERTIFIED HUB GROUP	# OF VIDS ELIGIBLE FOR HUB CREDIT, %	# OF MALES, %	# OF FEMALES, %	TOTAL # AND % OF HUB VIDS RECEIVING AWARDS	TOTAL DOLLAR AMOUNT AND % AWARDED TO HUBS
ASIAN PACIFIC	1314 / 8.18%	870 / 12.39%	444 / 4.91%	283 / 7.06%	$377,129,124 / 12.82%
BLACK	3924 / 24.42%	2246 / 31.99%	1678 / 18.55%	503 /12.55%	$310,928,472 / 10.57%
HISPANIC	5010 / 31.18%	3482 / 49.59%	1528 / 16.89%	1262 /31.48%	$985,030,943 / 33.49%
NATIVE AMERICAN	271 / 1.69%	192 / 2.73%	79 / 0.87%	76 / 1.90%	$55,530,761 / 1.89%
SERVICE-DISABLED VETERAN	231 / 1.44%	231 / 3.29%	0 / 0.00%	45 / 1.12%	$19,027,054 / 0.65%
WOMEN	5317 / 33.09%	0 / 0.00%	5317 / 58.78%	1840 /45.90%	$1,193,310,002 / 40.58%
TOTAL	16067 / 100.00%	7021 / 100.00%	9046 / 100.00%	4009 /100.00%	$2,940,956,359 / 100.00%

** THE ANALYSIS IS BASED ON THE TOTAL # OF VENDOR ID NUMBERS THAT WERE ELIGIBLE TO RECEIVE HUB CREDIT.
TOTAL # OF CERTIFIED HUBS FOR THE PERIOD OF FY2020 IS 16034.

SUCH AS, 1314 (8.18%) OF VID NUMBERS ELIGIBLE TO RECEIVE HUB CREDIT WERE ASIAN PACIFIC OWNED BUSINESSES, 870 (12.39%) WERE ASIAN PACIFIC MALE OWNED BUSINESSES AND 444 (4.91%) WERE ASIAN PACIFIC FEMALE OWNED BUSINESSES. 283 (7.06%) AWARDS WERE MADE TO ASIAN PACIFIC OWNED BUSINESSES, TOTALING $377,129,124.00 (12.82%) OF THE TOTAL DOLLARS AWARDED TO HUBS.