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CHAIRMAN'S INFORMATION: HB 79am

- 1) BILL TITLE: "An act relating to financial institution examinations; and providing for an effective date."
 - a) Introduced: Governor
 - b) Co-sponsors:
- 2) INTENT: This measure increases the maximum examinations fee for financial institutions from \$7,500 to \$12,000, and requires that banks regulated under this chapter be examined at least once every 24 months.

FISCAL NOTE: 0, however this bill is perceived as a revenue generator.

- 3) ADDITIONAL REFERRALS: Finance and Rules
- 4) PUBLIC HEARINGS:
 - a) Sponsor:
 - b) Public Witnesses:
- 5) BILL ACTION:
 - a) Hold in committee?
 - b) Assign to sub committee for further review?
 - c) Move from committee?
 - d) Close public hearings?
- 6) COMMITTEE ACTION?
 - a) amendments?
 - b) CS adoption?



Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

HB 79am Summary:

This measure increases the maximum examination fee for financial institutions from \$7,500 to \$12,500, and requires that all assessments must be received by the department within 30 days after the financial institution receives notice of the assessment. Banks regulated under this chapter must be examined at least once every 24 months.

The \$12,000 maximum examination fee only applies to examinations after the effective date of this act.

Introduced: 1/18/85
Referred: Labor & Commerce
and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2

HOUSE BILL NO. 79 am

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

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

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

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

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(b) The commissioner shall assess every financial institution,

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and every applicant to establish a financial institution, a fee for

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the actual expenses incurred by the department in connection with any

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examination or investigation, whether regular or special. The fee

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shall include the proportionate part of the salaries and cost of em-

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ployee benefits of the examiners while conducting examinations or in-

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vestigations and while preparing reports of them, and transportation

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costs and per diem of each examiner while away from his duty station.

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However, the cost to the financial institution in connection with an

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examination may not exceed \$12,000 [\$7,500] per examination. The as-

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essment shall be made by the commissioner as soon as feasible after

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the examination or investigation has been completed. All assessments

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shall be paid to and must be received by the department [BY EACH IN-

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STITUTION] within 30 days after the financial institution receives

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[RECEIPT OF] notice of the assessment.

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

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(c) Banks regulated under this chapter are subject to examina-

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tion [AT LEAST ONE EXAMINATION A YEAR. ADDITIONAL EXAMINATIONS MAY BE

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CONDUCTED] ~~at the discretion of the commissioner~~ but not less than

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once every 24 months.

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

5 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
6 10.070(c).

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

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REQUEST
 Bill/Resolution No.: HB 79
 Title: An Act relating to
financial institution examinations
 Sponsor: _____
 Requestor: Governor
 Date of Request: _____

FISCAL DETAIL
 Agency Affected: Commerce & Econ. Dev.
 Program Category Affected: _____
Consumer Protection
 BRU, Program or Subprogram(s) Affected: _____
Banking, Securities and Corporations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
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	-0-	24.6	24.6	24.6	24.6	24.6

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: ~~Attach a separate page if necessary.~~

Please see attached fiscal note analysis.

Prepared By: Willis F. Kirkpatrick Phone: 465-2521
 Division: Banking, Securities and Corporations Date: 12/21/84

Approved by Commissioner: Richard A. Lyon Date: 12.5.84
 Agency: Commerce & Economic Development

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor

Budget

Almost all (82%) of the financial entities regulated and examined by the Division of Banking, Securities and Corporations pay for most if not all of the cost of their examinations. With the exception of credit unions and one small savings and loan association, the \$7,500 maximum allowable charge rarely covers the cost of an examination of those financial entities that are classified "depository financial institutions," i.e. banks (see Exhibit A).

The increase of the limit from \$7,500 to \$12,000 would not only cover the increased costs of doing examinations since the \$7,500 was set back in 1977, but this increase would also provide a more equitable sharing of the examination costs by the larger financial institutions.

It is urged that the assumption of increased revenues not be classified program receipts. To tie examinations of financial institutions to a program receipt requirement has the effect of assuming that all examinations can be scheduled alike and are predictable as to length of time and expense. In order to be effective in the determination in safety and soundness, the agency must have the latitude to concentrate in those areas of concern. To meet program receipt requirements would choke the very purpose for the examinations.

Cost of Examination
FY '84 Cycle

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Financial Institution	Asset Size (in Millions)	Type of Exam	Cost of Exam	Amount Paid by Instit.	% of Cost Recov.	Propos. Limit 12,000	% Paid Based on 12,000
Bank	582.8	Joint	12,542	7,500	60	12,000	95
Bank	425.5	Joint	13,230	7,500	56	12,000	91
Bank	342.1	Joint	7,812	7,500	96	7,812	100
Bank	236.0		20,554	7,500	36	12,000	58
Bank	178.0		25,848	7,500	29	12,000	46
Bank	102.8	Joint	12,478	7,500	60	12,000	96
Mutual Savings Bank	81.5		5,083	5,083	100	5,083	100
Bank	69.0		11,283	7,500	66	11,283	100
Bank	44.8	Joint	4,311	4,311	100	4,311	100
Savings & Loan	40.0	Visit.	525	525	100	525	100
Savings & Loan	25.2		6,132	6,132	100	6,132	100
Savings & Loan	7.7		1,601	1,601	100	1,601	100
Bank (New)		New					
Credit Union			5,721	5,721	100	5,721	100
Credit Union		Joint	1,603	1,603	100	1,603	100
BHC (1-a)			253	253	100	253	100
BHC (1-b)			182	182	100	182	100
BHC (2)			1,309	1,309	100	1,309	100
BHC (3)			612	612	100	612	100
BHC (4)		New					
BHC (5)		New					
Trust			895	895	100	895	100
Trust		New					
Finance Company			264	264	100	264	100
Finance Company			290	290	100	290	100
Finance Company			392	392	100	392	100
Finance Company		New					
Finance Company		New					
Finance Company		New					
Premium Finance Co.			384	384	100	384	100
Premium Finance Co.			684	684	100	684	100
Premium Finance Co.			407	407	100	407	100
Premium Finance Co.			407	407	100	407	100
Premium Finance Co.			676	676	100	676	100
Premium Finance Co.			392	392	100	392	100
Premium Finance Co.			712	712	100	172	100
Premium Finance Co.			229	229	100	229	100
Premium Finance Co.			241	241	100	241	100
Premium Finance Co.			615	615	100	615	100
Premium Finance Co.			679	679	100	679	100
Premium Finance Co.			598	598	100	598	100
			138,944	87,697	63%	114,292	82%

Joint = Joint examination with appropriate federal insuring agency
 Visitation = Short examination for a specific area of concern
 New = Fees received under Investigations - Examinations due next cycle

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 18, 1985

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Grussendorf:

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.

The bill also eliminates the requirement in current law that state banks be examined by the department annually. Examination of a bank under the bill is left to the discretion of the commissioner. This will allow the department to focus on problem banks and will free banks that are in stable condition from unnecessary paperwork and examination costs.

An additional, technical amendment is included in sec. 1 of the bill, rewriting but not changing the substance of the last sentence of AS 06.01.010 (b).

Sincerely,

Bill Sheffield
Governor