

1701 Business Oversight

Effective July 1, 2013, pursuant to the Governor's Reorganization Plan No. 2 of 2012, the 2013-14 information for the Department of Financial Institutions and the Department of Corporations is merging to create this Department. 2011-12 and 2012-13 information for the Department of Financial Institutions and the Department of Corporations is displayed in Organization Code 2150 and 2180, respectively, under this new Agency (Business, Consumer Services, and Housing). See Major Program Changes below.

The Department of Business Oversight regulates and supervises state-licensed financial services to ensure a fair, efficient and accessible financial services marketplace for all Californians.

3-YR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2011-12	2012-13	2013-14	2011-12*	2012-13*	2013-14*
10 Investment Program	-	-	120.3	\$-	\$-	\$22,380
20 Lender-Fiduciary Program	-	-	131.7	-	-	22,087
30 Licensing and Supervision of Banks and Trust Companies	-	-	126.0	-	-	22,776
35 Money Transmitters	-	-	23.0	-	-	3,273
40 Supervision of California Business and Industrial Development Corporations	-	-	-	-	-	31
45 Savings and Loan	-	-	-	-	-	96
50 Industrial Banks	-	-	8.0	-	-	1,003
55 Administration of Local Agency Security	-	-	4.0	-	-	405
60 Credit Unions	-	-	56.0	-	-	7,474
90.01 Administration	-	-	113.0	-	-	13,031
90.02 Distributed Administration	-	-	-	-	-	-13,031
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	-	-	582.0	\$-	\$-	\$79,525
FUNDING				2011-12*	2012-13*	2013-14*
0067 State Corporations Fund				\$-	\$-	\$44,467
0240 Local Agency Deposit Security Fund				-	-	405
0298 Financial Institutions Fund				-	-	25,957
0299 Credit Union Fund				-	-	7,474
0995 Reimbursements				-	-	1,222
TOTALS, EXPENDITURES, ALL FUNDS				\$-	\$-	\$79,525

LEGAL CITATIONS AND AUTHORITY

DEPARTMENT AUTHORITY

Corporations Code, Section 25600.

California Financial Code, Division 1, Chapter 2.

PROGRAM AUTHORITY

10-Investment Program:

Corporations Code Title 4 Divisions 1, 3, 4, 4.5, and 5; Title 10, California Code of Regulations, Sections 250.1-250.70, 260.000-260.617, 280.100-280.700, 290.570-290.571, and 310.000-310.505.

20-Lender-Fiduciary Program:

Financial Code Divisions 1.4, 1.7, 3, 6, 9, 10, 14, and 20; Title 10, California Code of Regulations, Sections 1400-1596, 1700-1769, 1772-1799.1, 1805.001-1805.213.1, 1950.003-1950.317, and 2020-2031.10.

30-Licensing and Supervision of Banks and Trust Companies:

California Financial Code, Division 1 and Division 1.1.

35-Money Transmitters:

* Dollars in thousands, except in Salary Range.

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California Financial Code, Division 1.2.

40-Supervision of California Business and Industrial Development Corporations:

California Financial Code, Division 15.

45-Savings and Loan:

California Financial Code, Division 2.

50-Industrial Banks:

California Financial Code, Division 1.1, Chapter 15.

55-Administration of Local Agency Security:

Government Code Sections 53630-53686.

60-Credit Unions:

California Financial Code, Division 5.

90-Administration:

California Financial Code, Division 1, Chapter 2.

MAJOR PROGRAM CHANGES

- Pursuant to the Governor's Reorganization Plan 2 of 2012, the Department of Financial Institutions and the Department of Corporations are merging to form the Department of Business Oversight. The consolidation results in a savings of \$997,000 special fund and 5.0 positions in 2013-14.

DETAILED BUDGET ADJUSTMENTS

	2012-13*			2013-14*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
Workload Budget Adjustments						
Workload Budget Change Proposals						
• Implement Homeowner Bill of Rights (Chapters 86 and 87, Statutes of 2012)	\$-	\$-	-	\$-	\$911	6.0
• Two-year Extension of Limited-Term Positions	-	-	-	-	338	3.0
• Hard Money Lending (Chapter 669, Statutes of 2012)	-	-	-	-	281	2.0
• GRP 2 Consolidation - Dept. of Corporations and Dept. of Financial Institutions into Dept. of Business Oversight	-	-	-	-	-997	-5.0
Totals, Workload Budget Change Proposals	\$-	\$-	-	\$-	\$533	6.0
Other Workload Budget Adjustments						
• Employee Compensation Adjustments	\$-	\$-	-	\$-	\$431	-
• Retirement Rate Adjustment	-	-	-	-	948	-
• Miscellaneous Adjustments	-	-	-	-	77,613	576.0
Totals, Other Workload Budget Adjustments	\$-	\$-	-	\$-	\$78,992	576.0
Totals, Workload Budget Adjustments	\$-	\$-	-	\$-	\$79,525	582.0
Totals, Budget Adjustments	\$-	\$-	-	\$-	\$79,525	582.0

PROGRAM DESCRIPTIONS

10 - INVESTMENT PROGRAM

The Investment Program protects investors in securities and franchise investment transactions and promotes efficient capital formation in California. The program qualifies the offer and sale of certain securities, registers the sale of franchises, and licenses and examines broker-dealers and investment advisers.

* Dollars in thousands, except in Salary Range.

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20 - LENDER-FIDUCIARY PROGRAM

The Lender-Fiduciary Program protects the public when borrowing and entering into financial transactions with lenders and fiduciaries licensed by the Department. The program licenses and examines mortgage bankers, finance lenders, escrow companies, deferred deposit originators, bill payers, and proraters.

30 - LICENSING AND SUPERVISION OF BANKS AND TRUST COMPANIES

The objective of this program is to promote the integrity and stability of state-licensed banks, and trust companies through the regulation and supervision of these institutions. Program activities include examinations at least once every three years to ensure that business is conducted in a safe and sound manner, and investigations of new bank and trust company applications and other required applicants.

35 - MONEY TRANSMITTERS

The objective of this program is to promote the integrity and stability of businesses receiving money in the United States for transmission, selling or issuing payment instruments, and selling or issuing stored value. The objective is accomplished through the examination, regulation, and supervision of these institutions. Examinations can be conducted at any time to ensure the licensees are complying with the provisions of the Money Transmission Act and operating in a safe and sound manner. In order to protect the public, a thorough review of each new applicant is conducted before a license is issued.

40 - SUPERVISION OF CALIFORNIA BUSINESS AND INDUSTRIAL DEVELOPMENT CORPORATIONS

This program licenses and regulates non-fiduciary businesses and industrial development corporations. The program ensures that business is conducted in a financially sound manner through periodic examinations and analyses of required reports.

45 - SAVINGS AND LOAN

The Savings and Loan Program ensures that savings associations comply with applicable laws and regulations.

50 - INDUSTRIAL BANKS

The Industrial Banks Program ensures that industrial bank associations comply with applicable laws and regulations.

55 - ADMINISTRATION OF LOCAL AGENCY SECURITY

As the Administrator of the Local Agency Security Program, the Director monitors the amount and quality of collateral pledged to secure deposits of public funds made by approximately 1,500 local agencies. The Director also administers local agency security for banks, savings and loans, credit unions, and industrial banks as well as federally chartered financial institutions.

60 - CREDIT UNIONS

The primary objective of this program is to promote the integrity and stability of credit unions through the regulation and supervision of these institutions, including examinations to ensure they are operating in a safe and sound manner and complying with the appropriate provisions of the Financial Code relating to their operation.

90 - ADMINISTRATION

The Administration Program provides services essential for the administration of the Department and its programs, including executive, legal, legislative, policy, fiscal, business services, and information technology.

DETAILED EXPENDITURES BY PROGRAM

	2011-12*	2012-13*	2013-14*
PROGRAM REQUIREMENTS			
10 INVESTMENT PROGRAM			
State Operations:			
0067 State Corporations Fund	\$-	\$-	\$22,380
Totals, State Operations	\$-	\$-	\$22,380
ELEMENT REQUIREMENTS			
10.10 Corporate Securities Law	\$-	\$-	\$14,952
State Operations:			
0067 State Corporations Fund	-	-	14,952
10.15 Broker/Dealers	\$-	\$-	\$3,095
State Operations:			
0067 State Corporations Fund	-	-	3,095

* Dollars in thousands, except in Salary Range.

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	2011-12*	2012-13*	2013-14*
10.25 Investment Advisers	\$-	\$-	\$2,567
State Operations:			
0067 State Corporations Fund	-	-	2,567
10.35 Agent Monitoring Law	\$-	\$-	\$236
State Operations:			
0067 State Corporations Fund	-	-	236
10.55 California Commodity Law	\$-	\$-	\$7
State Operations:			
0067 State Corporations Fund	-	-	7
10.65 Franchise Investment Law	\$-	\$-	\$1,523
State Operations:			
0067 State Corporations Fund	-	-	1,523
PROGRAM REQUIREMENTS			
20 LENDER-FIDUCIARY PROGRAM			
State Operations:			
0067 State Corporations Fund	\$-	\$-	\$22,087
Totals, State Operations	\$-	\$-	\$22,087
ELEMENT REQUIREMENTS			
20.20 Deferred Deposit Transaction Law	\$-	\$-	\$4,283
State Operations:			
0067 State Corporations Fund	-	-	4,283
20.30 Escrow Law	\$-	\$-	\$5,549
State Operations:			
0067 State Corporations Fund	-	-	5,549
20.85 California Mortgage Loan Originator	\$-	\$-	\$1,375
State Operations:			
0067 State Corporations Fund	-	-	1,375
20.90 California Finance Lenders Law	\$-	\$-	\$7,459
State Operations:			
0067 State Corporations Fund	-	-	7,459
20.95 Mortgage Bankers Law	\$-	\$-	\$3,421
State Operations:			
0067 State Corporations Fund	-	-	3,421
PROGRAM REQUIREMENTS			
30 LICENSING AND SUPERVISION OF BANKS AND TRUST COMPANIES			
State Operations:			
0298 Financial Institutions Fund	\$-	\$-	\$21,554
0995 Reimbursements	-	-	1,222
Totals, State Operations	\$-	\$-	\$22,776
35 PROGRAM REQUIREMENTS			
MONEY TRANSMITTERS			
State Operations:			
0298 Financial Institutions Fund	\$-	\$-	\$3,273
Totals, State Operations	\$-	\$-	\$3,273
PROGRAM REQUIREMENTS			
40 SUPERVISION OF CALIFORNIA BUSINESS AND INDUSTRIAL DEVELOPMENT CORPORATIONS			
State Operations:			

* Dollars in thousands, except in Salary Range.

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		<u>2011-12*</u>	<u>2012-13*</u>	<u>2013-14*</u>
0298	Financial Institutions Fund	\$-	\$-	\$31
	Totals, State Operations	\$-	\$-	\$31
	PROGRAM REQUIREMENTS			
45	SAVINGS AND LOAN			
	State Operations:			
0298	Financial Institutions Fund	\$-	\$-	\$96
	Totals, State Operations	\$-	\$-	\$96
	PROGRAM REQUIREMENTS			
50	INDUSTRIAL BANKS			
	State Operations:			
0298	Financial Institutions Fund	\$-	\$-	\$1,003
	Totals, State Operations	\$-	\$-	\$1,003
	PROGRAM REQUIREMENTS			
55	ADMINISTRATION OF LOCAL AGENCY SECURITY			
	State Operations:			
0240	Local Agency Security Deposit Fund	\$-	\$-	\$405
	Totals, State Operations	\$-	\$-	\$405
	PROGRAM REQUIREMENTS			
60	CREDIT UNIONS			
	State Operations:			
0299	Credit Union Fund	\$-	\$-	\$7,474
	Totals, State Operations	\$-	\$-	\$7,474
	TOTALS, EXPENDITURES			
	State Operations	-	-	79,525
	Totals, Expenditures	\$-	\$-	\$79,525

EXPENDITURES BY CATEGORY

1 State Operations	<u>Positions</u>			<u>Expenditures</u>		
	2011-12	2012-13	2013-14	2011-12*	2012-13*	2013-14*
PERSONAL SERVICES						
Authorized Positions (Equals Sch. 7A)	-	-	-	\$-	\$-	\$-
Total Adjustments	-	-	582.0	-	-	42,193
Net Totals, Salaries and Wages	-	-	582.0	\$-	\$-	\$42,193
Staff Benefits	-	-	-	-	-	15,757
Totals, Personal Services	-	-	582.0	\$-	\$-	\$57,950
OPERATING EXPENSES AND EQUIPMENT				\$-	\$-	\$21,575
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)				\$-	\$-	\$79,525

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

1 STATE OPERATIONS	2011-12*	2012-13*	2013-14*
0067 State Corporations Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$-	\$-	\$44,467
TOTALS, EXPENDITURES	\$-	\$-	\$44,467
0240 Local Agency Deposit Security Fund			
APPROPRIATIONS			

* Dollars in thousands, except in Salary Range.

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1 STATE OPERATIONS	2011-12*	2012-13*	2013-14*
001 Budget Act appropriation	\$-	\$-	\$405
TOTALS, EXPENDITURES	\$-	\$-	\$405
0298 Financial Institutions Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$-	\$-	\$25,957
TOTALS, EXPENDITURES	\$-	\$-	\$25,957
0299 Credit Union Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$-	\$-	\$7,474
TOTALS, EXPENDITURES	\$-	\$-	\$7,474
0995 Reimbursements			
APPROPRIATIONS			
Reimbursements	\$-	\$-	\$1,222
TOTALS, EXPENDITURES, ALL FUNDS (State Operations)	\$-	\$-	\$79,525

FUND CONDITION STATEMENTS

	2011-12*	2012-13*	2013-14*
0067 State Corporations Fund ^s			
BEGINNING BALANCE	\$53,498	\$60,146	\$50,581
Prior year adjustments	5,102	-	-
Adjusted Beginning Balance	\$58,600	\$60,146	\$50,581
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
125700 Other Regulatory Licenses and Permits	28,543	27,904	27,907
125800 Renewal Fees	6,489	6,518	6,518
125900 Delinquent Fees	5	-	-
141200 Sales of Documents	1	2	2
142500 Miscellaneous Services to the Public	6	1	1
150300 Income From Surplus Money Investments	195	200	200
161000 Escheat of Unclaimed Checks & Warrants	4	-	-
161900 Other Revenue - Cost Recoveries	19	-	-
163000 Settlements/Judgments(not Anti-trust)	1,745	588	588
164300 Penalty Assessments	285	108	108
Transfers and Other Adjustments:			
TO0001 To General Fund per Item 1701-001-0067, Budget Act of 2013	-	-	-15,000
Total Revenues, Transfers, and Other Adjustments	\$37,292	\$35,321	\$20,324
Total Resources	\$95,892	\$95,467	\$70,905
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
0515 Secretary for Business, Consumer Services, and Housing Agency (State Operations)	-	-	193
0840 State Controller (State Operations)	43	51	-
1701 Business Oversight (State Operations)	-	-	44,467
2180 Department of Corporations (State Operations)	35,703	44,593	-
8880 Financial Information System for California (State Operations)	-	242	207
Total Expenditures and Expenditure Adjustments	\$35,746	\$44,886	\$44,867
FUND BALANCE	\$60,146	\$50,581	\$26,038
Reserve for economic uncertainties	60,146	50,581	26,038
0240 Local Agency Deposit Security Fund ^s			
BEGINNING BALANCE	\$450	\$438	\$283

* Dollars in thousands, except in Salary Range.

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	2011-12*	2012-13*	2013-14*
Prior year adjustments	<u>2</u>	<u>-</u>	<u>-</u>
Adjusted Beginning Balance	\$452	\$438	\$283
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
121200 Other Regulatory Taxes	224	228	228
150300 Income From Surplus Money Investments	2	3	3
164300 Penalty Assessments	<u>18</u>	<u>10</u>	<u>10</u>
Total Revenues, Transfers, and Other Adjustments	<u>\$244</u>	<u>\$241</u>	<u>\$241</u>
Total Resources	\$696	\$679	\$524
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
0515 Secretary for Business, Consumer Services, and Housing Agency (State Operations)	-	-	2
0840 State Controller (State Operations)	1	1	-
1701 Business Oversight (State Operations)	-	-	405
2150 Department of Financial Institutions (State Operations)	257	393	-
8880 Financial Information System for California (State Operations)	<u>-</u>	<u>2</u>	<u>2</u>
Total Expenditures and Expenditure Adjustments	<u>\$258</u>	<u>\$396</u>	<u>\$409</u>
FUND BALANCE	\$438	\$283	\$115
Reserve for economic uncertainties	438	283	115

0298 Financial Institutions Fund ^s

BEGINNING BALANCE	\$12,441	\$11,547	\$10,096
Prior year adjustments	<u>-705</u>	<u>-</u>	<u>-</u>
Adjusted Beginning Balance	\$11,736	\$11,547	\$10,096
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
121200 Other Regulatory Taxes	22,397	22,561	22,561
125700 Other Regulatory Licenses and Permits	125	125	125
150300 Income From Surplus Money Investments	72	72	72
161000 Escheat of Unclaimed Checks & Warrants	5	5	5
161400 Miscellaneous Revenue	<u>1,765</u>	<u>1,700</u>	<u>1,700</u>
Total Revenues, Transfers, and Other Adjustments	<u>\$24,364</u>	<u>\$24,463</u>	<u>\$24,463</u>
Total Resources	\$36,100	\$36,010	\$34,559
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
0515 Secretary for Business, Consumer Services, and Housing Agency (State Operations)	-	-	96
0840 State Controller (State Operations)	35	42	-
1701 Business Oversight (State Operations)	-	-	25,957
2150 Department of Financial Institutions (State Operations)	24,460	25,732	-
8880 Financial Information System for California (State Operations)	<u>58</u>	<u>140</u>	<u>120</u>
Total Expenditures and Expenditure Adjustments	<u>\$24,553</u>	<u>\$25,914</u>	<u>\$26,173</u>
FUND BALANCE	\$11,547	\$10,096	\$8,386
Reserve for economic uncertainties	11,547	10,096	8,386

0299 Credit Union Fund ^s

BEGINNING BALANCE	\$2,424	\$1,720	\$1,612
Prior year adjustments	<u>60</u>	<u>-</u>	<u>-</u>
Adjusted Beginning Balance	\$2,484	\$1,720	\$1,612
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			

* Dollars in thousands, except in Salary Range.

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	2011-12*	2012-13*	2013-14*
121200 Other Regulatory Taxes	6,363	7,200	7,200
125700 Other Regulatory Licenses and Permits	15	40	40
150300 Income From Surplus Money Investments	22	22	22
164300 Penalty Assessments	29	10	10
Transfers and Other Adjustments:			
FO0001 From General Fund loan repayment per Item 2150-011-0239, Budget Act of 2002	-	-	1,350
Total Revenues, Transfers, and Other Adjustments	<u>\$6,429</u>	<u>\$7,272</u>	<u>\$8,622</u>
Total Resources	\$8,913	\$8,992	\$10,234
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
0515 Secretary for Business, Consumer Services, and Housing Agency (State Operations)	-	-	30
0840 State Controller (State Operations)	10	12	-
1701 Business Oversight (State Operations)	-	-	7,474
2150 Department of Financial Institutions (State Operations)	7,167	7,328	-
8880 Financial Information System for California (State Operations)	16	40	34
Total Expenditures and Expenditure Adjustments	<u>\$7,193</u>	<u>\$7,380</u>	<u>\$7,538</u>
FUND BALANCE	\$1,720	\$1,612	\$2,696
Reserve for economic uncertainties	1,720	1,612	2,696

CHANGES IN AUTHORIZED POSITIONS

	Positions			Expenditures		
	2011-12	2012-13	2013-14	2011-12*	2012-13*	2013-14*
Totals, Authorized Positions	-	-	-	\$-	\$-	\$-
Workload and Administrative Adjustments:				Salary Range		
Consolidated Department of Financial Institutions and Department of Corporations per GRP 2	-	-	571.0	\$-	\$-	\$41,477
Totals, Workload & Administrative Adjustments	-	-	571.0	\$-	\$-	\$41,477
Proposed New Positions:						
Corporation Examiner	-	-	7.0	4,833-5,876	-	486
Staff Counsel	-	-	1.0	4,674-7,828	-	78
Associate Governmental Program Analyst	-	-	2.0	4,400-5,348	-	116
Office Technician (Typing)	-	-	1.0	2,686-3,264	-	36
Totals Proposed New Positions	-	-	11.0	\$-	\$-	\$716
Total Adjustments	-	-	582.0	\$-	\$-	\$42,193
TOTALS, SALARIES AND WAGES	-	-	582.0	\$-	\$-	\$42,193

* Dollars in thousands, except in Salary Range.