Narrative Information—DA 400

Division of the Budget

State of Kansas

Agency - Department of Credit Unions - 159

Program _____

September 09, 2026

Mr. Adam Proffitt, Chief Budget Officer
Division of the Budget
Landon State Office Building
900 SW Jackson, Suite 504
Topeka, Kansas 66612

Dear Mr. Proffitt:

The Fiscal Year 2027 budget along with the biennial budget for Fiscal Years 2028 and 2029 has been prepared per your instructions. This document cites the Department's mission, philosophy, goals and objectives, plan for financing, explanation of expenditures and other required work papers.

The agency is presenting the previously approved FY 2027 budget with a downward adjustment of $85,000. We had previously requested enhancements to cover potential shortfalls created by the NCUA drawdown. The current indications are that we will not be required to purchase software in the near future, therefore we are eliminating that line item and reducing the budget request. Fiscal years 2028 and 2029 are the equivalent to the 2027 budget with projected inflationary increases. Fee income collected for FY 2027, and projected fee income for FY 2028 and FY 2029 will cover the requested expenditures..

My staff and I are prepared to provide any additional information that you or your budget analyst may require.

Sincerely,

Julie Murray
Administrator

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AGENCY MISSION

The mission of the Kansas Department of Credit Unions is to protect Kansas citizens from undue risk by ensuring safe and sound operation of state-chartered credit unions.

AGENCY PHILOSOPHY

The Kansas Department of Credit Unions will act in accordance with the highest standards of fairness, accountability, efficiency, honesty and integrity. We affirm that the funds deposited in Kansas-chartered credit unions shall be protected to the best of our abilities.

PROGRAMS ESTABLISHED TO ASSIST WITH AGENCY MISSION

- Examination of Credit Unions
- Supervisory Call Backs (visits)

STATUTORY HISTORY

The Kansas Department of Credit Unions was established in 1968 under K.S.A. 17-2234. Information related to the agency, and credit unions in general, may be found in K.S.A. 17-2201 through K.S.A. 17-2268.

EXTERNAL/INTERNAL ASSESSMENT

Credit unions pay an annual operation fee based on asset size, the amount of which is determined by the Agency Administrator in consultation with the Kansas Credit Union Council and based on expenditure limits approved by the Legislature.

Kansas has 43 natural-person, member-owned, state-chartered credit unions under the Department's supervision. The total assets were $7,038,645,000 as of 3/312026 compared to $6,685,925,000 as of 3/31/2025. Kansas has one corporate credit union under the Department's supervision. The average assets of the corporate credit union were more than $2.2 Billion as of 6/30/2025. The Department also assesses fees to out-of-state, non-federally chartered credit unions based on their deposits within the borders of Kansas.

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While the number of credit unions has declined due to mergers, the asset size continues to grow. This growth comes with increased complexity on the credit union's balance sheets and more innovative products and services delivered to members. The continued growth trend also facilitates stable revenue for the agency as the number of credit unions decline.

The examination cycle is an average of 15 months, which falls within statutory requirements of examining each credit union at least one time each 18 months. The examination workload for the Department is managed with a statewide examination team with examiners stationed in four areas of the state: Wichita, Topeka, Kansas City and Salina. Our current examination protocol is that of a hybrid exam team, with half of the team working onsite at the credit union and the remaining working remotely. This practice allows the agency to conserve resources that would be spent on travel and promotes a better work/life balance for the examination team to retain employees on a longer term.

Fee receipts decreased in FY2027 because the agency implemented a one-time 25% fee discount to reduce the surplus in its fee fund. This fund naturally increases every year the agency operates below its projected budget. To maintain stability, the National Association of State Chartered Credit Union Supervisors (NASCUS)- the agency's accrediting body- recommends keeping a fund balance equal to 50% to 75% of the annual operating budget.

GOAL 1: EXAMINATION OF CREDIT UNIONS

Ensure that all state-chartered credit unions are examined at least every 18 months (K.S.A. 17-2206 (b)).

Objective 1: Examination Cycle

(a) Maintain an actual examination cycle averaging 18 months or less between each examination.
(b) Administrative and field staff complete the examination report in less than 60 days.

Strategies 1:

(a) Administrative personnel will monitor actual performance by reviewing/monitoring reports.
(b) Administrative staff will continue to review staffing needs.
(c) Examiners will continue to use the National Credit Union Administration Risk Focused Examination procedures on all state-chartered credit unions.
(d) Credit unions with problems will be examined no less often than every 12 months. Stable credit unions with favorable CAMEL and risk ratings will be examined at slightly longer intervals but within the Department's statutory 18-month examination requirement.

Outcome Measures:

(a) The outcome measurement is assessed by date of last examination and is monitored through a quarterly report. The statute requirement is based on the number of months that have elapsed from the date of last examination.
(b) The Department is presently completing the examination report on a 30-day timeframe prescribed by Department policy.

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Output Measures: Examinations Performed

FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
Actual	Actual	Actual	Estimate	Estimate	Estimate
34	34	37	34	35	35

The number of examinations has decreased due to credit union mergers. While there are a smaller number of credit unions to examine, the complexity of credit unions products and services has increased. This coupled with increased scrutiny on regulatory issues and current economic factors increases the time spent with credit unions on examinations and follow up contacts, which balances out the reduction in examination numbers.

Action Plans:

(a) Conduct regular meetings to review all monitoring reports.
(b) Review and research any late reports and determine cause of delay.
(c) Review staffing needs on a continual basis.
(d) Review Department policies annually.

GOAL 2: SUPERVISORY CALLBACKS:

Provide for timely supervisory callbacks (on-site visits) and monitoring of problem credit unions.

Objective 2:

(a) Provide a supervision program for problem credit unions through a call back program.
(b) Provide the time necessary for this program to work effectively.
(c) Maintain detailed records of call back records and results.

Strategies 2:

(a) Determine from examination reports and quarterly call reports, which credit unions will be monitored and those that will need a periodic call back. Callbacks will be done semi-annually, quarterly, monthly or as often as needed by onsite or remote examiner visitation. Timely callbacks will be arranged by reviewing travel schedules and other records. The reports submitted by the field staff will be assembled on a spreadsheet for review by the Administrator.

Outcome Measures:

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All CAMEL “3” or “4”-rated credit unions have received a call back within the required time frame as needed. Monthly reports are also reviewed in the office. receive ongoing training to ensure they remain current on corrective actions and measures available for problem resolution related to the credit unions they examine.

(a)

Output Measures: Callbacks Performed

FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
Actual	Actual	Actual	Estimated	Estimated	Estimated
12	11	13	10	12	10

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Expenditure Justification

5100: Salaries and Wages

The Department's major expenditure in this category is to compensate our examiners and include salaries/wages/department-paid benefits. The increase in the FY2027 salaries/wages/department-paid benefits (over FY2026's actuals) is attributed to vacant positions. The agency currently has an open posting for a Financial Examiner, with the intent to post for the other vacant position later in the year, thus utilizing the budgeted funds. FY2028 has a higher figure in this category due to the extra pay period, revenue estimates indicate that the extra expense associated with that pay period will not pose an undue hardship on the agency.

The Department has 12.0 FTE positions, including an Administrator, a Financial Examiner Administrator (FEA), six Financial Examiners (FE), one Administrative Officer and one Administrative Specialist position. The Department currently has two FTE Financial Examiner (FE) positions open and plans to fill those openings in the FY2027.

5200: Contractual Services

The Department's major expenditures in this category are for travel and subsistence to accomplish credit union examinations and call backs, training for Financial Examiners, rental of office space and copying equipment, communication expenses, fees and dues to professional associations and job-related training.

The current estimates are figured for 8 traveling employees with 50% travel requirements. Those affected areas include in 525180 Meals and Lodging in State, 525510 Private Vehicle Miles, 526610 Job Related Training & Conference Registration, and 529100 Dues and Subscriptions.

Our previous budget request for FY2026 and FY2027 included budget enhancements for salaries, training, and software; these enhancements were a result of federal drawdowns and expected needs to fill those gaps. Current indications are that KDCU will still be able to utilize software provided by the NCUA to perform our examination. As a result, we have eliminated that line item, reducing our previous budget request by $85,000.

5300: Commodities

The Department expenditures in this category are expected to remain stable.

5400: Capital Outlay

Expenditures in this category would be related to the purchase of office equipment, office furniture and other fixed tangible assets, such as Department vehicles.
We had previously submitted a budget request for 25,300 for the purchase of a sedan in FY2027, we have revised that figure to reflect current cost estimates included in budget instructions. To offset this increased expense, we will be cutting costs in the contractual services area, namely training.

FY2028 and FY2029 also include expenditures for vehicles. These requests are to replace current vehicles in the fleet. The agency currently has three (3) 2017 Ford Fusions that will be eligible for replacement in the near future. Historically, we have started evaluating the vehicles at 85,000-100,000 miles, depending on maintenance costs and reliability factors. Our intention is to replace one per year based on the previously mentioned criteria. We are utilizing estimates for a compact sedan included in the budget reports.

REVENUE ESTIMATES

The Department receives revenues from only one source, fees—the assessment of which is based on the March 31st asset size of the state-chartered credit unions that we examine and supervise. K.S.A. 17-2206(e), as amended, provides that "each credit union shall pay to the Administrator a fee for examination established in accordance with this subsection." Prior to June 1st of each year, the Administrator, after advising the Credit Union Council, shall establish such annual fees as the Administrator determines to be sufficient to meet the budget requirements of the Kansas Department of Credit Unions.

Fees are assessed according to a fee schedule which currently is similar to the schedule established by the National Credit Union Administration, and which applied to all federally chartered credit unions. The fee schedule for state-chartered corporate credit unions consists of a formula consistent with

fees assessed on federal corporate credit unions. .Credit unions chartered in other states that have physical facilities in Kansas also pay fees based upon their deposits in Kansas.

The FY 2027 Fee Notices included a one-time reduction of 25% in fee assessments to the credit unions. This reduction was given to offset the higher-than-normal balance in the fee fund, which occurred as the agency operated at reduced staffing levels. The agency is currently posting to fill an open position, which would bring us back into alignment with budget.

The Department's revenues continue to exceed expenditures, even after the $100,000 required contribution to the state general fund. The Department's carryover funds as of June 30, 2026, increased to $1,822,319.98 thus prompting the one-time fee reduction.

Natural-Person Credit Union Fees

	FY2025 Actual	FY 2026 Actual	FY2027 Actual	FY2028 Estimate	FY2029 Estimate
March 31 Assets	6,461,412,000	6,685,925,000	7,038,645,000	7,284,997,575	7,539,972,490
Asset Growth	3.75%	3.45%	5.275%	3.50%	3.50%
Fees	1,320,710	1,320,710	1,055,766	1,456,999	1,507,994
Out of State CU Fees	340,000	597,000	311,252	431,600	448,864

Corporate Credit Union Fees

	FY2026 Actual	FY2027 Actual	FY2028 Estimate	FY2029 Estimate
March 31 Assets	1,872,269,031	2,278,061,910	2,209.720,052	2,287,060,253
Growth	51%	21%	3%	3.5%
Fees	25,000	25,000	25,000	25,000

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It is worth noting that our corporate credit union acts primarily as a liquidity facility for natural person credit unions, which causes significant fluctuations in asset size. The downward prediction assumes that credit unions may move some funds from the corporate credit union back into investments as the interest rates change.

	FY 2026 Actual	FY 2027 Actual	FY 2028 Estimate	FY 2029 Estimate
Total Fees	2,039,916	1,392,038	1,888,599	1,958,858
General Fund	($100,000)	($100,000)	($100,000)	($100,000)
Net Fees	$1,939,916	$1,292,038	$1,788,599	$1,858,858

2027 Fees were down due to a one-time reduction given by the agency. FY2028 and FY2029 Estimates are lower than previously expected; this is due to a Missouri credit union that has branches in Kansas switching from a Missouri charter to a federal charter. Federal credit unions do not pay fees to KDCU.