

DEPARTMENT OF SECURITIES (410)
2011-13 BIENNIUM - EXECUTIVE RECOMMENDATION

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

The purpose of the Arkansas Securities Department is to enforce statutes against fraudulent and misleading sales of securities and monetary transactions by entities within its jurisdiction including credit unions, mortgage companies, and check cashing companies. The Department registers companies and individuals, performs examinations and audits, conducts investigations, and disseminates information to provide assistance and protection to the general public.

TOTAL BIENNIAL BUDGET

The total budget for the 2011-13 biennium is \$20,904,292 for each year of the biennium. (\$17.5 million each year is to transfer revenue receipts to the State Treasury and for making refunds.)

FUNDING SOURCES

The Securities Department collects fees from security dealers, credit unions, mortgage loan companies, and check and money order sellers. The Department then deposits the money in the State Treasury as Special Revenues.

II) SIGNIFICANT CHANGES

- The **State Operations** appropriation, funded by Special Revenues, provides a total appropriation of \$3,325,792 for each year of the biennium with change levels of:
 1. Regular Salaries increased by \$76,713 each year to accommodate the addition of two positions: a Securities Examiner and a Senior Securities Examiner.
 2. Personal Services Matching increased by \$24,833 each year in order to accommodate the two requested positions.
 3. Capital Outlay increased by \$13,500 each year to replace and upgrade IT equipment as specified in the Department's IT plan.
- The **Refunds and Transfers** appropriation, funded by Cash Funds, provides a total Base Level appropriation of \$17,500,000 each year to enable the transfer of revenue receipts to the State Treasury and to ensure that all transactions are processed.
- The **Investor Education** appropriation, funded by Special Revenues, provides a total Base Level appropriation of \$78,500 each fiscal year.

III) ADDITIONAL POSITIONS

Total Positions for 2011-13 Biennium: 40

Total Budgeted Positions for FY 2011: 38

Increase/(Decrease): 2

- Securities Examiner (1) - needed to assist in the detection of fraudulent securities offerings as a result of increases in the number of products offered
- Senior Securities Examiner (1) - needed to assist in the regulation of additional investment advisor firms and representatives who will fall under the purview of the state as a result of the federal Dodd-Frank Act.

IV) SPECIAL LANGUAGE

- **CONTINGENCY RESTRICTION:** If it becomes necessary the Securities Commissioner is authorized to request the approval from the Legislative Council or JBC, Governor and the Chief

Fiscal Officer of the State to transfer appropriations in the Contingency line item to other line items within the same Section.

- **NEW SPECIAL LANGUAGE**

Amends Arkansas Code § 19-6-475 to allow the Securities Department Fund to consist of the first \$2 million (increase from \$1 million) in special revenues collected as specified in § 19-6-301(173) and (174) in addition to any other funds for provided by law.

- **NEW SPECIAL LANGUAGE**

Amends Arkansas Code § 23-42-211(a)(4) to restrict the amount to be deposited into the Securities Department Fund to no more than \$2 million in any one fiscal year and adds a sunset (July 1, 2013) to the restriction.