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John P. Smith, Administrator

Sam Brownback, Governor

**March 7, 2012**

**Statement in support of Senate Bill 431 to the Senate Financial Institutions and Insurance Committee**

My name is John P. Smith. I am the Administrator of the Department of Credit Unions. With me today is Michael Baugh, Financial Examiner Administrator for the Department. We are here today in support of Senate Bill 431 to allow the Administrator to appoint department personnel into positions within the unclassified service. Currently the department has 11 personnel; all are classified except the Administrator. My course of action, if this bill is passed, would be to hire all new examiners to the department in the unclassified service. Additionally, existing classified personnel would be given the option to "convert" to unclassified positions. The current classified system has failed to sustain the salary levels of our staff at a competitive and reasonable level. The department continues to fall further behind in our compensation for these individuals which has resulted in the last 5 years the loss of 3 experienced examiners to the National Credit Union Administration (NCUA). By allowing the departments' positions to be in the unclassified service, it would be my intention over the next several years to increase salary levels commensurate with what our neighboring states provided for their personnel.

The language of Senate Bill 431 would require that the Administrator establish and maintain a salary schedule for the unclassified positions within the department. This schedule would be reported annually to our Credit Union Council. The schedule would allow the Administrator to establish salaries for the unclassified personnel at no higher than the average of state financial regulatory agencies within similar geographic areas. I consider this to be a reasonable benchmark.

On February 6, 2012 we conducted a study to compare the salaries of Financial Examiner Principals employed by the department with the most experienced field examination staff of regulators in surrounding states. Salary data was collected from credit union regulators in the following states: Missouri, Nebraska, Iowa, Colorado, Oklahoma and Texas.

484.18

This study showed the mid range salary for the Financial Examiner Principal position employed by the department to be \$67,527. This would equate approximately to a Grade 33 Step 12 within the Kansas Civil Service Basic Pay Plan (effective June 12, 2011). The department's three Financial Examiner Principals currently earn \$60,382 per year, (Grade 33, Step 7).

The mid range salary for examiners with similar job classifications in surrounding states is \$78,163. This is \$10,636 or 15.75% above the mid range salary and \$17,781 or 29.45% above the actual salaries of the department's Financial Examiner Principals.

If the department's examiners voluntarily accepted appointment within the unclassified service we would propose establishing salaries no higher than the average of state financial regulatory agencies noted within this study. The Office of the State Bank Commissioner has proposed an increase of 15% for financial examiners and other personnel within their department. If I adopted similar measures, salaries for Financial Examiner Principals would increase by \$9,397 to \$69,779. This is still well below the average of \$78,163 for surrounding states.

We would propose phasing these salary increases in over a two year period to minimize the effect on fees assessed to credit unions.

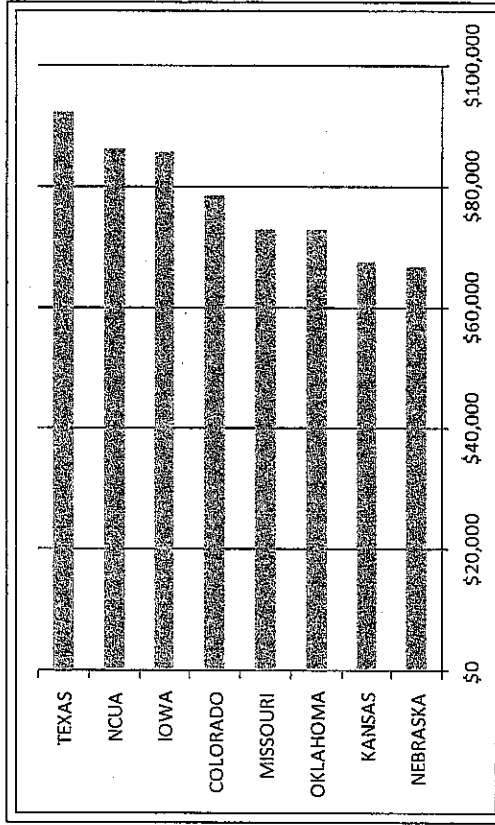
Any movement from the classified service to the unclassified service by any existing employees will be strictly voluntary. We will not force any staff member to switch nor will any employee be dismissed because they do not wish to convert to an unclassified status.

Attached to my statement to the Committee is a table and graph that displays the results of the survey conducted February 6, 2012.

I stand for questions from members of the Committee.

**Kansas Department of Credit Unions  
Salary Comparison  
Revised February 17, 2012**

<u>State</u>	<u>Average Salary</u>
<u>TEXAS</u>	\$92,250
<u>NCUA</u>	\$86,135
<u>IOWA</u>	\$85,633
<u>COLORADO</u>	\$78,558
<u>MISSOURI</u>	\$72,982
<u>OKLAHOMA</u>	\$72,868
<u>KANSAS</u>	\$67,527
<u>NEBRASKA</u>	\$66,686



**Footnotes:**

1. This graph denotes the midrange salary for Financial Examiner Principals within the Kansas Department of Credit Unions and the most experienced examiners in surrounding states.
2. Kansas and Colorado are the only states with examiners who serve under civil service protection, (classified employees)
3. Nebraska has one examiner dedicated to credit union examinations. This is a senior examiner with 15 years of experience making \$77,183 per year.
4. Oklahoma has two examiners dedicated to credit union examinations. Both are senior examiners with an average of 22 years experience. The average salary of these two employees is \$80,284.
5. The midrange salary for surrounding states, (excludes NCUA and Kansas) is \$78,163.
6. Proposed increase for KDCU unclassified positions would be 7.5% for FY 2013 and 7.5% for FY 2014. This would raise the salary for Financial Examiner Principals to \$69,779 by FY 2014.