

1993-94 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance (JC-Fi)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR_RCP_pt01a
- 05hrAC-EdR_RCP_pt01b
- 05hrAC-EdR_RCP_pt02

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

➤ **

➤ Committee Hearings ... CH

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Hearing Records ... HR

➤ **

➤ Miscellaneous ... Misc

➤ 93hrJC-Fi_Misc_pt63

➤ Record of Comm. Proceedings ... RCP

➤ **

CORRESPONDENCE/MEMORANDUMSTATE OF WISCONSIN
Department of Administration*Date:* 29 November, 1993*To:* James R. Klauser, Secretary
Department of Administration*From:* Steven C. Little, Executive Policy Analyst
Division of Executive Budget & Planning*Subject:* s. 16.515 Request for the Office of the Commissioner of Savings & Loan**REQUEST:**

The Office of the Commissioner of Savings & Loan requests an increase of \$57,200 PRO expenditure authority in appropriation s. 20.175 (1) (g) (General Program Operations). The increased expenditure authority is requested for two purposes:

- A supplement of \$24,700 PRO is requested to purchase computer equipment, including nine desk top and lap top computers.
- To provide a supplement of \$32,500 PRO to fund increased travel and training costs associated with 1991 Wisconsin Act 221.

BACKGROUND:

The Office of the Commissioner of Savings and Loan (S&L) supervises state chartered savings and loans, loan associations, and savings banks. S&L's objective is to prevent loss to depositors due to poor association operations, to assist in assuring the flow of loanable funds, to protect and promote consumer interests, and to encourage and facilitate expanded and improved financial services to the public. S&L regulates state chartered savings and loan associations and savings banks through examinations and industry supervision on a continuing basis.

ANALYSIS:**COMPUTER HARDWARE REPLACEMENT**

S&L requests an increase of \$24,700 PRO to purchase:

TABLE 1

DESCRIPTION	QUANTITY	PRICE PER UNIT*	TOTAL
Compaq Contura Lap Top Computer	6	\$2,500	\$15,000

TABLE 1 CON'T

DESCRIPTION	QUANTITY	PRICE PER UNIT*	TOTAL
External Numeric Keypads	6	100	600
Carrying Case	6	50	300
Cannon Printers/Cabling	2	350	700
Compaq Desk Top Computer	3	1,850	5,550
IBM Printer	1	2,550	2,550
GRAND TOTAL			\$24,700

* UNIT PRICES ARE ROUNDED TO THE NEAREST \$50.

S&L began the automation of their examination reporting with the purchase of desk top and lap top computers in 1987. The majority of S&L's employees are field examiners who conduct on-site examinations of thrift institutions. Field examination staff rely heavily on the dependability of these computers in meeting their statutory mandated requirement of examining savings and loans. The consistent daily use of the computers by the staff, compounded with the fact that many of the computers are at least five years old, has resulted in the deterioration and malfunctioning of many of the department's computers. The life expectancy of a computer subjected to the demands placed on it by S&L field and office staff is about three years.

The Department of Administration's Bureau of Information and Telecommunications Management (BITM) has reviewed S&L's computer request and concludes that the request is warranted considering the age and the demands placed on the computers. BITM also reviewed the computer hardware request from a cost perspective and found the overall requested amounts to be consistent with current market rates.

Given the present condition of S&L's computer hardware and the potential for improved efficiency resulting from less computer downtime, the requested supplement for the purchase of computer hardware is appropriate. As part of it's 1995-97 biennial budget, S&L should request a base increase on permanent property line which will allow the agency to replace its computers on a staggered basis instead of an all-at-once approach. Furthermore, a base increase will eliminate the need for the agency to make an emergency request of this nature under s. 16.515.

SUPPLIES AND SERVICES EXPENDITURE AUTHORITY INCREASE

S&L is requesting an increase in supplies and services expenditure authority of \$32,500 PRO in FY94 to supplement increased travel and training costs experienced by the agency. The Executive Budget Act, 1993 Wisconsin Act 16 provided S&L with a \$10,000 base increase in supplies and services for training, travel and travel related costs. Also, in May 1993, S&L made a request under s. 16.505/515 for an increase of \$26,000 in FY93 to fund increased travel and training costs associated with the regulation of savings banks. The request for increased expenditure authority was approved by the Joint Committee on Finance.

The agency indicates that the need for increased supplies and services expenditure authority is generated by an increase in the number of state-chartered thrifts converting to savings banks as a result of 1991 Wisconsin Act 221. Thrifts which convert to savings banks are exempt from federal regulation by the Office of Thrift Supervision (OTS). This reduced regulation and the cost savings associated with the reduced regulation serves as an incentive for thrifts to be regulated as a savings bank. When S&L submitted their s. 16.515 request in May 1993, there were 13 savings bank charters in the state. As of November 1993, that number has increased to 21 with three more applications pending. The increases in travel costs as well as additional examiner training required by OTS represents an ongoing cost to the agency.

S&L did not address the fiscal effect of Act 221 in their 1993-95 biennial budget request because accurate information was not available to make a credible request for increased expenditure authority sufficient to cover the travel and training costs associated with the regulation of savings banks.

In their request, S&L states that \$19,300 of the requested \$32,500 supplies and services increase will be funded by a transfer of permanent salary funding to supplies and services. The surplus on the permanent salary line was generated by holding agency positions vacant. This line transaction will reduce the amount of expenditure authority requested by the agency to \$13,200 PRO in FY94.

Because of the increase in the agency's examiner staff, the need for continued examiner training, as well as increases in the cost of lodging, fleet costs and mileage reimbursements, the request for additional expenditure authority is appropriate. In light of the line transfer to be made by S&L to partially fund this request, the requested supplement amount of \$13,200 PRO is also appropriate. Due to the fact that sufficient information does not exist at this time to determine the amount of the expenditure authority S&L will need in FY95 for travel and training, S&L should monitor it's travel and training budget as well as the number of

savings banks charters granted during the current fiscal year and prepare a request under s. 16.515 in FY95 for additional expenditure authority.

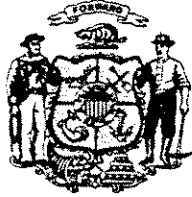
As part of it's 1995-97 biennial budget, S&L should analyze the need for additional base travel and training funding. By the time the agency begins preparing it's budget requests, S&L should have sufficient travel and training trend data to determine whether additional expenditure authority is needed on an ongoing basis for the regulation of savings banks. Increasing the agency's base funding through the biennial budget should eliminate the emergency requests of this nature.

RECOMMENDATION:

Recommend a one-time supplement in FY94 of \$24,700 PRO on S&L's permanent property line for the purchase of computer equipment.

Recommend a one-time supplement in FY94 of \$13,200 PRO on S&L's supplies and services line to address additional travel and training expenses incurred by the agency.

Tommy G. Thompson
Governor



Harold N. Lee, Jr.
Commissioner

J. David Christenson
Deputy Commissioner

State of Wisconsin

Office of the Commissioner of Savings and Loan

4785 Hayes Road, Suite 202 • Madison, Wisconsin 53704-7365 • (608) 242-2180 • FAX# (608) 242-2187

DATE: November 10, 1993

TO: James R. Klauser, Secretary
Department of Administration

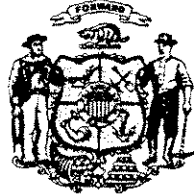
FROM: Harold N. ~~Lee, Jr.~~ *Lee* Commissioner
Office of the Commissioner of Savings and Loan

SUBJECT: s16.515 Request

This is a request under s.16.515, Stats., for a supplement of \$57,200 to the Office of the Commissioner of Savings and Loan's s.20.175(1)(g) appropriation.

This request is in two parts. The first is funds for the replacement and upgrade of our computer equipment. The second part is for additional funds for travel and training expenses. A full report for both of these items is attached.

Tommy G. Thompson
Governor



Harold N. Lee, Jr.
Commissioner

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Deputy Commissioner

State of Wisconsin

Office of the Commissioner of Savings and Loan

4785 Hayes Road, Suite 202 • Madison, Wisconsin 53704-7365 • (608) 242-2180 • FAX# (608) 242-2187

PROJECT NAME: COMPUTER HARDWARE REPLACEMENT

BACKGROUND: Prior to 1987, the Office of the Commissioner of Savings and Loan was on a manual system for all its data processing needs. Report of examinations for institutions we regulate, were written by hand in the field and then forwarded and typed in our office. In 1987 and 1988, the agency automated its procedures with the purchase of desk top computers for office staff and 6 portable computers, one for each member of the field staff.

In August 1989, the federal Financial Institution Reform, Recovery and Enforcement Act (FIRREA) was enacted. This broad ranging law resulted in many advantages for state-chartered savings and loans to operate as federally chartered institutions. This resulted in a number of Wisconsin's state chartered savings and loans converting to federal charters. Due to these conversions and the uncertain future of state chartered thrifts, our agency was extremely prudent in managing our resources including the purchase of additional equipment. For the next 2 1/2 years, the agency purchased only 2 computers.

In April of 1992, Governor Tommy G. Thompson signed into law the 1991 Wisconsin Act 221 (effective May 6, 1992). This law enacted ch. 214, Stats., which established a new financial institution called a Wisconsin Savings Bank. This law established advantages for state chartered thrifts, thereby "leveling the playing field" for state and federal thrifts. Out of the 58 thrifts then operating in Wisconsin, 19 state savings and loans and 2 federal savings and loans have utilized procedures in the new law to become state savings banks. Since this law was enacted, the agency purchased 3 personal computers.

Schedule A of this report is a chart showing our current computer status. It lists the number and type of computers, year purchased, original cost and useful life remaining. A quick scan of Schedule A reveals that 7 of our 12 (58%) computers are at least 5 years old. (The anticipated useful life of a computer is three years). These 7 computers have served the agency well but are now experiencing repeated mechanical failures. Two computers have "died" in the last two months. The downtime and time and money committed to repairing these machines is increasing. The time has come to replace and upgrade our computers.

PROJECT PHILOSOPHY: The use of computers provides uniformity and efficiency. The computers allow our staff to work more productively by allowing them to analyze and evaluate input and output more effectively. Time previously spent analyzing information can now be redirected to other areas of importance. Computerization allows the agency to more effectively communicate and transmit data to our federal regulatory counterparts.

PROJECT PRIORITY: This project is a top priority. Office and field staff rely heavily upon their equipment to perform their jobs. Delaying replacement of old computers will result in an increase of non-productive time due to equipment breakdown and functional obsolescence of our current equipment.

PROJECT DEPENDENCIES: This project does not depend on the successful implementation or completion of any other project. This is the replacement and upgrading of existing outdated equipment.

PROJECT RATIONALE:

A. Shortage of computers: Currently the agency has seven computers and seven field examiners and we are in the process of hiring an eighth examiner. In the office, we have five computers and five computer users.

B. Age of computers: The useful life of a personal computer is three to five years. Schedule A shows that four of seven examiner PCs useful lives have expired. We have also had one Compaq II and one Compaq III breakdown beyond repair in the last quarter. The other Compaq II and III's are starting to have more mechanical problems.

C. Backup Computer for Interest Rate Risk (IRR) Applications: With the present equipment, only the computer purchased for the IRR project has the capabilities to run the IRR software in a reasonable period of time. A backup computer should be obtained.

D. Efficiency and Productivity: With the rapid advancement in computer technology, the agency's staff is performing more tasks with computers. The decrease in the size of computers and the increase in operating speed have made them more adaptable and functional for all users. Our agency is almost fully computerized. Some typical computer applications include examination report processing, WISMART, WISPER, WISPAY, DBase 3, Lotus 1,2,3, Interest Rate Risk Model software and word processing. An upgrade in equipment would allow our people to be more productive by utilizing the newer technology.

E. Budgetary Constraints: Our remaining permanent property expenditure authority for FY94 is \$4,115 and \$6,200 for FY95. With such a small permanent property expenditure it would be extremely difficult to upgrade and replace our computer equipment over time. It would also exhaust our funds that are needed for other types of permanent property requirements such as: copiers, fax machines and office furniture. In fact, our fax machine that was purchased in 1988 just broke down beyond repair, requiring immediate replacement.

F. Joint Examinations: Our agency conducts joint examinations with FDIC and OTS. Both these regulatory agencies have up-to-date equipment. It is important that our agency has equipment that can work with our federal counterpart's equipment. The federal regulators use Compaq equipment. For this reason and our past successful history with Compaq's equipment, Compaq's quality reputation and a review of three other computer vendors, we have chosen Compaq as the best computer equipment for our agency's needs.

PROJECT STAFFING: This project will not require any additional staff and minimal training.

PROJECT TIMEFRAME: The anticipated time for replacement would be between December 1993 and February 1994.

PROJECT COST: See project specification cost sheet.

PROJECT FUNDING: This project would be 100% program revenue funded. The \$24,700 would be taken from our agency's surplus. This funding for computers will be a one-time occurrence. Replacement schedules for all computer equipment is in place. The funding for future replacement will be presented in our FY96-97 budget request and be part of our continued long term information technology plan.

PROJECT SPECIFICATION COST SHEET

Estimated Costs:

(6) Compaq Contura 4/25c 120/w 4 MB RAM, 120 MB, 1.44 MB Floppy DOS 6.0, windows 3.1 @ \$2,512.90 each	\$15,077.40
(6) External Numeric Keypads @ \$75.27 each	451.62
(6) Carrying Cases @ 56.99 ea	341.94
(2) Canon Bubblejet Printers - 200 6 ft IBM Parallel Cables @ \$349.50	699.00
(3) Compaq Prolinea 4/33 Model 120/WT 4MB RAM, 120 MB, 1.2 MB, 1.44 MB Floppy DOS 6.0 Windows 3.1, CPQ Mouse @ \$1,855.91 each	5,567.73
(1) IBM 4079 PS Printer	<u>2,537.00</u>
PROJECT TOTAL COST	\$24,674.69

SCHEDULE A

<u>Computers - Field</u>	<u>Examiner</u>	<u>Year Purchased</u>	<u>Original Cost</u>	<u>Useful Life Remaining in years</u>
1) Compaq LTE 386	Bergwin	1993	\$2,861	3
2) Compaq LTE 386	Gunta	1992	2,885	2
3) Compaq LTE 286	Sherman	1991	2,641	1
4) Compaq III	Murphy	1988	4,980	0
5) Compaq III	Barger	1988	4,980	0
6) Compaq III	Nash	1988	4,980	0
7) Compaq III	Gervasi	1988	4,980	0
 <u>Computers - Office</u>				
1) Compaq Deskpro 386	Birkholz	1987	\$6,145	0
2) Compaq Deskpro U 206 H Disk	Saleh	1989	4,085	0
3) Compaq Portable II	Kaye	1987	5,000	0
4) Compaq Deskpro 386	Jones	1987	4,952	1
5) Compaq Deskpro 486DX	Computer Room	1993	3,185	3

* --- One Compaq Portable II and one Compaq Portable III have quit working/died in the last two months.

REQUEST: SUPPLIES AND SERVICES INCREASED EXPENDITURE AUTHORITY

BACKGROUND: With enactment of the Financial Institution Reform, Recovery and Enforcement Act of 1989 (FIRREA), the Office of the Commissioner of Savings and Loan (OCS&L) experienced an increase in the number of state chartered savings and loans converting to federal charters to avoid the cost of regulation by the state since the institution would also be regulated the Office of Thrift Supervision (OTS) and -due to FIRREA- the Federal Deposit Insurance Corporation (FDIC). Due to these conversions and the uncertain future of state chartered thrifts the agency reduced the size of its examination staff.

In April 1992, Governor Tommy G. Thompson signed into law the 199 Wisconsin Act 221 (effective May 6, 1992). This law enacted ch.214, Stats., which established a new financial institution called a Wisconsin Savings Bank. Institutions converting to a savings bank are exempt from regulatory supervision by OTS as well as the costs associated with the regulation. Wisconsin savings banks are still regulated by OCS&L and FDIC. Out of the 58 thrifts operating in Wisconsin, 21 (36%) have utilized procedures in the new law to become Wisconsin savings banks. Three more applications are in process. Due to the number of savings bank conversions and the viability of the state charter, our agency has rebuilt its examination team to seven field examiners, by adding three new examiners. The cost of travel and training for these examiners has caused us to request additional expenditure authority through the sl6.515 request process.

REQUEST: The OCS&L requests \$32,532 in supplies and services expenditure authority. \$23,759 is associated with additional mileage reimbursements, fleet expense, lodging and meals incurred by our field staff while performing examinations on the 39 institutions the agency regulates. The remaining \$8,773 is needed to fund additional transportation, meals and lodging for training seminars for examiners. Prior to August 1992, OTS funded the entire cost of the examiners training. Now OTS pays only for the seminar cost. The message that we are receiving from OTS is that we may have to pay all training costs starting January 1994. We also use FDIC training which is approximately 2/3 funded by our agency and 1/3 through FDIC.

TRAINING EXPENSE: Training expense includes all transportation, meals, lodging and other costs associated with seminars, schools and conferences our agency attends. The bulk of our training funds goes to educating examiners. Financial institutions operate in a very complex manner. The industry is very technical and constantly changing. It is imperative that our examiners understand these changes. Thus, we believe education through training is essential. Examiners must have knowledge about lending, appraising, investments, capital markets, interest rate risk, accounting and operations. It takes 4 to 5 years of experience and training to get a well-rounded examiner.

Training expense also includes conferences and meetings with other regulatory agencies and trade associations. It is important to discuss and debate issues that affect states rights. Commissioner Lee is well known and highly respected throughout the nation. With our state's position as a leader in the thrift industry, we must continue to meet with FDIC, OTS, OCC, Congress and other organizations to ensure the future success of the Wisconsin thrift industry.

FUNDING BACKGROUND: In FY93, the OCS&L made a similar \$16.515 request. With the May 6, 1992 effective date of the 1991 Wisconsin Act 221 and a FY94-95 budget submission deadline of October 1, 1992 it was difficult to foresee the rapid conversion to state savings banks and make the necessary budgetary increases. Instead our agency maintained our conservative nature and budgeted prudently. With our FY93 \$16.515 request, we talked extensively with Steven C. Little, Executive Policy Analyst, Division of Executive Budget and Planning, Department of Administration about greater expenditure authority for FY94 and FY95. We have continued these discussions and have put together this request utilizing Mr. Little's counsel and expertise.

FUNDING: The \$32,532 supplies and services funding request is all program revenue. From our management of the salary line through prudent hiring and staffing moves our agency can totally fund this request through a transfer of \$19,349 from our salary line to our supplies and services line. The salary line savings is documented in Schedule I. The remaining \$13,183 will come from our agency's surplus.

COST CONTAINMENT: The OCS&L has carefully examined our entire budget. We have installed extra approval authorities to spend any funds. On our supplies and services budget we are maintaining expenditures to FY93 in all areas except data processing and rent. Schedule II outlines FY93 and FY94 expenditures for supplies and services. Schedule II reveals that the OCS&L has very little discretionary spending.

EMERGENCY SITUATION: The OCS&L views this request as an emergency. Without the increased expenditure authority we would have to keep examiners out of the field. This would prohibit us from meeting the statutory requirement for examining savings and loans (s215.03)(2)) and savings banks (s214.725) on an 18 month basis. Our agency would also lose credibility with OTS, FDIC and the industry. Currently, our state is a leader in safe and sound institutions and progressive legislation. It is imperative that we maintain our status.

SCHEDULE I

BUDGETARY SAVINGS FOR SALARIES

1) MIS 6 position was replaced with Financial Examiner Senior. Financial Examiner Senior start date was delayed to save additional dollars.

MIS 6 FY94 Salary/Budget	\$48,384
MIS 6 FY94 Salary Paid	-16,850
Projected Financial FY94 Salary	<u>-21,070</u>
Budgetary Savings	\$10,464

2) At the time of the budget request we were recruiting for an Administrator to head-up our examination division. Due to the technical knowledge needed to qualify for this position our agency used the critical recruitment process and budgeted the mid-point of the range, in order to attract these hard to find qualified candidates. Our agency ended up promoting from our field examiner ranks.

Administrator FY94 Salary/Budget	\$49,930
Administrator FY94 Actual Salary	<u>-42,503</u>
Budgetary Savings	\$ 7,427

3) The examiner promoted to Administrator was replaced by an entry-level examiner.

Financial Examiner II FY94 Salary/Budget	\$35,880
	<u>-25,346</u>
Budgetary Savings	\$10,534

4) Program Assistant I vacancy is being held for 8 weeks before starting a new person.

Program Assistant 1 Hourly Wage Budget @ \$9.806/hr for 40 hours/wk x 8 hrs/day	<u>\$ 3,138</u>
Budgetary Savings	\$ 3,138

5) Attorney's union settled for a substantial increase in wages.

Attorney 14 FY94 Salary/Budget	\$56,823
Attorney 14 FY94 Actual Salary	<u>\$69,037</u>
Budgetary Savings	(\$12,214)

TOTAL AGENCY SAVINGS	\$19,349
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SCHEDULE II

SUPPLIES AND SERVICES BUDGET

<u>EXPENDITURES</u>	<u>FY93</u>	<u>Projected FY94</u>
Rent	\$38,541	\$39,968
Travel Expense	38,295	46,900
Training	25,589	30,334
Auto Expense	19,961	23,430
Telephone	11,782	11,700
Printing	10,850	10,000
Memberships/Subscriptions	10,583	10,000
Supplies	5,576	5,000
Data Processing	4,758	8,500
Postage	4,515	4,200
Office Equipment	3,369	3,000
Record Center	2,140	1,000
Insurance	<u>1,273</u>	<u>1,800</u>
TOTALS	\$177,232	\$196,332