



December 9, 2009

Honorable Barney Frank  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) have reviewed H.R. 4173, the Wall Street Reform and Consumer Protection Act of 2009, as amended and reported by the House Committee on Rules on December 8, 2009. As summarized in the enclosed table, CBO and JCT estimate that enacting H.R. 4173, as amended would increase revenues by \$3.1 billion over the 2010-2019 period and would reduce direct spending by \$4.2 billion over that 10-year period. In total, CBO estimates that enacting the legislation would have no effect on budget deficits over the 2010-2014 period and reduce them by \$7.3 billion over the 2010-2019 period. CBO has not completed an estimate of the bill's impact on spending subject to appropriation.

### **Changes in the Troubled Asset Relief Program (TARP)**

The enclosed table includes estimated savings from provisions in Title I that would reduce the maximum amount that may be outstanding at any time under the Troubled Asset Relief Program by \$20.8 billion. On December 9, 2009, the Secretary of the Treasury extended the TARP authority through October 3, 2010. (Otherwise, the TARP authority would have expired on December 31, 2009.) In its March 2009 baseline projections, CBO expected that the Treasury would use all of the \$700 billion in authority available under the TARP. That baseline was adopted as the Congress' budget resolution baseline for scorekeeping purposes and is used by CBO for estimating the budgetary impact of legislation until the Congress adopts a new baseline for scorekeeping purposes. The budget resolution baseline reflected an estimated average

subsidy of 50 percent for the use of uncommitted TARP authority. Therefore, using that baseline, CBO estimates that the proposed reduction of \$20.8 billion in the current legislation would result in a savings of \$10.4 billion.

That reduction in spending relative to the March baseline might occur even in the absence of this legislation because financial conditions have improved considerably since March. Indeed, the Secretary of the Treasury noted in his December 9, 2009, letter to the Congress that “beyond these limited new commitments, we will not use remaining [TARP] funds unless necessary to respond to an immediate and substantial threat to the economy stemming from financial instability.” Thus, if CBO were to estimate the impact of the TARP provision in this legislation taking into account current financial conditions, the agency would not expect that the TARP’s ceiling on outstanding investment would be fully utilized. Therefore, the savings estimated relative to the budget resolution baseline may be attributable to the improvement in financial conditions rather than enactment of H.R. 4173.

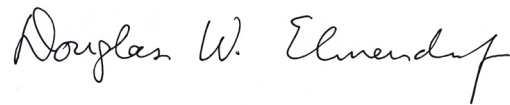
### **Intergovernmental and Private-Sector Impact**

H.R. 4173, as reported by the House Committee on Rules, includes a number of intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA). Because the costs of complying with some of the mandates would depend on the regulations to be established under the bill, CBO cannot determine whether the aggregate costs of the intergovernmental mandates would exceed the annual threshold established in UMRA (\$69 million in 2009, adjusted annually for inflation). CBO estimates that the total costs of the private-sector mandates in the bill would well exceed the annual threshold established in UMRA (\$139 million in 2009, adjusted annually for inflation).

Honorable Barney Frank  
Page 3

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Susan Willie and Kathleen Gramp (for federal spending other than TARP), Jeff Holland (for TARP spending), Barbara Edwards (for federal revenues), Elizabeth Cove Delisle (for intergovernmental mandates), and Sam Wice, Paige Piper/Bach, and Brian Prest (for private-sector mandates).

Sincerely,

A handwritten signature in cursive script that reads "Douglas W. Elmendorf".

Douglas W. Elmendorf  
Director

Enclosure

cc: Honorable Spencer Bachus  
Ranking Member

Honorable Louise M. Slaughter  
Chairwoman  
Committee on Rules

Honorable David Dreier  
Ranking Minority Member

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**ESTIMATED CHANGES IN REVENUES AND DIRECT SPENDING RESULTING FROM H.R. 4173, THE WALL STREET REFORM AND CONSUMER PROTECTION ACT OF 2009, AS REPORTED BY THE HOUSE COMMITTEE ON RULES ON DECEMBER 8, 2009**


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	By Fiscal Year, in Billions of Dollars										2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014	2019
<b>CHANGES IN REVENUES</b>												
Title I—Financial Stability Improvement Act												
Subtitle B—Prudential Regulation	0	0	0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.6
Subtitle D—Improvements to Regulation of Bank Holding Companies	0	*	*	*	*	*	*	*	*	0.1	0.1	0.3
Subtitle G—Enhanced Dissolution Authority	0	0	0.2	0.4	0.5	0.6	0.6	0.6	0.6	0.5	1.1	3.8
All Other Titles	<u>0</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>-0.1</u>	<u>-0.3</u>
Total Title I—Financial Stability Improvement Act	0	0	0.2	0.4	0.6	0.7	0.7	0.7	0.7	0.7	1.2	4.4
Title IV—Consumer Financial Protection Agency Act	*	0.1	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.6	-2.3
Title V—Capital Markets	0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	1.0
Title VII—Appraisal Subcommittee	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Total Changes in Revenues <sup>a</sup>	*	0.2	0.1	0.2	0.4	0.5	0.4	0.4	0.4	0.4	1.0	3.1
<b>CHANGES IN DIRECT SPENDING</b>												
Title I—Financial Stability Improvement Act												
Subtitle B—Prudential Regulation												
Estimated Budget Authority	0	0.6	0.9	0.6	0	-0.5	-0.3	-0.2	-0.1	0	2.1	1.1
Estimated Outlays	0	0.6	0.9	0.6	0	-0.5	-0.3	-0.2	-0.1	0	2.1	1.1
Subtitle C—Improvements to Supervision of Federal Depository Institutions												
Estimated Budget Authority	0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.6
Estimated Outlays	0	*	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5
Subtitle G—Enhanced Dissolution Authority												
Estimated Budget Authority	0.2	2.3	3.7	2.6	0.5	-1.5	-1.3	-0.5	-0.3	-0.1	9.3	5.7
Estimated Outlays	0.2	2.3	3.7	2.6	0.5	-1.5	-1.3	-0.5	-0.3	-0.1	9.3	5.7
Troubled Assets Relief Program Reduction <sup>b</sup>												
Estimated Budget Authority	-10.4	0	0	0	0	0	0	0	0	0	-10.4	-10.4
Estimated Outlays	-10.4	0	0	0	0	0	0	0	0	0	-10.4	-10.4
Total Title I—Financial Stability Improvement Act												
Estimated Budget Authority	-10.2	2.9	4.7	3.2	0.6	-1.9	-1.5	-0.6	-0.3	0	1.2	-3.0
Estimated Outlays	-10.2	2.9	4.6	3.2	0.6	-1.9	-1.5	-0.6	-0.2	0	1.1	-3.1

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	By Fiscal Year, in Billions of Dollars											2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014	2019	
<b>CHANGES IN DIRECT SPENDING Continued</b>													
Title IV—Consumer Financial Protection													
Agency Act													
Estimated Budget Authority	0.1	0.2	-0.1	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-1.8	
Estimated Outlays	0.1	0.2	-0.1	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-1.8	
Title V—Capital Markets													
Estimated Budget Authority	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.7	
Estimated Outlays	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.7	
Title VII—Appraisal Subcommittee													
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	*	*	*	
Estimated Outlays	*	*	*	*	*	*	*	*	*	*	*	*	
Total Changes in Direct Spending													
Estimated Budget Authority	-10.1	3.1	4.6	3.1	0.4	-2.1	-1.7	-0.8	-0.4	-0.2	1.1	-4.1	
Estimated Outlays	-10.1	3.1	4.5	3.1	0.4	-2.1	-1.7	-0.8	-0.4	-0.2	1.0	-4.2	
<b>IMPACT OF CHANGES IN REVENUES AND DIRECT SPENDING ON THE DEFICIT</b>													
Net Effect on the Deficit <sup>c</sup>	-10.1	2.9	4.4	2.8	*	-2.5	-2.1	-1.2	-0.9	-0.6	**	-7.3	

Notes: Components may not sum to totals because of rounding.

\* = between -\$50 million and \$50 million.

\*\* = net deficit reduction of less than \$50 million.

- a. H.R. 4173 could affect federal tax receipts under the Internal Revenue Code. However, there are a number of uncertainties regarding potential effects of the use of a bridge financial company by the Federal Deposit Insurance Corporation on the tax attributes of a failed financial institution. It is not possible to determine whether the use of a bridge financial company would provide a tax result that is more or less favorable than bankruptcy, which is the current-law alternative. For this reason at this point, the staff of the Joint Committee on Taxation is not able to estimate the changes in tax revenue that would result from the bill.
- b. The proposed reduction in authority for the Troubled Asset Relief Program (TARP) would yield savings relative to the current budget resolution baseline. Those estimated savings would occur only if the TARP's ceiling on outstanding investment would otherwise be fully utilized.
- c. Positive numbers indicate increases in deficits; negative numbers indicate the opposite.