

**H.R. 1187, ESG Disclosure Simplification 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	<b>Mandate Effects</b>	
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?	<b>Yes, Cannot Determine Costs</b>
* = between zero and \$500,000.			

H.R. 1187 would require the Securities and Exchange Commission (SEC) to issue rules that define environmental, social, and governance (ESG) metrics and would require publicly traded companies to disclose and describe how those metrics affect their business strategy to shareholders and the SEC annually. Under the bill, the SEC would 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. 1187 would cost \$6 million over the 2021-2026 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 the net effect over the 2021-2026 period would be negligible, assuming appropriation actions consistent with that authority.

By requiring publicly traded companies to disclose ESG metrics to the SEC and shareholders, H.R. 1187 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 (\$170 million in 2021, adjusted annually for inflation).



If the SEC increased fees to offset the costs associated with implementing the bill, H.R. 1187 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 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.