



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 17, 2018

H.R. 5970 **Modernizing Disclosures for Investors Act**

As passed by the U.S. House of Representatives on July 10, 2018

Under current law, every quarter, publicly traded companies must file a form with the Securities and Exchange Commission (SEC) disclosing financial information. H.R. 5970 would require the SEC to analyze and report on alternative versions of the form for use by certain small companies, assess the uses of the current form and the costs to companies to complete it, and identify the effects of alternative versions of the form for the securities markets. The SEC would then report to the Congress with a proposed revision of the form.

Using information from the SEC, CBO estimates that implementing H.R. 5970 would cost about \$2 million for the agency to conduct the analysis and prepare the required reports. However, the SEC is authorized to collect fees sufficient to offset its annual appropriation; therefore, CBO estimates that the net effect on discretionary spending would be negligible, assuming appropriation actions consistent with that authority.

Enacting H.R. 5970 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting H.R. 5970 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 5970 contains no intergovernmental mandates as defined in the Unfunded Mandate Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments. If the SEC increased fees to offset the costs of its analysis, H.R. 5970 would increase the cost of an existing mandate on private entities required to pay those fees. Based on information from the SEC, CBO estimates that the increase would amount to about \$2 million, which would fall well below the annual threshold for private-sector mandates established in UMRA (\$160 million in 2018, adjusted annually for inflation).

The CBO staff contacts for this estimate are Stephen Rabent (for federal costs) and Rachel Austin (for mandates). The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.