

SESSION OF 2012

SUPPLEMENTAL NOTE ON SENATE BILL NO. 431

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 431 would amend the law pertaining to appointment or employment of certain positions by the Administrator of the Kansas Department of Credit Unions to add to the list of persons the Administrator is authorized to appoint in the unclassified service and to allow the Administrator to establish an equitable salary schedule for those appointed positions in the unclassified service authorized by the bill.

Specifically, the bill would grant the Administrator the authority to appoint financial examiners and an administrative assistant in the unclassified service (not subject to the approval of the Governor); these persons would receive an annual salary fixed by the Administrator in accordance with an equitable salary schedule established by the Administrator for all unclassified positions. The provision authorizing the Administrator's appointments for these positions would not affect the classified status of any person employed with the Department on the day immediately preceding the effective date of this act.

The bill also would grant the Administrator, subject to appropriations, the authority to appoint financial examiners, financial examiner administrators, case managers, and a business manager within the Kansas Department of Credit Unions, as determined necessary by the Administrator. Each position appointed after the effective date of the bill would be in the unclassified service, would have special training and qualifications for the appointed position, and would serve at

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

the pleasure of the Administrator.

The Administrator would be required to prepare and maintain an equitable salary schedule for persons appointed in the unclassified service. The bill also would provide that the amount of compensation in the salary schedule could not exceed the average compensation of corresponding state regulatory positions in similar geographic areas. Under the bill, the salary schedule must be reported to the Credit Union Council on an annual basis.

The bill would be in effect upon publication in the *Kansas Register*.

Background

The bill was introduced by the Senate Ways and Means Committee. The Credit Union Administrator testified in support of the bill, stating the current classified system has failed to sustain the salary levels of the Kansas Department of Credit Union's staff at a competitive and reasonable level. The Department, the Administrator indicated, continues to fall further behind in its compensation for its existing classified examiners resulting in, over the past 5 years, the loss of three experienced examiners to the agency that supervises and charters federal credit unions. The Administrator highlighted a recent salary study comparing the salaries of financial examiner principals employed by the Department with the most experienced field examination staff of regulators in the surrounding states, Iowa, and Texas, as well as the federal regulator. The Administrator noted any movement from the classified service to the unclassified service by any existing employee would be voluntary and the Department would phase the salary increases in over a two-year period to minimize the effect on fees assessed to credit unions. A representative of the Kansas Credit Union Association (KCUA) spoke in support of the bill, citing KCUA's support of a strong state charter option for credit unions in Kansas (under the dual chartering system for credit unions) and

further stating that having a state regulatory agency with the resources it needs to hire and retain experienced examiners is an important piece of the state charter option.

There were no opponents to the bill at the time of the Senate Committee hearing.

The fiscal note prepared by the Division of the Budget states the Department of Credit Unions indicates the bill would allow the agency to increase expenditures on salaries and wages by \$48,117 in FY 2013 and by \$51,726 in FY 2014. The additional expenditures, if authorized by an appropriation bill, would be from the Credit Union Fee Fund. The agency also indicates the additional salaries and wages would allow it to retain experienced examination staff, attract qualified candidates, and address significant salary gaps that exist between current salary levels and those of other financial regulatory agencies. Any fiscal effect associated with the bill is not reflected in *The FY 2013 Governor's Budget Report*.