Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 317 of the 131st G.A.

Date: May 10, 2016

Status: As Introduced

Sponsor: Sens. Hughes and Coley

Local Impact Statement Procedure Required: No

Contents: Enacts a new Banking Law governing banks, savings and loan associations, and savings banks to be administered by the Department of Commerce

State Fiscal Highlights

- **New Banking Law**. The primary fiscal impact of the bill for the Department of Commerce (COM) is increased payroll for existing Division of Financial Institutions staff and elimination of the Savings Institution Fund, ultimately consolidating the cost of oversight for the new Banking Law under the existing Banks Fund.
- **Salary of Division of Financial Institutions employees**. The bill requires certain employees in the Division of Financial Institutions to be compensated at rates similar to what employees of the FDIC with similar experience are paid. This may increase salary and fringe benefit costs up to $1.4 million annually, based on May 2016 payroll data. Costs are paid from the Banks Fund (Fund 5440).
- **Banking Commission**. The bill eliminates the Savings and Loan Associations and Savings Bank Board and increases the membership on the Banking Commission from seven to nine members. This will result in four fewer members to be reimbursed by COM. In FY 2015, these expenses amounted to $2,500.
- **Savings Institution Fund**. The bill eliminates the Savings Institution Fund (Fund 5450). Beginning July 1, 2017, revenue that was deposited into Fund 5450 will be deposited instead into Fund 5440. FY 2015 deposits into Fund 5450 amounted to approximately $4.5 million.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Overview

The bill enacts a new Banking Law governing banks, savings and loan associations, and savings banks under the same statute. It provides a single "bank" charter under which all three types of financial institutions may operate and eliminates the separate law regulating savings and loan associations and savings banks. The Banking Law will continue to be under the supervision of the Division of Financial Institutions within the Department of Commerce (COM). The bill is to take effect July 1, 2017. Overall, the bill makes many changes that do not have any substantial fiscal impact; that is, they will result in only minimal new administrative costs or can be implemented using existing resources. The provisions that could or do have a more than minimal fiscal effect are discussed below.

Increased salaries for certain Division of Financial Institutions employees

The bill requires all supervisory and management personnel, professional staff, and examiners who are paid from the Banks Fund (Fund 5440) to be compensated at rates not lower than the compensation rates at which supervisory and management personnel, professional staff, and examiners of the Federal Deposit Insurance Corporation (FDIC) with similar experience are compensated. As shown in the table below, the Division has 49 employees that this would affect. The annual salary of these employees is approximately $3.6 million. With fringe benefits, the annual payroll for these employees amounts to approximately $4.8 million. According to COM, based on 2012 FDIC employee data, these certain employees would receive an increase in pay of approximately 30%. As a result, this may increase personnel costs within the Division of Financial Institutions by $1.4 million annually, assuming the same number of employees.

Division of Financial Institutions – Position Titles and Number of Employees Affected by S.B. 317	
Position	**Number**
Administrative Professional	1
Attorney	2
Deputy Director	1
Financial Institution Administrator	1
Financial Institution Examiner	34
Financial Institution Specialist	10
TOTAL	**49**

Source: OAKS payroll data for Division of Financial Institutions, May 2016

Fund 5440 receives annual assessments charged to banks based on total assets, application, examination, and investigation fees. In FY 2015, $8.3 million was spent on bank oversight including base salary and wages, benefits, other personal service, maintenance, and goods and services.

Banking Commission

Since the bill repeals the chapters governing savings and loan associations and savings banks, the bill eliminates the Savings and Loan Associations and Savings Bank Board. The bill provides for a transition period in which membership of the Board and the Banking Commission are combined. The appointed members of the Board are to serve on the Banking Commission until the end of their terms. The number of members on the Banking Commission is then increased from seven to nine members. Currently, there are six appointed members on the Board. Thus after the transition period, there will be four fewer members to reimburse minimally reducing member compensation costs incurred by Fund 5440. In FY 2015, Board expenses were approximately $2,500.

Savings Institution Fund

The bill repeals the section establishing the Savings Institution Fund (Fund 5450). The fund receives annual assessments and other fees on savings and loan associations and savings banks based upon total assets. Beginning July 1, 2017, these assessments and other fees will be deposited into Fund 5440. In FY 2015, approximately $4.5 million was deposited into Fund 5450. As of May 2016, the fund balance is approximately $560,000.

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