CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 20, 2018

H.R. 5054
Small Company Disclosure Simplification Act of 2018

As ordered reported by the House Committee on Financial Services on June 7, 2018

Under current law, securities issuers who are required to file certain reports with the Securities and Exchange Commission (SEC) must provide that information in a specific data format known as eXtensibile Business Reporting Language (XBRL). H.R. 5054 would direct the SEC to conduct an analysis and report on the costs and benefits of the requirement to use XBRL. Under the bill, issuers with total annual gross revenues of less than $250 million would be exempt from the XBRL requirements for a minimum of three years and maximum of five years after enactment. The length of the exemption would depend on the outcome of the SEC analysis and report. H.R. 5054 also would exempt emerging growth companies from the XBRL reporting requirement.[1]

Using information from the SEC on the costs of similar activities, CBO estimates that implementing H.R. 5054 would cost $1 million for the agency to amend its reporting rules, conduct the analysis, and prepare a report. However, the SEC is authorized to collect fees sufficient to offset its annual appropriation; therefore, CBO estimates that the net effect on discretionary spending would be negligible, assuming appropriation actions consistent with that authority.

Implementing H.R. 5054 also could substantially increase the costs to the SEC by requiring the agency to engage in a more labor intensive process to review and analyze financial data presented in alternative forms to XBRL. However, any such costs would depend on the number of companies that elect to stop using XBRL and on the outcome of the required SEC report; therefore, CBO has no basis for estimating any such increase in SEC costs.

Enacting H.R. 5054 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting H.R. 5054 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

1. An emerging growth company is one that has issued or proposes to issue stock and had total annual gross revenues of less than $1.07 billion during its most recently completed fiscal year; companies can retain that designation for up to five years.

H.R. 5054 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). If the SEC increased fees to offset the costs associated with implementing the bill, H.R. 5054 would increase the cost of an existing mandate on private entities required to pay those fees. However, the fee increase would depend in part on the number of companies that elect to stop using XBRL. CBO cannot determine the number of those companies and therefore has no basis to estimate whether the additional fees would exceed the threshold established in UMRA ($160 million in 2018, adjusted annually for inflation).

The CBO staff contacts for this estimate are Stephen Rabent (for federal costs) and Rachel Austin (for mandates). The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.