
AGENCY OVERVIEW**414 Securities Department**

Date: 01/13/2011**Time:** 11:00:07**Statutory Authority**

North Dakota Century Code Chapters 10-04, 43-10.1, 51-19, and 51-23.

Agency Description

North Dakota Securities Department is a regulatory agency that serves the citizens of North Dakota by enforcing state laws, safeguarding consumers' rights and investments, resolving conflicts between investors and industry and enhancing the stability and strength of the financial markets.

Investor protection begins with registration of investment securities, sales firms and agents, franchise offerings and pre-need funeral plan sales. Fees collected are a small but significant revenue source for the State of North Dakota. The agency fosters the formation of capital by legitimate North Dakota businesses.

Investigation of fraud and misrepresentation result in money returned to North Dakota investors through rescission, recovery and restitution. Enforcement actions generate state revenues through statutory civil penalties, and consent orders and agreements. Education programs help investors make wise investment decisions and avoid fraud and abuse.

Agency Mission Statement

The primary mission of the Securities Department is to protect the North Dakota Investor through the administration of the North Dakota Securities Act (10-04). We support this mission through our efforts in four functional areas:

1. Regulation of the Capital Formation Process
2. Registration of Securities Industry Firms and Professionals
3. Examinations, Investigations and Enforcement Actions
4. Investor Education and Financial Literacy Initiatives

Agency Performance Measures

Performance measures had been established in the past but based on the uniqueness of each staff function the variables were difficult to average and did not present a clear picture of performance.

Additionally, benchmarks are not relevant as staff has no control over volume of work in respective areas of responsibility such as:

- Investor Complaints
- For Cause Investigations and Examinations
- Securities Offering Registrations
- Registration of Broker Dealers and Investment Advisors
- Registration of Securities Agents and Investment Advisor Representatives
- Registrations of Franchises

Major Accomplishments

1. Assisted 31 North Dakota companies seeking to raise \$131.8 million in capital through securities offerings.
2. Opened 53 investigations of fraud and misconduct perpetrated against North Dakota investors.
3. Returned \$583,316 to victimized North Dakota investors through restitution, rescission and disgorgement.
4. Referred three enforcement matters to State's Attorneys for criminal prosecution. Continue to assist with prosecution.
5. Hosted 15th annual Invest North Dakota Teacher Training Academy.

Future Critical Issues

- Evolution of securities products, services and delivery mechanisms
- Continued growth in number of investors
- Continued growth in enforcement caseload

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- Increasing personal responsibility for future financial security
- Implementation of Regulatory Reform legislation

These critical issues require the continued strengthening of the Securities Department's enforcement resources. The ability to execute effective investigations and achieve successful enforcement action outcomes, to the benefit of the harmed ND Investor, will continue to be dependent on the availability of training resources and the ability to contract as needed with outside legal and professional services.

REQUEST SUMMARY

414 Securities Department

Biennium: 2011-2013

Bill#: SB2011

Date: 01/13/2011

Time: 11:00:07

Description	Expenditures 2007-2009 Biennium	Present Budget 2009-2011	Budget Request Change	Requested Budget 2011-2013 Biennium	Optional Budget Request
By Major Program					
Investor Protection	1,674,425	2,115,561	29,503	2,145,064	(54,839)
Total Major Program	1,674,425	2,115,561	29,503	2,145,064	(54,839)
By Line Item					
Salaries and Wages	1,233,759	1,409,120	29,503	1,438,623	0
Operating Expenses	440,666	706,441	0	706,441	(54,839)
Total Line Items	1,674,425	2,115,561	29,503	2,145,064	(54,839)
By Funding Source					
General Fund	1,461,427	1,798,362	29,503	1,827,865	(54,839)
Federal Funds					
Special Funds	212,998	317,199	0	317,199	0
Total Funding Source	1,674,425	2,115,561	29,503	2,145,064	(54,839)
Total FTE	9.00	9.00	0.00	9.00	0.00

REQUEST DETAIL414 Securities Department
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Salaries and Wages					
Salaries - Permanent	945,942	1,048,066	25,799	1,073,865	0
Overtime	0	1,205	(634)	571	0
Fringe Benefits	287,817	359,849	4,338	364,187	0
Total	1,233,759	1,409,120	29,503	1,438,623	0
Salaries and Wages					
General Fund	1,233,759	1,409,120	29,503	1,438,623	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
Total	1,233,759	1,409,120	29,503	1,438,623	0
Operating Expenses					
Travel	77,440	105,557	0	105,557	0
Supplies - IT Software	2,193	9,477	0	9,477	0
Supply/Material-Professional	109,223	121,971	0	121,971	0
Food and Clothing	199	164	0	164	0
Bldg, Ground, Maintenance	0	719	0	719	0
Miscellaneous Supplies	7,681	2,000	0	2,000	0
Office Supplies	11,099	14,789	0	14,789	0
Postage	8,522	7,998	0	7,998	0
Printing	20,753	19,084	0	19,084	0
IT Equip Under \$5,000	50	28,125	0	28,125	(17,939)
Other Equip Under \$5,000	772	6,238	0	6,238	0
Office Equip & Furn Supplies	11,120	38,476	0	38,476	0
Insurance	1,592	1,853	0	1,853	0
Rentals/Leases-Equip & Other	8,517	8,975	0	8,975	0
Rentals/Leases - Bldg/Land	11,659	11,966	0	11,966	0
Repairs	856	43,851	0	43,851	(24,000)
IT - Data Processing	23,476	38,991	0	38,991	0
IT - Communications	24,381	26,766	0	26,766	0
IT Contractual Svcs and Rprs	7,719	7,655	0	7,655	0
Professional Development	53,445	55,835	0	55,835	0
Operating Fees and Services	24,627	28,624	0	28,624	0
Fees - Professional Services	35,342	127,327	0	127,327	(12,900)
Total	440,666	706,441	0	706,441	(54,839)
Operating Expenses					
General Fund	227,668	389,242	0	389,242	(54,839)
Federal Funds	0	0	0	0	0

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Special Funds	212,998	317,199	0	317,199	0
Total	440,666	706,441	0	706,441	(54,839)

Funding Sources

General Fund	1,461,427	1,798,362	29,503	1,827,865	(54,839)
Federal Funds	0	0	0	0	0
Special Funds	212,998	317,199	0	317,199	0
Total Funding Sources	1,674,425	2,115,561	29,503	2,145,064	(54,839)

CHANGE PACKAGE SUMMARY

414 Securities Department
 Biennium: 2011-2013

Bill#: SB2011

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Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
<u>Base Budget Changes</u>						
Ongoing Budget Changes						
Base Payroll Change		0.00	29,503	0	0	29,503
Total Ongoing Budget Changes		0.00	29,503	0	0	29,503
Total Base Budget Changes		0.00	29,503	0	0	29,503
<u>Optional Savings Changes</u>						
A-G 1 3% Optional Savings	1	0.00	(54,839)	0	0	(54,839)
Total Optional Savings Changes		0.00	(54,839)	0	0	(54,839)

BUDGET CHANGES NARRATIVE

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Change Group: A	Change Type: G	Change No: 1	Priority: 1
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3% Optional Savings - At the request of the Governor.

To comply with the 3% optional budget recommendation, the Securities Department would cut funding from the following line items:

IT Equipment

As the Department has recently replaced computers, the reduction in the IT Equipment line item will not have a significant effect in the 2011-2013 biennium. However, the Department would expect to request additional funding in this category in the 2013-2015 biennium as the computer replacement cycle would occur during that timeframe.

Repairs

The proposed reduction in the Repair line item will not have a significant effect in the 2011-2013 biennium.

Professional Services

The reduction in professional services is proposed with strong reservations. It is this line item that funds litigation related expenses and the Department's support of criminal cases once the department makes a referral of a case to criminal authorities. Professional services such as outside legal counsel and expert witnesses are resources that are critical to the successful prosecution of securities law violations and the return of money to harmed investors.