

**Securities Board  
Summary of Recommendations - Senate**

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<b>Method of Financing</b>	<b>2018-19 Base</b>	<b>2020-21 Recommended</b>	<b>Biennial Change (\$)</b>	<b>Biennial Change (%)</b>
General Revenue Funds	\$13,749,575	\$14,000,003	\$250,428	1.8%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$13,749,575</i>	<i>\$14,000,003</i>	<i>\$250,428</i>	<i>1.8%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$79	\$0	(\$79)	(100.0%)
<b>All Funds</b>	<b>\$13,749,654</b>	<b>\$14,000,003</b>	<b>\$250,349</b>	<b>1.8%</b>

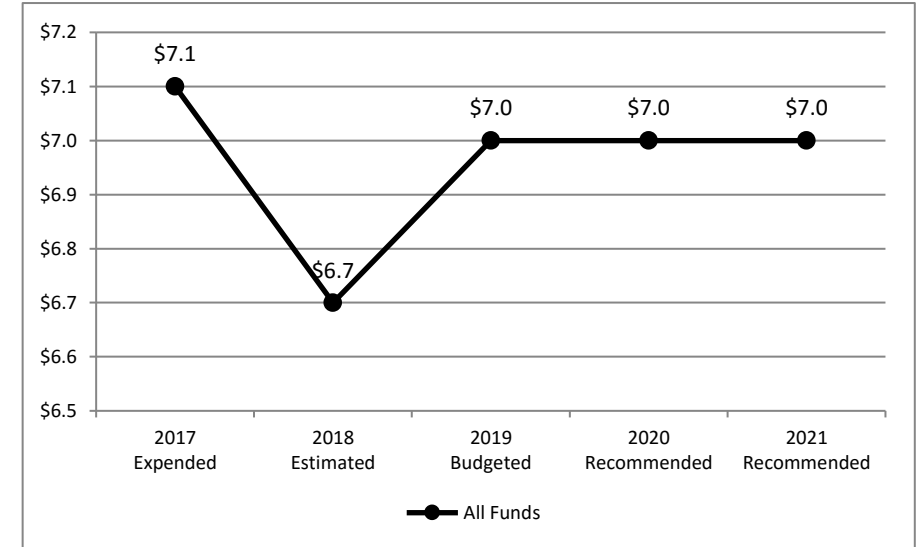
	<b>FY 2019 Budgeted</b>	<b>FY 2021 Recommended</b>	<b>Biennial Change</b>	<b>Percent Change</b>
FTEs	97.0	97.0	0.0	0.0%

**Agency Budget and Policy Issues and/or Highlights**

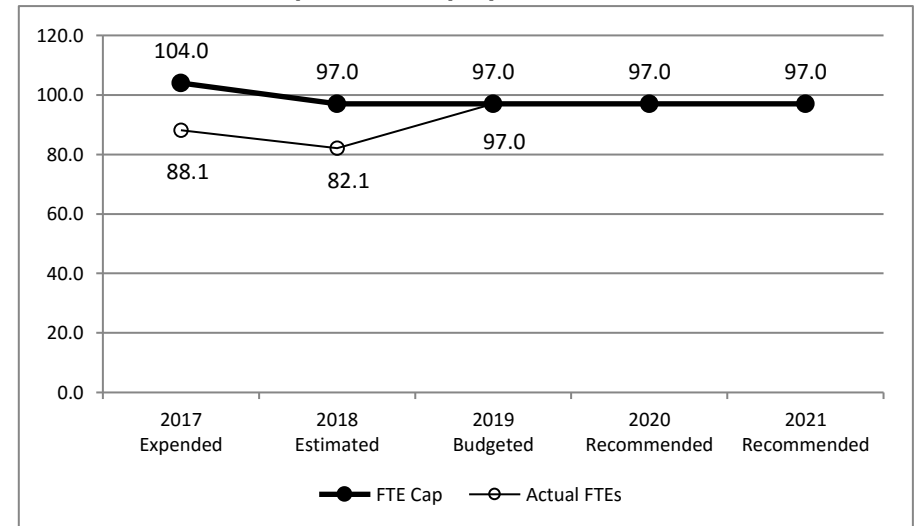
The State Securities Board enforces the Securities Act to protect investors through enforcement, registration of securities, registration of securities dealers, agents, investment advisers, and investment adviser representatives, and inspections of registered dealers and investment advisers.

The bill pattern for this agency (2020-21 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2020-21 biennium.

**Historical Funding Levels (Millions)**



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



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

1. **Sunset Review.** The Sunset Advisory Commission reviewed the agency in fiscal year 2018. Sunset staff found the State Securities Board remains a needed agency that effectively carries out its mission to protect investors and the Sunset Advisory Commission adopted recommendations intended to simplify the agency's registration process, help prioritize its enforcement of a fair market and defense against incompetent or predatory behavior, and increase transparency to the public and the Legislature. The Sunset recommendation to remove the requirement to register branch offices would result in a loss of fee revenue.

A management directive requiring the agency to accept online submissions of applications and fees may require additional funds for initial start-up costs. The agency is working with the Department of Information Resources' Texas.gov division to provide the legislature with a cost estimate for implementation. As part of the management directive, the agency will provide a detailed implementation plan to the Sunset Commission by March 15, 2019.

2. **Lump Sum Annual Leave Payout.** The agency estimates retirement payouts could total \$500,428 for the 2020-21 biennium and made an exceptional item request (#3) for this amount. The agency reports their baseline request includes \$250,000 for the biennium reserved for this purpose, in case the legislature does not provide the contingent exceptional item funding. The Introduced Bill adds a contingency rider to include \$250,428 for the biennium to complete the agency's estimate of potential retirement payouts in the 2020-21 biennium.

**Securities Board  
Rider Highlights - Senate**

**New Riders**

2. **Lump Sum Annual Leave Payout.** The Introduced Bill adds a contingency rider to include \$250,428 for the biennium to complete the agency's estimate of potential retirement payouts in the 2020-21 biennium.
3. **Sunset Contingency.** The Introduced Bill adds a contingency provision for the agency's Sunset review.

**Deleted Rider**

2. **Capital Budget.** The Introduced Bill removes the agency's capital budget rider, which included a total of \$55,982 in All Funds for PC Replacement in 2018-19.

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

	2020-21 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2022-23
	GR & GR-D	All Funds	FTEs			

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

1)	Lapse Recovery - Recover funds lapsed in fiscal year 2018 due to delay in hiring after the Governor's hiring freeze in fiscal year 2017.	\$279,326	\$279,326	0.0	No	No	\$279,326
2)	Career Ladder - Salary increases.	\$875,254	\$875,254	0.0	No	No	\$984,180
3)	Retirement lump sum payment contingency.	\$250,000	\$250,000	0.0	No	No	\$0
4)	Funding for Four FTEs - The agency reports increased workload due to implementation of Securities Act, Sec. 45, Protection of Vulnerable Adults from Financial Exploitation and cryptocurrency-related fraud schemes. No change to agency's FTE cap.	\$479,080	\$479,080	0.0	No	No	\$479,080
5)	Data Center Services - Subscription to DIR's Managed Security Services for cybersecurity and transition to Microsoft SharePoint cloud storage.	\$344,080	\$344,080	0.0	Yes	Yes	\$344,080
6)	Authority and Funding for Executive Director Salary Increase - Increase in authority and funding for the Securities Commissioner Exempt Position from \$147,704 to \$164,116 per year. No change to salary group, Group 5.	\$33,316	\$33,316	0.0	No	No	\$33,316

<b>TOTAL Items Not Included in Recommendations</b>		<b>\$2,261,056</b>	<b>\$2,261,056</b>	<b>0.0</b>			<b>\$2,119,982</b>
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**Securities Board  
Appendices - Senate**

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

**Securities Board**  
**Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS**

Strategy/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change	Comments
LAW ENFORCEMENT A.1.1	\$5,330,147	\$5,422,585	\$92,438	1.7%	Lump Sum Retirement Payout contingent funding.
SECURITIES REGISTRATION A.2.1	\$737,861	\$747,824	\$9,963	1.4%	Transfer from A.3.1 to cover salary for staff with advanced skills.
DEALER REGISTRATION A.3.1	\$843,303	\$853,260	\$9,957	1.2%	Lump Sum Retirement Payout contingent funding.
INSPECT RECORDS A.4.1	\$3,672,814	\$3,702,712	\$29,898	0.8%	Lump Sum Retirement Payout contingent funding.
<b>Total, Goal A, PROTECT INVESTORS</b>	<b>\$10,584,125</b>	<b>\$10,726,381</b>	<b>\$142,256</b>	<b>1.3%</b>	
CENTRAL ADMINISTRATION B.1.1	\$2,600,089	\$2,696,732	\$96,643	3.7%	Lump Sum Retirement Payout contingent funding.
INFORMATION TECHNOLOGY B.1.2	\$565,440	\$576,890	\$11,450	2.0%	Transfer from B.1.1 to cover salary for IT staff with advanced skills.
<b>Total, Goal B, INDIRECT ADMINISTRATION</b>	<b>\$3,165,529</b>	<b>\$3,273,622</b>	<b>\$108,093</b>	<b>3.4%</b>	
<b>Grand Total, All Strategies</b>	<b>\$13,749,654</b>	<b>\$14,000,003</b>	<b>\$250,349</b>	<b>1.8%</b>	

**Securities Board  
FTE Highlights - Senate**

<b>Full-Time-Equivalent Positions</b>	<b>Expended 2017</b>	<b>Estimated 2018</b>	<b>Budgeted 2019</b>	<b>Recommended 2020</b>	<b>Recommended 2021</b>
Cap	104.0	97.0	97.0	97.0	97.0
Actual/Budgeted	88.1	82.1	97.0	NA	NA

**Schedule of Exempt Positions (Cap)**

Securities Commissioner (\$147,704 in FY 2019)

Notes:

a) The State Auditor's Office Report, Executive Compensation at State Agencies (Report 18-705, August 2018), indicates a market average salary of \$171,043 for the Securities Commissioner position at the Securities Board and recommends maintaining the position in salary classification group 5. The agency is requesting to increase the salary cap for the Securities Commissioner from \$147,704 to \$164,116.

**Securities Board**

**Summary of Ten Percent Biennial Base Reduction Options - Senate**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
1)	Staff Reduction	Eliminate four FTEs: 2 from A.1.1, Law Enforcement 1 from A.2.1, Securities Registration 1 from A.4.1, Inspections	\$185,252	\$185,252	2.0	\$355,018	3%	\$5,330,143	No
			\$60,900	\$60,900	1.0		8%	\$747,824	
			\$108,866	\$108,866	1.0		3%	\$3,672,814	
2)	Staff Reduction	Eliminate four FTEs: 1 from A.1.1, Law Enforcement 2 from A.4.1, Inspections 1 from B.1.1, Central Administration	\$48,276	\$48,276	1.0	\$342,394	1%	\$5,330,143	No
			\$192,618	\$192,618	2.0		5%	\$3,672,814	
			\$101,500	\$101,500	1.0		4%	\$2,588,600	
3)	Staff Reduction	Eliminate four FTEs: 1 from A.1.1, Law Enforcement 1 from A.2.1, Securities Registration 1 from A.3.1, Dealer Registration 1 from A.4.1, Inspections	\$60,900	\$60,900	1.0	\$338,776	1%	\$5,330,143	No
			\$46,312	\$46,312	0.5		6%	\$747,824	
			\$46,312	\$46,312	0.5		6%	\$833,304	
			\$185,252	\$185,252	2.0		5%	\$3,672,814	
4)	Staff Reduction	Eliminate four FTEs: 3 from A.1.1, Law Enforcement 1 from B.1.1, Central Administration	\$257,570	\$257,570	3.0	\$338,770	5%	\$5,330,143	No
			\$81,200	\$81,200	1.0		3%	\$2,588,600	
<b>TOTAL, 10% Reduction Options</b>			<b>\$1,374,958</b>	<b>\$1,374,958</b>	<b>16.0</b>	<b>\$1,374,958</b>			