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INSIGHT

Reconciliation Provisions Submitted by the House Financial Services Committee Related to CFPB Funding

May 15, 2025

On April 30, 2025, the House Committee on Financial Services voted to submit to the House Budget Committee a committee print providing for reconciliation pursuant to H.Con.Res. 14, the budget resolution for FY2025. As amended, the committee print would reduce the cap on funding that the Consumer Financial Protection Bureau (CFPB) could request annually from the Federal Reserve and mandate that the CFPB transfer certain unobligated balances to the Treasury General Fund. For more information on the broader committee print, see CRS Insight IN12552, *Reconciliation Provisions Submitted by the House Financial Services Committee*.

The budget reconciliation process allows Congress to develop and consider certain legislation affecting direct spending, revenues, and/or the debt limit using expedited procedures. H.Con.Res. 14 includes a reconciliation directive to the House Committee on Financial Services to develop and submit, by May 9, 2025, changes in laws within its jurisdiction that would reduce the deficit by at least $1 billion over FY2025-FY2034. In total, according to estimates from the Congressional Budget Office (CBO), these provisions impacting the CFPB funding would reduce the deficit by roughly $3.9 billion.

CFPB Funding Provisions in the Dodd-Frank Act

Rather than being funded through regular appropriations, the CFPB funds its operations through monetary transfers from the Federal Reserve, as specified by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank, P.L. 111-203), Most CFPB funding is distributed quarterly from the Federal Reserve according to the amounts requested by the CFPB director, subject to an overall cap. This funding is transferred to the "Bureau Fund," which funds most operations at the CFPB. This funding cap currently uses a formula from that capped the budget request for FY2013 at 12% of total Federal Reserve FY2009 operating expenses ($4.98 billion), or $598 million. In each year thereafter, that amount is adjusted by an employment cost index for total compensation for state and local government. Under this formula, the FY2025 budget cap is $823 million. The total amount transferred to the Bureau Fund in a given year does not equate to total amount requested or total spending in that year, and some amounts remain as

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unobligated balances that are usable in future years. But combined, the transfer cap and fund balances set an upward limit on total spending in a given year. Dodd-Frank specifies that amounts in the Bureau Fund "shall remain available until expended" and "shall not be subject to apportionment for purposes of chapter 15 of title 31 or under any other authority." At the end of FY2024, the unobligated balances for the Bureau Fund stood at $235 million.

In addition to the Bureau Fund, Dodd-Frank created a separate Civil Penalty Fund to hold penalties assessed by the CFPB to be used primarily for payments to victims. After compensating victims of direct enforcement actions, CFPB can generally utilize penalties from one firm for victims of another enforcement action or for consumer education and financial literacy. As of April 2025, the balance of the Civil Penalty Fund stood at roughly $428 million, a reduction from $2.1 billion at the end of FY2024.

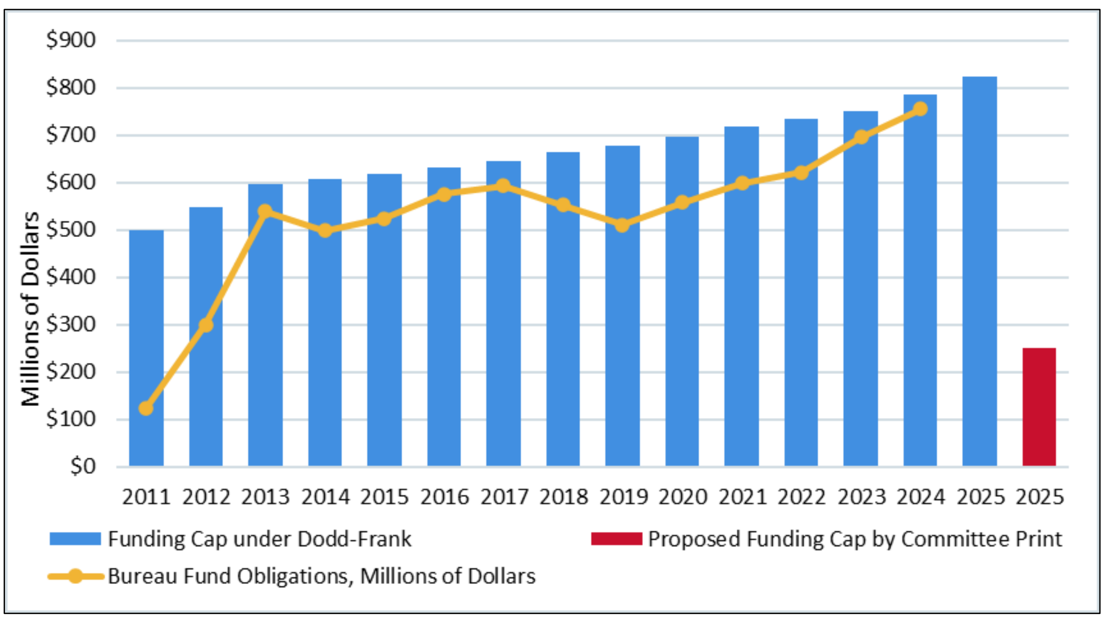
Funding Changes Proposed by the Committee Print

Section 50003

This section would revise the CFPB funding cap for FY2025 and future years by capping funding requests at 5% of total Federal Reserve FY2009 operating expenses ($4.98 billion), which translates to $249 million in FY2025, with an employment cost index adjustment moving forward. The proposed change would decrease the funding cap in FY2025 from $823 million, as depicted in **Figure 1**. This revised funding cap would accommodate CFPB spending in nominal terms at slightly below FY2012 levels ($299 million) and would likely necessitate a reduction in staff, similar to the one currently being proposed by acting agency leadership, and/or a decrease in other spending obligations.

Acting CFPB Director Vought has attempted to reduce the CFPB's staff from roughly 1,700 to 200. This is the subject of ongoing litigation. This reduction in workforce would substantially decrease the CFPB's budgetary needs and could impact some of its operations.

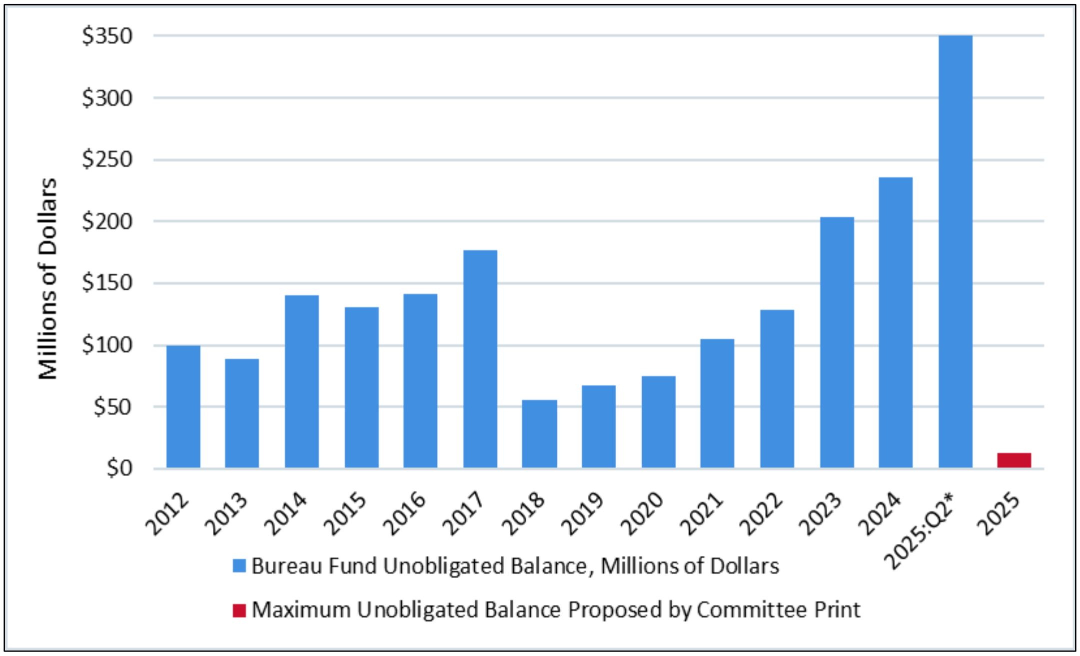
Figure 1. CFPB Funding Cap Under Dodd-Frank and Proposed by Committee Print



Sources: Data compiled by CRS from CFPB annual financial reports and calculated using the information from the committee print.

Section 50003 would also limit the total unobligated balances that the CFPB could hold in the Bureau Fund to 5% of the revised funding cap and transfer the remaining balance to the Treasury General Fund. Using the FY2025 funding cap proposed by the committee print ($249 million), this would cap the Bureau Fund unobligated balances at $12 million (see **Figure 2**). If there has been no change in the $350 million in unobligated balances in April 2025, this section would result in a one-time transfer of roughly $338 million. These unobligated balances could be reduced based on acting leadership deciding to draw down the existing unobligated balances. In total over 10 years, CBO estimates that this section would reduce the deficit by roughly $3.9 billion.

Figure 2. Bureau Fund Unobligated Balance Trends and Maximum Amount Proposed by Committee Print



Source: Data compiled by CRS from CFPB annual financial reports and calculated using information from the committee print. Data for 2025:Q2 as of April 15, 2025, and according to OMB SF 133.

Section 50004

This section would limit the types of payments from the Civil Penalty Fund and treatment of its unobligated balances. In sum, these provisions would limit distributions from the fund solely to payments to victims directly affected by the subject of a particular enforcement action, as opposed to utilizing those funds to pay affected consumers in other cases or for consumer education and financial literacy. The remaining unobligated balance after paying those direct victims would be transferred to the general fund of the Treasury. As of April 2025, the unobligated balances in the Civil Penalty Fund stood at $428 million. In total over 10 years, CBO estimates that this section would reduce the deficit by $9 million.

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