

Texas Department of Banking Testimony

Briefing Packet for House Committee on Appropriations Regulatory Sub-Committee

Date: March 5, 2002

Presented by: Randall S. James, Banking Commissioner

Overview of Fiscal 2002 Activities

- **Budgeting Revenues and Expenditures**
- **Achieving Key Performance Measures**
- **Curbing Turnover**
- **Addressing Personnel Issues**
- **Registering Private Child Support Enforcement Agencies**
- **Preparing for New Challenges**

Budgeting Revenues and Expenditures

- **Appropriations for fiscal 2002 and 2003 total \$21,526,558.**
- **Internal budget projections show annual spending approximately \$175,000 less than appropriations** - the 4% across-the-board increase is already included in the agency's appropriation increase for examiner salaries.
- **Bank assessment rates will cover all direct and indirect costs of the agency and will not increase this biennium.**
- **Largest expenditures continue to be salaries and benefits at 83%, followed by travel at 8% of the agency's budget.**
- **Out-of-state travel cap of about \$145,000 burdens agency efforts to -**
 - Perform out-of-state examinations regarding prepaid funeral contracts, sale of check, and money transmission activities; and
 - Maintain necessary training of examiner staff.
- **Out-of-state travel in fiscal 2001 was \$184,000 with 56% related to examinations.**

Achieving Key Performance Measures

- **The agency operates under eight key performance measures -**
 - Three outcome, four output and one explanatory.
- **First quarter fiscal year 2002, within 5% of target for all measures except one-**
 - Number of trust company, trust department, and EDP examinations performed.
- **Three key measures will not be met by the end of fiscal year 2002 -**
 - Number of Special Audit licensees examined;
 - Percentage of banks receiving examinations when due; and
 - Percentage of assets in banks classified safe and sound.

Curbing Turnover

- **Increased financial examiner salaries to a competitive level on September 1, 2001.**
- **Hired eighteen new financial examiners since June 1, 2001.**
- **Current FTE count for financial examiners and related directors is 99 and comprises 67% of the Department's total workforce.**
- **Financial examiner losses since September 1, 2001 have reduced.**

Addressing Personnel Issues

- **Monitoring activities to ensure excellence -**
 - Internal survey to evaluate specific inter-agency communications and relations; and
 - Participation in the Survey of Organization Excellence, which shows improvement and overall employee satisfaction.

Registering Private Child Support Enforcement Agencies

(New & Unfunded Program)

- **Meeting held with interested parties on August 7, 2001, to gather information.**
- **Rules adopted on December 14, 2001.**
- **Plain language model contract developed in December 2001.**
- **Registration activity to date -**
 - Four agencies have received full registration;
 - Seven agencies operate under temporary registration pending final application review; and
 - Two agencies face possible denial of registration for cause.
- **Personnel resources utilized to develop rules, policies, and procedures exceed 750 hours to date.**
- **Too soon to determine impact of complaints, inquiries, and investigations.**

Preparing for New Challenges

- **Increasing need to expand bank supervisory activities due to -**
 - Current economic downturn;
 - Rise in fraudulent activities; and
 - Concerns about the reliability of external accounting and auditing practices.
- **Expanding responsibilities under interstate branching.**
- **Monitoring currency transmission licensees to ensure that new guidelines are followed relating to preventing terrorism.**
- **Licensing and regulating internet bill paying services.**