

MEMO# 6235

September 22, 1994

FY 1995 BUDGET

September 22, 1994 TO: BOARD OF GOVERNORS NO. 95-94 RE: FY 1995 Budget

The principal factors influencing the environment in which the FY 1995 budget has been formulated are: ! the Institute will realize a surplus from FY 1994 operations of approximately \$2.36 million, raising total reserves to \$10.6 million or 36.8% of the proposed FY 1995 expense budget; ! the high rate of dues revenue growth in recent years may not continue -- and indeed may already have slowed; open- end assets have remained level since January 1994, leaving open-end dues revenue for FY 1995 up by a relatively modest (compared to FY 1994) \$2.1 million; our recent success in attracting new member groups means ironically that there are now fewer prospects to recruit; and more consolidations are likely, which reduces dues revenue; ! the unexpected challenges that have arisen this year (e.g. personal investing, derivatives, and greater critical media scrutiny) and the subsequent demands placed on the Institute's energy and resources are probably typical of what we can expect in the future as a consequence of the industry's size and prominence; and ! member, media, governmental and public demands on the Institute for more and more information and services continue to intensify. As a consequence of these factors, the proposed budget is designed to limit expenditure expansion as much as possible and to support the Institute's core activities. The planned expense increase for FY 1995 is limited to \$1.71 million, a 6.3% increase over the current year. The budget changes are intended to support the principal legislative and regulatory mission of the Institute, to add capacity in the sensitive media relations area, to provide a new directors' education program and to enhance the FUNDS® system. The planned budget increases include a necessary \$400,000 increase in the lobbying proxy tax, \$250,000 for regional legislative counsel, \$200,000 for research to support effective disclosure policy, an investment of \$337,000 in upgrading the FUNDS® system, \$100,000 for director education expenses, three new full-time positions (a junior securities attorney, a media relations person, and a training specialist), a part-time attorney to assist with directors' education, and full year funding for the recently hired Senior Vice President - Management and accompanying secretary positions. Several publications will be discontinued or reconfigured to save money and administrative expenses will be held close to current levels. FY 1994 Results The table below summarizes the results for FY 1994 compared to FY 1994 budget (see also Attachment 1): FY 1994 2""{