

OFFICE OF THE STATE BANK COMMISSIONER

FY 2023 – FY 2025 BUDGET ANALYSIS

FIGURE 1
BUDGET OVERVIEW, FY 2023 – FY 2025

	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
Operating Expenditures:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	11,901,597	13,312,335	13,299,915	13,269,659	13,257,239
<i>Subtotal</i>	<i>\$ 11,901,597</i>	<i>\$ 13,312,335</i>	<i>\$ 13,299,915</i>	<i>\$ 13,269,659</i>	<i>\$ 13,257,239</i>
Capital Improvements:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	-	-	-	-	-
<i>Subtotal</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>
TOTAL	\$ 11,901,597	\$ 13,312,335	\$ 13,299,915	\$ 13,269,659	\$ 13,257,239
Percentage Change:					
State General Fund	-- %	-- %	-- %	-- %	-- %
All Funds	8.8 %	11.9 %	11.7 %	(0.3) %	(0.3) %
FTE Positions	112.0	114.0	114.0	114.0	114.0

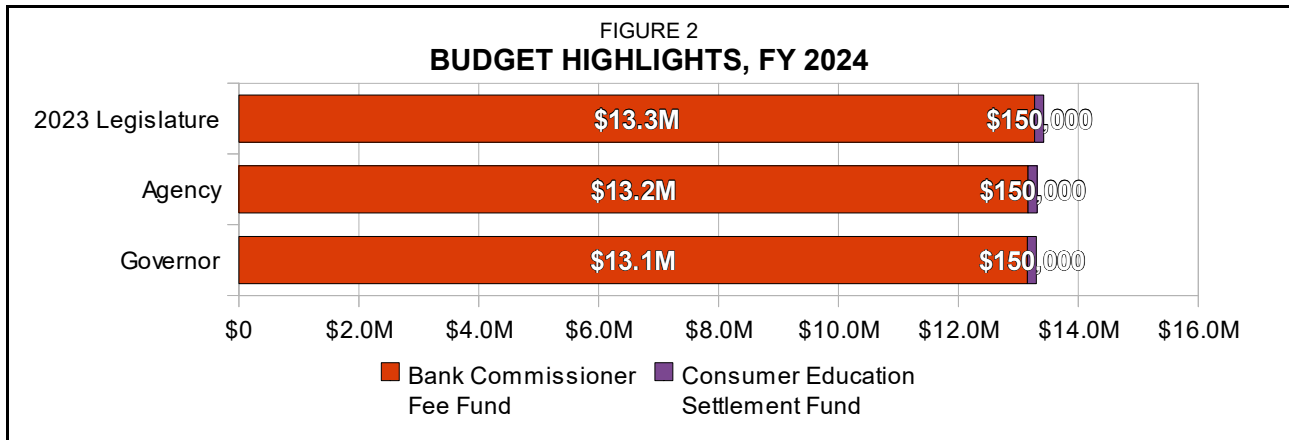
The Office of the State Bank Commissioner (OSBC) ensures the integrity of regulated providers of financial services through responsible and proactive oversight. The OSBC is responsible for protecting consumers from unfair or unscrupulous credit practices, and promoting public trust in the state financial system by educating consumers. Statutory authority for the agency is found in KSA 75-1304 *et seq.*

The OSBC is headed by a commissioner, who is appointed by the Governor to serve a four-year term. A nine-member banking board, also appointed by the Governor, serves in an advisory capacity to the Banking and Trust Division and in the administration of the banking laws of Kansas. There are five divisions within the agency: the Banking and Trust Division, the Consumer and Mortgage Lending Division, the Information Technology Division, the Legal Department, and the Administrative Department.

The **Banking and Trust Division** is responsible for the supervision of state-chartered banks, trust companies/departments, and technology-enabled fiduciary financial institutions (TEFFIs). (*Note:* TEFFIs are regulated limited-liability companies, limited partnerships, or corporations that provide fiduciary services to investors and managers of alternative assets.) The agency preserves the dual banking system through the chartering of new state banks, maintenance of existing state charters, and equitable regulation of state banks. The **Consumer and Mortgage Lending Division** is responsible for oversight of non depository mortgage lenders, mortgage loan originators, consumer credit providers, money transmitters, and credit service organizations. The **Information Technology Division** regulates cybersecurity and data risk vulnerabilities of all regulated entities. The **Administrative Division** and the **Legal Division** provide support for the work and internal functions of the agency itself.

EXECUTIVE SUMMARY

The 2023 Legislature approved a budget of \$13.4 million, all from special revenue funds, for the Office of the State Bank Commissioner for FY 2024. No adjustments have been made subsequently to that amount.



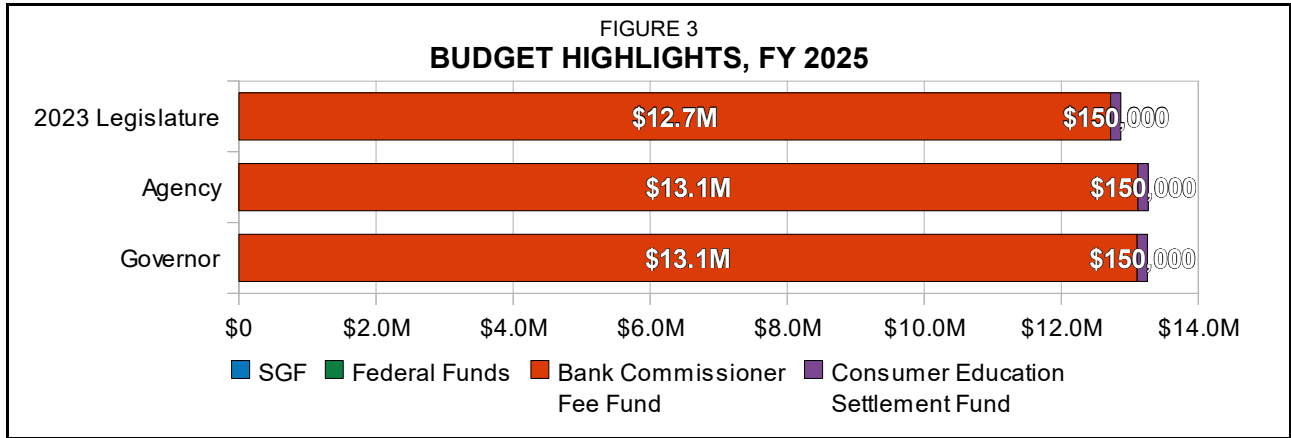
The **agency** requests a revised estimate of \$13.3 million, all from special revenue funds, in expenditures and 114.0 FTE positions in FY 2024. This is a decrease of \$109,648, or 0.8 percent, below the FY 2024 approved amount. This is partially due to less out-of-state travel than the agency originally anticipated as a result of lingering impacts from the COVID-19 pandemic. The decrease is also a result of other contractual services, such as legal fees and dues paid to professional organizations, being lower than the agency budgeted. At the time of the original budget submission, the agency was unsure of how many outside services would be needed to regulate the TEFFI industry. However, the agency notes that it did not receive any applications to establish new TEFFI entities in the state during the 2023 Interim, leading the agency to believe that it will be able to regulate the existing TEFFI entity without additional moneys.

The decrease in the agency's revised estimate is partially offset by three supplemental requests in FY 2024. First, the revised estimate includes a request for \$127,714 in supplemental funding and an increase of 2.0 FTE positions to hire two additional Trust Examiners. The agency anticipates an increase in the number of trust assets under its regulatory supervision and requests additional resources to ensure trust files, which are increasingly complex in nature, are adequately reviewed during examinations.

Second, the revised estimate includes a request for \$68,467 in supplemental funding for compensation increases for OSBC staff. According to the agency, a competitive salary structure for their Financial Examiners and other staff will allow the OSBC to attract and retain high-quality employees rather than compete with the Federal Deposit Insurance Corporation (FDIC) and private financial institutions.

Third, the revised estimate includes a request for \$12,420 in supplemental funding to increase the per diem compensation for members of the State Banking Board from \$35 per meeting to \$150 per meeting. The current per diem rate has remained unchanged since 1974.

The **Governor** recommends expenditures of \$13.3 million, all from special revenue funds, and 114.0 FTE positions in FY 2024. This is a decrease of \$12,420, or 0.1 percent, below the agency's FY 2024 revised estimate. The decrease is due to the Governor not recommending the agency's supplemental request to increase the per diem compensation for members of the State Banking Board.



The **agency** requests \$13.3 million, all from special revenue funds, in expenditures and 114.0 FTE positions for FY 2025. This is an increase of \$399,501, or 3.1 percent, above the FY 2025 approved amount, and a decrease of \$42,676, or 0.3 percent, below the FY 2024 revised estimate. The increase above the approved amount is due to four enhancement requests that would impact the salaries and wages category of expenditures, though this is partially offset by a decrease in expenditures for out-of-state travel. Moreover, the decrease below the FY 2024 revised estimate is due to the agency budgeting less for capital outlay expenses, such as computer hardware and information processing equipment.

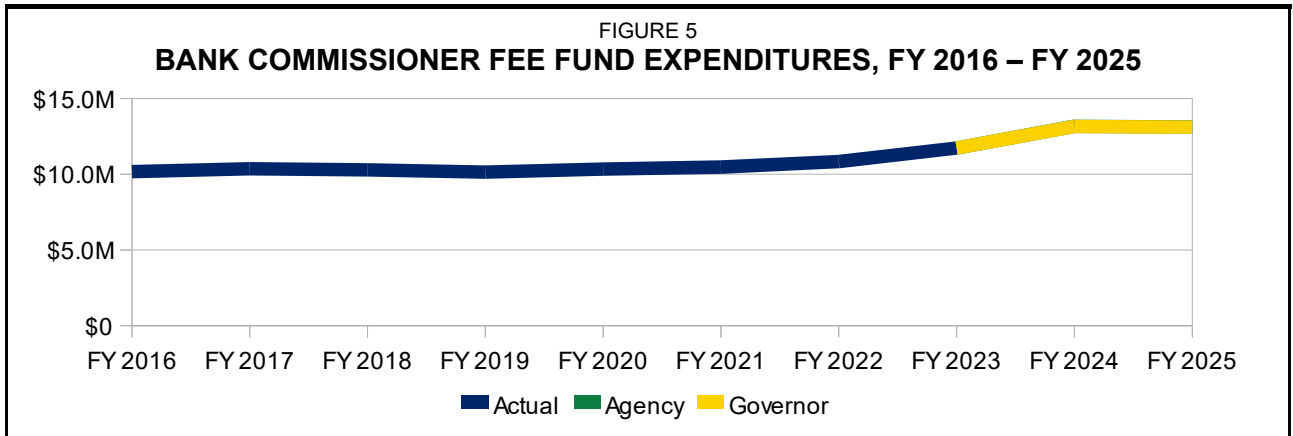
The **Governor** recommends expenditures of \$13.3 million, all from special revenue funds, and 114.0 FTE positions for FY 2025. This is a decrease of \$12,420, or 0.1 percent, below the agency's FY 2025 request. The decrease is due to the Governor not recommending the agency's enhancement request to increase the per diem compensation for members of the State Banking Board.

EXPENDITURES AND FINANCING

FIGURE 4
BUDGET SUMMARY BY CATEGORY OF EXPENDITURE, FY 2023 – FY 2025

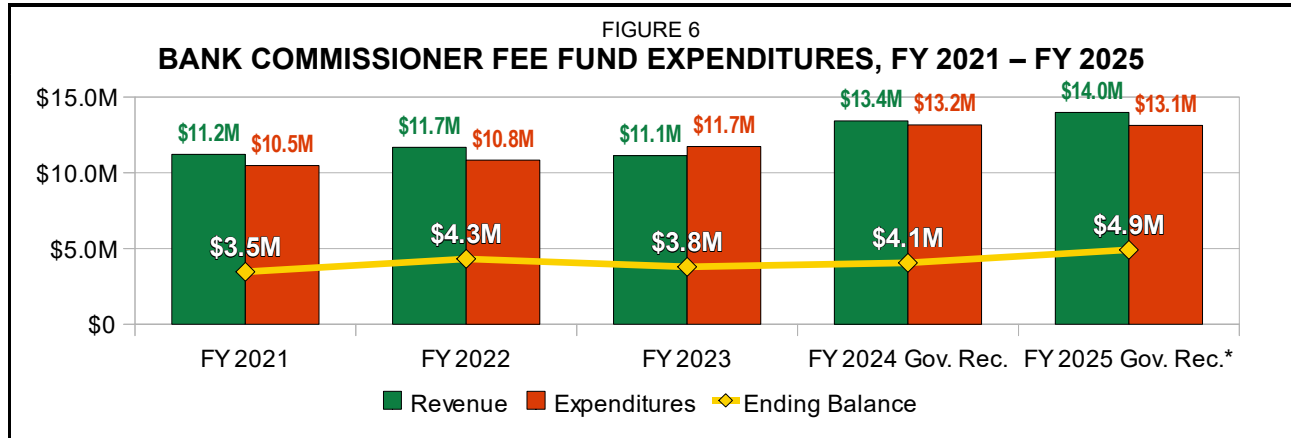
Category of Expenditure:	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
Salaries and Wages	\$ 10,119,227	\$ 10,998,034	\$ 10,985,614	\$ 11,062,787	\$ 11,050,367
Contractual Services	1,490,389	1,865,167	1,865,167	1,884,322	1,884,322
Commodities	36,344	49,334	49,334	42,750	42,750
Capital Outlay	85,351	249,800	249,800	129,800	129,800
Debt Service Interest	-	-	-	-	-
<i>Subtotal</i>	<u>\$ 11,731,311</u>	<u>\$ 13,162,335</u>	<u>\$ 13,149,915</u>	<u>\$ 13,119,659</u>	<u>\$ 13,107,239</u>
Aid to Local Units	-	-	-	-	-
Other Assistance	170,286	150,000	150,000	150,000	150,000
<i>Subtotal—Operating</i>	<u>\$ 11,901,597</u>	<u>\$ 13,312,335</u>	<u>\$ 13,299,915</u>	<u>\$ 13,269,659</u>	<u>\$ 13,257,239</u>
Capital Improvements	-	-	-	-	-
Debt Service Principal	-	-	-	-	-
TOTAL	<u>\$ 11,901,597</u>	<u>\$ 13,312,335</u>	<u>\$ 13,299,915</u>	<u>\$ 13,269,659</u>	<u>\$ 13,257,239</u>
Financing:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Commissioner Fee Fund	11,731,311	13,162,335	13,149,915	13,119,659	13,107,239
Consumer Education Settlement Fund	170,286	150,000	150,000	150,000	150,000
Federal Funds	-	-	-	-	-
All Other Funds	-	-	-	-	-
TOTAL	<u>\$ 11,901,597</u>	<u>\$ 13,312,335</u>	<u>\$ 13,299,915</u>	<u>\$ 13,269,659</u>	<u>\$ 13,257,239</u>
FTE Positions	112.0	114.0	114.0	114.0	114.0

BANK COMMISSIONER FEE FUND



The Office of the State Bank Commissioner does not typically use State General Funds (SGF) and is instead funded entirely by assessment and fee income. The Bank Commissioner Fee Fund is the main source of revenue and expenditures for the OSBC. In FY 2023, actual expenditures from the Bank Commissioner Fee Fund were \$11.7 million. The agency's revised estimate in FY 2024 includes \$13.2 million in expenditures from this fund, which is an increase of \$1.4 million, or 12.2 percent, above the FY 2023 actual expenditures. The increase is primarily due to the agency's supplemental requests for additional trust examiners, salary adjustments for staff, and per diem increases for board members.

BANK COMMISSIONER FEE FUND

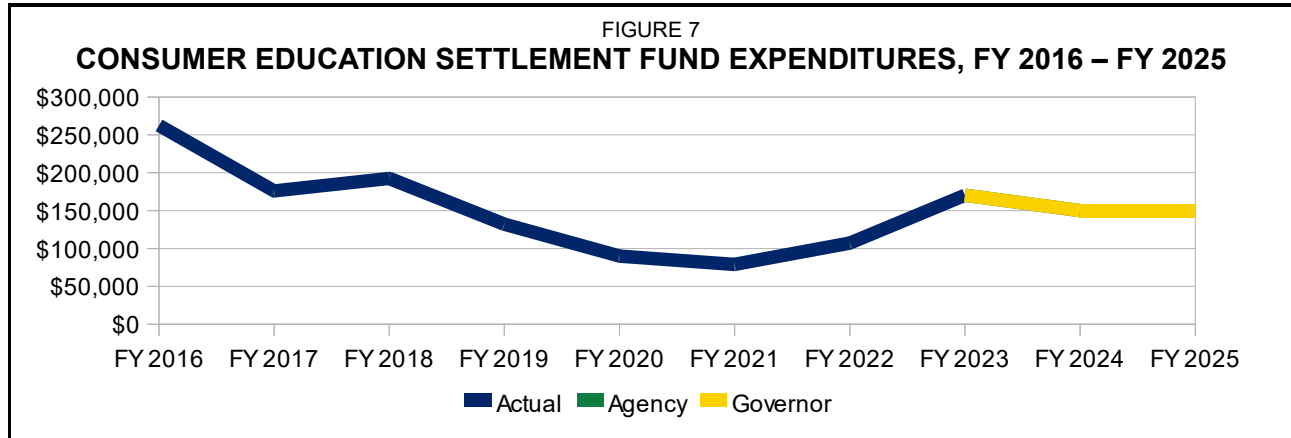


* For FY 2025, the lowest month ending balance for the Bank Commissioner Fee Fund will occur in July, with a balance of \$3.9 million.

The Bank Commissioner Fee Fund earns revenue from assessments and application fees paid by state-chartered banks, trust entities, and TEFFIs. Bank assessments are based on assets, as reported to the FDIC, whereas trust and TEFFI assessments are based on the total fiduciary assets, as reported to the Call Report. The OSBC employs a tiered rate schedule for determining assessment fees, and collects assessment fees three times a year: one-half in July, one-quarter in January, and one-quarter in May. The tiered rate schedule allows the assessments charged to state-chartered banks to be routinely less than the assessments charged to national banks. The income generated from assessments on state-chartered banks goes toward the Banking and Trust Division.

In addition to earning revenue from assessment fees, the agency earns revenue from application fees for certain financial institution changes or activities that require approval by the Bank Commissioner or the State Banking Board. Revenue from application fees are deposited into the Investigative Fee Fund, which the agency utilizes to fund expenses associated with approving or denying applications. Any remaining revenue can be transferred into the Bank Commissioner Fee Fund. The agency states that predicting application revenue each year is difficult because the level of revenues received is dependent solely on the submission of applications.

CONSUMER EDUCATION SETTLEMENT FUND



The Consumer Education Settlement Fund is funded by fines incurred on banks from consumer complaints. In FY 2023, actual expenditures from the Consumer Education Settlement Fund were \$170,286. The agency's revised estimate in FY 2024 includes \$150,000 in expenditures from this fund to support financial education initiatives by providing grants to fund certain activities conducted by educators, nonprofit organizations, and other entities throughout Kansas.

The OSBC approved eight grant applications in FY 2023, and subsequently increased the grant funding from \$103,150 to \$160,286. Per the agency, grant funds will provide many types of financial literacy education to Kansas consumers of all ages. For example, in FY 2023, one grant was awarded to the St. John Junior and Senior High School of USD 350 in Stafford County to help implement the "Tiger Bank," which will provide high school students with financial literacy skills and an introduction to various occupations within the banking industry.

FIGURE 8
BANK AND TRUST DIVISION
BANK ASSESSMENT RATES (PER MILLION IN TOTAL ASSETS), FY 2024

Bank Total Assets	Current Fee	Statutory Limit	Authority
Less than \$500,000	0.160	N/A	KSA 9-1703
Greater than \$500,000 up to \$1,000,000	0.135	N/A	KSA 9-1703
Greater than \$1,000,000 up to \$5,000,000	0.110	N/A	KSA 9-1703
Greater than \$5,000,000	0.090	N/A	KSA 9-1703

FIGURE 9
BANK AND TRUST DIVISION
TRUST ASSESSMENT RATES (PER MILLION), FY 2024

Trust Total Assets	Current Fee	Statutory Limit	Authority
Inactive Trusts	\$ 100	N/A	KSA 9-1703
Trusts less than or equal to \$10,000,000	\$ 2,500	N/A	KSA 9-1703
Greater than \$10,000,000 to \$100,000,000	\$ 4,000	N/A	KSA 9-1703
Greater than \$100,000,000 to \$1,000,000,000	\$ 5,800	N/A	KSA 9-1703
Greater than \$1,000,000,000 to \$5,000,000,000	\$ 14,500	N/A	KSA 9-1703
Greater than \$5,000,000,000 to \$25,000,000,000	\$ 22,000	N/A	KSA 9-1703
Trusts greater than or equal to \$25,000,000,000*	\$ 22,000	N/A	KSA 9-1703

* The fee for trusts greater than \$25.0 billion is \$22,000, plus an additional \$5,000 for every \$1.0 billion in assets.

FIGURE 10
CONSUMER AND MORTGAGE LENDING DIVISION
LICENSING FEES, FY 2024

Bank Total Assets	Current Fee	Statutory Limit	Authority
Company new or renewal license for principal place of business*	\$ 400	N/A	KSA 9-1726
Company new or renewal license for branch office	\$ 100	N/A	KSA 9-1726
Loan originator new license	\$ 100	N/A	KSA 9-1726
Loan originator renewal license	\$ 50	N/A	KSA 9-1726
Annual licensing fee** (per \$100,000)	\$ 2.00 – 6.00	N/A	KSA 9-1726
Annual licensing fee** (per loan)	\$ 0.20 – 2.50	N/A	KSA 9-1726
Notification location fee	\$ 25	N/A	KSA 9-1726
Notification volume fee (per loan)	\$ 5.00 – 15.00	N/A	KSA 9-1726

* Credit service organization renewal license fee is \$150.

** Certain credit transactions are assessed on a per-loan basis and others are assessed on dollar volume, depending on the type of transaction.

The agency also earns revenue from fees paid by licensed consumer credit providers, mortgage licensees, money transmitters, and credit service organizations. At the end of FY 2023, the Consumer and Mortgage Lending Division of the OSBC regulated more than 12,400 entities.

FY 2024 ANALYSIS

FIGURE 11

SUMMARY OF BUDGET REQUEST, FY 2024

	SGF	All Funds	FTE
Legislative Approved:			
Amount Approved by 2023 Legislature	\$ -	\$ 13,421,983	112.0
1. No Changes	-	-	--
<i>Subtotal—Legislative Approved</i>	\$ -	\$ 13,421,983	112.0
Agency Revised Estimate:			
Supplemental Requests:			
2. Additional Trust Examiners	\$ -	\$ 127,714	2.0
3. Salary Adjustments	-	68,467	--
4. Board Member Fee Increases	-	12,420	--
<i>Subtotal—Supplemental Requests Only</i>	\$ -	\$ 208,601	2.0
5. Subsistence and Travel	\$ -	(52,336)	--
6. All Other Adjustments	-	(265,913)	--
<i>Subtotal—Agency Revised Estimate</i>	\$ -	\$ 13,312,335	114.0
Governor's Recommendation:			
7. Supplementals Not Recommended	\$ -	(12,420)	--
TOTAL	\$ -	\$ 13,299,915	114.0

LEGISLATIVE APPROVED

The 2023 Legislature approved a budget of \$13.4 million, all from special revenue funds, in expenditures and 112.0 FTE positions for the Office of the State Bank Commissioner for FY 2024.

- NO CHANGES.** Subsequent to the 2023 Session, no adjustments were made to the \$13.4 million appropriated to the Office of the State Bank Commissioner in FY 2024.

AGENCY ESTIMATE

The **agency** submits a revised estimate of \$13.3 million, all from special revenue funds, in expenditures and 114.0 FTE positions in FY 2024. This is a decrease of \$109,648, or 0.8 percent, below the FY 2024 approved amount.

The revised estimate includes \$208,601, all from the Bank Commissioner Fee Fund, for the following supplemental requests:

- ADDITIONAL TRUST EXAMINERS.** The revised estimate includes a supplemental request of \$127,714, all from the Bank Commissioner Fee Fund, and an increase of 2.0 FTE positions to hire two additional Trust Examiners in FY 2024. The agency anticipates the number of trust assets under the OSBC's regulatory supervision will double because of the recent approval of a new financial institution in the state. Additional Trust Examiners are requested so the agency can ensure trust files, which are increasingly complex in nature, are adequately reviewed during examinations.
- SALARY ADJUSTMENTS.** The revised estimate includes \$68,467, all from the Bank Commissioner Fee Fund, for compensation increases for OSBC staff in FY 2024. According to the agency, a competitive salary structure for their Financial Examiners and other staff will allow the OSBC to attract and retain high-quality employees rather than compete with the FDIC and private financial institutions. The agency further notes entities subject to OSBC regulation have voiced support for a competitive salary

structure because it would ensure fair and reliable supervision of their institutions.

4. **BOARD MEMBER FEE INCREASES.** The revised estimate includes an additional \$12,240, all from the Bank Commissioner Fee Fund, to increase the per diem compensation for members of the State Banking Board in FY 2024. The current per diem rate of \$35 per meeting attended has not changed since 1974. The OSBC believes the low compensation rate is the main reason the agency has historically had difficulty recruiting the most-qualified members to the State Banking Board. The agency requests the per diem rate for the State Banking Board be increased to \$150 per meeting attended in order to adequately compensate the members, most of whom are who skilled in the banking industry.

Absent the supplemental requests, the revised estimate includes a decrease of \$318,249, all from the Bank Commissioner Fee Fund, in base budget expenditures. Significant adjustments are as follows:

5. **SUBSISTENCE AND TRAVEL.** The revised estimate includes a decrease of \$52,336 from the FY 2024 approved amount in subsistence and travel expenditures. Certain OSBC employees must travel throughout the state to conduct examinations of banking and trust entities. The amount of time an employee spends on one on-site examination is dependent on a number of factors, including how many assets are held by the entity, making it difficult to predict accurate in-state travel-related expenditures. The OSBC requires their examiner staff to attend at least one continuing education, training, and professional development event each year to ensure examiners have the most up-to-date knowledge. Prior to the COVID-19 pandemic, these events were almost exclusively conducted out-of-state by associations such as the Conference of State Bank Supervisors and the Federal Reserve Bank. The pandemic caused most of these training and educational events to be conducted online, resulting in decreased travel and lodging expenditures the past few fiscal years. However, as the pandemic wanes, in-person conferences and seminars have resumed, which will likely result in increased costs for out-of-state travel, lodging, and subsistence. In fact, the reduction in travel expenditures is partially offset by an increase in job-related training and conference registration fees.
6. **ALL OTHER ADJUSTMENTS.** The revised estimate includes a decrease of \$265,913 from the FY 2024 approved amount in other expenditures. The agency states this reduction is due to the agency not knowing how many outside services it would need to contract for in order to regulate the TEFFI industry. However, aside from the initial application of Beneficient in 2022, the agency has not received any applications to establish additional TEFFIs. The agency was able to conduct the examination of the one TEFFI with existing resources. If more TEFFIs are established, the agency will likely need additional moneys to properly examine and regulate the new industry.

The **agency's** revised estimate also includes 114.0 FTE positions, which is an increase of 2.0 FTE positions above the approved number of positions in FY 2024 due to the agency's request for additional examiners.

GOVERNOR'S RECOMMENDATION

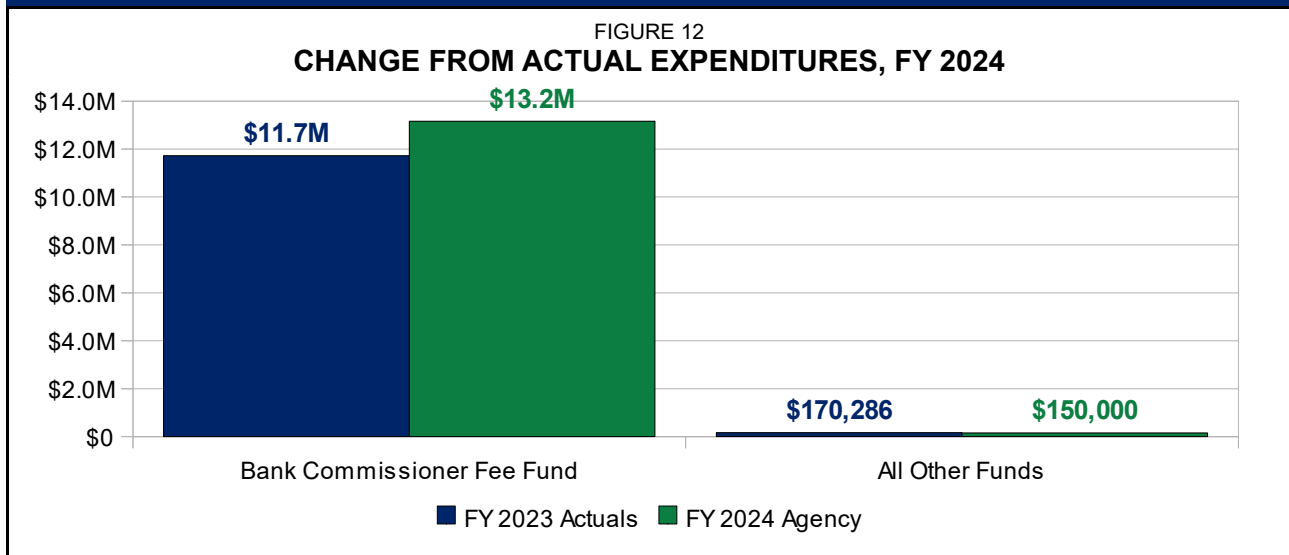
The **Governor** recommends expenditures of \$13.3 million, all from special revenue funds, in expenditures in FY 2024. This decrease of \$12,420, or 0.1 percent, below the agency's FY 2024 revised estimate. The decrease is due to the Governor not recommending the agency's supplemental request to increase the per diem compensation for members of the State Banking Board.

The **Governor's** recommendation includes the following adjustments:

7. **SUPPLEMENTALS NOT RECOMMENDED.** The Governor does not recommend adoption of the agency's supplemental request to increase the per diem compensation for members of the State Banking Board in FY 2024.

The **Governor's** recommendation also includes 114.0 FTE positions, which is the same number of positions as the agency's revised estimate in FY 2024.

FY 2024 CHANGE FROM ACTUAL EXPENDITURES



The **agency** estimates revised expenditures of \$13.3 million, all from special revenue funds, in FY 2024. This increase of \$1.4 million, or 11.9 percent, above FY 2023 actual expenditures is partially due to the agency's supplemental requests for additional Trust Examiners, salary adjustments for staff, and fee increases for board members. As the agency hires additional staff members, it anticipates expenditures for contractual services will increase. The OSBC plans to hire additional examiners, who will conduct bank examinations on-site throughout the state. The agency will also have to provide for additional professional development training and additional fees for memberships into professional societies for new staff.

The increase above the FY 2023 actual expenditures is also attributable to the 2023 Legislature's partial adoption of the agency's supplemental and enhancement requests for additional IT Examiners in FY 2023 (\$39,819) and FY 2024 (\$158,527) for a net increase of \$118,708. In addition, the agency has a number of one-time expenditures in FY 2024 that it does not anticipate continuing into the future. The one-time expenditures include, but are not limited to, the purchase of two new vehicles and the replacement of the current IT server. The FY 2024 revised estimate also includes moneys for a potential remodel of the main office in Topeka, Kansas. The agency is currently negotiating with the building's landlord regarding the possibility of downsizing to one floor of the building, rather than two. If this were the case, the agency anticipates needing to purchase new furniture to make the office environment habitable.

FY 2025 ANALYSIS

FIGURE 13

SUMMARY OF BUDGET REQUEST, FY 2025

	SGF	All Funds	FTE
Agency Revised Estimate*:			
Revised Estimate without Major Changes	\$ -	\$ 12,684,937	112.0
Enhancement Requests:			
1. Additional Trust Examiners	\$ -	\$ 163,793	2.0
2. Salary Adjustments	-	68,262	--
3. Board Member Fee Increases	-	12,420	--
4. Pay Plan Shortfall	-	462,247	--
<i>Subtotal—Enhancement Requests Only</i>	\$ -	\$ 706,722	2.0
5. All Other Adjustments	\$ -	\$ (122,000)	--
<i>Subtotal—Agency Revised Estimate</i>	\$ -	\$ 13,269,659	114.0
Governor's Recommendation:			
6. Enhancements Not Recommended	\$ -	\$ (12,420)	--
TOTAL	\$ -	\$ 13,257,239	114.0

* Staff note: The 2023 Legislature approved a budget of \$12.9 million, all from special revenue funds, and 112.0 FTE positions for FY 2025.

AGENCY ESTIMATE

The **agency** submits a revised estimate of \$13.3 million, all from special revenue funds, in expenditures and 114.0 FTE positions for FY 2025. This is an increase of \$399,501, or 3.1 percent, above the FY 2025 approved amount, and a decrease of \$42,676, or 0.3 percent, below the FY 2024 revised estimate.

The revised estimate includes \$706,722, all from the Bank Commissioner Fee Fund, for the following enhancement requests:

- 1. ADDITIONAL TRUST EXAMINERS.** The revised estimate includes an enhancement request of \$163,793, all from the Bank Commissioner Fee Fund, and an increase of 2.0 FTE positions so the agency can hire two additional trust examiners for FY 2025. The agency anticipates the number of trust assets under the OSBC's regulatory supervision will double because of the recent approval of a new financial institution in the state. Additional trust examiners are requested so the agency can ensure trust files, which are increasingly complex in nature, are adequately reviewed during examinations.
- 2. SALARY ADJUSTMENTS.** The revised estimate includes an enhancement request of \$68,262, all from the Bank Commissioner Fee Fund, for compensation increases for OSBC staff for FY 2025. According to the agency, a competitive salary structure for their Financial Examiners and other staff will allow the OSBC to attract and retain high-quality employees rather than compete with the FDIC and private financial institutions. The agency further notes entities subject to OSBC regulation have voiced support for a competitive salary structure because it would ensure fair and reliable supervision of their institutions.
- 3. BOARD MEMBER FEE INCREASES.** The revised estimate includes an enhancement request of \$12,240, all from the Bank Commissioner Fee Fund, to increase the per diem compensation for members of the State Banking Board for FY 2025. The current per diem rate of \$35 per meeting attended has not changed since 1974. The OSBC believes the low compensation rate is the main reason the agency has historically had

difficulty recruiting the most-qualified members to the State Banking Board. The agency requests that the per diem rate for the State Banking Board be increased to \$150 per meeting attended in order to adequately compensate the members, most of whom are skilled in the banking industry.

4. **PAY PLAN SHORTFALL.** The revised estimate includes an enhancement request of \$462,247, all from the Bank Commissioner Fee Fund, for FY 2025 to account for an increase in expenditure limitations that was inadvertently left out of the Legislative Pay Plan in 2023 SB 25. This adjustment would achieve the intended effect of the pay plan and does not represent a substantive change from the salary adjustments approved by the 2023 Legislature.

Absent the enhancement requests, the revised estimate includes a decrease of \$122,000 in base budget expenditures. Significant adjustments are as follows:

5. **ALL OTHER ADJUSTMENTS.** The revised estimate includes a decrease of \$122,000, all from the Bank Commissioner Fee Fund, for FY 2025 due to one-time expenditures that were made in FY 2024. Included among the one-time expenditures in FY 2024 that the agency does not anticipate continuing into future fiscal years are the computer server replacement and the Topeka office remodel.

The **agency's** revised estimate also includes 114.0 FTE positions, which is an increase of 2.0 FTE positions above the FY 2025 approved number. The increase is due to the agency's request for additional examiners.

GOVERNOR'S RECOMMENDATION

The **Governor** recommends expenditures of \$13.3 million, all from special revenue funds, in expenditures for FY 2025. This is a decrease of \$12,420, or 0.1 percent, below the agency's FY 2025 revised estimate. The decrease is due to the Governor not recommending the agency's supplemental request to increase the per diem compensation for members of the State Banking Board.

The **Governor's** recommendation includes the following adjustments:

6. **ENHANCEMENTS NOT RECOMMENDED.** The Governor does not recommend adoption of the agency's enhancement request to increase the per diem compensation for members of the State Banking Board for FY 2025.

The **Governor's** recommendation also includes 114.0 FTE positions, which is the same number of positions as the agency's revised estimate for FY 2025.

SUPPLEMENTAL AND ENHANCEMENT REQUESTS

FIGURE 14
SUPPLEMENTAL AND ENHANCEMENT REQUESTS, FY 2024 – FY 2025

Request	Agency			Governor		
	SGF	All Funds	FTE	SGF	All Funds	FTE
FY 2024 Supplementals:						
1. Additional Trust Examiners	\$ -	\$ 127,714	2.0	\$ -	\$ 127,714	2.0
2. Salary Adjustments	-	68,467	-	-	68,467	-
3. Board Member Fee Increase	-	12,420	-	-	-	-
TOTAL	\$ -	\$ 208,601	2.0	\$ -	\$ 196,181	2.0
FY 2025 Enhancements:						
4. Additional Trust Examiners	\$ -	\$ 163,793	2.0	\$ -	\$ 163,793	2.0
5. Salary Adjustments	-	68,262	-	-	68,262	-
6. Board Member Fee Increase	-	12,420	-	-	-	-
7. Pay Plan Shortfall	-	462,247	-	-	462,247	-
TOTAL	\$ -	\$ 706,722	2.0	\$ -	\$ 694,302	2.0

- 1. ADDITIONAL TRUST EXAMINERS – FY 2024.** The agency's revised estimate includes a supplemental request of \$127,714, all from the Bank Commissioner Fee Fund, and an increase of 2.0 FTE positions so the agency can hire two additional Trust Examiners in FY 2024. The agency anticipates the number of trust assets under the OSBC's regulatory supervision will double because of the recent approval of a new financial institution in the State. Additional Trust Examiners are requested so the agency can ensure trust files, which are increasingly complex in nature, are adequately reviewed during examinations.

The Governor recommends adoption of this request.

- 2. SALARY ADJUSTMENTS – FY 2024.** The agency's revised estimate includes a supplemental request of \$68,467, all from the Bank Commissioner Fee Fund, for compensation increases for OSBC staff in FY 2024. According to the agency, a competitive salary structure for their Financial Examiners and other staff will allow the OSBC to attract and retain high-quality employees rather than compete with the FDIC and private financial institutions. The agency further notes entities subject to OSBC regulation have voiced support for a competitive salary structure because it would ensure fair and reliable supervision of their institutions.

The Governor recommends adoption of this request.

- 3. BOARD MEMBER FEE INCREASE – FY 2024.** The agency's revised estimate includes a supplemental request of \$12,420, all from the Bank Commissioner Fee Fund, to increase the per diem compensation for members of the State Banking Board in FY 2024. The current per diem rate of \$35 per meeting attended has not changed since 1974. The OSBC believes the low compensation rate is the main reason the agency has historically had difficulty recruiting the most-qualified members to the State Banking Board. The agency requests the per diem rate for the State Banking Board be increased to \$150 per meeting attended in order to adequately compensate the members, most of whom are who skilled in the banking industry.

The Governor does not recommend adoption of this request.

- 4. ADDITIONAL TRUST EXAMINERS – FY 2025.** The agency's revised estimate includes an enhancement request of \$163,793, all from the Bank Commissioner Fee Fund, and in increase of 2.0 FTE positions for FY 2025. For additional information, see Item 1.

The Governor recommends adoption of this request.

5. **SALARY ADJUSTMENTS – FY 2025.** The agency's revised estimate includes an enhancement request of \$68,262, all from the Bank Commissioner Fee Fund, for compensation increases for OSBC staff for FY 2025. For additional information, see Item 2.

The Governor recommends adoption of this request.

6. **BOARD MEMBER FEE INCREASES – FY 2025.** The agency's revised estimate includes an enhancement request of \$12,420, all from the Bank Commissioner Fee Fund, to increase the per diem compensation for members of the State Banking Board for FY 2025. For additional information, see Item 3.

The Governor does not recommend adoption of this request.

7. **PAY PLAN SHORTFALL – FY 2025.** The agency's revised estimate includes an enhancement request of \$462,247, all from the Bank Commissioner Fee Fund, for FY 2025 to account for an increase in expenditure limitations that was inadvertently left out of the Legislative Pay Plan in 2023 SB 25. This adjustment would achieve the intended effect of the pay plan and does not represent a substantive change from the salary adjustments approved by the 2023 Legislature.

The Governor recommends adoption of this request.

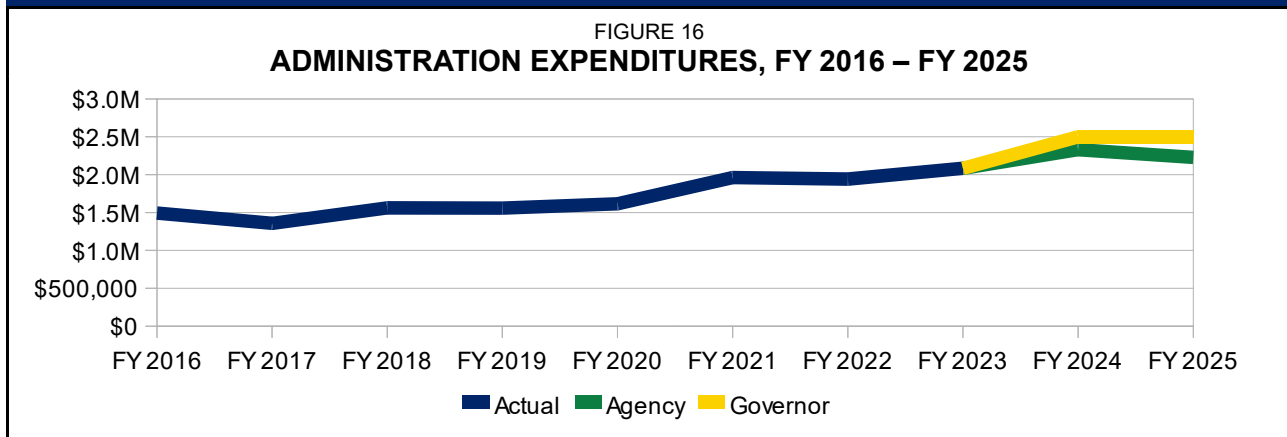
PROGRAM MEASURES OVERVIEW

FIGURE 15

EXPENDITURES AND FTE POSITIONS BY PROGRAM, FY 2023 – FY 2025

Programs	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
Expenditures:					
Administration	\$ 2,083,179	\$ 2,329,906	\$ 2,329,906	\$ 2,227,116	\$ 2,227,116
Banking and Trust Regulation	6,208,507	7,050,367	7,037,947	7,109,516	7,097,096
Consumer Mortgage Regulation	3,609,911	3,932,062	3,932,062	3,933,027	3,933,027
TOTAL	<u>\$ 11,901,597</u>	<u>\$ 13,312,335</u>	<u>\$ 13,299,915</u>	<u>\$ 13,269,659</u>	<u>\$ 13,257,239</u>
FTE Positions:					
Administration	16.0	15.0	15.0	15.0	15.0
Banking and Trust Regulation	62.0	64.0	64.0	64.0	64.0
Consumer Mortgage Regulation	34.0	35.0	35.0	35.0	35.0
TOTAL	<u>112.0</u>	<u>114.0</u>	<u>114.0</u>	<u>114.0</u>	<u>114.0</u>

ADMINISTRATION



STATUTORY BASIS: • N/A

PROGRAM GOALS:

- Provide support in the administration of OSBC policies.
- Provide support for the fiscal systems and processes, which include accounting, budget, and human resource functions.

The Administration Program provides support for the supervisory and regulatory functions of the OSBC. This program has many functions, including the administration and formulation of OSBC policies, as well as the administration of

the agency's fiscal processes. In addition, the program also provides for legal services to staff in their execution of regulatory requirements, and provides for the administration of human resource-related duties.

FIGURE 17
ADMINISTRATION FINANCING, FY 2023 – FY 2025

Fund	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
SGF	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	2,083,179	2,329,906	2,329,906	2,227,116	2,227,116
TOTAL	\$ 2,083,179	\$ 2,329,906	\$ 2,329,906	\$ 2,227,116	\$ 2,227,116
Percent Change:					
SGF	-- %	-- %	-- %	-- %	-- %
All Funds	7.3 %	11.8 %	-- %	(4.4) %	-- %
FTE Positions	16.0	15.0	15.0	15.0	15.0

BUDGET ANALYSIS

FY 2024

The **agency** submits a revised estimate of \$2.3 million, all from special revenue funds, and 15.0 FTE positions for the Administration Program in FY 2024. This is an increase of \$69,709, or 3.1 percent, and a 1.0 FTE position decrease from the FY 2024 approved amount. The expenditure increase is primarily due to the agency's planned purchase of information-processing equipment, as well as costs associated with leasing the agency's office in

Topeka, such as the rental of computer software and other equipment.

The **Governor** concurs with the agency's revised estimate of \$2.3 million, all from special revenue funds, and 15.0 FTE positions for the Administration Program in FY 2024.

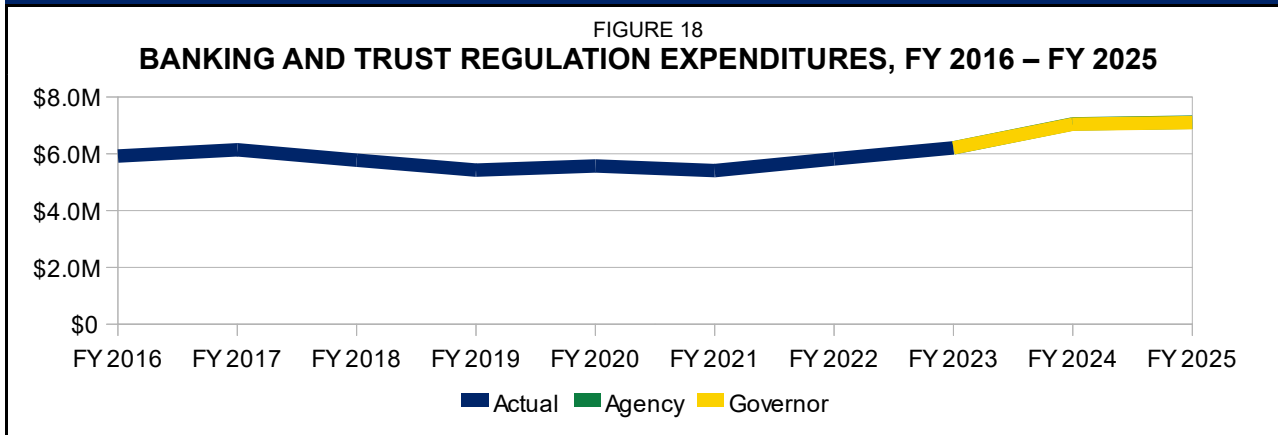
FY 2025

The **agency** submits a revised estimate of \$2.2 million, all from special revenue funds, and 15.0 FTE positions for the Administration

Program for FY 2025. This is an increase of \$22,474, or 1.0 percent, above the FY 2025 approved amount. The increase is primarily due to costs associated with leasing the agency's office in Topeka, such as the rental of computer software and other equipment.

The **Governor** concurs with the agency's revised estimate of \$2.2 million, all from special revenue funds, and 15.0 FTE positions for the Administration Program for FY 2025.

BANKING AND TRUST REGULATION



STATUTORY BASIS: • KSA 9-1701, KSA 74-3004, and KSA 75-1304.

- PROGRAM GOALS:**
- Regulate state-chartered bank and trust entities in an efficient, capable, fair, and professional manner.
 - Examine all state-chartered banks at least once every 18 months.
 - Enforce actions to address problematic or troubled financial institutions in an effort to restore such institutions to a safe and sound condition. (*Note: "Troubled" financial institutions are those that receive a CAMELS rating of 3, 4, or 5.*)
 - Develop and maintain positive relationships with regulated entities and industry trade associations through outreach and educational opportunities.

The Banking and Trust Regulation Program is responsible for the oversight and supervision of all state-chartered banks, trust entities, and TEFFIs. The Banking and Trust Regulation Program is also charged with restoring problematic or troubled financial institutions to safe and sound conditions. Other duties conducted through the program include coordinating with federal or other state banking agencies on supervisory matters, and reviewing applications for new financial institutions.

Statute requires all state-chartered banks to be examined at least once in an 18-month

period, though the OSBC may examine a bank more frequently if warranted. For example, the OSBC may examine banks that have assets of over \$3.0 billion or banks with less than satisfactory management at least once a year. The OSBC notes that approximately two-thirds of the 172 state-chartered banks in Kansas are required to be examined at least once a year. As of September 2023, the total assets supervised in banks and trust entities was approximately \$132.6 billion. (*Note: At the end of FY 2023, there were 172 state-chartered banks in Kansas.*)

BUDGET ANALYSIS

The Banking and Trust Regulation Program composes the largest portion of the agency. Expenditures for the program remained relatively steady in recent years; however, expenditures are anticipated to increase, largely because of the establishment of TEFFIs, which are a new category of banks.

In addition, expenditures for the Banking and Trust Regulation Program are expected to increase because trust examinations are becoming more complex. Over the past several years, the OSBC has experienced an increase in the merger and acquisition of state-chartered banks. While this has caused the number of stated-chartered banks to decrease, the assets of these banks continue to rise. This has resulted in fewer, yet larger, banks. As such, the agency notes more time and money must be spent on the examinations of these complex banks.

FY 2024

The **agency** submits a revised estimate of \$7.1 million, all from special revenue funds, and 64.0 FTE positions for the Banking and Trust Regulation Program in FY 2024. This is a decrease of \$354,964, or 4.8 percent, and an increase of 2.0 FTE positions from the FY 2024 approved amount. The expenditure decrease is primarily attributable to the agency budgeting more moneys than necessary for the regulation of the TEFFI industry.

The **Governor** recommends expenditures of \$7.0 million, all from special revenue funds, and

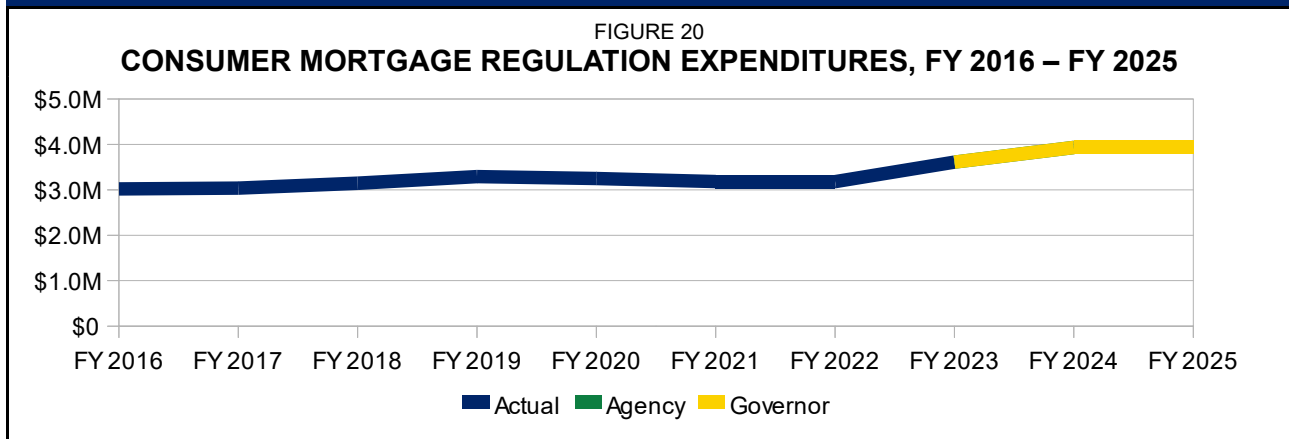
64.0 FTE positions for the Banking and Trust Regulation Program in FY 2024. This is a decrease of \$12,420, or 0.2 percent, below the agency's FY 2024 revised estimate. The decrease is due to the Governor not recommending the agency's supplemental request to increase the per diem compensation for members of the State Banking Board.

FY 2025

The **agency** submits a revised estimate of \$7.1 million, all from special revenue funds, and 64.0 FTE positions for the Banking and Trust Regulation Program for FY 2025. This is an increase of \$79,206, or 1.1 percent, above the FY 2025 approved amount, and an increase of \$59,149, or 0.8 percent, above the FY 2024 revised estimate. The increase is partially attributable to the agency's four enhancement requests. However, the increase is partially offset by a decrease in other contractual services due to the agency budgeting more moneys than necessary for the regulation of the TEFFI industry.

The **Governor** recommends expenditures of \$7.1 million, all from special revenue funds, and 64.0 FTE positions for the Banking and Trust Regulation Program for FY 2025. This is a decrease of \$12,420, or 0.2 percent, below the agency's FY 2025 revised estimate. The decrease is due to the Governor not recommending the agency's enhancement request to increase the per diem compensation for members of the State Banking Board.

CONSUMER MORTGAGE REGULATION



STATUTORY BASIS: • KSA 9-1701, KSA 74-3004, and KSA 75-1304.

- PROGRAM GOALS:**
- License mortgage, consumer credit, and money service providers in accordance with state and federal laws and regulations.
 - Conduct periodic examinations of regulated entities to promote lawful credit practices and compliance with state and federal laws and regulations.
 - Take enforcement actions to address credit activities that violate state laws or regulations.
 - Maintain a consumer complaint investigation and response program to assist consumers with questions and concerns.
 - Collaborate with other State of Kansas financial regulatory agencies to facilitate and streamline consumer access to financial education and resources.

The Consumer Mortgage Regulation Program is responsible for the oversight and supervision of credit providers, including consumer credit lenders, mortgage lenders, mortgage brokers, debt-management companies, and sales finance companies. The main goal of the program is to ensure a regulatory environment that provides for reasonable regulation of entities and a robust but fair marketplace where consumers may obtain credit.

Other activities conducted through the program include the enforcement of laws designed to discourage unscrupulous or illegal credit activities, the licensing and regulating of consumer and mortgage credit providers, the conduction of examinations to promote lawful credit practices and adherence to state and federal laws, the investigation of consumer complaints, and the facilitation of consumer education and awareness of credit issues.

FIGURE 21
CONSUMER MORTGAGE REGULATION FINANCING, FY 2023 – FY 2025

Fund	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
SGF	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	3,609,911	3,932,062	3,932,062	3,933,027	3,933,027
TOTAL	\$ 3,609,911	\$ 3,932,062	\$ 3,932,062	\$ 3,933,027	\$ 3,933,027
Percent Change:					
SGF	-- %	-- %	-- %	-- %	-- %
All Funds	13.5 %	8.9 %	-- %	-- %	-- %
FTE Positions	34.0	35.0	35.0	35.0	35.0

BUDGET ANALYSIS

FY 2024

The **agency** submits a revised estimate of \$3.9 million, all from special revenue funds, and 35.0 FTE positions for the Consumer Mortgage Regulation Program in FY 2024. This is an increase of \$175,607, or 4.7 percent, and 1.0 FTE position above the FY 2024 approved amount. The expenditure increase is primarily due to the agency's supplemental requests, including the request for two additional examiners. One of the requested examiners would work in the Consumer Mortgage Regulation Program.

The **Governor** concurs with the agency's FY 2024 revised estimate of \$3.9 million, all from special revenue funds, and 35.0 FTE positions for the Consumer Mortgage Regulation Program in FY 2024.

FY 2025

The **agency** submits a revised estimate of \$3.9 million, all from special revenue funds, and 35.0 FTE positions for the Consumer Mortgage Regulation Program for FY 2025. This is an increase of \$297,821, or 8.2 percent, above the FY 2025 approved amount, and an increase of \$965, or less than 1.0 percent, above the FY 2024 revised estimate. The increase is primarily due to the agency's enhancement requests, including the request for two additional examiners, that are recognized primarily in the salaries and wages category of expenditures. One of the requested examiners would work in the Consumer Mortgage Regulation Program.

The **Governor** concurs with the agency's revised estimate of \$3.9 million, all from special revenue funds, and 35.0 FTE positions for the Consumer Mortgage Regulation Program for FY 2025.