CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 1, 2015

H.R. 3340
Financial Stability Oversight Council Reform Act

As ordered reported by the House Committee on Financial Services on November 4, 2015

SUMMARY

Under current law, the Financial Research Fund (FRF) is permanently authorized to pay, without further appropriation, the operating costs of the Financial Stability Oversight Council (FSOC), the Office of Financial Research (OFR), as well as certain expenses of the Federal Deposit Insurance Corporation from assessments on certain bank holding companies and nonbank financial companies. H.R. 3340 would change the law so that spending from the FRF would be subject to the annual appropriations process. The bill also would direct FSOC to prepare financial reports that would be submitted to the Congress each quarter and allow the public to comment on FSOC's proposed rules and reports.

CBO estimates that enacting H.R. 3340 would reduce direct spending by $1.3 billion over the 2016-2025 period; therefore pay-as-you-go procedures apply. (Enacting the bill would not affect revenues.) CBO estimates that implementing the bill would cost the same amount over that period, assuming appropriation of the necessary amounts.

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2026.

H.R. 3340 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 effect of H.R. 3340 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	0	-133	-130	-134	-138	-142	-146	-150	-154	-158	-535	-1,285
Estimated Outlays	0	-111	-132	-133	-137	-141	-145	-149	-153	-157	-513	-1,258
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	0	133	130	134	138	142	146	150	154	158	535	1,285
Estimated Outlays	0	111	132	133	137	141	145	149	153	157	513	1,258

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted early in calendar year 2016, the necessary amounts will be appropriated each year, and spending will follow historical patterns for operations of the FRF.

The Dodd-Frank Wall Street Reform and Consumer Financial Protection Act established the Financial Research Fund to pay the expenses of the OFR, and provided that the operating costs of FSOC should be considered expenses of the OFR. Further, the act provided that certain expenses of the Federal Deposit Insurance Corporation also be treated as expenses of FSOC. All of those costs are recorded in the budget as direct spending, and are offset by assessments on certain bank holding companies and nonbank financial companies. Those assessments are recorded in the budget as revenues. Enacting the bill would not affect the collection of those assessments.

Direct Spending

H.R. 3340 would terminate the permanent spending authority of the FRF, starting in fiscal year 2017, by requiring expenditures from the FRF to be provided through the annual appropriations process. Based on information from the agency, CBO estimates that enacting this change to the method of funding the FRF would reduce direct spending by about $1.3 billion over the 2016-2025 period. Because the bill would not change the underlying responsibilities of the fund, CBO expects that the operating costs of the FRF would remain the same.

Spending Subject to Appropriation

Because CBO expects that the operating expenses of the FRF would remain the same under the bill, CBO estimates that implementing the change in the method of funding the FRF would cost $513 million over the 2016-2020 period, assuming appropriation of the estimated amounts.

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 changes in outlays 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. 3340, as ordered reported by the House Committee on Financial Services on November 4, 2015

	By Fiscal Year, in Millions of Dollars											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
NET DECREASE IN THE DEFICIT												
Statutory Pay-As-You-Go Effect	0	-111	-132	-133	-137	-141	-145	-149	-153	-157	-513	-1,258

INCREASE IN LONG TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2026.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3340 contains no intergovernmental or private-sector mandates as defined UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Susan Willie
Impact on State, Local, and Tribal Governments: Melissa Merrell
Impact on the Private Sector: Logan Smith

ESTIMATE APPROVED BY:

H. Samuel Papenfuss
Deputy Assistant Director for Budget Analysis