



REPUBLICAN CAUCUS

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REPUBLICAN SPENDING REDUCTION PROPOSAL
CANCEL UNUSED TARP FUNDS

(prevents \$396 billion in new disbursements;
saves \$16 billion from 2011 through 2020)

PURPOSE

- This proposal would end the Troubled Asset Relief Program [TARP], cancel any remaining authority, and prevent the Obama administration from using TARP funds for additional bailouts or other purposes.
The initiative would prevent \$396 billion in new disbursements from the TARP, and achieve savings of \$16 billion under credit reform estimates (see explanation below).

SUMMARY

- The proposal would prohibit the Treasury Secretary from exercising authority under the Emergency Economic Stabilization Act [EESA] to disburse TARP funds for new commitments. Only those funds pursuant to legally binding contracts entered into on or before enactment of this legislation will be disbursed.
All TARP funds returned to the Treasury – including dividends, interest, and other payments – will go to deficit reduction and will not create headroom for the Treasury to exercise additional authority.

BACKGROUND

- Representative Price has introduced H.R. 3140, which in part would terminate the Treasury Secretary’s TARP authority.
The TARP was conceived in 2008 at the height of the financial crisis to prevent an economic meltdown.
Since then, financial markets have largely stabilized, and the largest banks that received TARP support have repaid it, with interest.
But the administration has exploited the program’s authority for purposes other than financial stabilization – including purchasing two auto companies and subsidizing mortgage holders who failed to meet their payments – even though Congress, in the original legislation, expressly sought to limit the uses of TARP authorities. Late last year, Treasury Secretary Geithner chose to extend TARP until 3 October 2010.

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- Congress, too, has made multiple attempts to use TARP authority for new spending programs, such as another “jobs” package.
 - Thus the TARP has become another Washington slush fund, and the only way to prevent continued abuses is to terminate the TARP authority.

TARP ESTIMATES

- On a cash basis, \$699 billion in TARP authority remains for use by the Treasury Secretary. Of that amount, \$490 billion has been contractually committed to TARP programs, while \$187 billion has been repaid. This leaves \$396 billion in authority available for Treasury.
- The Congressional Budget Office [CBO] estimates that if TARP authority were terminated beginning in fiscal year 2011, savings of \$16 billion under modified credit reform would be achieved, based on *The Budget and Economic Outlook* of January 2010. (Under modified credit reform, CBO estimates the net present value of TARP disbursements using a market discount rate. This is the value of all future cash flows – or in the case of TARP, losses – discounted back to today’s dollars, with an adjustment for market risk.)

This document was prepared by the Republican staff of the Committee on the Budget, U.S. House of Representatives. It has not been approved by the full committee and may not reflect the views of individual committee members.