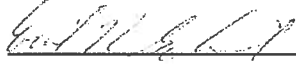


**Schedule 13**  
**Funding Request for the 2014-15 Budget Cycle**

Department: Regulatory Agencies  
 Request Title: Division of Financial Services Operating Expenses Reduction  
 Priority Number: R-2

Dept. Approval by:  10/23/2013  
 Date

- Decision Item FY 2014-15
- Base Reduction Item FY 2014-15
- Supplemental FY 2013-14
- Budget Amendment FY 2014-15

OSPB Approval by:  10/28/13  
 Date

Line Item Information		FY 2013-14		FY 2014-15		FY 2015-16
		1	2	3	4	6
	Fund	Appropriation FY 2013-14	Supplemental Request FY 2013-14	Base Request FY 2014-15	Funding Change Request FY 2014-15	Continuation Amount FY 2015-16
<b>Total of All Line Items</b>	<b>Total</b>	161,788	0	161,788	(30,000)	(30,000)
	FTE	0	0	0	0	0
	GF	0	0	0	0	0
	GFE	0	0	0	0	0
	CF	161,788	0	161,788	(30,000)	(30,000)
	RF	0	0	0	0	0
	FF	0	0	0	0	0
<b>(5) Division of Financial Services, Operating Expenses</b>	<b>Total</b>	161,788	-	161,788	(30,000)	(30,000)
	FTE	-	-	-	-	-
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	161,788	-	161,788	(30,000)	(30,000)
	RF	-	-	-	-	-
	FF	-	-	-	-	-

Letternote Text Revision Required? Yes:  No:  If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number: Division of Financial Services Cash Fund COFRS Fund#272

Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes:  No:  Not Required:

Schedule 13s from Affected Departments:

Other Information:



# COLORADO

Department of Regulatory  
Agencies

Priority: R-2  
Division of Financial Services  
Operating Expenses Reduction  
FY 2014-15 Change Request

## *Cost and FTE*

- The Department proposes to reduce authorized spending authority in the Division of Financial Services' Operating Expenses line item by \$30,000 Cash Funds.

## *Current Program*

- The Division's Operating Expenses line item supports the expenses of the Division's staff of 15.0 FTE in accomplishing the Division's mission to regulate state-chartered credit unions, savings and loans, and life care institutions.

## *Problem or Opportunity*

- Although total assets under the Division's supervision continue to increase, the number of credit unions has declined in recent years due to industry consolidation. This has resulted in fewer out-of-town trips for Division staff and therefore a reduced amount is needed by the Division to fund overnight travel for field staff.
- The Division presently has an Operating Expenses appropriation of \$161,788, and has reverted an average of 35% (\$57,000) of this funding over the last three years. The proposed reduction of \$30,000 represents approximately 19% of the appropriation.

## *Consequences of Problem*

- No financial consequences exist as the Division's assessed fees to the industry already reflect estimated actual expenditures. However, without this reduction, the Division would have more spending authority in the Long Bill than it reasonably expects to require.

## *Proposed Solution*

- The solution is to reduce the authorized operating expenses for the Division of Financial Services by \$30,000.
- This solution will have no effect on delivery of services and if actual needs ever increase, a requested increase through the budget process would be the appropriate course of action.



**COLORADO**  
 Department of Regulatory  
 Agencies

John W. Hickenlooper  
 Governor

Barbara J. Kelley  
 Executive Director

FY 2014-15 Funding Request | November 1, 2013

*Department Priority: R-2*  
*Request Detail: Division of Financial Services Operating Expenses Reduction*

Summary of Incremental Funding Change for FY 2014-15	Total Funds	General Fund
R-2 Operating Expenses Reduction	(\$30,000)	\$0

**Problem or Opportunity:**

This request addresses an expected excess in the Operating Expenses appropriation for the Division of Financial Services. Specifically, the request seeks to reduce the appropriation by \$30,000 to bring the appropriation in line with reasonable expectations about what will be spent, particularly on travel expenses related to examinations of financial institutions.

**Background.** The Division of Financial Services (DFS) regulates 56 state-chartered credit unions, four state-chartered savings and loan associations, and six life-care institutions, and implements Public Deposit Protection Act (PDPA) to safeguard uninsured deposits of public moneys in 13 state and federal savings and loan associations. DFS protects consumers by enforcing Colorado’s laws through performing on-site examination and off-site monitoring of each institution’s financial condition and compliance with state and federal laws, and by taking necessary supervisory and/or corrective and enforcement actions. Fees and assessments against regulated institutions support the Division’s operations. The Division’s fifteen-member staff operates under the policy-making and rule-making authority of the Financial Services Board, which consists of five members appointed by the Governor and confirmed by the State Senate. The Division is wholly or partially responsible for administering and/or enforcing the following Colorado Revised Statutes (C.R.S.):

- Credit Unions: §11-30-101, CRS
- Savings and Loan Associations: §11-40-101, CRS
- Protection of Deposits of Public Moneys: §11-47-101, CRS
- Life Care Institutions: §12-13-101, CRS
- Uniform Consumer Credit Code: §5-1-101, CRS
- Electronic Funds Transfers: §11-48-101, CRS

The ability of the Division of Financial Services to advance the mission of consumer protection and maintain public confidence in Colorado’s financial institutions is largely dependent on the efficiency and effectiveness of the Division’s examination unit. State credit unions are examined regularly by the Division’s staff to evaluate their financial condition and compliance with applicable laws and regulations. The Division’s credit union examination and supervision program has been accredited by the National Association of State Credit Union Supervisors (NASCUS) for a five-year period ending in May 2017, subject to annual review. The Division staff examines state savings and loan associations on a regular basis to evaluate their financial condition and compliance with applicable laws and regulations.

**Travel Costs.** Because the Division’s regulatory integrity depends on its examination program, and because institutional examinations occur on-site, travel costs represent the vast majority of the Division’s Operating Expenses appropriation. Table 1 shows travel costs as a percentage of total operating expenses for the last four years:

**Table 1**

<b>Division of Financial Services Operating Expenses Line Item</b>	<b>Actual FY 09-10</b>	<b>Actual FY 10-11</b>	<b>Actual FY 11-12</b>	<b>Actual FY 12-13</b>	<b>Projected FY 13-14</b>
Travel Costs	\$89,940	\$64,307	\$69,488	\$69,818	\$67,871
All Other	\$40,804	\$31,412	\$40,892	\$38,331	\$36,878
Total Expenditures	\$130,744	\$95,719	\$110,381	\$108,149	\$104,749
<i>Travel Percent of Total</i>	<i>68.8%</i>	<i>67.2%</i>	<i>63.0%</i>	<i>64.6%</i>	<i>64.8%</i>

Travel expenses consist of almost 70% of the Division’s operating expenditures, and have stabilized in the last three years for the nine traveling examiners who complete between 30-40 examinations each year. Following FY 2009-10, which was characterized by increased mileage related to specific high profile issues, multiple credit unions have consolidated and the Division now finds that a higher proportion of regulated credit unions are located closer to Denver along the I-25 corridor. Additionally, improving financial industry health requires less follow-up contacts, which translates to less mileage and per diem costs.

The two largest components of travel costs are per diem expenses (lodging, meals) and \$0.51 per-mile personal vehicle reimbursements. The following table shows travel costs by major category over the last several years:

**Table 2**

<b>Division of Financial Services Travel Costs</b>	<b>Actual FY 09-10</b>	<b>Actual FY 10-11</b>	<b>Actual FY 11-12</b>	<b>Actual FY 12-13</b>	<b>Projected FY 13-14</b>
Per Diem	\$47,659	\$34,223	\$33,016	\$34,441	\$33,893
Personal Vehicle Reimbursement	\$41,079	\$27,753	\$30,386	\$31,136	\$29,758
All Other	\$1,202	\$2,331	\$6,087	\$4,241	\$4,220
Total Expenses	\$89,940	\$64,307	\$69,488	\$69,818	\$67,871

As the above tables show, the largest component of the Division’s operating expenditures has remained consistent since FY 2010-11. The Division is not experiencing any difficulties in completing required examinations and exercising its regulatory scope.

***Proposed Solution:***

The solution proposed in this request is to reduce the authorized operating expenses for the Division of Financial Services by \$30,000. Table 3 shows that the Division expects to revert approximately \$57,000 of its Operating Expenses appropriation during FY 2013-14. As noted earlier, travel expenses have remained constant in recent years, and the Division has increased confidence there will be no unexpected spikes in the costs of required travel. To be conservative, the Division proposes a reduction of approximately 50 percent of its expected reversion, with possible reductions in the future subject to additional review. This solution will have no effect on the Division’s delivery of services. No statutory changes are required to realize this reduction.

**Table 3**

<b>Division of Financial Services Operating Expenses Line Item</b>	<b>Actual FY 09-10</b>	<b>Actual FY 10-11</b>	<b>Actual FY 11-12</b>	<b>Actual FY 12-13</b>	<b>Projected FY 13-14</b>
Total Appropriation	\$173,487	\$161,788	\$162,145	\$161,788	\$161,788
Total Expenditure	\$130,744	\$95,719	\$110,381	\$108,149	\$104,750
Reversion	\$42,743	\$66,069	\$51,764	\$53,639	\$57,038
<i>Percent</i>	<i>24.6%</i>	<i>40.8%</i>	<i>31.9%</i>	<i>33.2%</i>	<i>35.3%</i>

***Anticipated Outcomes:***

No adverse outcomes are expected, and this request will bring the appropriation more in line with expected funding needs.

***Assumptions and Calculations:***

The Division proposes a \$30,000 reduction, which is approximately 50 percent of its expected reversion for the current fiscal year as noted in Table 3 above. No revenue impact is expected, as institutional assessments are already set based upon projected expenditures rather than total appropriations. The affected cash fund is the Financial Services Cash Fund, COFRS Fund #272.

***Supplemental, 1331 Supplemental or Budget Amendment Criteria:***

Not Applicable