Congressional Budget Office
Cost Estimate

June 13, 2023

At a Glance

H.R. 1165, Data Privacy Act of 2023

As ordered reported by the House Committee on Financial Services on February 28, 2023

By Fiscal Year, Millions of Dollars	2023	2023-2028	2023-2033
Direct Spending (Outlays)	*	4	6
Revenues	*	-1	-2
Increase or Decrease (-) in the Deficit	*	5	8
Spending Subject to Appropriation (Outlays)	*	6	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	< $2.5 billion	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2034?	< $5 billion	Contains intergovernmental mandate?	Yes, Under Threshold
		Contains private-sector mandate?	Yes, Under Threshold

* = between zero and $500,000.

The bill would
- Expand protections for consumers and customers under title V of the Gramm-Leach-Bliley Act
- Impose mandates on state governments and financial institutions

Estimated budgetary effects would mainly stem from
- Increases in direct spending, decreases in revenues, and increases in spending subject to appropriation for agencies to issue rules and enforce the bill's requirements

Detailed estimate begins on the next page.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

Bill Summary

H.R. 1165 would amend title V of the Gramm-Leach-Bliley Act (GLBA) to expand and equally apply protections for consumers and customers with respect to the use of data by financial institutions. The bill would redefine the terms consumer and customer and would require financial institutions to provide opportunities for consumers and customers to opt out of having their personal data disclosed to third parties. H.R. 1165 would require financial institutions to notify people about the information they collect and hold and, upon request, delete nonpublic personal information held by the institution. Finally, the bill would direct the Government Accountability Office (GAO) to report to the Congress on whether the GLBA's data safeguards adequately protect people's nonpublic personal information.

Estimated Federal Cost

The estimated budgetary effect of H.R. 1165 is shown in Table 1. The costs of the legislation fall within budget function 370 (commerce and housing credit).

Table 1.
Estimated Budgetary Effects of H.R. 1165

	By Fiscal Year, Millions of Dollars												
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
Increases in Direct Spending													
Estimated Budget Authority	*	2	2	*	*	*	*	1	*	*	1	4	6
Estimated Outlays	*	2	2	*	*	*	*	1	*	*	1	4	6
Decreases (-) in Revenues													
Estimated Revenues	0	0	0	*	*	-1	*	*	-1	*	*	-1	-2
Net Increase in the Deficit From Changes in Direct Spending and Revenues													
Effect on the Deficit	*	2	2	*	*	1	*	1	1	*	1	5	8
Increases in Spending Subject to Appropriation													
Estimated Authorization	*	1	1	1	1	2	n.e.	n.e.	n.e.	n.e.	n.e.	6	n.e.
Estimated Outlays	*	1	1	1	1	2	n.e.	n.e.	n.e.	n.e.	n.e.	6	n.e.

n.e. = not estimated; * = between -$500,000 and $500,000.

Basis of Estimate

For this estimate, CBO assumes that H.R. 1165 will be enacted late in fiscal year 2023 and that the necessary rules will be issued in 2024 and 2025.

Background

Title V of the GLBA requires financial institutions, such as banks, payday lenders, and mortgage brokers, to safeguard customer privacy and data, allow consumers to stop transfers of their data to third parties, and disclose privacy policies to consumers. Under current law, a customer is an individual who has an ongoing relationship with a financial institution that involves at least one financial product or service. A consumer is an individual who obtains a financial product or service from a financial institution.

Rulemaking and Enforcement

The Consumer Financial Protection Bureau (CFPB), Commodity Futures Trading Commission (CFTC), Federal Trade Commission (FTC), and Securities and Exchange Commission (SEC) are responsible for rulemaking under title V of the GLBA. Using information from the affected agencies, CBO expects that issuing the new rules would require the work of between one and seven employees at each agency through 2025.

The CFPB, Federal Deposit Insurance Corporation (FDIC), Federal Reserve, FTC, National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), and SEC are responsible for enforcing title V for the financial institutions under their jurisdiction. CBO estimates that those agencies would incur additional costs under H.R. 1165 to enforce the new requirements. CBO anticipates that each agency would require between one and four staff members after 2025.

CBO estimates that in 2023 the average annual cost of an employee is $235,000 for all affected agencies and the estimated costs for each year account for anticipated inflation.

Direct Spending

The operating costs of the CFPB, FDIC, NCUA, and OCC are classified in the federal budget as direct spending. Using information from those agencies, CBO estimates that it would cost $9 million over the 2023-2033 period to issue rules and enforce violations. The NCUA and the OCC collect fees from financial institutions to offset their operating costs; those fees are treated as reductions in direct spending. Under the bill, CBO expects that those collections would increase by $3 million over the same period. Thus, CBO estimates that enacting the bill would increase net direct spending by $6 million over the 2023-2033 period.

Revenues
Costs incurred by the Federal Reserve reduce remittances to the Treasury, which are recorded in the budget as revenues. CBO estimates that the bill's changes to enforcement responsibilities would increase the Federal Reserve's costs by $2 million over the 2023-2033 period, and thus reduce revenues by the same amount.[1]

Spending Subject to Appropriation
CBO estimates that it would cost the CFTC, FTC, and SEC $8 million over the 2023-2028 period to issue rules and enforce potential violations. The SEC is authorized to collect fees to offset its annual appropriation. CBO expects that the SEC would collect $2 million in fees over the same period to cover its operating costs associated with expanded enforcement responsibilities, assuming appropriation actions consistent with that authority. On that basis, CBO expects that implementing the bill would cost, on net, $6 million over the 2023-2028 period. Any spending would be subject to the availability of appropriated funds.

CBO estimates that the GAO report would cost less than $500,000.

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. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in Table 1.

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 1165 would not increase net direct spending by more than $2.5 billion in any of the four consecutive 10-year periods beginning in 2034.

CBO estimates that enacting H.R. 1165 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2034.

Mandates

H.R. 1165 would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the costs to comply with the intergovernmental and private-sector mandates would not exceed the thresholds established

1. The Federal Reserve transmits the net income of the system to the Treasury as remittances, which are recorded as revenues. Changes in costs to the reserve banks typically result in changes to remittances during the same period. However, CBO estimates that expenses for the system will exceed income for most reserve banks until 2028. As a result, remittances from the Federal Reserve will be largely suspended during that period, and changes in costs incurred by the system during that time will be recorded as a change in revenues after remittances resume. For more information, see Congressional Budget Office, "Recent Changes to CBO's Projections of Remittances From the Federal Reserve" (slide deck, February 152, 2023), www.cbo.gov/publication/58913.

in UMRA ($99 million and $198 million in 2023, respectively, adjusted annually for inflation).

Mandates Affecting Intergovernmental Entities

H.R. 1165 would preempt laws governing the privacy of financial data. Although the preemption would limit the application of state and local laws, it would impose no duty on state or local governments that would result in significant spending or loss of revenues.

The bill also would require state insurance authorities to issue regulations regarding the privacy of customers' and consumers' financial data that would not be more restrictive than those in the bill. Before prescribing those rules, state insurance authorities would be required to account for small institutions' compliance costs. The cost for states to comply with the mandate would be small and below the threshold.

Mandates Affecting Private-Sector Entities

H.R. 1165 would impose several prohibitions and notification requirements on financial institutions. The bill would prohibit the collection of nonpublic personal data without consent and from disclosing such data to third parties, including foreign governments. The requirements also would include deleting such information upon request. The cost for financial institutions to comply with those provisions would not exceed the threshold because the mandated entities could use established processes for those actions.

If the SEC, OCC, and NCUA increased fees to offset the costs of implementing the bill, H.R. 1165 would increase the cost of an existing mandate on private entities required to pay those assessments. CBO estimates that the incremental cost of the mandate would be below $10 million.

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