

HOUSE FINANCIAL INSTITUTIONS COMMITTEE

March 6, 2012

Mr. Chairman and Members of the Committee:

My name is Ed Splichal, and I am the Bank Commissioner for the state of Kansas. I am here today to speak in support of Senate Bill 315.

Our agency requested the introduction of this bill which would allow me, as commissioner, to appoint agency examination staff and a business manager into positions within the unclassified service. Currently, our senior personnel, totaling 18, are unclassified. These individuals include all of our managers and attorneys. My course of action, if this bill is passed, would be to hire all new examiners to the agency in the unclassified service. Additionally, existing classified examination staff would be given the option to "convert" to an unclassified position. If all examination staff positions would convert to the unclassified service, this would total 71. The agency has tried unsuccessfully for many years through the current classified system to increase and sustain the salary levels of our examination staff at a competitive and reasonable level. The agency continues to fall further behind in our compensation for these individuals which has resulted in the loss of some of our experienced examiners. By allowing these examination positions to be in the unclassified service, it would be my intention over the next several years to raise salary levels commensurate with what our neighboring states provide for their personnel.

I can give you several examples of where our Principal examiners, the examiners with the most tenure and experience, have left the agency for 45 percent and above pay increases. In one example, we had an employee make the decision to look for a job, apply, interview, and be hired within a timespan of less than two weeks. I only highlight this to show you the marketability of our employees and the significant rewards in pay for those people who leave our agency. This is a real problem for me as commissioner and our executive staff as we must ensure the agency's mission -- the responsible oversight of the financial entities in Kansas -- is consistently met.

The language of this bill would mandate that I set and maintain a salary schedule for the unclassified positions within the agency. This schedule would be reported annually to our banking board. The schedule would allow me to set salaries for the unclassified staff at no higher than the average of state financial regulatory agencies within similar geographic areas. We consider this to be a reasonable benchmark.

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Last fall I completed a survey of state and federal financial regulatory agencies to determine what they pay their existing experienced examiners. I used the “Big 12” states as the survey states. As you can see from the attached chart, the Kansas examination staff is the lowest paid of all these states, as well as the federal financial regulators. As part of our budget request this year, I asked for an increase in our salary levels for the last three months of fiscal year 2012 and for fiscal year 2013. The Governor granted this request and included it within his budget recommendation for the next two years.

The State Banking Board, which is comprised of six bankers and three public members, has been instrumental in suggesting and working toward the improvement of salaries for the examination staff of our agency. They, along with me, transmitted a letter to all Kansas banks outlining what we hope to accomplish and asking for the bankers’ support for this proposal. Additionally, I have spoken with the boards of both the Kansas Bankers Association and the Community Bankers Association seeking their support for this proposal. While I am not sure that any banker would suggest they like to have their assessments increased, the responses have been very positive as they understand the need to retain qualified, knowledgeable, and experienced examiners to supervise and examine their banks.

It is important to understand that while we are seeking to have our enhanced budget approved through the Appropriations process, we also could not accomplish the salary improvements we need without the enactment of Senate Bill 315.

As part of this bill, I am also requesting the ability to hire a business manager in the unclassified service. All of the senior managers over the respective areas of the agency, such as banking, consumer and mortgage lending, legal, and information technology are unclassified. I would like to have the ability in the future to hire a business manager in the unclassified service to oversee the administrative functions of the agency.

Finally, I do want to reiterate that 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. It is our understanding there was a lawsuit against the state several years ago and we do not wish to repeat this. All future examination staff hires will be in the unclassified service.

Thank you for your time and consideration. I would ask the committee for your favorable support of this bill. I would be happy to answer any questions for the committee.