RSC Republican Study Committee

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# Legislative Bulletin……………………………………..………March 19, 2009

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## H.Con.Res. ____ - Expressing the sense of the Congress regarding executive and employee bonuses paid by AIG and other companies assisted with taxpayer funds provided under the Troubled Asset Relief Program of the Secretary of the Treasury *(Kilroy, D-OH)*

**Order of Business**: The resolution is scheduled to be considered on Thursday, March 19, 2009 under a motion to suspend the rules and pass the resolution.

**Summary**: H.Con.Res. ____ would express the sense of the Congress that "*the President is appropriately exercising all of the authorities granted by Congress under the Emergency Economic Stabilization Act of 2008*, and any other Federal law, by taking all necessary actions to ensure that"

- "In the absence of a voluntary decision by AIG employees and executives to forego their contractual retention bonuses, AIG will repay taxpayers for the hundreds of millions of dollars the company provided to executives and employees in retention bonuses;
- "Going forward, companies that receive a capital infusion under Title I of the Emergency Economic Stabilization Act of 2008 that the Secretary of the Treasury deems necessary to restore liquidity and stability to the financial system of the United States are prohibited from providing to executives and employees unreasonable and excessive compensation payments that are not directly tied to performance measures, such as repayment of the companies' obligations to the taxpayers, profitability of the company, adherence to appropriate risk management, and transparency and accountability to shareholders, investors, and taxpayers; and
- "Companies that receive a capital infusion under Title I of the Emergency Economic Stabilization Act of 2008 that the Secretary of the Treasury deems necessary to restore liquidity and stability to the financial system of the United States are complying with the letter of the letter of the provisions included in the American Recovery and Reinvestment Act that strengthen executive compensation restrictions for recipients of capital infusions, such as limiting base salaries for executives to no more than $500,000 per year, banning

golden parachutes, limiting bonuses for executives, requiring shareholders to approve pay packages, requiring executives to certify they are meeting the law's restrictions, requiring a company-wide policy on luxury expenditures, and prohibiting compensation on the basis of excessive risks that threaten the viability of such companies, and adherence to all executive compensation guidelines the Secretary of the Treasury may establish."

The resolution lists a number of finding including:

- "The Treasury and the Federal Reserve have committed almost $200 billion in various forms of taxpayer assistance to AIG for the company's liquidity shortages, the purchase of certain assets, and to dispose of other assets for an orderly wind-down of the company;
- "The commitment of almost $200 billion in taxpayer assistance represents one of the largest Federal government rescues of a single private corporation in United States history;
- "The Federal Reserve has taken a 79.9 percent stake in AIG in exchange for providing financial assistance extending credit;
- "Despite the irresponsible actions of AIG executives that threatened the company as a going concern, and exposed taxpayers to almost $200 billion to cover losses from excessive risks, these executives will receive hundreds of millions of taxpayer money in retention payments and bonuses for performance in 2008 and 2009; and
- "Common sense dictates that a company such as AIG that was so mismanaged as to threaten the stability of the financial system of the Nation and that requires billions of dollars of taxpayer money for its survival should not reward that mismanagement through lavish bonuses."

**Potential Conservative Concern**: The resolution would express the sense of the Congress that the "the President is appropriately exercising all of the authorities granted by Congress under the Emergency Economic Stabilization Act of 2008." Many conservatives may disagree with this statement. For example, Section 103 of the Emergency Economic Stabilization Act requires the Secretary of the Treasury (who serves at the pleasure of the President), in exercising his authority, to take into consideration: "protecting the interests of taxpayers by maximizing overall returns and minimizing the impact on the national debt." Many conservatives may believe that this requirement has not been met, and that Congress should not praise the Administration for its handling of TARP funds.

**Committee Action**: The resolution has not been considered by any committee.

**Cost to Taxpayers**: The resolution would not authorize any additional expenditures.

**Does the Bill Expand the Size and Scope of the Federal Government?**: No.

**Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?**: No.

**Does the Bill Comply with House Rules Regarding Earmarks/Limited Tax Benefits/Limited Tariff Benefits?**: Though the bill contains no earmarks, and there's no accompanying committee report, the earmarks rule (House Rule XXI, Clause 9(a)) does not apply, by definition, to legislation considered under suspension of the rules.

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