



STATE OF NEBRASKA
DEPARTMENT OF BANKING AND FINANCE

DAVE HEINEMAN
GOVERNOR

JOHN MUNN
DIRECTOR

January 15, 2010

Honorable Lavon Heidemann
Chairperson, Appropriations Committee
Nebraska State Legislature
Room 1004, State Capitol
Lincoln, NE 68509

Dear Chairperson Heidemann:

As required by LB1, Section 10 of the 101st Legislature, 2009 Special Session, I am submitting the Department of Banking & Finance's report on specific actions and plans.

The Department of Banking & Finance (Department) heeded the Governor's recommendation regarding spending restraint and began to make cuts in spending prior to the 2009 Special Session. Out-of-state and in state travel were limited to that considered essential, employees were requested to cancel or not renew subscriptions that were not essential to their work, and the purchase of office supplies, office equipment, computer equipment, and software was limited to what was absolutely essential for employees to perform their duties.

The additional reductions to agency appropriations mandated by the 2009 Special Session were shared with the Department staff.

Reduction in Reappropriation

Reductions in the Department's reappropriation from FY2009 total \$788,793. For Program 65, the Financial Institutions Operating Budget, the reduction in reappropriations was \$549,467. This reduction will have no impact on our Financial Institution Division's FY2010 expenditures, as the balance of our Financial Institutions Cash Fund is not sufficient to fund those expenditures.

For Program 66, the Bureau of Securities Operating Budget, the reduction in reappropriations was \$239,326. This reduction will have no impact on our Securities Division's FY2010 expenditures, as the Bureau's FY2010 spending to date is safely in line with FY2010 budgeted expenditures.

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Bureau of Securities
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Reduction in Appropriation

Program 65: Financial Institutions Operating Budget

Our Financial Institutions Division regulates state-chartered banks, credit unions, savings & loans, trust companies, mortgage lenders, consumer lenders, money transmitters, and delayed deposit services to ensure sound operations and compliance with state laws.

For FY 2010, the 2.5% reduction in appropriations totals \$132,334. This will be achieved by:

- Savings in salaries and benefits of \$80,896 resulting from five full-time equivalent (FTE) positions for which hiring was or is being delayed. The positions are an Attorney II, IT Business Systems Analyst, Administrative Assistant I, and 2 Examiners.
- Two layoffs resulting in savings of \$43,221. The Public Information Officer was laid off on November 20, 2009. The layoff for the Typist position was effective January 4, 2010. These positions have been eliminated.
- Savings of \$8,217 by reducing the appropriated amount for temporary employees.

In FY 2011, the 5% reduction in Program 65 appropriations totals \$264,779. This will be achieved by:

- Savings in salaries and benefits by not filling two FTE Examiner positions for savings of \$113,885.
- Continuation of the FY 2010 layoffs of the Public Information Officer and Typist for savings of \$76,675. These positions have been eliminated.
- Eliminating \$19,700 budgeted for temporary employees.
- A \$54,519 reduction in operating expenses, including:
 - \$30,000 in personal vehicle mileage reimbursements, the majority related to travel for examination of financial institutions. This will be accomplished by a decreased reimbursement rate and an increase in carpooling.
 - \$8,900 in subscriptions. The agency has significantly reduced its number of subscriptions.
 - A total of \$15,619 in reductions of conference registrations, commercial transportation, board and lodging, office supplies, and postage expense. The agency has reduced the number of conferences employees are attending to reduce conference registration, commercial transportation, and board and lodging.

Program 66: Bureau of Securities Operating Budget

Our Securities Division regulates securities registrations and exemptions, broker-dealers and agents, investment advisors and representatives, business opportunities (franchise filings), seller-assisted marketing plans, consumer rental purchase agreements, and the Nebraska Commodity Code to ensure sound operations and compliance with state laws.

For FY2010, the 2.5% reduction in appropriations totals \$36,041. This will be achieved by:

- Delay in hiring an IT Business Systems Analyst, a position jointly funded with program 65; the savings for Program 66 will be \$15,184.
- The layoff on November 20, 2009 of the Department's Public Information Officer, a position jointly funded with program 65, will result in savings to Program 66 of \$13,886. This position has been eliminated.
- A \$5,000 reduction in contractual services relating to outreach.
- A reduction of \$1,000 in commercial transportation and \$971 in computer hardware.

For FY2011, the 5% reduction in appropriations totals \$72,121. This will be achieved by:

- The FY2010 layoff of the Department's Public Information Officer, a position which was jointly funded with program 65, will result in FY2011 savings of \$24,629. The position was eliminated.
- A reduction of \$30,000 in contractual services relating to outreach programs. Delaying a planned upgrade to the FACTS software resulting in a \$13,492 savings in information technology consulting.
- A reduction of \$4,000 in purchases of computer hardware.

Program 66: Securities Act Cash Fund – Fund Transfers

The reduction to appropriations will be reflected as cash transfers from the Securities Act Cash Fund to the General Fund totaling \$36,041 for FY2010 and \$72,121 for FY2011.

There will be transfers of \$4 million from the Securities Act Cash Fund to the General Fund in both fiscal years in addition to those transfers previously budgeted for this biennium.

Impact on fees, federal funds and agency services

The schedule of fees used to support agency operations will not be increased during this biennium to offset cash fund transfers to the General Fund.

There will be no impact on the receipt of federal funds as our agency does not receive federal funds.

The reductions in appropriation will not impact the field supervision of our state-chartered financial institutions and state-licensed financial entities.

Sincerely,

John Munn, Director
Department of Banking & Finance

Cc: Sen. Danielle Conrad
Sen. Tony Fulton
Sen. Thomas Hansen
Sen. John Harms
Sen. Heath Mello
Sen. John Nelson
Sen. Jeremy Nordquist
Sen. John Wightman
Phil Hovis, Analyst
Gary Bush, Analyst
Jeremy Hosein, Policy Advisor