

AGENCY STRATEGIC PLAN

FISCAL YEARS 2015 - 2019

BY

Texas State Securities Board

<u>BOARD MEMBER</u>	<u>DATES OF TERM</u>	<u>HOMETOWN</u>
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

DATE OF SUBMISSION
JUNE 23, 2014

SIGNED: _____
John Morgan, Securities Commissioner

APPROVED: _____
Beth Ann Blackwood, Chair

TABLE OF CONTENTS

Statewide Vision, Mission, and Philosophy	1
Relevant Statewide Goals and Benchmarks	3
Agency Mission	5
Agency Philosophy.....	5
External / Internal Assessment	6
Agency Goals.....	13
Objectives and Outcome Measures	13
Strategies, and Output, Efficiency, and Explanatory Measures	13
Technology Resource Planning	18
Technology Initiative Alignment.....	19
Appendices	
A. Description of Agency’s Planning Process	25
B. Current Organizational Chart	26
C. Five-Year Projections for Outcomes	27
D. List of Performance Measure Definitions	28
E. Workforce Plan.....	45

STATEWIDE VISION, MISSION AND PHILOSOPHY

VISION

We must continue to adhere to the priorities that have made Texas a national economic leader:

Ensuring the economic competitiveness of our state by adhering to principles of fiscal discipline, setting clear budget priorities, living within our means, and limiting the growth of government;

Investing in critical water, energy, and transportation infrastructure needs to meet the demands of our rapidly growing state;

Ensuring excellence and accountability in public schools and institutions of higher education as we invest in the future of this state and make sure Texans are prepared to compete in the global marketplace;

Defending Texans by safeguarding our neighborhoods and protecting our international border; and

Increasing transparency and efficiency at all levels of government to guard against waste, fraud, and abuse, ensuring that Texas taxpayers keep more of their hard-earned money to keep our economy and our families strong.

MISSION

Texas state government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

Aim high . . . we are not here to achieve inconsequential things!

STATEWIDE VISION, MISSION AND PHILOSOPHY (CONTINUED)

PHILOSOPHY

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise, we will promote the following core principles:

- ❖ First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics, or individual recognition.
- ❖ Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
- ❖ Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.
- ❖ Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. Just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.
- ❖ Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
- ❖ State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse and providing efficient and honest government.
- ❖ Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

RELEVANT STATEWIDE GOALS AND BENCHMARKS

The following statewide priority goals and benchmarks are relevant and applicable to the Texas State Securities Board in fulfilling its mission to protect Texas investors and ensuring free and competitive securities markets for Texas:

PUBLIC SAFETY AND CRIMINAL JUSTICE

To protect Texans by:

- ❖ Preventing and reducing terrorism and crime;
- ❖ Achieving an optimum level of statewide preparedness capable of responding and recovering from all hazards; and
- ❖ Confining, supervising, and rehabilitating offenders.

Benchmarks

- ❖ Average rate of adult re-incarceration within three years of initial release.

REGULATORY

To ensure Texans are effectively and efficiently served by high-quality professionals and businesses by:

- ❖ Implementing clear standards;
- ❖ Ensuring compliance;
- ❖ Establishing market-based solutions; and
- ❖ Reducing the regulatory burden on people and business.

Benchmarks

- ❖ Percentage of state professional licensee population with no documented violations;
- ❖ Percentage of new professional licenses as compared to existing population.
- ❖ Percentage of documented complaints to professional licensing agencies resolved within six months
- ❖ Percentage of new and renewed professional licenses issued online.

RELEVANT STATEWIDE GOALS AND BENCHMARKS (CONTINUED)

GENERAL GOVERNMENT

To provide citizens with greater access to government services while reducing service delivery costs and protecting the fiscal resources for current and future taxpayers by:

- ❖ Supporting effective, efficient, and accountable state government operations.

Benchmarks

- ❖ Total state spending per capita;
- ❖ Percentage change in state spending, adjusted for population and inflation;
- ❖ Number of state employees per 10,000 population;
- ❖ Number of state services accessible by Internet;
- ❖ Total savings realized in state spending by making reports/documents/ processes available on the Internet and accepting information in electronic format.

ECONOMIC DEVELOPMENT

To provide an attractive economic climate for current and emerging industries and market Texas as a premier business expansion and tourist destination that fosters economic opportunity, job creation, and capital investment by:

- ❖ Promoting a favorable business climate and a fair system to fund necessary state services;
- ❖ Maintaining economic competitiveness as a key priority in setting State policy; and
- ❖ Developing a well-trained, educated, and productive workforce.

Benchmarks

- ❖ Number of employees in targeted industry sectors;
- ❖ Number of new small businesses created;
- ❖ Number of new non-government, non-farm jobs created.

AGENCY MISSION AND PHILOSOPHY

MISSION

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

PHILOSOPHY

Strong capital markets are essential to a healthy state economy and the creation of jobs and opportunities all Texans deserve. These markets must be nurtured to achieve social and economic prosperity. Investors must believe that a fair opportunity exists before they will risk their investment capital. Entrepreneurs deserve access to capital markets that have not been depleted by promoters of fraudulent investment schemes.

The Agency must carefully craft its regulatory approach. A harsh and unyielding regulatory system may impede capital formation by removing the incentive for businesses to seek capital in Texas. An overly-lenient regulatory system may impede capital formation by fostering an environment where unscrupulous promoters damage public confidence in investments. The proper balance of the interests of the promoter and those of the investor produces a healthy and productive capital market.

The Agency approaches all its activities with a deep sense of purpose and responsibility and always strives to act in accordance with the highest standards of fiscal responsibility, ethics, accountability, efficiency, and openness.

EXTERNAL / INTERNAL ASSESSMENT

AGENCY SCOPE AND FUNCTIONS

The Agency was created in 1957 pursuant to The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 *et seq.*, (“the Act”) passed by the 55th Legislature. This legislation was the culmination of four earlier statutes dating back to 1913 that attempted to rein in fraudulent stock promotions. To meet the requirements of the Act, the Agency maintains strategies for: 1) Law enforcement; 2) Registration of securities; 3) Registration of dealers, agents, investment advisers, and investment adviser representatives; and 4) Inspections of registered dealers and investment advisers.

The law enforcement strategy investigates suspected violations of the Act and, when appropriate, pursues administrative enforcement actions or refers matters for civil action or criminal prosecution. Staff of the law enforcement strategy also provides logistical, trial, and appellate assistance to prosecutors for the matters referred by the Agency for criminal action.

The securities registration strategy reviews applications for registration and processes notice filings for securities offerings in Texas to ensure that they are made in compliance with the Act and Board Rules.

The registration strategy for dealers, agents, investment advisers, and investment adviser representatives reviews applications for registration filed with the Agency and processes notice filings of investment advisers and investment adviser representatives doing business in the state to ensure that only qualified firms and individuals are authorized to deal with the investing public in Texas.

The inspections and compliance strategy inspects the records of registered dealers and investment advisers to ensure that these registrants are acting in compliance with the Act and Board Rules and, in appropriate circumstances, pursues actions to sanction registrants found to have violated those requirements.

The Commissioner's Office, Office of General Counsel and Staff Services Division provide administrative support to each of the Agency's strategies. The Commissioner's Office also develops and implements investor education initiatives to inform the public about the basics of investing in securities, with a special emphasis on the prevention and detection of securities fraud.

ORGANIZATIONAL ASPECTS

The governing board of the Agency is comprised of five members appointed by the Governor, with consent of the Senate, who serve six-year staggered terms. The Board

EXTERNAL / INTERNAL ASSESSMENT (CONTINUED)

establishes the policies of the Agency and meets periodically to update Agency rules to ensure that investors remain adequately protected and that unreasonable burdens on legitimate capital formation are avoided. The Board appoints a Securities Commissioner who serves at the pleasure of the Board and administers the provisions of the Act and manages the day-to-day operations of the Agency.

While a majority of the Agency's employees work from its headquarters in Austin, the Agency also maintains offices in Corpus Christi, Dallas, Houston, Lubbock, and San Antonio. These offices facilitate the Agency's law enforcement and inspections functions in each geographic region of the state and provide services to investors and those seeking to raise capital through securities offerings in Texas.

The Agency is authorized 104 full-time equivalent (FTE) positions. Approximately 70% of the staff are professionals – attorneys, examiners, accountants, information technology specialists, and other professionals. In order to protect Texas investors without restraining capital formation by legitimate issuers and dealers, Agency employees must be well-educated, knowledgeable, and adequately trained to make prompt and accurate recommendations and decisions concerning 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. In the last fiscal year, the Agency's employee turnover rate was approximately 12%, most of it in professional positions. Although Agency salaries for professional positions are not competitive with those of individuals performing related work in the private sector, the Agency seeks to maintain a salary structure that is at least competitive with similar positions for other state and federal regulators and expends significant resources to ensure that employees receive adequate training and have the necessary support to effectively perform the Agency's work.

The Agency continues to face significant challenges in hiring and retaining qualified staff. 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 the Financial Industry Regulatory Authority.

EXTERNAL / INTERNAL ASSESSMENT (CONTINUED)

The Agency will be further challenged in the next five years as approximately 23% of its workforce becomes eligible for retirement. The Agency's succession planning focuses on cross-training of employees to help ensure redundancy of experience and skills.

As of May, 2014, 60% of the Agency's employees were female, 18% were Hispanic, 14% were African-American, 3% were Asian, and 1% were American Indian.

The Agency has databases, computer networks, and equipment that are critical to its law enforcement, inspections and compliance, and registration strategies. Recent capital appropriations have enabled the Agency to make significant capital improvements. The Agency must be able to continue to maintain these technologies to regulate one of the most technologically advanced industries in the world.

An objective of the Agency is to award at least 30% of the total dollar amount of contracts and subcontracts awarded by the Agency to historically underutilized businesses (HUBs). Long standing purchasing policies that call for the meaningful and substantive inclusion of HUBs enable the Agency to exceed that objective.

FISCAL ASPECTS

To help prevent the departure of qualified employees for salary reasons to other securities regulatory entities, the Agency may seek additional resources to implement a plan to move closer to salary parity with like organizations. Without sufficient funding to address these issues, the Agency will continue to see significant turnover in the workforce. Maintaining the Agency's capital budget will be necessary to keep pace with ongoing technological advancements in the securities industry.

SERVICE POPULATION DEMOGRAPHICS

The Texas capital market has grown to be one of the preeminent capital formation areas in the world and is eagerly sought out by securities issuers. In Fiscal Year 2013, the dollar volume of securities authorized for sale in Texas was approximately \$225 billion. This number represents only a fraction of the total volume of securities activity in Texas because it does not include transactions conducted pursuant to exemptions from registration and filing requirements.

The migration from defined benefit retirement plans to self-directed plans has significantly increased individuals' direct participation in, and dependence on, the securities markets to fund their retirement. With dependence on the markets comes a dependence on the market professionals who advise individual investors. The Agency has oversight of investment advisers in Texas with up to \$100 million in assets under management. It is critical that the Agency effectively regulate the activities of these firms to ensure that Texans' retirement funds are safe.

TECHNOLOGICAL DEVELOPMENTS

As members of the public have increased their direct participation in, and dependence on, the securities markets to fund their retirement, there has been a corresponding increase in the amount of investment-related information presented to investors in public forums such as newspapers, radio, television, and the Internet. Often the public is directly solicited to invest in securities offerings through one or more of these communication channels.

The Internet remains a favored tool used by promoters of fraudulent investment schemes to disseminate information to the public. The Internet allows instant, world-wide publication and advertisement with few barriers to entry and minimal cost. This makes it an ideal medium for fast-moving con artists. Because much of the evidence in modern white collar crime resides on computers and other electronic storage devices and is often voluminous, the Agency must maintain up-to-date equipment, software, and methodologies to obtain and analyze this information.

The Agency continues to use technology to implement enhancements to the processing and analysis of filings and applications to realize efficiencies.

EXTERNAL / INTERNAL ASSESSMENT (CONTINUED)

ECONOMIC VARIABLES

Generally, the volume of applications and filings processed by the Agency's securities registration strategy is affected by prevailing economic conditions. Strength and weakness in the capital markets affects the number and dollar amount of authorizations to sell securities in the state.

With respect to the law enforcement function of the Agency, economic variables tend only to affect the nature of the offerings made to the public, and not the volume of enforcement activity. When capital markets are strong, opportunistic promoters of fraudulent schemes tend to structure offerings in ways that most closely resemble those of legitimate issuers. During economic downturns, these promoters, many of whom are recidivist securities law violators, often create offerings touted as "safe," "guaranteed," or based on a new technology or product that will provide investment returns far greater than conventional securities available to the public.

IMPACT OF FEDERAL STATUTES AND REGULATIONS

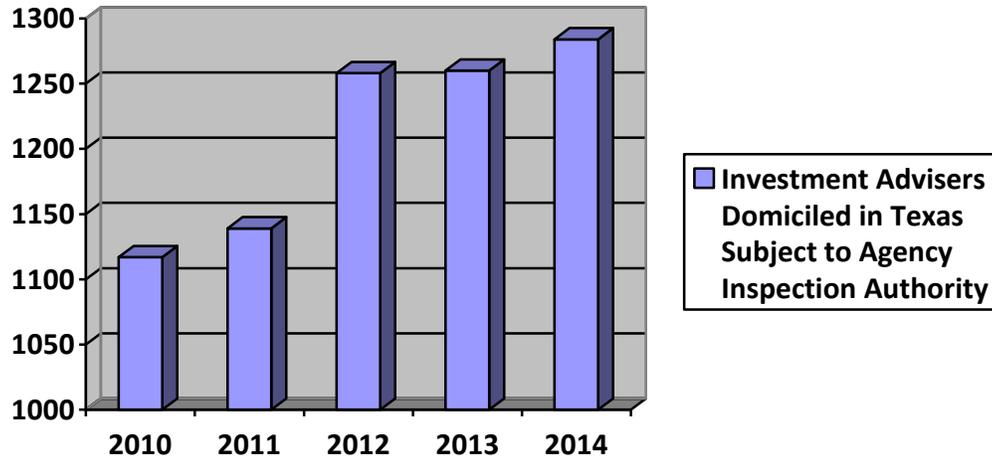
Federal law recognizes the role of each state to regulate securities transactions at the local level and provides broad exemptions from securities registration, such as those based on the size of an offering or offerings made solely within one state. The National Securities Markets Improvement Act of 1996 established a clear division of responsibility between the SEC and the states for the registration of certain securities and the registration of investment advisers.

The SEC and the states have different fundamental enforcement objectives. The SEC generally acts as a market regulator of national offerings, exchange-listed securities, national accounting standards, and the largest investment advisers and securities dealers. The Texas State Securities Board generally focuses on investor protection at the "point of sale" and concentrates its law enforcement efforts on the prompt interdiction of fraudulent securities offerings and criminal prosecution of those responsible.

The focus of the inspections and compliance function of the Agency is on dealers and investment advisers not inspected by any other regulatory authority. With the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Agency was charged with regulatory responsibility for investment advisers in Texas with less than \$100 million in investor assets under management.

EXTERNAL / INTERNAL ASSESSMENT (CONTINUED)

Increase in Agency Regulatory Responsibility



Recent changes in federal law have lowered the regulatory standards associated with what have traditionally been “private offerings”. Historically, these offerings have been restricted from any form of general solicitation or general advertising. The modification in federal law enables certain offerings to be solicited to the general public. Unscrupulous parties that typically ignore securities statutes and regulations are able to use boiler rooms, telemarketing firms and free lunch seminars to broadly recruit greater numbers of victims under the color of law. These changes require more Agency resources to address this reduction in investor protection.

SELF-EVALUATION AND OPPORTUNITIES FOR IMPROVEMENT

The Agency has effectively and efficiently carried out its mission to protect investors and, consistent with that requirement, encouraged capital formation, job formation, and free and competitive securities markets. The Agency maintains an aggressive enforcement program and, despite its small staff, is a perennial leader among all jurisdictions in the United States in the number of actions taken to enforce the securities laws.

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. The Agency must seek new opportunities to develop and use technologies to achieve the efficiencies that are necessary to carry out its mission. Funding and other limitations that impair

EXTERNAL / INTERNAL ASSESSMENT (CONTINUED)

the ability of the Agency to hire, support, and retain qualified employees present potential obstacles to achieving this objective.

The Agency must continue to work with local, state, and federal regulatory and law enforcement agencies to share information, leverage limited resources, and ensure that regulatory and law enforcement efforts are not duplicated. This work should continue to be facilitated through frequent contact and coordination with regulatory entities, quarterly meetings with federal, state and regulatory organizations, participation in shared databases and email discussion groups, and management of multi-state investigations, inspections and review of applications where appropriate.

AGENCY GOALS AND PERFORMANCE MEASURES

GOAL A: PROTECT INVESTORS AND ASSURE ACCESS TO CAPITAL FOR BUSINESS

To protect Texas investors, by seeking free and competitive securities market for Texas, increase investor confidence, and thereby encourage the formation of capital and the creation of new jobs in Texas through effective and efficient regulation.

OBJECTIVE

A.1 Bring Law Enforcement Actions against Violators: Aggressively investigate suspected violations of the Texas Securities Act and work closely with local, state, and federal prosecutors and law enforcement officials to ensure that appropriate enforcement action is taken, including the criminal referral, indictment, and conviction of individuals who violate provisions of the Act.

STRATEGY

A.1.1 Law Enforcement: Investigate violations of the Texas Securities Act and coordinate appropriate actions by authorities.

OUTCOME MEASURES

- ❖ Number of Law Enforcement Actions Taken
- ❖ Dollar Amount Involved in Law Enforcement Actions
- ❖ Percentage of Law Enforcement Actions Successful

OUTPUT MEASURES

- ❖ Number of Investigations Opened
- ❖ Number of Criminal and Civil Referrals

AGENCY GOALS AND PERFORMANCE MEASURES (CONTINUED)

GOAL A: PROTECT INVESTORS AND ASSURE ACCESS TO CAPITAL FOR BUSINESS

To protect Texas investors, by seeking free and competitive securities market for Texas, increase investor confidence, and thereby encourage the formation of capital and the creation of new jobs in Texas through effective and efficient regulation.

OBJECTIVE

A.2 Guarantee Registered Securities Offerings are Fair to Investors: Perform a comprehensive, timely, and responsive review of the prospectus and related documentation submitted with securities registration applications. Negotiate with the issuer or its representatives to remove unfair elements from offerings, to insert safeguards for the public, and to ensure full disclosure of material considerations to facilitate the registration of offerings. Refer suspected fraudulent offerings to enforcement personnel.

STRATEGY

A.2.1 Securities Registration: Review security documentation for conformity.

OUTCOME MEASURE

- ❖ Average Time (Days) for Deficiency Letters Issuance on Securities Applications

OUTPUT MEASURE

- ❖ Number of Securities Filings and Submissions Processed

EXPLANATORY MEASURE

- ❖ Revenues Deposited to the State Treasury from Securities Applications

AGENCY GOALS AND PERFORMANCE MEASURES (CONTINUED)

GOAL A: PROTECT INVESTORS AND ASSURE ACCESS TO CAPITAL FOR BUSINESS

To protect Texas investors, by seeking free and competitive securities market for Texas, increase investor confidence, and thereby encourage the formation of capital and the creation of new jobs in Texas through effective and efficient regulation.

OBJECTIVE

A.3 Guarantee that Persons Registered or Authorized are Qualified: Perform an extensive, timely, and responsive review of applications; conduct criminal and disciplinary investigation of applicants by contacting other law enforcement and regulatory organizations; ensure compliance with examination requirements; and oppose registration of unqualified applicants.

STRATEGY

A.3.1 Dealer Registration: Perform extensive review of applications and submissions.

OUTCOME MEASURE

- ❖ Average Time (Days) for Deficiency Letters on Dealer and Investment Adviser Applications

OUTPUT MEASURE

- ❖ Number of Dealers, Agents, Investment Advisers, and Investment Adviser Representatives Applications and Submissions Processed

EXPLANATORY MEASURES

- ❖ Number of Dealers, Agents, Investment Advisers and Investment Adviser Representatives Licensed or Authorized
- ❖ Revenues Deposited to State Treasury from Applications and Submissions

AGENCY GOALS AND PERFORMANCE MEASURES (CONTINUED)

GOAL A: PROTECT INVESTORS AND ASSURE ACCESS TO CAPITAL FOR BUSINESS

To protect Texas investors, by seeking free and competitive securities market for Texas, increase investor confidence, and thereby encourage the formation of capital and the creation of new jobs in Texas through effective and efficient regulation.

OBJECTIVE

A.4 Inspect Dealers: Perform a comprehensive inspection of records to ensure continuing compliance with statutory and rule requirements.

STRATEGY

A.4.1 Inspect Records: Inspect Dealer and Investment Adviser records for regulatory compliance.

OUTCOME MEASURES

- ❖ Percentage of Texas Dealers and Investment Advisers Inspected
- ❖ Percentage of Inspected Dealers and Investment Advisers Requiring Corrective Action

OUTPUT MEASURES

- ❖ Number of Inspections Conducted
- ❖ Number of Referrals for Administrative or Law Enforcement Action
- ❖ Number of Administrative Actions Taken by Inspections and Compliance

AGENCY GOALS AND PERFORMANCE MEASURES (CONTINUED)

GOAL B: HISTORICALLY UNDERUTILIZED BUSINESSES

To utilize historically underutilized businesses as extensively as practicable.

OBJECTIVE

B.1 Make a Good Faith Effort: Develop and implement a plan for increasing the use of historically underutilized businesses through purchasing.

STRATEGY

B.1.1 The Agency complies with all HUB requirements as set forth by the Comptroller of Public Accounts, as well as, continuing efforts to utilize HUB vendors for purchases when they are available.

OUTCOME MEASURE

- ❖ Percentage of the Total Dollar of Purchasing and Public Works Contracts and Subcontracts Awarded to HUBs

OUTPUT MEASURES

- ❖ Number of HUB Contractors and Subcontractors Contacted for Bid Proposals
- ❖ Number of HUB Contracts and Subcontracts Awarded
- ❖ Dollar Value of HUB Contracts and Subcontracts Awarded

TECHNOLOGY RESOURCE PLANNING

Because much of the information received by the State Securities Board, including evidence obtained in connection with investigations and inspections, is in electronic format, the Agency must maintain modern equipment, software, and methodologies to effectively process and analyze this information. The Agency has been actively working to create efficiencies through the use of technology. These efforts will continue and are vital in keeping pace with the Agency's ever changing needs.

The key factors that will influence technology decisions over the next five years are the volume of the activity in the enforcement, inspections, and registration strategies of the Agency and new developments in equipment, software, or processing methodologies that are available to improve the Agency's functions.

The Agency leverages the State's purchasing power by utilizing Department of Information Resources contracts for information technology hardware, software, service purchases, Texan and Capital Complex Telephone System communications technology infrastructure, and the USAS and USPS statewide portal infrastructure. The Project One and CAPPs will be monitored by the Agency to determine if it is cost effective to migrate some or all of its time-keeping and/or accounting functions to that system.

Agency information technology policies and procedures are aligned with the State Enterprise Security Plan developed by the Department of Information Resources. The Agency participates in a program designed to periodically test vulnerability to cyber-attacks and follows published state guidelines on security, identity management, access privileges, and disaster recovery plans.

The Agency continuously adds new information to its publicly-available websites and participates in social media to increase the amount of investor education, securities registration, enforcement, and dealer, agent, investment adviser and investment adviser representative information available to Texans. The Agency will continue to comply with state and federal electronic information standards to limit the barriers to access by the public.

New technologies will continue to be implemented to improve workplace productivity and collaboration through remote computing capabilities and enhanced security procedures for electronic file storage and portable devices. The Agency has already moved into a cloud computing arena with server virtualization software. This software will continue to be utilized to lower information technology operating costs and create redundancy of critical information. Operating system software has been updated to improve the functionality of information technology resources.

TECHNOLOGY RESOURCE PLANNING (CONTINUED)

The Agency will follow published guidelines issued by the Department of Information Resources regarding best practices for managing digital information. The Agency will continue to replace equipment in accordance with the cycle approved in its policies and procedures.

TECHNOLOGY INITIATIVES

Initiative 1:

1. Initiative Name:	
Increase IT security maturity level	
2. Initiative Description:	
Agency will continue to fulfill IT security improvements suggested by the Gartner security assessment roadmap.	
3. Associated Project(s):	
Name	Status
Implement necessary improvements to Agency's security systems.	Planned
4. Agency Objective(s):	
Bring law enforcement actions against violators. Guarantee registered securities offerings are fair to investors. Guarantee that persons registered or authorized are qualified. Inspect dealers.	
5. Statewide Technology Priority(ies):	
Security and Privacy	

6. Anticipated Benefit(s):
Security improvements
7. Capabilities or Barriers:
The Agency's IT staff has developed a strong understanding of the necessary measures. A potential barrier is the cost associated with the necessary steps. As a result, the Agency will be focused on finding the cost-effective methods to complete this initiative.

Initiative 2:

1. Initiative Name:	
Branch office connection improvement.	
2. Initiative Description:	
The Agency plans to improve the speed and security of the connections between the branch offices and the home office.	
3. Associated Project(s):	
Name	Status
Branch Office Connectivity Enhancements	Planned
4. Agency Objective(s):	
Bring law enforcement actions against violators. Inspect dealers.	
5. Statewide Technology Priority(ies):	
Security and Privacy Legacy Modernization Data Management	
6. Anticipated Benefit(s):	
Operational efficiencies will be achieved by increasing the speed at which branch office personnel can access information on the home office servers. Security improvements will be attained through the creation of VPN connections.	

7. Capabilities or Barriers:

The availability and costs of improved internet connection speeds for each branch office are still unknown. The Agency is looking for cost-effective ways to complete this initiative.

Initiative 3:

1. Initiative Name:

Improve Agency websites

2. Initiative Description:

Redesign the main Agency website, as well as the Agency’s Investor Education website, to improve the following:

- Accessibility and readability on phones and tablets
- User’s ability to easily find the specific information they need
- Organization such that each Agency division will have its own section to highlight the most important aspects or most frequently used content.

3. Associated Project(s):

Name	Status
Implement website design changes	Planned

4. Agency Objective(s):

Bring law enforcement actions against violators.
Guarantee registered securities offerings are fair to investors.
Guarantee that persons registered or authorized are qualified.
Inspect dealers.

5. Statewide Technology Priority(ies):

Legacy Modernization
Mobility

6. Anticipated Benefit(s):
Operational efficiencies through reduced phone calls and emails requesting information that is available on the website. Citizen/customer satisfaction through improved access to websites using phones and tablets. Citizen/customer satisfaction through improved ability for users to find the specific information they need.
7. Capabilities or Barriers:
The Agency already has a vast amount of useful data on the websites.

Initiative 4:

1. Initiative Name:	
Maintaining Efficient Data Access	
2. Initiative Description:	
The Agency will periodically replace existing computers and servers at the end of the life expectancy and will purchase other hardware as determined necessary to maintain efficient access to data.	
3. Associated Project(s):	
Name	Status
Purchase hardware and services necessary to maintain effective and efficient access to data.	Planned
4. Agency Objective(s):	
Bring law enforcement actions against violators. Guarantee registered securities offerings are fair to investors. Guarantee that persons registered or authorized are qualified. Inspect dealers.	
5. Statewide Technology Priority(ies):	
Legacy Modernization Virtualization	

6. Anticipated Benefit(s):

Operational efficiencies attained through the use of equipment that meets the performance standards set by current industry technology levels.

7. Capabilities or Barriers:

Agency IT staff is experienced with making necessary hardware changes.

APPENDICES

APPENDIX A

DESCRIPTION OF AGENCY'S PLANNING PROCESS

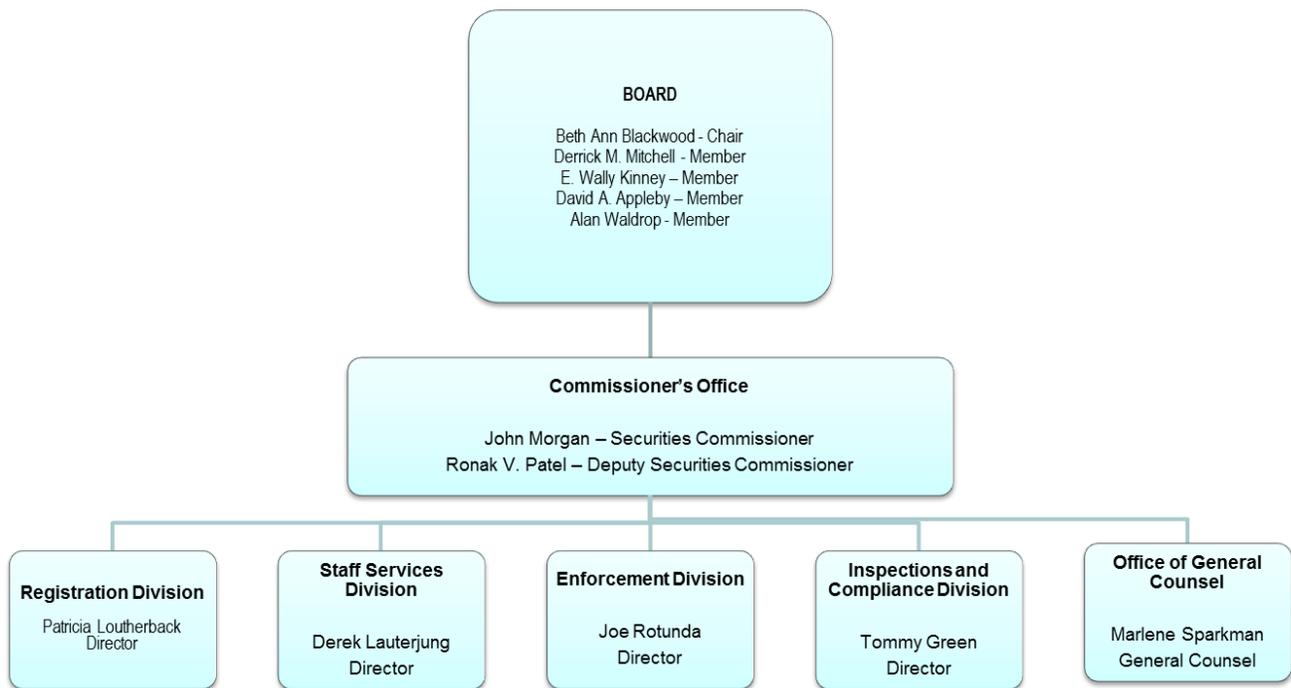
The strategic plan for the State Securities Board was developed by a management group comprised of the Securities Commissioner, Deputy Securities Commissioner, Director of Staff Services, General Counsel, and directors of the Registration, Inspections and Compliance, and Enforcement Divisions based on the structure and requirements in the *Instructions for Preparing and Submitting Agency Strategic Plans*, for fiscal years 2015-2019 issued by the Governor's Office of Budget, Planning and Policy and the Legislative Budget Board in March 2014.

In formulating the External/Internal Assessment for the Agency's Strategic Plan, the management group considered historical and current issues affecting each of the Agency's strategies as well as future expectations for each of these strategies. Based on this assessment, the management group followed the approach taken in the Agency's previous Strategic Plan adopted in 2012 with respect to the Agency's mission, goals, and budget structure. Some of the performance measure definitions were updated and these changes were submitted and approved by the Legislative Budget Board and Governor's Office of Budgeting, Planning and Policy. Current information regarding technology assessments, Agency personnel, outcome projections, and workforce analysis, were included in the Plan.

The Plan was submitted to the Chair of the Board of the Agency for approval prior to distribution.

APPENDIX B

ORGANIZATIONAL CHART



APPENDIX C

FIVE-YEAR PROJECTIONS FOR OUTCOMES

Outcome	2015	2016	2017	2018	2019
Number of Law Enforcement Actions Taken	565	565	565	565	565
Dollar Amount Involved in Law Enforcement Actions Taken	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Percentage of Enforcement Actions Successful	100	100	100	100	100
Average Time (Days) for Deficiency Letters Issuance on Securities Applications	7	7	7	7	7
Average Time (Days) for Deficiency Letters on Dealer and Investment Adviser Applications	14	14	14	14	14
Percentage of Texas Dealers and Investment Advisers Inspected	25	25	25	25	25
Percent of Inspected Dealers and Investment Advisers Requiring Corrective Action	80	80	80	75	75
Percent of Total Dollar Volume of Purchasing Awarded to HUBs	30	30	30	30	30

APPENDIX D

PERFORMANCE MEASURE DEFINITIONS

Goal:	Protect Investors	
Objective:	Bring Law Enforcement Actions against Violators	
Outcome Measure	Number of Law Enforcement Actions Taken	
	<i>Definition</i> This reports a count of the number of civil, administrative and criminal charges and the number of judicial orders issued in civil, administrative and criminal cases.	
	<i>Purpose</i> This represents a measure of the various results (actions) related to enforcement investigations.	
	<i>Data Source</i> Enforcement Actions log backed up by source documents.	
	<i>Method of Calculation</i> A count of all enforcement actions taken during the reporting period.	
	<i>Data Limitations:</i> The performance is partially controlled by the complexity of cases, and the discretion used by prosecutors, Office of the Attorney General, and the court system.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Bring Law Enforcement Actions against Violators	
Outcome Measure	Dollar Amount Involved in Law Enforcement Actions	
	<i>Definition</i> This measure reports an estimate of the aggregate amount of funds obtained from the public in schemes associated with agreed administrative, civil and criminal law enforcement actions.	
	<i>Purpose</i> The purpose is to show the impact on the economy of schemes associated with agreed administrative, civil and criminal law enforcement actions.	
	<i>Data Source</i> The data is tracked by staff on a spreadsheet.	
	<i>Method of Calculation</i> An aggregate count of the dollar amount associated with agreed administrative, civil and criminal law enforcement actions.	
	<i>Data Limitations:</i> The performance is partially controlled by the discretion used by prosecutors, Office of the Attorney General, and the court system.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Bring Law Enforcement Actions against Violators	
Outcome Measure	Percentage of Law Enforcement Actions Successful	
	<i>Definition</i> This measure reports a percentage derived from the number of administrative, civil, or criminal cases successfully resolved during the reporting period compared with the total number of civil, administrative or criminal cases resolved during the reporting period. Successfully resolved is defined as receiving requested relief.	
	<i>Purpose</i> This is a measure of the quality and effectiveness of the law enforcement work product of the Agency.	
	<i>Data Source</i> All administrative, civil, and criminal judicial orders entered against defendants or respondents and the final determination of such orders are recorded in a spreadsheet.	
	<i>Method of Calculation</i> The number of administrative, civil and criminal cases successfully resolved during the reporting period is divided by the total number of administrative, civil and criminal cases resolved during the reporting period.	
	<i>Data Limitations:</i> Although the Agency prepares the case for trial, in many cases the civil and criminal matters are conducted by other attorneys, such as a local District Attorney or the Office of Attorney General. In such cases the success of the action can be affected by the skill level, caseload and discretion of the assigned attorneys.	<i>Calculation Type:</i> Non-cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Guarantee Registered Securities Offerings are Fair to Investors	
Outcome Measure	Average Time (Days) for Deficiency Letters Issuance on Securities Applications	
	<i>Definition</i> The average number of days between the receipt of a securities registration application and the issuance of a deficiency letter.	
	<i>Purpose</i> This measures the Agency's responsiveness to securities registration applications.	
	<i>Data Source</i> The Agency's automated tracking system.	
	<i>Method of Calculation</i> The automated tracking system maintains a record of the number of days between the receipt of each securities registration application and the issuance of a deficiency letter thereon. For each reporting period, the computer calculates the average elapsed time.	
	<i>Data Limitations:</i> The complexity of an application and workload volume determine the length of the review process. Also, some applicants request an extended period of time.	<i>Calculation Type:</i> Non-cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Lower than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Guarantee that Persons Registered or Authorized are Qualified	
Outcome Measure	Average Time (Days) for Deficiency Letters on Dealer & Investment Adviser Applications	
	<i>Definition</i>	
	Average time (days) for issuance of deficiency letters on new dealer and investment adviser applications.	
	<i>Purpose</i>	
	Measure responsiveness to dealer and investment adviser registration applications.	
	<i>Data Source</i>	
	The Agency's automated tracking system.	
	<i>Method of Calculation</i>	
	The Agency's automated tracking system maintains a record of the number of days between the receipt of each new application and the issuance of a deficiency letter thereon. For each reporting period, the computer calculates the average elapsed time.	
	<i>Data Limitations:</i>	<i>Calculation Type:</i>
	None.	Non-cumulative
	<i>New Measure:</i>	<i>Target Attainment:</i>
	No	Lower than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Inspect Dealers	
Outcome Measure	Percentage of Texas Dealers and Investment Advisers Inspected	
	<i>Definition</i> Percentage of Texas registered dealers and Texas registered investment advisers inspected that are not inspected by any other regulatory entity.	
	<i>Purpose</i> To measure inspection coverage.	
	<i>Data Source</i> The Agency's automated tracking system.	
	<i>Method of Calculation</i> The number of Texas registered dealers and Texas registered investment advisers inspected by the Agency that are not inspected by any other regulatory entity is divided by the total number of Texas registered dealers and Texas registered investment advisers that are not inspected by any other regulatory entity.	
	<i>Data Limitations:</i> The complexity of the inspections affects the percentage of inspections conducted. Changes in federal law could also affect the percentage of inspections.	<i>Calculation Type:</i> Non-cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Inspect Dealers	
Outcome	Percentage of Dealers/Investment Advisers Requiring Corrective Action	
	<i>Definition</i> This measure reflects the percentage of registered dealers and investment advisers found out of compliance with statutory and rule requirements during an inspection.	
	<i>Purpose</i> Measure compliance.	
	<i>Data Source</i> The Agency's automated tracking system.	
	<i>Method of Calculation</i> The number of registered dealers and registered investment advisers inspected by the Agency and found out of compliance is divided by the total number of inspections of registered dealers and registered investment advisers completed.	
	<i>Data Limitations:</i> None	<i>Calculation Type:</i> Non-cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Lower than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Bring Law Enforcement Actions against Violators	
Output Measure	Number of Investigations Opened	
	<i>Definition</i> This reports a count of new law enforcement investigations opened as a result of complaints, referrals from other law enforcement entities, surveillance of the market, and information received from other sources.	
	<i>Purpose</i> To measure the quantity of new law enforcement investigations.	
	<i>Data Source</i> A count of law enforcement investigations opened, as tracked on Agency spreadsheet.	
	<i>Method of Calculation</i> A count of law enforcement investigations opened.	
	<i>Data Limitations:</i> This measure is limited by factors that include the resources of the Agency, information received from other agencies and the general public, volume of the current caseload, complexity of pending investigations, and availability of evidence.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Bring Law Enforcement Actions against Violators	
Output Measure	Number of Criminal and Civil Referrals	
	<i>Definition</i> This reports a count of the number of matters referred to county, state, or federal prosecutors for criminal prosecution as a result of investigations and the number of matters referred for civil action as a result of investigations.	
	<i>Purpose</i> A measure of intermediate activity which may lead to the taking of civil or criminal law enforcement actions.	
	<i>Data Source</i> This measure reports a count of the number of matters referred to county, state, or federal prosecutors or the Office of Attorney General as a result of investigations, as tracked on Agency spreadsheet.	
	<i>Method of Calculation</i> This reports a count of the number of matters referred to county, state, or federal prosecutors or the Office of Attorney General as a result of investigations.	
	<i>Data Limitations:</i> This measure is limited by factors that include information received from other agencies and the general public and the availability of evidence.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Guarantee Registered Securities Offerings are Fair to Investors	
Output Measure	Number of Securities Filings and Submissions Processed	
	<i>Definition</i> This number reports all securities filings and submissions processed. Securities filings are those applications that require a merit review. Securities submissions are notice filings with the State.	
	<i>Purpose</i> Measure securities filing and submission activity.	
	<i>Data Source</i> The Agency's automated tracking system.	
	<i>Method of Calculation</i> Using the Agency's automated tracking system as the source of data, this number reports all securities filings and submissions processed.	
	<i>Data Limitations:</i> The number of applications received is directly affected by general and Texas specific economic conditions.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Guarantee that Persons Registered or Authorized are Qualified	
Output Measure	Number of Dealers, Agents, Investment Adviser, and Investment Adviser Representative Applications and Submissions Processed	
	<i>Definition</i> This measure is a count of the number of dealer, agent, investment adviser, and investment adviser representative applications, amendments, renewals, notice filings, and branch office amendments processed and includes all submissions that are withdrawn, abandoned and denied.	
	<i>Purpose</i> Measure application and submission activity.	
	<i>Data Source</i> The Agency's automated tracking system.	
	<i>Method of Calculation</i> The number of applications and submissions are tracked in the Agency's automated tracking system.	
	<i>Data Limitations:</i> The number of applications and submissions received is directly affected by general and Texas specific economic conditions.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Inspect Dealers	
Output Measure	Number of Inspections Conducted	
	<i>Definition</i> This measure is a count of all inspections conducted pursuant to the Texas Securities Act of registered dealers and investment advisers to determine whether the firms are in compliance with the Act and Board rules.	
	<i>Purpose</i> Measure inspection activity.	
	<i>Data Source</i> The Agency's automated tracking system.	
	<i>Method of Calculation</i> Using the Agency's automated tracking system as the source of data, the measure is a count of the inspections of registered dealers and investment advisers initiated during the quarter.	
	<i>Data Limitations:</i> The level of resources for staff and experience of those staff could have a significant impact on this measure. The complexity of inspections affects the number of inspections conducted. Changes in federal law could also affect the number of inspections.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Inspect Dealers	
Output Measure	Number of Referrals for Administrative or Law Enforcement Action	
	<i>Definition</i>	
	The measure is a count of referrals for administrative or law enforcement actions as a result of findings of violations.	
	<i>Purpose</i>	
	Measure the violations found which require administrative or law enforcement activity.	
	<i>Data Source</i>	
	The Agency's automated tracking system and data tracked on a spreadsheet.	
	<i>Method of Calculation</i>	
	Using the Agency's automated tracking system and a spreadsheet as the source of data, the measure is a count of the problems referred for administrative or law enforcement action as a result of findings of violations of statutes and/or regulations.	
	<i>Data Limitations:</i>	<i>Calculation Type:</i>
	None	Cumulative
	<i>New Measure:</i>	<i>Target Attainment:</i>
	No	Higher than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Inspect Dealers	
Output Measure	Number of Administrative Actions Taken by Inspections and Compliance	
	<i>Definition</i> The number of administrative actions taken on dealers, agents, investment advisers, and investment adviser representatives as a result of referrals.	
	<i>Purpose</i> To measure the number of administrative actions taken by the Inspections and Compliance Division.	
	<i>Data Source</i> The data is tracked on a spreadsheet.	
	<i>Method of Calculation</i> Information input by staff onto a spreadsheet when an administrative action is filed or when an administrative order is issued.	
	<i>Data Limitations:</i> The number of administrative actions is affected by receipt of referrals.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Guarantee Registered Securities Offerings are Fair to Investors	
Explanatory Measure	Revenues Deposited to the State Treasury from Securities Applications	
	<i>Definition</i> This measure reflects the dollar amount of fees received for securities offerings.	
	<i>Purpose</i> Measure fee income from securities applications.	
	<i>Data Source</i> The Agency's automated tracking system is the source of data.	
	<i>Method of Calculation</i> The Agency's automated tracking system tracks the dollar amount received for securities offerings.	
	<i>Data Limitations:</i> The dollar amount received is directly affected by general economic conditions.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Guarantee that Persons Registered or Authorized are Qualified	
Explanatory Measure	Number of Dealers, Agents, Investment Advisers and Representatives Licensed or Authorized	
	<i>Definition</i> This reports all dealers, agents, investment advisers, and investment adviser representatives licensed or authorizations issued.	
	<i>Purpose</i> Measure registration activity.	
	<i>Data Source</i> The Agency's automated tracking system is the source of the data.	
	<i>Method of Calculation</i> Using the Agency's automated tracking system as the source of data, the number of new applications that are licensed or authorized is added to the number of licenses or authorizations renewed.	
	<i>Data Limitations:</i> None	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

APPENDIX D (CONTINUED)

Goal:	Protect Investors	
Objective:	Guarantee that Persons Registered or Authorized are Qualified	
Explanatory Measure	Revenues Deposited to State Treasury from Applications and Submissions	
	<i>Definition</i> This measure reflects the dollar amount of fees received for dealer, agent, investment adviser, and investment adviser representative applications and submissions.	
	<i>Purpose</i> Measure fee revenue from dealer, agent, investment adviser, and investment adviser representative applications and submissions.	
	<i>Data Source</i> The Agency's automated tracking system.	
	<i>Method of Calculation</i> The Agency's automated tracking system tracks the dollar amount received for dealer, agent, investment adviser, and investment adviser representative application and submission fees.	
	<i>Data Limitations:</i> The number of applications and submissions received is directly affected by general economic conditions.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

APPENDIX E

WORKFORCE PLAN

I. Overview

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

The Agency's strategic goals are to protect investors from fraud and misrepresentation to ensure that access to capital is available to business and to carry out policies governing purchasing that foster meaningful and substantive inclusion of historically underutilized businesses. The Agency's objectives are:

1. Investigate violations and coordinate appropriate action by authorities.
2. To guarantee that registered securities offerings are fair to investors.
3. To guarantee that persons registered or authorized are qualified.
4. To inspect registered securities dealers and investment advisers.
5. To include historically underutilized businesses in at least 30% of the total value of annual non-state contract purchases by the Agency.

The business functions of the Agency are:

1. **Law Enforcement.** The Agency aggressively investigates suspected violations of the Act and works closely with local, state, and federal prosecutors and other law enforcement officials to ensure that appropriate enforcement action is taken, including the criminal referral, indictment, and conviction of individuals who violate provisions of the Act.
2. **Analysis of Securities Offerings.** The Agency performs a comprehensive, timely, and responsive review of the prospectus and related documentation submitted with securities registration applications, negotiates with the issuer or its representatives to remove unfair elements from offerings, inserts safeguards for the public, and ensures full disclosure of material considerations to facilitate the registration of offerings. Suspected fraudulent offerings are referred to law enforcement personnel.

APPENDIX E (CONTINUED)

3. Evaluation of Dealer, Agent, Investment Adviser, and Investment Adviser Representative Applications. The Agency performs an extensive, timely, and responsive review of applications, investigates applicants by contacting other law enforcement and regulatory organizations, ensures compliance with examination requirements, and opposes registration of unqualified applicants.
4. Inspections. The Agency performs comprehensive inspections of records of registered dealers and investment advisers to ensure continuing compliance with statutory and rule requirements.

The Dodd-Frank Act Wall Street Reform and Consumer Protection Act increased the number of firms in Texas whose records must be inspected by the Agency. Going forward, it is imperative that the Agency be provided sufficient resources to continue a reasonable inspection cycle of its registrants.

Long-term customer demands for the Agency's services are predicted to continue to increase. 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.

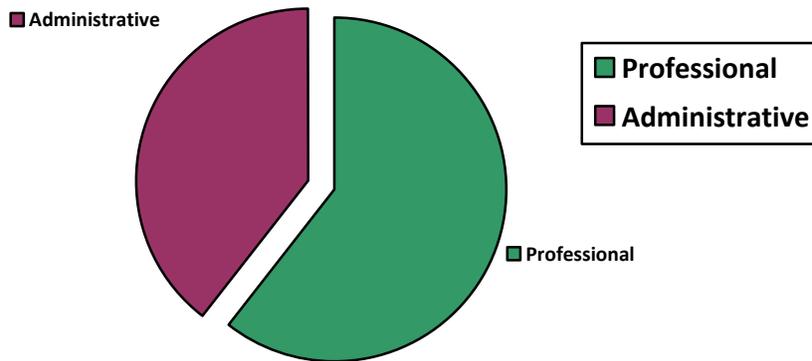
The Agency will be challenged in the next five years as approximately 23% of its workforce becomes eligible for retirement. The Agency's succession planning focuses on cross-training of employees to ensure an appropriate redundancy of experience and skills.

To help ensure the retention of key employees, adequate funds are needed to maintain salary parity with other positions in securities regulation performing similar work.

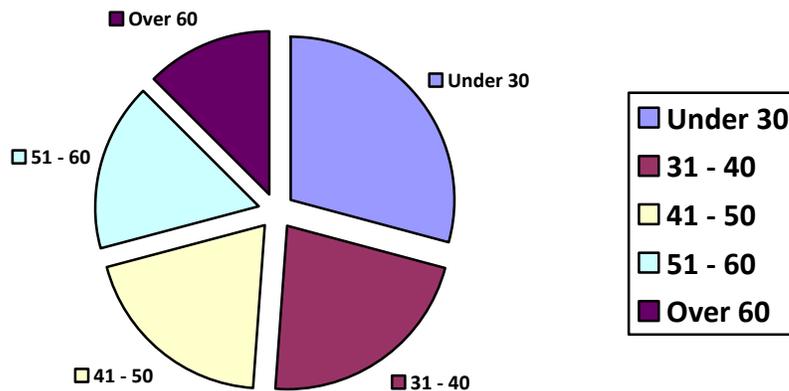
II. Workforce Profile

The Agency is authorized for 104 full-time equivalents (FTEs). The staff is comprised of attorneys, accountants, securities analysts, investigators, other professionals and support personnel. Staffing demographics are:

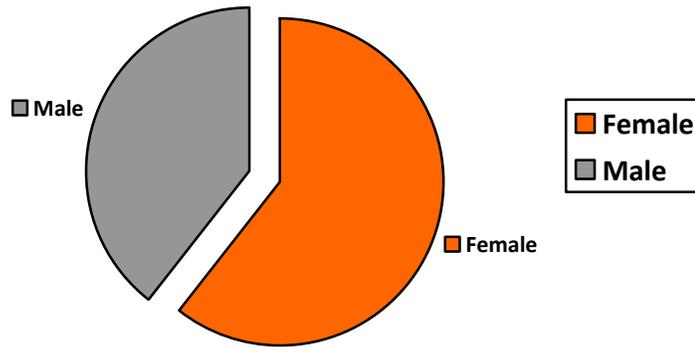
Workforce Breakdown



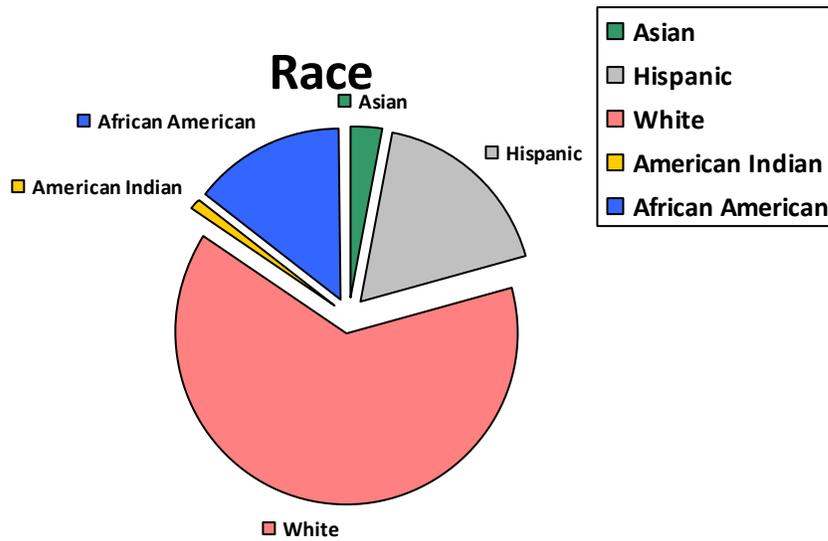
Age

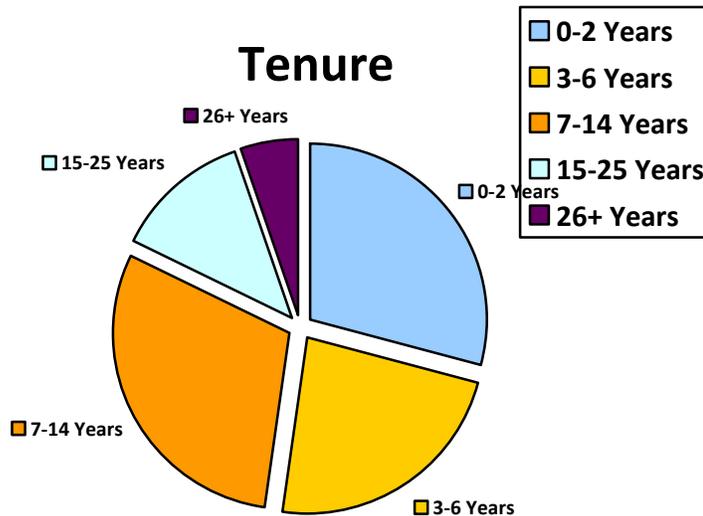


Gender



Race





The Agency had a turnover rate of 12% in fiscal year 2013. Based on a five-year average, the employee turnover rate in the next five years is estimated to be 13% annually. This includes employees who are eligible to retire during the period. The expected turnover rate could be greater than expected if the Agency cannot maintain sufficient funding to address salary issues as noted above.

III. Future Workforce Profile (Demand Analysis)

The professional workforce skills that are critical to the mission and goals of the Agency in Enforcement include: education in law or accounting; extensive knowledge of securities laws and regulations; demonstrated legal and financial analytical abilities; excellent written and oral communication skills; experience in administrative, civil, or criminal litigation and proceedings; and experience in complex financial investigations and audits. The professional skills necessary in Inspections and Compliance include: excellent written and oral communication skills; experience in financial auditing; extensive knowledge of securities laws and regulations; litigation experience in an administrative forum and ability to travel extensively throughout the state. The professional skills necessary in Registration include: education in law, accounting, or finance; extensive knowledge of securities laws and regulations; excellent oral and written communication skills; experience in analysis of registration applications, complex disclosure documents, balance sheets, income statements and sources and uses of capital; and expertise in negotiating with issuers, underwriters, and legal counsel to create disclosure language in materials distributed to

APPENDIX E (CONTINUED)

prospective investors. The workforce for each of the Agency's strategies must also be proficient in using current technologies including computer hardware and software.

Increases in population, registration filings, matters requiring law enforcement action, and other components of the workload of the Agency may require an increase in the number of employees needed to do the work.

The critical functions that must be performed to achieve the strategic plan are law enforcement, registration of securities, registration of securities dealers, investment advisers, and their agents, and inspections of dealers and investment advisers.

IV. Gap Analysis

The Agency relies heavily on attorneys and financial professionals. These positions have historically been recruited by other securities regulatory entities and that is expected to continue unless the Agency can implement a plan to move closer to salary parity with like organizations. Securities regulators are highly sought due to their level of expertise in an extremely complicated industry. The need to address salary parity will be addressed by the Agency in the upcoming Legislative Appropriations Request.

V. Strategy Development

The Agency's goal is to retain its professional workforce and to meet the special needs described above. Future changes in the organizational structure may be necessary to respond to changing workloads or new initiatives to ensure that the mission of the Agency is accomplished efficiently. The Agency will continue to utilize a wide range of recruiting sources to secure the maximum number of qualified applicants, including minorities and women, for positions within all classifications. The Agency will also continue to maintain its published career ladder and sponsor formal and informal on-the-job training and in-house programs for employees and, when possible, provide funding for workshops, seminars, and other programs offered by universities, other agencies, and private entities to develop leadership and career development.

APPENDIX E (CONTINUED)

The securities industry is technologically advanced and dynamic. Substantial training is required to maintain the necessary knowledge related to this industry. Training for employees on current technological enhancements is a critical component in enabling the Agency to remain current on ways to counter new, innovative methods of committing securities fraud. Maintenance of current funding is necessary to provide this on-going training.

Training opportunities for staff remain a high priority for the Agency. Cooperative state training opportunities are a valuable method for knowledge enhancement and the Agency will continue to make substantial efforts to utilize these tools. These cooperative training opportunities allow staff to learn about important subjects while working with their counterparts in other states.

Succession planning will remain an ongoing process of recruitment, retention, methodical development of required skills through training and experience, cross-training, and careful evaluation of individual job performance. This will maintain the depth of skilled personnel at key positions on the Agency's career ladder to ensure continuation of the efficiency and effectiveness of the Agency.