



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 5, 2014

### **H.R. 4697** **Small-Cap Access to Capital Act**

*As ordered reported by the House Committee on Financial Services on June 11, 2014*

CBO estimates that implementing H.R. 4697 would have a negligible effect on net discretionary costs over the 2015-2019 period. Enacting the legislation would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

Under current law, the Securities and Exchange Commission (SEC) allows certain public companies, referred to as well-known seasoned issuers (WKSI), to follow streamlined reporting requirements when issuing additional shares of stock that is already registered with the agency. Companies must meet a number of eligibility requirements to qualify as a WKSI, among them, companies must have at least \$700 million in outstanding common stock held by public investors. H.R. 4697 would lower that threshold to \$250 million. The bill also would prohibit an emerging growth company from qualifying as a WKSI.

Based on information from the SEC, CBO expects that implementing H.R. 4697 would not significantly increase the agency's workload or costs. Further, under current law, the SEC is authorized to collect fees sufficient to offset its annual appropriation; therefore, CBO estimates that implementing H.R. 4697 would have a negligible effect on net discretionary spending over the 2015-2019 period.

H.R. 4697 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

H.R. 4697 would impose a private-sector mandate, as defined UMRA, on emerging growth companies that would have qualified as a WKSI under current law. The bill would require such companies to comply with additional requirements (mostly by providing additional information) when registering securities with the SEC. Most of the direct cost of the mandate would be the cost of reporting additional information when registering a security. According to the SEC, the number of companies that could be affected by the additional requirements in the bill is small. Therefore, CBO estimates that the annual cost of complying with the mandate would be small and would fall below the threshold established in UMRA for private-sector mandates (\$152 million in 2014, adjusted annually for inflation).

The CBO staff contacts for this estimate are Susan Willie (for federal costs) and Matthew Denny and Paige Piper/Bach (for the private-sector impact). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.