APPENDIX F
WORKFORCE PLAN FY 2009-2013

WORKFORCE PLAN
TABLE OF CONTENTS

WORKFORCE PLAN

I. Department Overview

The Department is one of three agencies operating under the Finance Commission. The Department is entirely self-funding and self-leveling from fees and expenses paid by the regulated entities. The mission is carried out through a range of regulatory activities. These activities include: chartering and licensing; examination and supervision; customer assistance and complaint resolution; and administration.

The Department competes with financial service providers, other state agencies and the federal regulatory agencies for its professional examination staff. During the banking crisis of the 1980's, the Department's inability to hire and retain experienced examiners affected the agency's capacity to respond. A Finance Commission study determined that the state's Job Classification Act was not adequately flexible to allow the Finance Commission agencies to attract and retain competent employees. In 1989, the Legislature authorized a separate Finance Commission Salary Administration Program which allowed the Finance Commission to independently set the salaries and determine the number of employees for the Finance Commission agencies, subject to the limits of each agency's total appropriations under the General Appropriations Act. This separate plan was discontinued by the Legislature in 1997, at which time the Department also came under full-time employee (FTE) cap. At the time the FTE cap was initiated, the DOB FTE count was 194.5; however, the FTE cap fell to a low of 149 in 2002 but has gradually increased as the Department's regulatory responsibilities have expanded. The FTE cap is now 180. The current 180 FTE cap includes 14 additional FTEs granted in fiscal 2008 to provide adequate staff to regulate the State banking industry after the conversion of Comerica Bank to a state-chartered bank.

Prior to and during the 2000 – 2001 biennium, the Department experienced a severe turnover rate in the Financial Examiner series as a result of two primary issues: (1) state salary levels were not competitive with the federal bank regulatory agencies; and (2) extensive travel requirements, many times 50% - 75% of the annual working days. Both were significant hardships on examiners. The Department continued to experience high turnover, especially in the examination ranks, until changes in the state classification system and additional appropriations were granted by the Legislature in 1999 that provided for a substantial examiner pay adjustment as a means to become more competitive with federal regulatory agencies. In addition, in 2003 the Legislature adopted a contingency rider for the Department providing a mechanism for the agency to seek additional appropriations for examiner salary adjustments under certain criteria.

Again in 2005, the Department began to experience a high turnover rate of financial examiners. As a result, the agency implemented new off-site monitoring procedures and enhanced the work at home policy to reduce overnight travel for examiners. The agency was also granted the authority to offer an overnight travel stipend to examiners beginning in fiscal 2008. Lastly, beginning in February 2007, with the support of the Finance Commission, the agency sought to receive examiner salary adjustments. The agency received approval for the examiner and related director salary adjustments in January 2008. The Department saw a decline in examiner turnover when discussions and requests for these pay raises were first made.

The Department must remain competitive with federal banking regulators to retain qualified staff so that agency goals can be achieved. To this end, the Department must remain vigilant and proactive in monitoring the compensation of federal examiners and have the flexibility to adjust salary programs where necessary.

The majority (71.7%) of the Department's personnel are in the examination/supervision area. Examining personnel spend the majority of their time in travel status due to the volume and necessity to conduct on-site examination work. The relocation of the Austin regional office to San Antonio in June 2005 was designed to reduce travel costs and to increase the number of examinations that could be conducted without requiring overnight travel. The Department continues to look for opportunities to reduce travel, although this burden cannot be fully eliminated.

The number of entities supervised by the Bank and Trust Supervision division of the Department has remained constant but the volume of assets under supervision continues to grow at a significant pace. Growth in the banking system coupled with expanded examination areas such as Bank Secrecy Act/Anti-Money Laundering, bank holding company inspections and expanded IT examination activities continue to increase the demand for qualified staff.

Outreach programs are important to the Department to enhance communication. We currently produce numerous publications for our regulated entities as well as have a rotating calling system to directly discuss issues with our banks between examination cycles. We continually strive to improve communication with our regulated industries; however, one-to-one contact with the leaders of our regulated entities requires the involvement of the most senior examination staff, which is already stretched thin by examination and training duties. The ability to adequately supervise the entities under the Department's jurisdiction requires that sufficient support be provided to our financial examiners as well as the regulated institutions in the way of professionalism, technology, legal services, communication and administrative services.

II. Workforce Plan Focus

Key economic and environmental factors affecting the Department's workforce over the next five years include turnover and retention in the financial examination series and an aging workforce.

A. Trends and Factors Affecting the Retention of Financial Examiners

In 2001, a competitive salary plan was implemented and as a result, the turnover rate dropped from 21.7% to 10.2% in FY 2003. In 2004, salaries appeared to be losing the competitive edge and as predicted, turnover increased from 10.2% in FY 2003 to 23% in FY 2005. Turnover rates declined to a record low of 7.8% in FY 2007 after the Department began the process to seek competitive salary adjustments for financial examiners and related directors and updated the commissioning testing process and promotion ladder. The highest turnover of financial examiners in FY 2007 occurred within the group with two years or less of agency service. The next highest turnover rate for financial examiners occurred with the 10 - 15 years tenure group.

Financial Examiner Turnover by Fiscal Year							
FY 2000	**FY 2001**	**FY 2002**	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
14.1%	21.7%	11.6%	10.2%	13.5%	23%	15.8%	7.8%

The Department's examiner positions require employees who are highly skilled and educated. The competition to hire and retain these workers is an on-going challenge for the Department. The Department has revised its training efforts and now offers many in-house schools that better fit the training needs of the entry level examiners. The Department has also implemented a Financial Examiner III-B category to provide upward mobility while an examiner works to pass the commissioning process and become a Financial Examiner IV.

In the fall of 2006, the Department began using a work style profile in the hiring process to try to identify candidates that have inherent work characteristics conducive to our supervisory responsibilities, a propensity for the rigors of frequent travel and desire to establish a long term career with one employer. While still somewhat early in the process, the screening appears to be an asset to help identify candidates best suited for our employment. The Department also includes prior work experience, preferably with a financial institution, and bilingual skills as preferred qualifications of potential candidates.

Due to the strong Texas economy and the State's inability to offer salary and benefit packages competitive with the private sector, turnover in the agency is an area of concern. Examiners are lured away by financial institutions and other industries offering a better salary structure, added benefits or perks, and less overnight travel.

The Department must curb turnover in the lower and mid financial examiner levels. These examiners must be cultivated, trained, and retained to replace retiring employees. It takes approximately four to five years to complete the core training curriculum and pass an internal test to become a qualified "commissioned" examiner. Without continued competitive salaries, the Department will have difficulty retaining trained personnel and hiring new qualified candidates.

Education trends indicate that the number of workers in the prime age category who have attended college is not expected to increase over the coming decades, even though demand for highly educated workers will continue to grow. Further, it is expected that there will be a much greater demand for high-skilled workers than for low-skilled workers.

Further, it is predicted that the slowing economy will effect job growth. Some areas of the country and certain occupations will fare better than others. There is a continuing high demand for some occupations including accounting and risk management. The higher demand for accountants may impact the recruitment and retention of the Department's financial examiner staff. The anticipated increase in competition for accountants, risk managers, and bank executives i.e. our financial examination staff, is cause for concern.

Further, some experts believe that the presence of Generation X and Y and the exit of the baby boomers could create a cultural shift in the workplace. A 10-year study of generational values in the workplace indicate that, among other things, employees have less confidence in long-term rewards and greater expectations for short-term rewards and that supervising employees now requires more time and skill on the part of managers. According to the study, the workplace culture and the values that first appeared among Generation X are becoming the new norm. The Department must adapt to this shift.

The Department's entry level Financial Examiners are primarily a new generation; therefore, a component of retention is to continue to evaluate adjustments to the workplace to more effectively retain these employees.

B. Trends and Factors Related to the Aging Workforce

Within the next five years 27% of the Department's workforce will be eligible to retire, with 12% of this group eligible to retire today. The loss of these employees represents a combined 375 years of experience.

Most demographic experts estimate that the number of people over the age of 65 will double over the next few decades. The impact of this shift will affect the workplace in a number of aspects. The aging workforce and issues related to succession planning will become crucial where large numbers of baby boomers are expected to retire at the same time. In response to these trends, the Department is furthering the development of the succession plan and bringing retirees back into the workforce. Retired financial examiners may be recruited to work as trainers for assistant examiners; thus we fill the gap between many new examiners and the long-tenured experienced examiners. This will facilitate and expedite the education process of new examiners and relieve experienced examiners of some training duties and allow them to focus on other examination duties.

Due to the aging workforce there is a need to develop nontraditional workplace and employment relationships, such as short term assignments and consulting agreements with retired employees. An increase in jobs and a decrease in the labor force will likely have a negative impact on retention rates in the Department without strategic adjustments in retention and hiring alternatives.

Succession planning remains high on the agency's agenda. We have a Delegation of Authority policy to ensure all critical areas are covered in the absence of senior management. The policy highlights the areas where less tenured managers need to concentrate their efforts to become more knowledgeable and better equipped to handle the duties of their supervisors. Senior staff has also completed individual Management Succession Plan worksheets. The worksheets require each manager to name an acting replacement for their position and then outline the justifications for the selection as well as the qualifications and posting for the position. Our financial examiner mentoring program and efforts to retain mid-level examiners also aid in our succession planning efforts. Retaining these mid-level examiners is monumental to the agency to have competent, well trained staff to replace our retiring examiners.

C. Increasing Diversity

The Department continues to emphasize the need for workplace diversity and to strive for a workforce that is reflective of the racial composition of the population. The Census Bureau has announced that Hispanics are now the nation's largest minority group and account for the majority of births in some states. In addition to a workforce that mirrors the population, this shift in demographics increases the demand for multilingual training and information. The Department includes fluency in Spanish as a preferred qualification for all jobs postings.

D. Workforce Optimization

Workforce optimization occurs when organizations acquire and develop the right human capital to help achieve maximum productivity. This involves understanding an organization's strategic objectives and targets, creating talent acquisition, and staff development plans to ensure the workforce is ready to achieve these objectives. The measurement of workforce productivity is a critical component of management of talent tools to facilitate workforce optimization.

III. Department Mission

To ensure Texas has a safe, sound, and competitive financial services system.

IV. Strategic Goals and Objectives

Goal 1: Effective Regulation	To ensure timely, fair, and effective supervision and regulation of the financial institutions and other licensees under our jurisdiction in order to promote a stable banking and financial services environment and provide the public with convenient, safe, and competitive services.
Objective	To provide quality regulation and maintain the credibility of the Department with federal banking regulators, other government agencies, the public, and the industries it regulates.
Strategies	• Conduct examinations in conformance with the examination priority schedule. • Maintain national accreditation. • Maintain contact with, and monitor the condition of, regulated entities between examinations. • Optimize efficiencies in the examination process, including automating examination procedures and reference materials. • Research and report on new regulatory responses to changing industry and economic conditions. • Provide the industry with electronic access to regulatory and supervisory information through the website or secure mail server. • Maintain a contingency plan that allows additional regulatory resources to address changing situations. • Monitor industry status and activities through an offsite monitoring system and engage in regular communications with federal regulators. • Active detection and pursuit to stop unauthorized activities and prohibit officers and employees that engage in fraudulent activities from returning to the industry.

Objective	To provide quality regulation of non-bank licensees.
Strategies	• Conduct examinations in conformance with the examination priority schedule. • Maintain contact with, and monitor the condition of regulated entities between examinations. • Optimize efficiencies in the examination process, including automating examination procedures and reference materials. • Research and report on changing industry and economic conditions. • Ensure proper enforcement actions are taken against unlicensed entities.
Objective	To guarantee convenient and competitive financial services and protect the public.
Strategies	• Enhance current systems through the automation of applications and request processing by efficient unitization of computer resources and programs. • Process applications and information requests in a timely manner.
Goal 2: Communication (Unfunded)	To improve communication with and responsiveness to the needs of the general public, the Legislature, the Governor's Office, the Finance Commission and other oversight bodies, other state and federal governmental agencies, consumer groups, and the banks and other entities the Department regulates.
Objective	Communicate effectively by responding to consumer complaints and inquiries, and conducting an annual satisfaction survey of regulated entities.
Strategies	• Provide Ombudsman services to coordinate communication with the public, regulated entities, oversight bodies, and other governmental organizations. • Administer a tracking system for complaints and inquiries received.
Goal 3: Promoting the Dual Banking System (Unfunded)	Promote the state banking system and economic development by pursuing all opportunities consistent with safety, soundness, and prudent regulatory principles; to assist and enable the Texas banking industry to enhance its individual and collective franchise values.
Objective	To focus on economic development by promoting the state banking charter in Texas as a superior vehicle for conducting banking activities, and promoting greater accessibility and responsiveness than that provided by federal regulatory agencies.
Strategies	• Prepare written and oral testimony as requested or needed. • Constantly review the Department's rules with respect to safety and soundness, new bank powers, and other regulatory matters.
Goal 4: HUB Usage (Unfunded)	Contract with historically underutilized businesses (HUBs) to the greatest extent possible.
Objective	Award contracts to HUBs with home offices in Texas in sufficient quantities to meet or exceed HUB participation targets by category of contract.

Strategies	• Continue to seek bids from at least two certified HUB vendors for all competitive purchases. • Follow the Department's policy of contracting for services in such a way as to give HUB vendors preference where the goods or services and bids are otherwise comparable. • Update and maintain directories of certified HUB vendors to facilitate bidding processes.

V. Anticipated Changes in Strategies

The Department's strategies are proactive to indicators in the financial industry. The banking industry in Texas is growing within the state's borders as well as expanding beyond. This expansion of the state banking system continues to place additional resource pressures on existing staffing levels.

The FDIC has implemented a Relationship Management Program (RMP) whereby well managed banks are provided one single point of contact with the FDIC for addressing supervisory activities. The Department did not implement the RMP primarily because we believe that our regional directors already provide a single point of contact for our banks and our senior examiners could not carry this added responsibility. The FDIC's implementation of this program has required a greater degree of coordination of examination activity between the Department's regional offices and FDIC personnel which has helped to improve communications but has also increased the Department's workload.

Increased emphasis on identifying and freezing terrorist funds is and will continue to result in additional resource demands upon the Department. State regulators are relied upon to perform Bank Secrecy Act reviews. The electronic payment systems and currency exchange industries are rapidly evolving. As new forms of payments or exchange arise, the Department must devote additional resources to evaluating licensing and regulation issues.

Changes in the staffing and policy mandates of the federal banking regulators are always possible. Wholesale shifting of federal examination resources out of the alternate examination program would require additional resources and examiner development at the Department to meet bank examination priorities.

VI. Current Workforce Profile (Supply Analysis)

A. Critical Workforce Skills

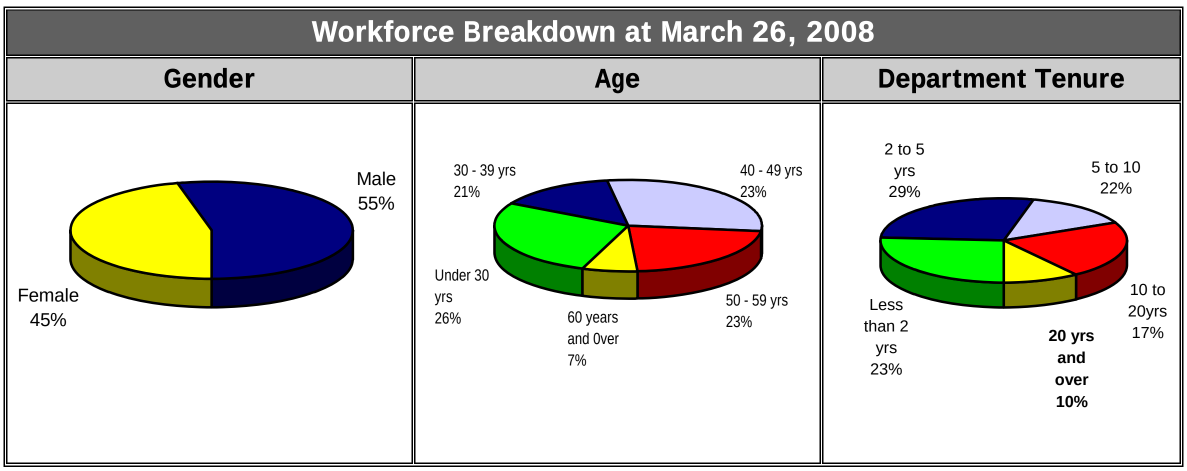
Although the Department now has many capable, qualified employees, there are several critical skills that are vital to maintaining the Department's ability to operate effectively and efficiently. Without these skills, the Department could not provide basic business functions. The skills are:

- Financial examination experience and expertise
- Customer service expertise

- Information technology expertise
- Financially related legal knowledge
- Database development and maintenance expertise
- Regulatory and accounting experience and expertise

B. Workforce Demographics (as of March 26, 2008)

Workforce Breakdown: The following chart profiles the Department's current workforce that includes both full and part-time employees. The Department's workforce is comprised of 55% males and 45% females. Approximately 53% of our workforce is over the age of 40 and approximately 51% have less than five years Department service. Over 70% of these less-tenured employees represent financial examiners. This percentage is high enough to warrant strong programs to ensure examiner retention.



Department Workforce by Job Category: The following table compares African American, Hispanic American, and female Department staffing as of March 26, 2008, to the statewide civilian workforce as reported by the Texas Workforce Commission Civil Rights Division. The Department strives to meet various diversity targets. The Department's percentages of African American employees in all job categories are representative of the state civilian workforce. Hispanic Americans are under-represented by less than one person in the Official / Administration and Professional categories as compared to the state civilian workforce. Female representation in the Technical category is under-represented by one person. Females are under-represented in the Official / Administration category by less than one person. Females in the Professional category are under-represented by 21. The Department is vigilant in its effort to continue to monitor, address, recruit, and maintain the minority representation in each category and hopes to improve upon these percentages.

Department Workforce by Job Category as of March 26, 2008						
Job Category / Employee Count	African American		Hispanic American		Females	
	Department Percent	Civilian Workforce	Department Percent	Civilian Workforce	Department Percent	Civilian Workforce
Official / Administration - 13	8%	7%	8%	14%	31%	37%
Professional - 117	9%	8%	12%	13%	35%	53%
Technical - 4	50%	12%	0%	20%	25%	54%
Admin. Support - 28	14%	11%	32%	24%	96%	65%

C. Employee Turnover

The turnover rate has improved; however, improvements have historically been short lived and economic indicators suggest competition for financial examiner job skills will continue. The Department must be vigilant in researching and refining retention methods. During FY 2000, turnover in the Department was 23.8%. After changes effective for FY 2001 to the state classification system along with additional targeted appropriations provided for substantial examiner pay increases, turnover actually decreased to 10.2% by FY 2003. The Department's turnover rate of 10.2% compared favorably to the statewide 2003 rate of 17.9%. During FY 2005, the Department's turnover increased to 20.9% as compared to the statewide turnover of 18.9%.

In FY 2005, the Department lost 23 financial examiners, one-half of these moving to banking or other private sector employment. Through the FY 2006, the agency lost an additional 16 examiners, with nine moving to banking or other private sector employment. During FY 2007 the Department's losses dropped to eight financial examiners. However, half of these moved, for higher pay, to banks and private employers. Turnover issues consistently affect the financial examination series, the major component of the Department's workforce.

Ten Year Turnover: The following chart compares the Department turnover to that of the State over the last ten years.

Ten Year Turnover		
Fiscal Year	**Department Turnover Rate**	**State Turnover Rate***
FY 2007	10.8%	19.2%
FY 2006	15.8%	17.9%
FY 2005	20.9%	18.9%
FY 2004	14.4%	41.8%**
FY 2003	10.2%	17.9%
FY 2002	14.1%	15.3%
FY 2001	22.0%	18.5%
FY 2000	23.8%	18.9%
FY 1999	18.9%	17.6%
FY 1998	25.9%	17.4%

* Information obtained from the State Auditors Office E-Class System including interagency transfers.

** The exceptionally high statewide turnover in FY 2004 is due to the reorganization of the health and human services agencies.

Financial Examiner Turnover: The financial examiner group is the largest component of the Department's workforce at 72% when fully staffed. Turnover in this group is most costly to the Department because examiners receive extensive professional training and direct supervision in the first two to four years of employment, which requires substantial monetary commitment by the Department. During FY 2005, the Department experienced a 42% turnover rate for examiners employed less than two years. However, this has decreased to 14% in FY 2007. This statistic reflects that the Department's salary adjustment efforts and recruitment and retention strategies are effective and producing results.

The following charts illustrate turnover activity and trends for the financial examiner series, all other Department employees and then consolidated for the entire agency.

FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE AS OF AUGUST 31, 2007

(The denominator for the turnover percentages is the beginning balance for the period.)

Years of Service	# of Financial Examiners	% of Financial Examiners	Financial Examiner Turnover Rate FY 2007
Less than 2 years	**23**	**22%**	**14%**
2 - 5 years	**32**	**30%**	**10%**
5 - 10 years	**22**	**21%**	**0%**
10 - 15 years	**10**	**9%**	**11%**
15 - 20 years	**8**	**7%**	**0%**
20 years and over	**12**	**11%**	**0%**
TOTAL	107	100%	

FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE FOR CERTAIN FISCAL YEARS

(The denominator for the turnover percentages is the beginning balance for the period.)

Years of Service	Financial Examiner Turnover Rate FY 2001	Financial Examiner Turnover Rate FY 2003	Financial Examiner Turnover Rate FY 2005	Financial Examiner Turnover Rate FY 2007
Less Than 2 yrs	39%	19%	42%	14%
2 – 5 years	44%	7%	27%	10%
5 – 10 years	6%	0%	14%	0%
10 – 15 years	11%	8%	0%	11%
15 – 20 years	0%	0%	11%	0%
20 yrs and over	0%	67%	17%	0%

Non-Financial Examiner Turnover: In FY 2007, the Department experienced significant turnover within the non-examiner employee group. Turnover for employees in this group with less than two years of service increased from 28% in 2005 to 45% in 2007. The tenure group with 20 plus years experience suffered the greatest turnover, from 0% in 2005 to 40% in 2007. The total increase in turnover for the non-examiner group for FY 2007 was 70%; however, to clarify, this is a total of nine employees two of which were interns. The Department continues to explore additional flex schedules and a work at home policy to encourage retention of this employee group.

NON-FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
AS OF AUGUST 31, 2007

(The denominator for the turnover percentages is the beginning balance for the period.)

Years of Service	# of Non-Examiner Employees	% of Non-Examiner Employees	Non-Examiner Turnover Rate FY 2007
Less than 2 years	**9**	**17%**	**45%**
2 - 5 years	**16**	**31%**	**7%**
5 - 10 years	**12**	**23%**	**0%**
10 - 15 years	**7**	**13%**	**13%**
15 - 20 years	**5**	**10%**	**0%**
20 years and over	**3**	**6%**	**40%**
TOTAL	52	100%	

NON-FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE FOR CERTAIN FISCAL YEARS

(The denominator for the turnover percentages is the beginning balance for the period.)

Years of Service	Non-Examiner Turnover Rate FY 2001	Non-Examiner Turnover Rate FY 2003	Non-Examiner Turnover Rate FY 2005	Non-Examiner Turnover Rate FY 2007
Less than 2 yrs	64%	12%	28%	45%
2 – 5 years	9%	18%	13%	7%
5 – 10 years	18%	10%	0%	0%
10 – 15 years	9%	13%	0%	13%
15 – 20 years	0%	0%	25%	0%
20 yrs and over	0%	0%	0%	40%

All Employee Turnover: The greatest area of turnover continues to be with employees who have less than two years of experience. In FY 2005, 34% of the employees who entered the Department workforce did not make it past the two-year benchmark. During FY 2007, 21% of employees that left had not been with the Department for two years. The Department has experienced a steady improvement since FY 2001 when the turnover rate for this group was at 49%. This statistic indicates an overall improvement in retention. However, the Department must continue to provide incentives for the less tenured employees to make employment with the Department an attractive long-term career choice.

ALL EMPLOYEE TURNOVER BY LENGTH OF SERVICE AS OF AUGUST 31, 2007

(The denominator for the turnover percentages is the beginning balance for the period.)

Years of Service	# of All Department Employees	% of All Department Employees	% of State Employees	Department Turnover Rate FY 2007	State Turnover Rate FY 2007*
Less than 2 years	32	20%	18%	21%	43%
2 – 5 years	48	30%	14%	9%	23%
5 – 10 years	34	21%	22%	0%	14%
10 – 15 years	17	11%	18%	12%	10%
15 – 20 years	13	8%	13%	0%	9%
20 years and over	15	10%	15%	13%	13%
TOTAL	**159**	**100%**	**100%**		

*****Information obtained from the State Auditors Office E-Class System including interagency transfers.

Workforce by Age: Employees over the age of 40 comprised 53% of the Department's workforce as of August 31, 2007. Employees under the age of 30 comprised 26% of the workforce. This group suffered the highest turnover.

WORKFORCE BY AGE AS OF AUGUST 31, 2007
(The denominator for the turnover percentages is the beginning balance for the period.)

Age Groups	# of All Department Employees	% of All Department Employees	% of All State Employees	Department Turnover Rate FY 2007	State Turnover Rate FY 2007*
Less than 30	41	26%	15%	13%	42%
30 – 39	32	20%	23%	10%	20%
40 – 49	38	23%	29%	12%	12%
50 – 59	39	23%	26%	11%	13%
60 and over	9	7%	7%	0%	19%

*****Information obtained from the State Auditors Office E-Class System including interagency transfers.

D. Retirement Eligibility

Fourteen employees were qualified to retire in FY 2007. As of August 31, 2007, none of the qualifying employees had actually retired. Since August 31, 2007, three of these employees have retired.

Retirement from the Department does not account for the majority of separations; however, over the next five years it will become critical as our pool of retiree candidates increases. With these retirements, we will lose substantial institutional knowledge and expertise. Within the next five years, the Department projects 43 employees, including 19 financial examiners, may retire. Furthermore, 12% of this group is eligible to retire today. Approximately 18% of the financial examiner workforce is eligible to retire within the next five years.

VII. Future Workforce Profile (Demand Analysis)

Assessing the future workforce requirements of the Department encompasses a broad range of issues. These issues have been identified through the Department's strategic planning process, interaction and discussion with federal banking regulators, input of agency management, and input from industry representatives. The evolution of the financial services industry means the Department will need an experienced and qualified professional staff to meet anticipated growth and change in the financial services industry.

A. Critical Functions

- Increased Information Technology (IT) examination activity at the regulated entity and service provider level.
- Increased demand on supervisory resources due to changes in national, regional and local economic conditions.
- Increased examination activity in supervision of interstate financial institutions.
- Increased trust examination activity as the population ages and the state's wealth increases.
- Increased examination activity in the money services business area.
- Increased demand for Bank Secrecy Act Specialists.

B. Expected Workplace Dynamics

- Increased use of technology to maximize efficiency.
- Increased use of subject matter specialists.
- Greater focus on risk assessments and problem resolution of our regulated entities.
- Increased unlicensed activity.
- Increased interstate banking activities.

C. Anticipated Increase in Number of Employees Needed to Do the Work

- Banking institutions and money services businesses under supervision will continue to increase in size and complexity.

D. Future Workforce Skills Needed

A competent and knowledgeable staff is necessary to efficiently and effectively supervise the variety of entities under the Department's oversight and to respond to changes in these industries. Employees must increase skills in the following areas:

- Comprehensive understanding of IT risk in a constantly changing environment
- Changing technology and diversity of products offered
- Project management
- Process analysis
- Change management

VIII. GAP Analysis

A. Anticipated Shortage of Workers or Skills

During FY 2008, changes in the FTE allocations and additional fund allocations have closed many of the gaps that the Department struggled with during FY 2006.

1. Current FTE allocations aid in acquiring skilled workers.

- Current FTE allocations provided some relief and allowed the Department to prioritize the allocation of authorized FTEs among critical functions. This prioritization has enhanced the opportunity for bank examinations to be conducted with more realistic staffing levels.

2. Current budget lacks adequate flexibility.

    - Federal bank supervisory authorities compete directly with the Department for the FTEs employed by the Bank and Trust Supervision division. The Department, through a contingency rider, can request to increase examiners' salaries if deemed critically necessary. However, approval of the contingency rider can be a lengthy process.
    - Current appropriations limit the Department's ability to compete for experienced personnel.
    - The FTE cap limits the flexibility to adjust the staff to meet workload demands and provides a limited ability for succession planning.

3. An imbalance of experience exists between bank and trust assistant examiners and commissioned examiners.

    - Assistant examiners make up 63% of the bank and trust examiner workforce while the staffing level of commissioned examiners is 37% of the examiner workforce. The Department's staffing plan calls for 26% assistant examiners and 73% commissioned examiners. Closing this gap requires the Department to effectively retain assistant examiners and transition them to commissioned examiners.

4. Current bank and trust examiners lack critical skills to fill the staffing gap for specialty examinations.

    - Currently the Department has 12 specialty examiners and needs 18. The Department has developed specialty training programs for Trust, BSA, and IT examination specialists to close this gap. The required skill sets for these examiners will develop, over time; however, we have tapped internal examiner resources to fill this gap.
    - Existing workload and training requirements limit our ability to cover all areas of examinations and specialties.

Gap Analysis: The Department's analysis of current appropriated FTEs and anticipated workforce needs is presented in the following chart:

Gap Analysis															
Division	**Executive**			**Professional**			**Technical**			**Administrative**			**Total**		
	Have	Need	Gap	Have	Need	Gap	Have	Need	Gap	Have	Need	Gap	Have	Need	Gap
Executive / Administrative	3	3	0	0	0	0	0	0	0	2	2	0	5	5	0
Administrative Law Judge	0	0	0	.5	.5	0	0	0	0	0	0	0	.5	.5	0
Legal	0	0	0	4	4	0	0	0	0	3	3	0	7	7	0
Administrative Services	0	0	0	4	4	0	0	0	0	5.5	5.5	(0)	9.5	9.5	(0)
IT Division	0	0	0	1	1	0	5	5	(0)	0	0	0	6	6	(0)
Division of Strategic Support	0	0	0	3	3	0	0	0	0	6	6	0	9	9	0
Corporate Activities	0	0	0	4	4	(0)	0	0	0	3	3	0	7	7	(0)
Bank Supervision	1	1	0	93	93	(0)	0	0	0	8	8	0	102	102	(0)
Foreign Bank Supervision	0	0	0	1	1	(0)	0	0	0	0	0	0	1	1	(0)
Trust Company/Dept Supervision	0	0	0	6	6	(0)	0	0	0	0	0	0	6	6	(0)
IT Examinations	0	0	0	7	7	(0)	0	0	0	0	0	0	7	7	(0)
PFC/PCC	0	0	0	11	11	(0)	0	0	0	4	4	0	15	15	(0)
MSB	0	0	0	5	6	(1)	0	0	0	0	0	0	5	6	(1)
Total Department of Banking	**4**	**4**	**0**	**139.5**	**140.5**	**(1)**	**5**	**5**	**(0)**	**31.5**	**31.5**	**(0)**	**180**	**181**	**(1)**

IX. Strategy Development

Gap	Current FTE allocations restrict acquisition of skilled workers.
Goal	Increase the number of FTEs available for critical functions.
Rationale	The availability of a sufficient number of employees is critical to the Department's ability to meet all of its goals and objectives in an effective manner and train for the future.
Action Steps	• Seek to obtain additional FTEs in the appropriation process. • Evaluate the areas where more contract labor and temporary positions can be used to complete functional tasks. • Continue an internship program for financial examiner positions. • Rehire retired employees for part-time positions.

Gap	Current staffing levels contain an experience imbalance.
Goal	Reduce the experience gap existing within the Department.
Rationale	Closing the existing experience gap will reduce the impact of retirements or other loss of the most experienced personnel on the knowledge base and skill sets and preserve the Department's ability to act on and react to deterioration that might occur in regulated entities as a result of economic weakness or other factors not directly related to the economy.
Action Steps	• Continue a program that allows retirees to return to work in a part time status to train less tenured employees. • Continue a program that allows time for senior personnel to mentor less tenured employees to insure knowledge and lessons learned from the past are appropriately considered in present day evaluations. • Require mid-level managers to be in-charge of problem or more complex situations and confer with senior staff on findings. • Create a "spilled milk" notebook to record and memorialize historical approaches to problem and complex situations. • More aggressively recruit mid-level managers from outside the Department. • Continue to refine and improve our succession plan.

Gap	Current employees lack critical skills.
Goal	Develop a competent, well-trained workforce.
Rationale	The presence of a well-trained workforce is absolutely critical not only to the success of the Department, but also to the credibility of the agency and condition of the industry. The success of the Department is not only measured by whether and how well it meets its goals and objectives, but the level of credibility it maintains with its federal counterparts. The level of credibility maintained by the Department has a direct correlation on the cost of supervision and regulation to regulated entities. A loss of credibility could result in a higher volume and more frequent supervision by federal regulators and therefore increase regulatory burden upon the supervised businesses operating in Texas.

Action Steps	• Identify skills required to meet changes that have occurred and are anticipated in the financial services industries. • Expand core training programs to include more in depth and comprehensive courses in areas of identified weakness. • Develop in-house training programs to supplement programs offered by CSBS and federal regulatory agencies. • Conduct a risk assessment to determine the level of risk facing the Department regarding the potential loss of knowledge and the areas of knowledge gaps. • Continue to refine and improve our succession plan.

THIS PAGE INTENTIONALLY LEFT BLANK