Our Perspectives:
Commentary on the economy & regulatory policies affecting financial companies

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The Congressional Budget Resolutions and Financial Services*

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This article highlights provisions in the House and Senate budget resolutions related to financial services. These provisions are not binding policy, but provide insight into the priorities of the House Financial Services Committee and the Senate Banking Committee. Specific changes in policies would have to be made by those committees and the Congressional appropriations committees. The Senate budget resolution has been approved by the full Senate. The House of Representatives has yet to vote on its resolution.

Senate Budget Resolution

The Senate budget resolution, S. Con. Res. 11, includes two provisions related to financial services. Sec. 321 provides that, for fiscal years 2016 through 2025, the Senate Budget Committee may revise, without raising new revenues or increasing the deficit, budget allocations "relating to regulatory relief for small financial firms, improvements in the effectiveness of the financial regulatory framework, enhancements in oversight and accountability of the Federal Reserve System, and expansions in access to capital markets." This non-binding directive is consistent with the agenda of the Senate Banking Committee, and presumably reflects input from that Committee.

The Senate budget resolution also includes a section which addresses the funding of the CFPB. Section 328 permits the Senate Budget Committee to adjust budget allocations in order to subject the CFPB to the regular appropriations process. Again, this is an issue that may be addressed at some point in this session by the Senate Banking Committee and Senate Appropriations Committee.

In addition to these two provisions, there were several amendments related to financial services that were filed for consideration during the Senate floor debate. Only one of those amendments was adopted, an amendment by Senators Brown and Vitter aimed at banks deemed to be "too-big-to-fail." That amendment encourages federal regulators to impose capital requirements as well as restrictions on growth, activities, and operations of banks over $500 billion in assets if such banks failed to prepare credible resolutions plans. The Dodd-Frank Act already gives the Federal Reserve Board and the FDIC this authority.

House Budget Resolution

Section 810(a)(4) of the House Budget Resolution, H.Con. Res 27, is a policy statement that is critical of the economic impact of the Dodd-Frank Act. That section states that the Act "has resulted in more than $32

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billion in compliance costs and saddled job creators with more than 63 million hours of compliance paperwork." To address these costs, the resolution recommends several policy changes including the elimination of unnecessary regulations; requiring Congressional approval of all major regulation that have an economic impact of $100 million or more; and requiring a three-year retroactive cost-benefit analysis of major new regulations.

The report accompanying the House budget resolution also highlights three policy options for costs saving in the financial services sector. First, the Committee calls for restricting the FDIC's authority under Title II of the Dodd-Frank Act to provide temporary financing to systemically important financial firms that are going through a resolution process. Second, the report supports canceling the ability of the CFPB to fund its operations by tapping the Federal Reserve's yearly remittances to the Treasury Department. Finally, the report calls for the complete privatization of Fannie Mae and Freddie Mac. These recommendations, like the recommendations in the Senate budget resolution, are consistent with priorities announced by the leadership of the House Financial Services Committee.

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