BETTER MARKETS

– FACT SHEET –

President Trump's Budget Could Slash the CFTC's Budget by More than 20% from Congress' Budgeted Amount Last Year

The President's fiscal year 2021 budget for the Commodity Futures Trading Commission (CFTC) is misleadingly presented as a 7% increase when he is de facto proposing to slash the budget by more than 20%.

Trump's 2021 budget proposal is presented as a total of $304 million. The fiscal year 2020 enacted budget was $284 million, which is why the 2021 budget is claimed to be a 7% increase. However, the President's 2021 budget again requires that Congress change the law to allow the CFTC to collect user fees before the CFTC would be eligible for $77.5 million of the proposed budget amount. That means the ***real*** proposed budget amount is a mere $226.5 million, or $57.5 million less than the 2020 enacted budget amount. **That is a cut of more than 20%.**

CFTC Budget Changes
2020 Enacted to President's 2021 Budget Proposal

Enacted/Proposed CFTC Budget	Source Page	Enacted/Proposed Budget Amount	Additional Budget Amount (Offsetting Fees Contingent on Congressional Approval)	Enacted/Theoretical Total CFTC Budget Amount
2020 Enacted Amount	H.R. 1865-108	$284 Million	$0	$284 Million
President's Budget Request 2021	1235-1237	$226.5 Million	$77.5 Million	$304 Million

Dollar Difference Enacted to President's 2021 Budget Request	**($57.5 Million)**
Percentage Change Enacted to President's 2021 Budget Request	**-20.25%**

The President's CFTC budget proposal is using a gimmick to hide this cut. $77.5 million of the President's request is contingent on congressional approval of CFTC fee authority. If fee authority were granted by Congress, and the CFTC actually assessed fees, as much as $77.5 million raised from fees would offset that portion of the CFTC's supposed budget increase. This is designed to make it appear that $77.5 million of the CFTC's budget increase is cost-free from a budgeting standpoint.

Unfortunately, fee approval has been unsuccessfully sought from Congress for years to ensure the CFTC has the resources to properly police Wall Street and exercise its critical responsibilities to oversee the dangerous, multitrillion derivatives markets under the Dodd-Frank Act. **In the face of substantial industry opposition, Congress has steadfastly refused to provide the CFTC that fee authority year-after-year, and it is extremely unlikely to change its mind this year.**

Thus, although the CFTC is in desperate need of substantial increases in funding to perform its responsibilities and do its part to prevent another potential financial crisis, we see no realistic prospect of fee authority being granted by Congress. To the contrary, there is a real risk that the CFTC's already appallingly small budget will be slashed.

Budget gimmicks aside, if the administration were serious about CFTC funding, it would be proposing an initial, contingency-free appropriation of well over $300 million—and a CFTC budget that enabled the agency to effectively discharge all of its statutory duties would be much more than that.

The President's CFTC budget proposal comes nowhere near those levels. Last year, Congress enacted $284 million in appropriated funds and rejected fee authority and fees. In the best-case scenario without fees, if Congress chooses to ignore the President's budget cuts and instead to enact a top line budget of $304 million, it will have to figure out how to fill in the 20%-hole Trump's proposal unreasonably creates. In that case, Congress will have to find $57.5 million elsewhere for FY2021 just to level fund the CFTC at 2020's enacted amount.

That may happen, but it is going to be a lift because those funds would have to come from somewhere else and properly regulating Wall Street has not been a priority for the Trump Administration. The President's CFTC proposed budget for 2021, therefore, is phony, if not fraudulent, designed to mislead the public into thinking there's a 7% increase in CFTC funding coming.

Given the outsized role unregulated derivatives played in causing and spreading the 2008 financial crash, cutting the CFTC budget is playing with fire. The CFTC is the derivatives cop on the Wall Street beat charged with making sure another derivatives-driven financial crash doesn't happen again. Responsibly regulating derivatives is particularly important because the five largest, taxpayer-backed Wall Street banks are also the five largest derivatives dealers, trading almost 90% of all the derivatives in the United States.

Chronic underfunding of the CFTC has prevented Wall Street's derivatives dealers from being effectively regulated and policed. Slashing the CFTC budget may cheer Wall Street's biggest banks and dealers, but it will needlessly put the financial system at risk and expose hardworking Americans to another crash and future bailouts. It's the exact wrong thing to do.

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