

PROGRAM NARRATIVE

414 SECURITIES DEPARTMENT

Date: 12/13/2006

Time: 12:04:22

Program: INVESTOR PROTECTION

Reporting Level: 00-414-100-00-00-00-00000000

PROGRAM PERFORMANCE MEASURES

Performance measures have not been established.

PROGRAM STATISTICAL DATA

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.

STATISTICAL DATA

	03 Biennium 2003-05 Actual	05 Biennium 1st Year Actual	2005-07 2nd Year Estimate	05 Biennium Total Estimate	07 Biennium 2007-09 Estimate	09 Biennium 2009-11 Estimate
SECURITIES Actual number of ND Offerings						
Test the Waters	4	5	2	4	3	3
Accredited Investor Organizational (no filing required)	8	12	9	5	10	10
Limited Offering	2	1	1	2	2	2
Limited Offeree	23	30	16	30	22	22
Regulation D, Rule 506	18	90	133	15	19	19
Registered Offerings	7			10	13	13
Total ND Offerings	62	138	161	66	69	69

	03 Biennium 2003-05	05 Biennium 1st Year	2005-07 2nd Year	05 Biennium Total	07 Biennium 2007-09	09 Biennium 2009-11
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Actual \$ of ND Offerings:	Actual	Actual	Estimate	Estimate	Estimate	Estimate
Test the Waters				-		
Accredited Investor Organizational (no filing required)	2,500,000	1,741,000	7,545,250	550,000	4,000,000	4,000,000
Limited Offering	700,000	250,000	400,000	550,000	500,000	500,000
Limited Offeree	15,073,335	6,923,150	2,305,000	26,000,000	1,000,000	1,000,000
Regulation D, Rule 506	35,139,450	8,800,000	16,965,000	34,000,000	7,000,000	7,000,000
Registered Offerings	58,350,001	16,487,000	6,600,000	101,000,000	20,000,000	20,000,000
Total \$ of ND Offerings	111,762,786	34,201,150	33,815,250	162,100,000	32,500,000	32,500,000

REGISTRATIONS

Securities Registrations	4,238	2,456	2,139	4,400	4,500	4,500
# Definite Registrations	1,166	541	825	950	1,500	1,500
\$ Definite Registrations	304,929,703	170,238,663	136,268,840	333,000,000	280,000,000	280,000,000
# Indefinite Registrations	2,885	1,738	1,170	3,500	4,000	4,000
Franchise	1,457	875	850	1,400	1,700	1,700
Broker-Dealer	2,544	1,244	1,230	2,550	2,480	2,480
Sales Agent	90,389	49,283	47,000	87,000	93,000	93,000
Investment Advisor	977	566	575	1,050	1,180	1,180
Investment Advisor Representative	1,421	899	900	1,400	1,860	1,860

	03 Biennium 2003-05 Actual	05 Biennium 1st Year Actual	2005-07 2nd Year Estimate	05 Biennium Total Estimate	07 Biennium 2007-09 Estimate	09 Biennium 2009-11 Estimate
ENFORCEMENT Complaint Investigations Opened	95	32	45	87	88	88
Involved Registered Persons	37	14	30	60	60	60

Complaint Investigations Closed	103	24	55	110	100	100
Other Investigations Opened	69	34	25	50	50	50
Involved Registered Persons	20	24	10	20	30	30
Other Investigations Closed	73	34	28	56	60	60
For-Cause Firm Exams	4	1	2	3	4	4
Routine Firm Exams	23	14	13	25	26	26
Number North Dakota Firm Offices	677	611	600	330	1,215	1,215
Returned to Investors	2,179,172	407,338	750,000	1,500,000	1,500,000	1,500,000
EDUCATION						
General Public	41,323	24,171	25,000	40,000	50,400	50,400
Student Programs	68,438	45,290	45,000	41,500	92,000	92,000
Teacher Programs	2,540	1,428	1,500	3,270	3,050	3,050
	03 Biennium 2003-05 Actual	05 Biennium 1st Year Actual	2005-07 2nd Year Estimate	05 Biennium Total Estimate	07 Biennium 2007-09 Estimate	09 Biennium 2009-11 Estimate
GENERAL FUND REVENUE						
Franchises	176,150	106,250		185,000	190,000	205,000
Securities	5,443,631	3,032,902		5,500,000	5,800,000	5,875,000
Dealers/Investment Firms	660,460	344,600		660,460	675,000	680,000
Agents/Representatives	6,850,215	3,817,340		6,900,000	7,000,000	7,050,000
Fines-Forfeitures-Escheat	4,042,453	217,400		340,000	364,000	375,000
Preneed Funeral	1,605	735		1,605	1,650	1,650
Total	17,174,514	7,519,227		13,587,065	14,030,650	14,186,650
SPECIAL FUNDS REVENUE						
Fines-Forfeitures-Escheat	170,000	148,690				

Conference Registration Fees	11,210	5,650	9,650	9,000	10,000
Trans from Governors Office	512,057				
Restitution Fund - Paid to Investors	299,186	7,304			

EXPLANATION OF PROGRAM COSTS

Register companies and professionals in the regulated industries, pursue legal remedies for violations, and educate investor and consumers.

PROGRAM GOALS AND OBJECTIVES

To protect the investor.

REQUEST DETAIL BY PROGRAM

414 SECURITIES DEPARTMENT

Biennium: 2007-2009

Bill#: HB1011

Date: 12/13/2006

Time: 12:04:22

Program: INVESTOR PROTECTION		Reporting Level: 00-414-100-00-00-00-00000000			
Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Request 2007-2009
SALARIES AND WAGES					
SALARIES - PERMANENT	712,364	840,683	11,155	851,838	0
TEMPORARY SALARIES	0	0	0	0	12,980
OVERTIME	0	1,200	0	1,200	0
FRINGE BENEFITS	212,266	263,705	3,615	267,320	0
SALARY INCREASE	0	0	0	0	0
BENEFIT INCREASE	0	0	0	0	0
TOTAL	924,630	1,105,588	14,770	1,120,358	12,980
SALARIES AND WAGES					
GENERAL FUND	924,630	1,105,588	14,770	1,120,358	12,980
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	0	0	0	0	0
TOTAL	924,630	1,105,588	14,770	1,120,358	12,980
OPERATING EXPENSES					
TRAVEL	57,042	55,800	4,456	60,256	0
SUPPLIES - IT SOFTWARE	2,078	3,905	3,837	7,742	0
SUPPLY/MATERIAL-PROFESSIONAL	85,766	90,400	0	90,400	0
BLDG, GROUND, MAINTENANCE	200	300	0	300	0
MISCELLANEOUS SUPPLIES	578	400	0	400	0
OFFICE SUPPLIES	11,151	11,800	0	11,800	0
POSTAGE	9,401	9,400	0	9,400	0
PRINTING	32,965	17,100	0	17,100	0
IT EQUIP UNDER \$5,000	6,079	31,350	-19,080	12,270	0
OFFICE EQUIP & FURN SUPPLIES	6,583	7,000	0	7,000	0
INSURANCE	2,020	1,532	0	1,532	0
RENTALS/LEASES-EQUIP & OTHER	6,298	9,600	0	9,600	0
RENTALS/LEASES - BLDG/LAND	630	13,200	0	13,200	0
REPAIRS	2,490	3,865	0	3,865	0
IT - DATA PROCESSING	26,666	28,144	13,330	41,474	0
IT-COMMUNICATIONS	14,030	16,100	2,020	18,120	0
IT CONTRACTUAL SERVICES AND RE	5,342	6,200	-107	6,093	0
PROFESSIONAL DEVELOPMENT	43,647	44,335	0	44,335	0
OPERATING FEES AND SERVICES	57,838	50,624	0	50,624	0
FEES - PROFESSIONAL SERVICES	28,480	169,800	0	169,800	0
TOTAL	399,284	570,855	4,456	575,311	0

REQUEST DETAIL BY PROGRAM

414 SECURITIES DEPARTMENT

Biennium: 2007-2009

Bill#: HB1011

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Program: INVESTOR PROTECTION		Reporting Level: 00-414-100-00-00-00-00000000			
Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Request 2007-2009

OPERATING EXPENSES

GENERAL FUND	146,096	353,656	4,456	358,112	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	253,188	217,199	0	217,199	0
TOTAL	399,284	570,855	4,456	575,311	0

PROGRAM FUNDING SOURCES

SPECIAL FUNDS	253,188	217,199	0	217,199	0
GENERAL FUND	1,070,726	1,459,244	19,226	1,478,470	12,980
FEDERAL FUNDS	0	0	0	0	0
PROGRAM FUNDING TOTAL	1,323,914	1,676,443	19,226	1,695,669	12,980

FTE EMPLOYEES

8.00	9.00	.00	9.00	.00
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FUNDING DETAIL

GENERAL FUND

1,070,726	1,459,244	19,226	1,478,470	12,980
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SPECIAL FUNDS

244 INVESTOR EDUCATION & TECHNOLOGY

253,188	217,199	0	217,199	0
253,188	217,199	0	217,199	0

TOTAL

CHANGE PACKAGE DETAIL
414 SECURITIES DEPARTMENT
Biennium: 2007-2009

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PROGRAM: INVESTOR PROTECTION	REPORTING LEVEL: 00-414-100-00-00-00-00000000				
Description	FTE	General Fund	Federal Funds	Special Funds	Total Funds

AGENCY BUDGET CHANGES

Cost To Continue	.00	14,770	0	0	14,770
1 IT Infrastructure - Increase costs	.00	5,857	0	0	5,857
2 IT New/On-Going Initiative - Document Solutions	.00	13,330	0	0	13,330
3 Exams, Enforcement & Training	.00	4,456	0	0	4,456
4 Fargo Office Adjust Expenses	.00	-107	0	0	-107
6 Retirement	.00	0	0	0	0
7 Four Year Replacement Cycle	.00	-19,080	0	0	-19,080
Agency Total	.00	19,226	0	0	19,226

OPTIONAL REQUEST

9 Retirement	.00	12,980	0	0	12,980
Optional Total	.00	12,980	0	0	12,980