

### At a Glance

## H.R. 7195, To provide for certain whistleblower incentives and protections

As reported by the House Committee on Financial Services on July 20, 2022

By Fiscal Year, Millions of Dollars	2023	2023-2027	2023-2032
Direct Spending (Outlays)	0	12	33
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	12	33

Spending Subject to Appropriation (Outlays)	0	1	not estimated
---	---	---	---------------

Statutory pay-as-you-go procedures apply?	Yes	<b>Mandate Effects</b>	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2033?	< \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

#### The bill would

- Create a minimum award for whistleblowers who provide original information that leads to the successful prosecution of money laundering, illegal financial transactions, or other financial crimes
- Create a new “Financial Integrity Fund” within the Treasury that would contain up to \$300 million in penalty collections and interest from investments to pay whistleblowers

#### Estimated budgetary effects would mainly stem from

- Increased payments to whistleblowers
- Administrative costs of additional enforcement by the Financial Crimes Enforcement Network (FinCEN)

#### Areas of significant uncertainty include

- The number of cases that would lead to a whistleblower award under the bill
- The amount of each collection resulting from a whistleblower report
- The number of additional enforcement actions the FinCEN brings as a result of the bill

## Bill Summary

H.R. 7195 would create a minimum award for whistleblowers who provide original information that leads to the successful prosecution of money laundering, illegal financial transactions, or other financial crimes. Specifically, the bill would entitle the whistleblower to at least 10 percent of a collected penalty that exceeds \$1 million. H.R. 7195 also would establish a new “Financial Integrity Fund” within the Department of the Treasury, that could

hold up to \$300 million in collections and interest from the fund’s investments, to pay those awards. Under current law, collections are returned to the Treasury and not available for spending unless appropriated.

The Department of Justice is responsible for criminal prosecutions, and the Financial Crimes Enforcement Network (FinCEN) is responsible for civil enforcement of financial crimes. Under current law, a whistleblower is eligible for up to 30 percent of a collected penalty for those violations, subject to the availability of appropriated funds. However, the Congress has not appropriated funds for this purpose, so neither agency has made any awards to whistleblowers. Because H.R. 7195 would create a new fund for payments, CBO expects that enacting the bill would result in new payments to whistleblowers that would not be subject to the appropriation of funds.

### Estimated Federal Cost

The estimated budgetary effect of H.R. 7195 is shown in Table 1. The costs of the legislation fall within budget function 750 (administration of justice).

<b>Table 1. Estimated Budgetary Effects of H.R. 7195</b>													
	<b>By Fiscal Year, Millions of Dollars</b>										2023- 2027	2023- 2032	
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032			
<b>Increases in Direct Spending</b>													
Estimated Budget Authority	0	0	4	4	4	4	4	4	4	4	4	12	33
Estimated Outlays	0	0	4	4	4	4	4	4	4	4	4	12	33
<b>Increases in Spending Subject to Appropriation</b>													
Estimated Authorization	0	0	*	1	1	n.e.	n.e.	n.e.	n.e.	n.e.	n.e.	2	n.e.
Estimated Outlays	0	0	*	*	*	n.e.	n.e.	n.e.	n.e.	n.e.	n.e.	1	n.e.
<b>Memorandum</b>													
Increase in Revenues from Whistleblower Program <sup>a</sup>	0	0	41	41	41	41	41	41	41	41	41	124	330

Components may not sum to totals because of rounding; n.e. = not estimated; \* = between zero and \$500,000.

a. The Conference Report for the Balanced Budget Act of 1997 (Public Law 105-33) established a series of scorekeeping rules that guide what budget effects are attributed to proposed legislation. Rule 14 states that “no increase in receipts or decrease in direct spending will be scored as a result of a provision of a law that provides direct spending for administrative or program management activities.” Thus, any estimated additional penalties that may be collected under the proposed expansion to the Whistleblower program cannot be attributed to this bill for Congressional scorekeeping purposes.

## **Basis of Estimate**

For this estimate, CBO assumes that the bill will be enacted near the end of calendar year 2022. The estimate is based on data about criminal and civil enforcements from the Department of Justice (DOJ) and the Financial Crimes Enforcement Network (FinCEN). The estimate also uses analysis of similar programs at the Securities and Exchange Commission (SEC) and the Commodities Futures Trading Commission (CFTC).

## **Direct Spending**

Under H.R. 7195, a whistleblower would receive a payment if their actions lead to a successful criminal prosecution by DOJ or civil enforcement by FinCEN with a penalty of more than \$1 million for certain financial crimes. Using information about similar whistleblower programs at the SEC and CFTC, CBO expects that payments under the bill would begin two years after enactment.

In recent years, FinCEN has brought an average of three successful enforcements annually with average annual collections totaling \$41 million per enforcement, including those that did and did not result from information from a whistleblower. Using information from FinCEN, SEC, and CFTC, CBO estimates that there is roughly a 10 percent probability that each future FinCEN enforcement action under current law will be the result of information from a whistleblower who would then receive an award under H.R. 7195. Assuming an average award of 20 percent of collections, CBO estimates that the whistleblower awards resulting from FinCEN enforcement actions under current law would lead to additional payments, increasing direct spending by \$25 million over the 2023-2032 period.

Using information from DOJ on penalties and the number of whistleblower cases in recent years, CBO estimates that whistleblower awards resulting in successful criminal prosecutions by DOJ under current law would increase direct spending by less than \$500,000 over the 2023-2032 period.

In addition, based on information from FinCEN, CBO estimates that the agency would bring one additional successful action each year as a result of the incentives provided to whistleblowers in the bill. Based on this information, CBO estimates that whistleblower awards from new enforcement actions would increase direct spending by \$8 million over the 2023-2032 period.

In total, CBO estimates that implementing H.R. 7195 would increase direct spending by \$33 million over the 2023-2032 period.

## **Revenues**

CBO estimates that enacting H.R. 7195 would result in one additional civil enforcement action each year, on average. Based on information from FinCEN, CBO estimates the agency would collect an additional \$41 million annually over the 2023-2032 period.



**Increase in Long-Term Deficits:**

CBO estimates that enacting H.R. 7195 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2033.

**Mandates:** None.

**Estimate Prepared By**

Federal Costs: Jeremy Crimm

Mandates: Lilia Ledezma

**Estimate Reviewed By**

Justin Humphrey

Chief, Finance, Housing, and Education Cost Estimates Unit

Kathleen FitzGerald

Chief, Public and Private Mandates Unit

Leo Lex

Deputy Director of Budget Analysis

Theresa Gullo

Director of Budget Analysis