# CONGRESSIONAL BUDGET OFFICE
# COST ESTIMATE

February 12, 2018

# S. 1791
## Presidential Allowance Modernization Act of 2017

*As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on October 4, 2017*


## SUMMARY

Under current law, former Presidents receive annual pensions that equal a Cabinet Secretary's basic pay (about $211,000 in 2018); the annual pension for a President's surviving spouse is set at $20,000. Current law also provides former Presidents with annual allowances to pay for staff, office space, and other related expenses.

S. 1791 would decrease former Presidents' pensions to $200,000 per year but would increase the pension of a surviving spouse to $100,000. Both pensions would be indexed to inflation. For the first 10 years after leaving office, a former President would receive a $500,000 annual expense allowance (also indexed to inflation) that would be reduced by $1 for every dollar over $400,000 earned the year before; the allowance would eventually drop to $250,000 by the end of 10 years.

CBO estimates that implementing the bill would reduce discretionary spending by $24 million over the 2018-2027 period, assuming that appropriations are reduced by the estimated amounts. In addition, enacting the bill would increase direct spending by $1 million. Because enacting S. 1791 would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

CBO estimates that enacting S. 1791 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

By decreasing the pensions of former Presidents, S. 1791 would impose a private-sector mandate, as defined in the Unfunded Mandates Reform Act (UMRA). The cost of complying with the mandate would be the total decrease in pension income earned by former Presidents (who left office before enactment of this bill) and would fall well below the annual threshold established in UMRA for private-sector mandates ($156 million in 2017, adjusted annually for inflation). S. 1791 contains no intergovernmental mandates.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of S. 1791 is shown in the following table. The budgetary effects fall within budget function 800 (general government).

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2018-2022 | 2018-2027 |
| **DECREASES IN SPENDING SUBJECT TO APPROPRIATION** | | | | | | | | | | | | |
| Estimated Authorization Level | * | -1 | -2 | -2 | -3 | -3 | -3 | -3 | -4 | -4 | -9 | -27 |
| Estimated Outlays | * | -1 | -2 | -2 | -3 | -3 | -3 | -3 | -4 | -4 | -8 | -24 |
| **INCREASES OR DECREASES (-) IN DIRECT SPENDING** | | | | | | | | | | | | |
| Estimated Budget Authority | * | * | * | * | * | * | * | * | * | * | 1 | 1 |
| Estimated Outlays | * | * | * | * | * | * | * | * | * | * | 1 | 1 |

* = between -$500,000 and $500,000. Components may not sum to totals because of rounding.

## BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1791 will be enacted near the beginning of calendar year 2018 and that future appropriations for the affected activities will be reduced by the amount of the estimated savings.

### Spending Subject to Appropriation

Under current law, the General Services Administration (GSA) is authorized to provide office staff, office space, and equipment to former Presidents. Those activities are funded by annual appropriations. S. 1791 would prevent GSA from paying for those activities from annual appropriations and would instead require former Presidents to directly fund their own staff, space, and equipment. (GSA, however, could still pay for the current leases of former Presidents until those leases expired.) CBO estimates that implementing this provision would reduce outlays by $24 million over the next 10 years.

### Direct Spending

S. 1791 would reduce annual pensions for former Presidents, increase pensions for their surviving spouses, and entitle former Presidents to a nominal allowance. Taken together, the provisions would increase direct spending by $1 million over the 2018-2027 period. Over time, the effect of smaller pensions would offset a larger portion of the allowances that are paid as direct spending. CBO estimates that enacting the bill would slightly reduce direct spending in the final years of the budget window.

**Presidential Pensions.** Under the bill, the annual pensions provided to former Presidents would initially drop by about $11,000 to $200,000. A surviving spouse's pension would increase from $20,000 to $100,000. Both of those annual amounts would be indexed to inflation. Taken together, those provisions would reduce spending for pensions by less than $500,000 over the next 10 years, CBO estimates. Although Presidential pensions are paid out of a discretionary appropriation, because former Presidents are entitled to receive those pensions, CBO considers them to be direct spending.

**Allowances for Former Presidents.** Under S. 1791, a former President's expense allowance would decline over time. The amount would be set at $500,000 for recently retired Presidents and would eventually drop to $250,000 after a President has been out of office for 10 years. Under the legislation, the maximum allowance would depend on the former President's earnings the year before and would be indexed to inflation. Using publicly available information about the income of former Presidents in recent years, CBO expects that beginning in 2018, at least three former Presidents would be ineligible to receive any allowance (other than for existing leases) under the legislation. As a result, implementing the bill would increase direct spending by less than $500,000 in each year over the 2018-2027 period.

## PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending and revenues. Enacting S. 1791 would affect direct spending by less than $500,000 in each year over the next 10 years, and would increase direct spending by $1 million over the 2018-2027 period.

## INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting S. 1791 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

## MANDATES

S. 1791 would impose a private-sector mandate, as defined in UMRA, by decreasing the pensions of former Presidents, about $211,000 for calendar year 2018. The bill would reduce an earned benefit of former Presidents by decreasing their federal pension to $200,000 per year, indexed to inflation. The cost of this mandate would be the total decrease in pension income earned by the former Presidents who left office before enactment of this bill and would fall well below the annual threshold established in UMRA for private-sector mandates ($156 million in 2017, adjusted annually for inflation). S. 1791 contains no intergovernmental mandates.

## PREVIOUS CBO ESTIMATE

On November 13, 2017, CBO transmitted a cost estimate for H.R. 3739, as posted on the website of the House Committee on Oversight and Government Reform on November 10, 2017. Instead of entitling former Presidents to an allowance, enacting that version of H.R. 3739 would authorize the appropriation of an allowance up to the same maximums specified in S. 1791. CBO's cost estimates for both bills reflect that difference.

## ESTIMATE PREPARED BY

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