

U. S. Securities and Exchange Commission



*In Brief*

*Budget Estimate  
Fiscal 1996*

February 1995

## Securities and Exchange Commission

### Salaries and Expenses

#### 1995 Funding

General Fund Appropriation (Pub.L.103-317) . . . . .	\$ 74,856,000
Offsetting Collections, (Pub.L.103-335) . . . . .	192,000,000
Unobligated Balance, Prior Year . . . . .	<u>30,549,000</u>

Total Funding . . . . .	\$297,405,000
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1996 Proposed Change . . . . .	<u>45,517,000</u>
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Proposed Funding . . . . .	<u>\$342,922,000</u>
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### Appropriation Language

For necessary expenses for the Securities and Exchange Commission, including services as authorized by 5 U.S.C. 3109, the rental of space (to include multiple year leases) in the District of Columbia and elsewhere, and not to exceed \$3,000 for official reception and representation expenses, [\$74,856,000] \$342,922,000, of which not to exceed \$10,000 may be used toward funding a permanent secretariat for the International Organization of Securities Commissions, and of which not to exceed \$100,000 shall be available for expenses for consultations and meetings hosted by the Commission with foreign governmental and other regulatory officials, members of their delegations, appropriate representatives and staff to exchange views concerning developments relating to securities matters, development and implementation of cooperation agreements concerning securities matters and provision of technical assistance for the development of foreign securities markets, such expenses to include necessary logistic and administrative expenses and the expenses of Commission staff and foreign invitees in attendance at such consultations and meetings including: (i) such incidental expenses as meals taken in the course of such attendance, (ii) any travel or transportation to or from such meetings, and (iii) any other related lodging or subsistence: *Provided*, That of the budgetary resources available in fiscal year 1995 in this account, \$902,000 are permanently canceled: *Provided further*, That amounts available for procurement and procurement-related expenses in this account are reduced by such amount: *Provided further*, That as used herein, "procurement" includes all stages of the process of acquiring property or services, beginning with the process of determining a need for a product or services and ending with contract completion and closeout, as specified in 41 U.S.C. 403(2).

In addition, upon enactment of legislation amending the Investment Advisers Act of 1940 (15 U.S.C. 80b-1 et seq.), and subject to the schedule of fees contained in such legislation, such fees may be collected and shall be deposited as an offsetting collection to this appropriation to recover the costs of registration, supervision, and regulation of investment advisers and their activities: *Provided*, That such fees shall remain available until expended: *Provided further*, That any such fees collected in excess of \$8,595,000 shall not be available for obligation until October 1, 1995). *If, prior to enactment of this Act, legislation*

*amending the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) to establish a new fee system which reforms the funding structure of the Commission is enacted, the sum "\$342,922,000" shall be deleted and replaced with "\$92,054,000", and the following language shall be added after "(iii) any other related lodging or subsistence:", Provided, That not to exceed \$92,054,000 from fees and annual charges received in fiscal year 1996 shall be credited to this appropriation as offsetting collections and be available until expended for necessary expenses under this head: Provided further, That the sum herein appropriated from the General Fund shall be reduced as such fees are deposited to this appropriation so as to result in a final total fiscal year 1996 appropriation from the General Fund estimated at not more than \$0." (Department of Justice and Related Agencies Appropriations Act, 1995.)*

(60 Stat. 810; 5 U.S.C. 551-59, 601-12, 701-06, 1305, 3105, 3109, 3344, 5362, 7521; 11 U.S.C. 101-151326; 15 U.S.C. 77a-77bbbb, 78a-78kk, 78aaa-78lll, 79--79z-6, 80a-1--80a-64, 80b-1--80b-21; 44 U.S.C. 3501-3520; Pub. L. No. 96-433; Pub. L. No. 96-477; Pub. L. No. 97-303; Pub. L. No. 97-444)

Position and Cost Data for 1994 - 1996

	1994 Actual		1995 Estimate		1996 Request	
	Positions	Cost	Positions	Cost	Positions	Cost
Full Disclosure						
Corporation Finance	327		343		347	
Filings & Information Services	81		84		84	
FOIA/Privacy Act	18		18		19	
Chief Accountant	23		24		25	
Regional Offices	29		33		33	
Electronic Filing	62		62		65	
Subtotal	540		564		573	
Prevention and Suppression of Fraud						
Enforcement	338		351		356	
International Affairs	20		21		21	
Secretary	4		4		4	
Consumer Affairs	22		24		26	
Regional Offices	512		535		544	
Subtotal	896		935		951	
Regulation of Securities Markets						
Market Regulation	187		206		206	
Filings & Information Services	20		20		20	
Regional Offices	197		210		213	
Subtotal	404		436		439	
Investment Management Regulation						
Investment Management	170		184		197	
Filings & Information Services	20		20		20	
Regional Offices	254		344		558	
Electronic Filing	17		17		17	
Subtotal	461		565		792	
Legal and Economic Services						
General Counsel	123		130		130	
Administrative Law Judges	7		7		7	
Regional Offices	13		13		13	
Economic Analysis	17		18		18	
Subtotal	160		168		168	
Program Direction						
Executive Staff	45		45		45	
Secretary	22		22		22	
Public Affairs	8		8		8	
Executive Director	17		17		17	
Equal Employment Opportunity	14		14		14	
Administrative & Personnel Mgmt.	124		130		130	
Comptroller	36		36		37	
Information Technology	90		91		91	
Inspector General	8		8		9	
Subtotal	364		371		373	
Headquarters Total	1,820		1,904		1,935	
Regional Office Total	1,005		1,135		1,361	
Total - Authorized	2,825		3,039		3,296	
Permanent Annual Salary Rate		\$153,081,587		\$171,364,000		\$189,945,000
Less: Savings (Lapse)	(207)	(\$6,152,928)	(215)	(\$8,998,000)	(177)	(\$5,317,000)
Cost of Permanent Staff Years	2,618	146,928,659	2,824	162,366,000	3,119	184,628,000
Cost of Temporary Staff Years	30	\$538,756	20	\$600,000	20	\$600,000
Overtime and Holiday Pay		\$691,948		\$854,000		\$854,000
Other - Awards		\$1,840,222		\$2,300,000		\$2,300,000
Total Cost of Salaries and Staff Years	2,648	\$149,999,585	2,844	\$166,120,000	3,139	\$188,382,000
Other Expenses						
Personnel Benefits		\$34,769,023		\$37,250,000		\$42,120,000
Travel and Transportation of Persons		\$5,935,322		\$7,574,000		\$9,216,000
Transportation of Things		\$212,653		\$151,000		\$152,000
Communications and Rental		\$32,991,457		\$34,225,000		\$35,705,000
Printing and Reproduction		\$1,913,055		\$2,000,000		\$2,021,000
Other Services		\$28,762,094		\$36,626,000		\$48,264,000
Supplies and Materials		\$5,457,355		\$6,578,000		\$6,749,000
Equipment		\$6,196,523		\$6,881,000		\$10,313,000
Claims and Indemnities		\$11,505		\$0		\$0
Subtotal Other Expenses		\$116,248,987		\$131,285,000		\$154,540,000
Total Expenses		\$266,248,572		\$297,405,000		\$342,922,000
Unobligated Balance Available 1/		\$54,428,618		0		0
Total Funding		\$320,677,190		\$297,405,000		\$342,922,000

1/ Report language in P.L. 103 - 335 amends the 1995 Commerce, Justice and State Appropriation Bill (P.L. 103 - 317) to apply \$30,549,000 of the unobligated balance to the Securities and Exchange Commission's 1995 total funding level. Other committed funds in the unobligated balance include \$902,000 for canceled funds specified in P.L. 103 - 317, \$110,577 as an advance for reimbursable services to the Agency for International Development, and \$13,200,000 approved in a prior year reprogramming for a Strategic Automation Modernization project (SAM). Total SAM funds include \$3,600,000 to be spent in 1995, \$3,900,000 in 1996, and \$5,700,000 in 1997. The remaining unobligated balance is \$9,667,041.

## Summary of Changes

The Commission's 1996 budget request of \$342,922,000 provides for an increase of \$45,517,000 over the agency's 1995 budget authority level of \$297,405,000. The following table itemizes the requested changes.

	1996 Request		
	Positions	Staff Years	\$ (000)
1995 Total Funding	<u>3,039</u>	<u>2,844</u>	<u>\$297,405</u>
1996 Base Changes			
1. Mandatory salary and personnel benefits	--	--	4,742
2. Annualization of new 1995 positions	--	54	3,775
3. 1996 general pay raise	--	--	3,461
4. Inflation and contractual price changes	--	--	<u>514</u>
Total Base Changes	<u>--</u>	<u>54</u>	<u>\$ 12,492</u>
1996 Program Changes			
1. Additional staff	257	241	\$ 20,937
2. Non-personnel support	--	--	2,379
3. Investigation and litigation support	--	--	5,900
4. Automated data processing:			
a. EDGAR	--	--	3,409
b. Large Trader/Risk Assessment	--	--	(600)
c. Program system support	<u>--</u>	<u>--</u>	<u>1,000</u>
Total Program Changes	<u>257</u>	<u>241</u>	<u>\$ 33,025</u>
Total Base and Program Changes	<u>257</u>	<u>295</u>	<u>\$ 45,517</u>
1996 Total Funding Request	<u>3,296</u>	<u>3,139</u>	<u>\$342,922</u>

Note: 1996 general pay increase is subject to change.

## Narrative Explanation of Changes

### 1996 Base Changes:

1. Mandatory salary and personnel benefits. Mandatory salary costs include \$765,000 for one additional work day and \$3,790,000 to fully fund the 1995 locality and pay raise. The SEC previously requested funding for the 1995 pay raise at the Office of Management and Budget (OMB) prescribed rate of 1.6%. However, the annual rate has since been increased to an average rate of 3.09%. This increase fully funds the rate difference for the last nine months of fiscal 1995 and the first three months of fiscal 1996.

Mandatory personnel benefits include increased employer contributions of \$176,000 for employee-selected health benefit plans at rates renegotiated by the Office of Personnel Management pursuant to 5 U.S.C. 8902 and an \$11,000 in accident compensation based on a statement of cost from the Department of Labor.

2. Annualization of new 1995 positions. In 1995, the Commission was provided new positions for which it was appropriated funds for nine months of the cost per position. The unfunded balance, equivalent to three months of the cost per position, represented the time required to post, interview, and select applicants--time during which the positions were vacant. The requested \$3,775,000 will fund the additional three months in 1996.

3. 1996 general pay raise. The requested \$3,461,000 will fund a January 1996 cost-of-living pay raise of 2.2% (rate prescribed by OMB) for the last nine months of fiscal 1996.

4. Inflation and contractual price changes. This item includes \$514,000 in cost increases based on a GNP deflator of 1.03% estimated by OMB.

1996 Program Changes:

1. Additional Staff. The Commission is requesting an increase of 241 staff years in the following programs:

Full Disclosure	7
Prevention and Suppression of Fraud	12
Supervision and Regulation of Securities Markets	2
Investment Management Regulation	218
Program Direction	<u>2</u>
Total	241

A substantive explanation of each program and its related staff increase is contained within the narrative justification of this document (see appropriate tabs).

2. Non-personnel support. This item includes \$2,379,000 in program support costs as follows:

- \$1,500,000 to replace worn, outdated, and fully depreciated furniture and computer equipment;
- \$100,000 to support mandatory training of new personnel;
- \$300,000 for office alterations to accommodate additional staff;
- \$179,000 for the guard service contract to facilitate a greater level of coverage and to meet administrative security requirements; and
- \$300,000 for consumer surveys, focus groups, and market studies.

3. Investigation and litigation support. This item includes \$5,900,000 in investigation and litigation support for the Prevention and Suppression of Fraud program as follows:

- \$4,500,000 for investigation and litigation support through an interagency agreement with the Department of Justice to image, code, and optically scan files into a computer-based system;
- \$415,000 in stenographic reporting expenses primarily due to the recompetition of the contract; and
- \$985,000 in expert witness expenses primarily to keep pace with increased litigation of major pending cases.

4.a. Automated data processing - EDGAR. The requested \$3,409,000 will fund additional direct costs associated with the EDGAR operational contract due to a scheduled increase of filers and the implementation of a disaster recovery system.

4.b. Automated data processing - Large Trader/Risk Assessment. This item reflects a reduction of \$600,000 in costs associated with the Large Trader and Risk Assessment systems.

4.c. Automated data processing - Program system support. The requested \$1,000,000 will fund additional costs associated with enhancing current administrative systems.



**Statement of Selected Revenue**  
((\$000))

<u>Source of Fee Revenue</u>	<u>1994 Actual</u>	<u>1995 Estimate</u>	<u>1996 Request</u>
Registrations of securities under the Securities Act of 1933	\$455,485	\$487,121	[See narrative below on SEC fees]
Securities transactions under the Securities Exchange Act of 1934	101,474	111,205	
Other filings and reports	<u>31,286</u>	<u>21,261</u>	--
Total fee revenue	<u>\$588,245</u>	<u>\$619,587</u>	<u>\$854,726</u>
Fee revenue as a percentage of appropriated budget authority	226%	208%	249%

**Explanation of SEC Fees**

In 1994, the SEC collected \$588.2 million in fee revenue, 226% of its appropriated funding level of \$260.3 million. In 1995, fee collections are estimated at \$619.6 million, 208% of the agency's appropriated funding level of \$297.4 million. In 1996, fee collections are estimated at \$854.7 million, 249% of the agency's requested funding level of \$342.9 million.

1994 Actual/1995 Estimate. The total fees collected from registrations of securities under section 6(b) of the Securities Act of 1933 includes offsetting revenue from a rise in the statutory 6(b) fee rate from 1/50 of 1% to 1/29 of 1% of the aggregate offering amount. The fee rate increase was authorized by appropriation language in 1994, Pub. L. 103-121, and in 1995 by a separate revenue bill, Pub. L. 103-352. Included in the fee estimate is a modest fee revenue increase in 1995 based on a statistical time series model of annual section 6(b) fee collections since 1981.

Securities transaction fees in 1995 are expected to rise at an average annual rate of 9.59% observed during the past six years. The 1995 drop in the amount of other filings and reports is expected from a reduction in the value of tender offer and merger filings.

1996 Estimate. The Administration intends that legislation be proposed in 1996 to provide the SEC with a sound and stable long-term funding structure. The proposed legislation would contain three tiers of fee income. Tier 1 would be composed of permanent increases in existing base receipts collected under the securities laws to generate deficit reduction savings of approximately \$51 million. Tier 2 would establish a new set of permanent fees in the securities laws and specify that such fees, estimated at \$251 million in 1996, would be deposited into a special U.S. Treasury fund for SEC use. Tier 3, estimated at \$111 million, would provide the appropriation committees

authority to increase certain specified fees as offsetting collections to the SEC's appropriation. This proposal also assumes a continued flow of general revenue from the securities laws into the General Fund of the U.S. Treasury. The 1996 estimate of this last fee category is approximately \$442 million.

## Full Disclosure

### Executive Summary

<u>Organization</u>	<u>1994 Actual</u>	<u>1995 Estimate</u>	<u>1996 Request</u>
Corporation Finance	318	335	342
Filings and Information Services	68	72	73
FOIA/Privacy Act	15	16	17
Chief Accountant	21	23	24
Regional Offices	36	32	32
Electronic Filing	<u>60</u>	<u>60</u>	<u>63</u>
<b>Total Staff Years</b>	<b>518</b>	<b>538</b>	<b>551</b>
Cost: Salaries and Benefits (\$000)	\$34,940	\$37,971	\$40,422
Non-Personnel Expenses (\$000)	<u>18,828</u>	<u>21,018</u>	<u>24,603</u>
<b>Total Program Cost (\$000)</b>	<b>\$53,768</b>	<b>\$58,989</b>	<b>\$65,025</b>

This program strives to assure that investors are provided with material information and to inhibit fraud in the public offering, trading, voting, and tendering of securities. It also endeavors to streamline, simplify, and thereby reduce the cost of registration and reporting requirements for domestic and foreign issuers, where consistent with investor protection. The program operates in a securities market where in 1994 a record level of common stock offerings totalling more than \$330 billion were filed for registration, including over \$82 billion for initial public offerings. The total of over \$810 billion in securities filed for registration in 1994, equity and debt, was exceeded only by the record level reached in 1993.

Review of Filings: There will be an increase of seven staff years in this activity. The staff will complete approximately 4,065 (32%) reporting issuers reviews, an 8% increase over 1995. The additional reviews will help ensure timely analysis of emerging accounting issues, unusual financing arrangements, and novel financial instruments such as derivatives and, thus, help provide additional investor protections and deter financial fraud.

Public Reference: There will be an increase of one staff year in this activity. Response times on incoming telephone calls will be improved and assistance provided to the public in accessing and retrieving electronic filings will be enhanced.

Information Services: There will be an increase of one staff year in this activity. The staff will maintain the two-month waiting period for requesters seeking access to large volumes of material. The staff also will process 2,350 FOIA requests and appeals, 2% more than in 1995.

Accounting Policy: There will be an increase of one staff year in this activity. The staff will undertake projects designed to simplify and streamline financial statement disclosure requirements for both domestic and foreign issuers. The staff also will participate in 180 investigations involving allegations of financial fraud.

Electronic Filing: There will be an increase of three staff years in this activity. Phase-in of all remaining filers to the EDGAR system is expected in 1996.

# Prevention and Suppression of Fraud

## Executive Summary

<u>Organization</u>	<u>1994 Actual</u>	<u>1995 Estimate</u>	<u>1996 Request</u>
Enforcement	302	320	327
International Affairs	17	19	19
Secretary	4	4	4
Consumer Affairs	22	23	25
Regional Offices	<u>505</u>	<u>499</u>	<u>512</u>
<b>Total Staff Years</b>	<b>850</b>	<b>865</b>	<b>887</b>
Cost: Salaries and Benefits (\$000)	\$62,834	\$64,396	\$68,549
Non-Personnel Expenses (\$000)	<u>25,850</u>	<u>28,510</u>	<u>35,832</u>
<b>Total Program Cost (\$000)</b>	<b>\$88,684</b>	<b>\$92,906</b>	<b>\$104,381</b>

The primary mission of the SEC is enforcement of the federal securities laws. These laws regulate, among other things, initial offerings of securities, periodic reporting by companies with registered securities, mergers and acquisitions, securities trading, and the activities of regulated entities such as exchanges, broker-dealers, transfer agents, investment companies, and investment advisers. The fast-paced and dramatic market events during the past decade have created fertile opportunities for fraud and abuse. The enforcement program must keep pace with the market to ensure that the Commission continues to maintain its outstanding record of effective law enforcement.

Intelligence Analysis: There will be a seven staff year increase over 1995 allowing for increased analytical reviews of investor complaints and inquiries and the development of more sophisticated approaches to organizing and gathering data. Further action to improve public awareness and to educate investors will be taken. The staff will respond to 47,500 investor complaints and inquiries and open 1,580 MUIs, increases of 10% and 3% over 1995.

Investigations: There will be an 11 staff year increase over 1995, which will allow the Commission to continue to maintain a strong enforcement presence. Resources will be available to meet anticipated needs and to staff complex investigations. The staff will open an estimated 580 investigations, a 2% increase over 1995.

Proceedings: There will be a four staff year increase over 1995 to enhance the ability to litigate the steady volume of contested administrative and civil proceedings. The staff will institute an estimated 226 civil proceedings and open approximately 281 administrative proceedings, a 4% increase over 1995.

International Affairs: Staffing will remain at the 1995 level. The staff will develop more effective means of responding to the growing number of foreign and SEC requests for assistance and improve the SEC's ability to obtain access to evidence located abroad. The staff will process 437 foreign requests for assistance and 250 SEC requests for foreign assistance, increases of 4% each over 1995.

# Supervision and Regulation of Securities Markets

## Executive Summary

<u>Organization</u>	<u>1994 Actual</u>	<u>1995 Estimate</u>	<u>1996 Request</u>
Market Regulation	162	183	185
Filings and Information Services	19	20	20
Regional Offices	<u>170</u>	<u>200</u>	<u>208</u>
<b>Total Staff Years</b>	<b>351</b>	<b>403</b>	<b>413</b>
Cost: Salaries and Benefits (\$000)	\$24,560	\$28,493	\$30,345
Non-Personnel Expenses (\$000)	<u>12,875</u>	<u>15,665</u>	<u>15,683</u>
<b>Total Program Cost (\$000)</b>	<b>\$37,435</b>	<b>\$44,158</b>	<b>\$46,028</b>

The program establishes and maintains trading standards conducive to fair, orderly, and efficient markets. The SEC relies on and encourages securities industry regulation through self-regulatory organizations (SROs), subject to Commission oversight. Primary objectives of the program are to monitor market behavior, develop a national market system, and minimize the potential for excessive financial exposure, systemic risk, market manipulation, and sales practice abuses.

Market Oversight: There will be an increase of 10 staff years in this activity. To better ensure the fairness and integrity of the securities markets, and the protection of investors, the staff will improve oversight of the development and implementation of examinations and conduct inspections designed to address regulatory concerns raised by recent enforcement cases, new rulemaking, and legislation. Approximately 45 SRO program inspections, 470 SRO member oversight examinations, and 255 broker-dealer examinations will be conducted, increases of 13%, 3%, and 4% over 1995.

Rulemaking and Interpretation: Staffing will remain at the 1995 level. The staff will continue to assess the existing regulatory structure, with a goal of streamlining rules consistent with investor protection and market efficiency. The staff also will undertake essential rulemaking projects and furnish guidance in connection with the *Market 2000* study. Approximately 445 SRO rule proposals and 920 interpretive and exemptive requests will be processed.

National Market and Clearance Systems: Staffing will remain at the 1995 level. Approximately 85 national market rules and system plan amendments will be reviewed, with a focus on streamlining, among other things.

Registration: Staffing will remain at the 1995 level, but workload will increase slightly. Approximately 1,050 broker-dealer applications and 15,500 amendments will be processed, increases of 5% and 3% over 1995. The staff will implement a redesigned CRD system, resulting in a streamlined review process.

# Investment Management Regulation

## Executive Summary

<u>Organization</u>	<u>1994 Actual</u>	<u>1995 Estimate</u>	<u>1996 Request</u>
Investment Management	159	173	191
Filings and Information Services	17	18	18
Regional Offices	202	305	534
Electronic Filing	<u>16</u>	<u>16</u>	<u>16</u>
<b>Total Staff Years</b>	<b>394</b>	<b>512</b>	<b>759</b>
Cost: Salaries and Benefits (\$000)	\$28,195	\$36,049	\$53,041
Non-Personnel Expenses (\$000)	<u>11,405</u>	<u>15,448</u>	<u>22,178</u>
<b>Total Program Cost (\$000)</b>	<b>\$39,600</b>	<b>\$51,497</b>	<b>\$75,219</b>

The Investment Management Regulation program strives to minimize the financial risk to investors from fraud, mismanagement, self-dealing, and misleading or incomplete disclosure in the investment company and investment adviser segments of the financial services industry, without imposing unnecessary costs and burdens on regulated entities. Recently, the Investment Management program has devoted resources to streamlining its regulatory oversight process to achieve more cost-effective investor protections.

Open-end management investment companies, commonly known as mutual funds, have grown steadily over the past few years. Between 1992 and 1994, net purchases of bond and equity mutual funds totalled approximately \$640 billion, or 29% of the approximately \$2.2 trillion of assets under management by mutual funds at the end of fiscal 1994. Mutual fund assets have grown almost as large as commercial bank deposits. The investment adviser industry also continues to expand with 21,600 registered investment advisers and total assets under management of approximately \$9.6 trillion at the end of 1994.

Disclosure: There will be an increase of four staff years over 1995. The disclosure review streamlining effort will continue, enabling the staff to review a greater number of filings. Increasing the number of filings reviewed will provide better protection to investors by helping to ensure that funds will conduct their activities in accordance with statutory requirements.

Inspections: The 50 staff year increase over 1995 in the investment company inspections activity represents the final installment of the 150 new examiners agreed to by the Office of Management and Budget in December 1993 and supported by the congressional appropriations subcommittees for the SEC. These additional resources will allow the staff to conduct comprehensive inspections and to shorten significantly the inspection cycle for all investment companies. Inspections conducted on a more frequent basis will provide a higher level of cost-effective protection to consumers.

An additional 193 staff years are requested for the investment adviser inspection program. Investment adviser examiners will continue targeting higher-risk, small and medium investment advisers, particularly with discretionary authority. Due to the significant effort that will be required to hire and train the new examiners, the full effect of these resources will not be realized immediately.

## Legal and Economic Services

### Executive Summary

<u>Organization</u>	<u>1994 Actual</u>	<u>1995 Estimate</u>	<u>1996 Request</u>
General Counsel	129	123	124
Administrative Law Judges	6	7	7
Regional Offices	14	13	13
Economic Analysis	<u>16</u>	<u>17</u>	<u>17</u>
<b>Total Staff Years</b>	<b>165</b>	<b>160</b>	<b>161</b>
Cost: Salaries and Benefits (\$000)	\$13,950	\$13,879	\$14,509
Non-Personnel Expenses (\$000)	<u>4,103</u>	<u>4,182</u>	<u>4,400</u>
<b>Total Program Cost (\$000)</b>	<b>\$18,053</b>	<b>\$18,061</b>	<b>\$18,909</b>

This program provides legal, adjudicatory, and economic analyses to the Commission. The program includes three major activities: general counsel, including corporate reorganization conducted with the regional offices; administrative law judges; and economic analysis. It is administered by the Office of the General Counsel with the regional offices and the Offices of Administrative Law Judges and Economic Analysis.

Since 1990, the number of litigation cases opened has risen 83%. Most of the actions filed against the Commission in district courts continue to arise from enforcement investigations, as defendants are more likely to litigate rather than settle cases due to the Commission's tough stance on prosecuting violative conduct.

General Counsel: There will be a one staff year increase over 1995. The staff will prosecute enforcement actions on appeal, represent the Commission in district courts on matters that arise out of investigations and other enforcement activities, and provide independent advice to the Commission on proposed enforcement cases. The staff will assist in developing regulatory approaches that promote investor protection without imposing unnecessary burdens on issuers and other market participants. The staff will work with securities industry and other representatives and Congress to devise ways of improving the private securities litigation system. The litigation analysis unit will continue to evaluate legal support for private fraud claims brought to its attention and, where appropriate, assist district courts in identifying positions that are meritless. The staff also will represent the Commission as *amicus curiae* in cases raising important issues of investor protection.

Administrative Law Judges: Staffing and workload will remain at 1995 levels. As a result, the number of proceedings pending disposition at the end of the year will increase from 68 to 81, a 19% increase over 1995. An increase in the inventory of pending proceedings may expand the time between when the Commission institutes an administrative proceeding and when the judge disposes of it.

Economic Analysis: Staffing and workload will remain at the 1995 level. The staff will review 85 rules and provide economic advice on 310 regulatory and enforcement issues and policies. The staff will produce 36 Commission memoranda, reports, and publications, and provide 360 written responses and 1,650 oral responses to advisory memoranda and data inquiries.

## Program Direction

### Executive Summary

<u>Organization</u>	<u>1994 Actual</u>	<u>1995 Estimate</u>	<u>1996 Request</u>
Executive Staff	31	39	39
Secretary	24	22	22
Public Affairs, Policy Evaluation and Research	10	8	8
Executive Director	12	13	13
Equal Employment Opportunity	11	11	11
Administrative and Personnel Management	120	120	120
Comptroller	35	35	36
Information Technology	89	90	90
Inspector General	<u>8</u>	<u>8</u>	<u>9</u>
<b>Total Staff Years</b>	<b>340</b>	<b>346</b>	<b>348</b>
Cost: Salaries and Benefits (\$000)	\$20,293	\$22,581	\$23,635
Non-Personnel Expenses (\$000)	<u>8,416</u>	<u>9,213</u>	<u>9,725</u>
<b>Total Program Cost (\$000)</b>	<b>\$28,709</b>	<b>\$31,794</b>	<b>\$33,360</b>

The goals of Program Direction are to formulate and communicate policy, manage agency resources to enable the Commission to fulfill its statutory responsibilities, and support the operating divisions and offices so they may perform their missions and activities efficiently and effectively. The high profile of the many issues affecting the financial markets have fueled greater interest in the agency from the Congress and the investing public. The workload of the policy management activity has increased as a result of this enhanced public interest. The various organizations of this program have been and will continue to be involved in the review of the management and effectiveness of the agency's major programs. In addition, the agency has launched a public awareness campaign to better address the needs of investors as consumers of financial products and services.

**Policy Management:** Critical functions such as Commission meetings, preparation of the agency's budget request and annual report, and information dissemination to the press will be performed, and efforts to analyze the efficiency and effectiveness of operating divisions and support offices and to implement directives resulting from the National Performance Review will continue.

**Administrative Support:** There will be a one staff year increase in the Office of the Comptroller to help the office more fully support the requested agency-wide staffing increase. The additional staff year plus the benefits derived from previous system enhancements will allow the staff to process adequate levels of payroll actions, travel vouchers, and vendor invoices.

**Audits and Investigations:** Staffing in the Office of the Inspector General will increase one staff year, providing increased audit coverage of Commission programs based on strategic plans.