Response to Governor's Office Merger Memo

Below is the memo provided to lawmakers by the Governor's office explaining their proposal to combine the Office of Credit Unions (OCU), Department of Financial Institutions (DFI) and the Department of Safety and Professional Services (DSPS).

Comments/Questions in red are provided by The Wisconsin Credit Union League.

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Benefits of Creating DFIPS

- The merger would create a **one-stop shop** for Wisconsin businesses and professionals, many of whom now must do business with both DFI and DSPS:
  Wisconsin credit unions and banks essentially have their 'one-stop-shop' as State Government is organized today. Not a single problem has been identified that this specific merger would fix. Private sector stakeholders did not ask for their responsive, efficient and effective state level regulators to be merged with any other, unrelated bureaucratic entities.

  A 2014 study by the Governor Walker's Department of Administration (DOA) found just 3% of DSPS users reported also using DFI. Most of these services appear to be available online and individuals can already use their computers as their 'one-stop-shop' today.
  - DFI has nearly half a million business customers (business entities plus notaries).
    No research has been done to demonstrate the benefits a merger would generate.
  - DSPS currently credentials more than 440,000 professionals.
    The Administration's own research shows 97% of DSPS users do not report using DFI.
  - Businesses and credentialed professionals will now have just one government agency to work with, reducing their regulatory burden and allowing business owners to get Wisconsinites back to work.
    There is no specific regulatory burden in current law this merger purports to resolve. A regulatory burden preventing business owners from getting back to work has yet to be described.
  - The governance and implementation of a one-stop shop web portal for businesses will be greatly enhanced.
    This could and should be done as a matter of course and does not require a multi-agency merger to be completed. Additionally, under this proposal, IT functions for both DFI and DSPS appear to be transferred to DOA on the date of enactment of the bill and the ability of the new agency to conduct activities such as this, are unclear.

- This merger will not only save taxpayer dollars, it will save businesses and professionals time and money on the front end.

  Exactly how merging the OCU and DFI will provide savings to taxpayers is unclear. DFI is funded by fees on users or Program Revenue. No research or data showing specifically how merging OCU and DFI with DSPS saves businesses and professional time and money have been provided. What specific "front end" savings would be provided for credit unions and banks are unclear.

Regulation of financial institutions will remain a focus:

This is not a benefit of a merger. The focus on financial institutions is ideal in smaller, limited-purpose agencies.

- The statutory requirement for safety and soundness exams of banks and credit unions will remain unchanged.

  This is not a benefit of a merger. The focus on financial institutions is best achieved in smaller, limited-purpose agencies.
- The new agency's banking and credit union regulators will continue to collaborate with their federal counterparts on issues related to exams and safety/soundness of institutions.

  This is not a benefit of the merger proposal. Collaboration with federal counterparts is most effective in a narrowly focused department with leaders who have experience in the financial services industry. The new agency would not require the Secretary to have experience in financial services.
- Inclusion of banking regulation in an agency that performs other duties is not uncommon. At least 15 other states include banking oversight in a hybrid agency; 7 of those agencies handle professional licensing (Colorado, Hawaii, Illinois, Iowa, Maine, Maryland, New Mexico).

  If current structure is working in Wisconsin, why change it? The DFI Secretary reported in public testimony recently that, according to the data from the Conference of State Banking Supervisors, our DFI already is in the top 3 most efficient financial regulatory agencies in the country. Illinois – cited as an example above - is not only far less efficient, they are currently under a court-approved settlement with credit unions to provide millions and millions of dollars in cash payments and fee credits since the state swept funds and used them to subsidize other operations.
- Banks and credit unions raised similar concerns when DFI was created through the merger of several independent agencies (banks, credit unions, savings and loan associations, savings banks). Nonetheless, the merger proved to be extremely effective. The same outcome can be expected with the merger of DFI and DSPS.

  If the current structure has been effective and is working, why change it?
- The new agency will continue to respond to changes in the financial services industry, provide appropriate regulatory control, and improve responsiveness to customers.

  It is unclear how a larger, more bureaucratic, less focused agency would improve responsiveness. Government rarely, if ever, manages to become more responsive when the size of bureaucracy increases.

- The new agency will create a single regulatory philosophy pertaining to certifying, auditing and regulating licensed professionals and stakeholder groups.

  At a minimum, detailed examples showing how, where and when larger bureaucracies, with more expansive missions across unrelated industries have successfully embraced a single philosophy, should be provided to stakeholders and lawmakers for examination.

- We will intensify our focus on providing **exceptional customer service:**

  This is a basic tenant of responsible governance which can and should be done regardless. A multi-agency merger is not required to focus on exceptional customer service.

  - Through the sharing of best practices, we expect improvements to your services over time. There are a number of areas in which DFI and DSPS can combine their innovations to create an efficient one-stop-shop for businesses:

    Best practices should be shared across government as a matter of course and multi-agency mergers are not required for them to be shared.

    - For example, DFI created an online clearinghouse for many of its business registration forms where customers can complete most of their business online.

      If customers of DFI can complete "most of their business online," why merge agencies?

    - For example, DSPS created the Customer Service Center so that all callers can reach a live representative at any time during office hours.

      A multi-agency merger is not necessary to make this standard practice.

    - For example, DSPS has recently successfully piloted an online licensure system to expedite licenses.

      These three are all examples of efficiencies already being achieved at the agencies and don’t demonstrate a need to merge the departments. If these efficiencies are currently being implemented, why merge the agencies? More importantly, it is unclear how this proposal would provide more of those benefits in the merged agency since IT functions for DSPS and DFI appear to be moved out of the DFIPS and given to a completely different agency (DOA), potentially negating many of the possible technological synergies

- Because the two agencies have many similar functions (e.g. issuing credentials, performing audits) we are able to gain efficiencies by streamlining, cross-training staff, and utilizing technology to improve processes. For example, there are staff at DFI that issue credentials for businesses, and staff at DSPS that issue credentials for doctors, nurses, etc. By combining all processes and staff that issue credentials, we will be able to cross-train, and increase our response time to the customers.

  This limited example makes sense on the surface. However, under this proposal, IT functions appear to be moved out of the DFIPS and given to a different agency (DOA), potentially negating many of the possible technological synergies.

- As part of the consolidation, we will reach out to stake holders to develop key performance indicators that will measure the speed of critical services as well as the quality of services provided.

  This could and should be done as a basic function of good government. Agencies do not need to be merged – against the wishes of private sector stakeholders – to attempt to do their jobs better.

- Moving the Office of Business Development to DFIPS gives all Wisconsin small businesses a direct line to **staff ombudsmen and advocates** that work in the agency that regulates them. The presence in DFIPS will also encourage increased small business involvement in the agency rule making process.

  Placing the OBD in DFIPS does not provide benefits to state financial institutions. If small businesses do not have a direct line to ombudsmen and advocates today, why don't they have that direct line? Do agencies need to be merged for them to receive a direct line?

- DFI and DSPS **have proven track records of integrating duties** from other state agencies into their operations:

  If both agencies can effectively integrate duties from others, why merge whole agencies?

  - DSPS was created just four short years ago through another merger and we expect the same positive results from this merger:
    - Level of customer service has improved
    - License processing time has decreased

    No specific plans describing any potential benefits to state financial institutions have been provided. If DSPS was only created four years ago, and no problems have been identified and private sector stakeholders have not asked for merger, why merge them?

  - DFI was created in 1996 through the merger of several independent agencies. In addition, over the past four years, the agency has integrated:
    - Notary commissions and trademarks from Secretary of State
    - Charitable organizations from DSPS

    The four commissions that were combined to create OCU and DFI each had oversight responsibilities for state financial institutions. That merger made sense and has worked well for state financial institutions. It is unclear why the responsibilities listed above were given to DFI and the placement of them in DFI should perhaps be revisited.

- This merger **will not have an impact on the new agency's regulation and oversight** of the state's financial institutions or professional standards. Our commitment to regulatory responsibility over Wisconsin's banks, credit unions, securities professionals, licensed financial services and credentialed professionals will be as strong as ever. The new agency will continue to ensure competent and professional practice from Wisconsin licensees and businesses. The safety and soundness of our financial institutions is central to our mission and the schedule of bank and credit union examinations - which is set by statute - will not change.

  If the "merger will not have an impact on the regulation and oversight of the state's financial institutions or professional standards," why merge the agencies?

- This truly is a merger of agencies that will take time and careful thought to achieve maximum efficiency and benefits. This is not a take-over of one agency by the other. It is **opportunity to review polices practices and operations** of each to create a new entity. **Why would one dedicate precious staff time, which could be used for mission-specific duties, to attempt to combine cultures of unrelated organizations if potential specific benefits cannot be forecast or described?**

- The merger of DFI and DSPS sends a strong message to Wisconsin taxpayers and the state's business community that Governor Walker and the Legislature are serious about making **government more efficient, effective and accountable.**
  Private sector stakeholders and taxpayers all agree that state government should be efficient, effective and accountable. This is fundamental tenant of good government. We urge policy makers to look to the private sector for recommendations to make government more efficient, effective and accountable. Identifying and fixing problems and making very specific improvements to government processes may, at times, justify combining like-kind agencies. However, no problems have been identified by the Administration that this proposal would fix. Lastly, the language creating this merger does not appear to add any additional accountability or plans to increase effectiveness.

State financial institutions are well-served by the status quo and urge you to maintain current law for the Office of Credit unions and Department of Financial Institutions.