

ARKANSAS BUDGET SYSTEM
 AGENCY PROGRAM COMMENTARY
 2001-2003

The Arkansas State Bank Department has statutory responsibility for the examination and regulation of state chartered banks, bank holding companies, trust companies and other entities to determine safety and soundness, and compliance with laws and regulations. At fiscal year-end June 30, 1999, this included 149 state-chartered banks, three county industrial development corporations, three regional industrial development corporations, two trust companies, and the Arkansas Capital Corporation. The Mission of the State Bank Department is to allocate available human and other resources existing in our Examination, Information Technology and Administrative Services Divisions to ensure the continuance of safe and sound financial practices in state chartered financial institutions. The Department will continue its policy of being an advocate of banking and seeking every means available to improve those financial institutions found to be in need of assistance. In order to execute these responsibilities and fulfill the mission and goals of the Department, certain budget requests are imperative.

The Department requests a one-year increase in Operating Expenses in the amount of \$150,000 for expenses related to physical relocation of the Bank Department in July 2002. We have currently outgrown the space we are in at the Tower Building and the Department is located on three separate floors. Parking has also become a major problem in the downtown area for state owned vehicles. In addition, we are requesting to increase the Department's Operating Expenses in the amount of \$18,000 to cover rent increases for the Little Rock, Jonesboro and Fayetteville offices.

Also requested is Capital Outlay appropriation for replacing state vehicles according to the State's mileage and time of service policy, the purchase of additional vehicles if needed and to replace fully depreciated department furniture and equipment.

Authorization is requested to grant the two Department Deputy Commissioners an extraordinary 5.5% increase in salary each year of the biennium. The inability to retain existing senior staff would have a severe adverse impact on the Department's capabilities to supervise more complex financial organizations and problem institutions. While the Department has an excellent career path for its examiners, nothing exists in place for these two critical positions. The last significant increase was given to these employees in July 1997.

The Department is seeking authority to reduce base level budgeted amounts for Operating Expenses by \$80,800. These reductions are being made due to lack of spending for the past biennium. Request is also being made for a \$200,000 reduction in Professional Services and Fees. The Department had previously budgeted these funds for Professional Services in anticipation of examination fees payable to other State Bank Departments for examination of out-of-state branches. We do not anticipate a need for these services over the next biennium. This request also includes a reduction of \$16,148 in Extra Help salary and matching.

AGENCY Arkansas State Bank Department	 Frank White, Commissioner	AGENCY PROGRAM COMMENTARY BR21	Page 65
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ARKANSAS BUDGET SYSTEM
AGENCY PROGRAM COMMENTARY
2001-2003

A request is made to replace obsolete data processing equipment according to the Department's three-year replacement plan that has been in effect for five years. This is the cornerstone of the Department's Information Technology (IT) plan which has been filed with the Department of Information Services for the new biennium. Also requested is an additional \$50,000 in FY 02-03 for a one-time expense to replace the Department's current telephone system, which was purchased in 1985.

In addition, we are requesting the elimination of the Data Processing line item currently authorized at \$17,000 each year and not being used. Also included is the reduction of IT operating expenses for maintenance, data processing supplies and software totaling \$20,000 each year.

Approval of all requests will allow the Bank Department to continue to meet demands placed upon it by the financial industry and continue to monitor the safety and soundness of all Arkansas State banking institutions under its jurisdiction. This will be accomplished by priorities set by the Department to regulate and supervise the changing banking environment.

Funding for the State Bank Department is provided by semi-annual assessments of all institutions under the supervisory authority of the Department.

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STATE BANK DEPARTMENT
SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 1998

Assets										Liabilities			Total Equity
Cash and Investments		Fixed		Other		Total		Current	Long-term	Total	Total Equity		
\$ 3,537,271		\$ 1,239,943		\$ 239,775		\$ 5,016,989		\$ 7,477	\$ 218,108	\$ 225,585	\$ 4,791,404		

Revenues					Expenditures					Other Sources (Uses)
Inter-governmental	Federal	Licenses and Fees	Other	Total	Salaries and Matching	Grants and Aid	Capital	Other Operating	Total	Total
\$ 0	\$ 0	\$ 4,734,582	\$ 51,043	\$ 4,785,625	\$ 3,122,413	\$ 0	\$ 321,363	\$ 815,513	\$ 4,259,289	\$ 149

Findings	Recommendations
None	None

ARKANSAS BUDGET SYSTEM
 EMPLOYMENT SUMMARY
 AS REQUIRED BY ACT 358 OF 1993
 (A.C.A 19-4-307)

AGENCY TITLE 405 - STATE BANK DEPT

	MALE	FEMALE	TOTAL	PERCENTAGE OF TOTAL
WHITE EMPLOYEES	<u>33</u>	<u>23</u>	<u>56</u>	<u>90%</u>
BLACK EMPLOYEES	<u>4</u>	<u>0</u>	<u>4</u>	<u>6%</u>
EMPLOYEES OF OTHER RACIAL MINORITIES	<u>0</u>	<u>2</u>	<u>2</u>	<u>3%</u>
TOTAL EMPLOYED AS OF			<u>6</u>	<u>10%</u>
<u>08/05/00</u> DATE			<u>TOTAL MINORITIES</u>	
			<u>62</u>	<u>100%</u>
			<u>TOTAL EMPLOYEES</u>	

Frank White

 AGENCY DIRECTOR

* PERCENTAGE TOTALS MAY NOT ADD DUE TO ROUNDING

STATE AGENCY PUBLICATIONS

2001-2003 Biennium

Act 1276 of 1999

AGENCY: Arkansas State Bank Department AGENCY# 405

NAME OF PUBLICATION	STATUTORY AUTHORIZATION ACT# OR A.C.A.	REQUIRED FOR GOVERNOR AND/OR GENERAL ASSEMBLY ONLY	NUMBER OF COPIES PUBLISHED & DISTRIBUTED	REASON(S) FOR CONTINUED PUBLICATION AND DISTRIBUTION
REPORT OF THE BANK COMMISSIONER	23-46-210	REQUIRED FOR GOVERNOR	REQUEST 600 DISTRIBUTE APPROX- IMATELY 550	REQUIRED FOR GOVERNOR BY STATE STATUTE.

ANALYSIS OF BUDGET REQUEST
2001 - 2003

The State Bank Department is funded entirely by special revenue fees assessed and collected on a semi-annual basis, as authorized in Arkansas Code §19-6-412. Base Levels for this appropriation include pay plan increases of 2.6% each year over the FY01 salary levels, along with related Personal Services Matching costs for 72 positions. The Base Level positions which were authorized by the 82nd General Assembly for the Career Ladder Incentive Program (CLIP) are reflected at the maximum authorized classification in accordance with CLIP guidelines. Changes requested for the Department are as follows:

The two Assistant Commissioners' salaries have been requested for extraordinary increases above the standard 2.6% rate provided in Base Level. Additional Salary and Matching costs are \$8,492 in FY02 and \$15,902 in FY03.

In anticipation of relocation to new quarters in July, 2002, second year increases in Operating Expenses of \$150,000 for moving expenses and \$18,000 for additional rent are requested.

Capital Outlay of \$114,600 in the first year and \$179,600 in the second year are requested for replacement of vehicles and office equipment.

In the Department's Information Technology Plan, Capital Outlay is requested in amounts of \$131,790 and \$200,268, respectively, for replacement of data processing hardware in both years and replacement of the Agency's telephone system in the second year. As part of the Technology Plan, reductions of \$20,000 each year in Operating Expenses for lower maintenance and supply costs and elimination of the Data Processing Services line item in the amount of \$17,000 each year are also requested.

Further reductions of excess appropriation are requested in the amounts of \$80,800 each year in Operating Expenses, \$200,000 each year in Professional Fees & Services, and \$16,148 each year in Extra Help and Matching, along with the elimination of two Extra Help positions.

The change of an Accounting Supervisor I position to an Accounting Services Representative II is requested in accordance with CLIP program guidelines.

AGENCY	APPROPRIATION	TREASURY FUND	ANALYSIS OF BUDGET REQUEST	PAGE
Name: State Bank Department Code: 405	Name: State Bank Department Code: 051	Name: Bank Department Fund Code: SIB	BR20	70

**ARKANSAS BUDGET SYSTEM
ANALYSIS OF BUDGET REQUEST
2001 - 2003**

Continuation of special language clauses concerning application of market pay rates and reclassification of bank examiner positions.

The Executive Recommendation reflects approval of the Agency Request, but does not include provision for extraordinary pay increases for the Assistant Commissioners.

AGENCY Name: State Bank Department Code: 405	APPROPRIATION Name: State Bank Department Code: 051	TREASURY FUND Name: Bank Department Fund Code: SIB	ANALYSIS OF BUDGET REQUEST BR20	PAGE 71
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CHARACTER TITLE	-----EXPENDITURES-----			-----01-02 FISCAL YEAR-----			-----02-03 FISCAL YEAR-----			-----R E C O M M E N D A T I O N S-----			
	99-00	00-01	00-01	BASE	CHANGE	TOTAL	BASE	CHANGE	TOTAL	EXECUTIVE		LEGISLATIVE	
	ACTUAL	BUDGETED	AUTHORIZED							01-02	02-03	01-02	02-03
REGULAR SALARIES	2,916,916	4,081,688	4,092,188	3,945,045	8,966	3,954,011	4,047,601	14,188	4,061,789	3,945,045	4,047,601		
NUMBER OF POSITIONS	71	72	75	72	0	72	72	0	72	72	72		
EXTRA HELP	442	20,000	20,000	20,000	-15,000	5,000	20,000	-15,000	5,000	5,000	5,000		
NUMBER OF POSITIONS	1	3	3	3	-2	1	3	-2	1	1	1		
PERSONAL SERV MATCHING	719,462	943,859	965,462	911,279	-1,622	909,657	930,197	566	930,763	910,131	929,049		
OPERATING EXPENSES	639,251	990,000	990,000	990,000	-100,800	889,200	990,000	67,200	1,057,200	889,200	1,057,200		
CONF FEES & TRAVEL	179,870	229,175	229,175	229,175	0	229,175	229,175	0	229,175	229,175	229,175		
PROF FEES & SERVICES	12,250	270,700	270,700	270,700	-200,000	70,700	270,700	-200,000	70,700	70,700	70,700		
CAPITAL OUTLAY	180,627	285,785	285,785	0	246,390	246,390	0	379,868	379,868	246,390	379,868		
DATA PROCESSING	0	17,000	17,000	17,000	-17,000	0	17,000	-17,000	0	0	0		
TOTAL	4,648,818	6,838,207	6,870,310	6,383,199	(79,066)	6,304,133	6,504,673	229,822	6,734,495	6,295,641	6,718,593		
PROPOSED FUNDING SOURCES			*****										
FUND BALANCES	3,721,735	3,782,584	*****	50,222		50,222	171,089		171,089	50,222	179,581		
GENERAL REVENUES			*****										
SPECIAL REVENUES	4,709,667	3,105,845	*****	6,425,000		6,425,000	6,570,178	229,822	6,800,000	6,425,000	6,800,000		
FEDERAL FUNDS			*****										
STATE CENTRAL SERVICES FUND			*****										
NON-REVENUE RECEIPTS			*****										
CASH FUNDS			*****										
OTHER			*****										
TOTAL FUNDING	8,431,492	6,888,429	*****	6,475,222		6,475,222	6,741,267	229,822	6,971,089	6,475,222	6,979,581		
EXCESS APPRO/ (FUNDING)	(3,782,584)	(50,222)	*****	(92,023)	(79,066)	(171,089)	(236,594)		(236,594)	(179,581)	(260,988)		
TOTAL	4,648,818	6,838,207	*****	6,383,199	(79,066)	6,304,133	6,504,673	229,822	6,734,495	6,295,641	6,718,593		

DEPT 010 SEPARATE AGENCIES
 AGY 405 STATE BANK DEPARTMENT
 APPRO 051 STATE BANK DEPARTMENT

APPROPRIATION SUMMARY

BR 215

FUND SIB BANK DEPARTMENT FUND-(405)

ARKANSAS BUDGET SYSTEM

PROGRAM/SERVICE INFORMATION LIST

RANK BY APPROPRIATION

01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19
RANK	PROGRAM DESCRIPTION	FUND	ACCOUNTING INFORMATION	D E S	-----EXPENDITURES-----		-----2001 - 03 BIENNIIUM REQUESTS-----						-----RECOMMENDATIONS-----					
					ACTUAL	BUDGETED	-----FY 2001 - 02-----		-----FY 2002 - 03-----				-----EXECUTIVE-----		-----LEGISLATIVE-----			
					99-00	00-01	REQUEST		REQUEST				2001-02	2002-03	2001-02	2002-03		
000		SIB	405 051	B	4,648,818 71	6,838,207 72	6,383,199 72		6,504,673 72				6,383,199 72		6,504,673 72			
001		SIB	405 051 020 BANK DEPARTMENT	C02			0 0		168,000 0				168,000					
<p>Request for a one-year increase in Operating Expenses in the amount of \$150,000 for expenses related to physical relocation of the Bank Department in July, 2002.</p> <p>Also, request is made for FY02-03 to increase annual rent in the amount of \$18,000 for the Little Rock, Fayetteville and Jonesboro offices.</p>																		
001		SIB	405 051 020 BANK DEPARTMENT	C03			114,600 0		179,600 0				114,600		179,600			
<p>Request is made to replace state vehicles according to the State's mileage and time of service policy; the purchase of additional vehicles, if needed; and to replace fully depreciated Department furniture and equipment, as needed.</p>																		

DEPT 010 SEPARATE AGENCIES
 AGY 405 STATE BANK DEPARTMENT
 APPRO 051 STATE BANK DEPARTMENT
 FUND SIB BANK DEPARTMENT FUND-(405)

RANK BY APPROPRIATION
 BR 264

ARKANSAS BUDGET SYSTEM
 PROGRAM/SERVICE INFORMATION LIST
 RANK BY APPROPRIATION

01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19
RANK	PROGRAM DESCRIPTION	FUND	ACCOUNTING INFORMATION	D E S	EXPENDITURES		2001 - 03 BIENNIAL REQUESTS						RECOMMENDATIONS					
					ACTUAL 99-00	BUDGETED 00-01	FY 2001 - 02 REQUEST		FY 2002 - 03 REQUEST				EXECUTIVE		LEGISLATIVE			
001		SIB	405 051 020 BANK DEPARTMENT	C10			8,492 0					15,902 0						
<p>Because of the expected increase in duties and responsibilities in the next fiscal year, request is made for an increase in pay for the two Deputy Commissioner positions.</p> <p>It is critically important to the Department that it be able to retain these employees with their background and years of experience. Therefore, the Department requests a 5.5% increase in salary to be given for each year of the 2001-2003 Biennium.</p>																		
002		SIB	405 051 020 BANK DEPARTMENT	C01			-296,948 0					-296,948 0			-296,948	-296,948		
<p>Request is made to reduce budgeted amounts for Operating Expenses by \$80,800. These reductions are being made due to lack of spending for the past biennium.</p> <p>Request is also being made for a \$200,000 reduction in Professional Fees and Services. The Department had previously budgeted these funds for professional services in anticipation of examination fees payable to other State Bank Departments for examinations of out-of-state branches. We do not anticipate a need for these services over the next biennium.</p> <p>A reduction of \$16,148 in Extra Help salary and matching is also being requested with the elimination of two Extra Help positions.</p>																		
003		SIB	405 051 A90 BANK-INFORMATION TECHNOLOGY	C08			94,790 0					163,268 0			94,790	163,268		
<p>This request is to replace obsolete data processing equipment according to the Department's three-year replacement plan that has been in effect for five years. This is the cornerstone of the Department's IT Plan which has been filed with DIS for the new biennium.</p> <p>Also requested is an additional \$50,000 in FY02-03, as the Department moves to new quarters, for a one-time expense to replace the Department's current telephone system, which was purchased in 1985.</p> <p>Request is made to delete the Data Processing line item that is currently authorized at \$17,000 each year. These services are no longer needed by the Department.</p> <p>Request is made to reduce IT operating expenses for maintenance, DP supplies and software in the amount of \$20,000 each year.</p>																		

DEPT 010 SEPARATE AGENCIES
 AGY 405 STATE BANK DEPARTMENT
 APPRO 051 STATE BANK DEPARTMENT

RANK BY APPROPRIATION

BR 264

FUND SIB BANK DEPARTMENT FUND-(405)

ARKANSAS BUDGET SYSTEM

PROGRAM/SERVICE INFORMATION LIST

RANK BY APPROPRIATION

01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19

RANK	PROGRAM DESCRIPTION	FUND	ACCOUNTING INFORMATION	D E S	-----2001 - 03 BIENNIUM REQUESTS-----				-----R E C O M M E N D A T I O N S-----									
					-----EXPENDITURES-----		-----FY 2001 - 02-----		-----FY 2002 - 03-----		-----EXECUTIVE-----		-----LEGISLATIVE-----					
					ACTUAL	BUDGETED	REQUEST	REQUEST	2001-02	2002-03	2001-02	2002-03						
				99-00	00-01													
004		SIB	405 051 020 BANK DEPARTMENT	C09			0	0										

In accordance with CLIP program guidelines, the change of an Accounting Supervisor I position to an Accounting Services Representative II is requested.

DEPT 010 SEPARATE AGENCIES
 AGY 405 STATE BANK DEPARTMENT
 APPRO 051 STATE BANK DEPARTMENT

FUND SIB BANK DEPARTMENT FUND-(405)

RANK BY APPROPRIATION

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