

Department of Financial Institutions

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	60.1	69.1	69.1
Personal Services	2,486,800	2,607,200	2,599,200
Employee Related Expenditures	1,019,700	1,103,200	1,099,900
Professional and Outside Services	123,800	110,400	110,400
Travel - In State	4,500	4,000	4,000
Travel - Out of State	6,300	3,000	3,000
Other Operating Expenditures	452,800	517,900	516,600
Equipment	44,800	120,000	120,000
OPERATING SUBTOTAL	4,138,700	4,465,700	4,453,100
SPECIAL LINE ITEMS			
Real Estate Appraisal	0	821,400	821,400
AGENCY TOTAL	4,138,700	5,287,100	5,274,500
FUND SOURCES			
General Fund	3,004,600	3,008,000	2,995,400
<u>Other Appropriated Funds</u>			
Board of Appraisal Fund	0	821,400	821,400
Financial Services Fund	1,134,100	1,457,700	1,457,700
SUBTOTAL - Other Appropriated Funds	1,134,100	2,279,100	2,279,100
SUBTOTAL - Appropriated Funds	4,138,700	5,287,100	5,274,500
Other Non-Appropriated Funds	1,214,700	1,806,400	927,000
TOTAL - ALL SOURCES	5,353,400	7,093,500	6,201,500

AGENCY DESCRIPTION — The department regulates state-chartered financial entities. 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, credit unions and banks. Beginning in FY 2016, the department also regulates real estate appraisal entities which were previously overseen by the State Board of Appraisal.

Operating Budget

The Baseline includes \$4,453,100 and 60.1 FTE Positions in FY 2017 for the operating budget. These amounts consist of:

	FY 2017
General Fund	\$2,995,400
Financial Services Fund	1,457,700

FY 2017 adjustments would be as follows:

Agency Consolidation **GF** **(12,600)**

The Baseline includes a decrease of \$(12,600) from the General Fund in FY 2017 for consolidation savings. Laws 2015, Chapter 18 merged the State Board of Appraisal into the Department of Financial Institutions. The Executive currently estimates operating savings from this

consolidation to be \$(12,600) from the General Fund. (Please see the Real Estate Appraisal section for more information.)

Real Estate Appraisal

The Baseline includes \$821,400 and 9 FTE Positions from the Board of Appraisal Fund in FY 2017 for Real Estate Appraisal. These amounts are unchanged from FY 2016.

The FY 2016 Agency Consolidation Budget Reconciliation Bill (Laws 2015, Chapter 19) merged the State Board of Appraisal into the Department of Financial Institutions and gives the authority, powers, duties, and responsibilities of the board to the Superintendent of Financial Institutions.

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FORMAT — Operating Lump Sum with Special Line Items
by Agency

STATUTORY CHANGES

The Baseline would, as session law, continue to allow the department to use the Financial Services Fund for general operating expenditures.

FOOTNOTES

Standard Footnotes

The Department of Financial Institutions shall assess and set fees to ensure that monies deposited in the state General Fund will equal or exceed the department’s expenditure from the state General Fund.

Deleted Provisions

The Baseline would not continue the session law provision to extend spending authority from the Receivership Fund for an electronic licensing system. The department has now established the licensing system.

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
Board of Appraisal Fund (BDA2270/A.R.S. § 32-3608)		Appropriated
Source of Revenue: Monies collected by the Department of Financial Institutions from the examination and licensing of real estate appraisers and tax agents. The department retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate real estate appraisers and property tax agents, and for board administration. The FY 2016 Agency Consolidation Budget Reconciliation Bill (BRB) (Laws 2015, Chapter 19) eliminated the State Board of Appraisal and transferred all authority, powers, duties, and responsibilities of the board to the Superintendent of Financial Institutions.		
Funds Expended	0	821,400
Year-End Fund Balance	0	131,300
Financial Services Fund (BDA1998/A.R.S. § 6-991.21)		Appropriated
Source of Revenue: Loan originator licensing and renewal fees. Similar fees are also deposited in the Mortgage Recovery Fund.		
Purpose of Fund: To supervise and regulate loan originators. The FY 2016 Revenue BRB (Laws 2015, Chapter 10) allows the department to use this fund for general operating expenditures in FY 2016.		
Funds Expended	1,134,100	1,457,700
Year-End Fund Balance	6,141,400	7,208,200
IGA and ISA Fund (BDA2500/A.R.S. § 6-1241)		Non-Appropriated
Source of Revenue: Monies received through Intergovernmental Agreements with the Attorney General's Office.		
Purpose of Fund: To reimburse the 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	80,400	81,700
Year-End Fund Balance	1,600	0
Mortgage Recovery Fund (BDA1997/A.R.S. § 6-991.09)		Non-Appropriated
Source of Revenue: Licensing and renewal fees paid by licensed loan originators. Similar fees also are deposited in the Financial Services Fund.		
Purpose of Fund: To benefit any person aggrieved by any act, representation, transaction or conduct of a licensed loan originator that violates statute or rule.		
Funds Expended	0	0
Year-End Fund Balance	2,044,300	2,175,300

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
Receivership Revolving Fund (BDA3023/A.R.S. § 6-135.01)		Non-Appropriated
Source of Revenue: Revenue generated from the sale of assets of firms under receivership and transfers from the department's Revolving Fund.		
Purpose of Fund: Provide funding for the administration of receiverships. The FY 2016 Revenue BRB (Laws 2015, Chapter 10) also allowed the department to use monies from the fund in FY 2014, FY 2015 and FY 2016 for an electronic licensing system. Total expenditures on the licensing system in FY 2014, FY 2015 and FY 2016 may not exceed \$850,000.		
Funds Expended	328,700	930,000
Year-End Fund Balance	1,426,200	2,079,400
Revolving Fund (BDA2126/A.R.S. § 6-135)		Non-Appropriated
Source of Revenue: 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 \$200,000 are transferred to the department's Receivership Revolving Fund. Any excess balances are transferred at the beginning of the next fiscal year.		
Funds Expended	805,600	794,700
Year-End Fund Balance	783,000	155,300