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Folder Title:

516013

**THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET**

ID# 516013

PAGE 1

16299

DATE RECEIVED: 03/14/2002

NAME OF CORRESPONDENT: THE HONORABLE PAUL SARBANES

SUBJECT: URGES THE PRESIDENT TO TAKE PROMPT ACTION TO ASSURE ADDITIONAL RESOURCES FOR THE SECURITIES AND EXCHANGE COMMISSION WITH A SUPPLEMENTAL APPROPRIATION FOR FY02

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	2002/03/14	SE C		2002/3/22
ACTION COMMENTS: <i>Supplemental already went to the Hill</i>						
<i>OMB</i>		<i>AA</i>	<i>02/4/14</i>			<i>A 02/5/13</i>
ACTION COMMENTS: _____						
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ACTION COMMENTS: _____						

COMMENTS

ADDITIONAL CORRESPONDENTS: 0

MEDIA: LETTER

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S - SUSPENDED

- OUTGOING CORRESPONDENCE:**
TYPE RESP = INITIALS OF SIGNER
CODE = A
COMPLETED = DATE OF OUTGOING

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

May 13, 2002

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

Dear Mr. Chairman:

Thank you for your letter of March 6, 2002, to the President regarding employee compensation and supplemental appropriations for the Securities and Exchange Commission (SEC). I am pleased to respond on the President's behalf.

The President shares your concerns about making corporate officers more accountable to employees and shareholders and wants to ensure that our equity markets remain efficient, competitive, and well regulated. To that end, the Administration supported House passage of H.R. 3763, which, in combination the initiatives already undertaken by the SEC, will help to reaffirm the investing public's confidence in the transparency and integrity of the U.S. capital markets and its participants.

With respect to your concern about the SEC's funding and staffing level, the Administration has requested \$20 million in supplemental FY 2002 funding to increase the SEC staff by 100 full-time employees beyond the levels proposed in the President's FY 2002 Budget. With regard to pay parity, the Administration intends to phase-in a new compensation system to ensure that it is merit-based and not merely an automatic entitlement for each employee.

Thank you for sharing your views on this matter. I look forward to continue working with you on this and other issues as Congress begins to consider the President's FY 2003 Budget.

Sincerely,

Mitchell E. Daniels, Jr.
Director

516013

PAUL S. SARBANES, MARYLAND, CHAIRMAN	PHIL GRAMM, TEXAS
CHRISTOPHER J. DODD, CONNECTICUT	RICHARD C. SHELBY, ALABAMA
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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

March 6, 2002 3/7/02

The Honorable George W. Bush
 President
 1600 Pennsylvania Avenue, NW
 Washington, DC 20500

Dear Mr. President:

Yesterday the Committee on Banking, Housing, and Urban Affairs received a report from the United States General Accounting Office (GAO) examining operations at the Securities and Exchange Commission (SEC). The GAO concluded that the SEC's dual responsibility to protect investors and assure the integrity of the securities markets may be threatened by the inadequacy of its staff resources. Given the immediacy of this risk and its potential consequences for our capital markets and therefore our national economy, I urge you to take prompt action to assure additional resources for the SEC with a supplemental appropriation for fiscal year 2002.

I am deeply concerned that the Administration appears not to appreciate fully the role of the SEC in ensuring investor confidence, on which the efficient functioning of our capital markets ultimately depends. Recent statements by a spokesperson for the Office of Management and Budget suggest that the Administration sees the Commission's budget as secondary to other government priorities. In fact, however, healthy capital markets are essential to preserving our national economic strength, which surely must be one of our top priorities.

The circumstances surrounding the recent failures of Enron Corp. and other public companies have raised especially urgent questions because, for the first time in our nation's history, a majority of Americans are now investors, directly or indirectly. As they make the financial decisions that shape their lives and assure their families' well-being, they must have confidence that the information available to them is complete, accurate, timely, and comprehensive. Investor confidence, and accordingly the strength of our markets, requires the SEC to address investor protection, accounting, market regulation, and other complex issues raised by the Enron experience.

In its report the GAO concluded that "recent disclosure and accounting scandals illustrate how important it is that SEC rise to the challenge of providing effective market oversight to help maintain investor confidence in securities markets." At the same time, the GAO found that the Commission's budget resources have not kept pace with the growth in the markets. For example, between 1991 and 2000, the number of enforcement staff devoted to investigations increased only 16 percent, while the number of cases opened during that period increased 65 percent.

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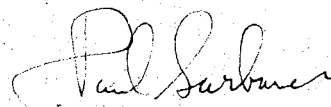
Moreover, limited staff resources have prevented the SEC from reaching its goal of reviewing 30 to 35 percent of annual corporate filings; in 2001, the SEC reviewed only about 16 percent of annual corporate filings. In the SEC's formal budget estimate, it frankly acknowledges that it will fail to meet one of its inspection goals.

The GAO also noted that high staff turnover threatens to undermine the Commission's work. In 2001, turnover at the SEC was almost twice the government-wide rate. The Congress has worked to remedy this problem by providing the SEC with the authority to pay its employees on a par with the employees of the Federal banking regulators. I recently joined you at a White House ceremony where you signed H.R. 1088, the "Investor and Capital Markets Fee Relief Act," which included a pay parity provision in addition to reducing the fees charged by the SEC. The Commission lacks the funds to implement the pay parity program, although the FY03 budget submission fully implements the fee reduction program. I urge you to redress this imbalance in the supplemental appropriation.

In addition to the GAO report, I commend to you the record of the Senate Banking Committee's hearing on February 12, 2002, the first in a series of oversight hearings on the topic of "Accounting and Investor Protection Issues Raised by Enron and Other Public Companies." The witnesses at that hearing were five former SEC Chairmen: Roderick M. Hills, Harold M. Williams, David Ruder, Richard C. Breeden, and Arthur Levitt. They represented both parties and five administrations - three Republican, two Democratic. These former Chairmen were unanimous in the view that the SEC urgently needs additional resources if it is to carry out its mission.

Given the magnitude and the urgency of the challenge facing the SEC, I urge you to request a supplemental appropriation to assure timely and equitable implementation of the pay parity provisions which you have signed into law, as well as necessary additional staff resources for the Commission. Former Commissioner Bevis Longstreth, who served in President Reagan's first Administration, once described the Commission as "a jewel among government agencies." It has never been more important than it is today for the Commission to maintain that high standard.

Sincerely,



Paul S. Sarbanes
Chairman

cc: The Honorable Mitchell E. Daniels, Jr.

THE WHITE HOUSE OFFICE

REFERRAL

April 16, 2002

TO: OFFICE OF MANAGEMENT AND BUDGET

ACTION REQUESTED: APPROPRIATE ACTION

DESCRIPTION OF INCOMING:

ID: 516013

MEDIA: LETTER, DATED MAR 06, 2002

TO: PRESIDENT BUSH

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

SUBJECT: URGES THE PRESIDENT TO TAKE PROMPT ACTION TO ASSURE ADDITIONAL
RESOURCES FOR THE SECURITIES AND EXCHANGE COMMISSION WITH A
SUPPLEMENTAL APPROPRIATION FOR FY02

**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

**THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET**

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WAYNE A. ABERNATHY, REPUBLICAN STAFF DIRECTOR

516013

United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

March 6, 2002

3/7/02

The Honorable George W. Bush
President
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

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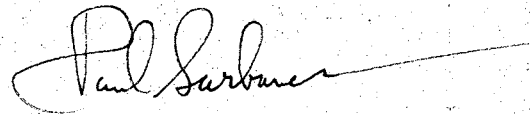
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Sincerely,

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

Paul S. Sarbanes
Chairman

cc: The Honorable Mitchell E. Daniels, Jr.