



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 18, 2017

S. 584 **Small Business Regulatory Flexibility Improvements Act**

*As ordered reported by the Senate Committee on Homeland Security
and Governmental Affairs on May 17, 2017*

SUMMARY

S. 584 would amend the Regulatory Flexibility Act (RFA) to expand the number of rules covered by that act and to require agencies to perform additional analysis of regulations that affect small businesses. The legislation also would provide new authorities to the Small Business Administration's (SBA's) Office of Advocacy to intervene and provide support for agency rulemaking. Finally, S. 584 would require the Government Accountability Office (GAO) to report on the implementation of the bill.

CBO estimates that implementing S. 584 would cost \$65 million over the 2017-2022 period, assuming appropriation of the necessary funds. Enacting the bill could affect direct spending by agencies not funded through annual appropriations and would waive certain fines, which are recorded as revenues; therefore, pay-as-you-go procedures apply. CBO estimates, however, that any changes in direct spending and revenues would not be significant.

CBO estimates that enacting S. 584 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028

S. 584 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

If any federal agencies increase mandatory fees to offset the costs of implementing the additional analysis required by the bill, S. 584 would increase the cost of an existing mandate on private entities to pay those fees. CBO expects that if fees are increased as a result of the bill, the additional cost of the mandate would fall well below the annual threshold established in UMRA for private-sector mandates (\$156 million in 2017, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of S. 584 is shown in the following table. The costs of this legislation fall within budget functions 370 (commerce and housing credit), 800 (general government), and all budget functions that include funding for agencies that issue regulations affecting small businesses.

	By Fiscal Year, in Millions of Dollars						2017- 2022
	2017	2018	2019	2020	2021	2022	
INCREASES IN SPENDING SUBJECT TO APPROPRIATION							
Estimated Authorization Level	0	10	15	15	15	15	70
Estimated Outlays	0	7	13	15	15	15	65

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the beginning of fiscal year 2017, that the necessary amounts will be appropriated each year, and that spending will follow historical patterns for similar activities.

CBO is unaware of any comprehensive information on the current level of spending for regulatory activities governmentwide. However, according to the Congressional Research Service, federal agencies issue 3,000 to 4,000 final rules each year. The Departments of Transportation, Homeland Security, and Commerce, and the Environmental Protection Agency (EPA) issue the most rules. Most major rules (those with an estimated economic impact on the economy of more than \$100 million per year) are issued by the Departments of Health and Human Services and Agriculture and the EPA.

S. 584 would broaden the definition of a “rule” for rulemaking purposes to include agency guidance and policy statements. The bill also would expand the scope of the regulatory analysis for proposed and final rules to include an examination of indirect economic effects on small businesses and a more detailed analysis of the possible economic consequences of the rule for small businesses. The legislation defines indirect economic effects as any effect that is reasonably foreseeable and would require agencies to prepare reports on the cumulative economic impact on small businesses of new and existing regulations.

Implementing S. 584 would increase the amount of regulatory analysis that agencies would need to prepare, and it would expand the role of the SBA’s Office of Advocacy

and the Office of Information and Regulatory Affairs (OIRA) within the Office of Management and Budget in the rulemaking process. Finally, the legislation would require more federal agencies to use panels of experts to evaluate regulations and to prepare reports on the economic impact of proposed regulations on small business.

Information from OIRA, the SBA, and some federal agencies indicates that the new requirements would increase the cost to issue a few hundred of the thousands of federal regulations issued annually. Based on an analysis of that information, CBO estimates that administrative costs of some regulatory agencies, the SBA and OIRA would eventually increase by a total of about \$15 million annually. That amount would cover approximately 60 new employees at the SBA and OIRA as well as additional administrative expenses for several other agencies. We expect that it would take about two years to reach that level of effort. The GAO report on the effect of the legislation on the Office of Advocacy would cost less than \$500,000 to complete. Additional spending would be subject to the availability of appropriated funds.

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. Pay-as-you-go procedures apply because enacting S. 584 could affect direct spending by agencies not funded through annual appropriations and would decrease revenues by waiving certain fines. CBO estimates, however, that any net increase in direct spending by those agencies and the loss of revenues from the waving of fines would not be significant.

INCREASE IN LONG-TERM NET DIRECT SPENDING AND DEFICITS

CBO estimates S. 584 would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2028.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 584 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

If any federal agencies increase mandatory fees to offset the costs of implementing the additional analysis required by the bill, S. 584 would increase the cost of an existing mandate on private entities to pay those fees. CBO expects that if such mandatory fees are increased as a result of the bill, the additional cost of the mandate in any one year

would fall well below the annual threshold established in UMRA for private-sector mandates (\$156 million in 2017, adjusted annually for inflation).

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