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House of Representatives

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Opening Statement
Congressman Todd R. Platts
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In March 2002, the General Accounting Office released a report on the Securities and Exchange Commission (SEC) which identified a number of challenges facing the Commission, including a workload that has grown exponentially over the past decade and newly imposed requirements resulting from enactment of the Sarbanes-Oxley legislation in the 107th Congress. The GAO report entitled "*SEC Operations: Increased Workload Creates Challenges"*, stressed that the SEC had not undertaken comprehensive strategic planning to assess the gaps that exist between the way the SEC currently operates and the way the SEC should operate to execute its mission properly.

Since that report was issued, there have been broad changes at the SEC, including the appointment of a new Chairman, a substantial budget increase, increased regulatory responsibilities, and the requirement for a full audit of the SEC's financial statements. All of these factors, along with the requirement under Sarbanes-Oxley to hire over 800 new staff, pose a major challenge for any agency. For the SEC, the challenge is even more overwhelming because of the intense scrutiny the Agency is under due to corporate abuses during the past few years.

Under the Government Performance and Results Act (GPRA), the SEC is required to create a five-year strategic plan, an annual performance plan, and a year-end performance report. The SEC's strategic plan includes four broad goals: "protect investors; maintain fair, honest and efficient markets; facilitate capital formation; and sustain and improve organizational excellence". Unfortunately, the performance measures for achieving these goals have traditionally focused on <u>outputs not outcomes</u>. As a result, the SEC cannot gauge whether the actions taken result in greater protection for investors or the smooth functioning of markets. In short, strategic planning at the SEC has been inadequate for an agency of this level of importance.

Congress has granted the Commission two important human capital management tools – pay parity, which brought the SEC pay scale more in line with other federal financial regulators and enabled the Commission to compete for talent with private industry; and expedited hiring procedures to allow the SEC to recruit top-notch accountants, economists and examiners. In addition, Congress has provided an increase of more than 60% to the SEC's budget between FY 2002 and FY 2004. Our hearing today will focus on how the SEC intends to utilize this substantial budget increase and the newly provided management tools.

A well-run SEC is important to the overall health of the economy. Our responsibility in this Subcommittee is to make sure that the SEC is effectively utilizing the tools and resources Congress has provided.