

**February 9, 2012**

## **Senate Bill 287**

### **Statement to the Senate Financial Institutions and Insurance Committee**

My name is John P. Smith; I am the Administrator for the Department of Credit Union (KDCU). Last week I requested amending Senate Bill 287 to allow the Administrator to appoint department personnel into positions within the unclassified service. Currently the department has 11 personnel; all are classified except the Administrator. My course of action, if this bill is passed, would be to hire all new examiners to the department in the unclassified service. Additionally, existing classified personnel would be given the option to “convert” to unclassified positions. The current classified system has failed to sustain the salary levels of our staff at a competitive and reasonable level. The department continues to fall further behind in our compensation for these individuals which has resulted in the last 5 years the loss of 3 experienced examiners to the National Credit Union Administration (NCUA). By allowing the departments’ positions to be in the unclassified service, it would be my intention over the next several years to increase salary levels commensurate with regulators in our neighboring states.

The language of the amended bill would require that the Administrator establish and maintain a salary schedule for the unclassified positions within the department. This schedule would be reported annually to our Credit Union Council. The schedule would allow the Administrator to establish salaries for the unclassified personnel at no higher than the average of state financial regulatory agencies within similar geographic areas. I consider this to be a reasonable benchmark.

Last week members of the Committee requested information to determine how the pay of state and federal financial regulatory agencies compared with KDCU.

On February 6, 2012 we conducted a study to compare the salaries of Financial Examiner Principals employed by the department with the most experienced field examination staff

of regulators in surrounding states. Salary data was collected from credit union regulators in the following states: Missouri, Nebraska, Iowa, Colorado, and Texas. Attempts to contact the Oklahoma regulator were unsuccessful. Salary data for the National Credit Union Administration was also collected for illustrative purposes only. NCUA salaries were not used to calculate the average salaries in surrounding states.

This study showed the mid range salary for the Financial Examiner Principal position employed by the department to be \$67,527. This would equate approximately to a Grade 33 Step 12 within the Kansas Civil Service Basic Pay Plan (effective June 12, 2011). The department's three Financial Examiner Principals currently earn \$60,382 per year, (Grade 33, Step 7).

The mid range salary for examiners with similar job classifications in surrounding states is \$79,222. This is \$11,695 or 17.32% above the mid range salary and \$18,840 or 31.20% above the actual salaries of the department's Financial Examiner Principals.

If the department's examiners voluntarily accepted appointment within the unclassified service we would propose establishing salaries no higher than the average of state financial regulatory agencies noted within this study. The Office of the State Bank Commissioner has proposed an increase of 15% for certain positions within their department. If KDCU adopted similar measures, salaries for Financial Examiner Principals would increase by \$9,057 to \$69,440. This is still well below the average of \$79,222 for surrounding states.

We would propose phasing these salary increases in over a two year period to minimize the effect on fees assessed to credit unions.

At the beginning of FY 2012 the required transfer to the State General Fund was reduced from 20% or \$200,000 to 10% or \$100,000. While the salary increases must still go through the appropriations process, we believe the reduced transfer will allow the department to maintain fees within reasonable levels. It should be noted that asset growth will continue to be the driving force for fee increases. Credit unions which have experienced significant asset growth during 2011 should anticipate increased fees.

We felt it was necessary to introduce this legislation at this time to close the gap of salary inequities. The department has lost 3 examiners to NCUA over the past 5 years. While we know we will never be able to compete with salaries of our federal counterparts,

narrowing the salary gap should enhance the department's ability to retain experienced examiners.

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.

The attached table and graph displays the results of the survey conducted February 6, 2012.

Thank you for your time and consideration. I would ask the Committee for your favorable support of the amendments and for the passage of SB 387. I will answer any questions from the Committee.