

# STATE BANK DEPARTMENT

## Enabling Laws

Act 174 of 2016  
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.

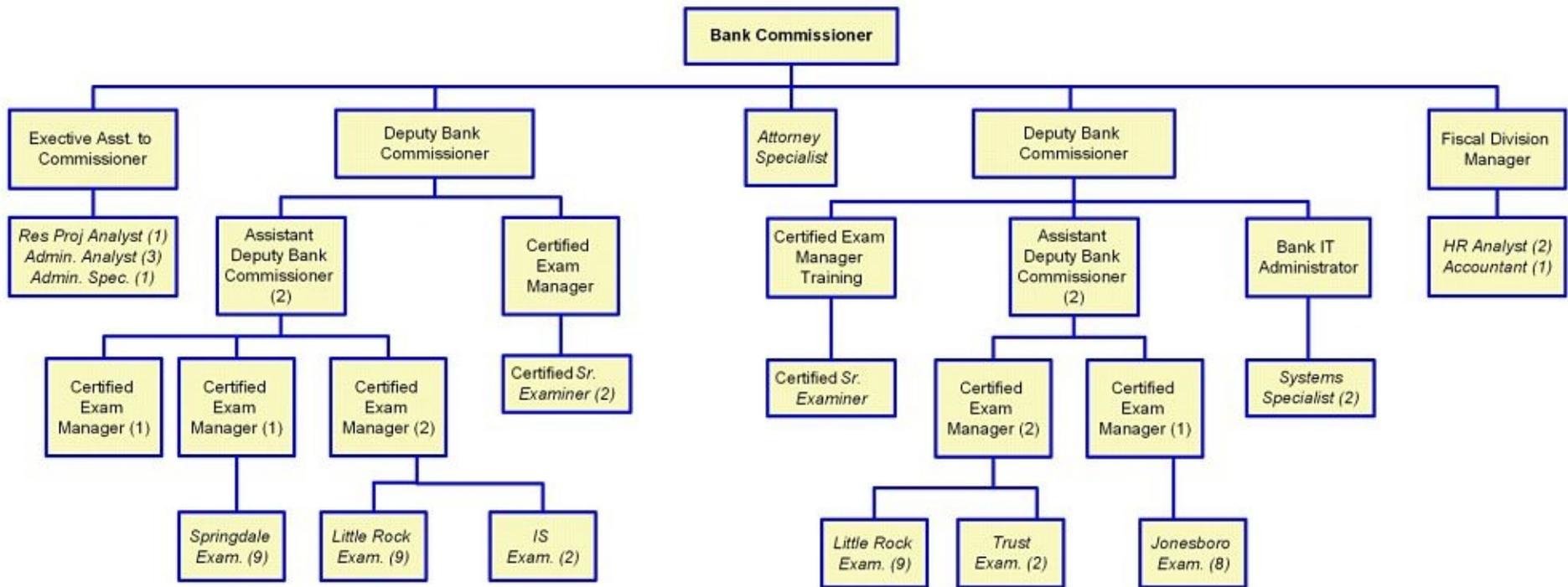
These examinations are accomplished by on-site evaluation of assets and liabilities, adequacy of internal routines and controls, the competency of management, the adequacy of capital of the institution, and other evaluations as performed by examiners.

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 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. As of June 30, 2016, we are the chartering agency and are responsible for the regulation of 86 commercial banks headquartered in Arkansas, as well as 85 parent bank holding companies, 46 trust departments, one trust company and one industrial development corporation. The primary responsibility of the Department is to ensure the safety and soundness of these 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.

Executive staff. During our annual Strategic Planning meeting all discussions indicated that due to new technology and new computer programs available, we will see a reduction in travel and vehicle expenses during the next biennial. These new programs will provide efficient and productive tools for portions of an examination to be done in-house. Due to these changes, current budget will be sufficient for the next biennium. In addition to current Base Level, the Department is requesting Capital Outlay appropriation of \$70,000 the first year and \$70,000 the second year to replace state vehicles according to the State's mileage and time of service policy. An additional \$10,000 per year to replace fully depreciated equipment at costs above \$5,000 per item is also being requested. This request is a \$30,000 reduction per year from our current approved appropriation.

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 each year 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 2017-2019 Biennium.

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 constantly changing banking environment. Funding for the State Bank Department is 100% Special Revenue and 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, 2014

Findings	Recommendations
None	None

## State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

### Employment Summary

	Male	Female	Total	%
White Employees	44	14	58	89 %
Black Employees	3	2	5	8 %
Other Racial Minorities	2	0	2	3 %
Total Minorities			7	11 %
Total Employees			65	100 %

### Publications

#### A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Report of the Bank Commissioner	A.C.A. 23-46-210	Y	N	1	Required for Governor by Statute. Report is also available on the Agency's website for public information.	0	0.00

### Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
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		
72	63	9	72	0	12.50 %	72	67	5	72	0	6.94 %	72	65	7	72	0	9.72 %

## **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 Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level salary of unclassified positions reflects the FY17 line item maximum plus the previously authorized 2016 1% Cost of Living Adjustment authorized by Act 1007 (3 (B)) of 2015.

Base Level request is \$9,248,029 in FY18 and \$9,250,671 in FY19.

The Agency's net Change level request is \$90,000 each year of the 2017-2019 Biennium and is summarized as follows:

- Professional Services decrease of \$10,000 each year to properly align expenses,
- Capital Outlay increase of \$80,000 each year to replace state vehicles and fully depreciated equipment, also an increase of \$20,000 each year for replacement of obsolete information technology equipment according to the Department's three year replacement plan. The request is noted in the Department's IT plan.

The Executive Recommendation provides for the Agency Request, which also provides for the Agency Request for Capital Outlay to replace aging, high mileage vehicles in accordance with A.C.A. §22-8-201 et seq., 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		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	5,082,190	5,619,787	5,619,787	5,623,088	5,623,088	5,623,088	5,624,888	5,624,888	5,624,888
<b>#Positions</b>		<b>70</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</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	1,485,289	1,606,710	1,630,043	1,627,523	1,627,523	1,627,523	1,628,365	1,628,365	1,628,365
Operating Expenses	5020002	1,110,162	1,490,193	1,490,193	1,490,193	1,490,193	1,490,193	1,490,193	1,490,193	1,490,193
Conference & Travel Expenses	5050009	266,163	332,225	332,225	332,225	332,225	332,225	332,225	332,225	332,225
Professional Fees	5060010	45,937	170,000	170,000	170,000	160,000	160,000	170,000	160,000	160,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	123,997	130,000	130,000	0	100,000	100,000	0	100,000	100,000
<b>Total</b>		<b>8,113,738</b>	<b>9,353,915</b>	<b>9,377,248</b>	<b>9,248,029</b>	<b>9,338,029</b>	<b>9,338,029</b>	<b>9,250,671</b>	<b>9,340,671</b>	<b>9,340,671</b>
<b>Funding Sources</b>										
Fund Balance	4000005	7,039,301	7,634,967		8,671,052	8,671,052	8,671,052	10,371,817	10,281,817	10,281,817
Special Revenue	4000030	8,709,404	10,390,000		10,948,794	10,948,794	10,948,794	11,077,200	11,077,200	11,077,200
Total Funding		15,748,705	18,024,967		19,619,846	19,619,846	19,619,846	21,449,017	21,359,017	21,359,017
Excess Appropriation/(Funding)		(7,634,967)	(8,671,052)		(10,371,817)	(10,281,817)	(10,281,817)	(12,198,346)	(12,018,346)	(12,018,346)
<b>Grand Total</b>		<b>8,113,738</b>	<b>9,353,915</b>		<b>9,248,029</b>	<b>9,338,029</b>	<b>9,338,029</b>	<b>9,250,671</b>	<b>9,340,671</b>	<b>9,340,671</b>

## Change Level by Appropriation

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

### Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>9,248,029</b>	<b>72</b>	<b>9,248,029</b>	<b>100.0</b>	<b>9,250,671</b>	<b>72</b>	<b>9,250,671</b>	<b>100.0</b>
C01	Existing Program	80,000	0	9,328,029	100.9	80,000	0	9,330,671	100.9
C03	Discontinue Program	(10,000)	0	9,318,029	100.8	(10,000)	0	9,320,671	100.8
C08	Technology	20,000	0	9,338,029	101.0	20,000	0	9,340,671	101.0

### Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>9,248,029</b>	<b>72</b>	<b>9,248,029</b>	<b>100.0</b>	<b>9,250,671</b>	<b>72</b>	<b>9,250,671</b>	<b>100.0</b>
C01	Existing Program	80,000	0	9,328,029	100.9	80,000	0	9,330,671	100.9
C03	Discontinue Program	(10,000)	0	9,318,029	100.8	(10,000)	0	9,320,671	100.8
C08	Technology	20,000	0	9,338,029	101.0	20,000	0	9,340,671	101.0

### Justification

C01	Capital Outlay appropriation of \$70,000 each fiscal year is requested to replace state vehicles according to the State's mileage and time of service policy; an additional \$10,000 each year is requested to replace fully depreciated equipment at costs above \$5,000.
C03	A decrease of \$10,000 each year is being requested to reduce agency Professional Service Fees in the IT Cost Center 318220.
C08	Capital Outlay resources of \$20,000 each year is requested for replacement of obsolete information technology equipment according to the Department's three-year replacement plan. The Department's IT plan has been filed with the DFA Office of State Technology Planning per it instructions for the 2017-2019 biennium.