

**ARKANSAS BUDGET SYSTEM  
AGENCY PROGRAM COMMENTARY  
1997 - 1999**

The Arkansas State Bank Department is statutory responsible for the examination and regulation of 164 commercial banks, one industrial loan institution, two trust companies, 79 trust departments, the Arkansas Capital Corporation and 117 bank holding companies. The mission of the State Bank Department is to utilize the authority vested by law as well as its personnel and other resources to insure that sound financial practices are in place in State financial institutions and to insure that financial services are available to meet public demand and foster economic growth. 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 most essential resource that the Bank Department must have available in order to discharge its statutory responsibility is a well trained Department staff. To achieve this goal, the Department has ranked number one, priority number one which is a request to increase our conference and travel fees. This increase will allow the Department to regulate financial institutions according to Arkansas law with a highly trained examination staff that can handle the increased responsibilities that have and will be placed on the Department by the changing banking environment.

Additionally, ranked number one, is priority number two. This request is made to continue the Department's microfilming project, in-house training, service contracts with out-of-state Bank Departments to examine our banks under the new interstate branching law.

The third priority ranked number one is a request made to replace vehicles according to the State's mileage and time of service policy, the purchase of additional vehicles if needed and to replace obsolete data processing equipment and fully depreciated Department furniture and equipment.

Also ranked number one is priority request four. This request is to hire an attorney on a professional services contract.

Priority five, ranked number one, is a request to reinstate 3 positions that are currently authorized but could not be budgeted as base level positions due to restrictions in the Governor's Personnel Cap Policy. The Department expects to use these positions to help with the extra work interstate branching will produce.

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*ARKANSAS BUDGET SYSTEM  
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The sixth priority ranked number two is a request to decrease extra help by \$2,000.00 for each fiscal year.

Also ranked number two is priority number seven. This request is made to remove the Governor's Task Force line item because the purpose of the Task Force has been completed.

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 financial 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, 1995

Assets					Liabilities			Total Equity	
Cash and Investments	Fixed	Other	Total		Current	Long-Term	Total		Total Equity
\$ 2,291,270	\$ 1,118,767	\$ 214,263	\$ 3,624,300		\$ 27,046	\$ 186,061	\$ 213,107		\$ 3,411,193

Revenues					Expenditures					Other Sources (Uses)		
Inter- governmental	Federal	Licenses and Fees	Other	Total		Salaries and Matching	Grants and Aid	Capital	Other Operating	Total		Other Sources (Uses)
\$ 0	\$ 0	\$ 4,485,013	\$ 13,699	\$ 4,498,712		\$ 2,951,115	\$ 0	\$ 81,526	\$ 944,747	\$ 3,977,388		\$ 101

Findings	Recommendations
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BURGLARY - During the audit of the State Bank Department, for the year ended June 30, 1995, we noted the Agency reported a burglary occurring on September 22, 1994 in which a calculator and a camera valued at \$237.52 were stolen. A Little Rock Police investigation of the burglary was inconclusive as to the identity of the burglar. The Tower Building management reimbursed the Agency \$80.17 for the calculator on October 4, 1994.

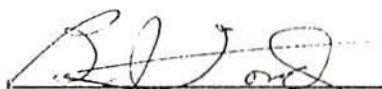
Our findings in this matter are being reported in accordance with Ark. Code Ann. 10-4-111 and 21-2-708.

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

AGENCY TITLE      405 - STATE BANK DEPT

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	MALE	FEMALE	TOTAL	PERCENTAGE OF TOTAL
WHITE EMPLOYEES	<u>34</u>	<u>23</u>	<u>57</u>	<u>89%</u>
BLACK EMPLOYEES	<u>3</u>	<u>0</u>	<u>3</u>	<u>5%</u>
EMPLOYEES OF OTHER RACIAL MINORITIES	<u>1</u>	<u>3</u>	<u>4</u>	<u>6%</u>
TOTAL EMPLOYED AS OF      08/10/96			<u>7</u>	<u>11%</u>
DATE			TOTAL MINORITIES	
			<u>64</u>	<u>100%</u>
			TOTAL EMPLOYEES	

  
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 AGENCY DIRECTOR

**SUMMARY**  
**STATUS OF NEW PROGRAMS/EXPANSIONS AUTHORIZED BY THE 80TH GENERAL ASSEMBLY**  
 AGENCY: STATE BANK DEPARTMENT

PROGRAM AUTHORIZED	# POS. AUTH.	ADDITIONAL AUTHORIZED APPROPRIATION		STATUS
		FY 95-96	FY 96-97	
<b>APPROPRIATION: 051 - State Bank Department</b>				
Six new positions were authorized to provide additional examination personnel and to bolster the internal fiscal structure.	6	\$264,529	\$265,372	Each of the positions was filled during FY96.
Additional Extra Help was authorized to provide clerical assistance for the Governor's Banking Code Revision Task Force.	0	\$8,000	\$0	This addition was provided in the first year in the event that initial efforts of the Task Force generated a large clerical volume. The regular clerical staff was able to handle the additional volume and this addition was not used.
Increases were provided in Operating Expenses for travel, maintenance, and data processing expenses.	0	\$24,069	\$24,069	Departmental cost cutting measures reduced expenses in FY96, so none of the first year addition was used. The FY97 amount is budgeted, however.
Conference Fees & Travel was increased to provide additional training expenses.	0	\$16,875	\$26,175	Training expenses increased substantially in FY96, but still did not employ this addition. The entire FY97 amount is budgeted for training.
Additions were made in Professional Fees & Services for microfilming, in-house training, and Conference of State Bank Supervisors fees.	0	\$17,000	\$26,700	Expenses in this line item did not increase enough in FY96 to require disbursement of the additional amount. The FY97 amount is budgeted for the purposes specified.
Capital Outlay was provided for replacement of vehicles, DP equipment and office equipment.	0	\$214,458	\$212,000	All of the first year amount was expended for the purposes indicated. All of the second year amount is budgeted, as indicated.

## SUMMARY

### STATUS OF NEW PROGRAMS/EXPANSIONS AUTHORIZED BY THE 80TH GENERAL ASSEMBLY

AGENCY: STATE BANK DEPARTMENT

PROGRAM AUTHORIZED	# POS. AUTH.	ADDITIONAL AUTHORIZED APPROPRIATION		STATUS
		FY 95-96	FY 96-97	
Reductions were authorized in Data Processing.	0	(\$15,000)	(\$3,000)	Programs conducted in conjunction with the Department of Computer Services were reduced or completed. No expenditures were made from this line item in FY96.
Increases were provided for the Legal Counsel line item.	0	\$3,000	\$6,000	The first year increase was not used. The second year amount is budgeted, but may not be needed.
A new line item was established for the Governor's Banking Code Revision Task Force.	0	\$150,000	\$100,000	\$84,003 was used in the first year. The entire second year amount is budgeted. This project is scheduled for completion near the end of FY97.

**ARKANSAS BUDGET SYSTEM  
ANALYSIS OF BUDGET REQUEST  
1997 - 1999**

The State Bank Department is funded entirely by special revenue fees assessed and collected on a semi-annual basis. Base Levels for this appropriation are \$6,375,204 for FY98 and \$6,510,634 for FY99, with 80 positions authorized, of which 77 are budgeted. Priorities requested for the Department are as follows:

Restoration of 3 positions that are currently authorized, but not budgeted. These are 2 Executive Secretaries and a Secretary II. Salary and matching amounts to support these positions are \$76,091 for FY98 and \$77,975 for FY99.

Additions in Conference Fees & Travel of \$51,825 and \$65,825, respectively, for anticipated increases in the costs of training courses, costs of travel to seminar and training sites, and specific training for the Trust and Compliance staff.

Increases of \$7,300 each year in Professional Fees & Services for additional microfilming and in-house training courses. An additional \$200,000 is requested in the second year for contracting with out-of-state bank departments for bank examinations under the new interstate branching law.

Capital Outlay of \$295,000 in the first year and \$255,900 in the second year for replacement of data processing equipment, office equipment, and vehicles.

An increase of \$2,900 for FY99 in the Legal Counsel line item for additional contract legal services.

A reduction in salaries and matching in Extra Help of \$2,153 each year.

Delete the special line item for the Governor's Banking Code Revision Task Force. Its work will be completed in FY97. The amount of this reduction is \$100,000 each year.

Rephrasing of the Department's special language clauses concerning application of market pay rates for professionals and reclassification of bank examiner positions.

<b>AGENCY</b> Name: State Bank Department  Code: 405	<b>APPROPRIATION</b> Name: State Bank Department  Code: 051	<b>TREASURY FUND</b> Name: Bank Department Fund  Code: SIB	<b>ANALYSIS OF BUDGET REQUEST</b>  BR20	<b>PAGE</b>  <b>16</b>
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**ARKANSAS BUDGET SYSTEM  
ANALYSIS OF BUDGET REQUEST  
1997 - 1999**

The Executive Recommendation provides for changes as follows:

The increases requested for Capital Outlay and Legal Counsel are recommended, along with restoration of the 3 positions.

The reductions in Extra Help and deletion of the special line item for the Governor's Banking Code Revision Task Force are also recommended, as requested.

In Professional Fees & Services, the second year request for \$200,000 to contract with out-of-state bank departments is recommended.

The Conference Fees & Travel request is specifically not recommended.

The Department's 2 special language clauses are recommended for continuation with current language.

Also included is appropriation for a 2.8% Cost of Living Allowance for positions on July 1 of each year of the biennium along with accompanying employee matching requirements.

The Executive Recommendation does not reflect the extraordinary increases requested for non-classified positions at this time.

<b>AGENCY</b> Name: State Bank Department  Code: 405	<b>APPROPRIATION</b> Name: State Bank Department  Code: 051	<b>TREASURY FUND</b> Name: Bank Department Fund  Code: SIB	<b>ANALYSIS OF BUDGET REQUEST</b>  BR20	<b>PAGE</b>  17
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ARKANSAS BUDGET SYSTEM

CHARACTER TITLE	-----EXPENDITURES-----			-----97-98 FISCAL YEAR-----			-----98-99 FISCAL YEAR-----			-----R E C O M M E N D A T I O N S-----			
	95-96	96-97	96-97	BASE	PRIORITY PROGRAMS	TOTAL REQUEST	BASE	PRIORITY PROGRAMS	TOTAL REQUEST	EXECUTIVE		LEGISLATIVE	
	ACTUAL	BUDGETED	AUTHORIZED APPRO							97-98	98-99	97-98	98-99
REGULAR SALARIES	2,354,459	3,773,773	2,660,540	3,957,462	57,096	4,014,558	4,072,598	58,695	4,131,293	4,005,404	4,115,309		
NUMBER OF POSITIONS	74	77	80	77	3	80	77	3	80	80	80		
EXTRA HELP	269	22,000	22,000	22,000	-2,000	20,000	22,000	-2,000	20,000	20,000	20,000		
NUMBER OF POSITIONS	1	3	3	3	0	3	3	0	3	3	3		
PERSONAL SERV MATCHING	579,173	905,876	693,239	930,867	18,995	949,862	951,161	19,280	970,441	948,830	968,461		
OPERATING EXPENSES	656,952	990,000	990,000	990,000	0	990,000	990,000	0	990,000	990,000	990,000		
CONF FEES & TRAVEL	210,539	229,175	229,175	229,175	51,825	281,000	229,175	65,825	295,000	229,175	229,175		
PROF FEES & SERVICES	36,333	70,700	70,700	70,700	7,300	78,000	70,700	207,300	278,000	70,700	270,700		
CAPITAL OUTLAY	214,458	212,000	212,000	0	295,000	295,000	0	255,900	255,900	295,000	255,900		
DATA PROCESSING	0	17,000	17,000	17,000	0	17,000	17,000	0	17,000	17,000	17,000		
M & R PROCEEDS	3,176	0	0	0	0	0	0	0	0	0	0		
LEGAL COUNSEL	13,500	58,000	58,000	58,000	0	58,000	58,000	2,900	60,900	58,000	60,900		
GOV'S BANK CODE REV TASK	84,003	100,000	100,000	100,000	-100,000	0	100,000	-100,000	0				
<b>TOTAL</b>	<b>4,152,862</b>	<b>6,378,524</b>	<b>5,052,654</b>	<b>6,375,204</b>	<b>328,216</b>	<b>6,703,420</b>	<b>6,510,634</b>	<b>507,900</b>	<b>7,018,534</b>	<b>6,634,109</b>	<b>6,927,445</b>		
<b>PROPOSED FUNDING SOURCES</b>			*****										
FUND BALANCES	2,291,220	2,634,982	*****	1,750,000		1,750,000	1,750,000		1,750,000	1,750,000	1,750,000		
GENERAL REVENUES			*****										
SPECIAL REVENUES	4,496,624	5,493,542	*****	6,375,204	328,216	6,703,420	6,510,634	507,900	7,018,534	6,634,109	6,927,445		
FEDERAL FUNDS			*****										
STATE CENTRAL SERVICES FUND			*****										
NON-REVENUE RECEIPTS			*****										
CASH FUNDS			*****										
OTHER			*****										
<b>TOTAL FUNDING</b>	<b>6,787,844</b>	<b>8,128,524</b>	*****	<b>8,125,204</b>	<b>328,216</b>	<b>8,453,420</b>	<b>8,260,634</b>	<b>507,900</b>	<b>8,768,534</b>	<b>8,384,109</b>	<b>8,677,445</b>		
<b>EXCESS APPRO/ (FUNDING)</b>	<b>( 2,634,982)</b>	<b>( 1,750,000)</b>	*****	<b>( 1,750,000)</b>		<b>( 1,750,000)</b>	<b>( 1,750,000)</b>		<b>( 1,750,000)</b>	<b>( 1,750,000)</b>	<b>( 1,750,000)</b>		
<b>TOTAL</b>	<b>4,152,862</b>	<b>6,378,524</b>	*****	<b>6,375,204</b>	<b>328,216</b>	<b>6,703,420</b>	<b>6,510,634</b>	<b>507,900</b>	<b>7,018,534</b>	<b>6,634,109</b>	<b>6,927,445</b>		

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

The FY97 Budgeted amounts in Regular Salaries and Personal Services Matching exceed the Authorized amounts due to implementation of the pay plan during the 1995-97 Biennium and additional appropriation provided for market pay rate adjustments authorized for professional positions in a special language clause in the Agency's appropriation Act ( 412 of 1995).

APPROPRIATION SUMMARY

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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		1997 - 99 BIENNIUM REQUESTS				RECOMMENDATIONS							
					ACTUAL	BUDGETED	FY 1997 - 98		FY 1998 - 99		EXECUTIVE		LEGISLATIVE					
					95-96	96-97	REQUEST	REQUEST	1997-98	1998-99	1997-98	1998-99						
000		SIB	405 051	B	4,152,862 74	6,378,524 77	6,375,204 77			6,510,634 77				6,365,018 77	6,492,670 77			
001		SIB	405 051	P01		0	51,825 0			65,825 0								
<p>This request to increase Conference Fees and travel is due to the increase of staff in the Trust and Compliance section, which will require additional training and the continued training of current staff. The cost of tuition, meals, airfare and lodging continues to increase on a yearly basis.</p>																		
001		SIB	405 051	P02		0	7,300 0			207,300 0				200,000				
<p>Request is made to continue the Department's microfilming project, in-house training, service contracts with out-of-state Bank Departments to examine our banks under the new interstate branching law.</p>																		

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

RANK BY APPROPRIATION

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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	
LNK	PROGRAM DESCRIPTION	FUND	ACCOUNTING INFORMATION	D E S	-----EXPENDITURES-----		-----1997 - 99 BIENNIIUM REQUESTS-----						-----R E C O M M E N D A T I O N S-----						
					ACTUAL	BUDGETED	-----FY 1997 - 98-----			-----FY 1998 - 99-----			-----EXECUTIVE-----		-----LEGISLATIVE-----				
					95-96	96-97	-----REQUEST-----			-----REQUEST-----			1997-98	1998-99	1997-98	1998-99			
01		SIB	405 051	P03		0	295,000				255,900			295,000	255,900				
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 obsolete data processing equipment and fully depreciated department furniture and equipment.																			
01		SIB	405 051	P04		0	0				2,900				2,900				
This increase is requested to hire an attorney on a professional services contract.																			
01		SIB	405 051	P05		0	76,244				78,128			76,244	78,128				
This request is to reinstate 3 positions that are currently authorized but could not be budgeted as base level positions due to restrictions in the Governor's Personnel Cap Policy. The Department expects to use these positions to help with the extra work interstate branching will produce.																			

EPT 010 SEPARATE AGENCIES  
 GY 405 STATE BANK DEPARTMENT  
 PPRO 051 STATE BANK DEPARTMENT  
 UND 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		1997 - 99 BIENNIUM REQUESTS						RECOMMENDATIONS					
					ACTUAL	BUDGETED	FY 1997 - 98		FY 1998 - 99		EXECUTIVE		LEGISLATIVE					
					95-96	96-97	REQUEST	REQUEST	1997-98	1998-99	1997-98	1998-99						
002		SIB	405 051	P06		0	-2,153								-2,153	-2,153		
					0	0	0											
This request is to decrease Extra Help by \$2,000.00 each fiscal year.																		
002		SIB	405 051	P07		0	-100,000								-100,000	-100,000		
					0	0	0											
This request is made to remove the Governor's Task Force line item because the purpose of the Task Force has been completed.																		

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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