CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 17, 2015

H.R. 1965
Small Company Disclosure Simplification Act

As ordered reported by the House Committee on Financial Services on May 20, 2015

H.R. 1965 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. 1965 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 1965 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 2016-2020 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. 1965 would not be significant, assuming appropriation actions consistent with the agency's authority. Enacting the bill would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 1965 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 contacts for this estimate are Susan Willie and Ben Christopher. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.