

H.R. 1018, Improving Corporate Governance through Diversity Act of 2019

As ordered reported by the House Committee on Financial Services on July 11, 2019

By Fiscal Year, Millions of Dollars	2019	2019-2024	2019-2029
Direct Spending (Outlays)	0	0	0
Revenues	0	0	0
Deficit Effect	0	0	0
Spending Subject to Appropriation (Outlays)	0	*	not estimated
Statutory pay-as-you-go procedures apply?	No	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Under Threshold
n.e. = not estimated; * = between zero and \$500,000.			

H.R. 1018 would require public companies to disclose annually information on the racial, ethnic, gender, and veteran composition of its board of directors (including nominees) and executive officers, if that information is voluntarily provided by affected individuals. The bill also would require public companies to disclose if their board of directors has adopted a plan to promote diversity. Every three years, H.R. 1018 would require the Securities and Exchange Commission (SEC) to publish best practices for public companies to comply with the new diversity reporting requirements. To assist in formulating those best practices, the SEC would establish and convene an advisory council made up of both issuers of securities and investors.

Based on information from the SEC, CBO estimates that implementing H.R. 1018 would have cost less than \$500,000 over the 2019-2024 period. Such spending would be subject to the availability of appropriated funds. Because the SEC is authorized to collect fees each year to offset its annual appropriation, CBO expects that the net budget impact of H.R. 1018 would be negligible.

H.R. 1018 contains private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the cost of the mandates would be well below the threshold established in UMRA (\$164 million in 2019, adjusted annually for inflation).



By requiring certain public companies to annually disclose information to the SEC, the bill would impose a mandate as defined in UMRA. The incremental cost of the mandate would be small because the mandated entities generally already possess or collect the information to be reported under the bill.

If the SEC increased fees to offset the costs associated with implementing the bill, H.R. 1018 would increase the cost of an existing mandate on private entities required to pay those assessments. CBO estimates that the incremental cost of the mandate would be very small.

H.R. 1018 contains no intergovernmental mandates as defined in UMRA.

The CBO staff contact for this estimate is David Hughes. The estimate was reviewed by Theresa Gullo, Assistant Director for Budget Analysis.