

**Legislative Appropriations Request
for Fiscal Years 2016 and 2017**

**Submitted to the
Governor's Office of Budget, Planning and Policy
and the Legislative Budget Board**

by the

State Securities Board

July 28, 2014

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Administrator's Statement

84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

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Administrator's Statement

I. BACKGROUND

The mission of the State Securities Board is to protect Texas investors. Consistent with that mission, the Agency seeks to ensure a free and competitive securities market for Texas, increase investor confidence, and thereby encourage the formation of capital and creation of new jobs.

Texas has one of the most important securities markets in the United States. To encourage continued economic development and the success of legitimate businesses seeking to raise capital in the State, it is important to maintain a regulatory balance that achieves necessary investor protections in a way that is not unduly burdensome. Ineffective regulation fosters an environment where unscrupulous promoters damage investor confidence and divert capital that would otherwise be available for legitimate economic development. Over-regulation or regulation that is inefficiently managed decreases incentives for firms to raise capital or to do business in the state.

With an increasing workload, the State Securities Board is continuously seeking ways to more efficiently do its work. The annual workload has grown to include approximately 100 criminal, civil, and administrative enforcement actions; 53,000 filings to authorize securities to be sold in Texas; 296,000 registration filings for securities dealers, agents, investment advisers, and investment adviser representatives; and 1,350 investment adviser firms located throughout the state, each having up to \$100 million in investor assets under management that are subject to inspections and oversight by the Agency.

The State Securities Board assists registrants, issuers, and practitioners seeking guidance on compliance with the law and provides information regarding capital formation alternatives to entrepreneurs and small businesses and frequently works with industry representatives and practitioners to identify rule-making initiatives or changes that may assist legitimate businesses seeking to raise capital in Texas. The Agency works closely with other state and federal law enforcement and regulatory agencies to leverage limited regulatory resources. Because securities fraud schemes are often exceedingly complex, the Agency also frequently provides substantial logistical, trial, and appellate support to prosecutors throughout the State who seek assistance in prosecuting these cases.

II. GOVERNING BOARD

The governing board of the Agency is composed of five members appointed by the Governor, with concurrence of the Senate, for six-year overlapping terms.

Members of the Board are:

NAME	DATES OF TERM	HOMETOWN
Beth Ann Blackwood, Chair	4/2013 - 1/2019	Dallas
Derrick Mitchell, Member	5/2009 - 1/2015	Houston
E. Wally Kinney, Member	3/2013 - 1/2019	Dripping Springs
David A. Appleby, Member	5/2011 – 1/2017	El Paso
Alan Waldrop, Member	6/2011 – 1/2017	Austin

The Board members review, approve, and periodically update rules to ensure that investors remain adequately protected and that unreasonable burdens on registrants and

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legitimate capital-raising activities are avoided.

III. RECENT SIGNIFICANT DEVELOPMENTS

Recent changes in federal law have preempted state securities registration requirements for certain offerings and permit issuers of securities to make unregistered sales to investors through general solicitation. The Agency has been required to realign resources in enforcement to ensure that prompt assessments of the nature of these offerings are made and that promoters of fraudulent investment schemes are not able to take advantage of this regulatory gap.

Other recent changes in federal law that increase from \$5 million to \$50 million the offering amount permitted pursuant to a federal registration exemption may result in increased filings for securities registration applications in Texas, depending on the outcome of SEC rulemaking. If the rules require state registration for these offerings, the change will likely require an increase in resources allocated to the Agency's registration division.

Pending federal legislation and current federal budget requests seek authorization for the U.S. Securities and Exchange Commission to hire additional examiners to inspect investment advisers subject to federal oversight (firms having more than \$100 million of investor funds under management). If such authorization is approved, the State Securities Board's most experienced and capable financial examiners may be recruited by the federal regulator -- an agency that is currently able to pay salaries much higher than those paid by the State Securities Board for the same work.

Pursuant to divisions of state-federal regulatory authority set forth in the federal Dodd-Frank Wall Street Reform and Consumer Protection Act, the State Securities Board is the regulator of investment advisers in the state having up to \$100 million in investor assets under management. The Agency has seen a growth in the number of these firms since passage of the law and there are now approximately 1,350 such firms subject to inspection and oversight of the Agency.

The State Securities Board has databases, computer networks, and equipment that are critical to its law enforcement, registration, and inspection strategies. Much of the evidence gathered in law enforcement investigations and through the inspection process is in electronic format. Technology governing the collection and analysis of this evidence can change rapidly and these changes affect work processes of the Agency. New technological developments enhance the ability of promoters of fraudulent schemes to conceal evidence of their crimes and potentially undermine the ability of the Agency to effectively investigate violations of the law. It is critical that the Agency be able to continue to maintain these technologies to effectively regulate one of the most technologically advanced industries in the world.

Long-term customer demands for the Agency's services are expected to continue to increase in the future, driven by the projected continued growth in the economy and population in the State as well as the trend of increasing numbers of firms and individuals seeking registration to address dependence by the public on the securities markets to help meet retirement and other personal financial goals.

The State Securities Board will be challenged in the next five years as approximately 23% of its workforce becomes eligible for retirement. The Agency's succession planning is focused on cross-training of employees to help ensure redundancy of experience and skills. Success in this area depends on the ability of the Agency to retain well-trained and highly-skilled younger employees.

IV. REDUCTION IN AGENCY FEES

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The review required by Government Code Section 316.045 of amounts charged as fees by the Agency indicates that a reduction of fees set by the Agency's Board under Section 35.A of the Securities Act would be appropriate to more closely align fee revenue with the costs of administering and enforcing the Securities Act if funds appropriated to the Agency for the 2016-2017 biennium remain at the same levels as during the previous biennium.

Because such a large percentage of fee revenue received by the Agency is variable and much of it is received at the beginning of the calendar year as part of the registration renewal process for securities dealers, agents, investment advisers and investment adviser representatives, more specific information on the amount of reduction in Agency fees is expected to be available at that time.

V. NEW FUNDING REQUESTED

In this Legislative Appropriations Request the State Securities Board is requesting additional funding to address the problem of turnover in key front-line professional positions in enforcement, inspections, and registration. Historically, the Agency has faced significant challenges in hiring and retaining qualified professional staff. In recent years, the turnover in these exceptionally important positions has been unacceptable. The Agency is losing excellent and well-trained professional employees because it lacks sufficient funding to support an appropriate career ladder for these positions.

Although the salaries of the Agency cannot be expected to compete favorably with those of the private sector, the significant pay disparities that exist between the salaries paid by the Agency and those of other regulators performing the same or similar work must be corrected to reduce turnover.

Securities regulation in the United States is comprised of federal, state, and self-regulatory entities employing legal, analytical, inspection, and investigation professionals. This regulatory structure lends itself to movement of staff between the regulators based on compensation packages. The Agency loses qualified, experienced staff to other regulators based on salary levels. This is directly attributable to the Agency's appropriations, often making it impossible for the Agency to compete with the salaries offered by organizations such as the U.S. Securities and Exchange Commission (SEC) and FINRA, a self-regulatory organization.

State Securities Board professional employees must be well-educated, knowledgeable, and adequately trained to make prompt and accurate decisions and recommendations regarding complex fraudulent schemes, illegal sales practices, compliance with regulatory requirements, and plans of business for firms and individuals dealing in securities and rendering investment advice. The Agency expends significant time and resources to train personnel to perform the necessary legal and financial analysis work in enforcement, inspections and registration. Ensuring that these employees are able to efficiently and effectively perform this work benefits not only the Agency, the State, and the taxpayers -- but the registrants, applicants, and firms that are inspected by the Agency as well.

Over the last three full fiscal years, 2011-2013, the turnover in professional positions at the State Securities Board was over 35% in enforcement, 53% in inspections, and 16% in registration. In an effort to temporarily address this problem, some vacancies were not filled in the last year and funds were used to increase salaries for some of these front-line positions. But these steps do not address the problem going forward.

As noted in the recent significant developments described above, there is currently considerable pressure in Congress to give the federal regulator authority to hire additional examiners to improve the federal inspection cycle for investment advisers. If such authority is approved, the problem of turnover for the Agency's most experienced and capable financial examiners will be exacerbated because of the federal regulator's ability to pay much higher salaries than those paid by the State Securities Board.

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VI. BASE REDUCTION METHODOLOGY AND IMPACT

The Agency prepared the 10% general revenue-related base reduction by prioritizing reductions as follows: Capital Budget, Administration, Securities Registration, Dealer Registration, Law Enforcement, and Inspections and Compliance. Because the Agency's personnel costs represent such a high percentage of its overall appropriations and the severe impact a 10% reduction would have on the operation of the Agency's individual strategies, the reductions were calculated across all strategies.

The base reduction would adversely affect the ability of the Agency to meet the requirements for administration of the Securities Act and adversely affect its ability to perform its mission to protect the public. The reduction would eliminate the ability to maintain a schedule for replacement of computer-related equipment that has exceeded its designated life cycle; increase the amount of time needed to respond to public and industry inquiries; reduce the number of criminal, civil, and administrative actions for securities fraud and related offenses; reduce the number of new enforcement investigations; increase the amount of time required to analyze securities dealer, investment adviser, and securities registration applications; and reduce the number of inspections of investment advisers subject to the oversight of the Agency.

VII. EXEMPT POSITION

The only exempt position allocated to the State Securities Board is that of Securities Commissioner. The maximum salary for this position should be increased to provide the Board of the Agency with flexibility to address pay compression issues within the Agency and to ensure that the Board has the ability to select the best candidate for the position of the Securities Commissioner when that position becomes vacant in the future. The Board of the Agency currently does not have the flexibility to increase the salary for this position because of the not-to-exceed rate set forth for the position in the General Appropriations Act.

Several employees of the State Securities Board currently receive salaries that are close to, or exceed, that of the Securities Commissioner. Pay compression creates a disincentive for qualified employees to apply for the position of Securities Commissioner if that position becomes vacant, may reflect differences in pay that are disproportionate to differences in responsibilities, and may inappropriately act as a future limit to professional salaries for the entire Agency. Standard compensation practices recommend an average difference of at least 15 percent between an executive officer's salary and the salaries of the staff the executive officer oversees. State Auditor's Office, A Report on Executive Compensation at State Agencies, Report No. 12-708, (August 2012).

The current maximum salary for this position is \$131,300 in FY 2014 and 133,926 in FY 2015. The State Auditor's Office Report, issued two years ago, found that a market average for the salary of the Securities Commissioner is \$152,683. More up-to-date information in assessing the appropriate maximum salary for this position should be available shortly when the State Auditor's Office issues the report required by Article IX, Section 3.08 of the General Appropriations Act (83rd Legislature).

VIII. BACKGROUND CHECKS

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

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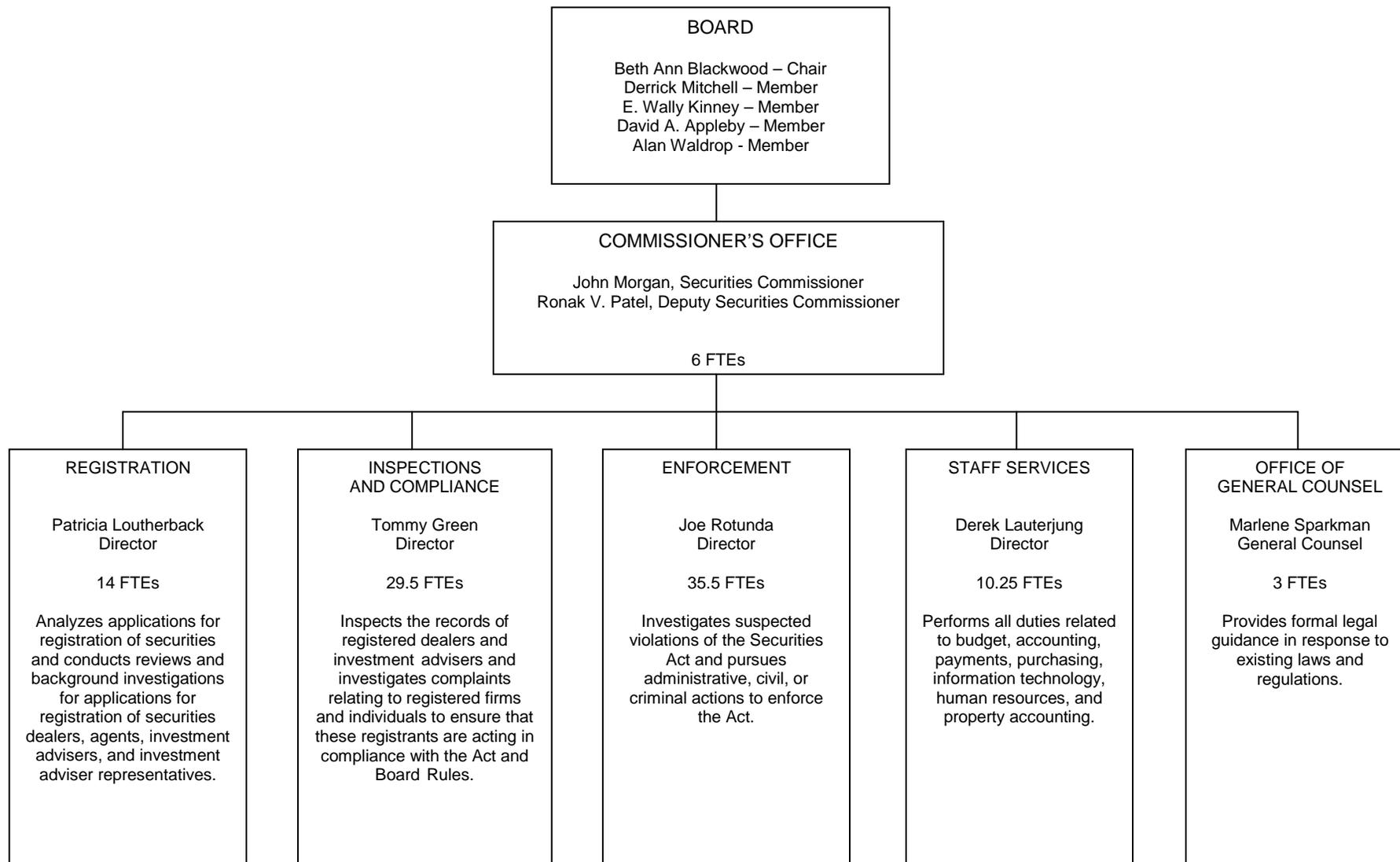
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The Agency obtains such information directly from the Texas Department of Public Safety (DPS) through a secure DPS website using user names and passwords allocated by DPS. Access is restricted to certain employees within the Agency having specific job duties related to the evaluation of application and registration information. Information obtained pursuant to this procedure is fully protected from disclosure to unauthorized personnel or to the public in accordance with state law.

IX. STATEWIDE ERP (CAPPS) SYSTEM

The Comptroller of Public Accounts has not identified the State Securities Board as an agency that will transition to the Centralized Accounting and Payroll/Personnel System (CAPPS) during 2016-2017 biennium and presently has no plan to do so.

State Securities Board Organizational Chart



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Goal / Objective / STRATEGY	Exp 2013	Est 2014	Bud 2015	Req 2016	Req 2017
1 Protect Investors and Assure Access to Capital for Business					
1 <i>Bring Law Enforcement Actions Against Violators</i>					
1 LAW ENFORCEMENT	2,597,947	2,779,147	2,819,567	2,808,151	2,806,471
2 <i>Guarantee Registered Securities Offerings Are Fair to Investors</i>					
1 SECURITIES REGISTRATION	368,542	392,092	401,630	401,630	401,630
3 <i>Guarantee That Persons Registered or Authorized are Qualified</i>					
1 DEALER REGISTRATION	416,961	439,898	450,322	450,323	450,323
4 <i>Inspect Registered Dealers and Investment Advisers</i>					
1 INSPECT RECORDS	1,827,817	1,899,477	1,940,754	1,940,754	1,940,754
TOTAL, GOAL 1	\$5,211,267	\$5,510,614	\$5,612,273	\$5,600,858	\$5,599,178
2 Indirect Administration					
1 <i>Indirect Administration</i>					
1 CENTRAL ADMINISTRATION	1,299,943	1,313,980	1,339,658	1,350,000	1,351,200

2.A. Summary of Base Request by Strategy

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Goal / Objective / STRATEGY	Exp 2013	Est 2014	Bud 2015	Req 2016	Req 2017
2 INFORMATION TECHNOLOGY	211,575	227,690	230,406	231,702	232,183
TOTAL, GOAL 2	\$1,511,518	\$1,541,670	\$1,570,064	\$1,581,702	\$1,583,383
TOTAL, AGENCY STRATEGY REQUEST	\$6,722,785	\$7,052,284	\$7,182,337	\$7,182,560	\$7,182,561
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$0	\$0
GRAND TOTAL, AGENCY REQUEST	\$6,722,785	\$7,052,284	\$7,182,337	\$7,182,560	\$7,182,561
<u>METHOD OF FINANCING:</u>					
General Revenue Funds:					
1 General Revenue Fund	6,722,785	7,052,284	7,182,337	7,182,560	7,182,561
SUBTOTAL	\$6,722,785	\$7,052,284	\$7,182,337	\$7,182,560	\$7,182,561
TOTAL, METHOD OF FINANCING	\$6,722,785	\$7,052,284	\$7,182,337	\$7,182,560	\$7,182,561

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

2.B. Summary of Base Request by Method of Finance
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Agency code: **312** Agency name: **Securities Board**

METHOD OF FINANCING	Exp 2013	Est 2014	Bud 2015	Req 2016	Req 2017
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GENERAL REVENUE

1 General Revenue Fund

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2012-13 GAA)

\$6,839,784	\$0	\$0	\$0	\$0
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Regular Appropriations from MOF Table (2014-15 GAA)

\$0	\$6,986,591	\$6,986,591	\$0	\$0
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Regular Appropriations from MOF Table (2016-17 GAA)

\$0	\$0	\$0	\$7,182,560	\$7,182,561
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RIDER APPROPRIATION

UB Rider 3 - GAA 2012 - 2013 Agency Bill Pattern - Regular Appropriations

\$335,049	\$0	\$0	\$0	\$0
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UB Rider 3 - GAA 2012-2013 Agency Bill Pattern-AY12 Rider 5 Appropriations

\$2,947	\$0	\$0	\$0	\$0
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Art IX, Sec 12.02, Publications or Sales of Records (2012-13 GAA)

\$1,262	\$0	\$0	\$0	\$0
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2.B. Summary of Base Request by Method of Finance
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Agency code: 312		Agency name: Securities Board				
METHOD OF FINANCING	Exp 2013	Est 2014	Bud 2015	Req 2016	Req 2017	
<u>GENERAL REVENUE</u>						
Art IX, Sec 12.02, Publications or Sales of Records (2014-15 GAA)	\$0	\$447	\$0	\$0	\$0	
<i>TRANSFERS</i>						
Art IX, Sec 17.06 Salary Increase for General State Employees (2014-15 GAA)	\$0	\$65,246	\$195,746	\$0	\$0	
<i>LAPSED APPROPRIATIONS</i>						
Regular Appropriations from MOF Table (2012-13 GAA)	\$(61,076)	\$0	\$0	\$0	\$0	
Comments: This lapse increased from the amount on the operating budget by \$2,697.03 due to a difference between encumbrances and actual invoices.						
GAA 2012-2013 Agency Bill Pattern Rider 5 Appropriations	\$(395,181)	\$0	\$0	\$0	\$0	
Comments: Revenue certification needed to implement Rider 5 was not provided by the CPA.						
TOTAL, General Revenue Fund	\$6,722,785	\$7,052,284	\$7,182,337	\$7,182,560	\$7,182,561	

2.B. Summary of Base Request by Method of Finance
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Agency code: 312		Agency name: Securities Board				
METHOD OF FINANCING		Exp 2013	Est 2014	Bud 2015	Req 2016	Req 2017
TOTAL, ALL GENERAL REVENUE		\$6,722,785	\$7,052,284	\$7,182,337	\$7,182,560	\$7,182,561
GRAND TOTAL		\$6,722,785	\$7,052,284	\$7,182,337	\$7,182,560	\$7,182,561
FULL-TIME-EQUIVALENT POSITIONS						
REGULAR APPROPRIATIONS						
Regular Appropriations from MOF Table (2012-13 GAA)		102.0	0.0	0.0	0.0	0.0
Regular Appropriations from MOF Table (2014-15 GAA)		0.0	104.0	104.0	0.0	0.0
Regular Appropriations from MOF Table (2016-17 GAA)		0.0	0.0	0.0	104.0	104.0
LAPSED APPROPRIATIONS						
Regular Appropriations from MOF Table (2012-13 GAA)		(5.6)	0.0	0.0	0.0	0.0
TOTAL, ADJUSTED FTES		96.4	104.0	104.0	104.0	104.0
NUMBER OF 100% FEDERALLY FUNDED FTES		0.0	0.0	0.0	0.0	0.0

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

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OBJECT OF EXPENSE	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
1001 SALARIES AND WAGES	\$5,359,985	\$5,769,987	\$6,042,945	\$6,043,167	\$6,043,168
1002 OTHER PERSONNEL COSTS	\$265,322	\$242,467	\$141,139	\$152,807	\$164,091
2001 PROFESSIONAL FEES AND SERVICES	\$60,399	\$39,390	\$51,300	\$51,300	\$50,800
2003 CONSUMABLE SUPPLIES	\$38,617	\$37,304	\$42,660	\$42,660	\$42,660
2004 UTILITIES	\$35,525	\$38,991	\$34,402	\$34,403	\$34,403
2005 TRAVEL	\$215,067	\$242,966	\$227,573	\$227,573	\$227,573
2006 RENT - BUILDING	\$139,977	\$152,762	\$158,750	\$158,750	\$158,750
2007 RENT - MACHINE AND OTHER	\$25,472	\$22,690	\$24,500	\$24,500	\$24,500
2009 OTHER OPERATING EXPENSE	\$385,438	\$410,064	\$369,293	\$377,400	\$366,616
5000 CAPITAL EXPENDITURES	\$196,983	\$95,663	\$89,775	\$70,000	\$70,000
OOE Total (Excluding Riders)	\$6,722,785	\$7,052,284	\$7,182,337	\$7,182,560	\$7,182,561
OOE Total (Riders)					
Grand Total	\$6,722,785	\$7,052,284	\$7,182,337	\$7,182,560	\$7,182,561

2.D. Summary of Base Request Objective Outcomes
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Goal/ Objective / Outcome	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
1 Protect Investors and Assure Access to Capital for Business					
1 Bring Law Enforcement Actions Against Violators					
1 Number of Law Enforcement Actions Taken	1,322.00	1,197.00	1,238.00	1,238.00	1,238.00
2 Dollar Amount Involved in Law Enforcement Actions	111,179,762.00	16,978,519.57	110,764,320.00	110,764,320.00	110,764,320.00
3 Percentage of Law Enforcement Actions Successful	94.60%	93.94%	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	4.58	5.73	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	4.23	4.30	14.00	14.00	14.00
4 Inspect Registered Dealers and Investment Advisers					
KEY 1 Percentage of Texas Dealers and Investment Advisers Inspected	24.76%	26.05%	25.00%	25.00%	25.00%
KEY 2 % of Inspected Dealers/Investment Advisers Requiring Corrective Action	74.50%	80.37%	80.00%	80.00%	80.00%

2.E. Summary of Exceptional Items Request
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DATE: 7/28/2014
 TIME : 8:40:54AM

Agency code: 312

Agency name: **Securities Board**

Priority	Item	2016			2017			Biennium	
		GR and GR/Dedicated	All Funds	FTEs	GR and GR/Dedicated	All Funds	FTEs	GR and GR/Dedicated	All Funds
1	Targeted Salary Increases	\$607,863	\$607,863		\$693,560	\$693,560		\$1,301,423	\$1,301,423
Total, Exceptional Items Request		\$607,863	\$607,863		\$693,560	\$693,560		\$1,301,423	\$1,301,423

Method of Financing

General Revenue	\$607,863	\$607,863		\$693,560	\$693,560		\$1,301,423	\$1,301,423
General Revenue - Dedicated								
Federal Funds								
Other Funds								
	\$607,863	\$607,863		\$693,560	\$693,560		\$1,301,423	\$1,301,423

Full Time Equivalent Positions

Number of 100% Federally Funded FTEs **0.0** **0.0**

2.F. Summary of Total Request by Strategy
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DATE : 7/28/2014

TIME : 8:40:55AM

Agency code: 312 Agency name: Securities Board

Goal/Objective/STRATEGY	Base 2016	Base 2017	Exceptional 2016	Exceptional 2017	Total Request 2016	Total Request 2017
1 Protect Investors and Assure Access to Capital for Business						
1 <i>Bring Law Enforcement Actions Against Violators</i>						
1 LAW ENFORCEMENT	\$2,808,151	\$2,806,471	\$264,436	\$296,247	\$3,072,587	\$3,102,718
2 <i>Guarantee Registered Securities Offerings Are Fair to Investors</i>						
1 SECURITIES REGISTRATION	401,630	401,630	42,152	47,324	443,782	448,954
3 <i>Guarantee That Persons Registered or Authorized are Qualified</i>						
1 DEALER REGISTRATION	450,323	450,323	42,152	47,324	492,475	497,647
4 <i>Inspect Registered Dealers and Investment Advisers</i>						
1 INSPECT RECORDS	1,940,754	1,940,754	253,383	296,925	2,194,137	2,237,679
TOTAL, GOAL 1	\$5,600,858	\$5,599,178	\$602,123	\$687,820	\$6,202,981	\$6,286,998

2.F. Summary of Total Request by Strategy
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TIME : 8:40:55AM

Agency code: 312 Agency name: Securities Board

Goal/Objective/STRATEGY	Base 2016	Base 2017	Exceptional 2016	Exceptional 2017	Total Request 2016	Total Request 2017
2 Indirect Administration						
1 Indirect Administration						
1 CENTRAL ADMINISTRATION	\$1,350,000	\$1,351,200	\$5,740	\$5,740	\$1,355,740	\$1,356,940
2 INFORMATION TECHNOLOGY	231,702	232,183	0	0	231,702	232,183
TOTAL, GOAL 2	\$1,581,702	\$1,583,383	\$5,740	\$5,740	\$1,587,442	\$1,589,123
TOTAL, AGENCY STRATEGY REQUEST	\$7,182,560	\$7,182,561	\$607,863	\$693,560	\$7,790,423	\$7,876,121
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST						
GRAND TOTAL, AGENCY REQUEST	\$7,182,560	\$7,182,561	\$607,863	\$693,560	\$7,790,423	\$7,876,121

2.F. Summary of Total Request by Strategy
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DATE : 7/28/2014

TIME : 8:40:55AM

Agency code: 312 Agency name: Securities Board

Goal/Objective/STRATEGY	Base 2016	Base 2017	Exceptional 2016	Exceptional 2017	Total Request 2016	Total Request 2017
General Revenue Funds:						
1 General Revenue Fund	\$7,182,560	\$7,182,561	\$607,863	\$693,560	\$7,790,423	\$7,876,121
	\$7,182,560	\$7,182,561	\$607,863	\$693,560	\$7,790,423	\$7,876,121
TOTAL, METHOD OF FINANCING	\$7,182,560	\$7,182,561	\$607,863	\$693,560	\$7,790,423	\$7,876,121
FULL TIME EQUIVALENT POSITIONS	104.0	104.0	0.0	0.0	104.0	104.0

2.G. Summary of Total Request Objective Outcomes
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Date : 7/28/2014
 Time: 8:40:58AM

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

Goal/ Objective / Outcome

	BL 2016	BL 2017	Excp 2016	Excp 2017	Total Request 2016	Total Request 2017
1	Protect Investors and Assure Access to Capital for Business					
1	<i>Bring Law Enforcement Actions Against Violators</i>					
	1 Number of Law Enforcement Actions Taken					
	1,238.00	1,238.00			1,238.00	1,238.00
	2 Dollar Amount Involved in Law Enforcement Actions					
	110,764,320.00	110,764,320.00			110,764,320.00	110,764,320.00
	3 Percentage of Law Enforcement Actions Successful					
	100.00%	100.00%			100.00%	100.00%
2	<i>Guarantee Registered Securities Offerings Are Fair to Investors</i>					
	1 Average Time (Days) for Deficiency Letters Issuance on Securities Apps					
	7.00	7.00			7.00	7.00
3	<i>Guarantee That Persons Registered or Authorized are Qualified</i>					
	1 Average Time (Days) for Def. Letters on Dealer & Invest. Adviser Apps					
	14.00	14.00			14.00	14.00
4	<i>Inspect Registered Dealers and Investment Advisers</i>					
KEY	1 Percentage of Texas Dealers and Investment Advisers Inspected					
	25.00%	25.00%			25.00%	25.00%
KEY	2 % of Inspected Dealers/Investment Advisers Requiring Corrective Action					
	80.00%	80.00%			80.00%	80.00%

312 Securities Board

GOAL: 1 Protect Investors and Assure Access to Capital for Business Statewide Goal/Benchmark: 5 16
 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 2013	Est 2014	Bud 2015	BL 2016	BL 2017
Output Measures:						
KEY 1	Number of Investigations Opened	372.00	444.00	414.00	414.00	414.00
2	Number of Criminal and Civil Referrals	6.00	19.00	14.00	14.00	14.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$1,980,357	\$2,145,752	\$2,264,593	\$2,264,593	\$2,264,593
1002	OTHER PERSONNEL COSTS	\$101,361	\$143,691	\$47,797	\$51,797	\$55,797
2001	PROFESSIONAL FEES AND SERVICES	\$38,578	\$12,000	\$26,000	\$26,000	\$26,000
2003	CONSUMABLE SUPPLIES	\$16,704	\$16,096	\$18,000	\$18,000	\$18,000
2004	UTILITIES	\$24,381	\$24,891	\$21,264	\$21,264	\$21,264
2005	TRAVEL	\$114,965	\$115,354	\$115,000	\$115,000	\$115,000
2006	RENT - BUILDING	\$89,045	\$89,449	\$95,000	\$95,000	\$95,000
2007	RENT - MACHINE AND OTHER	\$13,743	\$12,755	\$13,500	\$13,500	\$13,500
2009	OTHER OPERATING EXPENSE	\$140,011	\$178,932	\$181,130	\$173,926	\$168,246
5000	CAPITAL EXPENDITURES	\$78,802	\$40,227	\$37,283	\$29,071	\$29,071
TOTAL, OBJECT OF EXPENSE		\$2,597,947	\$2,779,147	\$2,819,567	\$2,808,151	\$2,806,471
Method of Financing:						
1	General Revenue Fund	\$2,597,947	\$2,779,147	\$2,819,567	\$2,808,151	\$2,806,471

312 Securities Board

GOAL: 1 Protect Investors and Assure Access to Capital for Business Statewide Goal/Benchmark: 5 16
 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 2013	Est 2014	Bud 2015	BL 2016	BL 2017
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$2,597,947	\$2,779,147	\$2,819,567	\$2,808,151	\$2,806,471
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$2,808,151	\$2,806,471
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$2,597,947	\$2,779,147	\$2,819,567	\$2,808,151	\$2,806,471
FULL TIME EQUIVALENT POSITIONS:		33.4	37.7	37.7	37.7	37.7

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. The Statewide Goal impacted by this strategy is "Public Safety and Criminal Justice".

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

312 Securities Board

GOAL:	1	Protect Investors and Assure Access to Capital for Business	Statewide Goal/Benchmark:	5	16
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 2013	Est 2014	Bud 2015	BL 2016	BL 2017
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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.

312 Securities Board

GOAL:	1	Protect Investors and Assure Access to Capital for Business	Statewide Goal/Benchmark:	4	4
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 2013	Est 2014	Bud 2015	BL 2016	BL 2017
Output Measures:						
KEY 1	Number of Securities Filings and Submissions Processed	54,463.00	52,366.00	52,200.00	52,200.00	52,200.00
Explanatory/Input Measures:						
KEY 1	Revenues Deposited to the State Treasury from Securities Applications	113,508,403.61	102,000,000.00	102,000,000.00	102,000,000.00	102,000,000.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$319,727	\$345,420	\$353,778	\$353,778	\$353,778
1002	OTHER PERSONNEL COSTS	\$12,820	\$14,400	\$10,184	\$11,384	\$12,584
2001	PROFESSIONAL FEES AND SERVICES	\$2,664	\$1,554	\$5,000	\$5,000	\$4,500
2003	CONSUMABLE SUPPLIES	\$1,833	\$1,448	\$2,000	\$2,000	\$2,000
2004	UTILITIES	\$35	\$317	\$104	\$104	\$104
2005	TRAVEL	\$2,464	\$7,932	\$6,613	\$6,613	\$6,613
2006	RENT - BUILDING	\$2,691	\$2,960	\$3,000	\$3,000	\$3,000
2007	RENT - MACHINE AND OTHER	\$318	\$316	\$400	\$400	\$400
2009	OTHER OPERATING EXPENSE	\$10,461	\$12,878	\$15,684	\$15,556	\$14,856
5000	CAPITAL EXPENDITURES	\$15,529	\$4,867	\$4,867	\$3,795	\$3,795
TOTAL, OBJECT OF EXPENSE		\$368,542	\$392,092	\$401,630	\$401,630	\$401,630

312 Securities Board

GOAL:	1	Protect Investors and Assure Access to Capital for Business	Statewide Goal/Benchmark:	4	4
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 2013	Est 2014	Bud 2015	BL 2016	BL 2017
Method of Financing:						
1	General Revenue Fund	\$368,542	\$392,092	\$401,630	\$401,630	\$401,630
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$368,542	\$392,092	\$401,630	\$401,630	\$401,630
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$401,630	\$401,630
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$368,542	\$392,092	\$401,630	\$401,630	\$401,630
FULL TIME EQUIVALENT POSITIONS:		6.5	6.5	6.5	6.5	6.5

STRATEGY DESCRIPTION AND JUSTIFICATION:

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. The Statewide Goal impacted by this strategy is "Economic Development".

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

312 Securities Board

GOAL:	1	Protect Investors and Assure Access to Capital for Business	Statewide Goal/Benchmark:	4	4
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 2013	Est 2014	Bud 2015	BL 2016	BL 2017
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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 Statewide Goal/Benchmark: 7 3
 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 2013	Est 2014	Bud 2015	BL 2016	BL 2017
Output Measures:						
KEY 1	Number of Dealers, Agents, IA, & IAR Applications and Submissions Proc	356,628.00	386,000.00	342,000.00	342,000.00	342,000.00
Explanatory/Input Measures:						
KEY 1	# of Dealers, Agents, Invest Advisers & Reps Licensed or Authorized	302,607.00	317,737.00	320,000.00	320,000.00	320,000.00
2	Revenues Deposited to State Treasury from Applications and Submissions	77,449,293.66	79,079,349.50	80,600,000.00	80,600,000.00	80,600,000.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$359,546	\$387,876	\$396,580	\$396,580	\$396,580
1002	OTHER PERSONNEL COSTS	\$26,780	\$18,372	\$18,696	\$19,892	\$20,296
2001	PROFESSIONAL FEES AND SERVICES	\$3,009	\$1,816	\$3,000	\$3,000	\$3,000
2003	CONSUMABLE SUPPLIES	\$1,343	\$1,625	\$2,000	\$2,000	\$2,000
2004	UTILITIES	\$0	\$889	\$823	\$824	\$824
2005	TRAVEL	\$1,743	\$4,001	\$4,000	\$4,000	\$4,000
2006	RENT - BUILDING	\$2,691	\$2,952	\$3,000	\$3,000	\$3,000
2007	RENT - MACHINE AND OTHER	\$318	\$316	\$350	\$350	\$350
2009	OTHER OPERATING EXPENSE	\$8,003	\$16,623	\$16,445	\$16,445	\$16,041

312 Securities Board

GOAL:	1	Protect Investors and Assure Access to Capital for Business	Statewide Goal/Benchmark:	7	3
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 2013	Est 2014	Bud 2015	BL 2016	BL 2017
5000	CAPITAL EXPENDITURES	\$13,528	\$5,428	\$5,428	\$4,232	\$4,232
TOTAL, OBJECT OF EXPENSE		\$416,961	\$439,898	\$450,322	\$450,323	\$450,323
Method of Financing:						
1	General Revenue Fund	\$416,961	\$439,898	\$450,322	\$450,323	\$450,323
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$416,961	\$439,898	\$450,322	\$450,323	\$450,323
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$450,323	\$450,323
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$416,961	\$439,898	\$450,322	\$450,323	\$450,323
FULL TIME EQUIVALENT POSITIONS:		7.5	7.5	7.5	7.5	7.5

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. The Statewide Goal impacted by this strategy is "Regulatory".

312 Securities Board

GOAL:	1	Protect Investors and Assure Access to Capital for Business	Statewide Goal/Benchmark:	7	3
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 2013	Est 2014	Bud 2015	BL 2016	BL 2017
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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.

312 Securities Board

GOAL: 1 Protect Investors and Assure Access to Capital for Business Statewide Goal/Benchmark: 7 2
 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 2013	Est 2014	Bud 2015	BL 2016	BL 2017
Output Measures:						
KEY 1	Number of Inspections Conducted	336.00	342.00	340.00	340.00	340.00
2	Number of Referrals for Administrative or Law Enforcement Action	8.00	9.00	8.00	8.00	8.00
3	Number of Administrative Actions Taken by Inspections and Compliance	32.00	22.00	24.00	24.00	24.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$1,454,282	\$1,537,615	\$1,632,213	\$1,632,213	\$1,632,213
1002	OTHER PERSONNEL COSTS	\$66,991	\$24,373	\$24,521	\$27,521	\$31,521
2001	PROFESSIONAL FEES AND SERVICES	\$10,355	\$7,877	\$11,000	\$11,000	\$11,000
2003	CONSUMABLE SUPPLIES	\$12,138	\$11,639	\$12,500	\$12,500	\$12,500
2004	UTILITIES	\$9,137	\$10,692	\$10,376	\$10,376	\$10,376
2005	TRAVEL	\$76,915	\$100,418	\$85,000	\$85,000	\$85,000
2006	RENT - BUILDING	\$39,365	\$49,666	\$51,000	\$51,000	\$51,000
2007	RENT - MACHINE AND OTHER	\$6,399	\$5,675	\$6,500	\$6,500	\$6,500
2009	OTHER OPERATING EXPENSE	\$95,349	\$123,761	\$82,827	\$85,294	\$81,294
5000	CAPITAL EXPENDITURES	\$56,886	\$27,761	\$24,817	\$19,350	\$19,350
TOTAL, OBJECT OF EXPENSE		\$1,827,817	\$1,899,477	\$1,940,754	\$1,940,754	\$1,940,754

312 Securities Board

GOAL: 1 Protect Investors and Assure Access to Capital for Business Statewide Goal/Benchmark: 7 2
 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 2013	Est 2014	Bud 2015	BL 2016	BL 2017
Method of Financing:						
1	General Revenue Fund	\$1,827,817	\$1,899,477	\$1,940,754	\$1,940,754	\$1,940,754
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$1,827,817	\$1,899,477	\$1,940,754	\$1,940,754	\$1,940,754
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$1,940,754	\$1,940,754
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$1,827,817	\$1,899,477	\$1,940,754	\$1,940,754	\$1,940,754
FULL TIME EQUIVALENT POSITIONS:		30.5	33.0	33.0	33.0	33.0

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. The Statewide Goal impacted by this strategy is "Regulatory".

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

312 Securities Board

GOAL: 1 Protect Investors and Assure Access to Capital for Business Statewide Goal/Benchmark: 7 2
 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 2013	Est 2014	Bud 2015	BL 2016	BL 2017
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Growth in the workload of the State Securities Board will require that the Agency to 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.

312 Securities Board

GOAL:	2	Indirect Administration	Statewide Goal/Benchmark:	8	0
OBJECTIVE:	1	Indirect Administration	Service Categories:		
STRATEGY:	1	Central Administration	Service: 09	Income: A.2	Age: B.3

CODE	DESCRIPTION	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
Objects of Expense:						
1001	SALARIES AND WAGES	\$1,049,279	\$1,134,906	\$1,174,176	\$1,174,176	\$1,174,176
1002	OTHER PERSONNEL COSTS	\$44,330	\$34,543	\$33,356	\$34,556	\$35,756
2001	PROFESSIONAL FEES AND SERVICES	\$5,793	\$16,143	\$6,300	\$6,300	\$6,300
2003	CONSUMABLE SUPPLIES	\$6,599	\$6,496	\$8,160	\$8,160	\$8,160
2004	UTILITIES	\$1,972	\$2,202	\$1,835	\$1,835	\$1,835
2005	TRAVEL	\$18,980	\$15,261	\$16,960	\$16,960	\$16,960
2006	RENT - BUILDING	\$6,185	\$7,735	\$6,750	\$6,750	\$6,750
2007	RENT - MACHINE AND OTHER	\$4,694	\$3,628	\$3,750	\$3,750	\$3,750
2009	OTHER OPERATING EXPENSE	\$129,873	\$75,686	\$70,991	\$83,961	\$83,961
5000	CAPITAL EXPENDITURES	\$32,238	\$17,380	\$17,380	\$13,552	\$13,552
TOTAL, OBJECT OF EXPENSE		\$1,299,943	\$1,313,980	\$1,339,658	\$1,350,000	\$1,351,200
Method of Financing:						
1	General Revenue Fund	\$1,299,943	\$1,313,980	\$1,339,658	\$1,350,000	\$1,351,200
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$1,299,943	\$1,313,980	\$1,339,658	\$1,350,000	\$1,351,200

312 Securities Board

GOAL:	2	Indirect Administration	Statewide Goal/Benchmark:	8	0
OBJECTIVE:	1	Indirect Administration	Service Categories:		
STRATEGY:	1	Central Administration	Service: 09	Income: A.2	Age: B.3

CODE	DESCRIPTION	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$1,350,000	\$1,351,200
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$1,299,943	\$1,313,980	\$1,339,658	\$1,350,000	\$1,351,200
FULL TIME EQUIVALENT POSITIONS:		15.5	16.3	16.3	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. The Statewide Goal impacted by this strategy is "General Government".

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	Statewide Goal/Benchmark:	8	0
OBJECTIVE:	1	Indirect Administration	Service Categories:		
STRATEGY:	2	Information Technology	Service: 09	Income: A.2	Age: B.3

CODE	DESCRIPTION	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
Objects of Expense:						
1001	SALARIES AND WAGES	\$196,794	\$218,418	\$221,605	\$221,827	\$221,828
1002	OTHER PERSONNEL COSTS	\$13,040	\$7,088	\$6,585	\$7,657	\$8,137
2009	OTHER OPERATING EXPENSE	\$1,741	\$2,184	\$2,216	\$2,218	\$2,218
TOTAL, OBJECT OF EXPENSE		\$211,575	\$227,690	\$230,406	\$231,702	\$232,183
Method of Financing:						
1	General Revenue Fund	\$211,575	\$227,690	\$230,406	\$231,702	\$232,183
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$211,575	\$227,690	\$230,406	\$231,702	\$232,183
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$231,702	\$232,183
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$211,575	\$227,690	\$230,406	\$231,702	\$232,183
FULL TIME EQUIVALENT POSITIONS:		3.0	3.0	3.0	3.0	3.0
STRATEGY DESCRIPTION AND JUSTIFICATION:						

312 Securities Board

GOAL:	2	Indirect Administration	Statewide Goal/Benchmark:	8	0
OBJECTIVE:	1	Indirect Administration	Service Categories:		
STRATEGY:	2	Information Technology	Service: 09	Income: A.2	Age: B.3

CODE	DESCRIPTION	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
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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. The Statewide Goal impacted by this strategy is "General Government".

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.

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	\$6,722,785	\$7,052,284	\$7,182,337	\$7,182,560	\$7,182,561
METHODS OF FINANCE (INCLUDING RIDERS):				\$7,182,560	\$7,182,561
METHODS OF FINANCE (EXCLUDING RIDERS):	\$6,722,785	\$7,052,284	\$7,182,337	\$7,182,560	\$7,182,561
FULL TIME EQUIVALENT POSITIONS:	96.4	104.0	104.0	104.0	104.0

3.B. Rider Revisions and Additions Request

Agency Code: 312	Agency Name: State Securities Board	Prepared By: Derek Lauterjung	Date: 7/9/14	Request Level:
Current Rider Number	Page Number in 2014–15 GAA	Proposed Rider Language		

2

VIII-59

Capital Budget. None of the funds appropriated may be expended for capital budget items except as listed below. The amounts shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes. Amounts appropriated above and identified in this provision as appropriations either for "Lease Payments to the Master Lease Purchase Program" or for items with a "(MLPP)" notation shall be expended only for the purpose of making lease-purchase payments to the Texas Public Finance Authority pursuant to the provisions of Government Code § 1232.103. Upon approval from the Legislative Budget Board, capital budgeted funds listed below under "Acquisition of Information Resource Technologies" may be used to lease information resources hardware and/or software, if determined by agency management to be in the best interest of the State of Texas.

	<u>2016</u> 2014	<u>2017</u> 2015
a. Acquisition of Information Resource Technologies		
(1) Purchase of Information Technologies	\$70,000	\$70,000
Total, Capital Budget	<u>\$70,000</u>	<u>\$70,000</u>
Method of Financing (Capital Budget):		
General Revenue Fund	<u>\$70,000</u>	<u>\$70,000</u>
Total, Method of Financing	<u>\$70,000</u>	<u>\$70,000</u>

3

VIII-59

Appropriation of Unexpended Balances Within the Biennium. The unobligated and unexpended balances of appropriations to the Securities Board for the fiscal year ending August 31, 2016 ~~2014~~, are hereby appropriated to the Securities Board for the same purposes for the fiscal year ending August 31, 2017 ~~2015~~.

4.A. Exceptional Item Request Schedule
 84th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/28/2014
 TIME: 8:41:01AM

Agency code: 312

Agency name:
Securities Board

CODE	DESCRIPTION		Excp 2016	Excp 2017
	Item Name:	Targeted salary increases to address the problem of turnover in key front-line professional positions.		
	Item Priority:	1		
	Includes Funding for the Following Strategy or Strategies:			
		01-01-01	Investigate Violations, Coordinate Appropriate Action by Authorities	
		01-02-01	Review Security Documentation for Conformity	
		01-03-01	Perform Extensive Review of Applications and Submissions	
		01-04-01	Inspect Dealer & Investment Adviser Records for Regulatory Compliance	
		02-01-01	Central Administration	
OBJECTS OF EXPENSE:				
1001	SALARIES AND WAGES		598,881	683,312
1002	OTHER PERSONNEL COSTS		2,995	3,416
2009	OTHER OPERATING EXPENSE		5,987	6,832
TOTAL, OBJECT OF EXPENSE			\$607,863	\$693,560
METHOD OF FINANCING:				
1	General Revenue Fund		607,863	693,560
TOTAL, METHOD OF FINANCING			\$607,863	\$693,560

DESCRIPTION / JUSTIFICATION:

The State Securities Board requests funding to address the problem of turnover in key front-line professional positions in enforcement, inspections and registration. In recent years, the turnover in these exceptionally important positions has been unacceptable. The significant pay disparities that exist between the salaries paid by the Agency and those of other regulators performing the same or similar work must be corrected to reduce turnover. Over the last three full fiscal years, 2011 -2013, the turnover in professional positions at the State Securities Board was over 35% in enforcement, 53% in inspections, and 16% in registration.

EXTERNAL/INTERNAL FACTORS:

The Agency is losing excellent and well-trained professional employees because it lacks sufficient funding to support an appropriate career ladder for its professional positions and cannot compete with the salaries offered by federal regulators. If legislation now pending in Congress is approved to authorize the U.S. Securities and Exchange Commission to hire additional examiners to improve the inspection cycle for federal investment advisers, the Agency's turnover problem will be exacerbated as the Agency's most experienced and capable financial examiners leave to do the same or similar work at the federal regulator in this region for more money.

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

Code	Description	Excp 2016	Excp 2017
Item Name:		Targeted salary increases to address the problem of turnover in key front-line professional positions.	
Allocation to Strategy:		1-1-1 Investigate Violations, Coordinate Appropriate Action by Authorities	
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	260,528	291,869
1002	OTHER PERSONNEL COSTS	1,303	1,459
2009	OTHER OPERATING EXPENSE	2,605	2,919
TOTAL, OBJECT OF EXPENSE		\$264,436	\$296,247
METHOD OF FINANCING:			
1	General Revenue Fund	264,436	296,247
TOTAL, METHOD OF FINANCING		\$264,436	\$296,247

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

Code	Description	Excp 2016	Excp 2017
Item Name:		Targeted salary increases to address the problem of turnover in key front-line professional positions.	
Allocation to Strategy:		1-2-1	Review Security Documentation for Conformity
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	41,529	46,625
1002	OTHER PERSONNEL COSTS	208	233
2009	OTHER OPERATING EXPENSE	415	466
TOTAL, OBJECT OF EXPENSE		\$42,152	\$47,324
METHOD OF FINANCING:			
1 General Revenue Fund		42,152	47,324
TOTAL, METHOD OF FINANCING		\$42,152	\$47,324

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

Code	Description	Excp 2016	Excp 2017
Item Name:		Targeted salary increases to address the problem of turnover in key front-line professional positions.	
Allocation to Strategy:		1-3-1 Perform Extensive Review of Applications and Submissions	
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	41,529	46,625
1002	OTHER PERSONNEL COSTS	208	233
2009	OTHER OPERATING EXPENSE	415	466
TOTAL, OBJECT OF EXPENSE		\$42,152	\$47,324
METHOD OF FINANCING:			
1	General Revenue Fund	42,152	47,324
TOTAL, METHOD OF FINANCING		\$42,152	\$47,324

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

Code	Description	Excp 2016	Excp 2017
Item Name:		Targeted salary increases to address the problem of turnover in key front-line professional positions.	
Allocation to Strategy:		1-4-1 Inspect Dealer & Investment Adviser Records for Regulatory Compliance	
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	249,639	292,537
1002	OTHER PERSONNEL COSTS	1,248	1,463
2009	OTHER OPERATING EXPENSE	2,496	2,925
TOTAL, OBJECT OF EXPENSE		\$253,383	\$296,925
METHOD OF FINANCING:			
1 General Revenue Fund		253,383	296,925
TOTAL, METHOD OF FINANCING		\$253,383	\$296,925

4.B. Exceptional Items Strategy Allocation Schedule

84th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/28/2014

TIME: 8:41:03AM

Agency code: **312**

Agency name: **Securities Board**

Code	Description	Excp 2016	Excp 2017
Item Name:		Targeted salary increases to address the problem of turnover in key front-line professional positions.	
Allocation to Strategy:		2-1-1	Central Administration
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	5,656	5,656
1002	OTHER PERSONNEL COSTS	28	28
2009	OTHER OPERATING EXPENSE	56	56
TOTAL, OBJECT OF EXPENSE		\$5,740	\$5,740
METHOD OF FINANCING:			
1 General Revenue Fund		5,740	5,740
TOTAL, METHOD OF FINANCING		\$5,740	\$5,740

4.C. Exceptional Items Strategy Request
 84th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/28/2014
TIME: 8:41:05AM

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

GOAL: 1 Protect Investors and Assure Access to Capital for Business Statewide Goal/Benchmark: 5 - 16
 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	Excp 2016	Excp 2017
-------------------------	------------------	------------------

OBJECTS OF EXPENSE:

1001 SALARIES AND WAGES	260,528	291,869
1002 OTHER PERSONNEL COSTS	1,303	1,459
2009 OTHER OPERATING EXPENSE	2,605	2,919
Total, Objects of Expense	\$264,436	\$296,247

METHOD OF FINANCING:

1 General Revenue Fund	264,436	296,247
Total, Method of Finance	\$264,436	\$296,247

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Targeted salary increases to address the problem of turnover in key front-line professional positions.

4.C. Exceptional Items Strategy Request
 84th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/28/2014
TIME: 8:41:05AM

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

GOAL: 1 Protect Investors and Assure Access to Capital for Business Statewide Goal/Benchmark: 4 - 4
 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 2016	Exp 2017
OBJECTS OF EXPENSE:		
1001 SALARIES AND WAGES	41,529	46,625
1002 OTHER PERSONNEL COSTS	208	233
2009 OTHER OPERATING EXPENSE	415	466
Total, Objects of Expense	\$42,152	\$47,324
METHOD OF FINANCING:		
1 General Revenue Fund	42,152	47,324
Total, Method of Finance	\$42,152	\$47,324

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Targeted salary increases to address the problem of turnover in key front-line professional positions.

4.C. Exceptional Items Strategy Request
 84th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/28/2014
TIME: 8:41:05AM

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

GOAL: 1 Protect Investors and Assure Access to Capital for Business Statewide Goal/Benchmark: 7 - 3
 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 2016	Exp 2017
-------------------------	-----------------	-----------------

OBJECTS OF EXPENSE:

1001 SALARIES AND WAGES	41,529	46,625
1002 OTHER PERSONNEL COSTS	208	233
2009 OTHER OPERATING EXPENSE	415	466
Total, Objects of Expense	\$42,152	\$47,324

METHOD OF FINANCING:

1 General Revenue Fund	42,152	47,324
Total, Method of Finance	\$42,152	\$47,324

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Targeted salary increases to address the problem of turnover in key front-line professional positions.

4.C. Exceptional Items Strategy Request
 84th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/28/2014
TIME: 8:41:05AM

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

GOAL: 1 Protect Investors and Assure Access to Capital for Business Statewide Goal/Benchmark: 7 - 2
 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	Excp 2016	Excp 2017
OBJECTS OF EXPENSE:		
1001 SALARIES AND WAGES	249,639	292,537
1002 OTHER PERSONNEL COSTS	1,248	1,463
2009 OTHER OPERATING EXPENSE	2,496	2,925
Total, Objects of Expense	\$253,383	\$296,925
METHOD OF FINANCING:		
1 General Revenue Fund	253,383	296,925
Total, Method of Finance	\$253,383	\$296,925

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Targeted salary increases to address the problem of turnover in key front-line professional positions.

4.C. Exceptional Items Strategy Request
 84th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/28/2014
TIME: 8:41:05AM

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

GOAL: 2 Indirect Administration Statewide Goal/Benchmark: 8 - 0
 OBJECTIVE: 1 Indirect Administration Service Categories:
 STRATEGY: 1 Central Administration Service: 09 Income: A.2 Age: B.3

CODE DESCRIPTION	Exp 2016	Exp 2017
-------------------------	-----------------	-----------------

OBJECTS OF EXPENSE:

1001 SALARIES AND WAGES	5,656	5,656
1002 OTHER PERSONNEL COSTS	28	28
2009 OTHER OPERATING EXPENSE	56	56
Total, Objects of Expense	\$5,740	\$5,740

METHOD OF FINANCING:

1 General Revenue Fund	5,740	5,740
Total, Method of Finance	\$5,740	\$5,740

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Targeted salary increases to address the problem of turnover in key front-line professional positions.

5.A. Capital Budget Project Schedule
 84th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/28/2014
 TIME : 8:41:07AM

Agency code: **312**

Agency name: **Securities Board**

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE

Est 2014

Bud 2015

BL 2016

BL 2017

5005 Acquisition of Information Resource Technologies

1/1 Purchase of Information Technologies

OBJECTS OF EXPENSE

Capital

General	5000	CAPITAL EXPENDITURES		\$89,775	\$89,775	\$70,000	\$70,000
		Capital Subtotal OOE, Project	1	\$89,775	\$89,775	\$70,000	\$70,000
		Subtotal OOE, Project	1	\$89,775	\$89,775	\$70,000	\$70,000
		TYPE OF FINANCING					
		<u>Capital</u>					
General	CA	1	General Revenue Fund	\$89,775	\$89,775	\$70,000	\$70,000
			Capital Subtotal TOF, Project	\$89,775	\$89,775	\$70,000	\$70,000
			Subtotal TOF, Project	\$89,775	\$89,775	\$70,000	\$70,000
			Capital Subtotal, Category	\$89,775	\$89,775	\$70,000	\$70,000
			Informational Subtotal, Category				5005
			Total, Category	\$89,775	\$89,775	\$70,000	\$70,000
			AGENCY TOTAL -CAPITAL	\$89,775	\$89,775	\$70,000	\$70,000
			AGENCY TOTAL -INFORMATIONAL				
			AGENCY TOTAL	\$89,775	\$89,775	\$70,000	\$70,000

5.A. Capital Budget Project Schedule
 84th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/28/2014
 TIME : 8:41:07AM

Agency code: **312**

Agency name: **Securities Board**

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE

Est 2014

Bud 2015

BL 2016

BL 2017

METHOD OF FINANCING:

Capital

General	1	General Revenue Fund	\$89,775	\$89,775	\$70,000	\$70,000
Total, Method of Financing-Capital			\$89,775	\$89,775	\$70,000	\$70,000
Total, Method of Financing			\$89,775	\$89,775	\$70,000	\$70,000

TYPE OF FINANCING:

Capital

General	CA	CURRENT APPROPRIATIONS	\$89,775	\$89,775	\$70,000	\$70,000
Total, Type of Financing-Capital			\$89,775	\$89,775	\$70,000	\$70,000
Total, Type of Financing			\$89,775	\$89,775	\$70,000	\$70,000

5.B. Capital Budget Project Information
 84th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/28/2014
 TIME: 8:41:10AM

Agency Code:	312	Agency name:	Securities Board
Category Number:	5005	Category Name:	ACQUISITN INFO RES TECH.
Project number:	1	Project Name:	Purchase of Information Technology

PROJECT DESCRIPTION

General Information

Agency will spend in excess of \$100,000 during the biennium on information technology items that are not considered "daily operations" as that term is defined in the IT Detail instructions. While no single item will exceed the \$100,000 capital budget project threshold, the sum of the items will do so. The purchase of these information technology items will allow the Agency to regulate the very technology based securities industry efficiently, increase Agency security, and improve electronic interaction between Agency headquarters and branch offices.

Number of Units / Average Unit Cost	N/A - This is not a grouping of identical or similar items.						
Estimated Completion Date	Ongoing						
Additional Capital Expenditure Amounts Required	<table border="0"> <tr> <td></td> <td align="center">2018</td> <td align="center">2019</td> </tr> <tr> <td></td> <td align="center">0</td> <td align="center">0</td> </tr> </table>		2018	2019		0	0
	2018	2019					
	0	0					
Type of Financing	CA CURRENT APPROPRIATIONS						
Projected Useful Life	Ongoing						
Estimated/Actual Project Cost	\$0						
Length of Financing/ Lease Period	NA						

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

	2016	2017	2018	2019	Total over project life
	0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

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

Explanation: Much of the evidence in modern white collar crime resides on computers and other electronic storage devices. The Agency must maintain up-to-date equipment, software, and methodologies to obtain and analyze this information. In addition, the registration and inspection functions of the Agency are becoming more reliant upon modern technology that facilitates a thorough, efficient, and secure review process. Finally, the Agency needs to adapt to the ever increasing threat of cyber crime.

Project Location: Austin, Dallas, Houston, San Antonio, Lubbock, and Corpus Christi

Beneficiaries: Texas citizens, those that register with the Agency, and Agency staff.

Frequency of Use and External Factors Affecting Use:

Daily use. External factors affecting the need for this capital project include advancing technology rendering current IT resources obsolete and increased sophistication of cyber crime.

Agency code: 312 Agency name: Securities Board

Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2014	Bud 2015	BL 2016	BL 2017
5005 Acquisition of Information Resource Technologies					
<i>1/1</i>	<i>Purchase of Information Technology</i>				
<u>GENERAL BUDGET</u>					
Capital	1-1-1 LAW ENFORCEMENT	37,283	37,283	\$29,071	\$29,071
	1-2-1 SECURITIES REGISTRATION	4,867	4,867	3,795	3,795
	1-3-1 DEALER REGISTRATION	5,428	5,428	4,232	4,232
	1-4-1 INSPECT RECORDS	24,817	24,817	19,350	19,350
	2-1-1 CENTRAL ADMINISTRATION	17,380	17,380	13,552	13,552
	TOTAL, PROJECT	\$89,775	\$89,775	\$70,000	\$70,000
	TOTAL CAPITAL, ALL PROJECTS	\$89,775	\$89,775	\$70,000	\$70,000
	TOTAL INFORMATIONAL, ALL PROJECTS				
	TOTAL, ALL PROJECTS	\$89,775	\$89,775	\$70,000	\$70,000

312 Securities Board

Category Code/Name		Est 2014	Bud 2015	BL 2016	BL 2017
Project Sequence/Name					
Goal/Obj/Str	Strategy Name				
5005 Acquisition of Information Resource Technologies					
1 Purchase of Information Technology					
OOE					
Capital					
1-1-1 LAW ENFORCEMENT					
<u>General Budget</u>					
5000	CAPITAL EXPENDITURES	37,283	37,283	29,071	29,071
1-2-1 SECURITIES REGISTRATION					
<u>General Budget</u>					
5000	CAPITAL EXPENDITURES	4,867	4,867	3,795	3,795
1-3-1 DEALER REGISTRATION					
<u>General Budget</u>					
5000	CAPITAL EXPENDITURES	5,428	5,428	4,232	4,232
1-4-1 INSPECT RECORDS					
<u>General Budget</u>					
5000	CAPITAL EXPENDITURES	24,817	24,817	19,350	19,350
2-1-1 CENTRAL ADMINISTRATION					
<u>General Budget</u>					
5000	CAPITAL EXPENDITURES	17,380	17,380	13,552	13,552
TOTAL, OOE's		\$89,775	\$89,775	70,000	70,000
MOF					
GENERAL REVENUE FUNDS					

312 Securities Board

Category Code/Name		Est 2014	Bud 2015	BL 2016	BL 2017
Project Sequence/Name					
Goal/Obj/Str	Strategy Name				
1 Purchase of Information Technology					
Capital					
1-1-1 LAW ENFORCEMENT					
<u>General Budget</u>					
1	General Revenue Fund	37,283	37,283	29,071	29,071
1-2-1 SECURITIES REGISTRATION					
<u>General Budget</u>					
1	General Revenue Fund	4,867	4,867	3,795	3,795
1-3-1 DEALER REGISTRATION					
<u>General Budget</u>					
1	General Revenue Fund	5,428	5,428	4,232	4,232
1-4-1 INSPECT RECORDS					
<u>General Budget</u>					
1	General Revenue Fund	24,817	24,817	19,350	19,350
2-1-1 CENTRAL ADMINISTRATION					
<u>General Budget</u>					
1	General Revenue Fund	17,380	17,380	13,552	13,552
TOTAL, GENERAL REVENUE FUNDS		\$89,775	\$89,775	70,000	70,000
TOTAL, MOFs		\$89,775	\$89,775	70,000	70,000

312 Securities Board

	Est 2014	Bud 2015	BL 2016	BL 2017
CAPITAL				
<u>General Budget</u>				
GENERAL REVENUE FUNDS				
TOTAL, GENERAL BUDGET	\$89,775	\$89,775	70,000	70,000
TOTAL, ALL PROJECTS	89,775	89,775	70,000	70,000
	\$89,775	\$89,775	70,000	70,000

6.A. Historically Underutilized Business Supporting Schedule
 84th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 7/28/2014
 Time: 8:41:12AM

Agency Code: 312 Agency: Securities Board

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year 2012 - 2013 HUB Expenditure Information

Statewide HUB Goals	Procurement Category	% Goal	HUB Expenditures FY 2012			Total Expenditures FY 2012		HUB Expenditures FY 2013			Total Expenditures FY 2013
			% Actual	Diff	Actual \$	% Goal	% Actual	Diff	Actual \$		
32.7%	Special Trade Construction	0.0 %	0.0%	0.0%	\$0	\$0	32.7 %	0.0%	-32.7%	\$0	\$21,632
23.6%	Professional Services	23.6 %	100.0%	76.4%	\$4,540	\$4,540	23.6 %	100.0%	76.4%	\$21,800	\$21,800
24.6%	Other Services	24.6 %	38.6%	14.0%	\$50,742	\$131,346	24.6 %	16.8%	-7.8%	\$20,388	\$121,326
21.0%	Commodities	21.0 %	82.8%	61.8%	\$80,789	\$97,618	21.0 %	69.1%	48.1%	\$99,464	\$143,910
	Total Expenditures		58.3%		\$136,071	\$233,504		45.9%		\$141,652	\$308,668

B. Assessment of Fiscal Year 2012 - 2013 Efforts to Meet HUB Procurement Goals

Attainment:

The Agency exceeded the HUB procurement goals in the areas of professional services and commodities for FY2012 and FY 2013. The Agency exceeded the HUB procurement goal in the area of other services for the biennium and for FY2012. However, the Agency missed the other services goal for FY2013 by approximately \$9,458. The Agency did not meet the HUB goal for the special trade construction area. The amounts shown in the special trade construction category were paid to the companies that lease office space to the Agency. The office space was increased and the cost of construction fell into this category. The Agency was required to pay the landlord directly and, therefore, had no opportunity to use a HUB vendor.

Applicability:

The procurement categories that typically apply to the Agency are professional services, other services, and commodities. The various construction categories typically do not apply to the Agency. The special trade construction category was used in FY 2013 due to construction to increase lease space in two branch offices.

Factors Affecting Attainment:

The amounts shown in the special trade construction category were paid to the companies that lease office space to the Agency. The office space was increased and the cost of construction fell into this category. The Agency was required to pay the landlord directly and, therefore, had no opportunity to use a HUB vendor.

"Good-Faith" Efforts:

The Agency has established and implemented policies for purchasing that call for meaningful and substantive inclusion of HUB vendors.

6.E. Estimated Revenue Collections Supporting Schedule
 84th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

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

FUND/ACCOUNT	Act 2013	Exp 2014	Exp 2015	Bud 2016	Est 2017
<u>1</u> General Revenue Fund					
Beginning Balance (Unencumbered):	\$0	\$0	\$0	\$0	\$0
Estimated Revenue:					
3103 Limited Sales & Use Tax-State	3	7	0	0	0
3171 Prof-Fees-HB11, GR Increase	55,612,800	57,087,400	57,087,400	57,087,400	57,087,400
3175 Professional Fees	21,782,708	21,628,970	21,628,970	21,628,970	21,628,970
3186 Securities Fees	113,507,530	110,000,000	100,000,000	100,000,000	100,000,000
3719 Fees/Copies or Filing of Records	2,848	1,000	0	0	0
3727 Fees - Administrative Services	400	300	0	0	0
3752 Sale of Publications/Advertising	41	150	0	0	0
3770 Administrative Penalties	599,831	684,247	0	0	0
Subtotal: Actual/Estimated Revenue	191,506,161	189,402,074	178,716,370	178,716,370	178,716,370
Total Available	\$191,506,161	\$189,402,074	\$178,716,370	\$178,716,370	\$178,716,370
Ending Fund/Account Balance	\$191,506,161	\$189,402,074	\$178,716,370	\$178,716,370	\$178,716,370

REVENUE ASSUMPTIONS:

CONTACT PERSON:

Derek Lauterjung

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 7/28/2014
Time: 8:41:13AM

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

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			TARGET
	2016	2017	Biennial Total	2016	2017	Biennial Total	

1 Staff and Capital Spending Reduction

Category: Programs - Service Reductions (FTEs-Layoffs)

Item Comment: This reduction would eliminate the Agency's capital budget. The Agency's ability to purchase new, improved technologies and replace computers as they exceed life cycle would be removed. In addition, improving IT security in ways that would require capital budget funding and authority would not be possible.

The reduction would also eliminate 5.25 full-time equivalent positions. It would reduce the number of criminal, civil and administrative actions for securities fraud and related offenses by approximately 24 annually. It would reduce the number of new Enforcement investigations by approximately 18 annually. The reduction would also increase the amount of time needed to analyze dealer, investment adviser and securities registration applications of entities and individuals contemplating stock, bond or limited partnership offerings or acting as investment advisers or securities dealers – thereby delaying a potential registrant’s ability to earn a living. Finally, the reduction could increase the amount of time needed to respond to public inquiries and requests for information and create delays in responding to industry requests for information related to the Securities Act or Board rules.

Strategy: 1-1-1 Investigate Violations, Coordinate Appropriate Action by Authorities

General Revenue Funds

1 General Revenue Fund	\$0	\$0	\$0	\$97,801	\$97,802	\$195,603
General Revenue Funds Total	\$0	\$0	\$0	\$97,801	\$97,802	\$195,603

Strategy: 1-2-1 Review Security Documentation for Conformity

General Revenue Funds

1 General Revenue Fund	\$0	\$0	\$0	\$62,381	\$62,381	\$124,762
General Revenue Funds Total	\$0	\$0	\$0	\$62,381	\$62,381	\$124,762

Strategy: 1-3-1 Perform Extensive Review of Applications and Submissions

General Revenue Funds

1 General Revenue Fund	\$0	\$0	\$0	\$54,536	\$54,536	\$109,072
General Revenue Funds Total	\$0	\$0	\$0	\$54,536	\$54,536	\$109,072

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

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Automated Budget and Evaluation System of Texas (ABEST)

Date: 7/28/2014
Time: 8:41:13AM

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

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			TARGET
	2016	2017	Biennial Total	2016	2017	Biennial Total	
Strategy: 1-4-1 Inspect Dealer & Investment Adviser Records for Regulatory Compliance							
<u>General Revenue Funds</u>							
1 General Revenue Fund	\$0	\$0	\$0	\$19,350	\$19,350	\$38,700	
General Revenue Funds Total	\$0	\$0	\$0	\$19,350	\$19,350	\$38,700	
Strategy: 2-1-1 Central Administration							
<u>General Revenue Funds</u>							
1 General Revenue Fund	\$0	\$0	\$0	\$115,272	\$115,272	\$230,544	
General Revenue Funds Total	\$0	\$0	\$0	\$115,272	\$115,272	\$230,544	
Item Total	\$0	\$0	\$0	\$349,340	\$349,341	\$698,681	
FTE Reductions (From FY 2016 and FY 2017 Base Request)				5.2	5.2		

2 Staff Reduction

Category: Programs - Service Reductions (FTEs-Layoffs)

Item Comment: The reduction would eliminate 6.5 full-time equivalent positions. It would reduce the number of criminal, civil and administrative actions for securities fraud and related offenses by approximately 98 annually. It would reduce the number of new Enforcement investigations by approximately 72 annually. The reduction would lower the number of inspections on registrants subject to the sole regulatory oversight of the Agency by approximately 27 annually. The efficiency of fee processing in central administration would be severely decreased.

Strategy: 1-1-1 Investigate Violations, Coordinate Appropriate Action by Authorities

General Revenue Funds

1 General Revenue Fund	\$0	\$0	\$0	\$229,185	\$229,185	\$458,370	
General Revenue Funds Total	\$0	\$0	\$0	\$229,185	\$229,185	\$458,370	

Strategy: 1-4-1 Inspect Dealer & Investment Adviser Records for Regulatory Compliance

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 7/28/2014
Time: 8:41:13AM

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

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			TARGET
	2016	2017	Biennial Total	2016	2017	Biennial Total	
<u>General Revenue Funds</u>							
1 General Revenue Fund	\$0	\$0	\$0	\$108,440	\$108,440	\$216,880	
General Revenue Funds Total	\$0	\$0	\$0	\$108,440	\$108,440	\$216,880	
Strategy: 2-1-1 Central Administration							
<u>General Revenue Funds</u>							
1 General Revenue Fund	\$0	\$0	\$0	\$11,716	\$11,716	\$23,432	
General Revenue Funds Total	\$0	\$0	\$0	\$11,716	\$11,716	\$23,432	
Item Total	\$0	\$0	\$0	\$349,341	\$349,341	\$698,682	
FTE Reductions (From FY 2016 and FY 2017 Base Request)				6.5	6.5		
AGENCY TOTALS							
General Revenue Total				\$698,681	\$698,682	\$1,397,363	\$1,397,363
Agency Grand Total	\$0	\$0	\$0	\$698,681	\$698,682	\$1,397,363	
Difference, Options Total Less Target							
Agency FTE Reductions (From FY 2016 and FY 2017 Base Request)				11.7	11.7		

7.A. Indirect Administrative and Support Costs

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Automated Budget and Evaluation System of Texas (ABEST)

312 Securities Board

Strategy		Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
2-1-1	Central Administration					
OBJECTS OF EXPENSE:						
1001	SALARIES AND WAGES	\$1,049,279	\$ 1,134,906	\$ 1,174,176	\$ 1,174,176	\$ 1,174,176
1002	OTHER PERSONNEL COSTS	44,330	34,543	33,356	34,556	35,756
2001	PROFESSIONAL FEES AND SERVICES	5,793	16,143	6,300	6,300	6,300
2003	CONSUMABLE SUPPLIES	6,599	6,496	8,160	8,160	8,160
2004	UTILITIES	1,972	2,202	1,835	1,835	1,835
2005	TRAVEL	18,980	15,261	16,960	16,960	16,960
2006	RENT - BUILDING	6,185	7,735	6,750	6,750	6,750
2007	RENT - MACHINE AND OTHER	4,694	3,628	3,750	3,750	3,750
2009	OTHER OPERATING EXPENSE	129,873	75,686	70,991	83,961	83,961
5000	CAPITAL EXPENDITURES	32,238	17,380	17,380	13,552	13,552
Total, Objects of Expense		\$1,299,943	\$1,313,980	\$1,339,658	\$1,350,000	\$1,351,200
METHOD OF FINANCING:						
1	General Revenue Fund	1,299,943	1,313,980	1,339,658	1,350,000	1,351,200
Total, Method of Financing		\$1,299,943	\$1,313,980	\$1,339,658	\$1,350,000	\$1,351,200
FULL TIME EQUIVALENT POSITIONS		15.5	16.3	16.3	16.3	16.3

Method of Allocation

7.A. Indirect Administrative and Support Costs

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Automated Budget and Evaluation System of Texas (ABEST)

312 Securities Board

Strategy	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
2-1-1 Central Administration					

Amounts appropriated to Indirect Administration Goal in GAA.

7.A. Indirect Administrative and Support Costs

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Automated Budget and Evaluation System of Texas (ABEST)

312 Securities Board

Strategy		Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
2-1-2	Information Technology					
OBJECTS OF EXPENSE:						
1001	SALARIES AND WAGES	\$196,794	\$ 218,418	\$ 221,605	\$ 221,827	\$ 221,828
1002	OTHER PERSONNEL COSTS	13,040	7,088	6,585	7,657	8,137
2009	OTHER OPERATING EXPENSE	1,741	2,184	2,216	2,218	2,218
Total, Objects of Expense		\$211,575	\$227,690	\$230,406	\$231,702	\$232,183
METHOD OF FINANCING:						
1	General Revenue Fund	211,575	227,690	230,406	231,702	232,183
Total, Method of Financing		\$211,575	\$227,690	\$230,406	\$231,702	\$232,183
FULL TIME EQUIVALENT POSITIONS		3.0	3.0	3.0	3.0	3.0

7.A. Indirect Administrative and Support Costs

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Automated Budget and Evaluation System of Texas (ABEST)

		312 Securities Board				
		Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
GRAND TOTALS						
Objects of Expense						
1001	SALARIES AND WAGES	\$1,246,073	\$1,353,324	\$1,395,781	\$1,396,003	\$1,396,004
1002	OTHER PERSONNEL COSTS	\$57,370	\$41,631	\$39,941	\$42,213	\$43,893
2001	PROFESSIONAL FEES AND SERVICES	\$5,793	\$16,143	\$6,300	\$6,300	\$6,300
2003	CONSUMABLE SUPPLIES	\$6,599	\$6,496	\$8,160	\$8,160	\$8,160
2004	UTILITIES	\$1,972	\$2,202	\$1,835	\$1,835	\$1,835
2005	TRAVEL	\$18,980	\$15,261	\$16,960	\$16,960	\$16,960
2006	RENT - BUILDING	\$6,185	\$7,735	\$6,750	\$6,750	\$6,750
2007	RENT - MACHINE AND OTHER	\$4,694	\$3,628	\$3,750	\$3,750	\$3,750
2009	OTHER OPERATING EXPENSE	\$131,614	\$77,870	\$73,207	\$86,179	\$86,179
5000	CAPITAL EXPENDITURES	\$32,238	\$17,380	\$17,380	\$13,552	\$13,552
Total, Objects of Expense		\$1,511,518	\$1,541,670	\$1,570,064	\$1,581,702	\$1,583,383
Method of Financing						
1	General Revenue Fund	\$1,511,518	\$1,541,670	\$1,570,064	\$1,581,702	\$1,583,383
Total, Method of Financing		\$1,511,518	\$1,541,670	\$1,570,064	\$1,581,702	\$1,583,383
Full-Time-Equivalent Positions (FTE)		18.5	19.3	19.3	19.3	19.3