

Department of the Treasury
Office of Financial Research

Congressional Budget
Justification and Annual
Performance Report and Plan

FY 2019

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Section I – Budget Request

A – Mission Statement

Promote financial stability by delivering high-quality financial data, standards, and analysis for the Financial Stability Oversight Council (FSOC or Council) and public.

B – Summary of the Request

The Office of Financial Research (OFR) is estimating a fiscal year (FY) 2019 funding level of \$75.271 million, which is nine percent below its FY 2018 estimated funding level. To align with the Administration’s initiative to improve government efficiency and effectiveness, OFR is implementing an organizational realignment effort to ensure appropriate structure for maximum efficiency. In addition, the Budget reflects continued reductions in OFR spending commensurate with the renewed fiscal discipline being applied across the Federal Government. The Budget also proposes to impose appropriate Congressional oversight of OFR functions by subjecting its activities to the normal appropriations process beginning in FY 2020.

1.1 – Resource Detail Table

Dollars in Thousands

Office of Financial Research Budgetary Resources	FY 2017		FY 2018		FY 2019		FY 2018 to FY 2019			
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Assessments ¹		\$77,613		\$62,995		\$59,748		(\$3,247)	NA	-5.15%
Interest		\$554		\$421		\$383		(\$38)	NA	-9.00%
Recovery of Prior Year Paid Obligations		\$68		\$63		\$60		(\$4)	NA	-5.56%
Recovery of Prior Year Unpaid Obligations		\$2,330		\$3,331		\$3,656		\$326	NA	9.78%
Restoration of Sequestration Reduction ²		\$6,262		\$5,394		\$4,185		(\$1,208)	NA	-22.40%
Unobligated Balances from Prior Years ²		\$71,250		\$63,477		\$48,524		(\$14,953)	NA	-23.56%
Total Revenue/Offsetting Collections		\$158,077		\$135,680		\$116,556		(\$19,124)	NA	-14.09%
Expenses/Obligations										
Data Center	44	\$17,833	42	\$16,348	35	\$15,346	(7)	(\$1,002)	-16.67%	-6.13%
Technology Center	63	\$29,235	53	\$25,935	37	\$22,325	(16)	(\$3,610)	-30.19%	-13.92%
Research Center	53	\$15,605	44	\$15,185	35	\$13,465	(9)	(\$1,720)	-20.45%	-11.33%
Operations and Support Services	59	\$26,533	51	\$25,503	33	\$24,135	(18)	(\$1,368)	-35.29%	-5.36%
Total Expenses/Obligations	219	\$89,206	190	\$82,971	140	\$75,271	(50)	(\$7,700)	-26.32%	-9.28%
Sequestration Reduction		(\$5,394)		(\$4,185)		\$0		\$4,185		
Net Results		\$63,477		\$48,524		\$41,285		(\$7,239)		-14.92%

1) The OFR 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 the unobligated balance line. This is because the first assessment covering the fiscal year beginning October 1 is actually collected on September 15 of the prior fiscal year. This makes it appear as though large amounts of unobligated balances went unused, when in fact very little, if any, of those balances were from under execution.

C – Vision, Priorities, and Context

The OFR, or Office, resides within the Department of the Treasury (Treasury). In carrying out its mission, the OFR seeks to support achievement of a transparent, efficient, and stable financial system. The OFR’s work contributes to the efforts of the regulatory community, the Treasury, and Congress to make informed and comprehensive policies and take actions that will strengthen the financial system. In addition, the OFR is authorized to provide certain data to the regulatory community, Treasury, financial industry participants and the general public to increase market

transparency and facilitate monitoring of and research on the financial system. The Office monitors the financial environment for the emergence of new vulnerabilities and migration of financial activity that could threaten financial stability. The Office takes an objective position to evaluate macroprudential policies, advocate for needed data initiatives, help the regulatory community enhance its peripheral vision, and produce work that may have previously been beyond the reach of individual regulatory agencies and other important stakeholders.

In the OFR Strategic Plan for FY 2015-2019, the OFR established three strategic goals that reflect its primary functions in data and analysis, data standardization, and research.¹ The plan will continue to guide the Office's work through FY 2019 and will support the decisions made about resources needed to implement those strategies. The three goals are:

1. The OFR is an essential source of data and analysis for monitoring threats to financial stability.

Key objectives of this goal include:

- The OFR's monitoring tools and analyses are widely used and critical to assessing financial stability.
- Data used to monitor financial stability are comprehensive, reliable, and accessible to policy makers and the public through the OFR.
- Data providers and the public trust, acknowledge, and recognize that OFR data are protected and secure.

2. Standards that improve the quality and utility of financial data are identified and adopted.

Key objectives of this goal include:

- Recognition of the need for standards by policy makers and industry.
- The OFR is the source of expert knowledge needed to develop and implement types and formats of data reported and collected.
- Financial data standards that create efficiencies and facilitate analysis are widely used.

3. Leading edge research improves financial stability monitoring and the scope and quality of financial data, and informs policy and risk management.

Key objectives of this goal include:

- The OFR is the recognized center for objective, innovative research on financial stability.
- OFR research is widely cited and used to improve policy making, risk management, financial stability, and the scope and quality of financial data.

¹ See the OFR Strategic Plan for FY 2015-2019:

<http://financialresearch.gov/strategy-budget/files/Office-of-Financial-Research-Strategic-Plan-2015-2019.pdf>

OFR priorities for FY 2018 and FY 2019 that support the three strategic goals include:

1. Collection of bi-lateral repurchase (repo) data that will support both expanded monitoring of the repo market, and calculation of the Secured Overnight Funding Rate planned to be used as an alternative to LIBOR (US dollar London Interbank Offered Rate)
2. Publishing the OFR Annual Report
3. Advancing industry-wide data standards development and use
4. Implement the Financial System Vulnerability Monitor and Financial Stress Index to monitor threats and vulnerabilities in the financial system

1.2 – Budget Adjustments Table

Dollars in Thousands

Office of Financial Research	FTE	Amount
FY 2018 Estimated	190	\$82,971
Changes to Base:		
Total FY 2019 Base	190	\$82,971
Program Changes:		
Program Decreases	(50)	(\$7,700)
Personnel	(50)	(\$6,571)
Non-Personnel	0	(\$1,129)
Total FY 2019 Estimated	140	\$75,271

D – Budget Increases and Decreases Description

Program Decreases.....-\$7,700,000

Personnel -\$6,571,000 / -50 FTE

To align with the Administration’s initiative to improve Government efficiency and effectiveness, the OFR is implementing a staffing streamlining effort to ensure appropriate levels for maximum efficiency. This effort will begin in FY 2018 with full implementation occurring in FY 2019.

Non-Personnel -\$1,129,000 / 0 FTE

The office proposes to continue decreasing administrative costs, reduce supplies and equipment purchases, and re-organize management functions.

1.3 – Operating Levels Table

Dollars in Thousands

Office of Financial Research Object Classification	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
11.1 - Full-time permanent	32,701	30,146	26,035
11.3 - Other than full-time permanent	563	515	509
11.5 - Other personnel compensation	578	555	519
11.9 - Total personnel compensation	33,842	31,216	27,063
12.0 - Personnel benefits	12,988	11,579	9,161
Total Personnel and Compensation Benefits	\$46,830	\$42,795	\$36,224
21.0 - Travel and transportation of persons	447	356	299
23.3 - Communication, utilities, and misc charges	179	115	110
24.0 - Printing and reproduction	22	24	8
25.1 - Advisory and assistance services	10,897	8,446	8,403
25.2 - Other services from non-Federal sources	939	913	755
25.3 - Other goods and services from Federal sources	19,915	21,039	20,193
26.0 - Supplies and materials	6,508	5,748	5,776
31.0 - Equipment	3,469	3,535	3,503
Total Non-Personnel	\$42,376	\$40,176	\$39,047
Subtotal New Budgetary Resources	\$89,206	\$82,971	\$75,271
Budget Activities:			
Data Center	17,833	16,348	15,346
Technology Center	29,235	25,935	22,325
Research Center	15,605	15,185	13,465
Operations and Support Services	26,533	25,503	24,135
Total Budgetary Resources	\$89,206	\$82,971	\$75,271
FTE	219	190	140

1) Personnel compensation and benefits include direct OFR staff members only. Object Classification 25.3, "Other goods and services from Federal sources," and expenditures of "Operations and Support Services" include reimbursable support received from Treasury's Departmental Offices; personnel benefits services from the Office of the Comptroller of the Currency; and services from Treasury's Bureau of the Fiscal Service Administrative Resource Center, including human resource services, procurement services, travel, and financial management services.

E – Appropriations Language and Explanation of Changes

The OFR receives no appropriations from Congress.

F – Legislative Proposals

The Budget proposes to impose appropriate Congressional oversight of OFR functions by subjecting its activities to the normal appropriations process beginning in FY 2020.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The OFR seeks to promote financial stability by delivering high-quality financial data standards and analysis to the FSOC and the public. This mission is in direct alignment with Treasury’s Strategic Plan for FY 2018-2022, including all objectives under the following goals:

- Goal 1 - Boost U.S. Economic Growth
- Goal 2 - Promote Financial Stability

With the publication of the Treasury Strategic Plan for FY 2018-2022, Treasury will work in FY 2018 to baseline its performance against the new strategic objectives. This could result in additional changes to performance measures in the FY 2020 Budget.

The OFR assesses its performance measures annually and revises them, if appropriate, to ensure their continued usefulness for management decision-making and improved results.

OFR’s efforts, working with the FSOC, Treasury, and other important stakeholders will help drive toward the vision of a stable, transparent, and efficient financial system.

Key areas of focus will be in monitoring threats and vulnerabilities in the financial system through OFR’s Financial System Vulnerability Monitor and Financial Stress Index. Other focus areas include research and policy analysis that promote informed decision-making for policies that balance the need of stability with the need for efficient and effective regulation, supporting Treasury’s objective of Strong Economic Fundamentals. In all of these areas, high quality data are essential. The OFR will continue its efforts to promote, identify, and implement financial data standards to improve the quality, scope, and accessibility of financial data. Two important initiatives will be the permanent bi-lateral repurchase (repo) agreement data collection and supporting the development of an alternative to the London Interbank Offered Rate (LIBOR) reference rate. OFR is helping to spearhead both of these efforts.

Finally, the OFR will continue to publish its statutorily-mandated Annual Report that assesses the state of the U.S. financial system. The OFR also plans to publish the annual Financial Stability Report that provides detailed analysis to supplement the Annual Report.

B – Data Center

(\$15,346,000 from Assessments):

As required by statute, the Data Center, on behalf of the Council, collects, validates, and maintains all data necessary to carry out the Center’s duties. Under this mandate, the Data Center works to increase efficiency in data acquisition and management; reduce redundant reporting requirements across the regulatory system (including through more effective data-sharing arrangements); and to ensure the security of sensitive data.

Data Standards

One of the OFR’s strategic goals is to identify and adopt standards that improve the quality and utility of financial data. Standards for financial data will benefit regulators and financial market participants by making data aggregation easier, improving analysis, and reducing data collection costs. The OFR monitors progress through the following key performance indicators:

- Number of Legal Entity Identifiers (LEIs) Issued Cumulatively in the United States and Internationally – This indicator tracks the progress over time in industry’s use of the LEI.
- Number of Times That Financial Data Standards are Incorporated in Rules and Regulations – This data point serves as an indicator of regulators’ awareness of the importance of data standards and the extent to which data standards are being adopted in rules and regulations.

2.1.1 – Data Center Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expense/Obligations	\$37,619	\$46,940	\$17,240	\$16,477	\$17,833	\$16,348	\$15,346
Budget Activity Total	\$37,619	\$46,940	\$17,240	\$16,477	\$17,833	\$19,157	\$16,865
FTE	66	90	51	37	44	42	35

Measure	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2017	FY 2018	FY 2019
	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Number of LEIs Issued Cumulatively in the United States and Internationally	N/A	N/A	395,861	395,861	587,941			
Number of Times That Data Standards Related are Incorporated in Rules and Regulations	N/A	N/A	2	9	4	4		

Key: | - Indicator

C – Technology Center

(\$22,325,000 from Assessments):

The Technology Center provides mission-critical analytic services to support the OFR’s work with complex, sensitive financial data and the Office’s research and analysis activities. In addition, the Technology Center is responsible for safeguarding data and systems, and managing all Information Technology capabilities within the OFR. These responsibilities include computing and analytic platforms, software, telecommunications, client applications, and office automation solutions.

The OFR has internal performance measures for this activity, however they are not public because the measures contain sensitive information.

2.1.2 – Technology Center Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expense/Obligations	\$0	\$0	\$30,970	\$32,132	\$29,235	\$25,935	\$22,325
Budget Activity Total	\$0	\$0	\$30,970	\$32,132	\$29,235	\$25,935	\$22,325
FTE	0	0	51	61	63	53	37

D – Research and Analysis Center

(\$13,465,000 from Assessments):

The Research and Analysis Center conducts research and analysis on systemic risk, macroprudential policy, and financial stability. Working closely with the FSOC, Treasury, other key stakeholders, the Financial Research Advisory Council, and experts from around the globe, the OFR collaboratively identifies important issues that need to be addressed and focuses its resources on delivering impactful results in areas such as a LIBOR alternative and a multi-factor approach for determining bank regulatory thresholds.

Leading Edge Research and Monitoring Threats to Financial Stability

The Research and Analysis Center contributes to the achievement of two of the OFR’s three strategic goals: (1) Leading edge research improves financial stability monitoring and the scope and quality of financial data, and informs policy and risk management; and (2) The OFR is an essential source of data and analysis for monitoring threats to financial stability. There are two output measures for this goal. The Research and Analysis measures noted below are planned to be replaced in FY 2018 and FY 2019 with new metrics that better capture stakeholder needs and better reflect mission accomplishment in this area.

- Number of Research and Analysis Publications (working papers, briefs, staff discussion papers, and reports) Made Public – This measure tracks the OFR’s progress in increasing the size of its research portfolio available to policy makers, regulators, industry, academics, and the public. The measure includes a wide range of published research products, from the OFR’s comprehensive annual reports to the more frequently issued working papers. This measure was formerly called, “Number of research and analysis products made public.”
- Financial Stability Monitoring Services and Products Provided – This measure tracks the OFR’s output of monitoring tools and other analyses of threats to financial stability. It includes tools and information made available to the general public, as well as those produced for the Council or Council member agencies. The metric includes tools and information such as number of monitor editions, policy analyses, dashboards, and other analyses provided directly to the public or to the Financial Stability Oversight Council in response to their requests.

2.1.3 – Research and Analysis Center Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expense/Obligations	\$4,733	\$7,700	\$10,396	\$14,239	\$15,605	\$15,185	\$13,465
Budget Activity Total	\$4,733	\$7,700	\$10,396	\$14,239	\$15,605	\$17,719	\$11,573
FTE	26	33	43	54	53	44	35

Measure	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2017	FY 2018	FY 2019
	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Number of Research and Analysis Publications Made Public Year-to-Date	10	15	11	34	20	20	20	DISC
Financial Stability Monitoring Services and Products Provided	N/A	N/A	N/A	N/A	33	25	DISC	DISC
Number of Monitor Editions, Policy Analyses, and Dashboards Produced for Monitoring Threats to Financial Stability	N/A	N/A	21	34	DISC	DISC	DISC	DISC

Key: DISC - Discontinued

E – Operations and Support Services

(\$24,135,000 from Assessments):

The category “Operations and Support Services” contains the activities of the Director’s Office, Operations, External Affairs, and Chief Counsel. The category includes support provided through a shared services model and reimbursable arrangements with Treasury’s Departmental Offices; personnel benefits services from the Office of the Comptroller of the Currency; and services from Treasury’s Bureau of the Fiscal Service Administrative Resource Center, including services related to human resources, procurement, travel, and financial management.

2.1.4 – Operations and Support Services Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expense/Obligations	\$22,953	\$26,626	\$26,110	\$32,026	\$26,533	\$25,503	\$24,135
Budget Activity Total	\$22,953	\$26,626	\$26,110	\$32,026	\$26,533	\$25,503	\$24,135
FTE	35	43	49	56	59	51	33

The OFR has no capital investments. Capital investments that support OFR are included in the Departmental Offices plan. A summary of capital investment resources, including major information technology and non-technology investments can be found at:

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

This website contains a digital copy of this document.