April 30, 2020

The Honorable Nancy Pelosi, Speaker
The Honorable Mitch McConnell, Majority Leader
CC Members of Congress

Dear Honorable Leaders,

The undersigned respectfully ask that Congress apply strong conditions on current and future Covid-19 aid laws to prevent personal profiteering by senior executives of recipient corporations. At this time of great suffering, taxpayers should not have to subsidize massive paychecks for top executives. This was the case after the 2008 financial crash, when many executives of bailed out Wall Street firms pocketed huge bonuses while millions of Americans lost their homes and livelihoods.

Executives of large U.S. corporations are not responsible for the current pandemic, but many of them contributed to the economic insecurity that left so many Americans vulnerable to economic ruin. Crisis relief must be targeted to those who need it most — not corporate executives who have amassed enormous fortunes.

Recommendations

We ask that Congress strengthen the executive compensation requirements in the CARES Act and attach these same restrictions to all future crisis-related corporate aid, as well as federal government contracts for economic recovery projects:

1. **Total compensation for all executives should be capped at no more than 50 times that of the median paid worker at the firm.**

Under the CARES Act, executives receiving assistance through the Federal Reserve face no executive compensation conditions. For airlines and companies deemed "critical to national security" that receive financial aid, executives who made more than $3 million in 2019 (virtually all big company CEOs) can receive the sum of $3 million and 50 percent of any compensation received in 2019 that exceeded $3 million. All executives may receive a golden parachute worth twice their 2019 earnings. Say the CEO of a company receiving financial assistance made $14.5 million in 2019 (the average for S&P 500 firms in 2018). Under CARES Act rules, that CEO would now be able to pocket annual compensation of $8.75 million and potentially a golden parachute worth $29 million. While a handful of CEOs have voluntarily opted to forgo some or all of their base salary in the coming months, this form of compensation makes up a small fraction of typical big company executive pay packages. But again, most executives at aided firms face NO pay restrictions.

Asking taxpayers to subsidize these unconscionably high sums, at a time when ordinary Americans are struggling to get by, is unacceptable. Limiting compensation to 50 times that of the median would be generous to the CEO while encouraging companies to raise worker pay. If the median worker receives

$50,000, the CEO could be paid as much as $2.5 million. This measure was included in a House draft in early April.

2. **If an executive makes more than $1 million, half of all pay above that amount should be held in a fund for paying fines for company misconduct.**

Taxpayers should not have to subsidize corporate fines for the misuse of taxpayer money. Putting a sizeable portion of executives' personal compensation on the line would be an excellent deterrent to abuse of CARES Act funding and other misconduct. In the case of rampant fraud on Wall Street, no senior executive served time in jail; shareholders, instead, paid the collective $200 billion in fines.

3. **Stock buybacks should be banned until all forms of aid are repaid — without exception.**

The CARES Act does include restrictions on stock buybacks, but these conditions — as well as the executive compensation limits — may be waived by the Treasury Secretary if he deems it necessary "to protect the interests of the Federal Government." Aided firms must quit quarterly capitalism and wasteful stock buybacks engineered to spark a short-lived stock price jump to inflate stock-based executive compensation. Had firms not engaged in buybacks at even half the rate of the last two decades, major American corporations would not need any aid right now at all.

4. **Equity-based pay should include provisions that prevent executives from reaping crisis windfalls**

To prevent executives from receiving preferential protection from the economic crisis, corporations should be banned from repricing executive stock options or resetting the value of stock grants that may now be underwater. Any equity awards should include conditions reflecting best practices on both clawbacks and equity holding requirements.

5. **Corporations must not be allowed to deduct as a business expense the pay to any employee that exceeds $1 million.**

The Tax Cuts and Jobs Act of 2017 capped the deductibility of all forms of executive compensation at $1 million, but only for the five named officers of each firm. To further protect taxpayers from having to subsidize excessive compensation, this cap should be extended to all employees.

Congress felt compelled to approve the $2.3 trillion CARES Act with less than a week of deliberation because nearly 40 percent of Americans cannot afford a $400 emergency. This extreme economic insecurity is in large part due to corporate pay practices that have enriched those at the top while denying ordinary workers a fair reward for their labor. In this time of unprecedented public health and economic crisis, we cannot afford to allow large corporations to funnel precious public funds into the pockets of a privileged few.

For questions, please contact Bartlett Naylor at bnaylor@citizen.org;, Sarah Anderson at sarah@ips-dc.org; Rosanna Landis Weaver at rlweaver@asyousow.org; and/or John Keenan at jkeenan@afscme.org

Sincerely

American Federation of Teachers

AFSCME

As You Sow

Center for Digital Democracy

Coalition of Labor Union Women

Communication Workers of America

Congregation of Sisters of St. Agnes

Consumer Action

CtW Investment Group

Equality North Carolina

Food & Water Watch

Franciscan Action Network

Greenpeace

Indivisible

International Federation of Professional and Technical Engineers

Institute for Policy Studies, Global Economy Project

Institute for Agriculture and Trade Policy

International Brotherhood of Teamsters

International Union of Bricklayers and Allied Craftworkers

Interfaith Center on Corporate Responsibility

Investor Advocates for Social Justice

Main Street Alliance

Missionary Oblates

MomsRising

Muslim Caucus of America

National Association of Consumer Advocates

National Consumer Law Center (on behalf of its low-income clients)

NAACP

NETWORK Lobby for Catholic Social Justice

Newground Social Investment

Northwest Coalition for Responsible Investment

Oxfam

Province of Saint Joseph of the Capuchin Order

Public Advocacy for Kids

Public Citizen

Railroads and Clearcuts Campaign

Revolving Door Project

Service Employees International Union/SEIU

Sisters of St Francis of Philadelphia

Take on Wall Street

Tax March

Tennessee Citizen Action

UNITE Here

Zevin Asset Management