

Texas Department of Banking Testimony

Testimony Presented to the Finance Committee of the Texas Senate, Senate Bill 1

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On Behalf Of the Texas Department of Banking
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PRIORITIZATION OF UNFUNDED ITEMS

1. [Market Rate Salary Adjustments](#) (to approach parity with Federal Regulators)
2. [Capital Budget](#)
3. [Increase Examination Force](#)
4. [Align Travel Allowances to that of Federal Regulators](#)

AGENCY FINANCIAL FACTS

- The Texas Department of Banking is completely self-funding through assessments and fees levied on the entities it regulates
- Assessments on regulated entities always cover the Department's expenses
- Assessments on regulated entities will cover requested items
- By statute, the Department does not collect more than it spends on supervisory functions

1) MARKET RATE SALARY ADJUSTMENTS

(to approach parity with Federal Regulators)

- Excessively high examiner turnover – 48.2% over the last three fiscal years (41 out of 85 positions)
- High number of examiners taking similar jobs with federal regulatory agencies – Eight over the last 12 months
- Number 1 reason given for leaving state service – "better pay", positions taken with federal regulators resulted in immediate pay increases of \$8,000 to \$10,000, annual cost of living adjustments, and substantially higher career salary caps
- Overall, salary and position cap increases are needed – State Auditor's Office recommended changes do not meet this need

Significant Issues About Examiner Turnover

- Staff turnover is hindering exam efficiency – only 80% to 90% of the regulated entities will be examined when due in fiscal year 2001
- The average time to become a Commissioned Examiner, a person capable of being "in-charge" of an onsite review – four years

- Training is primarily on-the-job instruction with direct supervision from a Commissioned Examiner – preferred method to ensure quality training but slows examination efficiency
- Measures taken, but no longer effective
 - Raised examiner salaries within state salary structure (1998)
 - Aggressive recruitment at state universities and colleges

2) CAPITAL BUDGET

- Systematic plan – by design, the Department periodically upgrades portions of the agency's computer equipment every three to four years
- Necessity of computer equipment upgrades – the Department must be capable of interfacing with FDIC and Federal Reserve databases and examination report programs
- Operating efficiencies – communication, processing, monitoring, and image retrieval processes have improved with technological upgrades

3) INCREASE EXAMINATION FORCE

- Needed to meet increased supervisory responsibilities – financial services modernization, electronic commerce, Internet banking, and holding company reviews
- Needed to prepare for possible slowdown in economy – increase off-site monitoring of individual entities; additional time to adequately review suspected problem institutions; and take proactive corrective measures if necessary

4) ALIGN TRAVEL ALLOWANCES TO THAT OF FEDERAL REGULATORS

- The disparity between state and federal travel allowances is a constant and noticeable aggravation – frequent joint examinations with federal agencies
- Contributing factor in switching to federal employment – travel is a major job requirement and low lodging, meal, and mileage reimbursements are secondary reasons cited by departing examiners
- Allowed by another state agency through appropriations rider – The Texas Savings and Loan Department currently reimburses its employees travel expenses at the federal rate on joint examinations