Washington, DC – Ranking Member Elijah E. Cummings requested today that Chairman Darrell Issa hold a Committee hearing on the issue of corporate executive compensation after a report reveals that 25 of the top 100 CEOs received more in compensation last year than their company paid in 2010 federal income taxes.

“As the principle oversight committee in Congress, we have a unique opportunity and responsibility to examine the extent to which the problems in CEO compensation that led to the economic crisis continue to exist today,” Cummings wrote. “We should also examine in detail why CEO pay and corporate profits are skyrocketing while worker pay stagnates and unemployment remains unacceptably high, as well as the extent to which our tax code may be encouraging these growing disparities.”

Cummings’s request comes in light of an Institute for Policy Studies report released today that found:

- Of last year’s 100 highest-paid corporate chief executives in the United States, 25 took home more in CEO pay than their company paid in 2010 federal income taxes.
- These 25 CEOs had an average compensation of $16.7 million, well above last year’s $10.8 million average for S&P 500 CEOs.
- Only 5 of these 25 companies paid any taxes at all. Eighteen of these 25 companies actually collected tax refunds from the Internal Revenue Service that averaged $304 million.
- CEOs in 22 of these 25 firms enjoyed pay increases in 2010. In 13 of these companies, CEO pay increased while the company’s income tax bill declined or its corporate tax refund expanded.

Below is Cummings’s letter to Chairman Issa.

August 30, 2011

The Honorable Darrell E. Issa
Chairman
Committee on Oversight and Government Reform

U.S. House of Representatives
Washington, D.C. 20515

I am writing to request that the Committee hold hearings on the issue of corporate executive compensation.

In 2008, this Committee conducted significant oversight work on the causes and consequences of the economic crisis. As part of that investigation, the Committee determined that the structure and method of determining Chief Executive Officer (CEO) pay rewarded excessive risk taking and short-term profits over long-term shareholder and corporate interests. At a 2008 hearing with Countrywide CEO Angelo Mozilo, former Merrill Lynch CEO Stanley O'Neal, and former Citigroup CEO Charles Prince, former Committee Chairman Henry A. Waxman stated:

There seem to be two different economic realities operating in our country today, and the rules of compensation in one world are completely different from those in the other. Most Americans live in a world where economic security is precarious and there are real economic consequences of failure. But our Nation's top executives seem to live by a different set of rules.

The Financial Crisis Inquiry Commission reached the same conclusion. In its final report this year, the Commission stated:

Compensation systems—designed in an environment of cheap money, intense competition, and light regulation—too often rewarded the quick deal, the short-term gain—without proper consideration of long-term consequences. Often, those systems encouraged the big bet—where the payoff on the upside could be huge and the downside limited. This was the case up and down the line—from the corporate boardroom to the mortgage broker on the street.

As a result of the reckless and in some cases illegal actions of corporations that caused the economic crisis, millions of hard working Americans lost their jobs, and many of them continue to be unemployed or underemployed. In addition, "[n]early $11 trillion in household wealth has vanished, with retirement accounts and life savings swept away."

Today, however, the largest U.S. corporations have returned to making record profits and rewarding their CEOs with lavish compensation packages. In 2010, CEOs at the nation's largest companies were paid more than they were in 2007, "when the economy was booming, the stock market set a record high, and unemployment was roughly half what it is today."

Although corporations and CEOs may have returned to their pre-crisis levels, with the support of billions of dollars in government bailouts, the circumstances of millions of working Americans continue to stagnate. The Washington Post reported that, according to research conducted by Andrew Sum, the Director of the Center for Labor Market Studies at Northeastern University, corporate profits accounted for 88% of economic growth in the 18 months since June 2009, but "wages and salaries accounted for 1 percent of that growth in the same time period."

In addition to these indicators, tomorrow the Institute for Policy Studies will issue a report that raises additional concerns. The report, which I have been provided a copy of, states:

- Of last year's 100 highest-paid corporate chief executives in the United States, 25 took home more in CEO pay than their company paid in 2010 federal income taxes.
- These 25 CEOs had an average compensation of $16.7 million, well above last year's $10.8 million average for S&P 500 CEOs.
- Only 5 of these 25 companies paid any taxes at all. 18 of these 25 companies actually collected tax refunds from the Internal Revenue Service that averaged $304 million.
- CEOs in 22 of these 25 firms enjoyed pay increases in 2010. In 13 of these companies, CEO pay increased while the company's income tax bill declined or its corporate tax refund expanded.

In contrast, the report states that the gap between CEO and average U.S. worker pay rose from 263-to-1 in 2009 to 325-to-1 last year.

Although Congress put in place some reforms relating to CEO pay under the Dodd-Frank Wall Street Reform and Consumer Protection Act, many of these provisions are still pending regulatory review and implementation.

As the principle oversight committee in Congress, we have a unique opportunity and responsibility to examine the extent to which the problems in CEO compensation that led to the economic crisis continue to exist today. We should also examine in detail why CEO pay and corporate profits are skyrocketing while worker pay stagnates and unemployment remains unacceptably high, as well as the extent to which our tax code may be encouraging these growing disparities.

Thank you for your consideration of this request, and I hope we can work in a bipartisan manner on this issue.

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