



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 18, 2016

### **H.R. 4139** **Fostering Innovation Act of 2015**

*As ordered reported by the House Committee on Financial Services on March 2, 2016*

H.R. 4139 would extend the exemption period for some emerging growth companies from having an auditor attest to and report on internal control reports.

Securities and Exchange Commission (SEC) rules require the issuers of securities to file assessments of their internal control structures and procedures for financial reporting and to have those reports be attested to and reported on in an audit report. The Jumpstart Our Business Startups Act of 2012 exempted companies with annual revenue and debt issuance under specified thresholds from the requirement of an auditor's attestation of their internal control report for up to five years after their first sale of equity securities. H.R. 4139 would extend the maximum exemption period to 10 years.

Based on information from the SEC, CBO estimates that implementing H.R. 4139 would cost less than \$500,000 for personnel and administrative costs to revise SEC rules. However, the SEC is authorized to collect fees sufficient to offset its annual appropriation; therefore, CBO estimates that the net effect on discretionary spending would be negligible, assuming appropriation actions consistent with that authority.

Enacting H.R. 4139 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply. CBO estimates that enacting H.R. 4139 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 4139 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. 4139 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 would be minimal and would fall well below the annual threshold for private-sector mandates established in UMRA (\$154 million in 2016, adjusted annually for inflation).

The CBO staff contacts for this estimate are Stephen Rabent (for federal costs) and Logan Smith (for private-sector mandates). The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director of Budget Analysis.