

OFFICE OF THE STATE BANK COMMISSIONER

	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Operating Expenditures:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	10,169,917	11,151,318	10,828,090	11,207,957	10,902,451	11,758,612	11,437,951
TOTAL	\$ 10,169,917	\$ 11,151,318	\$ 10,828,090	\$ 11,207,957	\$ 10,902,451	\$ 11,758,612	\$ 11,437,951
Capital Improvements:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 10,169,917	\$ 11,151,318	\$ 10,828,090	\$ 11,207,957	\$ 10,902,451	\$ 11,758,612	\$ 11,437,951

Percentage Change:

Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	(1.6)	9.7	6.5	0.5	0.7	4.9	4.9
FTE Positions	103.0	95.0	95.0	95.0	95.0	95.0	95.0
Non-FTE							
Perm.Uncl.Pos.	5.0	11.0	11.0	11.0	11.0	11.0	11.0
TOTAL	108.0	106.0	106.0	106.0	106.0	106.0	106.0

AGENCY OVERVIEW

The Office of the State Bank Commissioner (OSBC) ensures the integrity of regulated providers of financial services through responsible and proactive oversight, while protecting and educating consumers. The agency is responsible for the supervision of state-chartered banks, trust companies/departments, savings and loan associations, money transmitters, mortgage and consumer credit lenders, and credit service organizations. In doing so, the OSBC educates regulated entities to promote compliance with governing laws and regulations. The agency also preserves the dual banking system through chartering of new state banks, maintenance of existing state charters, and equitable regulation of state banks. Finally, the OSBC is responsible for protecting consumers from unfair or unscrupulous credit practices, and promoting public trust in the state financial system.

Authority for the OSBC was established in K.S.A. §9-101 *et seq.* The OSBC was established in 1981 by the Legislature to regulate and examine all financial institutions. The regulation of savings and loan associations, credit unions, and securities activities were later removed. Authority for the OSBC is found in K.S.A. §75-1304 *et seq.*, while the State Banking Board is authorized by K.S.A. §74-3004 *et seq.*

The agency is headed by a Commissioner, who is appointed by the Governor to serve a four-year term. A nine member banking board is appointed by the Governor. The board serves

MAJOR ISSUES FROM PRIOR YEARS

The **1999 Legislature** passed SB 271, which merged the Office of the Consumer Credit Commissioner with and into the OSBC. The bill created a Division of Consumer and Mortgage Lending within the OSBC, and an unclassified position of

in an advisory capacity to the office and is comprised of six banker members (with a minimum of five years of state banking experience), and three public interest members. Four banker members represent each of the state's four congressional districts. The other two banker members represent the state at large. The board has responsibility for the approval of new charters and branch applications from banks that are ineligible, as well as other activities.

The agency, under the supervision of the Commissioner, conducts examinations of the banks and trust companies approximately every 18 months. These examinations include an on-site evaluation of assets, capital adequacy, internal routines and controls, bank management and other risk areas. The OSBC also works closely with the Federal Reserve Bank and the Federal Insurance Corporation in the regulation and supervision of these entities.

The agency's Banking Division is self-supporting through statutory assessments based on the total assets of the institutions under the department's supervision. The agency's Consumer and Mortgage Division is also self-supporting through fees for licensing and renewal activities. The agency remits \$100,000 annually to the State General Fund. The remainder of the funds are for expenditures incurred by the agency in the regulation of the entities supervised, and to fund consumer education initiative.

Deputy of Consumer and Mortgage Lending. This Deputy serves as Administrator of the Kansas Uniform Consumer Credit Code.

The **2003 Legislature** approved for FY 2004 a 5.9 percent reduction in operating expenditures for all biennial budget agencies to match the 5.9 percent allotment reductions that most other agencies absorbed in FY 2003. The Legislature restored expenditures of \$179,388 (or one-half) of the Governor's recommended reduction of \$358,775 for the OSBC. The amount reduced from this agency's budget totaled \$179,387, which was transferred to the State General Fund.

The **2004 Legislature** authorized the transfer of \$700,000 from the Bank Commissioner Fee Fund to the State General Fund in FY 2005. The amount certified by the Director of the Budget on April 19, 2004 for this agency was \$1,251,028. The 2004 Legislature also added 1.0 FTE and appropriated \$56,426 from the Bank Commissioner Fee Fund for an attorney position in the Consumer and Mortgage Lending program in FY 2005.

The **2010 Legislature** added \$381,553, all from special revenue funds, for additional salary and wages for the

Examination and Consumer and Mortgage Lending departments in order to maintain operations for FY 2011. The 2009 Legislature reduced the expenditure authority for FY 2011 below the amount approved for FY 2010 by \$267,536.

The **2013 Legislature** added \$438,797, all from special revenue funds, in salaries and wages to maintain a salary increase to address the problem of retaining examination staff for FY 2014, and added \$136,999, all from special revenue funds, for FY 2015. The 2013 Legislature also deleted \$42,707, and \$93,378, from FY 2014 and FY 2015 respectively, all from special revenue funds, to reflect reduced funding for salaries and wages.

The **2014 Legislature** passed HB 2525 which added change of control provisions and change in officer and director requirements to the statute. An additional change increased the amount of allowed accounts receivable to be used for permissible investment purposes.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency estimates** FY 2015 operating expenditures of \$11,151,318, all from special revenue funds. The revised estimate is a decrease of \$346,643, or 3.0 percent, below the amount approved by the 2014 Legislature. The decrease is

primarily attributable to reduced salary and wage expenditures and a reduction in contractual service expenses. The agency estimates 95.0 FTE positions, a decrease of 8.0 FTE positions below the amount approved by the 2014 Legislature.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of \$10,828,090, all from special revenue funds. The recommendation is a decrease of \$669,871, or 5.8 percent, below the amount approved by the 2014 Legislature. The

recommendation is a decrease of \$323,228, or 2.9 percent, below the agency's revised FY 2015 estimate. Of the reduction \$94,510 is attributable to the Governor's KPERS employer contribution rate reduction as a result of the Governor's

Allotment Plan while the remaining difference of \$228,718 is attributable to reduced salaries and wage expenditures,

specifically attributable to to shrinkage or a reduction in wages for unfilled positions.

FY 2016 Agency Request

The **agency** requests FY 2016 operating expenditures of \$11,207,957, all from special revenue funds. The request is an increase of \$56,639, or 0.5 percent, above the amount requested for FY 2015. The increase is primarily attributable to

increases in salary and wage expenditures, increase contractual service expenditures and is offset partially by reduced capital outlay expenditures. The agency requests 95.0 FTE positions, the same amount as the agency's revised FY 2015 estimate.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of \$10,902,451, all from special revenue funds. The recommendation is a decrease of \$305,506, or 2.7 percent, below the agency's FY 2016 request. The reduction of \$305,506 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions. The

Governor recommends increasing the amount withheld from the Bank Commissioner fee fund revenue from 10 percent or \$100,000 to 20 percent or \$200,000 and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a. For this agency, that amount is estimated at \$100,000 for FY 2016.

FY 2017 Agency Request

The **agency** requests FY 2017 operating expenditures of \$11,758,612, all from special revenue funds. The request is an increase of \$550,655, or 4.9 percent, above the agency's FY 2016 request. The increase is attributable to increased salary

and wage expenditures, due to the additional pay period included in the 2017 fiscal year, and is partially offset by reduced capital outlay expenditures. The agency requests 12.0 FTE positions, the same amount requested in FY 2016.

FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of \$11,437,951, all from special revenue funds. The recommendation is a decrease of \$320,661, or 2.7 percent, below the agency's FY 2017 request. The reduction of \$320,661

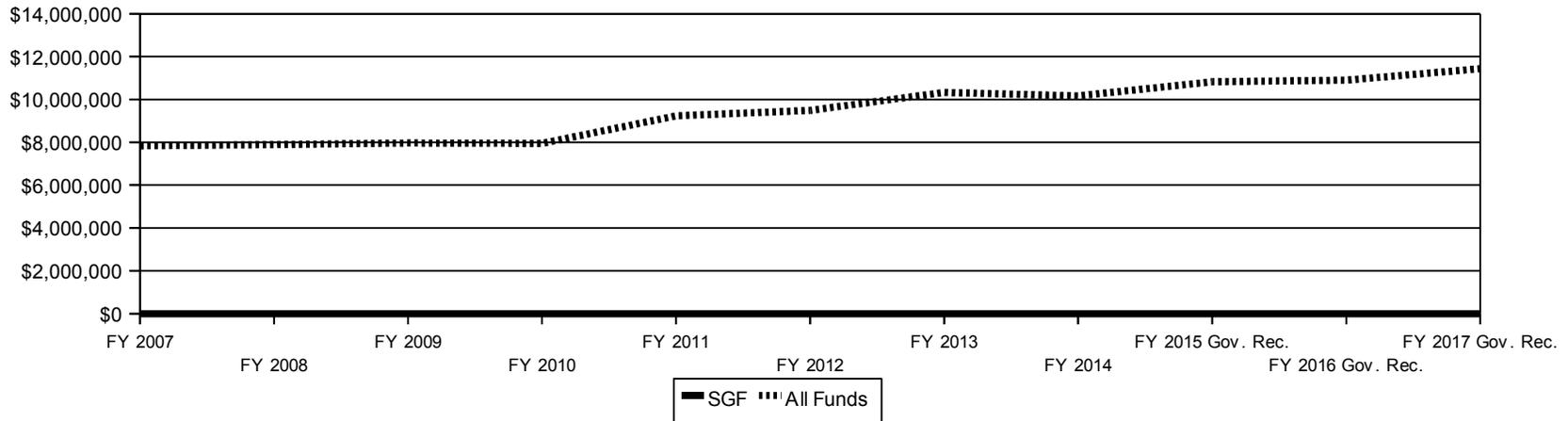
is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions. The Governor recommends increasing the amount withheld from the

Bank Commissioner fee fund revenue from 10 percent or \$100,000 to 20 percent or \$200,000 and deposited in the State General Fund to reimburse the State for administrative services

described under KSA 75-3170a. For this agency, that amount is estimated at \$100,000 for FY 2017.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2007 – FY 2017



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	\$ 0	-- %	\$ 7,837,541	13.8 %	90.0
2008	0	--	7,893,826	0.7	90.0
2009	0	--	7,968,514	0.9	97.0
2010	0	--	7,948,496	(0.3)	99.0
2011	0	--	9,234,822	16.2	99.0
2012	0	--	9,489,429	2.8	107.0
2013	0	--	10,331,736	8.9	109.0
2014	0	--	10,169,917	(1.6)	103.0
2015 Gov. Rec.	0	--	10,828,090	6.5	95.0
2016 Gov. Rec.	0	--	10,902,451	0.7	95.0
2017 Gov. Rec.	0	--	11,437,951	4.9	95.0
Eleven-Year Change	\$ 0	-- %	\$ 3,600,410	45.9 %	5.0

Summary of Operating Budget FY 2014 - FY 2016

	Actual 2014	Agency Estimate				Governor's Recommendation			
		Estimate FY 2015	Request FY 2016	Dollar Change from FY 15	Percent Change from FY 15	Rec. FY 2015	Rec. FY 2016	Dollar Change from FY 15	Percent Change from FY 15
By Program:									
Administration	\$ 1,506,284	\$ 1,563,998	\$ 1,564,622	\$ 624	0.0 %	\$ 1,525,307	\$ 1,527,160	\$ 1,853	0.1 %
Bank Regulation	5,785,207	6,299,544	6,326,716	27,172	0.4	6,110,201	6,148,966	38,765	0.6
Consumer Mortgage Regulation	2,878,426	3,287,776	3,316,619	28,843	0.9	3,192,582	3,226,325	33,743	1.1
TOTAL	\$ 10,169,917	\$ 11,151,318	\$ 11,207,957	\$ 56,639	0.5 %	\$ 10,828,090	\$ 10,902,451	\$ 74,361	0.7 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 8,330,959	\$ 9,148,718	\$ 9,194,307	\$ 45,589	0.5 %	\$ 8,825,490	\$ 8,888,801	\$ 63,311	0.7 %
Contractual Services	1,528,137	1,563,500	1,583,800	20,300	1.3	1,563,500	1,583,800	20,300	1.3
Commodities	70,230	83,100	84,850	1,750	2.1	83,100	84,850	1,750	2.1
Capital Outlay	94,814	174,000	163,000	(11,000)	(6.3)	174,000	163,000	(11,000)	(6.3)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 10,024,140	\$ 10,969,318	\$ 11,025,957	\$ 56,639	0.5 %	\$ 10,646,090	\$ 10,720,451	\$ 74,361	0.7 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	145,777	182,000	182,000	0	0.0	182,000	182,000	0	0.0
TOTAL	\$ 10,169,917	\$ 11,151,318	\$ 11,207,957	\$ 56,639	0.5 %	\$ 10,828,090	\$ 10,902,451	\$ 74,361	0.7 %
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Bank Commissioner Fee Fund	10,034,917	10,976,318	11,032,957	56,639	0.5	10,653,090	10,727,451	74,361	0.7
Consumer Education Settlement Fee Fund	135,000	175,000	175,000	0	0.0	175,000	175,000	0	0.0
TOTAL	\$ 10,169,917	\$ 11,151,318	\$ 11,207,957	\$ 56,639	0.5 %	\$ 10,828,090	\$ 10,902,451	\$ 74,361	0.7 %

Summary of Operating Budget FY 2016 - FY 2017

	Agency Estimate				Governor's Recommendation			
	Request FY 2016	Request FY 2017	Dollar Change from FY 16	Percent Change from FY 16	Rec. FY 2016	Rec. FY 2017	Dollar Change from FY 16	Percent Change from FY 16
By Program:								
Administration	\$ 1,564,622	\$ 1,656,795	\$ 92,173	5.9 %	\$ 1,527,160	\$ 1,617,145	\$ 89,985	5.9 %
Bank Regulation	6,326,716	6,641,378	314,662	5.0	6,148,966	6,454,971	306,005	5.0
Consumer Mortgage Regulation	3,316,619	3,460,439	143,820	4.3	3,226,325	3,365,835	139,510	4.3
TOTAL	\$ 11,207,957	\$ 11,758,612	\$ 550,655	4.9 %	\$ 10,902,451	\$ 11,437,951	\$ 535,500	4.9 %
By Major Object of Expenditure:								
Salaries and Wages	\$ 9,194,307	\$ 9,737,262	\$ 542,955	5.9 %	\$ 8,888,801	\$ 9,416,601	\$ 527,800	5.9 %
Contractual Services	1,583,800	1,606,850	23,050	1.5	1,583,800	1,606,850	23,050	1.5
Commodities	84,850	87,500	2,650	3.1	84,850	87,500	2,650	3.1
Capital Outlay	163,000	145,000	(18,000)	(11.0)	163,000	145,000	(18,000)	(11.0)
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 11,025,957	\$ 11,576,612	\$ 550,655	5.0 %	\$ 10,720,451	\$ 11,255,951	\$ 535,500	5.0 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	182,000	182,000	0	0.0	182,000	182,000	0	0.0
TOTAL	\$ 11,207,957	\$ 11,758,612	\$ 550,655	4.9 %	\$ 10,902,451	\$ 11,437,951	\$ 535,500	4.9 %
Financing:								
State General Fund	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Bank Commissioner Fee Fund	11,032,957	11,583,612	550,655	5.0	10,727,451	11,262,951	535,500	5.0
Consumer Education Settlement Fee Fund	175,000	175,000	0	0.0	175,000	175,000	0	0.0
TOTAL	\$ 11,207,957	\$ 11,758,612	\$ 550,655	4.9 %	\$ 10,902,451	\$ 11,437,951	\$ 535,500	4.9 %

BUDGET OVERVIEW

A. FY 2015 – Current Year

Adjustments to Approved Budget

The Legislature approved a budget of \$11,497,961 for the Office of the State Bank Commissioner in FY 2015. No adjustments have subsequently been made to that amount.

	CHANGE FROM APPROVED BUDGET				
	Legislative Approved FY 2015	Agency Estimate FY 2015	Agency Change from Approved	Governor Rec. FY 2015	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	11,497,961	11,151,318	(346,643)	10,828,090	(669,871)
TOTAL	<u>\$ 11,497,961</u>	<u>\$ 11,151,318</u>	<u>\$ (346,643)</u>	<u>\$ 10,828,090</u>	<u>\$ (669,871)</u>
FTE Positions	103.0	95.0	(8.0)	95.0	(8.0)

The **agency estimates** FY 2015 operating expenditures of \$11,151,318, all from special revenue funds. The revised estimate is a decrease of \$346,643, or 3.0 percent, below the amount approved by the 2014 Legislature. The decrease is primarily attributable to reduced salary and wage expenditures and a reduction in contractual service expenses.

The request is detailed below by category of expenditure.

- Salaries and Wages.** The agency requests \$9,148,718, all from special revenue funds, for salaries and wages in FY 2015 which funds 95.0 FTE positions and 11.0 non-FTE unclassified positions. The request is a decrease of \$227,094, or 2.4 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to shrinkage and the consolidation of open positions.

- **Contractual Services.** The agency requests \$1,563,500, all from special revenue funds, for contractual services. The request is a decrease of \$70,461, or 4.3 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to expenditure reductions made in the Consumer Mortgage Regulation program.
- **Commodities.** The agency requests \$83,100, all from special revenue funds, for commodities in FY 2015. The request is a decrease of \$16,891, or 16.9 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to reduced gasoline and office supply expenses.
- **Capital Outlay.** The agency requests \$174,000, all from special revenue funds, for capital outlay in FY 2015. The request is a decrease of \$479, or 0.3 percent, below the amount approved by the 2014 Legislature.

- **Other Assistance.** The agency requests \$182,000, all from special revenue funds, for other assistance in FY 2015. The request is a decrease of \$31,718, or 14.6 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to lower than expected amounts of state aid given to qualified non-state organizations.

The **Governor** recommends FY 2015 operating expenditures of \$10,828,090, all from special revenue funds. The recommendation is a decrease of \$669,871, or 5.8 percent, below the amount approved by the 2014 Legislature. The recommendation is a decrease of \$323,228, or 2.9 percent, below the agency's revised FY 2015 estimate. Of the reduction \$94,510 is attributable to the Governor's KPERS employer contribution rate reduction as a result of the Governor's Allotment Plan while the remaining difference of \$228,718 is attributable to reduced salaries and wage expenditures, specifically attributable to shrinkage or a reduction in wages for unfilled positions.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 11,207,957	\$ 10,902,451	\$ (305,506)
FTE Positions	95.0	95.0	0.0
Change from FY 2015:			
<i>Dollar Change:</i>			
State General Fund	\$ 0	\$ 0	
All Other Funds	56,639	74,361	
TOTAL	<u>\$ 56,639</u>	<u>\$ 74,361</u>	
<i>Percent Change:</i>			
State General Fund	-- %	0.0 %	
All Other Funds	0.5	0.7	
TOTAL	<u>0.5 %</u>	<u>0.7 %</u>	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 operating expenditures of \$11,207,957, all from special revenue funds. The request is an increase of \$56,639, or 0.5 percent, above the amount requested for FY 2015. The increase is primarily attributable to increases in salary and wage expenditures, increased contractual service expenditures and is offset partially by reduced capital outlay expenditures.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests \$9,194,307, all from special revenue funds, for salaries and wages in FY 2016 which funds 95.0 FTE positions and 11.0 non-FTE unclassified positions. The request is an increase of \$45,589, or 0.5 percent, above the agency's revised FY

2015 estimate. The increase is attributable to increased expenditures on unclassified temporary employees and increased KPERS employer contributions. These increases are partially offset by reduced classified regular employee expenditures.

- **Contractual Services.** The agency requests \$1,583,800, all from special revenue funds, for contractual services in FY 2016. The request is an increase of \$20,300, or 1.3 percent, above the agency's revised FY 2015 estimate. The increase is primarily attributable to increased rent expenses.
- **Capital Outlay.** The agency requests \$163,000, all from special revenue funds, for capital outlay in FY 2016. The request is an decrease of

\$11,000, or 6.3 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to reduced computer software licensing expenses.

The **Governor** recommends FY 2016 operating expenditures of \$10,902,451, all from special revenue funds. The recommendation is a decrease of \$305,506, or 2.7 percent, below the agency's FY 2016 request. The reduction of \$305,506 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions. The Governor recommends increasing the amount withheld from the Bank Commissioner fee fund revenue from 10 percent or \$100,000 to 20 percent or \$200,000 and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a. For this agency, that amount is estimated at \$100,000 for FY 2016.

C FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 11,758,612	\$ 11,437,951	\$ (320,661)
FTE Positions	95.0	95.0	0.0
Change from FY 2016:			
<i>Dollar Change:</i>			
State General Fund	\$ 0	\$ 0	
All Other Funds	550,655	535,500	
TOTAL	<u>\$ 550,655</u>	<u>\$ 535,500</u>	
<i>Percent Change:</i>			
State General Fund	-- %	-- %	
All Other Funds	4.9	4.9	
TOTAL	<u>4.9 %</u>	<u>4.9 %</u>	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 operating expenditures of \$11,758,612, all from special revenue funds. The request is an increase of \$550,655, or 4.9 percent, above the agency's FY 2016 request. The increase is attributable to increased salary and wage expenditures, due to the additional pay period included in the 2017 fiscal year, and is partially offset by reduced capital outlay expenditures.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests \$9,737,262, all from special revenue funds, for salaries and wages in FY 2017 which funds 95.0 FTE positions and 11.0 non-FTE unclassified positions.. The request is an increase of \$542,955, or 5.9 percent, above the agency's FY

2016 request. The increase is attributable to the additional pay period included in FY 2017.

- **Contractual Services.** The agency requests \$1,606,850 all from special revenue funds, for contractual services in FY 2017. The request is an increase of \$23,050, or 1.5 percent, above the agency's FY 2016 request. The increase is attributable to increased building rent expenses and software license renewal.
- **Capital Outlay.** The agency requests \$145,000, all from special revenue funds, for capital outlay in FY 2017. The request is a decrease of \$18,000, or 11.0 percent, below the agency's FY 2016 request. The decrease is attributable to the

replacement of one agency vehicle, while two vehicles are scheduled to be replaced in FY 2016.

The **Governor** recommends FY 2017 operating expenditures of \$11,437,951, all from special revenue funds. The recommendation is a decrease of \$320,661, or 2.7 percent, below the agency's FY 2017 request. The reduction of \$320,661 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions. The Governor recommends increasing the amount withheld from the Bank Commissioner fee fund revenue from 10 percent or \$100,000 to 20 percent or \$200,000 and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a. For this agency, that amount is estimated at \$100,000 for FY 2017.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The 2014 Legislature approved funding of \$11.3 million, including \$4.5 million from the State General Fund, in FY 2015 for a \$250 bonus for all full-time employees except elected officials who were employed on December 6, 2013, and which was paid December 6, 2014. **For this agency, the FY 2015 bonus totals \$30,200, all from special revenue funds, and affects 97 employees.**

Longevity Bonus Payments. For FY 2016 and FY 2017, the Governor recommends funding longevity bonus payments for eligible state employees at the statutory rate of \$40 per year of service, with a 10-year minimum (\$400), and a 25-year maximum (\$1,000). Classified employees hired after June 15, 2008 are not eligible for longevity bonus payments. The estimated cost for the recommended FY 2016 payments is \$7.2 million, including \$2.8 million from the State General Fund. For FY 2017, the estimated cost for the payments is \$7.7 million, including \$3.0 million from the State General Fund. **For this agency, FY 2016 longevity payments total \$880, all from special revenue funds, and FY 2017 longevity payments total \$920, all from special revenue funds.**

Group Health Insurance. The Governor recommends Group Health and Hospitalization employer contributions of \$282.8 million, including \$108.2 million from the State General Fund, for FY 2016 and \$289.2 million, including \$110.7 million from the State General Fund, for FY 2017. For FY 2016 and FY 2017, the Governor recommends reducing the employer contributions for group health insurance by 8.5 percent. **For this agency this is a reduction of \$75,648, all from special revenue funds, for FY 2016. This is a reduction of \$77,229, all from special revenue funds, for FY 2017.**

Kansas Public Employees Retirement System (KPERS) Rate Adjustments. The FY 2015 employer retirement contribution for KPERS regular and school members was scheduled to be 11.27 percent, an increase of 1.0 percent from 10.27 in FY 2014. The Governor reduced the employer contribution rate from 11.27 percent to 8.65 percent for the second half of FY 2015, for an effective contribution rate of 9.96 percent as part of the Governor's allotment plan. For FY 2016, the Governor recommends the retirement rate increase by 2.41 percent from 9.96 percent to 12.37 percent. For FY 2017, the Governor recommends the retirement rate increase by 1.2 percent from 12.37 percent to 13.57 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERS fund.

In addition, the employer contribution for the KPERS death and disability insurance rate will be increased to 1.0 percent, from 0.85 percent, for FY 2016 and for FY 2017.

The Governor further proposes offering \$1.5 billion in Pension Obligation Bonds, backed by the State General Fund, to be paid back over 30 years and extending the amortization on the current bonds by ten years to 2043. The proceeds of the bonds would be used to help reduce the future employer contribution rates of the State/School Group. The Kansas Public Employee Retirement System estimates this plan could reduce employer contributions by \$68.43 million in FY 2016 and \$132.85 in FY 2017. The Kansas Development Finance Authority estimates that the bond service would be \$90.3 million in FY 2016 through FY 2017, assuming the Kansas credit ratings are not downgraded.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2016	Gov. Rec. Percent of Total FY 2016	Agency Req. Percent of Total FY 2017	Gov. Rec. Percent of Total FY 2017
State General Fund	0.0 %	0.0 %	0.0 %	0.0 %
Bank Commissioner Fee Fund	98.4	98.4	98.5	98.5
Consumer Education Settlement Fee Fund	1.6	1.6	1.5	1.5
TOTAL	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Note: Percentages may not add due to rounding.

Bank Commissioner Fee Fund

The Bank Commissioner Fee Fund is funded in part by assessments on state chartered banks and trust companies. Revenues of the Bank Commissioner Fee Fund are generated by fee income through the Banking Regulation and Consumer Mortgage Regulation programs. The agency receives no money from the State General Fund.

Banking revenues are in the form of assessments paid by state chartered banks and trust companies to provide operating funds, pursuant to KSA 9-1703. Assessments for banks, trust companies, and trust departments are calculated prior to the beginning of each fiscal year. Bank assessments are based on bank assets as reported to the Federal Deposit Insurance Corporation (FDIC) as of the quarter ending March 31st, while trust company assessments are based on the total amount of fiduciary assets under management as reported on the

December 31st OSBC call report. For trust departments, fiduciary assets reported to the FDIC on the March 31st call report are utilized. The OSBC employs a four-tier rate schedule for determining assessment fees. The agency states that predicting application revenue each year is difficult because the level of revenues received is dependent solely on the submission of applications.

The Governor recommends increasing the amount withheld from the Bank Commissioner fee fund revenue from 10 percent or \$100,000 to 20 percent or \$200,000 and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a. For this agency, that amount is estimated at \$100,000 for FY 2016 and \$100,000 for FY 2017.

Resource Estimate	Actual FY 2014	Agency Estimate FY 2015	Governor Rec. FY 2015	Agency Request FY 2016	Gov. Rec. FY 2016	Agency Request FY 2017	Gov. Rec. FY 2017
Beginning Balance	\$ 6,283,092	\$ 6,524,234	\$ 6,524,234	\$ 6,389,444	\$ 6,712,672	\$ 6,202,887	\$ 6,731,621
Revenue	10,276,059	10,841,528	10,841,528	10,846,400	10,846,400	10,886,400	10,886,400
Transfers in	0	0	0	0	0	0	0
Total Funds Available	\$ 16,559,151	\$ 17,365,762	\$ 17,365,762	\$ 17,235,844	\$ 17,559,072	\$ 17,089,287	\$ 17,618,021
Less: Expenditures	10,034,917	10,976,318	10,653,090	11,032,957	10,727,451	11,583,612	11,262,951
Transfers Out	0	0	0	0	100,000	0	100,000
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	<u>\$ 6,524,234</u>	<u>\$ 6,389,444</u>	<u>\$ 6,712,672</u>	<u>\$ 6,202,887</u>	<u>\$ 6,731,621</u>	<u>\$ 5,505,675</u>	<u>\$ 6,255,070</u>
Ending Balance as Percent of Expenditures	<u>65.0%</u>	<u>58.2%</u>	<u>63.0%</u>	<u>56.2%</u>	<u>62.8%</u>	<u>47.5%</u>	<u>55.5%</u>

Consumer Education Settlement Fee Fund

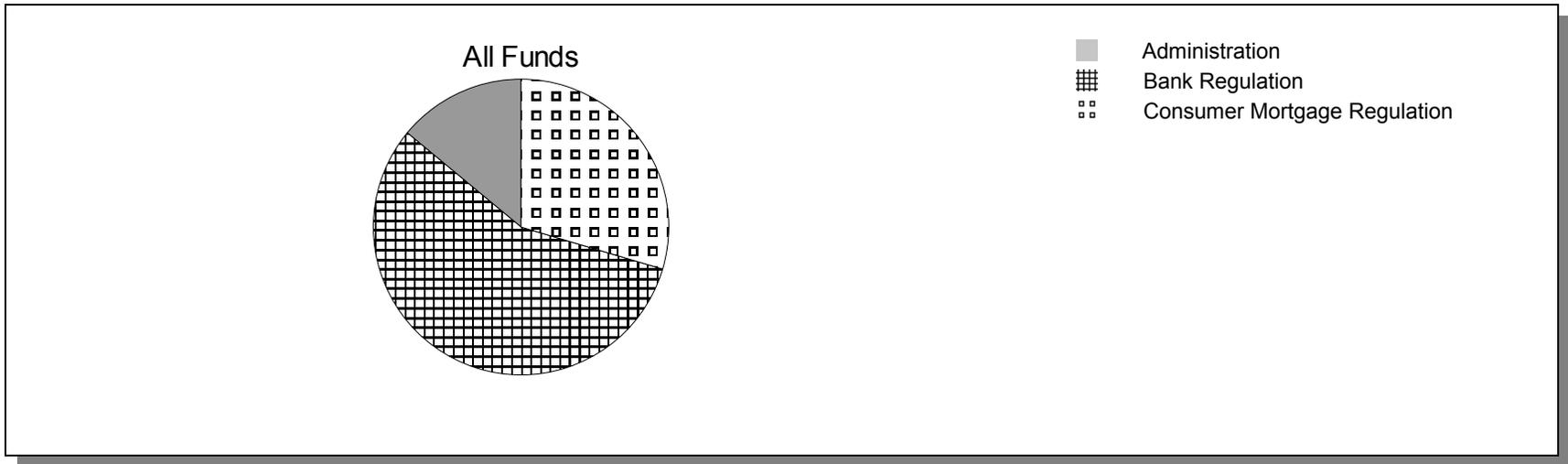
The Consumer Education Settlement Fee Fund supports the operations of the Consumer Mortgage Regulation program of the OSBC. Revenue to the fund is generated through fines and settlements levied through enforcement actions brought against

companies involved in illegal credit activities. Income to the Consumer Education Settlement Fund is volatile and difficult to forecast.

Resource Estimate	Actual FY 2014	Agency Estimate FY 2015	Governor Rec. FY 2015	Agency Request FY 2016	Gov. Rec. FY 2016	Agency Request FY 2017	Gov. Rec. FY 2017
Beginning Balance	\$ 629,714	\$ 555,655	\$ 555,655	\$ 430,655	\$ 430,655	\$ 305,655	\$ 305,655
Revenue	60,941	50,000	50,000	50,000	50,000	50,000	50,000
Transfers in	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Funds Available	\$ 690,655	\$ 605,655	\$ 605,655	\$ 480,655	\$ 480,655	\$ 355,655	\$ 355,655
Less: Expenditures	135,000	175,000	175,000	175,000	175,000	175,000	175,000
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Balance	<u>\$ 555,655</u>	<u>\$ 430,655</u>	<u>\$ 430,655</u>	<u>\$ 305,655</u>	<u>\$ 305,655</u>	<u>\$ 180,655</u>	<u>\$ 180,655</u>
Ending Balance as Percent of Expenditures	<u>411.6%</u>	<u>246.1%</u>	<u>246.1%</u>	<u>174.7%</u>	<u>174.7%</u>	<u>103.2%</u>	<u>103.2%</u>

PROGRAM DETAIL

EXPENDITURES BY PROGRAM—GOVERNOR’S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Administration	\$ 1,527,160	14.0 %	\$ 0	-- %
Bank Regulation	6,148,966	56.4	0	--
Consumer Mortgage Regulation	3,226,325	29.6	0	--
TOTAL	\$ 10,902,451	100.0 %	\$ 0	--%

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Administration	10.0	8.0	8.0	8.0	8.0	8.0	8.0
Bank Regulation	61.0	59.0	59.0	59.0	59.0	59.0	59.0
Consumer Mortgage Regulation	32.0	28.0	28.0	28.0	28.0	28.0	28.0
TOTAL	103.0	95.0	95.0	95.0	95.0	95.0	95.0

A. Administration

The Administration program provides support for the supervisory and regulatory functions of the Office of State Bank Commissioner. This program encompasses many functions including administering and formulating OSBC policies; administering fiscal systems and processes, including formulation of the OSBC budget; providing legal services to staff

in their execution of regulatory requirements; administering the human resource functions of recruitment, payroll, and benefits for employees of the OSBC; supporting information technologies utilized by the OSBC; and resolving banking complaints and inquiries from consumers.

ADMINISTRATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 971,247	\$ 1,129,598	\$ 1,090,907	\$ 1,128,147	\$ 1,090,685	\$ 1,205,620	\$ 1,165,970
Contractual Services	479,103	374,100	374,100	383,725	383,725	394,375	394,375
Commodities	14,914	15,300	15,300	15,750	15,750	16,800	16,800
Capital Outlay	30,243	38,000	38,000	30,000	30,000	33,000	33,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 1,495,507	\$ 1,556,998	\$ 1,518,307	\$ 1,557,622	\$ 1,520,160	\$ 1,649,795	\$ 1,610,145
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	10,777	7,000	7,000	7,000	7,000	7,000	7,000
TOTAL	<u>\$ 1,506,284</u>	<u>\$ 1,563,998</u>	<u>\$ 1,525,307</u>	<u>\$ 1,564,622</u>	<u>\$ 1,527,160</u>	<u>\$ 1,656,795</u>	<u>\$ 1,617,145</u>
Financing:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,506,284	1,563,998	1,525,307	1,564,622	1,527,160	1,656,795	1,617,145
TOTAL	<u>\$ 1,506,284</u>	<u>\$ 1,563,998</u>	<u>\$ 1,525,307</u>	<u>\$ 1,564,622</u>	<u>\$ 1,527,160</u>	<u>\$ 1,656,795</u>	<u>\$ 1,617,145</u>
FTE Positions	10.0	8.0	8.0	8.0	8.0	8.0	8.0
Non-FTE Uncl. Perm. Pos.	3.0	6.0	6.0	6.0	6.0	6.0	6.0
TOTAL	<u>13.0</u>	<u>14.0</u>	<u>14.0</u>	<u>14.0</u>	<u>14.0</u>	<u>14.0</u>	<u>14.0</u>

The **agency** requests FY 2016 operating expenditures of \$1,564,622, all from special revenue funds, for agency administration. The request is an increase of \$624, or 0.1 percent, above the agency's revised FY 2015 estimate. Major changes from the revised FY 2015 estimate include the following.

- **Contractual Services.** The agency requests \$383,725, all from special revenue funds, for contractual services in FY 2016. The request is an increase of \$9,625, or 2.6 percent, above the agency's revised FY 2015 estimate. The increase is attributable to an increase in the monumental building surcharge rate charged to lease office space in the city of Topeka.

- **Commodities.** The agency requests \$30,000, all from special revenue funds, for commodities in FY 2016. The request is a decrease of \$8,000, or 21.1 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to computer hardware leases and the planned replacement of machines within the agency returning to its normal three-year replacement schedule.

The **Governor** recommends FY 2016 operating expenditures of \$1,527,160, all from special revenue funds. The recommendation is a decrease of \$37,462, or 2.4 percent, below the agency's FY 2016 request. The reduction of \$37,462 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions.

The **agency** requests FY 2017 operating expenditures of \$1,656,795, all from special revenue funds, for agency administration. The request is an increase of \$92,173, or 5.9 percent, above the agency's FY 2016 request. Major changes from the FY 2016 request include the following.

B. Bank Regulation

The Bank Regulation program is responsible for oversight and supervision of all state chartered banks and trust departments, trust companies, and money transmitter

- **Salaries and Wages.** The agency requests \$1,205,620, all from special revenue funds, for salaries and wages in FY 2017. The request is an increase of \$77,473, or 6.9 percent, above the agency's FY 2016 request. The increase is attributable to a 27th pay period that occurs in FY 2017 and increased KPERS employer contribution rates.
- **Contractual Services.** The agency requests \$394,375, all from special revenue funds, for contractual services in FY 2017. The request is an increase \$10,650, or 2.8 percent, above the agency's FY 2016 request. The increase is primarily attributable to increased computer software licensing expenses.

The **Governor** recommends FY 2017 operating expenditures of \$1,617,145, all from special revenue funds. The recommendation is a decrease of \$39,650, or 2.4 percent, below the agency's FY 2017 request. The reduction of \$39,650 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions.

companies. Total assets supervised in banks and trust entities are approximately \$83.75 billion.

BANK REGULATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 4,951,857	\$ 5,359,994	\$ 5,170,651	\$ 5,403,641	\$ 5,225,891	\$ 5,715,703	\$ 5,529,296
Contractual Services	745,600	800,550	800,550	802,675	802,675	808,375	808,375
Commodities	40,104	46,000	46,000	47,200	47,200	48,300	48,300
Capital Outlay	47,646	93,000	93,000	73,200	73,200	69,000	69,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 5,785,207	\$ 6,299,544	\$ 6,110,201	\$ 6,326,716	\$ 6,148,966	\$ 6,641,378	\$ 6,454,971
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	<u>\$ 5,785,207</u>	<u>\$ 6,299,544</u>	<u>\$ 6,110,201</u>	<u>\$ 6,326,716</u>	<u>\$ 6,148,966</u>	<u>\$ 6,641,378</u>	<u>\$ 6,454,971</u>
Financing:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	5,785,207	6,299,544	6,110,201	6,326,716	6,148,966	6,641,378	6,454,971
TOTAL	<u>\$ 5,785,207</u>	<u>\$ 6,299,544</u>	<u>\$ 6,110,201</u>	<u>\$ 6,326,716</u>	<u>\$ 6,148,966</u>	<u>\$ 6,641,378</u>	<u>\$ 6,454,971</u>
FTE Positions	61.0	59.0	59.0	59.0	59.0	59.0	59.0
Non-FTE Uncl. Perm. Pos.	0.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	<u>61.0</u>	<u>60.0</u>	<u>60.0</u>	<u>60.0</u>	<u>60.0</u>	<u>60.0</u>	<u>60.0</u>

The **agency** requests FY 2016 operating expenditures of \$6,326,716, all from special revenue funds, for bank, trust and money transmitter regulation. The request is an increase of \$27,172, or 0.4 percent, above the agency's revised FY 2015 estimate. Major changes from the revised FY 2015 estimate include the following.

- **Salaries and Wages.** The agency requests \$5,403,641, all from special revenue funds, for salaries and wages in FY 2016. The request is an increase of \$43,647, or 0.8 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increase unclassified temporary employee wages and increased KPERS

employer contributions rates, partially offset by reduced classified regular employee wages.

- **Capital Outlay.** The agency requests \$73,200, all from special revenue funds, for capital outlay in FY 2016. The request is a decrease of \$19,800, or 21.3 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to reduced expenditures on the replacement of agency vehicles.

The **Governor** recommends FY 2016 operating expenditures of \$6,148,966, all from special revenue funds. The recommendation is a decrease of \$177,750 or 2.8 percent, below the agency's FY 2016 request. The reduction of \$177,750 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions.

The **agency** requests FY 2017 operating expenditures of \$6,641,378, all from special revenue funds, for bank, trust and

C. Consumer Mortgage Regulation

The Consumer Mortgage Regulation program is responsible for oversight and supervision of consumer credit lenders, mortgage lenders and brokers, debt management companies, sales finance companies, and other credit providers with approximately \$18.0 billion in loans to Kansas consumers. This program's duties include promoting reasonable regulation to

money transmitter regulation. The request is an increase of \$314,662, or 5.0 percent, above the agency's FY 2016 request. Major changes from the FY 2016 request include the following:

- **Salaries and Wages.** The agency requests \$5,715,703, all from special revenue funds, for salaries and wages in FY 2017. The request is an increase of \$312,062, or 5.8 percent, above the agency's FY 2016 request. The increase is attributable to a 27th pay period that occurs in FY 2017 and increased KPERS employer contribution rates.

The **Governor** recommends FY 2017 operating expenditures of \$6,454,971, all from special revenue funds. The recommendation is a decrease of \$186,407, or 2.8 percent, below the agency's FY 2017 request. The reduction of \$186,407 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions.

foster a competitive credit marketplace; enforcing laws to discourage unscrupulous or illegal credit activities; licensing and regulating consumer and mortgage credit providers; conduct examinations to promote lawful credit practices and adherence to state and federal laws; investigate consumer complaints; and facilitate consumer education and awareness of credit issues.

**CONSUMER MORTGAGE REGULATION
SUMMARY OF EXPENDITURES FY 2014 – 2017**

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 2,407,855	\$ 2,659,126	\$ 2,563,932	\$ 2,662,519	\$ 2,572,225	\$ 2,815,939	\$ 2,721,335
Contractual Services	303,434	388,850	388,850	397,400	397,400	404,100	404,100
Commodities	15,212	21,800	21,800	21,900	21,900	22,400	22,400
Capital Outlay	16,925	43,000	43,000	59,800	59,800	43,000	43,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 2,743,426	\$ 3,112,776	\$ 3,017,582	\$ 3,141,619	\$ 3,051,325	\$ 3,285,439	\$ 3,190,835
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	135,000	175,000	175,000	175,000	175,000	175,000	175,000
TOTAL	<u>\$ 2,878,426</u>	<u>\$ 3,287,776</u>	<u>\$ 3,192,582</u>	<u>\$ 3,316,619</u>	<u>\$ 3,226,325</u>	<u>\$ 3,460,439</u>	<u>\$ 3,365,835</u>
Financing:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	2,878,426	3,287,776	3,192,582	3,316,619	3,226,325	3,460,439	3,365,835
TOTAL	<u>\$ 2,878,426</u>	<u>\$ 3,287,776</u>	<u>\$ 3,192,582</u>	<u>\$ 3,316,619</u>	<u>\$ 3,226,325</u>	<u>\$ 3,460,439</u>	<u>\$ 3,365,835</u>
FTE Positions	32.0	28.0	28.0	28.0	28.0	28.0	28.0
Non-FTE Uncl. Perm. Pos.	2.0	4.0	4.0	4.0	4.0	4.0	4.0
TOTAL	<u>34.0</u>	<u>32.0</u>	<u>32.0</u>	<u>32.0</u>	<u>32.0</u>	<u>32.0</u>	<u>32.0</u>

- The **agency** requests FY 2016 operating expenditures of \$3,316,619 all from special revenue funds, for consumer mortgage regulation. The request is an increase of \$28,843, or 0.9 percent, above the agency's revised FY 2015 estimate. Major changes from the revised FY 2015 estimate include the following.

- **Contractual Services.** The agency requests \$397,400, all from special revenue funds, for contractual services in FY 2016. The request is an increase of \$8,550, or 2.2 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased expenses related to agency training and travel.

- **Capital Outlay.** The agency requests \$59,800, all from special revenue funds, for capital outlay in FY 2016. The request is an increase of \$16,800, or 39.1 percent, above the agency's revised FY 2015 estimate. The increase is attributable to expenditures on the replacement of an agency vehicle.

The **Governor** recommends FY 2016 operating expenditures of \$3,226,325, all from special revenue funds. The recommendation is a decrease of \$90,294 or 2.7 percent, below the agency's FY 2016 request. The reduction of \$90,294 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions.

The **agency** requests FY 2017 operating expenditures of \$3,460,439, all from special revenue funds, for consumer mortgage regulation. The request is an increase of \$143,820, or 4.3 percent, above the agency's FY 2016 request. Major changes from the FY 2016 request include the following.

- **Salaries and Wages.** The agency requests \$2,815,939, all from special revenue funds, for salaries and wages in FY 2017. The request is an increase of \$153,420, or 5.8 percent, above the agency's FY 2016 request. The increase is attributable to a 27th pay period that occurs in FY 2017 and increased KPERS employer contribution rates.

- **Capital Outlay.** The agency requests \$43,000, all from special revenue funds, for capital outlay in FY 2017. The request is a decrease of \$16,800, or 28.1 percent, below the agency's FY 2016 request. The decrease is attributable to the lack of planned vehicle replacement in FY 2017.

The **Governor** recommends FY 2017 operating expenditures of \$3,365,835, all from special revenue funds. The recommendation is a decrease of \$94,604, or 2.7 percent, below the agency's FY 2017 request. The reduction of \$94,604 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions.

PERFORMANCE MEASURES					
Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of state-chartered banks	226	230	226	224	220
Assets of state-chartered banks (in billions)	\$35.8	\$35.8	\$38.2	\$40.5	\$43.2
Problem banks as a percentage of total banks	8.0%	7.0%	6.0%	10.0%	11.5%