Congressional Budget Office
Cost Estimate

September 17, 2019

H.R. 3625, PCAOB Whistleblower Protection Act of 2019

As ordered reported by the House Committee on Financial Services on July 16, 2019

By Fiscal Year, Millions of Dollars	2019	2019-2024	2019-2029
Direct Spending (Outlays)	0	4	8
Revenues	0	2	5
Deficit Effect	0	2	3
Spending Subject to Appropriation (Outlays)	0	0	0

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	< $5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Under Threshold

H.R. 3625 would establish a whistleblower program at the Public Company Accounting Oversight Board (PCAOB). Eligible whistleblowers would receive between 10 percent to 30 percent of the fines collected from a disciplinary proceeding if the total fines are greater than $250,000. Additionally, H.R. 3625 would prohibit employers from retaliating against employees who report potential violations of public company accounting laws or regulations to the PCAOB or their supervisors. The PCAOB would need to issue rules and standards necessary to implement the new whistleblower program and employee protections.

Using information from the PCAOB, CBO estimates that over the 2019-2029 period enacting H.R. 3625 would increase direct spending by $8 million and increase revenues by $5 million, resulting in an increase in federal deficits of $3 million.

CBO anticipates that the PCAOB would spend about $360,000 to hire one to two attorneys to issue rules and standards to establish the whistleblower office in 2020. To operate the whistleblower office starting in 2021, the PCAOB would hire a senior attorney and paralegal at around $400,000 per year. After accounting for anticipated inflation CBO estimates that the PCAOB would spend about $5 million on salaries over the 2020-2029 period.

The PCAOB is permanently authorized to levy fees on accounting firms in an amount necessary to offset its annual operating costs, and may spend those fees without further appropriation. Those collections are recorded in the federal budget as revenues. CBO expects that the $5 million incurred by the PCAOB to establish and administer the whistleblower program over the 2020-2029 period would be offset by increased revenues.

Based on average annual collected penalties, CBO estimates that the PCAOB would pay less than $500,000 to whistleblowers each year beginning in 2021; those payments would total $3 million over the 2021-2029 period. Under H.R. 3625, whistleblower payments would be made from civil monetary penalties that are already collected under current law as a result of whistleblowing incidents. Because such payments would be made without further appropriation, they would be classified as direct spending.

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 that are subject to those pay-as-you-go procedures are shown in Table 1.

Table 1.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 3625, the PCAOB Whistleblower Protection Act of 2019, as ordered reported by the House Committee on Financial Services on July 16, 2019

	By Fiscal Year, Millions of Dollars												
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2019-2024	2019-2029
	Net Increase in the Deficit												
Statutory Pay-As-You-Go Effect	0	0	0	0	0	0	0	0	0	0	0	2	3

H.R. 3625 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).

The bill would impose a private-sector mandate as defined in UMRA because it would expand federal protections for whistleblowers to the employees of private entities that report to the PCAOB. The expansion would prohibit a broader range of private entities from dismissing or disciplining employees for disclosing information about violations of security laws or PCAOB rules. Because compliance with those whistleblower protections likely would involve only a small adjustment in administrative procedures for the newly-affected entities, CBO estimates that the costs of complying with the mandate would be small.

Increased fees charged by the PCAOB to offset the costs associated with implementing the bill would increase the cost of an existing mandate on private entities required to pay those assessments and fees. CBO estimates that the incremental cost of the mandate would be small.

The bill contains no intergovernmental mandates as defined in UMRA.

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