CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 10, 2016

S. 1411
Presidential Allowance Modernization Act of 2015

As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on February 10, 2016

SUMMARY

S. 1411 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.

CBO estimates that implementing the legislation would reduce outlays by $11 million over the 2017-2021 period, assuming that appropriations are reduced by those amounts. Because enacting S. 1411 would not affect direct spending or revenues, pay-as-you-go procedures do not apply.

CBO estimates that enacting S. 1411 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

S. 1411 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

S. 1411 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 ($154 million in 2016, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of S. 1411 is shown in the following table. The savings fall in budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars					
	2017	2018	2019	2020	2021	2017-2021
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	-2	-3	-3	-3	-3	-13
Estimated Outlays	-2	-2	-2	-2	-2	-11

Note: Components may not sum to totals because of rounding.

BASIS OF ESTIMATE

Assuming S. 1411 will be enacted near the beginning of fiscal year 2017, CBO estimates that the legislation would save $11 million over the 2017-2021 period. Those savings arise from changes to Presidential pensions and allowances afforded to former Presidents.

Presidential Pensions

Under the bill, the annual pensions provided to former Presidents would initially drop by about $6,000 to $200,000, while a surviving spouse's pension would increase from $20,000 to $100,000. Both of those annual amounts would be indexed to inflation. Assuming that the four former Presidents currently collecting a pension continue to do so and that President Obama would begin collecting a pension early in calendar year 2017, the bill's provisions affecting such benefits would result in a savings totaling less than $200,000 over the next five years, CBO estimates. (Currently, there are no surviving spouses of deceased former Presidents.)

Allowances for Former Presidents

In 2016, $2.4 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. S. 1411 would reduce that amount to a maximum of $200,000 per President, indexed to inflation. Allowances would decrease by $1 for every dollar over $400,000 a former President earned in the previous year, also indexed to inflation.

On the basis of publicly available information about the income of former Presidents in recent years, CBO expects that at least two former Presidents would earn enough that they would not be eligible for an allowance beginning in 2017. As a result, assuming appropriations are reduced by the necessary amounts each year and accounting for the retirement of President Obama (which affects part of the fiscal year), implementing the bill would save $1.8 million in 2017. The savings would grow to $2.2 million in 2018 when President Obama will have been retired for a full fiscal year, and would total $11 million over the 2017-2021 period. (If the President elected in 2016 leaves office on January 20, 2021, the savings would be slightly greater that year.)

PAY-AS-YOU-GO CONSIDERATIONS: None.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1411 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 1411 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 $206,000 for calendar year 2016. 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 ($154 million in 2016, adjusted annually for inflation).

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting S. 1411 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

PREVIOUS CBO ESTIMATE

On June 22, 2015, CBO transmitted an estimate for H.R. 1777, the Presidential Allowance Modernization Act of 2015, as ordered reported by the House Committee on Oversight and Government Reform on May 19, 2015. The two pieces of legislation are similar and CBO's estimates of the budgetary effects of the two are also similar.

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