

**Department of Transformation and Shared Services**

Governor Sarah Huckabee Sanders

Secretary Joseph Wood

Director Kay Barnhill

June 14, 2023

The Honorable Breanne Davis, Co-Chairperson
 The Honorable Mark Berry, Co-Chairperson
 Uniform Personnel Classification and
 Compensation Plan Subcommittee
 Arkansas Legislative Council
 State Capitol Building, Room 315
 Little Rock, Arkansas 72201

Dear Senator Davis and Representative Berry:

The Office of Personnel Management (OPM) submits a request from the Arkansas Department of Commerce (ACOM), Bank Department for your review.

The Arkansas Department of Commerce, Bank Department is requesting eight (8) growth pool positions from the OPM central growth pool and one (1) surrender pool position from the OPM surrender pool established by Arkansas Code Annotated § 21-5-225. The classifications requested and surrendered position are listed below:

CLASSIFICATIONS REQUESTED

<u>CLASS CODE</u>	<u>TITLE</u>	<u>GRADE</u>	<u>SALARY RANGE</u>
A039C (6)	Certified Bank Senior Examiner	GS13	\$77,862 – \$112,900
A005N (2)	ACOM Assistant Deputy Bank Commissioner	GS15	\$96,960 – \$140,592
D002N (1)	State Database Administrator Lead	IT11	\$99,920 – \$114,884

POSITION SURRENDERED

<u>POSITION NUMBER</u>	<u>TITLE</u>	<u>CLASS CODE</u>	<u>GRADE</u>	<u>SALARY RANGE</u>	<u>LAST DATE VACATED</u>
22088721	ACOM Bank IT Administrator	D013C	IT08	\$71,704 – \$103,970	Occupied

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JUSTIFICATION

The Arkansas State Bank Department (ASBD) is the chartering agency responsible for the regulation of seventy-three (73) commercial banks as well as the supervision of bank holding companies of state-chartered banks, state-charted trust companies, regional and county industrial development corporations, and capital development organizations. Over the course of the past several years, three significant factors are considerably affecting the agency's operations. The scope of bank examinations is continuing to evolve in a variety of areas causing an increase in complexity. The assets under supervision are continuing to grow, as the financial institutions that the agency regulates have an approximate size of \$153 billion. Also, unanticipated banking related issues are surfacing for the financial institutions such as pandemic relief programs, cybersecurity, marijuana banking, cryptocurrency, and increases in non-depository trust activity. The agency's examination personnel must provide support for these banking related issues.

The ASBD currently possesses forty-seven (47) positions authorized as A039C, Certified Bank Senior Examiner. These positions are responsible for performing bank examinations, writing bank examination reports, and reviewing bank examination reports. The agency requests an additional six (6) positions authorized as this classification. The ASBD currently possesses four (4) positions authorized as A005N, ACOM Assistant Deputy Bank Commissioner. These positions are responsible for overseeing all examination operations and regulatory activities as well as reporting to their Bank Commissioner upon demand. The agency requests an additional two (2) positions authorized as this classification.

The ASBD currently possesses four (4) positions within its IT Division. As the technology that supports the banking industry increases in complexity and the number of cyber-attacks surges, the agency needs IT personnel to properly support its operations. Therefore, the agency is requesting a surrender pool position authorized as D002N, State Database Administrator Lead.

The Honorable Breanne Davis, Co-Chairperson
The Honorable Jim Wooten, Co-Chairperson
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RECOMMENDATION

The Office of Personnel Management has reviewed this request from the Arkansas Department of Commerce, Bank Department. OPM recommends the establishment of six (6) growth pool positions authorized as A039C, Certified Bank Senior Examiner. OPM recommends the establishment of two (2) growth pool positions authorized as A005N, ACOM Assistant Deputy Bank Commissioner. OPM recommends the establishment of one (1) surrender pool position authorized as D002N, State Database Administrator Lead. The cost for these eight (8) growth pool positions and one (1) surrender pool position is approximately \$657,013. The agency guarantees our office that it possesses sufficient funding to support this pool position request.

Your consideration of this request is greatly appreciated.

STATE PERSONNEL DIRECTOR

DATE

KB/jlh:1-3



1823
Arkansas State
Bank Department



Hugh McDonald
Secretary of Commerce
Susannah T. Marshall
Bank Commissioner
Arkansas State Bank Department

May 23, 2023

Kay Barnhill, Director
Office of Personnel Management
501 Woodlane Ave, Ste 205
Little Rock, AR 72201

Dear Ms. Barnhill:

The mission of the Arkansas State Bank Department (ASBD), a Division of the Arkansas Department of Commerce, is to maintain the legal and regulatory structure for Arkansas' financial industry. The primary duty of the ASBD is 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. The department is fully funded by assessments paid by its supervised institutions; we receive no General Revenue funding from the State.

Although the ASBD has operated with only a slight increase in staffing from FY14 (when we had 72 authorized positions) to FY22 (when we increased to 78 authorized positions by adding five examiner positions and one IT Database Specialist position), the financial institutions that the ASBD regulates have tripled their size during this time (from \$49 billion in FY14 to approximately \$153 billion as of March 2023). Despite the phenomenal growth in assets under supervision, the ASBD has worked diligently to ensure the effective use of its current budget and adhere to the Governor's shared goal of operating more efficiently.

The banking sector of the economy continues to evolve into a vastly more complex industry, and despite the level and trend of industry consolidation, total assets of Arkansas state-chartered banks have continued to flourish and grow. As of March 2023, the ASBD is the chartering agency responsible for the regulation of 73 commercial banks headquartered in Arkansas, in addition to supervising the bank holding companies of Arkansas state-chartered banks; state-chartered trust companies; regional and county industrial development corporations; and capital development organizations. The growth and expansion in Arkansas financial institutions has led to more frequent and complex examinations. Additionally, although the banking industry has performed well since the onset of the 2020 Pandemic, the uncertainty of the current economic environment poses a potential, significant risk to the overall health of the banking industry.

The scope of bank examinations continues to evolve in all areas including the adequacy of capital and earnings; the quality of assets; the competency of management; evolution for compliance with the Bank Secrecy Act; the adequacy of liquidity and funds management; the sensitivity to market risk of the institution's balance sheet and activities; trust department activity; and the information technology programs of our regulated institutions to ensure the adequacy of the data systems and the security of information. ASBD's examination staff also supports its regulated entities on emerging banking related issues such as pandemic relief programs, cybersecurity, marijuana banking, cryptocurrency, and increases in non-depository trust activity.

Of the Bank Department's 78 authorized positions, 60 (or 77%) are bank examiner positions, of which three (3) are currently vacant and actively being filled. Regarding our bank examination staff, 14% have more than 28 years of experience and 30% have more than 20 years of experience. Additionally, 57% of our examination staff are either at the maximum pay level for their grade or within \$5,000 of the max pay level. Due to retirements and the current limitations on examiner salaries, the department recognizes that in the coming years we will likely face significant turnover in our examination staff. Because it takes a minimum of three (3) years for a newly hired

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Kay Barnhill, Director

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examiner to complete the initial required training and five (5) years to achieve proficiency, it is critical that ASBD address this anticipated turnover by hiring and training new examiners now and develop a plan to continue to onboard new Bank Examiners in a consistent manner to help ensure the ASBD is fully prepared to manage future growth, agency operations and the evolution of the banking industry. In the current environment, the Bank Department will likely face the departure of our most senior staff due to other opportunities within the industry, specifically due to salary increases. Therefore, it is of critical importance that the ASBD address this threat proactively by hiring and training new examiners.

With this letter, the ASBD is seeking approval to utilize the OPM Growth Pool to establish eight new positions within our examination division, including:

- Six (6) new GS13 Certified Bank Senior Examiner positions (A039C). As with all ASBD examiner positions, these new positions will be advertised and filled at a downgraded title of GS08 Bank Examiner unless an applicant with State or Federal Bank Examination Experience is selected for hire. These positions will support Commercial Bank Supervision, Trust Supervision, and Information Systems Supervision.
- Two (2) new GS15 ACOM Asst Deputy Bank Commissioner positions (A005N). We currently maintain four (4) of these positions which align with the four (4) large banks (banks over \$10 billion in total assets) under our regulatory purview and our four (4) Safety and Soundness Commercial Examination groups. These new positions are necessary to support a fifth state-chartered bank that has recently moved into our large bank portfolio and to support an increased level of oversight and focus for our remaining institutions.

With this letter, the ASBD is also seeking approval to utilize the OPM Surrender Pool to establish one (1) IT11 State Database Administrator Lead Position (D002N) in exchange for surrendering one IT08 ACOM Bank IT Administrator position (D013C). This request will not increase the total number of authorized positions within the ASBD but will instead allow the department to properly classify and align the positions currently responsible for supporting the ASBD IT Division. The ASBD currently maintains an IT staff of three (3) IT08 positions. It is important to note that as the banking industry has evolved into a more complex industry, the technology that supports our industry has also increased in complexity. The IT skillsets necessary to support the field of bank examination has become increasingly technical, and the IT staff necessary to provide these functions require highly technical skill sets and experience. In addition, the increased threat of cyber risk warrants a well-developed and experienced IT staff. This Surrender Pool request is necessary to ensure that the grade of the supervisory position is properly aligned with the current role and duties required of the manager.

This request provides the Bank Department with the ability to maintain a solid staff of highly experienced and well-trained examiners, and is directly related to the challenging economic environment, the growth and complexity of our Arkansas banks, the necessity to maintain an appropriate level of skilled and professional staffing and resources to meet demands, and the necessity to maintain a high functioning bank regulatory regime within Arkansas. If this request is not approved, the Bank Department and the state will be placed in a position of significant risk and potential inability to meet our regulatory mandate of overseeing the banking industry in Arkansas.

ASBD has the necessary budget and available funding to support this request. If additional information is needed, please contact Bank Chief Examiner, Jessica Wallace at 501-683-3214.

Sincerely,



Susannah Marshall

Bank Commissioner