



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 19, 2018

H.R. 6021 **Small Business Audit Correction Act of 2018**

*As ordered reported by the House Committee on Financial Services
on September 13, 2018*

Under current law, securities issuers, brokers, and dealers that are registered with the Securities and Exchange Commission (SEC) must be audited by an accounting firm that is registered with the Public Company Accounting Oversight Board (PCAOB) and must follow certain rules and requirements when preparing audit reports. H.R. 6021 would exempt from the PCAOB's definition of broker or dealer certain privately held brokers or dealers that meet other requirements, allowing those brokers or dealers to be audited by a firm that is not registered with the PCAOB.

Using information from the SEC, CBO estimates that implementing H.R. 6021 would cost less than \$500,000 for the agency to amend its rules. 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.

Using information from the PCAOB, CBO estimates that implementing H.R. 6021 would increase direct spending by less than \$500,000 to make changes to PCAOB regulations. However, the PCAOB is authorized to assess fees (which are recorded in the budget as revenues) to offset its operation costs. Therefore, CBO expects that the net effect on the deficit would be negligible. Because enacting the bill would affect direct spending and revenues, pay-as-you-go procedures apply.

CBO estimates that enacting H.R. 6021 would not significantly increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 6021 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

If the SEC and the PCAOB increased fees to offset the costs associated with implementing the bill, H.R. 6021 would increase the cost of an existing mandate on private entities required to pay those assessments and fees. CBO estimates that the

incremental cost of the mandate would be less than \$1 million, 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.