

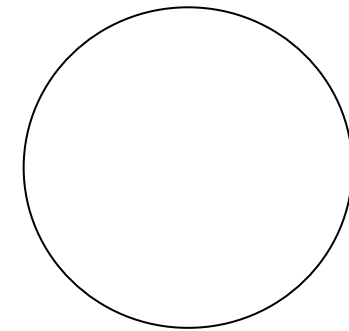
**Securities Board
Summary of Recommendations - Senate**

VIII-65
Denise Crawford, Securities Commissioner

Clifford Sparks, LBB Analyst

RECOMMENDED FUNDING
BY METHOD OF FINANCING

Method of Financing	2010-11 Appropriations	2010-11 Base	2012-13 Recommended	Biennial Change	% Change
General Revenue Funds	\$15,723,056	\$13,068,759	\$12,889,206	(\$179,553)	(1.4%)
GR Dedicated Funds	\$0	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$15,723,056</i>	<i>\$13,068,759</i>	<i>\$12,889,206</i>	<i>(\$179,553)</i>	<i>(1.4%)</i>
Federal Funds	\$0	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	\$0	0.0%
All Funds	\$15,723,056	\$13,068,759	\$12,889,206	(\$179,553)	(1.4%)

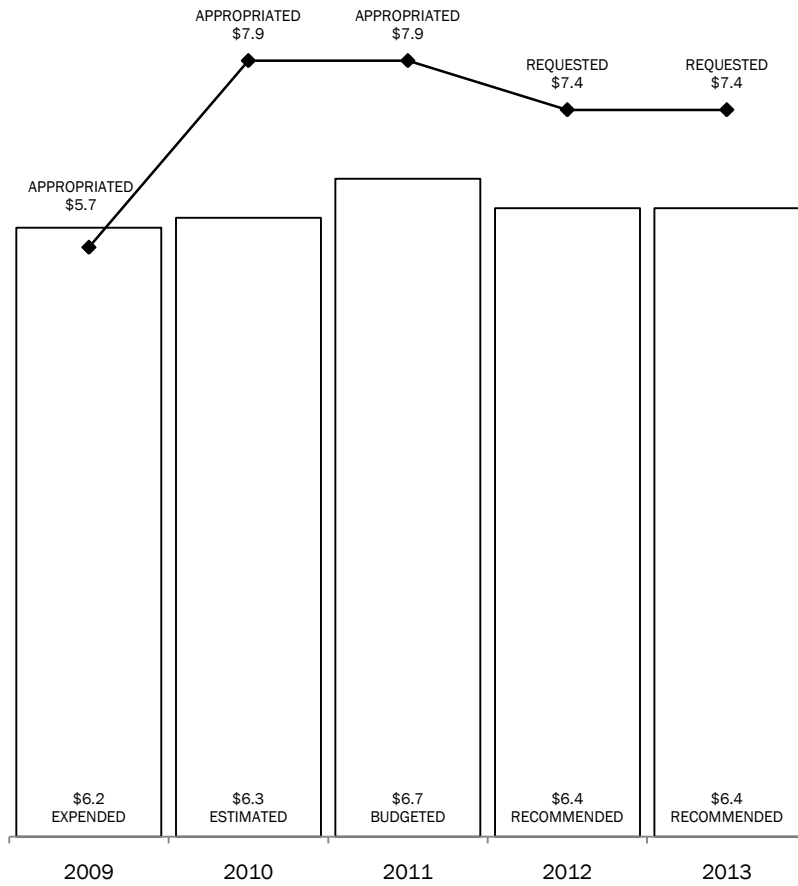


General
Revenue
Funds
100.0%

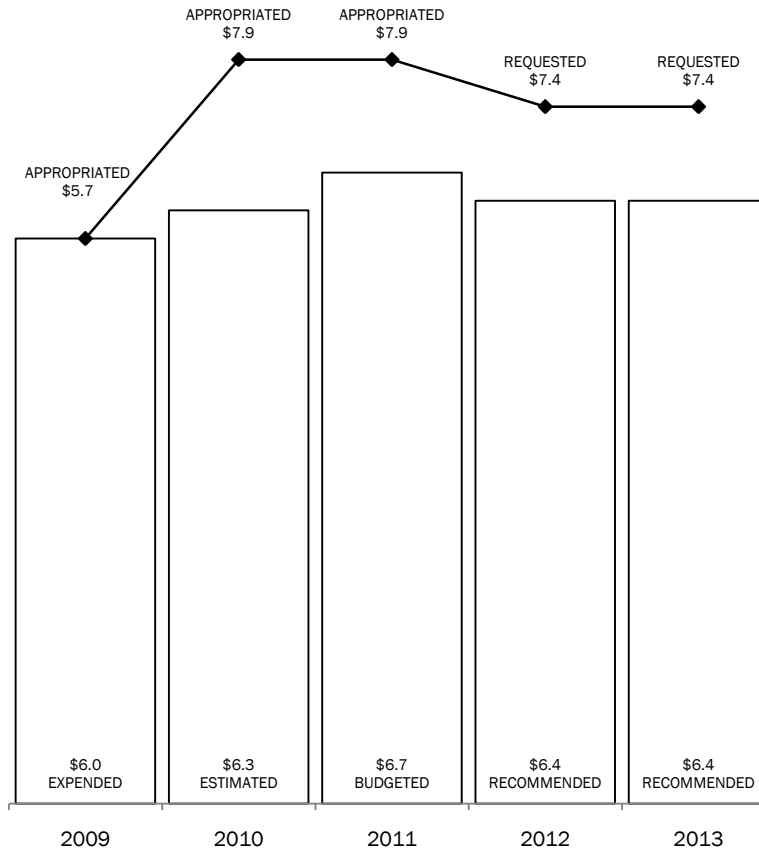
	FY 2011 Appropriations	FY 2011 Budgeted	FY 2013 Recommended	Biennial Change	% Change
FTEs	109.0	97.0	97.0	0.0	0.0%

The bill pattern for this agency (2012-13 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2012-13 biennium.

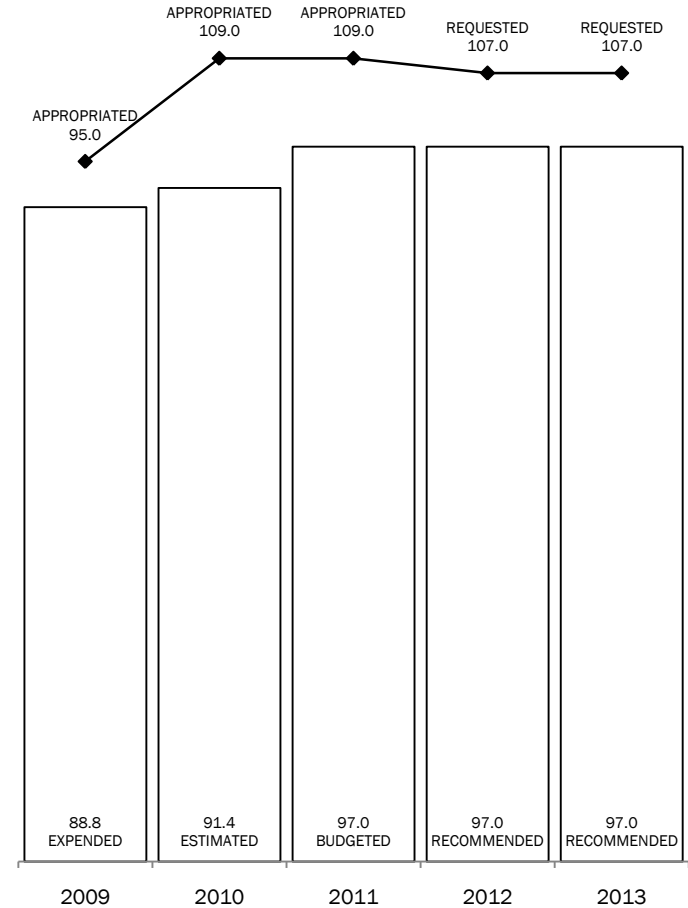
ALL FUNDS



**GENERAL REVENUE AND
 GENERAL REVENUE-DEDICATED FUNDS**



FULL-TIME-EQUIVALENT POSITIONS



Securities Board
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS

Strategy/Goal	2010-11 Base	2012-13 Recommended	Biennial Change	% Change	Comments (Optional)
LAW ENFORCEMENT A.1.1	\$5,332,397	\$5,176,590	(\$155,807)	(2.9%)	
SECURITIES REGISTRATION A.2.1	\$732,769	\$712,732	(\$20,037)	(2.7%)	
DEALER REGISTRATION A.3.1	\$708,665	\$705,414	(\$3,251)	(0.5%)	
INSPECT RECORDS A.4.1	\$3,095,165	\$3,253,328	\$158,163	5.1%	
Total, Goal A, PROTECT INVESTORS	\$9,868,996	\$9,848,064	(\$20,932)	(0.2%)	
CENTRAL ADMINISTRATION B.1.1	\$2,779,566	\$2,612,770	(\$166,796)	(6.0%)	
INFORMATION TECHNOLOGY B.1.2	\$420,197	\$428,372	\$8,175	1.9%	
Total, Goal B, INDIRECT ADMINISTRATION	\$3,199,763	\$3,041,142	(\$158,621)	(5.0%)	
Grand Total, All Strategies	\$13,068,759	\$12,889,206	(\$179,553)	(1.4%)	Decrease General Revenue funding by \$179,553 in fiscal year 2012-13 for the scheduled replacement of Information Resource Technologies (see Selected Fiscal and Policy Issues #1).

Securities Board
Selected Fiscal and Policy Issues

1. **Capital Budget.** Recommendations reduce capital budget authority and funding by \$179,550 from 2010-11 funding levels for the scheduled replacement of desktops, laptops, servers, monitors and printers (See Rider Highlights #2 and Items Not Included in Recommendations #1).
2. **Regulatory Response Rider.** On July 21st, 2010, the agency requested to activate the entire appropriation authority available through the Regulatory Response Rider for 2010-11 due to the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (See item #3). This included \$934,072 in General Revenue with 10.0 FTEs each year. The number of securities dealers expected to come into the oversight of the agency is estimated to increase by 100 percent or 2,400 firms. On August 6th, 2010, that request was denied to determine if the fees from the oncoming firms would be enough to fully fund the contingency appropriations. On August 10th, 2010 the agency requested to activate the entire appropriation authority for the second time. On September 1st, 2010 the Comptroller issued a letter certifying the fiscal year 2010 appropriations and on September 23rd, 2010 the Legislative Budget Board denied the request for the fiscal year 2010 appropriations because the generated funds for fiscal year 2010 used for certification primarily consisted of fines and settlements instead of fees from the security dealers who were previously regulated by the federal government with assets under management above \$25 million. The agency anticipated and indicated that the new certification revenues would not be sufficient to cover the Regulatory Response Appropriations subsequent to submitting the initial request. The agency also verified that if the request for 2010 were approved the agency would have used a portion to satisfy the required 5 percent reduction (\$786,153) and used the authority in the unexpended balance rider (rider #3) to move the remaining appropriations (\$147,919) forward to fiscal year 2011, to fund additional FTEs. The agency's request for fiscal year 2011 is still under review. Recommendations also delete the Regulatory Response Rider in the agency's bill pattern(See Rider Highlights #6 and Items Not Included in the Recommendations #2).
3. **Dodd-Frank Wall Street Reform and Consumer Protection Act.** On July 21st, 2010, The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law. Previously state regulatory agencies were required to manage investment advisors with an asset under management cap of \$25 million. Since the passage of the legislation, the cap shifts to \$100 million and increases the number of investment advisors states are required to regulate. The agency estimates that the investments advisors working for approximately 2,400 firms will be added to its regulatory responsibilities due to the new act.

Securities Board
Performance Review and Policy Report Highlights

Reports & Recommendations	GEER Report Page	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Is included in the Introduced Bill	Action Required During Session
---------------------------	------------------	-----------------	--------------	-----------	------------------------------------	--------------------------------

NO RELATED RECOMMENDATIONS

**Securities Board
Rider Highlights**

2. **(former) Capital Budget Authority.** Recommendations delete the capital budget rider and the recommendations will delay the replacement of desktops, laptops, servers, monitors and printers for two years (See Selected Fiscal and Policy Issues #1 and Items Not Included in the Recommendations #1).
5. **(former) Contingent Revenue.** Recommendations delete this rider. Additional revenues were generated and appropriations were increased during the 2010-11 biennium for the purposes of this rider. These amounts were also included in the agency's 2010-11 base.
6. **(former) Contingency Appropriation: State Regulatory Response.** Recommendations remove this rider, pending approval of the agency's request for funding authority for fiscal year 2011 appropriations (See Selected Fiscal and Policy Issues #2 and Items Not Included in the Recommendations #2).

Securities Board

	<u>2012-13 Biennial Total</u>	
	<u>GR & GR- Dedicated</u>	<u>All Funds</u>
1. Restoration of General Revenue funding in an amount equivalent to information technology expenditures in 2010-11 with capital budget authority	\$ 179,550	\$ 179,550
a. Information Technology (\$84,276):		
34 Desktops for \$41,922 (17 each fiscal year \$1,233 each)		
18 Laptops for \$26,208 (9 each fiscal year, \$1,456 each)		
2 Servers for 14,000 (1 each fiscal year, \$7,000 each)		
5 Monitors for \$1,195 (\$239 each)		
3 Printers for \$951 (\$317 each)		
b. Other unspecified operating costs (\$95,274)		
2. Increase General Revenue funding and provide 5.0 FTEs each year with a Contingency Appropriation: State Regulatory Response Rider to provide additional funding and positions if additional resources are required to maintain adequate regulation of the industry	\$ 610,812	\$ 610,812
a. Salaries and wages \$420,000		
5 FTEs (5-Financial Examiner I at \$42,000 each year)		
b. Other operating expenses for \$190,812		
Professional Fees and Services for \$5,000		
Consumable Supplies for \$5,500		
Utilities for \$6,500		
Travel for \$55,662		
Rent-Building for \$33,000		
Rent-Machine and Other \$3,500		
Other Operating Expense for \$70,000		
Capital Expenditures for \$11,650		
Total, Items Not Included in the Recommendations	<u>\$ 790,362</u>	<u>\$ 790,362</u>