

State Banking Department / State Department of Financial Institutions

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DESCRIPTION	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 JLBC	FY 2007 JLBC
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	48.1	48.1	48.1	48.1
Personal Services	1,833,800	2,052,500	2,052,500	2,052,500
Employee Related Expenditures	476,100	512,000	533,200	533,200
Professional and Outside Services	16,200	13,000	13,000	13,000
Travel - In State	36,000	0	0	0
Travel - Out of State	9,100	0	0	0
Other Operating Expenditures	326,400	306,200	285,000	285,000
Equipment	23,700	8,000	8,000	8,000
AGENCY TOTAL	2,721,300	2,891,700	2,891,700	2,891,700

FUND SOURCES

General Fund	2,721,300	2,891,700	2,891,700	2,891,700
SUBTOTAL - Appropriated Funds	2,721,300	2,891,700	2,891,700	2,891,700
Other Non-Appropriated Funds	968,100	586,300	586,300	586,300
TOTAL - ALL SOURCES	3,689,400	3,478,000	3,478,000	3,478,000

CHANGE IN FUNDING SUMMARY

	<u>FY 2005 to FY 2006 JLBC</u>		<u>FY 2005 to FY 2007 JLBC</u>	
	\$ Change	% Change	\$ Change	% Change
General Fund	0	0.0%	0	0.0%
Total Appropriated Funds	0	0.0%	0	0.0%
Non Appropriated Funds	0	0.0%	0	0.0%
Total - All Sources	0	0.0%	0	0.0%

AGENCY DESCRIPTION — The department regulates state-chartered financial entities in order to assure integrity within the financial service industry. The regulated entities include money transmitters, motor vehicle dealers, holding companies, trust companies, sales finance companies, collection agencies, escrow agents, debt management companies, consumer lenders, mortgage bankers, mortgage brokers, premium finance companies, money transmitters, credit unions, and banks.

PERFORMANCE MEASURES	FY 2003	FY 2004	FY 2005	FY 2006
	Actual	Actual	Estimate	JLBC
• % of examinations reports mailed within 25 days of examiner's completion of exam procedures	92.4	88.6	92.4	90.0
• % of license applications approved within 45 days of receipt	91.2	94.3	91.2	95.0
• % of examinations receiving satisfactory rating	86.0	86.7	91.0	91.0
• Average days from receipt to resolution of regular complaints	28.5	39.4	23.0	28.0
• % of complainants indicating they received "good" or better service when filing a complaint	63.5	60.8	75.0	65.0
• Administration as a % of total cost	10.9	10.0	10.9	--

Comments: The department reports that the average number of days to resolve a regular complaint increased significantly due to an increase in the number of complaints and staff medical leave issues. The minimum quality rating of "good" made by complainants for the State Banking Department is consistently between 60%-65%. The agency states that the low complainant satisfaction score in FY 2004 is due to common misunderstandings between the department and the complainants. The Consumer Affairs Division serves only as a mediator in the complaint process, while complainants assume that the department is an advocate for them.

RECOMMENDED CHANGES FROM FY 2005

Operating Budget

The JLBC recommends \$2,891,700 from the General Fund for the operating budget in FY 2006 and FY 2007. These amounts are unchanged from FY 2005.

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JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The Banking Department/State Department of Financial Institutions shall assess and set fees to ensure that monies deposited in the state General Fund will equal or exceed its expenditure from the state General Fund.

Deleted Footnotes

The JLBC recommends deleting the one-time footnote requiring the department to report on additional revenues generated in FY 2005 relative to FY 2004 due to new FTE Positions added in the FY 2005 budget.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Name Adjustment

Effective January 1, 2006, the State Banking Department will be renamed to the State Department of Financial Institutions, pursuant to Laws 2004, Chapter 188, Section 3. The name adjustment is implemented to more accurately reflect the regulatory responsibilities of the department.

SUMMARY OF FUNDS	FY 2004 Actual	FY 2005 Estimate
Arizona Escrow Recovery (BDA2341/A.R.S. § 6-847.01)		Non-Appropriated
Source of Revenue: Within the fund, the Superintendent shall keep separate and distinct the following 2 accounts: 1) real property escrow agents account; and 2) all other escrow agents account. All real property escrow agents shall make a one-time contribution of \$5,000 plus 3% of gross escrow fees until the real property escrow subaccount balance reaches \$4,000,000. Real property escrow agents may be asked to resume payment if claims draw the subaccount balance below \$4,000,000 or if there is an open escrow receivership that may require additional monies. Escrow agents, other than real property agents, pay into the fund as prescribed by the Superintendent.		
Purpose of Fund: To pay claims against escrow agents. Each year, the department may receive up to 2% of the fund balance for administration costs.		
Funds Expended	0	0
Year-End Fund Balance	5,053,600	5,069,700
IGA and ISA (BDA2500/A.R.S. § 6-1201)		Non-Appropriated
Source of Revenue: Monies received through Intergovernmental Agreements with the Attorney General’s Office.		
Purpose of Fund: To reimburse the State Banking Department for expenses related to the examination of money transmitting organizations. The banking examiners work in cooperation with the Attorney General’s Office to provide information leading to the criminal conviction of fraudulent money transmitting organizations.		
Funds Expended	61,800	105,500
Year-End Fund Balance	13,600	0
Receivership Revolving (BDA3023/A.R.S. § 6-135.01)		Non-Appropriated
Source of Revenue: Monies generated from the sale of assets of firms under receivership, and transfers from the Banking Department Revolving Fund.		
Purpose of Fund: To provide funding for the administration of receiverships.		
Funds Expended	216,500	124,700
Year-End Fund Balance	922,800	798,500
Revolving (BDA2126/A.R.S. § 6-135)		Non-Appropriated
Source of Revenue: Monies received in the form of investigative costs, attorney fees, or civil penalties recovered as the result of an enforcement action brought by the department or the Attorney General for violations of state banking laws.		
Purpose of Fund: To support investigative and enforcement activities conducted by the department and the Attorney General. Year-end unencumbered fund balances in excess of \$50,000 are transferred to the department’s Receivership Revolving Fund.		
Funds Expended	689,800	356,100
Year-End Fund Balance	50,000	50,000

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