



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

September 13, 2011

**H.R. 1070  
Small Company Capital Formation Act of 2011**

*As ordered reported by the House Committee on Financial Services on June 22, 2011*

Under current law, companies issuing securities with an aggregate offering amount that is less than \$5 million are not required to register the offering with the Securities and Exchange Commission (SEC). H.R. 1070 would increase that threshold from \$5 million to \$50 million for issuances that meet certain conditions, including filing an audited financial statement with the SEC each year. The bill would require the SEC to review this threshold every two years and increase the amount as it determines appropriate.

Based on information from the SEC, CBO estimates that implementing H.R. 1070 would cost about \$2 million over the 2012-2016 period, assuming appropriation of the necessary funds. The SEC would incur additional costs for staffing and overhead as a result of the expected additional securities offerings exempt from the registration requirement, but those discretionary costs would be less than \$500,000 in any year during that period. Enacting H.R. 1070 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 1070 would impose an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) by prohibiting states from requiring issuers of some securities to register the securities with the state, or to pay registration fees, prior to issuance. The cost of the mandate would be the amount of fee revenue that states would be precluded from collecting. Based on information from the SEC, states, and industry sources, CBO estimates that forgone revenues would be small and would not exceed the threshold established in UMRA for intergovernmental mandates (\$71 million in 2011, adjusted annually for inflation).

H.R. 1070 contains no private-sector mandates as defined in UMRA.

The CBO staff contacts for this estimate are Susan Willie (for federal costs) and Elizabeth Cove Delisle (for the impact on state and local governments). This estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.