

# **Securities Board** **Summary of Recommendations - House**

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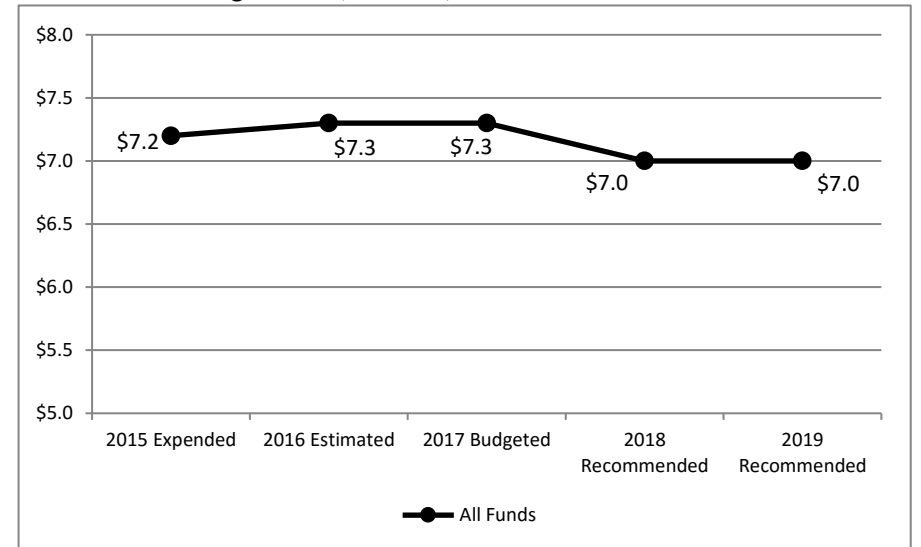
John Morgan, Securities Commissioner

Jennifer Quereau, LBB Analyst

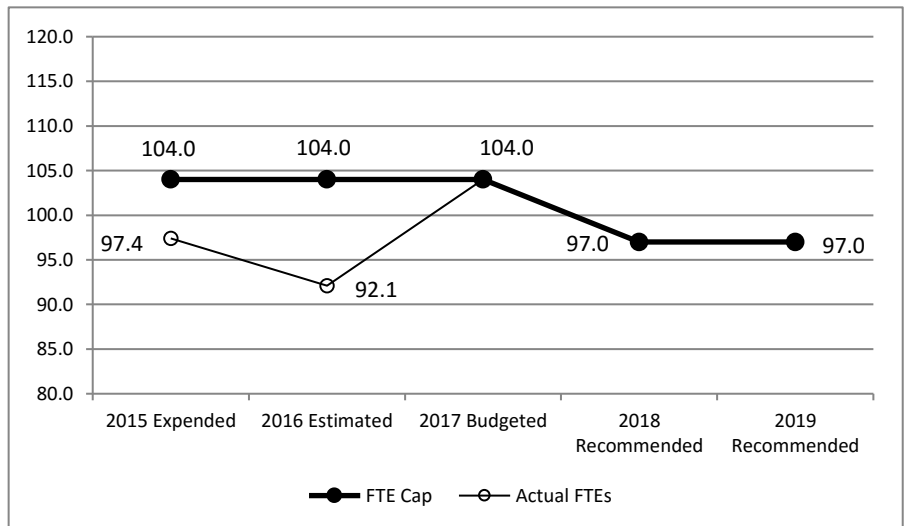
Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$14,623,334	\$14,038,401	(\$584,933)	(4.0%)
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$14,623,334</i>	<i>\$14,038,401</i>	<i>(\$584,933)</i>	<i>(4.0%)</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$1,275	\$0	(\$1,275)	(100.0%)
<b>All Funds</b>	<b>\$14,624,609</b>	<b>\$14,038,401</b>	<b>(\$586,208)</b>	<b>(4.0%)</b>

	FY 2017 Budgeted	FY 2019 Recommended	Biennial Change	Percent Change
FTEs	104.0	97.0	(7.0)	(6.7%)

**Historical Funding Levels (Millions)**



**Historical Full-Time-Equivalent Employees (FTEs)**



The bill pattern for this agency (2018-19 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2018-19 biennium.

**Securities Board**  
**Summary of Funding Changes and Recommendations - House**

**Section 2**

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<b>SIGNIFICANT Funding Changes and Recommendations (additional details are provided in Appendix A):</b>							
A)	Decrease of 1) \$494,904 in salaries for reduction of 7 FTEs; 2) \$54,763 in rent and office expenses from closing an office branch; 3) \$21,027 from reduced travel for inspections; and 4) \$14,239 in reduced longevity, retirement, and insurance contributions and other operating expenses; pursuant to the 4 percent reduction	(\$584,933)	\$0	\$0	\$0	(\$584,933)	A.1.1, A.4.1
<b>OTHER Funding Changes and Recommendations:</b>							
B)	Decrease in anticipated appropriated receipts from sale of Board Rules and Securities Act documents	\$0	\$0	\$0	(\$1,275)	(\$1,275)	A.2.1, B.1.1
<b>TOTAL SIGNIFICANT &amp; OTHER Funding Changes and Recommendations</b>		<b>(\$584,933)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$1,275)</b>	<b>(\$586,208)</b>	As Listed
SIGNIFICANT & OTHER Funding Increases		\$0	\$0	\$0	\$0	\$0	
SIGNIFICANT & OTHER Funding Decreases		(\$584,933)	\$0	\$0	(\$1,275)	(\$586,208)	As Listed

**Securities Board**  
**Selected Fiscal and Policy Issues – House**

1. **Securities Fees.** The Securities Act provides authority for the Securities Board to set nine discrete assessments in five different areas, while the legislature has the authority to set 16 separate assessments in 11 additional areas. In fiscal year 2016, these five Board set fees accounted for approximately \$13.4 million of the \$138.6 million in total collections. The agency plans to align the five Board set fees so that revenue from those fees matches total appropriations for the 2018-19 biennium, which could result in a reduction in fees. Assuming current fees would generate similar revenue collections as in fiscal year 2016, lowering fees to match recommended appropriations could result in a potential loss of revenue to the state of approximately \$8.0 million in the 2018-19 biennium.

**Securities Board  
Rider Highlights - House**

**Modification of Existing Riders**

2. **Capital Budget.** Recommendations include a decrease of \$84,018 in the agency's capital budget authority for the purchase of information technology. Recommendations provide capital budget authority of \$55,982 in General Revenue to replace 44 computers with outdated operating systems in the 2018-19 biennium.

**Deleted Riders**

3. **Contingency for HB 2493.** Delete rider providing the agency with a contingent appropriation of \$1.2 million in General Revenue contingent on House Bill 2493, or similar legislation that would classify the agency as Self Directed and Semi Independent not passing. Legislation did not pass; however, the rider and associated funding was vetoed in the Governor's Veto Proclamation.

**Securities Board**  
**Items Not Included in Recommendations - House**

**Section 5**

	2018-19 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2020-21
	GR & GR-D	All Funds	FTEs			

**Agency Exceptional Items - In Agency Priority Order**

1)	Funding of 1) \$494,904 for salaries of 7 FTEs; 2) \$54,762 in rent and office expenses to retain an office branch; 3) \$21,026 from to retain travel for inspections; and 4) \$14,240 in to retain longevity, retirement, and insurance contributions and other operating expenses included in the 4 percent reduction.	\$584,932	\$584,932	0.0	No	No	\$584,932
2)	Funding of \$2,770,706 in General Revenue for the biennium to increase salaries and restructure the career ladder for 53 professional positions in Enforcement, Registration, and Inspections. The salary increase would vary across positions from 3.4% to 94.6%. The average salary increase would be 37.7%. Target salaries are based on salaries at the Texas Department of Banking for the same classification.	\$2,770,706	\$2,770,706	0.0	No	No	\$2,770,706
3)	Authority to increase the maximum annual salary of the Securities Commissioner from \$142,929 to \$164,116 per fiscal year. Funding for the increase is not requested.	\$0	\$0	0.0	No	No	\$0

<b>TOTAL Items Not Included in Recommendations</b>	<b>\$3,355,638</b>	<b>\$3,355,638</b>	<b>0.0</b>				<b>\$3,355,638</b>
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**Securities Board  
Appendices - House**

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\* Appendix is not included - no significant information to report

Securities Board					
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS					
Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
LAW ENFORCEMENT A.1.1	\$5,721,093	\$5,379,519	(\$341,574)	(6.0%)	Net decrease in General Revenue of \$341,574 due to: -Decrease of \$279,342 of funding for salaries for 4 FTEs; -Decrease of \$54,763 for rent and office related expenses from closing a branch office; -Decrease of \$11,006 for longevity, retirement, and insurance for reduced FTEs and other operating expenses; and -Increase of \$3,537 from a reallocation of funding between strategies
SECURITIES REGISTRATION A.2.1	\$817,893	\$813,356	(\$4,537)	(0.6%)	
DEALER REGISTRATION A.3.1	\$917,091	\$914,492	(\$2,599)	(0.3%)	
INSPECT RECORDS A.4.1	\$3,949,210	\$3,713,022	(\$236,188)	(6.0%)	Net decrease in General Revenue of \$236,188 due to: -Decrease of \$215,562 for salaries for 3 FTEs; -Decrease of \$3,233 for associated longevity pay, retirement and insurance; -Decrease of \$21,027 for reduction in travel related to inspections; and -Increase of \$3,634 from a reallocation of funding between strategies
<b>Total, Goal A, PROTECT INVESTORS</b>	<b>\$11,405,287</b>	<b>\$10,820,389</b>	<b>(\$584,898)</b>	<b>(5.1%)</b>	
CENTRAL ADMINISTRATION B.1.1	\$2,728,993	\$2,742,402	\$13,409	0.5%	
INFORMATION TECHNOLOGY B.1.2	\$490,329	\$475,610	(\$14,719)	(3.0%)	
<b>Total, Goal B, INDIRECT ADMINISTRATION</b>	<b>\$3,219,322</b>	<b>\$3,218,012</b>	<b>(\$1,310)</b>	<b>(0.0%)</b>	
<b>Grand Total, All Strategies</b>	<b>\$14,624,609</b>	<b>\$14,038,401</b>	<b>(\$586,208)</b>	<b>(4.0%)</b>	Net decrease of \$586,208 in All Funds due to: -Decrease of \$584,933 in General Revenue pursuant to the four percent reduction; and -Decrease of \$1,275 in Appropriated Receipts not anticipated to be collected in the 2018-19 biennium

**Securities Board  
FTE Highlights - House**

Full-Time-Equivalent Positions	Expended 2015	Estimated 2016	Budgeted 2017	Recommended 2018	Recommended 2019
Cap	104.0	104.0	104.0	97.0	97.0
Actual/Budgeted	97.4	92.1	104.0	NA	NA

Schedule of Exempt Positions (Cap)					
Securities Commissioner	\$133,926	\$142,929	\$142,929	\$142,929	\$142,929

Notes:

a) The agency requests authority to increase the Securities Commissioner's annual salary from \$142,929 to \$164,116 per fiscal year. The position is currently a Group 5 position with an amount not to exceed \$142,929. A Report on Executive Compensation at State Agencies, published by the State Auditor (Report No.16-706), indicates a market average salary of \$164,116 for the Securities Commissioner position.



**Securities Board**  
**Summary of Ten Percent Biennial Base Reduction Options - House**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs			
1)	Eliminate 6 FTEs	The agency would eliminate six FTEs in enforcement and inspections. The agency would reduce the number of investigations and criminal, civil, and administrative actions taken by the agency to address securities fraud and related offenses. The agency would also reduce inspections on registrants. The agency plans to align the five fees set by the Board so that revenue matches appropriations for the 2018-19 biennium, which could result in a reduction in fees and a potential loss of revenue to the state.	\$701,920	\$701,920	6.0	\$701,920	6%	No
2)	Eliminate 7 FTEs	The agency would eliminate seven FTEs in enforcement and inspections. The agency would reduce the number of investigations and criminal, civil, and administrative actions taken by the agency to address securities fraud and related offenses. The agency would also reduce inspections on registrants. The agency plans to align the five fees set by the Board so that revenue matches appropriations for the 2018-19 biennium, which could result in a reduction in fees and a potential loss of revenue to the state.	\$701,920	\$701,920	7.0	\$701,920	6%	No
<b>TOTAL, 10% Reduction Options</b>			<b>\$1,403,840</b>	<b>\$1,403,840</b>	<b>13.0</b>	<b>\$1,403,840</b>		