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Folder Title:

544037

**THE WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET**

ID# 544037  
PAGE 1

*FA*

DATE RECEIVED: 11/04/2002

NAME OF CORRESPONDENT: THE HONORABLE PAUL SARBANES

SUBJECT: REQUESTS THE PRESIDENT TO DIRECT OMB TO WORK WITH CONGRESSIONAL APPROPRIATORS TO ENSURE THAT ANY FURTHER CONTINUING RESOLUTIONS WILL INCLUDE FUNDING SUFFICIENT TO ENABLE THE COMMISSION TO BEING TO CARRY OUT IS RESPONSIBILITIES UNDER PL 107-204, THE SARBAN

ROUTE TO: OFFICE/AGENCY	(STAFF NAME)	ACTION		DISPOSITION		
		ACTION CODE	DATE YY/MM/DD	TYPE RESP	C D	COMPLETED YY/MM/DD
LEGISLATIVE AFFAIRS	NICK CALIO	ORG	2002/10/25	NC	A	2002/10/25

**ACTION COMMENTS**

✓ OFFICE OF  
MANAGEMENT AND  
BUDGET

*CJ* RAA 2002/11/01

*A 02/11/26*

**ACTION COMMENTS**

DEPARTMENT OF THE  
TREASURY

RAI 2002/11/01

C

**ACTION COMMENTS**

**ACTION COMMENTS:**

**COMMENTS** ORIGINAL LETTER (HARDCOPY) REC'D AND FILE

**ADDITIONAL CORRESPONDENTS:** 0

**MEDIA:** FAX

**INDIVIDUAL CODES:**

**REPORT CODES:**

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**OUTGOING CORRESPONDENCE:**

- TYPE RESP = INITIALS OF SIGNER
- CODE = A
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REFER QUESTIONS AND ROUTING UPDATES TO RECORDS MANAGEMENT (ROOM 72, OEOB) EXT-62590  
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS MANAGEMENT.



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

THE DIRECTOR

November 26, 2002

The Honorable Paul S. Sarbanes  
Chairman  
Committee on Banking, Housing, and Urban Affairs  
United States Senate  
Washington, DC 20510-6075

Dear Mr. Chairman:

Thank you for sharing your concerns about the adequacy of funds provided to the Securities and Exchange Commission (SEC) under the Continuing Resolution. I want to assure you that my office is working closely with the SEC during this period to make sure that the agency has all the resources it needs to effectively carry out its mission.

As you pointed out, the SEC will need more lawyers, accountants, and examiners to ensure market integrity as well as to implement the new responsibilities included in the Sarbanes-Oxley Act and the President's Ten Point Plan on Corporate Responsibility. In late 2002, the Administration requested and Congress provided additional funds to hire 100 new employees. The SEC has not yet hired all 100 new employees, and approximately \$15 million of the money that was appropriated in 2002 remains available in 2003 for the SEC to continue its hiring process.

In order to retain qualified employees, the SEC recently began implementing a new pay system which will compensate employees at a rate comparable to that of Federal banking agencies. We have worked with Congress to ensure that the agency is receiving additional monies to fully cover its salary costs under the Continuing Resolution.

You also mentioned that the agency needs to make improvements on its information technology systems. We agree, and the OMB recently apportioned the agency additional funds so it could also continue work on its EDGAR modernization initiative during the Continuing Resolution period.

Finally, with regards to the Public Company Accounting Oversight Board, we are closely coordinating with the SEC to make sure that the Board will have all the money it needs to begin its work. The Administration is committed to ensuring the integrity

of capital markets and restoring investor confidence. We understand that the SEC plays an important role in this process and are working hard to make sure that the agency has the resources it needs to perform its duties effectively.

Again, thank you for your letter.

Sincerely,

A handwritten signature in cursive script that reads "Mitchell E. Daniels, Jr.".

Mitchell E. Daniels, Jr.  
Director

# THE WHITE HOUSE OFFICE

## REFERRAL

November 01, 2002

**TO:** OFFICE OF MANAGEMENT AND BUDGET

**ACTION REQUESTED:** APPROPRIATE ACTION

**DESCRIPTION OF INCOMING:**

**ID:** 544037

**MEDIA:** FAX, DATED

**TO:** PRESIDENT BUSH

**FROM:** THE HONORABLE PAUL SARBANES  
UNITED STATES SENATE  
WASHINGTON, DC 20510

**SUBJECT:** REQUESTS THE PRESIDENT TO DIRECT OMB TO WORK WITH CONGRESSIONAL APPROPRIATORS TO ENSURE THAT ANY FURTHER CONTINUING RESOLUTIONS WILL INCLUDE FUNDING SUFFICIENT TO ENABLE THE COMMISSION TO BEING TO CARRY OUT IS RESPONSIBILITIES UNDER PL 107-204, THE SARBAN

**PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE UNDERSIGNED AT 456-2590.**

**RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE (OR DRAFT) TO:  
RECORDS MANAGEMENT, ROOM 72, THE WHITE HOUSE, 20500**

**OFFICE OF RECORDS MANAGEMENT - THE WHITE HOUSE**

October 25, 2002

Dear Senator Sarbanes:

This is to acknowledge the receipt of your letter to the President asking him to direct the Office of Management and Budget to work with Congressional appropriators to ensure that any further Continuing Resolutions will include funding sufficient to enable the Commission to begin to carry out its responsibilities under PL 107-204, the Sarbanes-Oxley Act.

I have shared your letter with the President's advisors and the appropriate agencies who have been formulating policy recommendations in this area. Your letter is receiving their close and careful attention. You will be receiving a more detailed response in the near future.

Thank you for your comments.

Sincerely,

Nicholas E. Calio  
Assistant to the President  
for Legislative Affairs

The Honorable Paul Sarbanes  
United States Senate  
Washington, D.C. 20510

Bcc for Appropriate Action: OMB  
For Information: TRES

001030

544037

CHRISTOPHER J. LADD, CONNECTICUT  
TOM JOHNSON, SOUTH DAKOTA  
JACK REED, RHODE ISLAND  
CHARLES E. SCHUMER, NEW YORK  
EVAN BAYH, INDIANA  
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STEVEN B. HARRIS, STAFF DIRECTOR AND CHIEF COUNSEL  
WAYNE A. ABERNATHY, REPUBLICAN STAFF DIRECTOR

# United States Senate

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

WASHINGTON, DC 20510-3075

10/21/02

President George W. Bush  
The White House  
Washington, D.C.

Dear Mr. President,

As you know, all federal government agencies are currently operating under a Continuing Resolution that sets funding strictly at FY2002 levels. This situation creates very urgent problems for the Securities and Exchange Commission. Accordingly, I am writing to ask you to direct the Office of Management and Budget to work with Congressional appropriators to ensure that any further Continuing Resolutions will include funding sufficient to enable the Commission to begin to carry out its responsibilities under PL 107-204, the Sarbanes-Oxley Act.

The purpose of PL 107-204 is to assure the integrity of our capital markets and restore investor confidence. The role of the Securities and Exchange Commission is pivotal to achieving these goals, but the Commission's effectiveness will be seriously compromised unless it has additional budget resources, which the current Continuing Resolution does not provide. Acknowledging that the resources available to the Commission have not kept pace with the dramatic increase in recent years of investment activity, filings and enforcement cases, both the House and the Senate, acting independently, approved an authorization for FY2003 of \$776 million. Subsequently the Senate Appropriations Committee approved \$750 million for FY2003. These figures are significantly higher than the FY2002 levels at which the Continuing Resolution funds the Commission.

The increased appropriation would enable the SEC to meet three urgent challenges. One is to begin the hiring of at least 200 additional lawyers, accountants, examiners and other professional staff. It is widely acknowledged that the SEC has been understaffed for some time, and in addition to keeping pace with its existing responsibilities it must also meet the considerable additional requirements of the Sarbanes-Oxley Act. A second challenge is to address the serious deficiencies in the Commission's information technology systems, and to undertake security enhancements and recovery and mitigation activities in light of the September 11 attacks; it is unthinkable that its effectiveness should be undermined by outdated technology. The third is to

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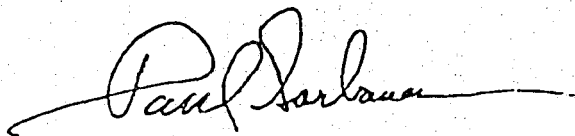
implement a reasonable pay parity program, as authorized under the Investor and Capital Markets Fee Relief Act, Public Law 107-123. With pay scales roughly one-third lower than those at the other federal financial regulatory agencies, the SEC is at a serious disadvantage in attempting to attract and retain highly qualified accountants and attorneys; the high staff turnover rate results in unacceptable delays and inefficiencies in Commission procedures. The markets and the investing public will be better served if provision is made in a Continuing Resolution to allow the SEC to begin operating at higher funding levels now, rather than having to wait an indeterminate and perhaps prolonged period for the FY2003 appropriation.

In addition, the SEC is currently in the process of establishing the Public Company Accounting Oversight Board. Under the Sarbanes-Oxley Act, funding for the PCAOB's first year is to be "advanced" from the SEC's FY03 appropriation, on the understanding that the PCAOB will reimburse the Treasury once it establishes, and begins collecting, its statutory fees. The SEC estimates that funding for the PCAOB will be in the \$25-\$50 million range in the Board's first year. Certainly the Board will need funds to begin initial operations once it is named by the end of this month.

Given the decline in investor confidence, the volatility in the markets and the uncertain state of the economy, it is urgent that the SEC have budget resources adequate to carry out the responsibilities outlined above. I am hopeful that, until the FY2003 appropriation is enacted, the OMB and the congressional appropriators can work together to ensure that any further Continuing Resolutions include an adequate level of funding for the Commission.

I appreciate your commitment on this vital issue, and look forward to working with you to make the efficiency and transparency of our markets, once again, the envy of the world.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Sarbanes", with a long horizontal flourish extending to the right.

Paul S. Sarbanes  
Chairman



THE WHITE HOUSE OFFICE

REFERRAL

November 01, 2002

TO: OFFICE OF MANAGEMENT AND BUDGET

ACTION REQUESTED: APPROPRIATE ACTION

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UNITED STATES SENATE  
WASHINGTON, DC 20510

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OFFICE OF RECORDS MANAGEMENT - THE WHITE HOUSE

THE WHITE HOUSE  
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PAUL S. SARBANES, MARYLAND, CHAIRMAN

CHRISTOPHER J. DODD, CONNECTICUT  
 TIM JOHNSON, SOUTH DAKOTA  
 JACK REED, RHODE ISLAND  
 CHARLES E. SCHUMER, NEW YORK  
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# United States Senate

COMMITTEE ON BANKING, HOUSING AND  
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WASHINGTON, DC 20510-3075

544037

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 The White House  
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10/21/02

Dear Mr. President,

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The purpose of PL 107-204 is to assure the integrity of our capital markets and restore investor confidence. The role of the Securities and Exchange Commission is pivotal to achieving these goals, but the Commission's effectiveness will be seriously compromised unless it has additional budget resources, which the current Continuing Resolution does not provide. Acknowledging that the resources available to the Commission have not kept pace with the dramatic increase in recent years of investment activity, filings and enforcement cases, both the House and the Senate, acting independently, approved an authorization for FY2003 of \$776 million. Subsequently the Senate Appropriations Committee approved \$750 million for FY2003. These figures are significantly higher than the FY2002 levels at which the Continuing Resolution funds the Commission.

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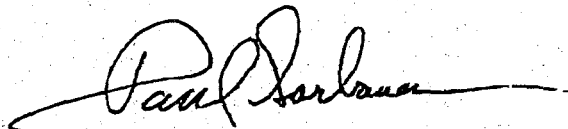
implement a reasonable pay parity program, as authorized under the Investor and Capital Markets Fee Relief Act, Public Law 107-123. With pay scales roughly one-third lower than those at the other federal financial regulatory agencies, the SEC is at a serious disadvantage in attempting to attract and retain highly qualified accountants and attorneys; the high staff turnover rate results in unacceptable delays and inefficiencies in Commission procedures. The markets and the investing public will be better served if provision is made in a Continuing Resolution to allow the SEC to begin operating at higher funding levels now, rather than having to wait an indeterminate and perhaps prolonged period for the FY2003 appropriation.

In addition, the SEC is currently in the process of establishing the Public Company Accounting Oversight Board. Under the Sarbanes-Oxley Act, funding for the PCAOB's first year is to be "advanced" from the SEC's FY03 appropriation, on the understanding that the PCAOB will reimburse the Treasury once it establishes, and begins collecting, its statutory fees. The SEC estimates that funding for the PCAOB will be in the \$25-\$50 million range in the Board's first year. Certainly the Board will need funds to begin initial operations once it is named by the end of this month.

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I appreciate your commitment on this vital issue, and look forward to working with you to make the efficiency and transparency of our markets, once again, the envy of the world.

Sincerely,



Paul S. Sarbanes  
Chairman

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United States Senate  
COMMITTEE ON BANKING, HOUSING, AND  
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WASHINGTON, DC 20510-6075

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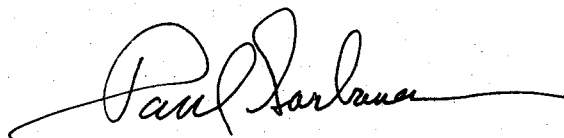
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# United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

STEVEN B. HARRIS, STAFF DIRECTOR AND CHIEF COUNSEL  
WAYNE A. ABERNATHY, REPUBLICAN STAFF DIRECTOR

October 18, 2002

President George W. Bush  
The White House  
Washington, D.C.

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ensure the Commission is able to continue to provide the highest quality of service to the public and to the markets. The Commission's effectiveness is essential to the confidence of investors and the integrity of the capital markets. The Commission's effectiveness is essential to the confidence of investors and the integrity of the capital markets.

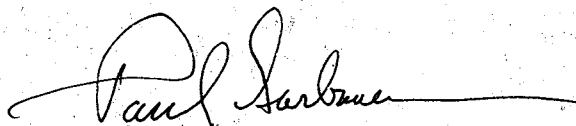
implement a reasonable pay parity program, as authorized under the Investor and Capital Markets Fee Relief Act, Public Law 107-123. With pay scales roughly one-third lower than those at the other federal financial regulatory agencies, the SEC is at a serious disadvantage in attempting to attract and retain highly qualified accountants and attorneys; the high staff turnover rate results in unacceptable delays and inefficiencies in Commission procedures. The markets and the investing public will be better served if provision is made in a Continuing Resolution to allow the SEC to begin operating at higher funding levels now, rather than having to wait an indeterminate and perhaps prolonged period for the FY2003 appropriation.

In addition, the SEC is currently in the process of establishing the Public Company Accounting Oversight Board. Under the Sarbanes-Oxley Act, funding for the PCAOB's first year is to be "advanced" from the SEC's FY03 appropriation, on the understanding that the PCAOB will reimburse the Treasury once it establishes, and begins collecting, its statutory fees. The SEC estimates that funding for the PCAOB will be in the \$25-\$50 million range in the Board's first year. Certainly the Board will need funds to begin initial operations once it is named by the end of this month.

Given the decline in investor confidence, the volatility in the markets and the uncertain state of the economy, it is urgent that the SEC have budget resources adequate to carry out the responsibilities outlined above. I am hopeful that, until the FY2003 appropriation is enacted, the OMB and the congressional appropriators can work together to ensure that any further Continuing Resolutions include an adequate level of funding for the Commission.

I appreciate your commitment on this vital issue, and look forward to working with you to make the efficiency and transparency of our markets, once again, the envy of the world.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Sarbanes", with a long horizontal flourish extending to the right.

Paul S. Sarbanes  
Chairman