

Congress of the United States

Washington, DC 20515

April 4, 2001

Support Responsible SEC Fee Reduction

Dear Colleague:

On Wednesday, April 4, 2001, we introduced The Fairness in Securities Transaction Act to provide prudent cuts in SEC fees and to authorize fair and equal pay for SEC employees. We introduced this bill as an alternative to H.R. 1088, "The Investor and Capital Markets Fee Relief Act," which was reported by the Financial Services Committee. Our bill reduces fees paid by sellers of stocks by approximately \$4.8 billion between FY2002-2011, in contrast to the approximately \$14 billion reduction contained in H.R. 1088. In addition, to strengthen the enforcement capacity of the SEC, our bill would authorize the SEC to provide its employees with pay parity in relation to other federal financial regulators.

We oppose H.R. 1088 and intend to offer our bill as a Democratic Substitute when H.R. 1088 is considered on the House Floor. We urge your support for this substitute for two important reasons.

IT IS A MATTER OF BUDGET PRIORITIES

In our view, our nation has other budget priorities that it should first address before committing to as drastic a reduction in revenue as H.R. 1088 represents. While some reduction in SEC fees is warranted, the bill reported by the Financial Services Committee will reduce federal receipts by approximately \$14 billion between 2002 and 2011. An immediate rush to such a substantial reduction seems precipitous and imprudent, given the absence of a real budget, the current debate in Congress about budget priorities, pending cuts in important HUD programs and other economic development and social programs, and the size of what seems an inevitable tax cut. In passing H.R. 1088, Congress would once again be spending large amounts of money that we do not know we have. **The over \$10 billion in projected revenue we would be losing could be put to far better use in a way that would benefit lower and moderate income Americans.**

Moreover, in recently examining the Senate companion bill to H.R. 1088, CBO noted that, because S. 143 would lower governmental receipts, pay-as-you-go procedures would apply. We can expect that the Congressional Budget Office will reach a similar conclusion when evaluating H.R. 1088. Consequently, under PAYGO procedures, these cuts in securities fees could ultimately result in cuts in other important government programs, such as elderly housing programs, CDBG, Head Start, medical research, and transportation infrastructure improvements, at the end of the year.

In our view, H.R. 1088 reflects misplaced priorities. The fees to be reduced under H.R. 1088 amount to just 33 cents per \$10,000 of securities transactions. Individuals will likely spend more to feed a parking meter in front of their broker's offices than they do on these transactions. Yet in order to provide this minimal benefit, we are sacrificing revenue that could provide substantial benefits for low and moderate income Americans.

WE MUST ENSURE ADEQUATE FUNDING FOR THE SEC


While we oppose the unduly large fee reduction included in H.R. 1088, we do strongly support pay parity for the SEC as crucial to safeguarding SEC enforcement efforts. This important proposal merits independent consideration, but it has been incorporated in the bill reported by the Financial Services Committee. It is also included in our substitute. We must provide the SEC with the tools necessary to employ and retain competent staff by authorizing pay schedules similar to other federal financial regulators. The absence of pay parity has led to considerable personnel instability at the SEC, which is now faced with handling sophisticated markets and attracting specialized and expensive employees to accomplish its mission.

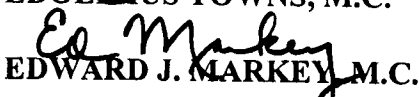
We urge your support for the more prudent fee reduction and pay parity provisions of our substitute proposal when the House considers H.R. 1088.

Sincerely,

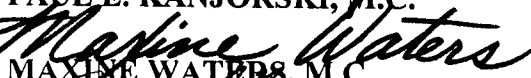

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