Congressional Budget Office
Cost Estimate

August 1, 2023

At a Glance

H.R. 2798, CFPB Transparency and Accountability Reform Act

As ordered reported by the House Committee on Financial Services on April 26, 2023

By Fiscal Year, Millions of Dollars	2023	2023-2028	2023-2033
Direct Spending (Outlays)	0	-2,948	-6,601
Revenues	0	32	80
Increase or Decrease (-) in the Deficit	0	-2,980	-6,681
Spending Subject to Appropriation (Outlays)	0	650	650

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	No	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
		Contains intergovernmental mandate?	No
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2034?	No	Contains private-sector mandate?	No

The bill would

- Eliminate the authority of the Consumer Financial Protection Bureau (CFPB) to receive and spend transfers from the Federal Reserve
- Establish an Office of Inspector General and Office of Economic Analysis within the CFPB

Estimated budgetary effects would mainly stem from

- Decreases in net direct spending by eliminating the authority of the CFPB to receive and spend transfers from the Federal Reserve and by establishing a program to pay awards to whistleblowers
- Changes in revenues, which net to zero over 10 years, because of delayed increases in remittances to the Treasury by the Federal Reserve
- Increases in spending subject to appropriation to fund the CFPB's current and new responsibilities

Areas of significant uncertainty include

- Anticipating the magnitude of staff changes at the CFPB and Federal Reserve in response to the bill

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. 2798 would make several changes to the Consumer Financial Protection Bureau (CFPB):

- Title I would change the CFPB's management structure from a director and deputy director to a five-member commission headed by a chairperson.
- Title II would eliminate the CFPB's authority to receive and spend mandatory transfers from the Federal Reserve to fund its operations. Title II also would authorize the appropriation of $650 million for the CFPB for 2024 and would transfer $650 million from the CFPB's Civil Penalty Fund to the general fund of the Treasury in 2024.
- Title III would establish a dedicated Office of Inspector General (IG) for the CFPB and remove the CFPB from the purview of the Federal Reserve's IG.
- Title IV would establish an Office of Economic Analysis within the CFPB and require the bureau to consider that office's assessment before issuing guidance, orders, or rules. The office also would periodically measure the effects of existing guidance, orders, and rules.
- Title V would require the CFPB, when proposing a new rule, to consider such factors as whether the rule is necessary, why private or nonfederal actors cannot adequately address the problem to be solved by the rule, and the rule's costs and benefits.
- Title VI would direct the CFPB, for the initial and final regulatory flexibility analyses required under the Regulatory Flexibility Act, to discuss the effects of a rule on small entities and the reasons for rejecting alternatives to that rule.
- Title VII would establish a program to pay whistleblowers from the Civil Penalty Fund.

Estimated Federal Cost

The estimated budgetary effect of H.R. 2798 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. 2798

	By Fiscal Year, Millions of Dollars												
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
Net Decreases in Direct Spending													
Estimated Budget Authority	0	-1,287	-642	-649	-650	-672	-688	-703	-719	-782	-807	-3,900	-7,599
Estimated Outlays	0	-382	-608	-646	-648	-664	-681	-697	-714	-760	-801	-2,948	-6,601
Increases or Decreases (-) in Revenues													
Estimated Revenues	0	-636	-641	-648	1,145	812	8	9	10	10	11	32	80
Net Increase or Decrease (-) in the Deficit From Changes in Direct Spending and Revenues													
Effect on the Deficit	0	254	33	2	-1,793	-1,476	-689	-706	-724	-770	-812	-2,980	-6,681
Increases in Spending Subject to Appropriation													
Estimated Authorization[a]	0	650	0	0	0	0	0	0	0	0	0	650	650
Estimated Outlays	0	390	228	32	0	0	0	0	0	0	0	650	650
Memorandum:													
Revenues from Whistleblower Program[b]	0	0	0	0	6	6	13	20	28	36	38	12	147

CFPB = Consumer Financial Protection Bureau

a. The bill would authorize the appropriation of $650 million in fiscal year 2024 for the CFPB to meet current and new responsibilities. Using information from the bureau and historical spending patterns, CBO expects that in 2024 the CFPB would require an additional $52 million to fully meet those responsibilities.

b. CBO follows a set of scorekeeping guidelines when it provides budgetary information to the Congress. Guideline 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 whistleblower program cannot be attributed to this bill for Congressional scorekeeping purposes.

Basis of Estimate

CBO assumes that H.R. 2798 will be enacted near the end of fiscal year 2023 and that, starting in 2024, the CFPB's operating costs would be subject to appropriation.

Background

Under current law, the combined earnings of the Federal Reserve are remitted to the Treasury and recorded in the budget as increases in revenues. The CFPB is permanently authorized to spend amounts transferred from the combined earnings of the Federal Reserve in an amount necessary to carry out its responsibilities. Transfers from the Federal Reserve to the CFPB reduce remittances to the Treasury but are recorded as other miscellaneous receipts in the budget; those two revenue streams net to zero over 10 years.

CBO estimates that in 2023, the average annual cost of a CFPB employee is $240,000 and the cost for an employee of the Federal Reserve is $270,000. For this estimate, those amounts are increased to account for anticipated inflation in later years.

Direct Spending

CBO estimates that enacting H.R. 2798 would decrease net direct spending by $6.6 billion over the 2024-2033 period (see Table 2, which also shows the estimated revenue effects discussed below under the heading "Revenues").

Table 2.
Estimated Direct Spending and Revenue Effects of H.R. 2798

By Fiscal Year, Millions of Dollars	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
Net Increases or Decreases (-) in Direct Spending													
Elimination of Transfer Authority for the CFPB													
Estimated Budget Authority	0	-637	-642	-649	-656	-678	-701	-723	-747	-818	-845	-3,262	-7,096
Estimated Outlays	0	-382	-608	-646	-653	-669	-691	-713	-736	-788	-831	-2,958	-6,717
Whistleblower Program and Civil Penalty Fund													
Estimated Budget Authority	0	-650	0	0	6	6	13	20	28	36	38	-638	-503
Estimated Outlays	0	0	0	0	5	5	10	16	22	28	30	10	116
Net Increases or Decreases (-) in Revenues													
Elimination of Transfer Authority for the CFPB	0	-636	-641	-648	1,121	804	0	0	0	0	0	0	0
CFPB's IG	0	0	0	0	24	8	8	9	10	10	11	32	80

CFPB = Consumer Financial Protection Bureau; IG = Inspector General.

Elimination of Transfer Authority for the CFPB. Title II would eliminate the authority of the CFPB to receive and spend mandatory transfers from the Federal Reserve to fund its operations. As a result, administrative funding for the bureau would be subject the availability of appropriated funds. (Those effects are discussed below under the heading "Spending Subject to Appropriation.") Because the CFPB requests funding from the Federal Reserve each quarter, CBO expects that this provision would take effect in the first quarter of fiscal year 2024. In fiscal year 2022 transfers to the CFPB totaled $642 million and CBO expects that in 2023 those transfers will total $721 million. Based on historical spending patterns, CBO estimates that eliminating that authority would reduce direct spending outlays by $382 million in 2024 and $6.7 billion over the 2024-2033 period.

Whistleblower Program and Civil Penalty Fund. H.R. 2798 would establish a program to pay awards to whistleblowers. In any judicial or administrative proceeding that results in monetary sanctions exceeding $1 million and arises from whistleblower information, the CFPB would be required to pay to the whistleblowers between 10 percent and 30 percent of the total monetary sanctions collected. Awards to individual whistleblowers could not exceed $5 million. Amounts would be paid from Civil Penalty Fund balances.

Using information about similar programs at the Securities and Exchange Commission and Commodity Futures Trading Commission as well as information from the CFPB, CBO estimates that the bureau would pay $25 million in awards over the 2027-2033 period. CBO expects that the agency would need to issue rules to establish the program and develop and prosecute multi-year cases over the 2023-2026 period, so no awards would be paid out during that time.

Under current law, penalties collected by the CFPB are deposited into the Civil Penalty Fund and may be spent without further appropriation, either for distribution to people who are the victims of violations of consumer financial law or to fund consumer education and financial literacy programs. CBO expects that new penalties collected because of whistleblower information would be available for those purposes. Based on historical spending patterns, CBO estimates that the CFPB would collect and spend about $91 million in new penalties over the 2027-2033 period.

In addition, the bill would transfer $650 million from the Civil Penalty Fund to the general fund of the Treasury in 2024. At the end of May 2023, about $2.4 billion in unobligated, unexpired balances remained in the Civil Penalty Fund; CBO expects that more than $650 million of those funds and of future collections will remain unspent through 2033. On that basis, CBO estimates the transfer would decrease budget authority by $650 million in 2024 but would result in no reduction in direct spending outlays over the 2023-2033 period.

Revenues

CBO estimates that enacting H.R. 2798 would, on net, increase revenues by $80 million over the 2024-2033 period (see Table 2).

Elimination of Transfer Authority for the CFPB. As noted, title II would eliminate the authority of the CFPB to receive and spend mandatory transfers from the Federal Reserve. As a result, CBO anticipates that enacting that provision would affect the timing of when revenues are recorded in the federal budget. Reductions in the amounts transferred from the Federal Reserve to the CFPB would be recorded as reductions in other miscellaneous receipts in the years the transfers would have occurred. Those amounts would increase remittances from the Federal Reserve to the Treasury in later years. Thus, CBO estimates that eliminating the transfer authority would have no net effect on revenues over the 2023-2033 period as the provision would reduce revenues by $636 million in 2024 but increase them by the same amount in later years.

Office of Inspector General. The Dodd-Frank Wall Street Reform and Consumer Protection Act broadened the responsibilities of the Federal Reserve's IG to include oversight of the CFPB. Title III would establish a dedicated IG for the bureau, and the Federal Reserve would relinquish that role. Using information about historical staffing patterns and feedback from the Federal Reserve, CBO expects that enacting the provision would result in the Federal Reserve reducing its staff by 30 employees. (CBO expects that a portion of the Federal Reserve's resources currently used to fulfill its CFPB-related duties would be shifted to support other work within the Federal Reserve System.) On that basis, CBO estimates that enacting title III would increase remittances from the Federal Reserve to the Treasury by $80 million over the 2024-2033 period.

Whistleblower Program. CBO estimates that creating a whistleblower program under title VII would increase the CFPB's collections of civil monetary penalties, which are recorded as revenues. However, under guidelines agreed to by the executive and legislative branches, that change is not included in this cost estimate.[1] Thus, any estimated additional penalties that may be collected under the proposed whistleblower program cannot be attributed to this bill for scorekeeping purposes. CBO estimates that nonscoreable revenues would total $147 million over the 2024-2033 period.

Spending Subject to Appropriation

H.R. 2798 would authorize the appropriation of $650 million for the CFPB for 2024 to carry out its operations. Assuming the appropriation of that amount, CBO estimates that implementing the bill would cost the same amount over the 2024-2026 period (see Table 3).

Table 3.
Estimated Increases in Spending Subject to Appropriation Under H.R. 2798

	By Fiscal Year, Millions of Dollars						
	2023	2024	2025	2026	2027	2028	2023-2028
Authorization	0	650	0	0	0	0	650
Estimated Outlays	0	390	228	32	0	0	650

The bill would establish an Office of Economic Analysis, an Office of Inspector General, and an office to distribute whistleblower awards within the CFPB. Using information from the bureau and historical spending patterns, CBO estimates that in 2024 the CFPB would probably need an additional $50 million to maintain its current operations and implement the

1. See Congressional Budget Office, "Guideline 14," *CBO Explains Budgetary Scorekeeping Guidelines* (January 2021), p. 3, www.cbo.gov/publication/56507.

additional responsibilities in the bill. In addition, CBO expects that implementing the new requirements in the bill would cost about $75 million annually over the 2025-2028 period. However, because the bill only authorizes the appropriation of funds for 2024, those estimated costs of future activities are not shown in Table 3.

Uncertainty

CBO's estimate of H.R. 2798 is subject to uncertainty. First, the degree by which the Federal Reserve would reduce its staff in response to no longer overseeing the CFPB is unclear because the IG staff are not currently separated into those who work solely on Federal Reserve issues and those who work solely on CFPB issues.

In addition, the total dollar amount of whistleblower awards issued by the CFPB over the 2025-2033 period could be higher or lower than CBO estimates; the actual total would depend on the number of successful actions brought by the CFPB that hinge on whistleblower information and the dollar amount of monetary sanctions collected in each action.

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 4.

Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

Table 4.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 2798, the CFPB Transparency and Accountability Reform Act, as Ordered Reported by the House Committee on Financial Services on April 26, 2023

	By Fiscal Year, Millions of Dollars												
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
	Net Increase or Decrease (-) in the On-Budget Deficit												
Pay-As-You-Go Effect	0	254	33	2	-1,793	-1,476	-689	-706	-724	-770	-812	-2,980	-6,681
Memorandum:													
Changes in Outlays	0	-382	-608	-646	-648	-664	-681	-697	-714	-760	-801	-2,948	-6,601
Changes in Revenues	0	-636	-641	-648	1,145	812	8	9	10	10	11	32	80

Increase in Long-Term Net Direct Spending and Deficits: None.

Mandates: None.

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Federal Spending and Revenues

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