

House Appropriations Subcommittee on Business & Economic Development

April 26, 2010

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Banking

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Office of Consumer Credit
Commissioner

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Texas Credit Union
Department

Paul Plunket
Public Member
Finance Commission of Texas

Gary L. Janacek
Chairman
Credit Union Commission

Self-Directed Semi-Independent (SDSI) Authority and Requirements

- ❖ Statutory Authority: Texas Finance Code, §16.002
- ❖ Requirements
 - ✓ Agency budget approved by Finance Commission or Credit Union Commission.
 - ✓ Agency responsible for all direct and indirect costs; no cost to General Revenue Fund.
 - ✓ Funds maintained at Texas Treasury Safekeeping Trust.
 - ✓ Biennial activity report submitted to Legislature and Governor to include:
 - Any audit performed by the State Auditor;
 - Financial report of previous fiscal year; and
 - Description of all new rules and changes in fees imposed on regulated industries.
 - ✓ Annual report submitted to Governor, House Appropriations, Senate Finance and LBB:
 - Salary of agency personnel and travel expenses, including Commission travel;
 - Agency operating plan and annual budget; and
 - Detailed report of revenues and expenditures for previous 12 months.



Suitability for SDSI

- ❖ Self-funding agencies – No general revenue funds are used. Operations are funded by fees and assessments collected from regulated entities.
- ❖ Self-leveling agencies – Pursuant to statute, agencies only generate the funds necessary to recover the costs of administering their regulatory functions.
- ❖ Financial institutions have a choice of charter – national or state. The agencies must be good fiscal stewards or risk losing client financial institutions.
- ❖ History of fair but tough regulation that protects Texas citizens and promotes a sound financial services system.
- ❖ History of well managed and fiscally sound agencies.
- ❖ Active and involved oversight boards.



Successful Transition

- ❖ Extensive planning and legal research conducted prior to fiscal year 2010.
 - ✓ Met with existing SDSI agencies and legislative oversight bodies for guidance.
 - ✓ Consistent approach and coordination among the four financial regulatory agencies.
- ❖ 2010 Budget approved by respective commission.
 - ✓ Budgets were substantially similar to amounts appropriated.
- ❖ Initiated, drafted, and established contracts with Office of Attorney General and Comptroller of Public Accounts.
 - ✓ State Auditor contract to be executed in August 2010 for fiscal year 2010 financial report and/or performance audits.
- ❖ New accounts established with Comptroller of Public Accounts and Texas Treasury Safekeeping Trust Company; bridge loans funded.
- ❖ Executed new vendor contracts related to building maintenance.



Benefits of SDSI

- ❖ Effective and timely response to changing dynamics in our economy or regulated industries.
 - ✓ Ability to adjust budgets to implement immediate changes in staffing strategies.
- ❖ Proactive salary administration.
 - ✓ Ability to adjust salaries to retain and attract qualified personnel and strive for more competitive salary levels with the FDIC.
- ❖ Reduced total cost of state budget; oversight agencies are relieved of certain budget oversight responsibilities and associated costs.
- ❖ Ability to create a deferred maintenance plan for the Finance Commission and Credit Union Commission buildings.
- ❖ Ability to better manage revenues and cash flow over an extended period of time.



Operations & Reporting

- ❖ Submitted the first SDSI reports as required under Texas Finance Code, §16.005 in November 2009.
- ❖ Continue to follow the State Payroll, Travel, Purchasing and Procurement rules and standards for all agency expenditures.
- ❖ Submit quarterly financial statements, including budget variance analysis, to the respective commission for review and approval.
- ❖ Continue to coordinate with the Facilities Commission for regional office leases and other services, as applicable.
- ❖ Continue to calculate and maintain data for performance measures, which is submitted quarterly to the respective oversight commission.
- ❖ Began preparing the Strategic Plan for 2011-2015.
- ❖ Biennial report due to Legislature and Governor's Office prior to 82nd Legislature.



SDSI Ongoing Implementation – Finance Commission

❖ Strategic Plan Preparation

- ✓ Focus on SDSI status and emphasis on transparency and accountability.
- ✓ Opportunities for stakeholder input.
- ✓ Estimated completion in June 2010.

❖ FY 2011 Budget Development

- ✓ Based upon Strategic Plan with emphasis on appropriate staffing, revenue, and expenditure strategies.
- ✓ Opportunity for public participation through Public Hearing
- ✓ Ensuring financial stability through fiscal policies to determine adequate reserves.
- ✓ Finance Commission adoption of FY 2011 budget scheduled for August 2010.

❖ Performance Measures Reporting

- ✓ Emphasis on improved reporting for better decision making and enhanced transparency and accountability.



SDSI Ongoing Implementation – Credit Union Commission

❖ Current or Planned Activities

- ✓ Adopt policy to ensure financial stability through establishment of appropriate reserves.
- ✓ Review performance appraisal process for commissioner to ensure accountability for operational results as SDSI.
- ✓ Moving from periodic distribution of performance measures to more ongoing dialog between commissioner and Commission.

❖ FY 2011 Budget Development

- ✓ Establish fiscally prudent budget assumptions.
- ✓ Increase emphasis on transparency and accountability.
- ✓ Hold public hearing for stakeholder input.
- ✓ Fund adequate reserves without raising fees.
- ✓ Adoption of budget scheduled for June 18, 2010.

