



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 18, 2013

H.R. 2542 **Regulatory Flexibility Improvements Act of 2013**

As ordered reported by the House Committee on Small Business on September 18, 2013

SUMMARY

H.R. 2542 would amend the Regulatory Flexibility Act (RFA) to expand the number of rules covered by the act 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. 2542 would require the Government Accountability Office (GAO) to report on the implementation of the legislation.

CBO estimates that implementing H.R. 2542 would cost \$45 million over the 2014-2018 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. 2542 would not affect revenues.

H.R. 2542 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 impact of H.R. 2542 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					2014-2018
	2014	2015	2016	2017	2018	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	5	9	12	12	12	50
Estimated Outlays	4	7	10	12	12	45

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the start of calendar year 2014, 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. 2542 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 and allow the analysis to be provided to a requesting small business. 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. 2542 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 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 would cost less than \$500,000 to complete in fiscal year 2014.

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. 2542 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. 2542 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On September 5, 2013, CBO transmitted a cost estimate for H.R. 2542 as ordered reported by the House Committee on the Judiciary on July 31, 2013. Both versions of the bill contain similar provisions regarding amending the Regulatory Flexibility Act and the estimated costs are the same.

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