

**Legislative Appropriations Request
for Fiscal Years 2020 and 2021**

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

by the

State Securities Board

July 27, 2018

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Administrator's Statement

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ADMINISTRATOR'S STATEMENT

July 27, 2018

I. Background

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

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

Texas is an exceptionally large and growing capital market. In the last fiscal year, the State Securities Board processed and analyzed 446,272 applications and renewals of registration for securities dealers, agents, investment advisers and investment adviser representatives and 64,230 filings to authorize securities to be sold in the state. Prior changes in federal law that shifted responsibility to the agency for oversight and inspection of certain investment advisers in Texas have maintained the population of these firms at more than 1,300. These firms are located in every region of the state and collectively manage more than \$25 billion in investor funds.

Unfortunately, but expectedly, promoters of fraudulent investment schemes target Texas investors. Because these schemes divert capital that would otherwise be available for legitimate economic development and adversely affect investor confidence, the State Securities Board's law enforcement strategy places significant emphasis on proactively identifying fraudulent offerings and coordinating work with other state and federal law enforcement and regulatory agencies to effectively leverage limited investigative resources and ensure that appropriate administrative, civil, or criminal law enforcement actions are taken. During FY 2018, the emergence of illegal securitized cryptocurrency schemes promoted to investors in Texas saw a marked increase.

Through the agency's registration strategies, applications for registration of securities are analyzed and notice filings for offerings in Texas are reviewed for compliance with the Act and Board Rules. The agency also evaluates applications filed with the agency for registration of dealers, agents, investment advisers, and investment adviser representatives to ensure that only qualified firms and individuals are authorized to deal with the investing public in Texas.

Through the inspections and compliance strategy, the agency performs compliance examinations of registered dealers and investment advisers' books and records, ensures that these registrants are conducting business in compliance with the Act and Board Rules, and requires implementation of corrective measures when necessary.

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

In every region of Texas, the State Securities Board provides services to investors, applicants, registrants, and issuers seeking to raise capital to expand their businesses. To effectively meet the service requirements of these customers and to help facilitate the law enforcement and inspections strategies of the agency, the State Securities Board maintains offices in Austin, Dallas, Houston, Corpus Christi, and Lubbock.

Effective March 31, 2018, the agency closed its San Antonio office, however, it continues to maintain a San Antonio field presence.

Approximately 80% of the staff of the State Securities Board are attorneys, financial examiners, accountants, information technology specialists, and other professionals.

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To effectively protect Texas investors without unduly inhibiting the ability of legitimate issuers and dealers to raise capital, agency employees must be well-educated, knowledgeable, and adequately trained to make prompt and accurate assessments and recommendations concerning complex plans of business, illegal sales practices, and compliance with regulatory requirements. The agency expends significant resources to ensure that employees receive adequate training and have the necessary ongoing support to effectively perform the agency's work.

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 to positions in the industry and between regulators based on compensation packages. Although salaries for professional positions at the State Securities Board are not competitive with those of individuals performing related work in the private sector, the agency seeks to maintain a salary structure that is more competitive with similar positions for other state and federal regulators. The agency loses qualified, experienced staff to other regulators and industry based on salary levels. This is directly attributable to deficiencies in the agency's appropriations, making it impossible for it to compete with the salaries offered by other regulators with a presence in Texas such as the U.S. Securities and Exchange Commission and the Financial Industry Regulatory Authority.

Continued growth in the workload of the State Securities Board 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. 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 State Securities Board continuously seeks to take advantage of new technologies to enhance workplace productivity and collaboration, reduce technology operating costs, and improve redundancy of critical information.

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. The members of the Board are:

Name	Dates Of Term	Hometown
Beth Ann Blackwood, Chair	4/2013 – 1/2019	Dallas
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
Miguel Romano, Jr.	9/2015 – 1/2021	Austin

The Board members review, approve, and periodically update rules to ensure that investors remain adequately protected and that unreasonable burdens on registrants and legitimate capital-raising activities are avoided.

III. Issues Fundamental to the Budget Request

Section 35.A of the Securities Act requires the State Securities Board to set fees in amounts sufficient to cover the costs in administering and enforcing the Securities Act. Section 35.C of the Securities Act requires that the fees set by the Board must be reasonable and necessary to defray the agency's costs. The agency is also required by Government Code, Section 316.045, to reduce its fees on a biennial basis if those fees produce revenue that exceeds the agency's costs.

Compliance with these provisions requires that a reduction must be made in the fees set, collected, and deposited to the General Revenue Fund by the State Securities

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Board to correspond with reductions in appropriations made to the agency. Effective July 1, 2018, the Board reduced the amount of its Section 35.A.1 fee from \$100.00 to \$70.00.

The State Securities Board's biennial appropriations set forth in the General Appropriations Act, including the 2.5 percent employee salary increase, are as follows:

2016 – 2017	\$14,602,092	
2018 – 2019	\$14,028,901	(-\$573,191)
2021/21 Baseline	\$13,749,575	(-\$279,326)

The directive to detail the 2020 – 2021 baseline reduction of 10 percent in General Revenue Funds and General Revenue-Dedicated Funds expenditures will result in a funding cut to the State Securities Board of \$687,479.00 in each year of the biennium for a cumulative reduction of \$1,374,958.00 and, pursuant to the statutory requirements of Section 316.045 of the Government Code, a corresponding loss of revenue to the State in the fees set, collected, and deposited by the agency to the General Revenue Fund.

To achieve these funding cuts, the State Securities Board will reduce spending as follows:

\$275,999.00	FY 2020	Enforcement Strategy
\$275,999.00	FY 2021	Enforcement Strategy
\$243,368.00	FY 2020	Inspections Strategy
\$243,368.00	FY 2021	Inspections Strategy
\$53,606.00	FY 2020	Registration of Securities Strategy
\$53,606.00	FY 2021	Registration of Securities Strategy
\$23,156.00	FY 2020	Registration of Dealers, IAs, & Agents
\$23,156.00	FY 2021	Registration of Dealers, IAs, & Agents
\$91,350.00	FY 2020	Central Administration
\$91,350.00	FY 2021	Central Administration
\$1,374,958.00		– Biennium Reduction

The State Securities Board will realize a 15 percent funding cut as compared to 2016 – 2017 appropriations due to the baseline reduction and prior budget reductions.

The State Securities Board deposited into General Revenue an after expense, “net profit” to General Revenue of \$282,175,800.00 during the 2016 – 2017 biennium and projects an after expense, “net profit” to General Revenue of approximately \$150,000,000.00 during FY 2018. Securities Act 35.B fees, set by the legislature, are the primary driver of agency funds deposited to General Revenue.

More than 80% of the State Securities Board's annual appropriations are expended for salary and wages. While allocated for 97 FTEs, the agency currently has 76.25 FTEs. The current FTE level is approximate to the staffing levels during the 1998 – 1999 biennium. Agency turnover during FY 2018 is projected to be 18+ percent.

The Law Enforcement and Inspections strategies account for approximately 65 percent of the State Securities Board's cost of operations. Unlike other strategies of the

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agency, the Law Enforcement and Inspections strategies employ a range of methodologies and incur case-dependent variable expenses as part of the complex work necessary to accomplish their objectives – providing somewhat greater management flexibility in reducing costs. For example, a reduction in force of mission-critical professionals and administrative support personnel can be balanced with proportional measures to narrow investor protection and inspection priorities, reduce amounts expended for travel for investigations and inspections, reduce assistance provided to prosecutors for trials of securities fraud cases, and limit resources available to obtain evidentiary information.

The 10 percent appropriation reduction impact on the agency’s performance during the biennium is estimated to include the following :

2.5% Reduction

\$168,000.00 reduction in the Enforcement Strategy representing 2 FTE financial examiner positions;
\$100,000.00 reduction in the Inspections Strategy representing 1 FTE attorney position;
\$60,000.00 reduction in the Registration of Securities and Registration of Dealers, IAs, & Agents Strategies representing 1 FTE administrative assistant position;
The reductions will result in a decrease in investigations opened and administrative, civil, and criminal enforcement actions;
The reductions will decrease efficiencies and customer service in the Registration Strategies.

5% Reduction

\$84,000.00 reduction in the Inspections Strategy representing 2 FTE financial examiner positions;
\$100,000.00 reduction in Central Administration representing 1 FTE attorney position;
\$47,562.00 reduction in the Enforcement Strategy representing 1 FTE administrative position;
The reductions in the Inspection Strategy will decrease the number of compliance examinations conducted;
The reduction in Central Administration will result in a decrease in support to the agency’s programs;
The reduction in the Enforcement Strategy will result in decreased efficiency.

7.5% Reduction

\$168,000.00 reduction in the Inspections Strategy representing 2 FTE financial examiner positions;
\$84,000.00 reduction in the Registration of Securities and Registration of Dealers, IAs, & Agents Strategies representing 1 FTE financial examiner position;
\$60,000.00 reduction in the Enforcement Strategy representing 1 FTE administrative assistant position;
The reductions in the Inspection Strategy will decrease the number of compliance examinations conducted;
The reduction in the Registration Strategies will decrease efficiencies and customer service;
The reduction in the Enforcement Strategy will result in decreased efficiency.

10% Reduction

\$231,992.00 reduction in the Enforcement Strategy representing 2.5 FTEs, 2 attorney and .5 administrative assistant positions;
\$80,000.00 reduction in Central Administration representing 1 FTE accountant position;
The reductions will result in a decrease in investigations opened and administrative, civil, and criminal enforcement actions and efficiency in the Enforcement Strategy;
The reduction in Central Administration will result in decreased efficiency and support to agency programs.

The negative cumulative effect of the stated budgetary cuts on investors, investor confidence generally, customers of investment advisers regulated by the State

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Securities Board, stakeholders, and legitimate seekers of capital is suspected to be averse to the interests of investors, stakeholders, and entrepreneurs.

The foregoing 10 percent reduction figures solely include salary amounts attributable to the FTE position and exclude agency contributions for insurance and retirement.

IV. RECENT SIGNIFICANT DEVELOPMENTS

In an effort to enhance efficiencies in the administration of the agency's mission, the agency executed restructuring measures during FY 2018. The agency closed its physical office in San Antonio while maintaining a field presence in at zero hard cost to the agency and taxpayers. This closure resulted in the elimination of an Assistant Director-level position and an Administrative Assistant position.

The agency also eliminated the Director-level position in its Registration division and redeployed responsibilities and oversight among existing staff.

The 85th Legislature enacted legislation establishing Section 45 of the Securities Act, effective September 1, 2017. The legislation was aimed at enhancing protections for vulnerable victims and widely supported by industry stakeholders and their regulatory counterparts. The implementation of this legislation has, however, strained agency resources in unanticipated ways.

Fraudulent securitized cryptocurrency schemes promoted to the Texas investing public emerged in significant fashion during FY 2018 and required a heightened re-direction of the agency's limited resources towards this new threat to Texas investors. The convergence of this illegal market and Section 45 implementation have significantly taxed agency resources.

The House of Representatives is considering legislation, H.R. 5037, during the 115th Congress, 2d Session. The bill is titled as the "Securities Fraud Act of 2018" and would preempt state authority over civil enforcement actions for certain securities transactions. The legislation would also require certain state criminal enforcement actions to comply with the legal requirements for securities fraud under federal law.

Previously reported changes in federal law have preempted state securities registration requirements for certain offerings and enabled securities issuers to make unregistered sales to the public through general solicitation. A continuing result is that the agency is required to expend additional resources to promptly identify fraudulent offerings made to the public through its market surveillance initiatives.

V. REDUCTION IN AGENCY FEES

The State Securities Board's Section 35.A fees are amongst to lowest in the country when compared to fees assessed by agencies performing similar state-level functions. The majority of these fees are paid into the General Revenue fund from firms not based in Texas and from non-Texas licensees seeking access to Texas markets and Texas investor funds.

In September 2015, the Board reduced the Securities Act, Section 35.A.3, 35.A.4, and 35.A.5 fees to the amounts established by the 72nd Legislature and effective September 1, 1991. The Section 35.A.2 fee has remained at the 1991 level set by the 72nd Legislature. Effective July 1, 2018, the Board reduced the Section 35.A.1 fee from \$100.00 to \$70.00.

The review required by Government Code Section 316.045 of amounts charged as fees by the State Securities Board indicates that a reduction in fees set by the agency's

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Board under Section 35.A of the Securities Act may be appropriate to more closely align fee revenue with the costs of administering and enforcing the Securities Act. Because such a large percentage of fee revenue 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 potential additional reductions in agency fees is expected to be available shortly after the beginning of the legislative session.

VI. NEW FUNDING REQUESTED

The State Securities Board is requesting additional funding in this Legislative Appropriations Request. This request will not require an increase in fees for agency stakeholders. In furtherance of the agency's mission of investor protection and fostering a level playing field for legitimate business interests, the State Securities Board requests to:

- Recover the FY 2020 – 2021 baseline reduction;
- Implement an agency career ladder through additional appropriated funds resulting in improved investor protections and enhanced customer service to stakeholders;
- Establish contingency funding for potential lump-sum retirement/severance payments to improve efficiencies in deploying appropriated funds;
- Be funded for additional staffing (4 FTEs) across programs due to the emergence of illegal cryptocurrency schemes and the implementation of Vulnerable Victim legislation resulting from the 85th Legislature's prudent enactment;
- Receive additional funding to implement agency enhancements in line with DIR information security recommendations and cloud storage capacity driven toward future taxpayer cost savings; &
- Have Exempt Position compensation levels considered based upon the State Auditor's Office most current report.

The State Securities Board's request for restoration of funding and new funding does not require an increase of Securities Act, Section 35.A fees.

Targeted salary increases seek to address continuous challenges in hiring and retaining qualified professional staff and to help create a viable career ladder going forward for these key positions based on increasing responsibility, training, and experience. The increased funding will be for salaries for existing positions set at a midpoint of a salary range for existing job classifications in the General Appropriations Act.

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 in line with the findings of the State Auditor's Office in its report on executive compensation required by Article IX, Section 3.08 of the General Appropriations Act (85th Legislature.) An appropriate salary increase for this position will provide flexibility to the governing board of the agency to address pay compression issues within the State Securities Board and to improve its 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 an ability to increase the salary for this position because of the not-to-exceed rate set for the position in the General Appropriations Act.

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VIII. BACKGROUND CHECKS

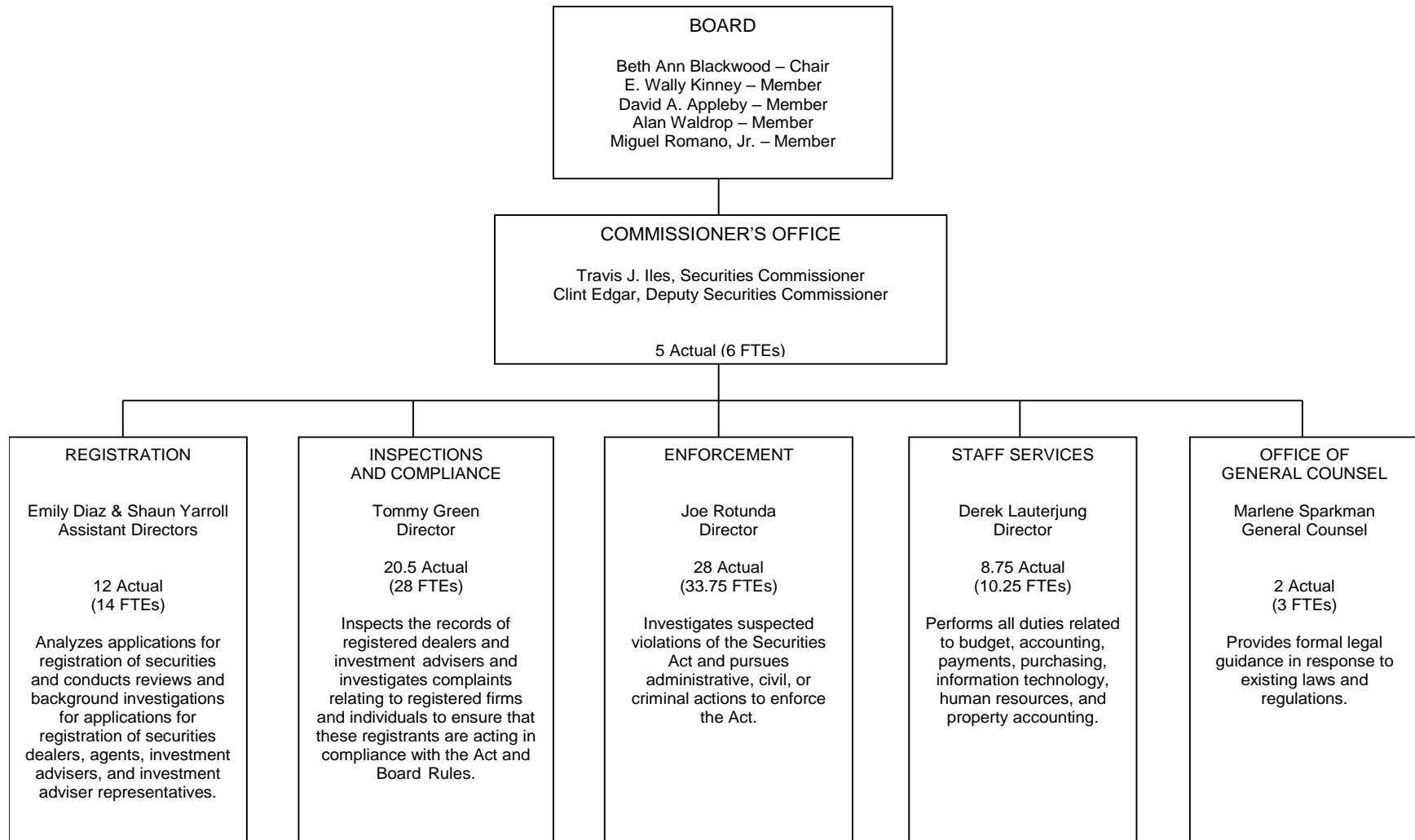
Pursuant to the authority of the Texas Government Code, Section 411.139, the State Securities Board obtains criminal history record information to evaluate the qualifications of applicants for registration under the Texas Securities Act, evaluate the conduct of persons registered pursuant to the Texas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

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

State Securities Board Organizational Chart




Appropriated FTEs – 97 - as of September 1, 2017.
 Chart reflects FTE count as of July 27, 2018 – Actual FTEs – 76.25.

Agency Name State Securities Board

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

Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the Governor's Office will be notified in writing in accordance with Article IX, Section 7.01 (2018-19 GAA).

Chief Executive Officer or Presiding Judge


Signature

Travis J. Iles
Printed Name

Commissioner
Title

7-27-2018
Date

Board or Commission Chair



Signature *w/ permission C.O.2*

Beth Ann Blackwood
Printed Name

Chair
Title

7-27-2018
Date

Chief Financial Officer


Signature

DEREK LANTERJUNG
Printed Name

DIRECTOR OF STAFF SERVICES
Title

7/27/18
Date

Budget Overview - Biennial Amounts
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Appropriation Years: 2020-21

	GENERAL REVENUE FUNDS		GR DEDICATED		FEDERAL FUNDS		OTHER FUNDS		ALL FUNDS		EXCEPTIONAL ITEM FUNDS	
	2018-19	2020-21	2018-19	2020-21	2018-19	2020-21	2018-19	2020-21	2018-19	2020-21	2020-21	
Goal: 1. Protect Investors and Assure Access to Capital for Business												
1.1.1. Law Enforcement	5,330,147	5,330,143								5,330,147	5,330,143	1,039,431
1.2.1. Securities Registration	737,822	747,824					39			737,861	747,824	99,574
1.3.1. Dealer Registration	843,303	833,304								843,303	833,304	151,061
1.4.1. Inspect Records	3,672,814	3,672,814								3,672,814	3,672,814	550,029
Total, Goal	10,584,086	10,584,085					39			10,584,125	10,584,085	1,840,095
Goal: 2. Indirect Administration												
2.1.1. Central Administration	2,600,049	2,588,600					40			2,600,089	2,588,600	671,061
2.1.2. Information Technology	565,440	576,890								565,440	576,890	328
Total, Goal	3,165,489	3,165,490					40			3,165,529	3,165,490	671,389
Total, Agency	13,749,575	13,749,575					79			13,749,654	13,749,575	2,511,484
Total FTEs										97.0	97.0	0.0

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Goal / Objective / STRATEGY	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
1 Protect Investors and Assure Access to Capital for Business					
1 <i>Bring Law Enforcement Actions Against Violators</i>					
1 LAW ENFORCEMENT	2,796,283	2,640,388	2,689,759	2,665,072	2,665,071
2 <i>Guarantee Registered Securities Offerings Are Fair to Investors</i>					
1 SECURITIES REGISTRATION	379,259	342,182	395,679	373,912	373,912
3 <i>Guarantee That Persons Registered or Authorized are Qualified</i>					
1 DEALER REGISTRATION	459,740	410,057	433,246	416,652	416,652
4 <i>Inspect Registered Dealers and Investment Advisers</i>					
1 INSPECT RECORDS	1,908,665	1,781,303	1,891,511	1,836,407	1,836,407
TOTAL, GOAL 1	\$5,543,947	\$5,173,930	\$5,410,195	\$5,292,043	\$5,292,042
2 Indirect Administration					
1 <i>Indirect Administration</i>					
1 CENTRAL ADMINISTRATION	1,326,065	1,284,288	1,315,801	1,294,300	1,294,300

2.A. Summary of Base Request by Strategy

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Goal / Objective / STRATEGY	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
2 INFORMATION TECHNOLOGY	258,314	276,985	288,455	288,445	288,445
TOTAL, GOAL 2	\$1,584,379	\$1,561,273	\$1,604,256	\$1,582,745	\$1,582,745
TOTAL, AGENCY STRATEGY REQUEST	\$7,128,326	\$6,735,203	\$7,014,451	\$6,874,788	\$6,874,787
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$0	\$0
GRAND TOTAL, AGENCY REQUEST	\$7,128,326	\$6,735,203	\$7,014,451	\$6,874,788	\$6,874,787
<u>METHOD OF FINANCING:</u>					
General Revenue Funds:					
1 General Revenue Fund	7,126,582	6,735,124	7,014,451	6,874,788	6,874,787
SUBTOTAL	\$7,126,582	\$6,735,124	\$7,014,451	\$6,874,788	\$6,874,787
Other Funds:					
666 Appropriated Receipts	1,744	79	0	0	0
SUBTOTAL	\$1,744	\$79	\$0	\$0	\$0
TOTAL, METHOD OF FINANCING	\$7,128,326	\$6,735,203	\$7,014,451	\$6,874,788	\$6,874,787

*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 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<u>GENERAL REVENUE</u>					
<u>1</u> General Revenue Fund					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2016-17 GAA)	\$7,819,249	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2018-19 GAA)	\$0	\$7,014,450	\$7,014,451	\$0	\$0
2020-21 BLRequest	\$0	\$0	\$0	\$6,874,788	\$6,874,787
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 14.03(i), Capital Budget UB (2016-17 GAA)	\$41,864	\$0	\$0	\$0	\$0
<i>TRANSFERS</i>					
Art IX, Sec 18.02, Salary Increase for General State Employees (2016-17)	\$110,340	\$0	\$0	\$0	\$0
<i>SUPPLEMENTAL, SPECIAL OR EMERGENCY APPROPRIATIONS</i>					

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 2017	Est 2018	Bud 2019	Req 2020	Req 2021	
<u>GENERAL REVENUE</u>						
Governor's Veto (2016-17 GAA)	\$(636,688)	\$0	\$0	\$0	\$0	
<i>LAPSED APPROPRIATIONS</i>						
Regular Appropriation from MOF Table (2016-17 GAA)	\$(89,742)	\$0	\$0	\$0	\$0	
<p>Comments: This amount was lapsed due to efficiencies found in the operation of the Agency. The lapse amount is \$2,378 lower than shown in the 2018 Operating Budget due to the receipt of unexpected invoices attributable to appropriation year 2017. Payment of these unexpected invoices required a return of lapsed funds to the Agency that could then be used to pay the invoices.</p>						
Savings due to Hiring Freeze	\$(118,441)	\$0	\$0	\$0	\$0	
Regular Appropriations from MOF Table (2018-19 GAA)	\$0	\$(279,326)	\$0	\$0	\$0	
<p>Comments: The majority of this lapse accumulated as the Agency adjusted to the 4% budget cut and hiring freeze. The Agency expects to have this realignment and consolidation completed in FY18 and, therefore, expects to use the full amount of appropriations in FY19.</p>						
TOTAL, General Revenue Fund	\$7,126,582	\$6,735,124	\$7,014,451	\$6,874,788	\$6,874,787	

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 2017	Est 2018	Bud 2019	Req 2020	Req 2021
TOTAL, ALL	GENERAL REVENUE	\$7,126,582	\$6,735,124	\$7,014,451	\$6,874,788	\$6,874,787
<u>OTHER FUNDS</u>						
666	Appropriated Receipts					
	<i>RIDER APPROPRIATION</i>					
	Art IX, Sec 12.02, Publications or Sales of Records (2016-17 GAA)	\$1,744	\$0	\$0	\$0	\$0
	Art IX, Sec 12.02, Publications or Sales of Records (2018-19 GAA)	\$0	\$79	\$0	\$0	\$0
	Comments: This amount differs from the 2018 Operating Budget amount by \$12 due to the performance of duties that allow for cost recovery subsequent to the completion of the 2018 Operating Budget.					
TOTAL,	Appropriated Receipts	\$1,744	\$79	\$0	\$0	\$0
TOTAL, ALL	OTHER FUNDS	\$1,744	\$79	\$0	\$0	\$0
GRAND TOTAL		\$7,128,326	\$6,735,203	\$7,014,451	\$6,874,788	\$6,874,787

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 2017	Est 2018	Bud 2019	Req 2020	Req 2021
FULL-TIME-EQUIVALENT POSITIONS					
REGULAR APPROPRIATIONS					
Regular Appropriations from MOF Table (2016-17 GAA)	104.0	0.0	0.0	0.0	0.0
Regular Appropriations from MOF Table (2018-19 GAA)	0.0	97.0	97.0	0.0	0.0
2020-21 BLRequest	0.0	0.0	0.0	97.0	97.0
LAPSED APPROPRIATIONS					
Regular Appropriations from MOF Table (2016-17 GAA)	(10.9)	0.0	0.0	0.0	0.0
Savings due to Hiring Freeze	(5.0)	0.0	0.0	0.0	0.0
Regular Appropriations from MOF Table (2018-19 GAA)	0.0	(13.0)	0.0	0.0	0.0
TOTAL, ADJUSTED FTES	88.1	84.0	97.0	97.0	97.0
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
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

7/27/2018 5:54:32PM

312 Securities Board

OBJECT OF EXPENSE	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
1001 SALARIES AND WAGES	\$5,749,416	\$5,447,307	\$5,765,429	\$5,755,930	\$5,755,930
1002 OTHER PERSONNEL COSTS	\$413,764	\$344,985	\$417,849	\$287,686	\$287,685
2001 PROFESSIONAL FEES AND SERVICES	\$41,591	\$80,658	\$73,308	\$73,308	\$73,308
2003 CONSUMABLE SUPPLIES	\$32,368	\$20,973	\$36,800	\$36,800	\$36,800
2004 UTILITIES	\$36,084	\$40,176	\$68,110	\$68,110	\$68,110
2005 TRAVEL	\$111,731	\$107,598	\$142,354	\$142,354	\$142,354
2006 RENT - BUILDING	\$173,274	\$167,126	\$154,982	\$154,982	\$154,982
2007 RENT - MACHINE AND OTHER	\$26,968	\$26,474	\$25,090	\$25,090	\$25,090
2009 OTHER OPERATING EXPENSE	\$438,452	\$448,276	\$326,177	\$330,528	\$330,528
5000 CAPITAL EXPENDITURES	\$104,678	\$51,630	\$4,352	\$0	\$0
OOE Total (Excluding Riders)	\$7,128,326	\$6,735,203	\$7,014,451	\$6,874,788	\$6,874,787
OOE Total (Riders)					
Grand Total	\$7,128,326	\$6,735,203	\$7,014,451	\$6,874,788	\$6,874,787

2.D. Summary of Base Request Objective Outcomes
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation system of Texas (ABEST)

7/27/2018 5:54:32PM

312 Securities Board					
Goal/ Objective / Outcome	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
1 Protect Investors and Assure Access to Capital for Business					
1 Bring Law Enforcement Actions Against Violators					
1 Number of Law Enforcement Actions Taken					
	898.00	1,145.00	1,145.00	1,145.00	1,145.00
2 Dollar Amount Involved in Law Enforcement Actions					
	18,916,299.56	49,985,988.68	50,000,000.00	50,000,000.00	50,000,000.00
3 Percentage of Law Enforcement Actions Successful					
	100.00%	100.00%	100.00%	100.00%	100.00%
2 Guarantee Registered Securities Offerings Are Fair to Investors					
1 Average Time (Days) for Deficiency Letters Issuance on Securities Apps					
	8.30	7.00	7.00	7.00	7.00
3 Guarantee That Persons Registered or Authorized are Qualified					
1 Average Time (Days) for Def. Letters on Dealer & Invest. Adviser Apps					
	4.83	14.00	14.00	14.00	14.00
4 Inspect Registered Dealers and Investment Advisers					
1 Percentage of Texas Dealers and Investment Advisers Inspected					
KEY	25.62%	18.00%	18.00%	18.00%	18.00%
2 % of Inspected Dealers/Investment Advisers Requiring Corrective Action					
KEY	79.80%	80.00%	80.00%	80.00%	80.00%

2.E. Summary of Exceptional Items Request
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
 TIME : 5:54:33PM

Agency code: 312

Agency name: **Securities Board**

Priority	Item	2020			2021			Biennium	
		GR and GR/GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds
1	Recover FY2018 Lapse	\$139,663	\$139,663	0.0	\$139,663	\$139,663	0.0	\$279,326	\$279,326
2	Career Ladder	\$383,164	\$383,164	0.0	\$492,090	\$492,090	0.0	\$875,254	\$875,254
3	Retirement Lump Sum Payments	\$250,214	\$250,214	0.0	\$250,214	\$250,214	0.0	\$500,428	\$500,428
4	Emerging Regulatory Issues	\$239,540	\$239,540	0.0	\$239,540	\$239,540	0.0	\$479,080	\$479,080
5	Cybersecurity	\$172,040	\$172,040	0.0	\$172,040	\$172,040	0.0	\$344,080	\$344,080
6	Commissioner Compensation Increase	\$16,658	\$16,658	0.0	\$16,658	\$16,658	0.0	\$33,316	\$33,316
Total, Exceptional Items Request		\$1,201,279	\$1,201,279	0.0	\$1,310,205	\$1,310,205	0.0	\$2,511,484	\$2,511,484

Method of Financing

General Revenue	\$1,201,279	\$1,201,279		\$1,310,205	\$1,310,205		\$2,511,484	\$2,511,484
General Revenue - Dedicated								
Federal Funds								
Other Funds								
	\$1,201,279	\$1,201,279		\$1,310,205	\$1,310,205		\$2,511,484	\$2,511,484

Full Time Equivalent Positions 0.0

Number of 100% Federally Funded FTEs 0.0

2.F. Summary of Total Request by Strategy
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 7/27/2018
 TIME : 5:54:33PM

Agency code: 312 Agency name: Securities Board

Goal/Objective/STRATEGY	Base 2020	Base 2021	Exceptional 2020	Exceptional 2021	Total Request 2020	Total Request 2021
1 Protect Investors and Assure Access to Capital for Business						
1 <i>Bring Law Enforcement Actions Against Violators</i>						
1 LAW ENFORCEMENT	\$2,665,072	\$2,665,071	\$509,968	\$529,463	\$3,175,040	\$3,194,534
2 <i>Guarantee Registered Securities Offerings Are Fair to Investors</i>						
1 SECURITIES REGISTRATION	373,912	373,912	44,447	55,127	418,359	429,039
3 <i>Guarantee That Persons Registered or Authorized are Qualified</i>						
1 DEALER REGISTRATION	416,652	416,652	64,372	86,689	481,024	503,341
4 <i>Inspect Registered Dealers and Investment Advisers</i>						
1 INSPECT RECORDS	1,836,407	1,836,407	261,880	288,149	2,098,287	2,124,556
TOTAL, GOAL 1	\$5,292,043	\$5,292,042	\$880,667	\$959,428	\$6,172,710	\$6,251,470

2.F. Summary of Total Request by Strategy
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 7/27/2018
 TIME : 5:54:33PM

Agency code: 312 Agency name: Securities Board

Goal/Objective/STRATEGY	Base 2020	Base 2021	Exceptional 2020	Exceptional 2021	Total Request 2020	Total Request 2021
2 Indirect Administration						
1 Indirect Administration						
1 CENTRAL ADMINISTRATION	\$1,294,300	\$1,294,300	\$320,612	\$350,449	\$1,614,912	\$1,644,749
2 INFORMATION TECHNOLOGY	288,445	288,445	0	328	288,445	288,773
TOTAL, GOAL 2	\$1,582,745	\$1,582,745	\$320,612	\$350,777	\$1,903,357	\$1,933,522
TOTAL, AGENCY STRATEGY REQUEST	\$6,874,788	\$6,874,787	\$1,201,279	\$1,310,205	\$8,076,067	\$8,184,992
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST						
GRAND TOTAL, AGENCY REQUEST	\$6,874,788	\$6,874,787	\$1,201,279	\$1,310,205	\$8,076,067	\$8,184,992

2.F. Summary of Total Request by Strategy
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 7/27/2018
 TIME : 5:54:33PM

Agency code: 312 Agency name: Securities Board

Goal/Objective/STRATEGY	Base 2020	Base 2021	Exceptional 2020	Exceptional 2021	Total Request 2020	Total Request 2021
General Revenue Funds:						
1 General Revenue Fund	\$6,874,788	\$6,874,787	\$1,201,279	\$1,310,205	\$8,076,067	\$8,184,992
	\$6,874,788	\$6,874,787	\$1,201,279	\$1,310,205	\$8,076,067	\$8,184,992
Other Funds:						
666 Appropriated Receipts	0	0	0	0	0	0
	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL, METHOD OF FINANCING	\$6,874,788	\$6,874,787	\$1,201,279	\$1,310,205	\$8,076,067	\$8,184,992
FULL TIME EQUIVALENT POSITIONS	97.0	97.0	0.0	0.0	97.0	97.0

2.G. Summary of Total Request Objective Outcomes
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation system of Texas (ABEST)

Date : 7/27/2018
 Time: 5:54:33PM

Agency code: 312

Agency name: Securities Board

Goal/ Objective / Outcome

	BL 2020	BL 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
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					
	1,145.00	1,145.00	0.00	0.00	1,145.00	1,145.00
	2 Dollar Amount Involved in Law Enforcement Actions					
	50,000,000.00	50,000,000.00	0.00	0.00	50,000,000.00	50,000,000.00
	3 Percentage of Law Enforcement Actions Successful					
	100.00%	100.00%	0.00%	0.00%	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	0.00	0.00	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	0.00	0.00	14.00	14.00
4	<i>Inspect Registered Dealers and Investment Advisers</i>					
KEY	1 Percentage of Texas Dealers and Investment Advisers Inspected					
	18.00%	18.00%	0.00%	0.00%	18.00%	18.00%
KEY	2 % of Inspected Dealers/Investment Advisers Requiring Corrective Action					
	80.00%	80.00%	0.00%	0.00%	80.00%	80.00%

312 Securities Board

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Output Measures:						
KEY 1	Number of Investigations Opened	426.00	376.00	376.00	376.00	376.00
2	Number of Criminal and Civil Referrals	10.00	12.00	12.00	12.00	12.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$2,105,722	\$2,063,502	\$2,130,214	\$2,130,214	\$2,130,214
1002	OTHER PERSONNEL COSTS	\$177,275	\$139,723	\$160,339	\$135,652	\$135,651
2001	PROFESSIONAL FEES AND SERVICES	\$27,577	\$28,543	\$29,780	\$29,780	\$29,780
2003	CONSUMABLE SUPPLIES	\$14,881	\$8,172	\$16,000	\$16,000	\$16,000
2004	UTILITIES	\$21,577	\$23,397	\$34,260	\$34,260	\$34,260
2005	TRAVEL	\$51,760	\$52,405	\$66,000	\$66,000	\$66,000
2006	RENT - BUILDING	\$106,059	\$98,143	\$84,046	\$84,046	\$84,046
2007	RENT - MACHINE AND OTHER	\$12,972	\$12,765	\$13,200	\$13,200	\$13,200
2009	OTHER OPERATING EXPENSE	\$235,544	\$193,262	\$154,223	\$155,920	\$155,920
5000	CAPITAL EXPENDITURES	\$42,916	\$20,476	\$1,697	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$2,796,283	\$2,640,388	\$2,689,759	\$2,665,072	\$2,665,071
Method of Financing:						
1	General Revenue Fund	\$2,796,283	\$2,640,388	\$2,689,759	\$2,665,072	\$2,665,071

312 Securities Board

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$2,796,283	\$2,640,388	\$2,689,759	\$2,665,072	\$2,665,071
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$2,665,072	\$2,665,071
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$2,796,283	\$2,640,388	\$2,689,759	\$2,665,072	\$2,665,071
FULL TIME EQUIVALENT POSITIONS:		32.5	31.0	33.7	33.7	33.7

STRATEGY DESCRIPTION AND JUSTIFICATION:

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

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

312 Securities Board

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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The public continues to be solicited to invest in securities offerings through the Internet. The instant and world-wide reach of this medium, with few barriers to entry, has led to its common use by promoters of fraudulent investment schemes. These developments have required the Agency to become proficient in monitoring public solicitation in order to act quickly to stop offerings made in violation of the Act. Because much of the evidence in modern white collar crimes resides on computers and other electronic storage devices, the Agency has also been required to maintain up-to-date equipment, software, and methodologies to effectively obtain and analyze this information. Recent federal legislative changes have lowered the regulatory standards associated with what has traditionally been referred to as “private offerings”, and new laws and regulations may further reduce the regulatory standards associated with offerings made to the public. Unscrupulous parties that typically ignore securities statutes and regulations are able to use boiler rooms, telemarketing firms, free lunch seminars, and other means of public solicitation to broadly recruit greater numbers of victims under the color of law. Funding and other limitations that impair the ability of the Agency to hire, support, and retain qualified employees present potential obstacles to achieving the strategy's objective.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		BIENNIAL	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$5,330,147	\$5,330,143	\$(4)	\$(4)	The Enforcement Strategy has no significant biennial change in funding other than the baseline reduction.
			\$(4)	Total of Explanation of Biennial Change

312 Securities Board

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Output Measures:						
KEY 1	Number of Securities Filings and Submissions Processed	64,230.00	52,200.00	52,200.00	52,200.00	52,200.00
Explanatory/Input Measures:						
KEY 1	Revenues Deposited to the State Treasury from Securities Applications	149,239,144.48	114,649,700.00	114,649,700.00	114,649,700.00	114,649,700.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$331,440	\$272,008	\$337,785	\$332,285	\$332,285
1002	OTHER PERSONNEL COSTS	\$17,858	\$33,585	\$25,425	\$9,158	\$9,158
2001	PROFESSIONAL FEES AND SERVICES	\$735	\$4,345	\$4,932	\$4,932	\$4,932
2003	CONSUMABLE SUPPLIES	\$1,597	\$894	\$2,000	\$2,000	\$2,000
2004	UTILITIES	\$109	\$414	\$2,300	\$2,300	\$2,300
2005	TRAVEL	\$2,135	\$5,375	\$6,000	\$6,000	\$6,000
2006	RENT - BUILDING	\$2,622	\$3,366	\$3,000	\$3,000	\$3,000
2007	RENT - MACHINE AND OTHER	\$1,183	\$1,024	\$660	\$660	\$660
2009	OTHER OPERATING EXPENSE	\$13,522	\$18,073	\$13,316	\$13,577	\$13,577
5000	CAPITAL EXPENDITURES	\$8,058	\$3,098	\$261	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$379,259	\$342,182	\$395,679	\$373,912	\$373,912

312 Securities Board

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Method of Financing:						
1	General Revenue Fund	\$377,569	\$342,143	\$395,679	\$373,912	\$373,912
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$377,569	\$342,143	\$395,679	\$373,912	\$373,912
Method of Financing:						
666	Appropriated Receipts	\$1,690	\$39	\$0	\$0	\$0
SUBTOTAL, MOF (OTHER FUNDS)		\$1,690	\$39	\$0	\$0	\$0
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$373,912	\$373,912
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$379,259	\$342,182	\$395,679	\$373,912	\$373,912
FULL TIME EQUIVALENT POSITIONS:		6.0	6.0	7.0	7.0	7.0
STRATEGY DESCRIPTION AND JUSTIFICATION:						

312 Securities Board

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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The Securities Act, Tex. Rev. Civ. Stat. Ann. art 581-1 et seq. requires prior approval by the Securities Commissioner of all non-exempt securities offerings. In addition to registering appropriate offerings and preventing fraudulent offerings from being registered, notice filings for securities offerings in Texas are reviewed to ensure that they are made in compliance with the Securities Act and Board Rules. Financial Examiners assigned to this strategy also support the maintenance of investor confidence and the capital formation process by providing information to small business owners regarding exemptions, private placements, public offerings, and the securities registration requirements. The maintenance of investor confidence through analysis, review, and screening of securities offerings is a primary concern of the Agency and is critical to a healthy capital market in Texas.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

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

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

312 Securities Board

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		BIENNIAL	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$737,861	\$747,824	\$9,963	\$9,963	This difference is due to a transfer of funds from the Dealer Registration strategy to help cover salary costs of a staff member with advanced securities law knowledge, training, and experience.
			\$9,963	Total of Explanation of Biennial Change

312 Securities Board

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Output Measures:						
KEY 1	# of Dealers, Agents, Invest Advisers & Reps Apps and Submissions Proc	446,272.00	342,000.00	342,000.00	342,000.00	342,000.00
Explanatory/Input Measures:						
KEY 1	# of Dealers, Agents, Invest Advisers & Reps Licensed or Authorized	345,484.00	320,000.00	320,000.00	320,000.00	320,000.00
2	Revenues Deposited to State Treasury from Applications and Submissions	8,286,619.75	8,000,000.00	8,000,000.00	8,000,000.00	8,000,000.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$363,817	\$337,462	\$373,117	\$369,118	\$369,118
1002	OTHER PERSONNEL COSTS	\$39,104	\$32,758	\$28,084	\$15,490	\$15,490
2001	PROFESSIONAL FEES AND SERVICES	\$857	\$5,050	\$5,172	\$5,172	\$5,172
2003	CONSUMABLE SUPPLIES	\$1,965	\$1,400	\$2,000	\$2,000	\$2,000
2004	UTILITIES	\$34	\$434	\$2,520	\$2,520	\$2,520
2005	TRAVEL	\$1,368	\$751	\$4,000	\$4,000	\$4,000
2006	RENT - BUILDING	\$2,638	\$3,368	\$3,000	\$3,000	\$3,000
2007	RENT - MACHINE AND OTHER	\$1,183	\$1,024	\$660	\$660	\$660
2009	OTHER OPERATING EXPENSE	\$38,015	\$24,330	\$14,388	\$14,692	\$14,692

312 Securities Board

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
5000	CAPITAL EXPENDITURES	\$10,759	\$3,480	\$305	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$459,740	\$410,057	\$433,246	\$416,652	\$416,652
Method of Financing:						
1	General Revenue Fund	\$459,740	\$410,057	\$433,246	\$416,652	\$416,652
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$459,740	\$410,057	\$433,246	\$416,652	\$416,652
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$416,652	\$416,652
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$459,740	\$410,057	\$433,246	\$416,652	\$416,652
FULL TIME EQUIVALENT POSITIONS:		7.0	6.0	7.0	7.0	7.0

STRATEGY DESCRIPTION AND JUSTIFICATION:

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

312 Securities Board

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

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

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

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
<u>Base Spending (Est 2018 + Bud 2019)</u>	<u>Baseline Request (BL 2020 + BL 2021)</u>	<u>CHANGE</u>	<u>\$ Amount</u>	<u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>
\$843,303	\$833,304	\$(9,999)	\$(9,999)	This difference is due to a transfer of funds to the Securities Registration strategy to help cover salary costs of a staff member with advanced securities law knowledge, training, and experience.
			<u>\$(9,999)</u>	Total of Explanation of Biennial Change

312 Securities Board

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Output Measures:						
KEY 1	Number of Inspections Conducted	364.00	311.00	312.00	312.00	312.00
2	Number of Referrals for Administrative or Law Enforcement Action	11.00	7.00	7.00	7.00	7.00
3	Number of Administrative Actions Taken by Inspections and Compliance	18.00	22.00	22.00	22.00	22.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$1,599,677	\$1,442,105	\$1,534,841	\$1,534,841	\$1,534,841
1002	OTHER PERSONNEL COSTS	\$55,329	\$75,298	\$115,526	\$60,422	\$60,422
2001	PROFESSIONAL FEES AND SERVICES	\$3,426	\$18,659	\$19,112	\$19,112	\$19,112
2003	CONSUMABLE SUPPLIES	\$10,931	\$7,504	\$12,000	\$12,000	\$12,000
2004	UTILITIES	\$13,419	\$14,205	\$21,650	\$21,650	\$21,650
2005	TRAVEL	\$53,750	\$42,938	\$60,154	\$60,154	\$60,154
2006	RENT - BUILDING	\$60,007	\$61,221	\$64,200	\$64,200	\$64,200
2007	RENT - MACHINE AND OTHER	\$6,706	\$6,572	\$6,500	\$6,500	\$6,500
2009	OTHER OPERATING EXPENSE	\$86,144	\$98,665	\$56,353	\$57,528	\$57,528
5000	CAPITAL EXPENDITURES	\$19,276	\$14,136	\$1,175	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$1,908,665	\$1,781,303	\$1,891,511	\$1,836,407	\$1,836,407

312 Securities Board

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Method of Financing:						
1	General Revenue Fund	\$1,908,665	\$1,781,303	\$1,891,511	\$1,836,407	\$1,836,407
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$1,908,665	\$1,781,303	\$1,891,511	\$1,836,407	\$1,836,407
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$1,836,407	\$1,836,407
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$1,908,665	\$1,781,303	\$1,891,511	\$1,836,407	\$1,836,407
FULL TIME EQUIVALENT POSITIONS:		26.0	24.5	30.0	30.0	30.0

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.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

312 Securities Board

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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Growth in the workload of the State Securities Board will require that the Agency continue to improve its methods of processing and evaluating information. The Agency seeks new opportunities to develop and use technologies to achieve the efficiencies that are necessary to effectively carry out its mission. Funding and other limitations that impair the ability of the Agency to hire, support, and retain qualified employees present obstacles to achieving this objective.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$3,672,814	\$3,672,814	\$0	\$0	No change requested from the Base Spending amount to the Baseline Request amount.
			\$0	Total of Explanation of Biennial Change

312 Securities Board

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

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Objects of Expense:						
1001	SALARIES AND WAGES	\$1,099,130	\$1,063,791	\$1,109,892	\$1,109,892	\$1,109,892
1002	OTHER PERSONNEL COSTS	\$118,010	\$58,882	\$83,540	\$62,039	\$62,039
2001	PROFESSIONAL FEES AND SERVICES	\$8,996	\$24,061	\$14,312	\$14,312	\$14,312
2003	CONSUMABLE SUPPLIES	\$2,994	\$3,003	\$4,800	\$4,800	\$4,800
2004	UTILITIES	\$945	\$1,726	\$7,380	\$7,380	\$7,380
2005	TRAVEL	\$2,718	\$6,105	\$6,200	\$6,200	\$6,200
2006	RENT - BUILDING	\$1,948	\$1,028	\$736	\$736	\$736
2007	RENT - MACHINE AND OTHER	\$4,924	\$5,089	\$4,070	\$4,070	\$4,070
2009	OTHER OPERATING EXPENSE	\$62,731	\$110,163	\$83,957	\$84,871	\$84,871
5000	CAPITAL EXPENDITURES	\$23,669	\$10,440	\$914	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$1,326,065	\$1,284,288	\$1,315,801	\$1,294,300	\$1,294,300
Method of Financing:						
1	General Revenue Fund	\$1,326,011	\$1,284,248	\$1,315,801	\$1,294,300	\$1,294,300
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$1,326,011	\$1,284,248	\$1,315,801	\$1,294,300	\$1,294,300
Method of Financing:						
666	Appropriated Receipts	\$54	\$40	\$0	\$0	\$0

312 Securities Board

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

Service Categories:

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
SUBTOTAL, MOF (OTHER FUNDS)		\$54	\$40	\$0	\$0	\$0
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$1,294,300	\$1,294,300
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$1,326,065	\$1,284,288	\$1,315,801	\$1,294,300	\$1,294,300
FULL TIME EQUIVALENT POSITIONS:		13.6	13.5	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.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

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

312 Securities Board

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

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL CHANGE</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
<u>Base Spending (Est 2018 + Bud 2019)</u>	<u>Baseline Request (BL 2020 + BL 2021)</u>		<u>\$ Amount</u>	<u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>
\$2,600,089	\$2,588,600	\$(11,489)	\$(11,489)	This difference is due to the transfer of funds to the Information Technology strategy to help cover salary increases for IT staff members with advanced knowledge, training, and experience.
			<u>\$(11,489)</u>	Total of Explanation of Biennial Change

312 Securities Board

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

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

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Objects of Expense:						
1001	SALARIES AND WAGES	\$249,630	\$268,439	\$279,580	\$279,580	\$279,580
1002	OTHER PERSONNEL COSTS	\$6,188	\$4,739	\$4,935	\$4,925	\$4,925
2005	TRAVEL	\$0	\$24	\$0	\$0	\$0
2009	OTHER OPERATING EXPENSE	\$2,496	\$3,783	\$3,940	\$3,940	\$3,940
TOTAL, OBJECT OF EXPENSE		\$258,314	\$276,985	\$288,455	\$288,445	\$288,445
Method of Financing:						
1	General Revenue Fund	\$258,314	\$276,985	\$288,455	\$288,445	\$288,445
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$258,314	\$276,985	\$288,455	\$288,445	\$288,445
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$288,445	\$288,445
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$258,314	\$276,985	\$288,455	\$288,445	\$288,445
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
 OBJECTIVE: 1 Indirect Administration Service Categories:
 STRATEGY: 2 Information Technology Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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The Agency has databases, computer networks, and equipment that are critical to its law enforcement, inspections and compliance, and registration strategies. It is critical that the Agency be able to continue to maintain these technologies to regulate one of the most technologically advanced industries in the world. The Information Technology section of the Agency is directly responsible for the maintenance and security of all its computer hardware, software and electronic data. This section maintains compliance with all state purchasing statutes and rules related to the purchase of information technology. Also included in the responsibilities are the maintenance of existing in-house data programs, as well as the creation of new programs to migrate current programs onto newer and more efficient platforms.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

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

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$565,440	\$576,890	\$11,450	\$11,450	This difference is due to the transfer of funds from the Central Administration strategy to help cover salary increases for IT staff members with advanced knowledge, training, and experience.
			\$11,450	Total of Explanation of Biennial Change

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	\$7,128,326	\$6,735,203	\$7,014,451	\$6,874,788	\$6,874,787
METHODS OF FINANCE (INCLUDING RIDERS):				\$6,874,788	\$6,874,787
METHODS OF FINANCE (EXCLUDING RIDERS):	\$7,128,326	\$6,735,203	\$7,014,451	\$6,874,788	\$6,874,787
FULL TIME EQUIVALENT POSITIONS:	88.1	84.0	97.0	97.0	97.0

3.A.1. PROGRAM-LEVEL REQUEST SCHEDULE
85th Regular Session, Agency Submission, Version 1

Agency Code: 312		Agency: Texas State Securities Board				Prepared By: Derek Lauterjung					
Date: 7/27/2018						18-19 Base	Requested 2020	Requested 2021	Biennial Total 20-21	Biennial Difference	
Goal	Goal Name	Strategy	Strategy Name	Program	Program Name					\$	%
A	Protect Investors	A.1.1.	Law Enforcement	A.1.1.1.	Law Enforcement	\$5,330,147	\$3,175,040	\$3,194,534	\$6,369,574	\$1,039,427	19.5%
A	Protect Investors	A.2.1.	Securities Registration	A.2.1.1.	Securities Registration	\$737,861	\$418,359	\$429,039	\$847,398	\$109,537	14.8%
A	Protect Investors	A.3.1.	Dealer Registration	A.3.1.1.	Dealer Registration	\$843,303	\$481,024	\$503,341	\$984,365	\$141,062	16.7%
A	Protect Investors	A.4.1.	Inspect Records	A.4.1.1.	Inspect Records	\$3,672,814	\$2,098,287	\$2,124,556	\$4,222,843	\$550,029	15.0%
B	Indirect Administration	B.1.1.	Central Administration	B.1.1.1.	Central Administration	\$2,600,089	\$1,614,912	\$1,644,749	\$3,259,661	\$659,572	25.4%
B	Indirect Administration	B.1.2.	Information Technology	B.1.2.1.	Information Technology	\$565,440	\$288,445	\$288,773	\$577,218	\$11,778	2.1%
						\$13,749,654	\$8,076,067	\$8,184,992	\$16,261,059	\$2,511,405	18.3%

**Requested amounts shown for 2020-21 include exceptional item requests.

4.A. Exceptional Item Request Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
 TIME: 5:54:34PM

Agency code: 312 Agency name: Securities Board

CODE	DESCRIPTION	Excp 2020	Excp 2021
	<p>Item Name: Recover the amount of the base budget reduction that occurred as a result of accurately reporting the expected lapse of funds for appropriation year 2018.</p> <p>Item Priority: 1</p> <p>IT Component: No</p> <p>Anticipated Out-year Costs: Yes</p> <p>Involve Contracts > \$50,000: No</p> <p>Includes Funding for the Following Strategy or Strategies: 02-01-01 Central Administration</p>		
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	9,511	9,511
1002	OTHER PERSONNEL COSTS	130,152	130,152
TOTAL, OBJECT OF EXPENSE		\$139,663	\$139,663
METHOD OF FINANCING:			
1	General Revenue Fund	139,663	139,663
TOTAL, METHOD OF FINANCING		\$139,663	\$139,663

DESCRIPTION / JUSTIFICATION:

The Agency accurately reported that \$279,326 was expected to be lapsed when the Base Reconciliation was created. This was done in an effort to be as accurate and transparent as possible. The reporting of this expected lapse resulted in a biennial reduction of the Agency's 2020-21 base budget of \$279,326. The lapse of these funds is a one-time event that developed as the Agency transitioned from the Governor's hiring freeze and adapted to a 4% budget reduction enacted by the 85th Legislature. These funds are needed by the Agency to continue operating as normal. They will be used in appropriation year 2019 now that the Agency has filled frozen positions and adjusted the budget to accommodate the 4% reduction. Failing to appropriate these funds back to the Agency would require an additional adjustment to the Agency's manner of operations that may include lay-off's. Furthermore, since the Agency is required by law to reduce fees if appropriations are reduced, a similar reduction in revenue will match this reduction in appropriations and the State will receive no financial benefit.

EXTERNAL/INTERNAL FACTORS:

The Agency is required by law to match a certain portion of its fee revenue to its appropriations. Maintaining this budget reduction will mandate a similar reduction in fees. Therefore, no financial gain to the State will be realized.

PCLS TRACKING KEY:

Agency code: 312 Agency name: Securities Board

CODE	DESCRIPTION	Excp 2020	Excp 2021
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DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

Funding this request to recover an amount lapsed in FY2018 would allow the Agency to continue operating at the FY2019 budget level. The lapse was due to one-time events that are not expected to be repeated in future years. Therefore, the lapse would not be expected either and the budget would remain in future years absent an unrelated budget reduction.

ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

	2022	2023	2024
	\$139,663	\$139,663	\$139,663

4.A. Exceptional Item Request Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
 TIME: 5:54:34PM

Agency code: 312 Agency name: Securities Board

CODE	DESCRIPTION	Excp 2020	Excp 2021
	Item Name: Career Ladder Item Priority: 2 IT Component: No Anticipated Out-year Costs: Yes Involve Contracts > \$50,000: No 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		
	02-01-02 Information Technology		

OBJECTS OF EXPENSE:

1001	SALARIES AND WAGES	377,502	484,817
1002	OTHER PERSONNEL COSTS	1,888	2,425
2009	OTHER OPERATING EXPENSE	3,774	4,848
TOTAL, OBJECT OF EXPENSE		\$383,164	\$492,090

METHOD OF FINANCING:

1	General Revenue Fund	383,164	492,090
TOTAL, METHOD OF FINANCING		\$383,164	\$492,090

DESCRIPTION / JUSTIFICATION:

Maintain experienced staff members.

EXTERNAL/INTERNAL FACTORS:

Higher salaries at other regulators.

PCLS TRACKING KEY:

4.A. Exceptional Item Request Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
 TIME: 5:54:34PM

Agency code: 312 Agency name: Securities Board

CODE	DESCRIPTION	Excp 2020	Excp 2021
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DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

Salary increases provided by these funds would need to be continued in the future for a career ladder to be established.

ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

2022	2023	2024
\$492,090	\$492,090	\$492,090

4.A. Exceptional Item Request Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
 TIME: 5:54:34PM

Agency code: 312 Agency name: Securities Board

CODE	DESCRIPTION	Excp 2020	Excp 2021
	Item Name: Retirement lump sum payment contingency. Item Priority: 3 IT Component: No Anticipated Out-year Costs: No Involve Contracts > \$50,000: No Includes Funding for the Following Strategy or Strategies:		
	01-01-01 Investigate Violations, Coordinate Appropriate Action by Authorities		
	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:			
1002	OTHER PERSONNEL COSTS	250,214	250,214
	TOTAL, OBJECT OF EXPENSE	\$250,214	\$250,214
METHOD OF FINANCING:			
1	General Revenue Fund	250,214	250,214
	TOTAL, METHOD OF FINANCING	\$250,214	\$250,214

DESCRIPTION / JUSTIFICATION:

The Agency has thirteen staff members that will be eligible to retire in the 2020-21 biennium. The combined total of the lump sum payments owed to these thirteen staff members is likely to exceed \$250,000. The payment of these retirement lump sum amounts could cripple the Agency's budget. The Agency is requesting funds on a contingency basis only. The request is for funds to be provided only if a large retirement lump sum payment is required of the Agency. The amount would equal the lump sum payment.

EXTERNAL/INTERNAL FACTORS:

The Agency is required to make lump sum payments of the staff member's accrued annual leave but no designated funding is provided in the Agency's budget. Absent contingency funding, the Agency may have to intentionally reserve funds for possible retirements. This removes funding available for the Agency to use to protect Texas' investors and capital markets.

PCLS TRACKING KEY:

4.A. Exceptional Item Request Schedule
86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
TIME: 5:54:34PM

Agency code: 312

Agency name:
Securities Board

CODE	DESCRIPTION	Excp 2020	Excp 2021
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4.A. Exceptional Item Request Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
 TIME: 5:54:34PM

Agency code: 312

Agency name:
Securities Board

CODE	DESCRIPTION	Excp 2020	Excp 2021
Item Name: Funding for 4 FTE's to handle the increased workload related to emerging regulatory and fraud issues. 2 attorneys Enforcement, 1 attorney Inspections, 1 financial examiner shared by Securities and Dealer.			
Item Priority: 4			
IT Component: No			
Anticipated Out-year Costs: Yes			
Involve Contracts > \$50,000: No			
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	
 OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	236,000	236,000
1002	OTHER PERSONNEL COSTS	1,180	1,180
2009	OTHER OPERATING EXPENSE	2,360	2,360
TOTAL, OBJECT OF EXPENSE		\$239,540	\$239,540
 METHOD OF FINANCING:			
1	General Revenue Fund	239,540	239,540
TOTAL, METHOD OF FINANCING		\$239,540	\$239,540

DESCRIPTION / JUSTIFICATION:

The 85th Legislature enacted legislation to protect certain Texans that are common targets of criminals engaging in fraudulent financial crimes. The Securities Board has combined efforts with other Texas regulatory agencies to create a very effective method of implementing this legislation. As a result, the legislation has created an unexpected increase in workload that necessitates additional staff members at the Securities Board. Obtaining these additional staff members will allow the Securities Board to protect these vulnerable victims to the fullest extent of its abilities.

Furthermore, growing interest in cryptocurrencies has created an avenue for securities fraud that is very new. The Agency has already discovered a large number of fraudulent investment offerings related to cryptocurrencies. This large new securities fraud opportunity can be more effectively addressed by the Securities Board with additional staff members.

EXTERNAL/INTERNAL FACTORS:

The 85th Legislature enacted rules that facilitate cooperation between industry and state regulators that have generated a large increase in workload as a result of this very effective method of identifying financial crimes against vulnerable victims. Funding for the implementation of this legislation was not provided during the 85th Legislature. The

Agency code: 312

Agency name:
Securities Board

CODE	DESCRIPTION	Excp 2020	Excp 2021
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Securities Board can provide better protection for vulnerable victims with funding to go along with this legislation.

The growth of interest in cryptocurrencies in mainstream society has created a large new avenue for securities fraud. Frequent media coverage of cryptocurrency values causes Texas investors to become interested in cryptocurrencies. This interest is being exploited by persons engaging in fraud related to securitized cryptocurrency schemes.

PCLS TRACKING KEY:

DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

The workload attached to the emerging issues necessitating this request are expected to continue into the future.

ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

2022	2023	2024
\$239,540	\$239,540	\$239,540

4.A. Exceptional Item Request Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
 TIME: 5:54:34PM

Agency code: 312

Agency name:
Securities Board

CODE	DESCRIPTION	Excp 2020	Excp 2021
	<p>Item Name: Subscribe to certain portions of DIR's Managed Security Services to increase the Agency's cybersecurity protections. Funding to increase the Agency's transition to Microsoft SharePoint cloud storage.</p> <p>Item Priority: 5</p> <p>IT Component: Yes</p> <p>Anticipated Out-year Costs: Yes</p> <p>Involve Contracts > \$50,000: Yes</p> <p>Includes Funding for the Following Strategy or Strategies:</p> <p>01-01-01 Investigate Violations, Coordinate Appropriate Action by Authorities</p> <p>01-02-01 Review Security Documentation for Conformity</p> <p>01-03-01 Perform Extensive Review of Applications and Submissions</p> <p>01-04-01 Inspect Dealer & Investment Adviser Records for Regulatory Compliance</p> <p>02-01-01 Central Administration</p>		
OBJECTS OF EXPENSE:			
2001	PROFESSIONAL FEES AND SERVICES	163,040	163,040
2009	OTHER OPERATING EXPENSE	9,000	9,000
	TOTAL, OBJECT OF EXPENSE	\$172,040	\$172,040
METHOD OF FINANCING:			
1	General Revenue Fund	172,040	172,040
	TOTAL, METHOD OF FINANCING	\$172,040	\$172,040

DESCRIPTION / JUSTIFICATION:

Cybersecurity threats have increased for all agencies. Subscribing to the Managed Security Services now offered by DIR will allow the Agency to increase its cybersecurity protections and adhere to the cybersecurity expectations placed upon Texas state agencies without adding personnel or hardware. The staff of the Securities Board believe this approach to be the most efficient and cost effective method of protecting the agency from cyber threats and complying with cybersecurity rules and expectations placed upon Texas state agencies.

The Agency has engaged in a multi-year effort to transition to a cloud storage service that provides vast improvements in security, accessibility, staff member collaboration, and hardware maintenance and replacement costs. The Agency has reached a point in this process where it can benefit from the use of additional space in Microsoft's SharePoint program. This type of space allows a more advanced method of collaboration between staff members than the individually designated cloud storage currently available to staff members. Included with this request is an amount of funding needed to increase the bandwidth needed to use this cloud service in an efficient manner.

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EXTERNAL/INTERNAL FACTORS:

Obtaining the protections provided by DIR's Managed Security Services without leveraging DIR's program would require the Agency to hire multiple information security professionals and purchase very expensive software and hardware that would need to be maintained and periodically replaced. Furthermore, the Agency will be able to contract only with DIR and avoid costs and work related to creating and maintaining separate contracts for each service, hardware, and software needed to achieve the protections provided by DIR's program. This effort is in line with priorities and goals set by DIR to increase the use of cloud services as well.

PCLS TRACKING KEY:

PCLS_86R_312_430607

DESCRIPTION OF IT COMPONENT INCLUDED IN EXCEPTIONAL ITEM:

Funding this exceptional item will allow the Agency to subscribe to services provided by DIR's Managed Security Services (MSS) program, increase the use of cloud data storage, and increase the Agency's bandwidth. All of these items will be done in partnership with DIR and use existing DIR Data Center Services contracts. Specifically, DIR MSS services will include endpoint security, intrusion prevention and detection, host intrusion protection, firewall management, penetration testing, and vulnerability scanning. The Agency will also use a DIR DCS contract to increase its Microsoft SharePoint cloud storage space by 3TB. This cloud space will allow the Agency to continue its efforts to transition the Agency away from on-site data storage to cloud storage. Doing so will improve the security of the data, allow staff to access the data from many off-site locations like court houses and inspection locations, provide the ability for multiple staff members to collaborate on projects, and reduce costs associated with maintaining and replacing servers and other storage devices on-site. To facilitate this increased use of cloud storage, the Agency is requesting funds to increase the bandwidth available to its Austin office by 50MB.

DIR staff advised the Agency to refrain from entering a PCLS Tracking Key for this item because all items will be obtained using existing DIR DCS contracts.

The requested funds are being requested from general revenue. The annual costs for each item are: \$154,040 for MSS, \$9,000 for 3TB, and \$9,000 for 50MB bandwidth. These costs will continue in future years.

IS THIS IT COMPONENT RELATED TO A NEW OR CURRENT PROJECT?

NEW

STATUS:

Not applicable for new projects.

OUTCOMES:

Using DIR's MSS will allow the Agency to vastly increase its cybersecurity ability and comply with cybersecurity expectations and requirements without adding staff or equipment. Obtaining these cybersecurity protections without the use of DIR's MSS would be substantially more expensive. Doing so would most likely require an additional information security officer (ISO) and possibly a contract manager. The State classification schedule lists the median salary for an ISO at \$136,756. This salary alone represents more than 88% of the cost of the MSS services requested. Including the costs of the software and vendor assistance needed would create a cost well above the MSS cost requested in this exceptional item. DIR created the MSS program to allow Agencies to leverage their cybersecurity expertise and contracting efforts. It would not be possible for the Agency to obtain this level of cybersecurity at a better cost without DIR's MSS.

Obtaining additional cloud storage space using DIR's DCS contract with Microsoft will allow the Agency to decrease the amount of hardware and associated software that is

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on-site at the Agency. This will decrease the cost of maintaining and replacing this hardware and software. Furthermore, the use of cloud storage will provide disaster recovery abilities and no additional cost. All costs associated with preparing disaster recovery at alternative sites will be dramatically decreased, if not removed all together.

OUTPUTS:

The success of this initiative will be gauged by the information security assessments conducted periodically by the Agency through the use of DIR's security assessment program.

TYPE OF PROJECT

Cyber Security

ALTERNATIVE ANALYSIS

This IT component could be scaled down by removing items from the MSS services. This would require the Agency to prioritize the MSS items and accept the risk increase created by removing the lowest priority items.

ESTIMATED IT COST

2018	2019	2020	2021	2022	2023	2024	Total Over Life of Project
\$0	\$0	\$172,040	\$172,040	\$172,040	\$172,040	\$172,040	\$860,200

SCALABILITY

2018	2019	2020	2021	2022	2023	2024	Total Over Life of Project
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

FTE

2018	2019	2020	2021	2022	2023	2024
0.0	0.0	0.0	0.0	0.0	0.0	0.0

DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

While the Managed Security Services, cloud storage space, and bandwidth increase requested by this exceptional item could be cancelled, thus avoiding out-year costs, the Agency would like to incorporate these services into its long-term cybersecurity and information technology program. The out-year costs will match the costs listed in DIR Datacenter Services Contracts. Due to the increasing use of electronic documents, it is not expected that the amount of cloud storage needed by the Agency will decrease. Therefore, the costs of maintaining this cloud storage space and the bandwidth needed to access the cloud storage efficiently are expected to continue in the future.

4.A. Exceptional Item Request Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

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ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

	2022	2023	2024
	\$172,040	\$172,040	\$172,040

APPROXIMATE PERCENTAGE OF EXCEPTIONAL ITEM : 100.00%

CONTRACT DESCRIPTION :

These services would be provided through the Datacenter Services Contracts created and managed by DIR. The Agency would not create an independent or unique contract. The Agency would simply join DIR's contracts.

Agency code: 312

Agency name:
Securities Board

CODE	DESCRIPTION	Excp 2020	Excp 2021
	Item Name: Compensation increase for securities commissioner to match the SAO's current market average salary for this exempt position.		
	Item Priority: 6		
	IT Component: No		
	Anticipated Out-year Costs: Yes		
	Involve Contracts > \$50,000: No		
	Includes Funding for the Following Strategy or Strategies: 02-01-01 Central Administration		
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	16,412	16,412
1002	OTHER PERSONNEL COSTS	82	82
2009	OTHER OPERATING EXPENSE	164	164
	TOTAL, OBJECT OF EXPENSE	\$16,658	\$16,658
METHOD OF FINANCING:			
1	General Revenue Fund	16,658	16,658
	TOTAL, METHOD OF FINANCING	\$16,658	\$16,658

DESCRIPTION / JUSTIFICATION:

The level of knowledge, experience, and skill required of a Securities Commissioner is extremely high. A person that has developed these qualifications can be worth a very high salary to industry and governmental employers. It is imperative that the Securities Board maintain a competitive salary for the Securities Commissioner position. A competitive salary will prevent turnover and allow an adequate replacement if a Securities Commissioner does leave the Agency.

EXTERNAL/INTERNAL FACTORS:

Industry and governmental entities are willing to pay very high salaries for people with the qualifications of a Securities Commissioner. These entities include private law firms and Federal regulatory agencies. The amount requested here was taken from the 2016 SAO report on Executive Compensation. The amount is likely to be higher in the SAO's 2018 report given the rise in market average salary for this position over the previous decade.

PCLS TRACKING KEY:

4.A. Exceptional Item Request Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
 TIME: 5:54:34PM

Agency code: 312

Agency name:
Securities Board

<u>CODE</u>	<u>DESCRIPTION</u>	<u>Excp 2020</u>	<u>Excp 2021</u>
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DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

This increase in Commissioner compensation will need to be maintained in the future to achieve the goal of preventing Commissioner turnover and attracting qualified Commissioner candidates if a Commissioner does leave the Agency.

ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

<u>2022</u>	<u>2023</u>	<u>2024</u>
\$16,658	\$16,658	\$16,658

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

Code	Description	Excp 2020	Excp 2021
Item Name:		Recover the amount of the base budget reduction that occurred as a result of accurately reporting the expected lapse of funds for appropriation year 2018.	
Allocation to Strategy:		2-1-1	Central Administration
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	9,511	9,511
1002	OTHER PERSONNEL COSTS	130,152	130,152
TOTAL, OBJECT OF EXPENSE		\$139,663	\$139,663
METHOD OF FINANCING:			
1	General Revenue Fund	139,663	139,663
TOTAL, METHOD OF FINANCING		\$139,663	\$139,663
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name:	Career Ladder		
Allocation to Strategy:	1-1-1 Investigate Violations, Coordinate Appropriate Action by Authorities		
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Number of Law Enforcement Actions Taken	0.00	0.00
<u>2</u>	Dollar Amount Involved in Law Enforcement Actions	0.00	0.00
<u>3</u>	Percentage of Law Enforcement Actions Successful	0.00%	0.00%
OUTPUT MEASURES:			
<u>1</u>	Number of Investigations Opened	0.00	0.00
<u>2</u>	Number of Criminal and Civil Referrals	0.00	0.00
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	219,634	238,841
1002	OTHER PERSONNEL COSTS	1,098	1,194
2009	OTHER OPERATING EXPENSE	2,196	2,388
TOTAL, OBJECT OF EXPENSE		\$222,928	\$242,423
METHOD OF FINANCING:			
1	General Revenue Fund	222,928	242,423
TOTAL, METHOD OF FINANCING		\$222,928	\$242,423
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name:	Career Ladder		
Allocation to Strategy:	1-2-1 Review Security Documentation for Conformity		
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Average Time (Days) for Deficiency Letters Issuance on Securities Apps	0.00	0.00
OUTPUT MEASURES:			
<u>1</u>	Number of Securities Filings and Submissions Processed	0.00	0.00
EXPLANATORY/INPUT MEASURES:			
<u>1</u>	Revenues Deposited to the State Treasury from Securities Applications	0.00	0.00
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	8,621	19,143
1002	OTHER PERSONNEL COSTS	43	96
2009	OTHER OPERATING EXPENSE	86	191
TOTAL, OBJECT OF EXPENSE		\$8,750	\$19,430
METHOD OF FINANCING:			
1	General Revenue Fund	8,750	19,430
TOTAL, METHOD OF FINANCING		\$8,750	\$19,430
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

Agency code: 312 Agency name: Securities Board

Code	Description	Excp 2020	Excp 2021
Item Name:	Career Ladder		
Allocation to Strategy:	1-3-1 Perform Extensive Review of Applications and Submissions		
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Average Time (Days) for Def. Letters on Dealer & Invest. Adviser Apps	0.00	0.00
OUTPUT MEASURES:			
<u>1</u>	# of Dealers, Agents, Invest Advisers & Reps Apps and Submissions Proc	0.00	0.00
EXPLANATORY/INPUT MEASURES:			
<u>1</u>	# of Dealers, Agents, Invest Advisers & Reps Licensed or Authorized	0.00	0.00
<u>2</u>	Revenues Deposited to State Treasury from Applications and Submissions	0.00	0.00
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	8,607	30,594
1002	OTHER PERSONNEL COSTS	43	153
2009	OTHER OPERATING EXPENSE	86	306
TOTAL, OBJECT OF EXPENSE		\$8,736	\$31,053
METHOD OF FINANCING:			
1	General Revenue Fund	8,736	31,053
TOTAL, METHOD OF FINANCING		\$8,736	\$31,053
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name:	Career Ladder		
Allocation to Strategy:	1-4-1 Inspect Dealer & Investment Adviser Records for Regulatory Compliance		
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Percentage of Texas Dealers and Investment Advisers Inspected	0.00%	0.00%
<u>2</u>	% of Inspected Dealers/Investment Advisers Requiring Corrective Action	0.00%	0.00%
OUTPUT MEASURES:			
<u>1</u>	Number of Inspections Conducted	0.00	0.00
<u>2</u>	Number of Referrals for Administrative or Law Enforcement Action	0.00	0.00
<u>3</u>	Number of Administrative Actions Taken by Inspections and Compliance	0.00	0.00
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	119,120	145,001
1002	OTHER PERSONNEL COSTS	596	725
2009	OTHER OPERATING EXPENSE	1,191	1,450
TOTAL, OBJECT OF EXPENSE		\$120,907	\$147,176
METHOD OF FINANCING:			
1	General Revenue Fund	120,907	147,176
TOTAL, METHOD OF FINANCING		\$120,907	\$147,176
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

4.B. Exceptional Items Strategy Allocation Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
 TIME: 5:54:34PM

Agency code: 312 Agency name: Securities Board

Code	Description	Excp 2020	Excp 2021
Item Name: Career Ladder			
Allocation to Strategy: 2-1-1 Central Administration			
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	21,520	50,916
1002	OTHER PERSONNEL COSTS	108	255
2009	OTHER OPERATING EXPENSE	215	509
TOTAL, OBJECT OF EXPENSE		\$21,843	\$51,680
METHOD OF FINANCING:			
1	General Revenue Fund	21,843	51,680
TOTAL, METHOD OF FINANCING		\$21,843	\$51,680
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name:	Career Ladder		
Allocation to Strategy:	2-1-2 Information Technology		
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	0	322
1002	OTHER PERSONNEL COSTS	0	2
2009	OTHER OPERATING EXPENSE	0	4
TOTAL, OBJECT OF EXPENSE		\$0	\$328
METHOD OF FINANCING:			
1	General Revenue Fund	0	328
TOTAL, METHOD OF FINANCING		\$0	\$328
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name: Retirement lump sum payment contingency.			
Allocation to Strategy: 1-1-1 Investigate Violations, Coordinate Appropriate Action by Authorities			
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Number of Law Enforcement Actions Taken	0.00	0.00
OUTPUT MEASURES:			
<u>1</u>	Number of Investigations Opened	0.00	0.00
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	92,364	92,364
TOTAL, OBJECT OF EXPENSE		\$92,364	\$92,364
METHOD OF FINANCING:			
1	General Revenue Fund	92,364	92,364
TOTAL, METHOD OF FINANCING		\$92,364	\$92,364
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

Agency code: 312 Agency name: Securities Board

Code	Description	Excp 2020	Excp 2021
Item Name: Retirement lump sum payment contingency.			
Allocation to Strategy: 1-3-1 Perform Extensive Review of Applications and Submissions			
STRATEGY IMPACT ON OUTCOME MEASURES:			
	<u>1</u> Average Time (Days) for Def. Letters on Dealer & Invest. Adviser Apps	0.00	0.00
OUTPUT MEASURES:			
	<u>1</u> # of Dealers, Agents, Invest Advisers & Reps Apps and Submissions Proc	0.00	0.00
EXPLANATORY/INPUT MEASURES:			
	<u>1</u> # of Dealers, Agents, Invest Advisers & Reps Licensed or Authorized	0.00	0.00
	<u>2</u> Revenues Deposited to State Treasury from Applications and Submissions	0.00	0.00
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	19,938	19,938
TOTAL, OBJECT OF EXPENSE		\$19,938	\$19,938
METHOD OF FINANCING:			
	1 General Revenue Fund	19,938	19,938
TOTAL, METHOD OF FINANCING		\$19,938	\$19,938
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name: Retirement lump sum payment contingency.			
Allocation to Strategy: 1-4-1 Inspect Dealer & Investment Adviser Records for Regulatory Compliance			
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Percentage of Texas Dealers and Investment Advisers Inspected	0.00%	0.00%
<u>2</u>	% of Inspected Dealers/Investment Advisers Requiring Corrective Action	0.00%	0.00%
OUTPUT MEASURES:			
<u>1</u>	Number of Inspections Conducted	0.00	0.00
<u>2</u>	Number of Referrals for Administrative or Law Enforcement Action	0.00	0.00
<u>3</u>	Number of Administrative Actions Taken by Inspections and Compliance	0.00	0.00
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	29,872	29,872
TOTAL, OBJECT OF EXPENSE		\$29,872	\$29,872
METHOD OF FINANCING:			
1	General Revenue Fund	29,872	29,872
TOTAL, METHOD OF FINANCING		\$29,872	\$29,872
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name: Retirement lump sum payment contingency.			
Allocation to Strategy: 2-1-1 Central Administration			
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	108,040	108,040
TOTAL, OBJECT OF EXPENSE		\$108,040	\$108,040
METHOD OF FINANCING:			
1	General Revenue Fund	108,040	108,040
TOTAL, METHOD OF FINANCING		\$108,040	\$108,040
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name: Funding for 4 FTE's to handle the increased workload related to emerging regulatory and fraud issues. 2 attorneys Enforcement, 1 attorney Inspections, 1 financial examiner shared by Securities and Dealer.			
Allocation to Strategy: 1-1-1 Investigate Violations, Coordinate Appropriate Action by Authorities			
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Number of Law Enforcement Actions Taken	0.00	0.00
<u>2</u>	Dollar Amount Involved in Law Enforcement Actions	0.00	0.00
<u>3</u>	Percentage of Law Enforcement Actions Successful	0.00%	0.00%
OUTPUT MEASURES:			
<u>1</u>	Number of Investigations Opened	0.00	0.00
<u>2</u>	Number of Criminal and Civil Referrals	0.00	0.00
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	124,000	124,000
1002	OTHER PERSONNEL COSTS	620	620
2009	OTHER OPERATING EXPENSE	1,240	1,240
TOTAL, OBJECT OF EXPENSE		\$125,860	\$125,860
METHOD OF FINANCING:			
1	General Revenue Fund	125,860	125,860
TOTAL, METHOD OF FINANCING		\$125,860	\$125,860
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

Agency code: 312 Agency name: Securities Board

Code	Description	Excp 2020	Excp 2021
Item Name:		Funding for 4 FTE's to handle the increased workload related to emerging regulatory and fraud issues. 2 attorneys Enforcement, 1 attorney Inspections, 1 financial examiner shared by Securities and Dealer.	
Allocation to Strategy:		1-2-1	Review Security Documentation for Conformity
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Average Time (Days) for Deficiency Letters Issuance on Securities Apps	0.00	0.00
OUTPUT MEASURES:			
<u>1</u>	Number of Securities Filings and Submissions Processed	0.00	0.00
EXPLANATORY/INPUT MEASURES:			
<u>1</u>	Revenues Deposited to the State Treasury from Securities Applications	0.00	0.00
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	25,000	25,000
1002	OTHER PERSONNEL COSTS	125	125
2009	OTHER OPERATING EXPENSE	250	250
TOTAL, OBJECT OF EXPENSE		\$25,375	\$25,375
METHOD OF FINANCING:			
1	General Revenue Fund	25,375	25,375
TOTAL, METHOD OF FINANCING		\$25,375	\$25,375
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name:	Funding for 4 FTE's to handle the increased workload related to emerging regulatory and fraud issues. 2 attorneys Enforcement, 1 attorney Inspections, 1 financial examiner shared by Securities and Dealer.		
Allocation to Strategy:	1-3-1	Perform Extensive Review of Applications and Submissions	
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Average Time (Days) for Def. Letters on Dealer & Invest. Adviser Apps	0.00	0.00
OUTPUT MEASURES:			
<u>1</u>	# of Dealers, Agents, Invest Advisers & Reps Apps and Submissions Proc	0.00	0.00
EXPLANATORY/INPUT MEASURES:			
<u>1</u>	# of Dealers, Agents, Invest Advisers & Reps Licensed or Authorized	0.00	0.00
<u>2</u>	Revenues Deposited to State Treasury from Applications and Submissions	0.00	0.00
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	25,000	25,000
1002	OTHER PERSONNEL COSTS	125	125
2009	OTHER OPERATING EXPENSE	250	250
TOTAL, OBJECT OF EXPENSE		\$25,375	\$25,375
METHOD OF FINANCING:			
1	General Revenue Fund	25,375	25,375
TOTAL, METHOD OF FINANCING		\$25,375	\$25,375
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name: Funding for 4 FTE's to handle the increased workload related to emerging regulatory and fraud issues. 2 attorneys Enforcement, 1 attorney Inspections, 1 financial examiner shared by Securities and Dealer.			
Allocation to Strategy: 1-4-1 Inspect Dealer & Investment Adviser Records for Regulatory Compliance			
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Percentage of Texas Dealers and Investment Advisers Inspected	0.00%	0.00%
<u>2</u>	% of Inspected Dealers/Investment Advisers Requiring Corrective Action	0.00%	0.00%
OUTPUT MEASURES:			
<u>1</u>	Number of Inspections Conducted	0.00	0.00
<u>2</u>	Number of Referrals for Administrative or Law Enforcement Action	0.00	0.00
<u>3</u>	Number of Administrative Actions Taken by Inspections and Compliance	0.00	0.00
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	62,000	62,000
1002	OTHER PERSONNEL COSTS	310	310
2009	OTHER OPERATING EXPENSE	620	620
TOTAL, OBJECT OF EXPENSE		\$62,930	\$62,930
METHOD OF FINANCING:			
1	General Revenue Fund	62,930	62,930
TOTAL, METHOD OF FINANCING		\$62,930	\$62,930
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name: Subscribe to certain portions of DIR's Managed Security Services to increase the Agency's cybersecurity protections. Funding to increase the Agency's transition to Microsoft SharePoint cloud storage.			
Allocation to Strategy: 1-1-1 Investigate Violations, Coordinate Appropriate Action by Authorities			
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Number of Law Enforcement Actions Taken	0.00	0.00
<u>2</u>	Dollar Amount Involved in Law Enforcement Actions	0.00	0.00
<u>3</u>	Percentage of Law Enforcement Actions Successful	0.00%	0.00%
OUTPUT MEASURES:			
<u>1</u>	Number of Investigations Opened	0.00	0.00
<u>2</u>	Number of Criminal and Civil Referrals	0.00	0.00
OBJECTS OF EXPENSE:			
2001	PROFESSIONAL FEES AND SERVICES	65,216	65,216
2009	OTHER OPERATING EXPENSE	3,600	3,600
TOTAL, OBJECT OF EXPENSE		\$68,816	\$68,816
METHOD OF FINANCING:			
1	General Revenue Fund	68,816	68,816
TOTAL, METHOD OF FINANCING		\$68,816	\$68,816
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name: Subscribe to certain portions of DIR's Managed Security Services to increase the Agency's cybersecurity protections. Funding to increase the Agency's transition to Microsoft SharePoint cloud storage.			
Allocation to Strategy: 1-2-1 Review Security Documentation for Conformity			
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Average Time (Days) for Deficiency Letters Issuance on Securities Apps	0.00	0.00
OUTPUT MEASURES:			
<u>1</u>	Number of Securities Filings and Submissions Processed	0.00	0.00
EXPLANATORY/INPUT MEASURES:			
<u>1</u>	Revenues Deposited to the State Treasury from Securities Applications	0.00	0.00
OBJECTS OF EXPENSE:			
2001	PROFESSIONAL FEES AND SERVICES	9,782	9,782
2009	OTHER OPERATING EXPENSE	540	540
TOTAL, OBJECT OF EXPENSE		\$10,322	\$10,322
METHOD OF FINANCING:			
1	General Revenue Fund	10,322	10,322
TOTAL, METHOD OF FINANCING		\$10,322	\$10,322
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name: Subscribe to certain portions of DIR's Managed Security Services to increase the Agency's cybersecurity protections. Funding to increase the Agency's transition to Microsoft SharePoint cloud storage.			
Allocation to Strategy: 1-3-1 Perform Extensive Review of Applications and Submissions			
STRATEGY IMPACT ON OUTCOME MEASURES:			
	<u>1</u> Average Time (Days) for Def. Letters on Dealer & Invest. Adviser Apps	0.00	0.00
OUTPUT MEASURES:			
	<u>1</u> # of Dealers, Agents, Invest Advisers & Reps Apps and Submissions Proc	0.00	0.00
EXPLANATORY/INPUT MEASURES:			
	<u>1</u> # of Dealers, Agents, Invest Advisers & Reps Licensed or Authorized	0.00	0.00
	<u>2</u> Revenues Deposited to State Treasury from Applications and Submissions	0.00	0.00
OBJECTS OF EXPENSE:			
2001	PROFESSIONAL FEES AND SERVICES	9,783	9,783
2009	OTHER OPERATING EXPENSE	540	540
TOTAL, OBJECT OF EXPENSE		\$10,323	\$10,323
METHOD OF FINANCING:			
	1 General Revenue Fund	10,323	10,323
TOTAL, METHOD OF FINANCING		\$10,323	\$10,323
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name: Subscribe to certain portions of DIR's Managed Security Services to increase the Agency's cybersecurity protections. Funding to increase the Agency's transition to Microsoft SharePoint cloud storage.			
Allocation to Strategy: 1-4-1 Inspect Dealer & Investment Adviser Records for Regulatory Compliance			
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Percentage of Texas Dealers and Investment Advisers Inspected	0.00%	0.00%
<u>2</u>	% of Inspected Dealers/Investment Advisers Requiring Corrective Action	0.00%	0.00%
OUTPUT MEASURES:			
<u>1</u>	Number of Inspections Conducted	0.00	0.00
<u>2</u>	Number of Referrals for Administrative or Law Enforcement Action	0.00	0.00
<u>3</u>	Number of Administrative Actions Taken by Inspections and Compliance	0.00	0.00
OBJECTS OF EXPENSE:			
2001	PROFESSIONAL FEES AND SERVICES	45,651	45,651
2009	OTHER OPERATING EXPENSE	2,520	2,520
TOTAL, OBJECT OF EXPENSE		\$48,171	\$48,171
METHOD OF FINANCING:			
1	General Revenue Fund	48,171	48,171
TOTAL, METHOD OF FINANCING		\$48,171	\$48,171
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name: Subscribe to certain portions of DIR's Managed Security Services to increase the Agency's cybersecurity protections. Funding to increase the Agency's transition to Microsoft SharePoint cloud storage.			
Allocation to Strategy:		2-1-1	Central Administration
OBJECTS OF EXPENSE:			
2001	PROFESSIONAL FEES AND SERVICES	32,608	32,608
2009	OTHER OPERATING EXPENSE	1,800	1,800
TOTAL, OBJECT OF EXPENSE		\$34,408	\$34,408
METHOD OF FINANCING:			
1	General Revenue Fund	34,408	34,408
TOTAL, METHOD OF FINANCING		\$34,408	\$34,408
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

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

Code	Description	Excp 2020	Excp 2021
Item Name:		Compensation increase for securities commissioner to match the SAO's current market average salary for this exempt position.	
Allocation to Strategy:		2-1-1	Central Administration
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	16,412	16,412
1002	OTHER PERSONNEL COSTS	82	82
2009	OTHER OPERATING EXPENSE	164	164
TOTAL, OBJECT OF EXPENSE		\$16,658	\$16,658
METHOD OF FINANCING:			
1 General Revenue Fund		16,658	16,658
TOTAL, METHOD OF FINANCING		\$16,658	\$16,658
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

4.C. Exceptional Items Strategy Request
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
TIME: 5:54:35PM

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

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

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

CODE DESCRIPTION	Excp 2020	Excp 2021
-------------------------	------------------	------------------

OBJECTS OF EXPENSE:

1001 SALARIES AND WAGES	343,634	362,841
1002 OTHER PERSONNEL COSTS	94,082	94,178
2001 PROFESSIONAL FEES AND SERVICES	65,216	65,216
2009 OTHER OPERATING EXPENSE	7,036	7,228
Total, Objects of Expense	\$509,968	\$529,463

METHOD OF FINANCING:

1 General Revenue Fund	509,968	529,463
Total, Method of Finance	\$509,968	\$529,463

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Career Ladder

Retirement lump sum payment contingency.

Funding for 4 FTE's to handle the increased workload related to emerging regulatory and fraud issues. 2 attorneys Enforcement, 1 attorney Inspections, 1 financial examiner shared by Securities and Dealer.

Subscribe to certain portions of DIR's Managed Security Services to increase the Agency's cybersecurity protections. Funding to increase the Agency's transition to Microsoft SharePoint cloud storage.

4.C. Exceptional Items Strategy Request
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
TIME: 5:54:35PM

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

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

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

CODE DESCRIPTION	Exp 2020	Exp 2021
-------------------------	-----------------	-----------------

OBJECTS OF EXPENSE:

1001 SALARIES AND WAGES	33,621	44,143
1002 OTHER PERSONNEL COSTS	168	221
2001 PROFESSIONAL FEES AND SERVICES	9,782	9,782
2009 OTHER OPERATING EXPENSE	876	981
Total, Objects of Expense	\$44,447	\$55,127

METHOD OF FINANCING:

1 General Revenue Fund	44,447	55,127
Total, Method of Finance	\$44,447	\$55,127

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Career Ladder

Funding for 4 FTE's to handle the increased workload related to emerging regulatory and fraud issues. 2 attorneys Enforcement, 1 attorney Inspections, 1 financial examiner shared by Securities and Dealer.

Subscribe to certain portions of DIR's Managed Security Services to increase the Agency's cybersecurity protections. Funding to increase the Agency's transition to Microsoft SharePoint cloud storage.

4.C. Exceptional Items Strategy Request
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
TIME: 5:54:35PM

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

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

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

CODE	DESCRIPTION	Exp 2020	Exp 2021
------	-------------	----------	----------

OBJECTS OF EXPENSE:

1001	SALARIES AND WAGES	33,607	55,594
1002	OTHER PERSONNEL COSTS	20,106	20,216
2001	PROFESSIONAL FEES AND SERVICES	9,783	9,783
2009	OTHER OPERATING EXPENSE	876	1,096
Total, Objects of Expense		\$64,372	\$86,689

METHOD OF FINANCING:

1	General Revenue Fund	64,372	86,689
Total, Method of Finance		\$64,372	\$86,689

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Career Ladder

Retirement lump sum payment contingency.

Funding for 4 FTE's to handle the increased workload related to emerging regulatory and fraud issues. 2 attorneys Enforcement, 1 attorney Inspections, 1 financial examiner shared by Securities and Dealer.

Subscribe to certain portions of DIR's Managed Security Services to increase the Agency's cybersecurity protections. Funding to increase the Agency's transition to Microsoft SharePoint cloud storage.

4.C. Exceptional Items Strategy Request
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
TIME: 5:54:35PM

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

GOAL: 1 Protect Investors and Assure Access to Capital for Business
 OBJECTIVE: 4 Inspect Registered Dealers and Investment Advisers
 STRATEGY: 1 Inspect Dealer & Investment Adviser Records for Regulatory Compliance

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

CODE DESCRIPTION	Excp 2020	Excp 2021
-------------------------	------------------	------------------

OBJECTS OF EXPENSE:

1001 SALARIES AND WAGES	181,120	207,001
1002 OTHER PERSONNEL COSTS	30,778	30,907
2001 PROFESSIONAL FEES AND SERVICES	45,651	45,651
2009 OTHER OPERATING EXPENSE	4,331	4,590
Total, Objects of Expense	\$261,880	\$288,149

METHOD OF FINANCING:

1 General Revenue Fund	261,880	288,149
Total, Method of Finance	\$261,880	\$288,149

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Career Ladder

Retirement lump sum payment contingency.

Funding for 4 FTE's to handle the increased workload related to emerging regulatory and fraud issues. 2 attorneys Enforcement, 1 attorney Inspections, 1 financial examiner shared by Securities and Dealer.

Subscribe to certain portions of DIR's Managed Security Services to increase the Agency's cybersecurity protections. Funding to increase the Agency's transition to Microsoft SharePoint cloud storage.

4.C. Exceptional Items Strategy Request
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
TIME: 5:54:35PM

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

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

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

CODE DESCRIPTION	Excp 2020	Excp 2021
-------------------------	------------------	------------------

OBJECTS OF EXPENSE:

1001 SALARIES AND WAGES	47,443	76,839
1002 OTHER PERSONNEL COSTS	238,382	238,529
2001 PROFESSIONAL FEES AND SERVICES	32,608	32,608
2009 OTHER OPERATING EXPENSE	2,179	2,473
Total, Objects of Expense	\$320,612	\$350,449

METHOD OF FINANCING:

1 General Revenue Fund	320,612	350,449
Total, Method of Finance	\$320,612	\$350,449

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Recover the amount of the base budget reduction that occurred as a result of accurately reporting the expected lapse of funds for appropriation year 2018.

Career Ladder

Retirement lump sum payment contingency.

Subscribe to certain portions of DIR's Managed Security Services to increase the Agency's cybersecurity protections. Funding to increase the Agency's transition to Microsoft SharePoint cloud storage.

Compensation increase for securities commissioner to match the SAO's current market average salary for this exempt position.

4.C. Exceptional Items Strategy Request
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
TIME: 5:54:35PM

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

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

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

CODE DESCRIPTION	Exp 2020	Exp 2021
-------------------------	-----------------	-----------------

OBJECTS OF EXPENSE:

1001 SALARIES AND WAGES	0	322
1002 OTHER PERSONNEL COSTS	0	2
2009 OTHER OPERATING EXPENSE	0	4
Total, Objects of Expense	\$0	\$328

METHOD OF FINANCING:

1 General Revenue Fund	0	328
Total, Method of Finance	\$0	\$328

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Career Ladder

5.A. Capital Budget Project Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
 TIME : 5:54:35PM

Agency code: **312**

Agency name: **Securities Board**

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE

Est 2018

Bud 2019

BL 2020

BL 2021

5005 Acquisition of Information Resource Technologies

3/3 PC Replacement

OBJECTS OF EXPENSE

Informational

General	2009	OTHER OPERATING EXPENSE		\$51,630	\$4,352	\$0	\$0
		Informational Subtotal OOE, Project	3	\$51,630	\$4,352	\$0	\$0
		Subtotal OOE, Project	3	\$51,630	\$4,352	\$0	\$0

TYPE OF FINANCING

Informational

General	CA	1	General Revenue Fund	\$51,630	\$4,352	\$0	\$0
			Informational Subtotal TOF, Project	\$51,630	\$4,352	\$0	\$0
			Subtotal TOF, Project	\$51,630	\$4,352	\$0	\$0

Capital Subtotal, Category 5005

			Informational Subtotal, Category	5005	\$51,630	\$4,352	\$0	\$0
			Total, Category	5005	\$51,630	\$4,352	\$0	\$0

7000 Data Center Consolidation

1/1 DIR DCS Managed Security Services

OBJECTS OF EXPENSE

Informational

General	2001	PROFESSIONAL FEES AND SERVICES		\$0	\$0	\$0	\$0
		Informational Subtotal OOE, Project	1	\$0	\$0	\$0	\$0

5.A. Capital Budget Project Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
 TIME : 5:54:35PM

Agency code: **312**

Agency name: **Securities Board**

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE

Est 2018

Bud 2019

BL 2020

BL 2021

Subtotal OOE, Project 1

\$0

\$0

\$0

\$0

TYPE OF FINANCING

Informational

General CA 1 General Revenue Fund

\$0

\$0

\$0

\$0

Informational Subtotal TOF, Project 1

\$0

\$0

\$0

\$0

Subtotal TOF, Project 1

\$0

\$0

\$0

\$0

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

OBJECTS OF EXPENSE

Informational

General 2001 PROFESSIONAL FEES AND SERVICES

\$35,553

\$36,985

\$37,112

\$37,246

General 2009 OTHER OPERATING EXPENSE

\$0

\$0

\$0

\$0

Informational Subtotal OOE, Project 2

\$35,553

\$36,985

\$37,112

\$37,246

Subtotal OOE, Project 2

\$35,553

\$36,985

\$37,112

\$37,246

TYPE OF FINANCING

Informational

General CA 1 General Revenue Fund

\$35,553

\$36,985

\$37,112

\$37,246

Informational Subtotal TOF, Project 2

\$35,553

\$36,985

\$37,112

\$37,246

Subtotal TOF, Project 2

\$35,553

\$36,985

\$37,112

\$37,246

5.A. Capital Budget Project Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
 TIME : 5:54:35PM

Agency code: **312**

Agency name: **Securities Board**

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE

Est 2018

Bud 2019

BL 2020

BL 2021

Capital Subtotal, Category 7000

Informational Subtotal, Category 7000

Total, Category 7000

\$35,553

\$36,985

\$37,112

\$37,246

\$35,553

\$36,985

\$37,112

\$37,246

AGENCY TOTAL -CAPITAL

AGENCY TOTAL -INFORMATIONAL

AGENCY TOTAL

\$87,183

\$41,337

\$37,112

\$37,246

\$87,183

\$41,337

\$37,112

\$37,246

METHOD OF FINANCING:

Informational

General 1 General Revenue Fund

\$87,183

\$41,337

\$37,112

\$37,246

Total, Method of Financing-Informational

\$87,183

\$41,337

\$37,112

\$37,246

Total, Method of Financing

\$87,183

\$41,337

\$37,112

\$37,246

TYPE OF FINANCING:

Informational

General CA CURRENT APPROPRIATIONS

\$87,183

\$41,337

\$37,112

\$37,246

Total, Type of Financing-Informational

\$87,183

\$41,337

\$37,112

\$37,246

Total, Type of Financing

\$87,183

\$41,337

\$37,112

\$37,246

312 Securities Board

Category Code / Category Name <i>Project Number / Name</i> OOE / TOF / MOF CODE	Excp 2020	Excp 2021
7000 Data Center Consolidation		
<u>1 DIR DCS Managed Security Services</u>		
Objects of Expense		
2001 PROFESSIONAL FEES AND SERVICES	154,040	154,040
Subtotal OOE, Project 1	154,040	154,040
Type of Financing		
CA 1 General Revenue Fund	154,040	154,040
Subtotal TOF, Project 1	154,040	154,040
<u>2 MS Office 365 Purch Thru DCS</u>		
Objects of Expense		
2001 PROFESSIONAL FEES AND SERVICES	9,000	9,000
2009 OTHER OPERATING EXPENSE	9,000	9,000
Subtotal OOE, Project 2	18,000	18,000
Type of Financing		
CA 1 General Revenue Fund	18,000	18,000
Subtotal TOF, Project 2	18,000	18,000
Subtotal Category 7000	172,040	172,040
AGENCY TOTAL	172,040	172,040
METHOD OF FINANCING:		
1 General Revenue Fund	172,040	172,040
Total, Method of Financing	172,040	172,040
TYPE OF FINANCING:		
CA CURRENT APPROPRIATIONS	172,040	172,040
Total, Type of Financing	172,040	172,040

5.B. Capital Budget Project Information
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
 TIME: 5:54:35PM

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

PROJECT DESCRIPTION

General Information

Funding this exceptional item will allow the Agency to subscribe to services provided by DIR's Managed Security Services (MSS) program. This will be done in partnership with DIR and their existing Data Center Services contracts. Specifically, DIR MSS services will include endpoint security, intrusion prevention and detection, host intrusion protection, firewall management, penetration testing, and vulnerability scanning.

Using DIR's MSS will allow the Agency to vastly increase its cybersecurity protections without adding staff or equipment. Obtaining these cybersecurity protections without the use of DIR's MSS would be substantially more expensive. It would not be possible for the Agency to obtain this level of cybersecurity at a better cost without DIR's MSS.

PLCS Tracking Key	PCLS_86R_312_430607
Number of Units / Average Unit Cost	N/A
Estimated Completion Date	N/A

Additional Capital Expenditure Amounts Required	2022	2023
	0	0
Type of Financing	CA CURRENT APPROPRIATIONS	
Projected Useful Life	Ongoing	
Estimated/Actual Project Cost	\$0	
Length of Financing/ Lease Period	N/A	

<u>ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS</u>					Total over project life
2020	2021	2022	2023		
0	0	0	0		0

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

Explanation: Funding this exceptional item will allow the Agency to subscribe to services provided by DIR's Managed Security Services (MSS) program. This will be done in partnership with DIR and their existing Data Center Services contracts. Specifically, DIR MSS services will include endpoint security, intrusion prevention and detection, host intrusion protection, firewall management, penetration testing, and vulnerability scanning.

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

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

Frequency of Use and External Factors Affecting Use:

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

5.B. Capital Budget Project Information
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
 TIME: 5:54:35PM

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

PROJECT DESCRIPTION

General Information

The Agency will continue subscribing to Microsoft Office 365 using DIR's Datacenter Services contract.

PLCS Tracking Key PCLS_86R_312_430607

Number of Units / Average Unit Cost N/A

Estimated Completion Date N/A

Additional Capital Expenditure Amounts Required	2022	2023
	0	0

Type of Financing CA CURRENT APPROPRIATIONS

Projected Useful Life Ongoing

Estimated/Actual Project Cost \$0

Length of Financing/ Lease Period N/A

<u>ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS</u>					Total over
2020	2021	2022	2023		project life
0	0	0	0		0

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

Explanation: The Agency will continue subscribing to Microsoft Office 365 using DIR's Datacenter Services contract.

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

Beneficiaries: Agency staff.

Frequency of Use and External Factors Affecting Use:

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

5.B. Capital Budget Project Information
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/27/2018
 TIME: 5:54:35PM

Agency Code:	312	Agency name:	Securities Board
Category Number:	5005	Category Name:	ACQUISITN INFO RES TECH.
Project number:	3	Project Name:	PC Replacement

PROJECT DESCRIPTION

General Information

Information regarding PC replacements requested in 2018-19 LAR.

PLCS Tracking Key

Number of Units / Average Unit Cost N/A

Estimated Completion Date 08/31/2019

Additional Capital Expenditure Amounts Required	2022	2023
	0	0

Type of Financing CA CURRENT APPROPRIATIONS
Projected Useful Life 4 to 5 years

Estimated/Actual Project Cost \$55,982

Length of Financing/ Lease Period N/A

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2020	2021	2022	2023	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: Information regarding PC replacements requested in 2018-19 LAR.

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

Beneficiaries: Agency staff.

Frequency of Use and External Factors Affecting Use:

Used daily for Agency operations. Purchases made through DIR bulk purchasing initiative.

Agency Code: 312 Agency: Securities Board

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year 2016 - 2017 HUB Expenditure Information

Statewide HUB Goals	Procurement Category	% Goal	HUB Expenditures FY 2016			Total Expenditures FY 2016		HUB Expenditures FY 2017			Total Expenditures FY 2017	
			% Actual	Diff	Actual \$	FY 2016	% Goal	% Actual	Diff	Actual \$	FY 2017	
11.2%	Heavy Construction	11.2 %	0.0%	-11.2%	\$0	\$0	0.0 %	0.0%	0.0%	\$0	\$0	
21.1%	Building Construction	21.1 %	0.0%	-21.1%	\$0	\$0	0.0 %	0.0%	0.0%	\$0	\$0	
32.9%	Special Trade	32.9 %	0.0%	-32.9%	\$0	\$0	0.0 %	0.0%	0.0%	\$0	\$0	
23.7%	Professional Services	23.7 %	100.0%	76.3%	\$26,135	\$26,135	23.7 %	100.0%	76.3%	\$37,652	\$37,652	
26.0%	Other Services	26.0 %	24.2%	-1.8%	\$40,944	\$169,535	26.0 %	18.0%	-8.0%	\$27,486	\$152,979	
21.1%	Commodities	21.1 %	80.0%	58.9%	\$53,570	\$66,987	21.1 %	36.7%	15.6%	\$24,493	\$66,724	
	Total Expenditures		45.9%		\$120,649	\$262,657		34.8%		\$89,631	\$257,355	

B. Assessment of Fiscal Year 2016 - 2017 Efforts to Meet HUB Procurement Goals

Attainment:

The Agency exceeded the HUB procurement goals in the areas of professional services and commodities for FY 2016 and FY 2017. However, the Agency missed the other services goal. There was no purchasing activity within the heavy construction, building construction, or special trade categories.

Applicability:

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

Factors Affecting Attainment:

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

"Good-Faith" Efforts:

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

6.E. Estimated Revenue Collections Supporting Schedule
86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

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

FUND/ACCOUNT	Act 2017	Exp 2018	Exp 2019	Bud 2020	Est 2021
<u>1</u> General Revenue Fund					
Beginning Balance (Unencumbered):	\$0	\$0	\$0	\$0	\$0
Estimated Revenue:					
3103 Limited Sales & Use Tax-State	2	4	0	0	0
3175 Professional Fees	8,262,170	8,500,000	8,500,000	8,500,000	8,500,000
3186 Securities Fees	149,233,444	140,000,000	140,000,000	140,000,000	140,000,000
3719 Fees/Copies or Filing of Records	234	172	0	0	0
3727 Fees - Administrative Services	300	0	0	0	0
3770 Administrative Penalties	279,500	40,500	0	0	0
Subtotal: Actual/Estimated Revenue	157,775,650	148,540,676	148,500,000	148,500,000	148,500,000
Total Available	\$157,775,650	\$148,540,676	\$148,500,000	\$148,500,000	\$148,500,000
Ending Fund/Account Balance	\$157,775,650	\$148,540,676	\$148,500,000	\$148,500,000	\$148,500,000

REVENUE ASSUMPTIONS:

In FY 2017, the Agency received \$24,400 in fees categorized with comp obj code 3171-Professional Fees. This comp obj code is no longer in use. It was not available in ABEST. Therefore, the revenue shown in this LAR differs from the 2018 Operating Budget by \$24,400.

CONTACT PERSON:

Derek Lauterjung

6.E. Estimated Revenue Collections Supporting Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

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

FUND/ACCOUNT	Act 2017	Exp 2018	Exp 2019	Bud 2020	Est 2021
<u>666</u> Appropriated Receipts					
Beginning Balance (Unencumbered):	\$0	\$0	\$0	\$0	\$0
Estimated Revenue:					
3719 Fees/Copies or Filing of Records	1,661	0	0	0	0
3752 Sale of Publications/Advertising	83	170	0	0	0
Subtotal: Actual/Estimated Revenue	1,744	170	0	0	0
Total Available	\$1,744	\$170	\$0	\$0	\$0
Ending Fund/Account Balance	\$1,744	\$170	\$0	\$0	\$0

REVENUE ASSUMPTIONS:

CONTACT PERSON:

Derek Lauterjung

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 7/27/2018
Time: 6:28:43PM

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

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			PROGRAM AMOUNT		TARGET
	2020	2021	Biennial Total	2020	2021	Biennial Total	2020	2021	Biennial Total

1 Staff Reduction (First 2.5% increment)

Category: Programs - Service Reductions (FTEs-Layoffs)

Item Comment: This reduction would eliminate 4 full-time equivalent positions. It would reduce the ability of the Agency to process securities registration applications, pursue administrative actions against registered entities with compliance problems, and collect and analyze financial records needed for criminal prosecutions. Because the Agency is required by law to reduce fees if certain revenues exceed the Agency's costs, this reduction in appropriations would also cause the need to decrease fees for a similar amount. This equates to a loss in revenue equal to this base budget reduction. There is no gain to the state as a result of this reduction.

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

General Revenue Funds

1 General Revenue Fund	\$92,626	\$92,626	\$185,252	\$92,626	\$92,626	\$185,252	\$2,665,072	\$2,665,072	\$5,330,144
General Revenue Funds Total	\$92,626	\$92,626	\$185,252	\$92,626	\$92,626	\$185,252	\$2,665,072	\$2,665,072	\$5,330,144

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

General Revenue Funds

1 General Revenue Fund	\$30,450	\$30,450	\$60,900	\$30,450	\$30,450	\$60,900	\$373,912	\$373,912	\$747,824
General Revenue Funds Total	\$30,450	\$30,450	\$60,900	\$30,450	\$30,450	\$60,900	\$373,912	\$373,912	\$747,824

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

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 7/27/2018
Time: 6:28:43PM

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

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			PROGRAM AMOUNT		TARGET
	2020	2021	Biennial Total	2020	2021	Biennial Total	2020	2021	Biennial Total
<u>General Revenue Funds</u>									
1 General Revenue Fund	\$54,433	\$54,433	\$108,866	\$54,433	\$54,433	\$108,866	\$1,836,407	\$1,836,407	\$3,672,814
General Revenue Funds Total	\$54,433	\$54,433	\$108,866	\$54,433	\$54,433	\$108,866	\$1,836,407	\$1,836,407	\$3,672,814
Item Total	\$177,509	\$177,509	\$355,018	\$177,509	\$177,509	\$355,018	\$4,875,391	\$4,875,391	\$9,750,782
FTE Reductions (From FY 2020 and FY 2021 Base Request)					4.0	4.0			

2 Staff Reduction (Second 2.5% increment)

Category: Programs - Service Reductions (FTEs-Layoffs)

Item Comment: This reduction would eliminate 4 full-time equivalent positions. It would reduce the ability of the Agency to conduct compliance inspections on registered entities, efficiently organize legal processes regarding criminal enforcement actions, and provide legal guidance to Texas citizens and Agency staff members. Because the Agency is required by law to reduce fees if certain revenues exceed the Agency's costs, this reduction in appropriations would also cause the need to decrease fees for a similar amount. This equates to a loss in revenue equal to this base budget reduction. There is no gain to the state as a result of this reduction.

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

General Revenue Funds

1 General Revenue Fund	\$24,138	\$24,138	\$48,276	\$24,138	\$24,138	\$48,276	\$2,665,072	\$2,665,072	\$5,330,144
General Revenue Funds Total	\$24,138	\$24,138	\$48,276	\$24,138	\$24,138	\$48,276	\$2,665,072	\$2,665,072	\$5,330,144

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

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 7/27/2018
Time: 6:28:43PM

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

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			PROGRAM AMOUNT		TARGET
	2020	2021	Biennial Total	2020	2021	Biennial Total	2020	2021	Biennial Total
<u>General Revenue Funds</u>									
1 General Revenue Fund	\$96,309	\$96,309	\$192,618	\$96,309	\$96,309	\$192,618	\$1,836,407	\$1,836,407	\$3,672,814
General Revenue Funds Total	\$96,309	\$96,309	\$192,618	\$96,309	\$96,309	\$192,618	\$1,836,407	\$1,836,407	\$3,672,814
Strategy: 2-1-1 Central Administration									
<u>General Revenue Funds</u>									
1 General Revenue Fund	\$50,750	\$50,750	\$101,500	\$50,750	\$50,750	\$101,500	\$1,294,300	\$1,294,300	\$2,588,600
General Revenue Funds Total	\$50,750	\$50,750	\$101,500	\$50,750	\$50,750	\$101,500	\$1,294,300	\$1,294,300	\$2,588,600
Item Total	\$171,197	\$171,197	\$342,394	\$171,197	\$171,197	\$342,394	\$5,795,779	\$5,795,779	\$11,591,558
FTE Reductions (From FY 2020 and FY 2021 Base Request)					4.0	4.0			

3 Staff Reduction (Third 2.5% increment)

Category: Programs - Service Reductions (FTEs-Layoffs)

Item Comment: This reduction would eliminate 4 full-time equivalent positions. It would reduce the ability of the Agency to process both securities and dealer registration applications, conduct compliance inspections on registered entities, and efficiently organize legal processes regarding criminal enforcement actions. Because the Agency is required by law to reduce fees if certain revenues exceed the Agency's costs, this reduction in appropriations would also cause the need to decrease fees for a similar amount. This equates to a loss in revenue equal to this base budget reduction. There is no gain to the state as a result of this reduction.

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

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 7/27/2018
Time: 6:28:43PM

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

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			PROGRAM AMOUNT		TARGET
	2020	2021	Biennial Total	2020	2021	Biennial Total	2020	2021	Biennial Total
<u>General Revenue Funds</u>									
1 General Revenue Fund	\$30,450	\$30,450	\$60,900	\$30,450	\$30,450	\$60,900	\$2,665,072	\$2,665,072	\$5,330,144
General Revenue Funds Total	\$30,450	\$30,450	\$60,900	\$30,450	\$30,450	\$60,900	\$2,665,072	\$2,665,072	\$5,330,144
Strategy: 1-2-1 Review Security Documentation for Conformity									
<u>General Revenue Funds</u>									
1 General Revenue Fund	\$23,156	\$23,156	\$46,312	\$23,156	\$23,156	\$46,312	\$373,912	\$373,912	\$747,824
General Revenue Funds Total	\$23,156	\$23,156	\$46,312	\$23,156	\$23,156	\$46,312	\$373,912	\$373,912	\$747,824
Strategy: 1-3-1 Perform Extensive Review of Applications and Submissions									
<u>General Revenue Funds</u>									
1 General Revenue Fund	\$23,156	\$23,156	\$46,312	\$23,156	\$23,156	\$46,312	\$416,652	\$416,652	\$833,304
General Revenue Funds Total	\$23,156	\$23,156	\$46,312	\$23,156	\$23,156	\$46,312	\$416,652	\$416,652	\$833,304
Strategy: 1-4-1 Inspect Dealer & Investment Adviser Records for Regulatory Compliance									

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 7/27/2018
Time: 6:28:43PM

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

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			PROGRAM AMOUNT		TARGET
	2020	2021	Biennial Total	2020	2021	Biennial Total	2020	2021	Biennial Total
<u>General Revenue Funds</u>									
1 General Revenue Fund	\$92,626	\$92,626	\$185,252	\$92,626	\$92,626	\$185,252	\$1,836,407	\$1,836,407	\$3,672,814
General Revenue Funds Total	\$92,626	\$92,626	\$185,252	\$92,626	\$92,626	\$185,252	\$1,836,407	\$1,836,407	\$3,672,814
Item Total	\$169,388	\$169,388	\$338,776	\$169,388	\$169,388	\$338,776	\$5,292,043	\$5,292,043	\$10,584,086
FTE Reductions (From FY 2020 and FY 2021 Base Request)					4.0	4.0			

4 Staff Reduction (Fourth 2.5% increment)

Category: Programs - Service Reductions (FTEs-Layoffs)

Item Comment: This reduction would eliminate 4 full-time equivalent positions. It would reduce the ability of the Agency to pursue criminal prosecutions, efficiently organize legal processes regarding criminal enforcement actions, and maintain internal Agency accounting duties. Because the Agency is required by law to reduce fees if certain revenues exceed the Agency's costs, this reduction in appropriations would also cause the need to decrease fees for a similar amount. This equates to a loss in revenue equal to this base budget reduction. There is no gain to the state as a result of this reduction.

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

General Revenue Funds

1 General Revenue Fund	\$128,785	\$128,785	\$257,570	\$128,785	\$128,785	\$257,570	\$2,665,072	\$2,665,072	\$5,330,144
General Revenue Funds Total	\$128,785	\$128,785	\$257,570	\$128,785	\$128,785	\$257,570	\$2,665,072	\$2,665,072	\$5,330,144

Strategy: 2-1-1 Central Administration

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 7/27/2018
Time: 6:28:43PM

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

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			PROGRAM AMOUNT		TARGET	
	2020	2021	Biennial Total	2020	2021	Biennial Total	2020	2021	Biennial Total	
<u>General Revenue Funds</u>										
1 General Revenue Fund	\$40,600	\$40,600	\$81,200	\$40,600	\$40,600	\$81,200	\$1,294,300	\$1,294,300	\$2,588,600	
General Revenue Funds Total	\$40,600	\$40,600	\$81,200	\$40,600	\$40,600	\$81,200	\$1,294,300	\$1,294,300	\$2,588,600	
Item Total	\$169,385	\$169,385	\$338,770	\$169,385	\$169,385	\$338,770	\$3,959,372	\$3,959,372	\$7,918,744	
FTE Reductions (From FY 2020 and FY 2021 Base Request)					4.0	4.0				
AGENCY TOTALS										
General Revenue Total	\$687,479	\$687,479	\$1,374,958	\$687,479	\$687,479	\$1,374,958	\$19,922,585	\$19,922,585	\$39,845,170	\$1,374,958
Agency Grand Total	\$687,479	\$687,479	\$1,374,958	\$687,479	\$687,479	\$1,374,958	\$19,922,585	\$19,922,585	\$39,845,170	\$1,374,958
Difference, Options Total Less Target										
Agency FTE Reductions (From FY 2020 and FY 2021 Base Request)				16.0	16.0					
Article Total				\$687,479	\$687,479	\$1,374,958	\$19,922,585	\$19,922,585	\$39,845,170	
Statewide Total				\$687,479	\$687,479	\$1,374,958	\$19,922,585	\$19,922,585	\$39,845,170	

6.L. Document Production Standards

Summary of Savings Due to Improved Document Production Standards

Agency Code:	Agency Name:	Prepared By:
312	Texas State Securities Board	Derek Lauterjung

Documented Production Standards Strategies	Estimated 2018	Budgeted 2019
1. Request inspection and investigation documents to be provided electronically. Allows multiple staff members to use the documents without physically copying paper documents.	\$456	\$456
2. Scan investigation documents given to agency in paper form so that multiple staff members can view the documents without copying paper documents.	\$456	\$456
3. Provide documents to auditors via email or other electronic means.	\$456	\$456
4.	\$0	\$0
Total, All Strategies	\$1,368	\$1,368
Total Estimated Paper Volume Reduced	-	-

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