



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 29, 2008

H.R. 6604 **Commodity Markets Transparency and Accountability Act of 2008**

As passed by the House of Representatives on September 18, 2008

SUMMARY

H.R. 6604 would expand the authority of the Commodity Futures Trading Commission (CFTC) to regulate transactions and activities of various commodity markets, increase staffing at the CFTC, and require both the CFTC and the Government Accountability Office (GAO) to prepare several reports.

CBO estimates that implementing the provisions of H.R. 6604 would increase spending by \$183 million over the 2009-2013 period, assuming appropriation of the necessary amounts. Enacting H.R. 6604 could increase revenues and direct spending because additional civil and criminal penalties could be imposed for violations of new regulations, but we expect that any such increases would not be significant because of the relatively small number of violations likely to occur.

H.R. 6604 would impose intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA), on participants in certain commodities markets. CBO cannot determine whether the cost to comply with the mandates in the act would exceed the annual thresholds established in UMRA for intergovernmental or private-sector mandates (\$68 million and \$136 million, respectively, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 6604 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars					2009- 2013
	2009	2010	2011	2012	2013	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	34	39	40	40	38	191
Estimated Outlays	30	38	39	39	37	183

BASIS OF ESTIMATE

For this estimate, CBO assumes that the act will be enacted near the start of fiscal year 2009, that the necessary amounts will be appropriated each fiscal year, and that spending will follow historical patterns for the CFTC.

Section 10 of the act would authorize the CFTC to hire 100 additional full-time employees to improve enforcement activities and to increase the transparency of the agriculture and energy markets.

Other sections of the act would require the CFTC to:

- Establish limits on certain transactions to diminish excessive speculation and prevent market manipulation;
- Require monthly reporting of certain transactions occurring in over-the-counter markets and using that information to determine whether those transactions could disrupt liquidity or the price-discovery functions of the market;
- Require foreign boards-of-trade to meet certain requirements in order to allow domestic participants to have direct access to the foreign trading systems;
- Report certain data about activities in the energy and agriculture markets weekly, to the extent the information is available; and
- Conduct several reviews, including a study of the practicality of establishing limits on transactions in over-the-counter markets and a study of the effects of speculators on agriculture and energy prices.

Based on information from the CFTC, CBO estimates that the agency would employ an additional 146 full-time employees in fiscal year 2009 to write regulations and undertake the additional oversight and enforcement activities required under the act. Assuming appropriation of the necessary amounts, CBO estimates that implementing H.R. 6604 would increase spending by \$30 million in 2009 and \$183 million over the 2009-2013 period for the cost of salaries, overhead, reports, and upgrades to the agency's information technology systems.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 6604 would impose intergovernmental and private-sector mandates, as defined in UMRA, on participants in certain commodities markets. The bill would limit the value of securities based on energy and agricultural commodities that public and private entities such as pension funds and swap dealers may own. It also would impose reporting requirements on those entities. Because of limited information about the number and characteristics of the transactions in the affected markets, the limits that the CFTC would establish, and the extent to which such limits would result in lower returns for pension funds and swap dealers, CBO has no basis for estimating the cost of the mandates. Consequently, CBO cannot determine whether the cost to comply with those mandates would exceed the annual thresholds established in UMRA for intergovernmental or private-sector mandates (\$68 million and \$136 million in 2008, respectively, adjusted annually for inflation).

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