

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	11.00	11.00	10.84	10.84	11.00	10.84	(0.16)	(1.45)%
Personal Services	795,166	832,578	900,113	900,438	1,627,744	1,800,551	172,807	10.62 %
Operating Expenses	143,409	239,256	164,878	155,773	382,665	320,651	(62,014)	(16.21)%
Equipment & Intangible Assets	0	1,202	1,202	1,202	1,202	2,404	1,202	100.00 %
Total Costs	\$938,575	\$1,073,036	\$1,066,193	\$1,057,413	\$2,011,611	\$2,123,606	\$111,995	5.57 %
State/Other Special Rev. Funds	938,575	1,073,036	1,066,193	1,057,413	2,011,611	2,123,606	111,995	5.57 %
Total Funds	\$938,575	\$1,073,036	\$1,066,193	\$1,057,413	\$2,011,611	\$2,123,606	\$111,995	5.57 %

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 appropriation is \$215,551 lower than the 2015 biennium appropriation <ul style="list-style-type: none"> The 2015 biennium includes one-time appropriations that were not continued in the 2017 biennium Pay increases funded by the 2013 Legislature in HB 13 and broadband pay adjustments implemented by the State Auditor are the main reason for appropriation growth The decrease of 0.16 FTE was made to comply with the 4% FTE reduction in response to HB 2 boilerplate language adopted by the 2013 Legislature Reductions in operations costs of about \$62,000 offset a portion of personal services increases <ul style="list-style-type: none"> FY 2015 appropriations for security firm examinations exceed the 2017 biennium amount, causing the reduction 	

Program Narrative

The 2017 biennium legislative appropriation than the 2015 biennium largely due to increases for personal services due to:

- Annualizing the cost of health insurance increases implemented in the second half of FY 2015
- Approving various adjustments for statutorily required pay changes and adjustments implemented by the agency in FY 2014

Adjusting appropriations and FTE levels for a reorganization, which lowered program costs, were more than offset by the other pay adjustments that raised costs.

Operating costs are lower due to anticipated workload reductions for audits of security firms.

Funding

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

State Auditor's 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	32,786	0	26,678	59,464	2.77 %
02235 Insurance Fee Account	0	0	0	0	0.00 %
02283 Securities Fee Account	2,090,820	0	0	2,090,820	97.23 %
State Special Total	\$2,123,606	\$0	\$26,678	\$2,150,284	100.00 %
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$2,123,606	\$0	\$26,678	\$2,150,284	

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 SAO, 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 year end.

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.

-----General Fund-----					-----Total Funds-----			
Budget Item	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	111.71 %
PL Adjustments	0	0	0	0.00 %	(119,965)	(128,745)	(248,710)	(11.71)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$1,066,193	\$1,057,413	\$2,123,606	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

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 515 - State Share Health Insurance	0.00	0	5,268	0	5,268	0.00	0	5,268	0	5,268
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	16,393	0	16,393	0.00	0	16,393	0	16,393
DP 525 - Fixed Cost Adjustment	0.00	0	(16,693)	0	(16,693)	0.00	0	(17,403)	0	(17,403)
DP 527 - Inflation/Deflation Adjustment	0.00	0	(4,200)	0	(4,200)	0.00	0	(4,200)	0	(4,200)
DP 400444 - Statewide 4% FTE Reduction - Program 4	(0.16)	0	0	0	0	(0.16)	0	0	0	0
DP 404002 - Building Rent	0.00	0	13,951	0	13,951	0.00	0	13,951	0	13,951
DP 404003 - Reorganization	0.00	0	(113,122)	0	(113,122)	0.00	0	(113,122)	0	(113,122)
DP 404004 - Exempt Staff Promotions	0.00	0	40,323	0	40,323	0.00	0	40,108	0	40,108
DP 404005 - Classified Staff Strategic and Performance Pay	0.00	0	5,451	0	5,451	0.00	0	5,430	0	5,430
DP 404006 - Longevity and Other Adjustments	0.00	0	1,899	0	1,899	0.00	0	3,214	0	3,214
DP 404007 - Other Personal Services Changes	0.00	0	(1,799)	0	(1,799)	0.00	0	(2,553)	0	(2,553)
DP 404009 - Lower Financial Examination Costs	0.00	0	(73,424)	0	(73,424)	0.00	0	(75,831)	0	(75,831)
Grand Total All Present Law Adjustments	(0.16)	\$0	(\$125,953)	\$0	(\$125,953)	(0.16)	\$0	(\$128,745)	\$0	(\$128,745)

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 400444 - Statewide 4% FTE Reduction - Program 4 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 400444 includes a reduction of 0.16 FTE each year.

DP 404002 - Building Rent -

The legislature added state special revenue each year of the biennium to lease additional office space within the existing building location.

DP 404003 - Reorganization -

The State Auditor realigned duties within the organization in FY 2014 and moved FTE and funding among programs. Appropriation authority and FTE were moved from the Securities Division to the Central Management Division. This change aligns the FY 2015 legislative appropriation to account for that action. There is no net change in total appropriation authority or FTE.

DP 404004 - Exempt Staff Promotions -

The legislature added appropriation authority for exempt staff pay changes implemented by the State Auditor in FY 2014.

DP 404005 - Classified Staff Strategic and Performance Pay -

The legislature added state special revenue to fund strategic and performance pay adjustments for classified staff that were implemented by the State Auditor in FY 2014.

DP 404006 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers' compensation rates, longevity, retirement, and health benefits.

DP 404007 - Other Personal Services Changes -

The legislature removed appropriation authority to account for the remaining differences between the FY 2015 appropriation and the present law budget request.

DP 404009 - Lower Financial Examination Costs -

The legislature lowered appropriations for contracted services costs for examination of securities firms to account for the difference between the FY 2015 legislative appropriation and the present law budget request for the 2017 biennium.