CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

January 4, 2012

H.R. 1221
Equity in Government Compensation Act of 2011

As ordered reported by the House Committee on Financial Services on November 15, 2011

H.R. 1221 would direct the Federal Housing Finance Agency (FHFA) to adjust the compensation of employees at the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) to levels comparable to executive branch employees. CBO estimates that enacting the legislation would have no significant impact on the federal budget because the bill would not directly change the income of the organizations nor would it restrict how those firms could spend amounts realized by reducing certain salaries. The legislation would affect direct spending; therefore, pay-as-you-go-procedures apply. CBO estimates, however, that any changes in direct spending would be insignificant. Enacting the bill would not affect revenues.

The bill would direct FHFA to reduce compensation levels for executive officers at Fannie Mae and Freddie Mac to align with compensation levels at financial regulatory agencies in the executive branch. Compensation levels at those firms would be capped at the maximum attainable salary at FHFA—currently around $255,000. The bill would require that other employees at Fannie Mae and Freddie Mac be compensated in accordance with the federal government's General Schedule pay rates—the predominant pay schedule for executive branch agencies.

In the past several years, total compensation—including salaries and benefits—for employees of Fannie Mae and Freddie Mac combined has averaged around $2 billion. Assuming enactment in early 2012, CBO estimates that H.R. 1221 would reduce salaries for current employees by around $300 million annually, based on information from FHFA, FHFA's Office of Inspector General, Fannie Mae's and Freddie Mac's quarterly financial reports, and salary schedules for federal employees.

Implementing H.R. 1221 would result in less spending for compensation of current employees of Fannie Mae and Freddie Mac. However, the legislation would not require any amounts saved by lowering compensation to be returned to the U.S. Treasury or to be used to offset the cost of mortgage guarantees made by those firms. Under the bill, any such funds could be used to cover new administrative costs, such as hiring additional employees, contracting for necessary services, or changing the retirement plans for existing employees.

H.R. 1221 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.

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