

DEPARTMENT OF COMMERCE

Requests have been received for information concerning the probable impact of a 5% across the board cut in the FY 01 appropriation on the operations of each division of the Department of Commerce and of the further impact of a \$1,031,337 cut in the amount appropriated for the payroll costs of all divisions. Based on a total appropriation for all divisions of \$25,422,000, the cuts under consideration would amount to \$2,302,000 of which \$2,026,000 would be applicable to payroll costs. Each division has been asked to respond independently as to the feasibility of such cuts and, if made, the effect of such cuts on the operation of each division.

The responsibilities of the six primary divisions of the Department of Commerce are regulatory in nature and conferred on them by Iowa law. Consistent with regulatory responsibilities, the aggregate budget for all divisions of the Department of Commerce consists 82% of payroll and travel costs, 9.4% of largely fixed costs for such items as rent, telephone, supplies, printing and data processing, 2.6% of payments to other agencies of state government and 6% of payments for outside services. This would seem to indicate that substantially all of any cuts would need to be made in payroll costs.

By statute, the Banking, Credit Union, Insurance and Utilities divisions collect fees from the organizations regulated equal to the costs of operation of the divisions. Essentially the same funding arrangement exists for the Alcoholic Beverages and Professional Licensing divisions. Generally, any reductions in the expenditures of these divisions would also result in reductions in like amounts in receipts and in no gain to the General Fund. The Administrative Services Division performs certain basic services for the six primary divisions which reimburse the Administrative Services Division for its operating costs.

Essentially only four months remain in FY 01. Assuming that actual expenditures through February amount to approximately two-thirds of the total budget, cuts amounting to \$2,302,000 would need to be found in \$8,474,000 of unexpended FY 01 appropriated funds with \$2,026,000 of such cuts to be found in \$6,630,000 of payroll costs. Such cuts would amount to a 30% reduction in payroll costs and a 15% reduction in all other costs over the remaining four months of the fiscal year.

To the extent that payroll costs through February may be less than two-thirds of the amount appropriated for that purpose for the full fiscal year, consideration should be given to the practice in state government to budget for contingencies with appropriated for but unfilled full-time equivalent positions. Consideration should be given also to the fact that the information prepared for the subcommittee by other agencies may not be consistent with the actual or projected internal numbers generated by the applicable Commerce Department division due to timing differences. For example, with reference to the assumption that payroll costs for all divisions of the Department of Commerce may be as much as \$1,031,337 under budget, it should be kept in mind that information

provided to the subcommittee may not include the effect of the following on payroll costs during the second half of the fiscal year:

1. Step and merit increases granted and effective variously during the second half of the year.
2. The 22% increase in health care costs effective January 1.
3. The addition of a step to the compensation of contract covered employees effective January 1 and pay increases given accordingly to other employees at the top of their pay ranges.
4. The addition of two pay grades to the Information Technology series of pay classes effective January 1.
5. Apparently, any position that was vacant at the time the information was prepared was assumed to be vacant for the remainder of the fiscal year.

In view of the fact that only four months remain in the current fiscal year, it would seem that such actual savings as might be achieved in FY 01 through a layoff of employees would be relatively small after giving such notices as may be required and payment of accrued vacation and such other obligations as may be due to the employees involved. Clearly, the savings in FY 01 would be small in relation to the number of layoffs that would be necessary to effect the savings. It would seem further that the number of layoffs that would be required at this point in the fiscal year would be too large to be relied on as continuing through FY 02 without resulting in a curtailment of services.

Due to the fact that the Department of Commerce has operated under essentially status quo budgets since the 1980s, it is not believed that any measurable reduction can be made in the expenditures of the seven divisions of the department without resulting in a significant reduction in or discontinuation of services constituting a matter necessarily requiring prior changes in the laws of Iowa setting forth the legal responsibilities of those divisions.

DEPARTMENT OF COMMERCE

ADMINISTRATIVE SERVICES

A 5% reduction to the Administrative Services fiscal year 2001 budget of \$1,137,329 is \$56,866. Administrative Services provides support services to the six divisions of the Department that includes accounting, personnel/payroll, information technology services, strategic planning and budget services.

We are asking you which services Administrative Services should stop providing to the divisions?

The figures provided by the Legislative Fiscal Bureau for personnel utilization are inaccurate. Administrative Services cannot provide an answer to the request concerning these until a more accurate figure has been established.

Contact: Martin Deaton, Chief Operating Officer
Department of Commerce
Administrative Services
515/281-7364
E-Mail: Marty.Deaton@comm1.state.ia.us

DEPARTMENT OF COMMERCE

ALCOHOLIC BEVERAGES DIVISION

Members of the Administration & Regulation Subcommittee:

The Alcoholic Beverages Division of the Dept. of Commerce appreciates the opportunity to provide input to the task of identifying potential spending reductions for the current fiscal year. The Division also understands the difficulty in making these decisions in light of the fact that most executive branch agencies have been required to operate with "status quo" budgets for the last several years. Although most agencies usually receive appropriation to cover the annual increase in state employee salaries, the same is not true for continually rising support costs.

In the case of the Alcoholic Beverages Division, the "status quo" operating budget for support costs is particularly challenging due to the fact that the Division also has the responsibility of maintaining the entire Ankeny Dept. of Commerce facility and the associated 14 acres of grounds. Repair and maintenance costs continue to increase, increases over which the Division has no control. In addition, rising utility costs have placed an unforeseen burden on the Division's operating budget.

Additionally, there have been increased demands in recent years for the Division to provide educational programs and materials to licensees, law enforcement agencies and other local authorities.

The following are core services currently provided by the Alcoholic Beverages Division.

CORE SERVICES PROVIDED BY THE DIVISION:

- Investigate and issue (or deny) over 9,000 licenses annually
- Process license cancellations and issue refunds to licensees and local authorities
- Investigate and act upon violations that occur on the premises of over 9,000 liquor, wine and beer licensees
- Assist law enforcement agencies with investigations, preparing criminal cases, devise strategies for regulation, provide legal advise for conducting criminal and civil investigations
- Administer contested case hearings by scheduling, arranging for Administrative Law Judge, advising concerned parties of rules, preparing evidentiary materials for hearing
- Answer inquiries annually regarding licensing requirements, laws and regulations governing alcohol beverage sales and consumption, law enforcement issues, pending administrative hearings, legislative inquiries, insurance and bond company inquiries, local authority questions

- Accept and process over 460 orders for spirits on a weekly basis by phone/fax and walk-in
- Resolve retailer concerns regarding level of service, product selection or service provided by the division's warehouse contractor
- Determine those products that should be available to the Iowa consumer (approximately 1200 items)
- Assist all new customers with orientation as to ordering procedures, payment methods, product mix and initial order
- Maintain the Department of Commerce facility and 14 acre grounds
- Responsible for the audit of 100 beer and wine wholesalers
- Collect and reconcile monthly tax forms and dollars submitted by beer and wine wholesalers
- Conduct educational seminars for liquor licensees and law enforcement agencies
- Prepare and draft administrative rules for the division
- Manage contract between division and warehouse contractor

In order for the Alcoholic Beverages Division to adequately describe the impact of a budget reduction to clients and customers, please indicate which service or services the subcommittee would like us to reduce or eliminate.

The Division appreciates your guidance in this important matter.

Contact:

Lynn Walding, Administrator
Department of Commerce
Alcoholic Beverages Division
Phone: 515/281-7402
E-Mail: walding@iowaabd.com

BANKING DIVISION

The following is in response to requests for information concerning the impact of a 5% across the board cut in the FY 01 appropriation on the operations of each division of the Department of Commerce and of a further cut in the amount appropriated for payroll costs to the extent that the actual amount spent for such purpose may be less than the appropriated amount.

For your reference in reviewing certain exhibits attached, the Banking Division has recently installed a chart of accounts which more accurately reflects its costs of operation than the more condensed system employed by the State. The division has attempted to adjust the budget and actual receipts and expenditures for FY 01 to the new chart of accounts which is a process that requires further refinement.

Attached as Exhibit A is a schedule comparing actual amounts expended through January 31, 2001 with the budget for the full fiscal year. The schedule shows that 51.9% of payroll costs had been expended through January 31 indicating that the Division was \$260,140 under budget for this purpose for the first seven months of the fiscal year and could be as much as \$451,900 under budget for this purpose for the full fiscal year. At the same time, expenditures for all purposes for the first seven months represented 57.98% of the amount budgeted indicating that the division is under budget only \$21,300 for the first seven months and only \$35,200 for the full fiscal year.

With reference to the schedule attached as Exhibit B, actual total expenditures were \$62,456 under budget at the close of the first seven months of the fiscal year after adjustments to the budget for the timing of certain expenditures. If the budget is further adjusted for a one-time expenditure of \$180,000 in the second half of the fiscal year for replacement of laptop computers, the division would be over budget through January 31 and that it may be over budget for the full fiscal year.

By statute, the Banking Division collects fees from the organizations supervised equal to the expense of operating the division. Although the division may exceed the amount appropriated for its operation in FY 01, there would be no loss to the General Fund. By the same token, any cut in the costs of operation of the division would not result in any gain to the General Fund.

The Banking Division's share of a 5% cut in the FY 01 appropriation for the Department of Commerce would be \$295,900. Accomplishing this reduction would require laying off 20 bank examiners representing 40% of the total bank examination force. At this time, demand exists within the banking industry for young, well-trained personnel. The most likely effect of a layoff would be that few, if any, of those laid off would be available for re-employment four months later in which event the effectiveness of the Banking Division would be very seriously impaired for many years in the future. Further, the substantial investment by the division in the training of such 20 examiners during each year of their employment would be wasted and the time and money expended over the

past several months in restructuring the organization, procedures and processes of the division also would be wasted and result in continued pursuit of supervisory methods which do not adequately evaluate current risks of doing a banking business. Assuming that any layoff would need to commence with those of least tenure, it is likely that it would include the two-person Information Technology staff which, for all practical purposes, would bring the entire bank examination process to a standstill.

Additionally, the Legislature has just passed a bill, H.F. 222, which, after three years from its effective date and subject to approval of the Superintendent of Banking, permits any bank to establish branches anywhere within the State of Iowa without geographical limitations or limitation on the number of branches operated by a single bank. During the first three years after the effective date of the law and subject to the approval of the Superintendent of Banking, any bank may establish up to three branches anywhere within the State. The bill is to become effective upon signature by the Governor and publication. It is anticipated that upon the law becoming effective, there will be an influx of applications filed with the Banking Division to establish branches as bankers attempt to beat the competition to the best locations. Any significant reduction in the staff of the Banking Division would impair the ability of the division to competently carry out its responsibility under the new law.

As stated in earlier information provided to the subcommittee, the Division of Banking consists of two functional areas, the Bank Bureau and the Finance Bureau. The primary responsibility of the Bank Bureau under Iowa law is the examination and regulation of 385 state chartered banks, 312 bank holding companies, and one trust company. The Bank Bureau also receives, investigates and acts on requests by individuals and bank holding companies to organize new state banks and by existing state banks to establish branches, merge, consolidate, purchase assets, assume liabilities, change locations, and in connection with other matters for which approval of the division is required by law or regulation.

Iowa law provides that each state bank and trust company must be examined no less frequently than once each two years. It is estimated that any layoff resulting in any measurable permanent reduction in the staff of the Bank Bureau would result in the examination of less than one-half of the number of banks required to be examined in any two-year cycle. The closing of any bank diminishes public confidence in the safety of its money. While the regulatory system consisting of a combination of both state and federal agencies is not able to prevent all closings, the mere fact that banks are examined regularly and are otherwise supervised serves to reduce the number of closings which assists in preserving public trust in the industry.

The Finance Bureau licenses 179 regulated loan companies, 160 industrial loan companies, 127 delayed deposit (pay day) lenders, 21 debt management companies, 500 mortgage bankers and brokers, and 24 companies engaged in the transfer of money. Iowa law providing for the regulation of such licensees requires that the Finance Bureau make approximately 300 examinations each year to ensure compliance with the consumer protection provisions of the Code. The Bureau also investigates complaints and

processes new and renewal applications for the more than 1,000 licenses. The Finance Bureau operates with only four employees.

As stated in other information supplied to the subcommittee, three of the highest paid positions in the Banking Division were eliminated effective November 24, 2000 which will result in savings of approximately \$284,000 in FY 02 and each year thereafter. After payment of salaries, benefits, severance, and accrued vacation and sick leave, the savings in FY 01 will amount to approximately \$72,900. While it is anticipated that the restructuring process underway at this time will result in additional savings in the future, it is believed that any reduction in current expenditures of the Division of Banking would significantly hamper its ability to carry out its responsibilities in a satisfactory manner and most certainly would delay or foreclose continuation of the reforms in progress.

EXHIBIT A

Iowa Division of Banking
 Total Division
 Financial Statements
 Fiscal Year 2001
 JULY 1 through JANUARY 31, 2001

	2001	Annual Budget	Percent
RECEIPTS			
Examination Fees	1,671,135.13		
Administrative Fees	1,298,944.91		
Investigation Fees	48,834.37		
License Fees	294,245.20		
Fines & Penalties	4,950.00		
Sale of Law Books	35.15		
Other Receipts	198.00		
TOTAL RECEIPTS	3,318,342.76		
SALARIES			
Banking Board	1,700.00	3,600.00	47.22%
Superintendent	36,753.12	68,350.00	53.77%
Office Personnel	649,174.77	1,146,600.00	56.62%
Examiners	1,607,753.26	3,060,463.39	52.53%
TOTAL SALARIES	2,295,381.15	4,279,013.39	53.64%
EMPLOYEE BENEFITS			
FICA	168,556.73	296,454.89	56.86%
IPERS	126,804.47	224,248.71	56.55%
Worker's Compensation	3,538.50	6,583.00	53.75%
Health Insurance	150,652.95	305,876.64	49.25%
Dental Insurance	6,155.01	14,004.00	43.95%
Life Insurance	651.43	492.60	132.24%
Long Term Disability Insurance	7,012.48	33,149.81	21.15%
Flexible Spending	515.46	1,022.40	50.42%
Deferred Compensation		1,875.00	
Murray Vacation Pay	17,984.56	17,984.56	
Vacation Payout Including State Share		26,257.00	
TOTAL BENEFITS	481,871.59	927,948.61	51.93%
TOTAL SALARIES & BENEFITS	2,777,252.74	5,206,962.00	53.34%
TRAVEL			
In-State Travel			
Banking Board	2,839.49	5,000.00	56.79%
Superintendent			
Office Personnel	3,275.83		
Examiners	139,590.96	157,189.00	88.80%
Sub-Total In-State Travel	145,706.28	162,189.00	89.84%

Iowa Division of Banking
Total Division
Financial Statements
Fiscal Year 2001
JULY 1 through JANUARY 31, 2001

	2001	Annual Budget	Percent
Out of State Travel			
Banking Board			
Superintendent			
Office Personnel	3,710.82		
Examiners	1,782.14	4,800.00	37.13%
Sub-Total Out of State Travel	5,492.96	4,800.00	114.44%
TOTAL TRAVEL	151,199.24	166,989.00	90.54%
TRAINING			
In-State Training			
Registrations	26,099.00		
Office Personnel Travel	1,497.28		
Examiners Travel	23,557.14		
Tuition Costs	3,297.97		
Sub-Total In-State Training	54,451.39		
Out of State Training:			
Registrations	17,980.00	6,000.00	299.67%
Office Personnel Travel	3,554.32	4,200.00	84.63%
Examiners Travel	21,862.82	5,000.00	437.26%
Sub-Total Out of State Training	43,397.14	15,200.00	285.51%
TOTAL TRAINING	97,848.53	15,200.00	643.74%
TOTAL TRAVEL & TRAINING	249,047.77	182,189.00	136.70%
DATA PROCESSING			
Computer Purchases	14,261.20	184,000.00	7.75%
Peripheral Purchases		11,703.00	
Equipment Rentals			
Equipment Maintenance & Repair	1,644.70		
Software Development			
Supplies	6,447.98		
Books & Manuals	104.94		
Other	400.00		
TOTAL DATA PROCESSING	22,858.82	195,703.00	11.68%
FURNITURE & EQUIPMENT			
Purchases	522.00	18,000.00	2.90%
Rental	705.30		
Maintenance & Repair	1,693.14	10,500.00	16.13%
Other			
TOTAL FURNITURE & EQUIPMENT	2,920.44	28,500.00	10.25%

Iowa Division of Banking
Total Division
Financial Statements
Fiscal Year 2001
JULY 1 through JANUARY 31, 2001

	2001	Annual Budget	Percent
PRINTING			
Official Notices	40.00	300.00	13.33%
Annual Report	2,156.97	4,000.00	53.92%
Other	10,493.86		
TOTAL PRINTING	<u>12,690.83</u>	<u>4,300.00</u>	<u>295.14%</u>
OUTSIDE SERVICES			
Fees	156,732.00	24,748.00	633.31%
Out-of Pocket Costs			
Other	2,941.20		
TOTAL OUTSIDE SERVICES	<u>159,673.20</u>	<u>24,748.00</u>	<u>645.20%</u>
OTHER OPERATING			
Dues	36,785.92	26,550.00	138.55%
Books and Subscriptions	10,284.53	5,800.00	177.32%
Postage	7,893.26	5,250.00	150.35%
Office Supplies	7,292.06	6,953.00	104.88%
Building Rent	63,374.32	96,206.00	65.87%
Building Real Estate Taxes	10,133.36	19,966.00	50.75%
Telephone	21,192.81	29,600.00	71.60%
Special Projects			
Moving Charges	1,866.40		
Miscellaneous	2,083.00		
Refunds		1,935.00	
TOTAL OTHER OPERATING	<u>160,905.66</u>	<u>192,260.00</u>	<u>83.69%</u>
REIMBURSEMENTS			
Attorney General	45,316.66	82,400.00	55.00%
Commerce Department			
Personnel Department			
Other Inter-agency	1,085.68	1,722.00	63.05%
TOTAL REIMBURSEMENTS	<u>46,402.34</u>	<u>84,122.00</u>	<u>55.16%</u>
GRAND TOTAL DISBURSEMENTS	3,431,751.80	5,918,784.00	57.98%

58.34% OF THE YEAR HAS ELAPSED

EXHIBIT B

Iowa Division of Banking
 Total Division
 Financial Statements
 Fiscal year 2001
 JULY 1 through JANUARY 31, 2001

	Actual	Budget	Amount	Variance Percent
RECEIPTS				
Examination Fees	1,671,135.13			
Administrative Fees	1,298,944.91			
Investigation Fees	48,834.37			
License Fees	294,245.20			
Fines & Penalties	4,950.00			
Sale of Law Books	35.15			
Other Receipts	198.00			
TOTAL RECEIPTS	3,318,342.76			
SALARIES				
Banking Board	1,700.00	2,100.00	(400.00)	-19.05%
Superintendent	36,753.12	39,432.67	(2,679.55)	-6.80%
Office Personnel	649,174.77	661,500.00	(12,325.23)	-1.86%
Examiners	1,607,753.26	1,764,587.29	(156,834.03)	-8.89%
TOTAL SALARIES	2,295,381.15	2,467,619.96	(172,238.81)	-6.98%
EMPLOYEE BENEFITS				
FICA	168,556.73	171,031.64	(2,474.91)	-1.45%
IPERS	126,804.47	129,374.28	(2,569.81)	-1.99%
Worker's Compensation	3,538.50	3,840.06	(301.56)	-7.85%
Health Insurance	150,652.95	169,197.97	(18,545.02)	-10.96%
Dental Insurance	6,155.01	8,169.00	(2,013.99)	-24.65%
Life Insurance	651.43	287.35	364.08	126.70%
Long Term Disability Insurance	7,012.48	19,337.43	(12,324.95)	-63.74%
Flexible Spending	515.46	596.40	(80.94)	-13.57%
Deferred Compensation				
Murray Vacation Pay	17,984.56	17,984.56		
Vacation Payout Including State Share				
TOTAL BENEFITS	481,871.59	519,818.69	(37,947.10)	-7.30%
TOTAL SALARIES & BENEFITS	2,777,252.74	2,987,438.65	(210,185.91)	-7.04%
TRAVEL				
In-State Travel				
Banking Board	2,839.49	2,916.69	(77.20)	-2.65%
Superintendent				
Office Personnel	3,275.83		3,275.83	
Examiners	139,590.96	91,693.57	47,897.39	52.24%
Sub-Total In-State Travel	145,706.28	94,610.26	51,096.02	54.01%

Iowa Division of Banking
Total Division
Financial Statements
Fiscal year 2001
JULY 1 through JANUARY 31, 2001

	Actual	Budget	Amount	Variance Percent
Out of State Travel				
Banking Board				
Superintendent				
Office Personnel	3,710.82		3,710.82	
Examiners	1,782.14	2,800.00	(1,017.86)	-36.35%
Sub-Total Out of State Travel	5,492.96	2,800.00	2,692.96	96.18%
TOTAL TRAVEL	151,199.24	97,410.26	53,788.98	55.22%
TRAINING				
In-State Training				
Registrations	26,099.00		26,099.00	
Office Personnel Travel	1,497.28		1,497.28	
Examiners Travel	23,557.14		23,557.14	
Tuition Costs	3,297.97		3,297.97	
Sub-Total In-State Training	54,451.39		54,451.39	
Out of State Training:				
Registrations	17,980.00	3,500.00	14,480.00	413.71%
Office Personnel Travel	3,554.32	2,450.00	1,104.32	45.07%
Examiners Travel	21,862.82	2,916.69	18,946.13	649.58%
Sub-Total Out of State Training	43,397.14	8,866.69	34,530.45	389.44%
TOTAL TRAINING	97,848.53	8,866.69	88,981.84	1003.55%
TOTAL TRAVEL & TRAINING	249,047.77	106,276.95	142,770.82	134.34%
DATA PROCESSING				
Computer Purchases	14,261.20	184,000.00	(169,738.80)	-92.25%
Peripheral Purchases		11,703.00	(11,703.00)	-100.00%
Equipment Rentals				
Equipment Maintenance & Repair	1,644.70		1,644.70	
Software Development				
Supplies	6,447.98		6,447.98	
Books & Manuals	104.94		104.94	
Other	400.00		400.00	
TOTAL DATA PROCESSING	22,858.82	195,703.00	(172,844.18)	-88.32%
FURNITURE & EQUIPMENT				
Purchases	522.00	10,499.94	(9,977.94)	-95.03%
Rental	705.30		705.30	
Maintenance & Repair	1,693.14	6,125.00	(4,431.86)	-72.36%
Other				
TOTAL FURNITURE & EQUIPMENT	2,920.44	16,624.94	(13,704.50)	-82.43%

Iowa Division of Banking
Total Division
Financial Statements
Fiscal year 2001
JULY 1 through JANUARY 31, 2001

	Actual	Budget	Amount	Variance Percent
PRINTING				
Official Notices	40.00	175.00	(135.00)	-77.14%
Annual Report	2,156.97	4,000.00	(1,843.03)	-46.08%
Other	10,493.86		10,493.86	
TOTAL PRINTING	12,690.83	4,175.00	8,515.83	203.97%
OUTSIDE SERVICES				
Fees	156,732.00	14,394.71	142,337.29	988.82%
Out-of Pocket Costs				
Other	2,941.20		2,941.20	
TOTAL OUTSIDE SERVICES	159,673.20	14,394.71	145,278.49	1009.25%
OTHER OPERATING				
Dues	36,785.92	26,550.00	10,235.92	38.55%
Books and Subscriptions	10,284.53	3,383.38	6,901.15	203.97%
Postage	7,893.26	3,062.50	4,830.76	157.74%
Office Supplies	7,292.06	4,055.87	3,236.19	79.79%
Building Rent	63,374.32	56,120.19	7,254.13	12.93%
Building Real Estate Taxes	10,133.36	10,085.29	48.07	0.48%
Telephone	21,192.81	17,266.62	3,926.19	22.74%
Special Projects				
Moving Charges	1,866.40		1,866.40	
Miscellaneous	2,083.00		2,083.00	
Refunds				
TOTAL OTHER OPERATING	160,905.66	120,523.85	40,381.81	33.51%
REIMBURSEMENTS				
Attorney General	45,316.66	48,066.69	(2,750.03)	-5.72%
Commerce Department				
Personnel Department				
Other Inter-agency	1,085.68	1,004.50	81.18	8.08%
TOTAL REIMBURSEMENTS	46,402.34	49,071.19	(2,668.85)	-5.44%
GRAND TOTAL DISBURSEMENTS	3,431,751.80	3,494,208.29	(62,456.49)	-1.79%
NET RECEIPTS (DISBURSEMENTS)	(113,409.04)			

DEPARTMENT OF COMMERCE

CREDIT UNION DIVISION

The Credit Union Division is a self-funded agency that receives offsetting revenues from the Iowa credit union industry that we supervise and regulate. Any reduction in our expenditures results in an equal and corresponding reduction in our revenues --- there is no net gain realized to the State General Fund by reducing our expenditures.

A reduction in Credit Union Division expenditures, whether or not across the board or selectively directed, will undermine our ability to fulfill the duties and responsibilities mandated to this agency by the Code of Iowa, and will prevent us from accomplishing the initiatives predicated in establishing our budget request.

In order to describe the impact of a 5% reduction in the Credit Union Division's FY01 budget, please indicate which services the subcommittee would like us to reduce or eliminate:

- ✓administer and execute the laws of this state relating to credit unions [533.1]
- ✓adopt rules necessary to effectively safeguard the interests of depositors and shareholders of credit unions [533.1]
- ✓determine whether or not the organization of a new credit union benefits its members and is consistent with Iowa law [533.1]
- ✓ensure that no person other than a credit union advertises or otherwise conducts business as a credit union [533.3]
- ✓ensure that offices established by a credit union are reasonably necessary to furnish service to, and in the best interests of, the members of the credit union [533.4]
- ✓determine whether or not a credit union may engage in an activity authorized for a federally chartered credit union if that activity is consistent with state law [533.4]
- ✓receive and analyze quarterly financial statements and related schedules to determine and monitor the financial health of Iowa credit unions [533.6]
- ✓make an examination of each credit union whenever the superintendent believes such examination is necessary or advisable, but no less frequently than once during each eighteen-month period [533.6]
- ✓prepare and furnish a report to a credit union within thirty days after the completion of an examination of that credit union [533.6]
- ✓ensure that a credit union serving predominantly low-income members continues to meet the standards established for the operation of such credit union by rule [533.6]
- ✓take administrative action to compel a credit union to correct a condition that is determined to be unsafe, unsoundness or in violation of law or rule 533.6]
- ✓take over the control of a credit union and manage the property and business of the credit union upon a determination that a credit union's assets, if made immediately available, would not be sufficient to discharge the credit union's liabilities [533.6]

- ✓order that a credit union cease to carry on its business upon a determination of its insolvency, revoke its certificate of approval and apply to the district court for the appointment of a receiver [533.6]
- ✓manage, conserve or dissolve and distribute the business and property of a credit union whose management is taken over [533.6]
- ✓ hold hearings to find whether or not an officer, director, employee, or committee member of a credit union should be removed from office or employment upon determination that the person has violated any law, rule, or cease and desist order relating to a credit union or has engaged in an unsafe or unsound practice in conducting the business of a credit union [533.6 & 533.6A]
- ✓issue a cease and desist order to a credit union, or to any director, officer, employee, or committee member of a credit union when the person is engaging in or is about to engage in an unsafe or unsound practice or dishonest act in conducting the business of the credit union that is likely to cause insolvency or substantial dissipation of assets or earnings of the credit union, or is likely to seriously weaken the condition of the credit union or otherwise seriously prejudice the interests of its members [533.6A]
- ✓ ensure a credit union to sets aside sufficient reserves to be used to meet losses. [533.17]
- ✓oversee the merger, dissolution or conversion in charter of a credit union [533.20, 533.21, 533.22, 533.30, 533.34, 533.35]
- ✓enforce the rules relating to a credit union chartered in another state that is approved to do business in Iowa [533.39]
- ✓determine, based upon a preponderance of evidence, that a credit union's investment in the capital stock, obligations, or securities of a bank or savings institution will not have the immediate effect of significantly reducing competition between depository financial institutions located in the same community as the institution whose shares are acquired [533.48]
- ✓subpoena witnesses, compel attendance, administer oaths, examine any person under oath and require the production of relevant books or papers relating to the duties imposed upon, or powers vested in, the credit union division superintendent [533.59]
- ✓issue an annual report of the superintendent [533.60]
- ✓collect annual fees from Iowa credit unions in sufficient amount to offset the actual operating costs of the credit union division [533.62]
- ✓ensure that a credit union doing business in Iowa acquires and maintains federal insurance to protect each shareholder and each depositor against loss of funds held on account by the credit union [533.64]
- ✓ensure that a credit union doing business in Iowa maintains a fidelity bond for credit union employees and officials in a sufficient amount to indemnify the credit union against losses [533.64]
- ✓expend additional funds for expenditures that exceed budgeted funds for additional personnel and for the examination of credit unions, and to collect from the credit unions being regulated a sufficient amount to fund such expenditures [533.67]
- ✓with respect to credit unions, enforce the provisions of the Iowa Consumer Credit Code Act [533.37, 537.2303, 537.2305, 537.6105]

- ✓with respect to credit unions, enforce the provisions of the Iowa Electronic Transfer of Funds Act [527]
- ✓with respect to credit unions, enforce the provisions of the Iowa Alternative Mortgage Loans Act [528]
- ✓with respect to credit unions, enforce the provisions of the Iowa Mortgage Loans – Red Lining Act [535A]
- ✓with respect to credit unions, enforce the provisions of the Iowa Lender Credit Cards Act [536C]
- ✓with respect to credit unions, enforce the provisions of the Iowa Uniform Commercial Code Act [554]
- ✓with respect to credit unions, enforce the provisions of the Iowa Disposition of Unclaimed Property Act [556]

Contact:

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THOMAS J. VILSACK
GOVERNOR

SALLY J. PEDERSON
LT. GOVERNOR

Therese M. Vaughan, Commissioner

INSURANCE DIVISION
IOWA DEPARTMENT OF COMMERCE

February 19, 2001

Budget Observations (General Fund portion)

The Insurance Division budget is not solely appropriated through General Fund dollars. The FY 01 Spending Authority for the Division is \$6.852 million. However, only \$3.874 million is a general fund appropriation. The remaining money is received through receipts from Financial Examination and federal grants. (Money received through receipts from Financial Examination and the federal grant may not be used to fund any other portion of the Division budget.)

The handout received by legislators from the Fiscal Bureau does not adequately address the unique bifurcation of the Division budget. The calculation shows total dollars for the Division including Financial Examination that is not subject to general fund appropriation. Therefore, these numbers are flawed and should be disregarded.

The following is a synopsis of significant figures affecting the Division's General Fund Appropriation.

- Salaries account for \$3,181,000 of our total budget of \$3,826,000 (personal services + AAGs). This is **83%** of our budget.
- We allocate \$260,000 to rent. Salaries + rent = \$3,441,000. This is **90%** of our budget. Actual rent for the first 6 months was \$154,000 x 2 = \$308,000. Actual rent + salaries = \$3,489,000. This is **91%** of our budget.
- We took a general fund budget cut two years ago of \$120,000 (3%) due to errors by the Legislative Fiscal Bureau in calculating the Division's budget. This money has never been appropriated back into the budget. This has left funding extremely lean for consumer protection purposes. That same year, the legislature required that the Division publish a Consumer Buyers Guide at a fiscal impact of approximately \$100,000 with no funding provided.
- We are requesting a flat budget except for \$91,950 for increased building lease costs. (The Governor has recommended \$36,000.) An increase in rent, which we have to pay without an increase in appropriations, is tantamount to a budget cut of 2.5%.

Any reduction in the Division's appropriated budget will cut programs that provide dollars to the General Fund. For FY 00, the Division collected approximately \$15 million dollars in fees that were deposited in the General Fund. The Division, therefore, collects in licenses and fees 3 times its appropriated budget.

There have been some vacancies throughout the year, which have provided some savings to the Division budget (approximately \$109,000.) All but one of these positions has been filled.

DEPARTMENT OF COMMERCE

PROFESSIONAL LICENSING & REGULATION DIVISION

The Professional Licensing and Regulation Division, like all Divisions in the Department of Commerce, is a self-supporting organization. While costs have continued to escalate the Division has maintained a status quo budget for the past three years while maintaining our high level of service to Iowans. The Code (542B and 355; 542C; 543C; 543D; 544A and 544B) requires the Division to administer examinations for entry into the Professions. The Division is required to issue a license to all qualified applicants and to administer a disciplinary program for each of the Professions. The Division has received inaccurate information on the schedule 9's and therefore unable to respond to the salary issue at this time.

Upon review of the information provided above, please identify the programs or services, mandated by the Code, the subcommittee would like to reduce or eliminate.

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Iowa Utilities Board

February 2001

The Iowa Utilities Board is charged with regulating the rates and services of public utilities (Iowa Code 476). The following are services offered by the IUB and examples of current projects.

- Answer calls from customers with questions and or complaints regarding utilities and bills
- Respond to letters from customers with questions and or complaints regarding utilities and bills
- Support the Governor's Energy Task Force
- Analyze ways to use telephone numbering resources more efficiently
- Obtain and analyze information on the transmission and distribution reliability for Iowa's investor-owned utilities
- To develop rules or other necessary measures to address the reliability of the electric delivery system
- Participate at the Federal level before the Federal Energy Regulatory Commission and Federal Communications Commission on matters of concern to Iowa ratepayers and utilities
- Inspect electrical and pipeline systems for safety
- Certify competitive local exchange carriers
- Assess the reasonableness of utility fuel procurement practices
- Provide administrative support to the Governor appointed Board members
- Provide legal advice to the Board in all matters and represent the Board in all actions instituted in state or federal court challenging any rule or order of the Board (General Counsel 474.10)
- Provide education and information to customers
- Process and analyze gas and electric utility filings, including rate and service issues and service territory disputes
- Provide professional and technical support to the Board in policy development, cost of capital, cost of service, rate design and research
- Perform analysis of industry restructuring issues, utility management performance, least cost alternatives, energy efficiency and other public utility matters
- Responsible for safety, construction and operation regulation of gas and electric companies
- Act as an agent for the Federal Department of Transportation in pipeline safety matters
- Process all telephone utility tariffs
- Responsible for accounting interpretations as part of rate analysis
- Provide Information Technology support and training to the entire staff
- Provide clerical support in Records Management and Information Distribution