

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	11.00	11.00	11.84	11.84	11.00	11.84	0.84	7.64 %
Personal Services	795,166	832,578	1,017,042	1,015,235	1,627,744	2,032,277	404,533	24.85 %
Operating Expenses	143,409	239,256	164,592	159,475	382,665	324,067	(58,598)	(15.31)%
Equipment & Intangible Assets	0	1,202	0	0	1,202	0	(1,202)	(100.00)%
Total Costs	\$938,575	\$1,073,036	\$1,181,634	\$1,174,710	\$2,011,611	\$2,356,344	\$344,733	17.14 %
State/Other Special Rev. Funds	938,575	1,073,036	1,181,634	1,174,710	2,011,611	2,356,344	344,733	17.14 %
Total Funds	\$938,575	\$1,073,036	\$1,181,634	\$1,174,710	\$2,011,611	\$2,356,344	\$344,733	17.14 %

Program Description

The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana and the registration of securities issuers, salespeople, broker-dealers, investment advisers, investment adviser representatives and multi-level marketing companies. The division also is responsible for the investigation of unregistered and fraudulent securities transactions. The division has sole jurisdiction for investment advisor firms with assets of under \$100 million. The division investigates securities code and rule violations, including possible criminal violations, takes appropriate administrative action and refers criminal cases to either federal authorities or county attorneys for prosecution.

Program Highlights

Securities Division Major Budget Highlights
<ul style="list-style-type: none"> • The 2017 biennium budget request is about \$300,000 greater than the 2015 biennium due primarily to increases in personal services costs from: <ul style="list-style-type: none"> ◦ Pay increases funded by the 2013 Legislature in HB 13 and broadband pay adjustments implemented by the State Auditor ◦ A net increase in FTE of 0.84 for 1.00 new FTE for securities examinations and a decrease of 0.16 FTE for the 4% FTE reduction in response to HB 2 boilerplate language • Reductions in operations costs of about \$60,000 offset a portion of personal services increases <ul style="list-style-type: none"> ◦ FY 2015 appropriations for security firm examinations exceed base budget expenditures and the 2017 biennium request, causing the reduction ◦ A request for additional office space and increased lease costs is offset by the reduction

Program Discussion -

The legislative budget analysis uses the FY 2015 legislative appropriation as a starting point. The following figure shows the FY 2015 legislative appropriation compared to the FY 2015 appropriation as implemented by the executive and included in the main program table.

FY 2015 Appropriation Transactions - State Auditor's Office					
Program	Legislative Appropriation	Legislative Approps OTO	Program Transfers	Total	Executive Implementation
04 SECURITIES	\$1,186,158		(\$73,229)		\$1,073,036
04 SECURITIES			(39,893)		
Program Total	\$1,186,158		(\$113,122)		\$1,073,036

The FY 2015 appropriation as implemented by the executive is a net \$0.1 million higher than the legislative appropriation due to a reorganization that moved appropriation authority to the Central Management program.

Biennial Budget Comparison Using FY 2015 Legislative Base Budget

The legislative staff analysis of the executive budget is based on the FY 2015 legislative appropriation. Therefore the legislature will consider budget changes that reduce funding by about \$16,000, which is the change needed to bring funding to the level requested in the executive budget. The following figure shows the biennial comparison using the FY 2015 base budget.

Securities Program Biennial Change Using FY 2015 Legislative Base Budget				
Expend/Fund	2015 Bien	2017 Bien	Difference	%
FTE	11.00	11.84	0.84	7.6%
Personal Services	\$1,811,613	\$2,032,277	\$220,664	12.2%
Operating Expenses	558,298	324,067	(234,231)	-42.0%
Equipment	2,404	-	(2,404)	-100.0%
Total Expenditures	2,372,315	2,356,344	(15,971)	-0.7%
State Special Revenue	2,372,316	2,356,344	(15,972)	-0.7%
Total	\$2,372,316	\$2,356,344	(\$15,972)	-0.7%

The biggest difference is personal services. The 2017 biennium is higher than the 2015 biennium due to pay plan increases and broadband market pay adjustments implemented by the State Auditor. Operating costs are lower due to reductions in contracted services costs for examination of securities firms.

FY 2014 Expenditures Compared to FY 2015 Legislative Appropriation

The following figure shows the difference between the FY 2015 legislative appropriation and FY 2014 expenditures. The FY 2015 legislative appropriation exceeds FY 2014 expenditures by \$0.2 million. FY 2014 expenditures are lower due primarily to:

- A reorganization that moved about \$95,000 from the Securities program to Central Management
- Lower expenditures for some appropriations, most notably funding for contracted examinations of insurance companies
- Vacancies in FY 2014

Securities Program - Legislative Base Compared to FY 2014 Expenditures			
Expend/Fund	FY 2014	FY 2015 Leg Base	FY 2015 Over (Under) FY 2014
FTE	11.00	11.00	-
Personal Services	\$795,166	\$905,807	\$110,641
Operating Expenses	143,409	279,149	135,740
Equipment	-	1,202	1,202
Total Expenditures	938,575	1,186,158	247,583
State Special	938,575	1,186,158	247,583
Total Funding	\$938,575	\$1,186,158	\$247,583

Funding

The following table shows proposed program funding by source from all sources of authority.

State Auditors Office, 04-Securities Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
02091 Security Restitution Fund	0	0	166,876	166,876	6.61 %
02283 Securities Fee Account	2,356,344	0	0	2,356,344	93.39 %
State Special Total	\$2,356,344	\$0	\$166,876	\$2,523,220	100.00 %
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$2,356,344	\$0	\$166,876	\$2,523,220	

The Securities Division is funded entirely from state special revenue derived from charges to the securities industry for:

- Filing portfolio notices
- Examining issuers, broker-dealers, or investment advisers as part of registration

Other fees related to the securities industry and collected by the SOA, such as registration of securities, are deposited to the general fund. Excess revenue in the state special revenue account that funds program administration is transferred to the general fund at fiscal yearend.

The Securities Division also administers a statutory appropriation for restitution payments to victims of securities fraud. The restitution account receives funds from persons who violated securities statutes, renewal fees for security offerings, and donations. The restitution fund terminates at the end of the 2017 biennium.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	
2015 Budget	0	0	0	0.00 %	1,186,158	1,186,158	2,372,316	0.00 %	
PL Adjustments	0	0	0	0.00 %	(46,296)	(51,140)	(97,436)	0.00 %	
New Proposals	0	0	0	0.00 %	41,772	39,692	81,464	0.00 %	
Total Budget	\$0	\$0	\$0		\$1,181,634	\$1,174,710	\$2,356,344		

Present Law Adjustments -

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	73,963	0	73,963	0.00	0	72,236	0	72,236
DP 99 - LEG. Present Law	0.00	0	(120,259)	0	(120,259)	0.00	0	(123,376)	0	(123,376)
Grand Total All Present Law Adjustments	0.00	\$0	(\$46,296)	\$0	(\$46,296)	0.00	\$0	(\$51,140)	\$0	(\$51,140)

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the following table includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

The present law adjustments that adjust the FY 2015 appropriation to equal the executive budget net to a \$0.1 million reduction. Personal services increase due to annualization of pay plan increases and fully funding positions. However, the balance of program costs are lower in the 2017 biennium due primarily to lower contracted examinations of insurance firms in FY 2014 and higher appropriations in FY 2015 for contracted examinations.

Program Personal Services Narrative

The following table shows the adjustment to move personal services funding from the FY 2015 legislative appropriation to the 2017 biennium budget. The personal services adjustment totals about \$146,000 million over the biennium.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	10.84	\$0	\$5,268	\$0	\$5,268
Executive Implementation of 2015 Pay Increase		-	17,254	-	17,254
Fully Fund 2015 Legislatively Authorized FTE		-	16,393	-	16,393
Market Adjustments/Other		-	35,048	-	35,048
Personal Services Present Law Adjustments	10.84	\$0	\$73,963	\$0	\$73,963

FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	10.84	\$0	\$5,268	\$0	\$5,268
Executive Implementation of 2015 Pay Increase		-	17,254	-	17,254
Fully Fund 2015 Legislatively Authorized FTE		-	16,393	-	16,393
Market Adjustments/Other		-	33,321	-	33,321
Personal Services Present Law Adjustments	10.84	\$0	\$72,236	\$0	\$72,236

The executive budget for personal services increases by about 7% each year of the 2017 biennium when compared to the FY 2015 legislative appropriation. As shown in the table more than half is due to costs associated with HB 13 of the 2013 Legislature. Other adjustments include:

- Longevity changes
- Broad band pay increases
- Full funding of positions that were unfilled during a portion of the year
- Broad band pay increases to bring salaries up to 95% of market salaries.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

Legislative Present Law Adjustments				
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Other	\$0	(\$120,259)	\$0	(\$120,259)
Legislative Present Law Adjustments	\$0	(\$120,259)	\$0	(\$120,259)

CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Other	-	(123,376)	-	(123,376)
Legislative Present Law Adjustments	\$0	(\$123,376)	\$0	(\$123,376)

Other adjustments that bring the base level of funding to the executive budget request net to a biennial reduction of about \$224,000. The reductions are due to:

- A reorganization that moved funds from the Securities Division to Central Management
- Lower contracted services costs for examinations of securities firms

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 404001 - Securities Examiner FTE	1.00	0	41,772	0	41,772	1.00	0	39,692	0	39,692
Total	1.00	\$0	\$41,772	\$0	\$41,772	1.00	\$0	\$39,692	\$0	\$39,692

DP 404001 - Securities Examiner FTE -

This request adds 1.00 FTE financial examiner for the Securities Division. The examination section of the division has 2.00 FTE to conduct examinations. Each year, the division conducts between 12 and 18 broker-dealer and investment adviser examinations, receives and investigates dozens of investor complaints, and anticipates more than 20 multi-level marketing or pyramid scheme investigations and legal referrals.