

# **Legislative Appropriations Request**

**for Fiscal Years 2022 and 2023**

**Submitted to the  
Office of the Governor, Budget Division,  
and the Legislative Budget Board**

**by the**

**State Securities Board**

**\*REVISED\***

**October 22, 2020**

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## Administrator's Statement

10/22/2020 11:33:50AM

87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

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### 312 Securities Board

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#### ADMINISTRATOR'S STATEMENT

September 11, 2020

#### I. Agency Overview

##### Governing Board

The Securities Board was created with the Texas Securities Act by the 55th Legislature in 1957. The agency is overseen by a governing board comprised of five members appointed by Governor Abbott, with the advice and consent of the Senate, for six-year staggered terms. The Board establishes the policies of the agency and meets periodically to update agency rules to ensure that investors remain adequately protected while preventing unreasonable burdens or barriers on legitimate capital formation.

The Board appoints a Securities Commissioner who serves at the pleasure of the Board and is charged with the administration of the Act and management of the day-to-day operations of the agency. Travis J. Iles was appointed to the position of Securities Commissioner in 2017 and has served Texas investors and businesses in various capacities across agency programs for the past 19 years.

Members of the Board serving Texas as of August 31, 2020:

Board Member	City	Term Expiry
E. Wally Kinney, Chair	Comfort	January, 2025
Miguel Romano, Jr.	Austin	January, 2021
Kenny Koncaba	Friendswood	January, 2023
Robert R. Belt	Houston	January, 2023
Melissa Tyroch	Belton	January, 2025

##### Statute

Under the requirements of The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-45, the mission of the State Securities Board is to protect investors. Consistent with that mission, the agency seeks to encourage capital formation, job formation, free and competitive securities markets and to minimize burdens on issuers and persons subject to the Act, especially small businesses.

A healthy and productive capital market requires the agency maintain a carefully balanced and measured regulatory approach. A harsh and unyielding regulatory system limits incentives for businesses to raise capital in Texas and creates barriers for Texas businesses to access funds necessary to grow their businesses and create new jobs. Conversely, an overly lenient regulatory system fosters an environment in which unscrupulous promoters can damage investor confidence, inhibit investments in the state, and erode legitimate businesses' access to needed capital.

Texas is an exceptionally large and robust market for securities issuers, securities dealers, agents, and investment advisers. Long-term customer demands for the services provided by the State Securities Board continue to increase, due to the strength of the Texas economy and population. The public's dependence on the securities markets to meet personal financial goals is creating a trend of increasing numbers of firms and individuals seeking registration. The majority of firm and individual registrants are not in Texas but seek registration to access Texas' vibrant economy.

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The Texas economy also makes Texas investors an attractive target for promoters of fraudulent investment schemes. These schemes divert capital that would otherwise be available for legitimate economic development and threaten public confidence in securities markets and securities professionals. As Comptroller Hegar reported to the Legislature in June, 2020 events, particularly “[t]he economic contraction associated with the spread of COVID-19 and recent volatility in oil markets” present “an unprecedented amount of uncertainty.” What is certain, Texas investors face a direct and increased threat. This threat will likely continue as Texas leads the nation in the economic recovery.

Banks are robbed because that is where the money is and the same holds true in explaining why so many criminal opportunists flock to the Lone Star State to prey upon Texas investors. The ability of legitimate Texas businesses seeking capital to grow their businesses and create Texas jobs is hindered by such criminal activity. Unscrupulous promoters have recognized economic uncertainty and market losses as an opportunity with many investors more susceptible to their schemes.

#### **Programs**

To implement the Securities Act, the State Securities Board maintains strategies for: 1) Law enforcement; 2) Registration of securities; 3) Registration of securities dealers, agents, investment advisers, and investment adviser representatives; and 4) Inspections of registered dealers and investment advisers.

The agency’s registration and inspections and compliance programs provide key gatekeeper and ongoing oversight functions for our registered community. The Texas Department of Public Safety and the Federal Bureau of Investigation has long recognized the law enforcement program as a “criminal justice agency,” which maintains a primary focus on investigating unregistered criminal opportunists who all too often stalk our retirees and elderly.

#### **The Law Enforcement Program**

Since 1957, the State Securities Board has placed a premium on proactive efforts to detect and prevent violations of the Act, including fraud committed in connection with the sale of securities by unregistered dealers. The agency aggressively pursues administrative, civil, or criminal actions against firms or individuals who have violated provisions of the Act.

In assessing the need for and type of enforcement action, consideration is given to several factors, including the offense, violation, or deficiency; the extent and persistence of the conduct; the harm to the public; cooperation in resolving the matter; efforts to mitigate harm; the history of previous violations; the need to deter similar conduct; and the ability to restore investor status quo and provide justice.

The agency allocates significant resources to the criminal prosecution of individuals who engage in fraud in connection with the sale of securities, while continuing to effectively execute its other regulatory responsibilities. In the Sunset Advisory Commission’s Staff Report for the 86th Legislature, the agency was found to dedicate “appropriated resources in a responsible manner that supports prosecution of securities crimes while being mindful of its other statutory responsibilities.”

The agency refers criminal matters to district attorneys and United States attorneys in Texas. Agency attorneys are routinely appointed as special prosecutors to assist in drafting indictments, presenting cases to grand juries, and conducting felony trials for securities fraud and related penal offenses. Agency financial examiners and accountants regularly perform source and use analyses of voluminous and complex financial records and testify as fact, expert, and summary witnesses in these prosecutions as a matter of course. But for the work of the law enforcement program, many criminal opportunists would never be brought to justice.

#### **The Registration Program**

The agency’s registration staff reviews all applications to register securities for sale in Texas. The primary function of this review is to ensure that investors have access

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to full and fair disclosure of all material investment information to inform the investor's decision-making process; the issuer and investor share in the results of the venture; prices being asked for the securities are reasonable; conflicts of interest are minimized; and promotional expenses are reasonable. For issuers seeking a multi-state registration of securities, the agency participates in a coordinated review program administered by the North American Securities Administrators Association (NASAA). Besides establishing uniform review standards, coordinated review expedites the registration process, saving time and money for the issuer. The agency also processes a much larger volume of filings to permit securities to be sold in Texas where registration is not required under the Act. Throughout agency programs, staff provide leadership roles within NASAA and the agency maximizes resources through its active participation in the association, which provides numerous training and educational opportunities for agency staff at little to no taxpayer cost.

Besides reviewing securities registrations and filings, the registration program also reviews and processes the applications for registration and renewal for firms and individuals selling securities or rendering investment advice in Texas. This process includes a thorough examination of each application with an emphasis on the proposed plan of business, financial condition, and disciplinary history of the applicants. For the agency to maintain proper oversight, each registrant must timely amend its registration information when an event occurs that causes a previous response provided on the application to become inaccurate. The agency participates in the Central Registration Depository and Investment Adviser Registration Depository systems. Together, these systems, developed by NASAA, the U.S. Securities and Exchange Commission, and the Financial Industry Regulatory Authority (FINRA), allow dealers and investment advisers to apply electronically for registration of their agents and representatives in all desired states via a single form filed at a central location. Texas was a leader in developing these systems and Texas registrants benefit greatly by having access to the systems, including the ability to pay registration and renewal-related fees electronically.

**The Inspections & Compliance Program**

Financial examiners in the agency's inspections program conduct periodic compliance examinations of the activities and books and records of registered firms. The primary focus of this important work is conducted on firms not subject to oversight by other regulatory authorities, which are approximately 1500 state-registered investment advisers (those having up to \$100 million in investor assets under management), with main offices in Texas, and securities dealers who are not members of FINRA. The importance of the compliance examination program was highlighted in fiscal 2020/2021 with two agreed orders entered by the Securities Commissioner that revoked investment adviser registrations and eliminated their ability to provide investment advisory services to Texas investors. One now former adviser made Ponzi payments with investor funds, used investor funds for personal purposes, and concealed the receipt of commissions for products recommended to his clients. The other relinquished her license after habitually selling unregistered products to unsuspecting clients in what has been alleged to be a ponzi scheme.

**Agency Performance - Fiscal Year 2020:**

- Enforcement - 462 law enforcement investigations opened
- Enforcement - 100% of law enforcement actions successful
- Registration - 63,496 securities registration and notice filings reviewed
- Registration - 493,397 securities dealer, agent, investment adviser, and investment adviser representative -registration and notice filings reviewed
- Inspections - 314 registered securities dealers and investment advisers examined
- Inspections - 1500+ securities dealers and investment advisers examined solely by agency [as of September 2020]
- Deposits made to General Revenue Fund ~\$177,504,220.34 [+\$13.5M from fiscal 2019]
- Expenditures in administering and enforcing the Act ~\$7,202,447.84

**Licensing Structure & Fees**

While the agency deposits substantial funds to the General Revenue Fund yearly, its Board has been ever diligent in monitoring and reducing the fees assessed to its

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registrants. The Act's five Section 35.A fees must offset funds appropriated for the administration and enforcement of the Act. Texas Gov't Code, Section 316.045.

Since 2015, the Board has been proactive in reducing fees paid by its occupational licensees. The 35.A.(2), (3), (4), and (5) fees, which affect registered dealers, investment advisers, and their agents and representatives, are at their statutory minimums. The remaining 35.A.(1) fee was reduced by Board action in May 2018 by 30%.

#### Registrant Original & Renewal Fees:

Fee Description / Registrant Type / Statutory Citation - Current Fee / Statutory Maximum - Fee Revenue Deposit – 100%

-Original Dealer/Investment Adviser Application / Act § 35.A.(2) - \$75 / \$100 - General Revenue Fund

-Dealer/Investment Adviser Renewal / Act § 35.A.(3) - \$40 / \$100 - General Revenue Fund

-Original Agent / Investment Adviser Representative Application / Act § 35.A.(4) - \$35 / \$100 - General Revenue Fund

-Agent / Investment Adviser Representative Renewal / Act § 35.A.(5) - \$20 / \$100 - General Revenue Fund

Each of these registrant fees are not only at their statutory minimum, as set by the 77th Legislature in 2001, but also reflect 1991 registrant fee levels.

#### Comparison of Texas Registrant Fees & Corresponding Non-Texas, State Fees:

Non-Texas Fees Corresponding to Act / National Average / Current Texas Fee

-Original Dealer/Investment Adviser Application: Act § 35.A.(2) / \$263-Dealer \$220 - IA / \$75

-Dealer/Investment Adviser Renewal: Act § 35.A.(3) / \$245-Dealer \$207-IA / \$40

-Original Agent / Investment Adviser Representative Application: Act § 35.A.(4) / \$68-Agent \$80-IAR / \$35

-Agent / Investment Adviser Representative Renewal: Act § 35.A.(5) / \$65-Agent \$75-IAR / \$20

Each of the agency's securities industry professional fees is set at an amount less than 75% of the national average for equivalent occupational licensees. Increases to these fees could be made while remaining at an amount less than 75% of the national average for equivalent occupational licensees.

The agency is proud to count its fees for securities industry professionals amongst the lowest in the country.

#### Turnover

The State Auditor's Office has prepared turnover analyses on the agency for the fiscal years of 2016 and 2018. During those years, the agency's turnover rate was 20.8% and 19.6%, respectively. During fiscal year 2020, the agency lost 13 staff members and expects the effective turnover rate to be approximately 14%. Current staffing levels are at approximately 80 full-time employees (staffing levels comparable to 1998/1999 levels – actual agency FTEs of 80 as of August 31, 1998). Governor Abbott's office and the 86th Legislature took meaningful first steps to address employee attrition.

#### Sunset Advisory Commission

Work began on the agency's Sunset Advisory Commission review in 2017. The agency is pleased to report fulsome implementation of Sunset management action items and statutory changes.

The agency's need for increased funding and the importance of the agency's work was recognized by Sunset Advisory Commission Staff in their report to the 86th Legislature:



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- [T]he State Securities Board plays a critical role in protecting Texas residents from fraudulent or negligent practices by securities professionals and criminal opportunists.
- The agency is the state's expert on enforcing state and federal securities laws and it cannot easily or quickly replace the expertise of seasoned financial examiners and attorneys.
- [A]s the agency's workload increases and criminals constantly create new schemes to defraud the public, the agency and the state could feel the effects of the agency's struggle to retain qualified staff.
- While the board is a well-run agency that contributes \$150 million in excess fee revenue to the state through its regulation, its greatest long-term challenge is...the loss of the staff's cultivated expertise to higher paying national regulators.

As part of the Sunset Advisory Commission review, Sunset staff considered, among other things: whether the licensing requirements provided the least restrictive form of regulation that will adequately protect the public; the extent to which the regulatory objective could be achieved through market forces, private or industry certification and accreditation programs or enforcement of other law; and the extent licensing criteria ensure applicants have requisite skill sets and competencies that correlate with the public interest and the impact of those criteria on applicants including those with moderate or low incomes. See generally, Section 325.0115, Texas Government Code, Criteria for Review of Certain Agencies.

The agency submitted a status report on implementation efforts on March 15, 2019. Agency staff and the Board continued extensive efforts to implement the statutory changes and management action items after its March 15, 2019, report. Sunset Advisory Commission directives have been implemented in full, with one exception.

Management action item no. 1.8 directed the agency to accept online submissions of applications and fees. The Board unanimously adopted new Sections 115.22 and 116.22 to its Rules during its October 2019 meeting to allow for the dealer, agent, investment adviser and investment adviser representative electronic submission of documents related to the applications required to be submitted in paper form.

However, the online fee receipt component of the recommendation has not been implemented. The agency received a cost quote of \$225,001.60 for implementation of electronic fee receipt. Based upon fiscal year 2017 figures, 246,000+ registrants already pay required fees electronically through CRD/IARD systems maintained at no cost to the agency and only 113 applications and fees were submitted directly to the agency (on average over fiscal 2016 – 2018). The agency has advised Governor Abbott's office of its intention to seek further guidance as to this component of the recommendation given cost and limited benefit to the registered population. The third-party vendor responsible for the fee pay framework also indicated the framework is under redevelopment and the new framework would decrease cost. It should be noted the cost component was not available to staff or the Sunset Advisory Commission at the time of the recommendation.

**II. Adjusted 2020/2021 Baseline Reconciliation (-5% Limitation Exceptions)**

The SSB maintains no programs meeting a baseline request exception in the LBB August 18, 2020, policy letter.

**III. Significant Changes to SSB Policy**

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The agency is pleased to report there have been no significant changes to policy. Although significant change in the agency's Board composition occurred during 2019, policy making has continued with its traditional thoughtful, measured, and fair regulatory approach.

In 2019, Chair Beth Ann Blackwood and Members Alan Waldrop and David Appleby concluded their quality service to the agency and Texas. Their responsibilities were assumed by Messrs. Kenny Konkaba and Robert Belt and Ms. Melissa Tyroch. Mr. E. Wally Kinney was reappointed by Governor Abbott and undertook agency responsibilities as its Chair.

**IV. Significant Changes in Service Delivery**

The SSB gratefully reports no substantive changes to its performance of statutory responsibilities. Day-to-day operations have however been pliable in response to the unique times 2020 has presented as described in sections I. Agency Overview and V. COVID-19.

**V. COVID-19**

**Initial Response**

The agency monitored and assessed the COVID-19 pandemic beginning in the early stages of the outbreak – January 2020. The agency has relied on resources and information provided by Governor Abbott's Office, the Texas Department of State Health Services, the Centers for Disease Control and Prevention, the Texas Department of Emergency Management, and the Texas Department of Public Safety, among other resources.

With Governor Abbott's pandemic disaster declaration on Friday, March 13, 2020, the agency finalized its COVID-19 – Agency Assessment, Response & Mitigation Efforts – March 13, 2020 Report which became effective on March 16, 2020.

As of COB March 17, 2020, the State Securities Board was effectively operating at a 'skeleton' staffing level in Austin with a near-maximum telework footing across agency functions and responsibilities. The agency's initial focus was on risk mitigation for team members falling into 'high risk' categories. This focus changed during the evening of March 16th based upon new information received from external state offices.

All agency offices were closed to the public March 16, 2020. The Houston and Dallas field offices were closed and transitioned to remote work arrangements on March 16th and 17th, respectively.

**Pandemic Impact on Agency Duties and Responsibilities**

All agency clients and stakeholders have been served with minimal disruption and the agency continued efforts to provide resources and accommodations to financial industry participants and Texas investors. While the pandemic has changed how certain agency programs and responsibilities are delivered, it has not hurt the performance of these duties or required a reallocation of agency resources or funding.

**On-Site Staffing Levels**

Agency on-site staffing levels have varied during the course of the pandemic. After the initial transition to remote work arrangements, the agency was operating with a daily Austin, on-site presence of +/-10% and approximately 90+% remote staffing levels agency-wide. Over the past months the Austin office has seen on-site staff

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percentages of approximately 20-35%.

**Workload**

While the agencies deposits to General Revenue during the pandemic are fairly described as elevated and its fiscal 2020 GR deposits reached a high-water mark as compared to fiscal 2016 to present, the agency's law enforcement program workload similarly outpaced performance measures with a marked increase.

From March 2020 to September 11, 2020, the law enforcement programs' administrative output has been unprecedented. The agency has entered 27 administrative orders across programs, many to deter fraudulent conduct and schemes. Even while criminal courts have been largely shuttered during the pandemic, the law enforcement program's criminal work continued with an indictment, two arrests and a 25-year, state prison sentence.

Economic uncertainty and market losses have made many investors more susceptible to bad actors and their nefarious schemes.

**VI. Other Significant Externalities**

A continued increase in long-term customer demands for the State Securities Board's services are expected, driven by the strength of the Texas economy and population and the increasing public participation in the securities markets to help meet personal savings, retirement, or other financial goals.

Governor Abbott and the 85th Legislature enacted important legislation establishing Section 45 of the Securities Act, effective September 1, 2017, designed to enhance protections for vulnerable victims. It was widely supported by industry stakeholders and their regulatory counterparts. Implementing this legislation has, however, strained agency resources in unanticipated ways. The number of reports submitted in 2018 – 128; 2019 – 212; 2020 – 332.

Fraudulent securitized cryptocurrency schemes promoted to the Texas investing public emerged in significant fashion during fiscal 2018 and required a heightened re-direction of the agency's limited resources towards this new threat to Texas investors. This threat has been re-invigorated by the economic disruption arising from the pandemic and other economic circumstances. The convergence of this illegal market and the successful implementation of vulnerable victim reporting requirements have taxed agency resources.

**VII. New Funding Requested**

The agency absorbed the 5% adjustment to Fiscal 2020/2021 appropriations. Given the economic disruption arising from the pandemic and fluctuations in the energy sector, the agency has been reticent to request additional funding.

The agency appreciates Governor Abbott and the 86th Legislature's work in taking meaningful steps towards improving the agency's budgetary posture by appropriating much needed increases. The SSB also understands the 87th Legislative Session requires 'all hands-on deck.'

The agency respectfully submits the following exceptional item requests:

Item No.1 – Recover of 40% of its 5% reduction for the upcoming biennium. This amount represents a portion of the agency's resources dedicated to its law enforcement program. \$310,802 for the biennium.

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Item No. 2 – Funding to support an additional FTE for the General Counsel Office which provides support across agency programs . The position will provide much needed resources for completing public information requests which have been increasingly burdensome and abusive to staff and taxpayer funds . The position would also enable the agency to transition as institutional knowledge departs the agency by retirement. \$87,975 per year.

Item No. 3 – Contingent funding for lump sum payments as employees separate from the agency. ~\$282,000 for the biennium.

**VIII. SSB Approach towards 5% Budget Reduction**

On the evening of May 20, 2020, our CFO and commissioner penciled a plan to meet the 5% reduction to avoid adverse impact to staffing levels and agency performance of responsibilities across programs. The plan was formalized and submitted to the LBB and Governor Abbott’s office on June 12, 2020.

The SSB has avoided non-specific, across-the-board reductions and instead relied upon targeted taxpayer savings derived from a freeze on hiring; travel reductions, including a prohibition on non-essential travel; and careful reconsideration of capital expenditures.

**5% Reduction per GAA, 86th Legislature**

FY20 Appropriations	\$7,742,826.00
FY21 Appropriations	\$7,797,290.00
Total Biennial Appropriation	\$15,540,116.00
5% of Total	\$777,005.80

**SSB Funds to Reduce Appropriations by 5%:**

- FY20 Spending Reduction Efforts (employee attrition, travel reductions, etc.) - \$288,509.00
- Rider 2 Remaining in FY20 - \$112,450.00
- Rider 2 FY21 - \$125,214.00
- Cybersecurity Excep. Item Remaining FY20 - \$79,000.00
- Cybersecurity Excep. Item Remaining FY21 - \$22,000.00
- Open Positions (GC & Atty) FY20 - \$34,333.00
- Open Positions (GC & Atty) FY21 - \$115,500.00
- Total - \$777,006.00

The foregoing reduction proposal does not adversely affect the SSB’s budget strategies or FTE cap for the current biennium . The agency will incur no loss of federal funds due to the proposed reductions. Revenue for deposit to GR will not be reduced because of the SSB reduction proposal, however, general financial industry market conditions outside the proposal and beyond agency control may affect GR deposits going forward . It can be noted the SSB has exceeded GAA revenue expectations and CPA revenue estimates for fiscal 2020. The SSB’s goal is to absorb the appropriation reduction with no changes to the agency’s key performance measures and indicators .

**IX. Administrator Statement Miscellanea Items**

Exempt Position

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The agency's schedule of exempt positions: Securities Commissioner, Group 5. The State Auditor's Office recently released its report on executive compensation at state agencies. The report found the market average for this position to be \$172,087 and recommended a salary range of \$122,500 - \$197,415. The Securities Commissioner is currently compensated at \$162,491. While not requesting additional funding, it is requested consideration be given to increasing allowable compensation in line with the SAO report.

#### Background Checks

Under the authority of the Texas Government Code, Section 411.139, the State Securities Board is entitled to obtain criminal history record information to evaluate the qualifications of applicants for registration under the Texas Securities Act, evaluate the conduct of persons registered under the Texas Securities Act, and evaluate the qualifications of applicants for employment.

The agency obtains such information directly from the Texas Department of Public Safety (DPS) through a secure DPS website using usernames and passwords allocated by DPS. Access is restricted to certain employees within the agency having specific job duties related to evaluating application and registration information. Information obtained under this procedure is protected from disclosure to unauthorized personnel or to the public under state law.

Pursuant to changes to Chapter 53, Texas Occupations Code (Consequences of Criminal Conviction) agency rules were amended and a link was placed on the agency's website for the SAO Applicant Best Practices Guide.

#### Statewide ERP (CAPPS) System

The Comptroller of Public Accounts identified the State Securities Board as an agency that will transition to the Centralized Accounting and Payroll/Personnel System (CAPPS) and the agency did so beginning September 1, 2018. The agency intends to absorb costs associated with this CAPPS conversion and requests no additional appropriations

#### X. Coda

The SSB appreciates the time, consideration, and service of state leadership during these unprecedented, extraordinary and interesting times and remains committed to serving our Texas investors, businesses and registered financial professionals. We share leadership's optimism the Texas economy will recover and continue leading the nation.

For additional information:

Travis J. Iles  
Securities Commissioner  
512-305-8341  
tiles@ssb.texas.gov

Derek Lauterjung  
Director, Staff Services, CFO  
512-305- 8321  
dlauterjung@ssb.texas.gov

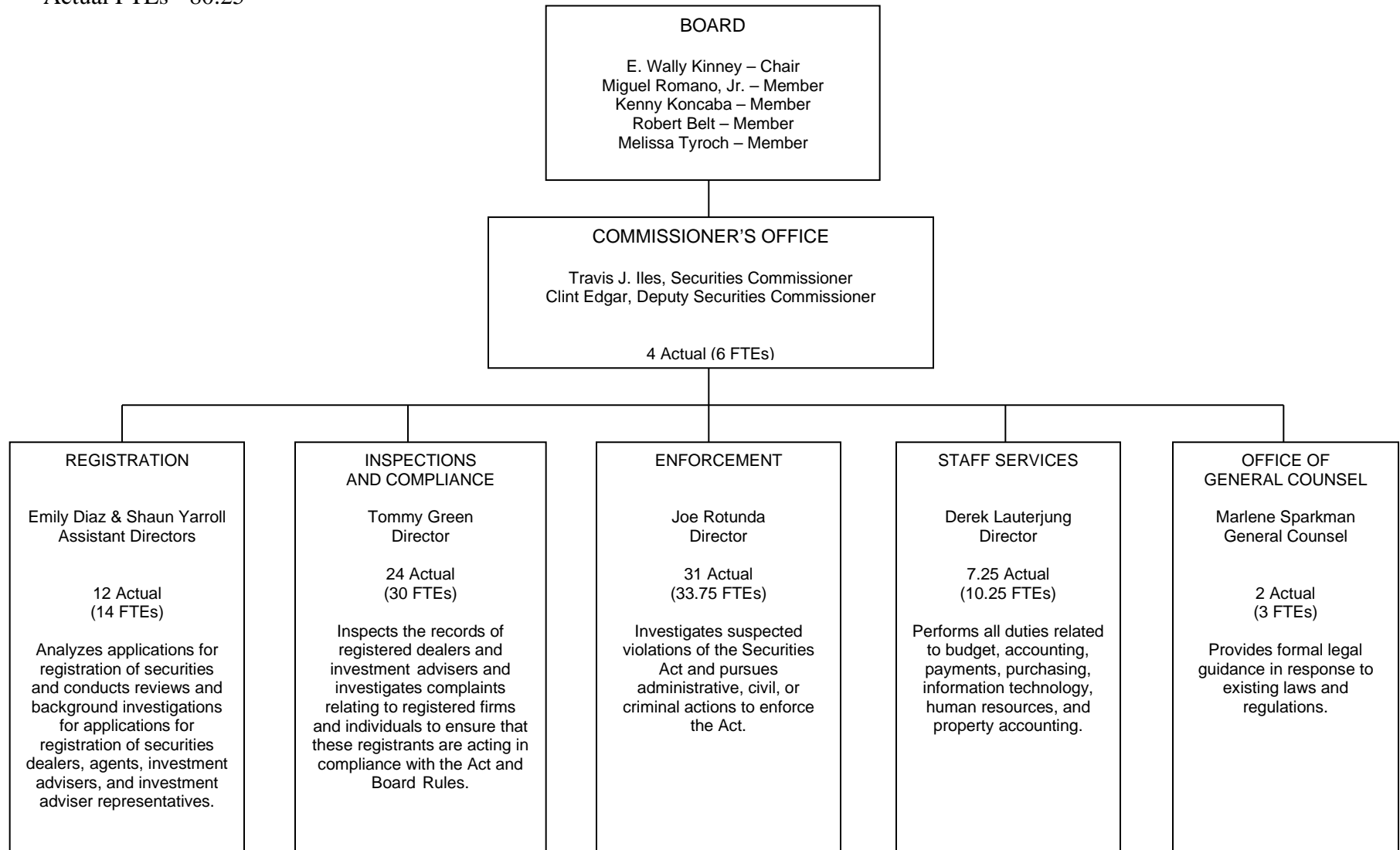
# State Securities Board

## Organizational Chart

*As of September 1, 2020*

Appropriated FTEs – 97

Actual FTEs - 80.25





Agency Name State Securities Board

This is to certify that the information contained in the agency Legislative Appropriation Request filed with the Legislative Budget Board (LBB) and the Governor's Office Budget Division (Governor's Office) is accurate to the best of my knowledge and that the electronic submission to the LBB via the Automated Budget and Evaluation System of Texas (ABEST) and the PDF file submitted via the LBB Document Submission application are identical.

Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the Governor's Office will be notified in writing in accordance with Article IX, Section 7.01 (2020-21 GAA).

**Chief Executive Officer or Presiding Judge**

Signature



Travis J. Iles

Printed Name

Securities Commissioner

Title

9-9-2020

Date

**Board or Commission Chair**

Signature



E. Wally Kinney

Printed Name

Chair of the State Securities Board

Title

9-10-20

Date

**Chief Financial Officer**

Signature



Derek Lauterjung

Printed Name

Director of Staff Services / CFO

Title

9/9/2020

Date



**Budget Overview - Biennial Amounts**  
**87th Regular Session, Agency Submission, Version 1**  
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Appropriation Years: 2022-23											
	GENERAL REVENUE FUNDS		GR DEDICATED		FEDERAL FUNDS		OTHER FUNDS		ALL FUNDS		EXCEPTIONAL ITEM FUNDS
	2020-21	2022-23	2020-21	2022-23	2020-21	2022-23	2020-21	2022-23	2020-21	2022-23	2022-23
<b>Goal: 1. Protect Investors and Assure</b>											
<b>Access to Capital for Business</b>											
1.1.1. Law Enforcement	5,772,179	5,876,157							5,772,179	5,876,157	460,605
1.2.1. Securities Registration	798,549	836,890					1,070		799,619	836,890	
1.3.1. Dealer Registration	895,933	820,320							895,933	820,320	
1.4.1. Inspect Records	3,919,008	3,799,124							3,919,008	3,799,124	116,083
<b>Total, Goal</b>	<b>11,385,669</b>	<b>11,332,491</b>					<b>1,070</b>		<b>11,386,739</b>	<b>11,332,491</b>	<b>576,688</b>
<b>Goal: 2. Indirect Administration</b>											
2.1.1. Central Administration	2,809,980	2,875,260					24		2,810,004	2,875,260	321,898
2.1.2. Information Technology	567,462	555,360							567,462	555,360	68,732
<b>Total, Goal</b>	<b>3,377,442</b>	<b>3,430,620</b>					<b>24</b>		<b>3,377,466</b>	<b>3,430,620</b>	<b>390,630</b>
<b>Total, Agency</b>	<b>14,763,111</b>	<b>14,763,111</b>					<b>1,094</b>		<b>14,764,205</b>	<b>14,763,111</b>	<b>967,318</b>
<b>Total FTEs</b>									<b>86.5</b>	<b>97.0</b>	<b>1.0</b>



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<b>Goal / Objective / STRATEGY</b>	<b>Exp 2019</b>	<b>Est 2020</b>	<b>Bud 2021</b>	<b>Req 2022</b>	<b>Req 2023</b>
<b>1</b> <u>Protect Investors and Assure Access to Capital for Business</u>					
<b>1</b> <u>Bring Law Enforcement Actions Against Violators</u>					
<b>1 LAW ENFORCEMENT</b>	2,677,468	2,833,294	2,938,885	2,938,078	2,938,079
<b>2</b> <u>Guarantee Registered Securities Offerings Are Fair to Investors</u>					
<b>1 SECURITIES REGISTRATION</b>	372,689	386,606	413,013	418,445	418,445
<b>3</b> <u>Guarantee That Persons Registered or Authorized are Qualified</u>					
<b>1 DEALER REGISTRATION</b>	369,229	435,175	460,758	410,160	410,160
<b>4</b> <u>Inspect Registered Dealers and Investment Advisers</u>					
<b>1 INSPECT RECORDS</b>	1,752,753	1,926,557	1,992,451	1,899,562	1,899,562
<b>TOTAL, GOAL 1</b>	<b>\$5,172,139</b>	<b>\$5,581,632</b>	<b>\$5,805,107</b>	<b>\$5,666,245</b>	<b>\$5,666,246</b>
<b>2</b> <u>Indirect Administration</u>					
<b>1</b> <u>Indirect Administration</u>					
<b>1 CENTRAL ADMINISTRATION</b>	1,297,307	1,336,829	1,473,175	1,437,630	1,437,630

**2.A. Summary of Base Request by Strategy**

10/22/2020 11:33:54AM

87th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

<b>312 Securities Board</b>					
<b>Goal / Objective / STRATEGY</b>	<b>Exp 2019</b>	<b>Est 2020</b>	<b>Bud 2021</b>	<b>Req 2022</b>	<b>Req 2023</b>
<b>2 INFORMATION TECHNOLOGY</b>	291,788	278,853	288,609	277,680	277,680
<b>TOTAL, GOAL 2</b>	<b>\$1,589,095</b>	<b>\$1,615,682</b>	<b>\$1,761,784</b>	<b>\$1,715,310</b>	<b>\$1,715,310</b>
<b>TOTAL, AGENCY STRATEGY REQUEST</b>	<b>\$6,761,234</b>	<b>\$7,197,314</b>	<b>\$7,566,891</b>	<b>\$7,381,555</b>	<b>\$7,381,556</b>
<b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*</b>				<b>\$0</b>	<b>\$0</b>
<b>GRAND TOTAL, AGENCY REQUEST</b>	<b>\$6,761,234</b>	<b>\$7,197,314</b>	<b>\$7,566,891</b>	<b>\$7,381,555</b>	<b>\$7,381,556</b>
<b>METHOD OF FINANCING:</b>					
<b>General Revenue Funds:</b>					
1 General Revenue Fund	6,761,116	7,196,220	7,566,891	7,381,555	7,381,556
<b>SUBTOTAL</b>	<b>\$6,761,116</b>	<b>\$7,196,220</b>	<b>\$7,566,891</b>	<b>\$7,381,555</b>	<b>\$7,381,556</b>
<b>Other Funds:</b>					
666 Appropriated Receipts	118	1,094	0	0	0
<b>SUBTOTAL</b>	<b>\$118</b>	<b>\$1,094</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$6,761,234</b>	<b>\$7,197,314</b>	<b>\$7,566,891</b>	<b>\$7,381,555</b>	<b>\$7,381,556</b>

\*Rider appropriations for the historical years are included in the strategy amounts.

**2.B. Summary of Base Request by Method of Finance**

10/22/2020 11:33:54AM

87th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: **312** Agency name: **Securities Board**

METHOD OF FINANCING	Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
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**GENERAL REVENUE**

**1** General Revenue Fund

*REGULAR APPROPRIATIONS*

Regular Appropriations from MOF Table (2018-19 GAA)

\$7,014,451	\$0	\$0	\$0	\$0
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Regular Appropriations from MOF Table (2020-21 GAA)

\$0	\$7,742,826	\$7,797,290	\$0	\$0
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2022-23 BL Request

\$0	\$0	\$0	\$7,381,555	\$7,381,556
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*LAPSED APPROPRIATIONS*

Regular Appropriations from MOF Table (2018-19 GAA)

\$(253,335)	\$0	\$0	\$0	\$0
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**Comments:** This lapse number is greater than the lapse number shown in the most recent Operating Budget because additional funds were lapsed subsequent to the completion of the Operating Budget dated December 1, 2019. All FY19 Agency strategy appropriations are now at zero. This lapse amount accumulated primarily due to the loss of 12 staff members in FY19. Salary dollars accrued as the positions were vacant during the hiring process. In addition, many positions were filled at starting salaries below those of the experienced staff members that left the Agency.

**2.B. Summary of Base Request by Method of Finance**

10/22/2020 11:33:54AM

87th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code:	<b>312</b>	Agency name:	<b>Securities Board</b>			
METHOD OF FINANCING		Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
<b><u>GENERAL REVENUE</u></b>						
Regular Appropriations from MOF Table (2020-21 GAA)		\$0	\$(191,029)	\$(6,466)	\$0	\$0
<b>Comments:</b> 5% Reduction Item #1 - Expense reduction efforts.						
Regular Appropriations from MOF Table (2020-21 GAA)		\$0	\$(92,450)	\$(125,214)	\$0	\$0
<b>Comments:</b> 5% Reduction Item #2 - Return of Rider 2 funds.						
Regular Appropriations from MOF Table (2020-21 GAA)		\$0	\$(151,648)	\$(17,375)	\$0	\$0
<b>Comments:</b> 5% Reduction Item #3 - Unused cybersecurity exceptional item funding. This amount accumulated due to the vendor's very long implementation process.						
Regular Appropriations from MOF Table (2020-21 GAA)		\$0	\$(111,479)	\$(81,344)	\$0	\$0
<b>Comments:</b> 5% Reduction Item #4 - Hiring freeze.						
<b>TOTAL,</b>	<b>General Revenue Fund</b>	<b>\$6,761,116</b>	<b>\$7,196,220</b>	<b>\$7,566,891</b>	<b>\$7,381,555</b>	<b>\$7,381,556</b>

**2.B. Summary of Base Request by Method of Finance**

10/22/2020 11:33:54AM

87th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 312		Agency name: Securities Board				
METHOD OF FINANCING		Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
TOTAL, ALL GENERAL REVENUE		\$6,761,116	\$7,196,220	\$7,566,891	\$7,381,555	\$7,381,556
<u>OTHER FUNDS</u>						
<u>666</u> Appropriated Receipts						
RIDER APPROPRIATION						
Art IX, Sec 12.02, Publications or Sales of Records (2018-19 GAA)						
		\$118	\$0	\$0	\$0	\$0
Art IX, Sec 12.02, Publications or Sales of Records (2020-21 GAA)						
		\$0	\$1,094	\$0	\$0	\$0
Comments: The appropriated receipts shown for FY20 differ from the amount in the Operating Budget dated December 1st, 2019 because they are generated by tasks requested by members of the public without prior Agency knowledge. These are cost recovery amounts that are unpredictable in nature.						
TOTAL, Appropriated Receipts		\$118	\$1,094	\$0	\$0	\$0
TOTAL, ALL OTHER FUNDS		\$118	\$1,094	\$0	\$0	\$0
GRAND TOTAL		\$6,761,234	\$7,197,314	\$7,566,891	\$7,381,555	\$7,381,556

2.B. Summary of Base Request by Method of Finance

10/22/2020 11:33:54AM

87th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code:	312	Agency name:	Securities Board			
METHOD OF FINANCING	Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023	
FULL-TIME-EQUIVALENT POSITIONS						
REGULAR APPROPRIATIONS						
Regular Appropriations from MOF Table (2018-19 GAA)	97.0	0.0	0.0	0.0	0.0	
Regular Appropriations from MOF Table (2020-21 GAA)	0.0	97.0	97.0	0.0	0.0	
<b>Comments:</b> The Agency's budget will not support salaries for 97 FTE's in FY20-21. The exact number of expected FTE's in FY20-21 is not yet determined. It is expected that the Agency will have budget to fill between 80 and 85 FTE's.						
2022-23 BL Request	0.0	0.0	0.0	97.0	97.0	
LAPSED APPROPRIATIONS						
Regular Appropriations from MOF Table (2018-19 GAA)	(12.7)	0.0	0.0	0.0	0.0	
<b>Comments:</b> The Agency has adopted a strategy of increasing staff salaries to address problems with high turnover rates in certain positions. Setting salaries at these levels, which still remain below commonly accepted market level salaries, creates a situation where the Agency's budget will not support full staffing at 97 FTE's. In addition, the fact that FTE counts frequently occur at times when multiple positions are in the process of being filled leads to an average FTE count below the maximum 97 FTE's.						
Regular Appropriations from MOF Table (2020-21 GAA)	0.0	(10.5)	(10.5)	0.0	0.0	
<b>Comments:</b> This lapse represents the number of FTE's below the agency's allowed maximum that the agency cannot fill due to an imbalance between market level salaries and agency funding.						

**2.B. Summary of Base Request by Method of Finance**

10/22/2020 11:33:54AM

87th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: **312**Agency name: **Securities Board**

METHOD OF FINANCING	Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
<b>TOTAL, ADJUSTED FTES</b>	<b>84.3</b>	<b>86.5</b>	<b>86.5</b>	<b>97.0</b>	<b>97.0</b>

**NUMBER OF 100% FEDERALLY FUNDED  
FTEs**

**2.C. Summary of Base Request by Object of Expense**

10/22/2020 11:33:54AM

87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

<b>312 Securities Board</b>					
<b>OBJECT OF EXPENSE</b>	<b>Exp 2019</b>	<b>Est 2020</b>	<b>Bud 2021</b>	<b>BL 2022</b>	<b>BL 2023</b>
1001 SALARIES AND WAGES	\$5,586,440	\$6,013,091	\$6,024,189	\$6,027,590	\$6,027,590
1002 OTHER PERSONNEL COSTS	\$353,106	\$404,379	\$476,857	\$391,876	\$391,876
2001 PROFESSIONAL FEES AND SERVICES	\$66,855	\$74,975	\$239,532	\$239,532	\$239,532
2003 CONSUMABLE SUPPLIES	\$24,388	\$15,729	\$25,300	\$25,300	\$25,300
2004 UTILITIES	\$37,914	\$40,491	\$46,000	\$46,000	\$46,000
2005 TRAVEL	\$122,184	\$58,636	\$29,800	\$43,800	\$43,800
2006 RENT - BUILDING	\$146,711	\$149,677	\$152,806	\$152,806	\$152,806
2007 RENT - MACHINE AND OTHER	\$22,913	\$22,817	\$24,400	\$24,400	\$24,400
2009 OTHER OPERATING EXPENSE	\$396,371	\$417,519	\$548,007	\$430,251	\$430,252
5000 CAPITAL EXPENDITURES	\$4,352	\$0	\$0	\$0	\$0
<b>OOE Total (Excluding Riders)</b>	<b>\$6,761,234</b>	<b>\$7,197,314</b>	<b>\$7,566,891</b>	<b>\$7,381,555</b>	<b>\$7,381,556</b>
<b>OOE Total (Riders)</b>					
<b>Grand Total</b>	<b>\$6,761,234</b>	<b>\$7,197,314</b>	<b>\$7,566,891</b>	<b>\$7,381,555</b>	<b>\$7,381,556</b>



**2.D. Summary of Base Request Objective Outcomes**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas (ABEST)

10/22/2020 11:33:55AM

<b>312 Securities Board</b>					
<b>Goal/ Objective / Outcome</b>	<b>Exp 2019</b>	<b>Est 2020</b>	<b>Bud 2021</b>	<b>BL 2022</b>	<b>BL 2023</b>
1 Protect Investors and Assure Access to Capital for Business					
1 Bring Law Enforcement Actions Against Violators					
1 Number of Law Enforcement Actions Taken					
	1,309.00	1,350.00	1,145.00	1,145.00	1,145.00
2 Dollar Amount Involved in Law Enforcement Actions					
	3,869,777.05	35,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00
3 Percentage of Law Enforcement Actions Successful					
	100.00%	100.00%	100.00%	100.00%	100.00%
2 Guarantee Registered Securities Offerings Are Fair to Investors					
1 Average Time (Days) for Deficiency Letters Issuance on Securities Apps					
	6.68	5.00	7.00	7.00	7.00
3 Guarantee That Persons Registered or Authorized are Qualified					
1 Average Time (Days) for Def. Letters on Dealer & Invest. Adviser Apps					
	5.70	6.00	14.00	14.00	14.00
4 Inspect Registered Dealers and Investment Advisers					
KEY      1 Percentage of Texas Dealers and Investment Advisers Inspected					
	21.22%	20.00%	18.00%	18.00%	18.00%
KEY      2 % of Inspected Dealers/Investment Advisers Requiring Corrective Action					
	85.71%	84.00%	80.00%	80.00%	80.00%

**2.E. Summary of Exceptional Items Request**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/22/2020  
TIME : 11:33:55AM

Agency code: 312

Agency name: **Securities Board**

		2022			2023			Biennium	
Priority	Item	GR and GR/GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds
1	Recover law enforcement reduction	\$155,401	\$155,401	0.0	\$155,401	\$155,401	0.0	\$310,802	\$310,802
2	Add General Counsel staff member	\$87,975	\$87,975	1.0	\$87,975	\$87,975	1.0	\$175,950	\$175,950
3	Contingency-lump sum term payments	\$198,591	\$198,591	0.0	\$281,975	\$281,975	0.0	\$480,566	\$480,566
Total, Exceptional Items Request		\$441,967	\$441,967	1.0	\$525,351	\$525,351	1.0	\$967,318	\$967,318
Method of Financing									
	General Revenue	\$441,967	\$441,967		\$525,351	\$525,351		\$967,318	\$967,318
	General Revenue - Dedicated								
	Federal Funds								
	Other Funds								
		\$441,967	\$441,967		\$525,351	\$525,351		\$967,318	\$967,318
Full Time Equivalent Positions				1.0				1.0	
Number of 100% Federally Funded FTEs									

**2.F. Summary of Total Request by Strategy**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE : 10/22/2020  
TIME : 11:33:55AM

Agency code: 312	Agency name: Securities Board					
Goal/Objective/STRATEGY	Base 2022	Base 2023	Exceptional 2022	Exceptional 2023	Total Request 2022	Total Request 2023
<b>1</b> Protect Investors and Assure Access to Capital for Business						
<b>1</b> <i>Bring Law Enforcement Actions Against Violators</i>						
<b>1</b> LAW ENFORCEMENT	\$2,938,078	\$2,938,079	\$215,980	\$244,625	\$3,154,058	\$3,182,704
<b>2</b> <i>Guarantee Registered Securities Offerings Are Fair to Investors</i>						
<b>1</b> SECURITIES REGISTRATION	418,445	418,445	0	0	418,445	418,445
<b>3</b> <i>Guarantee That Persons Registered or Authorized are Qualified</i>						
<b>1</b> DEALER REGISTRATION	410,160	410,160	0	0	410,160	410,160
<b>4</b> <i>Inspect Registered Dealers and Investment Advisers</i>						
<b>1</b> INSPECT RECORDS	1,899,562	1,899,562	30,672	85,411	1,930,234	1,984,973
<b>TOTAL, GOAL 1</b>	<b>\$5,666,245</b>	<b>\$5,666,246</b>	<b>\$246,652</b>	<b>\$330,036</b>	<b>\$5,912,897</b>	<b>\$5,996,282</b>

**2.F. Summary of Total Request by Strategy**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE : 10/22/2020  
TIME : 11:33:55AM

Agency code: 312	Agency name: Securities Board					
Goal/Objective/STRATEGY	Base 2022	Base 2023	Exceptional 2022	Exceptional 2023	Total Request 2022	Total Request 2023
2 Indirect Administration						
1 Indirect Administration						
1 CENTRAL ADMINISTRATION	\$1,437,630	\$1,437,630	\$160,949	\$160,949	\$1,598,579	\$1,598,579
2 INFORMATION TECHNOLOGY	277,680	277,680	34,366	34,366	312,046	312,046
TOTAL, GOAL 2	\$1,715,310	\$1,715,310	\$195,315	\$195,315	\$1,910,625	\$1,910,625
TOTAL, AGENCY STRATEGY REQUEST	\$7,381,555	\$7,381,556	\$441,967	\$525,351	\$7,823,522	\$7,906,907
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST						
GRAND TOTAL, AGENCY REQUEST	\$7,381,555	\$7,381,556	\$441,967	\$525,351	\$7,823,522	\$7,906,907

**2.F. Summary of Total Request by Strategy**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE : 10/22/2020  
TIME : 11:33:55AM

Agency code: 312		Agency name: Securities Board					
Goal/Objective/STRATEGY		Base 2022	Base 2023	Exceptional 2022	Exceptional 2023	Total Request 2022	Total Request 2023
General Revenue Funds:							
1	General Revenue Fund	\$7,381,555	\$7,381,556	\$441,967	\$525,351	\$7,823,522	\$7,906,907
		\$7,381,555	\$7,381,556	\$441,967	\$525,351	\$7,823,522	\$7,906,907
Other Funds:							
666	Appropriated Receipts	0	0	0	0	0	0
		\$0	\$0	\$0	\$0	\$0	\$0
TOTAL, METHOD OF FINANCING		\$7,381,555	\$7,381,556	\$441,967	\$525,351	\$7,823,522	\$7,906,907
FULL TIME EQUIVALENT POSITIONS		97.0	97.0	1.0	1.0	98.0	98.0

**2.G. Summary of Total Request Objective Outcomes**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas (ABEST)

Date : 10/22/2020

Time: 11:33:55AM

Agency code: **312** Agency name: **Securities Board**

Goal/ Objective / Outcome

		<b>BL 2022</b>	<b>BL 2023</b>	<b>Excp 2022</b>	<b>Excp 2023</b>	<b>Total Request 2022</b>	<b>Total Request 2023</b>
1	Protect Investors and Assure Access to Capital for Business						
1	Bring Law Enforcement Actions Against Violators						
	<b>1 Number of Law Enforcement Actions Taken</b>						
		1,145.00	1,145.00	1,145.00	1,145.00	1,145.00	1,145.00
	<b>2 Dollar Amount Involved in Law Enforcement Actions</b>						
		50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00
	<b>3 Percentage of Law Enforcement Actions Successful</b>						
		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2	Guarantee Registered Securities Offerings Are Fair to Investors						
	<b>1 Average Time (Days) for Deficiency Letters Issuance on Securities Apps</b>						
		7.00	7.00	7.00	7.00	7.00	7.00
3	Guarantee That Persons Registered or Authorized are Qualified						
	<b>1 Average Time (Days) for Def. Letters on Dealer &amp; Invest. Adviser Apps</b>						
		14.00	14.00	14.00	14.00	14.00	14.00
4	Inspect Registered Dealers and Investment Advisers						
KEY	<b>1 Percentage of Texas Dealers and Investment Advisers Inspected</b>						
		18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
KEY	<b>2 % of Inspected Dealers/Investment Advisers Requiring Corrective Action</b>						
		80.00%	80.00%	80.00%	80.00%	80.00%	80.00%

**312 Securities Board**

GOAL:	1	Protect Investors and Assure Access to Capital for Business	
OBJECTIVE:	1	Bring Law Enforcement Actions Against Violators	Service Categories:
STRATEGY:	1	Investigate Violations, Coordinate Appropriate Action by Authorities	Service: 16      Income: A.2      Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
<b>Output Measures:</b>						
KEY 1	Number of Investigations Opened	412.00	462.00	376.00	376.00	376.00
2	Number of Criminal and Civil Referrals	14.00	12.00	12.00	12.00	12.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$2,106,091	\$2,347,758	\$2,343,600	\$2,343,690	\$2,343,690
1002	OTHER PERSONNEL COSTS	\$167,032	\$103,981	\$174,346	\$145,057	\$145,057
2001	PROFESSIONAL FEES AND SERVICES	\$26,020	\$30,311	\$96,362	\$96,362	\$96,362
2003	CONSUMABLE SUPPLIES	\$8,494	\$5,931	\$8,500	\$8,500	\$8,500
2004	UTILITIES	\$21,103	\$21,340	\$25,000	\$25,000	\$25,000
2005	TRAVEL	\$54,324	\$37,827	\$10,800	\$20,800	\$20,800
2006	RENT - BUILDING	\$82,784	\$84,105	\$84,046	\$84,046	\$84,046
2007	RENT - MACHINE AND OTHER	\$9,311	\$9,205	\$10,000	\$10,000	\$10,000
2009	OTHER OPERATING EXPENSE	\$200,612	\$192,836	\$186,231	\$204,623	\$204,624
5000	CAPITAL EXPENDITURES	\$1,697	\$0	\$0	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$2,677,468</b>	<b>\$2,833,294</b>	<b>\$2,938,885</b>	<b>\$2,938,078</b>	<b>\$2,938,079</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$2,677,468	\$2,833,294	\$2,938,885	\$2,938,078	\$2,938,079

**312 Securities Board**

GOAL:	1	Protect Investors and Assure Access to Capital for Business	
OBJECTIVE:	1	Bring Law Enforcement Actions Against Violators	Service Categories:
STRATEGY:	1	Investigate Violations, Coordinate Appropriate Action by Authorities	Service: 16      Income: A.2      Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$2,677,468	\$2,833,294	\$2,938,885	\$2,938,078	\$2,938,079
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$2,938,078	\$2,938,079
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$2,677,468	\$2,833,294	\$2,938,885	\$2,938,078	\$2,938,079
FULL TIME EQUIVALENT POSITIONS:		31.5	31.5	31.5	33.7	33.7

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The Securities Commissioner is required by Tex. Rev. Civ. Stat. Ann. art. 581-3 to ensure that the provisions of the Securities Act are at all times obeyed and to take such measures and to make such investigations as will prevent or detect any violation of the Act. The Agency seeks to maximize its effectiveness by maintaining information-sharing procedures and close coordination of activities between enforcement investigators, securities analysts, registration examiners, and inspections and compliance personnel within the Agency as well as with other local, state, and federal regulatory and law enforcement agencies. The Agency aggressively investigates suspected violations of the Act and promptly pursues appropriate civil, criminal, or administrative action against business entities or individuals found to have violated any provision of the Act. Coordinated, efficient and effective enforcement of the Act is an integral part of a system that protects Texas investors, promotes investor confidence in the securities markets and Texas businesses, and encourages capital formation.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**



**312 Securities Board**

GOAL: 1 Protect Investors and Assure Access to Capital for Business

OBJECTIVE: 1 Bring Law Enforcement Actions Against Violators Service Categories:

STRATEGY: 1 Investigate Violations, Coordinate Appropriate Action by Authorities Service: 16 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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The public continues to be solicited to invest in securities offerings through the Internet. The instant and world-wide reach of this medium, with few barriers to entry, has led to its common use by promoters of fraudulent investment schemes. These developments have required the Agency to become proficient in monitoring public solicitation in order to act quickly to stop offerings made in violation of the Act. Because much of the evidence in modern white collar crimes resides on computers and other electronic storage devices, the Agency has also been required to maintain up-to-date equipment, software, and methodologies to effectively obtain and analyze this information. Recent federal legislative changes have lowered the regulatory standards associated with what has traditionally been referred to as "private offerings", and new laws and regulations may further reduce the regulatory standards associated with offerings made to the public. Unscrupulous parties that typically ignore securities statutes and regulations are able to use boiler rooms, telemarketing firms, free lunch seminars, and other means of public solicitation to broadly recruit greater numbers of victims under the color of law. Funding and other limitations that impair the ability of the Agency to hire, support, and retain qualified employees present potential obstacles to achieving the strategy's objective.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL CHANGE</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
<u>Base Spending (Est 2020 + Bud 2021)</u>	<u>Baseline Request (BL 2022 + BL 2023)</u>		<u>\$ Amount</u>	<u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>
\$5,772,179	\$5,876,157	\$103,978	\$103,978	Employee turnover and a large reduction in travel expenses decreased expenses in FY20. The funds made available were contributed to the 5% reduction requirement for FY20-21.
			<b>\$103,978</b>	<b>Total of Explanation of Biennial Change</b>

**312 Securities Board**

GOAL: 1 Protect Investors and Assure Access to Capital for Business

OBJECTIVE: 2 Guarantee Registered Securities Offerings Are Fair to Investors

Service Categories:

STRATEGY: 1 Review Security Documentation for Conformity

Service: 16

Income: A.2

Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
<b>Output Measures:</b>						
KEY 1	Number of Securities Filings and Submissions Processed	64,754.00	63,496.00	52,200.00	52,200.00	52,200.00
<b>Explanatory/Input Measures:</b>						
KEY 1	Revenues Deposited to the State Treasury from Securities Applications	154,409,358.23	168,421,581.00	115,000,000.00	115,000,000.00	115,000,000.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$329,078	\$330,122	\$332,940	\$339,990	\$339,990
1002	OTHER PERSONNEL COSTS	\$15,800	\$30,880	\$36,992	\$36,573	\$36,573
2001	PROFESSIONAL FEES AND SERVICES	\$3,924	\$4,011	\$14,829	\$14,829	\$14,829
2003	CONSUMABLE SUPPLIES	\$1,752	\$1,324	\$2,000	\$2,000	\$2,000
2004	UTILITIES	\$157	\$328	\$500	\$500	\$500
2005	TRAVEL	\$4,870	\$30	\$2,000	\$3,000	\$3,000
2006	RENT - BUILDING	\$2,123	\$2,245	\$3,000	\$3,000	\$3,000
2007	RENT - MACHINE AND OTHER	\$1,366	\$991	\$1,200	\$1,200	\$1,200
2009	OTHER OPERATING EXPENSE	\$13,358	\$16,675	\$19,552	\$17,353	\$17,353
5000	CAPITAL EXPENDITURES	\$261	\$0	\$0	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$372,689</b>	<b>\$386,606</b>	<b>\$413,013</b>	<b>\$418,445</b>	<b>\$418,445</b>

**312 Securities Board**

GOAL: 1 Protect Investors and Assure Access to Capital for Business

OBJECTIVE: 2 Guarantee Registered Securities Offerings Are Fair to Investors

STRATEGY: 1 Review Security Documentation for Conformity

Service Categories:

Service: 16

Income: A.2

Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
<b>Method of Financing:</b>						
1	General Revenue Fund	\$372,689	\$385,536	\$413,013	\$418,445	\$418,445
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$372,689</b>	<b>\$385,536</b>	<b>\$413,013</b>	<b>\$418,445</b>	<b>\$418,445</b>
<b>Method of Financing:</b>						
666	Appropriated Receipts	\$0	\$1,070	\$0	\$0	\$0
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$0</b>	<b>\$1,070</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$418,445</b>	<b>\$418,445</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$372,689</b>	<b>\$386,606</b>	<b>\$413,013</b>	<b>\$418,445</b>	<b>\$418,445</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>6.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>
<b>STRATEGY DESCRIPTION AND JUSTIFICATION:</b>						

**312 Securities Board**

GOAL:	1	Protect Investors and Assure Access to Capital for Business	
OBJECTIVE:	2	Guarantee Registered Securities Offerings Are Fair to Investors	Service Categories:
STRATEGY:	1	Review Security Documentation for Conformity	Service: 16      Income: A.2      Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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The Securities Act, Tex. Rev. Civ. Stat. Ann. art 581-1 et seq. requires prior approval by the Securities Commissioner of all non-exempt securities offerings. In addition to registering appropriate offerings and preventing fraudulent offerings from being registered, notice filings for securities offerings in Texas are reviewed to ensure that they are made in compliance with the Securities Act and Board Rules. Financial Examiners assigned to this strategy also support the maintenance of investor confidence and the capital formation process by providing information to small business owners regarding exemptions, private placements, public offerings, and the securities registration requirements. The maintenance of investor confidence through analysis, review, and screening of securities offerings is a primary concern of the Agency and is critical to a healthy capital market in Texas.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

The volume of applications and filings processed by the Agency's securities registration strategy is affected year-to-year by prevailing economic conditions and strengths or weaknesses in the capital markets. Over time, individual participation in the securities markets has grown as the prevalence of defined benefit retirement plans for workers has declined and the need for persons to provide for their own retirement has increased.

Continued growth in the workload of the Agency and the increasing complexity of investment schemes offered to the public will require that the Agency continue to improve its methods of processing and evaluating information. The Agency seeks new opportunities to develop and use technologies to achieve the efficiencies that are necessary to effectively carry out its mission. Funding and other limitations that impair the ability of the Agency to hire, support, and retain qualified employees present potential obstacles to achieving the strategy's objective.

**312 Securities Board**

GOAL: 1 Protect Investors and Assure Access to Capital for Business  
OBJECTIVE: 2 Guarantee Registered Securities Offerings Are Fair to Investors  
STRATEGY: 1 Review Security Documentation for Conformity

Service Categories:  
Service: 16 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL CHANGE</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
<u>Base Spending (Est 2020 + Bud 2021)</u>	<u>Baseline Request (BL 2022 + BL 2023)</u>		<u>\$ Amount</u>	<u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>
\$799,619	\$836,890	\$37,271	\$37,271	Turnover and lump sum payments created an imbalance between Dealer Registration and Securities Registration. Correcting the budget imbalance created this increase in budget request.
			<u>\$37,271</u>	<b>Total of Explanation of Biennial Change</b>

**312 Securities Board**

GOAL:	1	Protect Investors and Assure Access to Capital for Business	
OBJECTIVE:	3	Guarantee That Persons Registered or Authorized are Qualified	Service Categories:
STRATEGY:	1	Perform Extensive Review of Applications and Submissions	Service: 16      Income: A.2      Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
<b>Output Measures:</b>						
KEY 1	# of Dealers, Agents, Invest Advisers & Reps Apps and Submissions Proc	496,979.00	493,397.00	342,000.00	342,000.00	342,000.00
<b>Explanatory/Input Measures:</b>						
KEY 1	# of Dealers, Agents, Invest Advisers & Reps Licensed or Authorized	383,285.00	320,000.00	320,000.00	320,000.00	320,000.00
2	Revenues Deposited to State Treasury from Applications and Submissions	8,874,828.81	8,490,030.00	8,000,000.00	8,000,000.00	8,000,000.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$316,734	\$363,823	\$334,800	\$335,369	\$335,369
1002	OTHER PERSONNEL COSTS	\$24,020	\$37,741	\$25,200	\$26,223	\$26,223
2001	PROFESSIONAL FEES AND SERVICES	\$4,328	\$4,947	\$15,394	\$15,394	\$15,394
2003	CONSUMABLE SUPPLIES	\$2,231	\$1,128	\$2,000	\$2,000	\$2,000
2004	UTILITIES	\$319	\$177	\$500	\$500	\$500
2005	TRAVEL	\$0	\$0	\$0	\$0	\$0
2006	RENT - BUILDING	\$2,123	\$2,245	\$3,000	\$3,000	\$3,000
2007	RENT - MACHINE AND OTHER	\$1,366	\$991	\$1,200	\$1,200	\$1,200
2009	OTHER OPERATING EXPENSE	\$17,803	\$24,123	\$78,664	\$26,474	\$26,474

**312 Securities Board**

GOAL: 1 Protect Investors and Assure Access to Capital for Business

OBJECTIVE: 3 Guarantee That Persons Registered or Authorized are Qualified

Service Categories:

STRATEGY: 1 Perform Extensive Review of Applications and Submissions

Service: 16

Income: A.2

Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
5000	CAPITAL EXPENDITURES	\$305	\$0	\$0	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$369,229</b>	<b>\$435,175</b>	<b>\$460,758</b>	<b>\$410,160</b>	<b>\$410,160</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$369,229	\$435,175	\$460,758	\$410,160	\$410,160
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$369,229</b>	<b>\$435,175</b>	<b>\$460,758</b>	<b>\$410,160</b>	<b>\$410,160</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$410,160</b>	<b>\$410,160</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$369,229</b>	<b>\$435,175</b>	<b>\$460,758</b>	<b>\$410,160</b>	<b>\$410,160</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The Securities Act, Tex. Rev. Civ. Stat. Ann. art. 581-1 et seq., requires individuals and firms to register with the Securities Commissioner in order to deal in securities and/or render investment advice in the State. Review of applications for such registration, including relevant criminal and disciplinary history, is necessary in order to ensure that qualified individuals and firms are authorized to deal with the investing public. The strategy supports the market infrastructure by promoting investor confidence in market participants and in the markets themselves.

**312 Securities Board**

GOAL: 1 Protect Investors and Assure Access to Capital for Business

OBJECTIVE: 3 Guarantee That Persons Registered or Authorized are Qualified

STRATEGY: 1 Perform Extensive Review of Applications and Submissions

Service Categories:  
Service: 16 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

Over time, individual participation in the securities markets has grown as the prevalence of defined benefit retirement plans for workers has declined and the need for persons to provide for their own retirement has increased. This trend has resulted in an increase in the number of market professionals who advise individual investors.

Continued growth in the workload of the Agency and the increasing complexity of investment schemes offered to the public will require that the Agency continue to improve its methods of processing and evaluating information. The Agency seeks new opportunities to develop and use technologies to achieve the efficiencies that are necessary to effectively carry out its mission. Funding and other limitations that impair the ability of the Agency to hire, support, and retain qualified employees present potential obstacles to achieving the strategy's objective.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL CHANGE</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
<u>Base Spending (Est 2020 + Bud 2021)</u>	<u>Baseline Request (BL 2022 + BL 2023)</u>		<u>\$ Amount</u>	<u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>
\$895,933	\$820,320	\$(75,613)	\$(75,613)	Turnover and lump sum payments created an imbalance between Dealer Registration and Securities Registration. Correcting the budget imbalance created this decrease in budget request.
			<u>\$(75,613)</u>	<b>Total of Explanation of Biennial Change</b>



**312 Securities Board**

GOAL: 1 Protect Investors and Assure Access to Capital for Business  
OBJECTIVE: 4 Inspect Registered Dealers and Investment Advisers Service Categories:  
STRATEGY: 1 Inspect Dealer & Investment Adviser Records for Regulatory Compliance Service: 16 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
<b>Output Measures:</b>						
KEY 1	Number of Inspections Conducted	313.00	314.00	312.00	312.00	312.00
2	Number of Referrals for Administrative or Law Enforcement Action	6.00	6.00	7.00	7.00	7.00
3	Number of Administrative Actions Taken by Inspections and Compliance	17.00	17.00	22.00	22.00	22.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$1,463,797	\$1,570,697	\$1,548,402	\$1,549,155	\$1,549,155
1002	OTHER PERSONNEL COSTS	\$41,850	\$126,653	\$126,858	\$69,223	\$69,223
2001	PROFESSIONAL FEES AND SERVICES	\$18,603	\$20,382	\$66,077	\$66,077	\$66,077
2003	CONSUMABLE SUPPLIES	\$8,454	\$4,860	\$8,000	\$8,000	\$8,000
2004	UTILITIES	\$13,778	\$16,140	\$17,000	\$17,000	\$17,000
2005	TRAVEL	\$51,817	\$18,934	\$15,000	\$15,000	\$15,000
2006	RENT - BUILDING	\$58,811	\$60,202	\$61,800	\$61,800	\$61,800
2007	RENT - MACHINE AND OTHER	\$5,599	\$6,350	\$6,000	\$6,000	\$6,000
2009	OTHER OPERATING EXPENSE	\$88,869	\$102,339	\$143,314	\$107,307	\$107,307
5000	CAPITAL EXPENDITURES	\$1,175	\$0	\$0	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$1,752,753</b>	<b>\$1,926,557</b>	<b>\$1,992,451</b>	<b>\$1,899,562</b>	<b>\$1,899,562</b>

**312 Securities Board**

GOAL:	1	Protect Investors and Assure Access to Capital for Business	
OBJECTIVE:	4	Inspect Registered Dealers and Investment Advisers	Service Categories:
STRATEGY:	1	Inspect Dealer & Investment Adviser Records for Regulatory Compliance	Service: 16      Income: A.2      Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
<b>Method of Financing:</b>						
1	General Revenue Fund	\$1,752,753	\$1,926,557	\$1,992,451	\$1,899,562	\$1,899,562
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$1,752,753</b>	<b>\$1,926,557</b>	<b>\$1,992,451</b>	<b>\$1,899,562</b>	<b>\$1,899,562</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$1,899,562</b>	<b>\$1,899,562</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$1,752,753</b>	<b>\$1,926,557</b>	<b>\$1,992,451</b>	<b>\$1,899,562</b>	<b>\$1,899,562</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>26.0</b>	<b>28.0</b>	<b>28.0</b>	<b>30.0</b>	<b>30.0</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The Securities Act, Tex. Rev. Civ. Stat. Ann. art. 581-13-1, authorizes the Securities Commissioner to inspect registered dealers and investment advisers as necessary to ensure compliance with the Securities Act and Board Rules. Inspections are generally conducted on firms not regularly inspected by other regulatory authorities. Inspections and compliance personnel conduct inspections, analyze records obtained in connection with the inspections, investigate complaints from investors filed against firms and/or their employees, and review disciplinary information filed with the Agency on a continuous basis. These duties are carried out to ensure that registered firms and their employees remain in compliance with the law and that investors are protected from fraud.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**312 Securities Board**

GOAL: 1 Protect Investors and Assure Access to Capital for Business  
OBJECTIVE: 4 Inspect Registered Dealers and Investment Advisers Service Categories:  
STRATEGY: 1 Inspect Dealer & Investment Adviser Records for Regulatory Compliance Service: 16 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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Growth in the workload of the State Securities Board will require that the Agency continue to improve its methods of processing and evaluating information . The Agency seeks new opportunities to develop and use technologies to achieve the efficiencies that are necessary to effectively carry out its mission. Funding and other limitations that impair the ability of the Agency to hire, support, and retain qualified employees present obstacles to achieving this objective.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
<u>Base Spending (Est 2020 + Bud 2021)</u>	<u>Baseline Request (BL 2022 + BL 2023)</u>	<u>CHANGE</u>	<u>\$ Amount</u>	<u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>
\$3,919,008	\$3,799,124	\$(119,884)	\$(119,884)	Certain open positions will be left unfilled to meet the budget reduction.
			<b>\$(119,884)</b>	<b>Total of Explanation of Biennial Change</b>

**312 Securities Board**

GOAL: 2 Indirect Administration  
OBJECTIVE: 1 Indirect Administration  
STRATEGY: 1 Central Administration

Service Categories:

Service: 09      Income: A.2      Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$1,111,730	\$1,136,937	\$1,204,447	\$1,205,315	\$1,205,315
1002	OTHER PERSONNEL COSTS	\$75,444	\$94,931	\$90,480	\$96,819	\$96,819
2001	PROFESSIONAL FEES AND SERVICES	\$13,980	\$15,324	\$46,870	\$46,870	\$46,870
2003	CONSUMABLE SUPPLIES	\$3,457	\$2,486	\$4,800	\$4,800	\$4,800
2004	UTILITIES	\$2,557	\$2,506	\$3,000	\$3,000	\$3,000
2005	TRAVEL	\$11,173	\$1,845	\$2,000	\$5,000	\$5,000
2006	RENT - BUILDING	\$870	\$880	\$960	\$960	\$960
2007	RENT - MACHINE AND OTHER	\$5,271	\$5,280	\$6,000	\$6,000	\$6,000
2009	OTHER OPERATING EXPENSE	\$71,911	\$76,640	\$114,618	\$68,866	\$68,866
5000	CAPITAL EXPENDITURES	\$914	\$0	\$0	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$1,297,307</b>	<b>\$1,336,829</b>	<b>\$1,473,175</b>	<b>\$1,437,630</b>	<b>\$1,437,630</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$1,297,189	\$1,336,805	\$1,473,175	\$1,437,630	\$1,437,630
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$1,297,189</b>	<b>\$1,336,805</b>	<b>\$1,473,175</b>	<b>\$1,437,630</b>	<b>\$1,437,630</b>
<b>Method of Financing:</b>						
666	Appropriated Receipts	\$118	\$24	\$0	\$0	\$0

**312 Securities Board**

GOAL: 2 Indirect Administration  
OBJECTIVE: 1 Indirect Administration  
STRATEGY: 1 Central Administration

Service Categories:

Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
SUBTOTAL, MOF (OTHER FUNDS)		\$118	\$24	\$0	\$0	\$0
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$1,437,630	\$1,437,630
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$1,297,307	\$1,336,829	\$1,473,175	\$1,437,630	\$1,437,630
FULL TIME EQUIVALENT POSITIONS:		10.8	10.0	10.0	16.3	16.3

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The Securities Commissioner, directly and through delegation of authority to the Deputy Commissioner and Division Directors, oversees the enforcement of the Securities Act, registration of dealers, agents, investment advisers, and investment adviser representatives, registration of securities offerings sold in Texas; inspections of registered dealers and investment advisers; investor education initiatives; and management of the fiscal affairs, budgeting, purchasing and information technology functions of the Agency.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

Long term customer demands for the Agency's services are predicted to continue to increase in the future. Projected growth in the economy and population of the state coupled with increased dependence by Texans on the securities markets to help meet personal financial goals, such as providing for a child's college education and ensuring that adequate funds are available for retirement, indicate an increase in the workload of the Agency in securities registration filings; dealer, agent, investment adviser, and investment adviser representative registration filings; required inspections of securities dealers and investment advisers; and matters requiring investigation and enforcement action by the Agency.

**312 Securities Board**

GOAL: 2 Indirect Administration  
OBJECTIVE: 1 Indirect Administration  
STRATEGY: 1 Central Administration

Service Categories:

Service: 09      Income: A.2      Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL CHANGE</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
<u>Base Spending (Est 2020 + Bud 2021)</u>	<u>Baseline Request (BL 2022 + BL 2023)</u>		<u>\$ Amount</u>	<u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>
\$2,810,004	\$2,875,260	\$65,256	\$65,256	A large part of the FY20-21 5% budget reduction was met with funds from Central Admin. A smaller amount from Central Admin was used for the 5% reduction in FY22-23.
			<b>\$65,256</b>	<b>Total of Explanation of Biennial Change</b>

**312 Securities Board**

GOAL: 2 Indirect Administration  
OBJECTIVE: 1 Indirect Administration  
STRATEGY: 2 Information Technology

Service Categories:

Service: 09      Income: A.2      Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$259,010	\$263,754	\$260,000	\$254,071	\$254,071
1002	OTHER PERSONNEL COSTS	\$28,960	\$10,193	\$22,981	\$17,981	\$17,981
2009	OTHER OPERATING EXPENSE	\$3,818	\$4,906	\$5,628	\$5,628	\$5,628
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$291,788</b>	<b>\$278,853</b>	<b>\$288,609</b>	<b>\$277,680</b>	<b>\$277,680</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$291,788	\$278,853	\$288,609	\$277,680	\$277,680
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$291,788</b>	<b>\$278,853</b>	<b>\$288,609</b>	<b>\$277,680</b>	<b>\$277,680</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$277,680</b>	<b>\$277,680</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$291,788</b>	<b>\$278,853</b>	<b>\$288,609</b>	<b>\$277,680</b>	<b>\$277,680</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
<b>STRATEGY DESCRIPTION AND JUSTIFICATION:</b>						

**312 Securities Board**

GOAL: 2 Indirect Administration  
OBJECTIVE: 1 Indirect Administration  
STRATEGY: 2 Information Technology

Service Categories:

Service: 09      Income: A.2      Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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The Agency has databases, computer networks, and equipment that are critical to its law enforcement, inspections and compliance, and registration strategies. It is critical that the Agency be able to continue to maintain these technologies to regulate one of the most technologically advanced industries in the world. The Information Technology section of the Agency is directly responsible for the maintenance and security of all its computer hardware, software and electronic data. This section maintains compliance with all state purchasing statutes and rules related to the purchase of information technology. Also included in the responsibilities are the maintenance of existing in-house data programs, as well as the creation of new programs to migrate current programs onto newer and more efficient platforms.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

Continued growth in the workload of the Agency and the increasing complexity of investment schemes offered to the public will require the Agency to continue to improve its methods of processing and evaluating information. Information technology is key in those efforts. The Agency continually seeks new opportunities to develop and use technologies to achieve the efficiencies that are necessary to effectively carry out its mission. Funding and other limitations that impair the ability of the Agency to hire, support, and retain qualified employees present potential obstacles to achieving this objective.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL CHANGE</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
<u>Base Spending (Est 2020 + Bud 2021)</u>	<u>Baseline Request (BL 2022 + BL 2023)</u>		<u>\$ Amount</u>	<u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>
\$567,462	\$555,360	\$(12,102)	\$(12,102)	The IT strategy lost one staff member. This made funds available to contribute to the 5% budget reduction.
			<b>\$(12,102)</b>	<b>Total of Explanation of Biennial Change</b>



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**SUMMARY TOTALS:**

<b>OBJECTS OF EXPENSE:</b>	<b>\$6,761,234</b>	<b>\$7,197,314</b>	<b>\$7,566,891</b>	<b>\$7,381,555</b>	<b>\$7,381,556</b>
<b>METHODS OF FINANCE (INCLUDING RIDERS):</b>				<b>\$7,381,555</b>	<b>\$7,381,556</b>
<b>METHODS OF FINANCE (EXCLUDING RIDERS):</b>	<b>\$6,761,234</b>	<b>\$7,197,314</b>	<b>\$7,566,891</b>	<b>\$7,381,555</b>	<b>\$7,381,556</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>	<b>84.3</b>	<b>86.5</b>	<b>86.5</b>	<b>97.0</b>	<b>97.0</b>

## 87th Regular Session, Agency Submission, Version 1

[illegible]

### 3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name:	Prepared By:	Date:	Request Level:
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Current Rider Number	Page Number in 2020-21 GAA	Proposed Rider Language
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2

VIII-56

\*\*This Lump Sum Annual Leave Payout rider language is only requested if the Agency's exceptional item regarding lump sum termination payments is funded. If the exceptional item is not funded, the Agency requests that this Rider be deleted in entirety.\*\*

**Lump Sum Annual Leave Payout.** ~~Included in~~ In addition to amounts appropriated above, is ~~\$250,428~~ \$198,591 in fiscal year 2022 and \$281,975 in fiscal year 2023 ~~in General Revenue~~ is are hereby appropriated to the agency from General Revenue that may only be used during the ~~2020-21~~ 2022-23 fiscal biennium to pay for ~~retirement lump sum termination~~ retirement lump sum termination payouts due at the time of ~~an~~ an agency employees' ~~retirement employment ends~~ retirement employment ends. ~~The unexpended funds of no more than \$125,214 in General Revenue remaining on August 31, 2020, may be expended during the fiscal year beginning September 1, 2020, only to pay for retirement payouts due at the time of agency employees' retirement.~~ Any part of the appropriation made for ~~retirement lump sum termination~~ retirement lump sum termination payouts due at the time of ~~an~~ an agency employees' ~~retirement employment ends~~ retirement employment ends that are not necessary for that purpose shall be lapsed by the agency at the end of the ~~biennium~~ each fiscal year.

3

VIII-56

**Sunset Contingency.** ~~Funds appropriated above for fiscal year 2021 for the Texas State Securities Board are made contingent on the continuation of the Texas State Securities Board by the Eighty sixth Legislature, Regular Session, 2019. In the event that the agency is not continued, the funds appropriated for fiscal year 2020, or as much thereof as may be necessary are to be used to provide for the phase out of agency operations.~~

**4.A. Exceptional Item Request Schedule**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/22/2020  
TIME: 11:34:05AM

Agency code: 312

Agency name:

**Securities Board**

CODE	DESCRIPTION	Excp 2022	Excp 2023
<p><b>Item Name:</b> Recover the portion of the base reduction attributable to law enforcement duties.</p> <p><b>Item Priority:</b> 1</p> <p><b>IT Component:</b> No</p> <p><b>Anticipated Out-year Costs:</b> Yes</p> <p><b>Involve Contracts &gt; \$50,000:</b> No</p> <p><b>Includes Funding for the Following Strategy or Strategies:</b> 01-01-01 Investigate Violations, Coordinate Appropriate Action by Authorities</p>			
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	142,192	142,192
1002	OTHER PERSONNEL COSTS	10,878	10,878
2009	OTHER OPERATING EXPENSE	2,331	2,331
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$155,401</b>	<b>\$155,401</b>
<b>METHOD OF FINANCING:</b>			
1	General Revenue Fund	155,401	155,401
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$155,401</b>	<b>\$155,401</b>

**DESCRIPTION / JUSTIFICATION:**

The agency has experienced an increase in need for its law enforcement function over the last two years. This increase is caused by an expansion of duties related to vulnerable victim legislation as well as an expansion of perceived opportunities for profits from fraudulent investment schemes related to crypto-currencies and Covid-19 related economic issues.

**EXTERNAL/INTERNAL FACTORS:**

The opportunity for fraudulent investment schemes expand when external circumstances in our communities peak the interests of both investors and those that commit securities fraud. Covid-19 and crypto-currency popularity have created just such interest and opportunity for fraud.

**PCLS TRACKING KEY:**

Agency code: **312**

Agency name:  
**Securities Board**

<u>CODE</u>	<u>DESCRIPTION</u>	<u>Excp 2022</u>	<u>Excp 2023</u>
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**DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :**

Funding this request to recover an amount lapsed to meet the mandated 5% budget reduction would allow the Agency to continue operating at the FY2021 level with regard to law enforcement duties. The lapse was due to the 5% budget reduction and would not be repeated in future years. Therefore, the budget would be expected to remain the same in upcoming years absent an unrelated budget reduction.

**ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:**

<u>2024</u>	<u>2025</u>	<u>2026</u>
\$155,401	\$155,401	\$155,401

**4.A. Exceptional Item Request Schedule**  
 87th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/22/2020  
 TIME: 11:34:05AM

Agency code: 312                      Agency name: Securities Board

CODE	DESCRIPTION	Excp 2022	Excp 2023
<p align="center"> <b>Item Name:</b> Funding to add a staff member to the General Counsel division.  <b>Item Priority:</b> 2  <b>IT Component:</b> No  <b>Anticipated Out-year Costs:</b> No  <b>Involve Contracts &gt; \$50,000:</b> No  <b>Includes Funding for the Following Strategy or Strategies:</b> 02-01-01      Central Administration         </p>			
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	85,000	85,000
2009	OTHER OPERATING EXPENSE	2,975	2,975
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$87,975</b>	<b>\$87,975</b>
<b>METHOD OF FINANCING:</b>			
1	General Revenue Fund	87,975	87,975
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$87,975</b>	<b>\$87,975</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>		1.00	1.00

**DESCRIPTION / JUSTIFICATION:**

The position will provide much needed resources for completing public information requests which have been increasingly burdensome and abusive to staff and taxpayer funds. The agency has recently received PIA requests so large and inclusive that the workload removes a general counsel staff member from normal duties for a very significant amount of time. The position would also enable the agency to transition as employees with vast institutional knowledge depart the agency by retirement.

**EXTERNAL/INTERNAL FACTORS:**

The agency has been subject to PIA requests that create an unjustly large workload for staff members that have duties beyond PIA compliance.

**PCLS TRACKING KEY:**

**4.A. Exceptional Item Request Schedule**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/22/2020  
TIME: 11:34:05AM

Agency code: 312

Agency name:

**Securities Board**

CODE	DESCRIPTION	Excp 2022	Excp 2023
	<b>Item Name:</b> Contingency to cover lump sum termination payments for the annual leave accrued by employees leaving the agency. <b>Item Priority:</b> 3 <b>IT Component:</b> No <b>Anticipated Out-year Costs:</b> No <b>Involve Contracts &gt; \$50,000:</b> No <b>Includes Funding for the Following Strategy or Strategies:</b>		
	01-01-01 Investigate Violations, Coordinate Appropriate Action by Authorities		
	01-04-01 Inspect Dealer & Investment Adviser Records for Regulatory Compliance		
	02-01-01 Central Administration		
	02-01-02 Information Technology		

**OBJECTS OF EXPENSE:**

1002 OTHER PERSONNEL COSTS

**TOTAL, OBJECT OF EXPENSE**

198,591	281,975
<b>\$198,591</b>	<b>\$281,975</b>

**METHOD OF FINANCING:**

1 General Revenue Fund

**TOTAL, METHOD OF FINANCING**

198,591	281,975
<b>\$198,591</b>	<b>\$281,975</b>

**DESCRIPTION / JUSTIFICATION:**

The agency has a history of high turnover due to its inability to compete with market salaries. In addition, many long-term staff members become eligible to retire in the upcoming biennium. The possibility of multiple employees leaving the Agency creates the potential for multiple large pay outs for accrued annual leave. The payment of these lump sum amounts could cripple the agency's budget. The agency is requesting funds on a contingency basis only. The request is for funds to be provided only if termination pay outs for annual leave are required. The amount would equal the payment for accrued annual leave.

**EXTERNAL/INTERNAL FACTORS:**

When a staff member leaves the agency, the agency is required to make a lump sum payment for the staff member's accrued annual leave. However, no designated funding is provided in the agency's budget. Absent contingency funding, the agency may have to intentionally reserve funds for possible payments of this type. This removes funding available for the agency to use to protect Texas' investors and capital markets.

**PCLS TRACKING KEY:**

**4.A. Exceptional Item Request Schedule**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **10/22/2020**  
TIME: **11:34:05AM**

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Agency code: **312**

Agency name:

**Securities Board**

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Excp 2022</b>	<b>Excp 2023</b>
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Agency code: <b>312</b>		Agency name: <b>Securities Board</b>	
Code	Description	Excp 2022	Excp 2023
<b>Item Name:</b>		Recover the portion of the base reduction attributable to law enforcement duties.	
<b>Allocation to Strategy:</b>		1-1-1	Investigate Violations, Coordinate Appropriate Action by Authorities
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	142,192	142,192
1002	OTHER PERSONNEL COSTS	10,878	10,878
2009	OTHER OPERATING EXPENSE	2,331	2,331
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$155,401</b>	<b>\$155,401</b>
<b>METHOD OF FINANCING:</b>			
1	General Revenue Fund	155,401	155,401
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$155,401</b>	<b>\$155,401</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>		0.0	0.0

Agency code: <b>312</b>		Agency name: <b>Securities Board</b>	
Code	Description	Excp 2022	Excp 2023
<b>Item Name:</b>		Funding to add a staff member to the General Counsel division.	
<b>Allocation to Strategy:</b>		2-1-1	Central Administration
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	85,000	85,000
2009	OTHER OPERATING EXPENSE	2,975	2,975
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$87,975</b>	<b>\$87,975</b>
<b>METHOD OF FINANCING:</b>			
1	General Revenue Fund	87,975	87,975
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$87,975</b>	<b>\$87,975</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>		1.0	1.0

Agency code:	312	Agency name:	Securities Board		
Code	Description			Excp 2022	Excp 2023
Item Name:	Contingency to cover lump sum termination payments for the annual leave accrued by employees leaving the agency.				
Allocation to Strategy:	1-1-1	Investigate Violations, Coordinate Appropriate Action by Authorities			
OBJECTS OF EXPENSE:					
1002	OTHER PERSONNEL COSTS			60,579	89,224
TOTAL, OBJECT OF EXPENSE				\$60,579	\$89,224
METHOD OF FINANCING:					
1	General Revenue Fund			60,579	89,224
TOTAL, METHOD OF FINANCING				\$60,579	\$89,224
FULL-TIME EQUIVALENT POSITIONS (FTE):				0.0	0.0

Agency code:	312	Agency name:	Securities Board		
Code	Description			Excp 2022	Excp 2023
Item Name:		Contingency to cover lump sum termination payments for the annual leave accrued by employees leaving the agency.			
Allocation to Strategy:		1-4-1	Inspect Dealer & Investment Adviser Records for Regulatory Compliance		
OBJECTS OF EXPENSE:					
1002	OTHER PERSONNEL COSTS			30,672	85,411
TOTAL, OBJECT OF EXPENSE				\$30,672	\$85,411
METHOD OF FINANCING:					
1	General Revenue Fund			30,672	85,411
TOTAL, METHOD OF FINANCING				\$30,672	\$85,411

Agency code:	312	Agency name:	Securities Board		
Code	Description			Excp 2022	Excp 2023
Item Name:		Contingency to cover lump sum termination payments for the annual leave accrued by employees leaving the agency.			
Allocation to Strategy:		2-1-1	Central Administration		
OBJECTS OF EXPENSE:					
1002	OTHER PERSONNEL COSTS			72,974	72,974
TOTAL, OBJECT OF EXPENSE				\$72,974	\$72,974
METHOD OF FINANCING:					
1	General Revenue Fund			72,974	72,974
TOTAL, METHOD OF FINANCING				\$72,974	\$72,974

Agency code:	312	Agency name:	Securities Board
Code	Description	Excp 2022	Excp 2023
Item Name:	Contingency to cover lump sum termination payments for the annual leave accrued by employees leaving the agency.		
Allocation to Strategy:	2-1-2	Information Technology	
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	34,366	34,366
TOTAL, OBJECT OF EXPENSE		\$34,366	\$34,366
METHOD OF FINANCING:			
1	General Revenue Fund	34,366	34,366
TOTAL, METHOD OF FINANCING		\$34,366	\$34,366

**4.C. Exceptional Items Strategy Request**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

**DATE:** 10/22/2020  
**TIME:** 11:34:05AM

Agency Code: **312** Agency name: **Securities Board**

GOAL: 1 Protect Investors and Assure Access to Capital for Business  
OBJECTIVE: 1 Bring Law Enforcement Actions Against Violators  
STRATEGY: 1 Investigate Violations, Coordinate Appropriate Action by Authorities

Service Categories:

Service: 16 Income: A.2 Age: B.3

CODE	DESCRIPTION	Excp 2022	Excp 2023
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**STRATEGY IMPACT ON OUTCOME MEASURES:**

<u>1</u>	Number of Law Enforcement Actions Taken	1,145.00	1,145.00
<u>2</u>	Dollar Amount Involved in Law Enforcement Actions	50,000,000.00	50,000,000.00
<u>3</u>	Percentage of Law Enforcement Actions Successful	100.00 %	100.00 %

**OUTPUT MEASURES:**

<u>1</u>	Number of Investigations Opened	376.00	376.00
<u>2</u>	Number of Criminal and Civil Referrals	12.00	12.00

**OBJECTS OF EXPENSE:**

1001	SALARIES AND WAGES	142,192	142,192
1002	OTHER PERSONNEL COSTS	71,457	100,102
2009	OTHER OPERATING EXPENSE	2,331	2,331
<b>Total, Objects of Expense</b>		<b>\$215,980</b>	<b>\$244,625</b>

**METHOD OF FINANCING:**

1	General Revenue Fund	215,980	244,625
<b>Total, Method of Finance</b>		<b>\$215,980</b>	<b>\$244,625</b>

**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Recover the portion of the base reduction attributable to law enforcement duties.

Contingency to cover lump sum termination payments for the annual leave accrued by employees leaving the agency.

**4.C. Exceptional Items Strategy Request**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

**DATE:** 10/22/2020  
**TIME:** 11:34:05AM

Agency Code: **312** Agency name: **Securities Board**

GOAL: 1 Protect Investors and Assure Access to Capital for Business  
OBJECTIVE: 2 Guarantee Registered Securities Offerings Are Fair to Investors  
STRATEGY: 1 Review Security Documentation for Conformity

Service Categories:

Service: 16 Income: A.2 Age: B.3

CODE	DESCRIPTION	Excp 2022	Excp 2023
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**STRATEGY IMPACT ON OUTCOME MEASURES:**

<u>1</u> Average Time (Days) for Deficiency Letters Issuance on Securities Apps	7.00	7.00
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**OUTPUT MEASURES:**

<u>1</u> Number of Securities Filings and Submissions Processed	52,200.00	52,200.00
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**EXPLANATORY/INPUT MEASURES:**

<u>1</u> Revenues Deposited to the State Treasury from Securities Applications	115,000,000.00	115,000,000.00
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**4.C. Exceptional Items Strategy Request**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

**DATE:** 10/22/2020  
**TIME:** 11:34:05AM

Agency Code: **312** Agency name: **Securities Board**

GOAL: 1 Protect Investors and Assure Access to Capital for Business  
OBJECTIVE: 3 Guarantee That Persons Registered or Authorized are Qualified  
STRATEGY: 1 Perform Extensive Review of Applications and Submissions

Service Categories:

Service: 16 Income: A.2 Age: B.3

CODE DESCRIPTION	Excp 2022	Excp 2023
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**STRATEGY IMPACT ON OUTCOME MEASURES:**

1 Average Time (Days) for Def. Letters on Dealer & Invest. Adviser Apps	14.00	14.00
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**OUTPUT MEASURES:**

1 # of Dealers, Agents, Invest Advisers & Reps Apps and Submissions Proc	342,000.00	342,000.00
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**EXPLANATORY/INPUT MEASURES:**

1 # of Dealers, Agents, Invest Advisers & Reps Licensed or Authorized	320,000.00	320,000.00
2 Revenues Deposited to State Treasury from Applications and Submissions	8,000,000.00	8,000,000.00

**4.C. Exceptional Items Strategy Request**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

**DATE:** 10/22/2020  
**TIME:** 11:34:05AM

Agency Code: **312** Agency name: **Securities Board**

GOAL: 1 Protect Investors and Assure Access to Capital for Business

OBJECTIVE: 4 Inspect Registered Dealers and Investment Advisers

STRATEGY: 1 Inspect Dealer & Investment Adviser Records for Regulatory Compliance

Service Categories:

Service: 16 Income: A.2 Age: B.3

CODE DESCRIPTION	Excp 2022	Excp 2023
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**STRATEGY IMPACT ON OUTCOME MEASURES:**

1 Percentage of Texas Dealers and Investment Advisers Inspected	18.00 %	18.00 %
2 % of Inspected Dealers/Investment Advisers Requiring Corrective Action	80.00 %	80.00 %

**OUTPUT MEASURES:**

1 Number of Inspections Conducted	312.00	312.00
2 Number of Referrals for Administrative or Law Enforcement Action	7.00	7.00
3 Number of Administrative Actions Taken by Inspections and Compliance	22.00	22.00

**OBJECTS OF EXPENSE:**

1002 OTHER PERSONNEL COSTS	30,672	85,411
<b>Total, Objects of Expense</b>	<b>\$30,672</b>	<b>\$85,411</b>

**METHOD OF FINANCING:**

1 General Revenue Fund	30,672	85,411
<b>Total, Method of Finance</b>	<b>\$30,672</b>	<b>\$85,411</b>

**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Contingency to cover lump sum termination payments for the annual leave accrued by employees leaving the agency.

**4.C. Exceptional Items Strategy Request**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

**DATE:** 10/22/2020  
**TIME:** 11:34:05AM

Agency Code: **312** Agency name: **Securities Board**

GOAL: 2 Indirect Administration

OBJECTIVE: 1 Indirect Administration

STRATEGY: 1 Central Administration

Service Categories:

Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Excp 2022	Excp 2023
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	85,000	85,000
1002	OTHER PERSONNEL COSTS	72,974	72,974
2009	OTHER OPERATING EXPENSE	2,975	2,975
<b>Total, Objects of Expense</b>		<b>\$160,949</b>	<b>\$160,949</b>

**METHOD OF FINANCING:**

1 General Revenue Fund

**Total, Method of Finance**

160,949	160,949
<b>\$160,949</b>	<b>\$160,949</b>

**FULL-TIME EQUIVALENT POSITIONS (FTE):**

1.0 1.0

**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Funding to add a staff member to the General Counsel division.

Contingency to cover lump sum termination payments for the annual leave accrued by employees leaving the agency.

Agency Code: **312** Agency name: **Securities Board**

GOAL: 2 Indirect Administration

OBJECTIVE: 1 Indirect Administration

STRATEGY: 2 Information Technology

Service Categories:

Service: 09 Income: A.2 Age: B.3

CODE DESCRIPTION	Excp 2022	Excp 2023
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**OBJECTS OF EXPENSE:**

1002 OTHER PERSONNEL COSTS	34,366	34,366
<b>Total, Objects of Expense</b>	<b>\$34,366</b>	<b>\$34,366</b>

**METHOD OF FINANCING:**

1 General Revenue Fund	34,366	34,366
<b>Total, Method of Finance</b>	<b>\$34,366</b>	<b>\$34,366</b>

**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Contingency to cover lump sum termination payments for the annual leave accrued by employees leaving the agency.

**5.A. Capital Budget Project Schedule**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **10/22/2020**  
TIME : **11:34:06AM**

Agency code: **312**

Agency name: **Securities Board**

**Category Code / Category Name**

*Project Sequence/Project Id/ Name*

**OOE / TOF / MOF CODE**

**Est 2020**

**Bud 2021**

**BL 2022**

**BL 2023**

**7000 Data Center Consolidation**

*1/1 DIR DCS Managed Security Services*

**OBJECTS OF EXPENSE**

Informational

General 2001 PROFESSIONAL FEES AND SERVICES

\$4,371

\$143,972

\$139,778

\$139,778

Informational Subtotal OOE, Project 1

\$4,371

\$143,972

\$139,778

\$139,778

Subtotal OOE, Project 1

**\$4,371**

**\$143,972**

**\$139,778**

**\$139,778**

**TYPE OF FINANCING**

Informational

General CA 1 General Revenue Fund

\$4,371

\$143,972

\$139,778

\$139,778

Informational Subtotal TOF, Project 1

\$4,371

\$143,972

\$139,778

\$139,778

Subtotal TOF, Project 1

**\$4,371**

**\$143,972**

**\$139,778**

**\$139,778**

*2/2 Microsoft Office 365 purchased using an  
interagency contract with the DIR Datacenter  
Services Program.*

**OBJECTS OF EXPENSE**

Informational

General 2001 PROFESSIONAL FEES AND SERVICES

\$28,621

\$42,189

\$44,750

\$44,832

Informational Subtotal OOE, Project 2

\$28,621

\$42,189

\$44,750

\$44,832

Subtotal OOE, Project 2

**\$28,621**

**\$42,189**

**\$44,750**

**\$44,832**

**TYPE OF FINANCING**

Informational

General CA 1 General Revenue Fund

\$28,621

\$42,189

\$44,750

\$44,832

**5.A. Capital Budget Project Schedule**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **10/22/2020**  
TIME : **11:34:06AM**

Agency code: **312**

Agency name: **Securities Board**

**Category Code / Category Name**

*Project Sequence/Project Id/ Name*

**OOE / TOF / MOF CODE**

**Est 2020**

**Bud 2021**

**BL 2022**

**BL 2023**

Informational Subtotal TOF, Project 2

\$28,621

\$42,189

\$44,750

\$44,832

Subtotal TOF, Project 2

**\$28,621**

**\$42,189**

**\$44,750**

**\$44,832**

Capital Subtotal, Category 7000

Informational Subtotal, Category 7000

\$32,992

\$186,161

\$184,528

\$184,610

**Total, Category 7000**

**\$32,992**

**\$186,161**

**\$184,528**

**\$184,610**

**AGENCY TOTAL -CAPITAL**

**\$32,992**

**\$186,161**

**\$184,528**

**\$184,610**

**AGENCY TOTAL -INFORMATIONAL**

**\$32,992**

**\$186,161**

**\$184,528**

**\$184,610**

**AGENCY TOTAL**

**METHOD OF FINANCING:**

Informational

General 1 General Revenue Fund

\$32,992

\$186,161

\$184,528

\$184,610

Total, Method of Financing-Informational

\$32,992

\$186,161

\$184,528

\$184,610

**Total, Method of Financing**

**\$32,992**

**\$186,161**

**\$184,528**

**\$184,610**

**TYPE OF FINANCING:**

Informational

General CA CURRENT APPROPRIATIONS

\$32,992

\$186,161

\$184,528

\$184,610

Total, Type of Financing-Informational

\$32,992

\$186,161

\$184,528

\$184,610

**Total,Type of Financing**

**\$32,992**

**\$186,161**

**\$184,528**

**\$184,610**

**5.B. Capital Budget Project Information**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/22/2020  
TIME: 11:34:06AM

Agency Code:	<b>312</b>	Agency name:	<b>Securities Board</b>
Category Number:	<b>7000</b>	Category Name:	<b>Data Center Consolidation</b>
Project number:	<b>1</b>	Project Name:	<b>DIR DCS Managed Security Services</b>

**PROJECT DESCRIPTION**

**General Information**

The Agency has subscribed to cybersecurity services provided by DIR's Managed Security Services (MSS) program. This is done in partnership with DIR and their existing Data Center Services contracts. Specifically, the services include endpoint protection, intrusion prevention and detection, host intrusion protection, firewall management, and SIEM log monitoring.

**PLCS Tracking Key** PCLS\_87R\_312\_604817

**Number of Units / Average Unit Cost** N/A

**Estimated Completion Date** N/A

<b>Additional Capital Expenditure Amounts Required</b>		<b>2024</b>	<b>2025</b>
		0	0
<b>Type of Financing</b>	CA	CURRENT APPROPRIATIONS	
<b>Projected Useful Life</b>	\$0		
<b>Estimated/Actual Project Cost</b>	\$0		
<b>Length of Financing/ Lease Period</b>	N/A		

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Total over project life</b>
	0	0	0	0	0

**REVENUE GENERATION / COST SAVINGS**

<b><u>REVENUE COST FLAG</u></b>	<b><u>MOF CODE</u></b>	<b><u>AVERAGE AMOUNT</u></b>
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**Explanation:** The Agency has subscribed to cybersecurity services provided by DIR's Managed Security Services (MSS) program. This is done in partnership with DIR and their existing Data Center Services contracts. Specifically, the services include endpoint protection, intrusion prevention and detection, host intrusion protection, firewall management, and SIEM log monitoring.

**Project Location:** The Austin offices of the Agency and DIR.

**Beneficiaries:** This project benefits all those that would be harmed by a loss of Agency data or successful malicious cyber attack on the Agency's information technology resources.

**Frequency of Use and External Factors Affecting Use:**

The protections involved in this project are used constantly. The cybersecurity protections are in place at all times. The need is created by the high risk of malicious cyber attacks against state agencies.

**5.B. Capital Budget Project Information**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/22/2020  
TIME: 11:34:06AM

Agency Code:	<b>312</b>	Agency name:	<b>Securities Board</b>
Category Number:	<b>7000</b>	Category Name:	<b>Data Center Consolidation</b>
Project number:	<b>2</b>	Project Name:	<b>MS Office 365 Purch Thru DCS</b>

**PROJECT DESCRIPTION**

**General Information**

The Agency subscribes to Microsoft Office 365 (MSO365) using DIR's Datacenter Services contract.

**PLCS Tracking Key** N/A

**Number of Units / Average Unit Cost** N/A

**Estimated Completion Date** N/A

<b>Additional Capital Expenditure Amounts Required</b>	<b>2024</b>	<b>2025</b>
	0	0

**Type of Financing** CA CURRENT APPROPRIATIONS  
**Projected Useful Life** Ongoing

**Estimated/Actual Project Cost** \$0

**Length of Financing/ Lease Period** N/A

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Total over project life</b>
	0	0	0	0	0

**REVENUE GENERATION / COST SAVINGS**

<b><u>REVENUE COST FLAG</u></b>	<b><u>MOF CODE</u></b>	<b><u>AVERAGE AMOUNT</u></b>
---------------------------------	------------------------	------------------------------

**Explanation:** The Agency subscribes to MSO365 using DIR's Datacenter Services contract.

**Project Location:** Agency offices in Austin, Dallas, Houston, Corpus Christi, and Lubbock.

**Beneficiaries:** Agency staff.

**Frequency of Use and External Factors Affecting Use:**

The staff of the Agency uses MSO365 to complete its mission on a daily basis. Using the DCS contract for this purchase provides a lower cost to the Agency and State.



**6.A. Historically Underutilized Business Supporting Schedule**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: **10/22/2020**  
Time: **11:34:06AM**

Agency Code: **312**      Agency: **Securities Board**

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

**A. Fiscal Year - HUB Expenditure Information**

Statewide HUB Goals	Procurement Category	% Goal	<u>HUB Expenditures FY 2018</u>			<u>Total Expenditures</u>		<u>HUB Expenditures FY 2019</u>			<u>Total Expenditures</u>	
			% Actual	Diff	Actual \$	FY 2018	% Goal	% Actual	Diff	Actual \$	FY 2019	
23.7%	Professional Services	23.7 %	100.0%	76.3%	\$15,640	\$15,640	23.7 %	100.0%	76.3%	\$16,220	\$16,220	
26.0%	Other Services	26.0 %	21.8%	-4.2%	\$38,020	\$174,753	26.0 %	13.1%	-12.9%	\$16,126	\$123,263	
21.1%	Commodities	21.1 %	79.2%	58.1%	\$128,609	\$162,424	21.1 %	62.0%	40.9%	\$45,731	\$73,731	
	<b>Total Expenditures</b>		<b>51.7%</b>		<b>\$182,269</b>	<b>\$352,817</b>		<b>36.6%</b>		<b>\$78,077</b>	<b>\$213,214</b>	

**B. Assessment of Fiscal Year - Efforts to Meet HUB Procurement Goals**

**Attainment:**

The Agency exceeded the HUB procurement goals in the areas of professional services and commodities for FY 2018 and FY 2019. However, the Agency missed the other services goal. There was no purchasing activity within the heavy construction, building construction, or special trade categories.

**Applicability:**

The procurement categories that apply to the Agency are professional services, other services, and commodities. The various construction categories do not apply to the Agency.

**Factors Affecting Attainment:**

Most of the Agency's expenditures were processed using statewide contracts over which the Agency has no control. Commodities and professional services are the categories over which the Agency has most control. Examples of items in the other services category for which the Agency does not have the ability to choose a HUB vendor are communication services, delivery services, and telecommunications.

**"Good-Faith" Efforts:**

The Agency has established and implemented policies for purchasing that call for meaningful and substantive inclusion of HUB vendors. When Agency staff has the ability within state purchasing rules to choose a HUB vendor, they do so.

**6.E. Estimated Revenue Collections Supporting Schedule**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: **312** Agency name: **Securities Board**

<b>FUND/ACCOUNT</b>	<b>Act 2019</b>	<b>Exp 2020</b>	<b>Est 2021</b>	<b>Est 2022</b>	<b>Est 2023</b>
<b><u>1</u> General Revenue Fund</b>					
Beginning Balance (Unencumbered):	\$0	\$0	\$0	\$0	\$0
Estimated Revenue:					
3103 Limited Sales & Use Tax-State	3	1	0	0	0
3175 Professional Fees	8,874,729	8,489,940	8,500,000	8,500,000	8,500,000
3186 Securities Fees	154,409,358	168,420,980	140,000,000	140,000,000	140,000,000
3719 Fees/Copies or Filing of Records	349	143	0	0	0
3727 Fees - Administrative Services	100	100	0	0	0
3770 Administrative Penalties	619,382	592,367	0	0	0
Subtotal: Actual/Estimated Revenue	163,903,921	177,503,531	148,500,000	148,500,000	148,500,000
<b>Total Available</b>	<b>\$163,903,921</b>	<b>\$177,503,531</b>	<b>\$148,500,000</b>	<b>\$148,500,000</b>	<b>\$148,500,000</b>
<b>Ending Fund/Account Balance</b>	<b>\$163,903,921</b>	<b>\$177,503,531</b>	<b>\$148,500,000</b>	<b>\$148,500,000</b>	<b>\$148,500,000</b>

**REVENUE ASSUMPTIONS:**

**CONTACT PERSON:**

Derek Lauterjung

**6.E. Estimated Revenue Collections Supporting Schedule**  
87th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Agency Code:     **312**   Agency name: **Securities Board**

<b>FUND/ACCOUNT</b>	<b>Act 2019</b>	<b>Exp 2020</b>	<b>Est 2021</b>	<b>Est 2022</b>	<b>Est 2023</b>
<b><u>666</u>   Appropriated Receipts</b>					
Beginning Balance (Unencumbered):	\$118	\$1,094	\$0	\$0	\$0
Estimated Revenue:					
<b>Ending Fund/Account Balance</b>	<b>\$118</b>	<b>\$1,094</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**REVENUE ASSUMPTIONS:**

**CONTACT PERSON:**

Derek Lauterjung

## 6.L. Document Production Standards

### Summary of Savings Due to Improved Document Production Standards

<b>Agency Code:</b>	<b>Agency Name:</b>	<b>Prepared By:</b>
312	Texas State Securities Board	Derek Lauterjung

<b>Documented Production Standards Strategies</b>	<b>Estimated 2020</b>	<b>Budgeted 2021</b>
1. Request inspection and investigation documents to be provided electronically. Allows multiple staff members to use the documents without physically copying paper documents.	\$456	\$456
2. Scan investigation documents given to agency in paper form so that multiple staff members can view the documents without copying paper documents.	\$456	\$456
3. Provide documents to auditors via email or other electronic means.	\$456	\$456
4.	\$0	\$0
<b>Total, All Strategies</b>	<b>\$1,368</b>	<b>\$1,368</b>
<b>Total Estimated Paper Volume Reduced</b>	<b>-</b>	<b>-</b>

<b>Description:</b>
It is estimated that each strategy saves 12 cartons of paper a year. Each carton costs approximately \$38.