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David L. Herndon, Bank Commissioner

Laura Kelly, Governor

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To: Special Committee on State Employee Board Member Compensation

From: David L. Herndon, Commissioner
Office of the State Bank Commissioner

RE: Testimony in support of increasing state banking board member compensation

The Kansas State Banking Board is composed of nine members appointed by the Governor and confirmed by the Senate. Six of the members must be bankers with not less than five years' experience in the state-chartered banking industry and the other three represent public interest. Each congressional district must be represented and no more than five members may be from the same political party. Terms are three years, but members may be reappointed and confirmed for one subsequent three-year term. Board meetings are held at least monthly. K.S.A. 74-3004 is the governing statute. K.S.A. 75-3223 established the pay / compensation for board members, currently \$35.00 per meeting plus allowable expense reimbursement. For the last two legislative sessions I have testified for that amount to be increased to at least \$150.00 per meeting. I urge this committee to favorably consider such an increase.

The pay / compensation for board members has not changed in decades, consequently the sum is obsolete and is woefully insufficient for the duties required and performed. Kansas trails other states materially in board member compensation. Three examples are Missouri, Nebraska, and Texas. Missouri and Nebraska statutes establish banking board members receive a per diem not to exceed \$100 for each day devoted to the affairs of the board. The State of Texas Position Classification Plan (Texas Government Code 654) is designed to ensure compensation ranges are competitive with similar positions in the public and private sector.

The Office of the State Bank Commissioner is a fully fee-funded agency with no reliance on the state general fund. Several other Kansas state agencies are similarly funded. Therefore, I respectfully submit that board compensation be empowered to the bank commissioner or the commissioners, directors, or most senior executive of any 100% fee-funded agency with executive and/or legislative oversight. This would further allow respective agency heads to be good stewards of their regulated entity's funds.

In the alternative, and as stated above compensation for state banking board members should be immediately increased to at least \$150.00 per meeting. Other agency boards compensation should also be considered independently based on the duties and responsibilities of the particular board. Further board compensation statutes should be amended to require review and adjustment annually or bi-annually.

Respectfully,

David L. Herndon
Commissioner