

# OFFICE OF THE STATE BANK COMMISSIONER

|                                | Actual<br>FY 2020    | Agency Est.<br>FY 2021 | Gov. Rec.<br>FY 2021 | Agency Req.<br>FY 2022 | Gov. Rec.<br>FY 2022 | Agency Req.<br>FY 2023 | Gov. Rec.<br>FY 2023 |
|--------------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|
| <b>Operating Expenditures:</b> |                      |                        |                      |                        |                      |                        |                      |
| State General Fund             | \$ 0                 | \$ 0                   | \$ 0                 | \$ 0                   | \$ 0                 | \$ 0                   | \$ 0                 |
| Other Funds                    | 10,433,282           | 11,187,875             | 11,175,455           | 11,719,978             | 11,707,558           | 11,956,497             | 11,944,077           |
| <i>Subtotal</i>                | <i>\$ 10,433,282</i> | <i>\$ 11,187,875</i>   | <i>\$ 11,175,455</i> | <i>\$ 11,719,978</i>   | <i>\$ 11,707,558</i> | <i>\$ 11,956,497</i>   | <i>\$ 11,944,077</i> |
| <b>Capital Improvements:</b>   |                      |                        |                      |                        |                      |                        |                      |
| State General Fund             | \$ 0                 | \$ 0                   | \$ 0                 | \$ 0                   | \$ 0                 | \$ 0                   | \$ 0                 |
| Other Funds                    | 0                    | 0                      | 0                    | 0                      | 0                    | 0                      | 0                    |
| <i>Subtotal</i>                | <i>\$ 0</i>          | <i>\$ 0</i>            | <i>\$ 0</i>          | <i>\$ 0</i>            | <i>\$ 0</i>          | <i>\$ 0</i>            | <i>\$ 0</i>          |
| <b>TOTAL</b>                   | <b>\$ 10,433,282</b> | <b>\$ 11,187,875</b>   | <b>\$ 11,175,455</b> | <b>\$ 11,719,978</b>   | <b>\$ 11,707,558</b> | <b>\$ 11,956,497</b>   | <b>\$ 11,944,077</b> |

## Percentage Change:

|                        |       |       |       |       |       |       |       |
|------------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating Expenditures |       |       |       |       |       |       |       |
| State General Fund     | -- %  | -- %  | -- %  | -- %  | -- %  | -- %  | -- %  |
| All Funds              | 1.6   | 7.2   | 7.1   | 4.8   | 4.8   | 2.0   | 2.0   |
| FTE Positions          | 107.0 | 107.0 | 107.0 | 107.0 | 107.0 | 107.0 | 107.0 |

For purposes of this analysis, full-time equivalent (FTE) positions include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.

## AGENCY OVERVIEW

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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 the 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 KSA 9-101 *et seq.* The OSBC was established by the 1981 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 KSA 75-1304 *et seq.*, while the State Banking Board is authorized by KSA 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

in an advisory capacity to the office and is composed of six banker members (each 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 agency's supervision. The agency's Consumer and Mortgage Division also is self-supporting through fees for licensing and renewal activities. The agency remits \$100,000 annually to the State General Fund (SGF). The remainder of the funds are for expenditures incurred by the agency in the regulation of the entities supervised and to fund consumer education initiatives.

### MAJOR ISSUES FROM PRIOR YEARS

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 fiscal year (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 law. An additional change increased the amount of allowed accounts receivable to be used for permissible investment purposes.

The **2016 Legislature** transferred \$1.5 million from the Bank Commissioner Fee Fund to the SGF in FY 2016.

The **2017 Legislature** added language to increase expenditure limitation by \$76,650 to compensate for legal fees and transferred \$534,517 from the SGF to the Bank Commission Fee Fund for the fee fund settlement agreement.

The **2018 Legislature** passed SB 283, which amended references to collective investment funds and updated laws on acquiring and changing control of banks. The bill also amended the required qualifications for the Deputy Commissioner of the Banking Division by permitting an individual to serve as Deputy Commissioner if the individual has five years of experience as an officer of a state bank holding company or a subsidiary

conducting business that is related to banking, or has a combination of this experience.

The **2018 Legislature** also passed SB 335, which amended the State Banking Code to include savings and loan associations and savings banks; expand the definition of "bank" to include state banks; clarify processes relating to a national bank, federal savings association, or federal savings bank becoming a state bank; and change capital requirements to incorporate the mutual form of ownership of most savings and loans. The bill also allows the Bank Commissioner to issue an order to address any violation of rules and regulations adopted pursuant to the Kansas Money Transmitter Act. Enactment of the bill repeals the Savings and Loan Code.

The **2019 Legislature** added \$194,697, all from special revenue funds, for a 2.5 percent salary adjustment for FY 2020. The Legislature also passed HB 2290, which continued the exemption from disclosure, under the Kansas Open Records Act, of any information obtained or prepared by the agency in the course of its licensing and examination duties.

In **2020, the Governor** issued an emergency declaration in response to the COVID-19 pandemic, which resulted in periodic closures of state offices to mitigate disease spread. As a result, the agency moved its operations to virtual means and reduced any unnecessary travel.

## **BUDGET SUMMARY AND KEY POINTS**

### **FY 2021 Agency Estimate**

The **agency** estimates expenditures of \$11.2 million, all from special revenue funds, in FY 2021. This is a decrease of \$744,311, or 6.2 percent, below the FY 2021 approved amount.

The decrease is primarily due to staff turnover in the agency as well as decreased travel-related expenditures as the agency shifts from in-person examinations and trainings to virtual

activities. The agency experienced staff retirements and subsequently filled those positions with new employees working at a lower pay rate. Additionally, due to the COVID-19 pandemic, the agency sought to allow its employees to work

from home. As a result, the agency expects decreased expenditures for travel, which is anticipated to continue into the future. The revised estimate also includes 107.0 FTE positions, which is the same as the FY 2021 approved number.

### **FY 2021 Governor Recommendation**

The **Governor** recommends expenditures of \$11.2 million, all from special revenue funds, in FY 2021. This is an all funds decrease of \$12,420, or 0.1 percent, below the agency's revised

estimate. The decrease is due to the Governor not recommending the agency's supplemental request to raise the board member per diem compensation rate.

### **FY 2022 Agency Request**

The **agency** requests \$11.7 million, all from special revenue funds, for FY 2022. This is an increase of 532,103, or 4.8 percent, above the FY 2021 revised estimate. The increase is primarily due to the agency budgeting for merit-based salary increases as well as resumption of some in-person events, such as staff training and education opportunities. The agency has indicated that it experiences competition with the private sector, when it comes to retaining employees. In an attempt to reduce

employee turnover, the agency budgets for salary increases each year following the annual employee review process. The agency has indicated that while in-person examinations will continue, it will most likely reserve such examinations for banks that are classified as "problem banks." The request also includes 107.0 FTE positions, which is the same as the FY 2021 revised estimate.

### **FY 2022 Governor Recommendation**

The **Governor** recommends expenditures of \$11.7 million, all from special revenue funds, for FY 2022. This is an all funds decrease of \$12,420, or 0.1 percent, below the agency's

request. The decrease is due to the Governor not recommending the agency's enhancement request to raise the board member per diem compensation rate.

### **FY 2023 Agency Request**

The **agency** requests \$12.0 million, all from special revenue funds, for FY 2023. This is an increase of \$236,519, or 2.0 percent, above the FY 2022 request. The increase is primarily

due to the agency budgeting for merit-based salary increases as well as the agency anticipating expenditures for in-person events, primarily staff training and education opportunities

returning to pre-COVID-19 pandemic levels. As with the FY 2022 request, the agency budgeted for yearly salary increases following its yearly performance review process. Additionally, the agency anticipates increased travel due to an expansion of in-

person activities, however it is reevaluating spacing and in-person needs as it continues to focus in-person examinations on problem banks. The revised estimate also includes 107.0 FTE positions, which is the same as the FY 2022 request.

### **FY 2023 Governor Recommendation**

The **Governor** recommends expenditures of \$11.9 million, all from special revenue funds, for FY 2023. This is an all funds decrease of \$12,420, or 0.1 percent, below the agency's

request. The decrease is due to the Governor not recommending the agency's enhancement request to raise the board member per diem compensation rate.

# PERFORMANCE MEASURES

The 2016 Legislature passed HB 2739, which outlined a three-year process for state agencies to develop and implement a system of performance budgeting using outcome measures to evaluate program effectiveness. Measures to evaluate agency-

wide performance are presented below. Additional measures to evaluate specific programs appear in the relevant program sections.

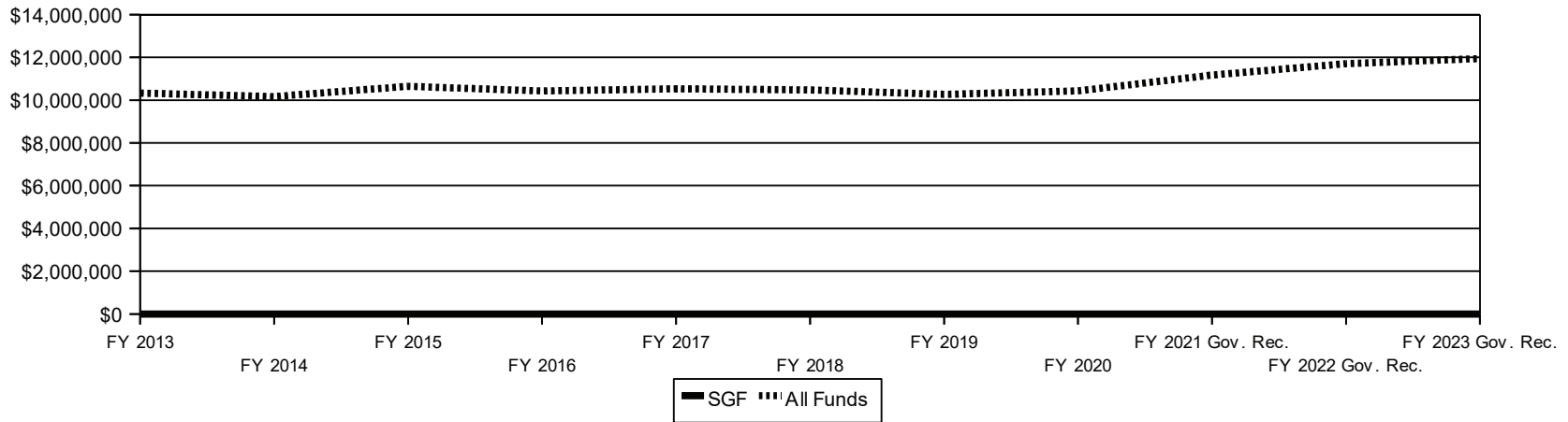
| PERFORMANCE MEASURES   |                   |                   |                      |                   |                      |                      |
|--|-------------------|-------------------|----------------------|-------------------|----------------------|----------------------|
| Measure  | Actual<br>FY 2018 | Actual<br>FY 2019 | Gov. Rec.<br>FY 2020 | Actual<br>FY 2020 | Gov. Rec.<br>FY 2021 | Gov. Rec.<br>FY 2022 |
| Number of State-Chartered Banks  | 198               | 192               | 183                  | 187               | 181                  | 173                  |
| Number of Problem Banks as a Percent of All Banks*                             | 4.6 %             | 5.2 %             | 8.2 %                | 8.0 %             | 11.0 %               | 17.3 %               |
| Assets of State-Chartered Banks (Dollars in Billions)*                         | \$ 44.8           | \$ 47.0           | \$ 52.5              | \$ 53.5           | \$ 54.5              | \$ 57.0              |
| Total Assets of Problem Banks as a Percentage of Total Assets                  | 2.3 %             | 2.5 %             | 2.8 %                | 3.1 %             | 11.0 %               | 17.3 %               |
| Number of Consumer and Mortgage Lending Inquiries*                             | 1,659             | 1,468             | 1,659                | 1,266             | N/A                  | N/A                  |
| <b>Agency Expenditures</b>   |                   |                   |                      |                   |                      |                      |
| All Funds (Dollars in Millions)  | \$ 10.5           | \$ 10.3           | \$ 11.8              | \$ 10.4           | \$ 11.2              | \$ 11.7              |
| FTE Positions  | 106.0             | 106.0             | 106.0                | 107.0             | 107.0                | 107.0                |
| * The Governor's Office does not utilize this measure for evaluation purposes. |                   |                   |                      |                   |                      |                      |

Assets of State-Chartered Banks in FY 2020 include \$2.8 billion in loans originated through the federal Paycheck Protection Program (PPP), as provided in the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020. Outside of

increasing the total assets of State-Chartered Banks, the agency has indicated it anticipates the funds will not have an impact on agency operations.

# BUDGET TRENDS

## OPERATING EXPENDITURES FY 2013 – FY 2023



| Fiscal Year        | SGF  | Percent Change | All Funds     | Percent Change | FTE   |
|--------------------|------|----------------|---------------|----------------|-------|
| 2013               | \$ 0 | -- %           | \$ 10,331,736 | 8.9 %          | 109.0 |
| 2014               | 0    | --             | 10,169,917    | (1.6)          | 108.0 |
| 2015               | 0    | --             | 10,647,140    | 4.7            | 108.0 |
| 2016               | 0    | --             | 10,429,304    | (2.0)          | 106.0 |
| 2017               | 0    | --             | 10,532,210    | 1.0            | 106.0 |
| 2018               | 0    | --             | 10,479,921    | (0.5)          | 106.0 |
| 2019               | 0    | --             | 10,270,281    | (2.0)          | 106.0 |
| 2020               | 0    | --             | 10,433,282    | 1.6            | 107.0 |
| 2021 Gov. Rec.     | 0    | --             | 11,175,455    | 7.1            | 107.0 |
| 2022 Gov. Rec.     | 0    | --             | 11,707,558    | 4.8            | 107.0 |
| 2023 Gov. Rec.     | 0    | --             | 11,944,077    | 2.0            | 107.0 |
| Eleven-Year Change | \$ 0 | -- %           | \$ 1,612,341  | 15.6 %         | (2.0) |

**Summary of Operating Budget FY 2020 – FY 2022**

|  | Actual<br>2020       | Agency Estimate      |                      |                                |                                 | Governor's Recommendation |                      |                                |                                 |
|--|----------------------|----------------------|----------------------|--------------------------------|---------------------------------|---------------------------|----------------------|--------------------------------|---------------------------------|
|  |                      | Estimate<br>FY 2021  | Request<br>FY 2022   | Dollar<br>Change<br>from FY 21 | Percent<br>Change<br>from FY 21 | Rec.<br>FY 2021           | Rec.<br>FY 2022      | Dollar<br>Change<br>from FY 21 | Percent<br>Change<br>from FY 21 |
| <b>By Program:</b>                     |                      |                      |                      |                                |                                 |                           |                      |                                |                                 |
| Administration                         | \$ 1,614,956         | \$ 2,027,375         | \$ 2,082,712         | \$ 55,337                      | 2.7 %                           | \$ 2,027,375              | \$ 2,082,712         | \$ 55,337                      | 2.7 %                           |
| Bank and Trust<br>Regulation           | 5,568,753            | 5,776,759            | 6,044,412            | 267,653                        | 4.6                             | 5,764,339                 | 6,031,992            | 267,653                        | 4.6                             |
| Consumer Mortgage<br>Regulation        | 3,249,573            | 3,383,741            | 3,592,854            | 209,113                        | 6.2                             | 3,383,741                 | 3,592,854            | 209,113                        | 6.2                             |
| <b>TOTAL</b>                           | <b>\$ 10,433,282</b> | <b>\$ 11,187,875</b> | <b>\$ 11,719,978</b> | <b>\$ 532,103</b>              | <b>4.8 %</b>                    | <b>\$ 11,175,455</b>      | <b>\$ 11,707,558</b> | <b>\$ 532,103</b>              | <b>4.8 %</b>                    |
| <b>By Major Object of Expenditure:</b> |                      |                      |                      |                                |                                 |                           |                      |                                |                                 |
| Salaries and Wages                     | \$ 8,952,918         | \$ 9,388,805         | \$ 9,866,809         | \$ 478,004                     | 5.1 %                           | \$ 9,376,385              | \$ 9,854,389         | \$ 478,004                     | 5.1 %                           |
| Contractual Services                   | 1,282,180            | 1,467,220            | 1,558,869            | 91,649                         | 6.2                             | 1,467,220                 | 1,558,869            | 91,649                         | 6.2                             |
| Commodities                            | 43,600               | 63,750               | 68,600               | 4,850                          | 7.6                             | 63,750                    | 68,600               | 4,850                          | 7.6                             |
| Capital Outlay                         | 64,392               | 193,100              | 125,700              | (67,400)                       | (34.9)                          | 193,100                   | 125,700              | (67,400)                       | (34.9)                          |
| Debt Service                           | 0                    | 0                    | 0                    | 0                              | --                              | 0                         | 0                    | 0                              | --                              |
| <i>Subtotal - Operations</i>           | <i>\$ 10,343,090</i> | <i>\$ 11,112,875</i> | <i>\$ 11,619,978</i> | <i>\$ 507,103</i>              | <i>4.6 %</i>                    | <i>\$ 11,100,455</i>      | <i>\$ 11,607,558</i> | <i>\$ 507,103</i>              | <i>4.6 %</i>                    |
| Aid to Local Units                     | 0                    | 0                    | 0                    | 0                              | --                              | 0                         | 0                    | 0                              | --                              |
| Other Assistance                       | 90,192               | 75,000               | 100,000              | 25,000                         | 33.3                            | 75,000                    | 100,000              | 25,000                         | 33.3                            |
| <b>TOTAL</b>                           | <b>\$ 10,433,282</b> | <b>\$ 11,187,875</b> | <b>\$ 11,719,978</b> | <b>\$ 532,103</b>              | <b>4.8 %</b>                    | <b>\$ 11,175,455</b>      | <b>\$ 11,707,558</b> | <b>\$ 532,103</b>              | <b>4.8 %</b>                    |
| <b>Financing:</b>                      |                      |                      |                      |                                |                                 |                           |                      |                                |                                 |
| State General Fund                     | \$ 0                 | \$ 0                 | \$ 0                 | \$ 0                           | -- %                            | \$ 0                      | \$ 0                 | \$ 0                           | -- %                            |
| Bank Commissioner Fee<br>Fund          | 10,343,004           | 11,112,875           | 11,619,978           | 507,103                        | 4.6                             | 11,100,455                | 11,607,558           | 507,103                        | 4.6                             |
| All Other Funds                        | 90,278               | 75,000               | 100,000              | 25,000                         | 33.3                            | 75,000                    | 100,000              | 25,000                         | 33.3                            |
| <b>TOTAL</b>                           | <b>\$ 10,433,282</b> | <b>\$ 11,187,875</b> | <b>\$ 11,719,978</b> | <b>\$ 532,103</b>              | <b>4.8 %</b>                    | <b>\$ 11,175,455</b>      | <b>\$ 11,707,558</b> | <b>\$ 532,103</b>              | <b>4.8 %</b>                    |



**Summary of Operating Budget FY 2022 – FY 2023**

|  | Agency Estimate      |                      |                                |                                 | Governor's Recommendation |                      |                                |                                 |
|--|----------------------|----------------------|--------------------------------|---------------------------------|---------------------------|----------------------|--------------------------------|---------------------------------|
|  | Request<br>FY 2022   | Request<br>FY 2023   | Dollar<br>Change<br>from FY 22 | Percent<br>Change<br>from FY 22 | Rec.<br>FY 2022           | Rec.<br>FY 2023      | Dollar<br>Change<br>from FY 22 | Percent<br>Change<br>from FY 22 |
| <b>By Program:</b>                     |                      |                      |                                |                                 |                           |                      |                                |                                 |
| Administration                         | \$ 2,082,712         | \$ 2,115,212         | \$ 32,500                      | 1.6 %                           | \$ 2,082,712              | \$ 2,115,212         | \$ 32,500                      | 1.6 %                           |
| Bank and Trust Regulation              | 6,044,412            | 6,250,813            | 206,401                        | 3.4                             | 6,031,992                 | 6,238,393            | 206,401                        | 3.4                             |
| Consumer Mortgage Regulation           | 3,592,854            | 3,590,472            | (2,382)                        | (0.1)                           | 3,592,854                 | 3,590,472            | (2,382)                        | (0.1)                           |
| <b>TOTAL</b>                           | <b>\$ 11,719,978</b> | <b>\$ 11,956,497</b> | <b>\$ 236,519</b>              | <b>2.0 %</b>                    | <b>\$ 11,707,558</b>      | <b>\$ 11,944,077</b> | <b>\$ 236,519</b>              | <b>2.0 %</b>                    |
| <b>By Major Object of Expenditure:</b> |                      |                      |                                |                                 |                           |                      |                                |                                 |
| Salaries and Wages                     | \$ 9,866,809         | \$ 10,083,488        | \$ 216,679                     | 2.2 %                           | \$ 9,854,389              | \$ 10,071,068        | \$ 216,679                     | 2.2 %                           |
| Contractual Services                   | 1,558,869            | 1,594,709            | 35,840                         | 2.3                             | 1,558,869                 | 1,594,709            | 35,840                         | 2.3                             |
| Commodities                            | 68,600               | 67,600               | (1,000)                        | (1.5)                           | 68,600                    | 67,600               | (1,000)                        | (1.5)                           |
| Capital Outlay                         | 125,700              | 110,700              | (15,000)                       | (11.9)                          | 125,700                   | 110,700              | (15,000)                       | (11.9)                          |
| Debt Service                           | 0                    | 0                    | 0                              | --                              | 0                         | 0                    | 0                              | --                              |
| <i>Subtotal - Operations</i>           | <i>\$ 11,619,978</i> | <i>\$ 11,856,497</i> | <i>\$ 236,519</i>              | <i>2.0 %</i>                    | <i>\$ 11,607,558</i>      | <i>\$ 11,844,077</i> | <i>\$ 236,519</i>              | <i>2.0 %</i>                    |
| Aid to Local Units                     | 0                    | 0                    | 0                              | --                              | 0                         | 0                    | 0                              | --                              |
| Other Assistance                       | 100,000              | 100,000              | 0                              | 0.0                             | 100,000                   | 100,000              | 0                              | 0.0                             |
| <b>TOTAL</b>                           | <b>\$ 11,719,978</b> | <b>\$ 11,956,497</b> | <b>\$ 236,519</b>              | <b>2.0 %</b>                    | <b>\$ 11,707,558</b>      | <b>\$ 11,944,077</b> | <b>\$ 236,519</b>              | <b>2.0 %</b>                    |
| <b>Financing:</b>                      |                      |                      |                                |                                 |                           |                      |                                |                                 |
| State General Fund                     | \$ 0                 | \$ 0                 | \$ 0                           | -- %                            | \$ 0                      | \$ 0                 | \$ 0                           | -- %                            |
| Bank Commissioner Fee Fund             | 11,619,978           | 11,856,497           | 236,519                        | 2.0                             | 11,607,558                | 11,844,077           | 236,519                        | 2.0                             |
| All Other Funds                        | 100,000              | 100,000              | 0                              | 0.0                             | 100,000                   | 100,000              | 0                              | 0.0                             |
| <b>TOTAL</b>                           | <b>\$ 11,719,978</b> | <b>\$ 11,956,497</b> | <b>\$ 236,519</b>              | <b>2.0 %</b>                    | <b>\$ 11,707,558</b>      | <b>\$ 11,944,077</b> | <b>\$ 236,519</b>              | <b>2.0 %</b>                    |

# BUDGET OVERVIEW

## A. FY 2021 – Current Year

### Adjustments to Approved State General Fund Budget

The agency’s revised estimate does not include any State General Fund (SGF) expenditures.

|                    | CHANGE FROM APPROVED BUDGET        |                               |                                   |                             |                                     |
|--------------------|------------------------------------|-------------------------------|-----------------------------------|-----------------------------|-------------------------------------|
|                    | Legislative<br>Approved<br>FY 2021 | Agency<br>Estimate<br>FY 2021 | Agency<br>Change from<br>Approved | Governor<br>Rec.<br>FY 2021 | Governor<br>Change from<br>Approved |
| State General Fund | \$ 0                               | \$ 0                          | \$ 0                              | \$ 0                        | \$ 0                                |
| All Other Funds    | 11,932,186                         | 11,187,875                    | (744,311)                         | 11,175,455                  | (756,731)                           |
| <b>TOTAL</b>       | <b>\$ 11,932,186</b>               | <b>\$ 11,187,875</b>          | <b>\$ (744,311)</b>               | <b>\$ 11,175,455</b>        | <b>\$ (756,731)</b>                 |
| FTE Positions      | 107.0                              | 107.0                         | 0.0                               | 107.0                       | 0.0                                 |

The **agency** requests a revised estimate of \$11.2 million, all from special revenue funds, in FY 2021. This is a decrease of \$744,311, or 6.2 percent, below the FY 2021 approved amount. The decrease is primarily due to staff turnover in the agency as well as decreased travel-related expenditures as the agency shifts from in-person examinations and trainings to virtual activities. The revised estimate also includes 107.0 FTE positions, which is the same as the FY 2021 approved number. The revised estimate is detailed below by major category of expenditures:

- **Salaries and Wages.** The agency requests a revised estimate of \$9.4 million, all from special revenue funds, for salary and wage expenditures in FY 2021. This is a decrease of \$315,881, or 3.3 percent, below the FY 2021 approved amount. The decrease is primarily attributed to the retirement of several senior employees;
- **Contractual Services.** The agency requests a revised estimate of \$1.5 million, all from special revenue funds, for contractual services expenditures in FY 2021. This is a decrease of

\$378,580, or 20.5 percent below the FY 2021 approved amount. The decrease is attributed to the agency shifting operations from in-person to virtual activities. These activities include bank and trust examinations and staff training and education opportunities;

- **Commodities.** The agency requests a revised estimate of \$63,750, all from special revenue funds, for commodities expenditures in FY 2021. This is a decrease of \$13,650, or 17.6 percent, below the FY 2021 approved amount. The decrease is primarily attributed to decreased travel-related expenditures such as gasoline;
- **Capital Outlay.** The agency requests a revised estimate of \$193,100, all from special revenue funds, for capital outlay expenditures in FY 2021. This is an increase of \$58,000, or 43.8 percent, above the FY 2021 approved amount. The increase is due to several factors relating to the shift of agency operations from an in-person environment to working from home. Among these factors are the purchase of computer equipment

to allow employees to work from home and the acquisition of phones compatible with the Microsoft Teams program. The increase is partially offset by the agency's decision not to replace a vehicle; and

- **Other Assistance.** The agency requests a revised estimate of \$75,000, all from special revenue funds, for other assistance expenditures in FY 2021. This is a decrease of \$95,000, or 55.9 percent, below the FY 2021 approved amount. These funds are traditionally disbursed to independent organizations to provide financial education programs and include grants for the teaching of financial skills to high school students. Due to the COVID-19 pandemic, the agency budgeted for fewer programs given the need to decrease in-person activities.

The **Governor** recommends expenditures of \$11.2 million, all from special revenue funds, in FY 2021. This is an all funds decrease of \$12,420, or 0.1 percent, below the agency's revised estimate. The decrease is due to the Governor not recommending the agency's supplemental request to raise the board member per diem compensation rate.

### Supplemental Detail

| Supplementals                                      | FY 2021 SUPPLEMENTALS |           |     |                           |           |     |
|--|-----------------------|-----------|-----|---------------------------|-----------|-----|
|  | Agency Estimate       |           |     | Governor's Recommendation |           |     |
|  | SGF                   | All Funds | FTE | SGF                       | All Funds | FTE |
| Increase in Board Member Per Diem Rate to \$150.00 | \$ 0                  | \$ 12,420 | 0.0 | \$ 0                      | \$ 0      | 0.0 |

The **agency's** revised estimate includes \$12,420, all from special revenue funds, to increase the per diem rate paid to board members from \$35.00 to \$150.00 per day of actual attendance of any board meeting. The board meets on a monthly basis. The agency has not adjusted the board member compensation in several years. Board member compensation was last increased in 1974 through the enactment of KSA 75-3223, which set a daily rate of \$35.00.

During the 2020 legislative session, SB 458 was introduced, which would allow the State Bank Commissioner to set a daily compensation rate between \$150 and \$175. The bill received a hearing in the Senate Committee on Financial Institutions and Insurance.

The **Governor** does not recommend the agency's supplemental request.

**B. FY 2022 – Budget Year**

| <b>FY 2022 OPERATING BUDGET SUMMARY</b> |                   |                              |             |
|---|-------------------|------------------------------|-------------|
|   | Agency<br>Request | Governor's<br>Recommendation | Difference  |
| <b>Total Request/Recommendation</b>     | \$ 11,719,978     | \$ 11,707,558                | \$ (12,420) |
| <b>FTE Positions</b>                    | 107.0             | 107.0                        | 0.0         |
| <i>Change from FY 2021:</i>             |                   |                              |             |
| <i>Dollar Change:</i>                   |                   |                              |             |
| State General Fund                      | \$ 0              | \$ 0                         |             |
| All Other Funds                         | 532,103           | 532,103                      |             |
| <b>TOTAL</b>                            | <b>\$ 532,103</b> | <b>\$ 532,103</b>            |             |
| <i>Percent Change:</i>                  |                   |                              |             |
| State General Fund                      | 0.0 %             | 0.0 %                        |             |
| All Other Funds                         | 4.8               | 4.8                          |             |
| <b>TOTAL</b>                            | <b>4.8 %</b>      | <b>4.8 %</b>                 |             |
| Change in FTE Positions                 | 0.0               | 0.0                          |             |

The **agency** requests \$11.7 million, all from special revenue funds, for FY 2022. This is an increase of \$532,103, or 4.8 percent, above the FY 2021 revised estimate. The increase is primarily due to the agency budgeting for merit-based salary increases as well as resumption of some in-person events, such as staff training and education opportunities. The revised estimate also includes 107.0 FTE positions, which is the same

as the FY 2021 revised estimate. The request is detailed below by major category of expenditures:

- **Salaries and Wages.** The agency requests \$9.9 million, all from special revenue funds, for salary and wage expenditures for FY 2022. This is an increase of \$478,004, or 5.1 percent, above the FY 2021 revised estimate. The increase is

primarily attributed to the agency budgeting for yearly merit-based raises for its employees. According to the agency, it has traditionally faced high staff turnover related to competition from the private sector, and it believes merit-based raises assist in the retention of employees;

- **Contractual Services.** The agency requests \$1.6 million, all from special revenue funds, for contractual services expenditures for FY 2022. This is an increase of \$91,649, or 6.2 percent, above the FY 2021 revised estimate. The increase is attributed to the agency resuming in-person trainings and bank examinations. While in-person bank examinations are anticipated to continue, the agency has indicated that banks not considered problem banks would most likely continue receiving virtual examination. With a decreased emphasis on in-person examinations, the agency anticipates reevaluating its office space needs in Lenexa and Wichita in the future. The increase is partially offset by decreases in attorney fees due to the agency concluding a lawsuit related to the closure of a bank and computer maintenance being completed in FY 2021;
- **Commodities.** The agency requests \$68,600, all from special revenue funds, for commodities expenditures for FY 2022. This is an increase of \$4,850, or 7.6 percent, above the FY 2021 revised estimate. The increase is primarily

attributed to increased travel-related expenditures, such as gasoline, as the agency resumes in-person activities, such as examinations and training opportunities;

- **Capital Outlay.** The agency requests \$125,700, all from special revenue funds, for capital outlay expenditures for FY 2022. This is a decrease of \$67,400, or 34.9 percent, below the FY 2021 revised estimate. The decrease is due to one-time expenditures in FY 2021 to update computing equipment for working from home that do not reoccur in FY 2022; and
- **Other Assistance.** The agency requests \$100,000, all from special revenue funds, for other assistance expenditures for FY 2022. This is an increase of \$25,000, or 33.3 percent, above the FY 2021 revised estimate. These funds are traditionally disbursed to independent organizations to provide financial educational programs and include grants for the teaching of financial skills to high school students. The increase is due to the agency anticipating resumption of these programs during FY 2022.

The **Governor** recommends expenditures of \$11.7 million, all from special revenue funds, for FY 2022. This is an all funds decrease of \$12,420, or 0.1 percent, below the agency's request. The decrease is due to the Governor not recommending the agency's enhancement request to raise the board member per diem compensation rate.

**Enhancements Detail**

| Enhancements                           | FY 2022 ENHANCEMENTS |           |     |                           |           |     |
|--|----------------------|-----------|-----|---------------------------|-----------|-----|
|  | Agency Request       |           |     | Governor's Recommendation |           |     |
|  | SGF                  | All Funds | FTE | SGF                       | All Funds | FTE |
| Increase in Board Member Per Diem Rate | \$ 0                 | 12,420    | 0.0 | \$ 0                      | \$ 0      | 0.0 |

The **agency's** request includes \$12,420, all from special revenue funds, to continue the increase in the per diem rate paid to board members from \$35.00 to \$150.00 per day of actual attendance of any board meeting for FY 2022.

The **Governor** does not recommend the agency's enhancement request.

**C. FY 2023 – Budget Year**

| <b>FY 2023 OPERATING BUDGET SUMMARY</b> |                   |                              |             |
|---|-------------------|------------------------------|-------------|
|   | Agency<br>Request | Governor's<br>Recommendation | Difference  |
| <b>Total Request/Recommendation</b>     | \$ 11,956,497     | \$ 11,944,077                | \$ (12,420) |
| <b>FTE Positions</b>                    | 107.0             | 107.0                        | 0.0         |
| <b>Change from FY 2022:</b>             |                   |                              |             |
| <i>Dollar Change:</i>                   |                   |                              |             |
| State General Fund                      | \$ 0              | \$ 0                         |             |
| All Other Funds                         | 236,519           | 236,519                      |             |
| <b>TOTAL</b>                            | <b>\$ 236,519</b> | <b>\$ 236,519</b>            |             |
| <i>Percent Change:</i>                  |                   |                              |             |
| State General Fund                      | 0.0 %             | 0.0 %                        |             |
| All Other Funds                         | 2.0               | 2.0                          |             |
| <b>TOTAL</b>                            | <b>2.0 %</b>      | <b>2.0 %</b>                 |             |
| Change in FTE Positions                 | 0.0               | 0.0                          |             |

The **agency** requests \$12.0 million, all from special revenue funds, for FY 2023. This is an increase of \$236,519, or 2.0 percent, above the FY 2022 request. The increase is primarily due to the agency budgeting for merit-based salary increases as well as the continued resumption of in-person events, such as staff training and education opportunities. The revised estimate also includes 107.0 FTE positions, which is the same as the FY 2022 request. The request is detailed below by major category of expenditures:

- **Salaries and Wages.** The agency requests \$10.1 million, all from special revenue funds, for salary and wage expenditures for FY 2023. This is an increase of \$216,679, or 2.2 percent, above the FY 2022 request. The increase is primarily attributed to the agency budgeting for yearly merit-based raises for its employees. According to the agency, it has traditionally faced high staff turnover related to competition from the private



sector, and it believes merit-based raises assist in the retention of employees;

- **Contractual Services.** The agency requests \$1.6 million, all from special revenue funds, for contractual services expenditures for FY 2023. This is an increase of \$35,840, or 2.3 percent, above the FY 2022 request. The increase is attributed to the agency expanding in-person trainings and bank examinations. While in-person bank examinations are anticipated to continue, the agency has indicated that banks not considered problem banks would most likely continue receiving virtual examination. With a decreased emphasis on in-person examinations, the agency anticipates reevaluating its office space needs in Lenexa and Wichita in the future;
- **Commodities.** The agency requests \$67,600, all from special revenue funds, for commodities expenditures for FY 2023. This is a decrease of \$1,000, or 1.5 percent, below the FY 2022 request. The decrease is primarily attributed to a decrease in gasoline expenditures as the agency

shifts from conducting in-person examinations to virtual examinations, except for problem banks;

- **Capital Outlay.** The agency requests \$110,700, all from special revenue funds, for capital outlay expenditures for FY 2023. This is a decrease of \$15,000, or 11.9 percent, below the FY 2022 request. The decrease is due to a one-time purchase of data servers in FY 2022 that do not reoccur in FY 2023; and
- **Other Assistance.** The agency requests \$100,000, all from special revenue funds, for other assistance expenditures for FY 2023. This is the same as the FY 2022 request. These funds are traditionally disbursed to independent organizations to provide financial educational programs.

The **Governor** recommends expenditures of \$11.9 million, all from special revenue funds, for FY 2023. This is an all funds decrease of \$12,420, or 0.1 percent, below the agency's request. The decrease is due to the Governor not recommending the agency's enhancement request to raise the board member per diem compensation rate.

**Enhancements Detail**

| FY 2023 ENHANCEMENTS                    |                |           |     |                           |           |     |
|---|----------------|-----------|-----|---------------------------|-----------|-----|
| Enhancements                            | Agency Request |           |     | Governor's Recommendation |           |     |
|   | SGF            | All Funds | FTE | SGF                       | All Funds | FTE |
| Increase in Board Member Per Diem Rate. | \$ 0           | 12,420    | 0.0 | \$ 0                      | \$ 0      | 0.0 |

The **agency's** request includes \$12,420, all from special revenue funds, to continue the increase in the per diem rate paid to board members from \$35.00 to \$150.00 per day of actual attendance of any board meeting for FY 2023.

The **Governor** does not recommend the agency's enhancement request.

## Governor's Recommended Salary and Wage Adjustments

For FY 2022, the Governor recommends adding \$31.5 million, including \$11.3 million SGF, for a 2.5 percent state employee base pay adjustment. The plan would increase salaries for classified and unclassified employees in the Executive Branch, Legislative Branch, and Judicial Branch. Legislative and elected officials would be excluded from this salary adjustment. The funds would be appropriated to and certified for distribution by the State Finance Council if approved. Employees of state universities are also not included in the proposed pay plan; however, the Governor recommends adding \$10.4 million, all SGF, to the university operating grants. This amount is equivalent to what the pay plan would have provided for university employees, but the funds are included in the Kansas Board of Regents budget for use at their discretion.

**Longevity Bonus Payments.** In FY 2021 and for FY 2022, 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 2021 payment is \$3.0 million, including \$1.1 million SGF. For FY 2022, the estimated cost is \$3.1 million, including \$1.1 million SGF. **This agency has no longevity payments for FY 2021 and FY 2022.**

**Kansas Public Employees Retirement System (KPERs).** The employer retirement contribution rate, including Death and Disability contributions, for the KPERs State and School Group is scheduled to be 14.23 percent in FY 2021 and 15.09 percent for FY 2022. The FY 2021 rate excludes the 1.0 percent KPERs Death and Disability

contribution that is currently subject to a moratorium described below.

The Governor recommends the KPERs State and School Group be reamortized. The current amortization period was set by the Legislature in 1993 for 40 years. The Governor proposes the new amortization be set for 25 years beginning in FY 2022, an extension of 10 years to the current plan. Reamortization would reduce employer contributions for the KPERs State and School Group in the short term. It is estimated that resetting the amortization period to 25 years could produce budget savings of \$177.3 million, including \$158.7 million SGF, for FY 2022. The Governor's recommendation would also incorporate \$25.8 million in KPERs layering payments into the amortization schedules. **No savings from this policy are currently included in this agency's budget.**

**KPERs Death and Disability Group Insurance Fund.** During FY 2021, a moratorium on employer contributions to the KPERs Death and Disability Group Insurance Fund was in effect. The fund had a sufficient balance to suspend payments on a temporary basis without affecting employee benefits. The moratorium was implemented *via* the Governor's allotment authority; therefore, the Legislative and Judicial branches are currently excluded from the moratorium. The total savings for the moratorium are estimated at \$46.7 million in contributions from the SGF. Included in this amount were savings of approximately \$40.3 million from KPERs School Group contributions in the Kansas State Department of Education budget. No similar moratorium is proposed for FY 2022, requiring the addition of \$46.7 million to annualize the payments for the full fiscal year.

## Funding Sources

| Funding Source             | Agency Req.<br>Percent of<br>Total FY 2022 | Gov. Rec.<br>Percent of<br>Total FY 2022 | Agency Req.<br>Percent of<br>Total FY 2023 | Gov. Rec.<br>Percent of<br>Total FY 2023 |
|----------------------------|--|--|--|--|
| State General Fund         | 0.0 %                                      | 0.0 %                                    | 0.0 %                                      | 0.0 %                                    |
| Bank Commissioner Fee Fund | 99.1                                       | 99.1                                     | 99.2                                       | 99.2                                     |
| All Other Funds            | 0.9  | 0.9                                      | 0.8  | 0.8                                      |
| <b>TOTAL</b>               | <b>100.0 %</b>                             | <b>100.0 %</b>                           | <b>100.0 %</b>                             | <b>100.0 %</b>                           |

(Note: Totals may not add due to rounding.)

## Bank Commissioner Fee Fund Analysis

The Bank Commissioner Fee Fund is funded in part by assessments on state-chartered banks and trust companies. Revenues of the Fund are generated by fee income through the Bank and Trust Regulation and Consumer and Mortgage Lending Regulation programs. KSA 75-3170a(a) provides that 90.0 percent of incoming revenues are retained by the agency and 10.0 percent are deposited into the SGF, up to a maximum of \$100,000 per fiscal year per fund. The agency receives no money from the SGF.

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 31, while trust company assessments are based on the total amount of fiduciary assets under management as reported on the December 31 OSBC call report. For trust departments, fiduciary assets reported to the FDIC on the March 31 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 OSBC collects fees three times a year. It collects half of a bank's assessment in July, one-quarter in January, and the final quarter in May.

| Resource Estimate                            | Actual<br>FY 2020    | Agency<br>Estimate<br>FY 2021 | Governor<br>Rec.<br>FY 2021 | Agency<br>Request<br>FY 2022 | Governor<br>Rec.<br>FY 2022 | Agency<br>Request<br>FY 2023 | Governor<br>Rec.<br>FY 2023 |
|--|----------------------|-------------------------------|-----------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| Beginning Balance                            | \$ 3,767,302         | \$ 2,699,542                  | \$ 2,699,542                | \$ 2,551,157                 | \$ 2,563,577                | \$ 1,331,179                 | \$ 1,356,019                |
| Revenue                                      | 9,275,244            | 10,964,490                    | 10,964,490                  | 10,400,000                   | 10,400,000                  | 11,000,000                   | 11,000,000                  |
| Transfers in                                 | 0                    | 0                             | 0                           | 0                            | 0                           | 0                            | 0                           |
| <i>Funds Available</i>                       | <i>\$ 13,042,546</i> | <i>\$ 13,664,032</i>          | <i>\$ 13,664,032</i>        | <i>\$ 12,951,157</i>         | <i>\$ 12,963,577</i>        | <i>\$ 12,331,179</i>         | <i>\$ 12,356,019</i>        |
| Less:  |                      |                               |                             |                              |                             |                              |                             |
| Expenditures                                 | \$ 10,343,004        | \$ 11,112,875                 | \$ 11,100,455               | \$ 11,619,978                | \$ 11,607,558               | \$ 11,856,497                | \$ 11,844,077               |
| Transfers Out                                | 0                    | 0                             | 0                           | 0                            | 0                           | 0                            | 0                           |
| Off-Budget Expenditures                      | 0                    | 0                             | 0                           | 0                            | 0                           | 0                            | 0                           |
| <b>Ending Balance</b>                        | <b>\$ 2,699,542</b>  | <b>\$ 2,551,157</b>           | <b>\$ 2,563,577</b>         | <b>\$ 1,331,179</b>          | <b>\$ 1,356,019</b>         | <b>\$ 474,682</b>            | <b>\$ 511,942</b>           |
| Ending Balance as Percent of<br>Expenditures | 26.1%                | 23.0%                         | 23.1%                       | 11.5%                        | 11.7%                       | 4.0%                         | 4.3%                        |
| Month Highest Ending Balance                 | July<br>\$ 4,942,912 | July<br>\$ 4,671,217          | July<br>\$ 4,693,958        | July<br>\$ 2,437,414         | July<br>\$ 2,482,896        | July<br>\$ 869,152           | July<br>\$ 937,375          |
| Month Lowest Ending Balance                  | June<br>\$ 1,633,145 | June<br>\$ 1,543,376          | June<br>\$ 1,550,890        | June<br>\$ 805,325           | June<br>\$ 820,352          | June<br>\$ 287,169           | June<br>\$ 3,609,710        |

Due to the agency's collection schedule, the agency indicates the ending balances of the fund in the budget years may appear lower than they typically turn out to be. Below are

the rates in which the agency assesses bank and trust organizations and the fees it applies towards consumer lending organizations.

| <b>BANK AND TRUST DIVISION - BANK ASSESSMENT RATES (PER MILLION)</b> |             |                 |
|--|-------------|-----------------|
| License  | Current Fee | Statutory Limit |
| Assets Less Than or Equal to \$250,000                               | \$ 0.150    | \$ N/A          |
| Assets Greater Than \$250,000 Up To \$500,000                        | 0.160       | N/A             |
| Assets Greater Than \$500,000 Up To \$1,000,000                      | 0.135       | N/A             |
| Assets Greater Than \$1,000,000 Up To \$3,000,000                    | 0.090       | N/A             |
| Assets Greater Than \$3,000,000                                      | 0.075       | N/A             |

**BANK AND TRUST DIVISION - TRUST ASSESSMENT RATES**

| License  | Current Fee | Statutory Limit |
|--|-------------|-----------------|
| Inactive   | \$ 100      | \$ N/A          |
| Trusts Less Than or Equal to \$1,000,000                   | 1,000       | N/A             |
| Trusts Greater Than \$1,000,000 Up To \$10,000,000         | 2,500       | N/A             |
| Trusts Greater Than \$10,000,000 Up To \$50,000,000        | 3,300       | N/A             |
| Trusts Greater Than \$50,000,000 Up To \$100,000,000       | 4,000       | N/A             |
| Trusts Greater Than \$100,000,000 Up To \$500,000,000      | 5,000       | N/A             |
| Trusts Greater Than \$500,000,000 Up To \$1,000,000,000    | 5,800       | N/A             |
| Trusts Greater Than \$1,000,000,000 Up To \$2,000,000,000  | 7,500       | N/A             |
| Trusts Greater Than \$2,000,000,000 Up To \$5,000,000,000  | 14,500      | N/A             |
| Trusts Greater Than \$5,000,000,000 Up To \$10,000,000,000 | 18,500      | N/A             |
| Trusts Greater Than \$10,000,000,000                       | 22,000      | N/A             |

**CONSUMER AND MORTGAGE LENDING DIVISION - LICENSURE FEES**

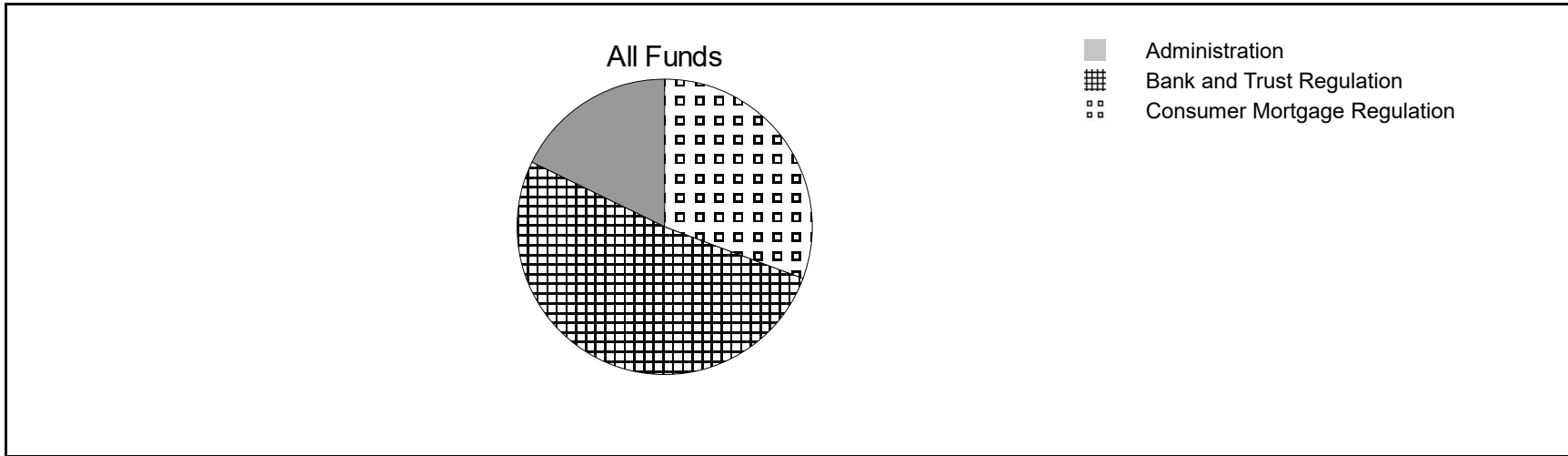
| License   | Current Fee  | Statutory Limit |
|---|--------------|-----------------|
| Company new or renewal license for principal place of business* | \$ 400       | \$ 400          |
| Company new or renewal license for branch office                | 300          | 300             |
| Loan originator new license                                     | 100          | 100             |
| Loan originator renewal license                                 | 50           | 150             |
| Annual licensing fee** (per \$100,000)                          | 3.00 – 6.00  | N/A             |
| Annual licensing fee** (per loan)                               | 0.20 – 2.50  | N/A             |
| Notification location fee                                       | 25           | N/A             |
| Notification Volume Fee (per \$100,000)                         | 5.00 – 15.00 | N/A             |

\*Credit Services Organization renewal license fee is \$150.

\*\*Certain credit transactions are assessed on a per-loan basis and others on dollar volume based on the type of transaction.

# PROGRAM DETAIL

## EXPENDITURES BY PROGRAM—GOVERNOR'S FY 2022 RECOMMENDATION



| Program                      | Gov. Rec.<br>All Funds<br>FY 2022 | Percent of<br>Total | Gov. Rec.<br>SGF<br>FY 2022 | Percent of<br>Total |
|------------------------------|-----------------------------------|---------------------|-----------------------------|---------------------|
| Administration               | \$ 2,082,712                      | 17.8 %              | \$ 0                        | -- %                |
| Bank and Trust Regulation    | 6,031,992                         | 51.5                | 0                           | --                  |
| Consumer Mortgage Regulation | 3,592,854                         | 30.7                | 0                           | --                  |
| <b>TOTAL</b>                 | <b>\$ 11,707,558</b>              | <b>100.0 %</b>      | <b>\$ 0</b>                 | <b>-- %</b>         |

**FTE POSITIONS BY PROGRAM FY 2020 – FY 2023**

| Program                         | Actual<br>FY 2020 | Agency Est.<br>FY 2021 | Gov. Rec.<br>FY 2021 | Agency Req.<br>FY 2022 | Gov. Rec.<br>FY 2022 | Agency Req.<br>FY 2023 | Gov. Rec.<br>FY 2023 |
|---------------------------------|-------------------|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|
| Administration                  | 16.0              | 16.0                   | 16.0                 | 16.0                   | 16.0                 | 16.0                   | 16.0                 |
| Bank and Trust Regulation       | 57.0              | 57.0                   | 57.0                 | 57.0                   | 57.0                 | 57.0                   | 57.0                 |
| Consumer Mortgage<br>Regulation | 34.0              | 34.0                   | 34.0                 | 34.0                   | 34.0                 | 34.0                   | 34.0                 |
| <b>TOTAL</b>                    | <b>107.0</b>      | <b>107.0</b>           | <b>107.0</b>         | <b>107.0</b>           | <b>107.0</b>         | <b>107.0</b>           | <b>107.0</b>         |

(Note: For purposes of this analysis, full-time equivalent (FTE) positions include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.)

**A. Administration**

The Administration program provides support for the supervisory and regulatory functions of the OSBC. 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.

**PERFORMANCE MEASURES**

| Measure   | Actual<br>FY 2018 | Actual<br>FY 2019 | Gov. Rec.<br>FY 2020 | Actual<br>FY 2020 | Gov. Rec.<br>FY 2021 | Gov. Rec.<br>FY 2022 |
|---|-------------------|-------------------|----------------------|-------------------|----------------------|----------------------|
| There are no performance measures submitted for this program. |                   |                   |                      |                   |                      |                      |
| <b>Agency Expenditures</b>                                    |                   |                   |                      |                   |                      |                      |
| All Funds (Dollars in Millions)                               | \$ 1.6            | \$ 1.6            | \$ 1.9               | \$ 1.6            | \$ 2.0               | \$ 2.1               |
| FTE Positions   | 14.0              | 15.0              | 15.0                 | 16.0              | 16.0                 | 16.0                 |



**ADMINISTRATION PROGRAM  
SUMMARY OF EXPENDITURES FY 2020 – FY 2023**

| Item                         | Actual<br>FY 2020          | Agency Est.<br>FY 2021     | Gov. Rec.<br>FY 2021       | Agency Req.<br>FY 2022     | Gov. Rec.<br>FY 2022       | Agency Req.<br>FY 2023     | Gov. Rec.<br>FY 2023       |
|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Expenditures:</b>         |                            |                            |                            |                            |                            |                            |                            |
| Salaries and Wages           | \$ 1,158,073               | \$ 1,456,255               | \$ 1,456,255               | \$ 1,532,653               | \$ 1,532,653               | \$ 1,584,863               | \$ 1,584,863               |
| Contractual Services         | 416,775                    | 434,620                    | 434,620                    | 480,359                    | 480,359                    | 475,649                    | 475,649                    |
| Commodities                  | 14,091                     | 26,000                     | 26,000                     | 25,000                     | 25,000                     | 25,000                     | 25,000                     |
| Capital Outlay               | 26,017                     | 110,500                    | 110,500                    | 44,700                     | 44,700                     | 29,700                     | 29,700                     |
| Debt Service                 | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          |
| <i>Subtotal - Operations</i> | <u>\$ 1,614,956</u>        | <u>\$ 2,027,375</u>        | <u>\$ 2,027,375</u>        | <u>\$ 2,082,712</u>        | <u>\$ 2,082,712</u>        | <u>\$ 2,115,212</u>        | <u>\$ 2,115,212</u>        |
| Aid to Local Units           | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          |
| Other Assistance             | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          |
| <b>TOTAL</b>                 | <u><b>\$ 1,614,956</b></u> | <u><b>\$ 2,027,375</b></u> | <u><b>\$ 2,027,375</b></u> | <u><b>\$ 2,082,712</b></u> | <u><b>\$ 2,082,712</b></u> | <u><b>\$ 2,115,212</b></u> | <u><b>\$ 2,115,212</b></u> |
| <b>Financing:</b>            |                            |                            |                            |                            |                            |                            |                            |
| State General Fund           | \$ 0                       | \$ 0                       | \$ 0                       | \$ 0                       | \$ 0                       | \$ 0                       | \$ 0                       |
| All Other Funds              | 1,614,956                  | 2,027,375                  | 2,027,375                  | 2,082,712                  | 2,082,712                  | 2,115,212                  | 2,115,212                  |
| <b>TOTAL</b>                 | <u><b>\$ 1,614,956</b></u> | <u><b>\$ 2,027,375</b></u> | <u><b>\$ 2,027,375</b></u> | <u><b>\$ 2,082,712</b></u> | <u><b>\$ 2,082,712</b></u> | <u><b>\$ 2,115,212</b></u> | <u><b>\$ 2,115,212</b></u> |
| FTE Positions                | 16.0                       | 16.0                       | 16.0                       | 16.0                       | 16.0                       | 16.0                       | 16.0                       |

The **agency** requests a revised estimate of \$2.0 million, all from special revenue funds, for the Administration program in FY 2021. The revised estimate is an increase of \$134,672, or 7.1 percent, above the FY 2021 approved amount. The increase is primarily attributed to the agency budgeting for merit-based raises for its employees. The revised estimate also includes an increase in capital outlay expenditures for one-time technology purchases related to shifting agency operations from an office environment to working from home. The increases are partially offset by a decrease in travel-related contractual services, due

to a shift from in-person trainings and conferences to virtual events. The revised estimate also includes 16.0 FTE positions, which is the same as the FY 2021 approved number.

The **Governor** concurs with the agency's revised estimate in FY 2021.

The **agency** requests \$2.1 million, all from special revenue funds, for the Administration program for FY 2022. This is an increase of \$55,337, or 2.7 percent, above the FY 2021 revised

estimate. The increase is primarily attributed to the agency budgeting for merit-based raises for its employees. An increase in travel-related contractual services contributes to the overall increase, due to the agency budgeting for the resumption of in-person trainings and conferences. The increase is partially offset by a decrease in capital outlay expenditures due to the one-time purchases to enable working from home in FY 2021. The request also includes 16.0 FTE positions, which is the same as the FY 2021 revised estimate.

The **Governor** concurs with the agency's request for FY 2022.

**B. Bank and Trust Regulation**

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

The **agency** requests \$2.1 million, all from special revenue funds, for the Administration program for FY 2023. This is an increase of \$32,500, or 1.6 percent, above the FY 2022 request. The increase is attributable to an increase in salaries and wages due to merit-based raises. The increase is partially offset by decreases in computer-related expenditures. The request also includes 16.0 FTE positions, which is the same as the FY 2022 request.

The **Governor** concurs with the agency's request for FY 2023.

companies. Total assets supervised in banks and trust entities are approximately \$113.3 billion.

| PERFORMANCE MEASURES   |                   |                   |                      |                   |                      |                      |
|--|-------------------|-------------------|----------------------|-------------------|----------------------|----------------------|
| Measure  | Actual<br>FY 2018 | Actual<br>FY 2019 | Gov. Rec.<br>FY 2020 | Actual<br>FY 2020 | Gov. Rec.<br>FY 2021 | Gov. Rec.<br>FY 2022 |
| Number of State-Chartered Banks  | 198               | 192               | 183                  | 187               | 181                  | 173                  |
| Number of Problem Banks as a Percent of All Banks*                             | 4.6 %             | 5.2 %             | 8.2 %                | 8.0 %             | 11.0 %               | 17.3 %               |
| Assets of State-Chartered Banks (Dollars in Billions)                          | \$ 59.2           | \$ 47.0           | \$ 51.5              | \$ 59.8           | \$ 54.5              | \$ 57.0              |
| Total Assets of Problem Banks as a Percentage of Total Bank Assets             | 2.3 %             | 2.5 %             | 2.8 %                | 3.1 %             | 11.0 %               | 17.3 %               |
| <b>Agency Expenditures</b>   |                   |                   |                      |                   |                      |                      |
| All Funds (Dollars in Millions)  | \$ 5.8            | \$ 5.4            | \$ 6.2               | \$ 5.7            | \$ 5.8               | \$ 6.0               |
| FTE Positions  | 56.0              | 55.0              | 55.0                 | 57.0              | 57.0                 | 57.0                 |
| * The Governor's Office does not utilize this measure for evaluation purposes. |                   |                   |                      |                   |                      |                      |

Assets of State-Chartered Banks in FY 2020 include \$2.8 billion in loans originated through the federal Paycheck Protection Program (PPP), as provided in the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020. Outside of

increasing the total assets of State-Chartered Banks, the agency has indicated it anticipates the funds will not have an impact on agency operations.

| <b>BANK AND TRUST REGULATION PROGRAM<br/>SUMMARY OF EXPENDITURES FY 2020 – FY 2023</b> |                            |                            |                            |                            |                            |                            |                            |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Item   | Actual<br>FY 2020          | Agency Est.<br>FY 2021     | Gov. Rec.<br>FY 2021       | Agency Req.<br>FY 2022     | Gov. Rec.<br>FY 2022       | Agency Req.<br>FY 2023     | Gov. Rec.<br>FY 2023       |
| <b>Expenditures:</b>   |                            |                            |                            |                            |                            |                            |                            |
| Salaries and Wages   | \$ 4,956,801               | \$ 5,023,562               | \$ 5,011,142               | \$ 5,276,516               | \$ 5,264,096               | \$ 5,440,201               | \$ 5,427,781               |
| Contractual Services   | 570,919                    | 661,797                    | 661,797                    | 685,870                    | 685,870                    | 726,420                    | 726,420                    |
| Commodities  | 23,540                     | 30,300                     | 30,300                     | 32,500                     | 32,500                     | 31,500                     | 31,500                     |
| Capital Outlay   | 17,374                     | 61,100                     | 61,100                     | 49,526                     | 49,526                     | 52,692                     | 52,692                     |
| Debt Service   | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          |
| <i>Subtotal - Operations</i>   | <i>\$ 5,568,634</i>        | <i>\$ 5,776,759</i>        | <i>\$ 5,764,339</i>        | <i>\$ 6,044,412</i>        | <i>\$ 6,031,992</i>        | <i>\$ 6,250,813</i>        | <i>\$ 6,238,393</i>        |
| Aid to Local Units   | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          |
| Other Assistance   | 119                        | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          |
| <b>TOTAL</b>   | <b><u>\$ 5,568,753</u></b> | <b><u>\$ 5,776,759</u></b> | <b><u>\$ 5,764,339</u></b> | <b><u>\$ 6,044,412</u></b> | <b><u>\$ 6,031,992</u></b> | <b><u>\$ 6,250,813</u></b> | <b><u>\$ 6,238,393</u></b> |
| <b>Financing:</b>  |                            |                            |                            |                            |                            |                            |                            |
| State General Fund   | \$ 0                       | \$ 0                       | \$ 0                       | \$ 0                       | \$ 0                       | \$ 0                       | \$ 0                       |
| All Other Funds  | 5,568,753                  | 5,776,759                  | 5,764,339                  | 6,044,412                  | 6,031,992                  | 6,250,813                  | 6,238,393                  |
| <b>TOTAL</b>   | <b><u>\$ 5,568,753</u></b> | <b><u>\$ 5,776,759</u></b> | <b><u>\$ 5,764,339</u></b> | <b><u>\$ 6,044,412</u></b> | <b><u>\$ 6,031,992</u></b> | <b><u>\$ 6,250,813</u></b> | <b><u>\$ 6,238,393</u></b> |
| FTE Positions  | 57.0                       | 57.0                       | 57.0                       | 57.0                       | 57.0                       | 57.0                       | 57.0                       |

The **agency** requests a revised estimate of \$5.8 million, all from special revenue funds, for the Bank and Trust Regulation program in FY 2021. This is a decrease of \$500,857, or 8.0 percent, below the FY 2021 approved amount. The decrease is due in part to decreases salaries and wages expenditures resulting from staff retirements and shifting some positions

being paid out of the administration program. The decrease is also related to the agency budgeting for decreases in travel-related expenditures as it transitions to virtual bank examinations and trainings. The revised estimate includes 57.0 FTE positions, which is the same as the FY 2021 approved number.

The **Governor** recommends expenditures of \$5.8 million, all from special revenue funds, for the Bank and Trust Regulation program in FY 2021. This is a decrease of \$12,420, or 0.2 percent, below the agency's revised estimate. The decrease is due to the Governor not recommending the agency's supplemental request to increase the board member per diem compensation rate.

The **agency** requests \$6.0 million, all from special revenue funds, for the Bank and Trust Regulation program for FY 2022. This is an increase of \$267,653, or 4.6 percent, above the FY 2021 revised estimate. The increase is due primarily to the agency budgeting for merit-based raises for its employees and the comparable increase in fringe benefits. The remaining increase is the result of the agency resuming in-person examination and training for FY 2022. The request includes 57.0 FTE positions, which is the same as the FY 2021 revised estimate.

The **Governor** recommends expenditures of \$6.0 million, all from special revenue funds, for the Bank and Trust Regulation program for FY 2022. This is a decrease of \$12,420, or

### ***C. Consumer and Mortgage Lending Regulation Program***

The Consumer and Mortgage Lending Regulation program is responsible for the 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 foster a competitive credit marketplace;

0.2 percent, below the agency's request. The decrease is due to the Governor not recommending the agency's enhancement request to increase the board member per diem compensation rate.

The **agency** requests \$6.3 million, all from special revenue funds, for the Bank and Trust Regulation program for FY 2023. This is an increase of \$206,401, or 3.4 percent, above the FY 2022 request. The increase is due primarily to the agency budgeting for merit-based raises for its employees and the comparable increase in fringe benefits. The remaining increase is the result of the agency resuming in-person examination and training. The request also includes 57.0 FTE positions, which is the same as the FY 2022 request.

The **Governor** recommends expenditures of \$6.2 million, all from special revenue funds, for the Bank and Trust Regulation program for FY 2023. This is a decrease of \$12,420, or 0.2 percent, below the agency's request. The decrease is due to the Governor not recommending the agency's enhancement request to increase the board member per diem compensation rate.

enforcing laws to discourage unscrupulous or illegal credit activities; licensing and regulating consumer and mortgage credit providers; conducting examinations to promote lawful credit practices and adherence to state and federal laws; investigating consumer complaints; and facilitating consumer education and awareness of credit issues.

| <b>PERFORMANCE MEASURES</b>  |                           |                           |                              |                           |                              |                              |
|--|---------------------------|---------------------------|------------------------------|---------------------------|------------------------------|------------------------------|
| <u>Measure</u>   | <u>Actual<br/>FY 2018</u> | <u>Actual<br/>FY 2019</u> | <u>Gov. Rec.<br/>FY 2020</u> | <u>Actual<br/>FY 2020</u> | <u>Gov. Rec.<br/>FY 2021</u> | <u>Gov. Rec.<br/>FY 2022</u> |
| Number of Consumer and Mortgage Lending Inquiries*                             | 1,659                     | 1,468                     | 1,659                        | 1,266                     | N/A                          | N/A                          |
| <u>Agency Expenditures</u>   |                           |                           |                              |                           |                              |                              |
| All Funds (Dollars in Millions)  | \$ 3.5                    | \$ 3.3                    | \$ 3.8                       | \$ 3.2                    | \$ 3.4                       | \$ 3.6                       |
| FTE Positions  | 36.0                      | 36.0                      | 36.0                         | 34.0                      | 34.0                         | 34.0                         |
| * The Governor's Office does not utilize this measure for evaluation purposes. |                           |                           |                              |                           |                              |                              |

**CONSUMER AND MORTGAGE LENDING REGULATION PROGRAM  
SUMMARY OF EXPENDITURES FY 2020 – FY 2023**

| Item                         | Actual<br>FY 2020          | Agency Est.<br>FY 2021     | Gov. Rec.<br>FY 2021       | Agency Req.<br>FY 2022     | Gov. Rec.<br>FY 2022       | Agency Req.<br>FY 2023     | Gov. Rec.<br>FY 2023       |
|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Expenditures:</b>         |                            |                            |                            |                            |                            |                            |                            |
| Salaries and Wages           | \$ 2,838,044               | \$ 2,908,988               | \$ 2,908,988               | \$ 3,057,640               | \$ 3,057,640               | \$ 3,058,424               | \$ 3,058,424               |
| Contractual Services         | 294,486                    | 370,803                    | 370,803                    | 392,640                    | 392,640                    | 392,640                    | 392,640                    |
| Commodities                  | 5,969                      | 7,450                      | 7,450                      | 11,100                     | 11,100                     | 11,100                     | 11,100                     |
| Capital Outlay               | 21,001                     | 21,500                     | 21,500                     | 31,474                     | 31,474                     | 28,308                     | 28,308                     |
| Debt Service                 | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          |
| <i>Subtotal - Operations</i> | <u>\$ 3,159,500</u>        | <u>\$ 3,308,741</u>        | <u>\$ 3,308,741</u>        | <u>\$ 3,492,854</u>        | <u>\$ 3,492,854</u>        | <u>\$ 3,490,472</u>        | <u>\$ 3,490,472</u>        |
| Aid to Local Units           | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          |
| Other Assistance             | 90,073                     | 75,000                     | 75,000                     | 100,000                    | 100,000                    | 100,000                    | 100,000                    |
| <b>TOTAL</b>                 | <u><b>\$ 3,249,573</b></u> | <u><b>\$ 3,383,741</b></u> | <u><b>\$ 3,383,741</b></u> | <u><b>\$ 3,592,854</b></u> | <u><b>\$ 3,592,854</b></u> | <u><b>\$ 3,590,472</b></u> | <u><b>\$ 3,590,472</b></u> |
| <b>Financing:</b>            |                            |                            |                            |                            |                            |                            |                            |
| State General Fund           | \$ 0                       | \$ 0                       | \$ 0                       | \$ 0                       | \$ 0                       | \$ 0                       | \$ 0                       |
| All Other Funds              | 3,249,573                  | 3,383,741                  | 3,383,741                  | 3,592,854                  | 3,592,854                  | 3,590,472                  | 3,590,472                  |
| <b>TOTAL</b>                 | <u><b>\$ 3,249,573</b></u> | <u><b>\$ 3,383,741</b></u> | <u><b>\$ 3,383,741</b></u> | <u><b>\$ 3,592,854</b></u> | <u><b>\$ 3,592,854</b></u> | <u><b>\$ 3,590,472</b></u> | <u><b>\$ 3,590,472</b></u> |
| FTE Positions                | 34.0                       | 34.0                       | 34.0                       | 34.0                       | 34.0                       | 34.0                       | 34.0                       |

The **agency** requests a revised estimate of \$3.4 million, all from special revenue funds, for the Consumer and Mortgage Lending Regulation Program in FY 2021. This is a decrease of \$378,126, or 10.1 percent, below the FY 2021 approved amount. The decrease is primarily due to decreases in salaries and wages due to retirements within the agency. Decreases in travel-related contractual services also contribute to the overall decrease and are a result of staff training and conferences shifting from in-person to virtual settings. The revised estimate includes 34.0 FTE positions, which is the same as the FY 2021 approved number.

The **Governor** concurs with the agency's revised estimate in FY 2021.

The **agency** requests \$3.6 million, all from special revenue funds, for the Consumer and Mortgage Lending Regulation Program for FY 2022. This is an increase of \$209,113, or 6.2 percent, above the FY 2021 revised estimate. The increase is due primarily to the agency budgeting for merit-based raises for its employees and the comparable increase in fringe benefits. The remaining increase is the result of the agency resuming in-

person examination and training. The request includes 34.0 FTE positions, which is the same as the FY 2021 revised estimate.

The **Governor** concurs with the agency's request for FY 2022.

The **agency** requests \$3.6 million, all from special revenue funds, for the Consumer and Mortgage Lending Regulation

Program for FY 2023. This is a decrease of \$2,382, or less than 0.1 percent, below the FY 2022 request. The decrease is due to capital outlay expenditures in FY 2022 that do not reoccur in FY 2023. The request also includes 34.0 FTE positions, which is the same as the FY 2022 request.

The **Governor** concurs with the agency's request for FY 2023.