



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 13, 2013

H.R. 1062 **SEC Regulatory Accountability Act**

As ordered reported by the House Committee on Financial Services on May 7, 2013

H.R. 1062 would expand the amount of analysis performed by the Securities and Exchange Commission (SEC) when developing or amending regulations. Specifically, the bill would direct 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, under the bill, the SEC would be required 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 then need 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 would require the SEC to develop and publish a plan to assess whether the regulation has achieved its stated purposes. H.R. 1062 would direct the agency, no later than two years after the date such a rule was published, to publish a report assessing the costs, benefits, and consequences of the rule using performance measures that were identified when the rule was adopted.

Based on information from the SEC, CBO estimates that the commission would ultimately need 20 additional staff positions (less than a 1 percent increase in the agency's 2012 staffing level) to handle the new rulemaking, reporting, and analytical activities required under the bill. CBO estimates that implementing H.R. 1062 would cost the SEC \$23 million over the 2013-2018 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 that the net budgetary effect of the SEC's activities to implement H.R. 1062 would not be

significant, assuming appropriation actions consistent with the commission's authorities. Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

H.R. 1062 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 increases fees to offset the costs of implementing the additional regulatory activities required by the bill, H.R. 1062 would increase the cost of an existing mandate on private entities required to pay those fees. Based on information from the SEC, CBO estimates that the aggregate cost of the mandate would fall well below the annual threshold for private-sector mandates established in UMRA (\$150 million in 2013, adjusted annually for inflation).

The CBO staff contacts for this estimate are Susan Willie (for federal costs) and Paige Piper/Bach (for the impact on the private sector). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.