CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 13, 2016

H.R. 5429
SEC Regulatory Accountability Act

As ordered reported by the House Committee on Financial Services on June 16, 2016

H.R. 5429 would specify several new requirements for the Securities and Exchange Commission (SEC) to meet when developing or amending regulations. The bill would direct the SEC to expand the scope of its analysis of the effects of regulations to include an assessment of the problem the proposed regulation is designed to address, its costs and benefits, and available alternatives, and would require the SEC to review and consider modifying its regulations every five years. Under the bill, when adopting or amending rules expected to have an economic impact greater than $100 million annually, the SEC would need to develop and publish a plan to assess whether the regulation has achieved its stated purpose. Within two years of publishing such a rule, the bill would require the SEC to publish a report on the rules' costs, benefits, and other consequences using the performance measures identified in the plan issued when the rule was adopted.

H.R. 5429 also would prohibit rules adopted by the Municipal Securities Rulemaking Board or any national securities association from taking effect unless the SEC determines that the board or association completed the same level of analysis for the rule that the SEC would complete, under the bill, in its own rulemaking process. Under current law, the SEC reviews and approves the rules of the affected organizations.

Based on an analysis of information from the SEC about the number of staff required to undertake similar analyses of agency rules, CBO estimates that implementing H.R. 5429 would require 24 additional staff (less than a 1 percent increase in the agency's 2015 staffing level) to handle the new rulemaking, reporting, and analytical activities required under the bill. At an average cost of about $250,000 per employee, CBO estimates those additional employees would cost $27 million over the 2017-2021 period. Such spending would be subject to appropriation. Under current law, 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 appropriations actions consistent with that authority.

Enacting H.R. 5429 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply. CBO estimates that enacting H.R. 5429 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 5429 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 additional regulatory activities required by the bill, H.R. 5429 would increase the cost of an existing mandate on private entities required to pay those fees. In addition, the bill would impose a private-sector mandate on private regulatory organizations associated with the SEC by requiring them to incorporate the same new analysis and reporting requirements into their rulemaking processes as would be required of the SEC. Based on an analysis of information from the SEC, CBO estimates that the increase in fees to offset the costs of the SEC would amount to no more than $27 million over the 2017-2021 period. Because private regulatory agencies issue fewer rules than the SEC each year on average, the costs incurred by those organizations to comply with the mandate would probably amount to less than the additional costs that would be incurred by the SEC to implement the same requirements. Therefore, CBO estimates that the aggregate cost of both mandates 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 contact for this estimate is Stephen Rabent. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.