

H.R. 1277, Improving Corporate Governance Through Diversity Act of 2021

As ordered reported by the House Committee on Financial Services on April 21, 2021

By Fiscal Year, Millions of Dollars	2021	2021-2026	2021-2031
Direct Spending (Outlays)	0	0	0
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	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 2032?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Under Threshold
* = between zero and \$500,000.			

H.R. 1277 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 to the extent that information is voluntarily provided. The bill also would require public companies to disclose if their boards of directors have adopted plans to promote diversity. Under the bill, the Securities and Exchange Commission (SEC) would issue three recurring reports, including one on the best practices for complying with the new disclosure requirements. Finally, the SEC would be required to establish an advisory group on diversity to study and report to the Congress on the diversity of boards of directors of public companies.

Using information from the SEC, CBO estimates that implementing H.R. 1277 would cost about \$1 million over the 2021-2026 period. However, because the SEC is authorized to collect fees each year to offset its annual appropriation, CBO expects that the net effect over the 2021-2026 period would be negligible, assuming appropriation actions consistent with that authority.

H.R. 1277 would impose 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 (\$170 million in 2021, 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. 1277 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. 1277 contains no intergovernmental mandates as defined in UMRA.

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