

MEMO# 5866

May 12, 1994

INSTITUTE SUPPORTS SEC SELF-FUNDING; OPPOSES ADMINISTRATION'S PROPOSED BUDGET FOR SEC

May 12, 1994 TO: BOARD OF GOVERNORS NO. 40-94 FEDERAL LEGISLATION COMMITTEE NO. 11-94 FEDERAL LEGISLATION MEMBERS NO. 9-94 SEC RULES COMMITTEE NO. 54-94 INVESTMENT COMPANY ACT REFORM ISSUES GROUP RE: INSTITUTE SUPPORTS SEC SELF-FUNDING; OPPOSES ADMINISTRATION'S PROPOSED BUDGET FOR SEC

The Institute testified before the House Appropriations Subcommittee with jurisdiction over funding for the SEC. In its testimony on FY 1995 appropriations for the SEC, the Institute expressed strong support for SEC self-funding and in particular for H.R. 2239, the "Securities and Exchange Commission Authorization Act of 1993", which provides for self-funding within five years from enactment. H.R. 2239 passed the House last year. The Institute also expressed support for the proposed \$306 million appropriation for the SEC. The Institute, however, pointed out that "as supportive as we are of SEC self-funding, the Institute must oppose the Administration's proposed method of implementing self-funding for the SEC in its FY 1995 Budget proposal." The Administration's Budget Proposal would raise an unprecedented \$814 million in fees, 28% more than 1994 collections and more than two and half times the proposed \$306 million appropriated to the SEC. The \$508 million in excess fee collections would go to the Treasury for use on unrelated expenditures. The Institute testified that "were the Administration's Budget proposal enacted, with its growing gap between fees and actual costs of regulation, it would have the characteristics of a tax on capital formation, savings and investment; a tax paid by 38 million mutual fund shareholders." The Institute noted that "through its support of H.R. 2239, the industry has demonstrated an acceptance of temporary significant surplus fees to facilitate the transition of the SEC to a self-funding agency. This support, however, was in anticipation of the SEC regulatory fees, over time, becoming true user fees designed to pay for the services provided." Both the Senate and House Budget Committees have rejected the Administration's approach; the Appropriations Committees have yet to act. The self-funding legislation (H.R. 2239) is awaiting consideration in the Senate Banking Committee. The Institute continues to work on the matter and will report as it develops. Copies of the Institute's testimony is attached. This memo can be found on FUNDS, the Institute's Fund User Network and Delivery System, under "Legislative Affairs; Washington Update." Matthew P. Fink Attachment

should not be considered a substitute for, legal advice.