CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 18, 2018

H.R. 5059
State Insurance Regulation Preservation Act

As passed by the House of Representatives on September 12, 2018

H.R. 5059 would exempt certain large insurance companies from supervisory assessment fees. The legislation also makes a number of changes regarding coordination and alignment of regulatory and supervisory practices between the Federal Reserve and state regulators.

Under current law, the Federal Reserve charges bank holding companies and savings and loan holding companies with total consolidated assets of more than $100 billion for the cost of supervising and regulating those firms. The Federal Reserve transfers the fees it collects to the Treasury, and they are recorded in the federal budget as revenues.

H.R. 5059 would require the Federal Reserve to request information about insurance savings and loan holding companies from state regulators before requesting them from the company, align recordkeeping requirements with state regulation, and coordinate with state regulators and minimize duplication of examinations. The Fed would also review supervisory guidance and issue a report to Congress. The Federal Reserve would continue to share regulatory responsibilities over insurance savings and loan holding companies with state regulators. However, under the legislation, the Federal Reserve would no longer charge certain insurance savings and loan holding companies for the costs it incurs.

Based on information from the Federal Reserve, CBO estimates that enacting the legislation's provisions regarding supervision and regulation would not result in significant changes to administrative costs, in part because they mostly codify existing practices. The exemption for certain supervisory assessment fees, however, would result in a reduction in federal revenues. CBO estimates that in 2016 about 5 percent ($25 million) of such fees were paid by firms that would be exempt under H.R. 5059. Because the fees reduce the firms' base for income and payroll taxes, CBO estimates that the decline in fees would be partially offset by higher income and payroll taxes and that the net reduction in revenues under the legislation would total $261 million over the 2019-2028 period.

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting revenues or direct spending. The net changes in revenues and direct spending that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for legislation H.R. 5059, as passed by the House of Representatives on September 12, 2018.

	By Fiscal Year, in Millions of Dollars												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Effects	0	22	23	24	24	26	27	28	29	30	31	118	261
Memorandum:[a]													
Change in Revenues	0	-22	-23	-24	-24	-26	-27	-28	-29	-30	-31	-118	-261

Source: Congressional Budget Office.

Note: Components do not add to totals due to rounding.

a. A negative sign for revenues indicates a reduction in revenues.

CBO estimates that enacting H.R. 5059 would not increase on-budget deficits by more than $5 billion in any of the four 10-year periods beginning in 2029. CBO estimates that enacting H.R. 5059 would not increase net direct spending in any of the four consecutive 10-year periods beginning in 2029.

H.R. 5059 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

The CBO staff contact for this estimate is Nathaniel Frentz. The estimate was reviewed by John McClelland, Assistant Director, Tax Analysis Division.