



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 5, 2016

S. 2847 **Prove It Act of 2016**

*As reported by the Senate Committee on Small Business and Entrepreneurship
on May 24, 2016*

S. 2847 would authorize the Small Business Administration (SBA) to request that the Office of Management and Budget (OMB) review federal agency certifications that their proposed regulations would have no significant effect on small entities. CBO estimates that implementing S. 2847 would cost \$10 million over the 2017-2021 period.

Under current law, federal agencies are required to publish in the Federal Register an analysis of the impact of their proposed rules on small entities, such as small businesses, not-for-profits, and local governments, and to propose alternative regulations to minimize any significant economic impacts that may result. Agencies are exempt from this requirement if the head of the agency certifies that the rule, if promulgated, would not have a significant economic impact on a substantial number of small entities. Currently, OMB reviews executive agencies' analyses of economically significant rules (those likely to result in an annual effect on the economy of \$100 million or more).

S. 2847 would authorize SBA to request that OMB review agency certifications if SBA disagrees with an agency's findings. OMB would be required to review analyses of the impact of the rules, including independent agency rules and those determined to be not economically significant. If OMB determined that the proposed rule would have a significant economic impact on small entities, the federal agency would be required to submit a full analysis of the impact of their proposed rule on small entities.

On the basis of information from SBA and OMB about the current review process for agency rules, CBO estimates that implementing S. 2847 would result in approximately 30 to 40 additional reviews by OMB each year, the majority of which would be rules that are not economically significant. Currently, about 35 OMB analysts each review approximately 10 to 15 rules per year. CBO estimates that implementing S. 2847 would cost \$2 million per year for each of fiscal years 2017-2021 for three to four additional OMB staff to review SBA petitions and for additional administrative activities by agencies to prepare additional analysis for some of the rules identified by the SBA.

Because enacting S. 2847 could affect direct spending by agencies not funded through annual appropriations, pay-as-you-go procedures apply. CBO estimates, however, that any net change in spending by those agencies would be negligible. Enacting S. 2847 would not affect revenues.

CBO estimates that enacting S. 2847 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

S. 2847 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Stephen Rabent. The estimate was approved by Theresa Gullo, Assistant Director for Budget Analysis.