

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	37.00	37.00	37.00	37.00	37.00	37.00	0.00	0.00%
Personal Services	2,464,400	2,704,811	2,650,564	2,651,864	5,169,211	5,302,428	133,217	2.58%
Operating Expenses	920,956	719,479	1,019,195	1,016,511	1,640,435	2,035,706	395,271	24.10%
<b>Total Costs</b>	<b>\$3,385,356</b>	<b>\$3,424,290</b>	<b>\$3,669,759</b>	<b>\$3,668,375</b>	<b>\$6,809,646</b>	<b>\$7,338,134</b>	<b>\$528,488</b>	<b>7.76%</b>
State Special	3,385,356	3,424,290	3,669,759	3,668,375	6,809,646	7,338,134	528,488	7.76%
<b>Total Funds</b>	<b>\$3,385,356</b>	<b>\$3,424,290</b>	<b>\$3,669,759</b>	<b>\$3,668,375</b>	<b>\$6,809,646</b>	<b>\$7,338,134</b>	<b>\$528,488</b>	<b>7.76%</b>

### Program Description

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

- Banks and trust companies
- Credit unions
- Consumer finance companies
- Sales finance companies
- Deferred deposit lender
- Escrow companies

The division also licenses and examines mortgage brokers and broker branch offices, mortgage lenders and lender branch offices, mortgage servicers and mortgage servicer branch offices, and mortgage loan originators.

The safety and soundness of Montana state chartered banks and credit unions, which hold over \$25 billion in assets as of July, 2012, is supervised by the division. Supervision of regulated financial institutions is accomplished primarily through examinations. Banks are statutorily required to be examined at least once every 24 months. Credit unions are examined at least once in every 18-month intervals. Consumer loan, mortgage broker, deferred deposit loan, title loan companies, escrow companies, and sales finance companies may be examined at any time.

The examinations investigate the methods of operation and review compliance with state and federal financial and banking laws. The supervision assures the protection of bank and credit union depositors and determines whether the institutions are operating in a safe and sound manner. The division examines mortgage brokers and loan originators to assure disclosures are provided to Montana borrowers in accordance with federal and state laws. In addition, the division provides a consumer complaint process to the general public to assist with the resolution of complaints against the financial institutions under its regulation.

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

**Program Highlights**

<b>Banking and Financial Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The division is solely funded through state special revenues from fees paid by regulated financial institutions</li> <li>◆ Statewide present law adjustments for the division increase personal services due to high turnover of bank examiner positions</li> </ul>

**Program Narrative**

Personal services increase between biennia due to high turnover in the division during FY 2012. In FY 2012, 32.4% of the division’s 37 positions were vacant at least 21.7% of the year. According to the division, significant recruitment and retention problems exist within the division due in part to the pay freeze. Other issues related to staff retention include:

- Significant travel associated with examinations
- Workplace conditions as bank examiners may generate concern and anxiety among the bank employees being examined

The division has 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

A portion of the increase in personal services was offset by the application of an additional 2% vacancy savings for the department. The reduction calculated for state special revenue funds was included in the Banking and Financial Division. However, the legislature included language that allows the department to allocate the reduction across the various divisions. This means that the amount of the reduction allocated to Banking and Financial Division will be changed when the department establishes its operating plan budgets at the beginning of the fiscal year.

Operating costs increase mainly due to ongoing support and maintenance costs for a new database purchased in FY 2012. A portion of the additional costs were included in the base budget. The database has ongoing support features including data synchronization with the federally mandated National Mortgage Licensing System. The legislature approved an additional \$184,000 for the associated costs over the 2015 biennium.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - Banking And Financial Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$7,338,134	\$0	\$0	\$7,338,134	100.0%		
02077 Financial Institutions Div	\$7,338,134	\$0	\$0	\$7,338,134	100.0%		
Total All Funds	\$7,338,134	\$0	\$0	\$7,338,134	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

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 by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	3,385,356	3,385,356	6,770,712	92.27%
Statewide PL Adjustments	0	0	0	0.00%	280,742	279,971	560,713	7.64%
Other PL Adjustments	0	0	0	0.00%	6,920	6,354	13,274	0.18%
New Proposals	0	0	0	0.00%	(3,259)	(3,306)	(6,565)	(0.09%)
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$3,669,759</b>	<b>\$3,668,375</b>	<b>\$7,338,134</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					395,822					397,226
Vacancy Savings					(114,399)					(114,456)
Inflation/Deflation					(1,831)					(1,091)
Fixed Costs					1,150					(1,708)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$280,742</b>	<b>\$0</b>	<b>\$280,742</b>		<b>\$0</b>	<b>\$279,971</b>	<b>\$0</b>	<b>\$279,971</b>
DP 50 - Initial Motion for FY 2012 Base	0.00	0	(280,742)	0	(280,742)	0.00	0	(279,971)	0	(279,971)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	281,423	0	281,423	0.00	0	282,770	0	282,770
DP 52 - Adjustment for Statewide Operations	0.00	0	(192)	0	(192)	0.00	0	(2,319)	0	(2,319)
DP 102 - Allocate Department Indirect/Admin Costs	0.00	0	6,431	0	6,431	0.00	0	5,874	0	5,874
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$6,920</b>	<b>\$0</b>	<b>\$6,920</b>	<b>0.00</b>	<b>\$0</b>	<b>\$6,354</b>	<b>\$0</b>	<b>\$6,354</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$287,662</b>	<b>\$0</b>	<b>\$287,662</b>	<b>0.00</b>	<b>\$0</b>	<b>\$286,325</b>	<b>\$0</b>	<b>\$286,325</b>

DP 50 - Initial Motion for FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate Department Indirect/Admin Costs - The legislature funded the department’s indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

**New Proposals**

New Proposals										
	-----Fiscal 2014-----					-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
14	0.00	0	(95,259)	0	(95,259)	0.00	0	(95,306)	0	(95,306)
DP 1401 - Licensing and Enforcement System Maintenance										
14	0.00	0	92,000	0	92,000	0.00	0	92,000	0	92,000
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$3,259)</b>	<b>\$0</b>	<b>(\$3,259)</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$3,306)</b>	<b>\$0</b>	<b>(\$3,306)</b>

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 1401 - Licensing and Enforcement System Maintenance - The legislature approved the Banking and Financial Division request for \$184,000 for the 2015 biennium for ongoing support, maintenance, and hosting of the COTS database. The division's current fee structure supports this project and no fee increases are anticipated. Cost savings would be recognized by improved efficiency, improved communication with customers, and increased security of sensitive documents. The project is part of the overall department's IT strategic plan.