

**STATE OF WISCONSIN DEPARTMENT OF
FINANCIAL INSTITUTIONS**

**AGENCY PRIMER:
“WHAT YOU NEED TO KNOW”**

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**INSTITUTE FOR
REFORMING GOVERNMENT**

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FROM THE DESK OF CJ SZAFIR

Freedom and Opportunity. Those are ideals that bind us together as a state. Unfortunately, the size and scope of state government too often gets in the way of individuals and families being able to achieve their full potential as they build their share of the American Dream.

We can do better, and we must do better. We all should ask,– “Is the mission of state government, — of each and every agency, bureau, and division —, aligned with the vision that everyday Wisconsinites have for Wisconsin? Is state government set up to help citizens succeed, or is it a roadblock to success? We need a conservative vision for state government, indeed for each and every agency.

Last spring, with support from our donors and Board of Directors, the Institute for Reforming Government started an ambitious project to help answer those questions about the biggest state agencies to help answer those questions because we believe the best way to enhance liberty is to improve transparency. This project was the work of eight experts in Wisconsin state government, including three senior-level cabinet officials, a budget director, and subject matter experts. In addition, our team had regular meetings with former top officials in state government as well as business leaders and other experts outside of government. We looked at past revenue and spending trends. The findings are not surprising.

State agencies are massive. They spend record amounts of taxpayer dollars year over year. They too often get in the way of individual success and are set up as enforcement agents instead of partners in creating a better Wisconsin. They need reform. We need leaders to bring forward conservative visions to the agencies.

In these briefings, we shine light onto state agencies to help all citizens diagnose what is broken. Later, based on these and discussions with people all over Wisconsin, we'll offer government reform ideas and detailed budget analysis to help chart a new course for Wisconsin, - one where each and every individual in our state has the freedom and opportunity to succeed.

Sincerely,

CJ Szafir

President

Institute for Reforming Government

SUMMARY

“Light and liberty go together”

Thomas Jefferson, In a letter to Tench Coxe, 1795”

This document prepared by the Institute for Reforming Government (IRG) is intended to inform policy makers and the public of the full scope of the Wisconsin Department of Financial Institutions (DFI). Our partners at the IRG Action Fund will release conservative, free market, and liberty minded policy reforms specifically for DFI in a separate document.

For the general public, the executive branch of Wisconsin state government can be a mystery. There are countless agencies with billions of tax dollars flowing through them. Although some may have an understanding of an agency because of their daily work or real world experience, few people in Wisconsin have a handle on the entirety of the executive branch. Each agency has its own mission, functions, and programs. Some agencies generate their own revenue, some rely on state tax dollars and many of them take some sort of federal funding. Each agency has unique powers and authorities. The goal of this briefing document is to pull back the veil and show Wisconsinites how their government taxes, spends, and regulates.

Over the course of months, a team of policy experts at IRG pored over all of the information on Wisconsin's biggest agencies. In this briefing document, you will see agency functions, budget trends, a list of past appointees, and policy concerns. These items create a basis for understanding the scope and history of each agency in an effort to inform policy makers in Madison as they carry out their work in the coming legislative session.

The Department of Financial Institutions is relatively small when compared to other cabinet agencies, but its mission is much bigger than its size suggests. The Department regulates Wisconsin's state chartered banks and credit unions. By extension, the agency ensures that the trust afforded by Wisconsinites to their local bank or credit union is substantiated. DFI also regulates securities, financial services, and is the clearinghouse for business and organization registrations. In recent years, the Department has taken on the role of promoting financial literacy for parents, students and the general public.



The Department of Financial Institutions (DFI) was created by 1995 Wisconsin Act 27. Prior to this, all of the functions of DFI were spread across multiple commissions, offices, and divisions around state government. Act 27 organized these separate agencies into divisions within the Department. The Department is headed by a Secretary appointed by the Governor with the advice and consent of the Senate. Funding for DFI comes from fees collected from financial institutions, securities regulation, and services described below. As a result, the agency collects more funding than what is needed to operate and sends a large portion of what it collects into the state general fund.

Prior to a 1902 constitutional amendment, any and all changes to banking regulation in Wisconsin required a popular referendum. The amendment in 1902 gave authority to the legislature to change banking regulation. The Office of the Commissioner of Banking was created in 1967 after several iterations. Act 27 created the Division of Banking under DFI. Today the division generally oversees the regulation of state-chartered banks and the consumer financial services industry. The Office of the Commissioner of Credit Unions was split off from the Banking Commission in 1972 and remains independent today. Now named the Office of Credit Unions, the office is housed within DFI, but only for administrative support and functions.

Similar to banking regulation in Wisconsin, securities regulation has seen many changes in the past century. After being absorbed by the Railroad Commission in 1913, the Department of Securities was created in 1939 before being renamed the Office of the Commissioner of Securities in 1967. Act 27 created the Division of Securities. Today the Division regulates investment securities and franchises.

The Division of Corporate and Consumer Services is the filing office for businesses, corporations, and other organizations. The Division also has oversight over the Uniform Commercial Code. Act 27 removed these duties from the Secretary of State and organized them under DFI.

The Department of Financial Institutions is located in the Hill Farms Office Building in Madison, while many of the bank and credit union examiners spend a lot of time on the road conducting examinations.

AGENCY DESCRIPTION, MISSION, & FUNCTION

Information in this section was pulled directly from public sources on the Department of Administration and Department of Financial Institutions websites.

Agency Description

The Department is headed by a secretary who is appointed by the Governor with the advice and consent of the Senate. The department operates with four regulatory and licensing divisions and is supported by the Division of Administrative Services and Technology. The Office of Credit Unions is attached to the department for administrative purposes. The department's functions include the regulation and examination of state-chartered institutions, licensing of other financial service providers, regulation of securities offerings, issuance of notary public commissions, registration of trademarks, registration of charitable organizations, and support and maintenance of the state's central business registration and uniform commercial code filing systems. In addition, the secretary is the administrator of the Wisconsin Consumer Act, governing consumer transactions under \$25,000. The department is also the administrator of Wisconsin's Section 529 College Savings Program, known as Edvest and Tomorrow's Scholar. The department also houses the Office of Financial Literacy, which promotes financial literacy as a life skill and provides information to the public on matters of personal finance, investor protection and the affordability of a postsecondary education.

Mission

The Department of Financial Institutions (DFI) is dedicated to protecting the safety and soundness of Wisconsin's financial institutions, safeguarding the investing public, facilitating commerce, and increasing financial capability throughout the state.



Function

The Department of Financial Institutions' functions are organized within its four divisions and multiple offices:

Division of Banking

The division of banking regulates state-chartered banks, savings institutions, and consumer financial services. These institutions are chartered by the Department and are regularly examined for safety and soundness. The division also licenses loan companies, mortgage brokers, loan originators, collection agencies, currency exchangers, and payday lenders among other lines of financial services. The Wisconsin Consumer Act is also administered by the division.

Office of Credit Unions

The Office of Credit Unions is an independent office that is connected to the Department for administrative purposes and the director is appointed by the Governor. The Office has similar functions to the Division of Banking as it also regulates, charters, and examines financial institutions, but specifically credit unions. Credit Unions are similar to banks in function, but have different tax obligations. If a credit union is found to not be in compliance, the office has the authority to remove its officers and assume control of the credit union.

Division of Securities

The securities division regulates the sale of investment securities and franchises. The division also registers broker/dealers, investment advisors, and securities agents and conducts examinations to carry out its regulatory responsibilities.

Division of Corporate and Consumer Services

The division is the filing house for corporations and other entities. This includes partnerships, corporations, limited liability companies, cooperatives, and out-of-state corporations. The division is also responsible for the Uniform Commercial Code, notaries public, trademarks, cable service registrations, charitable organizations, and professional fundraisers.

Division of Administrative Services and Technology

The division is responsible for the administrative functions of the agency including finance, human resources, and IT.

Office of Financial Capability

The Office of Financial Capability is new to the agency and was created shortly after Governor Evers took office. The Office consolidates the Office of Financial Literacy, college affordability, and the administration of the Edvest program.

Office of Financial Literacy

Located within the Office of Financial Literacy, the office was moved under the Office of Financial Capability after its creation. The office promotes financial literacy education in schools across Wisconsin.



AGENCY BUDGET TRENDS

The state budget process begins in September of every even year when each agency sends its budget requests to the Department of Administration. The Governor then has several months to put together the executive budget proposal that is forwarded to the Legislature. The Legislature, through the work of the Joint Finance Committee, then holds hearings and votes on the budget through the spring and summer of the odd year. This culminates with the signing of the budget document that summer. While technically due by July 1 of the budget year, often budget debates will drag into the Summer and sometimes the Fall. However, the government does not shut down in Wisconsin as it does at the federal level when there is a budget impasse - it simply continues on the current spending plan until a new budget is adopted.

The budget for the Department of Financial Institutions has stayed relatively stable over the past three legislative sessions. The agency has not taken on any major new initiatives nor has there been a need for a dramatic increase in expenditures. However, it is important to note that the Department does not take any general purpose revenue (GPR). In FY 2021, DFI took in more \$91 million. After allocating funds for its operating budget, the remainder is sent back to the general fund.

Agency Budget Trend

Fund	2017 ACT 59	2019 ACT 9	2021 ACT 58
GPR			
FED			
PR	\$35,517,100	\$38,100,500.00	\$37,112,600
SEG	\$1,518,200	\$1,612,000.00	\$1,974,200
TOTAL	\$37,035,300	\$39,712,500.00	\$39,086,800

FTE Position Summary

Fund	2017 ACT 59	2019 ACT 9	2021 ACT 58
GPR			
FED			
PR	139.54	139.54	138.54
SEG	2	2	3
TOTAL	141.54	141.54	141.54

AGENCY LEADERSHIP

As the head of a cabinet agency, the Secretary is appointed by the Governor with the advice and consent of the Senate and serves at the pleasure of the Governor. The Secretary of each agency then must appoint the other members of their team to help them carry out the duties and responsibilities of the agency. Descriptions of each appointed position are listed below:

Secretary

Appointed by the Governor, the Secretary leads and represents the agency. The position is responsible for directing and managing the agency to execute the Governor's agenda while ensuring the efficient operation of the agency per state statute. The position is also responsible for reporting on the agency's matters to the Governor and Legislature.

Deputy Secretary

The Deputy Secretary serves at the pleasure of the Secretary and is primarily responsible for assisting the Secretary with carrying out the mission of the agency including but not limited to, personnel management, day-to-day operations, and external affairs.

Assistant Deputy Secretary

The Assistant Deputy Secretary also serves at the pleasure of the Secretary and is responsible for assisting both the Secretary and Deputy Secretary. Responsibilities may include but are not limited to day-to-day operations and external affairs aligned with the agency's mission.

Chief Legal Counsel

The Chief Legal Counsel serves at the pleasure of the Secretary and provides legal counsel and support involving the agency's legal affairs.

Legislative Liaison

The Legislative Liaison is primarily responsible for facilitating and managing relationships with the Legislature and external stakeholders to provide information as needed and requested. The position also helps develop the agency's legislative agenda to align with the Governor's priorities, current industry standards and respond to stakeholder concerns.

Communications Director

The Communications Director supports the Secretary's Office in strategic communications and responds to media inquiries. The position may also speak on behalf of the Secretary and represent the agency in the media.



Division Administrator

Division Administrators, appointed by the Secretary, are responsible for providing leadership, personnel management and guidance on day-to-day operations for their assigned division. These positions typically report to the Deputy Secretary, communicating activities and providing advice to ensure the division is in line with the agency's mission.

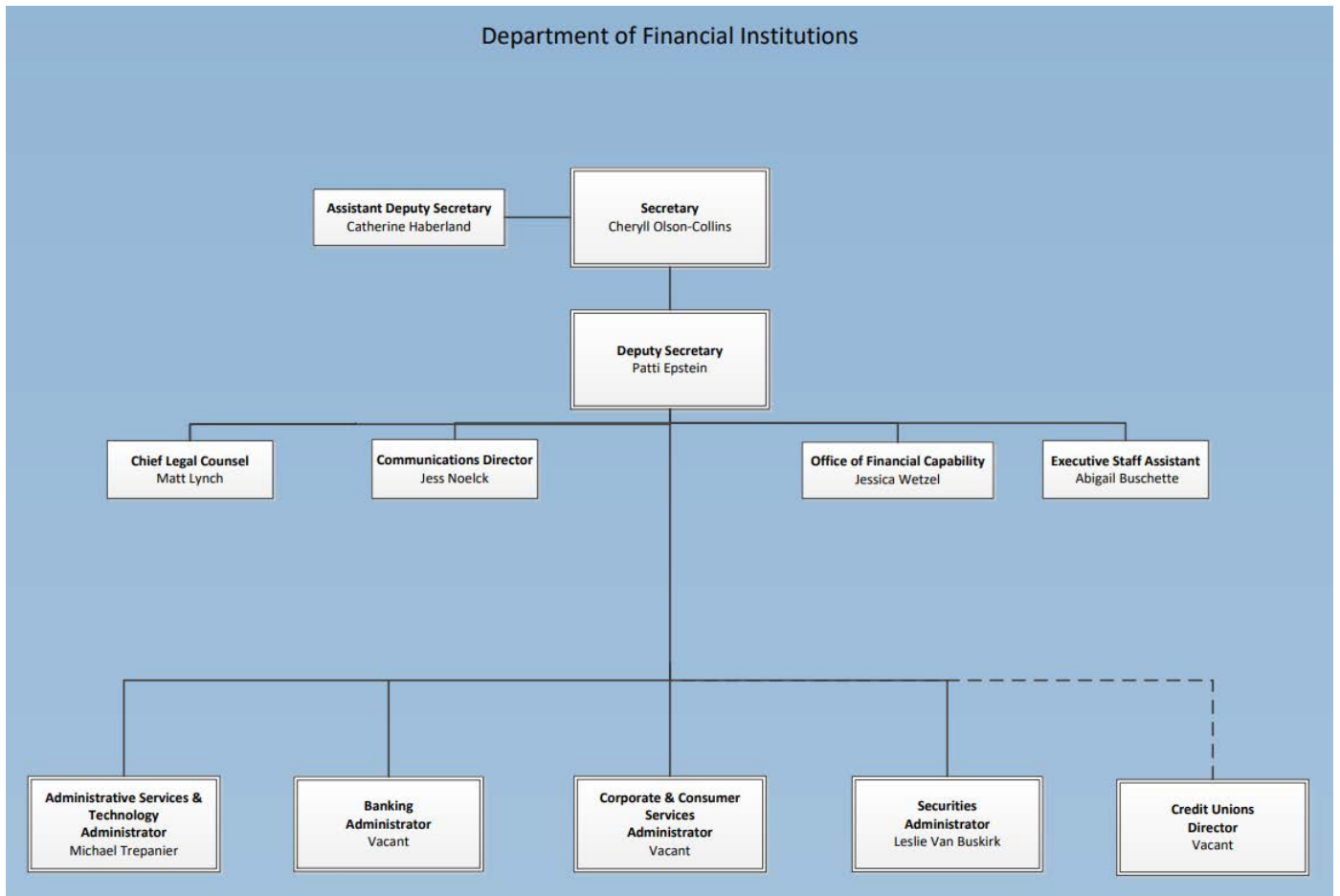
At DFI, there is no Legislative Liaison and the responsibilities of this position are left to the Assistant Deputy Secretary. Also, the Division of Administrative Services and Technology Administrator is a civil service position and not appointed.

These appointments may change during the 4-year term of a Governor. Listed here are the teams serving under Gov. Evers in mid-2022, as well as the team that served at the end of Gov. Walker's final term.

Agency Leadership

POSITION	EVERS	WALKER
SECRETARY	Cheryll Olson-Collins	Jay Risch
DEPUTY SECRETARY	Pattie Epstein	Jim Podewils
ASSISTANT DEPUTY SECRETARY	Catherine Haberland	Greg Reiman
CHIEF LEGAL COUNSEL	Matt Lynch	Heather MacKinnon
COMMUNICATIONS DIRECTOR	Jess Noelck	George Althoff
DIVISIONS AND OFFICES		
DIVISION OF BANKING	Kim Swissdorf	Cheryll Olson-Collins
OFFICE OF CREDIT UNIONS	Thomas Theune (Interim)	Kim Santos
DIVISION OF SECURITIES	Leslie Van Buskirk	Leslie Van Buskirk
DIVISION CORPORATE AND CONSUMER SERVICES	Catherine Haberland, acting	Mary Ann McCoshen
DIVISION OF ADMINISTRATIVE SERVICES AND TECHNOLOGY	Mike Trepanier	Mike Trepanier
OFFICE OF FINANCIAL CAPABILITY	Jessica Wetzel	N/A
OFFICE OF FINANCIAL LITERACY	Dave Mancl	Dave Mancl

ORGANIZATION CHART



ATTACHED COUNCILS, TASK FORCES, & COMMITTEES

Like most agencies, the Department of Financial Institutions has Boards and Councils that are charged with various responsibilities. Generally, these groups either give advice to the Secretary or they are part of the regulatory process itself.

Governor's Council on Financial Literacy and Capability

Wisconsin has been a national leader in financial literacy education for youth. Originally called the Governor's Council on Financial Literacy, it was first created in 2005. Each successive Governor has continued the Council through executive order. In 2019, Governor Evers used Executive Order 106 to expand the scope to include a focus on financial inclusion.

Remote Notary Council

The council develops standards by which notaries public can perform notaries remotely. The standards they develop must be promulgated through the rulemaking process.

Governor's Task Force on Student Debt

The Task Force was developed to find policy solutions to the issue of student debt in Wisconsin. The task force released its report in August of 2020 and has since adjourned.

Banking Institutions Review Board, Savings Institutions Review Board, and Credit Union Review Board

Each of these Boards approve exam rates, annual fees, and serve as the appeal body for decisions of the Department

College Savings Program Board

This board oversees the Edvest and Tomorrow's Scholar programs. These are investment savings accounts that can be used to pay for the cost of higher education.

MAJOR PAST INITIATIVES

(2011-Present)

Most major policy initiatives happen during the budget process. The Governor, and sometimes the Legislature, will propose a major reduction or increase in spending for any number of programs. The major initiatives dating from 2011 to the present for the Department of Financial Institutions is listed below:

Major Past Initiatives

INITIATIVE	GOVERNOR	ENACTED	NOTES
Small Business Retirement Savings Program	Evers	No	JFC deleted provision
Office of Student Loan Ombudsman	Evers	No	JFC deleted provision
Creation of ABLE accounts under 529 College Savings Plans	Evers	No	JFC deleted provision
Children's Savings and Investment Program	Evers	No	JFC deleted provision
Public Sector Student Loan Forgiveness Awareness Program	Evers	No	JFC deleted provision
Increase Securities and Investment Firm fees	Evers	No	JFC deleted provision
Creation of Committee to look at state funded Student Loan Refinancing	Evers	No	JFC deleted provision
Financial literacy education pilot through county public benefit offices	Walker	Yes	
Transfer 529 program from DOA to DFI	Walker	Yes	
Combine DFI and DSPS to make DFIPS	Walker	No	JFC deleted provision
Creation of the Office of Financial Capability	Evers	Executive Action	
2021 ACT 258 (corporate filing fees)	Legislature	Yes	



STAKEHOLDERS

Every agency has a number of organizations, professions, and industries that are uniquely interested in the policy or regulatory decisions that could affect their membership or industry. These groups are commonly organized into trade associations and are represented by registered lobbyists that stay in touch with agency leadership. These lobbyists keep their membership informed on current policy debates and use their expertise to educate policy makers on the issues important to their industries. Below is a non-exhaustive list of stakeholders that are interested in the Department of Financial Institutions.

STAKEHOLDER	TYPICAL ISSUES
Wisconsin Bankers Association	Banking regulations
Wisconsin Credit Union League	Credit union regulation
Wisconsin Farm Credit Services Association	Agribusiness lending
Wisconsin Financial Services Association	Consumer lending regulation
Wisconsin Mortgage Bankers Association	Commercial and residential mortgages
Americash Loans of Wisconsin	Payday loan regulation
Wisconsin Creditors' Rights Association	Consumer lending regulation

PAST EXECUTIVE ORDERS

Formal actions by the Governor are conveyed through executive order. These orders often direct state agencies to carry out the Governor's policy goals within their statutory authority. They can be used to create councils to explore public policy solutions, bring the state into compliance with federal requirements, direct agencies to take certain actions, and carry out powers granted to the Governor under Chapter 14 of the Wisconsin Statutes. Below is a list of executive orders that pertain to the Department of Financial Institutions.

EXECUTIVE ORDERS

GOVERNOR	EO#	DATE	DESCRIPTION	STATUS
Evers	106	2/8/21	Renaming the Governor's Council on Financial Literacy to the Governor's Council on Financial Literacy and Capability. The EO also expanded the scope of the council.	Active
Evers	67	1/29/20	Governor's task force on student debt	Active
Walker	24	4/6/11	Creation of the governor's council on financial literacy	Inactive
Evers	37/ 151	7/13/19 & 12/28/21	Compliance with Department of Education Program Integrity Rule	Active
Walker	272	1/18/18	Shared services with DOA	Inactive
Walker	37/ 59/ 97/ 147/ 270	6/28/11 & 2/15/12 & 2/1/13 & 12/13/14 & 1/12/18	Compliance with Department of Education program integrity rule	Inactive
Evers	156	2/16/22	Special session on surplus	Inactive
Walker	66	5/2/12	Lean government	Inactive



GOVERNMENT REFORM OPPORTUNITIES

Wisconsin government has grown too big and too expensive. This has precipitated issues across the whole of the executive branch that have become a barrier to the success of Wisconsin residents and businesses alike. The Institute for Reforming Government endeavors to shine light on these issues as prime opportunities for bold reform. Below you will find a non-exhaustive list of policy concerns that we have highlighted for the Department of Financial Institutions.

State Charter

Financial Institutions in Wisconsin have a choice on who their regulators are; the federal government or the state. When banks are chartered by the federal government (generally through the Federal Deposit Insurance Corporation), they need to contend with federal bureaucrats who may not have the best understanding of the Wisconsin economy or banking market. This alone makes the Wisconsin Charter that much more attractive. Financial institutions benefit from the familiar faces that they will see during their regular exams, availability of their regulator, and a good understanding of the Wisconsin economy.

Financial Literacy

The Evers Administration has used executive action to push a cultural agenda at most state agencies. DFI is no exception. Through Executive Order 106, the Governor created the Governor's Council on Financial Literacy and Capability. In doing so, the Governor unnecessarily expanded the scope of the council and took the focus of what was the original mission - financial literacy. Adding to the confusion, DFI created the Office of Financial Capability and put the Office of Financial Literacy under it. In practice, the department now has an "Office" inside of an "Office".

Digital Currency

In the last couple years, we have seen extreme volatility in the digital currency markets, including the very public collapse of a digital currency trading platform. Although digital currency has been around for a number of years, it is still something very new to the investment world. As of right now, the federal government does not expressly regulate digital currency. The price fluctuations of these currencies is not something that financial regulators should ignore. Currently, eighteen states and the District of Columbia expressly require a license with state financial regulators to deal in digital currency, twenty-two states have laws that are subject to interpretation, and Wisconsin is one of five states that expressly do not require any form of licensure. However, there are three states that use a regulatory sandbox approach.

Department Fees

The Department of Financial Institutions operates off of program revenue and is not allocated any general purpose revenue. However, because fees are potentially higher than they should be, the department actually takes in enough revenue from fees every year to fund itself for four years, roughly \$90 million. For too long, this revenue has been used to cushion the state's general fund. Government should not be charging fees that generate revenue over-and-above what is needed to provide services.

Corporate Registrations

This Division is the odd one out at DFI. The agency is focused on financial institutions and markets, while this division generally processes annual paperwork for all of Wisconsin's registered businesses. Lawmakers should ask whether there is a better place for this division.



At the Institute for Reforming Government we know that the government isn't the way of the future - people are. And we believe that in order to empower people and ideas to flourish, our government needs to get out of the way.

This is nothing new for Wisconsinites - we have a long history as the standard bearer for government reform - we were the first state to implement unemployment insurance, Wisconsin Works (W-2), and we were on the cutting edge of major collective bargaining reform. But today the state we love is beginning to lag behind. Our executive branch has become bloated, slow, and expensive - a burden to the state's economy instead of a catalyst.

The solution to this problem isn't more government, it's less. What we need is a conservative vision for the state. This introductory document lays bare the issues and problems that are standing in the way for Wisconsin. In the coming months, IRG will be releasing a series of reforms that will cast a conservative vision for key executive branch agencies in the state.

Now is the time to renew our faith in the people of Wisconsin, not the government.