

PROGRAM NARRATIVE

Date: 12/23/2014

414 Securities Department

Time: 12:56:17

Program: Investor Protection	Reporting level: 00-414-100-00-00-00-00000000
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Program Performance Measures

1. Operate department within budget parameters
2. Routinely examine broker-dealers and investment advisors registered with offices in the state
3. Maintain staff of highly trained, professional, experienced examiners in all divisions
4. Perform duties in ethical, unbiased, informed and efficient manner
5. Foster public confidence in regulated industry and capital markets through effective administration of duties
6. Promote compliance with the Securities Act through routine firm examinations and swift enforcement action when necessary, appropriate and in the public interest

Annual performance reviews are utilized to determine effectiveness in contributing to agency goals and overall mission. Statistics are maintained for each division and are compared to prior measurement period. However, agency activity is market driven, i.e. broker-dealer, agent, franchise, securities registrations, thus changes in statistics do not directly translate into a measure of agency effectiveness.

Program Statistical Data

DEPARTMENT STATISTICAL DATA	Actual Biennium 2011-2013	Estimate Biennium 2013-15	Estimate Biennium 2015-2017
SECURITIES			
Actual number of ND Offerings:			
Test the Waters	7	7	7
Accredited Investor	9	9	9
Organizational (no filing required)		-	-
Limited Offering	1	1	1
Limited Offeree	24	24	24
Regulation D, Rule 506	41	41	41
Registered Offerings	6	6	6
Total ND Offerings	88	88	88
Actual \$ of ND Offerings:			
Test the Waters	55,590,000	55,590,000	55,590,000
Accredited Investor	13,225,000	13,225,000	13,225,000
Organizational (no filing required)		-	-

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Limited Offering	1,699,975	1,699,975	1,699,975
Limited Offeree	30,403,125	30,403,125	30,403,125
Regulation D, Rule 506	249,648,507	249,648,507	249,648,507
Registered Offerings	26,800,000	26,800,000	26,800,000
Total \$ of ND Offerings	377,366,607	377,366,607	377,366,607

REGISTRATIONS

Securities Registrations:

# Definite Registrations	2,865	2,865	2,865
\$ Definite Registrations	73,473,983,285	73,473,983,285	73,473,983,285
# Indefinite Registrations	3,576	3,576	3,576
Franchise	1,842	1,842	1,842
Broker-Dealer	2,319	2,319	2,319
Sales Agent	146,003	146,003	146,003
Investment Advisor	1,340	1,340	1,340
Investment Advisor Representative	3,463	3,463	3,463

ENFORCEMENT

Complaint Investigations Opened	96	96	96
Involved Registered Persons	52	52	52
Complaint Investigations Closed	97	97	97
Other Investigations Opened	41	41	41
Involved Registered Persons	34	34	34
Other Investigations Closed	39	39	39

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For-Cause Firm Exams	1	1	1
Routine Firm Exams	11	11	11
Number North Dakota Firm Offices	1,098	1,098	1,098
\$ Returned to Investors	679,803	679,803	679,803
EDUCATION			
General Public	43,853	43,853	43,853
Student Programs	16,742	16,742	16,742
Teacher Programs	1,192	1,192	1,192
GENERAL FUND REVENUE			
Franchises	203,450	203,450	203,450
Securities	7,237,140	7,237,140	7,237,140
Dealers/IA Firms	646,950	646,950	646,950
Agents/IA Representatives	10,671,635	10,671,635	10,671,635
Fines-Forfeitures-Escheat	57,732	57,732	57,732
Preneed Funeral	1,170	1,170	1,170
Misc. Sales & Services	4,530	4,530	4,530
Total	18,822,607	18,822,607	18,822,607
SPECIAL FUND REVENUE			
Fines-Forfeitures-Escheat	4,682	4,682	4,682
Total	4,682	4,682	4,682
TOTAL REVENUE	18,827,289	18,827,289	18,827,289

PROGRAM NARRATIVE**414 Securities Department****Date:** 12/23/2014**Time:** 12:56:17**Program:** Investor Protection**Reporting level:** 00-414-100-00-00-00-00000000**Explanation of Program Costs**

Costs are associated with department's execution of investor protection mandate.

Investor protection begins with registration of investment securities, sales firms and agents, franchise offerings and pre-need funeral plan sales. Fees collected are a 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, consent orders and agreements. Education programs help investors make wise investment decisions and avoid fraud and abuse.

Program Goals and Objectives

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

REQUEST DETAIL BY PROGRAM414 Securities Department
Biennium: 2015-2017

Bill#: SB2011

Date: 12/23/2014

Time: 12:56:17

Program: Investor Protection		Reporting Level: 00-414-100-00-00-00-00000000			
Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Request 2015-2017
Salaries and Wages					
Salaries - Permanent	1,120,314	1,235,848	3,257	1,239,105	0
Salaries - Other	0	0	0	0	53,252
Fringe Benefits	372,183	437,915	24,644	462,559	0
Total	1,492,497	1,673,763	27,901	1,701,664	53,252
Salaries and Wages					
General Fund	1,492,497	1,673,763	27,901	1,701,664	53,252
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
Total	1,492,497	1,673,763	27,901	1,701,664	53,252
Accrued Leave					
Salaries - Permanent	0	38,927	(38,927)	0	0
Total	0	38,927	(38,927)	0	0
Accrued Leave					
General Fund	0	38,927	(38,927)	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
Total	0	38,927	(38,927)	0	0
Operating Expenses					
Travel	58,308	59,600	0	59,600	0
Supplies - IT Software	4,950	15,950	(6,450)	9,500	0
Supply/Material-Professional	74,858	75,232	0	75,232	0
Food and Clothing	193	0	0	0	0
Bldg, Ground, Maintenance	389	1,500	0	1,500	0
Miscellaneous Supplies	182	5,500	0	5,500	0
Office Supplies	7,687	12,335	0	12,335	0
Postage	3,826	8,500	0	8,500	0
Printing	5,697	15,000	0	15,000	0
IT Equip Under \$5,000	3,807	21,590	(18,100)	3,490	0
Other Equip Under \$5,000	1,451	4,200	0	4,200	0
Office Equip & Furn Supplies	632	6,800	0	6,800	0
Insurance	2,698	3,100	0	3,100	0
Rentals/Leases-Equip & Other	4,746	8,600	0	8,600	0
Rentals/Leases - Bldg/Land	10,712	12,500	0	12,500	0
Repairs	910	2,200	0	2,200	0

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Request 2015-2017
IT - Data Processing	54,263	32,600	0	32,600	0
IT - Communications	20,434	26,300	0	26,300	0
IT Contractual Srvcs and Rprs	6,145	10,900	(1,300)	9,600	46,805
Professional Development	16,960	35,435	0	35,435	0
Operating Fees and Services	3,907	51,750	0	51,750	0
Fees - Professional Services	12,318	175,500	0	175,500	0
Total	295,073	585,092	(25,850)	559,242	46,805
Operating Expenses					
General Fund	231,033	415,092	(25,850)	389,242	46,805
Federal Funds	0	0	0	0	0
Special Funds	64,040	170,000	0	170,000	0
Total	295,073	585,092	(25,850)	559,242	46,805
Total Expenditures	1,787,570	2,297,782	(36,876)	2,260,906	100,057
Funding Sources					
General Fund					
Total	1,723,530	2,127,782	(36,876)	2,090,906	100,057
Special Funds					
244 Investor Education & Technology	64,040	170,000	0	170,000	0
Total	64,040	170,000	0	170,000	0
Total Funding Sources	1,787,570	2,297,782	(36,876)	2,260,906	100,057
FTE Employees	9.00	9.00	0.00	9.00	0.00

CHANGE PACKAGE DETAIL

414 Securities Department
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Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
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Base Budget Changes

One Time Budget Changes

A-E 2 IT - Replacement - Upgrade		0.00	(25,850)	0	0	(25,850)
Total One Time Budget Changes		0.00	(25,850)	0	0	(25,850)

Ongoing Budget Changes

Base Payroll Change		0.00	(11,026)	0	0	(11,026)
Total Ongoing Budget Changes		0.00	(11,026)	0	0	(11,026)
Total Base Budget Changes		0.00	(36,876)	0	0	(36,876)

Optional Budget Changes

One Time Optional Changes

A-D 1 Retirement salaries and wages - 3 staffer retire	1	0.00	53,252	0	0	53,252
Total One Time Optional Changes		0.00	53,252	0	0	53,252

Ongoing Optional Changes

A-C 1 Desktop Support Costs	2	0.00	46,805	0	0	46,805
Total Ongoing Optional Changes		0.00	46,805	0	0	46,805
Total Optional Budget Changes		0.00	100,057	0	0	100,057