Congressional Budget Office
Cost Estimate

November 20, 2019

H.R. 4329, ESG Disclosure Simplification Act of 2019

As ordered reported by the House Committee on Financial Services on September 20, 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	**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, Cannot Determine Costs

* = between zero and $500,000.

H.R. 4329 would require the Securities and Exchange Commission (SEC) to issue rules that define environmental, social, and governance (ESG) metrics and require publicly traded companies to disclose their views about those metrics to their shareholders and the SEC annually. The SEC also would be required to establish a permanent advisory committee, composed of up to 20 members, to advise the agency on sustainable finance issues.

Using information from the SEC, CBO estimates that implementing H.R. 4329 would cost $6 million over the 2020-2024 period for the SEC to issue rules and support the advisory committee. However, because the SEC is authorized to collect fees each year to offset its annual appropriation, CBO expects that any net change in discretionary spending over the 2020-2024 period would be negligible, assuming appropriation actions consistent with that authority.

By requiring publicly traded companies to disclose ESG metrics to shareholders and the SEC, H.R. 4329 would impose a private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA). The mandate's costs would equal the expenses incurred by those companies to comply with the new disclosure requirement. Because the SEC has not issued the rules required by the bill, CBO cannot determine whether the cost would exceed the private-sector threshold established in UMRA ($164 million in 2019, adjusted annually for inflation).

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

If the SEC increased fees to offset the costs associated with implementing the bill, H.R. 4329 would increase the cost of an existing mandate on private entities required to pay those 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.