



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 3, 2015

H.R. 527
Small Business Regulatory Flexibility Improvements Act of 2015

As ordered reported by the House Committee on the Judiciary on January 27, 2015

SUMMARY

H.R. 527 would amend the Regulatory Flexibility Act (RFA) to expand the number of rules covered by the RFA and to require agencies to perform additional analysis of regulations that affect small businesses. The legislation also would provide new authorities to the Small Business Administration's (SBA's) Office of Advocacy to intervene and provide support for agency rulemaking. Finally, H.R. 527 would require the Government Accountability Office (GAO) to report on the implementation of the legislation.

CBO estimates that implementing H.R. 527 would cost \$55 million over the 2015-2020 period, assuming appropriation of the necessary funds. Enacting the bill could affect direct spending by agencies not funded through annual appropriations; therefore, pay-as-you-go procedures apply. CBO estimates, however, that any net increase in spending by those agencies would not be significant. Enacting H.R. 527 would not affect revenues.

H.R. 527 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 any federal agencies increase their mandatory fees to offset the costs of implementing the additional analysis required by the bill, H.R. 527 would increase the cost of an existing mandate on private entities to pay those fees. CBO expects that if such mandatory fees are increased as a result of the bill, the additional cost of the mandate in any one year would fall well below the annual threshold established in UMRA for private-sector mandates (\$154 million in 2015, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 527 is shown in the following table. The costs of this legislation fall within budget functions 370 (commerce and housing credit), 800 (general government), and all budget functions that include funding for agencies that issue regulations affecting small businesses.

	By Fiscal Year, in Millions of Dollars						2015-
	2015	2016	2017	2018	2019	2020	2020
CHANGES IN SPENDING SUBJECT TO APPROPRIATION							
Estimated Authorization Level	3	9	12	12	12	12	60
Estimated Outlays	2	7	10	12	12	12	55

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted in fiscal year 2015, that the necessary amounts will be appropriated each year, and that spending will follow historical patterns for similar activities.

CBO is unaware of any comprehensive information on the current level of spending for regulatory activities governmentwide. However, according to the Congressional Research Service, federal agencies issue 3,000 to 4,000 final rules each year. Most rules, regardless of size, are promulgated by the Departments of Transportation, Homeland Security, and Commerce, and the Environmental Protection Agency (EPA). Most major rules (those with an estimated economic impact on the economy of more than \$100 million per year) are issued by the Departments of Health and Human Services and Agriculture, and EPA.

H.R. 527 would broaden the definition of a “rule” for rulemaking purposes to include agency guidance documents and policy statements. The bill also would expand the scope of the regulatory analysis for proposed and final rules to include an examination of indirect economic effects on small businesses and a more detailed analysis of the possible economic consequences of the rule for small businesses. The legislation defines indirect economic effects as any impact that is reasonably foreseeable. The legislation also would require agencies to prepare reports on the cumulative economic impact on small businesses of new and existing regulations.

Implementing H.R. 527 would increase the amount of regulatory analysis that agencies would need to prepare, and it would expand the role of the SBA's Office of Advocacy and the Office of Management and Budget's Office of Information and Regulatory Affairs (OIRA) in the rulemaking process. Finally, the legislation would require more federal agencies to use panels of experts to evaluate regulations and to prepare reports on the economic impact of proposed regulations on small business.

Information from OIRA, SBA, and some federal agencies indicates that the new requirements would increase the cost to issue a few hundred of the thousands of federal regulations issued annually. Based on that information, CBO estimates that administrative costs in some regulatory agencies, the SBA's Office of Advocacy, and OIRA would eventually increase by a total of about \$12 million annually, subject to the availability of appropriated funds. We expect that it would take about three years to reach that level of effort. The GAO report on the impact of the legislation of the Office of Advocacy would cost less than \$500,000 to complete, subject to the availability of appropriated funds.

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. Enacting H.R. 527 could affect direct spending by agencies not funded through annual appropriations; therefore, pay-as-you-go procedures apply. CBO estimates, however, that any net increase in spending by those agencies would not be significant.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 527 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

If any federal agencies increase their mandatory fees to offset the costs of implementing the additional analysis required by the bill, H.R. 527 would increase the cost of an existing mandate on private entities to pay those fees. CBO expects that if such mandatory fees are increased as a result of the bill, the additional cost of the mandate in any one year would fall well below the annual threshold established in UMRA for private-sector mandates (\$154 million in 2015, adjusted annually for inflation).

ESTIMATE PREPARED BY:

Federal Spending: Matthew Pickford and Susan Willie
Impact on State, Local, and Tribal Governments: Melissa Merrell
Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Theresa A. Gullo
Deputy Assistant Director for Budget Analysis