CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

Revised January 22, 2018

H.R. 4270
Monetary Policy Transparency and Accountability Act of 2017

As ordered reported by the House Committee on Financial Services on November 14, 2017

Current law gives the Federal Reserve's Board of Governors and its Federal Open Market Committee (FOMC) broad authority to establish and conduct monetary policy. Twice each year, the Chair of the Federal Reserve is required to present Congressional testimony and to report to the Congress concerning the efforts, activities, objectives, and plans related to monetary policy.

H.R. 4270 would require the FOMC to establish and describe an annual strategy for monetary policy that would include a description of the way that the committee would adjust the instruments of monetary policy, including an identified primary instrument, in response to changes in economic indicators. The bill also would require the Federal Reserve's testimony and reports to describe at least one reference rule, or mathematical equation, that would be used as a benchmark for the conduct of monetary policy, and identify whether and how actual monetary policy has deviated from that rule.

The bill would directly affect revenues through the operations of the Federal Reserve System, which remits its net earnings to the Treasury; those remittances are classified as revenues in the federal budget. CBO estimates that enacting H.R. 4270 would increase costs of the Federal Reserve starting in 2019 and thus decrease federal revenues by $8 million over the 2018-2027 period. Those higher costs reflect, in particular, CBO's anticipation that the Federal Reserve would implement the bill by hiring a small number of additional staff to modestly expand its current work on monetary policy rules and to coordinate across the offices of the members of the FOMC, including the associated regional Federal Reserve Bank presidents.

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement requirements for legislation affecting direct spending or revenues. The net changes in revenues that are subject to those procedures are shown in the table below. CBO estimates that enacting H.R. 4270 would not affect direct spending.

CBO's Estimate of Pay-As-You-Go Effects for H.R. 4270, as ordered reported by the House Committee on Financial Services on November 14, 2017

	By Fiscal Year, in Millions of Dollars											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2022	2018-2027
NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	1	1	1	1	1	1	1	1	1	3	8

CBO estimates that enacting H.R. 4270 would not affect net direct spending or increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2028.

H.R. 4270 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

This cost estimate supersedes the previous cost estimate for H.R. 4270, which CBO transmitted on December 5, 2017. The prior estimate erroneously indicated that the bill would require that the FOMC establish a mathematical description of the way that the committee would adjust the instruments of monetary policy. This revised cost estimate corrects the description of H.R. 4270 but does not change the estimated cost of the bill.

The CBO staff contact for this estimate is Nathaniel Frentz. The estimate was approved by John McClelland, Assistant Director for Tax Analysis.