

**H.R. 3623, Climate Risk Disclosure Act of 2019**

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

By Fiscal Year, Millions of Dollars	2020	2020-2024	2020-2029
Direct Spending (Outlays)	0	0	0
Revenues	0	0	0
Deficit Effect	0	0	0
Spending Subject to Appropriation (Outlays)	*	*	not estimated
Statutory pay-as-you-go procedures apply?	No	<b>Mandate Effects</b>	
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, Cannot Determine Costs
* = between zero and \$500,000.			

H.R. 3623 would require publicly traded companies to annually disclose certain climate-related information to the public. Under the bill such companies would need to describe physical and financial risks they would face under different climate change scenarios, explain strategies and corporate governance processes in place to manage those risks, and analyze the social cost associated company greenhouse gas emissions. The Securities and Exchange Commission (SEC) would be required to establish and periodically update rules to implement the climate disclosure requirements and annually assess and report to the Congress on the extent to which public companies are in compliance. The Government Accountability Office would be required to periodically evaluate the SEC's effectiveness in carrying out and enforcing the new climate disclosures.

Using information from the SEC, CBO estimates that implementing H.R. 3623 would have a gross cost of \$13 million over the 2020-2024 period. CBO expects that the SEC would need the services of approximately 20 employees for different periods of time at an annual rate of \$250,000 per employee to issue and update rules, compile disclosures, and assess compliance. 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.



H.R. 3623 contains private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO cannot determine whether those mandates' aggregate costs would exceed the UMRA threshold (\$164 million in 2019, adjusted annually for inflation).

By requiring publicly traded companies to annually disclose to the SEC the effect of climate change on their operations and finances, H.R. 3623 would impose a mandate as defined in UMRA. The mandate's costs would equal the expenses incurred by those companies to comply with the disclosure requirements as established through SEC rules.

In 2010, the SEC published guidance to clarify how publicly-traded corporations should apply existing SEC disclosure rules to the risk that climate change developments may pose to their businesses. Such guidance did not establish reporting requirements as strict as those set out in H.R. 3623. Based on information from industry sources, CBO estimates that a small portion, about 15 percent, of affected companies are currently reporting information related to climate change to investors.

Because the SEC has not issued the rules required by the bill, CBO cannot determine whether the mandates cost would exceed the private-sector threshold. However, given the current low disclosure rate, the costs for publicly-traded companies to comply with the new rules may be substantial.

Furthermore, if the SEC increased fees to offset the costs associated with implementing the bill, H.R. 3623 also 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 roughly \$2.5 million per year, on average.

H.R. 3623 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.