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Statement of Chairman Ruder
Concerning Fiscal 1988 Budget
of the Securities and Exchange Commission

December 15, 1987

I am extremely concerned that the ongoing budget reconciliation process may inadvertently result in funding levels for the Commission which could severely hamper its ability to enforce the federal securities laws and to maintain fair and orderly securities markets. It would be ironic and unfortunate if the deficit reduction effort, set in motion by the October market collapse, were to result in the weakening of the federal agency with primary responsibility for investor and market protection.

Between 1980 and 1987, the securities markets experienced phenomenal growth. For example, trading volume on U.S. securities markets more than quadrupled. However, during these same years, the Commission's personnel resources shrank by 111 staff years, from 2041 to 1930. At present, in addition to the Commission's ongoing regulatory responsibilities, it is engaged in a series of major initiatives relating to strengthening the integrity of our capital markets. These include insider trading enforcement, internationalization of the securities markets, and analysis of the causes and implications of the October break.

President Reagan has recommended a fiscal 1988 Commission budget of $145 million -- a significant increase over the Commission's $114.5 million 1987 appropriation. Both the Senate and House have passed appropriations approximating $142 million. An appropriation in this range, while not ideal, would permit the Commission to keep pace with the increasing scope of its responsibilities. It would also continue the Commission's status as a government profit center, since $142 million of spending only would absorb half of the fee revenues we generate.

I am, however, deeply concerned that, as a result of the ongoing budget negotiations, the Commission's 1988 appropriation may be significantly less than the President's request. Funding which would result in a level of Commission activity at or below 1987 levels would be most unfortunate in light of the dramatic growth in our responsibilities. For these reasons, I continue to urge that the 1988 budget legislation appropriate at least $142 million for the Commission. In addition, it is imperative that the Commission be authorized to "reprogram" funds appropriated for certain purposes, but not used for those purposes, to other pressing agency obligations.

Accordingly, I have urged Congress to ensure that the Commission is adequately funded in fiscal 1988.