

# STATE BANK DEPARTMENT

## Enabling Laws

Act 782 of 2007  
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, 2008, this included 110 state-chartered banks, 91 bank holding companies, two regional industrial development corporations, two trust companies, one capital development corporation 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 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 Department equipment.

Other Capital Outlay resources are requested for replacement of obsolete data processing 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 Office of Information Technology per their instruction for the new biennium.

Also proposed is the elimination of three Base Level positions that would not be filled during the 2009-2011 Biennium. These are two Bank Examiners and an Administrative Specialist. This action would reduce the Agency's staff from 77 to 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, 2006

Findings	Recommendations
None	None

## **Employment Summary**

	Male	Female	Total	%
White Employees	41	19	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.

## Department Appropriation Summary

### Historical Data

### Agency Request and Executive Recommendation

Appropriation	2007-2008		2008-2009		2008-2009		2009-2010						2010-2011					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
051 State Bank Department-Operations	6,908,746	77	8,376,691	77	8,453,267	77	8,323,234	77	8,378,296	74	8,378,296	74	8,435,345	77	8,490,407	74	8,490,407	74
<b>NOT REQUESTED FOR THE BIENNIUM</b>																		
D23 Bank Department Building-Cash	0	0	0	0	1,850,000	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>6,908,746</b>	<b>77</b>	<b>8,376,691</b>	<b>77</b>	<b>10,303,267</b>	<b>77</b>	<b>8,323,234</b>	<b>77</b>	<b>8,378,296</b>	<b>74</b>	<b>8,378,296</b>	<b>74</b>	<b>8,435,345</b>	<b>77</b>	<b>8,490,407</b>	<b>74</b>	<b>8,490,407</b>	<b>74</b>

  

Funding Sources		%		%		%		%		%		%		%		%		
Fund Balance 4000005	3,998,440	35.1	4,494,352	37.6			3,563,661	32.1	3,563,661	31.9	3,563,661	31.9	2,779,080	26.7	2,779,080	26.6	2,779,080	26.6
Special Revenue 4000030	7,404,658	64.9	7,446,000	62.4			7,538,653	67.9	7,593,715	68.1	7,593,715	68.1	7,614,590	73.3	7,669,652	73.4	7,669,652	73.4
Total Funds	11,403,098	100.0	11,940,352	100.0			11,102,314	100.0	11,157,376	100.0	11,157,376	100.0	10,393,670	100.0	10,448,732	100.0	10,448,732	100.0
Excess Appropriation/(Funding)	(4,494,352)		(3,563,661)				(2,779,080)		(2,779,080)		(2,779,080)		(1,958,325)		(1,958,325)		(1,958,325)	
Grand Total	6,908,746		8,376,691				8,323,234		8,378,296		8,378,296		8,435,345		8,490,407		8,490,407	

## Agency Position Usage Report

FY2006 - 2007						FY2007 - 2008						FY2008 - 2009					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
77	73	4	77	0	5.19 %	77	68	9	77	0	11.69 %	77	66	11	77	0	14.29 %

## **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 \$8,158,294 for FY10 and \$8,270,406 for FY11, with 74 positions budgeted from a total authorization of 77.

Base Level salaries for classified positions reflect the recommendations of the Pay Plan Study and unclassified positions reflect similar adjustments in line item salaries. A 2.3% Cost of Living Allowance is reflected in the second year of the biennium. The Base Level request for Regular Salaries may include board member Stipend payments and Career Service payments for eligible employees. Personal Services Matching includes a \$75 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$425.

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

Discontinue three Base Level positions that are not needed for the 2009-2011 Biennium. These are two Bank Examiners and one Administrative Specialist III. This request will reduce Regular Salaries and Personal Services Matching by a total of \$164,938 each year.

Capital Outlay of \$130,000 each year for replacement of vehicles and fully depreciated office equipment.

As enumerated in the Department's Information Technology Plan, Capital Outlay is also requested in amounts of \$90,000 each year for upgrading of data processing equipment.

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		
		2007-2008 Actual	2008-2009 Budget	2008-2009 Authorized	2009-2010			2010-2011		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	4,210,354	5,155,306	5,128,006	5,211,749	5,085,706	5,085,706	5,306,054	5,180,011	5,180,011
<b>#Positions</b>		<b>77</b>	<b>77</b>	<b>77</b>	<b>77</b>	<b>74</b>	<b>74</b>	<b>77</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	1,126,957	1,257,277	1,361,153	1,367,377	1,328,482	1,328,482	1,385,183	1,346,288	1,346,288
Operating Expenses	5020002	1,042,684	1,269,108	1,269,108	1,269,108	1,269,108	1,269,108	1,269,108	1,269,108	1,269,108
Conference & Travel Expenses	5050009	294,110	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Professional Fees	5060010	32,450	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	202,191	220,000	220,000	0	220,000	220,000	0	220,000	220,000
<b>Total</b>		<b>6,908,746</b>	<b>8,376,691</b>	<b>8,453,267</b>	<b>8,323,234</b>	<b>8,378,296</b>	<b>8,378,296</b>	<b>8,435,345</b>	<b>8,490,407</b>	<b>8,490,407</b>

Funding Sources										
Fund Balance	4000005	3,998,440	4,494,352		3,563,661	3,563,661	3,563,661	2,779,080	2,779,080	2,779,080
Special Revenue	4000030	7,404,658	7,446,000		7,538,653	7,593,715	7,593,715	7,614,590	7,669,652	7,669,652
<b>Total Funding</b>		<b>11,403,098</b>	<b>11,940,352</b>		<b>11,102,314</b>	<b>11,157,376</b>	<b>11,157,376</b>	<b>10,393,670</b>	<b>10,448,732</b>	<b>10,448,732</b>
Excess Appropriation/(Funding)		(4,494,352)	(3,563,661)		(2,779,080)	(2,779,080)	(2,779,080)	(1,958,325)	(1,958,325)	(1,958,325)
<b>Grand Total</b>		<b>6,908,746</b>	<b>8,376,691</b>		<b>8,323,234</b>	<b>8,378,296</b>	<b>8,378,296</b>	<b>8,435,345</b>	<b>8,490,407</b>	<b>8,490,407</b>

Budget for Regular Salaries exceeds Authorized due to salary adjustments made during the 2007-2009 Biennium.



## Change Level by Appropriation

**Appropriation:** 051 - State Bank Department-Operations

**Funding Sources:** SIB - Bank Department Fund

### Agency Request

Change Level		2009-2010	Pos	Cumulative	% of BL	2010-2011	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>8,323,234</b>	<b>77</b>	<b>8,323,234</b>	<b>100.0</b>	<b>8,435,345</b>	<b>77</b>	<b>8,435,345</b>	<b>100.0</b>
C01	Existing Program	130,000	0	8,453,234	101.6	130,000	0	8,565,345	101.5
C03	Discontinue Program	(164,938)	(3)	8,288,296	99.6	(164,938)	(3)	8,400,407	99.6
C08	Technology	90,000	0	8,378,296	100.7	90,000	0	8,490,407	100.7

### Executive Recommendation

Change Level		2009-2010	Pos	Cumulative	% of BL	2010-2011	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>8,323,234</b>	<b>77</b>	<b>8,323,234</b>	<b>100.0</b>	<b>8,435,345</b>	<b>77</b>	<b>8,435,345</b>	<b>100.0</b>
C01	Existing Program	130,000	0	8,453,234	101.6	130,000	0	8,565,345	101.5
C03	Discontinue Program	(164,938)	(3)	8,288,296	99.6	(164,938)	(3)	8,400,407	99.6
C08	Technology	90,000	0	8,378,296	100.7	90,000	0	8,490,407	100.7

### Justification

C01	Capital Outlay of \$130,000 each year is requested for replacement of state vehicles and for replacement of fully depreciated office equipment.
C03	The elimination of three positions from Base Level is requested. These are two Bank Examiners and one Administrative Specialist III that are not planned for usage in the 2009-2011 Biennium. The total saved each year is \$164,938.
C08	Capital Outlay of \$90,000 each year is requested for replacement and upgrading of information technology equipment in accordance with the Department's Technology Plan submitted to the Office of Information Technology. This request is shown in the Future Hardware Purchases Section of the Plan.

**Appropriation Summary**

**Appropriation:** D23 - Bank Department Building-Cash  
**Funding Sources:** 149 - Bank Building Fund - Cash in Bank

**Historical Data**

**Agency Request and Executive Recommendation**

Commitment Item	Historical Data			2009-2010			2010-2011		
	2007-2008 Actual	2008-2009 Budget	2008-2009 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Building Expenses 5900046	0	0	1,850,000	0	0	0	0	0	0
Total	0	0	1,850,000	0	0	0	0	0	0

THIS APPROPRIATION IS NOT BEING REQUESTED FOR THE 2009-2011 BIENNIUM.