CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 5, 2012

H.R. 2308
SEC Regulatory Accountability Act

As ordered reported by the House Committee on Financial Resources on February 16, 2012

SUMMARY

H.R. 2308 would broaden the scope of analysis performed by the Securities and Exchange Commission (SEC) when issuing or amending regulations. The bill also would direct the SEC to develop a plan to implement the same procedural changes at the Public Company Accounting Oversight Board (PCAOB) and other entities that supervise securities markets.

Based on information from the SEC, CBO estimates that implementing H.R. 2308 would cost the SEC about $22 million over the 2013-2017 period, assuming appropriation of the necessary amounts. Under current law, the SEC is authorized to collect fees sufficient to offset its annual appropriation; therefore, CBO estimates the net budgetary effect of the SEC's activities undertaken to implement H.R. 2308 would not be significant, assuming appropriation actions consistent with the commission's authorities.

Through its effects on the PCAOB, CBO estimates that enacting H.R. 2308 would increase direct spending by $8 million and revenues by $6 million over the 2013-2022 period. Taken together, those changes would increase the budget deficit by $2 million over the ten-year period. Because enacting H.R. 2308 would increase both direct spending and revenues, pay-as-you-go procedures apply.

H.R. 2308 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Assuming that the SEC and PCAOB increase fees to offset the costs of implementing the additional regulatory activities required by the bill, H.R. 2308 would increase the costs of existing mandates on private entities required to pay those fees. The bill also would impose private-sector mandates by requiring certain private regulatory organizations to incorporate additional analyses into their rulemaking processes. Based on information from the SEC and other regulatory organizations, CBO estimates that the aggregate cost of those mandates would fall below the annual threshold for private-sector mandates established in UMRA ($146 million in 2012, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2308 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											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	0	*	1	1	1	1	1	1	1	1	3	8
Estimated Outlays	0	*	1	1	1	1	1	1	1	1	3	8
CHANGES IN REVENUES												
Estimated Revenues	0	*	1	1	1	1	1	1	1	1	2	6
NET INCREASE IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND RECEIPTS												
Estimated Increase in Deficit	0	*	*	*	*	*	*	*	*	*	1	2

Notes: * = less than $500,000. Components may not sum to totals because of rounding.

CBO estimates that implementing H.R. 2308 would cost the Securities and Exchange Commission $22 million over the 2013-2017 period, assuming appropriation of the necessary amounts. The commission is authorized to collect fees sufficient to offset its annual appropriations. CBO estimates, therefore, that the net budgetary effect of the SEC's activities undertaken to implement H.R. 2308 would not be significant, assuming appropriation actions consistent with the commission's authorities.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted before the end of fiscal year 2012, that the necessary amounts will be appropriated for each year, and that spending will follow historical patterns for the affected agencies.

Spending Subject to Appropriation

H.R. 2308 would require the SEC to expand the amount of analysis performed when developing or amending regulations. Specifically, the bill would require the SEC to:

- Assess the significance of the problem the regulation is designed to address,
- Determine whether the estimated costs of the proposed regulation justify its estimated benefits, and
- Identify alternatives to the proposed regulation that are available.

Further, H.R. 2308 would require the SEC to review its regulations every five years to determine whether they are outmoded, ineffective, or excessively burdensome. Using the results of the review, the agency would be required to consider modifying or repealing such rules.

For major rules (that is, rules expected to have an economic impact greater than $100 million annually), the bill also would require the SEC to develop and publish a plan to assess whether the regulation has achieved its stated purposes. H.R. 2308 would direct the agency, no later than two years after the date such a rule was published, to publish an assessment that considers the costs, benefits, and consequences of the rule using performance measures that were identified when the rule was adopted.

Finally, the bill would direct the SEC to develop a plan for applying the new rulemaking requirements to the PCAOB, the Municipal Securities Rulemaking Board (MSRB), and any national securities association that is registered with the SEC.

Based on information from the SEC, CBO estimates that the commission would need 20 additional staff positions to handle the new rulemaking, reporting, and analytical activities required under the bill. CBO estimates that implementing H.R. 2308 would cost the SEC $22 million over the 2013-2017 period, assuming appropriation of the necessary amounts, for additional personnel and overhead expenses. Under current law, the SEC is authorized to collect fees sufficient to offset its annual appropriation; therefore, CBO estimates the net budgetary effect of the SEC's activities undertaken to implement H.R. 2308 would not be significant, assuming appropriation actions consistent with the commission's authorities.

Direct Spending

Enacting H.R. 2308 would increase both direct spending and revenues by applying the new procedural requirements to the PCAOB. The agency, whose spending authority is not subject to appropriation action, is authorized to collect fees to offset its operating expenses. Those fees are recorded in the budget as revenues.

Based on information from the PCAOB, CBO estimates that enacting H.R. 2308 would increase direct spending by $8 million over the 2013-2022 period to cover additional personnel and overhead costs. In addition, CBO assumes that the PCAOB would exercise its authority to increase fee collections to offset those additional costs. Because payments of those additional fees would reduce payroll and income tax liabilities, the net revenue increase would be less than the amount collected from the fees. Hence, CBO estimates that enacting the bill would increase revenues by $6 million over the same period, net of effects on payroll and income taxes. All together, CBO estimates that enacting H.R. 2308 would increase budget deficits by about $2 million over the 2013-2022 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 2308, as ordered reported by the House Committee on Financial Services on February 16, 2012

	By Fiscal Year, in Millions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
						NET INCREASE IN THE DEFICIT							
Statutory Pay-As-You-Go Impact	0	0	0	0	0	0	0	0	0	0	0	1	2
Memorandum:													
Changes in Outlays	0	0	0	1	1	1	1	1	1	1	1	3	8
Changes in Revenues	0	0	0	1	1	1	1	1	1	1	1	2	6

Note: Components may not sum to totals because of rounding.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 2308 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 2308 contains private-sector mandates on entities required to pay fees assessed by the SEC or PCAOB and on certain private regulatory organizations. Assuming the SEC and PCAOB would increase annual fee collections to offset the costs of their additional regulatory activities, the bill would increase the costs of existing mandates by requiring certain private entities to pay higher fees. The bill also would require private regulatory organizations to incorporate additional analyses into their rulemaking processes.

Based on information from the SEC and PCAOB, CBO estimates that the cost for those agencies to implement the additional regulatory activities required by the bill, and the necessary increase in fees to offset those costs, would be about $5 million per year over the next several years. In addition, because private regulatory agencies issue fewer rules than the SEC each year on average, the incremental cost for those organizations to comply with the new rulemaking requirements would probably amount to less than the additional costs incurred by the SEC to implement the same requirements. Consequently, CBO estimates that the cost of the private-sector mandates in the bill would fall below the annual threshold established in UMRA ($146 million annually adjusted for inflation).

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