Congressional Budget Office
Cost Estimate

October 16, 2023

At a Glance

H.R. 3556, Increasing Financial Regulatory Accountability and Transparency Act

As ordered reported by the House Committee on Financial Services on May 24, 2023

By Fiscal Year, Millions of Dollars	2024	2024-2028	2024-2033
Direct Spending (Outlays)	3	14	29
Revenues	1	1	1
Increase or Decrease (-) in the Deficit	2	13	28
Spending Subject to Appropriation (Outlays)	*	2	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	**< $2.5 billion**	Statutory pay-as-you-go procedures apply?	**Yes**
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2034?	**< $5 billion**	Contains intergovernmental mandate?	**No**
		Contains private-sector mandate?	**Yes, Under Threshold**

* = between zero and $500,000.

The bill would
- Establish new requirements for several federal financial regulatory agencies
- Require the Federal Reserve to accelerate disclosures concerning certain programs and facilities
- Cap assessments by the Office of Financial Research and Financial Stability Oversight Council
- Require additional audits, reports, and testimony related to bank regulation and supervision
- Require financial regulators to notify the Congress before invoking the systemic risk exception or assisting insured depository institutions when severe financial conditions exist
- Change the way the Federal Deposit Insurance Corporation (FDIC) determines the least-cost approach to resolving bank failures
- Impose a private-sector mandate as defined in the Unfunded Mandates Reform Act

Estimated budgetary effects would mainly stem from
- Additional administrative responsibilities required for certain federal financial regulatory agencies

Areas of significant uncertainty include
- Projecting the effect of the least-cost approach for the FDIC resolving bank failures

Detailed estimate begins on the next page.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

Bill Summary

H.R. 3556 would establish new requirements for several federal financial regulatory agencies: the Federal Deposit Insurance Corporation (FDIC), Federal Reserve, Financial Stability Oversight Council (FSOC), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), and Office of Financial Research (OFR).

The bill would require accelerated disclosure by the Federal Reserve concerning the borrowers and lenders that participate in certain lending and other programs authorized or conducted by the Board of Governors of the Federal Reserve or a Federal Reserve bank. In addition, the Federal Reserve, the Treasury, and the FDIC would be required to report to the Congress when the FDIC creates a program to guarantee the obligations of solvent insured depository institutions.

The bill also would cap assessments by the FSOC and OFR and require those entities to notify the Congress about specified activities. The bill would have the Government Accountability Office report to the Congress on an annual audit of the FSOC, and the FDIC, Federal Reserve, OCC, and NCUA would be required to report regularly to the Congress about bank regulation and supervision.

Further, H.R. 3556 would direct the FDIC, the Treasury, and the Federal Reserve to notify the Congress before invoking an emergency determination known as the systemic risk exception and before assisting insured depository institutions under such an exception. Systemic risk is the possibility that the failure of a financial business, market, or product could trigger severe financial instability in the economy.

Finally, under the bill, the FDIC would be required to change the way it determines the least-cost approach to the government for resolving failed banks.

Estimated Federal Cost

The estimated budgetary effect of H.R. 3556 is shown in Table 1. The costs of the legislation fall within budget function 370 (commerce and housing credit).

Basis of Estimate

For this estimate, CBO assumes that H.R. 3556 will be enacted by the end of 2023. Using information from the affected regulatory agencies, CBO estimates that, on average, the annual cost in 2024 of employing a financial regulatory staff member at the FDIC, FSOC, OCC, OFR, NCUA, or Federal Reserve will be $265,000. Costs in later years are increased to account for anticipated inflation.

Table 1.
Estimated Budgetary Effects of H.R. 3556

	By Fiscal Year, Millions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2028	2024-2033
Net Increases in Direct Spending												
Estimate] Budget Authority	3	2	3	3	3	3	3	3	3	3	14	29
Estimated Outlays	3	2	3	3	3	3	3	3	3	3	14	29
Increases or Decreases (-) in Revenues												
Estimated Revenues	1	1	*	1	-2	*	*	*	*	*	1	1
Net Increase in the Deficit From Changes in Direct Spending and Revenues												
Effect on the Deficit	2	1	3	2	5	3	3	3	3	3	13	28
Increases in Spending Subject to Appropriation												
Estimated Authorization	*	1	*	*	1	n.e.	n.e.	n.e.	n.e.	n.e.	2	n.e.
Estimated Outlays	*	1	*	*	1	n.e.	n.e.	n.e.	n.e.	n.e.	2	n.e.

* = between -$500,000 and $500,000; n.e. = not estimated.

Expenditures for the FDIC, FSOC, NCUA, OCC, and OFR are classified in the budget as direct spending. The NCUA and OCC collect fees from financial institutions to offset their operating costs, and those fees are recorded as offsetting receipts (or reductions in direct spending) in the budget. The FSOC and OFR assess bank holding companies and nonbank financial institutions; those assessments are recorded as revenues in the budget. Costs incurred by the Federal Reserve reduce remittances to the Treasury, which are recorded in the budget as revenues.

Direct Spending

Using information from the affected agencies, CBO estimates that enacting the bill would increase gross direct spending by $31 million over the 2024-2033 period for the agencies to meet the requirements in the bill. CBO estimates that over that period the NCUA and OCC would collect $2 million in fees; thus, net direct spending would increase by $29 million over the 2024-2033 period.

Reporting Requirements. CBO expects that the FDIC, FSOC, NCUA, OCC, and OFR would need three to four employees each year to carry out the new reporting requirements under H.R. 3556.

Bank Resolutions. CBO also expects that the FDIC would need three employees each year to apply the newly required analytical method for determining the least-cost approach to bank resolutions.

CBO has estimated only the additional administrative costs of enacting H.R. 3556 and has not estimated any budgetary effects arising from changes under the bill to the methodology for resolving future bank failures. H.R. 3556 would require the FDIC to perform probabilistic scenario analysis when analyzing resolution options to determine the least-cost approach. That change in analytical methods could result in the agency choosing a different option for resolving bank failures than under current law.

Given the range of factors that lead to bank failures, CBO cannot estimate the direction or magnitude of the effect of the bill's new method on the FDIC's decisionmaking. The estimate does not incorporate any potential effects on the financial system or overall economy.

Revenues

CBO estimates that enacting H.R. 3556 would increase net revenues by $1 million over the 2024-2033 period.

Federal Reserve. CBO expects that the Federal Reserve would need three employees each year to carry out the bill's new reporting requirements. On that basis, CBO estimates that the cost (and thus the decline in revenues) would total $6 million over the 2024-2033 period.

Other Assessments. The FSOC and OFR fund their operations through assessments on certain bank holding companies and nonbank financial institutions. H.R. 3556 would cap those assessments at 2022 levels; that cap would rise in later years with inflation. Those assessments are classified as revenues, deposited into the Financial Research Fund, and spent without further appropriation. CBO expects that the cap on assessments would not substantially affect the ability of the FSOC and OFR to fund their operations.

To fulfill the bill's new reporting requirements, CBO expects that the FSOC and OFR would need to increase assessments by $10 million over the 2024-2033 period. When certain types of indirect taxes or fees are imposed on goods and services, taxable income for businesses and workers tends to decline, leading to reductions in revenues from income and payroll taxes. As a result, CBO estimates that the additional assessments would be partially offset by a reduction in tax receipts of between 24 percent and 27 percent of the gross assessment amount each year.[1] After accounting for that difference, CBO estimates that collecting those assessments would, on net, increase revenues by about $7 million over the 2024-2033 period.

Spending Subject to Appropriation

Based on the costs of similar activities, CBO estimates that it would cost the Government Accountability Office $2 million over the 2024-2028 period to annually audit the activities of the FSOC and report to the Congress.

1. For more information, see Congressional Budget Office, *CBO's Use of the Income and Payroll Tax Offset in Its Budget Projections and Cost Estimates* (October 2022), www.cbo.gov/publication/58421.

Uncertainty

CBO's estimates of the budgetary effects of the bill are subject to uncertainty. In particular, the bill's requirement that the FDIC perform probabilistic scenario analysis when determining the least-cost methods for resolving failed banks could have significant budgetary effects that CBO has not estimated.

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 Table 2.

Table 2.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 3556, the Increasing Financial Regulatory Accountability and Transparency Act, as Ordered Reported by the House Committee on Financial Services on May 24, 2023

	By Fiscal Year, Millions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2028	2024-2033
	Net Increase in the Deficit											
Pay-As-You Go Effect	2	1	3	2	5	3	3	3	3	3	13	26
Memorandum:												
Changes in Outlays	3	2	3	3	3	3	3	3	3	3	14	29
Changes in Revenues	1	1	0	1	-2	0	0	0	0	0	1	1

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 3556 would not increase net direct spending by more than $2.5 billion in any of the four consecutive 10-year periods beginning in 2034.

CBO estimates that enacting H.R. 3556 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2034.

Mandates

If the federal financial regulators increase fees to offset the costs associated with implementing the bill, H.R. 3556 would increase the cost of an existing mandate on private-sector entities required to pay those assessments. CBO estimates that the incremental cost of the mandate would be small and would fall well below the annual threshold established in the Unfunded Mandates Reform Act (UMRA) for private-sector mandates ($198 million in 2023, adjusted annually for inflation).

H.R. 3556 contains no intergovernmental mandates as defined in UMRA.

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