

STATE BANK DEPARTMENT

Enabling Laws

Act 183 of 2012
A.C.A. §23-46-101 et seq.

History and Organization

The State Bank Department was established by Act 113 of 1913. Its duties are to perform periodic examinations of state chartered banks, bank holding companies, trust companies and other entities to determine safety and soundness and compliance with laws and regulations.

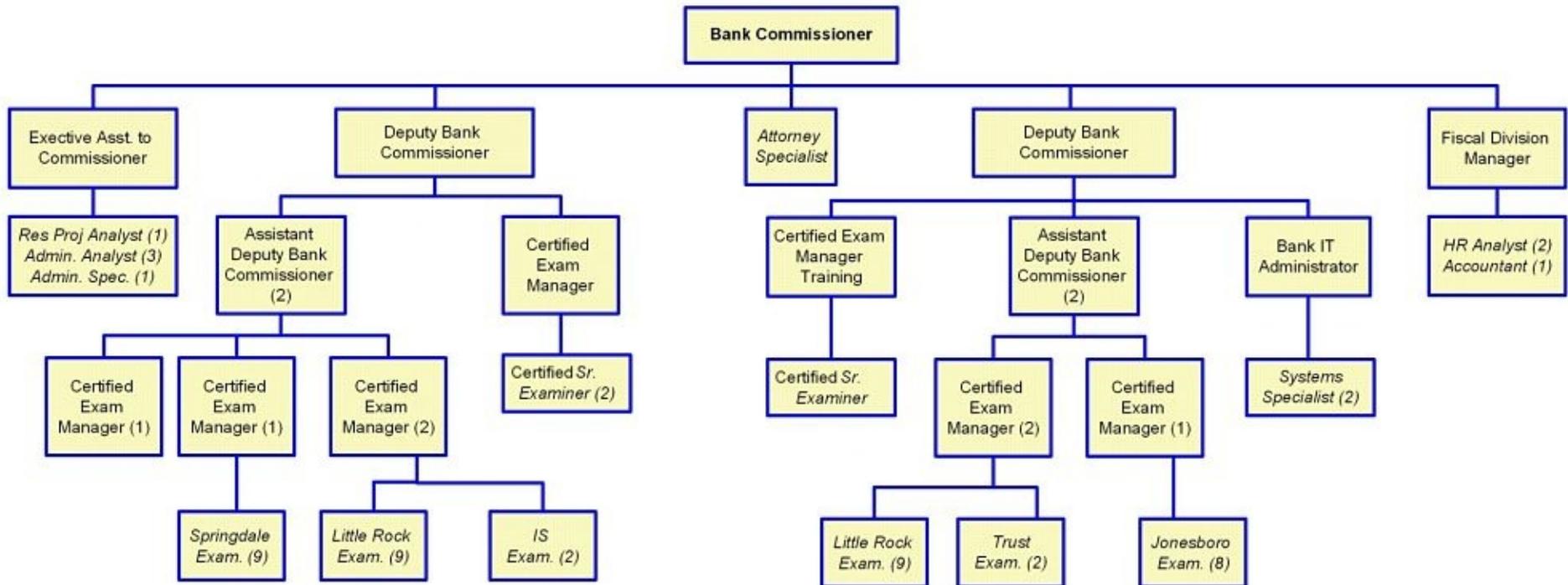
These examinations are accomplished by on-site evaluation of assets and liabilities, adequacy of internal routines and controls, the competency of management, the adequacy of capital of the institution, and other evaluations as performed by examiners.

The Bank Commissioner is charged with the responsibility of ensuring all state banks operate in compliance with state and federal laws. She also has responsibility for the approval of new branches, changes in ownership, and Plans of Exchange, whereby bank stock is exchanged for bank holding company stock.

In order to discharge the statutory responsibilities of the above, the Bank Commissioner and bank examiners periodically conduct investigations, hold hearings and perform all actions necessary to discharge their statutory responsibilities. Act 60 of 1933 created the Arkansas State Banking Board. The Board consists of six (6) members whose powers and duties include: Pass upon bank charter applications and charter amendments; pass upon proposed reorganizations, mergers and consolidations, conversions from National Charter to State Charter; hold hearings; propose regulations; and otherwise perform all actions necessary to discharge their statutory responsibility. The Commissioner and the State Banking Board have full authority to issue rules and regulations.

The Bank Commissioner, aided by the team of examiners, is required periodically to issue Cease and Desist Orders, Memorandums of Understanding, or obtain official Resolutions of Affirmative Action from banks when safety and soundness issues arise that warrant such action.

The Mission of the State Bank Department is to allocate available human and other resources existing in our Examination, Information Technology, and Administrative Services Divisions to ensure the continuance of safe and sound financial practices in state chartered financial institutions. We will maintain a legal and regulatory structure for Arkansas that provides the public with convenient, safe, and competitive banking, which allows for economic development within this State.



Agency Commentary

The Arkansas State Bank Department has statutory responsibility for the examination and regulation of state chartered banks, bank holding companies, trust companies and other entities to determine safety and soundness, and compliance with laws and regulations. At fiscal year-end June 30, 2012, this included 95 state-chartered banks, 86 bank holding companies, one regional industrial development corporation, two trust companies, and the Arkansas Capital Corporation. The Mission of the State Bank Department is to allocate available human and other resources existing in our Examination, Information Technology and Administrative Services Divisions to ensure the continuance of safe and sound financial practices in state chartered financial institutions. The Department will continue its policy of being an advocate of banking and seeking every means available to improve those financial institutions found to be in need of assistance. In order to execute these responsibilities and fulfill the mission and goals of the Department, certain budget requests are imperative.

In addition to Base Level, the Department requests Capital Outlay appropriation of \$80,000 the first year and \$90,000 the second year to replace state vehicles according to the State's mileage and time of service policy and \$20,000 to replace fully depreciated equipment at costs above \$5,000 per item.

Other Capital Outlay resources are requested for replacement of obsolete information technology equipment according to the Department's three-year replacement plan. The Department is requesting \$20,000 in Capital Outlay for technology equipment costing over \$5,000 per item. The Department's IT plan has been filed with the DFA - Office of State Technology Planning per its instructions for the 2013-2015 Biennium.

Two positions, currently authorized, will not be requested for this biennium reducing the Agency's staff level from 74 positions to 72.

Approval of all requests will allow the Bank Department to continue to meet demands placed upon it by the financial industry and to continue to monitor the safety and soundness of all Arkansas state banking institutions under its jurisdiction. This will be accomplished by priorities set by the Department to regulate and supervise the changing banking environment. Funding for the State Bank Department is provided by semi-annual assessments of all institutions under the supervisory authority of the Department.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
STATE BANK DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2011

Findings

Recommendations

None

None

State Contracts Over \$25,000 Awarded To Minority Owned Businesses Fiscal Year 2012

None

Employment Summary

| | Male | Female | Total | % |
|-------------------------|------|--------|-------|-------|
| White Employees | 42 | 18 | 60 | 91 % |
| Black Employees | 4 | 1 | 5 | 8 % |
| Other Racial Minorities | 1 | 0 | 1 | 1 % |
| Total Minorities | | | 6 | 9 % |
| Total Employees | | | 66 | 100 % |

Publications

A.C.A. 25-1-204

| Name | Statutory Authorization | Required for | | # of Copies | Reason(s) for Continued Publication and Distribution |
|---------------------------------|-------------------------|--------------|------------------|-------------|--|
| | | Governor | General Assembly | | |
| Report of the Bank Commissioner | A.C.A. 23-46-210 | Y | N | 100 | Required for the Governor by Statute. Copies provided to the State Library and requesting banks. Report is also available on the Agency's website. |

Agency Position Usage Report

| FY2010 - 2011 | | | | | | FY2011 - 2012 | | | | | | FY2012 - 2013 | | | | | |
|-------------------|----------|----------|-------|------------------|------------------------|-------------------|----------|----------|-------|------------------|------------------------|-------------------|----------|----------|-------|------------------|------------------------|
| Authorized in Act | Budgeted | | | Unbudgeted Total | % of Authorized Unused | Authorized in Act | Budgeted | | | Unbudgeted Total | % of Authorized Unused | Authorized in Act | Budgeted | | | Unbudgeted Total | % of Authorized Unused |
| | Filled | Unfilled | Total | | | | Filled | Unfilled | Total | | | | Filled | Unfilled | Total | | |
| 74 | 67 | 7 | 74 | 0 | 9.46 % | 74 | 67 | 7 | 74 | 0 | 9.46 % | 74 | 66 | 8 | 74 | 0 | 10.81 % |

Analysis of Budget Request

Appropriation: 051 - State Bank Department-Operations

Funding Sources: SIB - Bank Department Fund

The State Bank Department is funded entirely by special revenue fees assessed and collected on a semi-annual basis, as authorized in Arkansas Code §19-6-412. Base Level is \$8,783,683 for FY14 and \$8,788,820 for FY15, with 72 positions budgeted from a total authorization of 74.

Base Level Regular Salaries and Personal Services Matching include Career Service payments for eligible employees. Personal Services Matching also includes a \$20 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$410 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level salaries of unclassified positions reflects the FY13 line item maximums.

In addition to Base Level, the following changes are requested:

Capital Outlay of \$100,000 for FY14 and \$110,000 for FY15 is requested for replacement of vehicles and fully depreciated equipment at costs above \$5,000 per item.

As enumerated in the Department's Information Technology Plan submitted to the DFA - Office of State Technology Planning, Capital Outlay is requested in amounts of \$20,000 each year for replacement of data processing equipment with costs above the \$5,000 per unit threshold.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 051 - State Bank Department-Operations

Funding Sources: SIB - Bank Department Fund

Historical Data

Agency Request and Executive Recommendation

| Commitment Item | | Historical Data | | | Agency Request and Executive Recommendation | | | Agency Request and Executive Recommendation | | |
|------------------------------|---------|---------------------|---------------------|-------------------------|---|------------------|------------------|---|------------------|------------------|
| | | 2011-2012 Actual | 2012-2013 Budget | 2012-2013 Authorized | 2013-2014 | | | 2014-2015 | | |
| | | | | | Base Level | Agency | Executive | Base Level | Agency | Executive |
| Regular Salaries | 5010000 | 5,105,844 | 5,469,953 | 5,469,953 | 5,418,961 | 5,418,961 | 5,418,961 | 5,422,961 | 5,422,961 | 5,422,961 |
| #Positions | | 68 | 72 | 74 | 72 | 72 | 72 | 72 | 72 | 72 |
| Extra Help | 5010001 | 0 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| #Extra Help | | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Personal Services Matching | 5010003 | 1,387,660 | 1,542,561 | 1,438,455 | 1,542,614 | 1,542,614 | 1,542,614 | 1,543,751 | 1,543,751 | 1,543,751 |
| Operating Expenses | 5020002 | 1,149,578 | 1,347,108 | 1,347,108 | 1,347,108 | 1,347,108 | 1,347,108 | 1,347,108 | 1,347,108 | 1,347,108 |
| Conference & Travel Expenses | 5050009 | 284,846 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| Professional Fees | 5060010 | 65,696 | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 |
| Data Processing | 5090012 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Outlay | 5120011 | 67,854 | 142,000 | 142,000 | 0 | 120,000 | 120,000 | 0 | 130,000 | 130,000 |
| Total | | 8,061,478 | 8,976,622 | 8,872,516 | 8,783,683 | 8,903,683 | 8,903,683 | 8,788,820 | 8,918,820 | 8,918,820 |

| Funding Sources | | | | | | | | | | |
|--------------------------------|---------|-------------------|-------------------|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Fund Balance | 4000005 | 5,633,773 | 5,659,068 | | 5,075,323 | 5,075,323 | 5,075,323 | 4,686,453 | 4,686,453 | 4,686,453 |
| Special Revenue | 4000030 | 8,086,773 | 8,392,877 | | 8,394,813 | 8,514,813 | 8,514,813 | 8,509,217 | 8,639,217 | 8,639,217 |
| Total Funding | | 13,720,546 | 14,051,945 | | 13,470,136 | 13,590,136 | 13,590,136 | 13,195,670 | 13,325,670 | 13,325,670 |
| Excess Appropriation/(Funding) | | (5,659,068) | (5,075,323) | | (4,686,453) | (4,686,453) | (4,686,453) | (4,406,850) | (4,406,850) | (4,406,850) |
| Grand Total | | 8,061,478 | 8,976,622 | | 8,783,683 | 8,903,683 | 8,903,683 | 8,788,820 | 8,918,820 | 8,918,820 |

FY13 Budget amount in Personal Services Matching exceeds the Authorized amount due to matching rate adjustments during the 2011-2013 Biennium.

Change Level by Appropriation

Appropriation: 051 - State Bank Department-Operations
Funding Sources: SIB - Bank Department Fund

Agency Request

| Change Level | | 2013-2014 | Pos | Cumulative | % of BL | 2014-2015 | Pos | Cumulative | % of BL |
|--------------|-------------------|------------------|-----------|------------------|--------------|------------------|-----------|------------------|--------------|
| BL | Base Level | 8,783,683 | 72 | 8,783,683 | 100.0 | 8,788,820 | 72 | 8,788,820 | 100.0 |
| C01 | Existing Program | 100,000 | 0 | 8,883,683 | 101.1 | 110,000 | 0 | 8,898,820 | 101.3 |
| C08 | Technology | 20,000 | 0 | 8,903,683 | 101.4 | 20,000 | 0 | 8,918,820 | 101.5 |

Executive Recommendation

| Change Level | | 2013-2014 | Pos | Cumulative | % of BL | 2014-2015 | Pos | Cumulative | % of BL |
|--------------|-------------------|------------------|-----------|------------------|--------------|------------------|-----------|------------------|--------------|
| BL | Base Level | 8,783,683 | 72 | 8,783,683 | 100.0 | 8,788,820 | 72 | 8,788,820 | 100.0 |
| C01 | Existing Program | 100,000 | 0 | 8,883,683 | 101.1 | 110,000 | 0 | 8,898,820 | 101.3 |
| C08 | Technology | 20,000 | 0 | 8,903,683 | 101.4 | 20,000 | 0 | 8,918,820 | 101.5 |

Justification

| | |
|-----|---|
| C01 | Capital Outlay appropriation of \$100,000 in FY14 and \$110,000 in FY15 to replace state vehicles according to the State's mileage and time of service policy, to purchase additional vehicles if needed, and to replace fully depreciated equipment at costs above \$5,000. |
| C08 | Capital Outlay resources are requested for replacement of obsolete information technology equipment according to the Department's three-year replacement plan. This is the cornerstone of the Department's IT plan which has been filed with the DFA-Office of State Technology Planning per its instructions for the 2013-2015 Biennium. |