



Date: March 6, 2012

To: House Financial Institutions Committee
Rep. Forrest Knox, Chair

From: Doug Wareham, Senior Vice President-Government Relations

Re: Support for Senate Bill 315 – OSBC Unclassified Service Positions

Mr. Chairman and members of the committee, I am Doug Wareham appearing on behalf of the Kansas Bankers Association (KBA). KBA's membership includes 300 banks that provide financial services in more than 400 towns and cities across the state. Kansas banks currently employ just over 13,600 Kansans, with nearly two-thirds of Kansas banks averaging less than 14 employees.

Thank you for the opportunity to appear in support of Senate Bill 315, which will allow specified positions within the Office of the State Bank Commissioner (including case managers, bank examiners and a business manager) to become unclassified. S.B. 315 also includes language that will ensure salaries for these newly unclassified positions do not exceed the average compensation of corresponding state regulatory positions in similar geographic areas, and that the salary schedule shall be reported to the state bank board annually.

KBA believes this change is warranted to ensure the retention of experienced bank examiners. The Governor has included budget enhancements in both his FY-2012 supplemental appropriations package for the OSBC as well as further enhancements in the OSBC's recommended budget for FY-2013. These enhancements, coupled with the ability to transition these positions to unclassified status will result in more competitive salaries being offered to key personnel whose salaries have not kept pace with surrounding states or similar positions with federal bank regulatory agencies.

As you are aware, the OSBC is solely funded by fees assessed to state-chartered Kansas banks and consumer and mortgage lenders regulated by the state banking department. In Kansas today, there are 236 state-chartered banks that rely upon the OSBC as their primary regulator. All but two of those state chartered banks belong to our Association. Our organization was approached by State Bank Commissioner Ed Splichal and his leadership team early last fall regarding the growing disparity between the salaries of experienced examiners in Kansas and those of bank examination staff in surrounding states.

This situation was reported to our State Affairs Committee (comprised of 31 Kansas bankers) and our Board of Directors (comprised of 29 Kansas bankers) that the disparity in salaries between experienced bank examiners in Kansas and those in surrounding states is making it

difficult for the OSBC to retain experienced examiners. The salary limitations associated with having bank examiners and case managers, under the **classified** system, has made it difficult for the OSBC to retain experienced personnel. This situation is exacerbated by the fact that some experienced state examiners have also jumped to higher paying positions with the FDIC, OCC and Federal Reserve, all of which provide significantly higher compensation than what is currently provided by the OSBC under the classified employee system.

Maintaining an efficient, effective and credible state banking department is a top priority of the KBA. KBA supports maintaining the dual bank system, which provides banks the option of a national or state charter. This dual system has recently come under attack from some members of Congress who have advocated a one-size-fits-all federal regulatory agency that would govern the entire financial services sector. We believe the best governance is governance closest to home and for that reason will continue to adamantly support the important role of the OSBC, and we support reasonable enhancements to the department's budget and the ability of the State Bank Commissioner to maintain an experienced team of unclassified state bank examiners.

In closing, I would simply state that our member banks do not take budgets enhancements, possible fee increases or classification of employee issues lightly. OSBC budget enhancements contained in the Governor's budget proposals and the changes proposed in this bill (S.B. 315) were thoroughly reviewed and deliberated by the bank leaders of our Association. We support the budget enhancements that will be working their way through the appropriations process and we support the provisions in S.B. 315 that are essential to enabling the OSBC to retain an experienced and effective staff.

Once again, thank you for the opportunity to provide positive input on this matter and I would be happy to stand for questions. If at a later time you have questions or require additional information, please contact me at dwareham@ksbankers.com or at (785) 232-3444.