

MEMORANDUM

October 14, 1981

TO : All Commission Staff Members

FROM: Chairman Shad

RE : Proposed Fiscal 1982 Budget Reductions

As many of you undoubtedly know, the President has recently proposed a 12 percent spending cut in fiscal 1982 for all federal departments and agencies.

If enacted by Congress, the Commission's budget may be reduced approximately \$10 million. In order to implement such a cut, the Commission would reduce nonpersonnel spending approximately \$6 million. Even after maximum nonpersonnel savings, the Executive Director's office estimates that Commission employment might have to be reduced by nearly 400 persons between now and September 30, 1982. While we would seek to implement these cuts through voluntary attrition to the maximum extent possible, some reductions in force and organizational changes would likely be necessary.

In a recent letter to OMB Director David Stockman, I have pointed out that there are important distinctions between the Commission and certain other areas of federal spending which should be borne in mind as spending cuts are allocated.

I recognize that uncertainty concerning the future size and budget of the Commission will have an impact on morale. I am confident that Congress and the Administration will consider the specific factors which affect SEC staffing and that, whatever the size of our 1982 budget, the Commission will continue as a strong and vital agency and with its reputation for professionalism intact.

A memorandum from Ben Milk which discusses some aspects of a possible budget reduction in more detail is attached.

Attachment

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

MEMORANDUM

October 14, 1981

To: All Members of the Staff

From: Benjamin Milk
Executive Director

Subject: Budget Reductions and Staffing Restrictions

It now seems that the Administration's continuing efforts to reduce the Federal deficit and get the economy under control may require a reduction from the funding level approved for this year by the Office of Management and Budget and currently pending before Congress. As a result, the Commission's revised budget for fiscal year 1982, which started on October 1, could be reduced to approximately \$73 million, down from \$80 million in 1981 and roughly \$83 million previously estimated for 1982. Such a cut would, of course, require Congressional action.

In order to carry out Commission programs and minimize the impact of a \$9.9 million reduction in budget authority, the Commission would have to adopt stringent austerity measures. Because of the uncertainty concerning the final level of our 1982 budget, and to minimize the need to effect involuntary reductions if the full cut is required, some cutbacks have already been initiated; others will be implemented, as required, during the course of the year. Deep and substantial cuts in training, library support, computer services, regional public reference facilities, printing (e.g., the SEC Docket), office space, telephone facilities, weekend heating and air conditioning and other nonpersonnel costs can generate nearly \$4 million in savings. Another approximately \$2 million reduction can be achieved through termination of the Commission's largely electronic Market Oversight and Surveillance System (MOSS) and by eliminating SES bonuses, non-merit pay cash awards, quality step increases and, temporarily, promotions. If further budget constrictions are needed, the remaining nearly \$4 million reduction will be reached by closing out a number of headquarters and regional offices and branches, eliminating certain discretionary (non-mandatory) programs and reducing or consolidating activities wherever possible. Tentative plans envision reducing examination programs, eliminating the regional office disclosure and bankruptcy programs, and possibly undertaking consolidations and/or closings involving the Division of Corporate Regulation, the Office

of Opinions and Review, the investor complaint unit in OCAIS, the ownership and litigation units in OARS, the Washington Regional Office and as many as five branch offices. Remaining offices will both be reduced in size and asked to pick up the functions and responsibilities of those offices which may be closed. Altogether, if Congress concurs in the full reduction recommended by the Administration, we estimate that the Commission will have to achieve a 400 person reduction in fiscal 1982; approximately sixty percent of this will be achieved through attrition, with the balance probably coming through involuntary separations. Naturally, if the final reductions are not as severe as those presently sought, the budget impact will be smaller and the staff reductions will be fewer.

Over the next few weeks, we will compile and analyze financial and program data, audit employee personnel records and review position descriptions for the purpose of making informed judgements about such critical subjects as staffing levels, hiring, promotions, transfers, and RIFs. In order to reduce spending while long range policy is being formulated, to reduce the severity of that policy to the greatest extent possible, and to determine the retention standing and other rights of each employee, the Commission is taking the following action, effective immediately.

1. All hiring is frozen. Exceptions will be made only for SES and Schedule C personnel when there are no practical alternatives.
2. All promotions are temporarily frozen, including pending actions not acted upon by the Office of Personnel as of October 4. Exceptions will be made only for key supervisory positions, i.e., situations in which there is no otherwise feasible means of carrying out a particular function.
3. All optional personnel actions (details, reassignments, awards, etc.) are similarly frozen. Only those personnel actions required by law, such as periodic step increases, will be processed.

No employee's status will be jeopardized as a result of these restrictions, which will remain in effect for between thirty and sixty days. During this time, we anticipate that our final budget level will be determined. Once that figure is known we will develop and announce a permanent policy designed to enable the Commission both to reach any new staffing goals which may be necessary and to carry out its functions with minimal disruption. If it is necessary to institute reductions in force, initial general announcements are likely to be made in November, with specific notifications following thirty days later. I have asked Jim Foster to prepare to brief all employees as to the RIF regulations and their rights thereunder in the event that RIFs become inevitable.

The Commission has historically attracted top caliber staff despite an often and increasingly unfavorable governmental salary structure. The excitement and challenge of the work of the Commission and the prospects of further reward have been important motivators for applicants and employees alike, and the Commission recognizes that staff member who excel in their performance have a right to expect financial and career benefits. We shall try to reflect this recognition in whatever policies are developed during the next sixty days. In the interim, I call upon you to maintain the high standards for which the Commission is so well known and to continue to give your support and input as we together move into this period of increased austerity and special challenge.