

**Texas Department of Banking  
Testimony**

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**Briefing Packet for the House Appropriations Regulatory Sub-Committee**

*Date: April 25, 2000*

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**TEXAS DEPARTMENT OF BANKING  
COMPLIANCE STATUS OF PERFORMANCE MEASURES  
FEBRUARY 2000**

- A majority of the performance measures are being met; however, main area of exception is:

**Special Audit Measures out of Compliance**

| Currency Exchange (Key)       | 100% | 79% |
|-------------------------------|------|-----|
| Prepaid Funeral Contracts     | 85%  | 69% |
| Perpetual Care Cemetery       | 85%  | 58% |
| Sale of Check                 | 90%  | 82% |
| Special Audit Licensees (Key) | 650  | 65% |

- (a) Indicates actual performance for first six months annualized.
- Primary reasons for not meeting performance measures are:
    - High turnover of specialty examiners in Special Audits division; and
      - Continued deterioration in the condition of licensees and extended periods between examinations.

**ACTIONS TAKEN TO MEET PERFORMANCE MEASURES**

- Increased the size of the Special Audits staff;
- Provided improved career potential to reduce turnover; and,
- Utilized Bank and Trust Examiners in Special Audits area.
  - Bank and Trust staff is available through August 2000, when the number of scheduled bank examinations returns to a normal level.

**STATUS OF COMPLIANCE WITH ARTICLE IX CAPS**

FTE – The current FTE number is 140 and compliance with the 150 cap level is anticipated.

- Travel Expenditures – The Department has requested a waiver of the cap for FY 2000-2001, based on projected travel estimates
- Capital Budget Expenditures – Compliance with the combined \$350,673 cap (includes imaging system and information resource technology) is anticipated.
- Salary – Compliance with the merit salary increase and promotions cap of \$106,828 is anticipated.

All of the above are being internally monitored monthly to assure the agency remains in compliance with the mandated caps.

| Commercial Banks*           | 379 | \$59,684 |
|-----------------------------|-----|----------|
| Foreign Bank Agencies       | 11  | 32,837   |
| Trust Companies             | 31  | 60,717   |
| Sales of Checks Licensees   | 42  | 436,482  |
| Currency Exchange Licensees | 83  | 45       |
| Perpetual Care Cemeteries   | 226 | 147      |
| Prepaid Funeral Licensees   | 440 | 1,725    |
|                             |     |          |

Information as of December 1999

\*Includes all State-Chartered Banking Activity in Texas

### **CHALLENGES FACING THE BANKING DEPARTMENT**

Changes in state and federal legislation, and within the regulated industries themselves, will require additional staffing and more expertise in this rapidly growing and increasingly complex financial environment.

- Banks engaging in and offering new products and services as a result of Gramm-Leach-Bliley
  - Insurance sales and/or underwriting;
  - Securities – sales of equity/commodity investments and underwriting.
- E-banking or Internet banking.
- State examiners are participating in examinations of bank holding companies with the Federal Reserve to monitor and analyze emerging complexities.
- Continuing growth in bank and trust company assets.

### **Challenges of Retaining Qualified Personnel**

- Continuing high employee turnover, at both examiner and support levels, due to:
  - More lucrative employment opportunities in the private sector; and,
  - Better pay for same responsibilities by federal regulators.
- Personnel need to be highly educated and professional to deal with the increasing complexity of banking, insurance, and security products along with the availability of these services through the Internet.
- Time to properly train a new employee to become a \*commissioned examiner is about four years.
- \*Commissioned examiner = an employee qualified to lead an examination team in the financial review of a small, noncomplex financial institution.

| Financial Examiner I   | \$25.9 / \$32.9 | \$28.7 / \$40.8 | \$32.8 / \$51.2 | \$29.6 / \$38.8 |
|------------------------|-----------------|-----------------|-----------------|-----------------|
| Financial Examiner IV  | \$37.3 / \$49.6 | \$46.5 / \$67.7 | \$42.8 / \$64.2 | \$44.7 / \$64.6 |
| Financial Examiner VII | \$54.3 / 72.4   | \$66.6 / \$99.2 | \$55.1 / \$87.9 | \$63.3 / \$94.8 |

(Amounts in thousands)

FDIC=Federal Deposit Insurance Corporation

FRB=Federal Reserve Bank

OCC=Office of the Comptroller of the Currency

| Actual FTEs              | 153   | 147   | 138   | 142   | 140      |
|--------------------------|-------|-------|-------|-------|----------|
| Turnover Ratio on Actual | 27.1% | 32.3% | 33.7% | 29.9% | 15.0%(1) |
| Authorized FTEs          | 194.5 | 194.5 | 184.5 | 184.5 | 150      |
| Turnover Ratio on Auth.  | 21.3% | 24.4% | 25.2% | 23.0% | 14.0%(1) |

(1) Indicates annualized as 20 employees have left the Department YTD.

| Job Postings | 3 | 3 | 11 | 10 | 7 | 7 | 8 |
|--------------|---|---|----|----|---|---|---|