



June 6, 2017

Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Re: Cost estimate for the manager's amendment to H.R. 10, the Financial CHOICE Act, as posted on the website of the House Committee on Rules on May 26, 2017.

Dear Mr. Chairman:

As you requested, the Congressional Budget Office (CBO) has reviewed the manager's amendment for H.R. 10, the Financial CHOICE Act. CBO's estimate of the budgetary effects of enacting the amended bill are included in the enclosed table.

CBO and the staff of the Joint Committee on Taxation estimate that changes in direct spending and revenues from enacting the manager's amendment would reduce budget deficits by \$33.6 billion over the 2017-2027 period. That estimate of reduced deficits is \$9.5 billion more than the estimated amount of deficit reduction under H.R. 10 as ordered reported by the House Committee on Financial Services on May 4, 2017. The amendment's savings are composed of a reduction in direct spending of \$30.8 billion and an increase in revenues of \$2.8 billion. Most of that budgetary savings would come from eliminating the Federal Deposit Insurance Corporation's authority to use the Orderly Liquidation Fund and changing how the Consumer Financial Protection Bureau and certain other financial regulators are funded. CBO estimates that implementing H.R. 10 also would cost \$11.6 billion over the 2017-2027 period, subject to appropriation of the necessary amounts.

Enacting the amendment would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

CBO's previous cost estimate of H.R. 10 explains the basis for most of the budgetary effects of the manager's amendment as well.¹

1. See: <https://www.cbo.gov/publication/52738> for additional information about the budgetary effects of the major provisions of the Financial CHOICE Act.

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The manager's amendment would make the operating costs and collection of fees by the Office of the Comptroller of the Currency, the Federal Housing Finance Agency, and the non-monetary policy expenses of the Federal Reserve subject to the annual appropriations process. The amendment also would authorize the Federal Deposit Insurance Corporation to charge additional fees to offset appropriations for the salaries and expenses of certain employees. Under the amendment, certain implementation and administrative costs of the Federal Reserve would be subject to appropriation.

Those changes account for most of the difference in CBO's cost estimates for the two versions of the legislation. Over the 2018-2027 period, CBO estimates that enacting those amended provisions would reduce net direct spending by \$0.7 billion, increase revenues by \$8.8 billion, and have a net cost of \$9.6 billion subject to appropriation of the necessary amounts.

I hope that this information is useful to you. If you need additional details, we would be pleased to provide them. The CBO staff contacts are Nathaniel Frentz (for revenues), and Kathleen Gramp, Sarah Puro and Stephen Rabent (for spending).

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Hall", written in a cursive style.

Keith Hall
Director

Enclosure

cc: Honorable Maxine Waters
Ranking Member

Estimated Budgetary Effects of the Manager's Amendment to H.R. 10, the Financial CHOICE Act

	By Fiscal Year, in Millions of Dollars												2017-	2017-
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2022	2027	
NET INCREASES AND DECREASES (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES														
Eliminating the Orderly Liquidation Fund	0	-700	-1,200	-1,750	-2,450	-1,850	-1,450	-1,300	-1,300	-1,250	-1,250	-7,950	-14,500	
Allowing Capital Election and Making Other Changes to Financial Regulations ^a	0	0	30	40	40	40	40	30	20	30	30	150	300	
Amending Responsibilities and Operations	0	30	50	50	35	40	40	30	30	40	25	205	370	
Modifying Agency Funding	0	-1,570	-1,760	-1,885	-1,850	-1,830	-1,900	-1,925	-1,900	-1,875	-1,950	-8,895	-18,445	
Transferring Responsibilities and Eliminating Agencies	0	-10	-85	-85	-85	-85	-85	-85	-85	-85	-100	-350	-790	
Penalties	<u>0</u>	<u>40</u>	<u>75</u>	<u>-60</u>	<u>-75</u>	<u>-90</u>	<u>-85</u>	<u>-90</u>	<u>-90</u>	<u>-90</u>	<u>-95</u>	<u>-110</u>	<u>-560</u>	
Total Decrease in the Deficit	0	-2,210	-2,890	-3,690	-4,385	-3,775	-3,440	-3,340	-3,325	-3,230	-3,340	-16,950	-33,625	
INCREASES OR DECREASES (-) IN SPENDING SUBJECT TO APPROPRIATION														
SEC														
Net Authorization Level	0	229	252	275	296	315	0	0	0	0	0	1,366	1,366	
Net Estimated Outlays	0	-135	241	264	285	304	408	0	0	0	0	958	1,366	
CLEA^b														
Authorization Level	0	485	0	0	0	0	0	0	0	0	0	485	485	
Estimated Outlays	0	315	170	0	0	0	0	0	0	0	0	485	485	
CFTC														
Estimated Authorization Level	0	14	14	14	11	11	10	9	9	9	9	64	110	
Estimated Outlays	0	13	14	14	11	11	9	9	9	9	9	62	107	
Federal Reserve														
Net Estimated Authorization Level	0	980	930	1,030	980	930	980	980	930	880	930	4,850	9,550	
Net Estimated Outlays	0	980	930	1,030	980	930	980	980	930	880	930	4,850	9,550	
Other														
Net Estimated Authorization Level	0	7	7	7	7	7	7	7	7	7	7	34	69	
Net Estimated Outlays	0	6	7	7	7	7	7	7	7	7	7	33	68	
Total Changes														
Net Estimated Authorization Level	0	1,715	1,203	1,326	1,293	1,263	996	996	946	896	946	6,800	11,581	
Net Estimated Outlays	0	1,178	1,362	1,314	1,282	1,252	1,405	996	946	896	946	6,388	11,577	

Continued

Table Continued

By Fiscal Year, in Millions of Dollars												2017-	2017-
2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2022	2027	

Memorandum: Components of the Net Increase in the Deficit**DECREASES IN DIRECT SPENDING**Total Changes in Direct
Spending

Estimated Budget

Authority

Estimated Outlays

0	-1,740	-2,240	-2,915	-3,760	-3,290	-3,115	-3,115	-3,260	-3,420	-3,575	-13,945	-30,430
0	-1,580	-2,325	-2,975	-3,815	-3,350	-3,170	-3,170	-3,320	-3,480	-3,635	-14,045	-30,820

INCREASES AND DECREASES (-) IN REVENUES

Total Changes in Revenues	0	630	565	715	570	425	270	170	5	-250	-295	2,905	2,805
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Source: Congressional Budget Office and the staff of the Joint Committee on Taxation.

Notes: Amounts may not sum to totals because of rounding; SEC = Securities and Exchange Commission, CLEA = Consumer Law Enforcement Agency, CFTC = Commodity Futures Trading Commission.

- a. The capital election would permit some banks to maintain a 10 percent leverage ratio and then be subject to reduced regulatory oversight.
 - b. Under the bill the Consumer Financial Protection Bureau would be renamed CLEA. In addition, H.R. 10 would not authorize appropriations for the agency after 2018, but CBO estimates that its operations would cost about \$5 billion over the 2019-2027 period, assuming appropriations were provided in those years that were equal to the amount authorized for 2018, adjusted for anticipated inflation.
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