

MEMO# 6148

August 19, 1994

SEC APPROPRIATION CUT BY CONGRESS

August 19, 1994 TO: BOARD OF GOVERNORS NO. 83-94 FEDERAL LEGISLATION COMMITTEE
NO. 26-94 FEDERAL LEGISLATION MEMBERS NO. 23-94 SEC RULES COMMITTEE NO. 94-94
RE: SEC APPROPRIATION CUT BY CONGRESS

On its way to the President for signature is legislation that fails to fund fully the SEC for FY 1995. Instead, the Appropriation bill only provides \$125 million, which is expected to fund the agency through February. This amount represents less than half of the \$306 million requested in the President's Budget. In the Conference Report summarizing action, it is stated: ... [T]his agreement only provides the SEC with sufficient budgetary resources to operate at current services levels for approximately 5 months. The conferees are confident that an agreement can be worked out by that time to resolve the fee issue so that the SEC can receive the funding it needs to fully protect the investing public. Failure to arrive at a compromise on this fee issue could endanger the securities markets and result in increased fraud and malpractice in the securities and financial markets. The nation needs a strong SEC and the conferees encourage a quick resolution to this problem. The Conference Report refers to the need for completing action on the House-passed bill providing self-funding for the SEC through fee collections. In response to the Conference Report, SEC Chairman Levitt stated, "We are very disappointed that disagreements among the Conferees have resulted in a severe reduction for the SEC's fiscal 1995 budget." A copy of Chairman Levitt's statement and the Conference Report are enclosed. In the last five years, the SEC has collected fees both under the authority of the Securities Act of 1933 and also under the authority of annual appropriations acts. The Securities Act requires an applicant to pay the SEC a registration fee equal to 1/50 of 1% (0.0002) of the maximum aggregate price at which the securities are proposed to be offered. By 1994, the fee rates set by annual appropriations acts had been increased to 1/29 of 1% (0.00034483), until September 30, 1994. Under the Conference action, however, the fiscal year 1995 Appropriation bill does not contain additional fee collecting authority. Therefore, the registration fee will return to 1/50 of 1% on October 1, 1994, unless there is further Congressional action. We will keep you informed as developments occur. Please call me or the Legislative Affairs Department (202/326-5890) if you wish further information. This memo can be found on FUNDS, the Institute's Fund User Network and Delivery System, under "Legislative Affairs; Washington Update." Matthew P. Fink President Attachments