CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 1, 2013

H.R. 899
Unfunded Mandates Information and Transparency Act of 2013

As ordered reported by the House Committee on Oversight and Government Reform on July 24, 2013

SUMMARY

H.R. 899 would amend the Unfunded Mandates Reform Act of 1995 (UMRA) to increase the information available to the Congress and the public with respect to federal mandates contained in proposed legislation and federal regulations. Enacting this legislation would codify in UMRA many practices currently required of most federal agencies when analyzing the potential impact of regulations. The bill also would require independent regulatory agencies to perform broad analyses (including costs and benefits) of regulations by requiring those agencies to comply with standards established in UMRA relating to the rulemaking process.

The legislation would amend the Congressional Budget Act to establish a point of order, which a Member of Congress may raise, against legislation that creates a private-sector mandate with costs above the threshold established in UMRA.[1] In addition, the legislation would require CBO to conduct assessments of costs to state, local, and tribal governments resulting from any changes to conditions of certain federal assistance programs.

CBO estimates that the new requirements placed on independent regulatory agencies, such as the Federal Deposit Insurance Corporation (FDIC), would require additional resources to carry out. Expenses of the FDIC are classified as direct spending; therefore, pay-as-you-go procedures apply. Because costs incurred by the FDIC would be offset by premiums collected from insured depository institutions, CBO estimates that enacting H.R. 899 would result in no net effect on direct spending over the 2014-2023 period. Assuming the appropriation of necessary amounts, the legislation also would have a discretionary cost of $4 million over the 2014-2018 period, CBO estimates.

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1. The intergovernmental and private-sector thresholds established in UMRA were $50 million and $100 million, respectively in 1996, adjusted annually for inflation. In 2013, the thresholds are $75 million for intergovernmental mandates and $150 million for private-sector mandates.

CBO expects that several independent agencies would increase fees to offset the costs of implementing the additional regulatory activities required by the bill; thus, H.R 899 would increase the costs of existing mandates on public and private-sector entities that would be required to pay those fees. Based on information from the affected agencies, CBO estimates that the additional costs of those mandates would be small and would fall well below the annual thresholds established in UMRA for intergovernmental and private-sector mandates.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 899 is shown in the following table. The costs of this legislation fall within budget function 370 (advancement of commerce) and other budget functions that contain spending for salaries and expenses.

	By Fiscal Year, in Millions of Dollars					
	2014	2015	2016	2017	2018	2014-2018
CHANGES IN SPENDING SUBJECT TO APPROPRIATION[a]						
Estimated Authorization Level	*	1	1	1	1	4
Estimated Outlays	*	1	1	1	1	4

Note: * = less than $500,000.

a. CBO also estimates that enacting H.R. 899 would result in additional direct spending totaling less than $500,000 annually. Because we expect FDIC premiums to increase to cover those costs, we estimate that net direct spending would not be significant.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted late in 2013, that fees and premiums will be levied to cover the additional administrative costs incurred by some regulatory agencies, that the necessary amounts will be appropriated near the start of each fiscal year, and that spending patterns will follow historical patterns for regulatory analysis activities.

H.R. 899 would amend UMRA to codify certain practices currently required under several executive orders, including Executive Orders 12866 and 13563. (Those instructions require agencies in the executive branch to analyze the effects of regulations on state, local, and tribal governments and the private sector. For significant rules with an estimated annual effect on the economy of $100 million or more, agencies must prepare detailed cost-benefit analyses.) The legislation also would codify Executive Order 13579 and remove a provision in current law that exempts independent regulatory agencies, such as the FDIC, from complying with standards established in UMRA relating to the rulemaking process. Based on information from several agencies, CBO expects that the new requirements would increase the workload of independent regulatory agencies, requiring them to devote more resources to prepare broader analyses of regulations and to support judicial reviews and hearings pertaining to agency regulations.

Spending Subject to Appropriation

To meet the regulatory standards established in H.R. 899, CBO estimates that at least 12 independent regulatory agencies would face an increased workload and would eventually incur annual costs of about $500,000, on average, per agency. We expect that it would take a few years to reach that level of effort, resulting in gross costs of $18 million over the 2014-2018 period. Under current law, four of those agencies, the Federal Energy Regulatory Commission, the Federal Communications Commission, the Nuclear Regulatory Commission, and the Securities and Exchange Commission, are authorized to collect fees sufficient to offset their appropriation each year. CBO assumes that future appropriations would direct agencies to exercise that authority. Thus, CBO estimates that implementing the bill would have a net discretionary cost of $1 million in 2014 and $4 million over the 2014-2018 period, subject to the availability of appropriated funds.

H.R. 899 also would require CBO, at the request of any Chairman or Ranking Minority Member of a committee, to conduct an assessment of costs to state, local, and tribal governments resulting from any changes to conditions of federal assistance programs. CBO estimates that the costs to conduct any one such an assessment would probably not be significant; however, a sizable number of assessments prepared in any given year would increase administrative costs. Any such costs would be subject to the availability of appropriated funds.

Direct Spending

CBO also estimates that the FDIC would incur additional costs totaling less than $500,000 annually to implement H.R. 899. FDIC has the authority to collect premiums from insured depository institutions to support administrative expenses; therefore, CBO estimates that those increased costs would be offset over the over the 2014-23 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. Expenses of the FDIC are classified as direct spending; therefore, pay-as-you-go procedures apply. Because costs incurred by the FDIC would be offset by premiums collected from insured depository institutions CBO estimates that enacting H.R. 899 would result in no net effect on direct spending over the 2014-2023 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 899 would increase the costs of existing mandates on public and private entities that are required to pay fees assessed by certain independent agencies. The bill would expand the scope of analyses that independent agencies are required to conduct when they issue regulations. Some of those independent agencies are authorized to collect fees sufficient to offset the cost of their regulatory activities. Because we expect some of those agencies to increase fees to offset the costs of their additional regulatory activities, the bill would increase the costs of existing mandates by requiring public and private entities to pay higher fees.

Based on information from the independent agencies, the cost of implementing the additional regulatory activities would not be significant. Therefore, CBO estimates that any additional costs would be small and would fall well below the annual thresholds established in UMRA for intergovernmental and private-sector mandates ($75 million and $150 million in 2013 respectively, adjusted annually for inflation).

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