CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 10, 2016

H.R. 957
Bureau of Consumer Financial Protection—Inspector General Reform Act of 2015

As ordered reported by the House Committee on Financial Services on September 30, 2015

SUMMARY

H.R. 957 would direct the President to appoint an Inspector General for the Bureau of Consumer Financial Protection (CFPB) within 60 days of enactment, and would require the CFPB to set aside 2 percent of its annual funding to operate the office of the Inspector General. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, which established the CFPB, the responsibilities of the Federal Reserve Office of Inspector General (OIG) were broadened to include the CFPB (that office is currently known as the OIG of the Federal Reserve Board of Governors and the CFPB). H.R. 957 would authorize the Federal Reserve OIG to serve in that position until a new Inspector General for the CFPB is confirmed. At that time, the responsibilities of the Federal Reserve OIG would not include oversight of the CFPB.

CBO estimates that enacting H.R. 957 would increase direct spending by $128 million over the 2016-2026 period. Further, enacting H.R. 957 would increase revenues by $61 million over the 2016-2026 period, reflecting lower costs for the Federal Reserve OIG. Taking those effects together, CBO estimates that enacting H.R. 957 would increase budget deficits by $67 million over the 2016-2026 period.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues. CBO estimates that implementing H.R. 957 would not affect discretionary costs.

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2027.

H.R. 957 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. 957 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	2026	2016-2021	2016-2026
CHANGES IN DIRECT SPENDING													
Estimated Budget Authority	3	9	12	12	12	13	13	13	14	15	15	61	131
Estimated Outlays	2	8	11	12	12	13	13	13	14	15	15	58	128
CHANGES IN REVENUES													
Estimated Revenues	0	3	5	6	6	6	7	7	7	7	8	26	61
NET INCREASE IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES													
Impact on Deficit	2	5	6	6	6	7	6	6	7	8	7	32	67

BASIS OF ESTIMATE

The CFPB is permanently authorized to spend amounts transferred from the Federal Reserve System; because such spending is not subject to appropriation, CFPB expenditures are recorded in the budget as direct spending. Furthermore, the earnings of the Board of Governors of the Federal Reserve System are remitted to the Treasury and recorded in the budget as revenues; thus, any change to the costs of the Federal Reserve System are recorded in the budget as changes in revenues.

When the Dodd-Frank Wall Street Reform and Consumer Protection Act established the CFPB, the responsibilities of the Federal Reserve OIG were broadened to include the CFPB. H.R. 957 would direct the President to appoint an Inspector General for the CFPB and, upon confirmation, the Federal Reserve OIG would no longer be responsible for oversight of the CFPB.

H.R. 957 would not change the overall amount of oversight responsibilities, but would transfer them from one agency to another. CBO estimates that transfer would have a net cost of $67 million over the 2016-2026 period, for two reasons. First, establishing a separate Inspector General's office for the CFPB would increase overall expenses for certain executive, administrative, and information technology functions, relative to the currently combined OIG. Second, CBO expects that the Federal Reserve OIG would shift a portion of the resources currently being used to fulfill its duties related to the CFPB to performing additional work related to operations of the Federal Reserve System.

Direct Spending

H.R. 957 would limit the CFPB's spending for the Inspector General's office to two percent of the agency's annual funding. Based on information from the CFPB, CBO expects that level of funding would be sufficient to operate the office of the Inspector General. However, we expect that the funding limitation would reduce the volume of CFPB related audits and investigations undertaken by the CFPB Inspector General relative to the current workload of the currently combined OIG. CBO estimates that enacting H.R. 957 would increase the agency's annual costs by about $12 million, on average, to support the Inspector General's activities, increasing direct spending by $128 million over the 2016-2026 period.

Revenues

When the CFPB was established, the Federal Reserve OIG became the Inspector General for both entities and experienced a significant increase in staff. The amount and rate by which the currently combined OIG would reduce its staff in response to the end of those responsibilities is uncertain because the staff currently are not separated into those who work solely on Federal Reserve issues and those who work solely on CFPB issues. Based in part on information provided by the current OIG and on historical staffing patterns that are publicly available, CBO expects that in response to the bill, the staff of the Federal Reserve OIG would be smaller than the currently combined OIG is today, but also that a portion of the resources currently being used to fulfill duties related to the CFPB would be shifted to performing additional work related to the Federal Reserve System. Overall, CBO estimates that enacting H.R. 957 would increase remittances from the Federal Reserve to the Treasury and therefore federal revenues by $61 million over the 2016-2026 period.

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 net changes in revenues and 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. 957, as ordered reported by the House Committee on Financial Services on September 30, 2015

	By Fiscal Year, in Millions of Dollars												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-2021	2016-2026
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	2	5	6	6	6	7	6	6	7	8	7	32	67
Memorandum:													
Changes in Outlays	2	8	11	12	12	13	13	13	14	15	15	58	128
Changes in Revenues	0	3	5	6	6	6	7	7	7	7	8	26	61

INCREASE IN LONG TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2027.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 957 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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