Congressional Budget Office
Cost Estimate

August 13, 2025

At a Glance

H.R. 1163, Prove It Act

As reported by the House Committee on Small Business on May 21, 2025

By Fiscal Year, Millions of Dollars	2025	2025-2030	2025-2035
Direct Spending (Outlays)	0	3	6
Revenues	0	-3	-8
Increase or Decrease (-) in the Deficit	0	6	14
Spending Subject to Appropriation (Outlays)	0	44	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2036?	< $2.5 billion	Statutory pay-as-you-go procedures apply?	Yes
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2036?	< $5 billion	**Mandate Effects**	
		Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Under Threshold

The bill would

- Allow small businesses, nonprofit organizations, and small local governments to request that the Small Business Administration (SBA) review a certification that a proposed rule would not have a significant economic effect on a substantial number of such small entities
- Require the SBA to declare a rule no longer in effect if the issuing agency fails to review that rule periodically
- Increase the cost of an existing private-sector mandate if federal financial regulators increase annual fees to offset the cost of implementing the bill

Estimated budgetary effects would mainly stem from

- Requiring some federal agencies to devote staff to meet new analysis and reporting requirements
- Increasing costs for agencies that are funded through annual appropriations to carry out the bill's provisions
- Increasing direct spending and decreasing revenues for several fee-funded, independent agencies and the Federal Reserve System to carry out provisions of 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. 1163 would allow small businesses, nonprofit organizations, and small local governments to request that the Small Business Administration (SBA) review federal agencies' certifications that proposed rules would not significantly affect a substantial number of small entities. The bill would require the SBA to establish a process for reviewing those requests and determining whether certifications merit further review. (Federal agencies currently evaluate proposed rules' economic effects on small entities and either certify that a rule would not significantly affect them or they prepare a detailed regulatory flexibility analysis for the rule. A regulatory flexibility analysis is an assessment of a proposed regulation on small entities.)

If further review is required, the SBA would consult the rulemaking agency, representatives of the small entities, and the Office of Management and Budget to determine whether, in place of a certification, the rulemaking agency must prepare a regulatory flexibility analysis. If the agency does not complete that process, the final rule would not apply to small entities.

Additionally, under the bill, if an agency fails to update its analysis of a rule's effect on small entities within 10 years of the rule taking effect, as they are required to do under current law, the rule would no longer be in effect. That provision would apply to rules for which agencies should have provided updated analysis within the 5-year period prior to the bill's enactment. Under the bill, a rulemaking agency could seek to reinstate a rule by carrying out a new rulemaking process.

Estimated Federal Cost

The costs of the legislation, detailed in Table 1, fall within multiple budget functions.

Basis of Estimate

For this estimate, CBO assumes that H.R. 1163 will be enacted near the end of fiscal year 2025, that the estimated amounts will be appropriated in each year, and that outlays will follow historical spending patterns.

If an agency fails to comply with the bill's requirements, the SBA would determine that the existing or proposed rule is no longer in effect or would not apply to small entities. Because CBO expects that federal agencies would generally comply with the bill's requirements, we estimate that any budgetary effects stemming from that change would be insignificant.

In addition, CBO estimates that implementing the bill would increase administrative costs for most agencies because they would need additional staff to carry out the bill's provisions.

Table 1.
Estimated Budgetary Effects of H.R. 1163

	By Fiscal Year, Millions of Dollars												
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2025-2030	2025-2035
Increases in Direct Spending													
Estimated Budget Authority	0	1	*	1	*	1	1	*	1	*	1	3	6
Estimated Outlays	0	1	*	1	*	1	1	*	1	*	1	3	6
Decreases in Revenues													
Estimated Revenues	0	*	*	*	*	-3	-1	-1	-1	-1	-1	-3	-8
Net Increase in the Deficit From Changes in Direct Spending and Revenues													
Effect on the Deficit	0	1	*	1	*	4	2	1	2	1	2	6	14
Increases in Spending Subject to Appropriation													
Estimated Authorization	0	8	9	9	10	10	n.e.	n.e.	n.e.	n.e.	n.e.	46	n.e.
Estimated Outlays	0	7	9	9	9	10	n.e.	n.e.	n.e.	n.e.	n.e.	44	n.e.

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

Direct Spending

The administrative costs of the Federal Deposit Insurance Corporation, National Credit Union Administration (NCUA), and Office of the Comptroller of the Currency (OCC), are classified in the budget as direct spending. Two of those agencies, the NCUA and the OCC, collect fees from financial institutions to offset their costs; those fees are treated as reductions in direct spending.

Using information about the rulemaking activities of those agencies, CBO estimates that the increased administrative workload under H.R. 1163 would increase net direct spending for those independent agencies by $6 million over the 2025-2035 period.

The Consumer Financial Protection Bureau (CFPB) is funded by transfers from the Federal Reserve System and the subsequent spending by the CFPB is classified as direct spending. The recently enacted reconciliation legislation, Public Law 119-21, lowered the amount of funds that may be transferred to the CFPB and CBO expects that all funds transferred to the bureau will be spent. Thus, CBO treats any costs for the CFPB to implement H.R. 1163 as contingent on future appropriations and discusses those costs below under the heading, “Spending Subject to Appropriation.”

Revenues

H.R. 1163 also would affect revenues by increasing operating costs for the Federal Reserve System, which remits its net earnings to the Treasury; those remittances are classified as revenues in the federal budget. Based on the costs of similar activities, CBO estimates that the increased costs under the bill would reduce revenues by $8 million over the 2025-2035 period. Changes in costs for the Federal Reserve banks have historically resulted in changes to remittances during the same year. However, since fiscal year 2023, the central bank has recorded a deferred asset to account for accrued net losses from expenses in excess of income. As a result, remittances largely have been suspended. In CBO's projections, remittances from the Federal Reserve will generally be suspended until 2030, and until they resume, most changes in costs incurred by the system will not be recorded as changes in remittances.[1]

Spending Subject to Appropriation

CBO estimates that implementing H.R. 1163 also would increase spending for agencies that are funded by annual appropriations and, as discussed above, for the CFPB. CBO estimates that agencies that produce large numbers of rules affecting small entities would need more staff to meet the bill's requirements.

CBO expects that the agencies most affected by the bill include the Departments of Agriculture, Education, Health and Human Services, Homeland Security, Labor, and Transportation, the Environmental Protection Agency, and the Securities and Exchange Commission (SEC). Using information about the cost of similar activities, CBO estimates that the administrative costs for federal agencies to implement H.R. 1163 would total $38 million over the 2025-2030 period; any related spending would be subject to the availability of appropriated funds. That estimate includes $2 million for costs that the CFPB would incur.

Under current law, the SEC is authorized to collect fees sufficient to offset its annual appropriations. Therefore, CBO estimates that the net budgetary effect of that commission's activities to implement H.R. 1163 would be less than $500,000 over the 2025-2030 period, assuming appropriation actions consistent with the commission's authorities.

Finally, the requirement for the SBA to establish and carry out a process for small entities to request certification review would pose additional costs to that agency. Using information from the SBA, CBO estimates that those administrative costs would total $6 million over the 2025-2030 period; any related spending would be subject to the availability of appropriated funds.

1. For more information, see Congressional Budget Office, *Recent Changes to CBO's Projections of Remittances From the Federal Reserve* (February 2023), www.cbo.gov/publication/58913.

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. 1163 would not increase net direct spending by more than $2.5 billion in any of the four consecutive 10-year periods beginning in 2036.

CBO estimates that enacting H.R. 1163 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2036.

Mandates

If federal financial regulators increase annual fees to offset the costs of implementing the bill, H.R. 1163 would increase the costs of an existing private-sector mandate on entities required to pay those fees. CBO estimates that the incremental cost of the mandate would be small and would fall well below the annual threshold established in the Unfunded Mandates Reform Act (UMRA) for private-sector mandates ($206 million in 2024, adjusted annually for inflation).

The bill contains no intergovernmental mandates as defined in UMRA.

Previous CBO Estimate

On August 13, 2025, CBO transmitted a cost estimate for H.R. 1163, the Prove It Act of 2025, as ordered reported by the House Committee on the Judiciary on May 21, 2025. The two bills are similar, and CBO's estimates of their budgetary effects are the same.

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