CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 11, 2016

H.R. 1266
Financial Product Safety Commission Act of 2015

As ordered reported by the House Committee on Financial Services on September 30, 2015

SUMMARY

H.R. 1266 would replace the Director of the Consumer Financial Protection Bureau (CFPB) with a commission made up of a chairman and four additional members appointed by the President and confirmed by the Senate. The bill would rename the bureau as the Financial Product Safety Commission, which would have the same responsibilities as the CFPB has under current law. H.R. 1266 also would direct the Federal Reserve to transfer $75 million from its surplus account to the Treasury.

Based on information from the CFPB and the Federal Reserve System, CBO estimates that enacting H.R. 1266 would increase direct spending by $77 million and revenues by $47 million over the 2016-2026 period. Taking those effects together, CBO estimates that enacting H.R. 1266 would increase the deficit by $30 million over the 2016-2026 period. Because the bill would affect direct spending and revenues, pay-as-you-go procedures apply.

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2027.

H.R. 1266 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1266 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												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-2021	2016-2026
CHANGES IN DIRECT SPENDING													
Estimated Budget Authority	2	7	7	7	7	8	8	8	8	8	8	38	78
Estimated Outlays	*	7	7	7	7	8	8	8	8	8	8	37	77
CHANGES IN REVENUES													
Estimated Revenues	74	-2	-2	-3	-3	-3	-3	-3	-3	-3	-3	62	47
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES													
Effect on Deficit	-74	9	9	10	10	11	11	11	11	11	11	-25	30

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

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted in the spring and the new commissioners will be confirmed by the end of the fiscal year, and spending will follow historical patterns for the CFPB. The CFPB is permanently authorized to spend amounts transferred from the Federal Reserve System; because that activity is not subject to appropriation, CFPB expenditures are recorded in the budget as direct spending. Furthermore, the earnings of the Federal Reserve System are remitted to the Treasury and recorded in the budget as revenues; thus, any change to the costs of the Federal Reserve System are recorded in the budget as changes in revenues.

Changes in Direct Spending

H.R. 1266 would replace the director and deputy director of the CFPB with a five-member commission. Based on information from the CFPB and agencies with similar organizational structures, CBO estimates that the commission would eventually hire an additional 23 employees to provide legal, research, and administrative support to the five commissioners and dismiss the agency director and deputy director. CBO estimates that additional costs for salaries, benefits, and overhead for the new positions would total about $7 million a year, on average, for a total cost of $77 million over the 2016-2026 period. In the last couple years, the CFBP spent about $450 million a year to carry out all of its activities.

Changes in Revenues

H.R. 1266 would transfer $75 million in the Federal Reserve surplus account to the Treasury and prohibit the Federal Reserve from replenishing those amounts until fiscal year 2027. Under current law, the Federal Reserve may maintain a surplus fund of no more than $10 billion, and in CBO's baseline, the surplus fund equals $10 billion in each year. After the enactment of H.R. 1266, CBO estimates that the surplus fund would instead equal $9,925 million. Reducing the fund would also reduce the amount of interest-earning assets that the Federal Reserve holds, which would reduce its interest earnings and associated remittances to the Treasury by about $1 million in 2016 and by $28 million over the 2016-2026 period, CBO estimates. As a result, CBO estimates that the bill would increase net remittances from the Federal Reserve, and thus federal revenues, by about $74 million in 2016 and by $47 million over the 2016-2026 period.

It is important to note that the transfer of surplus funds from the Federal Reserve to the Treasury has no significant effect on the fiscal status of the federal government. Although federal budget accounting does not recognize additions to the Federal Reserve's surplus account as revenues, such additions have similar effects as if they had instead been paid to the Treasury and were counted as revenues. If the surplus funds are held at the Federal Reserve and invested in Treasury securities, then the interest generated is remitted to the Treasury. If the surplus funds are transferred to the Treasury instead, they reduce the public debt and in turn the interest payments owed by the Treasury. Because the Treasury's receipt of interest income from the Federal Reserve would be substantially equivalent to the Treasury's lower interest payments, where the surplus funds reside has no economic significance, and a transfer of those funds would have no effect on national savings, economic growth, or income.

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. 1266, as ordered reported by the House Committee on Financial Services on September 30, 2015

	By Fiscal Year, in Millions of Dollars												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-2021	2016-2026
	NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	-74	9	9	10	10	11	11	11	11	11	11	-25	30
Memorandum:													
Changes in Outlays	0	7	7	7	7	8	8	8	8	8	8	37	77
Changes in Revenues	74	-2	-2	-3	-3	-3	-3	-3	-3	-3	-3	62	47

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1266 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

INCREASE IN LONG TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2027.

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