



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 30, 2009

### **H.R. 1664**

#### **A bill to amend the executive compensation provisions of the Emergency Economic Stabilization Act of 2008 to prohibit unreasonable and excessive compensation and compensation not based on performance standards**

*As ordered reported by the House Committee on Financial Services  
on March 26, 2009*

H.R. 1664 would add restrictions on compensation for executives and employees of institutions receiving funds from the Troubled Asset Relief Program (TARP) or who work for Fannie Mae, Freddie Mac, or the Federal Home Loan Banks. Such restrictions would prohibit bonuses or other additions to base salary if certain standards, as determined by the Secretary of the Treasury in conjunction with other organizations, are not met. Financial institutions subject to the requirements of the bill would have to report information on the compensation of employees that receive income above certain levels. CBO estimates that enacting H.R. 1664 would have no significant impact on the federal budget and would not affect direct spending or revenues.

H.R. 1664 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. 1664 would impose a private-sector mandate, as defined in UMRA, to the extent that it would invalidate existing compensation arrangements between some financial institutions that have received funds from the TARP and executives or employees of those institutions. The costs of complying with the mandate would be the value of the compensation forgone as a result of the bill's prohibition on compensation that is "unreasonable or excessive". Those costs would depend in part on the standards governing unreasonable or excessive compensation that would be established by the Secretary. Because of uncertainty about those standards and a lack of information about existing compensation arrangements, CBO cannot determine whether the cost, if any, would exceed the annual threshold established in UMRA for private-sector mandates (\$139 million in 2009, adjusted annually for inflation).

The CBO staff contact for this estimate is Jeff Holland. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.