



# CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 22, 2015

## **H.R. 1777** **Presidential Allowance Modernization Act**

*As ordered reported by the House Committee on Oversight and Government Reform  
on May 19, 2015*

### **SUMMARY**

H.R. 1777 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 \$10 million over the 2016-2020 period, assuming that appropriations are reduced by those amounts. Enacting H.R. 1777 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

The legislation 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.

H.R. 1777 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 2015, adjusted annually for inflation).

### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary effect of H.R. 1777 is shown in the following table. The savings fall in budget function 800 (general government).

|   | By Fiscal Year, in Millions of Dollars |      |      |      |      | 2016-2020 |
|---|--|------|------|------|------|-----------|
|   | 2016                                   | 2017 | 2018 | 2019 | 2020 |           |
| <b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b> |  |      |      |      |      |           |
| Estimated Authorization Level                       | -2                                     | -2   | -3   | -3   | -3   | -12       |
| Estimated Outlays                                   | -2                                     | -2   | -2   | -2   | -2   | -10       |

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that H.R. 1777 will be enacted near the beginning of fiscal year 2016. After enactment, the annual pensions provided to former Presidents would initially drop by about \$4,000 to \$200,000, while a surviving spouse’s pension would increase from \$20,000 to \$100,000 annually. Both of those pension amounts would be indexed to inflation. Assuming that the former Presidents currently collecting a pension continue to do so and because no surviving spouse currently receives a pension (Nancy Reagan has chosen to waive hers), the bill’s provisions affecting such benefits would result in savings totaling less than \$150,000 over the next five years, CBO estimates.

In 2015, nearly \$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. H.R. 1777 would reduce that amount to a maximum of \$200,000 per President, indexed to inflation. That allowance would decrease by \$1 for every dollar over \$400,000 a former President earned in the previous year, also indexed to inflation. Based on 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 2016. As a result, assuming appropriations are reduced by the necessary amounts each year, the bill would save about \$1.6 million in 2016. After President Obama retires, savings would grow to \$2.2 million in 2018; total savings over the 2016-2020 period would be about \$10 million.

**PAY-AS-YOU-GO CONSIDERATIONS:** None.

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

H.R. 1777 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**

H.R. 1777 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 \$203,700 for calendar year 2015. 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 complying with the 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 for private-sector mandates as established in UMRA for private-sector mandates.

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