

**PRESENTATION TO
THE HOUSE COMMITTEE ON APPROPRIATIONS
REGULATORY SUBCOMMITTEE**

ON HOUSE BILL 1

**ON BEHALF OF
THE TEXAS DEPARTMENT OF BANKING**

By

**Catherine A. Ghiglieri
Commissioner**

February 8, 1999

PRIORITIZATION OF UNFUNDED ITEMS

- 1) Restore FTEs**
- 2) Correct contingency rider**
- 3) Restore indirect administration**
- 4) Approve document imaging system**
- 5) Restore money laundering rider**

AGENCY FACTS

- **Department of Banking is self-funding**
- **Assessments always cover expenses**
- **Assessments on regulated entities will cover restored/approved items**

1) RESTORE CRITICAL FTES

	FY 2000 Requested	FY 2000 Received	Difference		FY 2001 Requested	FY 2001 Received	Difference
FTEs	150.5	138	(12.5)		151	138.5	(12.5)

- **138 FTEs received = actual FTEs as of 11-30-98**
- **Current FTEs = 148**
- **Current FTE cap = 184.5**
- **12 vacant positions at 11-30-98**
- **30% turnover despite high morale in LBJ Survey**

TO COMBAT TURNOVER, WE HAVE:

- 1) Raised examiner salaries**
- 2) Started aggressive recruitment**
- 3) Offered positions earlier**
- 4) Hired earlier**

FULL STAFFING IS ESSENTIAL

- **150 FTEs needed to maintain sound banking system**
- **Computerized model determines staffing level**
- **Year 2000 = more examinations to perform**
- **Overall bank conditions declining**
- **No additional appropriations needed to restore request**

2) CORRECT CONTINGENCY RIDER

- **Current wording makes rider inaccessible**
- **Restricts all revenues to 1 object code**
- **Banking Department has 8 object codes**
- **Referenced “Section 4” deleted in House Bill 1**

PROPOSED CONTINGENCY RIDER

**Testimony of Catherine A. Ghiglieri
Banking Commissioner of Texas
Presented to the House Committee on Appropriations
Regulatory Subcommittee**

Problem in Draft House Bill 1:

**The last two sentences of paragraph (d) of 3. Contingency Appropriation:
State Regulatory Response say:**

“ . . . These increased revenues must exceed \$_____ (Object Code 3172) contained in the Comptroller of Public Accounts’ Biennial Revenue Estimate for 2000 and 2001. The revenue amounts required by this section shall be separate from and in addition to the requirements in Section 4 below” . . .

Solution:

- 1) Delete these sentences entirely, or,**
- 2) Rewrite as follows:**

“ . . . These increased revenues (included in all agency revenue Object Codes) must exceed the agency’s total appropriations for the year, plus the amount of “Other Direct and Indirect Costs Appropriated Elsewhere in this Act.” ~~–\$_____ (Object Code 3172) contained in the Comptroller of Public Accounts’ Biennial Revenue Estimate for 2000 and 2001. The revenue amounts required by this section shall be separate from and in addition to the requirements in Section 4 below~~” . . .

3) RESTORE INDIRECT ADMINISTRATION

	FY 2000 Request	FY 2000 Received	Diff.		FY 2001 Request	FY 2001 Received	Diff.
Indirect Admn.	\$1,931,000	\$1,793,000	(\$138,000)		\$1,926,000	\$1,773,000	(\$153,000)

- **Operating costs appropriated at 73% of actual FY '98 expenses**
- **Increase would require no additional FTEs**
- **Assessments on regulated entities will cover restored/approved items**

**THE FOLLOWING EXPENSES WOULD BE CUT
BY 27% IF REQUEST IS NOT RESTORED:**

- **Utilities**
- **Postage**
- **Repairs**
- **Telephone**
- **Lease Payments**
- **Internal Audit**

4) IMAGING = THE FUTURE

	FY 2000	FY 2001
Projected costs/requested appropriations	\$250,000	\$100,000

- **Included in Governor's budget**
- **Imaging = quick access to documents for staff and public**
- **Imaging = enhanced security and safety**
- **Assessments on regulated entities will cover restored/approved items**
- **Investment is recovered over time**

5) RESTORE MONEY LAUNDERING RIDER

- **Federal grant today = \$100,000**
- **Uncertainty of annual Federal grant renewal**
- **Statute authorizes examination fees if no federal grant [Texas Finance Code Section 153.303]**
- **Examinations needed to deter money laundering**
- **No additional FTEs necessary**

PROPOSED MONEY LAUNDERING RIDER

Appropriation of Funds for Money Laundering Examinations. The Department of Banking is hereby appropriated \$100,000 for each of fiscal years 2000 and 2001 from either federal grants related to the High Intensity Drug Trafficking Area program or from currency exchange examination fees [funding authorization provided by Texas Finance Code Section 153.303]. Reduction of grant funding will not reduce the amount of the appropriation.