

Program Budget Comparison

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	37.00	37.00	35.80	35.80	37.00	35.80	(1.20)	(3.24)%
Personal Services	2,736,740	2,870,477	3,338,686	3,341,454	5,607,217	6,680,140	1,072,923	19.13 %
Operating Expenses	861,750	1,016,511	992,586	927,737	1,878,261	1,920,323	42,062	2.24 %
Total Costs	\$3,598,490	\$3,886,988	\$4,331,272	\$4,269,191	\$7,485,478	\$8,600,463	\$1,114,985	14.90 %
State/Other Special Rev. Funds	3,598,490	3,886,988	4,331,272	4,269,191	7,485,478	8,600,463	1,114,985	14.90 %
Total Funds	\$3,598,490	\$3,886,988	\$4,331,272	\$4,269,191	\$7,485,478	\$8,600,463	\$1,114,985	14.90 %

Program Description

The Banking and Financial Division (division) licenses, supervises, regulates, and examines financial institutions doing business in Montana. Those institutions include:

- Banks and trust companies and related branch banks
- Credit unions
- Consumer finance companies
- Sales finance companies
- Escrow companies

The division also licenses and examines residential mortgage loan service providers.

Supervision of regulated depository financial institutions is accomplished primarily through examinations. The safety and soundness of Montana state chartered banks and credit unions, which hold over \$28 billion in assets as of July 2014, are supervised by the division. Banks are statutorily required to be examined at least once every 24 months. Credit unions are examined at least every 18-months. Consumer lenders, mortgage companies, and deferred deposit lenders may be examined at any time. Escrow companies and sales finance companies are examined as necessary.

The State Banking Board is administratively attached to DOA. The board is responsible for making final determinations on applications for new bank charters and trust companies; hearing appeals of division decisions on branch bank, merger, or relocation applications; and may also act in an advisory capacity with respect to the duties and powers given by statute to the department when requested by the division.

Program Highlights

Banking and Financial Division Major Budget Highlights
<ul style="list-style-type: none"> • The legislature provided funding for the 2017 biennium budget that increased by 12.3% compared to the 2015 legislative appropriations • Majority of the increases are due to changes in personal services costs

Program Narrative

As shown in the program budget comparison table, personal services increase between biennia for two main reasons:

- High turnover in the division during FY 2014
- Pay and benefit changes provided in FY 2015 through HB 13 that are annualized in FY 2016

While the division has seen significant improvement in its historically high turnover rates since 2012, significant recruitment and retention problems exist within the division during the 2015 biennium in part due to:

- Significant travel associated with examinations
- Workplace conditions, as bank examiners may generate concern and anxiety among bank employees being examined
- High workloads due to recurring vacancies
- Competition with private and federal entities for the same workforce

The division has put several measures in place to address the issue, including:

- Career tracks for bank examiners
- Alternate work schedules
- Compensation based on the number of nights an individual is on the road

In addition to the actions taken by the division, the 2013 and 2015 Legislatures also took action to help address this issue. Pay increases contained in HB 13 as enacted by the 2013 Legislature have allowed pay for bank examiners to move into the market ranges for their positions. As of June 5, 2012, 40% of the workforce’s salaries were below 80% of the market midpoint for the position, including a number of financial examiners. With the pay increase that began on November 15, 2014, all of the financial examiners will be above the minimum of the occupational wage range.

The 2015 Legislature provided funding for examiner situational pay adjustments to compensate examiners for the extensive travel that is required as a part of their positions. In addition the legislature provided additional funding to allow one of the positions within the division to be reclassified to an information technology examiner. The legislature also provided funding to support:

- Annualization of the state share health insurance in the 2017 biennium
- Broadband pay adjustments for market adjustments, strategic pay, or training assignment progression
- Annualization of pay increases included in HB 13 as enacted by the 2013 Legislature
- Changes in employer contribution to employee retirement
- Employee attainment of longevity milestones annualized for FY 2015 and anticipated in the 2017 biennium

Funding

The following table shows program funding by source from all sources of authority.

Department of Administration, 14-Banking and Financial Institutions Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02077 Financial Institutions Div	8,600,463	0	0	8,600,463	100.00 %	
State Special Total	\$8,600,463	\$0	\$0	\$8,600,463	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$8,600,463	\$0	\$0	\$8,600,463		

The division is funded solely by state special revenues generated from assessments, application fees, and examination fees paid by the regulated financial institutions.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	3,886,988	3,886,988	7,773,976	90.39 %
PL Adjustments	0	0	0	0.00 %	372,639	310,337	682,976	7.94 %
New Proposals	0	0	0	0.00 %	71,645	71,866	143,511	1.67 %
Total Budget	\$0	\$0	\$0		\$4,331,272	\$4,269,191	\$8,600,463	

The increases included in the present law adjustments provide for increases in personal services to implement HB 13 as enacted by the 2013 Legislature, provide for situational pay for bank examiners, and to re-classify one examiner.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit- HB 2 2014 Fixed Costs (Biennial/Restricted)	0.00	0	2,401	0	2,401	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	0	16,913	0	16,913	0.00	0	16,913	0	16,913
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	95,306	0	95,306	0.00	0	95,306	0	95,306
DP 525 - Fixed Cost Adjustment	0.00	0	29,100	0	29,100	0.00	0	28,351	0	28,351
DP 526 - 2017 Biennium Legislative Audit (Biennial/Restricted)	0.00	0	2,544	0	2,544	0.00	0	0	0	0
DP 529 - Longevity and Other adjustments	0.00	0	7,829	0	7,829	0.00	0	19,187	0	19,187
DP 550 - Motor Pool Rate Adjustment	0.00	0	(2,714)	0	(2,714)	0.00	0	(2,752)	0	(2,752)
DP 1400106 - Directors Office Costs	0.00	0	13,876	0	13,876	0.00	0	11,400	0	11,400
DP 1400200 - Operating Cost Adjustments	0.00	0	(69,132)	0	(69,132)	0.00	0	(125,773)	0	(125,773)
DP 1400210 - Other Personal Services	0.00	0	181,516	0	181,516	0.00	0	172,705	0	172,705
DP 1400444 - Statewide 4% FTE Reduction - Program 14	(2.20)	0	0	0	0	(2.20)	0	0	0	0
DP 1401403 - Examiner Situational Pay Adjustment	0.00	0	35,000	0	35,000	0.00	0	35,000	0	35,000
DP 1401405 - Re-classify Examiner Position	0.00	0	60,000	0	60,000	0.00	0	60,000	0	60,000
Grand Total All Present Law Adjustments	(2.20)	\$0	\$372,639	\$0	\$372,639	(2.20)	\$0	\$310,337	\$0	\$310,337

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 510 - Legislative Audit- HB 2 2014 Fixed Costs (Biennial/Restricted -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Biennial/Restricted) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 1400106 - Directors Office Costs -

The legislature funded the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions.

DP 1400200 - Operating Cost Adjustments -

The legislature reduced funding for operating costs. The reductions are based on lower spending in the first year of the 2015 biennium that are carried forward into the 2017 biennium.

DP 1400210 - Other Personal Services -

The legislature provided funding to support personal services increases within the division.

DP 1400444 - Statewide 4% FTE Reduction - Program 14 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package PL-1400444 includes a reduction of 2.20 FTE each year.

DP 1401403 - Examiner Situational Pay Adjustment -

The legislature provided funding for situational pay adjustments. In 2008, the Division of Banking and Financial Institutions established a situational pay scale to compensate examiners for the extensive travel that is required as part of their position. Examiners are compensated at the end of the calendar year for each night over 40 nights that are spent in an overnight travel status. The situational pay scale assists the division with examiner retention by providing an additional incentive to examiners that travel more than 40 nights per year.

DP 1401405 - Re-classify Examiner Position -

When the Division of Banking and Financial Institutions was re-accredited in 2009 by the Conference of State Bank Supervisors, the division was criticized for failing to have a certified financial institution information technology examiner on staff to perform information technology examinations of Montana's financial institutions. The legislature provided the division funding to reclassify an existing vacant position to serve as an information technology examiner and provide for travel, training, and related expenses.