

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 11/9/83

I. REQUEST

Bill/Resolution No.: HB 116
Title: An Act relating to bank examination
Sponsor: House Rules Committee
Requestor: Governor
Date of Request: _____

II. FISCAL DETAIL

Agency Affected: Commerce and Economic Dev.
Program Category Affected: Consumer Protect
BRU, Program of Subprogram(s) Affected: Banking and Securities

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE	12.0	12.0	12.0	12.0	12.0	12.0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						
TOTAL						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

N/A

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Willis F. Kirkpatrick Phone: 465-2521
Division: Banking and Securities Date: 11/9/83
Approved by Commissioner: _____ Date: 12/29/83
Department: Commerce and Economic Development

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

9/14/83

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 116 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to financial institution examina-
7 tions and examination fee assessments; and providing
8 for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 06.01.010(b) is amended to read:

11 (b) The commissioner shall assess every financial institution,
12 and every applicant to establish a financial institution, a fee for
13 the actual expenses incurred by the department in connection with any
14 examination or investigation, whether regular or special. The fee
15 shall include the proportionate part of the salaries and cost of em-
16 ployee benefits of the examiners while conducting examinations or in-
17 vestigations and while preparing reports of them, and transportation
18 costs and per diem of each examiner while away from the examiner's
19 [HIS] duty station. However, the cost to the financial institution in
20 connection with an examination may not exceed \$12,000 [\$7,500] per
21 examination. The assessment shall be made by the commissioner as soon
22 as feasible after the examination or investigation has been completed.
23 All assessments shall be paid to and must be received by the depart-
24 ment [BY EACH INSTITUTION] within 30 days after the financial institu-
25 tion receives [RECEIPT OF] notice of the assessment.

26 * Sec. 2. AS 06.05.025(c) is amended to read:

27 (c) Banks regulated under this chapter are subject to [AT LEAST
28 ONE EXAMINATION A YEAR. ADDITIONAL] examinations [MAY BE CONDUCTED]
29 at the discretion of the commissioner.

1 * Sec. 3. The \$12,000 maximum assessment for examinations of financial
2 institutions enacted in sec. 1 of this Act applies to examinations or in-
3 vestigations commenced on or after the effective date of this Act.

4 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
5 10.070(c).
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STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: February 9, 1984

REQUEST

Bill/Resolution No.: CSHB 116
 Title: An Act relating to bank examination fees
 Sponsor: House Finance Committee
 Requestor: Governor
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce & Economic Development
 Program Category Affected: _____
Consumer Protection
 BRU, Program or Subprogram(s) Affected: _____
Banking, Securities and Corporations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	8.0	8.0	8.0	8.0	8.0	8.0

FUNDING: (Thousands of Dollars)

GENERAL FUND	30.0	30.0	30.0	30.0	30.0	30.0
FEDERAL FUNDS						
OTHER Pgm. Receipts	[30.0]	[30.0]	[30.0]	[30.0]	[30.0]	[30.0]
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

If this bill is passed, the FY '85 financial institution's budget would have to reflect a change in funding from program receipts to general fund in the amount of \$30,000. Please see attached Fiscal Note Analysis.

ANALYSIS: Attach a separate page for analysis

Prepared By: Willis F. Kirkpatrick, Director Phone: 465-2521
 Division: Banking, Securities and Corporations Date: _____

Approved by Commissioner: Richard A. Lvon Date: 2/16/84
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

FISCAL NOTE ANALYSIS
CSHB 116

The committee substitute of House Bill 116 deletes the provisions that state chartered banks shall be examined at least once each year. The amendment leaves the frequency of the examination to the discretion of the commissioner. Therefore, giving the commissioner greater latitude to concentrate on problem banks without being required to examine every bank every 12 months regardless of their condition.

The original purpose of this bill was to increase the limit, from \$7,500 to \$12,000, the department can charge financial institutions for expenses incurred as a result of examinations and investigations. The amendment may result in more examinations where the cost would exceed the \$12,000 limit. This may, in some instances, cause a reduction in program receipts. If more attention is given problem banks, which I feel is necessary, then there may be fewer examinations which, in turn, would reduce revenues from examinations.

Banks are rated based upon several criteria. A bank rated as a problem bank should be given more attention over those who have better ratings. In a situation where two problem banks, in excess of \$100 million in assets, could extend the examination process for an additional three to four weeks would, in turn, cost this agency approximately \$15,000 for each. This additional expense would not be covered by assessed fees. In this instance, the two problem banks could increase expense to the general fund \$30,000 (\$15,000 from each problem bank) and reduce a like amount of \$30,000 from uncollectable funds that would have otherwise been considered program receipts.

In some instances, program receipts could be counterproductive to public protection. It is the purpose of an examination to determine safety and soundness of banks to protect the public's deposits and financial confidence within the community. Examinations should not be a means by which to produce revenues just to obtain program receipts.

(2)
Fay - Finance
d. x/ra

AMENDMENT

OFFERED IN THE HOUSE FINANCE COMMITTEE

BY: Furnace

TO: _____ HOUSE BILL NO. 116

SENATE BILL NO. _____

PAGE: 2 LINE: 2

Add a section to read:

Sec:06.05.025 (c) is amended to read:

Banks regulated under this chapter are subject to [at least one examination a year. Additional] examinations [may be conducted] at the discretion of the commissioner.

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2500

January 24, 1984

Honorable Al Adams, Chairman
House Finance Committee
Pouch V
Juneau, Alaska 99811

Attention Lou Ann Cutler

Dear Representative Adams:

Re: Comments on HB 116


HB 116 will raise this limit the State can recover from actual expenses as a result of the examination and investigation responsibilities under title AS 06. This includes banks, bankholding companies, trust companies, savings and loans, mutual savings bank, credit unions, small loan companies and premium finance companies. Increases in wage and other expenses have badly outdated the \$7,500 limit.

Section 1, at line 20, deletes the \$7,500 limit and sets a new limit of \$12,000. This new ceiling will not only help pick up the increases in cost, but also spread some of the expense to larger financial institutions. As an example, a financial institution with \$100 million in assets may pay \$7,500 for an examination that costs \$17,000, or 44% of the cost of the exam, while a financial institution with only \$27 million in assets will have to pay close to 95-100% when the cost of examination is \$7,800 and they also have to pay \$7,500.

The language changes on lines 23, 24 and 25 are technical amendments and do not change the meaning of the sentence.

Sections 2 and 3 provide for effective dates of the Act.

Sincerely,



Richard A. Lyon
Commissioner

RAL/mc2/12
12484a

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 24, 1983

The Honorable Joe L. Hayes
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which increases the fee that the commissioner of commerce and economic development may assess a financial institution for investigation and examination costs. It raises the existing maximum of \$7,500 to a maximum of \$12,000 per examination. The fee increase is necessary because costs associated with these examinations have risen more than 50 percent since 1978 when the \$7,500 maximum fee was first established. An additional, technical amendment is included, rewriting but not changing the substance of the last sentence of AS 06.01.010(b).

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield
Governor

RECEIVED

JAN 26 1983

LEGISLATIVE FINANCE

HB 116

HB 116

Introduced: 1/24/83
Referred: Labor & Commerce and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 116

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to financial institution examination
7 fees and assessments; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 06.01.010(b) is amended to read:

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12 and every applicant to establish a financial institution, a fee for
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14 examination or investigation, whether regular or special. The fee
15 shall include the proportionate part of the salaries and cost of em-
16 ployee benefits of the examiners while conducting examinations or in-
17 vestigations and while preparing reports of them, and transportation
18 costs and per diem of each examiner while away from his duty station.
19 However, the cost to the financial institution in connection with an
20 examination may not exceed \$12,000 [\$7,500] per examination. The as-
21 sessment shall be made by the commissioner as soon as feasible after
22 the examination or investigation has been completed. All assessments
23 shall be paid to and must be received by the department [BY EACH IN-
24 STITUTION] within 30 days after the financial institution receives
25 [RECEIPT OF] notice of the assessment.

26 * Sec. 2. The \$12,000 maximum assessment for examinations of financial
27 institutions enacted in sec. 1 of this Act applies to examinations or in-
28 vestigations commenced on or after the effective date of this Act.

29 * Sec. 3. This Act takes effect immediately in accordance with

1 AS 01.10.070(c).