



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 4, 2014

H.R. 4565 **Startup Capital Modernization Act of 2014**

As ordered reported by the House Committee on Financial Services on May 22, 2014

H.R. 4565 would broaden the definition of securities and transactions that would be exempt from regulation by the Securities and Exchange Commission (SEC). The bill would, among other things, raise the dollar limit on the size of a security offering that can be made without registering with the SEC. It also would allow employees of private companies to sell securities to accredited investors (certain institutions or individuals meeting income or net worth thresholds) without registering.

Based on information from the SEC, CBO estimates that implementing H.R. 4565 would cost less than \$500,000 over the 2015-2019 period. The SEC currently has a rulemaking effort underway that will affect registration requirements, so incorporating the bill's provisions would not significantly increase the agency's workload. Further, the SEC is authorized to collect fees sufficient to cover its annual appropriation; therefore, CBO estimates that implementing H.R. 4565 would have a negligible effect on net discretionary costs, assuming appropriation action consistent with that authority. Enacting H.R. 4565 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 4565 would impose an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) by prohibiting states from requiring the registration or review of securities in some cases. Information from the SEC and industry sources indicates that the number of securities that would be affected is small and that states could still charge filing fees. Consequently, CBO estimates that the cost to state governments of complying with the mandate would be small and well below the annual threshold established in UMRA for intergovernmental mandates (\$76 million in 2014, adjusted annually for inflation). H.R. 4565 contains no private-sector mandates as defined in UMRA.

The CBO staff contacts for this estimate are Susan Willie (for federal costs) and Melissa Merrell (for the state and local impact). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.