

REOPENING AMERICAN CAPITAL MARKETS TO EMERGING  
GROWTH COMPANIES ACT OF 2011

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MARCH 6, 2012.—Committed to the Committee of the Whole House on the State of  
the Union and ordered to be printed

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Mr. BACHUS, from the Committee on Financial Services,  
submitted the following

SUPPLEMENTAL REPORT

[To accompany H.R. 3606]

This supplemental report shows the cost estimate of the Congressional Budget Office with respect to the bill (H.R. 3606), as reported, which was not included in part 1 of the report submitted by the Committee on Financial Services on March 1, 2012 (H. Rept. 112-406, Part 1).

This supplemental report is submitted in accordance with clause 3(a)(2) of rule XIII of the Rules of the House of Representatives.

This supplemental report contains the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974 that was not available at the time part 1 of the report was filed and updates other sections of the report accordingly. Any section appearing in this report should be deemed to supersede the same section in part 1 of this report.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX  
EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

## CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

MARCH 2, 2012.

Hon. SPENCER BACHUS,  
*Chairman, Committee on Financial Services,*  
*House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3606, the Reopening American Capital Markets to Emerging Growth Companies Act of 2011.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Susan Willie.

Sincerely,

DOUGLAS W. ELMENDORF.

Enclosure.

*H.R. 3606—Reopening American Capital Markets to Emerging Growth Companies Act of 2011*

H.R. 3606 would authorize the Securities and Exchange Commission (SEC) to exempt emerging growth companies from certain disclosure, auditing, and reporting requirements. The bill defines an emerging growth company (EGC) as an issuer of securities with less than \$1 billion in annual revenues, and following an initial offering of securities, less than \$700 million in publicly traded shares. A company may retain the EGC designation for a limited time—until its gross revenues or publicly traded share volume exceed those levels, or five years after an initial public offering of stock, whichever comes earlier.

The bill would exempt EGCs from requirements to:

- Allow shareholders to vote on executive compensation;
- Provide certain financial information in registration statements filed with the SEC;
- Comply with certain financial auditing rules; and
- Limit certain communication with brokers and dealers of securities, as well as investors.

Based on information from the SEC, CBO estimates that the SEC would require 40 additional staff positions to handle new review and enforcement activities that would result from changes under the bill. CBO estimates that implementing H.R. 3606 would cost about \$50 million over the 2012–2017 period, assuming appropriation of the necessary amounts. Further, under current law, the SEC is authorized to collect fees to offset the cost of its annual appropriation each year; therefore, CBO estimates that the net cost to implement the provisions of H.R. 3606 would not be significant, assuming annual appropriation actions consistent with the agency's authorities.

Enacting H.R. 3606 would increase both direct spending and revenues by amending provisions of law that affect the activities of the Public Company Accounting Oversight Board (PCAOB); therefore, pay-as-you-go procedures apply. The PCAOB, whose spending authority is not subject to appropriation action, is authorized to col-

lect fees to offset its operating expenses. Those fees are recorded in the budget as revenues. CBO estimates that the effect on both revenues and direct spending would be insignificant over the 2012–2022 period.

H.R. 3606 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. 3606 would impose private-sector mandates, as defined in UMRA, on national securities associations registered with the SEC. Such associations, along with the SEC, govern the conduct of association members with regard to transactions related to securities. The bill would prohibit national securities associations from issuing rules to restrict certain oral and written communications related to public offerings of emerging growth companies. Currently, only one association is registered with the SEC—a self-regulatory organization for securities firms, brokers, and dealers. In addition, to the extent that the SEC would increase fee collections to recover any additional costs incurred to handle new review and enforcement activities, the bill could impose a mandate on private entities. Based on information from the SEC, CBO estimates that the cost of the mandates would be small relative to the annual threshold established in UMRA for private-sector mandates (\$146 million in 2012, adjusted annually for inflation).

On March 2, 2012, CBO transmitted a cost estimate for H.R. 3606 as posted on the Web site of the House Committee on Rules on February 27, 2012. That version of the bill incorporates the version of H.R. 3606 as ordered reported by the House Committee on Financial Services on February 16, 2012. The CBO cost estimates for similar provisions of the bills are the same.

The CBO staff contact for this estimate is Susan Willie (for federal costs) and Paige Piper/Bach and Vi Nguyen (for the impact on the private sector). This estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.

#### FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.