

OFFICE OF THE STATE BANK COMMISSIONER

FY 2022 – FY 2025 BUDGET ANALYSIS

FIGURE 1
BUDGET OVERVIEW, FY 2022 – FY 2025

	Actual FY 2022	Agency FY 2023	Governor FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
Operating Expenditures:							
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer Education Settlement Fund	107,150	150,000	150,000	150,000	150,000	150,000	150,000
All Other Funds	10,833,856	12,813,709	12,554,267	12,878,873	12,809,736	12,788,789	12,720,158
Subtotal	\$ 10,941,006	\$ 12,963,709	\$ 12,704,267	\$ 13,028,873	\$ 12,959,736	\$ 12,938,789	\$ 12,870,158
Capital Improvements:							
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-	-	-
All Other Funds	-	-	-	-	-	-	-
Subtotal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ 10,941,006	\$ 12,963,709	\$ 12,704,267	\$ 13,028,873	\$ 12,959,736	\$ 12,938,789	\$ 12,870,158
Percentage Change:							
State General Fund	-- %	--	-- %	-- %	-- %	-- %	-- %
All Funds	3.7 %	18.5 %	16.1 %	0.5 %	2.0 %	(0.7) %	(0.7) %
FTE Positions	110.0	112.0	112.0	112.0	112.0	112.0	112.0

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.

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. Statutory authority for the OSBC is found in KSA 75-1304 *et seq.* The agency is headed by a commissioner, who is appointed by the Governor to serve a four-year term. The agency is divided into five divisions, the Banking and Trust Division, the Consumer and Mortgage Lending Division, the Information Technologies Division, the Legal Department, and the Administrative Department.

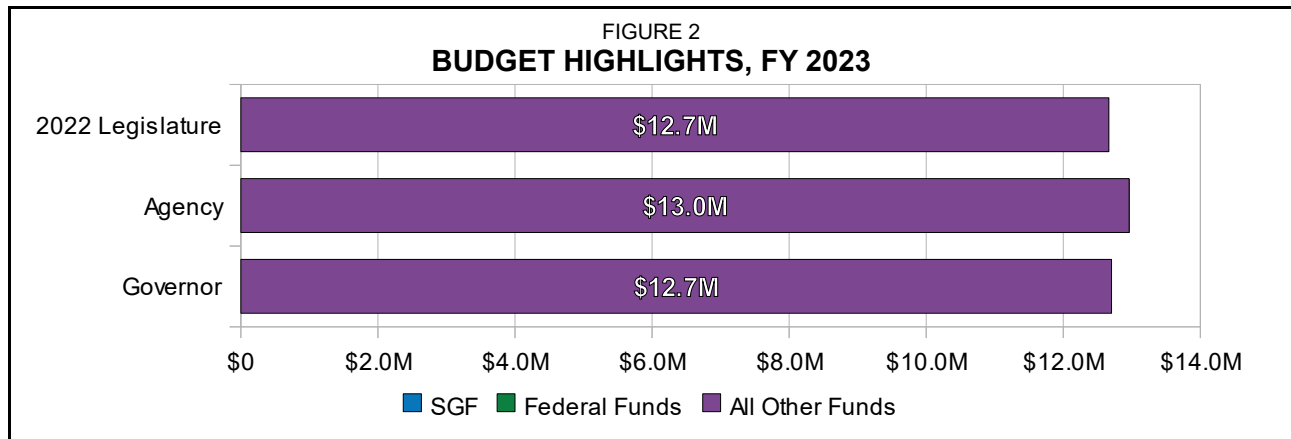
The Banking and Trust Division is responsible for the supervision of state-chartered banks, trust companies/departments, and technology-enabled fiduciary financial institutions (TEFFIs). The agency also preserves the dual banking system through the chartering of new state banks, maintenance of existing state charters, and equitable regulation of state banks. A nine-member banking board, authorized by KSA 74-3004 *et seq.*, is appointed by the Governor. The State Banking Board serves in an advisory capacity to the banking division and administers the banking laws of Kansas.

The Consumer and Mortgage Lending Division is responsible for oversight of non-depository mortgage lenders, mortgage loan originators, consumer credit providers, money transmitters, and credit service organizations. The Information Technology Division regulates cybersecurity and data risk vulnerabilities of all regulated entities. The Administrative and Legal Departments provide support for the work and internal functions of the agency itself.

Finally, the OSBC is responsible for protecting consumers from unfair or unscrupulous credit practices, and promoting public trust in the state financial system.

EXECUTIVE SUMMARY

The 2022 Legislature approved a budget of \$12,664,448, all from special revenue funds, and 110.0 FTE positions for the Office of the State Bank Commissioner in FY 2023.



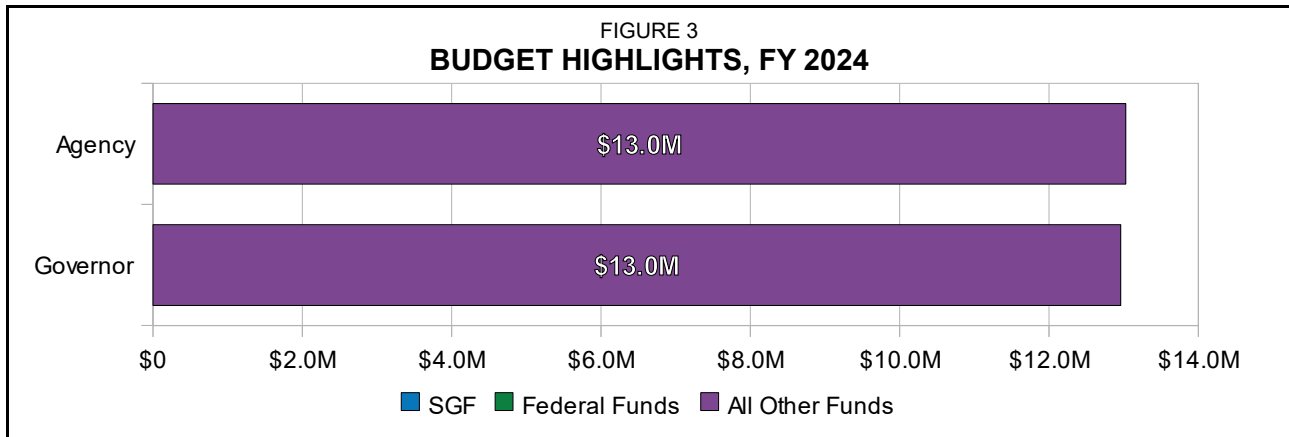
The **agency** requests a revised estimate of \$13.0 million, all from special revenue funds, in FY 2023. This is an increase of \$299,261, or 2.7 percent, above the FY 2023 approved amount. Significant increases in the revised estimate include the following:

- **SUPPLEMENTAL - BOARD MEMBER PER DIEM INCREASES.** The revised estimate includes a supplemental request to increase the board member per diem rates. The agency has historically reported having issues recruiting for the State Banking Board due in large part to the low per diem rate.
- **SUPPLEMENTAL - STAFF SALARY INCREASES.** The revised estimate includes a supplemental request to provide merit-based staff salary increases. The agency has historically reported having issues retaining staff due in part to wage competition with the private sector as well as adjoining states and federal counterparts.
- **SUPPLEMENTAL - TWO ADDITIONAL STAFF.** A third supplemental request is for two additional specialized examiners. The 2.0 FTE positions would be Information Technology (IT) Examiners and would conduct IT exams for banks to check for risks and exposures in cybersecurity.
- **TRAVEL-RELATED EXPENDITURES INCREASES.** The revised estimate also includes several increases for travel-related expenditures. This is for training of the agency's staff in all areas of expertise as well as in-person examinations of state-owned banks. During the COVID-19 pandemic, the training schools, conferences, and programs moved to virtual events. Resumption of in-person training and in-person portions of examinations are included in the revised estimate.

The **agency** requests 112.0 FTE positions in FY 2023. This is an increase of 2.0 FTE positions above the approved number for the purposes of adding two IT Examiners, as explained above.

The **Governor** recommends \$12.7 million, all from special revenue funds, in FY 2023. This is an overall decrease of \$259,442, or 2.0 percent, below the agency's FY 2023 revised estimate. The Governor's recommendation does not include the agency's supplemental requests for board member per diem increases or staff salary increases. The Governor recommends \$39,819, all from special revenue funds, to provide partial year funding for 2.0 FTE IT examiner positions.

The **Governor's** recommendation includes 112.0 FTE positions, which is the same as the agency's revised estimate in FY 2023.



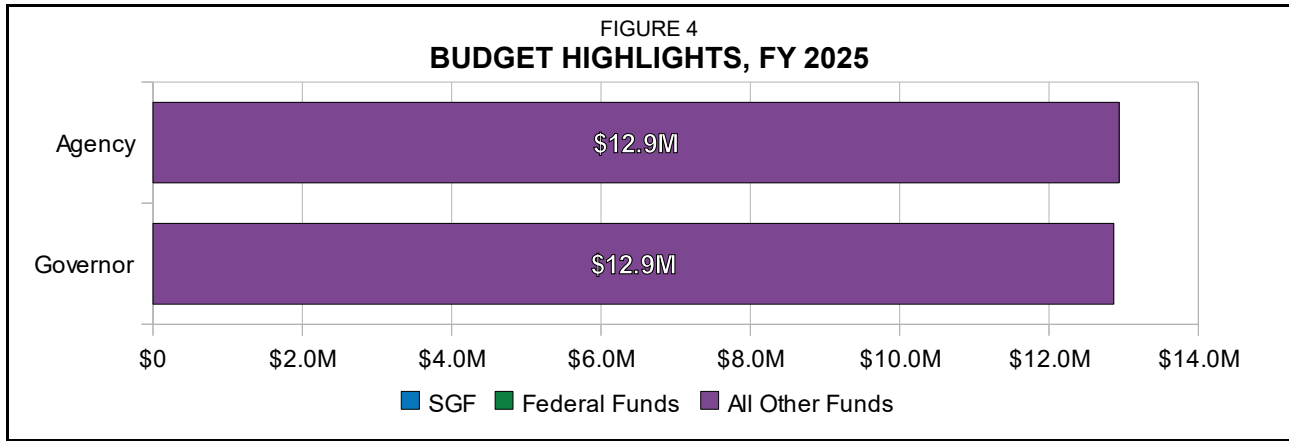
The **agency** requests \$13.0 million, all from special revenue funds, for FY 2024. This is an increase of \$65,164, or 0.5 percent, above the FY 2023 revised estimate. Notable items in the agency request include the following:

- **ENHANCEMENT - BOARD MEMBER PER DIEM.** The request includes an enhancement request to maintain the supplemental request from FY 2023 for increased board member per diem rates. The agency has historically reported having issues recruiting for the State Banking Board due in large part to the low per diem rate.
- **ENHANCEMENT - STAFF SALARY INCREASES.** The request includes an enhancement request to continue to provide merit-based staff salary increases requested in the FY 2023 revised estimate. The agency has historically reported having issues retaining staff due in part to wage competition with the private sector as well as adjoining states and federal counterparts.
- **ENHANCEMENT - TWO ADDITIONAL STAFF.** This request also continues the 2.0 additional FTE positions requested in FY 2023. The two IT Examiners would conduct IT exams for banks to check for risks and exposures in cybersecurity.

The **agency** requests 112.0 FTE positions for FY 2024. This is the same number as the revised estimate for FY 2023.

The **Governor** recommends \$13.0 million, all from special revenue funds, for FY 2024. This is a decrease of \$69,137, or 0.5 percent, below the agency's request for FY 2024. The Governor's recommendation does not include the enhancement requests for board member per diem increases or staff salary increases. The Governor's recommendation does include \$158,527, all from special revenue funds, for 2.0 FTE IT examiner positions.

The **Governor's** recommendation includes 112.0 FTE positions, which is the same as the agency's request for FY 2024.



The **agency** requests \$12.9 million, all from special revenue funds, for FY 2025. This is a decrease of \$90,084, or 0.7 percent, below the FY 2024 request. Significant items in the agency request include the following:

- **ENHANCEMENT - BOARD MEMBER PER DIEM.** The request includes an enhancement request to maintain the increased board member per diem rates as requested in the revised estimate in FY 2023 and FY 2024. The agency has historically reported having issues recruiting for the State Banking Board due in large part to the low per diem rate.
- **ENHANCEMENT - STAFF SALARY INCREASES.** The request includes an enhancement request to continue to provide merit-based staff salary increases requested in the revised estimate in FY 2023 and FY 2024. The agency has historically reported having issues retaining staff due in part to wage competition with the private sector as well as adjoining states and federal counterparts.
- **ENHANCEMENT - TWO ADDITIONAL STAFF.** This request is to continue the additional 2.0 FTE positions requested in FY 2023 and FY 2024. The two IT Examiners would conduct IT exams for banks to check for risks and exposures in cybersecurity.
- **OTHER ADJUSTMENTS.** There is an anticipated decrease in employer contributions for group health insurance of \$135,214, or 1.3 percent, below the FY 2024 request. There is also an increase in contractual services expenditures of \$40,390, or 1.8 percent, above the FY 2024 request, mainly for additional travel-related expenses (\$14,000) and other contractual services (\$18,502).

The **agency** requests 112.0 FTE positions for FY 2025, which is the same as the FY 2024 number.

The **Governor** recommends \$12.9 million, all from special revenue funds, for FY 2025. This is a decrease of \$68,631, or 0.5 percent, below the agency's request for FY 2025. The Governor's recommendation does not include the enhancement requests for board member per diem increases or staff salary increases. The Governor's recommendation does include \$157,110, all from special revenue funds, for 2.0 FTE IT examiner positions.

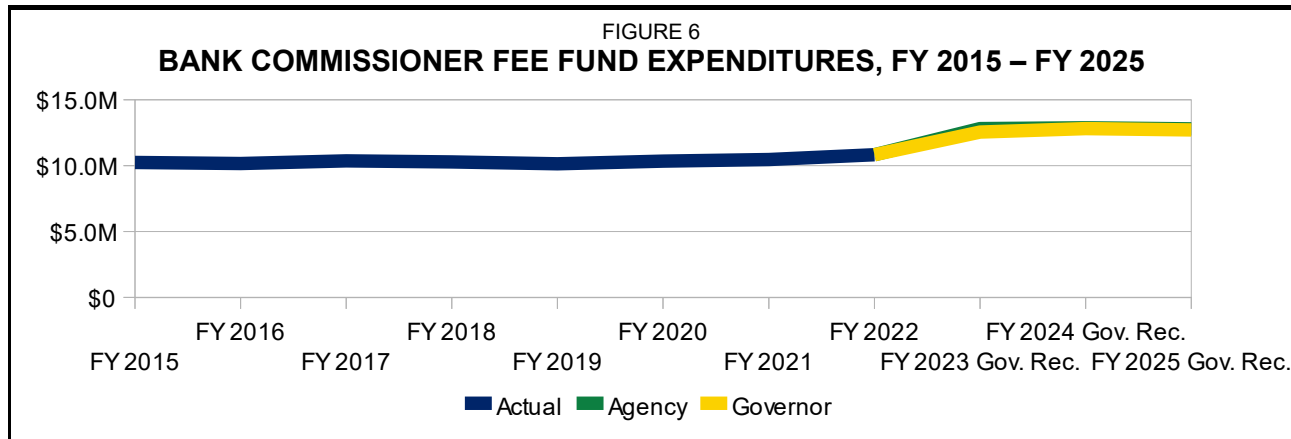
The **Governor's** recommendation includes 112.0 FTE positions, which is the same as the agency's request for FY 2025.

EXPENDITURES AND FINANCING

FIGURE 5
BUDGET SUMMARY BY CATEGORY OF EXPENDITURE, FY 2022 – FY 2025

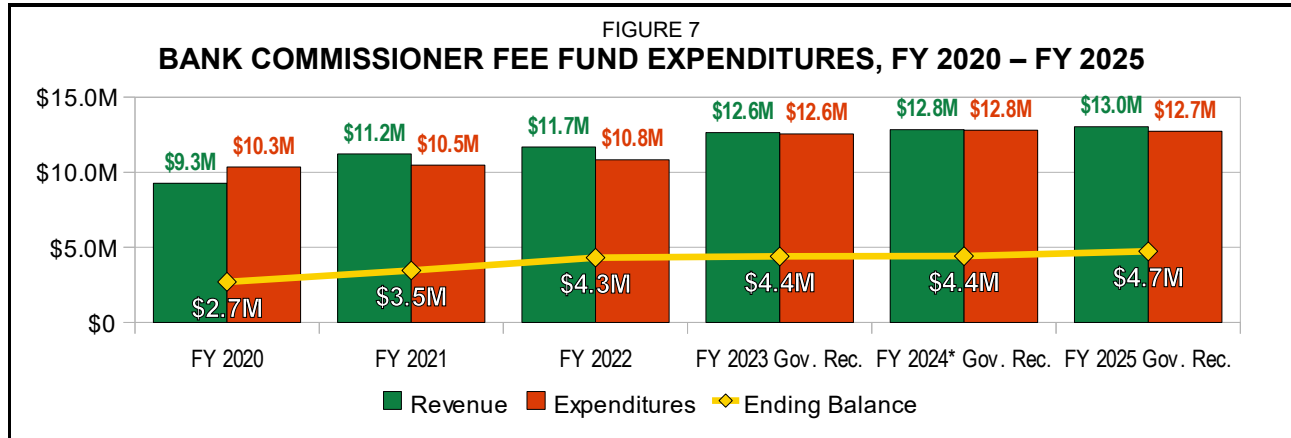
Category of Expenditure:	Actual FY 2022	Agency FY 2023	Governor FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
Salaries and Wages	\$ 9,451,774	\$ 10,360,283	\$ 10,171,485	\$ 10,406,459	\$ 10,337,322	\$ 10,271,245	\$ 10,202,614
Contractual Services	1,228,752	2,189,076	2,118,432	2,203,064	2,203,064	2,243,454	2,243,454
Commodities	25,871	44,300	44,300	46,850	46,850	46,500	46,500
Capital Outlay	127,458	220,050	220,050	222,500	222,500	227,590	227,590
Debt Service Interest	-	-	-	-	-	-	-
Subtotal	\$ 10,833,855	\$ 12,813,709	\$ 12,554,267	\$ 12,878,873	\$ 12,809,736	\$ 12,788,789	\$ 12,720,158
Aid to Local Units	-	-	-	-	-	-	-
Other Assistance	107,151	150,000	150,000	150,000	150,000	150,000	150,000
Subtotal—Operating	\$ 10,941,006	\$ 12,963,709	\$ 12,704,267	\$ 13,028,873	\$ 12,959,736	\$ 12,938,789	\$ 12,870,158
Capital Improvements	-	-	-	-	-	-	-
Debt Service Principal	-	-	-	-	-	-	-
TOTAL	\$ 10,941,006	\$ 12,963,709	\$ 12,704,267	\$ 13,028,873	\$ 12,959,736	\$ 12,938,789	\$ 12,870,158
Financing:							
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Commissioner Fee Fund	10,833,856	12,813,709	12,554,267	12,878,873	12,809,736	12,788,789	12,720,158
Consumer Education Settlement Fund	107,150	150,000	150,000	150,000	150,000	150,000	150,000
All Other Funds	-	-	-	-	-	-	-
TOTAL	\$ 10,941,006	\$ 12,963,709	\$ 12,704,267	\$ 13,028,873	\$ 12,959,736	\$ 12,938,789	\$ 12,870,158
FTE Positions	110.0	112.0	112.0	112.0	112.0	112.0	112.0

BANK COMMISSIONER FEE FUND



The Office of the State Bank Commissioner is a fee-funded agency, with a majority of its expenditures utilizing the Bank Commissioner Fee Fund. In FY 2022, actual expenditures from the Bank Commissioner Fee Fund were \$10.8 million. The agency's revised estimate in FY 2023 includes \$12.8 million in expenditures from this fund, which is an increase of \$2.0 million, or 18.3 percent, above the FY 2022 expenditures. The increase is primarily related to the enhancements requested, including merit-based salary increases, board member per diem increases, and 2.0 additional FTE positions.

BANK COMMISSIONER FEE FUND



* For FY 2024, the lowest month ending balance for the Bank Commissioner Fee Fund will occur in June, with a balance of \$4.4 million.

The Bank Commissioner Fee Fund is funded in part by assessments on state-chartered banks, trust entities, and Technology-enabled Financial Fiduciary Institutions (TEFFIs). Revenues of the fund are generated by fee income through the Bank and Trust Regulation and Consumer and Mortgage Lending Regulation programs. 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. The OSBC employs a tiered 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.

FIGURE 8
**BANK AND TRUST DIVISION
BANK ASSESSMENT RATES (PER MILLION IN TOTAL ASSETS), FY 2023**

Bank Total Assets	Current Fee	Statutory Limit	Authority
Less than \$500,000	0.160	N/A	KSA 9-1703
Greater than \$500,000 up to \$1,000,000	0.135	N/A	KSA 9-1703
Greater than \$1,000,000 up to \$5,000,000	0.110	N/A	KSA 9-1703
Greater than \$5,000,000	0.090	N/A	KSA 9-1703

FIGURE 9
**BANK AND TRUST DIVISION
TRUST ASSESSMENT RATES (PER MILLION), FY 2023**

Trust Total Assets	Current Fee	Statutory Limit	Authority
Inactive Trusts	\$ 100	N/A	KSA 9-1703
Trusts less than or equal to \$10,000,000	\$ 2,500	N/A	KSA 9-1703
Greater than \$10,000,000 to \$100,000,000	\$ 4,000	N/A	KSA 9-1703
Greater than \$100,000,000 to \$1,000,000,000	\$ 5,800	N/A	KSA 9-1703
Greater than \$1,000,000,000 to \$5,000,000,000	\$ 14,500	N/A	KSA 9-1703
Greater than \$500,000,000 to \$25,000,000,000	\$ 22,000	N/A	KSA 9-1703

FIGURE 10
**CONSUMER AND MORTGAGE LICENSING DIVISION
 LICENSING FEES, FY 2023**

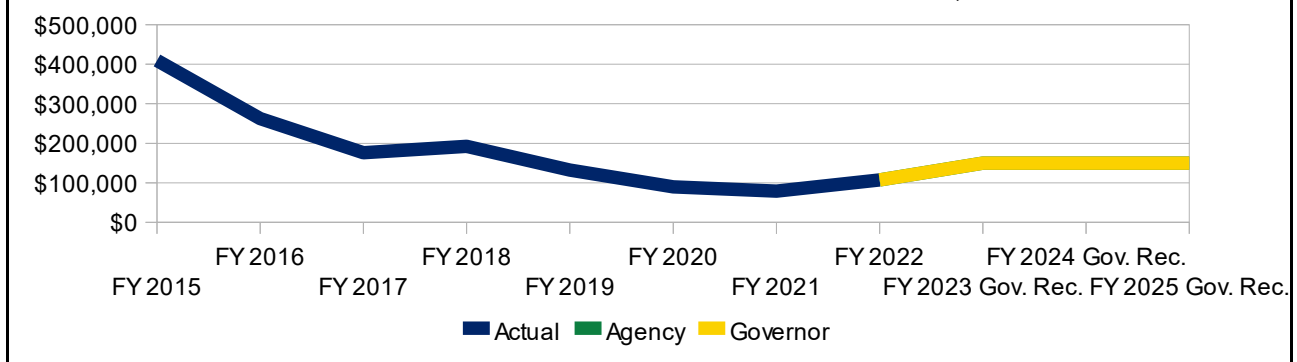
Bank Total Assets	Current Fee	Statutory Limit	Authority
Company new or renewal license for principal place of business*	\$ 400	\$ N/A	KSA 9-1726
Company new or renewal license for branch office	\$ 100	N/A	KSA 9-1726
Loan originator new license	\$ 100	N/A	KSA 9-1726
Loan originator renewal license	\$ 50	N/A	KSA 9-1726
Annual licensing fee** (per \$100,000)	\$ 2.00 – 6.00	N/A	KSA 9-1726
Annual licensing fee** (per loan)	\$ 0.20 – 2.50	N/A	KSA 9-1726
Notification location fee	\$ 25	N/A	KSA 9-1726
Notification volume fee (per loan)	\$ 5.00 – 15.00	N/A	KSA 9-1726

* 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.

CONSUMER EDUCATION SETTLEMENT FUND

FIGURE 11
CONSUMER EDUCATION SETTLEMENT FUND EXPENDITURES, FY 2015 – FY 2025



The Consumer Education Settlement Fund is funded from fines incurred on banks due to consumer complaints. In FY 2022, actual expenditures from the Consumer Education Settlement Fund were \$107,150. The agency's revised estimate in FY 2023 includes \$150,000 in expenditures from this fund. The fund supports financial educational initiatives by providing grants to fund certain activities conducted by educators, nonprofit organizations, and other entities throughout Kansas. In FY 2022, the agency increased the grant funding from \$75,000 to \$103,150.

Four grants have been approved for FY 2023, and others are pending receipt of additional information. The grant recipients approved as of September 2022 are USD 350 - St. John Junior and Senior High School, Kansas Bankers Educational Foundation, Jobs for America's Graduates - Kansas (JAG-K), and the Pando Initiative.

FY 2023 ANALYSIS

FIGURE 12
SUMMARY OF BUDGET REQUEST, FY 2023

		SGF	Special Revenue Funds	All Funds	FTE
Legislative Approved:					
Amount Approved by 2022 Legislature	\$	-	\$ 12,664,448	\$ 12,664,448	110.0
1. No Changes		-	-	-	-
<i>Subtotal—Legislative Approved</i>	\$	-	\$ 12,664,448	\$ 12,664,448	110.0
Agency Revised Estimate:					
2. Supplemental - Salary Increases	\$	-	\$ 56,968	\$ 56,968	--
3. Supplemental - Board Member Per Diem		-	12,420	12,420	--
4. Supplemental - Additional Staff		-	159,229	159,229	2.0
5. All Other Adjustments		-	70,644	70,644	--
<i>Subtotal—Agency Revised Estimate</i>	\$	-	\$ 12,963,709	\$ 12,963,709	112.0
Governor's Recommendation:					
6. Supplemental - Salary Increases – Not Recommended	\$	-	\$ (56,968)	\$ (56,968)	--
7. Supplemental - Board Member Wages – Not Recommended		-	(12,420)	(12,420)	--
8. Supplemental - Additional Staff (Partial)		-	(119,410)	(119,410)	--
9. Decrease Contractual Services		-	(70,644)	(70,644)	--
TOTAL	\$	-	\$ 12,704,267	\$ 12,704,267	112.0

LEGISLATIVE APPROVED

- NO CHANGES.** The 2022 Legislature approved a budget of \$12,664,448, all from special revenue funds, and 110.0 FTE positions for the Office of the State Bank Commissioner in FY 2023. Subsequent to the 2023 Session, no adjustments have been made to the approved amount.

AGENCY ESTIMATE

The **agency** submits an FY 2023 revised estimate of \$13.0 million, all from special revenue funds. This is an increase of \$299,261, or 2.4 percent, above the FY 2023 approved amount. The agency's revised estimate includes the following adjustments:

- SUPPLEMENTAL - STAFF SALARY INCREASES.** The FY 2023 revised estimate includes a supplemental request to provide merit-based staff salary increases. The agency has historically reported having issues retaining staff due in part to wage competition with the private sector as well as adjoining states and federal counterparts. The supplemental request includes an addition of \$56,968 to allow for merit-based staff salary increases.
- SUPPLEMENTAL - BOARD MEMBER PER DIEM INCREASES.** The FY 2023 revised estimate includes a supplemental request to increase the board member per diem rates. The agency has historically reported having issues recruiting for the State Banking Board due in large part to the low per diem rate. This supplemental request is for an additional \$12,420. The per diem has not changed since 1974. The agency's per diem is currently \$35 per meeting attended, and the supplemental request is for \$150 per meeting attended. *Staff Note:* For more information on per diem compensation, please see Special Topic 1.

4. **SUPPLEMENTAL - TWO ADDITIONAL STAFF.** A third supplemental request in FY 2023 is for two additional specialized examiners. The 2.0 FTE positions would be IT Examiners and would conduct IT exams for banks to check for risks and exposures in cybersecurity. The agency requests \$159,229 to fund these two positions.
5. **ALL OTHER ADJUSTMENTS.** The FY 2023 revised estimate also includes several increases for travel-related expenditures. This is for training of the agency's staff in all areas of expertise as well as in-person examinations of state-owned banks. During the COVID-19 pandemic, the training schools, conferences, and programs moved to virtual events. Resumption of in-person training and in-person portions of examinations are included in the revised estimate.

The **agency** requests 112.0 FTE positions in FY 2023. This is an increase of 2.0 FTE positions above the approved number for the purposes of adding two IT Examiners, as explained above.

GOVERNOR'S RECOMMENDATION

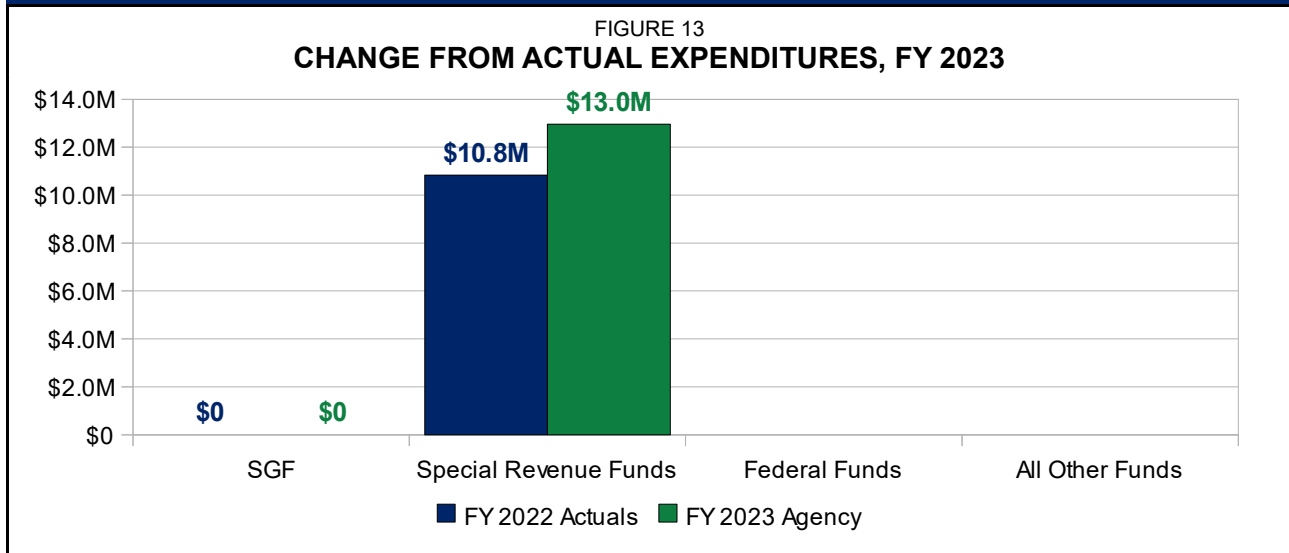
The **Governor** recommends \$12.7 million, all from special revenue funds, in FY 2023.

The **Governor's** recommendation includes the following adjustments:

6. **SUPPLEMENTAL - STAFF SALARY ADJUSTMENTS.** The Governor does not recommend the agency's request to provide funding for merit-based salary increases (Item 1).
7. **SUPPLEMENTAL - BOARD MEMBER PER DIEM INCREASES.** The Governor does not recommend the agency's request to increase the Board Member per diem rate (Item 2).
8. **SUPPLEMENTAL - TWO ADDITIONAL STAFF.** The Governor recommends partial adoption of this request, with an increase of \$39,819, or 0.3 percent, above the approved amount for FY 2023 resulting in partial year funding for an additional 2.0 FTE IT Examiners in FY 2023. This is a decrease of \$119,410, or 0.9 percent, below the agency's request (Item 3).
9. **DECREASE CONTRACTUAL SERVICES.** The Governor recommends a decrease of \$70,644 in contractual services. This is a decrease of 3.2 percent below the agency's request.

The **Governor's** recommendation also includes 112.0 FTE positions, which is the same as the agency's FY 2023 revised estimate number.

FY 2023 CHANGE FROM ACTUAL EXPENDITURES



The **agency** estimates revised expenditures of \$13.0 million, all from special revenue funds, in FY 2023. This is an increase of \$2.0 million, or 18.5 percent, above FY 2022 actual expenditures. This increase is mostly due to the supplemental requests for additional employees, merit-based salary increases for staff, and an increase in per diem for board members.

- **SUPPLEMENTAL - BOARD MEMBER PER DIEM INCREASES.** The revised estimate includes a supplemental request to increase the board member per diem rates. This supplemental request is for an additional \$12,420 in FY 2023. The agency's per diem is currently \$35 per meeting attended, and the supplemental request is for \$150 per meeting attended.
- **SUPPLEMENTAL - STAFFING ISSUES.** The revised estimate includes two supplemental requests regarding staffing: a request to provide merit-based staff salary increases and a request for two additional staff positions to conduct IT exams to check for risks and exposures in cybersecurity within banks. The supplemental requests includes an addition of \$56,968 to allow for merit-based staff salary increases and \$159,229 for 2.0 FTE positions to add two IT Examiners.
- **TRAVEL-RELATED EXPENDITURES INCREASES.** The revised estimate also includes several increases for travel-related expenditures. This is for training of the agency's staff in all areas of expertise as well as in-person examinations of state-owned banks. During the COVID-19 pandemic, the training schools, conferences, and programs moved to virtual events. Resumption of in-person training and in-person portions of examinations are included in the revised estimate.

FY 2024 ANALYSIS

FIGURE 14
SUMMARY OF BUDGET REQUEST, FY 2024

	SGF	Special Revenue Funds	All Funds	FTE
Agency Revised Estimate, FY 2023:	\$ -	\$ 12,963,709	\$ 12,963,709	112.0
Agency Request:				
1. Enhancement - Salary Increases	1 \$ -	\$ (251)	\$ (251)	--
2. Enhancement - Board Member Per Diem	-	-	-	--
3. Enhancement - Additional Staff	-	(702)	(702)	--
4. All Other Adjustments	-	66,117	66,117	--
<i>Subtotal—Agency Request</i>	\$ -	\$ 13,028,873	\$ 13,028,873	112.0
Governor's Recommendation:				
5. Enhancement - Salary Increases – Not Recommended	\$ -	\$ (56,717)	\$ (56,717)	--
6. Enhancement - Board Member Per Diem – Not Recommended	-	(12,420)	(12,420)	--
7. Enhancement - Additional Staff	-	-	-	--
TOTAL	\$ -	\$ 12,959,736	\$ 12,959,736	112.0

AGENCY REQUEST

The **agency** requests \$13.0 million, all from special revenue funds for FY 2024. This is an increase of \$65,164, or 0.5 percent, above the FY 2023 revised estimate. This includes the following:

- 1. ENHANCEMENT - STAFF SALARY INCREASES.** The request includes an enhancement request to continue to provide merit-based staff salary increases requested in the FY 2023 revised estimate. The agency has historically reported having issues retaining staff due in part to wage competition with the private sector as well as adjoining states and federal counterparts. The enhancement request for FY 2024 includes a decrease of \$251 below the FY 2023 supplemental request, or 0.4 percent, for a total FY 2024 enhancement request of \$56,717 to allow for merit-based staff salary increases.
- 2. ENHANCEMENT - BOARD MEMBER PER DIEM.** The request includes an enhancement request to continue the supplemental request from FY 2023 to increase the board member per diem rates. The agency has historically reported having issues recruiting for the State Banking Board due in large part to the low per diem rate. For FY 2024, the agency does not request any additional money above the FY 2023 request of \$12,420. The per diem has not changed since 1974. The agency's per diem enhancement request is for \$150 per meeting attended.
- 3. ENHANCEMENT - TWO ADDITIONAL STAFF.** This request is to continue the addition of 2.0 FTE positions requested in FY 2023. The two IT Examiners would conduct IT exams for banks to check for risks and exposures in cybersecurity. The request for FY 2024 is a decrease of \$702 below the FY 2023 supplemental request, or 0.4 percent, for a total FY 2024 enhancement request of \$158,527 to fund these two positions.
- 4. ALL OTHER ADJUSTMENTS.** The FY 2024 request also includes an increase of \$66,117, all in special revenue funds. The increase is mainly attributable to increases in salaries and wages (\$47,129) and contractual services (\$13,988).

- **SALARIES AND WAGES.** The increase of \$47,129, or 0.5 percent, above the agency's revised FY 2023 estimate is mainly attributable to an increase in group health insurance (\$89,463), offset by a decrease in employer contributions to KPERs (\$42,090).
- **CONTRACTUAL SERVICES.** The increase of \$13,988, or 0.6 percent, above the agency's revised FY 2023 estimate is mainly attributable to increases in other contractual services (\$17,963); job related training and conference registration (\$12,000); dues, memberships and subscriptions in the agency's name (\$8,000); and software rental (\$5,800); offset by a decrease in subsistence (\$28,000).

The **agency** requests 112.0 FTE positions for FY 2024. This is the same number as the FY 2023 revised estimate.

GOVERNOR'S RECOMMENDATION

The **Governor** recommends \$13.0 million, all from special revenue funds, for FY 2024. This is a decrease of \$69,137, or 0.5 percent, below the agency's FY 2024 request.

The **Governor's** recommendation includes the following adjustments:

5. **ENHANCEMENT - STAFF SALARY INCREASES.** The Governor does not recommend the agency's request to provide funding for merit-based salary increases (Item 1).
6. **ENHANCEMENT - BOARD MEMBER PER DIEM INCREASES.** The Governor does not recommend the agency's request to increase the Board Member per diem rate (Item 2).
7. **ENHANCEMENT - TWO ADDITIONAL STAFF.** The Governor recommends the agency's request for an additional 2.0 FTE IT Examiner positions. The request totals \$158,527, all from special revenue funds (Item 3).

The **Governor's** recommendation also includes 112.0 FTE positions, which is the same as the agency's request for FY 2024.

FY 2025 ANALYSIS

FIGURE 15
SUMMARY OF BUDGET REQUEST, FY 2025

	SGF	Special Revenue Funds	All Funds	FTE
Agency Request, FY 2024:	\$ -	\$ 13,028,873	\$ 13,028,873	112.0
Agency Request:				
1. Enhancement - Salary Increases	-	(506)	(506)	--
2. Enhancement - Board Member Per Diem	-	-	-	--
3. Enhancement - Additional Staff	-	(1,417)	(1,417)	--
4. All Other Adjustments	-	(88,161)	(88,161)	--
<i>Subtotal—Agency Request</i>	\$ -	\$ 12,938,789	\$ 12,938,789	112.0
Governor's Recommendation:				
5. Enhancement - Salary Increases – Not Recommended	\$ -	(56,211)	(56,211)	--
6. Enhancement - Board Member Per Diem – Not Recommended	-	(12,420)	(12,420)	--
7. Enhancement - Additional Staff	-	-	-	--
TOTAL	\$ -	\$ 12,870,158	\$ 12,870,158	112.0

AGENCY REQUEST

The **agency** requests \$12.9 million, all from special revenue funds, for FY 2025. This is a decrease of \$90,084, or 0.7 percent, below the FY 2024 estimate. This request includes the following:

- 1. ENHANCEMENT - STAFF SALARY INCREASES.** The FY 2025 request includes an enhancement request to continue to provide merit-based staff salary increases included in FY 2023 and FY 2024. The agency has historically reported having issues retaining staff due in part to wage competition with the private sector as well as adjoining states and federal counterparts. The enhancement request for FY 2025 includes a decrease of \$506, or 0.9 percent, from the FY 2024 enhancement request for a total FY 2025 enhancement request of \$56,211 to allow for merit-based staff salary increases.
- 2. ENHANCEMENT - BOARD MEMBER PER DIEM.** This request is to maintain the request from FY 2023 and FY 2024 to increase the board member per diem rates. The agency has historically reported having issues recruiting for the State Banking Board due in large part to the low per diem rate. For FY 2025, the agency does not request any additional money above the FY 2024 enhancement request of \$12,420. The per diem has not changed since 1974. The agency's per diem enhancement request is for \$150 per meeting attended.
- 3. ENHANCEMENT - TWO ADDITIONAL STAFF.** This enhancement request is to continue the additional 2.0 FTE positions requested in FY 2023 and FY 2024. The two IT Examiners would conduct IT exams for banks to check for risks and exposures in cybersecurity. The request for FY 2025 is a decrease of \$1,417, or 0.9 percent, below the FY 2024 enhancement request, for a total FY 2025 request of \$157,110 for these two positions.
- 4. ALL OTHER ADJUSTMENTS.** The FY 2025 request includes a decrease of \$88,161 below FY 2024's request. This decrease is mainly attributable to decrease in salaries and wages (\$133,291) offset by increases in contractual services (\$40,390) and capital outlay (\$5,090).

- **SALARIES AND WAGES.** The decrease of \$133,291, or 1.3 percent, below the agency's revised FY 2024 estimate is mainly attributable to a decrease in employer contributions for fringe health benefits (\$93,799), and in employer contributions to other fringe benefits (\$42,910).
- **CONTRACTUAL SERVICES.** The increase of \$40,390, or 1.8 percent, above the agency's revise FY 2024 estimate is mainly attributable to an increase in other contractual services (\$18,502); job related training and conference registration (\$5,000); subsistence (5,000); tickets for out-of-state travel (\$4,500); and dues, memberships, and subscriptions in the agency's name (\$4,000).
- **CAPITAL OUTLAY.** The increase of \$5,090, or 2.3 percent, above the agency's revise FY 2024 estimate is mainly attributable to an increase in non-capital information processing equipment (\$7,000) and other furniture and expenses (\$3,090), offset by a decrease in non-capital computer hardware and support equipment (\$5,000).

The **agency** requests 112.0 FTE positions for FY 2025. This is the same number as the FY 2024 request.

GOVERNOR'S RECOMMENDATION

The **Governor** recommends \$12.9 million, all from special revenue funds, for FY 2025. This is a decrease of \$68,631, or 0.5 percent, below the agency's request.

The **Governor's** recommendation includes the following adjustments:

5. **ENHANCEMENT - STAFF SALARY INCREASES.** The Governor does not recommend the agency's request to provide funding for merit-based salary increases (Item 1).
6. **ENHANCEMENT - BOARD MEMBER PER DIEM INCREASES.** The Governor does not recommend the agency's request to increase the Board Member per diem rate (Item 2).
7. **ENHANCEMENT - TWO ADDITIONAL STAFF.** The Governor recommends the agency's request for an additional 2.0 FTE IT Examiner positions. The request totals \$157,110, all from special revenue funds (Item 3).

The **Governor's** recommendation also includes 112.0 FTE positions, which is the same as the agency's request for FY 2025.

SUPPLEMENTAL AND ENHANCEMENT REQUESTS

SUPPLEMENTAL REQUEST FY 2023

The agency requests \$228,617, all from special revenue funds, for three salaries and wages related supplemental requests in FY 2023. The requests are for merit-based salary increases, an increase in State Banking Board per diem rates, and additional FTE positions.

Item	Supplemental Requests			
	Agency Recommendation		Governor Recommendation	
	SGF	Special Revenue Fund	SGF	Special Revenue Fund
Merit-based Salary Adjustments	\$ -	\$ 56,968	\$ -	-
Board Member Per Diem Increase	-	12,420	-	-
Additional FTE positions	-	159,229	-	38,819
TOTAL	\$ -	\$ 228,617	\$ -	\$ 38,819

FUNDING FOR MERIT-BASED SALARY INCREASES. The agency's FY 2023 revised estimate includes \$56,968, all from special revenue funds, to provide merit-based staff salary increases. The agency has historically reported having issues retaining staff due in part to wage competition with the private sector as well as adjoining states and federal counterparts, and believes that merit-based increases assist in the retention of employees.

The Governor does not recommend adoption of this request.

BOARD MEMBER PER DIEM INCREASE. The agency's FY 2023 revised estimate includes \$12,420, all from special revenue funds, to increase the State Banking Board member per diem rates. The agency has historically reported having issues recruiting for the State Banking Board due in large part to the low per diem rate. The per diem has not changed since 1974, when KSA 75-3223 was enacted. The agency's per diem is currently \$35 per meeting attended, and the supplemental request is for \$150 per day of actual attendance of any board meeting. *Staff Note:* For more information on per diem compensation, please see Special Topic 1.

The Governor does not recommend the adoption of this request.

ADDITIONAL STAFF. The agency's FY 2023 revised estimate include \$159,229, all from special revenue funds, to add two additional specialized examiners. These 2.0 FTE positions would be IT Examiners and would conduct IT exams for banks to check for risks and exposures in cybersecurity.

The Governor recommends the partial adoption of this request. The Governor recommends the addition of \$38,819 in salaries and wages for partial year funding for 2.0 FTE positions.

ENHANCEMENT REQUEST FY 2024

The agency requests \$227,664, all from special revenue funds, for three salaries and wages related enhancement requests for FY 2024. The requests are for merit-based salary increases, an increase in State Banking Board per diem rates, and additional FTE positions.

Item	Enhancement Request			
	Agency Recommendation		Governor Recommendation	
	SGF	Special Revenue Fund	SGF	Special Revenue Fund
Merit-Based Salary Adjustments	\$ -	\$ 56,717	\$ -	-
Board Member Per Diem Increase	-	12,420	-	-
Additional FTE positions	-	158,527	-	158,527
TOTAL	\$ -	\$ 227,664	\$ -	\$ 158,527

FUNDING FOR MERIT-BASED SALARY INCREASES. The agency's FY 2024 request includes \$56,717, all from special revenue funds, to provide merit-based staff salary increases. The agency has historically reported having issues retaining staff due in part to wage competition with the private sector as well as adjoining states and federal counterparts, and believes that merit-based increases assist in the retention of employees.

The Governor does not recommend adoption of this request.

BOARD MEMBER PER DIEM INCREASE. The agency's FY 2024 request includes \$12,420, all from special revenue funds, to continue the per diem rate increase requested in FY 2023. The agency has historically reported having issues recruiting for the State Banking Board due in large part to the low per diem rate. The per diem has not changed since 1974, when KSA 75-3223 was enacted. The agency's per diem is currently \$35 per meeting attended, and the supplemental request is for \$150 per day of actual attendance of any board meeting. *Staff note:* For more information on per diem compensation, please see Special Topic 1.

The Governor does not recommend the adoption of this request.

ADDITIONAL STAFF. The agency's FY 2024 request include \$158,527, all from special revenue funds, to continue the addition of 2.0 FTE positions requested in FY 2023. The two Information Technology (IT) Examiners would conduct IT exams for banks to check for risks and exposures in cybersecurity.

The Governor recommends the adoption of this request.

ENHANCEMENT REQUEST FY 2025

The agency requests \$225,741, all from special revenue funds, for three salaries and wages related enhancements for FY 2025. The requests are for merit-based salary increases, an increase in State Banking Board per diem rates, and additional FTE positions.

Item	Enhancement Request			
	Agency Recommendation		Governor Recommendation	
	SGF	Special Revenue Fund	SGF	Special Revenue Fund
Merit-based Salary Adjustments	\$ -	\$ 56,211	\$ -	-
Board Member Per Diem Increase	-	12,420	-	-
Additional Headcount	-	157,110	-	157,110
TOTAL	\$ -	\$ 225,741	\$ -	\$ 157,110

FUNDING FOR MERIT-BASED SALARY INCREASES. The agency's FY 2025 request includes \$56,211, all from special revenue funds, to provide merit-based staff salary increases. The agency has historically reported having issues retaining staff due in part to wage competition with the private sector as well as adjoining states and federal counterparts, and believes that merit-based increases assist in the retention of employees.

The Governor does not recommend adoption of this request.

BOARD MEMBER PER DIEM INCREASE. The agency's FY 2025 request includes \$12,420, all from special revenue funds, to continue the per diem rate increase requested in FY 2023 and FY 2024. The agency has historically reported having issues recruiting for the State Banking Board due in large part to the low per diem rate. The per diem has not changed since 1974, when KSA 75-3223 was enacted. The agency's per diem is currently \$35 per meeting attended, and the supplemental request is for \$150 per day of actual attendance of any board meeting. *Staff Note:* For more information on per diem compensation, please see Special Topic 1.

The Governor does not recommend the adoption of this request.

ADDITIONAL STAFF. The agency's FY 2025 request include \$157,110, all from special revenue funds, to continue the addition of 2.0 FTE positions requested in FY 2023 and FY 2024. The two IT Examiners would conduct IT exams for banks to check for risks and exposures in cybersecurity.

The Governor recommends the adoption of this request.

SPECIAL TOPICS

BOARD MEMBER PER DIEM COMPENSATION RATES

Generally, the compensation for board members is set in a specific statute that authorizes members of a board to receive compensation (as shown in the below example). Those specific statutes generally refer back to a statute outlining the established rates of pay for per diem compensation, as well as allowances for subsistence, mileage, and other actual expenses. As an example, KSA 74-7008(b), the specific statute for the Board of Technical Professions, states:

Members of the state board of technical professions attending meetings of such board, or attending a subcommittee meeting thereof authorized by such board, shall be paid compensation, subsistence allowances, mileage and other expenses **as provided in KSA 75-3223** [emphasis added].

Rather than including all of the specific details as to how much and when compensation is provided, such a specific statute refers to another more general statute that provides detail. Specific statutes for several boards are provided below. Currently, there are two main statutes to which State Banking Board statutes refer: KSA 75-3223 and KSA 75-3212.

COMPENSATION, INCLUDING PER DIEM RATE (KSA 75-3223)

KSA 75-3223 provides that, when a law directs compensation for a board member, the compensation shall be \$35 for each day of actual attendance of any meeting or subcommittee meeting. The statute does not allow salaried state officers or employees to receive per diem compensation, unless that individual is a member of the Legislature. The statute allows for members of the Legislature to receive their standard per diem rate of \$88.66 for Session by referencing KSA 75-3212.

Subsections (b), (c), and (d) allow board members to receive subsistence allowances, mileage, and “actual and necessary” expenses. Generally, for the members of the Legislature, these subsections do not differentiate between a non-legislator and a legislator. However, subsection (b) does allow members of the Legislature to receive subsistence allowances at the same rate they would normally.

Subsection (e) provides that when a board member is directed to receive amounts pursuant to subsection (e), those members shall receive subsistence allowances, mileage, and expenses, but not the \$35 per diem compensation. Boards that invoke this section are generally advisory committees that are focused on specific topics and areas. The subsection does provide that members of the Legislature shall also receive their daily per diem rate of \$88.66.

COMPENSATION INCLUDING PER DIEM RATE (KSA 75-3212)

KSA 75-3212 is structured similarly to KSA 75-3223 in that it authorizes a \$35 per diem compensation rate, subsistence allowances, mileage, and “actual and necessary” expenses. The main difference between the two is that KSA 75-3212 specifically provides members of the Legislature receive the per diem rate received during session and specified in KSA 46-137a, \$88.66.

PROGRAM AND PERFORMANCE MEASURES OVERVIEW

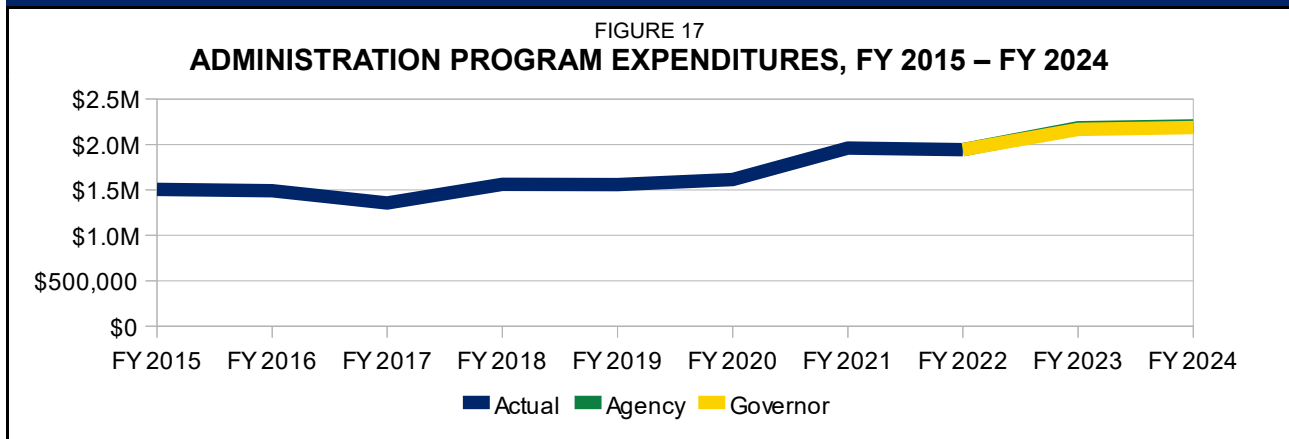
FIGURE 16
EXPENDITURES AND FTE POSITIONS BY PROGRAM, FY 2022 – FY 2025

Programs	Actual FY 2022	Agency FY 2023	Governor FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
Expenditures:							
Administration	\$ 1,941,960	\$ 2,182,785	\$ 2,165,308	\$ 2,204,356	\$ 2,186,959	\$ 2,221,887	\$ 2,204,642
Bank Regulation	5,818,602	7,144,209	6,920,086	7,189,764	7,155,791	7,064,091	7,030,310
Consumer Mortgage Regulation	3,180,444	3,636,715	3,618,873	3,634,753	3,616,989	3,652,811	3,635,206
TOTAL	\$ 10,941,006	\$ 12,963,709	\$ 12,704,267	\$ 13,028,873	\$ 12,959,739	\$ 12,938,789	\$ 12,870,158
FTE Positions:							
Administration	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Bank Regulation	60.0	62.0	62.0	62.0	62.0	62.0	62.0
Consumer Mortgage Regulation	34.0	34.0	34.0	34.0	34.0	34.0	34.0
TOTAL	110.0	112.0	112.0	112.0	112.0	112.0	112.0

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.

ADMINISTRATION PROGRAM



STATUTORY BASIS: • N/A

PROGRAM GOALS:

- Administer OSBC policies.
- Provide fiscal systems and processes, including accounting, budget, and human resources functions.

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 handling cash requirements for transfers to the State General Fund (SGF).

FIGURE 18
ADMINISTRATION PROGRAM, PERFORMANCE MEASURES

	Actual FY 2021	Actual FY 2022	Actual 3-Year Avg.	Target FY 2023	Target FY 2024
Performance Measures:					
There are no performance measures for this program.					
	Actual FY 2021	Actual FY 2022		Governor FY 2023	Governor FY 2024
Financing					
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	236	-		-	-
All Other Funds	1,960,909	1,941,960		2,165,308	2,186,956
TOTAL	\$ 1,961,145	\$ 1,941,960		\$ 2,165,308	\$ 2,186,956
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	14.1 %	(1.0) %		11.5 %	1.0 %
FTE Positions	16.0	16.0		16.0	16.0

BUDGET ANALYSIS

The Administration Program performs the administration functions of the agency, and as such, this program does not have performance measures.

The **agency** requests \$2.2 million, all from special revenue funds, for the Administration Program in FY 2023. This is an increase of \$101,014, or 5.2 percent, above the FY 2023 approved amount. The increases are mainly in salaries and wages (\$91,294) and contractual

services (\$31,333), with partially offsetting decreases in commodities (\$10,928) and capital outlay (\$10,685).

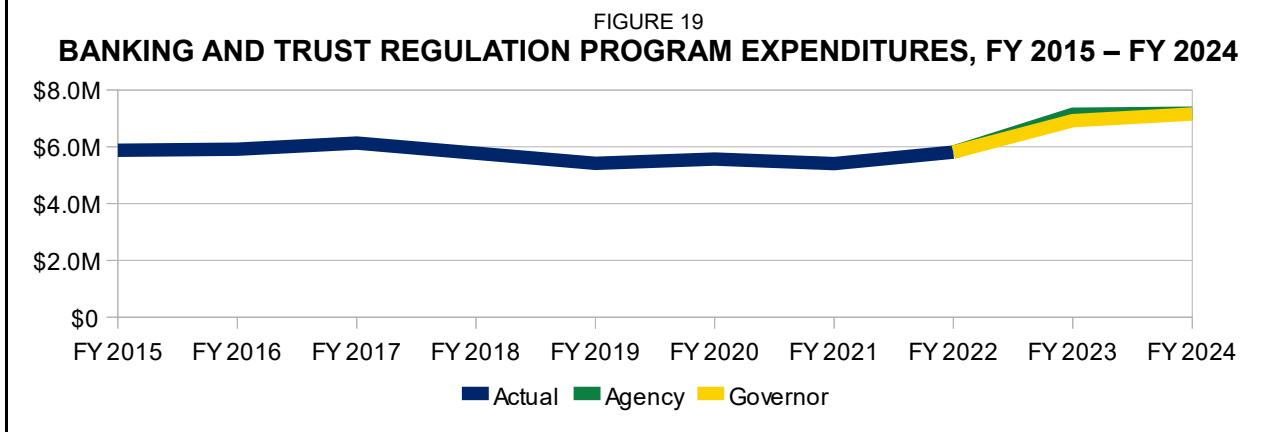
The **Governor** recommends \$2.2 million, all from special revenue funds, for the Administration Program in FY 2023. This is a decrease of \$17,477, or 0.8 percent, below the agency's revised FY 2023 estimate. The decrease is in salaries and wages (\$17,477).

The **agency** requests \$2.2 million, all from special revenue funds, for the Administration Program for FY 2024. This is an increase of

\$21,571, or 1.0 percent, above the FY 2023 revised estimate. The increases are mainly in contractual services (\$10,350), salaries and wages (\$7,425), and capital outlay (\$3,681).

The **Governor** recommends \$2.2 million, all from special revenue funds, for the Administration Program for FY 2024. This is a decrease of \$17,500, or 0.8 percent, below the agency's request for FY 2024. The decrease is in salaries and wages (\$17,500).

BANKING AND TRUST REGULATION PROGRAM



STATUTORY BASIS: • KSA 9-1701; KSA 75-1304; KSA 74-3004

PROGRAM GOALS: • Maintain independent examination turnaround time at 30 days or less
 • Maintain Conference of State Bank Supervisors' (CSBS) accreditation
 • Review, evaluate, and adjust hybrid examination protocol for optimal efficiency

The Banking and Trust Regulation Program is responsible for oversight and supervision of all state-chartered banks, trust entities, and TEFFIs. Total assets supervised in banks and trust entities are approximately \$131.7 billion. This program's duties also include enforcement actions that address problem financial

institutions to restore such institutions to a safe and sound condition; coordinating with federal or other state banking agencies on supervisory matters; and reviewing and investigating applications for new or changes in financial institutions corporate activities.

FIGURE 20
BANKING AND TRUST REGULATION PROGRAM, PERFORMANCE MEASURES

	Actual FY 2021	Actual FY 2022	Actual 3-Year Avg.	Target FY 2023	Target FY 2024
Outcome Measure:					
1. Percentage of independent bank examined*	93.0 %	98.0 %	72.0 %	95.0 %	95.0 %
2. Percent of independent trust exams with turn around time of less than 30 days in fiscal year*	100.0 %	100.0 %	83.0 %	95.0 %	95.0 %
3. Percent of scheduled exams completed within the agency's established/scheduled time frame of 36 months*	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
4. Average regulatory cost incurred per bank examination*	\$ 37,600	\$ 47,384	\$ 39,521	\$ 52,122	\$ 57,355
5. Average regulatory cost incurred per trust examination*	\$ 6,628	\$ 7,347	\$ 6,955	\$ 7,714	\$ 8,100
Output Measure:					
6. Number of bank exams (joint and independent)*	66	65	67	63	64
7. Number of trust exams*	14	13	15	18	19
8. Number of state-chartered banks	183	177	182	172	166
9. Number of problem banks (CAMELS rating of 3, 4, or 5)*	8	6	10	9	11

FIGURE 20

BANKING AND TRUST REGULATION PROGRAM, PERFORMANCE MEASURES

	Actual FY 2021	Actual FY 2022	Actual 3-Year Avg.	Target FY 2023	Target FY 2024
10.Total assets of problem banks as a percentage of total bank assets	0.7 %	0.9 %	1.6 %	2.5 %	4.0 %
11.Assets of state-chartered banks (in billions)	\$ 56.7	\$ 58.0	--	\$ 60.5	\$ 64.0
Financing	Actual FY 2021	Actual FY 2022		Governor FY 2023	Governor FY 2024
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	5,428,551	5,818,602		6,920,086	7,155,791
TOTAL	\$ 5,428,551	\$ 5,818,602		\$ 6,920,086	\$ 7,155,791
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	(0.3) %	7.2 %		18.9 %	3.4 %
FTE Positions	57.0	60.0		62.0	62.0

*The Governor's Office does not utilize this measure for evaluation purposes.

PERFORMANCE AND BUDGET ANALYSIS

The Banking and Trust Regulation Program comprises the largest portion of the agency. Expenditures for the program have largely remained the same for the last several years. However, expenditures are anticipated to increase due to the passage of 2021 Senate Sub. for HB 2074 , and the establishment of a new category of banks known as technology-enabled fiduciary financial institutions (TEFFIs).

The **agency** requests \$7.1 million, all from special revenue funds, for the Banking and Trust Regulation Program in FY 2023. This is an increase of \$116,340, or 2.0 percent, above the FY 2023 approved amount. The increases are mainly in salaries and wages (\$197,421) and capital outlay (\$23,213), with partially offsetting decreases in contractual services (\$97,678) and commodities (\$6,616).

The **agency** requests \$7.2 million, all from special revenue funds, for the Banking and Trust Regulation Program FY 2024. This is an increase of \$45,555, or 0.6 percent, above the FY 2023 revised estimate. The increases are mainly in contractual services (\$31,672), salaries and wages (\$26,236), and commodities (\$1,975), with a partially offsetting decrease in capital outlay (\$14,331).

The **Governor** recommends \$6.9 million, all from special revenue funds, for the Banking and

Trust Regulation Program in FY 2023. This is a decrease of \$224,123, or 3.2 percent, below the agency's revised FY 2023 estimate. This decrease is in salaries and wages (\$153,479) and contractual services (\$70,644).

The **Governor** recommends \$7.2 million, all from special revenue funds, for the Banking and Trust Regulation Program for FY 2024. This is a decrease of \$33,973, or 0.5 percent, below the agency's request for FY 2024. The decrease is in salaries and wages (\$33,973).

TECHNOLOGY-ENABLED FIDUCIARY FINANCIAL INSTITUTIONS (TEFFIS)

The agency issued a conditional charter to Beneficient Fiduciary Financial on July 1, 2021. The chart allows for the OSBC to continue to develop the rules and regulations prior to allowing Beneficient Fiduciary Financial to conduct business transactions. This is the first and only TEFFI, and as such, the agency does not have any data or statistics concerning examination and regulation of TEFFIs.

MERGERS AND ACQUISITIONS OF STATE-CHARTERED BANKS

Over the last several years, the OSBC has experienced an increase in the merger and acquisition of state-chartered banks. This results in the continued decrease in the number of state-chartered banks. However, while the

number of banks continues to decrease, the assets of these banks continues to rise. The factors result in fewer, but larger banks. As such, the agency reports that the examinations of these banks continue to become more complex as these trends continue.

EXAMINATIONS COMPLETED

The agency has completed 100.0 percent of scheduled exams within the 36-month window in both FY 2021 and FY 2022. The agency also completed 98.0 percent of the independent bank exams in FY 2022 and completed 100.0 percent of the independent trust exams within a thirty day window in FY 2022.

CAMELS RATINGS

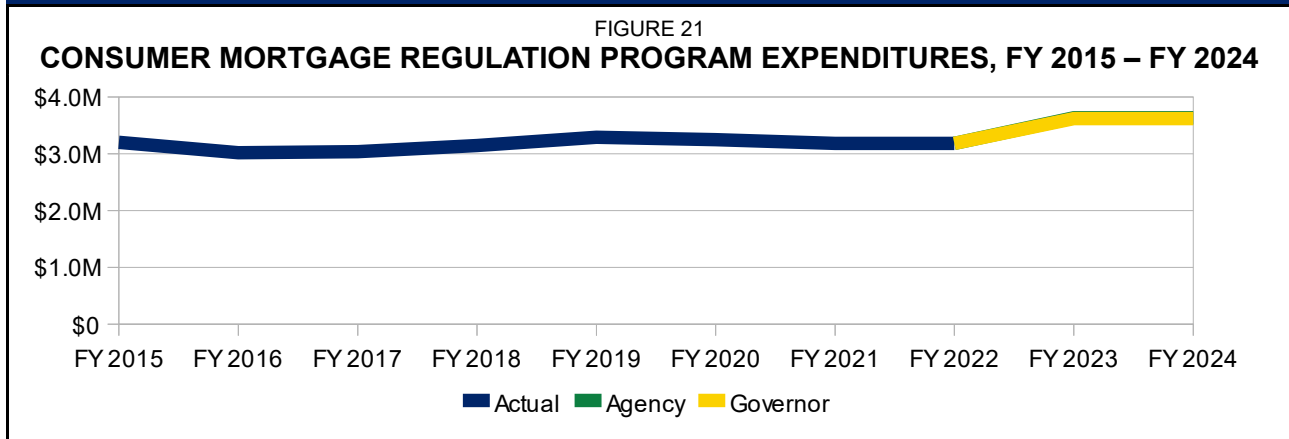
Banks are rated on a scale of 1-5 for six different components under the Uniform

Financial Interagency Rating System. The components are referred to as a CAMELS rating. The components are:

- Capital adequacy
- Asset Quality
- Management
- Earnings
- Liquidity
- Sensitivity to market risk

The components combine into a composite rating. Composites ratings of 3, 4, or 5 define a bank as a "problem bank." There were six banks that had a CAMELS score of 3, 4, or 5 in FY 2022. This is two fewer than in FY 2021. In FY 2022, there was a higher percentage of total assets of problem banks to total bank assets at 0.9 percent, or a 0.2 percent increase, above FY 2021.

CONSUMER MORTGAGE REGULATION PROGRAM



STATUTORY BASIS: • KSA 9-1701; KSA 75-1304; KSA 74-3004

PROGRAM GOALS: • Conduct periodic examinations of regulated entities
 • Promote lawful business practices by informing licensees of their compliance responsibilities

The Consumer Mortgage Regulation Program is responsible for the oversight and supervision of consumer credit lenders; mortgage lenders, servicers, and brokers; debt management companies; sales finance companies; and other credit providers. This program’s duties include promoting reasonable regulation to foster a competitive credit marketplace; 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.

FIGURE 22
CONSUMER MORTGAGE REGULATION PROGRAM, PERFORMANCE MEASURES

	Actual FY 2021	Actual FY 2022	Actual 3-Year Avg.	Target FY 2023	Target FY 2024
Outcome Measure:					
1. Percent of scheduled exams completed within the agency's established/scheduled time frame of 36-48 months*	87.0%	81.0%	81.0%	85.0%	85.0%
2. Percent of completed initial examinations within 6 months of an entity licensing with the agency*	48.0%	33.0%	40.0%	40.0%	50.0%
3. Average regulatory cost incurred per Consumer and Mortgage Lending regulated entity examination*	\$ 3,657	\$ 2,780	\$ 3,477	\$ 3,163	\$ 3,215
Financing	Actual FY 2021	Actual FY 2022		Governor FY 2023	Governor FY 2024
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	3,182,611	3,180,444		3,618,873	3,616,989
TOTAL	\$ 3,182,611	\$ 3,180,444		\$ 3,618,873	\$ 3,616,989
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	(2.1) %	(0.1) %		13.8 %	(0.1) %
FTE Positions	34.0	34.0		34.0	34.0

*The Governor's Office does not utilize this measure for evaluation purposes.

PERFORMANCE AND BUDGET ANALYSIS

The Consumer Mortgage Regulation Program largely oversees and supervises consumer mortgage regulation, as well as consumer credit activities.

The **agency** requests \$3.6 million, all from special revenue funds, for the Consumer Mortgage Regulation Program in FY 2023. This is an increase of \$81,907, or 2.6 percent, above the FY 2023 approved amount. The increases are mainly in salaries and wages (\$37,563) and contractual services (\$50,878), with partially offsetting decreases in commodities (\$1,356) and capital outlay (\$5,308).

The **Governor** recommends \$3.6 million, all from special revenue funds, for the Consumer Mortgage Regulation Program in FY 2023. This is a decrease of \$17,842, or 0.5 percent, below the agency's revised FY 2023 estimate in salaries and wages.

The **agency** requests \$3.6 million, all from special revenue funds, for the Consumer Mortgage Regulation Program for FY 2024. This is a decrease of \$1,962, or 0.1 percent, below the FY 2023 revised estimate. The decrease is mainly in contractual services (\$28,034), with partially offsetting increases in salaries and wages (\$12,589), and capital outlay (\$13,100).

The **Governor** recommends \$3.6 million, all from special revenue funds, for the Consumer

Mortgage Regulation Program for FY 2024. This is a decrease of \$17,764, or 0.5 percent, below the agency's request for FY 2024 for salaries and wages.

EXAMS COMPLETED WITHIN AGENCY'S TIME FRAME

The agency saw a decrease in percentages of scheduled exams completed within the 36-48 month window between FY 2021 and FY 2022. It dropped from 87.0 percent to 81.0 percent. The agency set a target for FY 2023 and FY 2024 of 85.0 percent, which falls in between the percentages achieved in FY 2021 and FY 2022. The agency also saw a decrease in the percentage of completed initial exams within six months of the entity licensing with the agency. This was a larger drop, from 48.0 percent in FY 2021 to 33.0 percent in FY 2022. The agency also set a target for FY 2023 and FY 2024 in between the FY 2021 and FY 2022 actual percentages. The target for both FY 2023 is 40.0 percent, and the target for FY 2025 is 50.0 percent.

CONSUMER CREDIT EDUCATION

As part of its mission to protect and educate consumers, the OSBC provides training grants to educators, nonprofit organizations, and other entities to conduct consumer education programs. There have been 11 grant applications submitted as of September 15, 2022. Four grants have been approved for a total of \$85,000, and others are pending receipt of additional information.