CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 19, 2000

S. 1854
Hart-Scott-Rodino Antitrust Improvements Act of 2000

As ordered reported by the Senate Committee on the Judiciary on April 27, 2000

SUMMARY

Under current law, companies considering merging with another firm or acquiring another firm must file notice of their intentions with the Federal Trade Commission (FTC) if the value of the transaction exceeds $15 million. Companies pay fees of $45,000 for each such filing. These collections are recorded as an offset to the appropriated spending of the FTC and the Antitrust Division of the Department of Justice, with one-half of the collections credited to each agency.

S. 1854 would increase the transaction value that triggers the FTC filing requirement to $50 million. Under the bill, this amount would be adjusted annually for inflation beginning in fiscal year 2006. The bill also would establish a new fee schedule, with larger fees (up to $200,000) for mergers and acquisitions involving large transaction values. Finally, the bill would require the FTC and the Justice Department to streamline their requests for documents from companies involved in such transactions and to report to the Congress on such efforts.

CBO estimates that S. 1854 would decrease net spending subject to appropriation by $1 million a year over the 2001-2005 period. Because S. 1854 would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

S. 1854 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments. The bill contains a new private-sector mandate, but CBO estimates that the cost of this mandate would fall below the threshold specified in UMRA ($109 million in 2000, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1854 is shown in the following table. The costs of this legislation fall within budget functions 370 (commerce and housing credit) and 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars				
	2001	2002	2003	2004	2005
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Changes in Collections Under S. 1854					
Estimated Authorization Level	-10	-13	-18	-21	-27
Estimated Outlays	-10	-13	-18	-21	-27
Changes in Gross Spending Under S. 1854					
Estimated Authorization Level	10	13	18	21	27
Estimated Outlays	9	12	17	20	26
Changes in Net Spending Under S.1854					
Estimated Authorization Level	0	0	0	0	0
Estimated Outlays	-1	-1	-1	-1	-1

BASIS OF ESTIMATE

S. 1854 would exempt companies from paying FTC fees for transactions that are less than $50 million in value. In addition, the bill would establish a new fee schedule that would require companies to pay $45,000 for transactions valued between $50 million and $100 million, $100,000 in fees for transactions larger than $100 million and up to $1 billion in value, and a $200,000 fee for a transaction valued at more than $1 billion.

CBO estimates that, under current law, receipts from fees covered by this bill would amount to $236 million in fiscal year 2001 and would grow to $344 million by fiscal year 2005. Based on the historical growth of the number and size of these transactions, CBO estimates that S. 1854 would increase fee collections by $89 million over the 2001-2005 period, subject to appropriation actions. Such collections are divided into equal shares that are recorded as offsets to the discretionary spending of the FTC and the Antitrust Division of the Department of Justice. Based on the historical spending patterns of these agencies, CBO estimates spending of such collections would total about $84 million over the 2001-2005 period. Implementing S. 1854, therefore, would reduce net spending by about $1 million a year over this period—reflecting the lag between collection of fees in one fiscal year and their expenditure over two or three fiscal years.

PAY-AS-YOU-GO CONSIDERATIONS: None.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1854 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 1854 would increase the cost of an existing private-sector mandate for some businesses that wish to merge with or acquire another business. Current law requires businesses that propose to acquire over $15 million worth of voting stock in another corporation to notify the FTC of their intent and to pay a filing fee. S. 1854 would amend current law by waiving notification requirements and filing fees for acquisitions involving less than $50 million worth of voting stock, but increase filing fees for all remaining acquisitions. These notices and fees constitute mandates because they are part of the federal government's antitrust review procedure, a nonvoluntary federal program. CBO estimates that the federal government would collect an additional $89 million over the next five years from the fee increases. The annual costs of the mandate would thus fall well below the UMRA threshold ($109 million in 2000, adjusted annually for inflation).

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