

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE.

The meeting was called to order by Chairperson Senator Ruth Teichman at 9:05 a.m. on May 1, 2003 in Room 234-N of the Capitol.

All members were present except: Senators Adkins, Corbin, and Steineger

Committee staff present: Bill Wolff, Kansas Legislative Research Department
Ken Wilke, Office of the Revisor of Statues
Shirley Higgins, Acting Committee Secretary

Conferees appearing before the committee: Clarence W. Norris

Others attending: See attached list

Confirmation hearing on: Clarence W. (Clancy) Norris, State Bank Commissioner
Appointment Date: March 14, 2003
Term Length: Pleasure of the Governor

Mr. Norris noted that he is very familiar with the state banking system and banking laws because he was a banker for thirty-two years and was President, CEO and Chairman of the Board of the Kansas State Bank in Holton for twenty-five years when he retired in 2002. For the Committee's information, he called attention to copies of a summary of his background. (Attachment 1) He went on to say that he has had a good working relationship with staff in the first four weeks he has served as Bank Commissioner.

Senator Feleciano commented that currently there are a number of troubled Kansas banks. Noting that the Bank Commissioner's job includes protecting the integrity of the assets of Kansas consumers, he asked Mr. Norris if he would hesitate to uphold state and federal banking laws if examiners found that a bank should be closed or restructured. In response, Mr. Norris noted that yesterday he found that it was necessary to place a deputy in the bank of one of his long-time banking friends. Although it was difficult to do, it was necessary. He added that he would do everything within his power to not close a bank if he believes that the bank has some merit and enough assets to keep it going. He observed that the Bank Commissioner's office is there to protect not only the ownership of the bank but also the assets of the customers. He believes that he has the support of a very capable staff with several years of service.

Senator Salmons asked Mr. Norris if he intended to address the problem of getting the salary of his personnel at a level which is competitive with the private sector. Mr. Norris pointed out that his agency's budget was cut by \$304,000; therefore, raises will be almost eliminated. He explained that the examiners have three stepping stones to advancement. It takes the third step to be competitive with the salary of Federal Reserve examiners. Another budget cut in 2004, will erode the stepping stones for field examiners, thus, making it difficult to retain trained, experienced examiners. He noted that recently a principal examiner left, and a

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review examiner in the office now performs the duties of that examiner as well as his own. Mr. Norris explained that his office is currently attempting to fill several vacancies. However, a problem in retaining new personnel will arise because there will be no advancement available after one to two years.

Senator Salmons asked Mr. Norris's opinion with regard to the concept of moving bank examinations into the electronic age. Mr. Norris responded, "There is a real positive of having examiners in your bank. I don't think an examiner can do an adequate job of examining a bank unless they spend some time in that bank." In his opinion, examiners need to be present in a bank to see the management of the bank and to get a feel for the staff's opinion. In conclusion, he expressed support of his agency's goals which are as follows: (1) Ensure fair and reliable supervision, (2) Education to regulate all the entities and promote better understanding and compliance, (3) Protect Kansas consumers from the unscrupulous credit practices, (4) Preserve the dual banking system, and (5) Promote and maintain the public interest in the state financial system.

Senator Barnett moved to recommend Clarence Norris favorably for confirmation, seconded by Senator Feleciano. The motion carried.

Senator Barnett moved to advance the favorable recommendation for Clarence Norris to the full Senate, seconded by Senator Feleciano. The motion carried.

The meeting was adjourned at 9:30 a.m.