



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 13, 2017

H.R. 3739 **Presidential Allowance Modernization Act of 2017**

*As posted on the website of the House Committee on Oversight and Government Reform
on November 10, 2017*

SUMMARY

H.R. 3739 would decrease the pensions of former Presidents, increase the pensions of surviving spouses of former Presidents, and limit the allowances provided to each former President for staff, office space, and other related expenses.¹

CBO estimates that implementing the legislation would reduce outlays for those activities by \$7 million over the 2018-2022 period, assuming that appropriations are reduced by the necessary amounts. Enacting H.R. 3739 also would decrease direct spending; therefore pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

CBO estimates that enacting H.R. 3739 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 3739 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

H.R. 3739 would impose a private-sector mandate, as defined in UMRA, by decreasing the pensions of former Presidents. 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).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 3739 is shown in the following table. The savings fall in budget function 800 (general government).

1. See docs.house.gov/billsthisweek/20171113/HR3739-1.pdf

	By Fiscal Year, in Millions of Dollars					2018- 2022
	2018	2019	2020	2021	2022	
DECREASES IN SPENDING SUBJECT TO APPROPRIATION ^a						
Estimated Authorization Level	*	-1	-2	-2	-3	-8
Estimated Outlays	*	-1	-2	-2	-2	-7

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

a. Enacting the bill would decrease direct spending for pensions by less than \$500,000 in every year and over the 2018-2027 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 3739 will be enacted before the end of 2017 and that future appropriations for the affected activities would be reduced by the amount of the estimated savings.

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 result in lower spending for pensions totaling less than \$500,000 over the next five years, CBO estimates. Presidential pensions are paid out of a discretionary appropriation; however, because former Presidents are entitled to receive those pensions under the law, CBO considers those pensions to be direct spending.

Allowances for Former Presidents

In 2017, \$2.8 million was appropriated for allowances to former Presidents—an average of \$600,000 per President. Such allowances are used to cover costs for offices, staff, supplies, and other services intended to help former Presidents perform duties related to their unofficial public status. H.R. 3739 would reduce that amount to a maximum of \$500,000 for recently retired Presidents, with that amount decreasing to \$250,000 after a President has been out of office for 10 years. The maximum allowances for former Presidents would be indexed to inflation and would decrease by \$1 for every dollar over \$400,000 a former President earned in the previous year. For former Presidents who currently have leased space to carry out their duties as a public figure, the adjusted allowances would be increased by the amount of that lease until it expires.

On the basis of publicly available information about the income of former Presidents in recent years, CBO expects that at least three former Presidents would earn enough that they would not be eligible under the bill for an allowance beginning in 2018. As a result, implementing the bill would save \$1 million in 2019 and \$7 million over the 2018-2022 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. H.R. 3739 would decrease direct spending by less than \$500,000 over the 2018-2027 period. Enacting the bill would not affect revenues.

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 3739 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

MANDATES

H.R. 3739 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

H.R. 3739 would impose a private-sector mandate, as defined in UMRA, by decreasing the pensions of former Presidents. Under current law, former Presidents receive an annual pension equal to the rate of basic pay for Cabinet Secretaries, which is about \$208,000 for calendar year 2017. 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).

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