



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 17, 2015

H.R. 432 **SBIC Advisers Relief Act of 2015**

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

H.R. 432 would direct the Securities and Exchange Commission (SEC) to exempt some investment advisors who advise Small Business Investment Companies (SBICs) from requirements to register with the agency. Specifically, advisors to venture capital funds that also advise SBICs would be exempt from registration requirements under the bill. Further, advisors to private funds would not be required to count the value of SBICs they advise in the calculation used to determine whether an advisor is large enough to require such registration.

Based on information from the SEC, CBO estimates that implementing H.R. 432 would not have a significant effect on the number of registered investment advisors, and as a result, CBO estimates that implementing H.R. 432 would not significantly affect discretionary spending. Further, under current law, the SEC is authorized to collect fees sufficient to offset its appropriation each year; therefore, we estimate that the net cost to the SEC would not be significant, assuming appropriation action consistent with that authority. Enacting H.R. 432 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 432 would impose intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) by prohibiting state governments from requiring some advisers of SBICs to comply with registration, licensing, or other qualification requirements. Some states require those advisers to pay a fee for registration. The cost of the mandate would be the forgone revenue that states could no longer collect. Information from organizations representing state security commissioners and SBICs indicates that both the number of SBIC advisers and the registration fees that states currently charge is small. Therefore, CBO estimates the annual cost for states to comply with the mandate would total less than \$1 million and would thus fall well below the threshold established in UMRA (\$77 million in 2015, adjusted annually for inflation).

H.R. 432 contains no private-sector mandates as defined in UMRA.

The CBO staff contacts for this estimate are Susan Willie and Ben Christopher (for federal costs) and Melissa Merrell (for the intergovernmental mandate). The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.