

SCOPE STATEMENT

Financial Regulatory Agencies: Determining Whether Functions Could Be Combined To Gain Cost Efficiencies

Kansas is one of just a handful of states that has separate agencies regulating financial institutions. The majority of states have an agency that has responsibilities for regulating banks, credit unions, savings and loan associations, securities dealers, mortgage brokers, pawn shops, and the like. In some cases, these regulatory functions are contained in one or more divisions of a much larger agency, such as a Department of Labor, Licensing, and Regulation, which may be charged with regulating everything from the insurance industry to all licensed professions in a state.

For fiscal year 2008, the Kansas Banking Department is estimated to spend about \$8.5 million and employs 98 full-time-equivalent staff. The Department of Credit Unions will spend just under \$1 million and employs 12 staff. The Office of the Securities Commissioner will spend just over \$3 million and employs approximately 32 full-time-equivalent staff.

Legislators would like to know whether there are ways to combine financial regulatory agencies in Kansas to achieve greater operational efficiencies and cost savings.

A performance audit of this topic would answer the following question.

- 1. Could the Department of Credit Unions, the Office of the Bank Commissioner, and the Office of the Securities Commissioner be combined to achieve operating efficiencies and reduce costs?** To answer this question we would select a sample of states that have combined these functions under a single agency or division. We would review how those states are set up, and would gather some basic information about the number of staff they have, and the number of financial entities they regulate. We would compare the administrative structures in those other states to the structure and amount of administration currently in place in the three agencies in Kansas to determine whether it appears that a combined agency could operate with less overall management staff. Also, we would gather information about the basic regulatory functions Kansas agencies and agencies in other states carry out, such as frequency of examinations, numbers of disciplinary actions they handle, and the like. Based on information we gather from the other states, we would develop some staff-to-workload ratios, and compare them to what currently exists in Kansas to determine whether combining agencies might reduce the number of operational staff needed. Finally, we would estimate the overall cost savings that might be able to be achieved from combining the agencies. We would conduct additional work in this area as needed.

Estimated time to complete: 12-14 weeks