

ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM
AGENCY PROGRAM COMMENTARY
2003 - 2005

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, 2002, this included 130 state-chartered banks, 112 bank holding companies, 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 Capital Outlay appropriation for replacement of 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 equipment and furniture. Other resources are requested for replacement of obsolete data processing equipment according to the Department's three-year replacement plan that has been in effect for seven years. This is the cornerstone of the Department's IT plan which will be filed with DIS per their instruction for the new biennium.

The Department is requesting the addition of four Bank Senior Examiners, a Bank Senior DP examiner, a Financial Examiner II, and supporting expenses. The economic downturn has had a profound affect on the banking industry and resulted in a significant increase in the number of problem institutions that we regulate. This deterioration has resulted in a large increase in the issuance of Cease and Desist Orders, Memorandums of Understanding, and the obtainment of official Resolutions of Affirmative Action from banks due to safety and soundness concerns. Our largest financial institution has collapsed five Oklahoma banks and one Missouri bank (2 billion dollars) into their Arkansas bank. Our agency will gain supervisory authority over those out of state branches, which will include but not be limited to the examination of those branches. Additionally the largest savings and loan association (\$1.8 billion dollars and 29 branches) has expressed a strong desire to convert to a state charter bank. These additions will increase the Department's capability in its Safety and Soundness, Information Systems and Consumer Compliance programs.

In summary, the department has a record number of formal enforcement actions. We are also now responsible for the supervision of over \$2 billion of assets of out of state branches that we must examine on an annual basis plus the strong possibility of another \$1.8 billion of assets with an additional 29 branches. We feel that in order to properly supervise and ensure the continuance of a safe and sound financial climate in the State of Arkansas that it is imperative we be granted these additional positions.

Increases in Operating Expenses are requested each year for increases in rental expenses for our three locations, utilities, travel expenses, postage and other areas of general operations.

The Department is also requesting increases in Professional Fees and Services of \$99,300 each year. This request is attributable to administrative fees and potential examinations fees payable to other state bank departments for out-of-state branches of the department's commercial banks.

AGENCY Arkansas State Bank Department	DIRECTOR 	AGENCY PROGRAM COMMENTARY	PAGE 24
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ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM
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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.

AGENCY Arkansas State Bank Department	DIRECTOR <i>Frank White</i>	AGENCY PROGRAM COMMENTARY	PAGE 25
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DIVISION OF LEGISLATIVE AUDIT
AUDIT OF:
STATE BANK DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2001

None	Findings	None	Recommendations
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SA1040501

ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM

EMPLOYMENT SUMMARY

Required by: A.C.A. 19-4-307

AGENCY TITLE: 0405 STATE BANK DEPARIMENT

	MALE	FEMALE	TOTAL	PERCENTAGE OF TOTAL
WHITE EMPLOYEES	40	23	63	93%
BLACK EMPLOYEES	3	0	3	4%
EMPLOYEES OF OTHER RACIAL MINORITIES	0	2	2	3%
TOTAL EMPLOYED AS OF			5	7%
			TOTAL MINORITIES	
			68	100%
			TOTAL EMPLOYEES	

08/05/2002

DATE

Frank White

AGENCY DIRECTOR

**ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM
STATE AGENCY PUBLICATIONS**

Fiscal Year 2002-2003

Required by: A.C.A. 25-1-204

AGENCY: ARKANSAS STATE BANK DEPARTMENT (405)

NAME OF PUBLICATION	STATUTORY AUTHORIZATION	PUBLICATION REQUIRED FOR GOVERNOR AND/OR GENERAL ASSEMBLY ONLY	NUMBER OF COPIES PUBLISHED	REASON(S) FOR CONTINUED PUBLICATION AND DISTRIBUTION
ANNUAL REPORT OF THE BANK COMMISSIONER	ACA 23-46-210	REQUIRED FOR GOVERNOR	100 (Copy also available on Web Page)	Required for Governor and other recipients designated by State Statute.

ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM
ANALYSIS OF BUDGET REQUEST
2003 - 2005

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 salary increases of 2.7% each year over the FY03 salary levels, along with related Personal Services Matching costs for 71 positions. Included in Personal Services Matching is a \$33 per month increase in the monthly contribution for State Employee's health insurance for a total state contribution of \$280 per month per budgeted employee. Changes requested for the Department are as follows:

Addition of 6 new positions: A Bank Senior Examiner for the Agency's Fayetteville Office, a Bank Senior Examiner for the Jonesboro Office, and 2 Bank Senior Examiners, a Financial Examiner II, and a Bank Senior Information Systems Examiner for the Little Rock Office to provide additional staff for interstate branch examinations in Oklahoma and Missouri and for closer scrutiny and more frequent examinations of problem banks. Including supporting operational and training expenses, the costs are \$524,302 for FY04 and \$590,910 for FY05.

Increases in Operating Expenses of \$16,100 in the first year and \$25,197 in the second year are requested for additional rent costs, assumption of utility charges in the Jonesboro Office in lieu of rent increases, higher insurance rates, and other operational expenses.

Other additions in Operating Expenses of \$34,960 and \$55,718, respectively, are requested for anticipated additional expenses associated with monitoring of interstate branch banking.

Increases of \$99,300 each year are requested in Professional Fees & Services to reimburse other states for examinations of branches of Arkansas chartered banks in their jurisdictions.

Capital Outlay of \$206,475 in the first year and \$206,775 in the second year are requested for replacement of vehicles.

As enumerated in the Department's Information Technology Plan submitted to the Department of Information Systems, Capital Outlay is requested in amounts of \$107,550 and \$107,250, respectively, for replacement of data processing

AGENCY	APPROPRIATION	TREASURY FUND	ANALYSIS OF	PAGE
Name: State Bank Department Code: 405	Name: State Bank Department Code: 051	Name: Bank Department Fund Code: SIB	BUDGET REQUEST	29

ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM
ANALYSIS OF BUDGET REQUEST
2003 - 2005

equipment. Also included are additions of \$3,922 for FY04 and \$3,597 for FY05 in Operating Expenses for purchase of low value data processing equipment for requested new employees.

Continuation of special language clauses concerning special pay rates, reclassification of bank examiner positions, and funding levels in the Bank Department Fund is included in the request.

The Executive Recommendation reflects approval of the Agency Request, with changes in the special rates of pay special language clause that adds a requirement to file a biennial plan of progression and eliminates titles not specific to the State Bank Department. Since the Career Ladder Incentive Program (CLIP) provides for reclassifications within a job family, the special language request concerning reclassification of bank examiner positions is no longer necessary.

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	PAGE 30
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ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM
Biennial Appropriation Summary

Agency Name STATE BANK DEPARTMENT
Agency Code 405
Appropriation Name State Bank Department
Appropriation Code 051
Fund Name Bank Department Fund
Fund Code SIB

Character Name	Expenditures						Agency Request										Recommendations				
	2001-02		2002-03		2002-03		2003-04				2004-05		2004-05		2004-05		Executive				
	Actual	Budget	Pos.	Authorized	Pos.	Base Level	Pos.	Change Level	Pos.	Total	Pos.	Base Level	Pos.	Change Level	Pos.	Total	Pos.	2003-04	2004-05	Pos.	
Regular Salaries	3,276,756	4,007,423	71	4,047,601	71	4,300,091	71	361,630	6	4,681,721	77	4,416,202	71	391,931	6	4,808,133	77	4,681,721	77	4,808,133	77
Extra Help	1,594	5,000	1	5,000	1	5,000	1	0	0	5,000	1	5,000	1	0	0	5,000	1	5,000	1	5,000	1
Personal Serv Match	774,858	917,713	0	929,049	0	999,127	0	87,747	0	1,086,874	0	1,019,706	0	89,571	0	1,109,277	0	1,086,874	0	1,109,277	0
Operating Expenses	754,468	1,123,043	0	1,057,200	0	1,123,043	0	86,962	0	1,210,025	0	1,123,043	0	146,065	0	1,269,108	0	1,210,025	0	1,269,108	0
Travel-Conferences	145,334	229,175	0	229,175	0	229,175	0	22,525	0	252,100	0	229,175	0	47,855	0	277,030	0	252,100	0	277,030	0
Capital Outlay	109,328	314,025	0	319,868	0	0	0	314,025	0	314,025	0	0	0	314,025	0	314,025	0	314,025	0	314,025	0
Prof. Fees & Serv.	16,879	70,700	0	70,700	0	70,700	0	99,300	0	170,000	0	70,700	0	99,300	0	170,000	0	170,000	0	170,000	0
Grand Total	5,079,217	6,667,079	72	6,718,593	72	6,727,136	72	992,609	6	7,719,745	78	6,863,826	72	1,088,747	6	7,952,573	78	7,719,745	78	7,952,573	78

Funding Sources Name	2001-02 Actual	2002-03 Budget	2002-03 Pos.	2002-03 Authorized	2002-03 Pos.	2003-04 Base Level	2003-04 Pos.	2003-04 Change Level	2003-04 Pos.	2003-04 Total	2003-04 Pos.	2004-05 Base Level	2004-05 Pos.	2004-05 Change Level	2004-05 Pos.	2004-05 Total	2004-05 Pos.	2003-04	2004-05	Pos.	
Fund Balance	1,292,571	1,883,242	*****	*****	*****	1,850,000	*****	0	*****	1,850,000	*****	1,950,000	*****	0	*****	1,950,000	*****	1,850,000	*****	1,950,000	*****
Special Revenue	5,469,888	6,833,837	*****	*****	*****	6,827,136	*****	992,609	*****	7,819,745	*****	6,863,826	*****	1,088,747	*****	7,952,573	*****	7,819,745	*****	7,952,573	*****
Total Funding	6,762,459	8,517,079	*****	*****	*****	8,677,136	*****	992,609	*****	9,669,745	*****	8,813,826	*****	1,088,747	*****	9,902,573	*****	9,669,745	*****	9,902,573	*****
Excess Appoi(Funding)	(1,683,242)	(1,850,000)	*****	*****	*****	(1,950,000)	*****	0	*****	(1,950,000)	*****	(1,950,000)	*****	0	*****	(1,950,000)	*****	(1,950,000)	*****	(1,950,000)	*****
Grand Total	5,079,217	6,667,079	*****	*****	*****	6,727,136	*****	992,609	*****	7,719,745	*****	6,863,826	*****	1,088,747	*****	7,952,573	*****	7,719,745	*****	7,952,573	*****

The Budgeted amount for Operating Expenses is greater than the Authorized appropriation amount due to a reclassification transfer processed in FY03.

ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM
Biennial Appropriation Summary

Agency Name STATE BANK DEPARTMENT
 Agency Code 405
 Appropriation Name State Bank Department
 Appropriation Code 051
 Fund Name Bank Department Fund
 Fund Code SIB

Character		Expenditures				
		2001-02	2002-03		2002-03	
Name	Code	Actual	Budget	Pos.	Authorized	Pos.
Regular Salaries	5010000	3,276,756	4,007,423	71	4,047,601	71
Extra Help	5010001	1,594	5,000	1	5,000	1
Personal Serv Match	5010003	774,858	917,713	0	929,049	0
Operating Expenses	5020002	754,468	1,123,043	0	1,057,200	0
Travel-Conferences	5050009	145,334	229,175	0	229,175	0
Capital Outlay	5120011	109,328	314,025	0	379,868	0
Prof. Fees & Serv.	5060010	16,879	70,700	0	70,700	0
Grand Total		5,079,217	6,667,079	72	6,718,593	72

Funding Sources						
Name	Code					
Fund Balance	4000005	1,292,571	1,683,242	*****	*****	*****
Special Revenue	4000030	5,469,888	6,833,837	*****	*****	*****
Total Funding		6,762,459	8,517,079	*****	*****	*****
Excess Appro/(Funding)		(1,683,242)	(1,850,000)	*****	*****	*****
Grand Total		5,079,217	6,667,079	*****	*****	*****

The Budgeted amount for Operating Expenses is greater than the Authorized appropriation amount due to a reclassification transfer processed in FY03.

ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM
Biennial Appropriation Summary

Agency Name STATE BANK DEPARTMENT
 Agency Code 405
 Appropriation Name State Bank Department
 Appropriation Code 051
 Fund Name Bank Department Fund
 Fund Code SIB

Character		Agency Request											
		2003-04						2004-05					
		Name	Code	Base Level	Pos.	Change Level	Pos.	Total	Pos.	Base Level	Pos.	Change Level	Pos.
Regular Salaries	5010000	4,300,091	71	381,630	6	4,681,721	77	4,416,202	71	391,931	6	4,808,133	77
Extra Help	5010001	5,000	1	0	0	5,000	1	5,000	1	0	0	5,000	1
Personal Serv Match	5010003	999,127	0	87,747	0	1,086,874	0	1,019,706	0	89,571	0	1,109,277	0
Operating Expenses	5020002	1,123,043	0	86,982	0	1,210,025	0	1,123,043	0	146,065	0	1,269,108	0
Travel-Conferences	5050009	229,175	0	22,925	0	252,100	0	229,175	0	47,855	0	277,030	0
Capital Outlay	5120011	0	0	314,025	0	314,025	0	0	0	314,025	0	314,025	0
Prof. Fees & Serv.	5060010	70,700	0	99,300	0	170,000	0	70,700	0	99,300	0	170,000	0
Grand Total		6,727,136	72	992,609	6	7,719,745	78	6,863,826	72	1,088,747	6	7,952,573	78

Funding Sources													
Name	Code												
Fund Balance	4000005	1,850,000	*****	0	*****	1,850,000	*****	1,950,000	*****	0	*****	1,950,000	*****
Special Revenue	4000030	6,827,136	*****	992,609	*****	7,819,745	*****	6,863,826	*****	1,088,747	*****	7,952,573	*****
Total Funding		8,677,136	*****	992,609	*****	9,669,745	*****	8,813,826	*****	1,088,747	*****	9,902,573	*****
Excess Appro/(Funding)		(1,950,000)	*****	0	*****	(1,950,000)	*****	(1,950,000)	*****	0	*****	(1,950,000)	*****
Grand Total		6,727,136	*****	992,609	*****	7,719,745	*****	6,863,826	*****	1,088,747	*****	7,952,573	*****

ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM
Biennial Appropriation Summary

Agency Name STATE BANK DEPARTMENT
 Agency Code 405
 Appropriation Name State Bank Department
 Appropriation Code 051
 Fund Name Bank Department Fund
 Fund Code SIB

Character		Recommendations							
		Executive				Legislative			
		Name	Code	2003-04	Pos.	2004-05	Pos.	2003-04	Pos.
Regular Salaries	5010000	4,681,721	77	4,808,133	77	0	0	0	0
Extra Help	5010001	5,000	1	5,000	1	0	0	0	0
Personal Serv Match	5010003	1,086,874	0	1,109,277	0	0	0	0	0
Operating Expenses	5020002	1,210,025	0	1,269,108	0	0	0	0	0
Travel-Conferences	5050009	252,100	0	277,030	0	0	0	0	0
Capital Outlay	5120011	314,025	0	314,025	0	0	0	0	0
Prof. Fees & Serv.	5060010	170,000	0	170,000	0	0	0	0	0
Grand Total		7,719,745	78	7,952,573	78	0	0	0	0

Funding Sources									
Name	Code								
Fund Balance	4000005	1,850,000	*****	1,950,000	*****	0	*****	0	*****
Special Revenue	4000030	7,819,745	*****	7,952,573	*****	0	*****	0	*****
Total Funding		9,669,745	*****	9,902,573	*****	0	*****	0	*****
Excess Appro/(Funding)		(1,950,000)	*****	(1,950,000)	*****	0	*****	0	*****
Grand Total		7,719,745	*****	7,952,573	*****	0	*****	0	*****

ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM
Biennial Rank by Appropriation

Agency Name STATE BANK DEPARTMENT
 Agency Code 405
 Appropriation Name State Bank Department
 Appropriation Code 051
 Fund Name Bank Department Fund
 Fund Code SIB

Rank	Justification	Designation	Cost Center	2001-02		2002-03		Agency Request				Executive Recommendation				Legislative Recommendation			
				Actual	Pos.	Budget	Pos.	2003-04	Pos.	2004-05	Pos.	2003-04	Pos.	2004-05	Pos.	2003-04	Pos.	2004-05	Pos.
		BL Base Level	Total	5,079,217		6,667,079	71	6,727,136	71	6,863,826	71	6,727,136	71	6,863,826	71	0	0	0	0
1	The Department is requesting 6 new positions: A Bank Senior Examiner for the Fayetteville Office, a Bank Senior Examiner for the Jonesboro Office, and 2 Bank Senior Examiners, a Financial Examiner II, and a Bank Senior IS Examiner for the Little Rock Office to provide additional staff for interstate branch examinations in Oklahoma and Missouri and for closer scrutiny and more frequent examination of problem banks. With supporting operating and training expenses, the costs are \$524,302 for FY 04 and \$590,910 for FY05. Also included in this request is Capital Outlay for replacement of vehicles in the amounts of \$206,475 and \$206,775, respectively, increases of \$99,300 each year in Professional Fees & Services to reimburse other states for examinations of branches of Arkansas banks in their jurisdictions, and additional rent, utilities, and operational expenses of \$16,100 in FY04 and \$25,197 in FY05.	C01	318201 AR State Bank Dept	0		0	0	846,177	6	922,182	6	846,177	6	922,182	6	0	0	0	0
		C01	Total	0		0	0	846,177	6	922,182	6	846,177	6	922,182	6	0	0	0	0
1	Increases in Operating Expenses are requested for anticipated additional expenses associated with monitoring of interstate branch banking.	C02	318201 AR State Bank Dept	0		0	0	34,960	0	55,718	0	34,960	0	55,718	0	0	0	0	0
		C02	Total	0		0	0	34,960	0	55,718	0	34,960	0	55,718	0	0	0	0	0
1	Capital Outlay is requested in amounts of \$107,550 for FY04 and \$107,250 for FY05 to replace higher value data processing equipment and increases in Operating Expenses of \$3,922 for FY04 and \$3,597 for FY05 to purchase low value data processing equipment for requested new positions.	C08 Technology	318220 Info Technology	0		0	0	111,472	0	110,847	0	111,472	0	110,847	0	0	0	0	0
		C08 Technology	Total	0		0	0	111,472	0	110,847	0	111,472	0	110,847	0	0	0	0	0
1	Changes in titles are requested for 2 Bank Senior DP Examiner positions to Bank Senior IS Examiner and for a Bank DP Administrator to Bank IS Administrator.	C14 New Title	318201 AR State Bank Dept	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0
		C14 New Title	318220 Info Technology	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0
		C14 New Title	Total	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Grand Total	Total	5,079,217		6,667,079	71	7,719,745	77	7,952,573	77	7,719,745	77	7,952,573	77	0	0	0	0