

Section 1

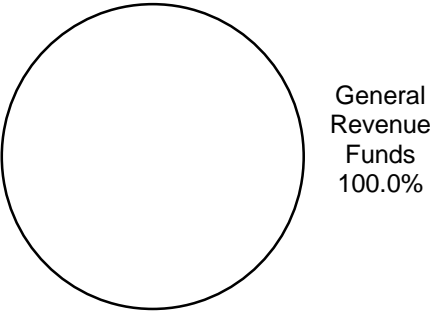
Securities Board
Summary of Recommendations - Senate

Page VIII-56
John Morgan, Securities Commissioner

Julie Lindsey, LBB Analyst

Method of Financing	2014-15 Base	2016-17 Recommended	Biennial Change	% Change
General Revenue Funds	\$14,234,621	\$14,365,121	\$130,500	0.9%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$14,234,621	\$14,365,121	\$130,500	0.9%
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$14,234,621	\$14,365,121	\$130,500	0.9%

RECOMMENDED FUNDING
BY METHOD OF FINANCING

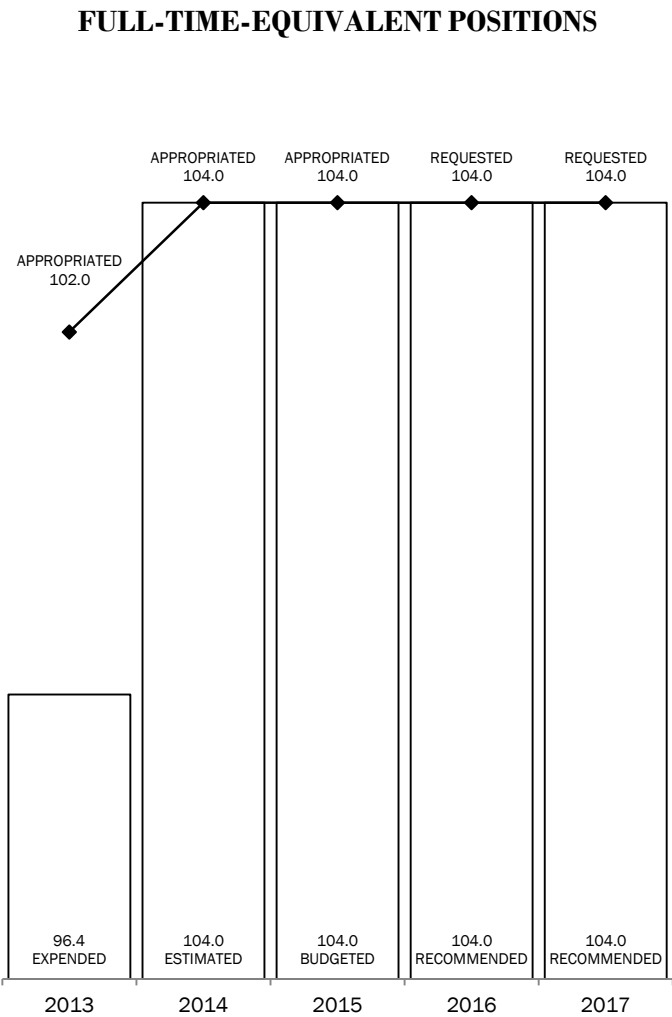
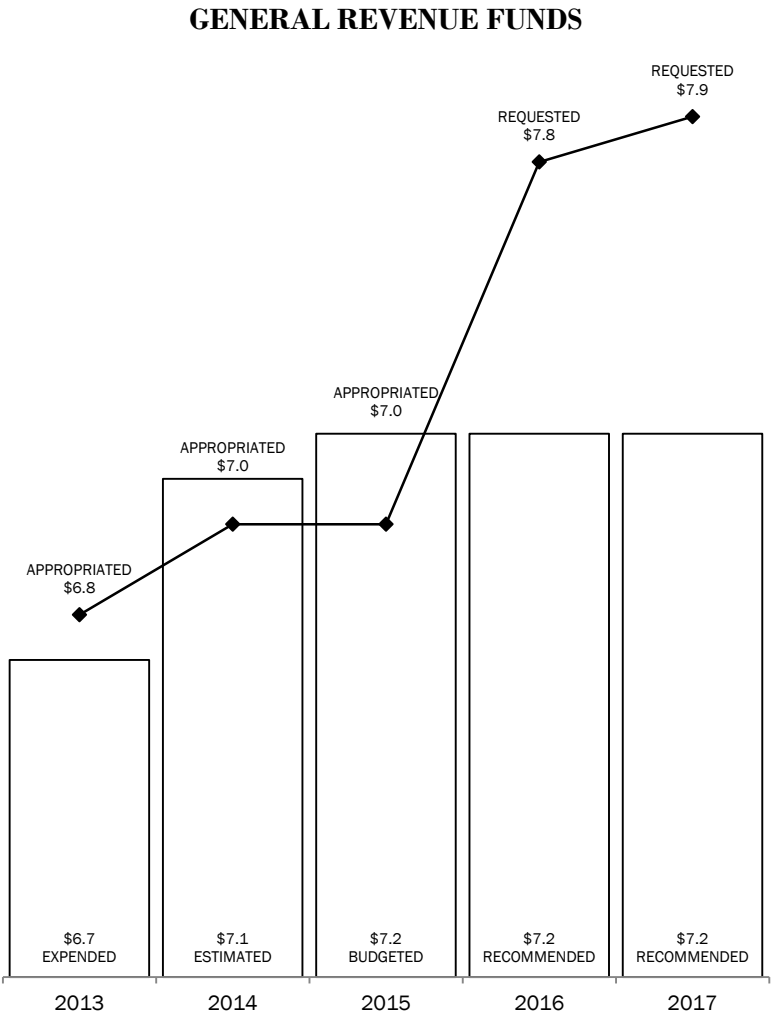
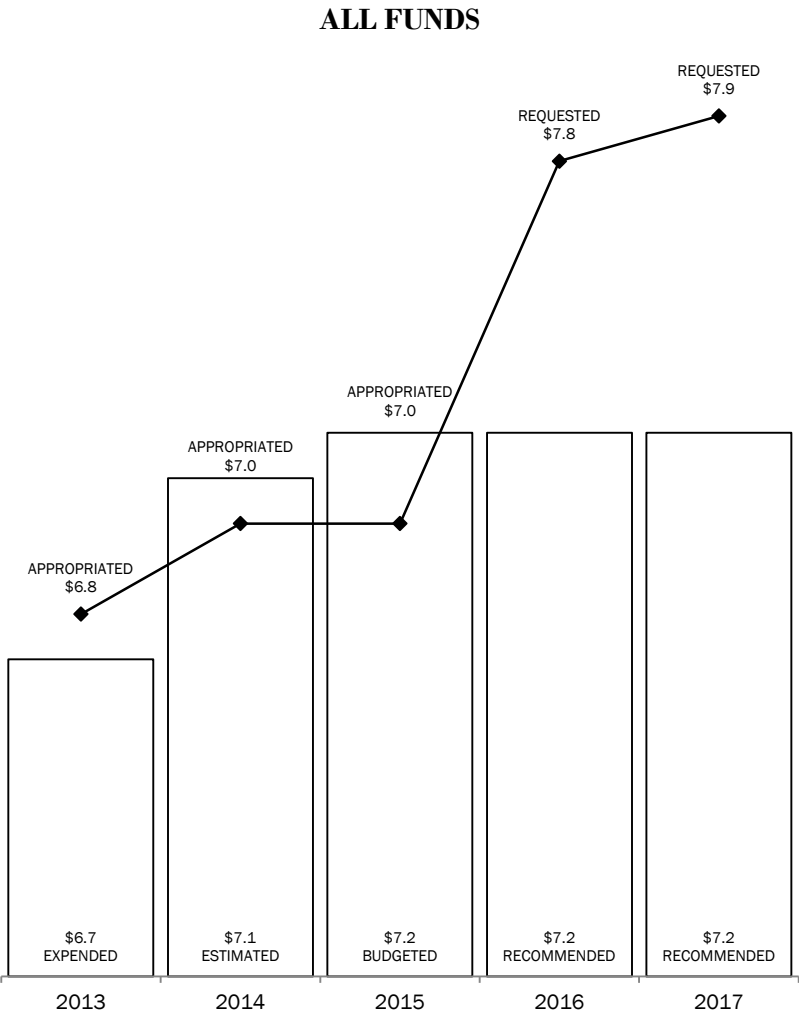


	FY 2015 Budgeted	FY 2017 Recommended	Biennial Change	% Change
FTEs	104.0	104.0	0.0	0.0%

The bill pattern for this agency (2016-17 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2016-17 biennium.

Section 1
Securities Board
2016-2017 BIENNIUM
IN MILLIONS

TOTAL= \$14.4 MILLION



Section 2

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

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
LAW ENFORCEMENT A.1.1	\$5,598,714	\$5,614,622	\$15,908	0.3%	
SECURITIES REGISTRATION A.2.1	\$793,722	\$803,260	\$9,538	1.2%	
DEALER REGISTRATION A.3.1	\$890,220	\$900,646	\$10,426	1.2%	
INSPECT RECORDS A.4.1	\$3,840,231	\$3,881,508	\$41,277	1.1%	
Total, Goal A, PROTECT INVESTORS	\$11,122,887	\$11,200,036	\$77,149	0.7%	
CENTRAL ADMINISTRATION B.1.1	\$2,653,638	\$2,701,200	\$47,562	1.8%	
INFORMATION TECHNOLOGY B.1.2	\$458,096	\$463,885	\$5,789	1.3%	
Total, Goal B, INDIRECT ADMINISTRATION	\$3,111,734	\$3,165,085	\$53,351	1.7%	
Grand Total, All Strategies	\$14,234,621	\$14,365,121	\$130,500	0.9%	Recommendations increase General Revenue funding by \$130,500 to biennialize salaries at 2015 levels.

Section 3

**Securities Board
Selected Fiscal and Policy Issues - Senate**

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 nineteen separate assessments in fourteen additional areas. In fiscal year 2014, these five fees accounted for approximately \$27 million of the \$195 million in total collections. According to the agency, they are currently considering lowering two of these five fees in the upcoming legislative session. If lowered, the agency projects that revenues will decrease by approximately \$6 million annually.

Fees Set by Agency		FY13 \$ Amt	FY14 \$ Amt
35.A.(1) - Original app to sell securities		\$359,900.00	\$381,700.00
35.A.(1) - Amended app to sell securities		\$2,582,300.00	\$2,631,500.00
35.A.(1) - Renewal app to sell securities		\$2,239,800.00	\$2,329,600.00
35.A.(1) - Total		\$5,182,000.00	\$5,342,800.00
35.A.(2) - Original app for dealer, IA, or notice filing IA		\$83,628.66	\$87,845.60
35.A.(3) - Renewal app for dealer, IA, or notice filing IA		\$577,895.00	\$603,875.00
35.A.(3) - Renewal app for dealer, IA, or notice filing IA (late)		\$675.00	\$995.00
35.A.(3) - Total		\$578,570.00	\$604,870.00
35.A.(4) - Original app for agent, officer, IA rep, or nf IA rep		\$4,371,900.00	\$4,147,440.00
35.A.(5) - Renewal app for agent, officer, IA rep, or nf IA rep		\$16,297,830.00	\$16,975,074.50
35.A.(5) - Renewal app for agent, officer, IA rep, or nf IA rep (late)		\$595.00	\$850.00
35.A.(5) - Total		\$16,298,425.00	\$16,975,924.50
Fees Set by Agency - Total		\$26,514,523.66	\$27,158,880.10

Fees Set by Legislature			
35.B.(1) - Original app for Branch		\$56,000.00	\$33,250.00
35.B.(1) - Amendment app for Branch		\$154,075.00	\$145,700.00
35.B.(1) - Renewal app for Branch		\$276,875.00	\$274,850.00
35.B.(1) - Amendment fee for Dir/IA		\$16,985.00	\$21,875.00
35.B.(1) - Total		\$503,935.00	\$475,675.00
35.B.(2) - Original app for securities % fee		\$4,167,183.18	\$4,072,999.43
35.B.(2) - Amended app for securities % fee		\$99,983,833.45	\$103,237,442.32
35.B.(2) - Total		\$104,151,016.63	\$107,310,441.75
35.B.(3) - Certified copies (also Rule 101.5.(b))		\$1,627.72	\$467.49
35.B.(4) - App for stock exchange		\$0.00	\$0.00
35.B.(5) - Securities Law Exam		\$35.00	\$1,295.00
35.B.(6) - Original app for secondary trading exemption		\$2,100.00	\$2,000.00
35.B.(6) - Renewal app for secondary trading exemption		\$1,000.00	\$500.00
35.B.(6) - Total		\$3,100.00	\$2,500.00
35.B.(7) - Initial notice for limited offering exemption (Reg D)		\$1,459,535.03	\$1,810,261.12
35.B.(8) - GC letter of opinion		\$400.00	\$200.00
35-1.A. - Oversale of securities		\$2,711,878.65	\$932,025.40
35-1.B. - Limited offering exemption amendment		\$0.00	\$859.23
35-2. - Sale of Unregistered Securities		\$0.00	\$8,149.67
Administrative Fines		\$599,831.27	\$676,097.40
41 - \$200 Professional fee		\$55,612,800.00	\$56,976,200.00
Board Rule 101.5.(a) - Charges for Copies of Public Records		\$1,220.16	\$569.16
Sale of Printed Board Rules and Securities Act cost recovery		\$31.64	\$93.78
Sales tax		\$3.34	\$9.18
Postage cost recovery		\$9.52	\$19.04
Sale of Board Rules and Act cost recovery - Total		\$44.50	\$122.00
Fees Set by Legislature - Total		\$165,045,423.96	\$168,194,863.22

GRAND TOTAL	\$191,559,947.66	\$195,353,743.32
Agency Expenditures (FY 2013 Exp, FY 2014 Est)		
Percentage of Total Revenue		3.51%
Excess Revenue to GR		
Percentage of Total Revenue		96.49%

Section 3

Securities Board
FTE Highlights - Senate

Full-Time-Equivalent Positions	Expended 2013	Estimated 2014	Budgeted 2015	Recommended 2016	Recommended 2017
Cap	102.0	104.0	104.0	104.0	104.0
Actual/Budgeted	96.4	104.0	104.0	NA	NA
Schedule of Exempt Positions (Cap)					
Securities Commissioner	\$130,000	\$131,300	\$133,926	\$133,926	\$133,926

The agency requests an increase in authority for the Securities Commissioner's Exempt Position from \$133,926 to \$154,937 per fiscal year. The State Auditor's Office Report, *Executive Compensation at State Agencies* (Report No. 14-705, August 2014), indicates a market average salary of \$154,937 for the Securities Commissioner's position at the Securities Board and does not recommend changing the Group 5 classification for the position.

Section 4

Securities Board
Performance Review and Policy Report Highlights - Senate

Reports & Recommendations	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session
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NO RELATED RECOMMENDATIONS

Section 5

**Securities Board
Rider Highlights - Senate**

- 2. **Capital Budget.** Recommendations amend this rider to reduce capital budget authority for information technology items in alignment with the agency’s request. The recommendations will allow the agency to maintain equipment and software in the enforcement and licensing functions and to address potential issues with cyber crime.

Section 6

Securities Board
Items not Included in Recommendations - Senate

Agency Exceptional Items - In Agency Priority Order	2016-17 Biennial Total	
	GR & GR-Dedicated	All Funds
1. Increase General Revenue funding for employees in Enforcement, Registration, and Inspections.	\$ 1,301,423	\$ 1,301,423
2. The agency requests an increase in authority for the Securities Commissioner's Exempt Position from \$133,926 to \$154,937 per fiscal year. The State Auditor's Office Report, <i>Executive Compensation at State Agencies</i> (Report No. 14-705, August 2014), indicates a market average salary of \$154,937 for the Securities Commissioner's position at the Securities Board and does not recommend changing the Group 5 classification for the position.	\$ -	\$ -
Total, Items Not Included in the Recommendations	<u>\$ 1,301,423</u>	<u>\$ 1,301,423</u>

Section 7

Securities Board
Summary of 10 Percent Biennial Base Reduction Options - Senate

Biennial Reduction Amounts								
Priority	Item	Description/Impact	GR and GR-Dedicated	All Funds	FTEs	Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Intro Bill?
1	Enforcement Program - Staff and Capital Spending Reduction	This reduction would eliminate the agency's capital budget along with 5.2 FTEs associated with Information Technology. The reduction would decrease the number of fraud actions and investigations while increasing the time needed for application registration and requests for information.	\$234,303	\$234,303	5.2	\$0	2.5%	No
	Licensing Program - Staff and Capital Spending Reduction	This reduction would eliminate the agency's capital budget along with 5.2 FTEs associated with Information Technology. The reduction would decrease the number of fraud actions and investigations while increasing the time needed for application registration and requests for information.	\$233,834	\$233,834		\$0	13.8%	No
	Indirect Administration Program - Staff and Capital Spending Reduction	This reduction would eliminate the agency's capital budget along with 5.2 FTEs associated with Information Technology. The reduction would decrease the number of fraud actions and investigations while increasing the time needed for application registration and requests for information.	\$230,544	\$230,544		\$0	7.3%	No
2	Enforcement Program - Staff Reduction	This reduction would eliminate 6.5 FTEs across the investigations, inspections, and central administration strategies. The reduction would decrease the number of fraud actions, investigations, and inspections as well as fee processing efficiency.	\$675,250	\$675,250	6.5	\$0	7.1%	No
	Indirect Administration Program - Staff Reduction	This reduction would eliminate 6.5 FTEs across the investigations, inspections, and central administration strategies. The reduction would decrease the number of fraud actions, investigations, and inspections as well as fee processing efficiency.	\$23,432	\$23,432		\$0	0.7%	No
TOTAL, 10% Reduction Options			\$1,397,363	\$1,397,363	11.7	\$0		

Securities Board
Summary of 10 Percent Biennial Base Reduction Options - Senate
Agency 10% Reduction Options by Category of Reduction

