



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 29, 2014

H.R. 4164 **Small Company Disclosure Simplification Act**

As ordered reported by the House Committee on Financial Services on March 14, 2014

H.R. 4164 would exempt emerging growth companies (EGCs) and other small companies from requirements to file financial and other periodic reports with the Securities and Exchange Commission (SEC) using Extensible Business Reporting Language (XBRL). XBRL is a reporting standard that allows financial data stored electronically to be shared and searched efficiently. The reporting exemption would last up to five years, although the bill would allow EGCs to submit information in XBRL format if they so desired. Finally, H.R. 4164 also would direct the SEC to conduct an analysis of the costs and benefits of requiring such companies to file reports using XBRL and report the results to the Congress. (An EGC is a company that has issued or proposes to issue stock and had gross revenues of less than \$1 billion during its most recently completed fiscal year; companies can retain that designation from the SEC for up to five years.)

Based on information from the SEC, CBO expects that the agency's costs would increase under H.R. 4164 to meet the bill's new reporting requirements. Further, reducing the amount of financial information about emerging growth companies that is available in an easily searchable format could increase the agency's workload to develop rules affecting those entities. CBO estimates that those costs would be less than \$500,000 per year over the 2015-2019 period. Further, the SEC is authorized to collect fees sufficient to offset its annual appropriation; therefore, CBO estimates that the net budgetary effect of H.R. 4164 would be negligible assuming appropriation actions consistent with the agency's authority. The bill would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 4164 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Susan Willie. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.