

# STATE BANK DEPARTMENT

## Enabling Laws

Act 79 of 2010  
A.C.A. §23-46-101 et seq.

## History and Organization

The State Bank Department was created by the General Assembly in 1913. It has the responsibility 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.

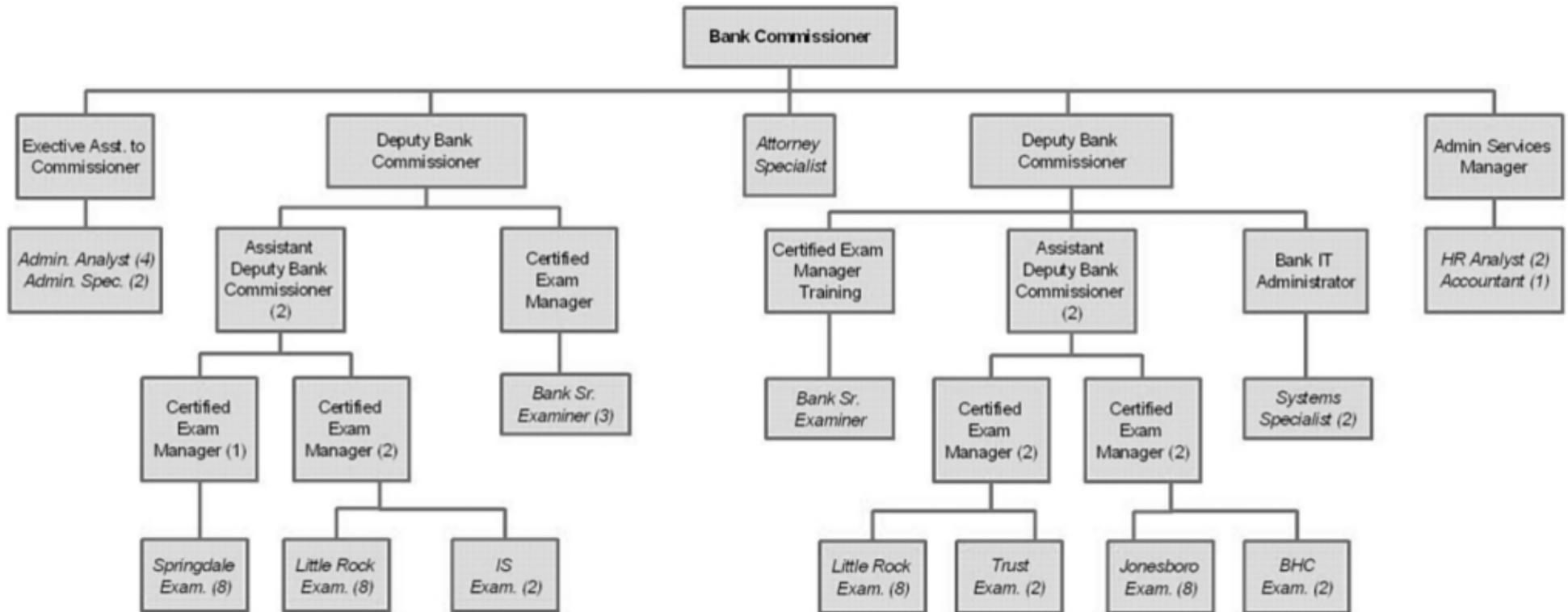
The Bank Commissioner is charged with the responsibility of ensuring all state banks operate in compliance with state and federal laws. He also has responsibility for the approval of new branches, changes in ownership, and Plans of Exchange, whereby bank stock is exchanged for bank holding company stock.

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, 2010, this included 99 state-chartered banks, 88 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.

The Department requests Capital Outlay appropriation of \$72,000 to replace state vehicles according to the State's mileage and time of service policy and \$38,000 to replace fully depreciated equipment at costs above \$5,000. Due to the threshold for Capital Outlay being increased to \$5,000, the Department has reduced previous requests in Capital Outlay by \$20,000 and is asking for an additional \$20,000 in Operating Expenses to replace office equipment that would be valued at less than \$5,000.

Other Capital Outlay resources are requested for replacement of obsolete data processing equipment according to the Department's three-year replacement plan. In previous years the Department has requested \$90,000 for replacement of IT equipment from Capital Outlay. However, due to the new threshold for capital equipment being changed from \$2,500 to \$5,000, the Department is requesting \$32,000 in Capital Outlay for data processing equipment over \$5,000 and an additional \$58,000 to replace low value equipment from Operating Expenses. 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 2011-2013 Biennium.

The Department is also requesting restoration of two positions obtained from the new growth pool that were approved by the ALC Personnel Committee in November, 2009. Two other positions, currently authorized, will not be requested to maintain the Agency's current staff level of 74 positions.

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, 2008

Findings	Recommendations
None	None

## Employment Summary

	Male	Female	Total	%
White Employees	45	18	63	91 %
Black Employees	4	1	5	7 %
Other Racial Minorities	1	0	1	2 %
Total Minorities			6	9 %
Total Employees			69	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

FY2008 - 2009						FY2009 - 2010						FY2010 - 2011					
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		
77	70	7	77	0	9.09 %	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 \$8,077,476 each year, with 72 positions budgeted from a total authorization of 74.

Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Career Service Payments. The Base Level salaries of unclassified positions reflect the FY11 line item maximum.

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

The restoration and continuation of 2 positions, Assistant Deputy Bank Commissioner, Grade N906, that are currently authorized from the OPM central growth pool by action of the ALC Personnel Committee in November, 2009.

Capital Outlay of \$72,000 each year is requested for replacement of vehicles, with another \$38,000 each year for replacement of fully depreciated office equipment. Also requested is \$20,000 each year in Operating Expenses for replacement of office equipment costing less than \$5,000 per unit.

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 \$32,000 each year for replacement of data processing equipment with costs above the \$5,000 per unit threshold and \$58,000 is requested each year in Operating Expenses for replacement of data processing equipment with per unit costs under \$5,000.

The Executive Recommendation provides for the Agency Request and includes Capital Outlay to replace aging, high mileage vehicles in accordance with A.C.A. §22-8-201 et seq., the Automobile and Pickup Truck Acquisition Act, which establishes guidelines for automobile replacement."

## 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		
		2009-2010 Actual	2010-2011 Budget	2010-2011 Authorized	2011-2012			2012-2013		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	4,761,983	5,212,111	5,180,011	4,992,990	5,182,715	5,182,715	4,992,990	5,182,715	5,182,715
<b>#Positions</b>		<b>75</b>	<b>74</b>	<b>74</b>	<b>72</b>	<b>74</b>	<b>74</b>	<b>72</b>	<b>74</b>	<b>74</b>
Extra Help	5010001	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
<b>#Extra Help</b>		<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Personal Services Matching	5010003	1,189,173	1,357,695	1,346,288	1,340,378	1,388,006	1,388,006	1,340,378	1,388,006	1,388,006
Operating Expenses	5020002	1,047,063	1,269,108	1,269,108	1,269,108	1,347,108	1,347,108	1,269,108	1,347,108	1,347,108
Conference & Travel Expenses	5050009	290,301	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Professional Fees	5060010	50,339	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	165,219	220,000	220,000	0	142,000	142,000	0	142,000	142,000
<b>Total</b>		<b>7,504,078</b>	<b>8,533,914</b>	<b>8,490,407</b>	<b>8,077,476</b>	<b>8,534,829</b>	<b>8,534,829</b>	<b>8,077,476</b>	<b>8,534,829</b>	<b>8,534,829</b>

Funding Sources										
Fund Balance	4000005	5,173,309	5,402,664		4,729,425	4,729,425	4,729,425	4,677,449	4,220,096	4,220,096
Special Revenue	4000030	7,733,433	7,860,675		8,025,500	8,025,500	8,025,500	8,185,200	8,185,200	8,185,200
<b>Total Funding</b>		<b>12,906,742</b>	<b>13,263,339</b>		<b>12,754,925</b>	<b>12,754,925</b>	<b>12,754,925</b>	<b>12,862,649</b>	<b>12,405,296</b>	<b>12,405,296</b>
Excess Appropriation/(Funding)		(5,402,664)	(4,729,425)		(4,677,449)	(4,220,096)	(4,220,096)	(4,785,173)	(3,870,467)	(3,870,467)
<b>Grand Total</b>		<b>7,504,078</b>	<b>8,533,914</b>		<b>8,077,476</b>	<b>8,534,829</b>	<b>8,534,829</b>	<b>8,077,476</b>	<b>8,534,829</b>	<b>8,534,829</b>

The FY11 Budget amounts in Regular Salaries and Personal Services Matching exceed the Authorized amounts due to salary adjustments and matching rate adjustments during the 2009-2011 Biennium.

## Change Level by Appropriation

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

### Agency Request

Change Level		2011-2012	Pos	Cumulative	% of BL	2012-2013	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>8,077,476</b>	<b>72</b>	<b>8,077,476</b>	<b>100.0</b>	<b>8,077,476</b>	<b>72</b>	<b>8,077,476</b>	<b>100.0</b>
C01	Existing Program	130,000	0	8,207,476	101.6	130,000	0	8,207,476	101.6
C06	Restore Position/Approp	237,353	2	8,444,829	104.5	237,353	2	8,444,829	104.5
C08	Technology	90,000	0	8,534,829	105.7	90,000	0	8,534,829	105.7

### Executive Recommendation

Change Level		2011-2012	Pos	Cumulative	% of BL	2012-2013	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>8,077,476</b>	<b>72</b>	<b>8,077,476</b>	<b>100.0</b>	<b>8,077,476</b>	<b>72</b>	<b>8,077,476</b>	<b>100.0</b>
C01	Existing Program	130,000	0	8,207,476	101.6	130,000	0	8,207,476	101.6
C06	Restore Position/Approp	237,353	2	8,444,829	104.5	237,353	2	8,444,829	104.5
C08	Technology	90,000	0	8,534,829	105.7	90,000	0	8,534,829	105.7

### Justification

C01	Capital Outlay appropriation of \$72,000 to replace state vehicles according to the State's mileage and time of service policy and \$38,000 to replace fully depreciated equipment at costs above \$5,000. Due to the threshold for Capital Outlay being increased to \$5,000, the Department has reduced previous requests in Capital Outlay by \$20,000 and is asking for an additional \$20,000 in Operating Expenses to replace office equipment that would be valued at less than \$5,000.
C06	Restoration of two positions obtained from the OPM central growth pool that were approved by the ALC Personnel Committee in November, 2010, is requested. Two other positions, currently authorized, will not be requested. This action would maintain the current staff level of 74 positions.
C08	Capital Outlay resources are requested for replacement of obsolete data processing equipment according to the Department's three-year replacement plan. In previous years the Department has requested \$90,000 for replacement of IT equipment from Capital Outlay. However, due to the new threshold for capital equipment being changed from \$2,500 to \$5,000, the Department is requesting \$32,000 in Capital Outlay for data processing equipment over \$5,000 and an additional \$58,000 to replace low value equipment from Operating Expenses. 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 2011-2013 Biennium. All items referenced in this request can be found under the Hardware tab in the IT Plan.