

Department of the Treasury
Financial Stability Oversight
Council

Congressional Budget
Justification and Annual
Performance Plan and Report

FY 2021

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Section I – Budget Request

A – Mission Statement

To identify risks to the financial stability of the United States, to promote market discipline, and to respond to emerging threats to the stability of the U.S. financial system.

B – Summary of the Request

The Financial Stability Oversight Council (FSOC or Council) is estimating a fiscal year (FY) 2021 funding level of \$10.439 million, which is an increase of \$1.410 million from the FY 2020 estimated funding level. This request includes \$6.138 million for the FSOC Secretariat and the Office of the Independent Member with Insurance Expertise, and \$4.301 million to reimburse the Federal Deposit Insurance Corporation (FDIC) for certain expenses as required by law. This is a projected increase of \$1.308 million in FDIC reimbursable activity when compared to FY 2019. On December 4, 2019, the Council approved new interpretive guidance regarding FSOC’s nonbank financial company determinations. The guidance implements an activities-based approach for identifying and addressing potential risks to financial stability and enhances the analytical rigor and transparency of the Council’s process for designating nonbank financial companies. The FY 2021 Budget also proposes to impose appropriate Congressional oversight of Council functions by subjecting its activities to the annual appropriations process beginning in FY 2022.

1.1 – Appropriations Detail Table

Dollars in Thousands

Budgetary Resources	FY 2019		FY 2020		FY 2021		FY 2020 to FY 2021	
	Actual		Estimated		Estimated		% Change	
	FIE	AMOUNT	FIE	AMOUNT	FIE	AMOUNT	FIE	AMOUNT
Revenue/Offsetting Collections								
Assessments	0	\$8,957	0	\$10,001	0	\$9,438	NA	-5.6%
Interest	0	\$236	0	\$171	0	\$171	NA	0.0%
Recoveries	0	\$194	0	\$195	0	\$195	NA	0.0%
Restoration of Sequestration Rescission	0	\$531	0	\$567	0	\$600	NA	5.8%
Unobligated Balances from Prior Years	0	\$7,777	0	\$7,581	0	\$8,886	NA	17.2%
Total Revenue/Offsetting Collections	0	\$17,695	0	\$18,515	0	\$19,290	NA	4.2%
Expenses/Obligations								
FSOC	14	\$5,246	18	\$6,036	18	\$6,138	0.0%	1.7%
FDIC	0	\$4,301	0	\$2,993	0	\$4,301	NA	43.7%
Total Expenses/Obligations	14	\$9,547	18	\$9,029	18	\$10,439	0.0%	15.6%
Sequestration Reduction	0	(\$567)		(\$600)		\$0		
Net Results	14	\$7,581	18	\$8,886	18	\$8,851	0.0%	-0.4%

1) The FSOC is financed through assessments on certain bank holding companies and nonbank financial companies. See Treasury’s final rule and interim final rule governing the Assessments process: https://www.financialresearch.gov/strategy-budget/files/final_rule_interim_final_rule.pdf

2) The funding for the first six months of operating expenses and 12 months of capital expenses are reflected in Unobligated Balances from Prior Years. This is because the first assessment covering the fiscal year beginning October 1 is collected on September 15 of the prior fiscal year.

1.2 – Budget Adjustments Table

Dollars in Thousands

	FTE	Amount
FY 2020 Estimate	18	\$9,029
Changes to Base:		
Maintaining Current Levels (MCLs):	0	\$102
Pay Annualization (2020 3.1% average pay raise)	0	\$18
Pay-Raise (1.0% average pay raise)	0	\$35
FERS Contribution Increase		\$17
Non-Pay	0	\$32
Subtotal Changes to Base	0	\$102
FY 2021 Current Services	18	\$9,131
Program Changes:		
Program Increases:	0	\$1,308
FDIC Cost Adjustment	0	\$1,308
Subtotal Changes to Base	0	\$1,308
FY 2021 Estimate	18	\$10,439

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs)+\$102,000 / +0 FTE

Pay Annualization (3.1%) +\$18,000 / +0 FTE

Funds are requested for annualization of the January 2020 3.1% average pay raise.

Pay Raise (1.0% in 2021) +\$35,000 / +0 FTE

Funds are requested for a 1.0% average pay raise in January 2021.

FERS Contribution Increase +\$17,000 / +0 FTE

Funds are requested for the Federal Employee Retirement System (FERS) contribution rates effective FY 2021.

Non-Pay +\$32,000 / +0 FTE

Funds are requested for non-labor expenses such as travel, contracts, rent, supplies, and equipment.

Program Increases+\$1,308,000 / +0 FTE

FDIC Cost Adjustment +\$1,308,000 / +0 FTE

Cost increase for FDIC reimbursable expenses based on indications from FDIC that reimbursable activities will increase during fiscal year 2020.

1.3 Object Classification (Schedule O) Obligations

Dollars in Thousands

Object Classification	FY 2019 Actual Obligations	FY 2020 Estimated Obligations	FY 2021 Estimated Obligations
11.1 - Full-time permanent	1,789	2,578	2,648
11.3 - Other than full-time permanent	168	175	175
11.5 - Other personnel compensation	15	0	0
11.9 - Personnel Compensation (Total)	1,972	2,753	2,823
12.0 - Personnel benefits	567	793	813
Total Personnel and Compensation Benefits	\$2,539	\$3,546	\$3,636
21.0 - Travel and transportation of persons	44	45	48
25.1 - Advisory and assistance services	145	291	296
25.2 - Other services from non-Federal sources	17	16	16
25.3 - Other goods and services from Federal sources	6,351	4,594	5,901
25.4 - Operation and maintenance of facilities	2	0	0
26.0 - Supplies and materials	307	527	532
31.0 - Equipment	72	10	10
32.0 - Land and structures	70	0	0
Total Non-Personnel	7,008	5,483	6,803
Total Budgetary Resources	\$9,547	\$9,029	\$10,439
Full-time Equivalents (FTE)	14	18	18

D – Appropriations Language and Explanation of Changes

The FSOC receives no appropriations from Congress.

E – Legislative Proposals

Consistent with previous budget proposals the FY 2021 Budget proposes to impose appropriate Congressional oversight of Council functions by subjecting its activities to the annual appropriations process beginning in FY 2022.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The FSOC supports the Department of the Treasury’s Strategic Plan for FY 2018-2022 as follows:

- Goal 1: Boost U.S. Economic Growth
 - Objective 1.2 – Strong Economic Fundamentals
- Goal 2: Promote Financial Stability
 - Objective 2.4 – Financial Sector Critical Infrastructure & Cybersecurity

The Council is chaired by the Secretary of the Treasury and consists of 10 voting members and five nonvoting members who serve in an advisory capacity. The Council brings together the expertise of the federal financial regulators, an insurance expert appointed by the President, and state regulators.

The Council’s three statutory purposes are to:

- 1) identify risks to the financial stability of the United States that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace;
- 2) promote market discipline, by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the Government will shield them from losses in the event of failure; and
- 3) respond to emerging threats to the stability of the U.S. financial system.

The Council has a statutory duty to facilitate information sharing and coordination among the member agencies regarding domestic financial services policy development, rulemaking, examinations, reporting requirements, and enforcement actions.

Over the next year, the Council will continue to: monitor the financial system for emerging risks; facilitate interagency cooperation to identify and analyze emerging threats; and facilitate information sharing and interagency coordination with respect to various regulatory initiatives.

Over the last year, the Council continued to identify and monitor potential risks to U.S. financial stability; fulfilled its statutory requirements, including transmission of its ninth annual report to Congress; and served as a forum for coordination among member agencies. On December 4, 2019, the Council issued final guidance regarding nonbank financial company designations. The guidance implements an activities-based approach for identifying and addressing potential risks to financial stability, and enhances the analytical rigor and transparency of the Council’s process for designating nonbank financial companies.

By law, the Council is required to convene no less than quarterly, but the Council has convened on a more frequent basis to share information on key financial developments, coordinate regulatory implementation, and monitor progress on recommendations from the Council’s annual reports. In FY 2019, the Council convened five times. The Council will continue to remain focused on identifying near-term threats and addressing structural vulnerabilities in the financial

system. Transparency into Council work has routinely been provided through an annual report to Congress, periodic Congressional testimony on Council activities and emerging threats to financial stability, and regular communications with the public about Council activities and decisions.

The Council is an executive agency and is not an office or bureau of the Department of the Treasury (Treasury). However, by law, the Council’s expenses (and, indirectly, FDIC reimbursements) are considered expenses of the Office of Financial Research, an office within Treasury.

B – Budget and Performance by Budget Activity

2.1.1 – Financial Stability Oversight Council Resources and Measures

Dollars in Thousands

Resource Level	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Estimated	FY 2021 Estimated
Appropriated Resources	\$6,236	\$7,157	\$5,655	\$4,966	\$5,246	\$6,036	\$6,138
Budget Activity Total	\$6,236	\$7,157	\$5,655	\$4,966	\$5,246	\$6,036	\$6,138
Full-time Equivalents (FTE)	22	22	17	13	14	18	18

The FY 2015 - FY 2019 columns represent realized resources for full-time equivalents, reimbursables, and user fees.

Financial Stability Oversight Council

(\$6,138,000 from Assessments):

There are no measures specified for managing Council performance. The FSOC’s annual reports and other public documents, as well as individual Council member agencies’ performance documents, provide information to the public relevant to the Council’s performance.

Information on the Council is provided on www.treasury.gov, www.fsoc.gov, and member agency websites to provide transparency and accountability.

2.1.2 – FDIC Reimbursement Resources and Measures

Dollars in Thousands

Resource Level	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Estimated	FY 2021 Estimated
Appropriated Resources	\$7,628	\$6,571	\$5,126	\$4,162	\$4,301	\$2,993	\$4,301
Budget Activity Total	\$7,628	\$6,571	\$5,126	\$4,162	\$4,301	\$2,993	\$4,301
Full-time Equivalents (FTE)	0	0	0	0	0	0	0

The FY 2015 - FY 2019 columns represent realized resources for full-time equivalents, reimbursables, and user fees.

FDIC Reimbursement

(\$4,301,000 from Assessments):

Certain FDIC expenses are treated as expenses of the Council. By law, the Council’s expenses include reimbursement of certain reasonable implementation expenses incurred by the FDIC in implementing Orderly Liquidation Authority. The FDIC must periodically submit requests for reimbursement to the Chairperson of the Council, who shall arrange for prompt reimbursement to the FDIC. FDIC expenses are for rule writing and resolution planning.

C – Changes in Performance Measures

FSOC has no changes in performance measures.

D – Evidence-Building Activity

To ensure all research, recommendations, and decisions of the Council are evidence-based, the Council routinely uses a variety of data sources obtained independently or in conjunction with the Office of Financial Research (OFR). These include commercially available products widely used throughout the financial services and markets, publically available data from U.S. federal and state agencies, international governments, trade associations, academic and public policy groups, and non-public data from financial regulatory agencies. At the direction of the Council, member agency staff may also produce original research and analysis on specific financial and economic topics.

Section III – Additional Information

A – Summary of Capital Investments

The FSOC has no capital investments. Capital investments that support the FSOC are included in the Treasury Franchise Fund Plan.

A summary of capital investments, including major information technology and non-technology investments, can be accessed at:

<https://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>.