



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 31, 2015

H.R. 1975 Securities and Exchange Commission Overpayment Credit Act

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

SUMMARY

H.R. 1975 would require the Securities and Exchange Commission (SEC) to provide a credit to national securities exchanges that overpay fees and assessments to the agency by offsetting future payments by the affected exchanges.

CBO estimates that enacting H.R. 1975 would increase direct spending by \$12 million over the 2016-2025 period; therefore, pay-as-you-go procedures apply. Enacting H.R. 1975 would not affect revenues.

Under current law, the SEC is authorized to collect fees to offset its annual appropriation; therefore, assuming appropriation action consistent with that authority, CBO estimates that implementing the bill would have a negligible effect on net discretionary spending.

H.R. 1975 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

If the SEC increases fees to offset the costs of implementing the bill, H.R. 1975 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 incremental cost of the mandate, if any, would fall well below the annual threshold for private-sector mandates established in UMRA (\$154 million in 2015, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 1975 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	2016-2020	2016-2025
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	7	1	1	1	1	1	1	1	1	1	9	12
Estimated Outlays	7	1	1	1	1	1	1	1	1	1	9	12

Notes: Components may not sum to totals because of rounding. CBO estimates that implementing H.R. 1975 would have an insignificant effect on net discretionary costs.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1975 will be enacted early in fiscal year 2016.

Direct Spending

H.R. 1975 would require the SEC to reduce future fees and assessments paid by a national securities exchange by the amount of any overpayment of such fees that an exchange identifies within 10 years of the overpayment. Current law requires the SEC to make periodic adjustments to the rates that associations and exchanges must pay, but does not have a current mechanism to compensate exchanges for the overpayments of fees and assessments. Lowering current collections by the amount of a previous overpayment would be similar to providing a refund, which would be considered direct spending. Based on information from the SEC, CBO estimates that enacting H.R. 1975 would increase direct spending by \$12 million over the 2016-2025 period. That amount includes \$6 million in overpayments that have been identified by the agency over the past 10 years plus an estimated \$0.6 million per year in credits for overpayments over the 2016-2025 period. In fiscal year 2014, the SEC collected about \$1.3 billion in fees that would be covered under H.R. 1975.

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. 1975 as ordered reported by the House Committee on Financial Services on May 20, 2015

	By Fiscal Year, in Millions of Dollars											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2025	
NET INCREASE IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	7	1	1	1	1	1	1	1	1	1	9	12

Note: Components may not sum to totals because of rounding.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1975 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

If the SEC increases fees to offset the costs of implementing the bill, H.R. 1975 would increase the cost of an existing mandate on private entities (including national securities exchanges and associations) required to pay those fees. The amount of fees collected would depend on the level of future appropriations. Based on information from the SEC, CBO estimates that the incremental cost of the mandate, if any, would fall well below the annual threshold for private-sector mandates established in UMRA (\$154 million in 2015, adjusted annually for inflation).

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